Interim **Report**

at 30 june **2017**

Summary

Company officers........3
Mission and values of the Iren Group........4
Shareholding structure........5
Key Figures of the Iren Group: Highlights - first half 2017........6
The corporate structure of the Iren Group........8
Information on the Iren share in the first half of 2017........12

DIRECTORS' REPORT AT 30 JUNE 2017........15
Market context........16
Significant events of the period........26
Financial position, results of operations and cash flows of the Iren Group........27
Segment reporting........32
Significant subsequent events and business outlook........42
Financial management........43
Risks and uncertainties........45
Transactions with related parties........49
Regulatory framework........50
Personnel and training........81
Organisation and IT systems........83
Quality, Environment and Safety........86
Research and development........87
Iren and sustainability........95

CONDENSED CONSOLIDATED INTERIM REPORT AND NOTES AT 30 JUNE 2017........99
Statement of financial position........100
Income statement........102
Statement of other comprehensive income........103
Statement of changes in equity........104
Statement of cash flows........106
Notes to the financial statements........107
I. Content and structure of the condensed consolidated interim report........108
II. Consolidation policies........112
III. Consolidation scope........113
IV. Group financial risk management........115
V. Information on transactions with related parties........120
VI. Other information........124
VII. Notes to the statement of financial position........125
VIII. Notes to the income statement........152
IX. Guarantees and contingent liabilities........160
X. Segment reporting........162
XI. Annexes to the condensed consolidated interim report........165
Statement regarding the condensed interim report pursuant to Art. 154-*bis* of Italian Legislative Decree 58/1998........173
Review report on the condensed consolidated interim financial statements........174

COMPANY OFFICERS

Board of Directors [1]

Chairperson	Paolo Peveraro [1
Deputy Chairperson	Ettore Rocchi [3]
Chief Executive Officer	Massimiliano Bianco [4]
Directors	Moris Ferretti[5]
	Lorenza Franca Franzino [6]
	Alessandro Ghibellini [7]
	Fabiola Mascardi
	Marco Mezzalama [8]
	Paolo Pietrogrande [9]
	Marta Rocco [10]
	Licia Soncini [11]
	Isabella Tagliavini [12]
	Barbara Zanardi [13]

Board of Statutory Auditors [14]

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

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. [15]

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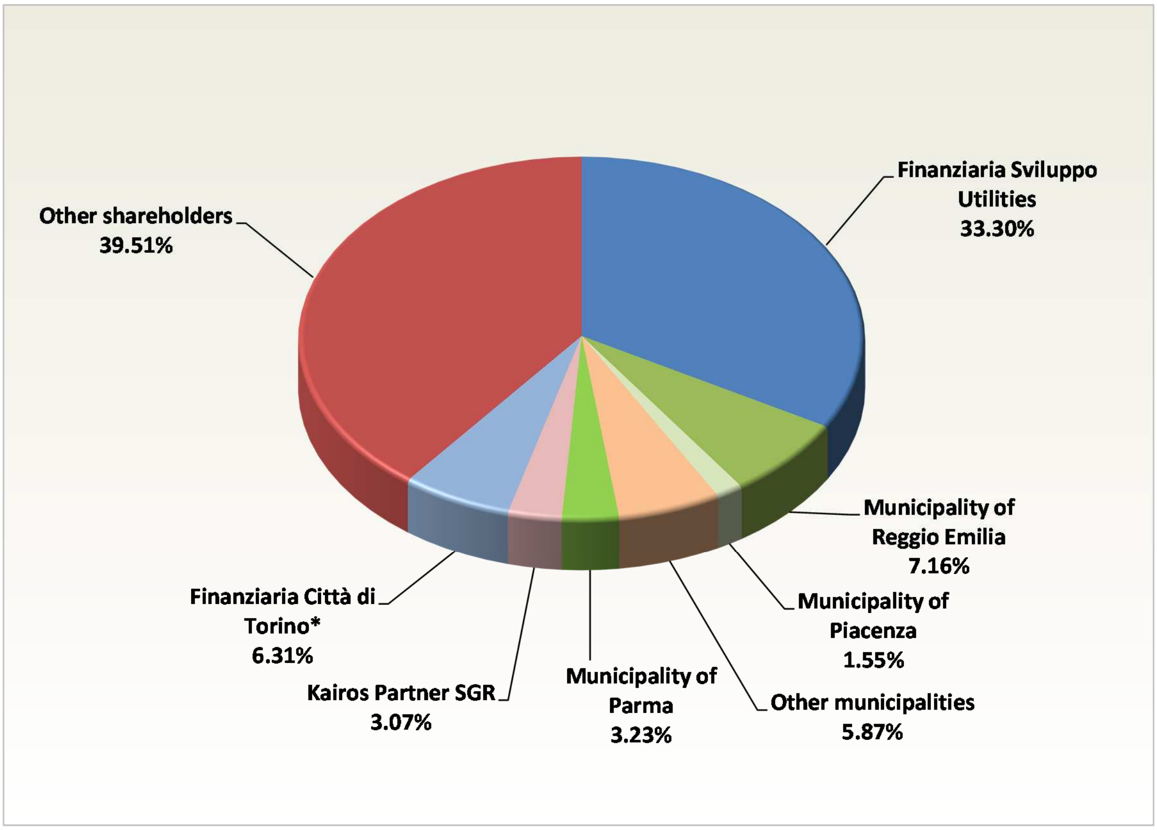
(1) Appointed by the Shareholders' Meeting of 09 May 2016 for the three years 2016-2017-2018.
(2) Appointed Chairperson by the Shareholders' Meeting of 09 May 2016.
(3) Appointed Deputy Chairperson at the meeting of the Board of Directors of 09 May 2016.
(4) Appointed Chief Executive Officer at the meeting of the Board of Directors of 09 May 2016.
(5) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016.
(6) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016.
(7) Member of the Control and Risk Committee (from 20 December 2016 named "Control, Risk and Sustainability Committee"), appointed on 12 May 2016.
(8) Member of the Control and Risk Committee (from 20 December 2016 named "Control, Risk and Sustainability Committee"), appointed on 12 May 2016.
(9) Member of the Control and Risk Committee (from 20 December 2016 named "Control, Risk and Sustainability Committee"), appointed on 12 May 2016. Mr Pietrogrande was also appointed Chairperson of the said Committee during the Committee meeting held on 18 May 2016.
(10) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016. Ms Rocco was also appointed Chairperson of the Remuneration and Appointments Committee during the Committee meeting held on 24 May 2016.
(11) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016.
(12) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016.
(13) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016. Ms Zanardi was also appointed Chairperson of the Transactions with Related Parties Committee during the Committee meeting held on 24 May 2016.
(14) Appointed by the Shareholders' Meeting of 28 April 2015 for the three years 2015–2016–2017.
(15) Appointed by the Shareholders' Meeting of 14 May 2012 for the nine years 2012–2020.

Mission and Values
of the Iren Group

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

SHAREHOLDING STRUCTURE

The Company's share capital amounts to 1,276,225,677 euro, paid up, and consists of 1,195,727,663 ordinary shares with a face value of 1 euro each and 80,498,014 savings shares without voting rights with a face value of 1 euro each.
At 30 June 2017, based on available information, the Iren shareholding structure was as follows:



*Savings shares without voting rights

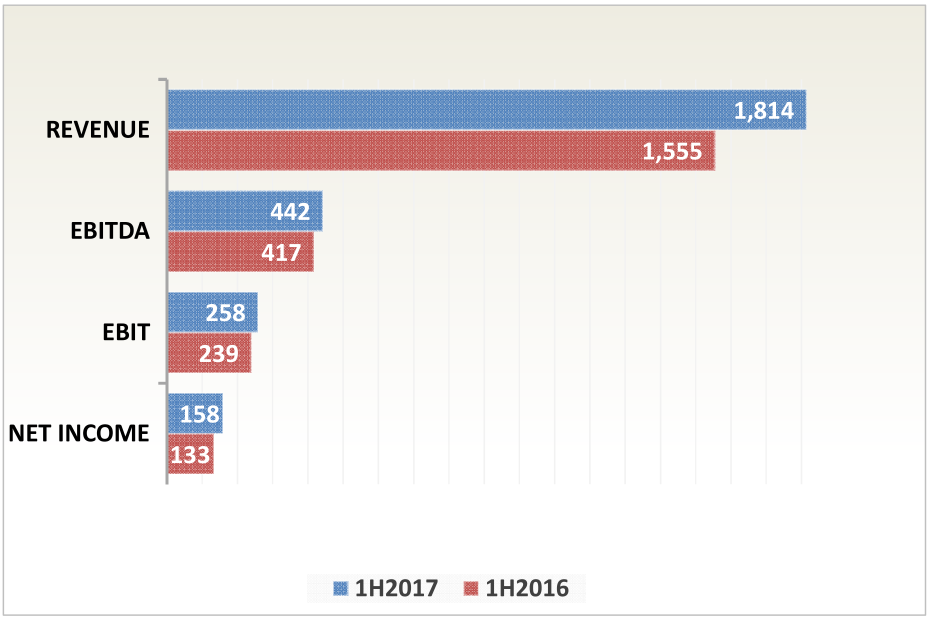
KEY FIGURES OF THE IREN GROUP: HIGHLIGHTS - FIRST HALF 2017

Economic data

millions of euro

	First half 2017	First half 2016 Restated (*)	Changes %
Revenue	1,814	1,555	16.6
EBITDA	442	417	6.0
EBIT	258	239	7.9
Net income	158	133	18.8
EBITDA Margin (EBITDA/Revenue)	24.4%	26.8%	

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the economic balances of the first half of 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of TRM Holding, TRM V, TRM, ATENA and ATENA Trading. For more details please see the paragraph "Content and structure of the Condensed Consolidated Interim Report" in the Notes to the financial statements.

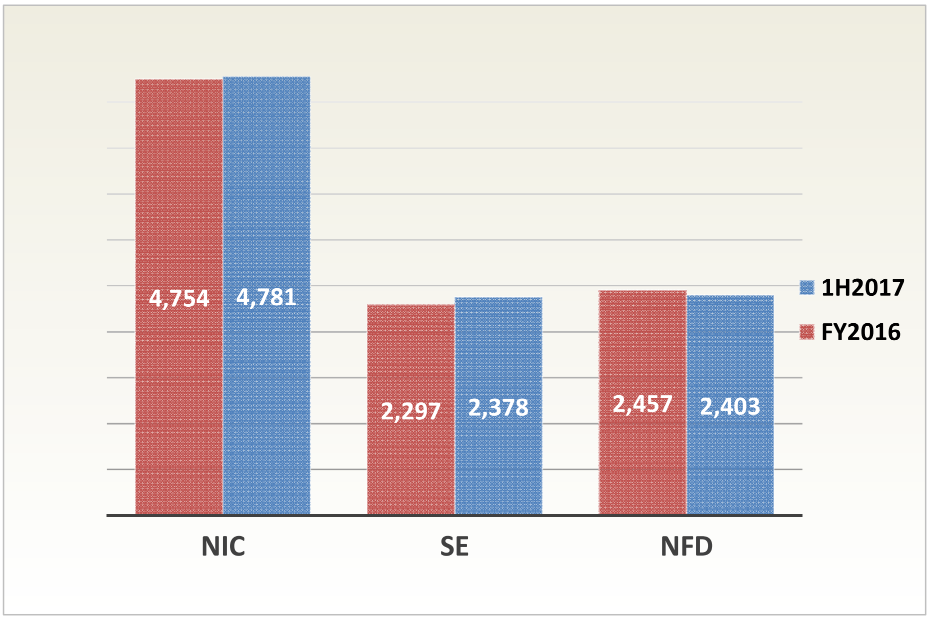


Financial position data

millions of euro

	30.06.2017	31.12.2016 Restated	Changes %
Net invested capital (NIC)	4,781	4,754	0.6
Group and non-controlling interests shareholders' equity (SE)	2,378	2,297	3.5
Net financial debt (NFD)	2,403	2,457	(2.2)
Debt/Equity (Net financial debt/Shareholders' equity)	1.01	1.07	

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the financial balances at 31 December 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of ATENA and ATENA Trading. For more details please see the paragraph "Content and structure of the Condensed Consolidated Interim Report" in the Notes to the financial statements.



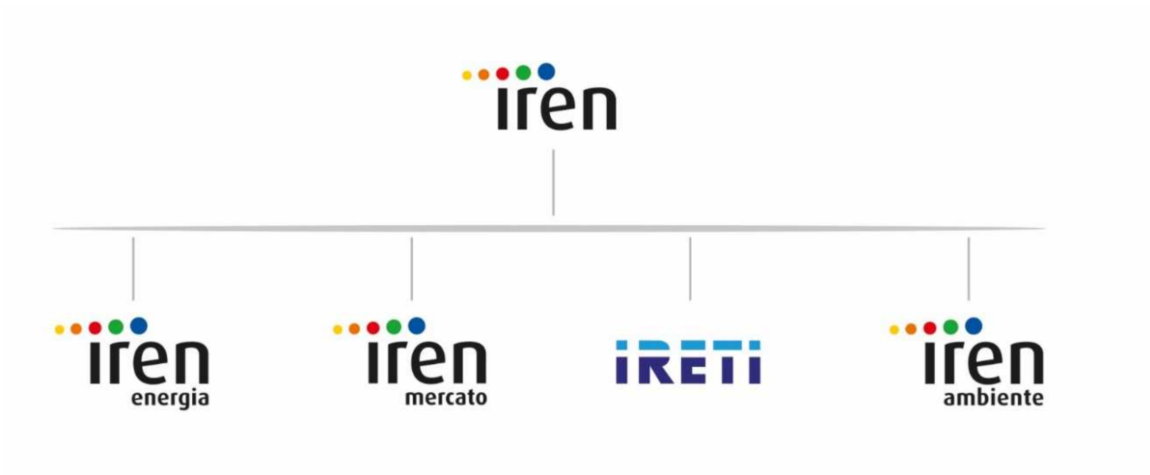
Technical and commercial figures

millions of euro

	First half 2017	First half 2016	Changes %
Electricity produced (GWh)	5,128	4,322	18.6
Thermal energy produced (GWht)	1,657	1,581	4.8
Electricity distributed (GWh)	2,023	2,001	1.1
Gas distributed (mln m^3)	736	693	6.2
Water distributed (mln m^3)	89	83	7.5
Electricity sold (GWh)	8,034	6,975	15.2
Gas sold (mln m^3)*	1,558	1,271	22.6
District heating volume (mln m^3)	85.1	82.1	3.7
Waste handled (tonnes)	984,478	931,751	5.7

* of which, 871 mln m^3 for internal use in the first half of 2017 (725 mln m^3 in the first half of 2016, +20.1%)

THE CORPORATE STRUCTURE OF THE IREN GROUP



Note that this is the organisational structure for management purposes.

The presentation includes the Companies directly and entirely controlled by Iren S.p.A. In addition, Iren S.p.A. has a direct equity interest in the associate Plurigas S.p.A. – this company was placed in voluntary liquidation by the Shareholders' Meeting of 27 March 2013.

The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and four companies responsible for the single business lines operating in the main operating bases of Genoa, Parma, Piacenza, Reggio Emilia, Turin and owing to the recent acquisition of the Atena Group also in Vercelli.
The Holding is responsible for the strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and guidance of the Companies operating in their respective sectors:

- Energy Business Unit operating in the sector of electricity production and district heating
- Market Business Unit active in the sale of electricity, gas and heat
- Networks Business Unit which operates in the field of the integrated water cycle, and in the gas distribution and electricity distribution sectors
- Waste Management Business Unit which performs the activities of waste collection and disposal.

Since 01 May 2016, the Iren Group has consolidated the company ATENA, operating in the integrated water cycle, electricity and gas distribution and environment and the company ATENA Trading active in the sale of electricity and gas.
The Group has an important customer portfolio and a significant number of plants in support of the operating activities:

Production of electricity and heat: a considerable number of electricity and heat production plants for urban district heating production, for a total capacity of approximately 2,900 MW of electricity.

Gas Distribution: through its network of approximately 7,973 kilometres Iren serves more than 742,000 customers.

Electricity Distribution: with 7,715 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electricity to more than 713,000 customers in Turin, Parma and Vercelli.

Integrated water cycle: with around 18,500 kilometres of aqueduct networks, 9,600 km of sewerage networks and 1,136 treatment plants, Iren provides services to more than 2,800,000 residents.

Environmental cycle: with 152 equipped ecological stations, 3 waste-to-energy plants, 5 landfill sites, 18 treatment, selection, storage and recovery plants and 2 composting plants, the Group serves 147

municipalities for a total of more than 2,100,000 residents and more than 1,800,000 tonnes managed in 2016.
District heating: through 905 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 85 million m³, equivalent to a population served of over 846,000 residents.

Sales of gas, electricity and heat energy: during 2016 the Group sold almost 2.7 billion m³ of gas, more than 15,000 GWh of electricity and 2,900 GWht of heat for the district heating networks.

ENERGY BU

Cogenerative production of electricity and heat

The Energy BU installed capacity totals approximately 2,700 MW (in electricity). Specifically, it owns 25 electricity production plants: 19 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,700 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are eco-compatible. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to make use of other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Iren Energia oversees the Group's electricity and thermal energy planning and dispatching activities.

District heating

In Turin, Iren Energia has the largest district heating network in Italy, with 554.2 km of dual pipes (of which 23.9 km in the Municipality of Nichelino), and the networks of Reggio Emilia with an extension of 218.7 km, Parma with 98.7 km, Piacenza with 22.7 km and Genoa with approximately 10.3 km, for a total of 904.6 km. The total volume heated at 30 June 2017 amounted to 85.1 million cubic metres, up compared to the same period in 2016 by 3.7%.

Services to Local Authorities and Global Service

On 01 January 2017, the merger by incorporation of Iren Servizi e Innovazione S.p.A. to Iren Energia S.p.A. came into effect; the former operates in the field of street and monument lighting and traffic lights, and manages, in technological global service, the thermal and electrical systems of the public buildings of the City of Turin and renewable and alternative energy. Iren Energia, in agreement with the Municipality of Turin is continuing to carry out a structured plan of renewals aimed at improving energy efficiency and limiting consumption, which involves replacing traditional mercury lamps with LED lamps, already started by Iren Servizi e Innovazione.

On 01 January 2017, the acquisition of the "Operational management of thermal systems" business branch from Iren Mercato S.p.A. also took effect, referring to the operational management of thermal systems for certain municipal buildings located in the Province of Genoa.
The operation to transfer the business branch from Iren Mercato S.p.A. to Iren Energia S.p.A., together with the merger by incorporation of Iren Servizi e Innovazione S.p.A. into Iren Energia S.p.A. both fall within the general scope of the Group's corporate restructuring project.

MARKET BU

Through Iren Mercato the Group sells electricity, gas and heat, supplies fuel to the Group, provides customer management services to Group companies, and supplies heat services and sells heat through the district heating network.

On 1 May 2016 Atena Trading, a company operating in the sale of both electricity and gas also became part of the group.
On 16 May 2017 the company GEA Commerciale, formerly 100% controlled by Iren Mercato, was merged by incorporation into Salerno Energia Vendite with a consequent extension of the catchment area for gas sales.
Iren Mercato operates at the national level with a higher concentration of customers served in the Centre and North of Italy and handles the sale of the energy provided by the Group's various sources on the market represented by final customers and other wholesale operators.
The main Group energy sources available for its activities are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.
Iren Mercato also acts as "higher protection" service operator for retail customers in the electricity market in the Province of Turin and the Parma area.
Historically it has operated in the direct sale of natural gas in the territories of Genoa, Turin and Emilia.
Lastly, it handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Parma, Piacenza and Genoa and sales development in new district heating areas.
The Group also sells heat management services and global services both to private entities and public authorities.

Sale of Natural Gas
Total volumes of natural gas procured during the first half of 2017 were approximately 1,674 million m³ of which 687 million m³ were sold to end customers outside the Group and 871 million m³ were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services.
At 30 June 2017, gas customers managed by the Market Business Unit were approximately 892,000, spread throughout the traditional Genoa, Turin and Emilia Romagna catchment area and surrounding development areas, and customers of the new catchment areas of Vercelli brought in by Atena Trading, consolidated as from 01 May 2016 (approximately 26,000 customers) and the area in Campania brought in by Salerno Energia Vendite consolidated as from 01 May 2017 (approximately 83,000 customers). In particular Salerno Energie Vendite is present in almost all the provinces in Campania as well as in a number of municipalities of the Basilicata and Calabria regions.

Sale of electricity
The volumes sold in the first half of 2017 by the Market BU amounted to 4,763 GWh.
Retail electricity customers managed at 30 June 2017 were just under 804,000 distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company and by Atena Trading (approximately 28,000 customers).

Sale of heat through the district heating network
Iren Mercato manages the sale of heat, purchased from Iren Energia, to customers receiving district heating in the municipalities of Genoa, Turin and Nichelino, and in the provinces of Reggio Emilia, Piacenza and Parma.
The total district heating volumes at 30 June 2017 amounted to 85.1 million cubic metres.

Heat service management
The resolution for the merger by incorporation of the subsidiary IREN Gestioni Energetiche S.p.A. took effect from 01 January 2017. The latter was formerly held for 100% by Iren Mercato. The merger took place simultaneously with the transfer of the "Operational management of thermal systems" business branch to Iren Energia S.p.A., which included the existing contracts with Public Administrations.

NETWORKS BU

The lead company IRETI and the business unit's subsidiaries handle the integrated water cycle, electricity distribution, natural gas distribution and other minor activities. On 01 May 2016 Atena Trading also became part of the group. This company operates in the supply of integrated water cycle services and of electricity and gas distribution in the territory of the city and in part of the Province of Vercelli.

Integrated Water Services

IRETI, directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio, and since May 2016 also Atena S.p.A. as mentioned above, operates in the field of water supply, sewerage and waste water treatment in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia and Vercelli. With acquisition of the business unit known as "Ramo Ligure" from Società Acque Potabili S.p.A. with effect from 1 July 2015, IRETI extended to 4 more municipalities (Camogli, Rapallo, Coreglia Ligure and Zoagli) in the optimal territorial area of Genoa and to the Municipality of Bolano (La Spezia) management of the integrated water service. Overall in the optimal territorial areas ("Ambiti Territoriali Ottimali" - ATOs) managed at 31 December 2016 (Genoa Area, Reggio Emilia, Parma, Piacenza, Savona and La Spezia), the service was provided in 206 Municipalities serving over 2.6 million residents. The Municipalities served in the Province of Vercelli are 14 plus the capital. With effect from 1 January 2017, subsequent to the acquisition of the additional "remaining" business unit from Acque Potabili S.p.A., IRETI further extended its management services of the different phases of the water cycle (distribution of drinking water, sewerage, waste water treatment), in various municipalities in the regions of Piedmont, Valle d'Aosta, Lombardy and Veneto for a total of approximately 133 thousand residents.

During the first half of 2017 the Networks BU sold approximately 89 million cubic metres of water, through a distribution network of around 18,500 km. As regards waste water, the company manages a total sewerage network spanning approximately 9,600 km.

Gas distribution

IRETI distributes natural gas in 75 municipalities of the provinces of Reggio Emilia, Parma and Piacenza, in the Municipality of Genoa and in 19 other municipalities nearby. Through Atena S.p.A. it distributes gas in the City of Vercelli and in 11 other municipalities of the province. The distribution network made up of 7,973 km of high, medium and low-pressure pipes serves a catchment area of approximately 742,000 customers. During the first half of 2017, IRETI introduced approximately 736 million cubic metres of gas into the network.

Electricity distribution

With approximately 7,715 km of network in medium and low voltage IRETI provides the electricity distribution service in the cities of Turin and Parma. Atena S.p.A. distributes electricity in the City of Vercelli. Electricity distributed in the first half of 2017 amounted to 2,023 GWh.

WASTE MANAGEMENT BU

The Waste Management Business Unit carries out the activities of waste collection and disposal mainly through three companies: Iren Ambiente, operating in the Emilia area, AMIAT and TRM operating in the Piedmont area. In May 2016, Atena S.p.A. also became part of the group. This company is an IRETI investee but also operates in waste collection work in the City of Vercelli and in 26 other municipalities of the province. During 2016 the plant network of the BU was increased with the purchase of the company REI S.r.l. situated in the Piedmont area and with the equity interest in the company ReCos S.p.A. operating in the Liguria area. During the first half of 2017 this was further expanded with the acquisition of the equity investment in G.A.I.A. Asti.

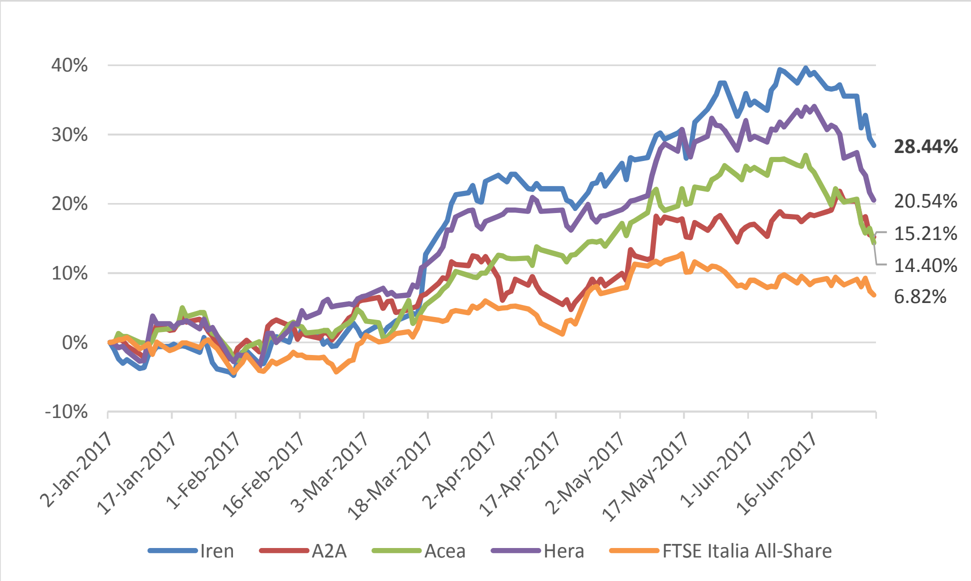
The Waste Management BU carries out all the activities of the urban waste management chain (collection, selection, recovery and disposal) with particular attention to sustainable development and environmental protection confirmed by growing levels of separate waste collection; it also manages an important customer portfolio to which it provides all the services for special waste disposal. In January 2016, the Group acquired control over TRM S.p.A., the company that manages the Turin waste-to-energy (WTE) plant. This plant has a WTE capacity of approximately 500 thousand tonnes/year of waste with energy recovery and has enabled the Group to triple its WTE capacity, confirming IREN among the top three companies at the national level in terms of waste handled. On 1 October 2016, an equity investment of 25.5% was acquired in the company ReCos S.p.A. based in La Spezia. ReCos S.p.A. performs both management and maintenance of the WDF production plant in the Municipality of Vezzano Ligure and the composting plant in the Municipality of Arcola. In December 2016, the Group acquired the single-plant company REI S.r.l. set up for the creation of a new landfill site, to include hazardous non-urban waste, based in Pianezza (TO). The company began its operating business in the second quarter of 2017. Following the award of the contract for the management of the waste service of the municipalities members of the Waste Catchment Area Consortium of the Asti area, Iren Ambiente acquired a 45% stake in the company G.A.I.A. S.p.A., that is working on creating the waste processing plants and the station for the transfer of municipal waste to TRM.

INFORMATION ON THE IREN SHARE IN THE FIRST HALF OF 2017

Iren share performance on the Stock Exchange

In the first half of 2017, the FTSE Italia All-share (the main Borsa Italiana index), recorded an increase of around 6.8%. This was mainly attributable to the recovery in bank securities, which in 2016 had penalised the trend and had been driven by a general increase in global stock exchange indices. In this scenario, the IREN stock rose by about 28.4%, recording the best performance among its most direct competitors.

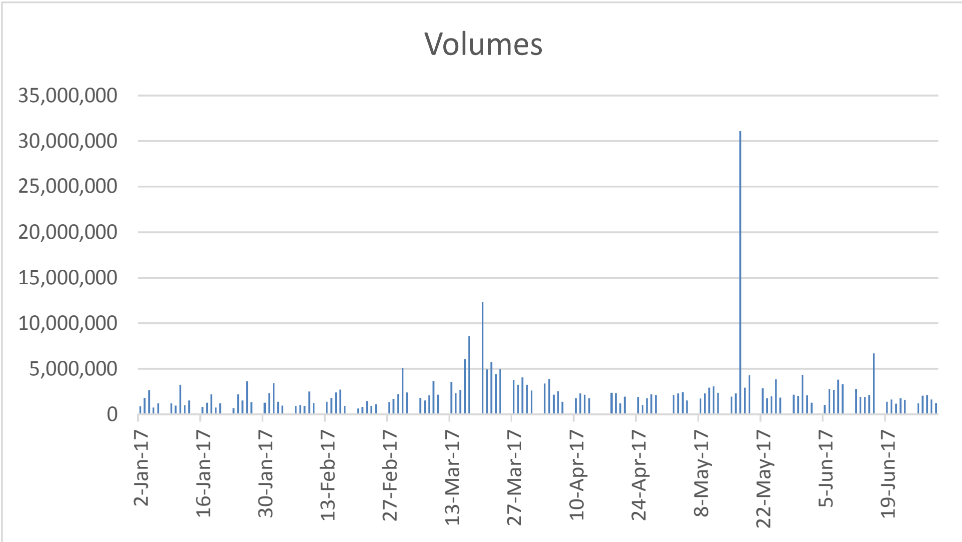
Performance of Iren share vs. Competitors



At the end of June 2017, the IREN share stood at 2.03 euro per share, with average trading volumes in the first half of the year of approximately 2.6 million units per day.

In the same period, the average price was 1.83 euro per share reaching the highest point since the foundation of Iren (2.20 euro per share) on 14 June and a low for the year (1.54 euro per share) on 4 January.

The two graphs below show the pricing trend and volumes traded in Iren stock over the first half of 2017.



Share coverage

During the first half of the year, the Iren Group was followed by eight brokers: Banca IMI, Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux and Mediobanca, with the addition of Main First that activated coverage from 23 January.

"I think having land and not ruining it is the most beautiful art that anybody could ever want to own."

ANDY WARHOL

Directors' **Report**

at 30 june **2017**

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

Global growth continues rapidly, at a higher rate than the average for the last twenty-five years. While the USA and China are slowing down, the Eurozone is growing at an annualised 2% and confidence is at the highest since 2007, although with sharp differences in the growth rate among Member Countries. The good growth trend in domestic demand, higher than that of GDP, derives from the deferred effects of the drop in the oil price and the hyper-expansive monetary measures of the ECB, but also from public budgets, which from very restrictive in the three years 2012-14 have become slightly expansive since 2015. Italy, although with more limited growth rates, is following the positive European trend.

In its last survey ISTAT in fact revised upwards its previous estimates on GDP growth in the first quarter of 2017. GDP increased by 0.4% compared to the previous quarter and by 1.2% compared to the corresponding quarter of 2016, a recovery consolidated by consumption and exports.

At the level of the various components of aggregate demand the most dynamic was that of private consumption, which recorded growth of 0.5% over the previous quarter and of 1.2% on an annual basis.

Private investments recorded a slight drop compared to the previous quarter and a rise of 2.3% compared to the first quarter of 2016. This last increase was affected positively by the long-term impact of investments in means of transport, encouraged by certain tax concessions introduced in the second half of 2016.

The contribution of exports was instead positive, as they grew by 0.7% from the already sound performance of December, recording +5.1% compared to the first quarter of 2016. Most of this performance is ascribable to the favourable trend of the European market for Italian exports.

Political uncertainty on a national and global scale constitutes the main brake on the full unfolding of the economic recovery both in the Italian and European and in the global context.

Household spending

Household spending seems to have stabilised despite the declining trend of the level of available income in progress now for four quarters.

The stability of consumption, despite a drop in household purchasing power, can be explained in the attenuation at the same time of the unemployment rate: in the period between November 2016 and April 2017 the latter, in fact, went down from 11.9% to 11.5%.

The parallel improvement in the unemployment rate, in particular for the over-35 age band, undoubtedly facilitated an improvement in the climate of confidence.

Given the favourable prospects on the ability of the economy to create new jobs, it is reasonable, therefore, to expect that private consumption will continue to stimulate GDP growth. Although this is expected to happen at a moderate rate, we cannot however exclude more rapid increases.

Investments

Some elements seem to indicate an imminent recovery in private investments, in particular by businesses in the manufacturing sector. However, we are beginning to see also changes in context, which could translate into stimulation of private investments.

The weakness of investments, in an economic situation characterised by low interest rates, represents a paradox which has affected, more or less indistinctly, the entire set of advanced economies. At the root of this stagnation we can mention the anaemic economic growth and the persistent reluctance of the banking system to assume risks disbursing loans (above all where the weight of bad loans remains high) preferring investments in safe assets at low yields.

Many signs of change can however be seen.

Above all, growth in Europe has come back to levels much higher than those forecast up to a short time ago. It is now clear that Europe has overtaken the United States in terms of growth. Even more significant is the fact that this growth shows concrete signs of consolidation, as it is driven by domestic consumption.

In the Italian context, significant progress has also been made in the direction of a stabilisation of the banking sector. Indeed, the creation of resolution mechanisms for unenforceable loan situations should restore confidence in the ability of the banking sector to support the enormous burden of bad loans and to increase the availability of credit, with obvious positive reflections on the climate of confidence of households and businesses.

Finally, we can note a certain dynamism on the part of Italian businesses on the front of spending for investments, for the purpose of benefiting from the industrial policy measures provided for in the budget for 2017, including the extension of tax incentives and expansion of their scopes for digital investments ("Ministero dello Sviluppo Economico" – Ministry of Economic Development –MED- National Plan Industry 4.0).

Exports

Although down on average compared to the last quarter of 2016 - owing above all to a slowdown on the US export market - the annual figure for exports is at the highest levels of the last few years, corresponding to an annual average growth rate of 10%. As of today, the good performance has been driven mainly by exports destined for non-European markets.

According to what is stated in the most recent update of the *CPB World Trade Monitor* foreign demand should remain lively overall. The indicator shows that, during the first quarter, global trade came out at figures of around 3-4% higher than the average of 2016 and that this growing trend is destined to get stronger.

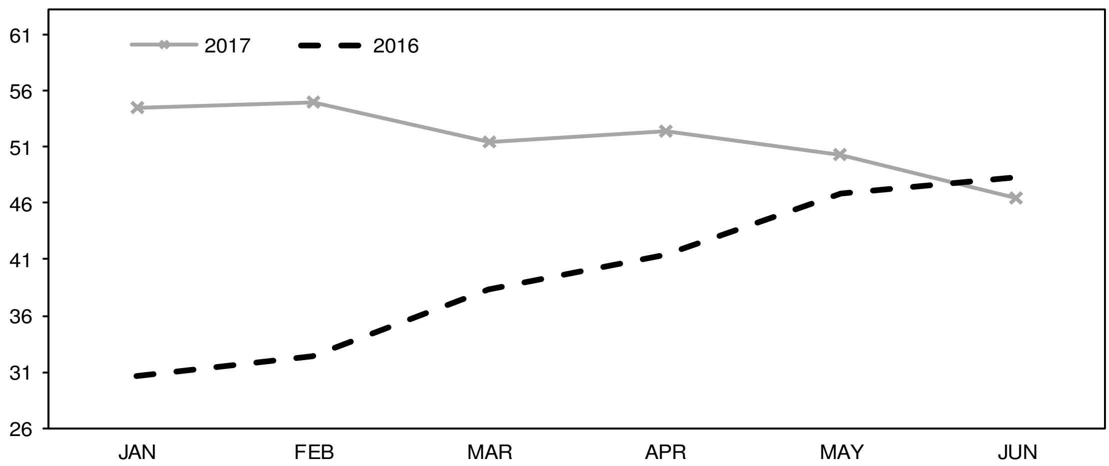
THE OIL MARKET

The average of spot prices of dated Brent in the period January-June 2017 came out at 51.81 $/bbl, up by 30% compared to the same period of 2016. On the other hand, during the first six months of this year the prices actually showed a longer-term drop from February, starting from 55.1 $/bbl and falling almost to the threshold of 40 $/bbl in June.

The downward pressure was due mainly to the fundamentals of the oil market, which showed stable demand data, in particular in the United States, with the reduction of stocks still proceeding very slowly. From the point of view of supply, the main driver of the drop in Brent, confirmation of the cut by OPEC of approximately 1.8 Mbbl/day has not led to the hoped-for results: production in May grew in fact at the total level driven by the increase recorded in Nigeria and Libya, countries which do not have production limit obligations.

BRENT PRICE TRENDS

($/bbl)



Source: REF-E processing of Platts data

THE ELECTRICITY MARKET

Supply and demand

In the first half of 2017 electricity production in Italy was 136.95 TWh, up compared with the same period of the previous year by 4.5%. The demand for electricity, 152.42 TWh, was met for 89% from domestic production, thanks to the above increase, while the remaining 11% came from foreign production. At the national level, thermoelectric production was 92.68 TWh, representing an increase of 9% compared to 2016 and represented 68% of the Italian production supply; production from hydroelectric sources was 19.87 TWh (-7.6% compared to 2016) representing 15% while geothermal, wind and photovoltaic generation was 24.4 TWh (-0.5% compared to 2016) covering 18% of supply.
Consumption in the period January-June 2017 increased slightly compared to the previous year (+0.1%). This increase was the result of those in the Northern zone (+3.5%) and was offset by decreases in the Southern zone (-8%), the Central zone (-1.3%) and the Islands (-0.2%).

Demand and supply of accumulated electricity
(GWh and changes in trends)

	up to 30/06/2017	up to 30/06/2016	Change %
Demand	**152,419**	**152,335**	**0.1%**
Northern Italy	74,325	71,822	3.5%
Central Italy	44,370	44,977	-1.3%
Southern Italy	20,488	22,271	-8.0%
Islands	13,236	13,265	-0.2%
Net production	**136,946**	**131,079**	**4.5%**
Hydroelectric	19,874	21,509	-7.6%
Thermoelectric	92,675	85,046	9.0%
Geothermoelectric	2,924	2,952	-1.0%
Wind and photovoltaic	21,473	21,572	-0.5%
Pumping consumption	-1,338	-1,240	7.9%
Foreign balance	**16,811**	**22,496**	**-25.3%**

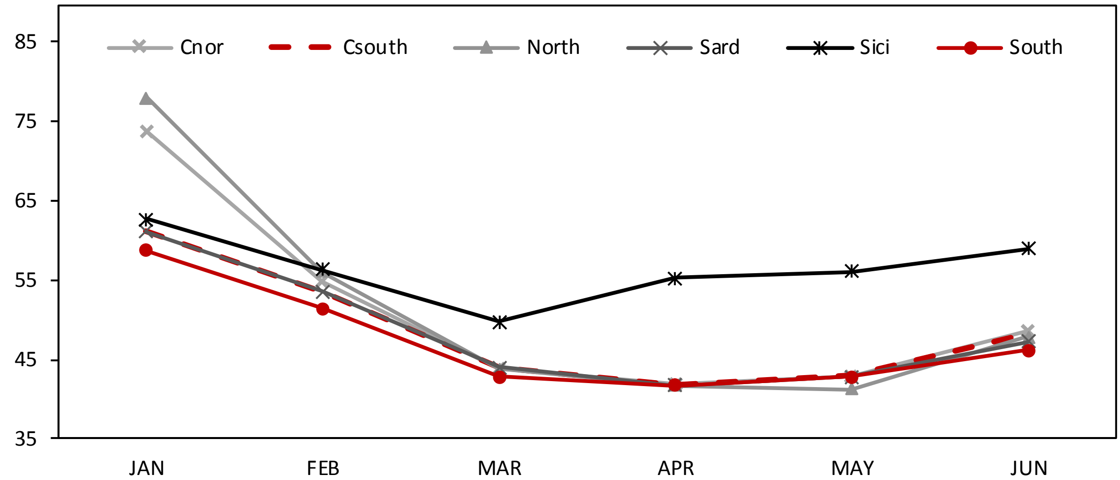
Source: Terna

Day-Ahead Market (DAM) prices

In the first half of 2017 the zonal prices saw a sharp general increase (+34%) compared to the same period of the previous year, showing an increase in all zones.
In the first quarter, following the reduction of imports from abroad (in particular from France) by means of Market Coupling, an average price was recorded in the Northern zone of 59.53 €/MWh (average CCT -5.95 €/MWh). The Northern zone in that quarter also recorded the highest monthly average price within the period (78.19 €/MWh in January).
The zones that recorded the largest increases were therefore those of the North (+44%) and the Centre-North (+37%). The other zones (Centre-South, South and Sardinia) recorded an increase of 30%.
The zonal prices are increasingly aligned together, with the exception of Sicily which, in the last few months, has recorded a much higher price than those of other zones.

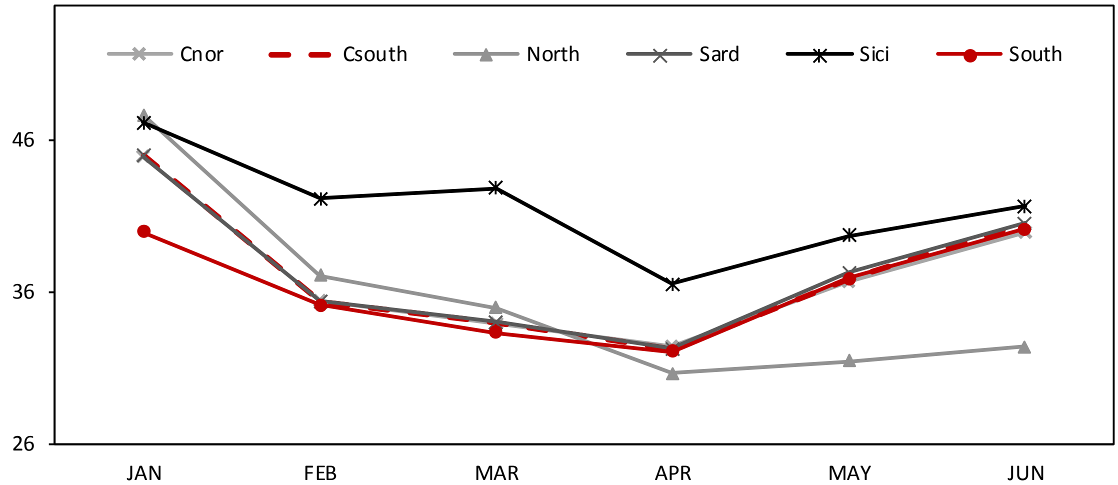
The Single National Price consequently recorded an average rise in the period of 38%, coming out at an average figure of 51.2 €/MWh.
This increase was particularly noted in February, when the rise compared to the previous year was 48%; in the second quarter (April-June), the greatest increase was noted in April, when the rise compared to April 2016 was 34%.

ITALIAN ZONAL PRICE TRENDS 2017
(€/MWh)



Source: REF-E processing of GME data

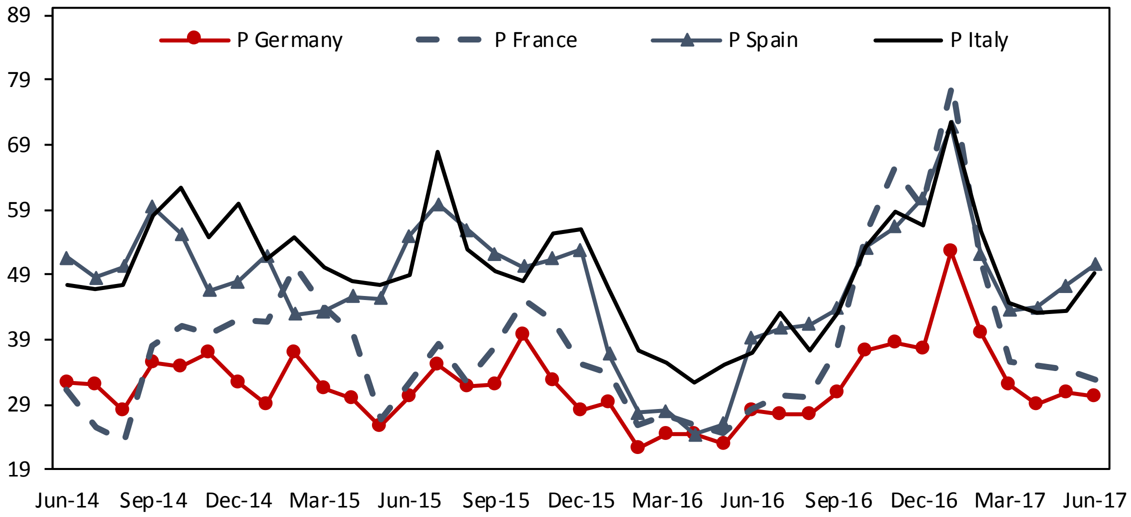
ITALIAN ZONAL PRICE TRENDS 2016
(€/MWh)



Source: REF-E processing of GME data

Trend in main European power exchanges
The European power exchanges expressed, in the period January-June 2017, an average price of 43.71 €/MWh, sharply up compared to the previous year (+59%) with a negative spread with respect to the SNP of 7.46 €/MWh (down compared to the 9.57 €/MWh of the first half of 2016).
The data of the second quarter, in particular, were confirmed overall as higher compared to the previous year, stabilising on notably higher levels compared to the same period of 2016.

EUROPEAN POWER PRICE TRENDS
(€/MWh)



Source: REF-E processing of European Exchange data

Futures of Baseload SNP on the EEX
The table below shows the comparison between the average future prices of the products available for the first half of 2017 referred to the Single National Price, showing gradual upward changes. The Q3-17 and Q4-17 prices gradually increased during the last half-year period, showing respectively growth of +3.7 €/MWh and +0.9 €/MWh. On the contrary, Q1-18 followed the opposite route in the second quarter, with a change of -0.9 €/MWh. On the other hand, the annual futures remained quite stable, recording only a modest increase in the last month of the period, respectively coming out in the second quarter to 43.7 €/MWh, 43.8 €/MWh and 44.2 €/MWh. Making the analysis compared to the second quarter of the last year monthly, quarterly and annual futures in any case showed sharply higher figures.

April-17 Futures		May-17 Futures		June-17 Futures	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
May-17	42.5	Jun-17	43.8	Jul-17	49.4
Jun-17	42.9	Jul-17	47.2	Aug-17	54.5
Jul-17	45.5	Aug-17	53.3	Sep-17	48.4
Quarterly		**Quarterly**		**Quarterly**	
Q3 17	48.2	Q3 17	50.0	Q3 17	51.0
Q4 17	48.4	Q4 17	48.9	Q4 17	49.3
Q1 18	48.3	Q1 18	48.2	Q1 18	47.4
Yearly		**Yearly**		**Yearly**	
Y1 18	43.7	Y1 18	43.8	Y1 18	44.2

Source: Reuters on EEX data

THE NATURAL GAS MARKET

Supply and demand

In the first six months of 2017 gas consumption continued to rise compared to what was recorded for the same period in the last three years. In particular compared to last year the period recorded +10%, driven by the continual increase recorded in the thermoelectric (+22%), industrial (+6%) and, although to a lesser extent, residential consumption (+4%) segments.

Uses and sources of natural gas in the period January-June 2017 and comparison with previous years

GAS USED (bln m3)*	**2017**	**2016**	**2015**	**% change 2017 vs. 2016**	**% change 2016 vs. 2015**
Industrial use	7.2	6.8	6.6	6.4%	2.6%
Thermoelectric use	12.3	10.1	9.2	21.7%	9.6%
Distribution plants	18.5	17.7	18.5	4.4%	-4.1%
Third party network and system consumption / line pack	1.2	1.1	0.9	2.1%	21.2%
Total withdrawn	**39.2**	**35.7**	**35.2**	**9.6%**	**1.4%**

**Cumulative amounts at 30 June 2016*

Source: REF-E processing of SRG data

GAS INPUT (bln m3)*	**2017**	**2016**	**2015**	**% change 2017 vs. 2016**	**% change 2016 vs. 2015**
Imports	35.5	31.3	29.5	13.1%	6.1%
Domestic production	2.6	2.7	3.2	-6.1%	-15.0%
Storage	1.1	1.6	2.5	-31.3%	-33.7%
Total input (incl. storage)	**39.2**	**35.7**	**35.2**	**9.6%**	**1.4%**
Maximum capacity	63.0	63.4	63.0		
Load Factor	**56.2%**	**49.5%**	**46.9%**		

**Cumulative amounts at 30 June 2016*

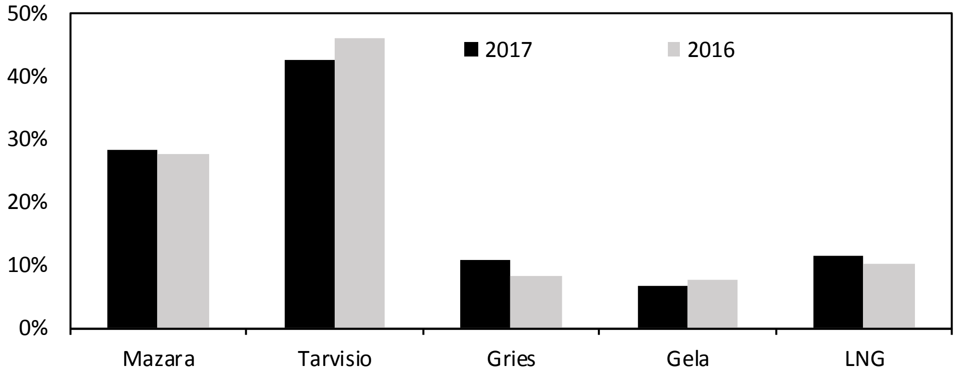
Source: REF-E processing of SRG data

The increase in residential demand compared to the first six months of 2016 was due to lower temperatures both in January and in the period between the end of April and the beginning of May. This period was in fact characterised by temperatures approximately 1.5°C lower than the seasonal averages thus entailing an increase of approximately 0.8 bln m³ consumed compared to the same period the previous year.
Industrial consumption also grew again, by 0.4 bln m³, a sign of continual, although slight, economic recovery.
However, the main contribution to growth was made by thermoelectric uses: compared to the first half of 2016 this demand increased by 2.2 bln m³. This growth is explained by three factors which have succeeded each other in the last six months: the unavailability of the French nuclear plants in January and, as a consequence, a reduction in imports from France which led to more space for electricity production from natural gas; more competitiveness of the gas cycles compared to the coal ones, above all in the second quarter of 2017; the lower hydroelectric production both in France with a consequent reduction in imports, and in Italy in the spring period.
Regarding supply, imports from abroad increased by more than 4 bln m³ compared to the first six months of 2016, stimulated by the increase in imports from all national entry points connected with other countries, (except for Gela, which recorded -3%): Passo Gries (+48%), Liquefied Natural Gas (LNG) (+25%), Mazara (+16%) and Tarvisio (+5%). On the contrary, domestic production fell (-6.1%) with a balance of storage systems (output+/input-) also down by -0.12 bln m³.

Although the output was higher in January and February of the current year, the input was much higher and in advance compared to 2016, thus entailing a reduction in the balance of the storage systems.
Imports from Tarvisio (associated mainly with Russian supplies) kept the highest market share, with 43% of the total. On the other hand, the remaining volumes imported came for 28% from Mazara, 11% from Gries (Northern Europe), 11% from LNG (mainly from the Rovigo regasification plant/Cavarzere entry point - Qatar) and finally 7% from Gela (Libya).

Imports by entry point over the total*

(Valori %)



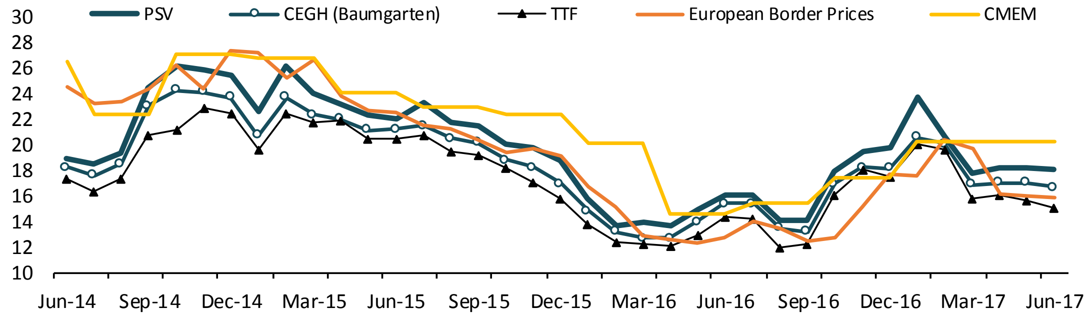
(*) Cumulative amounts at 31 December 2016

Source: REF-E processing of SRG data

Wholesale gas price

In the first six months of 2017 the wholesale prices of European natural gas recorded a sharp rise compared to the same period of the previous year. The main cause of this increase was the overall growth of European demand, driven mainly by the increase in thermoelectric consumption and by the lack of availability of LNG loads at northern European terminals, above all in the winter period.
In 2017, the TTF, the Dutch hub price, recorded for the first half an average figure for spot prices of 17.08 €/MWh, up by 30% compared to the same period of 2016. The Austrian CEGH, in 2017, came out in the first six months at an average figure of 18.08 €/MWh. Finally, the PSV continues to remain a premium market compared to the other northern European hubs, recording, during the period just ended, a price of 19.47 €/MWh, up by 32% compared to the same period of 2017. The spread between PSV and TTF also increased, going up from +1.68 €/MWh (first half of 2016) to +2.39 €/MWh (first half of 2017).
In the Italian market, the average balancing price of the first half of 2017 was 19.75 €/MWh, up compared to the same period of 2016 by 34%.
The so-called “CMEM component”, meant to reflect the cost of procuring gas at the price in the protected market, defined by the AEEGSI on the basis of the TTF forward prices, reflects the aforementioned increase, coming out at 20.26 €/MWh.
In the first half of 2017 the prices at the border, still in part oil-linked, showed growth of 28% compared to the same period of 2016, essentially due to the recovery of oil prices.

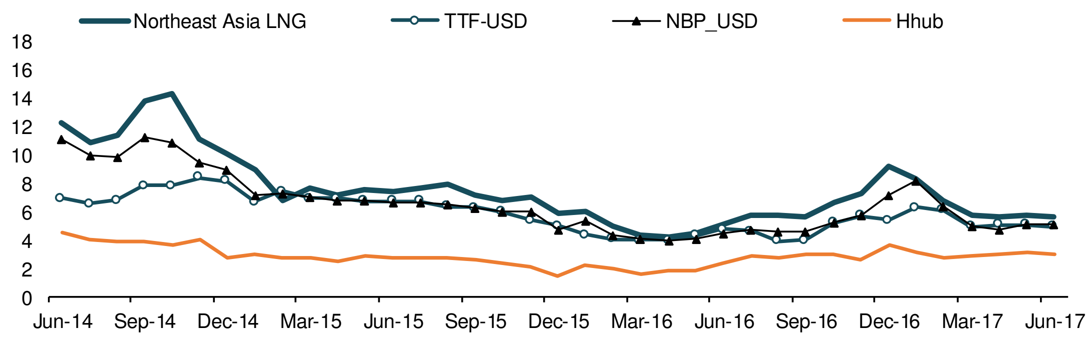
Wholesale prices in europe
(€/MWh)



Latest data 30 June 2017
Source: REF-E processing of Platts-WGI data

Looking at international markets, supply is growing mainly in Australia and in the United States, while that of the main producer, Qatar, is stable, also given the recent embargo. Demand shows however a more rapid growth compared to supply, above all in the Far East, where policies of switching from coal to gas and the reduction of nuclear energy production boost deliveries of LNG loads.
These factors therefore explain the increase in Asian spot prices in the first half of 2017, compared to the same period of 2016, which recorded an average of 6.3 $/MMbtu, up by 28%. Also in southern Europe and in Great Britain the hub prices of the period increased slightly compared to the previous six-month period (5.8 $/MMBtu in the first half of 2017 compared to the 4.4 $/MMBtu in the first half of 2016), as also in the American gas market, the Henry Hub, which came out at 3 $/MMBtu.

LNG Prices
($/MBtu)

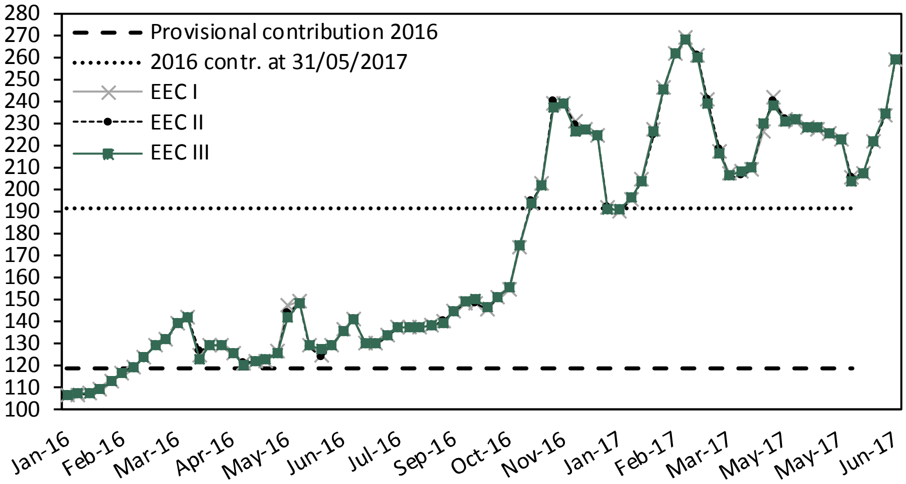


Latest data 30 June 2017
Source: REF-E processing of Platts-WGI data

WHITE CERTIFICATES (EECs)

Market trend

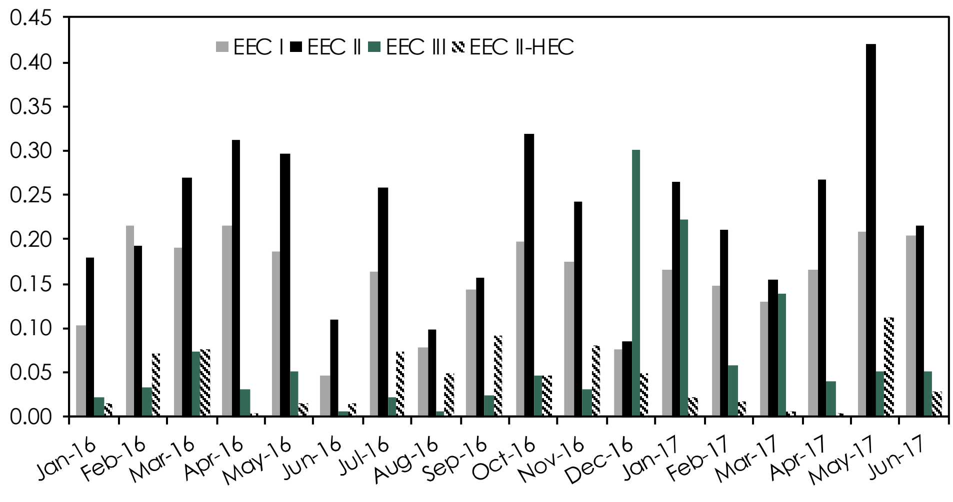
In the first half of 2017, the prices of Energy Efficiency Certificates (EECs) traded in the exchange recorded a substantial increase, reaching record price peaks in February, at up to 270 €/EEC. From the beginning of the year the market has remained stably above 190 €/EEC, with prices again rising sharply from the beginning of June.



* AEEGSI, DMEG/EFR/11/2016. ** REF-E calculation using GME data, last listing 31/05/2017

Source: REF-E processing of GME and AEEGSI data

In terms of total volumes traded on the exchange, there was an increase, compared to the first half of 2016, in certificates of type I, II and III. In particular certificates of type III showed a marked rise (above all in the first three months of the year), as did certificates of type II, which in May reached 400,000 EECs traded.
Over the half-year period there was instead a downward trend, going from 652,000 EECs in January to 470,000 EECs in June. The only rise, before the end of the obligation year, was seen in May, with 681,000 EECs.



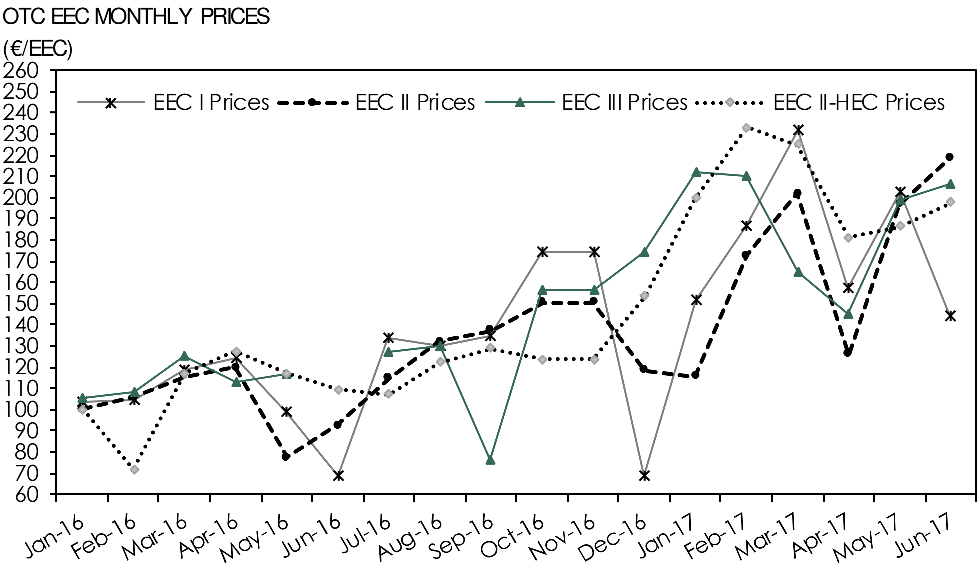
Monthly volumes from start of 2016

Source: REF-E processing of GME data

On the OTC market, the prices in the period January-June 2017 were characterised by fluctuating trends. EECs of type I, II and II-HYC increased gradually up to March, then dropped in April, and re-stabilised at around 200 €/EEC in May. The prices of type III instead followed an opposite route, dropping until April before rising rapidly in May, also reaching 200 €/EECs.

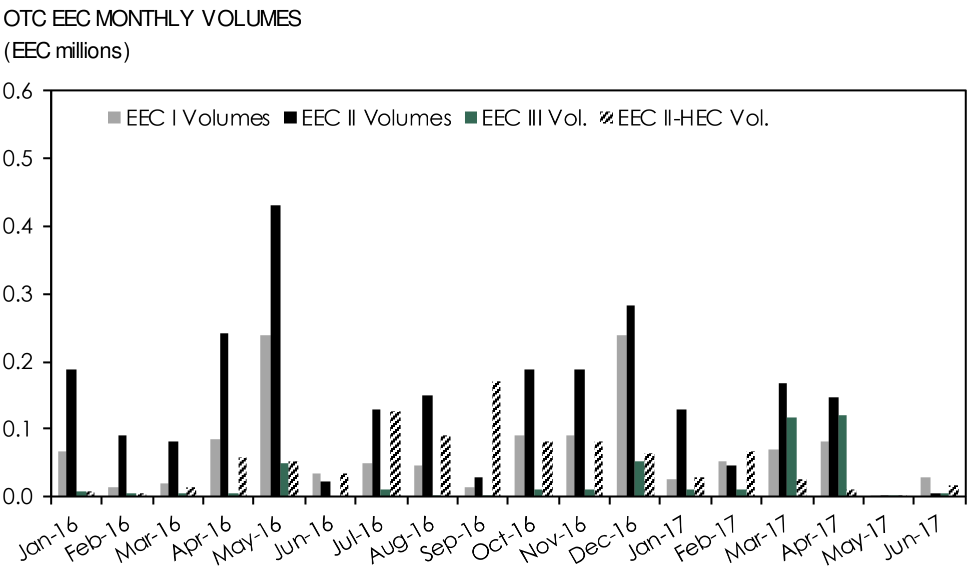
In June with the beginning of the obligation year, the prices fell sharply for EECs of type I, while they increased for the other types.

In general, however, higher prices were seen for all types compared to the same period of 2016. The increases reached even almost 90% as regards the II-HYC type. In particular, the maximum prices of EECs of type I jumped to 231.93 €/EEC (March), those of type II to 219.5 €/EEC (June), those of type II-HYC to 232.83 €/EEC (February) and finally those of type III to 212 €/EEC (January).



Monthly prices from start of 2016
Source: REF-E processing of GME data

As regards OTC monthly volumes in the first six months of the current year, there was a drop at the beginning of the year, with a marked recovery in April and May, which faded at the end of the obligation year in June, reaching 60,000 EECs.



Monthly volumes from start of 2016
Source: REF-E processing of GME and AEEGSI data

SIGNIFICANT EVENTS OF THE PERIOD

Conversion of Iren S.p.A. savings shares into ordinary shares by FCT Holding S.p.A. and subsequent sale

On 2 March 2017 FCT Holding S.p.A. communicated that it had concluded the sale of 14,001,986 ordinary shares, representing 1.18% of the Iren S.p.A. ordinary share capital. After the sale, FCT Holding S.p.A. holds a 6.308% stake in the Iren share capital.

The shares sold derive from the conversion of savings shares into ordinary shares, within the settlement date of the Offer, in accordance with the conversion procedure indicated in Art. 6.9 of Iren’s By-laws.

This said, the Iren S.p.A. share capital is therefore currently represented by 1,195,727,663 ordinary shares with voting rights and by 80,498,014 savings shares without voting rights, all with a face value of 1.00 euro each.

EIB funding for investments in modernisation and the development of the electricity distribution grid

On 28 March 2017, Iren S.p.A signed a financing contract with the European Investment Bank (EIB) for a total of 75 million euro, to be utilised over several tranches, with a duration up to 15 years. The funding provided to Iren, on the basis of the successful economic and technical investigations by the EIB, is intended to support IRETI’s 2017–2021 Investments Plan regarding the development and modernisation of the electricity networks in order to be environmentally sustainable, and for research and development relating to these projects. The Investments programme focuses especially on the requalification of existing plants, and the replacement of electricity meters with second generation devices. This financing strengthens the financial profile of the Group and consolidates the collaboration with the EIB, taking the proportion of EIB loans, in a direct and guaranteed form, to approximately one third of the total consolidated debt.

Shareholders’ Meeting of IREN S.p.A.

On 20 April 2017, the Shareholders’ Meeting of IREN S.p.A. approved the Company’s Financial Statements in relation to financial year 2016, the 2016 Directors’ Report, the first section of the 2016 Remuneration Report and resolved to distribute a dividend of 0.0625 euro per share, confirming what had been proposed by the Board of Directors.

The dividend of 0.0625 euro for each ordinary and savings share was paid starting from 21 June 2017 (ex-dividend date 19 June 2017 and record date 20 June 2017).

Merger by incorporation of GEA Commerciale S.p.A. into Salerno Energia Vendite S.p.A.

On 16 May 2017, the merger deed was signed for the incorporation of the subsidiary GEA Commerciale into its associate Salerno Energia Vendite, after the framework agreement already signed by Salerno Energia Holding S.p.A. and IREN Mercato S.p.A. on 6 July 2016.

Following the merger, the shareholding structure of Salerno Energia Vendite sees IREN Mercato at 50%, Salerno Energia Holding at 48.8% and Gestione Servizi Comunali for the remaining 1.2%. The governance of the company enables the Group to fully consolidate Salerno Energia Vendite as a result after the incorporation.

The accumulated portfolio of the two entities, which operate in natural gas sales, is around 115,000 customers, located in geographical areas of interest: in the provinces of Grosseto in Tuscany, Frosinone in Lazio, and in almost all the provinces of Campania, as well as in a number of municipalities of the Basilicata and Calabria Regions.

The operation is part of the corporate rationalisation process outlined in the Business Plan and, besides contributing to achievements of the customer base growth targets indicated in it, will enable both the extraction of important synergies and the possibility of offering high-added-value services and dual-fuel contracts, expanding the territorial catchment area of reference through marketing campaigns aimed at acquiring new customers and ensuring the loyalty of current ones.

The operation comes within the exemption provided for in article 6 of the Internal Regulation on the subject of Transactions with Related Parties approved by the Board of Directors of IREN S.p.A. as, in relation to the concrete case in question, significant interests of other related parties of IREN S.p.A. were not observed.

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

Income statement

IREN GROUP INCOME STATEMENT

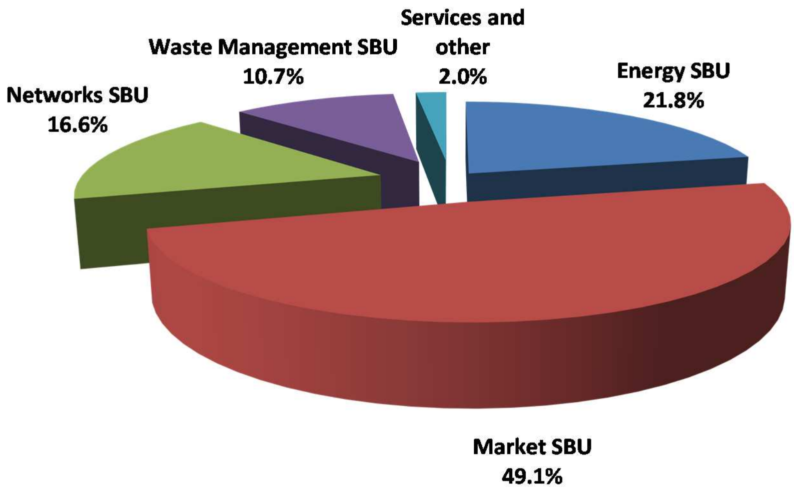
thousands of euro

	First half 2017	First half 2016 Restated (*)	Change %
Revenue			
Revenue from goods and services	1,701,170	1,439,272	18.2
Change in work in progress	(4,707)	923	(**)
Other income	117,069	115,033	1.8
Total revenue	**1,813,532**	**1,555,228**	**16.6**
Operating expense			
Raw materials, consumables, supplies and goods	(606,837)	(456,748)	32.9
Services and use of third-party assets	(549,204)	(472,733)	16.2
Other operating expenses	(40,961)	(34,358)	19.2
Capitalised expenses for internal work	11,637	10,130	14.9
Personnel expenses	(185,900)	(184,444)	0.8
Total operating expense	**(1,371,265)**	**(1,138,153)**	**20.5**
GROSS OPERATING PROFIT (EBITDA)	**442,267**	**417,075**	**6.0**
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(154,621)	(146,092)	5.8
Provisions and impairment losses	(29,901)	(32,122)	(6.9)
Total depreciation, amortisation, provisions and impairment losses	**(184,522)**	**(178,214)**	**3.5**
OPERATING PROFIT/LOSS (EBIT)	**257,745**	**238,861**	**7.9**
FINANCIAL INCOME AND EXPENSE			
Financial income	16,154	13,135	23.0
Financial expense	(56,428)	(65,983)	(14.5)
Total financial income and expense	**(40,274)**	**(52,848)**	**(23.8)**
Share of profit (loss) of associates accounted for using the equity method	4,541	705	(**)
Value adjustments on equity investments	8,572	16,694	(48.7)
Profit (loss) before tax	**230,584**	**203,412**	**13.4**
Income tax expense	(72,673)	(70,454)	3.1
Net profit (loss) from continuing operations	**157,911**	**132,958**	**18.8**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**157,911**	**132,958**	**18.8**
attributable to:			
- Profit (loss) - Group	145,123	121,436	19.5
- Profit (loss) - Non-controlling interests	12,788	11,522	11.0

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the economic balances of the first half of 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of TRM Holding, TRM V, TRM, ATENA and ATENA Trading. For more details please see the paragraph "Content and structure of the Condensed Consolidated Interim Report" in the Notes to the financial statements.
(**) Change of more than 100%

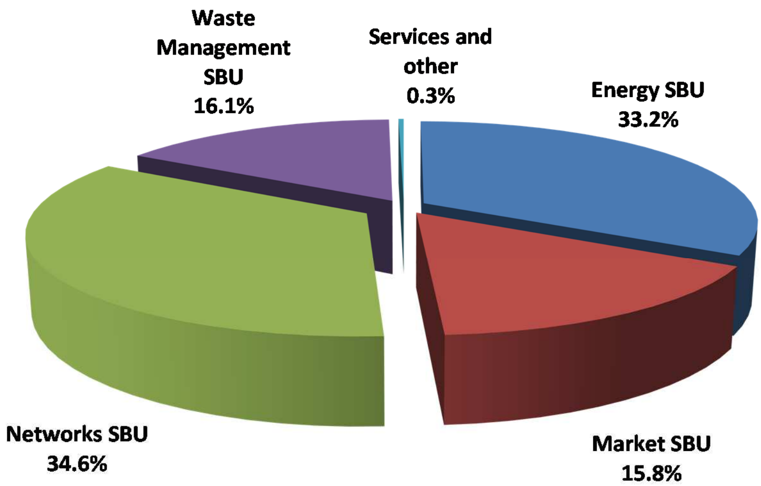
Revenue

At 30 June 2017, the Iren Group achieved revenue of 1,814 million euro, up by 16.6% compared to the 1,555 million euro of the first half of 2016. The increase recorded was due mainly to the change in the prices of electricity, to the higher quantities sold and to the expansion of the consolidation scope: Gruppo ATENA Vercelli starting from May 2016 and, starting from 1 January 2017, to the management of the integrated water service in the Municipalities previously managed by SAP-Società Acque Potabili, to REI, a company operating in waste disposal and Salerno Energia Vendite from 1 May 2017.



Gross Operating Profit (EBITDA)

The gross operating profit (EBITDA) amounted to 442 million euro, up by 6.0% compared to 417 million euro in the first half of 2016. All the business units contributed, to a different extent, to the improvement in the profit, with the sole exception of the Market business unit as a result of a particularly favourable and not replicable energy scenario which had characterised the first half of 2016.



Operating profit (EBIT)

Operating profit (EBIT) totalled 258 million euro, an improvement of 7.9% compared to the figure of 239 million euro in the first half of 2016 restated. The gross operating profit (EBITDA) trend was partially absorbed by higher amortisations and depreciations for around 8.5 million euro, in part offset by lower provisions and impairment losses of 2.2 million euro.

Financial income and expense
The economic components of a financial nature showed a balance of net financial expenses of 40.3 million euro (52.8 million euro in the first half of 2016). The significant reduction compared to the comparative period was the result, on the one hand, of the decrease in the average cost of debt and of the level of gross indebtedness, and on the other of the expenses for discounting provisions and the change in fair value regarding certain marginal hedging derivative positions not in hedge accounting, affected by the trend in interest rates.

Share of Profit (loss) of associates accounted for using the equity method
The result of associates accounted for using the equity method amounted to +4.5 million euro (+0.7 million euro in the first half of 2016). The positive change between the periods in question (+3.8 million euro) is mainly due to the results of the ASTEA Group, influenced by the capital gain realised from the transfer of control of the commercial company and the profit of the ASA Group, partly offset by the change in the results of other companies carried at equity.
During the comparative period, the item included the pro-rata result of ATENA, fully consolidated starting from May 2016.

Value adjustments on equity investments
The item was positive (+8.6 million euro) and refers to the restatement at fair value, at the date the controlling stake was acquired, of the non-controlling interest held in Salerno Energia Vendite.
In the first half of 2016 the item amounted to +16.7 million euro and included, on the one hand, the effect of restating the fair value of the non-controlling interest held at 31 December 2015 in TRM V. on the basis of the acquisition value of the controlling stake (10.5 million euro) and, on the other, the difference between the fair value of the net assets of the ATENA Group acquired and the purchase cost (6.2 million euro).

Profit (loss) before tax
As a result of the above trends the consolidated profit before tax came out at 230.6 million euro, up on the 203.4 million euro recorded in the first half of 2016 (+13.4%).

Income tax expense
Income tax expense for the period amounted to 72.7 million euro, up by 3.1% compared to same period of 2016 in relation to the higher pre-tax profit. The effective tax rate was 31.5% (34.6% in the corresponding period) and represents an estimate, as of today, of the impact of the cost of taxes for 2017. The reduction in the tax rate was due above all to the nominal IRES rate that came down from 27.5% to 24% starting from 1 January 2017, pursuant to the 2016 Stability Law.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	30.06.2017	31.12.2016 Restated (*)	Change %
Non-current assets	5,226,099	5,232,897	(0.1)
Other non-current assets (liabilities)	(159,015)	(148,513)	7.1
Net Working Capital	199,308	170,991	16.6
Deferred tax assets (liabilities)	63,455	57,899	9.6
Provisions for risks and employee benefits	(549,677)	(561,622)	(2.1)
Assets (Liabilities) held for sale	522	2,498	(79.1)
Net invested capital	**4,780,692**	**4,754,150**	**0.6**
Shareholders' equity	2,377,636	2,297,043	3.5
Non-current financial assets	*(51,113)*	*(49,950)*	*2.3*
Non-current financial debt	*2,894,187*	*2,967,471*	*(2.5)*
Non-current net financial debt	2,843,074	2,917,521	(2.6)
Current financial assets	*(782,559)*	*(860,245)*	*(9.0)*
Current financial debt	*342,541*	*399,831*	*(14.3)*
Current net financial debt	(440,018)	(460,414)	(4.4)
Net financial debt	2,403,056	2,457,107	(2.2)
Own funds and net financial debt	**4,780,692**	**4,754,150**	**0.6**

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the financial balances at 31 December 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of ATENA and ATENA Trading. For more details please see the paragraph "Content and structure of the Condensed Consolidated Interim Report" in the Notes to the financial statements.

The main changes in the statement of financial position for the first half of 2017 are commented on below.

Non-current assets at 30 June 2017 amounted to 5,226 million euro, substantially in line compared to 31 December 2016, when they amounted to 5.233 million euro (-7 million euro). The change is essentially the result of technical investments in the period (+103 million euro), depreciation and amortisation (-155 million euro), changes in the ETS portfolio (-10 million euro), the acquisitions of 45% of GAIA -the waste Management segment company of the Province of Asti- (+15 million euro) and the assets of the business unit related to water service concessions acquired by Acque Potabili S.p.A. (+25 million euro), besides the assets acquired following the consolidation of Salerno Energia Vendite, mainly referred to goodwill (16 million euro).
For segment details on investments in the period, reference should be made to the section "Business Segment Reporting" below.
The Net Working Capital was 199 million euro (171 million euro at 31 December 2016); the increase (+16.6%) was substantially due to the change in the balances related to environmental certificates and to the change in tax payable, as well as to components of a commercial nature.
"Provisions for Risks and Employee Benefits" came out at 550 million euro; the item decreased compared to the 562 million euro of 31 December 2016 following the utilisations and adjustments of estimates higher than the provisions set aside in the period.

Shareholders' Equity was 2,378 million euro, up by 3.5% compared to 31 December 2016 (2,297 million euro), essentially as a result of the effect of the profit for the period and the increase in the reserves following the consolidation of Salerno Energia Vendite, net of dividends distributed.
Net financial debt for 2,403 million euro, recorded a drop (54 million euro, equal to 2.2%) compared to 31 December 2016, due mainly to the positive contribution of cash flows from operational management, which are detailed in the statement of cash flows presented below.

CASH FLOW STATEMENT OF THE IREN GROUP

Change in net financial debt

The statement below details the movements in the Group's net financial debt during the first half of 2017.

thousands of euro

	First half 2017	First half 2016 Restated (*)	Change %
A. Opening Net financial (debt)	**(2,457,107)**	**(2,169,369)**	**13.3**
Cash flows from operating activities			
Profit (loss) for the period	157,911	132,958	18.8
Adjustments for non-financial movements	301,281	290,892	3.6
Utilisations of employee benefits	(3,484)	(5,487)	(36.5)
Utilisations of provisions for risks and other charges	(15,369)	(10,490)	46.5
Change in other non-current assets and liabilities	8,674	(4,665)	(**)
Other financial changes	(5,255)	(2,553)	(**)
Taxes paid	(57,471)	(3,726)	(**)
B. Cash flows from operating activities before changes in NWC	**386,287**	**396,929**	**(2.7)**
C. Cash flows from changes in NWC	**(82,309)**	**(114,389)**	**(28.0)**
D. Cash flows from /(used in) operating activities (B+C)	**303,978**	**282,540**	**7.6**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(103,207)	(97,701)	5.6
Investments in financial assets	(15,175)	(30)	(**)
Proceeds from the sale of investments and changes in assets held for sale	2,794	7,531	(62.9)
Changes in consolidation scope	(10,127)	(432,778)	(97.7)
Dividends received	1,665	6,979	(76.1)
E. Total cash flows from /(used in) investing activities	**(124,050)**	**(515,999)**	**(76.0)**
F. Free cash flow (D+E)	**179,928**	**(233,459)**	**(**)**
Cash flows from /(used in) financing activities			
Dividends paid	(88,864)	(86,698)	2.5
Interest paid	(38,935)	(42,451)	(8.3)
Interest received	7,707	7,691	0.2
Change in fair value of hedging derivatives	4,779	(1,730)	(**)
Other changes	(10,564)	(13,779)	(23.3)
G. Total cash flows from /(used in) financing activities	**(125,877)**	**(136,967)**	**(8.1)**
H. Change in net financial (debt) (F+G)	**54,051**	**(370,426)**	**(**)**
I. Closing Net financial (debt) (A+H)	**(2,403,056)**	**(2,539,795)**	**(5.4)**

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the presentation of the cash flows of the first half of 2016 was restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of TRM Holding, TRM V, TRM, ATENA and Atena Trading. For more details please see the paragraph "Content and structure of the Condensed Consolidated Interim Report" in the Notes to the financial statements.
(**) Change of more than 100%

The decrease in net financial debt derives mainly from the free cash flow of the period (+180 million euro), higher than the flows deriving from financing activity (-126 million euro), the latter including the payment of dividends that occurred in the period. In particular, the free cash flow derives from the combined effect of the following determinants:

- operating cash flow of 304 million euro;
- cash flow from investing activity, a negative 124 million euro which, besides the technical investments of the period, includes the capital increase in GAIA (15 million euro) and, in the item "Changes in consolidation scope", the acquisition of the net assets of the business unit from Acque Potabili.

The free cash flow in the first half of 2016 of -233 million euro included the effect of the operation to acquire control over TRM, in the item "Changes in consolidation scope", which had absorbed the positive net cash flows of the period. We can note finally that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Notes to this document.

SEGMENT REPORTING

The Iren Group operates in the following business segments:

- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (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 Italian north-west area, the following segment information does not include a breakdown by geographical area.
Net invested capital compared to the figures at 31 December 2016 and income statements (up to the operating profit (EBIT)) are presented below by business segment and include a comparison with the figures for the 1st half of 2016 restated.
In the first half of 2017 non-regulated activities contributed to the formation of gross operating profit (EBITDA) for 30%, in line with the figure for the first half of 2016, regulated activities accounted for 40% (41% in 2016), while semi-regulated activities went up from 29% in 2016 to 30% in 2017.

Statement of financial position by business segment at 30 June 2017

millions of euro

	Energy	Market	Networks	Waste	Other services	Non-allocable	Total
Non-current assets	1,833	75	2,179	944	24	171	5,226
Net Working Capital	20	(37)	144	41	31	-	199
Other non-current assets and liabilities	(102)	0	(400)	(147)	4	-	(645)
Net invested capital (NIC)	**1,751**	**38**	**1,924**	**838**	**59**	**171**	**4,781**
Shareholders' equity							2,378
Net financial position							2,403
Own funds and net financial debt							**4,781**

Statement of financial position by business segment at 31 December 2016

millions of euro

	Energy	Market	Networks	Waste	Other services	Non-allocable	Total
Non-current assets	1,876	77	2,144	959	21	156	5,233
Net Working Capital	25	(8)	114	8	31	-	171
Other non-current assets and liabilities	(90)	(5)	(388)	(151)	(16)	-	(650)
Net invested capital (NIC)	**1,811**	**64**	**1,871**	**816**	**36**	**156**	**4,754**
Shareholders' equity							2,297
Net financial position							2,457
Own funds and net financial debt							**4,754**

Income Statement by business segment, first half of 2017

millions of euro

	Energy	Market	Networks	Waste	Other services	Netting and adjustments	Total
Total revenue and income	555	1,248	421	270	50	(731)	1,814
Total operating expense	(408)	(1,178)	(268)	(199)	(49)	731	(1,371)
Gross Operating Profit (EBITDA)	**147**	**70**	**153**	**71**	**1**	**-**	**442**
Net am./depr., provisions and impairment losses	(63)	(21)	(67)	(33)	(1)	-	(185)
Operating profit (EBIT)	**84**	**49**	**86**	**38**	**1**	**-**	**258**

Income Statement by business segment, first half of 2016

millions of euro

	Energy	Market	Networks	Waste	Other services	Netting and adjustments	Total
Total revenue and income	403	1,084	400	254	32	(617)	1,555
Total operating expense	(284)	(1,001)	(251)	(191)	(27)	617	(1,138)
Gross Operating Profit (EBITDA)	**118**	**83**	**148**	**63**	**4**	**-**	**417**
Net am./depr., provisions and impairment losses	(59)	(24)	(61)	(34)	(1)	-	(178)
Operating profit (EBIT)	**60**	**59**	**87**	**29**	**3**	**-**	**239**

Energy SBU

At 30 June 2017, the revenue of the period totalled 555 million euro, up by +37.8% compared to 403 million euro in the first half of 2016.

			First half 2017	First half 2016	Change %
Revenue		€/mln	555	403	37.8%
Gross Operating Profit (EBITDA)		€/mln	147	118	24.1%
EBITDA Margin			*26.5%*	*29.4%*	
Operating Profit (EBIT)		€/mln	84	60	40.6%
Investments		€/mln	12	15	-24.2%
Electricity produced		GWh	4,859	4,036	20.4%
	from hydroelectric sources	*GWh*	636	674	-5.7%
	from cogeneration sources	*GWh*	3,391	2,713	25.0%
	from thermoelectric sources	*GWh*	832	649	28.1%
Heat produced		GWh_t	1,551	1,479	4.8%
	from cogeneration sources	*GWh_t*	1,366	1,281	6.6%
	from non-cogeneration sources	*GWh_t*	185	197	-6.4%
District heating volumes		Million m^3	85	82	3.7%

At 30 June 2017 electricity produced was 4,859 GWh, up by +20.4% compared to the 4,036 GWh in the same period of 2016, as a result of higher thermoelectric production at the Turbigo plant and at the cogeneration plants.

In particular, total thermoelectric production was 4,223 GWh, of which 3,391 GWh from cogeneration sources, up by +25% compared to the 2,713 GWh of the first half of 2016 and 832 GWh from thermoelectric sources in the strict sense, connected with the contribution of the Turbigo plant up by +28.1% compared to the 649 GWh of the corresponding period of 2016.
Hydroelectric production was 636 GWh, down by 5.7% compared to 674 GWh in the first half of 2016.
Heat production in the period amounted to 1,551 GWht up by 4.8% compared to the 1,479 GWht of the first half of the previous year, as a result of a more favourable thermal season compared to the particularly mild season in financial year 2016 and the increase in volumes connected. Overall district heating volumes amounted to approximately 85 million m^3 up by 3.7% compared to the approximately 82 million m^3 of the corresponding period of 2016.

Gross operating profit (EBITDA) amounted to 147 million euro, up (24.1%) on the 118 million euro of the corresponding period of 2016.
This improvement was mainly due to the recovery of margins in all the electricity production segments (hydroelectric, cogeneration and thermoelectric) boosted by an increase in the unitary margins and by the higher volumes generated, with the sole exception of hydroelectric production with quantities produced slightly down. The improvement was also absorbed to a residual extent by the lower unitary margins of heat production, in part offset, however, by the higher volumes of heat distributed.

The operating profit (EBIT) of the Energy segment totalled 84 million euro, an improvement of 40.6% compared to the 60 million euro of the corresponding period of 2016. The trend in the operating profit was partially absorbed by lower releases of provisions and higher provisions set aside for risks (approximately 7 million euro), partially offset by lower impairment losses of approximately 3.4 million euro.
Technical investments made in this sector amounted to 12 million euro.

Market SBU

At 30 June 2017, the revenue of the segment amounted to 1,248 million euro, up (+15.2%) from the 1,084 million euro in the corresponding period of 2016. As of May 2016, the consolidation scope of the Market SBU includes Atena Trading, a company operating in the Province of Vercelli, and as of May 2017 the company Salerno Energia Vendite (SEV).

Gross operating profit (EBITDA) amounted to 70 million euro, down by 15.6% from the 83 million euro of the first half of 2016.

Operating profit (EBIT) amounted to 49 million euro, down (-18%) from the figure of 59 million euro in the corresponding period of 2016. The negative trend of gross operating profit (EBITDA) was in part absorbed by the lower provisions set aside for impairment of receivables of approximately 3 million euro.

		First half 2017	First half 2016	Change %
Revenue	€/mln	1,248	1,084	15.2%
Gross Operating Profit (EBITDA)	€/mln	70	83	-15.6%
EBITDA Margin		*5.6%*	*7.6%*	
from Electricity	*€/mln*	11	32	-65.6%
from gas	*€/mln*	57	51	11.1%
from Other sales services	*€/mln*	2	0	(*)
Operating Profit (EBIT)	€/mln	49	59	-18.0%
Investments		10	9	11.1%
Electricity Sold	GWh	4,763	5,154	-7.6%
Gas purchased	Million m^3	1,674	1,373	21.9%
Gas sold by the Group	Million m^3	687	546	25.8%
Gas for internal use	Million m^3	871	725	20.1%
Gas in storage	Million m^3	116	102	13.4%

(*) Change of more than 100%

Sale of electricity

The volumes of electricity sold amounted to 4,763 GWh (net of pumping, network leaks and dedicated withdrawals) down by 7.6% compared to the 5,154 GWh of the first half of the previous year.
The drop is attributable solely to sales on the market carried out as from 1 April 2016 directly by the Energy BU, following a reorganisation of the Energy Management business.
Net of this organisational event, volumes sold on the free market, including the segments of business and retail customers and wholesalers, amounted to a total of 4,421 GWh, up 34.7% compared to the 3,283 GWh of the same period of 2016, and this is also due to the change in the scope related to the entry of Atena Trading as from May 2016 and of SEV as from May 2017.

The gross operating profit (EBITDA) of the sale of electricity amounted to 11 million euro, down compared to 32 million euro in the first half of 2016. The trend of the gross operating profit (EBITDA) was characterised by a sharp drop of the first margin of the free market owing mainly to a particularly unfavourable energy scenario characterised by a short-term increase in the costs of procuring electricity. These effects were partially offset by the higher quantities sold and the increase in the marketing components.

Sale of Natural Gas

The volumes purchased amounted to 1,674 million m³, up by 21.9% compared to the 1,373 million m³ of the first half of 2016. The gas sold by the group amounted to 687 million m³, up by +25.8% compared to the 546 million m³ of the first period of 2016, while internal consumption was 871 million m³ up by 20.1% compared to the 725 million m³ of the first half of 2016.

Gross operating profit (EBITDA) of gas sales amounted to 57 million euro, up (+11.1%) compared to the 51 million euro recorded in the first half of 2016. The increase was mainly due to the better procurement conditions guaranteed by the use of storage and to the contribution of Atena Trading consolidated starting from May 2016.

Sales of other services

Heat sales and other services presented an operating profit of 2 million euro, slightly up on the corresponding period of 2016.

Networks SBU

At 30 June 2017 the business segment of Network activities, which comprises the businesses of Gas Distribution, Electricity and the Integrated Water Service, recorded revenue of 421 million euro, up by 5.4% compared to the corresponding period in 2016, in which it was 400 million euro. The increase in revenue is attributable mainly to entry into the consolidation scope of Atena SpA as of May 2016 and the completion the acquisition of the business unit of Società Acque Potabili from 01 January 2017.

Gross operating profit (EBITDA) amounted to 153 million euro, up + 3.0% on the 148 million euro of the comparative period.

The net operating profit (EBIT) of the sector amounted to 86 million euro, down by -1.2% compared to 87 million euro in the first half of 2016. The positive trend in gross operating profit (EBITDA) was more than absorbed by the higher depreciation, amortisation and provisions for impairment of receivables, only partially offset by the higher provision releases and lower impairment losses.

The main changes in gross operating profit for the segments concerned are illustrated below.

		First half 2017	**First half 2016**	**Change %**
Revenue	€/mln	421	400	5.4%
Gross Operating Profit (EBITDA)	€/mln	153	148	3.0%
EBITDA Margin		*36.3%*	*37.1%*	
from Electricity Networks	*€/mln*	*35*	*35*	*-0.1%*
from gas networks	*€/mln*	*38*	*36*	*5.9%*
from Integrated Water Service	*€/mln*	80	77	*3.1%*
Operating Profit (EBIT)	€/mln	86	87	-1.2%
Investments	€/mln	65	60	8.7%
in Electricity Networks	*€/mln*	*11*	*12*	*-7.5%*
in Gas Networks	*€/mln*	*15*	*16*	*-7.2%*
in Integrated Water Service	*€/mln*	40	32	22.2%
Electricity distributed	GWh	2,023	2,001	1.1%
Gas introduced into the network	Million m^3	736	693	6.2%
Water sold	Million m^3	89	83	7.5%

Networks SBU - Electricity

The gross operating profit (EBITDA) amounted to 35 million euro, in line with the first half of 2016.
The lower constraint revenue and other revenue and higher costs for energy efficiency certificates (EECs) were offset by lower operating expense and by the change in the scope deriving from Atena SpA.
During the period investments for 11 million euro were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) of gas distribution networks amounted to 38 million euro, up by 5.9% compared to 36 million euro in the first half of 2016. The slight increase in the margin was mainly due to the higher constraint revenue, to operating synergies and the change in the consolidation scope deriving from ATENA SpA only partially offset by the higher costs related to energy efficiency certificates (EECs).
Investments made in the period amounted to 15 million euro and regarded the provisions of AEEGSI resolutions, in particular making the network compliant with cathodic protection, the installation of electronic meters and replacement of grey cast iron pipes.

Networks SBU - Water Cycle

The gross operating profit (EBITDA) for the period amounted to 80 million euro, up by 3.1% compared to 77 million euro in the first half of 2016. The increase in the margin was mainly due to synergies, lower operating expense and to the change in the consolidation scope deriving from the acquisition of the business unit Società Acque Potabili (SAP) and of ATENAS.p.A., only partially offset by the derecognition of contingent assets which were manifested in the first half of 2016, and therefore not replicable.

Investments in the period totalled 40 million euro and concerned the construction, development and maintenance of distribution networks and plants, the sewerage network and in particular water treatment plants.

Waste Management SBU

At 30 June 2017, turnover for the segment amounted to 270 million euro, up 6.1% from the 254 million euro in the first half of 2016. The increase is due to higher revenue from waste collection and management of special waste, the higher electricity revenue of the disposal hubs and the effect of ATENA S.p.A. entering the consolidation scope from May 2016 and of REI from 1 January 2017.

		First half of 2017	First half of 2016	Change %
Revenue	€/mln	270	254	6.1%
Gross Operating Profit (EBITDA)	€/mln	71	63	12.9%
EBITDA Margin		*26.4%*	*24.8%*	
Operating Profit (EBIT)	€/mln	38	29	28.6%
Investments	€/mln	7	7	5.9%
Electricity sold	GWh	257	246	4.5%
Thermal energy produced	GWh_t	106	103	3.3%
Waste managed	tonnes	*984,478*	931,751	5.7%
Emilia area separate waste collection	%	*69.3*	*68.0*	*1.8%*
Turin area separate waste collection	%	*44.2*	*42.6*	*3.8%*

Gross operating profit (EBITDA) of the segment amounted to 71 million euro, up 12.9% on the 63 million euro of the first half of 2016. The increase was due to the recognition among revenues of the effect of full recognition of the disposal tariffs approved in the Emilia area, to the increase in energy revenue of the disposal hubs, mainly as a result of the favourable trend in electricity prices, to the consolidation of ATENA S.p.A. as of May 2016 and of REI as of 1 January 2017.
The operating profit (EBIT) was 38 million euro, up 28.6% compared to the 29 million euro recorded in the corresponding period in 2016, restated. The period was characterised by a higher release of provisions and lower amortisation and depreciation for +3.3 million euro, offset by higher provisions for risks and provisions for impairment of receivables for a total of 2.7 million euro.
The investments made in the period amounted to 7 million euro and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection based on the door-to-door and separated method.

Services and other

		First half 2017	First half 2016	Change %
Revenue	€/mln	50	32	59.0%
Gross Operating Profit (EBITDA)	€/mln	1	4	-72.5%
EBITDA Margin		*2.3%*	*13.4%*	
Operating Profit (EBIT)	€/mln	1	3	-76.9%
Investments	€/mln	9	7	40.1%

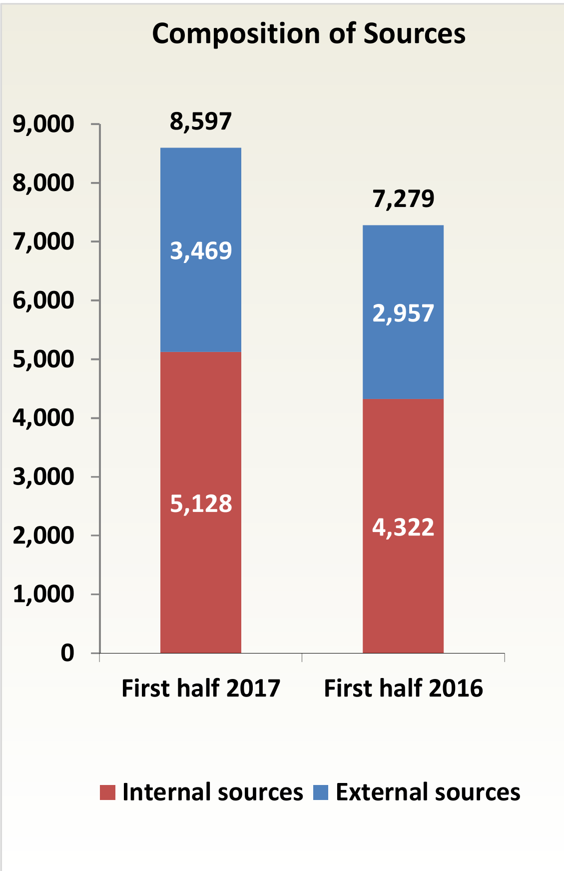
(*) Change of more than 100%

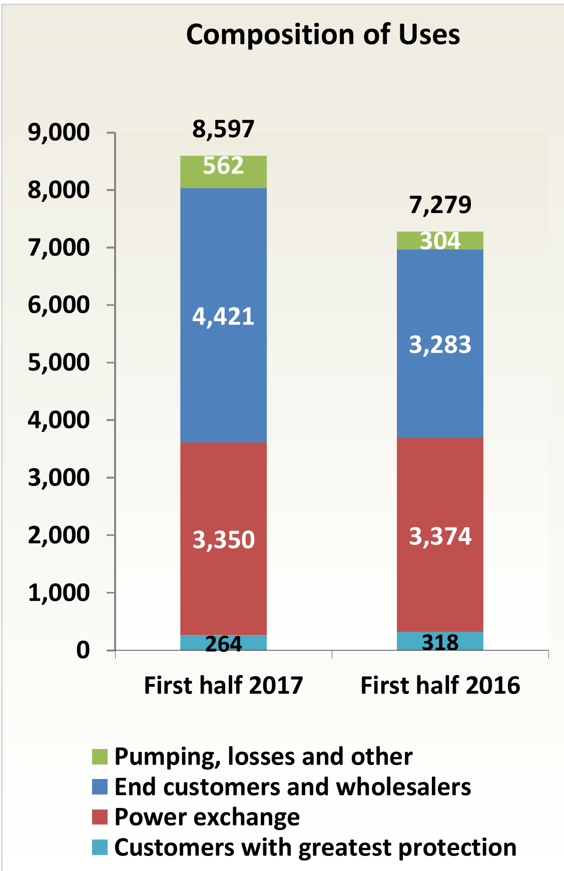
At 30 June 2017, the revenue totalled 50 million euro, up by 59.0% compared to the 32 million euro of the first half of 2016.
Gross operating profit (EBITDA) at 1 million euro was down compared to the 4 million euro in the first six months of 2016.
The reduction was mainly due to the margins on extraordinary projects associated with public lighting and traffic lights which had characterised the first half of 2016 and were not replicable.
Investments in the period amounted to 9 million euro and related largely to information technology and telecommunications.

ENERGY BALANCES

Electricity balance sheet

GWh	First half 2017	First half 2016	Change %
SOURCES			
The Group's gross production	5,128	4,322	18.6
a) Hydroelectric	*636*	*674*	*(5.6)*
b) Cogeneration	*3,391*	*2,713*	*25.0*
c) Thermoelectric	*832*	*649*	*28.1*
d) Production from WTE plants and landfills	*269*	*286*	*(5.9)*
Purchases from *Acquirente Unico* [Single Buyer]	279	334	(16.5)
Energy purchased on the Power Exchange	1,994	1,588	25.6
Energy purchased from wholesalers and imports	1,196	1,035	15.6
Total Sources	**8,597**	**7,279**	**18.1**
USES			
Sales to protected customers	264	318	(17.0)
Sales on the Power Exchange	3,350	3,374	(0.7)
Sales to eligible final customers and wholesalers	4,421	3,283	34.7
Pumping, distribution losses and other	562	304	84.9
Total Uses	**8,597**	**7,279**	**18.1**

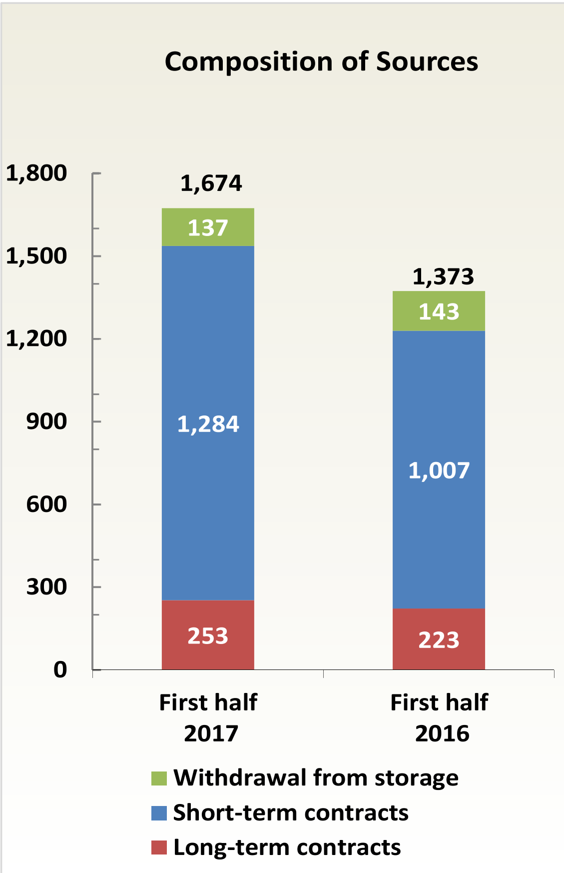


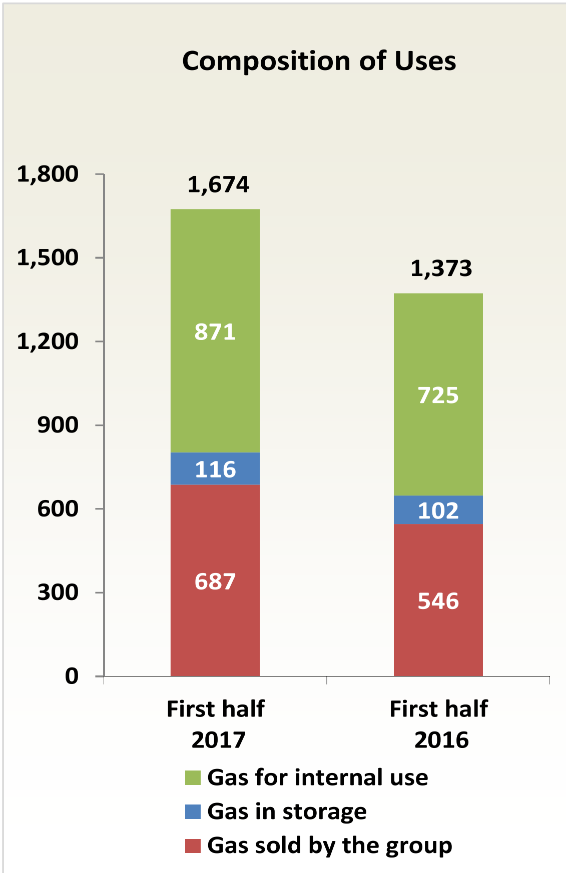


Gas Production

Gas Production Millions of m³	First half of 2017	First half of 2016	Change %
SOURCES			
Long-term contracts	253	223	13.5
Short- and medium-term contracts	1,284	1,007	27.5
Withdrawals from storage	137	143	(4.2)
Total Sources	**1,674**	**1,373**	**21.9**
USES			
Gas sold by the Group	687	546	25.8
Gas for internal use [(1)]	871	725	20.1
Gas in storage	116	102	13.7
Total Uses	**1,674**	**1,373**	**21.9**

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





SIGNIFICANT SUBSEQUENT EVENTS AND BUSINESS OUTLOOK

Publication of resolution no. 548/2017/R/gas by the AEEGSI and closure at the same time of the enquiry procedure launched with resolution no. 607/2016/R/gas of 17 October 2016.

AEEGSI resolution no. 548/2017, published on 28 July 2017, ended the enquiry procedure launched by the same with resolution no. 607/2016/R/gas of 17 October 2016, on regasification tariffs of the terminal held and managed by OLT Offshore LNG Toscana S.p.A. (OLT), a company in which the IREN Group holds an equity interest of 46.79% in the share capital.

The Resolution ascertained the existence of the conditions for recognition of the regulated status to the regasification terminal, confirming the right to the revenue coverage factor and to the additional remuneration on the invested capital, although with certain limitations which will apply as from 1 January 2018.

In particular, starting from next January this additional remuneration is set at 2% (*floor*) with additional recognition of 1% according to the use of the terminal. This mechanism for promoting efficiency will be applied only if the auctions are held to allocate the regasification capacity. If these auctions are not held, for reasons not attributable to OLT, there will be the inclusion of 3% in calculating the revenue coverage factor.

Besides this, for the purposes of defining the tariff, the costs for maritime services and the costs for self-producing electricity are recognised. In relation to these costs, as the proceeding is still in progress for defining the methods of measuring the efficient cost, a floor was provided for of 85% of the value requested by OLT (and based on the historical cost incurred).

Lastly, the obligation to sign the transport contract for 100% of the regasification capacity of the Terminal is reduced to 5 years.

The amounts payable as final adjustment, for the period 2014-2017, will be paid by Cassa per i Servizi Elettrici Ambientali (CSEA) in five annual instalments of an equal amount. This is also required to return the bank guarantees given to OLT, as they are no longer necessary.

The positive effects, both earlier and current, related to Resolution 548/2017 are currently being assessed by the IREN Group.

BUSINESS OUTLOOK

The first half of 2017 saw both the consolidation of growth in the Euro Area, and an essentially positive trend in Italy. This trend was reflected in the stable increase in the price of energy commodities, in particular of the SNP (the price of electricity on the Power Exchange) which between the first of January and 30 June of this year recorded an increase of 38%, thanks also to contingent factors linked to the temporary closure of a number of nuclear power stations in France. This created a short-term situation which enabled the Group to seize significant growth options, showing increasing results driven by the performance of the energy supply chain, particularly in its generation component.

These results derive from IREN's ability to implement precisely and effectively the initiatives outlined in the Business Plan presented in the second half of 2016. In the rest of the year the Group will keep its focus on achieving the targets indicated in the aforementioned plan, through actions based on a continuous improvement of internal efficiency and consequent obtainment of significant synergies; the establishment of the centrality of the Customer in a multi-business logic and consolidation of its role as aggregator and driver of development in the North-West of Italy.

FINANCIAL MANAGEMENT

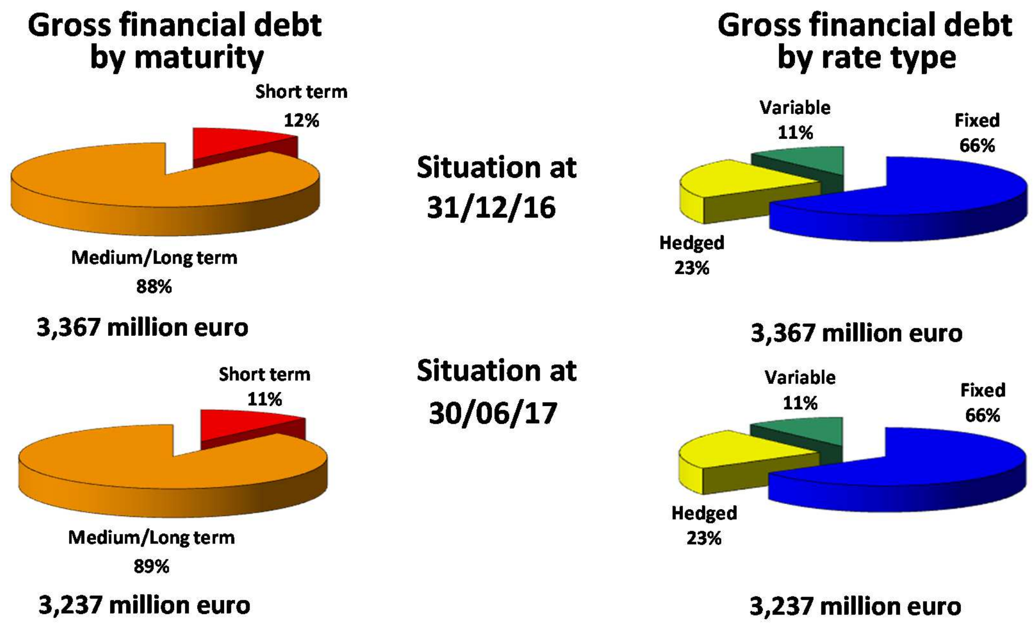
General framework

During the first half of 2017, the downward trend of interest rates remained for the short-term part of the rate curve, while the medium/long-term part saw great volatility in a scenario that has an upward trend.
The latest intervention by the European Central Bank refers to the cut in rates in March 2016. The current rate is 0%. Examining the trend in the six-month Euribor rate we can note that the parameter that has been in negative territory since November 2015, continued on the trend of slow but progressive decline to the current levels of -0.27%. The quotation of fixed rates, reflected in the 5- and 10-year IRS figures, since the last quarter of 2016 has come back almost to the levels of the beginning of 2016.

Activities performed

During the first half of 2017, 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 debt, the investments, the trend in 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.
Financial debt at the end of the period is made up 52% of loans and 48% of bonds.
Moving on to discuss in detail the financing transactions completed in the first half of 2017, as detailed in the "Significant events of the period", we can note the new funding contract with the European Investment Bank (EIB) for 75 million, for investments in the electricity distribution grid.
With this new funding, direct loans with the European Investment Bank, with a duration of up to 15 years, remaining unused and available total 285 million euro.
In order to optimise the Group's financial structure, liability management continued in respect of existing debt positions with a view to taking advantage of favourable market opportunities.
In the context of the Risk Management activity, in order to limit the risks of changes in interest rates, the Group uses hedging contracts, following a non-speculative strategy (see the section "Group Financial Risk Management" of the Notes to the Statements). In the period, new Interest Rate Swap contracts were not entered into.
At 30 June 2017, the portion of floating rate debt not hedged by exchange rate derivatives was 11% of gross financial debt, in line with the objective of the Iren Group which is to maintain adequate protection against significant increases in interest rates.

The composition of gross financial debt by maturity and rate type, compared with the situation at 31 December 2016, is shown below.



Rating

In December 2016, the Fitch agency confirmed for the Iren Group a BBB- rating, with a stable outlook. The reasons for the "Investment Grade" rating are mainly associated with the balanced mix of its business portfolio between regulated and semi-regulated activities, the liquidity profile, the solid nature of its shareholding structure and the Group's strategy confirmed in the latest business plan oriented to greater efficiency, integration and debt reduction, as well as the positive result reported in the last 12-18 months.

In support of the liquidity risk indicators, in addition to the available lines for medium/long term funding referred to above, three-year committed credit lines were negotiated, which at the end of the period amounted to 140 million euro.

RISKS AND UNCERTAINTIES

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

- Financial Risks (liquidity, interest rate, exchange rate);
- Credit Risk;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity, heat and gas, and to the hedging derivative markets;
- 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 the related risks. The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage the financial, credit and energy risks.
As the Iren Group also pays particular attention to maintaining trust and a positive image of the Group, the Enterprise Risk Management model also manages “reputational risks”, which relate to the impacts on stakeholders of any malpractices.

The “Risk Management” Department, reporting to the Deputy Chairperson, operates within the Holding. This department is formally entrusted with the following activities:

- coordinating the process for integrated management of the Group’s risks, including those related to M&A operations;
- assessing the Group’s insurance needs, designing programmes, signing and managing policies, with the collaboration of the Legal Unit.

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

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

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that 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. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.
A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

b) Exchange rate risk

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

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

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

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and environmental services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

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

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

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

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

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

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

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

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

3. ENERGY RISK

The Iren Group is exposed to price risk, on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly or through indexing formulae. Exposure to exchange rate risk, typical of oil-based commodities, is present, but is attenuated thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products.
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 the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae. The objective is to obtain a sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group’s customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

For a more detailed analysis of the risks dealt with up to now, reference should be made to the paragraph “Group Financial Risks Management” in the Notes to the Condensed Consolidated Interim Report.

4. OPERATIONAL RISKS

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

Of particular note are:

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

b. Plant-related risks

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

c. IT Risks

IT Risks (Cyber Risks) are defined as the set of internal and external threats which can compromise business continuity or cause civil liability damage to third parties in the event of loss or divulgation of sensitive data.
From an internal point of view, the operational risks regarding information technology are closely related to the business of the Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers. At the same time, problems related to supervision and data acquisition on physical systems could cause plant shutdowns and collateral and even serious damage.
A breakdown of invoicing systems could also determine delays in issuing bills and the related collections, as well as damage to reputation.
To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness.
The Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Market benchmarks also show that attacks aimed at acquiring own data and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. Measures are being prepared to improve the cyber security management system through renewal of the perimeter security technologies, construction of a process for detecting and managing security events and incidents and preparation of a vulnerability management system.

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

5. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2021 which defines its strategic orientations. It is articulated according to the following macro-drivers which determine its targets for economic, capital and financial figures:

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

In application of the Group's policies, the said Plan was subjected to a risk assessment carried out by the Risk Management Department and to the related stress tests, which have shown the substantial resistance including in the face of adverse events characterised by specific sensitivities. Besides the risk analysis associated with the Plan, the Risk Management Department contributes with specific risk assessments to merger & acquisition operations which are involving the Iren Group companies.

TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee (entirely made up of Independent Directors), adopted a new version of the *“Internal Regulation on Transactions with Related Parties”*, already approved on 30 November 2010 and amended on 06 February and 03 December 2013 (“TRP Internal Regulation”), in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree no. 58 of 24 February 1998 (the “Testo Unico della Finanza” - [Consolidated Finance Act]);
- the Regulation containing provisions on transactions with related parties, adopted by CONSOB with its Resolution no. 17221 of 12 March 2010 as subsequently amended (the “CONSOB Regulation”).

On 15 March 2016, after an enquiry carried out by the Transactions with Related Parties Committee, the Board of Directors of Iren adopted an Operating Procedure for the management of Transactions with Related Parties, which supplements and details the provisions of the aforesaid Internal Regulation on the subject of transactions with related parties.

Iren and its subsidiaries carry out related-party transactions in accordance with the principles of transparency and fairness. Most of these transactions concern services provided to the customers in general (gas, water, electricity, heat, etc.) and are governed by contracts normally applicable to these situations.

Where the services provided are not current, the transactions 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 related-party transactions is presented in the Notes to the Condensed Consolidated Interim Report in section “V. Information on transactions with related parties”, and in paragraph “XI. Annexes to the condensed consolidated interim report”, as an integral part of the same.

REGULATORY FRAMEWORK

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

LOCAL PUBLIC SERVICES OF ECONOMIC INTEREST AND LEGISLATION OF GENERAL INTEREST

Regulations relating to local public services of economic importance

The rules on local public services resulting from the regulatory framework are contained in the Italian Law no. 221 of 17/12/2012 as amended converting Italian Law Decree no. 179 of 18/10/2012 containing further urgent measures for growth of the country, Art. 34, as amended by Italian Law Decree no. 150 of 30/12/2013 - Extension of terms provided for by legislative measures, Art. 13 *Terms on the subject of local public services,* in force since 1 March 2014.
On the basis of the legislative framework indicated, direct assignments granted as of 1 October 2003 to partially publicly-owned companies already listed on the Stock Exchange at that date, and to those controlled by them, cease at the expiry date provided for in the service contract; assignments that do not provide for an expiry date cease, with no extension possible, on 31 December 2020.
The functions organising the local public network services of economic relevance, including those belonging to the urban waste sector, deciding on the form of management, determining the relevant utility tariffs, managing assignment and the associated control, are performed exclusively by the government bodies within optimal geographical territories or areas.

With the 2015 Stability Law as amended (Italian Law no. 190 of 23 December 2014), measures are introduced in order to promote aggregation processes and to strengthen the industrial management of local public network services of economic significance. Paragraph 611 of Article 1 of the aforesaid law states that, starting from 1 January 2015, the Regions and Local Authorities must begin a process of rationalising the companies and equity investments directly and indirectly held.
To this end the next paragraph, 612, of the same Law states, with a view to a reorganisation and reduction of investee companies, that the presidents of regions and the autonomous provinces of Trento and Bolzano, the Presidents of provinces, Mayors and other top management of the administrations pursuant to paragraph 611, in relation to the respective fields of competence, must define and approve, by 31 March 2015, an operational plan to rationalise the companies and equity investments directly or indirectly held, the methods and implementation times, and a detailed description of the savings to be achieved. This plan, accompanied by a specific technical report, must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. By 31 March 2016, the above-mentioned entities must prepare a report on the results achieved, which must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. Publication of the plan and the report fulfils the disclosure obligation. With judgement no. 144 handed down on 16 June 2016, the Constitutional Court denied the constitutional legitimacy questions raised by the Veneto Region against the regulations whereby the Stability Law of 2015 had intended to intervene so as to reduce public territorial entities' equity investments and the relative costs, pursuant to paragraphs 611 and 612 above. The denial of the question, which was raised with reference to the legitimacy of the criteria identified, is motivated by the general objective of saving for the State Treasury and referring to the combining of each criterion with a government-related matter.

On 13 August 2015, Italian Law 124/2015 containing "Powers delegated to the Government on the reorganisation of the public administrations", better known as the Madia Law on Reform of the PA, was published in Official Journal no. 187.
The measure contains 14 important delegated legislative powers: public management, reorganisation of central and peripheral state administration, digitalisation of the PA, simplification of administrative procedures, rationalisation and control of investee companies, countering corruption, and transparency.
Implementing Art. 7 of the Madia Law, Italian Legislative Decree no. 97 of 25 May 2016, was published in the Official Journal. It came into force on 23 June 2016 and contained a "Revision and simplification of the rules on the subject of preventing corruption, disclosure and transparency, correcting Italian Law no. 190 of 06 November 2012 and Italian Legislative Decree no. 33 of 14 March 2013, under the terms of Article 7 of Italian Law no. 124 of 7 August 2015", on the subject of reorganisation of the public administrations,

containing a revision and simplification of the rules on the subject of preventing corruption, disclosure and transparency, correcting Italian Law no. 190 of 06 November 2012 (anti-corruption) and Italian Legislative Decree no. 33 of 14 March 2013 (administrative transparency). Listed companies (as defined in Art. 2 lett. p) of the Consolidated Law on Investees) continue to be excluded from the rules of Italian Legislative Decree 33/2013.
With a Resolution no. 1309 of 28 December 2016, the ANAC issued the Guidelines containing operating indications for the purposes of defining the exclusions and limits on civic access pursuant to Art. 5 c. 2 of Italian Legislative Decree 33/2013 and, with the subsequent resolution no. 1310 issued the First Prime Guidelines containing indications on implementation of the disclosure, transparency and information distribution obligations contained in Italian Legislative Decree 33/2013 as amended by Italian Legislative Decree 97/2016.

Implementing Art. 2 of the Madia Law, Italian Legislative Decree no. 127 of 30 June 2016, was published in the Official Journal. It contained “Rules for the reordering of regulations on service conferences”, and replaced Articles 14, 14-bis, 14-ter, 14-quater and 14-quinquies of Italian Law no. 241 of 7 August 1990. The main changes are:

- the “simplified” conference: no meetings are provided for but only the electronic transmission of documents. A decision is made in at the most 45 days (90 days when administrations responsible for environmental, landscape and territorial protection, cultural assets or for protecting people’s health are involved). Tacit consent is provided for;
- the conference “simultaneous” with the meeting: this will be held only when strictly necessary, that is in the event of: a) particularly complex decisions; b) when in the simplified conference dissent has occurred or in any case conditions have been indicated (or requests for planning changes made), which make necessary a new assessment by the administrations. The conference meeting will be attended by only one representative of the State administrations, one for each Region and one for each Local Authority. The conference comes to an end in 45 days (90 days when administrations responsible for environmental, landscape and territorial protection, cultural assets or for protecting people’s health are involved). Also in this case the tacit consent mechanism is provided for.

Implementing Article 5 of the Madia Law, Italian Legislative Decree no. 222 of 25 November 2016 was published in the Official Journal. It contained “Identification of proceedings subject to authorisation, certified start-of-work reporting (Segnalazione Certificata di Inizio di Attività - SCIA), tacit consent and communication, and definition of the administrative systems applicable to certain activities and proceedings”. The Decree indicates for each activity the related administrative system and, therefore, whether it is free, whether a communication, an SCIA, a single or conditional SCIA, an authorisation, or an authorisation plus the SCIA is necessary. Articles 18 and 19 of the Madia Law contain guiding criteria for defining consolidated legislative decrees on local public services of general economic interest and on public investee companies.

With judgement 251/2016 the Constitutional Court, following an appeal by the Veneto Region, declared the Madia reform “partially unconstitutional” where “it states that the implementing legislative decrees must be adopted after acquiring the opinion provided by the Unified Conference, instead of after agreement in the State-Regions Conference”. When “it is not possible to identify a subject for which the State is responsible in which to classify, principally, the law appealed against, because there is, instead, a combination of state and regional responsibilities, relating to subjects associated with an inextricable tangle, it is necessary for the state legislator to observe the principle of loyal collaboration and provide for adequate instruments to involve the Regions (and the local authorities), defending their responsibilities”.
Reference is made in particular to 4 points of the delegating law:

1. Public governance
2. Reordering of the rules on equity investments
3. Local public services of general economic interest
4. Public employment.

In point 9 of the judgement the Court declares expressly that the pronouncements of unconstitutionality are limited to the delegating rules of Italian Law 124/2015, the subject of the appeal, and do not extend to the related implementing provisions.

While the Consolidated Law on Local Public Services of General Economic Interest, the scheme of which was approved, has lapsed following Constitutional Court judgement no. 251/2016, the Consolidated Law on Public Investee Companies was published in the Official Journal with Italian Legislative Decree no. 175 of 19 August 2016, and came into force on 23 September 2016. On 9 June 2017, the Cabinet approved definitively the provisions supplementary and corrective to Italian Legislative Decree no. 175/2016. Among the main significant changes for the Group's activities we can note:

- confirmation that the provisions of the Consolidated Law apply to listed companies only if expressly provided for;
- the extension to 30 September 2017 of the term for recognition of all equity investments held by local authorities;
- the extension to 30 September 2017 of the term within which publicly-controlled companies must carry out a recognition of the personnel in service;
- the extension to 31 July 2017 of the term for adjustment of publicly-controlled companies to the provisions on governance;
- the admissibility of equity investments in companies whose corporate purpose is the production of energy from renewable sources;
- the possibility for the administrations to keep or acquire equity investments in companies that produce services of general economic interest and outside the geographical area provided that the latter have in progress or obtain the award of the service through public tender procedures, subject to the in-house rules that must guarantee that more than 80% of their turnover is in favour of the public entity partner.

Code on public works contracts

Implementing a number of EU directives, with Italian Legislative Decree no. 50 of 18 April 2016, the Government approved the new Contracts Code, corrected with the subsequent measure of 15 July 2016. With subsequent ANAC Resolutions, the Authority approved the following Guidelines:

- Guideline no. 1, containing "General guidance on the award of services related to architecture and engineering";
- Guideline no. 2, containing "Economically most advantageous offer";
- Guideline no. 3, containing "Appointment, role and duties of the single manager of the proceeding for the award of contracts and concessions";
- Guideline no. 4, containing "Procedures for the award of public contracts of an amount less than the community significance threshold, market surveys and formation and management of the lists of economic operators";
- Guideline no. 5, containing "Criteria for choosing the tender commissioners and for registering experts in the obligatory National Register of the members of selection boards";
- Guideline no. 6, containing "Indication of the adequate evidence and of shortcomings in the execution of a previous work contract which can be considered significant to demonstrate the circumstances for exclusion pursuant to Art. 80, paragraph 5, lett. c) of the Code".
- Implementing guideline no. 7, related to registration in the List of the awarding administrations and the awarding entities that operate through direct awards in relation to their in-house companies.

On 15 February 2017, the new regulation on the ANAC exercising the supervisory activities was published on the Authority's website.
Italian Legislative Decree no. 56 of 19 April 2017 was published. It has been in force since 20 May and contains numerous additions and corrections to the text of the Code, renamed "Public Contracts Code". Among other things, the reasons for exclusion pursuant to *Art. 80 of the code* were added to, with the false communications pursuant to *Arts 2621* and *2622* of the Italian Civil Code.
The measure corrects and supplements the code in order to perfect the legislative framework without weakening it, with the objective of guaranteeing the development of the sector as the said delegated law aimed to do.

2017 Budget and Stability Law

Following the entry into force of Italian Law no. 163 of 4 August 2016, the contents of the budget law and the stability law are included in a single measure, consisting of the new budget law, referred to a three-year period, which is divided into two sections:

- the first section performs substantially the functions of the former draft stability law;
- the second section reflects those of the draft budget law.

The Stability Law for 2016 set at 2,999.99 euro the limit - fixed up to December 2015 at 999.99 euro - above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted.

The Stability Law for 2017 was approved with Italian Law no. 232 of 11 December 2016, and published in Official Journal no. 297 of 21 December 2016.

Anti-Mafia Code

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

An ANAC communication of 23 June 2015 provides for annotation in the electronic criminal records and in the Database of Anti-Mafia Disqualifying Information.
Since 7 January 2016 the Single National Database of Anti-Mafia Documentation (Banca Dati Nazionale Unica per la Documentazione Antimafia - BDNA) for issuing anti-Mafia communications and information has been fully operational.
As provided for in arts 87 and 90 of Italian Legislative Decree 159/2011, as amended, anti-Mafia communications and information are provided through consultation of the BDNA by subjects pursuant to Art. 97, paragraph 1 of Italian Legislative Decree 159/2011, duly authorised.

Italian Legislative Decree 97/2016, entitled “Revision and simplification of the rules on the subject of preventing corruption, disclosure and transparency, correcting Italian Law no. 190 of 6 November 2012 and Italian, under the terms of Article 7 of Italian Law no. 124 of 7 August 2015, on the subject of reorganisation of the public administrations” in Art. 40 extended the monitoring previously limited to public administrations also to companiespursuant to Art. 2-bis of Italian Legislative Decree no. 33/2013 relating to administrative transparency.

Compensation of antitrust damage

The legislative decree that transposes the European directive on the subject of compensation of antitrust damage (the so-called private enforcement antitrust) was published in the Official Journal of 19 January 2017. This is the measure on private entities, damaged by antitrust offences, holding the right of action before the civil courts and to ask for compensation for damages, making use of what is ascertained by AGCM.

Corruption between private entities

On 14 April 2017 Italian Legislative Decree no. 38/2017 came into force. This transposes into our legislation framework decision 2003/568/JHA of the European Council on the subject of combating corruption in the private sector.
The main changes relate to:
- Revision of Art. 2635 of the Italian Civil Code;
- Introduction into the Italian Civil Code of the new Art. 2635 bis “Instigating corruption between private entities” and its addition among the cases relevant under the terms of Italian Legislative Decree 231/2001.

GAS DISTRIBUTION

General regulations

The rules on the Gas Distribution service were profoundly modified by the provisions of the Letta Decree, approved with Italian Legislative Decree no. 164 of 2000, which introduced competition into the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.
In a Decree of 19 January 2011, the Ministry of Economic Development determined the geographical areas for the natural gas distribution sector and with Ministerial Decree no. 226 of 12/11/2011, the so-called Criteria Decree (updated most recently with Ministerial Decree no. 106 of 20/05/2015) the Regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was adopted.

The terms for calling the tenders, initially set at six months from entry into force of the regulation, have been extended several times, most recently with Italian Law no. 21 of 25 February 2016 (containing Conversion, with amendments, of Italian Law Decree no. 210 of 30 December 2015, containing the extension of terms provided for in legislative measures published in OJ General Series no. 47 of 26 February 2016) which established that the terms pursuant to Art. 3, paragraph 1, of the aforementioned regulation 226/2011, as amended, related to non-publication of the call for tenders pursuant to annex 1 attached to the said regulation, are extended respectively by twelve months for the areas of the first grouping, by fourteen months for the areas of the second grouping, by thirteen months for the areas of the third, fourth and fifth grouping, by nine months for the areas of the sixth and seventh grouping and by five months for the areas of the eighth grouping, in addition to the extensions current at the date of entry into force of the conversion law of the present decree.
The launches of the tenders for ATEM are envisaged as of today according to the following calendar, which takes into account the term for publication of the call for tenders. The deadlines already passed will be rescheduled:

- Reggio Emilia - tender extended for two years owing to earthquake - 11 November 2016
- Parma – 11 July 2016
- Piacenza 1 West – 11 December 2016
- Piacenza 2 East – 11 September 2017
- Genoa – 11 April 2017
- Vercelli – 11 October 2016

With Resolution 382/2012/R/gas, the standard service contract template for natural gas distribution was published.

On 22 May 2014, a Decree was issued by the Ministry of Economic Development containing "Approval of the document 'Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants'". This was published in Italian Official Journal, General Series, no. 129 of 6 June 2014 together with the document, which is annexed to the said decree and is an integral part of it, containing "Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants".

On 24 July 2014, the AEEGSI published Resolution no. 367/2014 and Annex A – concerning the Gas distribution services tariff regulation system, with reference to the regulation period 2014-2019 for Territorial Area managements and other rules on the subject of tariffs, which was appealed by the Company, together with the Ministerial Decree of 22 May 2014.
The Lombardy RAC, Second Section, handed down - rejecting the appeals lodged by Iren Emilia and Genova Reti Gas (companies merged into IRETI) against AEEGSI Resolution no. 367/14 - respectively Judgements no. 2740/2015 and 2736/2015, filed on 22 December 2015, with which it rejected both appeals with costs compensated.
Appeals were lodged against the above judgements.

As regards the Ministerial Decree of 22 May 2014 and subsequent amendments and additions containing "Approval of the document 'Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants'", we can specify that in the context of the same judgement pending before the Lazio RAC against the Guidelines, an appeal was also lodged with recourse for additional reasons against Ministerial Decree 106/2015, which modifies numerous provisions of Ministerial Decree 226/2011 (known as the Criteria Decree). Both appeals were rejected. Assessments are in progress to ascertain whether it is opportune to proceed with an appeal.

On 22 June 2015, the AEEGSI issued Resolution 296/2015/R/com with which it approved the “AEEGSI Rules on functional separation (unbundling) obligations for companies operating in the electricity and gas sectors (TIUF)” which establishes, among other things, an obligation to unbundle the communication policy and the brand between sale and distribution companies.

Art. 3 “Provisions on the subject of easements” of Italian Law no. 154 of 28 July 2016, containing Powers Delegated to the Government and further provisions on the subject of simplification, rationalisation and competitiveness of the agricultural and food industries, and sanctions on the subject of illegal fishing, in force since 25 August 2016, obliges owners of private roads to allow the passage of pipes for connection to the gas network of domestic or business users, including the installation of meters. As the provision indicated is an obligation, the Mayor of the competent Municipality, at the request of the interested parties, authorises the execution of the works, taking into due consideration the seasonality of the crops growing in the fields adjacent to the private roads involved in the work, in order to impede or limit any damage to these crops.

Default service

With Resolution ARG/gas 99/11, the Authority had introduced rules for the retail sale of natural gas, with particular reference to the methods of purchase and loss of liability of withdrawals, to rules on non-fulfilment by final customers of their payment obligations (default) to completion of the structure provided for regarding last resort services, regulating the default service (DS), aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the final 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.
This Resolution was initially considered unconstitutional and suspended by the Lombardy RAC with judgement no. 3296 of 29/12/2012, a judgement then overturned by the Council of State which accepted the appeal lodged by the AEEG against this pronouncement.
Very briefly the Council of State, following the AEEGSI’s pleadings, decided that the default service is associated with the balancing service and that the same cannot be considered sales activity but, rather, as ex post settlement activity of the objective debt relationships created following withdrawals made by customers that have remained connected to the distribution network.
This was also considering the fact that the typical risk of sales activity, since the default of the final customer served is almost fully socialised and made chargeable to the community.

The matter was the subject of numerous actions, most recently AEEGSI resolution no. 258/2015/R/com challenged by Ireti S.p.A. with the fourth appeal for additional reasons. As of today, the judgement on the merit of the appeal is pending and a public hearing to deal with the same has not yet been set.

The AEEGSI published Res. 70/2016/R/gas and CD 71/2016/R/gas, with which, on the basis of its findings, it proposed to define the procedure for the presentation and assessment of applications with which Distributors can ask to be exonerated, partially or totally, from the payments provided for in the event of failure to disconnect Redelivery Points. The replies from the Distributors are in progress.
On 4 August 2016, the AEEGSI published Resolution 465/2016/R/gas “Public tender procedures for the identification of suppliers of last instance and suppliers of the default distribution service, starting from 1 October 2016”. The measure incorporates some of the proposals expressed by the Operators in the consultation on CD 71/2016/R/gas and, among other things, intervenes on the following aspects:

- Elimination of the obligation to proceed with the legal actions in cases of PDRs with “historical” consumption of less than 500 Sm3/year.
- The invoicing of legal expenses “without prejudice to what is otherwise ordered by the judge at the moment of deciding on the legal costs”;
- The establishment of a Blacklist, with activation subordinated to payment of what is due when the same CF appears on another Redelivery Point.

General system expenses

This is a particularly complex subject still under discussion, of which we shall mention briefly the fundamental steps.
With Judgement nos 237, 238, 243 and 244 of 2017, the Lombardy RAC accepted the appeals lodged by a number of vendors against Res. 268/2015 ordering the cancellation of the said resolution in the part in which it imposed the giving of guarantees by the vendors to the distribution companies also as regards the system expenses chargeable to the final customers. The RAC accepts the principle that the general system expenses must be borne, by law, only by the final customers and therefore that imposing guarantees on the vendors for payment of these expenses is illegitimate, because this would create a transfer of the obligation not provided for by law and not permitted to the Authority by the current legislative framework.
This orientation refers to and confirms Judgement no. 2182/2016 of the Council of State, concerning resolution 612/2013/R/eel, with which the Council had specified the pass-through nature of the system expenses, payable by the final customers who pay them to the vendors, which in turn pay them to the distributors which, in the last step, deliver them to the Cassa Conguaglio del Sistema Elettrico (the Electricity Industry Clearing House).
The Authority with Resolution 109/2017/R/eel launched a proceeding to balance and consider the opposing needs of vendors and distributors not to incur, to the charge of the latter, the risk of non-payment of the general system expenses by the final customers and to this end provided for, among other things, the downward adjustment of the guarantees.
One vendor, Gala, appealed the resolution requesting a suspension which was denied by the Milan RAC but then accepted by the Council of State with an urgent precautionary decree, which then referred the decision on the merit back to the same RAC.
At the same time, in the civil courts, several orders and judgements were issued in the context of cases initiated before the Court of Rome, regarding the survival of the contractual agreements in being between the parties, vendors and distributors, also in the context of the cancellation of the AEEGSI resolution on the subject of general system expenses mentioned above.
As regards the enforceability of the guarantees, the Court of Rome, affirming the principle according to which, at the time of contractual negotiation, the parties can clearly provide for the vendor issuing guarantees in favour of the distributor for payment of the system expenses by the final customers, declared enforceable the guarantees agreed in the contracts. The immediate enforceability of the said guarantees, however, was suspended with a precautionary decree pronounced at the request of the appealing vendor, and the discussion was adjourned to the hearing on the merit.
Currently, given the complexity of the question, the court has reserved the right - for an indefinite time - to read the files completely.

ELECTRICITY DISTRIBUTION

General regulations

Italian Legislative Decree no. 79 of 16 March 1999 (the “Bersani Decree”) established a general regulatory framework for the Italian electricity market which gradually introduced competition in the production of electricity and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Italian Law no. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission grid.

Measures were adopted in 2007 to guarantee unbundling.
As already specified in the section Gas distribution, with Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations also for electricity operators. More specifically we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies and, in particular in the electricity sector, also between sales on the free market and greater protection service. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

Tariff structure for transmission, distribution and metering

With Resolutions no. 583/15/R/com, no. 653/15/R/eel, no. 654/15/R/eel and no. 658/15/R/eel, the AEEGSI established, for the 2016-2023 regulatory period, the tariff regulation for providing the electricity transmission, distribution, metering and dispatching services and the regulation of the transmission service quality.
The fifth period or new regulatory period (NRP) has a duration of eight years and is divided into two semi-periods identified as NRP1 (2016-2019) and NRP2 (2020-2023), each of which lasting four years.
Starting from 01 January 2016 and very gradually the reform of the Authority's electricity tariffs, provided for in Italian Legislative Decree 102/14, will be implemented. The reform arrives at the end of an articulated consultation process, accompanied by several reports to Government and Parliament. When fully implemented, therefore from 2018, according to the reform, for the network services a non-progressive tariff structure is defined. This is the same for all domestic customers, and is set up on the basis of the criterion of adherence to the costs of the various services: the metering, marketing and distribution costs will be covered by per-customer fixed portion (€/year) and by a power portion (€/kW/year), while the transmission costs by an energy portion (c€/kWh). For the tariff for system expenses there remains instead a differentiation between resident customers (to which it is all applied in the energy portion like today, that is in c€ per kWh withdrawn) and non-resident customers (to which it is applied both in the fixed portion and in the energy portion).

INTEGRATED WATER SERVICE

The Integrated Water Service (IWS) reform process, which began with Italian Law no. 36/94 (the Galli Law), was revised with the approval of Italian Legislative Decree no. 152 of 3 April 2006, (this too the subject of periodic important amendments) and with the issue of Art. 23-bis of Italian Law Decree no. 112 of 25 June 2008, converted with amendments into Italian Law no. 133 of 6 August 2008, related to "public services of economic significance".
Following the Referendum held on 12 and 13 June 2011 with the abrogation of Art. 23 bis, the community legislation on the minimum competition rules on the subject of public tenders for the award of management of public services of economic significance came into immediate force. With article 19 of Italian Law no. 124 of 7 August 2015, the Government was delegated to draw up a consolidated law on local public services of general economic interest, but this measure, the draft of which had already been approved by the Cabinet, lapsed following Constitutional Court judgement no. 251/2016.

As mentioned above, to define the organisation of the water service, the provisions of the consolidated law must be coordinated with those on the subject of Italian Legislative Decree 152/2006 the Environmental Code (amended by Italian Law no. 164 of 11 November 2014, which converted, with amendments, Italian Law Decree no. 133 of 11 September 2014, known as the "Sblocca Italia" decree) and with the Resolutions issued by the Italian Authority for Electricity and Water services (AEEGSI).
The latter, in fact, following the introduction of Italian Law Decree 201/11 known as the 'Save-Italy' law, was given "the functions related to the regulation and control of the water services" previously entrusted to the National Agency for Regulation and Supervision on the Subject of Water. These functions, which the Authority performs with the same powers attributed by the law setting it up, Italian Law 481/1995, make reference to several aspects of the integrated water service: from definition of the admissible costs and the criteria for determining the tariffs to cover these costs, to the responsibilities on the subject of service quality, verification of the area plans and preparation of the standard agreements for the award of the service.

The Authority for Electricity, Gas and Water approved, among other things:
- resolution no. 664/2015/R/IDR of 28 December 2015, which governs the water tariff method for the second regulatory period 2016/2019;
- Resolution no. 656/2015/R/IDR of 23 December 2015 regarding the Standard Agreement for regulating relations between awarding bodies and operators of the Integrated Water Service - Rules on the essential minimum contents. Taking into account the observations received on the previous Consultation Documents 274/2015/R/idr and 542/2015/R/idr - the Authority adopted the Standard Agreement for regulating relations between awarding bodies and operators of the integrated water service, with which besides the operating agreements currently in force must be made compliant.

- AEEGSI Resolution no. 655/2015 on the contractual quality rules of the Integrated Water Service that is of each of the services that make it up in order to guarantee the distribution, availability and quality of the service to users in a uniform manner over the whole country, in particular:
  a) to define the minimum quality levels and targets of the integrated water service that is of each of the single services that make it up;
  b) to define specific and general quality levels of the services of distribution, metering and sale of water services and, to this end, to identify quality indicators of the said services, determining methods of recording the performance provided by operators at the request of users;
  c) to ensure the uniformity and completeness of the methods of measuring the execution times of the services requested by users in order to guarantee adequate service quality and to introduce automatic compensation to be paid to users, in the event of non-observance of the specific quality levels, that take into account timeliness and punctuality in the execution of the said services;
  d) to determine the obligations of automatic compensation in favour of users in the event of non-observance of the standards set.

With judgement no. 7210 of 13 April 2016, the Court of Cassation specified that the payment due on the sewerage and purification tariff as a component of the Integrated Water Services fee is not automatically excluded in the case that the relative sewerage and purification plants were provided and operated by the local entity and that the failure to use the relevant services depends on the user's conduct that voluntarily decides not to become connected, and that it is up to the user to prove that its collection and purification systems for waste water originating from domestic premises are compatible with the overriding objectives of environmental protection and competition.

The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
As regards rules on the subject of ATOs (Optimal Territorial Areas), the Emilia Romagna Region with Regional Law no. 23 of 23-12-2011 set forth the "Rules for the territorial organisation of the functions related to local public environmental services", which lays down the rules relating to regulation of public environmental services and in particular to the territorial organisation of the integrated water service and the integrated urban waste management service in Emilia Romagna, and states that on the basis of the principles of subsidiarity, differentiation and adequacy, the entire regional territory constitutes the optimal territorial area in accordance with Articles 147 and 200 of Italian Legislative Decree no. 152 of 2006.

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

It should be noted that article 10 paragraph 1 of the aforementioned law was declared unconstitutional by the Constitutional Court with judgement no. 31 of 10 February 2015.

On 30 September 2015, the Province of Savona approved Resolution no. 70/2015, with which it approved the Plans of the 3 sub-areas and defined the subjects to which they were to be assigned through an in-house procedure (and therefore excluding Acquedotto di Savona, the Savona water company, merged into IRETI with effect from 01 January 2016). The resolution was appealed by the Group and as of today the proceeding is still pending.

WASTE MANAGEMENT SERVICE

Integrated Waste Management is understood as all the activities of transportation, treatment and disposal of waste, including street sweeping and the management of these operations.
The legislation of a general nature applicable to the Integrated Waste Management Services sector is contained at national level in the Environmental Code (Italian Legislative Decree 152/2006 amended most recently by the Ministerial Decree of 15 January 2014), Italian Law no. 68 of 22 May 2015 "Rules on the subject of crimes against the environment", in Italian Legislative Decree 36/2003 (landfills), in Italian Legislative Decree 133/2005 (incineration and co-incineration), in Presidential Decree no. 59 of 13 March 2013 (Single Environmental Authorisation), and at the regional level by Emilia Romagna Regional Laws no. 31/96, no. 25/99, no. 10/2008, no. 23/2011, and no. 13/2015 (reform of the system of regional and local government and rules on the metropolitan City of Bologna, Provinces, Municipalities and their unions) and no. 16/2015 (on the so-called "circular economy " amending Regional Law no. 31/96).

Regional legislation

Given that the Territorial Area Authorities ceased to exist on 31 December 2012, the Emilia Romagna Region set up the Territorial Agency of Emilia Romagna (ATERSIR), for water and waste services in which all the municipalities and provinces take part and which is responsible for the regulation functions for the entire regional territory, and determination of the urban waste disposal tariffs on the basis of the regional criteria, of the private and public plant engineering. This agency became operational in 2012.

The Piedmont Region adopted the Regional Waste Management Plan on 30 September 2009, completing a process launched in 2007. The Plan had a 2009–2015 time horizon.
At the same time as adopting the Plan, the establishment of 3 Optimal Territorial Areas, combining the 8 previous areas divided by Province, was provided for.
Regional Law 7/2012 further modified the structure of the Areas, providing for their division into 4. The 4 current Areas are made up as follows:

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

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

The Emilia Romagna Region approved the following measures:

- R.L. 16/2015 for urban waste management, which promotes recycling and the prevention of waste production. Among the objectives to be achieved within five years, are: an increase in separate waste collection to 73%, a 25% reduction in per-capita waste production, recycling at 70%, limiting of landfills and regional self-sufficiency. Among the changes introduced by the new law: precise tariffs, that is payment on the basis of how much is conferred, incentives aimed at the most virtuous Municipalities and bonuses for companies that do better disposal;
- Resolution n° 67 of 3.5.2016 of the Legislative Assembly of Emilia Romagna "Regional Waste Management Plan" valid until 2020;
- Regional Executive Resolution no. 1238 of 1 August 2016, containing "Regional Information System: contents, frequencies and methods of populating the databases relating to municipal and special waste management of the Emilia Romagna region";
- Regional Executive Resolution no. 1239 of 1 August 2016, (New directive for application of Article 2 of Regional Law no. 26 of 17 December 2003, and subsequent amendments and additions containing "Provisions on the subject of dangers of significant accidents connected with certain hazardous substances");
- Regional Executive Resolution no. 1240 of 1 August 2016 ("Guidelines for the operation of municipal centres for re-use");
- Regional Executive Resolution no. 2267 of 21 December 2016, "Provisions on waste flows pursuant to the Regional Waste Management Plan approved with Legislative Assembly Resolution no. 67 of 3 May 2016";

- Regional Executive Resolution no. 2260 of 21 December 2016 "Establishment of the regional list of by-products";
- Regional Executive Resolution no. 2264 of 21 December 2016; Regional Law 31/1996 - Determination of the taxable base of the special levy with reference to application of the tax related "to waste deriving from the processing of municipal waste";
- with Regional Executive Resolution no. 2260 of 21 December 2016; the Region activated the "Permanent Coordination for By-products" and established the "Regional List of By-products", in which all the regional companies that observe the requirements of the laws on the subject can register voluntarily. At the moment, the first technical schedules have been approved, including one related to by-products of corn.

The Piedmont Region issued the following measure:

- Regional Council Resolution no. 140-14161 of 19 April 2016, "Regional Plan for the Management of Municipal Waste and Water Treatment Sludge";

The Liguria Region issued the following measures:

- Regional Law no. 4 of 01 March 2016, "Amendment to Regional Law no. 1 of 24 February 2014 (Rules on the Subject of Identifying Optimal Areas for Performance of the Functions related to the Integrated Water Service and to Integrated Waste Management)";
- Regional Law no. 16 of 29 July 2016, "Amendments to *Regional Law no. 23 of 3 July 2007* (Rules on the Special Levy for Conferring Solid Waste to Landfills)";
- Regional Law no. 25 of 2 November 2016 "Amendments to Regional Law no. 27 of 29 December 2015 (Stability Law of the Liguria Region for Financial Year 2016) and to Regional Law no. 23 of 3 July 2007 (Rules on the Special Levy for Conferring Solid Waste to Landfills)";

National legislation

Waste

Prime Minister's Decree of 10 August 2016, issued on the basis of the "Sblocca Italia" Decree converted by Italian Law 164/2014, identified:

- the current national processing capacity of plants for incinerating municipal and similar waste in operation (referred to November 2015);
- the potential national processing capacity of plants for incinerating municipal and similar waste authorised and not in operation (referred to November 2015);
- the plants for incinerating municipal and similar waste with energy recovery to be built or expanded to meet the remaining national requirement for processing of this waste, divided by macro-areas and by regions. The plants thus determined, presented in the attached tables (A, B and C), are considered "strategic infrastructures and facilities of pre-eminent national interest and create an integrated and modern system for managing municipal and similar waste, guaranteeing national security in the self-sufficiency of the cycle of integrated waste management, as required by Art. 16 of Directive 2008/98/EC.

Eight new incineration plants were identified (in Marche, Umbria, Lazio, Campania, Abruzzo, Sardinia, Sicily) together with the expansion of a number of existing plants. The subsequent regional planning actions will define the precise location of the new plants.
The prohibition on conferment in landfills of waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg was definitively eliminated by the "environmental annex" (Italian Law 221/2015).
Article 182 of the "Environmental Code" was amended, providing for the exclusion from the prohibition on extra-regional disposal of non-hazardous urban waste that the President of the Region considers necessary to send for disposal out of the Region" to *deal with emergency situations caused by natural calamities for which a state of emergency is declared*".
Prime Minister's Decree of 7 March 2016 containing "Measures to implement an adequate and integrated management system for the organic fraction of urban waste, a study of the existing offer and identifying the remaining requirement pertaining to plants for the recovery of the organic fraction of urban waste from separate waste collection, divided according to regions" provided for: reduction of the negative impact on the environment caused by managing this waste, achieving the objectives set by the European Union on recycling and reduction of conferring biodegradable waste to landfills are the purposes at which the measure aims.

The Decree issued by the Ministry of Agricultural and Forestry Policies on 25 February 2016 has come into effect; this identifies the criteria and general technical rules for the regional governance of the agricultural use of livestock effluents (Title II) and waste water (Title III), as well as the production and agricultural use of digestate (Title IV).
The Ministerial Decree of 26 May 2016, containing specific "Guidelines for calculating the separate waste collection percentage for municipal waste" pursuant to Art. 205, paragraph 3-quater of Italian Legislative Decree no. 152/2006, was published in the Official Journal of 24 June 2016.

The Board of Directors of CONAI, after obtaining the opinion of the Coreve Consortium, resolved to reduce the Environmental Contribution for glass packaging. The reduction will take effect from 1 July 2017.This change will have no effect on flat-rate procedures. The contribution for glass will go down from the current 17.30 €/tonne to 16.30 €/tonne.

Italian Law no. 154 of 28 July 2016 has been in force since 25 August 2016. This contains "Powers delegated to the Government and further provisions on the subject in simplification, rationalisation and competitiveness of the agricultural and food industries, and sanctions on the subject of illegal fishing". This law (the so-called Agricultural Annex), was published in OJ no. 186 of 10 August 2016. We can note, in particular, Art. 10, regarding the contribution to the National Consortium for the collection and processing of used vegetable and animal oils and greases; Art. 11, on registration with the consortia and the waste collection systems provided for in Italian Legislative Decree 152/2006; Art. 12, on the subject of exercising the activity of maintenance of green areas; Art. 22, concerning the development of products coming from short supply chains, organic farming or at least with reduced environmental impact; lastly Art. 41, which makes a change to Art. 185 of Italian Legislative Decree 152/2006, on the subject of exclusion from waste management. Specifically, letter f) is replaced, with effects on the rules on cutting and pruning.

Ministerial Decree no. 264 of 13 October 2016 is in force. This is the "Regulation containing indicative criteria to facilitate demonstration of the existence of the requisites for classifying production residues as by-products and not as waste".
As regards 2017 the following measures came into force:
- the Ministerial Decree of 20 January 2017 "Implementation of Directive 2016/774/UE of 18 May 2016, containing a change to Annex II of Directive 2000/53/EC of the European Parliament and of the Council, on end-of life vehicles";
- Ministerial Decree no. 58 of 6 March 2017 "Regulation containing the methods, including accounting, and the tariffs to be applied in relation to enquiries and controls provided for in Title III-bis of the Second Part, and the fees payable to members of the enquiry commission pursuant to article 8-bis";
- the Ministerial Decree of 20 April 2017 "Criteria for the creation by municipalities of systems for the precise measurement of the quantity of waste conferred to the public service or of management systems characterised by the use of correctives to the service cost distribution criteria, aimed at implementing an effective tariff model commensurate with the service provided to cover all the costs related to the municipal and similar waste management services";
- the Ministerial Decree of 12.5.2017 – transposing Directive 2016/2309 transport ADR.

On the Ministry of the Environment website the explanatory circular (ref. 7619 of 30 May 2017) was published with the aim of providing clarifications for a uniform application and unambiguous reading of Ministerial Decree 264/2016 containing "Indicative criteria to facilitate demonstration of the existence of the requisites for classifying production residues as by-products and not as waste".

The Ministry of the Environment published on its website Circular no. 5672 of 21 April 2017 with which it clarifies that the criteria defined by the ISPRA regard exclusively the conferment of waste without preliminary processing so, even if the same are non-compliant in the parameters with those of the Ministerial Decree of 27 September 2010, no contrast can be found with the latter which instead regards conferment of waste following processing.

Finally, on 19 May 2017 the Cabinet approved the new Regulation on earth and rocks from excavations, which, after its publication in the OJ, will replace both Ministerial Decree 161/2012 and Art. 41 bis of Italian Law Decree 69/13.

SISTRI
The SISTRI system came into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. The SISTRI sanctions, exclusively related to failure to register or pay the annual contribution, apply for a reduced amount of 50% starting from 1 April 2015 (following Italian Law 11/2015 converting the "Milleproroghe Decree" Italian Law Decree no. 192 of 31 December 2014). The SISTRI sanctions for all the other breaches apply from 01 January 2017. On 8 June, Ministerial Decree no. 78 of 30 March 2016 came into effect with the "Regulation containing the provisions relating to the functioning and optimisation of waste traceability system, implemented with article 188-bis, paragraph 4-bis of Legislative Decree no. 152 of 3 April 2006", which abrogates Ministerial Decree no. 52/2011.
The Decree of (in OJ no. 169 of 21 July 2016) set up the Technical Committee for monitoring and coordinating the SISTRI, under the terms of Art. 11, paragraph 13, of Italian Law Decree no. 101/2013. The Ministerial Decree in question also abrogates the Ministerial Decrees of 17 September 2013 and 13 December 2013.

Italian Law Decree no. 244 of 30 December 2016 (the so-called "Milleproroghe Decree"), converted into Italian Law no. 19 of 27 February 2017, has been in force since 30 December 2016. This extends the SISTRI from 31 December 2016 "*to the date on which the concessionaire identified with the procedures pursuant to paragraph 9-bis takes over management of the service, and in any case not later than 31 December 2017*". The extension is valid also in relation to the halving of the sanctions concerning failure to register with the SISTRI and non-payment of the contribution for the said registration.

Reclamations
Italian Law no. 190 of 2014 has been in force since 01 January 2015. This states that in polluted sites not yet reclaimed the work required by the legislation on workplace safety and ordinary and extraordinary maintenance activity can be done, provided that it does not prejudice the reclamation activity and workers' health.

Landfills
At the end of September 2015, the Ministerial Decree of 24 June 2015 came into force. This contains "Amendments to the Ministerial Decree of 27 September 2010, related to definition of the criteria of admissibility of waste in landfills". The significant amendments regard in particular Arts 3, 5, 6, 7, 8 and the entire Annex 3, on the Sampling and analysis of waste.
The Cabinet Resolution of 24 March 2017 on the subject of making landfills compliant with the European legislation has also been published.

Eco-crimes
Italian Law 68/2015 of 22 May 2015 "Rules on the subject of crimes against the environment" has been in force since 29 May 2015. This introduces into the criminal code five new crimes against the environment, namely environmental pollution, environmental disaster, trafficking and abandoning highly radioactive material, impeding controls and failure to reclaim. The law in question also contains amendments to Italian Legislative Decree No. 231/2001, in particular to Art. 25-*undecies*, containing the predicate of environmental crimes. In its Report no. III/04/2015 of 29 May 2015 the Information Office [Ufficio del Massimario] of the Court of Cassation specified, with reference to Italian Law 68/2015, that the "abusive" situation is not created only by cases involving lack of authorisation, but also by cases in which the authorisations have expired.
On 18 May 2016, the Prosecutor General at the Appeal Court of Bologna, the General Manager of ARPAE, representatives from all the territorial Public Prosecutors' offices and the senior commanders of the Carabinieri NOE, the State Forestry Corps and the Ravenna Port Authority signed a Memorandum of Understanding aimed at ensuring that the regulations on eco-crimes (Law no. 68/2015) would be uniformly applied throughout the Emilia Romagna region.
The document specifically states as its final objective: "the uniform application of the regulations on environmental crimes throughout the regional territory, with special reference to the procedure for discharging offences under Part VI-bis of Legislative Decree no. 152 of 03 April 2006".
Ministerial Decree no. 228 17 October 2016 (in OJ no. 292 of 15 December 2016) approved the "Regulation containing the definition of the minimum contents and the formats of ascertainment, charging and notification reports related to the proceedings pursuant to article 29-*quattuordecies* of Italian Legislative Decree no. 152 of 03 April 2006".

General provisions
The Prime Ministerial Decree of 27 March 2015 establishes the methodological notes and standard needs for Municipalities of ordinary-statute Regions in the fields of roads, transport, management of the territory and the environment (including waste).
On 17 June 2015, the Ministry of the Environment published Circular no. 12422, containing "Further criteria on the methods of applying the rules on integrated prevention and reduction of pollution in the light of the amendments introduced by Italian Legislative Decree no. 46 of 4 March 2014".
The Ministry of the Environment has published on its website the measure signed by the General Management for the Environmental Assessments and Authorisations, containing the criteria on the methods of applying the rules on the subject of integrated prevention and reduction of pollution in the light of the changes introduced by Italian Legislative Decree 46/2014 (Implementation of Directive 2010/75/UE related to industrial emissions).
At the end of 2015 the Italian Draft Law known as "*Green Economy*": "Rules on the environment to promote green economy measures and to limit the excessive use of natural resources" was approved.

Since 2 February 2016 Italian Law no. 221 of 28 December 2015, that is the so-called "Environmental Annex", has been in force. This makes changes to the Consolidated Law on the Environment (amending articles 183, 187, 188, 190, 193), and introduces new and important amendments on the subject of WEEE, Compost, Mixing, Landfills, etc..
Italian Law Decree no. 113 of 24 June 2016 (containing "Urgent financial measures for territorial entities and the territory", in Official Journal no. 146 of 24 June 2016, in force since 25 June) was approved. This provided for specific finance to carry out the work on implementing the judgement handed down by the EU Court of Justice on 2 December 2014, relating to EU infringement procedure no. 2003/2007.
Italian Law no. 122 of 7 July 2016 has been published. This regards "Provisions for fulfilment of the obligations deriving from Italy's membership of the European Union" (European Law 2015–2016), and contains abrogations of and amendments to national laws in order to make them comply with the European rules.

On 14 June 2016, the Senate's Environmental Commission approved the resolution (Doc. XVIII, no. 134) on the Community Acts subject to subsidiarity opinions, making up the so-called "circular economy package", presented to the European Commission in December 2015, which contained the revision proposals for the EU Directives on waste, landfills, end-of-life vehicles, batteries and accumulators, Waste Electrical and Electronic Equipment (WEEE).
Italian Law no. 170 of 12 August 2016, has been in force since 16 September 2016. This contains "Power delegated to the Government for the transposition of European directives and implementation of other acts of the European Union" (this is the so-called 2015 European Delegation Law). The law delegates to the Government the power to adopt legislative decrees to implement the directives listed in Annexes A and B of the Law (Art. 1), and provisions laying down criminal or administrative sanctions for breaches of the obligation contained in European directives implemented in regulations or administratively, for which no criminal or administrative sanctions are already provided for (Art. 2).
Ministerial Decree no. 200 of 29 September 2016 has been in force since 18 November. This governs the ways of consulting the population on the subject of preparation, revision and updating of the external emergency plan aimed at limiting the damaging effects deriving from significant incidents, under the terms of article 21, paragraph 10, of Italian Legislative Decree no. 105 of 26 June 2015.
Finally, Italian Presidential Decree no. 194 of 12 September 2016"Regulation containing rules for the simplification and acceleration of administrative proceedings, in accordance with article 4 of Italian Law no. 124 of 7 August 2015", was published in Official Journal no. 252 of 27 October 2016.

Environmental Impact Assessments - authorisations
From 17 January 2017, Ministerial Decree no. 245 of 25 October 2016 has been in force. This contains the regulation which determines the economic expenses chargeable to proposers to cover the costs incurred by the competent state authority for the organisation and performance of enquiry, monitoring and control activities on Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) procedures.
Also in force is the Italian Legislative Decree which transposes Directive 2014/92/EU, making significant changes to the legislation on the subject of the EIA, in particular to the Second Part of Italian Legislative Decree no. 152/06.

On the Ministry of the Environment website the Guidelines for preparing the Non-Technical Summaries of the Environmental Impact Studio (EIA) and the Guidelines for preparing the Non-Technical Summaries of the Environmental Report (SEA) have been published. These are aimed at providing uniform methodological indications and preparation criteria in terms of both structure and content for these documents destined to inform the public.
For installations subject to the EIA: Decree no. 141 of 26 May 2016 came into force. This implements the provisions of Art. 29-sexies, para. 9-septies, of Italian Legislative Decree 152/2006. The measure, made up of eight articles, establishes, in fact, the criteria that the competent Authority must take into account in determining the amount of the financial guarantees that operators of installations subject to the EIA must give as regards the reclamation of the site once the activities have ceased, if these may entail a contamination of the soil or waters.

Italian Legislative Decree no. 222 of 25 November 2016 (the so-called SCIA 2 Decree) has been in force since 11 December 2016. This identifies proceedings subject to certified start-of-work reporting or tacit consent, and those for which explicit authorisation is necessary or prior communication is sufficient. The decree implements the provisions of Art. 5 of Italian Law 124/2015 on the reform of the P.A. and the principles in force at the European level, intervening in particular on the subject of construction –with attention also to plants powered by renewable sources – and providing for several amendments to the relevant Consolidated Law (Italian Presidential Decree 380/2001) aimed at administrative simplification.
For 2017 the following are in force:

- Italian Presidential Decree no. 31 of 13 February 2017 "Regulation containing identification of the work excluded from the landscape authorisation or subject to simplified authorisation procedure";
- from 26 May Ministerial Decree no. 58 of 06 March 2017 which lays down the methods (including accounting) and the tariffs to be applied in relation to enquiries and controls provided for in Title III-bis of Part II, Italian Legislative Decree no. 152/2006 (related to the EIA), and the fees payable to members of the Enquiry Commission pursuant to article 8-bis.

WEEE – Waste Electrical and Electronic Equipment
With Decree no. 275 of 12 October 2016, the Ministry of the Environment approved the statute of the WEEE Coordination Centre.
Ministerial Decree no. 121 of 31 May 2016 is in force. This is entitled "Regulation containing simplified methods for performing the activities of free withdrawal by distributors of very small Waste Electrical and Electronic Equipment (WEEE), and the technical requisites for making the deposit prior to the collection at the distributors and for the transport, under the terms of Article 11, paragraphs 3 and 4, of Italian Legislative Decree no. 49 of 14 March 2014".
On the subject of WEEE Decree of 25 July 2016 is also in force. This contains "Measures aimed at promoting the development of new technologies for the processing and recycling of waste electrical and electronic equipment", and provides for measures that attribute economic contributions to public and private subjects aimed at financing development projects for new technologies which, for example, maximise the quantity of recoverable or recyclable material or optimise the energy consumption of the WEEE recovery, recycling and processing processes.
The Ministerial Decree of 17 June 2016 is in force. This contains "Tariffs for covering the expenses deriving from the system of managing waste electrical and electronic equipment".
On the basis of the respective market share, WEEE producers are obliged to pay an annual fixed fee and a variable fee to be paid by 30 September of each year.
The Ministerial Decree of 3 March 2017 Implementation of the delegated directives of the European Commission 2016/585/EU of 12 February 2016 as well as 2016/1028/EU and 2016/1029/EU of 19 April 2016 amending Decree no. 27 of 4 March 2014, on the restriction of certain hazardous substances in electrical and electronic equipment.
On 11 June 2017 Decree no. 68 of 09 March 2017 the Ministry for the Environment and Protection of the Territory and the Sea came into force. This is entitled "Regulation concerning the methods of providing financial guarantees on the part of producers of electrical and electronic equipment under the terms of article 25, paragraph 1, of Italian Legislative Decree no. 49 of 14 March 2014".

Facilities
On this subject Ministerial Decree no. 134 of 19 May 2016 has come into force. This contains "Regulations concerning application of the Climate Correction Factor (CCF) to the formula for the efficiency of waste energy recovery in incineration plants". The measure, in force since 21 July 2016, intervenes on the one

hand amending Note (4) of Annex C to Part IV of Italian Legislative Decree 152/2006, on the other abrogating the Ministerial Decree of 7 August 2013 containing “Application of the formula for calculating the energy efficiency of incineration plants in relation to the climate conditions” published in OJ 193 of 19 August 2013.
We can note also the Ministerial Decree of 14 April 2017 “Rules on the conditions for access to the increase in the incentives provided for in the decree of 06 July 2012 for electricity production from plants powered by biomasses and biogas”.

Register of Environmental Managers
With Resolution no. 5 of 03 November 2016 (in force since 01 February 2017) the National Committee of the Register of Environmental Managers identified criteria and requisites for registration, with the ordinary procedure, in categories 1 (municipal waste collection and transport), 4 (special non-hazardous waste collection and transport) and 5 (special hazardous waste collection and transport).
The National Committee of the Register with its Circular no. 1201 of 12 December 2016, establishes that the Consortia that carry on direct business activity can register in categories 9 (site reclamation) and 10 (reclamation of assets containing asbestos) of the Register of Environmental Managers proving the exclusive availability of the equipment owned by the consortium members.
The National Register with Circular no. 229 of 24 February 2017, issued clarification on applying its Resolution no. 5 of 03 November 2016. We can remind you that Resolution no. 5/2016 identified criteria and requisites for registration, with the ordinary procedure, in categories 1 (municipal waste collection and transport), 4 (special non-hazardous waste collection and transport) and 5 (special hazardous waste collection and transport).
With Resolution no. 4 of 22 March 2017 the National Committee of the Register of Environmental Managers acted to replace, for each registration category, the prescriptions regarding the keeping and conservation of the registration orders contained in the said measures.
Circular no. 411 of 06 April 2017 specifies as regards renewal of registration in categories 1, 4 and 5 of companies which – as a result of Resolution no. 5 of 03 November 2016 (in force since 01 February 2017) – must be placed in a different sub-class or category, that this renewal “does not produce terminating effects for the entity registered in relation to relationships already in being with third parties until the end of said relationships”.
We can note finally the resolution of the National Committee containing “Requisites of the Technical Manager pursuant to articles 12 and 13 of the Decree of the Ministry for the Environment and Protection of the Territory and the Sea, in agreement with the Ministry of Economic Development and the Ministry of Infrastructures and Transport, no. 120 of 3 June 2014”.

European legislation

Regulation (EU) no. 1357/2014 of the European Commission came into force on 01 June 2015; this innovates the hazardous waste classification system.
On 01 June 2015 the Decision of the European Commission 2014/955/EC came into force. This introduces a new European List of Waste that modifies Decision 2000/532/EC, transposed at the national level by Annex D of part IV of Italian Legislative Decree 152/06.
Directive no. 2015/1127, which starting from 31 July 2015 made a number of changes to Annex II of Directive 2008/98/EC on waste (containing a non-exhaustive list of recovery operations), was rectified with a deed published in November 2015.
In 2016 the European Investment Bank published an (online) guide to financial Instruments available to green projects – some together with the European Commission - dedicated to financing projects in the environmental field.
Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 has been in force since 31 December 2016. This concerns the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC.
Finally, the Corrigendum to Regulation (EC) no. 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste (regarding Annex IX, arts 12 and 24) was published in the Official Journal of the European Union of 1 November 2016.
The Corrigendum to Regulation (EC) no. 1272/2008 of the European Parliament and of the Council, of 16 December 2008 was published in EU OJ no. 349 of 22 December 2016. This relates to the classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006.

Directive EU 2016/2309 of the Commission of 16 December 2016, which amends Directive 2008/68/EC of the European Parliament and of the Council relating to the internal transport of hazardous goods, was published in EU OJ 345 of 20 December 2016.
Reg. (EC) 1907/2006 (known as the REACH Regulation) was amended by two European Regulations:

- Reg. (EU) 2016/1005 of the Commission, dated 22 June 2016, which amends Annex XVII, item 6, column 2, paragraph 1 of the REACH Regulation with reference to asbestos fibres (chrysotile);
- Reg. (EU) 2016/1017 of the Commission, dated 23 June 2016, which amends Annex XVII of the REACH Regulation adding an item specific to inorganic ammonium salts.

The Opinion has been published on the subject of the "Communication of the Commission to the European Parliament, to the Council, to the European Economic and Social Committee and to the Committee of the Regions – The missing link – European Union Action Plan for the circular economy", of the "Draft directive of the European Parliament and of the Council which amends Directive 94/62/EC on packaging and packaging waste", of the "Draft directive of the European Parliament and of the Council which amends Directive 2008/98/EC on waste", of the "Draft directive of the European Parliament and of the Council which amends Directive 1999/31/EC on the landfill of waste" and of the "Draft directive of the European Parliament and of the Council which amends Directives 2000/53/EC on end-of life vehicles, 2006/66/EC on batteries and accumulators and waste batteries and accumulators and 2012/19/EU on waste electrical and electronic equipment".
As regards financial year 2017 we can note:

- From May 2017 Regulation (EU) 2017/776 of the Commission of 04 May 2017, "amending, for the purposes of its adaptation to technical and scientific progress, Regulation (EC) No 1272/2008 of the European Parliament and of the Council on classification, labelling and packaging of substances and mixtures";
- EU Council Regulation no. 2017/997/EU on waste classification.

Commission Implementing Decision (EU) 2017/695 of 07 April 2017 was also published, on 13 April 2017. This authorises the Member States to adopt certain derogations pursuant to Directive 2008/68/EC of the European Parliament and of the Council on the inland transport of dangerous goods (notified under document (2017) 2198).
Finally, a summary of the European Commission decisions on authorisations for the placing on the market for the use and/or for use of substances listed in Annex XIV of Regulation (EC) no. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) was published in EU OJ of 31 May 2017 .
Commission Regulation (EU) 2016/1179 of 19 July 2016, amending Regulation (EC) no. 1272/2008 (the so-called CLP Regulation) relates instead to classification, labelling and packaging of substances and mixtures.

Tariff system for waste management services

The 2014 Stability Law established from 01 January 2014 the IUC tax (Imposta Unica Comunale - single municipal tax) comprising: a municipal tax of a capital nature (IMU), a component referring to "indivisible" services (TASI) and the waste tax (TARI) destined to finance the cost of the urban waste collection and disposal service.
The prerequisite for the TARI tax is the ownership or possession of properties susceptible to producing waste and commensurate with the floor surface area of the property. The rates can be reviewed by the municipalities on the basis of service quality standards.
The possibility is reconfirmed for Municipalities to assign the ascertainment and collection, as an exception to Article 52 of Italian Legislative Decree no. 446 of 15 December 1997, to entities that at the date of 30 December 2013 "performed the service of waste management or TARES ascertainment and collection".
Italian Law Decree no. 78 of 19 June 2015, Urgent provisions on territorial entities, was published in the O.J. on 19 June 2015. In particular, among the rules laid down by the Law Decree we can note Art. 7, paragraphs 4 (on extension also to the TARES of the option to entrust controls to the operator of the waste service), 7 (extension of terms on local collection at 31 December 2015), 8 (extension to the consortia of the fiscal benefits already provided for in the case of winding-up of municipal companies) and 9 which adds to Italian Law no. 147 of 27 December 2013 (2014 Stability Law) paragraph 654-*bis*, which states that any lack of revenue from receivables that turn out to be unenforceable, with reference to the environmental health tariff, the integrated environmental tariff, and the municipal tax on waste and services (TARES) should also be considered among the cost components of the TARI.

CONCESSIONS AND ASSIGNMENTS

MAJOR HYDROELECTRIC SHUNT CONCESSIONS

Constitutional Court Judgement no. 205 of 04 July 2011 pronounced the unconstitutionality of the provisions of Italian Law Decree no. 78 of 31 May 2010, converted to Italian Law no. 122 of 30 July 2010, which extended major water shunting concessions for electricity production by five years, with the option of extension by a further seven years if a combined private/public company was established by certain provinces.
As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.
The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an inter-ministerial 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 inter-ministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations.
In September 2013 the European Commission began a fact-finding inquiry, concerning several member states, on the conditions for assigning, extending or renewing water concessions for hydroelectric use and sent the Italian Government a letter of formal notice which states that certain provisions recently introduced by the Italian parliament (with Italian Law 134/2012, converting the Italian "Development" Law Decree 83/2012), as well as certain parts of the legislation of the Autonomous Provinces of Trento and Bolzano are contrary to principles and rules of community law (freedom of establishment; Art. 12 of the "Bolkestein" Directive 2006/123/EC). The Italian Government's reply to the European Commission's objections is being prepared. In the meantime, a discussion with the European Commission was begun by the main competitors, including Iren, in order to raise its awareness of the need to make the rules in each member state uniform.
The Regional Executive Decree of the President of Piedmont no. 2/R of 9 March 2015 approved the new regional regulation on public water shunting concessions which changes the rules on proceedings for issuing concessions for which the Province or the metropolitan city is responsible and introduces the possibility of overcoming the "*presumption of incompatibility owing to proximity*" producing specific documentation.

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

- Distribution of natural gas
- Electricity/District Heating
- Integrated Water Service
- Environmental service management
- Other Services to municipalities

DISTRIBUTION OF NATURAL GAS

Genoa area
The natural gas distribution service in the Municipality of Genoa and the neighbouring Municipalities is carried out by IRETI S.p.A. (companies deriving from, among other things, the merger by incorporation of Genova Reti Gas, the previous Operator and of the latter's Parent Company Iren Acqua Gas into Iren Emilia S.p.A.). We can note that the concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for launching which is specified in the paragraph above "Gas distribution".

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

Other geographical areas
The Iren Group also operates in numerous other entities throughout Italy through assignments or concessions given to mixed capital companies in which Iren Group companies have a direct or indirect investment.
These concessions are currently operating under the extended regime pending the launch of public invitations to tender.
The main assignments and concessions are:
- Province of Ancona / Macerata - ASTEA S.p.A. (in which a 21.32% stake is held by the G.P.O. Consortium, which IRETI controls in turn with 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and in *prorogatio*;
- Municipality of Vercelli - Atena S.p.A. (which IRETI controls with 60%): award of 1999 expired on 31 December 2010 and in *prorogatio*;
- Province of Livorno - ASA S.p.A. (40% owned by IRETI); Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittimo and San Vincenzo – award expired on 31 December 2010 and in *prorogatio*;

Natural gas sales
In accordance with the provisions of the "Letta" Decree on the subject of unbundling, the IREN Group carries on the business of natural gas sales mainly through Iren Mercato - which also sells electricity.
This activity is also carried out through direct or indirect investment in vendor companies including:
- Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Atena Trading S.r.l. for the Vercelli area.

Electricity

IRETI manages the public service of electricity distribution in the City of Turin on the basis of a ministerial concession. This concession expires on 31 December 2030. IRETI also distributes electricity in the Municipality of Parma, with the same expiry date.
Through its local business combinations, the Iren Group distributes Electricity in the following main areas:
- Vercelli area, with Atena S.p.A.
- Marche area, with ASTEA S.p.A.;

District heating

The district heating distribution service in the municipalities of Turin and Moncalieri, from 1 July 2014 has been managed by Iren Energia as a result of the spin-off of the heat distribution unit of the City of Turin of AES Torino.
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, 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. The company, 100% controlled by the Group, was merged by incorporation into Iren Energia with effect from 1 October 2015.

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

In the public session of 22 December 2016, the Municipality of Beinasco declared that Iren Energia had won the award of the concession for use of the municipal soil and subsoil for developing the district heating network. The related agreement was signed on 27 June 2017.

Integrated Water Service

Genoa area

IRETI S.p.A. holds the management assignment for the integrated water service in the 67 municipalities of the Province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

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

IRETI also provides the drinking water distribution service in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoese ATO and the integrated water service in the Municipality of Bolano in the Province of La Spezia.

At the same time, with a deed dated 19 June 2015 effective from 01 July 2015 the company Acque Potabili S.p.A. sold to Iren Acqua Gas S.p.A. (today IRETI S.p.A.) the equity interest held in the company Acquedotto di Savona S.p.A. representing 100% of the share capital of the same. The company was merged by incorporation into IRETI with effect from 1 January 2016.

Emilia Romagna area

The Iren Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.

Based on the laws of the Emilia Romagna Region, water service Agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the Municipality of Parma in 2000 through a public offering.

The Integrated Water Services in the Parma, Piacenza and Reggio Emilia ATOs are managed by the companies of the IRETI Group. Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

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

ATO	REGIME	SIGNING DATE	EXPIRY DATE
Genoa area	ATO/operator agreement	16 April 2004/ 5 October 2009.	31 December 2032
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

On 19 April 2016, ATERSIR Emilia Romagna published the tender based on a restricted procedure in the EU Official Journal for the assignment in concession of the IWS for the Province of Piacenza, including the instrumental works. IRETI submitted its bid on 10 June 2016.

In the Province of Reggio Emilia ATERSIR with Resolution CLRE/2015/7 of 17 December 2015 approved the “Proposed assignment to publicly- and privately-owned companies, with an operating private industrial partner chosen through a competitive public tender procedure”.

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

- Tuscany Coast ATO – ASA S.p.A. (40% owned by IRETI) integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Central Marcie Territorial Area, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO, which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (subsidiary of IRETI) for the Vercelli area;
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by IRETI);
- Municipality of Imperia: AMAT S.p.A. (48% owned by IRETI);
- Alessandria ATO: ACOS S.p.A. (25% owned by IRETI) for the Municipality of Novi Ligure;
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% owned by IRETI) – manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Environmental service management

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

ATO	REGIME	SIGNING DATE	EXPIRY DATE
Reggio Emilia	ATO/operator agreement	10 June 2004	31 December 2011 (*)
Parma	ATO/operator agreement	27 December 2004	31 December 2014 (*)
Piacenza	ATO/operator agreement	18 May 2004	31 December 2011 (*)
Turin	ATO/operator agreement	21 December 2012	30 April 2033 (*)

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

In a temporary grouping of companies with F2i and ACEA Pinerolese, the Iren Group was awarded the tender offer launched by the City of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. (currently 80% owned). Two SPVs were set up for the purchase of investments (TRM V and AMIAT V). The company TLR V. (merged by incorporation into Iren Energia starting from 01 January 2016) was also set up, for the creation of the infrastructural and commercial district heating system between the waste-to-energy plant and the district heating operators of the Municipality of Grugliasco and Beinasco. TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province. AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin

On 31 October 2006, Iren Servizi e Innovazione took over the following from AEM Torino S.p.A.:
- the agreement signed with the Municipality of Turin for the assignment of 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, expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

By a resolution of 3 November 2010, the Turin City Council decided to assign service agreements to Iren Servizi e Innovazione for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017. The assignments were extended up to 31 December 2020 with a resolution of the Turin Municipal Executive Committee of 27 November 2012. Following the merger by incorporation of Iren Servizi e Innovazione into Iren Energia, with a deed of 27 December 2016, starting from 01 January 2017 Iren Energia took over the above Agreement and the above service contracts.

FIRST HALF 2017 ENERGY AND GAS LAWS AND REGULATIONS

The main regulatory measures of 2017 with the greatest impact for the energy businesses of the Iren Group are presented below.

GAS

Gas Energy Management

Consultation Document (CD) 373/2017 - Completion of a pilot project for conferment of capacity in electricity generation plants
The main subject under consultation regards the multiplicative coefficients for infra-annual products, proposing two options: one which includes the quarterly product together with the daily and monthly product, the other that takes the quarterly and offers a lower quotation of the monthly product.

Resolution 275/2017 - Compliance with Council of State determination of the value of the raw material gas Thermal Years 2010-2012
In compliance with the judgement of the CoS on applying the coefficient K (0.925) to the Qt component for the 2010-2011 and 2011-2012 TYs, the Authority resolved to launch a proceeding for the adoption of a measure by the end of October 2017 and the definition, by the end of July 2018, of the adjustment items. In this direction, the AEEGSI published the following Consultation Document (CD).

CD 463/2017 - Raw material gas before gas reform of the Authority: compliance with Council of State judgement 4825/2016 cancelling the resolution ARG/gas 89/10, determination of the value of the raw material gas for the period from October 2010 up to the gas reform of the Authority (2012)
The AEEGSI launched the proceeding for redetermining the coefficient k, recalculated, now for then, on the basis of the effective realisations of cost and real volumes withdrawn, of 0.943 for both years of the two-year period.

CD 413/2017 - Criteria for adjusting the tariffs and the service quality of natural gas transport for the fifth regulatory period
The gas transport tariffs are being revised. Two regulatory periods are provided for:
- Two-year transitory period 2018-2019, with WACC for 2018 at 5.4% and a revision in 2019. Substantial regulatory continuity with two changes: (i) more selectivity in investments, (ii) simplification in determining the fees to make them more foreseeable;
- fifth regulatory period from 2020. The following are defined: (i) a change in the distribution of revenues between entry and exit to encourage more competitive procurement and greater alignment of the prices to the PSV with the main European hubs; (ii) Adoption of the Totex approach on cost recognition; (iii) a number of innovations on the treatment of investments in progress, on net working capital, on the remuneration rate of recognised invested capital.

Gas networks

Res. 344/2017 – Simplifications of the process of analysing Residual Industrial Value (RIV) -Regulatory Asset Base (RAB) differences
The resolution introduces important simplifications of the process of analysing RIV-RAB differences for differences of less than 10% at the single-municipality level, in cases in which the aggregate difference in the context is less than a pre-set threshold (to be set at the most at 6-8%).

Res. 389/2017 – Recognition of Remote Reading/Remote Management/Concentrator costs for the years 2011-2013: buy solutions
The AEEGSI resolved to recognise the operating expense related to remote reading/remote management and concentrators for the years 2011-2013 and to issue a subsequent measure for the costs incurred in the year 2014.

Res. 434/2017 – Provisions on measurement data management in the context of the Integrated Information System, with reference to the gas sector
With this resolution the AEEGSI launches the experimentation related to making available through the SII, starting from the data made available in October 2017, the flows containing measurement data transmitted by the distributor companies to users. To this end the Single Buyer will adopt a simplified procedure by the middle of July.

CD 484/2017 - Update of the directives for the connections of biogas production plants to the natural gas networks
The AEEGSI published a CD which expresses its orientations in relation to the changes to be made to the directives for connections of biogas production plants to the natural gas networks tackling subjects such as the quality of the biogas and the processes for measuring the quality and quantity of the biogas input into the network.

ELECTRICITY

Energy management

CD TERNA - Capacity Market - Criteria for defining the demand curves by Area, linear in stretches, according to specific LOLE (Loss Of Load Expectation) values
In the responses to TERNA's consultations on the schemes for first and full implementation of the Capacity Market (CM), several operators asked for a specific consultation on the demand curve of the CM, also highlighting the need for a simplification of the methodology for constructing the said curve. This need led to the CD, which illustrates a proposal to simplify the method for constructing the demand curve by Area of the CM.

Res. 300/2017/R/eel - First opening of the Dispatching Services Market (DSM) to electricity demand and to Production Units also from Renewable Sources not already enabled and to Storage Systems. Launch of Pilot Projects with a view to establishment of the Integrated Text on Electricity Dispatching (Testo Integrato Dispacciamento Elettrico - TIDE) in keeping with the European Balancing Code
With this resolution, the Authority defines the criteria for participation of other resources in the DSM in the context of pilot projects; at the same time, it launches a first stage of implementing pilot schemes to make it possible to acquire useful elements for the organic reform of dispatching.
The resolution states that Terna must launch the pilot projects in question; Terna, therefore, after submitting the document for consultation, defined the first pilot project related to participation of demand in the DSM for the purposes of supplying resources for the tertiary reserve and the balancing. The project is divided into two proposals to be implemented at the same time:

- Qualification of consumer plants for participation in the DSM;
- temporary procurement, limited to the period June-September 2017, of a quantity of network resources made available by consumer plants that have been qualified for participation in the DSM.

Res. 419/2017/R/eel - Transitory valuation of effective balancing while awaiting definition of the full service rules based on nodal prices
With resolution 419/2017/R/eel, the AEEGSI redefines the valuation of effective balancing, adjusting the last intermediate stage towards the organic fully-implemented solution which will make it possible to provide dispatching users with price signals in keeping with the time, space and product-type dimensions that distinguish the value of energy in real time (through the use of nodal prices), thus superseding the current mechanism based on static zonal/macro-zonal aggregations.
In detail the macro-zonal non-arbitrage fee is introduced with effect from 01 July 2017 and the methods for calculating the zonal aggregate balancing are modified with effect from 01 September 2017, enabling, from this last date, the reinstatement of the single pricing mechanism for the valuation of effective balancing of all non-enabled units.

ELECTRICITY NETWORKS

2G Smart Metering Systems

In 2016 the regulator launched the subject of the evolved version of electricity meters for LV customers and definition of the criteria for recognition of the costs of second-generation meters. During 2017 we can note:

Resolution 222/2017/R/eel – Second generation (2G) smart metering systems: decision on the commissioning plan and on the request for admission to recognition of the investments in the specific arrangement of e-distribuzione S.p.A. – approves the plan on 2G meters and e-distribuzione for 2017-2031, with certain technical specifications (further metering obligations) and economic specifications (limitations on recognition of any future efficiencies/costs), defining the details of the permitted expenses.

Resolution 248/2017/R/eel – 2G metering systems: adjustment of the metering obligations and making available 2G metering data and rules on updating of the data in the official central registry of the integrated information system – changes the management of the metering in the Integrated Information System (the "IIS") in consideration of the commissioning (for the moment by e-distribuzione) of the 2G meters.

Resolution 289/2017/R/eel – Supplement to the proceeding for assessment of the availability of the standardised technological solutions aimed at supporting incremental functions (version 2.1) of the second-generation low-voltage electricity smart metering systems – supplements the proceeding for defining the functional requisites of the 2G meters (to be completed by 28 February 2018) pursuant to 412/2014/R/efr to assess both standard technological solutions of incremental functions that take the 2G meters to version 2.1, and implementations of the power limiter, also providing for technical collaboration with the Italian Antitrust Authority.

We can also note the two CDs:

CD no. 377/2017/R/eel – Centralisation of the process of making metering data available in the context of the Integrated Information System, with reference to the electricity sector, which expresses the final orientation of the Authority so that the IIS from 2018 can become the single interface for making electricity metering data available to distributors and vendors;

CD no. 466/2017/R/eel – 2G metering systems: orientations in relation to rules on the subject of applying the hourly, aggregation and configuration treatment, containing proposals on the hourly treatment of withdrawal points at which a 2G meter will be installed and on the rules on aggregating metering data.

Arrears

Res. 376/2017/R/com - Refinement of the rules on arrears in the retail markets for electricity in accordance with the judgement of the Lombardy RAC, Sect. II, 1629/16, and additions to the same rules on the retail market for electricity and natural gas:
The present resolution makes the refinements as above. In particular, it confirms the contents of the Integrated Text on Electrical Arrears (especially the compensation chargeable to the distributors and the suspension of the invoicing of the transport for serious non-fulfilment, arriving at payment at 50% of the transport in the period of delay) as the shortcomings disputed by the RAC judgement have been remedied. The measure, in addition, offers the possibility up to 31 December 2018 to invoice in a simplified manner and defines detailed rules on re-supplying a point in arrears.
It reviews, finally, the methods of applying the compensation in the event of non-communication of the results of the closing actions, with particular reference to the withdrawal points served under greater protection, in order to guarantee their correct application.

Res. 109/2017/R/eel - Launch of proceeding for compliance with the judgement of Lombardy RAC, Section II, 31 January 2017, 237, 238, 243 and 244, related to Authority resolution 268/2015/R/eel, on the subject of guarantees for exacting the general expenses of the electrical system
The resolution in question launches a proceeding (to be completed by 31 December 2017) for compliance with the judgement of the Lombardy RAC, Sect. II, 31/01/2017, nos 237, 238, 243 and 244 on the subject of guarantees provided by the transport user, establishing at the same time the adjustment of the connected rules under the terms of resolution 553/2016/R/eel. Temporary urgent measures were thus adopted with a decrease in the guarantees given, also taking the arrears into account. The resolution is currently subject to pending legal action.

FINAL CUSTOMERS

Superseding Protection

Res. 69/2017/R/eel – Greater protection service: mechanism for compensating for fixed costs incurred by service providers
The AEEGSI establishes a mechanism aimed at guaranteeing to protection providers the coverage of the fixed costs if the exit rate of customers from the protection system is higher than that considered by the Authority in the context of the annual updating of the RCV components.

CD 204/2017/R/com – Offers at free price on conditions equivalent to protection and minimum conditions for the free market for capacitation of final domestic customers and small businesses in the retail markets of electricity and natural gas
The CD regards all the electricity and gas retail markets:
- it introduces the standard offer (PLACET - Prezzo Libero e Condizioni Equiparate di Tutela - Free Price and Conditions Equivalent to Protections) for electricity and natural gas;
- it proceeds to revise the non-economic contractual conditions of the other free market offers.

The PLACET offer must be in the portfolio of all vendors. It is classified as a form of evolution of the Similar Protection.

Res. 375/2017/R/com – Launch of a proceeding for defining a framework of existing regulatory instruments for the promotion of new regulatory instruments for the information and capacitation of final domestic customers and small enterprises in the retail markets of electricity and natural gas
The measure launches a proceeding, to be completed by 30 June 2018, for defining a project to develop informative and capacitation initiatives involving final domestic customers and small businesses in the retail markets of electricity and natural gas.

Tariffs

CD 374/2017/R/eel – Revision of the timing for determining and publishing certain dispatching fees
This revision would have the purpose of guaranteeing the possibility, in relation both to the aforementioned PLACET offers and to every other offer on the free market, to apply in a "pass-through" manner also the dispatching fees (ex-ante with respect to the quarter to which they refer), introducing simplifications both for vendors and for the final customers.

Res. 782/2016/R/eel – Implementation of the reform of the network tariffs and of the tariff components covering the general system expenses for domestic electricity customers
The AEEGSI measure introduces important changes from 1 January 2017, with particular reference to:
- tariffs for the network services (transmission, distribution and metering), which assume the structure entitled "TD" for all domestic customers, irrespective of the condition of official residence, thus eliminating all progression;
- fees to cover the general system expenses, which are limited to 2 progressive bands and the A3 fee becomes a fixed rate only for non-residents.

On 3 May 2017, the Authority published applicative clarifications on the subsidies temporarily applicable (from 01 April 2017 to 31 March 2019) to requests for a change in the contractually committed power formulated by domestic customers.

Res. 481/2017/R/eel - Tariff structure of general system expenses for the electricity sector applicable from 01 January 2018. Definition of the groups of general system expenses

With the resolution in question the AEEGSI defines the new tariff structure of the general system expenses in the electrical field, which can be applied from 01 January 2018.

In particular, the resolution states that the structure of the general expenses to be applied to non-domestic customers related to the components A2, A3, A4, A5, As, MCT, UC4 and UC7 must provide for two groups ("general expenses related to support for renewable energies and cogeneration" and "remaining expenses"), with a trinomial form, characterised by three rates.

The resolution also states that the logic of the two groups must also be applied to the tariffs for domestic customers, at the end of the gradual process of tariff reform, which is expected to be completed by 01 January 2018.

It is also envisaged that the Authority will publish, starting from 2018, the percentage of revenue of the groups identified, to be destined to each management account set up at the Cassa per i Servizi Energetici e Ambientali (the Energy and Environmental Services Fund).

With reference to the further tariff components UC3 and UC6, which do not relate to the general expenses, the resolution envisages for simplicity the same scheme envisaged for the other expenses.

Res. 126/2017/R/eel - Confirmation of the values of the tariff components to cover the general expenses to non-domestic users in 2016 and in the first quarter of 2017, following conversion into law of Italian Law Decree 244/16

On the basis of the provisions of Italian Law Decree 244/16 (postponement from 01 January 2016 to 01 January 2018 of the validity of the reform of the general system expenses for non-domestic users), the resolution in question confirmed definitively the rates of the general system expenses for the same users already resolved during 2016 and starting from 01 January 2017.

Invoicing

Res. 129/2017/R/com – Bill 2.0: amendments and additions to Authority resolutions 501/2014/R/com and 200/2015/R/com low-voltage non-domestic customers

The AEEGSI intends to enable non-domestic customers to access the information set already available to domestic customers in order to enable them to assess better the adequacy of their installed power.

The resolution states that:

- the minimum elements of the summary bill must include the installed power and, for each month, the maximum power withdrawn;
- the detail of the maximum power levels withdrawn monthly in the last 12 months must be made available at least once a year;
- the indication of the power available among the minimum elements to be inserted in Bill 2.0 is no longer provided for.

Res. 279/2017/R/com – Bill 2.0: incentivising mechanism for greater diffusion of bills in an electronic format directed to customers served in protection arrangements and amendments to Bill 2.0

The resolution establishes that participation in this reintegration/incentivising mechanism is conditional on achievement of a minimum level of customers to which the discount is given (for 2016, 7% of customers served under protection).

The discount provided for normatively for customers is in fact higher than the savings that the Greater Protection provider has in not sending the customer the paper bill.

Res. 738/2016/R/com – Invoicing and rules for paying in instalments: amendments to the rules defined by Authority resolution 463/2016/R/com

The measure, making amendments to Res. 463/2016/R/com and to its annex A Integrated Text on Invoicing (Testo Integrato delle Fatturazione – TIF), the Integrated Text on Transmission (Testo Integrato del Vettoriamento - TIV), the Integrated Text on Electricity Metering (Testo Integrato Misura Elettrica - TIME) and the Integrated Text on the Retail Sale of Natural and other Gases distributed through Urban Networks

(Testo integrato delle attività di Vendita al dettaglio di Gas naturale e Gas diversi da gas naturale distribuiti a mezzo di reti urbane - TIVG) for aspects relating to invoicing and rules for paying in instalments, brought - only for 2017 - the obligatory time threshold for payment of the indemnity by distributors to 3 months of estimated readings (from 2018 they go back to 2 months).

TV licence fee

Res. 291/2017 – Criteria for distributing the flat-rate contribution chargeable to the Revenues Agency, to cover the expenses incurred by electricity vendors for debiting the licence fee in invoices, for the years 2016 and 2017
The measure establishes the criteria for distributing the flat-rate contribution to cover the expenses incurred by electricity vendors for debiting the licence fee in invoices, for the years 2016 and 2017. This is 14 million euro for each year to be divided among the various vendors and the Single Buyer.

Other operational matters

Res. 228/2017 – Adoption of the Integrated Text on Measures preparing for confirmation of the contract for the supply of electricity and/or natural gas and Voluntary Reinstatement Procedure (Testo Integrato in materia di misure propedeutiche per la conferma del contratto di fornitura di energia elettrica e/o di gas naturale e procedura Ripristinatoria Volontaria - TIRV)
The TIRV is applicable to remote contracts or contracts negotiated outside the vendor's commercial premises and governs the reinstatement procedure, accepted voluntarily both by the final customer and by the vendor, if the preventive measures have not been observed in the stage of confirming the contract.

CD 447/2017 - Rules on the decision-making procedure for resolving disputes between final customers or users and operators or managers in the sectors regulated by the Electricity, Gas and Water Authority (Third Level)
The consultation contains the rules for the decision-making procedure for resolving disputes between final customers/users and operators/managers in the sectors regulated by the Authority. With the introduction of the "third decision-making level" disputes are settled through an administrative intervention of the Authority.

DISTRICT HEATING

DCO 378/2017/R/tlr - Rules on connection contributions and methods for exercising the right of withdrawal in the remote heat service (district heating and district cooling). Final guidelines
The consultation document presents the Authority's final guidelines on the criteria for determining connection contributions and methods for users to exercise the right to deactivate the supply and disconnect from the district heating network.

DCO 438/2017/R/tlr - Regulating the contractual quality of the district heating service. Services connected with the starting, management and closure of the contractual relationship. Final guidelines
The document presents the Authority's final guidelines for regulating the quality of the services provided to users by the operator of the district heating service connected with the starting, management and closure of the relationship by the operator, and the obligations of recording and communicating contractual quality data borne by operators of the service.

REGASIFICATION

Tariffs

Decision 8/2017 – Authorisation for paying the amounts due related to the revenue coverage factor accruing to the company OLT Offshore LNG Toscana S.p.A. for the year 2016
The AEEGSI communicated to the CSEA the authorisation for paying the provisional and advance amounts due, related to the revenue coverage factor for the company OLT Offshore LNG Toscana S.p.A. for the year 2016, subordinating payment of the revenue coverage factor to the company OLT making available a specific surety, of an amount equivalent to that of the coverage factor.

CD 485/2017 - Criteria for regulating the tariffs of the liquefied natural gas regasification service for the fifth regulatory period and for the transitory period 2018 and 2019. General framework and lines of action

With this CD the Authority, among other things, envisages that it will: (i) launch the fifth regulatory period starting from 2020, (ii) include in the tariff recognition the pre-final figures of the investments that came into operation in the year *t-1* with respect to the year of application of the tariffs, (iii) to update the WACC in keeping with what is laid down on the TIWACC (the Integrated Text on the subject), (iv) to incentivise the investments that will come into operation in the period 2018-2019 introducing a supplement to the remuneration rate of the invested capital of 1.5% recognised for 12 years.

Capacity assignment auctions

Res. 6/2017 and ff – Rules for conferring capacities for the integrated regasification and storage service, for the thermal year 2017-2018
In the aforementioned regulations the AEEGSI established the rules for conferring capacities for the integrated Regasification and Storage Service for the thermal year 2017 – 2018 and the methods for calculating the reserve price for auction procedures.

OTHER GENERAL MATTERS

Metering instruments

Ministerial Decree no. 93 of 21 April 2017 – Regulation containing rules implementing the law on checks on metering instruments in service and on supervision on metering instruments compliant with Italian and European law
The Decree in question, in force since 18 September 2017 replaces, repealing them, the previous Ministerial Decrees related to checks on electricity, gas, water and heat meters.
In particular for electricity, it equates meters in operation made before entry into force of Italian Legislative Decree 22 of 02 February 2007 (so-called "pre-MID") to the MID meters, with certain extensions on the terms (three years) and possible further extensions by the AEEGSI in consideration of the future plans for bringing into operation 2G metering systems.

Functional unbundling

DCO 307/2017 – Criteria for recognition of the costs incurred by electricity and natural gas distribution companies for change of the brand and related communication policies
The AEEGSI published the CD in which it proposes the criteria for recognising the debranding costs.
The costs admitted to the recognition are listed: design and creation of the new brand, legal and notarial expenses connected with definition of the new brand, costs of communicating to users and industrial operators, rebranding of the personnel's equipment and of supports that represent the contact points with third parties, layout of material used for performance of the distribution activities and costs for the reconfiguration of information technology and management systems. Finally, asymmetrical recognition logics between gas and electricity are provided for.

Incentives
Post-Green Certificates Incentive

Starting from 2016 the incentive mechanism using Green Certificates has been replaced by a new form of incentive. Entities that have already gained the right to Green Certificates keep the benefit up to the end of the subsidy period, but in a different form: payment by the GSE of an additional tariff in euro with respect to the revenue deriving from valuation of the energy is guaranteed on electricity production.
For the transition to the new incentive mechanism, owners of IAFR plants that have gained the right to make use of Green Certificates, must sign an Agreement with the GSE to benefit from the tariff incentive for the remaining period of the right. On 27 June 2017 the GSE began a consultation aimed at defining new payment times of the ex-GC incentive, so as to reduce the time between production and incentive. The

valuation will be carried out jointly with the AEEGSI, and the new times should be applied initially to biomass and bioliquid plants, and then to the other types.

Energy efficiency certificates (EECs)

The Ministerial Decree of 11 January 2017 - Determination of the national quantity targets for energy saving that must be pursued by electricity and natural gas distribution companies for the years from 2017 to 2020 and for approval of the new Guidelines for the preparation, execution and assessments of energy efficiency projects
The Decree, which came into force this past 04 April, sets the national quantity targets for primary energy saving to be achieved in the four years 2017-2020 and, within these targets, the obligations for electricity and gas distributors in the White Certificate (EEC) mechanism for the same period.
Besides the obligations assigned for the period of reference, the White Certificates issued for High Yield Cogeneration (HYC), those related to the procedures for assignment of the natural gas distribution service, and the interventions already included in the EEC mechanism, which continue to generate savings even after the end of the useful life, also contribute to the national targets.
The Decree also modified the methods of presenting energy saving projects and assessment of the savings achieved.

Res. 435/2017 - Definition of the tariff contribution to cover the costs incurred by electricity and natural gas distributors subject to the obligations in the context of the energy efficiency certificate mechanism.
After the aforementioned Ministerial Decree and CD 312/2017 the AEEGSI published the resolution that defines the new rules for calculating the tariff contribution paid to distributors in the context of the energy efficiency certificate (EEC) mechanism. The main changes are:
- introduction, for setting the amount of the contribution to be paid, of the "session relevant reference price", determined by the average price, weighted for the related quantities, of the transactions carried out in the session and concluded at a price within an interval of ±12% with respect to the relevant reference price of the previous session;
- reference contribution (which replaces the estimated contribution) will take into account the weighted average of the last two definitive contributions;
- the tariff contribution to be paid on the occasion of the new annual maturity of 30 November, will be, in advance, equal to the definitive contribution of the previous year, valid for a limited quantity of target held by each distributor;
- bankability of the EECs.

Milleproroghe Decree 2017

This came into force on 30 December 2016 and establishes, among other things, the following extensions:
- to 30 June 2017 the term for installing temperature regulation and heat accounting systems by condominium unit owners;
- to 01 January 2018 the obligation, related to new buildings or those subject to significant renovation, to cover with thermal renewable source systems at least 50% of sanitary hot water, heating and cooling consumption;
- to 31 December 2017 the incentives for large energy efficiency projects, not less than 35,000 TOE per year, whose period of recognition ended by 2014 (the extension will be made when projects have been defined by the same proponent to produce new energy savings and launched by 31 December 2017);
- to 31 December 2017 the term for calculating the subsidised levy reserved for cogeneration: the method of calculation established by Resolution 16/98 will continue to apply, with a 12% reduction of the parameters;
- to 01 January 2018 the term within which the AEEGSI must adjust the structure of the tariff components related to system expenses, applied to customers of electricity services for uses other than domestic ones; consequently, starting from 01 January 2017 the variable parts of the general system expenses are applied to energy withdrawn by public networks with third-party connection obligations;
- again with reference to system expenses, the Decree repeals the rule on Internal User Grids according to which the transmission and distribution tariffs, and those covering the general system expenses, are

determined making exclusive reference to the electricity consumption of final customers or to parameters related to the connection point of the same final customers.

National Energy Strategy 2017 – Consultation for the purposes of preparing the final document

The key themes on which the document proposed for consultation is based can be summarised as:

- increasing the competitiveness of the country, aligning energy prices to the European ones;
- improving the security of procurement and supply;
- decarbonising the energy system in line with the long-term targets of the Paris Agreement, which will be confirmed as irreversible, setting the following objectives.

The Strategy proposed intends to confirm a leadership role for Italy and to give the country targets at 2030 which, in some cases, are even more challenging than the European ones:

- for renewable energies, to defining a minimum target of 27%, which will translate, for the electrical sector, into covering at least half the consumption with Renewable Energy Sources;
- strengthening the commitment for decarbonisation, defining and launching rapidly the actions which will make it possible to eliminate the use of coal in the electrical sector at the latest by 2030;
- gas is identified as an essential vector for the transition, in electricity generation, in supplying services to the electricity market and in other uses, including LNG in heavy and maritime transports; to safeguard the security of procurement actions will therefore be taken to diversify the supply routes, and eliminate the cost gap with other European countries;
- the rationalisation process of the downstream oil sector must continue, in particular developing the Italian biogas supply chains and the circular economy;
- the role of energy efficiency will be essential, capable of achieving the three targets at the same time and containing the energy spending of households and businesses;
- in the same way, the operating instruments of the energy markets must be revised to increase their competitiveness and make them suitable to respond to the needs of the various categories of consumers;

In addition, running across these themes, there are those of strengthening innovation and improving the governance of the sector.

PERSONNEL AND TRAINING

Personnel

At 30 June 2017, the Iren Group had 6,258 employees; compared to 31 December 2016 there was an increase compared to the previous 6,226 employees. The table below provides a breakdown of personnel at 30 June 2017, divided into Holding and first-level companies (with related subsidiaries), compared with the figure at 31 December 2016.

Company	Workforce at 30/06/2017	Workforce at 31/12/2016
Iren S.p.A.	929	927
IRETI and subsidiaries	1,959	1,921
Iren Ambiente and subsidiaries	2,255	2,276
Iren Energia	644	617
Iren Mercato and subsidiaries	471	485
Total	**6,258**	**6,226**

The change in the workforce compared to 31 December 2016 is due to:

- continuation of the reorganisation plan of the Iren Group's subsidiaries, implementing the Business Plan adopted, which, starting from 01 January 2017, entailed the incorporation of Iren Servizi e Innovazione into Iren Energia and of Iren Gestioni Energetiche into Iren Mercato, with the consequent transfer, from Iren Mercato to Iren Energia, of the business unit related to managing the operating activities associated with increasing energy efficiency, controlling and managing the construction and operation & maintenance of thermal plants and special conditioning plants;
- Entry into the Group of the company REI S.p.A. in the context of the Waste Management Business Unit (6 resources) and of the business unit from Acque Potabili S.p.A. related to the integrated water service concessions of 31 municipalities in Northern Italy in the context of the Networks BU (39 resources), and, starting from 1 May 2017, of the company Salerno Energia Vendite in the context of the Market BU (25 resources), a company into which the former subsidiary GEA Commerciale was merged;
- completion of the first voluntary retirement incentive process, pursuant to Art. 4 of Italian Law 92/2012, launched during financial year 2014 with the objective of creating a generational change in the context of the Iren Group together with continuation of the policy on the subject of limiting workforces.

Training

Also in 2017 training was confirmed in its role of supporting and accelerating the processes of change and transformation in progress within the Iren Group.
The result of organic planning that tends to organise and strengthen skills and abilities linked to roles and duties, the training tends increasingly to a prospect of continuity along the entire professional life of the personnel, accompanying them in the aspects associated with the introduction of new ways of working, updating specific technical knowledge, safety and enhancing relational and behavioural skills. This makes it an important support not only for the enhancement of the role acquired but also for the requalification of the professionalism included in internal mobility paths, through targeted and dedicated actions.
In the first six months of 2017 the Iren Group's employees were provided with a total of more than 53,000 hours of training (+ 13% compared to the first half of 2016) with 4,970 employees – 79.5% of the workforce (+22%) - who took part in at least one training initiative, with an average of 8.5 hours per capita (+10.4%).
The proportion of training on the subject of safety, quality and the environment, with respect to the total hours, was 38.9%, with a per capita average of 3.3 hours, while specialist training was 42.5%. Managerial training is growing, representing 3%, thanks to the creation of initiatives aimed at Managers, Executives and Heads of Department also in Webinar Live mode.
The trend to privilege internally managed planning was confirmed, making use of both internal trainers and external consultants (so-called internal training), which also for the first half of 2017 represented 90% of the total hours, while only 10% was purchased from a catalogue and carried out at external bodies (external training).

ORGANISATION AND IT SYSTEMS

Organisation

The IREN Group is made up of four sub-holding companies, 100% controlled by the Parent Company IREN S.p.A., which lead the corresponding Business Units:

1. WASTE MANAGEMENT Business Unit (sub-holding: IREN Ambiente S.p.A.): this coordinates and manages the activities of sweeping, collection and management of collection centres, management of waste processing and disposal plants and the related heat and electricity production plants;
2. ENERGY Business Unit (sub-holding: IREN Energia S.p.A.): this coordinates and manages the electricity production/energy-heat cogeneration plants, the heat distribution (so-called district heating) plants and networks and the activities related to "indoor" technological services (electrical systems and heating systems, technological global service);
3. MARKET Business Unit (sub-holding: IREN Mercato S.p.A.): this coordinates and manages the commercial services to Customers (electricity, heat and gas, etc.), and the marketing activities for development on the reference markets;
4. IRETI S.p.A. - NETWORKS Business Unit (sub-holding: IRETI S.p.A.): this coordinates and manages the integrated water services and the gas and electricity plants and distribution networks.

Also during the first half of 2017 work continued on reorganising the Group; this is aimed at strengthening the unitary nature of governance and accelerating the integration process, making operations more efficient and focusing on the business in keeping with the provisions of the strategic guidelines of the 2015-2020 Business Plan approved by the Board of Directors of IREN S.p.A. on 16 June 2015, and repeated in the Business Plan to 2021 approved on 19 October 2016.
The numerous projects in progress are for corporate rationalisation, merger & acquisition, business process re-engineering and performance improvement, and involve both the corporate staff Departments and the Business Units.

Information Technology

2017 saw the launch and continuation of important projects that were strategic for the Group, associated with the Business Transformation of Iren Mercato, the review of the operating processes of Iren Ambiente, the unification of the Commercial Technical system for IRETI, the Review of the Payments Cycle and the consolidation of the Data Centres.
An overview of the main projects in being is provided below. These are divided by Business Unit or relate to multiple aspects of the Group's business.

In the CORPORATE area:

- the project for porting the Payroll from the previous system to a new software resident on an external platform was completed, with release into production starting from the February wage slip;
- the activities to develop the strategic project for Revision of the Payments Cycle Processes continued; in particular, stage 1 was completed (approval Work Flow, Purchase Request, Purchase Orders, Accounting for Work and Management of payable supplier invoices) and stage 2 is close to release (Logistics and Warehouse, Bravo Solution, STR final accounting);
- wave 1 and wave 2 of the Strategic Project of Group Management Reporting are at the release stage; this is aimed at monitoring the economic, equity, financial, industrial, operating and commercial performance by IREN's Top Management and operating structures. Wave 3, which includes the definition of a system of KPIs, subordinated to implementation of other systems, is planned for the end of October 2017;
- the "Personnel Budget" project was launched; this proposes to define and implement a budgeting, planning, forecasting and final data import model in the HR field, which will cover completely the activities of planning, reporting and analysis;
- the "Receivables DWH" project is in progress; this has the aim of integrating, in a DataWareHouse system, all the economic data of turnover, collection and receivables of all the consolidated companies that are part of the Group;

- finally, in the first half of the year, the Salerno Energia Vendite systems were integrated into the Iren ONE platform following the merger into the same of the company GEA Commerciale and the consequent acquisition of control by Iren Mercato.

In relation to the ENERGY BU, in the first half of 2017 a project was launched to extend the process related to reporting faults in the Municipalities in which the contract was won to manage public lighting (Asti, Biella and surrounding municipalities). In particular a new app entitled "Città in Luce" (City in Light) is being defined, together with the consequent mapping of the processes of managing reports.
In the Power Management area, management of the new intraday markets was launched on the offer management platform and, in the district heating field, an activity entitled "TLR Reporting" was launched for preparing and analysing indicators for operational monitoring of this activity.

For the WASTE MANAGEMENT BU, stage 1 of the GEOSAI project was completed; this aims to create an automated process of data download from the GPS systems and their management on the ECOS system, and the implementation of a WEB Portal for reporting work by external service providers.
The next stage, which provided for the assessment of KPIs associated with process performance in the area of collection and sweeping, has been absorbed into the new "Just Iren" Project. The new initiative involves a profound innovation of environmental services, with digitalisation of the management models and use of innovative technologies for the planning and operational management of the services.
At the beginning of July the Study phase will be launched, with the aim of defining the user requisites and the functional analysis (defining the model of the processes and of the data, structuring the User requisites and the technological scouting activity) for the Waste Collection and Road Sweeping divisions of the Waste Management BU (Emilia, Turin and Vercelli). Starting from 2018 the project will continue with creation of the systems.
Again, for the Waste Management BU, development activities are continuing linked with the legislative adjustments associated with the TARI waste tax.

As regards the MARKET BU, two strategic projects were launched: "Strategic CRM" (Pre Sales & Sales) and "Operational CRM" (Post Sales, Analytics & Document Composition). As part of the "Market Transformation" Programme, these respectively have the objective of implementing a new system for managing offers and commercial campaigns, the former by automating the contractualisation processes and the latter by implementing a new system for managing commercial performance. In particular, the tenders were awarded for the executive part of the projects, which consequently were launched.
Again, in the "Market Transformation" context the application model was defined. This involves the implementation of a single Billing system for electricity and gas commodities, and the provider to which to entrust development of the application solution is about to be selected through a call for tenders.
Finally, the Receivables Workflow project is at the release stage. This has the aim of increasing the level of automation of the processing of receivables on contracts and providing the partner recovery companies and law offices with an instrument for the processing of receivable positions on discontinued customers.

In relation to the projects of the NETWORKS BU value chain, the SITECO project to unify the technical-commercial system of the gas supply chain and the commercial quality project of the integrated water cycle are moving forward.
The significant projects Asset Management and Work Force Management (Automatic Work Force, Scheduler and Emergency Response) were launched.
In particular, for the WFM project in June the tender was assigned for creation of the software platform, and at the beginning of July the project for creating for the gas part will be launched (for the water business the activity is planned for 2018).
Again, in the Networks BU context, numerous software developments associated with regulatory adjustments provided for by the AEEG are ongoing.

In the context of Territorial Information Technology the GEOIREN project is continuing. This will see the modelling of the database for all the businesses and release of the component of unified final accounting in the gas field. In 2018 the unified update part is also planned.
In the Remote-Control area, the District Heating Remote Management system in the Emilia area is being extended. In the context of Remote Reading/Remote Management of gas meters at the beginning of January the installation in 4 sample municipalities was completed. For October, the completion is planned

of the tender which will lead to implementing the centralised reading acquisition system and implementation in radio-frequency of the network for data acquisition from intelligent meters.
The initiatives relating to consolidation and rationalisation continue on the infrastructure front, in particular:

- The consolidation of the data centres was competed in March with the Parma move;
- In the Security context, the instrument for assessing the vulnerability for the purposes of implementation was purchased;
- In the Distributed context in September the single ticketing instrument of the Group Service Desk will be started;
- The project to review the free phone numbers and call centre infrastructure has been launched. The infrastructure will be centralised and the telephone numbers of the Market BU will be rationalised.

QUALITY, ENVIRONMENT AND SAFETY

As expressed in its corporate mission, the Iren Group provides integrated services that target safeguarding the environment and personnel safety. As customer needs and expectations are evolving constantly, strongly backed by market competitiveness, calling for flexible organisational models and streamlined management systems and requiring monitoring of efficiency in terms of expected results, the Group has developed an Integrated System (Quality, Environment and Safety) as a means to achieve the predefined objectives. The Integrated System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an approach based increasingly on customers, workers' safety and environmental protection.
The core principles of the Integrated System policy are:

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

The Integrated System policy is adopted by all Group personnel and has created strong synergies between the operating structures.
Iren, Iren Ambiente, Iren Energia, Iren Mercato, Ireti, AMIAT, Iren Laboratori, Iren Acqua (formerly Mediterranea delle Acque), Iren Acqua Tigullio (formerly IdroTigullio) and AMTER have systems certified according to the international standards ISO 9001 (Quality) and OHSAS 18001 (Safety). Iren, Iren Energia, Ireti, Iren Ambiente, AMIAT, Iren Laboratori, Iren Acqua, Iren Acqua Tigullio and AMTER are certified according to the international standards ISO 14001 (Environment).

During the first half of 2017 the planned audits to keep the Certificates of Iren Energia and Iren Ambiente were carried out regularly, giving positive results and therefore confirming the existing certifications. In the second half of the year the audits are planned for renewal of the Certificates of Iren S.p.A. and of all the other Group Companies.
The internal audits planned for the period were also carried out: completion of the Plan of these audits is planned for the second half of the year.
The first half of the year saw implementation of the projects for transfer of the Certificates held by the companies Iren Servizi e Innovazione and Iren Gestioni Energetiche to the respective incorporating companies Iren Energia and Iren Mercato, as far as they are responsible.

During the period, the project for general revision of the Systems Certified on the basis of the 2015 update of the ISO 9001 and ISO 14001 standards was also launched. This project provides for redesign of the System and the issue of the updated documentation by the end of November 2017 for Iren S.p.A. and for all the Group Companies, with the exception of Iren Energia and Iren Ambiente. This project is expected to be completed in the early months of 2018.

RESEARCH AND DEVELOPMENT

In the Iren Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.
The Business Plan to 2021, approved by the Board of Directors of IREN S.p.A. on 19 October 2016, confirms the centrality of innovation in the IREN Group's Vision which will be expressed over the period of the plan in the development of all the sectors in which it operates with the objective of making Iren an example of excellence and innovation and the multi-utility sector.

The main research, development and innovation lines on which the Iren Group is investing regard:
- diffusion of "customer empowering" tools and increasing the awareness of users on the impact of consumption and on energy savings;
- energy efficiency divided into several levels and assets (customer, building, urban agglomerate, energy assets of the Group);
- study of new systems for the recovery of energy losses and an increase in the efficiency of the plants;
- advanced remote management, remote reading, smart metering and multi-metering systems;
- thermal and electrical storage systems;
- systems for the processing, purification and re-use of waste from sludge, waste water and other waste treatment processes;
- Internet of Things ("IoT") and domotics;
- "data intelligence" ICT tools;
- development of platforms for the creation of a single urban register of sub-services;
- optimised management of the integrated water cycle (districtualisation, identification and reduction of network losses);
- electrical mobility.

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

The first half of 2017 was characterised by the continued technical and development activities relating to the various projects co-financed by the Group, and in some cases in partnership with innovative start-ups, and internal technology projects, for example on the issues of augmented reality in support of maintenance, innovative sensors for the water cycle and drones in support of certain specific activities.

The research on innovative start-ups also continued during 2017, with partnership agreements signed and experimental projects launched.
The main projects under way are presented below.

FINANCED RESEARCH PROJECTS IN PROGRESS

Water Services

BlueSCities (Horizon 2020)

From February 2015 IREN took part in the BlueSCities project financed under H2020; this involves defining a "practical guide" to be applied in the efficient management of the integrated water cycle and of waste in urban areas. The project intends to develop a method of managing the water and waste segments, identifying the possible synergies and integrating the use of technological hubs used in the smart management of other priority areas such as energy, transport and ICT.

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

Status: The project was completed on 31 January 2017: During the last year, IREN completed its own development of a practical guide to be used by all stakeholders involved to implement methodologies and best practices applicable to the integrated management of water and environmental services. In January 2017, the final meeting with the partners of the project was held, as well as a meeting with a group of engineering students, to discuss the subject of performance indicators in the integrated water service in Genoa.

GeoSmartCity (FP7)

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

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

Status: The project was completed in February 2017. In the last stage of the project a test was carried out on the whole platform at the Genoa pilot site. In particular, the following were completed: the analysis of the register of services with the purpose of making them interoperable with the other data banks of users of the subsoil; the data of the cartographic updates with the Trimble total station and which supplemented the corporate GIS; the dissemination activities.

SmartWaterTech (MEUR - Ministry of Education, Universities and Research)

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

Partners: IRETI, Iren Acqua, ABC, Acquedotto Pugliese, ASTER, CAE, Digimat, Fast, Foxbit, Icampus, International University College, University of Bologna, University of Naples Federico II, University of Palermo, University of Trento, Irea-CNR.

Status: In the first half of 2017, the research activities continued on the water leaks related to the water pipe network in the Rapallo area and in a district of the City of Parma, applying the method of dividing it into districts when controlling the pressures. In the case of Parma, the drainage network and monitoring of water-parasite levels were also involved. Activities were also launched with the aim of defining the application models for optimised management of water distribution, sewer and treatment plant networks, to implement expert systems in support of the decision-maker in asset management and the creation and application of innovative technological nuclei (smart objects) in Parma and in the Province of Genoa.

Waste

Biometh-ER (Life+)

The aim of this project is to create the first plants for the production and distribution of biomethane to end users in Italy. The plants will be designed, managed and maintained around innovative, state-of-the-art technologies; the entire system will be monitored for the duration of the project and the operating results of the pilot plants will then be examined and disclosed to the project partners involved. These plants represent a departure point for assessment of the expansion capacity of this experiment to all of the Emilia Romagna Region and for the creation of the regional biomethane distribution network.

Partners: IRETI, Iren S.p.A., Iren Rinnovabili, Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., Hera Ambiente S.p.A., SOL S.p.A..

Status: In January/February 2017, the preliminary work necessary for construction of the biomethane production plant was carried out at the Roncocesi purification plant. The plant was built in the next month, March. The installation and connection operations are currently being completed. The next activities will involve preparing and installing the pipeline connecting the purification plant to the gas distribution network, preparing the application for connection to this network (verifying the technical and regulatory conditions) and ascertaining on the subject of problems related to gas carriage and signing agreements to make use of the biomethane at fuel distributors.

ReQPro (Life+)

The project is closely linked to the implementation of the tertiary treatment section at the Mancasale (RE) purification plant: the works have already been financed with a contribution from the Region of Emilia Romagna, and include sand filters for filtering and final disinfection using UV rays and oxygenated water, to make the water leaving the plant compliant with the requirements as per Ministerial Decree 185/2003 regarding the re-utilisation of water for irrigation purposes. The objective of the project, coordinated by the C.R.P.A., was to assess the effect of treated water at the Mancasale purification plant on certain crops identified in conjunction with the Consorzio di Bonifica dell'Emilia Centrale and the Po Valley Authority.

Partners: Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., IRETI, Consorzio di Bonifica dell'Emilia Centrale and the Po Valley Authority.

Status: The project was completed in March 2017. The latest activities carried out regarded the calibration and fine tuning, together with the installer, of the processing plant. At the same time laboratory tests were carried out on the water to be reused in order to check its suitability under the terms of the law.

Energy

CELSIUS (FP7)

The project pursues increasing energy efficiency in high-density urban areas by recovering the heat produced by various emission sources.
Each partner city of the project has been given the task of producing a pilot plant to create and verify a particular method of obtaining increased energy efficiency. Specifically, the demonstrator for which Iren is responsible, through IRETI, aims at achieving energy recovery using the pressure jump of the natural gas distribution network to produce electricity and heat for a small district heating network.

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

Status: The project has a duration of 57 months and ends in December 2017. The construction and commissioning activities have been completed. In the early months of 2017 the demonstrator was brought into operation together with the associated activities of measurement and monitoring. On the basis of the results obtained a measurement and monitoring protocol and a list of KPIs will be defined. These are functional to the continuous development and improvement of the CELSIUS Toolbox.

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

The project relates to the development of a charging system for on-road electric vehicles by means of induction coils sunk into the concrete road surface. The project provides for 3 demonstrator sites, of which one in the Province of Turin in the SITAF area of the Turin-Bardonecchia motorway.

Partners: Iren S.p.A., IRETI, Turin Polytechnic, FIAT Research Centre, Pininfarina, Energrid and Scania Nissan, other international industrial partners, Italian and European SMEs.

Status: The project is in the stage of technical implementation of the induction recharging systems in the different pilot sites. During 2017, Iren continued to support the partners tasked with developing the Italian demonstrator for all the questions related to the validation of the site and the impact of the solution on the electricity grid. The next activities will involve assessing the results of the project and the subsequent process of their dissemination.

NEMO- Hyper-Network for electroMobility (Horizon 2020)

The NeMo project aims to develop an e-roaming platform applied to different electricity mobility systems (recharging infrastructure and motor vehicles). The main objective is to create a “Hyper network”, namely an upper ICT infrastructure that can standardise data originating from various stakeholders and generate innovative services and applications on different verticals.
IREN’s role will consist of defining the use-cases, with special reference to the distributors’ and electricity vendors’ requirements, providing technical and regulatory expertise to identify their requirements/constraints and assessing the results and developments of the project.

Partners: Iren S.p.A., IRETI, Fiat Research Centre, TecnoSitaf, ICOOR, Renault, Verbund, TomTom, other foreign industrial partners, Italian and European SMEs.

Status: The first activities performed in the project involved defining the players and use cases related to the e-roaming electrical recharging infrastructure. IREN is currently involved in defining the architecture of the system and the requirements for Utilities and distributors, as well as in defining the data flow with particular reference to the impact on the electricity network.

FLEXMETER (Horizon 2020)

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

Partners: Iren S.p.A., Iren Energia, IRETI, Turin Polytechnic, E-On, University of Grenoble, Siveco, University of Bucharest, Telecom Italia, University of Bologna, ST Microelectronics.

Status: After defining the devices to be installed in the field from a technological point of view, the activities to prepare the test sites are being completed and the release of the ClickIREN^{più} App has been completed with energy empowerment tools for customers. The activities of refining the services and installing the Hardware necessary for an analysis of near real-time consumption will continue for the whole of 2017. In the last half-year of the project the results of the project will be analysed and IREN will provide support for the dissemination activities.

PLANET – (Horizon 2020)

The project aims at developing technologies and analysing the regulatory constraints for taking synergistic advantage of the distribution networks (electricity, gas and heat). During the project: storage and conversion technologies will be modelled; multigrid intelligent automated management systems will be simulated; new business models will be created; energy conversion systems will be tested in a physical pilot.

Partners: Iren S.p.A., Iren Energia, IRETI and Iren Mercato, Polytechnic of Turin, ISMB, Teknologian tutkimuskeskus VTT Oy, HYPERTECH, CERTH, Grindrop, ITM Power (trading), VAASAETT, FGH, Sorea, Merit Consulting House.
Status: In May 2017 the proposal passed the stage of assessment by the European authorities and the project is currently in the launch stage.

Pump heat – (Horizon 2020)

The project has the objective of increasing the flexibility of conventional fossil source plants, in particular combined cycles, in order to satisfy the ever-increasing needs of the network to offset the demand fluctuations deriving from renewable sources. The project will study the combination of heat pumps with cogeneration combined cycle and conventional combined cycle plants; the combination with systems for heat and cold storage will also be analysed.

Partners: Iren S.p.A. and Iren Energia, University of Genoa, D'appollonia, Ansaldo Energia, KTH, Aristotele University, Mitsubishi Hitachi Power Systems Europe, Mayekawa, Siemens, Alfalaval, CLA Energy, Limmat Scientific, Novener, Orlen.
Status: In the first half of 2017 the proposal passed the stage of assessment by the European authorities and the project is currently in the launch stage.

Store&Go – (Horizon 2020)

The STORE&GO project will demonstrate 3 innovative Power to Gas (P2G) systems located in Germany, Switzerland and Italy, in order to identify and overcome the technical, economic, social and legal barriers. The project has the ambition of assessing the possibility of integrating the P2G storage system into leading-edge energy production and distribution systems. Iren's role will involve the study of the technical/economic possibilities of integrating P2G technology into thermoelectric production systems.

Partners: Iren S.p.A. and Iren Energia, Turin Polytechnic, HST, Atmostat, Climeworks; Studio BFP, DWGV, HSR, other university and industrial partners.
Status: The technical-economic analysis was completed, in collaboration with the Polytechnic of Turin on the combination of P2G in combined cycles in order to increase its flexibility and recovery of the energy lost in the balancing and of the combination of P2G to offset the fluctuation of non-programmable renewable sources. Currently, Iren is collaborating with the partners that are developing the pilot project which will be implemented in the Municipality of Troia (Apulia).

WATERSPY – High performance, compact, portable photonic device for pervasive water quality analysis (H2020)

The WATERSPY project intends to develop and define a method for detecting the presence of heterotrophic bacteria in aqueous matrices such as eColi, pseudomonas aeruginosa and salmonella. The instrument, to be developed at the prototype level for use in the field at water service supply sources (artificial lakes) and in the distribution network, provides for a stage of pre-concentration which enables the bio-sensor to bind the bacteria onto a surface which then be analysed with laser technology. The development of an instrument which works in the range indicated could open up many possibilities in pervasive monitoring of water quality.

Partners: IREN (with IRETI and Iren Laboratori), CyRIC Ltd, Consiglio Nazionale delle Ricerche (National Research Council), Alpes Lasers SA, National Technical University of Athens, ID Quantique SA, AUG Signals Hellas, Cyprus/Italy end-users.

Status: The first activities of the project, which began at the end of 2016, regarded the definition of the specifications for the development of a prototype aimed at recognising the presence of heterotrophic bacteria using laser technology. The technique used , ATR – Attenuated Total Reflectance spectroscopy – is being validated identifying bacteria selected with high sensitivity and without the need for a pre-incubation stage. The instrument will subsequently be installed at the sections of a water supply system managed by IRETI.

OTHER INNOVATION ACTIVITIES

Water Services

During the first half of 2017 IREN continued to take part in the initiatives organised by WssTP (Water Supply and Sanitation Technology Platform), launched by the European Commission in order to oversee the research in the water sector, also participating in the TICASS (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) Consortium, a technological innovation hub of the Liguria region. In this regard, Iren is part of the WssTP working groups on the issues of Emerging Compounds, Water&ICT and Urban Water Pollution, which involve the preparation of road maps and planning and consultation documents that will be submitted to the European Commission.

More specifically, the research projects launched and completed in the first half of the year concerned:

Water demonstrator

As part of the project, launched in 2016, the first half of 2017 saw the start of activities related to development of a prototype for the acoustic transmission of data through acoustic modems and commercial hydrophones to be made as the first demonstrator for the on-off switch of the pump serving to fill a mountain tank.

The apparatus will make it possible to send signals and data through water pipes in conditions of unavailability of data transmissions with conventional vectors (GPRS, radio link, Wi-Fi, satellite).

Together with the development of a system that feeds it through a micro-turbine, the apparatus will make it possible to have an innovative technological nucleus to be integrated in the context of future pilot sites to be developed on a wider scale possibly financed by European Union tenders (for example Internet of Things).

Management of Water Treatment Sludge

During the first half of 2017 activities began on analysing and assessing sludge treatment systems aimed at reducing its quantity, making the process more efficient, improving the production of by-products (biogas or biomethane) and reducing the total management costs. The assessment includes the definition of mass balance sheets and the analysis of the costs, benefits and technical/economic implications.

Benchmarking activity will also be carried out in collaboration with universities and innovation centres in the context of existing partnerships with universities of the territories in which Iren operates.

Initiatives in the context of TICASS, innovation hub for energy and the environment of the Liguria Region

The Iren Group has taken part in the TICASS Innovation Hub since its beginning in the field of studies and projects related to managing and safeguarding water, energy and environmental resources. In this context Iren studies in depth the questions it is interested in, participating in specific work groups devoted to studying subjects such as environmental monitoring, purification processes, reclamations and recovery of contaminated sites, analysis and assessment of environmental risks, prevention and reduction of chemical risks, management and use of waste, the recovery, recycling and re-use of materials, the development of new technologies applied to sustainable processes, the production of energy from renewable sources, the use of water resources, the management and production of high-quality drinking water, the processing of industrial and civil waste water, the integral recycling of water, the production and storage of energy.

Projects included in the Amga Foundation's research programme

During the first half of 2017 IREN collaborated on a number or projects included in the AMGA Foundation's programme; these projects refer to economic regulatory issues and technical-scientific questions associated with the quality of water resources. Among these, we can note the research on the *circulation of viral pathogenic micro-organisms in sewerage liquids*, the *standard cost of capital in the regulation of* *public utilities*, the *new TOTEX TOTal EXpenditure regulatory approach, the reporting models of the water service based on the average operating cost per inhabitant.* Additional research refers to three macro-subjects relating to developing the remote control of the third millennium, optimising purification and drinking water processes, specialist laboratory analyses, on-line measurement systems and innovative sensors.

Energy

Turin LED Project
A project is in progress to replace in the City of Turin approximately 54,000 lighting points fitted with discharge lamps with new LED lamps. The project is completely financed by Iren on an ESCo basis; more than 51,100 lamps have been replaced from the start of the project to 30 June 2017. In energy terms, when the project is completed, the saving will be approximately 19.6 GWh per year, with lower emissions of approximately 3,600 TOE.

Experimentation of remotely-piloted innovative solutions, such as drones, for monitoring activities in the operating field
Iren has signed with the Laboratory of Photogrammetry, Geometrics and GIS at the Department of Environmental Engineering, the Territory and Infrastructures of the Polytechnic of Turin a Research Contract for activities in support of the Hydroelectric Production structure of the Energy BU.
The activities in question involve the study and adoption of solutions alternative to the current corporate practices, such as remotely-piloted aerial systems (RPASs), in order to increase the safety of the personnel, reduce the operating expense and increase the qualitative level of the activities performed.
In May, the activity of inspecting the upstream retaining wall of the Serrù dam by drone was completed, and the data processing stage is currently in progress. The solution adopted made it possible to considerably reduce the duration of the activity, also increasing the safety of the workers involved.

Smart glasses
Iren has signed with the start-up HeadApp a collaboration agreement to test the use, in an operating context, of "smart glasses", augmented reality systems which enable field/control room interaction and the communication of data in real-time. The purpose of the experimentation is to identify innovative and alternative solutions and the current corporate practices in order to increase the safety of the personnel, reduce the operating expense and increase the qualitative level of the activities performed.
In the early months of 2017, with the support of HeadApp, the activity began of testing smart glasses in their various methods of use. Following experimentation in the field, the technology's benefits will be analysed in daily maintenance operations and its potential will be assessed.

Installation of storage systems on the district heating network
In the City of Turin, IREN launched the procedure for selecting the suppliers for the work to create a heat storage system serving the district heating network at the Mirafiori North site, which, added to the currently existing 15,000 m^3 in the city, will increase the current total capacity by a further 2,500 m^3.
At the same time, design work is continuing on two further storage systems, aimed at optimising the network and maximising the heat produced in cogeneration, reducing the use of supplementary and reserve boilers.

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

Dam seismic research contract
During 2017 research activities continued on seismic testing of dams. Similar activities were carried out during the two years 2015-2016, on the Ceresole Reale dams, with a research contract with the Department of Structural, Building and Geotechnical Engineering of the Turin Polytechnic, in relation to developing methods for seismic testing of dams and the related accessory works, in the current scenario of the

changing legislative context on the subject. In 2016 a research contract was signed to develop analogous activities on the dam made of loose material in Contrada Sabetta, serving the Bussento (SA) plant.

Monitoring of the Ciardoney glacier

In the early months of 2017 research activities continued on the behaviour of the Valle Orco glaciers, through monitoring of the Ciardoney glacier in the Gran Paradiso National Park. This is an initiative launched at the beginning of the 1990s in collaboration with the Italian Meteorological Society which has continued regularly through annual campaigns to check the mass balance of the glacier. The research is oriented to monitoring the reduction of glaciers in the Alps supporting the planning of the production of hydroelectric plants in Valle Orco. The May 2017 campaign recorded snow cover varying between 420 to 300 cm, for an equivalent average for the entire glacier of around 2,140 mm, the second most abundant year in 26 years of measurement after the winter of 1992-93. The large accumulation recorded makes likely good availability of water for hydroelectric and agricultural uses downstream in summer 2017.

Collaboration agreement with RSE

In the first half of 2017, Iren S.p.A. and RSE S.p.A. continued the research activities provided for in the collaboration agreement they signed with the objective of studying, analysing and testing efficient processes and technologies in the field of energy systems. Some of the main themes that will be tackled are:

- Electricity distribution: benchmarks in the smart grid field, testing of innovative solutions, analysing systems for protecting distribution networks;
- making water networks more efficient: analysing best practices, identifying methods for reducing energy consumption, defining application guidelines for energy optimisation in managing networks;
- district heating: studying innovative heat storage systems;
- biogas: analysing technologies for refining the biogas obtained from by-products and waste, for producing biomethane.

In addition, scouting of third-party financing tenders will be launched together, to fund development, research and innovation projects.

IREN AND SUSTAINABILITY

Environmental, social and economic sustainability are at the centre of the Iren Group's agenda.
Sustainable development, which combines with environmental protection and the rational use of resources with innovation and change, orients Iren's present and future strategies, together with service quality and customer care.
The values on which the Iren Group bases its strategy include: customer satisfaction, health and safety, ongoing improvement, respect and making the most of people, innovation and change, sustainable development, responsibility and co-operation with the community, efficient services, quality in supplies and contracts, safeguarding the environment and the rational use of energy.
The Business Plan to 2021 defines a path of growth for the Group which is based on continual innovation, efficiency, the centrality of the customer, development in the territories of reference and a new strategic orientation for Corporate Social Responsibility.

In this framework, the following are of particular note among the Group's main sustainability initiatives carried out in the first half of 2017:

<u>Sustainability Report</u>
The Sustainability Report is not only an instrument for dialogue with which Iren communicates to its stakeholders objectives, actions and results, but also the demonstration of the Group's intention to integrate sustainability increasingly into the medium/long-term corporate strategy, as is confirmed by the lines of the Business Plan to 2021, by the improvement objectives defined and by the strengthening of Governance, with the attribution of the responsibilities on the subject of Sustainability to the Control and Risks Committee. The 2016 Sustainability Report was prepared on the basis of the Sustainability Reporting Guidelines (version G4) of the Global Reporting Initiative (GRI) and the Utility supplement for the electricity sector – G4 Sector Disclosure, with a level of comprehensive application.
The data were collected via the "sustainability report" application, which allows for the tracking, verification and approval of all required data. The contents of the document were defined on the basis of the materiality analysis carried out involving the corporate management and the stakeholders through the Local Committees.
The 2016 Sustainability Report was approved on 16 March 2017 (at the same time as approval of the Individual Financial Statements and the Consolidated Financial Statements at 31 December 2016) and published on the website. To make the issues pertinent to sustainability more accessible to stakeholders, the main data appearing in the document were posted on the website dedicated to the Sustainability Report (http://irensostenibilita.it), divided into points and available in an English translation. The 2016 Sustainability Report was published on the corporate website in Italian and English, and specific information brochures were prepared and printed in both languages.

<u>Local Committees</u>
The Local Committees set up in the 5 territories of reference (Piacenza, Reggio Emilia, Parma, Turin and Genoa), are organisations with the purpose of generating positive impacts on the territory through dialogue, discussions and planning between the Iren Group and all the stakeholders of the local communities on the company's services and on the subjects of environmental and social sustainability.
Within the individual Committees work groups have been set up to follow the single projects proposed by the members of the Committees themselves or by members of the public registered on the online platform www.irencollabora.it, the first example at a national level of a participated planning platform. The information flow produced by the platform is also a precious source which Iren uses to adopt innovative service strategies and to anticipate the needs of the territory.
At 30 June 2017, there were 770 registered profiles, 23 projects in progress, 10 projects implemented positively and 25 proposals.

<u>CDP (Carbon Disclosure Project)</u>
The Iren Group participated for the sixth consecutive year in the Carbon Disclosure Project survey "CDP Climate Change Report 2017", for which assessments are currently in progress.

Integrated Governance Index
Iren took part in the Integrated Governance survey organised by TopLegal, ETicaNews, Methodos, Nedcommunity and Morrow Sodali, aimed at measuring the degree of integration of sustainability into the corporate strategies in the top 100 Italian listed companies. In the Integrated Governance 2017 league table, Iren came fourth, the first among the Italian multiutilities.

Sodalitas Social Award
Iren participated in the 2017 edition of the Sodalitas Social Award, a corporate sustainability award in Italy, entering 10 projects under the following categories: "Youth and the future", "Work, equal opportunities and human rights", "Sustainable innovation in production processes", "Sustainable consumption and lifestyles", "Community, territory and quality of life", which are currently being adjudicated.

Sustainable Development Foundation
Iren took part in the "2017 Sustainable Development Award", established by the Foundation for Sustainable Development and Ecomondo, destined for businesses that have distinguished themselves for innovation and effectiveness of environmental and economic results.

Energy Festival
Iren was among the partners and protagonists of the tenth edition of the Energy Festival, the main event of the sector which tackles the issue of energy following three strands: geopolitics, sustainability and innovation. The Chief Executive Officer of Iren took part in the introductory round table. Besides presenting the Group's experience in managing energy in large urban areas, he highlighted the need to design and manage services in the same with a view to the circular economy, rapid evolution and testing of new solutions.

CSR Exhibition – Corporate Social Responsibility and Social Innovation
In 2017 too, Iren is a partner of the CSR and Social Innovation Exhibition, which is divided into 8 steps before arriving at the final event in Milan. The steps have the objective of making the most of the experience of the local communities also through a format – 10^3 – which provides for 10 speeches in 10 minutes with 10 slides. Iren was among the speakers in the second step, held in Turin, where it proposed its activities and projects of social and environmental value.

Participation in conferences and initiatives on sustainability
Iren was among the participants at the conference "Good practices for preventing domestic food waste" organised in the context of the Gola Festival in Parma and the conference "Circular economy, sustainability and public participation" held as part of the Suq Festival in Genoa. The Group also took part in various initiatives aimed at raising awareness on CSR issues: UniToGo, CSR Manager Network, Utilitalia, Climathon, Nuovi Laboratori territoriali CSR Piedmont, etc..

Participation in working parties:
- "Benchmarking Sustainability" workgroup promoted by Utilitatis to create a benchmarking system for sustainability in the main Italian utilities;
- Utilitalia workgroup on sustainability and social responsibility issues also in relation to Italian Legislative Decree 254/2016 on communication of non-financial information;
- Assonime workgroup on Italian Legislative Decree 254/2016;
- AIAF workgroup on "Sustainability and non-financial information".

Edu.Iren
Continuation of the project "Edu.Iren", a programme of training courses made available to schools free of charge, based on the many years of experience of the Iren Group companies at the local level in sustainability education projects in schools.

Discussions for sustainable families
Thanks to the collaboration of Iren, Coop Alleanza 3.0 and the Centre for Families of the Ponente District, the second edition of the "Sustainable Families" initiative was held in Castel San Giovanni, in the Province of Piacenza. This is a series of appointments for all ages to raise awareness on environmental education and dietary education, creating a network between different "knowledge bases".

Separate waste collection and recycling

In the Group's various territories of reference numerous initiatives were held: Mobile Environmental Centre (Centro Ambientale Mobile - CAM) for information and separate waste collection, eco quizzes, creation of an ecological oasis on the Einaudi Campus in Turin, activation of 4 new eco-stations in Parma, participation in the "Ecomelloni" project, all aimed at promoting separate collection and recovery of waste.
In addition, the Group took part in the "Composharing" forum in collaboration with a number of Municipalities of the Province of Parma, for analysing and promoting the practices of neighbourhood composting.

Environmental education in the Parma Prison

The initiative, promoted by Iren and by the Parma Prison, is aimed at incentivising separate waste collection within the organisation.

Condensed Consolidated Interim **Report** and **Notes**

at 30 june **2017**

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	30.06.2017	of which related parties	31.12.2016 Restated (*)	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,398,004		3,465,628	
Investment property	(2)	13,310		13,483	
Intangible assets with a finite useful life	(3)	1,496,962		1,466,363	
Goodwill	(4)	146,707		131,779	
Investments accounted for using the equity method	(5)	164,000		148,473	
Other equity investments	(6)	7,116		7,171	
Non-current trade receivables	(7)	71,130	4,049	76,302	
Non-current financial assets	(8)	51,113	32,117	49,950	32,940
Other non-current assets	(9)	54,513	10,823	54,954	11,434
Deferred tax assets	(10)	267,499		266,497	
Total non-current assets		**5,670,354**	**46,989**	**5,680,600**	**44,374**
Inventories	(11)	94,256		94,952	
Trade receivables	(12)	794,713	169,832	935,805	147,247
Current tax assets	(13)	56,849		21,242	
Other receivables and other current assets	(14)	289,948	187	215,155	15
Current financial assets	(15)	641,802	597,674	606,561	552,530
Cash and cash equivalents	(16)	140,757		253,684	
Total current assets		**2,018,325**	**767,693**	**2,127,399**	**699,792**
Assets held for sale	(17)	522		2,498	
TOTAL ASSETS		**7,689,201**	**814,682**	**7,810,497**	**744,166**

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the financial balances at 31 December 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of ATENA S.p.A. and ATENA Trading. For more details please see the paragraph “Content and structure of the condensed consolidated interim report” in the Notes to the Financial statements.

thousands of euro

	Notes	30.06.2017	of which related parties	31.12.2016 Restated (*)	of which related parties
SHAREHOLDERS' EQUITY					
Equity attributable to owners of the Parent					
Share capital		1,276,226		1,276,226	
Reserves and retained profits (losses)		604,558		507,580	
Net profit (loss) for the period		145,123		179,345	
Total equity attributable to owners of the Parent		**2,025,907**		**1,963,151**	
Non-controlling interests		351,729		333,892	
TOTAL EQUITY	**(18)**	**2,377,636**		**2,297,043**	
LIABILITIES					
Non-current financial liabilities	(19)	2,894,187		2,967,471	
Employee benefits	(20)	131,840		132,927	
Provisions for risks and charges	(21)	373,800		313,040	
Deferred tax liabilities	(22)	204,044		208,598	
Other payables and other non-current liabilities	(23)	213,528		203,467	
Total non-current liabilities		**3,817,399**	**-**	**3,825,503**	**-**
Current financial liabilities	(24)	342,541	4,252	399,831	881
Trade payables	(25)	690,022	27,375	849,520	37,149
Other payables and other current liabilities	(26)	312,310	674	270,900	955
Current tax liabilities	(27)	87,975		32,695	
Provisions for risks and charges - current portion	(28)	61,318		135,005	
Total current liabilities		**1,494,166**	**32,301**	**1,687,951**	**38,985**
Liabilities related to assets held for sale	(29)	-		-	
TOTAL LIABILITIES		**5,311,565**	**32,301**	**5,513,454**	**38,985**
TOTAL EQUITY AND LIABILITIES		**7,689,201**	**32,301**	**7,810,497**	**38,985**

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the financial balances at 31 December 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of ATENA S.p.A. and ATENA Trading. For more details please see the paragraph "Content and structure of the condensed consolidated interim report" in the Notes to the Financial statements.

INCOME STATEMENT

thousands of euro

	Notes	First half 2017	of which related parties	First half 2016 Restated (*)	of which related parties
Revenue					
Revenue from goods and services	(30)	1,701,170	168,728	1,439,272	144,356
Change in work in progress	(31)	(4,707)		923	923
Other income	(32)	117,069	1,711	115,033	1,597
Total revenue		**1,813,532**	**170,439**	**1,555,228**	**146,877**
Operating expense					
Raw materials, consumables, supplies and goods	(33)	(606,837)	(30,382)	(456,748)	(21,450)
Services and use of third-party assets	(34)	(549,204)	(13,097)	(472,733)	(11,985)
Other operating expenses	(35)	(40,961)	(3,641)	(34,358)	(2,194)
Capitalised expenses for internal work	(36)	11,637		10,130	
Personnel expenses	(37)	(185,900)		(184,444)	
Total operating expense		**(1,371,265)**	**(47,120)**	**(1,138,153)**	**(35,629)**
GROSS OPERATING PROFIT (EBITDA)		**442,267**	**123,319**	**417,075**	**111,248**
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(38)	(154,621)		(146,092)	
Provisions and impairment losses	(39)	(29,901)		(32,122)	
Total depreciation, amortisation, provisions and impairment losses		**(184,522)**		**(178,214)**	
OPERATING PROFIT/LOSS (EBIT)		**257,745**	**123,319**	**238,861**	**111,248**
Financial Income and Expense	**(40)**				
Financial income		16,154	10,884	13,135	11,234
Financial expense		(56,428)	(17)	(65,983)	(6)
Total financial income and expense		**(40,274)**	**10,867**	**(52,848)**	**11,228**
Share of profit (loss) of associates accounted for using the equity method	(41)	4,541		705	
Value adjustments on equity investments	(42)	8,572		16,694	
Profit (loss) before tax		**230,584**	**134,186**	**203,412**	**122,476**
Income tax expense	(43)	(72,673)		(70,454)	
Net profit (loss) from continuing operations		**157,911**		**132,958**	
Net profit (loss) from discontinued operations	(44)	-		-	
Net profit (loss) for the period		**157,911**		**132,958**	
attributable to:					
- Profit/(loss) - Group		145,123		121,436	
- Profit (loss) - Non-controlling interests	(45)	12,788		11,522	
Earnings per ordinary and savings share	**(46)**				
- basic (euro)		0.11		0.10	
- diluted (euro)		0.11		0.10	

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the economic balances of the first half of 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of TRM Holding, TRM V, TRM S.p.A., ATENA S.p.A. and ATENA Trading. For more details please see the paragraph "Content and structure of the condensed consolidated interim report" in the Notes to the Financial Statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

thousands of euro

	First half 2017	First half 2016 Restated (*)
Profit (loss) for the period - Owners of the parent and non-controlling interests (A)	**157,911**	**132,958**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	3,502	(1,730)
- changes in fair value of available-for-sale financial assets	-	-
- portion of other profits/(losses) of companies accounted for using the equity method	725	4,743
Tax effect of other comprehensive income	(230)	(459)
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	**3,997**	**2,554**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial gains (losses) on employee defined benefit plans (IAS 19)	-	
- portion of other profits (losses) of companies accounted for using the equity method related to employee 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)	**161,908**	**135,512**
attributable to:		
- Profit (loss) - Group	147,575	125,527
- Profit (loss) - Non-controlling interests	14,333	9,985

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the economic balances of the first half of 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of TRM Holding, TRM V, TRM S.p.A., ATENA S.p.A. and ATENA Trading. For more details please see the paragraph "Content and structure of the condensed consolidated interim report" in the Notes to the Financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2015	**1,276,226**	**105,102**	**39,360**
Legal reserve			6,225
Dividends to shareholders			
Retained earnings			
Changes in consolidation scope			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/06/2016 Restated (*)	**1,276,226**	**105,102**	**45,585**
31/12/2016 Restated (*)	**1,276,226**	**105,102**	**45,585**
Legal reserve			4,413
Dividends to shareholders			
Retained earnings			
Changes in consolidation scope			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/06/2017	**1,276,226**	**105,102**	**49,998**

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the financial balances at 31 December 2016 were restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of Atena S.p.A. and Atena Trading. For more details please see the paragraph "Content and structure of the condensed consolidated interim report" in the Notes to the Financial Statements.

thousands of euro

Cash flow hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to Owners of the parent	Equity attributable to non-controlling interests	Total equity
(36,654)	**321,636**	**429,444**	**118,193**	**1,823,863**	**237,803**	**2,061,666**
		6,225	(6,225)	-		-
		-	(70,192)	(70,192)	(16,506)	(86,698)
	41,776	41,776	(41,776)	-		-
	3,770	3,770		3,770	101,568	105,338
	(1,286)	(1,286)		(1,286)		(1,286)
	(657)	(657)		(657)	11	(646)
4,091		4,091	121,436	125,527	9,985	135,512
			121,436	121,436	11,522	132,958
4,091	-	4,091		4,091	(1,537)	2,554
(32,563)	**365,239**	**483,363**	**121,436**	**1,881,025**	**332,861**	**2,213,886**
(8,421)	**365,314**	**507,580**	**179,345**	**1,963,151**	**333,892**	**2,297,043**
		4,413	(4,413)	-		-
		-	(79,764)	(79,764)	(9,100)	(88,864)
	95,168	95,168	(95,168)	-		-
	4,669	4,669		4,669	4,559	9,228
	(261)	(261)		(261)		(261)
	(9,463)	(9,463)		(9,463)	8,045	(1,418)
2,452		2,452	145,123	147,575	14,333	161,908
			145,123	145,123	12,788	157,911
2,452	-	2,452		2,452	1,545	3,997
(5,969)	**455,427**	**604,558**	**145,123**	**2,025,907**	**351,729**	**2,377,636**

STATEMENT OF CASH FLOWS

thousands of euro

	First half 2017	First half 2016 Restated (*)
A. Opening cash and cash equivalents	**253,684**	**139,576**
Cash flows from operating activities		
Profit (loss) for the period	157,911	132,958
Adjustments:		
Income tax expense for the period	72,673	70,455
Share of profit (loss) of associates and joint ventures	(13,113)	(17,399)
Net financial expense (income)	40,274	52,848
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	154,621	146,092
Net impairment losses (reversals of impairment losses) on assets	140	4,146
Net provisions for risk and other charges	46,487	36,089
Capital (gains) losses	199	(1,339)
Utilisations of employee benefits	(3,484)	(5,487)
Utilisations of provisions for risks and other charges	(15,369)	(10,490)
Change in other non-current assets and liabilities	8,674	(4,665)
Other financial changes	(5,255)	(2,553)
Taxes paid	(57,471)	(3,726)
B. Cash flows from operating activities before changes in NWC	**386,287**	**396,929**
Change in inventories	(4,945)	14,246
Change in trade receivables	160,931	104,814
Change in tax assets and other current assets	(74,553)	(32,881)
Change in trade payables	(195,093)	(229,739)
Change in tax liabilities and other current liabilities	31,351	29,171
C. Cash flows from changes in NWC	**(82,309)**	**(114,389)**
D. Cash flows from/(used in) operating activities (B+C)	**303,978**	**282,540**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(103,207)	(97,701)
Investments in financial assets	(15,175)	(30)
Proceeds from the sale of investments and changes in assets held for sale	2,794	7,531
Changes in consolidation scope	(10,127)	(432,778)
Dividends received	1,665	6,979
E. Total cash flows from/(used in) investing activities	**(124,050)**	**(515,999)**
F. Free cash flow (D+E)	**179,928**	**(233,459)**
Cash flows from/(used in) financing activities		
Dividends paid	(88,864)	(86,698)
New non-current loans	-	20,000
Repayment of non-current loans	(136,223)	(88,235)
Change in financial liabilities	2,317	444,790
Change in financial assets	(38,857)	9,916
Interest paid	(38,935)	(42,451)
Interest received	7,707	7,691
G. Total cash flows from/(used in) financing activities	**(292,855)**	**265,013**
H. Cash flows for the period (F+G)	**(112,927)**	**31,554**
I. Closing cash and cash equivalents (A+H)	**140,757**	**171,130**

(*) As provided for in IFRS 3, with completion of the Purchase Price Allocation, the presentation of the cash flows of the first half of 2016 was restated to take into account, at the date of acquisition, the definitive fair value of the acquired assets and liabilities of TRM Holding, TRM V, TRM S.p.A., ATENA S.p.A. and ATENA Trading. For more details please see the paragraph "Content and structure of the condensed consolidated interim report" in the Notes to the Financial statements.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

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

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

The business segments in which the Group operates are:

- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (Public Lighting, Global Services and other minor services).

Paragraph X, Segment reporting, includes the information required by IFRS 8.

The company's condensed consolidated interim report at 30 June 2017 includes those of the Company and its subsidiaries, (collectively referred to as the "Group" and individually as "Group entities") and the Group's equity interest in jointly-controlled companies and in associates.

I. CONTENT AND STRUCTURE OF THE CONDENSED CONSOLIDATED INTERIM REPORT

The interim financial report of the Iren Group at 30 June 2017 was prepared under the terms of Art. 154-*ter*, Section 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 consolidated interim financial statements at 30 June 2017 were prepared in accordance with IAS 34 - Interim Financial Reporting. These condensed interim reports do not include, therefore, all the information required in the annual financial statements and must be read together with the annual financial statements prepared for the financial year ended 31 December 2016 and available at the company's registered office, at Borsa Italiana S.p.A., and on the website www.gruppoiren.it.

The financial statement formats adopted by the Iren Group in preparing these financial statements are the same as those applied in preparing the financial statements for the year ended 31 December 2016.
In the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group's ordinary operating cycle or during the twelve months following the end of the half-year period. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following the end of the half-year period.
The Income Statement is classified on the basis of the nature of costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in current accounts.

The condensed consolidated interim report has been drawn up on the basis of the historical cost standard, except for certain financial instruments measured at fair value.

The financial statements of consolidated entities are drawn up at the reporting date of the half-year period of reference. These condensed consolidated interim reports are stated in euro, the company's functional currency. All amounts expressed in euro are rounded to the nearest thousand.

The accounting standards adopted in preparing these condensed consolidated interim reports are the same as those adopted in preparing the consolidated annual financial statements for the financial year ended 31 December 2016, to which you are referred for a more ample discussion.

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

As of 01 January 2018, the following accounting standards and amendments to account standards will be applicable, as they have completed the EU endorsement process:

IAS 9 – Financial Instruments. In July 2014, the IASB published the standard IFRS 9 "Financial Instruments", then endorsed in Regulation (EU) 2067/2016 of 22 November 2016. The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief, the rules of IFRS 9 regard:

- the criteria for classification and measurement of financial assets and liabilities. In particular, as regards financial assets, the new standard uses a single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as carried at fair value through profit or loss, in the event that these are

due to a change in the credit risk of the liability itself. According to the new standard, these changes must be recognised under other comprehensive income;
- impairment of financial assets. The standard establishes that the entity must recognise the expected losses on its financial assets, where "loss" means the present value of all future lost revenue, and provide adequate information on the estimation criteria used;
- hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 15 – Revenue from Contracts with Customers. The standard was published by the IASB on 28 May 2014 and endorsed by the European Union on 22 September 2016 in Regulation 1905/2016, replacing IAS 18 - Revenue, IAS 11 - Construction Contracts, and interpretations SIC 31, IFRIC 13 and IFRIC 15. The new standard applies to all contracts with customers, with the exception of contracts that fall under the scope of IAS 17 - Leases, of insurance contracts and of financial instruments. The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. In particular IFRS 15 requires the performance obligations provided for in the contract to be identified and defines the criteria for allocating to the same the contractual consideration on the basis of the respective market prices. The standard in question applies if all the following conditions are met:

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

This standard underwent further change on 12 April 2016: the amendment, which has not yet been endorsed and which also becomes applicable from 1 January 2018, aims to clarify the guidelines for identifying an obligation to sell an asset or provide one or more services, in addition to providing indications on the recognition of licences relating to intellectual property.

As regards the new standards applicable starting from subsequent financial years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress. In particular with reference to the application of IFRS 15 the activities of recognising the contractual types present in the main Group companies were completed: these activities led to focusing attention on the Market BU. Therefore, assessment activities are currently in progress with reference to contracts with both retail and business customers, and the activities for analysing any impacts on business processes and on the application systems involved have been planned. A reliable estimate of the quantitative effects of applying IFRS 15 will be possible only when these activities have been completed.

USE OF ESTIMATES

In order to prepare the condensed interim report in compliance with the IFRSs, estimates and related assumptions are based on previous experience and other factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. The later results that derive from occurrence of the events could differ from these estimates. Estimates have been used to recognise the accrual of some sales revenue, provisions for credit risks, risks for inventory obsolescence, depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and financial assets available for sale, 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.

It should also be noted that certain complex valuation processes, such as the determination of any impairment losses on non-current assets, are generally carried out in full only on preparing the annual financial statements, when all the information that may be needed is available, except in cases when there is evidence of impairment that requires an immediate measurement of any losses.

In accordance with IAS 36, during the first half of 2017 the Group checked the non-existence of specific impairment triggers with particular reference to goodwill; in addition no impairment indicators emerged in relation to equity investments and assets.

In the same way, the actuarial valuations necessary to determine employee benefit funds are normally carried out on the occasion of preparing the annual financial statements.

SEASONALITY

We can also note that the Iren Group's results for the period reflect the seasonality characteristic of the sectors in which it operates. These are influenced above all by the weather trends, and consequently cannot be extrapolated for the entire year.

RESTATEMENT OF AMOUNTS AT 31 DECEMBER 2016 AND 30 JUNE 2016

In January 2016, the Group acquired control over TRM Holding, TRM V and TRM, while in May 2016 it acquired control over ATENA and ATENA Trading.
For the acquisitions of TRM Holding, TRM V and TRM the definitive fair value of the identifiable assets acquired, and the liabilities assumed, was determined at the end of financial year 2016. Therefore, in the condensed consolidated interim report at 30 June 2016 they were recognised provisionally, as permitted by IFRS 3.
For the acquisitions of ATENA and ATENA Trading the definitive fair value of the identifiable assets acquired, and the liabilities assumed, was determined during the first half of 2017. Therefore, in the condensed consolidated interim report at 30 June 2016 and in the consolidated financial statements at 31 December 2016 they were recognised provisionally, as permitted by IFRS 3.
With completion of all the measurements at fair value required by IFRS 3 the value of certain identifiable assets acquired and liabilities assumed, recognised in the consolidated financial statements at 31 December 2016 and at 30 June 2016, was updated to reflect the better knowledge gained in the meantime.
On the basis of the provisions of IFRS 3, the amounts of fair value were updated with effect from the acquisition date and, therefore, all the changes were made on the statement of financial position of the Companies acquired at that date. The resulting balances in the consolidated financial statements at 31 December 2016 and at 30 June 2016 were restated to take the new values into account.
In detail, the changes that occurred in the fair values of the previously recognised identifiable assets acquired and liabilities assumed determined on the statement of financial position at 31 December 2016 the following adjustments:

thousands of euro

	31.12.2016 Published	Definitive IFRS3 accounting	31.12.2016 Restated
Property, plant and equipment	3,470,706	(5,078)	3,465,628
Intangible assets with a finite useful life	1,448,826	17,537	1,466,363
Deferred tax assets	265,065	1,432	266,497
Total equity attributable to owners of the Parent	1,957,786	5,365	1,963,151
Non-controlling interests	330,311	3,581	333,892
Deferred tax liabilities	203,653	4,945	208,598

In detail, the changes that occurred in the fair values of the previously recognised identifiable assets acquired and liabilities assumed determined on the income statement of the first half of 2016 the following adjustments:

thousands of euro

	First half 2016 Published	Definitive IFRS3 accounting	First half 2016 Restated
Depreciation and amortisation	(142,996)	(3,096)	(146,092)
OPERATING PROFIT (EBIT)	**241,957**	**(3,096)**	**238,861**
Value adjustments on equity investments	12,599	4,095	16,694
Profit (loss) before tax	**202,413**	**999**	**203,412**
Income tax expense	(71,328)	874	(70,454)
Net profit (loss) for the period	**131,085**	**1,873**	**132,958**
attributable to:			
- Profit/(loss) - Group	119,112	2,324	121,436
- Profit (loss) - Non-controlling interests	11,973	(451)	11,522

In detail, the changes that occurred in the fair values of the previously recognised identifiable asset acquired and liabilities assumed determined on the presentation of cash flows of the first half of 2016 the following adjustments:

thousands of euro

	First half 2016 Published	Definitive IFRS3 accounting	First half 2016 Restated
Profit (loss) for the period	131,085	1,873	132,958
Adjustments:			
Income tax expense for the period	71,328	(874)	70,454
Share of profit (loss) of associates and joint ventures	(13,304)	(4,095)	(17,399)
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	142,996	3,096	146,092
Operating cash flow	**282,540**	**-**	**282,540**
Changes in consolidation scope	(437,046)	4,268	(432,778)
Free cash flow	**(237,727)**	**4,268**	**(233,459)**
Change in financial liabilities	449,058	(4,268)	444,790
Cash flows for the period	**31,554**	**-**	**31,554**

II. CONSOLIDATION POLICIES

The subsidiaries, joint ventures and associates are consolidated.

Subsidiaries
Entities are considered subsidiaries if the Group exercises control (as defined by IFRS 10 - Consolidated Financial Statements) over them. Control exists when the Parent Company has at the same time:

- decision-making power over the investee, that is the power to direct the relevant activities of the investee, that is activities that have a significant influence on the results of the said investee;
- the right to variable (positive or negative) returns from its involvement with the entity;
- the ability to use its decision-making power to determine the amount of the returns coming from its involvement with the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Equity and portion of profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement. Subsidiaries are consolidated on a line-by-line basis. intra-group balances, transactions, unrealised income and expenses are eliminated in full.
We can note also that: a) all changes in the equity interest that do not constitute a loss of control are treated as equity transactions and therefore have a contra entry in equity; b) when a parent company transfers control to one of its investees, but continues all the same to hold an interest in the company, it measures the equity investment retained in the financial statements at fair value and recognises any gains or losses deriving from loss of control in the income statement.

Joint ventures
These are companies over whose activity the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements, is the "contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control".*
With reference to entities jointly owned by mixed public and private ventures, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also owing to its nature as a public entity, the existence of joint control is judged on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.
Joint arrangements are divided into 2 types:

- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's net income, but have rights to certain assets and obligations for its liabilities. In this case the assets/revenues on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

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

Transactions eliminated on consolidation
Intra-group balances and significant transactions and any unrealised gains and losses arising from intra-group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. The related tax effect is calculated for all consolidation adjustments.

III. CONSOLIDATION SCOPE

The consolidation scope includes the companies directly or indirectly controlled by the Parent Company, plus joint ventures and associates.
On 01 January 2017, two business combinations involving Group companies took effect, which did not change the consolidation scope, but did have an impact on the structure of the Group itself:
- Merger by incorporation of the subsidiary Iren Servizi e Innovazione S.p.A. into its parent Iren Energia S.p.A.;
- Merger by incorporation of the subsidiary Iren Gestioni Energetiche S.p.A. into its parent Iren Mercato S.p.A.

The operations occurred as part of the Group's "overall" Corporate Rationalisation and Organisational Project, aimed at simplifying the equity investment structure and reducing the number of business Companies wholly held, directly or indirectly, by the Parent Company and at integrating/optimising the business processes/activities with uniform operating characteristics.

Parent Company:
Iren S.p.A.

Companies consolidated on a line-by-line basis
The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis

1) Iren Ambiente and its subsidiaries:
    - Amiat V and the subsidiary:
        - AMIAT
    - Bonifica Autocisterne
    - Montequerce
    - Ricupero Ecologici Industriali
    - TRM Holding
    - TRM V
    - TRM

2) Iren Energia

3) Iren Mercato and its subsidiary:
    - Salerno Energia Vendite

4) IRETI and its subsidiaries:
    - ATENA and its subsidiary:
        - ATENA Trading
    - Consorzio GPO
    - Iren Laboratori
    - Iren Acqua (formerly Mediterranea delle Acque) and its subsidiaries:
        - Iren Acqua Tigullio (formerly IdroTigullio)
        - Immobiliare delle Fabbriche

For details of the subsidiaries, joint ventures and associates please see the lists included in the Annexes.

CHANGES IN FULL CONSOLIDATION SCOPE

The full consolidation scope changed during the first half of 2017 following the acquisition of control, in May, over Salerno Energia Vendite, in which the Group formerly held a 36.8% stake through GEA Commerciale (100% Iren Mercato), by merger, incorporating GEA Commerciale into Salerno Energia Vendite.
After the operation described above, the shareholding structure of Salerno Energia Vendite is the following: Iren Mercato at 50%, Salerno Energia Holding at 48.8% and Gestione Servizi Comunali at 1.2%.
The governance agreements made by the shareholders enable Iren Mercato to exercise control over the entity, managing its significant activities, exposing itself to the variable results deriving from its equity investment and using its decision-making power to determine the entity of these results.
Salerno Energia Vendite, measured at equity up to 30 April 2017, consequently came into the full consolidation scope starting from May 2017.
While awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the positive difference calculated on a provisional basis between the purchase price and the provisional fair value, at the acquisition date, of the identifiable assets acquired and the identifiable liabilities assumed, was allocated to goodwill.
We can note that, in line with the provisions of IFRS 3, the acquisition of control over Salerno Energia Vendite entailed the remeasurement of the previously held non-controlling interest, with the consequent recognition of income of 8,628 thousand euro booked to the item “Value adjustments on equity investments” (Note 42).

Furthermore, on 1 January 2017 IRETI acquired a business unit owned by Acque Potabili S.p.A. comprising the assets, liabilities and related legal relationships regarding the integrated water service concessions in 31 Municipalities in Northern Italy. The operation completes the rationalisation process that saw the concessions held by the latter being transferred to the shareholders SMAT S.p.A. and IRETI S.p.A.
Acquisition of the unit resulted in a change to the Group’s scope of assets and liabilities. While awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, there is no difference between the purchase price and the carrying amount of the net assets acquired in continuity of values.

IV. GROUP FINANCIAL RISK MANAGEMENT

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

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

a) Liquidity risk
Liquidity risk is the risk that 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. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of current financial commitments. At the end of the period short-term bank credit facilities used by the Parent Company totalled 6 million euro.
The nominal cash flows required to settle financial liabilities and the contractual conditions of the existing loans were substantially unchanged with respect to what was presented in the Notes to the Consolidated Financial Statements at 31 December 2016 in the paragraph “a) Liquidity risk” in Section “V. Group financial risk management”.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions.
Details of the activities performed in this area and of the individual transactions are shown in the chapter Financial Income and Expenses of the Directors’ Report.

Financial debt at the end of the period is made up 52% of loans and 48% of bonds.
The residual amount payable for loans was contractualised at 69% at a fixed interest rate and 31% at a floating rate.
With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), we can note that the clauses in Iren’s loan agreements are being observed. In particular, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants have been provided for. One is the Change of Control clause, which states that the Iren Group should be kept under direct and indirect control by Local Authorities. In addition, there are Negative Pledge clauses, under which the company undertakes not to give collateral beyond a specific limit, and the *Pari Passu* clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors. The medium/long-term loan agreements of certain companies which contribute to the Group’s Net Financial Position, in particular the Project Finance contract with TRM that was fully consolidated from January 2016, also envisage the observance of financial indices which have been satisfied.

b) Exchange rate risk

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

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial counterparties of high credit standing, for the sole purpose of hedging. At the end of the period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.

The total fair value, obtained netting the positive and negative positions, of the aforementioned interest rate hedging contracts was a negative 97,567 thousand euro at 30 June 2017.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 89% of gross financial debt against interest rate risk, in line with the Iren Group target of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing is performed annually, at 31 December, on the sensitivity of net financial expenses and evaluation components in derivatives contracts to changes in interest rates.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and environmental services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

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

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

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

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

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

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

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

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

With reference to credit concentration we can note the relations between the subsidiaries Iren Energia and AMIAT and the Municipality of Turin. For further details, see in particular Note 15 Current financial assets of the Notes to the statement of financial position.

3. ENERGY RISK

The Iren Group is exposed to price risk, on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuation in the price of the said energy commodities directly or through indexing formulae. Exposure to exchange rate risk, typical of oil-based commodities, is present, but is attenuated thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products.

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 the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae.

The objective is to obtain a sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group's customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

In 2016, commodity derivative contracts (Commodity swaps on TTF and PSV indices) were entered into as an energy portfolio hedge for 2017, for a total notional amount of 7 TWh. In 2017, additional commodity derivative contracts (Commodity swaps on TTF and PSV indices) were entered into for 0.5 TWh, once again to hedge the energy portfolio for 2017, and for 0.2 TWh as a hedge for the 2018 portfolio. Again in 2017, additional swaps were then stipulated on the PSV index for 0.6 TWh, combined with SNP (Single National Price) swaps for an equivalent notional amount, with the aim of margin stabilisation.

The fair value of agreements still in force on 30 June 2017 is a negative 1,907 thousand euro.

The Group's trading operations involve negotiating physical and financial contracts on the electricity and gas market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (SNP, ITEC, gas indexes, etc.) and to trading on Platforms. At the end of the period no financial contracts were in place that originate from such assets and that are classified in the specific Trading Portfolio.

RECOGNITION OF DERIVATIVES

Derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

The Group deals with derivatives with the purpose of hedging specific interest rate or price risks.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IAS 39 requirements in order to record them in compliance with the hedge accounting rules and transactions that do not abide to all of the above-mentioned requirements.

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

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

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

Transactions not recognised in compliance with hedge accounting rules

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

- in the case of commodity derivatives, in the gross operating profit (EBITDA); specifically, the realised component is recognised to adjust the income or expense to which it refers, while the portion determined from measuring the derivative at the end of the period is classified under other expense or other income;
- in the case of interest rate risk hedges, in financial income or expenses.

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

FAIR VALUE

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

thousands of euro

	30.06.2017		31.12.2016	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
Assets for hedging derivatives	3,398	3,398	1,439	1,439
Bonds due at more than 12 months	(1,378,422)	(1,481,106)	(1,377,398)	(1,454,755)
Bonds due within 12 months (*)	(178,394)	(180,770)	(178,554)	(186,021)
Loans - non-current portion	(1,400,940)	(1,496,281)	(1,458,486)	(1,563,351)
Loans - current portion	(120,933)	(150,536)	(198,924)	(231,554)
Liabilities for hedging derivatives	(100,965)	(100,965)	(117,627)	(117,627)
Total	**(3,176,256)**	**(3,406,260)**	**(3,329,550)**	**(3,551,869)**

(*) At 30 June 2017, the negative fair value of the Put Bond was 180,770 thousand euro (186,021 thousand euro at 31 December 2016)
The amounts related to assets and liabilities for hedging derivatives in the table refer exclusively to derivatives hedging interest rate risk

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

FAIR VALUE HIERARCHY

The following table shows financial instruments recognised at fair value, based on the measurement technique used. The various levels were defined as shown below:
- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of euro

30.06.2017	Level 1	Level 2	Level 3	Total
Financial assets available for sale	88			88
Financial assets designated at fair value through profit or loss				-
Financial investments held for trading				-
Derivative financial assets		3,751		3,751
Total assets	**88**	**3,751**		**3,839**
Derivative financial liabilities		(103,225)		(103,225)
Grand total	**88**	**(99,474)**		**(99,386)**

thousands of euro

31.12.2016	Level 1	Level 2	Level 3	Total
Financial assets available for sale	88			88
Financial assets designated at fair value through profit or loss				-
Financial investments held for trading				-
Derivative financial assets		13,374		13,374
Total assets	**88**	**13,374**	**-**	**13,462**
Derivative financial liabilities		(117,627)		(117,627)
Grand total	**88**	**(104,253)**	**-**	**(104,165)**

All the Group's hedging instruments have a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the price of the financial instrument, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.
We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involves maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.
The Board of Directors monitors the return on capital and the level of dividends for distribution to shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

V. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As indicated in the Directors' Report the information on financial and economic transactions with related parties is provided below.

Transactions with related-party shareholder Municipalities

Iren S.p.A. provides Finanziaria Sviluppo Utilities S.r.l., a special purpose company through which the Municipalities of Genoa and Turin hold their equity investment in Iren S.p.A., with a series of corporate services, in accordance with specific agreements that provide for consideration for these services.

Furthermore, it is important to note the main relationships held directly with provincial capital Municipalities, as related parties on whose territory Iren operates, directly and through its subsidiaries.
The Iren Group, through Iren Energia S.p.A. (which incorporated IREN Servizi e Innovazione S.p.A. with effect from 01 January 2017), manages services awarded by the Municipality of Turin, namely public street lighting and traffic light services, management of heating and electrical systems of buildings used as administrative offices or to provide services to the community. The services rendered by Iren Energia are governed by specific long-term agreements.
Over the last three years some important work on plant regeneration and energy efficiency has been carried out. This has involved municipal street lighting systems and heating plants in numerous publicly-owned buildings.
It should be remembered that there is an agreement in place, signed during 2012, with the municipality of Turin, which provides for the progressive reduction of receivables due to the Iren Group from the Municipality of Turin and the amendment of some provisions of the current service conventions between the former Iren Servizi e Innovazione S.p.A. and the Municipality of Turin. With *Addenda* signed in 2013, 2014 and 2015 (the last of which not yet completely in force) details on the execution of the aforementioned Agreement were outlined.

Up to 31 December 2016 Iren Gestioni Energetiche S.p.A. (incorporated into Iren Mercato S.p.A. from 01 January 2017), provided services relating to the management of air conditioning systems in public buildings and technological systems at sports and public service facilities to the Municipality of Genoa, on the basis of long-term contracts. Starting from 01 January 2017 (date of effectiveness of the merger by incorporation of Iren Gestioni Energetiche into Iren Mercato), the above services were transferred to Iren Energia, on the basis of the operation to acquire the business unit from Iren Mercato.

The Iren Group, again through Iren Mercato, supplies the Municipalities of Genoa, Reggio Emilia, Parma and Piacenza with electricity and the Municipality of Turin with heat, at the conditions normally applied to all other customers.

Iren Acqua S.p.A. and IRETI provide water services respectively to the Municipality of Genoa and to the Municipalities of Reggio Emilia, Parma and Piacenza, based on supply contracts similar to those signed with all other customers.

Through AMIAT, the Group provides the municipality of Turin with environmental health and snow clearing services, and performs post-operative management of the "Basse di Stura" landfill site in accordance with the Service Contract in being since 01 January 2013, awarded through a public tender procedure. In this regard we can note that, with effect from 01 January 2015, a current account contract is in place between the City of Turin and AMIAT S.p.A. for management of the past-due receivables related to the above activities.

Iren Ambiente provides the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services under the conditions normally applied to all other customers;

It is worth recalling, finally, that a settlement agreement between the Iren Group and the Municipality of Parma is in force to settle the credit/debit position with a number of Group companies.

Transactions with joint ventures and associates

Among the main transactions carried out by the Iren Group with joint ventures and associates, we can note:

- the supply to Asti Energia e Calore of goods and services for work on regenerating and increasing the energy efficiency of public lighting plants in the City of Asti;
- the loan granted to OLT Offshore LNG Toscana in relation to the Livorno regasification plant;
- the financial transactions with the Iren Rinnovabili Group, mostly involving loans to Iren Rinnovabili and Enìa Solaris to support investments related to the creation of renewable energy plants and development initiatives of the two companies in the energy field;
- the commercial supplies of electricity, natural gas and district heating to the company Global Service Parma;
- the sales of water and the work related to the integrated water service provided to AMTER;
- the service of disposal of residual waste produced by the Re.Cos. plants;
- the procurement of natural gas from Sinergie Italiane;
- the services, including back office, call centre, reading, printing, postal and shipment services, provided by So.Sel to the Group.

Related-party transactions

On the basis of the Internal Regulations on Transactions with Related Parties, the companies controlled, directly or indirectly, by one of the following Provincial Capitals have been identified as related parties: Municipalities of Parma, Piacenza and Reggio Emilia, as signatory Municipalities of the current Voting and Block Shareholders' Agreement between FSU (in which the Municipality of Turin and the Municipality of Genoa have equal stakes) and the so-called "Emilian Parties", as well as the Municipalities of Turin and Genoa.
The relations with such parties are mainly of a commercial nature and related to services provided to all other customers.
In particular we can note that in order to supply the integrated water service in the provinces of Parma, Piacenza and Reggio Emilia, the company IRETI, 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.

Quantitative information on financial and economic transactions with related parties is provided in paragraph "XII. Annexes to the condensed consolidated interim report", considered an integral part of these notes.

Lastly, with regard to directors, we can note that other than regarding their offices held within the Group companies there have been no transactions with the directors.
If the related conditions are fulfilled, transactions that consist of assigning remunerations and economic benefits, in any form, to members of the administration and control bodies and to key management personnel are also subject to the provisions of the Internal Regulation on transactions with related parties.

Disclosure pursuant to Art. 5.8 lett. a) and 5.9 CONSOB Regulation

With reference to the transaction, classified as "of major significance" in relation to the related significance index, regarding the supply of financial resources, by IREN to TRM, for the purpose of early repayment of the Project Financing in being between the latter company and a pool of banks originally for a maximum of 413 million euro and with remaining debt at 31 December 2016 of 309.5 million euro, and the participation, by TRM, in the Parent Company's centralised treasury system ("2016 Transaction"), we refer you to the contents of the Directors' Report related to the 2016 Financial Statements, of the Disclosure Document prepared and made available to the public under the terms and for the purposes of the CONSOB Regulation (available on the website www.gruppoiren.it, in the section "Corporate

Governance - Transactions with Related Parties"), and of the Press Releases also made available to the public on the Company's website.

In particular, it is worth recalling that: (i) the voluntary early repayment of the said Project Financing was subject to the condition precedent associated with receiving, by 15 December 2016, a declaration from the banking counterparty in the existing derivative, waiving the exercise of any right and/or option to withdraw from or terminate the said derivative or to demand, in the event of voluntary early repayment of the loan, the payment of any sum; (ii) the signing of the definitive intra-group loan contract by IREN and TRM was conditional on the same circumstance; (iii) as per the press release made available to the public on the Company's website, as this event did not occur within the deadline provided for in the condition itself, the application for early repayment of the aforementioned project financing to the lending banks never became effective and can never become effective as the deadline within which this condition should have been fulfilled has passed; (iv) therefore, the aforementioned application for early repayment of the project financing was understood as if it had never been presented.

The Group's competent structures began assessments which led to ascertaining that the motivations of economic convenience which had led to the 2016 Transaction were still valid and, therefore, they decided: (i) to present again, after an enquiry by the competent bodies of IREN and TRM, an application for voluntary early repayment of the entire exposure in being at 30 June 2017 to the lending banks; (ii) to proceed with the signing, by IREN and TRM, of an intra-group loan to be used for the repayment pursuant to point (i) and of a centralised treasury contract.

The transaction outlined above, in relation to which the Committee for Transactions with Related Parties of IREN S.p.A. expressed a favourable opinion on 10 May 2017, was classified as "of major significance" under the terms and for the purposes of article 5 of the CONSOB Regulation, as it was not covered by the exemption provided for in article 6 of the Internal TRP Regulation, involving TRM, a company in which the Municipality of Turin (a related party of IREN S.p.A.) has a significant interest as defined by CONSOB Communication no. DEM/10078683 of 24 September 2010 (hereinafter the "CONSOB Communication").

Under the terms of Art. 5, paragraphs 8 and 9, of the CONSOB Regulation, you are referred to the information contained in the Disclosure Document published on the Company's website on 19 May 2017 and updated with respect to the Disclosure Document made available to the public on 21 November 2016 with reference to the 2016 Transaction.

The effectiveness of the application for voluntary early repayment was subject to the condition precedent of receiving, by 20 June 2017, a declaration from TRM's banking counterparty in the existing derivative contract, waiving both the exercise of any right and/or option to withdraw from or terminate the said derivative contract and to demand, in the event of voluntary early repayment of the loan, the payment of any sum. The signing of the definitive intra-group loan contract by IREN and TRM was conditional on the application for voluntary early repayment becoming effective.

As per the press release made available to the public on the Company's website on 21 June 2017, we can specify that, as the event did not occur within the deadline provided for in the condition itself, the application for early repayment of the project financing to the lending banks never became effective and can never become effective as the deadline within which this condition should have been fulfilled has passed. Therefore, the aforementioned application for early repayment of the project financing must be understood, in other words, as if it had never been presented.

On 30 March 2017, after a favourable opinion from the Committee for Transactions with Related Parties of IREN S.p.A., the Board of Directors of the Company approved the transaction, classified as "of minor significance" owing to its quali-quantitative aspects, regarding the integration between the IREN Group (and, specifically, IREN Ambiente S.p.A.) and AMIU S.p.A., subject to approval of the same by Genoa City Council.

Since, on 31 March 2017, the Executive Committee of Genoa City Council withdrew the draft resolution related to the above operation, the effectiveness of the resolution on the same subject passed by the IREN S.p.A. Board of Directors has remained suspended, while waiting to find out the orientation of the Genoa Executive Committee with respect to any possibility of presenting the draft resolution to the City Council again.
During its meeting on 4 May 2017, on the agenda of which was again the approval of the aforesaid business combination, the Genoa City Council resolved to adjourn discussion of the matter to the next council, which was to take office after the local elections.
In view of the above, on 11 May 2017, the IREN S.p.A. Board of Directors acknowledged that the resolution to approve the above business combination, passed by the Board of Directors on 30 March 2017, must be considered wholly ineffective.
Please refer, for completeness, to the press releases made available to the public on the Company's website.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
In the first half of 2017 the Group did not carry out significant non-recurrent events and/or transactions, as defined in the Communication, that is to say events or transactions the occurrence of which is non-recurring or transactions or events which are not repeated frequently in the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations
We can specify that during the first half of 2017 the Group did not engage in any atypical and/or unusual operations, as defined in the Communication. Atypical and/or unusual operations are operations which owing to their significance/relevance, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the company's equity or protection of minority shareholders.

Publication of the Financial Statements
The Interim Report was approved for publication by Iren S.p.A.'s Board of Directors at its meeting of 3 August 2017.

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 30/06/2017	Accumulated depreciation at 30/06/2017	Carrying amount at 30/06/2017	Cost at 31/12/2016	Accumulated depreciation at 31/12/2016	Carrying amount at 31/12/2016
Land	103,993	(1,664)	102,329	101,298	(1,551)	99,747
Buildings	531,003	(175,286)	355,717	526,138	(165,780)	360,358
Plant and machinery	4,934,599	(2,111,353)	2,823,246	4,916,963	(2,020,723)	2,896,240
Industrial and commercial equipment	107,635	(83,190)	24,445	106,188	(81,455)	24,733
Other assets	151,567	(117,410)	34,157	152,836	(116,492)	36,344
Assets under construction and payments on account	58,110	-	58,110	48,206	-	48,206
Total	**5,886,907**	**(2,488,903)**	**3,398,004**	**5,851,629**	**(2,386,001)**	**3,465,628**

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

thousands of euro

	Opening balance	Increases	Decreases	Changes in consolidation scope	Reclassifications	Closing balance
Land	101,298	5	(53)	-	2,743	103,993
Buildings	526,138	544	(199)	227	4,293	531,003
Plant and machinery	4,916,963	17,694	(334)	-	276	4,934,599
Industrial and commercial equipment	106,188	2,394	(1,626)	425	254	107,635
Other assets	152,836	2,144	(4,035)	440	182	151,567
Assets under construction and payments on account	48,206	17,048	(496)	1,100	(7,748)	58,110
Total	**5,851,629**	**39,829**	**(6,743)**	**2,192**	**-**	**5,886,907**

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

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Changes in consolidation scope	Reclassifications	Closing balance
Accumulated depreciation, land	(1,551)	(114)	1	-	-	(1,664)
Accumulated depreciation, buildings	(165,780)	(9,608)	113	(3)	(8)	(175,286)
Accumulated depreciation, plant and machinery	(2,020,723)	(90,834)	190	-	14	(2,111,353)
Accumulated depreciation, ind. and comm. equipment	(81,455)	(3,074)	1,563	(226)	2	(83,190)
Accumulated depreciation of other assets	(116,492)	(4,496)	3,978	(392)	(8)	(117,410)
Total	**(2,386,001)**	**(108,126)**	**5,845**	**(621)**	**-**	**(2,488,903)**

The column changes in consolidation scope refer to the balances acquired during the period relating to the company Salerno Energia Vendite and to the business unit regarding the integrated water service concessions in 31 Municipalities in Northern Italy acquired from Acque Potabili S.p.A..

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

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

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

Other assets
This item refers to costs for the purchase of office furniture and machines and vehicles.

Assets under construction and payments on account
The item assets under construction includes all expenses incurred for investments in progress and not yet in operation.

Increases
The increases in the period, of 39,829 thousand euro, mainly refer to:
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 8,353 thousand euro;
- investments in the electricity distribution grids of 9,899 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 6,048 thousand euro;
- investments in thermoelectric and hydroelectric plants of 3,175 thousand euro;
- investments for collection and disposal in the waste management segment of 4,907 thousand euro.

Ordinary depreciation for the first half of 2017, totalling 108,126 thousand euro, was calculated on the basis of the rates indicated in the 2016 annual financial statements and considered representative of the residual useful life of the assets.

It is worth noting that in accordance with current regulations regarding the large shunt concessions for hydroelectric purposes ("hydroelectric concessions"), the outgoing operator is paid an amount, calculated as follows:

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

As a result of this legislation, starting from 2012, for transferable assets related to expired hydroelectric concessions with a residual carrying amount lower than the estimated amount payable to the outgoing operator (calculated based on the above provisions), the related depreciation has been suspended.

Lastly, no assets are pledged against liabilities.

NOTE 2_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost at 30/06/2017	Accumulated depreciation at 30/06/2017	Carrying amount at 30/06/2017	Cost at 31/12/2016	Accumulated depreciation at 31/12/2016	Carrying amount at 31/12/2016
Land	2,859	-	2,859	2,859	-	2,859
Buildings	13,103	(2,652)	10,451	13,103	(2,479)	10,624
Total	**15,962**	**(2,652)**	**13,310**	**15,962**	**(2,479)**	**13,483**

The item consists mainly of properties acquired from the company Sportingenova against the settlement of part of the receivable due from that company.
The fair value of investment property is not lower than the carrying amount.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

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

thousands of euro

	Cost at 30/06/2017	Accumulated depreciation at 30/06/2017	Carrying amount at 30/06/2017	Cost at 31/12/2016	Accumulated depreciation at 31/12/2016	Carrying amount at 31/12/2016
Development costs	677	(671)	6	677	(671)	6
Industrial patents and similar rights	68,798	(29,491)	39,307	61,636	(19,520)	42,116
Concessions, licences, trademarks and similar rights	2,082,539	(848,075)	1,234,464	1,987,843	(770,518)	1,217,325
Other intangible assets	132,683	(73,686)	58,997	133,768	(64,466)	69,302
Assets under construction and payments on account	164,188	-	164,188	137,614	-	137,614
Total	**2,448,885**	**(951,923)**	**1,496,962**	**2,321,538**	**(855,175)**	**1,466,363**

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

thousands of euro

	Opening balance	Increases	Decreases	Changes in consolidation scope	Reclassifications	Impairment losses for the period	Other changes	Closing balance
Development costs	677	-	-	-	-	-	-	677
Industrial patents and similar rights	61,636	3,013	-	81	24	-	4,044	68,798
Concessions, licences, trademarks and similar rights	1,987,843	17,647	(27)	67,444	9,632	-	-	2,082,539
Other intangible assets	133,768	11,570	(15,359)	227	(341)	(140)	2,958	132,683
Assets under construction and payments on account	137,614	35,990	(6)	227	(9,637)	-	-	164,188
Total	**2,321,538**	**68,220**	**(15,392)**	**67,979**	**(322)**	**(140)**	**7,002**	**2,448,885**

Changes in accumulated depreciation of intangible assets are shown in the following table:

thousands of euro

	Opening balance	Depreciation for the period	Decreases	Changes in consolidation scope	Reclassifications	Other changes	Closing balance
Accumulated depreciation of development costs	(671)	-	-	-	-	-	(671)
Accumulated depreciation of ind. patents and similar rights	(19,520)	(5,846)	-	(81)	-	(4,044)	(29,491)
Accumulated depreciation of licences, trademarks and similar rights	(770,518)	(34,374)	3	(43,276)	90	-	(848,075)
Accumulated depreciation of other intangible assets	(64,466)	(6,103)	3	(170)	8	(2,958)	(73,686)
Total	**(855,175)**	**(46,323)**	**6**	**(43,527)**	**98**	**(7,002)**	**(951,923)**

The column changes in consolidation scope refer to the balances acquired during the period relating to the company Salerno Energia Vendite and to the business unit regarding the integrated water service concessions in 31 Municipalities in Northern Italy acquired from Acque Potabili S.p.A..
The net balance of the reclassifications column refers to the integrated water service concession of the Municipality of Saint Vincent (AO), classified among assets held for sale.

The breakdown of the items that make up intangible assets is presented below.

<u>Industrial patents and intellectual property use rights</u>
This item mainly relates to the total costs borne for the purchase and internal production of corporate software and the acquisition of rights for the exclusive use of technical studies on the statistical trend of network losses, amortised over between three and five years.

<u>Concessions, licences, trademarks and similar rights</u>
This item is primarily composed of:
- assets recognised in application of IFRIC 12, related to the operating business 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:
- rights of use of telecommunication infrastructures owned by third parties;
- 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

Goodwill, of 146,707 thousand euro (131,779 thousand euro at 31 December 2016), during the first half of 2017 shows the following changes:
- an increase of 15,194 thousand euro following the acquisition of control over Salerno Energia Vendite, of which 11,724 thousand euro due to the positive difference, determined provisionally, between the fair value of the acquisition cost and the identifiable assets acquired and identifiable liabilities assumed at the acquisition date;
- a reduction of 266 thousand euro following the adjustment of the purchase price of control over Ricupero Ecologici Industriali (REI).

Goodwill is considered an intangible asset with an indefinite useful life. Therefore, it is not amortised, but annually tested for impairment to check whether the carrying amount is still recoverable. Since goodwill does not generate independent cash flows and cannot be sold on its own, the impairment test on the goodwill recognised in the financial statements is carried out making reference to the Cash Generating Unit to which the same can be allocated. The Cash Generating Units are identified with the single Business Units and correspond to the business segments presented in the foreword to these notes. They are based on the Group's management structure and internal reporting system.
This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market.
The table below shows the allocation of the item goodwill to the Cash Generating Units.

thousands of euro

	30/06/2017
Waste	5,205
Energy	106
Market	48,339
Networks	93,057
Total	**146,707**

Waste Management Cash Generating Unit
The value of goodwill, 5,205 thousand euro, refers substantially to acquisition of control over Ricupero Ecologici Industriali (REI), in which, while awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the positive difference between the purchase price and the carrying amount of the net assets acquired in continuity of values, was provisionally allocated to goodwill.

Energy Cash Generating Unit
The value of goodwill, of 106 thousand euro, refers to the business unit Heat Service Management transferred by the Market BU to the Energy BU.

Market Cash Generating Unit
The value of goodwill, of 48,339 thousand euro, derives mainly from:

- the equity interest in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison, for an amount of 16,761 thousand euro;
- the acquisition of control over Salerno Energia Vendite in which, while awaiting the assessment to be carried out under the terms of IFRS 3 - Business Combinations, the positive difference between the fair value of the purchase cost and the carrying amount of the net assets acquired in continuity of values, was provisionally allocated to goodwill for an amount of 11,724 thousand euro;
- the business unit purchased from ENEL at the end of 2000 and referred to electricity users of the city of Parma, for an amount of 7,421 thousand euro;
- the acquisition of the business unit from ERG Power & Gas related to the marketing and sale of electricity for an amount of 3,401 thousand euro.

Networks Cash Generating Unit
The value of goodwill, of 93,057 thousand euro, derives mainly from:
- the acquisition from ENEL of the business unit related to the electricity grid in the Municipality of Turin, in which the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand euro;
- acquisition of control over Acqua Italia S.p.A. (now Iren Acqua S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of 23,202 thousand euro;
- the business unit purchased from ENEL at the end of 2000 and referred to electricity users of the city of Parma, for an amount of 3,023 thousand euro;

As stated above in paragraph I “Content and structure of the condensed consolidated interim report” of the present document, in the first half of 2017, in accordance with IAS 36, the Group checked the non-existence of specific impairment triggers with particular reference to goodwill.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments accounted for using the equity method are equity investments in companies in which the Group has joint control or exercises a significant influence.
The Group companies measured using the equity method at 30 June 2017 are shown in an annex.
Changes in the six-month period are shown in the tables below.

Investments in joint ventures

thousands of euro

	31/12/2016	Write-backs-write-downs for equity	Measurements with direct effect on equity	Other changes	30/06/2017
Acque Potabili	20,592	(2,903)	170	-	17,859
Iren Rinnovabili	13,351	(8)	-	(262)	13,081
OLT Offshore LNG	16,600	(3,394)	-	-	13,206
TOTAL	**50,543**	**(6,305)**	**170**	**(262)**	**44,146**

Investments in associates

thousands of euro

	31/12/2016	Increases	Changes in consolidation scope and Reclassifications	Write-backs (write-downs) for equity	Dividend distribution	Measurements with direct effect on equity	Write-backs (write-downs)	30/06/2017
A2A Alfa	-	-	-	-	-	-	-	-
Acos	9,181	-	-	-	-	-	-	9,181
Acos Energia	872	-	-	442	-	-	-	1,314
Acquaenna	-	-	-	-	-	-	-	-
Aguas de San Pedro	9,796	-	-	1,399	-	(1,024)	-	10,171
Aiga	-	-	-	-	-	-	-	-
Amat	2,296	-	-	(35)	-	-	-	2,261
Amter	761	-	-	387	(73)	-	-	1,075
Asa	30,345	-	-	2,573	-	676	-	33,594
Astea	20,991	-	-	4,465	(319)	(105)	-	25,032
Asti Energia Calore	24	-	-	15	-	-	-	39
CSP Innovazione nelle ICT	-	-	150	(1)	-	-	-	149
Domus Acqua	83	-	-	-	-	-	-	83
Fingas	5,702	-	-	-	-	-	-	5,702
G.A.I.A.	-	15,024	-	58	-	-	-	15,082
Global Service Parma	6	-	-	-	-	-	-	6
Iniziative Ambientali	456	-	-	(3)	-	-	-	453
Mestni Plinovodi	4,859	-	-	-	-	-	-	4,859
Mondo Acqua	690	-	-	-	-	-	-	690
Nord Ovest Servizi	4,375	-	-	-	-	-	-	4,375
Recos	3,579	-	-	(34)	-	-	-	3,545
Rio Riazzone	224	-	-	-	-	-	-	224
Salerno Energia Vendite	2,170	-	(11,243)	1,059	(614)	-	8,628	-
Sinergie Italiane	-	-	-	-	-	-	-	-
Sosel	964	-	-	58	(22)	-	-	1,000
Tirana Acque	-	-	-	-	-	-	-	-
Valle Dora Energia	556	-	-	463	-	-	-	1,019
TOTAL	**97,930**	**15,024**	**(11,093)**	**10,846**	**(1,028)**	**(453)**	**8,628**	**119,854**

During the first half of 2017 45% of the company Gestione Ambientale Integrata dell'Astigiano S.p.A. (GAIA) was acquired through the subscription of 2,492,865 shares.
In relation to the equity investment in the company CSP Innovazione nelle ICT we can note that during the first half of 2017 the stake was increased from 6.10% to 25% through subscription of the share capital increase.
The change in the consolidation scope refers to the acquisition of control over and consequent full consolidation of the company Salerno Energia Vendite. The value adjustment of the equity investment refers to the restatement at fair value, at the date the controlling stake was acquired, of the non-controlling interest held at 30 April 2017.
As regards the equity investment in Sinergie Italiane, the carrying amount of which is zero, the provisions for risks against the risk of future losses of this investee amounted to 10,000 thousand euro.

NOTE 6_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. Since their fair value could not be reliably determined, these investments were maintained at cost, adjusted for any impairment losses.
The list of other Group investments at 30 June 2017 is shown in an annex.
Changes in the six-month period are shown in the tables below:

thousands of euro

	31/12/2016	Increases	Impairment losses for the period	Reclassifications	30/06/2017
A2A Scarl	7	-	-	-	7
Acque Potabili Siciliane	-	-	-	-	-
Astea Energia	7	-	-	-	7
Autostrade Centro Padane	1,248	-	-	-	1,248
BT Enia	2,110	-	-	-	2,110
C.R.P.A.	52	-	-	-	52
CIDIU	2,294	-	-	-	2,294
Consorzio Italiano Compostatori	3	-	-	-	3
Consorzio Leap	10	-	-	-	10
Consorzio Topix	5	-	-	-	5
CSP Innovazione nelle ICT	28	151	(29)	(150)	-
Environment Park	1,243	-	-	-	1,243
Fondo Core MultiUtilities	100	-	-	-	100
Italeko AD.	11	-	-	-	11
RE Innovazione	12	-	-	-	12
SDB Società di biotecnologie	10	-	-	-	10
Stadio di Albaro	27	-	(27)	-	-
T.I.C.A.S.S.	4	-	-	-	4
TOTAL	**7,171**	**151**	**(56)**	**(150)**	**7,116**

NOTE 7_NON-CURRENT TRADE RECEIVABLES

The item amounted to 71,130 thousand euro (76,302 thousand euro at 31 December 2016) and refers mainly to:

- the receivables of the integrated water service for lower volumes supplied with respect to the constraint of revenue due to the operator; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery through fees after two years (52,588 thousand euro);
- the receivables of the electricity transmission, distribution, and metering services deriving from the rules issued in AEEGSI Resolution no. 654/2015 on the subject of tariff regulation for the period 2016-2023 which entailed the recognition of revenue from electricity transport and of the related receivables (13,244 thousand euro);
- the receivables for invoices to be issued to the Municipality of Turin for technological renewal and increased efficiency of heating systems in a number of municipal buildings (4,049 thousand euro).

NOTE 8_NON-CURRENT FINANCIAL ASSETS

This item, 51,113 thousand euro (31 December 2016: 49,950 thousand euro), refers to securities other than equity investments, financial receivables and the fair value of derivatives.

Securities other than equity investments

The item in question includes securities considered, on the basis of the provisions of IAS 39 – *Financial Instruments: Recognition and Measurement*, as held for sale or as investments held to maturity.
Specifically, they amount to 36 thousand euro (unchanged compared to 31 December 2016) and refer to securities given as collateral, classified as held-to-maturity investments, and are measured at amortised cost.

Non-current financial receivables and fair value of derivatives

thousands of euro

	30/06/2017	31/12/2016
Non-current financial receivables from joint ventures	28,226	29,030
Non-current financial receivables from associates	3,668	3,687
Non-current financial receivables from related-party shareholders	223	223
Non-current financial receivables from others	14,921	14,925
Non-current accrued financial income and prepaid expenses	641	610
Fair value of derivatives – non-current share	3,398	1,439
Total	**51,077**	**49,914**

Non-current financial receivables from joint ventures regard receivables from Iren Rinnovabili (5,087 thousand euro) and from its subsidiaries Enia Solaris (18,315 thousand euro), Greensource (2,838 thousand euro) and Varsi Fotovoltaico (1,986 thousand euro).

Financial receivables from associates refer to receivables from the companies ReCos (2,083 thousand euro), Asti Energia Calore (880 thousand euro), Aiga (429 thousand euro) and Acquaenna (276 thousand euro).

Receivables from related-party shareholders refer to amounts due from the Municipality of Turin for 223 thousand euro and relate to the medium/long-term portion of receivables on the current account that settles transactions between the subsidiary Iren Energia S.p.A. and the Municipality of Turin. For details of the overall receivable position of the Iren Group in relation to the Municipality of Turin please see Note 15 “Current financial assets”.

Non-current financial receivables from others refer mainly to the long-term portion of the receivable deriving from the sale of the business unit comprising the telecommunications network (TLC) in Emilia-Romagna which took place during 2016.

The fair value of derivatives refers to instruments in the portfolio for hedging the risk of changes in interest rates.

NOTE 9_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2017	31/12/2016
Guarantee deposits	9,566	9,985
Tax assets after 12 months	35,210	35,211
Other non-current assets	1,220	1,238
Non-current accrued income and prepaid expenses	8,517	8,520
Total	**54,513**	**54,954**

Receivables for guarantee deposits refer mainly to amounts paid by Iren Mercato to the investee Sinergie Italiane in relation to the natural gas supply contract signed by the parties.

Tax assets after 12 months comprise mainly:

- credits related to the rebate recognised in 2016 of the amounts paid to the Revenues Agency as interest at the moment of recovery of State Aid. On the subject of interest on State Aid the Supreme Court rejected the grounds for the appeal by the Revenues Agency, which maintained that the interest calculation should have been done recalculating the tax on a five-year rather than annual basis. The Court therefore ruled that the interest rate had to be recalculated at annual intervals, on the basis of European Regulation 794/2004, as amended by Regulation 271/2008.
- credits related to payment of the demands served following entry in the list concerning 2/3 of the tax ascertained relating to the dispute over the contribution of two business units, made at the end of 1999 in favour of the company Genova Acque S.p.A. (today incorporated into Iren Acqua S.p.A.), by the former parent company AMGA S.p.A.. The payments made were accounted for among other non-current assets, on the basis of considerations of recoverability of the same in the event of possible outcomes favourable to the company in the dispute in progress.
- credits accrued following the application to deduct IRAP from the IRES taxable base, Art. 2 paragraph 1 *quater* Italian Law Decree no. 201 of 6 December 2011;
- credits for IRPEF advances on post-employment benefits that were paid as set out by with Italian Law no. 140/1997. In accordance with relevant legislation, this amount has been recovered since 01 January 2000 and is revalued annually based on the same criteria used to revalue the post-employment benefits.

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

NOTE 10_DEFERRED TAX ASSETS

These amounted to 267,499 thousand euro (266,497 thousand euro at 31 December 2016) and refer to deferred tax assets deriving from earnings deductible in future years. They also include the tax effect on adjustments made on IFRS first-time adoption.

CURRENT ASSETS

NOTE 11_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.
Work in progress refers mainly to the Turin LED Public Illumination project.
The summary of changes occurring over the period is as follows:

thousands of euro

	30/06/2017	31/12/2016
Raw materials	118,667	114,274
Inventory write-down provision	(43,506)	(43,124)
Net	**75,161**	**71,150**
Work in progress	19,095	23,802
Total	**94,256**	**94,952**

The reduction of work in progress was mainly due to completion of the the contract for technological renewal and increased efficiency of heating systems in a number of buildings belonging to the City of Turin. With the contract finished non-current trade receivables for invoices to be issued (4,049 thousand euro) and current trade receivables for invoices to be issued (1,596 thousand euro) were accounted for.
The inventory write-down provision was set aside and is used to take into consideration inventories that are technically obsolete and slow-moving.

At 30 June 2017, no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are detailed in the following table:

thousands of euro

	30/06/2017	31/12/2016
Receivables from customers	796,235	936,402
Provisions for impairment of receivables	(171,353)	(147,844)
Net receivables from customers	**624,882**	**788,558**
Trade receivables from joint ventures	3,041	7,636
Trade receivables from associates	25,141	23,606
Trade receivables from related-party shareholders	127,491	98,569
Trade receivables from other related parties	20,687	23,601
Provisions for impairment of receivables from related-party shareholders	(6,529)	(6,165)
Total	**794,713**	**935,805**

We can note that at 30 June 2017 factoring transactions were completed with derecognition of the receivables for a total of 15,642 thousand euro (67,675 thousand euro at 31 December 2016).

Trade receivables, gross of provisions for impairment of receivables, are broken down by maturity as follows:

thousands of euro

	30/06/2017	31/12/2016
Not past due	542,222	752,730
Past due from 0 to 3 months	155,079	84,159
Past due from 3 to 12 months	71,169	75,834
Past due for more than one year	204,125	177,091
Total	**972,595**	**1,089,814**

Receivables from customers
These mainly relate to receivables due for electricity, gas, water and heat supplies, environmental services and sundry services. The net balance takes into account the provisions for impairment of receivables, illustrated below, for 171,353 thousand euro (147,844 thousand euro at 31 December 2016).

Receivables from joint ventures
This item includes receivables from the Group joint ventures, consolidated with the equity method. These relate to normal trade transactions performed at arm's length. For further details, please see the table of related-party transactions shown in the annex.

Receivables from associates
These relate to normal trade transactions performed at arm's length. For further details, please see the table of related-party transactions shown in the annex.

Receivables from related-party shareholders
Receivables from related-party shareholders refer to trading transactions performed at arm's length with territorial authorities (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. The balance takes into account provisions for impairment of receivables of 6,529 thousand euro (6,165 thousand euro at 31 December 2016). For further details, please see the table of related-party transactions shown in the annex.

Receivables from other related parties
These regard receivables from the companies controlled by the territorial body owners (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal commercial transactions carried out at arm's length.

Provisions for impairment of receivables
The provisions for impairment feature the movements shown in the following table:

thousands of euro

	31/12/2016	Decrease	Other changes	Changes in consolida-tion scope	Provisions in the period	Utilisations	30/06/2017
Provisions for impairment of receivables	147,844	(33)	14	8,069	22,138	(6,679)	171,353
Provisions for impairment of receivables from related-party shareholders	6,165	-	-	-	364	-	6,529
Total	**154,009**	**(33)**	**14**	**8,069**	**22,502**	**(6,679)**	**177,882**

Provisions in the period were set aside on the basis of the best estimate of probable risks deriving from non-collections of receivables. The provision was used to cover losses on receivables.

NOTE 13_CURRENT TAX ASSETS

These amounted to 56,849 thousand euro (21,242 thousand euro at 31 December 2016) and include receivables from the tax authority for IRES and IRAP.

NOTE 14_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2017	31/12/2016
Receivables for revenue tax/UTIF	90	547
VAT credit	12,400	14,968
Other tax assets	11,563	8,388
Tax assets due within one year	**24,053**	**23,903**
Receivables from Cassa Servizi Energetici e Ambientali (CSEA)	147,905	119,569
Green certificate receivables	49,382	36,957
Advances to suppliers	17,281	9,219
Other current assets	26,715	17,101
Other current assets	**241,283**	**182,846**
Accruals and deferrals	24,612	8,406
Total	**289,948**	**215,155**

We can note that at 30 June 2017 factoring transactions were completed with derecognition of receivables for green certificates and for Emission Trading for a total of 16,686 thousand euro (15,898 thousand euro at 31 December 2016).
In terms of procedures, the payment of Group VAT involves the transfer to the parent Iren S.p.A. of all obligations regarding VAT settlements and periodic payments. The companies that take part in the Group settlement procedure, for 2017, are the parent company Iren S.p.A. and the following companies: Iren Energia, IRETI, Iren Mercato, Iren Ambiente, AMIAT, Iren Acqua Tigullio, Iren Acqua, Immobiliare delle fabbriche, Iren Laboratori, Bonifica Autocisterne, Iren Rinnovabili and its subsidiaries Enìa Solaris, Greensource, Varsi Fotovoltaico.
In relation to receivables from Cassa Servizi Energetici e Ambientali (CSEA) we can note that a portion of the amounts shown may not be collectable within the next 12 months. The increase compared to 31 December 2016 is mainly attributable to the assets pertaining to energy efficiency certificates.

NOTE 15_CURRENT FINANCIAL ASSETS

These are detailed in the following table:

thousands of euro

	30/06/2017	31/12/2016
Financial receivables from joint ventures	443,831	444,234
Financial receivables from associates	2,471	1,913
Financial receivables from Municipalities shareholders-related parties	151,372	106,383
Other financial receivables	43,775	42,097
Derivative receivables - current	353	11,934
Total	**641,802**	**606,561**

All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible.

Financial receivables from joint ventures

These mainly refer to receivables from the joint venture OLT Offshore relating to the renewal of the loan granted by the Group for 439,000 thousand euro (unchanged compared to 31 December 2016), receivables from the joint venture Acque Potabili S.p.A. for 2,036 thousand euro (2,621 thousand euro at 31 December 2016) and receivables from the Iren Rinnovabili Group for 2,795 thousand euro (2,613 thousand euro at 31 December 2016).

Financial receivables from associates

The item refers to receivables from associates for single non-significant amounts. They refer mainly to receivables for dividends to be received. For further details please see the schedule of related-party transactions shown in the annex.

Financial receivables from shareholders - related parties

These regard receivables from the Municipality of Turin on which interest accrues for the Group and they amounted to 151,372 thousand euro (106,383 thousand euro at 31 December 2016). They refer to the short-term balance of the current account, which governs transactions between the subsidiaries Iren Energia S.p.A. and AMIAT S.p.A. and the Municipality of Turin. The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables represented as a generation of operating cash flows, and a corresponding increase in financial receivables, represented as a cash absorption in cash flows from financing activities.
These receivables form part of an overall position, totalling 240,226 thousand euro (reduced by approximately 20.6 million euro at the beginning of July), and are divided among various accounting items according to their classification by type and maturity: Non-current trade receivables (Note 7), Non-current financial assets (Note 8), Trade receivables (Note 12) and Current financial assets (Note 15) as shown in the table presented below.

thousands of euro

	30/06/2017	31/12/2016
Non-current trade receivables	**4,049**	-
Trade receivables for services on invoices issued	45,428	62,312
Trade receivables for services on invoices to be issued	27,026	7,222
Trade receivables for electricity and other supplies	15,129	8,555
Provisions for impairment of trade receivables	(3,001)	(2,637)
Total current trade receivables	**84,582**	**75,452**
Non-current portion of financial receivables in current account	2,167	2,167
Non-current portion of financial receivables for interest	1,223	1,223
Provisions for impairment of financial receivables	(3,167)	(3,167)
Total non-current financial receivables	**223**	**223**
Current portion of financial receivables in current account	142,831	99,859
Current portion of financial receivables for interest	8,541	6,524
Total current financial receivables	**151,372**	**106,383**
Total	**240,226**	**182,058**

Other financial receivables

These refer for 39,863 thousand euro to tied bank deposits of the subsidiary TRM S.p.A. deriving from the loan contract which specifies to bind the amounts to the instalment due, to the costs regarding environmental offsets and to the extraordinary maintenance of the waste-to-energy plant. The remainder refers to receivables for dividends to be collected, accrued income and prepaid expenses of a financial nature, sundry financial receivables and government bonds classified as available for sale.

Derivative receivables - current

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

NOTE 16_CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" is made up as follows:

thousands of euro

	30/06/2017	31/12/2016
Bank and postal deposits	140,498	253,105
Cash and valuables in hand	259	579
Total	**140,757**	**253,684**

Cash and cash equivalents are represented by existing liquidity on bank and postal deposits. The Group does not hold cash equivalents, intended as short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 17_ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amount to 522 thousand euro (2,498 thousand euro at 31 December 2016). The change compared to 31 December 2016 was mainly due to the sale made during the first half of 2017 of the equity investment in Ecoprogetto Tortona S.r.l..

This item relates in particular:

- for 224 thousand euro (not present at 31 December 2016) to the net assets related to the concession, which expired on 30 April 2017, of the integrated water service of the Municipality of Saint Vincent (AO) for which the takeover by the new operator is being defined;
- for 140 thousand euro (unchanged compared to 31 December 2016), to the equity investment in Plurigas in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business;
- for 158 thousand euro (unchanged from 31 December 2016) to the associate Piana Ambiente.

In addition, assets held for sale include the equity investment in Fata Morgana, already completely written down in previous periods.

LIABILITIES

NOTE 18_EQUITY

Equity may be analysed as follows:

thousands of euro

	30/06/2017	31/12/2016
Share capital	1,276,226	1,276,226
Reserves and retained earnings (losses)	604,558	507,580
Net profit (loss) for the period	145,123	179,345
Total equity attributable to owners of the Parent	**2,025,907**	**1,963,151**
Share capital and reserves attributable to non-controlling interests	338,941	322,667
Profit (loss) non-controlling interests	12,788	11,225
Total consolidated equity	**2,377,636**	**2,297,043**

Share capital

The share capital amounts to 1,276,225,677 euro (unchanged compared to 31 December 2016), fully paid up, and consists of 1,195,727,663 ordinary shares with a face value of 1 euro each and 80,498,014 savings shares without voting rights with a face value of 1 euro each.
The 80,498,014 Iren savings shares, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different priority order in the allocation of net residual assets in the event of winding-up of the company, they are subject to the same rules as ordinary shares.
In the event of sale, the savings shares are automatically converted, at par, into ordinary shares.

Reserves

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

thousands of euro

	30/06/2017	31/12/2016
Share premium reserve	105,102	105,102
Legal reserve	49,998	45,585
Cash flow hedging reserve	(5,969)	(8,421)
Other reserves and retained earnings (losses)	455,427	365,314
Total reserves	**604,558**	**507,580**

<u>Hedging reserve</u>
With the adoption of IAS 39, changes in the fair value of effective hedging derivatives are recognised with a contra-entry directly in equity under the hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

<u>Other reserves and retained earnings (losses)</u>
These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained earnings 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 2017, this item increased mainly as a result of the retained earnings from 2016.

For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 19_NON-CURRENT FINANCIAL LIABILITIES

These amounted to a total of 2,894,187 thousand euro (2,967,471 thousand euro at 31 December 2016):

Bonds

They amounted to 1,378,422 thousand euro (1,377,398 thousand euro at 31 December 2016). The item consisted entirely of positions of the Parent Company referred to Private Placement and Public Bond issues, for a total nominal amount currently in issue of 1,390,619 thousand euro (unchanged compared to 31 December 2016).

Private Placement: a) Notes maturity 2020, coupon 4.37%, amount of issue 260 million euro, currently in issue for 185.120 million euro following the buy-back (tender offer) carried out in December 2015 and 2016; b) Notes maturity 2019, coupon 3%, amount of issue 100 million euro, currently in issue for 89.1 million euro following the tender offer as above.

Public Bond: a) Notes maturity 2021, coupon 3%, amount of issue 300 million euro, currently in issue for 186,273 million euro following repurchases as above; b) Notes maturity 2022, coupon 2.75%, amount of issue 500 million euro, currently in issue for 430,126 million euro following the tender offer of 2016; c) Notes maturity 2024, coupon 0.875%, amount 500 million euro, second issue in November 2016, as part of the EMTN programme of a total of 1.5 billion euro.

The bond loans were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were given a Fitch rating.

The change in the carrying amount in the period was due to the recognition of financial expenses accruing calculated on the basis of the amortised cost method.

Non-current bank loans

Non-current loans relate exclusively to the non-current portion of loans/credit lines due at more than 12 months, granted by banks and amounted to 1,400,940 thousand euro (1,458,486 thousand euro at 31 December 2016).

Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and maturity date, as shown in the following table:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max interest rate	2.79% - 5.122%	0.00% - 2.529%	
maturity	2018-2027	2018-2030	
01.07.2018 – 30.06.2019	60,500	345,406	405,906
01.07.2019 – 30.06.2020	59,954	92,944	152,898
01.07.2020 – 30.06.2021	62,237	48,167	110,404
01.07.2021 – 30.06.2022	64,609	53,892	118,501
subsequent	273,019	340,212	613,232
Total payables at 30/06/2017	**520,320**	**880,620**	**1,400,940**
Total payables at 31/12/2016	**551,379**	**907,107**	**1,458,486**

All loans are denominated in euro.

The changes in non-current loans during the year are summarised below:

thousands of euro

	31/12/2016 Total payables	Increases	Changes in consolidation scope	Repayments	Change to amortised cost	30/06/2017 Total payables
- fixed rate	**551,379**	-	-	(31,146)	88	**520,320**
- floating-rate	**907,107**	-	-	(27,011)	524	**880,620**
TOTAL	**1,458,486**	-	-	**(58,157)**	**612**	**1,400,940**

Total non-current loans at 30 June 2017 decreased compared to 31 December 2016 due to the following variations:

- a total decrease of 58,157 thousand euro, owing to the classification as short-term of the portion of loans due within the next 12 months;
- a total increase of 612 thousand euro due to recognition of the loans at amortised cost.

Other financial liabilities

These amounted to 114,825 thousand euro (31 December 2016: 131,587 thousand euro), and refer:

- for 101,015 thousand euro (117,627 thousand euro at 31 December 2016) to the fair value of derivative contracts entered into as hedges against the interest rate risk on floating rate loans (reference should be made to the paragraph "Group Financial Risk Management" for comments);
- for 11,159 thousand euro (11,315 thousand euro at 31 December 2016) to the long-term portion of the debt resulting from the operation to acquire the right to use 25% of the total capacity of the TLC network sold to BT Enia;
- for 2,651 thousand euro (31 December 2016: 2,645 thousand euro) to sundry financial payables.

NOTE 20_EMPLOYEE BENEFITS

In the first half of 2017 post-employment benefits underwent the following changes:

thousands of euro

Amount at 31/12/2016	**132,927**
Current service costs	833
Financial expenses	614
Disbursements of the period	(3,484)
Changes in consolidation scope	950
Amount at 30/06/2017	**131,840**

"Changes in consolidation scope" refers to the balances acquired during the period relating to the company Salerno Energia Vendite and to the business unit regarding the integrated water service concessions in 31 Municipalities in Northern Italy acquired from Acque Potabili S.p.A..

Liabilities for employee benefits consist of:

Post-employment benefits
In the first half of 2017 post-employment benefits underwent the following changes:

	thousands of euro
Amount at 31/12/2016	**96,177**
Current service costs	520
Financial expenses	445
Disbursements of the period	(2,703)
Changes in consolidation scope	950
Amount at 30/06/2017	**95,390**

Other benefits
The composition and changes over the period of defined benefit plans, other than the post-employment benefits described above, are presented below.

<u>Additional months' salaries (long-service bonus)</u>

	thousands of euro
Amount at 31/12/2016	**3,492**
Current service costs	133
Financial expenses	12
Amount at 30/06/2017	**3,637**

<u>Loyalty bonus</u>

	thousands of euro
Amount at 31/12/2016	**3,107**
Current service costs	68
Financial expenses	11
Disbursements of the period	(54)
Amount at 30/06/2017	**3,132**

<u>Tariff discounts</u>

	thousands of euro
Amount at 31/12/2016	**25,873**
Current service costs	104
Financial expenses	141
Disbursements of the period	(526)
Amount at 30/06/2017	**25,592**

Premungas fund

	thousands of euro
Amount at 31/12/2016	**4,278**
Current service costs	8
Financial expenses	5
Disbursements of the period	(201)
Amount at 30/06/2017	**4,090**

Actuarial assumptions

The assessment of the liabilities presented above is made by independent actuaries on the occasion of 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 electricity consumption due to current retirees or surviving spouses, as well as to current employees (and surviving spouses, if any) once terminated the working relationship, were taken into account in determining the amount of the electrical energy discount.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The other financial assumptions adopted in the calculations are the following:

Annual discount rate	0.39% - 1.31%
Annual inflation rate	1.50%
Annual rate of electricity price increase	2.00%
Annual increase rate of post-employment benefits	2.63%

NOTE 21_PROVISIONS FOR RISKS AND CHARGES

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

thousands of euro

	Opening balance	Increases	Decreases	(Income) expense from discounting	Changes in consolidation scope	Closing balance	Current portion
Provisions for restoration of third-party assets	146,169	5,977	(747)	(161)	-	151,238	1,901
“Post mortem” provisions	26,777	-	(878)	(183)	-	25,715	4,075
Provisions for dismantling and reclaiming sites	38,842	-	(1,516)	(457)	-	36,869	1,705
Provisions for CIG/CIGS redundancy funds	11,886	344	(12,230)	-	-	-	-
Provisions for early retirement expenses	26,310	5,658	(7,210)	-	-	24,758	6,047
Provisions for risks on equity investments	10,065	-	-	-	-	10,065	10,065
Other provisions for risks and charges	187,996	20,433	(22,094)	-	138	186,473	37,525
Total	**448,045**	**32,412**	**(44,675)**	**(801)**	**138**	**435,118**	**61,318**

If the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which, on the basis of the time period envisaged for the future cash flows, does not exceed 3.12%.

The column “changes in consolidation scope” refers to the balances acquired during the period relating to the company Salerno Energia Vendite and to the business unit regarding the integrated water service concessions in 31 Municipalities in Northern Italy acquired from Acque Potabili S.p.A..

Provisions for restoration of third-party assets

These provisions refer to liabilities which, if the water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are reassigned to third parties, will be deducted from the fee to be paid to the Group by the incoming operator. These liabilities are estimated according to the 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, Tesa and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in Art. 113, paragraph 13 of the Consolidated Law on Local Entities. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set aside the aforementioned provisions.

The provisions for the restoration of transferable works represent an estimate of the expense necessary to return assets in concession in the hydroelectric sector in perfect working order.

“Post mortem” provisions

These are mainly provisions for future expense for environmental recovery of controlled landfill plants which also include costs for post-operating management until the sites involved have been completely converted to green areas. These provisions are supported by specific appraisals periodically updated in order to adjust the existing provisions to the estimate of the future costs to be incurred. The decreases refer in particular to the utilisation of the provision to cover costs incurred in the post-operating phase until the mineralisation of waste and the conversion of landfills into green areas are completed.

Provisions for dismantling and reclaiming sites

The “Provision for dismantling and reclaiming sites” represents the estimate of expense associated with the future dismantling of the Group’s waste-to-energy plants and the estimate of charges to be incurred in relation to the future reclamation of former AMNU land on which an incinerator was located.

Provisions for CIG/CIGS redundancy funds

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

In September 2013, a number of pronouncements were made against Iren and subsidiaries, considered to be negative and rejecting the company's claims, ordering the payment of CIG, CIGS, Mobility and Unemployment contributions. The Directors consequently decided to arrange regular payment of the redundancy payment CIG (and CIGS and mobility) contributions from 2014. During the period, the total expenses including collection charges were quantified with accuracy. Therefore, these sums were reclassified among payables and the surplus part of the provisions was released.

Provisions for early retirement expenses

The provisions refer to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the personnel in possession of the legal requisites to retire in advance with respect to the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.

The provisions represent the estimated payment to the employees involved in the Plan, through the Pensions Agency, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (suspension) with payment to the Pensions Agency of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

Provisions for risks on equity investments

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

Other provisions for risks and charges

The provision mainly refers to the probable risk of greater charges for the construction of plants which are completed or yet to be finished, the provisions for estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-*quinquies* of Decree Law no. 44 of 31 March 2005, the estimate on charges related to the return of emissions quotas, charges for environmental offsets, liabilities for tax disputes, including that of the subsidiary Iren Acqua (formerly Mediterranea delle Acque), and probable charges for various disputes.

The current portion referring to the provisions described above was presented under "provisions, current portion" (Note 28).

NOTE 22_DEFERRED TAX LIABILITIES

Deferred tax liabilities of 204,044 thousand euro (203,653 thousand euro at 31 December 2016) 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 23_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

thousands of euro

	30/06/2017	31/12/2016
Payables after one year	36,730	33,719
Deferred income for grants related to plants – non current	173,256	166,882
Non-current accrued expenses and deferred income	3,542	2,866
Total	**213,528**	**203,467**

The item "Payables after 12 months" refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the redundancy fund (CIG), for the extraordinary redundancy fund (CIGS) and for mobility and to tax payables for substitutive taxes to be paid at more than 12 months from the reporting date.

CURRENT LIABILITIES

NOTE 24_CURRENT FINANCIAL LIABILITIES

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

thousands of euro

	30/06/2017	31/12/2016
Bank loans	329,499	388,892
Financial payables to joint ventures	379	-
Financial payables to associates	730	155
Financial payables to related-party shareholders	148	726
Financial payables to other related parties	2,995	-
Financial payables to others	6,580	10,058
Current liabilities for derivatives	2,210	-
Total	**342,541**	**399,831**

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

thousands of euro

	30/06/2017	31/12/2016
Bonds	178,394	178,554
Loans - current portion	120,933	198,924
Other current payables to banks	5,763	76
Accrued financial expenses and deferred financial income	24,409	11,338
Total	**329,499**	**388,892**

Financial payables to joint ventures
This item relates to amounts due to the joint venture Acque Potabili.

Financial payables to associates
This item relates to amounts due to the company Valle Dora Energia for the centralised treasury relationship with Iren S.p.A. (684 thousand euro) and payables to CSP Innovazione nelle ICT for the portions of share capital subscribed and not yet paid up (46 thousand euro).

Financial payables to related-party shareholders
This item relates to dividends of the company TRM S.p.A. still to be paid to the shareholder Municipality of Turin.

Financial payables to other related parties
This item relates to dividends of the company AMIAT S.p.A. still to be paid to the shareholder FCT Holding, controlled by the Municipality of Turin.

Financial payables to others
These regard mainly payables to factoring companies for the portions collected from customers and to be paid to the factor and payables for dividends to be paid.

Current liabilities for derivatives
These relate to the negative fair value of derivative contracts on commodities entered into by Iren Mercato. They were not present at 31 December 2016 because the fair value was positive.

NOTE 25_TRADE PAYABLES

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

thousands of euro

	30/06/2017	31/12/2016
Trade payables	630,951	784,332
Trade payables to joint ventures	1,549	629
Trade payables to associates	6,726	15,194
Trade payables to related-party shareholders	14,134	18,390
Trade payables to other related parties	4,941	2,936
Advances due within one year	9,121	12,391
Guarantee deposits due within one year	21,208	14,256
Charges to be reimbursed within one year	1,392	1,392
Total	**690,022**	**849,520**

The significant decrease in trade payables compared to 31 December 2016 was due to the decrease in payables to suppliers resulting from the trend in thermal seasonality.

NOTE 26_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

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

thousands of euro

	30/06/2017	31/12/2016
VAT payable	18,693	2,624
Revenue tax/UTIF payable	24,120	8,572
IRPEF payable	586	586
Other tax liabilities	19,518	22,098
Tax liabilities due within one year	**62,917**	**33,880**
Payables to employees	39,007	39,170
Payables to Cassa Servizi Energetici e Ambientali (CSEA)	77,098	64,822
Accounts payable to social security institutions within one year	18,437	23,030
Other current liabilities	103,501	94,581
Other payables due within one year	**238,043**	**221,603**
Accrued expenses and deferred income	11,350	15,417
Total	**312,310**	**270,900**

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

The increase in payables to Cassa per i Servizi Energetici e Ambientali (the Energy and Environmental Services Fund) of the period is related to the estimates of negative equalisation of electricity and gas.

Other current liabilities include, among things, cost estimates for the obligation related to energy efficiency certificates, payables for purification fees and payables for the TV licence fee collected in bills.

NOTE 27_CURRENT TAX LIABILITIES

"Current tax liabilities", amounting to 87,975 thousand euro (32,695 thousand euro at 31 December 2016) include IRES and IRAP payables. In addition, the item includes the estimate of taxes for the current half-year period.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 61,318 thousand euro (135,005 thousand euro at 31 December 2016) and refers to the short-term portion of the provisions, divided as follows:

- provisions for risks of 11,646 thousand euro;
- provisions for environmental offset charges of 17,281 thousand euro;
- provisions for charges related to the obligation to return emission quotas of 8,663 thousand euro;
- provisions for equity investment risks of 10,000 thousand euro, mainly related to the associate Sinergie Italiane;
- provisions for charges related to voluntary retirement of personnel of 6,047 thousand euro;
- provisions for restoration of transferable works of 1,901 thousand euro;
- provisions for dismantling and reclaiming sites and post mortem provisions of 5,780 thousand euro, which are expected to be used within the next 12 months.

For further details on the breakdown of and changes in provisions for risks and charges see Note 21.

NOTE 29_LIABILITIES RELATED TO ASSETS HELD FOR SALE

There were liabilities related to assets held for sale at 30 June 2017.

FINANCIAL POSITION

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

thousands of euro

	30/06/2017	31/12/2016
Non-current financial assets	(51,113)	(49,950)
Non-current financial debt	2,894,187	2,967,471
Non-current net financial debt	**2,843,074**	**2,917,521**
Current financial assets	(782,559)	(860,245)
Current financial debt	342,541	399,831
Current net financial debt	**(440,018)**	**(460,414)**
Net financial debt	**2,403,056**	**2,457,107**

Detail of Net Financial Position regarding related parties

Non-current financial assets relate for 223 thousand euro to receivables from the Municipality of Turin, for 28,226 thousand euro to receivables from the joint ventures of the Iren Rinnovabili Group and for 3,668 thousand euro to receivables from associates.

Current financial assets relate for 151,372 thousand euro to the short-term balance of the current account and the related interest between the subsidiaries Iren Energia and AMIAT and the Municipality of Turin, for 439,000 thousand euro to receivables from the joint venture OLT Offshore, for 2,036 thousand euro to receivables from the joint venture Acque Potabili, for 2,795 thousand euro to receivables from the joint venture Iren Rinnovabili and its subsidiaries and for 2,471 thousand euro to receivables from associates.

Current financial liabilities relate for 148 thousand euro to payables to the Municipality of Turin, for 2,995 thousand euro to payables to FCT Holding, for 684 thousand euro to payables to the associate Valle Dora Energia and for 46 thousand euro to payables to the associate CSP Innovazione nelle ICT.

Below is the net financial position in the format proposed by the ESMA recommendation of 10 February 2005 transposed with CONSOB Communication of 28 July 2006, which does not include non-current financial assets.

thousands of euro

	30/06/2017	31/12/2016
A. Cash in hand	(140,757)	(253,684)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(140,757)**	**(253,684)**
E. Current financial receivables	**(641,802)**	**(606,561)**
F. Current bank debt	208,566	189,968
G. Current portion of non-current debt	120,933	198,924
H. Other current financial debt	13,042	10,939
I. Current financial debt (F)+(G)+(H)	**342,541**	**399,831**
J. Net current financial debt (I) – (E) – (D)	**(440,018)**	**(460,414)**
K. Non-current bank debt	1,400,940	1,458,486
L. Bonds issued	1,378,422	1,377,398
M. Other non-current debt	114,825	131,587
N. Non-current financial debt (K) + (L) + (M)	**2,894,187**	**2,967,471**
O. Net financial debt (J) + (N)	**2,454,169**	**2,507,057**

VIII. NOTES TO THE INCOME STATEMENT

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

The Group's consolidated income statement includes the economic figures of the subsidiary REI and of the business unit regarding the integrated water service concessions in 31 Municipalities in Northern Italy acquired from Acque Potabili S.p.A. from 1 January 2015, and of the subsidiary Salerno Energia Vendite starting from 1 May 2017; the economic results of the first half of 2017 are therefore affected by the inclusion of these figures in the consolidation scope.
We can also note that the income statement items include, along the entire time period in question, the results of the subsidiaries Atena S.p.A. and Atena Trading S.r.l., while in the first half of 2016 they were included starting from 1 May.

REVENUE

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounts to 1,701,170 thousand euro (1,439,272 thousand euro in the first half of 2016). For further details on the trend in revenues by business segments see the tables in paragraph XI "Business segment Reporting".

NOTE 31_CHANGE IN WORK IN PROGRESS

This item amounted to a negative 4,707 thousand euro (+923 thousand euro in the first half of 2016) and refers mainly to the accounting for the completion of work on the project to make the municipal heating plants more energy efficient in the City of Turin.

NOTE 32_OTHER INCOME

Other income totalled 117,069 thousand euro (115,033 thousand euro in the first half of 2016) and refers to contributions, revenue for energy certificates and sundry income. The tables below show the details of the single items.

Contributions

thousands of euro

	First half 2017	First half 2016
Grants related to plant	4,220	4,177
Connection contributions	4,211	2,267
Other grants	414	152
Total	**8,845**	**6,596**

"Grants for plant facilities" represent the portion accruing of grants received calculated in proportion to the depreciation rates of the assets to which they refer.

Revenue from energy efficiency certificates

thousands of euro

	First half 2017	First half 2016
Revenue from Emission Trading	653	665
Revenue from ex-Green Certificates incentive	45,916	44,342
Revenue from White Certificates	29,721	23,905
Total	**76,290**	**68,912**

Other income

thousands of euro

	First half 2017	First half 2016
Revenue from service contracts	1,476	2,167
Revenue from rental income and leases	1,338	771
Capital gains on goods disposal	(150)	1,568
Insurance reimbursement	1,976	7,761
Sundry repayments	2,466	3,065
Income from fair value of commodity derivatives	201	-
Other revenue and income	24,627	24,193
Total	**31,934**	**39,525**

COSTS

NOTE 33_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

thousands of euro

	First half 2017	First half 2016
Purchase of electricity	173,826	123,382
Purchase of gas	374,730	257,177
Purchase of heat	147	24
Purchase of other fuels	42	125
Purchase of water	1,417	791
Other raw materials and inventory materials	26,487	31,372
Emission Trading	8,423	11,516
Green certificates	-	57
White certificates	24,966	17,165
Change in inventories	(3,201)	15,139
Total	**606,837**	**456,748**

Costs for raw materials, consumables, supplies and goods increased by approximately 150 million euro. The increase is essentially a result of price and volume trends of electricity and gas purchases recorded in the period, partially offset by the change in inventories (mainly associated with the trend in gas storages).

NOTE 34_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to 529,453 thousand euro (451,546 thousand euro in the first half of 2016) and are detailed in the table below:

thousands of euro

	First half 2017	First half 2016
Electricity transport and electricity system expenses	292,781	220,548
Gas carriage	25,815	28,768
Third-party works, maintenance and industrial services	66,407	67,206
Collection and disposal, snow clearing, public parks	73,580	65,978
Expenses related to personnel (canteen, training, travel)	4,188	4,348
Technical, administrative and commercial consulting and advertising expenses	18,214	17,225
Legal and notary fees	2,091	2,603
Insurance	7,978	8,700
Banking costs	3,545	4,994
Telephone costs	2,901	2,094
IT expenses	9,992	6,987
Reading and invoicing services	6,155	5,463
Fees of the Board of Statutory Auditors	383	446
Other costs for services	15,423	16,186
Total costs for services	**529,453**	**451,546**

The increase in “Costs for services” basically refers to electricity transport costs and the electricity system charges.
Costs for third-party works mainly relate to operating and maintenance costs of plants and networks.
“Other costs for services” consist of the remaining costs for internal consumption, back office, transport and other services.

Costs for the use of third-party assets amounted to 19,751 thousand euro (21,187 thousand euro in the first half of 2016). 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 easements, operating lease rentals (including rents paid for the buildings in the Core Multiutilities fund), hiring, IT fees and sundry rentals.

NOTE 35_OTHER OPERATING EXPENSES

Other operating expenses amounted to 40,961 thousand euro (34,358 thousand euro in the first half of 2016) and are detailed in the table below:

thousands of euro

	First half 2017	First half 2016
General expenses	4,791	4,608
Instalments and higher instalments for water shunting	7,756	7,876
Taxes and duties	9,301	8,941
Contingent liabilities	14,828	8,605
Capital losses on goods disposal	49	229
Expense from fair value of commodity derivatives	34	-
Other operating expenses	4,202	4,099
Total	**40,961**	**34,358**

NOTE 36_CAPITALISED EXPENSES FOR INTERNAL WORK

"Capitalised expenses for internal work" amounted to 11,637 thousand euro (10,130 thousand euro in the first half of 2016), and represent an increase in capital assets created with internal resources and production factors.

thousands of euro

	First half 2017	First half 2016
Capitalised labour costs	(9,862)	(7,280)
Capitalised inventory materials	(1,775)	(2,850)
Total	**(11,637)**	**(10,130)**

NOTE 37_PERSONNEL EXPENSES

Personnel costs amounted to 185,900 thousand euro (184,444 thousand euro in the first half of 2016) and are detailed in the table below:

thousands of euro

	First half 2017	First half 2016
Gross remuneration	126,683	129,528
Social security contributions	41,727	42,697
Post-employment benefits	520	517
Other long-term employee benefits	313	256
Other personnel expense	16,059	10,768
Directors' fees	598	678
Total	**185,900**	**184,444**

As described in Note 36, 9,862 thousand euro of costs related to personnel were capitalised.

Other personnel expenses include the social security and recreational contributions, 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. Other personnel expense also includes the adjustment of provisions set aside for expenses associated with early retirement incentives.

The personnel composition is shown in the following table.

	30/06/2017	31/12/2016	Average for the period
Senior managers	92	95	93
Junior managers	265	251	260
White collar	2,896	2,877	2,883
Blue collar	3,005	3,003	3,020
Total	**6,258**	**6,226**	**6,256**

NOTE 38_DEPRECIATION AND AMORTISATION

Amortisation/Depreciation for the period amounted to 154,621 thousand euro (146,092 thousand euro in the first half of 2016).

thousands of euro

	First half 2017	First half 2016
Property, plant and equipment and investment property	108,298	105,962
Intangible assets	46,323	40,130
Total	**154,621**	**146,092**

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

NOTE 39_PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to 29,901 thousand euro (32,122 thousand euro in the first half of 2016).

thousands of euro

	First half 2017	First half 2016
Provisions set aside for impairment of receivables	22,501	21,439
Provisions set aside for risks and restoration of third-party assets	16,792	15,431
Provision releases	(9,532)	(8,894)
Write-downs	140	4,146
Total	**29,901**	**32,122**

The trend in provisions for risks refers mainly to possible charges related to the electrical system, whereas the provision releases for the period refer to the revision of estimates of charges set aside in previous financial years.
Impairment losses for the period originate from the downward adjustment in the market price for part of the stock of emission rights held in the portfolio.
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”.

NOTE 40_FINANCIAL INCOME AND EXPENSE

Financial income

Financial income for the period amounted to 16,154 thousand euro (13,135 thousand euro in the first half of 2016). The details are shown in the following table:

thousands of euro

	First half 2017	First half 2016
Dividends	635	1,052
Bank interest income	217	130
Interest income from receivables/loans	10,425	10,259
Interest income from customers	1,221	1,490
Fair value gains on derivatives	2,551	21
Gains on financial assets disposal	-	56
Exchange rate gains	-	2
Other financial income	1,105	125
Total	**16,154**	**13,135**

Interest income from receivables/loans refers mainly to interest receivable from the joint venture OLT Offshore (7,659 thousand euro) and interest accrued on current accounts between the Group and the Municipality of Turin (2,017 thousand euro).
Other financial income mainly includes financial income for the discounting of provisions.

Financial expense

This item amounted to 56,428 thousand euro (65,983 thousand euro in the first half of 2016). The breakdown of financial expenses is provided in the following table:

thousands of euro

	First half 2017	First half 2016
Interest expense on loans	18,094	21,726
Interest expense on bonds	21,955	21,577
Interest expense on bank current accounts	3	22
Other interest expense	539	1,047
Capitalised financial expenses	-	-
Derivative fair value charges	1,728	2,032
Expenses paid on derivatives	12,786	13,153
Capital loss on disposal of financial assets	-	10
Interest cost – Employee benefits	614	1,030
Exchange rate losses	3	1
Other financial expenses	706	5,385
Total	**56,428**	**65,983**

Interest on loans and bonds includes the expenses relating to the measurement at amortised cost.
Derivative fair value expenses consist of the reversal of a portion of the cash flow hedging reserve to the income statement, relating to certain hedging positions that do not meet the formal requirements for the application of hedge accounting.

Reference should be made to the note to the statement of financial position on the item "Employee benefits" for details of financial expenses on employee benefits.
Other financial expenses in the first half of 2016 consisted mainly of financial expenses for the discounting of provisions.

NOTE 41_SHARE OF PROFIT (LOSS) OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The profit of associates accounted for using the equity method amounted to 4,541 thousand euro (a profit of 705 thousand euro in the first half of 2016). The change between the periods in analysis (+3,836 thousand euro) was mainly due to the better result for the period of the investees OLT Offshore LNG Toscana, ASA Livorno and ASTEA, partially offset by the change in the results of other associates and joint ventures.
For more details please see Note 5 "Investments accounted for using the equity method".

NOTE 42_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

The item was a positive 8,572 thousand euro and refers for 8,628 thousand euro to the restatement at fair value, at the date the controlling stake was acquired, of the non-controlling interest held at 30 April 2017 in Salerno Energia Vendite. The remainder, a negative 56 thousand euro, refers to value adjustments on the equity investments in Stadio Albaro and CSP Innovazione nelle ICT.
In the first half of 2016 it amounted to 16,694 thousand euro and referred for 10,499 thousand euro to the restatement at fair value, at the date the controlling stake was acquired, of the non-controlling interest held at 31 December 2015 in TRM V. and for 6,195 thousand euro to the difference between the net assets acquired by the ATENA Group and the purchase cost.

NOTE 43_INCOME TAX EXPENSE

Income taxes for the first half of 2017 are estimated at 72,673 thousand euro (70,454 thousand euro in the first half of 2016) and are the result of the best estimate of the average tax rate expected for the entire year.

We can note that, starting from 2010, Iren S.p.A. adopted the tax consolidation scheme pursuant to Arts 117 et seq. of the new Consolidated Income Tax Act (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
The tax consolidation scope for 2017 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI, Iren Mercato (which incorporated Iren Gestione Energetica SpA), Iren Energia (which incorporated Iren Servizi e Innovazione SpA), Iren Acqua (formerly Mediterranea delle Acque SpA), Immobiliare delle Fabbriche, Iren Ambiente, AMIAT, AMIAT V., TRM V. and TRM Holding, Iren Rinnovabili and its subsidiaries Green Source, Enìa Solaris, Varsi Fotovoltaico.
All financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A.

NOTE 44_NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

This is not present in either the first half of 2017 or in the comparative period.

NOTE 45_PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit of non-controlling interests, of 12,788 thousand euro (11,522 thousand euro in the first half of 2016), refers to the portion attributable to non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 46_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of ordinary shares of the first half of 2017 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 2017	First half 2016
Net profit (loss) for the period (thousands of euro)	145,123	121,436
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)	**0.11**	**0.10**

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 2017	First half 2016
Net profit (loss) for the period (thousands of euro)	145,123	121,436
Weighted average number of shares outstanding over the year (thousand)	1,276,226	1,276,226
Basic earnings/(loss) per share (euro)	**0.11**	**0.10**

NOTE 47_OTHER COMPREHENSIVE INCOME

Other comprehensive income items amounted to +3,997 thousand euro (+2,554 thousand euro in the first half of 2016) and include the following:

- the effective portion of changes in the fair value of cash flow hedging instruments, a positive 3,502 thousand euro, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group this is gas);
- the share of other profits/(losses) of companies accounted for using the equity method, a positive 725 thousand euro, which refers to changes in the fair value of cash flow hedging instruments of associates;
- the tax effect of other comprehensive income was a negative 230 thousand euro.

IX. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

a) Sureties for own commitments of 379,717 thousand euro (373,113 thousand euro at 31 December 2016); the most significant items refer to sureties issued in favour of:
   - the Province/Metropolitan City of Turin, for 72,054 thousand euro for waste collection and post-closure management of plants subject to A.I.A.;
   - the Province of Reggio Emilia for 61,756 thousand euro for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - ATO-R, for 41,000 thousand euro, as definitive guarantees in the AMIAT/TRM tender procedure;
   - the City of Turin for 27,476 thousand euro as definitive guarantees in the AMIAT/TRM tender procedure;
   - the INPS for 25,447 thousand euro for the planned redundancy for some employees of the group;
   - the Electricity Market Operator (GME) for 26,800 thousand euro to guarantee the market participation contract;
   - SNAM Rete Gas for 21,242 thousand euro, of which 942 thousand euro in the interest of OLT Offshore LNG Toscana in relation to the construction of a delivery point;
   - the Customs Authority, for 17,332 thousand euro to guarantee the regular payment of revenue tax and additional local and provincial duties on electricity consumption and gas excise;
   - the Province of Parma for 11,227 thousand euro for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - CONSIP for 16,101 thousand euro for electricity supply contracts;
   - the Ministry of the Environment, for 13,260 thousand euro;
   - Terna, for 5,165 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
   - the Province of Piacenza for 4,695 thousand euro for waste collection and operating and post-closure management of plants subject to Integrated Environmental Authorisation;
   - the Municipality of Parma for 3,290 thousand euro to guarantee the Cornocchio plant and for maintenance contracts;
   - ATERSIR for 3,060 thousand euro for agreements with the Emilian areas S.I.I. and S.G.R.U.;
   - REAM Sgr SpA, for 2,359 thousand euro, to guarantee lease payments of properties transferred to the real estate fund called Fondo Core MultiUtilities;
   - Italgas for 2,264 thousand euro to guarantee the distribution of natural gas contract;
   - FCT Holding, for 2,000 thousand euro, as definitive guarantee in the AMIAT/TRM tender procedure;

b) Guarantees provided on behalf of subsidiaries and associates for 318,568 thousand euro, primarily to guarantee credit facilities and sales/Parent Company Guarantee contracts on behalf of Iren Mercato SpA;

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane in liquidation (namely guarantees for credit facilities and letters of patronage for 26,666 thousand euro, unchanged compared to 31 December 2016). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company’s operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato. Therefore, the company’s financial exposure is progressively lowering with the consequent decrease in shareholders’ guarantee obligations.
We can also note the sureties issued in favour of Banca Intesa for 3,334 thousand euro to guarantee the mortgage loan of the associate Mestni Plinovodi.

COMMITMENTS

In relation to the subsidiary Mediterranea delle Acque, we can note the existence of a commitment within the framework Agreement with the Shareholder F2i rete idrica S.p.A.. Article 15 of this agreement envisages that Ireti 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.

We can also note Iren S.p.A.'s commitment to Cariparma to retain control over Iren Ambiente and by Iren Ambiente to retain direct or indirect ownership of a share package amounting to at least 70% of the share capital of Varsi Fotovoltaico (controlled by Iren Rinnovabili), which has an existing loan agreement with Cariparma.

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 performed by Group companies, a geographical segment analysis is not relevant.

BUSINESS SEGMENTS

The Iren Group operates in the following business segments:

- Energy (Hydroelectric Production, Combined Heat and Power, District Heating Networks, Thermoelectric Production)
- Market (Sale of electricity, gas, heat)
- Networks (Electricity Distribution Networks, Gas Distribution Networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Other services (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 economic results relating to individual businesses, 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 Italian north-west area, the following segment information does not include a breakdown by geographical area.

Net invested capital by business segment compared to the figures at 31 December 2016 and income statements (up to the operating profit) by business segment are presented below, and include a comparison with the figures for the first half of 2016.

Statement of financial position by business segment at 30 June 2017

millions of euro

Non-current assets	1,833	75	2,179	944	24	171	5,226
Net Working Capital	20	(37)	144	41	31	-	199
Other non-current assets and liabilities	(102)	0	(400)	(147)	4	-	(645)
Net invested capital (NIC)	**1,751**	**38**	**1,924**	**838**	**59**	**171**	**4,781**
Shareholders' equity							2,378
Net financial position							2,403
Own funds and net financial debt							**4,781**

Statement of financial position by business segment at 31 December 2016

millions of euro

	Energy	**Market**	**Networks**	**Waste**	**Other services**	**Non-allocable**	**Total**
Non-current assets	1,876	77	2,144	959	21	156	5,233
Net Working Capital	25	(8)	114	8	31	-	171
Other non-current assets and liabilities	(90)	(5)	(388)	(151)	(16)	-	(650)
Net invested capital (NIC)	**1,811**	**64**	**1,871**	**816**	**36**	**156**	**4,754**
Shareholders' equity							2,297
Net financial position							2,457
Own funds and net financial debt							**4,754**

Income Statement by business segment, first half of 2017

	Energy	Market	Networks	Waste	Other services	Netting and adjustments	Total
Total revenue and income	555	1,248	421	270	50	(731)	1,814
Total operating expense	(408)	(1,178)	(268)	(199)	(49)	731	(1,371)
Gross Operating Profit (EBITDA)	**147**	**70**	**153**	**71**	**1**	**-**	**442**
Net am./depr., provisions and impairment losses	(63)	(21)	(67)	(33)	(1)	-	(185)
Operating profit (EBIT)	**84**	**49**	**86**	**38**	**1**	**-**	**258**

Income Statement by business segment, first half of 2016

millions of euro

	Energy	Market	Networks	Waste	Other services	Netting and adjustments	Total
Total revenue and income	403	1,084	400	254	32	(617)	1,555
Total operating expense	(284)	(1,001)	(251)	(191)	(27)	617	(1,138)
Gross Operating Profit (EBITDA)	**118**	**83**	**148**	**63**	**4**	**-**	**417**
Net am./depr., provisions and impairment losses	(59)	(24)	(61)	(34)	(1)	-	(178)
Operating profit (EBIT)	**60**	**59**	**87**	**29**	**3**	**-**	**239**

XI. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

EQUITY INVESTMENTS IN OTHER COMPANIES

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

TRANSACTIONS WITH RELATED PARTIES

FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	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
IRETI S.p.A.	Tortona (Alessandria)	Euro	196,832,103	100.00	Iren
Amiat S.p.A.	Turin	Euro	46,326,462	80.00	Amiat V
Amiat V. S.p.A.	Turin	Euro	1,000,000	93.06	Iren Ambiente
Atena S.p.A.	Vercelli	Euro	120,812,720	59.96	IRETI
Atena Trading s.r.l	Vercelli	Euro	556,000	100.00	Atena
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	IRETI
Iren Acqua Tigullio S.p.A.	Chiavari (Genoa)	Euro	979,000	66.55	Iren Acqua S.p.A.
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Iren Acqua S.p.A.
Iren Laboratori S.p.A.	Genoa	Euro	2,000,000	90.89	IRETI
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	60.00	IRETI
Monte Querce S.c.a.r.l.	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
R.E.I. S.r.l.	Pianezza (Turin)	Euro	50,000	100.00	Iren Ambiente
Salerno Energia Vendite	Salerno	Euro	3,312,060	50.00	Iren Mercato
TRM Holding S.p.A.	Turin	Euro	120,000	100.00	Iren Ambiente
TRM V. S.p.A.	Turin	Euro	1,000,000	49.00	Iren Ambiente
				51.00	TRM Holding
TRM S.p.A.	Turin	Euro	86,794,220	80.00	TRM V

COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili S.p.A.	Turin	Euro	7,633,096	44.92	IRETI
Iren Rinnovabili	Reggio Emilia	Euro	285,721	70.00	Iren Ambiente
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	40,489,544	46.79	Iren Mercato

Associates

Company	Registered office	Currency	Share capital	% interest	Shareholder company
A2A Alfa S.r.l.	Milan	Euro	100,000	30.00	Iren Mercato
Acos Energia S.p.A.	Novi Ligure	Euro	150,000	25.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	IRETI
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	46.00	IRETI
Aguas de San Pedro	S.Pedro Sula (Honduras)	Lempiras	159,900	39.34	IRETI
Aiga S.p.A.	Ventimiglia	Euro	104,000	49.00	IRETI
Amat S.p.A.	Imperia	Euro	5,435,372	48.00	IRETI
Amter S.p.A.	Cogoleto (Genoa)	Euro	404,263	49.00	Iren Acqua S.p.A.
ASA S.p.A.	Livorno	Euro	28,613,406	40.00	IRETI
ASTEA S.p.A.	Recanati	Euro	76,115,676	21.32	Consorzio GPO
Asti Energia e Calore S.p.A.	Asti	Euro	120,000	34.00	Iren Energia
CSP Innovazione nelle ICT S.c.r.l.	Turin	Euro	600,000 (*)	25.00	Iren Energia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	IRETI
Fata Morgana S.p.A. (2)	Reggio Calabria	Euro	2,225,694	25.00	IRETI
Fin Gas srl	Milan	Euro	10,000	50.00	Iren Mercato
G.A.I.A. S.p.A.	Asti	Euro	5,539,700	45.00	Iren Ambiente
Global Service Parma	Parma	Euro	20,000	30.00	IRETI
Iniziative Ambientali S.r.l.	Novellara (Reggio Emilia)	Euro	100,000	40.00	Iren Ambiente
Mestni Plinovodi	Koper (Slovenia)	Euro	15,952,479	49.88	IRETI
Mondo Acqua	Mondovì (Cuneo)	Euro	1,100,000	38.50	IRETI
Nord Ovest Servizi	Turin	Euro	7,800,000	10.00	IRETI
				15.00	AMIAT
Piana Ambiente S.p.A. (2)	Gioia Tauro	Euro	1,719,322	25.00	IRETI
Plurigas S.p.A. (2)	Milan	Euro	800,000	30.00	Iren
Recos S.p.A.	La Spezia	Euro	3,516,000	25.50	Iren Ambiente
Rio Riazzone S.p.A.	Castellarano (Reggio Emilia)	Euro	103,292	44.00	Iren Ambiente
Sinergie Italiane S.r.l. (1)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	IRETI
Tirana Acque (1)	Genoa	Euro	95,000	50.00	IRETI
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia

(*) of which paid up € 418,137

(1) Company in liquidation

(2) Company in liquidation classified among discontinuing operations

EQUITY INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili Siciliane (*)	Palermo	Euro	5,000,000	9.83	Iren Acqua S.p.A.
Astea Energia	Osimo (AN)	Euro	120,000	5.95	Iren Mercato
ATO2ACQUE S.c.a.r.l.	Biella (BI)	Euro	48,000	16.67	Atena
Autostrade Centro Padane	Cremona	Euro	30,000,000	1.46	IRETI
BT ENIA Telecomunicazioni	Parma	Euro	4,226,000	12.01	IRETI
C.R.P.A.	Reggio Emilia	Euro	2,201,350	2.27	IRETI
CIDIU SPA	Collegno (TO)	Euro	4,335,314	4.82	AMIAT
CONSORZIO ITALIANO COMPOSTATORI CIC	Bologna	Euro	294,716	0.13	AMIAT
Consorzio L.E.A.P.	Piacenza	Euro	150,000	8.76	Iren Ambiente
Consorzio Topix	Turin	Euro	1,600,000 (**)	0.30	Iren Energia
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
Italeko AD (1)	Sofia (Bulgaria)	Lev	50,000	10.00	AMIAT
Reggio Emilia Innovazione	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	1.00	Iren Energia
Stadio Albaro (1)	Genoa	Euro	1,230,000	2.00	Iren Mercato
T.I.C.A.S.S.	Genoa	Euro	116,000	3.45	IRETI

(*) company bankrupt as from 29.10.2013
(*) of which paid up € 1,585,000

(1) company in liquidation

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

thousands of euro

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	3,398,004	Property, plant and equipment	3,398,004
Investment property	13,310	Investment property	13,310
Intangible assets	1,496,962	Intangible assets	1,496,962
Goodwill	146,707	Goodwill	146,707
Equity investments accounted for using the equity method	164,000	Equity investments accounted for using the equity method	164,000
Other equity investments	7,116	Other equity investments	7,116
Total (A)	**5,226,099**	**Non-Current Assets (A)**	**5,226,099**
Other non-current assets	54,513	Other non-current assets	54,513
Other payables and other non-current liabilities	(213,528)	Other payables and other non-current liabilities	(213,528)
Total (B)	**(159,015)**	**Other non-current assets (liabilities) (B)**	**(159,015)**
Inventories	94,256	Inventories	94,256
Non-current trade receivables	71,130	Non-current trade receivables	71,130
Trade receivables	794,713	Trade receivables	794,713
Current tax assets	56,849	Current tax assets	56,849
Other receivables and other current assets	289,948	Other receivables and other current assets	289,948
Trade payables	(690,022)	Trade payables	(690,022)
Other payables and other current liabilities	(312,310)	Other payables and other current liabilities	(329,591)
Current tax liabilities	(87,975)	Current tax liabilities	(87,975)
Total (C)	**216,589**	**Net working capital (C)**	**199,308**
Deferred tax assets	267,499	Deferred tax assets	267,499
Deferred tax liabilities	(204,044)	Deferred tax liabilities	(204,044)
Total (D)	**63,455**	**Deferred tax assets (liabilities) (D)**	**63,455**
Employee benefits	(131,840)	Employee benefits	(131,840)
Provisions for risks and charges	(373,800)	Provisions for risks and charges	(373,800)
Provisions for risks and charges - current portion	(61,318)	Provisions for risks and charges - current portion	(44,037)
Total (E)	**(566,958)**	**Provisions and employee benefits (E)**	**(549,677)**
Assets held for sale	522	Assets held for sale	522
Liabilities related to assets held for sale	-	Liabilities related to assets held for sale	-
Total (F)	**522**	**Assets (Liabilities) held for sale (F)**	**522**
		Net invested capital (G=A+B+C+D+E+F)	**4,780,692**
Equity (H)	**2,377,636**	**Equity (H)**	**2,377,636**
Non-current financial assets	(51,113)	Non-current financial assets	(51,113)
Non-current financial liabilities	2,894,187	Non-current financial liabilities	2,894,187
Total (I)	**2,843,074**	**Non-current financial debt (I)**	**2,843,074**
Current financial assets	(641,802)	Current financial assets	(641,802)
Cash and cash equivalents	(140,757)	Cash and cash equivalents	(140,757)
Current financial liabilities	342,541	Current financial liabilities	342,541
Total (L)	**(440,018)**	**Current financial indebtedness (L)**	**(440,018)**
		Net financial debt (M=I+L)	**2,403,056**
		Own funds and net financial debt (H+M)	**4,780,692**

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables	Other receivables	Trade Payables	Financial payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	2,296	-	-	5,601	-
Municipality of Parma	26,217	-	412	796	-
Municipality of Piacenza	2,401	-	-	1,739	-
Municipality of Reggio Emilia	5,431	-	540	1,289	-
Municipality of Turin	88,631	151,595	81	4,615	148
Finanziaria Sviluppo Utilities	34	-	2,970	-	-
JOINT VENTURES					
OLT Offshore LNG	224	439,000	-	-	-
Acque Potabili	451	2,036	-	309	379
Iren Rinnovabili (Group)	2,366	31,022	79	1,240	-
ASSOCIATES					
A2A Alfa	4	-	-	-	-
ACOS	10	328	-	-	-
ACOS Energia	-	-	-	6	-
Acquaenna	3,670	328	-	384	-
Aguas de San Pedro	-	253	-	-	-
AIGA	265	488	-	38	-
AMAT	55	-	-	87	-
AMTER	5,452	74	-	160	-
ASA	3,307	-	-	210	-
ASTEA	4	869	-	-	-
Asti Energia e Calore	2,016	913	-	-	-
CSP - Innovazione nelle ICT	-	-	-	-	45
Domus Acqua	114	-	-	-	-
GAIA	72	-	-	-	-
Global Service Parma	4,702	-	-	3,619	-
Iniziative Ambientali	3	-	-	-	-
Mestni Plinovodi	-	596	-	-	-
Mondo Acqua	235	-	-	-	-
Nord Ovest Servizi	-	37	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
Plurigas in liquidation	6	-	-	(259)	-
ReCos	4,811	2,150	-	-	-
Sinergie Italiane in liquidation	26	-	6,903	71	-
So. Sel.	4	100	-	1,763	-
Valle Dora Energia Srl	334	2	-	902	685
OTHER RELATED PARTIES					
Subsidiaries of municipality of Turin	7,993	-	-	1,350	2,995
Subsidiaries of municipality of Genoa	4,236	-	19	55	-
Subsidiaries of Municipality of Parma	8,258	-	6	2,059	-
Subsidiaries of Municipality of Piacenza	20	-	-	571	-
Subsidiaries of Municipality of Reggio Emilia	163	-	-	770	-
Others	-	-	-	-	-
TOTAL	**173,881**	**629,791**	**11,010**	**27,375**	**4,252**

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	5,472	2,354	-	-
Municipality of Parma	-	17,545	607	-	-
Municipality of Piacenza	-	8,593	1,087	-	-
Municipality of Reggio Emilia	-	16,573	220	-	-
Municipality of Turin	9	108,535	1,292	2,017	-
Finanziaria Sviluppo Utilities	-	14	-	-	-
JOINT VENTURES					
OLT Offshore LNG	-	3	-	7,659	-
Acque Potabili	-	14	-	-	-
Iren Rinnovabili (Group)	663	456	1,065	532	-
ASSOCIATES					
A2A Alfa	-	1	-	-	-
ACOS	-	(82)	-	-	-
ACOS Energia	-	1	4	-	-
Acquaenna	-	-	-	6	-
Aguas de San Pedro	-	-	-	-	-
AIGA	-	48	-	8	-
AMAT	-	14	-	-	-
AMTER	-	1,703	130	-	-
ASA	-	110	76	-	-
ASTEA	-	4	-	-	-
Asti Energia e Calore	-	313	-	15	-
CSP - Innovazione nelle ICT	-	-	-	-	-
Domus Acqua	-	3	-	-	-
GAIA	-	71	-	-	-
Global Service Parma	2	1,624	996	(58)	-
Iniziative Ambientali	-	2	-	-	-
Mestni Plinovodi	-	-	-	599	-
Mondo Acqua	-	169	-	-	-
Nord Ovest Servizi	-	-	-	37	-
Piana Ambiente in liquidation	-	-	-	-	-
Plurigas in liquidation	-	-	-	-	-
ReCos	-	3,444	-	67	-
Sinergie Italiane in liquidation	-	43	28,400	-	-
So. Sel.	-	9	2,313	-	-
Valle Dora Energia Srl	-	311	1,801	2	-
OTHER RELATED PARTIES					
Subsidiaries of municipality of Turin	-	1,130	1,142	-	17
Subsidiaries of municipality of Genoa	-	1,924	64	-	-
Subsidiaries of Municipality of Parma	-	1,579	1,600	-	-
Subsidiaries of Municipality of Piacenza	-	104	571	-	-
Subsidiaries of Municipality of Reggio Emilia	-	706	3,398	-	-
Others	-	3	-	-	-
TOTAL	**674**	**170,439**	**47,120**	**10,884**	**17**

Statement regarding the condensed interim report pursuant to Art. 154-*bis* of Italian Legislative Decree 58/1998

1. The undersigned Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Administration, Finance and Control Manager and Corporate Financial Reporting Manager of Iren S.p.A., hereby certify, also in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in respect of the company's characteristics and

   - the effective application of the administrative and accounting procedures for preparation of the condensed interim report during the first half of 2017.

2. It is also certified that:

   2.1 the condensed interim report:

   a) has been drawn up according to the international accounting standards applicable and recognised in the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) is in agreement with the figures in the accounting books and documents;

   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 interim directors' report includes a reliable analysis of references to significant events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim directors' report also includes a reliable analysis of information on significant transactions with related parties.

3 August 2017

The Chief Executive Officer

Massimiliano Bianco

Administration and Finance Director
and Financial Reporting Manager
appointed under Law 262/05

Massimo Levrino

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REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Iren SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of Iren SpA and its subsidiaries (the "Iren Group") as of 30 June 2017, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related notes. The directors of Iren SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of the Iren Group as of 30 June 2017 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34), as adopted by the European Union.

PricewaterhouseCoopers SpA

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Emphasis of matter

Without qualifying our opinion, we emphasize the matter reported by the directors in the note I. "Content and structure of the condensed consolidated interim report - Restatement of amounts at 31 December 2016 and 30 June 2016" of the condensed consolidated interim financial statements, concerning the restatement of some comparative data related to the prior year-end and to the same period of the prior year, with respect to those already presented, as a consequence of the provision of IFRS 3 ("Business combinations"), following the final allocation of the fair value of the identifiable assets acquired and identifiable liabilities assumed referring to the control acquired over TRM Holding SpA, TRM V. SpA, TRM SpA, Atena SpA and Atena Trading Srl.

Turin, 4 August 2017

PricewaterhouseCoopers SpA

Signed by

Piero De Lorenzi
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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