

## PRESS RELEASE

### **IREN Group: the Board of Directors approved the results as at 31 December 2011.**

- **Revenue of Euro 3,520.1 million (+3.8%)**
- **Gross Operating Profit (EBITDA) of Euro 591.8 million (-1.6%)**
- **Operating Profit at Euro 308.4 million (-8.4%)**
- **Group net profit of Euro 155.0 million, net of extraordinary and non-recurring effects**

*Reggio Emilia, 3 April 2012* – Today, the Board of Directors of IREN S.p.A. approved the consolidated results<sup>(\*)</sup> of the IREN Group and the draft financial statements of IREN S.p.A. for the 2011 financial year.

Significant difficulties continued in 2011 in the Italian and European energy markets: the average crude oil price increased by 40% compared to 2010; natural gas consumption returned to the levels of 2009, with a notable decrease compared to 2010 (-6.0%); weak demand for gas coincided with an increase in the system's import capacity, which continued to result in overcapacity; the slight recovery in electricity demand was less dynamic than the previous year's growth (+0.6% against +3.2% in 2010 compared to 2009) and was in any case lower than the levels of 2008.

In this context, the IREN Group recorded essentially stable levels of profitability from operations in 2011.

#### **IREN GROUP: CONSOLIDATED RESULTS FOR 2011**

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Consolidated **revenue** in 2011, totalling Euro 3,520.1 million, grew by 3.8% compared to Euro 3,390.9 million in 2010, mainly as a result of the growth in energy commodities prices, which more than offset the decrease in gas and heat volumes sold as a result of milder temperatures.

The **Gross Operating Profit (EBITDA)** came out at Euro 591.8 million, a slight decrease (-1.6%) compared to Euro 601.6 million in 2010. The performance of the Market, Energy infrastructures and Integrated Water Service sectors positively affected the period's EBITDA, and essentially offset decreases in the Environment and Generation of electrical energy and heat sectors.

The regulated sectors, which account for 65% of the Group's EBITDA, increased by 2.4% compared to 2010, which offset the decrease in the deregulated energy business which was impacted by unfavourable market trends, mainly in the fourth quarter.

The **operating profit (EBIT)**, totalling Euro 308.4 million, compared to Euro 336.7 million posted in the previous year (-8.4%), was affected by higher amortisations related to growth

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<sup>(\*)</sup> The results related to 2010 reported herein are pro-forma, since the Iren Group was founded on 1 July 2010.

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in investments and higher allocations to the provisions for risks on hydroelectric generation and for the integrated water service.

The **Group's net profit**, comparing the years 2010 and 2011 on a like for like basis by not including the extraordinary effects related to the Edison-Edipower transaction, the results of the associate Sinergie Italiane and tax differences (Tremonti-*ter* in 2010 and new Robin tax scheme for 2011), came out at Euro 155.0 million, a decrease compared to Euro 167.9 million in 2010.

Due to the extraordinary effects related to the Edison-Edipower reorganisation on the basis of agreements signed by the Parties on 15 February 2012, and the loss accrued by Sinergie Italiane, of which the Iren Group holds 27.6%, the net profit for the period is Euro -107.9 million. That result reflects the value adjustment of the investment, totalling Euro 136.1 million, due to Delmi's disposal of 50% of Transalpina di Energia to EdF, the Euro 81.3 million impairment in Iren Energia's 10% investment in Edipower, and the Euro 25.8 million loss generated by the measurement of Sinergie Italiane with the equity method.

As at 31 December 2011, **net financial indebtedness** was Euro 2,653 million (Euro 2,260 million as at 31 December 2010), due to the volume of investments particularly to complete the "Torino Nord" co-generation plant, which began operating in the last quarter of 2011, and for the progress of the Parma Integrated Environmental Cluster of plants and the Livorno regasification terminal (OLT).

Furthermore, in 2011 there was a temporary increase in receivables related to the excise tax on energy products and green certificates, as well as an increase in commercial working capital linked to the increase in business volumes.

**Net investments** for the year amounted to Euro 472 million, and they were mainly employed in the Generation of electrical energy and heat, Energy infrastructures, Integrated water service and Waste management sectors.

In particular, carrying out the Group's main strategic projects ("Torino Nord", "Polo Ambientale Integrato" and OLT) absorbed approximately Euro 180 million in investments.

## IREN GROUP: MAIN RESULTS BY BUSINESS AREA

	(millions of Euro)	2011	2010	Var. %
<b>Revenue</b>		<b>3,520.1</b>	<b>3,390.9</b>	<b>+3.8%</b>
Generation of electrical energy and heat		785.0	697.0	+12.6%
Energy infrastructures		437.4	418.6	+4.5%
Market		3,072.4	2,866.4	+7.2%
Integrated Water Service		438.4	446.6	-1.8%
Waste management		217.0	222.5	-2.5%
Services and Other		111.6	104.4	+6.9%
Netting and adjustments		(1,541.7)	(1,364.4)	+13.0%

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(milioni di euro)	2011	2010	Var. %
<b>Gross Operating Profit (Ebitda)</b>	<b>591.8</b>	<b>601.6</b>	<b>-1.6%</b>
Electricity and heat production	157.8	179.9	-12.3%
Energy infrastructures	210.8	206.1	+2.3%
<i>from Electricity networks</i>	76.1	79.3	-4.0%
<i>from Gas networks and plants</i>	95.2	90.8	+4.8%
<i>from District heating</i>	39.5	36.0	+9.8%
Market	52.5	49.0	+7.2%
<i>Electrical energy</i>	-4.5	9.7	-146.4%
<i>Gas and Heat</i>	57.0	39.3	+45.0%
Integrated water service	112.6	108.1	+4.2%
Waste management	41.8	44.7	-6.4%
Services and Other	16.1	13.8	+16.7%
<b>Operating Profit (Ebit)</b>	<b>308.4</b>	<b>336.7</b>	<b>-8.4%</b>
Electricity and heat production	66.7	106.2	-37.1%
Energy infrastructures	146.4	134.9	+8.5%
Market	35.0	31.4	+11.7%
Integrated water service	36.0	38.2	-5.7%
Waste management	14.7	17.9	-17.6%
Services and Other	9.6	8.1	+18.5%

#### GENERATION OF ELECTRICAL ENERGY AND HEAT

**Revenue** in the Generation of electrical energy and heat sector amounted to Euro 785.0 million, a considerable increase (+12.6%) over 2010, mainly due to higher electrical energy production (+9.9%), compared to domestic production in line with 2010 (-0.5%), which more than offset the lower volumes of heat produced (-6.6%) as a result of weather trends.

The sector's **gross operating profit** was Euro 157.8 million compared to Euro 179.9 million in the same period of 2010, due to lower volumes of heat sold, the lower impact from the sale of ETS certificates which occurred in 2010, the decrease in profit margins from the production of electrical energy on the Dispatching Services Market (MSD) and the unfavourable trend in fuel prices which characterised in the last part of the year. Those effects were only partially offset by the increase in electrical energy production levels in the co-generation area, also thanks to the start-up of operations at the "Torino Nord" co-generation plant in the last quarter and the increase in revenue from green certificates for hydroelectric production.

In fact, in 2011, 6,002 GWh of **electrical energy** was produced, a consistent increase (+540 GWh) compared to 2010 due to the combined effect of higher co-generation production (+13.0%) and lower hydroelectric production (-3.7% compared to the national figure, -11.4%) which, although there were lower water levels during the period, was positively affected by full-capacity operations at the Rosone and Telessio plants after repowering activities.

2,572 GWht of **heat** was produced, a decrease (-6.6%) compared to 2010, due to lower consumption related to milder temperatures, only partially offset by the higher volumes served. In fact, the district heating volume, which increased by 10.3%, surpassed 72.4

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million cubic metres, of which over 50 million were in Turin, which is the city with the most district heating in Italy.

During 2011, investments of around Euro 132 million were made, mostly to complete the new "Torino Nord" co-generation plant, linked to the extension of district heating, to strengthen the Valle Orco hydroelectric plant system, and to complete photovoltaic plants in the renewable energies sector.

#### **MARKET**

**Revenue** in the Market sector came to Euro 3,072.4 million, a 7.2% increase over Euro 2,866.2 million in 2010, mainly due to the increase in energy commodities prices, which more than offset the decrease in gas and heat volumes sold, which was mainly a result of climatic trends.

The sector's **gross operating profit** was Euro 52.5 million, an increase (+7.2%) compared to Euro 49.0 million in 2010. That increase is mainly due to significant growth in the gas and heat sales area (+45.0%) which, thanks to renegotiations carried out on long-term procurement agreements and on annual natural gas contracts, more than offset the results from the electrical energy area, which were mainly impacted by non-recurring transactions in 2010 to sell environmental certificates, the lack of Cip6 incentives and the lower contribution generated by the management of some tolling contracts.

In 2011, the Group sold 10,713 GWh of **electrical energy** on the market, compared to 11,646 GWh in the same period of 2010. Against an increase in electrical energy sold to end customers (+8.9%), which confirms the validity of the integration in the value chain created by the Group, the volumes traded on the stock exchange decreased (-43.1%) due to lasting unfavourable market conditions.

The Group sold 1,710 million cubic meters of **gas** in 2011, a decrease compared to 1,904 million cubic metres in 2010, as a result of milder temperatures.

The **commercial policy** developed by the Iren Group, including the promotion of offers targeted to different customer segments and a strengthening of advertising channels, continues to generate positive effects in terms of expansion and loyalty-building: the customer base is growing overall with respect to 2010, particularly in the electricity sector (+3.0%), where there was a strong increase (+30.5%) in free market customers.

Over 70% of the electrical energy sold by the Group was supplied by internal production, an increase of over 8 percentage points compared to 2010, which confirms the strong upstream and downstream integration.

#### **ENERGY INFRASTRUCTURES**

**Revenue** in the Energy infrastructures sector – which includes the electricity, gas and district heating networks and the regasification terminal being built in Livorno – amounted to Euro 437.4 million, an increase (+4.5%) over Euro 418.6 million in 2010.

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The **gross operating profit** grew by 2.3%, coming out at Euro 210.8 million compared to Euro 206.1 million in 2010, particularly due to the contribution of district heating (+9.8%), caused by the increase in volumes served (+10.3%). Growth in the operating profit was also positive (+4.8%) for the gas distribution and plants area, mainly as a result of tariff increases and the achievement of operating synergies. The positive district heating and gas distribution performance more than offset the drop in electricity distribution (-4.0%), mainly attributable to the impact of higher costs related to energy efficiency certificates.

During 2011, the Group distributed 4,263 GWh of **electrical energy** (-0.4%) and 1,949 million cubic metres of **gas** compared to 2,202 million cubic metres in 2010. The district heating volumes grew by 6.8 million cubic metres to 72.4 million cubic metres, for 2,649 GWh of **heat** distributed.

**Investments** in the Energy infrastructures sector amounted to around Euro 155 million, particularly intended for the development of the off-shore regasification terminal in Livorno, the gas distribution network in the main areas served (Genoa, Parma, Reggio Emilia and Turin), the construction of new HV/MV transformation substations and the expansion of the district heating network in Piedmont and Emilia-Romagna.

#### **INTEGRATED WATER SERVICE**

The Integrated water service sector posted **revenue** of Euro 438.4 million, a slight decrease (-1.8%) compared to Euro 446.6 million in 2010, due to the decrease in perimeter resulting from the transfer of some concessions (-4 million cubic metres), the decrease in consumption and lower revenue related to investment capitalisation processes, which more than absorbed the positive impacts of the tariff plans resolved by the applicable ATOs.

The **gross operating profit** totalled Euro 112.6 million (+4.2%) compared to Euro 108.1 million in 2010, due to the combined effect of updating the tariff plans resolved by the Genoa, Parma, Piacenza and Reggio Emilia ATOs, which involve consistent investment schemes, the increase in electrical energy prices for the pumping and water treatment plants, and the drop in volumes sold.

During 2011, the Group sold 181 million cubic metres of **water** compared to 187 million cubic metres in 2010 (-3.6%).

**Investments** made in the sector throughout the period amounted to Euro 89 million, used to build the infrastructures contemplated in the area plans, for the maintenance and development of distribution networks and plants, of sewerage networks and of water treatment systems.

#### **WASTE MANAGEMENT**

In the Waste Management sector, **revenue** totalled Euro 217.0 million in 2011 (-2.5%) compared to Euro 222.5 million in 2010, mainly due to the disposal of Cip6 incentives.

The sector posted a **gross operating profit** of Euro 41.8 million, compared to Euro 44.7 million in 2010, mainly due to the disposal of Cip6 incentives regarding the Piacenza plant,

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which was only partially offset by the implementation of Area Plans, the tariff adjustments linked to evasion recovery activities and the positive contribution provided by the disposal of recovery materials resulting from an increase in separated waste collection.

Throughout 2011, the Group processed 1,017,312 metric tons of **waste**, an increase of 1.2% compared to 1,005,468 metric tons in 2010. Thanks to the dissemination of the home and widespread collection procedures, waste separation reached 59.1% in the area served, an increase of 3.7 percentage points compared to 2010.

Quantities of special waste treated also increased significantly (+24.4%).

**Investments** made in the sector for the year amounted to roughly Euro 67 million, mainly intended to build waste disposal plants, and in particular the “Polo Ambientale Integrato” in Parma, as well as for the equipment, resources and environmental stations equipped for collection services.

#### **SERVICES AND OTHER**

The Services sector posted **revenue** of Euro 111.6 million, an increase compared to Euro 104.4 million in 2010.

In 2011, the sector's **gross operating profit**, which includes Group netting and adjustments, came out at Euro 16.1 million, compared to Euro 13.8 million in 2010.

#### **FORECAST DEVELOPMENTS**

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In accordance with the information now available and the forecasts for the current year, in 2012 the macroeconomic scenario is also expected to be characterised by a continuation of the weakness recorded throughout 2011, which affected electrical energy and gas demand. The Iren Group expects to consolidate its growth of activities due to the progressive contribution of investments carried out.

However, Iren Group results will be influenced by developments in the energy scenario, applicable regulations and the seasonality of the sectors in which it works, particularly in relation to weather trends.

In 2012, investments set forth in the IREN Group's industrial plan will continue, including: the beginning of operations at full capacity at the 390 MW “Torino Nord” co-generation plant, the substantial completion of the regasification terminal in Livorno and the beginning of operations at the “Polo Ambientale Integrato” in Parma by the end of the year.

#### **DIVIDEND**

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In consideration of the primary objective to decrease the debt ratio, the Board of Directors also proposed a majority to the shareholders' meeting, called for 14 May 2012 (first call), and if necessary, for 21 May 2012 (second call), to distribute a dividend of Euro 0.013 per share, which shall be approved for payment on 21 June 2012 (18 June 2012 detachment date).

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## CONFERENCE CALL

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The 2011 results will be illustrated on 4 April 2012 at 3:30 p.m. (time zone CET), during a conference call with the financial community, also broadcast through web casting in listen only mode, on the site [www.gruppoiren.it](http://www.gruppoiren.it).

*The Manager in charge of drawing up the corporate accounting documents. Massimo Levrino. hereby declares. pursuant to paragraph 2 of article 154bis of the Consolidated Finance Act. that the accounting information presented herein corresponds to the accounting documents. records and books.*

*The Report on Operations. the draft 2011 Annual Report. the 2011 Consolidated Annual Report. the Statutory Auditors' Report and the Independent Auditors' Reports will be made available to the public at the company's headquarters (Via Nubi di Magellano. 30 – Reggio Emilia) and through the NIS circuit at Borsa Italiana. and will be published on the website [www.gruppoiren.it](http://www.gruppoiren.it). as provided for by the law.*

*Here below are the income statement. statement of financial position and statement of cash flows for the Iren Group. that are under audit.*

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**IREN.** formed from the merger between Iride and Enia. is one of the main Italian multiutility companies and provides utilities in the provinces of Genoa. Turin. Reggio Emilia. Parma and Piacenza.

With a multibusiness portfolio characterised by an important presence in all industrial businesses (electrical energy. gas. water. waste. district heating and renewable energies) and a good balance between open-market and regulated activities. IREN is the third multiutility company in Italy based on revenue and EBITDA.

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## IREN GROUP: CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	2011	2010 pro-forma
<b>Revenue</b>		
Revenue from goods and services	3.254.248	3.143.024
Change in contract work in progress	632	1.344
Other revenue and income	265.232	246.564
<b>Total revenue</b>	<b>3.520.112</b>	<b>3.390.932</b>
<b>Operating expense</b>		
Purchase of raw materials, consumables, supplies and goods	(1.682.008)	(1.620.894)
Services and use of third-party assets	(940.605)	(860.960)
Other operating expense	(71.345)	(71.119)
Capitalised expenses for internal work	28.208	29.853
Personnel expense	(262.565)	(266.214)
<b>Total operating expense</b>	<b>(2.928.315)</b>	<b>(2.789.334)</b>
<b>Gross Operating Profit (EBITDA)</b>	<b>591.797</b>	<b>601.598</b>
<b>Amortisation, depreciation, provisions and write-downs</b>		
Amortisation/depreciation	(209.293)	(204.177)
Provisions and write-downs	(74.140)	(60.692)
<b>Total amortisation, depreciation, provisions and write-downs</b>	<b>(283.433)</b>	<b>(264.869)</b>
<b>Operating profit (EBIT)</b>	<b>308.364</b>	<b>336.729</b>
<b>Financial income</b>		
Financial income	27.103	25.826
Financial expense	(94.137)	(86.657)
<b>Net financial income</b>	<b>(67.034)</b>	<b>(60.831)</b>
Share of profit (loss) of associates accounted for using the equity method	(3.806)	13.114
Impairment losses on investments	(223.321)	(440)
- of which non-recurring	(217.466)	
<b>Profit before tax</b>	<b>14.203</b>	<b>288.572</b>
Income tax expense	(114.485)	(104.742)
<b>Profit for the period from continuing operations</b>	<b>(100.282)</b>	<b>183.830</b>
Profit from discontinued operations	1.004	1.740
<b>Profit for the year</b>	<b>(99.278)</b>	<b>185.570</b>
attributable to:		
- owners of the Parent	(107.890)	177.121
- non-controlling interests	8.612	8.449

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## IREN GROUP: RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(Thousands of Euro)	31.12.2011	31.12.2010
Non-current assets	4.652.774	4.566.148
Other non-current assets (liabilities)	(118.297)	(118.920)
Net working capital	287.974	137.040
Deferred tax assets (liabilities)	60.412	27.241
Provisions and employee benefits	(416.909)	(325.267)
Assets (Liabilities) held for sale	31.427	55.528
<b>Net invested capital</b>	<b>4.497.381</b>	<b>4.341.770</b>
Equity	1.844.706	2.081.620
<i>Long-term financial assets</i>	<i>(132.299)</i>	<i>(88.388)</i>
<i>Medium and long-term financial indebtedness</i>	<i>2.051.413</i>	<i>1.829.263</i>
Medium and long-term net financial indebtedness	1.919.114	1.740.875
<i>Short-term financial assets</i>	<i>(421.993)</i>	<i>(521.828)</i>
<i>Short-term financial indebtedness</i>	<i>1.155.554</i>	<i>1.041.103</i>
Short-term net financial indebtedness	733.561	519.275
Net financial indebtedness	2.652.675	2.260.150
<b>Own funds and net financial indebtedness</b>	<b>4.497.381</b>	<b>4.341.770</b>

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## IREN GROUP: CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands of Euro)	2011	2010 pro-forma
<b>A. Opening cash and cash equivalents</b>	<b>144.112</b>	<b>56.905</b>
<b>Cash flow generated by operating activities</b>		
Profit for the period	(99.278)	186.029
Adjustments:		
Amortisation and depreciation of intangible and tangible assets	209.293	204.177
(Capital gains) capital losses and other changes in equity	(9.917)	(1.553)
Net variation in post-employment and other employee benefits	(7.536)	(2.282)
Net variation in provision for risk and other charges	40.348	597
Loss from the sale of discontinued operations net of tax effects	(2.058)	(1.740)
Variation in deferred tax assets and liabilities	(30.073)	(17.872)
Variation in non-current assets (liabilities)	(623)	(8.856)
Dividends received	(558)	(6.787)
Portion of result of associates	3.806	(13.114)
Net impairment losses (reversals of impairment losses) on investments	230.553	2.092
<b>B. Operating cash flow before NWC variations</b>	<b>333.957</b>	<b>340.691</b>
Variation in inventories	(22.704)	6.048
Variation in trade receivables	(124.495)	(86.940)
Variation in tax assets and other current assets	(59.029)	20.155
Variation in trade payables	84.338	46.174
Variation in tax liabilities and other current liabilities	(29.044)	(10.229)
<b>C. Cash flow generated by NWC variation</b>	<b>(150.934)</b>	<b>(24.792)</b>
<b>D. Operating cash flow (B+C)</b>	<b>183.023</b>	<b>315.899</b>
<b>Cash flows from (for) investing activities</b>		
Investments in tangible and intangible assets	(493.254)	(557.957)
Investments in financial assets	(46)	(7.707)
Proceeds from the sale of investments and variation in assets held for sale	9.166	24.646
Transfer of discontinued operations net of cash disposed of	29.203	-
Dividends received	11.137	17.573
Other variations in financial assets	-	206
<b>E. Total cash flows from investing activities</b>	<b>(443.794)</b>	<b>(523.239)</b>
<b>F. Free cash flow (D+E)</b>	<b>(260.771)</b>	<b>(207.340)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(121.297)	(110.589)
Other changes in equity	1.042	97.488
New long-term loans	655.758	219.565
Repayments of long-term loans	(109.518)	(339.518)
Variation in financial receivables	(43.927)	9.336
Variation in financial payables	(220.641)	418.265
<b>G. Total cash flow from financing activities</b>	<b>161.417</b>	<b>294.547</b>
<b>H. Cash flow for the period/year (F+G)</b>	<b>(99.354)</b>	<b>87.207</b>
<b>I. Closing cash and cash equivalents (A+H)</b>	<b>44.758</b>	<b>144.112</b>

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