Annual Report
at 31 December 2013

iren

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NOTICE OF CALL OF THE ORDINARY SHAREHOLDERS' MEETING

The shareholders are called to the ordinary meeting to be held at the Sala Campioli, Via Nubi di Magellano 30, Reggio Emilia on 18 June 2014 at 11 a.m., on first call, to discuss and resolve the following

AGENDA:

1. Appointment of a member of the Board and Directors following co-option pursuant to Art. 2386 of the Italian Civil Code: inherent and consequent resolutions.

2. Financial statements at 31 December 2013 and Directors' Report: inherent and consequent resolutions.

3. Remuneration Report (section 1, pursuant to Art. 123-ter, paragraph 3 of the Consolidated Law on Finance): inherent and consequent resolutions.

It should be noted that the share capital is represented by 1,181,725,677 ordinary shares with voting rights and by 94,500,000 savings shares without voting rights, all with a nominal value of Euro 1.00 each.

Reggio Emilia, 29 April 2014

KEY FIGURES OF THE IREN GROUP

	2013	2012	% Change
Income statement figures *(millions of euro)*			
Revenue	3,448	4,328	(20.3)
Gross operating profit (EBITDA)	646	630	2.6
Operating profit (EBIT)	313	334	(6.3)
Profit before tax	214	235	(8.8)
Profit/(loss) for the period - Group and non-controlling interests	92	162	(43.3)
Statement of financial position figures *(millions of euro)*	**At 31/12/2013**	**At 31/12/2012**	
Net invested capital	4,514	4,509	0.1
Equity	1,989	1,954	1.8
Net financial position	(2,525)	(2,555)	(1.2)
Financial/economic indicators			
	2013	*2012*	
GOP/Revenue	18.74%	14.55%	
	At 31/12/2013	*At 31/12/2012*	
Debt/Equity	1.27	1.31	
Technical and trading figures	*2013*	*2012*	
Electrical energy sold (GWh)	13,231	17,053	(22.4)
Heat energy produced (GWh_t)	3,072	2,931	4.8
District heating volume (mln m^3)	79	76	2.7
Gas sold (mln m^3)	3,029	3,265	(7.2)
Water distributed (mln m^3)	171	179	(4.3)
Waste handled (tons)	1,003,276	954,450	5.1

(*) Change of more than 100%

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

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

- Iren Acqua Gas operates in the integrated water cycle;
- Iren Energia operates in the electrical and heat energy production and technological services sector;
- Iren Mercato manages the sale of electrical energy, gas and district heating;
- Iren Emilia operates in the gas sector, handles waste collection, environmental health and the management of local services;
- Iren Ambiente handles the design and management of waste treatment and disposal plants and operates in the renewable energy sector.

Electrical energy production: through a considerable number of electrical energy and heat energy plants for district heating production, the overall production capacity is over 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano).

Gas distribution: through its network of over 9,000 km, Iren serves over one million customers.

Electrical energy distribution: with 7,474 km of high, medium and low voltage networks, the Group distributes electrical energy to over 691,000 customers in Turin and Parma.

Integrated water service: with around 14,150 km of aqueduct networks, over 8,000 km of sewerage networks and 813 treatment plants, Iren provides services to more than 2,400,000 residents.

Waste management cycle: with 123 equipped ecological stations, 2 waste-to-energy plants, 1 landfill, 12 treatment plants and 2 composting plants, the Group serves 116 municipalities for a total of around 1,139,000 residents.

District heating: through 878 km of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 79 million m^3, equivalent to a population served of over 550,000 individuals.

Sales of gas, electrical energy and heat energy: each year the Group sells over 3 billion m^3 of gas, around 13,230 GWh of electrical energy and 3,072 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Francesco Profumo
Deputy Chairman	Andrea Viero
CEO	Nicola De Sanctis
Directors	Franco Amato [(1)]
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Roberto Walter Firpo [(2)]
	Alessandro Ghibellini [(3)]
	Fabiola Mascardi [(4)]
	Ettore Rocchi [(5)]
	Barbara Zanardi [(6)]

Board of Statutory Auditors

Chairman	Paolo Peveraro [(7)]
Standing Auditors	Aldo Milanese [(7)]
	Annamaria Fellegara [(7)]
Substitute Auditors	Alessandro Cotto [(7)]
	Emilio Gatto [(7)]

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

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

[(1)] Chairman of the Control and Risk Committee and member of the Committee for Transactions with Related Parties.
[(2)] Member of the Remuneration Committee.
[(3)] Member of the Control and Risk Committee.
[(4)] Chairman of the Remuneration Committee and member of the Committee for Transactions with Related Parties.
[(5)] Member of the Remuneration Committee.
[(6)] Chairman of the Committee for Transactions with Related Parties and member of the Control and Risk Committee.
[(7)] Appointed by the shareholders' meeting on 14 May 2012 for the 2012-2014 three-year period.
[(8)] Assignment conferred by the shareholders' meeting on 14 May 2012 for the 2012-2020 nine-year period.

MISSION AND VALUES OF THE IREN GROUP

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

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Your company's 2013 Financial Statements are the first presented by the Board of Directors appointed in June last year.
The continuity of action guaranteed in 2013 by the former and new Boards of Directors has generated better results than in 2012, at both operating and financial levels. This continuity has also further reduced the net debt/EBITDA ratio which in the last two years has fallen from 4.5x in 2011 to 3.9x in the year just ended.

Your company's results are particularly important if we consider that 2013 saw yet another decline in the economic scenario, with a significant drop in the demand for energy (-6.5% in the gas sector and -3.4% in electrical energy) which, combined with a particularly encouraging performance in renewable energies, has meant that commodity prices - electrical energy especially - have lowered considerably.

Through the performances of unregulated electricity and gas marketing activities, the capacity for increasing energy production and improving margins as a result of remarkable plant efficiency, in addition to the contribution from regulated activities, the Iren Group closed 2013 with revenues of Euro 3,448.0 million, EBITDA of Euro 646.0 million (up 2.6%) and net operating profit of Euro 133.8 million (up 6.8% on 2012), on which the operational results and improved financial management have both had a positive effect. The presence of significant non-recurring items (extraordinary reimbursement of IRAP for 2012 and assessments that led to a revaluation of certain assets and investments for a total of Euro 53.3 million), led to the recognition in accounts of net profit totalling Euro 80.6 million, down on the 2012 figure.

In the last twelve months the investments made reached Euro 338.0 million, of which Euro 138 million to complete investments associated with Group strategic projects.

The company continued the governance reform action as indicated by you, renewing the corporate and control bodies of the first-level companies with a decrease in the number of members, enhancement of responsibilities within the Group, gender representation and a major sign of temperance as regards cost containment.

Important action was also developed regarding access to the credit market for support for development action, for maintaining balance and for increasing the Group's financial flexibility. Forming part of this context are the loan agreement signed with Cassa Depositi e Prestiti, particularly with regard to investments in the Energy infrastructures sector, and your company's access to the bond market, which offered an improved debt profile and ensures greater differentiation of funding sources, at the same time confirming the market's willingness to finance the Group's activities and development projects.

2013 was also the year that saw the launch of two highly strategic projects of the Group: the Integrated Environmental Hub (IEH) in Parma and the OLT regasification plant in Livorno, which along with the Torino Nord plant complete the Group's cycle of major investments.
The Parma IEH helps guarantee territorial independence in the disposal of residual waste from separate waste collection, whilst the regasification plant in Livorno will offer further diversification of supply sources and technologies in a sector that has become subject to frequent changes.

Furthermore, the exit from the Edipower ownership structure offset by acquisition of the Turbigo and Tusciano plants now provides the Iren Group with a combined cycle thermoelectric capacity of 2,000 MW and a hydroelectric capacity of over 600 MW, allowing greater strategic flexibility to be achieved and stronger synergies from the direct management of the plants acquired, now integrated with Iren's plant network.
Remaining with the topic of energy production, we recorded a 23.5% increase, distinctly higher than the national figure, as a result of growth in all the Group's energy sources, which also include the contributions from the CCGT plant in Turbigo and the hydroelectric plant in Tusciano.

In terms of sales, the optimisation strategy for the customer portfolio has clearly improved the management of net working capital without affecting profitability, which instead recorded a strong growth (+104%).

New AEEG tariff regulation was applied in the water sector, which saw a continuation of network and plant development activities, increased energy efficiency and treatment and purification plant improvement to ensure environmental compatibility with the standards set by European directives, Area Plans and the improvement objectives defined by the Group.

On behalf of the Board of Directors, I would like to thank all our employees for their expertise and commitment shown every day in their work, which have led to our achieving these results.

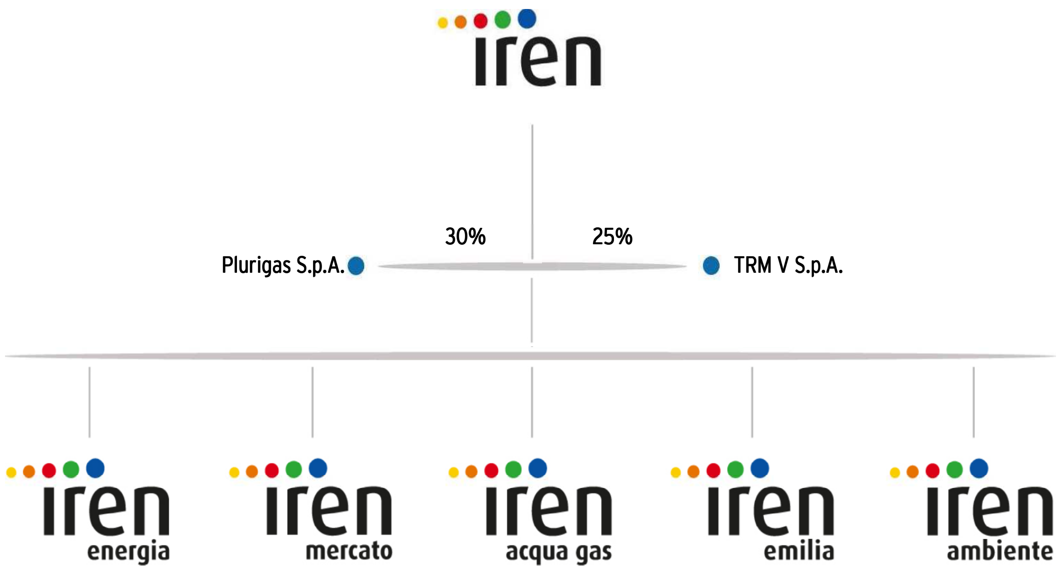
My thanks also go to all the members of the former and current Boards of Directors and Boards of Statutory Auditors for the important work they have done in the past and for their firm contribution to the future growth of your company.

The Chairman of the Board of Directors
Francesco Profumo

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid-in 1,276,225,677.00
Reggio Emilia Companies Register no. 07129470014
Tax Code and VAT no. 07129470014

Directors' report
at 31 December 2013

IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.
TRM V has an 80% controlling interest in TRM S.p.A.
Note that this is the organisational structure for management purposes.

The flowchart illustrates the main investee companies of Iren Holding.

IREN ENERGIA

Cogenerative production of electrical energy and heat energy

Iren Energia's installed capacity totals approximately 3,000 MW, of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electrical energy production plants: 19 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,200 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production was in the region of 3,072 GWh_t in 2013, with district heating volumes of approximately 79 million m^3.

Electrical energy distribution

Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In 2013 the electrical energy distributed was equal to 4,136 GWh, of which 3,210 GWh in Turin and 926 GWh in Parma.

Gas distribution and District Heating
The district heating and gas distribution activities in the city of Turin are carried out by AES Torino (51% controlled by Iren Energia), which owns one of the largest district heating networks in the whole of Italy (approximately 520 km of dual-piping at 31 December 2013). In 2013, the gas network extended over 1,335 km, serving approximately 500,000 end customers.
Iren Energia also owns the district heating networks of Reggio Emilia, covering around 217 Km, of Parma with roughly 89 Km and Piacenza which covers approximately 20 km.
Lastly, Nichelino Energia - in which Iren Energia and AES Torino hold respective stakes of 67% and 33%, aims at developing district heating in the town of Nichelino.

Services to Local Authorities and Global Service
Iren Servizi e Innovazione (formerly Iride Servizi) provides Turin with street lighting services, traffic light management, heating and electrical systems management of municipal buildings, global technology service management of the Turin Court House and facility management for the Group. The electronic infrastructures and connections in Turin are managed by Iren Energia, which in 2013 incorporated the subsidiary AemNet, the former manager.

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

Sale of natural gas
Total volumes of natural gas procured in 2013 were approximately 3,029 million m^3 of which approximately 1,269 million m^3 were sold to customers outside the Group, 122 million m^3 were used in electrical energy production through tolling agreements with Edipower, 1,439 million m^3 were used within the Iren Group both for electrical energy and heat energy production and for the provision of heating services, whilst 200 million m^3 of gas remained in storage.
At 31 December 2013 gas customers managed directly by Iren Mercato totalled more than 745,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electrical energy
Volumes sold in 2013, net of distribution losses, amounted to 12,281 GWh (13,231 GWh if electrical energy purchased and sold through the Power Exchange is taken into account).

A cluster analysis of end customers is provided below.

Free market and power exchange

Total volumes sold to end customers and wholesalers amount to 5,573 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 6,805 GWh.
In 2013, the availability of electrical energy from internal Iren Group production amounted to 7,833 GWh. Edipower tolling volumes amounted to 861 GWh. Use of external sources totalled 2,054 GWh for purchases on the power exchange gross of energy bought/sold and 2,162 GWh for purchases from wholesalers. The remaining part of sold volumes mainly refers to infra-group transactions and distribution losses.

Former non-eligible market

Total customers managed by Iren Mercato in the higher protection segment were 337,000 in 2013. The total volumes sold amounted to 852 GWh.

Sale of heat energy through the district heating network

Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa (through the CAE), Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In 2013 the total district heating volume reached 79 million m^3, up on the previous year (+2.1 million m^3).

Heat service management

As regards energy service management activities performed ATIs (Temporary Business Association) in Local Health Authorities of the Lazio region (San Filippo Neri in Roma, ASL E and ASL F in Rome and ASL in Viterbo), which will be completed in June 2014, the management and supply of gas and electrical energy continued.

LNG regasification plant

2013 was a highly important year for this project in that construction works were concluded and the Regasification Terminal saw its official operational start-up.
Conversion works on the Dubai site continued in the first months of 2013. On 2 June 2013 towing began and lasted until 30 July 2013, when the terminal reached its Livorno site and the installation and commissioning activities commenced.
On 4 October 2013 the first regasified gas was introduced to the network and at the same time OLT began publication of its Terminal Access Code and the procedures for initial transfer of its regasification capacity. Testing ended on 19 December 2013 and the Terminal went into operation on the following day.
In 2013, during the Terminal’s commissioning phase, around 200 million standard m^3 of gas was regasified.
On 12 July 2013 OLT officially waived its TPA (Third Party Access) waiver, formally notifying the Ministry for Economic Development.
Waiver of the right to exemption from the TPA regime was specifically envisaged in the guarantee ruling established by AEEG Resolution no. 92/08.
From contact currently in progress with the Ministry, the directors believe there are sufficient elements to consider that the Ministerial Decree should be forthcoming and therefore it is reasonable to assume the guarantee will be released to the company.
OLT also conducted an analysis of investment recoverability in line with impairment testing, based on the expected cash flows during the foreseeable period of use of the platform. The estimated cash flows should allow full recovery of the investment sustained.
In the Iren Group’s consolidated financial statements for 2013 the goodwill impairment resulting from the higher value of the investment in OLT Offshore compared to the portion pertaining to consolidated equity was Euro 7.2 million.
The ownership structure remained the same in 2013 and is therefore still as follows: Iren Mercato 41.71%, Asa 5.08%, Eon Europa 46.79%, Golar 2.69% and OLT Energy 3.73%.

IREN ACQUA GAS

Integrated Water Services

Iren Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa ATO [Ambito Territoriale Ottimale], and from 1 July 2010 management of the water division for the Reggio Emilia and Parma areas was granted to Iren Acqua Gas as part of the Iride-Enìa merger.
From 1 October 2011, as a result of transfer of the water division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).
In 2013, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 171 million m³ of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas distribution

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected methane reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 393 million m³ of gas during 2013.

Special technological services/research

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

IREN EMILIA

Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the operations management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,950 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 726,879 Smc/h.
Iren Emilia is active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and 1,135,000 inhabitants in these areas. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented widespread separate waste collection systems which, also through the management of 123 equipped ecological stations, has allowed the area served to achieve a 61.5% improvement in results.
In particular, the company performs urban waste collection, street and pavement cleaning, snow clearing, cleaning and maintenance of parks and urban green areas, and dispatches recyclable waste to the correct chains for transformation into raw materials or renewable energy. Through Iren Ambiente, an Iren Group company, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and “environmentally safe” than those used at present.

Iren Emilia also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 12,250 km of aqueduct networks, 6,900 km of sewerage networks, 489 waste water pumping systems and 794 purification plants, both biological treatment plants and Imhoff tanks, distributed across 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 325 km that serves a total volume of 19.3 million m^3.
Iren Emilia also runs the district heating plants through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza.
Operations management of the electrical energy distribution network is carried out in the city of Parma and concerns 2,400 km of network and almost 125,000 delivery points to end customers.

IREN AMBIENTE

Waste Management segment
Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza.
Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A.
The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.
Iren Ambiente handles around 1,000,000 tons of waste per year in 12 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The new Integrated Environmental Hub (IEH), a waste selection and waste-to-energy plant in the province of Parma, was started up in April 2013 and testing was completed in the months that followed.

Electrical energy production from renewable sources (Iren Ambiente Holding)
Through the investee Iren Rinnovabili and its subsidiaries, Iren Ambiente Holding operates in the electrical energy production from renewable sources sector, in the field of energy efficiency and the development of various projects in partnership with the University of Modena and Reggio Emilia and with research centres.
The electrical energy from renewable sources is produced mainly through the management of photovoltaic and hydroelectric plants (1MW capacity for a total production of 7,000 MWh per year) and from biomass.
The joint venture between Iren Ambiente Holding and the CCPL Group became fully operative from 1 July 2013. From that date Iren Ambiente Holding owns 70% of Iren Rinnovabili S.p.A. which in turn is 100% owner of Greensource S.p.A..
Either directly or through its subsidiaries, Greensource operates photovoltaic plants for a total installed capacity of 17.3 MW. The mini-hydroelectric plant in Baiso, the biogas turbines, services associated with energy efficiency and the development and support departments remain part of Iren Rinnovabili S.p.A..
Electrical energy production in 2013 reached 23.3 GWh, broken down as follows: 13.9 GWh from photovoltaic plants, 8.4 GWh from the hydroelectric plant, 0.9 GWh from biogas plants.

INFORMATION ON THE IREN SHARE IN 2013

Iren share performance on the Stock Exchange

In 2013 the Italian Stock Exchange reported an approximate 13% growth in the MTA index, mainly due to the easing of financial tension in Europe in general and to the improvement in particular in Italy's situation, which saw the spread return to around 200 bps at year end.

The improved financial context had a positive effect on the main Italian listed securities, despite the persisting negative trend of the key macroeconomic indicators.

In this scenario the Iren share performance was especially significant, in 2013 growing by approximately 130% and recording a performance not only better than the general index but also stronger than the performance of the main sector-related securities.

Various factors had a positive impact on the share performance, the most important being:

- the effectiveness of extraordinary action targeting payable reduction;
- the good operational results achieved in the various quarters confirm the defensive profile of the Group's asset portfolio and its ability to record positive results despite the persisting difficulties in the economy;
- appreciation for the new Group Governance and the appointment of new top management (Chairman and CEO).

At the end of December 2013 the Iren share recorded Euro 1.11 per share, with average trading volumes since the start of the year of around 2.5 million units per day.

In the same period the average share price was Euro 0.83, peaking at Euro 1.17 on 7 December 2013 and bottoming out at Euro 0.48 at the start of the year.

STOCK EXCHANGE DATA	Euro/share in 2013
Average price	0.83
Highest price	1.17
Lowest price	0.48
Number of shares ('000)	1,276,226

IREN SHARE PRICE AND TRADING VOLUME PERFORMANCE

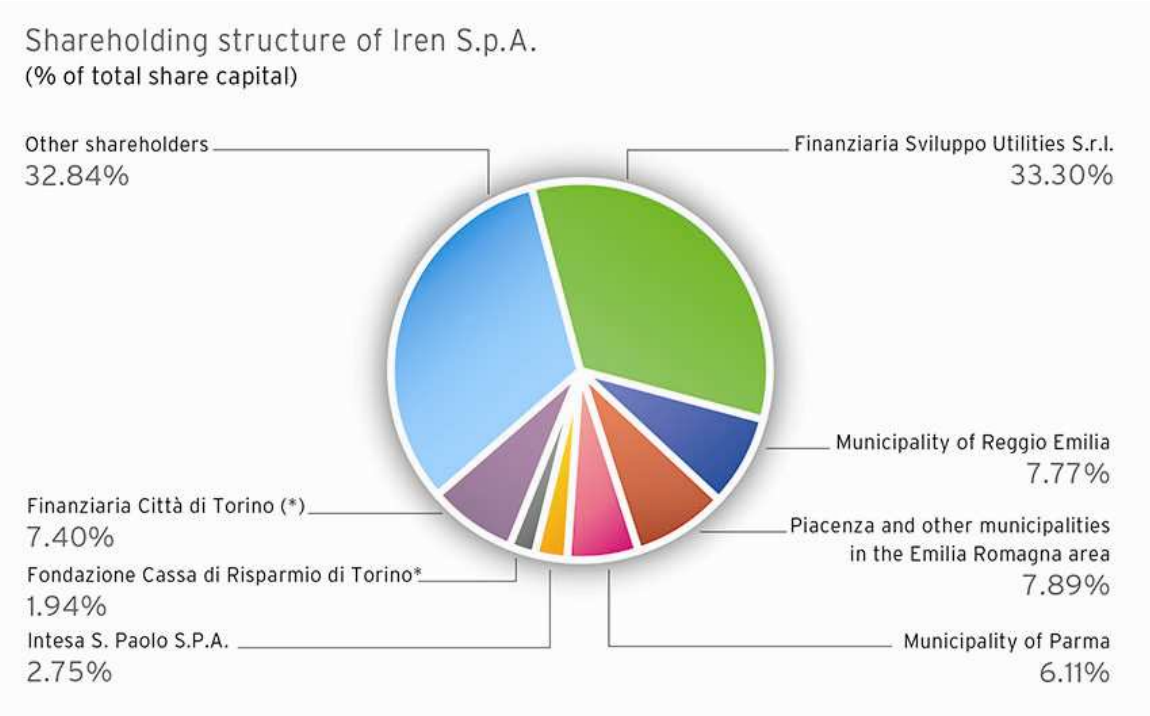
Share coverage

Over the last year there have been numerous changes of strategy among brokers focusing on the Italian multiutilities sector. Bank mergers took place and others decided to abandon coverage of the Italian market.

The Iren Group is currently covered by five brokers: Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux.

Shareholding structure

At 31 December 2013, based on available information, the shareholding structure of Iren was as follows:

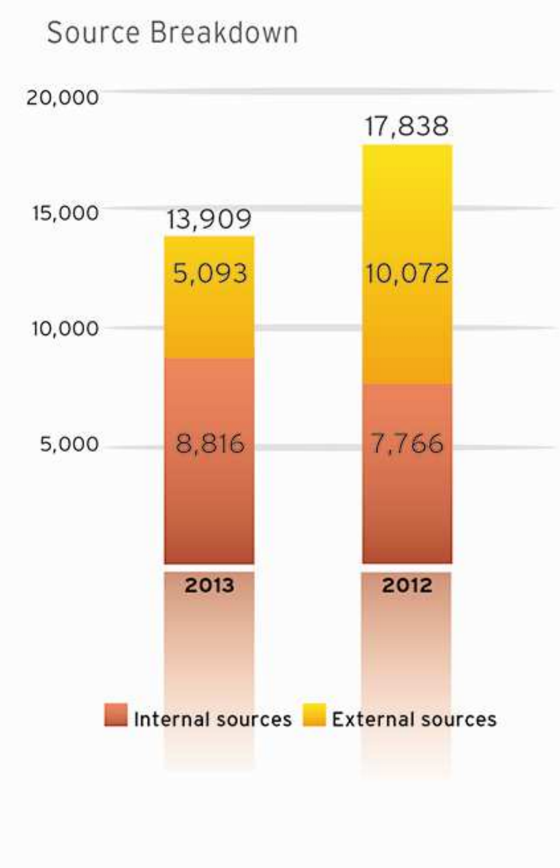


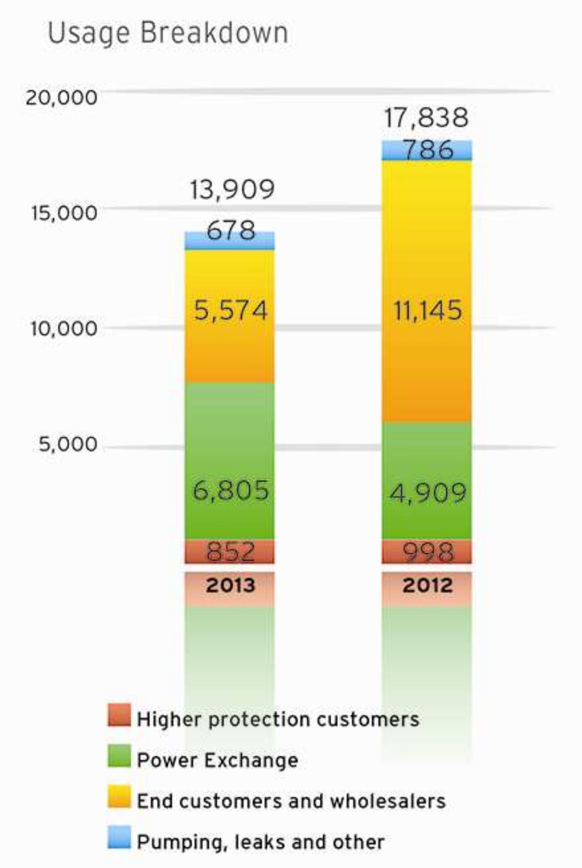
(*) savings shares without voting rights

OPERATING DATA

Electrical energy production

GWh	2013	2012	% Change
SOURCES			
Gross production	8,816	7,766	13.5
a) Thermoelectric	*6,432*	*5,248*	*22.6*
b) Hydroelectric	*1,374*	*1,075*	*27.8*
c) WTE plant and renewable sources production	*149*	*122*	*21.6*
d) Edipower plant production	*861*	*1,321*	*(34.8)*
Purchases from Acquirente Unico	877	1,051	(16.5)
Energy purchased on the Power Exchange	2,054	4,889	(58.0)
Energy purchased from wholesalers and imports	2,162	4,132	(47.7)
Total Sources	**13,909**	**17,838**	**(22.0)**
APPLICATION			
Sales to protected customers	852	998	(14.6)
Sales on the Power Exchange	6,805	4,909	38.6
Sales to eligible end customers and wholesalers	5,574	11,145	(50.0)
Pumping, distribution losses and other	678	786	(13.6)
Total Application	**13,909**	**17,838**	**(22.0)**



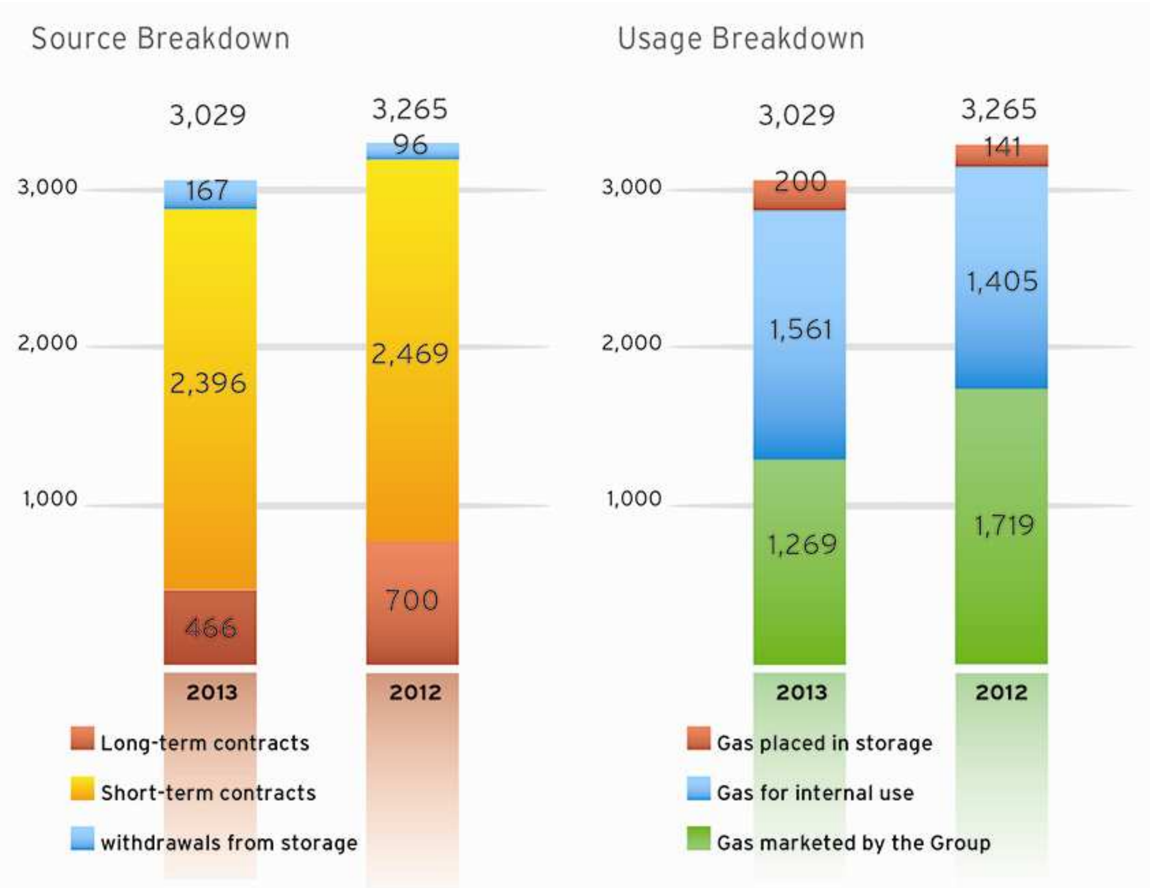


Gas Production

Millions of m³	2013	2012	% Change
SOURCES			
Long-term contracts	466	700	(33.5)
Short-term contracts (annual and spot)	2,396	2,469	(2.9)
Withdrawal from storage (1)	167	96	73.9
Total Sources	**3,029**	**3,265**	**(7.2)**
APPLICATION			
Gas sold by the Group	1,269	1,719	(26.2)
Gas for internal use (2)	1,561	1,405	11.1
Gas placed in storage	200	141	41.5
Total Application	**3,029**	**3,265**	**(7.2)**

(1) From 2013, withdrawals from storage and gas placed in storage are shown separately. The 2012 figures were restated accordingly.

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



Network services

	2013	2012	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	4,136	4,241	(2.5)
No. of electronic meters	697,179	687,477	1.4
GAS DISTRIBUTION			
Gas distributed by AES Torino (mln m³)	*625*	*580*	*7.7*
Gas distributed by Iren Acqua Gas (mln m³)	*393*	*397*	*(0.9)*
Gas distributed by Iren Emilia (mln m³)	*960*	*952*	*0.9*
Total Gas distributed	1,978	1,929	2.6
DISTRICT HEATING			
District heating volume (mln m³)	79	76	2.7
District heating network (Km)	878	825	6.4
INTEGRATED WATER SERVICE			
Water volume (mln m³)	171	179	(4.3)

MARKET CONTEXT

Macroeconomic performance

According to IMF forecasts, in 2013 global GDP growth was around 3.0%, down on the previous two years (2012: 3.1%; 2011: 3.9%).
The different geographic areas continue to show considerable differences. In particular, the gap remains between the advanced economies, which in 2013 recorded 1.3% growth (compared to 1.4% in 2012), and emerging economies (Asia, Middle East and North Africa) that continue to grow at a more steady rate (+4.7%) albeit slower than in 2012.
As regards Italy, GDP growth recorded at the end of the third quarter of 2013 was negative by 1.8% (source: ISTAT). Initial forecasts suggested this percentage would remain negative for the entire year, compatible however with a return to a positive sign by the fourth quarter of 2013.

Natural gas production in Italy

Provisional data made available by Snam Rete Gas on natural gas consumption show that 2013 closed at 69.5 billion m^3, with a highly negative change compared to 2012: -6.4%, equal to -4.8 billion m^3. In practice, the demand for methane gas returned to its start of the century values. The 16.4% decrease (4.1 billion m^3) in the use of gas in the thermoelectric plants had a strong impact, due to the decline in electricity consumption (-3.4% for -11.2 TWh[1]) and the increase in renewables (approx. +18% for +14.4 TWh[2]). Compared to 2010 the decline is 30.8% (9.2 billion m^3). Consumption by plants connected to the transport network was slightly lower than in 2012 (-0.7%), but the difference compared to levels from before the 2009 crisis remains strong: -9.5% compared to 2008 and -15% compared to 2007. Withdrawals from the distribution network, primarily for domestic consumption, were in line with those of 2012.

Application/sources of natural gas in 2013 and comparison with previous years

	2013	2012	2011	2010	% change '13/'12	% change '13/'11	% change '13/'10
NATURAL GAS USE (Bln m³)							
Distribution plants	33.7	33.8	33.6	36.5	(0.2)	0.3	(7.7)
Industrial use	13.2	13.3	13.5	13.3	(0.7)	(2.8)	(1.1)
Thermoelectric use	20.6	24.7	27.7	29.8	(16.4)	(25.6)	(30.8)
Third party network and system consumption (*)	2.0	2.5	2.5	3.0	(21.9)	(22.2)	(35.1)
Total withdrawn	**69.5**	**74.3**	**77.4**	**82.7**	**(6.4)**	**(10.2)**	**(15.9)**
NATURAL GAS SOURCES (Bln m³)							
Domestic production	7.5	8.2	8.0	8.5	(8.1)	(6.5)	(7.8)
Imports	61.5	67.6	70.3	75.2	(9.0)	(12.5)	(18.2)
Storage	0.5	(1.5)	(0.9)	(0.6)	n.s.	n.s.	n.s.
Total input	**69.5**	**74.3**	**77.4**	**82.7**	**(6.4)**	**(10.2)**	**(15.9)**

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.
Source: Processing of Snam Rete Gas figures, provisional for January-March 2013

[1] Provisional Terna figures
[2] Provisional Terna figures

In terms of sources, in 2013 total exports fell by 9%. The Mazara del Vallo intake volumes (the renegotiations with Algeria lowering the contractual minimum commitment) decreased by 40.1% (-6.1 billion m³), whilst at Tarvisio (Russia) they increased by 26.8% (+6.4 billion m³). The entry points of Passo Gries (gas from Norway and the Netherlands) and Gela (Libya) recorded changes of -17.1% and -11.8%, respectively. As regards the LNG terminals, regasified volumes at the Rovigo terminal dropped by 13.3%, regasification activities in Panigaglia were close to zero, whilst OLT, after its commissioning tests, formally launched its marketing activities on 20 December. National production fell by 8.1%.

Electrical energy production in Italy

As in 2012, 2013 saw a net reduction in the demand for electrical energy, falling from 328,220 GWh to 317,144 GWh.

Demand and supply of accumulated electrical energy

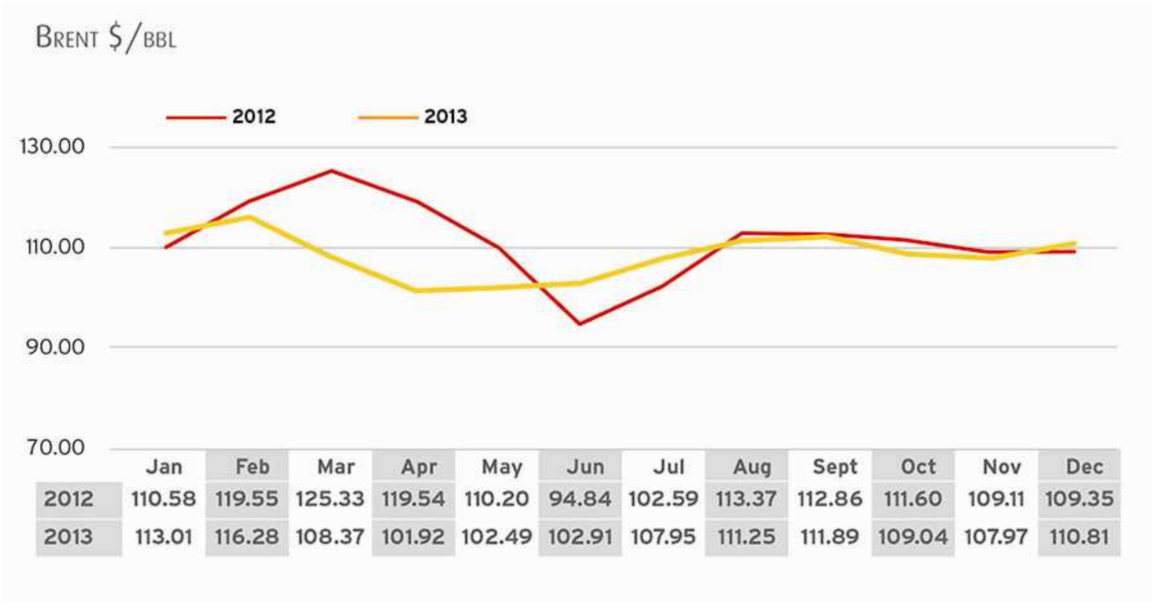
(GWh and changes in trends)

	up to 31/12/2013	up to 31/12/2012	% change
Demand	**317,144**	**328,220**	**(3.4)**
- Northern Italy	145,526	149,703	(2.8)
- Central Italy	93,372	96,963	(3.7)
- Southern Italy	47,862	48,824	(2.0)
- Islands	30,384	32,730	(7.2)
Net production	**277,380**	**287,806**	**(3.6)**
- Hydroelectric	52,515	43,260	21.4
- Thermoelectric	182,528	207,331	(12.0)
- Geo-thermoelectric	5,305	5,251	1.0
- Wind and photovoltaic	37,032	31,964	15.9
Foreign balance	**42,153**	**43,103**	**(2.2)**

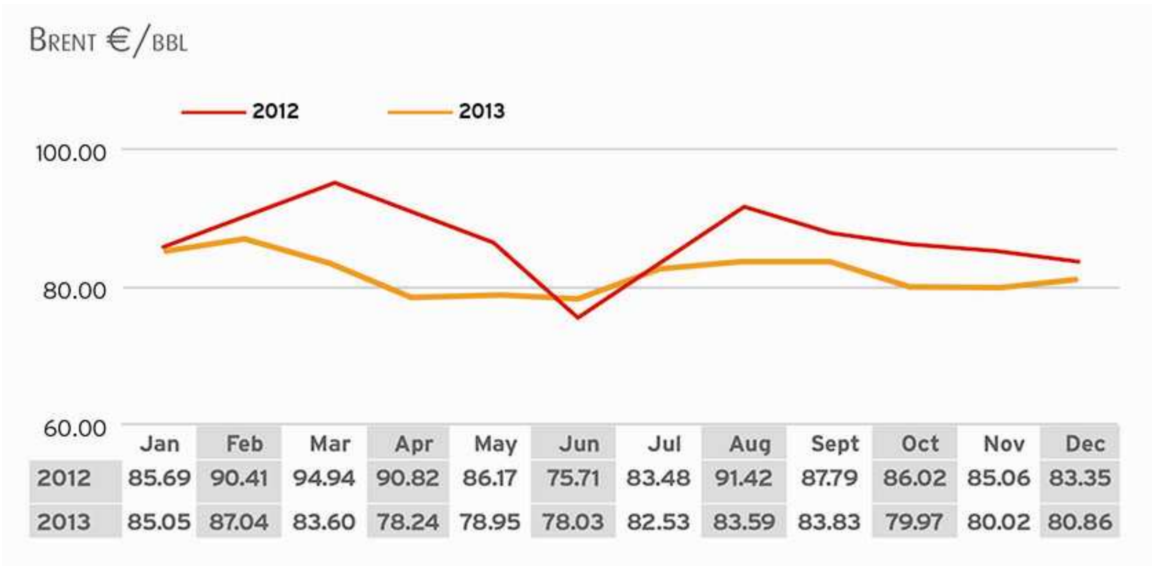
Source: RIE on TERNA data

A total of 88.2% of the demand for electrical energy was met from domestic production (-3.6% compared to 2012) and the remaining 11.8% from foreign production (-2.2%). Compared to 2012, geothermal, wind and photovoltaic energy production saw a 13.8% increase, whilst hydroelectric energy production rose by 21.4%. Thermoelectric production recorded a 12% decrease from 2012.

Oil products

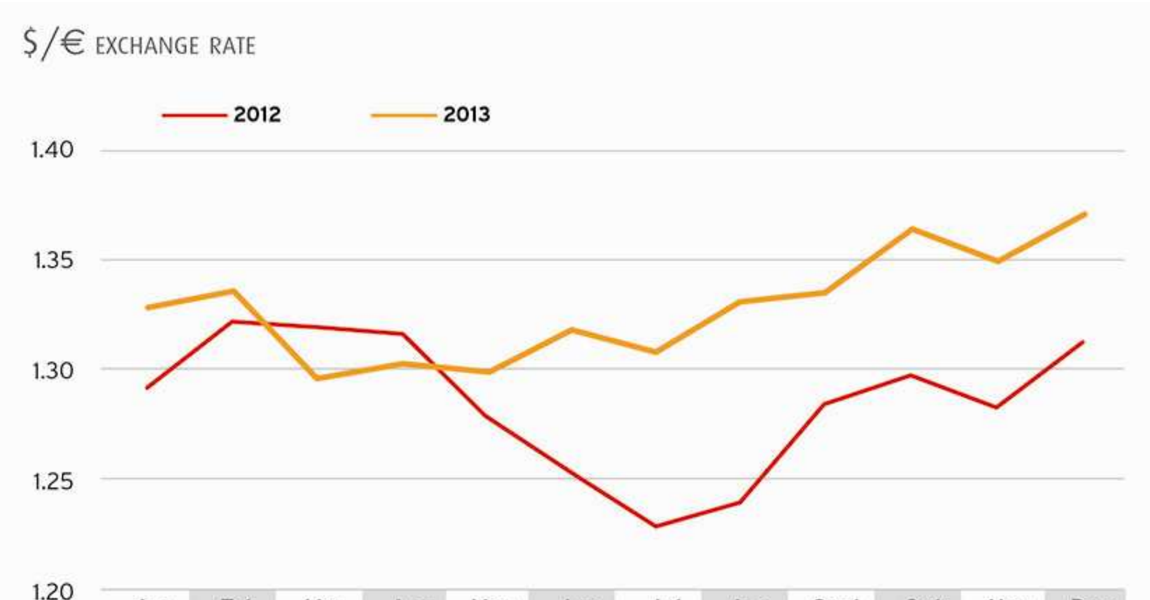


Source: RIE/REF statistics



Source: RIE/REF statistics

2013 closed with an annual value of 108.6 USD/barrel, in line with the 2012 figure (111.6 USD/barrel), and a 6% decline in the Euro/barrel value from 86.8 to 81.7.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	1.29	1.32	1.32	1.32	1.28	1.25	1.23	1.24	1.29	1.30	1.28	1.31
2013	1.33	1.34	1.30	1.30	1.30	1.32	1.31	1.33	1.33	1.36	1.35	1.37

Source: RIE/REF statistics

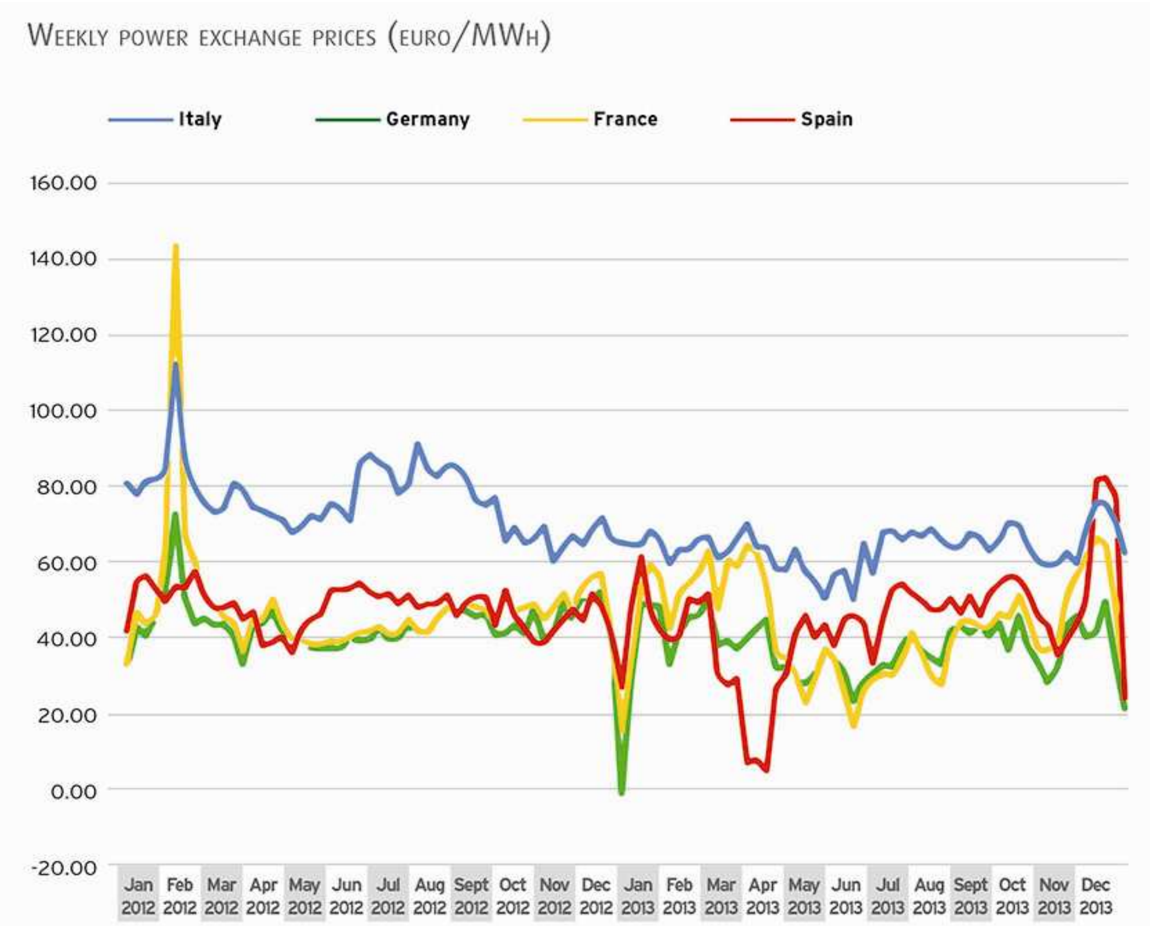
In 2013 the EUR/USD exchange rate settled at an average rate of 1.33 compared to 1.28 in 2012. The single currency's depreciation, which began in the second half of 2012, saw a partial inversion of the trend in spring 2013 and reached its peak towards the end of the year (average of 1.37 in December).

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2012	79.85	89.04	75.31	72.72	69.96	77.88	82.20	85.64	76.77	65.86	64.09	66.99
2013	64.49	62.97	63.89	61.03	54.89	56.24	66.86	65.01	65.85	66.85	66.51	66.59

Source: GME

The average purchase price (PUN - national single price) on the Italian power exchange was 63.0 Euro/MWh, down 16.6% on 2012 (75.5 Euro/MWh).

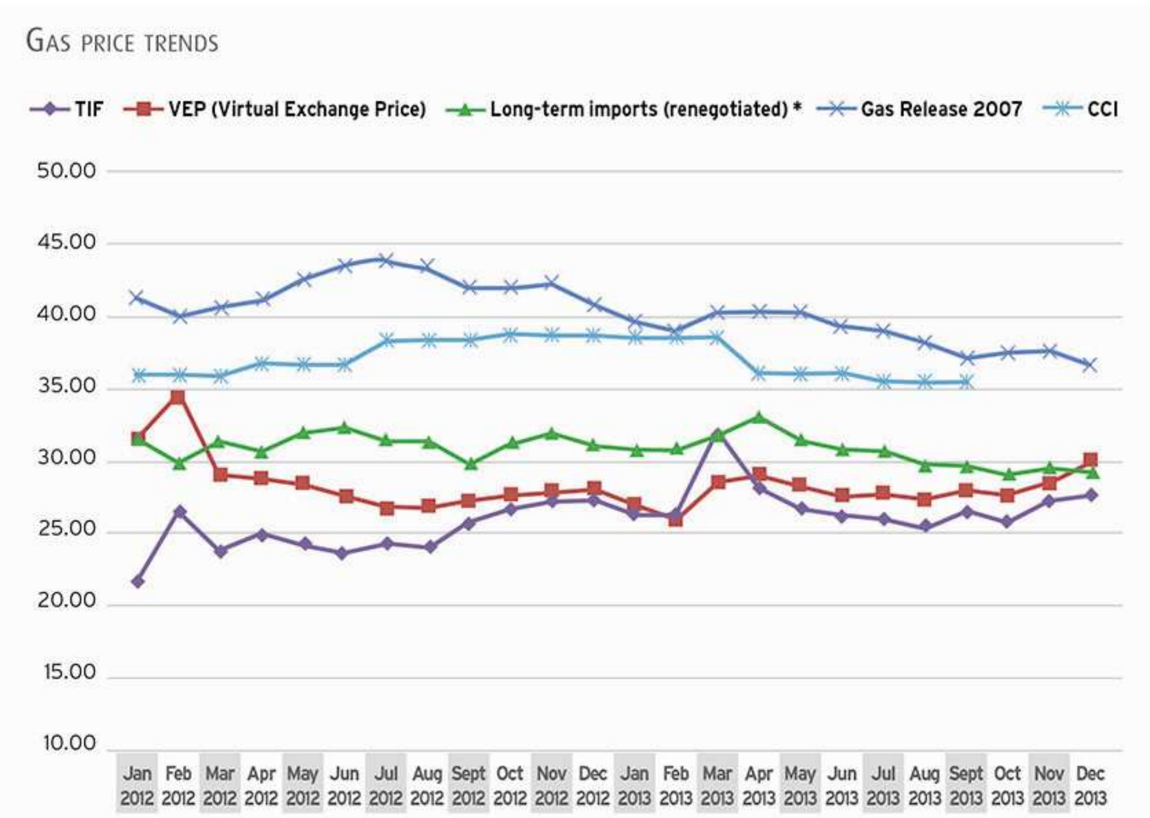
The spread between the national single price and the purchase price on other European power exchanges, which in 2012 was around 30 Euro/MWh, saw a significant decrease of approximately 9 Euro/MWh in 2013. Downturns were seen in general in all the exchanges during the year, starting from the negative peak recorded between the end of 2012 and the start of 2013.



Gas prices

In 2013 international natural gas prices continued to record considerable differences between macro areas due to differences in the balance between supply and demand, different pricing systems and transport costs. Whilst European prices settled on average around the 10.6 $/MBTU mark for spot trading and at 11.9 $/MBTU for long-term contracts (estimated figure), the US wholesale prices remained at 3.7 $/MBTU, about a third of European prices. Asian LNG spot prices instead recorded an annual average of approximately 16 $/MBTU, 35-50% higher than Europe and around four times those of the US market.
During the year there were no significant changes in the European gas market fundamentals, whereas weak demand in the thermoelectric and industrial sectors and abundant supply persist. The weak demand was more marked in the last few weeks of the year when particularly mild weather conditions had a negative impact on domestic consumption.
In this context a "hybrid" gas pricing model seems to be confirmed, whereby two pricing systems (long-term and spot) coexist with difficulty. This is a situation that is in a transition phase, in which the end and the balance point are extremely uncertain as regards the procedures and timing. Wholesale and retail prices strengthened their bond with spot prices and were therefore less tied to long-term oil-linked import contracts. Consequently the renegotiation of prices and volumes continued for these contracts, as in the previous two to three years.

In 2013 spot prices on the main European markets remained around 11% lower on average (estimated) than the border imports prices, a difference narrower than the approximate 20% estimated in 2012. In fact, whilst long-term contract prices decreased only slightly compared to 2012, the prices for the main northern European hubs recorded an average increase of 8% to stand at an approximate 27 €/MWh compared to the 25 €/MWh of the previous year.
Vice versa, the national Virtual Exchange Price recorded decrease in listed annual average prices from 28.7 €/MWh to 28 €/MWh (-2.7%). This confirmed the narrowing of the spread, that began in the second half of 2012, between the Italian hub and listed prices for the Northern European hubs. In particular, when compared to the Dutch TTF - considered the most liquid and significant hub in continental Europe - the average spread fell from around 3.7 €/MWh in 2012 (+15%) to roughly 1 €/MWh in 2013 (+3.5%).
The Italian balancing market (PB-Gas) recorded an average price of 27.9 €/MWh, very similar to that of the VEP. M-Gas (the Gas Exchange) remains a market used little or not at all, representing zero or purely residual trading. The forward market officially opened on 2 September though no transactions have been recorded as yet.
With regard to Italian wholesale gas prices associated mainly or totally with oil products, in the first nine months of the year the CCI for the protection service recorded an average 36.0 €/MWh, down 2.6% on the same period of 2012. From 1 October, for the raw material calculation the AEEG abandoned the CCI and the traditional reference to long-term oil-linked import contracts, transferring all indexing to the spot market prices only. Specifically, for the 2013-2014 thermal year the Regulator temporarily defined indexing to the forward prices of the TTF hub, reflected in the C_{MEM} price component (cost for procuring gas on wholesale markets) calculated at 29 €/MWh for the fourth quarter.
As regards the 2007 Gas Release, a formula associated only with oil products, the average value recorded in 2013 was 38.3 €/MWh compared to 42.0 €/MWh in 2012 (-8.3%).



** Figures estimated on the provision long-term border price trend in Europe*
Note: the Gas Release and CCI prices were translated into Euro/MWh on the basis of heating power of 38.1 Mj/Sm³ and 38.52 Mj/Sm³ respectively

Source: RIE processing of Platts, APX-Endex, GME and AEEG data

A summary of the main energy indicators is illustrated below:

	2013	2012	CHANGE	% CHANGE
Brent U$D/barrel	108.6	111.6	-3.0	-3%
U$D/euro	1.33	1.29	0.0	3%
Brent euro/barrel	81.7	86.8	-5.1	-6%
Gas demand (Bcm)	69,490.3	74,267.1	-4,776.7	-6%
Gas Release 2, cents/scm	41.2	44.5	-3.3	-7%
CCI, cents/scm	38.8	40.1	-1.3	-3%
Electrical energy Demand (TWh)	317.14	328.22	-11.1	-3%
EE nat. single price (Euro/MWh)	63.0	75.5	12.5	-17%

Source: statistics: RIE/ REF

Sale of heat energy through the district heating network in Italy

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

	2012	2011
No. of cities with district heating (n)	109	104
Total volumes heated (million m³)	279	263
Heat energy supplied to users (GWht)	8,005	7,322
Length of distribution networks (km)	3,161	2,877
Primary fossil fuel energy saving (TOE)	439,518	404,922
Carbon dioxide emissions avoided (t)	1,433,537	1,323,601

Source: AIRU yearbook

From 1995 to 2012 in Italy the number of cities with district heating rose from 27 to 109, with volumes increasing from 74 to 279 million m^3. The networks are concentrated in Northern Italy and almost all the district heating volumes (over 97%) are located in Lombardy, Piedmont, Emilia Romagna, Veneto, Trentino Alto Adige, Liguria and Valle d'Aosta.

Green certificates

At system level, the market continued to present a "long" situation as in the previous year, given supply exceeded demand. The price of withdrawal, by GSE, of green certificates issued in 2013 and which will be unsold in March 2014, is 89.28 Euro/MWh, net of VAT.
The price of withdrawal of CV_TLRs (green certificates for district heating) for cogeneration production combined with district heating for 2013 was 84.34 €/CV_TLR, net of VAT. Due to the reform of the system of incentives for renewable energy sources, the Green Certificate arrangement will gradually be phased out by 2015.

CO2

2013, the year in which phase 3 of the ETS began and which signals the transfer, for the majority of plants subject to free allocation, to the auction mechanism, registers a further decrease in the prices of EUA authorisations, which closed with a quota of 4.74 €/ton (-28.5% compared to 2012). The average value in the year was 4.47 Euro/ton.
In the second half of the year the European Commission began a process with a view to passing a law within the first few months of 2014 to structurally reform the EU ETS format. The aim is to create a mechanism envisaging an independent institution acting as a kind of central bank to regulate the supply of credits auctioned, thereby avoiding a backlog of permits on the market, currently blocked by an over-allocation situation, and consequently an increase in prices.

White certificates

With regard to the situation of scarcity of certificates compared to demand, note that the number of EECs issued since the start-up of the mechanism at the end of December 2013 was around 23.99 million, against a cumulative quantity of EECs required - by obliged entities to meet commitments, including that for 2013 due in May 2014 - of 27.62 million.
In order to meet 2013 targets expiring in May 2014, it is sufficient that obliged entities cover 60% of the 5.51 million EECs required for 2013 in order for the commitment to be considered satisfied. Therefore the cumulative quantity of EECs needed to cover the minimum requirements of obligated distributors is 25.42 million EECs, higher than the total issued in cumulative terms at 31 December 2013 (a shortfall of 1.43 million EECs).
For 2013 the price of the single preventive contribution of distributors was set at 96.43 €/EEC, based on trading recorded by the exchanges in the last two years.

SIGNIFICANT EVENTS OF THE PERIOD

Loan of Euro 100 million from Cassa Depositi e Prestiti

On 25 February 2013, Iren S.p.A. took out a loan of Euro 100 million from Cassa Depositi e Prestiti S.p.A. (CDP), with a term of 15 years. The aim of the transaction is to support implementation of Iren's 2013-2015 Business Plan, especially as regards investments in the Energy infrastructures segment. Iren Group investments in energy networks were assessed to be consistent with the institutional mission of the CDP, which envisages the use of funds for infrastructural investments in support of growth of the country.

Approval of governance reform amendments to the Articles of Association

The extraordinary shareholders' meeting of 19 June 2013 approved amendments to Articles 6, 15, 16, 21, 22, 23, 24, 25, 30, 31, 32 and 41, and the elimination of Articles 26, 27, 28 and 29 of the Articles of Association, with subsequent renumbering from Article 26 onwards and related changes to article references within the text.

Appointment of the new Board of Directors and Chairman

The ordinary shareholders' meeting of 27 June 2013 appointed the new Board of Directors of the company which will remain in office for the years 2013/2014/2015 (expiry: date of approval of the 2015 financial statements).

The 13 members of the new Board of Directors are: Lorenzo Bagnacani, Roberto Bazzano, Tommaso Dealessandri, Nicola De Sanctis, Anna Ferrero, Alessandro Ghibellini, Fabiola Mascardi, Francesco Profumo, Ettore Rocchi, Andrea Viero and Barbara Zanardi appointed by majority vote from the list filed by Finanziaria Sviluppo Utilities S.r.l. and 73 former Enìa public shareholders , plus Franco Amato and Roberto Walter Firpo, appointed by minority vote from the list filed by Fondazione Cassa di Risparmio di Torino and Equiter S.p.A.

The shareholders' meeting also appointed Francesco Profumo as Chairman.

Proxies and powers granted by the Board of Directors

After appointment by the shareholders, at its meeting on 27 June 2013 the new Board of Directors appointed Andrea Viero as Deputy Chairman and Nicola De Sanctis as CEO, in addition to granting powers and proxies as envisaged in Articles 25 and 26 of the current Articles of Association.

Approval of the non-proportionate spin-off plan for Edipower

Based on agreements reached between Iren and A2A at the time of the acquisition transaction relating to Edipower of 24 May 2012, and following the resolution carried on 16 January 2013 by the Iren S.p.A. Board of Directors to exercise its put option for disposal of the Edipower investment, on 28 June 2013 the extraordinary shareholders' meetings of Iren Energia and Edipower approved the plan for the non-proportionate spin-off of Edipower. In June 2013, Iren S.p.A. transferred its interest in Edipower to Iren Energia.

Group governance reform

In compliance with the guidelines on the new Group governance outlined by the Shareholders, on 17 September 2013 the Board of Directors of Iren S.p.A. defined the membership of the management and supervisory boards of the first-level companies, establishing for each the appointment of three directors, rather than five as envisaged until now, with obvious cost savings and enhancement of the internal skills found within the Group and of company representation in general.

Private Placement issue

On 14 October 2013 Iren S.p.A. successfully completed the issue of a Private Placement for a total of Euro 125 million, subscribed by Italian and international institutional investors, with a 7-year maturity and coupon payments at an annual rate of 4.37%. After the tap issue of the bond, concluded on 29 October 2013, Euro 85 million were collected in addition to the Euro 125 million of the original issue, at the same conditions in terms of maturity and coupon entitlement.

The bonds were listed on the Irish Stock Exchange.

This transaction, which inaugurated Iren S.p.A.'s access to the bond market, is in line with the strategy defined in the Group Business Plan to strengthen its financial flexibility and soundness.

The bond loan issue allows improvement of the Iren Group’s non-current liabilities profile by extending their average maturity and guaranteeing greater differentiation of funding sources, at the same time confirming the market’s willingness, not only at banking level, to fund the Group’s activities and development plans.

Other loans for a total of Euro 158 million

In May 2013 Iren S.p.A. finalised and used the last tranche for Euro 58 million of the 15-year loan from the European Investment Bank, with release of the bank guarantee.
Furthermore, on 30 September 2013 Iren S.p.A. took out a loan of Euro 100 million with Banca Regionale Europea (BRE), maturing 30 September 2018 with same time settlement of the original BRE loan for Euro 75 million due to mature in 2014.

Non-proportionate spin-off of Edipower completed

The agreement for the non-proportionate spin-off of Edipower was signed on 24 October 2013, effective from 1 November 2013. As a result of conclusion of the spin-off, which involved the Iren Group’s complete exit from the Edipower ownership structure, Iren Energia became owner of the combined cycle thermoelectric plant in Turbigo (800 MW) and of the Tusciano hydroelectric plant (approx. 100 MW).
With acquisition of the Turbigo and Tusciano plants, the Iren Group now directly owns a total production capacity of around 2,800 MW, over 70% of which renewable, in the case of hydroelectric generation, and environment-friendly, considering the cogenerative production, compared to a national average of 38%.

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

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

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

thousands of euro

	2013	2012	% change
Revenue			
Revenue from goods and services	3,228,038	4,003,654	(19.4)
Change in work in progress	(355)	669	(*)
Other revenue and income	220,290	323,518	(31.9)
- of which non-recurring	-	*23,015*	
Total revenue	**3,447,973**	**4,327,841**	**(20.3)**
Operating expense			
Raw materials, consumables, supplies and goods	(1,462,729)	(2,116,257)	(30.9)
Services and use of third-party assets	(1,000,406)	(1,236,254)	(19.1)
Other operating expense	(89,629)	(105,250)	(14.8)
- of which non-recurring	-	*(14,644)*	
Capitalised expenses for internal work	24,394	20,667	18.0
Personnel expense	(273,586)	(261,142)	4.8
Total operating expense	**(2,801,956)**	**(3,698,236)**	**(24.2)**
Gross Operating Profit (EBITDA)	**646,017**	**629,605**	**2.6**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(219,717)	(205,495)	6.9
Provisions and impairment losses	(113,221)	(89,962)	25.9
- of which non-recurring transactions	*(5,262)*	*(7,631)*	
Total amortisation, depreciation, provisions and impairment losses	**(332,938)**	**(295,457)**	**12.7**
Operating profit (EBIT)	**313,079**	**334,148**	**(6.3)**
Financial income and expense			
Financial income	21,846	24,075	(9.3)
Financial expense	(111,262)	(122,827)	(9.4)
Total financial income and expense	**(89,416)**	**(98,752)**	**(9.5)**
Share of profit of associates recognised using the equity method	10,421	(599)	(*)
Impairment losses on investments	(20,095)	(105)	(*)
Profit before tax	**213,989**	**234,692**	**(8.8)**
Income tax expense	(122,034)	(85,251)	43.1
Net profit/(loss) from continuing operations	**91,955**	**149,441**	**(38.5)**
Net profit/(loss) from discontinued operations	-	12,730	(100.0)
Net profit (loss) for the year	**91,955**	**162,171**	**(43.3)**
attributable to:			
- Profit (loss) - Group	80,554	152,559	(47.2)
- Profit (loss) - non-controlling interests	11,401	9,612	18.6

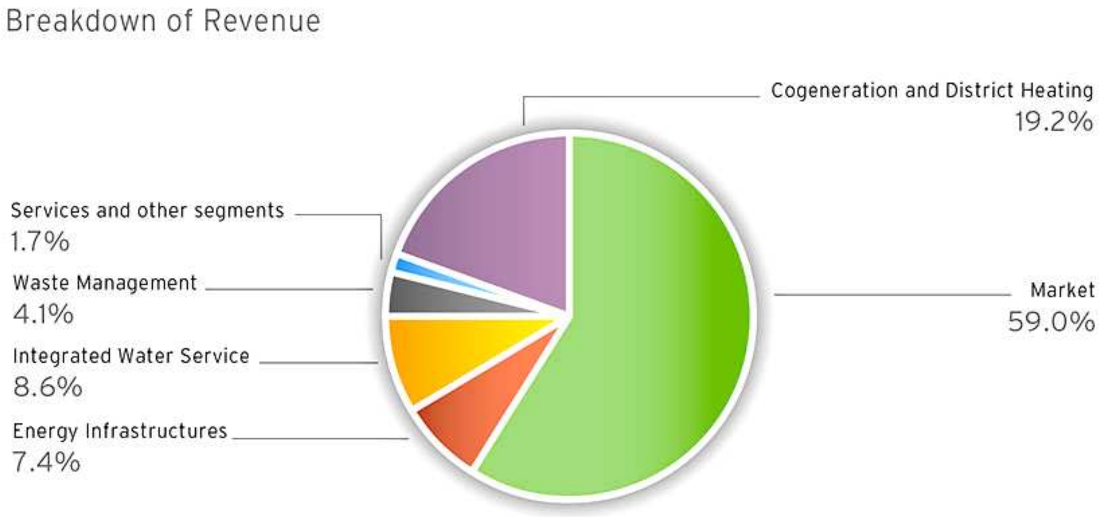
(*) Change of more than 100%

The comparative figures for 2012 were restated to:

- indicate the results of Delmi and Edipower under “Net profit/loss from discontinued operations”, previously recorded under “Financial income” (Euro 2,458 thousand) and “Share of profit of associates recognised using the equity method” (Euro 10,272 thousand);
- record under “Provisions”, consistent with 2013, the adjustment to the dilapidation provision previously recognised under “Financial expense” (Euro 6,783 thousand).

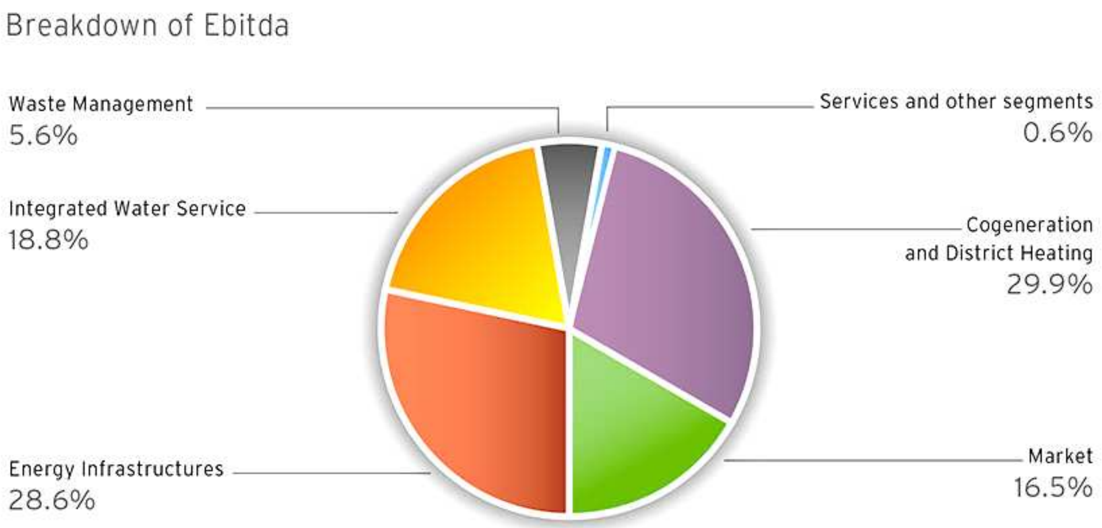
Revenue

In 2013, the Iren Group achieved revenue of Euro 3,448.0 million, down by -20.3% compared to the Euro 4,327.8 million of 2012. The decline in revenue is attributable to a selective sales policy, based on counterparty risk and the goal of limiting sales net working capital, which led to a decrease in volumes sold in the energy sectors, mainly in reference to business customers. The following chart illustrates the breakdown of revenue by business segment, before inter-segment netting and adjustments.



Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to Euro 646 million, up +2.6% compared to Euro 629.6 million recorded in 2012. The following segments contributed to the improved margin: Market, Energy Infrastructures and Integrated Water Service. The Cogeneration and District Heating, Waste Management, Services and Other segments recorded a decrease.



Operating profit (EBIT)
Operating profit (EBIT) totalled Euro 313.1 million, a -6.3% decrease on the 2012 figure of Euro 334.1 million. The performance in terms of operating profit was prudently characterised by higher provisions for risks and the allowance for impairment of accounts receivable. These increases were partially offset by lower allocations to the dilapidation provision.

Financial income and expense
Net financial expense totalled a negative Euro 89 million. In particular, financial expense amounted to Euro 111 million. The decrease compared to 2012 is mainly due to the drop in the average net financial indebtedness in 2013. Financial income amounted to Euro 22 million (-9%).

Share of profit of associates recognised using the equity method
The results of associates accounted for using the equity method was positive by around Euro 10 million, up compared to the same period in 2012, mainly due to the positive results of ASA which benefited from the capital gain from sale of the subsidiary ASA Trade.

Impairment losses on investments
These amounted to around Euro 20 million and relate mainly to impairment losses on the investments in Energia Italiana for approximately Euro 13 million, Fingas for roughly Euro 6 million, Mestni Plinovodi for Euro 4 million, Atena for Euro 3 million and to the positive result attributable to the investment in AMIAT for Euro 7 million.

Profit before tax
As a result of the above trends the consolidated profit before tax reached Euro 214 million, down 8.8% on the Euro 235 million recorded in 2012.

Income tax expense
Income taxes for 2013 amounted to Euro 122 million, up by 43.1% compared to same period of 2012. The nominal tax rate is 57.0%.

Net profit (loss) for the year
Profit for the period amounted to Euro 92 million, down 43.3% on the same period of 2012.

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District heating (hydroelectric energy, cogeneration of electrical energy and heat, district heating networks and production from renewable sources)
- Market (Sale of electrical energy, gas, heat)
- Energy Infrastructures (electrical energy distribution networks, gas distribution networks, LNG regasification plants)
- Integrated Water Service (sale and distribution of water, water treatment and sewerage)
- Waste Management (Waste collection and disposal)
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.

Net invested capital and income statements (up to the operating performance) are presented below by segment and include a comparison with 2012 figures.

Segment results at 31 December 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,904	55	1,372	988	336	28	189	4,871
Net working capital	134	20	(84)	86	(30)	(12)	7	121
Other non-current assets and liabilities	(100)	36	(64)	(272)	(51)	(13)	(15)	(478)
Net invested capital (NIC)	**1,939**	**111**	**1,224**	**801**	**255**	**4**	**180**	**4,514**
Equity								1,989
Net financial position								2,525
Own funds and net financial indebtedness								**4,514**

Segment results at 31 December 2012

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Services and other	Non-allocable	Total
Non-current assets	1,621	51	1,287	950	296	36	494	4,735
Net working capital	161	48	(20)	106	(25)	(43)	8	235
Other non-current assets and liabilities	(77)	3	(55)	(264)	(46)	(11)	(12)	(461)
Net invested capital (NIC)	**1,705**	**102**	**1,212**	**792**	**225**	**(17)**	**490**	**4,509**
Equity								1,954
Net financial position								2,555
Own funds and net financial indebtedness								**4,509**

Segment results at 31 December 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Services and other	Netting and adjustments	Total
Total revenue and income	1,010	3,098	388	450	214	90	(1,802)	3,448
Total operating expense	(817)	(2,991)	(203)	(328)	(178)	(87)	1,802	(2,802)
Gross Operating Profit (EBITDA)	**193**	**107**	**185**	**122**	**36**	**3**	**-**	**646**
Net am./depr., provisions and impairment losses	(109)	(55)	(60)	(73)	(30)	(5)		(333)
Operating profit (EBIT)	**84**	**52**	**125**	**49**	**6**	**(3)**	**-**	**313**

Segment results at 31 December 2012

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Services and other	Netting and adjustments	Total
Total revenue and income	983	4,052	385	432	211	131	(1,867)	4,328
Total operating expense	(773)	(3,999)	(205)	(316)	(172)	(99)	1,867	(3,698)
Gross Operating Profit (EBITDA)	**210**	**52**	**180**	**116**	**39**	**32**	**-**	**630**
Net am./depr., provisions and impairment losses	(82)	(39)	(54)	(83)	(23)	(15)	-	(295)
Operating profit (EBIT)	**129**	**14**	**126**	**33**	**16**	**17**	**-**	**334**

The comparative figures for 2012 were restated so that, as in 2013, the item “Provisions” recorded the adjustment to the dilapidation provision previously recognised under “Financial expense” (Euro 6.8 million).

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

Generation and District heating

Revenue for the period amounted to Euro 1,010 million, up +2.7% on the Euro 983 million of 2012.

			2013	2012	Δ %
Revenue		€/mln.	1,010	983	2.7%
Gross Operating Profit (EBITDA)		€/mln.	193	210	-8.0%
EBITDA Margin			*19.1%*	*21.4%*	
Operating profit (EBIT)		€/mln.	84	129	-34.7%
Investments		€/mln.	41	69	-40.5%
Electrical energy produced		GWh	7,830	6,339	23.5%
	from hydroelectric sources	*GWh*	1,374	1,075	27.8%
	from thermoelectric sources	*GWh*	6,432	5,248	22.6%
	from renewable sources	*GWh*	24	16	48.6%
Heat produced		GWh_t	3,072	2,931	4.8%
	from cogeneration sources	GWh_t	2,531	2,232	13.4%
	from non-cogeneration sources	GWh_t	541	699	-22.6%
District heating volumes		Mln m^3	79	76	2.7%

Electrical energy production in 2013 totalled 7,830 GWh, up 23.5% on the 6,339 GWh of 2012, due to the effect of higher thermoelectric production (+22.6%) and higher hydroelectric production (+27.8%).
In particular, thermoelectric production totalled 6,432 GWh, up +1,184 GWh (+22.6%) on the 5,248 GWh recorded in the same period of 2012, due to higher production by the Torino Nord plant (+452 GWh), the Moncalieri plant (+360 GWh) and to the contribution of the former Edipower plant in Turbigo in the last two months of 2013, when it fell under the Group's direct management (+363 GWh). This performance bucks the trend in national figures for production from thermoelectric sources, which saw a decrease of -12% compared to same period of 2012.
Hydroelectric production was 1,374 GWh, up +27.8% compared to the 1,075 GWh of 2012 due to higher production at all the plants as a result of the higher water levels seen in 2013, and to the contribution in the last two months of 2013 from the former Edipower production plant in Tusciano (+53 GWh). National production from hydroelectric sources recorded a +21% increase compared to 2012.

Heat production in 2013 totalled 3,072 GWht, up by +4.8% compared to the 2,931 GWht of 2012, mainly due to the growth in housing and production industry volumes served by district heating in the Turin and Reggio Emilia areas (around +2 million m^3 to new users).
Volumes of district heating reached 79 million m^3, 56 million of which in Turin, making this the most 'district heated' city in Italy, over 3 million m^3 in Genoa and 19 million m^3 in Reggio Emilia, Parma and Piacenza. The cogenerated heat share was 82%, up compared to the 76% recorded in 2012, due to the greater use of storage systems that have optimised cogeneration production.

Gross operating profit (EBITDA) amounted to Euro 193 million, down by -8% compared to Euro 210 million in 2012, largely due to non-recurring effects.
Net of unrepeatable effects, the strong increase in EBITDA is attributable to the higher production of electrical energy, to hydroelectric production resulting from the particularly favourable water levels, to cogeneration production, the contribution from the dispatch services market (MSD) and the heat production margins positively affected by the increase in cogeneration production.

The unrepeatable effects can be summarised in the lack in 2013 of income associated with the non-replicable reimbursement in 2012 of stranded costs on the Telessio plant, in addition to the impairment of certain assets incorporated following the spin-off of the Edipower business unit.

Operating profit (EBIT) totalled Euro 84 million, against Euro 129 million in 2012. It reflects the changes in EBITDA and is affected by higher amortisation/depreciation relating to the full operational start-up of the new Torino Nord cogeneration plant and the hydroelectric plants, to greater amortisation, depreciation and provisions relating to former Edipower assets in Tusciano and Turbigo, and to other provisions for risk.

Technical investments in this sector amounted to Euro 41 million, of which around Euro 35 million relating to cogeneration and district heating and approximately Euro 5 million to the hydroelectric segment.

Market

Market segment turnover amounted to Euro 3,098 million compared to Euro 4,052 million in the previous year (-23.5%). This decrease is attributable to the selective sales policy adopted by the Group to reduce sales net working capital and counterparty risk, particularly from business customers.

Gross operating profit (EBITDA) amounted to Euro 107 million, more than doubling with a growth of around 104% compared to Euro 52 million in 2012. This growth refers both to the electrical energy sales, mainly due to effects associated with management of the tolling agreement with Edipower, and to gas sales as a result of procurement terms that allowed a +23.9% growth compared to 2012.

		2013	2012	Δ %
Revenue	€/mln.	3,098	4,052	-23.5%
Gross Operating Profit (EBITDA)	€/mln.	107	52	(*)
EBITDA Margin		*3.5%*	*1.3%*	
from electrical energy	*€/mln.*	14	-28	(*)
from gas	*€/mln.*	92	74	23.9%
from heat	*€/mln.*	1	6	-90.0%
Operating profit (EBIT)	€/mln.	52	14	(*)
Investments		8	8	-3.3%
Electrical energy sold	GWh	13,231	17,053	-22.4%
Electrical energy sold net of Power Exchange purchases/sales	GWh	12,281	14,303	-14.1%
Gas purchased	Mln m^3	3,029	3,265	-7.2%
Gas sold by the Group	Mln m^3	1,269	1,719	-26.2%
Gas for internal use	Mln m^3	1,561	1,405	11.1%
Gas placed in storage	Mln m^3	200	141	41.5%

(*) Change of more than 100%

Sale of electrical energy

Free market and power exchange

Total volumes sold to end customers and wholesalers amount to 5,574 GWh (11,145 GWh in 2012), while the volumes traded on the power exchange amounted to 6,805 GWh (4,909 GWh in 2012). This decrease is due to the adoption of a selective sales policy and to sales made with a view to net working capital containment and to the reduction of counterparty risk.

The volumes of electrical energy produced by the Group and available for sale totalled 7,833 GWh compared to 6,308 GWh in 2012, whilst volumes available through the Edipower tolling agreements fell from 1,321 GWh in 2012 to 861 GWh in 2013. This contract was terminated during 2013. Added to availability from within the Group were purchases through the power exchange (gross of energy bought and sold), totalling 2,054 GWh compared to 4,889 GWh in 2012, and from wholesalers for 2,162 GWh compared to 4,132 GWh in 2012.

Former non-eligible market

Total customers managed by Iren Mercato in the higher protection segment were around 337,000 in 2013. The total volumes sold amounted to 852 GWh, a decrease compared to the last year (998 GWh) due to deregulation of the market.

Sale of natural gas

Total volumes of natural gas procured by the Group in 2013 amounted to around 3,029 million m³ (around 3,265 million m³ in 2012), of which approximately 1,269 million m³ were marketed to end customers (1,719 million m³ in 2012), 122 million m³ were used in electrical energy production through Edipower tolling contracts (191 million m³ in 2012) and 1,439 million m³ were used within the Iren Group for both the generation of electrical energy and the supply of heat services (1,213 million m³ in 2012), in addition to the quota of gas placed in storage.

Sale of heat energy through the district heating networks:

The gross operating profit (EBITDA) in 2013 amounts to Euro 1 million, lower than the Euro 6 million of 2012 due to changes in the economic terms of a number of heat management contracts.

Energy infrastructures

In 2013 the Energy Infrastructures segment, which includes gas, electricity and heat distribution and regasification terminal business, recorded revenue of Euro 388 million, slightly up on the Euro 385 million of 2012 (+0.8%).

Gross operating profit (EBITDA) amounted to Euro 185 million compared to Euro 180 million in 2012 (+2.9%).

Operating profit (EBIT) amounted to Euro 125 million, a slight decrease compared to Euro 126 million in 2012 (-1.2%).

The main changes in the segments concerned are illustrated below.

		2013	2012	Δ %
Revenue	€/mln.	388	385	0.8%
Gross Operating Profit (EBITDA)	€/mln.	185	180	2.9%
EBITDA Margin		*47.6%*	*46.7%*	
from electrical energy networks	*€/mln.*	80	67	18.5%
from gas networks	*€/mln.*	103	113	-9.2%
from regasification plant	*€/mln.*	2	-1	(*)
Operating profit (EBIT)	€/mln.	125	126	-1.2%
Investments	€/mln.	143	102	39.9%
in electrical energy networks	*€/mln.*	27	15	74.6%
in gas networks	*€/mln.*	34	42	-19.7%
in regasification plant	*€/mln.*	82	45	84.4%
Electrical energy distributed	GWh	4,136	4,241	-2.5%
Gas distributed	Mln m^3	1,978	1,929	2.6%

(*) Change of more than 100%

Electrical Energy Distribution Networks
Gross operating profit (EBITDA) amounted to Euro 80 million, up +18.6% on the Euro 68 million of 2012.
The approximate Euro 12 million increase compared to 2012 is attributable to the positive effect of distribution tariffs envisaged for the new regulatory period, lower CTCs, the capital gain on disposal of the peripheral network in Turin and a number of contingent assets relating to annual adjustments for previous years.

In 2013, investments for around Euro 27 million were made, mainly related to new connections, the construction of new MV/LV substations and MV/LV lines.

Gas Distribution Networks
Gross operating profit (EBITDA) amounted to Euro 103 million compared to Euro 113 million in 2012 (-9.2%). The decrease in the margin is entirely attributable to the capital gain from the disposal in 2012 of the distribution company Gea-Grosseto.

Investments during the period amounted to Euro 34 million and concern the provisions of AEEG Resolutions, particularly the 10-year network redevelopment plan through the replacement of grey cast iron pipes, development initiatives for the distribution network, connections and electronic meters.

Regasification plant
Investments during the period to complete the OLT Livorno terminal amounted to approximately Euro 82 million.
The terminal's testing phase was completed and operations began only at the end of December. Consequently the economic results are of little significance.

Integrated Water Service

In 2013, the Integrated Water Service recorded revenue of Euro 450 million, up by +4.2% compared to Euro 432 million in 2012. The increase is attributable to application of the new tariff system for Euro 14 million and to other revenue for Euro 4 million.

		2013	**2012**	**Δ %**
Revenue	€/mln.	450	432	4.2%
Gross Operating Profit (EBITDA)	€/mln.	122	116	5.2%
EBITDA Margin		*27.1%*	*26.8%*	
Operating profit (EBIT)	€/mln.	49	33	48.9%
Investments	€/mln.	76	74	1.6%
Water sold	Mln m^3	171	179	-4.3%

The comparative figures for 2012 were restated so that, as in 2013, EBIT recorded the adjustment to the dilapidation provision previously recognised under "Financial expense" (Euro 6.8 million).

Gross operating profit (EBITDA) amounted to Euro 122 million, up by 5.2% compared to Euro 116 million in 2012. The increase in the margin is mainly attributable to the higher tariffs, partly offset by the contingent liability from reimbursement of the return on invested capital payable as a result of the outcome of the 2011 referendum.

The operating profit (EBIT) was Euro 49 million, up +48.9% compared to the Euro 33 million recorded in 2012. In addition to the increase in EBITDA, this growth is due to lower allocations to the dilapidation provision, which had a greater impact in 2012, partly offset by higher amortisation/depreciation and allocations to the allowance for impairment of accounts receivable.
The investments totalled Euro 76 million and concern the construction, development and maintenance of distribution networks and systems, the sewerage network and water treatment plants.

Waste Management

In 2013, sector revenue amounted to Euro 214 million, up by +1.5% compared to Euro 211 million in 2012. This increase was due to the growth in revenue from waste management services and to the launch of recycling of materials from separate waste collection, which reached 61.4%, partly offset by higher energy revenue, particularly from closure in May 2012 of the WTE plant in Reggio Emilia.

			2013	2012	Δ %
Revenue		€/mln.	214	211	1.5%
Gross Operating Profit (EBITDA)		€/mln.	36	39	-6.9%
EBITDA Margin			*16.9%*	*18.4%*	
Operating profit (EBIT)		€/mln.	6	16	-62.5%
Investments		€/mln.	56	61	-7.6%
Waste handled		tons	1,003,276	954,450	5.1%
	Urban waste	tons	727,559	728,225	-0.1%
	Special waste	tons	275,717	226,225	21.9%

Gross operating profit (EBITDA) amounted to Euro 36 million compared to Euro 39 million in 2012 (-6.9%). This decrease is due to greater use of disposal hubs from outside the Group and to the treatment costs for higher quantities of organic waste.

The operating profit (EBIT) was Euro 6 million, down -62.5% compared to the Euro 16 million recorded in 2012. In addition to changes in EBITDA, the deterioration is mainly attributable to the absence this year of the extraordinary impact of the release of part of the provisions for post-closure management of landfills, higher amortisation, depreciation and allowance for the impairment of accounts receivable, and other minor risks.

Investments made during the period amounted to Euro 56 million and mainly refer to works to complete the Parma Integrated Environmental Hub (IEH), street-cleaning equipment for Piacenza, the purchase of vehicles and equipment to support expansion of the door-to-door urban waste collection service.

Services and other

		2013	2012	Δ %
Revenue	€/mln.	90	131	-31.4%
Gross Operating Profit (EBITDA)	€/mln.	3	32	-91.2%
EBITDA Margin		*3.2%*	*24.7%*	
Operating profit (EBIT)	€/mln.	-3	17	(*)
Investments	€/mln.	14	25	-43.6%

(*) Change of more than 100%

In 2013 revenue totalled Euro 90 million, down on the Euro 131 million of 2012. This decrease is attributable to the review of certain facility management contracts regarding property maintenance and heat management. A number of company office properties had also been sold in 2012.
Gross operating profit (EBITDA) amounted to Euro 3 million, lower than the Euro 32 million of 2012 due to the absence this year of major capital gains from the disposal of company-owned properties and to changes in the terms of certain service agreements.

Statement of Financial Position

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

thousands of euro

	31.12.2013	31.12.2012	% change
Non-current assets	4,871,404	4,734,916	2.9
Other non-current assets (liabilities)	(131,136)	(116,258)	12.8
Net working capital	121,051	235,106	(48.5)
Deferred tax assets (liabilities)	130,589	105,197	24.1
Provisions for risks and employee benefits	(481,512)	(457,291)	5.3
Assets (Liabilities) held for sale	3,582	7,718	(53.6)
Net invested capital	**4,513,978**	**4,509,388**	**0.1**
Equity	1,989,027	1,954,257	1.8
Non-current financial assets	*(60,167)*	*(116,168)*	*(48.2)*
Non-current financial indebtedness	*1,913,299*	*2,197,827*	*(12.9)*
Non-current net financial indebtedness	1,853,132	2,081,659	(11.0)
Current financial assets	*(311,387)*	*(301,591)*	*3.2*
Current net financial indebtedness	*983,206*	*775,063*	*26.9*
Net current net financial indebtedness	671,819	473,472	41.9
Net financial indebtedness	2,524,951	2,555,131	(1.2)
Own funds and net financial indebtedness	**4,513,978**	**4,509,388**	**0.1**

(*) Change of more than 100%

(1) For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the attachment to the condensed consolidated interim report (paragraph XI).

The main changes in the statement of financial position at 31 December 2013 are commented below.
Non-current assets increased by 2.9% compared to 31 December 2012, mainly due to the change in the scope of consolidation involving the spin-off of Edipower and the proportionate consolidation of Greensource and subsidiaries. Investments made during the period are higher than amortisation/depreciation for the period and disposals. For further details on investments in the period, reference should be made to the section “Segment Reporting”.
The decrease in net working capital was affected by the changes in trade receivables and payables and in tax items. Note that net working capital fell by around Euro 114 million compared to 31 December 2012.
Deferred taxes increased compared to 31 December 2012, mainly as a result of deferred taxes on provisions and on the assets and liabilities acquired through the Edipower spin-off.
The increase in Equity derives mainly from profit for the period, net of dividends distributed.
The cash flow statement presented below provides an analytical breakdown of the changes in 2013.

Cash Flow Statement

CASH FLOW STATEMENT FOR THE IREN GROUP

thousands of euro

	2013	2012	% change
A. Opening cash and cash equivalents	**28,041**	**44,758**	**(37.3)**
Cash flows from operating activities			
Profit (loss) for the year	91,955	162,171	(43.3)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	219,717	205,495	6.9
Capital gains (losses) and other changes in equity	959	(33,073)	(*)
Net change in post-employment benefits and other employee benefits	1,013	818	23.8
Net change in provision for risks and other charges	(39,119)	33,538	(*)
Change in deferred tax assets and liabilities	(16,140)	(30,683)	(47.4)
Change in other non-current assets and liabilities	14,880	1,392	(*)
Dividends accounted for net of adjustments	(1,304)	(656)	98.8
Share of profit (loss) of associates	(10,421)	(9,673)	7.7
Net impairment losses (reversals of impairment losses) on assets	70,747	(1,784)	(*)
B. Cash flows from operating activities before changes in NWC	**332,287**	**327,545**	**1.4**
Change in inventories	478	(21,321)	(*)
Change in trade receivables	203,403	(18,269)	(*)
Change in tax assets and other current assets	62,416	(3,540)	(*)
Change in trade payables	(124,446)	98,154	(*)
Change in tax liabilities and other current liabilities	(1,456)	(3,998)	(63.6)
C. Cash flows from changes in NWC	**140,395**	**51,026**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**472,682**	**378,571**	**24.9**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(351,538)	(339,749)	3.5
Investments in financial assets	(1,423)	(60,285)	(97.6)
Proceeds from the sale of investments and changes in assets held for sale	13,883	154,307	(91.0)
Changes in the scope of consolidation	(61,356)	3,468	(*)
Dividends received	8,868	9,417	(5.8)
Other changes in financial assets	-	131	(100.0)
E. Total cash flows used in investing activities	**(391,566)**	**(232,711)**	**68.3**
F. Free cash flow (D+E)	**81,116**	**145,860**	**(44.4)**
Cash flows from/(used in) financing activities			
Dividends paid	(76,070)	(22,282)	(*)
New non-current loans	583,021	440,250	32.4
Repayment of non-current loans	(395,019)	(503,133)	(21.5)
Change in financial liabilities	(239,253)	(195,850)	22.2
Change in financial assets	73,777	118,438	(37.7)
G. Total cash flows from/(used in) financing activities	**(53,544)**	**(162,577)**	**(67.1)**
H. Cash flows for the period (F+G)	**27,572**	**(16,717)**	**(*)**
I. Closing cash and cash equivalents (A+H)	**55,613**	**28,041**	**98.3**

(*) Change of more than 100%

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

thousands of euro

	2013	2012	% change
Free cash flow	81,116	145,860	(44.4)
Dividends paid	(76,070)	(22,282)	(*)
Change in fair value of hedging derivatives	25,134	(26,488)	(*)
Discontinued financial assets (liabilities)	-	454	(100.0)
Change in net financial position	**30,180**	**97,544**	**(69.1)**

(*) Change of more than 100%

Net financial indebtedness at 31 December 2013 amounted to Euro 2,525 million, down 1.2% compared to 31 December 2012.

In particular, the free cash flow, a positive Euro 81 million, derives from the combined effect of the following cash flows:

- cash flows from operating activities were positive by Euro 473 million and consist of Euro 332 million cash flows from operating activities before changes in net working capital and Euro 140 million cash flows deriving from changes in net working capital;
- cash flows used in investing activities, negative for Euro 392 million, were generated from investments in property, plant, equipment, investment property and intangible assets of Euro 352 million (including investments for the construction of infrastructures under concession pursuant to IFRIC 12), changes in the scope of consolidation for Euro 61 million, proceeds from the disposal of non-current assets for Euro 14 million euro and from the collection of Euro 9 million in dividends.

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

Income Statement

INCOME STATEMENT OF IREN S.p.A.

thousands of euro

	2013	2012	% change
Revenue			
Revenue from goods and services	10,446	13,320	(21.6)
Other revenue and income	3,981	18,542	(78.5)
Total revenue	**14,427**	**31,862**	**(54.7)**
Operating expense			
Raw materials, consumables, supplies and goods	(11)	(12)	(8.3)
Services and use of third-party assets	(11,076)	(16,870)	(34.3)
Other operating expense	(3,785)	(5,368)	(29.5)
Capitalised expenses for internal work	370	166	-
Personnel expense	(21,232)	(19,905)	6.7
Total operating expense	**(35,734)**	**(41,989)**	**(14.9)**
Gross Operating Profit (EBITDA)	**(21,307)**	**(10,127)**	**(*)**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(187)	(114)	64.0
Provisions and impairment losses	(794)	(3,772)	(79.0)
Total amortisation, depreciation, provisions and impairment losses	**(981)**	**(3,886)**	**(74.8)**
Operating profit (EBIT)	**(22,288)**	**(14,013)**	**59.1**
Financial income and expense			
Financial income	197,389	180,649	9.3
Financial expense	(99,295)	(110,273)	(10.0)
Total financial income and expense	**98,094**	**70,376**	**39.4**
Impairment losses on investments	-	-	-
- of which non-recurring	-	-	-
Profit before tax	**75,806**	**56,363**	**34.5**
Income tax expense	11,053	13,948	(20.7)
Net profit/(loss) from continuing operations	**86,859**	**70,311**	**23.5**
Net profit/(loss) from discontinued operations	-	-	-
Net profit (loss) for the year	**86,859**	**70,311**	**23.5**

(*) Change of more than 100%

Revenue
Total revenue for Iren S.p.A. was Euro 14 million, primarily relating to services provided to Group companies.

Operating expense
Operating expense amounted to Euro 36 million and includes services and use of third-party assets (Euro 11 million), other operating expense (Euro 4 million) and personnel expense (Euro 21 million).

Amortisation, depreciation and provisions
Amortisation, depreciation and provisions amounted to around Euro 1 million.

Financial income and expense

The balance between financial income and expense was positive at Euro 98 million. Financial income, amounting to Euro 197 million, amongst other things includes dividends from subsidiaries and associates (roughly Euro 131 million) and interest income from subsidiaries (Euro 66 million). Income from investments includes the extraordinary distribution of a total of Euro 70 million by the first-level companies Iren Acqua Gas, Iren Energia and Iren Ambiente, drawn from distributable reserves. Financial expense totalled Euro 99 million.

Profit before tax

Profit before tax is Euro 76 million.

Income tax expense

Income taxes were positive at Euro 11 million and consist mainly of income from consolidation. In fact, the company opted for participation in the national consolidation tax scheme pursuant to Art. 118 of the new Consolidated Income Tax Act (TUIR) and Iren S.p.A. therefore calculates IRES on the sum of taxable profits/losses of each company included in the consolidation area.
In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying “tax settlements” to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Profit/(loss) for the year

Net of taxes for the year, the company recorded a profit of Euro 87 million.

Statement of Financial Position

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

thousands of euro

	31.12.2013	31.12.2012	% change
Non-current assets	2,510,837	2,412,370	4.3
Other non-current assets (liabilities)	(6,176)	1,826	(*)
Net working capital	8,884	5,967	48.9
Deferred tax assets (liabilities)	15,654	24,803	(36.9)
Provisions for risks and employee benefits	(21,966)	(30,261)	(27.4)
Net invested capital	**2,507,233**	**2,414,705**	**4.0**
Equity	1,536,777	1,504,872	2.1
Non-current financial assets	*(1,479,764)*	*(1,453,795)*	*1.8*
Non-current financial indebtedness	*1,791,845*	*2,076,087*	*(13.7)*
Non-current net financial indebtedness	312,081	622,292	(49.8)
Current financial assets	*(141,855)*	*(278,988)*	*(51.0)*
Current net financial indebtedness	*800,228*	*566,530*	*41.3*
Net current net financial indebtedness	658,373	287,542	(*)
Net financial indebtedness	970,454	909,833	7.2
Own funds and net financial indebtedness	**2,507,231**	**2,414,705**	**4.0**

(*) Change of more than 100%

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

Non-current assets

Intangible assets, property, plant and equipment, investment property and financial assets totalled Euro 2,511 million.

Net working capital

Net working capital was positive by Euro 9 million. Deferred tax assets totalled Euro 16 million, whereas provisions for risks and employee benefits amounted to Euro 22 million.

Equity

2013 closed with equity of Euro 1,537 million.

Net financial indebtedness

At the end of 2013 net financial indebtedness amounted to Euro 970 million. Specifically, non-current indebtedness, equal to Euro 312 million, includes non-current financial liabilities of euro 1,792 million and non-current financial assets of Euro 1,480 million. The latter mainly refer to loans to subsidiaries. Current financial indebtedness totalled Euro 658 million and comprises current payables due mainly to banks for Euro 800 million, current financial receivables largely from Group companies for Euro 111 million and cash and cash equivalents amounting to Euro 31 million.

Cash Flow Statement

CASH FLOW STATEMENT OF IREN S.P.A.

thousands of euro

	2013	2012	% change
A. Opening balance of cash and cash equivalents and centralised treasury management	**79,628**	**457,742**	**(82.6)**
Cash flows from operating activities			
Profit (loss) for the year	86,859	70,311	23.5
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	187	114	64.0
Capital gains (losses) and other changes in equity	-	(14,780)	(100.0)
Net change in post-employment benefits and other employee benefits	(99)	(434)	(77.2)
Net change in provision for risks and other charges	(9,180)	(220)	(*)
Change in deferred tax assets and liabilities	1,199	3,962	(69.7)
Change in other non-current assets and liabilities	8,001	(1,458)	(*)
Dividends received	(130,575)	(93,194)	40.1
Impairment losses on non-current assets and investments	-	(2,458)	(100.0)
B. Cash flows from operating activities before changes in NWC	**(43,608)**	**(38,157)**	**14.3**
Change in trade receivables	2,021	4,808	(58.0)
Change in tax assets and other current assets	8,161	1,563	(*)
Change in trade payables	(7,328)	4,358	(*)
Change in tax liabilities and other current liabilities	(5,767)	(3,713)	55.3
C. Cash flows from changes in NWC	**(2,913)**	**7,016**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**(46,521)**	**(31,141)**	**49.4**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(934)	(324)	(*)
Investments in financial assets	(97,720)	(31,214)	(*)
Proceeds from the sale of investments	-	20,000	(100.0)
Dividends received	130,575	93,194	40.1
E. Total cash flows used in investing activities	**31,921**	**81,656**	**(60.9)**
F. Free cash flow (D+E)	**(14,600)**	**50,515**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(67,460)	(16,591)	(*)
New non-current loans	468,000	402,000	16.4
Repayment of non-current loans	(272,697)	(458,085)	(40.5)
Change in financial assets	(20,760)	(110,593)	(81.2)
Change in financial liabilities	(247,456)	(245,360)	0.9
G. Total cash flows from/(used in) financing activities	**(139,660)**	**(428,629)**	**(67.4)**
H. Cash flows for the period (F+G)	**(154,260)**	**(378,114)**	**(59.2)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**(74,632)**	**79,628**	**(*)**
L. Current balance of centralised treasury management - subsidiaries	**105,690**	**(74,998)**	**(*)**
M. Closing cash and cash equivalents (I+L)	**31,058**	**4,630**	**(*)**

(*) Change of more than 100%

The following table summarises the changes in net financial indebtedness of the parent, Iren S.p.A. for the years under review.

thousands of euro

	2013	2012	% change
Free cash flow	(14,600)	50,515	(*)
Dividends paid	(67,460)	(16,591)	(*)
Other changes in equity	713	-	-
Change in fair value of hedging derivatives	20,727	(16,591)	(*)
Financial assets (liabilities) held for sale	-	-	-
Change in net financial position	**(60,620)**	**17,333**	**(*)**

(*) Change of more than 100%

The following table reconciles equity and the result of the parent Iren S.p.A. at 31 December 2013 and 31 December 2012 with those of the consolidated financial statements.

thousands of euro

31/12/2013	**Equity**	**Profit (loss) for the year**
Equity and profit for the year of the Parent	**1,536,777**	**86,859**
Difference between the carrying amount and associates accounted for using the equity method	31,010	6,668
Higher value from consolidation compared to the carrying amount of consolidated equity investments	288,117	118,571
Elimination of dividends from subsidiaries/associates	-	(133,659)
Elimination of infragroup margins	(84,140)	2,073
Other	737	42
Group equity and profit for the year	**1,772,501**	**80,554**

"Elimination of infragroup margins" refers to the elimination of capital gains from the disposal of business units or companies within the Group. In particular, the transaction relating to the Genoa integrated water cycle carried out by the former AMGA (positive effect of Euro 4 million on the income statement and negative by Euro 61 million on equity).

thousands of euro

31/12/2012	**Equity**	**Profit (loss) for the year**
Equity and profit for the year of the Parent	**1,504,872**	**70,311**
Difference between the carrying amount and associates accounted for using the equity method	27,165	17,964
Higher value from consolidation compared to the carrying amount of consolidated equity investments	295,363	165,563
Elimination of dividends from subsidiaries/associates	-	(101,608)
Elimination of infragroup margins	(88,239)	6,107
Other	694	(5,778)
Group equity and profit for the year	**1,739,855**	**152,559**

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

EVENTS AFTER THE REPORTING PERIOD

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

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

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

This transaction follows the initial bond placement completed in 2013.

Tap Issue for the Private Placement transaction completed on 14 October 2013, increasing the total to Euro 50 million

On 19 March 2014, Iren S.p.A. successfully concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2020.

The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.

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

Agreement for the gradual integration of Unieco's Waste Management Division into the Iren Group

On 28 February 2014 the Iren Group, through its subsidiary Iren Ambiente S.p.A., and Unieco Società Cooperativa, through its subsidiary UCM S.r.l., signed an agreement for the gradual integration of Unieco's Waste Management Division into Iren Ambiente.

In line with provisions of the Business Plan, this transaction will allow the Iren Group to strengthen its position in the waste management sector, becoming one of the national leaders active in all phases of the waste management chain, to develop its presence in the reference regions (Emilia Romagna, Liguria and Piedmont) and to expand its geographic catchment area to regions with high development potential.

Takeover bid on Acque Potabili S.p.A.

On 11 March 2014, Iren S.p.A., Iren Acqua Gas S.p.A. (IAG), fully owned by Iren S.p.A., and Società Metropolitana Acque Torino S.p.A. (SMAT) agreed to launch a voluntary global takeover bid, through Sviluppo Idrico S.r.l., a company whose share capital is held in equal parts by IAG and by SMAT, in accordance with art. 102 et seq. of the Consolidated Law on Finance with regard to 13,785,355 ordinary shares of Acque Potabili S.p.A. - Società per la condotta di Acque Potabili (SAP).

IAG and SAP hold 11,108,795 and 11,109,295 SAP shares, respectively, for a total of 61.71% of the company's share capital.

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

Spin-off of AES Torino S.p.A.

Negotiations are in progress between Iren Energia S.p.A. and Italgas S.p.A. for the spin-off of district heating and gas business units currently managed by AES Torino S.p.A..

BUSINESS OUTLOOK

The 2014 forecast for the macroeconomic scenario in the Euro Area suggests that economic activities will show a moderate acceleration (0.2% in the first quarter of 2014 and 0.3% in the second quarter of 2014), with a gradual rebalancing of domestic demand and net exports. However, the austerity measures still applied in many EU Member States, the stagnant conditions of the labour market and the subsequent decline in the disposable income trend will result in household consumption remaining weak.
The scenarios in Italy are extremely variable due to developments in the sovereign debt crisis and its effects on banks' lending capacity, and the implementation or otherwise of ongoing reforms resulting from the current political-institutional phase.
Furthermore, forecasts indicate that private investments will gradually accelerate following the recovery in economic activities and the need to rebuild production capacity after a prolonged period of cuts.
A scenario of stronger economic growth could be seen if private investments prove to be greater than expected as a result of improved credit access terms. Vice versa, the stagnation in individual spending due to the weak labour market and slowing demand from emerging economies represent the main risks of results lower than forecast.
In this macroeconomic scenario the Group's short-term strategy focuses on maintaining profitability, also by pursuing significant operating synergies, on consolidating the Group's presence in regulated sectors, in addition to strict monitoring of its own financial stability and optimisation of its investments portfolio, with particular attention on selectively identified development opportunities.

REGULATORY FRAMEWORK

Information is provided below on the main new regulations issued during 2013 which influence the Group's operating segments.

Regulations relating to local public services of economic importance

The regulations of local public services which currently derive from the complex regulatory framework are contained in the conversion law of Decree Law no. 179 of 18/10/2012, containing additional urgent measures for country growth, art. 34 as per conversion law - Law no. 221 of 17/12/2012, second annex, which contains "amendments made on conversion to Decree Law no. 179 of 18 October 2012" the more important paragraphs of which are indicated below:

20. For local public services of economic relevance, in order to ensure compliance with European regulations, operator equality, management cost efficiency and to guarantee adequate information to the community, the service is assigned on the basis of the proper report published on the website of the granting entity, which gives an account of the reasons and existence of the requirements set forth by European law for the pre-established form of the assignment, and which defines the specific contents of public service and universal service obligations, indicating the fees, if necessary.

21. Assignments in place on the date of entry into force of this decree that are not compliant with the requirements set forth by EU legislation must be adjusted before the deadline of 31 December 2013, by publishing, by said date, the report set out in paragraph 20. For assignments for which no expiry date is envisaged, the competent bodies simultaneously insert an assignment expiry date in the service contract or other documents that regulate the relationship. Non-compliance with the obligations set out in this paragraph causes the assignment to cease at 31 December 2013. Where the governing body of the ATO has already launched assignment procedures, the service is performed by the existing operator until the new operator takes over, and in any event no later than 31 December 2014 (art. 13, Decree Law no. 150, 30 December 2013).

22. Direct assignments authorised on 1 October 2003 to public companies listed on the stock exchange at that date or to its subsidiaries pursuant to art. 2359 of the Italian Civil Code, cease on the expiry date set out in the service contract or other documents that regulate the relationship. Assignments which do not envisage an expiry date shall cease, without extension option and without the need for resolutions from the granting entity, on 31 December 2020.

23. After par. 1 of art. 3-bis of Decree Law no. 138 of 13 August 2011, converted with amendments, from Law no. 148 of 14 September 2011, and subsequent amendments, the following was inserted:

"1-bis. The functions organising the local public network services of economic relevance, including those belonging to the urban waste sector, deciding on the form of management, determining the relevant utility tariffs, managing assignment and the associated control, are performed exclusively by the government bodies within optimal, standardised geographic areas, established or designated in accordance with par. 1 of this article".

24. Under art. 53, par. 1, of Decree Law no. 83 of 22 June 2012, converted, with amendments, from Law no. 134 of 7 August 2012, letter b) is repealed".

Lastly, note that on 15 January 2014 the European Parliament approved a new directive on concessions. The directive will enter into force 20 days after its publication in the EU Official Gazette and must be adopted by the Member States within the 24 months thereafter. The concession assignment methods are:

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

Code on public works contracts

The text of Legislative Decree 163/2006 (Code on public works contracts) was subject to frequent additions and amendments in the second half of 2013. The more important new elements are:

- for bidding companies, a declaration of “going concern” arrangements with creditors is not cause for exclusion. Consequently, in order to allow access to SMEs, commissioning bodies must divide the contracts into operating lots where possible and where economically convenient;
- setup of the National Database of Public Works Contracts, which will allow commissioning bodies to check general, technical and economic-financial capacity requirements;
- in tenders awarded at the lowest price, that price has to be determined net of personnel costs, assessed on the basis of the minimum wage defined in national pay agreements for the sector by the employee trade unions and employers’ associations comparatively best represented at national level, and on measures for compliance with occupational health and safety regulations;
- the anti-corruption law introduces new advertising obligations for Public Administrations and for companies controlled by public entities required to apply the provisions of the public works contract code. To comply with these obligations the provisions of the AVCP (public works contracts supervisory authority) resolution no. 26 of 22 May 2013, communications of the AVCP Chairman of 22 May 2013 and 13 June 2013 and the communication of 22 October 2013, and the recommendations issued by the CIVIT (now A.N.A.C., the national anti-corruption authority), have to be taken into account. The implementing decrees for application of the provisions are still pending;
- art. 13 of Decree Law 145/2013 introduced regulations to art. 118 of the code that allow commissioning bodies to pay subcontractors directly if there are particularly urgent conditions regarding completion of works implemented under works contracts in progress. In addition, also for works contracts in progress, where arrangements with creditors are pending the commissioning body retains the right to arrange payments due for services provided by the contractor, by subcontractors and as piecework through the court responsible for acceptance of the arrangements with creditors proceedings.
- Lastly, at the end of 2013 the European Commission issued Regulation no. 1336/2013 which for the two-year period 2014-2015 changed the application limits on procedures for the award of public works contracts: Euro 207,000 for ordinary sectors (instead of Euro 200,000) and special sectors; Euro 414,000 (rather than Euro 400,000) for all public supply and services contracts and Euro 5,186,000 (instead of Euro 5,000,000) for public works contracts.

Anti-mafia Code

Legislative Decree no. 159 of 6 September 2011 approved the code on anti-mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.
Of particular note are: elimination of the so-called “atypical information”, annual validity of anti-mafia information, rather than half-yearly, and obtainment of anti-mafia communications solely from the Prefecture, and no longer from the Chamber of Commerce through the Chamber’s certificate.

Robin Hood Tax

Art. 7, of Decree Law no. 138 of 13 August 2011, converted to Law no. 148 of 14 September 2011, raised the “Robin Hood Tax”, i.e. the additional IRES tax rate for companies operating in the energy sector, by four percentage points (from 6.5% to 10.5%) for the tax years 2011 to 2013 and extended it to operators that transmit/dispatch/distribute electrical energy and transport/distribute gas, and to companies that produce electrical energy through the predominant use of biomass, solar/photovoltaic and wind power. At present the additional charge has not been confirmed for years beyond 2013.

Cash transfers

Art. 4 of the same decree law lowered the limit envisaged in art. 49, Legislative Decree no. 231 of 21 November 2007 to Euro 2,500, above which transfers in cash, by bank or post office savings book payable to the bearer are not permitted. This limit was further reduced to Euro 1,000 by art. 12, Decree Law no. 201 of 6 December 2011, converted to Law no. 214 of 22 December 2011.

Gas distribution

The Letta Decree of 2000 introduced competition to the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales. Pursuant to art. 9 of the Letta Decree, natural gas transportation and dispatch services are considered to be activities in the public interest.
Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas for national security purposes. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. According to the Letta Decree, distribution activities are considered a public service and can only be performed by companies that do not already provide other services in the gas industry, such as sales, dispatch and storage. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.

By Decree of 19 January 2011 the Ministry of Economic Development announced the district authorities for the natural gas distribution sector. The regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This regulation established that the chief Municipality in the Province acts as awarding party for management of the tender to assign new distribution concessions at district level. The deadline for identification of the awarding party is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 ATOs, 24 months for the Genoa 2 ATO, 30 months for the Genoa 1 ATO and 36 months for the Piacenza 2 East ATO.
The related tenders must be launched within 15 months of the above deadlines by the chief Municipality in the province (if part of the district authority), or within 18 months by an entity identified by the Municipalities covered by the district authority (if this does not include the chief Municipality).
In 2013 the "Decreto Fare" (action decree, Decree Law no. 68 of 21 June 2013) introduced a number of amendments to the "criteria regulation" (Ministerial Decree 226/2011), which defines the basic regulations for conducting sector-related tender procedures. The peremptory nature of deadlines is envisaged for the nomination of the commissioning body, with a penalty for failing to meet the deadlines and the strengthening of substitution powers through the appointment of an "ad acta commissioner". The time limits indicated in Annex I to Ministerial Decree 226/2011 for launching tenders were extended according to the type of situation involved. When converting the "Destination Italy" Decree, certain amendments were proposed extending the time limit for launching procedures with the shortest deadlines by a further 4 months and to amend the criteria for calculating the indemnity due to the outgoing Operator.
By means of resolution 382/2012/R/gas, the standard service contract layout was published for natural gas distribution.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the AEEG regarding the following issues:
- distribution and metering tariffs;
- distribution and metering service.

Gas distribution and metering tariffs

Resolution 553/2012 R/gas determined the reference tariffs, the mandatory tariffs for natural gas distribution and metering services and tariff options for gas distribution and metering services other than natural gas, with reference to 2013, in line with the transitory provisions defined in resolution 436/2012/R/GAS, which extended the applicable period of the tariff regulation and of the quality of gas distribution and metering services contained in the RTDG and in the RQDG as at 31 December 2013.

Assessment of the safety of gas-powered plants

By resolution 291/2012/R/gas, technical gas quality controls were established for distribution companies in relation to the period 1 October 2012-30 September 2013.

Gas metering service

By resolution ARG/gas 184/09 of 1 December 2009, the Authority assigned responsibility to the distribution company for metering installation and maintenance at the distribution network supply points, pursuant to the Consolidated Law annexed to resolution 159/08, a task formerly assigned to the carrier, to adapt to the new provisions on metering service organisation. Following the aforementioned change, therefore, responsibility for the metering of natural gas at the supply points is as follows:

- the entity responsible for metering installation and maintenance is:
  - for standard supply points, the distribution company;
  - for distribution network supply points, the distribution company for the end customers drawing gas from those points;
  - for interconnection points, the sub-distribution company;
- the entity responsible for the collection, validation and recording of gas meter readings is:
  - for standard supply points, the carrier;
  - for distribution network supply points, the distribution company for the end customers drawing gas from those points, with effect from 1 July 2009;
  - for interconnection points, the sub-distribution company.

By means of provision 28/2012/R/gas, the tariff regulation of the metering service was reviewed, modifying the obligations, set forth under resolution ARG/gas 155/08, for the introduction of remote reading/remote management of gas meters.

By means of resolution 193/2012/R/gas, urgent measures were also adopted, regarding the obligations to install electronic gas meters, starting from 1/3/2012, and to start a procedure for the revision of standard costs connected to the commissioning of said meters.

Resolution 575/2012/R/gas amended the obligations for the promotion of installation of intermediate meters to remote management and remote reading requirements in the coming years, making the relevant adjustments to the related tariff regulations.

Quality of the metered gas distribution service

Under AEEG Resolution 574/2013/R/GAS, one of the primary objectives to be assumed by distribution companies is the cathodization of steel pipes, replacing the previous primary objective of replacing grey cast iron pipes, which in any event remains a distributor obligation for safety purposes. The resolution was opposed as it suddenly changed the primary obligations of distributors, with serious effects on long-term investment plans to which they were already committed.

Default service

By means of resolution ARG/gas 99/11, the authority had introduced provisions for the natural gas retail sale market, with particular reference to the purchase methods and loss of responsibility for withdrawals, to regulation of non-fulfilment of payment obligations by end customers (default) and to completion of the envisaged structure regarding last resort services, regulating, among other things, in accordance with art. 7, par. 4, letter c), of Legislative Decree 93/11, the default service, aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the end customer (without a supplier), that owns the supply point for which the conditions are not met for the commissioning of a supplier of last resort, or it is, in any case, impossible to commission a supplier of last resort. By means of resolution 166/2012/R/gas, the Authority had suspended the date of entry into force of the provisions contained in resolution ARG/gas 99/11 with reference to the default service, also envisaging that said date was identified in the provision that governs the default service remuneration method.

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

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

The AEEG submitted an appeal with an application for monocratic precautionary measures against the judgment of the Regional Administrative Court. On 28 January 2013, the Council of State upheld AEEG's

appeal on a preventive basis, and suspended the effects of the judgment of the Regional Administrative Court of Lombardy, setting the hearing on the merits of the case for 19 February 2013. Following the suspension decision handed down, AEEG saw fit to publish resolution 25/2013/R/gas on 30 January 2013, “Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks”.
Given the setup of a technical roundtable with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the roundtable commenced with operators in the meantime.
The Council of State then adjourned discussion of the precautionary suspension application to the Council hearing of 9 July 2013.
At the hearing of 9 July 2013 the Council of State set the date of the hearing for discussion of the merits of the appeals filed by the AEEG against the Milan Regional Administrative Court judgments of December 2012 as 4 March 2014.
On 21 November 2013 the AEEG adopted another resolution, 533/2013/R/GAS, on regulations for default. On 21 January 2014 an appeal was filed based on additional grounds for its cancellation.

Electrical energy distribution

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

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

Law no. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission network.
Law no. 239 of 23 August 2004 (the “Marzano Law”) reorganised certain aspects of the regulatory framework for the electrical energy market.
Measures were adopted in 2007 to guarantee unbundling.

Tariff structure for transmission, distribution and metering:
the AEEG established a tariff regime that entered into force on 1 January 2000. This regime replaced the “cost plus” system with a new “price cap” mechanism that sets a limit on annual tariff increases corresponding to the difference between the inflation rate and the higher productivity achievable by the service provider, together with additional factors such as quality improvement. According to the price cap method, tariffs should reduce by a fixed percentage each year in order to encourage regulated operators to improve efficiency and gradually pass on their savings to the end user.

The AEEG has approved the integrated provisions for regulating the transmission and distribution of electrical energy (“TIT”) and the integrated provisions governing electricity metering (“TIME” for the fourth regulatory period (2012-2015).

2013 is the second year of the fourth regulatory period (2012-2015), in which the provisions that regulate the main electrical energy distribution activities are applicable, which apply to a market that is now fully deregulated.
These activities are:

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

With regard to point 1), resolution ARG/elt 199/11 contains the integrated code on transport (TIT), integrated code on metering (TIME) and integrated code on connection (TIC) for electrical energy for the 2012-2015 period.
With respect to the regulations in force up until 2011, from 2012 the mechanism of the average national tariff supplemented by equalisation (general and company-specific) is replaced by a single tariff per individual distributor which:
a) recognises with a parameter-based criteria, the medium and low voltage capital invested by the company up to 2007;
b) accurately recognises the actual high voltage capital per company and increases from 2008;
c) recognises the operating expense of the company according to an average national cost modulation ratio established with AEEG parameters related to 2010 scale variables of the company;
d) maintains the equalisation of metering revenue for LV withdrawal points;
e) cancels the equalisation of sales costs, covering average national costs between distributors that have set up a separate sales company and those that have not;
f) confirms regulations for the update of invested capital, for 2012-2013 tariffs recognising a return on the WACC (weighted average cost of capital) of 7.6%, for 2014-2015 tariffs a return of 6.4% for capital invested up to and including 2011 and a return of 7.4% for subsequent capital increases (as per Resolution 607/2013/R/eel);
g) confirms regulations for the update of operating expense with efficiency recovery mechanisms (x-factor) set at 2.8% for distribution and 7.1% for metering;
h) identifies a metering component which covers electromechanical meters still not fully depreciated but replaced (for resolution 292/06) and represents a single addition to metering revenue recognised until 2027;
i) partially changes the types of investment with greater incentives, which are:

- low loss transformers in MV/LV transformation stations: +1.5% for 8 years;
- pilot projects (smart grids): +2% for 12 years;
- upgrading and enhancement of MV networks in established centres: +1.5% for 12 years;
- increase in the transformation capacities of primary transformation stations in critical areas, identified according to criteria established by AEEG: +1.5% for 12 years;
- pilot projects relating to storage systems: +2% for 12 years;

j) modifies the structure of the reference tariff, from which variable parts disappear (energy quota for non-domestic customers and energy quota plus power quota for domestic customers) and the fixed part remains (for supply point): therefore a unit cost per supply point is reached (POD), with the sole exception of Public Lighting (tariff composed solely of the energy quota).

With regard to equalisation, it should be remembered that the equalisation mechanism for network losses (Annex A of 301/2012/R/eel - TIV) envisages an annual economic settlement with distributors relating to the difference between standard losses (recognised as equalling a countrywide predefined, standard level) and their actual losses.
Subsequently, DCO 269/2013/R/eel proposed a revised mechanism for 2013-2015 envisaging specific standard factors for each distributor, so that the loss containment incentives become more in line with real network operating conditions (e.g. the technical characteristics of the network, specific orographic

features of the area, different territorial concentrations for withdrawal points, difference impact of fraudulent withdrawals, etc.).
Resolution 559/2012/R/eel and Resolution 608/2013/R/eel then envisaged a transitional equalisation delta for losses for 2012 and 2013, respectively, which penalises efficient distributors, who would be expected to return half of the equalisation for 2013 and 3/4 for 2013 (whereas inefficient distributors pay half the equalisation due to them).

With regard to point 2), in order to protect domestic customers with financial and physical problems, in 2008, interministerial decree 28/12/2007 introduced mechanisms for the compensation of expenses incurred by financially and/or physically vulnerable customers (with the medical-therapeutic equipment needed for life support) and subsequent AEEG resolution 117/08, which:
a) launched the compensation system in the first quarter of 2009, making provision for the retroactive disbursement, from 1/1/2008, of compensation to applicants before 29/2/2009;
b) established in October 2008 the new AS tariff component to cover compensation expenses and applicable to all users;
c) allowed distributors to retain the AS within the limits of compensation disbursed;
d) made provision for a centralised information system (SGATE) for the structured and standardised management of relations between Municipalities (that collect compensation applications) and distributors;
e) made provision for the coverage of distributor costs with ordinary distribution tariff update mechanisms.
Under the electricity bonus mechanism, the distributor has to:
- assesses the technical requirements for the acceptance of customer applications, recording the outcome on the SGAte system;
- disburses the compensatory component to vendors for each supply point in the name of eligible parties.
In 2012, resolution 350/2012/R/eel introduced, effective from 2013, new measurements for the physical problem bonus, including:
a) a new mechanism correlated to electrical energy consumption of life support equipment, which defines, for similar categories of equipment, average consumption depending on the intensity of use;
b) 3 brackets (minimum, average, maximum) of bonus amounts, depending on the sum of average consumption values of the equipment used by the customer;
c) new forms for the request for bonuses due to physical problems and a different minimum content of ASL (local health authority) certifications;
d) further verification by the distributor of the contractually committed power (lower or higher than 3 kW);
e) the possibility of presenting applications for the new bonus from 1/1/2013 and of obtaining a supplement (retroactive portion) for 2012 for applications submitted between 1/1/2013 and 30/4/2013 for customers holding the bonus for physical problems in 2012.
Downstream of the consultation (DCO 253/2013/R/com of 13/6/2013), Resolution 402/2013/R/com introduces the TIBEG (integrated regulations on electricity and gas bonuses) with effect from 1 January 2014, which replaces the various resolutions on electricity and gas bonuses, simplifying and eliminating certain critical points from the rules for the electricity bonus (the option of submitting a single application for the electricity bonus and gas bonus, simplification of the application for renewal if the ownership and supply contract conditions have not changed, removal of the limit on actual capacity for access to the bonus, etc.).

As regards point 3), resolution 198/2011 (TIQE - integrated code on electrical energy quality) regulates the commercial and technical quality for 2012-2015.
As regards developments in commercial quality, the “rapid quote” mechanism entered into force in 2013 and new indicators for the replacement of faulty meters and for the restoration of the correct value.
By contrast, as regards technical quality, the following should be noted:
a) new second level causes for outages without warning;
b) additional information in the list of reports and telephone calls (voice recording, code of the line involved, etc.);
c) new specific levels of continuity for MV customers, defined on long outages plus short annual outages;
d) penalties/indemnities for MV users calculated by using the actual power interrupted, starting from 2013;
e) CTC for non-certified customers calculated on the basis of available power;

f) incentive for the reduction of the number of MV customers with the number of outages above specific levels;
g) incentive for the reduction of the number of MV customers with delivery via pole-mounted equipment and available power for withdrawal equal to or lower than 100 kW;
h) new minimum and maximum levels of LV and MV supply;
i) monitoring of the voltage quality on MV semi-bus bars of the primary substation and registration of voltage leaks.

With regard to point 4), the system defined by resolution 4/08 continued to apply, which regulated the dispatching, transport and metering of electrical energy in cases of end customer default or non-fulfilment of obligations by the vendor. In summary:
a) the resolution aims to protect the receivables of vendors and safeguard providers;
b) defines specific regulations for the management of the suspension of supply in the event of the default of end customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.

As regards point 5), resolution 42/08 regulated the dispatching, transport and metering of electrical energy in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching). Resolution 42/08 envisages that:
a) the switching takes effect on the first day of the second month after the one in which the distributor receives the request;
b) the outgoing vendor informs the distributor of the termination of the sale contract and the methods and times said entities use to communicate;
c) the protected category supplier communicates the loss or absence, by one of its customers, of the requirements for inclusion in the protected category service;
d) the times for commissioning a supplier and those for switching are consistent.
Resolution 396/2012/R/eel later amended both the regulations on default (previous point 4) and on switching, in order to:
a) improve communications with customers on their possible choice of alternative vendors from the non-compliant vendor;
b) take into consideration the interim payment of the non-compliant vendor;
c) explains to customers the activation times of the higher protection/safeguarding category and ways of returning to the free market.
Resolution 166/2013/R/eel envisaged that from 1 July 2013 the distributor reports cases in which, if a notice for cancellation of a sales contract has been received, the vendor is no longer owner of the withdrawal points from the first day of the following month.

As regards switching, resolution 153/2012/R/com shall be noted, which provides protection as of June 2012 in order to prevent contracts not requested by end customers and which launches the study of the concept of “default switching”, i.e. a future procedure to restore the situation prior to switching for electrical energy/gas supplies not requested by the end customer. Monitoring is currently under way which will require distributors and vendors to send communications to AEEG from 2013 (distributor communications are suspended at present pursuant to DMEG 4/12).
With reference to default switching, a consultation was launched in summer 2013 (DCO 245/2013/R/com of 6/6/2013) on a number of proposals to complete the rules for monitoring contracts not requested and to define criteria, reporting and methods for publishing the list of unrequested vendors.

As regards point 6), annex A to resolution ARG/elt 107/09 summarises in a single document (the Integrated Code on Settlements - TIS) all provisions regarding settlement, i.e. the settlement of the physical and economic items of dispatching (monthly settlement, annual adjustments, metering corrections, etc.) in order to obtain:
a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
b) the reduction of the economic and administrative impact for dispatching users due to metering corrections (they affect both the dispatching user that owns supply points with corrected measurements and other dispatching users through the residual area withdrawal and the sign of aggregate zonal unbalancing);
c) the accounting and administrative simplification for Terna and distributors of the handling of adjustments and determination of the associated economic items.

Resolution 34/2013/R/eel confirmed the transitional provisions on the calculation/payment/collection of dispatching amounts for all of 2013.
Lastly, the recent Resolution 611/2013/R/eel, based on figures for January 2014, activates certain indemnities payable by the distributor (for Delayed Time Curves and Inconsistent Time Curves) and for 2014 confirms the calculation and billing times for 2013 dispatching amounts and the rules for defining automatic indemnities for Delayed Reporting and for Divergent Time Periods.

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

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

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy and by pursuing the objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.
The Independent Operator nominates a guarantor for the correct management of commercially sensitive information (so-called Data Protection Authority), which monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).
In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.
Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

As regards point 8), resolution ARG/elt 191/09 defined the "Compensation System", which guarantees compensation (Cmor) to the outgoing vendor in the event of the non-collection of amounts due for the invoices issued in the last few months of supply, before the effective date of switching for the service provided.
Subsequent resolution ARG/elt 219/10 (which fully replaces the previous resolution) issues the provisions for the functioning of the Compensation System, contained in the various annexes and Technical Specifications published by the Acquirente Unico (Single Buyer).
This system allows all vendors to claim compensation on the end customer, regardless of the change of vendor requested by said end customer. The distributor is among the main entities, given that it must apply the Cmor component to the incoming vendor (the new vendor selected by the same defaulting end customer).
In 2012, first resolution 99/2012/R/eel, and then resolution 195/2012/R/eel, set out additional provisions on the management of the all-round functioning of the compensation system (methods and deadlines of the Cmor invoicing process, information flows for the management of compensation requests, new simplified regulations, etc.).
Lombardy Regional Administrative Court sentence no. 683 of 14 March 2013 cancelled the Indemnity System, but the AEEG later appealed to the Council of State requesting precautionary suspension of the effects, and by Order no. 2595 of 10 July 2013 the Council of State accepted the AEEG's appeal.
The Indemnity System is therefore once again in force.

Major hydroelectric shunt concessions

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

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

Decree Law no. 83 of 22 June 2012, converted, with amendments, to Law no. 134 of 7 August 2012, introduced certain amendments to the legislation on concessions. The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an interministerial decree in the process of being issued in agreement with the State-Regions Conference, in relation to the investments deemed necessary. The choice of the best bid for assignment of the concession will be based predominantly on the economic bid for the acquisition of water resources and on the increase in energy produced or installed power. For concessions already expired or those due to expire by 2017, the tender will be called within two years from the date of entry into force of the interministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations. For property, plant and equipment included in the business unit, the consideration for the outgoing concession holder will be determined on the basis of the market value of property, plant and equipment intended as the new-for-old value less normal deterioration, except with regard to transferable assets, for which an amount is due calculated based on the revalued historical cost method, net of any grants related to assets (these also revalued) received by the concession holder, less normal deterioration.

By means of the additional default notice of 26 September 2013, issued as part of the infringement proceedings no. 2011/2016 already instigated against Italy, the European Commission expressed doubts about the provisions introduced to Italian law by art. 37, Decree Law 83/2012, with particular reference to the automatic deferral of hydroelectric concessions and the mandatory payment by the incoming operator of an amount for fully comprehensive transfer of the business unit including transferable assets, which would result in a further benefit for the outgoing operator that is prejudicial to the incoming operator.

Integrated Water Service

The reform process of the integrated water service, which began with Law no. 36/94 (the Galli Law), was revised with the approval of Legislative Decree no. 152 of 3 April 2006, as amended by Legislative Decree no. 219 of 10 December 2010 and subsequent amendments and additions.

The Environmental Code contains regulations on management of the integrated water service and is based on the following principles:

- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of ATOs ("Ambiti Territoriali Ottimali", within which the integrated water services are to be managed. The ATO boundaries were defined on the basis of: (i) coherence with hydrogeological conditions and logistics, (ii) the aim of consolidating the sector; (iii) the achievement of economies of scale and operating efficiency, and the setting up of an ATO Authority for each ATO, responsible for: (a) organising the integrated water service through a plan which, amongst other things, has to define the investment and management policies (the Area Plan), (b) identify an operator for the integrated water service, (c) determine the tariffs applied to users, (d) monitor and supervise the service and the activities conducted by the operator to guarantee correct application of the tariffs and the achievement of objectives and quality levels established in the Area Plan;
- organisation of the integrated water service is based on a clear segregation of duties between the various governing bodies. The state and regional authorities carry out the general planning. The local authorities supervise, organise and control the integrated water services system.

Law no. 42/2010 (by adding paragraph 186-bis to Law no. 191 of 23 December 2009) provided for elimination of the Optimal District Authorities (ATOs) one year after its entry into force. The deadline was

extended to 31 March 2011 by the “Mille proroghe” [thousand extensions] decree (Decree Law no. 225 of 29 December 2010), and again extended to 31 December 2012 by the “Mille proroghe” Decree Law no. 216 of 29 December 2011.
The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.

The Integrated Water Services segment was also affected by the famous Referendum of 12/13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Legislative Decree no. 152 of 13 April 2006 “Determination of the tariff for the integrated water service” only insofar as the portion envisaging that this should be “based on adequate remuneration of invested capital”.
This repeal did not produce direct and immediate effects on the current tariffs, but was limited to changing the criteria to be adopted by the competent Authority in preparing the “Tariff Method” as now defined in the Ministerial Decree of 1 August 1996. In fact, Art. 170, paragraph 3 of Legislative Decree 152/2006 (not affected by the repeal Referendum, and therefore still valid) states that until issue of the future decree the previous decree of 1 August 1996 will continue to apply.
In sentence no. 62 of 7 March 2012, the Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs (that ceased operations on 31 December 2012 as mentioned above). This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
Following the elimination of the AATOs, introduced by Parliament at the time of conversion of Decree Law no. 2 of 25 January 2010, the functions concerning the regulation and control of water services were transferred to the Italian Authority for Electrical energy and Gas by means of Decree Law 201/2011, converted with Law no. 214 of 22/12/2011, which also clarified that these functions “are exercised with the same powers assigned to said Authority by Law no. 481 of 14 November 1995”.
In this respect, note the issue of Resolution 585/2012/R/idr - Approval of the temporary tariff method for the calculation of tariffs for the years 2012 and 2013 for all water service operations, excluding CIPE (Interministerial Committee for Economic Planning) operators and the autonomous regions/provinces Valle d'Aosta, Trento and Bolzano. The proposed method does not determine the tariffs, but defines criteria for their quantification and anticipates the general guidelines of the definitive version, expected in 2014. The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.

On 25 June 2013, the Italian Authority for Electrical energy and Gas also approved a specific provision (no. 273/2013) for the definition of the criteria for the calculation of the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.
The decision made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. For these reasons, appeals are being prepared for the administrative courts to request reform of this resolution.

By Resolution no. 643 of 27 December 2013 the AEEG approved the “Water Tariff Method and completion rules” (MTI), containing the methods and parameters for calculating the costs (OPEX and CAPEX) that must provide adequate remuneration through the tariff applied to water service users. The provisions of this Resolution supersede those of the MTT (transitional method prepared for 2012 and 2013) and are applicable from 2014 onwards.
In particular, art. 4 envisages that by 31 March 2014 the authority responsible for the ATOs:

- defines objectives and (based on the Operator’s recommendation) prepares the Plan of Action;
- prepares the tariff for 2014 and 2015;
- prepares the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submits these calculations to the AEEG for final approval.

The new WTM governs certain issues not considered in previous instructions, of particular importance among which are:

1. the option of recovery through the new tariff of operating expense incurred in previous years and not covered by past tariffs;

2. the recognition of expense deriving from the default phenomenon;
3. the definition of criteria for establishing the indemnity due to the outgoing Operator, on termination of the assignment, against investments made but not fully amortised.

The Iren Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.
The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	AGREEMENT DATE	EXPIRY DATE
Genoa area	ATO/Operator Agreement	16.04.2004/5.10.2009	31 December 2032
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

Waste Management Service
Integrated Waste Management represents all the activities carried out to optimise the management of waste, these being the transportation, treatment and disposal of waste, including street sweeping and the management of these operations.
The general regulation applicable to the Integrated Waste Management services sector is established at national level in Decree Law 138/2011 converted to Law no. 148 of 14 September 2011, later amended by Decree Law no. 1 of 24 January 2012, the Environmental Code (Legislative Decree 152/2006 and subsequent amendments and additions), to Legislative Decree 36/2003 (landfills), Legislative Decree 133/2005 (incineration and co-incineration), Presidential Decree no. 59 of 13 March 2013 (Single Environmental Authorisation), and at regional level by Emilia Romagna Regional Laws 25/99, 10/2008 and 23/2011.
Given that the ATOs responsible for the management of water resources and integrated management of urban waste pursuant to articles 148 and 201 of Legislative Decree 152/2006 (the Environmental Code) ceased operations as at 31 December 2012, the regions were given the task of legally assigning the functions previously carried out by these organisations, in accordance with the principles of subsidiarity, differentiation and suitability. In this respect, the Emilia Romagna Region has already arranged the issue of Law no. 23 of 23 December 2011, "Regulations on the territorial organisation of functions relating to local public environmental services", and has established the Emilia Romagna District Authority for water and waste management services in which all the municipalities and provinces in the region responsible for governing the entire regional area are members. This agency became operational in 2012.

Also note that, based on Decree Law 101/2013, as converted to Law 125/2013, the Sistri system entered into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste.
The Iren Group provides waste management services on the basis of specific service assignments from the Local Authorities, governed by agreements signed with the provincial ATOs.
The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	AGREEMENT DATE	EXPIRY DATE
Reggio Emilia	ATO/Operator Agreement	10 June 2004	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2014
Piacenza	ATO/Operator Agreement	18 May 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

In addition, in a temporary grouping of companies with F2i and Acea Pinerolese, the Iren Group was awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. Two SPVs were set up for the purchase of investments (TRM V and AMIAT V).
TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province.
AMIAT is the company responsible for waste collection and transport in Turin.

Tariff system for waste management services
Art. 14 of Decree Law 201/2011, converted to Law no. 214 of 22/12/2011 established the new tax (TARES - waste services tax) in all municipalities, effective as of 1 January 2013, to cover the costs of urban and similar waste disposal services performed through the assignment of exclusive rights by the municipalities, and costs relating to the municipalities' indivisible services.
The tax in question was payable by anyone owning, occupying or holding, in any capacity, premises or uncovered areas, used for any purpose, which are capable of producing urban waste.
The tax was paid on the basis of the tariff commensurate with the average ordinary quality and quantity of waste produced per unit of surface area, in relation to the uses and type of activities carried out.
Consequently, as of 1 January 2013, all applicable withdrawals relating to the management of urban waste, both of a capital nature and of a tax nature - TIA (waste management tariff) or TARSU (Urban solid waste tax) - were eliminated.
Legal ownership of the tariff revenue remained with the Municipalities, as do the assessment and collection methods. The tax, also as an exception to art. 52 of Legislative Decree no. 446 of 15/12/97, had to be paid by the user to the Municipality.
Following the amendment to par. 35 of art. 14 mentioned above, replaced by art. 1, par. 387, letter f), Law no. 228 of 24 December 2012, effective from 1 January 2013, it is established that:
"The municipalities, as an exception to art. 52 of Legislative Decree no. 446 of 15 December 1997, may assign, up until 31 December 2013, the management of the tax or of the tariff pursuant to par. 29, to entities that, as at 31 December 2012, perform, including separately, the services of waste management, assessment and collection of TARSU, TIA 1 or TIA 2".
The 2014 Stability Law (Law no. 247 of 27 December 2013) established the IUC tax (single municipal tax) from 1 January 2014, comprising: municipal tax of a capital nature (IMU), a component referring to "indivisible" services (TASI) and the waste tax (TARI) destined to finance the cost of the urban waste collection and disposal service.
The prerequisite for the TARI tax is the ownership or possession of properties susceptible to producing waste and commensurate with the floor surface area of the property. The rates can be reviewed by the municipalities on the basis of service quality standards.
In the meantime, the law converting Decree Law 102/2013 (Law no. 124 of 28 October 2013) envisaged the option for municipal authorities to decide whether to apply the TARSU or TIA tax for 2013 or instead "retain" the TARES (or, for those already applying the TARES, the option of going back to the TARSU/TIA regime). The resolution (which should have been adopted by 30 November 2013) was in any event only valid for 2013 taxation, as from 2014 the new TARI tax entered into force.

Green Certificates, Energy Efficiency Certificates and the ETS
Green certificates
In accordance with art. 11 of Legislative Decree no. 79/99, producers and importers of electrical energy generated from non-renewable sources must introduce electrical energy produced from renewable sources into the network, equal to a portion of the electrical energy produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points (art. 4, par. 1, Legislative Decree 387/2003), whereas the annual increase for the period 2007-2012 was established as 0.75% by Law no. 244 of 24 December 2007 (2008 Finance Act).
This obligation can also be fulfilled by purchasing on the market and subsequently returning to GSE for the cancellation of a corresponding quantity of green certificates. These certificates are assigned to electrical energy producers according to their production of electrical energy from plants powered by renewable sources, which began operations or were repowered after 1 April 1999 and qualified as IAFR (plants

powered by renewable sources) by the GSE according to criteria set out by MAP decrees of 24 October 2005.
The eligible period to obtain recognition of green certificates, initially 8 years, was later extended to 12 years by Legislative Decree no. 152 of 3 April 2006 (Consolidated Environmental Act).
Law no. 244 of 24 December 2007 (2008 Finance Act) amended the regulation on green certificates, and the term of the recognition period for plants started up after 31 December 2007 was extended to 15 years. Differentiated rates were introduced according to the sources.
Plants considered cogeneration plants according to parameters set out by resolution no. 42/02 AEEG are exempt from the purchase of green certificates. Moreover, art. 1, par. 71, Law no. 239 of 24 August 2004 (Marzano) also conferred to cogeneration plants combined with district heating (together with hydrogen and combustible cell plants) the right to recognise Green Certificates in relation to their production. This paragraph was cancelled by art. 1, par. 1120, letter g, of Law no. 296 of 27 December 2006 (2007 Finance Act), but rights acquired by plants compliant with provisions set out by Art. 14 of Legislative Decree no. 20 of 8 February 2007 (especially regarding authorisation dates and/or operation start-up and the EMAS certification) are still valid. The Green Certificates assigned to cogeneration plants combined with district heating were however subject to certain limitations. The recognition period is 8 years (Law no. 244 of 24 December 2007) and can be used to cover up to 20% of the obligation (Legislative Decree no. 20 of 8 February 2007 – Art. 14, par. 3).
The Decree of the Ministry for Economic Development of 21 December 2007 approved and published the Technical Procedures which define the submission methods of applications for IAFR qualification. These procedures differ for renewable sources and the so-called similar sources (among which cogeneration combined with district heating).
In accordance with the provisions of art. 2, par. 150 of the 2008 Finance Act, through the Ministerial Decree of 18 December 2008, the Ministry for Economic Development set out the transition method from the previous incentive mechanism to new mechanisms (provided for in art. 2, paragraphs 143 and 149 of the 2008 Finance Act), and the method for extending on-site exchange to plants powered by renewable sources with an annual average nominal power not higher than 200 kW.
Amongst other things, the transition refers to the period 2009-2011 during which the GSE (at the request of the Green Certificates holder) will collect the Green Certificates issued for production relating to 2010 at the average market price of the previous three years.

By resolution 250/2013/R/efr, the AEEG identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore from 6 July 2013 (30 calendar days after this cost is achieved) the Ministerial Decree of 5 July 2012 and the provisions of previous decrees on photovoltaic incentive schemes ceased to apply.

The Gestore dei Servizi Energetici – GSE S.p.A. is responsible for implementing and managing the mechanism, and including the disbursement of the incentives to beneficiaries.
Ministerial Decree of 6 July 2012 establishes the new methods for incentivising the electrical energy production from plants powered by non-photovoltaic renewable sources, with power of no less than 1 kW.

The incentives envisaged by the decree apply to new plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which enter into operations from 1 January 2013. In order to protect investments in the process of being completed, the decree envisages that plants which hold an authorisation certificate which dates back to before 11 July 2012 (date of entry into force of the decree) and became operative before 30 April 2013 and, solely for plants powered by waste pursuant to art. 8, par. 4, letter c), became operative before 30 June 2013, can access incentives in accordance with the terms and conditions set out in Ministerial Decree 18/12/2008. Reductions on the all-inclusive tariff or on the multiplicative coefficients will be applied to these plants for the green certificates envisaged in art. 30, par. 1 of the decree.
The new decree also governs the methods with which plants already in operation, incentivised by Ministerial Decree 18/12/2008, will transfer from the green certificates mechanism to new incentive mechanisms starting in 2016.

Tax concessions

Tax concessions for energy savings, consisting in amounts deductible from IRPEF (personal income tax) or IRES (business income tax), are permitted when works are completed to increase the energy efficiency level of existing buildings.

A deduction of 65% applies to expense incurred from 6 June 2013 to 31 December 2014 for energy performance upgrading works on existing buildings. This percentage will change to 50% for payments made between 1 January 2015 and 31 December 2015.

It should be remembered that the expense incurred prior to 6 June 2013 benefited from a 55% deduction. From 1 January 2016 a 36% tax benefit is envisaged for property restructuring costs.

The deduction is due for expense incurred and liability remains with the taxpayer (e.g. with no relief offered by the municipal authority) for:

- energy upgrading works on existing buildings, which obtain a maximum primary energy limit per year for winter heating of less than 20% with respect to values indicated in a special table (the benchmarks used are those defined in the Ministry for Economic Development Decree of 11 March 2008, as amended by the Decree of 26 January 2010). The maximum deduction is Euro 100,000.
- works on existing buildings, parts of existing buildings or property units involving walls, floors & roofs, windows and related fittings for up to a maximum deduction of Euro 60,000. The condition for receiving the benefit is that the U-value requirements are met, expressed in W/m2K in a special table (the U-values valid from 2008 were defined in the Ministry for Economic Development Decree of 11 March 2008, as amended by the Decree of 26 January 2010). This group also includes the replacement of entrance doors, provided these fixtures mark the external boundary of the heated area of the building or the boundary with unheated areas, and the U-value requirements for window replacement are met;
- solar panel installation for the production of hot water for domestic or industrial use and to cover the hot water needs for swimming pools, sports centres, hospitals and clinics, schools and universities. The maximum deduction is Euro 60,000.
- works to replace winter heating systems with systems using condensation boilers, at the same time upgrading the distribution system. The maximum deduction applicable is Euro 30,000.
- replacement of heating systems with high-efficiency heat pumps and low-enthalpy geothermal systems, with a maximum deduction of Euro 30,000;
- works to replace traditional water heaters with heat pump water heaters dedicated to producing hot water for domestic use, with a maximum deduction of Euro 30,000.

Energy efficiency certificates (EECs)

Legislative Decrees 79/99 and 164/00 introduced the obligation for electrical energy and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy. Two Ministerial Decrees issued on 20 July 2004 fixed the Italian annual energy saving targets of the two sectors (quantified in TOE) for the years 2005-2009 and a Ministerial Decree of 21 December 2007 updated the 2008-2009 targets, fixed the new targets for 2010-2012 and also extended the obligation to distributors with at least 50,000 customers at 31 December on the two years preceding each year of obligation. Annual AEEG Resolutions establish the targets of individual electricity and gas distributors and the annual value of a contribution (derived from the electricity and gas tariffs) recognised to distributors for each EEC returned.

Ministerial Decree dated 28 December 2012 (Official Journal of 2/1/2013) was published, regarding the "determination of national quantitative energy saving objectives" that must be pursued by electrical energy and gas distribution companies for the years 2013-2016, and for the reinforcement of the white certificates mechanism". In summary, the most significant changes of the Ministerial Decree (compared to Ministerial Decree of 27/12/2007 which defined the energy savings for the 2008-2012 period) are:

- the definition of "objectives" (national, in TOE), different from "obligations" (sector, in Energy Efficiency Certificates);
- the definition of a more contained trend in 2013 and 2014 obligations compared to the past;
- EECs due from distributors are TOE multiplied by the "TAU" (multiplier) ratio with an average value of 2.5;
- obligations are net of the EECs from high-yield cogeneration;
- possible theoretical increase in obligations due to excess EECs also at distributors;
- reduction in obligations through network efficiency improvements;

- in the absence of new post-2016 obligations, GSE will continue to withdraw EECs at a standard price and new RVCs will no longer be restricted;
- new guidelines on EECs issued by the Ministry following consultation, applicable from 2014;
- from 2014, only projects still to be implemented or those in the process of being implemented will access white certificates (it will only be possible to recover the measures taken in the past up until 31 December 2013);
- increase in the number of entities and less restrictions on accessing projects for companies that have applied Law 10/91 and ISO standard 50001;
- "major projects" will have a preferential channel and a potentially greater recognition of EECs in metropolitan areas;
- AEEG will define a maximum value for the tariff contribution;
- minimum obligation of 50% (no longer 60%) for 2013 and 2014;
- compensation of the residual amount will take place in two years (no longer just one) for 2013-2016;
- AEEG will define the penalty calculation methods;
- more checks, especially for projects involving more than 3,000 toe/year;
- from 2013, AEEG transfers operational management of the mechanism to GSE;
- approval of 18 new schedules.

As indicated in the aforementioned Ministerial Decree, Resolution 1/2013/R/efr made provision for the transfer to Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented relating to the EEC mechanism, pursuant to Interministerial Decree of 28 December 2012.

Resolution 11/2013/R/efr, indicating the electricity and gas volumes distributed in 2011, and enables calculation of the mandatory EECs for 2013.
For AEM Torino Distribuzione, the mandatory figure (confirmed in a letter from the GSE) is 51,413 EECs, not only lower than in 2012 (60,311 EECs) but also lower than in 2011 (52,752 EECs).

As in 2013, Decision DIUC 9/2013 (updated by Decision DIUC 2/2014), indicating the electricity and gas volumes distributed in 2012, enables calculation of the mandatory EECs for 2014, which for AEMD should be 63,989 EECs. It remains understood that the exact amount will be notified in a letter from GSE (as for the 2013 obligation).
Again in compliance with the provisions of the aforementioned Ministerial Decree, Resolution 13/2014/R/efr (preceded by DCO 485/2013/R/efr):
- introduces the provisional tariff contribution (PC) from 2014, which is the final tariff contribution (FC) from the year before, increased by half the aggregate percentage decreases achieved for domestic customers on prices over the last 12 months for electricity, gas and heating fuel;
- introduces the final tariff contribution (FC) from 2013, which is a maximum difference of Euro 2 from the weighted average trading price on the market in the mandatory period. The contribution does not change if the distributor complies with the obligation in the first year or in any subsequent years as permitted under the regulations;
- does not calculate a maximum or minimum reference contribution in absolute terms;
- sets the 2013 PC at 96.43 €/EEC;
- definition of the FC for the mandatory period just ended and the PC for the current period are expected by 30 June;
- does not recognise EEC cancellations during the year, or distributors' financial expense recoveries;
- envisages that contributions paid to electrical energy distributors are applied on electricity tariffs, and those to gas distributors on gas tariffs (until now reimbursement was decided according to the type of EECs returned);
- mandates the AEEG Markets Division to begin specific analysis (also with the aid of universities and research centres) to define the PC based on marginal costs to implement energy efficiency works;
- defers the rules for Class 5 EECs and those for large projects (including the definition of a constant value for collection of the EECs generated) to later resolutions.

Emission trading system

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

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

To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC has defined a trading system for the emission allowances of greenhouse gases within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law implementing Directive 2003/87/EC is Legislative Decree no. 216 of 4 April 2006.

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

Legislative Decree no. 30 of 13 March 2013 introduced Directive 2009/29/EC into Italian law. This directive amends Directive 2003/87/EC, introduces new rules for the European ETS for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.

The new decree, which entered into force on 5 April this year, repeals and replaces the previous decree governing the Emission Trading system in Italy, Legislative Decree no. 216 of 4 April 2006. In particular, the decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO_2. It also envisages the option of excluding small plants, introduced the option of establishing simplified rules on monitoring, reporting and inspections, and amended the certificate assignment methods by establishing that these are assigned via auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment will be by "full auctioning", except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

CONCESSIONS AND ASSIGNMENTS

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

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

<u>Distribution of Natural gas</u>

<u>Genoa area</u>

The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is 100% owned by the first-level company Iren Acqua Gas. The relative assignment by the municipality of Genoa was issued on 29 December 1995 to the former AMGA S.p.A.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are 24 months for the Genoa 2 ATO - Province - and 30 months for the Genoa 1 ATO - Genoa City and System.

<u>Turin area</u>

The services regarding methane gas distribution in the municipality of Turin and district heating distribution in the municipalities of Turin and Moncalieri are, as of 27 January 2001 managed by AES Torino following the transfer: (i) from ITALGAS of the business unit relating to the methane gas distribution service, (ii) from AEM Torino of the business unit relating to the heat distribution service.

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

By agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service for a period of 30 years from the last connection made, to the temporary association of companies established between Iren Energia S.p.A., Iren Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l..

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

Other geographical areas
The Iren Group also operates in numerous other entities throughout Italy through assignments or concessions given by the competent municipalities to mixed capital companies in which Iren Group companies have a direct or indirect investment.
The main assignments and concessions are:
- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% owned by the Consorzio G.P.O. of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC); assignment expiring 31/12/2010;
- Municipality of Vercelli - ATENA S.p.A. (40% owned by Iren Emilia): assigned in 1999 and expiring 31/12/2010;
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A. which is 95.09% owned by Iren Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

These concessions are currently operating under the extended regime pending the launch of public invitations to tender according to the deadlines established in Annex 1 to Decree no. 226 of 12 November 2011.

Natural gas sales
Pursuant to the Letta Decree on unbundling, i.e., the separation of gas distribution activity from gas sales, the Iren Group also sells natural gas mainly through Iren Mercato.
This activity is also carried out through direct or indirect investment in seller companies including:
- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area;
- Atena Trading S.r.l. for the Vercelli area;

Following the merger by incorporation of Enìa Energia S.p.A. into Iren Mercato (effective from 1 July 2010), the latter gained a customer base already served by the merged company in the Emilia Romagna area.

Electrical energy segment
AEM Torino Distribuzione manages the public electrical energy distribution service in the city of Turin pursuant to the ministerial concession issued by the Ministry of Trade and Industry to AEM Torino on 8 May 2001, transferred to AEM Torino Distribuzione by a decree authorising the transfer, which was issued on 23 February 2004 by the Ministry of Productive Activities. This concession expires on 31 December 2030.
Through its local business combinations, the Iren Group distributes electrical energy in the following main areas:
- Marche area, with ASTEA S.p.A.;
- Vercelli area, with ATENA S.p.A.

AEM Torino Distribuzione S.p.A. distributes electrical energy in the Municipality of Parma. The concession for the electrical energy distribution in the Municipality of Parma, previously assigned to AMPS S.p.A. and subsequently to ENIA S.p.A., was transferred to AEM Torino Distribuzione S.p.A., retaining the expiry date of 31 December 2030.

Integrated Water Service

Genoa area

Iren Acqua Gas holds the management assignment for the integrated water service (aqueduct, sewerage and purification) in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents.

The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

Liguria Regional Law no. 39 of 28/10/2008 governs the organisation of the integrated water service in compliance with the principles established by EU and national legislation, ATOs were identified for the Liguria Region, including that of Genoa, coinciding with the area of the respective province and district authorities were institutionalised for each area.

By means of subsequent Decision no. 9 of 17.12.2008, the Conference of Mayors of the A.A.T.O., on the request of IAG S.p.A., acknowledged that, pursuant to and in accordance with art. 4, par. 5 of Regional Law 39/2008, the concession - already assigned temporarily to IAG S.p.A., by means of the aforementioned Decision no. 8 of 13 June 2003, was deemed to exist at the moment of the entry into force of the aforementioned Regional Law and subsequently, at the Conference of Mayors, on 07.08.2009, assumed Decision no. 9 under which, in particular, it resolved:

- to determine, based on the mentioned art. 4, par. 5 of Regional Law 39/2008, the date of termination of the existing concession, issued to A.M.G.A. S.p.A. (now Iride Acqua Gas S.p.A.), with decisions no. 8 of 13 June 2003 and no. 16 of 22 December 2003 made by the Conference of Mayors, expiring on 31 December 2032;
- to acknowledge that the management of the Integrated water service will continue in accordance with the current operational and organisational methods and through application to all companies already operating in the provincial area;
- to approve the Area Plan and technical regulations for the management of investments and works, attached to this document;
- (omitted)”.

Based on said Decision, an Additional Agreement was signed with Iren Acqua Gas on 05 October 2009 which, retaining the contractual conditions already established by the previous agreement unchanged (the agreement stipulated on the basis of Decision no. 8 of 13 June 2003), acknowledges all the new contractual conditions.

The management of the integrated water service in the municipalities of the province of Genoa is carried out by Iren Acqua Gas through operators that are protected and/or authorised with specific provisions by the Genoa ATO, which were entered into starting from 2003. The authorised and/or protected operators in the Iren Group that perform the function of operator, and that signed specific agreements with Iren Acqua Gas, are Mediterranea delle Acque S.p.A. (60% owned by Iren Acqua Gas), Idro Tigullio S.p.A. (66.55% owned by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).

In particular, Mediterranea delle Acque is the leading operator providing support to the first-level company Iren Acqua Gas as operator for the Genoa ATO, its services extending beyond the Municipality of Genoa to a further 37 municipalities (out of a total of 67) in the area covered by the ATO.

Emilia Romagna area

The Iren Group provides integrated water services based on a specific service assignment made by the respective Local Authorities, governed by agreements signed with the competent ATOs. The table below contains details of existing agreements in the Group’s area of operations.

ATO	Regime	Agreement date	Expiry date
Reggio Emilia	ATO/Operator Agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	30 June 2025
Piacenza	ATO/Operator Agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

Based on the laws of the Emilia Romagna Region, water service agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.
The Emilia Romagna Region continued to manage the current assignments, retaining the level of quality and the possibility of developing the integrated water service and urban and similar waste management service for the 2012-2013-2014 period.
Following the reorganisation planned as part of the merger of Enia S.p.A. into Iride S.p.A., the management of the Integrated Water Services in the Parma and Reggio Emilia ATOs was transferred to Iren Acqua Gas with effect from 1 July 2010. The latter uses Iren Emilia premises for its operations. Integrated Water Service management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.
Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a contract and against the payment of a fee.

Other geographical areas

The Iren Group also operates in numerous other activities throughout Italy in the Integrated Water Service sector through assignments or concessions given by the ATOs or competent municipalities to mixed capital companies in which Iren Acqua Gas or other Group companies have a direct or indirect investment. The main assignments and concessions are:

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

Waste Management segment

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

ATO	Regime	Agreement date	Expiry date
Reggio Emilia	ATO/Operator Agreement	10 June 2004	31 December 2011 (*)
Parma	ATO/Operator Agreement	27 December 2004	31 December 2014
Piacenza	ATO/Operator Agreement	18 May 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

Based on the regulations for the Emilia Romagna region, the agreements provide for 10-year assignments. The expiries envisaged by the national legislator under Law 221/2012 and by the regional legislator, also apply to waste management services.

Services provided to the Municipality of Turin

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

- the agreement signed with the Municipality of Turin effective from 1 January 1997 for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating plants (Regulation of 30 November 2000), expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings (agreement effective from 1 January 2000), expiring on 31 December 2014.

By resolution of 3 November 2010, the Municipal Council of Turin decided to assign service agreements to Iren Servizi e Innovazione (formerly Iride Servizi) for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017, pursuant to Art. 218 of the Public Works Contract Code (Legislative Decree 163/2006).
By resolution of 27 November 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020.

FINANCIAL INCOME AND EXPENSE

General framework

The downtrend in interest rates seen throughout 2012 came to a halt in 2013. The European Central Bank intervened with two further cuts in the rate in May and November 2013, bringing the reference level to 0.25%.

Analysis of the 6-month Euribor trend shows that the downward curve of 2012 was followed by a phase of stability lasting throughout 2013, in line with the current level of 0.4%. The fixed rate quotations, reflected in 5-year and 10-year IRS, also fell, recording new all-time lows until the first half of 2013. Then in the second half of the year, despite a considerably volatile scenario, a growth phase was seen in forward rates.

Activities performed

During 2013, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness as a result of carrying out the investment programme, the development of working capital and the balance of short-term and long-term sources.

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

Moving on to discuss in detail the financing transactions completed in 2013, note that new medium/long-term loans were finalised for a total of Euro 468 million. Specifically, in the first quarter of 2013 a new 15-year loan was signed with Cassa Depositi e Prestiti for Euro 100 million and in May 2013 the last tranche for Euro 58 million was finalised and used, with release of the bank guarantee, in relation to the 15-year loan from the European Investment Bank. At the end of September the agreement for renewal of a medium-term loan for Euro 100 million with Banca Regionale Europea was finalised. In October and November the inaugural issue was successfully completed of a Private Placement bond loan with subsequent tap issue, for a total of Euro 210 million and a 7-year maturity.

The new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group's short and long term financial exposure. At 31 December 2013 the Group's net non-current indebtedness accounted for 73% of total net financial indebtedness. This percentage takes into account the classification of receivables due from the Municipality of Turin under non-current financial assets.

Within the Group, in June 2013 AES Torino (51% consolidated) obtained a new banking syndicate loan of Euro 195 million to cover the loan falling due. OLT Offshore LNG Toscana (41.71% consolidated) obtained new loans in 2013 from the shareholders Iren Mercato (financed by Iren within the Group cash pooling) and E.On in equal shares and for a total amount of Euro 125 million. The total shareholder loan to OLT to support investments was Euro 726 million at 31 December 2013. Furthermore, as part of the business unit acquisition in the renewable energies sector by Iren Rinnovabili, the non-current debt positions were confirmed against the plants financed for a total of Euro 22 million (70% consolidated).

The Iren Group is exposed to various types of financial risks, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. Further information can be found on the paragraph "Risk Management" in the Notes to the Financial Statements.

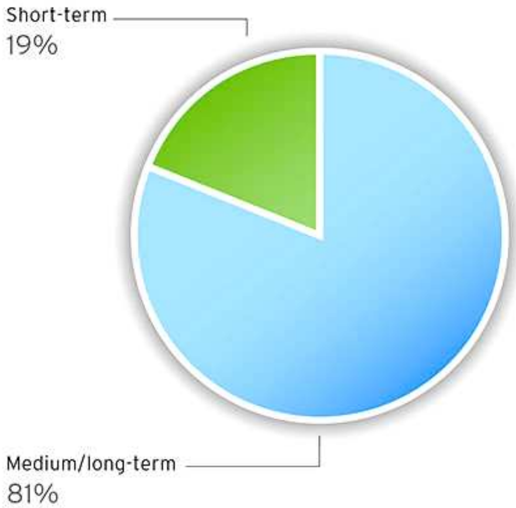
In 2013 no new financial risk hedge agreements were entered into, and in fact a part of the new loans signed during the year were agreed at fixed rates.

At 31 December 2013, the portion of floating rate debt not hedged by derivatives was 29% of the loan positions and 26% of the consolidated net financial indebtedness, in line with the target of the Iren Group which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.

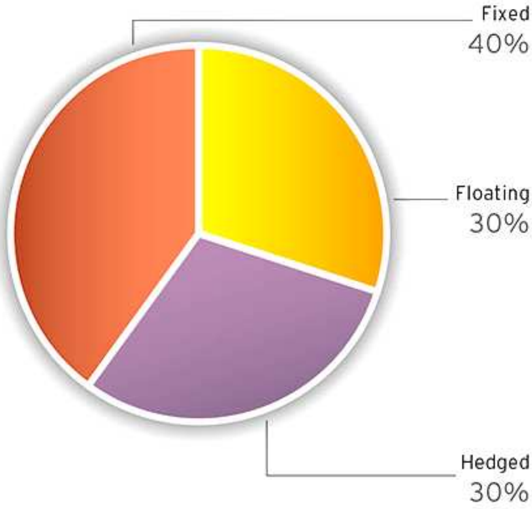
Net financial indebtedness by maturity

Net financial indebtedness by rate type

Position at 31/12/2012

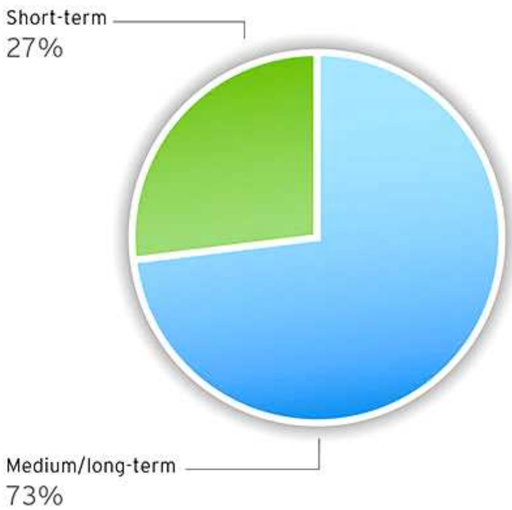


euro 2,555 million

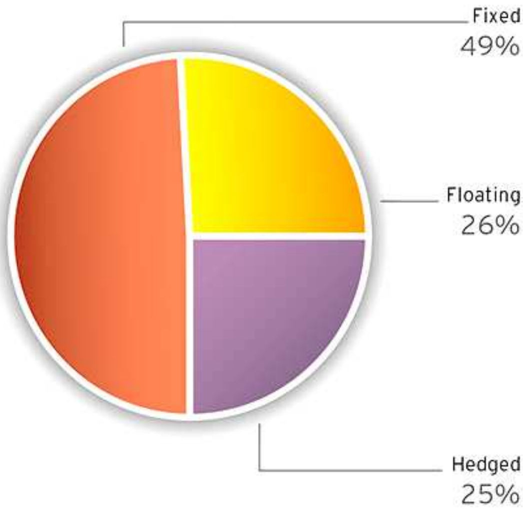


euro 2,555 million

Position at 31/12/2013



euro 2,525 million



euro 2,525 million

TRANSACTIONS WITH RELATED PARTIES

The Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A sizeable part of these relations concern services provided to the customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.
Information on transactions with related parties is included in the Notes to the consolidated financial statements.

RISKS AND UNCERTAINTIES

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

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

Specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.
Reputational risks have also been integrated into the Group’s Enterprise Risk Management model, associated with maintaining trust and a positive image of the Group in the eyes of stakeholders.
The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage each type of risk.
The “Risk Management” department, reporting to the Deputy Chairman, was set up within the Iren Group. This department is formally entrusted with the following activities:

- coordinating the integrated management process of the Group's risks;
- signing and managing insurance policies, with the cooperation of the Legal department.

A periodic monitoring process is also in place with regard to claims in the various sectors and across all the Group’s areas of operation in order to establish and implement the most suitable containment and reduction methods. A summary of the Group risk management models is shown hereunder.

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The procurement of financial resources was centralised in order to optimise their use. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with infra-group interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
For a more detailed analysis of this risk, reference should be made to the paragraph “Management of the Group Financial Risks” in the notes to the consolidated financial statements.

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

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

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

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

2. CREDIT RISK

In Iren Group S.p.A., the credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties, like retail, mid-business and business customers and public entities. This risk is connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services.
In conducting its business activities the Group is exposed to the risk that, in view of the current overall economic and financial crisis and the resulting financial conditions of the paying party, the payment obligations might not be honoured when they become due. Therefore the risks are attributable not only to an increase in the seniority of receivables and subsequent insolvency risk and an increase in receivables subject to bankruptcy proceedings but also could suffer impairment that could lead to full or partial cancellation from the financial statements.

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

3. ENERGY RISK

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

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

4. OPERATIONAL RISKS

This category includes all the risks not included in the previous categories, which may influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, including the levels of performance, profitability and protection of the resources against losses.
The Enterprise Risk Management model applied at Group level is focused on the integrated and synergic management of risks, and adheres to a process that consists of the following stages:
• identification;
• assessment;

• treatment;
• control;
• reporting.

Each process stage is performed in accordance with standards and references defined at Group level.
The main risks in the above categories are assessed in terms of impact, event probability and level of control. These assessments are subject to periodic review. The indicators that allow the risk to be examined in terms of trends and critical points are also monitored.
The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.
The main reputational risks are managed in addition to operational risks.
The risk position and related indicators are submitted to top management and to the risk owners involved in mitigation and improvement activities.
Risk analysis is used as input in the preparation of planning tools.
The operational risk management process also aims at optimising the Group's insurance profiles in the key "property" and "liability" areas.

a. Legal and regulatory risks

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

b. Strategic risks

The local utilities sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the market.
The above activities entail Group exposure to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compliance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realisation of said projects.
The Risk Management department performs specific quality-quantity assessments on strategic risks, indicating the main risk factors and management plans required.

c. Plant-related risks

As regards the consistency of Group production plants, plant-related risks are managed with the above-mentioned approach in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).
For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and subsequent preventive action.
Insurance instruments, specially created based on the specific needs of each single plant, were also created.

d. IT Risks

The main IT risks are related to the availability of core systems, amongst which Iren Mercato's interface with the Power Exchange.
The Company is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.
To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subject to simulations, to ensure their effectiveness.

e. Economic risks

The difficult global economic situation in recent years, which has had a heavy impact on Eurozone countries, continues to have serious recessionary effects on Government and company finances.

In particular, the collapse in consumption and industrial production may have a severe impact on companies such as Iren that provide public utility services to the community and to businesses.

The trend in domestic demand for goods and services and credit conditions (cost and quality) constitute the biggest uncertainties regarding a forecast economic recovery.

Through the Enterprise Risk Management system, the Iren Group monitors the changes in the effects on company business units, taking any corrective action where necessary, in particular in the financial and commodity sectors.

RESEARCH AND DEVELOPMENT

Research and development performed within the Group in 2013 was mainly geared towards optimising and improving operating applications and the assessment of new opportunities connected with the use of innovative technologies. The initiatives are set out below.

Turin area

The research and development activities carried out by the Group in 2013 were mainly aimed at:
- involving at European level in research projects in areas of strategic interest (Smart Grids, Smart City, etc.);
- optimising and improving operating applications;
- assessing new innovative technology opportunities.

The main research and development activities carried out by the first-level company Iren Energia (and its subsidiaries) in 2013 are shown below.

EUROPEAN PROJECTS

Iren actively participates in the implementation of research projects, including Smart City projects. A summary list is provided below of the activities in which the Company is involved:

DIMMER: This project refers to the development of effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level.
Partners: Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.
This project was awarded and activities commenced (with the first deliverable already made official).

EMPOWERING: The research project aims to "empower" end users in energy saving through smart information that can be read on smart meters and in simpler and customised utility bills.
Partners: Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.
This project was awarded and activities commenced, with the involvement of users and an initial IT infrastructure constructed for management of the data.

FABRIC (FeAsiBility analysis and development of on-Road chargIng solutions for future electric vehiCles): the project relates to the development of a charging system for on-road electric vehicles by means of induction coils sunk into the concrete road surface.
Partners: Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, international industrial partners, Italian and European SMEs.
This project was awarded and the kick-off meeting has been held.

PROLITE Project
This is a European project for lighting innovation. Iren Servizi e Innovazione (formerly Iride Servizi), participating in the project as technological partner to the city of Turin, is involved in the organisation of testing of the internal lighting systems of three local school buildings. The expected reduction in energy bills is 20%.

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

The *"Smart Grid" Project Team* was also established within Iren Energia (AEMD) to analyse various Smart Electricity Grid solutions for future implementation on the AEMD network.

ENERGY SAVINGS AND RENEWABLE SOURCES

Public lighting in Turin

A plan to replace mercury lamps systems with HP sodium and metal halide bulbs has been completed. 7,000 lights were replaced, with a power reduction of around 100 W each.

The reduction in power totals around 700 kW, with subsequent decrease in electricity consumed of approximately 2.94 GWh, and an emissions reduction of roughly 550 TOE.

Traffic lights

9 traffic lights were renovated in 2013, replacing the traditional lights in 6 stand-alone systems, and in suspended systems installing new LED traffic lights to replace the traditional fluorescent lights.

A total of 391 lights were installed, for an installed capacity of 15.353 kW.

The use of traditional lights would have involved installed power of 70.86 kW.

Taking into account the lighting hours and the alternation of traffic lights, annual savings come to 35.48 TOE.

Energy efficiency improvements in public buildings

The city of Turin is currently preparing a proposal for modernisation and efficiency improvement works for plants managed by Iren Servizi e Innovazione (formerly Iride Servizi) (heating and electrical energy systems serving municipal authority buildings, public lighting systems and traffic lights. The multi-year plan will, on completion of the works, offer a saving of around 3,500 TOE per year and a reduction in CO_2 emissions of around 8,200 tons per year.

Energy efficiency

2013 saw the consolidation of Energy Management activities by the Energy Manager, and in particular the following were performed:

- Consumption data analysis relating to IEN, ISE and AEMD: identification of points of consumption and the gathering of data for 2013, comparing the trends for the period 2010-2013;
- Comparison and alignment of the Group's Energy Managers: organisation of meetings every two months of the Energy Managers of Iren Acqua Gas and Iren Emilia;
- Launch of activities targeting UNI CEI EN ISO 50001 (Energy Management System) certification: the necessary procedures have been written and activities have begun for preparation of the initial energy analyses, completing one to use as sample (the Torino Nord plant). An audit has been performed by Certifying Body (CSQ) to perform gap analysis between preparations completed and already available with what is still required in order to obtain certification. It is expected that the Certification will be obtained by the end of 2014;
- Launch of activities for UNI EN 11352 (ESCO) certification for Iren Servizi e Innovazione (formerly Iride Servizi): the necessary procedures have been written and activities have begun for preparation of remaining documents (contractual formats). An audit has been performed by Certifying Body (CSQ) to perform gap analysis between preparations completed and already available with what is still required in order to obtain certification. It is expected that the Certification will be obtained by the end of the first half of 2014.

Analysis and experimentation of zero electromagnetic impact electrical substations
The goal of the activity is to assess the feasibility to realise the maximum reduction in the buffer zone of a distributor's electrical substation, with the objective of containing said buffer zone (under nominal load conditions of the substation) to a maximum distance of 10-20 cm from the walls of the substation. The substation analysed has the following components:
The activity was divided into 3 stages:
1. environmental impact analysis: from data provided on the future electrical infrastructures to be installed, using 3D calculation software, it was possible to identify the electromagnetic induction levels in sensitive areas. The aim of the results is to identify the electromagnetic induction levels for the purpose of a project and the sizing of mitigation works.
2. test analysis: characterisation using test measurements of the screens not actually considered in the environmental impact analyses (e.g. natural screening of the MV circuit board due to its metal housing). This analysis required testing of the material used in such screens;
3. analysis of potential screening solutions: based on the results of the environmental impact and test analyses, the best options for reducing electromagnetic induction levels and reducing the buffer zone were assessed.
Based on the outcome of the analyses conducted on the equipment and on the screening options, pilot testing was conducted on a number of network substations specifically renovated.
The results achieved were presented to the relevant offices of the municipal authority and ARPA to agree on the option of using the technology to cancel the buffer zones required around above-ground substations.

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

- At the end of 2013, 3,550 systems out of 4,900 are operative and the installation of a further 1,350, for which certain design modifications were needed, is at definition stage with AES;
- Through the Integrated Meter Reading Portal the entire report capture process, both for remotely read and manually read meters, is managed;
- The commands for changes in weather conditions and hours of operation requested by customers are generated through the Portal: Approximately 32,500 applications were processed in 2013;
- Using batch commands, central settings were made available for the start-up and shutdown of systems at the beginning and end of the heating season;
- Careful monitoring is guaranteeing the expected economic returns both for AES and for the Group.

A number of system expansions are being tested, including: leak monitoring, pressure monitoring, energy savings and load balancing.

In 2013 also, 200 remote control panels were sold to and installed with Sei Energia to monitor the district heating network of Collegno-Rivoli-Grugliasco.
The design of new functions is in progress also thanks to the European projects Dimmer, Empowering and Enrg4cast.

Portal and integration of distributor's systems
Aem Torino Distribuzione (AEMD) has completed its project for the integration of information systems between the Parma and Turin areas relating to commercial activities (receipt and final reporting of vendors' requests, preparation of quotes, metering management, billing, etc.).
This "transversal" project has involved personnel from the departments of AEMD, Iren Mercato, Iren Emilia, Enia Parma and IT staff from Iren Emilia and Iren Energia, affecting more than 10 different IT systems (SAP, CNRG, Reti, AMM, EDW, the AEMD Portal, the Metering Repository, Load Profiling, etc.). Scheduled activities were completed on 20 January 2013 and the following objectives were achieved:

- unification of the IT systems of the distributor with a subsequent reduction in the costs of managing and maintaining said systems;
- reorganisation and centralisation of sales activity through the AEMD Portal, necessary to record requests submitted by the vendors;
- unbundling of databases between AEMD and Iren Mercato also in relation to the Parma area, as envisaged in the provisions of the Italian Authority for Electrical energy and Gas on unbundling;
- laying the foundations for the unification of systems also for the management of operations (fault reporting, Mob-i, etc.)

The following activities were carried out in the second half of 2013:

- Migration of the AMM remote management systems for the LV electronic meters in Turin and Parma to the new single AMM system located in Turin;
- Migration of the EDW remote reading systems for LV electronic meters in Turin and Parma to the new single IDSpecto system located in Turin;
- User launch of the Mob-i client on back office workstations in Parma for reporting activities performed in the field.

Upgrading of contact centre platform - INTEGRATION WITH FAULTS

From 1 January 2013, in compliance with AEEG Resolution 198/2011, integration of the application that reports faults on the electrical network with the Contact Centre platform began. This enables, for each fault report, to automatically combine the information of the call, i.e. date and time of receipt, caller telephone number, contact centre operator and audio recording of the call.
During the year, system audits and upgrading were performed that improved performance and digitalised certain documents previously produced in hard copy (LV outages register).
The following activities were also carried out in the second half of 2013:

- Integration of system functions for data analysis and reporting as required by the AEEG.
- Implementation of a monitoring system for control of the correct operation of the system and its functions.

Development of IREN IT Systems

Mob-i client application in HTML5 for all tablets
With the growing use of tablets with Android and Apple iOS systems, it became necessary to develop a client application for the Mob-i workforce management system capable of operating on this type of device.

To limit development and maintenance costs it was decided to create the Mob-i client application using HTML5 technology, which allows the creation of web applications capable of operating on any device, without the need to develop dedicated applications for each operating system.

The Mob-i client application in HTML5 allows individual field operators to synchronise their assigned tasks on tablets, smartphones, PDAs or PCs and also be able to consult and record data in offline mode if no network connection is available.

The HTML5 client is currently used on PDAs owned by AES and Genova Reti Gas, on the netbooks of Iren Servizi e Innovazione (formerly Iride Servizi) and on the iPads furnished to AES quote providers.

Empowering Project
As part of the European Empowering Project, during the second half of 2013 Iren Energia’s IT Development Department performed the following activities:

- The Portal for completion of the Online questionnaire was created and went live on the Iren Energia web site;
- The interface was created for the exchange of data with the central CINME system and related testing performed;
- The Online Tool was created, ensuring its compatibility with smartphones, tablets and PCs. The web application is currently at testing stage.

AEMD SmartPOD Project

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

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

THE ELECTRIC VEHICLE PROJECT IN PARMA

On 1 March this year a memorandum of understanding was signed by the Municipality of Parma, the Emilia Romagna Regional Government, AEM Torino Distribuzione and Enel Distribuzione regarding electric mobility, with the aim of adopting measures to promote and offer incentives for environment-friendly vehicles through the creation of a network of charging infrastructures for electric vehicles. AEM Torino Distribuzione then signed an agreement with Enel with the aim of making the best use of experience gained in the electric mobility sector and developing projects in the areas where the Iren Group is an electrical energy distributor, testing the interactive capacity of the charging systems to be installed in partnership with Enel in the various municipalities.
The charging cost will be billed automatically in the electricity bill in accordance with the contract and related terms subscribed with the energy provider chosen by the customer.
In partnership with the municipal authority, AEM Torino Distribuzione will be responsible for the positioning of 10 charging columns in Parma.
The adoption of this technology and the remote management system by the distributors, including AEM Torino Distribuzione, will allow all Emilia Romagna residents to charge their vehicles at any of the Iren, Enel or Hera infrastructures.

Genoa area

During 2013 Iren Acqua Gas continued to oversee hubs of technological innovation as part of the Research Project which has a priority focus on updating specific knowledge in the water sector from a technical/regulatory standpoint and the quality of the water for human consumption.
To this end, the Group planned and coordinated specific research projects to be carried out in collaboration with its Foundation (Fondazione AMGA), Mediterranea delle Acque, Università degli Studi and national and international research centres. More specifically, the research projects launched and completed in 2013 concerned:

Models for estimating the elasticity of water demand in the presence of incomplete databases:
The estimate of the elasticity of water demand with restricted confidence intervals made it possible to determine the impacts of regulatory policies on the quantities of water sold and, therefore, on total company revenues. Accordingly, the regulator needs to know the elasticity of water demand to determine the impacts that alternative regulatory policies can have on the wellbeing of the community, on company results and on the possibility of financing investments. As part of the project, it was possible to identify the most reliable procedures for the identification of the necessary data, implementing methods consistent with the econometric models used in a context characterised by a high number of missing values.

Investments in public utilities: Study targeted at analysing the implications and methods of implementation of investments by Water Utilities includes an analysis of the situation in Italy with particular reference to models for the management of the integrated water service and investment incentives connected to the different types of assignment. The work includes a review of the international experiences of sector financing, with particular attention to the financial instruments adopted in the American and European environments. The project report includes the following sections: subject of the study, summary of the results and policy options; financing and regulation of the Italian water sector: emerging criticalities; analysis of European experiences (UK, the Netherlands, Germany, France and Spain); innovative financial instruments deriving from the American Model (project finance, revolving funds, water bonds).

The use of residual capacities of existing man-made lakes as a storage point for electrical energy: The objective of the project is to increase awareness of the possibility of using man-made lakes as a storage point for electrical energy, identifying the areas best suited for investments, in contrast to alternative methods of energy production from wind and solar photovoltaic sources. These technologies are defined as non-governable in that the time and quantity produced at each hour of the day cannot be forecast, and variations in energy produced generates instability and congestion in electrical energy carriage networks.

Benchmark analysis for the Italian water sector: In partnership with the University of Brescia and the Economics and Quantitative Methods Department of Genoa University, Iren Acqua Gas and its Foundation have for a number of years been involved with a project to create a benchmarking system for companies operating in the water sector. At present there are no certified measurement methods that are universally recognised by businesses, nor is there any complete, homogeneous database. In this context, the project is pursued partly on the basis of questionnaires completed by the companies and partly on financial statements data (operating and infrastructure efficiency indicators, service quality indicators, equity, financial and profit indicators).

Materials in contact with drinking water. Prospective legislation and regulations at European level: repercussions on the Italian industry: Through the organisation and coordination of many meetings with the stakeholders, the project intends to create an opportunity to share at national level as part of the Mandate (M136 Rev 2) approved by the Committee in order to establish harmonised regulations (hEN) on materials and products in contact with drinking water, also by filling the gap in the Directive on water for human consumption. The IAG Group, through its Foundation, acted as a catalyst in the specific context for the various interested parties, in order to identify and protect the national industry, accredited laboratories, aqueduct operators and end users. In greater detail, it was possible to set up work groups to update the technical annex to Decree Law 174 on materials in contact with drinking water, creating the basis for future involvement of Iren Acqua Gas Laboratories in the analysis and certification of the suitability of materials using transfer and release testing that envisage mutual recognition under Italian regulations in the 4MS (4 Member States) environment.

Purification systems and endocrine disruptors: On completion of the survey regarding the presence of endocrine disruptors in water destined for human consumption concluded in 2012, it emerged that to prevent the presence of these substances in water resources used for drinking water it is appropriate to verify the impact of effluent from treatment plants of the water cycle. To this end, the survey, involving the major Italian aqueducts, the University of Genoa and the Istituto Superiore di Sanità in Rome, aims at verifying the level of endocrine disruptors present in the water of a number of treatment plants chosen on the basis of a questionnaire distributed to Italian water cycle operators. In order to measure the levels of endocrine disruptors in waste water, specific analysis methods have been developed, including the research of new compounds, such as drugs and flame retardants. In 2013 agreements were reached with the leading Italian companies with a view to proceed to the monitoring phase planned for the autumn.

On the specific issue of endocrine disruptors (EDs) and the emerging pollutants, two applications for financing were submitted in 2013. The first "EDacqua", Chemical sensors for the detection of Endocrine Disruptors in water (LIFE13 ENV/IT/001374) through LIFE Europa financing and the second, still regarding sensor systems applied in ED research in water destined for human consumption, to the Fondazione S. Paolo in Turin. Both projects were submitted jointly with the Istituto Italiano Tecnologie (Genoa), the Istituto Superiore di Sanità (Rome) and Genoa University.

Algae microcystins in water destined for human consumption: The risk of intoxication from algal toxins is a problem that interests the scientific community, given that intoxications are increasingly more common and mainly caused by the eutrophication of coastal marine areas and lake basins. The latter are an important supply source for the production of water destined for human consumption, accounting for 30% of available resources at domestic level. Activities in 2013 involved establishing the sampling and analysis method, processing of the data collected from the national fact-finding questionnaire and the planning of monitoring. The main Italian aqueducts are participating in the survey (Bari, Cagliari, Florence, Genoa, Como, Turin and Venice) with the University of Genoa and the Istituto Superiore di Sanità in Rome.
In 2013, Iren Acqua Gas continued to participate in the Water supply and sanitation Technology Platform (**WssTP**) established by the European Commission to monitor research in the water sector, has maintained contact with the US Water Research Foundation and has also continued its active participation in the **TICASS** Consortium (Innovative technologies for Environmental Control and Sustainable Development), the technology innovation centre of the Liguria Region. In this context numerous project proposals have been submitted which also aim to finance research assignments on issues relating to water quality.
Among the proposed projects presented and accepted by the Commission was the "City Blueprint" Action Group: Improving Implementation Capacities of Cities and Regions by sharing Best Practices on Urban Water Cycle Services" set up as part of the European Innovation Partnership on water and with the aim of disseminating best practices for effective water resource management, also through benchmark analysis.

Emilia Romagna area
During the first half of 2013 the first level company IREN Ambiente continued its R&D activities on the issues of rationalising energy consumption, the use of renewable energy resources, the treatment of waste and processing residue and environmental well-being control. During 2013 Iren Rinnovabili continued its R&D activities on the issues of rationalising energy consumption, the use of renewable energy resources, the treatment of waste and processing residue and environmental well-being control.
Iren Rinnovabili began intense activities in partnership with the Public Administrations, local universities, transfer centres, companies and their trade organisations to set up an important skills-sharing event allowing action not only to promote, sustain and develop research activities in the renewable energies sector, but also to implement scientific disclosure initiatives, specialist or master courses for researchers and for the qualification of specialist professionals, of technological innovation projects targeting the optimisation of solutions and applications for both civil and industrial use.

Iren Rinnovabili began reconnaissance activities as part of the Horizon 2020 Programme to launch R&D in support of initiatives envisaging strong investments in the alternative energies and renewable sources sector, involving the enhancement of projects to be implemented in the assigned areas and the implementation of action with a strong industrial focus. The use of biomass, solar and hydroelectric energy are areas in which, over the next four years, investments are planned for more than Euro 120 million, and which offer strong potential for industrial integration with activities representing the Group's core business.
The projects launched were:
- The IREN RE-BUILD project develops a pilot initiative in the field of energy and performance upgrading of properties (and subsequent development of a new line of business), which is located in the regulatory context outlined in Directive 2010/31/EU - Energy Performance of Buildings, research and development promoted by the Horizon 2020 Framework Programme for Research and Innovation and in the Strategic Energy Technology Plan (SET-Plan) to promote low-carbon technologies. The project has led to the Group obtaining UNI 11339 (Energy Management Expert) certification, in order to meet the requirements for participation in competitions and tenders on energy efficiency and in the presentation of projects to AEEG for the obtainment of EECs. The project aims to integrating and enhancing the role of renewable energies in efficient property upgrade strategies in order to promote their application, optimising impact with respect to needs.
- The NRG4CAST- ENERGY Forecasting Project: a demonstration pilot set up in cooperation with European universities and CSI-Piemonte to improve public building energy efficiency in an urban context. Through the building and function testing of an IT system (software and hardware platform) a system will be made available to forecast energy needs via a Web SoA application. The system will be

a generic analytical engine based on the aggregation and manipulation of data from the energy distribution network, sensory data sources (light, temperature, humidity, absorption, flow) and public data archives (e.g. weather, energy price trends, spark spreads, cap and trade emission trading, etc.) or forecasts (exchange rates, weather).

Data on building energy consumption in its various forms will be gathered and measured to build the time series necessary for providing the required input for the analytical and forecasting models.

- EMPOWERING Project: the aim of this project is to increase energy efficiency in network services, with the priority objective of public service innovation in the water, energy and gas sectors and improving the quality and accessibility of such services, guaranteeing high standards of interoperability between different cloud systems and at the same time reducing the costs of adopting ICT technologies and increasing returns on investments.
- The HOLIDES project takes into consideration the human factors in critical cases to develop applications that can be adapted to the activities to be carried out, to operators and to available resources, in order to optimise processes and reduce the running costs of the service).

Through the Control Room application domain, Iren Emilia SpA will contribute to development at the Parma control centre of an adaptational, cooperational system to handle emergency calls: method of management of emergency priorities and assistance with the calls received, and the associated allocation of the resources and activities to be carried out and possible changes with respect to the current system (CCE.NET/SAGRE, Genesis) to allow reaction times to be reduced (with the related certification mechanism) and better management of activities, operators and resources.

The structures and skills made available to the project by Iren Emilia SpA include Iren Emilia's remote control centre, responsible for overseeing the company's operations in Reggio Emilia, Parma and Piacenza. It comprises two logistically separate rooms, one in Reggio Emilia for the integrated water service, and one in Parma for all other business. The centre is operated by two professional figures: (1) Remote Control Operators, who manage the remote readings and emergency calls - though the latter are non-priority; (2) Emergency Call Responders, who collect the external reports.

- Biometh-ER Life+ Project (Biomethane Emilia-Romagna Regional system): the aim of this project is to create the first plants for the production and distribution of biomethane to end users in Italy. The plants will be designed, managed and maintained around innovative, state-of-the-art technologies: the entire system will be monitored for the duration of the project and the operating results of the pilot plants will then be examined and disclosed to the project partners involved. These plants represent a departure point for assessment of the expansion capacity of this experiment to all of the Emilia Romagna Region and for the creation of the regional biomethane distribution network. In this project, Iren will be responsible for creating a biomethane production plant that will become the project's pilot plant and, as such, will be equipped to collect useful data (on transport, quantities, stocks, types of problems and risks that could arise in biomass management) for the creation of what will be the Regional Biomethane Distribution System, which will continue to operate also after the end of the project. The plant will represent an important technical know-how model on which other experiences of this type can be based. With other partners, Iren will be in charge of administration issues associated with construction of the pilot plant, such as submitting requests for authorisation to the various competent authorities.
- Activities also continued in collaboration with the Municipality of Reggio Emilia, the Universities of Modena and Reggio Emilia, the CRPA and REI, as part of the Area Nord project and, more specifically, for the Tecnopolo initiative of Reggio Emilia for the development of projects attributable to the Green Economy.

PERSONNEL

At 31 December 2013, the employees working for the Iren Group totalled 4,696, up by 2.8% compared to the figure at 31 December 2012 which was 4,567 employees. The table below provides a breakdown of personnel at 31 December 2013, divided into Holding and First-level companies (with related subsidiaries).

Company	Personnel at 31.12.2013	Personnel at 31.12.2012
Iren S.p.A.	261	263
Iren Acqua Gas and subsidiaries	977	977
Iren Ambiente and subsidiaries	208	198
Iren Emilia and subsidiaries	1,667	1,672
Iren Energia and subsidiaries	1,133	1,008
Iren Mercato and subsidiaries	450	449
Total	**4,696**	**4,567**

This situation is associated with:

- the acquisition of a business unit from Edipower S.p.A. with a total of 133 staff with effect from November 2013;
- the development of Iren Ambiente activities, which led to the recruitment of 16 employees;
- the further development of the workforce management policy, with recruitments restricted to numbers below those of contracts terminated;
- the partial deconsolidation of Iren Rinnovabili S.p.A., which resulted in a decrease of 3 employees.

Training

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

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

The final figures for 2013 show growth compared to the previous year, in terms of the number of employees participating in at least one training course, standing at 4311, corresponding to 96.1% of the Group's average workforce (up +2% compared to 2012).
The man-hours linked to the various education and training initiatives organised by the Iren Group totalled around 95,500 hours (+15% over the previous year), with average per capita also increasing to 21.3 hours (18.7 hours in 2012).
Note that 50% of the total hours referred to training on occupational health and safety, confirming the Group's constant focus on such issues, in compliance with the State-Regions Agreement of 21 December 2012.

QUALITY, ENVIRONMENT AND SAFETY

Quality

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

The Integrated System policy is adopted by all Group employees and the Integrated System methodology has created strong synergies between the operating structures.

All first-level companies and investees have systems that are certified in accordance with international standard ISO 9001 (Quality).

The first-level companies Iren Energia, Iren Acqua Gas, Iren Emilia and Iren Ambiente and the main investees were certified in accordance with international standard ISO 14001 (Environment).

The Parent, the companies in Turin and Genoa and Tecnoborgo hold OHSAS 18001 (Safety) certification, and Iren Emilia has certified its own safety system for the gas distribution service and a project is under way to extend this certification to the other services.

Currently the Quality, Safety and Environment systems are managed in each first-level company by the respective departments; furthermore, they are in line with the Group policy, which is strongly focused on sustainable development of the company, both social and environmental.

The objective set and achieved for 2013 was consolidation of the existing certifications and their extension to other services:

- implementation of the Integrated System and related acquisition of QAS certification on the district heating network in the Emilia Romagna areas;
- obtainment of EMAS registration for Iren Energia’s Torino Nord cogeneration thermoelectric plant;
- continuation of the “LIAG Laboratories Multi-site Accreditation” by LIAG;
- obtainment of EMAS accreditation for the Poiatica landfill site operated by Iren Ambiente;
- system implementation and extension of the environmental management system certification to the Gonzaga site in Reggio Emilia by Iren Emilia and Iren Ambiente;
- system implementation and extension of the environmental management system certification to the gas distribution service by Iren Emilia;
- system implementation and certification of the safety management system with particular reference to the gas distribution service by Iren Emilia;
- obtainment of Regulation 303/2008/EC - FGAS certification for Iren Mercato subsidiaries operating in the heat management sector as regards the service provided for devices containing fluorinated greenhouse gases.
- obtainment of certification for the sales of electrical energy produced solely from renewable sources, in compliance with the Certiquality Technical Document no. 66, by Iren Mercato;
- expansion of the range of Iren Acqua Gas activities with ISO 9001, ISO 14001 and OHSAS 18001 to the coordination, provision and control of staff services performed for directly managed subsidiaries of the first-level companies Iren Acqua Gas and Iren Mercato. In particular: Human resources, IT systems management, certified systems management, environmental and safety services management, procurement management and external communications management.

The following development projects are also in progress:

- implementation of the environmental management system at the Mancasale site in Reggio Emilia by Iren Emilia;
- implementation of the QAS management system at the Parma IEH by Iren Ambiente;
- launch of the safety management system expansion to street-cleaning and waste collection services in the provinces of Parma, Piacenza and Reggio Emilia;

- launch of the environmental management system expansion to street-cleaning and waste collection services in the provinces of Parma and Reggio Emilia (Piacenza already has certification);
- implementation required for CEI 11352:2010 certification by Iren Rinnovabili and Iren Servizi e Innovazione (formerly Iride Servizi) (at completion stage).
- implementation of an Energy Management system to improve energy efficiency in accordance with the international ISO 50001 standard for Iren Energia, Iren Servizi e Innovazione (formerly Iride Servizi) and AEM Torino Distribuzione.
- integration of the Safety, Environmental and EMAS management systems of the Turbigo and Tusciano plants (formerly Edipower) into Iren Energia's QAS Management System.
- extension of the Environment and Safety certification to the TLC Department of Iren Energia (former AEMNET).

Safety

In this context, the policies of the Parent Iren S.p.A and the first-level companies have always aimed at complying with the relevant safety laws while also attaining constant improvement.
In 2013, the OHSAS 18001:2007 certification of the Parent Iren was reconfirmed.

In 2013, safety-related activities were carried out in compliance with BS OHSAS 18001:2007 regulations, allowing the Turin companies to retain their certification.
For Iren Energia, Iren Servizi e Innovazione (formerly Iride Servizi) and AEMTD, the periodic management committees which handle and monitor safety aspects in general continued their work.
General training on workplace health and safety continued, as envisaged in the State-Regional Governments Agreement, involving all personnel of Iren Energia, Iren Servizi e Innovazione (formerly Iride Servizi) and AEMD. Training also began on the procedures for operating in confined spaces or areas of suspected contamination.
A new IT programme was purchased for Safety management and is currently being implemented.
Health supervision of personnel has continued through the use of equipped check-up rooms in the various company offices.
Following Iren Energia's acquisition of the Turbigo thermoelectric generation plant and the Tusciano hydroelectric plan, activities have begun for integration and alignment with Iren Energia's safety management system.

With regard to the Genoa-based companies:

- Iren Acqua Gas' prevention and protection department continues to carry out the tasks for the Group's other companies located in Genoa.
- From 2013 it was agreed that two safety meetings would be held each year, and these were duly conducted for all companies serviced by Iren Acqua Gas.
- Internal prevention and protection department personnel appointed for each company retain the necessary prerequisites for carrying out the duties of RSPP (prevention and protection department manager) and ASPP (prevention and protection department supervisor).
- General training on workplace health and safety and training of the health and safety officers was completed, as envisaged in the State-Regional Governments Agreement.
- Activities began to identify confined environments or those suspected of pollution, with specific general procedures prepared and associated employee training completed.
- At the same time, in line with provisions of the State-Regions Agreement of February 2012, the specific work equipment officers have been identified, specific appointments arranged and related specific training has been completed.
- As part of the five-year plan to suitably monitor compliance with legal requirements on environmental and occupational health and safety at all sites and plants of the Genoa-based companies, 2013 also saw the continued commitment to performing such activities, where necessary updating the site-specific risk assessments.
- Again in 2013, acting in concert with the MCs (qualified doctors), the prevention and protection department performed sampling at a further 52 site visits at the corporate sites and plants. This was to verify the proper management of aspects related to environmental conditions and to workers' health and safety.
- Health supervision of personnel in the Genoa companies is monitored in the various areas by seven

MCs (qualified doctors) and coordinated by the Coordinating Qualified Doctor. This is performed regularly and concluded without the need for any particular prescriptive measure. Note also that psychotropic substance testing was also performed regularly with no critical points emerging. During the annual safety meetings held from 2014 onwards, subject to the preparation of specific operating procedures already agreed with the Safety Representatives and in line with current regulations, it was decided to also begin alcohol level testing in the field.

Iren Emilia has an internal Prevention and Protection Department with the requirements necessary for the tasks of the Prevention and Safety Service Manager (RSPP) and the Members of the Prevention and Protection Service (ASPP). Iren Emilia's prevention and protection department carries out the tasks for the Group's other companies located in Emilia Romagna. The employer has appointed three qualified doctors to carry out health supervision tasks in the provinces of Parma, Piacenza and Reggio Emilia. The Prevention and Protection Department provides a safety training schedule for all the Group's Emilia Romagna companies and ascertains the effectiveness of the training.

In 2013 Iren Emilia and its subsidiaries and Iren Ambiente are committed to:
- performing inspections on plants outside of scheduled audits and sample checks on the proper management of aspects related to workers' health and safety at all company plants;
- performing sample checks at scheduled safety inspections, with the aim of confirming compliance with legal and contractual requirements on workers' health and safety and reporting any critical issues to be remedied.

The implementation of the occupational health and safety management system was completed in 2013 in accordance with OHSAS 18001, with the aim of gradually obtaining certification of all the services. In 2013 Iren Emilia obtained certification for the gas distribution service.
The manual and the general and intercompany procedures on safety had, in fact, already applied in full to Iren Emilia and Iren Ambiente.

Environment
The Iren group's commitment continues as regards environmental protection in the various segments in which the Group operates. In particular, while performing their business activities, the first-level companies have focused on environmental protection principles, the rational use of natural resources and full compliance with regulations in force.
The following resources have been deployed in order to ensure sustainable corporate growth based on constant improvement:
- in the development of electrical energy from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion and expansion of district heating as the energy saving technology and to improve the environment in urban areas, and adoption of the best plant technologies available on the market to ensure the lowest environmental impact from business activities;
- improved use of water resources in terms of collection and utilisation as well as release and discharge;
- correct management of obligations regarding the special waste problem, as regards the phases linked to production, storage, transport and disposal/final recovery;
- dissemination of information on the impact of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements, etc..

From an operational point of view, to ensure the lowest environmental impact of their activities, Iren Energia, Iren Acqua Gas, Mediterranea delle Acque, Laboratori Iren Acqua Gas, Genova Reti Gas, Iren Emilia, Iren Ambiente and their subsidiaries have focused particularly on:
- maintenance of certification systems on a voluntary basis regarding certified environmental management systems in accordance with UNI EN ISO 14001:2004;
- monitoring of environmental performance through the use of special indicators for each significant environmental aspect;
- analytical control of the impact of plants on the environment, especially as regards emissions, air quality, waste water, noise and electromagnetic fields;
- performance of special internal audits aimed at checking the correct management of environmental issues in the company departments and plants involved in the certified environmental management

systems.

In particular, to ensure the lowest environmental impact of their activities, Iren Energia, Iren Emilia, Iren Ambiente and their subsidiaries have attached importance to:

- the maintenance of certification systems on a voluntary basis regarding certified environmental management systems in accordance with the EMAS Regulation;
- compliance with administration tasks, especially as regards the monitoring and controls granted by the Environmental Integrated Authorisations (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuous involvement of the company's staff, through specific reporting and training courses, scheduled on an annual basis and focusing on environmental issues and best practices for the management of plants, to ensure the lowest environmental impact;
- implementation of operational aspects in relation to "environmental" issues in the company organisational model adopted pursuant to Legislative Decree no. 231/01 on corporate administrative liability.

IREN AND SUSTAINABILITY

Iren Group policies comply with the principles of environmental, social and financial sustainability: respect for and protection of local areas, attention to and development of employees, customer satisfaction, constant dialogue with the community and Public Administration, monitoring of the supply chain, and transparent communications with shareholders and financial institutions.
Aware of the central role played by stakeholders, Iren continues its usual commitment to sustainable development of the communities in which it operates and in disclosing project status updates and the results achieved.

The strategic medium/long-term plans pursued in 2013 indicate constant attention to sustainability issues:

- growth of the waste management segment (completion of the Parma Integrated Environmental Hub, participation with the F2i Fund in building and managing the waste-to-energy plant for urban waste in the province of Turin, the acquisition of 45.6% of AMIAT, the company that manages and provides waste management, collection and disposal services in Turin);
- construction of the Livorno regasification terminal, capable of covering 4% of the annual gas demand at national level, helping to ensure that Italian energy procurement becomes safer;
- further development/expansion of the district heating network (network expansion, construction of heat accumulators in Turin, research in partnership with universities);
- efficiency improvement of the integrated water service (reduction of network leaks);
- enhancement of the electrical energy production capacity (integration into the Iren portfolio of the Turbigo and Tusciano plants, the waste-to-energy plant in Turin, the Parma Integrated Environmental Hub and the development of projects in the mini-hydro sector).

The Sustainability Report is Iren's preferred media for dialogue and discussion with its stakeholders, and the Group uses it as a comprehensive document to highlight the effects of the activities carried out on the environment and on the social fabric, as well as the main economic aspects.
Drafted annually, the Sustainability Report complies with the "Sustainability Reporting Guidelines & Electric Utilities Sector Supplement" defined by the Global Reporting Initiative (GRI). Furthermore, the "principles for the preparation of the social report" prepared by the study group for social reporting [Gruppo di Studio per il Bilancio Sociale (GBS)] are taken into account as a reference for preparation of the report for the determination and distribution of added value. The 2012 version of the report was subject to limited review in accordance with International Auditing and Assurance Standards Board criteria, and achieved an A+ GRI rating.

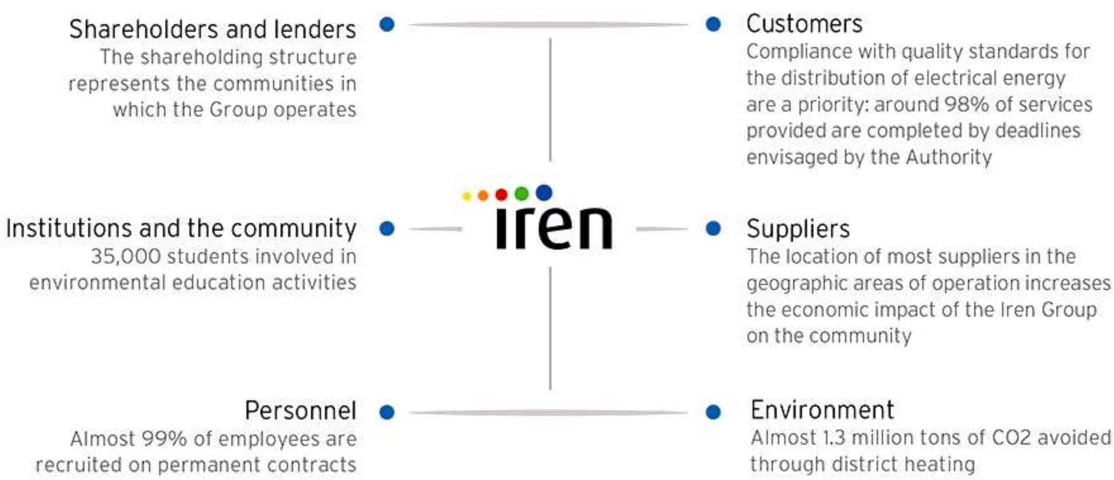
At its meeting on 17 September 2013, the Iren S.p.A. Board of Directors approved the new Group Code of Ethics as the tool for defining the set of corporate ethics values recognised, accepted and shared by the Iren Group, together with the set of responsibilities accepted by the Group towards all its stakeholders (especially shareholders, customers and suppliers).

Also in 2013 and for the second year running, the Iren Group participated in the Carbon Disclosure Project survey, "CDP Italy 100 Climate Change Report 2013", achieving a score of 80 on the subject of quality reporting and the completeness of answers provided to the questionnaire, higher than the average for the top 100 Italian companies (a score of 66). With regard to the assessment of performance, the Group achieved a "B" rating, better than that of the previous year.
Lastly, of note among the Group's Sustainability initiatives are:

- participation in the Sodalitas Social Award with the AEM Torino Distribuzione's "Substation access control" project in the Personal Enhancement and Job Protection Category, and its selection as a finalist by the jury;
- the Group's inclusion in the following rating indexes, based on ESG- Environmental, Social and Governance criteria:
  - ECPI Italy SME's Equity, an index which selects the 30 listed companies with small/medium capitalisation (minimum of Euro 300 million), high liquidity and a positive ESG rating in accordance with ECPI Screening Methodology.
  - FTSE ECPI Italia SRI Benchmark, to which FTSE Italia All-Share companies that show strong ESG characteristics (top 100) have access;

- participation in numerous sensitisation initiatives of various authorities on CSR-related issues:
  - involvement in the “Corporate Social Responsibility” course promoted by Università Cattolica di Piacenza;
  - participation in the Business Campus promoted by AIESEC Torino;
  - participation in the event promoted by the “CSR UPDATE” study group on Social Reporting of the Italian Accounting Profession societies in Ivrea, Pinerolo and Turin;
  - participation in the IV CSR Forum promoted by Confindustria Liguria and Confindustria Genoa;
  - participation in the presentation workshops for the CSR Piedmont project promoted by ALPCORE in partnership with UNIONCAMERE PIEMONTE;
- renewal of the sustainability section on the web site, fully revised and enhanced so as to facilitate browsing by stakeholders.

HIGHLIGHTS 2013



INFORMATION ON IREN'S CORPORATE GOVERNANCE

Introduction

Iren S.p.A. is the result of the merger of Enìa S.p.A. into Iride S.p.A. which took effect on 1 July 2010.
The merger between Iride and Enìa was promoted by their controlling bodies - namely FSU S.r.l. (jointly controlled by the municipal authorities of Turin and Genoa) and the Municipalities of Reggio Emilia, Parma and Piacenza - with the aim of generating a new entity capable of developing industrial synergies and representing a hub for further business combinations on the Italian market.

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

- FSU Agreement - former Enìa S.p.A. public shareholders:
  this refers to a blocking and voting shareholders' agreement with the aim of guaranteeing the development of Iren, its investees and its business activities, and to ensuring its unity and stability of purpose;

- Sub-agreement of former Enìa public shareholders:
  this agreement aims, amongst other things, to ensure unity in terms of conduct and governance of decisions to be made by the shareholders in all areas covered by the shareholders' agreement. It also involves additional commitments to guarantee the development of Iren, its investees and its business activities, and to ensuring its unity and stability of purpose;

- Reggiano sub-agreement:
  this agreement aims to ensure unity in terms of conduct and governance of decisions to be made by the shareholders, and also involves additional commitments to guarantee the development of Iren, its investees and its business activities, and to ensuring its unity and stability of purpose.

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

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

Iren S.p.A. acts as an industrial holding company operating in the business sectors of the merged companies, through a complex group of five first-level companies specialised in management of the various business areas, which operate directly or through their investees in their specific segments.
This structure aims to enhance the complementary nature of the two founding Group and to strengthen both their local presence and the integration of the various business segments.
Management and coordination over subsidiaries is carried out by the Parent Iren S.p.A. as expressly provided and governed by the Articles of Association of Iren S.p.A. and in the Articles of Association of the first-level companies.
The company adopts a traditional corporate governance system, compliant with the principles of the Corporate Governance Code for listed companies issued by Borsa Italiana.
Following the amendments to the Articles of Association approved by the shareholders' meeting of 19 June 2013, by suppression of the Executive Committee the shareholders aimed to grant a broader range of powers to the Board of Directors for the ordinary and extraordinary administration of the company, in particular assigning the power to take all action deemed appropriate to implement and achieve the corporate purpose, also organising the company and the Group into business segments, whether in the form of companies or operating divisions, with the sole exclusion of powers which by law or by the Articles of Association are the responsibility of the shareholders' meeting.

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

At its meeting on 27 June 2013, the Iren Board of Directors assigned duties to the Chairman, Deputy Chairman and Chief Executive Officer in accordance with the Articles of Association.

In compliance with provisions of the Corporate Governance Code, it also appointed:
- the Remuneration Committee;
- the Control and Risk Committee.

The Board of Directors, however, did not consider it necessary to establish an Appointments Committee within the Board of Directors, as it considers that the procedure for presentation of lists for the election of administrative bodies as established by the Articles of Association constitutes a guarantee of correctness and transparency in the system for the appointment of directors. The Board of Directors may also resolve to establish an Appointments Committee, which must be composed of a majority of independent directors.

The company's Articles of Association establish the composition and appointment methods for the Board of Statutory Auditors and the independent auditors. Duties and functions are governed by current regulations.

BOARD OF DIRECTORS

With approval of the financial statements at 31 December 2012 the term of office of the Board of Directors expired. The shareholders' meeting of 27 June 2013 therefore appointed the new Board of Directors, with thirteen members, which will remain in office for the years 2013/2014/2015 (until approval of the 2015 separate financial statements).
The membership of the Iren Board of Directors that remained in office until approval of the 2012 financial statements (27 June 2013) is indicated below.

Office	Name and Surname	Place of birth	Date of birth
Chairman of the Board of Directors and member of the Executive Committee	Roberto Bazzano	Cairo Montenotte (SV)	1 February 1944
Deputy Chairman and member of the Executive Committee	Lorenzo Bagnacani (*)	Reggio Emilia	17 June 1970
Chief Executive Officer and member of the Executive Committee	Roberto Garbati	Chiomonte (TO)	16 June 1949
General Manager and member of the Executive Committee	Andrea Viero	Marostica (VI)	7 April 1964
Director	Paolo Cantarella	Varallo Sesia (VC)	4 December 1944
Director	Gianfranco Carbonato	Cusano Milanino (MI)	2 June 1945
Director	Ettore Rocchi	Reggio Emilia	20 November 1964
Director	Marco Elefanti	Piacenza	7 October 1962
Director	Carla Patrizia Ferrari (**)	Genoa	2 April 1957
Director	Ernesto Lavatelli	Genoa	28 August 1948
Director	Franco Amato	Siracusa	19 April 1962
Director	Alberto Clò	Bologna	26 January 1947
Director	Alcide Rosina	Genoa	27 January 1933

(*) Luigi Giuseppe Villani resigned on 19 January 2013.
(**) co-opted on 18/6/2012 following the resignation of Enrico Salza from the position of director

The membership of the Board of Directors appointed with a 3-year term of office by the shareholders' meeting of 27 June 2013 is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairman of the Board of Directors	Francesco Profumo	Savona	3 May 1953
Deputy Chairman	Andrea Viero	Marostica (VI)	7 April 1964
Chief Executive Officer and Central Manager of Operations and Strategies	Nicola De Sanctis	Ferrara	24 April 1961
Director	Lorenzo Bagnacani	Reggio Emilia	17 June 1970
Director	Roberto Bazzano	Cairo Montenotte (SV)	1 February 1944
Director	Ettore Rocchi	Reggio Emilia	20 November 1964
Director	Franco Amato	Siracusa	19 April 1962
Director	Tommaso Dealessandri	Cercenasco (TO)	18 September 1949
Director	Alessandro Ghibellini	Genoa	15 October 1947
Director	Roberto Walter Firpo (*)	Genoa	17 September 1946
Director	Anna Ferrero	Turin	10 August 1952
Director	Fabiola Mascardi	Genoa	4 December 1962
Director	Barbara Zanardi	Piacenza	3 March 1977

(*) On 23 July 2013 the Board of Directors accepted the declaration received from Roberto Walter Firpo regarding his loss of the requisite of independence in accordance with the Corporate Governance Code (art. 3). On 17 September 2013, following the resignation of Roberto Walter Firpo - submitted in compliance with the current Corporate Governance Code - the Board of Directors co-opted Mr Firpo to office once again, availing of the option granted under the aforementioned Code, and acknowledging his retention of the requisite of independence pursuant to art. 147-ter, paragraph 4, and art. 148, paragraph 3, of the Consolidated Law on Finance (Legislative Decree 58/98, as amended) but not also of the requisite envisaged in the current Corporate Governance Code.

In accordance with art. 25 of the Articles of Association, resolutions of the Iren Board of Directors are carried by vote in favour by the absolute majority of Directors in office.
For issues indicated in art. 25.5 of the Articles of Association (“Significant Matters”), resolutions of the Iren Board of Directors can only be carried by vote in favour from at least 10 directors.
Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.
In 2013 the Iren Board of Directors held 13 meetings.

Of the 13 members of the Board of Directors, four meet the independence requirements of both the Consolidated Law on Finance (TUF) and Borsa Italiana’s Corporate Governance Code, and also with the Corporate Governance Code adopted by the company aligned to that of Borsa Italiana.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an annual basis. The outcome of the Board’s assessments is disclosed to the market.

The annual meeting of Independent Directors, pursuant to art. 3.7 of the company’s current Corporate Governance Code, was held on 28 November 2013.

The company established a bonus system (MBO) for the Chief Executive Officer: the targets are set annually by the Board of Directors on the basis of a proposal from the Remuneration Committee, and if achieved give the right to receive the related bonus (subject to verification by the Board of Directors as proposed by the Remuneration Committee).
For further information on the remuneration policy, reference should be made to the Remuneration Report.
As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On 3 December 2013 the Board of Directors approved the new text of the “Internal Regulations on Transactions with Related Parties”.

The new text of the Corporate Governance Code approved by the Iren S.p.A. Board of Directors on 17 September 2013 envisages that the Board of Directors must adopt measures and action to ensure that conflict of interest does not arise.

REMUNERATION COMMITTEE

The Board of Directors contains a Remuneration Committee composed of non-executive directors, most of which independent, from which the Chairman is chosen.

The Committee has the following duties:
- periodically assessing the adequacy, overall consistency and actual application of the policy of remuneration of directors and key managers, by availing itself, in this last regard, of the information provided by delegated directors;
- formulating the relevant proposals to the Board of Directors;
- presenting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing performance objectives relating to the variable component of said remuneration;
- monitoring the application of the decisions adopted by said Board by verifying, in particular, the actual achievement of the performance objectives.

The Remuneration Committee acts exclusively in a consulting and recommendation capacity, while the power to determine the remuneration of the directors and key managers, pursuant to art. 2389 paragraph 3 of the Italian Civil Code continues to rest with the Board of Directors which, in accordance with art. 21 of the current Articles of Association, consults the Remuneration Committee and the Board of Statutory Auditors.
The Remuneration Committee also performs the functions of Independent Directors' Committee, limited to cases where the Remuneration Committee meets the minimum requirements set by Consob Regulations, in that it is composed of independent and unrelated directors, in cases where transactions regard the remuneration of directors and key managers of the company pursuant to art. 7.1-bis, of the applicable internal regulations governing related party transactions.

On 27 June 2013, Iren's Board of Directors appointed the following directors as members of the Remuneration Committee:
- Roberto Walter Firpo
- Fabiola Mascardi
- Ettore Rocchi

On 13 July 2013 the Committee appointed Roberto Walter Firpo as its Chairman. Then on 22 July 2013, following Mr Firpo's resignation from office as Chairman due to his loss of the requisite of independence according to the Corporate Governance Code, the Committee appointed Fabiola Mascardi to replace him as Chairman.
In 2013 the Remuneration Committee met eleven times, preparing proposals recorded in minutes of the committee meetings.
For further details, reference should be made to the Report on Corporate Governance and Ownership Structures.

CONTROL AND RISK COMMITTEE

In accordance with the Corporate Governance Code the Board of Directors set up a Control and Risk Committee.
The Committee is composed of three directors, most of which independent, from which the Chairman is chosen. At least one member of the committee has sufficient accounting and financial or risk management experience (considered suitable by the Board of Directors at the time of appointment).

The Control and Risk Committee has the following duties:

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

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

- Franco Amato
- Alessandro Ghibellini
- Barbara Zanardi

On 22 July 2013 the Committee appointed Franco Amato as its Chairman.
In 2013 Iren's Control and Risk Committee held 8 meetings.
Until the Board of Directors approved the Internal Regulation on Transactions with Related Parties and the special Committee for Transactions with Related Parties was set up on 3 December 2013, the Control and Risk Committee, also in its "integrated" composition, was assigned the duties and responsibilities of the Independent Directors' Committee, which according to the Consob Regulation on related party transactions must express its opinion on the execution of transactions of major and minor significance with related parties and, in general, also perform all other duties assigned on transactions with related parties.
In 2013 Iren's Control and Risk Committee (also acting as Committee for Transactions with Related Parties) held 3 meetings.
For further details, reference should be made to the Report on Corporate Governance and Ownership Structures.

COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

On 3 December 2013, immediately after approval of the new Internal Regulation on Transactions with Related Parties and in compliance with this regulation, the Board of Directors established a special Committee for Transactions with Related Parties (CTRP).
The Committee is composed of three directors that meet the independence requirements envisaged in art. 147-ter paragraph 4 and art. 148 paragraph 3 of the Consolidated Law on Finance (Legislative Decree 58/98, as amended) and the additional requirements envisaged in art. 3 of the company's current Corporate Governance Code. In order to guarantee the dual independence and unrelated requirement in a given transaction, the CTRP is expanded to include other independent directors, "unrelated to the

transaction under review" who are members of the Company's Board of Directors, attributing to the CTRP Chairman the task of identifying a sub-committee (the "designated members") composed of three independent directors unrelated to the individual transaction under review.
In reference to transactions of minor significance, pursuant to the Regulation, if none of the CTRP members are independent and unrelated, and if there are no other directors on the Board of Directors with the necessary requisites for integrating the CTRP membership, the non-binding fairness opinion must be provided by an independent expert appointed by the Committee Chairman, after consulting the Chairman of the Board of Statutory Auditors.
For transactions of greater significance, identified as such in the Regulation, unless there are at least three independent, unrelated directors among the committee members, the Committee Chairman appoints one, two if possible, independent unrelated directors. If there are no independent and unrelated directors whatsoever, these activities are performed by the Board of Statutory Auditors or by an independent expert appointed by the Committee Chairman after consulting the Chairman of the Board of Statutory Auditors.
The CTRP expresses its opinion on the execution of transactions of major and minor significance with related parties and, in general, also perform all other duties assigned on transactions with related parties pursuant to Consob's Regulation on Related Party Transactions.
On 3 December 2013, Iren's Board of Directors appointed the following directors as members of the Committee for Transactions with Related Parties:

- Franco Amato
- Fabiola Mascardi
- Barbara Zanardi

On 16 December 2013 the Committee appointed Barbara Zanardi as its Chairman.
In 2013 the committee met three times, preparing proposals recorded in minutes of the committee meetings.
For further details, reference should be made to the Report on Corporate Governance and Ownership Structures.

MEMBERSHIP OF THE COMMITTEES

Remuneration committee	**Control and Risk Committee**	**Committee for Transactions with Related Parties**
Fabiola Mascardi (Chairman)	Franco Amato (Chairman)	Barbara Zanardi (Chairman)
Roberto Walter Firpo (1)	Alessandro Ghibellini	Fabiola Mascardi
Ettore Rocchi	Barbara Zanardi	Franco Amato

(1) On 23 July 2013 the Board of Directors accepted the declaration received from Roberto Walter Firpo regarding his loss of the requisite of independence in accordance with the Corporate Governance Code (art. 3). On 17 September 2013, following the resignation of Roberto Walter Firpo - submitted in compliance with the current Corporate Governance Code - the Board of Directors co-opted Mr Firpo to office once again, availing of the option granted under the aforementioned Code, and acknowledging his retention of the requisite of independence pursuant to art. 147-ter, paragraph 4, and art. 148, paragraph 3, of the Consolidated Law on Finance (Legislative Decree 58/98, as amended) but not also of the requisite envisaged in the current Corporate Governance Code.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three standing auditors and two substitute auditors, with a three-year term of office expiring on the date of the shareholders' meeting called to approve the financial statements in their last year of office, and they can be re-elected.
The Board of Statutory Auditors in office was appointed by the Iren Ordinary Shareholders' Meeting of 14 May 2012 and will remain in office until approval of the financial statements as at 31 December 2014.
The members of the current Board of Statutory Auditors are indicated in the following table.

Office	Name and Surname	Place of birth	Date of birth
Chairman	Paolo Peveraro	Castel San Giovanni (PC)	5 July 1956
Standing Auditor	Anna Maria Fellegara	Borgonovo Val Tidone (PC)	18 January 1958
Standing Auditor	Aldo Milanese	Mondovì (CN)	27 January 1944
Substitute Auditor	Alessandro Cotto	Asti	23 October 1970
Substitute Auditor	Emilio Gatto	Genoa	1 October 1969

Art. 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.
The members of the Board of Statutory Auditors attend the shareholders' meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the company and on the transactions of greatest economic, financial and equity significance performed by the company and its subsidiaries, particularly transactions in which the directors have an interest.
The Board of Statutory Auditors has supervised the independence of the independent auditors and, in conducting its own activities has liaised with the Internal Auditing Department and the Control and Risk Committee, with attendance at their respective meetings.
In 2013 the Board of Statutory Auditors held 11 meetings.
For further details, reference should be made to the Report on Corporate Governance and Ownership Structures.

OTHER INFORMATION

Personal data protection code

As part of the activities envisaged in Legislative Decree 196/03, the "Personal Data Protection Code", action was taken that was useful in assessing the data protection system in Group companies subject to these regulations. The action highlighted substantial adequacy of the formalities required under the regulations on the protection of personal data handled by these companies.

Statements pursuant to Art. 2.6.2 of the Stock Exchange Regulations

With regard to the certifications required by art. 2.6.2 paragraph 15 of the Exchange Regulation relating to compliance with the conditions set forth under art. 36 et seq. of the CONSOB Market Regulation, the company does not control companies established in and governed by countries which are not members of the European Union and which are of a significant interest pursuant to the provisions under section VI, par. II of the regulation adopted by CONSOB with Resolution no. 11971/1999, as amended. Therefore the provisions contained in art. 36, paragraph 1 the Market Regulation do not apply. With regard to the conditions set forth in art. 37 of the Market Regulation, the company is not subject to management and coordination by another company.

Report on Corporate Governance and Ownership Structures and the Remuneration Report

The Report on Corporate Governance and Ownership Structures and the Remuneration Report, approved by the Board of Directors and published with the Directors' Report, include information not mentioned in the previous section on Corporate Governance, as envisaged in art. 123-bis and art. 123-ter, Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEM "Financial Statements at 31 December 2013 and the Directors' Report: inherent and consequent resolutions."

Dear Shareholders,

in relation to the above, we propose that you:

- approve the financial statements at 31 December 2013 which closed with a profit of Euro 86,859,395.30.
- approve the following proposal for the allocation of profit for the year:

Iren S.p.A. profit for the year	Euro 86,859,395.30
5% of profit for the year to the "legal reserve" of	Euro 4,342,969.76

To the shareholders, a unit dividend of Euro 0.0523 for the 1,181,725,677 ordinary shares and the 94,500,000 savings shares of a nominal amount of Euro 1 to be paid starting from 26 June 2014 with coupon date of 23 June 2014 and record date of 25 June, for a total of Euro 66,746,602.91.

To the "Extraordinary reserve"	Euro 15,769,822.63

On behalf of the Board of Directors
The Chairman

Iren S.p.A.
Via Nubi di Magellano, 30 – 42123 Reggio Emilia
Share capital fully paid-in 1,276,225,677.00
Reggio Emilia Companies Register no. 07129470014
Tax Code and VAT no. 07129470014

Consolidated Financial Statements

at 31 December 2013

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	31.12.2013	of which related parties	31.12.2012	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,201,332		2,813,297	
Investment property	(2)	15,341		1,831	
Intangible assets with a finite useful life	(3)	1,351,065		1,295,022	
Goodwill	(4)	124,596		132,861	
Investments accounted for using the equity method	(5)	163,578		462,097	
Other investments	(6)	15,492		29,808	
Non-current financial assets	(7)	60,167	56,595	116,168	113,188
Other non-current assets	(8)	59,153	19,843	38,195	2,759
Deferred tax assets	(9)	309,820		215,750	
Total non-current assets		**5,300,544**		**5,105,029**	
Inventories	(10)	107,872		89,110	
Trade receivables	(11)	1,050,310	112,248	1,253,713	151,377
Current tax assets	(12)	5,805		8,690	
Other receivables and other current assets	(13)	216,599	2,789	267,253	4,315
Current financial assets	(14)	255,774	252,002	273,550	254,223
Cash and cash equivalents	(15)	55,613	2,326	28,041	2,668
Total current assets		**1,691,973**		**1,920,357**	
Assets held for sale	(16)	3,588		7,739	
TOTAL ASSETS		**6,996,105**		**7,033,125**	

thousands of euro

	Notes	31.12.2013	of which related parties	31.12.2012	of which related parties
EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained earnings		415,721		311,070	
Net profit (loss) for the year		80,554		152,559	
Total equity attributable to owners of the Parent		**1,772,501**		**1,739,855**	
Non-controlling interests		216,526		214,402	
TOTAL EQUITY	**(17)**	**1,989,027**		**1,954,257**	
LIABILITIES					
Non-current financial liabilities	(18)	1,913,299	170,004	2,197,827	177,162
Employee benefits	(19)	118,034		102,999	
Provisions for risks and charges	(20)	288,769		272,744	
Deferred tax liabilities	(21)	179,231		110,553	
Other payables and other non-current liabilities	(22)	190,289	178	154,453	177
Total non-current liabilities		**2,689,622**		**2,838,576**	
Current financial liabilities	(23)	983,206	102,753	775,063	198,801
Trade payables	(24)	1,010,790	49,836	1,135,236	70,138
Other payables and other current liabilities	(25)	236,486	235	243,514	4,861
Current tax liabilities	(26)	12,259		4,910	
Provisions for risks and charges - current portion	(27)	74,709		81,548	
Total current liabilities		**2,317,450**		**2,240,271**	
Liabilities related to assets held for sale	(28)	6		21	
TOTAL LIABILITIES		**5,007,078**		**5,078,868**	
TOTAL EQUITY AND LIABILITIES		**6,996,105**		**7,033,125**	

INCOME STATEMENT

thousands of euro

	Notes	2013	of which related parties	2012	of which related parties
Revenue					
Revenue from goods and services	(29)	3,228,038	189,302	4,003,654	179,325
Change in work in progress	(30)	(355)		669	197
Other revenue and income	(31)	220,290	2,268	323,518	4,048
- of which non-recurring				*23,015*	
Total revenue		**3,447,973**		**4,327,841**	
Operating expense					
Raw materials, consumables, supplies and goods	(32)	(1,462,729)	(125,161)	(2,116,257)	(232,336)
Services and use of third-party assets	(33)	(1,000,406)	(80,922)	(1,236,254)	(118,290)
Other operating expense	(34)	(89,629)	(3,678)	(105,250)	(8,029)
- of which non-recurring				*(14,644)*	
Capitalised expenses for internal work	(35)	24,394		20,667	
Personnel expense	(36)	(273,586)		(261,142)	
Total operating expense		**(2,801,956)**		**(3,698,236)**	
GROSS OPERATING PROFIT (EBITDA)		**646,017**		**629,605**	
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(37)	(219,717)		(205,495)	
Provisions and impairment losses	(38)	(113,221)		(89,962)	
- of which non-recurring transactions		*(5,262)*		*(7,631)*	
Total amortisation, depreciation, provisions and impairment losses		**(332,938)**		**(295,457)**	
OPERATING PROFIT (EBIT)		**313,079**		**334,148**	
Financial income and expense	**(39)**				
Financial income		21,846	12,763	24,075	11,543
Financial expense		(111,262)	(12,447)	(122,827)	(18,649)
Total financial income and expense		**(89,416)**		**(98,752)**	
Share of profit of associates recognised using the equity method	(40)	10,421		(599)	
Impairment losses on investments	(41)	(20,095)		(105)	
Profit before tax		**213,989**		**234,692**	
Income tax expense	(42)	(122,034)		(85,251)	
Net profit/(loss) from continuing operations		**91,955**		**149,441**	
Net profit/(loss) from discontinued operations	(43)	-		12,730	
Net profit (loss) for the year		**91,955**		**162,171**	
attributable to:					
- Profit (loss) - Group		80,554		152,559	
- Profit (loss) - non-controlling interests	(44)	11,401		9,612	
Earnings per ordinary and savings share	**(45)**				
- basic (euro)		0.06		0.12	
- diluted (euro)		0.06		0.12	

STATEMENT OF COMPREHENSIVE INCOME

thousands of euro

	Notes	2013	2012
Profit/(loss) for the period - Owners of the Parent and non-controlling interests (A)		**91,955**	**162,171**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(46)**		
- effective portion of changes in fair value of cash flow hedges		25,134	(26,488)
- change in fair value of available-for-sale financial assets		-	-
- share of other profits (losses) of companies accounted for using the equity method		3,004	2,995
Tax effect of other comprehensive income		(10,026)	9,616
Total other comprehensive income to be subsequently reclassified to the Income Statement net of tax effect (B1)		**18,112**	**(13,877)**
Other comprehensive income that will not be subsequently reclassified to the Income Statement			
- actuarial profits/(losses) from defined benefit plans (IAS 19)		(3,462)	(15,542)
Tax effect of other comprehensive income		1,188	4,804
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)		**(2,274)**	**(10,738)**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**107,793**	**137,556**
attributable to:			
- Profit (loss) - Group		96,346	128,239
- Profit (loss) - non-controlling interests		11,447	9,317

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2011 Restated	**1,276,226**	**105,102**	**28,996**
Dividends to shareholders			
Losses carried forward			
Changes in the scope of consolidation			
Change in business combinations			
Capital increase of subsidiaries			
Other changes			
Comprehensive income for the year			
of which:			
- Profit for the year			
- Other comprehensive income			
31/12/2012	**1,276,226**	**105,102**	**28,996**
Legal reserve			3,516
Dividends to shareholders			
Retained earnings			
Changes in the scope of consolidation			
Change in business combinations			
Other changes			
Comprehensive income for the year			
of which:			
- Profit for the year			
- Other comprehensive income			
31/12/2013	**1,276,226**	**105,102**	**32,512**

Figures as at 31 December 2011 were restated due to the adoption of the revised version of IAS 19 – Employee benefits.

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the year	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(30,737)	**362,714**	**466,075**	**(110,970)**	**1,631,331**	**213,375**	**1,844,706**
	(16,591)	(16,591)		(16,591)	(5,691)	(22,282)
	(110,970)	(110,970)	110,970	-		-
	(3,860)	(3,860)		(3,860)	(3,350)	(7,210)
	1,510	1,510		1,510		1,510
		-		-	849	849
	(773)	(773)		(773)	(99)	(872)
(11,908)	(12,413)	(24,321)	152,559	128,238	9,318	137,556
			152,559	152,559	9,612	162,171
(11,908)	(12,413)	(24,321)		(24,321)	(294)	(24,615)
(42,645)	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
		3,516	(3,516)	-		-
		-	(66,747)	(66,747)	(9,323)	(76,070)
	82,296	82,296	(82,296)	-		-
199	(199)	-		-		-
	3,122	3,122		3,122		3,122
	(75)	(75)		(75)	-	(75)
18,418	(2,626)	15,792	80,554	96,346	11,447	107,793
			80,554	80,554	11,401	91,955
18,418	(2,626)	15,792		15,792	46	15,838
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**

CASH FLOW STATEMENT

thousands of euro

	2013	2012
A. Opening cash and cash equivalents	**28,041**	**44,758**
Cash flows from operating activities		
Profit (loss) for the year	91,955	162,171
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	219,717	205,495
Capital gains (losses) and other changes in equity	959	(33,073)
Net change in post-employment benefits and other employee benefits	1,013	818
Net change in provision for risks and other charges	(39,119)	33,538
Profit from the sale of discontinued operations net of tax effects	-	-
Change in deferred tax assets and liabilities	(16,140)	(30,683)
Change in other non-current assets and liabilities	14,880	1,392
Dividends accounted for net of adjustments	(1,304)	(656)
Share of profit (loss) of associates	(10,421)	(9,673)
Net impairment losses (reversals of impairment losses) on assets	70,747	(1,784)
B. Cash flows from operating activities before changes in NWC	**332,287**	**327,545**
Change in inventories	478	(21,321)
Change in trade receivables	203,403	(18,269)
Change in tax assets and other current assets	62,416	(3,540)
Change in trade payables	(124,446)	98,154
Change in tax liabilities and other current liabilities	(1,456)	(3,998)
C. Cash flows from changes in NWC	**140,395**	**51,026**
D. Cash flows from/(used in) operating activities (B+C)	**472,682**	**378,571**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(351,538)	(339,749)
Investments in financial assets	(1,423)	(60,285)
Proceeds from the sale of investments and changes in assets held for sale	13,883	154,307
Changes in the scope of consolidation	(61,356)	3,468
Disposal of discontinued operations net of transferred cash flows	-	-
Dividends received	8,868	9,417
Other changes in financial assets	-	131
E. Total cash flows used in investing activities	**(391,566)**	**(232,711)**
F. Free cash flow (D+E)	**81,116**	**145,860**
Cash flows from/(used in) financing activities		
Dividends paid	(76,070)	(22,282)
Other changes in equity	-	-
New non-current loans	583,021	440,250
Repayment of non-current loans	(395,019)	(503,133)
Change in financial liabilities	(239,253)	(195,850)
Change in financial assets	73,777	118,438
G. Total cash flows from/(used in) financing activities	**(53,544)**	**(162,577)**
H. Cash flows for the period (F+G)	**27,572**	**(16,717)**
I. Closing cash and cash equivalents (A+H)	**55,613**	**28,041**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The segments in which the Group operates are:

- Generation and District Heating (Hydroelectric energy, co-generation of electrical energy and heat, district heating network and production from Renewable sources);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (Electricity distribution networks, gas distribution networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Management (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

Paragraph XII, Information by operating segments, includes information as per IFRS 8.

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

The schedules disclosed have been reclassified at 31 December 2012 to adjust to the classification adopted for related items at 31 December 2013. The main reclassifications are described in these notes.

The company’s consolidated financial statements at 31 December 2013 include those of the Company and its subsidiaries, proportional financial statements of jointly-controlled companies (collectively referred to as the “Group” and individually as “Group entities”) and the Group’s investment in associates.

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Iren Group at 31 December 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the provisions set forth in implementation of art. 9 of Legislative Decree no. 38/2005. "IFRS" also includes the International Accounting Standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC"), previously known as the Standing Interpretations Committee ("SIC").
In drawing up these consolidated financial statements, the same accounting policies were used as those adopted for the Financial Statements at 31 December 2012, with the exceptions highlighted in the section "Accounting policies and interpretations effective on 1 January 2013".

These consolidated financial statements at 31 December 2013 consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

In the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that shall be realised, transferred or consumed during the ordinary operating cycle of the Group or during the twelve months following year end. Current liabilities are those that shall be settled during the ordinary operating cycle of the Group or during the twelve months following year end.
The income statement is classified on the basis of the nature of costs. In addition to the operating profit/(loss), the income statement also shows the gross operating profit/(loss) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash availability and cash in bank current accounts.

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

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

II. CONSOLIDATION POLICIES

All the subsidiaries, associates and interests in joint ventures are consolidated.

Subsidiaries (consolidated on a line-by-line basis):
Entities controlled by the Group are considered subsidiaries, as defined by IAS 27 - Consolidated and Separate Financial Statements.
Such control exists when the Group has the direct or indirect power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
Equity and portion of profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement.
Subsidiaries are consolidated on a line-by-line basis. Infragroup balances, transactions, unrealised income and expenses are eliminated in full.
Note that the new IAS 27, applicable prospectively from 1 January 2010, establishes that: a) all changes in the interests, that are not a loss in control, are to be accounted for as equity transactions and are therefore recognised with a balancing entry in equity; b) when a controlling entity assigns its control in a

joint venture, but still holds an equity investment in the company, this investment must be measured at fair value and any gains or losses deriving from the loss in control shall be charged to income statement.
Goodwill deriving from the acquisition of a non-controlling investment in a subsidiary was previously recognised as the surplus between the additional investment cost and the carrying amount of the investment in net assets acquired at the exchange date.

Jointly-controlled entities (proportionately consolidated):
These are entities over whose activities the Group has joint control, as defined by IAS 31 - Interests in Joint Ventures, in line with contractual agreements. With reference to entities jointly owned by public and private ventures, given the objective possibility for the public partner to influence the company not only by means of governance agreements, but also thanks to its nature of public entity, the existence of joint control is judged on the basis of contractual agreements and on the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.
The consolidated financial statements include the Group's share of revenue, expense, assets and liabilities of the jointly-controlled entities from the date that joint control commences until the date that joint control ceases.

Associates (companies accounted for using the equity method)
An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associate's profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses of an associate equals or exceeds the carrying amount of its interest in the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations.

Transactions eliminated on consolidation
Infragroup balances and significant transactions and any unrealised gains and losses arising from infragroup transactions are eliminated in full in 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. SCOPE OF CONSOLIDATION

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

<u>*Parent:*</u>
Iren S.p.A.

<u>*Companies consolidated on a line-by-line basis*</u>:
The six First-level companies are fully consolidated and, through their consolidated financial statements, their subsidiaries:

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

2) Iren Ambiente and its subsidiaries:
    - Montequerce
    - Tecnoborgo

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

4) Iren Emilia and its subsidiaries:
   - AGA
   - AMIAT V
   - Consorzio GPO
   - Enìa Parma
   - Enìa Piacenza
   - Enìa Reggio Emilia
   - Enìatel

5) Iren Energia and its subsidiaries:
   - AEM Torino Distribuzione
   - CELPI in liquidazione (classified as asset held for sale)
   - Iren Servizi e Innovazione (formerly Iride Servizi)
   - Nichelino Energia

6) Iren Mercato and its subsidiaries:
   - CAE Amga Energia and its subsidiaries:
     - O.C. CLIM
     - CLIMATEL
   - GEA Commerciale

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

Companies consolidated proportionately:

The companies which are jointly-controlled by the Group are proportionally consolidated following agreements signed with other partners. These companies are as follows:

- AES Torino (51% held by Iren Energia);
- Società Acque Potabili (30.86% held by Iren Acqua Gas) and its subsidiaries:
  - Acquedotto Savona (100% held by Società Acque Potabili);
  - Acquedotto Monferrato (100% held by Società Acque Potabili);
  - Acque Potabili Crotone (100% held by Società Acque Potabili);
- OLT Offshore LNG S.p.A. (41.71% held by Iren Mercato);
- Iren Rinnovabili (70% held by Iren Ambiente) and its subsidiaries:
  - Agriren (95% held by Iren Rinnovabili);
  - Greensource (100% held by Iren Rinnovabili) and its subsidiaries:
    - Enia Solaris (100% held by Greensource);
    - Project Financing Management (100% held by Greensource);
    - Busseto Fotovoltaico (100% held by Greensource);
    - C8 Fotovoltaico (100% held by Greensource);
    - Fidenza Fotovoltaico (100% held by Greensource);
    - Fontanellato Fotovoltaico (100% held by Greensource);
    - Medesano Fotovoltaico (100% held by Greensource);
    - Millenaria Fotovoltaico (100% held by Greensource);
    - Pellegrino Fotovoltaico (100% held by Greensource);
    - Pluris Energy Fotovoltaico (100% held by Greensource);
    - Roccabianca Fotovoltaico (100% held by Greensource);
    - San Secondo Fotovoltaico (100% held by Greensource);
    - Varsi Fotovoltaico (100% held by Greensource).

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

CHANGES IN THE SCOPE OF CONSOLIDATION

On 1 July 2013, the JV partner CCPL transferred to Iren Rinnovabili 100% of Greensource (and its 100% subsidiaries) and 11% of Project Financing Management (already 49% owned by Iren Rinnovabili). As a result of these asset transfers the Iren Group's investment in Iren Rinnovabili decreased from 90.19% to 70%. Furthermore, Iren Rinnovabili acquired, and later transferred to Greensource, the residual 40% of Project Financing Management from CCPL to arrive at 100% ownership.

From 1 July 2013, therefore, the following were consolidated by the proportional method at 70%: Iren Rinnovabili and Enia Solaris (previously proportionately consolidated at 90.19%), Project Financing Management (previously carried at equity), Busseto Fotovoltaico, C8 Fotovoltaico, Fidenza Fotovoltaico, Fontanellato Fotovoltaico, Medesano Fotovoltaico, Millenaria Fotovoltaico, Pellegrino Fotovoltaico, Pluris Energy Fotovoltaico, Roccabianca Fotovoltaico, San Secondo Fotovoltaico and Varsi Fotovoltaico.

On 26 November 2013 the joint venture Iren Rinnovabili subscribed to 95% of the share capital of Agriren and this company was therefore proportionately consolidated as a subsidiary of the joint venture Iren Rinnovabili.

On 1 November 2013 the non-proportional partial spin-off of Edipower entered into force, with assignment to Iren Energia of thermoelectric generation assets (the Turbigo plant) and hydroelectric generation assets (the Tusciano hub), together with the employees of those sites, equity items, and current and pending legal relations directly attributable to these plants. The non-proportional partial spin-off led to cancellation of the entire investment held by Iren Energia in Edipower and at the same time a decrease in the latter's shareholders' equity.

Further information can be found in section "VIII Other Information - Significant non-recurring events and transactions".

The following transactions also took place, which did not result in a change of the scope of consolidation:

- 100% merger of the subsidiary Zeus S.p.A. with the parent company Iren Emilia S.p.A.;
- transfer and subsequent merger of the fully controlled company AEMNET S.p.A. from Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) (100% controlled) to Iren Energia S.p.A. (100% controlled);
- establishment of Iren Ambiente Holding S.p.A. through the partial, proportional spin-off of Iren Ambiente S.p.A. The equity investments in Bonifica Autocisterne, Iren Rinnovabili, Aciam, Iniziative Ambientali, Rio Riazzone, Consorzio Leap and Reggio Emilia Innovation were transferred from Iren Ambiente S.p.A. to Iren Ambiente Holding S.p.A.

IV. ACCOUNTING POLICIES

Detailed below are the policies adopted in drawing up these Consolidated Financial Statements at 31 December 2013 of the Iren Group. The accounting policies described were applied consistently by all the Group entities and have not changed with respect to those adopted at 31 December 2012, except for those indicated in the section "Accounting policies, amendments and interpretations effective from 1 January 2013".

Property, plant and equipment

- Property, plant and equipment

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all costs directly attributable to bringing the asset to the location and condition necessary for it to be available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located), net of trade discounts and rebates.

Financial expense related to the purchase of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.

When significant components of property, plant and equipment have different useful lives, they are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; therefore, only the buildings are depreciated, while the carrying amount of land is impaired, as described in the following section “Impairment losses”.
Ordinary maintenance expenditure is expensed in full in the income statement. Expenditure that increases the carrying amount of the asset is charged to the asset to which it relates and depreciated over its estimated useful life, in compliance with IAS 16. Such expenditure includes expenditure that reasonably leads to an increase in future economic benefits, such as the lengthening of useful life, increase in production capacity, improvement in product quality and adoption of production processes that entail a significant reduction in production costs.
Assets under construction include expenditure related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.
Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives. Landfills are depreciated based on the filling percentage.
Transferable assets are depreciated according to the expiry term of the related concession decrees. Continuing the action of 2012, once again in 2013 depreciation was suspended for transferable assets of the hydroelectric plants in Valle Orco (except San Lorenzo) and San Mauro, following the entry into force of Italian Law no. 134 of 7 August 2012 and the related implementing decree of 28 March 2013. These measures change the current regulations regarding the large shunt concessions for hydroelectric purposes (“hydroelectric concessions”). The new regulations establish that the outgoing operator is entitled to an amount for “wet assets” (collection, regulation works, penstocks, drain pipes included in the business branch of the outgoing operator, the so-called “transferable assets”), calculated on the basis of the revalued historic cost, net of public capital contributions, revalued, received by the operator for the construction of these assets, less normal wear. As a result of these measures, starting from 2012 transferable assets related to expired hydroelectric concessions with a residual carrying value lower than the expected value to be granted to the outgoing operator (calculated based on the above provisions), their amortisation has been suspended.
The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	0.9%	10.0%
Lightweight constructions	2.5%	10.0%
Vehicles	10.0%	25.0%
Sundry equipment	5.0%	100.0%
Furniture and office machines	5.9%	100.0%
Hardware	20.0%	100.0%
Facilities	0.8%	21.5%

The negligible changes in rates compared to 2012 are due to updating of the economic and technical useful lives of individual assets, the result of verification performed on these by technicians responsible for the plants and as a consequence of upgrading plans in progress.
Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- Assets under finance lease

Assets held under finance leases are recognised as property, plant and equipment using the financial method with a balancing entry under payables of the same amount, as provided for by IAS 17 which, while reflecting the economic substance of operations, compares these operations to purchase and financing agreements. Based on the above-mentioned method, property, plant and equipment are recognised at the lease principal upon subscription of the finance lease. The amounts due to the lessor are also recognised under financial payables. This liability is decreased over time in line with repayment of the lease principal. Interest on payables is recognised in the income statement based on the repayment plan, in addition to depreciation of the asset based on the expected useful life.

Conversely, under the financial method, leased out assets are not included in property, plant and equipment. The related financial asset is recognised in the Statement of financial position. It decreases over time in line with collection of the relevant principal. Interest income on receivables is recognised in the income statement based on the repayment plan.

Investment property

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable expenditure. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.

Expenses incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these expenses. Otherwise, such costs are charged to the income statement.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.

Development costs are capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the cost is fully recognised in the period in which it is incurred.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	**to**
Industrial patents and similar rights	3	5
Licences, trademarks and similar rights	3	47
Software	2	5
Other intangible assets with finite useful life	2	20

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development and payments on account relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.
Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Goodwill
Goodwill is initially recognised at cost. It represents the difference between the cost of the acquisition and the value of non-controlling interests and the fair value of the identifiable assets, liabilities and contingent liabilities related to the complex acquired. If, after this restatement, the value of current and contingent assets and liabilities exceeds the acquisition cost, the difference is recognised immediately in the income statement.
Any goodwill deriving from the acquisition of an associate is included in the carrying amount of the investment.
On first-time adoption of the IFRS, the Group decided not to retrospectively apply IFRS 3 - Business combinations - to acquisitions that took place before 1 January 2004. Therefore, goodwill on acquisitions made before the transition date has been maintained at its amount determined under Italian GAAP after testing for impairment.
Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses").

Non-current assets held for sale - Discontinued operations
A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the group that has been discontinued or classified as held for sale, and:

a. represents an important business unit or geographic area of operations;
b. forms part of a single coordinated disposal plan or an important autonomous business unit or geographic area of operations; or
c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.
If it is a discontinued operation and is a material component of the item "Net profit/loss from discontinued operations", a single amount is recorded represented by the total of:

i) profit or loss on the discontinued operation, net of tax effects; and
ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative period is restated in order to guarantee consistent comparison.
If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Service concession arrangements

Starting from 1 January 2010, the Iren Group applies IFRIC 12, endorsed by the European Union on 25 March 2009. This standard defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under licence agreement. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will purchase either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position under assets, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.
In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The purchased financial asset is subject to provisions set forth in IAS 32, IAS 39 and IFRS 7.
The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditioned right to receive payments as the amounts depend on how much the utility is used. The intangible asset recognised is subject to the provisions of IAS 38.
If the operator is paid for the building services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.
With reference to the grants received on non-current assets, included in the application of IFRIC 12, such grants were classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses
IFRS require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.
The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, inclusive of taxes, by applying a discount rate, before taxes, represented by the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately to the income statement.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments
All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to payment or an obligation to pay.
Financial instruments can be classified in the following categories:
- instruments measured at fair value through profit or loss (FVTPL). They are:
    - assets/liabilities classified as held for trading (i.e. acquired principally for the purpose of selling or repurchasing in the short term);
    - non-hedging derivatives;
    - financial instruments that, when initially recognised, were designated as FVTPL.
- loans and receivables (L&R). These are financial assets/liabilities (other than derivatives) which feature fixed or determinable prices and are not quoted on active markets.
- held-to-maturity investments (HTM). These are financial assets/liabilities, other than derivatives, with fixed prices or prices determinable with a fixed maturity term that the company intends or is able to hold to maturity (e.g. bonds).
- available-for-sale financial assets (AFS). This residual category captures all financial assets not classified in the above-mentioned categories (e.g. equity investments lower than 20% in companies over which the Group does not exercise significant influence).

\- Investments measured using the equity method
These are investments in associates, i.e. over which the company has significant influence. They are measured using the equity method by recognising an amount equal to the investor's share of equity as per the most recent financial statements available, adjusted to account for the difference between the price paid and equity at the acquisition date and any infragroup transactions, if relevant.
The investor's share of profit or loss arising from application of the equity method is recognised as a "Share of profit or loss of associates measured using the equity method", while the share of other comprehensive income of associates is recognised in the statement of comprehensive income.
The difference between the purchase cost and the value, pertaining to the owners of the Parent, of current and potential assets and liabilities identifiable in the associate at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.
The risk deriving from losses which exceed the investor's share of equity is provided for in a provision for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Other investments

Investments in other companies, classified as available for sale (AFS), are measured at fair value. Profits and losses from changes in fair value are charged directly to other components of the statement of comprehensive income until they are sold or impaired. In this case, the total loss is reversed from other components of the statement of comprehensive income and recognised to the income statement for an amount equal to the difference between the acquisition cost and the current fair value. If the fair value cannot be reliably determined, investments are measured at cost adjusted for impairment losses, the effect of which is recognised in the income statement.

The risk deriving from losses which exceed the carrying amount of the investment is recognised in a provision for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Financial assets held for trading

Upon initial recognition, financial assets held for trading are measured at purchase cost, i.e. at the fair value of the consideration paid. Transaction costs, as they are ancillary costs, are included in the purchase cost.

Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are taken directly to the income statement.

If fair value cannot be determined reliably, such assets are measured at cost.

- Available-for-sale financial assets

Upon initial recognition, available-for-sale financial assets are measured at the fair value of the consideration paid (acquisition cost, including related costs).

Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are recognised in other components of the statement of comprehensive income and transferred to the income statement only when the available-for-sale assets are derecognised or have undergone an impairment loss.

If fair value of investments in instruments representing equity cannot be determined reliably, such assets are measured at cost.

- Hedging

The Group uses derivative financial instruments solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting, under IAS 39, if all of the following conditions are met:

- at the inception of the hedge, or first-time adoption for instruments existing at 1 January 2005, there is formal designation and documentation of the hedging relationship and the company’s risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, a forecast future transaction that is hedged must be highly probable and must present an exposure to variations in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are measured at fair value, calculated in accordance with IFRS 13. The fair value is determined by using adequate measurement models for each type of financial instrument by using, where available, the market forward curve, both regulated and not regulated (intrinsic value). Fair value is supplemented with the time value for option contracts, which is based on their residual life and volatility of the underlying.

Taking account of provisions specified by IFRS 7 on the fair value hierarchy, as extended by the new IFRS 13, each single category of financial instruments measured at fair value is shown as follows:

- Level 1: Prices listed (not adjusted) on active markets for similar assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as per prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

Hedging instruments are tested for effectiveness at each reporting date to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting.
If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, fair value gains or losses on the hedging instrument are included in the statement of comprehensive income for the effective portion of the hedge (intrinsic value), and for the time value portion and any ineffective portion (overhedging) they are recognised in the income statement;
- for fair value hedges, fair value changes on both the hedging instrument and hedged item are recognised in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the gains or losses deriving from the measurement at fair value of the hedging instrument are fully recognised in the income statement.

\- Other financial assets and liabilities
Loans and receivables are initially recognised at fair value, adjusted by any directly attributable transaction costs. They are subsequently measured at amortised cost.
Securities held to maturity are initially recognised at cost, increased by transaction costs borne for acquisition of the financial asset. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, net of impairment losses.
At each reporting date, or whenever impairment indicators arise, all financial assets, except for FVTPL assets, are tested for impairment in order to determine whether there is objective evidence (such as breaches of agreements, possible bankruptcy or financial difficulties of the debtor, etc.) that the value of the asset might not be entirely recoverable.

\- Trade receivables and payables
Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement. They are recognised at fair value (equal to their nominal amount) and are subsequently measured at amortised cost. Trade receivables are measured net of the allowance for impairment of accounts receivable set up to cover estimated losses.

\- Cash and cash equivalents
Cash and cash equivalents include cash on hand, call deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.
Cash and cash equivalents, including ancillary charges, are measured at fair value.
Cash on hand and revenue stamps are measured at their nominal amount.

Inventories

Inventories, mainly made up of materials and supplies for the maintenance and construction of plants, raw materials, i.e. fuel oil, diesel and gas with respect to trading, are measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method.
If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Inventories pertaining to contract work in progress are measured using the percentage of completion method, net of advances invoiced to customers. Orders for which a loss is expected at the level of direct costs are subject to a specific write-down which is charged to the income statement in the period in which the loss is recorded.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.
The purchase cost of treasury shares is recognised as a reduction in equity.
Costs directly attributable to share capital transactions of the parent are offset against equity.
Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits

As from 1 January 2012, the amendment to the International Standard IAS 19 “Employee Benefits”, endorsed on 6 June 2012, was applied in advance. This amendment is applicable starting from 1 January 2013, although its application is on a voluntary basis for financial statements at 31 December 2012. The amendments can be classified in three categories: measurement and recognition, disclosures and further amendments.

The first category of amendments involves defined benefit plans. In particular, the corridor approach is no longer used in recognizing actuarial gains and losses (the Iren Group was no longer using this method) and instructions are now given to immediately recognise the components connected to “revaluations” (e.g. actuarial gains and losses) in Other comprehensive income.
As regards the presentation of 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 expenses;
2) financial (finance costs), net interest income/expense;
3) measuring (remeasurement costs), actuarial gains/losses.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.
Post-employment benefits are defined according to plans which, based on their characteristics, are separated into “defined contribution” and “defined benefit” plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the Group these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.

The liability relating to the defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the Group, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.
The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, taking into account economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured.

For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied as at the reporting date as the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income statement.

Provisions for risks and charges

Provisions for risks and charges are set up to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- a company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.
No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.
The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.
On discounting, the time-related increase in the provision is recognised as financial expense.
Provisions for landfill post-closure are discounted based on the government curve of interest rates at the balance sheet date. Cash flows, indicated in the report drawn up by an independent expert, are discounted on a YoY basis.
The provision for the renewal of transferable assets was set up so as not to recognise costs for maintenance, replacements and similar work, which do not increase the carrying amount of the asset, only in the periods in which they were incurred but to distribute them among the different periods of use of those assets.

Revenue

Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.

Revenue from the sale of goods is recognised when:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When an uncertainty arises about the collectability of an amount already recognised, the uncollectible amount must be recognised as an expense, rather than as an adjustment of the income originally recognised.

Revenue from services is recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the reporting date can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the Statement of Financial Position, under Other liabilities, with suitably separated current and non-current amounts.

Grants related to income are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other revenue and income

Other revenue and income include all types of revenue which are not included in the above-mentioned cases and do not feature a financial nature. They are recognised in accordance with the above-mentioned methods for revenue from goods and services.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. The costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Income arising from the use by others of company assets yielding interest and dividends is recognised when:

- it is probable that the economic benefits associated with the transaction will flow to the company;
- the amount of revenue can be measured reliably.

Income is recognised on the following basis:

- interest is recognised on an accrual basis that takes into account the effective yield on the asset;

- receivables from dividends on investments are recognised when the shareholder's right to receive payment is established. This usually coincides with the resolution passed by the related meeting.

When uncertainty arises about the collectibility of an amount already recognised, the uncollectible amount is recognised as an expense rather than as an adjustment to the income originally recognised.

Financial expense is recognised in the year in which it is incurred. Financial expense that is directly attributable to the acquisition, construction or production of a plant is capitalised as part of the cost of that asset when:

- it is likely that it will result in future economic benefits to the company
- it can be reliably measured.

Income tax expense

Income taxes comprise all the taxes calculated on the Group's taxable income.
Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.
Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The option for the Group tax consolidation scheme was exercised pursuant to art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Translation criteria

The functional and presentation currency adopted by the Group is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

Emissions Trading Scheme

The Emissions Trading Scheme, which came into force in the European Union on 1 January 2005, is one of the 'flexible mechanisms' permitted under the Kyoto Protocol in order to reach greenhouse gas emission targets. The target for Italy is a 6.5% reduction in CO2 emissions by 2012 over 1990.
The Group will actively participate in the emissions trading scheme to reduce greenhouse gas emissions and contribute to reaching the Group's targets with respect to the domestic reduction plan.
The emission quotas, both acquired or received free of charge, are entered as intangible assets. These quotas are initially measured at fair value, represented by the market value on allocation or by the actual purchase price. The two amounts are substantially similar. Emission quotas are not amortised, but eventually written down if impairment testing shows that their fair value decreases below the carrying amount. As regards emissions made during the year (measured at fair value), an amount is allocated to

the provision for risks, which will be used when the related rights are cancelled. Upon sale of the emission rights, the amount collected is entered less the emission rights and any capital gain/loss.
Emission quotas held for trading, which are still unsold at year end, are recognised in the statement of financial position under Inventories of finished products and goods. These quotas will be measured at the lower of cost and market value.

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

For accounting purposes, these Energy Efficiency Certificates (EECs) are considered as follows:
- Green Certificates deriving from the annual production of electrical energy from renewable sources are recognised on an accrual basis;
- White Certificates are accounted for in a slightly different way according to the fact that the company is bound or not bound to return the TEEs. The entities that are bound to return the EECs recognise both the grant related to the obligation for the year and the cost incurred or to be incurred for the EECs purchased to meet obligations. If the amount of TEEs purchased exceed the compulsory amount, the cost of the exceeding purchased securities is discounted. Conversely, if the securities purchased are not enough to meet obligations, the cost of securities to be purchased will be allocated to meet the compulsory amount for the year. The entities that are not bound to return the EECs must recognise revenue and costs of the certificates sold, and the purchase cost of unsold certificates will be rediscounted.

Earnings per share
- Basic earnings per share
Basic earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent. They are calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share
Diluted earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent.
For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2013

- IAS 1 - Presentation of Financial Statements: on 16 June 2011, the IASB issued an amendment to IAS 1 - Presentation of financial statements in which companies are requested to group all the items presented in other comprehensive income/(expense), according to their possible reclassification or non-reclassification at a future date to the income statement. The adoption of this amendment has no impact on the measurement of the items in the financial statements and limited effects on the disclosure provided in these consolidated financial statements at 31 December 2013.
- IAS 12 - Income taxes: on 20 December 2010, the IASB issued an amendment, retroactively applicable from 1 January 2013, which clarifies how to calculate deferred taxes on investment property measured at fair value. The amendment introduces the assumption that deferred taxes related to investment property measured at fair value in accordance with IAS 40 "Investment property", shall be recognised taking account the fact that the carrying amount of these assets will be recovered through sale. Following this amendment, SIC-21 – Income taxes – Recovery of revalued non-depreciable assets, will no longer be applicable. The standard is applied on a prospective basis without the need to adjust the comparative information;
- IFRS 1 "Government loans": the amendment, applicable starting from 1 January 2013, was issued on 12 March 2012 and regards government loans at interest rates lower than market rates. More specifically, the amendment provides that upon first-time adoption of the international accounting standards, all government loans in place must be recognised as financial liabilities or as capital instruments in accordance with IAS 32," Financial Instruments: presentation". In addition this amendment does not permit the benefit related to the lower interest rates of government loans compared to market rates to be recognised as a public contribution;
- IFRS 7 - Financial instruments: Disclosures: on 16 December 2011, the IASB issued another amendment to IFRS 7 – Financial Instruments: Disclosures. The amendment requires information on the effects or potential effects resulting from the right to offset financial assets and liabilities in the statement of financial position. The amendments must be applied to the financial years starting on or after 1 January 2013 and interim periods following this date. Information must be supplied retrospectively.
- IFRS 13 - Fair value measurement: issued by the IASB on 12 May 2011 and applicable from 1 January 2013. IFRS 13 defines fair value, provides guidelines on how to calculate it and introduces disclosure requirements. This standard does not specify when the fair value measurement has to be applied, but defines its calculation when fair value application is required by other standards. The new standard applies to all the transactions, both financial and non-financial, for which the international accounting standards require or permit fair value measurement, apart from the transactions recognised on the basis of IFRS 2 - Share based payment, the leasing contracts governed by IAS 17 - Leasing, the transactions recognised on the basis of their "net realisable value" as provided under IAS 2 - Inventories, and the "value in use" as defined by IAS 36 - Impairment losses.
  The standard defines fair value as "the price that could be obtained for the sale of an asset or that would be paid for the transfer of a liability in an arm's length transaction between market operators on the measurement date". If the transactions can be observed directly in a market, the calculation of the fair value may be relatively simple, but if it cannot be directly observed in a market, measurements techniques will be used. The standard in question describes three methods to be used for calculation of the fair value, and are the following: the "market" approach, which provides for the use of prices and other relevant information generated by other transactions that involve similar assets and liabilities, from the "income approach", that entails the discounting back of future incoming and outgoing cash flows, and finally by the "cost approach", that requires the entity to calculate a value that reflects the amount that would be currently required to replace the service capacity of an asset.
  With respect to the disclosure to provide in the financial statements, IFRS 13 extends the three-level fair value hierarchy that varies on the basis of the inputs used in the measurement techniques, previously dealt with by IFRS 7 - Financial instruments: Disclosures to all the assets and liabilities that fall under its range of application. Certain disclosure requirements are different in accordance with whether the fair value is measured on a recurring or non-recurring manner. Recurring are the fair value measurements that other accounting standards require at the end of each accounting period, while non-recurring refers to the fair value measurements only required in certain circumstances. Of particular importance are the clarifications introduced in reference to measuring non-compliance risk

in determining the fair value of derivatives. This risk includes changes in counterparty credit rating as well as in the Group rating.

- Improvements to IFRS 2009 – 2011: on 28 March 2013 a set of proposals to amend the IFRS “Improvements to IFRS 2009 – 2011” was endorsed, issued by the IASB in May 2012. These amendments apply on a retroactive basis from 1 January 2013, and more specifically regard:
  a) IAS 1 – Presentation of Financial Statements. This amendment clarifies how comparative information should be disclosed in the event a company modifies its accounting policy and retrospectively restates or reclassifies its accounts;
  b) IAS 16 – Property, Plant and Equipment. The amendment clarifies that the servicing equipment must be capitalised and classified under Property, plant and equipment if used for more than one financial year, or under Inventories if not;
  c) IAS 32 - Financial Instruments: Presentation. The amendment illustrates the tax treatment for direct taxes on the distributions to holders of equity instruments, and on the transaction costs of equity instruments, emphasising that the direct taxes for these follow IAS 12 rules on “Income tax expense”;
  d) IAS 34 – Interim Financial Reporting. With reference to information on segment reporting, the amendment specifies that total assets for each sector or operating segment shall be reported only if this information is regularly supplied by the chief operating decision maker of the entity and a material change has occurred in the total assets of the segment, with respect to amounts reported in the last Annual Financial Reporting.

As from 2012, the Iren Group applied in advance the amendment to the International Standard IAS 19 “Employee benefits”, endorsed on 6 June 2012 and applicable from 1 January 2013. Further information can be found in the section “Changes to the accounting standards” of the 2012 financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP

Moreover, the following accounting standards, as well as amendments and interpretations which are not yet applicable and have not been adopted in advance by the Iren Group are to be noted:

- On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, which will replace the SIC-12 Consolidation – Special purposes entities and some parts of IAS 27 – Consolidated and separate financial statements, which will be called Separate Financial Statements and will govern accounting of equity investments in the separate financial statements. The new standard is based on the existing standards and aims at defining the concept of control as the key factor for including a company in the parent’s consolidated financial statements. The control is obtained only if the investor has simultaneously: a) the power to manage the relevant activities of the investee through voting rights and/or agreements; b) the power to manage the exposure to future income of the investee (dividends, fiscal benefits, etc.); c) the power to influence the performance of the investee. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest.
- On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements, which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Ventures. The new standard sets out that, in a joint venture, two or more parties hold joint control if the decisions on material activities require the unanimous agreement of the parties. IFRS 11 sets out two distinct types of joint arrangements:
  1. joint operations;
  2. joint ventures.

  The two types of arrangements are different for the rights and obligations of the parties to the arrangement. In a joint operation the parties have rights to assets and obligations for liabilities, while in a joint venture the parties have rights to the net assets. IFRS 11 sets out that assets, liabilities, costs and revenues in a joint operation are recognised by the parties based on their respective rights and obligations, whereas a joint venture is recognised by the parties based on the equity method, as set out by IAS 28 “Equity investments in associated companies and joint ventures”. The new principle therefore eliminates the option of consolidating joint ventures by the proportional method. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest. After the issue of IAS 28 – Investments in Associates, this standard was amended to include equity investments in companies under joint-control in its scope of application, as from the effective date of the standard itself.

- On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which is a new and complete standard on additional information that shall be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other entities of this type that are not consolidated. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest.
- IAS 27 Revised "Separate Financial Statements": issued by the IASB on 12 May 2011 and applicable from 1 January 2014. At the same time as introduction of the standard IFRS 10 "Consolidated financial statements", a revised version of the standard was published which retains the role of the general principle of reference for separate financial statements. This standard applies in the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company. Joint ventures, just as with the investments in subsidiaries and associates, can be recognised in the separate financial statements both at cost and on the basis of IFRS 9 "Financial instruments" (and IAS 39, "Financial Instruments: Recognition and Measurement"). When a subsidiary, in accordance with the provisions of IFRS 10 "Consolidated financial statements", chooses not to prepare the consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associated companies and joint ventures, the main headquarters (and the registered office if different), their assets, the percentage owned in the single companies invested in and information regarding the method used to recognise them in the financial statements;
- IAS 28 Revised "Investments in associates and joint ventures": issued by issued by the IASB on 12 May 2011 and applicable from 1 January 2014; at the same time as introduction of the standard IFRS 10 "Consolidated financial statements", a revised version of the standard was published which establishes the criteria for recognising investments in associated companies and joint ventures. An entity that exercises joint control or that has significant influence on another party must recognise its investment using the equity method;
- On 16 December 2011, the IASB issued another amendment to IAS 32 – Financial Instruments: Presentation, to clarify the application of some criteria for the offsetting of financial assets and liabilities included in IAS 32. The amendments are applicable retrospectively for accounting periods starting on or after 1 January 2014.
- IAS 36 "Impairment of assets": the amendment, applicable starting from 1 January 2014, was issued on 29 May 2013 and regards the information requirements when assets are impaired and where the recoverable value is determined on the basis of the fair value, net of disposal costs. This amendment removes the disclosure requirements with respect to the recoverable value of the asset if the cash-generating unit includes goodwill or intangible assets with indefinite useful life but do not show impairment of the asset. Disclosure is also required regarding the recoverable value of an asset or a CGU and regarding the way to calculate the fair value net of disposal costs when the asset is impaired;
- IAS 39 "Financial instruments: recognition and measurement": the amendment to this standard, issued on 27 June 2013, regards the accounting of derivative hedging instruments in the event of novation of the counterparty. Prior to introduction of this amendment, if there was a novation of the designated hedging derivative instruments, IAS 39 required interruption of the application of cash flow hedge accounting, assuming that the novation involved the conclusion or termination of the pre-existing hedging instrument. This change is applicable retrospectively starting from 1 January 2014.

At the reporting date, the competent bodies of the European Union have not yet concluded the endorsement process necessary for the application of the following accounting standards.

- On 12 November 2009, the IASB issued IFRS 9 - Financial instruments. Reissued in October 2010 and amended in November 2013, the standard is the first step of a process aiming at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards the financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contact cash flows of financial assets, with the aim of determining the evaluation criteria, by replacing the various rules set forth by IAS 39. As regards financial liabilities, the main amendment is instead related to accounting of fair value changes of a financial liability measured at fair value in the income statement, in the event these liabilities are due to a change in creditworthiness of the liability itself. According to the new standard, these changes should be recognised under Other profit/(loss) and will no longer be entered in the income statement. The date for first compulsory application, originally established as 1 January 2015, will be reintroduced on conclusion of the IFRS 9 project with publication of the complete standard.
- IFRIC 21 - Levies: this interpretation of IAS 37 “Provisions, contingent liabilities and contingent assets” was issued on 20 May 2013 and regards the accounting for government-imposed levies that do not fall within the range of application of IAS 12 “Income taxes”. IAS 37 “Provisions, contingent liabilities and contingent assets” establish the criteria regarding recognition of a liability, one of which is represented by the presence of a present obligation for the entity as the result of a past event. This interpretation clarifies that the obligation that results in the liability for the levy to pay is the activity described in the legislation of the activity from which payment of the tax originates. The interpretation is applicable starting from 1 January 2014.
- On 21 November 2013 the IASB published certain minor amendments to IAS 19 - Employee benefits. These amendments, applicable retrospectively from 1 July 2014, regard the simplified accounting treatment of the contributions for defined benefit plans by employees or third parties in specific cases.
- On 12 December 2013, IASB issued a series of amendments to IFRS (Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). Amongst others, the more important issues covered by the amendments are: a) definition of the accrual conditions in IFRS 2 - *Share-based payments*; b) the grouping of operating segments in *IFRS 8 - Operating segments*; c) the definition of executives with strategic responsibilities in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint control and e) certain clarifications regarding exceptions to the application of *IFRS 13 - Fair value measurement*.

Use of estimates

In order to prepare the financial statements in compliance with IFRS, estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. Estimates have been used to measure property, plant and equipment, investment property and intangible assets subject to impairment, as well as to recognise provisions for credit risks, risks for obsolete inventory items, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and available-for-sale financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

V. GROUP FINANCIAL RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect.
A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, exchange rate risk, interest rate risk, credit risk) and the commodity prices risk related to fluctuations in the prices of energy commodities.

1. FINANCIAL RISKS

a) Liquidity risk
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iren, both through cash pooling and centralisation of all collection and payments within the Iren current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group accounts along with infra-group interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the hedging of current financial commitments. At 31 December 2013 the short-term bank credit facilities used by the Parent totalled Euro 21 million.
The table below illustrates the nominal cash flows required to settle financial liabilities:

thousands of euro

	Carrying amount	Contractual cash flows	within one year	1-5 years	Over 5 years
Mortgage and bond payables (*)	2,629,286	(3,174,343)	(876,496)	(1,056,967)	(1,240,880)
Hedging of interest rate risk	37,176	(35,358)	(14,240)	(21,093)	(25)

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

Cash flows required to settle other financial liabilities, different from those to banks, do not differ significantly from the recognised carrying amount.
IREN has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions. In 2013, the Iren Group took out new medium/long-term loans totalling Euro 583 million, of which Euro 468 million for the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the paragraph Financial Income and Expense.
At 31.12.2013, 47% of the residual amount payable for loans was contractualised at a fixed interest rate and 53% at a floating rate.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), the clauses in IREN loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the IREN Group should be kept under direct and indirect control by Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.

The medium/long-term loan agreements of certain Group companies also envisage the observance of financial covenants (Net Financial Position/EBITDA, Net Financial Position/Equity) which have been satisfied.

b) Currency risk

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

c) Interest rate risk

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

In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. At 31 December 2013, except for certain marginal positions, all contracts to limit exposure to the interest rate risk were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.

The fair value of the above-mentioned interest rate hedges was a negative Euro 37,176 thousand at 31 December 2013.

The hedging contracts agreed, together with fixed-rate loans, hedge approximately 74% of net financial indebtedness against interest rate risk, in line with the Iren Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case of hedging against significant increases in interest rates.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates.

As regards financial charges, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and reduction of 100 basis points in the Euribor interest rates over the year was applied to the net financial indebtedness;
- in any existing hedge, interest rate shock was applied to both the debt position and related hedge with an extremely limited net effect on the income statement;
- the change in interest rates was also applied on the share of interest expense capitalised during the year;

With regard to existing hedges at year end, a 100 basis points theoretical translation increase and decrease were applied to the forward curve of interest rates used to measure the fair value of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2013.

thousands of euro

	100 bps increase	100 bps decrease
Increase (decrease) in net financial charges	4,439	(4,440)
Increase (decrease) in derivative fair value charges	(15)	(66)
Increase (decrease) in hedging reserve	17,197	(18,275)

2. CREDIT RISK

In Iren Group S.p.A., the credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties, like retail, mid-business and business customers and public entities. This risk is connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services.
In conducting its business activities the Group is exposed to the risk that, in view of the current overall economic and financial crisis and the resulting financial conditions of the paying party, the payment obligations might not be honoured when they become due. Therefore the risks are attributable not only to an increase in the seniority of receivables and subsequent insolvency risk and an increase in receivables subject to bankruptcy proceedings but also could suffer impairment that could lead to full or partial cancellation from the financial statements.

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

In order to control credit risk, whose operating management is entrusted to individual regional functions, methodologies have been defined for, amongst other things, Customer solvency analysis in the acquisition phase thorough an accurate analysis of the credit rating to limit insolvency risk, monitoring and control of receivables and the definition of strategies to reduce related exposure, including the assignment of the assignment of receivables of inactive and/or active Customers to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered with the introduction of new recovery methods.

The trade receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption levels.
Over the last few years in order to strengthen the receivable analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, for operating management of the overdue receivables collection, outsourcing the telephone inquiry activity for certain customer segments.
The replacement of mechanical electricity meters with electronic meters in the last few years has allowed costs to cut off supply to be reduced, improving the timing and effectiveness and therefore reducing credit risk.

For certain Customers who are users of large quantities of gas and/or electricity, credit risk is hedged by appropriate forms of "on demand" bank or insurance guarantees issued by credit entities of primary standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electrical energy) in compliance with regulations governing these activities. This deposit is reimbursed if the customer adopts the payment through direct debit on current accounts.

Generally applied payment terms for customers are compliant with regulations in force and are consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.
As a result of the persisting economic situation, the Group has also improved credit risk control by strengthening its monitoring and reporting procedures, in order to identify potential counter-measures as quickly as possible.

Accruals to the allowance for impairment of accounts receivable accurately reflect the effective credit risk through the targeted quantification of the accrual, involving the analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses and determination of the average non-payment rate.

With reference to the subsidiary Iren Servizi e Innovazione (formerly Iride Servizi), the company's credit risk is basically linked to its credit concentration with the Municipality of Turin. For further details reference is made in particular to Note 7 "Non-current financial assets" of the consolidated financial statements.

3. ENERGY RISK

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

In November and December 2012, two commodity derivative contracts (Commodity swaps on Gas Release 07 index) were entered into as an energy portfolio hedge for 2013, for a total notional amount of 2 TWh. Also in December 2012, additional swaps were then stipulated on Gas Release 07 index for 0.5 TWh, combined with PUN (single national price) swaps for an equal notional amount, with the aim of margin stabilisation.
In October and November 2013, commodity forward contracts (Commodity swaps on Gas Release 07 index) were entered into as an energy portfolio hedge for 2014, for a total notional amount of 1 TWh, then in December 2013 two average rate forward contracts were agreed upon for a total of USD 83,324 thousand.
The fair value of agreements still in force on 31 December 2013 is a negative total of Euro 82 thousand.
Iren Mercato trading operations involve the trading of physical and financial contracts on the electrical energy market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE) and trading on the IDEX. At 31 December 2013 no contracts were in place that originate from such assets or classified in the specific Trading Portfolio.

Recognition of derivatives

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

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

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

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

Transactions not recognised in compliance with hedge accounting rules

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

- in the case of commodity derivatives, in the gross operating profit/loss; specifically, the realised component is recognised to adjust the income or expense to which it refers to, while the portion determined from the derivative measurement at the end of the year is classified within the other expense or other income;
- in the case of interest rate risk hedges, in financial income or expense.

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

Fair value

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every class of assets and liabilities shown in the financial statements.
Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at year end. The present value of future flows is determined by applying the curve of forward interest rates at the balance sheet date. In addition to measuring fair value, as required by IFRS 13, counterparty default risk was also considered. The adoption of this new standard has no significant impact on the quantification of 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

	31.12.2013		31.12.2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets for hedging derivatives	-	-	80	80
Loans - non-current portion and bonds (*)	(1,854,597)	(1,821,848)	(2,120,293)	(2,020,406)
Loans - current portion	(774,690)	(819,906)	(321,342)	(373,177)
Liabilities for interest rate hedging derivatives	(37,176)	(37,176)	(59,847)	(59,847)
Total	**(2,666,462)**	**(2,678,930)**	**(2,501,402)**	**(2,453,350)**

(*) At 31 December 2013, the fair value of the Put Bonds was equal to Euro 188,929 thousand.

As regards financial assets and liabilities classes which are not included in the table above, the carrying amount is equal to fair value.

Fair value hierarchy

The following table shows the financial instruments recognised at fair value, based on the measurement technique used. The various levels were defined as shown below:

- Level 1: Prices listed (not adjusted) on active markets for similar assets or liabilities
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as per prices), or indirectly (i.e. derived from prices)
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

31.12.2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(37,258)		(37,258)
Gross total	**-**	**(37,258)**	**-**	**(37,258)**

thousands of euro

31.12.2012	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets		845		845
Total assets	**-**	**845**	**-**	**845**
Derivative financial liabilities		(64,593)		(64,593)
Gross total	**-**	**(63,748)**	**-**	**(63,748)**

All Group hedging financial instruments feature a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from quotations of the financial instruments, or however that do not require a significant adjustment based on data which cannot be observed on the market.

Moreover, no transfers occurred amongst the various Levels of the fair value hierarchy.

Capital management

The capital management policies of the Board of Directors involves maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to ordinary shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

VI. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As a result of the new Iren governance provisions (Extraordinary Shareholders' Meeting of 19 June 2013, which approved the new Articles of Association, and the Ordinary Shareholders' Meeting of 27 June 2013 which appointed the new Board of Directors), a further review became necessary of the Regulations on transactions with related parties.
Consequently, on 3 December 2013 Iren's Board of Directors, with opinion in favour from the Control and Risk Committee, adopted a new version of the "Internal Regulation on transactions with related parties" (hereinafter also the "TRP Regulation"), already approved on 30 November 2010 and amended on 6 February 2013, in implementation:

- of the provisions relating to transactions with related parties pursuant to article 2391-bis of the civil code;
- the provisions set forth under art. 114 of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance");
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

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

Transactions with subsidiaries and associates

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

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

<u>Tax consolidation scheme</u> - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to art. 117 et seq. of the new Consolidated Income Tax Act (TUIR). Under this approach, IRES is calculated

on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
In 2013, all financial and legal transactions between the parties are governed by the specific infragroup agreement between the companies involved and the parent, Iren S.p.A..
The new tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, CELPI (in liquidation) (wound up on 20 January 2014), Iren Servizi e Innovazione (formerly Iride Servizi), AEMNET (merged into Iren Energia), Iren Acqua Gas, Iren Mercato, Iren Energia, CAE AMGA Energia, AGA, AES Torino, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, ENIA Parma (merged into Iren Emilia), ENIA Piacenza (merged into Iren Emilia), ENIA Reggio Emilia (merged into Iren Emilia), Eniatel, Tecnoborgo, Iren Ambiente, Iren Ambiente Holding (beneficiary of the spin-off of Iren Ambiente), Iren Emilia and Genova Reti Gas.
In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law no. 244 of 24 December 2007 (2008 Finance Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding infra-group transfers pursuant to art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in art. 96 of the Consolidated Income Tax Act.
By reason of regulatory amendments, the Regulations in force were drawn up taking into account the above-mentioned criteria, pursuant to provisions set out by Art. 22 of the same Regulations.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent “tax settlements” equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.
With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these are subject to 6.5% additional IRES tax (increased to 10.5% for 2011, 2012 and 2013). This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation.

<u>Group VAT option</u> - In terms of procedures, for 2013, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding settlements and VAT periodic payments.
The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.), Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., AEM NET S.p.A. (merged into Iren Energia), CAE AMGA Energia S.p.A., AES Torino S.p.A., CELPI (in liquidation) (wound up on 20 January 2014), Genova Reti Gas S.r.l., ENIA Reggio Emilia S.p.A. (merged into Iren Emilia), ENIA Parma S.p.A. (merged into Iren Emilia), ENIA Piacenza S.p.A. (merged into Iren Emilia), Iren Ambiente S.p.A., Iren Emilia S.p.A., ENIA Solaris S.p.A., Idrotigullio S.p.A., Mediterranea delle Acque S.p.A. and Nichelino Energia S.r.l.

<u>Other significant transactions with associates</u>
In 2013, Iren Mercato operations continued through a gas supply contract entered into with the associates Plurigas and Sinergie Italiane. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.
Also note that from 1 November 2013, following the Edipower spin-off, the tolling agreement between Iren Mercato and Edipower was terminated.

Transactions with Municipalities shareholders-related parties

Iren S.p.A. provides Finanziaria Sviluppo Utilities S.r.l., a special purpose company through which the Municipalities of Genoa and Turin hold their equity investment in Iren S.p.A., with a series of services in the legal, administrative, financial and tax areas, in accordance with specific agreements that provide for fair compensation for the services.

Furthermore, special attention is paid to the local authorities on whose territory Iren also operates through its subsidiaries.

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

Note that during 2012 an agreement was signed with the Municipality of Turin, which provides for the reduction of receivables due to the Iren Group from the Municipality of Turin and the amendment of some provisions of the current service conventions between Iren Servizi e Innovazione (formerly Iride Servizi) and the City of Turin. This agreement was integrated with a written addendum on 2 August 2013 regarding the settlement of certain economic items, the Municipality's commitment to allocating amounts for extraordinary maintenance and the start-up of a joint working party for the benchmark analysis and definition of optimum maintenance plans.

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

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

Iren Emilia provides

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

A settlement agreement was also signed with the Municipality of Parma to settle the credit/debit position of some Iren Group companies.

Transactions with other shareholders - related parties

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

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

Furthermore, at the meetings held in December 2013 the Committee for Transactions with Related Parties examined the receivables positions of Iren Mercato S.p.A., Mediterranea delle Acque S.p.A. and CAE AMGA S.p.A. with the related party SportinGenova (in liquidation) (a 100% subsidiary of the Municipality of Genoa), responsible for the management of sports centres in the city of Genoa.

SportinGenova put forward proposals for rescheduling the overall debt, to be implemented partly through the transfer of properties and for the remainder through a multi-year repayment plan (up to a maximum 3 years) from March 2014, with takeover of responsibility by the Municipality.
From an assessment performed by the Group regarding the opportunity and convenience of the transaction as proposed, a positive opinion emerged given that the overall extent of the receivable would be fully repaid, even if partly in kind and through an instalments plan for the part not covered by the properties.

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

Transactions with Directors
Lastly, with regard to directors, note that other than regarding their offices held within the Group companies there have been no transactions with the directors.
Information on remuneration can be found in the specific table attached to the Report on Remuneration published by the deadline indicated in Art. 123-ter of the Consolidated Finance Act.

VII. EVENTS AFTER THE REPORTING PERIOD

Issue of a Private Placement for Euro 100 million with 5-year maturity
On 11 February 2014 Iren S.p.A. successfully completed the issue of a Private Placement for a total of Euro 100 million with a 5-year maturity and coupon payments at 3% p.a.
The bonds, listed on the Irish Stock Exchange, are fully subscribed by Morgan Stanley and are reserved for trading with institutional investors.
This transaction follows the initial bond placement completed in 2013.

Tap Issue for the Private Placement transaction completed on 14 October 2013, increasing the total to Euro 50 million
On 19 March 2014, Iren S.p.A. successfully concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2010.
The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.
This transaction offers Euro 50 million in additional funding over and above the Euro 210 million of the original issue (including the tap issue performed on 29 October 2013), with the same maturity and coupon payments as the original issue but with a lower return (below 4%).

Agreement for the gradual integration of Unieco’s Waste Management Division into the Iren Group
On 28 February 2014 the Iren Group, through its subsidiary Iren Ambiente S.p.A., and Unieco Società Cooperativa, through its subsidiary UCM S.r.l., signed an agreement for the gradual integration of Unieco’s Waste Management Division into Iren Ambiente.
In line with provisions of the Business Plan, this transaction will allow the Iren Group to strengthen its position in the waste management sector, becoming one of the national leaders active in all phases of the waste management chain, to develop its presence in the reference regions (Emilia Romagna, Liguria and Piedmont) and to expand its geographic catchment area to regions with high development potential.

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

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

Spin-off of AES Torino S.p.A.
Negotiations are in progress between Iren Energia S.p.A. and Italgas S.p.A. for the spin-off of district heating and gas business units currently managed by AES Torino S.p.A..

VIII. OTHER INFORMATION

CONSOB COMMUNICATION no. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
On 24 October 2013 the agreement for the non-proportional spin-off of Edipower was signed, based on agreements reached by Iren and A2A on 24 May 2012 and following the resolutions carried on 16 January 2013 by the Board of Directors of Iren S.p.A.
On 1 November 2013 the non-proportional partial spin-off of Edipower entered into force, with assignment to Iren Energia of thermoelectric generation assets (the Turbigo plant) and hydroelectric generation assets (the Tusciano hub), together with the employees of those sites, equity items, and current and pending legal relations directly attributable to these plants.
The non-proportional partial spin-off led to cancellation of the entire investment held by Iren Energia in Edipower and at the same time a decrease in the latter's shareholders' equity.
The transaction has been identified as a business combination, and as such was treated in accordance with the provisions of *IFRS 3 - Business combinations*. At the acquisition date (1 November 2013) the Iren Group measured the identifiable assets and liabilities acquired at their fair value.
The table below provides details of the fair value of the assets and liabilities acquired.

	thousands of euro
Intangible assets, property, plant and equipment and investment property	354,987
Other non-current assets (liabilities)	2
Inventories	8,147
Other receivables and other current assets	8,877
Other payables and other current liabilities	(1,777)
Deferred tax assets (liabilities)	18,090
Post-employment benefits and other employee benefits	(10,560)
Provision for risks and other charges	(41,134)
Financial payables	(45,752)
Cash and cash equivalents	6
FAIR VALUE - TOTAL NET ASSETS	**290,886**

A comparison between the value of the investment (Euro 296,148 thousand) and the fair value of the net assets acquired (Euro 290,886 thousand) led to a write-down of assets amounting to Euro 5,262 thousand, recorded under "Provisions and impairment losses".
For the accounting treatment of the identifiable assets and liabilities acquired after the acquisition date, reference should be made to the notes on "Property, plant and equipment", "Inventories" and "Provisions for risks and charges".

It should be remembered that in 2012 the "Significant non-recurring events and transactions" referred to the transfer of a portion of the real estate assets of Iren S.p.A. subsidiaries, deemed non-core with respect to the development of industrial business, to the real estate investment fund created and managed by Ream SGR S.p.A., called Fondo Core MultiUtilities, aimed at releasing financial resources as well as streamlining the management of real estate properties. For further details, reference should be made to disclosures in the 2012 financial statements.

Positions or transactions deriving from atypical and/or unusual transactions

In 2013 the Group was not involved in atypical and/or unusual transactions, as defined in the Communication itself, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets or protection of minority shareholders.

Publication of the Financial Statements

The Financial Statements were approved for publication by Iren S.p.A.'s Board of Directors at its meeting of 27 March 2014. The Board of Directors authorised the Chairman, the CEO and the Managing Director to make such changes to the financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.

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

IX. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the following tables are in thousands of Euro.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, divided between historical cost, accumulated depreciation and carrying amount, is shown in the following table:

thousands of euro

	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013	Cost at 31/12/2012	Accumulated depreciation at 31/12/2012	Carrying amount at 31/12/2012
Land	78,919	(1,558)	77,361	68,563	(14)	68,549
Buildings	305,538	(93,288)	212,250	239,489	(77,755)	161,734
Leaseholds	6,735	(2,233)	4,502	6,735	(2,030)	4,705
Land and buildings	**391,192**	**(97,079)**	**294,113**	**314,787**	**(79,799)**	**234,988**
Plant and machinery	3,973,870	(1,368,508)	2,605,362	3,092,574	(1,207,380)	1,885,194
Leased plant and machinery	4,132	(1,030)	3,102	643	(562)	81
Plant and machinery	**3,978,002**	**(1,369,538)**	**2,608,464**	**3,093,217**	**(1,207,942)**	**1,885,275**
Industrial and commercial equipment	90,270	(61,247)	29,023	84,843	(55,421)	29,422
Leased industrial and commercial equipment	-	-	-	-	-	-
Industrial and commercial equipment	**90,270**	**(61,247)**	**29,023**	**84,843**	**(55,421)**	**29,422**
Other assets	121,990	(102,457)	19,533	116,823	(96,100)	20,723
Other leased assets	15,397	(1,611)	13,786	15,397	(978)	14,419
Other assets	**137,387**	**(104,068)**	**33,319**	**132,220**	**(97,078)**	**35,142**
Assets under construction and payments on account	**236,413**	**-**	**236,413**	**628,470**	**-**	**628,470**
Total	**4,833,264**	**(1,631,932)**	**3,201,332**	**4,253,537**	**(1,440,240)**	**2,813,297**

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

thousands of euro

	Opening balance	Changes in the scope of consolidation	Increases	Decreases	Reclassifications	Other changes	Closing balance
Land	68,563	8,797	1,658	-	-	(99)	78,919
Buildings	239,489	25,606	2,550	(13)	38,346	(440)	305,538
Leaseholds	6,735	-	-	-	-	-	6,735
Land and buildings	**314,787**	**34,403**	**4,208**	**(13)**	**38,346**	**(539)**	**391,192**
Plant and machinery	3,092,574	337,399	60,705	(10,249)	500,561	(7,120)	3,973,870
Leased plant and machinery	643	3,495	-	(6)	-	-	4,132
Plant and machinery	**3,093,217**	**340,894**	**60,705**	**(10,255)**	**500,561**	**(7,120)**	**3,978,002**
Industrial and commercial equipment	84,843	753	5,678	(1,479)	475	-	90,270
Leased equipment	-	-	-	-	-	-	-
Industrial and commercial equipment	**84,843**	**753**	**5,678**	**(1,479)**	**475**	**-**	**90,270**
Other assets	116,823	615	5,336	(1,018)	358	(124)	121,990
Other leased assets	15,397	-	-	-	-	-	15,397
Other assets	**132,220**	**615**	**5,336**	**(1,018)**	**358**	**(124)**	**137,387**
Assets under construction and payments on account	628,470	**49,288**	149,842	**(2,855)**	(587,466)	**(866)**	236,413
Total	**4,253,537**	**425,953**	**225,769**	**(15,620)**	**(47,726)**	**(8,649)**	**4,833,264**

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

thousands of euro

	Opening balance	Changes in the scope of consolidation	Depreciation for the period	Decreases	Reclassifications	Other changes	Closing balance
Accumulated depreciation, land	(14)	(1,544)	-	-	-	-	(1,558)
Accumulated depreciation, buildings	(77,755)	(6,249)	(9,253)	4	(60)	25	(93,288)
Accumulated depreciation, Leaseholds	(2,030)	-	(203)	-	-	-	(2,233)
Accumulated depreciation, buildings	**(79,799)**	**(7,793)**	**(9,456)**	**4**	**(60)**	**25**	**(97,079)**
Acc. depreciation, plant and machinery	(1,207,380)	(54,202)	(113,051)	5,513	74	538	(1,368,508)
Acc. depreciation, leased plant and machinery	(562)	(350)	(118)	-	-	-	(1,030)
Acc. depreciation, plant and machinery	**(1,207,942)**	**(54,552)**	**(113,169)**	**5,513**	**74**	**538**	**(1,369,538)**
Acc. depreciation, ind. and comm. equipment	(55,421)	(169)	(7,015)	1,358	-	-	(61,247)
Acc. depreciation, leased ind. and comm. equip.	-	-	-	-	-	-	-
Acc. depreciation, leased ind. and comm. equip	**(55,421)**	**(169)**	**(7,015)**	**1,358**	**-**	**-**	**(61,247)**
Accumulated depreciation of other assets	(96,100)	(202)	(7,259)	984	-	120	(102,457)
Acc. depreciation of other leased assets	(978)	-	(633)	-	-	-	(1,611)
Accumulated depreciation of other assets	**(97,078)**	**(202)**	**(7,892)**	**984**	**-**	**120**	**(104,068)**
Total	**(1,440,240)**	**(62,716)**	**(137,532)**	**7,859**	**14**	**683**	**(1,631,932)**

The column “Changes in the scope of consolidation” contains the balances of property, plant and equipment acquired following the non-proportional spin-off of Edipower and after the inclusion in the scope of consolidation of Greensource and its subsidiaries.
The balance of the “Reclassifications” column refers mainly to the reclassification to inventories of the Siemens turbine included among the Edipower spin-off assets.
The balance of the column Other movements relates to the variation in interests in Enia Solaris and Iren Rinnovabili, proportionately consolidated.

Land and buildings
This item primarily includes industrial buildings connected with Group plants and related land.

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

Investments for the period of Euro 60,705 thousand refer mainly to:
- the Torino Nord cogeneration plant for Euro 5,323 thousand;
- development of the district heating network, including heat exchange substations, meters and remote reading appliances, for Euro 14,027 thousand;
- installation of new electronic meters for end customers and new connections to the electricity distribution network, totalling Euro 20,340 thousand.

Industrial and commercial equipment

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

Other assets

This item refers to costs for the purchase of office furniture and machines and vehicles. Ships for the regasification terminal, acquired through finance lease contracts are also included.

Assets under construction and payments on account

Assets under construction and payments on account include the various charges incurred for investments under construction and not yet in operation, mainly referring to the project for the Parma Integrated Environmental Hub (Euro 188,032 thousand). Investments for the period, equal to Euro 149,842 thousand, mainly refer to:

- progress of the Integrated Environmental Hub project for the Emilia Romagna region for Euro 40,249 thousand;
- transformation of the gas carrier Golar Frost, purchased by OLT Offshore, into a regasification plant, within the construction project of the Livorno regasification terminal (OLT project), amounting to Euro 82,352 thousand. The regasification plant began operations in 2013.

Ordinary depreciation for 2013, totalling Euro 137,532 thousand, was calculated on the basis of the rates previously indicated and considered representative of the residual useful life of the assets.

It is worth noting that, with Law no. 134 of 7 August 2012, Parliament amended the regulations in force regarding the large shunt concessions for hydroelectric purposes ("hydroelectric concessions").

The regulation also sets out that the outgoing operator shall be granted an amount calculated:

- as regards the "wet assets" (collection, regulation works, penstocks, drain pipes included in the business branch of the outgoing operator, the so-called "transferable assets"), based on the revalued historic cost, net of public capital contributions, revalued, received by the operator for the construction of these assets, less normal wear;
- as regards the "dry assets" (property, plant and equipment included in the business branch of the outgoing operator and not included in the "wet assets" category, the so-called non transferable assets), based on the reconstruction value, less normal wear.

According to the above regulations, starting from 2012, as regards transferable assets related to expired hydroelectric concessions, the residual carrying value of which is lower than the estimated value pertaining to the outgoing operator (calculated based on the above-mentioned provisions), the depreciation of these assets was suspended, with a positive impact on the 2013 income statement, equal to Euro 4,195 thousand, already net of the related tax effect.

The group holds assets acquired through finance leases for a value of Euro 21,390 thousand (Euro 19,205 thousand at 31 December 2012), mainly related to ships for the regasification terminal in Livorno.

Lastly, no assets are pledged against liabilities.

NOTE 2_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013	Cost at 31/12/2012	Accumulated depreciation at 31/12/2012	Carrying amount at 31/12/2012
Land	2,842	-	2,842	243	-	243
Buildings	13,724	(1,225)	12,499	2,775	(1,187)	1,588
Total	**16,566**	**(1,225)**	**15,341**	**3,018**	**(1,187)**	**1,831**

The change during the year is due to the transfer of properties from Sportingenova against the settlement of part of the receivable due from that company. Further information can be found in the section "Information on transactions with related parties".
The fair value of investment property is not lower than the carrying amount.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Intangible assets, broken down between historical cost and accumulated amortisation, are shown in the following table:

thousands of euro

	Cost at 31/12/2013	Accumulated depreciation at 31/12/2013	Carrying amount at 31/12/2013	Cost at 31/12/2012	Accumulated depreciation at 31/12/2012	Carrying amount at 31/12/2012
Development costs	524	(514)	10	524	(494)	30
Industrial patents and similar rights	55,740	(42,125)	13,615	50,744	(36,008)	14,736
Licences, trademarks and similar rights	1,844,882	(640,088)	1,204,794	1,736,076	(574,330)	1,161,746
Other intangible assets	115,670	(77,996)	37,674	104,822	(66,593)	38,229
Assets under construction and payments on account	94,972	-	94,972	80,281	-	80,281
Total	**2,111,788**	**(760,723)**	**1,351,065**	**1,972,447**	**(677,425)**	**1,295,022**

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

thousands of euro

	Opening balance	Changes in the scope of consolidation	Increases	Decreases	Reclassifications	Impairment losses for the period	Closing balance
Development costs	524	-	-	-	-	-	524
Industrial patents and similar rights	50,744	-	3,494	(623)	2,125	-	55,740
Licences, trademarks and similar rights	1,736,076	23,161	59,041	(1,771)	28,375	-	1,844,882
Other intangible assets	104,822	208	25,353	(15,296)	1,215	(632)	115,670
Assets under construction and payments on account	80,281	-	46,309	(437)	(31,132)	(49)	94,972
Total	**1,972,447**	**23,369**	**134,197**	**(18,127)**	**583**	**(681)**	**2,111,788**

Changes in accumulated amortisation are shown in the following table:

thousands of euro

	Opening balance	Changes in the scope of consolidation	Amortisation for the period	Decreases	Reclassifications	Closing balance
Acc. deprec., development costs	(494)	-	(20)	-	-	(514)
Acc. deprec. of ind. patents and similar rights	(36,008)	-	(6,452)	335	-	(42,125)
Acc. amortisation of licences, trademarks and similar rights	(574,330)	(2,648)	(63,846)	1,180	(444)	(640,088)
Acc. amortisation of other intang. assets	(66,593)	(52)	(11,829)	495	(17)	(77,996)
Total	**(677,425)**	**(2,700)**	**(82,147)**	**2,010**	**(461)**	**(760,723)**

The column "Changes in the scope of consolidation" contains the balances of intangible assets acquired following the non-proportional spin-off of Edipower and after the inclusion in the scope of consolidation of Greensource and its subsidiaries.
The balance of the column Other movements relates to the variation in interests in Enia Solaris and Iren Rinnovabili, proportionately consolidated.
Impairment losses for the period mainly relate to capitalised costs for the commercial development of new customers.

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

Licences, trademarks and similar rights
This item is primarily composed of:
- assets recognised in application of IFRIC 12, related to the operating segments of natural gas distribution, the Integrated Water Service and, marginally, district heating;
- the right of use of aqueduct networks by virtue of the concessions granted by the municipality of Genoa and other neighbouring municipalities;

- concessions for the use of the IT network of third party operators.

Other intangible assets
This item is primarily composed of:
- costs incurred for in-house customisation of licensed software applications;
- expense for the ordinary maintenance of electrical systems and special installations of the Turin municipal authority, capitalised and amortised over the term of the fifteen-year agreement;
- emission trading quotas held for internal needs;
- costs for the commercial development of customers.

Assets under construction and payments on account
This item mainly consists of investments for concession services governed by IFRIC 12, in addition to software licences and related implementation costs.

NOTE 4_GOODWILL

This item totals Euro 124,596 thousand (Euro 132,861 thousand at 31 December 2012) and mainly refers to goodwill for:
- acquisition of the majority holding in Acqua Italia S.p.A. (now Mediterranea delle Acque S.p.A.), where the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for Euro 23,202 thousand (allocated to the integrated water service CGU);
- acquisition of ENEL's business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for Euro 64,608 thousand (allocated to the energy infrastructures CGU, especially electrical energy networks);
- the business unit purchased from ENEL at the end of 2000 and referred to electric facilities of the city of Parma, for an amount of Euro 10,444 thousand (allocated to energy infrastructures CGU, especially electrical energy networks);
- shares in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of Euro 16,761 thousand (allocated to the market CGU).

The change since 31 December 2012 refers mainly to the goodwill impairment resulting from the higher value of the investment in OLT Offshore (Euro 7.2 million) and OC Clim (Euro 1 million) compared to the portion pertaining to consolidated equity.
Specifically, with regard to OLT, it is considered that the recoverable portion of the equity value is reasonably represented in the carrying amount of company equity. For this reason it was decided to write-down the goodwill included in the value of the investment acquired from Iren Mercato. The main assumptions adopted by management in preparing the cash flow statement concern implementation of the tariff regulation envisaged in Resolutions 438/13 and 92/08 and application of the guarantee factor on 64% of the revenue regulated. Despite the uncertainties referring mainly to receipt of the Ministerial Decree regarding satisfaction of the guarantee factor, these assumptions are considered reasonably achievable.

Goodwill is referred to as an intangible asset with an indefinite useful life. Therefore, it is not amortised, but annually tested for impairment to check whether the carrying amount is still recoverable.
The Iren Group impairment tests are organised on two levels:
- Cash-generating Units, corresponding to the business sectors described in the foreword to these noted based on the Group's Business Plan. This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market. In particular, the cash-generating units are represented by Energy Infrastructures, Generation, Market, Integrated Water Service and Waste Management.
- For First-level companies (Iren Acqua Gas, Iren Ambiente, Iren Emilia, Iren Energia and Iren Mercato, when specific impairment triggers occur with special reference to goodwill, assets and value recoverability of their equity investments.

Within the assessments made, the recoverable amount was determined by calculating the value in use of an asset or referring to fair value, net of costs to sell. In order to obtain the best estimate of the value in use, assessments were made by using pre-tax operating cash flows, which derive from the latest and most extensive economic and financial projections included in the activities to update the business plan, approved by the Board of Directors on 6 February 2013, as well as pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all business. The average of the perpetual yield and non-current assets was used as the control method. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the non-current assets net of any grants/assets transferable to third parties.

The discount rate is defined by the pre-tax weighted average cost of capital (WACC), is calculated specifically for each SBU and is included in the 5.80%-8.90% range, according to the specific business unit concerned.

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to programmed inflation (1.5%).

The impairment test performed on 31 December 2013 on the CGUs, corresponding to the business sectors described in the foreword to these notes, highlighted no impairment losses except for those already mentioned for OLT Offshore and OC Clim.

The second level impairment test performed by the individual first level companies showed certain decreases in value of Associates and Other companies, for which reference should be made to Notes 5 and 6.

Note that for all Cash-Generating Units the recoverable value is higher than the carrying value. This difference is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were performed on the sensitivity of the recoverable value as the two variables deteriorate, without any significant problems emerging.

In light of the current volatility of markets and the uncertain economic perspectives in future times, the company deems suited to highlight that the regulated business are subject to a specific sector legislation which governs margins. These business, therefore, have stable margins that can be foreseen also in turbulent market periods.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method are equity investments in companies in which the Group exercises a significant influence.
The Group companies measured using the equity method at 31 December 2013 are shown in an annex.
Changes for the year are shown in the following table:

thousands of euro

	31/12/2012	Changes in the scope of consolidation	Increases	Reversals (impairment losses) in equity	Distribution of dividends	Reversals (impairment losses) for the period	Measurements with direct effect on equity	Reclassifi-cations	31/12/2013
A2A Alfa	972	-	-	(485)	-	-	-	-	487
ABM Next	223	-	-	-	(23)	-	-	-	200
Acos	7,497	-	-	318	(82)	-	(48)	-	7,685
Acos Energia	730	-	-	200	(175)	-	-	-	755
Acquaenna	1,380	-	-	-	-	(1,380)	-	-	-
Aguas de San Pedro	5,419	-	-	677	(119)	-	(121)	-	5,856
Aiga	335	-	-	2	-	-	-	-	337
Amat	3,002	-	-	62	-	-	-	-	3,064
AMIAT	28,800	-	-	669	-	7,227	(327)	-	36,369
Amter	660	-	-	74	(49)	-	-	-	685
Asa	11,815	-	-	9,070	-	-	589	-	21,474
Astea	19,225	-	-	655	(213)	-	(13)	-	19,654
Atena	9,106	-	-	539	(893)	(2,882)	(112)	-	5,758
Delmi	143,685	(143,685)	-	-	-	-	-	-	-
Domus Acqua	28	-	-	-	-	-	-	-	28
Edipower	152,462	(152,462)	-	-	-	-	-	-	-
Fingas	9,921	-	1,400	-	-	(5,683)	-	-	5,638
Fondo Core Multiutilities	123	-	-	-	-	-	-	-	123
Gas Energia	798	-	-	(162)	-	-	-	(636)	-
Gica	-	-	-	-	-	-	-	-	-
Global Service	6	-	-	73	-	-	-	-	79
Il tempio	64	-	-	39	-	-	-	-	103
Iniziative Ambientali	493	-	-	14	-	-	-	-	507
Mestni Plinovodi	9,432	-	-	(836)	-	(3,736)	-	-	4,860
Mondo Acqua	142	-	-	-	-	-	-	-	142
Plurigas	18,613	-	-	12	(5,474)	-	(222)	-	12,929
Project Financing Management	2,167	(2,167)	-	-	-	-	-	-	-
Rio Riazzone	224	-	-	(3)	-	-	-	-	221
S.M.A.G.	13	-	-	57	-	-	-	-	70
Salerno Energia Vendite	1,502	-	-	397	(519)	-	-	-	1,380
Sea Power & Fuel	4	-	-	-	-	-	-	-	4
Sinergie Italiane	-	-	-	-	-	-	-	-	-
Sosel	685	-	-	60	(17)	-	-	-	728
Tirana Acque	47	-	-	-	-	-	-	-	47
TRM V	31,593	-	-	(1,182)	-	-	2,882	-	33,293
Valle Dora Energia	498	-	-	-	-	-	-	-	498
VEA Energia e Ambiente	433	-	-	171	-	-	-	-	604
TOTAL	**462,097**	**(298,314)**	**1,400**	**10,421**	**(7,564)**	**(6,454)**	**2,628**	**(636)**	**163,578**

As far as the equity investments in Delmi and Edipower are concerned, the reverse merger of Delmi into its subsidiary Edipower became effective on 1 January 2013.
In addition, on 16 January 2013, the Board of Directors of IREN S.p.A. resolved to exercise the put option for the exit from Edipower, as provided in the agreements, and to start the formal proceeding according to the agreed modalities and timing.
On 28 June 2013, Iren and Edipower approved the non-proportional spin-off of Edipower and on 24 October 2013 the related agreement was signed. On 1 November 2013 the non-proportional partial spin-off of Edipower entered into force, with assignment to Iren Energia of thermoelectric generation assets (the Turbigo plant) and hydroelectric generation assets (the Tusciano hub), together with the employees of those sites, equity items, and current and pending legal relations directly attributable to these plants. The non-proportional partial spin-off led to cancellation of the entire investment held by Iren Energia in Edipower. Further details can be found in the section “Significant non-recurring events and transactions”.

The associate AMIAT, recognised last year at the value of acquisition through a public tender, was subject to revaluation in compliance with IFRS 3, paragraph 18, which establishes that the negative difference between the price paid and the net value, at the acquisition date, of assets and liabilities acquired, measured at fair value, must be recognised in the income statement if no future losses are known or reasonable assumed at the time of allocation.
The analysis of security policy documents of the company, already examined by the respective boards of directors, confirmed the above.
Consequently, a positive adjustment to the investment value was recognised to the consolidated financial statements at 31 December 2013 of Euro 7,227 thousand, resulting from the comparison of the book value and equity of AMIAT at 31 December 2013, which were Euro 28,800 thousand and Euro 36,027 thousand, respectively.

The participation of the Group in the Fondo Core Multiutilities is disclosed net of the portion of unrealised capital gain. Further information can be found in the section “Other information” in the 2012 financial statements.

The profit for the period of the associated company Asa was significantly influenced by the capital gains arising out of the disposal of the subsidiary Asa Trade.

The impairment loss on the associate Fingas refers to the decrease in equity following the impairment losses on assets of the subsidiary Med Gas.

The impairment loss on the associate Mestni Plinovodi derives from analysis of the recoverable value of goodwill implicit in the value of the investment, which proves lower than its carrying amount by Euro 3,736 thousand.

With regard to the investment in Atena, after a consistent period of negotiations, there are no firm reasons for continuation of the reorganisation process and an impairment loss was therefore recognised on the goodwill paid at the time of acquisition in order to align the investment value to the portion pertaining to equity.

The value of the investment in Acquaenna was zeroed out due to the difficulties of the company, with particular reference to the recoverability of receivables.

As regards the equity investment in Sinergie Italiane, the carrying amount of which is zero, the provision for risks against the risk of future losses of this investee amounted to Euro 10,000 thousand.

As regards the equity investment in Plurigas, on 27 March 2013 the Shareholders’ Meeting resolved on the liquidation of the company. Iren’s Directors deem that at the end of the liquidation procedures, Iren will collect an amount which is substantially equal to its share of the company’s equity.

NOTE 6_OTHER INVESTMENTS

This item relates to investments in companies over which the Group has neither control nor significant influence. Since their fair value could not be reliably determined, these investments were maintained at cost, adjusted for any impairment losses.
The list of other Group investments at 31 December 2013 is shown in an annex.
Changes for the year are shown in the following table:

thousands of euro

	31/12/2012	Changes in the scope of consolidation	Disposals	Impairment losses	31/12/2013
Acque Potabili Siciliane	20	-	-	-	20
Astea Energia	7	-	-	-	7
Atena Patrimonio	12,030	-	-	(1,385)	10,645
ATO2 Acque società consortile	10	-	(4)	-	6
Autostrade Centro Padane	1,248	-	-	-	1,248
BT Enia	2,110	-	-	-	2,110
C.R.P.A.	52	-	-	-	52
Consorzio Leap	10	-	-	-	10
Consorzio Topix	5	-	-	-	5
Cosme	2	-	-	-	2
CSP Innovazione nelle ICT	28	-	-	-	28
Energia Italiana	12,928	-	-	(12,928)	-
Environment Park	399	-	-	-	399
Nord Ovest Servizi	780	-	-	-	780
RE Innovazione	8	-	-	-	8
Rupe	10	-	-	-	10
SDB Società di biotecnologie	10	-	-	-	10
Stadio di Albaro	27	-	-	-	27
T.I.C.A.S.S.	4	-	-	-	4
TLR V	120	-	-	-	120
Unifondi	-	1	-	-	1
TOTAL	**29,808**	**1**	**(4)**	**(14,313)**	**15,492**

The value of the investment in Energia Italiana was recognised as a total impairment loss given the high risk of Tirreno Power, the company's main asset, as a going concern.

With regard to the investment in Atena Patrimonio, reference should be made to the remarks on Atena S.p.A. in the previous paragraph.

NOTE 7_NON-CURRENT FINANCIAL ASSETS

This item, equal to Euro 60,167 thousand (31 December 2012: Euro 116,168 thousand), refers to securities other than equity investments, financial assets and the fair value of derivatives.

Securities other than investments

This item contains securities that are measured pursuant to the provisions of IAS 39 - Financial Instruments: Recognition and Measurement, as held for sale or as held-to-maturity investments.

Specifically they amount to Euro 40 thousand (unchanged compared to 31 December 2012) and refer to securities given as collateral to authorities, classified as held-to-maturity investments, and are measured at amortised cost.

Financial receivables and fair value of derivatives

thousands of euro

	31/12/2013	31/12/2012
Non-current financial receivables from joint ventures	8,850	2,895
Non-current financial receivables from associates	812	809
Non-current financial receivables from shareholders - related parties	46,934	109,484
Non-current financial receivables - leases	-	-
Non-current financial receivables from others	3,531	2,860
Fair value of derivatives – non-current share	-	80
Total	**60,127**	**116,128**

Non-current financial receivables from joint ventures relate to loans granted to Joint ventures Iren Rinnovabili, Enia Solaris and Greensource, related to the unnetted portion resulting from the proportional consolidation.

Financial receivables from associates relate to amounts due from the companies ABM Next, Acquaenna and Aiga, whose amounts are not individually significant.

Receivables from shareholders-related parties refer to amounts due from the Municipality of Turin for Euro 46,368 thousand, from the Municipality of Genoa for Euro 69 thousand and from the Intesa Sanpaolo Group for Euro 497 thousand.

The amounts due from the Municipality of Turin, which accrue interest in favour of the Group, refer to classification of the non-current portion of receivables on the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) and the Municipality of Turin.
These receivables form part of an overall position, totalling Euro 97,909 thousand, and are divided among various statement of financial position line items according to their classification by type and maturity: Trade receivables (Note 11) and Current financial assets – financial receivables from Parents (Note 14), as shown in the following table.

thousands of euro

	31/12/2013	31/12/2012
Trade receivables for services on issued invoices	13,207	22,732
Trade receivables for services on issued invoices	10,405	3,957
Trade receivables for electrical energy and other supplies	11,486	12,207
Allowance for impairment of accounts receivable	(5,448)	(6,750)
Total trade receivables	**29,650**	**32,146**
Non-current portion of financial receivables in current account	46,368	108,918
Total non-current financial receivables	**46,368**	**108,918**
Current portion of financial receivables in current account	17,000	62,500
Financial receivables for interest invoiced	913	3,933
Financial receivables for interest to be invoiced	3,978	3,606
Total current financial receivables	**21,891**	**70,039**
Total	**97,909**	**211,103**

In November 2012 an agreement was signed between the City of Turin and the Iren Group, which provides for the reduction of receivables from the City of Turin. In 2013 there was an integration to the 2012 agreement regarding the settlement of certain economic items, the Municipality's commitment to allocating amounts for extraordinary maintenance and the start-up of a joint working party for the benchmark analysis and definition of optimum maintenance plans.
From a prudential Directors' assessment, based on the agreements signed with the City of Turin, it is estimated that approximately Euro 17 million of the financial receivables from the Municipality of Turin are collectible within 12 months.
The balance of trade receivables from the Municipality of Turin has decreased by around Euro 2,496 thousand (net of the allowance for impairment of accounts receivable) and the balance of current and non-current financial receivables has decreased by Euro 110,698 thousand. The Iren Group's total exposure towards the Municipality of Turin has therefore decreased by Euro 113,194 thousand compared to 31 December 2012.

Receivables from others include the interest-free loan for the future share capital increase, paid to Nord Ovest Servizi, and an interest-free loan to Medgas.

Furthermore, at 31 December 2012 the fair value of derivatives for Euro 80 thousand was included.

NOTE 8_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2013	31/12/2012
Guarantee deposits	17,904	2,864
Tax assets after 12 months	11,843	11,287
Other non-current assets	13,940	10,524
Non-current prepayments and accrued income	15,466	13,520
Total	**59,153**	**38,195**

Of the increase in guarantee deposits, Euro 16,107 thousand is due to the reclassification from current receivables of the amount paid to Sinergie Italiane.

Tax assets after 12 months include amounts due following the appeal for the deduction of IRAP tax from IRES tax (Art. 2, par. 1 quarter of the Law Decree no. 201 of 6 December 2011) and IRPEF advances on post-employment benefits that were paid as set out by with Law no. 140/1997. In accordance with the relevant legislation, this amount has been recovered since 1 January 2000 and is revalued annually based on the same criteria used to revalue the post-employment benefits.

Prepayments mainly include the long-term prepaid portion, relating to energy service contracts signed by the subsidiary CAE AMGA Energia S.p.A.

NOTE 9_DEFERRED TAX ASSETS

These total Euro 309,820 thousand (Euro 215,750 thousand at 31 December 2012) and refer to deferred tax assets deriving from elements deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.
Reference should be made to the income statement, Note 42 "Income tax expense" shown in the annex, for further details.

CURRENT ASSETS

NOTE 10_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise methane and consumables intended for maintenance and construction of the Group plants. The increase for the year mainly refers to the spin-off assets from Edipower, this transaction having been fully described earlier in this report.
The summary of changes occurring over the period is as follows:

thousands of euro

	31/12/2013	31/12/2012
Raw materials	144,896	88,875
Inventory write-down provision	(39,246)	(3,217)
Carrying amount	**105,650**	**85,658**
Contract work in progress	2,222	3,452
Total	**107,872**	**89,110**

The inventory write-down provision was set up and is used to take into consideration inventories that are technically obsolete and slow-moving. The increase for the year mainly refers to the spin-off assets from Edipower.

At 31 December 2013 no inventories were pledged against liabilities.

NOTE 11_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2013	31/12/2012
Receivables from customers	1,067,604	1,200,002
Allowance for impairment of accounts receivable	(136,988)	(103,990)
Net receivables from customers	**930,616**	**1,096,012**
Trade receivables from joint ventures	12,992	13,433
Trade receivables from associates	25,189	60,574
Trade receivables from other Group companies	23,898	12,653
Trade receivables from shareholders – related parties	66,591	81,846
Allowance for impairment of accounts receivable - receivables from shareholders – related parties	(8,976)	(10,805)
Total	**1,050,310**	**1,253,713**

Note that at 31 December 2013 factoring transactions were completed with derecognition of the green certificate receivables for a total of Euro 78,214 thousand.

Receivables from customers
These mainly relate to receivables due for electrical energy, gas, water and heat supplies, waste disposal services and sundry services. The balance takes into account the allowance for impairment of accounts receivable, illustrated below, for Euro 136,988 thousand (Euro 103,990 thousand at 31 December 2012).

Receivables from joint ventures
This item includes receivables from the Group joint ventures, proportionately consolidated. These relate to normal trade transactions performed at arm's length. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from associates
These relate to normal trade transactions performed at arm's length. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from other Group companies
These relate to receivables from certain non-consolidated Group companies, relating to ordinary trading transactions performed at arm's length.

Receivables from shareholders – related parties
Receivables from shareholders - related parties refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with FSU. The balance takes into account the allowance for impairment of accounts receivable of Euro 8,976 thousand (Euro 10,805 thousand at 31 December 2012). For further details, reference is made to the table of transactions with related parties shown in the annex.

The allowance for impairment features the movements shown in the following table:

thousands of euro

	31/12/2012	Utilisation	Provisions for the period	Releases	31/12/2013
Allowance for impairment of accounts receivable	103,990	(31,921)	64,919	-	136,988
Allowance for impairment of accounts receivable – receivables from shareholders – related parties	10,805	(1,822)	210	(217)	8,976
Total	**114,795**	**(33,743)**	**65,129**	**(217)**	**145,964**

The provision was used to cover losses on receivables. The provisions for the year take into consideration the usual and thorough analyses as well as the current economic situation.

NOTE 12_CURRENT TAX ASSETS

These amount to Euro 5,805 thousand (Euro 8,690 thousand at 31 December 2012) and include tax credits for IRES and IRAP advanced to the tax authority.

NOTE 13_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2013	31/12/2012
Receivables for revenue tax/UTIF	21,134	945
VAT credit	13,745	7,614
Other tax assets	4,495	4,838
Tax assets due within one year	**39,374**	**13,397**
Receivables from CCSE	62,953	105,717
Green certificate receivables	65,425	72,471
Advances to suppliers	3,608	33,612
Receivables for Group tax consolidation and VAT	2,156	4,314
Other current assets	14,332	13,654
Other current assets	**148,474**	**229,768**
Accrued income and prepayments	28,751	24,088
Total	**216,599**	**267,253**

Note that at 31 December 2013 factoring transactions were completed with derecognition of the green certificate receivables for a total of Euro 38,389 thousand.
In relation to receivables from the Cassa Conguaglio Settore Elettrico (CCSE), a portion of the amounts shown may not be collectable within the next 12 months.
The increase in receivables for revenue taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.
The reduction in amounts due from the Cassa Conguaglio Settore Elettrico (CCSE) is mainly due to the collection of receivables for the electricity transport equalisation for the period 2011.

NOTE 14_CURRENT FINANCIAL ASSETS

All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.
The details of current financial assets including derivatives are provided below:

thousands of euro

	31/12/2013	31/12/2012
Financial receivables from joint ventures	220,160	175,892
Financial receivables from associates	7,579	7,552
Financial receivables from Municipalities shareholders-related parties	21,891	70,039
Other financial receivables	6,144	19,303
Other financial assets	-	764
Total	**255,774**	**273,550**

Financial receivables from joint ventures

These relate, in the amount of Euro 211,600 thousand (Euro 175,168 thousand at 31 December 2012), to receivables from the joint venture OLT Offshore for the unnetted portion, deriving from the proportional consolidation, of the loan granted by Iren Mercato; in the amount of Euro 6,741 thousand (Euro 90 thousand at 31 December 2012) to receivables from the joint venture AES Torino related to the unnetted portion, deriving from the proportional consolidation, of the interests related to the centralised treasury management and uncollected dividends; in the amount of Euro 1,661 thousand (Euro 614 thousand at 31 December 2012) to receivables from the joint venture Iren Rinnovabili, related to the unnetted portion of the amount due, deriving from the proportional consolidation; of Euro 128 thousand (Euro 20 thousand at 31 December 2012) to receivables from the joint venture Enia Solaris, related to the unnetted portion of the amount due, resulting from the proportional consolidation; and Euro 29 thousand (zero at 31 December 2012) to receivables from the joint venture Greensource, related to the unnetted portion of the amount due, deriving from the proportional consolidation.

Financial receivables from associates

These relate, in the amount of Euro 6,614 thousand (unchanged with respect to 31 December 2012), to receivables from the associate ASA related to the loan granted by Iren Mercato. The remaining portion refers to receivables from associates for immaterial individual amounts. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Financial receivables from shareholders - related parties

These regard receivables on which interest accrues for the Group and amount to Euro 21,891 thousand (Euro 70,039 thousand at 31 December 2012). They refer to the short-term balance of the current account which governs trading and financial transactions between Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) and the Municipality of Turin, as already described in Note 7, to which reference is made for further details.

The Directors prudently assessed the amount on the basis of agreements entered into with the City of Turin. The remaining part of the financial receivables from the Municipality was therefore classified under "Non-current financial receivables – receivables from shareholders - related parties" (Euro 46,368 thousand).

Other financial receivables

They include dividends to be collected, the short-term portion of finance lease receivables, prepayments and accrued income of a financial nature and other financial receivables. The decrease compared to 31 December 2012 is due for Euro 12,060 thousand to the amount collected by E.S.TR.A. S.p.A. as receivable for disposal of the investment in GEA.

Other financial assets

These amounted to zero at 31 December 2013, whilst at 31 December 2012 the item totalled Euro 764 thousand and referred to the positive fair value of commodity derivatives signed by Iren Mercato.

NOTE 15_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
Bank and postal accounts	55,046	27,953
Cash in hand and cash equivalents	558	83
Other cash and cash equivalents	9	5
Total	**55,613**	**28,041**

Cash equivalents represent short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 16_ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amount to Euro 3,588 thousand (Euro 7,739 thousand at 31 December 2012).

Euro 310 thousand (unchanged from 31 December 2012) relates to the equity investment in ACIAM. The investment was classified among assets held for sale since the disposal of the shareholding in the company will be presumably concluded during 2014.

Euro 2,587 thousand (Euro 2,952 thousand at 31 December 2012) refers to the Group share of intangible assets of Acque Potabili under the water concession agreements for Lazio region municipalities in the province of Rome (Rocca di Papa, Olevano Romano, Capranica Prenestina, Gerano, Rocca Canterano, Canterano) and for the Municipalities of Castrolibero (the province of Cosenza), Zoagli (the province of Genoa), and Casalborgone and San Sebastiano Po (the province of Turin). Assets held for sale already recognised in the previous year retain the same value pending the definition of the final agreement.

Euro 9 thousand (Euro 236 thousand at 31 December 2012) refers to assets of the subsidiary CELPI, no longer operative from 2 December 2011 after it was placed in liquidation. The winding-up procedure was concluded at the beginning of January 2014 and on 20 January 2014 the company was cancelled from the register of companies.

Euro 500 thousand relates to the investment in the associate GasEnergia Pluriservizi S.p.A., sold in January 2014.

Euro 23 thousand refer to the investment in Valfontanabuona Sport S.r.l., a company set up in June 2013 and whose shareholder agreements envisage exit of the Iren Group from the ownership structure by 30 June 2014.

Euro 158 thousand (unchanged from 31 December 2012) refers to the associate Piana Ambiente.

In addition, assets held for sale include the investment in Fata Morgana which at 31 December 2013 was completely written down.

Moreover, at 31 December 2012, the following was included:

- Euro 3,684 thousand for the investment in Asmt Servizi Industriali, sold in 2013;
- Euro 340 thousand as real estate assets of the subsidiaries Mediterranea delle Acque S.p.A. and Immobiliare delle Fabbriche S.p.A.;
- Euro 59 thousand for the associate AMIU for which the liquidation procedure was completed in 2013.

LIABILITIES

NOTE 17_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
Share capital	1,276,226	1,276,226
Reserves and retained earnings	415,721	311,070
Net profit (loss) for the year	80,554	152,559
Total equity attributable to owners of the Parent	**1,772,501**	**1,739,855**
Share capital and reserves attributable to non-controlling interests	205,125	204,790
Profit (loss) of non-controlling interests	11,401	9,612
Total consolidated equity	**1,989,027**	**1,954,257**

Share capital

The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2012), fully paid up, and consists of 1,181,725,677 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value of Euro 1 each.

Savings shares

The 94,500,000 savings shares of Iren, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different priority order in the allocation of net residual assets in the event of winding-up of the company, they are subject to the same regulation as ordinary shares.
Lastly, in the case of sale, the savings shares will be automatically converted, at par, into ordinary shares.

Reserves

The breakdown of this item is provided in the following table:

thousands of euro

	31/12/2013	31/12/2012
Share premium reserve	105,102	105,102
Legal reserve	32,512	28,996
Hedging reserve	(24,028)	(42,645)
Other reserves and retained earnings (losses)	302,135	219,617
Total reserves	**415,721**	**311,070**

Hedging reserve

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a counterpart directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electrical energy and gas purchase contracts.

Other reserves and retained earnings (losses)

These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained profits and losses and the reserve including actuarial gains and losses resulting from the measurement of post-employment benefits to employees.
In 2013 this item increased mainly as a result of the retained earnings from 2012. For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 18_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 1,913,299 thousand (Euro 2,197,827 thousand at 31 December 2012) and consist of:

Bonds

These amount to Euro 367,640 thousand (Euro 157,643 thousand at 31 December 2012), of which:

- Euro 157,354 thousand (Euro 157,354 thousand at 31 December 2012) relate to the Parent and concern two puttable non-convertible bonds issued in 2008 with maturity in 2021. The bond, with a total term of 13 years, requires that after the third year and subsequently every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The second auction was conducted in September 2013 with definition of the credit spread for the 2 years thereafter. The amount refers to the amortised cost, pursuant to IAS.
- Euro 210,286 thousand refers to the issue of a Private Placement in October, with Mediobanca acting as intermediary for Euro 125 million and a later tap issue in November for Euro 85 million with BNP as intermediary. The 7-year bond loan was subscribed by Italian and international institutional investors and is listed on the Irish Stock Exchange. The carrying amount refers to the amortised cost, pursuant to IAS.

Non-current bank loans

These exclusively relate to the non-current portion of bank loans and amount to Euro 1,486,956 thousand (Euro 1,962,651 thousand at 31 December 2012).

Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max rate	3.945%-5.665%	0.694%-4.7251%	
Term	2015 - 2027	2015-2028	
2015	75,427	180,417	255,844
2016	88,556	123,359	211,915
2017	109,869	84,901	194,770
2018	62,129	70,815	132,944
Following	488,351	203,132	691,483
Total payables at 31/12/2013	**824,332**	**662,624**	**1,486,956**
Total payables at 31/12/2012	**818,665**	**1,143,986**	**1,962,651**

All loans are in Euro.

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

thousands of euro

	31/12/2012 Total payables	Increases	Repayments	Amortised cost adjustments	31/12/2013 Total payables
- fixed rate	**818,665**	58,000	(52,496)	163	**824,332**
- floating rate	**1,143,986**	315,021	(796,073)	(310)	**662,624**
TOTAL	**1,962,651**	**373,021**	**(848,569)**	**(147)**	**1,486,956**

Total non-current loans at 31 December 2013 decreased compared to 31 December 2012 due to the following variations:

- a Euro 373,021 thousand increase due to new non-current loans. Specifically, the Parent was granted new credit facilities amounting to Euro 258 million: Euro 100 million from Cassa Depositi e Prestiti and Euro 58 million from the EIB as the last tranche for the Energy project regarding the development and maintenance of the gas and electricity networks, from BRE for Euro 100 million to refinance a previous Euro 75 million facility repaid early, to extend the expiry date. Moreover, a non-current credit facility of 195 million was granted to AES Torino (51% consolidated) from a bank pool comprising Mediobanca and Banca IMI; Lastly, as part of the business unit acquisition in the renewable energies sector by Iren Rinnovabili, the non-current debt positions were confirmed against the plants financed for a total of Euro 22.2 million (70% consolidated);
- a decrease totalling Euro 848,569 thousand related to the reclassification to current loans of the portion of loans due within the next 12 months;
- marginal changes in amortised cost for the purpose of IAS accounting of loans.

Finance lease liabilities

Finance lease liabilities relate to assets held by the Group under finance leases. They amount to Euro 15,207 thousand (31 December 2012: Euro 14,002 thousand).
Details of finance lease liabilities at 31 December 2013 are shown in the following table.

thousands of euro

	within one year	1 - 5 years	over 5 years
Recognised liabilities	1,206	3,424	11,783
Summary of instalments to be paid	1,839	6,195	19,046
Financial expense	633	2,771	7,263

Other financial liabilities

These amount to Euro 43,495 thousand (Euro 63,532 thousand at 31 December 2012) of which Euro 37,176 thousand (Euro 59,847 thousand at 31 December 2012) refers to the fair value of derivative contracts entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans (described in the section “Group financial risk management”) and Euro 6,319 thousand (Euro 3,685 thousand at 31 December 2012) to sundry financial payables.

NOTE 19_EMPLOYEE BENEFITS

Changes in this item in 2013 were as follows:

	thousands of euro
At 31/12/2012	**102,999**
Current service costs	755
Financial expense	3,194
Disbursements for the year	(2,860)
Advances	(1,093)
Actuarial profits (losses)	4,530
Changes in the scope of consolidation	10,588
Other changes	(79)
At 31/12/2013	**118,034**

Liabilities for employee benefits consist of:

Post-employment benefits
Post-employment benefits underwent the following movements during 2013:

	thousands of euro
At 31/12/2012	**75,830**
Current service costs	340
Financial expense	2,317
Disbursements for the year	(1,146)
Advances	(1,093)
Actuarial profits (losses)	2,204
Changes in the scope of consolidation	3,988
Other changes	(77)
At 31/12/2013	**82,363**

Other benefits
The composition and changes over the year of defined benefit plans, other than the post-employment benefits described above, are shown hereunder.

<u>Additional months' salaries (long-service bonus)</u>

	thousands of euro
At 31/12/2012	**3,472**
Current service costs	141
Financial expense	111
Disbursements for the year	(95)
Actuarial profits (losses)	346
Changes in the scope of consolidation	602
Other changes	(2)
At 31/12/2013	**4,575**

Loyalty bonus

	thousands of euro
At 31/12/2012	**2,089**
Current service costs	93
Financial expense	65
Disbursements for the year	(381)
Actuarial profits (losses)	907
Changes in the scope of consolidation	245
At 31/12/2013	**3,018**

Tariff discounts

	thousands of euro
At 31/12/2012	**20,837**
Current service costs	181
Financial expense	678
Disbursements for the year	(1,154)
Actuarial profits (losses)	912
Changes in the scope of consolidation	5,753
At 31/12/2013	**27,207**

Premungas fund

	thousands of euro
At 31/12/2012	**771**
Financial expense	23
Disbursements for the year	(83)
Actuarial profits (losses)	161
Other changes	-
At 31/12/2013	**871**

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries.

The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

Actuarial projections of the probable discounts on electrical energy consumption due to current retirees or surviving spouses, as well as to current employees (and surviving spouses, if any) once terminated the working relationship, were taken into account in determining the amount of the electrical energy discount.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The other financial assumptions adopted in the calculations are the following:

Annual discount rate	2.09% - 3.17%
Annual inflation rate	2.00%
Annual rate of electrical energy price increase	2.00%
Annual increase rate of post-employment benefits	3.00%

Pursuant to provisions set out by the new IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end. This would show the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		Service cost 2014	Duration of the plan
	+0.25%	-0.25%		
Post-employment benefits	(1,688)	1,764	259	10
Additional monthly salaries	(123)	128	102	9
Loyalty bonus			125	7
Tariff discounts	(856)	1,570	219	13
Premungas	(17)	18	-	8

NOTE 20_PROVISIONS FOR RISKS AND CHARGES

These are detailed in the following table, and refer both to the current and non-current portions:

thousands of euro

	Opening balance	Changes in the scope of consolidation	Increases	Decreases	(Income)/Expense to be discounted	Reclassifications	Closing balance	Current portion
Dilapidation provision	103,385	-	12,983	(7,761)	645	-	109,252	3,902
Provisions for landfill post-closure	27,395	-	-	(4,104)	2,227	-	25,518	3,354
Provision for dismantling and restoring sites	8,121	11	9,705	(1,497)	52	-	16,392	3,445
Provision for CIG/CIGS	52,020	-	1,921	(5,677)	(999)	(28,089)	19,176	-
Provision for former employees	1,258	-	-	-	-	-	1,258	-
Provision for risks on investments	10,962	-	-	(267)	-	-	10,695	10,651
Other provisions for risks and charges	151,151	41,134	52,679	(63,787)	10	-	181,187	53,357
Total	**354,292**	**41,145**	**77,288**	**(83,093)**	**1,935**	**(28,089)**	**363,478**	**74,709**

Dilapidation provision

This provision refers mainly to liabilities which, if the integrated water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are re-awarded, will be deducted from the indemnity paid to the Group by the incoming operator with respect to investments made in the meantime. These liabilities are estimated according to the amortisation/depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesea and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in art. 113, paragraph 13 of the Consolidated Law on Local Entities. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set up the aforementioned provision.

Provisions for landfill post-closure

These are mainly provisions for future restoration expense, also including costs for post-operating management until complete conversion of the areas involved to green areas. These costs are supported by specific expert reports. Accruals and decreases for the period were performed to adjust existing provisions to the estimated future costs to be borne and accrued at 31 December 2013. Decreases also refer to the utilisation of the provision to cover costs incurred over the period with regards to the disposal of leachate (related to closed lots of operating landfills, both owned and under concession), as well as to the aggregate expense borne in the post-operating phase until the mineralization of waste and the conversion of landfills into green areas are completed.

Provision for dismantling and restoring sites

The provision for dismantling and restoring sites partly refers to the prudential estimate of charges to be incurred in relation to the future restoration of former AMNU land on which an incinerator was located. The remainder refers to the estimated potential charges associated with future dismantling of certain Group plants.

Provision for CIG/CIGS

The provision for risks mainly refers to the probable risk of greater charges relating to higher contributions to be paid to INPS for ordinary and extraordinary redundancy and mobility.
In September 2013 a number of pronouncements were made against Iren and subsidiaries, considered to be negative and rejecting the company’s claims, ordering the payment of CIG, CIGS, Mobility and Unemployment contributions. After contacting the INPS Head Offices in Rome, applications for reduction of the penalties to the extent of legal interest and for payment of the debt in instalments were submitted. During the year the Directors consequently decided to arrange regular payment of the CIG (and CIGS/Mobility) contributions from 2014.
As a result, the charge for the year was recognised to personnel expense, whilst the payables once again include not only 2013 costs but also the amounts relating to previous years for a total of Euro 31,166 thousand following reclassification from the Provisions for risks and charges for Euro 28,089 thousand and the charge for the year of Euro 3,077 thousand. This item continues to include the prudential estimate of potential additional amounts and collection charges for a total of Euro 19,176 thousand.

Provision for former employees

The provision for former employees under Laws no. 610/52 and 336/73 is to cover the expenses arising from the application of these two laws (sliding scale pensions and benefits for ex-servicemen and similar).

Provision for risks on investments

This item mainly refers to risks relating to the protection against future losses by the investee Sinergie Italiane.

Other provisions for risks and charges

The provision mainly refers to the probable risk of greater charges for the construction of plants which are completed or yet to be finished, the provisions for estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in art. 1-quinquies of Decree Law no. 44 of 31 March 2005 and probable charges for various disputes.
The increases in the year primarily refer to allocations for:

- higher charges related to the construction of plants that are currently already finished or still to be completed (Euro 5,362 thousand);
- the estimate of charges related to the return of emission quotas (Euro 12,139 thousand);

- risks relating to the higher electricity equalisation payment for 2011 and 2012, using the calculation method for the new regulatory period previously used by the CCSE to calculate the 2010 equalisation (Euro 2,500 thousand);
- the IMU/ICI tax estimate to be paid on the value of the plants, calculated as provided by the article 1-quinquies of the Law Decree no. 44 of 31 March 2005 (Euro 6,147 thousand).

The decreases in year mainly refer to the utilisation and releases for:
- charges related to the return of emission quotas (Euro 14,670 thousand);
- charges related to the construction of plants that are currently already completed or yet to be completed (Euro 19,334 thousand);
- the IMU/ICI tax estimate to be paid on the value of the plants, calculated as provided by the article 1-quinquies of the Law Decree no. 44 of 31 March 2005 (Euro 3,702 thousand);
- charges related to green certificates payable for 2011 (Euro 1,795 thousand);
- the charge for the first half of 2013 on the tolling contract for Edipower, which the Directors deemed prudent to accrue in 2012 by virtue of the existing agreements already signed (Euro 20,000 thousand).

The current portion referring to the provisions described above was reclassified under "provisions, current portion" (Note 27).

NOTE 21_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 179,231 thousand (Euro 110,553 thousand at 31 December 2012) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.
Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.
Reference should be made to the income statement, Note 42 "Income tax expense" shown in the annex, for further details.

NOTE 22_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	31/12/2013	31/12/2012
Payables after one year	45,333	19,522
Deferred income for grants related to plants – non current	144,293	134,389
Non-current accrued expenses and deferred income	663	542
Total	**190,289**	**154,453**

Other payables relate to the amount of the substitute tax calculated on the capital gain resulting from the contribution of a portion of the real estate assets to the Fondo Core MultiUtilities, to be paid after 12 months from the balance-sheet date, advances paid by users to guarantee water supply and amounts relating to previous years as CIG (plus CIGS/mobility) contributions.

CURRENT LIABILITIES

NOTE 23_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.
Current financial liabilities can be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
Bank loans	807,695	601,254
Financial payables to joint ventures	510	71
Financial payables to associates	3	30
Financial payables to shareholders – related parties	566	-
Financial payables to others	174,350	168,962
Derivative payables - current	82	4,746
Total	**983,206**	**775,063**

Bank loans
Current bank loans may be broken down as follows:

thousands of euro

	31/12/2013	31/12/2012
Loans - current portion	774,690	321,342
Other current payables to banks	28,293	277,087
Accrued financial expenses and deferred financial income	4,712	2,825
Total	**807,695**	**601,254**

Financial payables to joint ventures
These relate to payables to the joint venture Enia Solaris regarding the unnetted amount, resulting from the proportional consolidation.

Financial payables to associates
This item relates to amounts due to the company Valle Dora Energia.

Financial payables to shareholders – related parties
These refer to payables to the Municipalities of Genoa (Euro 360 thousand), Parma (Euro 134 thousand), Piacenza (Euro 66 thousand) and Reggio Emilia (Euro 5 thousand).

Financial payables to others
These mainly relate to the proportional portion of payables of OLT Offshore to E.On and Golar shareholders (Euro 152,100 thousand) and payables to factoring companies for portions collected by customers and to be paid to the factor (Euro 16,550 thousand). The current portion of finance lease payables totalled Euro 1,206 thousand (Euro 1,012 thousand at 31 December 2012).

Derivative payables - current
These relate to the negative fair value of derivative contracts on commodities entered into by Iren Mercato.

NOTE 24_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

	31/12/2013	31/12/2012
Trade payables to suppliers	923,628	1,025,265
Trade payables to joint ventures	12,255	15,779
Trade payables to associates	17,231	31,837
Trade payables to shareholders – related parties	16,274	16,546
Trade payables to minor Group companies	19,353	24,800
Advances due within one year	5,836	5,263
Guarantee deposits due within one year	14,822	14,355
Charges to be reimbursed within one year	1,391	1,391
Total	**1,010,790**	**1,135,236**

NOTE 25_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within twelve months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	31/12/2013	31/12/2012
VAT payable	15,241	49,061
Revenue tax/UTIF payable	-	933
IRPEF payable	11,046	10,509
Other tax liabilities	15,617	13,861
Tax liabilities due within one year	**41,904**	**74,364**
Payables to employees	31,752	29,502
Payables to C.C.S.E.	54,867	53,969
Group VAT payables	17	-
Other current liabilities	64,640	54,857
Accounts payable to social security institutions within one year	18,864	13,152
Other payables due within one year	**170,140**	**151,480**
Accrued expenses and deferred income	24,442	17,670
Total	**236,486**	**243,514**

NOTE 26_CURRENT TAX LIABILITIES

Current tax liabilities amounting to Euro 12,259 thousand (Euro 4,910 thousand at 31 December 2012) consist of IRES and IRAP payables. In addition, the item includes the taxes estimated for this year, further details regarding the calculation of which can be found in Note 42.

NOTE 27_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounts to Euro 74,709 thousand (Euro 81,548 thousand at 31 December 2012) and refers to the following current portion of liabilities: provision for risks including charges related to the obligation to return emission quotas (Euro 53,357 thousand), provision for risks on investments primarily related to the associate Sinergie Italiane (Euro 10,651 thousand), dilapidation provision (Euro 3,902 thousand), provision for dismantling and restoring sites and provisions for landfill post-closure (Euro 6,799 thousand) meant to be used by the following 12 months.

NOTE 28_LIABILITIES RELATED TO ASSETS HELD FOR SALE

These amount to Euro 6 thousand and refer to reclassification of the liabilities of the subsidiary CELPI.

FINANCIAL POSITION

The net financial indebtedness, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

thousands of euro

	31/12/2013	31/12/2012
Non-current financial assets	(60,167)	(116,168)
Non-current financial liabilities	1,913,299	2,197,827
Non-current financial indebtedness	**1,853,132**	**2,081,659**
Current financial assets	(311,387)	(301,591)
Current financial liabilities	983,206	775,063
Net current financial indebtedness	**671,819**	**473,472**
Net financial indebtedness	**2,524,951**	**2,555,131**

The following table shows the gross financial indebtedness, without considering the financial liabilities of OLT Offshore LNG towards the shareholders E.On and Golar, equal to Euro 152,100 thousand (Euro 126,070 thousand at 31 December 2012), which, following the proportionate consolidation of OLT (41.71%), are included in current financial liabilities. The Directors consider that better information would be given, in terms of financial risk, by excluding the financial liabilities of OLT Offshore LNG towards the shareholders E.On and Golar since these liabilities find their ideal counterpart in the share of the loan granted by Iren Mercato to OLT, recognised under current financial assets.

thousands of euro

	31/12/2013	31/12/2012
Non-current financial liabilities	1,913,299	2,197,827
Current financial liabilities	983,206	775,063
(less) OLT indebtedness to E.On and Golar	(152,100)	(126,070)
Gross financial indebtedness	**2,744,405**	**2,846,820**

Net Financial Position regarding related parties

Non-current financial assets include Euro 46,368 thousand (31 December 2012: Euro 108,918 thousand) relating to the non-current portion of the current account which governs the trade and financial transactions between the subsidiary Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin, Euro 69 thousand receivables from the Municipality of Genoa, Euro 812 thousand receivables from associates, Euro 6,000 thousand receivables from the proportionately consolidated joint venture

Enia Solaris, Euro 1,500 thousand receivables from the proportionately consolidated joint venture Iren Rinnovabili, Euro 1,350 thousand receivables from the proportionately consolidated joint venture Greensource and Euro 497 thousand relating to fixed-term deposits held with the Intesa Sanpaolo Group.

Of the non-current financial liabilities, Euro 170,004 thousand (Euro 177,162 thousand at 31 December 2012) refers to non-current loans granted by the Intesa Sanpaolo Group and the negative fair value of hedging derivatives entered into with the Intesa Sanpaolo Group.

Of the current financial assets, Euro 21,891 thousand (31 December 2012: Euro 70,039 thousand) refer to the short-term position on the current account between the subsidiary Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin, Euro 211,600 thousand (31 December 2012: Euro 175,168 thousand) receivables from the joint venture OLT Offshore for the unnetted amount of the loan granted by the company Iren Mercato, Euro 6,741 thousand (31 December 2012: Euro 90 thousand) receivables from the joint venture AES Torino for the unnetted amount of the interest related to the centralised treasury management, Euro 1,661 thousand (31 December 2012: Euro 614 thousand) receivables from the joint venture Iren Rinnovabili for the unnetted amount of the receivable, Euro 128 thousand (Euro 20 thousand as at 31 December 2012) receivables from the joint venture Enia Solaris for the unnetted amount of the receivable, Euro 28 thousand (none at 31 December 2012) receivables from the joint venture Greensource for the unnetted amount of the receivable, Euro 6,614 thousand (unchanged from 31 December 2012) receivables from the associate ASA primarily related to a loan granted by Iren Mercato, and Euro 2,326 thousand (Euro 2,670 thousand at 31 December 2012) relating to the positive position on the current accounts held with the Intesa Sanpaolo Group. The remaining Euro 2,765 thousand (Euro 1,679 thousand at 31 December 2012) refer to receivables from associates. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Of the current financial liabilities, Euro 101,675 thousand (Euro 198,698 thousand at 31 December 2012) refers to short-term loans granted by the Intesa Sanpaolo Group, Euro 566 thousand payables to the Municipality of Parma, and payables to the Municipalities of Piacenza, Reggio Emilia and Genoa for immaterial amounts. The remaining Euro 510 thousand refers to payables due to the joint venture Enia Solaris and the associate Valle Dora Energia for individual non-significant amounts.

Below is the net financial position in the format proposed by the CESR recommendation of 28 July 2006, which does not include non-current financial assets.

thousands of euro

	31/12/2013	31/12/2012
A. Cash	(55,613)	(28,041)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash (A) + (B) + (C)	**(55,613)**	**(28,041)**
E. Current financial receivables	**(255,774)**	**(273,550)**
F. Current bank payables	33,005	279,912
G. Current portion of non-current liabilities	774,690	321,342
H. Other current financial liabilities	175,511	173,809
I. Current financial indebtedness (F)+(G)+(H)	**983,206**	**775,063**
J. Current net financial indebtedness (I) – (E) – (D)	**671,819**	**473,472**
K. Non-current bank payables	1,486,956	1,962,651
L. Bonds issued	367,640	157,643
M. Other non-current liabilities	58,702	77,533
N. Non-current financial indebtedness (K) + (L) + (M)	**1,913,298**	**2,197,827**
O. Net financial indebtedness (J) + (N)	**2,585,117**	**2,671,299**

X. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the following tables are in thousands of Euro.

For remarks on the performance for 2013 reference is made to the section "Financial position, result of operations and cash flows of the Iren Group" in the Directors' Report, which illustrates the economic analysis by operating segment compared to the Group's consolidated report for 2012.

REVENUE

NOTE 29_REVENUE FROM GOODS AND SERVICES

This item amounts to Euro 3,228,038 thousand (Euro 4,003,654 thousand in 2012).

NOTE 30_CHANGE IN CONTRACT WORK IN PROGRESS

This item decreased by Euro 355 thousand (Euro 669 thousand increase in 2012) and mainly refers to contract work in progress performed for road resurfacing after damage caused by works.

NOTE 31_OTHER REVENUE AND INCOME

Other revenue includes:

Grants

thousands of euro

	2013	2012
Grants related to plant	5,545	4,999
Other grants	1,666	1,481
Total	**7,211**	**6,480**

The grants related to plant represent the pertaining portion of grants calculated in proportion to the depreciation rates of the assets to which they refer.

Revenue from energy efficiency certificates

thousands of euro

	2013	2012
Revenue from Emission Trading	91	41,607
Revenue from Green Certificates	100,509	95,831
Revenue from White Certificates	24,952	25,610
Total	**125,552**	**163,048**

The decrease in revenue for emission trading is due to the fact that no emission rights were issued to the Group in 2013 and as emission trading has declined considerably compared to the previous year.

Other income

thousands of euro

	2013	2012
Revenue from service contracts	5,951	14,835
Revenue from rental income and leases	547	807
Revenue from optical fibre rental	-	3,589
Capital gains on goods disposal	2,413	38,367
Prior year income and revenue	30,620	53,578
Insurance reimbursement	294	674
Sundry repayments	12,281	7,489
Income from fair value of commodity derivatives	841	6,098
Other revenue and income	34,580	28,553
Total	**87,527**	**153,990**

The significant decrease in other income is due to the fact that in 2012 there had been non-recurring elements such as:

- capital gains from the transfer of a portion of the real estate assets, deemed non-core with respect to the development of industrial business, to the mutual fund created and managed by Ream SGR S.p.A., called Fondo Core MultiUtilities (around Euro 23 million), as well as to the sale of the headquarters in Turin (around Euro 14.8 million).
- reimbursement from the CCSE of irrecoverable costs incurred for the Telessio plant after deregulation of the power market (Euro 16,338 thousand);
- capital gains from the disposal of investments in GEA (Euro 10,886 thousand) and Sasternet (Euro 397 thousand).

In addition, the decrease in revenue from service contracts is due to there no longer being revenue from the management of energy services for Consorzio Servizi Integrati in 2013.

EXPENSE

NOTE 32_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	2013	2012
Purchase of electrical energy	326,450	770,011
Purchase of gas	992,022	1,231,398
Purchase of heat	121	275
Purchase of other fuels	3,528	3,517
Purchase of water	2,774	3,308
Other raw materials	14,766	17,044
Sundry inventory mat. (including fuels and lubricants)	39,136	36,031
Emission Trading	17,594	27,406
Green certificates	9,729	25,029
White certificates	21,208	23,730
Change in inventories	35,401	(21,492)
Total	**1,462,729**	**2,116,257**

The decrease in costs related to emission trading is due to the fall in prices recorded on the market compared to the previous year and to reduced trading activities.
Regarding regulatory updates on energy efficiency certificates, reference should be made to “Legislation - Green Certificates, Energy efficiency certificates and ETS” in the Directors’ Report.

“Change in inventories” was affected by the impairment loss on assets acquired from the Edipower spin-off.

NOTE 33_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	2013	2012
Transport of electrical energy	323,475	468,368
Electrical system costs	101,592	150,037
Tolling fees	51,194	101,838
Gas carriage	40,782	27,455
Heat carriage	47,525	46,932
Third party works for networks and plants	155,453	163,101
Collection and disposal, snow clearing, public parks	96,779	95,381
Maintenance expense	9,108	8,840
Expenses related to personnel (canteen, training, travel)	5,964	5,777
Professional services (studies, design, analysis)	8,120	9,004
Technical and administrative consulting	12,662	17,983
Trade and advertising expenses	6,159	6,022
Legal and notary fees	6,428	6,603
Insurance	10,258	9,360
Banking costs	10,066	8,609
Telephone costs	4,188	5,528
Costs related to service contracts	2,058	4,325
Reading and invoicing services	10,467	11,006
Fees of the Board of Statutory Auditors	1,478	1,603
Other costs for services	46,954	48,946
Total costs for services	**950,710**	**1,196,718**

Costs for electrical energy transport and electrical system costs decreased compared to 2012 due to lower volumes of electrical energy sold in 2013.

Tolling fees refer to amounts paid to Edipower and to A2A under the terms of agreements governing electrical energy production by Edipower for the trading parents, which, besides paying the tolling fees are also committed to supplying the fuel necessary for the production.

Fees for heat carriage relate to the transport of heat by the proportionately consolidated AES Torino S.p.A.

Subcontracts and works mainly relate to operating and maintenance costs of the plant systems and networks.

Costs for the use of third-party assets amount to Euro 49,695 thousand (2012: Euro 39,535 thousand). These include instalments paid to the market operator of the Genoa district, instalments paid to the companies which own the assets of the integrated water service in the municipalities of Parma, Piacenza and Reggio Emilia, cross easement, operating lease rentals (including rents paid for the use of the buildings transferred to the Core Multiutilities fund during 2012), hiring and sundry rentals.

NOTE 34_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	2013	2012
General expense	9,088	6,913
Instalments and higher instalments for water shunting	11,478	10,197
Logistics expense	212	647
Taxes and duties	24,006	22,311
Prior year expense	32,905	33,843
Capital losses on goods disposal	2,239	18,209
Expense from fair value of commodity derivatives	764	7,463
Other sundry operating expense	8,937	5,667
Total	**89,629**	**105,250**

The significant decrease in other sundry operating expense is due to the fact that 2012 recorded non-recurring components, such as the capital losses reported in the transfer of a portion of the real estate assets, deemed non-core with respect to the development of industrial business, to the real estate investment fund created and managed by Ream SGR S.p.A., called Fondo Core MultiUtilities (around Euro 15 million).

NOTE 35_CAPITALISED EXPENSES FOR INTERNAL WORK

This item relates to increases in assets recorded in the statement of financial position developed using internal resources.

thousands of euro

	2013	2012
Capitalised labour costs	17,645	16,246
Capitalised inventory materials	6,749	4,421
Total	**24,394**	**20,667**

NOTE 36_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	2013	2012
Gross remuneration	189,616	184,169
Social security charges	65,469	59,139
Post-employment benefits	340	379
Other long-term employee benefits	416	300
Other personnel expense	15,487	14,657
Directors' fees	2,258	2,498
Total	**273,586**	**261,142**

As described in Note 35, Euro 17,645 thousand of costs related to employees were capitalised.
"Other expense" includes the social security and recreational contribution to ADAEM, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits and contributions to be paid by the employer to supplementary pension funds.

The personnel composition is shown in the following table.

	31/12/2013	31/12/2012	Average for the period
Managers	70	72	72
Junior managers	227	196	213
White collars	2,731	2,668	2,666
Blue collars	1,668	1,631	1,633
Total	**4,696**	**4,567**	**4,584**

NOTE 37_AMORTISATION/DEPRECIATION

thousands of euro

	2013	2012
Property, plant and equipment and investment property	137,570	127,870
Intangible assets	82,147	77,625
Total	**219,717**	**205,495**

For further details on amortisation/depreciation, reference should be made to the tables of variations in property, plant and equipment, investment property and intangible assets.

NOTE 38_PROVISIONS AND IMPAIRMENT LOSSES

thousands of euro

	2013	2012
Allowance for impairment of accounts receivable	69,450	43,802
Provision for risks and dilapidation provision	54,884	64,072
Provision releases	(25,267)	(18,481)
Impairment losses	14,154	569
Total	**113,221**	**89,962**

The analysis of the provisions and related variations are given in the comment to the statement of financial position item “Provisions for risks and charges”. The provision releases refer to the release of provisions for risks and charges for Euro 25,050 thousand and of the allowance for impairment of accounts receivable for Euro 217 thousand. The release of provisions for risks and charges refers mainly to allocations in previous years for higher charges relating to plant construction, allocations to provisions for landfill post-closure and allocations to dilapidation provisions.

The impairment losses refer mainly to the reduced value of goodwill on the investments OLT Offshore (Euro 7,210 thousand) and OC Clim (Euro 1,000 thousand). Impairment losses also include the difference between the investment in Edipower and the fair value of net assets acquired through the spin-off (Euro 5,262 thousand).

Note that the comparative figures for 2012 were restated so that, as in 2013, the item “Provisions” recorded the adjustment to the dilapidation provision previously recognised under “Financial expense” (Euro 6,783 thousand).

NOTE 39_FINANCIAL INCOME AND EXPENSE

Financial income
The breakdown of financial income is provided in the following table:

thousands of euro

	2013	2012
Dividends	1,304	657
Bank interest income	422	297
Interest income from receivables/loans	11,989	12,720
Interest income from customers	5,635	8,585
Fair value gains on derivatives	887	276
Income on realised derivatives	35	393
Gains on financial assets disposal	-	690
Exchange rate gains	143	35
Other financial income	1,431	2,880
Total	**21,846**	**26,533**

Interest income from receivables/loans includes interest accrued on the current account between Iren Servizi e Innovazione (formerly Iride Servizi) and the Municipality of Turin for Euro 3,978 thousand. The remaining amount mainly refers to interest income from the proportionately consolidated company OLT Offshore (Euro 7,428 thousand).

Financial expense

The breakdown of financial expense is provided in the following table:

thousands of euro

	2013	2012
Interest expense on loans	71,975	74,957
Interest expense on bonds	12,183	9,669
Interest expense on bank current accounts	4,776	17,795
Other interest expense	11,215	10,303
Capitalised financial charges	(17,023)	(18,217)
Derivative fair value charges	-	578
Charges on realised derivatives	18,435	17,013
Loss on financial assets disposal	162	49
Interest cost – Employee benefits	3,196	4,781
Exchange rate losses	28	24
Other financial expense	6,315	5,875
Total	**111,262**	**122,827**

The increase in interest expense on bonds reflects the Private Placement issue completed in October 2013. This item includes amounts relating to the measurement at amortised cost. Reference should be made to the note to the statement of financial position line item “Employee benefits” for details of financial expense on employee benefits. Other financial expense mainly includes financial expense for the discounting of provisions.

Note that the comparative figures for 2012 were restated so that, as in 2013, the item “Provisions” recorded the adjustment to the dilapidation provision (Euro 6,783 thousand).

NOTE 40_SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The result is a profit of Euro 10,421 thousand (loss of Euro 599 thousand in 2012) and includes reversals of impairment losses for Euro 13,091 thousand and impairment losses totalling Euro 2,670 thousand.

NOTE 41_IMPAIRMENT LOSSES ON INVESTMENTS

This item amounts to Euro 20,095 thousand and refer to impairment losses on the investments Energia Italiana (Euro 12,928 thousand), Fingas (Euro 5,683 thousand), Mestni Plinovodi (Euro 3,736 thousand), Atena (Euro 2,882 thousand), Atena Patrimonio (Euro 1,385 thousand), Acquaenna (Euro 1,380 thousand), Gas Energia (Euro 135 thousand), partly offset by the positive difference between the acquisition cost and the fair value of net assets acquired from AMIAT (Euro 7,227 thousand) and Greensource (Euro 807 thousand).

In 2012 this item amounted to Euro 105 thousand and related to impairment losses from the investees Castel, Acqueinforma, Consorzio Si.RE and Sogea, the individual amounts of which are insignificant.

NOTE 42_INCOME TAX EXPENSE

Income taxes for 2013 are estimated at Euro 122,034 thousand (Euro 85,251 thousand in 2012).

thousands of euro

	2013	2012
Current tax	135,362	134,612
Deferred tax assets	(19,224)	(33,219)
Prior year taxes	5,896	(16,142)
Total	**122,034**	**85,251**

Current tax includes Euro 106 million for Additional IRES (corporate income tax) and Euro 29 million for IRAP (regional business tax).

In 2012, the tax rate was affected by extraordinary events such as the capital gains generated from the transfer of certain properties to the Fondo Core MultiUtilities real estate fund, the disposal of investments and sale of the property on Via Bertola in Turin, as well as IRES for which a refund was requested due to the deduction of IRAP on personnel costs pursuant to art. 2, par. 1-quater of Law Decree 201/2011 (equal to approximately Euro 13 million).

In 2013, however, the tax rate was affected by higher non-deductible charges relating mainly to impairment losses on investments not relevant for tax purposes.

Therefore the 2012 tax rate was significantly lower (34%) than the 2013 tax rate of 57%.

The following table shows the breakdown of the two tax rates.

	2013		2012	
Profit before tax	213,989,309		247,422,136	
IRES and Additional IRES (theoretical)	81,315,937	38%	94,020,412	38%
Permanent differences	10,820,268	5%	(8,677,974)	-4%
Rate recalculations	1,334,552	1%	(456,160)	0%
IRAP	29,062,499	14%	26,386,421	11%
IRAP tax receivables			(13,600,000)	-5%
Adjustment for companies not subject to Robin tax	(5,900,915)	-3%	(9,879,237)	-4%
Previous years’ taxes and other differences	5,401,744	3%	(2,542,038)	-1%
Total taxes in the income statement	**122,034,085**	**57%**	**85,251,423**	**34%**

The following table shows deferred tax assets and liabilities and their impact.

thousands of euro

	2013	2012
Deferred tax assets		
Directors' and statutory auditors' fees	903	930
Non deductible provisions	126,897	105,112
Taxable contributions	362	494
Differences in value of fixed assets	134,930	54,713
Derivatives (IAS 39)	10,270	18,728
Tax losses carried forward indefinitely	1,400	2,406
Other	35,058	33,367
Total	**309,820**	**215,750**
Deferred tax liabilities		
Differences in value of fixed assets	79,455	73,715
Grants related to plant	275	275
Allowance for impairment of tax assets, separate fin. stat.	1,142	1,113
Adjustment to post-employment benefits	1,198	1,511
Derivatives (IAS 39)	276	287
Finance lease	1,303	1,533
Other	95,582	32,119
Total	**179,231**	**110,553**
Total net deferred tax assets (liabilities)	**130,589**	**105,197**
Total change	**25,392**	
of which:		
Equity	(8,838)	
Income statement (*)	16,085	

(*) The change in the income statement is summarised in "Deferred tax liabilities" and partly in "Prior year taxes".

Note that the overall change was affected by the Edipower spin-off which had no impact on either the income statement or on equity.

Recovery of State Aid

Among the main disputes generated as a result of the recovery of State Aid considered unlawful by Decision 2003/193/EC, there are Court of Cassation rulings regarding the calculation of interest payable on these recoveries by the former municipal companies.
In particular, the Supreme Court established that the interest on State Aid considered incompatible with European regulations must be calculated at the simple rate, not the compound rate.
The acceptance of this view by Court of Cassation judges changes the calculation rules adopted thus far by the Italian Inland Revenue, giving rise to the company's eligibility for a tax credit.
With regard to the interest calculation, Iren obtained two pronouncements in favour, which envisaged the reimbursement of interest paid over and above the amount due.
On 8 June 2011, following the opinion expressed by the technical expert appointed by the court on the correct calculation of interest on the recovery of state aid, the Regional Tax Commission of Genoa accepted the appeal lodged by the former AMGA and deemed the Tax Authorities' action to be illegal.

Furthermore, by pronouncements 7660/12 and 7661/12, filed on 16 May 2012, the Court of Cassation accepted the claim made by AMPS S.p.A. (merged into Enia S.p.A.) regarding the interest, and established that these "were due to at the interest rate applicable at the deadline stated for payment of the taxes outstanding". Appeal proceedings are currently pending with the Parma Provincial Department of the Italian Tax Authorities in relation to quantification of the interest to be reimbursed.

NOTE 43_PROFIT FROM DISCONTINUED OPERATIONS

No amounts were recorded in 2013 (Euro 12,730 thousand in 2012 following the reclassification of the Edipower and Delmi results and impairment losses).

NOTE 44_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounts to Euro 11,401 thousand (Euro 9,612 thousand in 2012), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 45_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of ordinary shares for 2013 is the weighted average, unchanged compared to the previous year, of shares outstanding over the reference period based on the provisions of paragraph 20, IAS 33.

	2013	2012
Net profit/(loss) for the period (thousands of euro)	80,554	152,559
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.06**	**0.12**

Diluted earnings per share are calculated by dividing profit by the adjusted number of shares. The adjusted number of shares is calculated by assuming the conversion of all financial instruments that could potentially dilute the ordinary shares.

	2013	2012
Net profit/(loss) for the period (thousands of euro)	80,554	152,559
Weighted average number of shares (thousands)	1,276,226	1,276,226
Weighted average number of shares to calculate the diluted earnings per share (thousands)	1,276,226	1,276,226
Diluted earnings/(loss) per share (euro)	**0.06**	**0.12**

NOTE 46_OTHER COMPREHENSIVE INCOME

The effective portion of changes in the fair value of cash flow hedges, positive for Euro 25,134 thousand, refers to interest rate hedges and commodity price hedges (electrical energy and gas).
Actuarial losses, related to defined benefit plans, amounted to Euro 3,462 thousand.
The portion of other profits/(losses) of companies accounted for using the equity method, positive for Euro 3,004 thousand, refers to changes in the fair value of the cash flow and commodity hedging and the actuarial losses of associates.
The tax effect of other comprehensive income is a loss of Euro 8,838 thousand.

XI. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for Group commitments of Euro 403,418 thousand (Euro 509,427 thousand at 31 December 2012). The most significant items relate to sureties issued in favour of:
   - Reggio Emilia Provincial Government for Euro 60,481 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - ENEL Distribuzione for Euro 44,029 thousand to guarantee the electrical energy transport service contract;
   - SNAM Rete Gas for Euro 77,800 thousand, of which Euro 61,500 thousand in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Electrical energy Market Operator (GME) for Euro 25,300 thousand to guarantee the market participation contract;
   - the City of Turin for Euro 27,476 thousand as definitive guarantees in the AMIAT/TRM tender procedure;
   - ATO-R, for Euro 41,000 thousand, as definitive guarantees in the AMIAT/TRM tender procedure;
   - Terna, for Euro 28,312 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
   - the Customs Authority, for Euro 17,520 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
   - Parma Provincial Government, for Euro 13,839 thousand for waste collection and operating and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - Genova Reti Gas for Euro 11,189 thousand to guarantee the natural gas distribution contract;
   - G.S.E. S.p.A., for Euro 11,036 thousand, for the proceeding for the auction to obtain incentives on the IEH plant in Parma;
   - the Ministry of the Environment, for Euro 6,275 thousand;
   - the Piacenza Provincial Government, for Euro 3,349 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - ATERSIR for Euro 3,060 for agreements with the Reggio Emilia areas S.I.I. and S.G.R.U.;
   - AES Torino for Euro 2,264 thousand to guarantee the natural gas distribution contract;
   - the Municipality of Moncalieri for Euro 1,486 thousand, to guarantee the construction of urbanisation works;
   - REAM SGR S.p.A., for Euro 2,309 thousand, to guarantee future lease payments of properties transferred to the fund called Fondo Core MultiUtilities;
   - Reale Immobili S.p.A., for Euro 1,200 thousand in relation to sale of the registered office of Iren TO in Via Bertola;
   - the Municipality of Genoa, for Euro 2,192 thousand, to guarantee works on the gas network;
   - FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;

b) Guarantees given on behalf of subsidiaries and associates, amounting to Euro 240,675 thousand, primarily to guarantee credit facilities;

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage for Euro 57,167 thousand as at 31 December 2013 compared to Euro 115,402 thousand as at 31 December 2012). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the long-term purchase of gas from the Russian Gazprom supplier and the sale of gas to their shareholders or subsidiaries, included Iren Mercato. Furthermore, after Sinergie Italiane sold its business of importing gas from Russia to shareholders or to its subsidiaries

in October 2013, the company's debt exposure is gradually lowering as its shareholder guarantee obligations decrease.
Also note the sureties issued in favour of Banca Intesa for Euro 5,368 thousand to guarantee the mortgage of the associate company Mestni Plinovodi.

COMMITMENTS

With regard to the subsidiary Mediterranea delle Acque, a commitment within the framework Agreement with the shareholder F2i rete idrica S.p.A. is in place. Article 15 of this agreement envisages that Iren Acqua Gas is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Mediterranea delle Acque or its investees, resulting from incorrect or unfair statements included in the agreement, with specific reference to outstanding tax disputes among which the dispute with the Tax Authorities for the recognition of amortisation deducted by Mediterranea delle Acque regarding the water operating segment transferred from Amga S.p.A. to the newly incorporated Genova Acque S.p.A. in December 1999 (then named Mediterranea delle Acque following the merger with Genoa private aqueducts).

Also note Iren S.p.A.'s commitment to Cariparma to retain control over Iren Ambiente Holding and by Iren Ambiente Holding to retain direct or indirect ownership of a share package amounting to at least 70% of the share capital of Varsi Fotovoltaico, Busseto Fotovoltaico, Fontanellato Fotovoltaico and Medesano Fotovoltaico which all have an existing loan agreement with Cariparma.

CONTINGENT LIABILITIES

Mediterranea delle Acque: Dispute with the Tax Authorities
With regard to the dispute with the Tax Authorities – Office 1 of Genoa, regarding the assessment notices for the years 2003, 2004, 2005, 2006, 2007 and 2008, pursuant to art. 37 bis, paragraph 4 of Italian Presidential Decree 600/73, as thoroughly described in the financial statements at 31 December 2012, events and updates occurred during 2013 and up until the approval of these financial statements by the Board of Directors, are described hereunder.

With regard to the pronouncements on the years 2003, 2004 and 2005, as already described in the previous financial statements, the Provincial Tax Commission of Genoa ruled in favour of the Tax Authorities with respect to the taxes only; the company lodged an appeal with subsequent appearance before the Regional Tax Commission on 8 July 2011.

The Tax Authorities also lodged appeals within the terms provided, limited to the fines, in relation to which the pronouncement of the Regional Tax Commission had ruled in favour of the company.

With regard to the pronouncements on the year 2006, the Provincial Tax Authorities of Genoa ruled in favour of the Tax Authorities with respect to the taxes only. The company promptly challenged the pronouncement before the Regional Tax Authorities and a hearing date is pending.

On 8 August 2012 a notice of assessment was served for 2007, again relating to the deduction of the amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded for Euro 1,503,342).
The company filed the related appeal and appeared before the court on 11 December 2012.

On 8 March 2013 a notice of assessment was served for 2008, again relating to the deduction of the amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded for Euro 1,267,248).
The company filed the related appeal on 24 April 2013 and appeared before the court on 9 May 2013.

In 2013 the company was subject to a tax audit by the Liguria Regional Department of the Tax Authorities for the years 2009, 2010 and 2011.
The audit is still in progress as regards 2011, whilst for 2009 and 2010 the company defined a number of minor findings and, to date, no notices of assessment have been served with regard to 2009 and 2010 in relation to the deduction of amortisation for those years of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A.

On 11 July 2013, payment order no. 048 2013 00256217 11 was received for Euro 1,126,454.57 (Credit Guarantor, Tax Authorities) relating to IRES for 2006. This amount, including interest and notification costs, is due following the decision of the Provincial Tax Commission (Register no. 2013/000472).

On 11 July 2013, payment order no. 048 2013 00256218 12 was received for Euro 145,083.18 (Credit Guarantor, Tax Authorities) relating to IRAP for 2006. This amount, including interest and notification costs, is due following the decision of the Provincial Tax Commission (Register no. 2013/000472).

The related amounts were promptly paid, with reservations, by the payment deadline (beginning of September 2013).

The Company, also in light of the opinion expressed by fiscal consultants, deems that the risk deriving from the dispute can be referred to liabilities as per IAS 37. Since a charge is possible, but not probable, pursuant to provisions set out by the reference accounting standard, the matter was disclosed in the notes to the financial statements without allocating any provision. This is based on the opinion that it is unlikely that the Company will have to pay any amount in relation to this obligations taking into account of the strong defence raised during the proceedings.
The above-mentioned opinion was confirmed also by the company's legal consultants who examined the reasons for the first instance ruling. These reasons, in fact, seem to be incorrect under a logical and juridical point of view and the company deems that the ruling will be restated in the following judgement instances. The lawyers were therefore asked to prepare the appeal claim, which was lodged in accordance with law.

At this stage of proceedings, and the above-mentioned reasons (duly motivated in other deeds issued during the proceedings), and based on the reasons specified in the first instance pronouncement, the Company believes that the appeal will be successful and that the assessment notices will be cancelled.
Therefore, the Company does not deem it necessary to accrue a specific provision as it is not probable that economic resources will be used to settle tax claims.

Pursuant to paragraph 86 of IAS 37, the following information regarding contingent liabilities is supplied:

a) in the event the orientation of the first instance rulings shall strengthen, for all years still to open to tax assessment for income tax purposes, the company shall consider as non-tax deductible all amortisation/depreciation to be calculated by Mediterranea delle Acque on gains resulting from transfers from AMGA SPA, at that time not subject to taxation, and amounting to around Euro 93 million. This would result in a total tax payable plus interest of approximately Euro 32.4 million, of which around Euro 1.3 million in higher taxes for 2013.
b) if the outcome is unfavourable, it is however impossible to establish the time when the matter has turned to be unfavourable for the Company and when the above-mentioned amounts will be payable (also taking account of tax collection dynamics that, although in the presence of a pending ruling, provide for a preliminary payment of a portion of the assessed tax);
c) the Company deems it a mere possibility that resources expected to produce economic benefits will have to be used to fulfil tax obligations.

Investigation of the Authority for Electrical Energy and Gas

With reference to the proceedings launched as a result of AEEG Resolution VIS 165/10, served upon Iren Mercato on 25 November 2010 and reported in the financial statements at 31 December 2012, note that by Resolution no. 380/2013/EEL of 12 March 2013 the same Authority archived the sanction proceedings and fully accepted the defence claims submitted by Iren Mercato S.p.A.

XII. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.
Given the nature of the activity carried out by Group companies, a geographical segment analysis is not relevant.

OPERATING SEGMENTS

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric energy, co-generation of electrical energy and heat, district heating network and production from Renewable sources);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (electrical energy distribution networks, gas distribution networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Management (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
Net invested capital and income statements (up to the operating performance) are presented below by segment and include a comparison with 2012 figures.
With regard to non-current assets the Group's investments are represented in the column "Non-allocable".
For remarks on the performance of operating segments, reference is made to the section "Financial position, results of operations and cash flows of the Iren Group - Segment Reporting" in the Directors' report.

Statement of financial position restated by operating segment at 31 December 2013

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,904	55	1,372	988	336	28	189	4,871
Net working capital	134	20	(84)	86	(30)	(12)	7	121
Other non-current assets and liabilities	(100)	36	(64)	(272)	(51)	(13)	(15)	(478)
Net invested capital (NIC)	**1,939**	**111**	**1,224**	**801**	**255**	**4**	**180**	**4,514**
Equity								1,989
Net financial position								2,525
Own funds and net financial indebtedness								**4,514**

Statement of financial position restated by operating segment at 31 December 2012

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,621	51	1,287	950	296	36	494	4,735
Net working capital	161	48	(20)	106	(25)	(43)	8	235
Other non-current assets and liabilities	(77)	3	(55)	(264)	(46)	(11)	(12)	(461)
Net invested capital (NIC)	1,705	**102**	1,212	**792**	225	**(17)**	490	**4,509**
Equity								1,954
Net financial position								2,555
Own funds and net financial indebtedness								**4,509**

Income Statement by segment at 31 December 2013

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	1,010	3,098	388	450	214	90	(1,802)	3,448
Total operating expense	(817)	(2,991)	(203)	(328)	(178)	(87)	1,802	(2,802)
Gross Operating Profit (EBITDA)	**193**	**107**	**185**	**122**	**36**	**3**	**-**	**646**
Net am./depr., provisions and impairment losses	(109)	(55)	(60)	(73)	(30)	(5)		(333)
Operating profit (EBIT)	**84**	**52**	**125**	**49**	**6**	**(3)**	**-**	**313**

Income Statement by segment at 31 December 2012

millions of euro

	Generation and District Heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Netting and adjustments	Total
Total revenue and income	983	4,052	385	432	211	131	(1,867)	4,328
Total operating expense	(773)	(3,999)	(205)	(316)	(172)	(99)	1,867	(3,698)
Gross Operating Profit (EBITDA)	210	**52**	180	**116**	39	**32**	-	**630**
Net am./depr., provisions and impairment losses	(82)	(39)	(54)	(83)	(23)	(15)	-	(295)
Operating profit (EBIT)	129	**14**	126	**33**	16	**17**	-	**334**

The comparative figures for 2012 were restated so that, as in 2013, the item "Provisions" recorded the adjustment to the dilapidation provision previously recognised under "Financial expense" (Euro 6.8 million).

XIII. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

COMPANIES PROPORTIONATELY CONSOLIDATED

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

FINANCIAL STATEMENTS DATA OF THE MAIN COMPANIES CONSOLIDATED IN FULL OR PROPORTIONATELY AND ACCOUNTED FOR USING THE EQUITY METHOD

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

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES

INDEPENDENT AUDITORS’ FEES

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	100.00	Iren
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00	Iren
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Emilia S.p.A.	Reggio Emilia	Euro	196,832,103	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
AEM Torino Distribuzione S.p.A.	Turin	Euro	126,127,156	100.00	Iren Energia
AGA S.p.A.	Genoa	Euro	11,000,000	99.64	Iren Emilia
AMIAT V. S.p.A.	Turin	Euro	1,000,000	93.0592	Iren Emilia
				0.0008	Iren
Bonifica Autocisterne	Piacenza	Euro	595,000	51.00	Iren Ambiente Holding
C.EL.PI. Scrl (**)	Turin	Euro	293,635	99.93	Iren Energia
CAE Amga Energia S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Climatel S.r.l.	Savona	Euro	10,000	100.00	O.C.Clim
Consorzio GPO	Genoa	Euro	20,197,260	62.35	Iren Emilia
Enia Parma S.r.l.	Parma	Euro	300,000	100.00	Iren Emilia
ENIA Piacenza S.r.l.	Piacenza	Euro	300,000	100.00	Iren Emilia
Enia Reggio Emilia S.r.l.	Reggio Emilia	Euro	300,000	100.00	Iren Emilia
Eniatel S.p.A.	Piacenza	Euro	500,000	100.00	Iren Emilia
GEA Commerciale S.p.A.	Grosseto	Euro	340,910	100.00	Iren Mercato
Genova Reti Gas S.r.l.	Genoa	Euro	1,500,000	100.00	Iren Acqua Gas
Idrotigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Mediterranea delle Acque
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Mediterranea delle Acque
Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.) (*)	Turin	Euro	52,242,791	93.78	Iren Energia
				6.22	Iren Emilia
Laboratori Iren Acqua Gas S.p.A.	Genoa	Euro	2,000,000	90.89	Iren Acqua Gas
Mediterranea delle Acque S.p.A.	Genoa	Euro	19,203,411	60.00	Iren Acqua Gas
Monte Querce	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
Nichelino Energia S.r.l.	Turin	Euro	8,500,000	67.00	Iren Energia
				33.00	AES Torino
O.C.Clim S.r.l.	Savona	Euro	100,000	100.00	CAE Amga Energia
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	50.50	Iren Ambiente
				0.50	Iren

(*) On 14 February 2014, following entry in the Turin Register of Companies, the company changed its name to "Iren Servizi e Innovazione S.p.A.".

(**) On conclusion of the winding-up procedure, on 20 January 2014 CELPI was cancelled from the Turin Register of Companies.

PROPORTIONATELY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili Crotone	Turin	Euro	100,000	100.00	Società Acque Potabili
Acquedotto Monferrato	Turin	Euro	600,000	100.00	Società Acque Potabili
Acquedotto Savona	Savona	Euro	500,000	100.00	Società Acque Potabili
AES Torino S.p.A.	Turin	Euro	110,500,000	51.00	Iren Energia
Agriren	Reggio Emilia	Euro	100,000	95.00	Iren Rinnovabili
Busseto Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
C8 Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
Enia Solaris s.r.l.	Reggio Emilia	Euro	100,000	100.00	Greensource
Fidenza Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
Fontanellato Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
Greensource	Reggio Emilia	Euro	1,000,000	100.00	Iren Rinnovabili
IREN Rinnovabili S.p.A.	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente Holding
Medesano Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
Millenaria Fotovoltaico	Reggio Emilia	Euro	50,000	100.00	Greensource
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	145,750,700	41.71	Iren Mercato
Pellegrino Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
Pluris Energy Fotovoltaico	Reggio Emilia	Euro	10,000	100.00	Greensource
Project Financing Management	Reggio Emilia	Euro	3,000,000	100.00	Greensource
Roccabianca Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
San Secondo Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource
Società Acque Potabili S.p.A.	Turin	Euro	3,600,295	30.86	Iren Acqua Gas
Varsi Fotovoltaico	Reggio Emilia	Euro	20,000	100.00	Greensource

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Company	Registered office	Currency	Share capital	% ownership	Participating company
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
ABM Next	Bergamo	Euro	25,825	45.00	Società Acque Potabili
Aciam S.p.A. (*)	Avezzano	Euro	258,743	29.09	Iren Ambiente Holding
Acos Energia S.p.A.	Novi Ligure	Euro	150,000	25.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Iren Emilia
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	Iren Acqua Gas
Aguas de San Pedro	S.Pedro Sula (Honduras)	Lempiras	159,900	30.00	Iren Acqua Gas
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	Iren Acqua Gas
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	Iren Acqua Gas
AMIAT S.p.A.	Turin	Euro	46,326,462	49.00	AMIAT V. S.p.A.
Amter S.p.A.	Cogoleto	Euro	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	Euro	28,613,414	40.00	AGA
ASTEA	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Atena S.p.A.	Vercelli	Euro	8,203,255	40.00	Iren Emilia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	Iren Acqua Gas
Fata Morgana S.p.A. (**)	Reggio Calabria	Euro	1,402,381	25.00	Iren Emilia
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
Gas Energia S.p.A. (*)	Turin	Euro	3,570,000	20.00	Iren Servizi e Innovazione (formerly Iride Servizi)
GICA s.a.	Lugano	CHF	4,000,000	24.99	Iren Mercato
Global Service Parma	Parma	Euro	20,000	30.00	Iren Emilia
Il Tempio S.r.l.	Reggio Emilia	Euro	110,000	45.50	Iren Emilia
Iniziative Ambientali S.r.l.	Novellara	Euro	100,000	40.00	Iren Ambiente Holding
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	Iren Acqua Gas
Mondo Acqua	Mondovì	Euro	1,100,000	38.50	Iren Acqua Gas
Piana Ambiente S.p.A. (**)	Gioia Tauro	Euro	1,719,322	25.00	Iren Emilia
Plurigas (***)	Milan	Euro	800,000	30.00	Iren
Rio Riazzone S.p.A.	Reggio Emilia	Euro	103,292	44.00	Iren Ambiente Holding
S.M.A.G.	Genoa	Euro	20,000	30.00	Iren Acqua Gas
Salerno Energia Vendite	Salerno	Euro	2,447,526	39.40	GEA Commerciale
Sea Power & Fuel S.r.l.	Genoa	Euro	10,000	50.00	Iren Mercato
Sinergie Italiane S.r.l. (***)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	Iren Emilia
Tirana Acque (***)	Genoa	Euro	95,000	50.00	Iren Acqua Gas
TRM V. S.p.A.	Turin	Euro	1,000,000	24.70	Iren
				0.10	Iren Ambiente
				0.10	Iren Emilia
				0.10	Iren Energia
Valle Dora Energia Srl	Turin	Euro	537,582	49.00	Iren Energia
VEA Energia e Ambiente	Pietra Santa	Euro	96,000	37.00	Iren Mercato

(*) company classified under assets held for sale

(**) company in liquidation classified under assets held for sale

(***) company in liquidation

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili Siciliane	Palermo	Euro	5,000,000	56.77	Società Acque Potabili
				9.83	Mediterranea delle Acque
Astea Energia	Osimo (AN)	Euro	117,640	6.00	Iren Mercato
Atena Patrimonio	Vercelli	Euro	73,829,295	14.65	Iren Emilia
ATO2 Acque	Biella	Euro	48,000	12.50	Iren Acqua Gas
Autostrade Centro Padane	Cremona	Euro	30,000,000	1.46	Iren Emilia
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	Iren Emilia
C.R.P.A. S.p.A.	Reggio Emilia	Euro	1,851,350	5.40	Iren Emilia
Consorzio L.E.A.P.	Piacenza	Euro	1,192,079	0.84	Iren Ambiente Holding
Consorzio Topix	Turin	Euro	1,685,000	0.30	Iren Energia
Cosme Srl	Genoa	Euro	320,000	1.00	Iren Acqua Gas
CSP Scrl	Turin	Euro	641,000	6.10	Iren Energia
Energia Italiana S.p.A.	Milan	Euro	26,050,000	11.00	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	Iren Acqua Gas
RE Innovazione	Reggio Emilia	Euro	882,872	0.87	Iren Ambiente Holding
Rupe S.p.A.	Genoa	Euro	3,057,898	0.39	Immobiliare delle Fabbriche
S.D.B. S.p.A.	Turin	Euro	536,000	1.00	Iren Servizi e Innovazione (formerly Iride Servizi)
Stadio Albaro	Genoa	Euro	1,230,000	2.00	CAE Amga Energia
T.I.C.A.S.S.	Genoa	Euro	98,000	4.08	Iren Acqua Gas
TLR V. S.p.A.	Turin	Euro	120,000	99.996	Iren Energia
				0.001	Iren
				0.001	Iren Ambiente
				0.001	Iren Emilia
Valfontanabuona Sport S.r.l. (*)	Genoa	Euro	45,250	51.000	O.C.Clim S.r.l.

(*) investment held for sale

FINANCIAL STATEMENTS DATA OF THE MAIN COMPANIES CONSOLIDATED IN FULL OR PROPORTIONATELY AND ACCOUNTED FOR USING THE EQUITY METHOD

Fully consolidated companies

Company	Currency	Total Assets	Equity	Total revenue	Profit/Loss
Iren Acqua Gas S.p.A.	Euro	1,218,504,618	609,566,467	188,941,537	16,213,933
Iren Ambiente Holding S.p.A.	Euro	9,439,573	8,992,017	130,668	(153,148)
Iren Ambiente S.p.A.	Euro	368,388,070	92,340,420	87,778,193	7,022,612
Iren Emilia S.p.A.	Euro	685,078,801	338,421,197	469,586,115	12,507,157
Iren Energia S.p.A.	Euro	2,521,761,796	1,379,047,278	957,759,815	60,898,789
Iren Mercato S.p.A.	Euro	1,397,460,012	130,179,747	3,087,537,732	7,042,366
AEM Torino Distribuzione S.p.A.	Euro	484,969,950	210,195,204	155,566,735	21,404,860
AGA S.p.A.	Euro	19,733,902	6,905,823	217	(318,390)
AMIAT V. S.p.A.	Euro	29,412,186	29,355,232	-	430,232
Bonifica Autocisterne	Euro	887,022	513,983	1,124,353	28,427
C.EL.PI. (in liquidation)	Euro	293,811	281,237	-	-
CAE Amga Energia S.p.A.	Euro	62,885,172	24,495,442	33,812,908	137,523
Climatel S.r.l.	Euro	375,777	138,890	370,295	21,782
Consorzio GPO	Euro	21,710,053	21,647,561	-	435,597
Enia Parma S.r.l.	Euro	59,233,382	6,415,891	106,030,687	1,740,151
ENIA Piacenza S.r.l.	Euro	27,651,328	2,412,910	58,793,027	1,424,091
Enia Reggio Emilia S.r.l.	Euro	52,347,849	2,774,903	100,466,835	1,942,207
Eniatel S.p.A.	Euro	2,482,623	1,461,616	2,359,437	311,616
GEA Commerciale S.p.A.	Euro	9,124,845	3,516,157	18,775,477	904,352
Genova Reti Gas S.r.l.	Euro	70,629,582	12,753,623	59,932,844	10,256,891
Idrotigullio S.p.A.	Euro	37,166,316	10,192,567	17,110,272	1,123,871
Immobiliare delle Fabbriche S.r.l.	Euro	10,657,379	10,484,847	13,388	(36,794)
Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi S.p.A.)	Euro	153,743,832	88,006,262	75,862,316	4,584,639
Laboratori Iren Acqua Gas S.p.A.	Euro	10,356,917	4,891,320	8,251,058	196,814
Mediterranea delle Acque S.p.A.	Euro	628,432,200	440,582,253	131,997,605	21,793,546
Monte Querce	Euro	748,747	100,000	30,227	-
Nichelino Energia S.r.l.	Euro	23,861,826	9,972,837	4,817,434	1,121,860
O.C.Clim S.r.l.	Euro	9,288,104	3,303,682	7,617,671	52,258
Tecnoborgo S.p.A.	Euro	32,919,700	21,959,257	21,247,572	1,673,293

Proportionately consolidated companies

Company	Currency	Total Assets	Equity	Total revenue	Profit/Loss
Acque Potabili Crotone	Euro	13,307,327	1,444,617	2,625	(2,828,157)
Acquedotto Monferrato	Euro	13,261,653	2,723,431	187,166	(103,537)
Acquedotto Savona	Euro	33,985,596	8,332,928	14,342,285	259,441
AES Torino S.p.A.	Euro	679,296,340	330,595,339	190,312,390	73,801,911
Agriren	Euro	100,000	100,000	-	-
Busseto Fotovoltaico	Euro	1,774,031	167,626	106,283	9,307
C8 Fotovoltaico	Euro	4,602,281	1,610,187	240,563	20,844
Enia Solaris s.r.l.	Euro	26,335,203	4,965,126	2,921,294	6,401
Fidenza Fotovoltaico	Euro	3,534,314	674,537	221,104	(809)
Fontanellato Fotovoltaico	Euro	3,729,423	301,061	171,221	(19,171)
Greensource	Euro	27,331,908	19,650,811	472,700	(116,681)
IREN Rinnovabili S.p.A.	Euro	30,254,814	16,600,671	3,503,784	15,069
Medesano Fotovoltaico	Euro	2,953,040	335,427	142,466	(8,991)
Millenaria Fotovoltaico	Euro	3,584,529	1,273,100	164,979	1,133
Olt Offshore Toscana LNG S.p.A.	Euro	987,840,623	134,482,720	38,736,510	(756,211)
Pellegrino Fotovoltaico	Euro	2,252,159	422,069	136,119	(3,854)
Pluris Energy Fotovoltaico	Euro	4,892,124	407,536	257,314	13,486
Project Financing Management	Euro	3,552,943	3,233,423	376,807	(9,895)
Roccabianca Fotovoltaico	Euro	3,486,046	537,271	209,217	(10,034)
San Secondo Fotovoltaico	Euro	3,502,853	832,616	215,509	3,619
Società Acque Potabili S.p.A.	Euro	256,086,421	98,221,939	63,401,364	(4,820,245)
Varsi Fotovoltaico	Euro	3,187,604	170,889	201,664	6,437

Companies measured using the equity method

Company	Currency	Total Assets	Equity	Total revenue	Profit/Loss
A2A Alfa S.r.l.	Euro	1,673,343	1,584,835	-	(41,123)
ABM Next	Euro	2,237,262	224,555	2,319,376	52,063
Acos Energia S.p.A.	Euro	15,653,372	3,016,172	27,795,639	799,888
Acos S.p.A. (*)	Euro	102,651,862	32,809,450	57,095,855	1,762,143
Acquaenna S.c.p.a. (*)	Euro	63,390,293	2,591,826	18,046,262	(1,086,072)
Aguas de San Pedro	Lempiras	762,318,665	449,108,353	332,436,924	66,195,741
Aiga S.p.A.	Euro	5,504,920	687,559	2,348,896	3,815
Amat S.p.A. (*)	Euro	37,209,333	6,235,581	8,335,131	90,129
AMIAT S.p.A.	Euro	264,073,270	74,809,670	193,763,599	1,541,535
Amter S.p.A.	Euro	5,041,965	1,342,829	4,379,901	187,010
ASA S.p.A. (**)	Euro	253,128,172	65,022,528	71,334,899	24,612,059
ASTEA (*)	Euro	141,615,600	82,466,890	50,306,500	1,453,436
Atena S.p.A. (*)	Euro	80,159,023	13,769,450	89,158,753	2,420,909
Domus Acqua S.r.l. (*)	Euro	1,008,022	235,429	396,438	11,630
Fin Gas srl	Euro	19,659,914	19,649,024	-	(44,458)
GICA s.a.	CHF	446,308	(3,977,538)	1,957,776	(2,227,617)
Global Service Parma (***)	Euro	11,800,996	263,756	5,169,970	243,756
Il Tempio S.r.l. (*)	Euro	3,770,979	226,208	351,192	84,732
Iniziative Ambientali S.r.l. (**)	Euro	14,928,015	1,268,425	76,809	36,172
Mestni Plinovodi (*)	Euro	32,339,820	17,940,377	11,135,761	122,717
Mondo Acqua (*)	Euro	6,250,415	1,190,209	3,959,952	7,951
Plurigas (in liquidation)	Euro	74,039,565	42,576,772	53,320,877	651,276
Rio Riazzone S.p.A. (*)	Euro	941,268	500,811	160,982	1,349
S.M.A.G. S.r.l. (*)	Euro	1,707,345	159,859	2,540,006	118,151
Salerno Energia Vendite	Euro	24,067,184	5,049,525	41,761,011	1,647,226
Sea Power & Fuel S.r.l.	Euro	14,467	6,644	-	(705)
Sinergie Italiane (in liquidation)	Euro	66,850,082	(24,878,506)	459,609,337	7,672,349
So. Sel. S.p.A.	Euro	9,837,760	2,663,504	12,739,025	249,914
Tirana Acque (in liquidation) (*)	Euro	302,409	(597,124)	-	(6,598)
TRM V. S.p.A.	Euro	497,000,041	134,526,626	26,426,522	(6,147,880)
Valle Dora Energia S.r.l.	Euro	633,360	558,859	104,000	16,784
VEA Energia e Ambiente	Euro	3,824,825	1,632,903	6,499,049	462,108

(*) financial statements data at 31/12/2012
(**) financial statements data at 30/06/2013
(***) financial statements data at 30/09/2013

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

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	3,201,332		
Investment property	15,341		
Intangible assets	1,351,065		
Goodwill	124,596		
Investments accounted for using the equity method	163,578		
Other investments	15,492		
Total (A)	**4,871,404**	**Non-Current Assets (A)**	**4,871,404**
Other non-current assets	59,153		
Other payables and other non-current liabilities	(190,289)		
Total (B)	**(131,136)**	**Other non-current assets (liabilities) (B)**	**(131,136)**
Inventories	107,872		
Trade receivables	1,050,310		
Current tax assets	5,805		
Other receivables and other current assets	216,599		
Trade payables	(1,010,790)		
Other payables and other current liabilities	(236,486)		
Current tax liabilities	(12,259)		
Total (C)	**121,051**	**Net working capital (C)**	**121,051**
Deferred tax assets	309,820		
Deferred tax liabilities	(179,231)		
Total (D)	**130,589**	**Deferred tax assets (liabilities) (D)**	**130,589**
Employee benefits	(118,034)		
Provisions for risks and charges	(288,769)		
Provisions for risks and charges - current portion	(74,709)		
Total (E)	**(481,512)**	**Provisions and employee benefits (E)**	**(481,512)**
Assets held for sale	3,588		
Liabilities related to assets held for sale	(6)		
Total (F)	**3,582**	**Assets (Liabilities) held for sale (F)**	**3,582**
		Net invested capital (G=A+B+C+D+E+F)	**4,513,978**
Equity (H)	**1,989,027**	**Equity (H)**	**1,989,027**
Non-current financial assets	(60,167)		
Non-current financial liabilities	1,913,299		
Total (I)	**1,853,132**	**Non-current financial indebtedness (I)**	**1,853,132**
Current financial assets	(255,774)		
Cash and cash equivalents	(55,613)		
Current financial liabilities	983,206		
Total (L)	**671,819**	**Current financial indebtedness (L)**	**671,819**
		Net financial indebtedness (M=I+L)	**2,524,951**
		Own funds and net financial indebtedness (H+M)	**4,513,978**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2013

	differences			
	opening	accrual	reversal	residual
Deferred tax assets				
Directors' and statutory auditors' fees	3,545	2,033	2,115	3,463
Non deductible provisions	301,833	187,351	115,747	373,437
Taxable contributions	1,360	-	222	1,138
Differences in value of fixed assets	188,529	437,927	31,572	594,884
Derivatives (IAS 39)	60,794	-	21,341	39,453
Tax losses carried forward indefinitely	9,044	4,772	4,151	9,665
Other	90,293	31,948	23,469	98,772
Total taxable base/deferred tax assets	**655,398**	**664,031**	**198,617**	**1,120,812**
Deferred tax liabilities				
Differences in value of fixed assets	311,235	53,254	47,529	316,960
Grants related to plant	1,260	-	-	1,260
Allowance for impairment of tax assets, separate fin. stat.	3,264	118	91	3,291
Adjustment to post-employment benefits	6,844	903	1,438	6,309
Derivatives (IAS 39)	(2,408)	-	-	(2,408)
Finance lease	3,565	309	34	3,840
Other	77,864	282,522	17,484	342,902
Total taxable base/deferred tax liabilities	**401,624**	**337,106**	**66,576**	**672,154**
Net deferred tax assets (liabilities)	**253,774**	**326,925**	**132,041**	**448,658**

thousands of euro

taxes to IS	taxes to E	taxes IRES	IRAP	total
5	-	828	75	903
6,879	582	120,550	6,347	126,897
(132)	-	324	38	362
4,648	-	125,775	9,155	134,930
(162)	(7,456)	10,270	-	10,270
(1,104)	-	1,400	-	1,400
736	-	33,960	1,098	35,058
10,870	**(6,874)**	**293,107**	**16,713**	**309,820**
(5,397)	-	70,577	8,878	79,455
-	-	248	27	275
15	-	1,142	-	1,142
164	(606)	1,198	-	1,198
(10)	2,570	276	-	276
(2)	-	1,179	124	1,303
15	-	85,207	10,375	95,582
(5,215)	**1,964**	**159,827**	**19,404**	**179,231**
16,085	**(8,838)**	**133,280**	**(2,691)**	**130,589**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2012

	differences			
	opening	accrual	reversal	residual
Deferred tax assets				
Directors' and statutory auditors' fees	3,224	2,191	1,870	3,545
Non deductible provisions	227,290	107,789	33,246	301,833
Taxable contributions	1,380	-	20	1,360
Differences in value of fixed assets	188,239	24,123	23,833	188,529
Derivatives (IAS 39)	37,704	23,419	329	60,794
Tax losses carried forward indefinitely	8,085	1,995	1,036	9,044
Other	67,290	43,851	20,848	90,293
Total taxable base/deferred tax assets	**533,212**	**203,368**	**81,182**	**655,398**
Deferred tax liabilities				
Differences in value of fixed assets	330,523	4,255	23,543	311,235
Grants related to plant	1,260	-	-	1,260
Allowance for impairment of tax assets, separate fin. stat.	3,374	-	110	3,264
Adjustment to post-employment benefits	12,682	548	6,386	6,844
Derivatives (IAS 39)	(71)	-	2,337	(2,408)
Finance lease	2,991	658	84	3,565
Other	50,796	35,056	7,988	77,864
Total taxable base/deferred tax liabilities	**401,555**	**40,517**	**40,448**	**401,624**
Net deferred tax assets (liabilities)	**131,657**	**162,851**	**40,734**	**253,774**

thousands of euro

taxes to IS	taxes to E	taxes IRES	IRAP	total
117	-	899	31	930
26,313	1,860	100,305	4,807	105,112
(9)	-	447	47	494
(935)	-	53,079	1,634	54,713
824	6,042	16,185	2,543	18,728
1,718	-	2,406	-	2,406
3,188	805	32,398	969	33,367
31,216	**8,707**	**205,719**	**10,031**	**215,750**
(5,246)	-	64,722	8,993	73,715
-	-	248	27	275
(30)	-	1,113	-	1,113
(572)	(2,139)	1,511	-	1,511
(795)	(3,574)	277	10	287
229	-	1,387	146	1,533
7,266	-	31,462	657	32,119
852	**(5,713)**	**100,720**	**9,833**	**110,553**
30,364	**14,420**	**104,999**	**198**	**105,197**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial receivables and Cash and cash equivalents	Other receivables	Trade payables	Financial payables
SHAREHOLDERS - RELATED PARTIES					
Municipality of Genoa	10,675	69	-	7,138	360
Municipality of Parma	9,380	-	-	535	134
Municipality of Piacenza	2,604	-	-	1,592	66
Municipality of Reggio Emilia	5,273	-	-	2,739	5
Municipality of Turin	29,651	68,259	-	4,269	-
Finanziaria Sviluppo Utilities	31	-	2,759	-	-
Intesa Sanpaolo Group	-	2,823	-	-	271,679
JOINT VENTURES					
AES Torino	1,170	6,741	2,789	11,004	-
OLT Offshore LNG	511	211,600	-	-	-
Società Acque Potabili	11,156	-	-	1,157	-
Acquedotto Savona	8	-	-	-	-
Acquedotto Monferrato	7	-	-	-	-
ENìA Solaris	1	6,128	-	-	510
Iren Rinnovabili S.p.A.	119	3,161	-	90	-
Greensource	22	1,379	-	5	-
Project Financing Management	-	-	-	-	-
ASSOCIATES					
ABM Next	9	107	-	-	-
Aciam S.p.A.	400	588	-	-	-
Acos Energia S.p.A.	4,143	-	-	8	-
Acos S.p.A.	17	164	-	-	-
Acquaenna S.c.p.a.	3,436	289	-	384	-
Aguas de San Pedro S.A.	-	-	-	-	-
Aiga S.p.A.	154	466	-	-	-
Amat S.p.A.	68	-	-	9	-
AMIAT S.p.A.	96	-	-	-	-
Amter S.p.A.	1,719	-	-	13	-
ASA S.p.A.	7,892	6,614	-	1,811	-
ASTEA	-	743	-	-	-
Atena S.p.A.	51	893	-	22	-
Domus Acqua S.r.l.	35	15	-	-	-
Fondo Core Multiutilities	72	-	-	-	-
Gas Energia S.p.A.	-	-	-	168	-
GICA s.a.	-	572	-	-	-
Global Service Parma	4,117	-	-	2,444	-
Il Tempio S.r.l.	-	312	-	-	-
Mondo Acqua	228	-	-	-	-
Piana Ambiente S.p.A.	63	-	-	-	-
Plurigas S.p.A. (in liquidation)	43	-	-	(1,733)	-
Rio Riazzone S.p.A.	316	-	-	-	-
S.M.A.G. srl	36	-	-	1,195	-
Salerno Energia Vendite	2,880	-	-	185	-
Sinergie Italiane S.r.l.	21	-	16,108	10,410	-
So. Sel. S.p.A.	7	-	-	2,215	-
TRM V	414	-	-	-	-
Valle Dora Energia Srl	4	-	-	104	3
VEA Energia e Ambiente	10	-	-	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	3	-	-	500	-
Parma Infrastrutture	14,050	-	-	2,875	-
Piacenza Infrastrutture	6	-	-	697	-
Sportingenova S.p.A.	1,350	-	976	-	-
TOTAL	**112,248**	**310,923**	**22,632**	**49,836**	**272,757**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
SHAREHOLDERS - RELATED PARTIES					
Municipality of Genoa	-	12,891	2,460	-	-
Municipality of Parma	-	30,472	373	-	-
Municipality of Piacenza	-	19,016	1,655	-	-
Municipality of Reggio Emilia	-	30,536	728	-	-
Municipality of Turin	218	48,590	5,568	3,978	-
Finanziaria Sviluppo Utilities	-	28	-	-	-
Intesa Sanpaolo Group	-	-	676	1	12,376
JOINT VENTURES					
AES Torino	178	1,712	52,096	41	15
OLT Offshore LNG	-	224	-	7,428	-
Società Acque Potabili	-	1,181	68	-	-
Acquedotto Savona	-	40	9	-	-
Acquedotto Monferrato	-	3	-	-	-
ENÌA Solaris	17	5	-	250	-
Iren Rinnovabili S.p.A.	-	218	95	145	-
Greensource	-	19	5	29	-
Project Financing Management	-	-	2	-	-
ASSOCIATES					
ABM Next	-	-	-	-	-
Aciam S.p.A.	-	176	-	12	-
Acos Energia S.p.A.	-	16,083	14	-	-
Acos S.p.A.	-	45	-	-	-
Acquaenna S.c.p.a.	-	114	-	13	-
Aguas de San Pedro S.A.	-	170	-	-	56
Aiga S.p.A.	-	20	-	12	-
Amat S.p.A.	-	164	15	-	-
AMIAT S.p.A.	-	167	2	-	-
Amter S.p.A.	-	2,015	45	-	-
ASA S.p.A.	-	433	125	-	-
ASTEA	-	13,351	-	508	-
Atena S.p.A.	-	157	-	-	-
Domus Acqua S.r.l.	-	-	-	-	-
Fondo Core Multiutilities	-	-	-	346	-
Gas Energia S.p.A.	-	-	206	-	-
GICA s.a.	-	-	-	-	-
Global Service Parma	-	3,119	1,891	-	-
Il Tempio S.r.l.	-	3	-	-	-
Mondo Acqua	-	484	-	-	-
Piana Ambiente S.p.A.	-	-	20	-	-
Plurigas S.p.A. (in liquidation)	-	-	2,838	-	-
Rio Riazzone S.p.A.	-	259	-	-	-
S.M.A.G. srl	-	-	2,309	-	-
Salerno Energia Vendite	-	2,182	153	-	-
Sinergie Italiane S.r.l.	-	21	122,161	-	-
So. Sel. S.p.A.	-	11	4,616	-	-
TRM V	-	411	-	-	-
Valle Dora Energia Srl	-	7	104	-	-
VEA Energia e Ambiente	-	43	-	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	10	6,900	-	-
Parma Infrastrutture	-	7,180	3,485	-	-
Piacenza Infrastrutture	-	10	1,142	-	-
Sportingenova S.p.A.	-	-	-	-	-
TOTAL	**413**	**191,570**	**209,761**	**12,763**	**12,447**

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the enactment regulation of Legislative Decree 58/1998, fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

thousands of euro

Service	Service provider	To	Fees
Audit	Parent auditor	Parent	81
Attestation services	Parent auditor	Parent	21
Tax consulting services	Parent auditor	Parent	-
Other services	i) Parent auditor	Parent	146
	ii) Parent auditor network	Parent	-
Audit	i) Parent auditor	i) Subsidiaries	425
	ii) Parent auditor network	ii) Subsidiaries	-
Attestation services	i) Parent auditor	i) Subsidiaries	205
	ii) Parent auditor network	ii) Subsidiaries	-
Tax consulting services	i) Parent auditor	i) Subsidiaries	-
	ii) Parent auditor network	ii) Subsidiaries	-
Other services	i) Parent auditor	i) Subsidiaries	37
	ii) Parent auditor network	ii) Subsidiaries	
Total Independent Auditors' fees			**915**

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, Nicola De Sanctis, CEO, and Massimo Levrino, Administration and Finance Director and Manager in charge of financial reporting of Iren S.p.A., hereby confirm, also in consideration of the provisions of art. 154-bis, subsections 3 and 4, Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in respect of the company's characteristics and

   - the effective application during 2013 of administrative and accounting procedures in preparing the consolidated financial statements.

2. Furthermore, it is hereby declared that:

   2.1 the consolidated financial statements:

      a) are prepared in compliance with applicable IFRS endorsed by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;

      b) correspond with books and accounting records;

      c) are suitable to give a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

   the directors' report includes a reliable analysis of the operating performance and results, and of the issuer's situation and of the entirety of the companies included in the consolidation, together with the description of the major risks and uncertainties to which they are exposed.

27 March 2014

CEO	Administration and Finance Director and Manager in Charge appointed under Law 262/05
Nicola De Sanctis	Massimo Levrino

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

1 We have audited the consolidated financial statements of Iren SpA and its subsidiaries ("Iren Group") as of 31 December 2013 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes. The directors of Iren SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 29 April 2013.

3 In our opinion, the consolidated financial statements of the Iren Group as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Iren Group for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

4 The directors of Iren SpA are responsible for the preparation of the directors' report and the report on corporate governance and ownership structure, published in the Investor Relations section of Iren SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the directors' report and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Iren Group as of 31 December 2013.

Turin, 18 April 2014

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Iren S.p.A.
Via Nubi di Magellano, 30 – 42123 Reggio Emilia
Share capital fully paid-in 1,276,225,677.00
Reggio Emilia Companies Register no. 07129470014
Tax Code and VAT no. 07129470014

Separate Financial Statements

at 31 December 2013

STATEMENT OF FINANCIAL POSITION

Amounts in Euro

	Notes	31.12.2013	of which related parties	31.12.2012	of which related parties
ASSETS					
Property, plant and equipment	(1)	1,605,598		1,690,481	
Intangible assets with a finite useful life	(2)	1,269,216		437,311	
Investments in subsidiaries, associated companies and joint ventures	(3)	2,507,961,874		2,410,241,884	
Other investments	(4)	-		-	
Non-current financial assets	(5)	1,484,945,013	1,483,975,013	1,453,795,376	1,452,745,083
Other non-current assets	(6)	10,562,858	2,759,032	10,687,792	2,759,032
Deferred tax assets	(7)	20,030,159		30,164,232	
Total non-current assets		**4,026,374,718**		**3,907,017,076**	
Trade receivables	(8)	13,992,077	13,896,656	16,013,164	15,511,651
Current tax assets	(9)	-		3,518,242	
Other receivables and other current assets	(10)	39,537,505	29,446,925	44,179,915	41,281,200
Current financial assets	(11)	105,615,608	105,506,903	274,357,852	274,148,240
Cash and cash equivalents	(12)	31,057,574	1,382,367	4,630,418	267,830
Total current assets		**190,202,764**		**342,699,591**	
Assets held for sale		-		-	
TOTAL ASSETS		**4,216,577,482**		**4,249,716,667**	

Amounts in Euro

	Notes	31.12.2013	of which related parties	31.12.2012	of which related parties
EQUITY					
Share capital		1,276,225,677		1,276,225,677	
Reserves and retained earnings		173,692,360		158,335,228	
Net profit (loss) for the year		86,859,395		70,311,187	
TOTAL EQUITY	**(13)**	**1,536,777,432**		**1,504,872,092**	
LIABILITIES					
Non-current financial liabilities	(14)	1,791,845,353	100,092,225	2,076,086,729	145,485,277
Employee benefits	(15)	11,475,246		10,590,067	
Provisions for risks and charges	(16)	10,491,239		19,670,784	
Deferred tax liabilities	(17)	4,375,952		5,360,816	
Other payables and other non-current liabilities	(18)	16,738,493	8,861,996	8,861,996	8,861,996
Total non-current liabilities		**1,834,926,283**		**2,120,570,392**	
Current financial liabilities	(19)	800,227,749	162,869,603	566,530,016	225,013,311
Trade payables	(20)	12,816,169	2,191,308	20,147,012	3,382,128
Other payables and other current liabilities	(21)	24,563,093	16,439,881	37,597,155	16,468,547
Current tax liabilities	(22)	7,266,756		-	
Total current liabilities		**844,873,767**		**624,274,183**	
Liabilities related to assets held for sale		-		-	
TOTAL LIABILITIES		**2,679,800,050**		**2,744,844,575**	
TOTAL EQUITY AND LIABILITIES		**4,216,577,482**		**4,249,716,667**	

INCOME STATEMENT

Amounts in Euro

	Notes	2013	of which related parties	2012	of which related parties
Revenue					
Revenue from goods and services	(23)	10,445,959	10,445,959	13,320,191	13,320,191
Other revenue and income	(24)	3,981,094	2,969,889	18,541,969	807,112
Total revenue		**14,427,053**		**31,862,160**	
Operating expense					
Raw materials, consumables, supplies and goods	(25)	(10,481)	(397)	(11,933)	
Services and use of third-party assets	(26)	(11,076,228)	(4,296,120)	(16,869,618)	(4,685,903)
Other operating expense	(27)	(3,785,131)	(136,052)	(5,367,972)	(214,098)
Capitalised expenses for internal work	(28)	369,815		166,198	
Personnel expense	(29)	(21,232,449)	(29,829)	(19,905,485)	(20,593)
Total operating expense		**(35,734,474)**		**(41,988,810)**	
GROSS OPERATING PROFIT (EBITDA)		**(21,307,421)**		**(10,126,650)**	
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(30)	(187,367)		(114,350)	
Provisions and impairment losses	(31)	(793,614)		(3,771,674)	
Total amortisation, depreciation, provisions and impairment losses		**(980,981)**		**(3,886,024)**	
OPERATING PROFIT (EBIT)		**(22,288,402)**		**(14,012,674)**	
Financial income and expense	**(32)**				
Financial income		197,388,670	197,102,915	180,648,850	177,592,209
Financial expense		(99,294,517)	(7,496,494)	(110,272,586)	(13,774,290)
Total financial income and expense		**98,094,153**		**70,376,264**	
Impairment losses on investments	(33)	-		-	
- *of which non-recurring*		-		-	
Profit before tax		**75,805,751**		**56,363,590**	
Income tax expense	(34)	11,053,644		13,947,597	
Net profit/(loss) from continuing operations		**86,859,395**		**70,311,187**	
Net profit/(loss) from discontinued operations				-	
Net profit (loss) for the year		**86,859,395**		**70,311,187**	

STATEMENT OF COMPREHENSIVE INCOME

Amounts in Euro

	Notes	2013	2012
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)		**86,859,395**	**70,311,187**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(35)**		
- effective portion of changes in fair value of cash flow hedges		20,726,780	(16,591,318)
- change in fair value of available-for-sale financial assets		-	-
Tax effect of other comprehensive income		(8,220,795)	5,412,088
Total other comprehensive income, net of tax effect (B1)		**12,505,985**	**(11,179,230)**
Other comprehensive income that will not be subsequently reclassified to the Income Statement			
- actuarial profits/(losses) from defined benefit plans (IAS 19)		(984,051)	(1,567,244)
Tax effect of other comprehensive income		270,613	410,925
Total other comprehensive income, net of tax effect (B2)		**(713,438)**	**(1,156,319)**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**98,651,942**	**57,975,638**

STATEMENT OF CHANGES IN EQUITY

thousands of euro

	Share capital	Share premium reserve	Legal reserve
31/12/2010 Restated	**1,276,226**	**105,102**	**23,862**
Legal reserve			5,134
Dividends to shareholders			
Retained earnings			
Profit (loss) for the year			
of which:			
- Net profit (loss) for the year			
- Other comprehensive income			
31/12/2011 Restated	**1,276,226**	**105,102**	**28,996**
Dividends to shareholders			
Losses carried forward			
Profit (loss) for the year			
of which:			
- Net profit (loss) for the year			
- Other comprehensive income			
31/12/2012	**1,276,226**	**105,102**	**28,996**
Legal reserve			3,516
Dividends to shareholders			
Retained earnings			
Profit (loss) for the year			
of which:			
- Net profit (loss) for the year			
- Other comprehensive income			
31/12/2013	**1,276,226**	**105,102**	**32,512**

thousands of euro

Hedging reserve	AFS reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the year	Equity
(13,714)	**(8,447)**	**147,126**	**253,929**	**102,606**	**1,632,761**
			5,134	(5,134)	-
		(10,975)	(10,975)	(97,505)	(108,480)
		(33)	(33)	33	-
(12,197)	8,447	251	(3,499)	(57,294)	(60,793)
				(57,294)	(57,294)
(12,197)	8,447	251	(3,499)		(3,499)
(25,911)	**-**	**136,369**	**244,556**	**(57,294)**	**1,463,488**
		(16,591)	(16,591)		(16,591)
		(57,294)	(57,294)	57,294	-
(11,179)		(1,157)	(12,336)	70,311	57,975
				70,311	70,311
(11,179)	-	(1,157)	(12,336)		(12,336)
(37,090)	**-**	**61,327**	**158,335**	**70,311**	**1,504,872**
			3,516	(3,516)	-
			-	(66,747)	(66,747)
		48	48	(48)	-
12,506		(713)	11,793	86,859	98,652
					-
				86,859	86,859
12,506	-	(713)	11,793		11,793
(24,584)	**-**	**60,662**	**173,692**	**86,859**	**1,536,777**

CASH FLOW STATEMENT

thousands of euro

	2013	2012
A. Opening balance of cash and cash equivalents and centralised treasury management	**79,628**	**457,742**
Cash flows from operating activities		
Profit (loss) for the year	86,859	70,311
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	187	114
Capital gains (losses) and other changes in equity	-	(14,780)
Net change in post-employment benefits and other employee benefits	(99)	(434)
Net change in provision for risks and other charges	(9,180)	(220)
Change in deferred tax assets and liabilities	1,199	3,962
Change in other non-current assets and liabilities	8,001	(1,458)
Dividends received	(130,575)	(93,194)
Net impairment losses (reversals of impairment losses) on fixed assets	-	(2,458)
B. Cash flows from operating activities before changes in NWC	**(43,608)**	**(38,157)**
Change in trade receivables	2,021	4,808
Change in tax assets and other current assets	8,161	1,563
Change in trade payables	(7,328)	4,358
Change in tax liabilities and other current liabilities	(5,767)	(3,713)
C. Cash flows from changes in NWC	**(2,913)**	**7,016**
D. Cash flows from/(used in) operating activities (B+C)	**(46,521)**	**(31,141)**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(934)	(324)
Investments in financial assets	(97,720)	(31,214)
Proceeds from the sale of investments	-	20,000
Dividends received	130,575	93,194
E. Total cash flows used in investing activities	**31,921**	**81,656**
F. Free cash flow (D+E)	**(14,600)**	**50,515**
Cash flows from/(used in) financing activities		
Dividends paid	(66,747)	(16,591)
New non-current loans	468,000	402,000
Repayment of non-current loans	(272,697)	(458,085)
Change in financial assets (*)	(20,760)	(110,593)
Change in financial liabilities	(247,456)	(245,360)
G. Total cash flows from/(used in) financing activities	**(139,660)**	**(428,629)**
H. Cash flows for the period (F+G)	**(154,260)**	**(378,114)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**(74,632)**	**79,628**
L. Current balance of centralised treasury management - subsidiaries (*)	**105,690**	**(74,998)**
M. Closing cash and cash equivalents (I+L)	**31,058**	**4,630**

(*) From 1 July 2013, following a change in the subsidiary loan agreements, the items were restated to reflect this change.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

Through the Company's subsidiaries, Iren S.p.A. operates in the following business segments:
- Production of Electricity and Heat (Hydroelectric energy, cogeneration of electricity and heat, production from renewable sources);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (Electricity distribution networks, gas distribution networks, district heating networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Management (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

Iren S.p.A. is structured after the model of an industrial holding, with headquarters in Reggio Emilia, Via Nubi di Magellano 30, and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies head of the single business lines.

I. CONTENT AND STRUCTURE OF THE FINANCIAL STATEMENTS

The separate financial statements of the Parent Iren S.p.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the provisions set forth in implementation of art. 9 of Legislative Decree no. 38/2005. "IFRS" also includes the International Accounting Standards ("IAS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these financial statements, the same accounting policies were used as those adopted for the Financial Statements at 31 December 2012, with the exceptions highlighted in the section "Accounting policies and interpretations effective on 1 January 2013".

The separate financial statements at 31 December 2013 consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a cash flow statement and these notes.

In the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that shall be realised, transferred or consumed during the ordinary operating cycle of the company or during the twelve months following year end. Current liabilities are those that shall be settled during the ordinary operating cycle of the company or during the twelve months following year end.
The income statement is classified on the basis of the nature of costs. In addition to the operating profit/(loss), the income statement also shows the gross operating profit/(loss) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash availability and cash in bank current accounts and the current balance of the subsidiaries' cash pooling management.

The financial statements have been drawn up based on the historical cost principle, except for certain financial instruments measured at fair value. The financial statements were also prepared on the basis of going concern assumptions. The company, in fact, considered that there are no significant uncertainties (as defined in IAS 1.25) regarding the going concern assumption.

These separate financial statements are stated in Euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro.

Lastly, in accordance with CONSOB Resolution no. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight significant transactions with related parties.

II. ACCOUNTING POLICIES

Detailed below are the policies adopted in drawing up these Financial Statements at 31 December 2013 of Iren S.p.A. The accounting policies described have not changed with respect to those adopted at 31 December 2012, except for those indicated in the section "Accounting policies, amendments and interpretations effective from 1 January 2013".

Property, plant and equipment

- Property, plant and equipment

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all costs directly attributable to bringing the asset to the location and condition necessary for it to be available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located), net of trade discounts and rebates.

Financial expense related to the purchase of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.

When significant components of property, plant and equipment have different useful lives, they are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; therefore, only the buildings are depreciated, while the carrying amount of land is impaired, as described in the following section "Impairment losses".

Ordinary maintenance expenditure is expensed in full in the income statement. Expenditure that increases the carrying amount of the asset is charged to the asset to which it relates and depreciated over its estimated useful life, in compliance with IAS 16. Such expenditure includes expenditure that reasonably leads to an increase in future economic benefits, such as the lengthening of useful life, increase in production capacity, improvement in product quality and adoption of production processes that entail a significant reduction in production costs.

Assets under construction include expenditure related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	3%	3%
Auxiliary systems of buildings	5%	10%

Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- Assets under finance lease

Assets held under finance leases are recognised as property, plant and equipment using the financial method with a balancing entry under payables of the same amount, as provided for by IAS 17 which, while reflecting the economic substance of operations, compares these operations to purchase and financing agreements. Based on the above-mentioned method, property, plant and equipment are recognised at the lease principal upon subscription of the finance lease. The amounts due to the lessor are also recognised under financial payables. This liability is decreased over time in line with repayment of the lease principal. Interest on payables is recognised in the income statement based on the repayment plan, in addition to depreciation of the asset based on the expected useful life.

Conversely, under the financial method, leased out assets are not included in property, plant and equipment. The related financial asset is recognised in the Statement of financial position. It decreases over time in line with collection of the relevant principal. Interest income on receivables is recognised in the income statement based on the repayment plan.

Investment property

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable expenditure. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.

Expenses incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these expenses. Otherwise, such costs are charged to the income statement.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company’s plans to develop production. Amortisation begins when the asset is available for use.

Development costs are capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the cost is fully recognised in the period in which it is incurred.
Industrial patents and similar rights are amortised on a straight-line basis over five years.
Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.
Assets under development and payments on account relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.
Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Goodwill
Goodwill is initially recognised at cost. It represents the difference between the cost of the acquisition and the value of non-controlling interests and the fair value of the identifiable assets, liabilities and contingent liabilities related to the complex acquired. If, after this restatement, the value of current and contingent assets and liabilities exceeds the acquisition cost, the difference is recognised immediately in the income statement.
Any goodwill deriving from the acquisition of an associate is included in the carrying amount of the investment.

On first-time adoption of the IFRS, the Group decided not to retrospectively apply IFRS 3 - Business combinations - to acquisitions that took place before 1 January 2004. Therefore, goodwill on acquisitions made before the transition date has been maintained at its amount determined under Italian GAAP after testing for impairment.
Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses").

Non-current assets held for sale
A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Impairment losses
IFRS require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.
The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit, inclusive of taxes, by applying a discount rate, before taxes,

represented by the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is recognised immediately to the income statement.
Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

- 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 investments

Investments in other companies, classified as available for sale (AFS), are measured at fair value. Profits and losses from changes in fair value are charged directly to other components of the statement of comprehensive income until they are sold or impaired. In this case, the total loss is reversed from other components of the statement of comprehensive income and recognised to the income statement for an amount equal to the difference between the acquisition cost and the current fair value. If the fair value cannot be reliably determined, investments are measured at cost adjusted for impairment losses, the effect of which is recognised in the income statement.
The risk deriving from losses which exceed the carrying amount of the investment is recognised in a provision for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Financial assets held for trading

Upon initial recognition, financial assets held for trading are measured at purchase cost, i.e. at the fair value of the consideration paid. Transaction costs, as they are ancillary costs, are included in the purchase cost.
Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are taken directly to the income statement.
If fair value cannot be determined reliably, such assets are measured at cost.

- Available-for-sale financial assets

Upon initial recognition, available-for-sale financial assets are measured at the fair value of the consideration paid (acquisition cost, including related costs).
Subsequent to initial recognition, they are measured at fair value, without deducting any transaction costs that may be incurred upon sale or disposal. Changes in fair value are recognised in other components of the statement of comprehensive income and transferred to the income statement only when the available-for-sale assets are derecognised or have undergone an impairment loss.
If fair value of investments in instruments representing equity cannot be determined reliably, such assets are measured at cost.

- Hedging

The company uses derivative financial instruments solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting, under IAS 39, if all of the following conditions are met:

- at the inception of the hedge, or first-time adoption for instruments existing at 1 January 2005, there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, a forecast future transaction that is hedged must be highly probable and must present an exposure to variations in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are measured at fair value, calculated in accordance with IFRS 13. The fair value is determined by using adequate measurement models for each type of financial instrument by using, where available, the market forward curve, both regulated and not regulated (intrinsic value). Fair value is supplemented with the time value for option contracts, which is based on their residual life and volatility of the underlying.

Taking account of provisions specified by IFRS 7 on the fair value hierarchy, as extended by the new IFRS 13, each single category of financial instruments measured at fair value is shown as follows:

- Level 1: Prices listed (not adjusted) on active markets for similar assets or liabilities;

- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as per prices), or indirectly (i.e. derived from prices);

- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

Hedging instruments are tested for effectiveness at each reporting date to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, fair value gains or losses on the hedging instrument are included in the statement of comprehensive income for the effective portion of the hedge (intrinsic value), and for the time value portion and any ineffective portion (overhedging) they are recognised in the income statement;

- for fair value hedges, fair value changes on both the hedging instrument and hedged item are recognised in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the gains or losses deriving from the measurement at fair value of the hedging instrument are fully recognised in the income statement.

- Other financial assets and liabilities

Loans and receivables are initially recognised at fair value, adjusted by any directly attributable transaction costs. They are subsequently measured at amortised cost.

Securities held to maturity are initially recognised at cost, increased by transaction costs borne for acquisition of the financial asset. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, net of impairment losses.

At each reporting date, or whenever impairment indicators arise, all financial assets, except for FVTPL assets, are tested for impairment in order to determine whether there is objective evidence (such as breaches of agreements, possible bankruptcy or financial difficulties of the debtor, etc.) that the value of the asset might not be entirely recoverable.

- Trade receivables and payables

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement. They are recognised at fair value (equal to their nominal amount) and are subsequently measured at amortised cost. Trade receivables are measured net of the allowance for impairment of accounts receivable set up to cover estimated losses.

- Cash and cash equivalents

Cash and cash equivalents include cash on hand, call deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.
Cash and cash equivalents, including ancillary charges, are measured at fair value.
Cash on hand and revenue stamps are measured at their nominal amount.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.
The purchase cost of treasury shares is recognised as a reduction in equity.
Costs directly attributable to share capital transactions of the parent are offset against equity.
Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits

As from 1 January 2012, the amendment to the International Standard IAS 19 "Employee Benefits", endorsed on 6 June 2012, was applied in advance. This amendment is applicable starting from 1 January 2013, although its application was on a voluntary basis for financial statements at 31 December 2012. The amendments can be classified in three categories: measurement and recognition, disclosures and further amendments.
The first category of amendments involves defined benefit plans. In particular, the corridor approach is no longer used in recognizing actuarial gains and losses (the Iren Group was no longer using this method) and instructions are now given to immediately recognise the components connected to "revaluations" (e.g. actuarial gains and losses) in Other comprehensive income.
As regards the presentation of 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 expenses;
2) financial (finance costs), net interest income/expense;
3) measuring (remeasurement costs), actuarial gains/losses.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.
Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.
In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For Iren these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.
The liability relating to the defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For Iren, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to 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, a supplementary pension fund that allows employees to obtain the same amount of remuneration received upon retirement.
The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment

relations, taking into account economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured.
For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied as at the reporting date as the benefits can be considered accrued in full.
The demographic, economic and financial variables are validated annually by an independent actuary.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income statement.

Provisions for risks and charges
Provisions for risks and charges are set up to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:
- a company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.
No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.
The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.
On discounting, the time-related increase in the provision is recognised as financial expense.
Provisions for landfill post-closure are discounted based on the government curve of interest rates at the balance sheet date. Cash flows, indicated in the report drawn up by an independent expert, are discounted on a YoY basis.

Revenue
Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.
Revenue from the sale of goods is recognised when:
- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When an uncertainty arises about the collectability of an amount already recognised, the uncollectible amount must be recognised as an expense, rather than as an adjustment of the income originally recognised.
Revenue from services is recognised when:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the reporting date can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants related to income are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other revenue and income

Other revenue and income include all types of revenue which are not included in the above-mentioned cases and do not feature a financial nature. They are recognised in accordance with the above-mentioned methods for revenue from goods and services.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. The costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expense

Income arising from the use by others of company assets yielding interest and dividends is recognised when:

- it is probable that the economic benefits associated with the transaction will flow to the company;
- the amount of revenue can be measured reliably.

Income is recognised on the following basis:

- interest is recognised on an accrual basis that takes into account the effective yield on the asset;
- receivables from dividends on investments are recognised when the shareholder’s right to receive payment is established. This usually coincides with the resolution passed by the related meeting.

When uncertainty arises about the collectibility of an amount already recognised, the uncollectible amount is recognised as an expense rather than as an adjustment to the income originally recognised.

Financial expense is recognised in the year in which it is incurred. Financial expense that is directly attributable to the acquisition, construction or production of a plant is capitalised as part of the cost of that asset when:

- it is likely that it will result in future economic benefits to the company;
- it can be reliably measured.

Income tax expense

Income taxes comprise all the taxes calculated on the company’s taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.

Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The option for the Group tax consolidation scheme was exercised pursuant to art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES

receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.
In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Discontinued operations
Discontinued operations are components of the Group, which have been divested or represent an important business unit or geographical area of operations. Assets are classified as discontinued at the moment of transfer or when they are classified as asset held for sale. When an asset is classified as discontinued, the income statement is restated as though the operation were discontinued starting from the beginning of the comparison period.

Translation criteria
The functional and presentation currency adopted by the company is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2013

- IAS 1 - Presentation of Financial Statements: on 16 June 2011, the IASB issued an amendment to IAS 1 - Presentation of financial statements in which companies are requested to group all the items presented in other comprehensive income/(expense), according to their possible reclassification or non-reclassification at a future date to the income statement. The adoption of this amendment has no impact on the measurement of the items in the financial statements and limited effects on the disclosure provided in these consolidated financial statements at 31 December 2013.
- IAS 12 - Income taxes: on 20 December 2010, the IASB issued an amendment, retroactively applicable from 1 January 2013, which clarifies how to calculate deferred taxes on investment property measured at fair value. The amendment introduces the assumption that deferred taxes related to investment property measured at fair value in accordance with IAS 40 “Investment property”, shall be recognised taking account the fact that the carrying amount of these assets will be recovered through sale. Following this amendment, SIC-21 – Income taxes – Recovery of revalued non-depreciable assets, will no longer be applicable. The standard is applied on a prospective basis without the need to adjust the comparative information;
- IFRS 1 “Government loans”: the amendment, applicable starting from 1 January 2013, was issued on 12 March 2012 and regards government loans at interest rates lower than market rates. More specifically, the amendment provides that upon first-time adoption of the international accounting standards, all government loans in place must be recognised as financial liabilities or as capital instruments in accordance with IAS 32,” Financial Instruments: presentation”. In addition this amendment does not permit the benefit related to the lower interest rates of government loans compared to market rates to be recognised as a public contribution;
- IFRS 7 - Financial instruments: Disclosures: on 16 December 2011, the IASB issued another amendment to IFRS 7 – Financial Instruments: Disclosures. The amendment requires information on the effects or potential effects resulting from the right to offset financial assets and liabilities in the statement of financial position. The amendments must be applied to the financial years starting on or after 1 January 2013 and interim periods following this date. Information must be supplied retrospectively.
- IFRS 13 - Fair value measurement: issued by the IASB on 12 May 2011 and applicable from 1 January 2013. IFRS 13 defines fair value, provides guidelines on how to calculate it and introduces disclosure requirements. This standard does not specify when the fair value measurement has to be applied, but defines its calculation when fair value application is required by other standards. The new standard applies to all the transactions, both financial and non-financial, for which the international accounting standards require or permit fair value measurement, apart from the transactions recognised on the basis of IFRS 2 - Share based payment, the leasing contracts governed by IAS 17 - Leasing, the transactions recognised on the basis of their “net realisable value” as provided under IAS 2 - Inventories, and the “value in use” as defined by IAS 36 - Impairment losses.

  The standard defines fair value as “the price that could be obtained for the sale of an asset or that would be paid for the transfer of a liability in an arm’s length transaction between market operators on the measurement date”. If the transactions can be observed directly in a market, the calculation of the fair value may be relatively simple, but if it cannot be directly observed in a market, measurements techniques will be used. The standard in question describes three methods to be used for calculation of the fair value, and are the following: the “market” approach, which provides for the use of prices and other relevant information generated by other transactions that involve similar assets and liabilities, from the “income approach”, that entails the discounting back of future incoming and outgoing cash flows, and finally by the “cost approach”, that requires the entity to calculate a value that reflects the amount that would be currently required to replace the service capacity of an asset.

  With respect to the disclosure to provide in the financial statements, IFRS 13 extends the three-level fair value hierarchy that varies on the basis of the inputs used in the measurement techniques, previously dealt with by IFRS 7 - Financial instruments: Disclosures to all the assets and liabilities that fall under its range of application. Certain disclosure requirements are different in accordance with whether the fair value is measured on a recurring or non-recurring manner. Recurring are the fair value measurements that other accounting standards require at the end of each accounting period, while non-recurring refers to the fair value measurements only required in certain circumstances. Of particular importance are the clarifications introduced in reference to measuring non-compliance risk in determining the fair value of derivatives. This risk includes changes in counterparty credit rating as well as in the company rating.

- Improvements to IFRS 2009 – 2011: on 28 March 2013 a set of proposals to amend the IFRS “Improvements to IFRS 2009 – 2011” was endorsed, issued by the IASB in May 2012. These amendments apply on a retroactive basis from 1 January 2013, and more specifically regard:
  a) IAS 1 – Presentation of Financial Statements. This amendment clarifies how comparative information should be disclosed in the event a company modifies its accounting policy and retrospectively restates or reclassifies its accounts;
  b) IAS 16 – Property, Plant and Equipment. The amendment clarifies that the servicing equipment must be capitalised and classified under Property, plant and equipment if used for more than one financial year, or under Inventories if not;
  c) IAS 32 - Financial Instruments: Presentation. The amendment illustrates the tax treatment for direct taxes on the distributions to holders of equity instruments, and on the transaction costs of equity instruments, emphasising that the direct taxes for these follow IAS 12 rules on “Income tax expense”;
  d) IAS 34 – Interim Financial Reporting. With reference to information on segment reporting, the amendment specifies that total assets for each sector or operating segment shall be reported only if this information is regularly supplied by the chief operating decision maker of the entity and a material change has occurred in the total assets of the segment, with respect to amounts reported in the last Annual Financial Reporting.

As from 2012, Iren S.p.A. applied in advance the amendment to the International Standard IAS 19 “Employee benefits”, endorsed on 6 June 2012 and applicable from 1 January 2013. Further information can be found in the section “Changes to the accounting standards” of the 2012 financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

The following accounting standards, as well as amendments and interpretations which are not yet applicable and have not been adopted in advance by Iren are to be noted:

- On 12 May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements, which will replace the SIC-12 Consolidation – Special purposes entities and some parts of IAS 27 – Consolidated and separate financial statements, which will be called Separate Financial Statements and will govern accounting of equity investments in the separate financial statements. The new standard is based on the existing standards and aims at defining the concept of control as the key factor for including a company in the parent’s consolidated financial statements. The control is obtained only if the investor has simultaneously: a) the power to manage the relevant activities of the investee through voting rights and/or agreements; b) the power to manage the exposure to future income of the investee (dividends, fiscal benefits, etc.); c) the power to influence the performance of the investee. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest.
- On 12 May 2011, the IASB issued IFRS 11 – Joint Arrangements, which will replace IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities – Non-monetary Contributions by Ventures. The new standard sets out that, in a joint venture, two or more parties hold joint control if the decisions on material activities require the unanimous agreement of the parties. IFRS 11 sets out two distinct types of joint arrangements:
  1. joint operations;
  2. joint ventures.

  The two types of arrangements are different for the rights and obligations of the parties to the arrangement. In a joint operation the parties have rights to assets and obligations for liabilities, while in a joint venture the parties have rights to the net assets. IFRS 11 sets out that assets, liabilities, costs and revenues in a joint operation are recognised by the parties based on their respective rights and obligations, whereas a joint venture is recognised by the parties based on the equity method, as set out by IAS 28 “Equity investments in associated companies and joint ventures”. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest. After the issue of IAS 28 – Investments in Associates, this standard was amended to include equity investments in companies under joint-control in its scope of application, as from the effective date of the standard itself.

- On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which is a new and complete standard on additional information that shall be supplied on any type of equity interest, including disclosures on subsidiaries, joint arrangements, associates, special purpose entities and other entities of this type that are not consolidated. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest.
- IAS 27 Revised "Separate Financial Statements": issued by the IASB on 12 May 2011 and applicable from 1 January 2014. At the same time as introduction of the standard IFRS 10 "Consolidated financial statements", a revised version of the standard was published which retains the role of the general principle of reference for separate financial statements. This standard applies in the measurement of investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company. Joint ventures, just as with the investments in subsidiaries and associates, can be recognised in the separate financial statements both at cost and on the basis of IFRS 9 "Financial instruments" (and IAS 39, Financial Instruments: Recognition and Measurement"). When a subsidiary, in accordance with the provisions of IFRS 10 "Consolidated financial statements", chooses not to prepare the consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associated companies and joint ventures, the main headquarters (and the registered office if different), their assets, the percentage owned in the single companies invested in and information regarding the method used to recognise them in the financial statements;
- IAS 28 Revised "Investments in associates and joint ventures": issued by issued by the IASB on 12 May 2011 and applicable from 1 January 2014; at the same time as introduction of the standard IFRS 10 "Consolidated financial statements", a revised version of the standard was published which establishes the criteria for recognising investments in associated companies and joint ventures. An entity that exercises joint control or that has significant influence on another party must recognise its investment using the equity method;
- On 16 December 2011, the IASB issued another amendment to IAS 32 – Financial Instruments: Presentation, to clarify the application of some criteria for the offsetting of financial assets and liabilities included in IAS 32. The amendments are applicable retrospectively for accounting periods starting on or after 1 January 2014.
- IAS 36 "Impairment of assets": the amendment, applicable starting from 1 January 2014, was issued on 29 May 2013 and regards the information requirements when assets are impaired and where the recoverable value is determined on the basis of the fair value, net of disposal costs. This amendment removes the disclosure requirements with respect to the recoverable value of the asset if the cash-generating unit includes goodwill or intangible assets with indefinite useful life but do not show impairment of the asset. Disclosure is also required regarding the recoverable value of an asset or a CGU and regarding the way to calculate the fair value net of disposal costs when the asset is impaired;
- IAS 39 "Financial instruments: recognition and measurement": the amendment to this standard, issued on 27 June 2013, regards the accounting of derivative hedging instruments in the event of novation of the counterparty. Prior to introduction of this amendment, if there was a novation of the designated hedging derivative instruments, IAS 39 required interruption of the application of cash flow hedge accounting, assuming that the novation involved the conclusion or termination of the pre-existing hedging instrument. This change is applicable retrospectively starting from 1 January 2014.

At the reporting date, the competent bodies of the European Union have not yet concluded the endorsement process necessary for the application of the following accounting standards.

- On 12 November 2009, the IASB issued IFRS 9 - Financial instruments. Reissued in October 2010 and amended in November 2013, the standard is the first step of a process aiming at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards the financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contact cash flows of financial assets, with the aim of determining the evaluation criteria, by replacing the various rules set forth by IAS 39. As regards financial liabilities, the main amendment is instead related to accounting of fair value changes of a financial liability measured at fair value in the income statement, in the event these liabilities are due to a change in creditworthiness of the liability itself. According to the new standard, these changes should be recognised under Other profit/(loss) and will no longer be entered in the income statement. The date for initial compulsory application, originally established as 1 January 2015, will be reintroduced on conclusion of the IFRS 9 project with publication of the complete standard.

- IFRIC 21 - Levies: this interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets" was issued on 20 May 2013 and regards the accounting for government-imposed levies that do not fall within the range of application of IAS 12 "Income taxes". IAS 37 "Provisions, contingent liabilities and contingent assets" establish the criteria regarding recognition of a liability, one of which is represented by the presence of a present obligation for the entity as the result of a past event. This interpretation clarifies that the obligation that results in the liability for the levy to pay is the activity described in the legislation of the activity from which payment of the tax originates. The interpretation is applicable starting from 1 January 2014.
- On 21 November 2013 the IASB published certain minor amendments to IAS 19 - Employee benefits. These amendments, applicable retrospectively from 1 July 2014, regard the simplified accounting treatment of the contributions for defined benefit plans by employees or third parties in specific cases.
- On 12 December 2013, IASB issued a series of amendments to IFRS (Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle). Amongst others, the more important issues covered by the amendments are: a) definition of the accrual conditions in *IFRS 2 - Share-based payments*; b) the grouping of operating segments in *IFRS 8 - Operating segments*; c) the definition of executives with strategic responsibilities in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint control and e) certain clarifications regarding exceptions to the application of *IFRS 13 - Fair value measurement*.

Use of estimates

In order to prepare the financial statements in compliance with IFRS, estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. Estimates have been used to measure property, plant and equipment, investment property and intangible assets subject to impairment, as well as to recognise provisions, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and available-for-sale financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

III. IREN S.p.A. FINANCIAL RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect.
A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, exchange rate risk, interest rate risk, credit risk).

LIQUIDITY RISK

Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The table below illustrates the expected outflows (within 12 months, in 1-5 years and over 5 years). The flows indicated are undiscounted future cash flows, calculated according to residual contractual expiry dates, on both principal and interest. Undiscounted cash flows relating to interest rate hedges are also included.

thousands of euro

Data at 31/12/2013	Carrying amount	Contractual cash flows	within one year	1-5 years	Over 5 years
Mortgage and bond payables (*)	2,411,917	(2,939,832)	(737,895)	(1,000,921)	(1,201,016)
Hedging of interest rate risk (**)	35,259	(34,835)	(13,528)	(21,025)	(282)

(*) The carrying amount of the "Mortgage and bond payables" includes the nominal amount of the mortgages and bonds (both current and non-current shares).
(**) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedges (both positive and negative).

Cash flows required to settle other financial liabilities, different from those to banks, do not differ significantly from the recognised carrying amount.
For details of the liquidity risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

INTEREST RATE RISK

For a more complete understanding of the interest rate risks, sensitivity analysis was performed on net financial charges to changes in interest rates. This analysis was performed on the basis of reasonable assumptions as follows:

- an increase and reduction of 100 basis points in the Euribor interest rates over the year was applied to the net financial indebtedness;
- in any existing hedge, interest rate shock was applied to both the debt position and related hedge with an extremely limited net effect on the income statement;
- with regard to existing hedges at year end, a 100 basis points translation increase and decrease were applied to the forward curve of interest rates used to measure the fair value of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2013.

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 hedges)	2,929	(3,006)	-	-
Change in fair value				
Hedges (assessment components only)	(15)	(66)	17,195	(18,274)
Total impact from sensitivity analysis	**2,914**	**(3,072)**	**17,195**	**(18,274)**

FAIR VALUE

In accordance with IFRS 13, fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at year end. The present value of future flows is determined by applying the curve of forward interest rates at the balance sheet date. In addition to measuring fair value, as required by IFRS 13, counterparty default risk was also considered. The adoption of this new standard has no significant impact on the quantification of fair value.

In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

For each recognised asset and liability class, the following table provides both the carrying amount and related fair value.

thousands of euro

Asset/liability description	**31/12/2013**		**31/12/2012**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current loans to related parties	1,479,764	1,484,147	1,453,715	1,458,423
Hedges – long-term assets	0	0	80	80
Financial liabilities and current commitments to banks (*)	(1,756,586)	(1,729,572)	(2,019,579)	(1,930,132)
Hedges – long-term liabilities	(35,259)	(35,259)	(56,508)	(56,508)
Loans - current portion	(655,331)	(699,496)	(197,697)	(247,237)
Total	**(967,412)**	**(980,180)**	**(819,989)**	**(775,374)**

(*) at 31 December 2013, the fair value of the Put Bonds was equal to Euro 188,929 thousand.

Fair value hierarchy

The following table shows the financial instruments recognised at fair value, based on the measurement technique used. The various levels were defined as shown below:

- Level 1: Prices listed (not adjusted) on active markets for similar assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as per prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

31/12/2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(35,259)		(35,259)
Gross total	**-**	**(35,259)**	**-**	**(35,259)**

thousands of euro

31/12/2012	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets		80		80
Total assets	**-**	**80**	**-**	**80**
Derivative financial liabilities		(56,508)		(56,508)
Gross total	**-**	**(56,508)**	**-**	**(56,508)**

All Iren S.p.A. hedging financial instruments feature a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from quotations of the financial instruments, or however that do not require a significant adjustment based on data which cannot be observed on the market.
Moreover, no transfers occurred amongst the various Levels of the fair value hierarchy.

CREDIT RISK

Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the First-level companies and subsidiaries, according to their needs, based on service agreements signed by the parties.

For details of the credit risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

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

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As a result of the new Iren governance provisions (Extraordinary Shareholders' Meeting of 19 June 2013, which approved the new Articles of Association, and the Ordinary Shareholders' Meeting of 27 June 2013 which appointed the new Board of Directors), a further review became necessary of the Regulations on transactions with related parties.
Consequently, on 3 December 2013 Iren's Board of Directors, with opinion in favour from the Control and Risk Committee, adopted a new version of the "Internal Regulation on transactions with related parties" (hereinafter also the "TRP Regulation"), already approved on 30 November 2010 and amended on 6 February 2013, in implementation:

- of the provisions relating to transactions with related parties pursuant to article 2391-bis of the civil code;
- the provisions set forth under art. 114 of Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance");
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the "Consob Regulation").

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

Transactions with shareholders - related parties
Iren S.p.A. provides Finanziaria Sviluppo Utilities S.r.l., a special purpose company through which the Municipalities of Genoa and Turin hold their equity investment in Iren S.p.A., with a series of services in the legal, administrative, financial and tax areas, in accordance with specific agreements that provide for fair compensation for the services.

Transactions with shareholders - related parties
According to the "Internal regulation on transactions with related parties", Iren's Directors defined the Intesa Sanpaolo Group as a related party.
The Company has financial relations with the Intesa Sanpaolo Group and mainly relate to various loan types such as mortgage loans, credit facilities and current accounts. Moreover, the task of financial advisor for an extraordinary transaction was also assigned to Banca IMI S.p.A.

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

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

requirements (working capital), and the management of resources needed to support non-current investments. The conditions of intercompany contracts, signed based on the above regulation, were defined according to the conditions at which the Parent procures on the financial market.

Tax consolidation scheme - Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to art. 117 et seq. of the new Consolidated Income Tax Act (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
In 2013, all financial and legal transactions between the parties are governed by the specific infragroup agreement between the companies involved and the parent, Iren S.p.A..
The new tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, CELPI (in liquidation) (wound up on 20 January 2014), Iren Servizi e Innovazione (formerly Iride Servizi), AEMNET (merged into Iren Energia), Iren Acqua Gas, Iren Mercato, Iren Energia, CAE AMGA Energia, AGA, AES Torino, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia, ENIA Parma (merged into Iren Emilia), ENIA Piacenza (merged into Iren Emilia), ENIA Reggio Emilia (merged into Iren Emilia), Eniatel, Tecnoborgo, Iren Ambiente, Iren Ambiente Holding (beneficiary of the spin-off of Iren Ambiente), Iren Emilia and Genova Reti Gas.
In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law no. 244 of 24 December 2007 (2008 Finance Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding infra-group transfers pursuant to art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in art. 96 of the Consolidated Income Tax Act.
By reason of regulatory amendments, the Regulations in force were drawn up taking into account the above-mentioned criteria, pursuant to provisions set out by Art. 22 of the same Regulations.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent “tax settlements” equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.
With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these are subject to 6.5% additional IRES tax (increased to 10.5% for 2011, 2012 and 2013). This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation.

Group VAT option - In terms of procedures, for 2013, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding settlements and VAT periodic payments.
The companies that took part in the settlement procedure are the parent Iren S.p.A. and the following companies: Iren Energia S.p.A., Iren Servizi e Innovazione S.p.A. (formerly Iride Servizi), Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., AEM NET S.p.A. (merged into Iren Energia), CAE AMGA Energia S.p.A., AES Torino S.p.A., CELPI (in liquidation) (wound up on 20 January 2014), Genova Reti Gas S.r.l., ENIA Reggio Emilia S.p.A. (merged into Iren Emilia), ENIA Parma S.p.A. (merged into Iren Emilia), ENIA Piacenza S.p.A. (merged into Iren Emilia), Iren Ambiente S.p.A., Iren Emilia S.p.A., ENIA Solaris S.p.A., Idrotigullio S.p.A., Mediterranea delle Acque S.p.A. and Nichelino Energia S.r.l.

Transactions with Directors

Lastly, with regard to directors, note that other than regarding their offices held within the Group companies there have been no transactions with the directors.
Information on remuneration can be found in the specific table attached to the Report on Remuneration published by the deadline indicated in Art. 123-ter of the Consolidated Finance Act.

V. EVENTS AFTER THE REPORTING PERIOD

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

On 11 February 2014 Iren S.p.A. successfully completed the issue of a Private Placement for a total of Euro 100 million with a 5-year maturity and coupon payments at 3% p.a.
The bonds, listed on the Irish Stock Exchange, are fully subscribed by Morgan Stanley and are reserved for trading with institutional investors.
This transaction follows the initial bond placement completed in 2013.

Tap Issue for the Private Placement transaction completed on 14 October 2013, increasing the total to Euro 50 million

On 19 March 2014, Iren S.p.A. successfully concluded the tap issue for the 4.37% fixed rate bond placement completed on 14 October 2013 and maturing 14 October 2020.
The bonds, listed on the Irish Stock Exchange, are reserved for institutional investors only.
This transaction offers Euro 50 million in additional funding over and above the Euro 210 million of the original issue (including the tap issue performed on 29 October 2013), with the same maturity and coupon payments as the original issue but with a lower return (below 4%).

Takeover bid on Acque Potabili S.p.A.

On 11 March 2014, Iren S.p.A., Iren Acqua Gas S.p.A. (IAG), fully owned by Iren S.p.A., and Società Metropolitana Acque Torino S.p.A. (SMAT) agreed to launch a voluntary global takeover bid, through Sviluppo Idrico S.r.l., a company whose share capital is held in equal parts by IAG and by SMAT, in accordance with art. 102 et seq. of the Consolidated Law on Finance with regard to 13,785,355 ordinary shares of Acque Potabili S.p.A. - Società per la condotta di Acque Potabili (SAP).
IAG and SAP hold 11,108,795 and 11,109,295 SAP shares, respectively, for a total of 61.71% of the company's share capital.
The primary aim of the takeover bid is the delisting from the MTA market operated by Borsa Italiana of ordinary SAP shares.

VI. OTHER INFORMATION

CONSOB COMMUNICATION no. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
No significant non-recurring events and transactions occurred in 2013.

Positions or transactions deriving from atypical and/or unusual transactions
In 2013 the company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets or protection of minority shareholders.

TREASURY SHARES
At 31 December 2013 the company did not hold treasury shares.

PUBLICATION OF THE FINANCIAL STATEMENTS
The Financial Statements were approved for publication by Iren's Board of Directors at its meeting of 27 March 2014. The Board of Directors authorised the Chairman, the CEO and the Managing Director to make such changes to the financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.
The shareholders' meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned separate financial statements.

FEES OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS
As regards information on the remuneration of Directors, Auditors and Managers with strategic responsibilities, reference is made to the special Report on remuneration issued pursuant to Art. 123-ter of the Consolidated Finance Act.

VII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the following tables are in thousands of Euro.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown and change of property, plant and equipment may be analysed as follows:

thousands of euro

	31/12/2012	Increases	Depreciation	Disposals and other changes	31/12/2013
Land	278	-		-	278
Buildings	1,412	-	(85)	-	1,327
Total	**1,690**	**-**	**(85)**	**-**	**1,605**

Furthermore, there are no guarantees for significant amounts on the assets.

NOTE 2_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown and change of intangible assets may be analysed as follows:

thousands of euro

	31/12/2012	Increases	Amortisation	Disposals and other changes	31/12/2013
Industrial patents and similar rights	104	365	(102)	-	367
Assets under development	333	569	-	-	902
Total	**437**	**934**	**(102)**	**-**	**1,269**

<u>Industrial patents and similar rights</u>
This item primarily relates to costs incurred in the year for the purchase of management software. This asset is amortised over a five-year period.

<u>Assets under development</u>
These are costs incurred over the year to implement new software.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiaries
The list of investments in subsidiaries at 31 December 2013 is annexed.

The total of this item is broken down as follows:

thousands of euro

	31/12/2013	31/12/2012
Iren Acqua Gas S.p.A.	581,158	529,516
Iren Ambiente S.p.A.	88,044	97,189
Iren Ambiente Holding S.p.A.	9,145	0
Iren Emilia S.p.A.	341,512	341,512
Iren Energia S.p.A.	1,314,398	1,171,667
Iren Mercato S.p.A.	142,065	95,987
Tecnoborgo S.p.A.	186	186
Total	**2,476,508**	**2,236,057**

The increase in the investment in Iren Acqua Gas S.p.A. is due to the acquisition of 7.06% of the share capital held by Iren Emilia S.p.A. As a result of this transaction, Iren S.p.A.'s interest is now 100%.

Iren Ambiente Holding S.p.A. was established through the partial, proportional spin-off of Iren Ambiente S.p.A. The equity investments in Bonifica Autocisterne, Iren Rinnovabili, Aciam, Iniziative Ambientali, Rio Riazzone, Consorzio Leap and Reggio Emilia Innovation were transferred from Iren Ambiente S.p.A. to Iren Ambiente Holding S.p.A.

The increase in the investment in Iren Energia S.p.A. is due to that company's share capital increase for a total of Euro 142,731 thousand, including share premium, subscribed by Iren S.p.A. through transfer of its investment in Edipower.

The increase in the investment in Iren Mercato is due to Iren S.p.A.'s top-up of this subsidiary's share capital following the higher costs it incurred in relation to losses reported by the associate Sinergie Italiane and on the Edipower tolling agreement.

Also note that the equity investment in AMIAT V S.p.A. (0.001 %) and TLR V S.p.A. (0.001%), which is not reported in the table due to the insignificance of the related amount, are indirectly controlled by Iren S.p.A. through the first level companies Iren Emilia and Iren Energia.

The Tecnoborgo investment is controlled indirectly through shares held by Iren Ambiente.

In December 2013, the First-level companies, Iren Acqua Gas, Iren Ambiente and Iren Energia approved an extraordinary distribution, drawing on available reserves, amounting to Euro 70,000 thousand (Euro 69,013 thousand in 2012).
As regards this distribution, the Directors emphasise that they have found no impairment indicators to require the recognition of an impairment loss pursuant to provisions set out by IAS 36.

Investments in associates
The list of investments in associates at 31 December 2013 is annexed.
Changes during the year are reported in the following table:

thousands of euro

	31/12/2012	Increases	Reclassifications	31/12/2013
Delmi S.p.A.	142,731	-	(142,731)	-
Plurigas S.p.A.	240	-	-	240
TRM V. S.p.A.	31,214	-	-	31,214
Total	**174,185**	-	**(142,731)**	**31,454**

As regards the investment in Delmi, note that the reverse merger of Delmi into the subsidiary Edipower became effective from 1 January 2013.
On 10 May 2013 the agreement was signed for transfer of the investment in Edipower to Iren Energia.

As regards the equity investment in Plurigas, on 27 March 2013 the Shareholders' Meeting resolved on the liquidation of the company. Iren's Directors deem that at the end of the liquidation procedure, Iren will collect an amount which is substantially equal to the share of the company's equity, which is significantly higher than the carrying value at 31 December 2012.

In December 2012, a partnership was created amongst Iren S.p.A., other Iren Group companies (Iren Emilia S.p.A., Iren Ambiente S.p.A., Iren Energia S.p.A.), F2i (the controlling entity) and TRM V S.p.A. Following the tender launched by the Municipality of Turin, TRM V S.p.A. acquired 80% of TRM S.p.A., which was entrusted with the task of designing, building and managing the waste-to-energy plants using urban and similar waste and serving the southern area of the province of Turin.

NOTE 4_OTHER INVESTMENTS

This item relates to investments in companies over which Iren S.p.A. has neither control nor significant influence. Since their fair value could not be reliably determined, these investments were maintained at cost, adjusted for any impairment losses.
At 31 December 2013 there were no investments in other companies.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

Non-current financial receivables

The total for this item, unchanged since 31 December 2012 as a result of the new centralised treasury management agreement, which envisages the recognition of cash-pooling receivables under "non-current financial receivables", amounts to Euro 1,484,945 thousand (Euro 1,453,715 thousand at 31 December 2012).

To summarise, the new contract envisages that the loan granted by Iren to subsidiaries covers overall financial needs (current needs and future development), as established in the Budget and the Business Plans.

thousands of euro

	31/12/2013	31/12/2012
Receivables from subsidiaries and joint ventures	577,443	1,452,745
For centralised treasury management and cash pooling	906,532	-
Receivables from other Group companies	970	970
Total	**1,484,945**	**1,453,715**

Financial receivables from subsidiaries and joint ventures relate to amounts due from:

- Iren Mercato, for Euro 363,000 thousand (Euro 380,500 thousand at 31 December 2012),
- Enia Solaris for Euro 20,000 thousand (unchanged with respect to 31 December 2012),
- Idrotigullio, for Euro 6,744 thousand (Euro 6,666 thousand at 31 December 2012),
- Iren Ambiente, for Euro 178,434 thousand (Euro 146,079 thousand at 31 December 2012),
- Greensource for Euro 4,500 thousand (none at 31 December 2012),
- Iren Rinnovabili for Euro 5,000 thousand (Euro 9,500 thousand at 31 December 2012).

At 31 December 2012 receivables also included this amounts: from Iren Energia for Euro 525,000, from AEM Distribuzione for Euro 110,000 thousand, from Iren Acqua Gas for Euro 171,795 thousand and from Iren Emilia for Euro 83,205 thousand.

Financial receivables from other Group companies refer to a non-interest bearing capital injection into Nord Ovest Servizi.

Other non-current financial assets
Zero at 31 December 2013. At 31 December 2012 the total was Euro 80 thousand and related to the fair value of derivatives.

NOTE 6_OTHER NON-CURRENT ASSETS

These amount to Euro 10,563 thousand (Euro 10,688 thousand at 31 December 2012) and comprise tax receivables for IRES reimbursement, following the IRAP deduction related to years 2007-2011 and amounting to Euro 10,321 thousand, as well as receivables from personnel in the amount of Euro 242 thousand as the non-current portion of loans granted to employees.

NOTE 7_DEFERRED TAX ASSETS

This item amounts to Euro 20,030 thousand (31 December 2012: Euro 30,164 thousand) and refers to deferred tax assets arising from income components deductible in future years.
Reference should be made to the income statement, Note 34 “Income tax expense”, for further details.

CURRENT ASSETS

NOTE 8_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2013	31/12/2012
Receivables from customers	35	436
Receivables from subsidiaries and joint ventures	13,595	15,166
Receivables from associates	271	315
Receivables from shareholders - related parties	31	31
Receivables from other Group companies	60	65
Total	**13,992**	**16,013**

Receivables from customers
They primarily relate to receivables for expense reimbursements. These amount to Euro 35 thousand (Euro 436 thousand at 31 December 2012).

Receivables from subsidiaries and joint ventures
Receivables from subsidiaries and joint ventures refer to normal trade transactions carried out at arm's length.
The total amount of trade receivables from subsidiaries and joint ventures is broken down under the section on transactions with related parties.

Receivables from associates
This item primarily refers to fees that may be charged back for offices performed by Iren's employees in the associated companies, as well as to the repaid amount of insurance costs borne by the Parent.
The total amount of receivables from associates is broken down under the section on transactions with related parties.

Receivables from shareholders – related parties
Receivables from shareholders - related parties recorded a balance of Euro 31 thousand (unchanged since 31 December 2012) and refer to receivables for work performed for FSU.

Receivables from other Group companies
These amount to Euro 60 thousand (31 December 2012: Euro 65 thousand) and refer to payables due to Tirreno Power for Euro 60 thousand (unchanged since 31 December 2012). They refer to fees that may be charged back for offices held by Iren employees in this company. Moreover, at 31 December 2012 receivables from Atena Patrimonio amounted to Euro 5 thousand.

NOTE 9_CURRENT TAX ASSETS

Zero at 31 December 2013. They amounted to Euro 3,518 thousand at 31 December 2012 and referred to receivables for IRES advances.

NOTE 10_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2013	31/12/2012
Receivables from personnel	134	61
Receivables from subsidiaries for Group VAT	10,749	22,671
Receivables from subsidiaries for tax consolidation scheme	18,698	18,610
VAT credit	5,223	-
Other receivables	758	500
Tax assets	1,473	804
Prepayments	2,503	1,534
Total	**39,538**	**44,180**

Receivables from personnel include receivables for loans granted to employees, advances on pensions, wages and salaries and travel expenses.

The option for the Group tax consolidation scheme was exercised pursuant to art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A.

NOTE 11_CURRENT FINANCIAL ASSETS

All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.
Current financial receivables relate to:

Loans to subsidiaries, associated companies and joint ventures

The total for this item, unchanged since 31 December 2012 as a result of the new centralised treasury management agreement, which envisages the recognition of cash-pooling receivables under "non-current financial receivables", is broken down as follows:

thousands of euro

	31/12/2013	31/12/2012
For invoices issued	195	60
For invoices to be issued	21,574	32,987
For loans granted	236	233
For centralised treasury management and cash pooling	13,502	171,854
For dividends to be received	70,000	69,013
Total	**105,507**	**274,147**

Loans granted include Euro 236 thousand (Euro 233 thousand at 31 December 2012) as the current portion of a mortgage loan granted to the subsidiary Idrotigullio.

Dividends to be received refer to an extraordinary distribution decided by the Shareholders of the three First-level companies in December 2013. At 31 December 2013, these dividends were still unpaid. For further information, reference is made to Note 3_Investments in subsidiaries, associated companies and joint ventures.

Other financial receivables
These amount to Euro 109 thousand (Euro 210 thousand at 31 December 2012) and primarily relate to financial prepayments.

NOTE 12_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
Bank and postal accounts	30,794	4,623
Cash in hand and cash equivalents	264	7
Total	**31,058**	**4,630**

Cash equivalents represent short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

LIABILITIES

NOTE 13_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
Share capital	1,276,226	1,276,226
Reserves and retained earnings	173,692	158,335
Net profit (loss) for the year	86,859	70,311
Total	**1,536,777**	**1,504,872**

Share capital
The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2012), fully paid up, and consists of 1,181,725,677 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value of Euro 1 each.

Savings shares
The 94,500,000 savings shares of Iren, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different priority order in the allocation of net residual assets in the event of winding-up of the company, they are subject to the same regulation as ordinary shares.
Lastly, in the case of sale, the savings shares will be automatically converted, at par, into ordinary shares.

Reserves
The breakdown of this item is provided in the following table:

thousands of euro

	31/12/2013	31/12/2012
Share premium reserve	105,102	105,102
Legal reserve	32,512	28,996
Hedging reserve	(24,584)	(37,090)
Other reserves and retained earnings (losses)	60,662	61,327
Total	**173,692**	**158,335**

Hedging reserve
With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a counterpart directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans.

Other reserves and retained earnings (losses)
These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, and retained earnings and losses. During 2012, they reduced due to the retained loss reported in 2011. There were no significant changes in 2013. For further details, reference should be made to the statement of changes in equity.

Dividends
At the ordinary shareholders' meeting of Iren S.p.A. held on 27 June 2013, the distribution of a Euro 0.0523 per share dividend was approved. The dividend amounting to Euro 66,747 thousand was paid from 4 July 2013.

NON-CURRENT LIABILITIES

NOTE 14_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 1,791,845 thousand (Euro 2,076,087 thousand at 31 December 2012) and consist of:

Bonds
These amount to Euro 367,640 thousand (31 December 2012: Euro 157,643 thousand), with breakdown as follows:

- Euro 157,354 thousand (Euro 157,643 thousand at 31 December 2012) for two puttable non-convertible bonds, issued in 2008 with maturity in 2021. The bond, with a total term of 13 years, requires that after the third year and subsequently every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The second auction was conducted in September 2013 with definition of the credit spread for the 2 years thereafter. The amount refers to the amortised cost, pursuant to IAS.
- Euro 210,286 thousand for the issue of a Private Placement in October, with Mediobanca acting as intermediary for Euro 125 million and a later tap issue in November for Euro 85 million with BNP as intermediary. The 7-year bond loan was subscribed by Italian and international institutional investors and is listed on the Irish Stock Exchange. The carrying amount refers to the amortised cost, pursuant to IAS.

Non-current bank loans
These exclusively relate to the non-current portion of bank loans and amount to Euro 1,388,946 thousand (Euro 1,861,936 thousand at 31 December 2012).
Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max rate	3.945%-5.665%	0.694%-4.7251%	
Term	2015-2027	2015-2028	
2015	75,427	165,143	240,570
2016	88,556	109,278	197,834
2017	109,869	73,384	183,253
2018	62,129	59,788	121,917
Following	488,351	157,021	645,372
Total payables at 31/12/2013	**824,332**	**564,614**	**1,388,946**
Total payables at 31/12/2012	**818,665**	**1,043,271**	**1,861,936**

All loans are in Euro.

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

thousands of euro

	31/12/2012				31/12/2013
	Total payables	**Increases**	**Repayments**	**Amortised cost adjustments**	**Total payables**
- fixed rate	**818,665**	58,000	(52,496)	163	**824,332**
- floating rate	**1,043,271**	200,000	(677,835)	(822)	**564,614**
TOTAL	**1,861,936**	**258,000**	**(730,331)**	**(659)**	**1,388,946**

Total non-current loans at 31 December 2013 decreased compared to 31 December 2012 due to the following variations:

- an increase of Euro 258 million for the disbursement of new non-current loans: Euro 100 million from Cassa Depositi e Prestiti and Euro 58 million from the EIB as the last tranche for the Energy project regarding the development and maintenance of the gas and electricity networks, from BRE for Euro 100 million to refinance a previous Euro 75 million facility repaid early, to extend the expiry date;
- reduction, totalling Euro 730,331 thousand, related to the reclassification as current liabilities of loans with maturity in the next 12 months;
- marginal changes in amortised cost.

Other financial liabilities

These amount to Euro 35,259 thousand (Euro 56,508 thousand at 31 December 2012) and refer to the fair value of derivative contracts entered into by Iren as hedges against the interest rate risk on floating rate mortgages (reference should be made to the paragraph "Iren S.p.A. financial risk management" for comments).

NOTE 15_EMPLOYEE BENEFITS

Changes in this item in 2013 were as follows:

thousands of euro

At 31/12/2012	**10,590**
Current service costs	40
Financial expense	330
Disbursements for the year of releases and withdrawals	-486
Actuarial (profits) losses	1,001
Other changes	-
At 31/12/2013	**11,475**

Liabilities for employee benefits consist of:

Post-employment benefits

Changes in this item in 2013 were as follows:

thousands of euro

At 31/12/2012	**4,507**
Current service costs	-
Financial expense	143
Disbursements for the year of releases and withdrawals	-50
Actuarial (profits) losses	243
Other changes	-
At 31/12/2013	**4,843**

Other benefits

The composition and changes over the year of defined benefit plans, other than the post-employment benefits described above, are shown hereunder.

Additional months' salaries (long-service bonus)

The long-service bonus has been provided for to cover the additional amount due to employees in force at the end of the year in respect of the amount accrued at that date for those reaching the minimum pensionable service.

Movements of the year are shown in the following table:

thousands of euro

At 31/12/2012	**323**
Current service costs	14
Financial expense	10
Disbursements for the year of releases and withdrawals	-
Actuarial (profits) losses	24
Other changes	-
At 31/12/2013	**371**

Loyalty bonus

Employees reaching 25, 30 or 35 years of service are entitled to a loyalty bonus equal to one monthly salary amount as established by the national sector labour contract in force on reaching the required years of services. Movements of the year are shown in the following table:

thousands of euro

At 31/12/2012	**235**
Current service costs	11
Financial expense	7
Disbursements for the year of releases and withdrawals	-30
Actuarial (profits) losses	17
Other changes	-
At 31/12/2013	**240**

Provision for tariff discounts

The Company gives its employees hired on or before 31 July 1979 an electrical energy discount of 80% on the first 7,500 kW consumed per annum. For employees hired between 1 August 1979 and 8 July 1996, the Company gives an 80% discount on a maximum of 2,500 kW consumed per annum. This benefit is not recognised to employees hired since 9 July 1996.
In addition to employees currently in service, the electrical energy discount is recognised to all those eligible, including retired employees, and this right is transferable to surviving spouses.
Movements of the year are shown in the following table:

	thousands of euro
At 31/12/2012	**4,755**
Current service costs	15
Financial expense	147
Disbursements for the year of releases and withdrawals	-323
Actuarial (profits) losses	556
Other changes	-
At 31/12/2013	**5,150**

Premungas fund

The Premungas fund is a supplementary pension plan which allows the employee to obtain the same amount of remuneration received upon retirement. The benefit is paid to employees hired with a Federgasacqua contract up to 28 February 1978.
Movements of the year are shown in the following table:

	thousands of euro
At 31/12/2012	**770**
Current service costs	-
Financial expense	23
Disbursements for the year of releases and withdrawals	-83
Actuarial (profits) losses	161
Other changes	-
At 31/12/2013	**871**

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries.
The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.
For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.
Actuarial projections of the probable discounts on electrical energy consumption due to current retirees or surviving spouses, as well as to current employees (and surviving spouses, if any) once terminated the working relationship, were taken into account in determining the amount of the electrical energy discount.
The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- stock market of reference;
- the date the measurement is made;

- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The other financial assumptions adopted in the calculations are the following:

Annual inflation rate	2.00%
Annual rate of electrical energy price increase	2.00%
Annual increase rate of post-employment benefits	3.00%
Annual average increase rate of supplementary pensions	1.50%

Note in particular that the discount rate used to determine the current value of the obligation was calculated in accordance with paragraph 83 of IAS 19R, in reference to the average yield curve taken from the Iboxx Eurozone Corporates AA index at 31 December 2013, in line with the duration of the workforce included in the assessment as indicated in the following table:

Average duration (years)	Annual discount rate
1 - 3	0.86
3 - 5	1.36
5 - 7	2.09
7 – 10	2.5
10+	3.17

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end. This would show the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		**Service cost 2013**	**Duration of the plan**
	+0.25%	-0.25%		
Post-employment benefits	(109)	113	-	10
Additional monthly salaries	(9)	9	15	10
Loyalty bonus	-	-	10	8
Tariff discounts	(141)	189	16	12
Premungas	(17)	18	-	8

NOTE 16_PROVISIONS FOR RISKS AND CHARGES

Details and variations are shown in the table below:

thousands of euro

	31/12/2012	Increases	Decreases	31/12/2013
Provision for CIG/CIGS	16,446	-	(9,737)	6,709
Other provisions	3,224	732	(174)	3,782
Total	**19,670**	**732**	**(9,911)**	**10,491**

In September 2013 a number of pronouncements were made against Iren and subsidiaries, considered to be negative and rejecting the company's claims, ordering the payment of CIG, CIGS, Mobility and Unemployment contributions. After contacting the INPS Head Offices in Rome, applications for reduction of the penalties to the extent of legal interest and for payment of the debt in instalments were submitted. During the year the Directors consequently decided to arrange regular payment of the CIG (and CIGS/Mobility) contributions from January 2014.
As a result, current and non-current payables also include the amounts relating to previous years for a total of Euro 8,545 thousand following reclassification from the Provisions for risks and charges. This item continues to include the prudential estimate of potential additional amounts and collection charges for a total of Euro 6,709 thousand.
The increases are mainly due to new risk allocations for the year, while decreases include Euro 1,192 thousand in tax bills for C.I.G.-C.I.G.S., paid during 2013 and to reclassification to the payables as specified above.

NOTE 17_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 4,376 thousand (Euro 5,361 thousand at 31 December 2012) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.
Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.
Reference should be made to the income statement, note 32 "Income tax expense", for further details.

NOTE 18_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item amounts to Euro 16,738 thousand (Euro 8,862 thousand at 31 December 2012) and refers to payables to companies adopting the tax consolidation regime for reimbursements of IRES and the IRAP claim for 2007-2011 for Euro 8,862 thousand, and payables to Equitalia and to INPS for CIG, CIGS and mobility contributions for Euro 7,876 thousand.

CURRENT LIABILITIES

NOTE 19_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.
Current financial liabilities can be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
Bank loans	680,988	469,076
Financial payables to subsidiaries	119,227	97,382
Financial payables to joint ventures	-	32
Financial payables to shareholders – related parties	-	-
Financial payables to associates	3	30
Other financial liabilities	10	10
Total	**800,228**	**566,530**

Bank loans
Current bank loans may be broken down as follows:

thousands of euro

	31/12/2013	31/12/2012
Loans - current portion	655,331	197,697
Other current payables to banks	21,344	268,651
Accrued financial expenses and deferred financial income	4,313	2,728
Total	**680,988**	**469,076**

Financial payables to subsidiaries
Subsidiary loans may be analysed as follows:

thousands of euro

	31/12/2013	31/12/2012
For invoices to be received	35	526
For cash-pooling	119,192	96,856
Total	**119,227**	**97,382**

Financial payables to associates
These amount to Euro 3 thousand (31 December 2012: Euro 30 thousand) and refer to payables due to Valle Dora Energia.

Financial payables to others
These amount to Euro 10 thousand (31 December 2012: Euro 10 thousand) and refer to payables due to Monte Titoli.

NOTE 20_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

	31/12/2013	31/12/2012
Trade payables to suppliers	10,511	16,151
Trade payables to subsidiaries	2,190	3,382
Trade payables to associates	1	-
Payables to shareholders - related parties	-	-
Trade payables to other Group companies	114	614
Total	**12,816**	**20,147**

NOTE 21_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within twelve months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	31/12/2013	31/12/2012
Social security charges payable	2,037	1,160
Amounts payable to subsidiaries for tax consolidation scheme	875	9,151
Payables to subsidiaries for group VAT	15,565	7,317
VAT payables	-	14,618
IRPEF payables	976	996
Payables to employees	3,549	2,970
Other payables	1,562	1,385
Total	**24,564**	**37,597**

Among the social security charges is part of the tax demand for CIG, CIGS and mobility contributions for Euro 669 thousand to be paid in 2014.
The option for the Group tax consolidation scheme was exercised pursuant to art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A.

NOTE 22_CURRENT TAX LIABILITIES

The item amounts to Euro 7,267 thousand (zero at 31 December 2012) and refers to IRES tax liabilities.

FINANCIAL POSITION

The net financial indebtedness, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

	thousands of euro 31/12/2013	31/12/2012
Non-current financial assets	(1,484,945)	(1,453,795)
Non-current financial liabilities	1,791,845	2,076,087
Non-current financial indebtedness	**306,900**	**622,292**
Current financial assets	(136,674)	(278,988)
Current financial liabilities	800,228	566,530
Net current financial indebtedness	**663,554**	**287,542**
Net financial indebtedness	**970,454**	**909,834**

Net Financial Position regarding related parties
Non-current financial assets were Euro 1,483,975 thousand (Euro 1,452,745 thousand at 31 December 2012) and concern loans to and cash-pooling transactions with subsidiaries for Euro 1,454,475 thousand (Euro 1,423,245 thousand at 31 December 2012) and loans to joint ventures for Euro 29,500 thousand (unchanged compared to 31 December 2012).
Non-current financial liabilities for Euro 100,092 thousand (Euro 145,485 thousand at 31 December 2012) refer to relations with the Intesa Sanpaolo Group regarding loans granted.
Current financial assets for Euro 100,325 thousand (31 December 2012: Euro 274,148 thousand) relate to invoices to be issued, receivables for dividends to be received, as well as receivables from joint ventures for invoices to be received and issued.
Note that the financial receivables from subsidiaries resulting from cash pooling were reclassified to non-current financial assets.
Current liabilities, equal to Euro 162,870 thousand (Euro 225,013 thousand at 31 December 2012) relate to financial payables to subsidiaries due to the centralised treasury management, interest expense on financial movements and payables to the Intesa Sanpaolo Group on loans granted.

For additional information, see the annexed tables on transactions with related parties.

Below is the net financial position in the format proposed by the CESR recommendation of 10 July 2005, which does not include non-current financial assets.

	thousands of euro 31/12/2013	31/12/2012
A. Cash	(31,058)	(4,630)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash (A) + (B) + (C)	**(31,058)**	**(4,630)**
E. Current financial receivables	**(105,616)**	**(274,358)**
F. Current bank payables	25,657	271,380
G. Current portion of non-current liabilities	655,331	197,697
H. Other current financial liabilities	119,240	97,453
I. Current financial indebtedness (F)+(G)+(H)	**800,228**	**566,530**
J. Current net financial indebtedness (I) + (E) + (D)	**663,554**	**287,542**
K. Non-current bank payables	1,388,946	1,861,936
L. Bonds issued	367,640	157,643
M. Other non-current liabilities	35,259	56,508
N. Non-current financial indebtedness (K) + (L) + (M)	**1,791,845**	**2,076,087**
O. Net financial indebtedness (J) + (N)	**2,455,399**	**2,363,629**

VIII. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the following tables are in thousands of Euro.

REVENUE

NOTE 23_REVENUE FROM GOODS AND SERVICES

Revenue from services may be analysed as follows:

thousands of euro

	2013	2012
Services provided to related parties	28	28
Services provided to subsidiaries and associates	10,418	13,292
Services provided to other investees	-	-
Total	**10,446**	**13,320**

Revenue from services provided to related party shareholders refers to services provided to FSU.

Revenue from services to subsidiaries and associated companies relate to administrative and technical services provided in accordance with a specific contract. For additional information, see the annexed tables on transactions with related parties.

NOTE 24_OTHER REVENUE AND INCOME

Other revenue includes:

thousands of euro

	2013	2012
Revenue from previous years	943	3,167
Capital gains on disposals of assets	-	14,806
Sundry repayments	3,038	569
Total	**3,981**	**18,542**

Prior year revenue mainly derives from the settlement of prior items with reference to estimates made in previous years and adjustments to prior years' invoices.
Sundry repayments include fees which were paid to Iren Directors and employees reversible by group companies and the chargeback of costs for personnel seconded to subsidiaries.
In 2012, capital gains on disposal of assets related to the higher sale price on the sale of the building located in via Bertola 48, Turin.

EXPENSE

NOTE 25_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This amounts to Euro 10 thousand (Euro 12 thousand in 2012) and mainly refers to purchases of printed material and stationery.

NOTE 26_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

migliaia di euro

	Esercizio 2013	Esercizio 2012
Prestazioni professionali	2.611	8.271
Trasferte del personale per lavoro, corsi o convegni	135	486
Compensi e rimborsi spese ai sindaci	3.483	165
Assicurazioni	300	569
Spese di pubblicità e rappresentanza	717	306
Comunicazioni telefoniche e postali	1.830	42
Gestione mense ed esercizi convenzionati	248	28
Spese bancarie e postali	12	1.330
Forniture di energia elettrica da Iren Mercato	35	325
Forniture di acqua	173	16
Servizi da controllate e società del Gruppo	100	3.681
Altri costi per servizi	740	1.108
Totale	**10.384**	**16.327**

The decrease in services provided refers mainly to the reduction in professional services due to extraordinary consulting no longer being required, unlike in 2012 when such costs were incurred for Iren S.p.A.'s acquisition of investments in Amiat and TRM and for the Delmi-Edipower transaction.

Costs for the use of third-party assets amount to Euro 692 thousand (Euro 543 thousand in 2012) and include vehicle hire and sundry rents.

NOTE 27_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	2013	2012
Membership fees	938	1,012
Taxes and duties	626	976
Donations	1,510	1,052
Prior year expense	558	2,017
Prior year taxes	5	9
Other sundry operating expense	148	302
Total	**3,785**	**5,368**

Taxes and duties mainly refer to other taxes paid such as IMU (local property tax), the substitute tax on mortgages and stamp duty.
Donations primarily relate to contributions paid to the Teatro Regio of Turin and the Teatro Carlo Felice of Genoa.
Prior year expense mainly refers to differences on estimates.

NOTE 28_CAPITALISED EXPENSES FOR INTERNAL WORK

The costs for capitalised internal works amounted to Euro 370 thousand (Euro 166 thousand in 2012).

NOTA 29_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	2013	2012
Wages and salaries	14,466	13,613
Social security charges payable	4,257	4,007
Defined benefit plans - other	40	28
Other personnel expense	1,766	1,388
Directors' fees	704	869
Total	**21,233**	**19,905**

"Other personnel expense" includes the social security and recreational contribution, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits and contributions to be paid by the employer to supplementary pension funds.
The following table shows the average number of employees and their number at the beginning and end of the year:

	31/12/2013	31/12/2012	Average for the year
Managers	20	20	20
Junior managers	53	47	50
White collars	188	196	192
Total	**261**	**263**	**262**

NOTE 30_AMORTISATION/DEPRECIATION

Depreciation of property, plant and equipment and investment property amounted to Euro 85 thousand (unchanged compared to 2012) and refer to the depreciation of properties owned by the company. Amortisation of intangible assets amounted to Euro 102 thousand (Euro 29 thousand in 2012).

NOTE 31 _ PROVISIONS AND IMPAIRMENT LOSSES

This item amounts to Euro 794 thousand (Euro 3,772 thousand in 2012), of which Euro 732 thousand refer to provisions for risk. The analysis of the provisions and variations therein are given in the comment to the Statement of financial position item "Provisions for risks and charges".

NOTE 32_FINANCIAL INCOME AND EXPENSE

Financial income

The breakdown of financial income is provided in the following table:

thousands of euro

	2013	2012
Income from investments	131,562	99,832
Bank interest income	49	41
Interest income from Group companies	65,541	77,760
Interest income on interest rate hedges	35	393
Actuarial gains on employee benefits measurement	-	71
Fair value gains on derivatives	15	88
Changes in fair value of equity investments	-	2,458
Other financial income	187	6
Total	**197,389**	**180,649**

Income from investments includes the extraordinary distribution made by companies leading the business segments Iren Acqua Gas, Iren Energia and Iren Ambiente, drawing on available reserves, for a total of Euro 70,000 thousand (Euro 78,109 thousand in 2012).

For further information, reference is made to Note 3 – Investments in subsidiaries, associated companies and joint ventures.

Financial expense

The breakdown of financial expense is provided in the following table:

thousands of euro

	2013	2012
Bank interest expense on loans	76,656	74,630
Bank interest expense on credit facilities	4,431	17,340
Interest expense on interest rate hedging derivatives	17,615	16,247
Interest expense to subsidiaries	156	596
Financial expense to shareholders - related parties	-	1
Employee benefits	331	605
Financial expense related to the discounting of the provision for risks	-	449
Financial expense on derivatives	-	345
Actuarial loss on employee benefits measurement	17	-
Other financial expense	89	60
Total	**99,295**	**110,273**

The decrease in financial expense is mainly represented by the changes in bank interest expense, and is due to the considerable reduction in indebtedness and to lower lending rates.

Reference should be made to the note on “Employee benefits” in the Statement of financial position for details of financial expense on employee benefits.

NOTE 34_INCOME TAX EXPENSE

Income taxes amount to Euro 11,054 thousand (Euro 13,948 thousand in 2012) and may be analysed as follows:

- current taxes of Euro 15,016 thousand (2012: Euro 16,493 thousand);
- net deferred tax assets amounting to Euro 1,796 thousand (negative by Euro 3,962 thousand in 2012);
- prior year taxes negative for Euro 2,166 thousand (2012: positive for Euro 1,417 thousand), related to current taxes.

The 2008 Finance Act modified the interest expense regulations under art. 96 of the Consolidated Income Tax Act, providing for their deductibility up to a maximum of 30% of the Gross Operating Profit (GOP) with the possibility of carrying forward any surpluses of non-deductible interest expense to the following years and, if group taxation is adopted, with the right to offset said surpluses with any GOP surpluses accrued from other group companies.
With reference to Iren S.p.A., the new regulations set forth under Art. 96 of the Consolidated Income Tax Act involved forming surpluses of non-deductible interest expense totalling Euro 33,467 thousand that, however, the company was able to fully offset with the GOP surpluses accrued within the Group thanks to Iren’s decision to use group taxation and pursuant to existing consolidated taxation agreements. The ensuing benefit in terms of lower IRES tax was Euro 9,203 thousand.
Pursuant to the consolidated taxation agreements, no remuneration is owed by the companies with surpluses of non-deductible interest expense to the group companies that transferred their GOP surpluses.
The following table shows the reconciliation between theoretical and effective IRES tax rates. The reconciliation between ordinary and effective IRAP rate was not significant.
The table shows current taxes only, thus excluding deferred taxes. Therefore, variations to the theoretical tax refer to both temporary and final variations.

IRES

thousands of euro

		2013	2012
A	Profit before tax	75,806	56,364
B	Theoretical tax charge (27.5% rate)	20,847	15,500
C	Temporary differences taxable in future years	-	-
D	Temporary differences deductible in future years	2,394	4,407
	Fees to independent auditors and directors	164	239
	Amortisation/depreciation, capital losses and gains	22	131
	Allocations to provisions and interest expense	2,208	4,037
	Other	-	-
E	Transfer of prior year temporary differences	(74,238)	(93,040)
	Dividends not received over the year	(66,549)	(74,990)
	Use of provisions	(10,090)	(5,102)
	Fees to independent auditors and directors	(586)	(195)
	Other	2,987	(12,753)
F	Differences not recoverable in future years	(58,567)	(27,705)
	Non-taxable share of dividends (95%) received at 31/12	(58,567)	(29,277)
	Prior year items	-	-
	Other	-	1,572
G	Taxable income (A+C+D+E+F)	(54,605)	(59,974)
H	Current taxes for the year	(15,016)	(16,493)
I	Tax rate (H/A)	-20%	-29%

Recovery of State Aid
Among the main disputes generated as a result of the recovery of State Aid considered unlawful by Decision 2003/193/EC, there are Court of Cassation rulings regarding the calculation of interest payable on these recoveries by the former municipal companies.
In particular, the Supreme Court established that the interest on State Aid considered incompatible with European regulations must be calculated at the simple rate, not the compound rate.
The acceptance of this view by Court of Cassation judges changes the calculation rules adopted thus far by the Italian Inland Revenue, giving rise to the company's eligibility for a tax credit.
With regard to the interest calculation, Iren obtained two pronouncements in favour, which envisaged the reimbursement of interest paid over and above the amount due.
On 8 June 2011, following the opinion expressed by the technical expert appointed by the court on the correct calculation of interest on the recovery of state aid, the Regional Tax Commission of Genoa accepted the appeal lodged by the former AMGA and deemed the Tax Authorities' action to be illegal.

Furthermore, by pronouncements 7660/12 and 7661/12, filed on 16 May 2012, the Court of Cassation accepted the claim made by AMPS S.p.A. (merged into Enia S.p.A.) regarding the interest, and established that these "were due to at the interest rate applicable at the deadline stated for payment of the taxes outstanding". Appeal proceedings are currently pending with the Parma Provincial Department of the Italian Tax Authorities in relation to quantification of the interest to be reimbursed.

NOTE 35_OTHER COMPREHENSIVE INCOME

This item relates to:

- positive change in interest rate hedges for Euro 20,727 thousand (Euro 16,591 thousand at 31 December 2012);
- actuarial losses related to post-employment benefit plans for employees, in the amount of Euro 984 thousand (Euro 1,567 thousand at 31 December 2012);
- the aggregate tax effect is positive by Euro 7,950 thousand (31 December 2012: Euro 5,823 thousand).

IX. GUARANTEES AND CONTINGENT LIABILITIES

Personal guarantees given amount to Euro 514,660 thousand (31 December 2012: Euro 511,755 thousand) to be divided as follows:

- Euro 37,495 thousand of bank and insurance guarantees given to various Banks. Among the above, it is worth noting guarantees given in favour of:

- Municipality of Turin, for Euro 27,476 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;
- FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;
- REAM Sgr S.p.A., for Euro 2,308 thousand, to guarantee future lease payments of properties transferred to the fund called Fondo Core MultiUtilities;
- Reale Immobili S.p.A., for Euro 1,200 thousand in relation to sale of the registered office of Iren TO in Via Bertola;

- Euro 398,002 thousand in guarantees given on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Company Guarantees on behalf of Iren Mercato S.p.A.).

- Euro 79,163 thousand of guarantees given on behalf of associated companies, primarily related to the associate Sinergie Italiane.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage totalling Euro 57,167 thousand as at 31 December 2013 compared to Euro 115,402 thousand as at 31 December 2012).
The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the long-term purchase of gas from the Russian Gazprom supplier and the sale of gas to their shareholders or subsidiaries, included Iren Mercato. Therefore the company's financial exposure is progressively lowering with the consequent decrease in shareholders' guarantee obligations.
Also of note is the Euro 5,368 thousand in guarantees given on the Mestni loan.

Also note Iren S.p.A.'s commitment to Cariparma to retain control over Iren Ambiente Holding and by Iren Ambiente Holding to retain direct or indirect ownership of a share package amounting to at least 70% of the share capital of Varsi Fotovoltaico, Busseto Fotovoltaico, Fontanellato Fotovoltaico and Medesano Fotovoltaico which all have an existing loan agreement with Cariparma.

Lastly, it is worth noting that Iren S.p.A., as partner of AES S.p.A., signed a put option contract to support a bank loan entered by AES S.p.A.
The fair value of this instrument is equal to zero as the events that regulate the exercise are highly improbable.

X.ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

LIST OF INVESTMENTS

STATEMENT OF CHANGES IN EQUITY, WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES FOR 2013

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LIST OF INVESTMENTS

Company	Registered office	Currency	Share capital	% ownership
SUBSIDIARIES				
Iren Acqua Gas S.p.A.	Genoa	euro	386,963,511	100.00
Iren Ambiente S.p.A.	Piacenza	euro	63,622,002	100.00
Iren Ambiente Holding S.p.A.	Piacenza	euro	1,000,000	100.00
Iren Emilia S.p.A.	Reggio Emilia	euro	196,832,103	100.00
Iren Energia S.p.A.	Turin	euro	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	euro	61,356,220	100.00
Tecnoborgo	Piacenza	euro	10,379,640	0.50
TLR V. S.p.A.	Turin	euro	120,000	0.001
AMIAT V. S.p.A.	Turin	euro	1,000,000	0.001
ASSOCIATES				
Plurigas S.p.A.	Milan	euro	800,000	30.00
TRM V. S.p.A.	Turin	euro	1,000,000	24.70

STATEMENT OF CHANGES IN EQUITY, WITH ADDITIONAL INFORMATION

Amounts in Euro

Nature/Description	31/12/2013	31/12/2012	31/12/2011 Restated
SHARE CAPITAL	1,276,225,677	1,276,225,677	1,276,225,677
EQUITY-RELATED RESERVE			
Share premium reserve (1)	105,102,206	105,102,206	105,102,206
Negative goodwill	56,792,947	56,792,947	56,792,947
INCOME-RELATED RESERVE			
Legal reserve	32,511,926	28,996,367	28,996,367
Other reserves:			
Extraordinary reserve	4,337,223	4,288,198	13,324,099
Contribution reserve	-	-	7,555,032
Fair value reserve	-	-	-
Other reserves taxable on distribution	1,402,976	1,402,976	94,952,422
Hedging reserve	(24,584,160)	(37,090,146)	(25,910,916)
Actuarial reserve, IAS 19	(1,870,758)	(1,157,319)	250,789
Retained earnings (losses)	-	-	(36,506,746)
TOTAL	**1,449,918,037**	**1,434,560,906**	**1,520,781,877**
Unavailable portion	1,413,839,809	1,410,324,250	1,410,575,039
Remaining available portion	36,078,228	24,236,656	110,206,838

(1) Distributable to shareholders when the legal reserve has reached one fifth of the share capital.

KEY:
A: share capital increase
B: coverage of losses
C: dividend distribution

Amounts in Euro

31/12/2010 Restated	Possible use	Available portion	Summary of uses over the last three years	
			Coverage of losses	Other reasons
1,276,225,677	B	1,276,225,677		
105,102,206	A, B	105,102,206		
56,792,947	A, B, C	56,792,947		
23,861,884	B	32,511,926		
24,248,108	A, B, C	4,337,223		20,011,443
7,555,032	A, B, C	-		7,555,032
(8,446,663)	A, B	-		
94,952,422	A, B, C	1,402,976	93,549,446	
(13,713,966)		(24,584,160)		
83,996		(1,870,758)		
(36,506,746)	A, B, C	-		
1,530,154,897		**1,449,918,037**		
1,405,273,763		1,413,839,809		
124,881,134		36,078,228		

DEFERRED TAX ASSETS AND LIABILITIES

	2013			
	differences			
	opening	accrual	reversal	residual
Deferred tax assets				
Directors' fees	607	73	607	73
Independent Auditors' fees	485	91	485	91
Entertainment expenses	-	-	-	-
Provision for risks	17,766	694	9,907	8,553
Provisions for employee benefits	7,257	1,372	437	8,192
Assets amortisation/depreciation	199	22	-	221
Derivatives	52,515	-	20,727	31,788
Other	22,973	975	-	23,948
Total taxable base/deferred tax assets	**101,802**	**3,227**	**32,163**	**72,866**
Deferred tax liabilities				
Allowance for impairment of accounts receivable	44	-	-	44
Provision for risks	37	-	-	37
Provisions for employee benefits	615	-	151	464
Assets amortisation/depreciation	1,733	-	-	1,733
Capital gains on disposal of assets	12,366	-	2,987	9,379
Derivatives	887	-	-	887
Dividends not received	3,905	3,500	3,905	3,500
Total taxable base/deferred tax liabilities	**19,587**	**3,500**	**7,043**	**16,044**
TAX LOSSES	-	-	-	-
Net deferred tax assets (liabilities)	**82,215**	**(273)**	**25,120**	**56,822**

thousands of euro

taxes to IS	taxes to E	2013 taxes IRES	IRAP	total
(147)	-	20	-	20
(109)	-	25	-	25
-	-	-	-	-
(2,179)	-	2,654	122	2,776
(424)	682	2,253	-	2,253
6	-	61	-	61
-	8,742	8,742	-	8,742
268	-	6,073	81	6,154
(2,585)	**9,424**	**19,828**	**203**	**20,031**
-	-	12	-	12
-	-	10	2	12
(42)	-	128	-	128
-	-	348	58	406
(822)	-	2,579	-	2,579
(10)	-	276	-	276
(111)	-	963	-	963
(985)	**-**	**4,316**	**60**	**4,376**
-	-	-	-	-
(1,600)	**9,424**	**15,512**	**143**	**15,655**

DEFERRED TAX ASSETS AND LIABILITIES

	2012			
	differences			
	opening	accrual	reversal	residual
Deferred tax assets				
Directors' fees	564	71	28	607
Independent Auditors' fees	485	167	167	485
Entertainment expenses	-	-	-	-
Provision for risks	19,387	2,820	4,441	17,766
Provisions for employee benefits	5,056	2,782	581	7,257
Assets amortisation/depreciation	199	-	-	199
Derivatives	35,770	16,745	-	52,515
Other	23,815	158	1,000	22,973
Total taxable base/deferred tax assets	**85,276**	**22,743**	**6,217**	**101,802**
Deferred tax liabilities				
Allowance for impairment of accounts receivable	44	-	-	44
Provision for risks	37	-	-	37
Provisions for employee benefits	464	151	-	615
Assets amortisation/depreciation	1,996	-	263	1,733
Capital gains on disposal of assets	613	11,950	197	12,366
Derivatives	887	-	-	887
Dividends not received	3,119	3,905	3,119	3,905
Total taxable base/deferred tax liabilities	**7,160**	**16,006**	**3,579**	**19,587**
TAX LOSSES	-	-	-	-
Net deferred tax assets (liabilities)	**78,116**	**6,737**	**2,638**	**82,215**

thousands of euro

		2012		
taxes to IS	taxes to E	taxes IRES	IRAP	total
12	-	167	-	167
-	-	133	-	133
-	-	-	-	-
(446)	-	4,886	69	4,955
195	411	1,996	-	1,996
-	-	55	-	55
-	5,412	14,441	2,531	16,972
(275)	-	5,805	81	5,886
(514)	**5,823**	**27,483**	**2,681**	**30,164**
-	-	12	-	12
-	-	10	2	12
42	-	169	-	169
(42)	-	348	58	406
3,232	-	3,401	-	3,401
-	-	277	10	287
216	-	1,074	-	1,074
3,448	**-**	**5,291**	**70**	**5,361**
-	-	-	-	-
(3,962)	**5,823**	**22,192**	**2,611**	**24,803**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial receivables and Cash equivalents	Other receivables	Trade payables	Financial payables
Finanziaria Sviluppo Utilities	31	-	2,759	-	-
Intesa Sanpaolo Group	-	1,382	-	-	143,732
Aem To Distribuzione SpA	364	94,082	5,094	2	-
Aem Net SpA	-	-	-	-	-
AGA SpA	10	-	-	-	-
AMIAT Veicolo S.p.A.	9	-	-	-	-
Bonifica Autocisterne srl	2	-	-	-	-
CAE Amga Energia	51	-	-	-	-
Celpi	2	-	-	-	283
Climatel srl	5	-	-	-	-
EniaTel	5	-	72	-	-
Enia Piacenza	94	-	261	-	-
Enia Parma	134	-	328	-	-
Enia Reggio Emilia	130	-	312	-	-
Genova Reti Gas	330	-	1,250	3	-
Idrotigullio	86	6,778	-	-	-
Immobiliare delle Fabbriche	-	-	15	-	-
Iren Ambiente	332	182,063	1,066	8	-
Iren Ambiente Holding	17	-	-	-	-
Iren Acqua Gas	2,015	208,591	-	367	-
Iren Emilia	3,202	11,407	5,328	267	94,597
Iren Energia	3,707	652,553	749	325	1
Iren Mercato	993	381,584	5,865	673	1
Iren Servizi e Innovazione	714	24	636	459	24,346
Laboratori Idrici Acqua Gas	45	-	-	-	-
Mediterranea delle Acque	826	-	2,382	4	-
Nichelino Energia	23	8,511	252	-	-
Tecnoborgo	4	-	146	-	-
AES Torino	335	13,758	5,691	82	-
Società Acque Potabili	77	-	-	-	-
Acquedotto Savona	15	-	-	-	-
Acquedotto Monferrato	10	-	-	-	-
ENÌA Solaris	-	20,428	-	-	-
Greensource	-	4,596	-	-	-
Iren Rinnovabili S.p.A.	26	5,107	-	-	-
Aciam S.p.A.	73	-	-	-	-
Acos S.p.A.	9	-	-	-	-
Acquaenna S.c.p.a.	2	-	-	-	-
AMIAT S.p.A.	4	-	-	-	-
Amter S.p.A.	59	-	-	-	-
ASA S.p.A.	5	-	-	-	-
Domus Acqua S.r.l.	32	-	-	-	-
Fata Morgana	-	-	-	-	-
Il Tempio S.r.l.	-	-	-	-	-
Piana Ambiente S.p.A.	63	-	-	-	-
Plurigas S.p.A.	-	-	-	-	-
S.M.A.G. srl	15	-	-	-	-
So. Sel. S.p.A.	5	-	-	1	-
TLR Veicolo S.p.A.	32	-	-	-	-
TRM Veicolo S.p.A.	2	-	-	-	-
Valle Dora Energia Srl	2	-	-	-	2
Total	**13,897**	**1,590,864**	**32,206**	**2,191**	**262,962**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
Finanziaria Sviluppo Utilities	-	28	-	-	-
Intesa Sanpaolo Group	-	-	412	-	7,341
Aem To Distribuzione SpA	878	136	-	4,445	-
Aem Net SpA	3	6	2	-	4
AGA SpA	122	10	-	-	-
AMIAT Veicolo S.p.A.	-	9	-	-	-
Bonifica Autocisterne srl	-	-	-	-	-
CAE Amga Energia	207	3	-	-	-
Celpi	-	2	-	-	-
Climatel srl	-	-	-	-	-
EniaTel	13	4	-	-	-
Enia Piacenza	997	16	-	-	-
Enia Parma	1,793	28	-	-	-
Enia Reggio Emilia	1,507	20	-	-	-
Genova Reti Gas	292	18	-	-	-
Idrotigullio	414	3	-	68	-
Immobiliare delle Fabbriche	-	-	-	-	-
Iren Ambiente	1,146	63	5	6,741	-
Iren Ambiente Holding	44	9	-	-	-
Iren Acqua Gas	3,666	2,536	200	44,562	-
Iren Emilia	302	5,066	595	18,739	87
Iren Energia	1,494	3,250	1,084	97,971	-
Iren Mercato	632	1,356	307	16,595	25
Iren Servizi e Innovazione	9,479	561	1,797	936	8
Laboratori Idrici Acqua Gas	-	2	-	-	-
Mediterranea delle Acque	1,806	24	-	-	-
Nichelino Energia	-	15	-	259	-
Tecnoborgo	87	4	-	-	-
AES Torino	363	111	37	84	31
Società Acque Potabili	-	27	-	-	-
Acquedotto Savona	-	5	-	-	-
Acquedotto Monferrato	-	5	-	-	-
ENÌA Solaris	57	-	-	833	-
Greensource	-	-	-	96	-
Iren Rinnovabili S.p.A.	-	37	-	299	-
Aciam S.p.A.	-	2	-	-	-
Acos S.p.A.	-	9	-	-	-
Acquaenna S.c.p.a.	-	2	-	-	-
AMIAT S.p.A.	-	10	-	-	-
Amter S.p.A.	-	1	-	-	-
ASA S.p.A.	-	5	-	-	-
Domus Acqua S.r.l.	-	-	-	-	-
Fata Morgana	-	-	1	-	-
Il Tempio S.r.l.	-	1	-	-	-
Piana Ambiente S.p.A.	-	-	20	-	-
Plurigas S.p.A.	-	-	-	5,475	-
S.M.A.G. srl (ex integra)	-	-	-	-	-
So. Sel. S.p.A.	-	4	2	-	-
TLR Veicolo S.p.A.	-	22	-	-	-
TRM Veicolo S.p.A.	-	2	-	-	-
Valle Dora Energia Srl	-	4	-	-	-
Total	**25,302**	**13,416**	**4,462**	**197,103**	**7,496**

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

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	1,606		
Intangible assets	1,269		
Investments in subsidiaries, associated companies and joint ventures	2,507,962		
Other investments	-		
Total (A)	**2,510,837**	**Non-Current Assets (A)**	**2,510,837**
Other non-current assets	10,563		
Other non-current liabilities	(16,739)		
Total (B)	**(6,176)**	**Other non-current assets (liabilities) (B)**	**(6,176)**
Trade receivables	13,992		
Current tax assets	-		
Other receivables and other current assets	39,538		
Trade payables	(12,816)		
Other payables and other current liabilities	(24,563)		
Current tax liabilities	(7,267)		
Total (C)	**8,884**	**Net working capital (C)**	**8,884**
Deferred tax assets	20,030		
Deferred tax liabilities	(4,376)		
Total (D)	**15,654**	**Deferred tax assets (liabilities) (D)**	**15,654**
Employee benefits	(11,475)		
Provisions for risks and charges	(10,491)		
Total (E)	**(21,966)**	**Provisions for risks and employee benefits (E)**	**(21,966)**
		Net invested capital (G=A+B+C+D+E)	**2,507,233**
Equity (F)	**1,536,777**	**Equity (F)**	**1,536,777**
Non-current financial assets	(1,484,945)		
Non-current financial liabilities	1,791,845		
Total (G)	**306,900**	**Non-current financial indebtedness (G)**	**306,900**
Current financial assets	(105,615)		
Cash and cash equivalents	(31,058)		
Current financial liabilities	800,229		
Total (H)	**663,556**	**Current financial indebtedness (H)**	**663,556**
		Net financial indebtedness (I=G+H)	**970,456**
		Own funds and net financial indebtedness (F+I)	**2,507,233**

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the enactment regulation of Legislative Decree 58/1998, fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

thousands of euro

Service	Service provider	To	Fees
Audit	Parent auditor	Parent	81
Attestation services (1)	Parent auditor	Parent	21
Tax consulting services	Parent auditor	Parent	-
Other services (2)	i) Parent auditor	Parent	146
	ii) Parent auditor network	Parent	
Audit	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Attestation services	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Tax consulting services	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Other services	i) Parent auditor	i) Subsidiaries	
	ii) Parent auditor network	ii) Subsidiaries	
Total Independent Auditors' fees			**248**

(1) Attestation services refer to the limited half-year audits and the audit and certification of the unbundling financial statements.
(2) Other services refer to the verification of translations of the financial statements and activities performed on issue of the private placement.

STATEMENT REGARDING THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-ter OF CONSOB REGULATION No. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND INTEGRATED

1. The undersigned, Nicola De Sanctis, CEO, and Massimo Levrino, Finance Director and Manager in charge of financial reporting of Iren S.p.A., hereby confirm, also in consideration of the provisions of art. 154-bis, subsections 3 and 4, Legislative Decree no. 58 of 24 February 1998:

    - the adequacy in respect of the company's characteristics and
    - the actual application during 2013 of administrative and accounting procedures in preparing the separate financial statements.

2. Furthermore, it is hereby declared that:

    2.1 the separate financial statements:

    a) are prepared in compliance with applicable IFRS endorsed by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;

    b) correspond with books and accounting records;

    c) are suitable to give a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

    2.2 the directors' report includes a reliable analysis of the operating performance and results, and of the issuer's situation and of the entirety of the companies included in the consolidation, together with the description of the major risks and uncertainties to which they are exposed.

27 March 2014

CEO	Administration and Finance Director and Manager in Charge appointed under Law 262/05
Nicola De Sanctis	Massimo Levrino

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AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

1 We have audited the separate financial statements of Iren SpA as of 31 December 2013 which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes. The directors of Iren SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 29 April 2013.

3 In our opinion, the separate financial statements of Iren SpA as of 31 December 2013 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Iren SpA for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

pwc

4 The directors of Iren SpA are responsible for the preparation of the directors' report and the report on corporate governance and ownership structure, published in the Investor Relations section of Iren SpA's website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure, with the separate financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the directors' report and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Iren SpA as of 31 December 2013.

Turin, 18 April 2014

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
(pursuant to Art. 153, Italian Legislative Decree 58/1998 and Art. 2429, Italian Civil Code)

Dear Shareholders,
In 2013 the Board of Statutory Auditors performed its supervisory activities in accordance with regulations in force, in compliance with the duties pursuant to Art. 149, Italian Legislative Decree 58/1998 (the Consolidated Law on Finance) and with the regulatory content of Legislative Decree no. 39 of 27 January 2010, and in accordance with the principles of conduct recommended by the Italian Accounting Profession.
This report refers to the activities carried out in fulfilment of our duties, as required by Art. 2429 of the Italian Civil Code and in compliance with Art. 153 of the Consolidated Law on Finance, taking into account Consob Communications relating to corporate controls.
The activities of the Board of Statutory Auditors involved, amongst other things:

- attendance of the 2 Shareholders' Meetings, the 13 meetings of the Board of Directors and the 12 meetings of the Executive Committee, now suppressed following amendment of the Articles of Association approved by the Extraordinary Shareholders' Meeting of 19 June 2013;
- attendance of 2 meetings of the Control and Risk Committee, held as part of the Committee's internal control and auditing function pursuant to art. 19, Legislative Decree 39/2010;
- attendance by the Chairman of the Board of Statutory Auditors of: (i) 8 meetings of the Control and Risk Committee; (ii) 2 meetings of the Control and Risk Committee in its capacity as Committee for Transactions with Related Parties; (iii) 3 meetings of the Committee for Transactions with Related Parties established ad hoc on 3 December 2013; (iv) 11 meetings of the Remuneration Committee;
- 14 meetings of the Board of Statutory Auditors which, in cases deemed necessary, involved the attendance of the executive directors, the members of the Independent Auditors, the Manager in charge of financial reporting and the Internal Auditing Manager and other managers of the Company in charge of key functions for the audit activity of the Board of Statutory Auditors;
- information gathering and exchange of opinions with PricewaterhouseCoopers, the company assigned the task of audit of the financial statements and of expressing an opinion thereon for the nine-year period 2012-2020, the Manager in charge of financial reporting, the Internal Audit Committee, the Supervisory Body pursuant to Legislative Decree 231/2001 and with the Managers of various company departments, in particular Internal Audit;
- in 2013, information gathering on the administration and control systems and the general business performance of the subsidiaries, pursuant to Art. 151 of the Consolidated Law on Finance, was also facilitated by the presence of a Statutory Auditor of the Parent at each Board of Statutory Auditors Meeting of the first-level subsidiaries.

In compliance with the Group's new Governance instructions, the Extraordinary Shareholders' Meeting of 19 June 2013 approved amendments to the Articles of Association which, amongst other things, suppressed the Executive Committee and assigned all due powers to the Board of Directors for the ordinary and extraordinary administration of the company.
The Ordinary Shareholders' Meeting of 27 June 2013 appointed the new Board of Directors of the company which will remain in office until approval of the 2015 financial statements. This Shareholders' Meeting also appointed the Chairman of the company.

The Board of Statutory Auditors also acknowledges that on 17 September 2013 Roberto Firpo resigned his membership of the Board of Directors following his partial loss of independence requirements. On the same date he was co-opted to the Board of Directors as director meeting the independence requirements pursuant to Articles 147-ter and 148 of the Consolidated Law on Finance but not meeting the independence requirements of the Corporate Governance Code.

Iren SpA operates as Parent, through the five first-level companies over which it exercises a management and coordination role in accordance with the provisions of Art. 2497 et seq. of the Italian Civil Code.
The information provided by the Board of Statutory Auditors in the following remarks is for the most part confirmed in the Notes to the Consolidated Financial Statements in reference to the business activities of the individual consolidated companies.
As part of the supervisory activities carried out in the manner described above, the Board would like to report the following, in accordance with the sequence of topics indicated in Consob Communication DEM/1025564 of 6 April 2001, as amended.

1. *Remarks on the main economic, financial and equity transactions*
   In relation to activities performed directly by the Parent or first-level companies, in the Directors' Report for the Group Iren SpA has illustrated the more significant financial statements transactions completed during the year and after year end. Particularly important among these were:
   - exercise of the put option for the exit from Edipower with its non-proportional spin-off (with effect from 1 November 2013) to Iren Energia S.p.A. On conclusion of the spin-off, this company became owner of the assets and liabilities that include the combined cycle thermoelectric plant in Turbigo and the hydroelectric plant in Tusciano;
   - the issue of a Private Placement for a total of Euro 210 million in 2013 and a further Euro 100 million in February 2014, subscribed by Italian and international institutional investors. The bonds were listed on the Irish Stock Exchange;
   - the agreement reached after year end with Unieco Società Cooperativa for the gradual integration of its waste management division into Iren Ambiente S.p.A.;
   - a voluntary global takeover bid on ordinary Acque Potabili SpA shares after year end, launched by Iren Acqua Gas S.p.A. (a 100% subsidiary of Iren S.p.A.) and Società Metropolitana Acque Torino S.p.A., primarily aimed at delisting of the shares from Borsa Italiana's MTA market.

2. *Atypical or unusual transactions*
   No atypical or unusual transactions were carried out either with third parties, related parties or infragroup.

3. *Ordinary infragroup transactions and transactions with related parties*
   Following the Governance changes, on 3 December 2013 the company updated its "Internal regulation on transactions with related parties", adopted from 1 January 2011 in compliance with Consob Resolution no. 17221 of 12 March 2010 on the adoption of rules envisaged in Art. 2391-bis of the Italian Civil Code.
   The Notes and related tables attached to the separate Financial Statements provide an adequate description of this type of transaction, showing the extent of the trade, financial or other relations between Iren SpA and the various entities. From statements obtained and information provided it emerges that a sizeable part of these relations concern services provided to the customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations. Where they do not concern current services, the Directors confirm that the transactions are governed by specific contracts, whose terms are established in accordance with normal market conditions.
   In accordance with IAS/IFRS, all related party transactions have also been described in the Notes to the consolidated financial statements. The Board deems these to be in the Company's interest and, as things stand, considers that the related decision-making and operating processes, adopted by the Company and its Subsidiaries in accordance with the criteria set out in the Directors' Report, in any event ensure proper conduct of activities complementary to mutual relations.

4. *Remarks on compliance with the principles of correct management*
   The Board, independently or through specific meetings with Senior Management, obtained information on changes in company processes and received information on general business performance and the most significant transactions performed by the Company and its subsidiaries.
   Based on information received and the analyses performed, the Board can reasonably state that the action decided was implemented in compliance with law, the Articles of Association and the principles of correct management, and were not manifestly imprudent, risky or potentially in conflict of interest or likely to compromise the integrity of corporate assets.
   The Board has also noted that, the Board of Directors, subject to Board of Statutory Auditors'

examination as part of its internal control duties assigned by Italian Legislative Decree 39/2010 (Art. 19), with the favourable opinion of the Control and Risk Committee and in compliance with recommendations in the joint Consob-Isvap-Bank of Italy Document no. 4 of 3 March 2010, the Board of Directors approved the impairment test procedure applied by the Company to goodwill, equity investments and available-for-sale securities recognised in the financial statements, taking into consideration the results in the fair expression of such assets in the separate financial statements at 31 December 2013.

5. *Remarks on the adequacy of the organisational structure*
To the extent of its responsibilities, the Board has examined and monitored the adequacy of the Company's organisational structure by receiving information from the heads of the company departments or the competent Bodies and by consulting the internal documentation, where necessary.

6. *Remarks on the adequacy of the internal control system*
With constructive input from the Internal Auditing Department, the Board evaluated and supervised the adequacy of the internal control system by attending the meetings of the related Committee and meeting with the managers of the various departments involved.
As far as the Board is aware and although with improvement margins, the overall internal control system has given no sign of shortcomings, defect or malfunction which might prevent its reliability and jeopardise the positive performance of company processes. This opinion is confirmed in the compliant resolutions carried on this matter by the Board of Directors and in indications provided by the Committee of Internal Control and Risks.
The Supervisory Body performed regular controls, reporting on a half-yearly basis to the Control and Risk Committee and the Board of Directors on the content and results of its action. The Board of Statutory Auditors acknowledged that the above-mentioned Body highlighted no significant critical elements in the Organisation, Management and Control model adopted by the Company.
In accordance with the Board's proposal, when renewing the Supervisory Body in 2013 the company changed its composition, appointing two external members with specific, proven skills.

7. *Remarks on the administration/accounting system*
The Board supervised the adequacy of the administration/accounting system for the correct representation of operational events by obtaining information from the heads of administration departments and by analysing the results of work carried out by the Independent Auditors. During the meetings held pursuant to Art. 150 of the Consolidated Law on Finance, in relation to the Company and its Subsidiaries the Board of Statutory Auditors was not made aware of any censurable events and situations or inefficiencies worthy of note.
The Board acknowledges the launch of the implementation stage of the project which aims to harmonise the IT processes of the individual first-level companies. The Board hopes for a rapid implementation of solutions aimed at guaranteeing prompt interventions and information so that the integration of data by the Parent will be more rapid and efficient.

8. *Remarks on the adequacy of the instructions issued by the Company to its subsidiaries, pursuant to Art. 114, paragraph 2, Italian Legislative Decree 58/1998*
The Parent has issued all necessary information to the Subsidiaries to allow their compliance with disclosure obligations in accordance with law and is essentially guaranteed by transmission of the respective Board of Directors' resolutions. The Company has also adopted a special "Regulation for the internal management and external communication of reserved and/or privileged information", with respect to which the Board has reported the opportunity of formalising the transmission methods for information flows from Group companies to the Parent into a special procedure, as part of the update required following the Governance changes.

9. *Claims or reports pursuant to Art. 2408 of the Italian Civil Code.*
The Board of Statutory Auditors has commenced action on the request formulated, at the Shareholders' Meeting of 27 June 2013, by one Shareholder acting on behalf of the group of Small Shareholders, to verify whether the directors of the investee Sinergie Italiane Srl had "conducted their specific duties with required due diligence" and if there were indications of conduct that might justify the launch of liability action against a director of the investee in relation to losses recorded by the company in the year ending 30 September 2011. With support as required from an external law office, the Board of Directors has conducted an in-depth examination, as a result of which it considers that, over and above the lack of transparency demonstrated to the Board of Directors, at least at the beginning, by the former CEO of the investee in relation to the actual work conducted, any liability proceedings taken against that person would be difficult to prove in terms of causation, the related gain from any claim for damages recognised would be limited and of a modest amount in terms of the actual likelihood of collection.

10. *Opinions issued during the year.*
During the year, the Board issued opinions on the remuneration of directors with key management roles and on the replacement of directors pursuant to Art. 2386 of the Civil Code.

11. *Information on the assignment of any additional tasks to the Independent Auditors or parties related thereto and related costs*
The information obtained and the statements made by PricewaterhouseCoopers S.p.A. to the Board of Statutory Auditors reveal that in addition to audit of the separate and consolidated financial statements and the review of the interim report, to audit the tax and audit models of annual separate financial statements (unbundling), the Independent Auditors were assigned additional tasks. These mainly related to review of the private placement transactions, the procedures to legally confirm receivables due from a municipal authority and audit procedures as agreed for the Turbigo and Tusciano assets and liabilities.
The total fees for these services, in addition to audit and other services as per the proposal examined by the Shareholders' Meeting, was around Euro 215,500.
Based on information obtained, no other tasks were assigned to the directors, members of the control bodies and employees of the Independent Auditors or their network partners.

12. *The Company's adoption of the Corporate Governance Code issued by Borsa Italiana S.p.A.*
On 17 September 2013 the Board of Directors approved an update to its Code of Conduct (which already incorporated the contents of the updated version of the Corporate Governance Code issued in December 2011), aligning it with the new Governance resulting from the changes to the Articles of Association adopted by the Extraordinary Shareholders' Meeting of 19 June 2013.
Following its adoption of the Code of Conduct, the Board of Directors prepared the Report on Corporate Governance and Ownership Structure, pursuant to Art. 123-bis of the Consolidated Law on Finance, in compliance with disclosure obligations to Shareholders and the market.
Based on information available to the Board of Statutory Auditors, the Report provides a detailed description of the provisions of the Code implemented by the Company during the year.

13. *Remarks and proposals regarding the separate and consolidated financial statements*
The separate and consolidated financial statements at 31 December 2013 were prepared in application of IAS/IFRS, as duly described by the Directors in the Notes to the financial statements.
The audit and control of the technical fairness of the separate and consolidated financial statements is the duty and responsibility of the Independent Auditors PricewaterhouseCoopers S.p.A., which were assigned the task in accordance with Articles 155 and 156 of the Consolidated Law on Finance.
PricewaterhouseCoopers S.p.A. expressed an unqualified opinion in its report issued today, confirming that the separate financial statements were clearly stated and give a true and fair view of the financial position of the Company, the results of its operations and its cash flows.
Having verified the preparation process for the separate and consolidated financial statements and the related opinions issued by PricewaterhouseCoopers S.p.A., the Board has no remarks to make concerning the technical fairness of these financial statements.
Where deemed useful, the Board expressed indications and recommendations with a view to enhancing the methods and tools used in running the company, and on the correct application of regulations in force.

During the supervisory activity carried out and based on information obtained from the independent auditors, no censurable event, omissions or irregularities worthy of note and that require comment have been reported.

In view of the above, the Board acknowledges that the information provided by the Board of Directors was complete and adequate, and was consistent with the figures shown in the financial statements. It makes no remarks and proposals as regards the approval of the financial statements at 31 December 2013 and the proposal of the Board of Directors to allocate the profit for the year.

Turin, 18 April 2014

The Board of Statutory Auditors

Paolo Peveraro, Chairman

Annamaria Fellegara, Standing Auditor

Aldo Milanese, Standing Auditor

Summary of resolutions passed by the Shareholders’ Meeting

The Ordinary Shareholders' Meeting:

- having viewed the Financial Statements as 31 December 2013 and the Board of Directors' Report on Operations;

- having viewed the Report by the Board of Statutory Auditors;

- having viewed the Report by the Independent Auditors PriceWaterhouse Coopers S.p.A.;

- having acknowledged the proposed allocation of the profit for the year, i.e. EUR 86,859,395.30, as follows:
  - EUR 4,342,969.76, i.e. 5% of the profit for the year, to legal reserve;
  - EUR 66,746,602.91 to Shareholders’ dividend, i.e. EUR 0.0523 for each of the 1,181,725,677 ordinary shares and 94,500,000 savings shares payable from 26 June 2014, with coupon detachment date 23 June 2014 and record date 25 June 2014;
  - to extraordinary reserve the residual amount, i.e. EUR 15,769,822.63

resolves

1) to approve the Financial statements of Iren S.p.A. as 31 December 2013 and the Report on Operations prepared by the Board of Directors;

2) to approve the proposed allocation of the profit for the year, i.e. EUR 86,859,395.30, as follows:
   - EUR 4,342,969.76, i.e. 5% of the profit for the year, to legal reserve;
   - EUR 66,746,602.91 to Shareholders’ dividend, amounting to EUR 0.0523 for each of the 1,181,725,677 ordinary shares and 94,500,000 savings shares payable from 26 June 2014, with coupon detachment date 23 June 2014 and record date 25 June 2014;
   - to extraordinary reserve the residual amount, i.e. EUR 15,769,822.63.

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