Interim report on operations
as at 31 March 2012

Board of Directors
of 14 May 2012

iren

IREN S.p.A.

Via Nubi di Magellano, 30 - 42123 Reggio Emilia

Share capital, fully paid up: euro 1,276,225,677.00

Reggio Emilia Register of Companies, Tax Code and VAT no. 07129470014

Contents

KEY FIGURES OF THE IREN GROUP

	First 3 months of 2012	First 3 months of 2011	% Change
Income statement figures *(millions of euro)*			
Revenue	1,317	973	35.4
Gross operating profit	190	205	(7.3)
Operating profit	125	148	(15.4)
Profit before tax	106	137	(22.7)
Consolidated profit/(loss) for the year	56	86	(34.1)
Statement of financial position figures *(millions of Euros)*	***At 31/03/2012***	***At 31/12/2011***	
Net invested capital	4,795	4,497	6.6
Equity	1,902	1,845	3.1
Net financial position	(2,893)	(2,652)	9.0
Financial/economic indicators	**First 3 months of 2012**	**First 3 months of 2011**	
GOP/Revenue	14.46%	21.12%	
Debt/Equity	1.52	1.44	
Technical and trading figures	**First 3 months of 2012**	**First 3 months of 2011**	
Electricity sold (GWh)	4,595	3,537	29.9
Heat energy produced (GWh_t)	1,387	1,235	12.3
District heating volume (mln m^3)	73	66	9.2
Gas sold (mln m^3)	1,383	1,164	18.8
Water distributed (mln m^3)	44	46	(4.3)
Waste handled (tons)	219,769	242,341	(9.3)

IREN is a multiutility company listed on the Italian Stock Exchange, established on 1 July 2010 as a result of the merger between IRIDE and ENÌA.
It operates in the sectors of electricity (production, distribution and sale), heat for district heating (production and sale), gas (distribution and sale), management of integrated water services, environmental services (collection and disposal of waste) and services for public administrations.

Iren is structured as an industrial holding with main corporate offices in Reggio Emilia, with operating units in Genoa, Parma, Piacenza, and Turin, as well as other companies in charge of individual business lines. Thanks to its substantial production assets, to its investments, to a leadership established in all business areas and to its territorial penetration, today IREN ranks among the top Italian players.

The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines pursuant to the guidelines set forth below:

- IREN Acqua Gas - integrated water cycle;
- IREN Energia - production of electricity and heat and provision of technological services;
- IREN Mercato - sales of electricity, gas and district heating;
- IREN Emilia - gas, waste collection and treatment and the management of local services;
- IREN Ambiente - design and management of waste collection and processing plants as well as management of the production plants for district heating in the Reggio Emilia area.

The main quantitative data is shown below, broken down by business area.

Production of electricity: thanks to a considerable number of electricity and thermal energy plants for district heating production, overall production capacity is 7,400 GWh/year, including the portion ensured by Edipower.

Gas distribution: through its 8,800 km long network, IREN serves over a million customers.

Distribution of electricity: with over 7,400 km of medium and low voltage networks, the Group distributes electricity to over 710,000 customers in Turin and Parma.

Integrated water cycle: with 14,000 km of aqueduct networks, 7,868 km of sewerage networks and 813 treatment plants, IREN provides services to over 2,400,000 residents.

Waste management: with 122 equipped ecological stations, 2 waste-to-energy plants and 2 landfills, the Group serves 111 municipalities with over 1,200,000 residents.

District heating: through dual-pipe underground networks spanning approximately 759 km, the IREN Group supplies heating for an overall volume of over 72 million cubic metres, or equivalent to a population of over 550,000 individuals.

Sales of gas, electricity and heat: the Group currently sells over 3.1 billion m^3 of gas, more than 12,000 GWhe of electricity and 2,840 GWht of heat for district heating through the network.

COMPANY OFFICERS

Board of Directors

Chairman	Roberto Bazzano (1)
Deputy Chairman	Luigi Giuseppe Villani (2)
CEO	Roberto Garbati (3)
General Manager	Andrea Viero (4)
Directors	Franco Amato (5)
	Paolo Cantarella (6)
	Gianfranco Carbonato (7)
	Alberto Clò (8)
	Marco Elefanti (9)
	Ernesto Lavatelli (10)
	Ettore Rocchi
	Alcide Rosina (11)
	Enrico Salza (12)

Board of Statutory Auditors (*)

Chairman	Aldo Milanese
Standing Auditors	Lorenzo Ginisio
	Giuseppe Lalla
Substitute auditors	Massimo Bosco
	Emilio Gatto

Manager in charge of financial reporting

Massimo Levrino

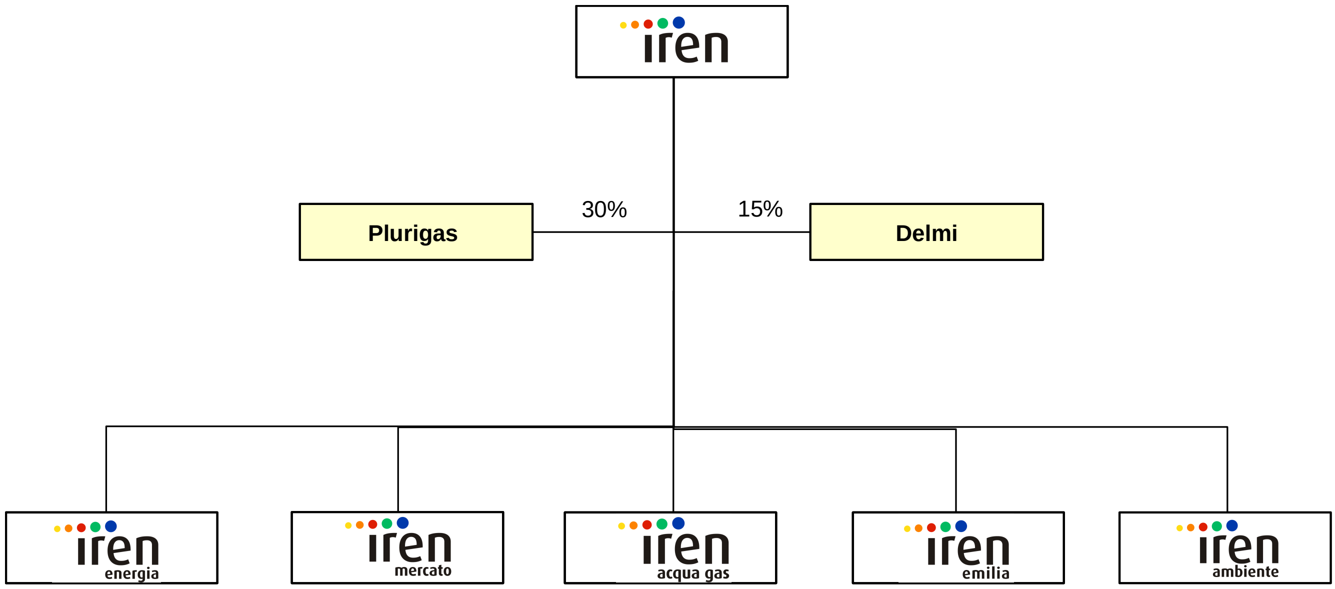
Independent Auditors (*)

KPMG S.p.A.

(*) Board of Statutory Auditors and Independent Auditors in office as at 31 March 2012

(1) (2) (3) (4) Members of the Executive Committee
(5) Member of the Remuneration Committee
(6) Chairman of the Remuneration Committee
(7) Member of the Supervisory Body
(8) (11) Member of the Internal Control Committee
(9) Chairman of the Supervisory Body
(10) Member of the Remuneration Committee and the Supervisory Body
(12) Chairman of the Internal Control Committee

IREN GROUP: CORPORATE STRUCTURE



This diagram illustrates the main Investee Companies of Iren Holding.

IREN ENERGIA

Cogeneration production of electrical and heat energy

Iren Energia's installed capacity totals approximately 2,800 MW, of which around 1,900 MW is generated directly and around 900 MW through the investees Edipower and Energia Italiana. Specifically, Iren Energia owns 20 electricity production plants: 12 hydroelectric plants and 8 thermoelectric cogeneration plants, for a total capacity of roughly 1,800 MW of electricity and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration sources – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection, as it uses a renewable and clean resource which does not emit pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to protect the environment. Iren Energia's total heat capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. The heat production in the first quarter of 2012 was around 1,387 GWh_t, with a district heating volume of more than 72 million cubic metres.

Distribution of electricity

Through its subsidiary, AEM Torino Distribuzione, Iren Energia distributes electricity to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In the first quarter of 2012, the electricity distributed was equal to 1,100 GWh, of which 863 GWh in Turin and 237 GWh in Parma.

Gas distribution and District Heating

The district heating and gas distribution activities in the Piedmont capital are carried out by AES Torino (51% owned by Iren Energia S.p.A.), which owns one of the largest district heating networks in the whole Italian territory (approximately 458 km of dual-piping at 31 March 2012). In the same period, the gas network extended over 1,331 km, serving approximately 500,000 end customers.
Iren Energia also owns the Parma, Reggio Emilia and Piacenza district heating network, with an overall extension of around 312 km.
Finally, Nichelino Energia, in which Iren Energia holds a stake (67%) and AES Torino (33%), aims to develop district heating in the city of Nichelino.

Services to Local Authorities and Global Service

Iride Servizi, provides the city of Turin with street lighting services, traffic light management, heating and electrical systems management in municipal buildings, the global technology service management of the Turin Court House and facility management for the Group. The electronic infrastructures and connections in the cities of Turin and Genoa are managed by the subsidiaries AemNet and SasterNet, respectively.

IREN MERCATO

Through IREN Mercato, the Group operates in the electricity, gas and heat marketing sector, acts as fuel provider to the Group, performs energy efficiency certificates, green certificates and emission trading, provides customer management services to Group companies and supplies heat services and heat sales through the district heating network.

Iren Mercato operates at national level with a higher concentration of customers served in the central-northern areas. The company places electricity directly, through its associates - where present in the area - or through agency contracts with brokers for customers who are members of certain sectors and to large customers associated with various industrial associations.

The main Group sources available for Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.; through tolling agreements, Iren Mercato receives 10% of the electricity from Edipower plants.

The Group also sells heat management services and global services to both private entities and public authorities. Development focused on the chain related to the management of air conditioning systems in buildings for residential and service use, with the offer 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 business of Iren Mercato.

Sale of natural gas
Total volumes of natural gas procured by the company heading the business sector were equal to approximately 1,438 million cubic metres (approximately 1,164 million cubic metres in 2011), of which approximately 913 million cubic metres were sold to customers outside the Group (722 million cubic metres in 2011), 34 million cubic metres were used to produce electricity though tolling contracts with Edipower (65 million cubic metres in 2011) and 490 million cubic metres were used within the IREN Group for generation of electricity as well as for the supply of heat services (377 million cubic metres in 2011).

Sale of electricity
The total volumes sold amounted to 4,595 GWh (3,536 GWh in 2011).

Free market and stock exchange
Total volumes sold to end customers and wholesalers amount to 2,845 GWh (1,931 GWh in 2011), while the volumes used on the stock exchange before energy purchased/sold amounted to 1,245 GWh (1,203 in 2011).
In 2012, the Iren Group internal sources (Iren Energia) increased by around 30% over the previous year, amounting to 2,212 GWh (1,694 GWh in 2011). Volumes from Edipower tolling amounted to 228 GWh versus 420 GWh in 2011. Less recourse was made to external sources such as the stock exchange before energy purchased/sold (817 GWh compared to 976 GWh in 2011) and wholesalers (993 GWh compared to 100 GWh in 2011), of which around 500 GWh provided by ERG.
The remaining part of sold volumes mainly refers to infragroup transactions and distribution losses.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were around 395,000 in March 2012. The total volume sold was 296 GWh, down compared to the previous year (325 GWh), as a consequence of the liberalisation of the market to which the company contributed with trade development initiatives which determined the transfer of customers from the non-eligible market to the free market.

Sale of heat energy through the district heating network
Iren Mercato manages the sale of heat to customers who receive district heating from the municipality of Genoa through the CAE, Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, the management of customer relations and the control and management of the substations that supply power to the thermal plants in the buildings served by the network. The heat supplied to clients is in turn supplied by Iren Energia S.p.A. at such trading conditions as to guarantee adequate remuneration.
As of March 2012 the district heating volume in the Piedmont area stood at over 45 million cubic metres, meaning over 450,000 inhabitants or 40% of Turin citizens, whereas in the Emilia region an approximate total of 18.5 million cubic metres of district heating were delivered.

Heat service management
The results take into account the gradual closure of institutional contracts which are coming to their natural expiry.
The contract with the Liguria Regional Government is also operative with regard to the management of energy services in hospitals and health authority premises in which, through CAE (Global Services) and the Climatel and OCCLIM specialist companies, the company has managed a number of important operational management and maintenance contracts. Iren Mercato is the supplier of the energy services of this enterprise. A similar initiative was launched with A2A in the Lazio region ATI.

IREN ACQUA GAS

Integrated Water Services
First-level company IREN Acqua Gas, directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter, manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza. In particular, it assumed from July 2004 the role of market operator for the Genoa District and from 1 July 2010, the 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.
On the basis of the transfer of the water services unit by Iren Emilia, effective as of 1 October 2011, first-level company IREN Acqua Gas extended its management to the Piacenza area.
The reform of water services introduced in Italy by the Galli Law, substantially sets out two principles: the overcoming of fragmentation of operators and the implementation of integrated systems, which would include the entire water cycle, from captation, to distribution, collection, treatment and disposal, until water is inlet in the environment again. Through its own structure, Iren Acqua Gas reaches, through its managed ATOs [Ambito Territoriale Ottimale] (Genoa, Reggio Emilia, Parma and Piacenza) a basin of 177 municipalities serving over 2 million residents.
In the first quarter of 2012, directly and through its subsidiaries, Iren Acqua Gas sold approximately 44 million cubic metres of water in the areas managed, through a distribution network of over 14,000 km. In regard to waste water, it manages a sewerage network spanning roughly 7,700 km.

Gas Distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through seven interconnected 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, for residents, to a minimum.
The distribution service is also provided to the Grosseto basin through subsidiary Gea S.p.A.
In the first quarter of 2012, through its subsidiaries, Iren Acqua Gas distributed a total of around 197 million cubic metres of gas.

Special technological services / research
Through its Saster and SasterPipe Divisions, Genova reti Gas S.R.L is able to offer the market engineering services of the networks (IT, modelling, simulation) and upgrading of technological networks with no dig technologies, for which the company possesses exclusive know-how. In order to specially promote and organise scientific and cultural initiatives aimed at safeguarding environment and water resources, and at managing at best network services, in 2003 the Fondazione AMGA Onlus was also created. The corporate business is aimed at promoting and implementing research, training and information projects, as well as supporting actions carried out by other entities as to environmental safeguard and organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the activities of Emilia Romagna territorial companies for the management of the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, management of public parks, etc).
Iren Emilia manages the distribution activity for natural gas in 72 of the 140 municipalities of the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,900 km of high, medium and low pressure distribution networks with a designed maximum collection capacity of 726,879 SCMH.
Iren Emilia is active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, totalling 116 municipalities and 1,129,000 inhabitants in these territories. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented differentiated and widespread waste collection systems which, also thanks to the management of over 122 equipped ecological stations, has allowed the basin served to achieve results near 58% in the first quarter of 2012.
In particular, the company collects urban waste, performs street and pavement cleaning, snow clearing and cleaning and maintenance of parks and urban green areas and dispatches recyclable waste to the correct chains, in order to transform it into raw materials or renewable energy. Through Iren Ambiente, a company belonging to the IREN Group, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies the aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and “environmentally safe” than existing ones.
It also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 12,157 km of aqueduct networks, 6,673 km of sewerage networks, 467 wastewater pumping systems and 775 purification plants, both biological treatment plants and Imhoff tanks, distributed throughout an area of 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 312 km that serves a volume of

18,453,000 million cubic meters. Operations management of the electricity distribution network is carried out in the city of Parma for 2,349 km of network and more than 124,000 delivery points to end customers.

IREN AMBIENTE

Waste Management sector

Whether directly or through investees, Iren Ambiente operates in the collection, treatment, storage, recovery and recycling of urban and special waste, energy recovery (heat and electricity) through waste to energy transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza. Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it provides treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A.

The undifferentiated portion of waste collected is disposed of in various ways as part of the investigation for the best use of the waste through an industrial process involving mechanical selection so as to reduce the portion destined to waste to energy conversion and disposal in landfills.

Iren Ambiente handles over 1,000,000 tons of waste per year within 12 treatment, selection and storage plants, 2 waste to energy plants (Piacenza and Reggio Emilia), 1 landfill (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The Parma Integrated Environmental Hub (IEH) is currently under construction and its deployment is forecasted by the end of 2012. This hub provides for a selection and waste to energy plant.

Production of electricity from renewable sources

Iren Ambiente is active also in the production of electricity from renewable sources through various projects focused mainly on the photovoltaic sector. A 5 MW plant has been constructed in Puglia (through the subsidiary Enia Solaris) as well as a 1 MW plant which covers the requirements of a company building and another 29 lower capacity plants installed in headquarters of companies and municipal buildings. Sales activity decreased in the first quarter in the photovoltaic sector under the logo "Raggi & Vantaggi" (50 plants constructed and contractualised), successfully developed in 2011 through subsidiary Iren Rinnovabili S.r.l., as a result of the regulatory amendments approved, which significantly reduced the level of incentives in the sector.

The above subsidiary also operates in the hydroelectric sector, following the construction and start-up of the 1 MW hydroelectric plant in Fornace (Baiso – province of Reggio Emilia) at 30/12/2010, with energy production and sales of approximately 6,000 MWh in 2011.

With regard to projects in the wind energy sector, after the wind measurement recordings in the Apennine area in 2010, the process for obtaining authorisation for the construction of a 6 MW wind farm was begun. Particular attention was paid also to the development of a business model for promotion of initiatives in the biogas and biomethane sectors.

Management of district heating plants

Iren Ambiente also operates, on the basis of specific contracts with Iren Energia S.p.A., in the district heating sector for the operation and extraordinary maintenance of thermal and cogeneration plants in the three provinces of Emilia Romagna: Parma, Reggio Emilia and Piacenza.

IREN GROUP STAFF

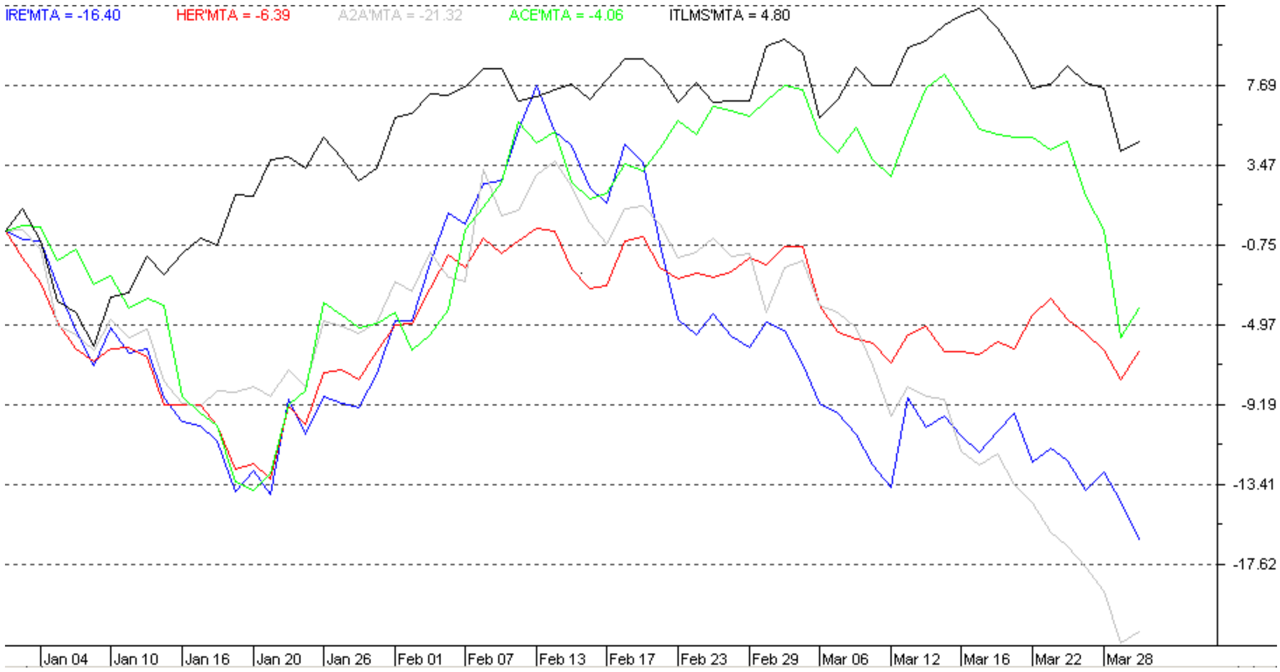
The Group had a workforce of 4,648 staff as at 31 March 2011. The table below shows a breakdown by individual Group in relation to top-level companies.

Company	Workforce at 31.03.2012	Workforce at 31.12.2011	% Change
IREN S.p.A.	265	268	(1.1)
IREN Acqua Gas and subsidiaries	1,020	1,026	(0.6)
IREN Ambiente and subsidiaries	241	241	-
IREN Emilia and subsidiaries	1,658	1,668	(0.6)
IREN Energia and subsidiaries	1,016	1,018	(0.2)
IREN Mercato and subsidiaries	448	434	3.2
Total	**4,648**	**4,655**	**(0.2)**

INFORMATION ON IREN SHARE IN THE FIRST THREE MONTHS OF 2012

IREN share performance on the Stock Exchange
In the first quarter of 2012, the stock markets, with particular reference to those in the Euro area, continued to feel the effects of the prolonged negative international financial scenario, exacerbated by the financial crisis in certain sovereign European states including Italy, which, burdened by a high level of debt and in compliance with budget parameters set by the European Community, is persisting with its strict fiscal policy.
Therefore, the increase in fiscal pressure combined with a liquidity deficiency in the financial networks helped maintain a negative growth trend also in the real economy.
In this context, in the first quarter of 2012, the Iren share lost around 16% while the All Shares index increased by roughly 5% in the same period.

The negative performance of the Iren share was shaped not only by the aforementioned economic factors at macroeconomic level, but other specific factors including the high level of debt and exposure of the portfolio of assets to the energy generation and sales market in a national context characterised by a scenario of overcapacity and low energy prices.



The Iren share price stood at Euro 0.64 (lowest in the quarter) per share at the end of March 2012, with daily trading volumes of around 2.3 million since the beginning of the year.
In the same period, the average price per share was Euro 0.72, after reaching a high of Euro 0.85 per share on 13 February.

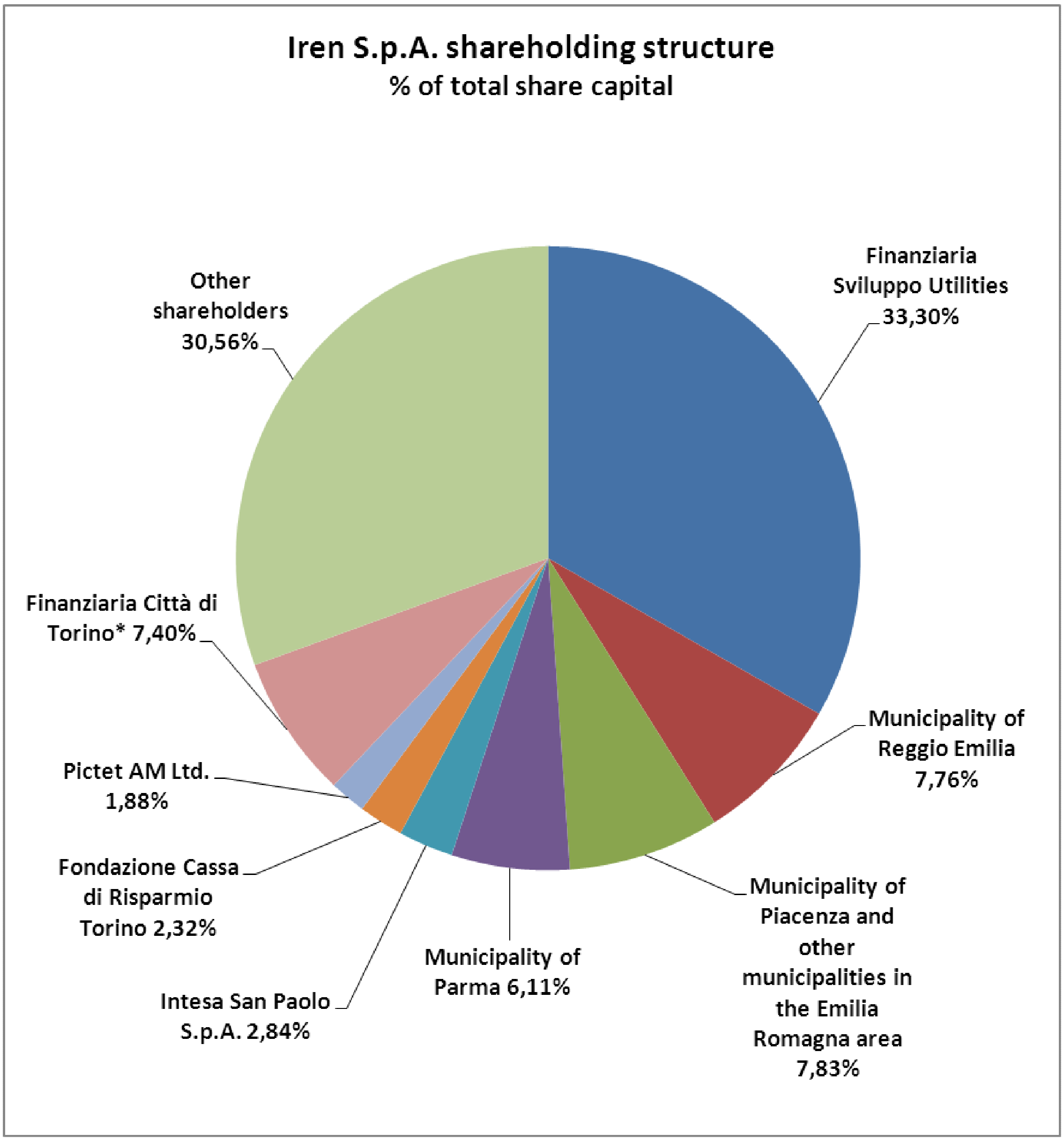
STOCK EXCHANGE DATA, Euro/share in the first three months of 2012	
Average price	0.72
Highest price	0.85
Lowest price	0.64
Number of shares (‘000)	1,276,226

IREN share price and trading volume performance

Share coverage
The IREN Group is currently handled by eleven brokers: Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Deutsche Bank, Equita, Intermonte, Mediobanca, Banca Akros, BNP Paribas and Banca Aletti which began coverage in February 2012.

Shareholding structure

As at 31 March 2012, IREN's shareholding structure was as follows:



** savings shares without voting rights*

OPERATING DATA

Electricity production

GWh	First 3 months 2012	First 3 months 2011	% Change
SOURCES			
Gross production	2,470	2,197	12.4
a) Thermoelectric	*2,043*	*1,557*	*31.2*
b) Hydroelectric	*170*	*141*	*20.6*
c) WTE plants production	*28*	*24*	*16.7*
d) Edipower plants production	*229*	*421*	*(45.6)*
e) Tirreno Power plants production	*-*	*54*	*(100)*
Purchases from Acquirente Unico (AU)	296	342	(13.5)
Energy purchased on the Power Exchange	1,002	1,147	(12.6)
Energy purchased from wholesalers and imports	993	46	(*)
Total sources	**4,761**	**3,732**	**27.6**
APPLICATION			
Sales to protected customers	296	326	(9.2)
Sales on the Power Exchange	1,453	1,279	13.6
Sales to eligible end customers, wholesalers and others	2,869	1,955	46.8
Pumping and distribution losses	143	172	(16.9)
Total Application	**4,761**	**3,732**	**27.6**

Gas Production

millions of cubic metres	First 3 months 2012	First 3 months 2011	% Change
SOURCES			
Purchases (Plurigas and Sinit)	396	706	(43.9)
Purchases (other wholesalers)	987	458	n.s.
Withdrawals from storage	55	-	n.s.
TOTAL SOURCES	**1,438**	**1,164**	**23.5**
APPLICATION			
Gas sold by the Group	913	722	26.4
Gas for internal use (*)	525	442	18.8
TOTAL APPLICATION	**1,438**	**1,164**	**23.5**

(*) Internal use involved thermoelectric plants, tolling, use in the generation of heat services and auto-consumption.

Network Services

	First 3 months 2012	First 3 months 2011	% Change
ELECTRICITY DISTRIBUTION			
Electricity distributed (GWh)	1,100	1,090	0.9
No. of electronic meters	680,542	659,786	3.1
GAS DISTRIBUTION			
Gas distributed by AES Torino (mln m³) (*)	273	309	(11.7)
Gas distributed by Iren Acqua Gas (mln m³)	197	201	(2.0)
Gas distributed by Iren Emilia (mln m³)	446	445	(0.2)
Total Gas distributed	916	955	(4.1)
DISTRICT HEATING			
District heating volume (mln m³)	73	66	10.6
District heating network (Km)	779	667	16.8
INTEGRATED WATER SERVICE			
Water volume (mln m3)	44	46	(4.3)

(*) AES Torino 51%

MARKET CONTEXT

The domestic energy context

In the January-March 2012 period the net electricity production in Italy was 72,054 GWh, marking a decrease (-1.7%) compared to the same period in 2011. The demand for electricity, equal to 83,045 GWh (+1.7%), was 86.7% met by domestic production (+0.2%), with the remaining 13.3% coming from foreign balance. At the domestic level, thermoelectric production was 56,770 GWh, a reduction of 2.6% over 2011 and covered 78.8% of supply. Production from hydroelectric sources was 6,839 GWh (-35% compared to 2011) covering 9.5% of supply (compared to 14.3% in the previous year), whilst geothermal, wind and photovoltaic energy production amounted to 8,445 GWh (+86.5%) and met 11.7% of supply.

Accumulated demand and supply of electricity (GWh and changes in trends)			
	To 31/03/2012	To 31/03/2011	% Change
Demand	**83,045**	**84,665**	**-1.9%**
-Northern Italy	38,717	39,446	-1.8%
-Central Italy	24,006	24,341	-1.4%
-Southern Italy	12,036	12,172	-1.1%
-Islands	8,286	8,706	-4.8%
Net production	**72,054**	**73,327**	**-1.7%**
- Hydroelectric	6,839	10,520	-35.0%
-Thermoelectric	56,770	58,278	-2.6%
-Geo-thermoelectric	1,304	1,323	-1.4%
-Wind and photovoltaic	7,141	3,206	122.7%
Foreign balance	**11,672**	**11,987**	**-2.6%**

Source: RIE processing using TERNA data

The first three months of 2012 showed an overall reduction in electricity demand from the 1st quarter of the previous year (-1.9%). Domestic demand showed a return to the negative trend after two years of positive first quarters compared to the fall in 2009, which in turn, saw a 6.9% reduction compared to the first three months of 2008. The fall in demand in 2009 over the previous year came to around 6 TWh. The 2010-2011 two-year period witnessed a recovery of around 4 TWh. After the first quarter of this year, said increase turned to a decrease, with a reduction of approximately 1 TWh. Percentage decreases were recorded in all regions within the Italian territory, particularly in the islands (-5.1%) and the northern region (-1.9%).

2012 opened against the backdrop of a marked increase in the Brent, with average monthly prices ranging from 111 doll./barrel in January to 119.6 in February, up to 125.3 in March, the highest since the peak in 2008. The average price in the first quarter stood at 118.5 doll./barrel, +13% compared to the same period in 2011. The $/€ exchange rate stood at 1.31 in the January-March 2012 period, 0.06 cents lower than the average value in the first quarter of 2011. Despite the slight depreciation in the Euro against the US dollar, shown by a comparison between the first quarters of 2011 and 2012, the high level of crude oil prices determined a new all-time record per barrel, expressed in euros: Euro 90.4 on average on a quarterly basis, with a monthly peak of Euro 95 in March.

At the start of this year, prices were mainly sustained by demand-side, real and potential risks. Real risks included non-OPEC crude oil shortages of around 1 mil. barrels/day attributable to technical (Canada, UK) and geopolitical (Yemen, Syria, South Sudan) reasons - in addition to around 200,000 barrels/day still to recover from Libya. For the moment, there remains instead a potential risk of a fall in Iranian exports as a result of international sanctions, expected to fluctuate between 800,000 and 1 mil. barrels/day with the entry into force of sanctionary measures from 1 July. Growing tensions between the West and Iran, which culminated in Tehran's threat to close the Strait of Hormuz as a result of heavier US sanctions and approval of the oil embargo by the EU, clearly represented the main bullish factor in the first quarter of the year. Despite constituting a potential risk, the market surged in response to fears over potential interruptions to supplies.
Despite recognising the presence of criticalities on the demand side, current or expected, and the low level of spare capacity actually available (barely 3% of global demand), it should be noted that global demand is expected to grow by just 800,000 barrels/day in 2012, OPEC production is at its highest for thirty years - with Saudi demand at 10 mil. barrels/day - and the global economy is expected to slow down on the whole (GDP growth in 2012 at +3.5% compared to 3.9% in 2011).

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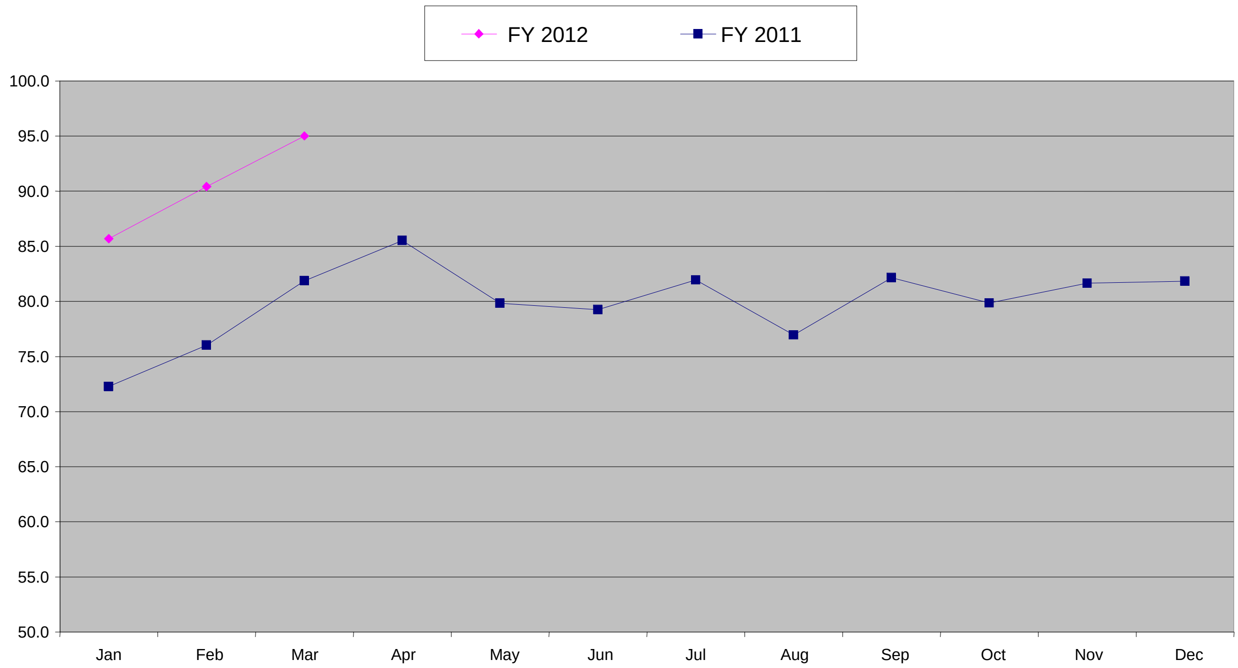
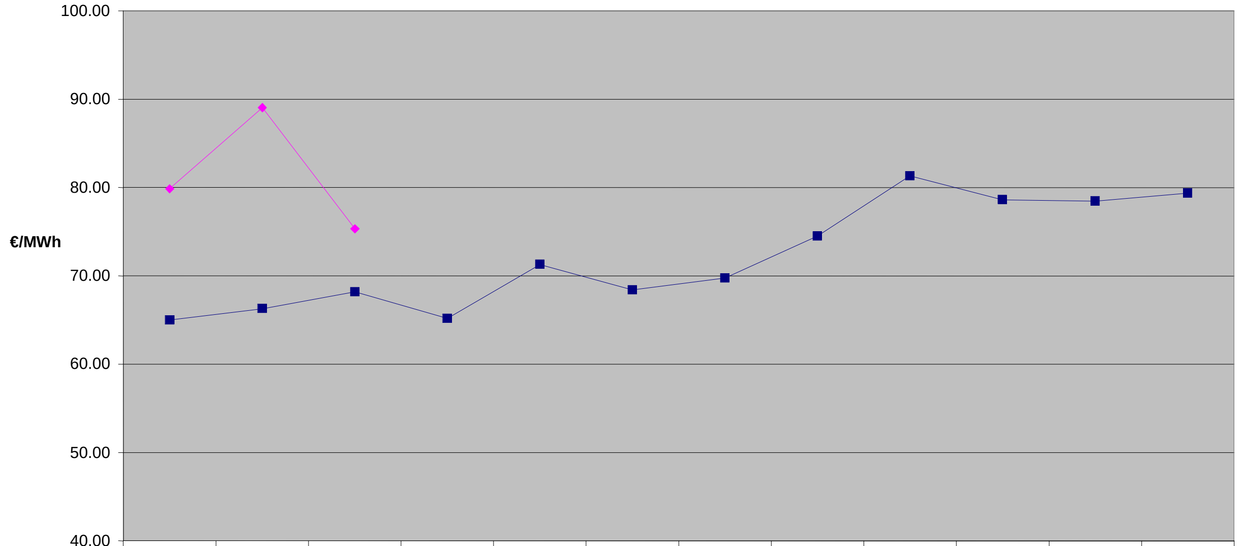
Performance of the Brent (€/barrel



The first quarter of 2012 highlighted an increased average price on the Power Exchange, both over the same quarter in the previous year and the last quarter of 2011. In particular, the PUN (single national unit price) stood at 81.2 €/MWh on average, marking an increase of 22.4% compared to the first quarter of 2011 and 3.3% over the fourth quarter of the previous year. Quantities demanded fell 1.9% over the first quarter of 2011, while they were up 1.5% over the fourth quarter.
With respect to the price trend, during the quarter, the specific aspects of the month of February should be underlined, where low temperatures were identified throughout Europe, which led to a sharp increase in prices on the main continental platforms.
The phenomenon is also evident from the inversion of the flow of electricity which, in February, contrary to the other two months of the quarter, saw our imports register a net decrease. In fact, these fell from 4.4 TWh in January (+7.3% compared to 2011) to 3.3 TWh (down 22% over 2011),

then increased to 4.7 TWh in March (up 11.6% with respect to 2011). The price rose by around 11.5% in February over the previous month and roughly 18.2% over March.

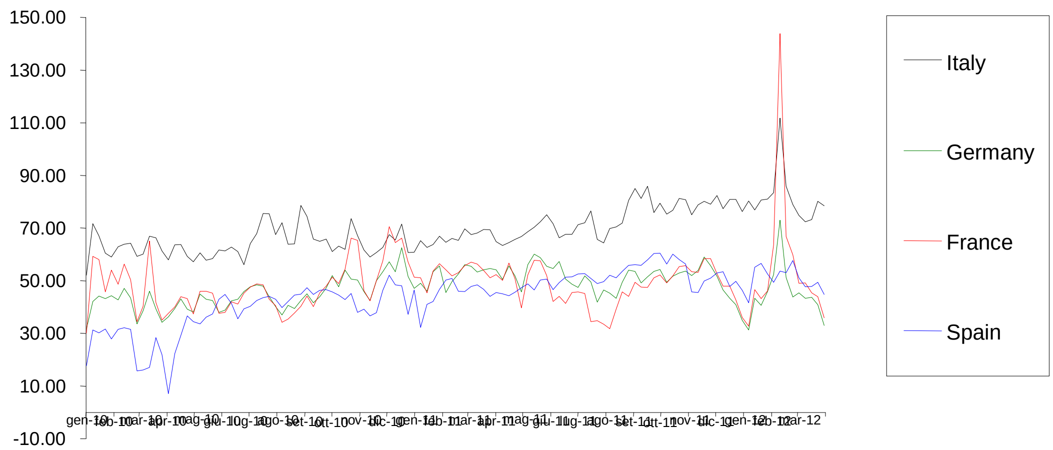
Average purchase price on power exchange (MGP)
Single National Unit Price (PUN)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2012	79.85	89.04	75.31									
2011	65.00	66.29	68.18	65.18	71.28	68.41	69.74	74.51	81.31	78.61	78.47	79.37

As for regional prices, the area with the lowest prices in the first quarter continued, as in 2011, to be the Southern region, at 75.8 €/MWh (–6.8% from PUN), whereas Sicily had the highest prices at 95.30 €/MWh (+17.3% from PUN). Compared to 2011 the Southern region increased its differential with respect to the PUN. In fact, this fell 4.4% in the past year, while Sicily's differential fell, which stood at 28.9% last year.

Weekly power exchange prices
(Euro/MWh)



In the first quarter, the differential with the other main continental power exchanges increased, from around 16.2 €/MWh in 2011 to 30.7 €/MWh in 2012.
The following table shows values and comparisons between average monthly future prices in the first quarter. An increasing trend was observed from January to March regarding longer term maturities, that confirmed a bullish sentiment in long-term quotations. The December 2013 annual future price grew from 76.12 €/MWh in January to 77.55 €/MWh in March.

Jan- 12		Feb-12		Mar-12	
Futures		**Futures**		**Futures**	
monthly	**€/MWh**	**monthly**	**€/MWh**	**monthly**	**€/MWh**
Feb-12	79.84	Mar-12	78.79	Apr-12	75.07
Mar-12	79.30	Apr-12	76.27	May-12	76.25
Apr-12	76.13	May-12	76.84	Jun-12	76.97
quarterly		**quarterly**		**quarterly**	
Jun-12	76.51	Jun-12	77.02	Jun-12	76.71
Sep-12	79.15	Sep-12	80.54	Sep-12	80.78
Dec-12	80.43	Dec-12	81.13	Dec-12	82.70
Mar-13	79.36	Mar-13	80.39	Mar-13	80.69
yearly		**yearly**		**yearly**	
Dec-13	76.12	Dec-13	77.05	Dec-13	77.55

Source: RIE processing using IDEX data

The Natural Gas Market

According to data made available by Snam Rete Gas, in the first three months of the year, the overall gas consumption was 27.4 billion cubic metres, with a 2.2% decrease from 2011 (down 3.2% excluding 29 February). In particular: withdrawals from distribution networks (roughly 85% allocated to civil consumption) increased by 0.6%, a result of two extremely mild months (January and March) and the steep rise in February (+25.3%), a result of the severe cold snap in the first half of the month; electricity demand was weak (down 1.9% in the first three months compared to the same quarter of 2011) and competition from renewable sources affected consumption for thermoelectric uses which signalled a decrease of 9.1% (-0.7 billion cubic metres), down some 21.6% compared to 2008; industrial consumption grew by 0.7%, but remained well below pre-crisis levels (-12.1% over 2008). These figures, together with the fall in consumption recorded in 2011 (down 5.2 billion cubic metres compared to 2010, or -6.2%), bear out the difficulties faced by the gas system in returning to a growth trend.
On the supply side, a reduction in imports over 2011 (–5.6%) can be observed, together with an increase in network intakes from national production (+7.9%) and a rise in withdrawals from storage (9.7%), due to the large-scale use of reserves during the cold period in February.

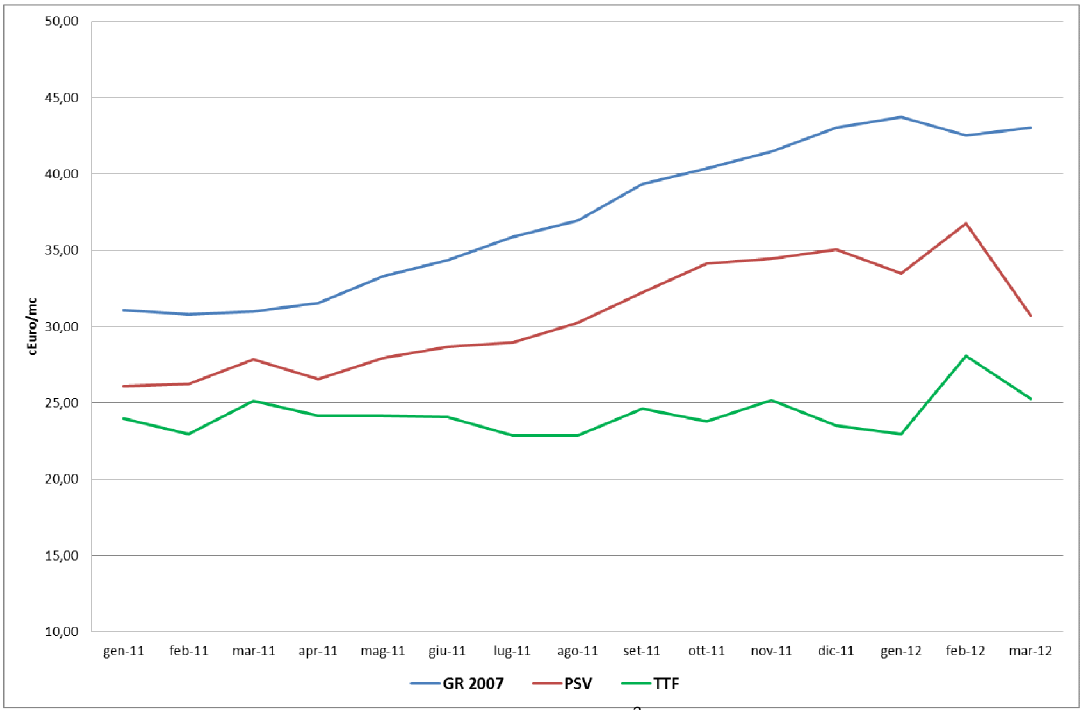
Application/sources of natural gas in the 1st Quarter 2012 and comparison with the previous years

January - March	*2012*	2011	2010	2009	2008	*Var. % '12/'11*	*Var. % '12/'10*	*Var. % '12/'09*	*Var. % '12/'08*
GAS WITHDRAWN (Billions of cubic metres)									
Distribution plants	15.9	15.8	16.6	15.7	14.7	0.6%	-3.9%	1.3%	8.5%
Industrial use	3.7	3.7	3.6	3.1	4.2	0.7%	5.0%	18.8%	-12.1%
Thermoelectric use	6.9	7.6	7.7	6.9	8.9	-9.1%	-9.8%	0.3%	-21.6%
Third party network and system consum	0.8	0.9	1.0	0.9	1.0	-5.8%	-18.9%	-10.1%	-18.3%
Total withdrawn	**27.4**	**28.1**	**28.8**	**26.7**	**28.8**	**-2.2%**	**-4.9%**	**2.7%**	**-4.7%**
GAS INJECTED (Billions of cubic metres)									
Domestic production	2.1	1.9	2.0	2.1	2.3	7.9%	1.4%	-0.9%	-11.3%
Imports	20.4	21.6	21.9	18.2	23.0	-5.6%	-6.9%	12.2%	-11.2%
Storage	4.9	4.5	4.9	6.4	3.5	9.7%	1.5%	-23.2%	42.8%
Total injected	**27.4**	**28.1**	**28.8**	**26.7**	**28.8**	**-2.2%**	**-4.9%**	**2.7%**	**-4.7%**

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas figures. Temporary figures for March 2012, non-definitive figures for January and February 2012; final figures for the previous years.

In a context of high oil prices, gas prices indexed to oil-linked formulae continued to increase, while spot prices, apart from the sharp rise in February shaped by the exceptional cold period, remained essentially stable during the winter period due to the weakness in demand. Thus, spot prices in European markets recorded 30% lower averages compared to oil-linked formulae.
As regards Italian prices, in the first three months of the year, the average value of the “Gas Release 2007” price, a formula indexed to oil prices, stood at 43.12 Eurocents/m^3 compared to 30.96 Eurocents/m^3 in the same quarter in the previous year and, with the average at 41.63 Eurocents/m^3 in the last three months of 2011. The CCI (wholesale marketing component) set by AEEG for the protected market stood at 38.47 Eurocents/m^3, up 4.5% compared to the last quarter of 2011.
At the Virtual Exchange Point (VEP), the average price in the first quarter was 33.66 Eurocents/m^3, 22% lower (9.5 Eurocents/m^3) than the Gas Release price. The balancing market (PB-Gas), which began on 1 December, recorded an average of 32.86 Eurocents/m^3; the difference (0.8 Eurocents/m^3) with the price of trading at the VEP was determined by different values in the first half of February, while for the remainder of the period, the balancing price recorded values essentially in line with hub prices. The M-Gas (Gas Exchange) price continued to be a little used market with minor trading.
Italian spot prices remained significantly higher than in Europe: in the first three months of the year, the average price on the Dutch TTF, which is considered the most representative hub of continental Europe, stood at 25.4 Eurocents/ m^3, on average around 8.2 Eurocents/mc (-24%) lower than the VEP, even though the spread seems to show a decreasing trend, down from roughly 10.5 Eurocents/ m^3 at the start of the year 5.5 Eurocents/ m^3 in March.

Trend in Gas prices: Gas Release 2007, VEP,TTF



Note: prices in €/MWh were transformed to Eurocents/m³ based on a calorific power of 38.1 Mj/mcs

Source: RIE processing; GME; APX-Endex

Key:
cEuro/mc - Eurocents/*m³*

European regulators were involved in intense work regarding new regulations for the allocation of gas pipeline transportation capacity. In the second half of 2011. ACER (Agency for the Cooperation of European Energy Regulators) issued two new guidelines which were translated, in March 2012, into a proposed European network code by Entso-G (European Network of Transmission System Operators for Gas). The primary objectives are: overcoming contractual congestion (not physical) on cross-border gas pipelines relating to the transportation capacity assigned on the basis of long-term contracts but never used; developing the transportation of gas between the different European hubs using mechanisms which unifies the allocation of capacity between the different neighbouring systems into a single process, thus favouring the direct exchange between hubs and connecting national balancing markets. The implementation of the new regulations should gradually lead to ever increasing alignment between the prices of the various European hubs and, therefore, also a reduction in the differential between the prices on the Italian VEP and prices on other hubs.

LEGISLATIVE FRAMEWORK

Electricity

Resolution ARG/elt 181/11 “Updating of the provisions of the AEEG (Italian Authority for Electricity and Gas), related to resolution no. 42/02 regarding cogeneration, following the issuing of Ministerial Decrees of 4 August 2011 and 5 September 2011” published on 15 December 2011

As regards cogeneration, the Italian Legislator, by means of Italian Legislative Decree no. 20/07, acknowledged European directive 2004/8/EC governing high-yield cogeneration, establishing, among other things, that, up until 31 December 2010, cogeneration production falling under the definition set out in article 2, paragraph 8, of Italian Legislative Decree no. 79/99, i.e. corresponding to the provision already made under AEEG resolution no. 42/02, is to be considered high-yield cogeneration.
The Ministry of Economic Development then issued Italian Ministerial Decree dated 4 August 2011 (introducing the acknowledgement of the decisions of the European Commission of 21 December 2006 and 19 November 2008 regarding high-yield cogeneration) and Italian Ministerial Decree of 5 September 2011 regarding the definition of the regulatory system to support high-yield cogeneration.
Based on the latter, for the purposes of obtainment of white certificates, the provisions laid down by AEEG resolution no. 42/02 continue to apply, limited to units which became operational before 31 December 2010.
The advantages of high-yield cogeneration, defined by the aforementioned Italian Legislative Decree no. 20/07 and still in force, include the following:
- priority dispatching, however, already envisaged under Italian Legislative Decree no. 79/99;
- exchange on-site in the case of plants with power of up to 200 kW;
- simplifications regarding the provision of the service for the connection of production plants to networks with third party connection obligations. With reference to the aforementioned resolution 42/02, provision is made for said benefits in AEEG resolutions nos. 111/06, ARG/elt 74/08 and ARG/elt 99/08 respectively.

In order to incorporate the new definition of high-yield cogeneration established by recent Ministerial Decrees of 4 August 2011 and 5 September 2011, by means of the resolution in question, the Regulator has updated the three above-mentioned provisions plus other provisions from the AEEG which are still in force, in which reference is made to resolution 42/02.
With precise reference to the benefit of dispatching priority, it should be noted that the new definition of high-yield cogeneration makes it possible for a cogeneration plant, or a section of it, to be only partially high-yield, with subsequent complications for the methods of application of subsidies for said plants: in fact, dispatching priority cannot be recognised solely to a part of a plant or a partial section of the same.
In order to resolve said problem, the Authority, in updating the relative provisions of resolution no. 111/06 with this provision, envisages that, in order to benefit from the application of dispatching priority, plants (or sections) which meet the requirements of high-yield cogeneration – in compliance with the criteria set out in Italian Ministerial Decree of 4 August 2011 – are those for which the ECHP dimension, defined in the same decree, is higher, or at least equal to half of total gross production of electricity generated by said plant (or section) as regards the cogeneration structure.

Resolution EEN 13/11 “Determination of specific primary energy saving objectives in 2012, for electricity and natural gas distributors, subject to the obligations set out in Ministerial Decrees of 20 July 2004, as amended and supplemented by Italian Ministerial Decree of 21 December 2007” published on 27 December 2011

Italian Ministerial Decree of 21 December 2007 – introducing a review and update of Ministerial Decrees of 20 July 2004 – fixes, under article 2, paragraph 3, letter h) at 3.5 million tons of oil equivalent, the national quantity objective for the increase in energy efficiency for electricity distributors for 2012. Consistently, said article, in subsequent paragraph 4, letter h) fixes at 2.5 million tons of oil equivalent the energy saving objective for natural gas distributors for 2012.
In implementation of the above-mentioned primary legislation, the AEEG, by means of this resolution, quantifies and publishes the breakdown of the specific primary energy saving objectives for individual obligated distributors for the year 2012.
In particular, in the Annex to the provision in question, the Regulator communicates the list, for 2012, of electricity distributors (Table A) and natural gas distributors (Table B), required to contribute to reaching the overall annual national objective, detailing the mandatory quantitative breakdown for each individual obligated distributor. For the purposes of completeness, it should be noted that Italian Ministerial Decree of 21 December 2007 specifically required, for each year after 2007, all electricity and natural gas distributors to be subject to achievement of the general national objective which, as at 31 December in the two years preceding the relevant year - in this case, as at 31 December 2010 for the year 2012 - had a quantity of at least 50,000 end customers connected to their distribution networks.
With reference to the criterion for the breakdown of the annual objective, the Authority also confirms that, similar to what was done in previous years for the application of the white certificates mechanism, the individual quota of the overall objective assigned to each distribution company subject to the obligation, was determined using the pro-quota breakdown criterion according to the ratio between electricity or natural gas distributed by said company to end customers connected to its distribution network, and electricity or natural gas distributed on the whole throughout Italy by the group of entities required by law to fulfil energy saving obligations.

Resolution of 26 January 2012 11/2012/R/EFR, "Determination of the average value of the transfer price of electricity for 2011, aimed at quantifying the market placement price for green certificates for 2012" published on 26 January 2012

With this resolution, AEEG, consistently with previous years, quantified and published, for 2012, the average annual value for the electricity transfer price as defined when implementing art. 13, paragraph 3 of Italian Legislative Decree no. 387/03, in order to define the market placement price for green certificates issued by GSE.
With reference to the relevant regulatory framework in force, art. 2, paragraph 148 of Italian Law no. 244/07 (2008 Finance Law) requires, starting from 2008, green certificates issued by GSE - pursuant to art. 11, paragraph 3, of Italian Legislative Decree no. 79/99 - to be placed by the same Operator on the associated market, at a fixed price equal to the difference between:
- the conventional value of 180 €/MWh;
and
- the average annual value for the electricity transfer price recorded in the previous year, as defined and published by the Regulator by 31 January of each year in implementation of art. 13, paragraph 3 of Italian Legislative Decree no. 387/03.
As regards the second of the above values, by means of resolution RG/elt 24/08 of 26 February 2008, the Regulator defined the criteria and methods for the determination of the average annual value for the electricity transfer price pursuant to art. 13, paragraph 3 of Italian Legislative Decree no. 387/03, requiring, for the purpose of definition of the market placement price for green certificates, said value to be equal to the arithmetic mean, on a national basis, of hourly regional prices, in accordance with art. 6 of Annex A to resolution no. 280/07 introducing "methods and technical-economic conditions for the withdrawal of electricity pursuant to art. 13, paragraphs 3 and 4, of Italian Legislative Decree no. 387/03 of 29 December 2003, and paragraph 41 of Italian Law no. 239/04 of 23 August 2004".

Considering the aforesaid, by means of the provision in question, the Authority resolved, for the purposes of definition of the market placement price for green certificates for 2012, the average annual value for the 2011 electricity transfer price - calculated on the basis of the criteria established by the aforementioned resolution ARG/elt 24/08 and to be subtracted from the conventional value of 180 €/MWh - at 74.72 €/MWh; consequently, the price of green certificates issued and placed on the relevant market by GSE will be 105.28 €/MWh in the current year.

Gas

Italian Law Decree no. 1 of 24 January 2012 - Urgent measures for competition, development of infrastructures and competitiveness.
Art. 13 envisages that AEEG, on 1 April 2012, will introduce the reference to gas market prices, in a progressive and gradually increasing manner, to the criteria for calculation of the raw material. Said prices, until consolidation of the domestic market, will be the ones recorded on European markets.
Italian Law Decree 1/12 also makes provision for the following: proprietary unbundling of Snam (and therefore of the transportation and storage network) from ENI (Art. 15); monitoring by the Ministry of Economic Development and AEEG of the level of use of foreign gas pipelines, in order to promote their optimum use and a coordinated allocation of the capacities of said gas pipelines (art. 14, paragraph 5); the introduction of integrated storage and transportation/regasification services intended to permit the direct procurement abroad of companies that use gas; these services will be offered by regasification and transportation operators under a regulated system based on the methods defined by AEEG (art. 14, paragraphs 1-4).

AEEG Resolutions no. 116/2012/R/Gas ("First review of the economic conditions of the gas raw material and amendments to Annex A to AEEG resolution of 28 May 2009, ARG/gas 64/09 (TIVG)") and no. 117/2012/R/Gas ("Update, for the quarter 1 April - 30 June 2012, of the economic conditions for the supply of natural gas for the protected service") published on 31 March defined a new calculation formula for the raw material component QE (QEnew) valid for the 2nd and 3rd quarters of 2012. This first review is a result of the aforementioned art. 13 of Italian Law Decree 1/12. AEEG established that the European market prices to reference are forward quarterly OTC (Over The Counter) prices on the Dutch TTF hub. In the QEnew calculation formula, the weight of prices on the TTF will be 3% for the 2nd quarter and 4% for the 3rd quarter, while 97%-96% will relate to the QE calculated using the traditional method. The new formula determined a QEnew value of 35.71 for the second quarter of 2012, 0.31 Eurocents/m^3 lower (-0.9%) than the value that would have been obtained using the previous entirely oil-linked formula.
A new calculation method will enter into force in the fourth quarter of the year that will have to make the provisions of the aforementioned Law Decree consistent with the process of reform of the component that AEEG had already undertaken and proposed in Consultation document 47/11 (22 December 2011): moving gradually from a raw material value derived exclusively from formulae indexed to the prices of oil products to a basket of gas prices which not only takes account of oil-linked values, but market prices established on trading platforms. According to the intentions of AEEG (resolution reference 116/2012/R/Gas), that method applied as of 1 October 2012 will also take into consideration the amendments made to many long-term oil-linked procurement contracts following renegotiations in the last two years as a result of the demand crisis and structural changes to international methane markets.

On 11 February 2012, upon its publication in the Official Gazette, **Italian Ministerial Decree no. 226 of 12 November 2011** (so-called **"Regolamento criteri" - 'criteria regulation'**) entered into force, crucial for the completeness of the new regulatory framework of gas distribution tenders. The Ministerial Decree defines the organisational aspects relating to the Local Entities and the timescales, which take effect from the entry into force of the Ministerial Decree, under which the commissioning bodies must be appointed to organise the procedures for the fulfilment of the tenders for the area. It should be noted that the Ministerial Decree also defines the criteria for calculation of the repayment value, contents of the call for tenders and operating rules, criteria for the assessment of bids and expenses due from operators to local entities.

SIGNIFICANT EVENTS OF THE PERIOD

Edison Group reorganisation

On 28 January 2012, Iren S.p.A.'s Board of Directors unanimously approved the terms of the agreement on the reorganisation of Edison and Edipower, following additional positive negotiations with A2A after the meeting of the Board of Directors on 25 January and in compliance with the communications to the markets on 27 December 2011 and 29 December 2011.

On 15 February 2012, the parties signed the definitive contracts, as envisaged in the preliminary understanding of 26 December 2011.

Closing must occur within 20 working days from fulfilment of conditions precedent and, in any case, no later than 30 June 2012.

Parma Integrated Environmental Hub (IEH)

On 25 January 2012, the Parma section of the Regional Administrative Court, at which an appeal was filed against the works suspension order issued by the Municipality of Parma, issued a ruling which confirmed the regularity of the authorisation process adopted for the Parma Integrated Environmental Hub and recognised that the building permit was issued as part of the authorisation and Environmental Impact Assessment process, therefore, ruling the works suspension order issued by the Municipality of Parma to be unlawful which, therefore, was cancelled.

PREPARATION CRITERIA

CONTENT AND STRUCTURE

This consolidated interim report on operations as of 31 March 2012 was prepared in compliance with the provisions of art. 154-ter, "Financial report" of the Italian Consolidated Finance Act ("TUF") introduced by Italian Legislative Decree 195/2007, through which Directive 2004/109/EC (known as the "Transparency Directive"), regarding periodic information and based on Consob notice no. DEM/8041082 dated 30/04/2008 was adopted by the Italian legislator. Said provision replaces those provided for by art. 82 ("Quarterly report") and Annex 3D ("Quarterly report drafting criteria") in the Issuers' Regulation.
The accounting standards used to prepare the report are the "International Financial Reporting Standards – IFRS" issued by the International Accounting Standards Board ("IASB") and approved by the European Commission. "IFRS" also includes the International Accounting Standards ("IAS") still in effect, as well as all explanatory documents issued by the International Financial Reporting Interpretations Committee ("IFRC") and the previous Standing Interpretations Committee ("SIC").

ACCOUNTING PRINCIPLES ADOPTED

Accounting principles and evaluation criteria, as well as consolidation principles, adopted when preparing this interim report on operations for the IREN Group are consistent with those used when preparing the IREN Group's Consolidated Financial Statements as of 31 December 2011, to which reference is made for a complete description.

Preparing the interim report on operations has required the use of estimates and assumptions that affect the values of revenues, costs, assets and liabilities. The outcome of the occurrence of the events might differ from these estimates.

Some measurement processes, especially those which are more complex such as the calculation of impairment on non-current assets, are generally carried out fully only upon drafting of the yearly financial statements, i.e. when all information required is available, except when there are impairment indicators which require an immediate measurement of any impairment losses. Similarly, the actuarial valuations required for determining the Provision for employee benefits are carried out upon drawing up of the annual financial statements.

Lastly, the interim report on operations is not subject to an accounting audit.

CONSOLIDATION SCOPE

The consolidation scope is unchanged from 31 December 2011 and includes all companies controlled directly or indirectly by the Group's parent company.

Parent:
IREN S.p.A.

Companies consolidated on a line-by-line basis:
The five First-level companies were consolidated and, through their consolidated financial statements, their subsidiaries:

1) IREN Energia and its subsidiaries:
- Iride Servizi and subsidiaries:
  - AEM NET
  - Sasternet
- AEM Torino Distribuzione
- CELPI (classified as asset held for sale)
- Nichelino Energia

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

3) IREN Acqua Gas S.p.A. and its subsidiaries:
- Genova Reti Gas
- GEA
- Laboratori Iren Acqua Gas
- Mediterranea delle Acque and its subsidiaries:
  - Idrotigullio
  - Immobiliare delle Fabbriche

4) IREN Emilia and its subsidiaries:
- Enìa Parma
- Enìa Piacenza
- Enìa Reggio Emilia
- Enìatel
- Consorzio GPO (classified as asset held for sale)
- AGA
- Undis Servizi
- Tema (classified as asset held for sale)
- Zeus

5) IREN Ambiente and its subsidiaries:
- IREN Rinnovabili and its subsidiary:
  - Enìa Solaris
- Tecnoborgo
- Bonifica Autocisterne
- Montequerce

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

Companies consolidated proportionally:

AES Torino S.p.A. (51% owned by IREN Energia, but jointly managed with the other shareholder Italgas, due to contractual agreements signed by the parties)
Società Acque Potabili (30.86% owned by IREN Acqua Gas)
Acquedotto Savona (100% owned by Società Acque Potabili)
Acquedotto Monferrato (100% owned by Società Acque Potabili)
Acque potabili Crotone (100% owned by Società Acque Potabili)
OLT Offshore LNG S.p.A (41.71% owned by IREN Mercato)
Namtra Investments Ltd (wholly owned by OLT Offshore LNG).

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. The operating Enterprise Risk Management model includes the methodological approach to the integrated identification, assessment and management of Group risks.
For each of the following risk types:

- Financial risk (interest rate, currency, spread);
- Credit risk;
- Energy risk (risk factors associated to energy and/or financial markets, such as market variables or pricing choices);
- Operational and reputational risk (risk factors associated with the ownership of assets, involvement in industrial activities, processes, procedures and information flows, and with the group's image);

specific "policies" were defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.
This model also regulates the roles of the various parties involved in the risk management process, which is governed by the Group Board of Directors. The document requires specific Risk Commissions, which shall take more hands-on action regarding specific management models for each type of risk.
The "Risk Management" department, reporting to the CEO, was set up within the IREN Group. This department is formally entrusted with the following activities:

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

A summary of the Group risk management models is provided below.

1. FINANCIAL RISKS

Iren Group's 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. Derivatives are neither used nor held for purely trading purposes.

a) Liquidity risk
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in IREN, both through cash pooling and centralisation of all collection and payments within the IREN current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infragroup bank accounts along with infragroup 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.
IREN has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.
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 note that the clauses in IREN loan agreements do not contain critical elements; in particular, certain Iren medium/long-term loan agreements make provision for the commitment to respect financial indexes (financial covenants such as Debt/EBITDA, EBITDA/financial expenses), and are checked annually. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the IREN Group's should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
The medium/long-term loan agreements of some Group companies also involve financial index covenants (Net Financial Position/EBITDA, Net Financial Position/Equity).

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

c) Interest rate risk
The IREN Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. IREN Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.
The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges.

2. CREDIT RISK

The Group’s credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties. This risk is connected to the sale of electricity, district heating and gas, and provision of water and waste management services to retail and business customers, public entities.
The main risk factors are attributable to increases in the ageing of receivables, insolvency risk and the risk of increases in receivables subject to bankruptcy proceedings.

In order to control credit risk, operating management of which is entrusted to individual regional functions, methodologies have been defined for monitoring and control of receivables in addition to the definition of strategies for reduction of credit exposure including Customer solvency analysis during the acquisition phase, through an accurate analysis of creditworthiness targeted at containing the risk of insolvency, the assignment of receivables of former and/or active customers to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered, with the introduction of new recovery methods.

The trade receivables management policy and tools of creditworthiness, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption dimension levels.

Over the last few years in order to strengthen the analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, operating management for the collection of overdue receivables, outsourcing the telephone inquiry activity for certain customer segments. The Group is in the process of completing the project for "electronic meters" with the aim of enhancing the promptness in the decoupling of customers in arrears and reducing costs.

Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.
An interest-bearing guarantee deposit is provided for some types of services (water, natural gas, "protected customer" electricity) in compliance with regulations governing these activities. This deposit must be reimbursed if the customer adopts the payment through bank/post current accounts.
Generally applied payment terms are compliant with regulations in force and are consistent with free market standards. In the event of non-payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.

In carrying out its activities, the Group is exposed to the risk that receivables due from customers may, due to the current generalised economic/financial crisis, may not be honoured on maturity and, therefore, result in impairment which may involve the whole or partial derecognition from the financial statements.

Accruals to the allowance for impairment accurately reflect the effective credit risk through the targeted quantification of the accrual, involving the analysis of the individual receivable items recorded in the database, specifically taking into account ageing, as well as comparison with historical impairment loss data and determination of the average non-payment rate.
As a result of the ongoing current economic situation, the Group, despite maintaining the existing processes, improved its control of credit risks by strengthening monitoring and reporting procedures. The fundamental objective of said activities is to analyse the main causes of the impairment of credit in order to promptly find potential countermeasures.

3. ENERGY RISK

The IREN Group is exposed to the price risk, including the related currency risk, on the energy commodities traded, being electricity, natural gas, coal, etc., as both purchases and sales are either directly impacted by fluctuations in the price of such energy commodities 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 production planning for its plants and purchases electricity, with the aim of reconciling energy self-production and market supply with demand from Group customers.

4. OPERATIONAL RISKS

This category includes all the risks not included in the previous categories, which may influence the achievement of operational targets, i.e. relating to the effectiveness and efficiency of business transactions, including the levels of performance, profitability and protection of the resources against losses.

The Enterprise Risk Management model, which will be integrated in the IREN Group, including on the basis of the models implemented in the former IRIDE and Enìa, focused on the integrated and synergic management of risks, and it implements a management process that consists of the following stages:

- identification;
- estimation;
- assessment;
- treatment;
- control;
- reporting.

Each process stage is performed in accordance with standards and references defined at Group level.
The operational risk management process also aims at optimizing the Group's insurance profiles in the key "property" and "liability" areas.

a. Legislation and regulatory risks

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

b. Strategic risks

The local utilities sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a more decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the new market scenarios.
The strategic development plan of the IREN Group provides for considerable investments, from the development of joint ventures of important regasification plants for the gas supply, to the completion of cogeneration plants to complete the district heating extension plan, and the consolidated presence in the electricity and gas distribution sectors, and water and waste management sectors.
The above interventions entail an exposure of the Group to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compliance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realization of such project.

c. Plant-related risks

As regards the compliance of Group production plants, the plant-related risks are managed with the above-mentioned approach in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).
Insurance instruments, specially created based on the specific needs, were also created to further safeguard each single plant.

d. IT Risks

The main IT risks are related to the availability of core systems, amongst which the interfacing with the Power Exchange by IREN Mercato.

The Company is in fact one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.
To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures ("Disaster recovery"), which are periodically subjected to efficiency testing.

FINANCIAL POSITION, RESULT OF OPERATIONS AND CASH FLOWS FOR THE FIRST THREE MONTHS OF 2012

The IREN Group's figures regarding the reclassified statement of financial position are compared with the corresponding figures as at 31 December 2011. Figures in the income statement and the statement of cash flows are compared with the IREN Group's corresponding data regarding the first three months of the previous year.

INCOME STATEMENT

IREN GROUP CONSOLIDATED INCOME STATEMENT

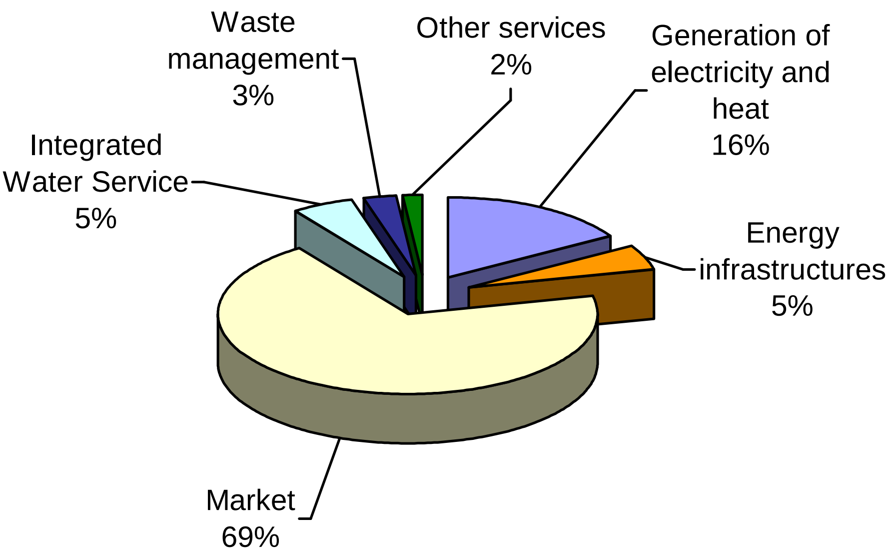
thousands of euro

	1st Quarter 2012	1st Quarter 2011	% Change
Revenue			
Revenue from goods and services	1,255,798	920,727	36.4
Change in contract work in progress	1,083	620	74.7
Other revenue and income	60,458	51,287	17.9
Total revenue	**1,317,339**	**972,634**	**35.4**
Operating expense			
Purchase of raw materials, consumables, supplies and goods	(760,937)	(484,474)	57.1
Services and use of third-party assets	(280,153)	(206,613)	35.6
Other operating expense	(21,750)	(16,560)	31.3
Capitalised expenses for internal work	4,833	6,111	(20.9)
Personnel expense	(68,869)	(65,704)	4.8
Total operating expense	**(1,126,876)**	**(767,240)**	**46.9**
Gross Operating Profit (EBITDA)	**190,463**	**205,394**	**(7.3)**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(52,599)	(48,567)	8.3
Provisions and impairment losses	(13,136)	(9,312)	41.1
Total amortisation, depreciation, provisions and impairment losses	**(65,735)**	**(57,879)**	**13.6**
Operating Profit (EBIT)	**124,728**	**147,515**	**(15.4)**
Financial management			
Financial income	9,067	5,701	59.0
Financial expense	(34,009)	(20,278)	67.7
Total financial management	**(24,942)**	**(14,577)**	**71.1**
Profit of associates accounted for using the equity method	6,042	4,028	50.0
Impairment losses on investments	-	-	-
Profit before tax	**105,828**	**136,966**	**(22.7)**
Income tax expense	(49,673)	(51,764)	(4.0)
Profit/(loss) for the year from continuing operations	**56,155**	**85,202**	**(34.1)**
Profit from discontinued operations	331	504	(34.3)
Profit/(loss) for the year	**56,486**	**85,706**	**(34.1)**
attributable to:			
- Profit (loss) for the year pertaining to the Group	55,027	83,711	(34.3)
- Minority interests	1,459	1,995	(26.9)

Revenue

As at 31.03.2012, the Iren Group recognised revenue of Euro 1,317.3 million, up by 35.4% compared to the Euro 972.6 million in the first quarter of 2011. The significant increase in revenue is attributable to both the increase in quantities sold in the energy sectors (electricity and gas) and the rise in the prices of energy commodities.
The graph below shows the breakdown:

Revenue breakdown



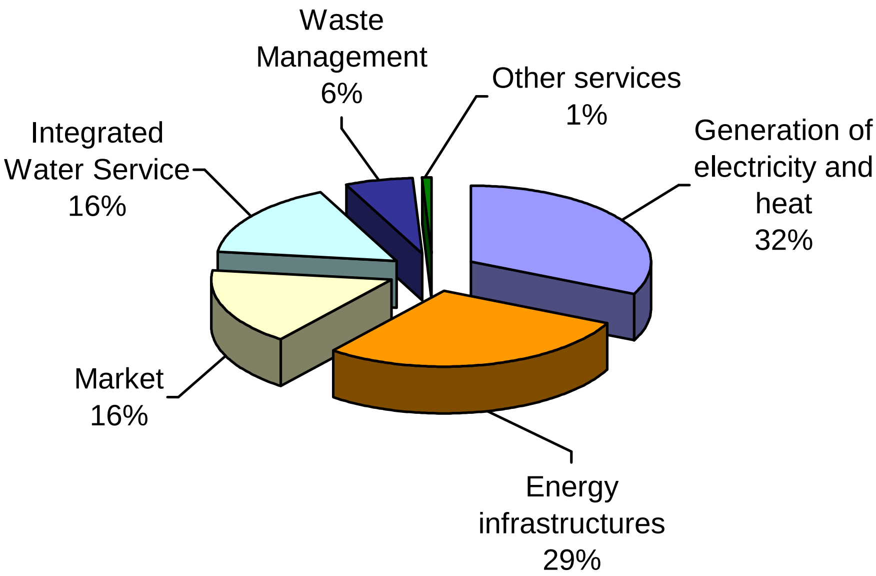
Gross operating profit

Gross operating profit (Ebitda) amounted to Euro 190.5 million, down by 7.3% compared to the Euro 205.4 million in the first quarter of 2011. The sectors most affected by the persisting economic and scenario crisis are the Electricity Generation and Sales sectors while the decrease in the Energy Infrastructures sector is due mainly to non-recurring contingent assets relating to 2011 (equalisation and network losses), relating to the distribution of electricity, partially offset by the improvement of results of gas distribution and district heating activities.

In particular, the results of the Electricity Generation and Sales sectors felt the effects of the persisting productive overcapacity, the significant increase in the price of fuel not fully reflected in the electricity transfer price and competition from higher electricity production from renewable sources which, in a context of already weak demand, also affected the trend in the formation of electricity sale prices.

The gross operating profit of the Integrated Water Cycle and Waste Management sectors is essentially in line with the previous year, while the Gas sales sector recorded a significant increase, mainly due to an increase in unit profits in a context of essentially stable volumes sold.

Ebitda breakdown



Operating profit
Operating profit (EBIT) amounted to Euro 124.7 million, marking a decrease of 15.4% compared to Euro 147.5 million in the first quarter of 2011. This variation reflects the trend in gross operating profit and the increase in amortisation/depreciation (around Euro 4 million) and the allocation to the provision for doubtful debts and provision for risks (roughly Euro 3.8 million).

Financial income and expense
Net financial expense was negative by Euro 25 million. Specifically, financial expense totalled Euro 34 million, up (+67.7%) on the 2011 figures, due to the increase in the average indebtedness of the year and the increase in the average cost of debt. Financial income amounted to Euro 9 million, up 59% compared to the first three months of 2011. The result of associates accounted for using the equity method was a positive euro 6 million, up by 50% compared to the same period in 2011.

Profit before tax
As a result of the trends indicated above, the consolidated profit before tax reached Euro 106 million, a decrease of 22.7% compared to the first three months of 2011.

Income tax
Income taxes for the first three months of 2012 amounted to Euro 50 million, a decrease of 4% in absolute terms compared to the same period of 2011.
By contrast, the tax rate rose by 9%.
The increase in the latter is due to the following factors:

- in 2011, as a result of the approval of Italian Law Decree no. 98, the IRAP tax rate for companies operating under concession, as for the majority of companies in the IREN Group, rose by 0.30%.
- from 2011 to 2013, following approval of Italian Law Decree no. 138 of 13 August 2011, the IRES surcharge rose by 4%. In addition, said measure made provision for the extension of the surcharge to electricity and natural gas distribution companies too. Therefore, the surcharge rate is 10.5% for 2012.

Profit for the year

In light of the above, profit for the year amounted to Euro 56 million, a decrease compared to Euro 86 million in the same period in 2011.

The main economic components are shown below, with comments for each business segment.

Production of electricity and heat

Revenue totalled Euro 325.2 million at 31.3.2012, up by 41.2% compared to Euro 230.3 million recorded in the first quarter of 2011.

		First quarter 2012	First quarter 2011	Δ %
Revenue	€/mln.	325.2	230.3	41.2%
Gross Operating Profit (EBITDA)	€/mln.	60.8	64.9	-6.3%
Ebitda Margin		*18.7%*	*28.2%*	
Operating profit	€/mln.	41.7	49.0	-14.9%
Investments	€/mln.	4.5	32.4	-86.0%
Electricity produced	GWh	2,217	1,701	30.3%
from hydroelectric sources	*GWh*	170	141	*20.3%*
from thermoelectric sources	*GWh*	2,043	1,557	*31.2%*
from renewable sources	*GWh*	4	3	*36.1%*
Heat produced	GWh_t	1,387	1,235	12.3%
from cogeneration sources	GWh_t	1,066	978	*9.0%*
from non-cogeneration sources	GWh_t	321	258	*24.7%*

During the period the electricity produced was 2,217 GWh, an increase of 30.3% compared to 1,701 GWh in the first quarter of 2011, on account of the higher hydroelectric production and production from cogeneration.
Specifically, hydroelectric production was around 170 GWh, up 20.3% compared to the 141 GWh in the same period of 2011. This performance bucks the trend in national figures for production from hydroelectric sources, which saw a decrease of 35% on 2011.
Thermoelectric production was around 2,043 GWh, up 31.2% compared to the 1,557 GWh in the first quarter of 2011, mainly thanks to the entry into operation of the Torino Nord (Turin North) plant on 1 October 2011.
Heat production stood at 1,387 GWht, up by 12.3% compared to 1,235 GWht in the same period in 2011, mainly due to the effect of higher volumes supplied, up by 6.2 million cubic metres, equal to 9% (+5.3% million cubic metres in the Turin area and up 0.8% in the Emilia area). The total district heating volume exceeded 72 million cubic metres.
The cogenerated heat share was 77%, down compared to 79% in the first quarter 2011. The weather performance is comparable with that of the first quarter of 2011, despite a different monthly performance: February saw lower temperatures and March was milder.

The gross operating profit was Euro 60.8 million, down compared to Euro 64.9 million in the first quarter 2011 (-6.3%). The reduction in the gross operating profit is mainly attributable to a reduction in margins on the production of energy by cogeneration plants, only partially offset by greater volumes produced under cogeneration and hydroelectric plants.
Higher quantities of heat produced also helped to absorb the negative trend in electricity production.

Operating profit (Ebit) amounted to Euro 41.7 million, down by 14.9% on the Euro 49.0 million in the corresponding period in 2011, and discounts not only the negative performance of the gross operating profit but an increase in depreciation for the year due to the entry into operation of the Torino Nord plant.

Capital expenditure relating to the segment amounted to around Euro 4.5 million, of which more than Euro 3 million refers to cogeneration (relating almost entirely to the Torino Nord project) and roughly Euro 1 million to hydroelectric production.

Market

The volume of business of the market area amounted to Euro 1,373.3 million, up compared to the same period in 2011.
A summary of the economic results per business sector is shown below:

		First quarter 2012	First quarter 2011	Δ%
Revenue	€/mln.	1,373.3	906.6	51.5%
Gross Operating Profit (EBITDA)	€/mln.	31.1	33.9	-8.3%
Ebitda Margin		*2.3%*	*3.7%*	
from electricity	*€/mil.*	-8.1	-0.7	*(*)*
from gas	*€/mil.*	35.8	30.2	*18.8%*
from heat	*€/mil.*	3.4	4.4	*-24.4%*
Operating profit	€/mln.	25.4	30.7	*-17.3%*
Electricity sold	GWh	4,595	3,536	29.9%
Electricity sold net of purchases/sales in the Stock Exchange	GWh	3,874	2,634	47.1%
Gas purchased	Mln m3	1,438	1,164	23.5%
Gas sold by the Group	Mln m3	913	722	26.4%
Gas for internal use	Mln m3	525	442	18.7%

(*) Change of more than 100%

Sale of electricity

Total volumes sold on the free market amounted to 4,298 GWh, compared to 3,210 GWh in the first three months of 2011 (up 34%). The increase in quantities sold is attributable to both an increase in volumes sold on the power exchange, and to sales to wholesalers and end customers, impacted by sales connected to the acquisition of the ERG commercial division.
The electricity availability from production within the Iren Group, (Iren Energia), amounted to 2,212 GWh (compared to 1,694 GWh in 2011), while the volumes from the management of Edipower tolling amounted to 228 GWh (420 GWh in 2011).
Volumes sold to end customers and wholesalers amounted to 2,845 GWh versus the 1,931 GWh of 2011; gross sales on the power exchange amounted to 1,245 GWh compared to 1,203 GWh of 2011, and the remaining part of volumes sold mainly refers to infra-group transactions and distribution losses.

The gross operating profit from the sales of electricity amounts to Euro -8.1 million, down by approximately Euro 7 million compared to the same period of 2011. This was mainly due to the reduction in the margin on volumes sold to customers on the free market.

Sale of natural gas

Total volumes of natural gas procured in the first three months of 2012 were approximately 1,438 million cubic metres (around 1,164 million cubic metres for the same period of 2011) referring to gas sold to customers outside the Group, and the cubic meters used within the Group for both the production of electricity and heat.
The higher volumes sold compared to 2011 (up 274 million cubic metres) is essentially due to the increase in trading activities and increase in volumes to be used for internal production (Torino Nord plant).

The gross operating profit (Ebitda), equal to Euro 35.8 million, has improved over the Euro 30.2 million of the first quarter 2011, mainly due to the effects deriving from favourable procurement conditions connected to the use of gas in storage and optimisation of trading activities.

Energy infrastructures

As of 31.3.2012, the Energy Infrastructure segment, including distribution of gas, electricity and heat businesses and regasification plant, recorded revenues of Euro 104.5 million, down 1.8% compared to Euro 106.4 million in 2011.
The gross operating profit was Euro 54.6 million, down compared to Euro 59.6 million in the first quarter 2011 (-8.3%).
The operating profit amounted to Euro 39 million, down 12% compared to Euro 44.3 million in the corresponding period of 2011.
The main trends in the sectors concerned are shown below.

		First quarter 2012	First quarter 2011	Δ %
Revenue	€/mln.	104.5	106.4	-1.8%
Gross Operating Profit (EBITDA)	€/mln.	54.6	59.6	-8.4%
Ebitda Margin		*52.3%*	*56.0%*	
from electricity networks	*€/mil.*	18.0	25.3	*-28.9%*
from gas networks	*€/mil.*	25.0	24.2	*3.4%*
from district heating networks	*€/mil.*	11.6	10.3	*12.6%*
from the regasification plant	*€/mil.*	0.0	-0.2	*(*)*
Operating profit	€/mln.	39.0	44.3	-12.0%
Investments	€/mln.	25.3	36.4	-30.5%
in electricity networks	*€/mil.*	3.8	3.9	-2.5%
in gas networks	*€/mil.*	8.3	10.7	-22.7%
in district heating networks	*€/mil.*	3.9	11.3	-65.4%
in regasification plant	*€/mil.*	9.3	10.5	-11.7%
Electricity distributed	GWh	1,100	1,090	0.9%
Gas distributed	Mln m3	916	956	-4.1%
District heating volumes	Mln m3	73	66	9.9%

(*) Change of more than 100%

Electricity networks

Gross operating profit (Ebitda) amounted to Euro 18.0 million, down by -28.9% compared to the Euro 25.3 million in the first quarter of 2011.
The reduction in the margin by around Euro 7 million compared to the same period in the previous year is attributable to the fall in the contribution margin and negative balance of prior year income (release of debt portion for distribution losses and prior year income relating to equalisation) which the income statement benefitted from in the first quarter of 2011 and of a non-recurring nature.
In 2012, investments of Euro 3.8 million were carried out, relating to maintenance and construction of networks, medium/low voltage substations and high/medium voltage stations.

Gas networks

The gross operating profit from Gas Network distribution amounted to Euro 25.0 million (+3.4%) compared to Euro 24.2 million in the first quarter of 2011. The increase in the margin is attributable to higher revenues relating to equalisation of prior years and reduction of operating costs.

Capital expenditure made in the segment amounted to approximately Euro 8.3 million and specifically involves the extraordinary maintenance plan of the distribution network and the replacement of metering units, set forth in AEEG resolutions, and development initiatives for the distribution network and connections in the main areas served by the Group.

District heating networks

The gross operating profit from district heating amounted to Euro 11.6 million (+12.6%) compared to Euro 10.3 million in the first quarter of 2011, mainly due to higher volumes supplied.

Capital expenditure in the year amounted to Euro 3.9 million, of which around Euro 3 million relating to the Torino Nord project and roughly Euro 1 million to networks and plants in the Reggio Emilia region.

Regasification plant

Investments made in the segment amounted to approximately Euro 9 million, in line with the first quarter of 2011.
At the end of 2011, a preliminary agreement was reached with Saipem to resolve problems which emerged during the phase of implementation of the project, without the need for arbitration.
As things stand, the testing plant is expected to enter into operation before February 2013, and is expected to be fully operational by the end of 2013.

Integrated water service

In the first quarter, the Integrated water service segment recorded revenue of Euro 106.7 million, up by 4.4% compared to Euro 102.2 million in the first quarter of 2011.
The increase over 2011 is attributable to tariff increases resolved by the ATOs served, only partially offset by lower quantities sold and lower revenues due to the change in the perimeter served by Società Acque Potabili.
An increase in revenue was also registered due to the increase in capitalised costs on assets under concession which are recognised under revenue (up around Euro 3.5 million), as required by IFRIC 12.

		First quarter 2012	**First quarter 2011**	**Δ %**
Revenue	€/mln.	106.7	102.2	4.4%
Gross Operating Profit (EBITDA)	€/mln.	30.8	31.2	-1.3%
Ebitda Margin		*28.9%*	*30.5%*	
Operating profit	€/mln.	13.6	15.4	-11.7%
Investments	€/mln.	16.7	14.8	12.6%
Water sold	Mln m3	44	46	-5.3%

The gross operating profit was Euro 30.8 million, down compared to Euro 31.2 million in the first quarter of 2011 (-1.3%). The tariff increase resolved by all ATOs in the areas managed was more than offset by the reduction in quantities sold and the increase in operating costs incurred for electricity and the maintenance of networks.

Operating profit (EBIT) amounted to Euro 13.6 million, marking a decrease of 11.7% compared to Euro 15.4 million in the first quarter of 2011. The operating profit suffered from the negative effect of the contraction in the gross operating profit and higher amortisation/depreciation and provisions in the year.

Capital expenditure in the sector during the year amounted to roughly Euro 16.7 million, for the construction of infrastructures set out in the Area Plan for the maintenance and development of the distribution networks and plants, sewerage network and treatment systems.

Waste Management

The turnover of the segment totalled Euro 54.7 million in the first quarter, compared to Euro 52.6 million of the corresponding period of 2011 (up 4.0%). The increase in revenues is due to the rise in sales of electricity produced by the Tecnoborgo WTE plant and the increase in revenues from secondary services. The tariff increases resolved for 2012 and in the period amounted to Euro 1.5 million, and did not lead to an increase in total revenue given that, in the first quarter of 2011, a previous non-recurring tariff recovery for the same amount was already effected.

			First quarter 2012	First quarter 2011	Δ %
Revenue		€/mln.	54.7	52.6	4.0%
Gross Operating Profit (EBITDA)		€/mln.	11.7	12.2	-4.1%
Ebitda Margin			*21.5%*	*23.2%*	
Operating profit		€/mln.	5.2	5.9	-11.9%
Investments		€/mln.	8.7	20.5	-57.8%
Waste handled		Tons	219,769	242,341	-9.3%
	Urban waste	Tons	168,110	182,392	-7.8%
	Special waste	Tons	51,659	59,949	-13.8%

Gross operating profit (Ebitda) amounted to Euro 11.7 million, down by 4.1% compared to the Euro 12.2 million in the first quarter of 2011. The decrease in the margin is mainly attributable to higher operating costs relating to waste collection activities, partially offset by higher sales of electricity produced by the Tecnoborgo WTE plant.

Operating profit (Ebit) amounted to Euro 5.2 million, down by 11.9% compared to the Euro 5.9 million in the first quarter of 2011. The contraction in the operating profit discounts the decrease in the gross operating profit.

Capital expenditure in the period amounted to Euro 8.7 million and relates primarily to the construction of the Environmental Hub in Parma and to a lesser extent, extraordinary maintenance work on disposal plants and purchases of vehicles and equipment for the collection service.

Other services

Revenue totalled Euro 32.4 million, down by 3.0% compared to Euro 33.4 million recorded in the first quarter of 2011.
Gross operating profit (Ebitda) amounted to Euro 1.5 million, down over the Euro 3.6 registered in the first quarter of 2011.
The decrease is mainly related to a contraction in the margins of service contracts for the management of lighting plants, buildings and other minor plants.

		First quarter 2012	**First quarter 2011**	**Δ %**
Revenue	€/mln.	32.4	33.4	-3.0%
Gross Operating Profit (EBITDA)	€/mln.	1.5	3.6	-58.3%
Ebitda Margin		*4.2%*	*10.9%*	
Operating profit	€/mln.	-0.2	2.2	(*)
Investments	€/mln.	2.3	2.9	-19.3%

(*) Change of more than 100%

STATEMENT OF FINANCIAL POSITION

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	31.03.2012	31.12.2011	% Change
Non-current assets	4,656,930	4,652,774	0.1
Other non-current assets (liabilities)	(117,454)	(118,297)	(0.7)
Net working capital	572,838	287,974	98.9
Deferred tax assets (liabilities)	61,475	60,412	1.8
Provisions and employee benefits	(402,995)	(416,909)	(3.3)
Assets (liabilities) held for sale	23,781	31,427	(24.3)
Net invested capital	**4,794,575**	**4,497,381**	**6.6**
Equity	1,901,929	1,844,706	3.1
Non-current financial assets	*(164,616)*	*(132,299)*	*24.4*
Medium and long-term financial indebtedness	*2,231,274*	*2,051,413*	*8.8*
Net medium and long-term financial indebtedness	2,066,658	1,919,114	7.7
Short-term financial assets	*(404,670)*	*(421,993)*	*(4.1)*
Current financial indebtedness	*1,230,658*	*1,155,554*	*6.5*
Net current financial indebtedness	825,988	733,561	12.6
Net financial indebtedness	**2,892,646**	**2,652,675**	**9.0**
Own funds and net financial indebtedness	**4,794,575**	**4,497,381**	**6.6**

The main trends affecting the statement of financial position in the first 3 months of 2012 are described hereunder.

No change was recorded in non-current assets since 31 December 2011. The main investments in the first three months of 2012 include Euro 25.3 million in energy infrastructures (gas networks for Euro 8.3 million, district heating networks for Euro 3.9 million, electricity networks for Euro 3.8 million and the OLT project for Euro 9.3 million), Euro 16.7 million in the integrated water cycle and Euro 8.7 million in waste management, primarily relating to the PAI (Integrated Environmental Centre) project of Parma.

The increase in net working capital reflects the seasonal trend in trade payables and receivables and tax items.

The reduction in assets held for sale is due mainly to the sale of associate Gesam Gas.

The increase in equity is mainly the result of the profit for the year.

Higher net financial indebtedness derives mainly from the increase in net working capital due to tariff and seasonal trends.

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CASH FLOW FIGURES

STATEMENT OF CASH FLOWS FOR THE IREN GROUP

thousands of euro

	1st Quarter 2012	1st Quarter 2011	% Change
A. Opening cash and cash equivalents	**44,758**	**144,112**	**(68.9)**
Cash flow from operating activities			
Profit/(loss) for the year	56,486	85,706	(34.1)
Adjustments for:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	52,599	48,567	8.3
(Gains) Losses and other changes in equity	(280)	(97)	(*)
Net change in post-employment benefits and other employee benefits	(155)	(232)	(33.2)
Net change in provision for risks and other charges	9,292	5,379	72.7
Profit from the sale of discontinued operations net of tax effects	(330)	(719)	(54.1)
Change in deferred tax liabilities	(1,108)	(1,529)	(27.5)
Change in other non-current assets/liabilities	(843)	3,878	(*)
Portion of profit/loss of associates	(6,042)	(4,028)	50.0
B. Cash flows from operations before variations in NWC	**109,619**	**136,925**	**(19.9)**
Change in inventories	14,939	(1,149)	(*)
Change in trade receivables	(375,911)	(129,329)	(*)
Change in tax assets and other current assets	46	(44,435)	(*)
Change in trade payables	(16,089)	(50,076)	(67.9)
Change in tax liabilities and other current liabilities	92,151	91,651	0.5
C. Cash flow from variations in NWC	**(284,864)**	**(133,338)**	**(*)**
D. Operating cash flows (B+C)	**(175,245)**	**3,587**	**(*)**
Cash flows from/(used in) investing activities			
Investments in intangible assets and in property, plant and equipment and investment property	(72,291)	(111,901)	(35.4)
Investments in financial assets	(525)	-	(*)
Proceeds from the sale of investments and changes in assets held for sale	1,355	(29)	(*)
Transfer of discontinued operations net of cash disposed of	7,100	2,100	(*)
E. Total cash flows used in investing activities	**(64,361)**	**(109,830)**	**(41.4)**
F. Free cash flows (D+E)	**(239,606)**	**(106,243)**	**(*)**
Cash flow from financing activities			
New non-current loans	190,000	-	(*)
Repayment of non-current loans	(30,548)	(13,208)	(*)
Change in financial assets	(20,211)	7,883	(*)
Change in financial liabilities	95,148	43,039	(*)
G. Total cash flow from financing activities	**234,389**	**37,714**	**(*)**
H. Cash flows for the year (F+G)	**(5,217)**	**(68,529)**	**(92.4)**
I. Closing cash and cash equivalents (A+H)	**39,541**	**75,583**	**(47.7)**

(*) 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

	1st Quarter 2012	1st Quarter 2011	% Change
Free cash flow	(239,606)	(106,243)	(*)
Variation in fair value of hedging derivatives	(365)	16,175	(*)
Change in net financial indebtedness	**(239,971)**	**(90,068)**	**(*)**

(*) Change of more than 100%

At 31 March 2012, net financial indebtedness amounted to Euro 2,893 million, up by 9% compared to 31 December 2011 due to a negative free cash flow of Euro 240 million.
In particular, the free cash flow, negative by Euro 240 million, derives from the combined effect of the following cash flows:
- cash flows from operations are positive by Euro 175 million and are composed of Euro +110 million from the cash flows from operations before variations in net working capital and Euro -285 million from the cash flows from variations in net working capital;
- cash flows used in investing activities, negative by Euro 64 million, were generated from Euro 72 million investments in intangible assets, property, plant and equipment and investment property (including investments made for the building of infrastructures under concession, pursuant to IFRIC 12), Euro 1 million from the sale of investments in intangible assets, property, plant and equipment and investment property and Euro 7 million from the sale of associate Gesam Gas.

The Euro 190 million in “New non-current loans” relates to disbursements on loans entered into with EIB.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

EVENTS AFTER THE REPORTING PERIOD

Distribution of dividends
In approving the draft financial statements for the year 2011 and in consideration of the priority objective of reducing the debt ratio, the Board of Directors, which met on 3 April 2012, proposed the distribution of dividends to the Shareholders' Meeting, with payment commencing on 21 June 2012, equal to Euro 0.013 per share, for a total of Euro 16,590,933.80.

Edison Group reorganisation
On 4 April 2012, Consob communicated that a price within the Euro 0.84 and 0.95 range for Edison shares, whose value may represent a useful point of reference for balancing the interests of the parties, would be consistent with the notional price paid pursuant to art. 106, paragraph 2 of the Consolidated Finance Act.
Following the Consob communication, the parties defined new agreements, amending the contracts signed on 15 February 2012, aimed at following up the observations made by Consob. In short, provision was made for an increase in the price offered to Delmi for the purchase of the investment in Transalpina di Energia, involving a price per Edison share of Euro 0.89 and the promotion of a take-over bid at a price per Edison share of Euro 0.89. Delmi was also required to pay Edison a price for the investment equal to 50% held by the latter in Edipower, increased by a total amount of Euro 79,376,300 and it was envisaged that the increase in the total price to be paid in relation to the take-over bid would be split evenly with EDF, in line with the difference between the new price of Euro 0.89 and Euro 0.84, up to a maximum commitment of Euro 25,100,000 for the company.
The new agreements were resolved by the parties' company bodies on 6 and 7 May.
In addition, in recent days, the Antitrust Authority communicated its approval of the conclusion of the transfer of Edipower shares from Transalpina di Energia to Delmi. An announcement is expected to be made by the European Antitrust Authority in the near future with reference to the transfer of Transalpina di Energia shares from Delmi to EDF.
Therefore, at present, two of the three conditions set out in the agreements signed by Delmi and EDF for the effective closing of the entire transaction have been satisfied.

Parma Integrated Environmental Hub (IEH)
On 4 April 2012, the judgment handed down by the Regional Administrative Court became final, given that the Municipality of Parma did not file an appeal to the Council of State.

BUSINESS OUTLOOK

Based on available information and the forecasts for the current year, the outlook for the remainder of 2012 is also a macroeconomic scenario still characterised by the persistent weakness recorded in 2011 that has affected the demand for electricity and gas and, in general, the spending capacity of domestic entities. For 2012, the IREN Group forecasts consolidation in the growth of its assets and revenue as a result of the progressive contribution of the investments made.

The results of the IREN Group will however be influenced by developments in the energy industry, applicable regulations and the seasonality of the segments in which it operates, especially as regards weather conditions.

In 2012, the IREN Group will proceed with the investments set forth in its business plan, which include, following the entry into operation, at the end of 2011, of the new 390 MW “Torino Nord” cogeneration plant, the essential completion of the Livorno regasification terminal and entry into operation of the Parma Integrated Environmental Hub at the end of the year.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

thousands of euro

	31.03.2012	31.12.2011
ASSETS		
Property, plant and equipment	2,842,720	2,837,578
Investment property	1,871	1,943
Intangible assets with a finite useful life	1,268,226	1,280,769
Goodwill	134,951	131,651
Investments accounted for using the equity method	239,147	230,818
Other investments	170,015	170,015
Non-current financial assets	164,616	132,299
Other non-current assets	26,611	27,826
Deferred tax assets	177,631	174,850
Total non-current assets	**5,025,788**	**4,987,749**
Inventories	52,992	67,931
Trade receivables	1,615,641	1,239,730
Current tax assets	9,707	4,400
Other receivables and other current assets	264,534	269,887
Current financial assets	365,129	377,235
Cash and cash equivalents	39,541	44,758
Total current assets	**2,347,544**	**2,003,941**
Assets held for sale	23,810	31,622
TOTAL ASSETS	**7,397,142**	**7,023,312**

thousands of euro

	31.03.2012	31.12.2011
EQUITY		
Equity attributable to owners of the Parent		
Share capital	1,276,226	1,276,226
Reserves and retained earnings	355,953	462,995
Profit for the period	55,027	(107,890)
Total equity attributable to owners of the Parent	**1,687,206**	**1,631,331**
Minority interests	214,723	213,375
TOTAL EQUITY	**1,901,929**	**1,844,706**
LIABILITIES		
Non-current financial liabilities	2,231,274	2,051,413
Employee benefits	86,636	86,791
Provisions for risks and charges	239,168	231,057
Deferred tax liabilities	116,156	114,438
Other payables and other non-current liabilities	144,065	146,123
Total non-current liabilities	**2,817,299**	**2,629,822**
Current financial liabilities	1,230,658	1,155,554
Trade payables	1,023,925	1,040,014
Other payables and other current liabilities	257,523	216,220
Current tax liabilities	88,588	37,740
Provisions for risks and charges - current portion	77,191	99,061
Total current liabilities	**2,677,885**	**2,548,589**
Liabilities related to assets held for sale	29	195
TOTAL LIABILITIES	**5,495,213**	**5,178,606**
TOTAL EQUITY AND LIABILITIES	**7,397,142**	**7,023,312**

CONSOLIDATED INCOME STATEMENT

thousands of euro

	1st Quarter 2012	1st Quarter 2011
Revenue		
Revenue from goods and services	1,255,798	920,727
Change in contract work in progress	1,083	620
Other revenue and income	60,458	51,287
Total revenue	**1,317,339**	**972,634**
Operating expense		
Cost of raw materials, consumables, supplies and goods	(760,937)	(484,474)
Services and use of third-party assets	(280,153)	(206,613)
Other operating expense	(21,750)	(16,560)
Capitalised expenses for internal work	4,833	6,111
Personnel expense	(68,869)	(65,704)
Total operating expense	**(1,126,876)**	**(767,240)**
Gross operating profit	**190,463**	**205,394**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(52,599)	(48,567)
Provisions and impairment losses	(13,136)	(9,312)
Total amortisation, depreciation, provisions and impairment losses	**(65,735)**	**(57,879)**
Operating profit	**124,728**	**147,515**
Financial management		
Financial income	9,067	5,701
Financial expense	(34,009)	(20,278)
Total financial management	**(24,942)**	**(14,577)**
Profit of associates accounted for using the equity method	6,042	4,028
Impairment losses on investments	-	-
Profit before tax	**105,828**	**136,966**
Income tax expense	(49,673)	(51,764)
Profit for the period from continuing operations	**56,155**	**85,202**
Profit from discontinued operations	331	504
Profit for the year	**56,486**	**85,706**
attributable to:		
- Profit (loss) for the year pertaining to the Group	55,027	83,711
- Minority interests	1,459	1,995

OTHER COMPONENTS OF COMPREHENSIVE INCOME

thousands of euro

	1st Quarter 2012	1st Quarter 2011
Profit for the period - Owners of the parent and non-controlling interests (A)	**56,486**	**85,706**
Other components of comprehensive income		
- effective portion of changes in fair value of cash flow hedges	(365)	16,672
- change in fair value of available-for-sale financial assets	-	(497)
- share of other profits (losses) of companies accounted for using the equity method	2,221	(4)
Tax effect of other comprehensive income	(45)	(5,263)
Total other comprehensive income/(loss) for the period, net of tax effect (B)	**1,811**	**10,908**
Total comprehensive income for the period (A)+(B)	**58,297**	**96,614**
attributable to:		
- Profit (loss) for the year pertaining to the Group	56,852	94,498
- Minority interests	1,445	2,116

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium reserve Issue of shares	Legal reserve
31/12/2010	**1,276,226**	**105,102**	**23,862**
Allocation of profit			
Change in interests			
Other changes			
Comprehensive income for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
31/03/2011	**1,276,226**	**105,102**	**23,862**
31/12/2011	**1,276,226**	**105,102**	**28,996**
Allocation of profit			
Other changes			
Comprehensive income for the year			
of which:			
- Profit for the year			
- Other components of comprehensive income			
31/03/2012	**1,276,226**	**105,102**	**28,996**

thousands of euro

Cash flow hedge reserve	Available-for-sale reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit for the year	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
(17,029)	**(8,119)**	**328,884**	**432,700**	**143,104**	**1,852,030**	**229,590**	**2,081,620**
		143,104	143,104	(143,104)	-		-
		(87)				87	
		(49)	(49)		(49)	(1)	(50)
11,115	(328)		10,787	83,711	94,498	2,116	96,614
				83,711	83,711	1,995	85,706
11,115	(328)		10,787		10,787	121	10,908
(5,914)	**(8,447)**	**471,852**	**586,455**	**83,711**	**1,946,392**	**231,792**	**2,178,184**
(30,737)	**-**	**359,634**	**462,995**	**(107,890)**	**1,631,331**	**213,375**	**1,844,706**
		(107,890)	(107,890)	107,890	-		-
		(975)	(975)		(975)	(99)	(1,074)
1,823			1,823	55,027	56,850	1,447	58,297
				55,027	55,027	1,459	56,486
1,823	-		1,823		1,823	(12)	1,811
(28,914)	**-**	**250,769**	**355,953**	**55,027**	**1,687,206**	**214,723**	**1,901,929**

CONSOLIDATED CASH FLOW STATEMENT

thousands of euro

	1st Quarter 2012	1st Quarter 2011
A. Opening cash and cash equivalents	**44,758**	**144,112**
Cash flow from operating activities		
Profit/(loss) for the year	56,486	85,706
Adjustments for:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	52,599	48,567
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Change in tax assets and other current assets	46	(44,435)
Change in trade payables	(16,089)	(50,076)
Change in tax liabilities and other current liabilities	92,151	91,651
C. Cash flow from variations in NWC	**(284,864)**	**(133,338)**
D. Operating cash flows (B+C)	**(175,245)**	**3,587**
Cash flows from/(used in) investing activities		
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Investments in financial assets	(525)	-
Proceeds from the sale of investments and changes in assets held for sale	1,355	(29)
Transfer of discontinued operations net of cash disposed of	7,100	2,100
E. Total cash flows from in investing activities	**(64,361)**	**(109,830)**
F. Free cash flows (D+E)	**(239,606)**	**(106,243)**
Cash flow from financing activities		
New non-current mortgages and loans	190,000	-
Repayments of non-current mortgages and loans	(30,548)	(13,208)
Change in financial assets	(20,211)	7,883
Change in financial liabilities	95,148	43,039
G. Total cash flow from financing activities	**234,389**	**37,714**
H. Cash flows for the year (F+G)	**(5,217)**	**(68,529)**
I. Closing cash and cash equivalents (A+H)	**39,541**	**75,583**

STATEMENT OF THE MANAGER IN CHARGE OF DRAWING UP THE CORPORATE ACCOUNTING DOCUMENTS, PURSUANT TO THE PROVISIONS OF ART. 154-BIS, PARAGRAPH 2, OF ITALIAN LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCE ACT)

The undersigned manager in charge of drawing up the corporate accounting documents of IREN S.p.A., Mr. Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act, that the Interim Report on Operations at 31 March 2012 corresponds to the accounting documents, records and books.

14 May 2012

IREN S.p.A.
The Administrative and Finance Manager and
Manager in charge of financial reporting as per
Italian Law 262/05

Mr. Massimo Levrino