Annual Report
at 31 december 2015

iren

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NOTICE CONCERNING THE SHAREHOLDERS' MEETING

It is made known that the notice concerning the Shareholders' Meeting has been published on the Company's website (www.gruppoiren.it). The Meeting will be held in Reggio Emilia at Via Nubi di Magellano 30 in the Sala Campioli on 9 May 2016 at 11.00 a.m. on single call, to discuss and approve on the following

Agenda:

1) Separate Financial Statements at 31 December 2015, Report on Operations and proposed allocation of the profit: related and consequent resolutions.
2) Appointment of the Board of Directors and related duties which according to the articles of association are the responsibility of the shareholders' meeting for the three years period 2016–2017–2018 (expiry: date of approval of the financial statements for financial year 2018): related and consequent resolutions.
3) Determination of the annual fee to be paid to the members of the Board of Directors under the terms of Art. 21 of the Articles of Association: related and consequent resolutions.
4) Remuneration Report (section 1, under the terms of Art. 123-ter, paragraph 3 of the Consolidated Law on Finance): related and consequent resolutions.

The Chairperson of the Board of Directors

(Mr Francesco Profumo)

KEY FIGURES OF THE IREN GROUP

	Financial year 2015	Financial year 2014	Changes %
Income statement figures *(millions of euro)*			
Revenue	3,094	2,902	6.6
Gross Operating Profit (EBITDA)	678	623	8.8
Operating profit (EBIT)	347	325	6.8
Profit /(loss) before tax	246	214	15.0
Profit (loss) for the period - Group and non-controlling interests	140	86	62.8
Financial position figures *(millions of euro)*	*At 31/12/2015*	*At 31/12/2014*	
Net invested capital	4,231	4,279	(1.1)
Shareholders' equity	2,062	1,994	3.4
Net Financial Position	(2,169)	(2,286)	(5.1)
Financial/economic indicators			
	Financial year 2015	*Financial year 2014*	
GOP/Revenue	21.9%	21.5%	
	At 31/12/2015	*At 31/12/2014*	
Debt/Equity	1.05	1.15	
Technical and commercial figures	*Financial year 2015*	*Financial year 2014*	
Electricity sold (GWh)	12,383	11,220	10.4
Thermal energy produced (GWh_t)	2,870	2,631	9.1
District heating volume (mln m^3)	81.9	80.4	1.9
Gas sold (mln m^3)	2,568	2,185	17.5
Water distributed (mln m^3)	162	147	10.2
Waste collected (tonnes)	1,171,182	735,589	59.2
Waste disposed of (tonnes)	764,702	617,753	23.8

The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and five companies responsible for the single business lines operating in the main operating bases of Genoa, Parma, Piacenza, Reggio Emilia and Turin.
The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the oversight, coordination and development of the business lines as follows:

- Iren Acqua Gas operates in the integrated water service and in the gas distribution sector;
- Iren Energia operates in the electricity and thermal energy production and technological services sector;
- Iren Mercato manages the sale of electricity, gas and district heating;
- Iren Emilia operates in the gas distribution sector and manages local services;
- Iren Ambiente provides environmental hygiene services in all the chain from waste collection, following acquisition of the business unit from Iren Emilia, to disposal, as well as designing and managing treatment and disposal plants.

Electricity production: through a considerable number of electricity and heat production plants for district heating production, the overall production capacity is over 8,800 GWh/year.

Gas Distribution: through its network of more than 7,634 kilometres Iren serves approximately 715,000 customers.

Electricity Distribution: with 7,555 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electricity to approximately 684,000 customers in Turin and Parma.

Integrated water service: with around 16,500 kilometres of aqueduct networks, over 9,270 kilometres of sewerage networks and 1,085 treatment plants, Iren provides services to more than 2,600,000 residents.

Environmental cycle: with 144 equipped ecological stations, 2 waste-to-energy plants, 3 landfill sites, 18 treatment, selection and storage plants and 1 composting plant, the Group serves 123 municipalities for a total of around 2,000,000 residents and around 1,754,000 tonnes managed.

District heating: through 883 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 82 million m^3, equivalent to a population served of over 820,000 people.

Sales of gas, electricity and heat: each year the Group sells more than 2.5 billion m^3 of gas, more than 12,000 GWh of electricity and more than 2,800 GWh_t of heat for district heating networks.

COMPANY OFFICERS

Board of Directors

Chairperson	Francesco Profumo
Deputy Chairperson	Ettore Rocchi (1)
Chief Executive Officer	Massimiliano Bianco (2)
Directors	Franco Amato (3)
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Augusto Buscaglia (4)
	Alessandro Ghibellini (5)
	Fabiola Mascardi (6)
	Moris Ferretti (7)
	Barbara Zanardi (8)

Board of Statutory Auditors (9)

Chairperson	Michele Rutigliano
Standing Auditors	Emilio Gatto
	Annamaria Fellegara
Supplementary Auditors	Giordano Mingori
	Giorgio Mosci

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. (10)

(1) Appointed Deputy Chairperson by the Board of Directors during the meeting on 4 June 2015, a position held until 30 April 2015 by Andrea Viero (who resigned on that date)

(2) Coopted by the Board of Directors on 1 December 2014 to replace Mr Nicola De Sanctis, who had resigned, and at the same meeting appointed Chief Executive Officer with conferment of the related powers. On 3 December 2014 the Board of Directors resolved to proceed to employ Mr Bianco, with a temporary managerial employment contract in the position of Central Operations and Strategy Manager, starting from 1 January 2015 and with expiry on 31 December 2019. Confirmed in the position of Director until the expiry of the current administrative body (and, more precisely, until approval of the Company's Financial Statements at 31 December 2015) by the Shareholders' Meeting held on 28 April 2015, and confirmed in the position of Chief Executive Officer of the Company (with conferment of the related powers) by the Board of Directors of the Company at its meeting on 28 April 2015.

(3) Chairperson of the Control and Risk Committee and member of the Committee for Transactions with Related Parties.

(4) Member of the Remuneration and Appointments Committee.

(5) Member of the Control and Risk Committee.

(6) Chairperson of the Remuneration and Appointments Committee and member of the Committee for Transactions with Related Parties.

(7) Coopted by the Board of Directors on 4 June 2015 to replace Andrea Viero, who had resigned, and at the same meeting appointed Member of the Remuneration and Appointments Committee

(8) Chairperson of the Committee for Transactions with Related Parties and member of the Control and Risk Committee

(9) Elected by the Ordinary Shareholders' Meeting of 28 April 2015 for the three-year period 2015–2017.

(10) Appointment conferred by the Ordinary Shareholders' Meeting of 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 and 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 adequate profitability.

LETTER TO SHAREHOLDERS

Dear Shareholders,

The financial statements presented by the Board of Directors show particularly positive operating results.

The effort and commitment made by the whole Company in implementing rapidly the strategic lines set forth in the business plan, seeking the maximum efficiency and integration, have their most concrete demonstration in the economic and financial results.

The Iren Group ended 2015 with revenues of 3,094.1 million euro (+6.6% compared to the previous year), a Gross Operating Profit at 677.8 million euro (up by 8.8% compared to 2014) and a Net Operating Profit of 346.8 million euro (+6.6% compared to 2014). The Group's net profit was 118.2 million euro (+71.4% compared to 68.9 million euro at 31/12/2014) while Net Financial Indebtedness at 31/12/2015 amounted to 2,169 million euro, down by approximately 117 million.

The excellent balance of IREN's business portfolio was confirmed, with gross operating profit at the end of 2015 deriving for 76% from regulated and semi-regulated activities.

In June the Business Plan to 2020 was approved. This represents the "bridge" towards the new IREN which, through continual innovation, rationalisation and increased efficiency of internal processes, selectivity of investments for profitability and attention to customers' new needs aims at becoming an aggregation hub and driver of development in the areas in which it operates.
From the strategic guidelines of the business plan derived the actions that characterised corporate life in 2015.

On the financial front it must first of all be noted that rating was obtained from the Fitch agency which assigned to the IREN Group the investment-grade rating. Granting of the rating enabled and will enable better access to the financial markets, as shown by the transactions carried out, in which it was possible to see the confidence that the market has in the Company and as shown also by the excellent performance of the stock in 2015.
It is worth noting the operation to buy back own bonds completed in November 2015 and the loan granted by the European Investment Bank (EIB) for a total of 130 million euro, usable in several tranches, with a duration up to 15 years.
The Business Plan to 2020 confirmed a pathway which, starting from an important process of integration and rationalisation launched in the early months of 2015, increased and will increase the efficiency and effectiveness of the Group's action. The rationalisation continued gradually for the whole of the year and led to the launch of IRETI, the Group company which will manage in an integrated and capillary manner all over the country the Group's network business guaranteeing in the coming years important efficiencies and savings.

2015 was also the year in which a major generational turnover began. The Group created work recruiting more than 200 people who replaced colleagues who retired early following the voluntary retirement incentive plan, adding in this way new skills and energies in the service of the businesses.

On the industrial front many projects were completed.

In December a framework agreement was signed with the Municipality of Vercelli at the base of the Atena development project, with the aim of promoting the leading role in the north-east quadrant of Piedmont. The agreement represents for Iren a first step in becoming a leading player in the processes of rationalisation and consolidation of local publicly-owned companies, strengthening the company's presence in the industrial supply-chains in which it is involved.
Another acquisition concluded in December 2015 was that of 40% of the company Ecoprogetto Tortona, which operates in the construction and management of waste treatment plants.

Also in 2015 the policies that the Iren Group followed complied with the principles of environmental, social and financial sustainability. Core values such as respect of and protection of the environment, energy efficiency, constant dialogue with communities and local areas, customer satisfaction and attention to professional development of employees are all part of the Group’s corporate identity.
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.

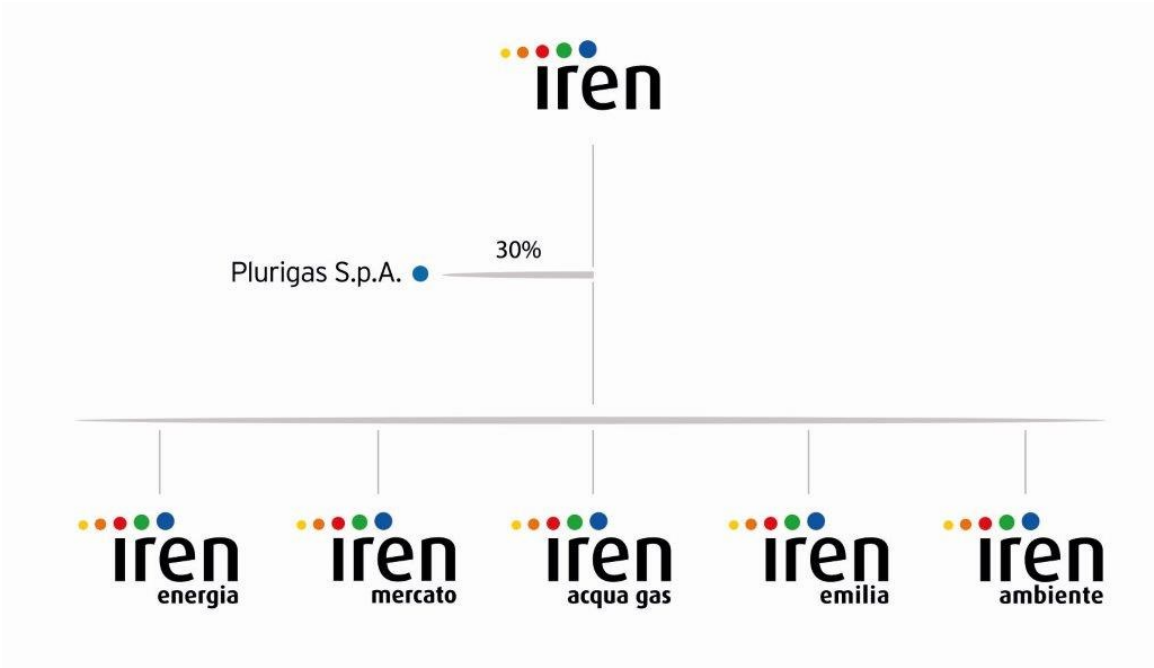
I also thank all members of the Board of Directors and of the Board of Statutory Auditors for their decisive contribution to the future growth of Your Company.

The Chairperson of the Board of Directors
Francesco Profumo

Directors' Report

at 31 december 2015

THE ORGANISATIONAL STRUCTURE OF THE IREN GROUP



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.
Note that this is the organisational structure for management purposes.

The flowchart illustrates the main investee companies of Iren S.p.A.

IREN ENERGIA

Cogenerative production of electricity and heat

Iren Energia's installed capacity (in electrical set-up), totals approximately 3,000 MW, of which around 2,800 MW is directly generated. Specifically, Iren Energia owns 25 electricity production plants: 19 hydroelectric plants, 6 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,800 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to make use of 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. 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production was in the region of 2,634 GWht during 2015, with district heating volumes of approximately 82 million m^3.

District heating

The total volumes heated at 31 December 2015 amounted to 81.9 million cubic metres, up compared to 2014 by 2%.

Iren Energia has in the Piedmontese capital of the largest district heating network in Italy, with 534.2 km of dual pipes at 31 December 2015 (of which 23.7 km in Nichelino), and the delle networks of Genoa with an extension of 10.3 km, Reggio Emilia with approximately 218.4 km, Parma with approximately 98.0 km and Piacenza with approximately 21.6 km for a total of 882.5 km.

As of the first of October 2015, following the transfer of the business unit from Iren Emilia, Iren Energia manages directly the operation and maintenance of the district heating networks and plants of the cities in Emilia.

Electricity distribution

Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electricity to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents); during 2015 the total electricity distributed was 3,995 GWh.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione operates in the field of public street and monument lighting services, the traffic light service, technological global service management of buildings of the City of Turin and of renewable and alternative energies.
In agreement with the Municipality of Turin it is working on a structured renewal plan aimed at improving energy efficiency and limiting consumption, including replacement of the traditional mercury lamps with LED lamps.
In the field of renewable energies Iren Servizi e Innovazione builds plants for the generation of electricity, using renewable sources such as photovoltaic, thermal solar and biomass (wood chips and pellets) or similar, for example tri-generation plants (electricity, "heat" and "cold").

IREN MERCATO

Through Iren Mercato the Group sells electricity, gas and heat, supplies fuel to the Group, trades energy efficiency certificates (or white certificates), green and emission trading certificates, provides customer management services to Group companies, and supplies heat services and sells heat through the district heating network.
Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy.
Iren Mercato carries out the activities of programming, despatching and final accounting for electricity; it also handles the sale of the energy provided by the Group's various sources on the market represented by final customers, the Italian power exchange and other wholesale operators.
The Group's main power sources available for 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 electricity 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 and in its surrounding municipalities (Nichelino).
Iren Mercato has operated historically in the direct sale of natural gas in the territories of Genoa, Turin and Emilia.
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 2015 were approximately 2,568 million m^3 of which 1,004 million m^3 were sold to customers outside the Group, 1,358 million m^3 were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services and 206 million m^3 of gas were destined for storage.
At 31 December 2015 gas customers managed directly by Iren Mercato totalled almost 771,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electricity
The volumes sold in 2015 amounted to 12,393 GWh.
Electricity customers managed at 31 December 2015 exceeded 731,000 distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company.

A cluster analysis of final customers is provided below.

Free market and power exchange
Total volumes sold to end customers and wholesalers amounted to 4,825 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 6,082 GWh.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were 280,000 in the first six months of 2015. The total volumes sold amounted to 653 GWh.

Sale of heat through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa, Turin and 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.
The total district heating volumes at 31 December 2015 amounted to 81.9 million cubic metres.

Heat service management
The Group sells heat management services and global services to both private entities and public authorities.

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.
With acquisition of the business unit known as “Ramo Ligure” from Società Acque Potabili S.p.A. with effect from 1 July 2015, Iren Acqua Gas extended to 4 more municipalities (Camogli, Rapallo, Coreglia Ligure and Zoagli) in the Genoa ATO and to the Municipality of Bolano (La Spezia) management of the Integrated water service consolidating its presence in the territory.
Through its subsidiaries, Iren Acqua Gas reaches a total of 191 municipalities serving over 2.6 million residents through its managed ATOs (Genoa Area, Reggio Emilia, Parma, Piacenza, Savona and La Spezia).
During 2015 it sold approximately 162 million cubic metres of water, through a distribution network of more than 16,500 km. As regards waste water, the company manages a total sewerage network spanning approximately 9,300 km.

Gas distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes natural gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 321,000 final customers. The distribution network comprises about 1,657 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 natural gas 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 337 million m^3 of gas during 2015.

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 natural gas distribution sector and coordinates the operation management activities of Emilia Romagna area companies for the integrated water service, electricity and district heating networks and other minor businesses (public street lighting, public parks management, etc.).
Iren Emilia manages natural gas distribution for 75 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages a total of 5,972 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 862,195 SMC/h. During 2015 it distributed approximately 871 million cubic metres of gas.
Iren Emilia also carries out operational management of the integrated water service (pipelines, treatment and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity involves a total network of 12,306 km of pipeline networks, 7,104 km of sewerage networks, 544 waste water pumping systems and 790 treatment plants, both biological treatment plants and Imhoff tanks, distributed across 109 Municipalities.
Iren Emilia carried out the work of operational management of the district heating networks and plants (owned by Iren Energia) in the cities of Reggio Emilia, Parma and Piacenza up to 30 September 2015. From the first of October with the transfer of the business unit this activity passed to Iren Energia.
Operational management of the electricity distribution network is carried out in the city of Parma and concerns 2,447 km of network and almost 126,000 delivery points to final customers.

IREN AMBIENTE

Iren Ambiente carries out the collection and transport of urban and special and non-hazardous waste and performs directly or through investees the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electricity) through waste-to-energy (WtE) transformation and the operation of plants for the production of biogas.
On 23 December 2014, through the company Amiat V. controlled by Iren Ambiente S.p.A, the Group also purchased 31% of the share capital of Amiat S.p.A., offered by FCT Holding S.r.l.; with this operation the stake in Amiat S.p.A rose to 80%, thus enabling the Group to extend the management of environmental services besides to the three provinces of reference (Parma, Reggio Emilia and Piacenza) also to the Municipality of Turin, reaching a total of 123 municipalities and serving approximately 2 million inhabitants.
The growing attention to environmental protection and sustainable development, has led to ever-increasing implementation of widespread separate waste collection systems which, also through the management of 144 fully-equipped ecological stations (53 Reggio Emilia, 43 Piacenza, 41 Parma and 7 Turin), has allowed the area served to achieve, in 2015, 57% in terms of total separate collection.

The potentially valuable portion of separately collected waste, together with the recoverable waste produced by the selection processes of the group's plants, following optimisations of the logistics/treatment/sale chain, enabled revenues of more than Euro 13 million to be obtained in 2015.
Through the subsidiary AMIAT SpA, Iren Ambiente SpA besides performing the environmental hygiene service in the city of Turin (1,000,000 residents served) also operates the selection and recovery plants present in that territory.

Iren Ambiente S.p.A. 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.
With its plants Iren Ambiente S.p.A. directly manages 1,171,182 tonnes of waste a year, of which 850,000 tonnes of solid waste and approximately 300,000 tonnes of liquid waste, making use of 17 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 2 composting plants (Reggio Emilia).

The new Integrated Environmental Centre (IEC), a waste selection and waste-to-energy plant in the province of Parma, came into full operation in April 2014.
Of important strategic significance are the equity investments in the company TRM, based in Turin, which manages a waste-to-energy plant with a capacity of approximately 500,000 t/res. serving a catchment area of approximately 1,500,000 residents and in the company Ecoprogetto, based in Tortona, which manages a plant for the anaerobic treatment of the OFMSW (Organic Fraction of Municipal Solid Wastes), with a capacity of 32,000 t/res. of OFMSW.

INFORMATION ON THE IREN SHARE IN 2015

IREN SHARE PERFORMANCE ON THE STOCK EXCHANGE

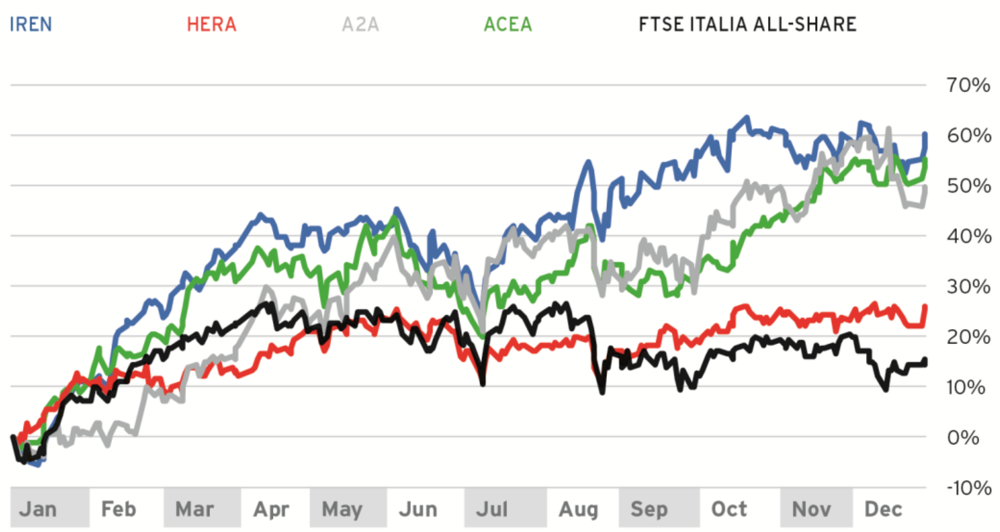
In 2015 the *FTSE Italia All-share* (the main Borsa Italiana index), recorded growth of 14.6%.

This result can be attributed mostly to overcoming the scenario of deep economic crisis which has distinguished the last few years and at the same time the emergence of the first timid signs of recovery of the country. To this must be added the maintenance of an expansive monetary policy by the ECB and the stabilisation of the spread between Italian BTPs and German Bunds.

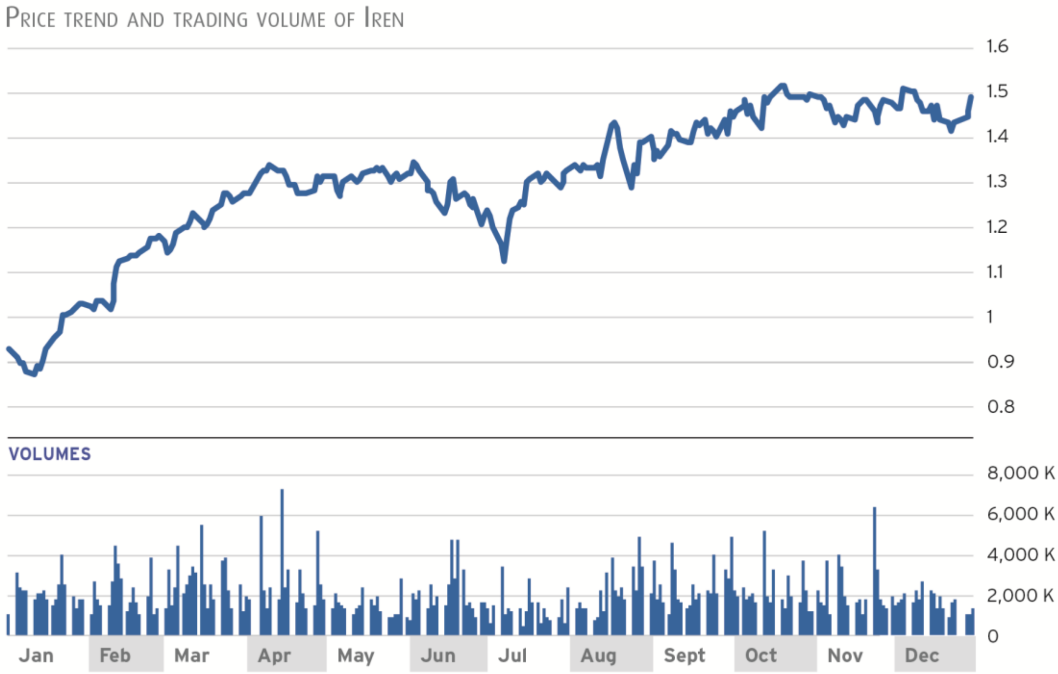
PERFORMANCE OF IREN STOCK vs. COMPETITORS

In this macroeconomic context the stock overperformed the said index, recording at the end of the year an increase of more than 60%.
The performance indicated is among the best in the sector of reference and derives mainly from the positive results reported by the Company during the year and besides linked to projects for increasing efficiency, integration and growth outlined in the business plan presented in June to the financial community.

PERFORMANCE OF IREN STOCK VS. COMPETITORS

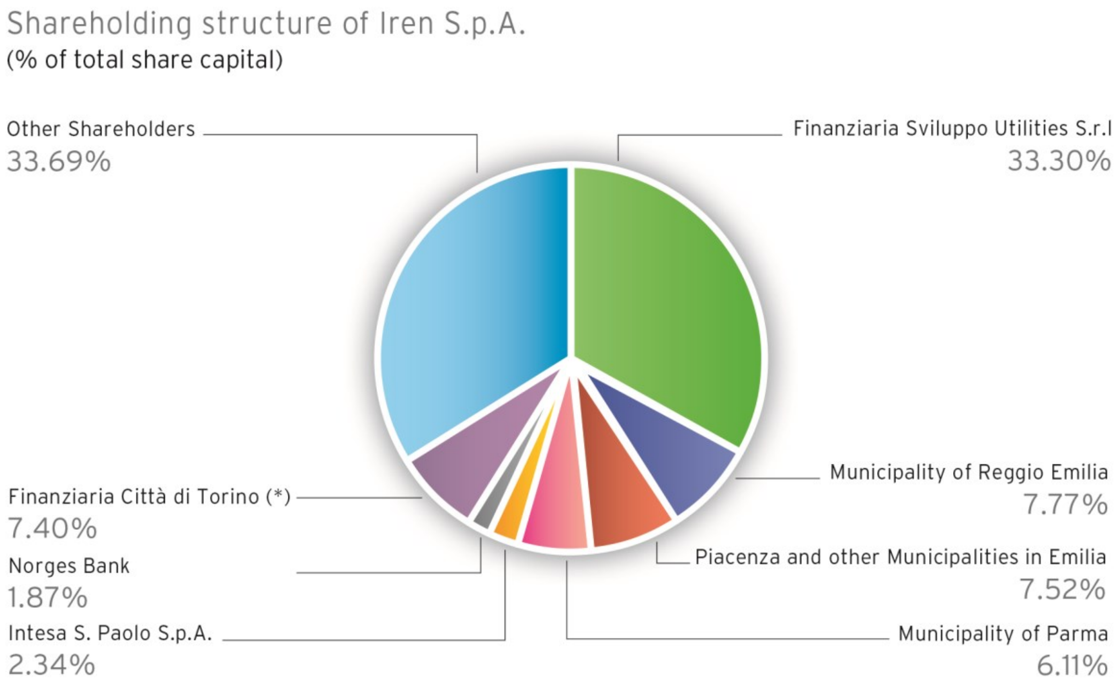


At the end of December 2015 the Iren stock stood at Euro 1.49 per share, with average trading volumes in the year of around 2.1 million units per day.
During 2015 the average price was Euro 1.30 per share reaching a peak at Euro 1.52 per share on 20 October and a low of Euro 0.87 per share on 12 January.



Share coverage
The Iren Group is currently covered by seven brokers: Banca IMI, Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux and Mediobanca.

At 31 December 2015, based on available information, the shareholding structure of Iren was as follows:



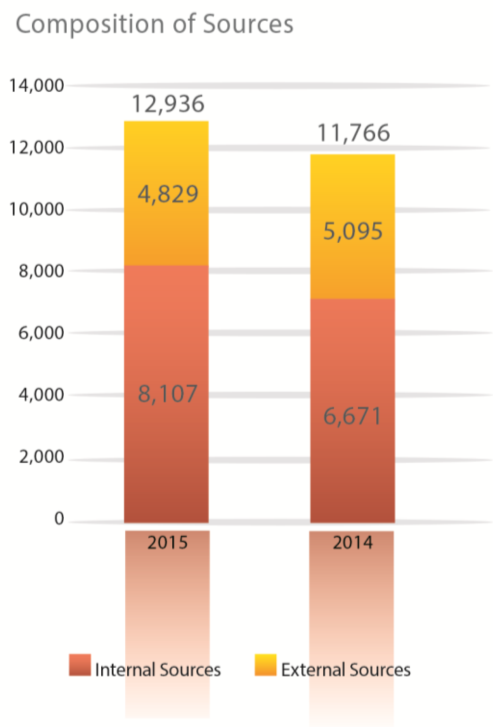
(*) savings shares without voting rights

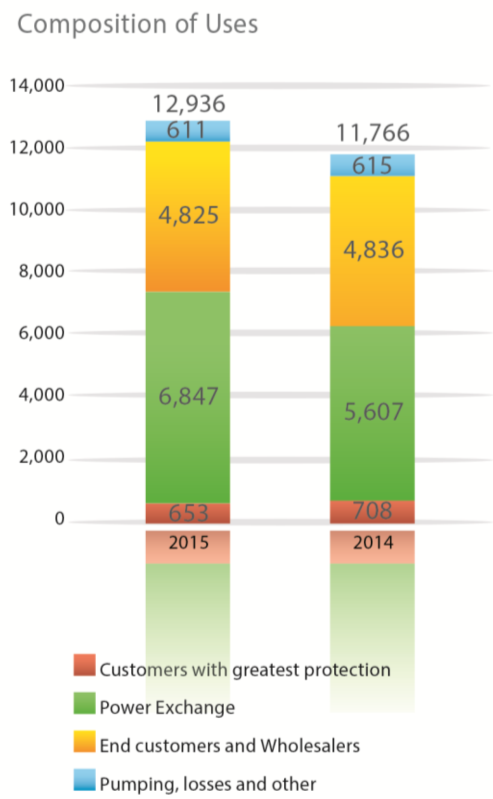
OPERATING DATA

Electricity balance sheet

GWh	Financial year 2015	Financial year 2014 (*)	Changes %
SOURCES			
The Group's gross production	8,107	6,671	21.5
a) Hydroelectric	*1,479*	*1,494*	*(1.0)*
b) Cogenerative	*4,746*	*3,960*	*19.8*
c) Thermoelectric	*1,665*	*1,005*	*65.7*
d) Production from WTE plants and landfills	*217*	*212*	*2.4*
Purchases from *Acquirente Unico* [Single Buyer]	664	721	(7.9)
Energy purchased on the Power Exchange	1,865	2,138	(12.8)
Energy purchased from wholesalers, producers and imports	2,300	2,236	2.9
Total Sources	**12,936**	**11,766**	**9.9**
USES			
Sales to protected customers	653	708	(7.8)
Sales on the Power Exchange	6,847	5,607	22.1
Sales to eligible final customers and wholesalers	4,825	4,836	(0.2)
Pumping, distribution losses and other	611	615	(0.7)
Total Uses	**12,936**	**11,766**	**9.9**

(*) Pro-forma figure with AMIAT quantity (49 Gwh)

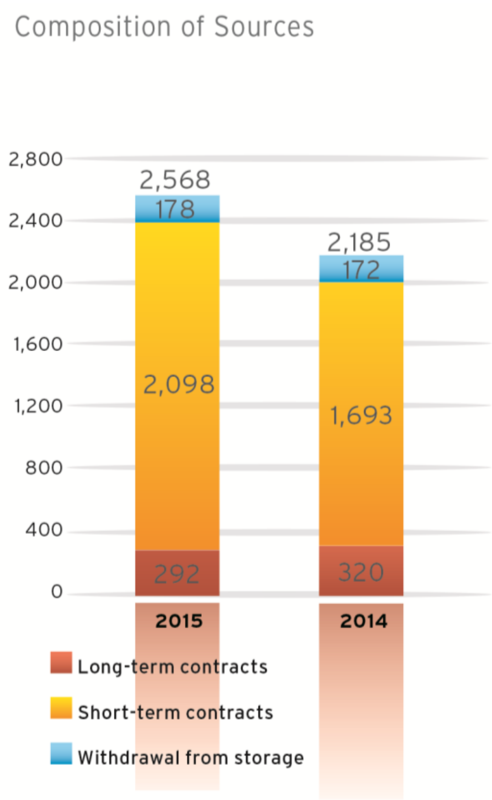


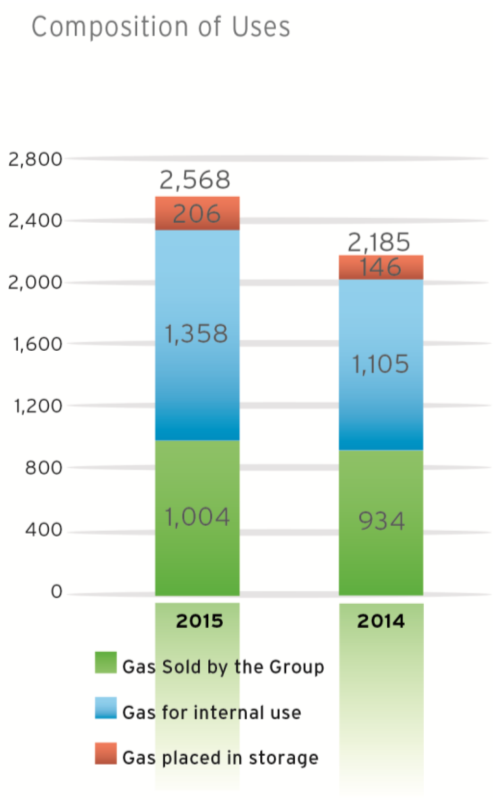


Gas Production

Gas Production Millions of m³	Financial year 2015	Financial year 2014	Changes %
SOURCES			
Long-term contracts	292	320	(8.9)
Short-term contracts (annual and spot)	2,098	1,693	23.9
Withdrawals from storage	178	172	3.9
Total Sources	**2,568**	**2,185**	**17.5**
USES			
Gas sold by the Group	1,004	934	7.5
Gas in storage	206	146	41.3
Gas for internal use (1)	1,358	1,105	22.9
Total Uses	**2,568**	**2,185**	**17.5**

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





Network services

	Financial year 2015	Financial year 2014	Changes %
ELECTRICITY DISTRIBUTION			
Electricity distributed (GWh)	3,995	3,848	3.8
No. of electronic meters	740,272	701,262	5.6
GAS DISTRIBUTION			
Gas distributed by Iren Acqua Gas (mln m³)	*338*	*332*	*1.7*
Gas distributed by Iren Emilia (mln m³)	*871*	*787*	*10.7*
Total Gas distributed	1209	1,119	8.0
DISTRICT HEATING			
District heating volume (mln m³)	81.9	80.4	1.9
District heating network (Km)	883	864	2.2
INTEGRATED WATER SERVICE			
Water volume (mln m³)	162	147	*10.6*

MARKET CONTEXT

MACROECONOMIC PERFORMANCE

According to estimates of the International Monetary Fund in 2015 the growth of global GDP was 3.1%, a slowdown compared with 2014 (+3.4%). The macroeconomic scenario is fragmented; compared with 2014 recovery in the advanced economies was recorded and at the same time a new slowdown of the emerging economies, the weakness of which slows down the expansion of global trade. The context is uncertain given the sharp drop in raw material prices (oil prices fell to below the minimums reached in the critical period of 2008–2009) and the increased volatility of the financial markets.
In the Euro Area 2015 GDP is estimated to have increased by 1.5% (+0.9% in 2014). The securities purchasing programme of the Eurosystem has been shown to be effective in boosting economic activity overall, but growth, which characterised also the second half of the year, remains fragile owing to the weakness of foreign demand and the sharp decline in oil prices. In December the ECB's Governing Council introduced further expansive measures and widened the securities purchasing programme and seems willing, if necessary, to intervene again.
For Italy, after a long period of recession, 2015 recorded GDP growth of +0.8% (ISTAT data). In the last few months of the year the recovery also seems to have continued gradually although in the presence of uneven trends between sectors: ISTAT indicates that favourable signs are coming from manufacturing, while construction is still performing negatively. The driving force of exports, which after sustaining business in the last four years are affected by the weakness of the non-European markets, is being gradually replaced by that of domestic demand (in particular for consumption and rebuilding inventories).

The electricity market

In 2015 the net production of electricity in Italy was 270,703 GWh, up by 0.6% compared to 2014.

The demand for electricity, 315,234 GWh (+1.5% over 2014) was met for 85.9% from domestic production (-0.9% compared to 2014) and the remaining 14.1% (+6% from the previous year) from foreign production. At the national level, traditional thermoelectric production was 180,871 GWh, an increase of +8.3% compared to 2014 and represented 66.8% of the production supply; hydroelectric production was 44,751 GWh (-24.9% compared to 2014) representing 16.5% while geothermal, wind and photovoltaic production was 45,081 GWh (+6.1% over 2014) covering 16.7% of supply.

Demand and supply of accumulated electricity

(GWh and changes in trends)

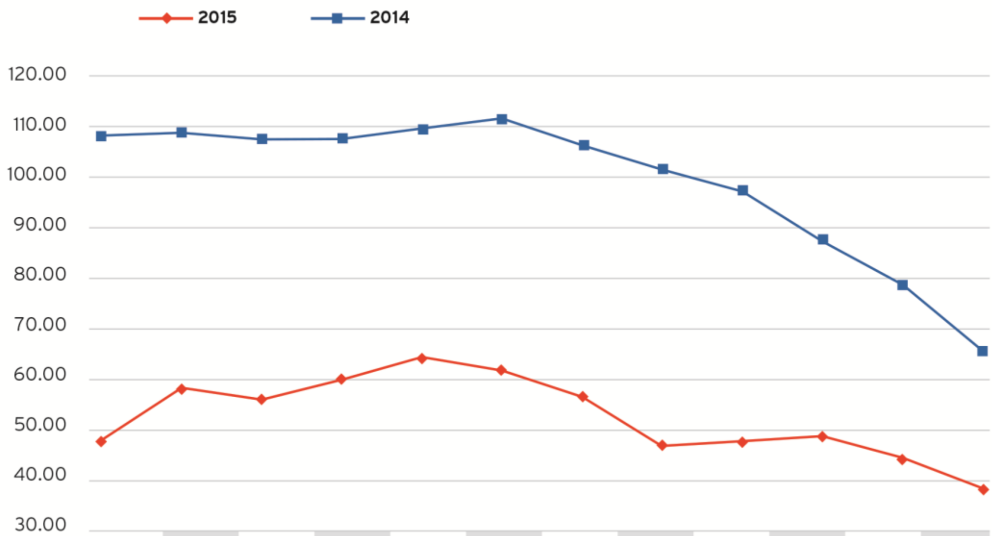
	up to 31/12/2015	**up to 31/12/2014**	**Change %**
Demand	**315,234**	**310,535**	**1.5%**
- North	144,709	144,926	-0.1%
- Centre	94,525	91,463	3.3%
- South	47,333	45,345	4.4%
- Islands	28,667	28,801	-0.5%
Net production	**270,703**	**269,148**	**0.6%**
- Hydroelectric	44,751	59,575	-24.9%
- Thermoelectric	180,871	167,080	8.3%
- Geothermoelectric	5,816	5,566	4.5%
- Wind and photovoltaic	39,265	36,927	6.3%
Foreign balance	**44,531**	**41,387**	**7.6%**

Source: RIE processing of TERNA data

2015 saw growth in demand for electricity compared to the previous year (+1.5%). Growth was concentrated mainly in the summer months of July (+11.9%) and August (+3.2%); the months of January (-1.7%), May (-1.3%) and October (-1.8%) were again in negative growth, as they were undoubtedly affected by weather factors. The increases mainly involved the centre and south of the country, while the north-east and Sicily showed a negative sign.

In 2015 the price of crude oil was 52.5 $/bbl, sharply down compared to 2014 (-47.1%). The average $/€ exchange rate was 1.1091, also down (-16.5%) compared to the average for 2014. As a result of the previous trends, the average price of crude oil in euro was 47.3 €/bbl in 2015, down compared to the 2014 average (-36.7%). 2015 ended with new and considerable falls in the price of crude oil, with Brent Dated down to an average of 38 $/bbl, the lowest level since the end of 2008.

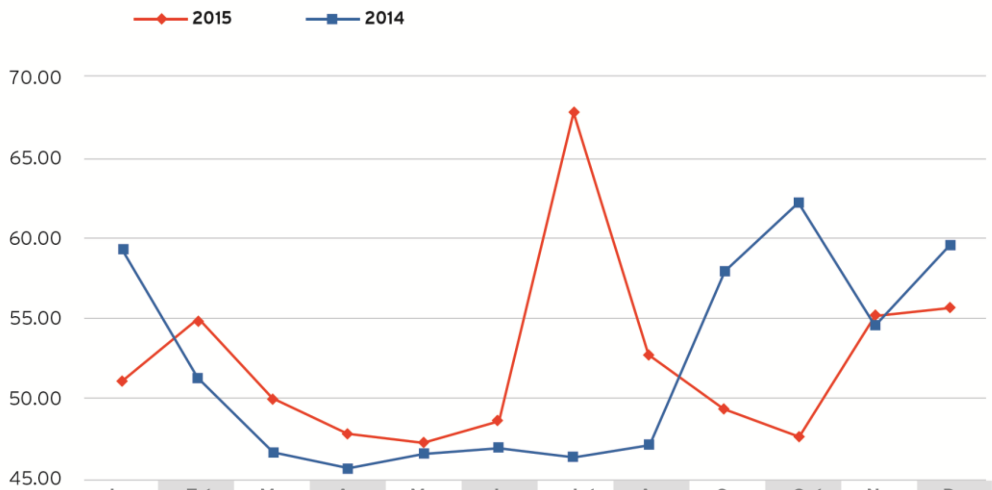
TREND BRENT $/BBL



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	47.86	58.13	55.92	59.76	64.32	61.69	56.54	46.64	47.61	48.56	44.29	38.21
2014	108.25	108.87	107.54	107.63	109.61	111.65	106.37	101.61	97.30	87.40	78.89	65.53

The fourth quarter of 2015 on the power exchange ended with an average price of 52.8 €/MWh, down compared to both the previous quarter (-6.8%) and the same period of 2014 (-10.2%). Excluding the first year of the trading platform, the average price recorded was the lowest since 2005. In annual terms the Single National Price (SNP) closed at 52.31 €/MWh (+0.4% compared to 2014) substantially in line with the price of the previous year, which in turn represented the lowest figure expressed by the trading platform since 2005.

AVERAGE PURCHASE PRICE ON THE MGP MARKET - PUN €/MWH



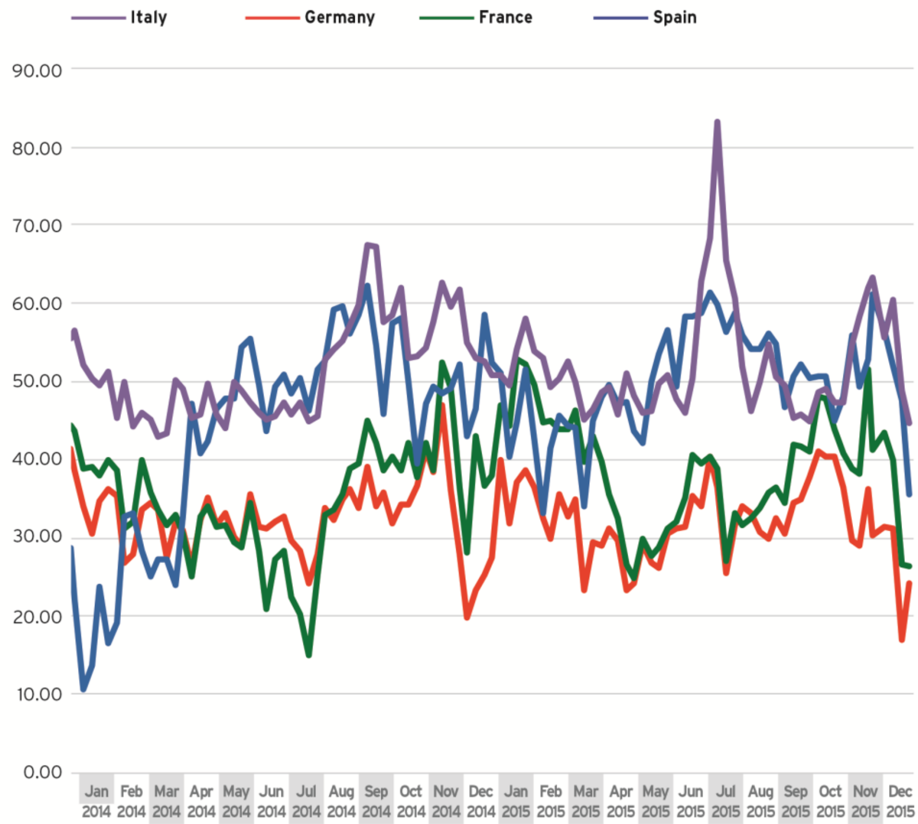
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	51.10	54.90	49.99	47.84	47.27	48.64	67.77	52.72	49.39	47.66	55.08	55.66
2014	59.27	51.34	46.73	45.76	46.66	47.02	46.42	47.17	57.97	62.23	54.59	59.58

In 2015, the European power exchanges expressed an average price of 40.4 €/MWh, a difference of 12.2€/MWh compared to the Ipex average SNP, down compared to the 15.6 €/MWh of 2014 and the 21.3 €/MWh of 2013.

As regards zonal prices, over the year, the lowest price (49.2 €/MWh) was located in the South, repeating what occurred in 2014. Sicily, with 57.5 €/MWh, was also confirmed as the zone with the maximum price although the difference from the SNP was notably lower (it was in fact 55.4% more in 2014 compared to the current +10.0%).

In 2015 the European power exchanges expressed an average price of 40.4 €/MWh with a spread, compared to the Ipex average SNP, of 12.2 €/MWh down compared to the 15.6 €/MWh of 2014 and to the 21.3 €/MWh of 2013.

WEEKLY PRICES ON ELECTRICITY STOCK EXCHANGE (EURO/MWH)



The table below shows a comparison between the average futures prices of baseload products available for the fourth quarter of 2015. In the three months from October to December both increases and reductions were recorded for quarterly futures prices, in particular the first maturity of March 2016 increased while the later maturities of September and December decreased. The annual future (December 2016), which was quoted at € 44.7/MWh in January, reached € 49.0/MWh in July before declining to € 46.0/MWh in December (+1.3 €/MWh compared to January).

October 2015 Futures		November 2015 Futures		December 2015 Futures	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
nov-15	47.4	dec-15	48.7	jan-16	51.9
dec-15	48.1	jan-16	48.4	feb-16	52.0
jan-16	49.4	feb-16	48.9	mar-16	47.1
Quarterly	**€/MWh**	**Quarterly**	**€/MWh**	**Quarterly**	**€/MWh**
mar-16	47.8	mar-16	47.4	mar-16	50.3
jun-16	42.9	jun-16	42.5	jun-16	42.1
sep-16	47.6	sep-16	46.8	sep-16	45.8
dec-16	47.6	dec-16	46.9	dec-16	45.9
Yearly	**€/MWh**	**Yearly**	**€/MWh**	**Yearly**	**€/MWh**
dec-16	46.5	dec-16	45.9	dec-16	46.0

Source: RIE processing of IDEX data

The Natural Gas Market

Overall 2015 saw natural gas consumption returning to growth after four years of consecutive drops; the increase compared to 2014 was 9.1% with a "recovery" of 5.5 bln m3, due for approximately half to the withdrawals of distribution networks (+9.6%) and for the other half to the volumes used in power stations, up by 16.6% owing to a moderate growth in electricity demand (+1.5%) and above all to the contraction in hydroelectric production owing to less rain. Industrial consumption was instead negative, recording -3.1%. Demand is however at the level of 1999 and approximately 21% lower than in 2008 (-38% for thermoelectric uses).

On the inputs side, imports (60.8 bln m3) grew by 9.8%, while Italian production (6.4 bln m3) fell by 6.4% covering 9.6% of consumption. At the end of the year Stogit, the main operator of the national storage system, indicated the presence in the sites of 8.7 bln m3, still approximately 79% of the stock at the beginning of November, given the mildness of the season. The quantity is more or less in line with the volumes present in the same period of 2014.
In 2015 49.2% of imported gas came via Tarvisio (47.3% in 2014) mainly from Russia; 17.5% arrived at the entry point of Passo Gries from Northern Europe (20.7% in 2014), 12.0% at Mazara del Vallo from Algeria (12.2%), 11.7% at Gela from Libya (11.8%) and 9.6% from the Rovigo regasification plant (8.1% in 2014) which receives LNG mainly from Qatar.

Uses and sources of natural gas in 2015 and comparison with previous years

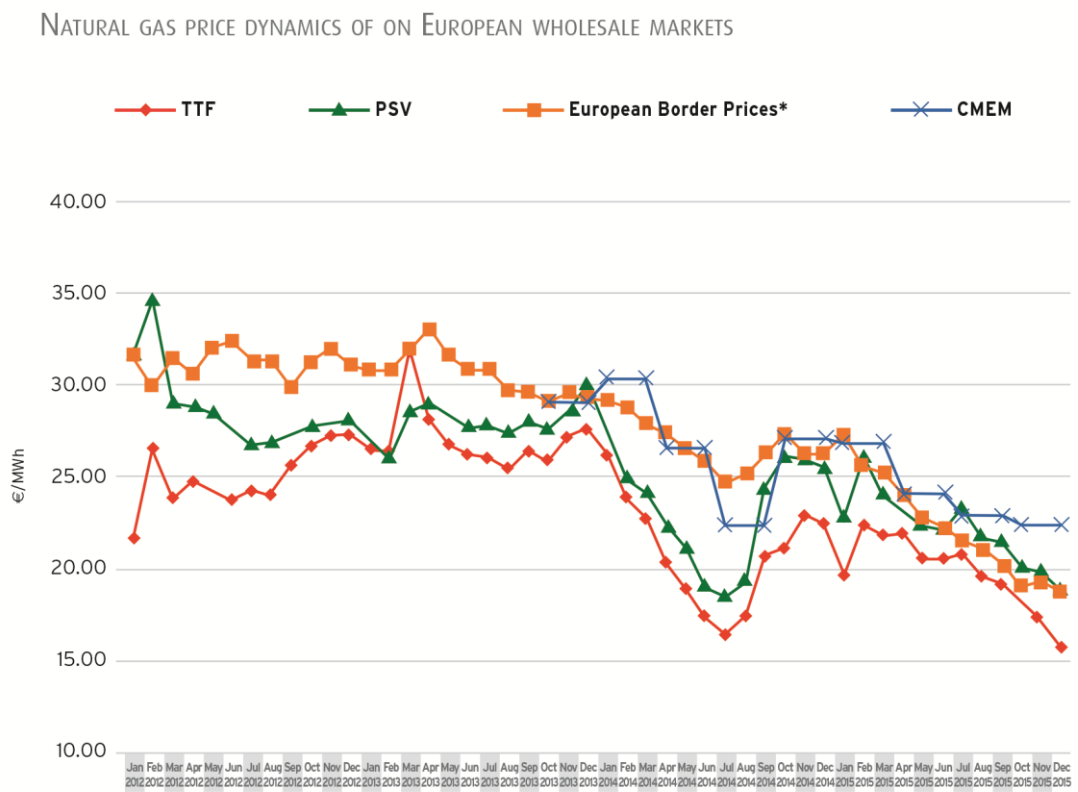
	2015	2014	2013	2012	2008	Change % '15/'14	Change % '15/'13	Change % '15/'12	Change % '15/'08
GAS USED (bln m^3)									
Distribution plants	31.4	28.7	33.7	33.8	33.4	9.4%	-6.8%	-7.1%	-6.0%
Industrial use	12.8	13.2	13.2	13.3	14.6	-3.0%	-3.0%	-3.8%	-12.3%
Thermoelectric use	20.7	17.8	20.7	24.7	33.5	16.3%	0.0%	-16.2%	-38.2%
Third party network and system consumption (*)	2.0	1.7	1.9	2.5	3.0	17.6%	5.3%	-20.0%	-33.3%
Total withdrawn	**66.9**	**61.4**	**69.5**	**74.3**	**84.5**	**9.0%**	**-3.7%**	**-10.0%**	**-20.8%**
GAS INPUT (bln m^3)									
Domestic production	6.4	6.9	7.5	8.2	9.1	-7.2%	-14.7%	-22.0%	-29.7%
Imports	60.8	55.4	61.5	67.6	76.5	9.7%	-1.1%	-10.1%	-20.5%
Storage	-0.3	-0.9	0.5	-1.5	-1.1	-66.7%	-160.0%	-80.0%	-72.7%
Total input	**66.9**	**61.4**	**69.5**	**74.3**	**84.5**	**9.0%**	**-3.7%**	**-10.0%**	**-20.8%**

(*) Includes: transport, exports, transport company redeliveries, input/output changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas data: provisional for December 2015

2015 was characterised by a significant drop in natural gas prices on all the international markets. In Europe the decrease was more or less continuous during the year for both spot prices at the hubs and prices "at the border" in future import contracts. The European market has for some time been "long", with an abundance of supply and weak demand, a situation that was made more acute by the mildness of the autumn season. In addition the sharp drop in oil prices, which began in the second half of 2014, was gradually reflected during 2015 in the prices of gas volumes still related to the prices of crude oil and its derivatives.

The spot prices at the Dutch TTF, the most liquid and representative European hub, closed with an annual average of 19.8 €/MWh, 5% lower compared to 2014, but fell by almost 30% from February to December 2015, ending the year with figures even below 15 €/MWh, levels no longer reached since 2009/2010. The Italian PSV showed a similar trend: the annual average was 22.2 €/MWh, 4.6% lower than in 2014, but the prices recorded a decline from 26.2 €/MWh in February to 18.8 €/MWh in December (-28%), with daily

minimums around 17 €/MWh. The Italian hub remains the one with the highest figures in Europe; as an annual average the spread with the TTF was 2.3 €/MWh.
Futures prices also showed a constant decline on all hubs, being affected at the end of the year and the beginning of 2016 both by expectations for a further increase in supply deriving from the availability of new international LNG flows and by the scenario of a new and further drop in oil prices.
During the year, as a result of the renegotiations and the low crude oil prices, the prices "at the border" of futures contracts showed a gradual decrease towards those of spot trades at the hubs, before recording a new moderate widening in the last two months of 2015, as a consequence of a further reduction in market prices which was more than that in futures contracts.



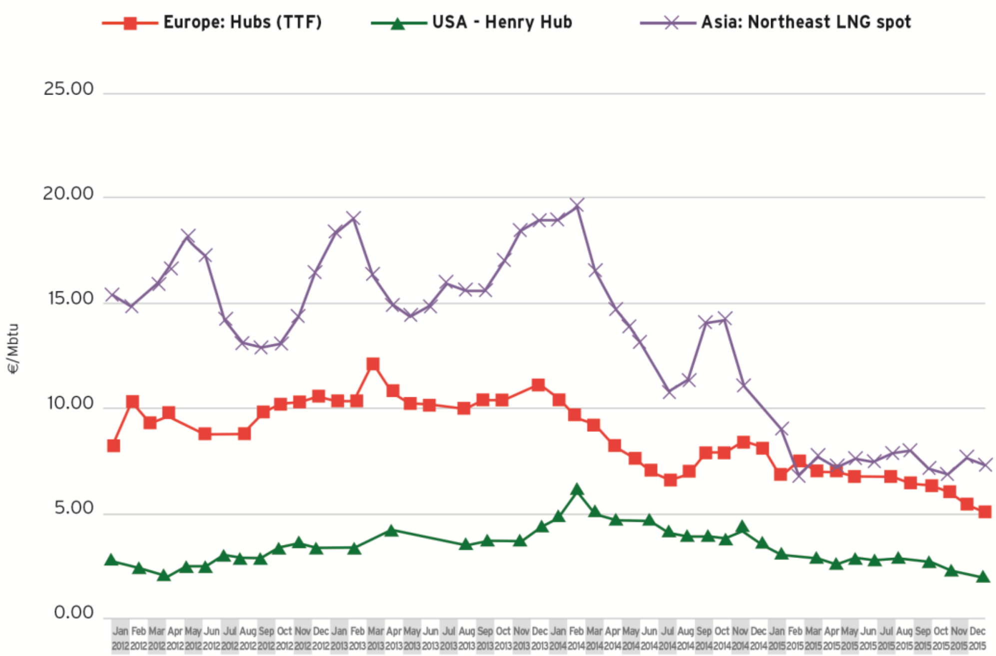
**Indicative figures based on RIE processing of World Gas Intelligence (Platts) estimates, European Commission, RIE database*
Note: the C_{MEM} prices were translated into Euro/MWh on the basis of a heating power of 38.52 Mj/m^3
Other Sources: RIE processing of European Gas Daily (Platts) and AEEGSI data

As regards the Italian context, besides the aforementioned trends on the PSV, the balancing market (PB-Gas) was confirmed in 2015 as the only liquid gas market among those organised by the Energy Markets Manager (Gestore dei Mercati Energetici - GME). In the two segments that make it up, G+1 and G-1, 4.5 bln m3 were traded of which approximately 87% in the segment G+1.
The annual average prices were 22.13 €/MWh in G+1 (in line with the PSV and 6.3% lower compared to 2014) and 22.6 €/MWh in G-1.
The so-called "CMEM component", meant to reflect the cost of procuring gas in the protected market price and defined by the AEEGSI on the basis of the TTF futures prices, on average in 2015 was c€ 25.77/m^3, down by 9.4% compared with 2014.

At the international level low oil prices and oversupply caused a sharp reduction in Asian LNG prices. Those of futures contracts linked to oil fell by more than 50% compared to 2014 and could be estimated at the end of 2015 at around 6–7 $/MBtu (Million British Thermal Units); while spot prices recorded an annual average of 7.5 $/MBtu, a reduction of 45% from 2014. On average in 2015 Asian spot prices were higher than European ones by approximately 15% (+1 $/MBtu at approximately 3.1 €/MWh); towards the

end of the year the delta rose to 40% (2.3 $/MBtu; 7.3 €/MWh), although it remained much lower than in the middle of 2014 when it was almost 80% (6 $MBtu; 16 €/MWh).
During the year the closing of the gap between Asian prices and European prices made netbacks obtainable from short-term LNG exports to Asia less attractive for producers encouraging the arrival of larger loads in Europe.
In the USA also declining prices were recorded in 2015 and again much lower than in other market areas: the Henry Hub, the main American market, recorded an average figure of 2.6 $/MBtu compared to 4.4 $/MBtu in 2014.

Comparison of international prices for natural gas



Source: RIE processing; on Platts data

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:

	2014	2013	2012
No. of cities with district heating (n)	179	162	109
Total volumes heated (million m³)	316	302	279
Thermal energy supplied to users (GWht)	7,717	9,200	8,005
Length of distribution networks (km)	3,974	3,807	3,161
Primary fossil fuel energy saving (Toe)	442,000	541,213	439,518
Carbon dioxide emissions avoided (t)	1,385,900	1,778,037	1,433,537

Source: processing of AIRU data
Note: since 2013 biomass networks located in the Province of Bolzano have been included in the AIRU statistics

From 1995 to 2014 (latest figures available) in Italy the number of cities with district heating rose from 27 to 179, with volumes increasing from 74 to 316 million m^3. The networks are concentrated in Northern Italy and almost all the district heating volumes (approximately 98%) are located in Lombardy, Piedmont, Emilia Romagna, Veneto, Trentino Alto Adige, Liguria and Valle d'Aosta. Not considering "supplementary and reserve boilers" (58% of installed thermal capacity), the most common type of plant is the cogeneration station (dedicated and thermoelectric) fuelled by fossil fuels (27%), with a considerable presence also of Solid Urban Waste (SUW) incinerator plants (6%) and plants using bioenergies (7%). The energy source most used is natural gas (72%) followed by SUW (13%) and bioenergies (9%); overall renewable sources account for 24% (it was 19% in 2013).

White Certificates (EECs)

In 2015 the Market for Energy Efficiency Certificates (EECs) recorded compared to 2014 an increase of 8.6% of volumes traded on the market platform (GME) with a quantity of certificates traded of 3.78 million and with a proportion of Type II (for achieving primary energy savings through actions to reduce natural gas consumption) of 53.9% at an average price of 104.47 €/EEC (-8.3% compared to 2014) and 26.7% of Type I (reduction in electricity consumption) at an average value of 104.65 €/EEC (-8.4% vs 2014). The last two months of the year saw prices for both the main types of EEC close to 107 €/EEC. From the start of the mechanism approximately 38 million certificates have been issued.
On the bilateral market 4.95 million EECs were traded (8.27 mln in 2014) with an average price for Type II of 93.5 €/EEC.
The AEEGSI has established (Decision DMEG/EFR/13/2015) that the definitive tariff contribution for obligated distributors for the obligation year 2014 is 105.83 €/EEC (compared to 110.27 €/EEC of 2013) and that the provisional tariff contribution for the obligation year 2015 IS 108.13 €/EEC (compared to 110.39 €/EEC of 2014).

2015 LEGISLATION

On 20 February the Cabinet approved the text of a Draft Law, known as the "2015 Draft Competition Law", aimed at removing regulatory obstacles to the opening of the markets and at promoting the development of competition. Chapter IV (Arts 19–21) contains the provision of the end of protected electricity and gas prices from 1 January 2018. To implement the cessation of the protection regimes it is stated that the Ministry of Economic Development must issue a decree, after consulting the Authority for Electricity, Gas and Water.
The text of the rules of the Draft Competition Law on overcoming price protections for small energy customers was approved by the Chamber of Deputies and sent to the Senate on 8 October. The plan to abolish the protections starting from 2018 was confirmed on condition that a report by the Authority to be published by 30 April 2017 confirms the achievement of five objectives (site for comparing offers, switching times of a maximum three weeks and a maximum of six weeks for adjustment, operation of the Integrated Information System and implementation of brand unbundling). If one of the five targets has not been achieved the check will be repeated every six months. The Draft Law is currently under discussion in the commission at the Senate.

On 25 February the European Commission published a number of communications that took the name "Energy Union Package". Among these, Communication No. 80/2015 contains measures and proposals to be implemented in the next 5 years in the field of energy. Considered by many a document with contents still not wholly defined and a symptom of the difficulties in drawing up an effective European strategy, the Commission's Communication provides for measures to re-found and re-qualify the electricity market, greater transparency in gas supply contracts, substantial evolution of regional cooperation for a more integrated market, new rules to guarantee the procurement of electricity and gas (with particular attention to the security of gas supplies), more EU financing in favour of energy efficiency.

Electricity

AEEGSI Resolution 29 January 2015 22/2015/R/efr
With this measure the Authority defined the price of placement on the market of green certificates for the year 2015, quantifying the annual average figure of the selling price of electricity, recorded in the year 2014, as 55.10 €/MWh. In view of the above, it follows that in the year 2015 the GSE will place on the market the GCs issued by the same at a price of 124.90 €/MWh.

AEEGSI Resolution 12 February 2015 45/2015/R/eel
With this measure the Authority defines the criteria for enabling the Italian market to take part in the European market coupling project with particular reference to the Italy-France, Italy-Austria and Italy-Slovenia borders.

Consultation document (CD) 163/2015/R/eel "Electricity market. Revision of the rules on effective balancing" - published on 9 April 2015
With the CD in question the Authority consults all the electricity operators on new regulation proposals regarding the revision of the mechanism for calculating the balancing prices, currently governed by Arts 39 and 40 of Resolution No. 111/06. This CD was published by the Regulator after the judgement of the Council of State, No. 1532 of 20 March 2015, which annulled the previous regulatory rules contained in resolutions 342/2012/R/eel and 285/2013/R/eel which had introduced urgent measures on the subject of limiting dispatching expenses. The revision proposals illustrated in the CD are aimed at correcting the distortionary elements which, according to the AEEGSI, characterise the current mechanism for calculating the balancing prices, while awaiting the creation of a more ample and organic reform of the balancing rules which will be introduced by the Authority in the coming months, also for the purpose of ensuring full compatibility of the Italian regulatory framework with the rules of the future European Grid Balancing Code, which is expected to come into force in 2016. In the context of the current calculation scheme, the Authority believes that there are distortionary elements connected to the fact that the calculation of signs and balancing prices also takes into account offers accepted by Terna in the DSM for purposes other than the mere correction of balancing. In order to remove the said distortionary elements, the Regulator proposes that the determination of signs and balancing prices should consider exclusively offers accepted by Terna on the DSM for balancing purposes, or accepted for the sole purpose of

correcting the overall balancing of the macro-zone. In particular, the proposal identified by the Authority provides for the adoption of measures aimed at excluding from the balancing calculation all offers accepted in the MSD related to services not directly attributable to balancing correction.

The EU Code on capacity allocation approved by the European Commission: the European Commission has adopted the European Grid Code on the allocation of capacity and management of congestions (CACM) which outlines a legal framework for electricity trading in Europe and makes market coupling legally binding. The EU estimates that market coupling will generate total savings for European consumers of between Euro 2.5 and 4 billion per year. The Code was published in the EU Official Journal of 25 July and came into force on 14 August.

The EU Commission has presented a summer package on climate and energy: this is a set of measures defined by a draft directive for reform of the ETS, two communications, respectively on a new design of the electricity market and for a relaunch of the role of the energy consumer – the so-called "Consumers' New Deal" – and, finally, a proposed regulation on energy labelling. The package is part of the wider design on the Energy Union envisaged by the Juncker Commission.

AEEGSI Consultation on transmission, distribution and measurement tariffs for the fifth electricity regulation period (DCO 335/2015/R/eel and DCO 446/2015/R/eel).
The Energy Authority has presented the first orientations in relation to fixing the revenue constraints, to the tariff structure and to the associated equalisation mechanisms for the transmission, distribution and measurement tariffs for the new regulatory period. The revision of the current rules is widened starting from the regulatory period which it is proposed to extend to eight years with division into two periods (2016–2019 and 2020–2023). The first period is proposed as a transition with respect to the total change in the mechanisms for determining the tariffs envisaged starting from 2020.
In the document the regulator confirms its intention to carry out a "profound reform" of the current regulation scheme, shifting to cost recognition logics based on "total expense", understood as the sum of operating expenses and investment expenses (a method that the regulator calls "Totex"). This transition will occur gradually. The AEEGSI's idea is therefore to divide into two parts the regulation period, the extension of which to six years is confirmed: a first part from 2016 to 2019 in which to adopt solutions in substantial continuity with the current regulatory period and a second 2020–2023 in which first to apply the Totex method, limited to larger companies. With this prospect as regards the intra-period updating mechanism the Authority plans to submit to revision the annual productivity recovery rate (X-factor) change objectives at the end of the first three years. On first application the Totex method will apply to Terna and to the five largest distribution companies

AEEGSI Resolution No. 447/2015/r/eel of 24 September 2015: postponement of the effectiveness of the rules of the standard grid code for the electricity transport service approved with Resolution 268/2015/R/EEL.
This resolution establishes that effectiveness of the provisions relating to contractual guarantees and, for reasons of consistency, of the provisions relating to timing for the issue of invoices and their payment dates is postponed, aligning their date of effectiveness with that envisaged for effectiveness of the other rules, that is to say 1 January 2016 compared to the previous date of 1 October 2015.

AEEGSI Resolution No. 437/2015/R/efr of 10 September 2015: Approval of the update to the rules on operation of the market for energy efficiency certificates (white certificates), in order to attribute to the GME the role of central counterparty.
With this resolution approval is given for the update to the rules on operation of the market for energy efficiency certificates (white certificates), proposed - under the terms of the current Regulation - by the GME. The amendments have the aim of attributing to the GME the role of central counterparty and were the subject of consultation by the GME itself.

EU Code on HVDC connections approved. This past 11 September the member states approved the European Grid Code on high voltage direct current (HVDC) connections. This is the third EU Code so far to have reached the end of the comitology procedure, which is still awaiting examination by the Parliament and the Council. It is expected to be adopted definitively at the beginning of 2016. Entso-E, the European association of Transmission System Operators, has observed that up to now few countries have codes on HVDC and many of them define specifications and requirements project by project. According to Entso-E the approval “arrives at a particularly opportune time because it harmonises the development of the HVDC technology used in the construction of interconnectors (e.g. between Ireland and Great Britain, or across the North Sea or the Mediterranean), in the connection of offshore plants to the grid and also for long-distance onshore connections (e.g. between North and South Germany)”.

Resolution 582/2015/R/eel: Reform of grid electricity tariffs and system charges for domestic customers.

The Energy Authority has definitively approved a process which in three years will lead to overcoming the progressiveness of grid electricity tariffs and system charges and to the partial allocation of the latter in the fixed portion. The resolution provides for a gradual process which when fully implemented, from 2018, for grid services will see a non-progressive tariff structure, the same for all domestic customers, set on the basis of the criterion of adherence to the costs of the different services: the costs of metering, marketing and distribution will be covered in a fixed per-customer quota (€/year) and a power quota (€/kW/year), while the transmission costs in an energy quota (c€/kWh). For the tariff for system charges instead a differentiation is maintained between resident customers (to whom it is all applied in the energy quota as it is today, that is in c€ per kWh withdrawn) and non-resident customers (to whom it is applied both in the fixed quota, and in the energy quota), so as overall three quarters of the revenue (for residents and non-residents together) derives in any case from the energy quotas. The gradual process envisages that from 1 January 2016 the progressive-band tariff structure will remain unchanged and that, only for tariffs for grid services, a first intervention will be made aimed at “buffering” the effect of progressiveness on consumption and at increasing the fixed quotas (for point and for power), reducing by at least 25% the amount of cross-subsidy existing today; in addition the data related to the figures of maximum power withdrawn will begin to be collected and made available to customers. From 1 January 2017 there will be full application of the non-progressive tariff for grid services and the first intervention will be made also on the tariff for system charges, so as to reduce the effect of progressiveness and limit to two the number of annual consumption bands; all the changes associated with the use of power will then be introduced, with the offer of a greater number of levels to choose from. From 1 January 2018 the reform will be fully implemented, applying the full non-progressive structure also to the tariff for the general system charges.

Resolution 659/2015/R/eel: Prices and components related to the marketing of electricity (PCV, RCV and DISPBT) applied to final customers under greater protection and to the remuneration of operators for the service provided

The Authority updated the values of the components related to the marketing of electricity from 1 January 2016. As regards for example the PCV price, related to the marketing costs of an efficient operator on the free market, this remains a national single figure according to the structuring envisaged for the various categories of customers and from January the figure for domestic customers is 54.8738 €/withdrawal point/year and for non-domestic customers 115.8724. The resolution postpones to a subsequent measure, after further study, the definition of mechanisms to cover the costs to take into account customers that leave the greater protection service.

Resolution 654/2015/R/EEL: Tariff regulation of the transmission, distribution and metering services.

The Authority for Electricity, Gas and Water defines the tariff regulation of the electricity transmission, distribution and metering services for 2016–2023, extending to eight years the duration of the regulatory period, which is at the same time divided into two sub-periods of four years (NPR1 2016–2019 and NPR2 2020–2023). In relation to the tariff criteria the resolution provides in NPR1 for regulation schemes that offer incentives for the recognition of operating expense and regulation schemes of the rate-of-return type for the costs of capital, in substantial continuity of method; in NPR2 the adoption, as an evolution, of an approach based on overall control of spending (Totex approach), as will be defined below.

Gas

A **Ministerial Decree** of 6 February 2015 (OJ of 23 February) of the Ministry of Economic Development defined figures and general rules for the storage year 1 April 2015–31 March 2016. The MD confirmed at 500 million m^3 the capacity, deriving from the reduction decided in 2012 of the strategic storage (today approx. 4.6 billion m^3), reserved for integrated regasification plants and storage services for industrial customers; the modulation capacity to be assigned as a priority to the civil market supply was quantified as 6.843 bln m^3, offered in modulation products with a profile variable on a seasonal basis. The capacity to be offered with a uniform profile for the other sectors (e.g. thermoelectric and industrial) is instead 1.122 bln m^3. The capacity is placed through auctions. As regards the profiling of outputs the MD reduced further the daily and monthly maximum output for November and December and increased that of January and February.

With **Resolution No. 49/2015/R/Gas** of 12 February 2015 *("Rules for the conferment of storage capacities for the thermal year of storage 2015–2016 and definition of the storage tariffs"*) AEEGSI, as a consequence of the MD of 6 February, adopted rules regarding the methods of performing the procedures for allocating storage capacity: monthly procedures in sequential auctions, criteria for determining the reserve price for each auction, criteria for performing auctions, tariffs to be applied to the capacities conferred. At the end of June all the capacity was conferred.

With **Resolution No. 133/2015** of 26 March 2015 *("Economic conditions of the natural gas protection service starting from the thermal year 2015–2016"*) the AEEGSI established the criteria for defining the protected gas prices for the thermal year 2015–2016. In brief the Regulatory Authority:

- maintains the reference to the gas prices on the Dutch hub TTF, considering the insufficient degree of development of liquidity of trading on the Italian hub PSV compared to the European standards;
- defines also for the protected price the movement downstream of the PSV, already laid down in Resolution No. 60/2015/R/Gas, of certain system charges (CVI, CV^{BL} and CV^{OS} components) now included in the cost component of procurement of raw materials (the "C_{MEM}"); the components "extracted" will be added to the QT transport tariff;
- establishes with minimum changes the new amounts of the component covering the costs of wholesale selling to retailers (the "CCR");
- as regards the thermal years after 2015–2016, it puts off to a subsequent measure the definition of the methods for assessing the conditions needed to enable reference to national gas prices, also in consideration "*of the wider legislative and regulatory process in progress, aimed at the gradual revision of the price protections"* (see "Draft Competition Law").

With **AEEGSI Resolution No. 271/2015/R/Com** of 4 June ("*Launch of proceeding for definition of the process of reforming the market mechanisms for the price protections for domestic customers and small enterprises in the sectors of electricity and natural gas - Protection 2.0"*) the Regulator set in motion a proceeding which should

define a roadmap for revising the mechanisms for gas and electricity price protection. In specifying the objective of the proceeding AEEGSI does not speak of going beyond protection, but of "gradual absorption of the existing supply contracts of the current price systems" and of moving on to "protection 2.0". The Regulator stresses that the roadmap does not interfere with the process of abrogating protected prices provided for from 2018 in the "Draft Competition Law".
The roadmap must define differentiated routes giving any priority to small enterprises in the electricity sector.

National Strategic Plan for direct use of LNG in the transport sector. In June the Ministry of Economic Development in collaboration with other competent ministries published a consultation document aimed at preparing and subsequently adopting a national strategy for Liquefied Natural Gas in the transport sector. This also in implementation of Directive 2014/94/EU on the deployment of alternative fuels infrastructure (DAFI). The consultation procedure should be followed by a concluding document containing the Strategy to be adopted by the competent Ministries. These are some of the main conclusions of the consultation document: the conditions have been created for the direct use of LNG in further market areas in keeping with the most recent legislation on the subject of sustainable mobility; in Europe the development of services of the "Small Scale LNG" type at the moment has occurred in particular in countries such as Norway, the Netherlands, Spain, the United Kingdom through incentive policies and streamlined authorisation procedures which have determined the rapid development of the supply chain; in Italia the logistic chain is forming but many supporting actions (legislative and infrastructural) are still necessary to be able to enable deployment of the use of LNG in both land and sea transport.

With **AEEGSI Resolution No. 470/15/R/Gas** of 7 October *("Rules in view of gas balancing operations, under the terms of Regulation (EU) 312/2014. Approvals of amendments to the Grid Code of Snam Rete Gas, in preparation for balancing operations")*. The AEEGSI transposed into Italian legislation Regulation (EU) No. 312/2014 on European harmonisation of gas balancing systems, approving the proposed amendments to the Snam Rete Gas Grid Code because they were in keeping with the said Regulation. However entry into force of the new complex model - which pushes increasingly towards organised market criteria in the management of balancing resources and accentuates the responsibilities of Users of the grid to keep the system balanced - will be deferred, because amendments are necessary to the Italian regulatory framework and to the system liquidity aspects; in addition a transitory period of adaptation for operators is envisaged. The implementation times will be defined with a subsequent measure without affecting the latest date provided for in Art. 52 of the Regulation: 1 October 2016.

AEEGSI Resolution No. 575/2015/R/Gas of 26 November *("Updating of the QVD component of the economic conditions of the natural gas protection service for 2016")* ordered starting from 1 January 2016 an adjustment of the Retail Sales Quota, a component of the price charged to protected gas customers. With respect to what was proposed in consultation the upward revision of the fixed quota for condominiums was more modest. While the variable quotas remained unchanged (0.7946 c€/m3), the fixed quotas were revised by +1.07 €/PdR/year for autonomous domestic customers (now 58.83 €/PdR/y) and +1.4 €/PdR/year for condominiums (now 77.26 €/PdR/y). Recognition of the costs of arrears was in continuity with the current methodology. The update of the QVD will be with reference to the calendar year and no longer to the thermal year.

AEEGSI Resolution 583/2015/R/Com of 2 December *("Remuneration rate of the invested capital for the infrastructural services of the electricity and gas sectors: criteria for determination and updating").* After a long consultation process the AEEGSI defined the new remuneration rates of invested capital (WACC) for energy infrastructures and the criteria for updating them. The reform was carried out in order to adjust the WAAC to the changes that have occurred on the financial markets and to arrive at a common calculation methodology and timing for all infrastructures, by unifying all the parameters used for determining the WACC with the exception of those specific to each service. The reform determined a reduction in the capital remuneration rates recognised in the tariff of approximately 0.7–1.0 percentage points according to the services (gas transportation and distribution, regasification, electricity transmission and distribution) and an increase of 0.5% only for the storage service.

REMIT - Regulation on Wholesale Energy Market Integrity and Transparency, No. 1227/2011

The objective of the REMIT regulation is to guarantee the integrity and transparency of the wholesale energy markets to avoid abuses. In practice it introduces two main prescriptions:

1) The obligation for anyone who possesses privileged information relating to an energy product to communicate it to the monitoring system;
2) The obligation to transmit information relating to operations carried out on the wholesale energy market to enable monitoring of the said market

On point 1, Regulation (EU) No. 1227/2011 of the European Parliament established rules aimed at preventing abusive practices in the wholesale electricity and natural gas markets by prohibiting market manipulation and abuse of insider information imposing on market operators the obligation to communicate effectively and quickly the insider information they possess "in relation to enterprises or facilities that the market operator involved, the parent company or an associate possesses or controls or for the operating aspects of which the market operator or the company is responsible wholly or in part".
Up to 31 December 2015 Iren published insider information on its website; on 4 January 2016 it activated the service offered by the GME and now uses the GME's Privileged Information Platform (PIP).
On point 2, on 7 January 2015 Execution Regulation (EU) No. 1348/2014 of the European Commission came into force. This identified the information related to wholesale energy products and to the

fundamental data that the market operators are obliged to report to ACER (Agency for the Cooperation of Energy Regulators), and the methods and timing for fulfilling this reporting obligation. The regulation provides for a gradual start for fulfilment of the communication obligations.
The Iren Group met the first deadline, related to Standard Contracts traded in regulated markets, activating with the GME the data reporting service for preparing the reports and transmitting to ACER the information on operations carried out in the context of the GME and those carried out on other markets/platforms. The Group also completed the backloading operations related to gas/power contracts with physical delivery signed prior to the date of entry into force of the directive (1° October 2015) within the terms provided for.
By the end of April 2016 the obligation will be extended also to non-standard contracts negotiated outside of regulated markets for LNG and to transport contracts; the Group is taking action to comply also with this second deadline.

SIGNIFICANT EVENTS OF THE PERIOD

Organisational Rationalisation Work

Starting from January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance with the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the market.

Four Departments, called Business Units (BUs) were also set up, to coordinate and guide the Companies operating in the respective market sectors, reporting to the Parent Company's Chief Executive Officer. In particular these BUs will be:

- Environment Business Unit
- Energy Business Unit
- Market Business Unit
- Networks Business Unit

The Parent Company's organisation was involved in a first rationalisation project which, from January 2015, entailed a simplification of the head office departments.

In addition the hierarchical structure of all the Departments and staff organisational units of all the first level companies and subsidiaries, were defined in relation to the corresponding head office departments.

From February, through secondment, the resources coming from the Group's various first level companies and subsidiaries also joined Iren S.p.A., in keeping with the centralised activities.

Starting from March the organisation of the first-level companies was also redefined by Business Unit, defining the activities and responsibilities of the said companies' structures.

During June deeds of sale of the corporate staff business units of the Iren S.p.A. subsidiaries were entered into, with effect from 1 July 2015. The resources coming from these companies therefore became part of the Parent's workforce.

Consequently the Iren Group is organised into the following staff Departments:

- "Corporate Secretariat", "Communication and External Relations", and "Internationalisation and Innovation" reporting to the Chairperson;
- "Procurement and Contracts", "Administration, Finance and Control", "Legal Affairs", "Personnel, Organisation and Information Systems" and "Studies and Regulatory Affairs" reporting to the Chief Executive Officer;
- "Internal Audit and Compliance", "Corporate Social Responsibility and Local Committees", "Risk Management" and "Corporate Affairs" reporting to the Deputy Chairperson.

From 1 July 2015, on completion of the macro-structure rationalisation process launched, the "Legal Affairs ", "Regulatory Affairs" and "Planning and Control" units of the first-level subsidiaries were also centralised in the Parent Iren S.p.A..

In addition, in keeping with the Business Plan approved in June by the Board of Directors, as regards the sectors of interest for the Group:

- the Energy Business Unit coordinates also the district heating and energy plant areas formerly in Iren Emilia S.p.A.;
- the Market Business Unit coordinates also the Commercial Services Organisational Unit formerly allocated in Iren Emilia and the Call Center Organisational Unit formerly in Iren Servizi e Innovazione;
- the Networks Business Unit will coordinate also the Networks (under AEM Torino Distribuzione).

IrenOne Project

In the early months of 2015 the new E.P.M. (Enterprise Performance Management) application system was activated. The fundamental characteristics of this system respond to the need to have at the Group level a single platform for consolidation, such as to guarantee the alignment of the civil law and management aspects, and of making the management analysis dimensions uniform in service of the Group's management.

On 1 July 2015 the Iren Group began the gradual introduction of a single ERP treasury management system enabling the adoption of the new centralised treasury model managed by Iren S.p.A. The above, as well as the already launched use of a single EPM system for the statutory and operational consolidation stages, is a fundamental step in the implementation of the IrenOne Programme, which will be completed with the adoption by the Group Companies of a single ERP, EPM and centralised treasury model from 1 January 2016.

Bank Loans

As regards financing transactions completed in financial year 2015, we can note that new medium/long-term bank loans were finalised for a total of Euro 300 million. For further details see the chapter "Financial Operations" of the present report.

In particular, on 10 December 2015 Iren S.p.A. signed a loan contract with the European Investment Bank (EIB) for a total of 130 million euro, usable in several tranches, with a duration up to 15 years.

The loan granted to Iren, after the positive outcome of the technical and economic enquiry work carried out by the EIB, is destined to support a number of important growth projects with significant environmental sustainability characteristics in the district heating sector and in the sector of integrated waste cycle management.

This loan strengthens the Group's financial profile adding to that of 150 million euro granted by the EIB on 9 December 2014 related to maintenance and development investments in the integrated water service management sector mainly in the areas of Genoa and Parma. The related projects are in keeping with the objective of guaranteeing an efficient and sustainable service in accordance with the European directives on the subject.

The operation consolidates the EIB's collaboration with our company; in the last four years, in fact, the European Investment Bank and Iren have agreed operations for a total of 720 million euro which take the proportion of EIB loans, in a direct and guaranteed form, to approximately one third of the Group's total debt.

Merger by incorporation of Società Acque Potabili S.p.A. into Sviluppo Idrico S.p.A.

With reference to the operation for merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., we must specify that on 20 January 2015 the merger by incorporation deed was signed, with civil-law effect from 1 February 2015, while for the accounting and tax effects retroactivity to 1 January 2015 is provided for. At the date of effectiveness of the merger, all the Acque Potabili ordinary shares were cancelled; the last day the stock was listed on the MTA market was 30 January 2015. With the same deed Sviluppo Idrico S.p.A. assumed the company name Acque Potabili S.p.A.

Robin Hood Tax Judgement

With Judgement 10/2015 of 9 February 2015 the Constitutional Court declared unconstitutional Art. 81 paragraphs 16, 17 and 18 of Italian Law Decree No 112 of 25 June 2008 converted with Italian Law No. 133 of 6 August 2008, which had introduced a an IRES tax surcharge, the so-called "Robin Hood Tax", payable by production, distribution and marketing companies operating in the energy and oil sectors. This unconstitutionality did not have retroactive effect, because it was established that the judgement would apply from the day after its publication in the Official Journal (11 February 2015).

Turin LED Project

During March the Turin LED Project, promoted by the City, was launched. This involves the installation, over two years, of more than 50,000 new LED lamps (on approximately 55% of the total of lampposts in the city).

The Project was developed in partnership with Iren Servizi e Innovazione which, in the context of the existing agreement with the City of Turin, will handle the implementation, making available its know-how and its technical skills on the subject.

The Turin LED Project will enable the City to obtain important benefits on the economic front, halving the electricity consumption of the plants involved in the project.

At the energy and environmental level, once completed, the Project will enable a saving estimated at 19.6 GWh/year (with a reduction of electricity consumption of more than 50%), enabling the non-consumption of approximately 3600 TOEs (Tonnes of Oil Equivalent)/year, and avoiding, at the same time, the production of 3.5 tonnes/year of CO_2. As of 31 December 2015 approximately 23,000 lighting devices had been replaced.

Sale of business units of Acque Potabili S.p.A.
The Board of Directors of Acque Potabili S.p.A. resolved on 15 April 2015 to sell to Iren Acqua Gas S.p.A. the business unit known as ”Ramo Ligure”, [Liguria Branch], related to the integrated water service in the Municipalities of Camogli, Rapallo, Coreglia Ligure and Zoagli in the Genoa ATO and in the Municipality of Bolano (La Spezia) and the equity investment held in the subsidiary Acquedotto di Savona S.p.A., representing the entire share capital of the same, and to sell to Società Metropolitana Acque Torino S.p.A. the business unit, known as “Ramo ATO 3 Torinese”, [ATO 3 Turin Branch], related to the integrated water service in the ATO 3 of the Turin area.
The operations to transfer the Business Units described above, with effectiveness from 1 July 2015, pursue the aim of enabling the reorganisation of the activities, managed up to now by Acque Potabili S.p.A., by integrating them with the activities managed by its shareholders of reference permitting at the same time the start of a gradual enhancement of its portfolio of concessions.
Without prejudice to the subsequent adjustment of the price at the transfer date (2.4 million), the selling price of Ramo Ligure paid by Iren Acqua Gas S.p.A. to Acque Potabili S.p.A. at the date of effectiveness of the transfer, and of the 100% equity investment held in the company Acquedotto di Savona S.p.A., was approximately Euro 32.9 million, net of a financial debt of approximately Euro 14.6 million, while the selling price of Ramo ATO 3 Torinese, paid by Società Metropolitana Acque Torino S.p.A. to Acque Potabili S.p.A. on the same date, was approximately Euro 32.9 million, net of a financial debt of approximately Euro 14.6 million.

IREN S.p.A. Ordinary Shareholders’ Meeting
On 28 April 2015 the Ordinary Shareholders’ Meeting of Iren S.p.A. approved the Company’s Financial Statements in relation to financial year 2014 and resolved to distribute a dividend of Euro 0.0523 per share, confirming what had been proposed by the Board of Directors.
The dividend of Euro 0.0523 for each ordinary and savings share was paid on 24 June 2015 (ex-dividend date 22 June 2015 and record date 23 June 2015).
With approval of the financial statements at 31 December 2014 the term of office of the Board of Statutory Auditors expired. For the three years 2015–2017 the Shareholders’ Meeting therefore appointed, on the basis of the lists presented: three Standing Auditors in the persons of: Emilio Gatto, Annamaria Fellegara and Michele Rutigliano, electing this last Chairperson of the Board of Statutory Auditors; two Supplementary Auditors in the persons of Giordano Mingori and Giorgio Mosci. The Board of Statutory Auditors will remain in office up to the date of approval of the financial statements for the year ending 31 December 2017.
The Shareholders’ Meeting of IREN S.p.A. also resolved to appoint Vito Massimiliano Bianco as Director following the co-option under the terms of Art. 2386 of the Italian Civil Code that occurred on 1 December 2014. Vito Massimiliano Bianco will remain in office up to the date of approval of the financial statements for financial year 2015, the expiry date of the current Board of Directors.

Company officers
The Board of Directors of Iren S.p.A., meeting on 28 April 2015, at the end of the work of the said Shareholders’ Meeting, confirmed Vito Massimiliano Bianco as Chief Executive Officer of the multi-utility.
On 30 April 2015 Andrea Viero formalised his resignation with immediate effect from the positions of Director of IREN S.p.A. and, consequently, from the role of Deputy Chairperson of the Company.
On 4 June 2015 the Board of Directors of IREN S.p.A. appointed Ettore Rocchi as Deputy Chairperson of the company, to replace Andrea Viero.
In addition, to make up its numbers, the Board of Directors of IREN S.p.A., under the terms and for the purposes of Art. 2386 of the Italian Civil Code, co-opted Moris Ferretti who is in possession of the requisites of independence.
The Board of Directors of IREN S.p.A. acknowledged that as a consequence of the attribution of the position of Deputy Chairperson to Professor Rocchi, the same no longer has the requisites of independence of which he was in possession at the moment of his appointment as a Director. The Board of Directors therefore appointed Moris Ferretti to replace him as a member of the Remuneration and Appointments Committee.

Business Plan to 2020
On 16 June 2015 the Board of Directors of IREN S.p.A. approved the Iren Group’s 2015–2020 Business Plan.

The Business Plan to 2020 represents the "bridge" towards the new IREN which, through continual innovation, rationalisation and increased efficiency of internal processes, selectivity of investments for profitability and attention to customers' new needs aims at becoming an aggregation hub and driver of development in the areas in which it operates.
The strategic guidelines of the business plan are:

- integration and efficiency aimed at obtaining important synergies;
- centrality of Customers who from being users become protagonists of the service, through digital and innovative communication and customer care systems;
- transversal innovation understood not as a stand-alone element, but as a mindset that permeates all the Group's life and actions;
- sustainable development in environmental and financial terms which will translate into the choice of investments with high added value for the Group and the territory.

The Business Plan, over its time horizon, provides for a significant increase in EBITDA (more than 34%).
The cumulative investments are quantified at approximately Euro 1.8 billion, of which Euro 630 million in development. Out of the total investments, Euro 450 million will be devoted to projects with innovative technological characteristics.
A significant decrease in indebtedness is foreseen; together with growth in EBITDA this will lead at the end of the plan period to a drastic reduction (approximately 38%) in the Net Financial Indebtedness/EBITDA Ratio.

Rationalisation of equity investments
In keeping with what was stated in organisational terms, on 28 July the Board of Directors of IREN S.p.A. approved, in line with the simplification of the business model defined in the Business Plan, the launch of an operational project to rationalise the Group's corporate structure.
The project, completed in December, entailed essentially a centralisation of most of the 2nd-level full subsidiaries, with a significant reduction in the number of companies. This project will lead to a reduction in operating expense and greater clarity in the responsibility for results and in achieving the objectives, besides being a determining factor in the Group's integration process.
The Group is therefore organised in Business Units (Energy, Market, Networks, Environment) and the operating activity will be carried out by the four companies resulting from the reorganisation process.
In particular on 29 December 2015 the deed was signed for merger by incorporation of the Group companies AEM Torino Distribuzione, Genova Reti Gas, Iren Acqua Gas, Acquedotto di Savona, Enìatel and AGA into Iren Emilia and for assumption by this last of the name IRETI S.p.A. with effect from 1 January 2016.
IRETI S.p.A. will manage in an integrated and capillary manner all over the country electricity and gas distribution and the integrated water service, and will be an important hub for achieving synergies and for the development of innovative projects in the management of infrastructures in service of the territories.

Rating by the Fitch agency
On 15 October 2015 the Fitch agency communicated that it had assigned to the IREN Group the rating BBB- with outlook stable.
The reasons that led to attribution of the "Investment Grade" rating are mainly associated with the balanced mix of its business portfolio between regulated and semi-regulated activities, the liquidity profile, and the Group's strategy at the base of the latest business plan oriented to greater efficiency, integration and debt reduction.
The above reasons are reconfirmed for assignment of the rating 'BBB' (a notch higher) on the bond issue of July 2014 of Euro 300 million, maturity July 2021 and fixed annual coupon of 3.0%.
Fitch also assigned the rating 'BBB' (EXP) (in this case too a notch higher), to the new EMTN (Euro Medium Term Note) programme resolved by the Company for a maximum total amount of Euro 1,000,000,000, with the objective of continuing in the Group's strategy aimed at prolonging the average life of the debt guaranteeing at the same time adequate financial flexibility aimed at efficient management of its debt portfolio.

Management of loans
In October 2015 committed credit lines for a total of Euro 300 million had been agreed and were kept available in support of the liquidity profile; these were subsequently remodulated in December. In addition, with a view to optimising the financial structure, improving the capital cost structure and

prolonging the average duration of the debt, the placing of a new bond issue was completed with full success. This was part of the EMTN Programme resolved by the Board of Directors on 16 September 2015, and was in Public Placement format for Euro 500 million and duration 7 years (Fitch rating BBB). The operation, preceded by an international roadshow which passed through Paris, London, Milan, Munich and Frankfurt, recorded total demand of approximately Euro 3.4 billion (acceptances around seven times the amount offered) with a high quality and wide geographical diversification of the investors. This shows the confidence that the financial market has in the Company and in the soundness of the operating choices made. At the same time as the issue Euro 20 million related to the Iren Bond maturity 2021 was repurchased and cancelled. Again for the purposes of optimising the Group's financial structure, at the beginning of December, following the related buy-back offers, approximately 100 million euro of bonds were also repaid in advance; these had previously been issued at more onerous conditions compared to the operation in October described above. This initiative is part of a process of increasing economic and financial efficiency that the Group has undertaken with greater vigour since the start of the year in line with the objectives of the business plan.

Development of commercial activities

Iren Mercato, the Group company active in Italy in commercial activities related to electricity, gas, heat and services, has won the three lots of the annual tender for supplying electricity to the Public Administration called by CONSIP, in which it had selectively participated.

The 3 lots, in keeping with Iren's positioning and with its strategy of development and closeness to the territories, are: lot 1 Aosta Valley and Piedmont, lot 2 Liguria and Lombardy and lot 3 Emilia Romagna and Trentino.

Iren Mercato came first thanks to a technical and economic offer which was better compared with the major national and local players that had taken part in the call for tenders.

The award of the tender entailed for Iren Mercato the signing of an agreement with CONSIP, with a duration of 12 months plus a possible extension of 6, in the context of which it will be able to receive orders from the Local Authority for the supply of 1.45 TWh of electricity, equivalent to approximately Euro 240 million of turnover on approximately thirty thousand supply points.

In addition Iren offers, for the Public Administrations which request it, the possibility to certify the supply of energy from renewable sources (Green Energy certification) for up to 20% of the total volume, leveraging its renewable, in particular hydroelectric, production.

With this significant result, Iren continues its process of growth through efficiency and innovation which characterises the wider vision of the Strategic Plan 2015–2020: sustainability thanks to one of the most eco-friendly portfolios of plants, integration among the different business areas to be able to make competitive offers to final customers and close collaboration with the Local Community to promote the shared growth of the territory.

Iren Mercato, in particular, doubles for the year 2016 the portfolio of electricity sales to large final customers, increases the use of internal production sources and makes the most of the scalability of its assets also in managing customers. Finally, in affirming leadership in the processes of closeness to customers in the territories of reference, it is ready to seize further opportunities in relation to the Public Administrations through the offer of added-value services with a focus on energy efficiency.

Agreement with the Municipality of Vercelli for the launch of territorial consolidation

On 21 December 2015 IREN and the Municipality of Vercelli signed a framework agreement at the base of the Atena Group development project, with the aim of promoting the leading role in the north-east quadrant of Piedmont.

In addition, on this date the extraordinary shareholders' meetings of Atena and Atena Patrimonio approved the project to merge the two companies, the related capital increase needed to support the significant investment plan envisaged for the next few years and the amendments to the articles of association connected to the change in governance.

IREN, strongly motivated to support the development of Atena around the country, undertook, if the public tendering procedure to be called by the Municipality of Vercelli is unsuccessful, and subordinately to obtaining the antitrust clearance, to subscribe the entire capital increase, purchasing both the option rights and the further shares sold by the Municipality of Vercelli for a total amount of approximately 60 million euro (of which 50 million in capital increase) and thus increasing its equity investment from 22.7% (after the aforementioned merger of the companies) to 60%. If the public tendering procedure has a positive outcome IREN reserves the right to exercise the rights of pre-emption due to it on the basis of the current Articles of Association.

The development plan considers development investments for approximately 100 million euro in the sectors of energy networks, water, the environment and energy efficiency.

Acquisition of 40% of Ecoprogetto Tortona S.r.l.

On 23 December 2015 the Group, through Iren Ambiente purchased from Ladurner S.r.l., a company in the Ladurner Ambiente Group, operating in the construction and management of waste treatment plants, a 40% stake in the company Ecoprogetto Tortona S.r.l., in the context of a contract signed with all the current shareholders of Ecoprogetto Tortona and which, on the fulfilment of certain conditions, provides for the purchase of full ownership.

The company was set up in 2014 and is the holder of a concession issued by the municipal company AMIAS with a thirty-year duration starting from 2009 for the construction and management of an anaerobic digestion plant situated in the Municipality of Tortona (AL), located in an excellent geographical position with respect to Iren's major catchment area.

The purchase by Iren Ambiente of the 40% stake from Ladurner S.r.l. is the beginning of a process that provides for completion of acquisition of the company when certain quality and performance standards are reached when the plant comes into full operation.

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

Income statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

thousands of euro

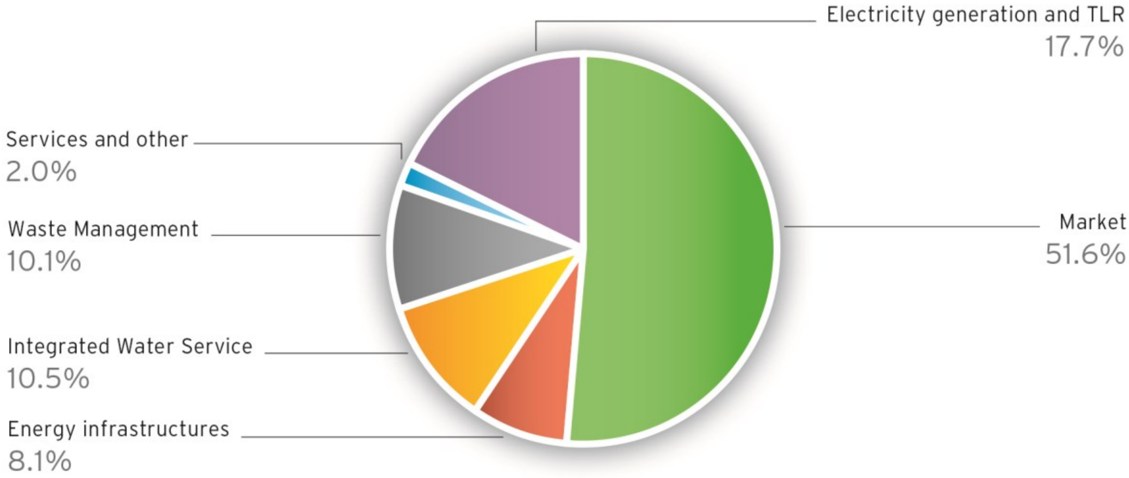
	Financial year 2015	Financial year 2014	Change %
Revenue			
Revenue from goods and services	2,849,677	2,641,989	7.9
Change in work in progress	8,576	(212)	(*)
Other revenue	235,859	260,061	(9.3)
- of which non-recurring	-	*20,944*	
Total revenue	**3,094,112**	**2,901,838**	**6.6**
Operating expense			
Raw materials, consumables, supplies and goods	(1,023,964)	(1,045,463)	(2.1)
Services and use of third-party assets	(946,466)	(846,273)	11.8
Other operating expenses	(111,067)	(102,181)	8.7
Capitalised expenses for internal work	22,870	24,246	(5.7)
Personnel expenses	(357,722)	(309,503)	15.6
- of which non-recurring	-	*(36,159)*	
Total operating expense	**(2,416,349)**	**(2,279,174)**	**6.0**
GROSS OPERATING PROFIT (EBITDA)	**677,763**	**622,664**	**8.8**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(267,609)	(247,875)	8.0
Provisions and impairment losses	(63,334)	(49,428)	28.1
Total amortisation, depreciation, provisions and impairment losses	**(330,943)**	**(297,303)**	**11.3**
OPERATING PROFIT (EBIT)	**346,820**	**325,361**	**6.6**
Financial income and expense			
Financial income	31,977	27,206	17.5
Financial expenses	(126,808)	(132,069)	(4.0)
Total financial income and expense	**(94,831)**	**(104,863)**	**(9.6)**
Share of Profit (loss) of associates accounted for using the equity method	(6,254)	(10,649)	(41.3)
Impairment losses on investments	-	3,877	(100.0)
Profit /(loss) before tax	**245,735**	**213,726**	**15.0**
Income tax expense	(105,662)	(128,187)	(17.6)
Net profit/ (loss) from continuing operations	**140,073**	**85,539**	**63.8**
Net profit /(loss) from discontinued operations	-	-	-
Net profit /(loss) for the period	**140,073**	**85,539**	**63.8**
attributable to:			
- Profit (loss) - Group	118,193	68,945	71.4
Profit (loss) - non-controlling interest	21,880	16,594	31.9

(*) Change of more than 100%

Revenue

At 31 December 2015, the Iren Group achieved revenue of Euro 3,094.1 million, up by +6.6% compared to the Euro 2,901.8 million of financial year 2014. The increase in revenue was mainly generated by the positive contribution of Environment which since 1 January 2015 has consolidated AMIAT S.p.A. (+201 million euro), the waste collection company based in Turin.

Revenue composition

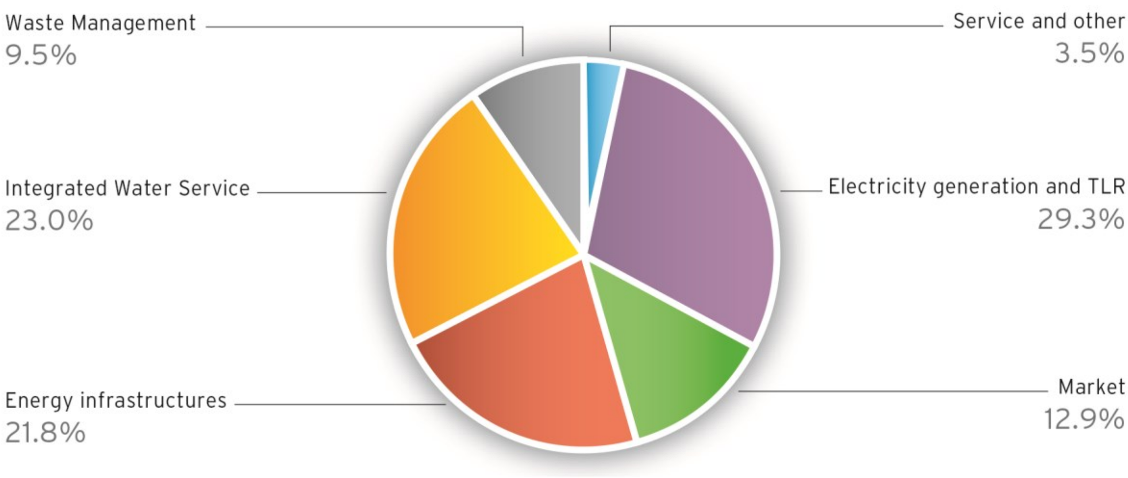


Gross Operating Profit (EBITDA)

Gross operating profit amounted to Euro 677.8 million, up +8.8% compared to Euro 622.7 million recorded in 2014.

The Integrated Water, Environment and Gas Sales business areas contributed to the positive change, while the Electricity Sales and Energy Infrastructure areas were down. As regards the electricity grids segment, this was mainly because of the lack in financial year 2015 of contingent assets that had characterised financial year 2014. The Cogeneration and District Heating business area was substantially stable compared to financial year 2014.

Ebitda Composition



Operating profit (EBIT)

Operating profit totalled Euro 346.8 million, with an improvement of +6.6% compared to the 2014 figure of Euro 325.4 million. The result reflects the higher amortisation and depreciation of 19.7 million euro owing mainly to the consolidation of the company AMIAT Torino as well as higher provisions (14 million euro). In particular the trend of provisions is linked to higher provisions set aside for the impairment of receivables (1 million euro), lower provisions set aside for risks (9 million euro), lower reversals of provisions (of 16.4 million euro) and higher impairment (5.1 million euro), compared to financial year 2014.

Financial income and expense

Net financial income and expense came out at a negative Euro 95 million. In particular, financial expense amounted to Euro 127 million. The decrease compared to 2014 is mainly attributable to the decrease in the average cost of the debt in 2015 compared to 2014. Financial income amounted to Euro 32 million (+18%).

Share of Profit (loss) of associates accounted for using the equity method

The profit (loss) of associates accounted for using the equity method shows a figure of -6.3 million euro with a positive change of 4.4 million euro compared to the previous year (-10.6 million euro); the change can substantially be attributed to the reduction (13.9 million euro) of the loss of OLT Offshore Toscana LNG in financial year 2015 compared to what was recognised in 2014 for a proportion offset mainly by the full consolidation of AIMAT in 2015 compared to 2014 (6.7 million euro) and by the 3.7 million lower profit of Acque Potabili (0.6 million compared to the 4.3 of financial year 2014).

Impairment losses on investments

Not present in financial year 2015. In financial year 2014 the item (3.9 million euro) included mainly the positive difference between the fair value of the net assets acquired and the cost of acquisition of AMIAT S.p.A., fully consolidated at the equity level starting from December 2014.

Profit /(loss) before tax

As a result of the above trends the consolidated profit before tax reached Euro 245.7 million, up on the Euro 213.7 million recorded in 2014.

Income tax expense

Income taxes for 2015 amounted to Euro 106 million, down by 17.6% compared to 2014. The effective tax rate of financial year 2015 was 43%, compared to 60% in the previous financial year. The decrease in the tax rate was mainly due to the deduction in labour costs from IRAP and to the abolition of the Robin Hood Tax (considered unconstitutional by the Constitutional Court with Judgement No. 10/2015 of 9 February 2015).

It should be noted that the 2015 tax rate was affected by the recalculation of net deferred tax assets following the reduction of the IRES rate from 27.5% to 24% starting from 2017 (2016 Stability Law). This recalculation entailed higher taxes of approximately 13 million euro, without which the tax rate would have been 38%.

Net profit /(loss) for the period

As a consequence of the above, there was a net profit of Euro 140 million, a sharp increase compared to 2014 (+63.8%).

We can note that, in keeping with what was stated in the Report on Operations at 31 December 2014, the comparative data of 2014 presented here differ from the data indicated for the same period in the consolidated financial statements presented at the beginning of the Notes to the Financial Statements in the present document.

This was because the Directors, on the occasion of the Report on Operations at 31 December 2014, had considered it opportune to prepare specific statements that reflected fully, for each line of the income statement, the revenues and costs of district heating of the City of Turin, highlighting the strategic significance of the business following the spin-off operation with which, starting from 1 July 2014, the district heating business unit of AES Torino was fully acquired by Iren Energia.

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric Production, Cogeneration of Electricity and Heat, District Heating Networks)
- Market (Sale of electricity, gas, heat)
- Energy Infrastructures (Electricity Distribution Networks, Gas Distribution Networks)
- 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.

Below are the main income statement items with relative comments broken down by operating segment compared to the figures for 2014.

In 2015 non-regulated activities contribute for 24% (20% in the same period of 2014) to forming the gross operating profit while regulated activities account for 52% (50% in the first nine months of 2014); the contribution of semi-regulated activities went down from 30% in 2014 to 24% in 2015.

Net invested capital and income statements (up to the operating performance) are presented below by segment, compared with the figures at 31.12.2014.

Business segment results at 31 December 2015

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,940	74	890	1,083	400	24	237	4,648
Net Working Capital	91	(62)	(13)	139	(17)	17	-	154
Other non-current assets and liabilities	(94)	28	(76)	(332)	(99)	1	-	(571)
Net invested capital (NIC)	**1,937**	**40**	**800**	**890**	**285**	**42**	**237**	**4,231**
Shareholders' equity								2,062
Net financial position								2,169
Own funds and net financial indebtedness								**4,231**

Business segment results at 31 December 2014

millions of euro

	Generation and district heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,998	66	870	985	420	27	253	4,619
Net Working Capital	107	18	(71)	120	58	(3)	8	238
Other non-current assets and liabilities	(101)	30	(58)	(311)	(109)	(18)	(11)	(578)
Net invested capital (NIC)	**2,004**	**114**	**741**	**795**	**368**	**6**	**250**	**4,279**
Shareholders' equity								1,994
Net financial position								2,286
Own funds and net financial indebtedness								**4,279**

Business segment results at 31 December 2015

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	813	2,377	373	486	463	93	(1,511)	3,094
Total operating expense	(614)	(2,290)	(225)	(330)	(399)	(69)	1,511	(2,416)
Gross Operating Profit (EBITDA)	**199**	**87**	**148**	**156**	**65**	**24**	**-**	**678**
Net am./depr., provisions and impairment losses	(125)	(46)	(46)	(62)	(54)	1	-	(331)
Operating profit (EBIT)	**74**	**41**	**102**	**94**	**10**	**25**	**-**	**347**

Business segment results at 31 December 2014

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	827	2,388	341	464	238	96	(1,451)	2,902
Total operating expense	(627)	(2,297)	(189)	(314)	(190)	(112)	1,451	(2,279)
Gross Operating Profit (EBITDA)	**199**	**91**	**152**	**150**	**48**	**(16)**	**-**	**623**
Net am./depr., provisions and impairment losses	(94)	(41)	(45)	(74)	(34)	(10)	-	(297)
Operating profit (EBIT)	**106**	**50**	**106**	**76**	**14**	**(26)**	**-**	**325**

Generation and District Heating

Revenue for the period amounted to Euro 813 million, down -1.6% from the Euro 827 million of 2014.

		Financial year 2015	Financial year 2014	Δ %
Revenue	€/mln	813	827	-1.6%
Gross Operating Profit (EBITDA)	€/mln	199	199	-0.3%
EBITDA Margin		*24.4%*	*24.1%*	
Operating profit (EBIT)	€/mln	74	106	-29.7%
Investments	€/mln	36	66	-45.2%
Electricity produced	GWh	7,890	6,459	22.2%
from hydroelectric sources	*GWh*	1,479	1,494	-1.0%
from cogeneration sources	*GWh*	4,746	3,960	19.9%
from thermoelectric sources	*GWh*	1,665	1,005	65.6%
Heat produced	GWh_t	2,634	2,509	5.0%
from cogeneration sources	GWh_t	2,287	2,131	7.3%
from non-cogeneration sources	GWh_t	347	378	-8.2%
District heating volumes	Mm^3	82	80	1.9%

At 31 December 2015 7,890 GWh of electricity was produced, up by 22.2% compared to the 6,459 GWh of financial year 2014, as a result of higher production in cogeneration and higher thermoelectric production at the Turbigo plant.

In particular thermoelectric production was 6,411 GWh, of which 4,746 GWh from cogeneration, up by 19.9% compared to the 3,960 GWh of 2014 and 1,665 GWh from thermoelectric sources in the strict sense, connected with the contribution of the Turbigo plant up by 65.6% compared to the 1005 GWh of 2014.
Hydroelectric production was 1,479 GWh, with a decrease of 1% compared to 1,494 GWh in 2014.

Heat production in the period amounted to 2,634 GWh_t up by +5% compared to the 2,509 GWh_t of 2014, as a result of a more favourable thermal season compared to the particularly mild one of 2014 and the increase in volumes connected. Overall the volumes connected amounted to approximately 82 million m^3, up compared with the approximately 80 million m^3 of 2014.

Gross operating profit (EBITDA) amounted to Euro 199 million, substantially in line with the corresponding period of 2014.
The more favourable winter thermal season compared to the particularly mild one that had characterised 2014, had a positive effect on the profit owing to the higher quantities of thermal energy produced and this, together with a recovery of margins on thermoelectrical production, still negative but greatly improved, made it possible to absorb most of the sharp drop deriving from the expiry of the incentive system, through green certificates on cogeneration plants and the reduction of margins on hydroelectric generation. In addition the fact that in 2014 there were significant contingent assets connected with assignment of ETS certificates related to previous years and to compensation for damages also had a negative effect on the changes compared to the previous year.

The operating profit (EBIT) of the Generation and District Heating segment totalled Euro 74 million, a -29.7% decrease on the 2014 figure of Euro 106 million. The worsening compared to 2014 can be attributed mainly to lower reversals of provisions that had characterised financial year 2014 compared to 2015.

Technical investments made in this sector amounted to Euro 36 million.

Market

At 31 December 2015 the revenue of the segment amounted to Euro 2,377 million, down slightly by -0.4% from the Euro 2,388 million of financial year 2014.
Gross operating profit (EBITDA) amounted to Euro 87 million, down -3.9% compared to Euro 91 million recorded in financial year 2014.

		Financial year 2015	**Financial year 2014**	**Δ %**
Revenue	€/mln	2,377	2,388	-0.4%
Gross Operating Profit (EBITDA)	€/mln	87	91	-3.9%
EBITDA Margin		*3.7%*	*3.8%*	
from electricity	*€/mln*	13	25	-48.2%
from gas	*€/mln*	71	64	10.6%
from heat	*€/mln*	3	2	92.6%
Operating profit (EBIT)	€/mln	41	50	-16.8%
Investments		14	10	40.2%
Electricity sold	GWh	12,393	11,220	10.5%
Electricity sold net of Power Exchange purchases/sales	GWh	11,628	10,029	15.9%
Gas purchased	Mm^3	2,568	2,185	17.5%
Gas sold by the Group	Mm^3	1,004	934	7.5%
Gas for internal use	Mm^3	1,358	1,105	22.9%
Gas in storage	Mm^3	206	146	41.3%

Sale of electricity
The volumes of electricity sold amounted to 12,393 GWh (net of pumping, network leaks and dedicated withdrawals) up by +10.5% compared to the 11,220 GWh of financial year 2014.

The volumes sold on the free market, including the segments of free business and free retail customers, wholesalers and net exchange, amounted to a total of 10,906 GWh up +17.9% compared to the 9,251 GWh of 2014. The increase is attributable mainly to the net exchange sale +37.8% at 6,082 GWh compared to the 4,415 GWh of 2014 and the sale to wholesalers segment with an increase of + +48.9% to 1,897 GWh compared to the 1,274 GWh of 2014. Sales to free retail customers also rose, +10.8% at 1,192 Gwh compared to the 1,076 of 2014. Sales to the free business segment fell, -30.2% at 1,735 Gwh compared to the 2,487 Gwh of 2014.
The volumes sold on the protected market were 653 GWh down by -7.7% compared to the 708 GWh of 2014.

The gross operating profit (EBITDA) of the sale of electricity amounted to Euro 13 million, down by -49.6% compared to Euro 25 million of financial year 2014. The trend in gross operating profit was characterised by an increase in the first margin thanks to the optimisation of the procurement conditions on the free market and by the positive effects of recovery of arrears under greater protection, an improvement however completely absorbed by previous and unrepeatable adjustments on the transport and transmission components as well as the lack of a significant contingent asset that had characterised financial year 2014.

Sale of Natural Gas
The volumes sold amounted to 2,568 million m³ up by 17.5% compared to the 2,185 million m³ of financial year 2014. The increase regarded both gas sold, +7.5% at 1,004 million m³ compared to the 934 million m³ of 2014, and internal consumption, +22.9% at 1,358 million m³ compared to the 1,105 million m³ of financial year 2014.

Gross operating profit (EBITDA) of the sector amounted to Euro 71 million, an improvement of 10.6% compared to Euro 64 million recorded in financial year 2014. This positive change can be attributed to an improvement in the margins on sales and in the procurement conditions as well as the higher volumes sold owing to a more favourable thermal season compared to the exceptionally mild one that had characterised in particular the first quarter of financial year 2014.

Sale of heat through the district heating network:

The sale of heat achieved a profit of 3 million euro substantially in line with financial year 2014.

Energy infrastructures

At 31 December 2015 the Energy Infrastructures segment, which includes the gas and electricity distribution businesses, recorded revenue of Euro 373 million, up by +9.4% on the Euro 341 million of 2014.

Gross operating profit (EBITDA) amounted to Euro 148 million, down 2.7% on the Euro 152 million of 2014.

The net operating profit (EBIT) was Euro 102 million, down by 4.1% compared to the 2014.

The main changes in the segments concerned are illustrated below.

			Financial year 2015	Financial year 2014	Δ %
Revenue		€/mln	373	341	9.4%
Gross Operating Profit (EBITDA)		€/mln	148	152	-2.7%
EBITDA Margin			*39.6%*	*44.5%*	
	from electricity networks	*€/mln*	*76*	*73*	*3.0%*
	from gas networks	*€/mln*	*72*	*78*	*-8.0%*
Operating profit (EBIT)		€/mln	102	106	-4.1%
Investments		€/mln	63	60	3.8%
	in electricity networks	*€/mln*	*26*	*25*	*6.2%*
	in gas networks	*€/mln*	*37*	*36*	*2.1%*
Electricity distributed		GWh	3,995	3,848	3.8%
Gas distributed		Mm^3	1,209	1,119	8.0%

Electricity Distribution Networks

Gross operating profit amounted to Euro 76 million, up 3% from the Euro 73 million of financial year 2014. The increase of approximately Euro 3 million compared to 2014 is attributable to adjustments on earlier periods related to equalisation mechanisms partially offset by the AEEGSI tariff updates.

In financial year 2015 investments for Euro 26 million were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Gas Distribution Networks

Gross operating profit of gas distribution networks amounted to Euro 72 million, down 8.0% from the Euro 78 million of financial year 2014. The negative change can be attributed mainly to the accounting effect of a contingent asset which occurred in financial year 2014, to a lower margin on energy efficiency certificates and to extraordinary expenses on personnel costs, only partially offset by lower operating expense.

Investments made in the period amounted to Euro 37 million and regarded the provisions of AEEG resolutions, in particular making the network compliant with cathodic protection, the installation of electronic meters and replacement of grey cast iron pipes.

Integrated Water Service

At 31 December 2015, the Integrated Water Service achieved revenue of Euro 486 million, up by +4.8% compared to the Euro 464 million of the corresponding period of 2014.

The increase in revenue compared to the previous financial year was due to tariff increases, to the change in the perimeter deriving from the break up of Società Acque Potabili and to higher revenue related to the application of IFRIC 12 associated with investments in the period on third-party assets.

		Financial year 2015	**Financial year 2014**	**Δ %**
Revenue	€/mln	486	464	4.8%
Gross Operating Profit (EBITDA)	€/mln	156	150	4.3%
EBITDA Margin		*32.1%*	*32.3%*	
Operating profit (EBIT)	€/mln	94	76	24.8%
Investments	€/mln	98	83	17.8%
Water sold	Mm^3	162	147	10.6%

The gross operating profit for the period amounted to Euro 156 million, up by 4.3% compared to Euro 150 million in the corresponding period of 2014. The increase can mainly be attributed to tariff trends, to lower operating expense and to a change in the perimeter related to consolidation owing to acquisition of the business unit of Società Acque Potabili (SAP) as of 1 July, partially offset by negative adjustments of the operator’s revenue constraint.

Operating profit amounted to Euro 94 million, an improvement compared to the Euro 76 million recorded in 2014 (+25%).

Besides the trend of gross operating profit there was a positive effect on the increase of lower provisions set aside, owing mainly to release of provisions, the main ones being the remaining provisions related to the return of the treatment portion following Judgement 335/08, offset only partially by higher amortisation/depreciation.

Investments in the period totalled Euro 98 million and concerned the construction, development and maintenance of distribution networks and systems, the sewerage network and in particular water treatment plants.

Waste Management

At 31 December 2015 the turnover of the segment amounted to Euro 463 million up compared to the Euro 238 million of the same period of 2014 principally as a result of the entry into the consolidation scope (income statement) of AMIAT SpA from 1 January 2015 (Euro +201 million) which provides the waste collection service for the City of Turin. In addition there were increases in revenue related to waste management service prices and commercial revenue.

			Financial year 2015	Financial year 2014	Δ %
Revenue		€/mln	463	238	94.8%
Gross Operating Profit (EBITDA)		€/mln	65	48	36.0%
EBITDA Margin			*14.0%*	*20.0%*	
Operating profit (EBIT)		€/mln	10	14	-26.1%
Investments		€/mln	21	19	15.3%
Waste collected		tonnes	1,171,182	735,589	59.2%
Waste disposed of		*tonnes*	*764,702*	*617,753*	*23.8%*
	Urban waste	*tonnes*	*278,414*	*271,098*	*2.7%*
	Special waste	*tonnes*	*486,288*	*346,655*	*40.3%*
Emilia area separate waste collection	%		*66.0*	*64.0*	*3.1%*
Turin area separate waste collection	%		*42.0*	-	*(*)*

(*) Change of more than 100%

Gross operating profit of the sector amounted to Euro 65 million, up 36.0% compared to Euro 48 million recorded in 2014. The increase was mainly due to the consolidation of AMIAT, the recovery of margins on commercial activities related to special waste and intermediation in part offset by the increase in disposal costs owing to greater use of hubs external to the group.

The operating profit was Euro 10 million, down 26.1% compared to the Euro 14 million recorded in 2014. The period was affected by higher provisions and amortisation/depreciation of the disposal area and higher amortisation/depreciation related to AMIAT, only partially offset by lower provisions for impairment of receivables.

The investments made in the period amounted to Euro 21 million and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection with the door-to-door and separated method.

Services and other

		Financial year 2015	Financial year 2014	Δ %
Revenue	€/mln	93	96	-3.9%
Gross Operating Profit (EBITDA)	€/mln	24	-16	(*)
EBITDA Margin		*25.5%*	*-16.8%*	
Operating profit (EBIT)	€/mln	25	-26	(*)
Investments	€/mln	25	23	10.0%

(*) Change of more than 100%

At 31 December 2015 revenue was Euro 93 million, down by 3.9% compared to the Euro 96 million recorded in 2014. The negative change was due to accounting in 2014 for the capital gain generated by the second tranche of sale of units of the real estate fund set up in 2012 partially absorbed by the contingency for adjustment of estimates related to expenses for electricity transport in previous years (2004–2010).

The gross operating profit amounted to Euro 24 million. The comparison with financial year 2014 is not significant because for the sole purpose of presentation in financial year 2014 expenses of 36 million euro were booked in relation to the retirement incentive for the Group's personnel.

Investments in the period amounted to Euro 25 million and related to information systems, telecommunications and facilities.

Statement of Financial Position

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

thousands of euro

	31.12.2015	31.12.2014	Change %
Non-current assets	4,648,465	4,618,669	0.6
Other non-current assets (liabilities)	(161,911)	(153,619)	5.4
Net Working Capital	153,888	238,448	(35.5)
Deferred tax assets (liabilities)	110,972	115,336	(3.8)
Provisions for risks and employee benefits	(525,799)	(550,363)	(4.5)
Assets (Liabilities) held for sale	5,420	10,762	(49.6)
Net invested capital	**4,231,035**	**4,279,233**	**(1.1)**
Shareholders' equity	2,061,666	1,993,549	3.4
Non-current financial assets	*(53,012)*	*(66,439)*	*(20.2)*
Non-current financial indebtedness	*2,698,648*	*2,210,821*	*22.1*
Non-current net financial indebtedness	2,645,636	2,144,382	23.4
Current financial assets	*(690,878)*	*(522,902)*	*32.1*
Current financial indebtedness	*214,611*	*664,204*	*(67.7)*
Current net financial indebtedness	(476,267)	141,302	(*)
Net financial debt	2,169,369	2,285,684	(5.1)
Own funds and net financial indebtedness	**4,231,035**	**4,279,233**	**(1.1)**

(*) 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 consolidated financial statements (paragraph XIV).

The main changes in the statement of financial position in financial year 2015 are commented on below.
Non-current assets increased slightly compared to 31 December 2014. As well as investments in the period substantially in line with the amortisation/depreciation, the item includes the non-current assets of Ramo Ligure of Acque Potabili and of Acquedotto di Savona, acquired on 1 July 2015. For further details on investments, see the section "Segment Reporting".
The Net Working Capital fell by 35.5% compared to 31 December 2014, owing to the combined effect of the trends in inventories and trade receivables and payables. We can note in this regard that starting from 1 January 2015 part of the trade receivable from the Municipality of Turin of the subsidiary AMIAT S.p.A. is recognised under short-term financial receivables, following the signing of the current account agreement with the said Municipality. The receivable in question amounted to Euro 77.5 million at 31 December 2015.
The increase in equity derives substantially from the effect of profit for the period, net of dividends distributed.
The cash flow statement presented below provides an analytical breakdown of the changes in 2015.

Statement of Cash Flows

CASH FLOW STATEMENT FOR THE IREN GROUP

thousands of euro

	Financial year 2015	Financial year 2014	Change %
A. Opening cash and cash equivalents	**51,601**	**50,221**	**2.7**
Cash flows from operating activities			
Profit (loss) for the period	140,073	85,539	63.8
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	267,609	247,875	8.0
Capital gains (losses) and other changes in equity	1,693	(27,670)	(*)
Net change in post-employment benefits and other employee benefits	(6,263)	(2,549)	(*)
Net change in provision for risks and other charges	(23,957)	12,594	(*)
Change in deferred tax assets and liabilities	2,772	14,507	(80.9)
Change in other non-current assets and liabilities	4,827	15,410	(68.7)
Dividends accounted for net of adjustments	(1,304)	(1,066)	22.3
Share of profit (loss) of associates and joint ventures	6,254	10,649	(41.3)
Net impairment losses (reversals of impairment losses) on assets	5,088	(3,810)	(*)
B. Cash flows from operating activities before changes in NWC	**396,792**	**351,479**	**12.9**
Change in inventories	(14,357)	26,636	(*)
Change in trade receivables	139,433	100,120	39.3
Change in tax assets and other current assets	70,086	(36,102)	(*)
Change in trade payables	(89,061)	(98,699)	(9.8)
Change in tax liabilities and other current liabilities	(15,394)	4,434	(*)
C. Cash flows from changes in NWC	**90,707**	**(3,611)**	**(*)**
D. Cash flows from /(used in) operating activities (B+C)	**487,499**	**347,868**	**40.1**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(267,562)	(261,605)	2.3
Investments in financial assets	(7,650)	(87,457)	(91.3)
Proceeds from the sale of investments and changes in assets held for sale	4,777	25,764	(81.5)
Changes in the scope of consolidation	(25,469)	(46,886)	(45.7)
Dividends received	7,435	7,644	(2.7)
E. Total cash flows from /(used in) investing activities	**(288,469)**	**(362,540)**	**(20.4)**
F. Free cash flow (D+E)	**199,030**	**(14,672)**	**(*)**
Cash flows from /(used in) financing activities			
Dividends paid	(81,417)	(73,641)	10.6
New non-current loans	800,000	761,248	5.1
Repayment of non-current loans	(354,379)	(847,741)	(58.2)
Change in financial liabilities	(408,685)	229,821	(*)
Change in financial assets	(66,574)	(53,635)	24.1
G. Total cash flows from /(used in) financing activities	**(111,055)**	**16,052**	**(*)**
H. Cash flows for the period (F+G)	**87,975**	**1,380**	**(*)**
I. Closing cash and cash equivalents (A+H)	**139,576**	**51,601**	**(*)**

(*) 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

	Financial year 2015	Financial year 2014	Change %
Free cash flow	199,030	(14,672)	(*)
Dividends paid	(81,417)	(73,641)	10.6
Change in fair value of hedging derivatives	(1,298)	(5,208)	(75.1)
Change in net financial position	**116,315**	**(93,521)**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 31 December 2015 amounted to Euro 2,169 million, down 5.1% compared to 31 December 2014.

In particular, the free cash flow, a positive Euro 199 million, derives from the combined effect of the following cash flows.

- cash flows from operating activities were a positive Euro 487 million and consist of Euro 397 million of cash flows from operating activities before changes in net working capital and Euro 91 million of cash flows deriving from changes in net working capital;
- the cash flow from investing activities, a negative Euro 288 million and down compared to financial year 2014, was generated by the combined effect of investments in property, plant and equipment, and intangible and financial fixed assets for Euro 275 million (including investments made for the construction of infrastructures in a concession arrangement according to the provisions of IFRIC 12), of the realisation of fixed assets for Euro 5 million and dividends received by the associates (mainly Plurigas) for a total of Euro 7 million and by the change in the financial position consequent to the operation to acquire Ramo Ligure from Acque Potabili and to the consolidation of Acquedotto di Savona (25 million).

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

	Financial year 2015	Financial Year 2014	Change %
Revenue			
Revenue from goods and services	71,486	14,145	(*)
Other revenue	18,481	4,960	(*)
Total revenue	**89,967**	**19,105**	**(*)**
Operating expense			
Raw materials, consumables, supplies and goods	(976)	(12)	(*)
Services and use of third-party assets	(51,468)	(18,497)	(*)
Other operating expenses	(3,610)	(6,697)	(46.1)
Capitalised expenses for internal work	2,893	585	(*)
Personnel expenses	(44,620)	(24,118)	85.0
Total operating expense	**(97,781)**	**(48,739)**	**(*)**
Gross Operating Profit (EBITDA)	**(7,814)**	**(29,634)**	**(73.6)**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(3,159)	(331)	(*)
Provisions and impairment losses	(489)	(2,582)	(81.1)
Total amortisation, depreciation, provisions and impairment losses	**(3,648)**	**(2,913)**	**25.2**
Operating profit (EBIT)	**(11,462)**	**(32,547)**	**(64.8)**
Financial income and expense			
Financial income	238,102	175,417	35.7
Financial expenses	(111,678)	(109,401)	2.1
Total financial income and expense	**126,424**	**66,016**	**91.5**
Impairment losses on investments	-	-	-
Profit /(loss) before tax	**114,962**	**33,469**	**(*)**
Income tax expense	9,540	16,627	(42.6)
Net profit/ (loss) from continuing operations	**124,502**	**50,096**	**(*)**
Net profit /(loss) from discontinued operations	-	-	-
Net profit /(loss) for the period	**124,502**	**50,096**	**(*)**

(*) Change of more than 100%

Revenue
Total revenue for Iren S.p.A. was Euro 90 million, primarily relating to activities services launched in the year for services provided to Group companies.

Operating expense
Operating expense amounted to Euro 98 million and includes services and use of third-party assets (Euro 52 million), other operating expense (Euro 4 million) and personnel expense (Euro 45 million). The increase in operating expense compared to the previous year was essentially due to management of staff activities in favour of the Group companies, transferred to Iren S.p.A. during the organisational rationalisation in progress.

Depreciation, amortisation and provisions
Depreciation, amortisation and provisions amounted to around Euro 4 million.

Financial income and expense
The balance between financial income and expense was positive at Euro 126 million. Financial income, amounting to Euro 238 million, amongst other things includes dividends from subsidiaries and associates (roughly Euro 165 million) and interest income on loans to subsidiaries (Euro 72 million).
Financial expense totalled 112 million euro, and referred essentially to interest expense on loans and bonds (94 million euro) and on derivative instruments adopted to hedge the risk of oscillation of interest rates (11 million euro).

Profit /(loss) before tax
Profit before tax is Euro 115 million.

Income tax expense
Income taxes were positive at Euro 9.5 million and consist mainly of income from fiscal 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 therefore calculates IRES on the algebraic 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 124.5 million.

Statement of Financial Position

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

thousands of euro

	31.12.2015	31.12.2014	Change %
Non-current assets	2,580,402	2,551,821	1.1
Other non-current assets (liabilities)	2,026	(2,864)	(*)
Net Working Capital	34,121	11,065	(*)
Deferred tax assets (liabilities)	16,853	19,153	(12.0)
Provisions for risks and employee benefits	(40,652)	(23,614)	72.2
Assets held for sale	240	240	-
Net invested capital	**2,592,990**	**2,555,801**	**1.5**
Shareholders' equity	1,582,719	1,516,906	4.3
Non-current financial assets	*(1,887,041)*	*(1,728,477)*	*9.2*
Non-current financial indebtedness	*2,660,368*	*2,161,595*	*23.1*
Non-current net financial indebtedness	773,327	433,118	78.5
Current financial assets	*(139,146)*	*(43,257)*	*(*)*
Current financial indebtedness	*376,090*	*649,034*	*(42.1)*
Current net financial indebtedness	236,944	605,777	(60.9)
Net financial debt	1,010,271	1,038,895	(2.8)
Own funds and net financial indebtedness	**2,592,990**	**2,555,801**	**1.5**

(*) 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

Non-current assets
Intangible assets, property, plant and equipment, investment property and financial assets totalled Euro 2,580 million.

Net working capital
Net working capital was positive by Euro 34 million. Deferred tax assets totalled Euro 17 million, whereas provisions for risks and employee benefits amounted to approximately Euro 41 million.

Shareholders' equity
2015 closed with equity of Euro 1,583 million.

Net financial debt
At the end of 2015 net financial indebtedness amounted to Euro 1,010 million. Specifically, non-current indebtedness, equal to Euro 773 million, includes non-current financial liabilities of euro 2,660 million and non-current financial assets of Euro 1,887 million. The latter mainly refer to loans to subsidiaries. Current net financial indebtedness totalled Euro 237 million and comprises current payables due mainly to banks for Euro 376 million, current financial receivables largely from Group companies, for Euro 23 million, and cash and cash equivalents amounting to Euro 116 million.

Statement of Cash Flows

CASH FLOW STATEMENT OF IREN S.P.A.

thousands of euro

	Financial Year 2015	Financial Year 2014	Change %
A. Opening balance of cash and cash equivalents and centralised treasury management	**(37,265)**	**(74,632)**	**(50.1)**
Cash flows from operating activities			
Profit (loss) for the period	124,501	50,097	(*)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	3,159	331	(*)
Capital gains (losses) and other changes in equity	-	(1,121)	(100.0)
Net change in post-employment benefits and other employee benefits	(2,547)	(256)	(*)
Net change in provision for risks and other charges	133	1,167	(88.6)
Change in deferred tax assets and liabilities	(557)	(2,277)	(75.5)
Change in other non-current assets and liabilities	(4,890)	(3,311)	47.7
Dividends received	(164,846)	(171,444)	(3.8)
B. Cash flows from operating activities before changes in NWC	**(45,047)**	**(126,814)**	**(64.5)**
Change in trade receivables	(70,257)	(14,338)	(*)
Change in tax assets and other current assets	(6,761)	(7,101)	(4.8)
Change in trade payables	41,051	7,206	(*)
Change in tax liabilities and other current liabilities	10,069	12,050	(16.4)
C. Cash flows from changes in NWC	**(25,898)**	**(2,183)**	**(*)**
D. Cash flows from /(used in) operating activities (B+C)	**(70,945)**	**(128,997)**	**(45.0)**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(6,132)	(4,769)	28.6
Investments in financial assets	-	(35,665)	(100.0)
Proceeds from the sale of investments	186	-	-
Dividends received	164,846	171,444	(3.8)
Acquisition of business units	(3,010)	-	-
E. Total cash flows from /(used in) investing activities	**155,890**	**131,010**	**19.0**
F. Free cash flow (D+E)	**84,945**	**2,013**	**(*)**
Cash flows from /(used in) financing activities			
Dividends paid	(66,747)	(66,747)	-
Other changes in equity	479	0	-
New non-current loans	800,000	750,000	6.7
Repayment of non-current loans	(342,580)	(835,331)	(59.0)
Change in financial assets	1,258,822	(175,478)	(*)
Change in financial liabilities	(379,234)	362,909	(*)
G. Total cash flows from /(used in) financing activities	**1,270,740**	**35,354**	**(*)**
H. Cash flows for the period (F+G)	**1,355,685**	**37,367**	**(*)**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**1,318,420**	**(37,265)**	**(*)**
L. Current balance of centralised treasury management - subsidiaries	**(1,202,359)**	**56,462**	**(*)**
M. Closing cash and cash equivalents (I+L)	**116,061**	**19,197**	**(*)**

(*) 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

	Financial Year 2015	Financial Year 2014	Change %
Free cash flow	84,945	2,013	(*)
Dividends paid	(66,747)	(66,747)	-
Other changes in equity	479	-	-
Change in fair value of hedging derivatives	9,947	(3,707)	(*)
Change in net financial position	**28,624**	**(68,440)**	**(*)**

(*) Change of more than 100%

The following table reconciles equity and the result of the Parent Iren S.p.A. at 31 December 2015 and 31 December 2014 with those of the consolidated financial statements.

thousands of euro

31/12/2015	**Equity**	**Profit (loss) for the period**
Equity and profit for the year of the Parent	**1,582,719**	**124,501**
Difference between the carrying amount and associates accounted for using the equity method	3,770	36,870
Higher value from consolidation compared to the carrying amount of consolidated equity investments	310,950	116,923
Elimination of dividends from subsidiaries/associates	0	-164,846
Elimination of intra-group margins	(75,414)	3,966
Other	1,841	783
Group equity and profit for the year (*)	**1,823,866**	**118,197**

"Elimination of intragroup margins" refers to the elimination of capital gains from the sale 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 53 million on equity).

thousands of euro

31/12/2014	**Equity**	**Profit (loss) for the period**
Equity and profit for the year of the Parent	**1,516,906**	**50,096**
Difference between the carrying amount and associates accounted for using the equity method	(14,114)	(75,637)
Higher value from consolidation compared to the carrying amount of consolidated equity investments	338,668	207,617
Elimination of dividends from subsidiaries/associates	-	(101,444)
Elimination of intra-group margins	(78,967)	5,173
Other	725	(10)
Group equity and profit for the year (*)	**1,763,218**	**85,795**

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

IRETI S.p.A.

Following the extraordinary operations carried out at the end of 2015 with effects from 1 January 2016, IRETI S.p.A. began to operate.

The company will handle the water services in the provinces of Genoa, Savona, La Spezia, Parma, Piacenza and Reggio Emilia where it operates in the fields of water supplies, sewerage and purification of waste water.

With more than 18,000 km of aqueduct networks, over 9,300 km of sewerage networks and 1,085 treatment plants, the company will serve more than 2,550,000 inhabitants of 219 municipalities, distinguishing itself as the third operator in Italy in the water services sector by number of cubic metres managed. Through more than 7,600 km of network the company will distribute natural gas in the Municipality of Genoa and in 19 other surrounding municipalities, as well as in 72 municipalities of the provinces of Parma, Piacenza and Reggio Emilia, for a total of approximately 726,000 customers served.

With approximately 7,283 km of medium and low voltage networks IRETI will distribute electricity in the cities of Turin and Parma; with a portfolio of more than 1.5 million customers, IRETI will be the fifth operator in Italy in the electricity sector in terms of quantity of electricity sold.

In the territory of Emilia in addition IRETI will manage the public street lighting and traffic light services, maintaining and managing the present plants but also designing and building new ones.

TRM

The IREN Group has also achieved another important objective of the business plan which determined the acquisition of control over TRM S.p.A., a company which, among other things, manages the final waste treatment activity at the service of the province of Turin. In fact, on 29 January 2016 an agreement was signed for acquisition by IREN S.p.A. - through the subsidiary IREN Ambiente S.p.A. - of 100% of the company F2i Ambiente S.p.A. which holds as its only equity investment 51% of TRM V S.p.A.

IREN Ambiente S.p.A. already held the remaining 49% of the share capital of the company TRM V S.p.A. and through this operation the latter will be wholly controlled by the IREN Group.

TRM V S.p.A. holds 81.52% of the share capital of TRM S.p.A., a company which has received the contract to design, build and manage up to 2034 the waste-to-energy plant using urban and similar waste serving the province of Turin which was authorised by the Metropolitan City in July 2015 on saturation of the thermal load under the terms of Art. 35 of the “Sblocca Italia” Law Decree.

The company TRM S.p.A. has a plant with a waste-to-energy capacity of approximately 500,000 tonnes of undifferentiated urban waste with production of energy.

The acquisition will enable the Group to triple its waste-to-energy capacity, confirming IREN among the first three companies at the national level in terms of waste treated and represents, in addition, a solid base on which to build any further successful operations in the sector.

BUSINESS OUTLOOK

According the latest assessments of the International Monetary Fund the projections for global business outline for 2016 and 2017 a modest acceleration compared to 2015: +3.4% e +3.6% respectively. The estimates have in any case been revised downwards owing to the new and significant tensions that emerged at the beginning of 2016 on the financial markets, the uncertain consequences of a further drop in oil prices and in the growth rates of emerging countries.
In the Euro Area recent OECD estimates forecast for 2016 GDP growth of 1.8%. However the growth prospects are weighed down by downward risks associated with the continuing uncertainty about the conditions of demand in important export markets, in particular in the emerging countries. In addition the worsening of geopolitical tensions, above all in the Middle East, could have a negative effect on the climate of confidence and slow the recovery down.
For Italy despite the period of weakness of world trade, the expansion of economic activity is expected to continue also in 2016. ISTAT has found that despite a slowdown recorded in December, the climate of confidence among businesses and families remains at quite high levels. The projections are for 2016 GDP growth in the range of 1.3%-1.5%. According to the Bank of Italy, a lower boost originating from foreign trade, caused by the slowdown of the emerging economies, should be replaced by a higher contribution of domestic demand and that coming from the Euro area, sustained by the ECB's economic policies. Significant risks remain, among which very significant are those associated with the international context, which, as indicated, began to increase again in the first weeks of 2016.
As regards the sector in which the Group operates, the beginning of 2016 was characterised, as outlined above, by falling commodity prices, with oil falling to less than 30 dollars a barrel, a sign besides of weakness of the international economic situation.
On the contrary between the end of last year and the beginning of 2016 the long-awaited regulatory updates were issued, giving stability and clarity to the sectors of gas distribution, electricity and the integrated water service, business areas in which the Group has significant positioning.
The completion of the operations aimed at growth in the integrated environmental service sector is expected during 2016, according to the guidelines set forth in the business plan presented last June.
In addition the organisational assessments related to the roadmap for re-engineering the corporate processes will continue. Taking into account the projects already in progress, these represent important opportunities for the personnel management policy which, without renouncing in any way the development opportunities, should lead to creating an adequate current and prospective structure for the Group.
Iren therefore confirms its commitment to implement the growth projects in its areas of reference in a manner in keeping with the safeguarding of financial stability in order to guarantee the Group's development in line with the Business Plan.

REGULATORY FRAMEWORK

The main legislative references related to the Group's sectors of competence are presented below.

Regulations relating to local public services of economic importance

The rules on local public services resulting from the regulatory framework are contained in the Law converting Italian Law Decree No. 179 of 18/10/2012 containing further urgent measures for growth of the country, Art. 34, as resulting from the conversion law (Italian Law No. 221 of 17/12/2012), and as amended by Italian Law Decree No. 150 of 30-12-2013 - Extension of terms provided for by legislative measures, Art. 13 *Terms on the subject of local public services,* in force since 1 March 2014, under the terms of which:

1. By way of exception to the provisions of *Article 34, paragraph 21, of Italian Law Decree No. 179 of 18 October 2012*, converted, with amendments, by *Italian Law No. 221 of 17 December 2012*, in order to guarantee continuity of the service, where the entity responsible for the assignment or, if provided for, the governing entity of the territory or optimal and uniform territorial area has already launched the assignment procedures publishing the report pursuant to paragraph 20 of the same article, the service is performed by the operator or operators already working until the new operator takes over and in any case not later than 31 December 2014.
2. Failure to establish or designate the government bodies of the optimal territorial area under the terms of paragraph 1 Article *3-bis of Italian Law Decree No. 138 of 13 August 2011,* converted, with amendments, by *Italian Law No. 148 of 14 September 2011*, or failure to resolve the assignment within the term of 30 June 2014, entail the exercise of the substitutive powers on the part of the Prefect competent for the territory, whose expenses are chargeable to the non-fulfilling entity, which must perform the formalities necessary for completion of the assignment procedure by 31 December 2014.
3. Failure to observe the terms pursuant to paragraphs 1 and 2 entails the cessation of assignments non-compliant with the requisites provided for in the European legislation as of 31 December 2014.
4. The present article does not apply to the services pursuant to *Article 34, paragraph 25, of Italian Law Decree No. 179 of 18 October 2012,* converted, with amendments *by Italian Law No. 221 of 17 December 2012*. (natural gas distribution service, pursuant to *Italian Legislative Decree No. 164 of 23 May 2000,* electricity distribution service, pursuant to *Italian Legislative Decree No. 79 of 16 March 1999*, and to *Italian Law No. 239 of 23 August 2004*, and management of municipal pharmacies, pursuant to *Italian Law No. 475 of 2 April 1968*).

Direct assignments granted as of 1 October 2003 to partially publicly-owned companies already listed on the Stock Exchange at that date, and to those controlled by them, cease at the expiry date provided for in the service contract; assignments that do not provide for an expiry date cease, with no extension possible, on 31 December 2020.
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 geographical territories or areas.

Italian Law No. 190 of 23 December 2014, (Stability Law for 2015) introduced, in paragraph 609 of Art. 1, amendments to Article 3-*bis* of Italian Law Decree No. 138 of 13 August 2011, converted into Italian Law No. 148 of 14 September 2011, in order to promote aggregation processes and to strengthen the industrial management of local public network services of economic relevance. The functions organising the local public network services of economic relevance are performed exclusively by the Government bodies within optimal or uniform geographical territories or areas, in which the bodies take part obligatorily. If the local authorities have not joined the aforesaid Government bodies by 1 March 2015 or within sixty days from the establishment of the government bodies, the Chairperson of the Region exercises substitutive powers, after a warning. The Government bodies must make the report 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 explains the reasons with reference to the objectives of universality and sociality, efficiency, value for money and quality of the service.

The economic operator that took over from the initial concessionaire, wholly or partially, following business combinations carried out with transparent procedures, including mergers or acquisitions, continues in the management of the service until the expiry dates provided for. In these cases the competent subject ascertains that the qualitative criteria and conditions of economic and financial balance are being maintained including with the update of the expiry term of all or some of the existing concessions, after a check by any Regulatory Authority.
The capital investments made by the local authorities with the income from the disposal of equity investments in companies are excluded from the constraints of the Stability Pact.
The rules on the subject of local public network services of economic relevance are understood as referred, subject to explicit exceptions, also to the urban waste sector and to sectors subject to regulation by an independent authority.

Paragraph 611 of Article 1 of the Stability Law for 2015 states that, starting from 1 January 2015, the Regions and local authorities must begin a process of rationalising the companies and equity investments directly and indirectly held, according to the following criteria:
a) elimination of non-indispensable companies and equity investments;
b) suppression of companies made up of only directors or by a larger number of directors than that of employees;
c) elimination of companies that perform the same or similar activities as those of other investees;
d) aggregation of companies providing local public network services of economic relevance;
e) reorganisation of administrative and control bodies and reduction of the related remunerations.

To this end the next paragraph, 612, of the same Law states, with a view to a reorganisation and reduction of investee companies, that the presidents of regions and the autonomous provinces of Trento and Bolzano, the presidents of provinces, mayors and other top management of the administrations pursuant to paragraph 611, in relation to the respective fields of competence, must define and approve, by 31 March 2015, an operational plan to rationalise the companies and equity investments directly or indirectly held, the methods and implementation times, and a detailed description of the savings to be achieved. This plan, accompanied by a specific technical report, must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. By 31 March 2016, the bodies pursuant to the first sentence must prepare a report on the results achieved, which must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. Publication of the plan and the report fulfils the disclosure obligation.

Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014, on the award of concession contracts was published in the E.U.O.J. (Official Journal of the European Union) of 28 March 2014.
The directive must be transposed by the Member States by 18 April 2016, although there are interpretations on the immediate applicability of the same in the Member States; in this sense the Council of State, Section II, expressed itself in Opinion No. 298 of 30 January 2015, according to which it is essential to take into account the detailed rules introduced by the European legislators; besides, Section VI of the Council of State, with Judgement No. 2660 of 26 May 2015, considered not yet directly applicable the above directives as the deadline for transposing them is still pending, affirming only the existence of a “negative obligation” which in practice is a duty to abstain from a different interpretation potentially prejudicial to the results that the directive is intended to achieve.
The concession assignment methods are:
a) to private companies, selected through a public tender procedure;
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 shareholders and if the awarding body can exercise the same control that the body exercises over its own offices (“in house” companies with analogous control).

After approval in the Senate, the parliamentary procedure of the Draft Delegating Law on the organisation of the Government authorities is continuing in the institutional affairs commission of the Chamber of

Deputies. This draft law includes Art. 15 on the subject of reordering the rules of the local public services of general economic interest.
Italian Law 124/2015 containing “Powers delegated to the Government on the reorganisation of the public administrations”, better known as the Madia Law on Reform of the PA, was published in O.J. No. 187 of 13 August 2015.
The measure contains 14 important delegated legislative powers: public management, reorganisation of central and peripheral state administration, digitalisation of the PA, simplification of administrative procedures, rationalisation and control of investee companies, countering corruption, and transparency.
In particular, Articles 18 and 19 contain guiding criteria for defining consolidated legislative decrees on local public services and public equity investments of general economic interest on the basis of the delegation principles expressed in Article 16 of the aforementioned law.

Code on public works contracts

The text of Italian Legislative Decree 163/2006 (Code on Public Works Contracts) has been subject to frequent additions and amendments. The more important new elements are:

- for bidding companies, a declaration of “in continuity” Arrangement with Creditors is not a reason for exclusion, but to be able to take part an explicit authorisation by the judicial receiver, if appointed, or by the Court is necessary (specification introduced by Italian Law 9/2014);
- the Commissioning Bodies must, where possible and economically convenient, divide the contracts into operating lots;
- establishment of the “National Public Contracts Database” which will enable the commissioning bodies to verify the general, technical, economic and financial capacity requisites; after subsequent postponements from 1 July 2014 it became obligatory to verify the requisites through the Database for contracts in the ordinary sectors (e.g. Solid Urban Waste collection);
- in tenders with award to the lowest price, this price is determined net of the expense related to personnel costs under the terms of Article 82, Section 3-*bis*, of Italian Legislative Decree 163/2006; on this point we can note that the Piedmont Regional Administrative Court – Sect. 1, with a judgement filed on 6 February 2015 introduced the principle of necessary not literal, but substantial and systematically logical interpretation of the law, in order to avoid, among other things, distortionary effects on tender procedures;
- the anti-corruption law introduces new disclosure obligations for public administrations and companies controlled by public bodies, with the exclusion, until new rules are issued, of companies already listed on the Stock Exchange and their subsidiaries, as specified by the circular of the Minister for the Public Administration and Simplification No. 1/2014 and confirmed by the ANAC in the draft resolution subject to online consultation “*Guidelines for implementation of the legislation on the subject of prevention of corruption and transparency by companies and private law bodies controlled and invested in by public administrations and economic public bodies*”;
- with Italian Law No. 9 /2014 converting Italian Law Decree No. 145 of 2013, Art. 13, rules were introduced which enable Commissioning Bodies to pay subcontractors directly in cases of financial liquidity crisis of the contractor which are proven by repeated delays in payments to Subcontractors or Pieceworkers and ascertained by the commissioning body, after consulting the Contractor. 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, and by subcontractors and pieceworkers.

The European Commission issued Regulation No. 2342/2015 which changed the application limits on procedures for the award of public works contracts: 211,000 euro for ordinary sectors and 422,000 euro for the special sectors for all public supply and services contracts and 5,278,000 euro (for both ordinary sectors and special sectors) for public works contracts.

Once they are transposed (by 18 April 2016), the following European Union Directives published in E.U.O.J. (Official Journal of the European Union) 94 of 28 March 2014 will have a great impact on the legislation:

- Directive 2014/24/EU of the European Parliament and of the Council, of 26 February 2014, on public works contracts, which abrogates Directive 2004/18/EC;

- Directive 2014/25/EU of the European Parliament and of the Council, of 26 February 2014, on the contract procedures of supplying entities in the water, energy, transport and postal services sectors, which abrogates Directive 2004/17/EC;
- Directive 2014/23/EU on the award of concession contracts (previously not regulated).

The enabling act for implementing the directives was definitively approved on 14 January 2015 with a number of changes such as a reduction in the Commissioning Bodies, the limitation of integrated contracts, use of the criterion of maximum discount only in exceptional cases (the rule becoming that of the economically most advantageous offer) and new powers for the Anti-Corruption Authority which in practice becomes the market regulator.

We can note:
- the suppression of the Authority for Supervision of Public Contracts, which was replaced by the National Anti-Corruption Authority (A.N.A.C.) pursuant to Art. 19 of Italian Law Decree 90/2014, converted into Italian Law No. 114/2014;
- A.N.A.C. Communication 2/9/2014 and A.N.A.C. Communication 17/03/2015: “Application of Art. 37 of Italian Law Decree No. 90 of 24 June 2014 as converted by Italian Law No. 114/2014, method of transmitting and communicating to the A.N.A.C. variants to work in progress” which lays down operating rules for commissioning bodies for the new formality (it applies only to over-the-threshold works). Italian Law 114/2014 also introduces rules on accelerating the administrative process (Art. 40) and contrasting abuse of the process (Art. 41) the “vexatious litigation”. Again on the subject of the administrative process and its streamlining, we can note also the recent Prime Ministerial Decree No. 40/2015 related to conciseness of defence papers.
- Italian Law Decree 133 /2014 of 12 September 2014, known as “Unblock Italy” which introduced provisions modifying the Contracts Code, among which we can mention in particular those pursuant to Art. 2 on the subject of “Procedural simplifications for strategic infrastructures assigned in concession”, to Art. 4 on identifying “Simplification measures for unfinished works reported by local authorities and financial measures in favour of territorial bodies”, and the provision of a series of measures for bureaucratic simplification, in favour of project bonds and to relaunch the building industry, to Art. 9 on measures for simplifying bureaucracy for non-deferrable projects with a value below the community threshold.

Art. 28 of Italian Legislative Decree No. 175 of 21 November 2014, abrogated paragraphs 28, 28-*bis* and 28-*ter* of Art. 35 of Italian Law Decree No. 223 of 4 July 2006, which established the joint liability of the contractor and the subcontractor for payment to the Tax Authority of tax withholdings on income from subordinate employment payable by the subcontractor and imposed on the commissioning body an obligation to control fulfilment of the above obligations.
Following publication of the decree of the Ministry of Employment of 30 January 2015, from 1 July the online DURC [Single Contribution Payment Certificate] came into force with advantages in terms of times and costs for the Commissioning Bodies.

Anti-Mafia Code

Italian Legislative Decree No. 159 of 6 September 2011, subsequently supplemented and amended by Italian Legislative Decree 153/2014, approved the Code of anti-Mafia laws and prevention measures, which consolidates all provisions of the fight against organised crime into one law.
In particular we can note elimination of the “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.
Italian Law Decree 90/2014, converted into Italian Law 114/2014 in Art. 29, amending Art. 1 paragraph 52 of Italian Law 190/2012, states that it becomes obligatory to consult the “White list”, established at the Prefectures and that registration in the lists takes into account the anti-Mafia communications and information required by Italian Legislative Decree 159/2011, also for activities other than those for which the lists were established. The activities defined as at higher risk of infiltration are listed in paragraph 53 of Art. 1 of Italian Law 190 /2012 (e.g.: hot charters, waste transport and disposal for third parties, road transporters for third parties, extraction, supply and transport of soil and inert materials, etc.)

The Single National Anti-Mafia Database provided for by Articles 87 and 90 of Italian Legislative Decree 159/2011 and subsequent amendments and additions, following publication in Italian Official Journal No. 4 of 7/1/2015 of the Regulation which governs the access methods: Prime Ministerial Decree No. 193 of 30/10/2014 "*Regulation containing rules concerning the methods of operation, access, consultation and connection with the EDP Centre, pursuant to Article 8 of Italian Law No. 121 of 1 April 1981, of the Single National Database of Anti-Mafia Documentation, established under the terms of Article 96 of Italian Legislative Decree No. 159 of 6 September 2011"*, should have been operational from January 2015, but currently it is still not possible to acquire the anti-Mafia information online.
An A.N.A.C. communication of 23 June 2015 provides for annotation in the electronic criminal records and in the Database of Anti-Mafia Disqualifying Information.

Robin Hood Tax

In the judgement of the Constitutional Court of 11 February 2015 the additional IRES tax rate, which applied to companies operating in the energy sector, to electricity transmission/dispatching/distribution and gas transport/distribution operators, and to companies which produce electricity through the prevailing use of biomass and from photovoltaic-solar and wind sources, was considered unconstitutional. However, the unconstitutionality is not effective retroactively, because it was established that it applies from the day after publication of this judgement in the Italian Official Journal. This "restrictive" interpretation was considered constitutionally oriented as "The macroeconomic impact of rebates of tax payments connected with the declaration of unconstitutionality of Art. 81, paragraphs 16, 17 and 18, of Italian Law Decree No. 112 of 2008, and subsequent amendments, would determine, in fact, an imbalance in the State budget of an amount such as to imply the need for an additional financial manoeuvre, also so as not to fail to observe the parameters to which Italy is obliged in Europe and internationally (Arts 11 and 117, first paragraph, Const.) and, in particular, of the annual and multi-annual forecasts indicated in the stability laws in which this revenue was considered fully acquired. Therefore, the overall consequences of removal with retroactive effect of the law challenged would end up requiring, in a period of continuing economic and financial crisis which affects the weakest bands, an unreasonable redistribution of wealth to the advantage of economic operators that can instead have benefited from a favourable economic situation. An irremediable prejudice to the needs of social solidarity would thus be determined with a serious breach of Arts 2 and 3 of the Constitution."

Cash transfers

The limit above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted was set by the Stability Law for 2016 at Euro 2,999.99; up to 31 December 2015 it was set at Euro 999,99.

Gas distribution

The Letta Decree of 2000 introduced competition to the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.
Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. 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. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.

In a Decree of 19 January 2011 the Ministry of Economic Development determined the geographical areas for the natural gas distribution sector. With Ministerial Decree 12/11/2011, No. 226, the Regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This Regulation establishes that the Municipality which is the Chief Municipality is the Commissioning Body for managing the tender. The deadline for identifying the Commissioning Body 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 areas, 24 months for the Genoa 2 area, 30 months for the Genoa 1 area and 36 months for the Piacenza 2 East area.
The related tenders must be launched within 15 months of the above deadlines by the Chief Municipality, or within 18 months by an entity identified by the Municipalities belonging to the territorial area (if this does not include the Chief Municipality).
In 2013 the "Decreto del Fare" (Action Decree, Italian Decree Law No. 68 of 21 June 2013) introduced a number of amendments to the "Criteria Regulation" which defines the basic rules for conducting area-related tender procedures. The peremptory nature of deadlines is envisaged for appointment 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 deadlines for the call for tenders were then extended for different periods, as results from the rules indicated below.
These concessions are currently operating under the extended regime pending the launch and award of public invitations to tender.

Italian Law Decree 145/2013 converted into Italian Law No. 9 of 21/2/2014 established in Art. 1 paragraph 16 that "The expiry terms provided for in paragraph 3 of Article 4 of Italian Law Decree No. 98 of 9 August 2013, are extended for a further 4 months. The deadlines pursuant to Annex 1 to the regulation pursuant to the Decree of Minister of Economic Development No. 226 of 12 November 2011, related to areas included in the third group of the said Annex 1, and the respective terms pursuant to Annex 3 of the same regulation, are extended by four months."

Article 30-*bis* of Italian Law Decree 91/2014 the "competitiveness decree", converted with amendments by Italian Law 116/2014, established an extension of the deadlines for publication of the calls for tenders for assignment of the gas distribution service.
Specifically the deadlines for the first Group of territories are extended by eight months (and thus until 11 March 2015) those of the second, third and fourth Group by six months and those of the fifth and sixth Group of territories by four months.
In addition with Italian Law No. 11 of 27 February 2015, converting, with amendments, Italian Law Decree No. 192 of 31 December 2014, containing extension of terms provided for by legislative measures, the *Thousand Extensions*, published in O.J. No. 49 of 28-2-2015, in the coordinated text, in force since 1 March 2015, in Art. 3, *Extension of terms on the subject of economic development,* established in para. 3-*ter* that *"The term beyond which the provision pursuant to paragraph 4 of Article 30*-bis *of Italian Law Decree No. 91 of 24 June 2014, converted, with amendments, by Italian Law No. 116 of 11 August 2014, applies in relation to the first and the second group as per Annex 1 to the regulation pursuant to the decree of the Ministry of Economic Development No. 226 of 12 November 2011, is extended to 31 December 2015",* and in the subsequent para. 3-*quater*, that *"The terms pursuant to Article 3, paragraph 1, of the regulation pursuant to paragraph 3*-ter*, related to failure to publish the call for tenders, for the areas of the first group as per Annex 1 to the same regulation are extended to 11 July 2015* (OMISSIS)".

The launch of tenders for ATEM are therefore as of today envisaged (unless extended) according to the following calendar, which takes into account the term for publication of the call for tenders:
- Reggio Emilia - tender extended for two years owing to earthquake, no change - 11 November 2015
- Parma – 11 July 2015
- Piacenza 1 West – 11 November 2015
- Piacenza 2 East – 11 November 2016
- Genoa – 11 March 2016

With Resolution 382/2012/R/gas, the standard service contract template for natural gas distribution was published.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the Authority for Energy and Gas (now the Authority for Electricity, Gas and Water Service – AEEGSI) regarding:
- distribution and metering tariffs;
- distribution and metering service.

On 22 May 2014 a Decree was issued by the Ministry for Economic Development containing *"Approval of the document 'Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants'"*. This was published in Italian Official Journal, General Series, No. 129 of

6.6.2014 together the document, which is annexed to the said decree and is an integral part of it, containing *"Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants"*.

On 24 July 2014 the AEEGSI published Resolution No. 367/2014 and Annex A – concerning the Gas distribution services tariff regulation system, with reference to the regulation period 2014–2019 for Territorial Area managements and other rules on the subject of tariffs.

On 13 March 2015 the AEEGSI issued clarifications in relation to Resolution 367/2014.

Both the Ministerial Decree of 22 May 2014, and Resolution No. 367/2014 were appealed by the Iren Group respectively the former to the Lazio Regional Administrative Court (henceforth RAC) and the latter to the Lombardy RAC. The appeals are currently pending. The AEEGSI's clarifications of 13 March 2015 were also appealed as reasons added to the original appeal.
The Lombardy RAC with a judgement filed on 16 June 2015 rejected the appeal lodged against Resolution 367/2014 (and preparatory acts including Resolution 573/2013) by SGR Reti S.p.A.
The Lombardy RAC, Second Section, handed down - against the appeals lodged by Iren Emilia and Genova Reti Gas against AEEGSI Resolution No. 367/14 - respectively judgements Nos 2740/2015 and 2736/2015, filed on 22 December 2015, with which it rejected both appeals with costs shared. The term for presenting an appeal against the said judgements (in the absence of notification) is three months from when they are filed, and will therefore expire on 23 March 2016.

The "Unblock Italy" Law Decree in Art. 37 provides for "Urgent measures for natural gas procurement and transport" and in Art. 38 "Measures for enhancing national energy resources".

The Ministerial Decree of 20 May 2015 updates the regulation on the criteria for tenders for gas distribution (MD 226/2011), completing the legislative framework of reference. In addition, the decree clarifies the methods of recognition of expenses related to the energy efficiency certificates that the incoming Operator must passed on to the Commissioning Body.

On 22 June 2015 the AEEGSI issued Resolution 296/2015/R/com with which it approved the "AEEGSI Rules on functional separation (unbundling) obligations for companies operating in the electricity and gas sectors (TIUF)". With the said Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. In particular we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

Default service
With Resolution ARG/gas 99/11, the Authority had introduced rules for the retail sale of natural gas, with particular reference to the methods of purchase and loss of liability of withdrawals, to rules on non-fulfilment by end customers of their payment obligations (default) to completion of the structure provided for regarding last resort services, regulating the default service (DS), 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.
With 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 starting from 1 January 2013, taking into account Ministerial Decree of 3 August 2012, which aimed at including, under final 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 Judgement No. 3296 of 29/12/2012 of section III of the Lombardy RAC, Resolution 99/11 was deemed illegitimate 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 judgement of the Regional Administrative Court. On 28 January 2013 the Council of State upheld the AEEG's appeal on a provisional basis, and suspended the effects of the judgement of the Lombardy Regional Administrative Court, setting the hearing on the merits of the case for 19 February 2013. Following this suspension decision, 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 establishment of a technical round table with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the round table commenced with operators in the meantime.
The Council of State then adjourned discussion of the precautionary suspension application to the hearing in Chambers 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 judgements 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.

Subsequently the following resolutions were issued:

- on 6 June 2013 Resolution 241/2013/R/gas "Reform of the rules on the distribution default service, following the declared impossibility to perform all the activities pursuant to the TIVG, as regards the balancing of direct withdrawals";
- on 27 February 2014 Resolution 84/2014/R/gas "Rules on default and last resort services, amendments and additions to the TIMG and TIVG;
- on 29 May 2014 Resolution 246/2014/R/gas "measurement of natural gas withdrawn at redelivery points to which the distribution default service is provided following failure to physically disconnect".

With a judgement filed on 12 June 2014, the Council of State accepted the appeal lodged by the AEEG against the judgements with which the Milan Regional Administrative Court, in December 2012, had ruled that Resolution 99/11 was unlawful ordering it to be cancelled.
Very briefly the Council of State, following the AEEGSI's pleadings, decided that the default service is associated with the balancing service and that the same cannot be considered sales activity but, rather, as ex post settlement activity of the objective debt relationships created following withdrawals made by customers that have remained connected to the distribution network.
This was also considering the fact that the typical risk of sales activity, since the default of the end customer served is almost fully socialised and made chargeable to the community.

With Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority approved the criteria and methods for identifying last resort suppliers (LRSs) and distribution default service suppliers (DDSs) with reference to the period 1 October 2014–31 September 2016.
In addition with the same Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority amended, among other things, paragraph 30.4 of the TIIVG establishing that "in cases in which the tender procedure (chosen by the DDS) does not make it possible to identify a DDS, or in cases of non-performance of the (default) service by the selected supplier the distribution companies which perform the service in areas where it should have been performed by the supplier are responsible for the activity of economic settlement of the physical gas items attributable to direct withdrawals made by the end customer.

AEEGSI Resolution No. 258/2015/R/com of 29 May provides for "first actions on default in the electricity and natural gas retail markets and revision of switching times in the natural gas sector".
In particular the documentation transmission procedure between vendor and distributor in order to facilitate legal initiatives was implemented.
It should be noted that the resolution in a "recital" qualifies as an obligation of result - on the distribution company - the physical disconnection of the redelivery point.
With the fourth appeal for additional reasons the Resolution in question, 258/2015/R/com, was challenged and the appeal on the merit is pending and no public hearing has yet been set for discussion of the same.

Electricity distribution

Italian 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 electricity 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 electricity from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electricity generated or imported into Italy, with a view to increasing market competition in the production of electricity;
- envisaged the establishment of the 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 electricity, 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 Single Buyer 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 Electricity Market Operator or Market Operator) and assigned transmission and dispatch activities under concession to the national transmission network operator (Terna); electricity distribution activities are performed under concession granted by the Ministry for Economic Development.

Italian Law No. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission network.
Measures were adopted in 2007 to guarantee unbundling.

Tariff structure for transmission, distribution and metering
The AEEG established a tariff regime that came into force on 1 January 2000. This system replaced the "cost plus" one with a new "price cap" mechanism, which provides for a limit on annual tariff increases corresponding to the difference between the inflation rate and the increase in productivity achievable by the service supplier, together with further factors, such as improving quality. 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 customer.

In the fourth regulatory period (2012–2015), provisions are in force that regulate the main electricity distribution activities, 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 402/2013/R/com which replaced from 1 January 2014 Resolution ARG/elt 117/08)
3) quality of service (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) indemnity system (Resolution ARG/elt 191/09).

As regards point 1), the mechanism of the average national tariff supplemented by adjustments (general and company-specific) is replaced by a single tariff for each distributor.

As regards point 2), in order to protect domestic customers in situations of difficulty (economic and physical), the electrical bonus rules are simplified and certain critical points removed.

On point 3), Resolution 198/2011 (TIQE - integrated code on electricity quality) regulates the commercial and technical quality for 2012–2015.
The "rapid quote" mechanism came into force in 2013 together with new indicators for the replacement of faulty meters and for restoration of the correct value.

With regard to point 4), the system defined by Resolution 4/08 continues to apply:
a) protection of the receivables of vendors and safeguards for providers;
b) definition of specific regulations for managing suspension of supply in the event of default of final customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.

On point 5), Resolution 42/08 regulated the dispatching, transport and metering of electricity 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).

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) containment of the economic and administrative impact for dispatching users due to adjustments of measurements;
c) accounting and administrative simplification for Terna and the distributors.

As regards point 7), the "Integrated code of provisions of the Italian Authority for electricity and gas concerning administrative and accounting unbundling obligations for companies operating in the electricity 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 electricity or gas sector, performs at least one activity under a concession agreement (e.g. the electricity distribution and/or gas) and at least one deregulated activity (e.g. the sale of electricity and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electricity 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, pursuing objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.
The Independent Operator nominates a Guarantor for the correct management of commercially sensitive information (Data Guarantor), 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 already specified in the section Gas distribution above, with Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. More specifically we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies and, in particular in the electricity sector, also between sales on the free market and greater protection service. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

As regards point 8), Resolution ARG/elt 191/09 defined the "Indemnity System", which guarantees compensation 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.
The subsequent Resolution ARG/elt 219/10 issues the rules for operation of the Indemnity System.
This system allows all vendors to claim compensation on the end customer, regardless of the change of vendor requested by the end customer.

Major hydroelectric shunt concessions

Constitutional Court Judgement No. 205 of 4 July 2011 pronounced the unconstitutionality of the provisions of Italian Law Decree No. 78 of 31 May 2010, converted to Italian Law No. 122 of 30 July 2010, which extended major water shunting concessions for the production of electricity 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 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.
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.
In September 2013 the European Commission began a fact-finding inquiry, concerning several member states, on the conditions for assigning, extending or renewing water concessions for hydroelectric use and sent the Italian Government a letter of formal notice which states that certain provisions recently introduced by the Italian parliament (with Italian Law 134/2012, converting the Italian "Development" Law Decree 83/2012), as well as certain parts of the legislation of the Autonomous Provinces of Trento and Bolzano are contrary to principles and rules of community law (freedom of establishment; Art. 12 of the "Bolkestein" Directive 2006/123/EC). The Italian Government's reply to the European Commission's objections is being prepared.

The Decree of the President of the Piedmont Regional Executive No. 2/R of 9 March 2015 approved the new regional regulation on public water shunting concessions which changes the rules on proceedings for issuing concessions for which the Province or the metropolitan City is responsible and introduces the possibility of overcoming the "*presumption of incompatibility owing to proximity*" producing specific documentation.

Integrated Water Service

The Integrated Water Service (IWS) reform process, which began with Italian Law No. 36/94 (the Galli Law), was revised with the approval of Italian Legislative Decree No. 152 of 3 April 2006, as amended by Italian Legislative Decree No. 219 of 10 December 2010.
Regulation of the integrated water service management is based on the following principles:
- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of Optimal Territorial Areas ["Ambiti Territoriali Ottimali" - ATOs], within which the integrated water services are to be managed. Each ATO is responsible for: (a) organising the integrated water service, through a plan which has to define the investment and management policies (the Area Plan), (b) identifying an operator for the integrated water service, (c) determining the tariffs applied to users, (d) monitoring and supervising the service and the activities conducted by the operator to guarantee correct application of the tariffs and achievement of the 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, while the local authorities supervise, organise and control the integrated water services system.

Italian Law No. 42 of 2010 ordered the suppression of the Optimal Territorial Area Authorities when a year had passed from entry into force of this law; this term was extended to 31 December 2012.
The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
As regards rules on the subject of ATOs (Optimal Territorial Areas), the Emilia Romagna Region with Regional Law No. 23 of 23-12-2011 set forth the "Rules for the territorial organisation of the functions related to local public environmental services", which lays down the rules relating to regulation of public environmental services and in particular to the territorial organisation of the integrated water service and the integrated urban waste management service in Emilia-Romagna, and states that on the basis of the principles of subsidiarity, differentiation and adequacy, the entire regional territory constitutes the optimal territorial area in accordance with Articles 147 and *200 of Italian Legislative Decree No. 152 of 2006*.

The Liguria Region, with Law No. 1 of 24 February 2014, attributed the functions on the subject of organisation and management of the Integrated Water Service and Integrated Waste Management.
As regards the IWS, the Law identified 5 ATOs:
- ATO West – Province of Imperia;
- ATO Centre/West 1 - Province of Savona;
- ATO Centre/West 2 - Province of Savona;
- ATO Centre/East – Province of Genoa;
- ATO East – Province of La Spezia.

The Law (Article 10) extended the option for autonomous management of the IWS to Municipalities with a population of up to 3,000 inhabitants. This provision was challenged by the Government (raising a question of unconstitutionality) as it clashes with the rules (Art. 148, 5th paragraph of Italian Legislative Decree 152/2006 - Consolidated Law on the Environment), which limit this option to Municipalities with a population of up to 1,000 inhabitants.
With Judgement No. 31 of 10 February 2015 the Constitutional Court declared unconstitutional Article 10 paragraph 1 of Liguria Regional Law No. 1/2014.

The Integrated Water Services segment was also affected by the Referendum held on 12 and 13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Italian 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 does not produce direct and immediate effects on the current tariffs, but is 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.
The Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs. This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
The functions concerning the regulation and control of water services were transferred to the Italian Authority for Electricity, Gas and Water services.
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 (Resolution 273/2013), the AEEGSI approved a specific provision defining the criteria for calculating 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. The Lombardy Regional Administrative Court, with a judgement dated 20 February 2014, accepted the arguments of the appellants (including Iren Acqua Gas) ruling that AEEGSI Resolution No. 273/2013 should be cancelled for the reasons maintained by the same. With 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 (current expenses - OPEX and capital expenses - CAPEX) that must provide adequate remuneration through the tariff applied to water service users.
The rules of this Resolution are applicable from financial year 2014 onwards.
By 31 March 2014, the entity with responsibility for the Territorial Areas must:

- define the objectives and (on the Operator's proposal) prepare the Plan of Action;
- prepare the tariff for 2014 and 2015;
- prepare the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submit these calculations to the AEEG for final approval.

Italian Law Decree 133 /2014 of 12 September 2014 known as the "Unblock Italy" Decree (Art. 7) introduced a number of changes to the rules of the IWS contained in the Consolidated Law on the Environment (Italian Legislative Decree No. 152/2006).
In brief it is established that:

- the Regions (if they have not already done so) must identify the governing entities of the area by 31 December 2014 - otherwise the government's substitutive powers would apply;
- the local authorities must take part in the governing entity of the area (which replaces the Area Authority) - failure to join the governing entities of the area is sanctioned with exercise of the substitutive powers by the President of the Region;
- the concept of single management of the IWS is introduced;
- the governing entities of the area (if they have not already done so) must choose the form of management of the IWS and begin the assignment procedures within the term of 30 September 2015;
- the relationship between the governing entity of the area and the operator is regulated by an agreement prepared on the basis of a standard agreement prepared by the AEEGSI - the existing agreements are supplemented in accordance with the provisions of the said agreements, with the methods established by the AEEGSI;
- the new operator must pay the outgoing operator an amount to reimburse the investments made, determined according to criteria defined by the AEEGSI;
- in the event of early termination of the assignments, the outgoing operator is owed an indemnity as a refund of the investments made (not depreciated) and for loss of earnings (10% of the service still to be provided assessed on the basis of the economic-financial plan), with a reference to the rules of the Contracts Code;
- the definitive project of the works and actions provided for in the Investment Plan included in the Area Plans (and the related substantial changes) must be approved by the governing entities of the area - approval of the projects entails the declaration of public utility and constitutes authorisation and/or variant to the town and territorial planning instruments - the governing entity of the area convenes the conference of services and constitutes the expropriating authority (a role which may be delegated to the operator);
- in order to ensure observance of the principle of single management, the IWS operator takes over from the other entities operating in the same area with effect from entry into force of the law, but if these entities manage the service on the basis of an assignment granted in accordance with the *pro-tempore* current law, the takeover will occur at the expiry of the assignment.

Finally the AEEGSI adopted, among other things, the following resolutions of interest to the Group:

- Resolution No. 6/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the water tariff method for the second regulatory period with reunification of the proceeding pursuant to Resolution 374/2014/R/IDR and identification of a single term for completion of the proceeding.
- Resolution No. 8/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the criteria for structuring the tariffs applied to users of the water services.
- Resolution No. 83/2015/A of 5 March 2015 regarding the establishment and operation of the Permanent Observatory on regulations covering energy, water and district heating;
- Resolution No. 107/2015/R/IDR of 12 March 2015 containing the list of managements excluded owing to failure to deliver the plants from the tariff update for the first regulatory period 2012–2015. The list also includes the Group's associates AMAT of Imperia and AIGA of Ventimiglia. These Companies have

presented to the AEEGSI a plea for a revision of the decision and are preparing an appeal to the RAC in the event of a negative reply or no reply within the terms for proceeding with an appeal.

- Resolution No. 122/2015/R/IDR of 19 March 2015 regarding the launch of a proceeding for the creation of solidaristic economic and financial equalisation systems covering the tariffs of the integrated water service also on the national scale.
- Resolution No. 656/2015/R/IDR of 23/12/2015 regarding the Model Agreement for governing relationships between awarding bodies and managers of the Integrated Water Service - Rules on essential minimum contents.
  With the measure - taking account of the observations received on the previous consultation documents 274/2015/R/idr and 542/2015/R/idr - the Authority adopts the Model Agreement for governing relationships between awarding bodies and managers of the integrated water service, to which besides the management agreements currently in force must be adjusted.

Waste Management Service

Integrated Waste Management is understood as all the activities of transportation, treatment and disposal of waste, including street sweeping and the management of these operations.
The legislation of a general nature applicable to the Integrated Waste Management Services sector is contained at national level in the Environmental Code (Italian Legislative Decree 152/2006 amended most recently by the Ministerial Decree of 15 January 2014), in Italian Law No. 68 of 22 May 2015, “Rules on the subject of crimes against the environment”, in Italian Legislative Decree 36/2003 (landfills), in Italian Legislative Decree 133/2005 (incineration and co-incineration), in Presidential Decree No. 59 of 13 March 2013 (Single Environmental Authorisation), and at the regional level by Emilia Romagna Regional Laws No. 31/96, No. 25/99, No. 10/2008, No. 23/2011 and No. 13/2015 (reform of the regional and local government system and rules on the Metropolitan City of Bologna, Provinces, Municipalities and their unions) and Regional Law 16/2015 (on the so-called “circular economy” amending Regional Law 31/96).
Given that the Territorial Area Authorities ceased to exist on 31 December 2012, the Emilia Romagna Region set up the Territorial Agency of Emilia Romagna (ATERSIR), according to the aforementioned law, for water and waste services in which all the Municipalities and provinces take part and which is responsible for the regulation functions for the entire regional territory, and determination of the urban waste disposal tariffs on the basis of the regional criteria, of the private and public plant engineering. This agency became operational in 2012.
The Piedmont Region adopted the Regional Waste Management Plan on 30/09/2009, completing a process launched in 2007. The Plan has a 2009–2015 time horizon.
At the same time as adopting the Plan, the establishment of 3 Optimal Territorial Areas, combining the 8 previous areas divided by Province, was provided for.
Regional Law 7/2012 further modified the structure of the Areas, providing for their division into 4. The 4 current Areas are made up as follows:

a) Area 1: Novarese, Vercellese, Biellese and Verbano, Cusio, Ossola;
b) Area 2: Astigiano and Alessandrino;
c) Area 3: Cuneese;
d) Area 4: Turinese.

The ATOs have a role of planning the activities and applying the provisions of the Regional Waste Management Plan, and planning the flows and disposal tariffs.
In turn the ATOs are divided into Catchment Area Consortia which have a significant role at the management level.

The Legislative Assembly of the Emilia-Romagna Region has approved Regional Law 16/2015 for the management of urban waste, which promotes recycling and prevention of waste production. Among the objectives to be achieved within five years are: an increase in separate collection to 73%, a 25% reduction in per-capita waste production, recycling at 70%, limiting of landfill sites and regional self-sufficiency. Among the changes introduced by the new law: precise tariffing, that is payments based on how much is conferred, incentives for the most virtuous Municipalities and bonuses for businesses that dispose of waste better. Incentives are provided for information and education activities, with the possibility for Municipalities that plan information and education initiatives to allocate to these activities a part of the revenue deriving from application of the tariff. With the new law the Region intends to transit from a linear economic model based on exploitation of natural resources to a circular economy, in which materials are constantly reused. And to do this it identifies tools such as precise tariffing and brings into play incentives aimed at Municipalities that send less waste for disposal and bonus schemes for companies.

We can also note that the SISTRI system came into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. Following approval of Italian Law Decree No. 210 of 30 December 2015, ("Thousand Extensions") the term for compliance with the SISTRI (Waste Traceability Control System) is extended by a year and the term for applying the emission limits for industrial plants is extended to 1 January 2017 to enable the update of the authorisation by the competent Authority. The SISTRI sanctions, exclusively related to failure to register or pay the annual contribution, apply starting from 1 April 2015 (following Italian Law 11/2015 converting the "Thousand Extensions Decree " Italian Law Decree No. 192 of 31 December 2014). The SISTRI sanctions for all the other breaches apply from 1 January 2017.

The "Unblock Italy" Decree converted by Italian Law 164/2014 states that within ninety days from entry into force of the conversion law (10 February 2015) the Prime Minister must identify with his or her decree energy recovery and urban and special waste disposal plants, existing or to be built, to create an integrated and modern management system for such waste capable of achieving national security in self-sufficiency and superseding the infringement proceedings for failure to implement the European laws on the sector. For this purpose he or she must consult the Permanent Conference. The Prime Minister must carry out the check with regard to: a) the total processing capacity at the national level of urban and similar waste by the incinerator plants in operation or authorised at the national level; b) the incinerator plants with energy recovery to be created to cover the residual need (for the purpose of gradual socio-economic rebalancing). The Ministerial Decree implementing "Unblock Italy" is still being prepared, and we are awaiting its approval and consequent publication so that it can be considered effective.

The Stability Law for 2015 (Italian Law No. 190 of 23 December 2014) in paragraph 615 of Art. 1 replaced the second sentence of Art. 149-*bis* of Italian Legislative Decree No. 152/2006 establishing that direct assignment of the service can be made to entirely publicly-owned companies, in possession of the requisites prescribed by the European legislation for in-house management, in any case invested in by local authorities located in the optimal territorial area.
All the "energy recovery" (no longer "thermotreatment") plants, both existing and to be built, must be authorised to saturation of the thermal load, but only in the event of a positive environmental compatibility assessment of the plant in operating mode (including observance of Italian Legislative Decree 155/2010 on air quality).

The plants in question must give priority to urban waste produced in the regional territory (and to those of other Regions, only for the availability remaining after the regional needs are met).
If these plants receive urban waste from other Regions, the operators of the plants must pay the Region a new contribution (max Euro 20 euro per tonne) destined to finance a fund used to prevent waste, provide incentives for Separate Collection, for reclamation work and to limit tariffs. The law establishes that the expenses of this contribution "*may not be transferred into tariffs, charged to citizens*".
Only hazardous special waste with infection risk remains permitted, "*in a complementary manner*" and observing the principle of proximity, on condition that the plant is fitted with a dedicated loading system that "excludes also all contact between the personnel involved and the waste" (to this end the Integrated Environmental Authorisations are made compliant).
The reduction to a half of the terms for expropriation procedures was confirmed (for proceedings in progress, the remaining terms are reduced to 1/4). The reduction to a half of the terms envisaged for the Environmental Impact Assessment and the IEA was not confirmed, but the new law establishes that the terms set by law for these procedures "must be considered peremptory". The Prime Minister must carry out a study of the existing offer of plants also as regards recovery of the organic fraction, divided into Regions. Until the plants in question are built, the Regions may authorise, where technically possible, an increase of up to 10% of the capacity of such plants to encourage the recovery and production of high-quality compost.
Article 182 of the "Environmental Code" was amended, providing for the exclusion from the prohibition on extra-regional disposal of non-hazardous urban waste that the President of the Region considers necessary to send for disposal out of the Region "*to deal with emergency situations caused by natural calamities for which a state of emergency is declared*".

In January Ministerial Decree No. 272 of 13 November 2014 came into force. This makes known the methods for preparing the reference report when an IEA is requested or renewed. The managers of companies that run a plant subject to IEA, if the activity entails the use, production or discharge of hazardous substances, must in fact present a report containing information on the quality of the soil and underground waters, indicating the hazardous substances. It follows that, if an IEA procedure is pending, it will be necessary to supplement the application with the reference report, which enable also a comparison on the state of Contamination of soil and waters at the moment of definitive cessation of the activity, so as to permit an assessment on any obligations to reclaim.
The “Thousand Extensions Decree” (Italian Law Decree No. 192 of 31 December 2014, converted into Law No. 11 of 27 February 2015) moves to 30 June 2015 the term of the prohibition on conferring to landfills waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg. Following the so-called “2016 Thousand Extensions” (Italian Law Decree No. 210 of 30.12.2015), the term for prohibition of the said conferment is put off to 29 February 2016.
Italian Law No. 190 of 2014 has also been in force from the first of January. This states that in polluted sites not yet reclaimed the work required by the legislation on workplace safety and ordinary and extraordinary maintenance activity can be done, provided that it does not prejudice the reclamation activity and workers’ health.

Regulation (EU) No. 1357/2014 of the European Commission came into force on 1 June 2015; this innovates the hazardous waste classification system. The Regulation replaces Annex III of Directive 2008/98/EC, and consequently the entire Annex I to Part IV of Italian Legislative Decree No. 152/2006.
On 1 June 2015 the Decision of the European Commission 2014/955/EC came into force. This introduces a new European List of Waste that modifies Decision 2000/532/EC, transposed at the national level by Annex D of part IV of Italian Legislative Decree 152/06.
Directive No. 2015/1127, which starting from 31 July 2015 made some amendments to Annex II of Directive 2008/98/EC on waste (containing a non-exhaustive list of recovery operations), was rectified with a deed published in November 2015.

Italian Law 68/2015 of 22 May 2015 “Rules on the subject of crimes against the environment” has been in force since 29 May. This introduces into the criminal code five new crimes against the environment, namely environmental pollution, environmental disaster, trafficking and abandoning highly radioactive material, impeding controls and failure to reclaim. The law in question also contains amendments to Italian Legislative Decree No. 231/2001, in particular to Art. 25-*undecies*, containing the predicate of environmental crimes. In its Report No. III/04/2015 of 29 May 2015 the Information Office [Ufficio del Massimario] of the Court of Cassation specified, with reference to Italian Law 68/2015, that the “abusive” situation is not created only by cases involving lack of authorisation, but also by cases in which the authorisations have expired.

On 17 June 2015 the Ministry of the Environment published Circular No. 12422, containing “Further criteria on the methods of applying the rules on integrated prevention and reduction of pollution in the light of the amendments introduced by Italian Legislative Decree No. 46 of 4 March 2014”.
The Prime Ministerial Decree of 27 March 2015 establishes the methodological notes and standard needs for Municipalities of ordinary-statute Regions in the fields of roads, transport, management of the territory and the environment (including waste).

At the end of 2015 the 2016 Stability Law (Italian Law No. 208 of 28 December 2015) was published, and has been in force since 1 January 2016. Several changes have been introduced in the Environment sector: incentives and subsidies are envisaged for renewable energies, as are actions on the subject of urban regeneration. As regards reclamations a fund of 10 million euro has been set up for each of the years 2016, 2017 and 2018. In part this money is destined for sites of national interest for which it is necessary to act urgently in order to comply with European obligations. As regards abusive landfill sites an increase is provided for in the endowment of the fund set up to finance an extraordinary reclamation plan for landfills identified by the competent government authorities in relation to Community Infringement Procedure No. 2003/2007; spending of 5 million euro is authorised for the year 2016 for the launch of an extraordinary programme aimed at verifying the effectiveness of the pollutant emission levels of vehicles. Again on the subject of emissions, the legislative changes involve, in addition, the proceeds from auctions of greenhouse gas emission quotas.

The stability law also makes amendments to Italian Legislative Decree 152/2006: in Art. 6, paragraph 17, regarding the prohibition of research activity, of prospecting and of cultivation of liquid and gaseous hydrocarbons in the sea within the perimeter of the protected marine and coastal areas, the extensions currently provided for are abolished.
At the end of the year the draft law entitled “*Green economy*”: “*Rules on environmental matters to promote green economy measures and to limit the excessive use of natural resources*” was approved; this - among numerous other measures – provides for amendments to Italian Legislative Decree 152/06 and subsequent amendments and additions, and other regulations on the subject of waste. In particular the main areas of action regard supervision of waste management, the collection and treatment of metal waste, measures to increase separate collection and recycling, changes to the special levy for depositing in landfill sites and in incinerators. In addition, different rules are introduced on the use of excavated earth and rocks and rules for prevention in waste production; the rule that from 1 January 2016 imposed a prohibition on conferring to landfills waste with con LCV (Lower Calorific Value) of more than 13,000 Kj/kg is abolished and the objectives for reducing conferment in landfills are updated, as well as other provisions.
At the end of September the Ministerial Decree of 24 June 2015 came into force. This contains “Amendments to the Ministerial Decree of 27 September 2010, related to definition of the criteria of admissibility of waste in landfills”. The significant amendments regard in particular Arts 3, 5, 6, 7, 8 and the entire Annex 3, on the Sampling and analysis of waste.

Tariff system for waste management services

The 2014 Stability Law established from 1 January 2014 the IUC tax (Imposta Unica Comunale - single municipal tax) comprising: a 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.
The possibility is reconfirmed for Municipalities to assign the ascertainment and collection, as an exception to Article 52 of Italian Legislative Decree No. 446 of 15 December 1997, to entities that at the date of 30 December 2013 “performed the service of waste management or TARES ascertainment and collection”.

Italian Law Decree No. 78 of 19 June 2015, Urgent provisions on territorial entities, was published in the O.J. on 19 June 2015. In particular, among the rules laid down by the Law Decree we can note Art. 7, paragraphs 4 (on extension also to the TARES of the option to entrust controls to the operator of the waste service), 7 (extension of terms on local collection at 31 December 2015), 8 (extension to the consortia of the fiscal benefits already provided for in the case of winding-up of municipal companies) and 9 which adds to Italian Law No. 147 of 27 December 2013 (2014 Stability Law) paragraph 654-*bis*, which states that any lack of revenue from receivables that turn out to be unenforceable, with reference to the environmental health tariff, the integrated environmental tariff, and the municipal tax on waste and services (TARES) should also be considered among the cost components of the TARI.

District Heating Service

With Resolution 411/2014/R/com of 7 August 2014, the Authority for Electricity, Gas and Water Services (AEEGSI) approved the procedure for adopting the measures on the subject of regulation and control in the sector of district heating and district cooling, for the purpose of implementing the provisions of Italian Legislative Decree No. 102 of 4 July 2014, which transposed Directive 2012/27/EU on energy efficiency, that is (Art. 10, paragraph 17): “*The Authority […], with one or more measures to be adopted within twenty-four months from the date on which the present decree comes into force and on the bases of guidance formulated by the Ministry of Economic Development, in order to promote the development of district heating and district cooling and of competition:*
a) defines the standards of continuity, quality and security of the district heating and district cooling service, including plants supplying heat and the related accounting systems […];

b) establishes the criteria for determining the tariffs and connection of users to the district heating network and the methods for exercising the right to disconnect;
c) subject to the provisions in letter e), identifies methods with which the network operators make public the prices for supplying heat, connection and disconnection, the ancillary equipment, for the purpose of cost-benefit analyses on the diffusion of district heating made under the terms of the present Article;
d) identifies reference conditions for connection to the district heating and district cooling networks, in order to encourage the integration of new heat generation units and the recovery of the useful heat available in the local area, in coordination with the measures defined to implement paragraph 5 for exploitation of the economically exploitable potential;
e) establishes the heat sale tariffs, exclusively in cases of new district heating networks if there is an obligation to connect to the district heating network, imposed by Municipalities or Regions."

Again in Resolution 411, the AEEGSI set up an interdepartmental Work Group with the task of performing a first reconnaissance on the actual situation of the sector in question.

Following the reconnaissance made by the Workgroup and taking into account the observations received from the operators in the sector, with Resolution No. 19/2015/R/tlr, the AEEGSI defined the priorities to take into consideration in order to regulate the new sector of district heating, in keeping with the results of the fact-finding investigation carried out.

Energy efficiency

Italian Legislative Decree 102/2014 transposed the New European Directive on Energy Efficiency 2012/27. The decree:

- establishes a framework of measures for the promotion and improvement of energy efficiency which combines to achieve the national energy saving target;
- lays down rules aimed at removing obstacles on the energy market and at overcoming market shortcomings that hold back efficiency in the supply and final uses of energy.

The following articles are particularly significant:

- Article 5. Improvement of the energy performance of properties belonging to the Government (starting from 2014 and up to 2020, energy requalification work will be done on buildings owned by the central Government and occupied by it for at least 3 per cent annually of the usable covered area air conditioned, with Euro 30 million of dedicated financing in the period 2014–2020);
- Article 8. Energy diagnosis and energy management systems (Obligation for large companies to carry out energy diagnosis at sites located in Italy by 5 December 2015 and subsequently every 4 years);
- Article 9. Measurement and invoicing of energy consumption (the AEEGSI will, among other things, have to define the criteria concerning the technical and economic feasibility of supplying individual meters for electricity, gas and district heating users and identify the methods with which the measurement operators provide to final customers "intelligent" individual meters);
- Article 10. Promoting efficiency for heating and cooling (see on this point the paragraph "District Heating Service");
- Article 11. Energy transformation, transmission and distribution (aimed at maximising the energy efficiency of energy transformation, transmission and distribution);
- Article 12. Availability of qualification, accreditation and certification systems (UNI-CEI, in collaboration with CTI and ENEA, prepares technical standards on the subject of energy diagnosis for the residential, industrial, tertiary and transport sectors).

With a communication of 1 July 2015 the Ministry of Economic Development made known that three decrees were being published in the Official Journal implementing European directives on the subject of energy efficiency in buildings. These came into force on 1 October 2015 and define:

- adjustment of the national guidelines for the energy certification of the buildings;
- the methods for compiling the technical project report, for the purposes of applying the prescriptions and minimum energy performance requirements in buildings;
- the methods for calculating energy performance and defining the prescriptions and minimum requirements of buildings.

The first decree is aimed at defining the new methods for calculating energy performance and the new minimum efficiency requirements for new buildings and those being restored.
The second decree adjusts the formats of the technical project report to the new legislative framework, according to the different types of works: new constructions, significant restorations, energy requalifications.
The third decree updates the guidelines for the certification of the energy performance of buildings (APE). The new APE model will be valid over the whole country and, together with a new scheme commercial announcement model the national energy certificates database (SIAPE), will offer more information on the efficiency of buildings and systems, enabling easier comparison of the energy quality of different property units and orienting the market towards buildings with better energy quality. With the issue of these measures, starting from 1 January 2021 new buildings and those being significantly restored must be built in such a way as to reduce energy consumption to a minimum covering them mostly with the use of renewable sources. For public buildings this deadline will be brought forward to 1 January 2019.

APEE 2014

In June 2014 the APEE (Action Plan for Energy Efficiency) 2014 was approved definitively by the Cabinet, after public consultation. The document, prepared by the ENEA, contains the energy efficiency targets set by Italy to 2020 and the policies activated to achieve them. In particular the Plan proposes to strengthen the already existing measures and instruments and to introduce new mechanisms to overcome the difficulties encountered in certain sectors. Specific attention is paid to describing the new measures introduced with Italian Legislative Decree 102/2014 which transposed Directive 2012/27/EU.
Compared with the APEE 2011 and with the figures up to 2012, up to now the targets for 2016 have been 58.6% achieved.

Green Certificates, Renewable Electricity Source Incentives, Energy Efficiency Certificates and the ETS

Green certificates
On the basis of Art. 11 of Italian Legislative Decree 79/99, producers and importers of electricity generated from non-renewable sources must introduce electricity produced from renewable sources into the network, equal to a portion of the electricity 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, whereas the annual increase for the period 2007–2012 was established as 0.75% by the 2008 Budget Law.
The obligation may also be fulfilled by purchase on the market and subsequent return to the GSE for cancellation of a corresponding quantity of green certificates; these certificates are attributed to electricity producers on the basis of the electricity production from plants powered by renewable sources which came into operation or were repowered after 1 April 1999 and classified as PPRSs (plants powered by renewable sources) by the GSE.
The eligible period for obtaining recognition of green certificates, initially 8 years, was later extended to 12 years.
The 2008 Budget Law 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.

The Authority for Electricity and Gas identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore, starting from 6 July 2013 the photovoltaic incentive provisions came to an end.
Italian Legislative Decree No. 28 of 3 March 2011, "implementing Directive 2009/28/EC on promoting use of energy from renewable sources, containing amendment and subsequent abrogation of Directives 2001/77/EC and 2003/30/EC" reformed the system of incentives for electricity from renewable sources, stating, among other things, that the current market system based on green certificates (GCs) will be replaced gradually by a feed-in tariff type system.
The decree of the Ministry of Economic Development of 6 July 2012 containing "Incentives for energy from non-photovoltaic electrical renewable sources" (electrical RES MD), which implemented Article 24 of Italian Legislative Decree No. 28 of 3 March 2011, subsequently, in relation to plants encouraged through

the recognition of GCs, envisaged for the period subsequent to 2015, conversion into an incentive of the right to GCs according to specific methods defined by the GSE and published on its website.
The publication by the GSE of the methods for converting GCs into incentives, according to the provisions of the Ministerial Decree of 06 July 2012, is therefore expected for the second half of 2015.

The Energy Services Operator (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.

Non-PV RES incentives
The Ministerial Decree of 6 July 2012 establishes the new methods of providing incentives for electricity 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-entry plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which come into operation from 1 January 2013.
The Decree also governs the methods with which plants already in operation will transfer from the green certificates mechanism to the new incentive mechanisms starting in 2016.
The Ministry of Economic Development is about to issue the "new RES Ministerial Decree", which, closing the MD of 6 July 2012, will establish the new incentive methods for electricity production for plants powered by renewable sources (other than photovoltaic solar). The structure of the incentive methods should, according to the drafts of the MD currently in circulation, repeat those of the MD of 6 July 2012 (direct access, registers, auctions).

Spread Incentives Decree
In November 2014 the Ministry of Economic Development published the decree known as the "Spread Incentives" decree, on the remodulation of incentives for electricity production from non-photovoltaic renewable sources. The decree states that producers of energy from renewable sources, owners of plants that benefit from incentives in the form of green certificates, all-inclusive tariffs or bonus tariffs can choose between two options:

a) continue to enjoy the incentive system due for the remaining period of eligibility. In this case, for a period of ten years running from the end of the period of eligibility for the incentive system, work of any kind carried out on the same site does not have the right of access to further incentives, including dedicated Withdrawal and Exchange on site, chargeable to the electricity prices or tariffs;
b) opt for a remodulation of the incentive payable, for which the incentive currently received (all-inclusive tariff or Green Certificate) is reduced extending by 7 years the incentive period. In this case:
c) for work carried out on the same site as the plant for which the remodulation option has been exercised, there is no right of access - up to the end of the new incentive period - to further incentives, with the exception of Dedicated Withdrawal and Exchange On Site (provided that they are compatible with the incentive mechanism enjoyed);
d) the regions and local authorities, each for the part they are responsible for, adjust to the duration of the incentive the validity over time of the permits issued for the construction and operation of the plants.

Owners of plants that benefit from Green Certificates or All-Inclusive Tariffs (Ministerial Decree of 18 December 2008) can choose this option, while the following are excluded:

- plants using renewable sources (other than biomass and biogas up to 1 MW) for which the period of eligibility for incentives ends by 31 December 2014;
- biomass and biogas plants of power of not more than 1 MW, for which the period of eligibility for incentives ends by 31 December 2016;
- plants using renewable sources regulated by Decree of the Ministry of Economic Development of 6 July 2012 (decree on electrical renewable energy source incentives from 1 January 2013, with the exception of plants "in transition");
- plants using renewable sources which still receive the CIP6.

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% will apply to expenses incurred from 6 June 2013 to 31 December 2015 for energy performance upgrading works on existing buildings.
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.

Energy efficiency certificates (EECs)
Italian Legislative Decrees 79/99 and 164/00 introduced the obligation for electricity and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy.
Provision was made for the transfer to Società Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented under the energy efficiency certificate mechanism.

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 defined a trading system for the greenhouse gas emission quotas within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law transposing 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) 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.

Italian Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS (Emission Trading Scheme) for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013–2020.
The decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO2. It also:
- provided for the possibility of excluding small plants;
- introduced the possibility of establishing simplified rules for the monitoring, reporting and checking;
- modified the method of assigning the quotas providing for the quotas to be assigned through auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment is totally by auctioning, except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

With the Ministerial Decree of 21 February 2014, the Ministry for Economic Development defined the methods for reimbursing credits payable to operators for ETS quotas due to new-entrant plants for the period 2008–2012 but not released owing to exhaustion of the stock.

Sale of natural gas and electricity
Article 1 of Italian Legislative Decree No. 21 of 21 February 2014 made changes to the Consumer Code implementing Directive 2011/83/EU on consumers' rights, replacing Chapter I, Title III, Part III of the Consumer Code relating to "Consumers' rights in contracts".
These changes came into force on 13 June 2014 and apply to contracts concluded after that date.

CONCESSIONS AND ASSIGNMENTS

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

- Natural gas
- Electricity
- Integrated water service
- Environmental service management

Distribution of natural gas

Genoa area
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 Iren Acqua Gas. We can note that the concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for launching which is specified in the paragraph above “Gas distribution”.

Emilia Romagna area
The natural gas distribution service in the Emilia 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 to mixed capital companies in which IREN Group companies have a direct or indirect investment.
These concessions are currently operating under the extended regime pending the launch of public invitations to tender.
The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% controlled by the G.P.O. Consortium of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expiring 31 December 2010;
- Municipality of Vercelli - ATENA S.p.A. (of which IREN Emilia holds 40%): assigned in 1999 expiring 31 December 2010;
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A., 100% controlled by IREN Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

Natural gas sales
In accordance with the provisions of the “Letta” Decree on the subject of unbundling, the IREN Group carries on the business of selling natural gas mainly through Iren Mercato - which also sells electricity.
This activity is also carried out through direct or indirect investment in vendor 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.

Electricity sector
AEM Torino Distribuzione manages the public service of electricity distribution in the City of Turin on the basis of a ministerial concession. This concession expires on 31 December 2030. AEM Torino Distribuzione S.p.A. also distributes electricity in the Municipality of Parma, with the same expiry date.
Through its local business combinations, the Iren Group distributes Electricity in the following main areas:

- Vercelli area, with ATENA S.p.A.
- Marche area, with ASTEA S.p.A.;

District heating sector

The district heating distribution service in the municipalities of Turin and Moncalieri, from 1 July 2014 has been managed by Iren Energia as a result of the spin-off of the heat distribution unit of the City of Turin of AES Torino.

In an 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, 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. La company, controlled by the Group at 100%, was merged by incorporation into Iren Energia with effect from 1 October 2015.

Besides the existing assignment of the distribution of district heating in the city of Turin on the basis of the Framework Agreement signed with the Municipality, and in the municipality of Nichelino following what was described above, Iren Energia acquired an equity investment in the company Asti Energia Calore, incorporated on 18 May 2015, to which the district heating service in the city of Asti was assigned in sub-concession.

Integrated Water Service

Genoa area

Iren Acqua Gas holds the management assignment for the integrated water service 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.

The integrated water service in the territory of the Municipalities of the Province of Genoa is managed by Iren Acqua Gas through the safeguarded operators. The authorised and/or safeguarded companies of the IREN Group that perform the function of operator are Mediterranea delle Acque S.p.A. (60% controlled by Iren Acqua Gas), IdroTigullio S.p.A. (66.55% controlled by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).

On 23 April 2015 the business unit made up of the set of assets and the related legal relationships regarding the drinking water distribution activity in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoan ATO and the integrated water service in the Municipality of Bolano in the Province of La Spezia was sold, with effect from 1 July 2015, by Acque Potabili S.p.A. to Iren Acqua Gas S.p.A.

At the same time, with a deed dated 19 June 2015 and with effect from 1 July 2015 the company Acque Potabili S.p.A. sold to Iren Acqua Gas S.p.A., at the conditions provided for in the deed of sale, the equity investment held in the company Acquedotto di Savona S.p.A. representing 100% of the share capital of the same.

Emilia Romagna area

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.

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 Integrated Water Services in the Parma, Piacenza and Reggio Emilia ATOs is managed by Iren Acqua Gas. The latter uses the Iren Emilia structures for its operations.

Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

The table below contains details of existing agreements in the Group's area of operations.

ATO	REGIME	SIGNING 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

Other geographical areas

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

- Tuscana Coast ATO – ASA S.p.A. (40% owned by AGA S.p.A. which is 100% controlled by Iren Emilia) integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Central Marche Territorial Area, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% controlled 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;
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% owned by Iren Acqua Gas) – manages the Municipality of Mondovì and 7 other Municipalities in the Cuneo area.

Waste Management segment
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	SIGNING 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 agreement/operator	18 May 2004	31 December 2011 (*)
Turin	ATO/operator agreement	21 December 2012	30 April 2033 (*)

(*) Service extended until new agreements are defined
(**) the term is 20 years running from the end of provisional operation of the Waste-to-energy plant of TRM S.p.A.

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. (the stake is currently 80% following a further acquisition of 31% from Municipality of Turin at the end of 2014).
Two SPVs were set up for the purchase of investments (TRM V and AMIAT V). The company TLR V. was also set up; the absolute majority shareholder is Iren Energia S.p.A., for the creation of the infrastructural and commercial district heating system between the waste-to-energy plant and the district heating operators of the Municipality of Grugliasco and Beinasco.
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.

Services provided to the Municipality of Turin
On 31 October 2006, Iren Servizi e Innovazione took over the following from AEM Torino S.p.A.:

- the agreement signed with the Municipality of Turin for the assignment of public street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating systems, expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

By a resolution of 3 November 2010, the Turin City Council decided to assign service agreements to Iren Servizi e Innovazione for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017.
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

During 2015 the downward trend of interest rates, which has characterised all of 2014, remained for the short-term part of the rate curve, while the medium/long-term part saw a sharp turnaround in the late spring before resuming the descent in a context of great volatility. The European Central Bank did not intervene with changes in the base rate which remained at 0.05%.

Examining the trend in the six-month Euribor rate we can note that the parameter continued on the trend of slow but progressive decline, passing into negative-rate territory from November 2015, to the current levels of -0.13%. The quotations of fixed rates, reflected in the figures for the IRS at 5 and 10 years, after a long period of decline which led to record lows in April, recorded a sharp rise with a subsequent return to the downward trend and new record lows for the IRS at 5 years.

Activities performed

During 2015, 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, 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. The Group 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 2015, note that new medium/long-term loans were finalised for a total of Euro 800 million. Precisely, in January a new loan with Cassa Depositi e Prestiti for 100 million euro was agreed and used and a tranche of 50 million euro of a bank loan already agreed at the end of 2014 was also used. In May two new loans were agreed and then used respectively with Banca Intesa for 50 million euro and with Mediobanca for 50 million euro.

The Board of Directors also resolved, on 16 September 2015, a EMTN Programme for bond issues, on which con the placing of a new issue in Public Placement format was completed successfully for 500 million euro and duration 7 years (Fitch rating BBB). In December finally a first tranche of 50 million euro was used of the EIB Idro loan of 150 million euro signed in December 2014.

Again in December a new loan was agreed with the EIB of 130 million with duration up to 15 years in support of projects with significant environmental sustainability characteristics in the environment and district heating sectors; this loan has not been use and is fully available.

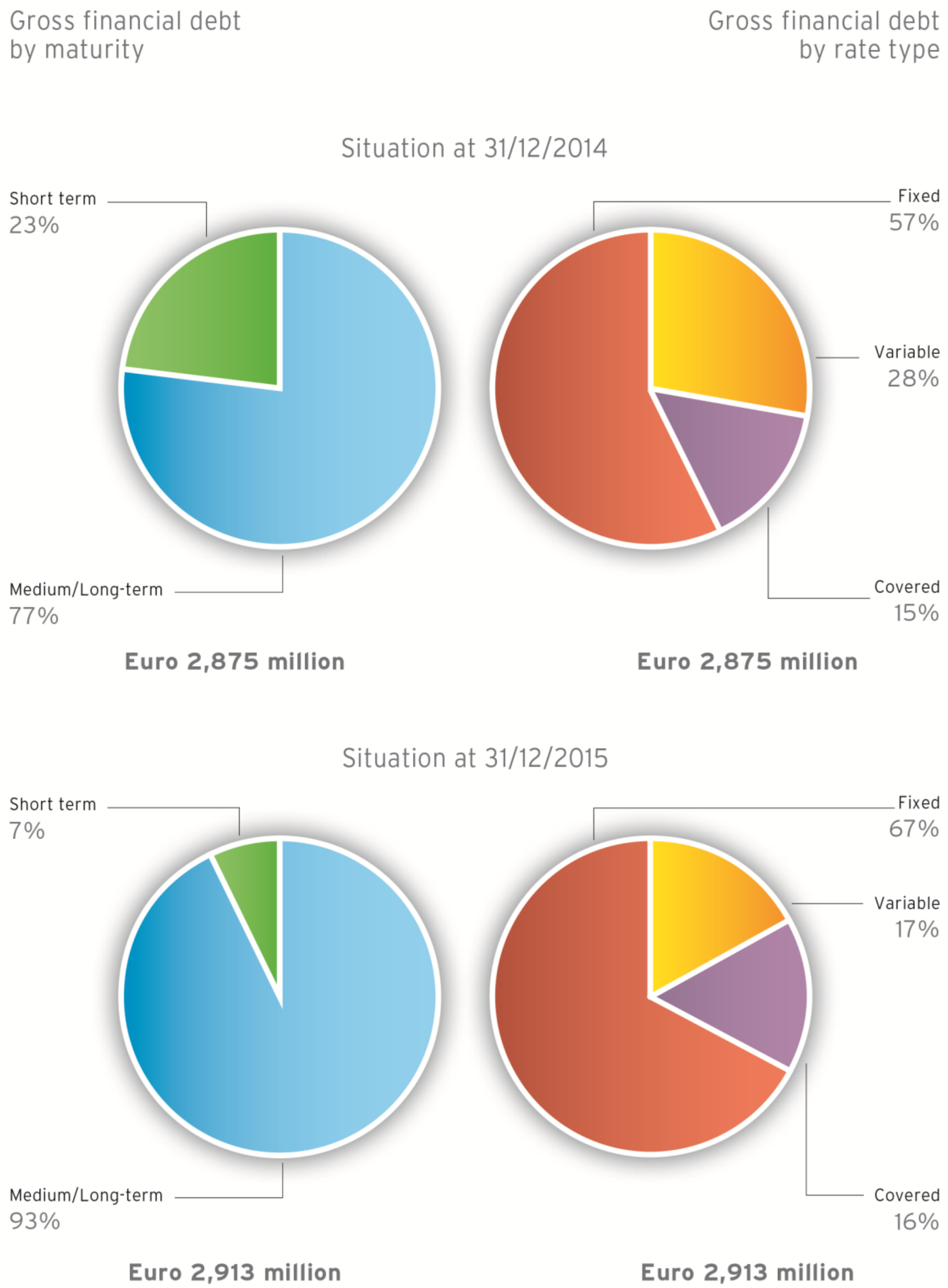
All the new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group’s short and long term financial exposure.

Again for the purpose of optimising the Group’s financial structure, liability management activities were carried out aimed at seizing favourable market opportunities. In particular, at the same time as the new Bond was issued 20 million euro related to the Iren Bond maturity 2021 was bought back and cancelled and at the beginning of December a Tender Offer operation was carried out with early repayment of approximately 100 million euro of bonds previously issued for the maturities of the 2019 and 2020 Private Placements and of the 2021 Bond. A loan of 21 million euro was also repaid in advance.

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 in the paragraph “Group Financial Risk Management” in the Notes to the Financial Statements.

In the first half of 2015 two new Interest Rate Swap contracts were signed hedging a total of Euro 100 million of debt, with maturities at 2019–2020 and in July a further Interest Rate Swap contract was signed hedging Euro 50 million of debt with maturities at 2027 and effects starting from December 2016. In addition some of the new loan operations of the year were contractualised at fixed rate.

At 31 December 2015, the portion of floating rate debt not hedged by exchange rate derivatives was 17% of consolidated gross financial debt, in line with the Iren Group' objective which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.



TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the "Internal Regulation on Transactions with Related Parties" (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or CLF);
- 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 carry out 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.

The information on financial and economic transactions with related parties, shareholders and related companies, is provided in the Notes to the Consolidated Financial Statements in paragraph "X. Annexes to the consolidated financial statements" as an integral part of the same.

RISK 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 (liquidity, interest rate, exchange rate);
- Credit Risks;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity and gas, and to the hedging derivative markets;
- Operational risks, attributable to asset ownership, involvement in business activities, processes, procedures and information flows. They include also risks of a legislative and regulatory nature, whose impact on the corporate business is monitored on a continual basis.

specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of the related risks. The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage financial, credit and energy risks.
As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also “reputational risks”, which relate to the impacts on stakeholders of any malpractices. The “Risk Management” department, reporting to the Deputy Chairperson, was set up within the Holding. This department is formally entrusted with the following activities:

- coordinating the process for integrated management of the Group’s risks;
- assessing the Group’s insurance needs, designing programmes, signing and managing policies, with the collaboration of the Legal Unit.

A periodic assessment process is also in place with regard to adverse events in the various sectors and across all the Group’s areas in order to circumstantiate their causes and implement the most suitable methods for preventing and/or limiting the impacts of the events.

Details of the active management methods within the Group are provided below for the different types of risk.

1. FINANCIAL RISKS

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 the financial resources available to the company will be insufficient to cover financial and commercial 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 intra-group accounts along with intra-group interest income and expense.
A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
For 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) Exchange rate risk
Except as indicated under the section on energy risk, the Iren Group is not significantly exposed to exchange rate risk.

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. The IREN Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.
Compliance with the limits imposed by the policy 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

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).
In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.
To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.
The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.
Credit risk is covered, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.
The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.
Provisions set aside for impairment of receivables adequately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to identify promptly the mitigation actions. In addition a project, led by the Credit Manager, has been activated with the aim of implementing specific recovery programmes and reviewing the processes for controlling and monitoring past-due receivables.
On a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.
Detailed ad hoc reporting has also been developed on receivables related to terminated services and to the maximum exposures in terms of past-due receivables.

3. ENERGY RISK

The Iren Group is exposed to price risk, including the related currency risk, on the energy commodities traded, (that is electricity, natural gas, coal, etc.) as both purchases and sales are impacted by price fluctuations 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 electricity, 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 notes to the consolidated financial statements.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business transactions, levels of performance, profitability and protection of the resources against losses.
The Group's Enterprise Risk Management model has as its objective the integrated and synergistic management of risks.
The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.
The above stages make it possible to structure specific treatment plans for each risk factor.
Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity.
Each process stage is performed in accordance with standards and references defined at Group level.
The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.
The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity.
The risk analysis also supports the preparation of planning tools.

Of particular note are:

a. Legal and regulatory risks
The legislative and regulatory framework is subject to possible future changes, and therefore is a potential risk. In this regard a Holding Department has been set up, reporting directly to the Chief Executive Officer, and dedicated to continual monitoring of the relevant legislation and regulations in order to assess their implications, guaranteeing their correct application in the Group.

b. Plant-related risks
As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).
For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action.
The risk is also covered by insurance policies designed considering the situation of the single plants.

c. IT Risks

The main operational IT risks are related to the availability of core systems which regard accounting operational management and invoicing processes and the energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.

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. The Information Systems Department, in addition, is engaged in the cyber risk assessment process.

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

5. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2020 which defines its strategic orientations. It is articulated according to the following macro-drivers which determine its targets for economic, capital and financial figures:

- making the Group's organisation and processes more efficient;
- development;
- consolidation of the regulated sectors (renewal of concessions: hydroelectric, gas distribution, integrated water service and environmental sector);
- non-recurring operations.

In application of the Group's policies, the said Plan was subjected to a risk assessment carried out by the Risk Management Department and to the related stress tests, which have shown the substantial resistance including in the face of adverse events characterised by specific sensitivities.

ORGANISATION AND IT SYSTEMS

Organisation

Starting from 1 January 2015, with inputs from and great commitment of the Top Management, the IREN Group companies were the subject of numerous reorganisation actions aimed at strengthening the unitary nature of governance and accelerating the integration process, making operations more efficient and focusing on the business, indispensable for tackling the challenges of the Market.

In a first phase, the reorganisation actions regarded mainly the Parent through centralisation of corporate staff Departments (i.e. *personnel and organisation, information systems, certified systems, legal and corporate, planning and control, regulatory affairs, shared services,* etc.), centralisation which was implemented on 1 July 2015 through a series of transfers of business units from the main Group companies.

Four Departments, responsible for the business segments of interest to the Group, were also set up in the Parent Company. These are:

- <u>ENVIRONMENT BUSINESS UNIT</u>: this coordinates and manages the road sweeping, collection and collection centre management, waste treatment and disposal activities and the related electricity and heat production plants;
- ENERGY BUSINESS UNIT: this coordinates and manages the electricity production/energy-heat cogeneration plants, the heat distribution (so-called district heating) plants and networks and the activities related to "indoor" technological services (electrical systems and heating systems, technological global service);
- <u>MARKET BUSINESS UNIT</u>: this coordinates and manages the commercial services to Customers (electricity, heat and gas, etc.), and the marketing activities for development on the reference markets;
- <u>NETWORKS BUSINESS UNIT</u>: this coordinates and manages the integrated water services and the gas and electricity plants and distribution networks;

In a second stage, following approval of the Business Plan by the Board of Directors of the Parent on 16 June 2015, an "overall" Group corporate rationalisation and organisational Project (known as the "100% Operations" Project) aimed at simplifying the structure of equity investments and reducing the number of business companies held wholly, directly or indirectly, by the Parent and integrating/optimising processes/business activities with uniform operating characteristics.

Starting from 1 January 2016, the four sub-holding Companies controlled by the Parent Company, which will correspond to the Business Units are therefore the following:

1. Iren Ambiente S.p.A. (Environment Business Unit)
2. Iren Energia S.p.A. (Energy Business Unit)
3. Iren Mercato S.p.A. (Market Business Unit)
4. IRETI S.p.A. (Networks Business Unit)

In addition, in September 2015 an organisational analysis was launched to increase the efficiency of the corporate staff processes which led at the end of 2015, continuing in 2016, to a further rationalisation of the Parent Company's central Departments with a focus on the Business Units.

During 2015 numerous Performance Improvement projects were carried out with the aim of generating synergies above all through rationalising business processes.
The projects in progress involve all the Business Units and the main Staff Departments and are confirming the savings envisaged in the Business Plan.

Information Technology

At the beginning of 2015, in keeping with the new organisational model, the Plan of the Iren Group's Information Systems, defining the lines of evolution and the planning initiatives, collaborating in the preparation of the Business Plan.

During the first half of 2015 the first stage of the project to revise and integrate the systems in support of the administrative/accounting and management control area processes was completed.
At the end of June a new transactional environment common to the main Group companies was launched together with a single treasury management system enabling the adoption of the new centralised single treasury model at Iren SpA. Development of the new Enterprise Performance Management (EPM) platform also continued. This platform is to manage the Planning, Budgeting, Forecasting, Monthly Closure Consolidation, Quarterly Pre-Closure, Final Accounting and Reporting processes. In December the Consolidation of the 2016 Budgets of all the Group companies was completed.
The overall programme, entitled IrenOne, provides for a second "go–live" moment for the new transactional environment at 1 January 2016, with which the unification of the Corporate systems for all the Group companies will be completed; work is in progress on this second stage of the Programme, harmonising the areas of action of the programme with the corporate evolution of Iren - "100% Operations".

As regards support for managing the Group's customers, which constituted an area of great commitment in the second half of 2015, work was completed on developing two applications related to customer service in the environmental and sundry services sectors.
In particular, the first, EcoIren, is aimed at providing information on collection (in particular separated collection) in the Provinces of Parma, Reggio Emilia and Piacenza providing information on the methods for disposing of the single waste components, on the locations of collection points and information centres, making it possible also to book the collection of large items and to find out, for each area according to the specific features of the single collection zones, the collection days for each kind of waste.
The second, ClickIren, is an application that enables the Iren Group's customers to have in mobility information on their supply contracts with the Group Companies, to display the invoices seeing the payment status and to be able to make further service requests.

Applications were also created for "Management of discharges for the precise tariff" – for the Environment sector – and "dematerialisation of bills " for Iren Mercato.

During November the "Changeovers" project was completed; this enabled Iren Mercato to comply with the legislative obligation to integrate its information flows with the service made available by the Single Buyer.
During the last quarter, responding to the needs of the Holding in relation to the methods of estimating revenues accruing to the GAS service, Iren Mercato launched the project for automation of the new system of analysing the relevant revenues and estimating the gas accrual.
Again in the last quarter Iren Mercato completed the work on introducing Bolletta 2.0 (Bill 2.0), which will reach the final testing stage in the middle of January.

With reference to infrastructures various consolidation and rationalisation initiatives were launched, for example on videoconference and Wi-Fi systems. In particular during the third quarter projects were launched in the context of ICT Security and expansion/modernisation of the network infrastructure of the Via Nubi di Magellano campus in Reggio Emilia.

RESEARCH AND DEVELOPMENT

In the IREN Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.
The Business Plan to 2020 approved by the Board of Directors of IREN S.p.A. on 16 June 2015 provides for the implementation of an open innovation model which is intended to be: operation, covering all the businesses and focused on achieving the objectives of increasing efficiency, improving service quality and creating development opportunities, in order to anticipate people's, customers' and communities' new needs.

In particular, the IREN Group is investing in terms of research, development and innovation to optimise and improve operating applications and to introduce technological innovation into its processes and products. The Business Plan to 2020 envisages that approximately 25% of total operating investments will be dedicated to investments with innovative characteristics (approximately 3% of accumulated revenue).

The main research, development and innovation lines on which the IREN Group is investing regard:

- study of renewable sources for producing electricity and heat;
- diffusion of "customer empowering" tools and raising the awareness of users on the impact of consumption and on energy saving;
- energy efficiency examined in terms of several levels and assets (customer, building, city block, the Group's energy assets);
- study of new systems for recovering energy losses and increasing the efficiency of the plants;
- advanced remote management, remote reading, smart metering and multi-metering systems;
- thermal and electrical storage systems;
- systems for the treatment, purification and reuse of outflows from sludge, waste water and waste treatment processes;
- Internet of Things ("IoT") and domotics;
- "data intelligence" ICT tools;
- development of platforms for the creation of a single urban register of sub-services;
- optimised management of the integrated water service (division into districts, identification and reduction of network losses);
- electric mobility.

IREN intends to manage the innovation processes through an open innovation model and in keeping with this model it has begun fruitful collaborations with Universities, Research Centres, Innovation Hubs and innovative Start-ups. In addition it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons.

To supervise Innovation, from the beginning of 2015 IREN has put in place a corporate structure (Internationalisation and Innovation Department) with the task of promoting and coordinating research and development projects within the Group, including the management of financed research projects.
As regards these latter, those in progress and the proposals presented by the Group during 2015 are illustrated below.

FINANCED RESEARCH PROJECTS IN PROGRESS

Water Services

BlueSCities (Horizon 2020 Programme)
Since last February IREN has taken part in the BlueSCities project financed under H2020; this involves defining a "practical guide" to be applied in the efficient management of the integrated water service and of waste in urban areas. The project intends to develop a method of managing the water and waste segments, identifying the possible synergies and integrating the use of technological hubs used in the smart management of other priority areas such as energy, transport and ICT.

Partners: IREN Acqua Gas, Fundacio CTM Centre Tecnologic, KWR Water B.V., Joint Research Centre, VTT teknologia Tutkimuskeskus, Redinn srl, De Montfort University, University of Istanbul, Strane Innovation, Easton Consult, TICASS, University of Athens.

Status: the project is in the tenth month of activity and IREN is involved in the work on developing the practical guide for the stakeholders involved and in collecting benchmarking data for the city of Genoa, a pilot site of the project together with other European cities.

Geosmartcity (FP7)
The objective of the GeoSmartCity project is to develop a platform for the rational management of subsoil data from various sources, capable of integrating different operating protocols and current standards, namely the services of the Open Geospatial Consortium (OGC), the rules for implementing the INSPIRE Directive (2007/2/EC) and linked-data technologies.

Partners: IREN Acqua Gas, Gisig, Sinergis srl, Intergraph CS SRO, Asplan Viak Internet AS, Epsilon Italia, Trabajos Catasrales S.A., Municipality of Genoa, Ticass, Turun Ammattikorkeakoulu, Epsilon International, Vlaamse Milieumaatschappij, Geobid SP Zoo, Universitat de Girona, Municipality of Reggio Emilia, Municipia Oeiras, Urban Data Management Society.

Status: the project is currently just over halfway through its duration (three years) and a pilot development is planned soon in Genoa in which the Municipality will tackle the subject of interoperability of its land register; in this context IREN is carrying out surveys in the field with a total station with automatic error correction, returning the figure acquired to the corporate information system.

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

Partners: IREN Acqua Gas, Mediterranea delle Acque, ABC, Acquedotto Pugliese, ASTER, CAE, Digimat, Fast, Foxbit, Icampus, International University College, University of Bologna, Federico II University of Naples, University of Palermo, University of Trento, Irea-CNR.

Status: At the end of the year the Ministry of Eduction Universities and Research – National Smart Cities sent the results of the new technical and scientific assessment of the concession application specifying approval of the project and the consequent admission to financing. The project will begin its specific activities in 2016 in the Provinces of Genoa and Parma.

Waste Management

Biometh-ER (Life+)
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.

Partners: IREN Rinnovabili, Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., HerAmbiente S.p.A., SOL S.p.A..

Status: the amendment accepted during the first half of 2015 led to a change in the technological partner of the project. As regards the pilot project which IREN must carry out, we are proceeding with the authorisation request necessary to exploit biogas and use of the area where the system is installed. SOL S.p.A is the partner for the supply of the biogas upgrade system.

Energy

CELSIUS (FP7)

The project pursues increasing energy efficiency in high-density urban areas by recovering the heat produced by various emission sources.

Each city has been given the task of producing a pilot plant to create and verify a particular method of obtaining increased energy efficiency. Specifically the demonstrator for which IREN is responsible, through the subsidiary Genova Reti Gas, aims at achieving energy recovery using the pressure jump of the natural gas distribution network to produce electricity and heat for a small district heating network.

Partners: 20 organisations in 5 European partner cities (London, Gothenburg, Cologne, Rotterdam, Genoa).

Status: the project has a duration of 57 months and ends in December 2017. The project activities provide for final delivery of the plant in May 2016 the subsequent startup stages aimed at acquiring the operating data of the system and the Key performance Indicators.

DIMMER – District Information Modelling and Management for Energy Reduction (FP7 program)

The DIMMER project consists of developing effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level. In particular the Italian demonstrator will be located in Turin (Polytechnic district) and will be focused on software systems capable of optimising heat supply for district heating and assessing in real time the efficiency of heat exchangers.

Partners: IREN, Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.

Status: 2015 is the second year of the project and IREN's main focus relates to activation of the pilot in the buildings identified through the installation of sensors and the testing of software for the advanced management of district heating substations. A building thermal storage system is also at an advanced stage of installation. It will be tested during the coming thermal season.

EDEN – Energy Data ENgagement (POR/FESR Piedmont Region 2007–2013)

The EDEN project provides for the development of a system for optimised analysis and management of energy consumption (heating) at three schools in the Municipality of Turin; besides the more technical aspects, the project provides for an energy education, gamification and user engagement system at the level of students, professors and parents at the chosen schools.

Partners: IREN, Turin Polytechnic, Commitworld, CSP, ISMB, Capetti Elettronica, TOP-IX, Experientia, Sisvel.

Status: the project ended in July 2015. It received the SMAU Torino 2015 Award in the sector of energy efficiency, it was one of the finalists at the SMAU Milano 2015 Award and received a nomination for the E-GOV Award.

EMPOWERING (Intelligent Energy Europe program)

The project intends to provide effective and easily-consultable tools to end users for energy saving; in particular additional information will be proposed to 2,000 electricity users and 1,100 district heating users (in Turin and Reggio Emilia) through an "intelligent bill" and an online tool on the websites of the participating Utilities.

Partners: IREN, Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.

Status: In the third quarter of 2015 the project obtained an extension of the duration up to March 2016. Iren will continue to provide electrical and thermal information to the selected users in Turin and Reggio Emilia.

FABRIC - FeAsiBility analysis and development of on-Road charging solutions for future electric vehicles (FP7 program)

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. The project provides for 3 demonstration sites, of which one in the Province of Turin in the SITAF area of the Turin-Bardonecchia motorway.

Partners: IREN, Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, other international industrial partners, Italian and European SMEs.

Status: 2015 is characterised by identification/study, in close contact with the other partners of the project, of the activities and changes necessary to the electrical systems for testing recharging and induction devices in the field.

FLEXMETER (Horizon 2020 Programme)

The idea of the project is to analyse the possibility of a system of multi-service smart meters (with focus on electricity meters) underpinning a single platform for collecting and transmitting data (in analogy with what was requested by the AEEG in Resolution 393/2013). The project will also analyse the possibilities offered by the NIALM methodologies on analyses of disaggregated electricity consumption.

Partners: IREN, Turin Polytechnic, E-On, University of Grenoble, Siveco, University of Bucharest, Telecom Italia, University of Bologna, ST Microelectronics.

Status: In 2015 the activities focused on the finalisation of the use cases and on the choice of technologies for the smart meters to be installed both in MV/LV substations and at end users, including the pilot provided for at EnviPark.

HOLIDES - Holistic Human Factors and System Design of Adaptive Cooperative Human-Machine Systems (ARTEMIS)

The project has the objective of developing a technological platform which would make it possible to take into consideration human factors, that is the way in which people interact with complex technologies, right from the first stages of design and development of adaptive cooperative systems at different levels of automation. The platform will be tested through the development of applications in 4 different domains industrial (Avionics, Medical, Control Rooms and Automobiles), which are characterised by a high level of complexity from the point of view of safety.

Partners: 31 project partners from 7 different European countries, including: IREN, Fiat Research Centre, Lufthansa Flight Training – CST Gmb, HATOS, Philips, Honeywell International s.r.o., EADS Innovation Works France, University of Turin, Brno University of Technology, OFFIS e.V.

Status: The project involved the start of development of the software application, aimed at assisting the IREN control room in managing emergency calls. A focus group was set up between IREN technicians and software developers with a view to coordinated development.

NRG4Cast – Energy Forecasting (FP7)

This is a demonstrative pilot project, in collaboration with European universities and CSI-Piedmont, to obtain improvements in the energy efficiency of publicly-owned buildings in an urban context, by producing and verifying the operation of an IT system (software and hardware platform) which will make available a system for forecasting energy demand via a Web SoA application.

Partners: IREN, JSI, FIR, CSI PIEMONTE, Envigence, NTUA, KAPE-CRES, SINGULARLOGIC S.A.

Status: the project was completed at the end of 2015 and the prototype software, the main output of the project, was presented during the review by the European Commission.

PROBIS – Procurement of Building Innovative Solutions (Framework Programme for Competitiveness and Innovation – CIP)

The PROBIS project is concerned with redefining all the stages of an innovation contract, from identifying the requirements and needs (on the basis of what will be the pilot to be created), to dialogue with the market, to the functional performance specifications, to the reward criteria, up to the purely legal and legislative aspects, and preparation of the related documentation and contractual forms.

Partners: IREN, Turin Environment Park, Agencia Andalusa de l'Energia, Institut Andaluzo de Technologia, SP Technical Research Institute of Sweden, Lombardy Region, The European House Ambrosetti Spl, Nemzeti Innovacios Hivital, Miskolk Holding Önkormányzati Vagyonkezelö Zártkörüen Müködö Részvénytársasá, Borlänge Kommun.

Status: after completion of the stage of describing the energy needs and proposals for making the building involved in the pilot more efficient, which led to the preparation of a prospectus, the stage of meeting with the market to identify the best and most innovative technologies available with a view to energy savings. Preparation of the tender documents and study of the tender rules have also begun.

PRO-LITE – Procuring Lighting Innovation and Technology in Europe (Framework Programme for Competitiveness and Innovation – CIP)

The project is intended to make use of the lever of public demand to stimulate innovation in the public street lighting market. For this purpose the following activities are planned:

- demand analysis;
- early market engagement activity (market analysis);
- preparation of the tender documentation (with particular attention to developing the specifications in functional terms and to assessment criteria);
- study of contractual forms (risk management), launch of the tendering procedure, procurement.

Partners: IREN, Greater London Authority - Transport for London, City of Brema, Ente Vasco de la Energia, CONSIP, PIANO.

Status: during 2015 the contract tender documents (technical and performance documents) were drafted and prepared. These documents are being delivered to the competent office. The tender procedure has been launched.

TRIBUTE – Take the energy bill back to the promised building performance (FP7)

The project has the objective of optimising 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.

Partners: the project arose from a strong industrial partnership made up of 16 different entities (led by CSEM – Swiss Centre for Electronics and Microtechnics and with the presence of IBM and Schneider Electrics). The City of Turin and the Turin Polytechnic are also in the partnership.

Status: the necessary sensors have been installed and a complete analysis of the energy consumption of the project pilot has been carried out. In addition the software system for sampling and transmitting the data to the relevant partners has been developed.

PROPOSALS PRESENTED DURING 2015

During 2015, IREN presented 8 proposals for research and innovation tenders financed by the European Union.
The proposals aim to cover all the company's business lines and, in particular, the energy, water and environmental sectors.
District storages, phase-change storages, smart sensors, energy efficiency, water purification systems in emergency situations, systems for treating gas from digesters and storages combined with renewable sources are only some of the subjects tackled and which are part of a wider field of innovation.
Among these, as part of the Horizon 2020 – LCE9 programme, IREN submitted the STORE&GO proposal which, in September, received a positive assessment. The project will demonstrate 3 innovative Power to Gas (PtG) systems located in Germany, Switzerland and Italy in order to identify and overcome its technical, economic, social and legal barriers. The project has the ambition of assessing the possibility of integrating the PtG storage system into leading-edge energy production and distribution systems. Using the methanation process as a "bridge", the PtG system can solve, directly or indirectly, the problem of fluctuating production from Renewable Energy Sources (RESs). STORE&GO will demonstrate how new PtG systems can help to balance traditional generation and RESs, verifying this arrangement in three real systems in Europe.

OTHER INNOVATION ACTIVITIES

Water Services
During 2015 IREN continued to take part in the WssTP (Water Supply and Sanitation Technology Platform) project, launched by the European Commission in order to oversee the research in the water sector, participating also in the TICASS (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) Consortium, a technological innovation hub of the Liguria region. In this context numerous project proposals have been submitted which also aim to finance research grants relating to the subject of water quality.
In 2015, IREN oversaw technological innovation hubs in the context of specific research projects to be carried out in collaboration with the Amga Foundation, with companies in the business and with Universities and national and international research entities. More specifically, the research projects launched and completed in 2015 concerned:

Initiatives involving TICASS, the innovation hub for energy and the environment of the Liguria Region
The Iren Group has taken part in the TICASS Innovation Hub since its launch in the field of studies and projects related to the management and safeguarding the water, energy and environmental resources. In this context IREN studies in depth the questions it is interested in taking part in specific working groups devoted to the study of subjects such as environmental monitoring, purification processes, reclamations and the recovery of contaminated sites, the analysis and assessment of environmental risks, the prevention and reduction of chemical risks, the management and valorisation of waste, the recovery, recycling and re-use of materials, the development of new technologies applied to sustainable processes, the production of energy from renewable sources, the valorisation of water resources, the management and production of high-quality drinking water, the treatment of industrial and civil waste water, the integral recycling of water, the production and storage of energy.

Projects included in the Amga Foundation's research programme
IREN is carrying on, through the AMGA Foundation, a number of projects related to treatment plants and to the removal of Endocrine Disruptors, to Algae microcystins in water destined for human consumption, to the study on the residual capacity of existing lakes as electricity storage supplementing production from photovoltaic sources, to projects in the field of the Iren-Hera-Smat framework agreement. Further themes of an economic and regulatory nature regard a review of the theoretical basis on which the standard costs principle lies as the foundation of regulation, standard costs as reference for capital costs in companies, the comparison of incentive systems in the photovoltaic sector in Italy and in Germany, studies on the approaches to financial problems in the water sector including a comparative analysis of application of the Water Framework Directives in England and Wales and of possible application effects in Italy; a study on the financing strategies of the water sector in the major European countries; an analysis

of the implications on the efficiency of the treatment of the remuneration of investments in OFWAT's regulatory approach; proposed financing methods and tools in the Italian water sector; the Data Envelopment Analysis model for estimating efficiency in the water sector.

Energy

Turin LED Project

A project is in progress to replace in the City of Turin approximately 54,000 lighting points fitted with discharge lamps with new LED lamps. The project is completely financed by IREN as an ESCo; at the end of 2015 approximately 23,000 lamps had been replaced. In energy terms, when the project is completed, the saving will be approximately 19.6 GWh per year, with lower emissions of approximately 3,600 TOE.

Remote control of district heating plants

The project for the remote control of district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, and the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to 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 2015, on the Turin district heating network, 4,960 plants out of 5,320 were in operation.

In the same period tests and experiments were carried out for the installation of the same system on the other district heating networks operated by the Group.

Installation of storage systems on the district heating network

In the city of Turin, IREN has begun the activities necessary for the creation of two heat storage systems in service of the district heating network, which, added to the existing 12,500 m^3, will take the total capacity to 17,500 m^3. The two systems, each with a capacity of 2,500 m^3, will enable further optimisation of the network and maximisation of the heat produced in cogeneration, reducing the use of supplementary and reserve boilers.

Flexibilisation of combined cycle plants

IREN is proceeding with work on flexiblising its combined cycle plants, to respond better to the ever-increasing needs of the electrical system and to become increasingly competitive in offering services on the auxiliary services market. These activities involve improvements on gas turbines, steam turbines, steam generators with recovery and control systems, with the purpose of keeping the plant hot, reducing the start-up and shutdown times and increasing the intake/load reduction ramps.

Installation of systems for reducing polluting emissions in combined cycle plants

After the positive experience of 2014 with the installation of catalytic systems for the abatement of nitrogen oxides (NO_x) and carbon monoxide (CO) on two combined cycles of the Moncalieri Power Station, IREN installed the CO catalyser also on the combined cycle of the Turin North Power Station, obtaining a reduction of the minimum technical environmental load and increasing the field of regulation of the plant.

Dam seismic research contract

During 2015 the research contract with the Department of Structural, Building and Geotechnical Engineering of the Turin Polytechnic for seismic testing of dams was launched. The activities of the research programme were oriented to develop methods for the seismic testing of dams and of the related accessory structures, in the current scenario of the changing legislative context on the subject. An annual research grant has been activated to study the stability of the Ceresole Reale dam in seismic conditions, as have two traineeships aimed at characterising the materials of the said dam built at the end of the 1920s and the subject over the years of a certain amount of renewal and extraordinary maintenance work and four dissertations on the seismic testing of dam and of a number of accessory works (guard house, intake work and generator/compressor unit building).

Contract for research on the behaviour of turbine shafts

Again during 2015 a research contract with the Department of Aerospace and Mechanical Engineering of the Turin Polytechnic was completed; it regarded the study of the critical aspects of behaviour under stress of the shafts installed on hydraulic turbines. Static and dynamic analyses were carried out and a model was developed for the calculation of load stresses and structural verifications, adopting as case study the shafts of the Picentino Station (Nucleo Tusciano), in the Municipality of Giffoni Valle Piana (SA).

Monitoring of the Ciardoney glacier

In 2015 research activities continued on the behaviour of the Valle Orco glaciers, through monitoring of the Ciardoney glacier in the Gran Paradiso National Park. This is an initiative launched at the beginning of the 1990s in collaboration with the Italian Meteorological Society which has continued regularly through annual campaigns to check the mass balance of the glacier. The research is oriented to monitoring the reduction of glaciers in the Alps supporting the planning of the production of hydroelectric plants in Valle Orco. The measurements of June 2015 recorded an accumulation of snow variable between 390 and 200 centimetres and an equivalent figure in water of 1,730 mm, higher than the 1992–2014 historical average. The snow melt began early, already at the beginning of May, and in June the coat of snow was already completely humidified and mixed with water, melting rapidly. The series of measurements in September recorded a mass balance of -2 m and took to -31 m the accumulated figure in 24 years of measurements, confirming the highly critical situation that characterises the reduction of the Alpine glaciers.

PERSONNEL AND TRAINING

Personnel

At 31 December 2015 the Iren Group had 6,132 employees. The table below provides a breakdown of personnel at 31 December 2015, divided into Holding and First-level companies (with related subsidiaries) compared with the figure at 31 December 2014.

Company	Workforce at 31.12.2015	Workforce at 31.12.2014
Iren S.p.A.	821	254
Iren Acqua Gas and subsidiaries	865	898
Iren Ambiente and subsidiaries	2,257	608
Iren Emilia and subsidiaries	794	1,253
Iren Energia and subsidiaries	915	1,069
Iren Mercato and subsidiaries	480	442
Total	**6,132**	**4,524**

The change in the workforce compared to 31 December 2014 is the result of:

- entry into the Group, with effect from 1 January 2015, of the company AMIAT;
- the process of reorganising and centralising the staffs in Iren S.p.A. through the acquisition, with effect from 1 July 2015, of the related business units from the Group's First Level Companies and their subsidiaries and/or investees;
- the ongoing reorganisation plan of the Iren Group's subsidiaries, starting from 1 October 2015, in implementation of the Business Plan adopted by the Iren Group;
- the launch of the voluntary retirement incentive process, pursuant to Art. 4 of Italian Law 92/2012, which with the objective of creating a generational change will in any case take into account the organisational need to guarantee the maintenance of the policy on the subject of limiting workforces.

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, in order to make a firm contribution to the development of the entire Group.
The analysis of the training needs for the year 2015 was carried out by macro-subjects and themes which, during 2015, would have had a great impact on the Iren Group. Priority was given to training activities related to activation of Group projects (e.g. Change Management, Iren One, etc.) and those related to fulfilling legislative obligations, assessing however the opportunity to activate further surveys of the training needs in the second half of the year (especially for new recruits).
With the same perimeter as last year, the final figure for hours provided in 2015 was approximately 98,000 hours of training (+12% compared to the previous year).
Including also the approximately 14,300 hours of training carried out by AMIAT personnel, the number of person-hours linked to education and training initiatives carried out for various reasons by the Iren Group were more than 112,000 hours with 98% of the Group's employees who took part in at least one training course.
The per-capita average was 21.9 hours if calculated on the basis of the same perimeter as last year (+15% compared to the previous year); if AMIAT is also included the per-capita average was 18.5.

QUALITY, ENVIRONMENT AND SAFETY

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, Environment and Safety) as a means to achieve the predefined objectives. The Integrated System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an increasingly customer-led approach. The core principles of the Integrated System policy are:

- customer satisfaction;
- attention to the social and environmental aspects;
- employee safety;
- efficiency in performing the service;
- supply and contract quality;
- constant improvement;
- compliance with the Code of Ethics.

The Integrated System policy is adopted by all Group employees and has created strong synergies between the operating structures.
The Parent Company, all the first-level companies and the investees have systems that are certified in accordance with international standard ISO 9001 (Quality).
The Parent Company, the first-level companies Iren Energia, Iren Acqua Gas, Iren Emilia and Iren Ambiente and the main investees are certified in accordance with the international standards ISO 14001 (Environment).
The Parent Company, Iren Acqua Gas, Iren Energia and their main subsidiaries, Tecnoborgo and AMIAT hold OHSAS 18001 (Safety) certification, Iren Emilia has certified its own safety system for the gas management and distribution service, Iren Ambiente has certified the provision of cleaning services and sweeping of public roads and roads used by the public, collection and transport of urban and similar waste, management of waste collection centres, provision of the Waste-to-energy service with production of electricity and heat at the Parma Environmental Hub.
During the period the planned audits to keep/renew certification for the Group companies were carried out regularly, giving positive results and therefore confirming the existing certifications and an evolutionary process was launched in relation to the corporate and organisational changes that had occurred, with the objective of using the certified systems as effective improvement tools.
In this logic, besides numerous projects for the expansion of the aforementioned certifications, projects were developed such as those to keep or acquire:

- accreditation under the terms of UNI EN ISO/IEC 17025 and Accredia for the chemical-biological analysis laboratories;
- certification according to Reg. 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;
- certification for the sales of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document No. 66, by Iren Mercato;
- transition to the new edition of the standard according to the new standard UNI CEI 11352:2014 by Iren Rinnovabili;
- UNI 11352 certification by Iren Gestioni Energetiche and Iren Servizi e Innovazione.

IREN AND SUSTAINABILITY

The Iren Group promotes policies in keeping with the principles of environmental, social and financial sustainability: respect for and protection of the territory, professional development of employees, customer satisfaction, constant dialogue with the community and the Public Administration, careful management of the supply chain, and transparent communications with shareholders and lenders.

During 2015 Iren's growth process in Corporate Social Responsibility continued: founded on the centrality of the stakeholders, the Group continued its activity for sustainable development in the territories in which it works, for the creation of innovative actions and for the communication of the projects in progress and the results obtained.
The medium/long-term strategic orientations indicate, in fact, constant attention to sustainability issues. In the 2015–2020 Business Plan, Iren's development is based on four strategic lines: integration and efficiency, centrality of the Customer, innovation and sustainable development in environmental and financial terms, as well as providing for a new strategic orientation for Corporate Social Responsibility.

In this context, among the Group's main initiatives on the subject of sustainability, carried out in 2015 we can note:

<u>Sustainability Report</u>
The Sustainability Report, a very important instrument in terms of dialogue and discussion with its stakeholders, highlights the impacts that the activities carried out by the Iren Group produce on the environment and the social fabric, as well as the key economic aspects.
The 2014 Sustainability Report, prepared according to the "Sustainability Reporting Guidelines & Electric Utilities Sector Supplement" defined by the Global Reporting Initiative (GRI), the level of application of which corresponds to A+, was ratified by the Board of Directors of Iren S.p.A. on 13/03/2015.
As regards the 2015 Sustainability Report, an analysis of the indicators was performed for the update to the new GRI-G4 guidelines. Approximately 300 new "indicator records" were processed for entry into the new data collection system, for which approximately 65 operators were trained. Finally, a materiality analysis was carried out involving the corporate management and the stakeholders, the latter through the Local Committees of the provinces in Emilia.
After approval the 2015 Sustainability Report is published on the Group's website.

<u>Publications on Sustainability</u>
In order to facilitate and improve navigation by the stakeholders, on the Iren Group's website a website on sustainability (http://irensostenibilita.it) has been created. This presents the main data included in the Sustainability Report divided into points and also translated into English. The 2014 Sustainability Report was published on the corporate website in Italian and English, and specific informative brochures were created and printed, in the two languages.

<u>Local Committees</u>
Responsibility for the territory also means listening to and structured dialogue with local communities, and for this reason the Iren Group has set up Local Committees, places for participatory planning to improve the quality of services, social and environmental sustainability and the ability to anticipate the citizens' needs. During 2015 the Iren Local Committees of Reggio Emilia, Parma and Turin were set up; these are in addition to the Piacenza Committee set up in 2014. The Genoa Territorial Committee was formed in January 2016. During 2015, 49 Committee meetings and working groups were held to develop the projects proposed in the Committees.
To widen the dialogue and discussions to all communities, the Local Committees make use of the aid of an online platform through which all citizens can publish their ideas and improvement projects directly and follow those already activated. In December 2015 on the www.irencollabora.it platform there are 340 profiles registered, 268 subscribers, 15 projects, 15 proposals.

<u>CDP</u>
The Iren Group took part, for the fourth year running, in the Carbon Disclosure Project survey, "CDP Italy 100 Climate Change Report 2015", achieving an improvement in the results compared with the previous year, with a score of 97 (85 in 2014) 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 85). With regard to the assessment of performance, Iren had a slightly worse assessment, compared with the previous year, with a “C” rating. We can note, during the year, the change in the assessor company by the CDP and the insertion of more restrictive assessment criteria.

Sodalitas Social Award
Iren took part in the 2015 edition of the Sodalitas Social Award and was included among the finalists for the following two projects “Demographic Rebalancing Plan” and “Iren: networked schools”;

Participation in various survey/questionnaires, such as:

- Top Utility Award, an initiative aimed at promoting the excellence, reputation and knowledge of utilities through an assessment of their performance carried out with a rigorous scientific methodology. In the context of the study the Iren Group is one of the leading companies for environmental management and Corporate Social Responsibility policies;
- 2015 Sustainable Development Award, organised by the Foundation for Sustainable Development in collaboration with Ecomondo;
- “2015 Responsible Business Award, organised by Unioncamere, in collaboration with Terzocanale and with the CSR and Social Innovation Exhibition.

Participation in conferences, events and initiatives aimed at raising awareness on CSR themes: Turin School of Management and Economics, University of Turin, Catholic University of Piacenza, CSR Exhibition, Annual Scientific Meeting of the Italian Association of Management Engineering, CSR Manager Network etc..

Participation in discussion forums:

- discussion forum “ESG Performance: does it count for people who judge companies? - Promoting sustainability performance among the judgement criteria of financial operators” organised by Altis
- working group “Sustainability as a lever of quality and development” organised by Utilitatis for the creation of a Sustainability benchmarking system in the main Italian Utilities
- discussion forum set up by Assonime on the subjects of sustainability and social responsibility in view of the implementation of EU Directive 95/2014 on non-financial reporting (so-called integrated reporting).

Sustainability Pills
During 2015, 24 short videos to study in depth the commitment that the Group brings into play to guarantee environmental, social and financial sustainability to its stakeholders were created and published weekly on the corporate Intranet.

Iren Green Line
Under the scope of the collaboration protocol to implement the national “Youth Guarantee” signed with the Ministry for Employment and Social Policies, the Group launched an incentive plan for termination of the employment relationship, on a voluntary basis, for personnel who acquire the requisites for retirement during the plan, and undertook to promote a the recruitment of young people through a structured selection process with objective assessment methodologies.

Mela Rosa (Pink Apple) Certification
Iren has obtained the Mela Rosa [Pink Apple] certification, from the Marisa Bellisario Foundation, for Iren’s commitment to adopting the provisions of the law on gender parity, making the most of female talent in the company’s top management.

Cardioteam
The campaign for prevention of aneurysm of the aorta promoted by the Cardioteam Foundation NGO continued; through this all personnel aged 55 or over have a free medical screening.
Overall approximately 750 employees of Turin, Genoa, Piacenza, Parma and Reggio Emilia benefited from the initiative, representing 80% of those who had the right.

Edu.Iren

With the continuation of the “Edu.Iren” project, a programme of training courses is made available to schools free of charge. It is based on the many years of experience of the Iren Group companies at the local level in sustainability education projects in schools.
The 2015/2016 catalogue presents new subjects that enrich an offer already appreciated by more than 51,000 students.

Eden

The Eden project, the purpose of which was environmental education and the concept of sustainability, was completed. Through the involvement of three schools in Turin the first testing began in the region, aimed at measuring objective data in public buildings.
The project also received the 2015 Smau Award in the sector of energy efficiency.

Concessions for the populations affected by flooding

The Iren Group, reaffirming its intention to assist the populations of the municipalities in the area of Piacenza affected by the flood in September 2015, defined ways to subsidise those who have had to cope with an emergency situation for restoring their homes or businesses, with consequent extraordinary water consumption. In particular the following concessions were introduced: rebates of water consumption exceeding the user’s historical average, possibility of extending payment of gas and water bills with maturity starting from the day after the floods, up to 31 December 2015 with no penalties for arrears;

Kids in the office with mum and dad

With participation in the national initiative “Kids in the office with mum and dad”, the employees of nine Iren offices in the provinces of Reggio Emilia, Turin, Genoa, Parma and Piacenza had the occasion to show their children their working environment and the professional activities they carry out every day.

HIGHLIGHTS 2015

Shareholders and Financial Backers

- **+60%** growth in **Iren stock** in 2015
- Fitch **rating**: "investment grade" * **BBB-** with stable outlook
- **Euro 500 million of bond** issues, with **demand seven times greater** than available stock

Personnel

- **99%** of **employees** with **permanent contracts**
- **196** new staff **employed** in 2015, double the 2014 figure
- **90%** of **employees** participated in at least **one training course**

Customers

- **33 branches** and **240,000 customers** served
- **3 call centres** and **1.3 million calls answered**
- **Over 92%** of energy **customers satisfied** (sector average 90%)

iren

Suppliers

- **58% local suppliers**
- **34 social cooperatives** collaborate with Iren
- **4,098** hours of **training** for **third-party companies**

Community and territory

- **98%** of **investments** under Business Plan for 2020 aimed at **development of the territory**
- **13 Local Committee** improvement **projects**
- **Over 200 projects** for the benefit of **communities**

Waste Management

- **2.130.745** tonnes of **CO_2** emissions avoided
- **662,500 TOE saved** (around +20% compared to 2014)
- **80% of electricity** produced from **eco-compatible** sources (renewable or equivalent)
- **56.7% separated waste collection** (national average 45.2%)

Future generations

- **51,000 students** involved in **Edu.Iren** education schemes
- **13 research and innovation projects**
- **25%** of operational **investments** under the 2020 Business Plan **dedicated to innovation**
- **6,000 citizens** involved in a project for **sustainable use** of energy resources

OTHER INFORMATION

Personal data protection code

In application of the provisions of Italian Legislative Decree 196/03, entitled the "Personal Data Protection Code", a Group Privacy System Management Project was launched, in Iren S.p.A. and in the Group's main companies, providing for a process of updating and implementation of the Privacy documentation in order to comply with the requirements of the legislation on the subject.
As regards IREN S.p.A., this Project led to the preparation of a data processing and security management system compliant with the legislation and in line with the organisational evolution that involved the Parent Company.
Once the current implementation stage has been completed, this system will be further adjusted to keep it compliant with the requirements of the law on protecting the personal data managed by IREN S.p.A..
With reference to the Group Companies activities were carried out to assess the system for protecting the information subject to this law and the Group Privacy Management System is being implemented.

Certifications 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 Stock 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 the laws of countries which are not members of the European Union and which are of a significant interest pursuant to the provisions under section VI, para. II of the regulation adopted by CONSOB with Resolution No. 11971/1999, as amended. Therefore the provisions contained in paragraph 1 of Art. 36 of 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 any other company.

Report on Corporate Governance and Ownership Structures and 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 on Operations, include information not mentioned in the previous section *"Information on Iren's Corporate Governance"*, as envisaged in Art. 123-*bis* and Art. 123-*ter* of Italian Legislative Decree No. 58 of 24 February 1998, and subsequent amendments and additions.

INFORMATION ON IREN’S CORPORATE GOVERNANCE

Introduction

Iren S.p.A. is the result of the merger by incorporation of Enìa S.p.A. into IRIDE S.p.A. which took effect on 1 July 2010.

The merger between IRIDE and Enìa was promoted by the controlling shareholders of the same - respectively 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.

On 23 May 2013 the Public Shareholders signed three amending Addenda to the FSU Agreement - of 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.
The above Agreements, which came into effect on 1 July 2010, were tacitly renewed until 1 July 2015 (“the Expiry Date”) and, then, until 1 July 2017 (the “Second Expiry Date”), with the exception for certain former Enia public shareholders (Municipality of Parma, Parma Infrastrutture S.p.A., STT Holding S.p.A., Consorzio Ambientale Pedemontano and Municipality of Castellarano) which, within the date of 30 June 2014 (as mandatory advance notice of at least 12 months with respect to the Expiry Date), exercised the right of withdrawal both from the FSU – former Enìa S.p.A. public shareholders Agreement, and from the former Enìa public shareholders Sub-Agreement, with effect from 1 July 2015 and, overall, for 80,632,291 shares.
Further renewals of the above Agreements as modified must be agreed in writing by the signatory shareholders.

Iren S.p.A. acts as an industrial holding company operating in the business sectors of the merged companies, through a complex group of First-Level Companies specialised in management of the single business lines, which operate directly and 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.

More specifically, implementing the Group’s 2015–2020 Multi-Year Business Plan (approved by the Company’s Board of Directors at the meeting on 16 June 2015), during the meeting on 28 July 2015, the Board of Directors of Iren S.p.A. approved the Reorganisation Plan of the Iren Group’s subsidiaries (the so-called “100% Project”) - divided into two stages, with effect respectively from 1 October 2015 and from 1 January 2016, which determined a reduction in the number of companies, through the integration and unification of the activities with uniform operating characteristics and the optimisation of the structure in four Business Units (Energy Business Unit, Networks Business Unit, Market Business Unit and Environment

Business Unit), coinciding with four First-Level Companies (sub-holdings of the Parent Company) operating in the respective market segments.
The reorganisation was aimed, in fact, not only at a quantitative simplification of the number of companies, but also and above all at bringing better together, within each of the Business Units identified, activities and assets characteristic of each business line.

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 Chairperson, Deputy Chairperson and CEO provided they do not conflict with each other.

The Board of Directors of Iren, at the meeting of 27 June 2013: (i) acknowledged the appointment by the Shareholders' Meeting of the Chairperson of the Board of Directors, Francesco Profumo, (ii) appointed the Deputy Chairperson, Andrea Viero and the Chief Executive Officer, Nicola De Sanctis and (iii) conferred certain powers on the Chairperson, the Deputy Chairperson and the Chief Executive Officer in accordance with the Articles of Association.

The Chairperson, Francesco Profumo, was given powers, delegated powers and responsibilities in relation to: institutional relations, external relations, communication and image, relations with Regions and local authorities, relations with Regulators, merger & acquisition operations.
The Deputy Chairperson, Andrea Viero, was given powers, delegated powers and responsibilities in relation to: corporate affairs, corporate compliance, committees, risk management, internal audits, corporate social responsibility.
During the meeting of 22 December 2014, following Mr Viero's gradual withdrawal from and renunciation of a number of the duties and delegated powers attributed to him, the Board of Directors had conferred some, temporarily, to the Chairperson, establishing, among other things, that the "Corporate Compliance" and "Internal Auditing" units would report to the same. During the meeting of 4 June 2015, at the moment of appointment of the new Deputy Chairperson of Iren S.p.A. (Prof. Ettore Rocchi), the Board of Directors resolved to reinstate the system of delegated and other powers originally conferred on the Chairperson and Deputy Chairperson.

The Chief Executive Officer, Nicola De Sanctis (in office up to 30 November 2014), was given powers, delegated powers and responsibilities in relation to: strategic planning, administration and finance, management control, personnel and organisation, shared services, information and communication technology, procurement, contracts and logistics, management of investees, legal matters, investor relations and financial communication, special projects, and wide-ranging delegated powers and powers of representation.

Following the consensual termination of the Company's relations with Mr Nicola De Sanctis which entailed, among other things, renunciation pursuant to Art. 2385 of the Italian Civil Code of the positions of Chief Executive Officer and Director of Iren starting from 30 November 2014, the Board of Directors of Iren, at its meeting on 1 December 2014, acted to replace De Sanctis, co-opting pursuant to Art. 2386 of the Italian Civil Code Mr Massimiliano Bianco as new Director of the Company and conferring at the same time on the same the operating delegated powers previously attributed to Mr De Sanctis, thus appointing Mr Bianco Chief Executive Officer of the Company.
Subsequently, the Shareholders' Meeting held on 28 April 2015 confirmed Mr Vito Massimiliano Bianco in the position of Director up to the expiry of the current administrative body (and, more precisely, until approval of the Company's Financial Statements at 31 December 2015), while the Board of Directors of

the Company, during its meeting of 28 April 2015, confirmed him in the position of Chief Executive Officer of the Company after conferment of the related powers.

During its meeting of 22 December 2014, the Board of Directors of Iren acknowledged the intention expressed by the Deputy Chairperson Mr Andrea Viero to proceed in the process, which had already begun in the previous months, aimed at his gradual withdrawal from the roles played within the Iren Group. In particular, to guarantee an adequate transition in the activities followed up to now, Mr Viero stated that he would keep the positions of Director and Deputy Chairperson of Iren until 30 April 2015, accepting the request made in this sense by the main public shareholders and by the Board of Directors itself.
During its meeting of 4 June 2015, the Board of Directors of the Company appointed Prof. Ettore Rocchi to the position of Deputy Chairperson of the Board of Directors, the position held up to 30 April 2015 by Mr Andrea Viero (who had resigned from that date), after conferment of the related powers.

In compliance with provisions of the Corporate Governance Code, the Board of Directors also appointed:
- the Remuneration Committee to which, during the meeting of 28 October 2014, it also attributed the duties on the subject of appointments pursuant to Art. 5 of the Corporate Governance Code of listed companies. In relation to this increase in duties, the said Committee was named "Remuneration and Appointments Committee" (henceforth also RAC);
- the Control and Risk Committee (henceforth also CRC),

and, in accordance with the provisions of Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions and of the specific Internal Regulation:
- the Committee of Independent Directors for Transactions with Related Parties, entitled "Committee for Transactions with Related Parties" (henceforth also CTRP).

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

The Shareholders' Meeting of 27 June 2013 appointed the current Board of Directors, made up of thirteen members, in office for the years 2013/2014/2015 (until approval of the separate financial statements at 31 December 2015).

The members of the current Board of Directors are listed below:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Francesco Profumo (*)	Savona	03 May 1953
Deputy Chairperson	Ettore Rocchi (**)	Reggio Emilia	20 November 1964
Chief Executive Officer and Central Operations and Strategy Manager	Massimiliano Bianco (***)	Gioia del Colle (BA)	30 August 1971
Director	Lorenzo Bagnacani (*)	Reggio Emilia	17 November 1970
Director	Roberto Bazzano (*)	Cairo Montenotte (SV)	01 February 1944
Director	Moris Ferretti (****)	Reggio Emilia	28 May 1972
Director	Franco Amato (*)	Siracusa	19 April 1962
Director	Tommaso Dealessandri (*)	Cercenasco (TO)	18 September 1949
Director	Alessandro Ghibellini (*)	Genoa	15 October 1947
Director	Augusto Buscaglia (*****)	Turin	30 November 1948
Director	Anna Ferrero (*)	Turin	10 August 1952
Director	Fabiola Mascardi (*)	Genoa	04 December 1962
Director	Barbara Zanardi (*)	Piacenza	03 March 1977

(*) Appointed for three years (2013/2014/2015) by the Shareholders' Meeting held on 27 June 2013, called to renew the administrative body.

(**) Appointed Deputy Chairperson by the Board of Directors during the meeting on 4 June 2015, a position held until 30 April 2015 by Andrea Viero (who resigned on that date).

(***) Coopted by the Board of Directors on 1 December 2014 to replace Mr Nicola De Sanctis, who had resigned, and at the same meeting appointed Chief Executive Officer with conferment of the related powers. On 3 December 2014 the Board of Directors resolved to proceed to employ Mr Bianco with a temporary managerial employment contract in the position of Central Operations and Strategy Manager starting from 1 January 2015 and with expiry on 31 December 2019. (**) Confirmed in the position of Director until the expiry of the current administrative body (and, more precisely, until approval of the Company's Financial Statements at 31 December 2015) by the Shareholders' Meeting held on 28 April 2015, and confirmed in the position of Chief Executive Officer of the Company (with conferment of the related powers) by the Board of Directors of the Company at its meeting on 28 April 2015.

(****) Coopted by the Board of Directors during the meeting of 4 June 2015 to replace Andrea Viero, who had resigned.

(*****) Appointed until the expiry of the current administrative body (and, more precisely, until approval of the Company's Financial Statements at 31 December 2015) by the Shareholders' Meeting held on 18 June 2014 to replace Mr Roberto Walter Firpo, co-opted by the Board of Directors at its meeting on 17 September 2013.

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 the matters indicated in Art. 25.5 of the Articles of Association ("Significant Matters"), resolutions of the Iren Board of Directors are carried by the vote in favour of 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.

During financial year 2015 the Iren Board of Directors held 19 meetings.

Of the 13 members of the Board of Directors, five 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 to comply with 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 the Independent Directors, under the terms of Art. 3.7 of the company's current Corporate Governance Code, was held on 23 November 2015.

The Company established a bonus system (MBO) for the Chief Executive Officer of the Parent Company and the Senior executives with strategic responsibilities of the Group: the targets are set respectively by the B.o.D. and by the Chief Executive Officer of the Parent Company – on the proposal of the Company's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established after an enquiry carried out by the Committee, they give the right to receive the relevant bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer).
During the meeting of 22 December 2015, the Board of Directors of the Company, on the basis of the enquiry carried out by the Remuneration and Appointments Committee, approved the 2015–2018 Long-Term Monetary Incentive Plan for the Company's Chief Executive Officer, the Group's Senior executives with strategic responsibilities and other resources (so-called "Key Resources") who can contribute significantly to achieving the targets of the Business Plan (approved by the Board of Directors in June 2015).
For more information on the remuneration policy, please see the Remuneration Report for financial year 2015, made available to the shareholders, in observance of the terms provided for in the current legislation, before the Shareholders' Meeting called to approve the Financial Statements at 31 December 2015.
As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. In particular, on 13 March 2015 the Board of Directors approved the current text of the "Internal Regulations on Transactions with Related Parties".
The current text of the Corporate Governance Code, approved by the Iren S.p.A. Board of Directors on 13 March 2015, envisages that the Board of Directors must adopt measures and action to ensure that conflicts of interest do not arise.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Board of Directors set up within it a Remuneration Committee composed of non-executive directors, most of whom independent, from among whom the Chairperson is chosen.

The Committee has the following duties:

a) to assess periodically the adequacy, overall consistency and actual application of the policy on remuneration of directors and key managers, by availing itself, in this last regard, of the information provided by the executive officers;
b) to formulate the relevant proposals to the Board of Directors;
c) to present proposals or express 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;
d) to monitor the application of the decisions adopted by said Board by verifying, in particular, the actual achievement of the performance objectives;
e) to deal with the enquiry for preparing the remuneration policy of executive directors and senior executives with strategic responsibilities of the Group, functional to the adoption of measures for which the Company's Board of Directors is responsible.

The Remuneration Committee also has the task of examining in advance – with respect to the decisions for which the Board of Directors is responsible – the Annual Remuneration Report pursuant to Art. 123-*ter* of the Consolidated Law on Finance, to be made available to the public in view of the annual shareholders' meeting to approve the financial statements.

The discussion and adoption of resolutions on the subject of remuneration of Directors by the Remuneration Committee occurs in the absence of the people directly involved.

The 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 Senior executives with strategic responsibilities of the company pursuant to Art. 7.1-bis, of the applicable internal regulations governing related party transactions.

On 28 October 2014, at the proposal of the Independent Directors, the Board of Directors attributed to the Remuneration Committee the duties envisaged by the Corporate Governance Code for the Appointments Committee. In relation to these supplementary duties, the pre-existing Committee was named “Remuneration and Appointments Committee”.
The Remuneration and Appointments Committee, was thus given also the following duties on the matter of appointments:

a) to formulate opinions to the Board of Directors as regards the size and composition of the same and to express recommendations on the subject of professional figures the presence of which on the Board is considered opportune, also as a result of the self-assessment activity pursuant to lett. e) below;
b) to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of Iren, taking into consideration the participation of the Directors in the Committees set up within the Board, and as regards the exceptions to the prohibition on competition provided for in Art. 2390 of the Italian Civil Code;
c) to propose to the Board of Directors candidates for this position of Director in the cases of co-option pursuant to Art. 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
d) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;
e) to support the Board of Directors in the activity of annual self-assessment of the Board and of its Committee under the terms of the Corporate Governance Code, an activity which may be carried out also with the aid of an external consultant for the methodological aspects.

At the above meeting, the Board of Directors also attributed to the Remuneration Committee the task of verifying, with the support of the competent structures, observance of the Guidelines on the subject of appointments in the First-Level Companies and in the Group subsidiaries or at least in which Iren (directly or indirectly) designates members of the corporate bodies.

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 Chairperson.
On 22 July 2013, following the latter’s resignation from office as Chairperson due to his loss of the requisite of independence according to the Corporate Governance Code, the Committee appointed Fabiola Mascardi to replace him as Chairperson.
Following the cessation of Mr Firpo from the position of Director of Iren and member of the Remuneration Committee with effect from 18 June 2014 and of the consequent appointment by the Shareholders’ Meeting (meeting on 18 June 2014) of Mr Augusto Buscaglia to the position of Director of Iren, on 4 July 2014 the Board of Directors appointed the said Mr Buscaglia as member of the Remuneration and Appointments Committee, after verifying existence of the requisites of independence pursuant to Arts 147 *ter* and 148, paragraph 3 of the Consolidated Law on Finance held by the same.

On 4 June 2015, to replace Prof. Ettore Rocchi, the Board of Directors appointed Mr Moris Ferretti as member of the Remuneration and Appointments Committee, after verifying existence of the requisites of independence pursuant to Arts 147 *ter* and 148, paragraph 3 of the Consolidated Law on Finance and under the terms of Art. 3 of the current Corporate Governance Code held by the same.

In financial year 2015 the Remuneration and Appointments Committee met 19 times, preparing proposals recorded in the minutes of the Committee meetings.

The Committee meetings may be attended by the Chairperson of the Board of Statutory Auditors or another Statutory Auditor designated by him; in any case the other statutory auditors may also attend.
For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

CONTROL AND RISK COMMITTEE

In accordance with the Corporate Governance Code the Board of Directors has set up a Control and Risk Committee.

The Committee is composed of three Non-Executive Directors, most of whom independent, from whom the Chairperson 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, it 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;
- it assesses, together with the Financial Reporting Manager, 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;
- it expresses opinions on specific aspects concerning Risk Policies, the identification of the main company risks and the Audit Plan, and on the guidelines for the internal control and risk management system;
- it examines the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the Internal Audit Unit;
- it monitors the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Unit;
- it can ask the Internal Audit Unit to perform checks on specific areas of operations, providing simultaneous communication to the Chairperson of the Board of Statutory Auditors;
- it reports to the Board, at least every six months, on the occasion of approval of the annual and interim financial reports, on its activity and the adequacy of the internal control and risk management system.

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

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 Chairperson.

During financial year 2015 Iren's Control and Risk Committee held 9 meetings.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

On 3 December 2013, following 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 made up of three Directors in possession of the requisites of independence provided for in Arts 147-ter paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance (Italian Legislative Decree 58/98) and of the further requisites provided for in Art. 3 of the company's current Corporate Governance Code. In order to guarantee the dual independence and non-relatedness 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 Chairperson the task of identifying a sub-committee (the so-called "Designated Members") composed of three independent directors unrelated to the individual related-party transaction under review.

With 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 Chairperson, after consulting the Chairperson 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 Chairperson appoints one, or if possible two, 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 Chairperson after consulting the Chairperson 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 Chairperson.
During financial year 2015 the Committee met 8 times, preparing opinions recorded in the minutes of the committee meetings.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

MEMBERSHIP OF THE COMMITTEES

Remuneration and Appointments Committee	**Control and Risk Committee**	**Committee for Transactions with Related Parties**
Fabiola Mascardi (Chairperson)	Franco Amato (Chairperson)	Barbara Zanardi (Chairperson)
Augusto Buscaglia (*)	Alessandro Ghibellini	Fabiola Mascardi
Moris Ferretti (**)	Barbara Zanardi	Franco Amato

(*) Was appointed a member of the Remuneration and Appointments Committee on 4 July 2014 to replace Mr Firpo.
(**) Was appointed a member of the Remuneration and Appointments Committee on 4 June 2015 to replace Prof. Rocchi.

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.

With approval of the financial statements at 31 December 2014 the term of the Board of Statutory Auditors previously in office expired. The Shareholders' Meeting of 28 April 2015 therefore appointed the members of the new auditing body, which will remain in office for the years 2015/2016/2017 (until approval of the financial statements related to financial year 2017).

The membership of the Iren Board of Statutory Auditors that remained in office until approval of the 2014 financial statements (28 April 2015) is indicated below:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Paolo Peveraro	Castel San Giovanni (PC)	05 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	01 October 1969

The membership of the Board of Statutory Auditors appointed with a 3-year term of office by the Shareholders' Meeting of 28 April 2015 is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06 October 1953
Standing Auditor	Anna Maria Fellegara	Borgonovo Val Tidone (PC)	18 January 1958
Standing Auditor	Emilio Gatto	Genoa	01 October 1969
Substitute Auditor	Giordano Mingori	Brescello (RE)	09 November 1947
Substitute Auditor	Giorgio Mosci	Genoa	17 May 1958

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 Audit Department and the Control and Risk Committee, attending their respective meetings.

In 2015 the Board of Statutory Auditors held 12 meetings.

For further details reference should be made to the Report on Corporate Governance and Ownership Structures available on the website www.gruppoiren.it.

Financial Reporting Manager

Mr Massimo Levrino (Manager of the Administration, Finance and Control Department)

Independent Auditors

PricewaterhouseCoopers S.p.A. - Appointment conferred by the Shareholders' Meeting on 14 May 2012 for nine-year period 2012–2020.

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

Iren's corporate governance system is in line with the provisions of the Consolidated Law and of the Corporate Governance Code. In particular, the Articles of Association are in keeping with the rules of the Consolidated Law and the other provisions of laws or regulations applicable to listed companies.

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

- the directors must be in possession of the requisites provided for by law and by the regulations on the subject (Article 147-*quinquies* of the Consolidated Law);

- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (Article 147–*ter*, paragraph four of the Consolidated Law);
- the members of the entire Board of Directors are appointed on the basis of lists (Article 147–*ter*, paragraph one, of the Consolidated Law);
- the non-controlling shareholders have the right to appoint at least two Directors (Article 147–*ter*, paragraph three of the Consolidated Law);
- balanced representation between the genders must be observed in the composition of the corporate bodies (Italian Law No. 120 of 12 July 2011 on parity of access to the administration and control bodies of listed companies);
- one standing and one alternate member of the Board of Statutory Auditors must be elected from the list presented by the minority (Article 148, paragraph two, of the Consolidated Law);
- The Chairperson of the Board of Statutory Auditors and one alternate auditor must be appointed on the basis of the list presented by the minority (Article 148, paragraph 2-*bis* of the Consolidated Law);
- a person responsible for corporate financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (Article 154–*bis* of the Consolidated Law).

Maximum number of positions held in other companies

According to Iren's Corporate Governance Code, the directors accept the position when they believe they can devote the necessary time to diligent performance of their tasks, also taking into account the number of positions of director or statutory auditor held by them in other companies listed in regulated markets (including abroad), in financial, banking and insurance companies or in large companies.

In addition, on the basis of the commitment required from the directors to perform their duties in Iren, the Board of Directors may express its orientation as regards the maximum number of positions of director or statutory auditor in the companies pursuant to the previous paragraph that can be considered compatible with fulfilment of this commitment. To this end it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.

Director responsible for the internal control system and for risk management

Under the terms of Art. 8.1 lett. (a) (i) of the Company's Corporate Governance Code, the Board of Directors, with a resolution of 17 September 2013, with regard to the delegated powers conferred on the Deputy Chairperson Mr Andrea Viero appointed him as Director in Charge of the Internal Audit and Risk Management System.

On 22 December 2014, following the renunciation by the same of some of the delegated powers conferred on the same by the Board of Directors on 27 June 2013 including those related to the Internal Audit unit, the Board of Directors attributed them to the Chairperson of the Board of Directors, who was given the task of overseeing the operations of the internal control and internal audit system. In virtue of this, the Board of Directors, at the meeting held on 27 January 2015 appointed the Chairperson of the Board of Directors as Director in Charge of the Internal Audit and Risk Management System.

During the meeting on 4 June 2015, when Prof. Ettore Rocchi was appointed as the new Deputy Chairperson of Iren S.p.A., the Board of Directors resolved to reinstate the system of delegated and other powers originally conferred on the Chairperson and Deputy Chairperson and consequently appointed Prof. Ettore Rocchi as Director in Charge of the Internal Audit and Risk Management System with the duties pursuant to Art. 8.6 of the Corporate Governance Code.

The Director responsible for the internal control system and for risk management:

a) verifies that the main business risks have been identified, taking into account the characteristics of the activities performed by Iren S.p.A. and by its subsidiaries, that the Risk Policies and Audit Plan have been defined, and checks that the same are submitted periodically to examination by the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors;
b) checks that:
   (i) the guidance defined by the Board of Directors is implemented;
   (ii) acts to design, create and manage the internal control and risk management system, checking constantly that it is adequate and effective;
c) checks that this system is adapted to changes in the operating conditions and the legislative and regulatory framework;

d) may ask the Internal Audit Unit to perform audits on specific operating areas and on compliance with the internal rules and procedures in the execution of business operations, communicating this at the same time to the Chairperson of the Board of Directors, to the Chairperson of the Control and Risk Committee and to the Chairperson of the Board of Statutory Auditors;
e) reports promptly to the Control and Risk Committee (or to the Board of Directors) on the problems and critical issues that have emerged in performance of his or her work or which he or she has in any case been informed, so that the Committee (or the Board) may take the opportune initiatives.

Requisites of directors
All members of the Company's Board of Directors possess the requisites of integrity, pursuant to Article 147-*quinquies* of the Consolidated Law.
The Directors Franco Amato, Anna Ferrero, Fabiola Mascardi, Moris Ferretti and Barbara Zanardi also possess the requisites of independence provided for in Article 148, paragraph three, of the Consolidated Law and in Article 3.3. of the current Corporate Governance Code.

Organisational model under the terms of Italian Legislative Decree 231/2001
IREN and the main Group companies have adopted organisation, management and control models under the terms of Italian Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Italian Legislative Decree 231/2001.
Alongside the Organisation, Management and Control Model, the Issuer has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics. This document was updated and approved with a resolution of the Board of Directors on 17 September 2013.
During 2015 the Company carried out a new 231 risk mapping and consequently updated its Organisation, Management and Control Model to ensure that it is constantly in keeping with the organisational changes that have occurred and with the introduction by the parliament of new crimes so that it maintains over time its effective capacity to prevent the commission of 231 crimes.
The Company has opted for a collegial composition of its Oversight Committee with the objective of meeting the requirements of autonomy, independence, professionalism and continuity of action mentioned above.
The Board of Directors resolved to appoint three members of the Oversight Committee, Prof. Adalberto Alberici (Chairperson), Prof. Marco Elefanti (who on 28 August 2014 replaced Mr Alberto Valotti who had resigned from the position on 16 July 2014), external members, and Mr Maurilio Battioni, Manager of the Internal Audit Unit.
IREN's Oversight Committee, availing itself of the competent corporate units, performs checks on areas of activity considered at risk under the terms of Italian Legislative Decree 231/2001 and reports twice a year to the Board of Directors on the activities carried out and the results that have emerged. If it is considered necessary, the Oversight Committee expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.
Both the general part of the Model and the Code of Ethics are available on the Company's website www.gruppoiren.it in the section investor relations/corporate governance/other corporate documents.

Financial income and expense
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, medium/long-term 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 loan facility agreements.
The Board of Directors approved the new regulation on 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
Starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to Arts 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 2015, all financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A..
The tax consolidation scope includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, Iren Servizi e Innovazione, Iren Acqua Gas, Iren Mercato, Iren Energia, Iren Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia (from 1 October 2015 incorporated into Iren Energia), Enìatel, Tecnoborgo, Iren Ambiente, Iren Emilia, Genova Reti Gas, Iren Ambiente Holding, Iren Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren, TLR V and AMIAT S.p.A..
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 Budget 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 intra-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 said 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.

Group VAT option
In terms of procedures, for 2015, 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., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., Iren Gestioni Energetiche S.p.A.,
Genova Reti Gas S.r.l., Iren Ambiente S.p.A., Iren Emilia S.p.A., Iren Rinnovabili S.p.A., Enìa Solaris S.p.A., Idrotigullio, TLR V S.p.A., Mediterranea delle Acque S.p.A., Nichelino Energia srl (incorporated into Iren Energia with effect from 1 October 2015), Greensource, Millenaria Fotovoltaico, Varsi Fotovoltaico, OC. Clim, Iren Ambiente Holding S.p.A., Tecnoborgo and Agriren.

Transactions with related parties
On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the "Internal Regulation on Transactions with Related Parties" (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:
- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or CLF);
- 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 “Internal Regulation on transactions with related parties” (hereinafter also the “TRP Regulation”) is published on IREN’s website (www.gruppoiren.it) and, in brief, covers:

a) identification of related parties;
b) what is meant by transaction with a related party;
c) transactions for small amounts;
d) less important transactions and the related procedure;
e) more important transactions and the related procedure;
f) cases of exclusion;
g) establishment of the Committee for Transactions with Related Parties;
h) transactions within the competence of the Shareholders’ Meeting;
i) amendments to the Articles of Association to be submitted to Iren’s Extraordinary Shareholders’ Meeting;
j) forms of disclosure.

The Regulation was defined in coordination with the provisions of the administrative and accounting procedures pursuant to Art. 154-*bis* of Italian Legislative Decree No. 58/1998 (Consolidated Law on Finance).

The Regulation was issued in application of current legislation on transactions with related parties and its purpose is, in particular,

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

At its meeting on 3 December 2013 the Board of Directors identified three directors - all in possession of the requisites of independence provided for in Arts 147-*ter* paragraph 4 and 148, paragraph 3 of the CLF and of the further requisites provided for in the company’s current Corporate Governance Code – who make up the Committee for Transactions with Related Parties:

- Franco Amato
- Fabiola Mascardi
- Barbara Zanardi

The Company and its subsidiaries apply to relations with related parties the principles of transparency and correctness, made known in the Report on Operations (in accordance with Art. 2391-*bis* of the Italian Civil Code). 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.

During the meetings held in 2015, the Committee for Transactions with Related Parties was asked to examine transactions carried out between the Company and subjects classified as related parties. In particular:

- the meeting on 30 March 2015 examined the Agreement required to define the payment methods and times of the receivable accrued at 31 December 2014 by the subsidiary IREN Servizi e Innovazione S.p.A. in relation to Fondazione Torino Musei, concluding that there was no need for a prior examination by and opinion from the CTRP on the subject, given that Fondazione Torino Musei could not be considered a “related party” of the IREN Group;
- in the period March/April 2015 the project was examined for a partnership between Unique Lights s.r.l. and IREN Mercato S.p.A. (IME) for the purchase at special leasing terms of energy efficient lamps; following careful assessment, on the basis of the data provided by the CEO of IME through the competent structures, it was decided that the conclusion of the transaction, given the small amount of the same, did not need prior examination by and an opinion from the CTRP;
- in the period March/April 2015, following analysis, a favourable opinion was expressed on the transaction of minor significance regarding acquisition by IREN Acqua Gas S.p.A. of the “Ramo Ligure” and of the equity investment in Acquedotto di Savona S.p.A., pursuant to the project to reorganise the integrated water service of Acque Potabili S.p.A.;

- in the period July/August 2015, following analysis, a favourable opinion was expressed on the transaction of minor significance with the related party Municipality of Turin aimed at completing the 2015 Addendum to the Agreement signed at the end of 2012 by the City of Turin and the IREN Group (specifically IREN Servizi e Innovazione) regarding the revision of the existing contracts/conventions, as amended following the objections raised during the discussion; with reference to the said transaction, in December 2015, after first acknowledging that some of the conditions pursuant to the Addendum had not been fulfilled, the CTRP was informed of the fact that IREN Servizi e Innovazione will carry out the actions covered by the same (provided for in the aforementioned Addendum) if it finds that the conditions provided for therein and consisting of specific behaviour by the Municipality of Turin, and invited the management of the companies involved to update the CTRP promptly, also following contacts with the counterparty the Municipality of Turin, in order to enable the adoption – on the occasion of a future meeting – of any measures for which it is responsible under the terms of Art. 8 of the Internal Regulation on Transactions with Related Parties;
- on 2 December 2015, the relevant enquiry was launched – under the terms of the legislation on related-party transactions – as regards the settlement proposals related to the receivables existing between IREN Group Companies (IREN Mercato S.p.A. and IREN Gestioni Energetiche S.p.A.) and Stadio di Albaro S.p.A. (in liquidation); following careful assessment, the CTRP decided that the counterparties of the transactions in question could not be considered a “related party” of the IREN Group according to the terms of Art. 3.1 of the current Internal Regulation on Transactions with Related Parties and that, therefore, both transactions were outside the scope of application of the procedures provided for in the said Regulation; therefore the conditions were not fulfilled for the expression of an opinion by the CTRP;
- on 21 December 2015, following analysis, a favourable opinion was expressed on the transaction of minor significance concerning the signing, between IREN Mercato S.p.A. and GTT S.p.A. (a company wholly owned by the Municipality of Turin), of a repayment schedule for the debt accrued by this latter company in relation to the IREN Group.

In accordance with the provisions of the current text of the TRP Regulation, during 2015 the CTRP was provided with an update, by the management of the companies involved each time, on the performance of some of the transactions examined during the previous financial year (specifically, the transaction for the acquisition, by AMIAT V. S.p.A., of a further stake of 31% of the share capital of AMIAT S.p.A. and of the Agreement between the subsidiary IREN Servizi e Innovazione S.p.A. and the City of Turin regarding the “Torino LED Project – Energy Efficiency for Public Street Lighting”), receiving a copy of the relevant documentation.
During financial year 2015, the Remuneration and Appointments Committee of IREN S.p.A. was asked to examine the transactions related to the remunerations of the Directors and Senior executives with strategic responsibilities of the Group under the terms of Art. 7.1-*bis* of the current TRP Regulation. Specifically:

- in March 2015, the RAC examined the remuneration proposals for a number of Senior executives with strategic responsibilities of the Group; following careful assessment, considering the amount of the single pay increases, the RAC concluded that the single transactions were of an amount such as to be considered “insignificant” pursuant to Art. 5, paragraph 1, lett. c) of the TRP Regulation and, therefore, outside the scope of application of the procedures provided for in the said Regulation;
- in June-July 2015, the RAC began an enquiry, prior to adoption of the measures for which the Company’s Board of Directors was responsible – also under the terms of Art. 21 of the current Articles of Association – with reference to the remuneration for the specific position to be paid to Prof. Rocchi in relation to his appointment as Deputy Chairperson of IREN S.p.A. as of 4 June 2015; the said transaction was considered among those excluded from the application of the TRP Regulation under the terms of Art. 5.1 lett. a) of the said Regulation;
- again in July 2015, the RAC was asked to examine the economic treatment due to the new Manager of the Market Business Unit/Chief Executive Officer of IREN Mercato S.p.A. – as a Senior executive with strategic responsibilities of IREN S.p.A.; after careful analysis, in relation to the existence – in the concrete context – of the conditions pursuant to Art. 13, paragraph 3, lett. b) of the Consob Regulation, the RAC concluded that the transaction could be considered excluded from the application procedures of the TRP Regulation, and needed no opinion under the terms of the Consob rules on the subject of related-party transactions;
- in November-December 2015, after the enquiry carried out on the contents of the 2015–2018 Long-Term Monetary Incentive Plan for the Chief Executive Officer of the Company, the Senior executives

with strategic responsibilities of the Group and other resources (so-called "Key Resources") who can contribute significantly to achieving the targets of the Business Plan, the RAC also expressed a favourable opinion under the terms of the legislation on related-party transactions, for the relevant part under the terms of the aforesaid regulation.

Transactions with related-party shareholder Municipalities

The relations maintained by IREN S.p.A., directly or through its subsidiaries, with the shareholder Municipalities identified as related parties (the Municipalities of Reggio Emilia, Parma and Piacenza and the Municipalities of Turin and Genoa - also through the vehicle company Finanziaria Sviluppo Utilities S.r.l.), are mainly relations of a commercial nature defined on the basis of Conventions or of single contractual relationships which regulate the conditions for performance of the various services by the company.

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.

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.

Information on transactions with the related parties is included in the Notes to the interim and annual financial statements.

Transactions with shareholders - related parties

In accordance with 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.

Transactions with other related parties

On the basis of the "Internal Regulations on Transactions with Related Parties", the companies controlled, directly or indirectly, by Municipality shareholders which are Provincial Capitals, signatories of the current shareholder agreements and which have not withdrawn from the same have been identified as related parties.

The relations with such parties are mainly of a commercial nature and related to services provided to all other customers.

In particular we can note that in order to supply 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.

Transactions with subsidiaries

Intercompany Services

In order to make best use of the organisational synergies, 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.

Relations with Directors

For information on the remuneration of key managers, please see the specific Remuneration Report issued pursuant to Art. 123-*ter* of the Consolidated Law on Finance.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEM "Financial Statements at 31 December 2015 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 2015 which closed with a profit of Euro 124,500,783.32.
- approve the following proposal for the allocation of profit for the year:

Iren S.p.A. profit for the year	Euro 124,500,783.32
To the legal reserve 5% of profit for the year	Euro 6,225,039.17

To the shareholders, a unit dividend of Euro 0.055 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 22 June 2016 with coupon date of 20 June 2016 and record date of 21 June 2016, for a total of Euro 70,192,412.24.

To the Extraordinary Reserve	Euro 48,083,331.91

Reggio Emilia, 15 March 2016

For the Board of Directors
The Chairperson
Francesco Profumo

Financial Statements and Notes to Financial Statements

at 31 december 2015

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	31.12.2015	of which related parties	31.12.2014	of which related parties
ASSETS					
Property, plant and equipment	(1)	2,907,076		2,992,246	
Investment property	(2)	14,148		14,427	
Intangible assets with a finite useful life	(3)	1,363,451		1,234,670	
Goodwill	(4)	126,723		124,407	
Investments accounted for using the equity method	(5)	219,246		235,102	
Other equity investments	(6)	17,821		17,817	
Non-current trade receivables	(7)	73,788		51,232	
Non-current financial assets	(8)	53,012	51,377	66,439	65,143
Other non-current assets	(9)	43,298	9,217	47,006	11,926
Deferred tax assets	(10)	252,812		277,678	
Total non-current assets		**5,071,375**	**60,594**	**5,061,024**	**77,069**
Inventories	(11)	96,337		81,659	
Trade receivables	(12)	841,022	154,045	977,964	237,159
Current tax assets	(13)	19,991		19,334	
Other receivables and other current assets	(14)	163,366	4,285	233,434	84
Current financial assets	(15)	551,302	549,104	471,301	462,364
Cash and cash equivalents	(16)	139,576	3,487	51,601	2,830
Total current assets		**1,811,594**	**710,921**	**1,835,293**	**702,437**
Assets held for sale	(17)	5,420		10,762	
TOTAL ASSETS		**6,888,389**	**771,515**	**6,907,079**	**779,506**

thousands of euro

	Notes	31.12.2015	of which related parties	31.12.2014	of which related parties
SHAREHOLDERS' EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained earnings (Losses)		429,444		401,198	
Net profit /(loss) for the period		118,193		85,795	
Total equity attributable to owners of the Parent		**1,823,863**		**1,763,219**	
Non-controlling interests		237,803		230,330	
TOTAL EQUITY	**(18)**	**2,061,666**		**1,993,549**	
LIABILITIES					
Non-current financial liabilities	(19)	2,698,648	78,152	2,210,821	94,661
Employee benefits	(20)	135,092		148,971	
Provisions for risks and charges	(21)	292,302		319,661	
Deferred tax liabilities	(22)	141,840		162,343	
Other payables and other non-current liabilities	(23)	205,209		200,625	
Total non-current liabilities		**3,473,091**	**78,152**	**3,042,421**	**94,661**
Current financial liabilities	(24)	214,611	40,416	664,204	67,314
Trade payables	(25)	798,696	63,137	874,723	44,232
Other payables and other current liabilities	(26)	220,233	315	248,583	4,762
Current tax liabilities	(27)	21,687		1,869	
Provisions for risks and charges - current portion	(28)	98,405		81,730	
Total current liabilities		**1,353,632**	**103,868**	**1,871,109**	**116,308**
Liabilities related to assets held for sale	(29)	-		-	
TOTAL LIABILITIES		**4,826,723**	**182,020**	**4,913,530**	**210,969**
TOTAL EQUITY AND LIABILITIES		**6,888,389**	**182,020**	**6,907,079**	**210,969**

INCOME STATEMENT

thousands of euro

	Notes	Financial Year 2015	of which related parties	Financial Year 2014	of which related parties
Revenue					
Revenue from goods and services	(30)	2,849,677	363,109	2,641,714	181,398
Change in work in progress	(31)	8,576	8,648	(212)	216
Other revenue	(32)	235,859	16,164	259,815	4,294
- of which non-recurring				*20,944*	
Total revenue		**3,094,112**	**387,921**	**2,901,317**	**185,908**
Operating expense					
Raw materials, consumables, supplies and goods	(33)	(1,023,964)	(103,138)	(1,045,439)	(92,806)
Services and use of third-party assets	(34)	(946,466)	(62,640)	(896,895)	(30,235)
Other operating expenses	(35)	(111,067)	(6,060)	(102,181)	(7,956)
Capitalised expenses for internal work	(36)	22,870		23,169	
Personnel expenses	(37)	(357,722)		(306,763)	
- of which non-recurring				*(36,159)*	
Total operating expense		**(2,416,349)**	**(171,838)**	**(2,328,109)**	**(130,997)**
GROSS OPERATING PROFIT (EBITDA)		**677,763**	**216,083**	**573,208**	**54,911**
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(38)	(267,609)		(238,313)	
Provisions and impairment losses	(39)	(63,334)		(49,428)	
Total amortisation, depreciation, provisions and impairment losses		**(330,943)**		**(287,741)**	
OPERATING PROFIT (EBIT)		**346,820**	**216,083**	**285,467**	**54,911**
Financial income and expense	**(40)**				
Financial income		31,977	20,831	27,409	19,777
Financial expenses		(126,808)	(4,230)	(129,895)	(7,104)
Total financial income and expense		**(94,831)**	**16,601**	**(102,486)**	**12,673**
Share of Profit (loss) of associates accounted for using the equity method	(41)	(6,254)		8,984	
Impairment losses on investments	(42)	-		26,493	
Profit /(loss) before tax		**245,735**	**232,684**	**218,458**	**67,584**
Income tax expense	(43)	(105,662)		(116,069)	
Net profit/ (loss) from continuing operations		**140,073**		**102,389**	
Net profit /(loss) from discontinued operations	(44)	-		-	
Net profit /(loss) for the period		**140,073**		**102,389**	
attributable to:					
- Profit (loss) - Group		118,193		85,795	
Profit (loss) - non-controlling interest	(45)	21,880		16,594	
Earnings per ordinary and savings share	**(46)**				
- basic (euro)		0.09		0.07	
- diluted (euro)		0.09		0.07	

STATEMENT OF OTHER COMPREHENSIVE INCOME

		thousands of euro
	Financial Year 2015	**Financial Year 2014**
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**140,073**	**102,389**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	(1,298)	(5,208)
- changes in fair value of available-for-sale financial assets	-	-
- share of other profits/(losses) of companies accounted for using the equity method	3,471	(11,905)
Tax effect of other comprehensive income	868	1,508
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	**3,041**	**(15,605)**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)	9,017	(12,850)
- portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19)	(37)	(293)
Tax effect of other comprehensive income	(2,292)	3,210
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**6,688**	**(9,933)**
Total comprehensive income/(expense) (A)+(B1)+(B2)	**149,802**	**76,851**
attributable to:		
- Profit (loss) - Group	127,686	60,480
Profit (loss) - non-controlling interest	22,116	16,371

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Changes in the scope of consolidation			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/12/2014	**1,276,226**	**105,102**	**36,855**
Legal reserve			2,505
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/12/2015	**1,276,226**	**105,102**	**39,360**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
		4,343	(4,343)	-		-
			(66,747)	(66,747)	(6,894)	(73,641)
	9,464	9,464	(9,464)	-		-
	257	257		257	16,439	16,696
	(154)	(154)		(154)	(12,219)	(12,373)
	(3,118)	(3,118)		(3,118)	107	(3,011)
(15,667)	(9,648)	(25,315)	85,795	60,480	16,371	76,851
						-
		-	85,795	85,795	16,594	102,389
(15,667)	(9,648)	(25,315)		(25,315)	(223)	(25,538)
(39,695)	**298,936**	**401,198**	**85,795**	**1,763,219**	**230,330**	**1,993,549**
		2,505	(2,505)	-		-
			(66,747)	(66,747)	(14,670)	(81,417)
	16,543	16,543	(16,543)	-		-
	511	511		511		511
	(806)	(806)		(806)	27	(779)
3,041	6,452	9,493	118,193	127,686	22,116	149,802
			118,193	118,193	21,880	140,073
3,041	6,452	9,493		9,493	236	9,729
(36,654)	**321,636**	**429,444**	**118,193**	**1,823,863**	**237,803**	**2,061,666**

STATEMENT OF CASH FLOWS

thousands of euro

	Financial Year 2015	Financial Year 2014
A. Opening cash and cash equivalents	**51,601**	**50,222**
Cash flows from operating activities		
Profit (loss) for the period	140,073	102,389
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	267,609	238,313
Capital gains (losses) and other changes in equity	1,693	(21,416)
Net change in post-employment benefits and other employee benefits	(6,263)	(2,729)
Net change in provision for risks and other charges	(23,957)	13,077
Change in deferred tax assets and liabilities	2,772	14,413
Change in other non-current assets and liabilities	4,827	15,453
Dividends accounted for net of adjustments	(1,304)	(1,066)
Share of profit (loss) of associates and joint ventures	6,254	(8,984)
Net impairment losses (reversals of impairment losses) on assets	5,088	(26,426)
B. Cash flows from operating activities before changes in NWC	**396,792**	**323,024**
Change in inventories	(14,357)	26,716
Change in trade receivables	139,433	130,222
Change in tax assets and other current assets	70,086	(36,054)
Change in trade payables	(89,061)	(118,131)
Change in tax liabilities and other current liabilities	(15,394)	4,456
C. Cash flows from changes in NWC	**90,707**	**7,209**
D. Cash flows from /(used in) operating activities (B+C)	**487,499**	**330,233**
Cash flows from /(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(267,562)	(256,919)
Investments in financial assets	(7,650)	(87,457)
Proceeds from the sale of investments and changes in assets held for sale	4,777	25,764
Changes in the scope of consolidation	(25,469)	(254,446)
Dividends received	7,435	43,373
E. Total cash flows from /(used in) investing activities	**(288,469)**	**(529,685)**
F. Free cash flow (D+E)	**199,030**	**(199,452)**
Cash flows from /(used in) financing activities		
Dividends paid	(81,417)	(73,641)
New non-current loans	800,000	761,248
Repayment of non-current loans	(354,379)	(847,741)
Change in financial liabilities	(408,685)	400,874
Change in financial assets	(66,574)	(39,909)
G. Total cash flows from /(used in) financing activities	**(111,055)**	**200,831**
H. Cash flows for the period (F+G)	**87,975**	**1,379**
I. Closing cash and cash equivalents (A+H)	**139,576**	**51,601**

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 production, Cogeneration of electricity and heat, District heating networks and production from Renewable sources)
- Market (Sale of electricity, gas, heat);
- Energy Infrastructures (Electricity distribution networks and gas distribution networks);
- 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 XI, Segment reporting, includes the information required by IFRS 8.

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

The statements at 31 December 2014 have been reclassified to adjust to the classification adopted for the corresponding items at 31 December 2015. The main reclassifications are described in these notes.

The company's consolidated financial statements for the year to 31 December 2015 include those of the Company and its subsidiaries, (collectively referred to as the "Group" and individually as "Group entities") and the Group's equity interest in jointly-controlled companies and in associates.

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Iren Group at 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), 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 Italian Legislative Decree No. 38/2005. The “IFRSs” also include all the revised international accounting standards (“IASs/IFRSs”) 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 principles were applied as those adopted for the previous year’s statements, with the exception of certain amendments to the IFRSs, presented in the section “Accounting standards, amendments and interpretations effective from 1 January 2015", which however did not entail significant impacts on the Iren Group’s financial statements.

In the statement of financial position, assets and liabilities are classified as “current/non-current”. Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group’s ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the Group’s ordinary operating cycle or during the twelve months following year end.
The Income Statement is classified on the basis of the nature of 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 on hand and cash in bank current accounts.

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

II. CONSOLIDATION POLICIES

The subsidiaries, associates and interests in joint ventures are consolidated.

Subsidiaries
Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 - *Consolidated Financial Statements*.
Control exists when the Parent has at the same time:
- decision-making power over the investee, that is the power to direct the relevant activities of the investee, that is activities that have a significant influence on the results of the said investee;
- the right to variable (positive or negative) returns from its involvement with the entity;
- the ability to use its decision-making power to determine the amount of the returns coming from its involvement with the entity.

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. intra-group balances, transactions, unrealised income and expenses are eliminated in full. We can note also that: a) all changes in the equity interest that do not constitute a loss of control are treated as equity transactions and therefore have a contra entry in equity; b) when a parent company transfers control to one of its investees, but continues all the same to hold an interest in the company, it measures the equity investment retained in the financial statements at fair value and recognises any gains or losses deriving from loss of control in the income statement.

Joint ventures
These are companies over whose activity the Group has joint control, in virtue of contractual agreements.
Joint control, as defined by IFRS 11 – *Joint Arrangements, is the "contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control".*
With reference to entities jointly owned by mixed public and private ventures, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also thanks to its nature as a public entity, the existence of joint control is judged on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.
Joint arrangements are divided into 2 types:
- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint ventures are measured using the equity method.
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's net profit or loss, but have rights to its assets, and obligations for its liabilities. In this case the assets/revenues on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

Associates (accounted for using the equity method)
An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the 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
Intra-group balances and significant transactions and any unrealised gains and losses arising from intra-group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. The related tax effect is calculated for all consolidation adjustments.

III. CONSOLIDATION SCOPE

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

Parent:
Iren S.p.A.

Companies consolidated on a line-by-line basis
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
   - Acquedotto di Savona

2) Iren Ambiente and its subsidiaries:
   - Amiat V and the subsidiary:
     - AMIAT
   - Montequerce
   - Tecnoborgo

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

4) Iren Emilia and its subsidiaries:
   - AGA
   - Consorzio GPO
   - Enìatel

5) Iren Energia and its subsidiaries:
   - AEM Torino Distribuzione
   - Iren Servizi e Innovazione
   - TLR V

6) Iren Mercato and its subsidiaries:
   - Iren Gestioni Energetiche, and the subsidiary:
     - O.C. CLIM
   - 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.

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

CHANGES IN CONSOLIDATION SCOPE

At 31 December 2015 the changes in the consolidation scope derive from the acquisition with effect from 1 July 2015 by Acque Potabili S.p.A. of the 100% owned Acquedotto di Savona S.p.A. together with the business unit related to the integrated water service in the Municipalities of Camogli, Rapallo, Coreglia Ligure and Zoagli in the Genoa ATO and in the Municipality of Bolano (La Spezia). For further details, see the disclosures in the paragraph "Significant events of the period" in the Director's Report.

It is also worth recalling that, with effect from 23 December 2014, the Iren Group acquired control over the company AMIAT S.p.A., which manages environmental services for the Municipality of Turin. Following this operation, at 31 December 2014 the financial balances of the company were already fully consolidated. From 1 January 2015 the Group's consolidated income statement also includes the economic amounts of the subsidiary; the economic results of financial year 2015 are therefore affected, unlike in the comparative period, by the inclusion of this entity in the consolidation scope.

We can note finally the merger by incorporation of the fully controlled company Nichelino Energia into the parent Iren Energia S.p.A. which did not entail a change in the consolidation scope, but which in any case had effects on the Group's structure.

IV. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up these Consolidated Financial Statements at 31 December 2015 of the Iren Group are indicated below; the accounting standards described were applied consistently by all the Group entities and have not changed with respect to those adopted at 31 December 2014, taking account of what has already been noted in the paragraph "Content and structure of the consolidated financial statements".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all 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 2014, once again in 2015 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 unit of the outgoing operator, the "transferable assets"), calculated on the basis of the revalued historical cost, net of public capital grants, revalued, received by the operator for the construction of these works, less normal wear. As a result of these measures, starting from 2012 transferable assets related to expired hydroelectric concessions with a residual carrying amount lower than the estimated value to be granted to the outgoing operator (calculated on the basis of the above provisions), their depreciation has been suspended.
The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	1.3%	10.6%
Lightweight constructions	2.0%	10.0%
Vehicles	10.0%	25.0%
Sundry equipment	5.0%	100.0%
Furniture and office machines	6.0%	100.0%
Hardware	10.0%	100.0%
Facilities	0.8%	23.5%

The negligible changes in rates compared to 2014 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.

- Leased assets

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	7
Concessions, licences, trademarks and similar rights	3	50
Software	2	7
Other intangible assets with finite useful life	2	99

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation 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 or joint venture is included in the carrying amount of the investment.
On first adoption of the IFRSs, the Group chose not to apply IFRS 3 – Business Combinations retroactively to acquisitions of companies that occurred before 1 January 2004; as a consequence, the goodwill generated on acquisitions prior to the date of transition to the IFRSs was kept at the previous figure determined according to the Italian accounting standards, after verification and recognition of any impairment losses.
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 geographical area of operations;
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, these 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.
The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the value expected from its disposal at the end of its useful life.
The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

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

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the 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:
  - financial assets/liabilities held for trading (i.e. acquired or contracted mainly for the purpose of selling or repurchasing them 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).

- Equity investments carried at equity
These are equity investments in associates or joint ventures, measured using the equity method, that is 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 intra-group 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 and joint ventures measured using the equity method", while the share of other comprehensive income is recognised in the statement of comprehensive income.
The difference between the purchase cost and the value, pertaining to owners of the Parent, of the identifiable current and potential assets and liabilities of the associate or joint venture at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.
The risk deriving from losses which exceed the investor's share of equity is provided for in a provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- Other equity investments
Investments in other companies, classified as available for sale (AFS), are measured at fair value. Gains and losses deriving from changes in fair value are recognised directly in other comprehensive income up to the moment in which they are sold or have suffered an impairment loss; in this case, the total loss is reversed from other comprehensive income and recognised in the income statement for an amount equal to the difference between the acquisition cost and 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 provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- 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: the transaction costs, as they are ancillary, 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.

- Financial assets available for sale
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 instruments

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 expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
– the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
– the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are 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). For option contracts fair value is supplemented with the time value, which is based on their residual life and the volatility of the underlying.

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

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

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 recognised in the statement of comprehensive income for the effective portion of the hedge (intrinsic value), and in the income statement for the time value portion and any ineffective portion (overhedging);
- 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 contractual 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, and are recognised at fair value (equal to their nominal amount). After initial recognition they are 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.

Shareholders' 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
On 6 June 2012 the amendment to the international accounting standard IAS 19 "Employee Benefits" was endorsed. This amendment is applicable starting from 1 January 2013, although its application on a voluntary basis is permitted for financial statements at 31 December 2012. As from 1 January 2012, the amendment to the international accounting standard IAS 19 "Employee Benefits", endorsed on 6 June 2012, was applied in advance. The changes made in the amendment can be classified in three categories: measurement and recognition, additional 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 presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:
1) operating (service cost), personnel expenses;
2) financial (finance cost), net interest income/expense;
3) measuring (remeasurement cost), 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 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 because at the reporting date the benefits can be considered accrued in full.

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

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 aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:
- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the 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 provisions 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 the ownership rights nor effective control over the goods sold by the seller;
- 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 non-collectable 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

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 collectability of an amount already recognised, the non-collectable 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; 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 for 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 (Italian Corporate Income Tax) 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 was a 6.5% reduction in CO_2 emissions by 2012 compared with 1990.
Italian Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduced new rules for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013–2020.
The Group actively participates 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 provisions 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 electricity from renewable sources (Green Certificates). The Group is the owner of these certificates thanks to the production of electricity through hydroelectric plants, the Tecnoborgo and Iren Ambiente (PAI) waste-to-energy plant, biogas plants, as well as to the use of cogeneration plants associated with district heating;
- tradeable certificates (TEE or Energy Efficiency Certificates - EECs) from the Authority for electricity and gas (AEEG) which certify the adoption of energy saving measures (“White Certificates”).

For accounting purposes, these energy certificates 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 whether the company is bound or not bound to return the EECs. 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 EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted; conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year. Entities that are not bound to return EECs must recognise revenue and costs of the certificates sold and suspend among inventories any unsold certificates, measured at the weighted average cost.

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 APPLIED FROM 1 JANUARY 2015

As of 1 January 2015, the following standard, issued by the IASB and implemented by the European Union must be obligatorily applied:

- IFRIC 21 - Levies (Regulation 634/2014). Interpretation issued by IFRS IC on 20 May 2013 and retroactively applicable as of financial years starting on 17 June 2014 or later. The interpretation was issued to identify the method of recognising levies, that is payments to government entities for which the entity does not receive specific goods or services. The document identifies various types of levies, clarifying which event leads to the obligation which in turn determines, pursuant to IAS 37, recognition of a liability.

On 12 December 2013, the International Accounting Standards Board (IASB) published the document "Improvements to the International Financial Reporting Standards (2011–2013 Cycle)", subsequently adopted by the European Union with Regulation 1361/2014. These improvements, applicable as of financial years starting on 1 July 2014 or later, include amendments to the main international accounting standards:

- Improvement to IFRS 1 - First Time Adoption of IFRS: Meaning of IFRS effective. The amendment clarifies that at first adoption of IFRS, as an alternative to applying the standard effective as of the transaction date, the new standard that will substitute the current standard can be applied in advance.
- Improvement to IFRS 3 - Business combinations: Scope of application for joint ventures. The improvement clarifies the exclusion of all types of joint arrangements from the scope of application of IFRS 3.
- Improvement to IFRS 13 - Fair value measurement: Exception to fair value measurement of a group of assets and liabilities (paragraph 52). The amendment clarifies the possibility of measuring at fair value a group of assets and liabilities refers also to contracts within the scope of application of IAS 39 (or IFRS 9) that do not satisfy the definition of financial assets and liabilities provided in IAS 32 (for example, contracts to purchase and sell commodities that can be regulated in cash for their net value).
- Improvement to IAS 40 - Investment property (relationship between IFRS 3 and IAS 40). It is clarified that, in order to determine whether the purchase of a property falls within the scope of IFRS 3, the provisions of IFRS 3 must be referred to, while in order to determine whether the purchase falls within the scope of IAS 40, the specific indications of that standard must be referred to.

On 12 December 2013, the International Accounting Standards Board (IASB) published the document "Improvements to the International Financial Reporting Standards (2010–2012 Cycle)", subsequently adopted by the European Union with Regulation 28/2015. These improvements, applicable as of financial years starting on 1 July 2014 or later, include amendments to the main international accounting standards:

- Improvement to IFRS 2 - Share-based payment: Definition of "vesting condition". The definitions of vesting condition and market condition are amended, and new definitions for performance condition and service condition are introduced.
- Improvement to IFRS 3 - Business combinations: Recognition of contingent considerations. It is clarified that a contingent consideration relative to a business combination classified as an asset or liability must be measured at fair value at every financial reporting date, independent of whether it is a financial instrument governed by IFRS 9 or by IAS 39, or a non-financial asset or liability.
- Improvement to IFRS 8 - Operating segments: Aggregation of operating segments. The amendments require that information be provided about the measurements carried out by management in the process of aggregating operating segments.
- Improvement to IFRS 8 - Operating segments: Reconciliation of total assets for segment assets and total assets of the entity. The amendment requires that the reconciliation in question must be obligatorily provided only in the case that the total of assets for the operating segments is regularly provided to management.
- Improvement to IFRS 13 - Fair value measurement: Short-term receivables and payables. The improvement clarifies that the introduction of IFRS 13 does not change the possibility of recognising short-term receivables and payables without discounting, if the effects are not significant.
- Improvement to IAS 16 - Property, Plant and Equipment and Improvement to IAS 38 - Intangible Assets: Model to redetermine value. The amendments eliminate certain inconsistencies in recognition in amortisation/depreciation provisions when a tangible or intangible asset is the subject of

revaluation. In particular, it is clarified that the gross carrying amount must be adjusted in line with the revaluation of the net value of the asset and that the amortisation/depreciation provision is equal to the difference between the gross value and the net value, minus the loss in value previously recognised.
- Improvement to IAS 24 - Related party disclosures: Key management personnel. Certain provisions are clarified regarding identification of related parties and the disclosure to be provided with reference to key management personnel.

No significant effects were seen on the Group's financial statements following application of the amendments introduced.

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

As of 1 January 2016, the following accounting standards and amendments to account standards are applicable, as they have completed the EU approval process:
- Amendments to IAS 19 - Employee benefits: Defined benefit plans: employee contributions (Regulation 29/2015). Document issued by IASB on 21 November 2013, applicable as of financial years starting on 1 July 2014. The objective of the amendments is to simplify recognition of contributions that are independent of the number of years of service for employees, for example contributions from employees that are calculated on the basis of a fixed percentage of their salary.
- Amendments to IFRS 11 - Joint arrangements: Acquisition of an interest in a joint operation (Regulation 2173/2015). Amendments issued by IASB on 6 May 2014, applicable as of financial years starting on 1 July 2016, with early application allowed. The document establishes that the standards contained in IFRS 3 - Business Combinations relative to the recognition of the effects of a business combination must be applied to recognise the acquisition of an interest in a joint operation, whose activity is represented by a business.
- Amendments to IAS 16 and IAS 38 - Clarifications on acceptable methods of depreciation and amortisation (Regulation 2231/2015). Amendments issued by IASB on 12 May 2014, applicable as of financial years starting on 1 January 2016. The document specifies that the use of a revenue-based method for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenues generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflect factors other than deterioration of the economic benefits embodied in the assets themselves. The amendment is applicable starting from 1 January 2016.
- Amendments to IAS 27 - Separate Financial Statements (Regulation 2441/2015). Document issued by IASB on 12 August 2014. The amendments, applicable for financial years starting on 1 January 2016, allows use of the shareholders' equity method for recognising equity investments in subsidiaries, associates and joint ventures in the separate financial statements. The objective is to reduce the complexity of management and the relative costs for companies that operate under jurisdictions in which IFRS standards also apply to separate financial statements.

On 25 September 2014, the International Accounting Standards Board (IASB) published the document "Improvements to the International Financial Reporting Standards (2012–2014 Cycle)", subsequently adopted by the European Union with Regulation 2343/2015. These improvements, applicable as of financial years starting on 1 January 2016 or later, include amendments to the main international accounting standards:
- Improvement to IFRS 5 - Non-current assets held for sale and discontinued operations: change in disposal plan. The amendment establishes the guidelines to follow in the case an entity reclassifies an asset (or group being discontinued) from the held for sale category to the held for distribution category (or vice versa), or when the requirements for classifying an asset as held for distribution no longer exist.
- Improvement to IFRS 7 - Financial instruments: Disclosures. The document governs the introduction of additional guidelines to clarify whether a servicing contract constitutes residual involvement in a transferred asset for the purposes of the required disclosure. In addition, relative to offsetting of financial assets and liabilities, the document clarifies that this disclosure is not explicitly required for interim financial statements.

Nonetheless, the disclosure could be necessary to respect the requirements foreseen under IAS 34, if it is significant information.

- Improvement to IAS 19 - Employee benefits: discount rate issues. The document introduces amendments to IAS 19 in order to clarify that high quality corporate bonds used to determine the discount rate for subsequent benefits must be issued in the same currency used to pay the benefits. The amendments specify that the depth of the market for high quality corporate bonds should be assessed at the currency level.
- Improvement to IAS 34 - Interim financial reporting: placement of additional disclosures. The document introduces amendments to clarify the requirements when the required disclosure is presented in the interim report, but outside of the balance sheet sections. The amendment specifies that this disclosure is included through cross-references made between the two documents, provided that they are available to readers of the balance sheet in the same method and the same time.

Amendments to IAS 1 – Presentation of financial statements (Regulation 2406/2015). Document issued by IASB on 18 December 2014. The amendments, which apply as of financial years which start on 1 January 2016, have the goal of making financial statements clearer and more intelligible. The amendments introduced involve:

- materiality and aggregation - it is clarified that information about aggregation or disaggregation should not be obscured and that the concept of materiality applies to the balance sheet schemes, the notes to the statements and the specific disclosure requirements foreseen in the individual IFRS. It is clarified that disclosures specifically requested in the IFRS need to be provided only if the information is material;
- statement of financial position and statement of comprehensive income - it is clarified that the list of items specified in IAS 1 for these statements can be disaggregated and aggregated as necessary. In addition, guidelines are provided on the use of subtotals within the statements;
- presentation of other components in the statement of comprehensive income (OCI: other comprehensive income) - it is clarified that the portion of OCI for associates and joint ventures consolidated with the equity method must be presented in aggregate in a single item, distinguished based on whether they are components that could be reclassified to the income statement in the future or not;
- notes to the statements - it is clarified that entities can be flexible in defining the structure of the notes to the statements, and guidelines are provided on how to develop the structure of the notes.

The Group is currently evaluating the potential effects on the financial statements deriving from adoption of these standards or amendments to existing standards.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

Implementation is currently in course by the relevant bodies of the European Union for the following standards, updates amendments to IFRS standards (already approved by the IASB), as well as the following interpretations (already approved by the IFRS IC):

IFRS 9 - Financial instruments. •In July 2014 the IASB published the standard IFRS 9 "Financial Instruments". The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief the rules of IFRS 9 regard:

- the criteria for classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, by replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as measured at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;
- impairment of financial assets. The standard establishes that the entity must recognise the expected losses on its financial assets, where "loss" means the present value of all future lost revenue, and provide adequate information on the estimation criteria used;
- hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80–125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 9 will be applicable prospectively starting from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers. Standard published by IASB on 28 May 2014, replacing IAS 18 - Revenue, IAS 11 - Construction contracts, and interpretations SIC 31, IFRIC 13 and IFRIC 15. The new standard applies to all contracts with customers, with the exception of contracts that fall under the scope of IAS 17 - Leasing, for insurance contracts and financial instruments. The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:

i. the parties have approved the contract and have undertaken to perform their respective obligations;
ii. each party's rights in relation to the goods or services to be transferred and the payment terms have been identified;
iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);
iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

The new standard will be applicable starting from 1 January 2018.

Amendments to IFRS 10, IFRS 11, and IAS 28 - Investment entity: applying the consolidation exception. The document, published by IASB on 18 December 2014, introduces the following amendments:

- exemption from preparing consolidated financial statements for an intermediate parent entity is granted also for a parent entity that is a subsidiary of an investment entity;
- a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity;
- when applying the equity method to an associate or a joint venture that is an investment entity, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries;
- an investment entity measuring all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12.

IFRS 16 – Leases. Standard published by IASB on 13 January 2016, intended to replace IAS 17 - Leasing, as well as the interpretations IFRIC 4 “Determining whether an arrangement contains a lease”, SIC 15 “Operating leases - Incentives” and SIC 27 “Evaluating the substance of transactions in the legal form of a lease”. The new standard provides a new definition of lease and introduces criteria based the right of use for an asset to distinguish leasing contracts for services contracts, identifying as discriminating factors: identification of the asset, the right to replace the same, the right to obtain substantially all economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract. It will be applied as of 1 January 2019. Early application is allowed for entities that apply IFRS 15. In the coming months, detailed analysis will be done to assess the effects the introduction of IFRS 16 will have on the Group.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses. Document issued by IASB on 19 January 2016. The amendments, which apply for financial years starting on 1 January 2017, clarify how to recognise a deferred tax asset relative to a financial liability measured at fair value. Early application is allowed.

Amendments to IAS 7 - Disclosures. Document issued by IASB on 29 January 2016. The amendments, which apply to financial years starting on 1 January 2017, requires entities to provide information about changes in their financial liabilities, in order to allow users to better assess the reasons underlying changes in the entity’s debt.

As regards the new standards applicable starting from financial year 2016 or subsequent years assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

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 and control methods is shown below with respect to financial instruments (liquidity risk, exchange rate risk, interest rate risk, credit risk) and commodity price risk related to fluctuations in the prices of energy commodities.

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 the financial resources available to the company will be insufficient to cover financial and commercial commitments in accordance with the agreed terms and deadlines.
The Group Finance Department is 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 intra-group accounts along with intra-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 2015 the short-term bank credit facilities used by the Parent totalled Euro 72 thousand.

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 (*)	2,816,468	(3,278,386)	(228,044)	(1,562,564)	(1,487,778)
Hedging of interest rate risk	32,369	(32,369)	(10,694)	(21,799)	124

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

Cash flows required to settle other financial liabilities, other than those to lenders, do not differ significantly from the recognised carrying amount.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions. During 2015, the Iren Group took out new medium/long-term loans totalling Euro 800 million, entirely 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 31.12.2015, 69% of the residual amount payable for loans was contractualised at a fixed interest rate and 31% 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), we can note that the clauses in Iren's loan agreements are being observed. In particular, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants have been provided for. One is the Change of Control clause, which states that the IREN Group should be kept under direct and indirect control by Local Authorities. In addition, there are Negative Pledge clauses, 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 companies which contribute to the Group's Net Financial Position also envisage the observance of financial covenants which have been satisfied.

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

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. The 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 financial counterparties of high credit standing, for the sole purpose of hedging. At 31 December 2015 all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 83% of gross financial indebtedness against interest rate risk, in line with the Iren Group's 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 decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- in any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates was also applied on the portion of interest expense capitalised during the year;

With regard to hedges existing at year end, a 100 basis points theoretical upward and downward change was 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 2015.

thousands of euro

	100 bps increase	100 bps decrease
Increase (decrease) in net financial charges	5,496	(5,407)
Increase (decrease) in derivative fair value charges	2,331	(2,605)
Increase (decrease) in hedging reserve	14,466	(15,373)

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).

In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk results in particular from the current unfavourable economic and financial situation.

To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.

The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.

Credit risk is covered, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.

An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, "protected customer" electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

Provisions set aside for impairment of receivables adequately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to identify promptly the mitigation actions. In addition a project, led by the Credit Manager, has been activated with the aim of implementing specific recovery programmes and reviewing the processes for controlling and monitoring past-due receivables.

On a quarterly basis, the Risk Management Department collects, integrates and assesses the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need. Detailed ad hoc reporting has also been developed on receivables related to terminated services and to the maximum exposures in terms of past-due receivables.

With reference to credit concentration we can note the relations between the subsidiaries Iren Servizi e Innovazione and Amiat and the Municipality of Turin. For further details see in particular Note 8 "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 electricity, 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 electricity, with the aim of balancing energy self-production and market supply with the demand of Group customers.

In November and December 2014, two commodity derivative contracts (Commodity swaps on TTF index) were entered into as an energy portfolio hedge for 2015, for a total notional amount of 877 GWh. In September 2015 a further transaction of the same nature was entered into to hedge the last quarter of the year for a total of 686 GWh.
To hedge the 2016 energy portfolio, from September to December 2015 derivative transactions on commodities (Commodity swap on TTF, PSV and Pfor indexes) were entered into for a total notional amount of 5.1 TWh.
The fair value of agreements still in force on 31 December 2015 is a negative total of Euro 13,004 thousand.
Iren Mercato trading operations involve negotiating 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 2015 no financial contracts were in place that originate from such assets and are 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 in their fair values is recognised directly in the income statement;
- cash flow hedging transactions: the derivative is recognised at fair value with a contra entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective component and the deferred amount transferred from equity is based on the nature of the underlying instrument; in the case of commodity derivatives, this amount is accounted for in the gross operating margin, while in the case of interest rate risk hedges in financial income and expenses.

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, while the portion determined from measuring the derivative at the end of the period is classified under 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 asset and liability class 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 reporting date.
In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

	31.12.2015		31.12.2014	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Assets for hedging derivatives			-	-
Bonds due at more than 12 months (*)	(1,186,552)	(1,299,492)	(815,095)	(903,692)
Loans - non-current portion	(1,477,052)	(1,592,369)	(1,352,935)	(1,407,958)
Loans - current portion	(152,865)	(191,569)	(212,244)	(251,513)
Liabilities for hedging derivatives	(32,369)	(32,369)	(39,884)	(39,884)
Total	**(2,848,838)**	**(3,115,799)**	**(2,420,158)**	**(2,603,047)**

(*) At 31.12.2015, the fair value of the Put Bond was Euro 189,926 thousand (Euro 196,106 thousand at 31.12.2014)

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

FAIR VALUE HIERARCHY

The following table shows 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 identical assets or liabilities
- Level 2: input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices)
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

31.12.2015	Level 1	Level 2	Level 3	Total
Financial assets available for sale	388			388
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**388**	**-**	**-**	**388**
Derivative financial liabilities		(45,372)		(45,372)
Grand total	**388**	**(45,372)**		**(44,984)**

thousands of euro

31.12.2014	Level 1	Level 2	Level 3	Total
Financial assets available for sale	388			388
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets				-
Total assets	**388**	**-**	**-**	**388**
Derivative financial liabilities		(41,678)		(41,678)
Grand total	**388**	**(41,678)**	**-**	**(41,290)**

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

We can also note that 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

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the "Internal Regulation on Transactions with Related Parties" (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or CLF);
- 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 S.p.A. and its subsidiaries carry out related-party transactions in accordance with principles of transparency and correctness. 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.

Transactions with subsidiaries and associates

Intercompany Services - In order to make best use of the organisational synergies, 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.

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, based on intercompany loan agreements.
The Board of Directors also 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 Arts 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 2015, all financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A..
The tax consolidation scope includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, Iren Servizi e Innovazione, Iren Acqua Gas, Iren Mercato, Iren Energia, Iren Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia (from 1 October 2015 incorporated into Iren Energia), Enìatel, Tecnoborgo, Iren Ambiente, Iren Emilia, Genova Reti Gas, Iren Ambiente Holding, Iren Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren, TLR V and AMIAT.

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 Budget 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 intra-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 said 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.

Group VAT option - In terms of procedures, for 2015, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding VAT settlements and 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., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., Iren Gestioni Energetiche S.p.A., Genova Reti Gas S.r.l., Iren Ambiente S.p.A., Iren Emilia S.p.A., Iren Rinnovabili S.p.A., Enìa Solaris S.p.A., Idrotigullio S.p.A., TLR V S.p.A., Mediterranea delle Acque S.p.A., Nichelino Energia S.r.l. (incorporated into Iren Energia with effect from 1 October 2015), Greensource, Millenaria Fotovoltaico, Varsi Fotovoltaico, OC. Clim, Iren Ambiente Holding S.p.A., Tecnoborgo and Agriren.

Other significant transactions with associates
During 2015, Iren Mercato’s operations continued through a gas supply contract entered into with the associate 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.
Following the start-up of TRM S.p.A.’s waste-to-energy plant, during 2013, the following contracts were activated with the associate:
- “Operating Rules” related to the contract for Iren Ambiente to maintain the plant. The relations between Iren Ambiente and TRM regard, in addition, disposal in landfills of sludge and ash which remain after combustion and, marginally, conferment of waste by Iren Ambiente to the waste-to-energy plant;
- contract for the supply of electricity produced by the waste-to-energy plant to Iren Mercato.
- contract related to conferment of unsorted waste by AMIAT to the waste-to-energy plant.

Transactions with related-party shareholder Municipalities
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 adequate remuneration for the services.
It is important to note, furthermore, the relations with local authorities on whose territory Iren also operates through its subsidiaries.
Through Iren Servizi e Innovazione the Iren Group provides various services to the Municipality of Turin in support of its activities for the benefit of the citizens, such as management of public 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 are governed by specific long-term agreements.
It should be remembered that there is an agreement in place, signed during 2012, 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. This agreement was supplemented with *Addenda* signed in 2013, 2014 and 2015, all 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 benchmark analysis and definition of optimum maintenance plans.

The Iren Group, through Iren Mercato supplies the Municipalities of Genoa, Reggio Emilia, Parma and Piacenza with electricity and gas to the Municipalities of Genoa, Reggio Emilia and Parma, at the conditions normally applied to all 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, on the basis of long-term contracts.

Mediterranea delle Acque S.p.A. (controlled by Iren Acqua Gas) 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 all other customers.

The Group, through AMIAT provides the Municipality of Turin with environmental health and snow clearing services, and performs post-operative management of the "Basse di Stura" landfill site in accordance with the Service Contract in being since 1 January 2013, awarded through a public tender procedure, which provides for conditions substantially similar to those applied to all other customers. In this regard we can note that, with effect from 1 January 2015, a current account contract was signed by the City of Turin and AMIAT S.p.A. for management of the past-due receivables related to the above activities.

Iren Emilia and Iren Ambiente provide:
a) the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services at the conditions normally applied to all other customers;
b) the Municipality of Piacenza with drinking water and sewerage services based on supply contracts similar to those signed with all other customers;
c) the Municipality of Parma with public street lighting services;
d) the Municipality of Reggio Emilia with public park maintenance and snow clearing services;
e) the Municipality of Piacenza with public park maintenance, snow clearing and cemetery services.

It is worth recalling that a settlement agreement was signed with the Municipality of Parma to settle the credit/debit position with some Iren Group companies.

Transactions with shareholders - related parties
In accordance with 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.

Transactions with other related parties
On the basis of the "Internal Regulations on Transactions with Related Parties", the companies controlled, directly or indirectly, by Municipality shareholders which are Provincial Capitals, signatories of the current shareholder agreements and which have not withdrawn from the same have been identified as related parties.
The relations with such parties are mainly of a commercial nature and related to services provided to all other customers.

In particular we can note that in order to supply 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.

The information on financial and economic transactions with related parties, shareholders and related companies, is provided in the Notes to the Consolidated Financial Statements in paragraph “X. Annexes to the consolidated financial statements” which is considered an integral part of the present notes.

Transactions with Directors

Lastly, with regard to directors, we can note that other than regarding their offices held within the Group companies there have been no transactions with the directors.

VII. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

During 2015 the Group did not carry out significant non-recurrent events and/or transactions, as defined in the Communication, that is to say events or transactions the occurrence of which is non-recurring or transactions or events which are not repeated frequently in the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations

We can specify that during financial year 2015 the Group did not engage in any atypical and/or unusual operations, as defined in the Communication. Atypical and/or unusual operations are operations which owing to their significance/relevance, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the company's equity 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 15 March 2016. The Board of Directors authorised the Chairperson, and the Chief Executive Officer 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.

VIII. 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 31/12/2015	Accumulated amortisation at 31/12/2015	Carrying amount at 31/12/2015	Cost at 31/12/2014	Accumulated amortisation at 31/12/2014	Carrying amount at 31/12/2014
Land	93,731	(1,551)	92,180	93,846	(1,551)	92,295
Buildings	424,815	(134,197)	290,618	421,074	(120,597)	300,477
Plant and machinery	4,203,496	(1,777,653)	2,425,843	4,143,399	(1,635,059)	2,508,340
Industrial and commercial equipment	103,566	(77,738)	25,828	103,212	(75,809)	27,403
Other assets	159,709	(127,685)	32,024	193,451	(163,838)	29,613
Assets under construction and payments on account	40,583	-	40,583	34,118	-	34,118
Total	**5,025,900**	**(2,118,824)**	**2,907,076**	**4,989,100**	**(1,996,854)**	**2,992,246**

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

thousands of euro

	Opening balance	Increases	Decreases	Changes in the scope of consolidation	Reclassifications	Impairment losses for the period	Closing balance
Land	93,846	63	(194)	10	6	-	93,731
Buildings	421,074	4,587	(1,621)	3,344	442	(3,011)	424,815
Plant and machinery	4,143,399	62,286	(18,833)	4	16,919	(279)	4,203,496
Industrial and commercial equipment	103,212	4,646	(5,158)	736	130	-	103,566
Other assets	193,451	14,843	(49,734)	920	231	(2)	159,709
Assets under construction and payments on account	34,118	27,146	(2,953)	-	(17,728)	-	40,583
Total	**4,989,100**	**113,571**	**(78,493)**	**5,014**	**-**	**(3,292)**	**5,025,900**

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

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Changes in the scope of consolidation	Closing balance
Accumulated depreciation, land	(1,551)	-	-	-	(1,551)
Accumulated depreciation, buildings	(120,597)	(14,781)	1,584	(403)	(134,197)
Acc. depreciation, plant and machinery	(1,635,059)	(157,770)	17,796	(2,620)	(1,777,653)
Acc. depreciation, ind. and comm. equipment	(75,809)	(6,956)	2,698	2,329	(77,738)
Accumulated depreciation of other assets	(163,838)	(9,214)	46,178	(811)	(127,685)
Total	**(1,996,854)**	**(188,721)**	**68,256**	**(1,505)**	**(2,118,824)**

The column "Changes in the scope of consolidation" refers to the balances acquired on 1 July 2015 related to the company Acquedotto Savona and to the so-called "Ramo Ligure".

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

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

The increases in the period, equal to Euro 62,286 thousand, mainly refer to:
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for Euro 18,562 thousand;
- installation of new electronic meters for end customers and new connections to the electricity distribution network, totalling Euro 19,094 thousand;
- investments in cogeneration and hydroelectric plants of Euro 7,808 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.

Assets under construction and payments on account
The item assets under construction includes all expenses incurred for investments in progress and not yet in operation.

Amortisation/depreciation
Ordinary depreciation for financial year 2015, totalling Euro 188,721 thousand, was calculated on the basis of the rates indicated in the 2015 annual financial statements and considered representative of the residual useful life of the assets.
It is worth noting that, with Italian 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 "wet assets" (collection, regulation works, penstocks, drain pipes included in the business branch of the outgoing operator, the "transferable assets"), based on the revalued historical cost, net

of public capital grants, revalued, received by the operator for the construction of these assets, less normal wear;
- as regards "dry assets" (property, plant and equipment included in the business unit 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.

As a result of this legislation, starting from 2012, for transferable assets related to expired hydroelectric concessions with a residual carrying amount lower than the estimated amount payable to the outgoing operator (calculated based on the above provisions), the related depreciation has been suspended.

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 31/12/2015	Accumulated amortisation at 31/12/2015	Carrying amount at 31/12/2015	Cost at 31/12/2014	Accumulated amortisation at 31/12/2014	Carrying amount at 31/12/2014
Land	2,568	-	2,568	2,861	-	2,861
Buildings	13,955	(2,375)	11,580	12,618	(1,052)	11,566
Total	**16,523**	**(2,375)**	**14,148**	**15,479**	**(1,052)**	**14,427**

The item consists mainly of properties acquired from the company Sportingenova against the settlement of part of the receivable due from that company.
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 31/12/2015	Accumulated amortisation at 31/12/2015	Carrying amount at 31/12/2015	Cost at 31/12/2014	Accumulated amortisation at 31/12/2014	Carrying amount at 31/12/2014
Development costs	751	(745)	6	526	(526)	-
Industrial patents and similar rights	35,052	(10,486)	24,566	146,287	(121,492)	24,795
Concessions, licences, trademarks and similar rights	1,821,712	(681,900)	1,139,812	1,645,862	(577,448)	1,068,414
Other intangible assets	101,162	(48,413)	52,749	67,350	(37,912)	29,438
Assets under construction and payments on account	146,318	-	146,318	112,023	-	112,023
Total	**2,104,995**	**(741,544)**	**1,363,451**	**1,972,048**	**(737,378)**	**1,234,670**

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

thousands of euro

	Opening balance	Increases	Decreases	Changes in the scope of consolidation	Reclassifications	Impairment losses for the period	Closing balance
Development costs	526	414	(163)	-	625	(651)	751
Industrial patents and similar rights	146,287	5,163	(117,239)	466	375	-	35,052
Concessions, licences, trademarks and similar rights	1,645,862	60,431	(882)	81,870	35,567	(1,136)	1,821,712
Other intangible assets	67,350	44,428	(10,667)	51	-	-	101,162
Assets under construction and payments on account	112,023	67,675	-	3,195	(36,567)	(8)	146,318
Total	**1,972,048**	**178,111**	**(128,951)**	**85,582**	**-**	**(1,795)**	**2,104,995**

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

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Changes in the scope of consolidation	Reclassifications	Closing balance
Acc. amort., development costs	(526)	(166)	163	-	(216)	(745)
Acc. amort. of ind. patents and similar rights	(121,492)	(9,576)	121,097	(432)	(83)	(10,486)
Acc. amortisation of licences, trademarks and similar rights	(577,448)	(59,659)	31	(46,627)	1,803	(681,900)
Acc. amortisation of other intangible assets	(37,912)	(9,138)	141	-	(1,504)	(48,413)
Total	**(737,378)**	**(78,539)**	**121,432**	**(47,059)**	**-**	**(741,544)**

The column “Changes in the scope of consolidation” refers to the balances acquired on 1 July 2015 related to the company Acquedotto Savona and to the so-called “Ramo Ligure”.

The breakdown of the items that make up intangible assets is presented below.

<u>Industrial patents and intellectual property use rights</u>
This item mainly relates to the total costs borne for the purchase and internal production 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.

<u>Concessions, licences, trademarks and similar rights</u>
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:
- expense for the ordinary maintenance of electrical systems and special installations of the Municipality of Turin, 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 126,723 thousand (Euro 124,407 thousand at 31 December 2014) and mainly refers to goodwill for:
- acquisition of control over 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 of Euro 23,202 thousand (allocated to the integrated water service CGU);
- acquisition of ENEL's business unit related to the distribution and sale of electricity 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 electrical facilities of the city of Parma, for an amount of Euro 10,444 thousand (allocated for Euro 3,023 thousand to energy infrastructures CGU, especially electricity networks and for Euro 7,421 thousand to the market CGU);
- 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 compared to 31 December 2014 of Euro 2,316 thousand refers to acquisition of the so-called "Ramo Ligure" by Iren Acqua Gas and of its subsidiary Acquedotto di Savona S.p.A., acquired from Acque Potabili S.p.A..

Goodwill is considered 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 notes 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 Ambiente Holding, Iren Emilia, Iren Energia e Iren Mercato), when specific impairment triggers occur with special reference to goodwill, assets and value recoverability of their equity investments.

The impairment test procedure at 31 December 2015 was carried out in methodological continuity with that adopted at 31 December 2014.

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 economic and financial projections, with an explicit plan horizon of 5 years, and the pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all businesses. It can be noted that the investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. The average of the perpetual yield and net invested capital was used as the control method. This is based

on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital.
The discount rate, defined by the pre-tax weighted average cost of capital (WACC), is calculated specifically for each SBU and is included in the 5.50%-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 2015 on the CGUs, corresponding to the business sectors described in the foreword to these notes, highlighted no impairment losses.
The second-level impairment test carried out by the individual First-Level Companies showed no necessary impairment of Associates, Joint Ventures and Other investee companies.

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 the light of the current volatility of markets and the uncertain economic prospects for the future, the company considers it opportune to point out that the regulated businesses are subject to a specific sector legislation which governs margins. These businesses, therefore, have stable and foreseeable margins also in turbulent market periods.

NOTE 5_EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments accounted for using the equity method are equity investments in companies in which the Group has joint control or exercises a significant influence.
The Group companies measured using the equity method at 31 December 2015 are shown in an annex.
Changes in the period are shown in the tables below.

Equity investments in joint ventures

thousands of euro

	31/12/2014	Increases	Writebacks-writedowns for equity	Distribution of dividends	Other changes	31/12/2015
Acque Potabili (formerly Sviluppo Idrico)	12,008	-	662	(19,408)	27,722	20,984
Iren Rinnovabili	16,561	-	(176)	-	(38)	16,347
OLT Offshore LNG	29,622	4,082	(14,931)	-	-	18,773
Società Acque Potabili	27,337	385	-	-	(27,722)	-
TOTAL	**85,528**	**4,467**	**(14,445)**	**(19,408)**	**(38)**	**56,104**

The other changes relate to the merger by incorporation of the Company Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., which occurred on 20 January 2015, with accounting and fiscal effects starting retroactively from 1 January 2015.
With the same deed dated 20 January 2015 Sviluppo Idrico S.p.A. assumed the company name Acque Potabili S.p.A. For further details, see the disclosures in the paragraph "Significant events of the period" in the Director's Report.
The increases refer substantially to the classification of the receivable of Iren Mercato from ASA related to the latter's equity investment in OLT Offshore LNG for Euro 4.1 million.
The "Writebacks-writedowns for equity" refer substantially to the adjustment of value at which the equity investment in OLT Offshore LNG is recognised pro-rata of its equity.

Equity investments in associates

thousands of euro

	31/12/2014	Increases - Decreases	Writebacks-writedowns for equity	Distribution of dividends	Measurements with direct effect on equity	Other changes	31/12/2015
A2A Alfa	463	-	(18)	-	-	-	445
Acos	8,095	-	535	(109)	(6)	7	8,522
Acos Energia	885	-	284	-	-	-	1,169
Acquaenna	-	-	-	-	-	-	-
Aguas de San Pedro	6,320	-	-	(60)	-	-	6,260
Aiga	285	-	(70)	-	-	-	215
Amat	3,071	-	28	-	-	-	3,099
Amter	658	-	(16)	-	-	-	642
Asa	24,090	-	4,999	-	625	13	29,727
Astea	20,576	-	617	(199)	(30)	(139)	20,825
Asti Energia Calore	-	10	(10)	-	-	-	-
Atena	6,494	-	807	(683)	(102)	(19)	6,497
Domus Acqua	72	-	40	-	-	-	112
Ecoprogetto Tortona	-	2,200	-	-	-	-	2,200
Fingas	5,314	-	494	-	-	-	5,808
Gica	-	-	-	-	-	-	-
Global Service Parma	6	-	-	-	-	-	6
Il tempio	152	-	26	(70)	-	-	108
Iniziative Ambientali	496	-	(8)	-	-	-	488
Mestni Plinovodi	4,859	-	-	-	-	-	4,859
Mondo Acqua	142	-	426	-	-	-	568
Nord Ovest Servizi	3,405	970	-	-	-	-	4,375
Rio Riazzone	222	-	2	-	-	-	224
Salerno Energia Vendite	1,939	-	804	(489)	-	-	2,254
Sea Power & Fuel	3	(3)	-	-	-	-	-
Sinergie Italiane	-	-	-	-	-	-	-
Sosel	777	-	194	(22)	-	-	949
Tirana Acque	-	-	-	-	-	-	-
TRM V	60,752	-	(991)	-	2,972	511	63,244
Valle Dora Energia Srl	498	-	48	-	-	-	546
TOTAL	**149,574**	**3,177**	**8,191**	**(1,632)**	**3,459**	**373**	**163,142**

The measurements with a direct effect on equity, a positive Euro 3,461 thousand, refer mainly to the proportion of the change in fair value, for the effective part, of the derivative entered into by TRM S.p.A., controlled by TRM V, to hedge the oscillation of interest rates on the existing loan.

As regards the equity investment in Sinergie Italiane, the carrying amount of which is zero, the provisions for risks against the risk of future losses of this investee amounted to Euro 10,000 thousand.

NOTE 6_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. 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 2015 is shown in an annex.
Changes for the year are shown in the following table:

thousands of euro

	31/12/2014	Increases	31/12/2015
Acque Potabili Siciliane	-	-	-
Astea Energia	7	-	7
Atena Patrimonio	10,645	-	10,645
Autostrade Centro Padane	1,248	-	1,248
BT Enia	2,110	-	2,110
C.R.P.A.	52	-	52
CIDIU	2,294	-	2,294
Consorzio Italiano Compostatori	3	-	3
Consorzio Leap	10	-	10
Consorzio Topix	5	-	5
Cosme	2	-	2
CSP Innovazione nelle ICT	28	-	28
Energia Italiana	-	-	-
Environment Park	1,243	-	1,243
Fondo Core Multiutilities	100	-	100
Italeko AD.	11	-	11
RE Innovazione	8	4	12
Rupe	10	-	10
SDB Società di biotecnologie	10	-	10
Stadio di Albaro	27	-	27
T.I.C.A.S.S.	4	-	4
TOTAL	**17,817**	**4**	**17,821**

NOTE 7_NON-CURRENT TRADE RECEIVABLES

The item amounted to Euro 73,788 thousand (Euro 51,232 thousand at 31 December 2014) and refers to the receivables of the integrated water service for lower volumes supplied with respect to the constraint of revenue due to the operator; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery in the fee after two years.

NOTE 8_NON-CURRENT FINANCIAL ASSETS

This item, equal to Euro 53,012 thousand (31 December 2014: Euro 66,439 thousand), refers to securities other than equity investments, financial receivables and the fair value of derivatives.

Securities other than equity investments

The item in question includes securities considered, on the basis of the provisions of IAS 39 – *Financial Instruments: Recognition and Measurement*, as held for sale or as investments held to maturity.

Specifically they amount to Euro 36 thousand (Euro 40 thousand at 31 December 2014) and refer to securities given as collateral to authorities, classified as held-to-maturity investments, and measured at amortised cost.

Non-current financial receivables and fair value of derivatives

thousands of euro

	31/12/2015	31/12/2014
Non-current financial receivables from joint ventures	30,236	30,839
Non-current financial receivables from associates	1,043	1,194
Non-current financial receivables from related-party shareholders	20,098	32,141
Non-current financial receivables from others	1,599	2,225
Total	**52,976**	**66,399**

Non-current financial receivables from joint ventures regard receivables from Iren Rinnovabili (Euro 5,000 thousand) and from its subsidiaries Enia Solaris (Euro 18,000 thousand), Greensource (Euro 4,258 thousand), Millenaria (Euro 1,612 thousand) and Varsi (Euro 1,366 thousand).

Financial receivables from associates relate to amounts due from the companies Acquaenna, Aiga and Asti Energia Calore whose amounts are not individually significant.

Receivables from related-party shareholders refer to amounts due from the Municipality of Turin for Euro 19,614 thousand and from the Municipality of Genoa for Euro 484 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. and the Municipality of Turin.

These receivables form part of an overall position, totalling Euro 179,256 thousand, and are divided among various accounting items according to their classification by type and maturity: Trade receivables (Note 12) and Current financial assets – financial receivables from Parents (Note 15), as shown in the following table.

thousands of euro

	31/12/2015	31/12/2014
Trade receivables for services on invoices issued	50,595	135,186
Trade receivables for services on invoices to be issued	5,918	8,095
Trade receivables for electricity and other supplies	8,256	14,755
Provisions for impairment of receivables	(7,770)	(5,388)
Total trade receivables	**56,999**	**152,648**
Non-current portion of financial receivables in current account	19,614	31,644
Total non-current financial receivables	**19,614**	**31,644**
Current portion of financial receivables in current account	99,899	16,100
Financial receivables for interest	2,744	3,208
Total current financial receivables	**102,643**	**19,308**
Total	**179,256**	**203,600**

We can note that at 31 December 2014 trade receivables included in the balance also those claimed by the company AMIAT from the Municipality of Turin for environmental and winter road management

services, for Euro 126,947 thousand. Starting from 1 January 2015 part of these trade receivables (Euro 77,430 thousand at 31 December 2015) is recognised in current financial receivables, following the signing of a specific current account agreement, and classified as short-term.
From a prudential assessment carried out by the Directors, based on the agreements signed with the Municipality of Turin, it is estimated that approximately Euro 102.6 million of the financial receivables from the Municipality of Turin are collectible within 12 months.
The Iren Group's total exposure towards the Municipality of Turin decreased by Euro 24,344 thousand compared to 31 December 2014.

NOTE 9_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2015	31/12/2014
Guarantee deposits	11,291	13,136
Tax assets after 12 months	17,722	14,067
Other non-current assets	3,281	4,051
Non-current accrued income and prepaid expenses	11,004	15,752
Total	**43,298**	**47,006**

Receivables for guarantee deposits refer mainly to amounts paid to the investee Sinergie Italiane.
Tax assets at more than 12 months mainly include the credits accrued following the application to deduct IRAP from IRES, Art. 2 paragraph 1 *quater* Italian Law Decree No. 201 of 6 December 2011 and the credits for the IRPEF advance on post-employment benefits paid in accordance with Italian Law 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 Iren Gestioni Energetiche S.p.A.

NOTE 10_DEFERRED TAX ASSETS

These total Euro 252,812 thousand (Euro 277,678 thousand at 31 December 2014) 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.
The reduction compared to 31 December 2014 was due above all to the recalculation of net deferred tax assets following the reduction of the IRES rate from 27.5% to 24% starting from 2017 (2016 Stability Law).
Reference should be made to the income statement, Note 43 "Income tax expense" shown in the annex, for further details.

CURRENT ASSETS

NOTE 11_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.
The summary of changes occurring over the period is as follows:

thousands of euro

	31/12/2015	31/12/2014
Raw materials	128,440	120,013
Inventory write-down provision	(41,731)	(39,680)
Carrying amount	**86,709**	**80,333**
Contract work in progress	9,628	1,326
Total	**96,337**	**81,659**

The increase in raw materials in the period was essentially due to the increase in gas stocks.
The increase of contract work in progress was mainly due to progress on the IP Turin Led project.
The inventory write-down provision was set aside and is used to take into consideration inventories that are technically obsolete and slow-moving.

At 31 December 2015 no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2015	31/12/2014
Receivables from customers	840,544	878,030
Provisions for impairment of receivables	(153,566)	(142,578)
Net receivables from customers	**686,978**	**735,452**
Trade receivables from joint ventures	7,469	17,676
Trade receivables from associates	23,857	27,370
Trade receivables from other Group companies	31,118	19,578
Trade receivables from related-party shareholders	102,899	186,804
Provisions for impairment of receivables from related-party shareholders	(11,299)	(8,916)
Total	**841,022**	**977,964**

The reduction in receivables was essentially due to a decrease in trade receivables from related-party shareholders of Euro 83,915 thousand, mainly for the reasons explained in Note 8 and to the reduction in net receivables from customers.
We can note that at 31 December 2015 factoring transactions were completed with derecognition of the receivables for a total of Euro 61,746 thousand.

Trade receivables, gross of provisions for impairment of receivables, are broken down by maturity as follows:

thousands of euro

	31/12/2015	31/12/2014
Not past due	585,063	582,857
Past due from 0 to 3 months	115,029	158,753
Past due from 3 to 12 months	80,460	144,633
Past due for more than one year	225,335	243,215
Total	**1,005,887**	**1,129,458**

Receivables from customers
These mainly relate to receivables due for electricity, gas, water and heat supplies, environmental services and sundry services. The balance takes into account the provisions for impairment of receivables, illustrated below, for Euro 153,566 thousand (Euro 142,578 thousand at 31 December 2014).

Receivables from joint ventures
This item includes receivables from the Group joint ventures, consolidated with the equity method. These relate to normal trade transactions performed at arm's length. For further details, please see 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, please see the table of transactions with related parties shown in the annex.

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

Receivables from related-party shareholders
Receivables from related-party shareholders refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. The balance takes into account the allowance for impairment of accounts receivable of Euro 11,299 thousand (Euro 8,916 thousand at 31 December 2014). For further details, please see 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

	31/12/2014	Provisions set aside in the period	Utilisations	Release	Reclassifications	Changes in the scope of consolidation	31/12/2015
Provisions for impairment of receivables	142,578	49,204	(41,195)	(2,240)	2,415	2,804	153,566
Provisions for impairment of receivables from related-party shareholders	8,916	435	-	-	1,948	-	11,299
Total	**151,494**	**49,639**	**(41,195)**	**(2,240)**	**4,363**	**2,804**	**164,865**

The provision was used to cover losses on receivables. The provisions for the year take into account the usual and thorough analyses as well as the current economic situation.

NOTE 13_CURRENT TAX ASSETS

These amount to Euro 19,991 thousand (Euro 19,334 thousand at 31 December 2014) and include receivables from the tax authority for IRES and IRAP.

NOTE 14_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2015	31/12/2014
Receivables for revenue tax/UTIF	1,700	65,388
VAT credit	13,859	4,027
Other tax assets	5,609	3,956
Tax assets due within one year	**21,168**	**73,371**
Receivables from CCSE	72,780	56,540
Green certificate receivables	20,387	43,939
Advances to suppliers	9,564	4,285
Other current assets	18,211	32,464
Other current assets	**120,942**	**137,228**
Accruals and deferrals	21,256	22,835
Total	**163,366**	**233,434**

We can note that at 31 December 2015 factoring transactions were completed with derecognition of receivables for green certificates, for energy-efficiency certificates and for Emission Trading for a total of Euro 45,915 thousand.
The decrease in receivables for income taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.
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.

NOTE 15_CURRENT FINANCIAL ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2015	31/12/2014
Financial receivables from joint ventures	444,202	437,762
Financial receivables from associates	386	4,423
Financial receivables from Municipalities shareholders-related parties	102,643	19,308
Other financial receivables	4,071	9,808
Total	**551,302**	**471,301**

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.

Financial receivables from joint ventures
They mainly regard receivables from the joint venture OLT Offshore related to the loan granted by the company Iren Mercato for Euro 439,000 (Euro 433,000 thousand at 31 December 2014), receivables from the joint venture Acque Potabili S.p.A. (formerly Sviluppo Idrico S.p.A.) of Euro 2,384 thousand (2,418 thousand at 31 December 2014) and receivables from Iren Group Rinnovabili for 2,818 (2,344 at 31 December 2014).

Financial receivables from associates
The item refers to receivables from associates for single non-significant amounts. For further details please see the schedule of transactions with related parties shown in the annex. At 31 December 2014 receivables from the joint venture ASA amounted to Euro 4,082 thousand.

Financial receivables from shareholders - related parties
These regard receivables on which interest accrues for the Group and amount to Euro 102,643 thousand (Euro 19,308 thousand at 31 December 2014). They refer to the short-term balance of the current account (and of the related interest) which governs trading and financial transactions between the subsidiaries Iren Servizi e Innovazione S.p.A. and AMIAT S.p.A. and the Municipality of Turin, as already described in Note 8, to which you are referred 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 19,614 thousand).

Other financial receivables
These include receivables for dividends of associates to be collected, accrued income and prepaid expenses of a financial nature, sundry financial receivables and government bonds classified as available for sale. At 31 December 2014 they also included the payment made to the company UCH Holding srl (Euro 6,000 thousand), repaid in the first quarter of 2015.

NOTE 16_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2015	31/12/2014
Bank and postal deposits	137,948	50,387
Cash and valuables in hand	1,628	1,207
Other cash and cash equivalents	-	7
Total	**139,576**	**51,601**

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 17_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 5,420 thousand (Euro 10,762 thousand at 31 December 2014).

For Euro 4,940 thousand (Euro 9,440 thousand at 31 December 2014) they refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business. In the absence of a reliable and comparable market reference, and therefore assuming a fair value equal to the portion of equity held by the Group (30%), the carrying amount of the equity investment was written down for the value of the dividends distributed to Iren in the first half of 2015 (Euro 4,500 thousand).

Euro 322 thousand (unchanged from 31 December 2014) relates to the equity investment in SMAG.

Euro 158 thousand (unchanged from 31 December 2014) refers to the associate Piana Ambiente.

In addition, assets held for sale include the investment in Fata Morgana which at 30 June 2015 was completely written down.

Al 31 December 2014 Euro 842 thousand referred to the equity investments in VEA Energia Ambiente Srl and Valfontanabuona Sport was also present. These investments were sold in 2015.

LIABILITIES

NOTE 18_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2015	31/12/2014
Share capital	1,276,226	1,276,226
Reserves and retained earnings (Losses)	429,444	401,198
Net profit /(loss) for the period	118,193	85,795
Total equity attributable to owners of the Parent	**1,823,863**	**1,763,219**
Share capital and reserves attributable to non-controlling interests	215,923	213,736
Profit (loss) - non-controlling interest	21,880	16,594
Total consolidated equity	**2,061,666**	**1,993,549**

Share capital

The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2014), fully paid up, and consists of 1,181,725,677 ordinary shares with a face value of Euro 1 each and 94,500,000 savings shares without voting rights with a face value of Euro 1 each.

The 94,500,000 Iren savings shares, 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 rules 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

	31/12/2015	31/12/2014
Share premium reserve	105,102	105,102
Legal reserve	39,360	36,855
Hedging reserve	(36,665)	(39,695)
Other reserves and retained earnings (losses)	321,647	298,936
Total reserves	**429,444**	**401,198**

<u>Hedging reserve</u>

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a contra-entry directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

<u>Other reserves and retained earnings (losses)</u>

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 financial year 2015 they increased owing mainly to the retained earnings of financial year 2014 and to the effective portion of changes in the fair value of hedging derivatives and for actuarial gains related to employee benefits. For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 19_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 2,698,648 thousand (Euro 2,210,821 thousand at 31 December 2014) and consist of:

Bonds

These amount to Euro 1,186,551 thousand (Euro 815,095 thousand at 31 December 2014), of which:

- Euro 155,311 thousand (Euro 156,621 thousand at 31 December 2014) relate to two non-convertible puttable 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 third auction was conducted in September 2015 with definition of the credit spread for the period September 2015 - September 2017. The amount refers to the amortised cost, in accordance with the IASs;
- Euro 1,031,240 thousand (Euro 658,474 thousand at 31 December 2014) referred to Private Placement and Public Bond issues. Private Placement: a) Notes maturity 2020, coupon 4.37%, amount of issue 260 million, currently in issue for 200.5 million following the buy-back (tender offer) carried out in December; b) Notes maturity 2019, coupon 3%, amount of issue 100 million, currently in issue for 90.1 million following the tender offer as above. Public Bond: a) Notes maturity 2021, coupon 3%, amount of issue 300 million, currently in issue for 250.019 million following the tender offer as above; b) Notes maturity 2022, coupon 2.75%, amount 500 million, inaugural issue in November 2015, as part of an EMTN programme for a total of 1 billion euro. The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were given a Fitch rating. The carrying amount refers to the amortised cost, pursuant to the IASs.

Non-current bank loans

These exclusively relate to the non-current portion of bank loans and amount to Euro 1,477,052 thousand (Euro 1,352,935 thousand at 31 December 2014).

Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and maturity date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	2.79% - 5.50%	0.05% - 2.76%	
maturity	2017–2027	2017–2030	
2017	109,869	48,568	158,437
2018	62,129	292,127	354,256
2019	58,845	298,427	357,272
2020	61,085	62,067	123,152
subsequent	368,771	115,164	483,935
Total payables at 31/12/2015	**660,699**	**816,353**	**1,477,052**
Total payables at 31/12/2014	**749,077**	**603,858**	**1,352,935**

All loans are denominated in Euro.

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

thousands of euro

	31/12/2014 Total payables	Increases	Changes in the consolidation scope	Repayments	Amortised cost adjustments	31/12/2015 Total payables
- fixed rate	**749,077**	0	0	(88,556)	178	**660,699**
- floating-rate	**603,858**	300,000	0	(87,063)	(442)	**816,353**
TOTAL	**1,352,935**	**300,000**	**0**	**(175,619)**	**(264)**	**1,477,052**

Total non-current loans at 31 December 2015 increased compared to 31 December 2014 due to the following changes:

- increases for a total of Euro 300 million, owing to disbursement to the Parent Company of new loans: UniCredit 50 mln and Cassa Depositi e Prestiti 100 mln disbursed in January, Banca Intesa 50 mln and Mediobanca 50 mln disbursed in July, BEI 50 mln first disbursement in December, part of the total loan of 150 mln for the Genoa and Parma water services project;
- reduction of a total of Euro 175,619 thousand, owing both to early repayment of loans (21 mln at floating rate of the Parent Company from EIB and 1.8 mln of Nichelino Energia), and to the reclassification to short term of the portions of loans maturing within the next 12 months;
- changes in amortised cost for the purpose of IAS accounting of loans.

Other financial liabilities

These amount to Euro 35,045 thousand (Euro 42,792 thousand at 31 December 2014) of which Euro 32,369 thousand (Euro 39,884 thousand at 31 December 2014) 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 2,676 thousand (Euro 2,907 thousand at 31 December 2014) to sundry financial payables.

NOTE 20_EMPLOYEE BENEFITS

Changes in this item in 2015 were as follows:

thousands of euro

Amount at 31/12/2014	**148,971**
Current service costs	918
Financial expenses	1,602
Disbursements for the year	(13,336)
Actuarial (gains)/losses	(9,163)
Changes in the scope of consolidation	1,014
Other changes	5,086
Amount at 31/12/2015	**135,092**

The item "Changes in the scope of consolidation" refers to the balances acquired on 1 July 2015 related to the company Acquedotto Savona and to the so-called "Ramo Ligure".

Liabilities for employee benefits consist of:

Post-employment benefits
Post-employment benefits underwent the following movements during 2015:

	thousands of euro
Amount at 31/12/2014	**110,158**
Current service costs	378
Financial expenses	1,108
Disbursements for the year	(11,772)
Actuarial (gains)/losses	(4,367)
Changes in the scope of consolidation	1,014
Other changes	27
Amount at 31/12/2015	**96,546**

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
Amount at 31/12/2014	**4,675**
Current service costs	61
Financial expenses	32
Disbursements for the year	(96)
Actuarial (gains)/losses	(180)
Reclassifications	(1,325)
Other changes	9
Amount at 31/12/2015	**3,176**

<u>Loyalty bonus</u>

	thousands of euro
Amount at 31/12/2014	**2,201**
Current service costs	161
Financial expenses	28
Disbursements for the year	(419)
Actuarial (gains)/losses	(151)
Reclassifications	1,325
Other changes	(13)
Amount at 31/12/2015	**3,132**

Tariff discounts

	thousands of euro
Amount at 31/12/2014	**31,058**
Current service costs	318
Financial expenses	426
Disbursements for the year	(974)
Actuarial (gains)/losses	(4,444)
Other changes	478
Amount at 31/12/2015	**26,862**

Premungas fund

	thousands of euro
Amount at 31/12/2014	**879**
Financial expenses	8
Disbursements for the year	(75)
Actuarial (gains)/losses	(21)
Other changes	4,585
Amount at 31/12/2015	**5,376**

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 electricity 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 measurements provided for in 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	0.91% - 2.03%
Annual inflation rate	1.50% - 2.00%
Annual rate of electricity price increase	1.50% - 2.00%
Annual increase rate of post-employment benefits	2.63% - 3.00%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the 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 2016	Duration of the plan
	+0.25%	-0.25%		
Termination benefits	(1,858)	2,284	246	9.8
Additional monthly salaries	(86)	90	110	7.8
Loyalty bonus	-	-	130	6.9
Tariff discounts	(798)	841	162	12.9
Premungas	(105)	109	-	7.5

NOTE 21_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	Increases	Decreases	Income (expense) to be discounted	Changes in the scope of consolidation	Closing balance	Current portion
Dilapidation provisions	122,293	13,241	(1,916)	408	616	134,642	2,442
Provisions for landfill post-closure	27,621	5,259	(4,518)	3,343	-	31,705	3,008
Provisions for dismantling and reclaiming sites	25,060	1,228	(686)	2,071	-	27,673	2,625
Provisions for CIG/CIGS	15,351	889	(4,642)	-	-	11,598	753
Provisions for early retirement expenses	36,095	5,982	(10,324)	187	-	31,940	13,404
Provisions for risks on investments	10,695	-	(44)	-	-	10,651	10,651
Other provisions for risks and charges	164,276	48,330	(71,066)	654	304	142,498	65,522
Total	**401,391**	**74,929**	**(93,196)**	**6,663**	**920**	**390,707**	**98,405**

<u>**Dilapidation provisions**</u>

These provisions refer mainly to liabilities which, if the 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 service 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 aside the aforementioned provisions. The remainder of the provisions represents an estimate of the expense necessary to return assets in concession of the hydroelectric sector in perfect working order.

<u>**Provisions for landfill post-closure**</u>

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 2015. Decreases also refer to the utilisation of the provision to cover costs incurred over the period with regard 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.

Provisions for dismantling and reclaiming sites

The "Provisions for dismantling and reclaiming 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.

Provisions for CIG/CIGS

The provisions 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. The Directors consequently decided to arrange regular payment of the redundancy payment CIG (and CIGS and mobility) contributions from 2014. These provisions continue to include the prudential estimate of potential additional amounts and collection charges for a total of Euro 11,598 thousand.

Provisions for early retirement expenses

The provisions refer to expenses associated with early retirement of some employees and arises from the results of an agreement between the Iren Group and the Trade Unions that provides for incentives for accompaniment to early retirement of some employees, through acceptances on a voluntary basis among the Group's workers potentially interested. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.
The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the oldest personnel to retire up to 24 months before the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.
The provisions represent the estimated payment to the employees involved in the Plan, through the INPS, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the INPS of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

Provisions for risks on equity investments

This item mainly refers to risks relating to the protection against future losses of 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 decreases column includes Euro 4,363 thousand reclassified to the provision for impairment of receivables.

The current portion referring to the provisions described above was presented under "provisions, current portion" (Note 28).

NOTE 22_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 141,840 thousand (Euro 162,343 thousand at 31 December 2014) 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.
The reduction compared to 31 December 2014 was due above all to the recalculation of deferred tax liabilities following the reduction of the IRES rate from 27.5% to 24% starting from 2017 (2016 Stability Law).

Reference should be made to the income statement, Note 43 “Income tax expense” shown in the annex, for further details.

NOTE 23_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	31/12/2015	31/12/2014
Payables after one year	35,548	42,092
Deferred income for grants related to plants – non current	165,639	154,889
Non-current accrued expenses and deferred income	4,022	3,644
Total	**205,209**	**200,625**

The item “Payables after 12 months” refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the redundancy fund (CIG), for the extraordinary redundancy fund (CIGS) and for mobility and to the amount of the substitutive tax calculated on the capital gain deriving from the contribution of part of the property assets to the Core Multiutilities Fund to be paid at more than 12 months from the reporting date.

CURRENT LIABILITIES

NOTE 24_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

	31/12/2015	31/12/2014
Bank loans	171,216	605,122
Financial payables to joint ventures	1,369	5,378
Financial payables to associates	107	87
Financial payables to related-party shareholders	-	446
Financial payables to others	28,915	51,377
Derivative payables - current	13,004	1,794
Total	**214,611**	**664,204**

Bank loans

Current bank loans may be broken down as follows:

thousands of euro

	31/12/2015	31/12/2014
Loans - current portion	152,865	212,244
Other current payables to banks	6,329	381,128
Accrued financial expenses and deferred financial income	12,022	11,750
Total	**171,216**	**605,122**

The notable decrease in other current payables to banks with respect to the previous year mainly is due to lower use of hot money associated with the issuing of the Euro 500 million bond loan which repositioned part of short term debt to long term debt.

Financial payables to joint ventures

This item relates to amounts due to the Iren Rinnovabili Group.

Financial payables to associates

This item relates to amounts due to the company Valle Dora Energia.

Financial payables to related-party shareholders

These were not present at 31 December 2015. At 31 December 2014 these referred to payables to the Municipalities of Genoa (Euro 439 thousand) and Piacenza (Euro 7 thousand).

Financial payables to others

These mainly regard payables to factoring companies for advances on invoices issued (Euro 27,716 thousand).

Derivative payables - current

These relate to the negative fair value of derivative contracts on commodities entered into by Iren Mercato.

NOTE 25_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

	31/12/2015	31/12/2014
Trade payables	667,139	788,426
Trade payables to joint ventures	217	3,043
Trade payables to associates	36,368	21,528
Trade payables to related-party shareholders	18,362	18,717
Trade payables to minor Group companies	8,191	21,794
Advances due within one year	45,979	6,486
Guarantee deposits due within one year	21,048	13,328
Charges to be reimbursed within one year	1,392	1,401
Total	**798,696**	**874,723**

NOTE 26_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

	31/12/2015	31/12/2014
VAT payable	8,384	30,013
IRPEF payable	9,279	12,097
Other tax liabilities	11,526	8,523
Tax liabilities due within one year	**29,189**	**50,633**
Payables to employees	33,672	31,812
Payables to C.C.S.E.	58,132	52,072
Accounts payable to social security institutions within one year	17,208	24,479
Other current liabilities	69,281	73,308
Other payables due within one year	**178,293**	**181,671**
Accrued expenses and deferred income	12,751	16,279
Total	**220,233**	**248,583**

The increase in payables to Cassa Conguaglio del Settore Energetico (the Electricity Industry Clearing House) of the period is related to the estimates of negative equalisation of electricity and gas.

The other current liabilities include, among other things, the cost estimates for environmental expenses (passive green certificates), for the obligations related to energy efficiency certificates and payables for purification fees. The decrease compared to the previous year resulted mainly from payment of previous water shunting fees for productive use.

NOTE 27_CURRENT TAX LIABILITIES

Current tax liabilities amounting to Euro 21,687 thousand (Euro 1,869 thousand at 31 December 2014) consist of IRES and IRAP payables, and was determined on the basis of the estimate of taxes for the year.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to Euro 98,405 thousand (Euro 81,730 thousand at 31 December 2014) and refers to the short-term portion of the provisions, divided as follows:

- provisions for risks of Euro 44,697 thousand;
- provisions for charges related to the obligation to return emission quotas of Euro 20,825 thousand;
- provisions for equity investment risks of Euro 10,651 thousand, mainly related to the associate Sinergie Italiane,
- provisions for charges related to voluntary retirement of personnel of Euro 13,404 thousand;
- provisions for dilapidation of Euro 2,442 thousand;
- provisions for dismantling and reclaiming sites and post mortem provisions of Euro 5,633 thousand, which are expected to be used within the next 12 months.

For further details on the breakdown of and changes in provisions for risks and charges see Note 21.

NOTE 29_LIABILITIES RELATED TO ASSETS HELD FOR SALE

There were liabilities related to assets held for sale at 31 December 2015.

FINANCIAL POSITION

The net financial debt, 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

	31/12/2015	31/12/2014
Non-current financial assets	(53,012)	(66,439)
Non-current financial indebtedness	2,698,648	2,210,821
Non-current financial debt	**2,645,636**	**2,144,382**
Current financial assets	(690,878)	(522,902)
Current financial indebtedness	214,611	664,204
Current net financial indebtedness	**(476,267)**	**141,302**
Net financial debt	**2,169,369**	**2,285,684**

Net Financial Position regarding related parties

Non-current financial assets relate for Euro 19,614 thousand to the long-term portion of the current account used to settle trade and financial relations between the subsidiary Iren Servizi e Innovazione and the Municipality of Turin, for Euro 484 thousand to receivables from the Municipality of Genoa, for Euro 1,043 thousand to receivables from associates, and for Euro 30,236 thousand to receivables from joint ventures of the Iren Rinnovabili Group.

Non-current financial indebtedness refers for Euro 78,152 thousand to medium/long-term loans granted by the Intesa San Paolo Group.

Current financial assets relate for Euro 102,643 thousand to the short-term balance of the current account between the subsidiaries Iren Servizi e Innovazione and AMIAT and the Municipality of Turin, for Euro 439,000 thousand to receivables from the joint venture OLT Offshore, for Euro 2,384 thousand to receivables from the joint venture Acque Potabli (formerly Sviluppo Idrico), for Euro 2,818 thousand receivables from the joint venture Iren Rinnovabili and its subsidiaries, for Euro 386 thousand to receivables from the associates whose single amounts are negligible, for Euro 3,487 thousand to the positive balance of bank current accounts with the Intesa San Paolo Group. The remainder, Euro 1,873 thousand, refers to receivables from associates for dividends to be collected. For further details please see the schedule of transactions with related parties shown in the annex.

Current financial liabilities relate for Euro 38,941 thousand to short-term loans granted by the Intesa San Paolo Group. The remaining Euro 1,475 thousand refers to payables due to the Iren Rinnovabili Group (Euro 1,369 thousand) and to the associate Valle Dora Energia (Euro 107 thousand).

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

	31/12/2015	31/12/2014
A. Cash on hand	(139,576)	(51,601)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(139,576)**	**(51,601)**
E. Current financial receivables	**(551,302)**	**(471,301)**
F. Current bank debt	18,351	392,878
G. Current portion of non-current debt	152,865	212,244
H. Other current financial debt	43,395	59,082
I. Current financial indebtedness (F)+(G)+(H)	**214,611**	**664,204**
J. Net current financial indebtedness (I) – (E) – (D)	**(476,267)**	**141,302**
K. Non-current bank debt	1,477,052	1,352,935
L. Bonds issued	1,186,552	815,095
M. Other non-current debt	35,045	42,791
N. Non-current financial indebtedness (K) + (L) + (M)	**2,698,649**	**2,210,821**
O. Net financial debt (J) + (N)	**2,222,382**	**2,352,123**

IX. NOTES TO THE INCOME STATEMENT

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

The Group's consolidated income statement includes the economic amounts of the subsidiary AMIAT from 1 January 2015 and of the subsidiary Acquedotto Savona and of the so-called "Ramo Ligure" formerly Acque Potabili S.p.A. from 1 July 2015; the economic results of financial year 2015 are therefore affected by the inclusion of these entities in the consolidation scope.

REVENUE

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounts to Euro 2,849,677 thousand (Euro 2,641,714 thousand in 2014). For further details on the trend in revenues for business segments see the tables in paragraph XI Segment Reporting.
We can note that connection contributions for gas, electricity, district heating and for the water system, included in the present item in financial year 2014, are now presented under "Other income". The figure for the corresponding comparative period was therefore reclassified under that item; in financial year 2014 these contributions amounted to Euro 12,694 thousand.
We can note finally that the revenue of previous years related to ordinary operations is shown in the present accounting item unlike what was done in financial year 2014 when it was presented in the item "Other income". The figure for the corresponding comparative period was therefore reclassified for Euro 20,542 thousand.

NOTE 31_CHANGE IN CONTRACT WORK IN PROGRESS

This item, positive, amounted to Euro 8,576 thousand (-212 thousand euro in financial year 2014) and refers mainly to the accounting for revenue related to progress on the Turin LED project.

NOTE 32_OTHER INCOME

Other income regard contributions, revenue for energy certificates and other income. The tables below show the details of the single items.

Contributions

thousands of euro

	Financial year 2015	Financial year 2014
Grants related to plant	8,505	7,769
Connection contributions	8,448	12,694
Other grants	949	1,281
Total	**17,902**	**21,744**

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.
As already noted in Note 30, with respect to the 2014 financial statements, a reclassification was made on the comparative period as regards connection contributions for gas, electricity, district heating and for the water system, now included in the present item. The new classification of these items derives from the presentation need related to the nature of one-off contribution to the act of the single contribution.

Revenue from energy efficiency certificates

thousands of euro

	Financial year 2015	Financial year 2014
Revenue from Emission Trading	2,538	2,293
Revenue from Green Certificates	82,787	84,723
Revenue from White Certificates	28,599	26,463
Total	**113,924**	**113,479**

Other income

thousands of euro

	Financial year 2015	Financial year 2014
Revenue from service contracts	11,323	5,815
Revenue from rental income and leases	1,552	413
Capital gains on goods disposal	3,113	22,960
Sundry repayments	7,416	10,951
Income from fair value of commodity derivatives	-	-
Other revenue and income	80,628	84,453
Total	**104,032**	**124,592**

Other income in financial year 2015 decreased by approximately Euro 20 million compared with financial year 2014 and this reduction was mainly due to the lack of the capital gain made in 2014 with the sale of almost all the units held in the Core MultiUtilities Fund.

The item “Other revenue and income” of the present table mainly refers to adjustments of trade payables estimates and equalisation of previous years.

COSTS

NOTE 33_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	Financial year 2015	Financial year 2014
Purchase of electricity	232,949	288,294
Purchase of gas	669,630	641,760
Purchase of heat	78	61
Purchase of other fuels	1,154	1,933
Purchase of water	720	713
Other raw materials and inventory materials	75,233	55,560
Emission Trading	20,278	13,651
Green certificates	10,665	3,782
White certificates	19,487	19,588
Change in inventories	(6,230)	20,097
Total	**1,023,964**	**1,045,439**

The costs for raw materials, consumables, supplies and goods fell by approximately Euro 21 million. The change was a result essentially of purchases of gas and electricity, of other raw materials and inventory materials and to changes in inventories.

NOTE 34_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Electricity transport and electricity system expenses	389,770	390,415
Gas carriage	40,226	34,173
Heat carriage	-	50,920
Third-party works, maintenance and industrial services	182,719	169,407
Collection and disposal, snow clearing and public parks	159,186	95,311
Expenses related to personnel (canteen, training, travel)	7,190	5,669
Technical, administrative and commercial consulting and advertising expenses	30,004	29,747
Legal and notary fees	4,420	7,300
Insurance	15,482	10,856
Banking costs	8,467	8,836
Telephone costs	5,356	4,283
Reading and invoicing services	10,105	10,339
Fees of the Board of Statutory Auditors	1,183	1,124
Other costs for services	45,018	32,152
Total costs for services	**899,126**	**850,532**

The increase in costs for collection, disposal, snow clearing and public parks related substantially to consolidation of the income statement of AMIAT S.p.A., the provider of these services in the area of the Municipality of Turin, starting from 1 January 2015.

Fees for heat transmission related to the transport of heat by the company AES Torino S.p.A. up to 30 June 2014. As a result of the demerger, which occurred on 1 July 2014, of the company AES Torino S.p.A., IREN Energia acquired direct ownership of the business unit related to the activity of distributing district heating, internalising the operating costs of this network.

Subcontracts and works mainly relate to operating and maintenance costs of the plant systems and networks.

Costs for the use of third-party assets amounted to Euro 47,339 thousand (2014: Euro 46,363 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, IT fees and sundry rentals.

NOTE 35_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
General expenses	9,620	10,745
Instalments and higher instalments for water shunting	15,624	13,794
Taxes and duties	25,057	24,223
Contingent liabilities	45,407	39,276
Capital losses on goods disposal	1,390	1,602
Other sundry operating expense	13,969	12,541
Total	**111,067**	**102,181**

Taxes and duties relate mainly to expenses for IMU (Council Tax) on the Group’s plants and buildings and expenses for occupying and reclaiming public land.

NOTE 36_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

	Financial year 2015	Financial year 2014
Capitalised labour costs	(16,488)	(14,806)
Capitalised inventory materials	(6,382)	(8,363)
Total	**(22,870)**	**(23,169)**

NOTE 37_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	Financial year 2015	Financial year 2014
Gross remuneration	247,124	187,897
Social security contributions	84,003	64,948
Termination benefits	332	299
Other long-term employee benefits	529	446
Other personnel expense	24,320	51,708
Directors' fees	1,414	1,465
Total	**357,722**	**306,763**

As described in Note 36, Euro 16,488 thousand of costs related to employees were capitalised.

Other personnel expenses include 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 termination benefits and contributions to be paid by the employer to supplementary pension funds. Other personnel expense also includes the adjustment of provisions set aside for expenses associated with early retirement incentives (Euro 4,568 thousand). In financial year 2014 this item included the original provisions set aside.

The increase in personnel expenses related to remuneration and social security contributions was essentially due to consolidation from an economic point of view of AMIAT S.p.A. starting from 1 January 2015.

The personnel composition is shown in the following table.

	Financial year 2015	Financial year 2014	Average for the period
Senior managers	82	70	83
Junior managers	238	230	245
White collar	2,859	2,657	2,913
Blue collar	2,953	1,567	2,975
Total	**6,132**	**4,524**	**6,216**

NOTE 38_DEPRECIATION/AMORTISATION

thousands of euro

	Financial year 2015	Financial year 2014
Property, plant and equipment and investment property	189,070	160,480
Intangible assets	78,539	77,833
Total	**267,609**	**238,313**

For further details on depreciation/amortisation, reference should be made to the tables of changes in property, plant and equipment and intangible assets. The change in the item compared to the previous year was essentially the result of the inclusion of AMIAT in the consolidation scope and the effect, throughout the year, of the amortisation/depreciation of the district heating business unit of the city of Turin acquired on 1 July 2014.

NOTE 39_PROVISIONS AND IMPAIRMENT LOSSES

thousands of euro

	Financial year 2015	Financial year 2014
Provisions for impairment of receivables	49,802	48,879
Provisions for risks and dilapidation provision	34,250	42,654
Provision releases	(25,805)	(42,172)
Impairment losses	5,087	67
Total	**63,334**	**49,428**

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 significant provision releases in financial year 2014 referred mainly to the cessation of risks on the construction of plants and expenses related to fees and surcharges for water shunting.
Impairment losses for the period essentially involved certain assets related to the Group's core business.

NOTE 40_FINANCIAL INCOME AND EXPENSE

Financial income
The breakdown of financial income is provided in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Dividends	1,304	1,066
Bank interest income	121	264
Interest income from receivables/loans	20,799	20,712
Interest income from customers	4,417	4,575
Fair value gains on derivatives	1,577	151
Income on realised derivatives	-	14
Gains on financial assets disposal	1,920	360
Exchange rate gains	249	-
Other financial income	1,590	267
Total	**31,977**	**27,409**

Interest income from receivables/loans includes interest accrued on current accounts between the Group and the Municipality of Turin for Euro 2,744 thousand. The remaining amount mainly refers to interest income from the joint venture OLT Offshore (Euro 16,353 thousand).

The capital gain on disposal of financial assets refers to the sale of the company VEA Energia e Ambiente, at 31 December 2014 classified among Assets held for sale.

Financial expenses

The breakdown of financial expense is provided in the following table:

	Financial year 2015	Financial year 2014
		thousands of euro
Interest expense on loans	47,089	63,848
Interest expense on bonds	47,598	28,952
Interest expense on bank current accounts	800	2,194
Other interest expense	4,400	3,842
Capitalised financial charges	(21)	(2,405)
Derivative fair value charges	4,122	119
Charges on realised derivatives	11,729	14,277
Loss on financial assets disposal	2	65
Interest cost – Employee benefits	1,602	3,106
Exchange rate losses	4	1
Other financial expense	9,483	15,896
Total	**126,808**	**129,895**

The increase in expenses on bond loans reflects among other things the interest, for the whole of the period, of the Private Placement issued in February 2014, of the Public Bonds placed in July 2014, and on the Public Bond issued in November 2015. In addition, expenses on bond loans include expenses sustained for the partial early repayment for bonds issued in 2013 and 2014, for around Euro 11 million. This item includes amounts relating to the measurement at amortised cost.
Derivative fair value expenses consist of changes in fair value of certain hedging positions that do not meet the formal requirements for the application of hedge accounting.
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 41_SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The result is a loss of Euro 6,254 thousand (profit of Euro 8,984 thousand in 2014) and includes reversals of impairment losses for Euro 12,799 thousand and impairment losses totalling Euro 19,053 thousand.
The change (-15,238 thousand euro) can substantially be attributed to the cessation of the measurement at positive equity of AES Torino following acquisition of the TLR unit of the company (19,633 thousand euro in financial year 2014), to the inclusion of AMIAT in the full consolidation scope at the economic level in 2015 compared to 2014 (6,644 thousand euro) and to the lower result of Acque Potabili of 3,635 thousand euro (662 thousand euro compared to 4,297 thousand euro in financial year 2014), partially offset by the reduction (13,850 thousand euro) in the loss of OLT Offshore Toscana LNG of financial year 2015 compared to what was recognised in 2014.

NOTE 42_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

In financial year 2015 no value adjustments were made on equity investments. In financial year 2014 the item was a positive 26,493 and refers mainly to the positive difference between the fair value of the net assets of the heat distribution (TLR) unit acquired and the value of the equity investment in AES Torino which was written off (Euro 22,616 thousand), and to the positive difference between the fair value of the net assets of 31% of Amiat acquired and the cost of acquisition (Euro 3,897 thousand).

NOTE 43_INCOME TAX EXPENSE

The breakdown of taxes is provided in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Current taxes (IRES)	84,198	73,970
Current taxes (IRAP)	17,849	24,974
Current taxes (IRES and IRAP) previous years	843	2,713
Deferred tax assets	24,730	42,418
Deferred tax liabilities	(21,958)	(28,006)
Total	**105,662**	**116,069**

Income taxes for 2015 are estimated at Euro 105,662 thousand (Euro 116,069 thousand in 2014).
The decrease was mainly due to the deduction in labour costs from IRAP and to the abolition of the Robin Hood Tax (considered unconstitutional by the Constitutional Court with Judgement No. 10/2015 of 9 February 2015).
Current tax are made up for Euro 84 million by IRES (corporate income tax) and Euro 18 million by IRAP (regional business tax). It should also be noted that income taxes were affected by the recalculation of net deferred tax assets following the reduction of the IRES rate from 27.5% to 24% starting from 2017 (2016 Stability Law) which entailed higher taxes of approximately 13 million euro.

The table below shows the breakdown of the tax rate for financial year 2015 and for financial year 2014.

thousands of euro

	Financial year 2015		Financial year 2014	
Profit /(loss) before tax	245,735		218,458	
IRES tax	67,577	27.5%	60,076	27.5%
Permanent differences	5,188	2.1%	(7,413)	-3.4%
Rate recalculations	13,190	5.4%	23,633	10.8%
IRAP	17,849	7.3%	24,974	11.4%
IRES surcharge	-	0.0%	9,540	4.4%
Previous years’ taxes and other differences	1,858	0.8%	5,259	2.4%
Total taxes in the income statement	**105,662**	**43.0%**	**116,069**	**53.1%**

The following table shows deferred tax assets and liabilities and their impact.

thousands of euro	Financial year 2015	Financial year 2014
Deferred tax assets		
Non-taxable provisions	125,079	150,776
Differences in value of fixed assets	114,425	115,527
Derivatives	10,960	10,290
Other	2,348	1,086
Total	**252,812**	**277,679**
Deferred tax liabilities		
Differences in value of fixed assets	128,969	146,957
Allowance for impairment of tax assets, separate fin. stat.	492	576
Adjustment to post-employment benefits	528	512
Other provisions	10,944	12,148
Other	907	2,150
Total	**141,840**	**162,343**
Total net deferred tax assets (liabilities)	**110,972**	**115,336**
Total change	**(4,364)**	
of which:		
Equity	(1,424)	
to the Income statement	(2,772)	
owing to changes in the consolidation scope	(168)	

NOTE 44_NET PROFIT FROM DISCONTINUED OPERATIONS

Not present in financial year 2015 and in financial year 2014.

NOTE 45_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounts to Euro 21,880 thousand (Euro 16,594 thousand in 2014), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 46_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of ordinary shares for 2015 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.

	Financial year 2015	Financial year 2014
Net profit (loss) for the period (thousands of euro)	118,193	85,795
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.09**	**0.07**

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.

	Financial year 2015	Financial year 2014
Net profit (loss) for the period (thousands of euro)	118,193	85,795
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)	**0.09**	**0.07**

NOTE 47_OTHER COMPREHENSIVE INCOME

The effective portion of changes in the fair value of cash flow hedges, a negative Euro 1,298 thousand, refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (electricity and gas).
Actuarial gains, related to defined benefit plans, amounted to Euro 9,017 thousand.
The share of other profits/(losses) of companies accounted for using the equity method shows a loss of Euro 3,434 thousand, which refers to changes in the fair value of cash flow and commodity hedges and to the actuarial losses of associates.
The tax effect of other comprehensive income is a loss of Euro 1,424 thousand.

X. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for own commitments of Euro 346,530 thousand (Euro 453,712 thousand at 31 December 2014); the most significant items refer to sureties issued in favour of:
   - Reggio Emilia Provincial Government for Euro 60,956 thousand for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - ENEL Distribuzione for Euro 35,283 thousand to guarantee the electricity transport service contract;
   - ATO-R, for Euro 41,000 thousand, as definitive guarantees in the Amiat/TRM tender procedure;
   - Terna, for Euro 20,229 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
   - the Municipality of Turin for Euro 27,476 thousand as definitive guarantees in the Amiat/TRM tender procedure;
   - the Electricity Market Operator (GME) for Euro 25,300 thousand to guarantee the market participation contract;
   - SNAM Rete Gas for Euro 18,242 thousand, of which Euro 942 thousand in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Customs Authority, for Euro 17,520 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electricity consumption and gas excise;
   - IREN EMILIA SPA for Euro 14,253 thousand to guarantee the natural gas distribution contract as provided for in the Grid Code;
   - Parma Provincial Government, for Euro 8,903 thousand for waste collection and operating and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - the Ministry of the Environment, for Euro 5,441 thousand;
   - Genova Reti Gas for Euro 8,202 thousand to guarantee the natural gas distribution contract as provided for in the Grid Code;
   - INPS for Euro 12,002 thousand for the planned redundancy procedure for employees of group companies;
   - CONSIP for Euro 5,913 thousand;
   - the Piacenza Provincial Government, for Euro 3,680 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - TRM SpA, for Euro 3,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;
   - ATERSIR for Euro 3,060 for agreements with the Emilian areas S.I.I. and S.G.R.U.;
   - the Municipality of Parma for Euro 3,061 thousand to guarantee the Cornocchio plant and for maintenance contracts;
   - 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 SpA, for Euro 2,344 thousand, to guarantee future lease payments of properties transferred to the real estate fund called Fondo Core MultiUtilities;
   - FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the AMIAT/TRM tender procedure;
   - the Municipality of Genoa, for Euro 651 thousand, to guarantee works on the gas network;

b) Guarantees given on behalf of subsidiaries and associates, amounting to Euro 199,919 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 34,333 thousand, unchanged compared to 31.12.2014). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company’s operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato. Therefore the company’s financial exposure is progressively lowering with the consequent decrease in shareholders’ guarantee obligations.
We can also note the sureties issued in favour of Banca Intesa for Euro 4,001 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 depreciation/amortisation deducted by Mediterranea delle Acque regarding the water operating segment transferred in December 1999 from Amga S.p.A. to the newly incorporated Genova Acque S.p.A. (later renamed Mediterranea delle Acque following the merger with Genoa private aqueducts).

We can 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, which has an existing loan agreement with Cariparma.

CONTINGENT LIABILITIES

Mediterranea delle Acque: Dispute with the Tax Authorities

With reference to the legal dispute with the Tax Authorities, relating to the assessment notices for the years 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 under the terms of Art. 37-*bis* paragraph 4 of Italian Presidential Decree 600/73 contribution of Business Unit, described in detail in the financial statements at 31 December 2014, the events and updates that occurred during 2015 and up until the approval of this report by the Board of Directors are presented below.

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.
In relation to these years we are waiting for a hearing to be set.

Also 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 08 August 2012 a notice of assessment was served for 2007, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,503,342).
The company filed the related appeal and appeared before the court on 11 December 2012. The Provincial Tax Commission of Genoa ruled in favour of the Tax Authorities with respect to the taxes only, a ruling filed on 24 April 2015.

On 08 March 2013 a notice of assessment was served for 2008, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,267,248).
The company filed the related appeal on 24 April 2013 and appeared before the court on 9 May 2013. In this case too the Provincial Tax Commission of Genoa ruled in favour of the Tax Authorities with respect to the taxes only, a ruling filed on 24 April 2015.

The judgements relating to the years 2007 and 2008 were appealed by the Company on 6 November 2015.
The Tax Authorities also lodged appeals within the terms provided, limited to the fines, in relation to which the Regional Tax Commission had ruled in favour of the company.
Also in relation to these years we are waiting for a hearing to be set.

During 2013 Liguria Regional Department of the Tax Authorities carried out a tax audit in relation to the years 2009, 2010 and 2011. This audit was completed in April 2014.

On 09 September 2014 a notice of assessment was served for 2009, again relating to the deduction of the depreciation/amortisation for that year of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A. (higher taxes demanded Euro 1,267,248).
The Company lodged the related appeal on 29/10/2014. The case was discussed on 20 April 2015. The Provincial Tax Commission of Genoa upheld the company's appeal in full with a judgement filed on 28 May 2015.
The Tax Authorities also lodged an appeal within the terms and the company presented rebuttal pleas on 6 November 2015.

On 21 and 28 May 2015 notices of assessment have been served for the years 2010 and 2011 for which an application for assessment with acceptance has been filed.

The above notices, after an attempt at compromise, were challenged before the Provincial Tax Commission of Genoa on 6 November 2015. The discussion of the above notices took place on 24 February 2016. At the moment we are awaiting the Judgement of the Provincial Tax Commission of Genoa.

In relation to the dispute described above the Tax Authority entered in the roll the amounts due on the basis of the law in relation to the years 2003–2004–2005–2006 for a total of Euro 4,745,569 including ancillary expenses. The related amounts were promptly paid within the respective expiry dates.
The amounts paid were accounted for under the item other non-current receivables.

Following the filing of Judgements No. 868/1/15 and No. 867/1/15, of 13.01.2015, on 24.04.2015, on 12 May 2015 the Tax Authorities served the Company with the payment orders No. TLCIPPN00002/2015 and No. TLCIPPN00003/2015 with which it demanded payment of a total of Euro 2,349,485.01 (of which Euro 1,627,780.67 for IRES and Euro 219,279.35 for IRAP), including interest, in relation to the years 2007 and 2008; the Company presented an application for administrative suspension, accepted on 9 July 2015, and then made the payment of the said demands on 21.12.2015. The amounts paid were accounted for under the item other non-current receivables.

During December 2015 the Liguria Regional Department of the Tax Authorities carried out a new tax audit in relation to the tax periods 2012 and 2013. This audit was completed in December 2015.
At the moment no notices of assessment have been served for 2012 and 2013 in relation to the deduction of depreciation/amortisation for those years of amounts arising from the business transfer performed on 23 December 1999 by AMGA S.p.A.

Both in the light of the opinion issued by the tax consultants that assist it, and considering the favourable pronouncement indicated above in relation to the year 2009, the Company believes that the risk deriving from the dispute can be classified as a contingent liability under the terms of IAS 37, as it is a possible but not probable expense: as a consequence, in keeping with the indications of the relevant accounting standard, it has been disclosed in the notes to the statements prepared from time to time, without setting aside any provisions. This is based on the opinion that it is unlikely that the Company will have to pay any amount in relation to this obligation taking into account the strong defence raised during the proceedings.
An examination of the grounds of the unfavourable judgements - on the matter of tax - of first instance, made also with the support of the company's legal consultants, did not lead to a revision of the probabilistic opinion formulated above: they seem, in fact, faulty from a logical and legal point of view, and we believe that the decision will be overturned in the subsequent levels of judgement. The lawyers were therefore asked to prepare the appeal claim, which was lodged in accordance with law.

The total acceptance of the appeal related to the year 2009 referred to above has further strengthened this conviction.

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 set aside a specific provision as it is not probable that economic resources will be used to settle the tax claims.

Pursuant to paragraph 86 of IAS 37, the following information regarding contingent liabilities is supplied:

a) in the event that the orientation of the first instance rulings is consolidated, for all years still open for income tax purposes, the company will consider as non-tax deductible all amortisation/depreciation 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 30.3 million, of which around Euro 0.9 million in higher taxes for 2015.
b) if the outcome is unfavourable, it is however impossible to establish the time when the matter will become unfavourable for the Company and when the aforementioned amounts will become payable (also taking account of tax collection dynamics which, although in the presence of a pending ruling, provide for a preliminary payment of a portion of the tax assessed in the event that the case is lost);
c) the Company deems it a mere possibility that resources expected to produce economic benefits will have to be used to fulfil tax obligations.

XI. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.
Given the nature of the activity performed by Group companies, a geographical segment analysis is not relevant.

OPERATING SEGMENTS

The Iren Group operates in the following business segments:
- Generation and District Heating (Hydroelectric Production, Cogeneration of Electricity and Heat, District Heating Networks)
- Market (Sale of electricity, gas, heat)
- Energy Infrastructures (Electricity distribution networks, Gas distribution networks);
- 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 compared to the figures at 31.12.2014 and income statements (up to the operating performance) are presented below by business segment and include a comparison with the figures for financial year 2014.

Statement of financial position restated by operating segment at 31 December 2015

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,940	74	890	1,083	400	24	237	4,648
Net Working Capital	91	(62)	(13)	139	(17)	17	-	154
Other non-current assets and liabilities	(94)	28	(76)	(332)	(99)	1	-	(571)
Net invested capital (NIC)	**1,937**	**40**	**800**	**890**	**285**	**42**	**237**	**4,231**
Shareholders' equity								2,062
Net financial position								2,169
Own funds and net financial indebtedness								**4,231**

Statement of financial position restated by operating segment at 31 December 2014

millions of euro

	Generation and District heating	Market	Energy infrastructures	Integrated Water Service	Waste Management	Other services	Non-allocable	Total
Non-current assets	1,998	66	870	985	420	27	253	4,619
Net Working Capital	107	18	-71	120	58	-3	8	238
Other non-current assets and liabilities	-101	30	-58	-311	-109	-18	-11	-578
Net invested capital (NIC)	**2,004**	**114**	**741**	**794**	**369**	**6**	**250**	**4,279**
Shareholders' equity								1,993
Net financial position								2,286
Own funds and net financial indebtedness								**4,279**

Income Statement by segment at 31 December 2015

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	813	2,377	373	486	463	93	(1,511)	3,094
Total operating expense	(614)	(2,290)	(225)	(330)	(399)	(69)	1,511	(2,416)
Gross Operating Profit (EBITDA)	**199**	**87**	**148**	**156**	**65**	**24**	**-**	**678**
Net am./depr., provisions and impairment losses	(125)	(46)	(46)	(62)	(54)	1		(331)
Operating profit (EBIT)	**74**	**41**	**102**	**94**	**10**	**25**	**-**	**347**

Income Statement by segment at 31 December 2014

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	773	2,388	341	464	238	96	-1,399	2,901
Total operating expense	-625	-2,297	-189	-314	-190	-112	1,399	-2,328
Gross Operating Profit (EBITDA)	**148**	**91**	**152**	**150**	**48**	**-16**	**0**	**573**
Net am./depr., provisions and impairment losses	-84	-41	-45	-74	-34	-10	0	-288
Operating profit (EBIT)	**64**	**50**	**107**	**76**	**14**	**-26**	**0**	**285**

XII. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE AND MEASURED AT EQUITY

RECONCILIATION OF IAS/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	% interest	Shareholder 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
Acquedotto di Savona S.p.A.	Savona	Euro	697,000	100.00	Iren Acqua Gas
AEM Torino Distribuzione S.p.A.	Turin	Euro	126,127,156	100.00	Iren Energia
AGA S.p.A.	Genoa	Euro	8,800,000	100.00	Iren Emilia
Amiat S.p.A.	Turin	Euro	46,326,462	80.00	Amiat V
Amiat V. S.p.A.	Turin	Euro	1,000,000	93.06	Iren Ambiente
				0.00	Iren
				0.00	IREN EMILIA
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente Holding
Consorzio GPO	Genoa	Euro	20,197,260	62.35	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 Gestioni Energetiche S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Iren Servizi e Innovazione S.p.A.	Turin	Euro	52,242,791	100.00	Iren Energia
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	19,203,420	60.00	Iren Acqua Gas
Monte Querce S.c.a.r.l.	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
O.C.Clim S.r.l.	Savona	Euro	100,000	100.00	Iren Gestioni Energetiche
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	100.00	Iren Ambiente
TLR V. S.p.A.	Turin	Euro	120,000	100.00	Iren Energia

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures

Company	Registered office	Currency	Share capital	% interest	Shareholder company
IREN Rinnovabili (Group)	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente Holding
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	145,750,700	43.99	Iren Mercato
Acque Potabili (Group)	Turin	Euro	7,633,096	44.92	Iren Acqua Gas

Associates

Company	Registered office	Currency	Share capital	% interest	Shareholder company
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
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
Amter S.p.A.	Cogoleto (GE)	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
Asti Energia e Calore S.p.A.	Asti	Euro	120,000	34.00	Iren Energia
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
Ecoprogetto Tortona S.r.l.	Bolzano	Euro	1,000,000	40.00	Iren Ambiente
Fata Morgana S.p.A. (2)	Reggio Calabria	Euro	2,225,694	25.00	Iren Emilia
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
G.I.C.A. (1)	Lugano (Switzerland)	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	45.45	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
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	Iren Acqua Gas
				15.00	AMIAT
Piana Ambiente S.p.A. (2)	Gioia Tauro	Euro	1,719,322	25.00	Iren Emilia
Plurigas S.p.A. (2)	Milan	Euro	800,000	30.00	Iren
Rio Riazzone S.p.A.	Reggio Emilia	Euro	103,292	44.00	Iren Ambiente Holding
Salerno Energia Vendite	Salerno	Euro	2,447,526	39.40	GEA Commerciale
Sinergie Italiane S.r.l. (1)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	Iren Emilia
Tirana Acque (1)	Genoa	Euro	95,000	50.00	Iren Acqua Gas
TRM V. S.p.A.	Turin	Euro	1,000,000	48.80	Iren Ambiente
				0.10	Iren Emilia
				0.10	Iren Energia
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia

(1) Company in liquidation
(2) Company in liquidation classified among assets destined to be wound up

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili Siciliane	Palermo	Euro	5,000,000	56.77	Acque Potabili
				9.83	Mediterranea delle Acque
Astea Energia	Osimo (AN)	Euro	120,000	6.00	Iren Mercato
Atena Patrimonio	Vercelli	Euro	73,829,295	14.65	Iren Emilia
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.	Reggio Emilia	Euro	2,201,350	5.40	Iren Emilia
CIDIU SPA	Collegno (TO)	Euro	4,335,314	4.87	AMIAT
CONSORZIO COMPOST CIC	Bologna	Euro	287,948		AMIAT
Consorzio L.E.A.P.	Piacenza	Euro	1,135,698	0.95	Iren Ambiente Holding
Consorzio Topix	Turin	Euro	1,685,000	0.30	Iren Energia
Cosme	Genoa	Euro	320,000	1.00	Iren Acqua Gas
CSP Innovazione nelle ICT S.c.r.l.	Turin	Euro	641,000	6.10	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
Italeko AD	Sofia (Bulgaria)	Lev	50,000	10.00	AMIAT
RE Innovazione	Reggio Emilia	Euro	871,956	1.00	Iren Ambiente Holding
Rupe S.p.A.	Genoa	Euro	3,057,898	0.39	Immobiliare delle Fabbriche
S.M.A.G. (1)	Genoa	Euro	20,000	90.00	Iren Acqua Gas
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	1.00	Iren Servizi e Innovazione
Stadio Albaro	Genoa	Euro	1,230,000	2.00	Iren Gestioni Energetiche
T.I.C.A.S.S.	Genoa	Euro	130,000	3.51	Iren Acqua Gas

(1) Unconsolidated company in liquidation classified among assets destined to be wound up

ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE AND MEASURED AT EQUITY

Fully consolidated companies

Company	Currency	Total Assets	Shareholders' equity	Total revenue	Profit/loss
Iren Acqua Gas S.p.A.	Euro	1,342,122,815	631,235,532	232,576,715	36,220,967
Iren Ambiente Holding S.p.A.	Euro	15,857,752	8,041,349	160,652	(960,008)
Iren Ambiente S.p.A.	Euro	512,055,238	240,721,834	252,744,735	7,841,385
Iren Emilia S.p.A.	Euro	617,713,565	278,869,086	280,511,761	23,883,103
Iren Energia S.p.A.	Euro	2,547,093,735	1,362,424,371	768,879,427	37,876,968
Iren Mercato S.p.A.	Euro	1,229,875,688	125,647,331	2,339,645,348	1,062,330
Iren Gestioni Energetiche S.p.A.	Euro	53,598,452	23,138,670	25,085,276	(943,222)
Acquedotto di Savona S.p.A.	Euro	42,762,318	10,932,796	16,823,519	(562,701)
AEM Torino Distribuzione S.p.A.	Euro	448,001,365	229,210,231	151,281,685	38,451,129
AGA S.p.A.	Euro	19,848,976	6,352,648	-	(275,169)
AMIAT	Euro	245,295,846	88,369,686	200,759,127	7,036,006
Amiat V. S.p.A.	Euro	52,757,359	30,821,534	-	1,419,895
Bonifica Autocisterne	Euro	1,263,901	668,856	1,481,178	99,569
Consorzio GPO	Euro	22,212,609	22,170,408	-	261,573
Eniatel S.p.A.	Euro	1,854,205	1,273,236	1,605,193	123,236
GEA Commerciale S.p.A.	Euro	9,276,159	5,410,882	13,491,344	1,483,410
Genova Reti Gas S.r.l.	Euro	62,364,881	14,915,907	90,973,487	11,301,369
Idrotigullio S.p.A.	Euro	37,495,817	13,200,468	22,928,571	2,027,083
Immobiliare delle Fabbriche S.r.l.	Euro	10,428,160	10,333,951	149,161	(68,043)
Iren Servizi e Innovazione S.p.A.	Euro	130,515,543	86,965,596	70,830,183	6,467,291
Laboratori Iren Acqua Gas S.p.A.	Euro	10,585,361	5,066,184	8,694,434	71,410
Mediterranea delle Acque S.p.A.	Euro	665,470,267	473,141,307	200,221,696	47,245,185
Monte Querce	Euro	748,534	100,000	34,396	-
O.C.Clim S.r.l.	Euro	7,134,490	3,425,508	7,772,148	45,666
Tecnoborgo S.p.A.	Euro	28,465,501	14,722,009	17,712,962	(32,599)
TLR V. S.p.A.	Euro	2,177,322	1,008,479	-	(43,522)

Companies measured using the equity method

Joint ventures

Company	Currency	Total Assets	Shareholders' equity	Total revenue	Profit/loss
Iren Rinnovabili S.p.A.	Euro	35,107,138	21,971,191	2,686,182	151,928
Olt Offshore Toscana LNG S.p.A.	Euro	996,454,379	42,237,699	90,642,902	(27,001,330)
Acque Potabili S.p.A. (*)	Euro	252,470,337	92,128,388	62,879,304	(5,734,820)

(*) Accounting data at 31/12/2014

Associates

Company	Currency	Total Assets	Shareholders' equity	Total revenue	Profit/loss
A2A Alfa S.r.l. (*)	Euro	1,547,025	1,503,325	371	(41,151)
Acos Energia S.p.A. (*)	Euro	16,228,105	3,850,523	21,739,137	1,014,023
Acos S.p.A. (*)	Euro	103,518,757	32,394,005	52,794,640	2,756,346
Acquaenna S.c.p.a. (*)	Euro	80,072,340	3,752,769	23,084,031	1,563,539
Aguas de San Pedro (*)	Lempiras	1,102,227,229	553,204,289	771,171,744	71,800,487
Aiga S.p.A. (*)	Euro	5,326,539	306,082	3,107,288	(275,420)
Amat S.p.A. (*)	Euro	33,711,071	6,319,373	9,096,121	29,938
Amter S.p.A. (*)	Euro	7,060,814	1,310,401	4,626,721	(32,429)
ASA S.p.A. (*)	Euro	260,797,326	68,649,061	96,469,978	5,573,454
ASTEA (*)	Euro	156,059,157	87,483,847	92,855,741	2,868,365
Asti Energia e Calore S.p.A.	Euro	1,872,235	88,708	4,434	(31,292)
Atena S.p.A. (*)	Euro	69,970,229	17,094,885	77,097,241	4,647,779
Domus Acqua S.r.l. (*)	Euro	1,127,516	277,920	378,846	38,297
Ecoprogetto Tortona s.r.l.(*)	Euro	10,935,047	912,485	284,252	(87,516)
Fin Gas srl (*)	Euro	12,012,041	11,968,121	915	(44,752)
GICA s.a. (*)	CHF	257,644	(4,046,936)	227,260	226,320
Global Service Parma (*)	Euro	8,747,247	20,000	5,713,945	-
Il Tempio S.r.l. (*)	Euro	3,626,293	391,484	362,806	109,610
Iniziative Ambientali S.r.l.	Euro	6,610,169	1,219,833	-	(19,646)
Mestni Plinovodi	Euro	29,394,026	19,920,290	7,757,146	1,034,211
Mondo Acqua (*)	Euro	8,188,861	1,475,308	4,673,085	220,468
Nord Ovest Servizi	Euro	17,928,665	17,907,116	-	207,523
Plurigas (in liquidation)	Euro	20,951,281	18,434,060	2,374,936	868,947
Rio Riazzone S.p.A. (**)	Euro	669,978	508,141	122,628	1,583
Salerno Energia Vendite (*)	Euro	21,744,275	5,466,018	34,533,025	1,380,868
Sinergie Italiane (in liquidation) (**)	Euro	39,696,955	(15,083,234)	229,718,348	8,146,548
So. Sel. S.p.A.	Euro	12,018,846	3,582,461	14,536,712	807,577
Tirana Acque (in liquidation) (*)	Euro	297,871	(612,656)	-	(3,662)
TRM V. S.p.A. (**)	Euro	132,707,904	132,644,477	-	(208,196)
Valle Dora Energia S.r.l.	Euro	669,968	636,185	104,000	41,538

(*) Accounting data at 31/12/2014
(**) Data at 30/09/2015

RECONCILIATION OF IAS/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	2,907,076		
Investment property	14,148		
Intangible assets	1,363,451		
Goodwill	126,723		
Investments accounted for using the equity method	219,246		
Other equity investments	17,821		
Total (A)	**4,648,465**	**Non-Current Assets (A)**	**4,648,465**
Other non-current assets	43,298		
Other payables and other non-current liabilities	(205,209)		
Total (B)	**(161,911)**	**Other non-current assets (liabilities) (B)**	**(161,911)**
Inventories	96,337		
Non-current trade receivables	73,788		
Trade receivables	841,022		
Current tax assets	19,991		
Other receivables and other current assets	163,366		
Trade payables	(798,696)		
Other payables and other current liabilities	(220,233)		
Current tax liabilities	(21,687)		
Total (C)	**153,888**	**Net working capital (C)**	**153,888**
Deferred tax assets	252,812		
Deferred tax liabilities	(141,840)		
Total (D)	**110,972**	**Deferred tax assets (liabilities) (D)**	**110,972**
Employee benefits	(135,092)		
Provisions for risks and charges	(292,302)		
Provisions for risks and charges - current portion	(98,405)		
Total (E)	**(525,799)**	**Provisions and employee benefits (E)**	**(525,799)**
Assets held for sale	5,420		
Liabilities related to assets held for sale	-		
Total (F)	**5,420**	**Assets (Liabilities) held for sale (F)**	**5,420**
		Net invested capital (G=A+B+C+D+E+F)	**4,231,035**
Equity (H)	**2,061,666**	**Equity (H)**	**2,061,666**
Non-current financial assets	(53,012)		
Non-current financial liabilities	2,698,648		
Total (I)	**2,645,636**	**Non-current financial indebtedness (I)**	**2,645,636**
Current financial assets	(551,302)		
Cash and cash equivalents	(139,576)		
Current financial liabilities	214,611		
Total (L)	**(476,267)**	**Current financial indebtedness (L)**	**(476,267)**
		Net financial debt (M=I+L)	**2,169,369**
		Own funds and net financial indebtedness (H+M)	**4,231,035**

DEFERRED TAX ASSETS AND LIABILITIES FOR 2015

	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Non-taxable provisions	494,683	100,202	110,386	484,500
Differences in value of fixed assets	599,767	51,517	44,546	606,739
Derivatives	38,119	13,004	15,395	35,727
Tax losses carried forward indefinitely	3,419	-	3,419	-
Other	55,142	2,734	2,779	55,097
Total taxable base/deferred tax assets	**1,191,130**	**167,457**	**176,525**	**1,182,063**
Deferred tax liabilities				
Differences in value of fixed assets	646,943	49,345	23,935	672,353
Provisions for impairment of receivables	2,485	-	-	2,485
Adjustment to post-employment benefits	7,471	(40)	500	6,932
Other provisions	47,463	6,073	7,922	45,613
Other	7,950	908	6,532	2,326
Total taxable base/deferred tax liabilities	**712,312**	**56,286**	**38,889**	**729,709**
Net deferred tax assets (liabilities)	**478,818**	**111,171**	**137,636**	**452,354**

With reference to the change in deferred tax assets in liabilities, in addition to the amounts indicated in the table, we note Euro 168 thousand relative to the consolidation of the “Ramo Ligure”, including Acquedotto di Savona, as of 1 July 2015.

DEFERRED TAX ASSETS AND LIABILITIES FOR 2014

	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Non-taxable provisions	408,492	215,705	129,514	494,683
Differences in value of fixed assets	590,976	73,388	64,597	599,767
Derivatives	39,453	417	1,751	38,119
Tax losses carried forward indefinitely	8,531	-	5,112	3,419
Other	59,158	15,476	19,493	55,142
Total taxable base/deferred tax assets	**1,106,610**	**304,986**	**220,467**	**1,191,130**
Deferred tax liabilities				
Differences in value of fixed assets	584,042	81,638	18,737	646,943
Provisions for impairment of receivables	3,291	-	806	2,485
Adjustment to post-employment benefits	7,516	2,472	2,517	7,471
Other provisions	47,336	40,746	40,620	47,463
Other	11,016	3,447	6,513	7,950
Total taxable base/deferred tax liabilities	**653,201**	**128,303**	**69,193**	**712,312**
Net deferred tax assets (liabilities)	**453,409**	**176,683**	**151,274**	**478,818**

thousands of euro

	taxes	taxes	taxes IRES (corporate income tax)	IRAP (regional income tax)	total
	to I/S	to equity			
	(24,724)	(1,538)	117,122	7,957	125,079
	(1,102)	-	105,946	8,479	114,425
	(166)	836	10,960	-	10,960
	-	-	-	-	-
	1,262	-	2,218	130	2,348
	(24,730)	**(702)**	**236,246**	**16,566**	**252,812**
	(17,988)	-	111,666	17,303	128,969
	(84)	-	492	-	492
	(71)	87	544	(16)	528
	(1,840)	636	9,838	1,106	10,944
	(1,976)	-	799	108	907
	(21,959)	**723**	**123,339**	**18,501**	**141,840**
	(2,771)	**(1,425)**	**112,907**	**(1,935)**	**110,972**

thousands of euro

	taxes	taxes	taxes IRES (corporate income tax)	IRAP (regional income tax)	total
	to I/S	to equity			
	(18,276)	2,864	144,595	6,181	150,776
	(18,659)	-	107,081	8,446	115,527
	28	1,508	10,290	-	10,290
	(14)	-	-	-	-
	(5,498)	-	1,086	-	1,086
	(42,419)	**4,372**	**263,052**	**14,627**	**277,679**
	(7,425)	-	138,479	8,478	146,957
	(430)	-	576	-	576
	(153)	(346)	512	-	512
	(20,275)	-	11,360	788	12,148
	276	-	2,116	34	2,150
	(28,007)	**(346)**	**153,043**	**9,300**	**162,343**
	(14,412)	**4,718**	**110,009**	**5,327**	**115,336**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables and Cash and cash equivalents	Other receivables	Trade Payables	Financial payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	12,733	484	-	7,266	-
Municipality of Parma	14,377	-	-	1,557	-
Municipality of Piacenza	2,027	-	2	1,297	-
Municipality of Reggio Emilia	5,434	-	140	3,404	-
Municipality of Turin	56,998	122,257	-	4,837	-
Finanziaria Sviluppo Utilities	31	-	41	-	-
Intesa Sanpaolo Group	-	3,487	-	-	117,092
JOINT VENTURES					
OLT Offshore LNG	427	439,000	-	-	-
Acque Potabili	6,358	2,384	-	(212)	-
Iren Rinnovabili S.p.A.	685	33,054	208	428	1,369
ASSOCIATES					
A2A Alfa	1	-	-	-	-
Acos Energia S.p.A.	193	-	-	9	-
Acos S.p.A.	27	164	-	-	-
Acquaenna S.c.p.a.	3,122	308	-	384	-
Aguas de San Pedro S.A.	-	454	-	-	-
Aiga S.p.A.	206	472	-	-	-
Amat S.p.A.	-	-	-	289	-
Amter S.p.A.	3,320	-	-	8	-
ASA S.p.A.	4,846	-	-	269	-
ASTEA	-	640	-	-	-
Asti Energia e Calore	19	338	-	-	-
Atena S.p.A.	88	593	-	9	-
Domus Acqua S.r.l.	165	-	-	-	-
Global Service Parma	2,542	-	-	1,162	-
Il Tempio S.r.l.	3	311	-	-	-
Iniziative Ambientali S.r.l.	4	-	-	-	-
Mondo Acqua	158	-	-	-	-
Nord Ovest Servizi	-	-	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
Plurigas S.p.A. (in liquidation)	6	-	-	(259)	-
Rio Riazzone S.p.A.	-	-	-	-	-
S.M.A.G. srl	158	-	327	1,589	-
Salerno Energia Vendite	626	-	-	53	-
Sinergie Italiane S.r.l.	64	-	9,098	5,977	-
So. Sel. S.p.A.	4	22	-	2,926	-
TRM V	17	-	-	-	-
TRM	8,374	-	-	25,490	-
Valle Dora Energia Srl	11	-	-	52	107
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	2,989	3,599	-
Parma Infrastrutture	7,744	-	-	969	-
Piacenza Infrastrutture	271	-	697	1,142	-
Subsidiaries of Municipality of Turin	18,962	-	-	660	-
Subsidiaries of Municipality of Genoa	3,580	-	-	-	-
Subsidiaries of Municipality of Parma	276	-	-	3	-
Subsidiaries of Municipality of Piacenza	43	-	-	-	-
Subsidiaries of Municipality of Reggio Emilia	84	-	-	229	-
TOTAL	**154,045**	**603,968**	**13,502**	**63,137**	**118,568**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	11,189	6,247	-	-
Municipality of Parma	135	32,455	1,190	-	-
Municipality of Piacenza	-	17,394	1,330	-	-
Municipality of Reggio Emilia	123	30,917	642	-	-
Municipality of Turin	-	215,111	4,007	2,744	-
Finanziaria Sviluppo Utilities	-	28	-	-	-
Intesa Sanpaolo Group	-	-	226	-	4,230
JOINT VENTURES					
OLT Offshore LNG	-	85	-	16,353	-
Acque Potabili	-	(423)	376	84	-
Iren Rinnovabili S.p.A.	72	534	336	1,037	-
ASSOCIATES					
A2A Alfa	-	1	-	-	-
Acos Energia S.p.A.	-	7,227	19	-	-
Acos S.p.A.	-	61	-	18	-
Acquaenna S.c.p.a.	-	169	-	13	-
Aguas de San Pedro S.A.	-	-	-	-	-
Aiga S.p.A.	(15)	9	-	-	-
Amat S.p.A.	-	1,299	-	-	-
Amter S.p.A.	-	905	-	-	-
ASA S.p.A.	-	19	156	-	-
ASTEA	-	-	-	320	-
Asti Energia e Calore	-	19	-	-	-
Atena S.p.A.	-	39	46	-	-
Domus Acqua S.r.l.	-	-	-	-	-
Global Service Parma	-	3,383	993	-	-
Il Tempio S.r.l.	-	-	-	2	-
Iniziative Ambientali S.r.l.	-	3	-	-	-
Mondo Acqua	-	442	-	-	-
Nord Ovest Servizi	-	-	-	20	-
Piana Ambiente S.p.A.	-	-	-	-	-
Plurigas S.p.A. (in liquidation)	-	-	-	-	-
Rio Riazzone S.p.A.	-	-	167	-	-
S.M.A.G. srl	-	72	1,674	-	-
Salerno Energia Vendite	-	14,791	53	-	-
Sinergie Italiane S.r.l.	-	85	71,913	-	-
So. Sel. S.p.A.	-	4	5,683	-	-
TRM V	-	202	-	-	-
TRM	-	20,024	63,495	-	-
Valle Dora Energia Srl	-	11	104	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	-	6,900	-	-
Parma Infrastrutture	-	1,764	2,735	240	-
Piacenza Infrastrutture	-	10	1,142	-	-
Subsidiaries of Municipality of Turin	-	20,834	2,152	-	-
Subsidiaries of Municipality of Genoa	-	7,533	20	-	-
Subsidiaries of Municipality of Parma	-	685	3	-	-
Subsidiaries of Municipality of Piacenza	-	117	-	-	-
Subsidiaries of Municipality of Reggio Emilia	-	923	229	-	-
TOTAL	**315**	**387,921**	**171,838**	**20,831**	**4,230**

INDEPENDENT AUDITORS' FEES

Under the terms of Art. 149-*duodecies* of the Regulations implementing Italian 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	165
Attestation services	Parent auditor	Parent	22
Tax consulting services	Parent auditor	Parent	-
Other services	i) Parent auditor	Parent	2
	ii) Parent auditor network	Parent	148
Audit	i) Parent auditor	i) Subsidiaries	566
	ii) Parent auditor network	ii) Subsidiaries	-
Attestation services	i) Parent auditor	i) Subsidiaries	146
	ii) Parent auditor network	ii) Subsidiaries	-
Tax consulting services	i) Parent auditor	i) Subsidiaries	30
	ii) Parent auditor network	ii) Subsidiaries	-
Other services	i) Parent auditor	i) Subsidiaries	39
	ii) Parent auditor network	ii) Subsidiaries	-
Total Independent Auditors' fees			**1,118**

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 Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Administration, Finance and Control Manager and Corporate Financial Reporting Manager of Iren S.p.A., hereby certify, also in view of the provisions of Art. 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

   - the adequacy in respect of the company's characteristics and

   - the effective application during 2015 of the administrative and accounting procedures in preparing the consolidated financial statements.

2. It is also certified that:

   2.1 the consolidated financial statements:

      a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

      b) correspond to the results of the books and account 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 all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

15 March 2016

The Chief Executive Officer

Massimiliano Bianco

Administration, Finance and Control Manager
and Financial Reporting Manager
appointed L. 262/05

Massimo Levrino

pwc

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Iren SpA and its subsidiaries ("Iren Group"), which comprise the statement of financial position as of 31 December 2015, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Iren SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 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** 70122 Via Abate Gimma 72 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 Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **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 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the directors' report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the directors' report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Iren SpA, with the consolidated financial statements of the Iren Group as of 31 December 2015. In our opinion, the directors' report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Iren Group as of 31 December 2015.

Turin, 15 April 2016

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

Separate Financial Statements and Notes to Financial Statements

at 31 december 2015

STATEMENT OF FINANCIAL POSITION

Amounts in Euro

	Notes	31.12.2015	of which related parties	31.12.2014	of which related parties
ASSETS					
Property, plant and equipment	(1)	12,091,185		1,520,716	
Intangible assets with a finite useful life	(2)	23,888,405		5,791,670	
Investments in subsidiaries, associates and joint ventures	(3)	2,544,321,913		2,544,508,361	
Other equity investments	(4)	100,000		-	
Non-current financial assets	(5)	1,887,040,819	1,886,940,819	1,728,477,075	1,728,477,075
Other non-current assets	(6)	10,706,255		10,690,037	
Deferred tax assets	(7)	18,138,132		21,630,158	
Total non-current assets		**4,496,286,709**		**4,312,618,017**	
Trade receivables	(8)	98,586,589	98,007,932	28,330,017	28,001,459
Current tax assets	(9)	-		5,031,602	
Other receivables and other current assets	(10)	54,189,099	39,818,779	41,608,690	35,849,185
Current financial assets	(11)	23,085,272	23,074,989	24,060,376	23,879,804
Cash and cash equivalents	(12)	116,060,571	2,184,381	19,196,933	178,463
Total current assets		**291,921,531**		**118,227,618**	
Assets held for sale	(13)	240,000		240,000	
TOTAL ASSETS		**4,788,448,240**		**4,431,085,635**	

Amounts in Euro

	Notes	31.12.2015	of which related parties	31.12.2014	of which related parties
SHAREHOLDERS' EQUITY					
Share capital		1,276,225,677		1,276,225,677	
Reserves and retained earnings (Losses)		181,992,516		190,583,731	
Net profit /(loss) for the period		124,500,783		50,096,527	
TOTAL EQUITY	**(14)**	**1,582,718,976**		**1,516,905,935**	
LIABILITIES					
Non-current financial liabilities	(15)	2,660,368,400	71,497,774	2,161,594,617	59,525,336
Employee benefits	(16)	19,286,029		11,956,331	
Provisions for risks and charges	(17)	19,432,387		10,091,928	
Deferred tax liabilities	(18)	1,284,051		2,477,355	
Other payables and other non-current liabilities	(19)	8,680,541		13,554,288	8,498,810
Total non-current liabilities		**2,709,051,408**		**2,199,674,520**	
Current financial liabilities	(20)	376,090,228	258,064,258	649,033,859	109,128,184
Trade payables	(21)	61,116,393	23,822,512	20,025,425	6,263,475
Other payables and other current liabilities	(22)	39,460,310	17,737,861	43,880,193	19,875,070
Current tax liabilities	(23)	18,077,751		-	
Provisions for risks and charges - current portion	(24)	1,933,174		1,565,703	
Total current liabilities		**496,677,856**		**714,505,180**	
Liabilities related to assets held for sale		-		-	
TOTAL LIABILITIES		**3,205,729,264**		**2,914,179,700**	
TOTAL EQUITY AND LIABILITIES		**4,788,448,240**		**4,431,085,635**	

INCOME STATEMENT

Amounts in Euro

	Notes	Financial Year 2015	of which related parties	Financial Year 2014	of which related parties
Revenue					
Revenue from goods and services	(25)	71,486,196	71,455,404	14,145,089	13,954,201
Other revenue	(26)	18,481,045	13,384,958	4,960,491	3,762,666
Total revenue		**89,967,241**		**19,105,580**	
Operating expense					
Raw materials, consumables, supplies and goods	(27)	(976,120)	(73,158)	(11,266)	(467)
Services and use of third-party assets	(28)	(51,467,962)	(17,338,354)	(18,497,480)	(6,998,903)
Other operating expenses	(29)	(3,609,586)	(205,995)	(6,696,949)	(125,081)
Capitalised expenses for internal work	(30)	2,892,640		584,849	
Personnel expenses	(31)	(44,620,228)		(24,118,446)	(61,207)
- of which non-recurring				(1,789,009)	
Total operating expense		**(97,781,256)**		**(48,739,292)**	
GROSS OPERATING PROFIT (EBITDA)		**(7,814,015)**		**(29,633,712)**	
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(32)	(3,159,221)		(331,462)	
Provisions and impairment losses	(33)	(489,448)		(2,582,223)	
Total amortisation, depreciation, provisions and impairment losses		**(3,648,669)**		**(2,913,686)**	
OPERATING PROFIT (EBIT)		**(11,462,684)**		**(32,547,397)**	
Financial income and expense	**(34)**				
Financial income		238,101,857	236,683,448	175,417,166	175,149,334
Financial expenses		(111,677,980)	3,335,618	(109,400,746)	(5,744,546)
Total financial income and expense		**126,423,877**		**66,016,420**	
Impairment losses on investments	(35)	-		-	
- of which non-recurring		-		-	
Profit /(loss) before tax		**114,961,193**		**33,469,023**	
Income tax expense	(36)	9,539,590		16,627,504	
Net profit/ (loss) from continuing operations		**124,500,783**		**50,096,527**	
Net profit /(loss) from discontinued operations					
Net profit /(loss) for the period		**124,500,783**		**50,096,527**	

STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in Euro

	Notes	Financial Year 2015	Financial Year 2014
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)		**124,500,783**	**50,096,527**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(37)**		
- effective portion of changes in fair value of cash flow hedges		9,945,939	(3,706,716)
- changes in fair value of available-for-sale financial assets			-
Tax effect of other comprehensive income		(2,738,213)	1,019,347
Total other comprehensive income, net of tax effect (B1)		**7,207,726**	**(2,687,369)**
Other comprehensive income which will not be subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		490,670	(736,627)
Tax effect of other comprehensive income		(117,761)	202,574
Total other comprehensive income, net of tax effect (B2)		**372,909**	**(534,053)**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**132,081,418**	**46,875,105**

STATEMENT OF CHANGES IN EQUITY

thousands of euro

	Share capital	Share premium reserve	Legal reserve
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Total profit (loss) for the period			
of which:			
- Net profit/(loss) for the period			
- Other comprehensive income			
31/12/2014	**1,276,226**	**105,102**	**36,855**
Legal reserve			2,505
Dividends to shareholders			
Retained earnings			
Other changes			
Total profit (loss) for the period			
of which:			
- Net profit/(loss) for the period			
- Other comprehensive income			
31/12/2015	**1,276,226**	**105,102**	**39,360**

thousands of euro

Hedging reserve	AFS reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Shareholders' equity
(24,584)	**-**	**60,662**	**173,692**	**86,859**	**1,536,777**
			4,343	(4,343)	-
			-	(66,747)	(66,747)
		15,769	15,769	(15,769)	-
(2,687)		(534)	(3,221)	50,097	46,876
					-
				50,097	50,097
(2,687)	-	(534)	(3,221)		(3,221)
(27,271)	**-**	**75,897**	**190,583**	**50,097**	**1,516,906**
			2,505	(2,505)	-
		(19,271)	(19,271)	(47,476)	(66,747)
		116	116	(116)	-
		479	479		479
7,207		373	7,580	124,501	132,081
					-
				124,501	124,501
7,207	-	373	7,580		7,580
(20,064)	**-**	**57,594**	**181,992**	**124,501**	**1,582,719**

STATEMENT OF CASH FLOWS

thousands of euro

	Financial Year 2015	Financial Year 2014
A. Opening balance of cash and cash equivalents and centralised treasury management	**(37,265)**	**(74,632)**
Cash flows from operating activities		
Profit (loss) for the period	124,501	50,097
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	3,159	331
Capital gains (losses) and other changes in equity	-	(1,121)
Net change in post-employment benefits and other employee benefits	(2,547)	(256)
Net change in provision for risks and other charges	133	1,167
Change in deferred tax assets and liabilities	(557)	(2,277)
Change in other non-current assets and liabilities	(4,890)	(3,311)
Dividends received	(164,846)	(171,444)
Net impairment losses (reversals of impairment losses) on fixed assets	-	-
B. Cash flows from operating activities before changes in NWC	**(45,047)**	**(126,814)**
Change in trade receivables	(70,257)	(14,338)
Change in tax assets and other current assets	(6,761)	(7,101)
Change in trade payables	41,051	7,206
Change in tax liabilities and other current liabilities	10,069	12,050
C. Cash flows from changes in NWC	**(25,898)**	**(2,183)**
D. Cash flows from /(used in) operating activities (B+C)	**(70,945)**	**(128,997)**
Cash flows from /(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(6,132)	(4,769)
Investments in financial assets	-	(35,665)
Proceeds from the sale of investments	186	-
Dividends received	164,846	171,444
Acquisition of business units	(3,010)	
E. Total cash flows from /(used in) investing activities	**155,890**	**131,010**
F. Free cash flow (D+E)	**84,945**	**2,013**
Cash flows from /(used in) financing activities		
Dividends paid	(66,747)	(66,747)
Other changes in equity	479	0
New non-current loans	800,000	750,000
Repayment of non-current loans	(342,580)	(835,331)
Change in financial assets (*)	1,258,822	(175,478)
Change in financial liabilities	(379,234)	362,909
G. Total cash flows from /(used in) financing activities	**1,270,740**	**35,354**
H. Cash flows for the period (F+G)	**1,355,685**	**37,367**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**1,318,420**	**(37,265)**
L. Current balance of centralised treasury management - subsidiaries (*)	**(1,202,359)**	**56,462**
M. Closing cash and cash equivalents (I+L)	**116,061**	**19,197**

(*) As of 1 July 2013, following a change in the loan contracts with subsidiaries, reclassification was carried out in the items highlighted 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 production, cogeneration of electricity and heat, production from renewable sources);
- Market (Sale of electricity, 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 responsible for the single business lines.

I. CONTENT AND STRUCTURE OF THE FINANCIAL STATEMENTS

These financial statements are the separate financial statements of the Parent Company Iren S.p.A. and have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") 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 Italian Legislative Decree No. 38/2005. The "IFRSs" also include the International Accounting Standards ("IASs") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these financial statements, the same accounting principles were applied as those adopted for the Financial Statements at 31 December 2014, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective from 1 January 2015".

The separate financial statements at 31 December 2015 consist of a statement of financial position, an income statement, a statement of other 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 will be realised, transferred or consumed during the company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the company's ordinary operating cycle 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 on hand and cash in bank current accounts and the current balance of the subsidiaries' cash pooling management.

The financial statements have been drawn up on the basis of 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 STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up the annual financial statements at 31 December 2015 of Iren S.p.A. are indicated below; the aforesaid accounting standards have not changed with respect to those adopted at 31 December 2014, except for those indicated in the section "Accounting standards, amendments and interpretations effective from 1 January 2015".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all 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:

Item	Min. rate	Max. rate
Buildings	3%	3%
Auxiliary systems of buildings	5%	10%
Generic systems	10%	10%
Software	20%	100%
Hardware	20%	50%
Improvements to third-party assets	20%	22.22%
Equipment	10%	10%
Furniture and fittings	10%	10%
Motor cars	25%	25%
Trucks and Operator Machines	20%	20%

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.

- *Leased assets*

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 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 adoption of the IFRSs, the Group chose not to apply IFRS 3 – Business Combinations retroactively to acquisitions of companies that occurred before 1 January 2004; as a consequence, the goodwill generated on acquisitions prior to the date of transition to the IFRSs was kept at the previous figure determined according to the Italian accounting standards, after verification and recognition of any impairment losses.
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

- Equity investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in the income statement.

- Other equity investments

Investments in other companies, classified as available for sale (AFS), are measured at fair value. Gains and losses deriving from changes in fair value are recognised directly in other comprehensive income up to the moment in which they are sold or have suffered an impairment loss; in this case, the total loss is reversed from other comprehensive income and recognised in the income statement for an amount equal to the difference between the acquisition cost and 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 provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

- 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; the transaction costs, as they are ancillary, 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.

- Financial assets available for sale

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 instruments

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, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are 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). For option contracts fair value is supplemented with the time value, which is based on their residual life and the volatility of the underlying.
Taking into account the provisions specified by IFRS 7 on the fair value hierarchy, as extended by the new IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:
- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

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 recognised in the statement of comprehensive income for the effective portion of the hedge (intrinsic value), and in the income statement for the time value portion and any ineffective portion (overhedging);
- 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 contractual 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). After initial recognition they are 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.

Shareholders' 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 accounting 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 changes made in the amendment can be classified in three categories: measurement and recognition, additional 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 presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

1) operating (service cost), personnel expenses;
2) financial (finance cost), net interest income/expense;
3) measuring (remeasurement cost), 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 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 complementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47 National Collective Employment Contract - CCNL), 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 because at the reporting date the benefits can be considered accrued in full.

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

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 aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

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

Risks for which the related liability is only potential are disclosed in the notes to the 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 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 into account 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 the ownership rights nor effective control over the goods sold by the seller;
- 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 non-collectable 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

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 collectability of an amount already recognised, the non-collectable 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; 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 for 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 assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences will be paid.

The 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 (Italian Corporate Income Tax) 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 assets 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 comparative 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 2015

On 12 December 2013, IASB issued a series of amendments to the IFRSs (Annual Improvements to IFRSs - 2010–2012 Cycle and Annual Improvements to IFRSs - 2011–2013 Cycle), endorsed by the European Commission on 17–18 December 2014. Amongst others, the more important issues covered by the amendments are:
a) definition of the accrual conditions in IFRS 2 - Share-based payments;
b) exclusion from the scope of application of IFRS 3 - Business Combinations of all forms of joint arrangements;
c) the grouping of operating segments in IFRS 8 - Operating Segments;
d) the definition of executives with strategic responsibilities in IAS 24 - Related Party Disclosures;
e) some clarifications regarding exceptions to the application of IFRS13 – Fair Value Measurement and
f) measurement at fair value of the contingent consideration under the scope of IFRS3 Business Combinations.

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

Moreover, it is worth noting the following accounting standards, as well as amendments and interpretations which are not yet applicable at the date of these financial statements and have not been adopted in advance by the company.

- In July 2014 the IASB published the standard IFRS 9 “Financial Instruments”. The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief the rules of IFRS 9 regard:

  – the criteria for classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, by replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as measured at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;
  – impairment of financial assets. The standard establishes that the entity must recognise the expected losses on its financial assets, where “loss” means the present value of all future lost revenue, and provide adequate information on the estimation criteria used;
  – hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80–125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

  IFRS 9 will be applicable prospectively starting from 1 January 2018.

- On 21 November 2013 the IASB published certain minor amendments to IAS 19 “Employee Benefits”. These amendments, endorsed on 17 December 2014 and applicable retrospectively from 1 February 2015, regard the simplified accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases. The amendment is applicable starting from 1 January 2016.

- In May 2014 the IASB issued an amendment to the standard IFRS 11 “Joint Arrangements” which provides the guidelines on the accounting treatment to be adopted in the case of acquisitions of equity interests in joint operations, the activity of which meets the definition of a “business” as defined in IFRS 3 “Business Combinations”. The amendment is applicable starting from 1 January 2016.

- The amendments to the standards IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” issued by the IASB in May 2014, clarify that use of a revenue-based method as the parameter for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenue generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflect factors other than deterioration of the economic benefits embodied in the assets themselves. The amendment is applicable starting from 1 January 2016.

- In January 2014 the IASB published the standard IFRS 14 “Regulatory Deferral Accounts”, which permits an entity which is a first-time adopter of the IAS/IFRS International Financial Reporting Standards to continue to measure accounting items associated with regulated activities in accordance with the accounting standards used previously. The present standard will be applicable starting from 1 January 2016.

- On 28 May 2014 the IASB issued the standard IFRS 15 “Revenue from Contracts with Customers”. The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:

  i. the parties have approved the contract and have undertaken to perform their respective obligations;

  ii. each party’s rights in relation to the goods or services to be transferred and the payment terms have been identified;

  iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);

  iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

  The new standard, which will replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”, will be applicable starting from 1 January 2018.
- In August 2014 the IASB issued an amendment to the standard *IAS 27 - Separate Financial Statements* which reintroduces the possibility of measuring equity investments in subsidiaries, associates and joint arrangements using the equity method in separate financial statements. The amendment is applicable starting from 1 January 2016.

- On 11 September 2014 the IASB issued an amendment to IAS 28 which governs the treatment of gains/losses deriving from “upstream” or “downstream” transactions between a company and one of its associates or joint ventures, distinguishing between sales of businesses as defined by IFRS 3 (total recognition) and simple assets (partial recognition). The amendment is applicable starting from 1 January 2016.

- On 24 September 2014 the IASB issued a collection of amendments to the IFRSs (*Annual Improvements to IFRSs – 2012–2014 Cycle*) which regard mainly: a) specific guidance on “assets held for distribution to owners” in the context of *IFRS 5 – Assets Held for Sale*; b) definition of the discount rate for the purposes of *IAS 19 – Employee Benefits*. The amendment is applicable starting from 1 January 2016.

- On 13 January 2016 the IASB issued the standard IFRS 16 – Leases, which eliminates the distinction between operating and finance leases. All leases must however be accounted for according to the financial method, unless they have a duration of less than 12 months or regard assets of little value (less than 5,000 euro). Nothing changes as regards the lessor. The new standard, which replaces IAS17, will be applicable starting from 1 January 2019; early adoption is permitted on condition that IFRS 15 “Revenue from Contracts with Customers” is also adopted; this is applicable from 1 January 2018.

As regards the new standards applicable starting from financial year 2016 or subsequent years assessments and analyses of the impacts on future financial statements are in progress.

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 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.

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 31/12/2015	Carrying amount	Contractual cash flows	within one year	1–5 years	Over 5 years
Mortgage and bond payables	2,772,726	(3,234,065)	(218,840)	(1,529,939)	(1,485,286)
Hedging of interest rate risk (**)	31,439	(31,439)	(10,565)	(21,061)	187

(**) The carrying amount of “Hedging of interest rate risk” includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle other financial liabilities, other than those to lenders, 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 debt;
- 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 2015.

thousands of euro

	Financial expenses		Cash Flow Hedge Reserve	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
Cash flow sensitivity (net)				
Net financial debt (including hedging contracts)	3,228	(3,603)	-	-
Change in fair value				
Hedging contracts (assessment components only)	2,331	(2,605)	14,466	(15,373)
Total impact from sensitivity analysis	**5,559**	**(6,208)**	**14,466**	**(15,373)**

FAIR VALUE

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 reporting date.
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	31/12/2015		31/12/2014	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current loans to related parties	1,887,041	2,122,475	1,728,477	1,829,623
Hedges – long-term assets	-	-	-	-
Bonds due at more than 12 months (*)	(1,186,552)	(1,299,492)	(815,095)	(903,692)
Non-current bank loans	(1,442,378)	(1,557,684)	(1,307,781)	(1,362,254)
Hedges – long-term liabilities	(31,439)	(31,439)	(38,718)	(38,718)
Loans - current portion	(143,797)	(182,383)	(201,866)	(243,631)
Total	**(917,125)**	**(948,523)**	**(634,983)**	**(718,672)**

(*) at 31.12.2015, the fair value of the Put Bond was Euro 189,926 thousand (Euro 196,106 thousand at 31.12.2014)

Fair value hierarchy

The following table shows 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 identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

31/12/2015	Level 1	Level 2	Level 3	Total
Financial assets available for sale				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(31,439)		(31,439)
Grand total	**-**	**(31,439)**	**-**	**(31,439)**

thousands of euro

31/12/2014	Level 1	Level 2	Level 3	Total
Financial assets available for sale				-
Financial assets designated at fair value through profit or loss				-
Financial assets held for trading				-
Derivative financial assets		-		-
Total assets	**-**	**-**	**-**	**-**
Derivative financial liabilities		(38,718)		(38,718)
Grand total	**-**	**(38,718)**	**-**	**(38,718)**

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 the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.
We can also note that 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

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the "Internal Regulation on Transactions with Related Parties" (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the "Consolidated Law on Finance" or CLF);
- 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 S.p.A. and its subsidiaries carry out related-party transactions in accordance with principles of transparency and correctness. 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.

Transactions with related-party shareholders
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
In accordance with 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.

Transactions with subsidiaries
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 Arts 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.
All financial and legal transactions between the parties are governed by the specific intra-group 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, Iren Servizi e Innovazione, Iren Acqua Gas, Iren Mercato, Iren Energia, Iren Gestioni Energetiche, AGA, Mediterranea delle Acque, Immobiliare delle Fabbriche, Nichelino Energia (from 1 October 2015 incorporated into Iren Energia), Enìatel, Tecnoborgo, Iren Ambiente, Iren Emilia, Genova Reti Gas, Iren Ambiente Holding, Iren Rinnovabili, Green Source, Enìa Solaris, Varsi Fotovoltaico, Millenaria Fotovoltaico, Agriren, TLR V and AMIAT.
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 Budget 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 intra-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 said 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 electricity, also generated from renewable sources, these (still for 2014, because from 2015 it has been considered unconstitutional by the judgement of 11 February 2015 of the Constitutional Court) these are subject to the IRES tax surcharge of 6.5%. 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 2015, the payment of Group VAT involved the transfer to the parent Iren S.p.A. of all obligations regarding VAT settlements and 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., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., Iren Gestioni Energetiche S.p.A., Genova Reti Gas S.p.A., Iren Ambiente S.p.A., Iren Emilia S.p.A., Iren Rinnovabili S.p.A., Enìa Solaris S.p.A., Idrotigullio, TLR V S.p.A., Mediterranea delle Acque S.p.A., Nichelino Energia srl, Greensource, Millenaria Fotovoltaico, Varsi Fotovoltaico, OC. Clim, Iren Ambiente Holding S.p.A., Tecnoborgo and Agriren.

Transactions with Directors
Lastly, with regard to directors, we can 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 Remuneration Report published under the terms of Art. 123-*ter* of the Consolidated Law on Finance.

V. EVENTS AFTER THE REPORTING PERIOD

IRETI S.p.A.

Following the extraordinary operations carried out at the end of 2015 with effects from 1 January 2016, IRETI S.p.A. began to operate.

The company will handle the water services in the provinces of Genoa, Savona, La Spezia, Parma, Piacenza and Reggio Emilia where it operates in the fields of water supplies, sewerage and purification of waste water.

With more than 18,000 km of aqueduct networks, over 9,300 km of sewerage networks and 1,085 treatment plants, the company will serve more than 2,550,000 inhabitants of 219 municipalities, distinguishing itself as the third operator in Italy in the water services sector by number of cubic metres managed. Through more than 7,600 km of network the company will distribute natural gas in the Municipality of Genoa and in 19 other surrounding municipalities, as well as in 72 municipalities of the provinces of Parma, Piacenza and Reggio Emilia, for a total of approximately 726,000 customers served.

With approximately 7,283 km of medium and low voltage networks IRETI will distribute electricity in the cities of Turin and Parma; with a portfolio of more than 1.5 million customers, IRETI will be the fifth operator in Italy in the electricity sector in terms of quantity of electricity sold.

In the territory of Emilia in addition IRETI will manage the public street lighting and traffic light services, maintaining and managing the present plants but also designing and building new ones.

TRM

The IREN Group has also achieved another important objective of the business plan which determined the acquisition of control over TRM S.p.A., a company which, among other things, manages the final waste treatment activity at the service of the province of Turin. In fact, on 29 January 2016 an agreement was signed for acquisition by IREN S.p.A. - through the subsidiary IREN Ambiente S.p.A. - of 100% of the company F2i Ambiente S.p.A. which holds as its only equity investment 51% of TRM V S.p.A.

IREN Ambiente S.p.A. already held the remaining 49% of the share capital of the company TRM V S.p.A. and through this operation the latter will be wholly controlled by the IREN Group.

TRM V S.p.A. holds 81.52% of the share capital of TRM S.p.A., a company which has received the contract to design, build and manage up to 2034 the waste-to-energy plant using urban and similar waste serving the province of Turin which was authorised by the Metropolitan City in July 2015 on saturation of the thermal load under the terms of Art. 35 of the “Sblocca Italia” Law Decree.

The company TRM S.p.A. has a plant with a waste-to-energy capacity of approximately 500,000 tonnes of undifferentiated urban waste with production of energy.

The acquisition will enable the Group to triple its waste-to-energy capacity, confirming IREN among the first three companies at the national level in terms of waste treated and represents, in addition, a solid base on which to build any further successful operations in the sector.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
During 2015 the company did not carry out significant non-recurrent events and/or transactions, as defined in the Communication, that is to say events or transactions the occurrence of which is non-recurring or transactions or events which are not repeated frequently in the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations
In 2015 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 2015 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 15 March 2016. The Board of Directors authorised the Chairperson, 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 SENIOR MANAGERS
For information on the remuneration of Directors, Auditors and Senior Managers with strategic responsibilities, please see the special Remuneration Report 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

	31/12/2014	Increases	Depreciation	Disposals and other changes	31/12/2015
Land	278	-	-	-	278
Buildings	1,242	193	(89)	-	1,346
Plant and machinery	-	535	(24)	-	511
Industrial and commercial equipment	-	3	(1)	-	2
Other assets	-	7,043	(592)	-	6,451
Assets under development	-	3,503	-	-	3,503
Total	**1,520**	**11,277**	**(706)**	**-**	**12,091**

Increases relative to the item Other assets mainly refer to office machines for Euro 2,721 thousand, following the improvement of servers and updating of workspaces and vehicles for Euro 4,309 thousand, following the acquisition of company vehicles and cars. The significant increase in fixed assets for IREN S.p.A. is consequent to the centralisation of staff functions within the Parent Company, as of 1 July 2015, which also involved transfer of the fixed assets functional to execution of these services.

Assets under construction mainly include investments not yet completed relative to the updating of workspaces and the company LAN network and servers.

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

	31/12/2014	Increases	Depreciation	Disposals and other changes	31/12/2015
Industrial patents and similar rights	840	9,329	(2,453)	-	7,716
Assets under development	4,951	11,221	-	-	16,172
Total	**5,791**	**20,550**	**(2,453)**	**-**	**23,888**

Industrial patents and similar rights

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.

Intangible assets include investments in the development and implementation of company software. With the centralisation of all staff activities within IREN Spa, the parent company provides these activities for all group companies.

Intangible assets under development

The increase in assets under development mostly relates to the acquisitions of LICs (assets under development) of the software of the Iren Group companies which on 1 July 2015 conferred the IT business unit to IREN S.p.A.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiaries

The list of investments in subsidiaries at 31 December 2015 is annexed.

The total of this item is broken down as follows:

thousands of euro

	31/12/2014	Increases	Decreases	31/12/2015
Iren Acqua Gas S.p.A.	581,158			581,158
Iren Ambiente S.p.A.	235,253			235,253
Iren Ambiente Holding S.p.A.	9,145			9,145
Iren Emilia S.p.A.	262,303			262,303
Iren Energia S.p.A.	1,314,398			1,314,398
Iren Mercato S.p.A.	142,065			142,065
Tecnoborgo S.p.A.	186		-186	0
Total	**2,544,508**	**-**	**-186**	**2,544,322**

The equity investment in Tecnoborgo was sold to the subsidiary Iren Ambiente S.p.A..

We can also note that the equity investment in Amiat V S.p.A. (0.001%), which is not shown in the table due to the insignificance of the related amount, is indirectly controlled by Iren S.p.A. through the first level company Iren Ambiente S.p.A..

The equity investment in TLRV S.p.A. (0.001%), present at 31 December 2014, not reported in the table due to the insignificant value, was transferred to the subsidiary Iren Energia S.p.A.

NOTE 4_OTHER EQUITY 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.

Following conferment by the subsidiary Iren Energia, the value of the investment in the Core MultiUtilities Fund amounted, at 31 December 2015, to 100 thousand euro. At 31 December 2014 there were no equity investments in other companies.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

Non-current financial receivables

The total for this item, unchanged since 31 December 2014 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 1,887,041 thousand (Euro 1,728,477 thousand at 31 December 2014).

To summarise, the new contract envisages that the loan granted by Iren to subsidiaries covers overall financial needs, deriving from current needs and future development, as established in the Budget and the Business Plans.

thousands of euro

	31/12/2015	31/12/2014
Receivables from subsidiaries, associates and joint ventures	470,529	462,349
For centralised treasury management and cash pooling	1,416,412	1,265,158
Receivables from other Group companies	-	970
Receivables from others	100	-
Total	**1,887,041**	**1,728,477**

Financial receivables from subsidiaries and joint ventures relate to amounts due from:
- Iren Mercato, for Euro 439,000 thousand (Euro 433,000 thousand at 31 December 2014),
- Acquedotto Savona for Euro 1,000 thousand (none at 31 December 2014),
- Iren Rinnovabili for Euro 5,000 thousand (unchanged with respect to 31 December 2014),
- Enia Solaris, for Euro 18,000 thousand (Euro 18,000 thousand at 31 December 2014),
- Idrotigullio, for Euro 6,221 thousand (Euro 6,349 thousand at 31 December 2014),
- Nord Ovest Servizi for Euro 970 thousand (unchanged with respect to 31 December 2014),
- Asti Energia e Calore for Euro 338 thousand (none at 31 December 2014),

Financial receivables from others refer to participation in a film production under a Tax credit regime.

NOTE 6_OTHER NON-CURRENT ASSETS

These amount to Euro 10,706 thousand (Euro 10,690 thousand at 31 December 2014) and comprise tax receivables for IRES rebate, following the IRAP deduction related to years 2007–2011 of Euro 10,516 thousand (Euro 10,475 thousand at 31 December 2014) and receivables from personnel as the non-current portion of loans granted to employees of Euro 190 thousand (Euro 216 thousand at 31 December 2014).

NOTE 7_DEFERRED TAX ASSETS

This item amounts to Euro 18,138 thousand (31 December 2014: Euro 21,630 thousand) and refers to deferred tax assets arising from income components deductible in future years.

Reference should be made to the income statement, Note 36 “Income tax expense”, for further details.

CURRENT ASSETS

NOTE 8_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	31/12/2015	31/12/2014
Receivables from customers	546	209
Receivables from subsidiaries and joint ventures	92,970	27,701
Receivables from associates	4,947	238
Receivables from shareholders - related parties	31	62
Receivables from other Group companies	93	120
Total	**98,587**	**28,330**

Receivables from customers
These primarily relate to receivables for refunds of expenses. They amounted to Euro 546 thousand (Euro 209 thousand at 31 December 2014).

Receivables from subsidiaries and joint ventures
Receivables from subsidiaries and joint ventures refer to normal commercial 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 held 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 related-party shareholders
Receivables from related-party shareholders recorded a balance of Euro 31 thousand (Euro 62 thousand at 31 December 2014) and refer to receivables for work performed for FSU.

Receivables from other Group companies

These amount to Euro 93 thousand (Euro 120 thousand at 31 December 2014) and refer to receivables from BT ENIA and SMAG for reversible fees for positions held by employees of Iren in these companies.

NOTE 9_CURRENT TAX ASSETS

Zero at 31 December 2015. The item amounted to Euro 17,515 thousand at 31 December 2014 and refers IRES tax assets.

NOTE 10_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	31/12/2015	31/12/2014
Receivables from personnel	19	36
Receivables from subsidiaries for Group VAT	7,795	12,742
Receivables from subsidiaries for tax consolidation scheme	32,006	23,107
VAT credit	6,953	0
Other receivables	5,355	1,259
Tax assets	1,047	112
Prepaid expenses	1,015	4,353
Total	**54,190**	**41,609**

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:

Financial receivables from subsidiaries, associated companies and joint ventures
The total of the item, which from 31 December 2012 no longer includes receivables for cash-pooling reclassified under the item "non-current financial receivables", is divided as shown in the table below:

thousands of euro

	31/12/2015	31/12/2014
For invoices issued	91	-
For invoices to be issued	22,644	23,642
For loans granted	240	409
For conferments	110	-
For centralised treasury management and cash pooling		-
For dividends to be received		-
Total	**23,085**	**24,051**

Loans granted include Euro 240 thousand (Euro 409 thousand at 31 December 2014) as the current portion of a mortgage loan granted to the subsidiary Idrotigullio.

Other financial receivables
These amount to Euro 10 thousand (Euro 10 thousand at 31 December 2014) and primarily relate to financial prepayments.

NOTE 12_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	31/12/2015	31/12/2014
Bank and postal deposits	115,718	18,965
Cash and valuables in hand	343	232
Total	**116,061**	**19,197**

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 13_ASSETS HELD FOR SALE

These were Euro 240 thousand and refer to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business. At 31 December 2014 the investment was classified among equity investments in associates.

LIABILITIES

NOTE 14_EQUITY

Equity may be analysed as follows:

thousands of euro

	31/12/2015	31/12/2014
Share capital	1,276,226	1,276,226
Reserves and retained earnings (Losses)	181,992	190,584
Net profit /(loss) for the period	124,501	50,096
Total	**1,582,719**	**1,516,906**

Share capital
The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2014), fully paid up, and consists of 1,181,725,677 ordinary shares with a face value of Euro 1 each and 94,500,000 savings shares without voting rights with a face value of Euro 1 each.

<u>Savings shares</u>
The 94,500,000 Iren savings shares, 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 rules 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

	31/12/2015	31/12/2014
Share premium reserve	105,102	105,102
Legal reserve	39,360	36,855
Hedging reserve	(20,064)	(27,272)
Other reserves and retained earnings (losses)	57,594	75,899
Total	**181,992**	**190,584**

Hedging reserve
With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a contra-entry 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 by the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, and retained earnings and losses. During 2012, they fell due to the retained loss of 2011. During financial year 2015 the extraordinary reserve fell as a result of the distribution of an extraordinary unit dividend of Euro 0.0151. 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 28 April 2015, the distribution of a Euro 0.0523 per share dividend was approved. The dividend amounting to Euro 66,747 thousand was paid from 24 June 2015.

NON-CURRENT LIABILITIES

NOTE 15_NON-CURRENT FINANCIAL LIABILITIES

These amount to Euro 2,660,368 thousand (Euro 2,161,595 thousand at 31 December 2014) and consist of:

Bonds

These amounted to Euro 1,186,551 thousand (Euro 815,095 thousand at 31 December 2014), of which:

- Euro 155,311 thousand (Euro 156,621 thousand at 31 December 2014) relate to two non-convertible puttable 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 third auction was conducted in September 2015 with definition of the credit spread for the period September 2015 - September 2017. The amount refers to the amortised cost, in accordance with the IASs;
- Euro 1,031,240 thousand (Euro 658,474 thousand at 31 December 2014) referred to Private Placement and Public Bond issues. Private Placement: a) Notes maturity 2020, coupon 4.37%, amount of issue 260 million, currently in issue for 200.5 million following the buy-back (tender offer) carried out in December; b) Notes maturity 2019, coupon 3%, amount of issue 100 million, currently in issue for 90.1 million following the tender offer as above. Public Bond: a) Notes maturity 2021, coupon 3%, amount of issue 300 million, currently in issue for 250.019 million following the tender offer as above; b) Notes maturity 2022, coupon 2.75%, amount 500 million, inaugural issue in November 2015, as part of an EMTN programme for a total of 1 billion euro. The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were given a Fitch rating. The carrying amount refers to the amortised cost, pursuant to the IASs.

Non-current bank loans
These exclusively relate to the non-current portion of bank loans and amount to Euro 1,442,378 thousand (Euro 1,307,781 thousand at 31 December 2014).
Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and maturity date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	2.79%-5.50%	0.05%-2.76%	
maturity	2017–2027	2017–2030	
2017	109,869	39,346	149,215
2018	62,129	282,751	344,880
2019	58,845	285,925	344,770
2020	61,085	60,932	122,017
subsequent	368,771	112,725	481,496
Total payables at 31/12/2015	**660,699**	**781,679**	**1,442,378**
Total payables at 31/12/2014	**749,077**	**558,704**	**1,307,781**

All loans are denominated in Euro.

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

thousands of euro

	31/12/2014 Total payables	Increases	Repayments	Amortised cost adjustments	31/12/2015 Total payables
- fixed rate	**749,077**	-	(88,556)	178	**660,699**
- floating-rate	**558,704**	300,000	(76,574)	(451)	**781,679**
TOTAL	**1,307,781**	**300,000**	**(165,130)**	**(273)**	**1,442,378**

Total non-current loans at 31 December 2015 increased compared to 31 December 2014 due to the following changes:

- increases for a total of Euro 300 million, owing to disbursement of new loans: UniCredit 50 mln and Cassa Depositi e Prestiti 100 mln disbursed in January, Banca Intesa 50 mln and Mediobanca 50 mln disbursed in July, BEI 50 mln first disbursement in December, part of the total loan of 150 mln for the Genoa and Parma water services project;
- reduction of a total of Euro 165,130 thousand, owing both to early repayment of an EIB loan of 21 million at floating rate, and to the reclassification to short term of the portions of loans maturing within the next 12 months;
- changes in amortised cost for the purpose of IAS accounting of loans.

Other financial liabilities

These amount to Euro 31,439 thousand (Euro 38,719 thousand at 31 December 2014) 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 16_EMPLOYEE BENEFITS

Changes in this item in 2015 were as follows:

thousands of euro

Amount at 31/12/2014	**11,956**
Current service costs	51
Financial expenses	104
Disbursements for the year of releases and withdrawals	- 3,055
Actuarial (gains)/losses	- 523
Other changes	10,753
Amount at 31/12/2015	**19,286**

Liabilities for employee benefits consist of:

Post-employment benefits

Changes in this item in 2015 were as follows:

thousands of euro

Amount at 31/12/2014	**5,208**
Current service costs	-
Financial expenses	44
Disbursements for the year of releases and withdrawals	- 702
Actuarial (gains)/losses	- 353
Other changes	9,453
Amount at 31/12/2015	**13,650**

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>

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

Amount at 31/12/2014	**407**
Current service costs	16
Financial expenses	4
Disbursements for the year of releases and withdrawals	-
Actuarial (gains)/losses	- 25
Other changes	263
Amount at 31/12/2015	**665**

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

Amount at 31/12/2014	**245**
Current service costs	10
Financial expenses	2
Disbursements for the year of releases and withdrawals	- 65
Actuarial (gains)/losses	- 32
Other changes	372
Amount at 31/12/2015	**532**

Provisions for tariff discounts

The Company guarantees to its employees, hired before July 1996 with an electrical contract, an electrical energy discount, while to employees hired with an environment contract it guarantees a carbon or heating indemnity. These benefits are provided to everyone eligible, including not only employees in service but also retired employees, and the benefit of the energy discount is transferable to spouses.

Movements of the year are shown in the following table:

thousands of euro

Amount at 31/12/2014	**5,218**
Current service costs	25
Financial expenses	46
Disbursements for the year of releases and withdrawals	- 2,213
Actuarial (gains)/losses	- 91
Other changes	665
Amount at 31/12/2015	**3,650**

The item disbursements for the year of releases and withdrawals is mainly due to the change in the number of parties with the right to the energy discount.

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

Amount at 31/12/2014	**878**
Current service costs	-
Financial expenses	8
Disbursements for the year of releases and withdrawals	- 75
Actuarial (gains)/losses	- 22
Other changes	-
Amount at 31/12/2015	**789**

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 electricity 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 measurements provided for in 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	1.39% - 2.03%
Annual inflation rate	1.50% - 1.80%
Annual rate of electricity price increase	1.00%
Annual increase rate of post-employment benefits	2.63% - 3.00%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the 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 2015**	**Duration of the plan**
	+0.25%	-0.25%		
Termination benefits	(303)	314	-	9.7
Additional monthly salaries	(21)	22	25	8.4
Loyalty bonus	-	-	26	10
Tariff discounts	(115)	121	-	13.2
Premungas	(15)	16	-	8.5

NOTE 17_PROVISIONS FOR RISKS AND CHARGES

Details and variations are shown in the table below:

thousands of euro

	31/12/2014	Increases	Utilisations	Releases	31/12/2015	Current portion
Provisions for CIG/CIGS	3,756	-	(651)	-	3,105	-
Provisions for Early Retirement Expenses	1,759	1,352	(446)	(54)	2,611	1,933
Other provisions	6,143	10,437	(226)	(1,652)	14,702	-
Total	**11,658**	**11,789**	**(1,323)**	**(1,706)**	**20,418**	**1,933**

The increase in provisions for risks and charges refers to expenses associated with early retirement of some employees and arises from the results of an agreement between Iren Group and the Trade Unions that provides for incentives for accompaniment to early retirement of some employees, being implemented through acceptances on a voluntary basis among the Group's workers potentially interested. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.
The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the oldest personnel to retire up to 24 months before the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.
The amount set aside in the present financial statements is recognised in the income statement under personnel expense (in the item "Other personnel expense"). It represents the payment to the employees involved in the Plan, through the INPS, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the INPS of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.
Further increases regard mainly 8,295 thousand euro related to the real estate fund contributed by Iren Emilia, Iren Servizi and Iren Energia through sale of the business unit; 885 thousand euro for the establishment of provisions for Long-Term Incentive Plans and finally 1,965 thousand euro for adjustment of provisions set aside for the Tax Authority's inspection of the Reggio Emilia office.

NOTE 18_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 1,284 thousand (Euro 2,477 thousand at 31 December 2014) 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 36 "Income tax expense", for further details.

NOTE 19_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item amounted to Euro 8,681 thousand (Euro 13,554 thousand at 31 December 2014) and refers to payables to companies adopting the tax consolidation regime for reimbursements of IRES and the IRAP claim for 2007–2011 for Euro 8,499 thousand (unchanged compared to 31 December 2014), payables to Equitalia and to INPS for CIG, CIGS and mobility contributions for Euro 143 thousand (Euro 5,055 thousand at 31 December 2014) and deferred income for grants related to plants of Euro 39 thousand (not present at 31 December 2014) deriving from sale of the business unit by Iren Emilia.

CURRENT LIABILITIES

NOTE 20_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

	31/12/2015	31/12/2014
Bank loans	155,891	592,473
Financial payables to subsidiaries	220,037	56,464
Financial payables to joint ventures	-	-
Financial payables to related-party shareholders	-	-
Financial payables to associates		87
Other financial liabilities	162	10
Total	**376,090**	**649,034**

Bank loans
Current bank loans may be broken down as follows:

thousands of euro

	31/12/2015	31/12/2014
Loans - current portion	143,797	201,866
Other current payables to banks	72	378,858
Accrued financial expenses and deferred financial income	12,022	11,749
Total	**155,891**	**592,473**

Financial payables to subsidiaries
Payables to subsidiaries can be broken down as follows:

thousands of euro

	31/12/2015	31/12/2014
For invoices to be received	-	2
For cash-pooling	214,053	56,462
For conferments	5,984	-
Total	**220,037**	**56,464**

Financial payables to associates
These were zero at 31 December 2015. At 31 December 2014 the total was Euro 87 thousand and regarded payables to the company Valle Dora Energia.

Financial payables to others
These amount to Euro 162 thousand (Euro 10 thousand at 31 December 2014) and refer to payables due to banks for commissions for lack of use and payables due to Monte Titoli.

NOTE 21_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

	31/12/2015	31/12/2014
Trade payables	45,829	13,429
Trade payables to subsidiaries	14,574	6,262
Payables to joint ventures	2	
Trade payables to associates	10	1
Payables to related-party shareholders	173	0
Trade payables to other Group companies	528	333
Total	**61,116**	**20,025**

NOTE 22_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

	31/12/2015	31/12/2014
Social security charges payable	3,464	6,411
Amounts payable to subsidiaries for tax consolidation scheme	5,332	14,144
Payables to subsidiaries for group VAT	12,297	5,781
VAT payables	0	6,841
IRPEF payables and tax payables	5,154	984
Payables to employees	7,532	4,108
Other payables	5,681	5,611
Total	**39,460**	**43,880**

Payables to social security agencies consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

The company opted for the Group tax consolidation scheme pursuant to Art. 118 of the new Consolidated Income Tax Act. This requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A.

NOTE 23_CURRENT TAX LIABILITIES

The item amounted to Euro 18,078 thousand (zero at 31 December 2014) and refers to IRES tax liabilities.

NOTE 24_PROVISIONS FOR RISKS – CURRENT PORTION

The item amounted to Euro 1,933 thousand (Euro 1,566 thousand at 31 December 2014). For more details see Note 17 Provisions for risks and charges.

FINANCIAL POSITION

The net financial debt, 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

	31/12/2015	31/12/2014
Non-current financial assets	(1,887,041)	(1,728,477)
Non-current financial indebtedness	2,660,368	2,161,595
Non-current financial debt	**773,327**	**433,118**
Current financial assets	(139,146)	(43,257)
Current financial indebtedness	376,091	649,034
Current net financial indebtedness	**236,945**	**605,777**
Net financial debt	**1,010,272**	**1,038,895**

Net Financial Position regarding related parties

Non-current financial assets were Euro 1,887,041 thousand and concern loans and centralised treasury and cash-pooling transactions with subsidiaries for Euro 1,862,633 thousand and loans to joint ventures and associates for Euro 24,408 thousand.

Non-current financial indebtedness for Euro 71,498 thousand refer to relations with the Intesa Sanpaolo Group regarding loans granted.

Current financial assets relate for Euro 22,074 thousand to invoices to be issued to subsidiaries and for Euro 559 thousand to invoices to be issued to joint ventures.

Current financial liabilities for Euro 258,065 thousand refer to financial payables to subsidiaries for centralised treasury and cash-pooling transactions and for conferments and to payables to the Intesa Sanpaolo Group for loans.

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

	31/12/2015	31/12/2014
A. Cash in hand	(116,061)	(19,197)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(116,061)**	**(19,197)**
E. Current financial receivables	**(23,085)**	**(24,060)**
F. Current bank debt	12,094	390,608
G. Current portion of non-current debt	143,797	201,866
H. Other current financial debt	220,200	56,560
I. Current financial indebtedness (F) + (G) + (H)	**376,091**	**649,034**
J. Current net financial indebtedness (I) + (E) + (D)	**236,945**	**605,777**
K. Non-current bank debt	1,442,378	1,307,781
L. Bonds issued	1,186,551	815,095
M. Other non-current debt	31,439	38,719
N. Non-current financial indebtedness (K) + (L) + (M)	**2,660,368**	**2,161,595**
O. Net financial debt(J) + (N)	**2,897,313**	**2,767,372**

VIII. NOTES TO THE INCOME STATEMENT

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

REVENUE

NOTE 25_REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as in the table below:

thousands of euro

	Financial year 2015	Financial year 2014
Services provided to subsidiaries, joint ventures and associates	71,329	13,926
Services to related-party shareholders and other companies	157	219
Total	**71,486**	**14,145**

The revenues for services provided to related-party shareholders regards services in favour of FSU for Euro 28 thousand (unchanged with respect to 31 December 2014) and revenues from third companies for Euro 129 thousand.

Revenue from services to subsidiaries and associates 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 26_OTHER INCOME

Other revenue includes:

thousands of euro

	Financial year 2015	Financial year 2014
Revenue from previous years	4,383	587
operating grants	144	0
Sundry repayments	13,954	4,373
Total	**18,481**	**4,960**

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.

COSTS

NOTE 27_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This amounted to Euro 976 thousand (Euro 11 thousand in 2014) and mainly refers to purchases of various materials and fuel.

NOTE 28_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Professional services	6,604	4,105
Fees and refunds of expenses to statutory auditors	118	128
Services from subsidiaries and Group companies	14,959	6,316
Insurance	815	419
Travel by personnel, training, canteen	2,229	639
Bank and postal expenses	1,723	1,723
Advertising and public relations	891	200
Electricity supplies	263	49
IT services	6,843	-
Other costs for services	9,957	4,181
Total	**44,402**	**17,760**

Costs for the use of third-party assets amounted to Euro 7,066 thousand (2014: Euro 738 thousand). The increase compared to last year was due to the sales of business units by the companies Iren Emilia, Iren Energia and Iren Servizi which transferred to Iren S.p.A. management of the buildings sold to the real estate fund Ream.

NOTE 29_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Membership fees	903	1,015
Taxes and duties	662	631
Donations	884	1,550
Prior year expense	734	2,954
Other sundry operating expense	427	547
Total	**3,610**	**6,697**

Donations primarily relate to contributions paid to the Teatro Carlo Felice of Genoa.
Prior year expense mainly refers to differences on estimates.

NOTE 30_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amount to Euro 2,893 thousand (Euro 585 thousand in 2014) and refer for Euro 2,866 thousand to personnel labour expenses and for Euro 27 thousand to expenses to acquire inventory materials.

NOTA 31_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	Financial year 2015	Financial year 2014
Wages and salaries	29,893	14,307
Social security charges payable	9,596	4,544
Defined benefit plans - Other defined benefit plans	52	42
Other personnel expense	4,560	4,566
Directors' fees	520	660
Total	**44,621**	**24,119**

Other personnel expense includes the amount related to provisions set aside for expenses associated with early retirement incentives. Other personnel expense also 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:

	31/12/2015	31/12/2014	Average of the year
Senior managers	45	20	35
Junior managers	90	54	74
White collar	686	180	483
Total	**821**	**254**	**592**

NOTE 32_DEPRECIATION/AMORTISATION

Depreciation of property, plant and equipment and investment property amounted to Euro 701 thousand (Euro 85 thousand in 2014) and refer to the depreciation of buildings, furniture, equipment and motor cars. Amortisation of intangible assets amounted to Euro 2,458 thousand (Euro 247 thousand in 2014).

NOTE 33 _ PROVISIONS AND IMPAIRMENT LOSSES

Provisions amounted to Euro 489 thousand (Euro 2,582 thousand in 2014) and refer to provisions for risks. The analysis of provisions for risks and changes therein is provided in the comment to the Statement of Financial Position item "Provisions for risks and charges".

NOTE 34_FINANCIAL INCOME AND EXPENSE

Financial income

The breakdown of financial income is provided in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Income from investments	164,846	102,566
Bank interest income	42	106
Interest income from Group companies	71,837	72,583
Interest income on interest rate hedges	-	13
Actuarial gains on measuring employee benefits	-	-
Fair value gains on derivatives	1,340	-
Changes in fair value of equity investments	-	-
Other financial income	37	149
Total	**238,102**	**175,417**

For further information, reference is made to Note 3 – Investments in subsidiaries, associated companies and joint ventures.

Financial expenses

The breakdown of financial expense is provided in the following table:

thousands of euro

	Financial year 2015	Financial year 2014
Bank interest expense on loans	46,838	63,234
Interest expense on bonds	47,598	28,952
Bank interest expense on credit facilities	775	2,162
Interest expense on interest rate hedging derivatives	11,458	13,806
Interest expense to subsidiaries	-	97
Employee benefits	104	313
Financial expense on derivatives	4,122	28
Actuarial loss on measuring employee benefits	0	19
Other financial expense	670	789
Capital loss on disposal of equity investments	113	-
Total	**111,678**	**109,400**

The increase in expenses on bond loans reflects among other things the interest, for the whole period, of the Private Placement issued in February 2014, of the Public Bonds placed in July 2014, and on the Public Bond issued in November 2015. In addition, expenses on bond loans include expenses sustained for the partial early repayment for bonds issued in 2013 and 2014, for around Euro 11 million. This item includes amounts relating to the measurement at amortised cost.
Reference should be made to the note on "Employee benefits" in the Statement of financial position for details of financial expense on employee benefits.
Derivative fair value expenses consist of changes in fair value of certain hedging positions that do not meet the formal requirements for the application of hedge accounting.

NOTE 36_INCOME TAX EXPENSE

Income taxes amount to Euro 9,539 thousand (Euro 16,628 thousand in 2014) and may be analysed as follows:

- current taxes of Euro 9,590 thousand (2014: Euro 14,159 thousand);
- net negative deferred tax assets and liabilities amounting to Euro 43 thousand (a positive Euro 2,148 thousand in 2014);
- prior year taxes negative for Euro 8 thousand (2014: positive for Euro 321 thousand), related to current taxes.

The 2008 Budget Law 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, for 2014, forming surpluses of non-deductible interest expense totalling Euro 34,776 thousand which, 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 9,563 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, changes to the theoretical tax refer to both temporary and final changes.

IRES

		Financial year 2015	*Financial year 2014*
A	Profit /(loss) before tax	114,961	33,469
B	Theoretical tax charge (27.5% rate)	31,614	9,204
C	Temporary differences taxable in future years	-	-
D	Temporary differences deductible in future years	7,430	5,909
	Fees to independent auditors and directors	23	137
	Depreciation/amortisation, capital losses and gains	724	85
	Provisions set aside and interest expense	6,682	5,687
	Other		
E	Transfer of prior year temporary differences	(2,586)	4,482
	Dividends not received over the year		
	Use of provisions	(5,226)	(3,500)
	Fees to independent auditors and directors	(137)	(154)
	Other	2,777	8,136
F	Differences not recoverable in future years	(153,686)	(95,347)
	Non-taxable share of dividends (95%) received at 31/12	(156,604)	(97,438)
	Contingent assets and liabilities	-	-
	Other	2,918	2,090
G	Taxable income (A+C+D+E+F)	(33,881)	(51,488)
H	Current taxes for the year	(9,317)	(14,159)
I	Rate	-8%	-42%

Recovery of State Aid
With reference to the question of recovery of state aid, discussed in detail in the notes to the financial statements at 31 December 2014 and previous years, there were no updates in financial year 2015.

NOTE 37_OTHER COMPREHENSIVE INCOME

This item relates to:
- positive change in interest rate hedges for Euro 9,946 thousand (a negative Euro 3,707 thousand at 31 December 2014);
- actuarial losses related to post-employment benefit plans for employees, in the amount of Euro 491 thousand (Euro 737 thousand at 31 December 2014);
- the aggregate tax effect is a positive Euro 2,856 thousand (31 December 2014: a positive Euro 1,222 thousand).

IX. GUARANTEES AND CONTINGENT LIABILITIES

Personal guarantees given amount to Euro 428,788 thousand (31 December 2014: Euro 440,653 thousand) to be divided as follows:

- Euro 34,929 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;
- the Tax Authority for Euro 1,575 thousand guaranteeing annual VAT rebates;
- ATO-R, for Euro 1,000 thousand, as definitive guarantee in the Amiat/TRM tender procedure

- Euro 335,521 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 58,338 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 34,333 thousand at 31.12.2015 compared to Euro 57,167 thousand at 31.12.2013). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity consists only of the long-term purchase of gas from the Russian Gazprom supplier and the sale of gas to its shareholders or their subsidiaries, including 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 4,001 thousand in guarantees given on the Mestni loan.

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 2014

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' FEES

LIST OF INVESTMENTS

Company	Registered office	Currency	Share capital	% interest
SUBSIDIARIES				
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	100.00
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	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
Amiat V. S.p.A.	Turin	Euro	1,000,000	0.0008
ASSOCIATES				
Plurigas (**)	Milan	Euro	800,000	30.00

(**) company in liquidation classified among assets held for sale

STATEMENT OF CHANGES IN EQUITY, WITH ADDITIONAL INFORMATION

Amounts in Euro

Nature/Description	31/12/2015	31/12/2014	31/12/2013
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	39,359,722	36,854,896	32,511,926
Other reserves:			
Extraordinary reserve	1,603,409	20,107,045	4,337,223
Contribution reserve	-	-	-
Fair value reserve	-	-	-
Other reserves taxable on distribution	1,402,976	1,402,976	1,402,976
Hedging reserve	(20,063,802)	(27,271,529)	(24,584,160)
Actuarial reserve, IAS 19	(2,204,942)	(2,404,810)	(1,870,758)
Retained earnings (losses)	-	-	-
TOTAL	**1,458,218,193**	**1,466,809,408**	**1,449,918,037**
Unavailable portion	1,420,687,605	1,418,182,779	1,413,839,809
Remaining available portion	37,530,588	48,626,629	36,078,228

(1) Distributable to shareholders after the legal reserve has reached one fifth of the share capital

KEY:
A: for capital increase
B: to cover losses
C: for distribution to shareholders

Amounts in Euro

31/12/2012	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		
28,996,367	B	39,359,722		
4,288,198	A, B, C	1,603,409		9,035,902
-	A, B, C	-		7,555,032
-	A, B	-		
1,402,976	A, B, C	1,402,976	93,549,446	
(37,090,146)		(20,063,802)		
(1,157,319)		(2,404,810)		
-	A, B, C	-		
1,434,560,906		**1,458,218,193**		
1,410,324,250		1,420,687,605		
24,236,656		37,530,588		

DEFERRED TAX ASSETS AND LIABILITIES

	2015			
	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors' fees	104	9	46	67
Independent Auditors' fees	91	14	91	14
provisions for IRES IRAP risks	3,313	-	-	3,313
provisions for IRES risks	5,957	1,870	2,338	5,488
Provisions for personnel	4,003	20	1,708	2,314
Provisions for personnel	2,419	275	-	2,694
Surplus amortisation & depreciation	306	724	-	1,030
Other	23,953	5,214	3,940	25,226
Derivatives	35,495	-	8,777	26,718
Provisions for termination benefits	2,489	1,058	483	3,064
Multi-annual costs	228	-	57	171
Total taxable base/deferred tax assets	**78,358**	**9,184**	**17,440**	**70,099**
Deferred tax liabilities				
Surplus IRES amortisation & depreciation	506	-	-	506
Surplus IRAP amortisation & depreciation	467	-	-	467
Provisions for impairment of receivables	44	-	-	44
Dividends not received	-	-	-	-
Capital gains on disposal of IRES assets	5,975	-	2,987	2,987
Adjustment to post-employment benefits	464	-	-	464
Previous land/buildings depreciation	760	-	-	760
Derivatives	887	-	887	-
Provisions for risks	37	-	-	37
Total taxable base/deferred tax liabilities	**9,140**	**-**	**3,874**	**5,265**
TAX LOSSES	-	-	-	-
Net deferred tax assets (liabilities)	**69,218**	**9,184**	**13,566**	**64,834**

The tax effect deriving from the actuarial assessment of employee benefits was compensated for by the tax effect of the transfer of the business units of subsidiaries, described extensively in the note.

thousands of euro

2015				
taxes				
taxes to I/S	taxes to equity	IRES (corporate income tax)	IRAP (Regional income tax)	total
(10)	-	18	-	18
(21)	-	4	-	4
(285)	-	1,140	-	1,140
(112)	-	1,526	-	1,526
5	-	101	-	101
(344)	-	1,326	-	1,326
174	-	258	-	258
87	-	6,242	-	6,242
(369)	(2,738)	6,654	-	6,654
138	-	822	-	822
(16)	-	47	-	47
(753)	**(2,738)**	**18,138**	**-**	**18,138**
-	-	-	-	-
(18)	-	121	-	121
(22)	-	-	-	-
(2)	-	11	-	11
(822)	-	-	-	-
-	-	822	-	822
(16)	-	111	-	111
(37)	-	209	-	209
(276)	-	-	-	-
(2)	-	10	-	10
(1,195)	**-**	**1,284**	**-**	**1,284**
-	-	-	-	-
(442)	**(2,738)**	**16,854**	**-**	**16,854**

DEFERRED TAX ASSETS AND LIABILITIES

	2014			
	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Directors' fees	73	94	64	103
Independent Auditors' fees	91	91	91	91
provisions for IRES IRAP risks	1,431	1,980	98	3,313
provisions for IRES risks	7,122	1,789	2,954	5,957
Provisions for personnel	4,195	95	287	4,003
Provisions for personnel	2,056	396	33	2,419
Surplus amortisation & depreciation	221	85	-	306
Other	23,948	4	-	23,952
Derivatives	31,788	3,707	-	35,495
Provisions for termination benefits	1,941	620	72	2,489
Multi-annual costs	-	228	-	228
Total taxable base/deferred tax assets	**72,866**	**9,089**	**3,599**	**78,356**
Deferred tax liabilities				
Surplus IRES amortisation & depreciation	506	-	-	506
Surplus IRAP amortisation & depreciation	467	-	-	467
Provisions for impairment of receivables	44	-	-	44
Dividends not received	3,500	-	3,500	-
Capital gains on disposal of IRES assets	9,379	-	3,404	5,975
Adjustment to post-employment benefits	464	-	-	464
Previous land/buildings depreciation	760	-	-	760
Derivatives	887	-	-	887
Provisions for risks	37	-	-	37
Total taxable base/deferred tax liabilities	**16,044**	-	**6,904**	**9,140**
TAX LOSSES	-	-	-	-
Net deferred tax assets (liabilities)	**56,822**	**9,089**	**(3,305)**	**69,216**

thousands of euro

2014				
		taxes		
taxes to I/S	taxes to equity	IRES (corporate income tax)	IRAP (Regional income tax)	total
8	-	28	-	28
-	-	25	-	25
608	-	1,213	212	1,425
(320)	-	1,638	-	1,638
(3)	19	96	-	96
(15)	45	1,670	-	1,670
23	-	84	-	84
1	-	6,074	81	6,155
-	1,019	9,761	-	9,761
13	138	685	-	685
63	-	63	-	63
-	-	-	-	-
378	**1,221**	**21,337**	**293**	**21,630**
-	-	139	-	139
-	-	-	22	22
-	-	12	-	12
(963)	-	-	-	-
(936)	-	1,643	-	1,643
-	-	128	-	128
-	-	209	37	246
-	-	276	-	276
-	-	10	2	12
-	-	-	-	-
(1,899)	-	**2,417**	**60**	**2,477**
-	-	-	-	-
2,277	**1,221**	**18,920**	**233**	**19,153**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables and Cash and cash equivalents	Other receivables	Trade Payables	Financial Payables
Municipality of Genoa	-	-	-	380	-
Municipality of Parma	-	-	-	31	-
Municipality of Reggio Emilia	-	-	-	194	-
Municipality of Turin	-	-	-	-	-
Finanziaria Sviluppo Utilities	31	-	-	-	-
Intesa Sanpaolo Group	-	2,184	-	-	109,525
Aem To Distribuzione SpA	3,794	75,292	8,289	1,003	-
AGA	7	-	-	-	-
AMIAT	10,369	71	2,870	3,129	495
Amiat Veicolo	39	-	-	-	-
Bonifica Autocisterne	37	-	-	-	-
EniaTel	54	-	-	60	-
Genova Reti Gas	1,262	10	708	486	7,073
Idrotigullio	277	6,480	-	70	-
Immobiliare delle Fabbriche	15	-	-	-	9,713
Iren Acqua Gas	19,207	400,168	-	3,814	1,941
Iren Ambiente	6,466	-	587	814	-
Iren Ambiente Holding	64	-	-	-	-
Iren Emilia	25,893	122,578	1,706	7,445	13,589
Iren Energia	13,991	812,526	15,506	1,762	-
Iren Gestioni Energetiche	689	18,246	54	186	-
Iren Mercato	8,848	447,307	3,223	2,002	108549
Iren Servizi e Innovazione	3,297	-	1,364	1,568	41,397
Laboratori Idrici Acqua Gas	139	-	-	-	-
Mediterranea delle Acque	1,755	56	5,153	699	36,419
Nichelino Energia	-	-	-	-	-
Tecnoborgo	450	-	133	129	-
TLR Veicolo S.p.A.	16	-	-	-	753
Acquedotto Savona	115	1,010	-	-	-
ENìA Solaris	1	18,437	149	-	-
Greensource	-	-	18	-	-
Sviluppo Idrico s.r.l.	47	-	-	-	-
OLT Offshore LNG	80	-	-	-	-
Società Acque Potabili	106	-	-	-	-
Iren Rinnovabili S.p.A.	103	5,121	46	2	-
A2A Alfa	-	-	-	-	-
Acos S.p.A.	16	-	-	-	-
Acquaenna S.c.p.a.	22	-	-	-	-
Amter S.p.A.	93	-	-	8	-
ASA S.p.A.	30	-	-	-	-
Asti Energia e Calore	-	338	-	-	-

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
Municipality of Genoa	-	-	380	-	-
Municipality of Parma	-	-	-		-
Municipality of Reggio Emilia	-	-	152	-	-
Municipality of Turin	-	-	34	-	-
Finanziaria Sviluppo Utilities	-	28	-	-	-
Intesa Sanpaolo Group	-	-	-	-	3,335
Aem To Distribuzione SpA	-	3,886	125	3,168	-
AGA	103	7	-	-	-
AMIAT	-	9,578	3,092	-	-
Amiat Veicolo	-	399	-	-	-
Bonifica Autocisterne	-	33	-	-	-
EniaTel	44	52	47	-	-
Genova Reti Gas	163	1,076	194	25	-
Idrotigullio	41	105	70	65	-
Immobiliare delle Fabbriche	-	30	-	-	-
Iren Acqua Gas	6,385	12,199	2,757	33,326	-
Iren Ambiente	1,786	6,457	688	58	-
Iren Ambiente Holding	189	59	5	177	-
Iren Emilia	275	20,544	3,381	22,245	-
Iren Energia	6,543	14,249	2,873	133,272	-
Iren Gestioni Energetiche	222	622	61	351	-
Iren Mercato	237	8,156	553	38,135	-
Iren Servizi e Innovazione	800	4,428	2,602	-	-
Laboratori Idrici Acqua Gas	-	58	-	-	-
Mediterranea delle Acque	461	1,356	258	-	-
Nichelino Energia	-	31	-	266	-
Tecnoborgo	248	355	42	40	-
TLR Veicolo S.p.A.	21	31	-	2	-
Acquedotto Savona	-	78	-	-	-
ENìA Solaris	9	-	-	796	-
Greensource	-	-	4	-	-
Sviluppo Idrico s.r.l.	-	3	-	-	-
OLT Offshore LNG	-	80	-	-	-
Società Acque Potabili	-	30	-	-	-
Iren Rinnovabili S.p.A.	-	57	22	221	-
A2A Alfa	-	-	-	-	-
Acos S.p.A.	-	16	-	-	-
Acquaenna S.c.p.a.	-	10	-	18	-
Amter S.p.A.	-	13	-	-	-
ASA S.p.A.	-	7	-	-	-
Asti Energia e Calore	-	-	-	2	-

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables and Cash and cash equivalents	Other receivables	Trade Payables	Financial Payables
Atena S.p.A.	20	-	-	-	-
Climatel srl	10	-	-	-	-
Domus Acqua S.r.l.	3	-	-	-	-
Iniziative Ambientali S.r.l.	1	-	-	-	-
Mondo Acqua	1	-	-	-	-
Nord Ovest Servizi	-	970	-	-	-
O.C.Clim srl	125	1,405	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
Plurigas S.p.A. (in liquidation)	-	-	-	-	-
S.M.A.G. srl	33	-	-	-	-
So. Sel. S.p.A.	4	-	-	13	-
TRM V	17	-	-	-	-
TRM	412	-	-	-	-
Valle Dora Energia Srl	8	-	-	-	107
Varsi	-	-	13	-	-
Studio Alfa	-	-	-	28	-
Millenaria fotovoltaico	-	-	-	-	-
	98,008	**1,912,199**	**39,819**	**23,823**	**329,561**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
Atena S.p.A.	-	24	-	-	-
Climatel srl	-	-	-	-	-
Domus Acqua S.r.l.	-	-	-	-	-
Iniziative Ambientali S.r.l.	-	1	-	-	-
Mondo Acqua	-	1	-	-	-
Nord Ovest Servizi	-	-	-	-	-
O.C.Clim srl	96	125	-	16	-
Piana Ambiente S.p.A.	-	-	-	-	-
Plurigas S.p.A. (in liquidation)	-	-	-	4,500	-
S.M.A.G. srl	-	33	-	-	-
So. Sel. S.p.A.	-	4	14	-	-
TRM V	-	202	-	-	-
TRM	-	411	-	-	-
Valle Dora Energia Srl	-	7	-	-	-
Varsi	11	-	-	-	-
Studio Alfa	-	-	16	-	-
Millenaria fotovoltaico	104	-	-	-	-
	17,738	84,841	17,370	236,683	3,335

RECONCILIATION OF IAS/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	12,091		
Intangible assets	23,888		
Investments in subsidiaries, associates and joint ventures	2,544,322		
Other equity investments	100		
Total (A)	**2,580,401**	**Non-Current Assets (A)**	**2,580,401**
Other non-current assets	10,706		
Other non-current liabilities	(8,681)		
Total (B)	**2,025**	**Other non-current assets (liabilities) (B)**	**2,025**
Trade receivables	98,587		
Current tax assets	-		
Other receivables and other current assets	54,189		
Trade payables	(61,116)		
Other payables and other current liabilities	(39,460)		
Current tax liabilities	(18,078)		
Total (C)	**34,122**	**Net working capital (C)**	**34,122**
Deferred tax assets	18,138		
Deferred tax liabilities	(1,284)		
Total (D)	**16,854**	**Deferred tax assets (liabilities) (D)**	**16,854**
Employee benefits	(19,286)		
Provisions for risks and charges	(19,432)		
Provisions for risks and charges - current portion	(1,933)		
Total (E)	**(40,651)**	**Provisions for risks and employee benefits (E)**	**(40,651)**
		Net invested capital (G=A+B+C+D+E)	**2,592,751**
Equity (F)	**1,582,719**	**Equity (F)**	**1,582,719**
Non-current financial assets	(1,887,041)		
Non-current financial liabilities	2,660,368		
Total (G)	**773,327**	**Non-current financial indebtedness (G)**	**773,327**
Current financial assets	(23,085)		
Cash and cash equivalents	(116,061)		
Current financial liabilities	376,090		
Total (H)	**236,944**	**Current financial indebtedness (H)**	**236,944**
		Net financial debt (F)+(G)+(H)	**1,010,271**
		Own funds and net financial indebtedness (F+I)	**2,592,990**

STATEMENT REGARDING THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB REGULATION No. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Corporate Financial Reporting Manager and Administration, Finance and Control Manager of Iren S.p.A., hereby certify, also in view of the provisions of Art. 154-*bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

   - the adequacy in respect of the company's characteristics and
   - the actual application during 2015 of administrative and accounting procedures in preparing the separate financial statements.

2. It is also certified that:

   2.1 the separate financial statements:

   a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b) correspond to the results of the books and account 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 all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

15 March 2016

The Chief Executive Officer	The Administration, Finance and Control Manager and Financial Reporting Manager appointed L. 262/05
Massimiliano Bianco	Massimo Levrino

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
Iren SpA

Report on the separate financial statements

We have audited the accompanying separate financial statements of Iren SpA, which comprise the statement of financial position as of 31 December 2015, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the separate financial statements

The directors of Iren SpA are responsible for the preparation of separate financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Iren SpA as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the separate financial statements of the directors' report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the directors' report and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, which are the responsibility of the directors of Iren SpA, with the separate financial statements of Iren SpA as of 31 December 2015. In our opinion, the directors' report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the separate financial statements of Iren SpA as of 31 December 2015.

Turin, 15 April 2016

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

REPORT OF THE BOARD OF STATUTORY AUDITORS OF IREN S.p.A. TO THE SHAREHOLDERS' MEETING

(pursuant to Art. 153 of Italian Legislative Decree 58/1998 and Art. 2429 of the Italian Civil Code)

oOo

Dear Shareholders,
the Board of Statutory Auditors, pursuant to article 153 of Legislative Decree 58/1998 (hereafter, CLF, the Consolidated Law on Finance), and to article 2429, paragraph 2 of the Civil Code, is called to inform the Shareholders' Meeting about the supervisory activities it has performed, and on any omissions or censurable events discovered. The Board of Statutory Auditors may also make observations and proposals in regards to the financial statements, its approval and issues falling under its responsibilities.
During the course of the year, the regulatory tasks assigned to the Board of Statutory Auditors under the current legal and regulatory provisions were carried out.

1. Independence of members of the Board of Statutory Auditors
The Board has verified the absence of any causes for removal from office for its components, pursuant to article 148, CLF, as well as the maintenance of independence requirements for the same: *(i)* pursuant to the same article 148, CLF, paragraph 3, as well as (ii) pursuant to point 10.C.2 of the Corporate Governance Code for listed companies (the "Corporate Governance Code"), to which the IREN S.p.A. Corporate Governance Code, adopted on 18 December 2012 by the Board of Directors, and most recently amended on 13 March 2015, refers.

2. Significant operations and events
The most significant economic, financial and equity operations during the period, as well as significant events in 2015 and after, in reference to IREN S.p.A. and the companies directly or indirectly controlled by the same ("IREN Group" or the "Group"), are outlined in the sections "Significant events of the year" and "Events after the reporting period and business outlook" in the Report on Operations.

3. Infragroup transactions and transactions with related parties
Pursuant to article 2391-*bis* of the Civil Code and Consob resolution no. 17221 of 12 March 2010, subsequently amended with Consob resolution no. 17389 of 23 June 2010, (the "Consob OPC Regulations"), the Board of Directors of IREN adopted the "Internal Regulation Transactions with Related Parties" on 30 November 2010, most recently amended on 13 March 2015. On 15 March 2016, the Board of Directors approved the specific operating procedure foreseen in article 3 bis of the cited Internal Regulation.
In the sections "Information on transactions with related parties" in the notes to the Financial Statements as at 31 December 2015 issued by IREN S.p.A., and in the notes to the Consolidated Financial Statements, the relationships between IREN and its subsidiaries and associates are illustrated, as well as those with other related parties. Information on equity and economic transactions with related parties is included in the Notes to the annual and consolidated financial statements.

4. Atypical or unusual operations
The Report on Operations, the information produced by the Board of Directors and that received from directors and company management did not indicate the existence of atypical and/or unusual operations, either externally or infragroup or with related parties. In addition, as of the date this report was prepared, the Board of Statutory Auditors has not received any communications from the control bodies of subsidiaries, associates, or investees, or from the Independent Auditors, containing findings that merit indication in this report.

5. Activities of the Board of Statutory Auditors
During the year ended at 31 December 2015, the Board of Statutory Auditors met 12 times, with the participation of almost all of its members. Details on attendance can be found in the table found in the specific section in the Report on Corporate Governance and Ownership Structures, prepared pursuant to article 123 bis of the CLF.

In addition, the Board of Statutory Auditors participated in meetings of the Board of Directors and as a rule ensure the presence of at least one of its members at meetings of the Control and Risk Committee, the Committee for Transactions with Related Parties and the Remuneration and Appointments Committee.
Pursuant to the law, in 2015 the Board of Statutory Auditors supervised observance of the law and the Articles of Association, as well as ensuring respect for the principles of proper administration. It also supervised the adequacy of the organisational, administrative and accounting structures of the company, as pertained to its responsibilities.
To that end, the Board of Statutory Auditors did not find any irregularities that require indication in this Report.

6. Remarks pursuant to Legislative Decree 39/2010 (Law on auditing of the accounts) and the independence of the Independent Auditors
In regards to the independent auditing of the accounts, the Board of Statutory Auditors recalls that this task is assigned to the audit firm PricewaterhouseCoopers S.p.A. (the Independent Auditors or PwC). We refer readers to the reports issued on 15 April 2016, relative to the Annual Financial Statements and the Consolidated Financial Statements at 31 December 2015, also noting that these included no findings or requests for additional information.
The Board of Statutory Auditors supervised the efficacy of the independent account auditing process, periodically meeting with the Independent Auditors to discuss the activities performed. The auditors informed us that, on the basis of the information obtained and audits carried out taking into account the regulatory and professional principles that govern auditing activities, no situations were found that could compromise independence or lead to the incompatibility indicated under articles 10 and 17 of Legislative Decree 39/2010 and the relative implementation provisions.
The Independent Auditors also communicated the total hours worked and fees invoiced by the same to audit the Annual and Consolidated Financial Statements for the Company at 31 December 2015, for limited auditing of the Group's interim report at 30 June 2015, for auditing activities carried out at companies falling within the Group, and for additional tasks.

7. Remarks on the financial reporting process and internal audit system
During 2015, the Board of Statutory Auditors supervised the adequacy of the administrative and accounting system, as well as the reliability of the latter in properly representing operating events, by obtaining information from the managers of administrative departments and participating in the work of the Control and Risk Committee. In addition, the Board of Statutory Auditors supervised, also meeting with the Financial Reporting Manager, the organisation and company procedures established to prepare the annual financial statements, consolidated financial statements and interim report, as well as other communications of a financial nature, in order to assess the adequacy and effective adoption of the same.
As a whole, the Board of Statutory Auditors holds that the administrative and accounting system is adequate and reliable in relation to the size and complexity of the Company and the Group.
In the context of its responsibilities, the Board of Statutory Auditors has supervised the adequacy of the internal audit system, through: *(i)* obtaining information from the managers of various company departments, aimed at verifying the existence, adequacy and concrete implementation of the procedures adopted; *(ii)* participation in meetings of Board Committees; *(iii)* periodic meetings with the manager of the Internal Audit department; *(iv)* constant exchange of information with the Independent Auditors.
In addition, the Board of Statutory Auditors was informed, through half-yearly reports sent to the Board of Directors, about the activities performed by the Oversight Committee established pursuant to Legislative Decree 231/2001, as amended.
Finally, the Board of Statutory Auditors noted that stated by the Chief Executive Officer and the Financial Reporting Manager on the adequacy of the administrative and accounting procedures for preparing the annual and consolidated financial statements.
The Board of Statutory Auditors holds, on the basis of the results of these control activities, that the internal audit system can be considered adequate to the size and complexity of operations.

8. Remarks on the adequacy of the organisational structure
In regards to its responsibilities, the Board of Statutory Auditors has supervised the adequacy of the Company's organisational structure, acquiring data and information from department managers, and

holds this structure to be adequate as a whole to the Company's characteristics and the activities it performs.

9. Further activities of the Board of Statutory Auditors

Pursuant to the Consob provisions on the matter, we note that the Board of Statutory Auditors:

(i) during the year did not receive any requests for information from Consob;
(ii) did not receive complaints pursuant to article 2408 of the Civil Code;
(iii) expressed its opinion pursuant to article 2389, paragraph 3, of the Civil Code in regards to the remuneration of the Vice Chairperson of IREN S.p.A., at the Board of Directors meeting held on 28 July 2015. During the year, no other opinions were issued by the Board of Statutory Auditors, as the presuppositions under the law were not met;
(iv) examined the provisions issued to the subsidiaries by the Company, pursuant to article 114, paragraph 2 of the CLF, which appeared adequate. For the subsidiaries, the Board of Statutory Auditors obtained information about the organisational and internal audit structures of the main companies through the central departments of the parent company, as well as through requesting information from the Chairpersons of the Boards of Statutory Auditors of the first level subsidiaries;
(v) noted that the Remuneration Report was prepared pursuant to articles 123-*ter* of the CLF and article 84-*quater* of the Issuer Regulations, and had no particular remarks on the same;
(vi) in regards to Company's adhesion to the Corporate Governance Code, please see the Report on Corporate Governance and Ownership Structures;
(vii) notes that during the course of periodic meetings with the directors of the Company, no aspects emerged that require indication in this report.

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During the course of its supervisory activities, as described above, no censurable events, omissions or irregularities were discovered that require noting in this report.
In addition, the Board of Statutory Auditors does not hold that elements exist which would require it to make proposals to the Shareholders' Meeting pursuant to article 153, paragraph 2 of the CLF.
The draft Annual Financial Statements, Consolidated Financial Statements at 31 December 2015 and the Report on Operations were approved at the Board of Directors meeting held on 15 March of this year. The Annual Financial Statements show profits of Euro 124.5 million, while the Consolidated Financial Statements show profits of Euro 140 million.
As it is not responsible for the independent auditing of the accounts, the Board of Statutory Auditors supervised the general structure of the Annual and Consolidated Financial Statements and their compliance with the regulations that govern the preparation and structure. The Board of Statutory Auditors also verified that they correspond to the events and information that it has been made aware of during execution of its responsibilities. The Board of Statutory Auditors has no particular remarks on this subject.
In the section "Risks and uncertainties" in the Report on Operations, the Directors describe the main risks to which the Company is exposed: financial risks (liquidity, interest rate, exchange rate), credit, energy, operating and strategic. Potential liabilities are discussed in the section "Guarantees and contingent liabilities", found in the Notes to the Annual and Consolidated Financial Statements.
All that above noted, the Board of Statutory Auditors, acknowledging the statements issued by the Independent Auditors, together with those of the Chief Executive Officer and the Financial Reporting Manager, considering the content of the reports prepared by PwC, does not find, in regards to its responsibilities, any reasons to object to the approval of the draft Financial Statements at 31 December 2015 prepared by the Board of Directors. The Board of Statutory Auditors agrees with the proposal formulated by the Board of Directors in regards to the destination of the profit for the year.

Reggio Emilia, 16 April 2016

Signed by

Michele Rutigliano, Chairperson
Annamaria Fellegara
Emilio Gatto

SUMMARY OF RESOLUTIONS PASSED BY THE SHAREHOLDERS' MEETING

The Shareholders' Meeting:

- having viewed the Financial Statements as 31 December 2015 and the Directors' Report;
- having viewed the Report of 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 124,500,783.32, as follows:
  - EUR 6,225,039.17, i.e. 5% of the profit for the year, to the legal reserve;
  - EUR 70,192,412.24 to Shareholders' dividends, i.e. EUR 0.055 for each of the 1,181,725,677 ordinary shares and 94,500,000 savings shares payable from 22 June 2016, with coupon detachment date of 20 June 2016 and record date of 21 June 2016;
  - the residual amount, i.e. EUR 48,083,331.91 to the extraordinary reserve;

resolves

1) to approve the Financial statements of Iren S.p.A. as at 31 December 2015 and the Directors' Report prepared by the Board of Directors;

2) to approve the proposed allocation of the profit for the year, i.e. EUR 124,500,783.32, as follows:
   - EUR 6,225,039.17, i.e. 5% of the profit for the year, to the legal reserve;
   - EUR 70,192,412.24 to Shareholders' dividends, i.e. EUR 0.055 for each of the 1,181,725,677 ordinary shares and 94,500,000 savings shares payable from 22 June 2016, with coupon detachment date of 20 June 2016 and record date of 21 June 2016;
   - the residual amount, i.e. EUR 48,083,331.91 to the extraordinary reserve.

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