Interim Report
at 30 June 2013

Contents

KEY FIGURES OF THE IREN GROUP

	First half 2013	First half 2012	% Change
Income statement figures *(millions of euro)*			
Revenue	1,823	2,267	(19.6)
Gross operating profit	376	337	11.7
Operating profit	240	196	22.6
Profit before tax	213	144	47.8
Profit/(loss) for the period - Group and non-controlling interests	117	80	46.1
Statement of financial position figures *(millions of euro)*	**At 30/06/2013**	**At 31/12/2012**	
Net invested capital	4,474	4,509	(0.8)
Equity	2,007	1,954	2.7
Net financial position	(2,467)	(2,555)	(3.4)
Financial/economic indicators			
	First half of 2013	*First half of 2012*	
GOP/Revenue	20.63%	14.85%	
	At 30/06/2013	*At 31/12/2012*	
Debt/Equity	1.23	1.31	
Technical and trading figures	*First half of 2013*	*First half of 2012*	
Electrical energy sold (GWh)	6,553	8,598	(23.8)
Heat energy produced (GWh_t)	1,842	1,709	7.8
District heating volume (mln m^3)	77	73	5.5
Gas sold (mln m^3)	1,726	1,928	(10.5)
Water distributed (mln m^3)	86	89	(3.7)
Waste handled (tons)	498,843	468,362	6.5

(*) Change of more than 100%

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

Iren is structured as an industrial holding; Iren's main corporate offices are in Reggio Emilia, with operational branches in Genoa, Parma, Piacenza, and Turin, as well as other companies in charge of individual business lines. The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines as follows:

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

Electrical energy production: Through a considerable number of electrical energy and heat energy plants for district heating production, the overall production capacity is over 7,700 GWh/year, including the portion ensured by Edipower.

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

Electrical energy distribution: With 7,439 km of low, medium and high voltage networks, the Group distributes electrical energy to over 691,000 customers in Turin and Parma.

Integrated water cycle: With over 14,100 km of aqueduct networks, over 8,000 km of sewerage networks and 813 treatment plants, Iren provides services to over 2,400,000 residents.

Waste management cycle: With 123 equipped ecological stations, 2 waste-to-energy plants, 1 landfill, 11 treatment plants and 2 composting plants, the Group serves 116 municipalities for a total of around 1,139,000 residents.

District heating: Through 825 km of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 76.5 million m^3, equivalent to a population served of over 750,000 individuals.

Sales of gas, electrical energy and heat energy: Each year the Group sells over 3.2 billion m^3 of gas, around 17,053 GWh of electrical energy and 2,980 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

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

Board of Statutory Auditors

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

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. [8]

[1] Member of the Control and Risk Committee
[2] Member of the Remuneration Committee
[3] Member of the Control and Risk Committee
[4] Member of the Remuneration Committee
[5] Member of the Remuneration Committee
[6] Member of the Control and Risk Committee
[7] Appointed by the shareholders' meeting on 14 May 2012 for the 2012-2014 three-year period
[8] Office assigned by the shareholders' meeting on 14 May 2012 for the 2012-2020 nine-year period

MISSION AND VALUES OF THE IREN GROUP

For the Iren Group, sustainable development, energy efficiency and protection of the environment, to-gether with technological innovation and a particular focus on the territories in which it operates, constitute fundamental character-ristics.

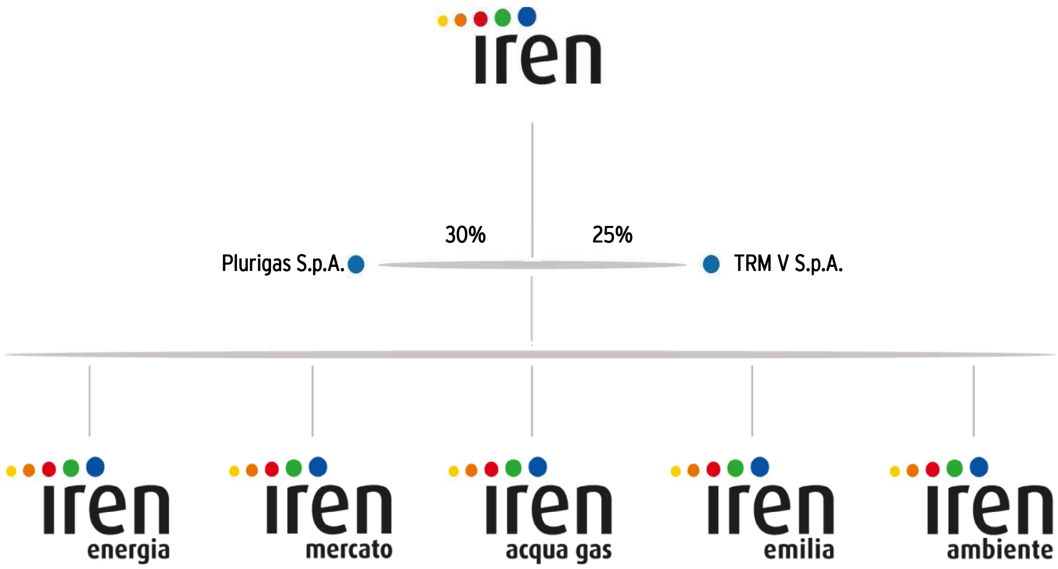
Protecting the environment, limiting energy consumption, innovation, promoting economic and social development in its operating territories, guaranteeing customer satisfaction, quality and safety, creating value for shareholders and enhancing and increasing staff competences and skills are specific values that the Iren Group intends to pursue.

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

Directors' Report

at 30 June 2013

IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.
TRM V has a controlling interest in TRM S.p.A. with an 80% stake.

The flowchart illustrates the main investee companies of Iren Holding.

IREN ENERGIA

Cogenerative production of electrical energy and heat energy

Iren Energia's installed capacity totals approximately 2,700 MW, of which around 1,800 MW is directly generated and around 900 MW through the investees Edipower and Energia Italiana. Specifically, Iren Energia owns 20 electrical energy production plants: 12 hydroelectric plants and 8 thermoelectric cogeneration plants, for a total capacity of approximately 1,800 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production in the first half of 2013 was approximately 1,842 GWh_t, with a district heating volume of approximately 77 million m^3.

Electrical energy distribution

Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In the first half of 2013 the total electrical energy distributed amounted to 2,036 GWh, of which 1,604 GWh in Turin and 432 GWh in Parma.

Gas distribution and District Heating

The district heating and gas distribution activities in the city of Turin are carried out by AES Torino (51% controlled by Iren Energia), which owns one of the largest district heating networks in the whole of Italy (approximately 474 km of dual-piping at 30 June 2013). In the first half of 2013, the gas network extended over 1,333 km, serving approximately 500,000 end customers.

Iren Energia also owns the district heating networks of Reggio Emilia, covering around 216 Km, of Parma with roughly 84 Km and Piacenza which covers approximately 19 km.

Lastly, Nichelino Energia - in which Iren Energia and AES Torino hold respective stakes of 67% and 33%, aims at developing district heating in the town of Nichelino.

Services to Local Authorities and Global Service

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

IREN MERCATO

Through IREN Mercato the Group sells electrical energy, gas and heat, supplies fuel to the Group, trades energy efficiency certificate (or white certificates), green certificate and emission trading, provides customer management services to Group companies and supplies heat services and sales heat through the district heating network.

Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy. The company supplies electrical energy directly, through associates where present in the area, and through agency contracts with intermediary companies for customers associated with certain sector categories and for large customers connected with a number of Industrial Associations.

The main Group power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A. Through tolling agreements Iren Mercato also has access to electrical energy produced by Edipower plants.

The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

Total volumes of natural gas procured in the first half of 2013 were approximately 1,726 million m^3 of which approximately 839 million m^3 were sold to customers outside the Group, 63 million m^3 were used in the production of electrical energy under the tolling contracts with Edipower and 718 million m^3 were used within the IREN Group both for the production of electrical and heat energy and for the provision of heating services, whilst 106 million m^3 of gas remained in storage.

At 30 June 2013 gas retail customers directly managed by Iren Mercato totalled around 755,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electrical energy

Volumes sold in the first half of 2013, net of distribution losses, amounted to 6,553 GWh.

Electrical energy retail customers managed totalled approximately 729,000 at the end of June 2013 (of which around 367,000 on the free market and 362,000 on the protected market), mainly distributed in the traditionally-served catchment areas of Turin and Parma, and in areas covered by company marketing.

A cluster analysis of end customers is provided below.

Free market and power exchange

Total volumes sold to end customers and wholesalers amount to 2,874 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 2,811 GWh. In the first half of 2013, the availability of electrical energy from internal Iren Group production (Iren Energia) amounted to 3,738 GWh. Edipower tolling volumes amounted to 477 GWh. Use of external sources totalled 621 GWh for purchases on the power exchange net of energy bought/sold (purchases including energy bought/sold amounted to 1,035 GWh) and 1,077 GWh for purchases from wholesalers. The remaining part of sold volumes mainly refers to infra-group transactions and distribution losses.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were around 362,409 in the first half 2013. The total volumes sold amounted to 453 GWh.

Sale of heat energy through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa (through the CAE), Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems of buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
In the first six months of 2013, the total district heating volume totalled 76.5 million m^3, marking an increase of 4 million m^3 over the previous year.

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

LNG regasification plant
Investments in this segment amounted to approximately Euro 17.9 million.
The terminal reached its destination off the coast of Tuscany on 30 July 2013. The first LNG ships for offshore commissioning are planned for the second half of August and formal acceptance of the plant is scheduled for November.
Note that the AEEG has issued an initial resolution (no. 272 of 25 June 2013) on the "Tariff regulation and access criteria for regasification in cases of waiver or cancellation of exemption in relation to LNG terminals". OLT Offshore LNG has challenged this AEEG resolution. The Lombardy Regional Administrative Court accepted OLT's appeal and cancelled AEEG Resolution no. 451/2012, pronouncing the measure as unlawful in its suspension of the tariff arrangements that incorporate benefits from the guarantee factor for those already in possession of authorisation and those awaiting for terminal activation after having already made the investment with the guarantee offered by the incentive scheme.
On 12 July 2013 OLT Offshore LNG filed a formal letter of waiver to the Ministry for Economic Development regarding the exemption from the regulated access scheme, which should result in the issue of a ministerial decree confirming the return to regulated access.
In the meantime, the Government has completed its formal consultation procedures on the National Energy Strategy, a new essential point of which will be the development of the gas hub made possible by the gas pipeline transport and regasification plant infrastructure. In March 2013 the Ministry for Economic Development approved the National Energy Strategy by means of a decree.
Authorisation was obtained from the Ministry of the Environment for the ships to unload 155,000 m^3, which will increase the terminal's flexibility on the market. The previous limit was 135,000 m^3.

IREN ACQUA GAS

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

Directly and through its subsidiaries, in the first half of 2013 Iren Acqua Gas sold approximately 86 million m³ of water in the areas managed, through a distribution network extending over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas Distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected methane reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed 256 million m³ of gas during the first half of 2013.

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

IREN EMILIA
Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the operations management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,900 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 726,879 Smc/h.
Iren Emilia is active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and 1,139,000 inhabitants in these areas. 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 123 equipped ecological stations, has allowed the basin served to achieve results near 60%.
In particular, the company performs urban waste collection, street and pavement cleaning, snow clearing, cleaning and maintenance of parks and urban green areas, and dispatches recyclable waste to the correct chains for transformation into raw materials or renewable energy. Through Iren Ambiente, an Iren Group company, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and “environmentally safe” than those used at present.
Iren Emilia also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 12,200 km of aqueduct networks, 6,900 km of sewerage networks, 452 waste water pumping systems and 794 purification plants, both biological treatment plants and Imhoff tanks, distributed across 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 320 km that serves a total volume of 18,909,600 m³.
On 20 September 2012, an agreement was signed for the transfer of the “district heating plant management activities” business unit from Iren Ambiente to Iren Emilia, the latter subsequently taking

over existing legal and contractual relations. This activity is based on specific contracts with Iren Energia S.p.A., in the district heating sector for the operation, extraordinary maintenance and construction of thermal and cogeneration plants owned by the aforementioned Group company in the three provinces of Emilia Romagna: Parma, Reggio Emilia and Piacenza. Maintenance of Iren Ambiente cogeneration plants located at proprietary landfills also continued.
Operations management of the electrical energy distribution network is carried out in the city of Parma and concerns 2,370 km of network and more than 124,000 delivery points to end customers.

IREN AMBIENTE

Waste Management segment

Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza.
Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A.
The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.
Iren Ambiente handles over 1,000,000 tons of waste per year in 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). Provisional start-up of the new Integrated Environmental Hub (IEH), a waste selection and waste-to-energy plant in Parma, took place on 29 June 2013. On 12 May 2012, the expiry date of the related authorisation, the waste-to-energy plant in Reggio Emilia ceased operations.

Electrical energy production from renewable sources

Through its investee company Iren Rinnovabili and the subsidiary Enia Solaris, the Group is active in electrical energy production from renewable sources through various projects mainly focusing on the photovoltaic sector. Plants totalling 5 MW have been constructed in Puglia (through the subsidiary Enia Solaris) and a 1 MW plant constructed on the roof of a company building. The above plants, completed in 2010, apply the 2010 Energy Account tariffs as they were connected to the distribution network by 30 June 2011. An additional 29 owned photovoltaic plants with lower capacity were also installed in company offices and municipal buildings (schools). The subsidiary Iren Rinnovabili 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) with energy production and sales of approximately 7,000 MWh in 2012.

INFORMATION ON THE IREN SHARE IN THE FIRST HALF OF 2013

IREN share performance on the Stock Exchange

During the first half of 2013 the Italian Stock Exchange followed a negative trend due to the persisting weakness of the real economy and to political uncertainty.

In this context the Iren share performance is particularly significant as, in the same period, it increased by approximately 78% compared to a decrease of 8.7% in the MTA index.

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

- the effectiveness of extraordinary action targeting payable reduction;
- the good results achieved in the first quarter of 2013, confirming the defensive profile of the Group's asset portfolio, which recorded positive results despite the persisting difficulties in the economy;
- the total dividend approved.

At the end of June 2013 the Iren share price stood at Euro 0.87, with average trading volumes from the start of the year of around 3.2 million units per day.

In the same period the average share price was Euro 0.67, peaking at Euro 0.91 on 22 May.

STOCK EXCHANGE DATA	**euro/share in the first half of 2013**
Average price	0.67
Highest price	0.91
Lowest price	0.48
Number of shares ('000)	1,276,226

IREN share price and trading value performance

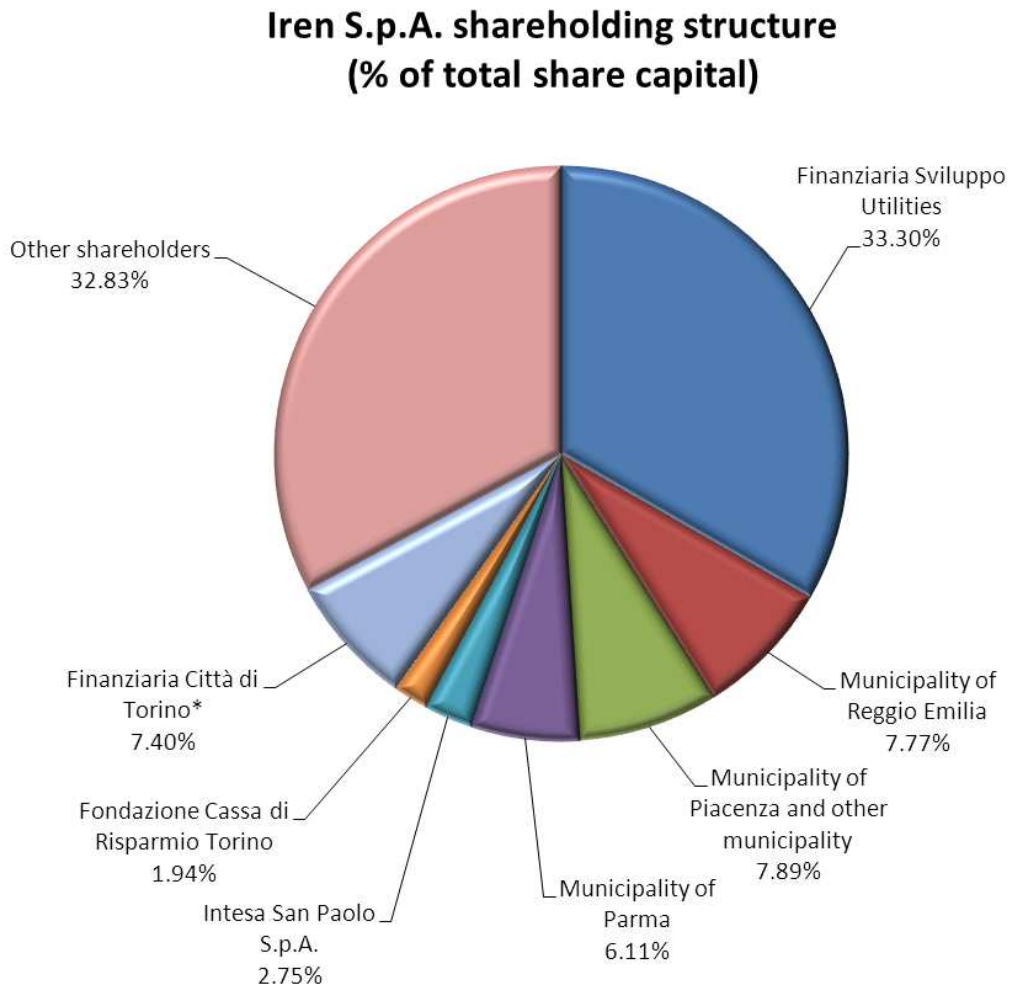
Share coverage

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

The IREN Group is currently followed by four brokers: KeplerCheuvreux, Equita, Intermonte and Banca Akros.

Shareholding structure

At 30 June 2013, according to information available to the company, the Iren shareholding structure was as follows:

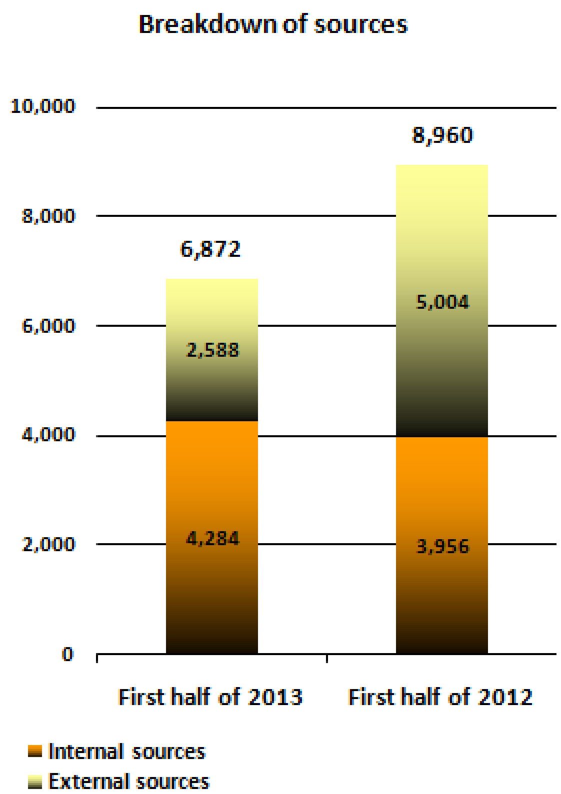


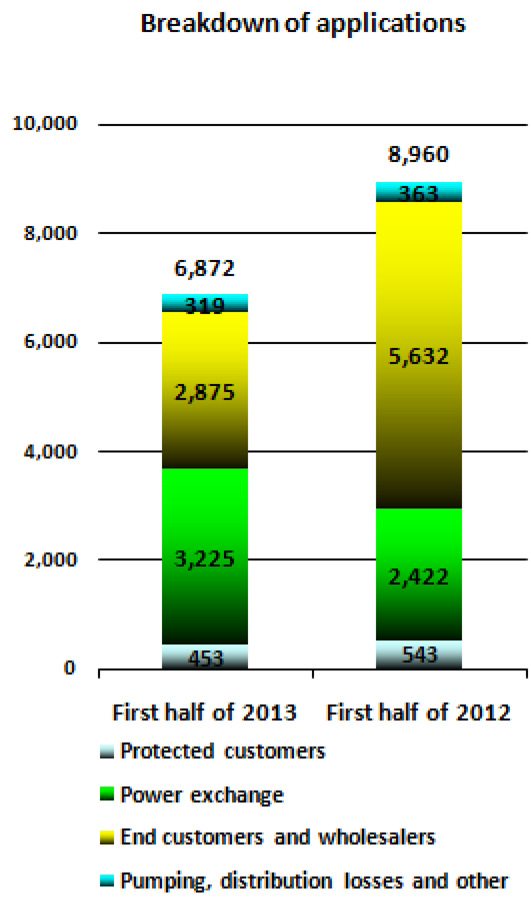
(*) savings shares without voting rights

OPERATING DATA

Electrical energy production

GWh	First half 2013	First half 2012	% Change
SOURCES			
Gross production	4,284	3,956	8.3
a) Thermoelectric	*3,183*	*2,895*	*10.0*
b) Hydroelectric	*562*	*548*	*2.5*
c) WTE plant and renewable sources production	*61*	*63*	*(2.5)*
d) Edipower plant production	*477*	*451*	*5.9*
Purchases from Acquirente Unico	476	543	(12.3)
Energy purchased on the Power Exchange	1,035	2,419	(57.2)
Energy purchased from wholesalers and imports	1,077	2,042	(47.2)
Total Sources	**6,872**	**8,960**	**(23.3)**
APPLICATION			
Sales to protected customers	453	543	(16.4)
Sales on the Power Exchange	3,225	2,422	33.1
Sales to eligible end customers and wholesalers	2,875	5,632	(49.0)
Pumping, distribution losses and other	319	363	(12.0)
Total Application	**6,872**	**8,960**	**(23.3)**



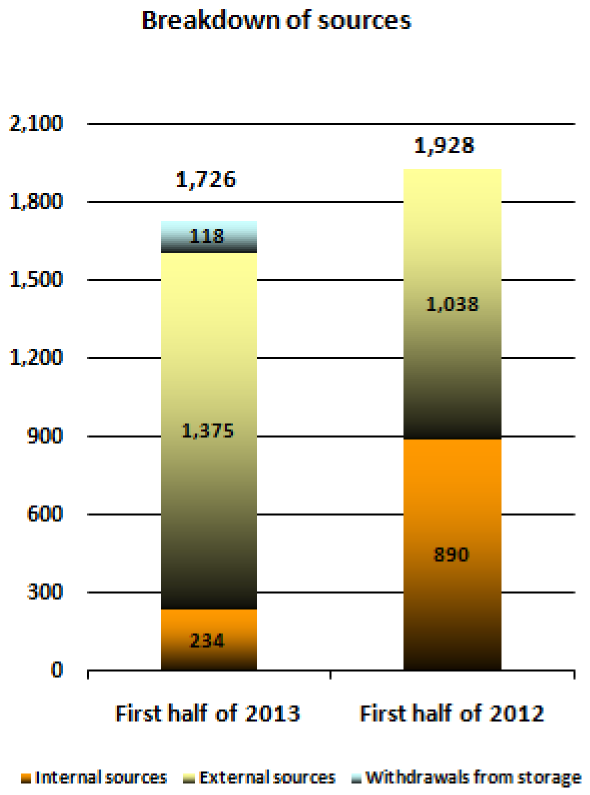


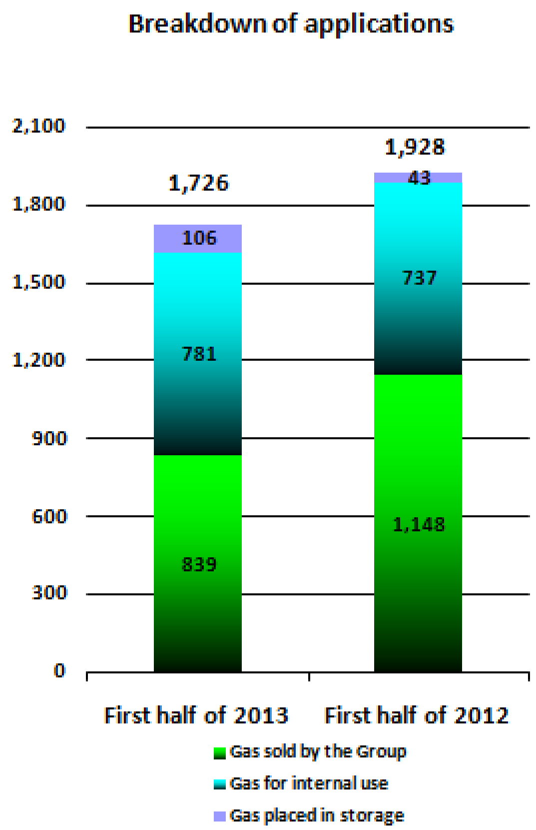
Gas Production

Millions of m³	First half 2013	First half 2012	% Change
SOURCES			
Internal sources	234	890	(73.8)
External sources	1,375	1,038	32.5
Withdrawal from storage	118	-	n.s
Total Sources	**1,726**	**1,928**	**(10.5)**
APPLICATION			
Gas sold by the Group	839	1,148	(26.9)
Gas for internal use (1)	781	737	6.0
Gas placed in storage	106	43	(*)
Total Application	**1,726**	**1,928**	**(10.5)**

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

(*) Change of more than 100%





Network services

	First half 2013	First half 2012	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	2,036	2,114	(3.7)
No. of electronic meters	687,477	682,550	0.7
GAS DISTRIBUTION			
Gas distributed by AES Torino (mln m³)	*354*	*349*	*1.6*
Gas distributed by Iren Acqua Gas (mln m³)	*256*	*249*	*3.0*
Gas distributed by Iren Emilia (mln m³)	*587*	*562*	*4.6*
Total Gas distributed	1,198	1,159	3.3
DISTRICT HEATING			
District heating volume (mln m³)	77	73	5.5
District heating network (Km)	828	806	2.7
INTEGRATED WATER SERVICE			
Water volume (mln m³)	86	89	(3.7)

MARKET CONTEXT

The domestic energy context

In the period January-June 2013 the net electricity production in Italy was 135,668 GWh, down (-4.1%) compared to the same period in 2012. The demand for electrical energy, equal to 155,727 GWh (-3.9%), was 88% met by domestic production (-0.1%), with the remaining 12% coming from the foreign balance. At domestic level, thermoelectric production was 86,285 GWh, down 16.3% on 2012 and covering 63.6% of production supply. Production from hydroelectric sources was 27,317 GWh (+37.9% compared to 2012) covering 20.1%, whilst geothermal, wind and photovoltaic energy production amounted to 22,066 GWh (+18.8%) and covered 16.6% of supply.

Demand and supply of accumulated electrical energy

(GWh and changes in trends)

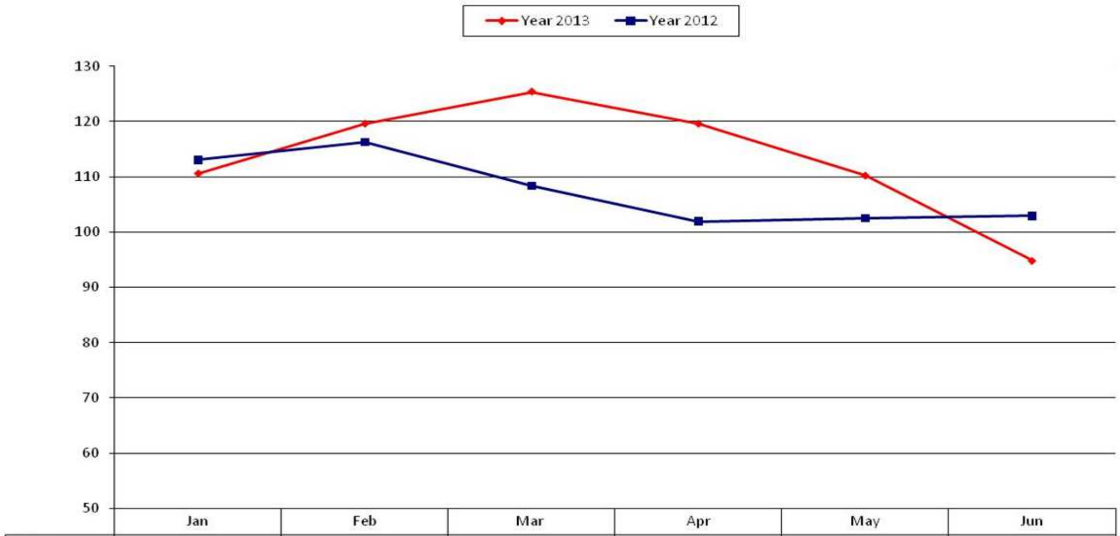
	up to 30 June 2013	up to 30 June 2012	% change
Demand	**155,727**	**162,074**	**-3.9%**
- Northern Italy	72,708	75,428	-3.6%
- Central Italy	46,134	46,984	-1.8%
- Southern Italy	22,640	23,778	-4.8%
- Islands	14,245	15,884	-10.3%
Net production	**135,668**	**141,465**	**-4.1%**
- Hydroelectric	27,317	19,811	37.9%
- Thermoelectric	86,285	103,085	-16.3%
- Geo-thermoelectric	2,599	2,616	-0.6%
- Wind and photovoltaic	19,467	15,953	22.0%
Foreign balance	**21,388**	**21,962**	**-2.6%**

Source: RIE on TERNA data Final figures for January-May 2013; provisional figures for June 2013.

The first half of 2013 showed an overall drop in electricity demand from the first half of the previous year (-3.9%), corresponding to around -6.3 TWh. Percentage decreases were seen in all areas of the country except Emilia Romagna and Tuscany, the highest decreases being recorded in the islands (-10.3%) and in the north-west of Italy (-5.9%).

In the first 6 months of 2013 the average crude oil price was USD 107.5 per barrel, down -5.2% from the first half of 2012. The average USD/EUR exchange rate was 1.313, up on the average recorded in the same period of 2012. As a result of these changes, the average crude oil price in Euro was € 81.8 per barrel in 2013, -6,3% lower than the average price for 2012.
In the second quarter of 2013 the Brent Dated prices in USD saw a downward trend compared to the first quarter, returning to the July 2012 value of an average USD 102 per barrel. The strongest daily fluctuations were seen in April, a month in which both the peak price (USD 109.5 per barrel) and the lowest price (USD 96.8 per barrel) were recorded.
The limited volatility in the last two months seems to confirm the existence of a balancing price of around USD 100 per barrel, a level that the barrel finds difficult to abandon except for short periods of time, also in the presence of generally weak real fundamentals. However, the end of June and the beginning of July show signs of an uptrend. The coup in Egypt rekindled geopolitical risk, which in effect never really died down; then as regards OPEC, a number of critical points arose in association with attacks, sabotage and strikes affecting production in Libya, Nigeria and Iraq.

Brent Performance (€/bbl)

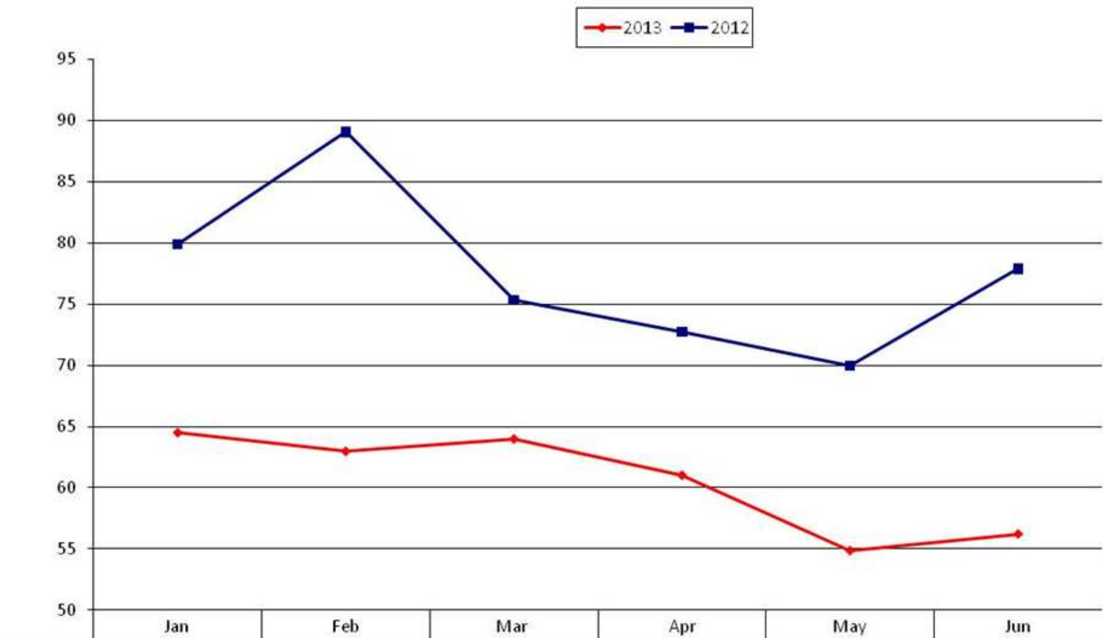


	Jan	Feb	Mar	Apr	May	Jun
Year 2013	110.58	119.56	125.33	119.54	110.2	94.84
Year 2012	113.01	116.28	108.37	101.92	102.49	102.91

In the second quarter of 2013 the power exchange recorded an average price evidently lower than thoseof 2012 and the trend of the first part of 2013, though the decrease in terms of the economic trend was more limited. The decline in the single national price in annual terms was -21.9%. In absolute terms this was -16.1 €/MWh, whereas the current floor reached is 57.4 €/MWh. Demand in the quarter fell by 3.6%.[1] (-2.8 TWh). Demand has dropped below the level reached in the second quarter of 2009 (i.e. by a further -1.9%), the lowest level recorded by the national grid. The price decrease is also confirmed, in economic terms, to be -10.1%, a decline mirroring an equally strong drop in demand (-6.1%).

Average purchase price on the power exchange

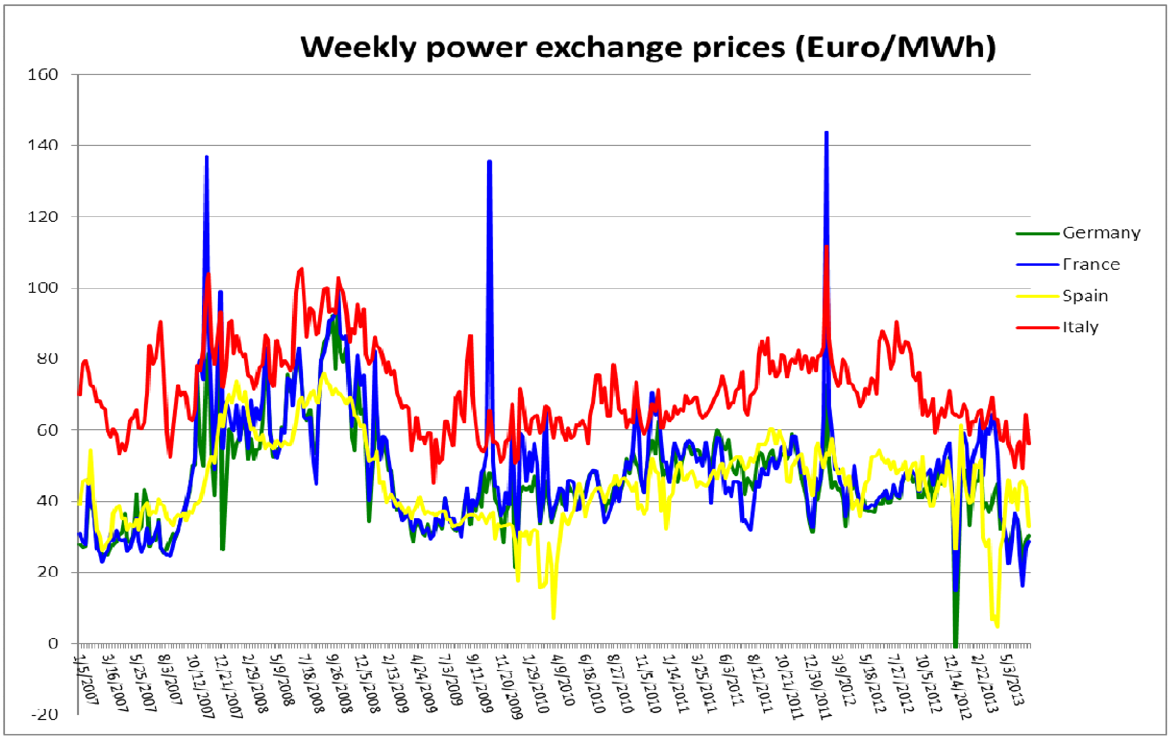
PUN (€/MWh)



	Jan	Feb	Mar	Apr	May	Jun
2013	64.49	62.97	63.98	61.03	54.89	56.24
2012	79.85	89.04	75.31	72.72	69.96	77.88

[1] Provisional Terna figures.

As regards regional prices, the price decrease in Sardinia fell from +11% of the single national price in 2012 to its current -2%. The opposite is confirmed for the Southern Italy value as the lowest price, and Sicily as the highest. Note that Sicily recorded a considerable increase over the previous year (+51% of the single national price vs. +22% in 2012). This spread is almost totally due to the price decreases in other regions. Since last year, in fact, this regional price has shown a slight decrease (-3.4%) if compared to the net decrease in the single national price. In the second quarter the European power exchanges recorded an average price of 33.4 €/MWh compared to an average Ipex single national price of 57.4 €/MWh.



Power exchange liquidity from January to May 2013 was 55.1 TWh (net of operator imbalances), around 45.7% of volumes purchased.
The following table shows values and comparisons between average monthly future prices. In the three months from April to June decreases were recorded in the quarterly prices from April 2013 to June 2014. Annual future prices (December 2014), which stood at 67.0 €/MWh at the start of the year in January, dropped to 61.0 €/MWh in June (-6 €/MWh).

April 2013 futures		May 2013 futures		June 2013 futures	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
May-13	60.4	Jun-13	60.6	Jul-13	65.1
Jun-13	62.7	Jul-13	66.3	Aug-13	65.6
Jul-13	67.2	Aug-13	66.6	Sep-13	65.4
Quarterly	**€/MWh**	**Quarterly**	**€/MWh**	**Quarterly**	**€/MWh**
Sep-13	66.8	Sep-13	66.2	Sep-13	65.3
Dec-13	65.1	Dec-13	65.2	Dec-13	65.0
Mar-13	64.0	Mar-14	64.1	Mar-14	63.6
Jun-14	59.3	Jun-14	58.5	Jun-14	56.6
Yearly	**€/MWh**	**Yearly**	**€/MWh**	**Yearly**	**€/MWh**
Dec-14	62.2	Dec-14	61.9	Dec-14	61.0

The Natural Gas Market

Italy's drop in natural gas consumption has continued in 2013. In the first half of the year volumes withdrawn from the system were 7.1% lower than last year, equal to 2.9 billion m³ less. The greatest impact comes from the drop in thermoelectric consumption, accounting for around 90% of the decrease. The gas used at plants has dropped by 21.8% since 2012 (-2.7 billion m³), whilst compared to 2008 the decline even reaches 42.1%, or -7.0 billion m³. Demand for electricity fell (-3.9% over the six months) as a result of the economic crisis. Hydroelectric production is much higher than last year (+37.9% or +7.5 TWh) due to the rainfall that characterised the first part of 2013. The continued growth of wind energy (+31.4%, +2.1 TWh) and photovoltaic energy (+15.2%, +1.4 TWh) heavily penalised the use of gas for electrical energy production.

Withdrawals by industrial areas connected to the transport network show a limited decrease of 2.3% compared to 2012, whilst the decline compared to the same period in 2008, when the effects of the economic crisis had not yet had an impact on energy consumption, was 14.6% (-1.1 billion m³). Withdrawals from the distribution network were essentially in line with those of 2012.

Application/sources of natural gas in the period January-June 2013 and comparison with previous years

January-June	**2013**	**2012**	**2011**	**2010**	**% change '13/'12**	**% change '13/'11**	**% change '13/'10**
GAS WITHDRAWN (Bln m³)							
Distribution plants	20.6	20.3	19.6	21.2	1.5%	5.1%	-2.8%
Industrial use	6.8	7	7	6.8	-2.9%	-2.9%	0.0%
Thermoelectric use	9.6	12.3	14	14.4	-22.0%	-31.4%	-33.3%
Third party network and system consumption (*)	1.1	1.4	1.3	1.6	-21.4%	-15.4%	-31.3%
Total withdrawn	**38.1**	**41**	**42**	**44**	**-7.1%**	**-9.1%**	**-13.4%**
GAS INPUT (bln m³)							
Domestic production	3.7	4.1	3.8	4.1	-9.8%	-2.6%	-9.8%
Imports	30.7	36.8	38.1	38.9	-16.6%	-19.4%	-21.1%
Storage	3.6	0.1	0.1	0.9	n.s.	n.s.	n.s.
Total input	**38**	**41**	**42**	**44**	**-7.1%**	**-9.1%**	**-13.4%**

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas figures. Non-definitive figures for January-April 2013; provisional figures for May-June 2013.

On the supply side, in a scenario in which total exports fell by 16.4% compared to 2012, Mazara del Vallo intake volumes (Algeria) decreased by 40% (-4.9 billion m³), whilst at Tarvisio (Russia) they increased by 30% (+3.5 billion m³). Passo Gries (Netherlands and Norway) recorded -59% and Gela (Libya) -4%. The regasified intake volumes in Panigaglia were almost zero, and those at the Rovigo terminal were down by -15% compared to 2012. National production fell by 9.1%.

The balance of system intake from storage in the first half of the year (+output/-input) was a great deal higher than in previous years. The figures derive in particular from the slower storage site filling: at the end of June, Stogit storage held 1.8 billion m³ less than last year. This should be correlated especially with the change in capacity allocation rules, partly by auction for the first time this year, combined with the European and Italian wholesale price trends. The narrowing spread between Italian and foreign prices and between summer and winter made storage capacity booking less attractive, a factor that had an impact on the outcome of allocation auctions which failed to provide the expected results. So at 1 July a total of 1.7 billion m³ was still in modulation storage awaiting allocation and even the allocated capacity does not appear to be fully used.

In a European scenario of persisting weakness in demand in the thermoelectric and industrial sectors and an abundant supply, the long-term import contracts remain under pressure from the spot prices of the hubs. During the first half of the year, short-term prices - apart from a surge in March due to the exceptionally cold weather that affected Northern Europe, combined with a number of economic problems in the UK supply system - remained around 15% lower on average than the border imports prices. This drives a need to request new renegotiation of long-term contracts through processes focused on the price factor, to reduce the spread against spot prices, and now also in terms of quantities in order to increase flexibility and reduce contractual commitments.

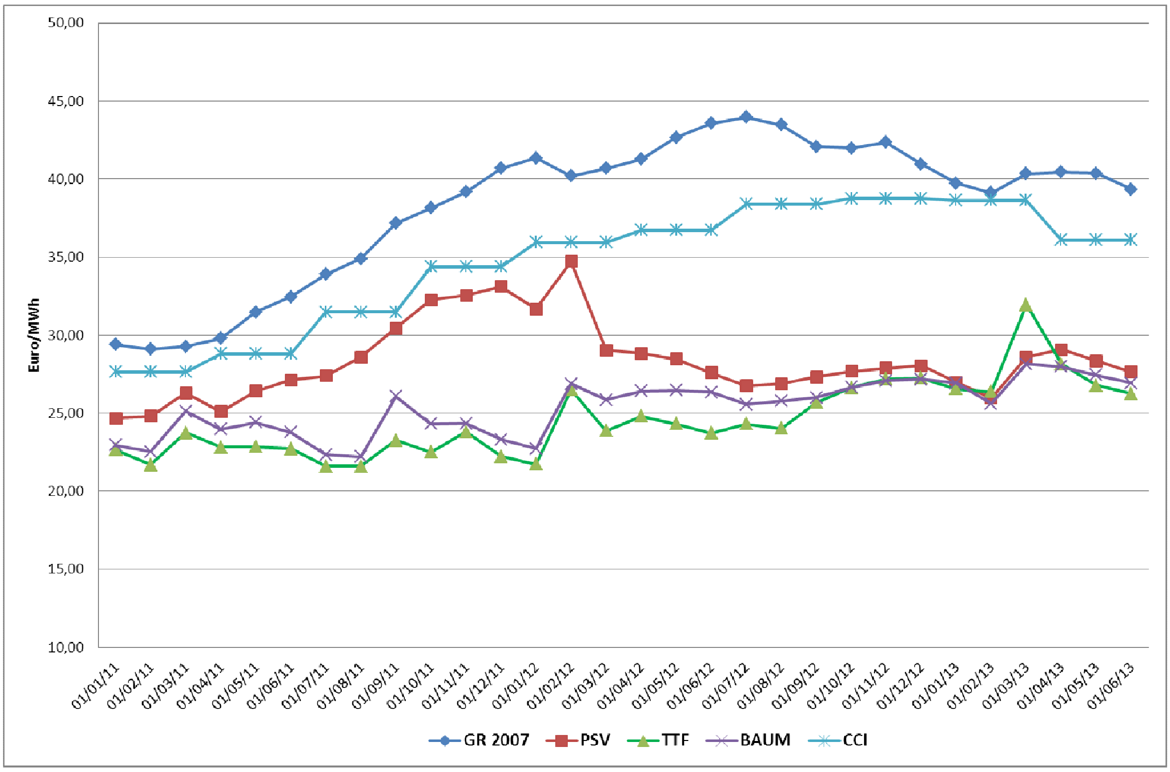
A "hybrid" gas pricing model is now prevalent in Europe, whereby two pricing systems (long-term oil-linked and spot) coexist with difficulty and have a reciprocal effect on each other. This is a system which is presumably in a transition phase, in which the end and the balance point are still extremely uncertain as regards the procedures and timing.

In the first half of 2013 the Italian Virtual Exchange Point (VEP) recorded an average value of 27.8 €/MWh, up slightly on the second half of 2012 (+1.2%) but down on the same period of 2012 (-7.6%). In relative terms, after the substantial alignment with other Central-Northern European hubs between the end of 2012 and the beginning of 2013, the Italian hub declined in the first quarter of the year with average values slightly lower than those of the Dutch TTF (-3.9%; -1.1 €/MWh) and remained essentially in line with those of Baumgarten (+1%). In the second quarter, however, the average VEP prices were again higher than those of the Dutch hub (+4.8%, 1.3 €/MWh) and Austrian hub (+3.3%, 1 €/MWh) with values that can be correlated with the physiological gas transport costs between the hubs.

In the first half of the year, the Italian balancing market (PB-Gas) recorded an average price of 27.6 €/MWh, very similar to that of the VEP. M-Gas (the Gas Exchange) remains a market used little or not at all, representing purely residual trading.

With regard to Italian wholesale gas prices associated mainly or totally with oil products, reference is made to the CCI (the Wholesale Marketing Component), defined by the AEEG for the protection service, and to the 2007 Gas Release formula. In the first half of the year the CCI recorded an average 37.4 €/MWh, down approximately 3.1% on the second half of 2012, mainly due to the increased impact of short-term prices (20% in the second and third quarters of 2013) on the calculation formula that will remain in force until 30 September this year. The second reform of the raw material will then be applied envisaging abandonment of the traditional reference to long-term oil-linked import contracts and transferring all indexing to the short-term market prices. As regards the 2007 Gas Release, a formula known to be associated only with oil products, the average value recorded in the first half of the year was 39.9 €/MWh compared to 42.5 €/MWh in the second quarter of 2012 (-6.0%) and 41.6 €/MWh in the corresponding half of 2012 (-4.2%).

Wholesale gas price trends



Note: The Gas Release and CCI prices were translated into Euro/MWh on the basis of heating power of 38.1 Mj/Sm³ and 38.52 Mj/Sm³ respectively

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

PSV – Italian Virtual Exchange Point

SIGNIFICANT EVENTS OF THE PERIOD

Presentation of update to the 2015 Business Plan

The Iren Group presented the financial community with the update to the 2015 Business Plan on 6 February 2013. The Plan makes provision for the achievement of an EBITDA in 2015 of around Euro 670 million, with average annual growth of 3.2%, a net financial position down around Euro 700 million on 2011, and end-of-plan figures lower than Euro 2 billion.
Accumulated investments for the 2013 - 2015 stand at roughly Euro 800 million.

Loan of Euro 100 million from Cassa Depositi e Prestiti

On 25 February 2013, IREN S.p.A. took out a loan of Euro 100 million from Cassa Depositi e Prestiti S.p.A. (CDP), with a term of 15 years. The aim of the transaction is to support implementation of the 2013-2015 Business Plan, especially as regards investments in the Energy infrastructures segment, where expansion and modernisation works are planned on the gas and electrical energy distribution networks managed in the areas of operation. IREN Group investments in energy networks were assessed to be consistent with the institutional mission of the CDP, which envisages the use of funds for infrastructural investments in support of growth of the country.

Approval of governance reform amendments to the Articles of Association

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

Appointment of the new Board of Directors and Chairman

The ordinary shareholders’ meeting of 27 June 2013 appointed the new Board of Directors of the company which will remain in office for the years 2013/2014/2015 (expiry: the date of approval of the 2015 financial statements).
The 13 members of the new Board of Directors are: Lorenzo Bagnacani, Roberto Bazzano, Tommaso Dealessandri, Nicola De Sanctis, Anna Ferrero, Alessandro Ghibellini, Fabiola Mascardi, Francesco Profumo, Ettore Rocchi, Andrea Viero and Barbara Zanardi appointed by majority vote from the list filed by Finanziaria Sviluppo Utilities S.r.l. and 73 former Enìa public shareholders , plus Franco Amato and Roberto Walter Firpo, appointed by minority vote from the list filed by Fondazione Cassa di Risparmio di Torino and Equiter S.p.A.
The shareholders’ meeting also appointed Francesco Profumo as Chairman.

Proxies and powers granted by the Board of Directors

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

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

Based on agreements reached between Iren and A2A at the time of the acquisition transaction relating to Edipower of 24 May 2012, and following the resolution carried on 16 January 2013 by the Iren S.p.A. Board of Directors to exercise its put option for disposal of the Edipower investment, on 28 June 2013 the extraordinary shareholders’ meetings of Iren Energia and Edipower approved the plan for non-proportionate spin-off of Edipower. In June 2013, Iren S.p.A. had transferred its interest in Edipower to Iren Energia.
The transaction involves the assignment to Iren Energia of a series of assets comprising the Turbigo thermoelectric plan (800 MW) and the Tusciano hydroelectric plant (production approx. 250 GWh per year), personnel operating in these plants, plus additional assets and liabilities associated with the plants

totalling around Euro 75 million at 31 December 2012 and a financial liability amounting to Euro 44.8 million.
The spin-off will involve complete exit of the Iren Group from the Edipower ownership structure.
As soon as the legal deadlines have been reached and all necessary formalities have been completed in order to sign the deed of transfer, the spin-off transaction will become effective in the first part of the fourth quarter of 2013 and envisages a balance payment mechanism in relation to the financial position as at the actual date of the spin-off.

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

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

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

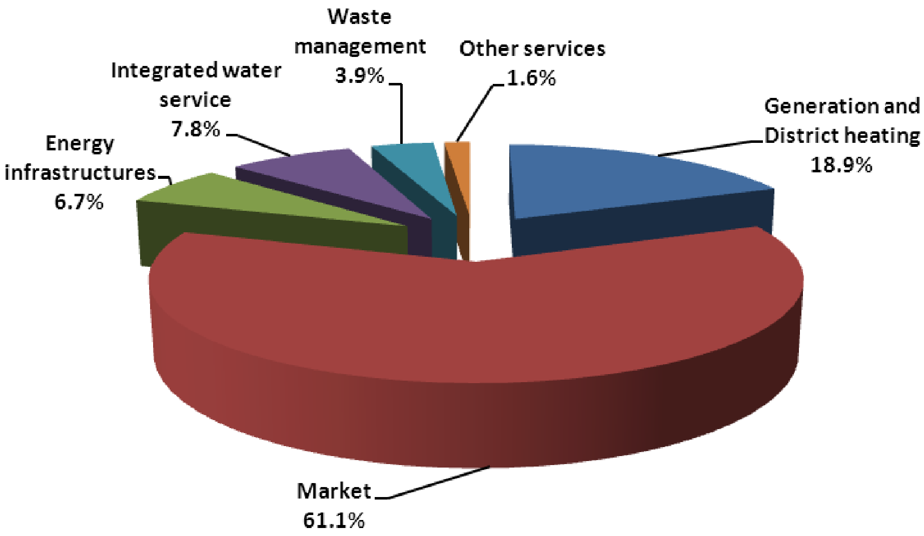
thousands of euro

	First half 2013	First half 2012	% change
Revenue			
Revenue from goods and services	1,723,808	2,104,237	(18.1)
Change in work in progress	1,132	679	66.7
Other revenue and income	97,883	162,480	(39.8)
Total revenue	**1,822,823**	**2,267,396**	**(19.6)**
Operating expense			
Raw materials, consumables, supplies and goods	(790,676)	(1,183,333)	(33.2)
Services and use of third-party assets	(496,982)	(579,184)	(14.2)
Other operating expense	(34,911)	(43,380)	(19.5)
Capitalised expenses for internal work	11,737	9,961	17.8
Personnel expense	(135,953)	(134,844)	0.8
Total operating expense	**(1,446,785)**	**(1,930,780)**	**(25.1)**
Gross Operating Profit (EBITDA)	**376,038**	**336,616**	**11.7**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(102,180)	(107,564)	(5.0)
Provisions and impairment losses	(33,676)	(33,108)	1.7
Total amortisation, depreciation, provisions and impairment losses	**(135,856)**	**(140,672)**	**(3.4)**
Operating profit (EBIT)	**240,182**	**195,944**	**22.6**
Financial income and expense			
Financial income	18,550	16,135	15.0
Financial expense	(56,542)	(63,123)	(10.4)
Total financial income and expense	**(37,992)**	**(46,988)**	**(19.1)**
Share of profit of associates recognised using the equity method	10,896	5,407	(*)
Impairment losses on investments	-	(10,200)	(100.0)
Profit before tax	**213,086**	**144,163**	**47.8**
Income tax expense	(96,465)	(73,477)	31.3
Net profit/(loss) from continuing operations	**116,621**	**70,686**	**65.0**
Net profit/(loss) from discontinued operations	-	9,160	(100.0)
Net profit (loss) for the period	**116,621**	**79,846**	**46.1**
attributable to:			
- Profit (loss) - Group	110,737	75,265	47.1
- Profit (loss) - non-controlling interests	5,884	4,581	28.4

(*) Change of more than 100%

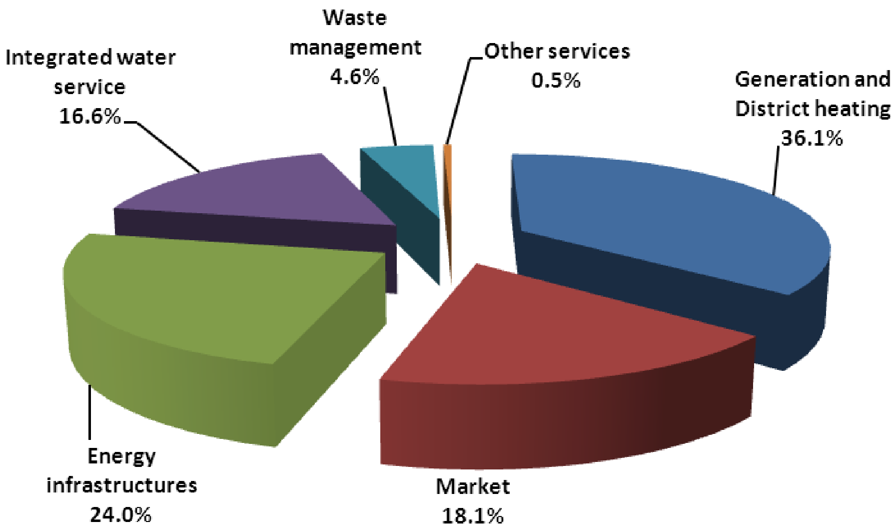
Revenue
At 30 June 2013 the Iren Group recognised revenue of Euro 1,822.8 million, down by 19.6% compared to the Euro 2,267.4 million of the first half of 2012. The drop in revenue is mainly attributable to lower quantities sold in the energy segments, particularly as a result of optimisation of the business customer portfolio.

BREAKDOWN OF REVENUE



Gross Operating Profit (EBITDA)
Gross operating profit (EBITDA) amounted to Euro 376 million, up +11.7% compared to Euro 336.6 million recorded in the first half of 2012. All business sectors contributed to the increase in GOP except waste management and the sale of electrical energy, which reported a slight decrease in margins compared to the same period in 2012.

BREAKDOWN OF EBITDA



Operating profit
Operating profit (EBIT) totalled Euro 240.2 million, a +22.6% increase on the 2012 figure of Euro 195.9 million. This performance reflects the changes in the gross operating profit and benefited from the Euro 5.4 million decrease in amortisation/depreciation compared to 2012. The strong rise in allocations to the allowance for impairment of accounts receivable (from Euro 14.7 million in 2012 to the current Euro 29.9 million) and to provisions for risks (from Euro 8.1 million in 2012 to Euro 15.4 million) was completely absorbed by the increase in provisions released for Euro +18.1 million and other minor allocations for Euro +3.5 million.

Financial income and expense
Net financial expense totalled a negative Euro 38 million. In particular, financial expense amounted to Euro 56.5 million. The decrease from the first half of 2012 is due to the drop in the average cost of net financial indebtedness and to the lower average financial debt in 2013 compared to 2012. Financial income amounted to Euro 18.6 million (+15%).

Share of profit of associates recognised using the equity method
The results of associates accounted for using the equity method was positive by around Euro 11 million, up compared to the same period in 2012, mainly due to the positive results of ASA which benefited from the capital gain from sale of the subsidiary ASA Trade.
Furthermore, the first half of 2012 saw a negative impact for Euro 10 million relating to the associate Sinergie Italiane.

Profit before tax
As a result of the above trends the consolidated profit before tax reached Euro 213 million, much higher than the Euro 144 million of the first half of 2012.

Income tax expense
Income taxes in the first half of 2013 amounted to Euro 96 million, an increase of 31.3% on the first half of 2012. The nominal tax rate is 45%.

Net profit (loss) for the period
Profit for the period amounted to Euro 117 million, up 46.1% on the same period of 2012.

Segment reporting

The Iren Group operates in the following business segments:

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

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
The tables below illustrate the net invested capital compared with figures at 31 December 2012, and income statements (up to operating profit/loss) by segment and compared to figures for the first half of 2012, which were restated to take into consideration the transfer of the district heating networks from the Energy Infrastructure segment to Generation and District Heating segment.
In the tables, restatement of investments at 30 June 2012 was also arranged in order to indicate investment assets realised with respect to net investments recognised in the 2012 Financial Statements.

Results by operating segment at 30 June 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Water Cycle	Waste Management	Services and other	Non-allocable	Total
Non-current assets	1,579	52	1,298	959	317	34	205	4,444
Net working capital	99	55	(60)	103	(30)	(13)	7	161
Other non-current assets and liabilities	(47)	4	(54)	(258)	(44)	(13)	281	(131)
Net invested capital (NIC)	**1,631**	**111**	**1,184**	**804**	**243**	**8**	**493**	**4,474**
Equity								2,007
Net financial position								2,467
Own funds and net financial indebtedness								**4,474**

Results by operating segment at 31 December 2012

millions of euro

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

Results by operating segment at 30 June 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Water Cycle	Waste Management	Services and other	Netting and adjustments	Total
Total revenue and income	521	1,681	183	216	106	44	(929)	1,823
Total operating expense	(385)	(1,613)	(93)	(153)	(89)	(42)	929	(1,447)
Gross Operating Profit (EBITDA)	**136**	**68**	**90**	**62**	**17**	**2**	**-**	**376**
Net am./depr., provisions and impairment losses	(30)	(24)	(26)	(41)	(11)	(3)		(136)
Operating profit (EBIT)	**105**	**44**	**64**	**21**	**6**	**(1)**	**-**	**240**

Results by operating segment at 30 June 2012

millions of euro

	Generation and District heating	Market	Energy infrastructures	Water Cycle	Waste Management	Services and other	Netting and adjustments	Total
Total revenue and income	550	2,195	183	213	106	58	(1,038)	2,267
Total operating expense	(420)	(2,156)	(101)	(154)	(85)	(53)	1,038	(1,931)
Gross Operating Profit (EBITDA)	**130**	**39**	**83**	**59**	**21**	**5**	**-**	**337**
Net am./depr., provisions and impairment losses	(50)	(13)	(24)	(37)	(14)	(3)		(141)
Operating profit (EBIT)	**80**	**26**	**58**	**22**	**7**	**2**	**-**	**196**

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

Generation and District heating

At 30 June 2013 revenue amounted to Euro 521 million, down -5.3% compared to Euro 550 million recorded in 2012.

		First half of 2013	First half of 2012	Δ %
Revenue	€/mln.	521	550	(5.3%)
Gross Operating Profit (EBITDA)	€/mln.	136	130	4.5%
EBITDA Margin		*26.1%*	*23.6%*	
Operating profit (EBIT)	€/mln.	105	80	31.1%
Investments	€/mln.	13	25	(46.7%)
Electrical energy produced	GWh	3,757	3,452	8.8%
from hydroelectric sources	*GWh*	562	548	2.5%
from thermoelectric sources	*GWh*	3,183	2,895	10.0%
from renewable sources	*GWh*	12	9	32.5%
Heat produced	GWh_t	1,842	1,709	7.8%
from cogeneration sources	*GWh_t*	1,528	1,306	17.0%
from non-cogeneration sources	*GWh_t*	314	403	(22.0%)
District heating volumes	Mln m³	77	73	5.5%

Electrical energy production in the period totalled 3,757 GWh, up 8.8% on the 3,452 GWh of the first half of 2012, due to the effect of higher thermoelectric production (+10%) and higher hydroelectric production (+2.5%).
In particular, thermoelectric production totalled 3,183 GWh, up 288 GWh (+10%) on the 2,895 GWh recorded in the same period of 2012, due to higher production by the Torino Nord plant (+245 GWh). This performance bucks the trend in national figures for production from thermoelectric sources, which saw a decrease of -16% compared to same period of 2012.
Group hydroelectric production totalled 562 GWh, up +2.5% compared to 548 GWh, whilst at the same date national production from hydroelectric sources recorded a +38% increase compared to the first half of 2012.

Heat production for the period totalled 1,842 GWh_t, up by +7.8% compared to the 1,709 GWh_t of 2012, due to the effect of a favourable heating season characterised by colder temperatures and higher volumes served.
Volumes of district heating exceeded 76 million m³, 54.2 million of which in Turin, making this the most 'district heated' city in Italy, 3.4 million in Genoa and 19 million m³ in Reggio Emilia, Parma and Piacenza.

Gross operating profit (EBITDA) amounted to Euro 136 million, up by 4.5% compared to Euro 130 million in the corresponding period of 2012.
The increase in the margin is attributable to the improved margin on cogeneration production of electrical energy, which results from the contribution of the dispatch services market (MSD) and the heat production margins positively affected by the increase in cogeneration production to 83% compared to 76% in the first half of 2012. The negative change in hydroelectric production margins is due mainly to the extraordinary reimbursement of stranded costs relating to the Telessio plant that had characterised the first half of 2012.

Operating profit (EBIT) in this segment amounted to Euro 105 million, up +31.1% on the Euro 80 million of 2012. In addition to the positive contribution of gross operating profit, operating profit benefits from a downward review of amortisation/depreciation of transferable assets relating to expired hydroelectric concessions and to the elimination of a potential risk associated with the construction of an electrical energy production plant.

Investments carried out relating to the Electrical Energy Production and District Heating sector amounted to Euro 13 million, of which around Euro 11 million relating to cogeneration and district heating networks and Euro 2 million to the hydroelectric segment.

Market

Market area turnover amounted to Euro 1,681 million, down -23.4% compared to Euro 2,195 million in the same period of the previous year. The gross operating profit (EBITDA) stood at Euro 68 million, up +74.0% compared with Euro 39 million in the corresponding period of 2012.

		First half of 2013	First half of 2012	Δ %
Revenue	€/mln.	1,681	2,195	(23.4%)
Gross Operating Profit (EBITDA)	€/mln.	68	39	74.0%
EBITDA Margin		*4.1%*	*1.8%*	
from electrical energy	*€/mln.*	(5)	(3)	(79.3%)
from gas	*€/mln.*	67	37	84.5%
from heat	*€/mln.*	6	6	8.0%
Operating profit (EBIT)	€/mln.	44	26	69.1%
Investments		4	5	(17.2%)
Electrical energy sold	GWh	6,553	8,597	(23.8%)
Electrical energy sold net of Power Exchange purchases/sales	GWh	6,139	7,242	(15.2%)
Gas purchased	Mln m³	1,726	1,928	(10.5%)
Gas sold by the Group	Mln m³	839	1,148	(26.9%)
Gas for internal use	Mln m³	781	737	6.0%
Gas placed in storage	Mln m³	106	43	(*)

(*) Change of more than 100%

Sale of electrical energy

Volumes sold net of energy bought/sold on the power exchange amounted to 6,139 GWh (gross electrical energy totalled 6,553 GWh), marking a decrease of 15.2% compared to 7,242 GWh in 2012.

Volumes sold to end customers and wholesalers totalled 2,874 GWh, down -49% on the 5,633 GWh of 2012, whilst volumes used on the power exchange net of energy traded on the exchange amounted to 2,811 GWh, up +163% on the 1,067 GWh recorded in the same period in 2012.

Regarding the number of protected customers managed, the total volumes sold during the period amounted to 453 GWh, a decrease of -16% on the previous year (543 GWh), due to deregulation of the market to which the company responded with marketing development initiatives that led to transfer of a significant percentage of non-eligible market customers to the free market.

In 2013, the availability of electrical energy from internal Iren Group production (Iren Energia) increased by approximately 9% over the previous year, amounting to 3,738 GWh (3,439 GWh in 2012). Volumes from Edipower tolling agreements amount to 477 GWh versus 451 GWh in the previous year. Net power exchange transactions totalled 621 GWh compared to 1,064 GWh in 2012, while purchases from wholesalers came to 1,077 GWh compared to 2,042 GWh in the previous year.

In addition, 476 GWh was purchased from the Acquirente Unico (Single Buyer).

Gross operating profit (EBITDA) from the sale of electrical energy amounted to Euro -5 million, down compared to Euro -3 million in 2012.

This result was affected by the loss, associated with operations, of part of the electrical energy from Edipower plants through a tolling agreement.

Sale of natural gas

Total volumes of natural gas procured in the first half of 2013 were approximately 1,726 million m³, compared to 1,928 million m³ in 2012 (-10.5%). Of these quantities, 839 million m³ were marketed to customers outside the Group (1,148 million m³ in the previous year), 63 million m³ were used in electrical

energy production through Edipower tolling contracts (62 million m³ in 2012) and 718 million m³ were used within the Iren Group for both the generation of electrical energy and the supply of heat services (675 million m³ in 2012). The inventories of gas in storage amount to 106 million m³ (43 million m³ in 2012).
The gross operating profit (EBITDA), amounting to Euro 67 million, increased compared to Euro 37 million in the corresponding period of 2012, mainly due to the effects of the favourable procurement terms associated with the use of gas in storage and to the optimisation of trading.

Market development
As in 2012, constant, ongoing action is being taken in 2013 with regard to maintaining Iren Mercato customer loyalty and to expanding the reference portfolio, extending the scope of activities to new geographic areas.
Competition has continued to grow in areas historically managed by Iren Mercato. Therefore the company has further strengthened its commercial activity by increasing sales channels and enhancing outbound activities to customers.
Note also that action began in February 2013 to convert the formerly "protected" customer base to the free market, similarly to that already in progress on the electrical energy market, with the aim of increasing customer loyalty.
At 30 June 2012, the gas customers directly served by Iren Mercato totalled around 755,000 in the traditional area of Genoa and surrounding development areas, in Turin and in the traditional Emilia Romagna areas. Electricity customers managed totalled approximately 729,000, these too mainly in the areas traditionally served, i.e. Turin and Parma and in marketing areas covered by the company.

Sale of heat through the district heating networks:
Gross operating profit in 2013 amounted to Euro 6 million, in line with that achieved in the first half of 2012.

Energy infrastructures

As of 30 June 2013, the Energy Infrastructure segment, including distribution of gas, electrical energy and LNG regasification plants, recorded revenues of Euro 183 million, essentially in line with the 2012 figure.
Gross operating profit (EBITDA) amounted to Euro 90 million, up +9.1% on the Euro 83 million recorded in the first half of 2012.
Operating profit (EBIT) totalled Euro 64 million, up on the Euro 58 million of the first half of 2012 (+9.4%).
The main changes in the segments concerned are illustrated below.

		First half of 2013	First half of 2012	Δ %
Revenue	€/mln.	183	183	0.1%
Gross Operating Profit (EBITDA)	€/mln.	90	83	9.1%
EBITDA Margin		*49.2%*	*45.2%*	
from electrical energy networks	*€/mln.*	40	36	12.2%
from gas networks	*€/mln.*	51	47	8.0%
from regasification plant	*€/mln.*	(1)	(0)	(*)
Operating profit (EBIT)	€/mln.	64	58	9.4%
Investments	€/mln.	41	43	(5.4%)
in electrical energy networks	*€/mln.*	10	7	45.3%
in gas networks	*€/mln.*	12	17	(29.5%)
in regasification plant	*€/mln.*	18	18	(2.3%)
Electrical energy distributed	GWh	2,036	2,114	(3.7%)
Gas distributed	Mln m³	1,198	1,159	3.3%

(*) Change of more than 100%

Electrical Energy Distribution Networks

Gross operating profit (EBITDA) amounted to Euro 40 million, up by 12.2% compared to Euro 36 million in the corresponding period of 2012.
The improvement by more than Euro 4 million compared to 2012 is mainly attributable to tariff adjustments for previous years and relating to the Turin and Parma networks.

In the first half of 2013 investments amounted to Euro 10 million and related to new connections, new LV/MV substations and LV/MV lines.

Gas Distribution Networks

The gross operating profit (EBITDA) from Gas Network distribution has increased to Euro 51 million (+8%) compared to Euro 47 million in the first half of 2012. The increase in the margin is attributable to higher tariff-related revenue, to the recognition of tariff bonuses for the reduction in network leaks and to operating cost containment.

Investments during the period amounted to Euro 12 million and in particular concern the 10-year network redevelopment plan through the replacement of grey cast iron pipes and the development initiatives for the distribution network and connections in the main areas served by the Group.

Regasification plant

Investments during the period amounted to approximately Euro 18 million and relate to completion of the infrastructure.
The terminal reached its destination off the coast of Tuscany on 30 July 2013. The first LNG ships for offshore commissioning are planned for the second half of August and formal acceptance of the plant is scheduled for November.

Integrated Water Service

At 30 June 2013, the integrated water service recorded revenue of Euro 216 million, up by +1.5% compared to Euro 213 million in 2012. The increase compared to the first half of 2012 is attributable to the increase in revenue from tariffs defined in application of the new Transitional Tariff Method (TTM) and higher revenue from accessory services.

Lower capitalised costs were also recorded as a result of fewer investments in assets under concession which, due to the application of IFRIC 12 were recorded under revenue (Euro -10 million).

		First half of 2013	First half of 2012	Δ %
Revenue	€/mln.	216	213	1.5%
Gross Operating Profit (EBITDA)	€/mln.	62	59	5.9%
EBITDA Margin		*29.0%*	*27.7%*	
Operating profit (EBIT)	€/mln.	21	22	(4.0%)
Investments	€/mln.	26	36	(26.6%)
Water sold	Mln m³	86	89	(3.7%)

Gross operating profit (EBITDA) amounted to Euro 62 million, up +5.9% on the Euro 59 million of 2012. The increased margin is attributable to the higher tariff revenue restriction, partly offset by the recognition of a contingent liability to cover expected reimbursements relating to 2011 and arising from the outcome of the referendum on returns on invested capital.

The operating profit (EBIT) was Euro 21 million, down -4.0% compared to the Euro 22 million recorded in the same period of 2012. The improvement in gross operating profit (EBITDA) was completely absorbed by the higher provisions for risks and the allowance for impairment of accounts receivable. Certain plant depreciation rates were also updated, resulting in an increase in amortisation/depreciation for the period.

These investments totalled Euro 26 million and concern the construction of infrastructures envisaged in the ATO plans for maintenance and development of the distribution networks and systems, the sewerage network and water treatment plants.

Waste Management

At 30 June 2013 revenue amounted to Euro 106 million, in line with revenue recorded in the first half of 2012. The increases in the waste management tariff and in other accessory revenues (third-party services, revenue from previous years, etc.) were fully offset by lower revenue from electrical energy and heat production resulting from closure of the Reggio Emilia waste-to-energy plant in June 2012.

			First half of 2013	First half of 2012	Δ %
Revenue		€/mln.	106	106	(0.1%)
Gross Operating Profit (EBITDA)		€/mln.	17	21	(17.3%)
EBITDA Margin			*16.3%*	*19.6%*	
Operating profit (EBIT)		€/mln.	6	7	(9.2%)
Investments		€/mln.	30	28	7.9%
Waste handled		ton	498,843	468,362	6.5%
	Urban waste	ton	361,726	358,213	1.0%
	Special waste	ton	137,117	110,149	24.5%

Gross operating profit (EBITDA) amounted to Euro 17 million, down -17.3% on the Euro 21 million recorded in the first half of 2012. The decrease in the margin is mainly attributable to closure of the Reggio Emilia waste-to-energy plant and to lower usage (temporarily) of the Group's internal disposal centres.

Operating profit (EBIT) amounted to Euro 6 million, -9.2% compared to the Euro 7 million of the first half of 2012. EBIT for the first half of the year was positively affected by the release of provisions and to lower accruals to the provisions for the post-closure management of landfills, as well as to lower depreciation of the Tecnoborgo waste-to-energy plant.

Investments for the period amounted to Euro 30 million and mainly refer to works to complete the Parma Integrated Environmental Hub, collection service equipment and start-up of the treatment plant for grit deriving from street cleaning.

Services and other

		First half of 2013	**First half of 2012**	**Δ %**
Revenue	€/mln.	44	58	(23.5%)
Gross Operating Profit (EBITDA)	€/mln.	2	5	(61.2%)
EBITDA Margin		*4.3%*	*8.4%*	
Operating profit (EBIT)	€/mln.	(1)	2	(*)
Investments	€/mln.	5	10	(49.1%)

(*) Change of more than 100%

At 30 June 2013, revenues amounted to Euro 44 million, down on the Euro 58 million recorded in the corresponding period of 2012, mainly due to the effect of the new contract with the Municipality of Turin on property maintenance, the termination of the arrangements for the heating system management of buildings in the city and fewer minor services.
Gross operating profit (EBITDA) amounted to Euro 2 million, lower than the Euro 5 million of 2012 due to the service agreement reviews described above.

Statement of Financial Position

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

thousands of euro

	30.06.2013	31.12.2012	% change
Non-current assets	4,443,783	4,734,916	(6.1)
Other non-current assets (liabilities)	(106,778)	(116,258)	(8.2)
Net working capital	161,444	235,106	(31.3)
Deferred tax assets (liabilities)	103,304	105,197	(1.8)
Provisions for risks and employee benefits	(427,656)	(457,291)	(6.5)
Assets (Liabilities) held for sale	299,942	7,718	(*)
Net invested capital	**4,474,039**	**4,509,388**	**(0.8)**
Equity	2,006,675	1,954,257	2.7
Non-current financial assets	*(36,033)*	*(116,168)*	*(69.0)*
Non-current financial liabilities	*2,174,003*	*2,197,827*	*(1.1)*
Non-current financial liabilities	2,137,970	2,081,659	2.7
Current financial assets	*(416,455)*	*(301,591)*	*38.1*
Current financial liabilities	*745,849*	*775,063*	*(3.8)*
Net current financial liabilities	329,394	473,472	(30.4)
Net financial indebtedness	2,467,364	2,555,131	(3.4)
Own funds and net financial indebtedness	**4,474,039**	**4,509,388**	**(0.8)**

(*) Change of more than 100%

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

The main changes in the statement of financial position at 30 June 2013 are commented below.
Fixed assets decreased by 6.1% compared to 31 December 2012, mainly due to the reclassification of Edipower from investments measured at equity to assets held for sale following the Board of Directors' decision to exercise its exit option on this company. Investments made during the period are slightly higher than amortisation/depreciation for the period and disposals. For further details on investments in the period, reference should be made to the section "Segment Reporting".
The decrease in net working capital was affected by the changes in trade receivables and payables and in tax items. Note that net working capital fell by around Euro 153 million compared to 30 June 2012.
Deferred taxes remained essentially the same as in the previous period.
The increase in assets held for sale is affected by the reclassification of Edipower to this item from investments measured at equity following the aforementioned Board of Directors' decision to exercise its exit option on this company.
The increase in Equity derives mainly from profit for the period.
The statement of cash flows presented below provides an analytical breakdown of the changes in the first half of 2013.

Statement of Cash Flows

STATEMENT OF CASH FLOWS FOR THE IREN GROUP

thousands of euro

	First half 2013	First half 2012	% change
A. Opening cash and cash equivalents	**28,041**	**44,758**	**(37.3)**
Cash flows from operating activities			
Profit for the period	116,621	79,846	46.1
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	102,180	107,564	(5.0)
Capital gains (losses) and other changes in equity	1,740	1,126	54.5
Net change in post-employment benefits and other employee benefits	1,607	472	(*)
Net change in provision for risks and other charges	(17,931)	(12,677)	41.4
Change in deferred tax assets and liabilities	(3,609)	214	(*)
Change in other non-current assets and liabilities	(9,480)	1,355	(*)
Dividends received	(790)	(421)	87.6
Share of profit (loss) of associates	(10,896)	(12,109)	(10.0)
Impairment losses on non-current assets and investments	626	8,166	(92.3)
B. Cash flows from operating activities before changes in NWC	**180,068**	**173,536**	**3.8**
Change in inventories	14,504	(22,927)	(*)
Change in trade receivables	125,957	13,262	(*)
Change in tax assets and other current assets	17,063	29,840	(42.8)
Change in trade payables	(228,271)	(153,165)	49.0
Change in tax liabilities and other current liabilities	144,409	107,218	34.7
C. Cash flows from changes in NWC	**73,662**	**(25,772)**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**253,730**	**147,764**	**71.7**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(119,044)	(145,964)	(18.4)
Investments in financial assets	(23)	(613)	(96.2)
Proceeds from the sale of investments and changes in assets held for sale	4,222	20,699	(79.6)
Dividends received	8,332	9,071	(8.1)
E. Total cash flows used in investing activities	**(106,513)**	**(116,807)**	**(8.8)**
F. Free cash flow (D+E)	**147,217**	**30,957**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(76,070)	(22,282)	(*)
Other changes in equity	-	849	(100.0)
New non-current loans	257,450	330,200	(22.0)
Repayment of non-current loans	(136,584)	(193,806)	(29.5)
Change in financial assets	38,681	49,349	(21.6)
Change in financial liabilities	(157,284)	(203,265)	(22.6)
G. Total cash flows from/(used in) financing activities	**(73,807)**	**(38,955)**	**89.5**
H. Cash flows for the period (F+G)	**73,410**	**(7,998)**	**(*)**
I. Closing cash and cash equivalents (A+H)	**101,451**	**36,760**	**(*)**

(*) 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

	First half 2013	First half 2012	% change
Free cash flow	147,217	30,957	(*)
Dividends paid	(76,070)	(22,282)	(*)
Other changes in equity	-	849	(100.0)
Change in fair value of hedging derivatives	16,620	(10,632)	(*)
Change in net financial indebtedness	**87,767**	**(1,108)**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 30 June 2013 amounted to Euro 2,467 million, down 3.4% compared to 31 December 2012.

In particular, the free cash flow, a positive Euro 147 million, derives from the combined effect of the following cash flows:

- cash flows from operating activities were positive by Euro 254 million and consists of Euro 180 million cash flows from operating activities before changes in net working capital and Euro 74 million cash flows deriving from changes in net working capital;
- cash flows used in investing activities, amounting to a negative Euro 107 million, were generated from investments in intangible assets, property, plant and equipment and investment property for Euro 119 million (including investments for the construction of infrastructures under concession pursuant to IFRIC 12), proceeds from the disposal of operating assets for Euro 4 million Euro and from the collection of Euro 8 million in dividends.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

BUSINESS OUTLOOK

Following a phase of stagnation in the first quarter of 2013, the macroeconomic scenario in the Eurozone envisages a 4.0% drop in domestic demand for energy, confirming the weakness of the mature European markets. In particular, the macroeconomic context of mature Eurozone countries will see GDP fall in 2013 (forecast to be around -0.3%) with uncertainty persisting in the years to come. The scenarios in Italy are extremely variable due to developments in the sovereign debt crisis and its effects on banks' lending capacity, and whether or not ongoing reforms resulting from the complex political-institutional phase following the elections in February 2013 are implemented.
Private energy consumption will probably continue to be adversely impacted by the tax consolidation process and the deterioration in the job market. Negative growth rates are still forecast for energy demand from the industrial segment, consolidating the repercussions on thermoelectric production, which will continue to feel the effects of competition from renewable sources.

In this scenario the Group's short-term strategy focuses on protecting its margins on the mature markets and in the regulated sectors, in addition to strict monitoring of its own financial stability and investment optimisation.

The positive results achieved in the first half of 2013 allow the Group to confirm its forecasts for the current year; this taking into account the effects on the various business segments: the energy scenario given the seasonality of the Group's operating areas, the operational start-up of the Parma Integrated Environmental Hub planned for the second half of the year and reference legislation.

REGULATORY FRAMEWORK

Information is provided below on the main new regulations issued during the first half of 2013 which influence the Group's operating segments. For a more complete analysis reference should be made to the Group's 2012 Financial Statements.

Regulations relating to local public services of economic importance

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

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

21. Assignments in place on the date of entry into force of this decree that are not compliant with the requirements set forth by EU legislation must be adjusted before the deadline of 31 December 2013, by publishing, by said date, the report set out in paragraph 20. For assignments that have no expiry date, the competent bodies simultaneously insert an assignment expiry date in the service contract or other documents that regulate the relationship. Non-compliance with the obligations set out in this paragraph causes the assignment to cease at 31 December 2013.

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

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

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

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

Code on public works contracts

In 2012, the text of Legislative Decree 163/2006 (Code on public works contracts) was subject to frequent additions and amendments by the Monti government. The changes with the greatest impact were:

- for bidding companies, a declaration of "going concern" arrangements with creditors is not cause for exclusion. Consequently, in order to allow access to SMEs, commissioning bodies must divide the tenders into operating lots where possible and where economically convenient;
- setup of the National Database of Public Works Contracts, which will allow commissioning bodies to check general, technical and economic-financial capacity requirements;
- with regard to simplification it is envisaged that "*The contract is stipulated, under pain of invalidity, by means of an electronic public notarial deed, or, in digital format according to the applicable regulations for each commissioning body, in the form of a contract governed by public law under the responsibility of the certifying officer of the awarding authority or through a private deed*".
- the anti-corruption law introduces new advertising obligations for public administrations.

Anti-mafia Code

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

Robin Hood Tax

Art. 7, of Decree Law no. 138 of 13 August 2011, converted to Law no. 148 of 14 September 2011, raised the “Robin Hood Tax”, i.e. the additional IRES tax rate for companies operating in the energy sector, by four percentage points (from 6.5% to 10.5%) for the tax years 2011 to 2013 and extended it to operators that transmit/dispatch/distribute electrical energy and transport/distribute gas, and to companies that produce electrical energy through the predominant use of biomass, solar/photovoltaic and wind power.

Cash transfers

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

Gas distribution

By Decree of 19 January 2011 the Ministry of Economic Development announced the district authorities for the natural gas distribution sector. The regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This regulation established that the chief Municipality in the Province acts as awarding party for management of the tender to assign new distribution concessions at district level. The deadline for identification of the awarding party is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 ATOs, 24 months for the Genoa 2 ATO, 30 months for the Genoa 1 ATO and 36 months for the Piacenza 2 East ATO.
The related tenders must be launched within 15 months of the above deadlines by the chief Municipality in the province (if part of the district authority), or within 18 months by an entity identified by the Municipalities covered by the district authority (if this does not include the chief Municipality).
By means of resolution 382/2012/R/gas, the standard service contract layout was published for natural gas distribution.
Amongst the major changes in the regulatory framework of the gas distribution sector in 2012, the most important are the measures adopted by the AEEG regarding the following issues:

- distribution and metering tariffs;
- distribution and metering service.

Gas distribution and metering tariffs

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

Assessment of the safety of gas-powered plants

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

Gas metering service

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

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

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

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

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

Default service

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

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

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

AEEG submitted an appeal with an application for monocratic precautionary measures against the judgment of the Regional Administrative Court. On 28 January 2013, the Council of State upheld AEEG’s appeal on a preventive basis, and suspended the effects of the judgment of the Regional Administrative Court of Lombardy, setting the hearing on the merits of the case for 19 February. Following the suspension decision handed down, AEEG saw fit to publish resolution 25/2013/R/gas on 30 January 2013, “Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks”.

Electrical energy distribution

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

These activities are:

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

As regards switching, resolution 153/2012/R/com shall be noted, which provides protection as of June 2012 in order to prevent contracts not requested by end customers and which launches the study of the concept of “default switching”, i.e. a future procedure to restore the situation prior to switching for electrical energy/gas supplies not requested by the end customer. Monitoring is currently under way which will require distributors and vendors to send communications to AEEG from 2013.

In relation to the “Integrated code of provisions of the Italian Authority for electrical energy and gas concerning administrative and accounting unbundling obligations for companies operating in the electrical energy and gas sectors and the associated publication and communication obligations (Integrated Code or TIU - Integrated Code on Unbundling) established the obligation of functional unbundling for vertically integrated companies - i.e. the company or group of companies that, in the electrical energy or gas sector, performs at least one activity under a concession agreement (e.g. the electrical energy distribution and/or gas) and at least one deregulated activity (e.g. the sale of electrical energy and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electrical energy sector) and 2003/55/EC (for the gas sector).

The objective is to promote competition, efficiency and adequate levels of quality in the provision of services:

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

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy and by pursuing the objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.

The Independent Operator nominates a guarantor for the correct management of commercially sensitive information (so-called Data Protection Authority), which monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).

In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.

Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

Major hydroelectric shunt concessions

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

As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010, according to current regulations are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.
Decree Law no. 83 of 22 June 2012, converted, with amendments, to Law no. 134 of 7 August 2012, introduced certain amendments to the legislation on concessions. The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an interministerial decree in the process of being issued in agreement with the State-Regions Conference, in relation to the investments deemed necessary. The choice of the best bid for assignment of the concession will be based predominantly on the economic bid for the acquisition of water resources and on the increase in energy produced or installed power. For concessions already expired or those due to expire by 2017, the tender will be called within two years from the date of entry into force of the interministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations. For property, plant and equipment included in the business unit, the consideration for the outgoing concession holder will be determined on the basis of the market value of property, plant and equipment intended as the new-for-old value less normal deterioration, except with regard to transferable assets, for which an amount is due calculated based on the revalued historical cost method, net of any grants related to assets (these also revalued) received by the concession holder, less normal deterioration.

Integrated Water Service

The reform process of the integrated water service, which began with Law no. 36/94 (the Galli Law), was revised with the approval of Legislative Decree no. 152 of 3 April 2006, as amended by Legislative Decree no. 219 of 10 December 2010 and subsequent amendments and additions.
Furthermore, Law no. 42/2010 (by adding paragraph 186-bis to Law no. 191 of 23 December 2009) provided for elimination of the Optimal District Authorities (ATOs) one year after its entry into force. The deadline was extended to 31 March 2011 by the "Milleproroghe" [thousand extensions] decree (Decree Law no. 225 of 29 December 2010), and again extended to 31 December 2012 by the "Milleproroghe" Decree Law no. 216 of 29 December 2011.
The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
The Integrated Water Services segment was affected by the famous Referendum of 12-13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Legislative Decree no. 152 of 13 April 2006 "Determination of the tariff for the integrated water service" only insofar as the portion envisaging that this should be "based on adequate remuneration of invested capital".
This repeal did not produce direct and immediate effects on the current tariffs, but was limited to changing the criteria to be adopted by the competent Authority in preparing the "Tariff Method" as now defined in the Ministerial Decree of 1 August 1996. In fact, Art. 170, paragraph 3 of Legislative Decree 152/2006 (not affected by the repeal Referendum, and therefore still valid) states that until issue of the future decree the previous decree of 1 August 1996 will continue to apply.
Following the elimination of the AATOs, introduced by Parliament at the time of conversion of Decree Law no. 2 of 25 January 2010, the functions concerning the regulation and control of water services were transferred to the Italian Authority for Electrical energy and Gas by means of Decree Law 201/2011, converted with Law no. 214 of 22/12/2011, which also clarified that these functions "are exercised with the same powers assigned to said Authority by Law no. 481 of 14 November 1995".
In this respect, note the issue of Resolution 585/2012/R/idr - Approval of the temporary tariff method for the calculation of tariffs for the years 2012 and 2013 for all water service operations, excluding CIPE (Interministerial Committee for Economic Planning) operators and the autonomous regions/provinces Valle d'Aosta, Trento and Bolzano. The proposed method does not determine the tariffs, but defines criteria for their quantification and anticipates the general guidelines of the definitive version, expected in 2014. The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.
On 25 June 2013, the Italian Authority for Electrical energy and Gas also approved a specific provision (no. 273/2013) for the definition of the criteria for the calculation of the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.

The decision made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. For these reasons, appeals are being prepared for the administrative courts to request reform of this resolution.

Waste Management Service

Law Decree no. 216 of 29 December 2011 (the “Milleproroghe" decree) provided for the postponement to 31 December 2012 of the elimination of the ATOs responsible for integrated water service management and the waste management cycle.

Integrated Waste Management represents all the activities carried out to optimise the management of waste, these being the transportation, treatment and disposal of waste, including street sweeping and the management of these operations.

The general regulation applicable to the Integrated Waste Management services sector is established at national level in Decree Law 138/2011 converted to Law no. 148 of 14 September 2011, later amended by Decree Law no. 1 of 24 January 2012, the Environmental Code (Legislative Decree 152/2006 and subsequent amendments and additions) and at regional level by Emilia Romagna Regional Laws 25/99, 10/2008 and 23/2011.

Given that the ATOs responsible for the management of water resources and integrated management of urban waste pursuant to articles 148 and 201 of Legislative Decree 152/2006 (the Environmental Code) will be eliminated as at 31/12/2012, the regions were given the task of legally assigning the functions previously carried out by these organisations, in accordance with the principles of subsidiarity, differentiation and suitability.

It should also be noted that the end of the operational start-up period of the Sistri system was postponed to 30 June 2013.

The IREN Group provides waste management services on the basis of specific service assignments from the Local Authorities, governed by agreements signed with the relevant ATOs.

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

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

(*) Service extended until new agreements are defined

Tariff system for waste management services

Art. 14 of Decree Law 201/2011, converted to Law no. 214 of 22/12/2011 establishes the new tax (TARES - waste services tax) in all municipalities, effective as of 1 January 2013, to cover the costs of urban and similar waste disposal services performed through the assignment of exclusive rights by the municipalities, and costs relating to the municipalities’ indivisible services.

The tax in question is payable by anyone owning, occupying or holding, in any capacity, premises or uncovered areas, used for any purpose, which are capable of producing urban waste.

The tax is paid on the basis of the tariff commensurate with the average ordinary quality and quantity of waste produced per unit of surface area, in relation to the uses and type of activities carried out.

Consequently, as of 1 January 2013, all applicable withdrawals relating to the management of urban waste, both of a capital nature and of a tax nature - TIA (waste management tariff) or TARSU (Urban solid waste tax) - were eliminated.

Therefore, legal ownership of the tariff revenue remains with the Municipalities, as do the assessment and collection methods. The tax, also as an exception to art. 52 of Legislative Decree no. 446 of 15/12/97, must be paid by the user to the Municipality.

Following the amendment to par. 35 of art. 14 mentioned above, replaced by art. 1, par. 387, letter f), Law no. 228 of 24 December 2012, effective from 1 January 2013, it is established that:

“The municipalities, as an exception to art. 52 of Legislative Decree no. 446 of 15 December 1997, may assign, up until 31 December 2013, the management of the tax or of the tariff pursuant to par. 29, to entities that, as at 31 December 2012, perform, including separately, the services of waste management, assessment and collection of TARSU, TIA 1 or TIA 2”.

Green Certificates, Energy efficiency certificates and the ETS

Green certificates

In accordance with art. 11 of Legislative Decree no. 79/99, producers and importers of electrical energy generated from non-renewable sources must introduce electrical energy produced from renewable sources into the network, equal to a portion of the electrical energy produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points (art. 4, par. 1, Legislative Decree 387/2003), whereas the annual increase for the period 2007-2012 was established as 0.75% by Law no. 244 of 24 December 2007 (2008 Finance Act).

This obligation can also be fulfilled by purchasing on the market and subsequently returning to GSE for the cancellation of a corresponding quantity of green certificates. These certificates are assigned to electrical energy producers according to their production of electrical energy from plants powered by renewable sources, which began operations or were repowered after 1 April 1999 and qualified as IAFR (plants powered by renewable sources) by the GSE according to criteria set out by MAP decrees of 24 October 2005.

The eligible period to obtain recognition of green certificates, initially 8 years, was later extended to 12 years by Legislative Decree no. 152 of 3 April 2006 (Consolidated Environmental Act).

Law no. 244 of 24 December 2007 (2008 Finance Act) amended the regulation on green certificates, and the term of the recognition period for plants started up after 31 December 2007 was extended to 15 years. Differentiated rates were introduced according to the sources.

Plants considered cogeneration plants according to parameters set out by resolution no. 42/02 AEEG are exempt from the purchase of green certificates. Moreover, art. 1, par. 71, Law no. 239 of 24 August 2004 (Marzano) also conferred to cogeneration plants combined with district heating (together with hydrogen and combustible cell plants) the right to recognise Green Certificates in relation to their production. This paragraph was cancelled by art. 1, par. 1120, letter g, of Law no. 296 of 27 December 2006 (2007 Finance Act), but rights acquired by plants compliant with provisions set out by Art. 14 of Legislative Decree no. 20 of 8 February 2007 (especially regarding authorisation dates and/or operation start-up and the EMAS certification) are still valid. The Green Certificates assigned to cogeneration plants combined with district heating were however subject to certain limitations. The recognition period is 8 years (Law no. 244 of 24 December 2007) and can be used to cover up to 20% of the obligation (Legislative Decree no. 20 of 8 February 2007 – Art. 14, par. 3).

The Decree of the Ministry for Economic Development of 21 December 2007 approved and published the Technical Procedures which define the submission methods of applications for IAFR qualification. These procedures differ for renewable sources and the so-called similar sources (among which cogeneration combined with district heating).

In accordance with the provisions of art. 2, par. 150 of the 2008 Finance Act, through the Ministerial Decree of 18 December 2008, the Ministry for Economic Development set out the transition method from the previous incentive mechanism to new mechanisms (provided for in art. 2, paragraphs 143 and 149 of the 2008 Finance Act), and the method for extending on-site exchange to plants powered by renewable sources with an annual average nominal power not higher than 200 kW.

Amongst other things, the transition refers to the period 2009-2011 during which the GSE (at the request of the Green Certificates holder) will collect the Green Certificates issued for production relating to 2010 at the average market price of the previous three years.

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

The Gestore dei Servizi Energetici – GSE S.p.A. is responsible for implementing and managing the mechanism, and including the disbursement of the incentives to beneficiaries.

Ministerial Decree of 6 July 2012 establishes the new methods for incentivising the electrical energy production from plants powered by non-photovoltaic renewable sources, with power of no less than 1 kW.

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

<u>Tax concessions</u>
The tax concession consists in amounts deductible from IRPEF (personal income tax) or IRES (business income tax) and is permitted when works are completed to increase the energy efficiency level of existing buildings.
In particular, the concessions are recognised when costs are incurred for:
- reducing heating energy needs
- heating improvements to buildings (windows, including fixtures and fittings, insulation, flooring)
- solar panel installation
- replacement of winter climate systems.

The deductions, divided into equal annual amounts, are recognised in the following percentages:
- 55% of costs incurred up to 5 June 2013
- 65% of costs incurred for works on single property units from 6 June 2013 to 31 December 2013 (30 June 2014 if the works were carried out on communal areas of apartment blocks or if they affect all the property units contained in a single apartment block).

From 1 January 2014 (from 1 July 2014 for apartment blocks) the concession will then be replaced with the 36% tax deduction envisaged for property restructuring costs.

Decree Law no. 63 of 4 June 2013 extended the tax deduction for energy efficiency works to 31 December 2013.
Furthermore, the same decree raised the percentage deductible for costs incurred in the period between 6 June 2013 (the date of entry into force of the decree) and 31 December 2013 from 55% to 65%.
For works on communal areas of apartment blocks, or works affecting all the property units in a single apartment block, the 65% deduction is instead extended to 30 June 2014.
The following works are excluded from the period extensions:
- replacement of heating systems with high-efficiency heat pumps and low-enthalpy geothermal systems;
- replacement of traditional water heaters with heat pump water heaters dedicated to producing hot water for domestic use.

Energy efficiency certificates (EECs) / White Certificate
Legislative Decrees 79/99 and 164/00 introduced the obligation for electrical energy and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy. Two Ministerial Decrees issued on 20 July 2004 fixed the Italian annual energy saving targets of the two sectors (quantified in TOE) for the years 2005-2009 and a Ministerial Decree of 21 December 2007 updated the 2008-2009 targets, fixed the new targets for 2010-2012 and also extended the obligation to distributors with at least 50,000 customers at 31 December on the two years preceding each year of obligation. Annual resolutions of the Italian Authority for Electrical Energy and Gas (AEEG) fix the targets of the single electrical and gas distributors (res. EEN 13/11 for 2012 targets and res. 11/2013/R/efr

for 2013 targets) and the annual value of a contribution (derived from the electricity and gas tariffs) recognised to distributors for each EEC returned (86.98 €/TOE for 2012; not yet known for 2013).

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

- the definition of "objectives" (national, in TOE), different from "obligations" (sector, in Energy Efficiency Certificates);
- the definition of a more contained trend in 2013 and 2014 obligations compared to the past;
- EECs due from distributors are TOE multiplied by the "TAU" (multiplier) ratio with an average value of 2.5;
- obligations are net of the EECs from high-yield cogeneration;
- possible theoretical increase in obligations due to excess EECs also at distributors;
- reduction in obligations through network efficiency improvements;
- in the absence of new post-2016 obligations, GSE will continue to withdraw EECs at a standard price and new RVCs will no longer be restricted;
- new guidelines on EECs issued by the Ministry following consultation, applicable from 2014;
- from 2014, only projects still to be implemented or those in the process of being implemented will access white certificates (it will only be possible to recover the measures taken in the past up until 31 December 2013);
- increase in the number of entities and less restrictions on accessing projects for companies that have applied Law 10/91 and ISO standard 50001;
- "major projects" will have a preferential channel and a potentially greater recognition of EECs in metropolitan areas;
- AEEG will define a maximum value for the tariff contribution;
- minimum obligation of 50% (no longer 60%) for 2013 and 2014;
- compensation of the residual amount will take place in two years (no longer just one) for 2013-2016;
- AEEG will define the penalty calculation methods;
- more checks, especially for projects involving more than 3,000 toe/year;
- from 2013, AEEG transfers operational management of the mechanism to GSE;
- approval of 18 new schedules.

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

Resolution 11/2013/R/efr, indicating the electricity and gas volumes distributed in 2011, and enables calculation of the mandatory EECs for 2013.
For AEM Torino Distribuzione, the mandatory figure (confirmed in a letter from the GSE) is 51,413 EECs, not only lower than in 2012 (60,311 EECs) but also lower than in 2011 (52,752 EECs).
The estimated mandatory figure for 2014 is a little higher than the 2012 requirement.
In effect, the forecasts indicated in the Ministerial Decree of 28 December 2012 are confirmed.

Emission trading system
In accordance with the Kyoto Protocol, from 2008 to 2012 industrialised countries and transition economies are committed to reducing the global emission of greenhouse gases by an overall 5%, compared to the levels for 1990.
The reduction targets, different for each member country, are 8% for the European Union and 6.5% for Italy.
To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC has defined a trading system for the emission allowances of greenhouse gases within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law implementing Directive 2003/87/EC is Legislative Decree no. 216 of 4 April 2006.

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

Legislative Decree no. 30 of 13 March 2013 introduced Directive 2009/29/EC into Italian law. This directive amends Directive 2003/87/EC, introduces new rules for the European ETS for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.
The new decree, which entered into force on 5 April this year, repeals and replaces the previous decree governing the Emission Trading system in Italy, Legislative Decree no. 216 of 4 April 2006. In particular, the decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO_2. It also envisages the option of excluding small plants, introduced the option of establishing simplified rules on monitoring, reporting and inspections, and amended the certificate assignment methods by establishing that these are assigned via auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment will be by "full auctioning", except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

CONCESSIONS AND ASSIGNMENTS
The IREN Group executes services under concessions/assignments in the following sectors:
- Natural gas
- Electrical energy
- Integrated water service
- Environmental service management

Distribution of Natural gas

Genoa area
The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is wholly owned by the first-level company IREN Acqua Gas. The relative assignment by the municipality of Genoa was issued on 29 December 1995 to the former AMGA S.p.A.
These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadlines for which are 24 months for the Genoa 2 ATO - Province - and 30 months for the Genoa 1 ATO - Genoa City and System.

Turin area
The services regarding methane gas distribution in the municipality of Turin and district heating distribution in the municipalities of Turin and Moncalieri are, as of 27 January 2001 managed by AES TORINO following the transfer: (i) from ITALGAS of the business unit relating to the methane gas distribution service, (ii) from AEM Torino of the business unit relating to the heat distribution service.
These concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for which is six months from entry into force of the regulation (11 February 2012) for the Turin 1 ATO - City of Turin - and the Turin 2 ATO - Turin System.
By agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service for a period of 30 years from the last connection made, to the temporary association of companies established between IREN Energia S.p.A., IREN Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l..

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

Other geographical areas
The IREN Group also operates in numerous other entities throughout Italy through assignments or concessions given by the competent municipalities to mixed capital companies in which IREN Group companies have a direct or indirect investment.
The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% owned by the Consorzio G.P.O. of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC).
- Municipality of Vercelli - ATENA S.p.A. (40% owned by IREN Emilia): Assigned in 1999 and expiring on 31 December 2010.
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A. which is 95.09% owned by IREN Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

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

Natural gas sales
Pursuant to the Letta Decree on unbundling, i.e., the separation of gas distribution activity from gas sales, the IREN Group also sells natural gas mainly through IREN Mercato.
This activity is also carried out through direct or indirect investment in seller companies including:

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area;
- Atena Trading S.r.l. for the Vercelli area;

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

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

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

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

Integrated Water Service

Genoa area
IREN Acqua Gas holds the management assignment for the integrated water service (aqueduct, sewerage and purification) in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents.
The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003.
With Liguria Regional Law no. 39 of 28/10/2008 the organisation of the integrated water service was governed in compliance with the principles established by EU and national legislation, ATOs were

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

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

Based on said Decision, an Additional Agreement was signed with IAG on 05.10.2009 which, retaining the contractual conditions already established by the previous agreement unchanged (the agreement stipulated on the basis of Decision no. 8 of 13 June 2013), acknowledges all the new contractual conditions.

The management of the integrated water service in the municipalities of the province of Genoa is carried out by IAG through operators that are protected and/or authorised with specific provisions by the Genoa ATO, which were entered into starting from 2003. The authorised and/or protected operators in the IREN Group that perform the function of operator, and that signed specific agreements with IAG, are Mediterranea delle Acque S.p.A. (60% owned by IREN Acqua Gas), Idro Tigullio S.p.A. (66.55% owned by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).
In particular, Mediterranea delle Acque is the leading operator providing support to the first-level company IREN Acqua Gas as operator for the Genoa ATO, its services extending beyond the Municipality of Genoa to a further 37 municipalities (out of a total of 67) in the area covered by the ATO.

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

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

(*) Service extended until new agreements are defined

Based on the laws of the Emilia Romagna Region, water service agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.
The Emilia Romagna Region continued to manage the current assignments, retaining the level of quality and the possibility of developing the integrated water service and urban and similar waste management service for the 2012-2013-2014 period.
Following the reorganisation planned as part of the merger of Enia S.p.A. into Iride S.p.A., the management of the IWS in the Parma and Reggio Emilia ATOs was transferred to IREN Acqua Gas with

effect from 1 July 2010. The latter uses IREN Emilia premises for its operations, also through IREN Emilia subsidiaries.
IWS management in Piacenza was transferred from Iren Emilia to Iren Acqua Gas in September 2011.

Other geographical areas
The IREN Group also operates in numerous other activities throughout Italy in the Integrated Water Service sector through assignments or concessions given by the ATOs or competent municipalities to mixed capital companies in which IREN Acqua Gas or other Group companies have a direct or indirect investment. The main assignments and concessions are:
- Toscana Costa ATO - ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% owned by IREN Emilia) integrated water service in the Municipality of Livorno and other municipalities in the province.
- Marche Centro - Macerata ATO (ATO3). ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% owned by IREN Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati.
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (40% owned by IREN Emilia) for the Vercelli area.
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by IREN Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by IREN Acqua Gas);
- Alessandria ATO: ACOS S.p.A. (25% owned by IREN Emilia) for the Municipality of Novi Ligure.

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

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

(*) Service extended until new agreements are defined

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

Services provided to the Municipality of Turin
On 31 October 2006, Iride Servizi S.p.A. took over the following from AEM Torino S.p.A.:
- the agreement signed with the Municipality of Turin effective from 1 January 1997 for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating plants (Regulation of 30 November 2000), expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings (agreement effective from 1 January 2000), expiring on 31 December 2014.

By resolution of 27 November 2012 and pursuant to current regulations, the Municipal Council of Turin awarded contracts to Iride Servizi for the maintenance services for electrical and heating systems until 31 December 2020, services already assigned to Iride Servizi and under contracts expiring on 31 December 2017.

FINANCIAL INCOME AND EXPENSE

General framework

The downtrend in interest rates seen throughout 2012 came to a halt in the first half of 2013. The European Central Bank intervened with a further cut in the rate in May 2013, bringing the reference level to 0.50%.

Analysis of the 6-month Euribor trend shows that the downward curve of 2012 was followed by a phase of stability in the first half of 2013, in line with the current level of 0.3%. On the other hand, fixed rate quotations, reflected in the values of 5-year and 10-year IRSs, saw an upturn in the first half of 2013, in a context that is tendentially unstable.

Activities performed

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

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

Moving on to discuss in detail the financing transactions completed in the first half of 2013, note that new medium/long-term loans were finalised for a total of Euro 158 million. Specifically, in the first quarter of 2013 a new 15-year loan was signed with Cassa Depositi e Prestiti for Euro 100 million and in May 2013 the last tranche for Euro 58 million was finalised and used, with release of the bank guarantee, in relation to the 15-year loan from the European Investment Bank. July and August 2013 saw completion of the authorisation procedure for a medium-term bank loan for Euro 100 million, and a further credit facility of Euro 150 million is currently at an advanced stage of negotiation.

The new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group's short and long term financial exposure. At 30 June 2013 the Group's medium/long term debt represented 87% of the total net financial indebtedness. This percentage takes into account the classification of receivables due from the Municipality of Turin as non-current financial assets.

Within the Group, in June 2013 AES Torino (51% consolidated) obtained a new banking syndicate loan of Euro 195 million to cover the loan falling due. OLT Offshore LNG Toscana (41.71% consolidated) obtained new loans in the first half of 2013 from the shareholders Iren Mercato (financed by Iren within the Group cash pooling) and E.On in equal shares and for a total amount of Euro 41 million. The total shareholder loan to OLT to support investments was Euro 642 million at 30 June 2013.

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

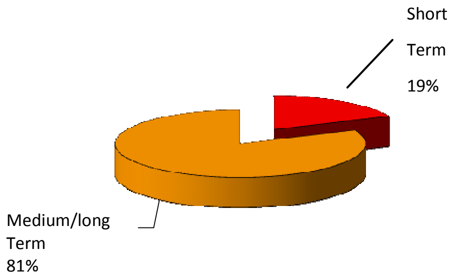
In the first half of 2013 no new financial risk hedge agreements were entered into. Moreover, new loans signed during the first half of the year were agreed at a fixed rate.

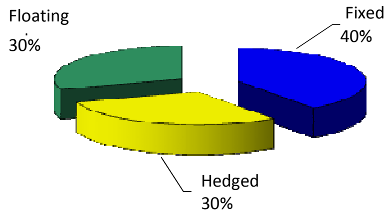
At 30 June 2013, the portion of floating rate debt not hedged by derivatives was 31% of the loan positions and 28% of the consolidated net financial indebtedness, in line with the target of the Iren Group which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.

Net financial indebtedness by expiry date

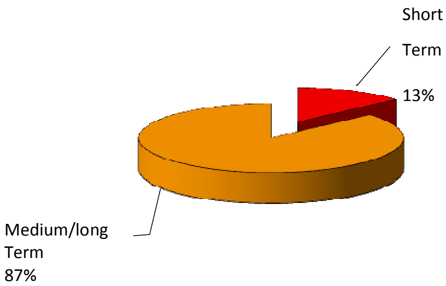
Net financial indebtedness by interest rate type

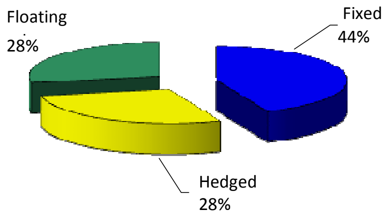
Position at 31/12/12





Position at 30/06/13





TRANSACTIONS WITH RELATED PARTIES

The Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A sizeable part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, etc.) and are governed by contracts normally applicable to these situations.

Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

Information on transactions with related parties is included in the Notes to the condensed consolidated interim report.

RISKS AND UNCERTAINTIES

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

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

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

The “Risk Management” department 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 shown hereunder.

1. FINANCIAL RISKS

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

a) Liquidity risk

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

b) Currency risk

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

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

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

2. CREDIT RISK
The credit risk of the Iren Group S.p.A. is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties, like retail and business customers and public entities. This risk is connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services.
In conducting its business activities the Group is exposed to the risk that, as a result of the financial conditions of the payer in relation to the current general economic/financial crisis, receivables might not be paid on their due date and therefore the risks are attributable not only to an increase in the seniority of receivables, insolvency risk and an increase in receivables subject to bankruptcy proceedings but also could suffer impairment that could lead to full or partial cancellation from the financial statements.

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

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

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

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

Each process stage is performed in accordance with standards and references defined at Group level.
The main risks in the above categories are assessed in terms of impact, event probability and level of control. These assessments are subject to periodic review. The indicators that allow the risk to be examined in terms of trends and critical points are also monitored.
The Group’s risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.

The main reputational risks are managed in addition to operational risks.
The risk position and related indicators are submitted to top management and to the risk owners involved in mitigation and improvement activities.
On a quarterly basis, the Risk Management Department also analyses losses in all the Group's operating areas and defines the containment and reduction methods.
Risk analysis is used as input in the preparation of planning tools.
The operational risk management process also aims at optimising the Group's insurance profiles in the key "property" and "liability" areas.

a. Legal and regulatory risks
The legislation and regulatory framework is subject to possible future changes, and therefore is a potential risk. For this purpose, the Iren Group set up internal structures in charge of the continuous monitoring of reference legislation, in order to assess and, as far as possible, mitigate its impact.
Reference should be made to the "Regulatory Framework" section with regard to expiry dates of the concessions on services managed by the Company.

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 construction or upgrading of cogeneration plants to complete the district heating extension plan, as well as the upgrading of the hydroelectric plants, and the consolidation of presence in the electrical energy and gas distribution sectors, and water and waste treatment sectors.
The above activities entail Group exposure to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compliance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realisation of said projects.
The Risk Management department performs specific quality-quantity assessments on strategic risks, indicating the main risk factors and management plans required.

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

d. IT Risks
The main IT risks are related to the availability of core systems, amongst which 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 subject to simulations, to ensure their effectiveness.

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

In particular, the collapse in consumption and industrial production may have a severe impact on companies such as Iren that provide public utility services to the community and to businesses.
According to the Economic Bulletin of the Bank of Italy, in the first half of 2013 Italy is not showing any signs of a cyclical reversal of the trend. The return to growth, albeit modest, could happen in the second half. The trend in domestic demand for goods and services and credit conditions (cost and quality) constitute the biggest uncertainties regarding a forecast economic recovery.
Through the Enterprise Risk Management system, the Iren Group monitors the changes in the effects on company business units, taking any corrective action where necessary, in particular in the financial and commodity sectors.

RESEARCH AND DEVELOPMENT

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

Turin area

EUROPEAN PROJECTS

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

DIMMER: This project refers to the development of effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level.
Partners: Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.

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

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

eHOT (nEtworks of HomeOstaTic buildings): The project relates to the development of physical and economic mechanisms that contribute to the development of new economic models for use in smart electrical energy distribution networks. The development of algorithms and mechanisms is planned for distribution system operators and for designers of property management systems in relation to manage the flow and demand in the network.
Partners: Turin Polytechnic, Verona University, ST Microelectronics, Telecom, Secure UK, international universities.

TLR Torino – Innovative PCM accumulator systems: This is a regional tender for testing of new phase change material accumulator systems to be installed in tandem with the exchanger at user premises.
Partners: Turin Polytechnic, Municipality of Turin, Environmental Park, Astra and Hevatech.

PROLITE: The project already won by the City of Turin was originally created aimed at increasing the energy efficiency of traffic light systems: subsequently, following the city's decision to prepare an appropriate tender, it was decided to shift the focus of the work to lighting in school buildings and, therefore, the systems of at least 3 buildings will be upgraded. Iride Servizi will perform the works relating to electrical systems.

The *"Smart Grid" Project Team* has also been established within Iren Energia (AEM Torino Distribuzione) to analyse various Smart Electricity Grid solutions for future implementation on the AEM Torino Distribuzione network.

Energy Savings and Renewable Sources

Public lighting in Turin

A plan is in progress for the replacement of systems with mercury lamps, by installing HP sodium and metal halide bulbs. Around 6,450 lights are expected to be replaced, with a power reduction of around 100 W for each one.

At 30 June, 3,359 lights had been replaced (52%).

The estimated energy saving at 30 June 2013 was 184.8 TOE.

On conclusion of the plan, expected by the end of 2013, the power reduction will be 700 kW.

Annual savings will be around 2.94 GWh, with an emissions reduction of roughly 550 TOE.

A pilot system has been installed at Parco Dora with LED lighting, equipped with monitoring and management (on/off switching) of every individual lamp. The system also has integrated video surveillance.

At present the system is still at testing stage and no energy saving data is available.

As part of the Smart City project, a further pilot system has been set up in Piazza San Carlo. Here the existing lighting sources have been retained but integrated with the same functions envisaged for Parco Dora. Free WiFi and Bluetooth connections have also been made available with no changes to the existing system.

At present the system is still at testing stage and therefore no energy saving data is available as yet.

Traffic lights

A total of 74 lights were installed in the first half of 2013, for an installed power of 2.8 kW.

The use of traditional lights would have involved installed power of 13.3 kW.

Taking into account the lighting hours and the alternation of traffic lights, annual savings come to 2.5 TOE.

Energy efficiency improvements in public buildings

In cooperation with an external company, the study was concluded on four of the most “energy eating” buildings owned by the City of Turin with a view to identifying the action necessary to improve the buildings’ energy performance.

Possible action takes into consideration the overall building-system combination and with regard to system works, which are specific to IRIDE Servizi, action can be taken that targets both the electrical and heating systems.

The study has been presented to the Municipality of Turin.

Energy efficiency

During the kickoff meeting of 30 January 2012 the method and plan of action for Energy Manager activities were proposed and shared, separating immediate action (to be taken in 2012) and medium/long-term action. The plan of action for 2013 proposes completion of the 2012 activities and the launch of a series of initiatives that were included in the medium/long-term plan presented in 2012. In particular:

- Analysis of the Sustainability Report data: systematic cross-checking of energy consumption and energy efficiency data indicated in the Sustainability Report and data gathered independently.
- Analysis of consumption data relating to Iren Energia, Iride Servizi and AEM Torino Distribuzione
- Comparison and alignment of the Group’s Energy Managers: agreement on joint and transversal action within the Group; definition and sharing of the “dashboard” model
- Research into the experiences of other (similar) companies’ Energy Managers
- Launch of activities for the UNI EN 50001 certification (to be completed by the end of the first four months of 2014)
- Periodic publication of the “dashboard” to monitor energy efficiency within the Group
- Definition and proposals for the implementation of energy savings actions (electrical energy, heat, gas, water) (= reducing wastage)
- Definition and proposals for the implementation of energy efficiency actions (electrical energy, heat, gas, water)
- Assessment of the possibility to monitor certain specific indicators associated with energy savings in the workplace

- Replacement of the diesel boiler with a methane boiler in the Rosone canteen building and replacement of the refrigeration unit and air-treatment unit in Martinetto Block A (side facing Corso Svizzera), based on the results of the "Work Group on building energy optimisation"
- Implementation of pilot energy savings action (lighting) in Martinetto Block A
- Feasibility checks for the test launch of used battery and light bulb collection at the Martinetto complex, the Strada Pianezza building and other operating centres where separate waste collection of these items is not possible.

The medium-term plan of action essentially involves the implementation and presentation to the AEEG of projects associated with the release of EECs.

MANAGEMENT OF NETWORKS AND TELECOMMUNICATIONS AND SERVICE INFRASTRUCTURES

Analysis and experimentation of zero electromagnetic impact electrical substations

The goal of the activity is to assess the feasibility to realise the maximum reduction in the buffer zone of a distributor's electrical substation, with the objective of containing said buffer zone (under nominal load conditions of the substation) to a maximum distance of 10-20 cm from the walls of the substation.

The activity was divided into 3 stages:

1. Environmental impact analysis: from data provided on the future electrical infrastructures to be installed, using 3D calculation software, it was possible to identify the electromagnetic induction levels in sensitive areas. The aim of the results is to identify the electromagnetic induction levels for the purpose of a project and the sizing of mitigation works.
2. Test analysis: characterisation using test measurements of the screens not actually considered in the environmental impact analyses (e.g. natural screening of the MV circuit board due to its metal housing). This analysis required testing of the material use in such screens.
3. Analysis of potential screening solutions: based on the results of the environmental impact and test analyses, the best options for reducing electromagnetic induction levels and reducing the buffer zone were assessed.

Based on the outcome of the analyses conducted on the equipment and on the screening options, pilot testing was arranged on a number of network substations for which specific renovation is planned.

Remote control of district heating plants

The project for the remote control of the district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to the district heating customers.

The remote management system developed is not restricted only to district heating, but can be used for more wide-ranging purposes. A study is therefore in progress at a number of prototype sites, on wireless probe links and electricity meters with a view to developing energy analysis tools. Specifically, transmission systems have been integrated into the enOcean and Z-wave standards widely used in home automation. As a result of the high data processing capacity available on the remote control platform (over 4,000,000 tags per hour), its use in certain European Projects (Smart City, Smart Grid, etc.) is under consideration.

Portal and integration of distributor's systems

Aem Torino Distribuzione (AEMD) has completed its project for the integration of information systems between the Parma and Turin areas relating to commercial activities (receipt and final reporting of vendors' requests, preparation of quotes, metering management, billing, etc.).

This "transversal" project has involved personnel from the departments of AEMD, Iren Mercato, Iren Emilia, Enia Parma and IT staff from Iren Emilia and Iren Energia, affecting more than 10 different IT systems (SAP, CNRG, Reti, AMM, EDW, the AEMD Portal, the Metering Repository, Load Profiling, etc.). Scheduled activities were completed on 20 January 2013 and the following objectives were achieved:

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

- laying of foundations for the unification of systems also for the management of operations (fault reporting, Moby, etc.).

Upgrading of contact centre platform - INTEGRATION WITH FAULTS
From 1 January 2013, in compliance with AEEG Resolution 198/2011, integration of the application that reports faults on the electrical network with the Contact Centre platform began. This enables, for each fault report, to automatically combine the information of the call, i.e. date and time of receipt, caller telephone number, contact centre operator and audio recording of the call.
Controls and fine-tuning of the system began in the first few months of 2013 to improve its efficiency and reliability.

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

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

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

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

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

Materials in contact with drinking water. Prospective legislation and regulations at European level: repercussions on the Italian industry: The project intends to create an opportunity to share at national level as part of the Mandate (M136 Rev 2) approved by the Committee in order to establish harmonised regulations (hEN) on materials and products in contact with drinking water, also by filling the gap in the Directive on water for human consumption. Iren Acqua Gas, through its Foundation, acted as a catalyst in the specific context for the various interested parties, in order to identify and protect the national industry, accredited laboratories, aqueduct operators and end users.

Purification systems and endocrine disruptors: On completion of the survey regarding the presence of endocrine disruptors in water destined for human consumption concluded in 2012, it emerged that to prevent the presence of these substances in water resources used for drinking water it is appropriate to verify the impact of effluent from treatment plants of the water cycle. To this end, the survey, involving the major Italian aqueducts, the University of Genoa and the Istituto Superiore di Sanità in Rome, aims at verifying the level of endocrine disruptors present in the water of a number of treatment plants chosen on the basis of a questionnaire distributed to Italian water cycle operators. In order to measure the levels of endocrine disruptors in waste water, specific analysis methods have been developed, including the research of new compounds, such as drugs and flame retardants. In the first half of 2013 agreements were reached with the leading Italian companies with a view to proceed to the monitoring phase planned for the autumn.
Two financing applications were submitted in the first half of 2013: the first "EDacqua" (LIFE13 ENV/IT/001374) through the LIFE Europa financing and the second, still regarding sensor systems applied in research into water destined for human consumption, to the Fondazione S. Paolo in Turin. Both projects were submitted jointly with the Istituto Italiano Tecnologie (Genoa), the Istituto Superiore di Sanità (Rome) and Genoa University.

Algae microcystins in water destined for human consumption: The risk of intoxication from algal toxins is a problem that interests the scientific community, given that intoxications are increasingly more common and mainly caused by the eutrophication of coastal marine areas and lake basins. The latter are an important supply source for the production of water destined for human consumption, accounting for 30% of available resources at domestic level. Activities in the first half of 2013 involved establishing the sampling and analysis method, processing of the data collected from the national fact-finding questionnaire and the planning of monitoring. The main Italian aqueducts are participating in the survey (Bari, Cagliari, Florence, Genoa, Como, Turin and Venice) with the University of Genoa and the Istituto Superiore di Sanità in Rome.
In the first half of 2013, Iren Acqua Gas continued to participate in the Water supply and sanitation Technology Platform (WssTP) established by the European Commission to oversee research in the water sector, has maintained contact with the US Water Research Foundation and has also continued its active participation in the TICASS Consortium (Innovative technologies for Environmental Control and Sustainable Development), which is a technology innovation centre of the Liguria Region. In this context numerous project proposals have been submitted which aim at financing research assignments on issues relating to water quality.

Project POR: This project, financed by the Liguria Regional Government as part of the Regional Executive Programme, involves the creation of an integrated environmental monitoring platform where certain data and measurements obtained in real time will be made available, along with the results of simulations relating to the technological networks also represented by thematic maps created using automated procedures by the IAG Laboratorio Cartografico.
IREN Acqua Gas' participation in the following European projects also continued in the first half of 2013:

Project PREPARED: To define global, shared strategies to handle the impact of climate change on the integrated water cycle. The partnership's wealth of know-how, experience and technology in the various European countries will be used as a basis for the development of innovative solutions applied by operator companies to sample sites. The research results were presented at the progress meeting organised in Dublin from 14-17 May.

Project ROUTES: To define guidelines for the construction of an urban waste water and sludge treatment system. The partner in this project coordinated by the National Research Council's Water Research Institute is Mediterranea delle Acque.

@qua: participation in the European theme network to disseminate best practices and technological groups best suited to the efficient and sustainable management of water services. The results were presented at the Stakeholder event organised on 15 May in Brussels.

Project eLeanor: by the LEONARDO Programme on ongoing training in the water segment.

Aquaknight: EU programme concerning the transfer management of knowledge and innovation for water savings in Mediterranean basins. Last May, Iren Acqua Gas organised the progress meeting and exchange visit in Reggio Emilia. The project results were presented at the International WaterLossEurope Conference 2012 organised in Ferrara as part of the Accadueo event.

TRUST: Transition to the Urban Water Services of Tomorrow 7th Framework Programme to define strategies and best practices for managing low environmental impact urban water services.

In the first half of 2013 Iren Acqua Gas was involved in defining a number of project proposals as part of the MIUR's 7th Framework Programme and Life Programme:

Project Smart Water TECH: Smart Community for the Development and Application of Innovative Monitoring Technologies and Control Systems for the Integrated Water Service. This project combines the two project ideas WATERTECH and SMART WATER presented in the MIUR Smart Cities tender and aims at providing a sounder analysis of the integrated water system, focusing both on managing water distribution network problems and on the application of innovative models and technologies for the treatment of waste water.

Project Aquaness: Efficient Water Resources Management through Consumer Awareness. This project will involve analysis of water and energy consumption data from various types of residential and commercial facilities providing customers with consumption profiles.

Emilia Romagna area

During the first half of 2013 the first level company IREN Ambiente continued its R&D activities on the issues of rationalising energy consumption, the use of renewable energy resources, the treatment of waste and processing residue and environmental well-being control.
Through IREN RE-BUILD, a project coordinated by IREN RINNOVABILI for the development of a pilot initiative in the field of energy and performance upgrading of properties (and subsequent development of a new line of business), which is located in the regulatory context outlined in Directive 2010/31/EU - Energy Performance of Buildings, research and development promoted by the Horizon 2020 Framework Programme for Research and Innovation and in the Strategic Energy Technology Plan (SET-Plan) to promote low-carbon technologies, the Group obtained UNI 11339 (Energy Management Expert) certification, in order to meet the requirements for participation in competitions and tenders on energy efficiency and in the presentation of projects to AEEG for the obtainment of EECs. The project aims to integrating and enhancing the role of renewable energies in efficient property upgrade strategies in order to promote their application, optimising impact with respect to needs.
The work will be divided into 4 project lines in cooperation with the CRUI (Italian University Rectors' Conference) and Federutility:
Project 1: Smart metering & smart grids, with the aim of developing technological solutions able to promote and strengthen the recycling, production and integrated management of the various renewable energy sources and related distribution and metering systems for the energy produced.

Project 2: Energy efficiency in service network, with the priority objective of public service innovation in the water, energy and gas sectors and improvement of the quality and accessibility of such services, guaranteeing high standards of interoperability between different cloud systems and at the same time reducing the costs of adopting ICT technologies and increasing returns on investments.

Project 3: Sludge disposal/treatment, with the aim of guaranteeing optimum management and recovery of local environmental resources by developing technologies and operating models also designed to recycle these resources (e.g. drinking water from leachate) and protect biodiversity. The project will focus particularly on the option of anaerobic treatment of liquid and solid waste (organic fraction) in co-digestion with excess sludge from the urban waste water treatment plants also with the aim of energy recovery (methane-content biogas production through anaerobic digestion).

Project 4: Smart logistics, culture and tourism with the aim of sustaining innovation through the development of technologies and solutions to improve interoperability of the regional and national logistics IT systems so as to achieve better use of the goods produced and network services, and - as a secondary step, through the support the innovation of the systems to use of the cultural heritage and assets and tourism in the Cluster's reference area (to which this specific stage of Project 4 could be assigned from the point where the contract calls specifically for involvement of the Regional Government of the Cluster reference area, which could intervene with complementary solutions and also sustain the related costs).

PERSONNEL

At 30 June 2013, the employees working for the Iren Group totalled 4,563, down by 0.1% compared to the figure at 31 December 2012 which was 4,567 employees. The table below provides a breakdown of personnel at 30 June 2013, divided into Holding and First-level companies (with related subsidiaries).

Company	Personnel at 30.06.2013	Personnel at 31.12.2012
Iren S.p.A.	262	263
Iren Acqua Gas and subsidiaries	981	977
Iren Ambiente and subsidiaries	199	198
Iren Emilia and subsidiaries	1,670	1,672
Iren Energia and subsidiaries	1,004	1,008
Iren Mercato and subsidiaries	447	449
Total	**4,563**	**4,567**

Note that since the Iren Group was established (01/07/2010) the workforce has decreased overall by 310 (160 as the balance of recruitments/resignations; 150 due to changes in scope).

Training

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

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

Once again, the first half of 2013 recorded a growth in figures compared to the previous year, with a per capita average of 10.2 hours (+32.5% vs. the 7.7 hours of the first half of 2012), giving a total of around 45,000 hours and the involvement of 77% of Group employees (previously 64.5% of Group employees).
This figure is particularly significant, also in relation to the consistent commitment to implementation of the new training portal, the application managing the training process extended to all Group Training Departments and accessible to all employees to consult the training course contents and the training plan.

The initiatives seen in the first half of the year confirm the Group's constant attention to occupational health and safety issues (officer training, staff training, training/updating courses for staff representatives in the fields of safety, first aid, firefighting, specific risks deriving from corporate risk assessment documents, etc.). These are initiatives implemented mostly in-house, partly involving external trainers and partly in-house trainers.

QUALITY, ENVIRONMENT AND SAFETY

Quality

All first-level companies in the IREN Group have systems that are certified in accordance with international standards ISO 9001 (Quality), ISO 14001 (Environment), except Iren Mercato which does not intend to obtain ISO 14001 certification. The Turin and Genoa companies also have OHSAS 18001 standard certification (Safety).

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

Pursuant to the certification programme which is defined by a model consistent with Group policy, in the first-level company in Turin and its subsidiaries, IRIDE Servizi and AEM Distribuzione, the following certifications were respectively confirmed: International Quality Management System Certification (ISO 9001), Environmental Management Systems Certification (ISO 14001) and Health and Safety (OHSAS 18001), reiterating the constant attention that the organisation pays to issues involving social and environmental responsibility with a view to sustainable development.

Periodic surveillance checks were successfully conducted at the same time, as was verification for the extension of QSA certification to the heat distribution networks in Reggio Emilia, Parma and Piacenza.

EMAS Registration (EU Regulation 1221/2009 or the EMAS Eco-Management and Audit Scheme) was confirmed for 2013 for the Moncalieri thermoelectric production plants and the updated 2012 “Environmental Report” was approved, published on the Iren Energia S.p.A. website. Preliminary activities are under way to obtain EMAS registration for the Torino Nord plants, with inspection scheduled for October 2013.

Iren Ambiente has obtained EMAS registration for the Poiatica Landfill (procedure concluded in March 2013) and the monitoring and endorsement of the updated environmental report were successfully completed (May/June 2013). The EMAS accreditation certificate and the 2012-2014 Environmental Report, updated with 2012 figures, were published on the web site of Iren Ambiente S.p.A.

Iren Emilia has obtained an extension of its ISO 14001 certification for the gas distribution service and the new BS OHSAS 18001 standard certification for the gas distribution service (with a commitment to full extension within 3 years).

Furthermore, the ISO 14001 certification held by Iren Ambiente S.p.A. and Iren Emilia S.p.A. were further extended and now cover activities conducted at the complex in Via Gonzaga, Reggio Emilia.

Iren Ambiente has launched the quality/environmental/safety certification project for the Integrated Environmental Hub in Parma, with the aim of obtaining certification by the end of 2014.

Iren Emilia and Iren Ambiente have begun gathering the new quality, environmental and safety data.

Several projects are under way for the overall redefinition of certain processes and procedures now linked as a result of organisational changes completed and/or in progress, and to achieve greater efficiency and effectiveness of the processes.

Iren Acqua Gas and Mediterranea delle Acque, Genova Reti Gas and Laboratori Iren Acqua Gas retained the Excellence certification from the certification organisation (already obtained in 2000 as AMGA and Genova Acque by Iren Acqua Gas and Mediterranea delle Acque respectively). Corporate excellence was achieved through control of all aspects relating to quality, environment and safety and the implementation of an integrated management system that enables to constantly monitor and control these three operational aspects.

Furthermore, in the first half of 2013 Iren Acqua Gas expanded the range of its activities subject to quality, environmental and safety certification, also obtaining this certification for its directly-managed coordination, provision and control of staff services performed for subsidiaries of the first-level companies, Iren Acqua Gas and Iren Mercato.

Internal inspections were performed as scheduled for all the certified companies in the Genoa area and no particular critical points were found.

With regard to Laboratori Iren Acqua Gas, note that the Reggio Emilia and Imperia laboratories were successfully accredited for ISO 17025 and activities are in progress to obtain “multisite” accreditation for all Iren Acqua Gas laboratories.

Iren Mercato has also commenced activities to obtain certification for the supply of “green energy” (produced from renewable sources) to end customers under the terms of specific technical regulations. Completion of these activities is expected during 2013.

Iren Emilia is in the process of launching the implementation project for the street cleaning, waste collection and RDF management services for the safety management system (BS OHSAS 18001) in Parma, Piacenza and Reggio Emilia, and for the environmental management system (UNI EN ISO 14001) in Parma and Reggio Emilia. In Piacenza the service is already certified.
A project is under way for Iren Rinnovabili to obtain ESCO certification pursuant to the UNI CEI 11352 standard of April 2010.

In addition, the Turin-based first level company Iren Energia, together with its subsidiaries, has launched a course of action to implement an Energy Management system to improve energy efficiency in accordance with the international ISO 50001 standard. This system will allow the organisations to gain awareness of their in-house energy consumption and to adopt a system-level approach to constant improvement of energy performance, taking into consideration related legal obligations.

Safety
In this context, the policies of the Parent IREN S.p.A and the first-level companies have always aimed at complying with the relevant safety laws while also attaining constant improvement.
During the first half of 2013, safety-related activities continued in compliance with BS OHSAS 18001:2007 regulations and related certification was renewed.
The Parent IREN has begun the OHSAS 18001:2007 certification procedure and has set itself the objective of obtaining this certification by the end of the year.
Training on occupational health and safety has begun in all Group companies as envisaged in the State-Regional Governments Agreement requiring the involvement of all personnel.
Constant updates continue in terms of risk assessment and resulting prevention and protection measures, controls and monitoring of significant indicators for occupational health and safety purposes. In particular, a major and intensive update to the biological risk assessment has been completed for the companies owned by the first level companies Iren Acqua Gas and Iren Mercato. For these companies, occupational health and safety management is organised and implemented in an integrated manner with the quality management systems, in compliance with OHSAS 18001 standard.
For Iren Energia, Iride Servizi and AEM Torino Distribuzione, the periodic management committees which handle and monitor safety aspects in general continued their work.
The risk assessment by job description and specific risk assessments relating to the Torino Nord plant (Iren Energia - Thermoelectric Production) are in progress.
Surveys have begun to identify confined environments or those suspected of pollution.
Health supervision of personnel has continued through the use of equipped check-up rooms in the various company offices.

Iren Emilia has an internal Prevention and Protection Department with the requirements necessary for the tasks of the Prevention and Safety Service Manager (RSPP) and the Members of the Prevention and Protection Service (ASPP). Iren Emilia’s prevention and protection department carries out the tasks for the Group’s other companies located in Emilia Romagna. The employer has appointed three qualified doctors to carry out health supervision tasks in the provinces of Parma, Piacenza and Reggio Emilia. The Prevention and Protection Department provides a safety training schedule for all the Group’s Emilia Romagna companies and ascertains the effectiveness of the training.
The safety management system has been integrated and implemented in accordance with BS OHSAS 18001, applying to all companies in the Emilia Romagna area.
Iren Emilia has obtained BS OHSAS 18001 certification for its gas distribution service and has started up the project for its extension to the street cleaning, waste management and RDF management service.

IREN Emilia and its subsidiaries and IREN Ambiente are also committed to:
- checking the safety inspections carried out by the Quality and Safety Department on activities conducted by in-house operators and suppliers at the plants and/or work sites;
- performing inspections on plants outside of scheduled audits and sample checks by the Quality and Safety Department to confirm proper management of aspects related to environmental and occupational health and safety at all company plants in the Emilia Romagna area;
- performing systematic inspections on plants outside of the aforementioned scheduled audits on all plants under the direct supervision of the Technical Departments and using fully trained and qualified department personnel;
- the definition of additional indicators for monitoring the management of aspects related to workers' health and safety for the various company processes/activities.

Environment
The IREN Group carries out activities relating to its own operations and business segments with a specific focus on environmental protection. The work methods implemented are in line with environmental quality criteria and envisage the rational use of natural resources and full compliance with regulations in force.
The following resources have been deployed in order to ensure sustainable corporate growth based on constant improvement:
- in the development and consolidation of electrical energy from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion and expansion of district heating as the energy saving technology and to improve the environment in urban areas, and adoption of the best plant technologies available on the market to ensure the lowest environmental impact from business activities;
- improved use of water resources in terms of collection and utilisation as well as release and discharge;
- correct management of obligations regarding the special waste problem, as regards the phases linked to production, storage, transport and disposal/final recovery;
- dissemination of information on the impact of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements, etc..

From an operational point of view, to ensure the lowest environmental impact of their activities, Iren Energia, Iren Acqua Gas, Mediterranea delle Acque, Laboratori Iren Acqua Gas, Genova Reti Gas, IREN Emilia, IREN Ambiente and their subsidiaries have focused particularly on:
- the maintenance of certification systems on a voluntary basis regarding certified environmental management systems in accordance with UNI EN ISO 14001:2004 and EMAS (EC) Regulation no. 1221/2009;
- monitoring of environmental performance through the use of special indicators for each significant environmental aspect;
- performance of special internal audits aimed at checking the correct management of environmental issues in the company departments and plants involved in the certified environmental management systems;
- implementation of operational aspects in relation to "environmental" issues in the company organisational model adopted pursuant to Legislative Decree no. 231/01 on corporate administrative liability.

In operating terms, commitment to the following has continued:
- analytical control of the impact of plants on the environment, especially as regards emissions, air quality, waste water, noise and electromagnetic fields;
- compliance with administration tasks, especially as regards the monitoring and controls granted by the Environmental Integrated Authorisations (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuous involvement of the company's staff, through specific reporting and training courses, scheduled on an annual basis and focusing on environmental issues and best practices for the management of plants, to ensure the lowest environmental impact.

IREN Emilia and its subsidiaries and IREN Ambiente are also committed to:

- performing inspections on plants outside of scheduled audits and sample checks by the Quality and Safety Department to confirm proper management of aspects related to environmental and occupational health and safety at all company plants in the Emilia Romagna area;
- performing systematic inspections on plants outside of the aforementioned scheduled audits on all plants under the direct supervision of the Technical Departments and using fully trained and qualified department personnel;
- defining additional environmental indicators for the monitoring of environmental aspects for the company's various processes/activities.

IREN AND SUSTAINABILITY

The strong bond with its areas of operation and dialogue with stakeholders are fundamental to Iren's economic, environmental and social sustainability, always ensuring that its day-to-day development activities are in line with environmental protection. Group policies comply with the fundamental principles of environmental, social and economic sustainability. Respect for and protection of local areas, attention to and development of employees, customer satisfaction, constant dialogue with the community and Public Administration, monitoring of the supply chain, and transparent communications with shareholders and financial institutions.

Responsible use of natural resources, research for a continuously improved quality of air, water and generally the quality of life by minimising various forms of pollution and increased eco-compatible energy make the group one of the leading operators in the country insofar as its capacity for sustainable growth.

The Iren Group's strategic medium/long-term plans indicate constant attention to sustainability issues: in particular water, energy and the environment affect the strategic planning of multi-year investments to be made. The Iren Group pursues environmental protection and energy consumption containment objectives, also promoting economic and social development in its areas of operation. Specifically, the Group's entire electrical energy production is from renewable sources (hydroelectric, photovoltaic, biogas) or from cogeneration (district heating and waste-to-energy plants).

In order to communicate to its stakeholders the actions, results and objectives, the IREN Group publishes a sustainability report each year. The report is a means of gaining awareness on the performance for the year, not just only in economic terms, but also in relation to the compliance with current and future commitments and the company's ability to meet stakeholder expectations.

The sustainability report is in any event a target milestone on a path that envisages a series of actions taken with a view to Corporate Social Responsibility.

The 2012 sustainability report was presented to the Board of Directors of Iren S.p.A. at the meeting of 14 May 2013. The subsequent stakeholder engagement activities are currently in progress.

Drafted annually, the sustainability report is prepared in accordance with the "Sustainability Reporting Guidelines & Electric Utility Sector Supplement" defined by the Global Reporting Initiative (GRI), with an A+ level of application.

In the first half of 2013 Iren participated in the 11th edition of the Sodalitas Social Award and was selected as finalist for AEM Torino Distribuzione's project "Substation access control" (a candidate in the Personal Enhancement and Job Protection Category). Sodalitas is the first organisation to introduce Corporate Social Responsibility in Italy and focuses on companies, business associations, industrial districts and organisations actively involved in CSR projects.

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

Condensed Consolidated Interim Report and Notes thereto

at 30 June 2013

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Note	30.06.2013	of which related parties	31.12.2012	of which related parties
ASSETS					
Property, plant and equipment	(1)	2,824,999		2,813,297	
Investment property	(2)	1,813		1,831	
Intangible assets with a finite useful life	(3)	1,284,487		1,295,022	
Goodwill	(4)	132,956		132,861	
Investments accounted for using the equity method	(5)	169,697		462,097	
Other investments	(6)	29,831		29,808	
Non-current financial assets	(7)	36,033	33,111	116,168	113,188
Other non-current assets	(8)	48,594	2,759	38,195	2,759
Deferred tax assets	(9)	211,006		215,750	
Total non-current assets		**4,739,416**		**5,105,029**	
Inventories	(10)	74,606		89,110	
Trade receivables	(11)	1,127,756	172,764	1,253,713	151,377
Current tax assets	(12)	8,889		8,690	
Other receivables and other current assets	(13)	249,991	4,324	267,253	4,315
Current financial assets	(14)	315,004	304,334	273,550	254,223
Cash and cash equivalents	(15)	101,451	6,564	28,041	2,668
Total current assets		**1,877,697**		**1,920,357**	
Assets held for sale	(16)	299,948		7,739	
TOTAL ASSETS		**6,917,061**		**7,033,125**	

thousands of euro

	Note	30.06.2013	of which related parties	31.12.2012	of which related parties
EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained earnings		408,669		311,070	
Profit (loss) for the period		110,737		152,559	
Total equity attributable to owners of the Parent		**1,795,632**		**1,739,855**	
Non-controlling interests		211,043		214,402	
TOTAL EQUITY	**(17)**	**2,006,675**		**1,954,257**	
LIABILITIES					
Non-current financial liabilities	(18)	2,174,003	294,020	2,197,827	177,162
Employee benefits	(19)	104,017		102,999	
Provisions for risks and charges	(20)	259,630		272,744	
Deferred tax liabilities	(21)	107,702		110,553	
Other payables and other non-current liabilities	(22)	155,372	178	154,453	177
Total non-current liabilities		**2,800,724**		**2,838,576**	
Current financial liabilities	(23)	745,849	104,431	775,063	198,801
Trade payables	(24)	906,965	64,727	1,135,236	70,138
Other payables and other current liabilities	(25)	292,936	383	243,514	4,861
Current tax liabilities	(26)	99,897		4,910	
Provisions for risks and charges - current portion	(27)	64,009		81,548	
Total current liabilities		**2,109,656**		**2,240,271**	
Liabilities related to assets held for sale	(28)	6		21	
TOTAL LIABILITIES		**4,910,386**		**5,078,868**	
TOTAL EQUITY AND LIABILITIES		**6,917,061**		**7,033,125**	

INCOME STATEMENT

thousands of euro

	Note	First half 2013	of which related parties	First half 2012	of which related parties
Revenue					
Revenue from goods and services	(29)	1,723,808	111,770	2,104,237	127,523
Change in work in progress	(30)	1,132	248	679	
Other revenue and income	(31)	97,883	641	162,480	10,206
Total revenue		**1,822,823**		**2,267,396**	
Operating expense					
Raw materials, consumables, supplies and goods	(32)	(790,676)	(74,850)	(1,183,333)	(179,655)
Services and use of third-party assets	(33)	(496,982)	(51,442)	(579,184)	(61,794)
Other operating expense	(34)	(34,911)	(3,570)	(43,380)	(997)
Capitalised expenses for internal work	(35)	11,737		9,961	
Personnel expense	(36)	(135,953)	(6)	(134,844)	
Total operating expense		**(1,446,785)**		**(1,930,780)**	
GROSS OPERATING PROFIT (EBITDA)		**376,038**		**336,616**	
Amortisation, depreciation, provisions and impairment losses					
Amortisation/depreciation	(37)	(102,180)		(107,564)	
Provisions and impairment losses	(38)	(33,676)		(33,108)	
Total amortisation, depreciation, provisions and impairment losses		**(135,856)**		**(140,672)**	
OPERATING PROFIT (EBIT)		**240,182**		**195,944**	
Financial income and expense	**(39)**				
Financial income		18,550	6,152	16,135	8,080
Financial expense		(56,542)	(6,065)	(63,123)	(10,509)
Net financial income and expense		**(37,992)**		**(46,988)**	
Share of profit of associates accounted for using the equity method	(40)	10,896		5,407	
Impairment losses on investments	(41)	-		(10,200)	
Profit before tax		**213,086**		**144,163**	
Income tax expense	(42)	(96,465)		(73,477)	
Net profit/(loss) for the period from continuing operations		**116,621**		**70,686**	
Net profit/(loss) from discontinued operations	(43)	-		9,160	
Net profit (loss) for the period		**116,621**		**79,846**	
attributable to:					
- Profit (loss) – Group		110,737		75,265	
- Profit (loss) - non-controlling interests	(44)	5,884		4,581	
Earnings per ordinary and savings share	**(45)**				
- basic (euro)		0.09		0.06	
- diluted (euro)		0.09		0.06	

STATEMENT OF COMPREHENSIVE INCOME

thousands of euro

	Note	First half 2013	First half 2012
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)		**116,621**	**79,846**
Other comprehensive income to be subsequently reclassified to the Income Statement	**(46)**		
- effective portion of changes in fair value of cash flow hedges		16,620	(10,632)
- change in fair value of available-for-sale financial assets		-	-
- share of other profits (losses) of companies accounted for using the equity method		589	1,611
Tax effect of other comprehensive income		(5,502)	3,643
Total other comprehensive income to be subsequently reclassified to the Income Statement net of tax effect (B1)		**11,707**	**(5,378)**
Other comprehensive income that will not be subsequently reclassified to the Income Statement			
- actuarial profits/(losses) from defined benefit plans (IAS 19)		-	-
Tax effect of other comprehensive income		-	-
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)		**-**	**-**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**128,328**	**74,468**
attributable to:			
- Profit (loss) – Group		122,357	69,887
- Profit (loss) - non-controlling interests		5,971	4,581

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2011 Restated	**1,276,226**	**105,102**	**28,996**
Dividends to shareholders			
Losses carried forward			
Changes in consolidation scope			
Capital increase of subsidiaries			
Other changes			
Comprehensive income for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
30/06/2012	**1,276,226**	**105,102**	**28,996**
31/12/2012	**1,276,226**	**105,102**	**28,996**
Legal reserve			3,516
Dividends to shareholders			
Retained earnings			
Other changes			
Comprehensive income for the period			
of which:			
- Profit for the period			
- Other comprehensive income			
30/06/2013	**1,276,226**	**105,102**	**32,512**

Figures as at 31 December 2011 were restated due to the adoption of the revised version of IAS 19 – *Benefits to employees*.

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit/(loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(30,737)	**362,714**	**466,075**	**(110,970)**	**1,631,331**	**213,375**	**1,844,706**
	(16,591)	(16,591)		(16,591)	(5,691)	(22,282)
	(110,970)	(110,970)	110,970	-		-
	(7)	(7)		(7)	27	20
		-		-	849	849
	(518)	(518)		(518)	(99)	(617)
(5,378)		(5,378)	75,265	69,887	4,581	74,468
			75,265	75,265	8,555	83,820
(5,378)	-	(5,378)		(5,378)	(3,974)	(9,352)
(36,115)	**234,628**	**332,611**	**75,265**	**1,684,102**	**213,042**	**1,897,144**
(42,645)	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
		3,516	(3,516)	-		-
		-	(66,747)	(66,747)	(9,323)	(76,070)
	82,296	82,296	(82,296)	-		-
	167	167		167	(7)	160
11,620		11,620	110,737	122,357	5,971	128,328
			110,737	110,737	5,884	116,621
11,620	-	11,620		11,620	87	11,707
(31,025)	**302,080**	**408,669**	**110,737**	**1,795,632**	**211,043**	**2,006,675**

STATEMENT OF CASH FLOWS

thousands of euro

	First half 2013	First half 2012
A. Opening cash and cash equivalents	**28,041**	**44,758**
Cash flow from operating activities		
Profit/(loss) for the period	116,621	79,846
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	102,180	107,564
Capital gains (losses) and other equity changes	1,740	1,126
Net change in post-employment benefits and other employee benefits	1,607	472
Net change in provision for risks and other charges	(17,931)	(12,677)
Change in deferred tax assets and liabilities	(3,609)	214
Change in other non-current assets and liabilities	(9,480)	1,355
Dividends accounted for net of adjustments	(790)	(421)
Share of profit (loss) of associates	(10,896)	(12,109)
Net impairment losses (reversals of impairment losses) on non-current assets	626	8,166
B. Cash flows from operations before variations in NWC	**180,068**	**173,536**
Change in inventories	14,504	(22,927)
Change in trade receivables	125,957	13,262
Change in tax assets and other current assets	17,063	29,840
Change in trade payables	(228,271)	(153,165)
Change in tax liabilities and other current liabilities	144,409	107,218
C. Cash flows from variations in NWC	**73,662**	**(25,772)**
D. Operating cash flows (B+C)	**253,730**	**147,764**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(119,044)	(145,964)
Investments in financial assets	(23)	(613)
Proceeds from the sale of investments and changes in assets held for sale	4,222	20,699
Dividends received	8,332	9,071
E. Total cash flows used in investing activities	**(106,513)**	**(116,807)**
F. Free cash flow (D+E)	**147,217**	**30,957**
Cash flows from/(used in) financing activities		
Dividends paid	(76,070)	(22,282)
Other changes in equity	-	849
New non-current loans	257,450	330,200
Repayment of non-current loans	(136,584)	(193,806)
Change in financial assets	38,681	49,349
Change in financial liabilities	(157,284)	(203,265)
G. Total cash flows from financing activities	**(73,807)**	**(38,955)**
H. Cash flows for the period (F+G)	**73,410**	**(7,998)**
I. Closing cash and cash equivalents (A+H)	**101,451**	**36,760**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

The segments in which the Group operates are:

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

Paragraph X, Segment Reporting, includes information as per IFRS 8.

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

The schedules disclosed have been reclassified for non-significant amounts at 30 June 2012 to adjust to the classification adopted for related items at 30 June 2013. The main reclassifications are described in these notes.

The company's condensed consolidated interim report at 30 June 2013 includes the financial statements of the company and its subsidiaries, financial statements proportional to jointly- controlled companies (jointly referred to as the "Group" and individually as "Group companies"), and the Group's percentage interest in associates.

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Iren Group's interim report at 30 June 2013 was prepared in accordance with art. 154-ter, paragraph 2 of Italian Legislative Decree no. 58 of 24 February 1998, as amended by Italian Legislative Decree no. 195 of 6 November 2007.

The condensed interim report at 30 June 2013 was prepared in accordance with IAS 34 - Interim Financial Reporting. This condensed interim report therefore does not include all information required for the annual financial statements and must therefore be read together with the financial statements at 31 December 2012 available from the registered office, Borsa Italiana S.p.A. and on the web site www.gruppoiren.it.

The financial statements structure adopted by the Iren Group is the same as that applied in the annual financial statements at 31 December 2012.

The financial statements of the consolidated companies are prepared at 30 June 2013. This condensed consolidated interim report is stated in Euro, the company's functional currency. All amounts stated in Euro have been rounded to thousands.

The accounting standards adopted in the preparation of this condensed interim consolidated report are the same as those adopted for the consolidated financial statements at 31 December 2012, which should be referred to for greater details, apart from the following:

- IAS 1 - Presentation of Financial Statements: on 16 June 2011, the IASB issued an amendment to IAS 1 - Presentation of financial statements in which companies are requested to group all the items presented in other comprehensive income/(expense), according to their possible reclassification or non reclassification in future time to the income statement. The amendment must be applied for accounting periods starting on or after 1 July 2012. The adoption of this amendment had no impact on the measurement of the items in the financial statements and limited effects on the disclosure provided in this condensed consolidated interim report.
- IAS 12 - Income taxes: on 20 December 2010, the IASB issued an amendment, retroactively applicable from 1 January 2013 and which clarifies how to calculate deferred taxes on investment property measured at fair value. The amendment introduces the assumption that deferred taxes related to investment property measured at fair value in accordance with IAS 40 "Investment property", shall be recognised taking account the fact that the carrying amount of these assets will be recovered through sale. Following this amendment, SIC-12 – Income taxes – Recovery of revalued non-depreciable assets, will no longer be applicable. The standard is applied on a prospective basis without the need to adjust the comparative information;
- IFRS 1 "Government loans": the amendment, applicable starting from 1 January 2013, was issued on 12 March 2012 and regards government loans at lower interest rates than market rates. More specifically, the amendment provides that upon first adoption of the international accounting standards, all government loans in place must be recognised as financial liabilities or as capital instruments in accordance with IAS 32," Financial Instruments: presentation". In addition this amendment does not permit the benefit related to the lower interest rates of government loans compared to market rates to be recognised as a public contribution;
- IFRS 7 - Financial instruments: disclosures: on 16 December 2011, the IASB issued another amendment to IFRS 7 – Financial Instruments: disclosures. The amendment requires information on the effects or potential effects resulting from the right to offset financial assets and liabilities in the statement of financial position. The amendments must be applied to the financial years starting on or after 1 January 2013 and interim periods following this date. Information must be supplied retrospectively.
- IFRS 13 - Fair value measurement: issued by the IASB on 12 May 2011 and applicable from 1 January 2013. IFRS 13 defines fair value, provides guidelines on how to calculate it and introduces disclosure requirements. This standard does not specify when the fair value measurement has to be applied, but defines its calculation when fair value application is required by other standards. The new standard applies to all the transactions, both financial and non-financial, for which the international accounting standards require or permit fair value measurement, apart from the transactions recognised on the basis of IFRS 2 - Share based payment, the leasing contracts governed by IAS 17 - Leasing, the

transactions recognised on the basis of their “net realisable value” as provided under IAS 2 - Inventories, and the “value of use” as defined by IAS 36 - Impairment losses.

The standard defines fair value as “the price that could be obtained for the sale of an asset or that would be paid for the transfer of a liability in an arm’s length transaction between market operators on the measurement date”. If the transactions can be observed directly in a market, the calculation of the fair value may be relatively simple, but if it cannot be directly observed in a market, measurements techniques will be used. The standard in question describes three methods to be used for calculation of the fair value, and are the following: the “market” approach, which provides for the use of prices and other relevant information generated by other transactions that involve similar assets and liabilities, from the “income approach”, that entails the discounting back of future incoming and outgoing cash flows, and finally by the “cost approach”, that requires the entity to calculate a value that reflects the amount that would be currently required to replace the service capacity of an asset.

With respect to the disclosure to provide in the financial statements, IFRS 13 extends the three level fair value hierarchy that varies on the basis of the inputs used in the measurement techniques, previously dealt with by IFRS 7 - Financial instruments: disclosures to all the assets and liabilities that fall under its range of application. Certain disclosure requirements are different in accordance with whether the fair value is measured on a recurring or non-recurring manner: recurring are the fair value measurements that other accounting standards require at the end of each accounting period, while non-recurring refers to the fair value measurements only required in certain circumstances;

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

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

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

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

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

  The two types of agreements are different for the rights and obligations of the parties in the agreement. In a joint operation the parties have rights to assets and obligations for liabilities, while in a joint-venture the parties have rights to the net assets. IFRS 11 sets out that assets, liabilities, costs and revenues in a joint operation are recognised by the parties based on the control percentage and a joint venture is recognised by the parties based on the equity method, as set out by IAS 28 "Equity investments in associated companies and joint ventures". The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest. After the issue of IAS 28 – Investments in Associates, this standard was amended to include equity investments in companies under joint-control in its scope of application, as from the effective date of the standard itself.
- On 12 May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities, which is a new and complete standard on additional information that shall be supplied on any type of equity interest, including disclosures on subsidiaries, joint-venture agreements, associates, special purpose entities and other entities of this type that are not consolidated. The standard shall be applied retrospectively to accounting periods starting on or after 1 January 2014, at the latest.
- IAS 27 Revised "Separate Financial Statements": issued by the IASB on 12 May 2011 and applicable from 1 January 2014; at the same time as introduction of the standard IFRS 10 "Consolidated financial statements", a revised version of the standard was published which maintains the role of general standard of reference with respect to separate financial statements. This standard applies in the measurement of the investments in subsidiaries, associates and joint ventures in the separate financial statements of the parent company. Joint ventures, just as with the investments in subsidiaries and associates, can be recognised in the separate financial statements both at cost and on the basis of IFRS 9 "Financial instruments" (and IAS 32, Financial Instruments: Recognition and Measurement"). When a subsidiary, in accordance with the provisions of IFRS 10 "Consolidated financial statements", chooses not to prepare the consolidated financial statements, the separate financial statements must provide information regarding the investments in subsidiaries, associated companies and joint ventures, the main headquarters (and the registered office if different), their assets the percentage owned in the single companies invested in and information regarding the method used to recognise them on the financial statements;
- IAS 28 Revised "Separate Financial Statements": issued by the IASB on 12 May 2011 and applicable from 1 January 2014; at the same time as introduction of the standard IFRS 10 "Consolidated financial statements", a revised version of the standard was published which establishes the criteria for recognising investments in associated companies and joint ventures. An entity that exercises joint control or that has significant influence on another party must recognise its investment using the equity method;

- On 16 December 2011, the IASB issued another amendment to IAS 32 – Financial Instruments: presentation, to clarify the application of some criteria for the offsetting of financial assets and liabilities included in IAS 32. Amendments are applicable retrospectively for accounting periods starting on or after 1 January 2014.

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

- On 12 November 2009, the IASB issued IFRS 9 - Financial instruments. This standard was then amended. This standard was then amended. The standard, effective retrospectively as from 1 January 2015, is the first step of a process aiming at fully replacing IAS 39 and introduces new criteria for the classification and measurement of financial assets and liabilities. In particular, as regards the financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contact cash flows of financial assets, with the aim of determining the evaluation criteria, by replacing the various rules set forth by IAS 39. As regards financial liabilities, the main amendment is instead related to accounting of fair value changes of a financial liability measured at fair value in the income statement, in the event these liabilities are due to a change in creditworthiness of the liability itself. According to the new standard, these changes should be recognised under Other profit/(loss) and will no longer be entered in the income statement.
- IAS 36 "Impairment of assets": the amendment, applicable starting from 1 January 2014, was issued on 29 May 2013 and regards the information requirements provided when assets are impaired where the recoverable value is determined on the basis of the fair value, net of disposal costs. This amendment removes the disclosure requirements with respect to the recoverable value of the asset if the cash generating unit includes goodwill or intangible assets with indefinite useful life but do not show impairment of the asset. Disclosure is also required regarding the recoverable value of an asset or a CGU and regarding the way to calculate the fair value net of disposal costs when the asset is impaired;
- IAS 39 "Financial Instruments: Recognition and Measurement": the amendment to this standard, issued on 27 June 2013, regards the accounting of derivative hedging instruments in the event of novation of the counterparty. Prior to introduction of this amendment, if there was a novation of the designated hedging derivative instruments, IAS 39 required interruption in application of the cash flow hedging accounting, assuming that the novation involved the conclusion or termination of the pre-existing hedging instrument. This change is applicable retrospectively starting from 1 January 2014.
- IFRS 10, IFRS 12 and IAS 27: the amendments to these standards, issued in October 2012, regard the exemption of most of the companies controlled by funds or similar institutes from the scope of consolidation, providing for measurement using the "fair value through profit or loss" method. The amendments also regard IFRS 12 with respect to disclosure of investment companies;
- IFRIC 21 "Levies": this interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets" was issued on 20 May 2013 and regards the accounting for levies imposed by government that do not fall within the range of application of IAS 12 "Income taxes". IAS 37 "Provisions, contingent liabilities and contingent assets" establish the criteria regarding recognition of a liability, one of which is represented by the presence of a present obligation for the entity as the result of a past event. This interpretation clarifies that the obligation that results in the liability for the levy to pay is the activity described in the legislation of the activity from which payment of the tax originates. The interpretation is applicable starting from 1 January 2014.

Use of estimates
In order to prepare the condensed interim consolidated report in compliance with IFRS, estimates and related assumptions are based on previous experience and other case factors which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. The outcome of the occurrence of the events might differ from these estimates. Estimates have been used to measure the accrual of certain revenue from sales, provisions for credit risks, risks for obsolete inventory items, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and available-for-sale financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

Some measurement processes, especially those which are more complex, such as the calculation of impairment losses on non-current assets, are generally carried out fully only when drawing up the annual financial statements, or when all information required is available, except when there are impairment indicators which require immediate measurement of any impairment losses.

In compliance with IAS 36, in the first half of 2013 the Group verified that there were no specific impairment triggers with special reference to goodwill; in addition there were no impairment indicators regarding specific assets or equity investments.

Similarly, the actuarial valuations required for determining the Provision for employee benefits are carried out when drawing up the annual financial statements.

Seasonality
Iren Group results for the period reflect the seasonality of its operating segments, particularly affected by weather conditions, and consequently may not be extrapolated for the entire year.

II. CHANGE IN THE SCOPE OF CONSOLIDATION COMPARED TO 31 DECEMBER 2012

The consolidation scope includes the companies directly or indirectly controlled by the parent, including jointly with other entities.

In the first half of 2013, there were no transactions that changed the scope of consolidation of the Iren Group.

The following transactions took place, which did not result in a change of the scope of consolidation:
- 100% merger of the subsidiary Zeus S.p.A. with the parent company Iren Emilia S.p.A.;
- transfer of the fully controlled company Aemnet S.p.A. from Iride Servizi S.p.A. (100% controlled) to Iren Energia S.p.A. (100% controlled);
- establishment of Iren Ambiente Holding S.p.A. through the partial, proportional spin-off of Iren Ambiente S.p.A. The equity investments in Bonifica Autocisterne, IREN Rinnovabili, Aciam, Iniziative Ambientali, Rio Riazzone, Consorzio Leap and Reggio Emilia Innovation were transferred from Iren Ambiente S.p.A. to Iren Ambiente Holding S.p.A.

III. GROUP FINANCIAL RISK MANAGEMENT

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

a) Liquidity risk
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The procurement of the financial resources were centralised in order to optimise use. Specifically, the centralised management of cash flows in IREN, both through cash pooling and centralisation of all collection and payments within the IREN current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infra-group bank accounts along with infra-group interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored. At 30 June 2013 the short-term bank credit facilities used by the Parent totalled Euro 1 million.
Nominal cash flows envisaged to settle financial liabilities and the contractual terms of existing loans remain essentially unchanged with respect to the Consolidated Financial Statements at 31 December 2012, as stated under paragraph “a) Liquidity Risk” in Chapter “V. Risk Management”.
IREN has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions. In the first half of 2013, the Iren Group took out new medium/long-term loans totalling Euro 257 million, of which Euro 158 million for the Parent. Details of the activities carried out in this area and of the individual transactions are shown in the paragraph Financial Income and Expense.

At 30.06.2013, 42% of the residual amount payable for loans was contractualised at a fixed interest rate and 58% at a floating rate.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), the clauses in IREN loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the the IREN Group should be kept under direct and indirect control by Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
The medium-term loan agreements of certain Group companies also envisage the observance of financial covenants (Net Financial Position/EBITDA, Net Financial Position/Equity) which have been satisfied.

b) Currency risk
Except as indicated under the section on energy risk, the IREN Group is not 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.
In a non-speculatively view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. At 30 June 2013, all contracts to limit exposure to the interest rate risk were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.
The fair value of the above-mentioned interest rate hedges was a negative Euro 43,290 thousand at 30 June 2013.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 72% of net financial indebtedness against interest rate risk, in line with the IREN Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case of hedging against significant increases in interest rates.
For a more complete understanding of the interest rate risks to which the Group is subject on an annual basis as at 31 December, analysis is performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates.

d) Credit risk
The Iren S.p.A. 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, like retail and business customers and public entities. This risk is connected to the sale of electrical energy, district heating, gas and the provision of water and waste management services.
In conducting its business activities the Group is exposed to the risk that, as a result of the financial conditions of the payer in relation to the current general economic/financial crisis, receivables might not be paid on their due date and therefore the risks are attributable not only to an increase in the seniority of receivables, insolvency risk and an increase in receivables subject to bankruptcy proceedings but also could suffer impairment that could lead to full or partial cancellation from the financial statements.
In order to control credit risk, whose operating management 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 in the acquisition phase thorough an accurate analysis of credit rating to limit insolvency risk, the assignment of receivable to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered with the introduction of new recovery methods.
The trade receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption levels.
Over the last few years in order to strengthen the receivable analysis and monitoring capacities, new tools have been introduced for the acquisition of commercial information and customer payment records, for operating management of the overdue receivables collection, outsourcing the telephone inquiry activity

for certain customer segments. The Group is also completing the “electronic meter” project with the aim of increasing the speed of customer disconnections 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 paid for some types of services (water, natural gas, “protected customer” electrical energy) in compliance with regulations governing these activities. This deposit is reimbursed if the customer adopts the payment through direct debit on current accounts.
Generally applied payment terms are compliant with regulations in force and are consistent with market standards. In the event of non payment, interest in arrears will be debited to the extent indicated in the supply contracts and as set out by regulations in force.
As a result of the persisting economic situation, the Group has improved credit risk control by strengthening its monitoring and reporting procedures, in order to find counter-measures to combat the causes identified as quickly as possible.
Accruals to the allowance for impairment of accounts receivable accurately reflect the effective credit risk through the targeted quantification of the accrual, involving the analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses and determination of the average non-payment rate.
On a quarterly basis, the main data on trade receivables from the Group companies is gathered in relation to customers, business sector and ageing range. There is a particular focus on customers with the highest level of past due receivables, both among first level companies and for the Group as a whole.
During the Committee meetings, the results are presented and shared with the Credit Managers of first level companies that are operatively responsible for credit management and collection.

With reference to the subsidiary Iride Servizi, the company’s credit risk is basically linked to its credit concentration with the Municipality of Turin. For further details reference is made in particular to Note 7 “Non-current financial assets” of the consolidated financial statements.

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

In November and December 2012, two commodity derivative contracts (Commodity swaps on Gas Release 07 index) were entered into as an energy portfolio hedge for 2013, for a total notional amount of 2 TWh. Also in December, additional swaps were then stipulated on Gas Release 07 index for 0.5 TWh, combined with PUN (single national price) swaps for an equal notional amount, with the aim of margin stabilisation.
The fair value of agreements still in force on 30 June 2013 is a negative total of Euro -2,928 thousand.
The Group also performs trading activities which involve the trading of physical and financial contracts on the electrical energy market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE) and trading on the IDEX.
The contracts that give rise to these activities are classified in a specific Trading Portfolio, which had a total fair value of Euro -32 thousand at 30 June 2013.

During the meeting of the Energy Risk Commissions, the compliance with limits set out by the policy is checked with regard to the main metering and analyses are carried out on markets, sales volumes, exposure to risks related to exchange rates and prices of energy raw materials, as well as on the performance of agreed hedging contracts.

Recognition of derivatives

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

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

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

Transactions not recognised in compliance with hedge accounting rules
The derivative is recognised at fair value in the statement of financial position.
The change in the fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument:
- in the case of commodity derivatives, in the gross operating profit/loss; specifically, the realised component is recognised to adjust the income or expense to which it refers to, while the portion determined from the derivative measurement at the end of the year is classified within the other expense or other income;
- in the case of interest rate risk hedges, in financial income or expense.

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

Fair value

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every class of assets and liabilities shown in the financial statements.
Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at year end. The present value of future flows is determined by applying the curve of forward interest rates at the balance sheet date.
In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

thousands of euro

	30.06.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets for interest rate hedging derivatives	20	20	80	80
Assets for commodity hedging derivatives	883	883	765	765
Loans - non-current portion and bonds (*)	(2,113,764)	(1,998,908)	(2,120,293)	(2,020,406)
Loans - current portion	(447,761)	(501,241)	(321,342)	(373,177)
Liabilities for interest rate hedging derivatives	(43,310)	(43,310)	(59,847)	(59,847)
Liabilities for commodity hedging derivatives	(3,843)	(3,843)	(4,746)	(4,746)
Total	**(2,607,775)**	**(2,546,399)**	**(2,505,383)**	**(2,457,331)**

(*) At 30 June 2013, the fair value of the Put Bonds was equal to Euro 190,702 thousand.

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

Fair value hierarchy

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

- Level 1: prices quoted (not adjusted) on active markets for similar assets or liabilities;
- Level 2: input data different from prices quoted, as per Level 1, which are observable for assets or liabilities, both directly (as per prices), and indirectly (or derived from prices);
- Level 3: input data related to assets or liabilities, which are not based on observable market data (non observable data).

thousands of euro

30.06.2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				-
Financial assets designated at fair value recognised in the income statement				-
Financial assets held for trading				-
Derivative financial assets		903		903
Total assets	**-**	**903**	**-**	**903**
Derivative financial liabilities		(47,153)		(47,153)
Gross total	**-**	**(46,250)**	**-**	**(46,250)**

thousands of euro

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

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

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

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

On 30 November 2010, Iren's Board of Directors adopted the "Internal regulation for transactions with related parties" which was issued in implementation:

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

The "Internal regulation on transactions with related parties", which was applied from 1 January 2011, is published on Iren's website (www.gruppoiren.it) and, in summary, provides for:

a) identification of related parties;
b) the meaning of transaction with related parties;
c) transactions of a not significant amount;
d) transactions of a lesser significance and the relative procedure;
e) transactions of a higher significance and the relative procedure;
f) exclusions;
g) establishment of the committee for transactions with related parties;
h) transactions for which the shareholders' meeting is competent;
i) amendments to the Articles of Association to be submitted to the extraordinary shareholders' meeting of Iren;
j) forms of advertising.

Transactions between the Company and its subsidiaries and related parties are ruled by a transparent and fair approach. A good part of these relations concern services provided to the customers in general (gas, water, electrical energy, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where they do not concern current services, the transactions are governed by specific contracts, whose terms are established in accordance with normal market terms. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

Transactions with subsidiaries and associates

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

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

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

on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
Since 2010, all financial and legal transactions between the parties are governed by the specific infra-group agreement between the companies involved and the parent, Iren S.p.A. This agreement is periodically updated to meet regulatory amendments or corporate reorganisations.
In 2012, the tax consolidation scheme therefore includes, in addition to the consolidating company Iren S.p.A., the following companies: AEM Torino Distribuzione, CELPI, Iride Servizi, AEMNET, Iren Acqua Gas, Iren Mercato, Iren Energia, CAE AMGA Energia, AGA, AES Torino, Mediterranea delle Acque, Zeus (now incorporated in the IREN Emilia company), Immobiliare delle Fabbriche, Nichelino Energia, ENIA Parma, ENIA Piacenza, ENIA Reggio Emilia, Eniatel, Tecnoborgo, IREN Ambiente, IREN Emilia and Genova Reti Gas.

In particular, this contract covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
Italian Law no. 244 of 24 December 2007 (2008 Finance Law), with effect starting from the 2008 tax period, radically changed the group taxation rules. It abolished all consolidation adjustments provided for by art. 122 of the Consolidated Income Tax Act, abrogated the rules regarding infra-group transfers pursuant to art. 123 of the Consolidated Income Tax Act and introduced the possibility, under certain conditions, to deduct from the consolidated income the surplus interest expense of the participating companies that may have accrued due to the new interest expense deductibility provisions set forth in art. 96 of the Consolidated Income Tax Act.
As a result of the regulatory modifications mentioned above, the parties agreed on the need to update the previous Regulation in effect, in compliance with the provisions of art. 22 of the Regulation. The update protects the principles stated above.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent “tax settlements” equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the parent is able to determine the total group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.
With reference to Group companies that operate in the production, trading, transportation or distribution sectors of natural gas or electrical energy, also generated from renewable sources, these are subject to 6.5% additional IRES tax (increased to 10.5% for 2011, 2012 and 2013). This additional tax must be paid autonomously by the above-mentioned companies, even if they are party to the tax consolidation.

<u>Group VAT option</u> – The Iren Group opted for Group VAT Settlement, submitting its adherence to this option by the prescribed deadline.
In terms of procedures, the payment of Group VAT involved the transfer to the parent IREN S.p.A. of all obligations regarding VAT settlements and periodic payments.
The companies that took part in the settlement procedure are the parent IREN S.p.A. and the following companies: Iren Energia S.p.A., Iride Servizi S.p.A., Iren Acqua Gas S.p.A., Iren Mercato S.p.A., AEM Torino Distribuzione S.p.A., AEMNET S.p.A., CAE AMGA Energia S.p.A., AES Torino S.p.A., CELPI, Genova Reti Gas, Nichelino Energia, Idrotigullio, ENIA Reggio Emilia S.p.A., ENIA Parma S.p.A., ENIA Piacenza S.p.A., Iren Ambiente S.p.A., Iren Emilia S.p.A., ENIA Solaris S.p.A.

<u>Other significant transactions with associates</u>
Furthermore, in the first half of 2013, Iren Mercato significantly reduced its operations, with the associated company Plurigas, since it went into liquidation, while the gas supply contract entered into with Sinergie Italiane continued. This allowed the company to supply not only the Genoa and Emilia catchment areas, but also some trading companies belonging to the Iren Group.
The Group, through Iren Mercato, has a share of energy deriving from Edipower power plants through tolling contracts.

Transactions with Municipalities shareholder -related parties

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

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

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

It shall be highlighted that, during 2012, an agreement was signed with the Municipality of Turin, which provides for the reduction of receivables owed to the Iren Group from the Municipality of Turin and the amendment of some provisions of the current service conventions between IRIDE Servizi and the City of Turin.

Moreover, it is worth noting that the Iren Group took part in a public tender called by the Municipality for the disposal of some equity investment in the share capital of TRM and AMIAT. For further information, reference is made to section "Significant events of the period" in the Directors' Report.

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

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

Iren Emilia provides

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

A settlement agreement was also signed with the Municipality of Parma in 2012 to settle the credit/debit position of some Iren Group companies.

Transactions with other shareholders - related parties

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

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

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

V. EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

VI. OTHER INFORMATION

CONSOB COMMUNICATION no. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
During the first half of 2013, the Group was not involved in significant non-recurring events and/or transactions, as defined in the Communication, i.e. events or transactions that are non-recurring, or transactions or events that are not frequent in the ordinary conduct of business.

In December 2012, some subsidiaries of Iren S.p.A. transferred a portion of the real estate assets, deemed as non-core with respect to the development of industrial business, to the real estate investment mutual fund created and managed by Ream SGR S.p.A., called Fondo Core Multiutilities, aimed at releasing financial resources, as well as streamlining the management of real estate properties.
The transaction is summarised through the following passages:

- transfer of the Real Estate assets and related payables (previously acquired) to the Fund;
- starting from 1 January 2013, the Iren Group entered in 18-year lease contracts, at arm's length, for the total real estate assets;
- placement of the Fund quotas to third parties;
- keeping by the Iren Group of 5% of the Fund (target to be achieved during 2013).

For further details, reference should be made to disclosures in the 2012 financial statements.

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

Publication of the Interim Report
The Interim Report was approved for publication by the Board of Directors of IREN S.p.A. at its meeting of 28 August 2013.

VII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

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

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

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

thousands of euro

	Cost at 30/06/2013	Accumulated depreciation at 30/06/2013	Carrying amount at 30/06/2013	Cost at 31/12/2012	Accumulated depreciation at 31/12/2012	Carrying amount at 31/12/2012
Land	68,563	(14)	68,549	68,563	(14)	68,549
Buildings	239,592	(81,767)	157,825	239,489	(77,755)	161,734
Leaseholds	6,735	(2,132)	4,603	6,735	(2,030)	4,705
Land and buildings	**314,890**	**(83,913)**	**230,977**	**314,787**	**(79,799)**	**234,988**
Plant and machinery	3,110,674	(1,258,751)	1,851,923	3,092,574	(1,207,380)	1,885,194
Leased plant and machinery	637	(593)	44	643	(562)	81
Plant and machinery	**3,111,311**	**(1,259,344)**	**1,851,967**	**3,093,217**	**(1,207,942)**	**1,885,275**
Industrial and commercial equipment	86,281	(58,317)	27,964	84,843	(55,421)	29,422
Leased industrial and commercial equipment	-	-	-	-	-	-
Industrial and commercial equipment	**86,281**	**(58,317)**	**27,964**	**84,843**	**(55,421)**	**29,422**
Other assets	117,091	(99,079)	18,012	116,823	(96,100)	20,723
Other leased assets	15,397	(1,199)	14,198	15,397	(978)	14,419
Other assets	**132,488**	**(100,278)**	**32,210**	**132,220**	**(97,078)**	**35,142**
Assets under construction and payments on account	**681,881**	**-**	**681,881**	**628,470**	**-**	**628,470**
Total	**4,326,851**	**(1,501,852)**	**2,824,999**	**4,253,537**	**(1,440,240)**	**2,813,297**

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

thousands of euro

	Opening balance	Increases	Decreases	Reclassifications	Closing balance
Land	68,563	-	-	-	68,563
Buildings	239,489	102	(1)	2	239,592
Leaseholds	6,735	-	-	-	6,735
Land and buildings	**314,787**	**102**	**(1)**	**2**	**314,890**
Plant and machinery	3,092,574	12,606	(406)	5,900	3,110,674
Leased plant and machinery	643	-	(6)	-	637
Plant and machinery	**3,093,217**	**12,606**	**(412)**	**5,900**	**3,111,311**
Industrial and commercial equipment	84,843	1,365	(489)	562	86,281
Leased equipment	-	-	-	-	-
Industrial and commercial equipment	**84,843**	**1,365**	**(489)**	**562**	**86,281**
Other assets	116,823	585	(669)	352	117,091
Other leased assets	15,397	-	-	-	15,397
Other assets	**132,220**	**585**	**(669)**	**352**	**132,488**
Assets under construction and payments on account	**628,470**	**59,850**	**-**	**(6,439)**	**681,881**
Total	**4,253,537**	**74,508**	**(1,571)**	**377**	**4,326,851**

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

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Closing balance
Accumulated depreciation, land	(14)	-	-	(14)
Accumulated depreciation, buildings	(77,755)	(4,012)	-	(81,767)
Accumulated depreciation, Leaseholds	(2,030)	(102)	-	(2,132)
Accumulated depreciation, buildings	**(79,799)**	**(4,114)**	**-**	**(83,913)**
Acc. depreciation, plant and machinery	(1,207,380)	(51,725)	354	(1,258,751)
Acc. depreciation, leased plant and machinery	(562)	(31)	-	(593)
Acc. depreciation, plant and machinery	**(1,207,942)**	**(51,756)**	**354**	**(1,259,344)**
Acc. depreciation, industrial and commercial equipment	(55,421)	(3,365)	469	(58,317)
Acc. depreciation, leased industrial and commercial equipment	-	-	-	-
Acc. depreciation, industrial and commercial equipment	**(55,421)**	**(3,365)**	**469**	**(58,317)**
Accumulated depreciation of other assets	(96,100)	(3,634)	655	(99,079)
Acc. depreciation of other leased assets	(978)	(221)	-	(1,199)
Accumulated depreciation of other assets	**(97,078)**	**(3,855)**	**655**	**(100,278)**
Total	**(1,440,240)**	**(63,090)**	**1,478**	**(1,501,852)**

The balance in the column reclassifications relates to net transfers from intangible assets to property, plant and equipment that do not fall within the scope of application of IFRIC 12.

Land and buildings

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

Plant and machinery

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

Investments for the period, of Euro 12,606 thousand, mainly refer to the installation of electronic meters for end customers and new connections to the electricity distribution network (Euro 8,587 thousand).

Industrial and commercial equipment

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

Other assets

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

Assets under construction and payments on account

Assets under construction and payments on account include the various charges incurred for investments under construction and not yet in operation, mainly referring to the Torino Nord cogeneration Plant project (Euro 120,336 thousand), OLT project (Euro 324,093 thousand) and the Parma Integrated Environmental Hub (Euro 173,504 thousand).

Investments for the period, equal to Euro 59,850 thousand, mainly refer to:

- construction of the Torino Nord cogeneration plant for Euro 6,440 thousand;
- progress of the Integrated Environmental Hub project for the Emilia Romagna region for Euro 24,695 thousand;
- transformation of the gas carrier Golar Frost, purchased by OLT Offshore, into a regasification plant, within the construction project of the Livorno regasification terminal (OLT project), amounting to Euro 17,897 thousand.

Ordinary depreciation for the first half of 2013, totalling Euro 63,090 thousand, was calculated on the basis of the rates indicated in the 2012 financial statements and considered representative of the residual useful life of the assets.

Starting from 2012, as regards transferable assets related to expired hydroelectric concessions with a residual carrying value lower than the expected value to be granted to the outgoing operator (calculated based on provisions set out by Law 7 August 2012 no. 134), their amortisation has been suspended. For further details, reference should be made to note 1 of the notes to the 2012 financial statements.

The group holds assets acquired through finance leases for a value of Euro 18,845 thousand (Euro 19,205 thousand at 31 December 2012), mainly related to ships for the regasification terminal in Livorno.

Lastly, no assets are pledged against liabilities.

NOTE 2_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost at 30/06/2013	Accumulated depreciation at 30/06/2013	Carrying amount at 30/06/2013	Cost at 31/12/2012	Accumulated depreciation at 31/12/2012	Carrying amount at 31/12/2012
Land	243	-	243	243	-	243
Buildings	2,775	(1,205)	1,570	2,775	(1,187)	1,588
Total	**3,018**	**(1,205)**	**1,813**	**3,018**	**(1,187)**	**1,831**

The amounts indicated refer to investment property of the subsidiaries Mediterranea delle Acque (Euro 287 thousand), and Immobiliare delle Fabbriche (Euro 632 thousand), the share of the investment property of Acque Potabili (equal to Euro 894 thousand), which is a proportionally consolidated company whose investment properties mainly refer to buildings held to earn rental income.
The fair value of investment property is not lower than the carrying amount.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

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

thousands of euro

	Cost at 30/06/2013	Accumulated. amortisation at 30/06/2013	Carrying amount at 30/06/2013	Cost at 31/12/2012	Accumulated. amortisation at 31/12/2012	Carrying amount at 31/12/2012
Development costs	524	(504)	20	524	(494)	30
Industrial patents and similar rights	51,862	(39,195)	12,667	50,744	(36,008)	14,736
Licences, trademarks and similar rights	1,762,015	(605,198)	1,156,817	1,736,076	(574,330)	1,161,746
Other intangible assets	94,493	(71,120)	23,373	104,822	(66,593)	38,229
Assets under construction and payments on account	91,610	-	91,610	80,281	-	80,281
Total	**2,000,504**	**(716,017)**	**1,284,487**	**1,972,447**	**(677,425)**	**1,295,022**

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

thousands of euro

	Opening balance	Increases	Decreases	Reclassifications	Impairment losses for the period	Closing balance
Development costs	524	-	-	-	-	524
Industrial patents and similar rights	50,744	856	-	262	-	51,862
Licences, trademarks and similar rights	1,736,076	11,481	(200)	14,658	-	1,762,015
Other intangible assets	104,822	5,296	(15,276)	277	(626)	94,493
Assets under construction and payments on account	80,281	26,903	-	(15,574)	-	91,610
Total	**1,972,447**	**44,536**	**(15,476)**	**(377)**	**(626)**	**2,000,504**

Changes in accumulated amortisation are shown in the following table:

thousands of euro

	Opening balance	Amortisation for the period	Decreases	Closing balance
Acc. amortisation, development costs	(494)	(10)	-	(504)
Acc. amortisation industrial patents and similar rights	(36,008)	(3,187)	-	(39,195)
Acc. amortisation of licences, trademarks and similar rights	(574,330)	(30,929)	61	(605,198)
Acc. amortisation of other intang. assets	(66,593)	(4,946)	419	(71,120)
Total	**(677,425)**	**(39,072)**	**480**	**(716,017)**

The balance in the column reclassifications relates to net transfers from intangible assets to property, plant and equipment that do not fall within the scope of application of IFRIC 12.
The decreases for the period mainly refer to the return of the emission quotas needed to meet the the previous period obligation.
Impairment losses for the period mainly relate to capitalised costs for the commercial development of new customers.

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

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

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

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

NOTE 4_GOODWILL

This item totals Euro 132,956 thousand (Euro 132,861 thousand at 31 December 2012) and mainly refers to goodwill for:
- acquisition of the majority holding in Acqua Italia S.p.A. (now Mediterranea delle Acque), where the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for Euro 23,202 thousand (allocated to the integrated water CGU);
- acquisition of ENEL's business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recognised as goodwill for Euro 64,608 thousand (allocated to the energy infrastructures CGU, especially electric networs);
- the business unit purchased from ENEL at the end of 2000 and referred to electric facilities of the city of Parma, for an amount of Euro 10,444 thousand (allocated to energy infrastructures CGU, especially electrical energy networks);
- shares in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of Euro 16,761 thousand (allocated to the market CGU).

Goodwill is referred to as an intangible asset with an indefinite useful life. Therefore, it is not amortised, but annually tested for impairment to check whether the carrying amount is still recoverable.
As noted in paragraph I of this report, in the first half of 2013, in compliance with IAS 36 the Group verified that there were no specific impairment triggers with special reference to goodwill; in addition there were no impairment indicators regarding specific assets or equity investments.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments measured using the equity method are equity investments in companies in which the Group exercises a significant influence.
The Group companies measured using the equity method at 30 June 2013 are shown in an annex.
Changes during the first half of 2013 are shown in the following table:

thousands of euro

	31/12/2012	Reclassifications	Profit/(loss) for the period	Dividends	Measurements with direct effect on equity	30/06/2013
A2A Alfa	972	-	(485)	-	-	487
ABM Next	223	-	-	-	(23)	200
Acos	7,497	-	318	(82)	(48)	7,685
Acos Energia	730	-	200	(175)	-	755
Acquaenna	1,380	-	(136)	-	-	1,244
Aguas de San Pedro	5,419	-	(171)	(119)	-	5,129
Aiga	335	-	2	-	-	337
Amat	3,002	-	49	-	-	3,051
AMIAT	28,800	-	-	-	-	28,800
Amter	660	-	(3)	(49)	-	608
Asa	11,815	-	9,070	-	589	21,474
Astea	19,225	-	655	(213)	(13)	19,654
Atena	9,106	-	539	(893)	(112)	8,640
Delmi	143,685	(143,685)	-		-	-
Domus Acqua	28	-	-	-	-	28
Edipower	152,462	(152,462)	-	-	-	-
Fingas	9,921	-	(22)	-	-	9,899
Fondo Core Multiutilities	123	-	-	-	-	123
Gas Energia	798	-	2	-	-	800
Gica	-	-	-	-	-	-
Global Service	6	-	-	-	-	6
Il tempio	64	-	39	-	-	103
Iniziative Ambientali	493	-	14	-	-	507
Mestni Plinovodi	9,432	-	3	-	-	9,435
Mondo Acqua	142	-	-	-	-	142
Plurigas	18,613	-	180	(5,474)	-	13,319
Project Financing Management	2,167	-	17	-	-	2,184
Rio Riazzone	224	-	(3)	-	-	221
S.M.A.G.	13	-	35	-	-	48
Salerno Energia Vendite	1,502	-	397	(520)	-	1,379
Sea Power & Fuel	4	-	-	-	-	4
Sinergie Italiane	-	-	-	-	-	-
Sosel	685	-	25	(17)	-	693
Tirana Acque	47	-	-	-	-	47
TRM V	31,593	-	-	-	-	31,593
Valle Dora Energia	498	-	-	-	-	498
Vea Energia e Ambiente	433	-	171	-	-	604
TOTAL	**462,097**	**(296,147)**	**10,896**	**(7,542)**	**393**	**169,697**

As far as the equity investments in Delmi and Edipower are concerned, the reverse merger of Delmi into its subsidiary Edipower became effective on 1 January 2013.

In addition, on 16 January 2013, the Board of Directors of IREN S.p.A. resolved to exercise the put option for the exit from Edipower, as provided in the agreements, and to start the formal proceeding according to the agreed modalities and timing.
Following the decision of the Board of Directors of Iren S.p.A. to initiate exercise of the put option for the exit from Edipower, the investment was reclassified under “Assets held for sale”.
On 28 June 2013, Iren and Edipower approved the non-proportional spin-off of Edipower. The transaction provides for assignment to Iren Energia of a portfolio comprising the thermoelectric plant of Turbigo (800 MW) and the hydroelectric centre of Tusciano (about 250 GWh of annual production), the personnel operating these plants, the other assets and liabilities related to the plants, amounting to about Euro 75 million as at 31 December 2012, and a financial debt of Euro 44.8 million. The spin-off will involve the complete exit of the the Iren Group from Edipower shareholding from and will take effect within the time prescribed by law and once all obligations have been fulfilled with respect to the spin-off in the first part of the fourth quarter of 2013, and provide a settlement mechanism with respect to the financial position on the date the demerger takes effect.

The participation of the Group in the Fondo Core Multiutilities is disclosed net of the portion of unrealised capital gain. Further information can be found in the section “Other information” of the financial statements as at 31 December 2012.

As regards the equity investment in Sinergie Italiane, the carrying amount of which is zero, the provision for risks against the risk of future losses of this investee amounted to Euro 10,000 thousand.

As regards the equity investment in Plurigas, on 27 March 2013 the Shareholders’ Meeting resolved on the liquidation of the company. Iren’s Directors deem that at the end of the liquidation procedures, IREN will collect an amount which is substantially equal to its share of the company’s equity.

The value of the investments in AMIAT and TRM V acquired at the end of the previous year was not changed from the value in the financial statements as at 31 December 2012, since the directors thought it would be correct to wait for the incinerator managed by TRM to enter into operation and for approval of the AMIAT industrial plan before correctly allocating the differences between the fair value of the amount paid and the fair value of the net assets acquired. This is permitted under the terms of IFRS 3, paragraph 45.

The profit for the period of the associated company Asa was significantly influenced by the capital gains arising out of the disposal of the subsidiary Asa Trade.

NOTE 6_OTHER INVESTMENTS

This item relates to investments in companies over which the Group has neither control nor significant influence. Since their fair value could not be reliably determined, these investments were maintained at cost, adjusted for any impairment losses.
The list of other Group investments at 30 June 2013 is shown in an annex.
Changes during the first half of 2013 are shown in the following table:

thousands of euro

	31/12/2012	Increases	30/06/2013
Acque Potabili Siciliane	20	-	20
Astea Energia	7	-	7
Atena Patrimonio	12,030	-	12,030
ATO2 Acque società consortile	10	-	10
Autostrade Centro Padane	1,248	-	1,248
BT Enia	2,110	-	2,110
C.R.P.A.	52	-	52
Consorzio Leap	10	-	10
Consorzio Topix	5	-	5
Cosme	2	-	2
CSP Innovazione nelle ICT	28	-	28
Energia Italiana	12,928	-	12,928
Environment Park	399	-	399
Nord Ovest Servizi	780	-	780
RE Innovazione	8	-	8
Rupe	10	-	10
SDB Società di biotecnologie	10	-	10
Stadio di Albaro	27	-	27
T.I.C.A.S.S.	4	-	4
TLR V	120	-	120
Valfontanabuona Sport	-	23	23
TOTAL	**29,808**	**23**	**29,831**

NOTE 7_NON-CURRENT FINANCIAL ASSETS

The item, equal to Euro 36,033 thousand (31 December 2012: Euro 116,168 thousand), refers to securities other than equity investments, financial assets and the fair value of derivatives.

Securities other than investments
This item contains securities that are measured pursuant to the provisions of IAS 39 - *Financial Instruments: Recognition and Measurement*, as held for sale or as held-to-maturity investments.
Specifically they amount to Euro 40 thousand (unchanged compared to 31 December 2012) and refer to securities given as collateral to authorities, classified as held-to-maturity investments, and are measured at amortised cost.

Financial receivables and fair value of derivatives

thousands of euro

	30/06/2013	31/12/2012
Non-current financial receivables from joint ventures	2,895	2,895
Non-current financial receivables from associates	811	809
Non-current financial receivables from shareholders - related parties	29,405	109,484
Non-current financial receivables from others	2,862	2,860
Fair value of derivatives – non-current share	20	80
Total	**35,993**	**116,128**

Non-current financial receivables from joint ventures relate to loans granted to Joint ventures Iren Rinnovabili and Enia Solaris, related to the unnetted portion resulting from the proportional consolidation.

Financial receivables from associates relate to amounts due from the companies ABM Next, Acquaenna and Aiga, whose amounts are not individually significant.

Receivables from shareholders-related parties refer to amounts due from the Municipality of Turin for Euro 28,840 thousand, from the Municipality of Genoa for Euro 68 thousand and from the Intesa Sanpaolo Group for Euro 497 thousand.

The amounts due from the Municipality of Turin, which accrue interest in favour of the Group, refer to classification of the non-current portion of receivables on the current account used to settle trade and financial relations between the subsidiary IRIDE Servizi S.p.A. and the Municipality of Turin.
These receivables form part of an overall position, totalling Euro 157,880 thousand, and are divided among various statement of financial position line items according to their classification by type and maturity: Trade receivables (Note 11) and Current financial assets – financial receivables from Parents (Note 14), as shown in the following table.

thousands of euro

	30/06/2013	31/12/2012
Trade receivables for services on issued invoices	14,620	22,732
Trade receivables for services on invoices to be issued	11,284	3,957
Trade receivables for electrical energy and other supplies	16,326	12,207
Allowance for impairment of accounts receivable	(5,448)	(6,750)
Total trade receivables	**36,782**	**32,146**
Non-current portion of financial receivables in current account	28,840	108,918
Total non-current financial receivables	**28,840**	**108,918**
Current portion of financial receivables in current account	82,000	62,500
Financial receivables for interest invoiced	7,539	3,933
Financial receivables for interest to be invoiced	2,719	3,606
Total current financial receivables	**92,258**	**70,039**
Total	**157,880**	**211,103**

In November 2012 an agreement was signed between the City of Turin and the Iren Group, which provides for the reduction of receivables from the City of Turin. According to the above-mentioned agreement, in the first half of 2013, receivables were collected in the amount of around Euro 86 million.
From a prudential Directors' assessment, based on the agreements signed with the City of Turin, it is estimated that approximately Euro 82 million of the financial receivables from the Municipality of Turin are collectible within 12 months.
The balance of trade receivables due from the Municipality of Turin has increased by around Euro 4,636 thousand (net of the allowance for impairment of accounts receivable) and the balance of current and non-current financial receivables has decreased by Euro 57,859 thousand. The IREN Group's total exposure towards the Municipality of Turin has therefore decreased by Euro 53,223 thousand compared to 31 December 2012.
In addition, in July the Municipality of Turin made payments for a total amount of about Euro 38 million. In accordance with article 6, paragraph 9 of Law Decree 35 of 08/04/2013 converted into Law 06/06/2013 no. 64, the City of Turin gave notice that by March 2014, it would make further payments of invoices for a total of Euro 44.8 million.

Receivables from others include the interest-free loan for the future share capital increase, paid to Nord Ovest Servizi, and an interest-free loan to Medgas.

The fair value of derivatives amounts to Euro 20 thousand (31 December 2012: Euro 80 thousand) and the related description is included in the section "Group financial risk management".

NOTE 8_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2013	31/12/2012
Guarantee deposits	3,114	2,864
Tax assets after 12 months	11,306	11,287
Other non-current assets	22,370	10,524
Non-current prepayments and accrued income	11,804	13,520
Total	**48,594**	**38,195**

Tax assets after 12 months include amounts due following the appeal for the deduction of IRAP tax from IRES tax (Art. 2, par. 1 quarter of the Law Decree no. 201 of 6 December 2011) and IRPEF advances on post-employment benefits that were paid as set out by with Law no. 140/1997. In accordance with the relevant legislation, this amount has been recovered since 1 January 2000 and is revalued annually based on the same criteria used to revalue the post-employment benefits.

The increase in the other non-current assets is due to the receivables with respect to the VRG component of the restriction on revenues of the Integrated water service.

Prepayments mainly include the long-term prepaid portion, relating to energy service contracts signed by the subsidiary CAE AMGA Energia S.p.A.

NOTE 9_DEFERRED TAX ASSETS

These total Euro 211,006 thousand (Euro 215,750 thousand at 31 December 2012) and refer to deferred tax assets deriving from elements deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.

CURRENT ASSETS

NOTE 10_INVENTORIES

Inventories primarily comprise methane and consumables intended for maintenance and construction of the Group plants. The measurement criterion used is the weighted average cost.
The summary of changes occurring over the period is as follows:

thousands of euro

	30/06/2013	31/12/2012
Raw materials	73,239	88,875
Inventory write-down provision	(3,217)	(3,217)
Carrying amount	**70,022**	**85,658**
Contract work in progress	4,584	3,452
Total	**74,606**	**89,110**

The inventory write-down provision was set up and is used to take into consideration inventories that are technically obsolete and slow-moving.

At 30 June 2013 no inventories were pledged against liabilities.

NOTE 11_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	30/06/2013	31/12/2012
Receivables from customers	1,074,244	1,200,002
Allowance for impairment of accounts receivable	(120,832)	(103,990)
Net receivables from customers	**953,412**	**1,096,012**
Trade receivables from joint ventures	13,166	13,433
Trade receivables from associates	47,135	60,574
Trade receivables from other Group companies	12,041	12,653
Trade receivables from shareholders – related parties	111,505	81,846
Allowance for impairment of accounts receivable - receivables from shareholders – related parties	(9,503)	(10,805)
Total	**1,127,756**	**1,253,713**

Note that at 30 June 2013 factoring transactions were completed with derecognition of receivables for a total of Euro 21,455 thousand.

Receivables from customers
These mainly relate to receivables due for electrical energy, gas, water and heat supplies, waste disposal services and sundry services. The balance takes into account the allowance for impairment of accounts receivable, illustrated below, for Euro 120,832 thousand (Euro 103,990 thousand at 31 December 2012).

Receivables from joint ventures

This item includes receivables from the Group joint ventures, proportionately consolidated. These relate to normal trade transactions performed at arm's length. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from associates

These relate to normal trade transactions performed at arm's length. For further details, reference is made to the table of transactions with related parties shown in the annex.

Receivables from other Group companies

These relate to receivables from certain non-consolidated Group companies, relating to ordinary trading transactions performed at arm's length.

Receivables from shareholders – related parties

Receivables from shareholders - related parties refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with FSU. The balance takes into account the allowance for impairment of accounts receivable of Euro 9,503 thousand (Euro 10,805 thousand at 31 December 2012). For further details, reference is made to the table of transactions with related parties shown in the annex.

The allowance for impairment features the movements shown in the following table:

thousands of euro

	31/12/2012	Utilisation	Provisions for the period	Releases	30/06/2013
Allowance for impairment	103,990	(11,495)	28,337	-	120,832
Allowance for impairment – receivables from shareholders – related parties	10,805	(1,085)	-	(217)	9,503
Total	**114,795**	**(12,580)**	**28,337**	**(217)**	**130,335**

The provision was used to cover losses on receivables. Provisions for the first half of the year take into consideration the current economic situation as well as the usual thorough analyses.

NOTE 12_CURRENT TAX ASSETS

These amount to Euro 8,889 thousand (Euro 8,690 thousand at 31 December 2012) and include tax credits for IRES and IRAP advanced to the tax authority.

NOTE 13_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2013	31/12/2012
Receivables for revenue tax/UTIF	15,071	945
VAT credit	8,196	7,614
Other tax assets	5,181	4,838
Tax assets due within one year	**28,448**	**13,397**
Receivables from CCSE	72,665	105,717
Green certificates	91,381	72,471
Advances to suppliers	5,909	33,612
Receivables for Group tax consolidation and VAT	4,323	4,314
Other current assets	13,063	13,654
Other current assets	**187,341**	**229,768**
Accrued income and prepayments	34,202	24,088
Total	**249,991**	**267,253**

Note that at 30 June 2013 factoring transactions were completed with derecognition of receivables for green certificates and energy efficiency credits for a total of Euro 22,967 thousand.
In relation to receivables from the Cassa Conguaglio Settore Elettrico (CCSE), a portion of the amounts shown may not be collectable within the next 12 months.
The increase in receivables for revenue taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the pertaining half-year period and the previous year.
The reduction in amounts due from the Cassa Conguaglio Settore Elettrico (CCSE) is mainly due to the collection of receivables for the electricity transport equalisation for the period 2011.
The increase in accrued income and prepayments is due to the payment dynamics during the half-year period with respect to the license fees and the maintenance fees for the entire year.

NOTE 14_CURRENT FINANCIAL ASSETS

All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.
The details of current financial assets including derivatives are provided below:

thousands of euro

	30/06/2013	31/12/2012
Financial receivables from joint ventures	204,474	175,892
Financial receivables from associates	7,030	7,552
Financial receivables from related party Municipalities	92,258	70,039
Other financial receivables	10,359	19,303
Other financial assets	883	764
Total	**315,004**	**273,550**

Financial receivables from joint ventures

They relate, in the amount of Euro 187,118 thousand (Euro 175,168 thousand at 31 December 2012), to receivables from the joint venture OLT Offshore for the unnetted portion, deriving from the proportional consolidation, of the loan granted by the company Iren Mercato, in the amount of Euro 17,297 thousand (Euro 90 thousand at 31 December 2012) to receivables from the joint venture AES Torino related to the unnetted portion, deriving from the proportional consolidation, of the interests related to the centralised treasury management and uncollected dividends, in the amount of Euro 19 thousand (Euro 614 thousand at 31 December 2012) to receivables from the joint venture Iren Rinnovabili, related to the unnetted portion of the amount due, deriving from the proportional consolidation, and of Euro 40 thousand (Euro 20 thousand at 31 December 2012) to receivables from the joint venture Enia Solaris, related to the unnetted portion of the amount due, resulting from the proportional consolidation.

Financial receivables from associates

They relate, in the amount of Euro 6,614 thousand (unchanged with respect to 31 December 2012), to receivables from the associated ASA related to the loan granted by the company IREN Mercato. The remaining portion refers to receivables from associates for immaterial individual amounts. For further details reference is made to the schedule of transactions with related parties shown in the annex.

Financial receivables from shareholders - related parties

These regard receivables on which interest accrues for the Group and amount to Euro 92,258 thousand (Euro 70,039 thousand at 31 December 2012). They refer to the short-term balance of the current account which governs the trade and financial transactions between Iride Servizi S.p.A. and the Municipality of Turin, as already described in Note 7, to which reference is made for further details.

The Directors prudently assessed the amount on the basis of agreements entered into with the City of Turin. The remaining part of the financial receivables from the Municipality was therefore classified under "non-current financial receivables – receivables from shareholders - related parties" (Euro 28,840 thousand).

Other financial receivables

They include dividends to be collected, prepayments and accrued income of a financial nature and other financial receivables.

As at 31 December 2012, they refer, in the amount of Euro 12,060 thousand, to the portion still to be collected by E.S.TR.A. S.p.A. for the disposal of the equity investment in GEA. This amount was cashed in during the first half of 2013.

Other financial assets

This item amounts to Euro 883 thousand (31 December 2012: Euro 764 thousand) and refers to the positive fair value of commodity derivatives signed by Iren Mercato.

NOTE 15_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of euro

	30/06/2013	31/12/2012
Bank and postal accounts	100,962	27,953
Cash in hand and cash equivalents	484	83
Other cash and cash equivalents	5	5
Total	**101,451**	**28,041**

Cash equivalents represent short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

The increase in bank deposits compared to 31 December 2012 is due to the significant collection of receivables due from the Municipality of Turin and the dynamics of the cash receipts and payments made just before 30 June.

NOTE 16_ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amount to Euro 299,948 thousand (Euro 7,739 thousand at 31 December 2012).

Euro 296,147 thousand refers to the investment in Edipower, which at 31 December 2012 was recognised as an investment measured using the equity method. The investment was classified under assets held for sale since the Board of Directors of Iren S.p.A. decided to initiate the exercise of the put option for the deconsolidation from Edipower on 16 January 2013. Further information can be found in Note 5 – equity investments measured at equity.

Euro 310 thousand (unchanged from 31 December 2012) relates to the equity investment in ACIAM. The investment was classified among assets held for sale since the disposal of the shareholding in the company will be presumably concluded during 2013.

Euro 340 thousand (unchanged compared to 31 December 2012) refers to properties of the subsidiaries Mediterranea delle Acque S.p.A. and Immobiliare delle Fabbriche S.p.A.. The ongoing negotiations for the disposal of properties held for sale with potential buyers aim at defining and subsequently finalising the sale terms.
These real estate assets are recognised taking into account the Group's commitment to sell. Therefore, the classification is based on the assumption that the carrying amount will be recovered through a disposal and not through use in business operations. The amount recognised was determined at the lower of the carrying amount and fair value less costs to sell.

Euro 2,931 thousand (Euro 2,952 thousand at 31 December 2012) refers to the Group share of intangible assets of Acque Potabili under the water concession agreements for Lazio region municipalities in the province of Rome (Rocca di Papa, Olevano Romano, Capranica Prenestina, Gerano, Rocca Canterano, Canterano) and for the Municipalities of Castrolibero (the province of Cosenza), Zoagli (the province of Genoa), and Casalborgone and San Sebastiano Po (the province of Turin). Assets held for sale already recognised in the previous year retain the same value pending the definition of the final agreement to be signed this year.

Euro 3 thousand (Euro 236 thousand at 31 December 2012) refers to assets of the subsidiary CELPI, no longer operative from 2 December 2011 after it was placed in liquidation.

Euro 158 thousand (unchanged from 31 December 2012) refers to the associate Piana Ambiente.

Euro 59 thousand (unchanged from 31 December 2012) refers to the associate AMIU.

In addition, assets held for sale include the investment in Fata Morgana which at 30 June 2013 was completely written down.

Furthermore, the figure at 31 December 2012 included Euro 3,684 thousand for the investment in Asmt Servizi Industriali which was sold in the first half of 2013.

LIABILITIES

NOTE 17_EQUITY

Equity may be analysed as follows:

thousands of euro

	30/06/2013	31/12/2012
Share capital	1,276,226	1,276,226
Reserves and retained earnings	408,669	311,070
Net profit (loss) for the period	110,737	152,559
Total equity attributable to owners of the Parent	**1,795,632**	**1,739,855**
Share capital and reserves attributable to non-controlling interests	205,158	204,790
Profit (loss) of non-controlling interests	5,885	9,612
Total consolidated equity	**2,006,675**	**1,954,257**

Share capital

The share capital amounts to Euro 1,276,225,677 (unchanged compared to 31 December 2012), fully paid up, and consists of 1,181,725,677 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value of Euro 1 each.

Savings shares

The 94,500,000 savings shares of Iren, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different priority order in the allocation of net residual assets in the event of winding-up of the company, they are subject to the same regulation as ordinary shares.
Lastly, in the case of sale, the savings shares will be automatically converted, at par, into ordinary shares.

Reserves

The breakdown of this item is provided in the following table:

thousands of euro

	30/06/2013	31/12/2012
Share premium reserve	105,102	105,102
Legal reserve	32,512	28,996
Hedging reserve	(31,025)	(42,645)
Other reserves and retained earnings (losses)	302,080	219,617
Total reserves	**408,669**	**311,070**

Hedging reserve

With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a counterpart directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electrical energy and gas purchase contracts.

Other reserves and retained earnings (losses)

These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained profits and losses and the reserve including actuarial gains and losses resulting from the measurement of post-employment benefits to employees.

In the first half of 2013 this item increased mainly as a result of the profits for 2012 that were not distributed but carried forward. For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 18_NON-CURRENT FINANCIAL LIABILITIES

They amount to Euro 2,174,003 thousand (Euro 2,197,827 thousand at 31 December 2012) and consist of:

Bonds
These amount to Euro 157,318 thousand (Euro 157,643 thousand at 31 December 2012) and relate to the Parent for two puttable non-convertible bonds issued in 2008 with maturity in 2021.
The bond, with a total term of 13 years, requires that after the third year and subsequently every two years, if the banks fail to exercise the option for redemption at par value, a competitive auction mechanism is activated to determine the credit spread for the following 2 years, to be applied at a pre-set fixed rate. The first auction was conducted in September 2011 with definition of the credit spread for the 2 years thereafter. With respect to the second auction scheduled for September 2013 negotiation agreements are currently at an advanced stage with the banks that hold the two puttable bonds for the definition of the credit spreads that will be applied for the next two-year period 2013-2015.
The amount refers to the amortised cost, pursuant to IAS.

Non-current bank loans
These exclusively relate to the non-current portion of bank loans and amount to Euro 1,956,446 thousand (Euro 1,962,651 thousand at 31 December 2012).
Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and expiry date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max rate	3.945% - 5.665%	0.433% - 4.343%	
Term	2014-2027	2014-2028	
2014	65,357	634,117	699,474
2015	81,555	121,745	203,300
2016	123,166	84,026	207,192
2017	60,988	50,987	111,976
Following	519,638	214,867	734,505
Total payables at 30/06/2013	**850,705**	**1,105,742**	**1,956,446**
Total payables at 31/12/2012	**818,665**	**1,143,986**	**1,962,651**

All loans are in Euro.

The changes in non-current loans during the first half of 2013 are summarised below:

thousands of euro

	31/12/2012 Total payables	Increases	Repayments	Amortised cost adjustments	30/06/2013 Total payables
- fixed rate	**818,665**	58,000	(26,058)	98	**850,705**
- floating rate	**1,143,986**	199,450	(236,806)	(888)	**1,105,742**
TOTAL	**1,962,651**	**257,450**	**(262,865)**	**(790)**	**1,956,446**

Total non-current loans at 30 June 2013 decreased compared to 31 December 2012 due to the following variations:

- Euro 257,450 thousand increase due to new non-current loans. Specifically, the Parent was granted new credit facilities amounting to 158 million: 100 million from Cassa Depositi e Prestiti and 58 million from BEI for the Energy project regarding the development and maintenance of the gas and electricity networks. Moreover, a non-current credit facility of 195 million was granted to AES Torino (51% consolidated) from a bank pool comprising Mediobanca and Banca IMI;
- a decrease totalling Euro 262,865 thousand related to the reclassification to current loans of the portion of loans due within the next 12 months;
- marginal changes in amortised cost for the purpose of IAS accounting of loans.

Finance lease liabilities

Finance lease liabilities relate to assets held by the Group under finance leases. It amounts to Euro 13,798 thousand (31 December 2012: Euro 14,002 thousand).

Other financial liabilities

These amount to Euro 46,441 thousand (Euro 63,532 thousand at 31 December 2012) of which Euro 43,310 thousand (Euro 59,847 thousand at 31 December 2012) refers to the fair value of derivative contracts entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans (described in the section “Risk management”) and Euro 3,131 thousand (Euro 3,685 thousand at 31 December 2012) to sundry financial payables.

NOTE 19_EMPLOYEE BENEFITS

Changes in this item during the first half of 2013 were as follows:

thousands of euro

At 31/12/2012	**102,999**
Current service costs	795
Financial expense	1,722
Disbursements for the period	(1,263)
Advances	(478)
Other changes	242
At 30/06/2013	**104,017**

Liabilities for employee benefits consist of:

Post-employment benefits

Post-employment benefits underwent the following movements during the first half of 2013:

	thousands of euro
At 31/12/2012	**75,830**
Current service costs	597
Financial expense	1,287
Disbursements for the period	(612)
Advances	(478)
Other changes	242
At 30/06/2013	**76,866**

Other benefits

The composition and changes during the first half of 2013 in defined benefit plans, other than the post-employment benefits previously described, are illustrated below.

Additional months' salaries (long-service bonus)

	thousands of euro
At 31/12/2012	**3,472**
Current service costs	69
Financial expense	56
Disbursements for the period	(25)
At 30/06/2013	**3,572**

Loyalty bonus

	thousands of euro
At 31/12/2012	**2,089**
Current service costs	42
Financial expense	34
Disbursements for the period	(95)
At 30/06/2013	**2,070**

Tariff discounts

	thousands of euro
At 31/12/2012	**20,837**
Current service costs	87
Financial expense	333
Disbursements for the period	(520)
At 30/06/2013	**20,737**

Premungas fund

thousands of euro

At 31/12/2012	**771**
Financial expense	12
Disbursements for the period	(11)
At 30/06/2013	**772**

Actuarial valuations

The above-mentioned liabilities are measured by independent actuaries when preparing the year-end consolidated financial statements.

The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

Actuarial projections of the probable discounts on electrical energy consumption due to current retirees or surviving spouses, as well as to current employees (and surviving spouses, if any) once terminated the working relationship, were taken into account in determining the amount of the electrical energy discount.

The other financial assumptions adopted are the following:

Annual discount rate	3.20%
Annual inflation rate	2.00%
Annual rate of electrical energy price increase	2.00%
Annual increase rate of post-employment benefits	3.00%
Annual average increase rate of supplementary pensions	1.50%

NOTE 20_PROVISIONS FOR RISKS AND CHARGES

These are detailed in the following table, and refer to both the current and non-current quotas:

thousands of euro

	Opening balance	Increases	Decreases	(Income)/Expense to be discounted	Closing balance	Current portion
Dilapidation Provision	103,385	5,475	(432)	(6,208)	102,220	3,278
Provisions for landfill post-closure	27,395	-	(3,133)	1,116	25,378	3,126
Provision for dismantling and restoring sites	8,121	-	(1,128)	30	7,023	3,814
Provision for CIG/CIGS	52,020	4,088	(1,104)	392	55,396	-
Provision for former employees	1,258	-	-	-	1,258	-
Provision for risks on investments	10,962	-	(267)	-	10,695	10,651
Other provisions for risks and charges	151,151	29,692	(60,029)	855	121,669	43,140
Total	**354,292**	**39,255**	**(66,093)**	**(3,815)**	**323,639**	**64,009**

Dilapidation provision

This provision mainly refers to liabilities which, in the case of re-awarding of the integrated water service concessions for the Parma, Piacenza and Reggio Emilia ATOs, will be deducted from the indemnity that the incoming operator will pay to the Group with respect to investments made in the meantime. These liabilities are estimated according to the amortisation/depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesea and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in art. 113, paragraph 13 of the Consolidated Law on Local Entities. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set up the aforementioned provision.

Provisions for landfill post-closure

These are mainly provisions for future restoration expense, also including costs for post-operating management until complete conversion of the areas involved to green areas. These costs are supported by specific expert reports. Accruals and decreases for the period were performed to adjust existing provisions to the estimated future costs to be borne and accrued at 30 June 2013. Decreases also refer to the utilisation of the provision to cover costs incurred over the period with regards to the disposal of leachate (related to closed lots of operating landfills, both owned and under concession), as well as to the aggregate expense borne in the post-operating phase until the mineralization of waste and the conversion of landfills into green areas are completed.

Provision for dismantling and restoring sites

The provision for dismantling and restoring sites partly refers to the prudential estimate of charges to be incurred in relation to the future restoration of former AMNU land on which an incinerator was located. The remainder refers to the estimated potential costs associated with the future dismantling of the plant in Reggio Emilia, whose the increase recognised in the period exclusively relates to the discounting of this liability.

Provision for CIG/CIGS

The provision for risks mainly refers to the probable risk of greater charges relating to higher contributions to be paid to INPS for ordinary and extraordinary redundancy and mobility.

Provision for former employees

The provision for former employees under Laws no. 610/52 and 336/73 is to cover the expenses arising from the application of these two laws (sliding scale pensions and benefits for ex-servicemen and similar).

Provision for risks on investments

This item mainly refers to risks relating to the protection against future losses by the investee Sinergie Italiane.

Other provisions for risks and charges

The provision mainly refers to the probable risk of greater charges for the construction of plants which are completed or yet to be finished, the provisions for estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in art. 1-quinquies of Decree Law no. 44 of 31 March 2005 and probable charges for various disputes.
The increases in the half-year year period primarily refer to the amounts provided for in relation to:

- the best estimate of the charges for the second half of 2013 on the tolling contract for Edipower, which the Directors deemed prudent to accrue by virtue of the existing agreements already signed (Euro 16,000 thousand);
- higher charges related to the construction of plants that are currently already finished or yet to be completed (Euro 5,050 thousand);
- the estimate of charges related to the return of emission quotas (Euro 1,948 thousand);

- the IMU/ICI tax estimate to be paid on the value of the plants, calculated pursuant to the article 1-quinquies of the Law Decree no. 44 of 31 March 2005 (Euro 1,051 thousand).

The decreases in the half-year period mainly refer to the utilisation and releases in relation:
- charges related to the return of emission quotas (Euro 14,670 thousand);
- charges related to the construction of plants that are currently already completed or yet to be completed (Euro 17,280 thousand);
- the IMU/ICI tax estimate to be paid on the value of the plants, calculated as provided by the article 1-quinquies of the Law Decree no. 44 of 31 March 2005 (Euro 3,641 thousand).
- charges related to green certificates payable for 2011 (Euro 1,795 thousand);
- the charge for the first half of 2013 on the tolling contract for Edipower, which the Directors deemed prudent to accrue in 2012 by virtue of the existing agreements already signed (Euro 20,000 thousand).

The current portion referring to the provisions described above was reclassified under “provisions, current portion” (Note 27).

NOTE 21_DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 107,702 thousand (Euro 110,553 thousand at 31 December 2012) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.
Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.

NOTE 22_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	30/06/2013	**31/12/2012**
Payables after one year	18,815	19,522
Deferred income for grants related to plants – non current	136,199	134,389
Non-current accrued expenses and deferred income	358	542
Total	**155,372**	**154,453**

Other payables mainly relate to the amount of the substitute tax, which is calculated on the capital gain resulting from the transfer of a portion of the real estate assets to the Fondo Core MultiUtilities and is to be paid after 12 months from the balance-sheet date, and advances paid by users to guarantee water supply.

CURRENT LIABILITIES

NOTE 23_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.
Current financial liabilities can be analysed as follows:

thousands of euro

	30/06/2013	31/12/2012
Bank loans	470,360	601,254
Financial payables to joint ventures	23,364	71
Financial payables to associates	45	30
Financial payables to shareholders – related parties	14,767	-
Other financial liabilities	233,470	168,962
Derivatives payables - current	3,843	4,746
Total	**745,849**	**775,063**

Bank loans
Current bank loans may be broken down as follows:

thousands of euro

	30/06/2013	31/12/2012
Loans - current portion	447,761	321,342
Other current payables to banks	11,949	277,087
Accrued financial expenses and deferred financial income	10,650	2,825
Total	**470,360**	**601,254**

Financial payables to joint ventures
They relate to payables to the joint ventures AES Torino and Enia Solaris regarding the unnetted amount, resulting from the proportional consolidation. The increase with respect to 31 December 2012 is due to the change in the centralised treasury balance of the company AES Torino.

Financial payables to associates
This item relates to amounts due to the company Valle Dora Energia.

Financial payables to shareholders – related parties
They refer to the 'Tares' (waste service tax) amounts collected by the users yet to be paid to the Municipalities of Parma, Piacenza and Reggio Emilia.

Financial payables to others
Financial payables to others mainly refer to:

- the pro quota portion of OLT Offshore payables due to its shareholders E.On. and Golar (Euro 134,627 thousand);
- the dividends approved by the parent company Iren on 27 June 2013 and paid on 4 July 2013 (Euro 66,747 thousand);
- the dividends to non-controlling shareholders (Euro 26,455 thousand);
- the payable to minor municipalities in Emilia for the Tares amounts received by the users and to be paid to the municipalities (Euro 3,985 thousand).

The current portion of finance lease payables totalled Euro 805 thousand (Euro 1.012 thousand at 31 December 2012).

Current payables for derivatives

They relate to the negative fair value of derivative contracts on commodities entered into by Iren Mercato.

NOTE 24_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	30/06/2013	31/12/2012
Trade payables to suppliers	804,094	1,025,265
Trade payables to joint ventures	21,359	15,779
Trade payables to associates	22,880	31,837
Trade payables to shareholders – related parties	18,621	16,546
Trade payables to minor Group companies	19,057	24,800
Advances due within one year	5,337	5,263
Guarantee deposits due within one year	14,229	14,355
Charges to be reimbursed within one year	1,388	1,391
Total	**906,965**	**1,135,236**

NOTE 25_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within twelve months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of euro

	30/06/2013	31/12/2012
VAT payable	45,850	49,061
Revenue tax/UTIF payable	35,806	933
IRPEF payable	9,957	10,509
Other tax liabilities	19,181	13,861
Tax liabilities due within one year	**110,794**	**74,364**
Payables to employees	29,824	29,502
Payables to C.C.S.E.	63,024	53,969
Other current liabilities	59,244	54,857
Accounts payable to social security institutions within one year	11,925	13,152
Other payables due within one year	**164,017**	**151,480**
Accrued expenses and deferred income	18,125	17,670
Total	**292,936**	**243,514**

The increase in payables for revenue taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the pertaining half-year period and the previous year.

NOTE 26_CURRENT TAX LIABILITIES

Current tax liabilities amounting to Euro 99,897 thousand (Euro 4,910 thousand at 31 December 2012) cosist of IRES and IRAP payables. In addition, the item includes the taxes estimated for the first half of this year, further details regarding the calculation of which can be found in Note 42.

NOTE 27_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The item amounts to Euro 64,009 thousand (Euro 81,548 thousand at 31 December 2012) and refers to the following current portion of liabilities: provision for risks including charges related to the obligation to return emission quotas (Euro 43,140 thousand), provision for risks on investments primarily related to the associate Sinergie Italiane (Euro 10,651 thousand), dilapidation provision (Euro 3,278 thousand), provision for dismantling and restoring sites and provisions for landfill post-closure (Euro 6,940 thousand).

NOTE 28_LIABILITIES RELATED TO ASSETS HELD FOR SALE

They amount to Euro 6 thousand (Euro 21 thousand at 31 December 2012) and relate to the reclassification of liabilities of the subsidiary CELPI.

FINANCIAL POSITION

The net financial indebtedness, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

thousands of euro

	30/06/2013	31/12/2012
Non-current financial assets	(36,033)	(116,168)
Non-current financial liabilities	2,174,003	2,197,827
Non-current financial liabilities	**2,137,970**	**2,081,659**
Current financial assets	(416,455)	(301,591)
Current financial liabilities	745,849	775,063
Net current financial liabilities	**329,394**	**473,472**
Net financial indebtedness	**2,467,364**	**2,555,131**

The following table shows the gross financial indebtedness, without considering the financial liabilities of OLT Offshore LNG towards the shareholders E.On and Golar, equal to Euro 134,627 thousand (Euro 126,070 thousand at 31 December 2012), which, following the proportionate consolidation of OLT (41.71%), are included in current financial liabilities. The Directors consider that better information would be given, in terms of financial risk, by excluding the financial liabilities of OLT Offshore LNG towards the shareholders E.On and Golar since these liabilities find their ideal counterpart in the share of the loan granted by IREN Mercato to OLT, recognised under current financial assets.

thousands of euro

	30/06/2013	31/12/2012
Non-current financial liabilities	2,174,003	2,197,827
Current financial liabilities	745,849	775,063
(less) OLT indebtedness to E.On and Golar	(134,627)	(126,070)
Gross financial indebtedness	**2,785,225**	**2,846,820**

Net Financial Position regarding related parties

Non-current financial assets include Euro 28,840 thousand (31 December 2012: Euro 108,918 thousand) relating to the non-current portion of the current account which governs the trade and financial transactions between the subsidiary Iride Servizi and the Municipality of Turin, Euro 68 thousand receivables from the Municipality of Genoa, Euro 811 thousand receivables from associates, Euro 1,963 thousand receivables from the proportionately consolidated joint venture Enia Solaris, Euro 932 thousand receivables from the proportionately consolidated joint venture Iren Rinnovabili, and Euro 497 thousand relating to fixed-term deposits held with the Intesa Sanpaolo Group.

Of the non-current financial liabilities, Euro 294,020 thousand (Euro 177,162 thousand at 31 December 2012) refers to non-current loans granted by the Intesa Sanpaolo Group and the negative fair value of hedging derivatives entered into with the Intesa Sanpaolo Group.

Of the current financial assets, Euro 92,258 thousand (31 December 2012: Euro 70,039 thousand) refer to the short-term position on the current account between the subsidiary Iride Servizi and the Municipality of Turin, Euro 187.118 thousand (31 December 2012: Euro 175,168 thousand) receivables from the joint venture OLT Offshore for the unnetted amount of the loan granted by the company Iren Mercato, Euro 17,297 thousand (31 December 2012: Euro 90 thousand) receivables from the joint venture AES Torino for the unnetted amount of the interest related to the centralised treasury management and the uncollected dividends, Euro 19 thousand (31 December 2012: Euro 614 thousand) receivables from the joint venture Iren Rinnovabili for the unnetted amount of the receivable, Euro 40 thousand (Euro 20 thousand as at 31 December 2012) receivables from the joint venture Enia Solaris for the unnetted amount of the

receivable, Euro 6,614 thousand (unchanged from 31 December 2012) receivables from the associate ASA primarily related to a loan granted by Iren Mercato, and Euro 6,564 thousand (Euro 2,670 thousand at 31 December 2012) relating to the positive position on the current accounts held with the Intesa San Paolo Group. The remaining Euro 988 thousand (Euro 1,679 thousand at 31 December 2012) refer to receivables from associates for individual insignificant amounts. For further details reference is made to the schedule of transactions with related parties shown in the annex.
Of the current financial liabilities, Euro 66,256 thousand (Euro 198,698 thousand at 31 December 2012) refers to short-term loans granted by the Intesa San Paolo Group, Euro 13,035 thousand payables to the Municipality of Parma, Euro 814 thousand to the Municipality of Piacenza, Euro 917 thousand to the Municipality of Reggio Emilia, and Euro 23,302 thousand to the joint venture AES Torino. The remaining Euro 107 thousand refers to payables due to the joint venture Enia Solaris and the associate Valle Dora Energia for individual non-significant amounts.

Below is the net financial position in the format proposed by the CESR recommendation of 28 July 2006, which does not include non-current financial assets.

thousands of euro

	30/06/2013	31/12/2012
A. Cash	(101,451)	(28,041)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash (A) + (B) + (C)	**(101,451)**	**(28,041)**
E. Current financial assets	**(315,004)**	**(273,550)**
F. Current bank payables	22,599	279,912
G. Current portion of non-current liabilities	447,761	321,342
H. Other current financial liabilities	275,489	173,809
I. Current financial liabilities (F)+(G)+(H)	**745,849**	**775,063**
J. Current net financial liabilities (I) – (E) – (D)	**329,394**	**473,472**
K. Non-current bank payables	1,956,446	1,962,651
L. Bonds issued	157,318	157,643
M. Other non-current liabilities	60,239	77,533
N. Non-current financial liabilities (K) + (L) + (M)	**2,174,003**	**2,197,827**
O. Net financial indebtedness (J) + (N)	**2,503,397**	**2,671,299**

VIII. NOTES TO THE INCOME STATEMENT

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

For remarks on the performance for the first half of 2013 reference should be made to the section "Financial position, result of operations and cash flows of the IREN Group" in the Directors' Report, which illustrates the economic analysis by operating segment compared to the Group's consolidated interim report for the first half of 2012.

REVENUE

NOTE 29_REVENUE FROM GOODS AND SERVICES

This item amounts to Euro 1,723,808 thousand (Euro 2,104,237 thousand in the first half of 2012).

NOTE 30_CHANGE IN CONTRACT WORK IN PROGRESS

This item amounts to a positive Euro 1,132 thousand (Euro 679 thousand in the first half of 2012) and mainly refers to contract work in progress performed for road resurfacing after damage caused by works.

NOTE 31_OTHER REVENUE AND INCOME

Other revenue includes:

Grants

thousands of euro

	First half of 2013	First half of 2012
Grants related to plant	2,607	3,057
Other grants	1,106	460
Total	**3,713**	**3,517**

The grants related to plant represent the pertaining portion of grants calculated in proportion to the depreciation rates of the assets to which they refer.

Revenue from energy efficiency certificates

thousands of euro

	First half of 2013	First half of 2012
Revenue from Emission Trading	75	14,370
Revenue from Green Certificates	49,337	62,923
Revenue from White Certificates	10,770	14,710
Total	**60,182**	**92,003**

The decrease in revenue for emission trading is due to the fact that no emission rights were issued to the Group in the first half of 2013.
The decrease in revenue for green certificates is due to lower trading activity during the half-year period compared to the same period of the previous year.
The decrease in revenue for white certificates is due to the lower energy saving obligations of the Group companies that distribute electricity and gas.

Other income

thousands of euro

	First half of 2013	First half of 2012
Revenue from service contracts	3,062	8,269
Revenue from rental income and leases	312	394
Revenue from optical fibre rental	-	2,367
Capital gains on goods disposal	87	295
Prior year income and revenue	10,819	26,836
Insurance reimbursement	292	184
Sundry repayments	3,459	3,484
Income from fair value of commodity derivatives	119	17,570
Other revenue and income	15,838	7,561
Total	**33,988**	**66,960**

Prior year revenue principally result from the settlement of previous years' items with reference to estimates made in previous years. The decrease is due to the fact that in the first half of 2012, the item included a Euro 16,338 thousand reimbursement from the CCSE in relation to the irrecoverable costs incurred for the Telessio plant after deregulation of the power market (as per Interministerial Decree MISE-MEF 23/05/2012).
The other revenue and income mainly increased due to the sale of fuel oil which was at the Moncalieri plant.

EXPENSE

NOTE 32_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	First half of 2013	First half of 2012
Purchase of electrical energy	153,138	384,021
Purchase of gas	570,969	745,371
Purchase of heat	56	227
Purchase of other fuels	1,870	4,976
Purchase of water	1,455	1,560
Other raw materials	8,219	9,009
Sundry inventory mat. (including fuels and lubricants)	17,941	18,509
Emission Trading	6,107	11,487
Green certificates	5,351	17,775
White certificates	9,661	12,676
Change in inventories	15,909	(22,278)
Total	**790,676**	**1,183,333**

The decrease in costs related to emission trading is due to the fall in prices recorded on the market compared to the first half of 2012.

The reduction in green certificates costs is due to lower trading activity during the half-year period compared to the same period of the previous year.
The decrease in costs for white certificates is due to the lower energy saving obligations of the Group companies that distribute electricity and gas.

Regarding regulatory updates on energy efficiency certificates, reference should be made to “Legislation - Green Certificates, Energy efficiency certificates and ETS” in the Directors’ Report.

NOTE 33_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of euro

	First half of 2013	First half of 2012
Transport of electrical energy	156,716	217,229
Electrical system costs	51,588	81,478
Tolling fees	38,955	29,429
Gas carriage	26,441	16,834
Heat carriage	23,281	20,848
Third party works for networks and plants	62,163	76,486
Collection and disposal, snow clearing, public parks	49,450	45,584
Maintenance expense	4,460	5,010
Expenses related to personnel (canteen, training, travel)	2,514	2,925
Professional services (studies, design, analysis)	4,320	4,652
Technical and administrative consulting	5,236	8,494
Trade and advertising expenses	2,394	3,927
Legal and notary fees	2,392	2,977
Insurance	5,258	4,384
Banking costs	5,688	3,975
Telephone costs	2,229	2,659
Costs related to service contracts	1,231	5,766
Reading and invoicing services	5,201	5,195
Fees of the Board of Statutory Auditors	752	779
Other costs for services	23,743	19,480
Total costs for services	**474,012**	**558,111**

Costs for electrical energy transport and electrical system costs decreased compared to the first half of 2012 due to lower volumes of electrical energy sold in the first half of 2013.

Tolling fees refer to amounts paid to Edipower and to A2A under the terms of agreements governing electrical energy production by Edipower for the trading parents, which, besides paying the tolling fees are also committed to supplying the fuel necessary for the production.

Fees for heat carriage relate to the transport of heat by the proportionately consolidated AES Torino S.p.A.

Subcontracts and works mainly relate to operating and maintenance costs of the plant systems and networks.

Costs for the use of third-party assets amount to Euro 22,970 thousand (Euro 21,073 thousand in the first half of 2012). These include instalments paid to the market operator of the Genoa district, instalments paid to the companies which own the assets of the integrated water service in the municipalities of Parma, Piacenza and Reggio Emilia, cross easement, operating lease rentals (including rents paid for the use of the buildings transferred to the Core Multiutilities fund during 2012), hiring and sundry rentals.

NOTE 34_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of euro

	First half of 2013	First half of 2012
General expense	3,751	3,755
Instalments and higher instalments for water shunting	5,154	4,363
Logistics expense	74	414
Taxes and duties	9,934	9,555
Prior year expense	12,483	9,671
Capital losses from the sale of goods	68	501
Expense from fair value of commodity derivatives	74	13,078
Other sundry operating expense	3,373	2,043
Total	**34,911**	**43,380**

Prior year expense mainly relates to differences on estimates made in previous years.

NOTE 35_CAPITALISED EXPENSES FOR INTERNAL WORK

This item relates to increases in assets recorded in the statement of financial position developed using internal resources.

thousands of euro

	First half of 2013	First half of 2012
Capitalised labour costs	8,544	8,044
Capitalised inventory materials	3,193	1,917
Total	**11,737**	**9,961**

NOTE 36_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of euro

	First half of 2013	First half of 2012
Gross remuneration	96,208	94,242
Social security charges	30,536	30,441
Post-employment benefits	597	770
Other long-term employee benefits	198	148
Other expense	7,173	7,999
Directors' fees	1,241	1,244
Total	**135,953**	**134,844**

In addition, as noted in note 35, Euro 8,544 thousand of costs related to employees was capitalised.
"Other expense" includes the social security and recreational contribution to ADAEM, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits and contributions to be paid by the employer to supplementary pension funds.

The personnel composition is shown in the following table.

	30/06/2013	31/12/2012	Average for the period
Managers	72	72	72
Junior managers	217	196	206
White collars	2,650	2,668	2,658
Blue collars	1,624	1,631	1,627
Total	**4,563**	**4,567**	**4,563**

NOTE 37_AMORTISATION/DEPRECIATION

thousands of euro

	First half of 2013	First half of 2012
Property, plant and equipment and investment property	63,108	69,183
Intangible assets	39,072	38,381
Total	**102,180**	**107,564**

For further details on amortisation/depreciation, reference should be made to the tables of variations in property, plant and equipment, investment property and intangible assets.

NOTE 38_PROVISIONS AND IMPAIRMENT LOSSES

thousands of euro

	First half of 2013	First half of 2012
Allowance for impairment of accounts receivable	29,933	14,717
Provision for risks and dilapidation provision	21,307	18,094
Provision releases	(18,276)	(127)
Impairment losses	712	424
Total	**33,676**	**33,108**

The analysis of the provisions and related variations are given in the comment to the statement of financial position item "Provisions for risks and charges". The release of the provision for risks and charges primarily refers to the accruals made in the previous years in relation to higher charges for the construction of plants, the IMU/ICI tax estimate to be paid based on the value of the plants and the provision for landfill post-closure.
Impairment losses primarily refer to the impairment of intangible assets base on the constant and prudential assessment of costs to increase the customer base and to the impairment of the emission quotas recorded within the intangible assets.

NOTE 39_FINANCIAL INCOME AND EXPENSE

Financial income
The breakdown of financial income is provided in the following table:

thousands of euro

	First half of 2013	First half of 2012
Dividends	790	421
Bank interest income	221	99
Interest income from receivables/loans	6,230	7,902
Interest income from customers	3,901	5,370
Fair value gains on derivatives	557	136
Income on realised derivatives	16	342
Gains from sale of financial assets	-	330
Exchange rate gains	23	24
Other financial income	6,812	1,511
Total	**18,550**	**16,135**

Interest income from receivables/loans includes interest accrued on the current account between Iride Servizi and the Municipality of Turin for Euro 2,719 thousand. The remaining amount mainly refers to interest income from the proportionally consolidated company OLT Offshore (Euro 3,346 thousand). In the first half of 2012, there was also interest income from the associated company Edipower (Euro 2,521 thousand).
The other financial income mainly results from a review of the estimate of the dilapidation provisions.
The capital gains on the disposal of equity investments in associated companies, deemed as insignificant pursuant to IFRS 5, are disclosed under financial income unlike the first half of 2012 when these amounts were recorded under net profit/loss from discontinued operations. To this end, the comparative figure was restated for Euro 330 thousand.
In the first half of 2012, the financial income also included the fair value change of the investee Delmi (Euro 2,458 thousand), which was reclassified under "Profit/(loss) from discontinued operations" in these

condensed consolidated interim financial statements since the equity investment in Edipower - which merged with Delmi - was classified under "Assets held for sale".

Financial expense

The breakdown of financial expense is provided in the following table:

thousands of euro

	First half of 2013	First half of 2012
Interest expense on loans	35,323	38,419
Interest expense on bonds	4,785	4,808
Interest expense on bank current accounts	3,392	11,797
Other interest expense	5,786	5,734
Capitalised financial charges	(7,916)	(11,115)
Derivative fair value charges	-	270
Charges on derivatives	9,478	7,591
Loss on financial assets disposal	139	-
Interest cost – Employee benefits	1,722	2,023
Exchange rate losses	43	56
Other financial expense	3,790	3,540
Total	**56,542**	**63,123**

Interest expense on bonds also includes amounts relating to the measurement at amortised cost.
Reference should be made to the note to the statement of financial position line item "Employee benefits" for details of financial expense on employee benefits.

For further information on financial management, reference is made to the Directors' Report.

NOTE 40_SHARE OF PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The result is a profit of Euro 10,896 thousand (profit of Euro 5,407 thousand in the first half of 2012) and includes reversals of impairment losses for Euro 11,717 thousand and impairment losses totalling Euro 821 thousand.
The results for the first half of 2012 included the profits of the investees Delmi (Euro 278 thousand) and Edipower (Euro 6,424 thousand) which were reclassified under "Profit/(loss) from discontinued operations" in these condensed consolidated interim financial statements since the equity investment in Edipower - which merged with Delmi - was classified under "Assets held for sale".

NOTE 41_IMPAIRMENT LOSSES ON INVESTMENTS

There were no impairment losses on investments in the first half of 2013. In the first half of 2012, they amounted to Euro 10,200 thousand and mainly referred to the provision for risks related to future losses of the associate Sinergie Italiane.

NOTE 42_INCOME TAX EXPENSE

Income taxes for the first half of 2013 are estimated at euro 96,465 thousand (euro 73,477 thousand in the first half of 2012) and are the result of the best estimate of the average rate expected for the entire year. The nominal tax rate is 45%.

Recovery of State Aid

With its Decision C 27/99 of 5 June 2002, the European Commission concluded the procedure related to the tax treatment provided for by article 3, paragraphs 69 and 70, Law no. 549 of 28 December 1995 (the "tax moratorium"). Such treatment granted a three-year tax exemption to publicly-controlled companies set up in accordance with Law no. 142 of 8 June 1990.

With regard to the issue of recovery of State Aid, illustrated in detail in the notes to the financial statements at 31 December 2012 and previous years, there are no updates to report in the first half of 2013.

NOTE 43_PROFIT FROM DISCONTINUED OPERATIONS

No amounts were recorded in the first half of 2013 (Euro 9,160 thousand in the first half of 2012 following the reclassification of the Edipower and Delmi results). In addition, Euro 855 thousand recorded in the financial statements for the first half of 2012 are now reclassified under other revenues and financial income.

NOTE 44_PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounts to Euro 5,884 thousand (Euro 4,581 thousand in the first half of 2012), relates to the share of profit of non-controlling interests in companies fully consolidated but not 100% owned by the Group.

NOTE 45_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share the number of ordinary shares for the first half of 2013 is the weighted average, unchanged compared to the previous year, of shares outstanding over the reference period based on the provisions of paragraph 20, IAS 33.

	First half of 2013	First half of 2012
Net profit/(loss) for the period (thousands of euro)	110,737	75,265
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.09**	**0.06**

Diluted earnings per share are calculated by dividing profit by the adjusted number of shares. The adjusted number of shares is calculated by assuming the conversion of all financial instruments that could potentially dilute the ordinary shares.

	First half of 2013	First half of 2012
Net profit/(loss) for the period (thousands of euro)	110,737	75,265
Weighted average number of shares (thousands)	1,276,226	1,276,226
Weighted average number of shares to calculate the diluted earnings per share (thousands)	1,276,226	1,276,226
Diluted earnings/(loss) per share (euro)	**0.09**	**0.06**

NOTE 46_OTHER COMPREHENSIVE INCOME

The effective portion of changes in the fair value of cash flow hedges, positive for Euro 16,620 thousand, refers to interest rate hedges and commodity price hedges (electrical energy and gas).
The portion of other profits/(losses) of companies measured using the equity method, positive for Euro 589 thousand, refers to changes in the fair value of the cash flow and commodity hedging of associates.
The tax effect of other comprehensive income is a loss of Euro 5,502 thousand.

IX. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for Group commitments of Euro 493,070 thousand (31 December 2012: Euro 509,427 thousand); the most significant items being sureties issued in favour of:
   - the Reggio Emilia Provincial Government for Euro 88,459 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - ENEL Distribuzione for Euro 54,808 thousand to guarantee the electrical energy transport service contract;
   - SNAM Rete Gas for Euro 74,580 thousand, of which Euro 61,500 thousand in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Electrical energy Market Operator (GME) for Euro 45,300 thousand to guarantee the market participation contract;
   - the Municipality of Turin, for Euro 45,476 thousand, of which Euro 18,000 thousand as provisory guarantee deposit to take part in the tender for AMIAT/TRM and Euro 27,476 thousand as definitive guarantee deposits;
   - ATO-R, for Euro 41,000 thousand, as definitive guarantees in the AMIAT/TRM proceeding;
   - Terna, for Euro 28,312 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electrical energy transport service contract;
   - the Tax Authorities, for Euro 21,814 thousand for Group VAT offsetting procedures;
   - the Customs Authority, for Euro 17,525 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electrical energy consumption and gas excise;
   - the Ministry of the Environment, for Euro 12,200 thousand;
   - the Parma Provincial Government, for Euro 13,839 thousand for waste collection and operating and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - G.S.E. S.p.A., for Euro 11,036 thousand, for the proceeding for the auction to obtain incentives on the PAI plant in Parma;
   - the Piacenza Provincial Government, for Euro 3,349 thousand for waste collection and post-closure management of plants subject to A.I.A. (Integrated Environmental Authorisation);
   - the Municipality of Moncalieri for Euro 2,949 thousand, to guarantee the construction of urbanisation works;
   - REAM Sgr Spa, for Euro 2,352 thousand, to guarantee future lease payments of real estate properties transferred to the fund called Fondo Core Multiutilities;
   - the Municipality of Genoa, for Euro 2,009 thousand, to guarantee works on the gas network;
   - FCT Holding, for Euro 2,000 thousand, as definitive guarantee in the AMIAT/TRM proceeding;
   - Reale Immobili S.p.A., for Euro 1,200 thousand in relation to sale of the registered office of Iren TO in Via Bertola;

b) Guarantees given on behalf of subsidiaries and associates, amounting to Euro 253,431 thousand, primarily to guarantee credit facilities;

c) shares of Edipower S.p.A. pledged for Euro 302 million.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane (namely guarantees for credit facilities and letters of patronage for Euro 70,002 thousand as at 30 June 2013 compared to Euro 115,402 thousand as at 31 December 2012). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company’s operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to their shareholders or subsidiaries, included Iren Mercato. Therefore credit facilities continued to be reduced and the company’s financial exposure is progressively lowering with the consequent decrease in shareholders’ guarantee obligations.

It shall be noted the sureties issued in favour of Banca Intesa for Euro 6,135 thousand to guarantee the mortgage of the associate company Mestni Plinovodi.

COMMITMENTS

With regard to the subsidiary Mediterranea delle Acque, a commitment within the framework Agreement with the shareholder F2i rete idrica S.p.A. is in place. Article 15 of this agreement envisages that Iren Acqua Gas is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Mediterranea delle Acque or its investees, resulting from incorrect or unfair statements included in the agreement, with specific reference to outstanding tax disputes among which the dispute with the Tax Authorities for the recognition of amortisation deducted by Mediterranea delle Acque regarding the water operating segment transferred from Amga S.p.A. to the newly incorporated Genova Acque S.p.A. in December 1999 (then named Mediterranea delle Acque following the merger with Genoa private aqueducts).

Moreover, on 16 February 2010, Iren S.p.A. resolved to fully support the OLT project according to the budgeted financial plans defined and approved to make the required resources available upon the company's request and until implementation of the project financing. With regards to the commitment to Saipem, which originally amounted to Euro 387,603 thousand, which was increased by a further Euro 43,000 thousand due to a contractual addendum, advances for Euro 376,471 thousand have been paid as at 30 June 2013 and therefore the residual amount is Euro 54,132 thousand.

CONTINGENT LIABILITIES

Mediterranea delle Acque: Dispute with the Tax Authorities
With regard to the dispute with the Tax Authorities – Office 1 of Genoa, regarding the assessment notices for the years 2003, 2004 and 2005, 2006, 2007, 2008, pursuant to art. 37 bis, paragraph 4 of Italian Presidential Decree 600/73, as thoroughly described in the financial statements at 31 December 2012, events and updates occurred during the first half of 2013 and up until the approval of these financial statements by the Board of Directors, are described hereunder.

With regard to the pronouncements on the years 2003, 2004 and 2005, as already described in the previous financial statements, the Provincial Tax Authorities of Genoa ruled in favour of the Tax Authorities with respect to the taxes only; the company lodged an appeal with subsequent appearance before the Regional Tax Commission on 8 July 2011.
The Tax Authorities also lodged appeals within the terms provided, limited to the fines, in relation to which the pronouncement of the Regional Tax Commission had ruled in favour of the company.
With regard to the pronouncements on the year 2006, the Provincial Tax Authorities of Genoa ruled in favour of the Tax Authorities with respect to the taxes only; there is still time to lodge an appeal before the Regional Tax Commission of Genoa.

On 8 March 2013, the Tax Authorities - Liguria Regional Office - sent a Notice of Assessment no. TLA030100007/2013 for the year 2007 regarding the income tax of the companies and the regional tax on productive activities in order to assess the tax treatment of the amortisation/depreciation rates on the higher value attributed to the assets at the time when Amga transferred the water operating segment in 1999 (a transaction which was classified as evasive in accordance with art. 37 bis of Presidential Decree no. 600 of 1973). This Notice of Assessment was promptly challenged before the Provincial Tax Commission of Genoa.

On 11 July 2013, payment order no. 048 2013 00256217 11 for Euro 1,126,455 was received (Credit guarantor Tax Authorities) relating to the IRES for 2006. This amount, including interest and notification costs, is due following the decision of the Provincial Tax Commission (Register no. 2013/000472).
On 11 July 2013, payment order no. 048 2013 00256218 12 for Euro 145,083 was received (Credit guarantor Tax Authorities) relating to the IRAP for 2006. This amount, including interest and notification costs, is due following the decision of the Provincial Tax Commission (Register no. 2013/000472).
The amounts will be promptly paid by the expiry date (beginning of September 2013) while the amounts already paid as at 30 June 2013 were accounted for as non-current receivables.

The Company, also in light of the opinion expressed by fiscal consultants, deems that the risk deriving from the dispute can be referred to liabilities as per IAS 37. Since it is a possible, but not probable, charge,

pursuant to provisions set out by the reference accounting standard, the matter was disclosed in the notes to the financial statements without creating any provisions for it. This is based on the opinion that it is unlikely that the Company will have to pay any amount in relation to this obligations taking into account of the strong defence raised during the proceedings.
The above-mentioned opinion was confirmed also by the company's legal consultants who examined the reasons for the first instance ruling: these reasons, in fact, seem to be incorrect under a logical and juridical point of view and the company deems that the ruling will be restated in the following judgement instances. The lawyers were therefore charged to draw up the appeal deed, which was lodged within the terms of the law.
At this stage of proceedings, and the above-mentioned reasons (duly motivated in other deeds issued during the proceedings), and based on the reasons specified in the first instance pronouncement, the company believes that the appeal will be successful and that the assessment notices will be cancelled.
Therefore, the company does not deem it necessary to accrue a specific provision as it is not probable that economic resources will be used to settle tax claims.
Pursuant to paragraph 86 of IAS 37, the following information regarding contingent liabilities is supplied:

a) in the event the orientation of the first instance rulings shall strengthen, for all years still to open to tax assessment for income tax purposes, the company shall consider as non-tax deductible all amortisation/depreciation to be calculated by Mediterranea delle Acque on gains resulting from transfers from AMGA SPA, at that time not subject to taxation, and amounting to around Euro 93 million. This would result in a total tax payable and interest of approximately Euro 32.4 million, of which Euro 0.6 million in higher taxes relating to the first half of 2013;
b) if the outcome is unfavourable, it is however impossible to establish the time when the matter has turned to be unfavourable for the Company and when the above-mentioned amounts will be payable (also taking account of tax collection dynamics that, although in the presence of a pending ruling, provide for a preliminary payment of a portion of the assessed tax);
c) the Company deems it a mere possibility that resources expected to produce economic benefits will have to be used to fulfil tax obligations.

Investigation of the Authority for Electrical Energy and Gas

On 26 June 2012, the Authority for Electrical Energy and Gas published the outcome of the investigations associated with the proceeding started in 2010 with resolution VIS 165/10: the Authority assessed the infringement of some provisions, and as a result Iren Mercato might be fined.
Although the risk is to be deemed as possible, no amount had been allocated in the financial statements by reason of the fact that there are no elements to quantify the possible fine, taking also account that, in the opinion of the company's legal consultants, the proceeding is still in the preparatory and not decision phase.

X. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.
Given the nature of the activity carried out by Group companies, a geographical segment analysis is not relevant.

OPERATING SEGMENTS

The Iren Group operates in the following operating segments:
- Generation and District Heating (Hydroelectric energy, cogeneration of electrical energy and heat, district heating networks and production from renewable sources);
- Market (Sale of electrical energy, gas, heat);
- Energy Infrastructures (electrical energy distribution networks, gas distribution networks, LNG regasification plants);
- Integrated Water Service (sale and distribution of water, water treatment and sewerage);
- Waste Management (Waste collection and disposal);
- Other services (Telecommunications, Public Lighting, Global Services and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this Standard, the disclosure about operating segments should be based on the elements which management uses in taking operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
The tables below illustrate the net invested capital and income statements (up to the operating profit) are presented below by segment, with the corresponding figures at 31 December 2012 for net invested capital and at 30 June 2012 for the income statement.
Furthermore, with a view to restructuring and developing the district heating business, the decision was taken to also include activities relating to the management of the heat energy distribution network in the Generation sector which, therefore, from 2012, assumed the name Generation and District heating; the comparative amounts from the first half of 2012 were also reclassified in order to make a consistent comparison.

For remarks on the performance of operating segments, reference is made to the section "Financial position, results of operations and cash flows of IREN Group - Segment Reporting" in the Directors' report.

Statement of financial position restated by operating segment at 30 June 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Water Cycle	Environment	Other services	Non-allocable	Total
Non-current assets	1,579	52	1,298	959	317	34	205	4,444
Net working capital	99	55	(60)	103	(30)	(13)	7	161
Other non-current assets and liabilities	(47)	4	(54)	(258)	(44)	(13)	281	(131)
Net invested capital (NIC)	1,631	**111**	1,184	**804**	243	**8**	493	**4,474**
Equity								2,007
Net financial position								2,467
Own funds and net financial indebtedness								**4,474**

Statement of financial position restated by operating segment at 31 December 2012

millions of euro

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

Income Statement by operating segment at 30 June 2013

millions of euro

	Generation and District heating	Market	Energy infrastructures	Water Cycle	Environment	Other services	Netting and adjustments	Total
Total revenue and income	521	1,681	183	216	106	44	(929)	1,823
Total operating expense	(385)	(1,613)	(93)	(153)	(89)	(42)	929	(1,447)
Gross Operating Profit (EBITDA)	136	**68**	90	**62**	17	**2**	-	**376**
Net am./depr., provisions and impairment losses	(30)	(24)	(26)	(41)	(11)	(3)	-	(136)
Operating profit (EBIT)	105	**44**	64	**21**	6	**(1)**	-	**240**

Income Statement by segment at 30 June 2012

millions of euro

	Generation and District heating	Market	Energy infrastructures	Water Cycle	Environment	Other services	Netting and adjustments	Total
Total revenue and income	550	2,195	183	213	106	58	(1,038)	2,267
Total operating expense	(420)	(2,156)	(101)	(154)	(85)	(53)	1,038	(1,931)
Gross Operating Profit (EBITDA)	130	**39**	83	**59**	21	**5**	-	**337**
Net am./depr., provisions and impairment losses	(50)	(13)	(24)	(37)	(14)	(3)	-	(141)
Operating profit (EBIT)	80	**26**	58	**22**	7	**2**	-	**196**

XI. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

COMPANIES PROPORTIONATELY CONSOLIDATED

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

TRANSACTIONS WITH RELATED PARTIES

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Iren Acqua Gas S.p.A.	Genoa	Euro	386,963,511	92.94	Iren
				7.06	Iren Emilia
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Ambiente Holding S.p.A.	Piacenza	Euro	1,000,000	100.00	Iren
Iren Emilia S.p.A.	Reggio Emilia	Euro	196,832,103	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
AEM Torino Distribuzione S.p.A.	Turin	Euro	126,127,156	100.00	Iren Energia
Aemnet S.p.A.	Turin	Euro	6,973,850	100.00	Iren Energia
AGA S.p.A.	Genoa	Euro	11,000,000	99.64	Iren Emilia
AMIAT V. S.p.A.	Turin	Euro	1,000,000	93.0592	Iren Emilia
				0.0008	Iren
Bonifica Autocisterne	Piacenza	Euro	595,000	51.00	Iren Ambiente Holding
C.EL.PI. Scrl (*)	Turin	Euro	293,635	99.93	Iren Energia
CAE Amga Energia S.p.A.	Genoa	Euro	10,000,000	100.00	Iren Mercato
Climatel S.r.l.	Savona	Euro	10,000	100.00	O.C.Clim
Consorzio GPO	Genoa	Euro	20,197,260	62.35	Iren Emilia
Enia Parma S.r.l.	Parma	Euro	300,000	100.00	Iren Emilia
ENIA Piacenza S.r.l.	Piacenza	Euro	300,000	100.00	Iren Emilia
Enia Reggio Emilia S.r.l.	Reggio Emilia	Euro	300,000	100.00	Iren Emilia
Eniatel S.p.A.	Piacenza	Euro	500,000	100.00	Iren Emilia
GEA Commerciale S.p.A.	Grosseto	Euro	340,910	100.00	Iren Mercato
Genova Reti Gas S.r.l.	Genoa	Euro	1,500,000	100.00	Iren Acqua Gas
Idrotigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Mediterranea delle Acque
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Mediterranea delle Acque
Iride Servizi S.p.A.	Turin	Euro	52,242,791	93.78	Iren Energia
				6.22	Iren Emilia
Laboratori Iren Acqua Gas S.p.A.	Genoa	Euro	2,000,000	90.89	Iren Acqua Gas
Mediterranea delle Acque S.p.A.	Genoa	Euro	19,203,420	60.00	Iren Acqua Gas
Monte Querce	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
Nichelino Energia S.r.l.	Turin	Euro	8,500,000	67.00	Iren Energia
				33.00	AES Torino
O.C.Clim S.r.l.	Savona	Euro	100,000	100.00	CAE Amga Energia
Tecnoborgo S.p.A.	Piacenza	Euro	10,379,640	50.50	Iren Ambiente
				0.50	Iren

(*) company in liquidation classified under assets held for sale

COMPANIES PROPORTIONATELY CONSOLIDATED

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili Crotone	Turin	Euro	100,000	100.00	Società Acque Potabili
Acquedotto Monferrato	Turin	Euro	600,000	100.00	Società Acque Potabili
Acquedotto Savona	Savona	Euro	500,000	100.00	Società Acque Potabili
AES Torino S.p.A.	Turin	Euro	110,500,000	51.00	Iren Energia
Enia Solaris s.r.l.	Parma	Euro	100,000	100.00	IREN Rinnovabili S.p.A.
IREN Rinnovabili S.p.A.	Reggio Emilia	Euro	221,764	90.19	Iren Ambiente Holding
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	145,750,700	41.71	Iren Mercato
Società Acque Potabili S.p.A.	Turin	Euro	3,600,295	30.86	Iren Acqua Gas

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Company	Registered office	Currency	Share capital	% ownership	Participating company
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
ABM Next	Bergamo	Euro	25,825	45.00	Company Acque Potabili
Aciam S.p.A. (*)	Avezzano	Euro	258,743	29.09	Iren Ambiente Holding
Acos Energia S.p.A.	Novi Ligure	Euro	150,000	25.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Iren Emilia
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	Iren Acqua Gas
Aguas de San Pedro	S.Pedro Sula (Honduras)	Lempiras	159,900	30.00	Iren Acqua Gas
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	Iren Acqua Gas
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	Iren Acqua Gas
AMIAT S.p.A.	Turin	Euro	46,326,462	49.00	AMIAT V. S.p.A.
AMIU S.p.A. (*)	Alessandria	Euro	120,000	49.00	Iren Emilia
Amter S.p.A.	Cogoleto	Euro	404,263	49.00	Mediterranea delle Acque
ASA S.p.A.	Livorno	Euro	28,613,414	40.00	AGA
ASTEA	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Atena S.p.A.	Vercelli	Euro	8,203,255	40.00	Iren Emilia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	Iren Acqua Gas
Edipower S.p.A. (*)	Milan	Euro	1,441,300,000	20.95	Iren Energia
Fata Morgana S.p.A. (**)	Reggio Calabria	Euro	1,402,381	25.00	Iren Emilia
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
Gas Energia S.p.A.	Turin	Euro	3,570,000	20.00	Iride Servizi
GICA s.a.	Lugano	CHF	4,000,000	24.99	Iren Mercato
Global Service Parma	Parma	Euro	20,000	30.00	Iren Emilia
Il Tempio S.r.l.	Reggio Emilia	Euro	110,000	45.50	Iren Emilia
Iniziative Ambientali S.r.l.	Novellara	Euro	100,000	40.00	Iren Ambiente Holding
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	Iren Acqua Gas
Mondo Acqua	Mondovì	Euro	800,000	38.50	Iren Acqua Gas
Piana Ambiente S.p.A. (**)	Gioia Tauro	Euro	1,719,322	25.00	Iren Emilia
Plurigas (***)	Milan	Euro	800,000	30.00	Iren
Project Financing Management	Settimo Milanese (MI)	Euro	3,000,000	49.00	IREN Rinnovabili
Rio Riazzone S.p.A.	Rome	Euro	103,292	44.00	Iren Ambiente Holding
S.M.A.G.	Genoa	Euro	20,000	30.00	Iren Acqua Gas
Salerno Energia Vendite	Salerno	Euro	2,447,526	39.40	GEA Commerciale
Sea Power & Fuel S.r.l.	Genoa	Euro	10,000	50.00	Iren Mercato
Sinergie Italiane S.r.l. (***)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	Iren Emilia
Tirana Acque (***)	Genoa	Euro	95,000	50.00	Iren Acqua Gas
TRM V. S.p.A.	Turin	Euro	1,000,000	24.70	Iren
				0.10	Iren Ambiente Holding
				0.10	Iren Emilia
				0.10	Iren Energia
Valle Dora Energia Srl	Turin	Euro	537,582	49.00	Iren Energia
VEA Energia e Ambiente	Pietra Santa	Euro	96,000	37.00	Iren Mercato

(*) company classified under assets held for sale

(**) company in liquidation classified under assets held for sale

(***) company in liquidation

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili Siciliane	Palermo	Euro	5,000,000	56.77	Società Acque Potabili
				9.83	Mediterranea delle Acque
Agenzia Parma Energia S.r.l.	Parma	Euro	35,000	8.57	Iren Emilia
Astea Energia	Osimo (AN)	Euro	117,640	6.00	Iren Mercato
Atena Patrimonio	Vercelli	Euro	73,829,295	14.65	Iren Emilia
ATO2 Acque	Biella	Euro	80,000	12.50	Iren Acqua Gas
Autostrade Centro Padane	Cremona	Euro	15,500,000	1.46	Iren Emilia
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	Iren Emilia
C.R.P.A. S.p.A.	Reggio Emilia	Euro	1,851,350	5.40	Iren Emilia
Consorzio L.E.A.P.	Piacenza	Euro	1,055,000	0.95	Iren Ambiente Holding
Consorzio Topix	Turin	Euro	1,690,000	0.30	Aemnet
Cosme Srl	Genoa	Euro	320,000	1.00	Iren Acqua Gas
CSP Scrl	Turin	Euro	641,000	6.10	Iren Energia
Energia Italiana S.p.A.	Milan	Euro	26,050,000	11.00	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	Iren Acqua Gas
RE Innovazione	Reggio Emilia	Euro	882,872	0.87	Iren Ambiente Holding
Rupe S.p.A.	Genoa	Euro	3,057,898	0.39	Immobiliare delle Fabbriche
S.D.B. S.p.A.	Turin	Euro	536,000	1.00	Iride Servizi
Stadio Albaro	Genoa	Euro	1,230,000	2.00	CAE Amga Energia
T.I.C.A.S.S.	Genoa	Euro	98,000	4.08	Iren Acqua Gas
TLR V. S.p.A. (*)	Turin	Euro	120,000	99.996	Iren Energia
				0.001	Iren
				0.001	Iren Ambiente
				0.001	Iren Emilia
Valfontanabuona Sport S.r.l. (*)	Genoa	Euro	45,250	51.000	O.C.Clim S.r.l.

(*) company which has not yet entered into operation

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 dated 26 July 2006)

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	2,824,999		
Investment property	1,813		
Intangible assets	1,284,487		
Goodwill	132,956		
Investments accounted for using the equity method	169,697		
Other investments	29,831		
Total (A)	**4,443,783**	**Non-Current Assets (A)**	**4,443,783**
Other non-current assets	48,594		
Other payables and other non-current liabilities	(155,372)		
Total (B)	**(106,778)**	**Other non-current assets (liabilities) (B)**	**(106,778)**
Inventories	74,606		
Trade receivables	1,127,756		
Current tax assets	8,889		
Other receivables and other current assets	249,991		
Trade payables	(906,965)		
Other payables and other current liabilities	(292,936)		
Current tax liabilities	(99,897)		
Total (C)	**161,444**	**Net working capital (C)**	**161,444**
Deferred tax assets	211,006		
Deferred tax liabilities	(107,702)		
Total (D)	**103,304**	**Deferred tax assets (liabilities) (D)**	**103,304**
Employee benefits	(104,017)		
Provisions for risks and charges	(259,630)		
Provisions for risks and charges - current portion	(64,009)		
Total (E)	**(427,656)**	**Provisions and employee benefits (E)**	**(427,656)**
Assets held for sale	299,948		
Liabilities related to assets held for sale	(6)		
Total (F)	**299,942**	**Assets (Liabilities) held for sale (F)**	**299,942**
		Net invested capital (G=A+B+C+D+E+F)	**4,474,039**
Equity (H)	**2,006,675**	**Equity (H)**	**2,006,675**
Non-current financial assets	(36,033)		
Non-current financial liabilities	2,174,003		
Total (I)	**2,137,970**	**Non-current financial indebtedness (I)**	**2,137,970**
Current financial assets	(315,004)		
Cash and cash equivalents	(101,451)		
Current financial liabilities	745,849		
Total (L)	**329,394**	**Current financial indebtedness (L)**	**329,394**
		Net financial indebtedness (M=I+L)	**2,467,364**
		Own funds and net financial indebtedness (H+M)	**4,474,039**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial receivables and Cash and cash equivalents	Other receivables	Trade payables	Financial payables
SHAREHOLDERS - RELATED PARTIES					
Municipality of Genoa	21,874	68	-	3,650	-
Municipality of Parma	27,467	-	-	344	13,035
Municipality of Piacenza	7,422	-	-	7,070	814
Municipality of Reggio Emilia	8,425	-	-	2,596	917
Municipality of Turin	36,783	121,097	1	4,951	-
Finanziaria Sviluppo Utilities	31	-	2,759	-	-
Intesa Sanpaolo group	-	7,061	-	-	360,276
JOINT VENTURES.					
AES Torino	1,571	17,298	4,323	20,408	23,302
OLT Offshore LNG	245	187,118	-	-	-
Società Acque Potabili	11,301	-	-	931	-
Acquedotto Savona	9	-	-	4	-
Acquedotto Monferrato	9	-	-	-	-
ENìA Solaris	-	2,003	-	-	62
Iren Rinnovabili S.p.A.	32	951	-	15	-
ASSOCIATES					
ABM Next	5	106	-	-	-
Aciam S.p.A.	408	-	-	-	-
Acos Energia S.p.A.	933	-	-	(6)	-
Acos S.p.A.	33	-	-	-	-
Acquaenna S.c.p.a.	3,361	276	-	384	-
Aguas de San Pedro S.A.	765	-	-	-	-
Aiga S.p.A.	184	466	-	-	-
Amat S.p.A.	69	-	-	4	-
AMIAT S.p.A.	40	-	-	-	-
AMIU Alessandria	-	-	-	31	-
Amter S.p.A.	1,543	49	-	-	-
ASA S.p.A.	9,744	6,614	-	1,732	-
ASTEA	1,767	-	-	-	-
Atena S.p.A.	127	-	-	12	-
Domus Acqua S.r.l.	33	15	-	-	-
Edipower S.p.A.	2,576	-	-	5,585	-
Fata Morgana	1	-	-	-	-
Gas Energia S.p.A.	1	-	-	93	-
GICA s.a.	-	572	-	-	-
Global Service Parma	6,855	-	-	3,741	-
Il Tempio S.r.l.	1	315	-	-	-
Iniziative Ambientali S.r.l.	1	-	-	-	-
Mondo Acqua	314	-	-	-	-
Piana Ambiente S.p.A.	294	-	-	-	-
Plurigas S.p.A.	16	-	-	(968)	-
Rio Riazzone S.p.A.	64	-	-	-	-
S.M.A.G. srl	36	-	-	1,036	-
Salerno Energia Vendite	716	-	-	185	-
Sinergie Italiane S.r.l.	16,540	-	-	9,089	-
So. Sel. S.p.A.	11	-	-	1,920	-
TRM V	-	-	-	-	-
Valle Dora Energia Srl	3	-	-	52	45
VEA Energia e Ambiente	-	-	-	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	3	-	-	1,175	-
Parma Infrastrutture	11,151	-	-	2	-
Piacenza Infrastrutture	-	-	-	691	-
TOTAL	**172,764**	**344,009**	**7,083**	**64,727**	**398,451**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
SHAREHOLDERS - RELATED PARTIES					
Municipality of Genoa	-	10,269	1,219	-	-
Municipality of Parma	-	14,492	94	-	-
Municipality of Piacenza	-	9,012	1,261	-	-
Municipality of Reggio Emilia	-	14,219	338	-	-
Municipality of Turin	304	27,409	4,052	2,719	-
Finanziaria Sviluppo Utilities	-	14	-	-	-
Intesa Sanpaolo group	-	-	282	-	6,057
JOINT VENTURES					
AES Torino	233	781	23,320	6	8
OLT Offshore LNG	-	-	-	3,346	-
Società Acque Potabili	-	560	27	-	-
Acquedotto Savona	-	32	2	-	-
Acquedotto Monferrato	-	2	-	-	-
ENÌA Solaris	-	1	-	40	-
Iren Rinnovabili S.p.A.	-	36	14	27	-
ASSOCIATES					
ABM Next	-	-	-	-	-
Aciam S.p.A.	-	97	-	6	-
Acos Energia S.p.A.	-	10,013	-	-	-
Acos S.p.A.	-	29	-	-	-
Acquaenna S.c.p.a.	-	44	-	-	-
Aguas de San Pedro S.A.	-	-	-	-	-
Aiga S.p.A.	-	18	-	6	-
Amat S.p.A.	-	81	-	-	-
AMIAT S.p.A.	-	40	2	-	-
AMIU Alessandria	-	-	-	-	-
Amter S.p.A.	-	750	-	-	-
ASA S.p.A.	24	190	74	-	-
ASTEA	-	11,580	-	-	-
Atena S.p.A.	-	107	-	-	-
Domus Acqua S.r.l.	-	-	-	-	-
Edipower S.p.A.	-	5,554	15,541	-	-
Fata Morgana	-	-	-	-	-
Gas Energia S.p.A.	-	-	-	-	-
GICA s.a.	-	-	-	-	-
Global Service Parma	-	2,259	1,434	-	-
Il Tempio S.r.l.	-	-	-	2	-
Iniziative Ambientali S.r.l.	-	-	-	-	-
Mondo Acqua	-	223	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
Plurigas S.p.A.	-	-	1,438	-	-
Rio Riazzone S.p.A.	-	-	-	-	-
S.M.A.G. srl	-	-	1,128	-	-
Salerno Energia Vendite	-	269	228	-	-
Sinergie Italiane S.r.l.	-	-	72,343	-	-
So. Sel. S.p.A.	-	4	1,886	-	-
TRM V	-	388	-	-	-
Valle Dora Energia Srl	-	3	52	-	-
VEA Energia e Ambiente	-	43	-	-	-
OTHER RELATED PARTIES					
Agac Infrastrutture	-	5	3,450	-	-
Parma Infrastrutture	-	4,135	1,112	-	-
Piacenza Infrastrutture	-	-	571	-	-
TOTAL	**561**	**112,659**	**129,868**	**6,152**	**6,065**

STATEMENT REGARDING THE CONDENSED INTERIM REPORT PURSUANT TO ART. 154-BIS, ITALIAN LEGISLATIVE DECREE NO. 58/1998

1. The undersigned, Nicola De Sanctis, CEO, and Massimo Levrino, Administration and Finance Director and Manager in charge of financial reporting of IREN S.p.A., hereby confirm, also in consideration of the provisions of art. 154-bis, subsections 3 and 4, Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in respect of the company's characteristics and
   - the actual application;

   the administrative and accounting procedures in preparing the condensed interim report for the first half of 2013.

2. Furthermore, it is hereby declared that:

   2.1 the condensed consolidated interim report:

   a) is prepared in compliance with applicable IFRS endorsed by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;

   b) correspond with books and accounting records;

   c) is suitable to give a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

   2.2 the directors' report on the condensed interim consolidated report contains reliable analysis of important events which occurred in the first six months of the year and their impact on the condensed interim consolidated report, together with a description of the main risks and uncertainties for the remaining six months of the year. The directors' report also contains a reliable analysis of information on significant transactions with related parties.

28 August 2013

The Managing Director	Administration and Finance Director and Manager in Charge appointed under Law 262/05
Nicola de Sanctis	Massimo Levrino

pwc

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

To the Shareholders of
Iren SpA

1. We have reviewed the condensed consolidated interim financial statements of Iren SpA and its subsidiaries (the "Iren Group") as of 30 June 2013 and for the six months then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related explanatory notes. The Directors of Iren SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of July 31, 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles used therein, as well as the application of analytical review procedures on the data contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing, verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

   Regarding the comparative data of the consolidated financial statements of the prior year and of the condensed consolidated interim financial statements of the prior interim period, which are presented for comparative purposes, reference is made to our reports dated 29 April 2013 and 29 August 2012, respectively.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

www.pwc.com/it

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Iren Group as of 30 June 2013 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Turin, 29 August 2013

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into the English language, from the original which was issued in Italian, solely for the convenience of international readers.

Iren S.p.A.
Via Nubi di Magellano, 30
42123 Reggio Emilia - Italy
www.gruppoiren.it