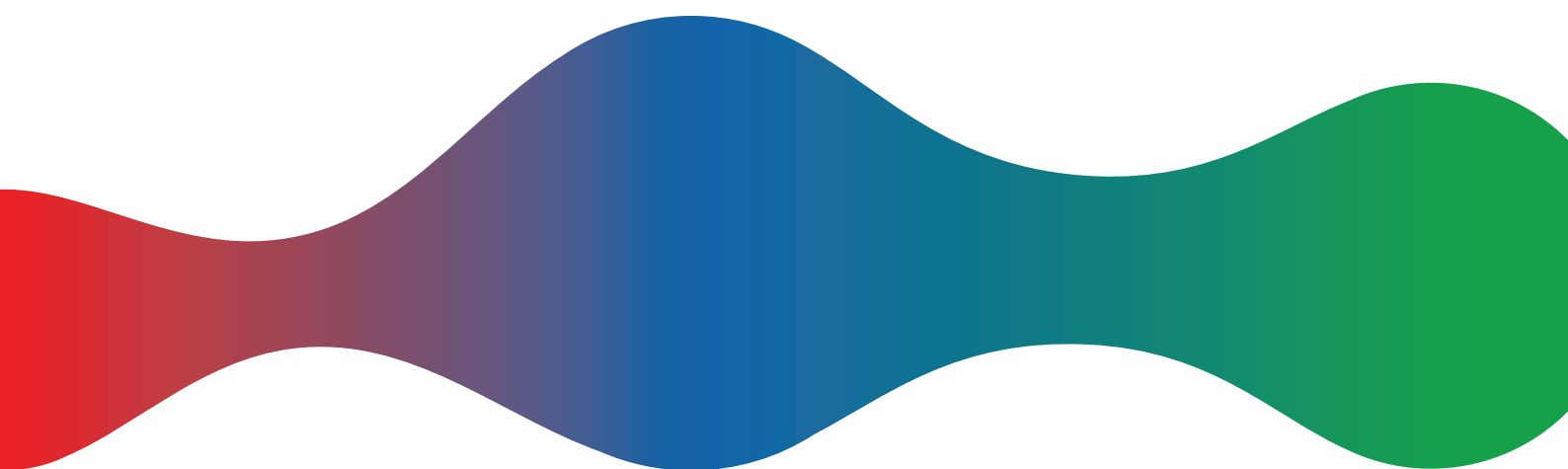


Interim Report

at 30 June 2020



Summary

Company officers.....	2
Shareholding structure	3
Mission and Vision of the Iren Group.....	4
Key Figures of the Iren Group: Highlights First Half 2020.....	6
The corporate structure of the Iren Group.....	8
Information about Iren stock in the First Half of 2020.....	12
DIRECTORS' REPORT AT 30 JUNE 2020	15
Market context	16
Significant events of the period.....	22
Financial position, results of operations and cash flows of the Iren Group	25
Segment reporting.....	31
Events after the reporting period and business outlook.....	41
Financial management	42
Risks and uncertainties	44
Transactions with related parties.....	48
Legislative framework	49
Personnel.....	64
Research and Development.....	65
CONDENSED CONSOLIDATED INTERIM REPORT AND NOTES AT 30 JUNE 2020	73
Statement of financial position	74
Income statement	76
Statement of other comprehensive income.....	77
Statement of changes in equity.....	78
Statement of cash flows	80
Notes to the financial statements	81
I. Content and structure of the condensed consolidated interim report.....	81
II. Consolidation principles	88
III. Consolidation scope	89
IV. Group financial risk management	91
V. Information on transactions with related parties	97
VI. Other information	100
VII. Notes to the statement of financial position	101
VIII. Notes to the income statement	129
IX. Guarantees and contingent liabilities	137
X. Segment reporting	139
XI. Annexes to the condensed consolidated interim report	141
Statement regarding the condensed interim report pursuant to Art. 154- <i>bis</i> of Italian Legislative Decree 58/1998	148
Report by the independent auditors on the limited audit of the condensed consolidated interim report	149

COMPANY OFFICERS

Board of Directors ⁽¹⁾

Chairperson	Renato Boero ⁽²⁾
Deputy Chairperson	Moris Ferretti ⁽³⁾
Chief Executive Officer and General Manager	Massimiliano Bianco ⁽⁴⁾
Directors	Sonia Maria Margherita Cantoni ⁽⁵⁾ Enrica Maria Ghia ⁽⁶⁾ Pietro Paolo Giampellegrini ⁽⁷⁾ Alessandro Giglio ⁽⁸⁾ Francesca Grasselli ⁽⁹⁾ Maurizio Irrera ⁽¹⁰⁾ Cristiano Lavaggi ⁽¹¹⁾ Ginevra Virginia Lombardi ⁽¹²⁾ Giacomo Malmesi ⁽¹³⁾ Gianluca Micconi Tiziana Merlino Licia Soncini ⁽¹⁴⁾

Board of Statutory Auditors ⁽¹⁵⁾

Chairperson	Michele Rutigliano
Standing Auditors	Cristina Chiantia Simone Caprari
Supplementary Auditors	Donatella Busso Marco Rossi

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. ⁽¹⁶⁾

⁽¹⁾ Appointed by the Shareholders' Meeting of 22 May 2019 for the three years 2019-2020-2021.

⁽²⁾ Appointed Chairperson by the Shareholders' Meeting of 22 May 2019.

⁽³⁾ Appointed Deputy Chairperson at the meeting of the Board of Directors of 22 May 2019.

⁽⁴⁾ Appointed Chief Executive Officer at the meeting of the Board of Directors of 22 May 2019. At the Board of Directors meeting of 2 July 2019, Mr Bianco was also appointed General Manager of the Company.

⁽⁵⁾ Member of the Control, Risk and Sustainability Committee appointed on 22 May 2019.

⁽⁶⁾ Member of the Control, Risk and Sustainability Committee appointed on 22 May 2019.

⁽⁷⁾ Member of the Remuneration and Appointments Committee, appointed on 22 May 2019. Mr Giampellegrini was also appointed Chairperson of the Remuneration and Appointments Committee during the Board of Directors meeting held on 30 May 2019.

⁽⁸⁾ Member of the Transactions with Related Parties Committee, appointed on 22 May 2019.

⁽⁹⁾ Member of the Transactions with Related Parties Committee from 22 May to 30 May 2019 and member of the Remuneration and Appointments Committee from 30 May 2019.

⁽¹⁰⁾ Member of the Remuneration and Appointments Committee, appointed on 22 May 2019.

⁽¹¹⁾ Member of the Remuneration and Appointments Committee from 22 May to 30 May 2019 and member of the Control, Risk and Sustainability Committee from 30 May 2019.

⁽¹²⁾ Member of the Transactions with Related Parties Committee, appointed on 30 May 2019.

⁽¹³⁾ Member of the Control, Risk and Sustainability Committee appointed on 22 May 2019 and member of the Transactions with Related Parties Committee, appointed on 30 May 2019. Mr Malmesi was also appointed Chairperson of the Control, Risk and Sustainability Committee during the Board of Directors meeting held on 30 May 2019.

⁽¹⁴⁾ Member of the Transactions with Related Parties Committee, appointed on 22 May 2019. Ms Soncini was also appointed Chairperson of the Transactions with Related Parties Committee during the full Committee meeting held on 29 May 2019.

⁽¹⁵⁾ Appointed by the Shareholders' Meeting of 19 April 2018 for the three years 2018-2019-2020.

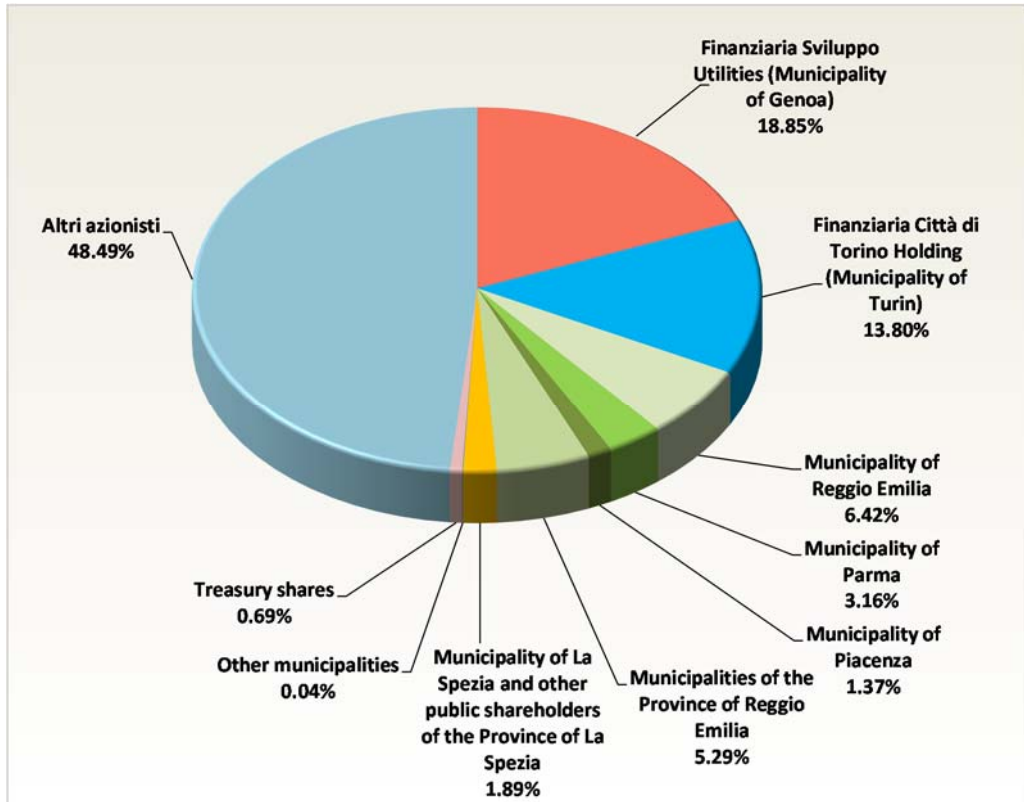
⁽¹⁶⁾ Appointed by the Shareholders' Meeting of 14 May 2012 for the nine years 2012-2020.

SHAREHOLDING STRUCTURE

The Company's Share Capital amounts to 1,300,931,377 euro, fully paid up, and is made up of ordinary shares with a par value of 1 euro each.

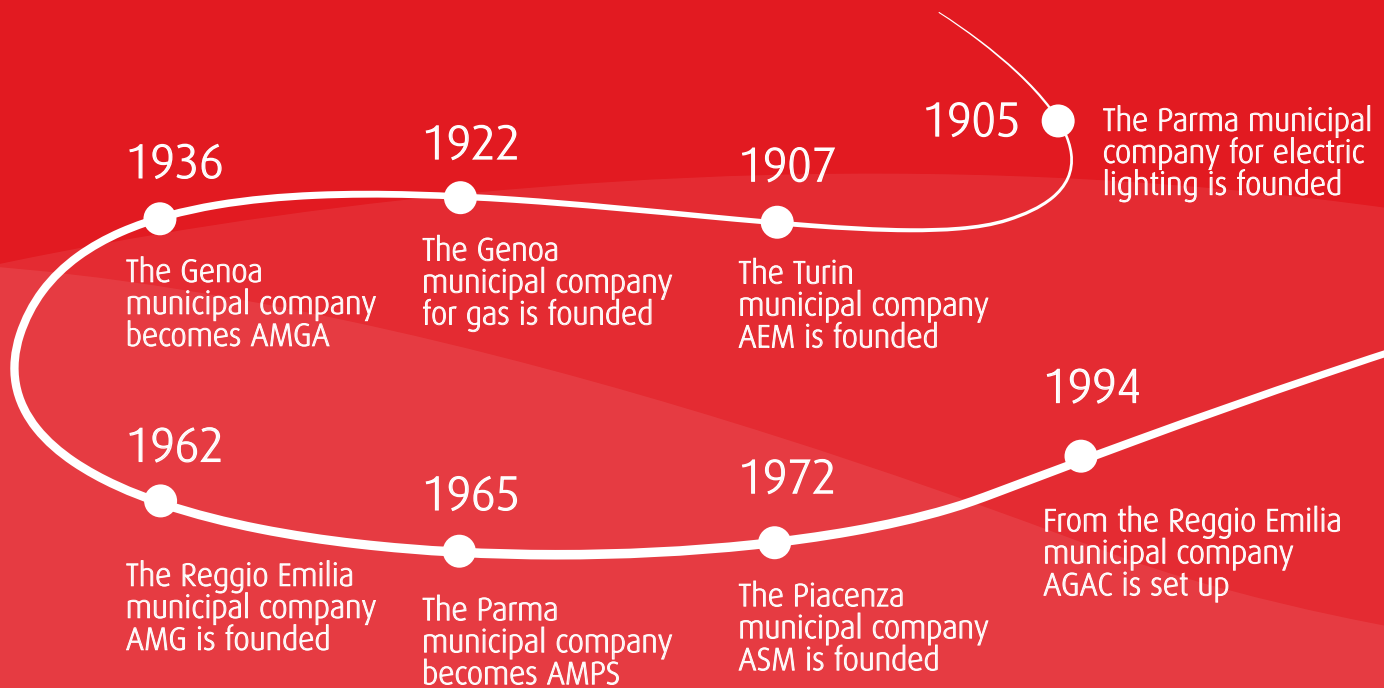
Starting from 27 March 2020, a second tranche of the treasury share purchase programme that began in 2019 was launched. At 30 June 2020, Iren S.p.A. holds 8,996,193 treasury shares, equal to 0.69% of share capital.

As at 30 June 2020, based on available information, the Iren shareholding structure was as follows.



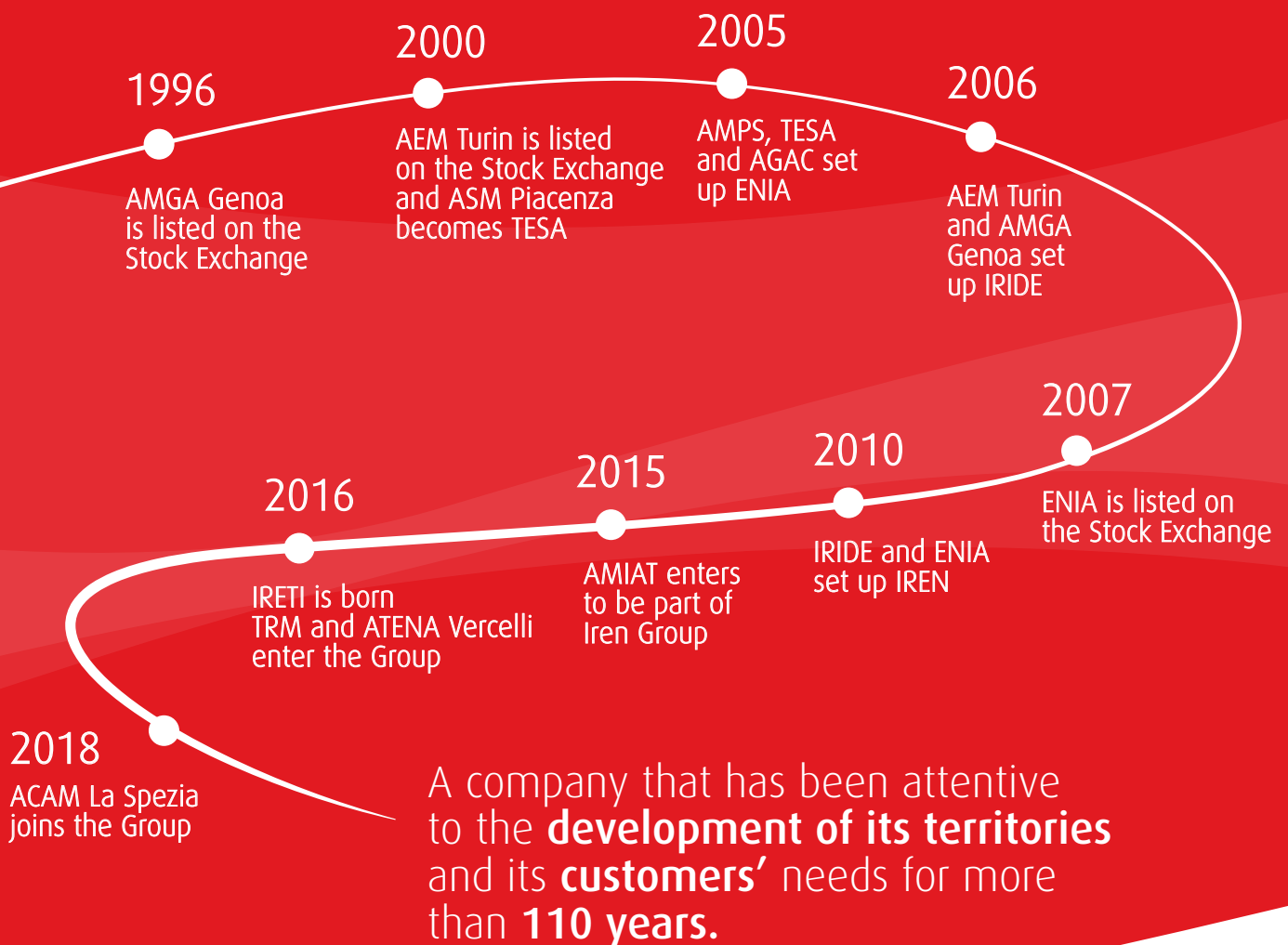
At the same date there were no private shareholders that held a stake of more than 3% of the share capital.

A century of **history**



Mission

Offering our customers and our territories the best integrated management of energy, water and environmental resources with innovative and sustainable solutions to create value over time.
For everyone, every day.



Vision

Improving people's quality of life. Making companies more competitive. Looking at territorial growth with a focus on change. Merging development and sustainability into one unique value. We are the multi-utility company that wants to realise this future through innovative choices.

For everyone, every day.

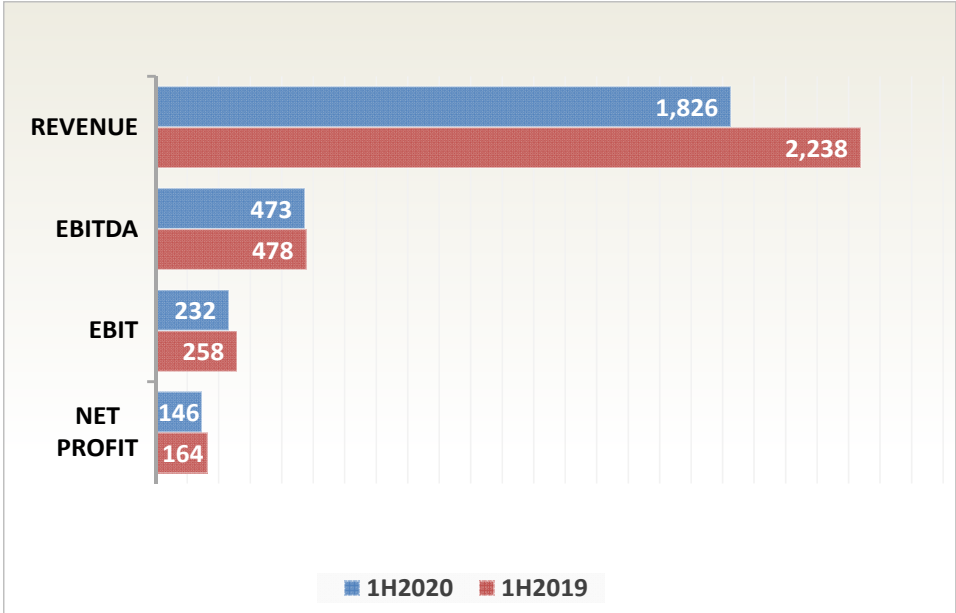
KEY FIGURES OF THE IREN GROUP: HIGHLIGHTS FIRST HALF 2020

Economic data

millions of euro

	First half 2020	First half 2019	Changes %
Revenue	1,825.9	2,238.3	(18.4)
EBITDA	473.3	478.1	(1.0)
EBIT	232.0	257.7	(10.0)
Net profit	145.7	164.2	(11.3)

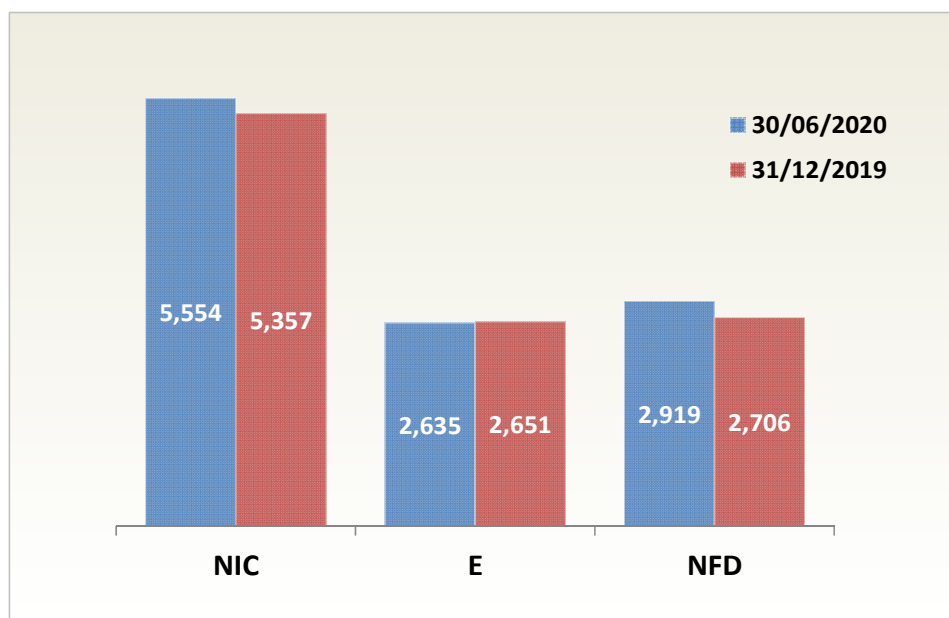
EBITDA Margin (EBITDA/Revenue)	25.9%	21.4%	
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Financial position data

	millions of euro		
	30.06.2020	31.12.2019 Restated (*)	Changes %
Net Invested Capital (NIC)	5,553.5	5,356.9	3.7
Equity (E)	2,635.0	2,651.3	(0.6)
Net Financial Debt (NFD)	2,918.5	2,705.6	7.9
Debt/Equity (Net Financial Debt/Equity)	1.11	1.02	

(*) As provided for in IFRS 3, the financial balances at 31 December 2019 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the company Ferrania Ecologia. For further information, please see the paragraph entitled "Restatement of amounts at 31 December 2019" in the section "Content and structure of the condensed consolidated interim report".

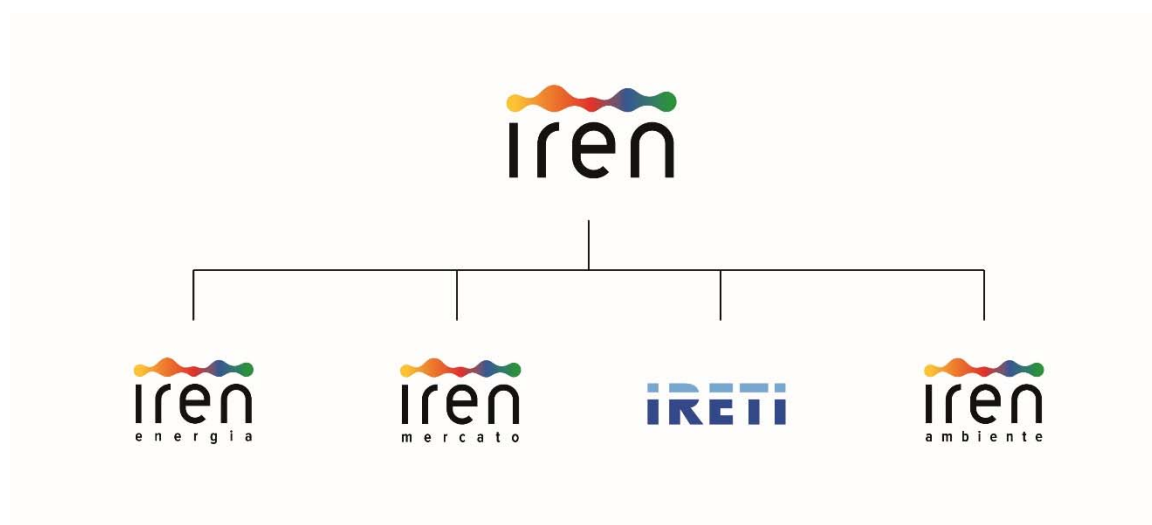


Technical and commercial figures

	First half 2020	First half 2019	Changes %
Electricity produced (GWh)	4,844.2	5,362	(9.6)
Thermal energy produced (GWht)	1,613.3	1,748.6	(7.7)
Electricity distributed (GWh)	1,745.5	1,827.6	(4.5)
Gas introduced into the network (mln m ³)	699.8	768.8	(9.0)
Water distributed (mln m ³)	87.5	89.9	(2.6)
Electricity sold (GWh)	8,640.4	9,472.7	(8.8)
Gas sold (mln m ³)*	1,462.8	1,542.4	(5.2)
District heating volume (mln m ³)	95.0	93.8	1.3
Waste handled (tonnes)	1,330,152.0	1,378,549.0	(3.5)

* of which, 818.1 mln m³ for internal use in the first half of 2020 (909.2 mln m³ in the first half of 2019, -10.0%)

THE CORPORATE STRUCTURE OF THE IREN GROUP



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, Vercelli and La Spezia.

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:

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

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.

Integrated Water Services

IRETI, directly and through the operating subsidiaries Iren Acqua, Iren Acqua Tigullio, ASM Vercelli and ACAM Acque, 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, Vercelli, La Spezia, and several municipalities in Piedmont and Lombardy.

Overall, in the *Ambiti Territoriali Ottimali* (ATOs) [Optimal Territorial Areas] managed, the service is provided in 242 municipalities through a distribution network of 19,870 kilometres, serving almost 2.8 million residents. As regards waste water, the Networks BU manages a sewerage network spanning a total of 11,107 kilometres.

Gas distribution

IRETI distributes natural gas in 70 municipalities of the Provinces of Reggio Emilia, Parma and Piacenza, in the Municipality of Genoa and in 20 other municipalities nearby. Through ASM Vercelli it distributes gas in the city of Vercelli, in 8 municipalities of the same province and in 3 other municipalities located in Piedmont and Lombardy. The distribution network, made up of 8,099 kilometres of high, medium and low-pressure pipes, serves a catchment area of approximately 743 thousand redelivery points.

Electricity distribution

IRETI provides the electricity distribution service in the cities of Turin, Parma and, through ASM Vercelli, in the city of Vercelli with 7,742 kilometres of network in medium and low voltage, and a total of more than 721 thousand connected users.

WASTE MANAGEMENT BU

The Waste Management Business Unit carries out waste collection, processing and disposal activities mainly through geographically-distributed companies: Iren Ambiente (operating mainly in the Emilia area) — AMIAT, TRM, ASM Vercelli (IRETI subsidiary) and Territorio e Risorse (operating in the Piedmont area) ACAM Ambiente and ReCos (operating in the Liguria area). Additionally, the subsidiary San Germano operates in Sardinia, Lombardy, Piedmont and Emilia Romagna.

With the merger by incorporation of the subsidiaries CMT, in January 2020, and Ferrania Ecologia, with effect from 1 April 2020, IREN Ambiente extended its direct operations to the areas of Turin and Savona respectively.

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 to environmental protection confirmed by growing levels of separated waste collection; it also manages an important customer portfolio to which it provides all the services for special waste disposal.

Through these activities, the Waste Management BU serves a total of 297 municipalities for a total of more than 3.0 million residents present in its operating areas; the plant assets of the integrated waste cycle consist mainly of 3 waste-to-energy plants (TRM, owned by the company of the same name, in Turin, the Integrated Environmental Hub (Polo Ambientale Integrato -PAI), in Parma, and Tecnoborgo, in Piacenza, these latter owned by the lead company Iren Ambiente), 2 active landfill sites, 197 equipped ecological stations and 36 treatment, selection, biodigestion storage and composting plants.

Consolidation of the Waste Management BU to manage all phases of the waste cycle continued in the first half of the current year with the establishment in January of the special purpose entity Rigenera Materiali, with headquarters in Genoa, fully controlled by Iren Ambiente. The company will design, build, manage and operate a Mechanical/Biological Processing (MBP) plant for residual municipal waste, to be built at the Plant Hub in Scarpino (Genoa). The plant will have a processing capacity of 100 Ktonnes/year and will separate dry and wet municipal solid waste, sending it to disposal or recovery, obtaining from the latter secondary solid fuel.

ENERGY BU

Production of electricity and heat

The Energy BU's installed capacity totals 2,852 MW of electricity and approximately 2,300 MW of heat. Specifically, it has 28 electricity production plants directly available to it: 20 hydroelectric plants (of which 3 mini-hydro), 7 co-generation thermoelectric plants and a conventional thermoelectric plant. The business unit also has 194 photovoltaic production plants with installed capacity of 20 MW.

All primary energy sources used are eco-friendly because they are mainly hydroelectric and co-generative. 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, and reduces the need to make use of other forms of production that have a greater environmental impact.

On the thermoelectric side, at the Group level over 34% of total heat production capacity serving district heating comes from cogeneration plants owned by Iren, producing 80% of the heat destined for district heating. The portion of heat production relative to conventional heat generators is 58%, with 16% heat production for district heating. The remainder is produced by plants of the group that do not belong to the energy BU (waste to energy plants). Iren Energia also oversees the Group's electricity and thermal energy planning and dispatching activities, as well as operations on the power exchange.

District heating

Iren Energia has the largest district heating network in the country with more than 1,041 kilometres of dual pipes. The network extension amounts to 679 kilometres in the Turin territory, of which 76 kilometres were recently acquired (district heating business unit of SEI Energia) in the municipalities of Grugliasco, Rivoli and Collegno (Metropolitan City of Turin), 10 in the Municipality of Genoa, 220 in the Municipality of Reggio Emilia, 103 in the Municipality of Parma and 29 in the Municipality of Piacenza. The total volume heated amounts to 95.0 million cubic metres, of which 5.2 million cubic metres are related to the acquisition of the SEI Energia unit.

The acquisition of the business unit of SEI Energia, during April 2020 by Iren Energia, also includes 49% of the company Nove S.p.A.

Energy efficiency services

Iren Energia, through its subsidiary Iren Smart Solutions), operates in the energy efficiency sector, carrying out activities of planning, creation and management of projects for the reduction of energy consumption, saving and efficiency; it handles the supply of energy services and global services destined for residential buildings, private and public structures and industrial and commercial complexes guaranteeing maintenance and conduction of heating, conditioning, plumbing, sanitary, refrigeration and electrical systems, and of solar panels, as well as their design and installation. Iren Smart Solutions also handles the development and management of public lighting and traffic lights and similar services.

MARKET BU

Through Iren Mercato, Atena Trading and Salerno Energia Vendite, the Group sells electricity, gas and heat, through district heating networks, supplies fuel for the Group, and provides customer management services to the Group's investee companies.

Iren Mercato operates, in the context of the free market, all over the country, with a higher concentration of customers served in Central and Northern Italy, and handles the sale of the energy provided by the Group's various sources on the market, represented by final customers and wholesalers. The main Group energy sources available for its activities are the thermoelectric and hydroelectric plants of Iren Energia.

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. Through the signing of a contract to purchase a business unit effective as of 1 January 2020, Iren Mercato extended this activity to the Sanremo catchment of users, in the province of Imperia. The operation between AMAIE S.p.A., owned by the municipality of Sanremo, and Iren Mercato, completed at the end of 2019, transferred to the latter the business unit known as Sanremo Luce, bringing a portfolio of around 21 thousand customers in the enhanced protection segment, with expected consumption of around 50 GWh annually.

Historically, Iren Mercato 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 the Municipality of Turin and the provincial capitals of Reggio Emilia, Parma, Piacenza and Genoa and sales development in new district heating areas.

Among the commercial proposals in being, we can note the "New downstream" business line, destined for the sale to retail customer of innovative products in the area of home automation, energy saving and maintenance of domestic systems, and "IrenGO at zero emissions", the innovative offer for electric mobility aimed at private customers, businesses and public bodies with the objective of reducing the environmental impact of movements. On this subject, the Group has already tested the potentials and benefits of e-mobility through the internal launch of a series of initiatives, such as the installation of recharging infrastructures and the gradual introduction of electric vehicles. All the IrenGO internal and external electric mobility initiatives benefit from 100% green energy supply coming from the Group's hydroelectric plants.

Sale of Natural Gas

There were approximately 910,000 retail gas customers managed by the Market Business Unit, mainly spread throughout the traditional Genoa, Turin and Emilia Romagna catchment areas and surrounding development areas, and customers of the catchment areas of Vercelli and Campania (respectively through ATENA Trading and Salerno Energia Vendite) and La Spezia.

In particular, Salerno Energia Vendite is present in almost all the provinces in Campania as well as in a number of municipalities of the Basilicata, Calabria, Tuscany and Lazio regions.

Sale of electricity

Retail electricity customers managed are more than 950 thousand, distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the other areas covered commercially by Iren Mercato and by ATENA Trading, extended to the municipality of Sanremo as of January.

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 Turin, Nichelino, Beinasco (Turin area), Genoa, Reggio Emilia, Piacenza and Parma.

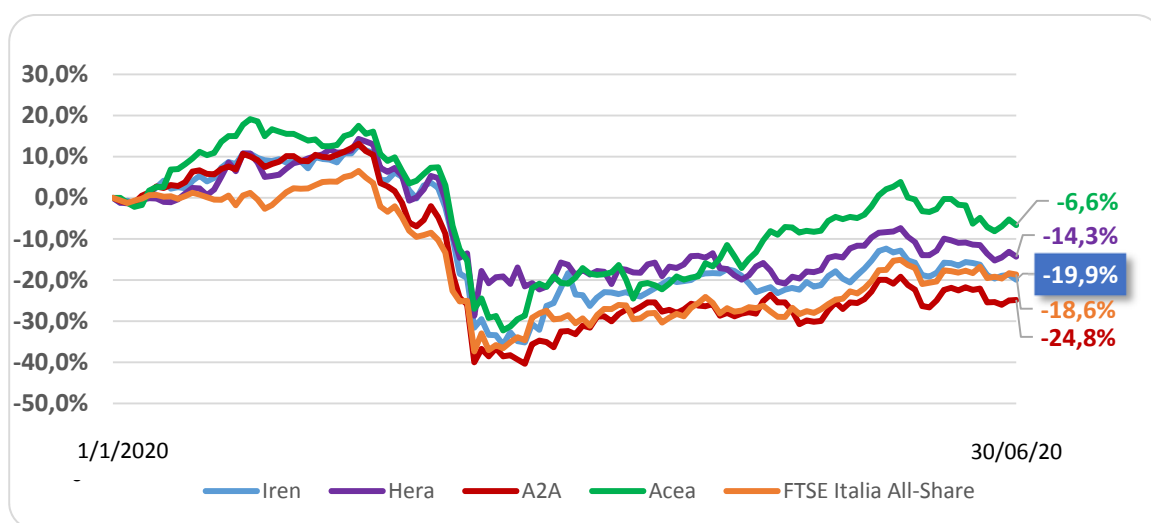
INFORMATION ABOUT IREN STOCK IN THE FIRST HALF OF 2020

In the first half of 2020, the FTSE Italia All-share (the main Borsa Italiana index) recorded a drop of 18.6%. The price of shares was affected by the difficult economic environment.

The first part of the year was marked by an unfavourable energy scenario, with low commodity prices, and then worsened further following the coronavirus crisis, the resulting lockdown and the expectations of a slow economic turnaround despite the recovery plans approved by central banks and governments. In addition, the prices of equities reflect the negative expectations of the market as regards incurring extra costs associated with the crisis, lower demand and the slowdown of investments.

In a market environment marked by a considerable drop in commodity prices, the utilities most exposed to the trend of the energy scenario were most penalised by the market, while companies that have a high percentage of regulated activities recorded performance in line with or better than the average of the main list.

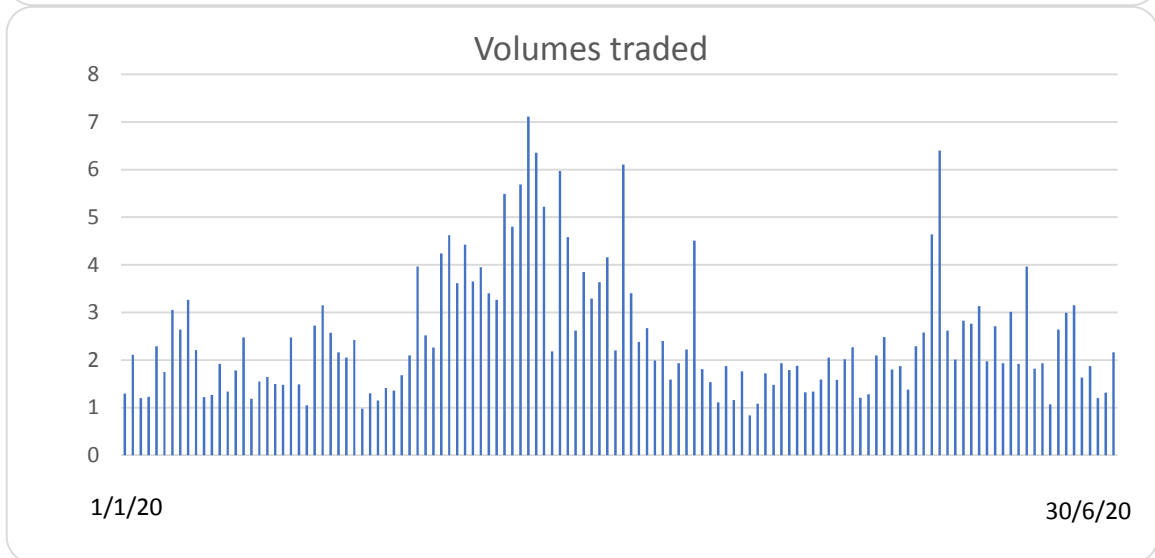
Performance of Iren stock compared to competitors



At 30 June 2020, the last trading day in the first half of the year, the price of IREN stock stood at 2.206 euro per share, down by 19.9% compared to the price at the beginning of the year, with average trading volumes during the period of approximately 2.503 million units per day. The average price during the first half of 2020 was 2.445 euro per share.

We can note that, prior to the spread of the epidemic, the national lockdown measures and the consequent decrease in share prices on financial markets, the Iren stock had reached a historical maximum on 19 February 2020 (3.10 euro per share), bringing Group market capitalisation to more than 4 billion euro. The lowest price during the first half of 2020, 1.77 euro per share, was recorded on 18 March.

The two charts below show the price performance and volumes traded in Iren stock in the first half of 2020.



Share coverage

During the period the Iren Group was followed by eight brokers: Banca IMI, Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux, Main First and Mediobanca.

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

The spread of the COVID-19 epidemic and the restrictive measures introduced to contain it had significant consequences for the economy. The World Bank estimates in June show a 5.2% decline in the global economy in 2020 (compared to the 2.5 % growth initially forecast in January).

The same World Bank forecasts show a contraction of 9.1% in 2020 for the euro area and a recovery of less than 5% the next year. Industrial production data for the first quarter of 2020 already show a drop of 3.8% on a quarterly basis and 3.2% on an annual basis.

The European Central Bank intervened, offering loans to banks at special rates and an increase in purchases of public and private securities. Individual Member States also introduced tax support policies, and the large aid measures of the European Commission are, at the moment, being negotiated.

The data on Italian GDP in the first quarter show a drop of 5.3% compared to the previous quarter and 5.4% compared to the first quarter of 2019. A further slowdown will be recorded for the second quarter. The indicators currently available show, among other things, an economy slowed by a delay in the recovery of demand for consumer goods and by the collapse of international trade and investments.

ISTAT forecasts an 8.3% loss for the Italian economy in 2020, more optimistic than the forecasts of other national and international institutions. According to the Bank of Italy, the expected drop is actually 9.2%, while the June reports from the OECD and the IMF show more significant reductions of 11.3% and 12.8% respectively.

Household spending

Despite the measures to support earnings and employment, regarding the lockdown, ISTAT data for the first quarter of the year show a drop in employment of 0.4% compared to the previous quarter. Given that, in the quarter in question, only March was involved in the restrictive measures, forecasts for the second quarter project a more significant reduction.

The unemployment rate in May (latest figure available) was 7.8%, more than two per cent lower than for May 2019 (10%), owing only to the drop in the number of people employed being less than the drop in the number of people actively looking for work.

ISTAT data for the first quarter of 2020 also show a 6.6% quarterly drop in spending for household consumption and a 6.3% drop compared to the first quarter of 2019. The quarterly changes are much greater than in the previous quarters and are attributable both to the lockdown period and to the decrease in available household income.

Investments

In the first quarter of 2020, investments decreased by 8.1% on a quarterly basis, after the -0.5% of the previous quarter. The drop involved all sectors with the exception of intellectual property products, where investments increased by 0.5%. The most significant loss involved investments in means of transport (-21.5%), while the drop in investments in the construction sector was in line with the overall decrease (-7.9%). According to the Bank of Italy's June bulletin, in 2020, investments could contract between 15% and 20% compared to 2019, depending on Italy's economic performance in the second half of the year.

Exports

After the sharp quarterly increase in the balance of payments recorded in the last quarter of last year (+39%), in the first three months of this year, imports and exports decreased by 9% and 5% respectively, leading to a drop in the trade balance of more than 30%. The decreases recorded in the first quarter of 2020 were concentrated in March, when imports and exports decreased by more than 10% compared to February. The latest ISTAT data for trade in April show a further reduction in imports and exports, which led to an annual drop for April of 34% and 42% respectively (-22% and -38% on a quarterly basis).

The data for May, available only for extra-EU trade, show exports recovering (+40% compared to April 2020), which brings the trade balance back to slightly positive figures, also given the drop, although small, in imports (-2%).

THE OIL MARKET

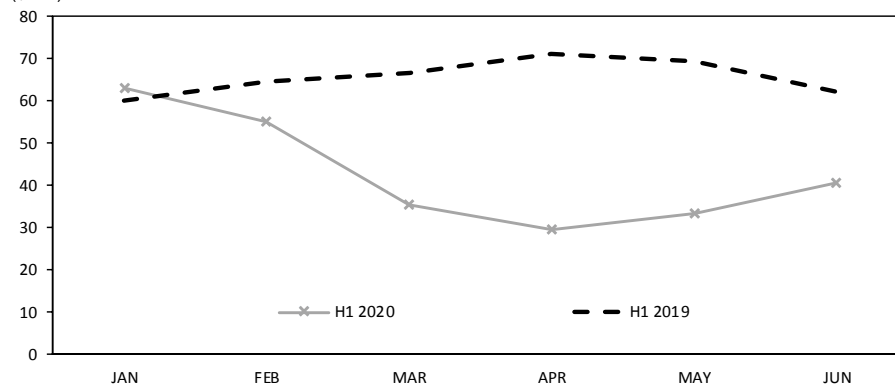
Brent ended the first half of 2020 at an average price of \$42.51/bbl, with a drop of 35% compared to the first half of 2019. In April the most significant reduction was recorded, with the last quote for the month at \$29.76/bbl (-58.1% compared to the closure of April 2019). In May and June, there was a slight recovery, with monthly averages that were recorded at \$33.26/bbl and \$40.80/bbl respectively.

The combination of the demand-side shock (associated with the pandemic) and that of the supply side (due to the temporary breakdown of the OPEC+ agreements, with the consequent change of strategy of Saudi Arabia and Russia which made available enormous quantities of crude oil at low cost) pushed prices brusquely downwards.

The reassembly of OPEC+ and the simultaneous production cut of 9.7 million barrels per day (MBPD) in May and June (subsequently extended to July), partially offsetting a drop in demand estimated of around 20.5 MBPD on average between March and May (approximately 20% of average global consumption in 2019) limited the room for reduction, enabling prices to record the recovery that started from the lows of April. The excess supply generated by the combination of the events described above entailed an exceptional increase in stocks.

BRENT PRICE TRENDS

(\$/bbl)



THE ELECTRICITY MARKET

Supply and demand

In the first half of 2020, the net production of electricity in Italy was 122.9 TWh, down by 11.9% compared to the same period in 2019. The demand for electricity, 143.5 TWh, was met for 85.6% from domestic production.

At the national level, thermoelectric production was 75.8 TWh, down by 17.1% compared to 2019, and represented 61.7% of Italian net production; production from hydroelectric sources was 21.8 TWh (+2.1% on an annual basis), 17.8% of the national figure, while geothermal, wind and photovoltaic sources produced 25.2 TWh (-5.4% compared to 2019), 20.6% of total supply.

Consumption in the first half of 2020 was 7.3% lower than that of the previous year. This sharp drop, due to the impact of the measures to contain the spread of the COVID-19 epidemic on commercial activities, recorded the largest contraction in the North (-8.9%) and Centre (-8.3%) zones and, following on, in the South zone (-4.7%); the islands recorded a slight increase of 1.2%.

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

	up to 30/06/2020	up to 30/06/2019	Change %
Demand	143,530	154,885	-7.3%
<i>Northern Italy</i>	69,683	76,504	-8.9%
<i>Central Italy</i>	41,020	44,725	-8.3%
<i>Southern Italy</i>	19,965	20,947	-4.7%
<i>Islands</i>	12,862	12,709	1.2%
Net production	122,878	139,448	-11.9%
<i>Hydroelectric</i>	21,860	21,421	2.1%
<i>Thermoelectric</i>	75,791	91,370	-17.1%
<i>Geothermoelectric</i>	2,722	2,846	-4.4%
<i>Wind and photovoltaic</i>	22,505	23,811	-5.5%
Pumping consumption	-1,301	-1,260	3.2%
Foreign balance	21,952	16,697	31.5%

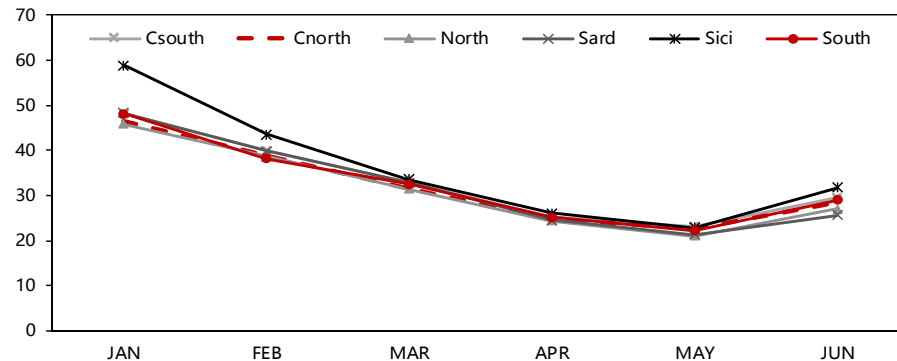
Source: Terna

Day-Ahead Market (DAM) prices

In the first half of 2020 the SNP fell by 41.5% compared to the same period of 2019, coming out at an average figure of 32.23 euro/MWh. During the period, the zonal prices saw on average a drop of 41% on an annual basis, with mostly uniform changes among them as regards the North and Centre-North zones (-42%). Sicily recorded the largest reduction (-44%), while for the South the drop was 38%. Sardinia and the Centre-South saw a reduction of 41% and 40%. On average, they decreased in the first four months of the year, slowing the downward trend in May before rising again in June.

The significant reduction in the prices is attributable to the decline in the thermoelectric segment, in turn associated with the sharp reduction in demand for electricity and the collapse of gas prices and, therefore, of the variable costs of thermoelectric generation.

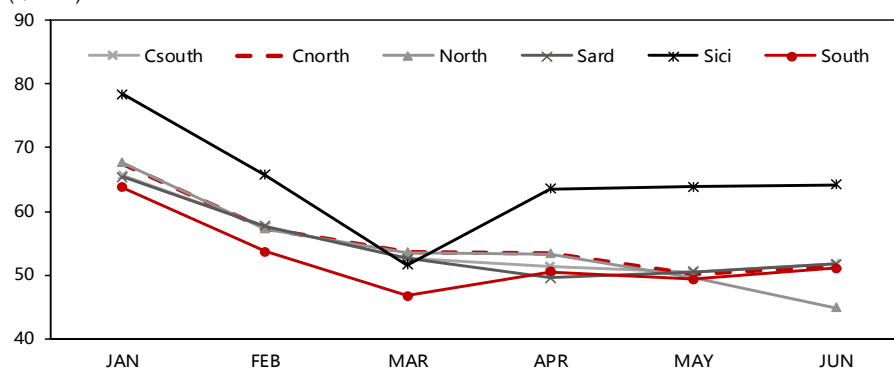
ITALIAN ZONAL PRICE TRENDS 1H 2020
(€/MWh)



Source: REF-E processing of GME data

ITALIAN ZONAL PRICE TRENDS 1H 2019

(€/MWh)



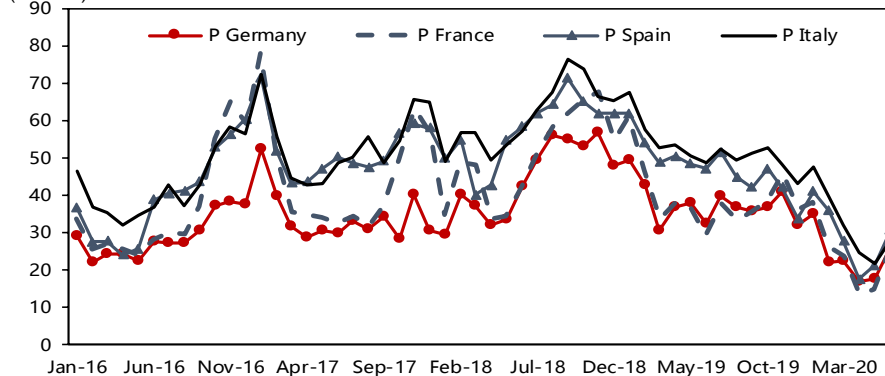
Source: REF-E processing of GME data

Trends on the main European power exchanges

In the first six months of 2020, the European power exchanges expressed an average price of 25.38 euro/MWh, sharply down compared to the previous year (-42%) with a spread with respect to the SNP of -6.85 euro/MWh (the spread recorded in the same period of 2019 was -11.40 euro/MWh).

EUROPEAN ELECTRICITY PRICE TRENDS

(€/MWh)



Source: REF-E processing of European Power Exchange data

Futures of Baseload SNP on the EEX

The table below shows the comparison between the average futures prices of the products available for the first half of 2020 referred to the Single National Price. At the monthly level, the trend in futures prices for March through July was negative. During the first half of the year, the prices of futures products related to the last two quarters of the year, in general, gradually lost ground, with a total reduction of 13.86 euro/MWh and 9.14 euro/MWh respectively. The *Calendar-21* followed the same trend, except for a slight rise in June.

April-20 Futures		May-20 Futures		June-20 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
May-20	25.3	Jun-20	22.8	Jul-20	27.5
Jun-20	28.9	Jul-20	28.4	Aug-20	34.6
Jul-20	34.2	Aug-20	35.8	Sep-20	34.4
Quarterly		Quarterly		Quarterly	
Q3 20	40.2	Q3 20	36.4	Q3 20	36.6
Q4 20	48.0	Q4 20	46.5	Q4 20	46.4
Q1 21	50.1	Q1 21	49.2	Q1 21	48.9
Yearly		Yearly		Yearly	
Y1 21	46.6	Y1 21	46.1	Y1 21	47.6

Source: Reuters on EEX data

THE NATURAL GAS MARKET

Supply and demand

In the first half of 2020, gas consumption recorded a significant reduction compared to the first half of 2019 (-10.9%). The decrease in withdrawals regarded all sectors: thermoelectric (-11.9%), industrial (-11.6%) and residential (-8.3%).

Uses and sources of natural gas in the period January-June 2020 and comparison with previous years

GAS WITHDRAWN (bln m³)*	2020	2019	2018	% change 2020 vs. 2019	% change 2019 vs. 2018
Industrial use	6.5	7.3	7.4	-11.6%	-0.9%
Thermoelectric use	10.9	12.4	10.6	-11.9%	16.5%
Distribution plants	17.6	19.2	19.4	-8.3%	-0.8%
Third party network and system consumption / line pack	0.8	1.3	1.1	-36.0%	9.8%
Total withdrawn	35.8	40.2	38.5	-10.9%	4.3%

*Cumulative amounts as at 30 June 2020

Source: REF-E processing of SRG data

GAS INPUT (bln m³)*	2020	2019	2018	% change 2020 vs. 2019	% change 2019 vs. 2018
Imports	33.6	37.4	35.2	-10.0%	6.1%
Domestic production	2.0	2.4	2.6	-16.4%	-9.8%
Storage	0.2	0.4	0.7	-56.3%	-38.3%
Total input (incl. storage)	35.8	40.2	38.5	-10.9%	4.3%
Maximum capacity	71.9	67.4	67.4		
Load Factor	46.8%	55.4%	52.3%		

*Cumulative amounts as at 30 June 2020

**Change of more than 100%

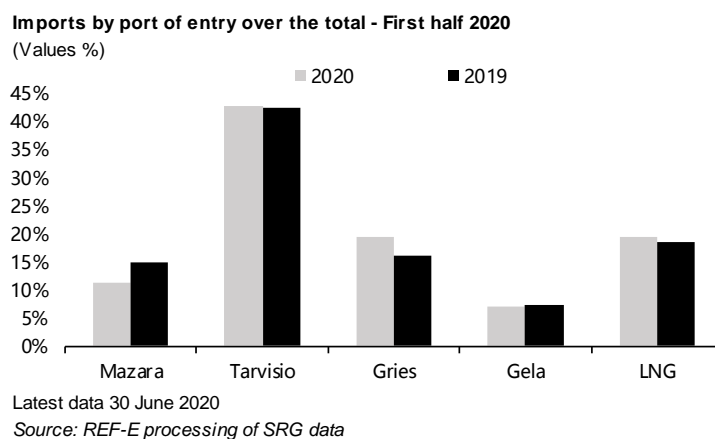
The figure for storage indicates the net change

Source: REF-E processing of SRG data

The decrease in residential demand (-1.6 billion/m³ compared to the first half of 2019) is attributable to higher seasonal average temperatures. The sharp drop in industrial consumption (-0.8 billion/m³) and in thermoelectric use (-1.5 billion/m³), compared to the first half of 2019, were caused by the restrictive measures imposed to counter the spread of the pandemic.

On the supply side, in the first half of 2020, the downward trend of domestic production continued (-16.4%). There was also a lower contribution of gas introduced into the network from storage systems, the balance of which (outputs +/- inputs -) decreased by approximately 0.2 billion/m³. This last result is attributable to a less intense use of the infrastructures compared to the same period last year, associated with the low spot prices and low demand.

Imports from abroad decreased compared to the same period last year (-10%). The sharpest contraction regarded gas flows coming from North Africa with a 32% reduction of Algerian gas entering at Mazara del Vallo and a 16% decrease in Libyan gas entering at Gela. The increase in gas imports from Northern Europe (+7.5%) did not offset the reductions recorded at the other entry points. LNG also recorded a decrease of -7%, unlike the record levels of inputs into the network recorded last year.



The first half of 2020 was therefore marked by a mix of imports dominated by Russian gas arriving at Tarvisio (more than 42% of the total), followed by gas imports through Passo Gries and LNG (both at 19%). Imports in arrival at Gela remained stable (approximately 7% of the total), but the portion covered by Mazara del Vallo decreased (11.5%). The greater significance of LNG in the mix compared to the past derives from the abundance of supply of liquefied gas on the European market, which benefited from the reduction in Asian demand associated with a warm winter and the economic crisis.

Wholesale gas prices

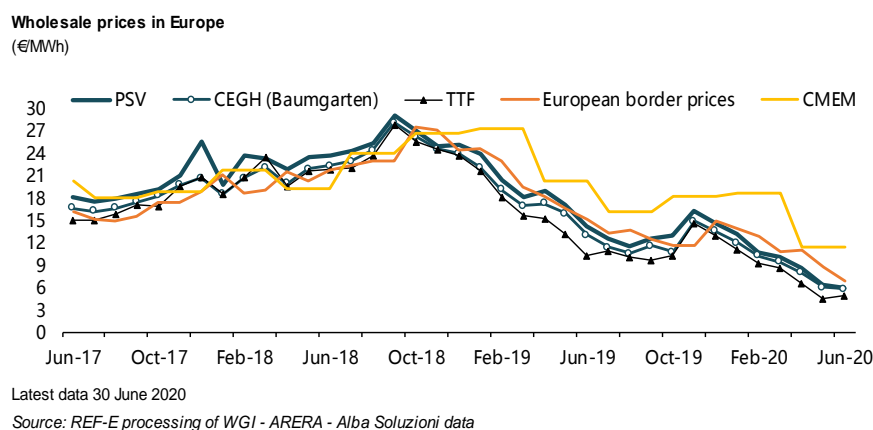
In the first half of 2020 wholesale natural gas prices recorded significant reductions on all the main European hubs compared to the same period last year, associated with the following factors:

- collapse of Asian demand;
- surplus of LNG supply on the international markets;
- natural gas storage at record filling levels.

The average TTF price was 7.5 euro/MWh, down by more than 50% compared to the first half of 2019. The CEGH, the Austrian gas market, recorded an average figure of 8.6 euro/MWh, corresponding to a decrease of approximately 51% compared to the comparative period. The Italian PSV hub, despite remaining at a premium compared to the northern-European ones, also lost approximately 51% of its value compared to the same period of 2019, recording an average price of 9.2 euro/MWh. The average spread between the PSV and TTF decreased by approximately 1.5 euro/MWh compared to the first half of 2019, dropping from 3.12 euro/MWh to 1.66 euro/MWh.

The so-called “CMEM component”, meant to reflect the cost of procuring gas at the protected market price, defined by the ARERA on the basis of the TTF forward prices, was 18.75 euro/MWh in the first quarter of the year and 11.51 euro/MWh in the second.

In the first half of 2020, gas prices at the border, still partially oil-linked, decreased compared to the first six months of last year by approximately 45% (from 19.5 euro/MWh in the first half of 2019 to 10.7 euro/MWh in the first half of 2020).



SIGNIFICANT EVENTS OF THE PERIOD

Manifestation of interest for the acquisition of the gas sales branch of Sidigas.com

In January 2020 SI.DI.GAS – Società Iripina Distribuzione GAS S.p.A. accepted the binding manifestation of interest presented by Iren regarding the acquisition of a branch of its subsidiary Sidigas.com S.r.l. related to natural gas sales, with a portfolio of approximately 55 thousand customers (95% of which in the retail segment), distributed over 78 Municipalities mainly in the Province of Avellino.

The operation is subordinated to fulfilment of a number of conditions precedent, on fulfilment of which – in the meantime contributed to a newly-incorporated vehicle company (NewCO) – it will be acquired by an Iren S.p.A. subsidiary. In this regard, SIDIGAS S.p.A. and Iren agreed a period of exclusive rights for finalising the operation.

Binding agreement with Idealservice for acquisition of 80% of I.Blu and for a partnership in environmental services

On 29 January 2020 Iren S.p.A. signed a Preliminary Agreement with Idealservice in order to acquire (through Iren Ambiente) 80% of the share capital of I.Blu, which operates:

- in the selection of plastic waste to be sent for recovery and recycling, mostly of the Corepla Consortium circuit, in two plants with a total capacity of 200 Ktonnes/year and
- In the processing of plastic waste for the production of Blupolymer (a polymer for civil uses) and Blair (“reducing agent” for steel-making plants).

Besides this, the Preliminary Agreement provides, among other things, for the definition of a partnership with Idealservice for the management of municipal solid waste collection services in certain areas of Northern Italy.

The price of the transaction is 16 million euro. The 2019 pro-forma economic results of the business being acquired present turnover of 46 million and an EBITDA of 7.5 million.

The signing of the Definitive Agreement is conditional on the fulfilment of the conditions precedent and on reaching full agreement on all the detailed terms and conditions of the operation.

The operation will enable Iren to become the national leader in the selection of Corepla plastics and, prospectively, in the treatment of so-called plasmix, heterogeneous plastics that currently do not have an outlet in the recycling market downstream of separate collection.

Completion of the disposal of the stake in OLT Offshore LNG Toscana

To complete the operation undertaken in the previous year, after obtaining authorisation from the competent authorities, on 26 February 2020 the Group transferred to SNAM 49.07% of OLT Offshore LNG Toscana. The selling price of the equity investment, and the remaining portion of the shareholders’ loan, amounted to a total of 332 million euro, excluding any future upward adjustments on fulfilment of certain conditions.

The sale of the equity investment in OLT enabled the Group to optimise its financial structure, obtaining resources necessary for the investments provided for in the business plan and to seize opportunities for growth along external lines.

Contract for expansion of Turbigio power station

On 3 March 2020 Iren signed with Ansaldo Energia a contract worth 180 million euro for the final design, supply and construction of a new, gas-powered combined-cycle electricity generation plant, and of the related auxiliary works, which will make it possible to increase the total installed capacity of the Turbigio site from the current 850 MW to approximately 1,280 MW.

In the Capacity Market auction, the expansion of the power station enabled recognition of the contribution for fifteen years starting from 2022, the year in which the start of the production stage is planned, for a total of 117 million euro. The expansion of Turbigio will make the plant one of those which, operating at high flexibility and in a way complementary to renewable sources, are essential for sustaining the adequacy of the Italian electricity production system.

New tranche of treasury shares purchased

On 27 March 2020, Iren S.p.A. began a second tranche in the program to repurchase treasury shares begun in 2019. To that end, the purchase of ordinary shares for up to a maximum of 25,000,000 euro is planned by 27 January 2021. As at 30 June 2020, Iren S.p.A. holds 8,996,193 treasury shares, equal to 0.69% of share capital.

Acquisition of the district heating branch from SEI Energia

On 23 April 2020, Iren Energia and Fineurop Investment Opportunities S.p.A., the assumptor in the SEI Energia arrangement procedure, signed the contract to acquire the district heating branch from SEI, already managed through a lease by Iren Energia since September 2018.

This business unit includes the heat distribution plants and network in the municipalities surrounding metropolitan Turin, Rivoli and Collegno, and 49% of the company NOVE, which manages the service in the municipality of Grugliasco, for total connected volumes of 5.2 million cubic metres. Total thermal energy distributed is around 150 GWht/year.

The amount paid by Iren to acquire the branch was 24.4 million euro, taking into account future development options. The economic results of the acquired business include EBITDA of 2 million euro during financial year 2019.

Acquisition of the SEI Energia district heating business is done with the prospect of integrating with the existing grid in the metropolitan area of the municipality of Turin, taking advantage of heat produced by Group cogeneration and waste to energy plants.

Acquisition of 7 real estate complexes

At the end of April, Iren S.p.A. repurchased 7 real estate complexes for office and operational support use located in Turin, Genoa, Parma and Reggio Emilia from REAM SGR S.p.A, already the subject of leasing contracts which fall under the scope of the international accounting standard IFRS 16 - Leases. The total value of the transaction is 97 million euro, with no impact on net financial debt.

Shareholders' Meeting

On 29 April 2020, the Ordinary Shareholders' Meeting approved the Company's Financial Statements in relation to financial year 2019 and the Directors' Report and resolved to distribute a dividend of 0.0925 euro per ordinary share (exclusive of treasury shares), confirming what had been proposed by the Board of Directors. The dividend was paid starting from 24 June 2020 (coupon detachment 22 June 2020 and record date 23 June 2020).

The Shareholders' Meeting also:

- approved the first section ("2020 remuneration policy") of the Report on the 2020 remuneration policy and on fees paid for financial year 2019;
- made a favourable consultation vote on the second section ("Fees paid for financial year 2019") of the same Report.

Finally, the Shareholders' Meeting authorised the Board of Directors to acquire and make use of Iren S.p.A. treasury shares for eighteen months as of the said resolution, simultaneously revoking, for the unused part, the previous purchase authorisation resolved by the Shareholders' Meeting on 5 April 2019. The Board of Directors may acquire and make use of up to 65,000,000 shares, equal to 5% of share capital, based on the regulations in effect on the subject. The new purchase programme is a continuation of that previously established in order to provide the Company with treasury shares to make use of for external growth transactions.

Signing of an 80 million euro loan for sustainable investments in the water sector

On 6 May 2020, Iren S.p.A. signed with Council of Europe Development Bank - CEB) a Public Finance Facility (PFF) in the amount of 80 million euro, usable in multiple tranches and with a duration of 16 years, intended to finance a significant part of the investment plan for the water infrastructure in the provinces of Genoa and Parma, in particular with regards to the expansion and improvement of the aqueduct and sewer network and water treatment systems.

The agreement falls under the framework of sustainable water resource management promoted by the CEB, in line with development objectives shared with Iren, and contributes to strengthening the financial structure in terms of the duration and cost of the debt.

Agreement with Engie to expand district heating in the city of Turin

On 15 May 2020, Iren Energia signed an agreement with Engie functional to the development of district heating in the north-eastern zone of Turin. The collaboration involves Engie producing thermal energy at its cogenerative power station in Leinì (north of the metropolitan area), transporting it through a feeder (to be made by the said Engie) up to the boundary of Turin and therefore of the area covered by the Iren Energia heat distribution network.

The agreement will allow Iren Energia to expand the district heating network in the north-eastern zone of City by the end of 2024, to serve a potential connected volume of 17 million cubic metres. The investments envisaged for Iren to expand the network (pipes, accumulators and substations) amount to 90 million euro. The significant increase in the users served by the district heating service will thus be obtained without the need to build new production sites in the metropolitan area.

Acquisition of the equity investments of the Environmental Division of UniEco

On 19 June 2020, Iren was announced as the winner as part of the procedure for the sale of the Environmental Division of UniEco, a cooperative currently in administrative compulsory liquidation. The consideration offered was 90 million euro subject to adjustment.

The activities of the Environmental Division, distributed in Piedmont, Emilia Romagna, Marche, Tuscany and Apulia, are carried out through a set of subsidiaries and associates overseeing the main operating sectors of the environmental chain:

- brokering, treatment, transport for disposal and disposal of hazardous and non-hazardous special waste;
- collection and management of mechanical/biological processing, composting, waste-to-energy and municipal waste disposal plants.

After the award by the Liquidation Commissioner, on 21 July 2020, UniEco and Iren Ambiente signed the contracts for the sale of the equity investments covered by the tender procedure.

The effectiveness of the transfer is, however, subject to the favourable opinion of the procedure control bodies and to clearance by the Italian Antitrust Authority.

The transaction will enable Iren Ambiente to consolidate its position among the national operators in the waste management segment, expanding the catchment area served and acquiring a strategic positioning in waste collection in the Tuscany region, together with the strengthening of the role of leading operator in the treatment and disposal of special waste.

Issue of a Bond of 500 million euro

At the end of June 2020, Iren S.p.A. completed the issue of a ten-year bond, reserved for institutional investors, for a total of 500 million euro, part of the Euro Medium Term Notes (EMTN) Programme of 4 billion euro subject to a Supplement on 22 June 2020.

The securities, which have a minimum unit price of 100,000 euro and mature on 1 July 2030, pay a gross annual coupon of 1%. They were placed at an issue price of 98,144 euro. The effective gross rate of return on maturity is 1.198%, corresponding to a yield of 135 basis points above the 10-year mid-swap rate.

The settlement date is 1 July, the date the bond was listed on the regulated market of the Irish stock exchange (Euronext Dublin).

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

Income statement

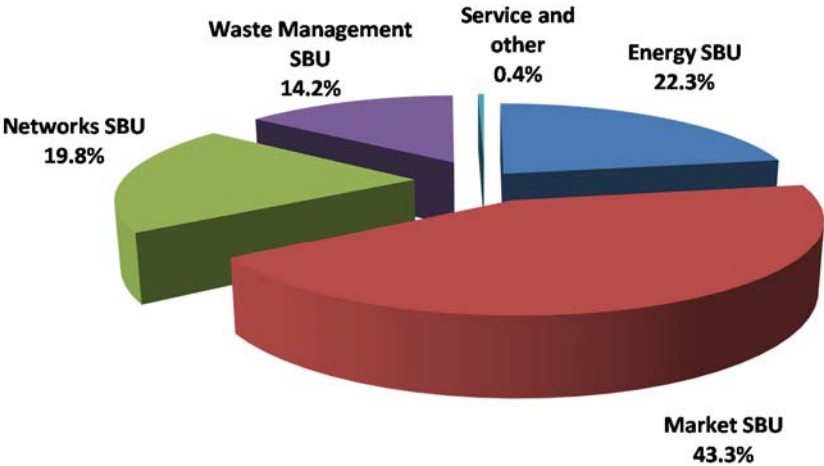
IREN GROUP INCOME STATEMENT

	thousands of euro		
	First half 2020	First half 2019	Change %
Revenue			
Revenue from goods and services	1,742,825	2,153,303	(19.1)
Other income	83,063	84,954	(2.2)
Total revenue	1,825,888	2,238,257	(18.4)
Operating expenses			
Raw materials, consumables, supplies and goods	(508,371)	(793,342)	(35.9)
Services and use of third-party assets	(606,511)	(723,349)	(16.2)
Other operating expenses	(33,652)	(34,831)	(3.4)
Capitalised expenses for internal work	17,534	14,255	23.0
Personnel expense	(221,584)	(222,930)	(0.6)
Total operating expenses	(1,352,584)	(1,760,197)	(23.2)
GROSS OPERATING PROFIT (EBITDA)	473,304	478,060	(1.0)
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(206,432)	(191,510)	7.8
Provisions for impairment of receivables	(42,523)	(16,845)	(*)
Other provisions and impairment losses	7,626	(12,053)	(*)
Total depreciation, amortisation, provisions and impairment losses	(241,329)	(220,408)	9.5
OPERATING PROFIT (EBIT)	231,975	257,652	(10.0)
Financial income and expense			
Financial income	13,777	17,872	(22.9)
Financial expense	(44,144)	(45,843)	(3.7)
Total financial income and expense	(30,367)	(27,971)	8.6
Share of profit (loss) of associates accounted for using the equity method	5,143	4,752	8.2
Value adjustments on equity investments	(146)	-	-
Profit (loss) before tax	206,605	234,433	(11.9)
Income tax expense	(60,949)	(70,197)	(13.2)
Net profit (loss) from continuing operations	145,656	164,236	(11.3)
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	145,656	164,236	(11.3)
attributable to:			
- Profit (loss) for the period attributable to shareholders	132,728	150,638	(11.9)
- Profit (loss) for the period attributable to non-controlling interests	12,928	13,598	(4.9)

(*) Change of more than 100%

Revenue

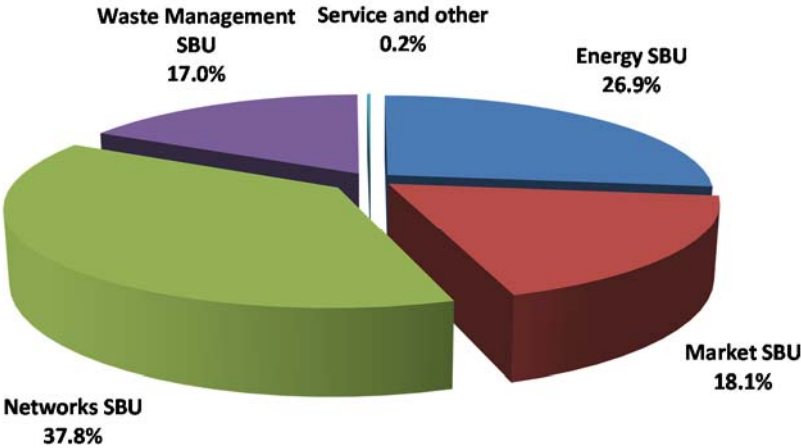
As at 30 June 2020, the Group achieved revenue of 1,825.9 million euro, down by -18.4% compared to the 2,238.3 million euro of the first half of 2019. This decrease in revenue can be attributed primarily to a drop in prices of energy commodities, to the reduction in volumes of electricity sold also in relation to the lockdown consequent to the COVID-19 health crisis, the reduction in gas and heat sales for district heating due to a particularly mild winter and lower amounts of energy produced by the Group’s plants. The energy scenario, already weak in the early months of the year, subsequently suffered a further worsening starting from the end of February, deteriorating at the same rate as the tightening of the health safety measures put in place to tackle the spread of the effects of the COVID-19 epidemic and which culminated in the total closure of production activities in the period running between the beginning of March and 4 May.



Gross Operating Profit (EBITDA)

The gross operating profit (EBITDA) amounted to 473.3 million euro, down by -1% compared to the 478.1 million euro of the first half of 2019.

The trend in profit was significantly influenced by the aforementioned particularly challenging energy and weather scenario, which had a negative impact on profitability of the Energy business unit and by the economic consequences of the COVID-19 health crisis. The improvements in the margins of the Market (+57%) and Networks (+3.5%) business units were absorbed by the decrease of the Energy business unit (-23.5%) and by the slight drop of the Waste Management business unit (-3.8%).



Operating profit (EBIT)

Operating profit totalled 232.0 million euro, -10% down from the figure of 257.7 million euro, in the corresponding period of 2019. Greater depreciation and amortisation of around 15 million euro was recorded, mainly related to new investments that came into operation during the year, greater allocations to provisions for impairment of receivables for 26 million euro of which approximately 25 million euro in relation to the increase in expected losses estimated for the economic crisis linked to the COVID-19 health crisis. In addition lower net provisions set aside for risks were recorded thanks to a release of provisions, consequent to the cessation of the risk, of approximately 16 million euro related to previous provisions for hydroelectric fees.

Financial income and expense

The economic components of a financial nature showed a balance of net financial expenses of 30.4 million euro (28.0 million euro in the first half of 2019).

Financial expense totalled 44.1 million euro, slightly down compared to the same period in 2019 (-3.7%), when the figure was 45.8 million euro. The decrease is attributable to the reduction in the average cost of financial debt and to lower interest, of an accounting nature, related to existing leases, and is partially offset by the trend in expenses for the discounting of provisions for expenses.

Financial income came out at 13.8 million euro, down compared to the 17.9 million euro of the first half of 2019 which included, along the whole period, interest income on the loan to the investee OLT Offshore LNG Toscana, sold at the beginning of 2020.

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

The item, which came out at +5.1 million euro (slightly up compared to the +4.8 million euro for the comparative period) includes pro-rata the results of the Group's associates and joint ventures, the most significant of which regard Aguas de San Pedro, SETA and ASA.

Value adjustments on equity investments

The amount refers to the full write-off of an investee in the waste management segment. This item was not present in the first half of 2019.

Profit (loss) before tax

As a result of the above trends, consolidated profit before tax amounted to 206.6 million euro (234.4 million euro in the first half of 2019).

Income tax expense

Income taxes for the period were 60.9 million euro, a decrease of -13.2% with respect to the comparative period, in relation to lower profit before tax, with an effective tax rate currently estimated at 29.5% for financial year 2020 (29.9% in the first half of 2019).

Net profit (loss) for the period

As a consequence of what is outlined above, net profit for the period amounted to 145.7 million euro, down by -11.3% compared to the result seen in the first half of 2019.

The figure is due to the profit pertaining to shareholders of 132.7 euro million, while profit attributable to non-controlling interests was 12.9 million euro.

Statement of Financial Position

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

	thousands of euro		
	30.06.2020	31.12.2019 Restated	Change %
Non-current assets	6,133,375	6,100,862	0.5
Other non-current assets (liabilities)	(448,481)	(444,550)	0.9
Net Working Capital	283,757	165,707	71.2
Deferred tax assets (liabilities)	160,565	158,845	1.1
Provisions for risks and employee benefits	(576,983)	(625,240)	(7.7)
Assets (Liabilities) held for sale	1,285	1,293	(0.6)
Net invested capital	5,553,518	5,356,917	3.7
Equity	2,635,004	2,651,340	(0.6)
<i>Non-current financial assets</i>	(162,643)	(148,051)	9.9
<i>Non-current financial debt</i>	3,225,119	3,167,048	1.8
Non-current net financial debt	3,062,476	3,018,997	1.4
<i>Current financial assets</i>	(459,632)	(774,583)	(40.7)
<i>Current financial debt</i>	315,670	461,163	(31.5)
Current net financial debt	(143,962)	(313,420)	(54.1)
Net financial debt	2,918,514	2,705,577	7.9
Own funds and net financial debt	5,553,518	5,356,917	3.7

(*) As provided for in IFRS 3, the financial balances at 31 December 2019 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the company Ferrania Ecologia. For further information, please see the paragraph entitled "Restatement of amounts at 31 December 2019" in the section "Content and structure of the condensed consolidated interim report".

(1) For a reconciliation of the reclassified statement of financial position with the financial statements, please refer to the specific annex to the Condensed Consolidated Interim Report.

The main changes in the statement of financial position for the period are commented on below.

Non-current assets as at 30 June 2020 amounted to 6,133.4 million euro, up compared to 31 December 2019, when they were 6,100.9 million euro. The increase of +32.5 million euro was mainly due to the effect of the following determinants:

- technical investments in property, plant and equipment and intangible assets (+254.2 million euro) and depreciation and amortisation (-206.4 million euro) in the period;
- acquisition of the district heating network (21,9 million euro) and of the equity investment in Nove (2.3 million euro), included in the business unit of SEI Energia;
- the net change in the portfolio of CO₂ emission rights (-54.5 million euro), following the cancellation against redelivery obligations;
- recognition of rights of use in application of IFRS 16 – Leases for 8.6 million euro, for the most part related to lease contracts for buildings used for business purposes.

For more information on the segment details of investments in the period, reference should be made to the section "Segment Reporting" below.

While Other non-current liabilities were substantially in line with the figure for the end of the previous year, the Net Working Capital increased (+118.1 million euro), coming out at 283.8 million euro against the 165.7 million euro recorded at 31 December 2019. The increase was mainly due to the trend in components of a commercial nature, partially offset by the estimate of tax expense for the period.

“Provisions for Risks and Employee Benefits” amounted to 577.0 million euro, a decrease of 48.3 million euro compared to 31 December 2019, mainly due to the change related to provisions for expenses for CO₂ emission rights.

Equity amounted to 2,635.0 million euro, compared to the 2,651.3 million euro of 31 December 2019 (-16.3 million euro). The change is related to the effect of the net profit (+145.7 million euro), the dividends distributed (-145.0 million euro), the trend in the cash flow hedging reserve linked to derivative instruments hedging interest rates and commodities (-6.2 million euro) and the purchases of treasury shares (-10.8 million euro).

Net financial debt at the end of the period was 2,918.5 million euro, an increase of 212.9 million euro compared to 31 December 2019 (+7.9%), mainly due to the effects of the trend in net working capital. For more details please see the analysis of the statement of cash flows presented below.

STATEMENT OF CASH FLOWS OF THE IREN GROUP

Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the period.

	thousands of euro		
	First half 2020	First half 2019	Change %
Opening Net Financial (Debt)	(2,705,577)	(2,452,806)	10.3
Profit (loss) for the period	145,656	164,236	(11.3)
Adjustments for non-financial movements	364,999	349,303	4.5
Utilisations of employee benefits	(3,393)	(6,911)	(50.9)
Utilisations of provisions for risks and other charges	(9,907)	(25,236)	(60.7)
Change in other non-current assets and liabilities	556	(5,463)	(*)
Other changes in capital	(17,235)	(11,493)	50.0
Taxes paid	-	-	-
Cash flows from operating activities before changes in NWC	480,676	464,436	3.5
Cash flows from changes in NWC	(220,100)	(17,306)	(*)
Operating cash flow	260,576	447,130	(41.7)
Investments in property, plant and equipment and intangible assets	(254,153)	(196,960)	29.0
Investments in financial assets	-	(103)	(100.0)
Proceeds from the sale of investments and changes in assets held for sale	(1,394)	5,760	(*)
Changes in consolidation scope	(24,353)	(23,494)	3.7
Dividends received	1,372	785	74.8
Total cash flows used in investing activities	(278,528)	(214,012)	30.1
Free cash flow	(17,952)	233,118	(*)
Cash flow of own capital	(155,730)	(158,081)	(1.5)
Other changes	(39,255)	(192,069)	(79.6)
Change in Net Financial (Debt)	(212,937)	(117,032)	81.9
Final Net Financial (Debt)	(2,918,514)	(2,569,838)	13.6

(*) Change of more than 100%

The increase in financial debt derives from the following determinants:

- an *operating cash flow* of € +260.6 million, a significant decrease compared to the figure from the comparative period (-41.7%), owing to absorption of resources linked to the trend in net working capital;
- a *cash flow from investments* (-278.5 million euro), essentially related to technical investments during the period (-254.2 million euro, up significantly compared to the -197.0 million euro of the first half of 2019). The item "changes in consolidation scope" also includes the price paid for the acquisition of the unit related to the district heating activities of SEI Energia;
- the *cash flow of own capital* for -155.7 million euro, which includes the dividends resolved (-145 million euro) and the purchase of treasury shares (-10.8 million euro);
- the item *other changes*, for -39.3 million euro, includes net financial expenses, the change in fair value of derivative instruments hedging interest rate and commodity risk and the effect of the recognition of new leasing contracts that come within the scope of IFRS 16. The comparative figure of the first half of 2019, which amounted to -192.1 million euro, included among other things the effect of the first application of IFRS 16 for -105 million euro and for -55.8 million euro the change in fair value of hedging derivatives.

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 at the beginning of the section "Condensed Consolidated Interim Report and Notes at 30 June 2020".

SEGMENT REPORTING

The Iren Group identifies the following business segments:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Heat management, Energy efficiency services)
- Market (Sale of electricity, gas, heat and other customer services)
- Other services (Laboratories, Telecommunications and other minor services).

These operating segments are disclosed pursuant to IFRS 8, which requires the disclosure about operating segments to 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 overhead 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 one 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 2019 restated and the income statement (up to the operating profit) of the current period by business segment are presented below, and include a comparison with the figures for the first half of 2019.

In the first half of 2020 non-regulated activities contributed to the formation of gross operating profit for 33% (27% in the first half of 2019), regulated activities accounted for 45%, up from the 42% of the first half of 2019, while semi-regulated activities fell, going from 31% in 2019 to 22% in the current period.

Statement of financial position reclassified by business segment as at 30 June 2020

	millions of euro						
	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,873	1,016	1,866	192	36	149	6,133
Net Working Capital	(27)	144	74	77	16		284
Other non-current assets and liabilities	(596)	(169)	(90)	(12)	3		(864)
Net invested capital (NIC)	2,251	992	1,850	257	55	149	5,554
Equity							2,635
Net financial position							2,919
Own funds and net financial debt							5,554

Restated statement of financial position reclassified by business segment at 31 December 2019

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,823	1,036	1,884	175	38	145	6,101
Net Working Capital	(69)	64	88	70	13		166
Other non-current assets and liabilities	(603)	(170)	(140)	0	4		(910)
Net invested capital (NIC)	2,151	930	1,832	246	54	145	5,357
Equity							2,651
Net financial position							2,706
Own funds and net financial debt							5,357

Income Statement by business segment, first half of 2020

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	490	350	551	1,073	11	(648)	1,826
Total operating expenses	(311)	(270)	(424)	(987)	(10)	648	(1,353)
Gross Operating Profit (EBITDA)	179	80	127	86	1	-	473
Net am./depr., provisions and impairment losses	(98)	(48)	(54)	(41)	(1)		(241)
Operating profit (EBIT)	81	32	73	45	0	-	232

Income Statement by business segment, first half of 2019

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	482	352	785	1,512	10	(903)	2,238
Total operating expenses	(310)	(268)	(619)	(1,457)	(9)	903	(1,760)
Gross Operating Profit (EBITDA)	172	84	166	55	1	-	478
Net am./depr., provisions and impairment losses	(82)	(47)	(64)	(26)	(1)	-	(220)
Operating profit (EBIT)	90	37	102	29	0	-	258

Networks SBU

As at 30 June 2020, the Network business segment, which comprises the businesses of Gas distribution, Electricity and the Integrated Water Service, recorded revenue of 489.5 million euro, up by +1.6%, compared to the 481.8 million euro for the first half of 2019.

The gross operating profit (EBITDA) amounted to € 178.7 million, up +3.5% on the 172.6 million euro for the first half of 2019, while net operating profit (EBIT) was € 81.2 million, a decrease of -9.8% compared to 90.0 million euro in the first half of 2019.

The positive trend in gross operating profit (EBITDA) was absorbed by higher amortisation and depreciation for around 5 million euro, related to the increase in technical investments and to higher allocations to provisions for impairment of receivables of around € 10 million, of which around 9 million euro related to the COVID-19 health crisis.

		First half 2020	First half 2019	Δ %	
Revenue	€/mln	489.5	481.8	1.6	
Gross Operating Profit (EBITDA)	€/mln	178.7	172.6	3.5	
<i>EBITDA Margin</i>		36.5%	35.8%		
	<i>from Electricity Networks</i>	€/mln	37.1	35.7	4.0
	<i>from Gas Networks</i>	€/mln	41.1	41.4	(0.8)
	<i>from Integrated Water Service</i>	€/mln	100.5	95.5	5.2
Operating Profit (EBIT)	€/mln	81.2	90.0	(9.8)	
Investments	€/mln	115.4	113.7	1.5	
	<i>in Electricity Networks</i>	€/mln	21.7	17.7	22.5
	<i>in Gas Networks</i>	€/mln	21.6	22.4	(3.5)
	<i>in Integrated Water Service</i>	€/mln	72.1	73.6	(2.0)
Electricity distributed	GWh	1,745.5	1,827.6	(4.5)	
Gas introduced into the network	Million m ³	699.8	768.8	(9.0)	
Water sold	Million m ³	87.5	89.9	(2.6)	

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

Networks SBU - Electricity

The gross operating profit of the sector amounted to 37.1 million euro, up by +4.0% compared to 35.7 million euro in the first half of 2019.

The increase in the margin can mainly be traced to operational synergy achieved during the period.

During the period, investments for 21.7 million were made, up by +22.5% compared to the 17.7 million euro in the first half of 2019. They were mainly related to new connections, to the construction of new LV/MV substations and lines, as well as to the completion of a number of primary substations.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) of gas distribution amounted to 41.1 million euro, down by -0.8% compared to 41.4 million euro in the first half of 2019. The slight drop is attributable to the unfavourable effects connected with the revision of the tariff method (5th regulatory period), substantially offset by an increase in the revenue constraint related to the increase in the RAB, as well as higher expenses connected with management of energy efficiency certificates.

Investments made in the period amounted to 21.6 million euro compared to the 22.4 million of the first half of 2019, and regarded the provisions of ARERA resolutions, in particular making the network compliant with cathodic protection, and the installation of electronic meters. The latter activity, suspended during the period of the lockdown, began again from the beginning of May.

Networks SBU - Water Cycle

The gross operating profit (EBITDA) for the period amounted to 100.5 million euro, up by +5.2% compared to 95.5 million in the first half of 2019. The increase in the profit is attributable to the increase in the tariff revenue restriction (VRG) due to the growth of tariff components related to the significant investments made in previous years with a direct increase in the RAB, against a reduction coming from application of the tariff revision of the beginning of the year (WTM-3), and to greater synergies on operating costs that made it possible to absorb the lower contribution due to the sale of a number of minor managements outside the Group's core territories.

Investments in the period totalled 72.1 million euro, slightly down by -2% compared to the 73.6 million of the first half of 2019 and concerned the construction, development and extraordinary maintenance of distribution networks and plants, the sewerage network and, in particular, the construction of new water treatment plants and to the replacement and installation of mainly remote-reading metering units.

Waste Management SBU

As at 30 June 2020, the revenue of the segment totalled 350.3 million euro, slightly down by -0.6% compared to 352.5 million in the first half of 2019. The drop in revenue was substantially due to the lower energy revenue with an expansion of the consolidation scope, in relation to the companies Ferrania Ecologia and Territorio e Risorse, not consolidated in the early months of 2019.

		First half 2020	First half 2019	Δ %
Revenue	€/mln	350.3	352.5	(0.6)
Gross Operating Profit (EBITDA)	€/mln	80.5	83.7	(3.8)
<i>EBITDA Margin</i>		23.0%	23.7%	
Operating Profit (EBIT)	€/mln	32.0	36.6	(12.6)
Investments	€/mln	27.6	21.9	26.0
Electricity sold	GWh	257.8	247.6	4.1
Thermal energy produced	GWh _t	106.2	105.4	0.8
Waste managed	tonnes	1,330,152	1,378,549	(3.5)
Emilia area separate waste collection	%	77.8	76.5	1.7
Piedmont area separate waste collection	%	55.2	53.2	3.7
Liguria area separate waste collection	%	71.7	70.9	1.2

Gross operating profit of the segment amounted to 80.5 million euro, down -3.8% on the 83.7 million of the first half of 2019. The drop in the margin is attributable to the lower energy revenue following the drop in the prices of electricity (average SNP 32.2 euro/MWh, -41.5%) produced by the waste-to-energy plants, lower volumes of special waste treated and disposed of in landfills as a result of the COVID-19 health crisis, a reduction in the prices of recovered materials coming from separate collection; these negative factors were only partially absorbed by the higher revenue of the municipal waste management activities and in particular of collection activities.

The operating profit amounted to 32.0 million euro, down -12.6% compared to the 36.6 million of the first half of 2019. In the period, higher amortisation and depreciation for 1 million was recorded, in part related to the expanded scope, and higher provisions set aside for risks of 1 million.

Investments during the period amounted to 27.6 million euro, up compared to the 21.9 million euro of the corresponding period of 2019. Among the main investments during the period, we can note those related to revamping of the Cairo Montenotte biodigester, vehicles and equipment for door-to-door collection in Turin and the development of the new management system Just Iren.

SBU Energy

As at 30 June 2020 revenue of the Energy SBU, which includes energy production and the activities of heat management, public lighting and energy efficiency, amounted to 551.2 million euro, down -29.7% compared to the 784.7 million of the first half of 2019. The sharp contraction of revenue is mainly attributable to the drop in the selling price of electricity (-152 million euro, the SNP effect) consequent to the unfavourable energy scenario as well as to lower electricity production (-32 million euro). The contraction of revenue also reflects the reduction in prices and volumes of heat for district heating due to the particularly mild weather (-27 million euro).

		First half 2020	First half 2019	Δ %
Revenue	€/mln	551.2	784.7	(29.7)
Gross Operating Profit (EBITDA)	€/mln	127.3	166.4	(23.5)
<i>EBITDA Margin</i>		23.1%	21.2%	
Operating Profit (EBIT)	€/mln	73.3	101.6	(27.8)
Investments	€/mln	65.6	21.7	(*)
Electricity produced	GWh	4,560.5	5,087.0	(10.4)
<i>from hydroelectric and other renewable sources</i>	GWh	762.1	644.4	18.3
<i>from cogeneration sources</i>	GWh	2,831.5	3,232.0	(12.4)
<i>from thermoelectric sources</i>	GWh	966.9	1,210.6	(20.1)
Heat produced	GWh _t	1,507.1	1,643.0	(8.3)
<i>from cogeneration sources</i>	GWh _t	1,230.4	1,421.0	(13.4)
<i>from non-cogeneration sources</i>	GWh _t	276.7	222.0	24.7
District heating volumes	Million m ³	95.0	93.8	1.3

(*) Change of more than 100%

In the first half of the year the electricity produced was 4,560.5 GWh, down by -10.4% compared to 5,087.0 GWh in the corresponding period of 2019.

Total thermoelectric production was 3,798.4 GWh, of which 2,831.5 GWh from cogeneration sources, down by -12.4% compared to the 3,232.0 GWh in the first half of 2019 and 966.9 GWh from conventional thermoelectric sources, down by -20.1% compared to the 1,210.6 GWh in the first half of 2019.

Production from renewable sources was 762.1 GWh, of which 750.7 GWh deriving from hydroelectric sources and, marginally, for approximately 11.4 GWh from other renewables (photovoltaic); overall production increased (+18.3%) compared to the 644.4 GWh of the first half of 2019.

Heat production in the period was 1,507.1 GWht, down by -8.3% compared to the 1,643.0 GWht in the first half of 2019. Overall district heating volumes amounted to approximately 95.0 million m³ up by +1.3% compared to the 93.8 million m³ of 2019. The figures include the volumes related to the acquisition of the Sei Energia business unit (rented up to the end of April 2020).

The gross operating profit (EBITDA) amounted to € 127.3 million, down by -23.5% compared to 166.4 million euro in the first half of 2019

Performance during the first half of 2020 saw a scenario in which national electricity demand came to 143.5 TWh, down by -8.8% compared to the 157.3 TWh of the first half of 2019, with a drop in the average price of electricity (SNP) to 32.2 euro/MWh, a -41.5% decline compared to the 55.1 euro/MWh in the first half of 2019.

The trend of the SNP, already down from the beginning of the year compared to 2019, fell further at the time of the “lockdown” measure connected with the COVID-19 health crisis (17 March - 4 May) which, reducing demand, pushed the price of energy towards minimum figures reached in May 2020 (21.8 euro/MWh) which was followed by a recovery, although a slow one, in June and July.

A simultaneous contraction in electricity and heat volumes, along with a sharp reduction in prices and unit margins on electricity production had a significant impact on profits of the segment, only partially offset by improved results from dispatching services (Dispatching Services Market – “Mercato dei Servizi di Dispacciamento - MSD”) and greater hydroelectric production.

The cessation of certain extraordinary items that had characterised the first half of 2019 and were no longer replicable also had a negative impact on profit for the period.

The operating profit (EBIT) of the energy segment totalled 73.3 million euro, down by -27.8% compared to the 101.6 million of the first half of 2019. The depreciation and amortisation of the period showed an increase of approximately 5 million euro compared to the first half of 2019, while higher provisions for risks of around 16 million were recorded, related to previous provisions set aside for hydroelectric fees.

Investments during the period totalled 65.6 million euro, up compared to the 21.7 million euro recorded in the first half of 2019, and were mainly related to the start of the project to enlarge Turbigio, making it possible to increase installed power from 850 to 1,280 MW.

Market SBU

As at 30 June 2020, the revenue of the segment totalled 1,072.6 million euro, down by -29.1% compared to 1,512.3 million euro in the first half of 2019. The decrease in turnover was due, as well as to the lower quantities sold, in contraction as a result of the block of productive activities consequent to the COVID-19 health crisis and the particularly mild winter, also to the reduction in the prices of energy commodities. This trend characterised the whole half-year period.

The gross operating profit (EBITDA) amounted to 85.6 million euro, up by +57% compared to 54.5 million in the first half of 2019. This increase is related to sales of both electricity and natural gas, and is largely attributable to an improvement in unit margins of sale which made it possible to more than absorb the negative effects of volume reduction associated with the COVID-19 health crisis.

The operating profit (EBIT) amounted to 45.1 million euro, up compared to the 29.4 million euro recorded in the first half of 2019. The positive trend in gross operating profit (EBITDA) was partially absorbed by higher amortisation and depreciation for around 3 million euro as well as by greater provisions set aside for impairment of receivables of around 15 million related to the estimated effects of COVID-19 only partially offset by lower impairment of 2 million.

		First half 2020	First half 2019	Δ %	
Revenue	€/mln	1,072.6	1,512.3	(29.1)	
Gross Operating Profit (EBITDA)	€/mln	85.6	54.5	57.0	
<i>EBITDA Margin</i>		8.0%	3.6%		
	<i>from Electricity</i>	€/mln	30.6	8.7	(*)
	<i>from Gas</i>	€/mln	52.8	44.7	18.2
	<i>from Other sales services</i>	€/mln	2.2	1.1	91.6
Operating Profit (EBIT)	€/mln	45.1	29.4	53.5	
Investments		22.7	21.1	7.1	
Electricity Sold	GWh	3,611.4	4,755.6	(24.1)	
Gas Purchased	Million m ³	1,597.4	1,632.6	(2.2)	
	<i>Gas sold by the Group</i>	Million m ³	644.8	633.2	1.8
	<i>Gas for internal use</i>	Million m ³	818.1	909.2	(10.0)
	<i>Gas in storage</i>	Million m ³	134.5	90.2	49.1

(*) Change of more than 100%

Sale of electricity

Volumes of electricity sold on the free market amounted to 3,417.8 GWh (net of pumping, network leaks, dedicated withdrawals and including unbalancing) down by -24.7% compared to the 4,538.3 GWh of the first half of 2019.

Sales in the protected market amounted to 193.6 GWh, down by -10.9% compared to 217.3 GWh in the corresponding period of 2019.

The table shows quantities sold by client segment class:

Market SBU - Electricity sales	<i>GWh</i>		
	First half 2020	First half 2019	Δ %
<i>Business</i>	1,396.5	2,713.4	(48.5)
<i>Small business</i>	302.4	317.9	(4.9)
<i>Retail</i>	774.9	794.1	(2.4)
<i>Wholesalers</i>	944.0	712.9	32.4
Free market	3,417.8	4,538.3	(24.7)
Protected market	193.6	217.3	(10.9)
<i>Unbalancing, pumping, grid loss and dedicated withdrawals</i>	205.8	237.1	(13.2)
Total electricity sold	3,817.2	4,992.7	(23.5)

The gross operating profit (EBITDA) of the sale of electricity amounted to 30.6 million euro, an improvement compared to 8.7 million euro in the first half of 2019. The improvement in the result can be attributed to the improvement of the margins and an increase in the portion of sales to free market customers (PCV), which made it possible to absorb the negative effects of the reduction of volumes sold, in particular to the business customer segment, connected with the COVID-19 emergency.

Sale of Natural Gas

The volumes purchased amounted to 1,597.4 million m³, down by -2.2% compared to the 1,632.6 million m³ of the first half of 2019.

The gas sold by the Group amounted to 644.8 million m³ up by +1.8% compared to the 633.2 million m³ of the first half of 2019 thanks to the higher sales to wholesalers while all the other customer segments were down.

The gas used for self-consumption amounted to 818.1 million m³, down by -10.0% compared to the 909.2 million m³ of the first half of 2019.

Gross operating profit (EBITDA) of gas sales amounted to 52.8 million euro, up +18.2% compared to the 44.7 million euro recorded in the first half of 2019. The positive trend of the profit is attributable to the improvements in the unit margins of sale and also to the improvement in the component Retail Sales Quota (Quota di Vendita al Dettaglio - QVD) which made it possible to absorb the lower quantities of gas sold related to particularly mild seasonal temperatures, and the negative effects of reduction of the volumes sold connected with the COVID-19 health emergency.

Sales of heat and other services

The sale of heat and other services resulted in a gross operating profit (EBITDA) of 2.2 million euro, up compared to the 1.1 million in the corresponding period of 2019.

Investments in the period totalled 22.7 million euro, up compared to 21.1 million euro in the first half of 2019.

Services and other

As at 30 June 2020 revenue of the segment, which includes the activities of the analysis laboratories, telecommunications and other minor activities, amounted to 10.7 million euro, and was up by +2.7% compared to the 10.4 million recorded in the first half of 2019.

		First half 2020	First half 2019	Δ %
Revenue	€/mln	10.7	10.4	2.7
Gross Operating Profit (EBITDA)	€/mln	1.1	0.8	37.5
<i>EBITDA Margin</i>		10.7%	7.7%	
Operating Profit (EBIT)	€/mln	0.3	0.0	(*)
Investments	€/mln	22.9	18.0	27.4

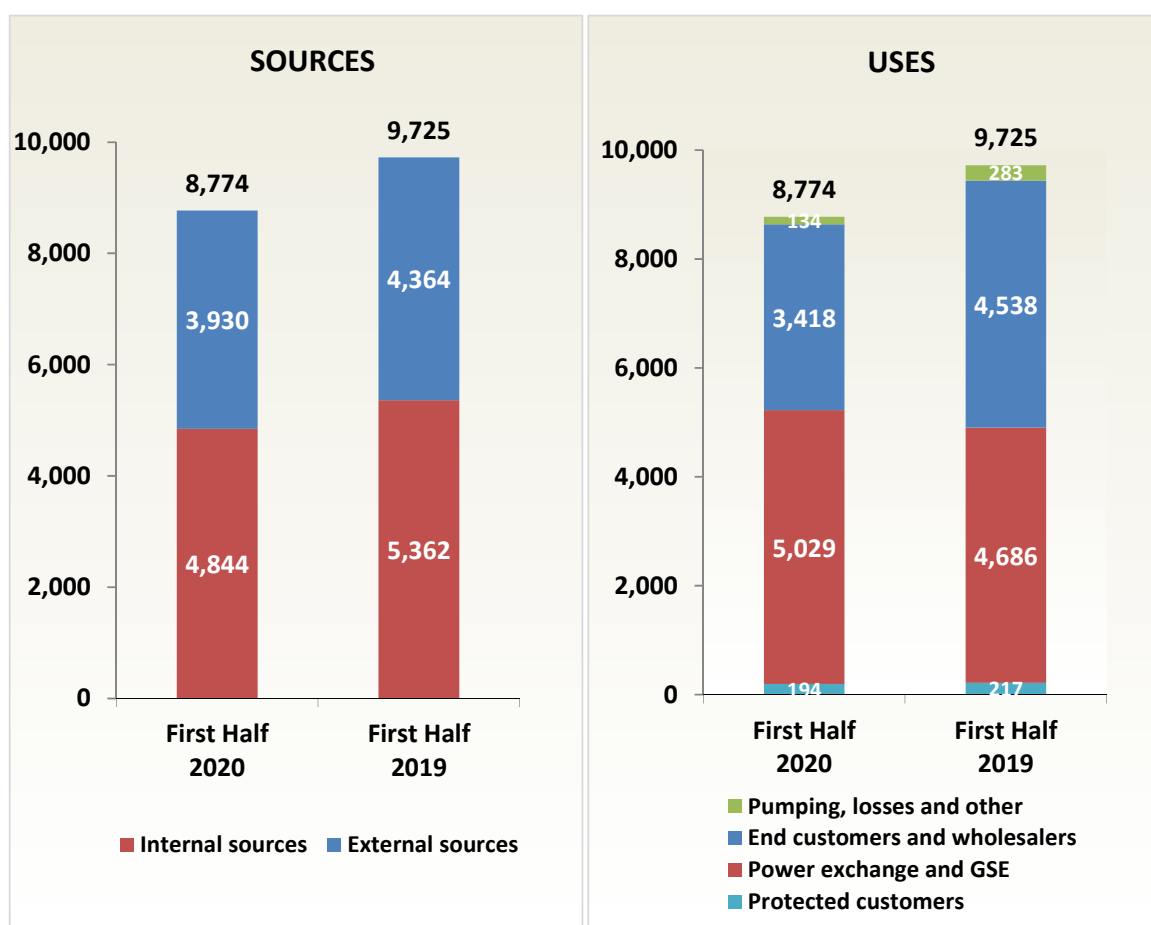
(*) Change of more than 100%

The gross operating profit (EBITDA) amounted to 1.1 million euro, substantially in line in absolute terms with the first half of 2019.

ENERGY BALANCES

Electricity balance sheet

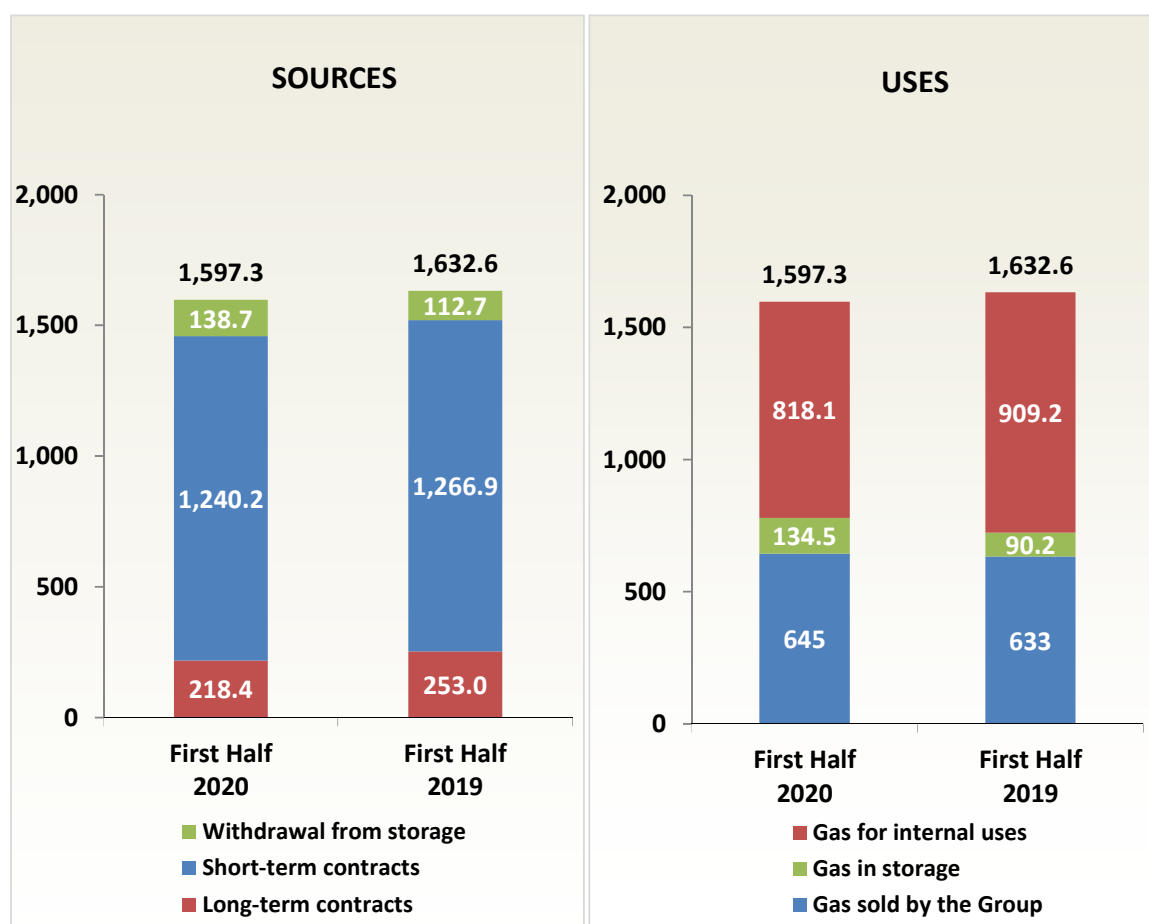
GWh	First half 2020	First half 2019	Δ %
SOURCES			
The Group's gross production	4,844.3	5,361.5	(9.6)
<i>a) Hydroelectric and other renewables</i>	762.1	644.3	18.3
<i>b) Cogeneration</i>	2,831.5	3,232.0	(12.4)
<i>c) Thermoelectric</i>	966.8	1,210.6	(20.1)
<i>d) Production from WTE plants and landfills</i>	283.9	274.6	3.4
Purchases from Acquirente Unico [Single Buyer]	213.7	239.9	(10.9)
Energy purchased on the Power exchange	3,493.9	3,757.6	(7.0)
Energy purchased from wholesalers and imports	222.5	366.3	(39.2)
Total Sources	8,774.4	9,725.3	(9.8)
USES			
Sales to protected customers	193.6	217.3	(10.9)
Sales to final customers and wholesalers	3,417.8	4,538.3	(24.7)
Sales on the Power Exchange	5,029.0	4,686.3	7.3
Pumping, distribution losses and other	134.0	283.4	(52.7)
Total Uses	8,774.4	9,725.3	(9.8)



Gas balance sheet

Millions of m ³	First half 2020	First half 2019	Δ %
SOURCES			
Long-term contracts	218.4	253.0	(13.7)
Short- and medium-term contracts	1,240.2	1,266.9	(2.1)
Withdrawals from storage	138.7	112.7	23.1
Total Sources	1,597.3	1,632.6	(2.2)
USES			
Gas sold by the Group	644.7	633.2	1.8
Gas for internal use ⁽¹⁾	818.1	909.2	(10.0)
Gas in storage	134.5	90.2	49.1
Total Uses	1,597.3	1,632.6	(2.2)

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



EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Acquisition of control over Nord Ovest Servizi and Asti Energia e Calore

On 21 July 2020, the Group acquired from ASTA S.p.A. (a Gavio Group company) through IRETI and AMIAT 50% of the shares of Nord Ovest Servizi S.p.A (NOS), rising to 75% and, through Iren Energia, 28% of Asti Energia e Calore S.p.A. (AEC), arriving at 62%. The total outgoing was 6.5 million euro.

In particular, NOS holds an equity investment of 45% of the share capital of Asti Servizi Pubblici S.p.A., a company controlled by the Municipality of Asti which operates in the integrated water cycle, in the waste management segment and in that of transport in the related province, which is the holder in turn of the remaining 38% of AEC.

The transaction is part of the Iren Group's strategy of territorial consolidation, also with a view to the future development of ASP through investments in the water and waste management segment, developing commercial activities and promoting energy efficiency and e-mobility projects, also in synergy with the investee GAIA.

BUSINESS OUTLOOK

In an international scenario in which the largest world economies recorded a contraction of GDP due to the global health crisis, the Iren Group is dealing with a national scenario characterised by a sharp reduction in demand and low commodity prices.

The Group expects to limit the impact of the COVID-19 crisis on the Group's operating profit, mainly due to the nature of its business (over 70% in regulated or semi-regulated sectors). On the one hand, the crisis slowed some construction sites and consequently the investments planned, a delay that we expect to recover during the year; on the other hand the Group will incur emerging costs related to the extraordinary situation, a slowdown of the efficiency projects and a partial reduction in sales volumes. It is estimated that, if there are no further lockdowns in the second half of 2020, the impact on the EBITDA at the end of the year generated by COVID-19 will be equal to 15 million euro.

On the basis of the recent ARERA provisions and of the corporate measures adopted to mitigate the economic and social impacts resulting from the crisis, at the end of the year the Group will report an effect on the working capital of 80 million euro following the interruption of new actions to suspend/reduce supplies (gas, electricity, water and district heating). Due to the possible cash flow difficulties of the customer portfolio, the Group has already increased the provisions for impairment of receivables by evaluating the expected losses of 25 million euro. These assumptions are in line with the hypothesis that no further lockdowns will occur in the second half of the year.

Despite the cessation of the lockdown this past May, the previous shutdown of activities and the continuation of containment measures will not lead to a full recovery of demand and of prices compared to the previous year. However during 2020 the Group, as regards energy activities, has carried out a series of actions which will make it possible to mitigate the impact of the crisis: we should be able to seize the potential of the customer portfolio through a recovery of the unit margins thanks to the commercial strategies implemented and to the increase in the customer base.

As regards the regulated sectors, we expect that the tariff changes, related to the regulatory framework approved by ARERA in the water sector and in energy distribution will have a limited negative impact on the expected margins and will be completely offset by the growth in regulated revenue sustained by the investments made. Finally, as regards the Waste Management segment, the new ARERA regulation of the collection service will have a limited negative impact on profitability. The profitability of the treatment and disposal activities will continue to reflect the drop in volumes of waste managed and the decrease in energy prices.

The Group will also continue in its growth process set forth in the latest business plan, which provides for significant investments above all in the Networks and Waste Management divisions as well as investments destined to increase electricity generation capacity. Iren also confirms sustainability as one of the main strategic pillars, continuing to invest in projects linked to the Circular Economy, the efficient use of resources and the reduction of emissions, for an amount of approximately 60% of the investments provided for in the business plan.

FINANCIAL MANAGEMENT

General framework

After a long period of stability, during the first half of 2020 the short-term part of the interest rate curve showed significant movements first downwards and then upwards, and is currently in a new phase of normalisation.

The medium/long term part, meanwhile, came down brusquely at the beginning of the lockdown due to COVID-19, before recording a sharp movement upwards and a subsequent gradual stabilisation at levels close to the record lows.

The European Central Bank has kept rates unchanged since March 2016. The reference rate is currently 0%. Examining the trend in the six-month Euribor rate, after reaching minimum levels at the beginning of March, the parameter rapidly rose owing to uncertainties about market liquidity, followed by a subsequent realignment at the levels preceding the COVID-19 crisis (-0.35%).

The quotes for fixed rates, reflected in the values of IRSs at 5 and 10 years, at the beginning of 2020 recorded a drop, later completely cancelled out by the upward movement originating from uncertainty and from the crisis associated with the spread of COVID-19. With the end of the lockdown measures and the market actions of the ECB, the medium/long-term rates are settling at stably negative levels.

Activities performed

During the first half of 2020, 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 the companies, provides for centralisation in Iren of treasury management, medium/long-term loan operations and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of finding the types of loans best suited to its needs, and the best market conditions.

Examining in more detail the transactions executed in the first half of 2020 we can note that in the period a loan contract was signed with the new counterparty CEB (Council of Europe Development Bank) for 80 million euro in support of the plan of investments in water infrastructures, while in March the EIB loan “Electricity distribution networks” of a total of 75 million entered into in March 2017 was used entirely.

Direct loans with the EIB and the CEB, with a duration of up to 16 years, remaining unused and available total 200 million euro.

At the end of June 2020, with settlement date 1 July, a new bond issue was also completed for 500 million euro as part of the Euro Medium Term Notes (EMTN) Programme for 4 billion. The bonds, Fitch rating BBB, pay an annual gross coupon of 1% and have maturity 1 July 2030 (duration 10 years). The securities are listed on the regulated market of the Irish stock exchange, where the prospectus was filed, and on the ExtraMOT market of Borsa Italiana, the Italian stock exchange.

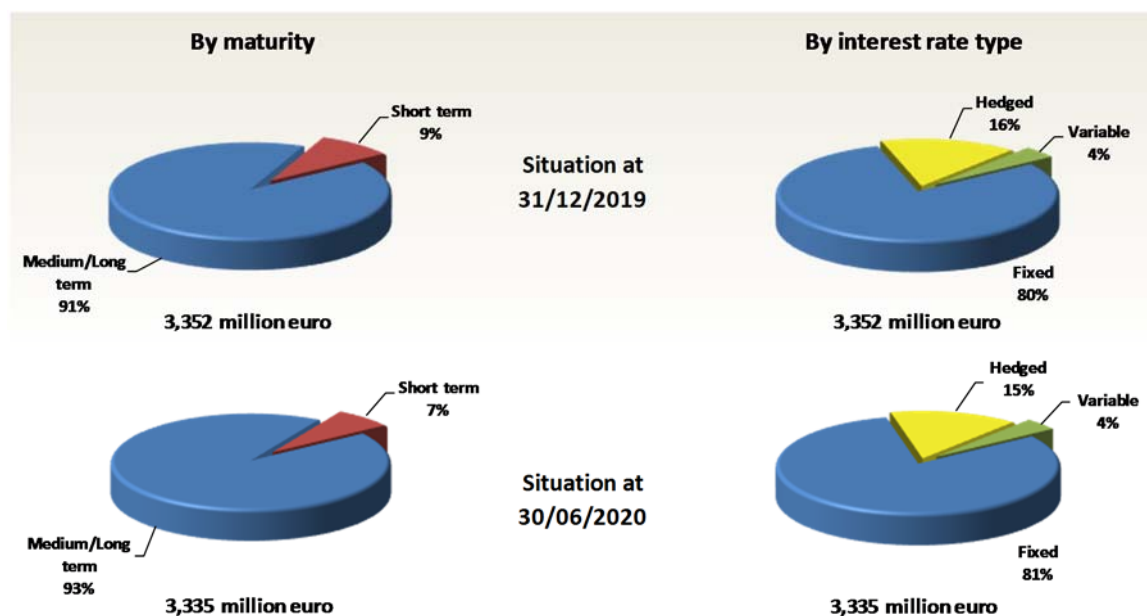
The financial debt from loans (excluding the financial liabilities recognised in application of IFRS 16) at the end of the period was made up of 19% loans and 81% bonds.

As regards financial risks, the Iren Group is exposed to various types of risk, including liquidity risk, interest rate risk and exchange rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit risks of fluctuations in the interest rate. In the period, no new Interest Rate Swap contracts were entered into.

At the end of the period, the portion of floating rate debt not hedged by exchange rate derivatives was 4% of financial debt from loans, in line with the Iren Group’s objective of maintaining adequate protection against significant increases in interest rates.

Overall, the activity carried out is aimed at refinancing debt with a view to improving the financial structure, structurally reducing the cost of capital and extending the average duration of financial debt.

The composition of financial debt from loans by maturity and rate type, compared with the situation at 31 December 2019, is shown in the chart below.



Rating

In October 2019 and most recently in February 2020 the agency Fitch confirmed for Iren and its senior unsecured issues the rating BBB, with outlook stable. The judgement is based mainly on the update of the business plan to 2024 which, in continuity compared to previous years, confirms the prevalence of regulated and semi-regulated activities (approximately 70% of Gross Operating Profit (EBITDA) at the end of the Plan). Fitch sees the company as well-positioned within the reference indexes, as was also confirmed for Iren in the analysis published by the agency with regards to the impact of COVID-19 on Italian utilities (“COVID-19 Impact Still Limited for Rated Italian Utilities” - Fitch Ratings, 11 March 2020).

Supporting the Group’s liquidity profile and the rating level, Iren has the aforesaid medium/long-term loan facilities agreed and available but not used for 200 million euro, as well as committed credit lines of the Sustainability-linked Revolving Credit Facility (RCF) type, which amounted to 150 million euro at the end of the period, in addition to current cash and cash equivalents.

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;
- Cyber Risks, linked to potential events related to the loss of confidentiality, integrity or availability of data or information after which negative impacts on the organisation, people, operations or other organisations could derive;
- 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, IT, credit and energy risks.

As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also “reputational risks”, which relate to the impacts on stakeholders of any malpractices.

The Risk Management department, reporting to the Deputy Chairperson, is present within the Group. This department is entrusted, among other things, with the following activities:

- verification of the integrated management of the Group’s Enterprise Risk Management (ERM) System: methodological approach, definition of the policies and monitoring of the System;
- in collaboration with the Chief Executive Officer, signing and management of insurance policies with the support of the “Procurement, Logistics and Services” and “Legal Affairs” units.

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

The Iren Group’s business 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 exchange rate risk and interest rate risk.

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.

The procurement of financial resources has been centralised in order to optimise their use. In particular, the 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 in 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, among other factors, also the current economic and financial situation.

To limit exposure to credit risk, a number of tools have been activated. 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. In addition, methods of payment through digital channels are offered to Customers.

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 and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected 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 reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected losses determined on a prospective basis, taking into due consideration the historical series.

The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and ageing band. Credit risk is assessed both at the consolidated and at the Business Unit and company levels.

Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

For further considerations regarding the coronavirus outbreak, please also see the "Business Outlook".

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 policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

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 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 Financial Statements.

4. OPERATIONAL RISKS

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business transactions, levels of performance, profitability and protection of the resources against losses.

The Group's Enterprise Risk Management model has as its objective the integrated and synergistic management of risks.

The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.

The above stages make it possible to structure specific treatment plans for each risk factor.

Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity.

Each process stage is performed in accordance with standards and references defined at Group level. The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, IT, 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 disclosure 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 companies' and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. The perimetral security technologies have been updated. The data network has been further segregated according to the functional use, and a vulnerability management system has been introduced; this is extended also to suppliers that process sensitive corporate data for various reasons. The support of an external Security Operation Centre (SOC) has been launched for 24h monitoring, with the use of the Iren security platforms. On 23 January 2020, the Board of Directors of Iren S.p.A. approved the Cyber Risk Policy, which – like the other main risk policies – provides for the convocation of specific Risk Commissions, the monitoring of performance indicators and dedicated reporting.

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 2024 which defines its strategic orientations and the related industrial objectives from which the economic and financial figures of reference derive. The said objectives refer to:

- a) making the Group's organisation and processes more efficient;
- b) development (investments in regulated and quasi-regulated sectors, increase of the customer base, energy efficiency);
- c) consolidation of the regulated sectors (renewal of concessions: gas distribution, integrated water cycle and waste-management segment);
- d) external growth;
- e) energy scenario;
- f) sustainability and ESG (Environment, Social, Governance) targets.

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 showed substantial resilience 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 risk assessments specific to merger & acquisition operations which are involving the Iren Group.

TRANSACTIONS WITH RELATED PARTIES

After the favourable opinion of the Committee for Transactions with Related Parties (hereinafter also “CTRP”, wholly made up of Independent Directors), on 30 May 2019 the Board of Directors of IREN approved an update of the Procedure for Transactions with Related Parties (“TRP Procedure”), after amending the related art. 7.1, on the quantitative composition of the CTRP.

The current TRP Procedure is published on the Iren website (www.gruppoiren.it).

The above document was prepared implementing:

- the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code, as most recently amended with Italian Legislative Decree no. 49 of 10 May 2019, concerning “Implementation of Directive 2017/828 of the European Parliament and of the Council, of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement”;
- the Regulation containing provisions on transactions with related parties, adopted by CONSOB with its Resolution no. 17221 of 12 March 2010 as subsequently amended (“CONSOB Regulation”), taking into account the indications of CONSOB Communication no. DEM/10078683 of 24 September 2010 (the “CONSOB Communication”);
- of the provisions pursuant to Art. 114 of Italian Legislative Decree no. 58 of 24 February 1998 (the “Testo Unico della Finanza – TUF”, Consolidated Finance Act or CFA) and the provisions of Regulation (EU) no. 596/2014 on market abuse.

The corporate documents adopted in accordance with the legislation on transactions with related parties, defined in coordination with the provisions of the administrative and accounting procedures pursuant to Art. 154-*bis* CFA, have as their purpose, in particular:

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

These, very briefly, provide for:

- a) identification of the perimeter of related parties;
- b) the definition of “transaction with related party”;
- c) identification of cases of exclusion and of transactions “for small amounts”;
- d) the procedures applicable to transactions of minor and major significance, as the case may be;
- e) the persons responsible for enquiries on transactions with related parties;
- f) the transactions for which the Shareholders' Meeting is responsible;
- g) the forms of disclosure.

Iren and its subsidiaries define transactions with related parties on the basis of principles of transparency and fairness. These transactions mainly concern services provided to customers in general (gas, water, electricity, heat, etc.) or following concessions and awards of services, in particular for the waste management segment, and are governed by the contracts applied in such situations.

Where the services provided are not the above, the transactions are governed by specific agreements whose terms are established, where possible, in accordance with normal market conditions. If these references are not available or significant, the contractual conditions are defined also in consultation with independent experts and/or professionals.

Information on financial and economic related-party transactions is presented in the Notes to the Consolidated Financial Statements in sections “V. Disclosure on transactions with related parties” and “XI. Annexes to the Condensed Consolidated Interim Report”, as an integral part.

The proposed changes deriving from transposition, into Italian law, of Directive 2017/828 of the European Parliament and of the Council, of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement” (the so-called Shareholder Rights Directive 2) are being monitored and studied.

LEGISLATIVE FRAMEWORK

The essential legislative references, the concessions and the awards in relation to the sectors in which the Iren Group operates are presented in detail in the Report on Operations drawn up on the occasion of the annual financial statements. Again with reference to these sectors, this section presents the main legislative changes (new laws or amendments to existing laws) that occurred in the first half of 2020. What follows must therefore be read together with the annual financial statements prepared for the financial year ended 31 December 2019.

PROVISIONS ON THE SUBJECT OF ENERGY EFFICIENCY

A summary is provided below of the main changes introduced by Italian Law Decree no. 34 of 19 May 2020, (the so-called “Decreto Rilancio”, Relaunch Law Decree), following conversion law no. 77 of 17 July 2020 on energy efficiency actions, for what is of interest to the Iren Group companies and in particular to Iren Mercato and Iren Smart Solutions.

DEDUCTION IN THE AMOUNT OF 110%

The Relaunch Law Decree, with the related conversion law, lays down that the tax deduction applies in the amount of 110 per cent for documented expenses that remain to the charge of the taxpayer, incurred from 1 July 2020 up to 31 December 2021, to be divided among those that have the right in five annual instalments of the same amount. For work done by autonomous social housing institutions, the following provisions apply also to expenses, documented and remaining the responsibility of the taxpayer, incurred up to 30 June 2022.

Permitted work

The work for which, if the conditions are fulfilled, the deduction in the amount of 110% can be obtained are the following:

- 1) thermal insulation work on vertical, horizontal and inclined opaque surfaces that involve the building envelope;
- 2) work on the common parts of buildings to replace existing winter conditioning systems with centralised systems for heating, cooling or the supply of sanitary hot water, involving condensation, heat pumps, or solar collectors and (exclusively for mountain municipalities non affected by the European infringement procedures for Italy’s non-compliance with the obligation provided for in Directive 2008/50/EC) with connection to efficient district heating systems;
- 3) work on single-family buildings or on property units situated in multi-family buildings that are functionally independent and have one or more autonomous accesses from outside to replace existing winter conditioning systems with centralised systems for heating, cooling or the supply of sanitary hot water, involving condensation, heat pumps, or solar collectors;
In addition, exclusively for areas not supplied with natural gas in municipalities non affected by the European infringement procedures for Italy’s non-compliance with the obligation provided for in Directive 2008/50/EC, the deduction is obtainable for the replacement of existing systems with biomass boilers having emission performance with the values provided for at least for 5-star class and, for municipalities non affected by the said European infringement procedures, with connection to efficient district heating systems;
- 4) all other energy efficiency work pursuant to article 14 of Italian Law Decree no. 63 of 4 June 2013, converted, with amendments, by Italian Law no. 90 of 3 August 2013, within the spending limits provided for, for each energy efficiency project, in the current legislation, on condition that they are carried out jointly with at least one of the projects pursuant to the previous points;
If the building is subject to at least one of the restrictions provided for in the code of cultural assets and the landscape or the work in question is prohibited by building, town planning and environmental regulations, the deduction applies to all work pursuant to the present point, even if not carried out jointly with at least one of the projects pursuant to the previous points;
- 5) installation of photovoltaic solar systems connected to the electricity grid on buildings, provided that the installation of the systems is carried out jointly with one of the previous projects;

- 6) installation at the same time or subsequently of accumulation systems integrated into the subsidised photovoltaic solar systems, at the same conditions;
- 7) installation of infrastructures for recharging electric vehicles in buildings, provided that the installation of the systems is carried out jointly with one of the projects pursuant to the first three points.

Minimum requisites for access to the deduction

For the purposes of access to the deduction, the work must observe certain minimum requisites (provided for in the decrees pursuant to paragraph 3-*ter* of Article 14 of Italian Law Decree no. 63 of 4 June 2013, converted, with amendments, by Italian Law no. 90 of 3 August 2013) and, overall, must ensure the improvement of at least two energy classes of the building or of the property units situated in multi-family buildings, or, if this is not possible, the achievement of the highest energy class, to be demonstrated by means of the energy performance certificate (Attestato di Prestazione Energetica - A.P.E.), before and after the work, issued by an authorised technician in the form of a sworn declaration.

Subjective context

The provisions presented up to here apply to work done, among others:

- by unit owners;
- by natural persons, not performing business activities, arts and professions, on property units, which can benefit from the deduction pursuant to the first four points for the work done on the maximum number of two property units, without prejudice to the recognition of the deductions for the work performed on the common parts of the building;
- by Autonomous Social Housing Institutes;
- by undivided ownership housing cooperatives;
- by socially useful non-profit organisations.

We can note finally that the said provisions do not apply if the efficiency work regards stately homes, villas, castles and buildings of eminent artistic or historical value (categories A/1, A/8, A/9).

OPTION FOR TRANSFER OR DISCOUNT

Subjects that incur, in the years 2020 and 2021, expenses for the work listed below:

- 1) recovery of architectural heritage;
- 2) energy efficiency;
- 3) adoption of anti-seismic measures;
- 4) recovery or restoration of the façade of existing buildings, including those of only cleaning or external painting;
- 5) installation of photovoltaic systems;
- 6) installation of columns for recharging electric vehicles.

can opt, in place of direct use of the deduction due, alternatively:

- **for a contribution, in the form of a discount on the price payable**, up to a maximum amount equal to the price itself, advanced by the suppliers that have done the work and by these latter recovered in the form of a tax credit in an amount equal to the deduction due, with the option of subsequent transfer of the credit to other subjects, including credit institutions and other financial intermediaries;
- **for the transfer of a tax credit of the same amount**, with the option of subsequent transfer to other subjects, including credit institutions and other financial intermediaries.

For the purpose of exercising the option for the transfer or the discount the following are necessary:

- 1) the stamp of approval of the data related to the documentation that attests the existence of the conditions that give the right to the tax deduction issued by subjects specifically indicated;
- 2) communication of the data related to the option exclusively electronically, also making use of subjects that issue the stamp of approval (methods to be governed with implementing measures);
- 3) asseveration (also for the purposes of the 110 per cent deduction).

The expenses incurred for the issue of the attestations, asseverations and the stamp of approval are deductible expenses.

To make the measures operational the following must be issued, within 30 days from entry into force of the law:

- a measure of the Manager of the “Agenzia delle Entrate”, the Italian Tax Agency;
 - an implementing decree of the Ministry of Economic Development,
- which together will define the methods of transfer of the credit and of discount in the invoice.

We can note finally that the 2020 Budget Law, among other things:

- extended to 31 December 2020 the expiry of the already existing tax deductions for expenses related to energy upgrading of buildings;
- extended to 31 December 2020 the expiry of the 50% deduction for work aimed at recovery of architectural heritage, which includes work aimed at energy savings, with particular regard to the installation of systems based on the use of renewable energy sources, including photovoltaic;
- introduced the so-called “façade bonus”, a 90% deduction of the expense incurred for the restoration of external façades of buildings.

AWARD AND PERFORMANCE OF GAS DISTRIBUTION SERVICES

With Resolution 536/2019/R/gas, ARERA expressed its observation on the RIV values of the Municipalities of the ATEM Genoa 2 - Province with difference between RIV and RAB of more than 10%.

Subsequently, the Authority introduced:

- with Decision no. 4/2020 – EIUD of 4 March 2020 the operating methods for determining the value of the net fixed assets of natural gas distribution in the case of values misaligned with respect to the averages of the sector for the verification of the RIV-RAB differences, for the purpose of estimating the values for the publication in the tender procedure and for the subsequent declaration of the data to be used for the purposes of tariff determinations;
- with Decision no. 3/2020 – EIUD of 4 March 2020 the operating methods for determining the standard stratification of the rebate value under the terms of the RTDG (Regulation of the tariffs of the gas distribution and metering services for the 2020 – 2025 regulatory period).

With a Communication dated 2 March 2020, the Authority also made available the Platform for sample checks on Municipalities, provided for in the Energy Infrastructures and Unbundling Department Manager decision no. 2/2020 of 18 February 2020, which approves the "Methods of implementing the checks pursuant to Article 23, paragraph 1, and pursuant to article 27, paragraph 4, of Annex A to Resolution 905/2017/R/gas".

The platform is functional to the efficient and systematic acquisition of the documentation provided for in Resolution 905/2017/R/gas of 27 December 2017, for the Municipalities selected on the basis of the criteria pursuant to Annex A of the same Decision and falling within the:

- individual simplified regime by Municipality, pursuant to Resolution 905/2017/R/gas;
- simplified area regime pursuant to Italian Law 124/17, as per the same resolution.

To this end, the platform makes available to the commissioning bodies a specific template to make visible to the same the verification status of the Municipalities and forms to be filled in functional to the acquisition of the aforementioned documentation.

With two Communications (dated 15 and 21 April 2020), the Authority made known that it had made the provisional data related to the value of the assets resulting at 31 December 2016, 2017 and 2018 (RAB data), after accreditation of the Commissioning Bodies, available in the dedicated area of the "Gas distribution tender procedures" section.

AWARD AND PERFORMANCE OF ELECTRICITY DISTRIBUTION SERVICES

On 28 May 2020 the 2020 edition of the online collections was made available in relation, respectively, to the Annual Report on the measures adopted (article 16 of the Consolidated Rules on Functional Unbundling - TIUF) and to the Annual Report on observance of the requirements of the rules on third-party access and

on the economic convenience of the management (paragraph 6.3 of the TIUF), referred to the calendar year 2019.

Network Code (CADE) and general system expenses

Further updates on the subject in question were introduced with Resolution no. 95/2020/R/com of 26 March 2020 and Resolution no. 239/2020/R/com of 25 June 2020 effective, respectively, starting from 1 April 2020 and 1 July 2020.

With Resolution no. 37/2020/R/eel of 11 February 2020 the Authority intervened to modify the termination processes of contracts for dispatching and transport and for activation of the services of last resort, to reduce the financial exposure of the system in relation to users, with effectiveness starting from 1 January 2021.

In particular:

- the disclosure obligations of Terna, distributors and Integrated Information System were modified for non-fulfilments on dispatching and transport contracts, to make immediately effective the termination of the contracts following the communication of termination transmitted to the IIS, made effective starting from the day after the said communication;
- the definition of three mechanisms to compensate safeguard providers was deferred to a subsequent measure;
- the contents of the communication transmitted by the manager of the IIS to final customers affected by the termination of dispatching and transport contracts were updated; this includes the reasons for activating and leaving the services of last resort;
- the Manager of the IIS, by 13 May 2020, is required to prepare and transmit to the Markets Department for approval, a standard form of the communication of termination of dispatching and transport contracts for non-fulfilment of the related user.

At the end of a consultation with the operators, with Resolution no. 261/2020/R/eel of 7 July 2020 ARERA introduced substantial changes in the regulation of the Code of the Activities of the Distributor of Electricity (CADE) reducing to 4 months the exposure of Distributors through the contraction of the contractual termination times, and consequently the amount of the guarantees chargeable to the vendors (-29%).

With respect to consultation document no. 530/2019, the Authority took into account a number of observations received from participants. In particular, with the elimination of the reminder, the times for the notice to fulfil available to distributor companies were reduced from 7 to 4 business days and no longer to one as proposed in consultation, so that the distributors “have available a period sufficient to guarantee correct management and verification of the payments”.

Consequently, taking into account also the change in the contract termination process pursuant to the aforementioned Resolution 37/2020, the amount for accessing the network in the case of recourse to the traditional forms of guarantee or parent company guarantee (Gar amount) is reduced to an amount equal to the estimate of 2 months of providing the service for each of the delivery points contained in the transport contract, minus 4.9% with reference to only system expenses.

Among the main changes of the Resolution, with effectiveness from 1 January 2021, we can mention:

- reduction of the maximum level of the guarantee (Garmax) if the user is not regular in payments, to an amount equal to the estimate of 4 months of providing the service;
- update of the thresholds envisaged for the periodic update (quarterly) of the user’s guarantees, if they exceed those previously given;
- obligation for every user of the transport to have a certified e-mail address (CEM) available to distributor companies and to which all communications on management of payments and guarantees must be sent;
- a new procedure is laid down for updating the guarantees in the case of delay in the payment of only one invoice (if the guarantee is inadequate);
- squeeze on the credit rating and sureties permitted. As regard the former, in the case of a significant increase in the exposure of users (vendors) they are obliged to provide a traditional guarantee with reference to the portion related to the new delivery points acquired (GARNewPOD) while for sureties, they will be permitted only if issued by an Italian insurer or one accredited to operate in Italy and that has at the same time a specific level of credit rating;

- With reference to the regularity of payments, the Authority clarifies that this is verified with exclusive reference to cycle and rectification invoices. In addition, the distributor should not take into account payments of invoices for which the average of the delay in the payment (weighted for the respective amounts) is less than 4.5 days.

With reference to the obligation, on the user of the transport (vendor) to “pay to the distributor company the general system expenses invoiced by this and not only those effectively collected from its final customers”, confirmed by various judgements of administrative justice, ARERA specified that “the dispute formed on the standard Code on the subject of general system expenses regarded only fixing the amounts of the guarantees provided for with respect to the payment obligations of the users of the transport and the associated rules on termination of the contract in the case of non-fulfilment with respect to these obligations of fixing the amount”. While “the methods of collecting the expenses have remained outside the dispute (and therefore of the perimeter of the rulings)”.

The Regulator also expressly considered “the Authority’s regulation legitimate in the part where it assigns the vendor the obligation to invoice and the responsibility for collecting the general system expenses from final customers”.

The aspects related to the expenses, concludes ARERA, “will be tackled definitively with the measure that will be adopted at the end of the proceeding” launched with resolution 109/2017. And “in this last regard, it seems useful to recall that, in the context of this proceeding, extended by resolution 430/2018/R/EEL, the Authority has also set up a specific technical forum”.

AWARD AND PERFORMANCE OF INTEGRATED WATER SERVICES

In order to mitigate the effects of the COVID-19 crisis on the economic and financial equilibrium of the operations of the integrated water service and on the conditions of providing the services, guaranteeing the continuity of the essential services and creating the conditions for the relaunch of spending for investments, ARERA adopted a set of urgent measures—guaranteeing the stability of the framework of rules developed over the years—with the introduction of a number of elements of flexibility. These elements regard, in particular:

- deferment of the terms for the tariff and technical quality formalities;
- elements of flexibility for the first two years of application of the contractual quality performance assessment mechanism;
- elements of flexibility in the technical quality performance assessment mechanisms;
- adjustments of the criteria for recognition of the efficient costs in the light of the COVID-19 crisis;
- selective measures for the financial sustainability of transactions in the emergency phase;
- strengthening of social sustainability, in the light of the COVID-19 emergency.

AWARD AND PERFORMANCE OF WASTE MANAGEMENT SERVICES

As regards the segment in question, the period was affected by the following measures:

1) COMMUNITY LEGISLATION

EU Commission Decision no. 2020/248/EU of 21 February 2020 containing the “Guidelines on inspections of storage facilities of waste from extractive industries”.

EU Commission Decision no. 2020/519/EU of 3 April 2020 on the sectoral reference document on best environmental management practices, sector environmental performance indicators and benchmarks of excellence for the waste management sector under Regulation (EC) No. 1221/2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS).

Commission Delegated Regulation (EU) 2020/784 of 8 April 2020 amending Annex I to Regulation (EU) 2019/1021 of the European Parliament and of the Council as regards the listing of perfluorooctanoic acid (PFOA), its salts and PFOA-related compounds.

Additionally three EU Commission Regulations (2020/735, 2020/757, 2020/797) regarding the traceability of certain animal by-products and derived products.

2) NATIONAL LEGISLATION

Italian Law no. 8 of 28 February 2020, (the so-called “Milleproroghe 2020”)

From 1 March 2020 Italian Law no. 8 of 28 February 2020 is in force; this is the conversion law of Italian Law Decree no. 162 of 30 December 2019 (the so-called “Milleproroghe 2020”). Both the conversion law and the law decree coordinated with this law were published in *Official Journal* no. 51 of 29 February 2020.

Among the main extension measures there are also several provisions of an environmental nature:

- extension to 31 December 2020 of the application of derogatory regimes with respect to the current environmental legislation for the management of rubble deriving from the earthquake of 24 August 2016;
- postponement to 31 December 2020 of the term starting from which it becomes obligatory to exercise in an associated form the fundamental functions of municipalities (including management of municipal waste);
- extension limited to the year 2020 of the incentives provided for in Italian Law no. 145 of 30 December 2018, that is the incentives envisaged for electricity production plants powered by biogas, with electric power of not more than 300 kW.

Italian Law Decree no. 18 of 17 March 2020, (the so-called “Cura Italia” - Care for Italy decree)

This measure contains, among other things, the deferral to 30 June of the deadlines for formalities related to communications on waste and further provisions related to TARI (rubbish tax), batteries, WEEE and Registration in the Roll. In particular, *Article 107* defers the administrative/accounting terms for determination of the TARI tariffs and of the “TARI consideration” as at 30 June 2020 and allows Municipalities to approve the TARI tariffs and the consideration tariff adopted for the year 2019 also for the year 2020, determining and approving by 31 December 2020 the economic and financial plan of the waste service (EFP) for the current year. Any adjustment between the costs resulting from the EFP for 2020 and the costs determined for the year 2019 may be divided over three years, starting from 2021.

The Italian Ministerial Decree of 21 April 2020 (End of waste, establishment of the REcer)

In the *O.J.* of 5 June the Italian Ministerial Decree of 21 April 2020 was published. This regards “Methods of organisation and functioning of the national register for the collection of authorisations issued and outcomes of the simplified procedures concluded for performance of recovery operations” (REcer for simplicity), as provided for in the Consolidated Environmental Law (Testo Unico Ambientale -TUA).

The measure is made up of eight articles and an annex and illustrates the methods of functioning, organisation and transmission of the data of the national register. In particular, the REcer uses the online “Plan Monitor” platform set up by the Ministry of the Environment at the National Roll of Environmental Operators where the competent authorities must insert the data on the authorisations and on the outcomes of the simplified procedures using the procedure made available on the web portal of the platform and indicated in Annex 1 of the Decree. The main function of the said instrument is to make the data available to the public administrations that require them in order to perform their institutional tasks and to the competent authorities that request them also for the purpose of being assessed in the enquiries of proceedings aimed at issuing the authorisations pursuant to art. 184-ter, paragraph 3, of Italian Legislative Decree 152/2006. The information contained in the national register can be used also by the Ministry of the Environment for enquiries aimed at defining the specific criteria for the cessation of classification as waste, and to request from ISPRA the activation of specific control proceedings. The effective operation of the REcer will be communicated with a specific link on the website of the Ministry of the Environment and, until the register is effective, the transmission of the authorisations will in any case be performed observing the methods pursuant to Italian Legislative Decree no. 152 of 3 April 2006 (the “Consolidated Environmental Law”), and to the law of 2 November 2019 converting, with amendments, Italian Law Decree no. 101 of 3 September 2019.

Italian Law no. 27 of 24 April 2020 (Conversion Law of the “Cura Italia” - Care for Italy Law Decree)

On 29 April 2020, Italian Law no. 27 of 24 April came into force, converting Italian Law Decree no. 18/2020.

The measure contains a number of extremely interesting provisions as regards environmental rules:

- extension of the validity of the environmental authorisations due to expire;

- confirmation of the deferment of the deadlines of formalities related to communications on waste, including the MUD, extending them to 30 June 2020;
- an increase in the time and quantity limits of temporary storage of waste which, without affecting the observance of the rules on the subject of fire prevention, is now permitted up to twice the maximum quantity, while the maximum time limit must not be more than eighteen months.

Italian Legislative Decree no. 42 of 12 May 2020, (transposition of the EEE Directive – Electrical and Electronic Equipment)

On 23 June, Italian Legislative Decree no. 42 of 12 May 2020 came into force, containing restrictions on the use of certain hazardous substances in electrical and electronic equipment and transposes Directive 2017/2102/EU, making several amendments to Italian Legislative Decree no. 27 of 4 March 2014.

In particular, the decree supplements the definition of “mobile non-road machines intended for exclusive professional use”, identifying them as “machines with a power source on board or with a traction device connected to an external power source, the operation of which requires continuous or semi-continuous mobility or movement, during the work, among a series of fixed work stations which are destined for exclusive professional use”. In addition, the decree extends the prohibition for EEE put on the market on containing the substances pursuant to Italian Legislative Decree no. 27 of 4 March 2014 (lead, mercury, cadmium etc.) also to all the other EEE that does not come within the scope of application of the previous Directive 2002/95/EC put on the market from 22 July 2019.

Among the other provisions of the measure there is one which excludes from the scope of application of Italian Legislative Decree 27/2014 “pipe organs”, which are normally made with a lead-based alloy. Changes are provided for also as regards the reuse of recovered replacement parts of EEE, which may entail exclusion from the prohibition on containing the substances pursuant to annex II provided that this occurs in controllable systems of closed circuit return from company to company, that the presence of replacement parts is communicated to consumers and only in the presence of the new conditions indicated in Art. 1 of the Decree in question.

Italian Law Decree no. 34 of 19 May 2020, (the so-called “Relaunch Law Decree”)

The “Relaunch Law Decree” contains specific provisions, also on the environment, to cope with the direct and indirect damage deriving from the COVID-19 crisis, and provided for several significant actions.

In brief, a series of measures are introduced to support companies that operate in environmental economic zones (zone economiche ambientali - ZEA) and, in addition, urgent measures are provided for on the subject of environmental impact assessment which, in order to ensure the immediate establishment of the Technical Verification Commission in the light of the health emergency in progress, exclude the intervention of the Technical Committee of Enquiry.

Other provisions of environmental interest can be found in Title VI, devoted to tax matters, which provides in particular for deferment to 1 January 2021 of the introduction of the tax on consumption of disposable articles (so-called plastic tax) and of the tax on consumption of sweetened drinks (so-called sugar tax) which were planned for this year in the last Budget Law. In addition, it lays down the postponement of the terms for approval of the TARI tariffs and rates with the term for approval of the 2020 budget, set for 31 July 2020.

Italian Law no. 40 of 5 June 2020 (Conversion Law for the so-called “Decreto Liquidità” - Liquidity Law Decree)

On 7 June 2020 Italian Law no. 40 of 5 June 2020 came into force, converting Italian Law Decree no. 23 of 8 April 2020 (the so-called “Decreto Liquidità”) containing “*Urgent measures on the subject of access to credit and tax formalities for companies, special powers in the strategic sectors, and actions on the subject of health and employment, extension of administrative and judicial terms*”.

This measure contains also a number of rules that involve environmental subjects, above all as regards the management of medical waste. In particular, it establishes that up to thirty days after the declaration of cessation of the state of health emergency, medical waste at only infective risk subject to a sterilisation procedure at public and private healthcare structures must be made subject to the legal regime of municipal waste. Therefore, medical waste at infective risk of public and private healthcare structures may, if sterilised in line with the procedures set forth in the law, be temporarily managed as municipal.

Other rules of environmental interest regard the inclusion of environmental services in activities at high risk of Mafia infiltration and the annual objectives of management of end-of-life tyres. In brief:

- it inserts among the activities defined as most exposed to the risk of Mafia infiltration (under the terms of Italian Law no. 190 of 6 November 2012 – “Provisions for the prevention and repression of corruption and illegality in the public administration”) environmental services, including activities of collection, national and cross-border transport, also by third parties, waste treatment and disposal, and the activities of restoration and reclamation and the other services connected with waste management;
- it regulates the annual objectives of management of end-of-life tyres and, taking into account the emergency situation deriving from the pandemic, it establishes that the objectives of management of quantities of end-of-life tyres on an annual basis (as fixed under the terms of Italian Legislative Decree no. 152 of 3 April 2006) equal to those put on the market and destined for sale in the previous year, for the year in progress are parametrised to the two years 2020-2021; consequently, the law specifies, the verification of the quantities of end-of-life tyres managed by the obligated subjects is performed calculating the tyres put on the market and destined for sale in the two years 2019-2020.

At the territorial level, the three Regions corresponding to the Group’s main areas of activity (Emilia Romagna, Liguria and Piedmont) issued in the first half of 2020 numerous acts on environmental matters and, more specifically, on the subject of waste management. The main provisions regarded sectoral measures associated with the health emergency consequent to the spread of COVID-19, also as regards specific extensions and exceptions functional to the continuity of the services provided.

MAJOR HYDROELECTRIC SHUNT CONCESSIONS

Within the deadline of 31 March the Piedmont Region, unlike what was done by the Lombardy region, did not approve the regional law on hydroelectric concessions provided for in Italian Law Decree no. 135 of 14 December 2018, (“Decreto semplificazioni” - Simplifications Law Decree). On the subject an amendment was also proposed to the draft “Cura Italia” law, issued to tackle the COVID-19 crisis, aimed at extending the term of 31 March 2020 to 31 October 2020 for the issue of regional laws on hydroelectric concessions.

CONCESSIONS AND ASSIGNMENTS OF THE IREN GROUP

DISTRICT HEATING

Iren Energia, with a notarial deed of 23 April 2020 (effective from 1 May 2020), acquired control over a business unit of SEI Energia which comprises the district heating network in the Municipalities of Rivoli and Collegno, and 49% of the company NOVE which manages the district heating network in the Municipality of Grugliasco. In the new legal role of owner, the company will continue management of the district heating service in the above territories.

INTEGRATED WATER SERVICE

On 3 January 2020, Iren S.p.A. and IRETI lodged an appeal before the Emilia Romagna RAC - Parma Section, against ATERSIR (Agenzia Territoriale dell'Emilia Romagna per i Servizi Idrici e Rifiuti - the Territorial Agency of Emilia Romagna for Water and Waste Services) and in respect of AGAC Infrastrutture, with a request for cancellation of the tender procedure regarding the "restricted procedure for the selection of the operating private partner of the company being set up, to which will be awarded the concession of the integrated water service for the Province of Reggio Emilia" and of all the related deeds made available on the ATERSIR website for the purposes of the request for participation in the pre-qualification procedure. The hearing for discussion was held on 11 February 2020, in which neither the company that owns the AGAC Infrastrutture networks as opposing party, nor any Municipality, possible *interventore ad adiuvandum* appeared to join the case.

The Parma RAC, following the discussion of 11 February 2020, withdrew its reservations and accepted the Application for referral proposed by Iren S.p.A./IRETI and set the discussion for 14 October 2020.

Subsequently, on 24 February 2020, Iren S.p.A. and IRETI presented an Application for pre-qualification to the Commissioning Body – ATERSIR. On 1 April, ATERSIR, on the basis of the provisions of the so-called "Care for Italy Decree", communicated to the participants the suspension of the tender procedure, owing to the COVID emergency, and the plan that the second stage of the procedure (invitations to the economic operators admitted) will be set compatibly with the evolution of the emergency situation.

As of 30 June 2020, the invitation letters have not yet been sent by ATERSIR.

ENVIRONMENTAL SERVICE MANAGEMENT

After a long pause imposed by the well-known emergency situation, in the context of the tender procedure for the award in concession of the public service of integrated management of municipal and similar waste in the territorial catchment area of Parma, on 5 June 2020 ATERSIR opened the envelopes containing the technical and economic offers. The offer presented by Iren Ambiente was provisionally at the top of the table (total score of 100 points), more than 4/5 of the maximum score obtainable from both the technical and the economic point of view.

On 19 June 2020, the session was held for the assessment of the anomaly threshold of the offer and the awarding commission – moving away from a first orientation expressed, as the current rules (Italian Legislative Decree 50/2016, Article 97, paragraph 3), do not provide for verification requirements on the Commissioning Body if the number of offers admitted is less than three – decided that Iren Ambiente's offer, exceeding the 4/5 of the maximum score obtainable, was to be subjected to the procedure.

We are awaiting formal communication from the Single Manager of the Proceeding, who must proceed with the assessment of congruity of the offer and, if appropriate, ask for clarifications from Iren Ambiente, assigning to the same a minimum term of 15 days to reply.

REGULATORY LEGISLATION IN THE FIRST HALF OF 2020

The main regulatory measures referred to the first half of 2020 with the greatest impact for the energy businesses of the Iren Group are presented below.

GAS

Gas Energy Management Res 148/2019-Res 155/2019, Res 88/2020 2 and Res. 181/2020– Reform of the rules on gas settlement

Resolution 148/2019 amended the Consolidated Rules on Gas Settlement (Testo Integrato del Settlement Gas - TISG) to incorporate the reform of the process of updating the relationship of correspondence between balancing user and delivery point of the distribution network approved by resolution 155/2019. This states that management of the commercial supply chain must be entrusted to the Integrated Information System (IIS) from 1 January 2020. The relationship of correspondence between Balancing User (shipper), distribution user (vendor company) and point of delivery (PoD) will therefore be mapped on the IIS. This process is also functional to reform of the processes of conferment on the City Gate which will come into force from thermal year 2020-2021 (then postponed by Resolution 110/2020 to thermal year 2021/22). The new rules on settlement, owing to how they were designed, had led to a high risk of default that could have reverberated on all customers under the same City Gate. ARERA, therefore, made the corrections to Res. 155/2019 and 249/2012 on activating the last resort (Res. 88/2020/R/gas). Last Resort Services (LSRs) are activated for single PoDs. LRSs (Last Resort Suppliers and default) are activated after 6 months of transport default. With Resolution 181/2020, ARERA tackled the critical issues of transposing the DSO adjustments.

Res. 147/2019, Res. 155/2019 and Res. 110/2020/ R/gas - Revision of the processes of defining commercial relationships between balancing users and distribution users. Revision of the processes of conferring capacity at delivery points on the transport network

Resolution 147/2019/R/gas had reformed the process of conferment of capacity at the output points of the gas transport network that supply distribution networks (City Gates), starting from 1 October 2020. Resolution 155/2019/R/gas had subsequently defined, in the context of the Integrated Information System (IIS), the operating methods of executing the process of updating the relation of correspondence between balancing user (BU) and point of delivery (PoD) present in the distribution contract of a distribution user (DU). The measure simplifies the process as the capacity no longer has to be requested from the Balancing User (BU) and the conferment is completed automatically, at the moment in which the Central Register of the IIS certifies the "relationship of correspondence" that defines, for each PoD present in the distribution contract of a Distribution User (DU), to which BU the withdrawals must be attributed. The current procedures of conferment and penalties for exceeding the capacity conferred are therefore superseded. The subsequent Resolution 110/2020/R/gas deferred to 1 October 2021 the entry into force of the reform of the process of conferment of capacity at the output points of the gas transport network that supply distribution networks (originally provided for at 1 October 2020 in Res. 147/2019/R/eel).

Resolution 60/2020 as amended Interruption of the suspension procedures as a result of arrears for COVID-19 Crisis

ARERA ordered a halt to suspensions and the obligation to reconnect users suspended from 10 March to 3 May 2020 for households and small businesses (LV electricity customers, gas customers with annual consumption < 200 kSm³, all water users). This prescription was then extended up to 17 May for households only. From 18 May, it has been possible to relaunch the procedures of placing customers/users in default, with payment in instalments without interest.

Gas networks

Resolution 569/2019 - Quality regulation of the gas distribution and metering services for the period 2020-2025 (RQDG)

After three consultations carried out in the second half of 2019, Resolution 569/2019 approved the new integrated text on the quality of gas distribution and metering services for the years 2020-2025, which pays great attention to the security of the service, providing for:

- the introduction of new indicators;
- the tightening of the security indicators;
- the obligation to put into cathodic protection 98% from 2023 with intermediate replacement stages;
- the obligation to replace cast iron by 2025, with intermediate replacement stages (cases of possible derogation permitted);
- the obligation of the presence of only modernised odourisation systems starting from 2023;
- the introduction of a pressure monitoring system for low-pressure networks;
- the postponement to 2023 of the revision of the standards for the work estimation time;
- new meter reading obligations by July 2020.

Resolution 107/2020 – Determination of the definitive reference tariffs for the gas distribution and metering services, for the year 2019

The Authority approved the definitive reference tariffs for the gas distribution and metering services for the year 2019, considering also the requests for adjustment of the figures presented by 15 February 2020.

Resolution 127/2020 – Determination of the provisional reference tariffs for the gas distribution and metering services, for the year 2020

The Authority approved the provisional reference tariffs for the gas distribution and metering services for the year 2019, considering also the requests for adjustment of the figures presented by 15 February 2020.

Decision 13/2020 - Recognition of the operating expenses for the natural gas metering service, related to remote reading/remote management systems and to the concentrators, incurred by natural gas distributor companies that have adopted buy solutions

Recently, decision 13/2020 defined the methods of presenting the applications for tariff recognition of the operating costs of remote reading/remote management and concentrators incurred in the years 2017 and 2018 (by 30 September 2020) and 2019 by 31 December 2020, in keeping with the methods for recognising admissible costs clarified with the previous resolution 537/2109/R/gas (approval of the amounts recognised for the years 2011-2016).

Consultation Document 39/2020/R/gas – pilot projects for optimising the management and innovative uses of the gas transport and distribution networks

The consultation, completed in April 2020, is intended to promote (with an additional contribution with respect to that provided for by the tariffs) actions to optimise distribution / transport networks or that seek more efficient use of them, which are implemented in three project areas:

- 1) methods and instruments for optimised management of the networks (bidirectional networks through the creation of bi-REMI cabins, management methods for use of the networks in accumulation function with the dynamic management of pressures, methods and instruments for the reduction of gas leaks in networks);
- 2) innovative uses of the existing infrastructures (ability to receive renewable gases or hydrogen, power-to-gas and power-to-hydrogen applications and any activities connected with the capture/sequestration and/or use of carbon dioxide);
- 3) work for technological/operational innovation on the networks (methods and instruments aimed at digitalising the networks and corporate processes, introduction of innovative technologies or innovative uses of existing technologies).

ELECTRICITY

The Italian Law Decree known as the “Thousand Extensions 2020” introduced changes to the primary legislation (Italian Competition Law 124/2017) on the subject of price protections: postponement of the end of the protection to 1 January 2021 for Small and Medium-sized Enterprises and to 1 January 2022 for micro-enterprises and conferred a mandate on the MED to establish with a decree the measures for encouraging the transition to the free market as well as the definition of the Vendor List (subjects authorised to sell electricity and gas).

ARERA published the consultation document 220/2020/R/eel “Service with gradual protections for small businesses in the electricity sector pursuant to Art. 1, paragraph 60 of Italian Law no. 124/17”, which illustrates ARERA’s orientation on the subject of managing competitive procedures for the assignment of users (in this case only the SME segment, which can currently be estimated at approximately 195,000 PoDs) which as of 1 January 2021 will not be holders of a supply contract on the free market. On the basis of what is presented by the Authority, the proposed procedure would provide for the assignment of “batches” of users (combined in territorial macro-areas) through two-stage auction procedures, with access to the second stage limited to the best two bidders of the first stage.

Decree 162/2019, containing “Urgent provisions on extension of legislative terms, organisation of public administrations, and technological innovation” and converted into law this past 29 February, presents, of interest for Iren Energia, Art. 42-*bis*, which states that, while awaiting complete transposition of Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (the so-called RED II) – and in partial and advance implementation of the provisions contained therein – it is permitted to activate collective self-consumption from renewable sources, or make renewable energy communities, laying down the rules for them.

ELECTRICITY NETWORKS

Electricity distribution and metering tariffs

Resolution 190/2020/R/eel – changes to the tariffs of low-voltage non-domestic users for May - July 2020
Res. 190/2020 implements the reduction of the fixed components of the transport, distribution and metering tariffs and general expenses, provided for in Art. 30 of the Relaunch Decree, which states that for low-voltage non-domestic customers with power of more than 3 kW, for the quarter May-June-July, the following will apply:

- the portion related to power will be reduced to zero;
- only a fixed portion of reduced amount will be charged (as if the supply were 3 kW), without reducing the power in reality available.

If at the date of entry into force of the Authority’s measure, invoices have already been issued in relation to the current month of May, the adjustments due must be made by the second subsequent invoicing.

WASTE

During the first half of 2020 Resolution 443/2019/R/RIF was supplemented by various provisions, prepared also to respond to the needs deriving from the COVID-19 health emergency. In particular the main measures introduced are listed below:

Resolution 57/2020/R/RIF containing procedural simplifications regarding the tariff rules of the integrated waste service and launch of the proceeding for verification of the regulatory consistency of the pertinent decisions of the territorially competent body;

Decision 2/DRIF/2020 containing clarifications on the “Metodo Tariffario Rifiuti – MTR”, Waste Tariff Method (WTM), the procedures for the transmission of the Economic and Financial Plans and an indication on the calculation of the incentives deriving from Renewable Energy Sources, for the purpose of determining the revenue, as per the regulations before the WTM;

Resolution 102/2020/R/RIF: data required from operators for measures to mitigate the effects of the health emergency on users and on the economic-financial balance of operators, to guarantee continuity of essential services and to define methods of dealing with additional expenses for operators. The probable postponement of the regulation on the treatment is also announced;

Resolution 158/2020/R/RIF on new tariff measures in favour of Non-Domestic Users affected by the lockdown and Domestic Users in difficulty;

Resolution 238/2020/R/RIF (approved after a consultation process): the measure amends some parts of resolution 443/2019 related to the WTM, introducing a number of elements of flexibility for Territorially Competent Bodies aimed at mitigating the effects of the health emergency on users and operators. Specifically the following are introduced:

- a) a further objective 19 which takes into account the costs deriving from the COVID-19 emergency;
- b) additional components of a forecasting nature (in part only for 2020 and others for 2021);
- c) the annual portion of the adjustment related to the difference between the costs determined for the year 2019 and the costs resulting from the Economic and Financial Plan (EFP) for the year 2020 approved, by 31 December 2020, in application of the WTM (recoverable in three years);
- d) the possibility, also for the waste sector, of gaining access to CSEA loans aimed at supporting the financial advances deriving from application of the subsidies provided for in Resolution 158 /2020; this option, subject to certain conditions on TCBs and beneficiary operators, can be requested from the TCB itself by 30 September 2020 indicating the beneficiary operators. CSEA checks and, if positive, disburses the amounts requested by 31 October 2020.

Italian Law Decree no. 18 of 17 March 2020, (the so-called “Cura Italia” Law Decree) states that the term for determining the tariffs of the TARI and consideration TARI, provided for in Italian Law no. 147/2013, is deferred to 30 June 2020. However, the option for municipalities to approve the tariffs adopted for the year 2019, also for the year 2020, is provided for. By 31 December 2020, they must determine and approve the EFP for 2020. Any adjustment between the costs resulting from the EFP for 2020 and the costs determined for the year 2019 may be divided over three years, starting from 2021. The approval date of the TARI tariffs and of the EFP 2020 as at 30 June 2020 was subsequently deferred to 31/07/2020 by the Relaunch Decree (Italian Law Decree 34/2020).

Work groups at the Ministry of the Environment – Circular economy

Alongside the activity performed by the Authority, the Italian Ministry of the Environment and Protection of the Territory and of the Sea has set up 14 Work groups for the purpose of revising and amending in the legislative context the directives issued by the EU on the Circular Economy. During the first half of 2020 the State-Regions Conference and the Unified Conference were held, giving a favourable opinion on and agreement with the schemes of the Italian Legislative Decree transposing the European framework directives, on packaging and landfills.

WATER SERVICE

Resolution 186/2020 and Resolution 221/2020 – Transposition of the provisions pursuant to Italian Law 160/2019

Italian Law no. 160 of 27 December 2019, containing “Forecast State budget for financial year 2020 and multi-annual budget for the three years 2020-2022” supplemented the legislative framework of reference in relation both to bi-annual prescription and to certain aspects of the management of arrears. Consequently ARERA acted:

- With resolution 186/2020 of 26 May to transpose the new provisions related to bi-annual prescription, providing for superseding the distinction, previously provided for in article 1, paragraph 5, of the 2018 Budget Law, between cases in which the delay in invoicing amounts referred to consumption dating from more than two years previously is attributable to responsibilities of the operator and those in which the delay is presumably attributable to the end user;
- with resolution 221/2020 of 16 June to amend and supplement the provisions introduced by the REMSI (regulation on arrears in the IIS), laying down in particular that 1) the friendly payment reminder must be sent to the end user exclusively by registered letter with recorded delivery or certified e-mail, 2) the last deadline by which the end user is obliged to settle the earlier unpaid payments may not be less than the 40 calendar days provided for in the current legislation, calculated starting from when the said user receives the communication containing the friendly payment reminder.

Resolution 235/2020 – Adoption of urgent measures in the IIS, in the light of the COVID-19 crisis

In relation to the health emergency the Authority, after collecting information and a consultation document, adopted urgent measures aimed at mitigating the effects of the COVID-19 crisis on the economic and financial equilibrium of the operations and on the conditions of performing the services, guaranteeing the continuity of the essential services, creating the conditions for the relaunch of spending for investments, and at strengthening the social sustainability of the tariffs applied to users.

In particular the Authority provided for:

- a) deferment of the terms for the tariff and technical quality formalities: the term for conclusion of data collection for assessment of the achievement of technical quality objectives 2018-2019 and for transmission of the 2020-2023 tariff scheme proposal is deferred to July;
- b) elements of flexibility on the mechanism of assessment of the contractual and technical quality performance: the contractual and technical quality objectives, related to 2020 and 2021, are assessed cumulatively on a bi-annual basis;
- c) Exceptions regarding the acquisition of metering data and decisions related to industrial waste authorised for discharge into public sewers;
- d) measures aimed at protecting the economic and financial balance of the operation, providing for: i) adjustment on the recognition rate of financial expenses for ordinary work in progress; ii) option for EGA to recognise forecast costs associated with COVID-19, subject to adjustment, and extension costs to cover the lengthening of the collection times; iii) potential adjustment of the tariff recognition on the costs of arrears for the two years 2022 and 2023, if evidence of this emerges;
- e) measures for strengthening social sustainability: after agreement between EGA and the operator the option is granted to defer over time the tariff recognition of costs that contribute to an increase in the tariff compared to the year 2019.

OTHER GENERAL MATTERS

Incentives

Resolution 270/2020/R/efr - Revision of the tariff contribution to be recognised to distributors in the context of the mechanism of energy efficiency certificates in execution of Lombardy RAC judgement no. 2538/2019

The resolution, among other things:

- confirms the cap at CT of 250 euro/EEC;
- introduces an additional amount up to 10 euro/EEC recognised to the distributor obligated to deal with the lack of certificates on the market;
- in virtue of the extensions granted in consideration of the epidemiological emergency (cf. next section), distributors may ask the CSEA for an extraordinary advance calculated uniformly at 250 euro/EEC and in the amount of 18% of the 2019 objective (200 euro/EEC on future obligations).

Update of terms for GSE formalities

After the Resolution of the Cabinet of 31 January 2020, the GSE provided for, among other things, an extension of 6 months of the terms for entry into operation of plants admitted to the incentives under the terms of the 2016 RES MD.

Short negative prescription

Resolution 184/2020 – invoicing of amounts referred to consumption going back more than two years

Resolution 569/2018/R/COM had regulated protections of small final customers in cases of consumption invoicing going back more than two years, providing for specific disclosure requirements for vendors, the supporting methods for claiming the requirement and ways of submitting and managing claims.

As provided for in the 2018 Budget Law, these rules distinguished the cases in which the invoicing delay was presumably attributable to responsibilities of the vendor and/or distributor from those for which the final customer was presumably responsible.

The recent Resolution 184/2020 incorporates now the abrogation—made by the 2020 Budget Law—of the point of the 2018 Budget Law on the inapplicability of the protections in the case of failure to read or non-reading of the consumption data deriving from ascertained responsibility of the user.

Therefore from 1 January 2020, small final electricity/gas customers and users of the water service can in any case claim the prescription for invoiced consumption of more than 2 years ago, irrespective of the subject responsible.

In detail, Resolution 184/2020:

- applies from the first useful invoicing cycle after 28 May 2020;
- keeps valid any actions already launched by the Vendors for invoices issued from 1 January 2020;
- states that Vendors and operators must update the disclosure for customers and users included in invoices and inform customers and users of the possibility of claiming the amounts from more than two years ago providing a specific form.

MEASURES RESULTING FROM THE COVID-19 EMERGENCY

The health emergency entailed legislative and regulatory actions which amended the rules laid down in the sectors in which the Iren Group operates.

Specifically for energy infrastructures, the following provisions are worth noting:

- ARERA Communications: these provided indications to operators on the essential activities for the security and continuity of the service and anticipated a mechanism for the recognition of costs arising for operators;
- Resolution 59/2020/R/com: this provided for the applicability of Force Majeure for commercial/contractual and technical quality performance not achieved owing to COVID-19 and deferred the terms for the reporting and MTI-3 tariff approval (from April to June) of the water service;
- Resolution 60/2020/R/com as amended: this extended the suspension of closures for arrears for inaccessible meters (terminated with the publication of the health protocols, established mechanisms of facilitated renewal of the bonus and expended the COVID-19 emergency account (managed by CSEA) to 1.5 bln euro;
- Resolution 116/2020/R/com: this introduced payment extensions in favour of vendors and for the launch of non-fulfilment procedures by the DSOs for amounts with maturity March-June 2020 and referred to small electricity/gas customers, LV or < 200k sm³ per year, and payments of the General System Expenses by DSOs to CSEA/GSE aligned to the related collections;
- Consultation document 193/2020/R/com and subsequent Res. 248/2020/R/com: these lay down the methods of settlement of economic items not paid by electricity/gas Vendors for which the DSO has not activated the non-fulfilment procedures and the methods of payment by the DSOs of the general system expenses transitionally not paid to CSEA and to GSE. In addition they provide for measures for management of the rating guarantee in cases of downgrade, due to the current emergency situation, below the classes normally permitted by the respective network codes.

PERSONNEL

At 30 June 2020, the Iren Group had 8,168 employees, up compared to the 8,102 employees at 31 December 2019, as can be seen in the table below, divided into Holding and first-level companies and related subsidiaries.

Company	Workforce at 30.06.2020	Workforce at 31.12.2019
Iren S.p.A.	1,058	1,060
IRETI and subsidiaries	2,164	2,150
Iren Ambiente and subsidiaries	3,572	3,508
Iren Energia and subsidiaries	868	875
Iren Mercato and subsidiaries	506	509
Total	8,168	8,102

The main changes in the workforce compared to 31 December 2019 are attributable to:

- the company San Germano, as a consequence of the start/conclusion of services preformed on contract, also of a seasonal nature;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

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 2024 confirms the centrality of innovation in the Iren Group's Vision which will be expressed in the development of all the sectors in which it operates with the objective of making Iren an example of excellence and innovation in the multi-utility sector. In particular the Business Plan provides for investments of approximately € 350 million in the digitalisation of processes as part of an important digital transformation project that has impacts on operating activities, customer management, the re-qualification of skills and the launch of new services.

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

- 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;
- solutions for the production of renewable hydrogen and for the production of synthetic methane combined with the capture of carbon dioxide;
- thermal and electrical storage systems;
- processes aimed at maximising the recovery of energy and materials from different waste fractions, separately and not separately collected;
- automation and robotics in waste processing plants, in support of the operating personnel;
- Internet of Things (IoT) and domotics;
- data intelligence ICT tools;
- optimised management of the integrated water cycle (districtualisation, identification and reduction of network losses) and instruments in support of sensors in the field;
- detection of pathogenic agents in water samples: test potentially applicable also in other sectors such as food, health, agriculture;
- systems for the quantitative reduction and recovery of material and/or energy from sludge deriving from waste water treatment processes;
- innovative solutions connected with electric mobility;
- "industry 4.0" solutions in support of the personnel involved in plant operation and maintenance activities, for predictive maintenance and monitoring in the field.

Iren manages the innovation processes through an open innovation model and, in keeping with this model, it has in progress 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.

During the first half of 2020, the technical activities continued for the Group's various co-financed projects and the development, also in partnership with innovative companies and start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at giving the Group the tools needed to seize the opportunities and mitigate the risks deriving from evolution of the markets in which it operates.

"IREN UP", an innovative Corporate Venture Capital programme with the objective of accompanying Italian start-ups with the highest potential in the cleantech sector, was structured further during 2020. The programme makes available a completely new personalised package of services that includes testing, technical support, legal advice, market tests, and commercial and industrial agreements. During the first half of 2020 IREN UP completed a corporate venture operation with a startup that operates in the field of robotics applied in this case to the waste sector. Several dossiers are also being studied with the objective of concluding other investments within the year.

During the first half of 2020 public open innovation events decreased owing to the COVID-19 crisis, which limited the possibility of interaction with the innovation ecosystem with traditional instruments. Despite this difficulty IREN was able to support the 2020 edition of Innovation 4 Change promoting a challenge focused on new business models connected with the energy communities of citizens.

FINANCED RESEARCH PROJECTS COMPLETED AND IN PROGRESS

Also in the first half of 2020 IREN contributed to the creation of important innovation projects co-financed with public funds for research. On this point, the main projects underway are presented below. The total investment for the IREN Group is approximately 6.8 million euro, of which around half being financed. In relation to these amounts, the expense incurred in the first six months of 2020 was approximately 402,000 euro, of which approximately 344,000 euro covered by financing.

The projects in progress in the first half of 2020 are presented below:

Recovery of material from WEEE R1/R2 (Ministry of the Environment Call for Tenders)

The project has as its main objective the development of technologies with high replicability and rapidly transferable to the industrial world, aimed at optimising the management of waste electrical and electronic equipment (WEEE) and in particular the recovery of polyurethane from refrigerators (WEEE R1) as secondary raw material and optimisation of the separation of cement from the carcass of washing machines (WEEE R2).

SATURNO (Bioeconomic Technological Platform – Piedmont Region Call for Tenders)

The project provides for the validation, on an industrial platform, of the conversion of the organic fraction of waste and of the CO₂ of vehicle exhausts and industrial production, into biofuels and biochemicals; specifically, the project provides for use of the organic fraction of waste of municipal origin, normally converted into thermal energy, electricity, bio-methane and compost, through the extraction of substances with high added value such as H₂, carboxylic acids, biofertilisers and biostimulants.

IREN is involved in the project together with the associate GAIA at which tests will be performed on separation and treatment of the bio-plastics separated from the over screening fraction of the OFMSW (Organic Fraction of Municipal Solid Waste). IREN is also involved in the development of the Business Plan of the SATURNO integrated bio-refinery, tested and validated during the project.

CHESTER (Horizon 2020)

The project aims to develop and integrate an innovative Power-to-Heat-to-Power solution to maximise the use of non-programmable electrical RESs and thermal RESs already combined with DH systems. The system being studied, called CHEST, will allow electricity to be transformed into heat, stored and then used to produce electricity again, using heat pumps, latent heat storage and organic rankine cycles (ORCs).

Energy Shield (Horizon 2020)

The project intends to develop an integrated cyber security platform, usable by all actors of the energy chain (Transmission System Operators, Distributors, Aggregators, Producers).

IREN participates as a Distributor (through IRETI) supporting the partners in the definition of the specific cyber security instruments, preparing a feasibility test (on paper) and possibly an “offline” field test applied to one or more subsystems of the network (remote control, SCADA, smart meters, supporting TLC networks...). The first half of 2020 was characterised by the definition of the cases of use which will be tested in the field and/or of which the technical feasibility will be studied. IREN and IRETI interacted with the partners/technology providers for the development of the different software programmes which will make up the integrated platform.

ENERGYNIUS (2014-2020 ERDF-ROP Emilia Romagna)

The ENERGYNIUS (acronym for Energy Networks Integration for Urban Systems) project intends to outline models of development that enable Energy Communities and Energy Districts to carry out bidirectional exchanges with energy networks, thus offering energy and services to the regional/national system. Software instruments based on optimised management algorithms, real-time simulation models and energy district diagnostics will also be developed to identify the best technological and control solutions for energy production, storage and distribution systems. Some of the algorithms developed will be integrated into a hardware device for the control of energy plants. Software and hardware instruments will be validated in both simulated and real environments on at least three study cases.

EVERYWHERE (Horizon 2020)

The objective of the project is to develop a power generator with “plug and play” fuel cells, easy to transport around the city for temporary electrical power in various sectors (building sites, music festivals, temporary events, exhibition centres). The IREN Group, as a third party of Environment Park, will test a hydrogen skid for electricity production during events/trade fairs (uninterruptible power supply/mobile generator mode).

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.

During 2020, IREN designed and installed a pilot heat-pump system to supplement the heating and cooling system at a building it manages in order to test the joint operation of energy vectors for the activation of flexible demand strategies with a view to providing services for the electricity network.

PUMP-HEAT – (Horizon 2020)

The project has the objective of increasing the flexibility of conventional fossil source plants, in particular combined-cycle plants, in order to satisfy the ever-increasing needs of the network to offset the demand fluctuations deriving from renewable sources. The project studies the combination of heat pumps with cogeneration and conventional combined-cycle systems; the combination with heat and cold storage systems is also analysed. In particular, at the IREN facility of Moncalieri (TO) a pilot plant is being built, in which the technologies studied and developed during the project will be tested as regards cogenerative combined-cycle applications.

STORE&GO – (Horizon 2020)

The STORE&GO project, completed in February, tested 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 assessed the possibility of integrating the P2G storage system into leading-edge energy production and distribution systems. IREN’s role regarded the study of the technical/economic possibilities of integrating P2G technology into thermoelectric production systems.

5G-Solutions (Horizon 2020)

The objective of the 5G-Solutions project, launched in 2019, is to test, in different field tests, the functioning, potential and limits of the 5G network, con particular attention to assessing the performance indicators defined by the standardisation bodies responsible. These tests will involve the following verticals: Factories of the Future, Smart Energy, Smart Cities, Smart Ports, Media & Entertainment.

IREN takes part in the “Energy” vertical activities, assessing the benefits related to integration and use of the 5G network (and of its main characteristics of speed, limited latency and high reliability) in the cases of use of Demand Side Management at the industrial level and of Smart Charging of electrical vehicles. The first half of 2020 was marked by the refinement of the use cases, identifying the places for the pilots: the car park of the Turin office (Martinetto) for the use cases on smart mobility and, in synergy with the Pilot of the PLANET project, a building of the Municipality of Turin equipped with a prototype Heat Pump for the use cases on Demand-Response.

Evolution2G (EMEurope Call 2016)

The “eVolution2G” project, which began in June 2018, is intended to study in depth and test directly in the field the Vehicle to Grid (V2G) concept, that is a system in which electric vehicles have a balancing role on electricity grids. The main innovations of the project are based on:

- Development of light quadricycles with an innovative battery management system and a bidirectional recharge system, capable of interfacing with the electricity grid both to recharge and to “give back” its charge;
- Development of an EMCS (Energy Management and Control System) prototype, for data management according to the various subjects involved, with a view to improving the balance of the electricity network;
- Testing on V2G charging solution prototypes, both at home and at a public/urban level.

During the period, IREN completed the procurement and installation of the prototype bidirectional columns, while awaiting the finalisation of the commissioning of the columns and the management platform.

SmartWaterTech (MEUR - Italian 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.

During the first half of the year IREN collaborated with IRETI in defining technological nuclei to be applied in a number of pilot sites in the drinking water and wastewater field, for the purpose of modifying the original technical specifications.

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

The WATERSPY project developed and defined a method for detecting the presence of heterotrophic bacteria in aqueous matrices such as *eColi*, *pseudomonas aeruginosa* and salmonella. The instrument, 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 will then be analysed with laser technology. The development of an instrument which works in the range indicated could open up significant opportunities in pervasive monitoring of water quality. The project was formally completed at the end of February 2020 with a review meeting at the end of April. Further follow-up activities are planned in the second half of the year.

MARILIA - MARA-BASED INDUSTRIAL LOW-COST IDENTIFICATION ASSAYS (H2020)

The MARILIA project, awarded in the first half of 2020, has the objective of developing, from Technology Readiness Level 2/3 to 5, a new expeditious test, at low cost and high sensitivity, for the detection of pathogenic agents present in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at the laboratory level, developed to identify a set of bacteria (to be identified also with IREN's contribution), laying the groundwork for subsequent deployment in the field.

The project is intended to make the process significantly more efficient in terms of speed and costs compared to the current analytical practices, such as those based on cell cultures, which need long times, costly reagents and access to a microbiological laboratory with highly qualified personnel.

PRELUDE (Horizon 2020)

The objective of the project, awarded in the first half of 2020, is to test, in several pilot projects in Europe, solutions in the context of innovative conduction of buildings and systems, free-running mode (FRM), self-consumption and integration of renewable sources. From the technological point of view, PRELUDE intends to integrate multiple physical and mathematical models developed by the partners, the databases of the different pilots and the systems of monitoring and control of the assets of the pilot projects in a single modular platform/middleware based on FusiX (metadata infrastructure and DSS – Decision Support System), developed by the partner EMTECH in previous EU projects.

IREN and IREN Smart Solutions participate in the project as coordinators of the Italian Pilot: 2 buildings in Turin (or surrounding areas) will be identified among those in the Iren Smart Solutions portfolio and inside them 6 apartments will be equipped with different levels of sensorisation, implementation and direct feedback on the inhabitants (through apps or the like). The Kick Off Meeting is planned for between September and October 2020.

RES-DHC (Horizon 2020)

The objective of the project, also awarded in the first half of 2020, is to create tools to support Regulators and stakeholders for an increase of renewable sources in district heating and district cooling systems. Planning and technical/economic assessment instruments, actions to improve regulatory policies and frameworks and innovative means of dissemination and communication will be tested in 6 European pilot projects with the objective of validating their benefits and preparing a set of instruments for the benefit of future projects in the energy field.

IREN and IREN Energia take part in RES-DHC to test the tools and skills of the partners on studies/projects for the renewal of existing DH networks or new expansion projects, with the primary objective of improving the methods of planning, communicating and accepting innovative district heating 4.0 projects of the Group.

OTHER INNOVATION ACTIVITIES

During the first half of 2020, alongside the financed projects, IREN launched approximately 60 self-financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, IREN activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the IREN businesses, the creation of models and the identification of new processes and services.

A number of significant self-financed projects are presented below:

Water

During the first half of the year research activities continued for optimisation of water pipeline networks. In particular, tests continued of sensors for monitoring hydraulic transients in water distribution networks and of the instrumentation in order to identify and eliminate the causes generating the harmful effects for pipelines and causes of breakages.

In addition, IREN was able to benefit from the results of an important research project aimed at improving the ARERA technical quality indicators in the integrated water cycle sector, for the purpose of responding to the needs of competitiveness and efficiency required by the new Regulation of the Technical Quality of the Integrated Water Service supporting the adoption of innovation in the planning of Investments. Multiple technological nuclei were identified and some of them were selected for deployment to be done during the second half of the year.

Activities connected with research on new technologies to be applied to purification processes also continued, with the aim of reducing the production of surplus sludge and recovering material and energy deriving from this, with the objective of reducing total operating costs. In this context collaboration activities continued with startups and research bodies, with the objective of assessing yields and applicability of innovative processes such as hydrolysis, gasification or bio-technological processes for the extraction of high-value compounds, such as biopolymers. As regards gasification an in-depth study was carried out to assess the feasibility and methods of application of the process at the sludge line of the Group's wastewater treatment plants.

During the first half of the year feasibility studies were verified for the energy optimisation of a number of waste water treatment plants in order to assess the applicability of a strategy that makes it possible to minimise electricity consumption and maximise energy self-production with a view to ZEPs (Zero Energy Plants) and the optimisation of the measurement and reduction of the odour concentration.

It is important to highlight IREN's participation in an important Horizon Scan project on the technologies available for managing the integrated water service during the COVID-19 crisis. The researchers involved identified more than 200 technological nuclei divided into four distinct areas (analysis and testing; removal and deactivation of the virus; monitoring, automation and remote control; solutions for managing unforeseen events) verifying their potential benefits (reduction of costs and investments; impact on operators' safety; optimisation of resources) and presenting study cases and references. In the second half of the year follow-up activities are planned in the field of operation of the water service and human resource management.

The research activity pursuant to the collaboration agreement between Hera, IREN, SMAT and A2A also continued. During the first half of 2020, IREN continued to share its experience and knowledge through joint development of innovative projects, with repercussions to the benefit of the said Companies, with the objective of developing applied research, innovation and technological development in the context of management of the water service.

In the first half of 2020, IREN also took part in the project coordinated by the City of Turin on the subject of Circular Water Circles. Iren provided important contributions sharing its experience in of managing water leaks, interacting with multiple stakeholders through meetings organised with institutional stakeholders.

Projects included in the AMGA Foundation's research programme

In the first half of the year, IREN continued the collaboration with research projects financed by the AMGA Foundation referring to economic/regulatory subjects and technical/scientific aspects connected with

water, energy and environmental resources. Further projects will be identified and selected as part of a call for tenders involving research that the Foundation will issue in the current year.

Among the projects in progress, we can note the research on:

- Applicability of Landfill Mining to old landfill sites in Italy;
- MYRAEE - MYco Recovery of Electrical and Electronic Equipment;
- Nanocatalysers based on manganese oxides for sustainable energy production (Mn4Energy);
- Comparative assessment of biogas cleaning and upgrading processes;
- Markets in search of regulation: tender procedures for gas distribution concessions;
- Optimal methods of managing urban drainage systems based on innovative monitoring of rainfall using IoT low-power wide-area network technology;
- The economic, environmental and organisational performance of the Italian water sector;
- Reuse of purified waste water: analysis of the hygienic-sanitary impact;
- Regulation of water and environmental services: analysis of the factors that determine the operating and capital expenses and possible reflections on the models of cost recognition in tariffs;
- Energy markets and switching by consumers: what are the drivers and what instruments for action are potentially effective?;
- Proposed actions for the removal of emerging pollutants and micropollutants in water treatment plants. Conventional and innovative processes;
- National guidelines for the sustainability of third-sector entities (TSEs) with particular reference to energy and water;
- The behavioural economy meets the energy market;
- Cost-benefit analysis in the energy field (reference to no-dig);
- Cost characteristics and economies of scale in the waste management sector;
- Application of WSPs to the water service: methodological and informative aspects for the stakeholders involved;
- Development and validation of procedures for the assessment of the input of biomethane into distribution networks;
- Resilience indicators in water distribution systems with respect to climatic and socio-economic changes;
- Models for the forecasting and management of damage to networks in the case of floods. The project was launched in 2017.

Waste Management

During the first six months of 2020, the first part was completed of a research and testing activity regarding a reaction for fixing CO₂ deriving from combustion processes in matrices at the solid state, using reactions that make use of acids and/or analogous substances extractable from vegetable matter. After the definition of reaction yields and kinetics, the activity will continue with the support of an industrial partner for the creation of a first prototype of the system.

A feasibility study was also developed on the integration of innovative solutions for the decarbonisation of combustion plants, with particular reference to the conversion of carbon dioxide-rich flows into molecules with high added value, such as methane, making use of systems for the production of thermal energy and electricity from renewable sources. Specifically, the TRM waste-to-energy plant was considered as a use case.

During the first half of 2020 the research activity continued on the use that can be made of bottom and fly ashes produced by the Group's incineration plants. In particular the activities performed, which involved universities and industries, concentrated on the assessment of the industrial applicability of the processes previously studied at the laboratory level (carbonatation, washing).

In the early months of 2020, the activities connected with the research bursary for using mixed plastics from WEEE were completed. This research studied and analysed the possibility of their use in cement mixtures or in bitumen, partially replacing aggregates.

Again as regards the treatment of WEEE, a feasibility study was launched with associated test in the field of a robotic system based on artificial vision for the automation of the process of dismantling (up to now mainly manual) of LCD screens at end of life processed in the TBD plant of Volpiano (TO).

Finally a first feasibility study and technological scouting were completed in relation to innovative processes for the production of biopolymers and biocompounds from vegetable organic waste, including the OFMSW.

Energy

Industry 4.0 Innovation

IREN is continuing activity on seeking innovative solutions falling under the definition of “Industry 4.0” applicable to the Energy Business Unit, with particular reference to the maintenance sector. The analysis focused on specific verticals, that is operator safety, infrastructure monitoring and big data, concentrating on the thermoelectric, hydroelectric and district heating sectors.

In the first half of 2020 the testing activities continued, using drones to inspect dams, reservoirs and rocky slopes. In addition, a number of IREN Energia employees were trained on the use of drones and accompanied the external personnel during the inspection activities. Development of a rover for inspecting shunting tunnels is in the completion stage. The robot will be capable of travelling along tunnels, acquiring images and 3D maps, communicating with the outside world via a wireless network during the inspection. Again, in the hydroelectric sector tests are continuing on the use, in an operating context, of smart glasses systems in order to enable interaction between the operating field and the control room and real-time data communication.

Training days were organised for maintenance staff.

During the first half of 2020 the experimental technique of monitoring district heating networks through overhead flights was used again. Thanks to the use of a high-resolution thermographic camera, mounted on an aircraft, it was possible to fly, in a winter night, over the city of Turin and identify using thermal image processing software the water and heat leaks of the network.

In the field of predictive maintenance tests continued, at the Group’s main plants, on models which, starting from the operating data of the plant, are capable of predicting its operation, thus optimising the maintenance activities and preventing any malfunctioning and breakdowns.

In the district heating field, instead, an experimental activity is in progress, according to new specifications, for the remote monitoring of the environmental parameters of the network valve chambers, considered confined spaces, making use of a connectivity technology capable of sending the data to a centralised database and analysing this information. The goal of the project is to increase operator safety and provide additional information useful for planning maintenance activities in such spaces.

Other innovations in the energy field

In the research field, during the first half of 2020, IREN completed the study on solutions for the recovery of geothermal heat and waste heat in combination with metropolitan transport networks.

During the period, a project was launched for the development of solutions in support of renewable energy communities for which the Italian legislation is being published, anticipating part of the transposition of the European REDII directive.

Finally studies were completed on fourth generation district heating networks powered by renewable sources or heat pumps, as well as feasibility studies for the reconstruction of existing networks.

The *LoRa* Castellarano project is continuing also in 2020. This involves the creation of the IoT connectivity network based on the *LoRaWAN* communication protocol covering the town of Castellarano. The purpose of the project is to test solutions typical of Smart Cities starting from the assets managed by IREN, namely the gas distribution network, the drinking water network, waste collection, and then arriving at additional services for the population, such as monitoring of weather conditions, of noise, of car parks and of the conditions of comfort of a number of buildings owned by the Municipality.

Corporate Venture Capital – IREN UP

During the first half of 2020 numerous activities were also carried out in the context of the Corporate Venture Capital programme. First of all an operation was completed with a startup active in the field of robotics applied to the waste sector. The Iren Group guaranteed for itself the potential entry into the equity of the innovative company at favourable conditions in the next investment round.

In these months, dossiers (studied in depth during the previous year) were also worked on, entering into the stage of negotiation with two other startups. The objective is to conclude the dossiers arriving at the investment in the second half of 2020.

During the year the activities for the scouting and analysis of the best startup opportunities at the national level were performed. From January to today, contacts have been made with more than 100 startups, approximately a dozen of which are at an advanced stage of study of their dossiers.

Condensed Consolidated Interim Report
and Notes
at 30 June 2020

STATEMENT OF FINANCIAL POSITION

thousands of euro

	Notes	30.06.2020	of which related parties	31.12.2019 Restated	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,622,532		3,600,408	
Investment property	(2)	2,951		3,003	
Intangible assets with a finite useful life	(3)	2,197,996		2,193,151	
Goodwill	(4)	160,475		159,622	
Investments accounted for using the equity method	(5)	142,018		137,275	
Other equity investments	(6)	7,403		7,403	
Non-current trade receivables	(7)	90,596	27,810	74,443	14,469
Non-current financial assets	(8)	162,643	124,544	148,051	131,362
Other non-current assets	(9)	29,699	6,944	35,490	6,944
Deferred tax assets	(10)	367,284		368,436	
Total non-current assets		6,783,597	159,298	6,727,282	152,775
Inventories	(11)	61,118		71,789	
Trade receivables	(12)	816,261	109,278	905,628	120,751
Current tax assets	(13)	12,861		18,851	
Other receivables and other current assets	(14)	324,334	561	305,296	829
Current financial assets	(15)	81,353	25,696	75,807	24,211
Cash and cash equivalents	(16)	378,279		345,876	
Total current assets		1,674,206	135,535	1,723,247	145,791
Assets held for sale	(17)	1,285		354,193	352,900
TOTAL ASSETS		8,459,088	294,833	8,804,722	651,466

(*) As provided for in IFRS 3, the financial balances at 31 December 2019 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the company Ferrania Ecologia. For further information, please see the paragraph entitled "Restatement of amounts at 31 December 2019" in the section "Content and structure of the condensed consolidated interim report".

thousands of euro

	Notes	30.06.2020	of which related parties	31.12.2019 Restated	of which related parties
EQUITY					
Equity attributable to shareholders					
Share capital		1,300,931		1,300,931	
Reserves and Retained Earnings (Losses)		850,545		750,264	
Net profit (loss) for the period		132,728		236,389	
Total equity attributable to shareholders		2,284,204		2,287,584	
Equity attributable to non-controlling interests		350,800		363,756	
TOTAL EQUITY	(18)	2,635,004		2,651,340	
LIABILITIES					
Non-current financial liabilities	(19)	3,225,119		3,167,048	
Employee benefits	(20)	104,060		106,420	
Provisions for risks and charges	(21)	381,714		415,260	
Deferred tax liabilities	(22)	206,719		209,591	
Other payables and other non-current liabilities	(23)	478,180	230	480,040	133
Total non-current liabilities		4,395,792	230	4,378,359	133
Current financial liabilities	(24)	315,670	7,724	461,163	3,868
Trade payables	(25)	639,624	17,758	887,062	35,364
Other payables and other current liabilities	(26)	312,417	162	306,735	26
Current tax liabilities	(27)	55,091		1,761	
Provisions for risks and charges - current portion	(28)	105,490		118,302	
Total current liabilities		1,428,292	25,644	1,775,023	39,258
Liabilities related to assets held for sale	(29)	-		-	
TOTAL LIABILITIES		5,824,084	25,874	6,153,382	39,391
TOTAL EQUITY AND LIABILITIES		8,459,088	25,874	8,804,722	39,391

(*) As provided for in IFRS 3, the financial balances at 31 December 2019 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the company Ferrania Ecologia. For further information, please see the paragraph entitled "Restatement of amounts at 31 December 2019" in the section "Content and structure of the condensed consolidated interim report".

INCOME STATEMENT

thousands of euro

	Notes	First half 2020	of which related parties	First half 2019	of which related parties
Revenue					
Revenue from goods and services	(30)	1,742,825	162,972	2,153,303	165,956
Other income	(31)	83,063	2,122	84,954	3,506
Total revenue		1,825,888	165,094	2,238,257	169,462
Operating expenses					
Raw materials, consumables, supplies and goods	(32)	(508,371)	(14,453)	(793,342)	(27,971)
Services and use of third-party assets	(33)	(606,511)	(11,837)	(723,349)	(16,663)
Other operating expenses	(34)	(33,652)	(6,246)	(34,831)	(5,842)
Capitalised expenses for internal work	(35)	17,534		14,255	
Personnel expense	(36)	(221,584)		(222,930)	
Total operating expenses		(1,352,584)	(32,536)	(1,760,197)	(50,476)
GROSS OPERATING PROFIT (EBITDA)		473,304	132,558	478,060	118,986
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(37)	(206,432)		(191,510)	
Provisions for impairment of receivables	(38)	(42,523)		(16,845)	
Other provisions and impairment losses	(38)	7,626		(12,053)	
Total depreciation, amortisation, provisions and impairment losses		(241,329)		(220,408)	
OPERATING PROFIT (EBIT)		231,975	132,558	257,652	118,986
Financial income and expense					
Financial income	(39)	13,777	2,693	17,872	9,482
Financial expense		(44,144)	(1)	(45,843)	(2)
Total financial income and expense		(30,367)	2,692	(27,971)	9,480
Share of profit (loss) of associates accounted for using the equity method	(40)	5,143		4,752	
Value adjustments on equity investments	(41)	(146)		-	
Profit (loss) before tax		206,605	135,250	234,433	128,466
Income tax expense	(42)	(60,949)		(70,197)	
Net profit (loss) from continuing operations		145,656		164,236	
Net profit (loss) from discontinued operations	(43)	-		-	
Net profit (loss) for the period		145,656		164,236	
attributable to:					
- Profit (loss) for the period attributable to shareholders		132,728		150,638	
- Profit (loss) for the period attributable to non-controlling interests	(44)	12,928		13,598	
Earnings per ordinary and savings share					
- basic (euro)	(45)	0.10		0.12	
- diluted (euro)		0.10		0.12	

STATEMENT OF OTHER COMPREHENSIVE INCOME

		thousands of euro	
		First half 2020	First half 2019
Profit/(loss) for the period - Group and non-controlling interests (A)		145,656	164,236
Other comprehensive income that will subsequently be reclassified to the Income Statement			
- effective portion of changes in fair value of cash flow hedges		(7,112)	(44,055)
- changes in fair value of financial assets		(620)	-
- share of other profits/(losses) of companies accounted for using the equity method		-	1,719
Tax effect of other comprehensive income		1,681	11,746
Total other comprehensive income to be subsequently be reclassified to the Income Statement, net of tax effect (B1)	(46)	(6,051)	(30,590)
Other comprehensive income that will subsequently not be 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 subsequently not be reclassified to the Income Statement, net of tax effect (B2)	(46)	-	-
Total comprehensive income/(expense) (A)+(B1)+(B2)		139,605	133,646
attributable to:			
- Profit (loss) for the period attributable to shareholders		127,107	121,333
- Profit (loss) for the period attributable to non-controlling interests		12,498	12,313

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2018	1,300,931	133,019	58,346
Legal reserve			6,296
Dividends to shareholders			
Retained earnings			
Purchases of treasury shares			
Changes in consolidation scope			
Change in equity interests			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/06/2019	1,300,931	133,019	64,642
31/12/2019 Restated (*)	1,300,931	133,019	64,642
Legal reserve			12,071
Dividends to shareholders			
Retained earnings			
Purchases of treasury shares			
Changes in consolidation scope			
Change in equity interests			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/06/2020	1,300,931	133,019	76,713

(*) As provided for in IFRS 3, the financial balances at 31 December 2019 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of first half of 2020, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the company Ferrania Ecologia. For further information, please see the paragraph entitled "Restatement of amounts at 31 December 2019" in the section "Content and structure of the condensed consolidated interim report".

thousands of euro

Cash flow hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Total equity attributable to shareholders	Equity attributable to non-controlling interests	Total equity
(17,353)	468,384	642,396	242,116	2,185,443	376,928	2,562,371
	(6,296)	-		-		-
	(108,995)	(108,995)		(108,995)	(40,731)	(149,726)
	242,116	242,116	(242,116)	-		-
	(7,959)	(7,959)		(7,959)		(7,959)
	-	-		-	-	-
	490	490		490	(415)	75
	72	72		72	4	76
(29,305)	-	(29,305)	150,638	121,333	12,313	133,646
			150,638	150,638	13,598	164,236
(29,305)	-	(29,305)		(29,305)	(1,285)	(30,590)
(46,658)	587,812	738,815	150,638	2,190,384	348,099	2,538,483
(31,429)	584,032	750,264	236,389	2,287,584	363,756	2,651,340
	(12,071)	-		-		-
	(119,504)	(119,504)		(119,504)	(25,451)	(144,955)
	236,389	236,389	(236,389)	-		-
	(10,775)	(10,775)		(10,775)		(10,775)
	-	-		-	-	-
	(94)	(94)		(94)	(1)	(95)
	(114)	(114)		(114)	(2)	(116)
(5,621)	-	(5,621)	132,728	127,107	12,498	139,605
			132,728	132,728	12,928	145,656
(5,621)	-	(5,621)		(5,621)	(430)	(6,051)
(37,050)	677,863	850,545	132,728	2,284,204	350,800	2,635,004

STATEMENT OF CASH FLOWS

thousands of euro

	First half 2020	First half 2019
A. Opening cash and cash equivalents	345,876	369,318
Cash flows from operating activities		
Profit (loss) for the period	145,656	164,236
Adjustments:		
Income tax expense for the period	60,949	70,197
Share of profit (loss) of associates and joint ventures	(5,143)	(4,752)
Net financial expense (income)	30,367	27,971
Amortisation of intangible assets and depreciation of property, plant and equipment	206,432	191,510
Net impairment losses (reversals of impairment losses) on assets	146	2,707
Net provisions for risks and other charges	71,340	63,612
Capital (gains) losses	908	(1,942)
Utilisations of employee benefits	(3,393)	(6,911)
Utilisations of provisions for risks and other charges	(9,907)	(25,236)
Change in other non-current assets and liabilities	556	(5,463)
Other changes in capital	(17,235)	(11,493)
Taxes paid	-	-
B. Cash flows from operating activities before changes in NWC	480,676	464,436
Change in inventories	10,671	9,307
Change in trade receivables	34,245	55,604
Change in tax assets and other current assets	(22,850)	3,359
Change in trade payables	(247,848)	(123,257)
Change in tax liabilities and other current liabilities	5,682	37,681
C. Cash flows from changes in NWC	(220,100)	(17,306)
D. Cash flows from/(used in) operating activities (B+C)	260,576	447,130
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(254,153)	(196,960)
Investments in financial assets	-	(103)
Proceeds from the sale of investments and changes in assets held for sale	(1,394)	5,760
Changes in consolidation scope	(24,353)	(16,205)
Dividends received	1,372	785
E. Total cash flows from/(used in) investing activities	(278,528)	(206,723)
F. Free cash flow (D+E)	(17,952)	240,407
Cash flows from/(used in) financing activities		
Capital increase	-	-
Purchases of treasury shares	(10,775)	(7,959)
Dividends paid	(140,094)	(145,773)
New non-current loans	75,000	-
Repayment of non-current loans	(21,821)	(331,451)
Change in financial payables for leasing	(103,154)	(5,618)
Change in other financial liabilities	(75,525)	(16,187)
Change in financial receivables	335,253	57,877
Interest paid	(10,404)	(22,795)
Interest received	1,875	6,803
G. Total cash flows from/(used in) financing activities	50,355	(465,103)
H. Cash flows for the period (F+G)	32,403	(224,696)
I. Closing cash and cash equivalents (A+H)	378,279	144,622

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 in Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

The business segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity, gas, heat)
- Other services (Laboratories, Telecommunications and other minor services).

Paragraph X, Information by operating segments, includes the information required by IFRS 8.

The company's condensed consolidated interim financial statements as at 30 June 2020 include those of the Company and its subsidiaries, (collectively referred to as the "Group" and individually as "Group entities") and the Group's equity interest in jointly-controlled companies and in associates measured using the equity method.

I. CONTENT AND STRUCTURE OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim financial statements of the Iren Group as at 30 June 2020 were 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 as at 30 June 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the provisions set forth in implementation of Art. 9 of Italian Legislative Decree No. 38/2005. "IFRSs" also includes the International Accounting Standards ("IASs") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In particular these condensed interim financial statements, as they have been prepared in accordance with IAS 34 - Interim Financial Statements, do not include 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 2019 and available at the company's registered office, at Borsa Italiana S.p.A., and on the website www.gruppoiren.it.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value. The accounting standards applied in drawing up these condensed interim financial statements, were the same as those adopted for the previous year's statements, to which you are referred for a more ample discussion, with the exception of the standards and interpretations adopted for the first time starting from 1 January 2020 and illustrated in detail in the paragraph "Accounting standards, amendments and interpretations applied from 1 January 2020" below.

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 at 31 December 2019.

In line with what was previously published, 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 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 period.

The Income Statement is classified on the basis of the nature of the 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.

In the present dossier a number of alternative performance measures (APMs) have been used; these are different from the financial measures explicitly required by the IAS/IFRS international accounting standards adopted by the Group. For details of these measures please see the specific paragraph "Alternative Performance Measures".

These condensed consolidated interim financial statements are stated in euro, the company's functional currency. All amounts expressed in euro are rounded to the nearest thousand.

The financial statements of consolidated entities are drawn up at the reporting date of the half-year period of reference.

ALTERNATIVE PERFORMANCE MEASURES

The Iren Group uses alternative performance measures (APMs) in order to convey more effectively the information on the profitability performance of the businesses in which it operates, and on its financial and capital situation. These measures are different from the financial measures explicitly required by the IAS/IFRS international accounting standards adopted by the Group.

On the subject of these measures, CONSOB issued Communication no. 92543/15 which makes applicable the Guidelines issued by the European Securities and Markets Authority (ESMA) on their presentation in the regulated information distributed or in prospectuses published. These Guidelines are aimed at promoting the usefulness and transparency of the alternative performance measures included in regulated information or prospectuses that fall within the scope of application of Directive 2003/71/EC, in order to improve their comparability, reliability and comprehensibility.

In line with the aforementioned communications, the criteria used to construct these measures presented in the present financial report are provided below.

Net invested capital: determined by the algebraic sum of Non-current assets, Other non-current assets (liabilities), Net working capital, Deferred tax assets (liabilities), Provisions for risks and employee benefits and Assets (Liabilities) held for sale. For further details on the construction of the single items that make up the indicator please see the statement of reconciliation of the reclassified balance sheet with the accounting statement presented in the annexes to the consolidated financial statements.

This APM is used by the Group in the context of documents both internal to the Group and external and is a useful measure for the purpose of measuring total net assets, both current and non-current, also through comparison between the period with which the report is concerned and previous periods or financial years. This measure also makes it possible to carry out analyses on operating performance and to assess performance in terms of operating efficiency over time.

Net financial debt: determined by the sum of Non-current financial liabilities net of Non-current financial assets and Current financial liabilities net of Current financial assets and of Cash and cash equivalents.

This APM is used by the Group in the context of documents both internal and external to the Group and is a useful measurement of the Group's financial structure, also through comparison between the period with which the report is concerned and previous periods or financial years.

Gross operating profit (EBITDA): determined subtracting total operating expenses from total revenue. This APM is used by the Group in the context of documents, both internal to the Group and external, and is a useful tool for assessing the Group's operating performance (as a whole and at the individual Business Unit level), also through comparison between the operating profit of the period with which the report is concerned and those of previous periods or financial years. This measure also makes it possible to carry out analyses on operating performance and to assess performance in terms of operating efficiency over time.

Operating profit (EBIT): determined subtracting from Gross Operating Profit (EBITDA) depreciation, amortisation, provisions and operating impairment losses.

Operating cash flow: determined starting from net profit /(loss) for the period, adjusted for financial income and expenses and for non-monetary items (depreciation and amortisation, provisions, impairment losses...), to which are added the changes of Net working capital, utilisations of provisions and employee benefits and other operating changes.

This APM is used by the Group in the context of documents both internal to the Group and external and measures the cash generation capacity of the group's operating activities and therefore its self-financing capacity.

Free cash flow: determined adding to the operating cash flow the financial resources used or provided by investing activities represented by investments in property, plant and equipment, intangible and financial assets, disposals, changes in the consolidation scope and dividends received.

Investments: determined by the sum of investments in property, plant and equipment, intangible assets and financial assets (equity investments) and presented gross of capital grants.

This APM is used by the Group in the context of documents both internal to the Group and external and is a measure of the financial resources absorbed in purchases of durable goods in the period.

Gross operating profit over revenue: determined making a proportion, in percentage terms, between gross operating profit and value of revenue.

This APM is used by the Group in the context of documents both internal to the Group and external and is a useful instrument for assessing the Group's operating performance (both as a whole and at the level of single Business Units), also through comparison with previous periods or financial years.

Net financial debt over equity: determined as the ratio between net financial debt and equity including minority interests.

This APM is used by the Group in the context of documents both internal to the Group and external and is a useful instrument for assessing the financial structure in terms of relative proportion of financing sources between third-party funds and own funds.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020

Starting from 1 January 2020, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

On 22 July 2014 the Financial Stability Board published the report "Reforming Major Interest Rate Benchmarks" containing recommendations aimed at strengthening existing benchmarks and other potential reference rates based on interbank markets, as well as developing alternative nearly risk-free reference rates. To take into account the consequences of the reform of financial disclosure, in particular in the period that precedes the replacement of a benchmark for determining the existing interest rates with an alternative reference rate, on 26 September 2019 the IASB published *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*, endorsed with Reg. (EU) 2020/ 34 of 16 January 2020.

The amendments, applicable starting from 1 January 2020, establish temporary and limited exception to the provision on hedge accounting, so that entities can continue to observe the provisions presuming that existing benchmarks for determining interest rates are not modified following the reform of interbank rates. The exceptions regard:

- the designation of a risk component of an element as a hedged element;
- the requirements on the subject of “high probability” for cash flow hedging;
- the assessment of the economic relationship between the hedged element and hedging instrument;
- The reclassification of the amount accumulated in the cash flow hedging reserve.

The exceptions apply to hedging relationships directly affected by the reform of the interest rate benchmarks, that is to say hedging relationships for which the reform generates uncertainties as regards: a) interest rate benchmark (defined contractually or non-contractually) designated as risk hedged; b) timing or amount of the cash flows related to the interest rate benchmarks of the hedged element or of the hedging instrument.

With reference to hedging relationships to which the exceptions are applied, specific supplementary information is required.

The Iren Group’s hedging relationships are exposed to the EURIBOR benchmark. The method for calculating the EURIBOR was revised in 2019 by the European Money Markets Institute (EMMI) in order to comply with the provisions of Regulation (EU) 2016/1011 (Benchmarks Regulation - BMR). It is presumed, therefore, that the EURIBOR will continue to be used in the immediate future and that existing benchmarks for determining interest rates will not be modified following the reform of interbank rates. It is consequently presumed that there is no uncertainty around the timing and the amount of the cash flows related to the benchmarks for determining interest rates and it is estimated that the amount of the exposure to risk directly affected by the reform of the benchmarks is almost zero. As at 30 June 2020, the nominal amount of hedging instruments related to the EURIBOR benchmark was 669,189,237 euro.

Amendments to IFRS 3 - Business Combinations. The amendment, issued by the IASB on 22 October 2018 and endorsed by the European Union with Reg. 2020/551 of 21 April 2020, involved the definition of business, to be understood as an integrated set of activities that it is possible to conduct and manage for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. This clarification makes it possible to distinguish whether an acquisition refers to a business or a group of assets: only in the first case goodwill can be recognised. In order to identify a business, the entity make perform the so-called *fair value concentration test* and/or carry out more in-depth assessments to check for the presence of at least one production factor and of a substantial process applied to it.

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

Endorsement by the relevant bodies of the European Union is currently in progress for the following updates and amendments to the IFRSs (already approved by the IASB):

Amendments to IFRS16 – Covid19-Related Rent Concessions. The document, published by the IASB in May 2020, introduces an amendment to *IFRS 16 - Leases* that has “temporary validity” in relation to the Covid19 emergency.

Lessees which, as a direct consequence of the COVID-19 pandemic, benefit from concessions, such as reductions, rebates or deferment of rent instalments, can make use of a practical expedient which makes it possible to assume, without making any assessment, that the reduction or postponement of the payments due does not represent a lease modification if 3 conditions are met: a) the consideration of the contract, following the modification of the payments, is equal to or less than the consideration payable before the modification; b) the reduction regards payments due by 30 June 2021; c) the other contractual conditions do not undergo substantial changes.

If use is made of the practical expedient, the entity reduces the leasing liability recognising in the income statement the amounts not due as a result of the concession (IFRS16, para. 38b). The entity must provide disclosure on the contracts to which it has applied the practical expedient and the amounts recognised in the income statement.

The amendment, as of today not yet endorsed by the European Union, must be applied in the annual periods that begin after 1 June 2020, but may be applied to all financial statements, including interim reports, not yet approved at the date of issue of the document.

As of today, the Iren Group has not benefited from discounts or rebates of the payments due for leases in relation to the COVID-19 pandemic. Therefore, the practical expedient in question is not applicable.

Amendments to IAS1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The amendment specifies that, if the debtor has the right to defer payment of the debt by more than 12 months with respect to the reporting date, and this right is immediately exercisable, the liability must be classified as non-current, irrespective of the probability that this right will be exercised. Even if the management has the intention to extinguish the debt within the 12 months following the reporting date and/or the debt is repaid before approval of the financial statements, the liability should equally be classified as non-current, but adequate disclosure of this must be provided in the notes to the financial statements. The amendment will be applicable for annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 37 – Onerous Contracts. The document, published by the IASB in May 2020, specifies what costs must be included in the cost of fulfilling a contract in order to identify any onerous contract. In particular, para. 68A specifies that the costs necessary for fulfilling the contract include a) the incremental costs incurred by the entity for fulfilling the contract, such as materials and direct labour; b) an allocation of other costs, for example a portion of the depreciation of a plant used for fulfilling the contract in a non-exclusive way. The amendment must be applied starting from 1 January 2022, with reference only to contracts in force at the date of first application. The entity must not redetermine the previous years; the cumulative effect deriving from the first application of the amendment must be recognised in the opening balance of Retained earnings (or other component of shareholders' equity if appropriate).

Amendments to IAS16 – Proceeds before Intended Use. The document, published by the IASB in May 2020, introduces a number of changes to IAS 16 – *Property, Plant and Equipment* with reference to accounting for any revenue deriving from the sale of items produced by the entity while “bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management” (for example, samples produced during the approval test on the machinery). These revenues must not be deducted from the cost of the property, plant and equipment (offsetting is therefore cancelled). The proceeds from selling and the costs of such items must be recognised in the income statement in accordance with the standards applicable to them.

If not presented separately in the statement of comprehensive income, the entity must indicate in the notes to the statements the amounts of the proceeds and the costs of the items produced which are not an output of the ordinary activities of the entity and specify which lines of the statement of comprehensive income include them.

The amendment must be applied retrospectively starting from 1 January 2022, but only with reference to properties and plants which have come into operation or have become available for use after the start of the first comparative period presented. The cumulative effect deriving from the first application of the amendment must be recognised in the opening balance of Retained earnings (or other component of shareholders' equity if appropriate).

As regards the new standards applicable starting from financial year 2021 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

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, amortisation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and of some financial assets available for sale, current and deferred 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 2020 the Group verified the non-existence of specific impairment triggers with particular reference to goodwill. However, it was considered in any case opportune to re-verify, following the economic and financial impacts recorded and foreseen for financial year 2020 deriving from the spread of the coronavirus, the recoverable value of the non-financial assets with reference to goodwill recognised as at 30 June 2020. For more details, see Note 4 Goodwill. In addition, no impairment indicators emerged in relation to equity investments and assets.

In the same way, the actuarial valuations necessary to determine provisions for employee benefits 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 2019

In July 2019, the Group acquired control over Ferrania Ecologia S.r.l. For this acquisition the definitive fair value of the identifiable assets acquired, and the identifiable liabilities assumed, was determined at the end of the first half of 2020. Therefore, in the consolidated financial statements at 31 December 2019, it had been 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 of certain identifiable liabilities assumed recognised in the financial statements at 31 December 2019 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 Company acquired at that date. The resulting balances in the consolidated financial statements at 31 December 2019 were restated to take the new values into account.

In detail, the changes that occurred in the fair values of the identifiable assets acquired and the identifiable liabilities assumed previously recognised determined on the statement of financial position at 31 December 2019 the following adjustments:

	thousands of euro		
	31.12.2019 Published	Effect of IFRS3 accounting	31.12.2019 Restated
ASSETS			
Intangible assets with a finite useful life	2,175,232	17,919	2,193,151
Goodwill	172,677	(13,055)	159,622
Total non-current assets	6,722,418	4,864	6,727,282
TOTAL ASSETS	8,799,858	4,864	8,804,722
EQUITY			
Net profit (loss) for the period	236,578	(189)	236,389
Total equity attributable to shareholders	2,287,773	(189)	2,287,584
TOTAL EQUITY	2,651,529	(189)	2,651,340
LIABILITIES			
Deferred tax liabilities	204,538	5,053	209,591
Total non-current liabilities	4,373,306	5,053	4,378,359
TOTAL LIABILITIES	6,148,329	5,053	6,153,382
TOTAL EQUITY AND LIABILITIES	8,799,858	4,864	8,804,722

II. CONSOLIDATION PRINCIPLES

The consolidation scope includes subsidiaries, joint ventures and associates.

Subsidiaries

Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 - *Consolidated Financial Statements*. Control exists when the Parent Company has at the same time:

- decision-making power over the investee, that is the power to direct its relevant activities, that is activities that have a significant influence on the results of the same;
- 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 minority 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 because of its nature of public entity, the existence of joint control is judged on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.

Joint arrangements are divided into 2 types:

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

Associates (accounted for using the equity method)

An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group’s share of the associates’ 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 not detected, except to the extent that the Group is obliged to respond.

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.

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:
 - ACAM Ambiente
 - AMIAT V and the subsidiary:
 - AMIAT
 - Bonifica Autocisterne
 - Montequerce
 - ReCos
 - Rigenera Materiali
 - San Germano
 - Territorio e Risorse
 - TRM
- 2) Iren Energia and its subsidiaries:
 - Iren Smart Solutions (formerly Iren Rinnovabili) and its subsidiary:
 - Studio Alfa and its subsidiary
 - Coin Consultech
 - Maira and its subsidiary:
 - Formaira
- 3) Iren Mercato and its subsidiaries:
 - Salerno Energia Vendite
- 4) IRETI and its subsidiaries:
 - ACAM Acque
 - ASM Vercelli and its subsidiary:
 - ATENA Trading
 - Consorzio GPO
 - Iren Laboratori
 - Iren Acqua and its subsidiary:
 - Iren Acqua Tigullio

During the first half of 2020, the following mergers by incorporation of subsidiaries took effect: Busseto Servizi into IRETI, CMT and Ferrania Ecologia into Iren Ambiente, Immobiliare delle Fabbriche into Iren Acqua and Spezia Energy Trading into Iren Mercato.

While these had an effect on the shareholding structure, they did not lead to changes in the consolidation scope, and occurred in the context of the rationalisation intended to strengthen the Group's Organisational Model, which also involved other companies acquired through recent Merge & Acquisition transactions.

We can also note, again from the point of view of operations that did not affect the consolidation scope, in January 2020 Iren Ambiente established the company Rigenera Materiali (RI.MA.), which will design, build, manage and operate a Mechanical/Biological Processing Plant for residual municipal waste, to be built in the Plant Hub in Scarpino (Genoa).

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

CHANGES IN FULL CONSOLIDATION SCOPE

On 1 May 2020, the transfer to Iren Energia of a business unit, named "Sei Energia", took effect. This comprises the district heating network in the Municipalities of Rivoli and Collegno and 49% of the company NOVE, which manages the district heating network in the Municipality of Grugliasco, for a total volume of the business unit of 5.2 million cubic metres for approximately 50,000 resident equivalents served.

Pursuant to IFRS 3 – Business combinations, the positive differential between the amount paid and the provisional value of the net assets acquired was recognised under goodwill, in the amount of 853 thousand euro.

IV. GROUP FINANCIAL RISK MANAGEMENT

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

The Iren Group's business 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 exchange rate risk and interest rate risk.

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines. The procurement of financial resources has been 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 short-term financial commitments. At the end of the period short-term bank credit facilities used by the Parent Company totalled 10 million euro.

The nominal cash flows required to settle financial liabilities to lenders 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 2019 in the paragraph "a) Liquidity risk" in the Section "V. Group financial risk management".

In the same way, as regards liabilities related to application of IFRS 16 on the subject of leases, the expected cash flows shown in the statement at 31 December 2019 remain fundamentally unaltered transferring the analysis to the date of the present document. In this regard, in this table, there were nominal short-term flows related to seven property complexes for executive and operational support use covered by leasing contracts that come within the scope of application of the standard, repurchased in the first half of 2020 for a total of 97 million euro.

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 Management" of the Directors' Report.

Financial debt from financing at the end of the period was made up 19% of loans and 81% of bonds.

As at 30 June 2020, 81% of the residual amount payable for loans was contractualised at a fixed interest rate and 19% 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 the public shareholders. 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 for 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, also envisage the observance of financial indices which have been satisfied.

b) Exchange rate risk

Except as indicated in 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 of the aforementioned interest rate hedges was a negative 81,329 thousand euro as at 30 June 2020.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 96% of financial debt from financing against interest rate risk, in line with the Iren Group's 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, among other factors, also the current economic and financial situation.

To limit exposure to credit risk, a number of tools have been activated. 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. In addition, methods of payment through digital channels are offered to Customers.

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 and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected 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 reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected losses determined on a prospective basis, taking into due consideration the historical series.

The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and ageing band. Credit risk is assessed both at the consolidated and at the Business Unit and company levels.

Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

For further observations regarding the coronavirus outbreak, please also see the "Business Outlook" section in the Directors' Report.

With reference to credit concentration we can note the relations between the subsidiaries Iren Smart Solutions and AMIAT and the Municipality of Turin. For further details, see in particular Note 8 "Non-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 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 policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

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 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.

Besides the normal activity with physical contracts, Over the Counter (OTC) commodity derivative contracts (Commodity swaps on TTF and PSV indices) are in place to hedge the energy portfolio, for a total of 5.8 TWh. As regards activity on the EEX regulated platform, derivative operations on the SNP are in place for a total net notional amount of 0.9 TWh. The Fair Value of these instruments as at 30 June 2020 totalled a negative 38,376 thousand euro.

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.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid 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 long term financial assets and liabilities if the related underlying item is a medium/long term 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 with reference to the reporting date. 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.

	30.06.2020		31.12.2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets for hedging derivatives	-	-	693	693
Bonds due at more than 12 months	(2,518,197)	(2,679,143)	(2,516,069)	(2,667,775)
Bonds due within 12 months	(167,856)	(174,990)	(167,831)	(174,955)
Loans - non-current portion	(592,328)	(584,631)	(539,949)	(542,108)
Loans - current portion	(44,654)	(46,582)	(43,637)	(45,502)
Liabilities for hedging derivatives	(81,329)	(81,329)	(78,966)	(78,966)
Total	(3,404,364)	(3,566,675)	(3,345,759)	(3,508,613)

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 and the method of accounting for them. 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			
30.06.2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				-
Financial assets measured at fair value through profit or loss			30,873	30,873
Derivative financial assets in Cash Flow Hedges		205		205
Derivative financial assets in Fair Value Hedges				-
Derivative financial assets outside hedge accounting				-
Total assets	-	205	30,873	31,078
Derivative financial liabilities in Cash Flow Hedges		(115,689)		(115,689)
Derivative financial liabilities in Fair Value Hedges				-
Derivative financial liabilities outside hedge accounting				-
Total liabilities	-	(115,689)	-	(115,689)
Grand total	-	(115,484)	30,873	(84,611)

	thousands of euro			
31.12.2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			7,403	7,403
Derivative financial assets in Cash Flow Hedges		693		693
Derivative financial assets in Fair Value Hedges				
Derivative financial assets outside hedge accounting				
Total assets		693	7,403	8,096
Derivative financial liabilities in Cash Flow Hedges		(117,361)		(117,361)
Derivative financial liabilities in Fair Value Hedges				
Derivative financial liabilities outside hedge accounting		(2,319)		(2,319)
Total liabilities		(119,680)		(119,680)
Grand total		(118,987)	7,403	(111,584)

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

We present, for the Group's subsidiaries, the main transactions directly carried out with the Shareholder Municipalities which have been classified as related parties (Municipality of Turin, Municipality of Reggio Emilia, Municipality of Parma, Municipality of Piacenza and Municipality of Genoa) in the territory of which Iren operates.

The Group, through Iren Smart Solutions., 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 Smart Solutions are governed by specific long-term agreements.

In this regard we can note that an onerous current account contract is in place between the City of Turin and Iren Smart Solutions for management of the past-due receivables related to the above activities.

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.

The Iren Group, through Iren Mercato, provides to the Municipalities of Genoa, Reggio Emilia, Parma, Piacenza and Turin commercial supplies of energy vectors, at the conditions normally applied to all other customers.

Iren Acqua 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.

Iren Ambiente provides the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services on the basis of the conditions provided for in the existing agreements. Again in the context of the sector, for the Municipality of Turin the environmental hygiene and snow clearing services, and post-operative management of the "Basse di Stura" landfill site are provided by AMIAT in accordance with the Service Contract in being. In this regard we can note that an onerous current account contract is in place between the City and the said AMIAT for management of the past-due receivables related to the above activities.

Transactions with associates

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

- the credit line in centralised treasury in favour of Valle Dora Energia;
- the sales of electricity and water, and the work related to the integrated water service provided to AMTER;
- the waste disposal service, covering also special waste, provided by Iren Ambiente and TRM in favour of GAIA and SETA, operating in the field of the collection sector;
- the procurement of natural gas from Sinergie Italiane.

Transactions with other related parties

On the basis of the TRP Procedure, companies controlled, directly or indirectly, by one of the following Provincial Capitals have been identified as related parties: Parma, Piacenza, Reggio Emilia, Turin and Genoa.

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.

In addition, during 2019, after the tender procedure called by AMIU Genoa (controlled by the Municipality of Genoa) and following the presentation, by Iren Ambiente, of a project financing proposal, the said Iren Ambiente was awarded the concession for the design, construction, management and operation of a plant for the mechanical-biological processing of residual municipal waste, with production of CSS, to be built in the Scarpino district. In execution of the commitments pursuant to the concession, on 21 January 2020 Rigenera Materiali S.r.l. (fully controlled by Iren Ambiente) was set up for the design, construction and management of the aforementioned plant. The above operation was treated in accordance with the TRP Procedure and, more specifically, was classified as an operation benefiting from the exclusion pursuant to art. 6 lett. (e) of the said TRP Procedure because it was “(...) Ordinary (...) concluded at conditions equivalent to those of the market or standard”.

The remaining transactions with the companies controlled by the above Municipalities are mainly of a commercial nature and regard services provided to all other customers.

Quantitative information on financial transactions with related parties is provided in chapter “XI. Annexes to the Condensed Consolidated Interim Financial Statements”, considered an integral part of these notes.

Lastly and as regards the Directors and Statutory Auditors of IREN, with the exception of payment of the emoluments envisaged for the performance of duties in the administrative or auditing bodies of the Parent Company or of other Group companies, we can report that there were no transactions.

Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the administration and control bodies of IREN and Key Management Personnel of the IREN Group are also subject to the provisions of the TRP Procedure.

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

At the meeting of 17 February 2020, the CTRP expressed, unanimously, its favourable opinion with reference to the transaction, classified as “of minor importance”, regarding the signing, by IRETI and Società Metropolitana Acque Torino S.p.A., controlled by the Municipality of Turin, of a shareholders’ agreement in the context of a process related to management of the residual life of the joint venture Acque Potabili S.p.A.

On 9 March 2020, in execution of the formalities pursuant to art. 9, lett. (d) TRP Procedure, the CTRP examined the updates, deriving from discussions with the counterparty, with reference to a transaction “of minor importance”, regarding the presentation of a Project Financing proposal, by a group company to the Municipality of Turin, on which the CTRP had already expressed the positive opinion it was responsible for at the meeting on 19 September 2019. After reviewing the material prepared by the competent structures, taking into account the elements highlighted by the competent units confirming the assessment of the Group’s interest in presenting the above project, and the convenience and correctness of the related conditions, as illustrated by the management, the CTRP confirmed, unanimously, its favourable opinion on the project pursuant to Art. 9 of the TRP Procedure.

At the meeting on 4 June 2020, following an in-depth inquiry, the CTRP expressed, unanimously, its favourable opinion with reference to a transaction, classified as “of minor importance”, regarding the possible signing, by IREN S.p.A and TRM S.p.A. (Related Party of IREN S.p.A. pursuant to Art. 3.1 lett. (a.i) of the current TRP Procedure in which there are “significant interests” of another Related Party, that is of the Municipality of Turin, as defined by the legislation on the subject of transactions with related parties), of an intercompany account contract. The conclusion of the transaction depends on attaining a specific waiver of the Lending Banks in the context of the Loan Contract signed with the same on 28 October 2008.

On the same date, after an inquiry into the matter, the CTRP expressed, unanimously, its favourable opinion with reference to a transaction, classified as “of minor importance”, regarding the formalisation of the waiver by IRETI and AMIAT of the request for payment, by Gruppo Torinese Trasporti S.p.A and Società Metropolitana Acque Torino S.p.A., both controlled by the Municipality of Turin, of the penalty provided for in the Shareholders’ Agreement among the public Shareholders of the associate Nord Ovest

Servizi S.p.A., following the commitment of GTT and SMAT to waive the exercise of the right of pre-emption due to the same in relation to the sale by another shareholder of its equity investment.

During the first half of 2020, the CTRP received periodic information on the status of a number of transactions previously examined, in the terms pursuant to Art. 9, lett. (g) and Art. 10, lett. (b) of the TRP Procedure, including the one, classified as of major importance, regarding the signing of an Agreement between the Municipality of Turin, as one party, and IREN, as principal of its subsidiaries AMIAT, Iren Energia (which was replaced by Iren Smart Solutions) and Iren Mercato, as the other party, to govern the relationships in being among the parties – a transaction on which the CTRP had expressed a favourable opinion and for which please see the Disclosure Document published on 29 March 2018 and the supplementary Disclosure Document published on 9 July 2018, both documents available at www.gruppoiren.it.

At the meeting on 29 May 2020, also exercising the functions attributed pursuant to the TRP Procedure, the Remuneration and Appointments Committee expressed a favourable opinion on the conditions of the agreement pursuant to art. 4 Italian Law 92/2012 (so-called “iso-pension”) for the consensual early termination of the employment relationship between the Company and a Key Manager of the IREN Group (with role of Manager of the Waste Management Business Unit/Chief Executive Officer of IREN Ambiente S.p.A.), with effect from 30 June 2020 (last working day).

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

During the first half of 2020 the Iren Group was not affected by “non-recurring” events and did not carry out significant transactions identified as such on the basis of the definitions contained in the Communication. In particular, it was not affected by events which do not reoccur frequently during 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 2020 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 timeline 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 04 August 2020.

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, including rights of use and divided between historical cost, accumulated depreciation and carrying amount, is shown in the following table:

thousands of euro

	Cost at 30/06/2020	Accumulated depreciation at 30/06/2020	Carrying amount at 30/06/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Carrying amount at 31/12/2019
Land	120,017	(4,655)	115,362	119,986	(4,062)	115,924
Buildings	757,511	(265,095)	492,416	749,071	(252,364)	496,707
Plant and machinery	5,395,053	(2,680,666)	2,714,387	5,332,608	(2,574,870)	2,757,738
Industrial and commercial equipment	153,525	(117,838)	35,687	149,902	(115,301)	34,601
Other assets	266,075	(175,673)	90,402	262,665	(164,735)	97,930
Assets under construction and payments on account	174,278	-	174,278	97,508	-	97,508
Total	6,866,459	(3,243,927)	3,622,532	6,711,740	(3,111,332)	3,600,408

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

thousands of euro

	31/12/2019	Increases	Decreases	Changes in consolidation scope	Reclassifications	30/06/2020
Land	119,986	186	(155)	-	-	120,017
Buildings	749,071	10,528	(155)	287	(2,220)	757,511
Plant and machinery	5,332,608	32,081	(1,137)	20,723	10,778	5,395,053
Industrial and commercial equipment	149,902	5,118	(1,714)	-	219	153,525
Other assets	262,665	5,327	(1,974)	-	57	266,075
Assets under construction and payments on account	97,508	84,830	(3,144)	-	(4,916)	174,278
Total	6,711,740	138,070	(8,279)	21,010	3,918	6,866,459

The variation in accumulated depreciation of property, plant and equipment, including rights of use, is shown in the following table:

	thousands of euro				
	31/12/2019	Depreciation for the period	Decreases	Reclassifications	30/06/2020
Land	(4,062)	(596)	3	-	(4,655)
Buildings	(252,364)	(13,760)	105	924	(265,095)
Plant and machinery	(2,574,870)	(103,871)	700	(2,625)	(2,680,666)
Industrial and commercial equipment	(115,301)	(3,862)	1,488	(163)	(117,838)
Other assets	(164,735)	(12,540)	1,602	-	(175,673)
Total	(3,111,332)	(134,629)	3,898	(1,864)	(3,243,927)

The column “changes in consolidation scope” refers to the balances acquired during the period related to the business unit, named “Sei Energia” which includes the district heating network in the Municipalities of Rivoli and Collegno.

The balance of the “reclassifications” column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not come within the scope of application of IFRIC 12.

Land and buildings

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

Plant and machinery

This item refers to costs for 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.

Investments in progress 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 138,070 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 13,935 thousand euro;
- investments in the electricity distribution grids, including primary substations, of 20,963 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 7,237 thousand euro;
- investments in thermoelectric and hydroelectric plants of 50,750 thousand euro;
- investments for collection and disposal of waste in the waste management segment of 23,655 thousand euro.

Depreciation and amortisation

Ordinary depreciation for the first half of 2020, totalling 134,629 thousand euro, was calculated on the basis of the rates indicated in the 2019 annual financial statements and considered representative of the residual useful life of the assets.

We can note that Italian Law Decree no. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and the public administration – the so-called “Simplifications Law Decree”) converted, with amendments, by Italian Law no. 12 of 11 February 2019, governs the new regimen of remuneration of Wet Works in relation to large shunting concessions for hydroelectric plants; the law establishes that Wet Works must be transferred without consideration to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. Consequently, in order to make it consistent with the law, starting from financial year 2019 the depreciation schedule of the Wet Works referable to the expired concessions was redetermined, also taking into account the possible reassignment dates of the same, which, on the basis of the previous law, was interrupted starting from the 2012 financial statements.

No assets are pledged against liabilities.

IFRS 16 - Rights of use

IFRS 16 provides for the lessee recognising in the balance sheet the assets and related financial liabilities for all leasing contracts with a duration of more than 12 months, unless the underlying asset is of little value. The contracts in which the Iren Group plays the role of lessee refer mainly to property leasing and long-term hires of cars and other motor vehicles.

The breakdown of rights of use, divided between historical cost, accumulated amortisation and net amount is shown in the following table:

	thousands of euro					
	Cost at 30/06/2020	Accumulated depreciation at 30/06/2020	Carrying amount at 30/06/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Carrying amount at 31/12/2019
Land	6,362	(853)	5,509	6,179	(567)	5,612
Buildings	21,206	(4,277)	16,929	116,803	(7,948)	108,855
Plant and machinery	10,553	(951)	9,602	8,008	(442)	7,566
Industrial and commercial equipment	444	(307)	137	393	(228)	165
Other assets	14,652	(5,638)	9,014	14,158	(3,742)	10,416
Total	53,217	(12,026)	41,191	145,541	(12,927)	132,614

The changes in the historical cost of rights of use is shown in the following table:

	thousands of euro				
	31/12/2019	Increases	Decreases	Other changes	30/06/2020
Land	6,179	186	(3)	-	6,362
Buildings	116,803	7,200	(154)	(102,643)	21,206
Plant and machinery	8,008	2,545	-	-	10,553
Industrial and commercial equipment	393	85	(34)	-	444
Other assets	14,158	901	(407)	-	14,652
Total	145,541	10,917	(598)	(102,643)	53,217

Changes in accumulated amortisation of rights of use are shown in the following table:

	thousands of euro				
	31/12/2019	Depreciation for the period	Decreases	Other changes	30/06/2020
Land	(567)	(289)	3	-	(853)
Buildings	(7,948)	(2,293)	104	5,860	(4,277)
Plant and machinery	(442)	(509)	-	-	(951)
Industrial and commercial equipment	(228)	(113)	34	-	(307)
Other assets	(3,742)	(2,112)	216	-	(5,638)
Total	(12,927)	(5,316)	357	5,860	(12,026)

Additionally, the net amount of 96,783 thousand euro, shown among “Other changes” as part of rights of use of buildings, refers to a part of the Group’s executive offices acquired during the first half of 2020 and which were previously the subject of a rental contract.

NOTE 2_ INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

	thousands of euro					
	Cost at 30/06/2020	Accumulated depreciation at 30/06/2020	Carrying amount at 30/06/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Carrying amount at 31/12/2019
Land	734	-	734	728	-	728
Buildings	4,327	(2,110)	2,217	4,334	(2,059)	2,275
Total	5,061	(2,110)	2,951	5,062	(2,059)	3,003

This item is primarily made up of properties whose fair value is not less than the carrying amount.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and net amount is shown in the following table:

	thousands of euro					
	Cost at 30/06/2020	Accumulated amortisation at 30/06/2020	Carrying amount at 30/06/2020	Cost at 31/12/2019	Accumulated amortisation at 31/12/2019	Carrying amount at 31/12/2019
Development costs	7,621	(2,964)	4,657	7,529	(2,260)	5,269
Industrial patents and intellectual property use rights	144,378	(91,640)	52,738	136,626	(80,625)	56,001
Concessions, licences, trademarks and similar rights	2,928,042	(1,176,945)	1,751,097	2,867,223	(1,132,754)	1,734,469
Other intangible assets	323,392	(154,397)	168,995	352,864	(140,421)	212,443
Investments in progress and payments on account	220,509	-	220,509	184,969	-	184,969
Total	3,623,942	(1,425,946)	2,197,996	3,549,211	(1,356,060)	2,193,151

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

	thousands of euro				
	Opening balance	Increases	Decreases	Reclassifications	Closing balance
Development costs	7,529	92	-	-	7,621
Industrial patents and intellectual property use rights	136,626	5,586	-	2,166	144,378
Concessions, licences, trademarks and similar rights	2,867,223	40,657	-	20,162	2,928,042
Other intangible assets	352,864	38,225	(67,491)	(206)	323,392
Investments in progress and payments on account	184,969	61,638	(57)	(26,041)	220,509
Total	3,549,211	146,198	(67,548)	(3,919)	3,623,942

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

	thousands of euro			
	Opening balance	Amortisation for the period	Reclassifications	Closing balance
Development costs	(2,260)	(704)	-	(2,964)
Industrial patents and intellectual property use rights	(80,625)	(10,964)	(51)	(91,640)
Concessions, licences, trademarks and similar rights	(1,132,754)	(46,042)	1,851	(1,176,945)
Other intangible assets	(140,421)	(14,041)	65	(154,397)
Total	(1,356,060)	(71,751)	1,865	(1,425,946)

The balance of the reclassification column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not come within the scope of application of IFRIC 12 and from intangible assets to assets held for sale.

The increases in the item "other intangible assets" refer mainly to the purchases of emission quotas (emission trading) and the capitalisation of costs for commercial development of customers, while the decreases refer to the cancellation of the emission allowances.

Industrial patents and intellectual property use rights

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.

Concessions, licences, trademarks and similar rights

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 pipeline networks by virtue of the concessions granted by the Municipality of Genoa and other neighbouring municipalities;
- the right of use of penstocks, not owned, of hydroelectric plants;
- concessions for the operation and management of photovoltaic systems.

Other intangible assets

This item is primarily composed of:

- rights to use telecommunication infrastructure owned by third parties;
- emission trading quotas held for internal needs;
- costs for the commercial development of customers;
- measurement of the customer list made on allocation of the price for acquiring control over Atena Trading, Salerno Energia Vendite, Studio Alfa and Spezia Energy Trading;

- measurement of the environmental authorisations for operation of the bio-digester and of the recovery plants made on allocation of the price for acquisition of control over Ferrania Ecologia.

Investments in progress 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 160,475 thousand euro (159,622 thousand euro at 31 December 2019), during the first half of 2020 showed an increase of 853 thousand euro following the acquisitions (business combinations), of a business unit, called "SEI Energia" which comprises the district heating network in the Municipalities of Rivoli and Collegno and 49% of the company NOVE which manages the district heating network in the Municipality of Grugliasco, in which while awaiting the measurement to be carried out under the terms of IFRS 3 - Business Combinations, the positive difference, determined provisionally, 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 during the first half of 2020 the accounting for the acquisition of control over the company Ferrania Ecologia was made definitive; control was acquired in July 2019 and the amounts accounted for provisionally in the 2019 financial statements were restated. For more details please see the paragraph "Restatement of amounts at 31 December 2019" in the section "I. Content and structure of the condensed consolidated interim report".

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. At the Group level 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
	30/06/2020
Waste Management	12,340
Energy	5,539
Market	32,460
Networks	110,136
Total	160,475

Waste Management Cash Generating Unit

The value of goodwill, at 12,340 thousand euro, refers mainly to:

- acquisition of control over Territorio e Risorse S.r.l. in October 2019 (1,223 thousand);
- acquisition of control over Ferrania Ecologia S.r.l. in July 2019 (7,048 thousand);
- acquisition of control over a business unit from SMC S.p.A. consisting of a 48.85% stake in the share capital of Società Ecologica Territorio Ambiente (SETA) S.p.A. and the activities of closure and post-closure management of the Chivasso 0 landfill site in October 2018 (894 thousand);
- acquisition of control over ACAM Ambiente (ACAM group) in April 2018 (2,572 thousand);
- acquisition of control over ReCos S.p.A. in April 2018 (597 thousand).

Energy Cash Generating Unit

The value of goodwill, of 5,539 thousand euro, refers to:

- acquisition of control in May 2020 over a business unit, named "SEI Energia" which comprises the district heating network in the Municipalities of Rivoli and Collegno and 49% of the company NOVE which manages the district heating network in the Municipality of (853 thousand).
- acquisition of control over Iren Rinnovabili in 2017 following the expiry of the governance agreements entered into with the other shareholder CCPL S.p.A. which made Iren Rinnovabili a joint venture. Goodwill of 3,544 thousand euro was recognised as the surplus between the fair value of the price paid for acquisition of control and the fair value of the identifiable assets acquired and the identifiable liabilities assumed at the acquisition;
- the Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (948 thousand);

Market Cash Generating Unit

The value of goodwill, 32,460 thousand euro, derives mainly from:

- acquisition of control over Spezia Energy Trading S.r.l. in September 2018 (2,694 thousand);
- acquisition in 2012 of the business unit from ERG Power & Gas related to the marketing and sale of electricity for an amount of 3,401 thousand;
- the equity interest in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison in 2008, for an amount of 16,761 thousand;
- the business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 7,421 thousand;

Networks Cash Generating Unit

The value of goodwill, 110,136 thousand euro, derives mainly from:

- acquisition of control over Busseto Servizi in April 2019 (1,638 thousand);
- acquisition of control over ACAM Acque (ACAM group) in April 2018 (15,442 thousand);
- acquisition in 2005 of control over Acqua Italia S.p.A. (now Mediterranea delle Acque 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;
- acquisition in 2000 from ENEL of the business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand;
- the business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 3,023 thousand;

As stated above in paragraph I "Content and structure of the condensed consolidated interim report" of the present document, in the first half of 2020, in accordance with IAS 36, the Group checked the non-existence of specific impairment triggers with particular reference to goodwill.

In particular following the occurrence of the effects of the pandemic associated with the diffusion of the coronavirus, the company in keeping with what was requested by the ESMA with its recommendation of 20 May 2020, assessed, in accordance with paragraphs 9 and 12 of IAS 36, the presence of indicators coming from internal or external sources of information that could indicate impairment of its non-financial assets at 30 June 2020.

From the analysis carried out in consideration of the presumable temporary nature of the effects of the pandemic and the particular nature of the business (more than 70% in regulated or semi-regulated sectors) in which the company operates, there emerged no evidence of indicators of impairment of non-financial assets.

However it was considered in any case opportune to recheck, following the economic and financial impacts recorded and foreseen for financial year 2020 deriving from the spread of the coronavirus, the recoverable value of the non-financial assets with reference to goodwill recognised at the reporting date. The analysis conducted had the objective of redetermining the “impairment reserves” (difference between recoverable value and carrying amount of the non-financial assets for each CGU) taking as a reference the Business Plan used for the impairment test at 31 December 2019 supplemented by the foreseen impacts in financial year 2020 consequent to diffusion of the pandemic. These impacts were identified as approximately 15 million euro of lower EBITDA in the current year as a consequence of emerging external costs (Personal Protection Equipment, cleaning, sanitisation, operating activities, penalties), contraction of revenue also as a consequence of the worsening of the energy scenario and slowdown of the entry into operation of new investments.

In line with the indications of the ESMA, which recommends not reflecting in rates the risks and uncertainties related to the effects of the pandemic already shown in the cash flows, the changes that occurred between 31 December 2019 and 30 June 2020 in risk components of discounting rates (WACC) were assessed and, as they were not significant, the cash flows were discounted using the same WACCs estimated for the 2019 impairment procedure shown in the annual financial statements closed on that date.

The check confirmed the carrying amount of the non-financial assets at 30 June 2020, resulting in marginal reductions in the amount of the impairment reserves estimated at 31 December 2019.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Equity investments accounted for using the equity method are shareholdings in companies in which the Group has joint control or exercises a significant influence. We must specify that measurement at equity is carried out on the basis of the latest available financial statements (consolidated if prepared) of the investees.

The Group companies measured using the equity method as at 30 June 2020 are shown in an annex. Changes in the six-month period are shown in the tables below.

Equity investments in joint ventures

The item amounted to 9,907 thousand euro (unchanged compared to 31 December 2019) and refers to the value of the equity investment in the company Acque Potabili which, during financial year 2018, discontinued the last water service management concession that it held and, as at 30 June 2020, had no direct operating activities.

Equity investments in associates

thousands of euro

	31/12/2019	Changes in consolidation scope	Valuations at equity	Write-downs	Dividend distribution	Changes with effect on equity	30/06/2020
A2A Alfa	-	-	-	-	-	-	-
Acos	11,592	-	-	-	-	-	11,592
Acos Energia	970	-	-	-	-	-	970
Acquaenna	3,721	-	372	-	-	(239)	3,854
Aguas de San Pedro	11,160	-	1,563	-	-	(151)	12,572
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	981	-	134	-	(101)	-	1,014
Asa	36,414	-	1,008	-	-	(392)	37,030
Astea	22,766	-	780	-	(234)	6	23,318
Asti Energia Calore	166	-	(62)	-	-	-	104
BI Energy	974	-	(161)	-	-	-	813
CSP Innovazione nelle ICT	111	-	1	-	-	-	112
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	292	-	5	-	-	-	297
G.A.I.A.	14,723	-	455	-	(432)	-	14,746
Global Service Parma	6	-	-	-	-	-	6
Iniziative Ambientali	465	-	8	-	-	-	473
Mondo Acqua	647	-	-	-	-	-	647
Nord Ovest Servizi	4,452	-	87	-	-	-	4,539
Nove	-	2,300	-	-	-	-	2,300
Rio Riazzone	146	-	-	(146)	-	-	-
SETA	10,800	-	1,245	-	(888)	-	11,157
Sinergie Italiane	-	-	-	-	-	-	-
STU Reggiane	5,405	-	-	-	-	-	5,405
Tirana Acque	-	-	-	-	-	-	-
Valle Dora Energia	1,577	-	(292)	-	(123)	-	1,162
TOTAL	127,368	2,300	5,143	(146)	(1,778)	(776)	132,111

The company Nove S.p.A. comes into the consolidation scope with the equity method following the acquisition of a business unit made up of 49% of the equity investment and of the district heating network in the Municipalities of Rivoli and Collegno.

As regards the equity investment in Sinergie Italiane, the carrying amount of which is zero, the provisions for risks set aside to cover the risk of losses related to this investee amounted to 6,500 thousand euro (unchanged compared to 31 December 2019).

The amounts related to the column Changes with effect on Equity were due mainly to the exchange difference (Aguas de San Pedro) and to changes in the cash flow hedging reserves (Asa, Astea and Acquaenna) and of those related to actuarial gains/(losses) for employee benefits.

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. These equity investments are measured at fair value but, as the most

recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the fair value, they are carried at cost.

The list of other Group equity investments as at 30 June 2020 is shown in an annex.

The detail of the breakdown of this item is presented in the table provided below:

thousands of euro

	30/06/2020	31/12/2019
Autostrade Centro Padane	1,248	1,248
BT Enia	2,110	2,110
CIDIU	2,305	2,305
Environment Park	1,243	1,243
Others	497	497
TOTAL	7,403	7,403

NOTE 7_NON-CURRENT TRADE RECEIVABLES

Receivables, which reflect the effect of discounting, amounted to 90,596 thousand euro (74,443 thousand at 31 December 2019) and refer mainly to:

- the receivables of the integrated water service for tariff adjustments and 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 (43,996 thousand euro as at 30 June 2020, 41,505 thousand euro at 31 December 2019);
- 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 (14,668 thousand euro as at 30 June 2020, 14,394 thousand at 31 December 2019);
- receivables from the Municipality of Turin for the environmental hygiene service and for technological renewal and increased efficiency of heating systems in a number of municipal buildings (27,810 thousand euro as at 30 June 2020, 14,469 thousand as at 31 December 2019). For more information on the overall receivable position of the Iren Group in relation to the Municipality of Turin please see Note 8 "Non-current financial assets".

NOTE 8_NON-CURRENT FINANCIAL ASSETS

The item of 162,643 thousand euro (148,051 thousand at 31 December 2019) is made up of financial receivables, the measurement of derivatives with positive fair value and securities other than equity investments. These are detailed in the following table.

thousands of euro

	30/06/2020	31/12/2019
Non-current financial receivables from associates	14,407	9,899
Non-current financial receivables from related-party shareholders	110,137	121,463
Non-current financial receivables from others	14,528	15,972
Fair value of derivatives – non-current portion	77	693
Securities other than equity investments	24	24
Other financial assets	23,470	-
Total	162,643	148,051

Non-current financial receivables from associates

These refer to receivables from the companies Acos (5,355 thousand euro), Nove (4,500 thousand euro), Acquaenna (3,832 thousand euro) and Asti Energia Calore (720 thousand euro). Also present is a receivable of 817 thousand euro from the associate AIGA which was completely written off.

Non-current financial receivables from related-party shareholders

Receivables from related-party shareholders, of 110,137 thousand euro (121,463 thousand at 31 December 2019), regard receivables from the Municipality of Turin and relate to:

- the medium/long-term portion of receivables related to the current account which governs transactions between the subsidiaries AMIAT S.p.A., Iren Smart Solutions S.p.A. and the Municipality of Turin (87,462 thousand euro);
- application of the financial asset model provided for in IFRIC 12 to the efficiency project ("Turin LED") associated with the Public Lighting service performed under concession by Iren Smart Solutions S.p.A. in the city of Turin, for the long-term portion (22,675 thousand euro). Recognition of the discounted financial asset is a result of maturation of the current unconditional right to receive the cash flows contractually recognised, which occurred with completion of the installation of the related LED devices.

The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables presented in the statement of cash flows as a generation of operating cash flows, and a corresponding increase in financial receivables, presented as a cash absorption in cash flows from financing activities.

These receivables form part of an overall position, totalling 217,976 thousand euro, 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.

Receivables were divided by the directors between current portion and non-current portion on the basis of a forecast of their collection times determined also following the results of the agreement signed by the Municipality of Turin and the Iren Group during financial year 2018.

	thousands of euro	
	30/06/2020	31/12/2019
Non-current trade receivables	27,810	14,469
Trade receivables for services on invoices issued	37,952	63,277
Trade receivables for services on invoices to be issued	31,943	9,079
Trade receivables for electricity and other supplies	3,306	3,880
Provisions for impairment of trade receivables	(69)	(69)
Total current trade receivables	73,132	76,167
Non-current portion of financial receivables in current account	84,225	100,942
Non-current portion of financial receivables for interest	3,237	658
Non-current portion of financial receivables for services in concession	22,675	19,863
Total non-current financial receivables	110,137	121,463
Current portion of financial receivables in current account	1,722	9,448
Current portion of financial receivables for interest	2,884	4,078
Current portion of financial receivables for services in concession	2,291	-
Total current financial receivables	6,897	13,526
Total	217,976	225,625

Non-current financial receivables from others

Non-current financial receivables from others includes the long-term portion of the receivable deriving from the sale of the business unit made up of the telecommunication (TLC) network present in Emilia Romagna during 2016 and the business unit related to management of the integrated water service of two municipalities of the Catchment Area of the Verona ATO during 2019 and the receivables deriving

from application of the financial asset model provided for in IFRIC 12 to the efficiency project related to the Public Lighting service performed in a regimen of concession in the cities of Vercelli, Biella and Fidenza.

Fair value of derivatives – non-current portion

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

Securities other than equity investments

These amounted to 24 thousand euro (24 thousand at 31 December 2019) and refer to securities given as collateral which are measured at amortised cost.

Other financial assets

These are represented by the variable portion of the selling price of the equity investment in OLT Offshore LNG Toscana and of the related loan. These assets are measured at fair value with recognition of the changes in profit (loss) for the period.

NOTE 9_OTHER NON-CURRENT ASSETS

These are detailed in the following table:

	thousands of euro	
	30/06/2020	31/12/2019
Guarantee deposits	10,741	10,225
Tax assets after 12 months	10,957	7,417
Other non-current assets	5,337	14,514
Non-current accrued income and prepaid expenses	2,664	3,334
Total	29,699	35,490

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 refer mainly to credits for deductions on work done in order to improve the energy efficiency of buildings (ecobonus) and to VAT credits for which an application for rebate has been made.

The reduction of the item other non-current assets refers mainly to the cessation of the receivable deriving from the advance payment of the purchase price of the contracts related to the greater protection service of the electricity segment put up for sale by AMAIE S.p.A., a company of the municipality of Sanremo (province of Imperia), because the operation took effect on 1 January 2020.

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

NOTE 10_DEFERRED TAX ASSETS

These totalled 367,284 thousand euro (368,436 thousand at 31 December 2019) and refer to deferred tax assets deriving from revenue elements deductible in future years. They also include the tax effect on adjustments made on adoption of the international accounting standards.

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.

Construction Contracts refers mainly to activities performed for the Municipality of Turin.

The table below summarises the amounts of the item in the periods in question:

	thousands of euro	
	30/06/2020	31/12/2019
Raw materials	65,136	75,631
Inventory write-down provision	(4,676)	(4,500)
Net	60,460	71,131
Construction Contracts	658	658
Total	61,118	71,789

The change in inventories of raw materials in the period was essentially due to the reduction in gas storage.

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

As at 30 June 2020 no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are detailed in the following table:

	thousands of euro	
	30/06/2020	31/12/2019
Receivables from customers	925,114	976,980
Provisions for impairment of receivables	(218,132)	(192,106)
Net receivables from customers	706,982	784,874
Trade receivables from joint ventures	110	357
Trade receivables from associates	17,653	15,627
Trade receivables from related-party shareholders	87,698	97,990
Trade receivables from other related parties	3,887	6,849
Provisions for impairment of receivables from related-party shareholders	(69)	(69)
Total	816,261	905,628

As at 30 June 2020 factoring transactions were completed with derecognition of the receivables for a total of 49,574 thousand euro (55,286 thousand as at 31 December 2019).

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

	thousands of euro	
	30/06/2020	31/12/2019
Not past due	618,354	796,197
Past due from 0 to 3 months	173,966	105,113
Past due from 3 to 12 months	107,192	71,986
Past due for more than 12 months	134,950	124,507
Total	1,034,462	1,097,803

Receivables not past due include receivables for invoices to be issued of 450,833 thousand euro (517,974 thousand at 31 December 2019) which include the estimate of revenue earned for services supplied between the date of the last reading of effective consumption and the year-end date.

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 218,132 thousand euro (192,106 thousand at 31 December 2019).

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 classified as related parties (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. The balance takes into account the provisions for impairment of receivables of 69 thousand euro (unchanged from 31 December 2019). 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			
	31/12/2019	Provisions in the period	Decreases	30/06/2020
Provisions for impairment of receivables	192,107	42,523	(16,498)	218,132
Provisions for impairment of receivables from related-party shareholders	69	-	-	69
Total	192,176	42,523	(16,498)	218,201

The provisions in the period were set aside to adjust the amount of provisions for impairment of receivables to the amount of expected losses on the basis of the simplified model provided for in the standard IFRS 9, where “loss” means the present value of all future lost revenue, opportunely integrated to take into account future expectations (“forward looking information”).

The item “decreases” refers entirely to utilisations for losses on receivables.

NOTE 13_CURRENT TAX ASSETS

These amounted to 12,861 thousand euro (18,851 thousand at 31 December 2019) 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	
	30/06/2020	31/12/2019
Receivables for revenue tax/Ufficio Tecnico delle Imposte di Fabbricazione (UTIF) [Excise Duties Technical Office]	569	21,569
VAT credit	118,250	93,880
Other tax assets	19,814	23,557
Tax assets due within 12 months	138,633	139,006
Receivables from Cassa Servizi Energetici e Ambientali (CSEA)	54,845	56,527
Receivables for former green certificate incentive	43,892	35,597
Advances to suppliers	14,390	15,467
Other current assets	49,879	48,403
Other current assets	163,006	155,994
Accruals and deferrals	22,695	10,296
Total	324,334	305,296

As at 30 June 2020 factoring transactions had been completed with derecognition of receivables for energy efficiency certificates for a total of 33,414 thousand euro (7,872 thousand as at 31 December 2019).

The change in receivables for income taxes is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

In September 2019 Iren exercised the option for establishment of Group VAT to which the Revenues Agency attributed a new VAT number with effect from 1 January 2020.

The companies that take part in Group VAT, besides the parent company Iren S.p.A., are the following: Iren Energia S.p.A., IRETI S.p.A. (and the incorporated company Busseto Servizi S.r.l.), Iren Mercato S.p.A. (and the incorporated company SET S.r.l.), Iren Ambiente S.p.A. (and the incorporated companies CMT S.p.A. and Ferrania S.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. (and the incorporated company Immobiliare delle Fabbriche S.r.l.) Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Studio Alfa S.p.A., Coin Consultech S.r.l., TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A. and Montequerce S.c.a.r.l.

On the basis of what is provided for in the legislation of reference all the receivables accrued up to 31 December 2019 in the context of the group liquidation was not transferred to Group VAT. Instead a rebate was requested as for the companies that did not join in the said liquidation but which are in the same receivable situation.

In relation to receivables from the Cassa Servizi Energetici e Ambientali (CSEA) a portion of the amounts shown may not be collectable within the next 12 months.

NOTE 15_CURRENT FINANCIAL ASSETS

These are detailed in the following table:

	thousands of euro	
	30/06/2020	31/12/2019
Financial receivables from associates	18,798	10,685
Financial receivables from related-party shareholder Municipalities	6,897	13,526
Other financial receivables	55,530	51,596
Derivative receivables - current	128	-
Total	81,353	75,807

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 associates

The item refers mainly to the centralised treasury relationship with Valle Dora Energia (14,211 thousand euro), and to loans to Acquaenna (1,219 thousand euro), BI Energia (805 thousand euro) and STU Reggiane (476 thousand euro). The remainder regards essentially receivables for dividends to be received. For further details please see the schedule of related-party transactions shown in the annex.

Financial receivables from related-party shareholders

These regard receivables from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to 6,897 thousand euro (13,526 thousand at 31 December 2019). They are related to relationships between the subsidiaries AMIAT S.p.A. and Iren Smart Solutions 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 8 "Non-current financial assets".

Other financial receivables

These refer for 37,949 thousand euro to tied bank deposits of the subsidiary TRM S.p.A. deriving from the loan contract which specifies that amounts serving the instalment due, the costs regarding environmental offsets and extraordinary maintenance of the waste-to-energy plant are tied. The remainder refers to deposits paid to complete the treasury share purchase programme, to guarantee deposits paid to operate on the commodity futures markets, to the receivable for price adjustment related to the acquisition of control over San Germano and CMT, to accrued income and prepaid expenses of a financial nature and to sundry financial receivables.

Derivative receivables - current

These relate to the positive fair value of derivative contracts on commodities.

NOTE 16_CASH AND CASH EQUIVALENTS

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

	thousands of euro	
	30/06/2020	31/12/2019
Bank and postal deposits	378,169	345,753
Cash and valuables in hand	110	123
Total	378,279	345,876

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 amounted to 1,285 thousand euro (354,193 thousand at 31 December 2019). This item relates:

- for 987 thousand euro (unchanged compared to 31 December 2019) to net assets related to the concessions of the integrated water service of four municipalities of the province of Alessandria and two municipalities of Valle d’Aosta for which the takeover of the new operator is being defined;
- for 140 thousand euro (unchanged compared to 31 December 2019), to the equity investment in Plurigas in liquidation. The equity investment was classified among assets held for sale because during 2014 the company ceased to operate;
- for 158 thousand euro (unchanged from 31 December 2019) 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.

At 31 December 2019, this item included the equity investment in the joint venture OLT Offshore LNG (value reduced to zero at the end of 2018) and related shareholder loan (352,900 thousand euro) and the equity investment in the associate Campo Base (9 thousand euro) sold during the first half of 2020.

LIABILITIES

NOTE 18_EQUITY

Equity may be analysed as follows:

	thousands of euro	
	30/06/2020	31/12/2019
Share capital	1,300,931	1,300,931
Reserves and Retained Earnings (Losses)	850,545	750,264
Net profit (loss) for the period	132,728	236,389
Total equity attributable to shareholders	2,284,204	2,287,584
Capital and reserves attributable to non-controlling interests	337,872	334,653
Profit/(loss) attributable to non-controlling interests	12,928	29,103
Total consolidated equity	2,635,004	2,651,340

Share capital

The share capital, unchanged compared to 31 December 2019 amounts to 1,300,931,377 euro, which is fully paid-up and comprises 1,300,931,377 ordinary shares with a face value of 1 euro each.

On 27 March 2020, Iren S.p.A. launched a second tranche of the treasury share purchase programme undertaken in 2019 and, on 29 April 2020, the Shareholders' Meeting authorised the Board of Directors to purchase treasury shares for eighteen months for a maximum of 65,000,000 share, equal to 5% of the share capital, according to the current laws on the subject, revoking at the same time, for the part still unused, the previous purchase authorisation resolved by the Shareholders' Meeting on 5 April 2019. At 30 June 8,996,193 shares had been purchased for a total price of 19,829 thousand euro recognised as a reduction of shareholders' equity in the item "Reserves and Retained Earnings (Losses)".

Reserves and Retained Earnings (Losses)

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

	thousands of euro	
	30/06/2020	31/12/2019
Treasury shares	(19,829)	(9,054)
Share premium reserve	133,019	133,019
Legal reserve	76,713	64,642
Cash flow hedging reserve	(37,050)	(31,429)
Other reserves and retained earnings (losses)	697,692	593,086
Total reserves	850,545	750,264

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a contra-entry directly in equity under the cash-flow 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.

Other reserves and retained earnings (losses)

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

During the first half of 2020 they changed owing mainly to the carrying forward of the profits of financial year 2019 not distributed (104,814 thousand euro).

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 3,225,119 thousand euro (3,167,048 thousand at 31 December 2019).

Bonds

These amounted to 2,518,197 thousand euro (2,516,069 thousand at 31 December 2019). The item is entirely made up of Public Bond issues, accounted for at amortised cost, against a total nominal amount in issue as at 30 June 2020 of € 2,541,470 thousand (unchanged compared to 31 December 2019). The details of Public Bonds with maturity at more than 12 months are presented below:

- Bond maturity 2021, coupon 3%, issue amount 300 million euro, in issue as at 30 June 2020 for 181,836 thousand following repurchases (tender offers) carried out in 2015, 2016 and 2017 (amount at amortised cost 181,431 thousand);
- Bond maturity 2022, coupon 2.75%, issue amount 500 million euro, in issue as at 30 June 2020 for 359,634 thousand following repurchases (tender offers) carried out in 2016 and 2017 (amount at amortised cost 358,259 thousand);
- Bond maturity 2024, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 496,053 thousand);
- Green Bond maturity 2027, coupon 1.5%, amount 500 million euro, all in issue (amount at amortised cost 492,440 thousand);
- Green Bond maturity 2025, coupon 1.95%, amount 500 million euro, all in issue (amount at amortised cost 495,074 thousand);
- Green Bond maturity 2029, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 494,939 thousand).

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 total carrying amount compared to 31 December 2019 was due to the recognition of financial expenses accruing calculated on the basis of the amortised cost method according to the IAS/IFRS standards.

Non-current bank loans

Medium/long term loans relate exclusively to the non-current portion of loans/credit lines due at more than 12 months, granted by banks and amounted to 592,328 thousand euro (539,949 thousand at 31 December 2019).

Medium/long term 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	4.095% - 5.151%	0.000% - 0.557%	
maturity	2021-2028	2021-2034	
01.07.2021 – 30.06.2022	1,447	51,158	52,605
01.07.2022 – 30.06.2023	1,205	62,936	64,141
01.07.2023 – 30.06.2024	1,162	54,958	56,120
01.07.2024 – 30.06.2025	1,105	60,806	61,911
subsequent	4,383	353,168	357,551
Total payables beyond 12 months at 30/06/2020	9,302	583,026	592,328
Total payables beyond 12 months at 31/12/2019	10,023	529,926	539,949

All loans are denominated in euro.

The changes in medium/long term loans during the year are summarised below:

	thousands of euro					
	31/12/2019 Total payables beyond 12 months	Increases	Changes in consolidation scope	Repayments	Change to amortised cost	30/06/2020 Total payables beyond 12 months
- fixed rate	10,023	-	-	(721)	-	9,302
- floating-rate	529,926	75,000	-	(22,117)	217	583,026
TOTAL	539,949	75,000	-	(22,838)	217	592,328

Total medium/long term payables as at 30 June 2020 increased overall compared to 31 December 2019, as a result of:

- disbursement to the Parent Company of a loan for 75,000 thousand euro by the European Investment Bank, to be used for the project for the development of the electricity distribution network;
- a decrease of 22,838 thousand euro owing to the classification as short-term of the portion of loans due within the next 12 months;
- an increase of 217 thousand euro due to recognition of the loans at amortised cost.

Other financial liabilities

These amounted to 114,594 thousand euro (31 December 2019: 111,030 thousand), and refer:

- for 81,727 thousand euro (79,673 thousand at 31 December 2019) to the fair value of derivative contracts entered into as hedges against the interest rate fluctuation risk on floating rate loans and commodity prices (please see the paragraph "Group Financial Risk Management" for comments);
- for 28,652 thousand euro (25,500 thousand at 31 December 2019) to payables for leasing contracts;
- for 2,702 thousand euro (4,074 thousand at 31 December 2019) 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 1,513 thousand euro (31 December 2019: 1,783 thousand) to sundry financial payables.

NOTE 20_EMPLOYEE BENEFITS

In the first half of 2020 post-employment benefits underwent the following changes:

	31/12/2019	Obligations maturing in the period	Financial expense	Disbursements in the period	thousands of euro 30/06/2020
Post-employment benefits	93,097	400	478	(2,836)	91,139
Additional months' salaries (long-service bonus)	2,817	48	11	(57)	2,819
Loyalty bonus	3,199	50	11	(53)	3,207
Tariff discounts	4,861	-	28	(97)	4,792
Fondo premungas	2,354	-	7	(258)	2,103
Provisions for ex-employee benefits	92	-	-	(92)	-
Total	106,420	498	535	(3,393)	104,060

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits. The "Energy discount" awarded up to 30 September 2017 to retired employees was revoked unilaterally and replaced with lump sums included in provisions for former employee benefits.

Provisions for ex-employee benefits, which included the one-off amounts to be disbursed to retired employees replacing the energy discount no longer paid starting from 1 October 2017, were used entirely during the first half of 2020.

Actuarial assumptions

The assessment of the liabilities presented above was made by independent actuaries on the occasion of preparing the 2019 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.

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 economic and financial assumptions adopted in the calculations are the following:

Annual discount rate	0.60% - 1.00%
Annual inflation rate	1.00% - 1.50%
Annual increase rate of post-employment benefits	2.50%

NOTE 21_ PROVISIONS FOR RISKS AND CHARGES

The item amounted to 381,714 thousand euro (415,260 thousand at 31 December 2019). These are detailed in the following table, and refer both to the current and non-current portions:

thousands of euro

	31/12/2019	Increases	Decreases	(Income) expense from discounting	Reclassifications	30/06/2020	Current portion
Provisions for restoration of third-party assets	175,863	5,635	(821)	(119)	-	180,558	1,559
“Post mortem” provisions	44,340	-	(1,799)	1,419	-	43,960	10,040
Provisions for dismantling and reclaiming sites	35,694	-	(153)	1,831	-	37,372	46
Provisions for early retirement expenses	26,396	-	(4,838)	-	-	21,558	7,359
Provisions for risks on equity investments	6,565	-	-	-	-	6,565	6,565
Other provisions for risks and charges	244,704	41,068	(88,171)	-	(410)	197,191	79,921
Total	533,562	46,703	(95,782)	3,131	(410)	487,204	105,490

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 3.25%.

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 Enia), 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 complete mineralisation of waste and the reconversion of landfills into “green” areas.

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 the former AMNU land in Parma, on which an incinerator was located.

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 (isopension) 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.

During the financial year 2019, in order to continue in the programme for professional and demographic rebalancing of the personnel and following agreements with the Trade Unions, the Group set aside provisions for retirement incentives on a voluntary basis for employees interested and with the requisites introduced by Italian Law Decree 4/2019 containing the so-called “quota 100”. Article 14 of the aforementioned Italian Law Decree 4/2019 introduces starting from 2019 the possibility of retiring with the requisites of 62 years of age and 38 years of contributions matured by 31 December 2021.

Provisions for risks on equity investments

This item mainly refers to risks relating of future charges deriving from management of the investee Sinergie Italiane.

Other provisions for risks and charges

The amount of the provisions mainly refers to the probable risk of higher charges for the construction of plants which are completed or yet to be finished, the estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-*quinquies* of Italian Law Decree no. 44 of 31 March 2005, the estimate of charges related to the return of emissions quotas, charges for environmental offsets, risks of a regulatory nature 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 206,719 thousand euro (209,591 thousand at 31 December 2019) 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	
	30/06/2020	31/12/2019
Payables after 12 months	50,744	47,806
Deferred income for grants related to plants – non current	424,082	429,479
Non-current accrued expenses and deferred income	3,354	2,755
Total	478,180	480,040

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.

Deferred income for grants for plant facilities includes the amounts related to connection contributions for an amount of 188,957 thousand euro and to the Fo.N.I. ("Fondo Nuovi Investimenti" - New Investment Fund) component, for an amount of 48,031 thousand euro, provided for in the tariff method of the Integrated Water Service which will be booked to the income statement beyond 12 months from the reporting date. The portion that will be booked to the income statement in the 12 months following the reporting date amounts respectively to 12,314 thousand and 2,456 thousand euro and is included in the item "Other payables and other current liabilities among deferred income" for grants related to plants.

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.

Short-term financial liabilities can be analysed as follows:

	thousands of euro	
	30/06/2020	31/12/2019
Bonds	167,856	167,831
Bank loans	90,743	130,709
Financial payables to associates	68	68
Financial payables to related-party shareholders	7,656	3,867
Financial payables for leases	8,402	106,514
Financial payables to others	5,072	12,167
Current liabilities for derivatives	35,873	40,007
Total	315,670	461,163

Bonds

The amount refers to the Private Placement issued in 2013 with maturity 2020 and is accounted for at amortised cost according to the IAS/IFRS standards, with a nominal value on maturity of 167,870 thousand euro.

Bank loans

Short-term bank loans may be broken down as follows:

	thousands of euro	
	30/06/2020	31/12/2019
Loans - current portion	44,654	43,637
Other current payables to banks	10,177	75,256
Accrued financial expenses and deferred financial income	35,912	11,816
Total	90,743	130,709

Financial payables to associates

This item relates to amounts due to the company Amter.

Financial payables to related-party shareholders

This item relates to dividends of the company TRM still to be paid to the shareholder Municipality of Turin.

Financial payables for leases

The significant reduction compared to 31 December 2019 was due to the payment made during the first half of 2020 to acquire a part of the Group's executive offices which previously were the subject of a rental contract.

Financial payables to others

These regard payables to factoring companies for the portions collected from customers and to be paid to the factor (1,300 thousand euro), payables consequent to the operation for the acquisition of the right of use of 25% of the total capacity of the TLC network sold to BT Enia (1,632 thousand euro), payables for dividends to be liquidated (1,451 thousand euro) and amounts that are individually less significant.

Current liabilities for derivatives

These relate to the fair value of derivative contracts entered into to hedge the exposure to the risk of oscillating commodity prices.

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	
	30/06/2020	31/12/2019
Trade payables	600,492	830,377
Trade payables to joint ventures	233	311
Trade payables to associates	3,477	12,950
Trade payables to related-party shareholders	9,260	12,874
Trade payables to other related parties	4,786	9,225
Advances due within 12 months	7,003	6,801
Guarantee deposits due within 12 months	14,363	14,514
Charges to be reimbursed within 12 months	10	10
Total	639,624	887,062

The decrease in trade payables compared to 31 December 2019 was mainly due to the decrease in payables to suppliers resulting from the trend in thermal seasonality and to the reduction in commodity prices.

NOTE 26_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables 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.

	thousands of euro	
	30/06/2020	31/12/2019
VAT payable	1,303	572
Revenue tax payable /UTIF	7,717	494
IRPEF payable	789	444
Other tax liabilities	24,758	28,142
Tax liabilities due within 12 months	34,567	29,652
Payables to employees	49,817	44,853
Payables to Cassa Servizi Energetici e Ambientali (CSEA)	58,065	62,971
Accounts payable to social security institutions within 12 months	22,785	30,272
Other current liabilities	122,287	117,751
Other payables due within 12 months	252,954	255,847
Accrued expenses and deferred income	24,896	21,236
Total	312,417	306,735

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.

Other current liabilities refer mainly to cost estimates for the obligations related to energy efficiency certificates, payables for electricity distribution tariff components to be paid to GSE, payables for purification fees and payables for the TV licence fee collected in bills.

NOTE 27_CURRENT TAX LIABILITIES

Current tax liabilities amounting to 55,091 thousand euro (1,761 thousand at 31 December 2019) consist of IRES and IRAP payables which include the estimate of taxes for the current period.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 105,490 thousand euro (118,302 thousand at 31 December 2019) and refers to the short-term portion of the provisions, divided as follows:

- provisions for environmental offset charges of 14,281 thousand euro;
- provisions for charges related to the obligation to return issue quotas of 37,036 thousand euro;
- provisions for personnel early retirement expenses of 7,359 thousand euro;
- provisions for equity investment risks of 6,565 thousand euro, mainly related to the associate Sinergie Italiane;
- provisions for restoration of transferable works of 1,559 thousand euro;
- provisions for dismantling and reclaiming sites and post mortem provisions of 10,086 thousand euro, which are expected to be used within the next 12 months;
- other provisions for risks of 28,604 thousand euro.

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 are no liabilities related to assets held for sale as at 30 June 2020.

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	
	30/06/2020	31/12/2019
Non-current financial assets	(162,643)	(148,051)
Non-current financial debt	3,225,119	3,167,048
Non-current net financial debt	3,062,476	3,018,997
Current financial assets	(459,632)	(774,583)
Current financial debt	315,670	461,163
Current net financial debt	(143,962)	(313,420)
Net financial debt	2,918,514	2,705,577

Detail of Net Financial Position regarding related parties

Non-current financial assets relate for 110,137 thousand euro to receivables from the Municipality of Turin and for 14,407 thousand euro to receivables from associates.

Current financial assets relate for 6,897 thousand euro to receivables from the Municipality of Turin and for 18,798 thousand euro to receivables from associates.

Current financial liabilities relate for 7,656 thousand euro to payables to the Municipality of Turin and for 68 thousand euro to payables to associates.

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	
	30/06/2020	31/12/2019
A. Cash in hand	(378,279)	(345,876)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	(378,279)	(345,876)
E. Current financial receivables	(81,353)	(428,707)
F. Current bank debt	46,089	87,072
G. Current portion of non-current debt	212,510	211,468
H. Other current financial debt	57,071	162,623
I. Current financial debt (F)+(G)+(H)	315,670	461,163
J. Net current financial debt (I) – (E) – (D)	(143,962)	(313,420)
K. Non-current bank debt	592,328	539,949
L. Bonds issued	2,518,197	2,516,069
M. Other non-current debt	114,594	111,030
N. Non-current financial debt (K) + (L) + (M)	3,225,119	3,167,048
O. Net financial debt (J) + (N)	3,081,157	2,853,628

The table below shows the changes in the year in current and non-current financial liabilities.

	thousands of euro
Current and non-current financial liabilities 31.12.2019	3,628,211
Subscription of medium/long-term loans	75,000
Repayment of medium/long-term loans	(21,821)
Liabilities acquired following change in consolidation scope	-
Change in payables for leases	(94,960)
Fair value changes on derivatives	(2,080)
Other changes	(43,561)
Current and non-current financial liabilities 30.06.2020	3,540,789

VIII. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the following comments and tables show the figures in thousands of euro.

For the purposes of a correct analysis of the income statement, we can also note that the items include, along the entire time horizon in question, the results of the companies Ferrania Ecologia and Territorio e Risorse. In the first half of 2019 the income statement items of these companies were not present because they were consolidated starting from the second half of the year.

REVENUE

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounted to 1,742,825 thousand euro (2,153,303 thousand in the first half of 2019). For more details on the trend in revenue by business segments please refer to what is explained in the chapter "Segment reporting" of the Directors' Report and to the tables contained in paragraph X "Segment reporting" below.

NOTE 31_OTHER INCOME

Other income totalled 83,063 thousand euro (84,954 thousand in the first half of 2019) 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 2020	First half 2019
Grants related to plant	5,814	5,566
Connection contributions	5,132	4,405
Other grants	2,229	1,385
Total	13,175	11,356

The grants for plant facilities and connection contributions represent the pertaining portion of grants calculated in proportion to the depreciation rates of the plants to which they refer.

The connection contributions include amounts received for connection to the Group's electricity, water, gas and heat distribution networks.

Revenue from energy efficiency certificates

	thousands of euro	
	First half 2020	First half 2019
Revenue from ex-Green Certificates incentive	28,786	31,049
Revenue from Energy Efficiency Certificates (White Certificates)	27,592	24,842
Total	56,378	55,891

Other income

	thousands of euro	
	First half 2020	First half 2019
Revenue from service contracts	1,180	1,177
Revenue from rental income and leases	671	766
Capital gains on goods disposal	146	952
Insurance reimbursement	220	342
Sundry repayments	2,155	3,128
Other revenue and income	9,138	11,342
Total	13,510	17,707

COSTS

NOTE 32_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

	thousands of euro	
	First half 2020	First half 2019
Purchase of electricity	143,421	286,065
Purchase of gas	254,157	410,545
Purchase of heat	973	120
Purchase of water	1,951	1,899
Other raw materials and inventory materials	41,746	44,356
ETS certificates	37,031	35,718
White certificates	18,421	5,342
Change in inventories	10,671	9,297
Total	508,371	793,342

Costs for raw materials, consumables, supplies and goods fell by 284,971 thousand euro. The reduction in the purchase costs of electricity and gas is associated with the reduction in the prices of the volumes purchased.

As regards energy certificates, the change in the costs for White Certificates is associated with the higher quantities purchased to fulfil the obligations of the period.

The change in inventories was partly due to gas storages.

NOTE 33_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to 589,955 thousand euro (705,752 thousand euro in the first half of 2019) and are detailed in the table below.

	thousands of euro	
	First half 2020	First half 2019
Electricity transport and electricity system expenses	254,226	377,166
Gas carriage	38,041	40,197
Third-party works, maintenance and industrial services	104,468	100,898
Collection and disposal, snow clearing, public parks	101,629	96,447
Expenses related to personnel (canteen, training, travel)	4,052	5,566
Technical, administrative and commercial consulting, and advertising expenses	30,167	25,748
Legal and notary fees	1,506	922
Insurance	7,198	7,223
Banking costs	3,432	3,876
Telephone costs	3,607	3,619
IT expenses	15,941	17,615
Reading and invoicing services	4,938	6,865
Fees of the Board of Statutory Auditors	437	416
Other costs for services	20,313	19,194
Total costs for services	589,955	705,752

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 16,556 thousand euro (17,597 thousand in the first half of 2019). The item included mainly fees paid to the single operator of the Genoa Area, fees paid to the companies that own the assets of the integrated water service of the Municipalities of Parma, Piacenza and Reggio Emilia.

Residually, there are also costs present for short-term hire or hire in which the underlying asset is of modest value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 34_OTHER OPERATING EXPENSES

Other operating expenses amounted to 33,652 thousand euro (34,831 thousand in the first half of 2019) and are detailed in the table below:

	thousands of euro	
	First half 2020	First half 2019
General expenses	6,929	7,089
Instalments and higher instalments for water shunting	10,429	8,881
Taxes and duties	10,781	11,265
Capital losses on goods disposal	269	29
Other sundry operating expenses	5,244	7,567
Total	33,652	34,831

General expenses include among other things contributions to the running costs of various entities and penalties from service providers. The item “taxes and duties” relates mainly to expenses for IMU (Council Tax) on the Group’s plants and buildings and expenses for occupying and reclaiming public land. The item Other sundry operating expenses includes adjustments of revenue accruing to previous years.

NOTE 35_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to 17,534 thousand euro (14,255 thousand in the first half of 2019), and regard an increase in capital assets created with internal resources and production factors.

	thousands of euro	
	First half 2020	First half 2019
Capitalised labour costs	(14,602)	(11,633)
Capitalised inventory materials	(2,932)	(2,622)
Total	(17,534)	(14,255)

NOTE 36_PERSONNEL EXPENSE

Personnel costs amounted to 221,584 thousand euro (222,930 thousand in the first half of 2019) and are detailed in the table below:

	thousands of euro	
	First half 2020	First half 2019
Gross remuneration	157,862	157,531
Social security contributions	50,144	51,551
Post-employment benefits	400	732
Other long-term employee benefits	98	87
Other personnel expense	12,345	12,416
Directors’ fees	735	613
Total	221,584	222,930

As described in Note 35, 17,534 thousand euro in costs related to employees 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.

The composition of personnel is shown in the following table.

	30/06/2020	31/12/2019	Average for the period
Senior managers	93	94	93
Junior managers	311	314	313
White collar	3,506	3,495	3,505
Blue collar	4,258	4,199	4,190
Total	8,168	8,102	8,101

The main changes in the workforce compared to 31 December 2019 are attributable to:

- the company San Germano, as a consequence of the launch/conclusion of services performed on contract, also of a seasonal nature;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

NOTE 37_ DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the period amounted to 206,432 thousand euro (191,510 thousand in the first half of 2019).

	thousands of euro	
	First half 2020	First half 2019
Property, plant and equipment and investment property	134,681	127,748
Intangible assets	71,751	63,762
Total	206,432	191,510

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

NOTE 38_ PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to a total of 34,897 thousand euro (28,898 thousand in the first half of 2019) and is detailed in the table below:

	thousands of euro	
	First half 2020	First half 2019
Provisions for impairment of receivables	42,523	16,845
Provisions set aside for risks and restoration of third-party assets	8,710	10,619
Provision releases	(16,336)	(1,274)
Write-downs	-	2,708
Total net other provisions and impairment losses	(7,626)	12,053
Total	34,897	28,898

The provisions in the period were set aside to adjust the amount of provisions for impairment of receivables to the amount of expected losses on the basis of the simplified model provided for in the standard IFRS 9, where “loss” means the present value of all future lost revenue, opportunely integrated to take into account future expectations (“forward looking information”).

The trend of provisions set aside for risks and restoration of third-party assets is referable to the assessment of risks of liabilities in the electrical and water fields, as well as to probable costs in the waste management segment, while releases of provisions in the period refer to the revision of estimates of expenses set aside in previous years.

Details of changes in provisions are given in the comment on the Balance Sheet item “Provisions for risks and charges”.

The impairment of the first half of 2019 referred to the write-down of the book value of the property complex situated at Piazza Raggi in Genoa, made to align it to the fair value the emerged from the appraisal carried out by an independent expert.

NOTE 39 FINANCIAL INCOME AND EXPENSE

Financial income

Financial income for the period amounted to 13,777 thousand euro (17,872 thousand in the first half of 2019). The details are shown in the following table:

	thousands of euro	
	First half 2020	First half 2019
Dividends	-	68
Bank interest income	100	300
Interest income from receivables/loans	3,662	9,560
Interest income from customers	2,032	2,326
Fair value gains on derivatives	5,010	3,896
Other financial income	2,973	1,722
Total	13,777	17,872

Interest income from receivables/loans refers mainly to interest receivable from the company OLT Offshore, which was sold in the period (1,733 thousand euro), and interest accrued on current accounts between the Group and the Municipality of Turin (1,385 thousand).

Income from fair value on derivative contracts refers to the non-effective portion of hedging instruments and to the fair value changes of hedging instruments that do not meet the formal requirements for the application of hedge accounting.

Other financial income consists mainly of income for the discounting of provisions and for the change in the fair value of financial instruments.

Financial expense

This item amounted to 44,144 thousand euro (45,843 thousand in the first half of 2019). The breakdown of financial expenses is provided in the following table:

	thousands of euro	
	First half 2020	First half 2019
Interest expense on loans	1,322	7,344
Interest expense on bonds	26,360	24,114
Interest expense on bank current accounts	36	69
Other interest expense	365	414
Derivative fair value charges	379	368
Expenses paid on derivatives	8,194	8,749
Capital loss on disposal of financial assets	1,828	-
Interest cost – Employee benefits	535	1,088
Financial expense on leasing liabilities	297	1,637
Other financial expenses	4,828	2,060
Total	44,144	45,843

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 mainly includes financial expenses for the discounting of provisions.

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

The profit of companies accounted for using the equity method amounted to 5,143 thousand euro (a profit of 4,752 thousand in the first half of 2019). For more details please see Note 5 "Investments accounted for using the equity method".

NOTE 41_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

The item was a negative 146 thousand euro (not present in the first half of 2019) and refers to the write-off of the equity investment in Rio Riazzone as a result of the cancellation from the companies register following the closure of the liquidation of the company.

NOTE 42_INCOME TAX EXPENSE

Income taxes for the first half of 2020 are estimated at 60,949 thousand euro (70,197 thousand in the first half of 2019) 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 domestic 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 2020 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI S.p.A., Iren Mercato S.p.A. (and the incorporated company SET), Iren Energia S.p.A., Iren Acqua S.p.A. (with the incorporated company Immobiliare delle Fabbriche), Iren Ambiente S.p.A. (and the incorporated companies CMT and Ferrania Ecologia), Iren Smart Solution S.p.A., AMIAT S.p.A., AMIAT V S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., Maira S.p.A., Formaira S.r.l., Studio Alfa S.p.A., Coin Consultech S.r.l., Recos S.p.A., Iren Laboratori S.p.A., Atena Trading S.r.l. , San Germano S.p.A., ASM Vercelli S.p.A., GIA in liquidation, Ri.Ma.S.r.l. and Territori e Risorse S.r.l.

NOTE 43_NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

This is not present in either the first half of 2020 or in the comparative period.

NOTE 44_PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITIES

Profit of non-controlling interests, of 12,928 thousand euro (13,598 thousand in the first half of 2019), refers to the portion attributable to non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 45_EARNINGS PER SHARE

In order to calculate the basic and diluted earnings per share, the number of shares of the first half of 2020 is the weighted average of shares outstanding over the reference period based on the provisions of paragraph 20, IAS 33. The company has not issued financial instruments that have the potential to dilute ordinary and savings shares, therefore diluted earnings per share is equal to basic earnings per share.

	First half 2020	First half 2019
Net profit (loss) for the period (thousands of euro)	132,728	150,638
Weighted average number of shares outstanding over the year (thousand)	1,295,161	1,300,258
Basic earnings/(loss) per share (euro)	0.10	0.12

NOTE 46_OTHER COMPREHENSIVE INCOME

Other comprehensive income was a negative 6,051 thousand euro (a negative 30,590 thousand euro in the first half of 2019) and refers to the other comprehensive income that will subsequently be reclassified to the Income Statement. In particular it includes the following elements:

- the effective portion of changes in the fair value of cash flow hedging instruments, a negative 7,112 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 negative 620 thousand euro, which refers to changes in the fair value of cash flow hedging instruments of associates.
- the tax effect of other comprehensive income for +1,681 thousand euro.

IX. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

- a) Sureties for own commitments of 501,206 thousand euro (492,226 thousand at 31 December 2019); the most significant items refer to sureties issued in favour of:
- the Province/Metropolitan City of Turin, for 99,686 thousand euro for waste collection and post-closure management of plants subject to Integrated Environmental Authorisation (hereinafter I.E.A.);
 - ARPAE for 77,639 thousand euro for waste conferment and operating and post-closure management of plants subject to I.E.A.;
 - ATO-R, for 44,335 thousand euro, as definitive guarantees related to the AMIAT/TRM tender procedure;
 - CONSIP for 34,090 thousand euro for electricity supply contracts;
 - the Electricity Market Operator (GME) for 29,718 thousand euro to guarantee the market participation contract;
 - the City of Turin for 28,539 thousand euro as definitive guarantees related to the AMIAT/TRM tender procedure;
 - the Customs Authority, for 22,003 thousand euro to guarantee the regular payment of revenue tax and additional local and provincial duties on electricity consumption and gas excise;
 - SEI Energia for 21,500 thousand euro as expenses for the Assumptor for the related arrangement procedure;
 - the Italian Ministry of the Environment, for 20,820 thousand euro;
 - ATERSIR for 14,306 thousand euro for S.I.I. and S.G.R.U. agreements and tenders in progress;
 - SNAM Reti Gas for 11,091 thousand euro to guarantee contracts and network codes;
 - INPS for 7,444 thousand euro for the planned redundancy procedure for group employees;
 - Terna, for 6,612 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
 - SETA SpA for 5,850 thousand euro to guarantee regular execution of post-closure activities at the Chivasso 0 landfill site;
 - the Tax Authority for 5,728 thousand euro for procedures related to the annual VAT credit rebate;
 - Unieco for 5,640 thousand euro to guarantee the binding offer on the acquisition of the equity investment;
 - Province of La Spezia for 5,441 thousand euro to guarantee the management of plants;
 - Province of La Spezia for 5,173 thousand euro for contributions and management of plants;
 - Consorzio di Bacino Basso Novarese (Consortium of the Lower Novara Basin) for 4,040 thousand euro to guarantee participation in the tender procedure for the award of the collection and disposal of municipal waste;
 - Municipality of Parma for 3,678 thousand euro to guarantee the Cornocchio plant and for maintenance contracts;
 - SEA Consortium for 3,034 thousand euro to guarantee the urban hygiene service and similar services;
- b) Guarantees provided on behalf of subsidiaries and associates for 312,745 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 25,332 thousand euro (unchanged compared to 31 December 2019). 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.

COMMITMENTS

In relation to the subsidiary Iren Acqua (formerly 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 Iren Acqua or its investees, resulting from incorrect or unfair statements included in the agreement.

CONTINGENT LIABILITIES

Disclosure on the Inspection Report of 26 July 2019 served on Iren Mercato S.p.A.

With reference to the tax audit by the Revenues Agency - Liguria Regional Department, which began on 20 February 2019 and ended with notification of the Inspection Report (Processo Verbale di Constatazione - PVC) on 26 July 2019, the Office has still not served Iren Mercato with any notice of assessment.

The audit mainly regarded the commercial transactions performed between the company and the investee Sinergie Italiane, implementing the contract for the purchase of natural gas signed on 20 March 2013. The Office alleged that the company, for IRES and IRAP purposes and in breach of Art. 109 of the Consolidated Income Tax Act, had unduly deducted part of the price of the gas paid to Sinergie Italiane (for the part consisting, in fact, of the mark-up applied by the latter on its natural gas purchase price), for a total of 4,274,009 euro for the year 2013 and 3,748,010 euro for the year 2014, and in addition it was alleged that the undue deduction (in breach of art. 19, paragraph 1, of Italian Presidential Decree no. 633/1972) regarded also VAT (applied with a rate of 10%) paid by the company in relation to the invoices issued by Sinergie Italiane.

The risks connected remain estimated as "potential" in application of the international accounting standards, considering that there are a series of factual circumstances and considerations on points of law in support of the legitimate operation of the company.

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.

OPERATING BUSINESS SEGMENTS

The business segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermolectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity, gas, heat)
- Other services (Laboratories, Telecommunications 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 one 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 2019 restated and the income statement (up to the operating profit) of the current period by business segment are presented below, and include a comparison with the figures for the first half of 2019.

Reclassified statement of financial position by business segment as at 30 June 2020

	millions of euro						
	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,873	1,016	1,866	192	36	149	6,133
Net Working Capital	(27)	144	74	77	16	–	284
Other non-current assets and liabilities	(596)	(169)	(90)	(12)	3	–	(864)
Net invested capital (NIC)	2,251	992	1,850	257	55	149	5,554
Equity							2,635
Net financial position							2,919
Own funds and net financial debt							5,554

Restated reclassified statement of financial position by business segment at 31 December 2019

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,823	1,036	1,884	175	38	145	6,101
Net Working Capital	(69)	64	88	70	13	-	166
Other non-current assets and liabilities	(603)	(170)	(140)	-	4	-	(910)
Net invested capital (NIC)	2,151	930	1,832	246	54	145	5,357
Equity							2,651
Net financial position							2,706
Own funds and net financial debt							5,357

Income Statement by business segment, first half of 2020

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	490	350	551	1,073	11	(648)	1,826
Total operating expenses	(311)	(270)	(424)	(987)	(10)	648	(1,353)
Gross Operating Profit (EBITDA)	179	80	127	86	1	-	473
Net am./depr., provisions and impairment losses	(98)	(48)	(54)	(41)	(1)	-	(241)
Operating profit (EBIT)	81	32	73	45	0	-	232

Income Statement by business segment, first half of 2019

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	482	352	785	1,512	10	(903)	2,238
Total operating expenses	(310)	(268)	(619)	(1,457)	(9)	903	(1,760)
Gross Operating Profit (EBITDA)	172	84	166	55	1	-	478
Net am./depr., provisions and impairment losses	(82)	(47)	(64)	(26)	(1)	-	(220)
Operating profit (EBIT)	90	37	102	29	-	-	258

XI. ANNEXES TO THE CONDENSED CONSOLIDATED INTERIM REPORT

LIST OF FULLY CONSOLIDATED COMPANIES

LIST OF JOINT VENTURES

LIST OF ASSOCIATES

LIST OF OTHER EQUITY INVESTMENTS

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

TRANSACTIONS WITH RELATED PARTIES

LIST OF 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.	Genoa	Euro	196,832,103	100.00	Iren
Acam Acque S.p.A.	La Spezia	Euro	24,260,050	100.00	IRETI
Acam Ambiente S.p.A.	La Spezia	Euro	3,000,000	100.00	Iren Ambiente
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
ASM Vercelli S.p.A.	Vercelli	Euro	120,812,720	59.97	IRETI
Atena Trading S.r.l.	Vercelli	Euro	556,000	100.00	ASM Vercelli
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Coin Consultech S.r.l.	Reggio Emilia	Euro	10,000	100.00	Studio Alfa
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	IRETI
Formaira S.r.l.	San Damiano Macra (Cuneo)	Euro	10,000	100.00	Maira
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	60.00	IRETI
Iren Acqua Tigullio S.p.A.	Chiavari (Genoa)	Euro	979,000	66.55	Iren Acqua
Iren Laboratori S.p.A.	Genoa	Euro	2,000,000	90.89	IRETI
Iren Smart Solutions S.p.A.	Reggio Emilia	Euro	2,596,721	60.00 20.00 20.00	Iren Energia Iren Ambiente Iren Mercato
Maira S.p.A.	San Damiano Macra (Cuneo)	Euro	596,442	66.23	Iren Energia
Monte Querce S.c. a r.l.	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
ReCos S.p.A.	La Spezia	Euro	6,420,608	99.14	Iren Ambiente
Rigenera Materiali S.r.l.	Genoa	Euro	3,000,000	100.00	Iren Ambiente
Salerno Energia Vendite S.p.A.	Salerno	Euro	3,312,060	50.00	Iren Mercato
San Germano S.p.A.	Turin	Euro	1,425,000	100.00	Iren Ambiente
Studio Alfa S.p.A.	Reggio Emilia	Euro	100,000	86.00	Iren Smart Solutions
Territorio e Risorse S.r.l.	Tortona	Euro	2,510,000	100.00	Iren Ambiente
TRM S.p.A.	Turin	Euro	86,794,220	80.00	Iren Ambiente

LIST OF JOINT VENTURES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili S.p.A.	Turin	Euro	7,633,096	44.92	IRETI

LIST OF ASSOCIATES

Company	Registered office	Currency	Share capital	% interest	Shareholder company
A2A Alfa S.r.l. (1)	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	48.50	IRETI
Aguas de San Pedro S.A. de C.V.	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
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
BI Energia S.r.l.	Reggio Emilia	Euro	100,000	47.50	Iren Energia
CSP Innovazione nelle ICT S.c.r.l.	Turin	Euro	600,000	25.00	Iren Energia
Fata Morgana S.p.A. (2)	Reggio Calabria	Euro	2,225,694	25.00	IRETI
Fin Gas S.r.l.	Milan	Euro	10,000	50.00	Iren Mercato
Fratello Sole Energie Solidali Impresa Sociale S.r.l.	Genoa	Euro	350,000	40.00	Iren Energia
G.A.I.A. S.p.A.	Asti	Euro	5,539,700	45.00	Iren Ambiente
Global Service Parma S.c. a r.l. (1)	Parma	Euro	20,000	30.00	IRETI
Iniziative Ambientali S.r.l.	Novellara (Reggio Emilia)	Euro	100,000	40.00	Iren Ambiente
Mondo Acqua S.p.A.	Mondovì (Cuneo)	Euro	1,100,000	38.50	IRETI
Nord Ovest Servizi S.p.A.	Turin	Euro	7,800,000	10.00	IRETI
Nove S.p.A.	Grugliasco (TO)	Euro	9,983,505	49.00	AMIAT Iren Energia
Parma Servizi Integrati S.c. a r.l.	Parma	Euro	20,000	11.00	Iren Smart Solutions
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
Seta S.p.A.	Turin	Euro	12,378,237	48.85	Iren Ambiente
Sinergie Italiane S.r.l. (1)	Milan	Euro	1,000,000	30.94	Iren Mercato
STU Reggiane S.p.A.	Reggio Emilia	Euro	6,587,558	30.00	Iren Smart Solutions
Tirana Acque S.c. a r.l. (1)	Genoa	Euro	95,000	50.00	IRETI
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia

(1) Company in liquidation

(2) Company in liquidation classified among discontinuing operations

LIST OF OTHER EQUITY INVESTMENTS

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili Siciliane in bankruptcy (1)	Palermo	Euro	5,000,000	9.83	Iren Acqua
Aeroporto di Reggio Emilia Alpen 2.0	Reggio Emilia	Euro	2,177,871	0.11	Studio Alfa
ATO2ACQUE S.c.a.r.l.	Turin	Euro	70,000	14.29	Maira
Aurora S.r.l.	Biella	Euro	48,000	16.67	ASM Vercelli
Autostrade Centro Padane	S. Martino in Rio (RE)	Euro	514,176	0.10	Studio Alfa
BT ENIA Telecomunicazioni	Cremona	Euro	30,000,000	1.46	IRETI
C.R.P.A.	Parma	Euro	4,226,000	12.01	IRETI
CIDIU SPA	Reggio Emilia	Euro	2,201,350	2.27	IRETI
Consorzio CIM 4.0	Collegno (TO)	Euro	4,335,314	4.82	AMIAT
L.E.A.P. srl	Turin	Euro	1,400,000	4.00	Iren
Consorzio Topix	Piacenza	Euro	180,000	8.30	Iren Ambiente
Enerbrain s.r.l.	Turin	Euro	1,600,000	0.30	Iren Energia
Environment Park S.p.A.	Turin	Euro	21,073	1.00	Iren Smart Solutions
I-TES	Turin	Euro	11,406,780	3.39	Iren Energia
Reggio Emilia Innovazione (2)	Turin	Euro	10,204	2.00	AMIAT
Smart Mobility	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Società di Biotecnologie S.p.A.	Rome	Euro	14,175	5.14	Iren Mercato
Stadio Albaro (2)	Turin	Euro	536,000	1.00	Iren Smart Solutions
T.I.C.A.S.S.	Genoa	Euro	1,230,000	2.00	Iren Mercato
	Genoa	Euro	176,000	3.13	IRETI

(1) in bankruptcy from 29.10.2013

(2) 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	3,622,532	Property, plant and equipment	3,622,532
Investment property	2,951	Investment property	2,951
Intangible assets	2,197,996	Intangible assets	2,197,996
Goodwill	160,475	Goodwill	160,475
Investments accounted for using the equity method	142,018	Investments accounted for using the equity method	142,018
Other equity investments	7,403	Other equity investments	7,403
Total (A)	6,133,375	Non-Current Assets (A)	6,133,375
Other non-current assets	29,699	Other non-current assets	29,699
Other payables and other non-current liabilities	(478,180)	Other payables and other non-current liabilities	(478,180)
Total (B)	(448,481)	Other non-current assets (liabilities) (B)	(448,481)
Inventories	61,118	Inventories	61,118
Non-current trade receivables	90,596	Non-current trade receivables	90,596
Trade receivables	816,261	Trade receivables	816,261
Current tax assets	12,861	Current tax assets	12,861
Other receivables and other current assets	324,334	Other receivables and other current assets	324,334
Trade payables	(639,624)	Trade payables	(639,624)
Other payables and other current liabilities	(312,417)	Other payables and other current liabilities	(326,698)
Current tax liabilities	(55,091)	Current tax liabilities	(55,091)
Total (C)	298,038	Net working capital (C)	283,757
Deferred tax assets	367,284	Deferred tax assets	367,284
Deferred tax liabilities	(206,719)	Deferred tax liabilities	(206,719)
Total (D)	160,565	Deferred tax assets (liabilities) (D)	160,565
Employee benefits	(104,060)	Employee benefits	(104,060)
Provisions for risks and charges	(381,714)	Provisions for risks and charges	(381,714)
Provisions for risks and charges - current portion	(105,490)	Provisions for risks and charges - current portion	(91,209)
Total (E)	(591,264)	Provisions and employee benefits (E)	(576,983)
Assets held for sale	1,285	Assets held for sale	1,285
Liabilities related to assets held for sale	-	Liabilities related to assets held for sale	-
Total (F)	1,285	Assets (Liabilities) held for sale (F)	1,285
		Net invested capital (G=A+B+C+D+E+F)	5,553,518
Equity (H)	2,635,004	Equity (H)	2,635,004
Non-current financial assets	(162,643)	Non-current financial assets	(162,643)
Non-current financial liabilities	3,225,119	Non-current financial liabilities	3,225,119
Total (I)	3,062,476	Non current financial debt (I)	3,062,476
Current financial assets	(81,353)	Current financial assets	(81,353)
Cash and cash equivalents	(378,279)	Cash and cash equivalents	(378,279)
Current financial liabilities	315,670	Current financial liabilities	315,670
Total (L)	(143,962)	Current financial debt (L)	(143,962)
		Net financial debt (M=I+L)	2,918,514
		Own funds and net financial debt (H+M)	5,553,518

TRANSACTIONS WITH RELATED PARTIES

thousands of euro

	Trade Receivables	Financial Receivables	Other receivables	Trade Payables	Financial payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	739	-	-	2,935	-
Municipality of Parma	8,081	-	-	790	-
Municipality of Piacenza	568	-	-	2,149	-
Municipality of Reggio Emilia	5,100	-	39	844	-
Municipality of Turin	100,943	117,035	-	2,542	7,656
Finanziaria Sviluppo Utilities	16	-	41	-	-
Finanziaria Città di Torino Holding	(8)	-	-	-	-
JOINT VENTURES					
Acque Potabili	110	-	-	233	-
ASSOCIATES					
ACOS	19	5,355	-	15	-
ACOS Energia	2	-	-	-	-
Acquaenna	277	5,051	-	384	-
Aguas de San Pedro	2	855	-	-	-
AIGA	207	-	-	-	-
AMAT	28	-	-	16	-
AMTER	7,201	101	-	586	68
ASA	1,071	-	-	2	-
ASTEA	7	554	-	-	-
Asti Energia e Calore	30	742	-	-	-
BI Energia	34	805	-	-	-
CSP - Innovazione nelle ICT	-	-	-	44	-
Fratello Sole Energie Solidali	648	-	-	-	-
GAIA	835	432	-	301	-
Global Service Parma	2,073	-	-	1,157	-
Iniziative Ambientali	6	-	-	-	-
Mondo Acqua	1,065	-	-	-	-
NOVE	1,000	4,500	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
Plurigas in liquidation	-	-	-	(259)	-
SETA	2,658	-	-	439	-
Sinergie Italiane in liquidation	26	-	6,901	71	-
STU Reggiane	72	476	200	2	-
Valle Dora Energia	324	14,334	-	765	-
OTHER RELATED PARTIES					
Companies controlled by Municipality of Turin	2,126	-	14	1,863	-
Companies controlled by Municipality of Genoa	1,222	-	14	155	-
Companies controlled by Municipality of Parma	439	-	-	1,081	-
Companies controlled by Municipality of Piacenza	12	-	-	571	-
Companies controlled by Municipality of Reggio Emilia	47	-	-	1,072	-
Others	38	-	296	-	-
TOTAL	137,088	150,240	7,505	17,758	7,724

thousands of euro

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expense
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	710	3,582	-	-
Municipality of Parma	-	16,824	1,010	-	-
Municipality of Piacenza	-	8,992	840	-	-
Municipality of Reggio Emilia	-	17,274	217	-	-
Municipality of Turin	-	105,703	2,442	2,453	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
Finanziaria Città di Torino Holding	-	-	-	-	-
JOINT VENTURES					
Acque Potabili	-	25	(78)	-	-
ASSOCIATES					
ACOS	-	17	-	60	-
ACOS Energia	-	2	-	-	-
Acquaenna	-	-	-	37	-
Aguas de San Pedro	-	-	-	-	-
AIGA	-	-	-	-	-
AMAT	-	-	-	-	-
AMTER	-	1,588	287	-	-
ASA	-	176	46	-	-
ASTEA	-	14	1	-	-
Asti Energia e Calore	-	143	-	9	-
BI Energia	-	3	-	14	-
CSP - Innovazione nelle ICT	-	-	111	-	-
Fratello Sole Energie Solidali	-	991	-	-	-
GAIA	-	860	452	-	-
Global Service Parma	-	-	100	-	-
Iniziative Ambientali	-	2	-	-	-
Mondo Acqua	-	139	-	-	-
NOVE	-	-	-	-	-
Piana Ambiente in liquidation	-	-	-	-	-
Plurigas in liquidation	-	-	-	-	-
SETA	-	4,142	190	-	-
Sinergie Italiane in liquidation	-	43	13,806	-	-
STU Reggiane	164	12	2	6	-
Valle Dora Energia	-	184	620	115	-
OTHER RELATED PARTIES					
Companies controlled by Municipality of Turin	93	2,516	3,085	-	1
Companies controlled by Municipality of Genoa	-	2,915	167	-	-
Companies controlled by Municipality of Parma	134	946	1,633	-	-
Companies controlled by Municipality of Piacenza	-	116	571	-	-
Companies controlled by Municipality of Reggio Emilia	1	682	3,452	(1)	-
Others	-	75	-	-	-
TOTAL	392	165,094	32,536	2,693	1

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, Control and M&A 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 financial statements during the first half of 2020.
2. It is also certified that:
 - 2.1 the condensed interim financial statements:
 - a) have 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) are in agreement with the figures in the accounting books and documents;
 - c) are capable of giving 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.

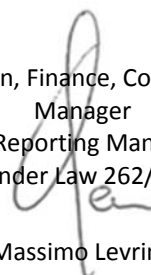
4 August 2020

The Chief Executive Officer



Massimiliano Bianco

Administration, Finance, Control and M&A
Manager
and Financial Reporting Manager appointed
under Law 262/05



Massimo Levrino



REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Iren SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of Iren SpA and its subsidiaries (the “Iren Group”) as of 30 June 2020, comprising the statement of financial position, the income statement, the statement of other comprehensive income, the statement of changes in shareholders’ equity, the cashflow statement and related notes. The directors of Iren SpA are responsible for the preparation of the consolidated condensed 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 consolidated condensed 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 consolidated condensed 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 consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of the Iren Group as of 30 June 2020 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.

Genoa, 4 August 2020

PricewaterhouseCoopers SpA

Andrea Manchelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

PricewaterhouseCoopers SpA

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