



Half year report
at 30 june 2010

Contents

● Key figures of the Iride Group	3
● Company Officers	4
● Structure of the Iride Group	5
● Iride Group business segments	6
● Electrical energy production	8
● Gas production	8
● Significant events of the period	9
● Information on Iride shares in the first half of 2010	12

INTERIM DIRECTORS' REPORT

● Financial position, results of operations and cash flows for the first half of 2010	16
● Market context	23
● Corporate performance	26
● Risk Management	42
● Corporate Governance	49
● Information on subsidiaries and investee companies	51
● Personnel and Organisation	61
● Purchases and Works	62
● Research and Development	63
● Quality, environment and safety	67
● Transactions with related parties	69
● Financial Management	71
● Subsequent events and forecast developments	73

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

AT 30 JUNE 2010

● Consolidated statement of financial position	76
● Consolidated income statement	77
● Consolidated statement of comprehensive income	78
● Consolidated statement of cash flows	79
● Statement of changes in consolidated equity	80
● Notes to the condensed interim consolidated financial statements	82
<i>I. Content and structure of the consolidated financial statements</i>	82
<i>II. Changes in the consolidation scope compared to 31 december 2009</i>	88
<i>III. Risk Management</i>	88
<i>IV. Information on transactions with related parties</i>	92
<i>V. Subsequent events</i>	92
<i>VI. Other information</i>	93
<i>VII. Notes to the statement of financial position</i>	94
<i>VIII. Notes to the income statement</i>	110
<i>IX. Guarantees and contingent liabilities</i>	118
<i>X. Operating segments</i>	121
<i>XI. Annexes to the consolidated financial statements</i>	125
Statement regarding the condensed interim consolidated financial statements pursuant to art. 154-bis of Italian Legislative Decree 58/1988	131
Report of the Auditors	132

Glossary	135
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NOTE TO THE DOCUMENT

These Half-year Report at 30 June 2010 refers to the corporate scope related to the Iride Group before the merger with Enià, which became effective on 1 July 2010 and has therefore no effect on the previous corporate scope.

KEY FIGURES OF THE IRIDE GROUP

Year 2009 (1) (2)		First half of 2010	First half of 2009 (1) (2)	% Change
Income statement figures (millions of Euro)				
2,260	Revenue	1,186	1,226	(3.2)
378	Gross operating profit	217	209	3.9
228	Operating profit	134	140	(4.2)
130	Profit before tax	116	90	28.1
12	Consolidated profit for the period	73	39	85.2
At 30.06.09 Statement of financial position figures (millions of Euro)				
2,919	Net invested capital	2,929	2,806	4.4
1,414	Equity	1,378	1,387	(0.6)
(1,505)	Net financial position	(1,551)	(1,419)	9.3
2009 Financial/economic indicators				
16.7%	GOP/Revenue	18.3%	17.0%	
1.0	Debt/Equity	1.1	1.1	
2009 Technical and trading figures				
13,860	Electrical energy sold (GWh)	7,070	7,011	0.8
1,889	Heat energy produced (GWh _t)	1,265	1,091	16.0
46	District heating volume (mln m ³)	47	44	5.0
2,441	Gas sold (mln m ³)	1,542	1,196	28.9
107	Water distributed (mln m ³)	52	53	(2.8)

(1) The figures are restated to reflect the recognition of Aquamet under assets held for sale

(2) The figures were restated for comparative purposes only to reflect the adoption of IFRIC 12.

COMPANY OFFICERS

BOARD OF DIRECTORS

Mr.	Roberto Bazzano	Chairman
Mr.	Roberto Garbati	CEO
Mr.	Paolo Cantarella	Director
Mr.	Gianfranco Carbonato	Director
Mr.	Franco Debenedetti	Director
Ms.	Carla Patrizia Ferrari	Director
Mr.	Loic Hennekinne	Director
Mr.	Mario Margini	Director
Mr.	Giovanni Quaglia	Director
Mr.	Alcide Rosina	Director
Mr.	Stefano Zara	Director
Mr.	Ernesto Lavatelli	Director

BOARD OF STATUTORY AUDITORS

Mr.	Aldo Milanese	Chairman
Mr.	Giuseppe Lalla	Standing auditor
Mr.	Lorenzo Ginisio	Standing auditor
Mr.	Emilio Gatto	Supplementary auditor
Mr.	Massimo Bosco	Supplementary auditor

MANAGER IN CHARGE OF DRAWING UP THE CORPORATE ACCOUNTING DOCUMENTS

Mr.	Massimo Levrino
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INDEPENDENT AUDITORS

KPMG S.p.A.

(1) On 28 April 2010, Iride Board of Directors acknowledged the resigning from his office, in effect from Iride/Enia Merger execution date, of Loic Hennekinne, non-executive, independent director and Chairman of the Internal Control Committee. Resignation came into effect on 1 July 2010, upon the above-mentioned Merger execution date.

(2) On 28 April 2010, Iride Board of Directors acknowledged the resigning from his office, in effect from Iride/Enia Merger execution date, of Mario Margini, non executive director. Resignation came into effect on 1 July 2010, upon the above-mentioned Merger execution date.

STRUCTURE OF THE IRIDE GROUP

The Iride Group is headed by the listed industrial holding Iride S.p.A. (registered office: Turin), and is organised into ten central management divisions which perform direction and coordination within the Group. Operational activities are carried out through the following wholly-owned subsidiaries:

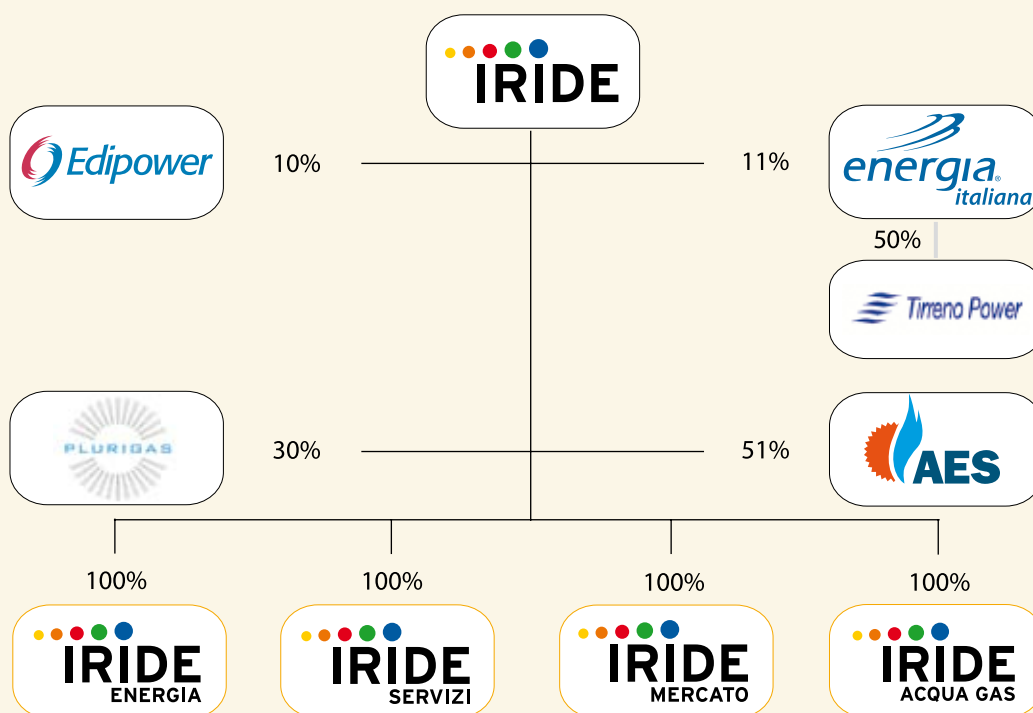
- Iride Energia S.p.A. (registered office: Turin): performs directly and/or indirectly operating activities pertaining to the production and distribution of electrical energy and heat.
- Iride Mercato S.p.A. (registered office: Genoa): performs, directly and/or indirectly, operating activities pertaining to the procurement, wholesale and sale of gas, electrical energy and heat energy.
- Iride Acqua Gas S.p.A. (registered office: Genoa): performs, directly and/or indirectly, operating activities pertaining to the water cycle and to gas distribution.
- Iride Servizi S.p.A. (registered office: Turin): performs, directly and/or indirectly, operating activities pertaining to the services provided to local authorities in general and the management of telecommunication infrastructures.

The Iride Group proportionately consolidates Iride S.p.A.'s direct investments (51%) in AES Torino, which manages the methane gas distribution services and district heating transport and distribution in the city of Turin.

Other Iride investee companies:

- Plurigas, 30% owned by Iride S.p.A., operates in the natural gas procurement and trading sector and was measured using the equity method.
- Edipower S.p.A., 10% owned by Iride S.p.A., one of Italy's leading producers of electrical energy, was measured using the equity method.
- Energia Italiana S.p.A., 11% owned by Iride S.p.A., in turn owns 50% of Tirreno Power S.p.A., an electrical energy producer that in Italy manages thermoelectric and hydroelectric plants in the Tyrrhenian area.

● Iride Group: corporate structure (*)



(*) The chart illustrates the main investees of Iride Holding and wholly-owned subsidiaries. With regard to the corporate structure of the companies leading the business segments, Iride Energia, Iride Servizi, Iride Acqua Gas and Iride Mercato, please see the relevant sections.

IRIDE ENERGIA

PRODUCTION OF COGENERATION ELECTRICAL AND HEAT ENERGY

The Iride Group's installed capacity totals approximately 2,200 MW, of which around 1,300 MW is generated directly and around 910 MW through Edipower and Energia Italiana. Specifically, Iride Energia owns 16 electrical energy production plants: 12 hydroelectric plants and 4 thermoelectric cogeneration plants.

The Iride Group's total heat capacity is equal to 1,403 MW_t, of which 44% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. The annual heating production, which was in the region of 1,889 GWht in 2009, is sold to roughly 430,000 customers for district heating volumes of close to 46 million cubic metres. Iride Energia currently has numerous investments in the hydroelectric and cogeneration sectors, aimed at strengthening its position as an energy producer. These investments will result in an increase of approximately 370 MW in installed capacity, from the current 2,200 MW.

DISTRIBUTION OF ELECTRICAL ENERGY TO NON-ELIGIBLE CUSTOMERS

Through its subsidiary, AEM Torino Distribuzione, Iride Energia distributes electrical energy to the entire metropolitan area of Turin (around 900,000 residents). In 2009, the electrical energy distributed was equal to around 3.3 TWh.

IRIDE MERCATO

PROCUREMENT AND MARKETING OF ELECTRICAL ENERGY, NATURAL GAS, ENERGY-RELATED SERVICES AND HEATING SERVICES

Through Iride Mercato, the Group operates in the field of procurement, wholesale and sale to end customers of electrical energy and gas, heating and energy services. Commercial activities on the free market implemented both directly and through investments in local trading companies, mainly located in the Northwest and the Tyrrhenian area, resulted in the management of approximately 2.4 billion cubic metres of natural gas in 2009. In the electrical energy sector the total volume of energy sold in 2009 was approximately 14 TWh. Through a joint venture with ENDESA, Iride Mercato also participates in the building of the 2nd regasification plant authorised in Italy, an off-shore regasification plant with an authorised capacity of 3.75 billion of cubic metres per annum, off the coast of Livorno (OLT).

IRIDE ACQUA GAS

GAS NETWORKS AND INFRASTRUCTURES

Iride Acqua Gas distributes natural gas in the basins of Genoa, Cassino and Battipaglia (through AQUAMET S.p.A.) and in the Grosseto municipality (through GEA S.p.A.). Moreover, Iride Acqua Gas participates in the joint venture with Sorgenia S.p.A. in the company LNG MedGas Terminal which is developing the 2nd regasification project of the Iride Group to be constructed in Calabria for a total of 12 billion of cubic metres per annum. The project is currently at planning permission stage.

INTEGRATED WATER SERVICES

Iride Acqua Gas, through the operating subsidiaries Mediterranea delle Acque and Idro-Tigullio and through the investee Am.Ter, manages the water services in the Genoa Province, serving around 900,000 residents.

Iride Acqua Gas is currently one of Italy's leading sector operators, supplying water quantities amounting to 107 million cubic metres in 2009.

IRIDE SERVIZI

SERVICES TO LOCAL AUTHORITIES AND GLOBAL SERVICE

Iride Servizi provides Turin with street lighting services, traffic light management, heating and electrical systems management in municipal buildings, and the global technology service management of the Turin Court House.

The electronic infrastructures and connections in the cities of Turin and Genoa are managed by the subsidiaries AemNet and SasterNet, respectively.

AES TORINO

The district heating and gas distribution activities in the capital of the Piedmont region are performed by AES Torino (51% owned by Iride S.p.A.), which owns one of Italy's most extensive district heating networks (approximately 363 km of double piping in 2009). In 2009, the gas network extended for 1,323 km, serving approximately 500,000 end customers.

ELECTRICAL ENERGY PRODUCTION

2009		First Half 2010	First Half 2009	% Change
GWh				
Sources				
7,379	Gross production	3,787	3,808	(0.5)
3,799	a) <i>Thermoelectric</i>	2,400	2,053	16.9
1,280	b) <i>Hydroelectric</i>	523	678	(22.8)
1,910	c) <i>Edipower plants production</i>	697	884	(21.2)
389	d) <i>Tirreno Power plants production</i>	167	193	(13.2)
1,284	Purchases from the Single Buyer	589	690	(14.8)
3,999	Energy purchased on the Power Exchange	2,635	1,952	35.0
1,197	Energy purchased from wholesalers and imports	59	561	(89.5)
13,860	Total sources	7,070	7,011	0.8
Application				
1,200	Sales to protected customers	551	639	(13.8)
5,152	Sales on the Power Exchange	3,323	2,651	25.3
7,030	Sales to eligible end customers, wholesalers and other	2,934	3,544	(17.2)
478	Pumping and distribution losses	262	176	48.3
13,860	Total application	7,070	7,011	0.8

(*) Change of over 100%

GAS PRODUCTION

2009		First Half 2010	First Half 2009	% Change
millions of cubic metres				
Sources				
1,725	Imports (Plurigas)	1,286	756	70.1
716	Purchases (Eni and other suppliers)	255	440	(41.9)
2,441	Total sources	1,542	1,196	28.9
Application				
1,372	Gas marketed by the Group	921	655	40.7
1,069	Gas for internal use (*)	621	541	14.7
2,441	Total application	1,542	1,196	28.9

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

SIGNIFICANT EVENTS OF THE PERIOD

IRIDE – ENIA MERGER

The merger of Enia into Iride became effective as from 1 July 2010. From this merger, Iren was established. This is the main multiutility company operating at interregional level and the only totally eco-friendly energy producer. The new Group is one of the market leaders, with a top placement in all business areas: leading operator in district heating, third largest operator in the integrated water cycle sector, third in the waste treatment sector, fifth in the gas sector as regards sales to end customers and sixth in the electric energy sector as regards volumes sold. The business profile of the Iren Group finds its value in the balanced mix amongst regulated and free activities, as well as in the strong integration of the value chain, upstream and downstream.

In particular, on 1 July 2010, Iride changed its name to Iren S.p.A., adopted the Articles of Association included in the Merger Project and increased its share capital by Euro 444,183,894.00, through the issue of 444,183,894 ordinary shares with a nominal value of Euro 1.00 each. These new shares were assigned to shareholders of Enia S.p.A. with an exchange ratio of 4.2 Iren ordinary shares per each ordinary share. Therefore, since 1 July 2010, the share capital of Iren S.p.A. was increased to Euro 1,276,225,677.00, entirely subscribed and paid, divided in Euro 1,181,725,677 for an equal number of ordinary shares, which adopted the new Iren name as well, and Euro 94,500,000 for an equal number of savings shares that are not listed.

The Iren Group organisational and business model is characterised by the presence of a listed holding company, Iren S.p.A., that includes five first rating companies operating in the various business sectors: Iren Energia (Turin), which manages the electrical energy and heat generation and distribution systems, as well as the technological services; Iren Mercato (Genoa), which manages the purchase, trading and sales activities of electrical energy and gas, as well as sales of heat and services; Iren Acqua Gas (Genoa), which manages the integrated water services; Iren Ambiente (Piacenza), which manages waste treatment and disposal plants and Iren Emilia (Reggio Emilia), which manages gas distribution as well as waste collection and treatment services.

The corporate governance of the new company is based on a traditional administration and control system with a Board of Directors with 13 members, of whom 2 are representatives of the non-controlling interests, and an Executive Committee chaired by the Chairman of the Board of Directors and composed of the Deputy Chairman of the Board of Directors, the CEO and the Managing Director.

AGCM INVESTIGATIONS AGAINST IRIDE S.P.A. AND IRIDE MERCATO

On 2 February 2010, the AGCM (Italian Antitrust Authority) launched investigations against Edipower S.p.A., its toller companies A2A Trading S.r.l. and Edison Trading S.r.l., Iride Mercato S.p.A. and Alpiq Energia Italia S.p.A. and their respective Parents with investments in Edipower, i.e. the S.p.A. A2A, Edison, Iride and Alpiq Holding.

The AGCM investigation is based on a communication from the AEEG on the pricing dynamics in Sicily between the end of 2008 and the beginning of 2009. This notice alleges conduct on the electrical energy wholesale markets aimed at altering the prices, which are fixed through “capacity impairment” on the one hand, and collusive conduct of toller companies on the other hand.

The investigation, the final term of which was fixed on 31 March 2011 (the AGCM is however entitled to postpone the term for investigation requirements), will assess whether these claims are groundless or not. As the investigation is only at preliminary stage, it is not yet possible to assess what the outcome of the proceedings may be.

In May 2010 the commitment proposal made by the toller companies was sent to the Authority and in August the Authority started the market test. This phase will be concluded on 31 December 2010, with the assessment of commitments submitted.

As regards another preliminary investigation of the Authority, some Requests for Information were received, although no specific proceeding has been started yet by the Authority on some cases of commercial conduct of agents behaving on behalf of Iren Mercato.

AQUAMET DISPOSAL

On 26 February 2010, a "preliminary share disposal agreement" was signed, under which Iride Acqua Gas S.p.A. is committed to the sale of its investment in Aquamet (1,200,000 shares) to Mediterranea Energia S.c.a.r.l., which has manifested an interest as buyer. Saira S.r.l. also signed the agreement, expressing its waiver of the pre-emption right to purchase the shares currently owned by Iride Acqua Gas. The transaction will be concluded within 30 September 2010, date by which the final disposal agreement should be finalised.

IRIDE AND F2I WATER INDUSTRIAL POLE

On 24 May 2010, Iride Acqua e Gas S.p.A., F2i Rete Idrica Italiana S.p.A. ("F2i Idrica") and F2i SGR S.p.A. concluded a framework agreement aimed at regulating terms and conditions for the entrance of F2i Idrica in the water industrial pole that Iride Acqua e Gas S.p.A. intends to create, as well as subsequent development projects. The objective that Iride Acqua e Gas S.p.A. intends to achieve with this agreement is concentrating and developing investments related to the water service management in the province of Genoa, with the aim of streamlining the corporate structure and implementing the investment plan amounting to around Euro 750 million.

In particular, Iride Acqua e Gas, on the one hand, and F2i Idrica (a company wholly owned by F2i SGR S.p.A., which acts in the name, on and in behalf of the closed end mutual fund reserved to qualified investors, called "F2i – Fondo Italiano per le Infrastrutture"), and F2i SGR S.p.A., on the other hand, entered into an agreement (the "Framework Agreement") including, but not limited to, the following terms and conditions:

- concentration and development of activities performed by Mediterranea delle Acque S.p.A. ("Mediterranea delle Acque"), a company under the direct control of Iride Acqua Gas, as well as by some other investees and/or companies subject to the direct control of Iride Acqua Gas (namely Amter S.p.A. and Idrotigullio S.p.A., hereinafter named, together with Mediterranea delle Acque, the "MdA Group");
- the investment, by F2i Idrica, which is functional to this industrial re-organisation.

The Framework Agreement regulates the terms and conditions of F2i Idrica's participation as partner of Iride Acqua Gas, with a progressive investment which will result in an expected final investment by F2i Idrica ranging from around 33.33% and around 40% in San Giacomo S.r.l., through which Iride Acqua Gas and F2i Idrica intend to implement a combination and development project of water services.

Subject to a 60% minimum investment of Iride Acqua Gas, F2i will have a pre-emptive right, in the event of a total adhesion to the public offer, to purchase shares of the aforementioned company up to around 40%. Pursuant to the provisions set forth in the Framework Agreement,

- (i) F2i Idrica made the first investment in San Giacomo S.r.l. by subscribing a quota capital increase of the company for a total amount of Euro 39,500,000.00; and
- (ii) Pursuant to Art. 102 of the Finance Consolidation Act, on 1 June 2010, San Giacomo notified to Consob (the "Italian Commission for Listed Companies and the Stock Exchange") and the Market its resolution of launching a take-over bid ("OPA" or the "Bid") for the entirety of ordinary shares of Mediterranea delle Acque not owned by the bidder, amounting to 11,185,853 shares and corresponding to around 14.6% of Mediterranea delle Acque shares, as well as 95,040 Mediterranea delle Acque treasury shares, equal to around 0.1% of the company's share capital.

- (iii) On 2 July 2010, after the approval issued by Consob on 25 June 2010, the Information Memorandum regarding the voluntary Take-over bid launched by San Giacomo S.r.l. was issued. This regards all issued and outstanding ordinary shares of Mediterranea delle Acque S.p.A..
- (iv) The Bid, regarding 11,185,853 ordinary shares of Mediterranea delle Acque (including 95,040 treasury shares), equal to around 14.6% of the Issuer's share capital, was performed from 5 July to 6 August 2010, at the price of Euro 3.00 per share.
- (v) On 6 August 2010, the Bid was successfully concluded; as a result, the investment of San Giacomo S.r.l. rose to 96.807%.
- (vi) The proceedings for the exercise of the right to purchase, according to which San Giacomo will become the owner of 100% of Mediterranea delle Acque, are underway. At completion of the proceedings, the stock exchange price for the related shares will be cancelled.

As regards details on the above-mentioned transaction, please refer to information issued on the websites www.gruppoiren.it and www.mediterraneadelleacque.it.

INFORMATION ON IRIDE SHARES IN THE FIRST HALF OF 2010

SHAREHOLDING STRUCTURE

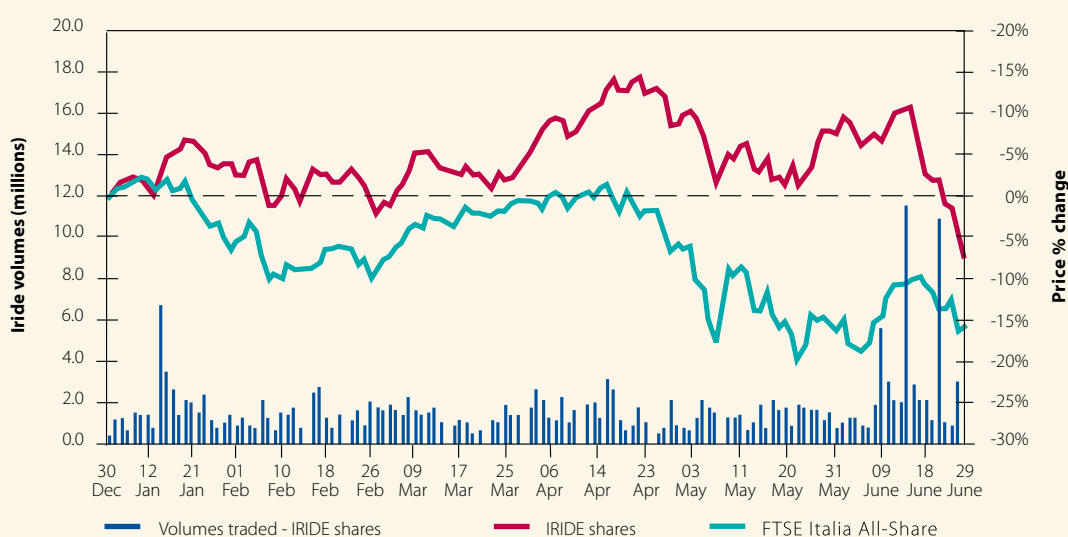
At 30 June 2010, the Iride share, listed on the Italian Stock Market (Mercato Telematico Azionario Italiano), recorded a decrease of 7.2% since the beginning of the year, compared to the general decrease of the Italian Stock Market (FTSE All-Share), which fell 16%.

During the first half of the year, the share was traded at a weighted average price of approximately Euro 1.387 per share, its official price peaking at Euro 1.5169 on 21 April.

At end of the six-month period, Iride's market capitalisation, being the total value of its listed shares, equalled Euro 903 million. This capitalisation does not include the value of the savings shares, as these are not listed. If these shares are attributed a market value equal to that of the listed ordinary shares, the capitalisation would amount to Euro 1,019 million at 30 June.

Over the first half of the year, 213 million shares were traded, recording an average daily trading volume of 1.69 million shares, in line with the average daily trading volume traded in the same period of 2009 (1.77 million shares per day).

Iride share and FTSE Italia All-share performance in the first half year of 2010



On 24 June 2010, with detachment date planned for 21 June 2010, a unit dividend of Euro 0.085 was paid, in line with that distributed in the previous year.

IRIDE-ENIA MERGER

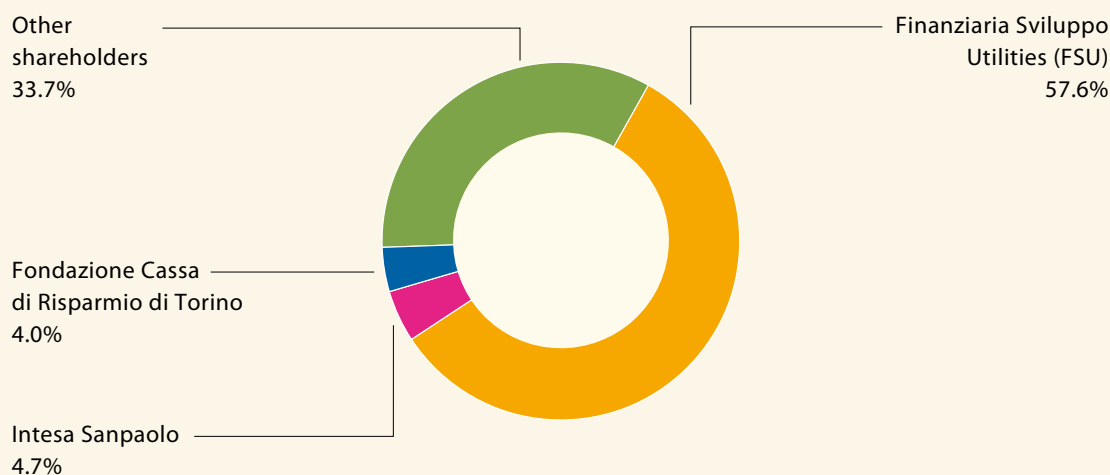
On 1 July 2010, pursuant to resolutions taken by the Shareholders' Extraordinary Meeting of Iride S.p.A. on 30 April 2009 and provisions envisaged by the Merger Deed, Iride changed its name to Iren S.p.A., adopted the Articles of Association included in the Merger Project and increased its share capital by Euro 444,183,894.00, through the issue of 444,183,894 ordinary shares with a nominal value of Euro 1.00 each. These new shares were assigned to shareholders of Enia S.p.A. with an exchange ratio of 4.2 Iren ordinary shares (ISIN code IT0003027817, cum dividend, coup.12) per each ENIA ordinary share (ISIN code IT0003830210, coup. 4).

Therefore, since 1 July 2010, the share capital of Iren S.p.A. was increased to Euro 1,276,225,677.00, fully subscribed and paid up, divided in Euro 1,181,725,677 for an equal number of ordinary shares, which adopted the new Iren name as well, and Euro 94,500,000 for an equal number of savings shares that are not listed (ISIN code IT0004113269).

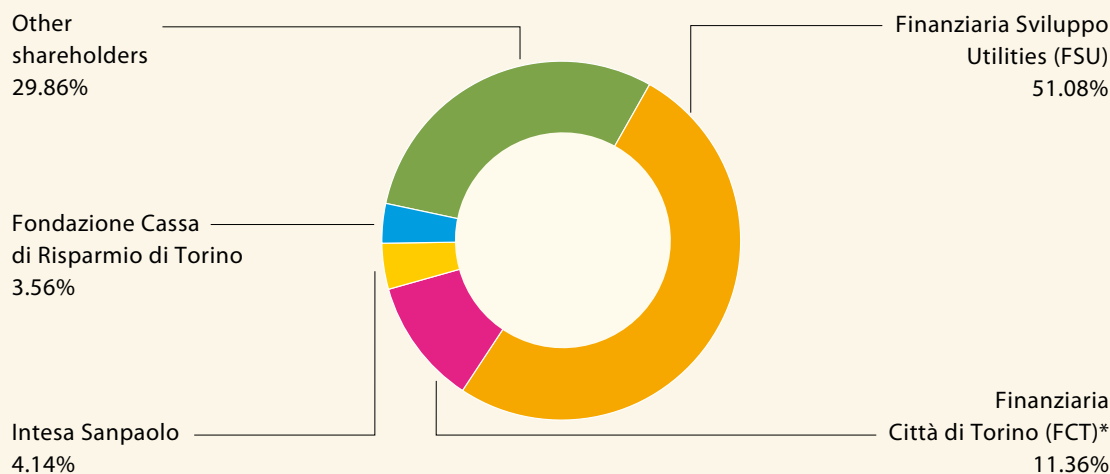
Shareholding structure

At 30 June 2010, based on information available to the company, the shareholding structure of Iride was as follows:

● Iride S.p.A. shareholding structure (% of ordinary share capital)



● Iride S.p.A. shareholding structure (% of total share capital)



* FCT holds 94,500,000 savings shares

Iride S.p.A.

Via Bertola, 48 - 10122 Turin

Share capital, fully paid up: 832.041.783

Turin Register of Companies no. 07129470014

Tax Code and VAT no. 07129470014



Interim Directors' Report

at 30 June 2010

FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS FOR THE FIRST HALF OF 2010

INCOME STATEMENT

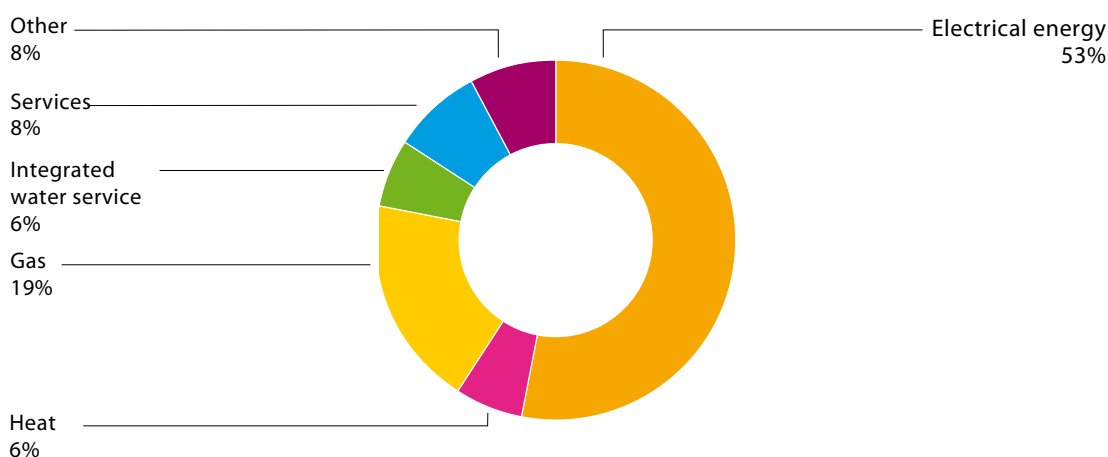
REVENUE

The consolidated revenue of the Iride Group reached Euro 1,186 million, a decrease (-3.2%) compared to the first half of 2009, which amounted to Euro 1,226 million.

Electrical energy sold was equal to 7,070 GWh, a slight increase compared to the first six months of 2009 (+0.8%) and resulted in revenue of Euro 629 million, a 5.6% decline, primarily caused by the reduction of unit revenue connected to energy trends. Heat revenue was Euro 71 million (-4.7%) and gas revenue was equal to Euro 224 million (+2%). Revenue from the integrated water service reached Euro 71 million (+4.2%), while revenue from services totalled Euro 96 million (+0.2%).

Revenue and other income totalled 94 million (-6.2%) including income from green certificates matured on hydroelectric energy and combined cogeneration-district heating, taking into account the recent reference market performance.

● Breakdown of revenue



○ OPERATING EXPENSE

Operating expense totalled Euro 969 million (-4.7%), and includes the purchase of raw materials (Euro 614 million, -7%) which largely comprises procurement of electrical energy for sale (Euro 217 million), procurement of fuel for energy production and procurement of methane for sale (Euro 374 million). Services and use of third party assets were equal to Euro 258 million (+4.2%) and amongst other things also include costs for transport of electrical energy (Euro 71 million), costs for services (Euro 100 million), charges pertaining to the electrical system (Euro 31 million) and tolling charges paid to Edipower for the production of energy.

Other operating expense came to Euro 31 million (-40.2%), while capitalised expenses for internal work amounted to Euro 7 million (-46.7%), connected with the increase in services for investments made by the Group companies. Personnel expense amounted to Euro 71 million (+0.1%).

Reclassified Income Statement of the Iride Group

Amounts in thousands of Euro

Year 2009 (1) (2)		First Half of 2010	First Half of 2009	% Change First Half 2010 (1) (2) First Half 2009
	Revenue			
	Revenue from goods and services			
1,274,590	- electrical energy	629,103	666,704	(5.6)
120,255	- district heating	71,328	74,878	(4.7)
362,059	- gas	224,472	220,096	2.0
139,925	- integrated water service	71,024	68,166	4.2
190,383	- services	95,922	95,703	0.2
2,087,212	Total revenue from goods and services	1,091,849	1,125,547	(3.0)
339	Change in contract work in progress	449	195	(*)
171,952	Other revenue and income	93,937	100,141	(6.2)
2,259,503	Total revenue	1,186,235	1,225,883	(3.2)
	Operating expense			
(1,168,908)	Purchase of raw materials, consumables, supplies and goods	(614,222)	(660,378)	(7.0)
(1,107)	Change in inventories	(2,076)	240	(*)
(510,655)	Services and use of third-party assets	(258,302)	(247,999)	4.2
(79,965)	Other operating expense	(30,886)	(51,675)	(40.2)
19,737	Capitalised expenses for internal work	7,335	13,758	(46.7)
(141,027)	Personnel expense	(71,345)	(71,273)	0.1
(1,881,925)	Total operating expense	(969,496)	(1,017,327)	(4.7)
377,578	Gross operating profit	216,739	208,556	3.9
	Amortisation, depreciation and provisions			
(119,811)	Amortisation/depreciation	(59,109)	(54,587)	8.3
(29,443)	Provisions	(23,451)	(13,883)	68.9
(149,254)	Total amortisation, depreciation and provisions	(82,560)	(68,470)	20.6
228,324	Operating profit	134,179	140,086	(4.2)
	Financial income			
24,085	Financial income	5,305	11,763	(54.9)
(128,184)	Financial expense	(29,360)	(64,081)	(54.2)
(64,312)	- of which non-recurring	-	(29,889)	(100.0)
(104,099)	Net financial expense	(24,055)	(52,318)	(54.0)
10,664	Share of profit (loss) of associates measured using the equity method	5,499	3,960	38.9
(4,642)	Impairment losses on investments	(33)	(1,486)	(97.8)
130,247	Profit before tax	115,590	90,242	28.1
(124,436)	Income tax expense	(43,275)	(51,487)	(15.9)
(38,749)	- of which non-recurring	-	(6,848)	(100.0)
5,811	Profit for the period from continuing operations	72,315	38,755	86.6
6,077	Profit from discontinued operations	829	733	13.1
11,888	Consolidated profit for the period	73,144	39,488	85.2
	attributable to:			
6,397	- owners of the Parent	70,534	37,399	88.6
5,491	- non-controlling interests	2,610	2,089	24.9

(*) Change of more than 100%

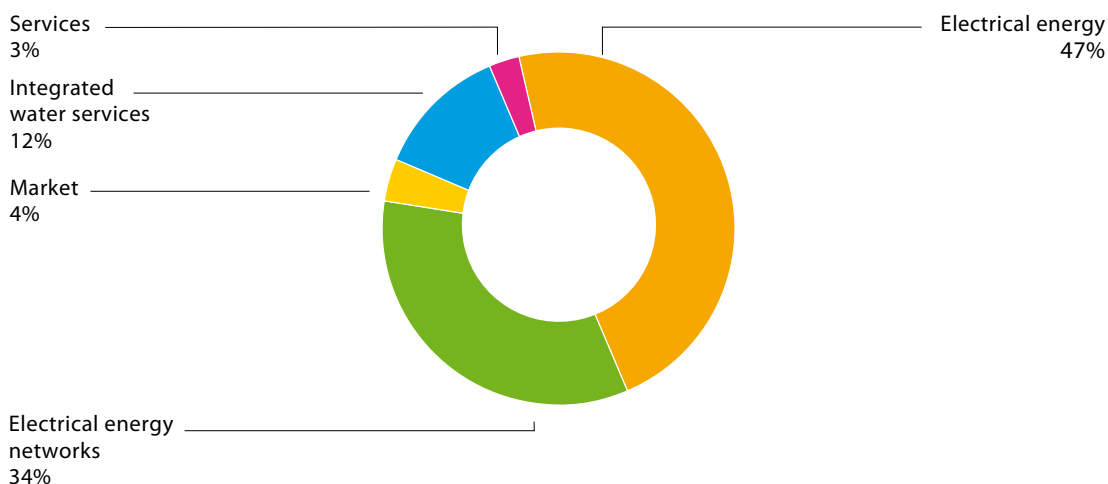
(1) The figures are restated to reflect recognition of Aquamet under assets held for sale.

(2) The figures were restated to reflect the adoption of IFRIC 12.

GROSS OPERATING PROFIT

Gross operating profit reached Euro 217 million, an increase of 3.9% compared to 2009. The development is mainly attributable to the sectors of energy networks and integrated water service. The cogeneration sector also improved, offsetting hydroelectric production due to the decrease in the lower water levels recorded during the half year. The market sector still suffers from market weakness.

EBITDA margin was 18.3%, an increase compared to the first half of 2009, when it was 17%.

Breakdown in Ebitda**AMORTISATION, DEPRECIATION AND PROVISIONS**

Amortisation and depreciation totalled Euro 59 million (+8.3%), while provisions were equal to Euro 23 million, up with respect to 2009 (+68.9%), mainly due to higher provisions, amounting to Euro 7 million, related to the possible payment to the AEEG of losses on electrical energy for the non-eligible market, pursuant to ruling no. 02943/2010 of the State Council.

OPERATING PROFIT

Operating profit came to Euro 134 million, down by 4.2% over the first six months of 2009, due to higher amortisation and depreciation and provisions.

FINANCIAL INCOME AND EXPENSE

Net financial expense amounted to Euro 24 million. Specifically, financial expense totalled Euro 29 million, down on the 2009 figure, as the latter included a non-recurring component related to financial charges on the recovery of so-called "state aid" for Euro 30 million, whilst financial income was Euro 5 million (-54.9%). The result for associates measured using the equity method was a positive Euro 5 million, a 38.9% increase due to the ASA, Atena, ASMT and Edipower performance, which offset the lower Plurigas performance.

PROFIT BEFORE TAX

As a result of the trends indicated above, the consolidated profit before tax reached Euro 116 million, a 28% increase compared to the first six months of 2009.

INCOME TAX EXPENSE

Income taxes for the first half of 2010 are estimated at Euro 43 million (Euro 51 million in the first half of 2009). These resulted from the best estimate of the average tax rate expected for the entire year. The Group tax rate for the first half of 2010 was 37%, lower than the figure for the first half of 2009 (57%) due to the impact of non-recurring tax effects.

Specifically, in the first half of 2009, non-recurring elements affecting the tax rate were:

- Art. 56 of Italian Law no. 99 dated 23 July 2009 envisaging a 1% increase in the additional IRES (the "Robin Hood Tax") for entities which, amongst other things, produce and trade gas and electrical energy.

- The recovery of state aid, as notified to Iride S.p.A. by the Tax Authority.

Reference should be made to the 2009 financial statements regarding legislative developments following the issue of European Commission Decision 2003/193/EC on recovery of the above-mentioned state aid.

The total recovery in the first half of 2009 amounted to around Euro 60 million, Euro 30 million of which recovery of taxes and Euro 30 million arrears interest calculated in accordance with art. 3, subsection 3 of the above-mentioned EC Decision.

The non-recurring elements that had instead a positive impact on taxes of the first half of 2010 are as follows:

- Inapplicability (following Ministerial clarifications) for 2009 of 1% increase of the so-called "Robin Hood Tax" rate (additional IRES). Lower taxes resulted, amounting to Euro 1,317 thousand.

- Tax concessions for investments (so-called Tremonti Ter), provided for by Law Decree no. 78 of 1/7/2009, converted to Law no. 102/2009, consisting in the reduction of the company income, for an amount of 50% of the value of investments made, within 30 June 2010. Lower taxes resulted, totalling Euro 8,663 thousand.

The adjusted tax rate net of its non-recurring effects would therefore be 45%.

PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

Profit from continuing operations was Euro 72 million, a remarkable increase (+86.6%) as a result of the non-recovery of the so-called "state aid".

PROFIT FOR THE PERIOD

Profit attributable to owners of the Parent and non-controlling interests was Euro 73 million, a significant increase due to both the above-mentioned reasons, and the recording, pertaining to last year, of the payment of the recovery of state aid connected with tax exemption, which had a negative impact of around Euro 37 million, of which 30 million is accounted for in the related financial expense and 7 million in tax for the period.



STATEMENT OF FINANCIAL POSITION

At 30 June 2010, net invested capital amounted to Euro 2,929 million, a 4.4% increase compared to 31 December 2009. Specifically, the consolidated statement of financial position shows the following changes compared to figures at end of 2009.

NON-CURRENT ASSETS

Intangible assets, property, plant and equipment, investment property and financial assets rose +2.3% to Euro 2,915 million. Investments amounted to Euro 171 million, of which 74% in property, plant and equipment and investment property.

WORKING CAPITAL

Net working capital amounted to Euro 197 million. It decreased by Euro 172 million compared to 30 June 2009, when it amounted to Euro 369 million, while it increased by Euro 77 million (+64%) compared to 31 December 2009 due to the seasonality of the sectors in which the company operates. Provisions for Risks and Post-Employment Benefits totalled Euro 183 million (+7.7%), while deferred tax liabilities were negative by Euro 42 million (at 31 December 2009: negative by Euro 14 million) and include the amount of estimated net tax for the period. Assets and liabilities held for sale amounted to Euro 33 million and mainly referred to the total of assets and liabilities of Aquamet, which is 60% owned by the Group and will be sold during the year.

Reclassified Statement of financial position of the Iride Group		Amounts in thousands of Euro		
30.06.2009 Restated (1) (2)		30.06.2010	31.12.2009 (1)	% Change
2,744,090	Non-current assets	2,915,052	2,850,083	2.3
11,709	Other non-current assets (liabilities)	9,189	11,822	(22.3)
368,864	Net working capital	196,682	119,924	64.0
(54,706)	Deferred tax assets (liabilities)	(41,960)	(14,125)	(*)
(162,495)	Provisions and employee benefits	(182,973)	(169,925)	7.7
11,303	Assets (Liabilities) held for sale	32,538	7,838	(*)
2,918,765	Net invested capital	2,928,528	2,805,617	4.4
1,414,249	Equity	1,377,902	1,386,603	(0.6)
(275,518)	Long-term financial assets	(243,476)	(279,153)	(12.8)
1,059,814	Medium and long-term financial indebtedness	1,310,880	1,338,039	(2.0)
784,296	Medium and long-term net financial indebtedness	1,067,404	1,058,886	0.8
(183,251)	Short-term financial assets	(294,686)	(222,949)	32.2
903,471	Short-term financial indebtedness	777,908	583,077	33.4
720,220	Net short-term financial indebtedness	483,222	360,128	34.2
1,504,516	Net financial indebtedness	1,550,626	1,419,014	9.3
2,918,765	Own funds and net financial indebtedness	2,928,528	2,805,617	4.4

(*) Change of more than 100%

(1) The figures were restated to reflect the adoption of IFRIC 12.

(2) In 2009, the Group changed the accounting criterion for the purchase of non-controlling interests for entities that the Group already controls: the accounting treatment adopted sets out that the difference between the purchase cost and the carrying amount of non-controlling interests acquired is charged to Equity. Conversely, according to the accounting standard previously adopted, the difference was accounted for as goodwill. The change in the accounting standard was applied retrospectively and involved reduction of Equity and Non-current Assets amounting to Euro 2,620 thousand.

EQUITY

Equity at 30 June 2010 amounted to Euro 1,378 million, a -0.6% decrease compared to the end of 2009. The debt/equity ratio was 1.13, a slight improvement on 31 December 2009 (1.02).

NET FINANCIAL INDEBTEDNESS

At 30 June 2010, net financial indebtedness amounted to Euro 1,551 million (+9.3%), of which Euro 1,067 million (equal to 69%), was medium to long-term and Euro 483 million short-term.

CASH FLOW FIGURES

Statement of cash flows of the Iride Group 2009 (1)		Amounts in thousands of Euro		
		First Half 2010	First Half 2009 (1)	% Change
72,332	A. Opening cash and cash equivalents	40,373	72,332	(44.2)
Cash flow from operating activities				
130,247	- Profit before tax	115,590	90,242	28.1
(124,436)	- Income tax for the period	(43,275)	(51,487)	(15.9)
6,077	- Profit from discontinued operations	829	733	13.1
11,888	a) Profit	73,144	39,488	85.2
Adjustments:				
121,220	- Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	59,109	55,245	7.0
(6,023)	- Net impairment losses (reversals of impairment losses) on investments	(5,466)	(2,474)	(*)
11,060	- Net provisions for risks	14,755	3,315	(*)
(1,283)	- Net provisions for employee benefits	(1,707)	(968)	76.3
(5,056)	- Profit from the sale of discontinued operations net of tax effects	-	-	-
119,918	b) Total adjustments	66,691	55,118	21.0
(15,913)	c) Change in deferred tax liabilities	27,835	24,668	12.8
2,026	d) Change in non-current assets (liabilities)	2,633	2,139	23.1
Change in net working capital				
675	- Change in inventories	1,302	(497)	(*)
195,134	- Change in trade receivables	21,401	133,078	(83.9)
(41,944)	- Change in tax assets and other receivables	(41,085)	(31,329)	31.1
(33,480)	- Change in trade payables	(41,111)	(191,829)	(78.6)
(7,031)	- Change in tax liabilities and other payables	(17,265)	(45,007)	(61.6)
113,354	e) Total change in net working capital	(76,758)	(135,584)	(43.4)
231,273	B. Cash flows from operating activities (a+b+c+d+e)	93,545	(14,171)	(*)
Cash flows from investing activities				
Investments in:				
(76,590)	- intangible assets	(36,717)	(25,966)	41.4
(206,675)	- property, plant and equipment and investment property	(126,551)	(84,602)	49.6
(7,595)	- non-current financial assets	(7,717)	(7,861)	(1.8)
(290,860)	Total investments	(170,985)	(118,429)	44.4
7,838	Proceeds from the sale of investments, changes in consolidation scope and assets held for sale	29,378	3,816	(*)
11,445	Transfer of discontinued operations net of cash disposed of	-	-	-
(128)	Other changes in financial assets	(1,705)	186	(*)
(271,705)	C. Total cash flow from investing activities	(143,312)	(114,427)	25.2
(40,432)	D. Free cash flows (B+C)	(49,767)	(128,598)	(61.3)
Cash flows from financing activities				
(72,661)	Dividends paid	(72,833)	(72,661)	0.2
(12,600)	Other changes in equity	(9,012)	(9,934)	(9.3)
554,000	New loans	-	130,000	(100.0)
(256,274)	Repayment of loans	(35,394)	(40,092)	(11.7)
(87,773)	Change in financial receivables	(39,355)	(63,591)	(38.1)
(116,219)	Change in financial payables	203,067	133,766	51.8
8,473	E. Total cash flows from financing activities	46,473	77,488	(40.0)
(31,959)	F. Cash flows for the period (D+E)	(3,294)	(51,110)	(93.6)
40,373	G. Closing cash and cash equivalents (A+F)	37,079	21,222	74.7

(*) Change of more than 100%

(1) The figures are restated to reflect the adoption of IFRIC 12 and recognition of Aquamet under assets held for sale.

At 30 June 2010, net financial indebtedness amounted to Euro 1,551 million, up Euro 132 million on the 31 December 2009 figure due to a negative free cash flow of Euro 50 million, the distribution of Euro 73 million in dividends, and other downward changes in equity totalling Euro 9 million.

The free cash flow derives from the combined effect of the following cash flows:

- the operating cash flow of a positive Euro 94 million, showing a strong improvement (up Euro 108 million) on the first half of 2009 due to the reduced use of resources in working capital and the non-payment related to the tax exemption.
- negative cash flows from investing activities of Euro 143 million, generated from Euro 37 million investments in intangible assets (including investments made for the building of infrastructures under concession, pursuant to IFRIC 12), Euro 127 million in property, plant and equipment and investment property, deconsolidation of Aquamet net indebtedness and collection of dividends from associates (mainly Edipower and Plurigas), Compared to the same period of 2009, higher resources, for a total amount of Euro 53 million, were used for investments.

2009		migliaia di euro		
		First Half 2010	First Half 2009	% Changes
1,293,323	Opening net financial indebtedness	1,419,014	1,293,323	9.7
40,431	Free cash flow	49,767	128,598	(61.3)
72,661	Dividends paid	72,833	72,661	0.2
12,599	Other equity changes	9,012	9,934	(9.3)
125,691	Variation in net financial indebtedness	131,612	211,193	(37.7)
1,419,014	Closing net financial indebtedness	1,550,626	1,504,516	3.1

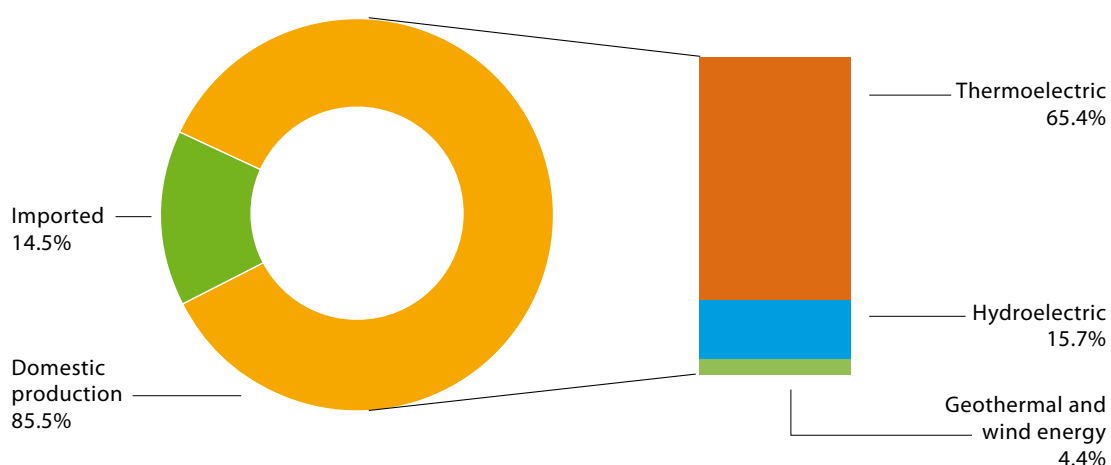


MARKET CONTEXT

THE DOMESTIC ENERGY CONTEXT

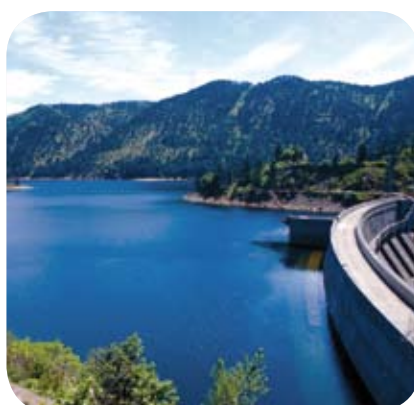
The domestic energy context in the first half of 2010, net electrical energy production in Italy totalled 138,159 GWh, a slight increase (+2.6%) compared to the same period of 2009. The demand for electrical energy, equal to 158,479 GWh (+1.8%), was 86% met by domestic production (+2.6%), with the remaining 14.5% coming from cross-border energy imports (-4.1%). At a domestic level, thermoelectric production was 106,197 GWh, a 6.0% increase on 2009 and covered 65.4% of supply. Production from hydroelectric sources was 24,934 GWh (-13.6% compared to 2009) covering 15.7% of demand, whilst geothermal and wind energy production amounted to 7,028 GWh (+24.7%) and met 4.4% of supply.

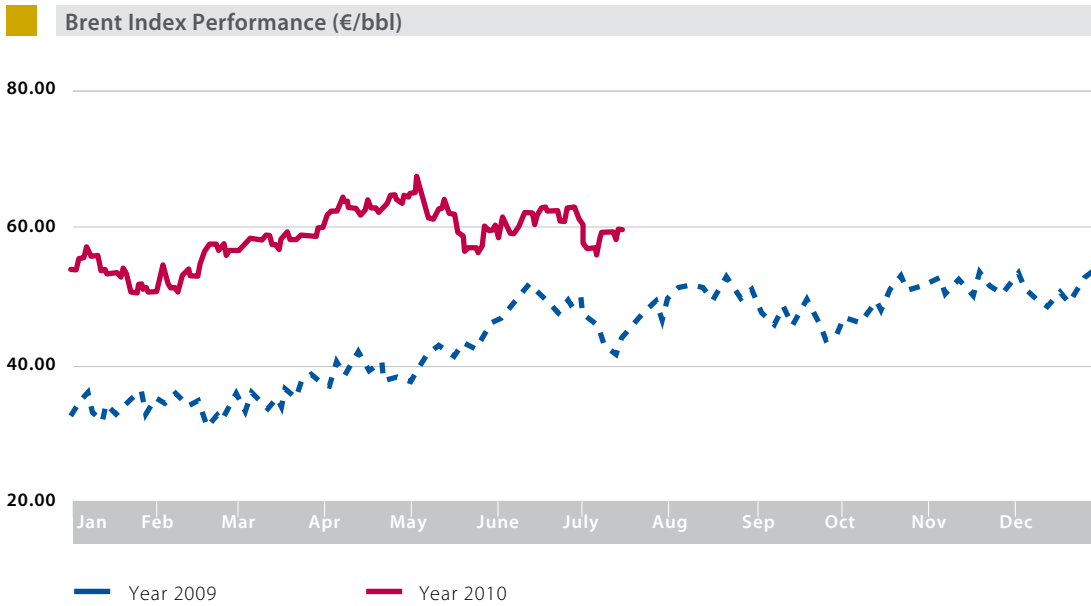
● Breakdown of electrical energy supply in Italy 1/1/2010 - 30/6/2010



Source: TERNA

During the first six months of 2010, the average price of crude oil was Dollars/bbl 77.66, showing an increase compared to the same period of 2009 (+49%). The average €//\$ exchange rate in the first half of 2010 was 1.33, unchanged compared to the average figure of the same period of 2009 (-13%). The average crude oil price in Euro was € 58.57 per barrel in 2010, 50% higher than the average price for 2009.

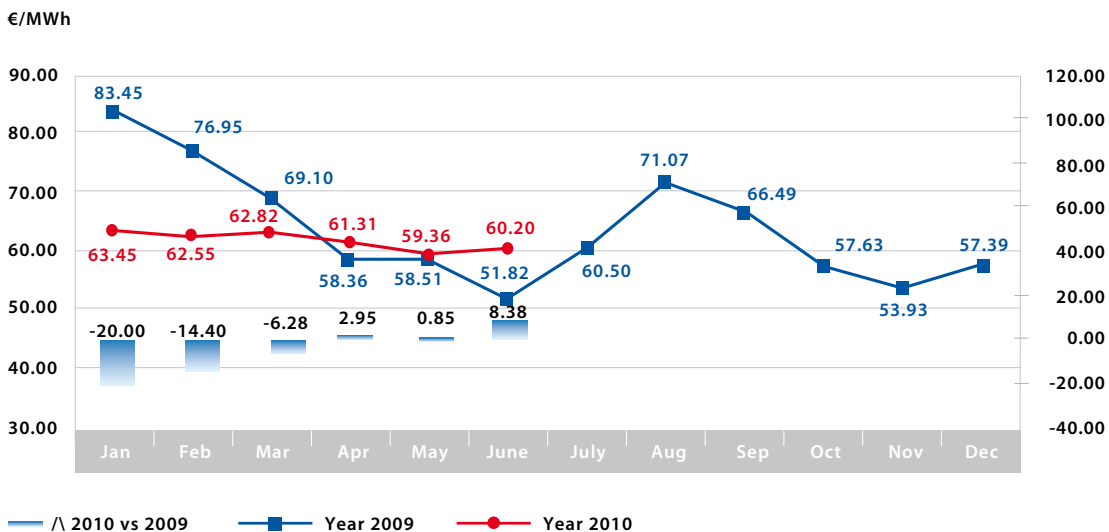




Source: Bloomberg

The average energy purchase price during the first six months of 2010 was Euro 61.61/MWh, down by Euro 4.70 MWh (-7.1%) compared to the same period of 2009. The decrease, in all groups of hours, was heavier during peak times, Euro 74.10/MWh, decreased by Euro 11.60 MWh (-13.5%). The price of the off-peak hours, equal to Euro 55.02/MWh, decreased by Euro 1.18/MWh (-2.1%).

AVERAGE ENERGY PURCHASE PRICE IN THE STOCK EXCHANGE (MGP) - Single National Price (PUN)



Source: Gestore del Mercato elettrico (GME)

NATURAL GAS

During the first six months of 2010, gross domestic consumption of natural gas stood at 44,107 million cubic metres, marking a 10.2% increase compared to the same period of 2009.

Consumption levels were met through imports of 39,041 million cubic metres (+14% compared to the first six months of 2009) and domestic production of 4,153 million cubic metres, a 2.5% increase compared to the same period of the previous year. During the period, domestic reserves posted a negative variation of 988 million cubic metres, while exports amounted to 86 million cubic metres of gas.

INTEGRATED WATER SERVICE

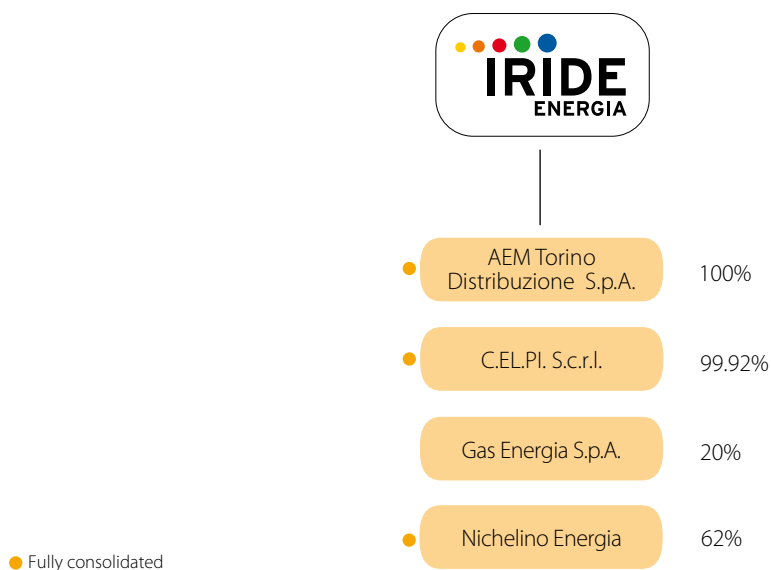
In Italy management of the integrated water sector is still rather fragmented as Law no. 36/94 ("Galli Law") has yet to be fully implemented. This law provides for the water service to be managed by a single party in areas of the country defined as Ambiti Territoriali Ottimali (ATOs). At present, the domestic scenario of the Integrated Water Service is very mixed as the operations to entrust the service to the various ATOs have been performed according to different time schedules and procedures. In the North West and the Tyrrhenian area, the ATOs for Turin, Vercelli, Alessandria, Genoa, La Spezia and Tuscany have started operations. In these cases, the local tariffs are determined according to the Normalised Method, and are approved by the ATO Authority, in relation to the Plan presented by the Operator.



IRIDE ENERGIA

Iride Energia S.p.A. (registered office: Turin) performs, directly and/or indirectly, operating activities pertaining to the production of electrical energy and heat and the distribution of electrical energy.

Main investee companies of Iride Energia S.p.A.

**ELECTRICAL ENERGY GENERATION**

Iride Energia owns 16 electrical energy production facilities: 12 hydroelectric plants and 4 thermoelectric cogeneration plants, for a total capacity of 1,300 MW of electrical energy and 1,403 MW of heat energy, of which 624 MW through cogeneration. All primary energy sources used are completely eco-compatible, as they are hydroelectric and cogeneration sources. The hydroelectric production plant plays a particularly important role in environmental protection, as it uses a renewable and clean resource which does not emit pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iride Energia which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to protect the environment.

HEAT COGENERATION PRODUCTION

Iride Energia's total heat capacity is equal to 1,403 MWt, of which 44% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. The annual heating production in 2009 was around 1,889 GWh_t.

DISTRIBUTION OF ELECTRICAL ENERGY

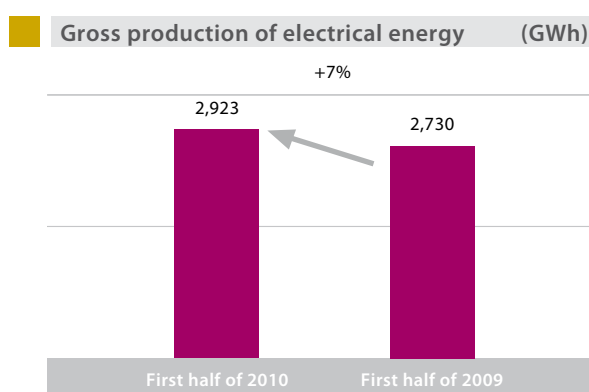
AEM Torino Distribuzione is the Iride Group company, wholly owned by Iride Energia, responsible for the management, upgrading and development of electrical energy distribution networks in the Municipality of Turin. The AEM Torino Distribuzione mission is the efficient management of the electrical energy distribution network and the provision of electrical energy metering and transport services to customers, while guaranteeing high quality levels and an adequate profitability. The plants managed include 9 HV/MV transformer stations, around 3,800 substations and 5,024 km of MV and LV network.

SIGNIFICANT EVENTS OF THE PERIOD***Electrical energy and heat generation***

Electrical energy production totalled 2,923 GWh, up 7% compared to the first half of 2009 due to the combined effect of the higher cogeneration production (+17%) and lower hydroelectric production (-23%).

Specifically, hydroelectric production was around 523 GWh, down (-23%) due to the planned unavailability of the plants in Rosone that are being repowered and the stop of the plant in Pont Ventoux (due to the fact that the galleries were out of order for repairs on the Clarea "bypass" gate). Thermoelectricity production was around 2,400 GWh, up (+17%) compared to the first six months of 2009.

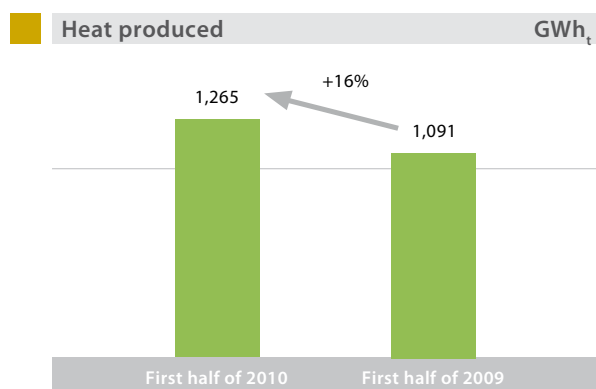
Relationships with Iride Mercato are managed through a special "Intercompany Committee".

**Gross production of electrical energy**

2009		First half of 2010	First half of 2009	% Change 2010-2009
a) Hydroelectric production				
54.9	Chiomonte plant	33.0	29.5	12.1
24.6	Susa plant	16.6	14.1	17.5
351.1	Pont Ventoux plant	160.9	246.9	(34.8)
101.2	Villa plant	19.6	35.4	(44.7)
27.9	Telessio plant	13.0	21.0	(38.4)
478.8	Rosone plant	162.1	198.4	(18.3)
5.6	S. Lorenzo plant	5.8	4.3	35.8
69.9	Bardonetto plant	30.3	33.0	(8.0)
68.5	Pont Canavese plant	26.8	35.2	(23.7)
9.3	Moncalieri plant	7.0	5.4	29.9
41.4	San Mauro plant	23.4	28.5	(17.9)
46.9	Canate plant	24.6	26.0	(5.2)
1,280.2	Total hydroelectric production	523.2	677.7	(22.8)
b) Thermoelectric production				
1,708.0	Moncalieri 2nd unit	1,120.9	1,001.8	11.9
1,960.8	Moncalieri 3rd unit	1,205.0	973.0	23.9
73.8	Le Vallette plant	37.0	47.2	(21.6)
56.7	Sampierdarena plant	36.6	30.7	19.5
3,799.3	Total thermoelectric production	2,399.6	2,052.6	16.9
5,079.4	Total gross electrical energy produced	2,922.8	2,730.4	7.0

Heat production

The heat production totalled 1,265 GWh_t, remarkably increasing compared to the same period of 2009 (+16%), due to higher consumption deriving from a colder winter (+11% degrees per day compared to the same period of 2009) and the increase in connected volumes (+2 million cubic metres compared to 2009). The district heating volume exceeded 46.6 million cubic metres, 43.2 million of which in Turin, making it the most 'district heated' city in Italy, and 3.4 million in Genoa. The cogenerated heat share was 82%, in line with that of 2009.



Heat production

2009		First half of 2010	First half of 2009	% Change 2010-2009
169.0	Le Vallette	108.5	99.1	9.4
0.1	Mirafiori Nord	0.6	0	n.a.
1364.9	Moncalieri	945.0	838.7	12.7
272.7	Politecnico e BIT	164.9	109.6	50.5
82.6	Sampierdarena	46.4	43.4	7.0
1,889.4	Total	1,265.4	1,090.7	16.0

Green Certificate regulations

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

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

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

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

Plants deemed cogenerative in accordance with the parameters of resolution no. 42/02 AEEG are exempt from the purchase of green certificates. Moreover, Art. 1, subsection 71, Law no. 239 of 24 August 2004 (Marzano) also conferred the right to recognition of Green Certificates for production to cogeneration plants combined with district heating (together with hydrogen and combustible cell plants). This subsection was cancelled by Art. 1, subsection 1120, paragraph g, of Law no. 296 of 27

December 2006 (2007 Finance Act), but rights acquired by plants compliant with provisions set out by Art. 14 of Legislative Decree no. 20 of 8 February 2007 (especially regarding authorisation dates and/or operation start-up and the EMAS certification) are still valid. The Green Certificates assigned to cogeneration plants combined with district heating were however subject to certain limitations: the recognition period is 8 years (Law no. 244 of 24 December 2007) and can be used to cover up to 20% of the obligation (Legislative Decree no. 20 of 8 February 2007 – Art. 14, subsection 3). Unlike the Green Certificates related to renewable sources, they are not subject to a purchase obligation by the GSE upon request from electricity producers.

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

In accordance with the provisions of Art. 2, subsection 150 of the 2008 Finance Act, through the Ministerial Decree of 18 December 2008, the Ministry for Economic Development set out the transition method from the previous incentive mechanism to new mechanisms (provided for in the 2008 Finance Act), and the method for extending on-site exchange to plants powered with renewable sources with an annual average nominal power not higher than 200 kW. Amongst other things, the transition refers to the period 2009-2011 during which the GSE (at the request of the Green Certificates holder) will collect the Green Certificates issued for production for the whole of 2010 at the average market price of the previous three years.

Law 99/2009 established that, with effect from 2001, the obligation regarding green certificates passes from electrical energy producers to the wholesalers, based on the electrical energy used in the previous year (art. 27, subsection 18 and 19). The decree implementing this new regulation, which should have been issued by the Ministry for Economic Development, has not yet been published. In the meantime the decree converting Decree Law 135/2009 to law has postponed implementation of the obligation transfer to 2012.

Distribution of electrical energy

The total electrical energy distributed in the first half of 2010 was 1,681.1 GWh, a 1.8% increase over the same period last year. This increase, albeit much lower given its services to primarily domestic customers, reflects higher consumption (+4.7%) recorded in the Liguria, Piedmont and Valle d'Aosta areas.

RESULTS

Consolidated results for the first half of 2010 of Iride Energia highlighted the following:

- revenue of 407 million, a slight decrease compared to 420 million for the same period in 2009 (-3.3%).
- gross operating profit, equal to Euro 144 million, a +7.1% increase compared to the first six months of 2009, thanks to the increase in distribution networks and the electrical energy and heat cogeneration sector, as well as the greater contribution of green certificates on heat production, which offset the lower contribution in the hydroelectric sector;
- operating profit, equal to Euro 92 million, a 4.4% decrease due to higher provisions on networks.

Iride Energia Consolidated Results	Millions of euro		
	First half of 2010	First half of 2009	% Change
Revenue	407	420	(3.3)
Gross operating profit	144	134	7.1
Operating profit	92	97	(4.4)
	<i>At 30.06.2010</i>	<i>At 31.12.2009</i>	
Net invested capital	1,375	1,316	4.4

INVESTMENTS

Iride Energia's consolidated investments totalled Euro 91 million. In particular:

- Euro 82 million was invested in the electrical energy and thermal production sector, of which:
 - Euro 15 million for repowering the hydroelectric plants of Valle Orco (Rosone and Telessio),
 - Euro 60 million for the construction of the new Torino Nord cogeneration plant, of which around Euro 25 million related to the gas turbine. The progress status for the construction of the Plant was equal to 30% at 30 June 2010.

The construction of the "Torino Nord" combined cycle cogeneration plant will allow district heating to be extended from the current 40% to 54% of the city's volumes. The plant will have a 400 MW power and district heating capacity of 220 MW, allowing 18 million cubic metres to be heated from the 2011-2012 season onwards. The efficiency of this methane-only plant will exceed 85% in cogeneration mode and 56% in electrical energy mode. It will include a 340 MW integration and reserve heat capacity and a 5,000 cubic metre heat accumulator system. It is also planned to lay around 120 km of double pipes needed to transport the heat to the buildings served by the new plant. The Torino Nord project (plant and district heating networks) will provide significant benefits in terms of energy savings (95,000 TOE saved) and air quality improvement (134 metric tons per year of NOx, 400 metric tons per year of SOx and 17 metric tons of dust). The investment for Torino Nord is consistent with the Group's sustainable development principles, profitably combining environmental, social and economic aspects.

Moreover, further developments in the metropolitan area relating to the cogeneration/district heating sector are being studied, in compliance with agreements entered with reference authorities.

As for the company Nichelino Energia, work is in progress for the development of district heating in the town of Nichelino. At 30 June 2010, investments totalled Euro 2 million. It is planned to lay around 19 km of a new network (linked to the Turin system and 100% supplied by the Moncalieri plant) and connect new volumes of approximately 1.8 million cubic metres. The works began in 2009 and will be completed by the end of 2011.

Finally, Euro 0.5 million were also allocated to the investment of Iride Energia in the newly-established company Valle Dora Energia. On 27 May 2010, the mixed company "Valle Doria Energia s.r.l." was in fact incorporated. This is owned by Iride Energia (49%) and four neighbouring municipalities of Susa, Exilles, Salbertrand and Chiomonte (51%) and will provide for the revamping of the plants. These investments will result in an upgrading of the existing production sites, focusing on the technological renovation of plants.

- Investments of about Euro 8.7 million were made in the electrical distribution sector. Specifically, the mass installation of electronic meters continued and involved investments of around Euro 2.3 million.

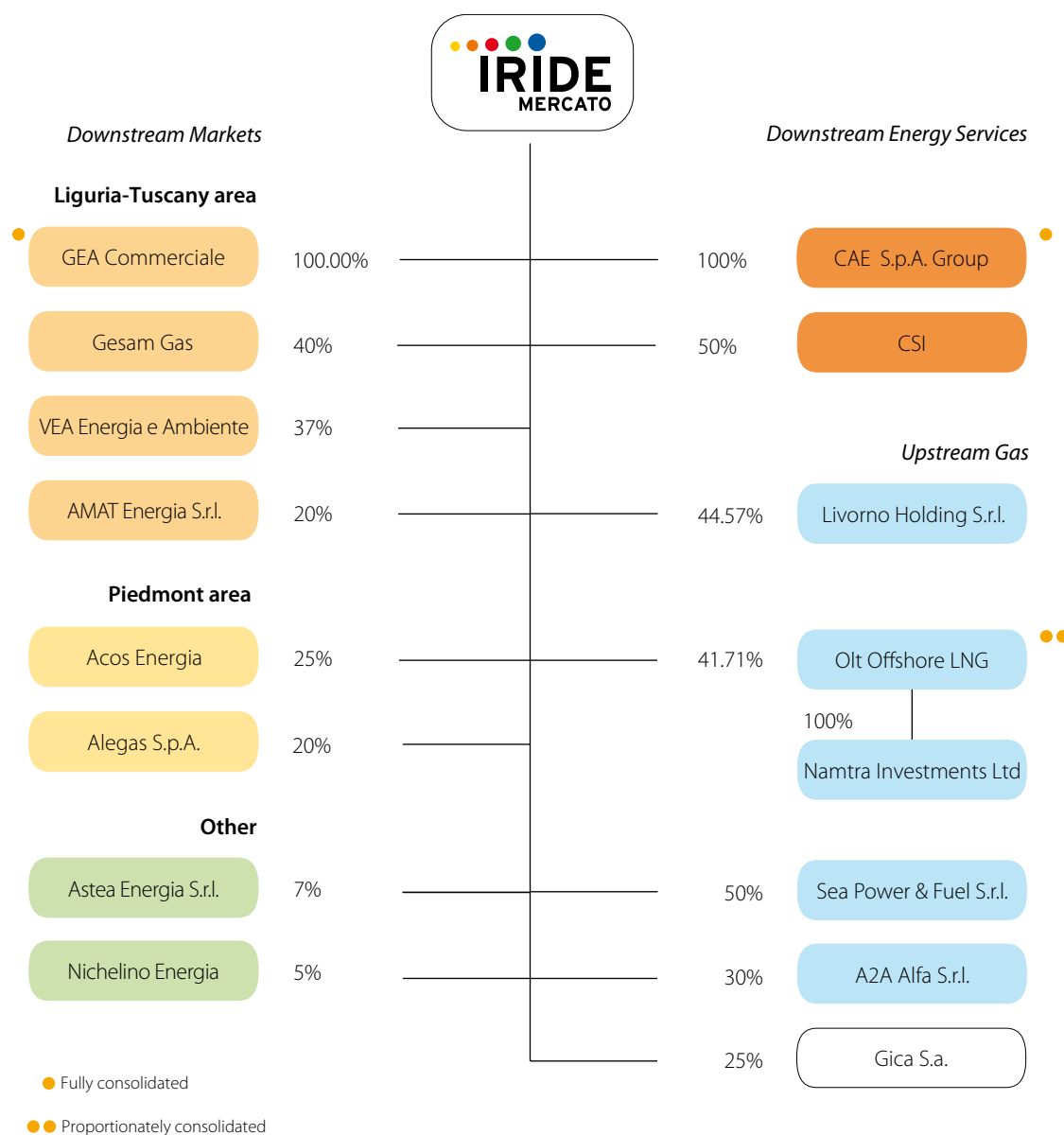
At 30 June 2010 there were 517,103 meters installed, 92% of the total. In parallel with meter installation, the installation of concentrators – indispensable to the remote management of electronic meters – also continued. Other investments of approximately Euro 6.4 million relate to new connections and capacity increases performed at the request of customers, and to activities relating to the "renewal plan" which involved a voltage change for around 8,265 LV customers.



IRIDE MERCATO

Iride Mercato S.p.A. (registered office: Genoa) operates in the electrical energy, gas and heat marketing sector, acts as fuel provider to the Group, performs energy efficiency certificate, green certificate and emission trading, provides customer management services to Group companies and supplies heat services and heat sales through the district heating network.

Main investee companies of Iride Mercato S.p.A.



Iride Mercato operates throughout Italy though the greater concentration of its customers is in the north. The company places electrical energy directly, through its associates - where present in the area - or through agency contracts with brokers for customers who are members of certain sectors and to big customers associated with various industrial associations.

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

Iride Mercato also acts as the "protected customer" service operator for retail electricity customers in the Turin catchment area. Iride Mercato manages heat sales to district heating customers in the

Municipality of Turin and the commercial development of new district heating areas both in Turin and surrounding municipalities (Nichelino).

Iride Mercato also historically performs direct sales of methane gas throughout the municipality of Genoa and, following the liberalisation of the gas market, in the surrounding municipalities, the other provinces of Liguria and low Piedmont. Since 2007, it has started the gas commercial service in the Municipality of Turin. Furthermore, the company handles procurement for the Group's direct or indirect investees geographically located mainly in the north and central northern areas, and to a lesser extent in the south (Salerno) and the Adriatic area (Osimo/Recanati).

SIGNIFICANT EVENTS OF THE PERIOD

Olt Offshore LNG Toscana S.p.A.

Implementation of the EPIC contract signed with Saipem continued in 2010. Meetings aimed at mutually agreeing upon an updated planning of the final phase of the project have been scheduled with Saipem, taking account of the actual progress status of the project and the simultaneous conclusion of Snam's works for connections. The supplier of the "Guardian Vessel" and the "Crew Boat" was also identified. A first contract was concluded in April 2010. The supplier of the Operation & Maintenance service was also identified for the first five years of operation. OLT also worked on preparing the Regasification Code, which is due for completion in 2010.

Sale of natural gas

Total volumes of natural gas procured by the company heading the business sector, Iride Mercato, in the first half of the year were equal to approximately 1,542 million cubic metres (approximately 1,196 million cubic metres in 2009), of which approximately 591 million cubic metres were sold to customers outside the Group (440 million cubic metres in 2009), 82 million cubic metres were used to produce electrical energy through tolling contracts with Edipower (81 million cubic metres in 2009) and 538 million cubic metres were used within the Iride Group for generation of electrical energy as well as for the supply of heat services (459 million cubic metres in 2009). The remaining 328 million cubic metres are traded through Plurigas. The higher volumes sold outside the company amounted to +266 million cubic metres due to new supplies, such as Tirreno Power and Salerno Energia Vendite, as well as a colder winter compared to the previous year and marketing development actions.

Sale of electrical energy – Free market

Total volumes managed amounted to 6,257 GWh, compared to 6,195 GWh in 2009. In 2010 the internal availabilities of the Iride Group (Iride Energia, Tirreno Power) were in line with respect to the previous year and amount to 3,090 GWh (2,923 GWh in 2009), while volumes coming from Edipower tolling decreased and came to 697 GWh (884 GWh in 2009). Higher recourse was made to the IPEX market (2,614 GWh compared to 1,952 GWh in 2009) and supplies from wholesalers increased (58 GWh against 561 GWh in 2009). Volumes sold to end customers and wholesalers amount to 2,934 GWh versus the 3,544 of 2009; sales on the power exchange amount to 3,323 GWh versus the 2,651 of 2009, and the remaining part of sold volumes mainly refers to infragroup transactions.

Development of retail market

The commercial activity with retail customers was continued, while promoting the electrical energy supply agreements focused on some specific segments throughout Genoa and the surrounding municipalities, and aimed at widening the customer portfolio in this market segment, also through a combined offer (gas and electrical energy). A similar activity was performed for Turin, with the double target of offering the gas supply and switching customers from the higher protection market to free market.

A significant activity was also implemented with regard to Group affiliates, so that companies that sell only gas were able to offer the electrical energy product as well, an action aimed at retaining the company's customer portfolio.

Iride Mercato, striving to better meet its customers' different needs, has developed a wide range of offers.

Namely, for the residential market, three types of offers were defined:

- discount offer, which provides for the application of a discount with respect to the higher protection fee – still regulated by the Authority;

- fixed price offer, which provides for the application of a fixed price to the raw material component of electrical energy;
- indexed offer, which provides for the application of a price calculated according to the ongoing of the reference index.

Sale of heat through district heating network

This entails the supply of heat to customers already on the district heating network, the management of customer relations, management of the Genoa district heating network, and control and management of the substations that supply power to heating systems in the buildings served by the network.

Heat service management

During the first quarter of 2010, developments continued in relation to the Energy Service Contracts, particularly those targeting the private jointly-owned property sector. The contract with the Liguria Regional Government is also operative with regard to the management of energy services in hospitals and health authority premises in which, through CAE (Global Services) and the Climatel and OCCLIM specialist companies, the company has managed a number of important operational management and maintenance contracts. Iride Mercato is the supplier of the energy services of this enterprise. A similar initiative was launched with A2A in the Lazio region ATI.

RESULTS

Consolidated results for the first half of 2010 of Iride Energia highlighted the following:

- revenue of Euro 1,174 million, down 3%;
- gross operating margin, amounting to Euro 9 million, 55% down due to the deviation between purchase and sale price in the gas sector and by effect of the drop of exchange prices, partially mitigated by the composition of the customer portfolio;
- operating profit of Euro 7 million (-59%).

Iride Mercato Consolidated Results

	Millions of Euro		
	First half of 2010	First half of 2009	% Change
Revenue	1,175	1,216	(3.3)
Gross operating profit	9	21	(54.9)
Operating profit	7	15	(55.7)
	<i>Al 30.06.2010</i>	<i>Al 31.12.2009</i>	
Net invested capital	366	291	25.0

INVESTMENTS

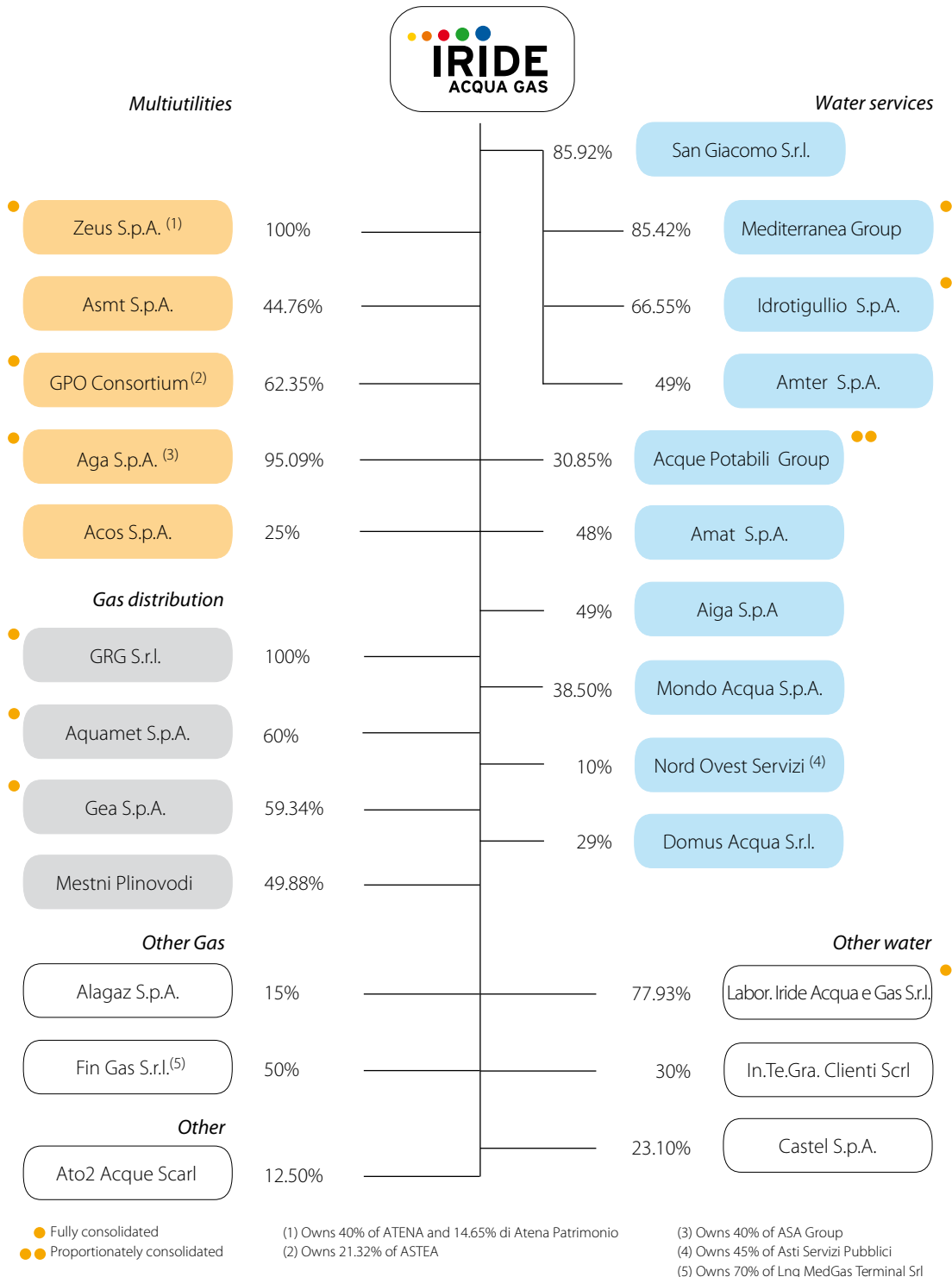
Investments during 2010 totalled Euro 26 million, around Euro 23 million of which for implementation of the OLT regasification project, and Euro 3 million for the capitalisation of internal costs.



IRIDE ACQUA GAS

Iride Acqua Gas S.p.A. (registered office: Genoa) operates, directly and through the Company's subsidiaries and investee companies, on the domestic and foreign territory, in the following sectors: distribution and carriage of fuel gas and related services, integrated water service, specialist technology services, and research, development and training in these sectors. Namely, Iride Acqua Gas has been entrusted to provide the integrated water service for the Genoa ATO and performs natural gas distribution activities in the Genoa Province. Through its subsidiaries and investee companies, it operates in the above-mentioned sectors, mainly in Liguria, Piedmont and Tuscany.

Main investee companies of Iride Acqua Gas S.p.A.



Gas Distribution

Through its subsidiary Genova Reti Gas, Iride Acqua Gas distributes natural gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,700 km of network of which about 428 km is medium pressure and the rest low pressure. The area served covers around 571 sqkm and it is characterised by an extremely complex chorology, with remarkable altitude variations. Natural gas arriving from methane pipelines of SNAM Rete Gas (SRG) transits through 7 methane reception substations, called 1st step (REMI) owned by the company. The 7 REMI substations, physical delivery points of the local distribution network (delivery points of the transport network), are interconnected by a network and therefore, for the carriage service purposes, they represent one single virtual delivery point. Again through its subsidiary Genova Reti Gas, Iride Acqua Gas distributes liquid gas in 3 municipalities, for a total of around 250 end customers. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience, for resident people, to the minimum. The distribution service is also supplied, through Subsidiaries or Investee companies, in the basins of Vercelli, Novi/Tortona, Livorno, Grosseto, Osimo/Recanati, Cassino and Battipaglia. The total managed networks are equal to around 4,500 kilometres.

Water sector

The reform of water services introduced in Italy by the Galli Law, substantially sets out two principles: the overcoming of fragmentation of operators and the implementation of integrated systems, which would include the entire water cycle, from captation, to distribution, collection, treatment and disposal, until water is inlet in environment again. Through its subsidiaries and investee companies operating in the water sector, Iride Acqua Gas is now achieving these targets, with a total of 1,423,000 customers served. Iride Aqua Gas is in charge of the management of the integrated water service in the Optimal District Authority (ATO) of Genoa district (Province of Genoa), for a total of 67 municipalities and over 878,000 residents served. The operative management is ensured by the subsidiaries *Mediterranea delle Acque S.p.A.* and *IdroTigullio S.p.A.*, and the investee *AmTer S.p.A.*. *Mediterranea delle Acque* injects into the network around 100 million cubic metres of drinking water destined to Genoa and the surrounding municipalities of the ATO's Central Area, through a distribution network of over 1,700 km, while managing 5 large water treatment plants and one of the most advanced treatment chains in the sector. The continuous supply of water is ensured thanks to the diversification of procurement sources, composed of 6 artificial reservoirs, 435 sources, 48 water streams and 30 wells.

As regards waste waters, the managed network is around 1,200 km, with 55 pumping stations. The development of Genoa on the coast and along two valleys required the building of a great number of water purification plants. Nowadays, the purification system is based on 8 medium-large plants, which treat around 80% of urban waste waters. Outside Genoa, there are also 22 medium-small purification plants and 174 Imhoff tanks or septic tanks. *IdroTigullio* manages the integrated water service in the Levante area of the Genoa ATO through 464 km of aqueduct networks with 272 sites/plants, 453 km of sewerage networks with 53 pumping stations, 7 medium-sized treatment plants and another 34 minor plants (Imhoff/pre-treatment).

AmTer manages the integrated water service in the Ponente area of the province of Genoa for a total of 316 km of aqueduct networks, 140 km of sewerage networks and 4 water treatment plants. A centralised chemical/bacteriological laboratory of Gavette and various plant laboratories daily monitor the composition of water, thus ensuring prompt interventions to avert the supply of water non compliant with Law Decree no. 31/2001, which sets out the law limits for the various parameters related to drinking water. The installation, in the various phases of the plant, of sophisticated appliances on line, that ensure a 24 hours a day monitoring of the main chemical parameters of water, guarantees that any problem on water quality can be solved in real time, thus ensuring compliance with regulations in force at any moment. In the water sector, the Group is also involved in management of the entire ATO Toscana Costa and operates in the ATOs of Imperia, Savona, Alessandria, Asti and Vercelli after the acquisition of *Acque Potabili* (in joint venture with *SMAT*).

SIGNIFICANT EVENTS OF THE PERIOD

Gas network management

Total volumes carried by Iride Acqua Gas in the first half of 2010 equal 303.21 million cubic metres against the 266.66 million cubic metres in the same period last year, an increase of about 13.7%. For the regulatory period 2009-2012 the AEEG has defined a tariff method that defines gas distribution company revenue as separate from the volumes carried.

Regulations

With Resolution ARG/gas no. 159/08⁽³⁾ and following, the AEEG established the tariff method for the regulatory period 2009-2012. This method envisages the following:

- Compulsory Tariffs applied in invoicing to selling companies and thereby to end users;
- Reference Tariff (VRT, former VRD, restriction on distributor-related revenue), which is the amount of distributor-related revenue, regardless of the gas volumes actually carried. Therefore, revenue disclosed in the financial statements no longer follows the thermal trend but is based on a flat rate over the four quarters⁽⁴⁾;
- a equalisation mechanism involving Cassa Conguaglio del Settore Elettrico (CCSE), which should allow for reaching the theoretical VRD also in lack of volumes invoiced. The equalisation is performed in two steps: the equalisation is advanced on a bimonthly basis for a fixed amount established for each individual operator, and is balanced out in July of the following year based on the difference between the amount invoiced, the amount advanced and the VRD total.

The Cassa Conguaglio Settore Elettrico permitted to offset payables and receivables due by reason of the application of the UG2 additional tariff component related to the first two-month period of 2010.

To date, pursuant to AEEG Resolutions no. 114/10 and 115/10, reference fees and bimonthly equalisation amounts on account were finally approved for all locations and for the 2009 and 2010 years. Compulsory tariffs of locations supplied with liquid gas were also modified for the 2009 and 2010 years.

Investments in the sector

On 26 February 2010, a preliminary share disposal agreement, for 60% of Aquamet spa's share capital, was signed between Iride Acqua Gas S.p.A. and Mediterranea Energia S.c.a.r.l.. The transaction is expected to be completed by 30 September 2010, date by which the final disposal agreement should be finalised.

Management of the integrated water service

In 2010, about 51.88 million cubic metres of water were invoiced in the areas served (which includes the 30.855% consolidation of the Acque Potabili Group), down compared to the previous year (53.38 million cubic metres).

Optimal District Authority measures for the Genoa ATO

The ATO granted Iride Acqua Gas the licence for water distribution for the 2009-33 period. The new ATO plan, including the new tariffs, the strategic investment plan assigned to IAG and the general investment plan assigned to operators (SAP, Idrotigullio, MEdA and Egua), was finalised.

Investments in the sector

With notary deed dated 6 May 2010, San Giacomo S.r.l. was incorporated in Genoa, with quota capital of Euro 10,000.00, fully subscribed and paid up by the Sole Shareholder Iride Acqua Gas Spa, which therefore owns 100% of the company's quota capital.

On 25 May 2010, the quotaholders' meeting of San Giacomo S.r.l. resolved on a first capital increase, from Euro 10,000.00 to Euro 10,000,000.00, plus a quota premium totalling Euro 230,913,564.00. Subscription is reserved to Iride Acqua Gas Spa for the assignment of the following investments owned:

- 68.32% in Mediterranea delle Acque S.p.A.;
- 66.55% in Idrotigullio S.p.A.;
- 49% in AM.TER. S.p.A..

These transfers had immediate effect.

On the same day, the quotaholders also resolved on a second capital increase, from Euro 10,000,000.00 to Euro 13,299,938.00, against payment, in addition to a quota premium of Euro 76,200,062.00, to be offered for subscription only to "F2i Rete Idrica Italiana Spa". The latter shall entirely subscribe such increase, including in more than one instalment, by 30 October 2010.

(3) Tariff regulation of gas distribution and metering services for the regulatory period 2009-2012

(4) The effect of this change occurred above all in the third quarter of the year whilst, on an annual basis, the main effect is due to the change in the tariff application method.

On 1 June 2010, F2i Rete Idrica Italiana Spa partially subscribed the capital increase of S. Giacomo S.r.l. reserved to it, for a total amount of Euro 39,500,000.00, Euro 1,639,592.00 of which as quota capital and Euro 37,860,408.00 as quota premium.

On the same day, the quota capital of San Giacomo S.r.l. therefore came to Euro 11,639,592.00, divided as follows:

- Iride Acqua Gas S.p.A. 85.914%
- F2i Rete Idrica Italiana S.p.A. 14.086%

in addition to a quota premium Reserve of Euro 268,773,972.00.

On 1 June 2010, San Giacomo S.r.l. resolved on launching a take-over bid for the ordinary shares of Mediterranea delle Acque S.p.A..

The Bid was concluded on 6 August 2010 and is effective on the entirety of ordinary shares of Mediterranea delle Acque not owned by the bidder, for a total of 11,185,853 ordinary shares, equal to around 14.59% of the issuer's share capital.

Other investments

The limited liability consortium "Tecnologie innovative per il controllo ambientale e lo sviluppo sostenibile" was established (T.I.C.A.S.S. Scarl.) with Deed of 2 March 2010. Its registered office is in Genoa, via Bartolomeo Bosco 57/6c. The consortium fund is Euro 70,000, of which Euro 4,000 paid by Iride Acqua Gas spa, equal to a 5.715% investment.

With notary deed dated 9 April 2010, Iride Acqua Gas Spa sold 4.8% of quotas owned in Laboratori Iride Acqua Gas S.r.l.. (8,953.63 nominal value) to ASMT Spa. Following this transaction, the investment of Iride Acqua Gas S.p.A. in LIAG S.r.l. decreased from 77.93% to 73.13%. ASMT S.p.A. increased its investment in LIAG S.r.l. from 2.38% to 7.18%.

RESULTS

The consolidated results of Iride Acqua Gas for the first half of 2010 showed the following compared to the first half of 2009:

- revenue totalling Euro 139 million, up 27% over the first six months of 2009;
- gross operating profit of Euro 41 million, up 9% over the first six months of 2009 thanks to the increase in the integrated water service;
- operating profit of Euro 19 million (+14%).

Iride Acqua Gas Consolidated Results	Millions of Euro		
	First half of 2010	First half of 2009	% Change
Revenue	139	131	5.6
Gross operating profit	41	35	15.9
Operating profit	19	16	25.3
	<i>At 30.06.10</i>	<i>At 31.12.09</i>	
Net invested capital	793	792	0.2

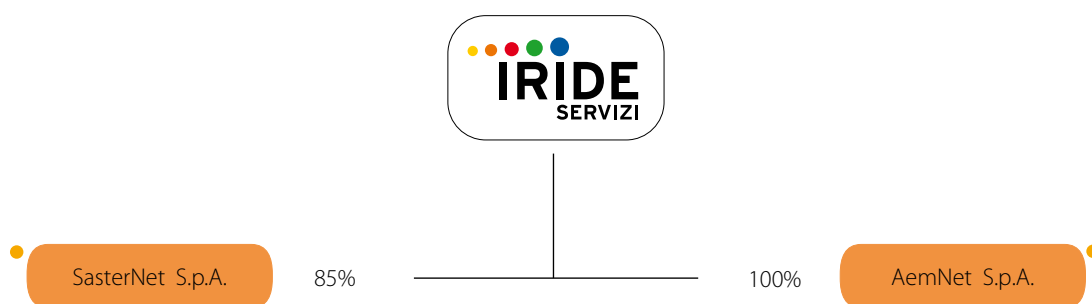
INVESTMENTS

Investments totalled Euro 31.9 million at 30 June 2010. Gas network management investments amounted to Euro 15.3 million and mainly relate to technical investments in terms of restoration, expansion and extension of the gas networks. In the integrated water services management sector, Iride Acqua Gas implemented investments to the order of Euro 14.1 million (-9.9% compared to 2009), for the most part included in the plan of interventions scheduled in the Genoa ATO Plan. These interventions mainly involved extraordinary maintenance, network and plant renovation both in the wastewater and drinking water sectors.

IRIDE SERVIZI

Iride Servizi S.p.A. (registered office: Turin): performs, directly and/or indirectly, operating activities pertaining to the services provided to local authorities in general and the management of telecommunication infrastructures. Aware of the importance of protecting and respecting the environment, Iride Servizi is highly qualified in the development of energy saving measures (since 2005 it has been ESCO certified by the Authority for Electrical Energy and Gas) and in the construction of plants for the production of electrical energy through renewable sources (photovoltaic, solar and biomass plants) and similar (cogeneration plants).

Main investee companies of Iride Servizi S.p.A.



● Fully consolidated

SIGNIFICANT EVENTS OF THE PERIOD

In the first half of 2010 Iride Servizi activities were performed in compliance with the provisions of service agreements in force with the Municipality of Turin. The implementation of off-contract activities also continued.

In parallel, commercial activity intensified with a view to acquiring business for other public and private entities.

As per the single business sectors the following should be noted:

Street lighting

The company continued to manage and renew street lighting systems for the City of Turin. The main initiatives implemented concern the planning and installation of systems powered with spur line connections (before wired in series) with special reference, as regards the period under evaluation, to the area included within streets Vittorio Emanuele, Racconigi, Peschiera and Trapani and the replacement of light bulbs with other more energy efficient bulbs (sodium and metallic halide) as part of energy-saving initiatives. The street lighting system, managed through an advanced remote control system that regulates turn-on and turn-off and the detection of breakdowns, is made up of 49 supply stations, 528 low-voltage supply channels and 94,821 lighting points installed on a network of 2,850 kilometres.

Iride Servizi S.p.A. also provides Turin with technical lighting systems to enhance a number of its most important architectural assets, highlighting to the best advantage the formal features of the buildings and sites during the night.

Management of the electrical energy distribution plants in the municipalities of Ronco and Valprato continued with the installation of electronic meters. In support of the Electrical Systems structure, management of the 43 market areas of Turin continued following award of the tender for their ordinary and extraordinary maintenance. As regards street lighting, the collaboration with the City of Salerno continues. For this year, the installation of the works of light, with related extension, of the work called "Il Giardino Incantato" was assigned to the company and will be unveiled at the beginning of November. Always regarding works of light, some European cities, amongst which Arad, Timisoara (Romania), Torun (Poland), Marseille (France), have been contacted by the company. It is also worth noting that the work assigned to the new companies, specialised in the running and ordinary maintenance of heating systems, started on 1 July 2010.

As part of its international cooperation activities, the mission in Burkina Faso to train a team of technicians in the planning and installation of a street lighting system was completed. This mission is included in the City of Turin's long-term international cooperation framework launched in Africa some years ago through its cooperation programmes with public and private enterprises.

Traffic lights

The management of the traffic light systems of the City of Turin continued, involving ordinary maintenance.

The traffic lights network comprises 659 control boxes, 6 of which 42V, 8,743 supports, 15,010 traditional lights, 3,766 220V LED lights and 107 42V LED lights.

The lighted pedestrian crossings network and hazard warning systems includes 70 crossroads, 7 of which powered by solar panels, 197 supports, 188 traditional signs, 113 LED signs and 7 signs powered by solar panels.

The total power is approximately 3,121 KW and annual electrical energy consumption amounts to 12.12 GWh.

The main extraordinary activities were as follows:

- Progress on 2 lots (PSM3 Lots A and B) for the centralisation of 51 traffic lights;
- Continuation of adjustments to building phases of the Passante Ferroviario (Urban railway) and Subway;
- Completion of the SPOT support contract and continued installation of the new firmware on SELFSIME control boxes;
- Preparation of the tender for Lot 14 regarding the Extraordinary Maintenance and appointment of the Coordinator of Safety for the planning phase;
- Restarting of work for Lot 3 – installation of blind people's walking paths.

The municipal police notably reduced permits regarding the deactivation of traffic lights, mainly slowing down ordinary maintenance and traffic light centralisation.

Heating systems

The operation and maintenance of the heating and air conditioning systems in the municipal buildings of the city of Turin and for third party customers continued. Specifically, in the period in question, heating systems were managed and switched off at end of the cold season. Given the special weather conditions, the thermal winter was particularly long due to low temperatures recorded in May, which required, in some cases, heating systems to be switched on again in some buildings with special needs (nursery schools, nursing homes, etc.).

By reason of the summer weather trends, air conditioning systems were switched on in June.

In line with funds set aside by the City of Turin for system works and upgrading, extraordinary maintenance continued on the heating systems involving full or partial renewal to restore or improve their working condition, or restructuring and upgrading of systems in line with similar work on the buildings launched and scheduled by local government departments. Over the last three years, an average of more than 300 interventions (work orders) has been performed annually.

In service quality terms the management was performed without reports of significant anomalies and in compliance with the standards of service agreed with the customer.

The systems managed total approximately 887 buildings, equal to heated/air-conditioned volumes of almost 8.2 million cubic metres (266 systems for over 5.8 million cubic metres managed remotely) for a total of approximately 420 MW of installed heat capacity.

Electrical systems

Iride Servizi performs ordinary and extraordinary maintenance, technical upgrades, ensures system compliance and creates electrical systems and special installations for the City of Turin. Activity consistent with the requirements of the agreement in force continued during the first half of 2010. Specifically, over the period, competent authorities launched public tenders for the award of works financed by the Municipal Authority of Turin (2009 financing):

- Generic extraordinary maintenance of the electric systems;
- Ordinary and extraordinary maintenance of the pumping systems;
- Maintenance of fire-fighting facilities;
- Targeted extraordinary maintenance of the pumping systems;

Similarly, the construction of technological plants, such as the public swimming pool in Turin, continued (off-contract activities, funded by the city's sport sector). Moreover, the following was continued:

- ordinary maintenance management of Turin municipal buildings;
- earthing system inspection;
- performance of the planned inspection of systems not originally envisaged in the agreement with the Municipal Authority, assigned following a specific economic agreement signed with Iride Servizi. Among these systems, it is worth noting: electricity generators, U.P.S. and automatic fire extinguishing systems;
- upgrading of technological fixtures (electricity, heating and pumping systems) related to the extraordinary maintenance contract of the location Parco della Tesoreria - Villa Sartirana;
- general and targeted extraordinary maintenance of electricity and pumping systems.

Global Technology Service

Work continued on the "Bruno Caccia" courthouse, museum buildings (the Modern Art Gallery, Mole Antonelliana, Palazzo Madama, the Historical Archives, Palazzo Mazzonis) and at the biotechnology department of the University of Turin.

Telecommunication services

Iride Servizi offers wholesale broadband connection services through its subsidiaries AEMNET and SasterNet. The Iride Group's fibre optic networks cover the Turin metropolitan area and some of the outskirts through AEMNET and the Genoa area through SasterNet.

Receivables due from the Municipality of Turin

Financial assets due from the Municipality of Turin amount to Euro 256 million and have decreased over 31 December 2009 (-2.4%). From a Directors' assessment based on average payments over the last twelve months, it is estimated that around Euro 171 million of these receivables from the City of Turin are collectable in beyond 12 months. The situation of receivables due from the Municipality was constantly monitored by the Company together with the Municipal officials so that proper steps would be taken to permit the settlement. An action plan aimed at reducing receivables was agreed upon with the top management of the Municipal Administration.

RESULTS

The consolidated results for the first half of 2010 of Iride Servizi highlighted the following:

- revenue of Euro 43 million (-6.4%), mainly due to the possible reduction of Euro 2.2 million related to Iride Servizi's fees, as per the recent agreements concluded on amendments made to the Agreements in force;
- gross operating profit of Euro 6 million (-26% compared to the same period of 2009), due to the above-mentioned issues;
- operating profit of Euro 4 million (-35% compared to the same period of 2009).

Iride Consolidated Results

	Millions of Euro		
	First half of 2010	First half of 2009	% Change
Revenue	43	46	(6.4)
Gross operating profit	6	8	(26.0)
Operating profit	4	6	(35.0)
	<i>At 30.06.10</i>	<i>At 31.12.09</i>	
Net invested capital	(26)	(32)	(16.8)

(*) Variation of over 100%

AES TORINO

The Group distributes gas and provides district heating in various areas of Italy through a number of companies. Specifically, through AES Torino, its 51% joint venture with Italgas, the Group distributes gas and heat in Turin. District heating involves the transport over distance through a network of pipes of heat used in urban heating and hot water for bathroom fitting purposes. It is extremely efficient in terms of its impact on the environment in that it allows residents to obtain hot water directly from a central heating system, offering considerable advantages at an environmental level since it eliminates the emissions from numerous separate boiler units, as well as cost savings. Via its 3,601 heat distribution points, AES Torino's district heating networks serve a total heated volume of approximately 43 million cubic metres, primarily for residential use and partly for service uses. The AES Torino gas network covers a total of 1,324 km, with 4,340 km in connections. End customers served through the gas network amount to over 473,000.

Through an agreement between Iride and the shareholder Italgas, other initiatives are currently being studied to further expand AES operations and take it to a leadership position in the gas distribution and district heating sectors in the Northwest.

RESULTS

In the first half of 2010, AES Torino, 51% owned by Iride S.p.A., achieved revenue equal to Euro 73 million, up by 5%. The volumes of gas carried increased from 403 to 412 million cubic metres (+2.2%), while heat carriage revenue, which increased in accordance with contractual terms, refers to energy injected into the network of 1,217 GWh, up by 16.2% on 2009.

AES Torino	Millions of Euro		
	First half of 2010	First half of 2009	% Change
Revenue	73	70	5.4
Gross operating profit	53	49	7.2
Operating profit	42	39	7.4
	<i>Al 30.06.2010</i>	<i>Al 31.12.2009</i>	
Net invested capital	474	497	(4.6)

INVESTMENTS

In the first half of 2010, the development of AES Torino continued with investments amounting to Euro 21.9 million, mainly related to construction of the Torino Nord district heating network (Euro 12.7 million), other extension/powering of the gas and district heating networks (Euro 1.7 million) and adjustment and upgrading of networks (Euro 6.6 million), mainly gas networks. With regard to the Torino Nord district heating network, around 6 km of transportation and distribution network was laid, with around 371 km of double piping. The Turin district heating network is one of the largest in Italy. As for the gas distribution sector, in the first half of 2010, around 3.9 km of gas connections were laid and 1,135 of gas meters were installed by AES Torino. The plant upgrade and maintenance work performed involved the replacement of 3.5 km of road network, approximately 4.5 km of connections and approximately 25,600 meters.

OTHER INVESTEE COMPANIES OF THE IRIDE GROUP

The results of other important investee companies of the Group are illustrated below.

- PLURIGAS, 30% owned by Iride and operating in the natural gas procurement and trading sector, achieved revenue of Euro 869 million (+21%) and profit of Euro 14 million, a decrease compared to the first six months of 2009 (Euro 19 million);
- EDIPOWER, 10% owned by Iride and whose electrical energy production of 7,600 MW makes it one of Italy's leading producers, achieved a lower revenue of Euro 450 million compared to the same period of 2009 (Euro 611 million) and profit of Euro 13 million, up compared to the first six months of 2009 (Euro 8 million);
- TIRRENO POWER, 5.5% owned through ENERGIA ITALIANA, is an electrical energy producer, which in Italy manages thermoelectric and hydroelectric plants in the Tyrrhenian area. The company achieved a decreasing revenue of Euro 652 million (-3.6%) and profit of Euro 64 million, up on the same period in 2009 (+7.2%).

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. In August 2008 Iride therefore approved an "Enterprise Risk Management" model containing an analysis of the methodological approach to the integrated identification, assessment and management of Iride Group risks.

The companies leading the business segments adopted the Group "Enterprise Risk Management" Policy at the beginning of 2009.

For either of the following risk types:

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

Specific policies have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.

This document also disciplines the roles of the various parties involved in the risk management process, which is governed by the Iride Board of Directors. The document requires the creation of a Group Risk Committee and specific Risk Commissions, which shall take more hands-on action regarding specific management models for each of the following types of risk.

Iride S.p.A.'s 'Risk Management' department reporting to the CEO was set up within the organisational unit Direction and Risk Management of Iride S.p.A. This function is formally entrusted with the following activities:

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

A summary of the risk management models is shown hereunder. For a more detailed analysis, see the section "Risk Management" in the Financial Statements.

1. FINANCIAL RISKS

Iride Group's activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. Derivatives are not used or held for purely trading purposes.

a. Liquidity risk

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

The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iride, both through cash pooling and centralisation of all collection and payments within the Iride current accounts, make it possible to allocate Group-wide available funds according to individual company needs arising from time to time. Cash movements are recognised in infragroup bank accounts along with infragroup interest income and expense.

Other investees have an independent financial management in compliance with the guidelines provided by the Parent.

Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored. At 30 June, the short-term bank credit facilities used by the Parent totalled Euro 476 million, of which Euro 10 million committed.

Nominal cash flows envisaged to settle financial liabilities and the contractual terms of existing loans remain essentially unchanged with respect to the Consolidated Financial Statements at 31

December 2009, as stated under paragraph a) Liquidity Risk in Chapter V. Risk Management.

Iride has relations with the leading Italian and international banks, for the purpose of seeking the types of loan most suited to its needs, and the best market conditions.

No new medium-term bank loans were finalised or used in the first half of 2010. The credit line of Euro 100 million remains available for use in up to 15 years. This loan was granted to the Iride Group by the European Investment Bank at the end of 2008 for a total amount of Euro 200 million, Euro 100 million of which were used at the end of 2009.

Within the Group, in the first half of 2010 OLT Offshore LNG Toscana (41.71% consolidated) obtained new loans from the shareholders Iride Mercato (financed by Iride within the Group centralised financing) and E.On, for an equal amount and for a total of Euro 200 million, mainly used to repay the bank loan of Euro 171 million obtained to cover the purchase of the gas carrier for the Livorno regasification terminal.

With regard to the liquidity risk that potentially arises from the contractual clauses that legitimate the parties in withdrawing the loan when certain events occur (default risk and covenants), clauses included in the loan agreements with Iride do not feature any critical element.

For some of Iride's medium-long term loan agreements, namely for the loans obtained from the European Investment Bank, the commitments involve financial index covenants (i.e. Debt-EBITDA, EBITDA/Financial expense). Checks are on an annual basis and limits were defined with adequate prudence criteria and have been met in full. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the Iride Group's should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, whereby the company undertakes not to create real guarantees beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment to lending banks with respect to the treatment for other non-guaranteed creditors.

The medium/long-term loan agreements of certain Group companies also envisage the observance of financial indices (Net Financial Position-EBITDA, Net Financial Position-Equity) which have been satisfied.

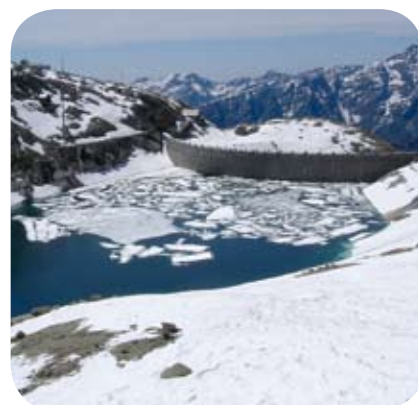
b. Currency risk

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

c. Interest rate risk

The Iride Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. Iride Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.

According to a non-speculative view, the risks associated with the fluctuations in interest rates are monitored and, if necessary, reduced or eliminated by signing high credit standing hedging swap and collar contracts with financial counterparties, with the sole purpose of cash flow hedges. With the exception of certain marginal positions, at 30 June 2010 all contracts to limit exposure to risk from fluctuating interest rates were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.



The fair value of the above-mentioned interest rate hedges was a negative Euro 32,733 thousand at 30 June 2010.

The hedging contracts agreed, together with fixed-rate loans, hedge approximately 70% of net financial indebtedness against interest rate risk, in line with the Iride Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case hedged against significant increases in interest rate.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties and customers. Action was also taken to allow a more effective management of trade receivables through a system that gathers the required monitoring and control data, as well as defining strategies to reduce trade receivable exposure, such as data analysis on customer solvency and the implementation of transactions to reduce credit risk. With reference to Iride Servizi, the company leading the business sector, the company's credit risk is basically linked to its credit concentration with the Municipality of Turin, albeit not showing any collectability risk.

3. ENERGY RISK

Iride Group is exposed to price risk, including the related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are either directly impacted by fluctuations in the price of such energy commodities or through indexing formulae.

The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business operations.

For this purpose, the Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy self-production and supply with demand from Group customers.

An average rate forward contract (Average Option EUR Put USD Call purchase) was agreed in January 2010, with validity for the first four months of 2010, as an energy portfolio hedge to reduce the risk, for the amount of USD 35,000 thousand.

For 2010 the Iride Group signed Electrical Energy purchase contracts for 1,078 GWh (of which 692 GWh with GSE and 386 GWh with Tirreno Power). These cover the parties against the risk of excessive volatility in the price of electrical energy and do not involve energy trading. Also for 2010, a number of financial agreements were signed for Energy (e.g. ITEC, Itmix, BINR) and Power (PUN), totalling 44 GWh (annual term) and 201 GWh (175 GWh of which with annual term and 26 GWh traded on IDEX with monthly/quarterly term), respectively, mainly as cover for individual purchases and sales and with the aim of margin-setting. The fair value of these contracts at 30 June 2010 recorded a negative total of Euro -668 thousand.

4. OPERATIONAL RISKS

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

The Enterprise Risk Management model, which will be extended throughout the Group, is focused on the integrated and synergic management of risks, and it implements a management process that consists of the following stages:

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

Each process stage is performed in accordance with standards and references defined at Group level.

The operating part of the process is managed by local Risk Managers, who are responsible for specific areas in coordination with a central structure providing orientation and supervision. This

phase is currently being extended to the entire Group. One of the operational risk management components is covered by insurance policies existing within the Group, mainly with regard to property and liability. The operational risk management process also aims at optimizing the Group's insurance profiles. Specifically, since 2007, on expiry of a number of policies, the insurance strategy implemented was based on the analysis and calculation of risk profiles identified within the facilities involved in insurance renewals. These results are consistent with a general approach that envisages standard insurance measures at Group level and their optimisation with regard to the risk profiles analysed.

a. Legislation and regulatory risks

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

The main changes which are being made to legislation in force are the following:

Regulations on the management of local public services of economic importance

1) Art. 23-*bis*, Law Decree no. 122 of 25 June 2008 introduced material amendments to the current law on Local Public Services (LPS) of economic importance, providing guidance overcoming the problem of direct management by Local Authorities and in favour of greater involvement of the market with regard to opening up competition. The more important points of the provisions can be summarised as follows:

- application to all sectors, with prevalence given to sector regulations;
- assignment of services management through public tenders as standard, giving priority to private enterprises;
- as an exceptional measure only, in situations where recourse to the market is not feasible, the option of using other forms of management (business combinations, in-house companies) provided that adequate justification for the "exceptional" decision is submitted to and verified by the Antitrust Authority with issue of an opinion;
- a ban, for operators awarded an assignment without participation in a public tender, on developing their activities and extending these to other sectors, not even via participation in competitive procedures;
- recourse to a Regulation to define the transitional regime for awards not in line with the new provisions.

2) Shortly afterwards Law Decree no. 135 of 25 September 2009 was issued (converted to Law no. 166 of 20 November 2009), which considerably modified the provisions of art. 23-*bis*. In brief, the more important amendments concern:

- exclusion of the electrical energy, regional rail transport, pharmacies and gas sectors from the scope of application of the regulation;
- the option of managing local public services through a public-private business combination in which the private partners holds at least 40% of the capital and is awarded tenders via public procedures that envisage the assignment of specific operating duties;
- definition of the regulations governing the transitional regime, which envisage:
 - the deadline for management performed via in-house companies brought forward to 31 December 2011, unless by that date a private partner is found that invests in at least 40% of the capital and by public procedures as envisaged in post-transitional period regulations;
 - the deadline for management performed by business combinations in which the private partner is not assigned operating duties brought forward to 31 December 2011;
 - the deadline for management not in line with the aforementioned provisions brought forward to 31 December 2010;
 - safeguarding of the traditional duration of management assignments, made by 1 October 2003, to companies listed on the stock exchange at that time (or their subsidiaries), provided that the public investment falls to a percentage not exceeding 40% by 30 June 2013 and not exceeding 30% by 31 December 2015.

For the Iride Group, the transitional provisions safeguarding assignments to listed companies are particularly important. In fact, this allows consolidation of management of the Genoa ATO Integrated Water Service by Iride Acqua Gas (previously AMGA S.p.A., listed since 1996) and the district heating management in the city of Turin by Iride S.p.A. through its subsidiary AES Torino S.p.A. (a former subsidiary of AEM Torino S.p.A., listed since 2000).

The provisions of art. 23-bis, though tempered by Law Decree no. 135 of 25 September 2009, have steered LPS regulations more forcefully towards privatisation. In fact: (i) in-house management automatically ceases on 31 December 2011, and new assignments to such companies are subject to a series of very strict conditions of an entirely exceptional nature being met, so much so as to render this tool difficult to use in future (and in any event restricted to purely marginal situations); (ii) management through public-private business combinations recognise a stronger role for the private partner, envisaging its acquisition of an investment of no less than 40% of the share capital and the assignment of operating duties. In light of indications provided in the European Commission's Interpretation Guidance (5 February 2008) on public-private partnerships, the contribution required of the private partner in the combination can consist in the provision of operating services and/or an administrative contribution to the management of the company. Now, the private partner must make a specific, qualified contribution to the company operations, no longer that of a purely "financial" partner, a contribution that may involve active participation in corporate governance, exercising suitable decision-making powers in relation to the company's administrative bodies.

The summary analysis of the LPS regulations, following the recent changes referred to above, allows us to express a largely positive opinion regarding their impact on Iride Group prospects. In particular:

- the safeguarding of assignments to companies (and their subsidiaries) listed as of 1 October 2003 consolidates management of the Integrated Water Service provided by Iride Acqua Gas in the Genoa ATO, due to expire in 2032. Also safeguarded is the City of Turin District Heating service provided by the subsidiary AES Torino S.p.A. (this too classified as an LPS of economic importance);
- the assignments to public-private business combinations, in which the Group has non-controlling interests, are in line with the new regulations (and would therefore be safeguarded until expiry of the agreement with the Authority concerned), as these investments were acquired through a public tender, and the private partner (an Iride Group company) has been assigned governance powers in line with the principles established in the aforementioned EC Interpretation Guidance;
- the fact that the deadlines have been brought forward on assignments to in-house companies and that such companies can only retain their assignments if a share of their capital (not less than 40%) is transferred to a private partner (through public procedures), opens up new development opportunities for the Group in the sectors regulated.
- by reason of the fact that the company is listed in the stock exchange, Iride Spa will be able to take part in tenders both for the awarding of disposed activities from in-house companies, and the selection of the private shareholder in mixed companies resulting from the transforming of in-house companies.
- the unlisted Group companies will be able to take part, nationwide, to the first tenders held for the assignment of specific services.

The implementation regulation of Art. 23-bis was approved by the Council of Ministry on 20 July 2010 and is waiting to be signed by the Head of State.

Hydroelectric licences

By order dated 18 January 2008, the Constitutional Court declared certain provisions of Italian Law no. 266 of 23 December 2005 (art. 1 subsections 483, 485-488 and 492) to be illegal, containing specific rulings on licences for large-scale shunts for hydroelectric purposes and envisaging both regulations with immediate and transitory effect and regulations destined to become standard.

Specifically, in settling attribution disputes between the State and Regions instigated by a number of regional governments, the Constitutional Court considered the provision to extend the duration of concessions in existence at the date of entry into force of the Law no. 266/2005 by ten years, dependent upon the implementation of consistent plant modernisation, to be unconstitutional given that it was damaging the competition between Regions on questions of production, transport

and national energy distribution in Italy, pursuant to Art. 117, subsection 3 of the Constitution. Law no. 122 of 30 July 2010, based on the Law Decree no. 78 of 31 May 2010 (Urgent measures on finance and competition stability), published on the Official Gazette of 30 July 2010 and in force since the subsequent day, includes, amongst other, novelties on concessions of large shunts for hydroelectric use.

- The law above all envisages that the additional fees paid by concessionaries for the 2006 and 2007 years, pursuant to the 2006 Finance Act, whose provisions were declared to be unconstitutional by ruling no. 1/2008 of the Constitutional Court, are finally withheld by the Government and Municipalities. The repayment applications, filed in by concessionaries, are no longer fulfilled.
- A five-year extension to current concessions was granted *"in order to allow the term for the launch of tenders to be fulfilled and ensure a fair indemnity to operators for investments made"*. The extension was set for all concessions, not only for those that would come due on 31 December 2010.
- In addition to the above-mentioned five-year extension, a further seven-year extension is also foreseen (this extension as well was severely criticized by the Antitrust Authority) for licences in force on 31 December 2010 within provincial territories to be defined with a decree of the Ministry of Economy and Finance. This extension will apply under the condition that, before the tender be launched for the selection of a new contractor, the same concessions be awarded to public-private joint stock companies, featuring a minimum 30% and maximum 40% ownership of provinces and/or to companies controlled by provinces, being understood, in this case, that shareholders of the companies controlled by provinces shall be defined through a tender.
- The calculation basis of extra fees was also modified for municipalities and consortia of mountain catchment areas, starting from 10 January 2010. This basis is Euro 28 and Euro 7, respectively, with an update, for future years, scheduled every two years, pursuant to Art. 3 of Law no. 925 of 1980.

AGCM investigation AGCM Resolution of 7 May 2009

Following the claim filed in by Sorigenia S.p.A., a company operating in both electrical energy generation sector and electrical energy and gas sale to end customers, by resolution dated 7 May 2009 the AGCM (Italian Antitrust Authority) opened a formal investigation, pursuant to art. 14, Italian Law 287/1990 into Iride S.p.A., AEM Torino Distribuzione S.p.A. and Genova Reti Gas S.r.l. This proceeding was aimed at assessing any dominant position through conduct to impair the competitive capacity of new vendors on the electrical energy market to low-voltage domestic and non-domestic customers and, with regard, in particular, to Genova Reti Gas, to gas customers with annual gas consumption lower than 200,000 cubic metres, thereby generating a decrease in competition on electrical energy and gas retail markets.

It should be noted that, again according to claims filed by Sorigenia, similar investigations were also launched against A2A, ACEA, Italgas and Hera.

Legal assistance at Group level for these investigations has been assigned to a leading professional law office. Following this investigation, the two distribution companies, as allowed by the above-mentioned regulations in force, sent "commitment proposals" to the Authority aiming at further facilitating the access to networks and therefore fostering competition. The company is waiting for the assessment by the Authority of these commitments and the issuing of related orders.



AGCM investigation AGCM Resolution of 2 February 2010

With regard to this investigation, reference should be made to the section "Significant events of the period".

b. Strategic Risks

The local utilities sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a more decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the new market scenarios.

The strategic development plan of the Iride Group provides for significant investments, from the development of joint ventures of important regasification plants for the gas supply, to the construction or upgrading of cogeneration plants to complete the district heating extension plan, as well as to the upgrading of the hydroelectric plants, and the consolidated presence in the electrical energy and gas distribution sectors, and water sector.

The above interventions entail an exposure of the Group to regulatory, technical, commercial, economic and financial risks (obtaining of licences, application of new technologies, compliance with commercial schedules, analysis of competition, etc.), which the Group has to tackle through specific processes and structures, focused on covering all phases, from assessment, to authorisation and realization of such project.

c. IT Risks

The greater operational risks connected with the IT system are the interfacing risks with the Power Exchange by Iride Mercato.

Iride Mercato is in fact one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.

To mitigate such risks, specific measures have been adopted, such as the redundancy of parts of the system and appropriate emergency procedures, which are periodically subjected to efficiency testing. So far these procedures have proved to be efficient and no damage has ever occurred.

OWNERSHIP STRUCTURE OF THE IREN GROUP

Pursuant to the Merger Deed signed on 25 May 2010 and effective on 1 July 2010, the company Enia S.p.A. merged into Iride S.p.A. and both were renamed Iren S.p.A., giving birth to a new Iren Group. The Iren Group is one of the most significant multiutility operators in Italy and is one of the market leaders in the electrical energy, district heating, gas, water and waste treatment sectors.

The structure of the new Group envisages a business holding, Iren S.p.A. (whose shares are listed on the regulated stock markets managed by Borsa Italiana) and five First-level companies, wholly owned by Iren S.p.A., each of them being focused on various business units.

The Holding performs guideline and coordination actions on the entire Group, as well as some operational activities for the various Companies, through its Managements/Staffs. The central top management and management of Managing/Staff Divisions are assigned to the Appointed Bodies as follows:

- reporting to the Chairman: Institutional Relations and External Relations;
- reporting to the CEO: General and Legal Affairs, Corporate Affairs, Purchases and Works, Staff, Organisation, Special Projects, Risk Management, Communication and Image, Corporate Compliance, Corporate Social Responsibility, Shared Services, Internal Auditing.
- reporting to the Managing Director: Administration, Finance, Management Control, Investor Relations, Strategic Planning, Merger & Acquisitions, Management of Investees, IT and Telecommunication Systems.

The First-level Companies, leading the business segments, are endowed with necessary staff functions to ensure the best operation of individual business, in addition to staff structures however subject to guidelines and coordination of the corresponding functions of the Parent. These companies operate in the pertaining market sectors, either directly or through subsidiaries or investees.

The First-level companies are as follows:

1. Iren Energia (registered office in Turin), leading company of the “Electrical Energy” and “Technological Services” sectors, manages the electrical energy/energy-heat cogeneration plants and the electrical energy and heat generation and distribution systems, as well as technological services (thermal and electrical plant, street lighting and traffic lights, facility management, etc, excluding ICT and TLC). The main companies in which the Company holds an investment are: Iride Servizi, AEM Torino Distribuzione, AES Torino, Edipower, Energia Italiana (Tirreno Power S.p.A).
2. Iren Mercato, leading company in the “Market” sector, manages the procurement, trading and sales activities of electrical energy-heat, gas and energy-related services. The main companies in which the Company holds an investment are: regasification companies such as Olt Offshore



Toscana LNG and Fingas (LNG Med Gas Terminal) and Sinergie Italiane.

3. Iren Acqua Gas (registered office in Genoa), leading company in the “Water” sector, manages the Integrated Water Services. The main companies in which the Company holds an investment are: San Giacomo (Mediterranea delle Acque), Acque Potabili; Genova Reti Gas.
4. Iren Ambiente (registered office in Piacenza), leading company in the “Waste collection and treatment” sectors, manages, either directly or indirectly, the waste treatment and disposal plants and plants as well as renewable resource plants (biomass, wind, sun, geothermal, etc., excluding hydroelectric power plants) The main companies in which the Company holds an investment are: Tecnoborgo, Iren Rinnovabili.
5. Iren Emilia (registered office in Reggio Emilia), leading company of the “Gas” sector, manages gas distribution and ICT/TLC services. The main companies in which the Company holds an investment are: multiutilities Enia Parma, Enia Piacenza, Enia Reggio Emilia; EniaTel; BT Enia Telecomunicazioni.

The Appointed Bodies of the Holding are entrusted with the task of coordinating the First-level Companies and the related business sectors. In particular, the Chairman has the task of coordinating Iren Mercato and Iren Acqua Gas; the CEO has the task of coordinating Iren Energia, the Managing Director has the task of coordinating Iren Ambiente and Iren Emilia.

The Companies leading the business sectors have been assigned the task of “functional coordination” over the entire sector, also with respect to Companies located in different areas. They are mainly entitled to act on issues such as business development (off-area development, management of tenders, etc.), budget and multi-annual plans, tariff and investment policies, research and development, innovation, operational and project standards, etc.

REFERENCE

As regards the merger between the Iride Group and the Enia Group, in addition to information already given, reference is made to documentation made available to the public, pursuant to law and regulations, on the website of Iride S.p.A. www.gruppoiren.it.



INFORMATION ON SUBSIDIARIES AND INVESTEE COMPANIES

SUBSIDIARY AND INVESTEE COMPANIES OF IRIDE ENERGIA

The companies, in which Iride Energia S.p.A. holds an investment, are listed below:

- AEM TORINO DISTRIBUZIONE S.p.A., wholly owned by Iride Energia, holds the licence for electrical energy distribution in the Municipality of Turin and distributes electrical energy to non-eligible customers.
Up to 30 June 2007, it also sold electrical energy to the protected market.
- C.EL.PI. S.c.r.l. is 99.92% owned by Iride Energia, with the remaining 0.08% stake held by shareholders with an investment of 0.002% each; it performs coordination activities for procurement of the electrical energy necessary for the activity of the consortium members.
- NICHELINO ENERGIA S.r.l., 62% owned by Iride Energia, 33% owned by AES Torino S.p.A. and 5% by Iride Mercato. The company's business purpose involves (i) construction, operation and maintenance of networks, plants and instrumental infrastructures for district heating services in the Municipality of Nichelino; (ii) provision of related services, including the distribution and sale of heat energy in the Municipality of Nichelino.
- GASENERGIA PLURISERVIZI S.p.A. is 20% owned by Iride Energia, 20% by Famiglia Baldi, 12% by Segeco S.r.l., 12% by D'Anzi with the remaining 36% being held by other shareholders each with an investment of less than 10%. The company's activity consists in the management and maintenance of heating and similar systems as well as post metre services.
- C.E.S.I. S.p.A. 0.47% owned by Iride Energia, 40.92% by companies belonging to the Enel Group and 58.61% by other shareholders with investments of less than 10%. The company's business purpose is research and consulting in the electrical energy field.
- CONSORZIO PROMETEO - Consortium with external relevance – 13.83% owned by Iride Energia, 66.35% by Azienda Esercizio Gas di Ivrea, 14.22% by Bioindustry Park del Canavese and the remaining 5.21% by other shareholders with investments of less than 1%. The company's business purpose consists in the production and sale of electrical energy to consortium members. The Consortium was placed in voluntary liquidation from 23 December 2009.
- CSP S.c.r.l. 6.10% owned by Iride Energia, 39% by the Piedmont Region, 24.40% by CSI Piemonte and the remaining 30.50% by the Municipality of Turin, Università di Torino, Politecnico di Torino and SISVEL, each with a 6.10% investment. The company's activity consists in applied research in the information technology and electronic fields for private and public companies and authorities.
- ENVIRONMENT PARK S.p.A., 3.38% owned by Iride Energia, 38.66% by Finpiemonte, 10.41% by the Turin Chamber of Commerce, 7.41% by SMAT, 5.09% by AAM Torino, 19.44% by the Municipality of Turin, 11.72% by the provincial government of Turin and the remaining 3.89% by other shareholders with investments of less than 4%. The company was incorporated for the purpose of developing innovative technologies and actively promoting the transfer of technological and scientific know-how from the academic research institutions to the companies located in the Piedmont region.

MAIN EVENTS OF THE FIRST HALF OF 2010 AND AFTER 30 JUNE 2010

Information on the main events concerning Iride Energia S.p.A. and its subsidiaries that occurred in the first half of 2010 (from 1 January to 30 June) are provided below.

IRIDE ENERGIA

- on 27 April 2010, the extraordinary shareholders' meeting of the Company resolved the following, with effect from the effective date of the merger between Enia S.p.A. and Iride S.p.A. (occurred on 1 July 2010):
 - 1) capital increase of Iride Energia to be paid through (i) the transfer in kind by the sole shareholder Iride S.p.A. of the business unit including investments owned by the latter in AES Torino S.p.A., EDIPOWER S.p.A., ENERGIA ITALIANA S.p.A., Iride Servizi S.p.A.; pertaining and consequent resolutions; (ii) the transfer, in kind, by Enia SpA of the business unit regarding the cogeneration production of electrical energy and heat and related distribution activity, as well as of the investment in Sarmato S.p.A.;

2) approval of new Articles of Association.

On the same date, as the final procedures for the merger of Enia into Iride are still in progress, the ordinary shareholders' meeting of the Company resolved to defer decisions regarding the appointment of Directors and Statutory Auditors (terminating on approval of the 2008 financial statements), inviting the Board of Directors to call a shareholders' meeting by 30 October 2010 to resolve upon these appointments. The current Board of Directors and Board of Statutory Auditors therefore remain in office on a *prorogatio* basis.

- on 21 June 2010, the extraordinary shareholders' meeting of the Company resolved the following, with effect from the effective date of the merger of Enia SpA into Iride S.p.A. (occurred on 1 July 2010): (i) renaming Iride Energia S.p.A. into Iren Energia S.p.A.; (ii) new Articles of Association.

AEM TORINO DISTRIBUZIONE

- On 26 April 2010, the extraordinary shareholders' meeting resolved on a capital increase, in effect from the merger effective date of Enia S.p.A. into IridE S.p.A. (occurred on 1 July 2010), through the transfer, by Enia S.p.A., of a business unit related to the electrical energy distribution in the city of Parma.

On the same day, as the final procedures for the merger of Enia into Iride are still in progress, the ordinary shareholders' meeting of the Company also resolved to defer decisions regarding the appointment of Directors (terminating on approval of the 2008 financial statements), inviting the Board of Directors to call a shareholders' meeting by 30 October 2010 to resolve upon these appointments. The current Board of Directors and Board of Statutory Auditors therefore remain in office on a *prorogatio* basis.

CELPI

- On 26 April 2010, as the final procedures for the merger of Enia into Iride are still in progress, the ordinary shareholders' meeting of the Company resolved to defer decisions regarding the appointment of the Sole Director (terminating on approval of the 2008 financial statements), inviting the Sole Director to call a shareholders' meeting by 30 October 2010 to resolve upon this appointment. The current Sole Director therefore remains in office on a *prorogatio* basis.

CSP

- on 15 February 2010, the extraordinary shareholders' meeting resolved on a script issue and a rights issue;
- on 1 April 2010, the Piedmont Region subscribed the entire rights issue;
- on 30 June 2010, the ordinary shareholders' meeting appointed the Board of Directors and the Board of Statutory Auditors that will remain in office until the approval of the financial statements at 31 December 2012.

SUBSIDIARY AND INVESTEE COMPANIES OF IRIDE SERVIZI

The companies, in which Iride Servizi S.p.A. holds an investment, are listed below:

- AemNet S.p.A. (share capital Euro 6,973,850), wholly owned by Iride Servizi. Its activities consist in the laying, maintenance and sale of transmission capacity on its fibre optic network.
- SasterNet S.p.A. (share capital Euro 7,900,000), 85% owned by Iride Servizi and 15% by ASTER S.p.A. operates in the laying, maintenance and provision of fibre optic networks for telecommunications sector. The company carried out the fibre optic cabling project in the city of Genoa.
- S.D.B. S.p.A., 1% owned by Iride Servizi, 6% by DE-GA S.p.A., 46.50% by FONDACO SGR S.p.A. and 46.50% by SINLOC S.p.A. The company was set up in 2003 as a "project company" pursuant to Article 37-*bis* et seq. of Italian Law 109/94 (the "Merloni Law") with the purpose of constructing, restoring and managing properties and, specifically, the university buildings currently housing the Biotechnology Department.

MAIN EVENTS OF THE FIRST HALF OF 2010 AND AFTER 30 JUNE 2010

Information on the main events concerning Iride Energia S.p.A. and its subsidiaries that occurred in the first half of 2010 (from 1 January to 30 June) are provided below.

IRIDE SERVIZI

- On 27 April 2010, the ordinary shareholders' meeting of the company: (i) confirmed the appointment of Carlo De Matteo (co-opted to the Board of Directors in the meeting held on the

same day) as Company CEO until renewal of the current Board; (ii) given the pending finalisation of the merger of Enia into Iride, resolved to defer decisions regarding the appointment of Directors and Statutory Auditors (terminating office on approval of the 2008 financial statements), inviting the Board of Directors to call a shareholders' meeting by 30 October 2010 to resolve upon these appointments. The current Board of Directors and Board of Statutory Auditors therefore remain in office on a *prorogatio* basis.

- On 28 June 2010 and with effect from the effective date of the merger between Enia S.p.A. and Iride SpA (occurred on 1 July 2010), the extraordinary shareholders' meeting resolved on the capital increase of Iride Servizi S.p.A., to be paid through the transfer in kind by SAREM S.p.A. (a subsidiary of Enia SpA) of the business unit called "facility management", including real estate properties, contracts and staff, receivables, payables, as well as related legal relations.

AEMNET

- On 26 April 2010, as the final procedures for the merger of Enia into Iride are still in progress, the ordinary shareholders' meeting of the Company resolved to defer decisions regarding the appointment of Directors and Statutory Auditors (terminating on approval of the 2008 financial statements and the 2009 financial statements), inviting the Board of Directors to call a shareholders' meeting by 30 October 2010 to resolve upon these appointments. The current Board of Directors and Board of Statutory Auditors therefore remain in office on a *prorogatio* basis.

SASTERNET

- On 26 April 2010, as the final procedures for the merger of Enia into Iride are still in progress, the ordinary shareholders' meeting of the Company resolved to defer decisions regarding the appointment of Directors and Statutory Auditors (terminating on approval of the 2009 financial statements), inviting the Board of Directors to call a shareholders' meeting by 30 October 2010 to resolve upon these appointments. The current Board of Directors and Board of Statutory Auditors therefore remain in office on a *prorogatio* basis.

SDB

- On 15 May 2010, the extraordinary shareholders' meeting resolved on the reduction of the share capital and the adoption of new Articles of Association.

SUBSIDIARY AND INVESTEE COMPANIES OF IRIDE MERCATO

The companies in which Iride Mercato holds an investment at 30 June 2010 are listed below:

- CAE Amga Energia S.p.A. (share capital Euro 10,000,000), wholly owned. It performs heat service management and technological plant management services for private customers and for the Municipality of Genoa.
 - O.C. CLIM S.r.l. (quota capital Euro 100,000), wholly owned by CAE Amga Energia S.p.A.. The company manages the study, design, construction and maintenance of heating and air-conditioning installations.
 - CLIMATEL S.r.l. (quota capital Euro 10,000), wholly owned by O.C.CLIM S.r.l.. The company manages the study, design, construction and maintenance of heating and air-conditioning installations.
 - STADIO DI ALBARO S.p.A. (share capital Euro 1,230,000), 2% owned by CAE Amga Energia S.p.A. The company manages sports facilities.
- GEA Commerciale S.p.A. (share capital Euro 340,910), wholly owned by Iride Mercato. The company's core business is the wholesale marketing of gas.
 - SALERNO ENERGIA VENDITE S.p.A. (share capital Euro 2,447,526), to which GEA COMMERCIALE S.p.A. (which holds 38%) transferred its business unit covering residential customers in the south of Italy.
- ASTEA ENERGIA S.r.l. (quota capital Euro 100,000), 7% owned, a company providing methane and electrical energy sales activities, 93% owned by ASTEA S.p.A. (the latter an investee of Consorzio GPO).
- C.S.I. "Consorzio Servizi Integrati" (consortium fund Euro 100,853), 50% owned by Iride Mercato. This company provides technological services relating to building management. The remaining 50% is held by SIRAM S.p.A.

- Micenes S.c.a.r.l. (share capital Euro 10,000), 50% owned by C.S.I. Consorzio Servizi Integrati with the purpose of implementing the obligations which must be met by the consortium members in their capacity as members of the temporary association of companies to which the Liguria Region awarded the contract for heat management of the health service companies.
- OLT Offshore LNG Toscana S.p.A. (OLT Offshore) (share capital Euro 145,750,700), 41.71% owned by the company leading the business segment, 5.08% by ASA S.p.A., 46.79% by E.On Europa SL (formerly ENDESA Europa SL); 3.73% by Olt Energy and 2.69% by Golar (a company operating in the transport of LNG by ship). The company is the leader of a project for the construction and management of an offshore platform for the regasification of liquefied natural gas, to be developed off the coast of Livorno.
- VEA ENERGIA AMBIENTE S.r.l. (quota capital Euro 96,000), 37% owned. The company operates in the northern Tuscan region, marketing gas for civil and industrial uses.
- AMAT Energia S.r.l. (quota capital Euro 20,000), 20% owned by Iride Mercato S.p.A. and 80% owned by AMAT S.p.A. The company's purpose is the marketing of gas.
- ACOS ENERGIA S.p.A. (share capital Euro 150,000), 25% owned by the company leading the business segment and 75% by ACOS S.p.A.. The company's registered office is in Novi Ligure (AL) and its core business consists of selling methane to end customers in the municipality of Novi Ligure and surrounding municipalities.
 - ACOSI' S.p.A. (share capital Euro 200,000), wholly-owned by ACOS ENERGIA S.p.A. This company performs heat service management and technological plant management.
- ALEGAS S.r.l. (quota capital Euro 1,810,000), 20% owned. The company operates in the methane gas marketing sector in Alessandria and surrounding municipalities.
- LIVORNO HOLDING S.r.l. (quota capital Euro 10,000). The company was established to consolidate the investments held in OLT Offshore LNG Toscana by Iride Mercato (44.57%), ASA S.p.A. (5.43%) and E.On Europa SL (formerly ENDESA Europa) (50%). To date, these investments have not yet been transferred to the company.
- SEA POWER & FUEL S.r.l. (quota capital Euro 10,000), 50% owned. The remaining 50% is owned by E.On Europa SL (formerly ENDESA Europa). The company's purpose is the procurement and importation of liquefied natural gas (LNG), and its transformation (regasification) through the terminal that will be constructed by OLT Offshore.
- GESAM Gas S.p.A. (share capital Euro 1,132,000), 40% owned. The company sells methane and electrical energy.
- GICA S.a. (capitale CHF. 3,500,000), 25% owned. The company, the registered office of which is in Lugano, was set up on 16 October 2007 to purchase, sell and market "Carbon Asset" securities.
- A2A Alfa S.r.l.(quota capital Euro 10,000), 30% owned by Iride Mercato. The company's purpose is the holding and administration of the investment in PREMIUMGAS S.p.A.
 - PREMIUMGAS S.p.A.(share capital Euro 120,000), wholly owned by A2A Alfa S.r.l. In 2009, the Company changed its name, its legal form, registered office, share capital, shareholding structure and administrative form.
- NICHELINO ENERGIA S.r.l, 5% owned by Iride Mercato, 62% owned by Iride Energia and 33% by AES Torino S.p.A. The company's business purpose involves (i) construction, operation and maintenance of networks, plants and instrumental infrastructures for district heating services in the municipality of Nichelino; (ii) provision of related services, including the distribution and sale of heat energy in the Municipality of Nichelino.



MAIN EVENTS OF THE FIRST HALF OF 2010 AND AFTER 30 JUNE 2010

- On 1 July 2010 the merger of Enia Energia S.p.A. (to this date 100% Enia S.p.A.) into Iride Mercato S.p.A. became effective. On this day, the latter was renamed Iren Mercato S.p.A., pursuant to a resolution taken by the shareholders' meeting on 17 June 2010.

On 1 July 2010, the following transfers became effective:

- transfer of the Business unit, market and water active cycle and waste treatment divisions, from Enia S.p.A., including the investment in Sinergie Italiane S.p.A.
- transfer of the investment in Fin Gas S.r.l. (equal to 50%) from Iride Acqua Gas S.p.A.

By effect of these transactions, since 1 July 2010 (and still to date), the share capital is 90.97% owned by Iren S.p.A. and 9.03% owned by Iren Acqua Gas S.p.A.

SUBSIDIARY AND INVESTEE COMPANIES OF IRIDE ACQUA GAS

The companies in which Iride Acqua Gas holds an investment at 30 June 2010 are listed below:

- SAN GIACOMO S.r.l. (quota capital Euro 11,639,592.00), 85.91% owned by Iride Acqua Gas S.p.A.. The company's core business is currently the holding of investments in Mediterranea delle Acque S.p.A. (85.41%), Idro Tigullio S.p.A. (66.55%) and Am.Ter (49%), all companies that operate as managers of the Integrated Water Service.
- AM.TER. S.p.A. (share capital Euro 404,263.08), 49% owned by San Giacomo S.r.l., incorporated with the Cogoleto (GE) municipal authorities, which was later joined by other municipalities of the Valle Stura (Masone, Campoligure Rossiglione and Mele), which together hold 51% of share capital. The company manages the integrated water services in the territories of the shareholding municipalities. The company was entrusted by AMGA S.p.A. (in its capacity as manager of the Integrated Water Services in the Genoa ATO) with management of the IWS in the municipalities in the Ponente Area. Accordingly AM.TER. S.p.A. took over the management activities previously performed internally by 2 municipalities.
- IDRO-TIGULLIO S.p.A. (share capital Euro 979,000), 66.55% owned by San Giacomo S.r.l. and the remainder by other shareholders. The company, which was originally incorporated upon the initiative of the Chiavari Municipal Authority to manage the Integrated Water Service in that municipality and in Leivi, was entrusted by AMGA S.p.A., in its capacity as operator of the Integrated Water Service (IWS) in the Genoa ATO, with operations management in the municipalities in the Levante Area. Accordingly, IDRO-TIGULLIO took over the management activities previously performed internally by the 11 municipalities.
- MEDITERRANEA DELLE ACQUE S.p.A. (share capital Euro 15,337,003.80), a company listed in the Stock Exchange, 85.41% owned by San Giacomo S.r.l. at 30 June 2010. The company is the leading operator providing support to Iride Acqua Gas as manager of the Genoa ATO, its services extending beyond the Municipality of Genoa to a further 37 municipalities (out of a total of 67) in the area covered by the ATO.
- IMMOBILIARE DELLE FABBRICHE S.p.A. (share capital Euro 2,500,000), wholly owned by Mediterranea delle Acque. The company manages its owned real estate assets.
- RUPE S.p.A. (share capital Euro 2,536,992), 0.39% owned by Immobiliare delle Fabbriche. The company carries out research and training activities.
- Consorzio SI.RE. Simulazione e Dinamica Realtà Virtuale (consortium fund Euro 100,000), 15% owned by Mediterranea delle Acque.
- GEA S.p.A. (share capital Euro 1,381,500), which distributes gas in the municipalities of Grosseto and Campagnatico. Iride Acqua Gas has a 59.336% investment in GEA S.p.A. Of the remainder, 20.591% is held by SAIRA S.r.l., 20% by the Municipal Authority of Grosseto and 0.073% by the Municipal Authority of Campagnatico.
- CONSORZIO GPO (consortium fund Euro 20,197,260.03), 62.35% owned by the company leading the business segment. The Consortium was formed by AGSM Verona S.p.A. and AMIA Verona S.p.A. for the purpose of acquiring 35% of ASPEA S.p.A., a company in which the majority shareholder is the Osimo Municipal Authority in Ancona province. Following the merger between ASPEA of Osimo and its counterparty AST S.p.A. of Recanati, Consorzio GPO holds an investment equal to 21.32% in the new company ASTEA S.p.A.
- ASTEA S.p.A. (share capital Euro 76,115,676), 21.318% owned by Consorzio GPO. The company is involved in gas distribution, integrated water services, waste management services, production and distribution of electrical energy and heat.

- ASTEA ACQUE S.p.A. (quota capital Euro 300,000), 99% owned by ASTEA S.p.A. and 1% owned by ASTEA ENERGIA S.r.l. The company is the operations manager of the water service.
- ASTEA ENERGIA S.r.l. (share capital Euro 100,000), 93% owned by ASTEA and 7% owned by Iride Mercato. The company sells methane and electrical energy.
- CENTRO MARCHE ACQUE S.r.l. (quota capital Euro 10,000), 50% owned by ASTEA. The company has been placed in charge of the integrated water service by ATO 3 Marche Centro.
- AGA S.p.A. (share capital Euro 11,000,000), 95.09% investment owned - other shareholders are the subsidiary AQUAMET S.p.A., with a 4.55% investment and GALVA AMBIENTE S.r.l., with a 0.36% investment.
The company's business purpose is as the holding for the 40% investment in ASA S.p.A..
 - ASA S.p.A. (share capital Euro 21,507,344.96), 40% owned by AGA, a subsidiary of the Livorno Municipal Authority and other municipal authorities in the Tuscan Coast ATO, which manages the ATO's integrated water service. It also performs services pertaining to gas distribution, gas sales (through the wholly-owned ASA Trade), street lighting, and road maintenance.
 - CORNIA Manutenzione S.r.l. (quota capital Euro 10,000), wholly owned by ASA S.p.A. The company was established on 21 December 2007 and its business purpose is the maintenance, repair, and replacement of water mains, gas pipelines and sewers with guaranteed call-out service.
- ZEUS S.p.A. (share capital Euro 20,320,000), wholly owned by Iride Acqua Gas.
The company's core business is the holding of investments in two companies in which the majority stakeholders are municipal authorities, placed under tender by the Vercelli Municipal Authority, namely:
 - ATENA S.p.A. (share capital Euro 8,203,255), a multi-utility operating in the energy sector, water, environmental and telecommunications services, which is 40% owned by ZEUS S.p.A.. ATENA has investments in special purpose vehicles (ATENA Trading S.p.A. – Sarmato Energia S.p.A. – ATO2ACQUE S.c.a.r.l.).
 - ATENA PATRIMONIO S.p.A. (share capital Euro 73,829,295), a company owning the networks and plants instrumental to the services provided by ATENA S.p.A., 14.65% owned by ZEUS S.p.A..
- AQUAMET S.p.A. (share capital Euro 10,000,000), 60% owned, with the remaining portion owned by the subsidiary SAIRA S.r.l.. The company operates in the methane gas distribution sector in various municipalities of Lazio, Campania, Basilicata and Calabria. On 26 February 2010 a "preliminary share disposal agreement" was signed, under which Iride ACQUA GAS S.p.A. is committed to the sale of its investment in AQUAMET (1,200,000 shares) to MEDITERRANEA ENERGIA S.c.a.r.l., which has manifested an interest as buyer. SAIRA S.r.l. also signed that agreement, expressing its waiver of the pre-emption right to purchase the shares currently owned by Iride ACQUA GAS.
 - COSME S.r.l. (quota capital Euro 120,000), 1% owned by AQUAMET and 99% owned by Zaffiri. The company operates in the technological network building maintenance sector, and its major customers are the Group companies in the Genoa area.
 - A.M.G. S.c.p.a. (share capital Euro 775,000), 1% owned by AQUAMET.
 - MEDITERRANEA S.c.p.a. (share capital Euro 100,000), 25% owned by AQUAMET. The company performs gas network construction and management activity.
 - Edilmet Komunalne Stortive D.o.o. (share capital Sit 2,100,000), wholly owned by AQUAMET.
- AIGA S.p.A. (share capital Euro 104,000), 49% owned, incorporated with the Ventimiglia Municipal Authorities (51%) for management of the town's integrated water services;
- AMAT S.p.A. (share capital Euro 5,435,372), 48% owned. The company was incorporated by the Imperia Municipal Authority, and performs Integrated Water Service management and, through subsidiaries, car park management and tax collection. The assignee shareholder will be entitled to specific corporate governance powers, amongst which designation of the CEO;
 - Imperia Servizi S.p.A. (share capital Euro 3,010,263), 51.64% owned by AMAT. The company, in its own name and on behalf of the Municipality of Imperia, manages street parking areas and car parks built on publicly or privately owned land.
 - AST S.p.A. (share capital Euro 625,000), wholly owned by AMAT. The company handles collection of local taxes and public billposting.
 - AMAT Energia S.r.l. (quota capital Euro 20,000), 80% owned by AMAT S.p.A. and 20% owned by Iride Mercato S.p.A.. The company's purpose is the marketing of gas.

- MESTNI PLINOVODI D.o.o. (share capital Euro 15,952,479.39), a company incorporated under Slovenian law with registered office in Koper and operating in the construction and management of gas distribution networks. Iride Acqua Gas owns 49.88% investment; the other Shareholders are ACSM-AGAM S.p.A. (49.88%) and ISTRABENZ PLINI S.r.l. (0.24%).
- MONDO ACQUA S.p.A. (share capital Euro 800,000), 38.5% owned, a company in which the majority of share capital is held by local authorities, namely the municipalities of Mondovì (CN), Briglia, Villanova Mondovì, Roccaforte Mondovì and Vicoforte for the management of integrated water services in the related ATO.
- ACQUEINFORMA S.r.l. (quota capital Euro 15,000), 34% owned, was established with the *Consorzio Intercomunale per l'organizzazione delle Risorse e la Gestione dell'Acquedotto del Fiora* (inter-municipal consortium for the organisation of resources and the management of the Fiora water mains) (51%), which the Municipality of Grosseto later joined (15%). The company, which has its registered office in Grosseto, is involved in the management of integrated water services, particularly insofar as technological, consulting, assistance and personnel training services. As a result of initiatives implemented by ATO no. 6 – Ombrone, for the launch of integrated water management, the company's business purpose proved difficult to achieve and it was therefore put in liquidation.
- DOMUS ACQUA S.r.l. (share capital Euro 96,000), 29% owned, a company incorporated with the Domus Novas (Cagliari) Municipal Authorities for management of the integrated water service in that municipality and sale of water to surrounding municipalities.
- LABORATORI IRIDE ACQUA GAS S.R.L. (quota capital Euro 186,534.00), 77.93% owned. Other quotaholders are ACOS S.p.A. with 4.75%, AMAT S.p.A. with 4.96%, Gestione Acqua with 4.75% and ASMT Servizi Industriali S.p.A. with 2.38%.
The company mainly operates in the Valle Scrivia catchment area, in the analysis and monitoring of drinking water, waste treatment and disposal processes, soil remediation and agricultural product transformation.
- ACOS S.p.A. (share capital Euro 17,075,864), 25% owned, was acquired from the Municipality of Novi Ligure following a tender for the selection of a minority shareholder from the private sector. ACOS handles the distribution of gas and water in the municipalities of the lower Piedmont region. The other shareholders are the municipalities of Novi Ligure (64.48%) and the municipality of Arquata Scrivia (10.52%).
 - ACOS AMBIENTE S.r.l. (quota capital Euro 90,000), 70% owned by ACOS S.p.A., operating in the urban waste collection and transport sector.
 - ACOS ENERGIA S.p.A. (share capital Euro 150,000), 75% owned by ACOS S.p.A. and 25% by Iride Mercato. The company's core business consists in the sale of methane to end customers in the Municipality of Novi Ligure and surrounding municipalities.
 - AQUARIUM S.p.A. (share capital Euro 120,394), 69.92% owned by ACOS S.p.A.; its business purpose is the management of sports facilities.
 - Gestione Acqua S.p.A. (share capital Euro 200,000), 58.41% owned by ACOS S.p.A. The company provides integrated water services in the Novi Ligure-Tortona-Valli Curone and Borbera areas.
- ALAGAZ (share capital Euro 20,000), 15% owned, incorporated by AMGA S.p.A., A2A and Lengaz in Saint Petersburg, with the purpose of restoring the gas networks in the Russian city. The transfer of the investment is being negotiated.
- NORD OVEST SERVIZI S.p.A. (share capital Euro 7,800,000), 10% owned. The company is also owned by SMAT S.p.A. of Turin (10%), and by other public and private operators. Nord Ovest Servizi S.p.A. manages the 45% investment held in Asti Servizi Pubblici S.p.A., acquired following public tender by the temporary association of companies comprising the shareholders of Nord Ovest Servizi.
 - ASTI SERVIZI PUBBLICI S.p.A (share capital Euro 7,540,270), 45% owned by Nord Ovest Servizi S.p.A. It manages gas and electrical energy distribution activities. This company manages the integrated water service and waste collection and disposal services.
- SOGEA S.c.r.l. (share capital Euro 397,510), 0.103% owned, operating in the personnel training sector.
- ASMT Servizi Industriali S.p.A. (share capital Euro 3,856,240). The company manages the water cycle (water mains – sewerage – treatment) in the Municipality of Tortona and in various surrounding municipalities, the production, transport, procurement, distribution, sale of gas, heat management and street lighting network management. It is 44.76% owned and the remaining share is held by the Municipality of Tortona.

- Chiara Gaservizi S.r.l. (quota capital Euro 100,000), 53.79% owned by ASMT. The company sells methane gas in Tortona, Casale Monferrato and Valenza.
- Gestione Acqua S.p.A. (share capital Euro 200,000), 30.59% owned by ASMT and 58.41% by ACOS S.p.A. The company provides integrated water services in the Novi Ligure-Tortona-Valli Curone and Borbera areas.
- Sfera S.r.l. (quota capital Euro 10,000), wholly owned by ASMT. The company performs activities linked to the Territorial Information Services, and was incorporated following transformation of the corporate structure of Miduell Nord Ovest S.r.l. It has exclusive rights to the Karto system in the north-west area, i.e. in Piedmont, Liguria and Valle d'Aosta.
- Sir-mas S.r.l. (quota capital Euro 266,600), 55% owned by ASMT and 45% by ACOS AMBIENTE. The company performs waste collection and transport activities in over 50 municipalities belonging to the Consorzio Novese Tortonese Ovadese e Acquese.
- SOCIETÀ AZIONARIA PER LA CONDOTTA DI ACQUE POTABILI S.p.A. (SAP) (share capital Euro 3,600,294.50), a listed company. Iride Acqua Gas owns 30.855% of this company. The company performs water service management activities primarily in the North-West.
- ACQUEDOTTO DI SAVONA S.p.A. (share capital Euro 500,000), wholly owned by SAP. Water service management in the Savona area.
- ACQUEDOTTO MONFERRATO S.p.A. (share capital Euro 600,000), wholly owned by SAP. Management of sewerage services in a number of municipalities of Monferrato.
- ABM NEXT S.r.l. (quota capital Euro 25,825), 45% owned by SAP. Water services management.
- ACQUE POTABILI SICILIANE S.p.A. (share capital Euro 5,000,000). As a result of share capital transactions completed as a loss rescheduling initiative, at 30 June 2010 the SAP investment was 57% and that of Mediterranea delle Acque 9.83%. Licence-holder in the integrated water service of ATO no. 1 – Palermo.
- ACQUE POTABILI CROTONE S.r.l., (quota capital Euro 100,000), wholly owned by SAP. Incorporated as part of the disposal of the water service to SOAKRO.
- TIRANA ACQUE S.c.r.l. (share capital Euro 95,000), 50% owned; its business object is to provide technical and organisational assistance and consultation to the water service operators in the city of Tirana. The assignment was awarded under tender by the Albanian government (in liquidation since 16 June 2006).
- ATO2ACQUE (A2A S.c.a.r.l.) (quota capital Euro 80,000), 12.50% owned by the company leading the business segment and 12.50% by ATENA S.p.A. In compliance with its business purpose, the company is a non-profit organisation and, in the name and on behalf of member operators entrusted with the integrated water service of the ATO2 Piedmont, has the duty of IWS coordination in the ATO2 Piedmont.
- CASTEL S.p.A. (share capital Euro 935,000), 23.1% owned. The company was created with the purpose of developing and managing the area information systems in the province of Cremona.
- FIN GAS S.r.l. (quota capital Euro 10,000), 50% owned by the company leading the business segment. Its business purpose is the acquisition and transfer of investments, financing and coordination of investee companies.
 - LNG MEDGAS TERMINAL S.r.l. (quota capital Euro 18,440,655), 70% owned by FIN GAS S.r.l. and the remainder by MEDGAS ITALIA S.p.A. Its business purpose is the development of reception and transportation infrastructures for all types of energy, and gas in particular. This company is in charge of the project for the construction of the regasification terminal of Gioia Tauro, which has received authorisation at national level.
- FONDAZIONE AMGA (endowment fund Euro 245,000), established by a deed dated 5 November 2003 to facilitate the exchange of know-how with specific regard to the water services sector.
- GENOVA RETI GAS S.r.l. (quota capital Euro 1,500,000), incorporated on 10 June 2008 and wholly owned by Iride Acqua Gas. The company's purpose is the distribution of gas, including the transportation of natural gas through local gas pipelines. The company was incorporated to fulfil mandatory AEEG operational unbundling for the energy sector.
- SOCIETÀ MULTISERVIZI ACQUA E GAS S.r.l., in short "S.M.A.G. S.R.L.": with resolution of the extraordinary shareholders' meeting, the company Integra Clienti S.c.r.l. (30% owned by Iride Acqua Gas S.p.A.), was transformed in S.r.l. with the above-mentioned company's name. The share capital was increased from Euro 10,000 to Euro 100,000 and the company's registered office was moved from La Spezia to Genova.

MAIN EVENTS OF THE FIRST HALF OF 2010 AND AFTER 30 JUNE 2010

Following a resolution of the extraordinary shareholders' meeting of 17 June 2010, on 1 July 2010 the Company was renamed Iren Acqua Gas S.p.A.

The following share capital transfers of Iren Acqua Gas S.p.A. became effective on the same day:

- transfer, by Enia S.p.A., of the Water business unit related to the assignments for the management of the Integrated Water Services in the ATOs of Parma and Reggio Emilia.
- transfer, by Enia S.p.A., of the business unit Laboratori e Progettazione, including the investments in:
 - Acquaenna S.c.p.a., with registered office in Enna, equal to 46% of the Consortium fund. It manages the Integrated Water System in ATO no. 5 of Enna, under a thirty-year concession and is recorded in the financial statements of Enia for the amount of Euro 1,380,000;
 - Aguas de San Pedro, located in Honduras, equal to 30% of share capital. It manages the Integrated Water Services of the City of San Pedro, with a thirty-year concession and is recorded in the financial statements of Enia for the amount of Euro 2,726,664;
 - I.A.M. S.p.A., with registered office in Reggio Calabria, equal to 15% of share capital. It operates in the research, development, design and construction, as well as maintenance of technological plants for the management of public services and is recorded in Enia financial statements for the amount of Euro 143,100.

Moreover, the transfers to Iren Emilia S.p.A. of investments owned by Iride Acqua Gas S.p.A. up to 30 June became effective on "the tenth day after" 1 July, namely in:

- AGA S.p.A.
- Acos S.p.A.
- Zeus S.p.A.
- Consorzio GPO

Upon completion of the approval procedure, the investment in ASMT Servizi Industriali S.p.A. was also transferred to Iren Emilia S.p.A.

Since the above-mentioned dates, these investments are no longer owned by Iren Acqua Gas S.p.A.

SAN GIACOMO S.r.l. and take-over bid on Mediterranea delle Acque S.p.A.

San Giacomo S.r.l. (quota capital: Euro 10,000) was incorporated on 6 May 2010, initially with a sole quotaholder, Iride Acqua Gas S.p.A.

The aforementioned company was established as a first step towards the implementation of a reorganisation project of the Mediterranea delle Acque S.p.A. Group and the Water business unit of Iren Acqua Gas, which also envisages (and already occurred) the entrance of the company F2i Rete Idrica Italiana S.p.A. through the acquisition of equity investments.

The main transactions regarding the implementation of the above-mentioned project are as follows:

- the related Framework Agreement between Iride Acqua Gas S.p.A. and F2i Rete Idrica Italiana S.p.A. was signed on 24 May 2010
- on the same day, the company San Giacomo S.r.l. concluded the purchase of the investment owned by Veolia Eau Compagnie Generale Des Eaux S.A. – a subsidiary of Veolia Environnement SA – in Mediterranea delle Acque, equal to around 17.1% of the company's share capital, at a price of Euro 3.00 per share, for a total amount of Euro 39,316,998.



- On 25 May 2010, San Giacomo S.r.l. resolved the following:
 - capital increase, equal to Euro 9,990,000.00, from Euro 10,000.00 to Euro 10,000,000.00, while reserving the subscription of the increase to Iride Acqua Gas S.p.A., against the transfer of investments owned by the latter in *Mediterranea delle Acque S.p.A.*, *Idro-Tigullio S.p.A.* and *AM.TER. S.p.A.*. The transfer was promptly performed.
 - capital increase reserved to F2i Rete Idrica Italiana S.p.A., for a total amount of Euro 39,500,000.00, subscribed on 1 June 2010.
 - Following these transactions, the quota capital of San Giacomo S.r.l., at 30 June 2010, amounts to Euro 11,639,592.00, divided as follows: 1) Iride Acqua Gas S.p.A.: 85.91% 2) F2i Rete Idrica Italiana S.p.A.: 14.09%.

Take-over bid on *Mediterranea delle Acque*

On 1 June 2010, pursuant to Art. 102 of the Finance Consolidation Act, a press release was issued in which San Giacomo S.r.l. stated its intention to launch a take-over bid on the shares of *Mediterranea delle Acque* that were still outstanding.

The Bid, regarding 11,185,853 ordinary shares of *Mediterranea delle Acque* (including 95,040 treasury shares), equal to around 14.6% of the Issuer's share capital, was performed from 5 July to 6 August 2010, at the price of Euro 3.00 per share.

As a result of the bid, the investment of San Giacomo S.r.l. increased to 96.807%.

The proceedings for the exercise of the right to purchase, under which San Giacomo will become the owner of 100% of *Mediterranea delle Acque*, are underway. At completion of the proceedings, the stock exchange price for the related shares will be cancelled.

As regards details on the above-mentioned transaction, please refer to information issued on the websites www.gruppoiren.it and www.mediterraneadelleacque.it.

Acque Potabili Siciliane

On 30 July 2010, the extraordinary shareholders' meeting of *Acque Potabili Siciliane* resolved on the liquidation of the company. The resolution is a consequence of the notice, given by the Optimal District Authority (ATO), in which the Management Agreement was deemed terminated, and the following acknowledgement by the company's Board of Directors of the reasons for the company's dissolution. The liquidation is also aimed to the provisory operation, in view of the management of the public service until the plants are handed over, while undertaking initiatives addressed to the individual competent Authorities, if required.

ASSOCIATES OF IRIDE S.P.A. AND OTHER COMPANIES

Associates

- PLURIGAS S.p.A. (share capital Euro 800,000), 30% owned by Iride S.p.A. The company performs activities in the natural gas procurement and trading sector. Incorporated in 2001, the remainder is 70% owned by A2A.
- EDIPOWER S.p.A. (share capital Euro 1,441,300,000), 10% owned by Iride S.p.A. The company produces electrical energy from thermoelectric and hydroelectric plants grouped into 9 production units located throughout Italy. EDIPOWER is nowadays one of Italy's leading producers of electrical energy, with a 7% share of the Italian energy demand, over 7,600 MW operating power, of which 750 MW from renewable sources (hydroelectric and photovoltaic). The shareholders of EDIPOWER are EDISON (50%), A2A (20%), IDIRE (10%) and the Swiss company ALPIQ (20%).

Other companies

- ENERGIA ITALIANA S.p.A. (share capital Euro 26,050,000), 11% owned by Iride S.p.A. The company owns 50% of TIRRENO POWER S.p.A., an electrical energy producer that in Italy manages thermoelectric and hydroelectric plants in the Tyrrhenian area. The business purpose of TIRRENO POWER is to further strengthen its position on the electrical energy production market, increasing its energy production in the medium term to a standard productivity of over 3,300 MW. TIRRENO POWER shareholders are ENERGIA ITALIANA, 50% (78% owned by SORGENIA, 11% by HERA and 11% by Iride) and the remaining 50% by EBLAACEA (70% owned by GDF Suez and 30% by ACEA).

PERSONNEL AND ORGANISATION

At 30 June 2010, the employees working for the Iride Group totalled 2,551, down by 2.04% compared to the figure at 30 June 2009 which was 2,604 employees. The table below provides a breakdown of staff at 30 June 2009 and 30 June 2010, divided into Group companies.

Workforce at 31.12.2009	Company	Workforce at 30.06.2010	Workforce at 30.06.2009	% Change
74	Iride S.p.A.	74	74	0
164	AES Torino ⁽¹⁾	159	169	(6.2)
753	Iride Energia and subsidiaries	737	776	(5.0)
319	Iride Mercato and subsidiaries	325	328	(0.9)
1,052	Iride Acqua Gas and subsidiaries	1,054	1,044	1.0
209	Iride Servizi and subsidiaries	202	213	(5.2)
2,571	Total	2,551	2,604	(2.0)

(1) Pro-quota

The decrease in the period under evaluation is due to further development of the workforce management policy, with recruitment restrictions and staff-leaving incentives, which has led to a decrease of 58 compared to 30 June 2009.

Consolidation changes regarding the transfer of the business unit from AMAT S.p.A. to LIAG (see section "Organisation"), resulted in an increase of 5 employees.

Workforce decreased by 452 employees since 31 December 2006, 301 of which due to turnover and 151 for changes in the consolidation scope.

TRAINING

The Group is striving to increase and enhance the competencies of employees and to support the operation and development of the individual Companies and the entire Group through training of its employees.

Similarly to previous years, a common methodology for the analysis of training needs, downstream of those defined for specific sector training, was used to form the 2010 local training and development plans.

Each training programme was drawn up with the aim of achieving the right mix of technical, professional and managerial skills with respect to consolidated activities and fostering the enhancement of innovation and development processes for both the Group and its individual Companies.

Total man/hours related to the various training and development initiatives that were carried out over the first half of 2010 amounted to around 23,500 hours⁽⁵⁾ and 48 % of the entire Group workforce was involved in the courses.

ORGANISATION

Over the period ranging from 30 June 2009 to 30 June 2010, the business unit "Laboratori" (5 staff) of AMAT S.p.A., the ex-municipal company of Imperia, former investee of Iride Acqua e Gas and manager of the Imperia ATO, was transferred to the limited liability company "Laboratori Iride Acqua Gas" (incorporated in May 2009), as envisaged by its Business Plan. This transaction is in view of creating an entity of leadership importance at national level in the chemical-biological analysis sector, achieving cost and expertise synergies able to provide related services to the various ATOs in which Group companies operate, particularly in Liguria and Piedmont.

(5) These figures do not include hours spent during informal on-the-job training and self-training, or hours spent training companies and third party entities.

PURCHASES AND WORKS

The selection and relations with suppliers of the Iride Group are characterised by transparency, clarity, integrity and non-discrimination. The primary purpose of the Group is that all subjects having business relations with the companies within the Group perform their business in compliance with principles and values expressed in the Code of Ethics of Works, which is a binding document that all bidders shall sign, without any exception or modification. The non-subscription to the above-mentioned Code of Ethics is in fact reason for exclusion from the bid. No exemption shall be granted for provisions included in the tender specifications and regarding safety of workers and payment of salaries and wages, as well as contributions to employees by the contractor (e.g. provisions regarding sureties, binding clauses for the payment of the SAL (progress reports) conditional to the correct payment of salaries and contributions to employees by the contractor and any sub-contractors, clauses envisaging penalties or termination clauses due to defaults related to safety on the workplace, etc.).

During the first half of 2010, around 1,800 suppliers were contacted for 6,600 orders and 40 tenders. Over the same period, some particularly important agreements were signed regarding the following:

- purchase of gas meters,
- work on district heating networks,
- purchase of armoured substation and connection to the domestic grid (aerial power transmission line) for the power plant of Torino Nord,
- construction of water mains and sewerage networks,
- extraordinary maintenance of the Valnoci dam,
- extraordinary maintenance of electrical and heating systems.

In view of achieving the expected synergies, adequate measures were adopted to perform a suited planning and streamlining of purchases, as well as tender and assignment procedures.



Research and development performed within the Group in the first half of 2010 was mainly geared towards optimising and improving operating applications and the assessment of new technology opportunities. As normal, complex initiatives were managed using dedicated project teams. Meanwhile, the Group continued its cooperation with universities and companies on specific topics which, in the past, have produced appreciable results. The following are the principal research and development activities carried out in the first half of 2010.

ENERGY SAVINGS AND RENEWABLE SOURCES

Plan for the Energy Sustainability of the Municipality of Turin

Iride Servizi continued to cooperate with the Municipality on implementation of the Municipality of Turin Sustainable Energy Plan. The project provides for four areas of intervention:

- energy restructuring in public buildings;
- active policies in favour of energy saving and the use of renewable energy sources;
- creation of an innovation centre dedicated to energy and environmental topics;
- technical training on energy-related subjects.

Photovoltaic plants

Work continued on the 118 KW plant currently under construction at the "Bruno Caccia" Court House in Turin. Work also continued on a further two systems: the first will have a 1 MW capacity and will be installed at "Sito" (Società Interporto di Torino), whilst the second with an 8 KW capacity will be installed in the "Spina 4" area of Turin.

Feasibility studies for the installation of photovoltaic plants at company's buildings were also performed.

Heating systems for the Municipal buildings

At completion of their construction, two small, gas-powered trigeneration systems (100 kW heat, air-conditioning and electricity systems), installed in the offices of the Civil Defence Department and in the Palazzo Civico in Turin, were operated. In addition, a remote controlled air-conditioning system (via absorption units that use the district heating energy) has been installed at the sports centre in Parco Ruffini.

Municipal electrical systems

The use of fluorescent bulbs, which was the subject of previous experiments, within the renovation works of the electrical plants in municipal buildings and, in particular, in school buildings, continued. The use of such bulbs was combined with an automated system for light flow regulation based on light sensors and on people-detector systems. This gives an excellent yield of the bulbs, extends the average life of equipment and avoids energy wastage, considering the average usage levels.

Micro-cogeneration and distributed generation

Making use of the results of studies carried out on micro-cogeneration applications extended to tri-generation with absorption unit cooling, testing continued on a trigeneration plant at the Polytechnic as part of a joint research project. Testing this unit will allow acquisition of significant experience, particularly in terms of impact on the electrical network and its global efficiency.

Mini-hydro plant

The planning for the requalification of the hydroelectric plants of Chiomonte and Susa, for which 3 new hydroelectric groups are to be installed, was completed. There will be one 8.7 MW group at the Chiomonte plant and two groups of 4.8 MW and 1.5 MW at Susa with expected production of approximately 40 GWh/year. The authorisation procedure is being concluded for installation of a 0.6 MW hydroelectric unit on the artificial course for the fish population, to be constructed adjacent to the diversion weir on the River Po in the municipality of La Loggia, expected to produce approximately 4 GWh per year. The authorisation procedure also continued for a new 1.2 MW plant

for construction in the municipality of Noasca, with expected production of around 3 GWh/year. Moreover, the feasibility study and the economic/finance assessment of the plant named "Dres", to be built in the Municipality of Ceresole Reale, were completed. This project envisages the installation of a Pelton machine, with 1.8 Mw power and an expected annual production rate of around 4 GWh.

WATER ANALYSIS AND TREATMENT

In 2010, the various initiatives in this segment continued. Specifically:

- assessment of the microbiological risk in significant water resources, a project carried out in association with the Environmental Sciences and Life Department of the Piemonte Orientale A. Avogadro university, aimed at identifying the potential sources of pollution of a significant resource and applying a quantitative assessment model for microbiological risk; the study was carried out at a sample site on the Brugneto lake;
- a project conducted jointly with the Department of Health Sciences of the University of Genoa aimed at the fine-tuning of analysis and monitoring systems for the "Presence of EDs in water destined for human consumption". EDs are substances that, by imitating the effects of natural hormones or interfering with them, interact with the endocrine system, thus producing negative effects (damage) that may lead to various types of alterations. The project has involved domestic and international bodies such as universities, the Istituto Superiore di Sanità and several of the most important Italian aqueducts.
- application of micro-filtration membranes on a pilot-scale system at the Voltri treatment plant in Genoa;
- continuation of the "PERBIOF" project, launched in 2005 with the IRSA (water research department of the National Research Centre) and the University of Savoia.
- a project to determine the areas of expertise for the various procurement sources of the Genoa aqueduct using GIS and water network simulation models.

MANAGEMENT OF SERVICE AND TELECOMMUNICATIONS NETWORKS AND INFRASTRUCTURES

Tools for optimising electricity network management

Following the installation of devices for tracking breakdown in the secondary cabins of the medium voltage network, AEM Distribuzione implemented an innovative functionality to its own remote control system, which is currently being integrated. This implementation makes it possible to identify the part of the network that is out of order between remote controlled cabins using logics distributed along the remote periphery of the secondary cabins. Combined with neutral management between Petersen coils, the automation makes it possible to reduce the average time customers remain without service and the number of service interruptions. In fact, the automation holds the fault on the systems only for the time necessary for spontaneous recovery or repair of only those operating elements closest to the source of the fault.

Geographical information system (GIS)

The geographical information system (GIS) in use by companies operating in the Turin area enables the integrated mapping management of electricity, street lighting, telecommunication and district heating distribution networks, linked to company databases (ERP and CRM).

Over the first half of 2010, the following "phase 3" tasks of the project have continued and are due for completion:

- moving to an advanced network architecture, which will ensure that the GIS operates at the highest standards;
- implementation of network routing to track the electricity or street lighting network, allowing verification of the extent of supply and, of course, its geographic location;
- development of the design environment, with a relative interface towards calculating systems for the low voltage network or the light systems for the public lighting installations; the system will also allow the semi-automatic, controlled insertion of as-built systems into the operating environment;
- development of a new analysis environment through which particular analyses of distribution networks with specific focuses can be carried out to highlight parts of plants with particular technical features in the territory;
- implementation of the first phase of the integration between the design environment and the "budget" application which will make it possible to compile estimates for work on the electricity distribution network starting from a graphic composition;

- development of a specific editing environment for precise, controlled maintenance and upgrading of the system, thereby ensuring high level data quality.

Renovation of the technological networks

Cooperation with universities and research centres for technological updating in the area of technology renovation (gas, water, sewage pipes, drainpipes) is continuing. The Saster Pipe division of Iride Acqua Gas has exclusive know how in this area.

Through the use of thirteen different NO-DIG technologies, all infrastructure renovation requirements can be fulfilled with extremely limited use of digging and significant reduction of restoration costs and circulation problems, particularly in areas with a high level of urban traffic and in the historical centres of the major cities.

Network engineering

SASTER, a division of Mediterranea delle Acque, provides water mains recognition services, allowing the management to identify efficiency layouts, characteristics and conditions.

By using electro-acoustic systems it is possible to exactly locate network leaks by carrying out actual monitoring campaigns and other simulations that show how networks react to changes in parameters.

Cooperation with universities and research centres ensures continual technological updating.

Mobile computing applications

The Work Force Management system (MOBI) used by internal and external personnel for planned activities and for the management of breakdowns on the electricity distribution network, was further expanded through integration of the electronic meter management system (AMM). The integration makes it possible to reduce the work scheduling previously carried out on each individual system. This was achieved through the development of a new MOBI module specifically for the planning and assignment of jobs, which resulted in simplification and reduction of the activities carried out centrally.

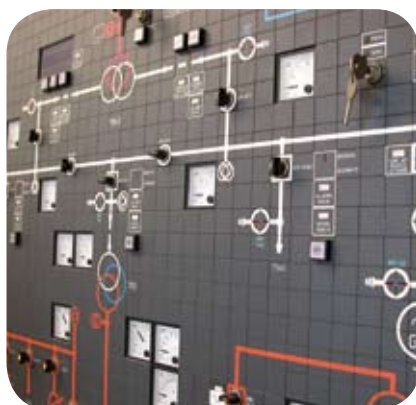
This integration also involved the tools used in operational training (tablet PCs), making it possible to use a single device for the configuration of electronic meters and to receive and synchronize the information necessary for the AMMs remotely, thanks to mobile technology.

The system was extended to the management of Street Lighting, and was integrated with the system of breakdown detection of the town's traffic lights.

The Services Innovation Project for the Municipality of Turin

This activity, managed through a dedicated project team, has continued in several sectors:

- Business Intelligence: the system, in operation, enables monitoring of the municipal heating system consumption, by providing detail and summary reports on the measurements taken;
- Mobile Computing Applications: the MOB-I system, already used for real-time management of scheduled maintenance and fault repair work on heating plants, was expanded to incorporate management of the municipal electrical systems. All fault repair work and periodic maintenance on electrical systems is now managed via the MOB-I system;



- **Sales Management:** a new procedure has been deployed and extended to all activities carried out on behalf of the city. It allows municipal offices to request and approve estimates through the application (via the internet), thereby eliminating a portion of the workload relating to correspondence handling;
- **Technical Documents:** the system is operational and manages document archives, both paper and computerised, regarding electrical, heating, and special systems.
- **Website for breakdown notifications:** pages have been added to the Iride portal for the notification of breakdowns and the insertion of intervention requests for municipal heating and electricity systems. The application communicates with SAP and automatically creates and assigns the activities which it forwards to the MOB-I system. It will also be used by Iride's Contact Centre for the uploading of breakdown reports received through the toll free number. For traffic lights as well, the automatic management of breakdown reports received through the special interface made available to policemen and town districts is now operational via the MOB-I systems.

IT SYSTEMS

The "Green IT" innovation project

The various initiatives to streamline resources employed in IT systems have continued; to this end, as a result of cooperation with Intel which began in 2005, the process of virtualising the Iride Energia data centre was completed with to date 300 virtual machines and the use of only 28 physical machines.

The virtualisation took place with latest generation Quad-core processors which provide an optimal combination of performance and energy efficiency while making it possible to achieve energy savings of 70% compared to the traditional configuration, in addition to an overall improvement in performance and system flexibility.

Evaluations are in progress to accelerate transit of the servers to blade technology with the aim of further increasing both energy and space savings.

Another project development involves the adoption of back up power systems based on hydrogen combustion cells; these systems make it possible to achieve significant benefits in terms of replacing lead accumulators and electrical energy savings.



QUALITY

Within the Iride Group, control of systems is currently ensured by the Divisions in each Company leading the business segment, through their respective Quality, Environment and Safety Departments. All certified companies have in place an integrated management system which makes it possible to constantly monitor these areas.

Pursuant to the certification programme which is defined by a model consistent with Group policy, all companies leading the business segments obtained the following certifications: International Quality Management System Certification (ISO 9001), Environmental Management Systems Certification (ISO 14001) (except Iride Mercato) and Health and Safety (OHSAS 18001) for the companies, reiterating the constant attention the organisation pays to issues involving social and environmental responsibility with a view to sustainable development.

Iride Acqua Gas and Mediterranea delle Acque, Genova Reti Gas and Laboratori Iride Acqua gas received the Excellence certification from the certification organisation (already obtained in 2000 as AMGA and Genova Acque respectively). The pursuit of corporate excellence was achieved through control of all aspects relating to quality, environment and safety and the implementation of an integrated management system that makes it possible to constantly monitor and control all three aspects.

Lastly, and with regard to 2010 projects, expansion of the CAE Quality Management System to BS OHSAS 18001:2007 standard is being implemented.

For the Moncalieri Thermoelectric Plant, the Group's main energy production plant, EMAS Registration (the new EU Regulation 1221/2009 or the EMAS Eco-Management and Audit Scheme) was confirmed for 2010 and the 2009 Environmental Report was approved.

During 2009, the companies with UNI EN ISO 9001 certification adopted the new ISO 9001:2008 standard, which does not involve major changes to the existing management System.

Iride Energia, Iride Servizi and AEM Torino Distribuzione, in collaboration with the Local Public Services Agency of Turin participated in a benchmarking project which involved other public services companies operating in the city.

With regard to the pursuit of excellence (EFQM), Iride Energia and AEM Torino Distribuzione, have both carried out three improvement projects. This activity terminated with positive results in the test performed by EFQM in the first few months of 2009. The test confirmed the capacity to manage the improvement process in a manner consistent with the model's principles. For the 2-year period 2010-2011 the two above-mentioned companies will be involved in updating the self-evaluation documents, also given the review of the EFQM model.

SAFETY AND ENVIRONMENT

Safety

With regard to safety, the policies of the Parent Iride S.p.A and the Companies leading the business segments have always aimed not only to comply with current safety laws but also at constant improvement.

During the first half of 2010, the safety activities pursuant to BS OHSAS 18001 continued and resulted in certification for the company operating in the Turin area in BS OHSAS 18001:07 certification in April.

Training courses have been started for persons responsible for workplace safety and training courses were organised for the new staff safety representatives elected in December 2009 for Iride Energia, Iride Servizi and AEM Torino Distribuzione.

Safety and health on workplaces are being checked as regards the planning and construction of the Thermoelectric plant of Torino Nord.

The environment

Iride's commitment continues as regards the environment in the various sectors in which the Group operates. In particular, while performing their business activities, the Companies leading the business segments have focused on environmental quality criteria, as well as safeguard and rational use of natural resources and full compliance with regulations in force.

The following resources have been deployed in order to ensure a sustainable corporate growth based on a constant improvement:

- development of electrical energy from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion of district heating, as supply of thermal energy having a lower environmental impact, and adoption of the best plant technologies available on the market to ensure the lowest environmental impact;
- enhancement of the use of water both as regards intake and discharge;
- correct management of production, stocking, transport and disposal/recovery of special waste.

From an operational point of view, to ensure the lowest environmental impact, the Group reconfirmed its commitment especially to:

- maintenance of UNI EN ISO 14001:2004 Environmental Management Certification and EMAS registration for the environmental management systems. In particular, with the issue of the new European Parliament and Council Regulation (EC) no. 1221/2009 on the on organisations' voluntary adhesion to a common system of ecomanagement and audit (EMAS), the Group implemented the content of the new Regulation in EMAS documentation at the Moncalieri thermoelectric plant;
- monitoring of environmental performance through the use of special indicators for each single significant environmental aspect;
- analytical control of the impact of plants on the environment, especially as regards emissions, air quality, waste water, noise and electromagnetic fields;
- performance of special internal audits aimed at checking the correct management of critical environmental issues for the corporate plants;
- management of administration tasks, especially as regards the monitoring and controls granted by the Environmental Integrated Authorisations (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuous involvement of the company's staff, through special training courses, scheduled on an annual basis and focusing on environmental issues and the best practice for the management of plants, to ensure the lowest environmental impact;
- dissemination of information on the impact of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements, etc.

The new control system of waste traceability is also being implemented in the various sites of the Iride Group. This system is called SISTRI, created by the Minister of the Environment and Territorial and Sea Protection to ensure an innovative and more efficient management of the entire waste treatment segment through advanced technological solutions.



TRANSACTIONS WITH RELATED PARTIES

Art. 2391-bis provides that: *“the control board of directors availing of the risk capital market shall, in compliance with general principles indicated by Consob, adopt regulations to guarantee the transparency and substantial and procedural fairness of transactions with related parties and disclose such transactions in the directors’ report...”*

By resolution no. 14990 of 14 April 2005, Consob applied the IFRS to its definition of “related parties”. Related parties include those who control the issuer, those who are controlled by the issuer, and those who are subject to joint control with the issuer. Consob also published a consultation paper with the aim of defining procedures for the investigation and approval of related party transactions, a paper which has not yet resulted in a restrictive Resolution.

Art. 9 of the Code of Conduct adopted by the Company states that:

9.1 The Board of Directors shall adopt measures to ensure that transactions in which a director has an interest, on his own account or through third parties, and those implemented by related parties are executed transparently and in observance of the criteria of substantial and procedural fairness.

9.2 The Board of Directors, having consulted the internal audit committee, based on general principles provided by Consob pursuant to art. 2391-bis of the Italian Civil Code, shall establish the terms for approval and execution of transactions implemented by Iride S.p.A. or by its subsidiaries with related parties. In particular, the Board of Directors shall define specific transactions (that is, determine the criteria to identify such transactions) which must be approved subject to opinion of the internal audit committee and/or with the support of independent experts.

9.3 The Board of Directors shall adopt appropriate operational procedures to facilitate the identification and correct management of situations in which a director has an interest on his own account or on behalf of third parties.

Art. 154ter of the Consolidated Finance Act (introduced by art. 1, Italian Legislative Decree 195 of 6 November 2007) envisages that the interim directors’ report should contain information on significant transactions with related parties.

Given the references to current regulations on transactions with related parties, it should be emphasised that Iride S.p.A., its subsidiaries and associates disclose related party transactions, that the transactions satisfy the principles of transparency and fairness, and are in line with the above-mentioned measures.

A great part of these relations is related to services; where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

It should be noted that the Chairman of Iride S.p.A. (Mr. Bazzano) is also CEO and Managing Director of Iride Acqua Gas and CEO of Iride Mercato. The CEO of Iride S.p.A. (Mr. Garbati) is also CEO and Managing Director of Iride Energia and CEO of Iride Servizi. Any interests that these authorised bodies have in operations between the Parent and the Companies leading the business segments will be declared when they are being approved by the respective Boards of Directors.

ORDINARY TRANSACTIONS WITH SUBSIDIARIES

Financial expense

At the meeting of 25 January 2007, in order to optimise the structure and conditions of access to third party financing, the Board of Directors approved the adoption of organisational solutions oriented to a Group-wide cash pooling under the direct responsibility of Iride S.p.A.

To this end, medium/long-term loans are taken out with banks mainly by Iride, after which the funds are transferred to Group companies to support investments made by these companies based on intercompany facility agreements.

By a subsequent decision made on 14 November 2007, the Board of Directors approved the regulation of financial relations between the Parent and the Companies leading the business segments, regarding

both cash pooling of resources available within the Group for day to day requirements (working capital), and the management of resources needed to support medium/long term investments.

Under the terms of these regulations, financing agreement terms are defined in accordance with the Parent's procurement terms agreed on the financial market.

Intercompany services

In order to use the organisational synergies arising from the merger of AEM Torino and AMGA to their best capacity, the Iride structure was designed in accordance with a "light" industrial holding model, with sufficient staff structures to support the coordination activity of the Group and to deal with the most challenging matters of general interest. Therefore, Iride can provide professional services to the companies leading the business segments according to their needs and based on service agreements signed by the parties.

For the same reasons, some functions that would normally be present in each independent company unit (human resource management – IT services – legal assistance) are centrally based in the Company leading the business segment as, after the post-merger reorganisation, these companies inherited sufficient resources in terms of numbers and expertise to carry out these activities, also in the interest of independent organisational units. Even in these situations, the relations between the Company leading the business segment that provides the services and the Company leading the business segment that uses them are regulated by specific services contracts. Similarly, the transfer of goods, property or other utilities between Group companies is regulated by intercompany contracts.

ORDINARY TRANSACTIONS WITH OTHER RELATED PARTIES

Particular attention is paid to the local authorities on whose territory Iride is active through its subsidiaries. This specifically with regard to the Municipalities of Turin and Genoa, since they are indirect shareholders of Iride S.p.A..

Iride S.p.A. provides a series of services to the Parent Finanziaria Sviluppo Utilities S.r.l. (in the legal, administrative, financial, treasury, and tax areas) in accordance with specific agreements that provide for fair compensation for the services.

From a tax viewpoint, the option for Group tax consolidation was exercised pursuant to art. 118 of the new Consolidated Income Tax Act. It requires that the consolidated companies transfer their IRES receivables/payables to the Consolidating Company. The latter then calculates IRES on the sum of taxable profits/losses of each company taking part in the consolidated taxable base.

After an Infragroup Regulation was drawn up for tax consolidation, the parent Iride S.p.a. took on the role of Parent for tax purposes, starting with tax year 2010. Moreover, the new tax consolidation scope, in addition to the parent Iride, includes the following companies: AEM Torino Distribuzione, CELPI, Iride SERVIZI, AEMNET, Iride Acqua Gas, Iride MERCATO, Iride ENERGIA, CAE AMGA Energia, AGA, AES Torino, Mediterranea delle Acque, San Giacomo, Zeus and Immobiliare delle Fabbriche and Nichelino Energia. From the tax point of view, the option to participate in the Group VAT settlement procedure was implemented for 2010. Through this procedure, the Parent Iride S.p.A. handled all periodic VAT payment commitments and amounts due.

Through Iride Servizi, Iride S.p.A. provides various services to the Municipality of Turin in support of its activities for the administered community, such as street lighting and traffic light services, maintenance of municipal buildings or buildings used to provide services to the community, global services and similar. The services rendered by Iride Servizi are governed by specific long-term agreements.

Iride Mercato supplies electricity to the Municipalities of Turin and Genoa and gas to the Municipality of Genoa under the terms normally applied for other customers on the same market. Its subsidiary, CAE S.p.A., provides services relating to the management of air conditioning systems in public buildings and to the management of technological systems at sports and public service facilities to the Municipality of Genoa, based on long-term contracts.

Iride Acqua Gas, through its subsidiary Mediterranea delle Acque S.p.A., provides the offices and facilities of the Municipality of Genoa with drinking water and sewer services based on supply agreements similar to those signed with other customers.

GENERAL FRAMEWORK

In the first half of 2010, the downward trend of interest rates that have been recorded since October 2008, seems to have come to a stop and the first opposite signs have been noted. The European Central Bank issued repeated measures to reduce the benchmark rate which from 4.25% in October 2008 decreased to the current 1% and remained constant since May 2009.

Consequently, an analysis of the Euribor 6-month rate shows a heavy decrease from 5.4% in October 2008 to the minimum level of 0.94% at the end of March 2010, with a slight recovery to the 1.1% current level. Fixed rates, too, reflected in the IRS 5-year and 10-year values, recorded similar trends, with a strong decrease - albeit less than that of the Euribor - from September 2008 and until the end of the first quarter of 2009. After a relative stable performance in the second half of 2009, a new downward trend was recorded in the first half of 2010.

ACTIVITIES PERFORMED

During the first half of 2010, activities aimed at consolidating the financial structure of the Iride Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness as a result of carrying out the investment programme, the development of working capital and the balance of short-term and long-term sources.

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

No new medium-term bank loans were finalised or used in the first half of 2010. The credit line of Euro 100 million remains available for use in up to 15 years. It was granted at the end of 2008 to the Iride Group by the European Investment Bank for a total amount of Euro 200 million, Euro 100 million of which was used at the end of 2009.

At 30 June 2010 the Group's mortgage debt represented 94% of the total net financial indebtedness, and medium/long-term debt accounted for 69%. This percentage takes into account the classification of receivables due from the City of Turin as long-term assets.



Within the Group, in the first half of 2010 the company OLT Offshore LNG Toscana (41.71% consolidated) obtained a new facility from the shareholders Iride Mercato (financed by Iride within the Group cash pooling) and E.On, in equal portions and for a total amount of Euro 200 million, mainly used for the repayment of the 171 million dollar bank loan, obtained to cover the purchase of the gas carrier or the Livorno regasification terminal.

The Iride Group is exposed to various types of financial risks, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. Derivatives are not used or held for purely trading purposes. Further information can be found on the paragraph "Risk Management" in the Notes to the Financial Statements.

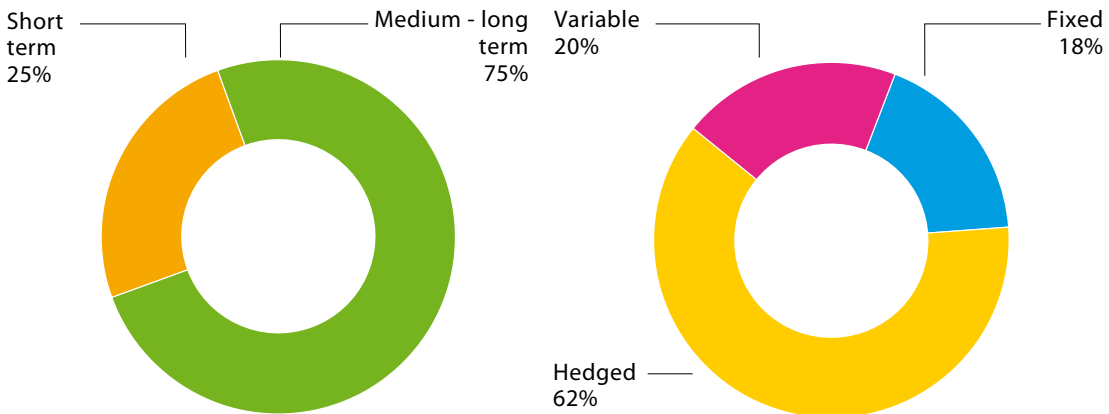
In the first half of 2010 no new interest rate hedge agreements were concluded.

At 30 June 2010, the portion of variable rate debt which is not hedged with derivative instruments was 25% of the loan positions and 30% of the consolidated net financial indebtedness, in line with the target of the Iride Group which is to maintain a balance between fixed and variable interest rate positions or ones that are protected from significant increases in interest rates.

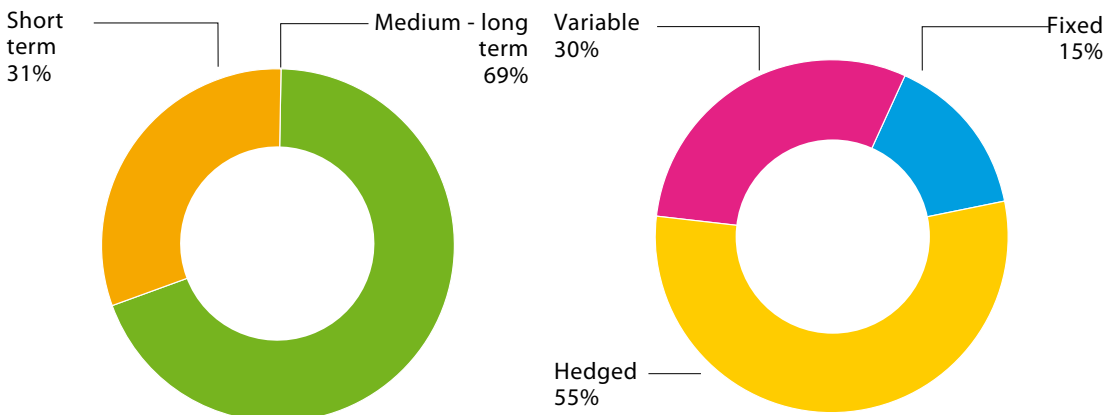
● Net financial indebtedness by maturity

● Net financial indebtedness by rate category

Position at 31.12.2009



Position at 30.06.2010



SUBSEQUENT EVENTS AND FORECAST DEVELOPMENTS

IRIDE – ENÌA MERGER

The merger of Enia into Iride became effective as from 1 July 2010. From this merger, Iren was established. This is the main multiutility company operating at interregional level and the only totally eco-friendly energy producer. The new Group is one of the market leaders, with a top placement in all business areas: leading operator in district heating, third largest operator in the integrated water cycle sector, third in the waste treatment sector, fifth in the gas sector as regards sales to end customers and sixth in the electric energy sector as regards volumes sold. The business profile of the Iren Group finds its value in the balanced mix amongst regulated and free activities, as well as in the strong integration of the value chain, upstream and downstream.

In particular, on 1 July 2010, Iride changed its name to Iren S.p.A., adopted the Articles of Association included in the Merger Project and increased its share capital by Euro 444,183,894.00, through the issue of 444,183,894.00 ordinary shares with a nominal value of Euro 1.00 each. These new shares were assigned to shareholders of ENÌA S.p.A. with an exchange ratio of 4.2 Iren ordinary shares per each ordinary share. Therefore, since 1 July 2010, the share capital of Iren S.p.A. increased to Euro 1,276,225,677.00, entirely subscribed and paid, divided in Euro 1,181,725,677 for an equal number of ordinary shares, which adopted the new Iren name as well, and Euro 94,500,000 for an equal number of savings shares that are not listed.

The Iren Group organisational and business model is characterised by the presence of a listed holding company, Iren S.p.A., that includes five first rating companies operating in the various business sectors: Iren Energia (Turin), which manages the electrical energy and heat generation and distribution systems, as well as the technological services; Iren Mercato (Genoa), which manages the purchase, trading and sales activities of electrical energy and gas, as well as sales of heat and services; Iren Acqua Gas (Genoa), which manages the integrated water services; Iren Ambiente (Piacenza), which manages waste treatment and disposal plants and Iren Emilia (Reggio Emilia), which manages gas distribution as well as waste collection and treatment services.

The corporate governance of the new company is based on a traditional administration and control system with a Board of Directors with 13 members, of whom 2 are representatives of the non-controlling interests, and an Executive Committee chaired by the Chairman of the Board of Directors and composed of the Deputy Chairman of the Board of Directors, the CEO and the Managing Director.

IRIDE AND F2I WATER INDUSTRIAL POLE

With reference to the Project, described in section Significant events of the period, on 2 July 2010, after the approval issued by Consob on 25 June 2010, the Information Memorandum regarding the voluntary Take-over bid launched by San Giacomo S.r.l. was issued. This regards issued and outstanding ordinary shares of Mediterranea delle Acque S.p.A. On 6 August 2010, the Bid was successfully concluded; as a result, the equity investment of San Giacomo S.r.l. increased to 96.807%.

The proceedings for the exercise of the right to purchase, under which San Giacomo will become the owner of 100% of Mediterranea delle Acque, are underway. At completion of the proceedings, the stock exchange price for the related shares will be cancelled.

FORECAST DEVELOPMENTS

Within the consolidation scenario resulting from the merger that created Iren, the Group faced the year 2010 being well aware of uncertainties and risks connected with the general market conditions and their impact on real economy, as well as fuel price trends and possible changes in the regulatory framework of the various business sectors.

The important position that the Group holds within the various business sectors in which the Group operates, together with the positive results achieved in the first half of 2010, are a strong starting point for developing activities, expecting an improvement in profit levels and confirming careful financial management.

Iren S.p.A.

Via Nubi di Magellano. 30 - 42123 Reggio Emilia

Share capital, fully paid up: Euro 1,276,225,677

Reggio Emilia Register of Companies

Tax Code and VAT no. 07129470014



Condensed Interim Consolidated Financial Statements and Notes thereto

at 30 June 2010

76 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	30.06.2010	Amounts in thousands of Euro		
			of which related parties	31.12.2009 (1)	of which related parties
ASSETS					
Property, plant and equipment	(1)	1,774,291		1,692,447	
Investment property	(2)	2,887		2,212	
Intangible assets	(3)	685,703		707,942	
Goodwill	(4)	103,925		104,745	
Investments accounted for using the equity method	(5)	313,771		308,219	
Non-current financial assets including derivatives	(6)	277,951	236,422	313,672	264,980
Other non-current assets	(7)	21,100		23,762	
Deferred tax assets	(8)	100,900		88,212	
Total non-current assets		3,280,528		3,241,211	
Inventories	(9)	37,715		39,017	
Trade receivables	(10)	654,386	143,311	675,787	153,262
Tax assets	(11)	39,405		7,842	
Other receivables and other current assets	(12)	201,252	1,056	191,729	26,702
Current financial assets including derivatives	(13)	257,607	254,162	184,578	180,786
Cash and cash equivalents	(14)	37,079		40,373	
Total current assets		1,227,444		1,139,326	
Assets held for sale	(15)	54,578		5,837	
TOTAL ASSETS		4,562,550		4,386,374	

LIABILITIES	Notes	30.06.2010	Amounts in thousands of Euro		
			of which related parties	31.12.2009 (1)	of which related parties
Equity attributable to owners of the Parent					
Share capital		832,042		832,042	
Reserves and retained earnings		355,231		412,945	
Profit for the period		70,534		6,397	
Total equity attributable to owners of the Parent		1,257,807		1,251,384	
Non-controlling interests		120,095		135,219	
TOTAL EQUITY	(16)	1,377,902		1,386,603	
LIABILITIES					
Non-current financial liabilities	(17)	1,310,880		1,338,039	
Employee benefits	(18)	62,120		63,827	
Provisions	(19)	62,860		58,368	
Deferred tax liabilities	(20)	142,860		102,337	
Other payables and other non-current liabilities	(21)	11,911		11,940	
Total non-current liabilities		1,590,631		1,574,511	
Current financial liabilities	(22)	777,909	16,972	583,078	3,893
Trade payables	(23)	547,029	56,561	588,140	84,699
Other payables and other current liabilities	(24)	163,361	3,484	178,029	22,554
Tax liabilities	(25)	25,686		28,283	
Provisions for current portion	(26)	57,992		47,730	
Total current liabilities		1,571,977		1,425,260	
Liabilities classified as held for sale	(27)	22,040		-	
TOTAL LIABILITIES		3,184,648		2,999,771	
TOTAL EQUITY AND LIABILITIES		4,562,550		4,386,374	

(1) The figures were restated to reflect the adoption of IFRIC 12.

CONSOLIDATED INCOME STATEMENT

		Amounts in thousands of Euro			
	Notes	First Half of 2010	of which related parties	First Half of 2009 (1) (2)	of which related parties
REVENUE					
Revenue from goods and services	(28)				
- electrical energy		629,103	24,819	666,704	28,058
- district heating		71,328	16	74,878	47
- gas		224,472	80,832	220,096	71,908
- integrated water service		71,024		68,166	
- services		95,922	41,240	95,703	43,957
Total revenue from goods and services		1,091,849		1,125,547	
Change in contract work in progress	(29)	449	285	195	244
Other revenue and income	(30)	93,937	7,038	100,141	7,639
TOTAL REVENUE		1,186,235		1,225,883	
OPERATING EXPENSE					
Purchase of raw materials, consumables, supplies and goods	(31)	(614,222)	(280,248)	(660,378)	(192,080)
Variation in inventories	(32)	(2,076)		240	
Services and use of third-party assets	(33)	(258,302)	(58,507)	(247,999)	(58,541)
Other operating expense	(34)	(30,886)		(51,675)	
Capitalised expenses for internal work	(35)	7,335		13,758	
Personnel expense	(36)	(71,345)		(71,273)	
Total operating expense		(969,496)		(1,017,327)	
GROSS OPERATING PROFIT		216,739		208,556	
AMORTISATION, DEPRECIATION AND PROVISIONS					
Amortisation/depreciation	(37)	(59,109)		(54,587)	
Provisions	(38)	(23,451)		(13,883)	
Total amortisation, depreciation and provisions		(82,560)		(68,470)	
OPERATING PROFIT		134,179		140,086	
FINANCIAL INCOME					
Financial income	(39)	5,305	3,061	11,763	5,624
Financial expense		(29,360)		(64,081)	(25)
- of which non-recurring	(47)	-		(29,889)	
Net financial expense		(24,055)		(52,318)	
Share of profit of associates accounted for using the equity method	(40)	5,499		3,960	
Impairment losses on investments	(41)	(33)		(1,486)	
PROFIT BEFORE TAX		115,590		90,242	
Income tax expense	(42)	(43,275)		(51,487)	
- of which non-recurring	(47)	-		(6,848)	
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		72,315		38,755	
Profit from discontinued operations	(43)	829		733	
CONSOLIDATED PROFIT FOR THE PERIOD		73,144		39,488	
attributable to:					
- owners of the Parent		70,534		37,399	
- non-controlling interests	(44)	2,610		2,089	
Earnings per ordinary and savings share	(45)				
- basic (Euro)		0.08		0.04	
- diluted (Euro)		0.08		0.04	

(1) The figures are restated to reflect recognition of Aquamet under assets held for sale. For further details, see note 43 Profit from discontinued operations.

(2) The figures were restated to reflect the adoption of IFRIC 12.

78 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Amounts in thousands of Euro	
		First Half of 2010	First Half of 2009
Profit for the period - Owners of the parent and non-controlling interests (A)		73,144	39,488
Other comprehensive income			
- effective portion of changes in fair value of cash flow hedges	(46)	(16,163)	(10,986)
- change in fair value of available-for-sale financial assets	(46)	-	-
- share of other profits/(losses) of companies accounted for using the equity method	(46)	2,641	(309)
Tax effect of other comprehensive income	(46)	4,174	3,935
Total other comprehensive loss for the period, net of tax effect (B)		(9,348)	(7,360)
Total comprehensive income for the period (A)+(B)		63,796	32,128
Total comprehensive income for the period attributable to:			
Owners of the parent		61,317	30,039
Non-controlling interests		2,479	2,089

CONSOLIDATED STATEMENT OF CASH FLOWS

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009 (1)
A. Opening cash and cash equivalents	40,373	72,332
Cash flow from operating activities		
- Profit before tax	115,590	90,242
- Income tax for the period	(43,275)	(51,487)
- Profit from discontinued operations	829	733
a) Profit	73,144	39,488
Adjustments:		
- Amortisation of intangible assets and depreciation of property, plant and equipment	59,109	55,245
- Net impairment losses (reversals of impairment losses) on investments	(5,466)	(2,474)
- Net provisions for risks	14,755	3,315
- Net provisions for employee benefits	(1,707)	(968)
b) Total adjustments	66,691	55,118
c) Variation in deferred tax liabilities	27,835	24,668
d) Variation in non-current assets (liabilities)	2,633	2,139
Variation in net working capital		
- Variation in inventories	1,302	(497)
- Variation in trade receivables	21,401	133,078
- Variation in tax assets and other receivables	(41,085)	(31,329)
- Variation in trade payables	(41,111)	(191,829)
- Variation in tax liabilities and other payables	(17,265)	(45,007)
e) Total variation in net working capital	(76,758)	(135,584)
B. Cash flows from operating activities (a+b+c+d+e)	93,545	(14,171)
Cash flows from investing activities		
Investments in:		
- intangible assets	(36,717)	(25,966)
- property, plant and equipment	(126,551)	(84,602)
- non-current financial assets	(7,717)	(7,861)
Total investments	(170,985)	(118,429)
Proceeds from the sale of investments, changes in consolidation scope and assets held for sale	29,378	3,816
Other variations in financial assets	(1,705)	186
C. Total cash flow from investing activities	(143,312)	(114,427)
D. Free cash flows (B+C)	(49,767)	(128,598)
Cash flows from financing activities		
Dividends paid	(72,833)	(72,661)
Other changes in equity	(9,012)	(9,934)
New loans	-	130,000
Repayment of loans	(35,394)	(40,092)
Variation in financial receivables	(39,355)	(63,591)
Variation in financial payables	203,067	133,766
E. Total cash flows from financing activities	46,473	77,488
F. Cash flows for the period (D+E)	(3,294)	(51,110)
G. Closing cash and cash equivalents (A+F)	37,079	21,222

(1) The figures are restated to reflect the adoption of IFRIC 12 and recognition of Aquamet under assets held for sale.

80 STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium reserve	Legal reserve	Hedging reserve	Available for Sale reserve
31.12.2008	832,042	105,102	17,936	(7,627)	-
Change in application of accounting standards (*)					
31.12.2008 Restated (*)	832,042	105,102	17,936	(7,627)	-
Legal reserve			2,322		
Dividends to shareholders					
Acquisition of non-controlling interests					
Retained earnings					
Comprehensive income for the period				(7,360)	
of which:					
- Profit for the period					
- Other comprehensive income				(7,360)	-
30.06.2009 Restated (*)	832,042	105,102	20,258	(14,987)	-
31.12.2009	832,042	105,102	20,258	(15,074)	-
Legal reserve			3,604		
Dividends to shareholders					
Acquisition of non-controlling interests and capital increase of subsidiary					
Capital increase of subsidiaries					
Comprehensive loss for the period				(9,217)	
of which:					
- Profit for the period					
- Other comprehensive loss				(9,217)	
30.06.2010	832,042	105,102	23,862	(24,291)	-

(*) In 2009, the Group changed the accounting criterion for the purchase of non-controlling interests for entities that the Group already controls: the accounting treatment adopted sets out that the difference between the purchase cost and the carrying amount of non-controlling interests acquired is charged to Equity. Conversely, in accordance with the accounting standard previously adopted, the difference was accounted for as goodwill.

Amounts in thousands of Euro						
Other reserve and retained earnings (losses carried forward)	Total reserve and retained earnings (losses carried forward)	Profit for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Equity attributable to owners of the Parent and non-controlling interests	
267,002	382,413	111,252	1,325,707	134,268	1,459,975	
(2,620)	(2,620)		(2,620)		(2,620)	
264,382	379,793	111,252	1,323,087	134,268	1,457,355	
	2,322	(2,322)	-		-	
		(70,724)	(70,724)	(1,937)	(72,661)	
1,348	1,348		1,348	(3,922)	(2,574)	
38,206	38,206	(38,206)	-		-	
	(7,360)	37,399	30,039	2,089	32,128	
		37,399	37,399	2,089	39,488	
	(7,360)		(7,360)		(7,360)	
303,936	414,309	37,399	1,283,750	130,498	1,414,249	
302,659	412,945	6,397	1,251,384	135,219	1,386,603	
	3,604	(3,604)	-		-	
(67,931)	(67,931)	(2,793)	(70,724)	(2,109)	(72,833)	
15,830	15,830		15,830	(15,676)	154	
	-		-	182	182	
	(9,217)	70,534	61,317	2,479	63,796	
		70,534	70,534	2,610	73,144	
-	(9,217)		(9,217)	(131)	(9,348)	
250,558	355,231	70,534	1,257,807	120,095	1,377,902	

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Iride S.p.A. (the "Company") is based in Italy. The Company's registered office is at Via Bertola 48, Turin. The condensed interim consolidated financial statements at 30 June 2010 include those of the Company and its subsidiaries (jointly referred to as the "Group" and individually as "Group companies") and the Group's investment in associates and joint ventures.

The Iride Group operates in the integrated energy sector, in the integrated water sector and in the services sector. Significant business volumes are achieved in the field of electrical energy production, distribution and sale, heat generation, district heating, distribution, procurement and sale of gas and in the sector of integrated water services and sundry services for local authority management, of lighting and traffic lights, etc. The core business of the company and its subsidiaries (the Group) are described in the interim Directors' Report accompanying these financial statements.

The condensed interim consolidated financial statements at 30 June 2010 are reviewed by KPMG S.p.A..

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Half-Year Report of the Iride Group at 30 June 2010 was prepared in accordance with art. 154-ter, subsection 2 of Italian Legislative Decree no. 58, 24 February 1998, as amended by Italian Legislative Decree no. 195 of 6 November 2007.

The condensed interim consolidated financial statements at 30 June 2010 were prepared in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements therefore do not include all information required for the annual financial statements and should be read together with the financial statements at 31 December 2009 available from the company's registered office, from Borsa Italiana S.p.A. and on the website www.gruppoire.it.

The financial statements structure adopted by the Iride Group is the same as that applied in the annual financial statements at 31 December 2009.

The financial statements of the consolidated companies are prepared at the date of the half year of reference. These condensed interim consolidated financial statements are stated in Euro, the company's functional currency. All amounts stated in Euro have been rounded to thousands.

The accounting standards adopted in the preparation of these condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements at 31 December 2009, except with regard to:

- *IFRIC 12 "Service Concession Arrangements"* defines the recognition and measurement standards to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under concession. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator shall purchase either the right to use said infrastructure, or the financial asset, or both, according to agreements made. Following the issue of the above-mentioned interpretation, the operators that are included in the above cases, cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position assets, independently from the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

Taking account of arrangements in force in the Iride Group, and based on interpretations and regulations in force to date, the application of IFRIC 12 regards the natural gas distribution sector and the integrated water service sector. In the statement of financial position, IFRIC 12 sets out that infrastructures under concession should be restated from property, plant and equipment to intangible assets. Taking account of the tariff structure pertaining to services rendered under concession, it is impossible to reliably separate the profit related to the building business from the results of operations. Therefore, in view of the fact that a significant portion of the work is outsourced, the investments borne are recorded under intangible assets based on the costs incurred.

The amortisation of assets related to service concession arrangements remained unchanged and is still calculated based on expected economic benefits deriving from the use and residual value of the infrastructure, as provided for by the reference regulatory framework.

- Moreover, as retrospective application is not possible, intangible assets to be recognised at 1 January 2009 were determined based on amounts previously recorded as property, plant and equipment in the financial statements at 31 December 2008.
- amendments to IFRS 2, as regards the accounting of cash-settled share-based payment transactions within a Group and abrogation of IFRIC 8 and IFRIC 11. The adoption of this revised standard has had no impact on the financial position or results of operations of the Group.
 - *IFRS 3 revised* introduces changes in the presentation of business combinations. Amongst these changes, the following is to be noted: in the business combinations achieved in stages, the entire investment must be re-measured at fair value. Transactions carried out with third parties after acquisition of control, and on the assumption that such control will be maintained, must be accounted for in equity; costs borne for the acquisition shall be immediately charged to income statement; changes in "contingent consideration" are recorded in the income statement. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRS 5 "Non-current assets held for sale and discontinued operations"*: the amendment, applicable as from 1 January 2010 prospectively, clarified that IFRS 5 and the other IFRS, which specifically refer to non-current assets (or asset groups), classified as available for sale or as discontinued operations, provide all the information required for this kind of assets or operations. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRS 8 "Operating Segments"*: this amendment, applicable starting from 1 January 2010, requires that all companies supply the value of all assets for each single segment included in the information, if such amount is periodically supplied to the chief operating decision maker. This information was previously required also if the above-mentioned condition did not occur. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRIC 9 "Reassessment of Embedded Derivatives"*: under the amendment, embedded derivatives in contracts acquired during business combinations when joint-ventures are formed, are excluded from the application scope of IFRIC 9. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRIC 15 "Agreements for the Construction of Real Estate"*. This interpretation specifies the recognition criteria of revenue and costs related to the signing of an agreement for the construction of real estate, and provides guidance on how to determine whether provisions set forth either by IAS 11 "Construction Contracts" or by IAS 18 "Revenue" are to be applied. It also regulates the accounting treatment to be applied to revenue deriving from additional services rendered for the real estate under construction. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"*: this interpretation applies to an entity that hedges the currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRIC 17 "Distribution of Non-cash Assets to Owners"*: In particular, this interpretation clarifies when a dividend payable should be recognised, as well as how the same should be measured and how, when the dividend is paid, the entity should recognise the difference between the carrying amount of the net assets distributed and the carrying amount of the dividend paid. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IFRIC 18 "Transfers of Assets from Customers"*: this interpretation regards the way of recognising transfers of assets from customers, i.e. of cash, for the connection to a distribution network. IFRIC 18 should be only applied to entities that are not bound to apply IFRIC 12. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IAS 1 – "Presentation of Financial Statements"*: with this amendment, the definition of current liabilities, included in IAS 1, is modified. The previous definition required that liabilities, which might be settled at any moment through the issue of equity instruments, be stated under current liabilities. This involved the recognition of liabilities related to convertible bonds and that might be converted at any moment in shares of the issuer under current liabilities. Following the amendment, for the purposes of the current/non-current classification of a liability, the presence of a conversion option currently exercisable in equity instruments becomes insignificant. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
 - *IAS 7 "Statement of Cash Flows"*: the amendment is applicable as from 1 January 2010 and sets out that only cash flows arising from expenses due to the recognition of an asset in the statement of financial position, can be included in the statement of cash flows as deriving from investing activities, while cash

flows, such as for promotion and advertising or staff training costs, shall be classified as deriving from operating activities. The adoption of these revised standards has had no impact on the statement of cash flows of the Group.

- *IAS 17 "Leases"*: the amendment sets out that, when measuring a lease agreement, which includes both land and buildings, the portion regarding land is considered as a finance lease if the land in question has an indefinite useful life; like in this case, the significant risks and rewards associated to its use for the term of the agreement can be considered as transferred to the lessee, although no formal transfer document was signed. This amendment is applicable as from 1 January 2010 and, at the day of adoption, all pieces of land under lease agreements already in force and not yet expired, shall be measured separately, with a possible retrospective recognition of a new lease accounted for as the related agreement were of a financial nature. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
- *lo IAS 27 revised* relates to the measurement of changes in investments. If changes in investment ownership occur but control is still maintained, the effect shall be accounted for in equity; conversely, if the change results in a non-controlling investment, the residual investment shall be measured at fair value. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
- *IAS 36 "Impairment of assets"*: this amendment, applicable prospectively starting on 1 January 2010, sets out that each operating unit, or group of operating units, on which the goodwill is allocated for impairment test, has a size not greater than an operating segment, as set out in section 5 of IFRS 8, before the aggregation allowed for by section 12 of the same IFRS, based on similar economic characteristics or other comparative elements. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
- *IAS 38 "Intangible assets"*: the review of IFRS 3, carried out in 2008, set out that, if a business combination is separable or results from contract or legal rights, enough information is available to measure the fair value of an intangible asset acquired during a business combination. IAS 38 was therefore adjusted accordingly to reflect this amendment to IFRS 3. Moreover, the measurement techniques to be used for fair value of intangible assets, for which there is no reference active market, have also been clarified. In particular, these techniques include, alternatively, the estimate of discounted net cash flows generated from the asset, the estimate of costs that the company avoided bearing by virtue of the fact that it owned the asset and the latter is not used under a licence agreement, and the estimate of costs required to recreate or replace the asset (as in the so-called cost method). This amendment is applicable prospectively on 1 January 2010. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.
- *IAS 39 "Financial Instruments: Recognition and Measurement"*: the amendment restricts the non-applicability exception, provided for in paragraph 2g of IAS 39, to forward contracts between purchaser and shareholder seller in order to sell a company transferred to a business combination to a future acquisition date if the completion of a business combination is not due to further actions of one of the two parties, but only due to the elapsing of a reasonable amount of time. The amendment clarifies that option contracts (whether they are exercisable or not), which permit that one of the two parties has the control on the realisation of future events and the exercise of such contracts would result in the control of a company, fall under the application of IAS 39. Moreover, the amendment envisages that implicit penalties for the advance settlement of loans, the amount of which is a reimbursement for the lender of the loss of further interest, must be considered as strictly related to the financing contract that provides for such loans, and therefore they must be accounted for separately. Finally, it is also set out that profits or losses resulting from a hedged financial instrument must be reclassified from equity to income statement in the period in which the expected hedged cash flow has an impact on the income statement. This amendment is applicable prospectively on 1 January 2010. The adoption of these revised standards has had no impact on the financial position or results of operations of the Group.

RESTATEMENT OF DATA INCLUDED IN THE STATEMENT OF FINANCIAL POSITIONS AS AT 1 JANUARY 2009 AND 31 DECEMBER 2009 AND IN THE INCOME STATEMENT FOR THE FIRST HALF OF 2009

Amendments referring to the recognition criteria of assets related to service concession arrangements (IFRIC 12) required the restatement of some statement of financial position items in the consolidated financial statements at 31 December 2009 and income statement items in the condensed interim consolidated financial statements at 30 June 2009 and are disclosed, for comparative purposes, in these condensed interim consolidated financial statements. In particular, the application of the interpretation included in IFRIC 12 resulted in reclassifications of the Statement of Financial Positions as at 31 December 2009 and 1 January 2009, as well as of the Income Statement for the first half of 2009.

The following table shows changes in the Statement of Financial Position and Income Statement.

ASSETS	Amounts in thousands of Euro					
	31.12.2008	Application of IFRIC 12	01.01.2009 Restated	31.12.2009	Application of IFRIC 12	31.12.2009 Restated
ASSETS						
Property, plant and equipment	2,187,221	(618,675)	1,568,546	2,349,683	(657,236)	1,692,447
Investment property	2,105		2,105	2,212		2,212
Intangible assets	57,730	617,139	674,869	58,727	649,215	707,942
Goodwill	104,452		104,452	104,745		104,745
Investments accounted for using the equity method	303,810		303,810	308,219		308,219
Non-current financial assets including derivatives	262,194		262,194	313,672		313,672
Other non-current assets	26,649		26,649	23,762		23,762
Deferred tax assets	71,517		71,517	88,212		88,212
Total non-current assets	3,015,678	(1,536)	3,014,142	3,249,232	(8,021)	3,241,211
Inventories	39,693		39,693	39,017		39,017
Trade receivables	870,921		870,921	675,787		675,787
Tax assets	7,584		7,584	7,842		7,842
Other receivables and other current assets	150,044		150,044	191,729		191,729
Current financial assets including derivatives	146,656		146,656	184,578		184,578
Cash and cash equivalents	72,332		72,332	40,373		40,373
Total current assets	1,287,230	-	1,287,230	1,139,326	-	1,139,326
Assets held for sale	5,156	-	5,156	5,837	-	5,837
TOTAL ASSETS	4,308,064	(1,536)	4,306,528	4,394,395	(8,021)	4,386,374

LIABILITIES	Amounts in thousands of Euro					
	31.12.2008	Application of IFRC 12	01.01.2009 Restated	31.12.2009	Application of IFRC 12	31.12.2009 Restated
Equity attributable to owners of the Parent						
Share capital	832,042		832,042	832,042		832,042
Reserves and retained earnings	379,794		379,794	412,945		412,945
Profit for the period	111,252		111,252	6,397		6,397
Total equity attributable to owners of the Parent	1,323,088		1,323,088	1,251,384		1,251,384
Non-controlling interests	134,268		134,268	135,219		135,219
TOTAL	1,457,356		1,457,356	1,386,603		1,386,603
LIABILITIES						
Non-current financial liabilities	959,143		959,143	1,338,039		1,338,039
Employee benefits	65,110		65,110	63,827		63,827
Provisions	74,493		74,493	58,368		58,368
Deferred tax liabilities	101,556		101,556	102,337		102,337
Other payables and other non-current liabilities	12,801		12,801	11,940		11,940
Total non-current liabilities	1,213,103		1,213,103	1,574,511		1,574,511
Current financial liabilities	780,467		780,467	583,078		583,078
Trade payables	621,620		621,620	588,140		588,140
Other payables and other current liabilities	164,892	(1,536)	163,356	186,050	(8,021)	178,029
Tax liabilities	49,985		49,985	28,283		28,283
Provisions for current portion	20,546		20,546	47,730		47,730
Total current liabilities	1,637,510	(1,536)	1,635,974	1,433,281	(8,021)	1,425,260
Liabilities classified as held for sale	95		95	-		-
TOTAL LIABILITIES	2,850,708	(1,536)	2,849,172	3,007,792	(8,021)	2,999,771
TOTAL EQUITY AND LIABILITIES	4,308,064	(1,536)	4,306,528	4,394,395	(8,021)	4,386,374

By reason of the fact that the effects of the application concerned the restatement of a limited number of items, the inclusion of the column disclosing balances at the beginning of the the first corresponding period (1 January 2009) in the statement of financial position was deemed unnecessary.

	Amounts in thousands of Euro		
	First Half of 2009	Application of IFRIC 12	First Half of 2009 Restated
REVENUE			
Revenue from goods and services			
- <i>electrical energy</i>	666,704		666,704
- <i>district heating</i>	74,878		74,878
- <i>gas</i>	224,032		224,032
- <i>integrated water service</i>	68,166		68,166
- <i>services</i>	66,201	29,502	95,703
Total revenue from goods and services	1,099,981	29,502	1,129,483
Change in contract work in progress	195		195
Other revenue and income	100,315		100,315
Total revenue	1,200,491	29,502	1,229,993
OPERATING EXPENSE			
Purchase of raw materials, consumables, supplies and goods	(660,033)	(388)	(660,421)
Change in inventories	240	-	240
Services and use of third-party assets	(227,538)	(21,387)	(248,925)
Other operating expense	(51,811)	(63)	(51,874)
Capitalised expenses for internal work	21,775	(7,664)	14,111
Personnel expense	(72,349)	-	(72,349)
Total operating expense	(989,716)	(29,502)	(1,019,218)
GROSS OPERATING PROFIT	210,775	-	210,775
AMORTISATION, DEPRECIATION AND PROVISIONS			
Amortisation/depreciation	(55,246)		(55,246)
Provisions	(13,914)		(13,914)
Total amortisation, depreciation and provisions	(69,160)	-	(69,160)
OPERATING PROFIT	141,615	-	141,615
FINANCIAL INCOME			
Financial income	11,775		11,775
Financial expense	(64,386)		(64,386)
- <i>of which non-recurring</i>	(29,889)		(29,889)
Net financial expense	(52,611)	-	(52,611)
Share of profit of associates accounted for using the equity method	3,960		3,960
Impairment losses on investments	(1,486)		(1,486)
PROFIT BEFORE TAX	91,478	-	91,478
Income tax expense	(51,990)		(51,990)
- <i>of which non-recurring</i>	(6,848)		(6,848)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	39,488	-	39,488
Profit from discontinued operations	-		-
CONSOLIDATED PROFIT FOR THE PERIOD	39,488	-	39,488
attributable to:			
- owners of the Parent	37,399		37,399
- non-controlling interests	2,089		2,089
Earnings per ordinary and savings share			
- basic (Euro)	0.04		0.04
- diluted (Euro)	0.04		0.04

USE OF ESTIMATES

The preparation of the condensed interim consolidated financial statements and notes thereto has required that management make use of estimates and assumptions affecting revenue, cost, asset and liability items as well as information regarding contingent assets and liabilities at the reporting date. The outcome of the occurrence of the events might differ from these estimates. The main estimates were used in determining the allocation of certain revenue from sales, provisions for risks and charges, allowances for impairment losses on receivables, amortisation and depreciation, derivatives, employee benefits and taxes.

Estimates and underlying assumptions are reviewed periodically, and the effects of each change are recognised immediately.

Certain measurement processes, especially the more complex, such as the calculation of impairment losses on non-current assets, are generally carried out in full only upon drawing up the annual financial statements, or when all information required is available, except when there are impairment indicators which require an immediate measurement of any impairment loss. Similarly, the actuarial valuations required to determine the Provisions for employee benefits are usually performed on preparation of the annual financial statements.

SEASONALITY

Iride Group results reflect the seasonality of its main business sectors, particularly affected by weather conditions, and consequently may not be extrapolated for the entire year.

II. CHANGES IN THE CONSOLIDATION SCOPE COMPARED TO 31 DECEMBER 2009

In the first half of 2010, changes in the consolidation scope of the Iride Group involved:

- the consolidation, on a line-by-line basis, of the newco San Giacomo S.r.l., 85.92% owned by Iride Acqua Gas. San Giacomo S.r.l. fully consolidated Mediterranea delle Acque S.p.A., 85.42% owned, and Idrotigullio S.p.A., 66.55% owned. At 30 June 2010, the portion of equity of Mediterranea delle Acque, not pertaining to owners of the Parent, was equal to 26.61% (31.68% at 31 December 2009, while the portion of equity of Idrotigullio, not pertaining to owners of the Parent, was equal to 42.82% (33.45% at 31 December 2009). For further details regarding the incorporation of San Giacomo S.r.l., reference is made to the Directors' Report, section "Significant events of the year";
- the change in the percentage of investment in the fully consolidated Laboratori Iride Acqua Gas, from 77.93% to 73.13%, due to the partial sale of shares to ASMT.

Moreover, as from 1 January 2010, pursuant to IFRS 5, assets, liabilities and results of operations of Aquamet are considered as "Non-current assets held for sale and discontinued operations" by reason of the fact that a "preliminary share disposal agreement" was signed, under which Iride Acqua Gas S.p.A. is committed to the sale of its investment to Mediterranea Energia S.c.a.r.l., which has shown an interest as buyer. The transaction will be concluded within 30 September 2010, date by which the final sales agreement has to be signed.

III. RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. In August 2008 Iride therefore approved an "Enterprise Risk Management" model containing the methodological approach to the integrated identification, assessment and management of Iride Group risks.

For either of the following risk types:

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

Specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.

This document also regulates the roles of the various parties involved in the risk management process, which is governed by the Iride Board of Directors. The document requires the creation of a Group Risk Committee and specific Risk Commissions, which shall take more hands-on action regarding specific management models for each of the following types of risk.

Iride S.p.A.'s 'Risk Management' department reporting to the CEO was set up within the organisational unit Direction and Risk Management of Iride S.p.A. This function is formally entrusted with the following activities:

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

FINANCIAL RISKS

Iride Group's activity is exposed to various types of financial risks, including liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to mitigate such risks. Derivatives are not used or held for purely trading purposes.

a) Liquidity risk

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

The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in Iride, both through cash pooling and centralisation of all collection and payments within the Iride current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infragroup bank accounts along with infragroup interest income and expense.

Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.

Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored. At 30 June, the short-term bank credit facilities used by the Parent totalled Euro 476 million, of which Euro 10 million committed.

Nominal cash flows envisaged to settle financial liabilities and the contractual terms of existing loans remain essentially unchanged with respect to the Consolidated Financial Statements at 31 December 2009, as stated under paragraph a) Liquidity Risk in Chapter V. Risk Management.

Iride has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.

No new medium-term bank loans were finalised or used in the first half of 2010. The credit line of Euro 100 million remains available for use in up to 15 years. It was granted at the end of 2008 to the Iride Group by the European Investment Bank for a total amount of Euro 200 million, of which Euro 100 million was used at the end of 2009.

Within the Group, in the first half of 2010 OLT Offshore LNG Toscana (41.71% consolidated) obtained a new facility from the shareholders Iride Mercato (financed by Iride within the Group cash pooling) and E.On, in equal portions and for a total amount of Euro 200 million, mainly used for the repayment of the 171 million dollar bank loan obtained to cover the purchase of the gas carrier for the Livorno regasification terminal.

With regard to the liquidity risk that potentially arises from the contractual clauses that legitimate the parties in withdrawing the loan when certain events occur (default risk and covenants), clauses included in the loan agreements with Iride do not feature any critical element at the date envisaged by the agreements.

For some of Iride's medium-long term loan agreements, namely for the loans obtained from the European Investment Bank, the commitments involve financial index covenants (i.e. Debt-EBITDA, EBITDA/Financial expense). Checks are on an annual basis and limits were defined with adequate prudence criteria and have been met in full. Moreover, other covenants such as the Change of Control clause have been provided for,

which sets forth that the Iride Group's should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the *Pari Passu* clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.

Also medium-long term loan agreements of some Group companies involve financial index covenants (Net Financial Indebtedness/EBITDA, Net Financial Indebtedness/Equity), which, at the date envisaged in the agreements, have been met in full.

b) Currency risk

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

c) Interest rate risk

The Iride Group is exposed to fluctuations in interest rates above all for financial charges regarding indebtedness. Iride Group's objective is to limit its exposure to interest rate increases while maintaining acceptable borrowing costs.

The risks associated with the increase in interest rates are monitored non-speculatively and, if necessary, reduced or eliminated by signing hedging swap and collar contracts with high credit standing financial counterparties, with the sole purpose of cash flow hedges. With the exception of certain marginal positions, at 30 June 2010 all contracts to limit exposure to risk from fluctuating interest rates were classified as cash flow hedges in that they satisfy requisites for the application of hedge accounting.

The overall fair value of the above-mentioned interest rate hedges was a negative Euro 32,733 thousand at 30 June 2010.

The hedging contracts agreed, together with fixed-rate loans, hedge approximately 70% of net financial indebtedness against interest rate risk, in line with the Iride Group target of maintaining a balance between floating rate loans and fixed rate loans or in any case hedged against significant increases in interest rate.

CREDIT RISK

The Group's credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties and customers.

Action was also taken to allow a more effective management of trade receivables through a system that gathers the required monitoring and control data, as well as defining strategies to reduce trade receivable exposure, such as data analysis on customer solvency and the implementation of credit risk mitigation transactions. As regards Iride Servizi, the leader of the business segment, this company shows a credit risk mainly due to the concentration of receivables from the Municipality of Turin, although no collectibility risk was recorded.

ENERGY RISK

Iride Group is exposed to price risk, including the related currency risk, on the energy commodities traded, being electrical energy, natural gas, coal, etc., as both purchases and sales are either directly impacted by fluctuations in the price of such energy commodities or through indexing formulae.

The Group's strategy is to minimise the need to turn to the financial markets for hedges, both by aligning the indexing of the commodities purchased and sold and by exploiting, vertically and horizontally, its various business sectors.

For this purpose, the Group carries out production planning for its plants and purchases electrical energy, with the aim of reconciling energy self-production and market supply with demand from Group customers.

In January 2010 and with a term over the first four months of 2010, an average rate forward contract (purchase of Average Option EUR Put USD Call), amounting to USD 35,000 thousand, was agreed upon as an energy portfolio hedge to reduce the risk.

For 2010 the Iride Group signed Electrical Energy purchase contracts for 1,078 GWh (of which 692 GWh with GSE and 386 GWh with Tirreno Power). These cover the parties against the risk of excessive volatility in the price of electrical energy and do not involve energy trading. For 2010, facility agreements were also signed for Energy (e.g. ITEC, Itmix, BINE) and Power (PUN), for a total of 44 GWh (with annual term) and 201 GWh (of which 175 GWh with annual term and 26 GWh traded on IDEX with monthly/quarterly term), mainly as cover for individual purchases and sales and with the aim of margin-setting. The fair value of agreements that were still in force on 30 June 2010 is in aggregate negative and equal to Euro -668 thousand.

RECOGNITION OF DERIVATIVES

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

The Group makes derivative transactions having only the purpose of hedging specific currency, rate or price risks.

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

Transactions recognised in compliance with the hedge accounting rules

These transactions include:

- other fair value hedging transactions: the derivative and the hedged item are recognised at fair value and the change of their fair values is recognised directly in the income statement.
- cash flow hedge transactions: the derivative is recognised at fair value with a balancing 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 instrument appears, the amount deferred in equity is reversed to the income statement.

The transferred amount deferred in equity and the ineffective component are classified in the income statement based on the type of underlying instrument. Therefore, in the case of commodity derivatives they are recognised in the gross operating profit/loss, whereas in the case of interest rate risk hedges they are recognised in financial income and charges.

Transactions not recognised in compliance with the hedge accounting rules

The derivative is recognised at fair value in the statement of financial position.

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

- in the case of commodity derivatives, in the gross operating profit/loss; specifically, the component realised is recognised to adjust the income or expense referred to and that derived from the measurement of the derivative at the end of the year amongst other expense or other income;
- in the case of interest rate risk hedges, in financial income or charges.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recorded in long-term loans and financial receivables if the related underlying is a medium/long term. Conversely, the derivative is recorded in short-term loans and financial receivables if the underlying 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 provided for every class of assets and liabilities shown in the financial statements.

Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense discounted at year end. The present value of future flows is determined by applying the forward curve of interest rates at period end.

In order to provide as complete disclosure as possible, the corresponding figure from the previous year is also indicated.

In addition to the carrying amount, the table below also indicates the fair value of bank loans and borrowings and the fair value of hedging derivatives. For other asset and liability classes indicated in the statement of financial position, the carrying amount generally coincides with the fair value.

Asset/liability description	Amounts in thousands of Euro			
	30.06.2010		31.12.2009	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Long-term mortgages	(1,274,245)	(1,296,120)	(1,317,822)	(1,333,908)
Short-term portion of mortgages and other current payables to banks	(665,431)	(696,578)	(527,598)	(561,610)
Derivatives - Non-current assets	282	282	887	887
Derivatives - Current assets	2,053	2,053	150	150
Derivatives - Non-current liabilities	(33,014)	(33,014)	(16,341)	(16,341)
Derivatives - Current liabilities	(2,721)	(2,721)	(1,919)	(1,919)

OPERATIONAL RISKS

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

The Enterprise Risk Management model, which operates in the Parent and companies leading the business segments, is focused on the integrated and synergic management of risks, and it implements a management process that consists of the following stages:

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

Each process stage is performed in accordance with standards and references defined at Group level.

The operating part of the process is managed by local Risk Managers, who are responsible for specific areas in coordination with a central structure providing orientation and supervision. This phase is currently being extended to the entire Group.

One of the operational risk management components is covered by insurance policies existing within the Group, mainly with regard to property and liability.

The operational risk management process also aims at optimizing the Group's insurance profiles. Specifically, since 2007, on expiry of a number of policies, the insurance strategy implemented was based on the analysis and calculation of risk profiles identified within the facilities involved in insurance renewals.

These results are consistent with a general approach to standardising insurance at Group level and optimisation of their analysed risk profiles.

For an analysis of the main risk cases, reference is made to the Directors' Report section dedicated to the operational risks.

CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involve maintaining a high level of capital, identified with Equity, to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to ordinary shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Iride's transactions with related parties mainly involve the exchange of goods, provision of services, provision and use of financial means with jointly-controlled companies, associates and other investee companies, together with the parent Finanziaria Sviluppo Utilities S.r.l. and the Turin and Genoa Municipalities, parents of Finanziaria Sviluppo Utilities S.r.l.

Joint ventures, associates and other entities are indicated in paragraph 11 "Annexes to the Condensed interim consolidated financial statements", considered an integral part of these notes.

For further details, reference should be made to the paragraph "Transactions with Related Parties" in the interim Directors' Report.

The effects of related party transactions on the consolidated income statements for the first half of 2010 and 2009, and on the consolidated statement of financial position as at 30 June 2010 and 31 December 2009 are indicated in the attachments.

V. SUBSEQUENT EVENTS**IRIDE - ENIA MERGER**

The merger of Enia into Iride became effective as of 1 July 2010. From this merger, Iren was established. This is the main multiutility company operating at interregional level and the only totally eco-friendly energy producer. The new Group is one of the market leaders, with a top placement in all business areas: leading operator in district heating, third operator in the integrated water cycle sector, third in the waste treatment sector, fifth in the gas sector as regards sales to end customers and sixth in the electric energy sector as regards volumes sold. The business profile of the Iren Group finds its reason in the balanced

mix of regulated and free activities, as well as in the strong upstream and downstream integration of the value chain.

In particular, on 1 July 2010, Iride changed its name to Iren S.p.A., adopted the Articles of Association included in the Merger Project and increased its share capital by Euro 444,183,894.00, through the issue of 444,183,894 ordinary shares with a nominal value of Euro 1.00 each. These new shares were assigned to shareholders of Enìa S.p.A. with an exchange ratio of 4.2 Iren ordinary shares per each ordinary share. Therefore, since 1 July 2010, the share capital of Iren S.p.A. increased to Euro 1,276,225,677.00, fully subscribed and paid up, divided in Euro 1,181,725,677 for an equal number of ordinary shares, which adopted the new Iren name as well, and Euro 94,500,000 for an equal number of savings shares that are not listed.

The Iren Group organisational and business model is characterised by the presence of a listed holding company, Iren S.p.A., that includes five first rating companies operating in the various business sectors: Iren Energia (Turin), which manages the electrical energy and heat generation and distribution systems, as well as the technological services; Iren Mercato (Genoa), which manages the purchase, trading and sales activities of electrical energy and gas, as well as sales of heat and services; Iren Acqua Gas (Genoa), which manages the integrated water services; Iren Ambiente (Piacenza), which manages waste treatment and disposal plants and Iren Emilia (Reggio Emilia), which manages gas distribution as well as waste collection and treatment services.

The corporate governance of the new company is based on a traditional administration and control system with a Board of Directors with 13 members, of whom 2 are representatives of the non-controlling interests, and an Executive Committee chaired by the Chairman of the Board of Directors and composed of the Deputy Chairman of the Board of Directors, the CEO and the Managing Director.

IRIDE AND F2I WATER INDUSTRIAL POLE

With reference to the Project, described in section on Significant Events to which reference should be made, on 2 July 2010, after the approval issued by Consob on 25 June 2010, the Information Memorandum regarding the voluntary Take-over bid launched by San Giacomo S.r.l. was issued. This regards issued and outstanding ordinary shares of Mediterranea delle Acque S.p.A. On 6 August 2010, the Offer was successfully concluded; as a result, the investment of San Giacomo S.r.l. increased to 96.807%.

The proceedings for the exercise of the right to purchase, under which San Giacomo will become the owner of 100% of Mediterranea delle Acque, are underway. At completion of the proceedings, the stock exchange price for the related shares will be cancelled.

VI. OTHER INFORMATION

CONSOB COMMUNICATION no. DEM/6064293 of 28 July 2006

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

During the first half of 2010, the company was not involved in significant non-recurring events and/or transactions, as defined in the Communication, i.e. events or transactions that are extraordinary, or transactions or events that are not frequent in the ordinary conduct of business. Consistently with the financial statements at 31 December 2009, in the first half of 2009, the non-recurring event is related to the recovery of the alleged State aid in favour of former AEM Torino S.p.A. and former AMGA S.p.A. For further information, reference should be made to note 47_Consob Communication no. DEM/6064293 of 28 July 2006.

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

In the first half of 2010, the company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near period end), give rise to concerns about: the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets, protection of minority shareholders.

PUBLICATION OF THE HALF-YEAR REPORT

The Half-Year Report was authorised for publication by Iride S.p.A.'s Board of Directors during the meeting held on 26 August 2010.

VII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

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

ASSETS

NON-CURRENT ASSETS

NOTE 1_ PROPERTY, PLANT AND EQUIPMENT

The breakdown and changes in property, plant and equipment may be analysed as follows:

	Amounts in thousands of Euro				
	31.12.2009	Increases	Depreciation	Disposal and other changes	30.06.2010
Land	21,756	-	-	(527)	21,229
Buildings	130,262	596	(2,696)	(1,427)	126,735
Plant and machinery	864,281	9,276	(25,467)	5,765	853,855
Transferable assets	350,447	710	(9,878)	73	341,352
Equipment	10,594	569	(722)	(4,719)	5,722
Other assets	9,173	5,087	(1,517)	170	12,913
Assets under construction and advances	301,066	110,313	-	(3,595)	407,784
Assets under finance lease	4,868	-	(167)	-	4,701
Total	1,692,447	126,551	(40,447)	(4,260)	1,774,291

Assets under construction amounted to Euro 384,162 thousand (Euro 276,519 thousand at 31 December 2009) and mainly refer to works carried out on the gas carrier Golar Frost, purchased by OLT Offshore, of which a conversion in regasification plant is under way, within the execution project of the Livorno regasification terminal (OLT project) and the building of a cogeneration power plant of Torino Nord. Advances to suppliers amounted to Euro 23,622 thousand (Euro 24,547 thousand at 31 December 2009) and mainly refer to advances related to the "Torino Nord" combined-cycle cogeneration power plant. Investments of the period include internal labour costs of Euro 4,007 thousand, capitalised inventory costs, costs for works and services of Euro 3,328 thousand and capitalised financial charges of Euro 3,329 thousand.

Assets under finance lease amount to Euro 4,701 thousand (31 December 2009: Euro 4,868 thousand), and relate to finance leases through which all ownership-related risks and rewards are substantially transferred to the Group. In particular, these are an industrial complex located in the municipality of Turin, a gas network in Campagnatico (GR), vehicles, equipment and IT materials.

NOTE 2_ INVESTMENT PROPERTY

Investment property is as illustrated in the following table:

	Amounts in thousands of Euro				
	31.12.2009	Increases	Depreciation	Reclassifications	30.06.2010
Land	409	-	-	79	488
Buildings	1,803	-	(34)	630	2,399
Total	2,212	-	(34)	709	2,887

These regard the share of the investment property of Società Acque Potabili proportionately consolidated, mostly concerning buildings held to earn rentals, and the investment property of the subsidiary Mediterranea delle Acque.

The reclassification column refers to the modification of the sales plan of properties of the subsidiary Mediterranea delle Acque, which restated some assets previously held for sale to item Investment property. In accordance with IFRS 5, the reclassification involved the recovery of depreciation not carried out over the period in which the involved assets were classified under assets held for sale.

NOTE 3_ INTANGIBLE ASSETS

The breakdown and changes in intangible fixed assets may be analysed as follows:

	Amounts in thousands of Euro				
	31.12.2009	Increases	Amortisation	Disposal and other changes	30.06.2010
Industrial patents and similar rights	235	13	(50)	(34)	164
Licences, trademarks and similar rights	653,865	26,130	(15,671)	(37,422)	626,902
Other intangible assets	13,232	3,946	(2,907)	(2,013)	12,258
Assets under development and advances	40,610	6,628	-	(859)	46,379
Total	707,942	36,717	(18,628)	(40,328)	685,703

Industrial patents and similar rights, equal to Euro 164 thousand (31 December 2009: Euro 235 thousand) mainly relate to exclusive rights on technical studies relating to the statistical trend of network losses, amortised over five years.

"Licences, trademarks and similar rights", equal to Euro 626,902 thousand (Euro 653,865 thousand at 31 December 2009), is mainly composed of assets measured in accordance with the application, as from 1 January 2010, of IFRIC 12 on the business sectors of natural gas distribution and the Integrated Water Service as well as the rights on water mains by virtue of the concessions granted by the municipality of Genoa and other neighbouring municipalities.

"Other intangible assets" of Euro 12,258 thousand (Euro 13,232 thousand at 31 December 2009) mainly consists of:

- costs incurred for internal production of software in adaptation of applications under licence of Euro 3,758 thousand (Euro 4,039 thousand at 31 December 2009), amortised over three to five years;
- acquisition costs for ordinary maintenance services for electrical and special systems of the Municipality of Turin, capitalised and amortised over fifteen years based on the duration of the agreement, of Euro 1,584 thousand (31 December 2009: Euro 1,760 thousand).

"Assets under development and advances", equal to Euro 46,379 thousand (Euro 40,610 thousand at 31 December 2009), is mainly composed of assets recognised based on the application, since 1 January 2010, of IFRIC 12, regarding the sectors of natural gas distribution and Integrated Water Service, as well as software licences of use and related costs borne for implementations. They mainly refer to projects on information and application systems supporting operations.

NOTE 4_ GOODWILL

Goodwill totals Euro 103,925 thousand (31 December 2009: Euro 104,745 thousand) and mainly refers to:

- the majority of Acqua Italia S.p.A. (now *Mediterranea delle Acque*), where the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recorded as goodwill for Euro 23,202 thousand;
- Enel's acquisition of the business branch related to the distribution and sale of electricity to non-eligible customers in the Turin Municipality, in which the positive difference between the purchase cost and fair value of acquired and identifiable assets and liabilities was recorded as goodwill for Euro 64,608 thousand.

In the first half of 2010, no impairment tests were performed as there were no indications of impairment.

NOTE 5_ INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method are those in associates owned by Iride Group, and amount to Euro 313,771 thousand (31 December 2009: Euro 308,219 thousand).

The list of Group companies measured using the equity method at 30 June 2010 and changes since 31 December 2009 are indicated in the following table:

Company	31.12.2009	Changes of the period	Amounts in thousands of Euro	
			Impairment losses Reversals of impairment losses	30.06.2010
A2A Alfa	337	-	-	337
ABM Next	351	(51)	-	300
Acos	6,513	-	(63)	6,450
Acos Energia	442	-	(77)	365
Acqueinforma (in liquidation)	5	-	-	5
Aiga	252	-	45	297
Alegas	1,400	-	-	1,400
Amat	5,589	-	4	5,593
Amat Energia	3	-	(1)	2
Amter	531	-	23	554
ASA	5,084	7,131	(311)	11,904
ASMT	6,013	-	40	6,053
Astea	19,415	(190)	50	19,275
Atena	8,325	-	8	8,333
Castel	433	-	-	433
Il Ceppo	254	-	-	254
Consorzio Servizi Integrati	50	-	-	50
Domus Acqua	28	-	-	28
Edipower	217,309	(3,075)	1,257	215,491
Gas Energia Pluriservizi	789	-	(54)	735
Gesam	6,649	(4)	16	6,661
GICA	539	70	-	609
In.Te.Gra Clienti	17	-	-	17
Livorno holding	8	-	(2)	6
Mestni Plinovodi	8,919	-	-	8,919
Mondoacqua	142	-	-	142
Plurigas	17,672	(4,136)	4,348	17,884
Salerno Energia Vendite	941	(172)	180	949
Sea Power & Fuel	3	-	-	3
Tirana Acque (in liquidation)	47	-	-	47
Valle Dora Energia	-	498	-	498
Veia - Energia Ambiente	159	-	18	177
Total	308,219	71	5,481	313,771

The dividends collected during the period are included in the changes of the period column, and the profit/(loss) for the year of the companies measured using the equity method is included in the impairment losses/reversals of impairment losses column.

NOTE 6_NON-CURRENT FINANCIAL ASSETS INCLUDING DERIVATIVES

These are detailed in the following table:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Other investments	34,297	34,339
Securities other than investments	177	179
Non-current financial receivables	243,195	278,267
Other non-current financial assets	282	887
Total	277,951	313,672

Other investments

This item relates to investments in companies over which the Group has neither control nor significant influence. Since their fair value could not be reliably determined, these investments were maintained at cost, adjusted for any impairment losses.

The list of Group investments in other companies at 30 June 2010 and changes since 31 December 2009 are indicated in the following table.

Company	Amounts in thousands of Euro				
	31.12.2009	Reclassifications	Increases	Impairment losses	30.06.2010
Acque Potabili Siciliane	20	-	-	-	20
Astea Energia	7	-	-	-	7
Alagaz	3	-	-	-	3
AMG	8	(8)	-	-	-
Atena Patrimonio	12,030	-	-	-	12,030
ATO2 Acque società consortile	10	-	15	(15)	10
BCC Battipaglia	2	(2)	-	-	-
CESI S.p.A.	93	-	-	-	93
Consorzio Prometeo in liquidation	2	-	-	-	2
Consorzio SI.RE.	15	-	-	-	15
Consorzio Topix	5	-	-	-	5
Cosme	1	(1)	-	-	-
CSP Innovazione nelle ICT	28	-	-	-	28
Edilmet DOO	10	(10)	-	-	-
Energia Italiana	12,928	-	-	-	12,928
Environment Park	396	-	-	-	396
Fingas	7,917	-	-	-	7,917
Mediterranea	25	(25)	-	-	-
Nord Ovest Servizi	780	-	-	-	780
Rupe	10	-	-	-	10
S.D.B. – Società di Biotecnologie	20	-	-	-	20
Sogea	2	-	-	-	2
Stadio di Albaro	27	-	-	-	27
T.I.C.A.S.S. S.c.a.r.l.	-	-	4	-	4
Total	34,339	(46)	19	(15)	34,297

Securities other than investments

This item contains securities that are measured pursuant to the provisions of IAS 39 - *Financial Instruments: Recognition and Measurement*, as held for sale or as investments held to maturity.

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
"Maestrale" closed-end mutual fund	139	141
Securities as collateral with bodies	38	38
Total	177	179

The 'Maestrale' closed-end mutual fund includes securities available for sale, deposited with Banca Passadore in Genoa, and measured at fair value with changes in fair value recognized in equity.

Securities as collateral with authorities are classified as held-to-maturity investments, and are measured at amortised cost.

Non-current financial receivables

These are detailed in the following table:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Due from joint venture	63,700	63,700
Due from parents	171,216	200,211
Due from associates and other Group companies	1,506	1,068
Due from lease companies	676	845
Other	6,097	12,443
Total	243,195	278,267

Financial receivables due from joint ventures refer to a loan granted by the Parent Iride S.p.A. to the proportionately consolidated subsidiary, AES Torino.

The receivables due from parents regard receivables from the Municipality of Turin on which interest accrues for the Group, and concern the classification of the medium/long-term share of receivables on the current account that governs the trading and financial transactions between the subsidiary Iride Servizi S.p.A. and the Municipality of Turin.

These receivables form part of a global position totalling Euro 289,918 thousand spread across several financial statements items depending on their nature and maturity (Note 10 "Trade receivables" – receivables from parents and Note 13 "Current financial assets including derivatives" – Financial receivables from parents).

Specifically, the balance of trade receivables from the Municipality of Turin has decreased by around Euro 8,023 thousand (net of the allowance for impairment) and the balance of current and non-current financial receivables has decreased by Euro 6,299 thousand. The Iride Group's total exposure from the Municipality of Turin has therefore decreased by Euro 14,322 thousand since 31 December 2009. From a Directors' assessment based on average payments over the last twelve months, it is estimated that around Euro 171,216 thousand of these receivables are due after one year.

In the first half of 2010 the impairment losses on receivables from the Municipality were constantly monitored by the Company together with the Municipal officials so that proper steps would be taken to permit the settlement. An action plan aimed to reduce receivables was agreed upon with the Town Council.

A table containing the total of the receivables due from the Municipality of Turin follows:

Receivables due from the Municipality of Turin	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Trade receivables for services on invoices issued	21,331	30,275
Trade receivables for services on invoices to be issued	7,931	2,867
Trade receivables for electrical energy and other supplies	12,108	15,961
Allowance for impairment	(7,040)	(6,750)
Total trade receivables	34,330	42,353
Financial receivables in current account - non-current	171,216	200,211
Total non-current financial receivables	171,216	200,211
Financial receivables in current account - current	70,000	46,000
Financial receivables for interest invoiced	12,753	9,930
Financial receivables for interest to be invoiced	1,619	5,746
Total current financial receivables	84,372	61,676
Total	289,918	304,240

Financial receivables due from lease companies relate to a finance lease agreed in 2004 for the sale of the Lingotto refrigeration plant located in Turin. This contract has a term of 9 years.

Included amongst the receivables due from others was the portion of the amount paid by OLT Offshore as guarantee of the contract entered into with SAIPEM of Euro 4,171 thousand.

Other non-current financial assets

These amount to Euro 282 thousand (Euro 887 thousand at 31 December 2009) and relate to the fair value of derivatives. Reference should be made to the section on 'Risk management' in chapter III for comments.

NOTE 7_ OTHER NON-CURRENT ASSETS

These are detailed in the following table:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Guarantee deposits	5,823	6,770
IRPEF advances on post-employment benefits	288	322
Prepayments	9,542	11,302
Tax assets due after more than one year	1,761	1,761
Other	3,686	3,607
Total	21,100	23,762

IRPEF advances on post-employment benefits were made in accordance with Law no. 140/1997. In accordance with the relevant legislation, this amount is being recovered since 1 January 2000 and is revalued annually on the basis of the same criteria used to revalue the post-employment benefits.

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

NOTE 8_ DEFERRED TAX ASSETS

This item amounts to Euro 100,900 thousand (31 December 2009: Euro 88,212 thousand) and refers to deferred tax assets arising from costs deductible in future years.

Reference should be made to the income statement, note 42 'Income tax expense', for further details.

CURRENT ASSETS**NOTE 9_ INVENTORIES**

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Materials	22,579	23,108
Provision for the write-down of inventories	(1,428)	(1,292)
Fuel oil and diesel	14,134	15,003
Contract work in progress	2,430	2,198
Total	37,715	39,017

The provision for the write-down of inventories was set up in order to consider obsolete and slow-moving inventories.

At 30 June 2010, there are no inventories earmarked to guarantee liabilities.

NOTE 10_ TRADE RECEIVABLES

These are detailed in the following table:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Due from customers	509,523	519,291
Due from joint ventures	135	113
Due from associates	35,766	39,284
Due from parents	69,885	69,892
Due from other Group companies	37,524	43,974
Other	1,553	3,233
Total	654,386	675,787

Receivables from customers

These mainly relate to receivables due for electrical energy, gas, water and heat supplies. The balance takes into account the allowance for impairment of Euro 47,348 thousand (Euro 47,067 thousand at 31 December 2009). These receivables do not include those relating to the supply of electricity and heat to the Municipality of Turin and gas, water and heat to the Municipality of Genoa, classified under receivables from parents.

Receivables from subsidiaries and joint ventures

These are receivables of the parent Iride S.p.A. from AES Torino S.p.A. of Euro 104 thousand (Euro 62 thousand at 31 December 2009) and Gruppo Società Acque Potabili of Euro 31 thousand (Euro 51 thousand at 31 December 2009). They relate to normal trade transactions under market conditions.

Receivables from associates and other Group companies

These amount to Euro 73,290 thousand (Euro 83,258 thousand at 31 December 2009), concern receivables from a number of investee companies not included in the consolidation scope and refer to normal trade transactions under market conditions.

Receivables from parents

Receivables from parents mainly relate to trade receivables due from the Municipality of Turin for electrical energy and heat services (for further information see note 6, "non-current financial receivables from parents") and from the Municipality of Genoa for works, gas, water and heat supply and other current assets.

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Receivables from the Municipality of Turin	41,370	49,102
Receivables from the Municipality of Genoa	37,024	29,026
Receivables from other parents	31	14
Total	78,425	78,142
Allowance for impairment	(8,540)	(8,250)
Total net receivables	69,885	69,892

Reference should be made to the comment in Note 38 "Provisions" of the income statement for information on the variation in the allowance for impairment.

Receivables due from the Municipality of Turin mainly relate to sums due from the supply of electricity by the subsidiary Iride Mercato, and management of services provided by the subsidiary Iride Servizi for public lighting, traffic lights, heat and electricity in municipal authority buildings and global service management of the Turin Court House.

Receivables from the Municipality of Genoa relate to the sale of goods and services by the Group through:

- Iride Mercato, which provides electrical energy and gas supplies at the same conditions as for the other customers;
- CAE AMGA Energia S.p.A., a subsidiary of Iride Mercato, which provides services relating to the management of air conditioning systems in public buildings and to the management of technological systems at sports and public service facilities, based on long-term contracts;
- Mediterranea delle Acque S.p.A., a subsidiary of Iride Acqua Gas, which provides the offices and facilities of the Municipality of Genoa with drinking water and sewers based on supply contracts similar to those signed with the other customers.

Receivables from other parents related to the amounts due to the parent Iride S.p.A. from F.S.U. S.r.l.

Other trade receivables

Other trade receivables mainly relate to advances to suppliers paid by the Group companies.

NOTE 11 TAX ASSETS

These mainly include receivables for taxation on profit for the period. This item also includes that part of the receivables requested for reimbursement from the taxation authorities.

These amount to Euro 39,405 thousand (31 December 2009: Euro 7,842 thousand) and regard IRAP and IRES advances (Euro 36,625 thousand, compared to Euro 3,712 thousand at 31 December 2009) and other tax assets (Euro 2,780 thousand, compared to Euro 4,130 thousand at 31 December 2009).

The increase is due to the payment of the account on taxes made by Iride S.p.A., as the Group's Parent for tax purposes.

NOTE 12_ OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are detailed in the following table:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Receivables from gas, water mains and electrical compensation funds	46,876	47,357
Receivables from personnel	241	323
Compensation for damage to equipment	535	512
Receivables for Group tax consolidation and VAT	1,056	26,702
VAT receivables	10,232	7,273
Receivables for reimbursement of UTIF	11,129	14,735
Prepayments	26,462	18,634
Green certificates	99,083	73,016
Sundry receivables	5,638	3,177
Total	201,252	191,729

Receivables from gas, water mains and electrical compensation funds refer to the portion of repayment of the higher fuel cost for heat production not yet collected at period end, as well as receivables due for energy efficiency certificates submitted for cancellation, tariff components to be credited to the gas selling companies and a credit position related to the compensatory mechanism for natural gas carriage.

Receivables from personnel include receivables for loans granted to employees, advances on pensions, wages and salaries and travel expenses.

Prepayments mainly refer to prepayments for instalments related to maintenance of plants, concession fees for depurators and water concessions.

NOTE 13_ CURRENT FINANCIAL ASSETS INCLUDING DERIVATIVES

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

The details of current financial assets including derivatives are provided below:

Available-for-sale financial assets

At 30 June 2010 they were nil, while at 31 December 2009, the item was equal to Euro 2,000 thousand and referred to:

- bonds of Euro 500 thousand acquired from Banca della Maremma by the subsidiary GEA S.p.A. under the contract dated 16 May 2005, renewed on 26 October 2007, which provides for a half-yearly coupon at variable rate.
- deposit certificates of Euro 1,500 thousand signed by the subsidiary GEA S.p.A. at the Banca della Maremma on 11 December 2009.

Bonds and deposit certificates expired over the first half of 2010.

Financial receivables from Group companies

These amount to Euro 169,790 thousand (Euro 119,110 thousand at 31 December 2009) and refer, as for Euro 36,885 thousand (Euro 37,579 thousand at 31 December 2009), to receivables due from AES Torino, a proportionately consolidated joint venture, for centralised treasury management and interest; as for Euro 125,722 thousand (Euro 67,426 thousand at 31 December 2009), to receivables from OLT Offshore, a proportionately consolidated joint venture, for the loan obtained from Iride Mercato; as for Euro 6,614 thousand (unchanged compared to 31 December 2009), to receivables from the associate ASA, for the loan granted by Iride Mercato; and as for Euro 569 thousand (nil at 31 December 2008), for receivables from the associate ASTEA for the loan received from GPO.

At 31 December 2009, Euro 7,491 thousand were also recorded as receivables from the associate ASA for the loan received from the company AGA. Over the first half of 2010, this loan was converted into share capital of the investee.

Financial receivables from parents

They regard receivables on which interest accrues for the Group, and amount to Euro 84,372 thousand (Euro 61,676 thousand at 31 December 2009). They concern the balance of the current account used for trade and financial relations between Iride Servizi S.p.A. and the Municipality of Turin, a contract in effect since 1 October 2004 (reference should be made to Note 6, "Non-current financial receivables from parents")

for further details). Specifically, receivables overdue by more than 105 days are recorded on the current account. This contract was renewed in 2007.

The directors calculated the amount on the basis of an estimate that identifies the part of the receivables reasonably due within the year; the remaining part of the financial receivables from the Municipality was therefore classified in the "non-current financial receivables – receivables from parents" (Euro 171,216 thousand).

Other financial receivables

These amount to Euro 1,392 thousand (31 December 2009: Euro 1,642 thousand). They include the short-term portion of finance lease receivables, prepayments and accrued income of a financial nature and other financial receivables.

Other financial assets

These amount to Euro 2,053 thousand (31 December 2009: Euro 150 thousand) and refer to the positive fair value of a commodities derivatives contract signed by Iride Mercato.

NOTE 14_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Bank and postal accounts	36,362	39,474
Cash-in-hand and cash equivalents	717	899
Total	37,079	40,373

Cash equivalents represent short-term and highly liquid investments that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value, whose original maturity, i.e. upon purchase, is max. 90 days.

NOTE 15_ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amount to Euro 54,578 thousand (Euro 5,837 thousand at 31 December 2009).

The amount of Euro 50,106 thousand refers to the subsidiary Aquamet, for which a "preliminary share disposal agreement" was signed, under which Iride Acqua Gas S.p.A. is committed to the sale of its investment to Mediterranea Energia S.c.a.r.l., which has manifested an interest as buyer. The transaction will be concluded within 30 September 2010, date by which the final sales agreement has to be signed. The following table shows the details:

	Amounts in thousands of Euro	
	30.06.2010	
Property, plant and equipment and investment property	43,367	
Intangible assets	67	
Non-current financial assets including derivatives	464	
Deferred tax assets	182	
Total non-current assets	44,080	
Receivables	5,114	
Cash and cash equivalents	912	
Total current assets	6,026	
TOTAL ASSETS	50,106	

The total includes Euro 3,292 thousand (Euro 4,319 thousand at 31 December 2009) real estate assets of Mediterranea delle Acque S.p.A. and Immobiliare delle Fabbriche S.p.A., for which negotiations are in progress with potential buyers for disposal of properties held for sale, now at sale price definition and finalisation stage.

These property assets are recognised taking into account the Group's commitment to sell. Therefore, assuming the assets are available for immediate sale "as is", and that the carrying amount will as a result be recovered through a sale transaction rather than through the use in company operations, these assets have been reclassified from "Non-current assets" to "Assets held for sale". The amount recognised was determined by choosing the lower of the previous carrying amount and fair value less costs to sell.

During the first half of 2010, the sales program of real estate properties was modified and therefore, with respect to 31 December 2009, some assets previously held for sale were restated to "Investment property". In accordance with IFRS 5, the reclassification involved the recovery of depreciation not carried out over the period in which the involved assets were classified as assets held for sale.

The amount, equal to Euro 1,180 thousand (Euro 1,518 thousand at 31 December 2009), refers to the amount concerning the Società Acque Potabili business unit as to water concessions held in the municipalities of the Lazio region in the province of Rome (Rocca di Papa, Olevano Romano, Capranica Prenestina, Gerano, Rocca Canterano, Canterano) and the water licence in the Municipality of Castrolibero, in the province of Cosenza, for which the sale is highly probable as a pre-agreement with the potential buyer was signed.

LIABILITIES

NOTE 16_EQUITY

Equity may be analysed as follows:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Share capital	832,042	832,042
Reserves:		
- Share premium reserve	105,102	105,102
- Legal reserve	23,862	20,258
- Hedging reserve	(24,291)	(15,074)
- Other reserves	24,260	26,517
Total reserves	128,933	136,803
Retained earnings	226,298	276,142
Profit for the period	70,534	6,397
Equity attributable to owners of the parent	1,257,807	1,251,384
Share capital and reserves attributable to non-controlling interests	117,485	129,728
Non-controlling interests	2,610	5,491
Total consolidated equity	1,377,902	1,386,603

Share capital

The share capital amounts to Euro 832,041,783 (unchanged compared to 31 December 2009), fully paid up and consisting of 737,541,783 ordinary shares with a nominal value of Euro 1 each and 94,500,000 savings shares without voting rights with a nominal value of Euro 1 each.

Savings shares

The 94,500,000 savings shares of Iride, held by Finanziaria Città di Torino, are not listed, have no voting rights and, except for a different order of priority in the allocation of net residual assets in case of company dissolution, they are subject to the same regulation as ordinary shares.

Lastly, in case of sale, the savings shares will be converted automatically, at par, into ordinary shares.

Share premium reserve

The share premium reserve amounts to Euro 105,102 thousand (unchanged compared to 31 December 2009).

Legal reserve

As provided by article 2430 of the Italian Civil Code, following the allocation of 5% of the 2009 profit, the legal reserve increased by Euro 3,604 thousand and amounted to Euro 23,862 thousand at 30 June 2010 (Euro 20,258 thousand at 31 December 2009).

Hedging reserve

With the adoption of IAS 39, changes in fair value of effective hedging derivatives are recognised with a balancing entry directly in equity under the hedging reserve. These contracts have been agreed to hedge exposure to the interest rate risk to variable rate loans and to the price risk with respect to electrical energy and gas purchase contracts.

The amount of this reserve at 30 June 2010, net of the tax effect, is Euro -24,291 thousand (31 December 2009: Euro - 15,074 thousand).

Other reserves

Other reserves amount to Euro 24,260 thousand (Euro 26,517 thousand at 31 December 2009), and primarily comprise the extraordinary reserve. This reserve is made up of the difference, generated by 1996 operations, between the closing equity of Azienda Energetica Municipale at 31 December 1996 and that indicated by the independent expert at 31 December 1995 for an amount of Euro 23,001 thousand, comprising the portions of 2002 profit (Euro 7,487 thousand), 2003 profit (Euro 3,518 thousand), 2004 profit (Euro 23,247 thousand), 2005 profit (Euro 33,572 thousand), 2006 profit (Euro 12,877 thousand) and 2008 profit (Euro 25 thousand) and 2009 profit (Euro 239 thousand), and reclassification of the reserve for accelerated depreciation for Euro 10,075 thousand in 2004. This reserve was utilised in 2008 by the sum of Euro 60,723 thousand, by Euro 26,625 thousand in 2009 and by Euro 2,496 thousand in 2010 for the distribution of extraordinary dividends, and at 30 June 2009 therefore totals Euro 24,197 thousand (31 December 2009: Euro 26,454 thousand).

Retained earnings

These amount to Euro 226,298 thousand (31 December 2009: Euro 276,142 thousand). It includes, inter alia, the differences arising on IFRS first-time adoption from the transition from application of Italian GAAP to IFRS (except for the amounts accounted for in the hedging reserve).

Dividends

At the ordinary shareholders' meeting of Iride S.p.A. held on 30 April 2010, the distribution of a Euro 0.085 per share dividend was approved. The dividend amounting to Euro 70,724 thousand was paid from 24 June 2010.

NON-CURRENT LIABILITIES**NOTE 17_ NON-CURRENT FINANCIAL LIABILITIES**

These total Euro 1,310,880 thousand (31 December 2009: Euro 1,338,039 thousand), and consist of:

Non-current bank loans and borrowings

Medium/long-term loans relate exclusively to the non-current portion of loans granted by banks and amount to Euro 1,274,245 thousand (Euro 1,317,822 thousand at 31 December 2009).

Medium/long-term loans may be analysed by interest rate type and expiry date as shown in the following table.

Medium/long-term loans	Expiry	Amounts in thousands of Euro							
		2010	2011	2012	2013	2014	Beyond	30.06.2010 Total payables	31.12.2009 Total payables
- fixed rate	2010-2024	28	11,025	22,082	21,909	21,633	146,274	222,951	233,661
- variable rate	2010-2023	-	23,212	433,758	184,775	190,792	218,757	1,051,294	1,084,161
TOTAL		28	34,237	455,840	206,684	212,425	365,031	1,274,245	1,317,822

Loans are all denominated in Euro, apart from a marginal portion in Yen with an exchange rate hedge to be paid by the government (Law no. 956 of 9 December 1977).

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

Medium/long-term loans	Amounts in thousands of Euro			
	31.12.2009 Total payables	Changes	Exchange rate differences and amortised cost adjustments	30.06.2010 Total payables
- fixed rate	233,661	(10,704)	-	222,951
- variable rate	1,084,161	(33,119)	-	1,051,294
Total	1,317,822	(43,823)	-	1,274,245

Total medium to long-term loans at 30 June 2010 are lower than at 31 December 2009.

No new medium-term bank loans were finalised or used in the first half of 2010. The credit line of Euro 100 million remains available for use in up to 15 years, granted at the end of 2008 for a total amount of Euro 200 million to the Iride Group by the European Investment Bank, of which Euro 100 million were used at the end of 2009.

The decrease in medium/long term loans in the first half of 2010 amounted to Euro 43,823 thousand and originates from reclassification to short term of loans maturing within 12 months and loans of AQUAMET under liabilities to be transferred.

Finance lease liabilities

Finance lease liabilities relate to assets held by the Group under finance leases. These amount to Euro 1,773 thousand (31 December 2009: Euro 1,977 thousand).

Other financial liabilities

These amount to Euro 34,862 thousand (Euro 18,241 thousand at 31 December 2009); Euro 33,014 thousand refers to the fair value of derivative contracts agreed by Iride as hedges against interest rate risk from interest on floating rate mortgages, and Euro 1,848 thousand refer to sundry financial payables.

NOTE 18_ EMPLOYEE BENEFITS

Changes in this item during the first half of 2010 were as follows:

	Amounts in thousands of Euro
Amount at 31 December 2009	63,827
Current service costs	269
Financial expense	1,616
Releases and withdrawals	(2,676)
Change in the consolidation scope/Other changes	(916)
Amount at 30 June 2010	62,120

Liabilities for employee benefits consist of:

Post-employment benefits

Post-employment benefits underwent the following movements during the first half of 2010:

	Amounts in thousands of Euro
Amount at 31 December 2009	46,915
Current service costs	114
Financial expense	1,170
Releases and withdrawals	(1,969)
Change in the consolidation scope/Other changes	(916)
Amount at 30 June 2010	45,314

Other benefits

The other defined benefit plans may be analysed as follows:

Additional months' salaries (long-service bonus)

	Amounts in thousands of Euro
Amount at 31 December 2009	2,630
Current service costs	55
Financial expense	72
Disbursements/releases	(137)
Change in the consolidation scope/Other changes	-
Amount at 30 June 2010	2,620

Loyalty bonus

	Amounts in thousands of Euro
Amount at 31 December 2009	1,984
Current service costs	39
Financial expense	43
Disbursements/releases	(140)
Change in the consolidation scope/Other changes	-
Amount at 30 June 2010	1,926

Electricity discount

	Amounts in thousands of Euro
Amount at 31 December 2009	12,298
Current service costs	61
Financial expense	331
Disbursements/releases	(430)
Change in the consolidation scope/Other changes	-
Amount at 30 June 2010	12,260

NOTE 19_ PROVISIONS

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

	Amounts in thousands of Euro			
	31.12.2009	Increases	Decreases	30.06.2010
Provision for risks	96,653	16,095	(1,948)	110,800
Provision for the renewal of transferable assets	7,955	1,320	(713)	8,562
Provision for former employees	1,258	-	-	1,258
Other provisions	232	-	-	232
Total provisions	106,098	17,415	(2,661)	120,852

Provision for risks

The provision for risks mainly relates to the potential risk of greater charges for the construction of equipment that is finished or still to be finished and the potential risk of disbursements relating to higher social security contributions (INPS) for ordinary and extraordinary redundancy pay and job mobility. A provision, equal to Euro 1,657 thousand, was also created following the uncertainties related to the liquidation of the joint venture Acque Potabili Siciliane, as resolved by the Shareholders' Meeting of the same company on 30 July 2010.

Increases mainly refer to the possible disbursement of higher contributions to be paid to INPS for the ordinary and extraordinary redundancy and mobility, the provision for estimated ICI tax calculated on the value of plant systems as envisaged in art. 1-*quinquies* of Italian Law Decree no. 44 of 31 March 2005, and the possible payment to AEEG of losses for electricity for the non-eligible market, following the ruling no. 02943/2010 of the State Council.

Provision for the renewal of transferable assets

The provision for the renewal of transferable assets reflects the measurement of the expense necessary to return the assets freely and in perfect working order at the end of the licence period.

Provision for former employees

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

The current part referring to the provisions described above is reclassified under the item "provisions, current portion" (note 26).

NOTE 20_ DEFERRED TAX LIABILITIES

Deferred tax liabilities of Euro 142,860 thousand (31 December 2009: Euro 102,337 thousand) arise from the temporary differences between the carrying amount and the amount recognised for taxation purposes of recognised assets and liabilities.

As for the half year of 2010, consistently with actions taken during the first half year of 2009, net estimated tax amounts for the period were allocated to this provision. These resulted from the best estimate of the annual weighted average of the tax rates expected for the entire year.

Deferred taxation is calculated with reference to the expected tax rates applicable in the year in which the differences will reverse.

Reference should be made to the income statement, note 42 'Income tax expense', for further details.

NOTE 21_ OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item consists of the following items:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Deferred income	4,309	4,677
Other sums payable	7,602	7,263
Total	11,911	11,940

Deferred income relates to the portion of revenue falling due after the following year and arising from activities mainly requested by telecommunications users, invoiced in the period and in the previous years, but accruing in the future.

Other sums payable relate to advances paid by users to guarantee water supply.

CURRENT LIABILITIES**NOTE 22_ CURRENT FINANCIAL LIABILITIES**

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

Short-term financial liabilities can be analysed as follows:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Bank loans	665,431	527,599
Financial payables to parents	16,972	3,893
Finance lease liabilities	457	526
Other financial payables	92,328	49,141
Other financial liabilities	2,721	1,919
Total	777,909	583,078

Bank loans

Short-term bank loans may be analysed as follows:

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Loans - current portion	178,202	183,026
Other short-term payables to banks	485,202	342,511
Accrued financial expenses and deferred financial income	2,027	2,062
Total	665,431	527,599

Financial payables to parents

Financial payables to parents amount to Euro 16,972 thousand (31 December 2009: Euro 3,893 thousand) and relate to financial payables due to FSU s.r.l. for the agreement regarding the assignment by FSU s.r.l. of management of temporary cash surpluses to Iride S.p.A., and amounts due for interest expense on financial transactions in the year.

Finance lease liabilities

These amount to Euro 457 thousand (31 December 2009: Euro 526 thousand).

Other financial payables

These total Euro 92,328 thousand (31 December 2009: Euro 49,141 thousand) and mostly refer to the pro quota portion of OLT Offshore payables due to its shareholder E.On.

Other financial liabilities

These amount to Euro 2,721 thousand (Euro 1,919 thousand at 31 December 2009) and refer to the negative fair value of commodities derivative contracts signed by Iride Mercato S.p.A..

NOTE 23_ TRADE PAYABLES

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

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Accounts payable to creditors	471,390	484,743
Payables to Group companies	38,490	68,906
Payables to parents - Municipality of Turin	3,137	2,269
Payables to parents - Municipality of Genoa	14,934	13,525
Advances from consumers	2,305	2,124
Other advances	107	68
Payables to customers for guarantee deposits	15,251	15,080
Payables to customers for charges to be reimbursed	1,382	1,382
Accrued expenses	33	43
Total	547,029	588,140

Amounts payable to creditors and Group companies mainly refer to payables for the purchase of electrical energy, fuels for the production of electrical energy and heat and methane, as well as for contracts and works and other services specified in item "Services and use of third-party assets" (note 33) in the income statement.

NOTE 24_ OTHER PAYABLES AND OTHER CURRENT LIABILITIES

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

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Social security charges payable	6,708	7,657
Charges payable to compensation funds	44,361	37,937
Sums payable to personnel	16,546	19,314
Payables for consolidation tax system	3,484	22,554
VAT payable	43,214	53,483
UTIF payable	13,344	4,797
Deferred income	11,115	9,341
Other payables	24,589	22,946
Total	163,361	178,029

NOTE 25_ TAX LIABILITIES

Tax liabilities total Euro 25,686 thousand (31 December 2009: Euro 28,283 thousand) and are composed mainly of IRAP and IRES taxes of Euro 6,919 thousand, IRPEF taxes of Euro 5,732 thousand and other tax liabilities of Euro 13,035 thousand.

NOTE 26_ PROVISIONS, CURRENT PORTION

This item totals Euro 57,992 thousand (31 December 2009: Euro 47,730 thousand) and refers to the portion of the provision for risk of Euro 53,200 thousand (31 December 2009: Euro 42,939 thousand) and of the provision for the renewal of transferable assets of Euro 4,792 thousand (31 December 2009: Euro 4,791 thousand) expected to be used within one year.

NOTE 27_ LIABILITIES CLASSIFIED AS HELD FOR SALE

The amount of Euro 22,040 thousand (nil at 31 December 2009) refers to liabilities of the subsidiary Aquamet, for which, on 26 February 2010, a "preliminary share disposal agreement" was signed, under which Irìde Acqua Gas S.p.A. is committed to the sale of its investment to Mediterranea Energia S.c.a.r.l., which has manifested an interest as buyer. The transaction will be concluded within 30 September 2010, date by which the final sales agreement has to be signed. The following table shows the details:

	Amounts in thousands of Euro	
	30.06.2010	
Non-current financial liabilities	9,129	
Provisions and liabilities for deferred taxes	1,482	
Total non-current liabilities	10,611	
Current financial liabilities	6,156	
Trade and other payables	5,273	
Total current liabilities	11,429	
TOTAL LIABILITIES	22,040	

NET FINANCIAL INDEBTEDNESS

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

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Medium and long-term financial assets	(243,476)	(279,153)
Medium and long-term financial indebtedness	1,310,880	1,338,039
Medium and long-term net financial indebtedness	1,067,404	1,058,886
Short-term financial assets	(294,686)	(222,949)
Short-term financial indebtedness	777,908	583,077
Short-term net financial indebtedness	483,222	360,128
Net financial indebtedness	1,550,626	1,419,014

Details of Net Financial Position regarding related parties

Long term financial assets refer as for Euro 63,700 thousand (unchanged since 31 December 2009) to amounts due to the proportionately consolidated joint venture AES Torino, as for Euro 171,216 thousand (31 December 2009: Euro 200,211 thousand) to the long-term portion of the current account for trading and financial relations between the subsidiary Iride Servizi and the Municipality of Turin, and as for Euro 1,506 thousand (Euro 1,068 thousand at 31 December 2009) to amounts from associates and other group companies.

Current financial assets refer as for Euro 84,372 thousand (31 December 2009: Euro 61,676 thousand) to the short position on the current account between the subsidiary Iride Servizi and the Municipality of Turin, as for Euro 36,885 thousand (31 December 2009: Euro 37,579 thousand) to financial receivables due to the proportionately consolidated AES Torino for centralised treasury management services, as for Euro 125,722 thousand (31 December 2009: Euro 67,426 thousand) to financial receivables owed to the proportionately consolidated OLT Offshore on a loan granted, as for Euro 6,614 thousand (Euro 14,105 thousand at 31 December 2009) to receivables from the associate ASA related to a loan granted and as for Euro 569 thousand (nil at 31 December 2009) to receivables from the associate Astea related to a loan granted.

Short-term financial payables to parents amount to Euro 16,972 thousand (Euro 3,893 thousand at 31 December 2009) and relate to financial payables due to the parent FSU S.r.l. for the agreement regarding the assignment of management of temporary cash surpluses to Iride S.p.A., and amounts due for interest expense on financial transactions in the period.

Below is the net financial position as per the structure proposed by the CESR recommendation of 28 July 2006, which does not include long-term financial assets.

	Amounts in thousands of Euro	
	30.06.2010	31.12.2009
Net financial indebtedness	30.06.2010	31.12.2009
A. Cash	(37,079)	(40,373)
B. Other cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash (A) + (B) + (C)	(37,079)	(40,373)
E. Current financial receivables	(257,608)	(182,576)
F. Current bank payables	487,229	344,573
G. Current part of non-current indebtedness	178,202	183,024
H. Other current financial payables	112,478	55,479
I. Current financial indebtedness (F) + (G) + (H)	777,909	583,076
J. Current net financial indebtedness (I) - (E) - (D)	483,222	360,127
K. Non-current bank payables	1,274,245	1,317,822
L. Bonds issued	-	-
M. Other non-current payables	36,636	20,217
N. Non-current financial indebtedness (K) + (L) + (M)	1,310,881	1,338,039
O. Net financial indebtedness (J) + (N)	1,794,103	1,698,166

VIII. NOTES TO THE INCOME STATEMENT

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

REVENUE

NOTE 28_ REVENUE FROM GOODS AND SERVICES

Revenue from electrical energy

Revenue from electrical energy may be analysed as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Sale and transport of electrical energy to third party customers	381,685	442,211
Sales of electrical energy to GRTN, GME and Single Buyer	215,895	191,701
Sale of electrical energy to Turin and Genoa municipalities	12,660	13,379
Sale of electrical energy to related Group companies	12,159	14,679
Electrical energy connection fees	2,832	3,211
Sale of electrical energy - other	3,872	1,523
Total	629,103	666,704

The sale to end customers decreased compared to 2009, mainly due to the different portfolio balancing, although still balanced compared to market trends over the six-month period (23% fixed, 51% IT mix, 26% other indexes). In 2009, in fact, around 35% of sales were fixed and 30% indexed at IT mix. The year 2009, therefore benefited from a portfolio that exploited at best the hysteresis between purchase and sale formulas. In 2010, despite the actual sales price is higher than the stock exchange price and fixed index formulas support margins, the portion of portfolio that is indexed at IT mix was influenced by the collapse of energy indexes, thus generating a shrinkage in margins compared to last year. The actual sales price to end customers is higher than the stock exchange price especially due to the fixed component of the sales portfolio.

As regards the former non-eligible market, the decrease in revenue is mainly due to the fact that, compared to last period, the protected market decreased by around 100 thousand customers due to liberalisation. Most of these customers remained in Iride Mercato (93 thousand). The 2010 result therefore reflects this switch of customers.

Revenue from district heating

Revenue from district heating may be analysed as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Sales	71,322	74,872
Connection fees	6	6
Total	71,328	74,878

The Group is active in supplying heat to customers served by the district heating network and in managing relations with them through the subsidiary Iride Mercato.

The heat production of the plants of the subsidiary Iride Energia was 1,265 GWht, remarkably increasing compared to the same period of 2009 (+16%), thanks to higher consumption due to a colder winter (+11% degrees per day compared to the same period of 2009) and the increase in connected volumes (+2 million cubic metres compared to 2009). Volumes of district heating overcome 46.6 million cubic metres, of which 43.2 million on Turin and 3.4 million on Genoa. For further details, reference is made to the Directors' Report, section "Corporate Performance".

Revenue from gas

Revenue from gas may be analysed as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Gas sales	204,089	200,817
Gas carriage	18,966	17,887
Gas connection fees	1,417	1,392
Total	224,472	220,096

On introduction of the tariff method envisaged in Resolution 159/08, the AEEG established that distributor-related revenue (i.e. the VRT restriction on total revenue) for each year in the 2009-2012 regulatory period must be subject to mandatory tariffs for each tariff category, regardless of the gas volumes actually carried in that year. Any positive or negative difference between the VRT recognised to each distributor in accordance with the Resolution method and revenue from turnover of quantities actually carried to the distributors is governed by an equalisation mechanism involving Cassa Conguaglio del Settore Elettrico credits or debits. This method was applied from 1 July 2009. For further details, reference is made to the Directors' report, section "Corporate Performance".

The item "Sale of gas – other" includes Euro 292 thousand in revenue from gas supplies that the subsidiary Iride Mercato provides to the Municipality of Genoa at the same conditions as for other customers.

Revenue from integrated water service

Revenue from integrated water service may be analysed as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Water sales	46,322	45,392
Purification and sewers	24,216	22,227
Connection fees	486	547
Total	71,024	68,166

Revenue from water sales and revenue from purification and sewers of the Genoa basin are calculated based on the respective tariffs for 2010 established by the district plan.

This item includes revenue from drinking water supply and sewer services provided by Mediterranea delle Acque S.p.A., a subsidiary of Iride Acqua Gas, to the offices and facilities of the Municipality of Genoa. These activities are governed by supply contracts similar to those signed with the other customers.

Revenue from services

Revenue from services may be analysed as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Revenue from services provided to parents	39,746	42,439
Revenue from services provided to joint ventures and other Group companies	1,494	1,519
Energy service contracts	11,518	11,668
Third party heat management	5,057	5,411
Other services provided to third parties	38,107	34,666
Total	95,922	95,703

Revenue from services provided to parents refers to services provided to the municipalities of Turin (Euro 31,901 thousand) and Genoa (Euro 7,831 thousand), and to FSU S.r.l. (Euro 14 thousand).

Revenue from services provided to joint ventures and other Group companies refers to the services provided to AES Torino S.p.A., which is consolidated on a proportionate basis, and to other Group companies, pursuant to a specific contract.

Revenue from services provided to third parties include Euro 32,342 thousand (Euro 29,502 thousand in the first half of 2009), from revenue generated in the construction and upgrading phase of integrated water service gas distribution infrastructures used to supply the service, have been recorded in accordance with IFRIC 12 since 1 January 2010. The remaining amount includes the management of public lighting systems and district heating systems for third parties, as well as public utility services on behalf of public entities.

NOTE 29 CHANGE IN CONTRACT WORK IN PROGRESS

This item increased by Euro 449 thousand (first half of 2009: increasing by Euro 195 thousand) and mainly relates to work in progress by Iride Servizi for the construction of street lighting systems, traffic light systems and electrical systems. Contract work in progress is measured using the percentage of completion method, net of advances invoiced to customers.

NOTE 30_ OTHER REVENUE AND INCOME

Other revenue and income amount to Euro 93,937 thousand (Euro 100,141 thousand in the first half of 2009) and regard the following:

Grants

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Grants related to plant	906	961
Other grants	440	82
Total	1,346	1,043

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

Revenue from energy efficiency certificates

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Green certificates	53,045	52,051
Emission Trading	-	9,413
White certificates	2,204	2,200
Total	55,249	63,664

Other income

The item may be analysed as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Revenue from optical fibre rental	2,117	2,000
Other revenue and income from associates and other Group companies	6,864	7,273
Gains	4	181
Prior year income	15,350	7,198
2001 annual contribution - hydroelectric energy	-	8,125
Sundry repayments	2,749	1,900
Sundry income	8,331	5,665
Revenue and income from fair value of commodity derivatives	1,927	3,092
Total	37,342	35,434

Prior year income arises above all from the settlement of previous years' items with reference to the estimates made in prior years. They mainly refer to contribution settlements received by system entities such as the Single Buyer and Cassa Conguaglio Settore Elettrico and Terna (Euro 12,497 thousand).

Repayments relate to services to customers, insurance compensation, stamp duties, penalties to suppliers for breach of contract and sundry repayments.

Other income from Group companies arises mainly from the sale of materials and customer management and specialised services.

Sundry income refers mainly to contract work for third parties.

EXPENSE**NOTE 31_ PURCHASE OF RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS**

These regard:

Costs for the purchase of electrical energy

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Purchases of electrical energy from Italian producers	16,598	28,428
Purchases of electrical energy from the Single Buyer	51,000	63,487
Purchases of electrical energy from GRTN and GME	146,154	101,668
Purchases of electrical energy from wholesalers	3,640	46,494
Total	217,392	240,077

Costs for the purchase of fuel for electrical energy production and for sale

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Purchases of fuel oil	11,871	18,784
Purchases of methane gas	360,745	359,724
Purchases of coal, diesel and other fuels	1,424	1,922
Total	374,040	380,430

Costs for purchases of fuel for the sale of services

This item amounts to Euro 4,873 thousand (Euro 8,125 thousand in the first half of 2009).

Purchases of water for sale

This item amounts to Euro 1,591 thousand (Euro 1,609 thousand in the first half of 2009).

Costs for trading energy efficiency certificates

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Green certificates	3,148	4,664
Emission Trading	3	7,617
White certificates	931	1,043
Total	4,082	13,324

Costs for the purchase of other raw materials and goods

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Purchases of inventory materials	3,290	8,037
Purchases of other raw materials	8,954	8,776
Total	12,244	16,813

NOTE 32_ VARIATION IN INVENTORIES

Variation in inventories amount to - Euro 2,076 thousand (+ Euro 240 thousand in the first half of 2009), due to the Euro 869 thousand decrease in fuel inventories (down by Euro 210 thousand in the first half of 2009) and to the Euro 1,207 thousand decrease in materials (down by Euro 30 thousand in the first half of 2009).

NOTE 33_ SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are detailed in the following table:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Transport of electrical energy	70,704	55,781
Electrical system costs	30,932	36,659
Tolling fees	30,258	32,319
Other costs of electrical energy	138	138
Gas carriage and storage	4,846	2,809
Heat carriage	14,941	14,647
Tenders and works	52,313	48,425
Sundry maintenance	1,973	1,998
Professional services (studies, design, analysis, etc.)	3,140	3,328
Auditors' fees	588	561
Directors' fees	749	872
Advertising, entertainment and sundry publications	2,298	2,346
Post, telephone and other communication	1,702	1,986
Canteen and meal vouchers	1,235	1,167
Insurance	2,470	4,227
Staff training, courses, seminars and travel expenses	823	964
Legal and notary fees	2,731	2,900
Banking costs	1,144	987
Sludge and waste disposal	1,465	1,723
Technical, administrative and trade consulting	4,883	8,305
Services provided by parents, subsidiaries and other Group companies	5,344	4,782
Charges for meter-reading and various services to users	2,957	2,679
Otehr costs for services	14,293	12,044
Total	251,927	241,647

The tolling fees refer to amounts paid to Edipower under tolling contracts. Such contracts regulate Edipower's generation of electrical energy on behalf of the trading parents, which, besides paying the tolling fees, undertake to supply the fuel necessary for production.

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

Tenders and works mainly relate to operating and maintenance costs for systems and networks.

Use of third-party assets

Costs for the use of third-party assets amount to Euro 6,375 thousand (first half of 2009: Euro 6,352 thousand) and consist of:

- costs for concession fees for the use of water infrastructure amounting to Euro 1,773 thousand (first half of 2009: Euro 1,791 thousand);
- instalments paid by the market operator of the Genoa district to the municipalities pursuant to resolutions no. 8 dated 13 June 2003 and no. 16 dated 22 December 2003 of the Optimal District Authority amounting to Euro 1,630 thousand (Euro 1,519 thousand in the first half of 2009);
- lease of substations and other, hiring and easement of long distance lines to cross land and crossing district heating piping for the residual part.

NOTE 34_ OTHER OPERATING EXPENSE

Other operating expense is shown in the following table:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Instalments and initial down payments paid to obtain permits for shunts	2,808	2,770
Losses on the sale of assets	571	828
Prior year expense	14,998	33,277
Taxes and duties	5,442	5,620
Expense from fair value of commodity derivatives	1,343	1,900
General expense	3,572	3,892
Logistics expense	753	1,235
Charter fees	378	800
Other sundry operating expense	1,021	1,353
Total	30,886	51,675

Prior year expense mainly relates to differences on estimates made in previous years. They mainly refer to contribution settlements paid to system entities such as Cassa Conguaglio Settore Elettrico and Terna (Euro 8,686 thousand). The decrease, compared to the first half of 2009, is due to estimate differences regarding the measurement of green certificates recorded over the first half of 2009.

NOTE 35_ CAPITALISED EXPENSES FOR INTERNAL WORK

This item regards increases in assets recorded in the statement of financial position developed using internal resources. They total Euro 7,335 thousand (Euro 13,758 thousand in the first half of 2009).

NOTE 36_ PERSONNEL EXPENSE

Personnel expense is made up as follows:

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Wages and salaries	50,684	50,636
Social security charges payable	16,267	16,171
Defined benefit plans - post - employment benefits	114	61
Defined benefit plans - other	155	164
Other costs	4,125	4,241
Total	71,345	71,273

"Other costs" include the social security and recreational contribution to ADAEM, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits and contributions to be paid by the employer to supplementary pension funds.

The following table shows changes in the number of employees and their number at the beginning and end of the period:

Company	Workforce at 30.06.2010	Workforce at 31.12.2009	% Change
Iride S.p.A.	74	74	-
AES Torino ⁽¹⁾	159	164	(3.0)
Iride Energia and subsidiaries	737	753	(2.1)
Iride Mercato and subsidiaries	325	319	1.9
Iride Acqua Gas and subsidiaries	1,054	1,052	0.2
Iride Servizi and subsidiaries	202	209	(3.3)
Total	2,551	2,571	(0.8)

(1) Pro quota

The impact of personnel expense on total revenue for the first half of 2010 was 6.01% (first half of 2009: 5.81%).

NOTE 37_ AMORTISATION/DEPRECIATION

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Property, plant and equipment	40,481	37,543
Intangible assets	18,628	17,044
Total	59,109	54,587

NOTE 38_ PROVISIONS

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Allowance for impairment	8,153	6,879
Provisions for risks	14,065	6,296
Other provisions	1,048	807
Releases	(588)	(99)
Total non-current assets	773	-
Total	23,451	13,883

The analysis of the allowance for impairment and variations therein are shown in the following table:

	Amounts in thousands of Euro			
	At 31.12.2009	Increases	Decreases	At 30.06.2010
Allowance for impairment	55,316	8,153	(4,820)	58,649

The analysis of the provisions for risks and charges and variations therein are given in the comment to the statement of financial position item "Provisions" (note 19).

NOTE 39_ FINANCIAL INCOME AND EXPENSE

Financial income

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

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Interest income from parents and joint ventures	3,056	5,612
Interest in arrears	1,373	1,796
Interest income from derivatives	465	2,470
Bank interest income	40	227
Fair value gains on derivatives	-	107
Income from investments	4	12
Exchange gains	80	1,014
Other financial income	287	525
Total	5,305	11,763

Interest income from parents and joint ventures includes Euro 1,622 thousand interest on loans (Euro 3,704 thousand in the first half of 2009) accrued on current account trading between Iride Servizi and the Municipality of Turin. For further details, reference should be made to Note 6 "Non-current financial assets including derivatives - Non-current financial receivables".

Financial expense

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

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Bank interest expense	17,781	23,886
Capitalised financial charges	(3,329)	(1,660)
Interest expense from tax exemption	-	29,888
Interest expense from derivatives	10,108	6,567
Employee benefits	1,616	1,572
Fair value gains on derivatives	168	72
Exchange losses	257	304
Other interest expense	2,759	3,452
Total	29,360	64,081

Reference should be made to the note to the statement of financial position item "Employee benefits" for details of financial expense on employee benefits.

Interest expense from tax exemption in the first half of 2009 was calculated in accordance with art. 3, subsection 3, European Commission Decision 2003/193/EC. For further information, reference should be made to Note 42 "Income tax expense".

NOTE 40_ SHARE OF PROFIT (LOSS) OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

This item recorded a profit of Euro 5,499 thousand (first half of 2009: a profit of Euro 3,960 thousand), and relates to the measurement of the associates using the equity method.

Specifically, this refers to revaluations of Euro 5,988 thousand and impairment losses of Euro 489 thousand.

Further details regarding these investments are set forth in Note 5 "Investments accounted for using the equity method".

NOTE 41_ IMPAIRMENT LOSSES ON INVESTMENTS

They amounted to Euro 33 thousand and related to impairment losses on investments in ASA (Euro 19 thousand) and ATO2 Acque società consortile (Euro 14 thousand). In the first half of 2009, these totalled Euro 1,486 thousand and related mainly to impairment losses on investments in ASA (Euro 426 thousand), ASMT (Euro 1,000 thousand), Acque Potabili Siciliane S.p.A. (Euro 58 thousand) and A2A Alfa (Euro 2 thousand).

NOTE 42_ INCOME TAX EXPENSE

Income taxes for the first half of 2010 are estimated at Euro 43,275 thousand (Euro 51,487 thousand in the first half of 2009). These resulted from the best estimate of the tax rate expected for the entire year. The Group tax rate for the first half of 2010 was 37%, lower than the figure for the first half of 2009 (57%) due to the impact of non-recurring tax effects.

In the first half of 2009, non-recurring and exceptional elements affecting the tax rate were:

- art. 56 of Italian Law no. 99 dated 23 July 2009 envisaging a 1% increase in the additional IRES (the "Robin Hood Tax") for entities which, amongst other things, produce and market gas and electrical energy.
- The recovery of state aid as notified to Iride S.p.A. by the Tax Authority.

Reference should be made to the 2009 financial statements regarding legislative developments following the issue of European Commission Decision 2003/193/EC on recovery of the above-mentioned state aid.

The total recovery in the first half of 2009 amounted to around Euro 60 million, Euro 30 million of which recovery of taxes and Euro 30 million arrears interest calculated in accordance with art. 3, subsection 3 of the above-mentioned EC Decision.

The non-recurring elements that had instead a positive impact on taxes of the first half of 2010 are as follows:

- Inapplicability (following Ministerial clarifications) for 2009 of the 1% increase of the so-called “Robin Hood Tax” rate (additional IRES). Lower taxes resulted, amounting to Euro 1,317 thousand.
- Tax concessions for investments (so-called Tremonti Ter), provided for by Law Decree no. 78 of 1/7/2009, converted to Law no. 102/2009, consisting in the reduction of the company income, for an amount of 50% of the value of investments made, within 30 June 2010. Lower taxes resulted, totalling Euro 8,663 thousand.

The adjusted tax rate net of its non-recurring effects is therefore 45% (30 June 2009: 43%).

NOTE 43 PROFIT FROM DISCONTINUED OPERATIONS

Pursuant to IFRS 5, this item shows a positive balance of Euro 829 thousand (Euro 733 thousand in the first half of 2009) and refers both to the profit of Aquamet, whose sale is expected within year end and to capital gains deriving from the sale of a portion of the Group real estate assets. For further information on the transaction regarding Aquamet, reference is made to the Directors' Report, section “Significant events”. Aquamet’s profit for the period is broken down in the following table.

	Amounts in thousands of Euro	
	First Half of 2010	First Half of 2009
Revenue	4,050	4,110
Operating expense	(1,787)	(1,891)
Gross operating profit	2,263	2,219
Amortisation, depreciation and provisions	(726)	(690)
Operating profit	1,537	1,529
Financial expense	(301)	(293)
Profit before tax	1,236	1,236
Income tax for the period	(439)	(503)
Profit for the period	797	733

NOTE 44 PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounts to Euro 2,610 thousand (Euro 2,089 thousand in the first half of 2009), relates to the share of profit of non-controlling interests of companies that are fully consolidated but not wholly owned by the Group. These are Nichelino Energia S.r.l., SasterNet S.p.A., AGA S.p.A., San Giacomo S.r.l., Mediterranea delle Acque S.p.A., Idrotigullio S.p.A., Consorzio GPO, Aquamet S.p.A., GEA S.p.A. and Laboratori Iride Acqua Gas S.r.l.

NOTE 45 EARNINGS PER ORDINARY AND SAVINGS SHARE

Basic earnings per share are calculated by dividing profit by the weighted average number of shares outstanding during the period.

	First Half of 2010	First Half of 2009
Profit (thousands of Euro)	70,534	37,399
Weighted average number of shares outstanding during the period (thousand)	832,042	832,042
Basic earnings per share (Euro)	0.08	0.04

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

	First Half of 2010	First Half of 2009
Profit (thousands of Euro)	70,534	37,399
Weighted average number of shares (thousand)	832,042	832,042
Assumed exercise of warrants (thousand)	-	-
Weighted average number of shares to calculate the diluted earnings per share (thousand)	832,042	832,042
Diluted earnings per share (Euro)	0.08	0.04

NOTE 46_ OTHER COMPREHENSIVE INCOME

The effective portion of changes in fair value of cash flow hedges was negative by Euro 16,163 thousand (Euro 10,986 thousand in the first half of 2009) and includes Euro 17,263 thousand related to the negative change in interest rate hedges and Euro 1,100 thousand related to the positive change in commodity price hedges (electrical energy and gas).

The portion of other profit/(loss) of companies accounted for using the equity method recorded a positive Euro 2,641 thousand, relating to the change in fair value of cash flow hedges arranged by Edipower (positive for Euro 670 thousand) and Plurigas (positive for Euro 1,971 thousand).

The positive tax effect of other comprehensive income amounting to Euro 4,174 thousand refers to the effective portion of changes in fair value of cash flow hedges for Euro 5,109 thousand and the portion of other profits/(losses) of companies accounted for using the equity method totalling Euro 935 thousand.

NOTE 47_ CONSOB COMMUNICATION NO. DEM./6064293 OF 28 JULY 2006

No non-recurring events were recorded in the first half of 2010. In the first half of 2009, the non-recurring event is related to the recovery of the alleged State aid in favour of former AEM Torino S.p.A. and former AMGA S.p.A, which generated a non-recurring charge equal to Euro 36,737 thousand. More specifically, the charge refers as for Euro 6,848 thousand to the principal and as for Euro 29,889 thousand to interest expense.

IX. GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES

These relate to:

- a) Sureties for Group commitments of Euro 202,787 thousand (31 December 2009: Euro 226,384 thousand); the most significant items being sureties issued to:
 - •SNAM Rete Gas for Euro 66,120 thousand, of which Euro 61,500 in the interest of OLT Offshore LNG Toscana with reference to the construction of a delivery point, Euro 2,910 to guarantee the construction of the Torino Nord supply point and Euro 1,710 to guarantee upgrading of the supply point for the Moncalieri plant;
 - the Electricity Market Operator (GME) for Euro 30,600 thousand to guarantee the market participation contract;
 - ENEL for Euro 30,392 thousand as a guarantee for the electrical energy transport service contract;
 - ENEL Trade for Euro 21,670 thousand to guarantee the obligations taken on as part of the Single Agreement and Master Agreements signed;
 - Terna for Euro 21,000 thousand, of which Euro 19,000 thousand to guarantee injection and withdrawal dispatching, and Euro 2,000 thousand as guarantee for the electrical energy transport service contract;

- the Customs Authority for Euro 7,702 thousand to guarantee the regular payment of revenue taxes and additional provincial duties on electrical energy consumption;
- Banca Intesa for Euro 7,669 thousand to guarantee the Mestni loan;
- ENI for Euro 3,295 thousand to ACOS for the purchase of gas;
- Moncalieri municipal authorities for Euro 2,949 thousand to guarantee the construction of urbanisation works;
- Nichelino municipal authorities for Euro 1,679 thousand to guarantee soil occupation for installing district heating networks;
- the Municipality of Genoa, for Euro 1,108 thousand, to guarantee works on gas network;
- Ministry of Public Works – Albanese Republic, for Euro 951 thousand, to guarantee works on Bovilla aqueducts;
- European Commission Delegation for Albania, for Euro 866 thousand to guarantee construction of the sewer system;
- CONSIP for Euro 703 thousand to guarantee award of lot 2, 2006 agreement;
- Delegation of European Commission for Euro 608 thousand to guarantee works at the Balishi refinery;
- AZIENDA SVILUPPO MULTISERVIZI SETTIMO T.SE.(A.S.M.) for Euro 600 thousand to guarantee the purchase offer for the gas sales business unit;
- the Province of Turin, totalling Euro 535 thousand, of which Euro 293 thousand to guarantee the shunts on the Dora river;
- ITALGAS for Euro 481 thousand to guarantee the payment of natural gas supply;
- Autostrade, for Euro 363 thousand to guarantee interventions on the motor ways and deferred toll payment;
- AMT for Euro 346 thousand to CAE for participation in a tender;
- ACEA for Euro 341 thousand to guarantee the electrical energy transport contract;
- AEM DISTRIBUZIONE MILANO for Euro 328 thousand to guarantee the energy transport contract.

b) Shares given in lien, totalling Euro 144,130 thousand. These are Edipower shares (each with a nominal value of Euro 1) given in lien to banks.

COMMITMENTS

Iride Mercato S.p.A. - With regard to OLT commitments for launch of the Saipem contract, the Board of Directors of Iride Mercato resolved to authorise Iride Mercato, proportionate to the investment to be retained in the company, to allocate funds to OLT Offshore as required to implement the project, in one or more instalments, as grants, shareholder financing or guarantees.

On 25 July 2008, the share capital increase of OLT Offshore was completed. At their meeting held on 10 January 2007, the shareholders set the increase for a total of Euro 200 million. The company's share capital increased from Euro 23.9 million to Euro 145.75 million. The current shareholding structure envisages a 41.71% investment of Iride Mercato in OLT Offshore LNG, versus the 27.15% before the increase. During the first half of 2010, Iride Mercato increased the loan granted to OLT Offshore LNG, from Euro 115.7 thousand to Euro 215 thousand.

Mediterranea delle Acque S.p.A., in the meeting held on 28 May 2008, the Board of Directors resolved to approve the terms of the financial documents for the loan agreement signed by Acque Potabili Siciliane S.p.A. for the implementation of the investment Program submitted on the occasion of the tender for the thirty-year concession for the management of the user basin of the ATO 1 Palermo. The agreement sets out that the reference Shareholders of Acque Potabili Siciliane S.p.A. – SAP S.p.A., SMAT S.p.A. and Mediterranea delle Acque S.p.A., undertake special obligations to guarantee the maximum total loan of Euro 75 million, through the signature of a "letter of undertakings" and a "letter of patronage".

Over the six-month period, compared to 31 December 2009, the amount due by Acque Potabili Siciliane to Istituti di Credito Dexia Crediop S.p.A. is unchanged and equal to Euro 1,890 thousand.

CONTINGENT LIABILITIES**Mediterranea delle Acque S.p.A.**DISPUTE WITH TAX AUTHORITIES

On 19 July 2007, the Tax Authorities completed tax inspections (started on 23 January 2007) regarding direct taxes and VAT for the 2004 tax year of Genova Acque S.p.A., and the Tax Authorities of Genoa drew up the "preliminary assessment report".

One of the points highlighted in the preliminary assessment report would seem not to recognise the significance for tax purposes of the increased depreciation deducted of Euro 4,035,820 thousand per year, deriving from the transfer of the business unit, on 23 December 1999, from AMGA S.p.A. to subsidiary Genova Acque S.p.A., now merged into Mediterranea delle Acque S.p.A. The non-recognition had an economic impact on the tax rate pertaining to the various years, from 2003 to 2025, in addition to interest by law. The Company filed a brief submitting its explanations to that regard to the Tax Authorities. Then on 12 June 2008, after a further request from the Tax Authorities dated 16 April 2008, a brief was lodged to provide clarification and, claiming that said transaction does not fall within the scope of Article 37 bis of Presidential Decree no. 600/73, the Company does not believe that at this stage of the case it is necessary to set aside a specific provision. On 2 February 2009, the Company promptly filed an appeal for the cancellation of the above-mentioned notice of assessment at the Provincial Tax Commission of Genoa 1.

Over 2009, the same Tax Authorities also sent notices of assessment related to the 2004 and 2005 tax years.

With reference to the current dispute, the following is to be underlined:

- a. The hearing of the appeals scheduled for 4 March 2010 (assessments regarding 2003 tax year), was postponed to 10 June 2010 and on 1 July 2010 the pronouncement of the Provincial Tax Commission of Genoa was lodged. This pronouncement regarded the appeal, lodged by the Company, against the assessment notice issued by the Tax Authority - Office 1 of Genoa. The pronouncement rejected the appeal of the Company, confirming the objected notice. Nevertheless, it was stated that fines were not due as "objective uncertainty conditions" of standards applicable to the case were acknowledged.
- b. The hearing of the appeals scheduled on 22 March 2010 (tax assessment regarding 2004 and 2005) was postponed to 25 October 2010 due to the suspension of collection.

At this stage of proceedings, and for the above-mentioned reasons - duly motivated in other deeds issued during the proceedings -, and based on reasons specified in the pronouncement related to the assessment notice for 2003 only, which justifies the filing of an appeal containing all reasons for the claim shown in the appeal and in the statement of case, the company deemed that the assessment notices are likely to be entirely accepted and cancelled. Therefore, the Company will file in an appeal against the ruling of the Provincial Tax Commission lodged on 1 July 2010 for the year 2003 in accordance with the law and does not deem it necessary to provided for a specific allocation.

SHAVINGS SHAREHOLDERS

On 23 July 2009, Imisa S.A., Beltegeuse Ltd and other former Acquedotto De Ferrari Galliera S.p.A. (ADFG) savings shareholders, served appeal summons upon the company to appear at the hearing claiming rejection of the pronouncement of the First Instance Proceedings of the Court of Genoa, case no. 3014/08 of 23 July 2008, which rejected all plaintiff claims and ordered them to pay all proceedings costs.

Very briefly, the lawsuit was due to the request for cancellation and/or invalidity of resolutions passed by the Special and Extraordinary Shareholders' Meetings of ADFG, held on 28 January 2006, related to the merger of the same company, with Acqua Italia S.p.A. and Genova Acque S.p.A. in Acquedotto Nicolay S.p.A., renamed Mediterranea delle Acque S.p.A., as well as the claim for damages filed by the above-

mentioned shareholders due to the fact that their right of withdrawal had not been acknowledged in that transaction.

As known, the Court of Genoa rejected the appeal filed by some savings shareholders of the incorporated Acquedotto De Ferrari Galliera against the merger resolutions passed by the Shareholders' Meeting of the latter on 28 January 2006. These shareholders appealed against the decision of the Judge of first instance with issues substantially similar to those already rejected by the Court. The pronouncement on the appeal is not expected within 2010.

For further information, reference is made to information given in the Directors' Report on 2009 financial statements.

X. OPERATING SEGMENTS

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.

Given the nature of the activity carried out by Group companies, a geographical segment analysis is not relevant.

OPERATING SEGMENTS

Energy: production of electrical and thermal energy, distribution and supply of electrical energy to non-eligible customers managed by Iride Energia and its subsidiaries.

Services: activities relating to technological services for local bodies in general and the management of optical fibre infrastructures managed by Iride Servizi and its subsidiaries.

Market: activities relating to the supply, wholesale and sale of gas, electrical energy and heat managed by Iride Mercato and its subsidiaries.

Water and gas: activities relating to the water cycle and the distribution of gas managed by Iride Acqua Gas and its subsidiaries.

Other: Iride S.p.A., AES Torino S.p.A.

Reference should be made to the Directors' Report, "Iride Group Business Segments" and subsequent paragraphs, for an analysis of performance by business segment.

SEGMENT REPORTING AT 30 JUNE 2010

Income statement

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated	Discontinued operations	Consolidated long-term assets
Revenue from external customers	54,221	37,660	958,760	118,786	20,858	-	1,190,285	4,050	1,186,235
Intersegment revenue	352,338	5,257	215,961	24,092	19,037	(616,685)	-	-	-
Total revenue and income	406,559	42,917	1,174,721	142,878	39,895	(616,685)	1,190,285	4,050	1,186,235
Total operating expense	(262,617)	(37,256)	(1,167,478)	(99,711)	(20,906)	616,685	(971,283)	(1,787)	(969,496)
Gross operating profit	143,942	5,661	7,243	43,167	18,989	-	219,002	2,263	216,739
Net amortisation, depreciation and impairment losses	(51,507)	(1,526)	(2,962)	(22,167)	(5,957)	833	(83,286)	(726)	(82,560)
Operating profit	92,435	4,135	4,281	21,000	13,032	833	135,716	1,537	134,179
Financial expense							(24,356)	(301)	(24,055)
Share of profit of associates accounted for using the equity method							5,499	-	5,499
Impairment losses on investments							(33)	-	(33)
Profit before tax							116,826	1,236	115,590
Taxes							(43,714)	(439)	(43,275)
Profit from the sale of discontinued operations, net of tax effects							32	32	-
Profit for the period							73,144	829	72,315

Statement of financial position

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated
Assets							
Non-current assets	1,426,750	206,298	310,949	812,006	2,532,819	(2,008,294)	3,280,528
Current assets	375,994	130,742	723,862	208,892	780,645	(992,691)	1,227,444
Assets held for sale	-	-	-	54,578	-	-	54,578
Total Assets	1,802,744	337,040	1,034,811	1,075,476	3,313,464	(3,000,985)	4,562,550
Liabilities							
Equity	804,033	85,838	100,186	628,440	1,192,536	(1,433,131)	1,377,902
Non-current liabilities	494,934	17,539	76,047	237,058	1,336,307	(571,254)	1,590,631
Current liabilities	503,777	233,663	858,578	187,938	784,621	(996,600)	1,571,977
Liabilities held for sale	-	-	-	22,040	-	-	22,040
Total Liabilities	1,802,744	337,040	1,034,811	1,075,476	3,313,464	(3,000,985)	4,562,550

Investments

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Consolidated
Intangible assets	1,046	-	2,686	29,429	3,556	36,717
Property, plant and equipment	89,226	4,151	23,220	3,475	6,479	126,551
Total	90,272	4,151	25,906	32,904	10,035	163,268

Workforce

	Energy	Services	Market	Water Gas	Other	Consolidated
Workforce at the end of the period	737	202	325	1,054	233	2,551

Net invested capital

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated
Net invested capital	1,374,692	(26,288)	366,363	793,041	1,853,372	(1,432,652)	2,928,528
ROI	6.72%	N.A.	1.17%	2.65%	0.70%		4.63%

SEGMENT REPORTING AT 31 DECEMBER 2009

Income statement	Amounts in thousands of Euro								
	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated	Discontinued operations	Consolidated long-term assets
Revenue from external customers	108,999	74,101	1,802,919	240,193	41,074	-	2,267,286	7,783	2,259,503
Intersegment revenue	615,392	10,686	392,631	43,960	36,686	(1,099,355)	-	-	-
Total revenue and income	724,391	84,787	2,195,550	284,153	77,760	(1,099,355)	2,267,286	7,783	2,259,503
Total operating expense	(501,156)	(69,330)	(2,163,855)	(208,118)	(42,970)	1,099,355	(1,886,074)	(4,149)	(1,881,925)
Gross operating profit	223,235	15,457	31,695	76,035	34,790	-	381,212	3,634	377,578
Net amortisation, depreciation and impairment losses	(85,633)	(2,878)	(8,901)	(47,589)	(9,889)	4,217	(150,673)	(1,419)	(149,254)
Operating profit	137,602	12,579	22,794	28,446	24,901	4,217	230,539	2,215	228,324
Financial expense							(104,617)	(518)	(104,099)
Share of profit of associates accounted for using the equity method							10,664	-	10,664
Impairment losses on investments							(4,642)	-	(4,642)
Profit before tax							131,944	1,697	130,247
Taxes							(125,112)	(676)	(124,436)
Profit from the sale of discontinued operations, net of tax effects							5,056	5,056	-
Profit for the period							11,888	6,077	5,811

Statement of financial position	Amounts in thousands of Euro							
	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated	
Assets								
Non-current assets	1,373,021	232,222	294,976	831,874	2,378,096	(1,868,978)	3,241,211	
Current assets	368,620	111,056	703,889	215,118	787,558	(1,046,915)	1,139,326	
Assets held for sale	-	-	-	5,837	-	-	5,837	
Total Assets	1,741,641	343,278	998,865	1,052,829	3,165,654	(2,915,893)	4,386,374	
Liabilities								
Equity	750,132	85,326	97,144	625,120	1,258,766	(1,429,885)	1,386,603	
Non-current liabilities	435,684	16,401	13,152	199,808	1,342,620	(433,154)	1,574,511	
Current liabilities	555,825	241,551	888,569	227,901	564,268	(1,052,854)	1,425,260	
Liabilities held for sale	-	-	-	-	-	-	-	
Total Liabilities	1,741,641	343,278	998,865	1,052,829	3,165,654	(2,915,893)	4,386,374	

Investments	Amounts in thousands of Euro						
	Energy	Services	Market	Water Gas	Other	Consolidated	
Intangible assets	3,427	-	5,035	60,940	7,188	76,590	
Property, plant and equipment	118,237	1,344	68,255	4,182	14,657	206,675	
Total	121,664	1,344	73,290	65,122	21,845	283,265	

Workforce	Amounts in thousands of Euro						
	Energy	Services	Market	Water Gas	Other	Consolidated	
Workforce at the end of the period	753	209	319	1,052	238	2,571	

Net invested capital	Amounts in thousands of Euro						
	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated
Net invested capital	1,316,388	(31,604)	290,757	791,465	1,869,098	(1,430,487)	2,805,617
ROI	10.45%	N.A.	7.84%	3.59%	1.33%		8.22%

SEGMENT REPORTING AT 30 JUNE 2009

Income statement

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated	Discontinued operations	Consolidated long-term assets
Revenue from external customers	69,300	40,652	988,613	111,156	20,272	-	1,229,993	4,110	1,225,883
Intersegment revenue	351,180	5,189	226,990	24,373	17,832	(625,564)	-	-	-
Total revenue and income	420,480	45,841	1,215,603	135,529	38,104	(625,564)	1,229,993	4,110	1,225,883
Total operating expense	(286,116)	(38,192)	(1,194,592)	(98,009)	(23,740)	621,431	(1,019,218)	(1,891)	(1,017,327)
Gross operating profit	134,364	7,649	21,011	37,520	14,364	(4,133)	210,775	2,219	208,556
Net amortisation, depreciation and impairment losses	(37,692)	(1,293)	(6,309)	(20,454)	(5,520)	2,108	(69,160)	(690)	(68,470)
Operating profit	96,672	6,356	14,702	17,066	8,844	(2,025)	141,615	1,529	140,086
Financial expense							(52,611)	(293)	(52,318)
Share of profit of associates accounted for using the equity method							3,960	-	3,960
Impairment losses on investments							(1,486)	-	(1,486)
Profit before tax							91,478	1,236	90,242
Taxes							(51,990)	(503)	(51,487)
Profit from the sale of discontinued operations, net of tax effects									-
Profit for the period							39,488	733	38,755

Statement of financial position

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated
Assets							
Non-current assets	1,329,709	227,570	261,943	806,544	2,388,859	(1,873,269)	3,141,356
Current assets	309,050	112,833	704,976	210,150	806,946	(993,214)	1,150,741
Assets held for sale	-	-	-	10,802	-	-	10,802
Total Assets	1,638,759	340,403	966,919	1,027,496	3,195,805	(2,866,483)	4,302,899
Liabilities							
Equity	783,809	87,653	104,714	617,377	1,261,454	(1,440,758)	1,414,249
Non-current liabilities	483,356	19,764	18,448	193,268	1,083,720	(431,638)	1,366,918
Current liabilities	371,594	232,986	843,757	216,851	850,631	(994,087)	1,521,732
Liabilities held for sale	-	-	-	-	-	-	-
Total Liabilities	1,638,759	340,403	966,919	1,027,496	3,195,805	(2,866,483)	4,302,899

Investments

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Consolidated
Intangible assets	1,225	-	116	21,409	3,216	25,966
Property, plant and equipment	41,887	286	38,341	1,861	2,227	84,602
Total	43,112	286	38,457	23,270	5,443	110,568

Workforce

	Energy	Services	Market	Water Gas	Other	Consolidated
Workforce at the end of the period	776	213	328	1,044	243	2,604

Net invested capital

Amounts in thousands of Euro

	Energy	Services	Market	Water Gas	Other	Netting and adjustments	Consolidated
Net invested capital	1,256,939	(15,749)	472,479	791,621	1,852,876	(1,439,401)	2,918,765
ROI	7.69%	N.A.	3.11%	2.16%	0.48%		4.85%

XI. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

COMPANIES CONSOLIDATED PROPORTIONATELY

COMPANIES MEASURED USING THE EQUITY METHOD

INVESTMENTS IN OTHER COMPANIES

TRANSACTIONS WITH RELATED PARTIES

***RECONCILIATION OF IFRS FINANCIAL STATEMENTS
WITH RECLASSIFIED FINANCIAL STATEMENTS
(CONSOB COMMUNICATION NO. 6064293 DATED 26 JULY 2006)***

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Company	Registered office	Currency	Share/quota capital	% of investment	Participating companies
Iride Acqua e Gas S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	310,000,000	100.00	Iride S.p.A.
Iride Energia S.p.A.	Turin - C.so Svizzera, 95	Euro	479,521,961	100.00	Iride S.p.A.
Iride Mercato S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	53,286,000	100.00	Iride S.p.A.
Iride Servizi S.p.A.	Turin - C.so Svizzera, 95	Euro	48,995,027	100.00	Iride S.p.A.
AEM Torino Distribuzione S.p.A.	Turin - Via Bertola, 48	Euro	88,100,000	100.00	Iride Energia S.p.A.
Nichelino Energia S.r.l.	Turin - Via Bertola, 48	Euro	1,500,000	62.00 33.00 5.00	Iride Energia S.p.A. AES Torino S.p.A. Iride Mercato S.p.A.
C.EL.PI. S.c.r.l.	Turin - Via Bertola, 48	Euro	293,635	99.92	Iride Energia S.p.A.
AEMNET S.p.A.	Turin - Via Bertola, 48	Euro	6,973,850	100.00	Iride Servizi S.p.A.
SasterNet S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	7,900,000	85.00	Iride Servizi S.p.A.
CAE Amga Energia S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	10,000,000	100.00	Iride Mercato S.p.A.
O.C.Clim S.r.l.	Savona - Via Valletta S. Cristoforo, 17	Euro	100,000	100.00	CAE Amga Energia S.p.A.
Climatel S.r.l.	Savona - Via Valletta S. Cristoforo, 17	Euro	10,000	100.00	O. C. Clim S.r.l.
GEA Commerciale S.p.A.	Grosseto - Via Smeraldo, 20	Euro	340,910	100.00	Iride Mercato S.p.A.
Consorzio GPO	Genoa - Via SS. Giacomo e Filippo, 7	Euro	20,197,260	62.35	Iride Acqua e Gas S.p.A.
Genova Reti Gas S.r.l.	Genoa - Via SS. Giacomo e Filippo 7	Euro	1,500,000	100.00	Iride Acqua e Gas S.p.A.
Laboratori Acqua Gas S.r.l.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	186,739	73.13	Iride Acqua e Gas S.p.A.
San Giacomo S.r.l.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	11,639,592	85.92	Iride Acqua e Gas S.p.A.
Mediterranea delle Acque S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	15,337,004	68.32	San Giacomo S.r.l.
Immobiliare delle Fabbriche S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	2,500,000	100.00	Mediterranea delle Acque S.p.A.
Idrotigullio S.p.A.	Chiavari (GE) - P.za N.S. dell'Orto, 1	Euro	979,000	66.55	San Giacomo S.r.l.
GEA S.p.A.	Grosseto - Via Smeraldo, 20	Euro	1,381,500	59.34	Iride Acqua e Gas S.p.A.
Aquamet S.p.A. (1)	Rome - Via Luigi Vittorio Bertarelli, 177	Euro	10,000,000	60.00	Iride Acqua e Gas S.p.A.
AGA S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	11,000,000	95.09 4.55	Iride Acqua e Gas S.p.A. Aquamet S.p.A.
Zeus S.p.A.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	20,320,000	100.00	Iride Acqua e Gas S.p.A.

(1) As from 1 January 2010, pursuant to IFRS 5, assets, liabilities and results of operations for the period of Aquamet are considered as "Non-current assets held for sale and discontinued operations".

COMPANIES CONSOLIDATED PROPORTIONATELY

Society	Registered office	Currency	Share/quota capital	% of investment	Participating companies
AES Torino S.p.A.	Turin - Corso Regina Margherita, 52	Euro	110,500,000	51.00	Iride S.p.A.
OLT Offshore LNG S.p.A.	Rome - Via Gaspare Spontini, 22	Euro	145,750,700	41.71	Iride Mercato S.p.A.
Namtra Investments Ltd	Limassol (Cyprus) - Nicolaou Pentadromos Centre	Euro	1,000	100.00	OLT Offshore LNG S.p.A.
Società Acque Potabili S.p.A.	Turin - Corso Re Umberto, 9bis	Euro	3,600,000	30.86	Iride Acqua e Gas S.p.A.
Acquedotto Savona S.p.A.	Savona - Largo Folconi, 3	Euro	500,000	100.00	Società Acque Potabili S.p.A.
Acquedotto Monferrato S.p.A.	Turin - Corso Re Umberto, 9bis	Euro	600,000	100.00	Società Acque Potabili S.p.A.
Acque Potabili Siciliane S.p.A.	Palermo - Via Ugo La Malfa, 28/A	Euro	2,558,300	56.77 9.83	Società Acque Potabili S.p.A. Mediterranea delle Acque S.p.A.
Acque Potabili Crotone S.r.l.	Turin - Corso Re Umberto, 9bis	Euro	100,000	100.00	Società Acque Potabili S.p.A.

COMPANIES MEASURED USING THE EQUITY METHOD

Company	Registered office	Currency	Share/quota capital/ Consortium fund	% of investment	Participating companies
A2A Alfa S.r.l.	Milan - Corso di Porta Vittoria, 4	Euro	10,000	30.00	Iride Mercato S.p.A.
ABM Next S.r.l.	Bergamo - Via dei Partigiani, 4	Euro	25,825	45.00	Società Acque Potabili S.p.A.
Acos Energia S.p.A.	Novi Ligure (AL) - Corso Italia, 49	Euro	150,000	25.00	Iride Mercato S.p.A.
Acos S.p.A.	Novi Ligure (AL) - Corso Italia, 49	Euro	17,075,864	25.00	Iride Acqua e Gas S.p.A.
Acqueinforma in liquidation	Grosseto - Via Mameli, 10	Euro	15,000	34.00	Iride Acqua e Gas S.p.A.
Aiga S.p.A.	Ventimiglia (IM) - Passeggiata Trento Trieste, 31 A	Euro	104,000	49.00	Iride Acqua e Gas S.p.A.
Alegas S.p.A.	Alessandria - Via Damiano Chiesa, 18	Euro	1,810,000	20.00	Iride Mercato S.p.A.
AMAT Energia	Imperia - Galleria Isnardi, 1C	Euro	20,000	20.00	Iride Mercato S.p.A.
Amat S.p.A.	Imperia - Piazza Dante, 4	Euro	5,435,372	48.00	Iride Acqua e Gas S.p.A.
Amter S.p.A.	Cogoleto (GE) - Via Rati, 66	Euro	404,263	49.00	Iride Acqua e Gas S.p.A.
ASA S.p.A.	Livorno - Via del Gazometro, 9	Euro	25,071,397	40.00	AGA S.p.A.
ASMT Servizi Industriali S.p.A.	Tortona (AL) - S.S. 35 dei Giovi, 42	Euro	3,856,240	44.76	Iride Acqua e Gas S.p.A.
Astea S.p.A.	Recanati (MC) - Via Lorenzo Gigli, 2	Euro	76,115,676	21.32	Consorzio GPO
Atena S.p.A.	Vercelli - C.so Palestro, 126	Euro	8,203,255	40.00	Zeus S.p.A.
Castel S.p.A.	Cremona - Via Persico, 31	Euro	935,000	23.10	Iride Acqua e Gas S.p.A.
Cepco S.r.l.	Massa Marittima (GR) Località Il Cicalino	Euro	1,000,000	24.90	GEA S.p.A.
Consorzio Servizi Integrati	Genoa - Via SS. Giacomo e Filippo, 7	Euro	100,853	50.00	Iride Mercato S.p.A.
Domus Acqua S.r.l.	Domusnovas (CA) - Piazza Sardegna, 1	Euro	96,000	29.00	Iride Acqua e Gas S.p.A.
Edipower S.p.A.	Milan - Foro Buonaparte, 31	Euro	1,441,300,000	10.00	Iride S.p.A.
Gas Energia Pluriservizi S.p.A.	Turin - C.so Emilia, 6A	Euro	3,570,000	20.00	Iride Energia S.p.A.
Gesam Gas S.p.A.	Lucca - Via Nottolini, 34	Euro	1,132,000	40.00	Iride Mercato S.p.A.
GICA S.a.	Paradiso (CH) - Via San Salvatore, 13	CHF	3,500,000	25.00	Iride Mercato S.p.A.
In.Te.Gra. Clienti S.c.r.l.	La Spezia - Via A. Picco, 22	Euro	10,000	30.00	Iride Acqua e Gas S.p.A.
Livorno Holding S.r.l.	Rome - Via Mangili, 9	Euro	25,000	44.57	Iride Mercato S.p.A.
Mestni Plinovodi	Koper (Slovenia) - Kolodvorska, 2	Euro	15,952,479	49.88	Iride Acqua e Gas S.p.A.
Mondo Acqua	Mondovì (CN) - Corso Statuto, 15	Euro	370,000	38.50	Iride Acqua e Gas S.p.A.
Plurigas S.p.A.	Milan - Corso di Porta Vittoria, 4	Euro	800,000	30.00	Iride S.p.A.
Salerno Energia Vendite	Salerno - Via S. Passaro, 1	Euro	2,447,526	39.40	GEA Commerciale S.p.A.
Sea Power & Fuel S.r.l.	Genoa - Via SS. Giacomo e Filippo, 7	Euro	10,000	50.00	Iride Mercato S.p.A.
Tirana Acque in liquidation	Genoa - Via SS. Giacomo e Filippo, 7	Euro	95,000	50.00	Iride Acqua e Gas S.p.A.
Valle Dora Energia	Turin - Via Bertola, 48	Euro	537,582	49.00	Iride Energia S.p.A.
VEA Energia e Ambiente	Marina di Pietrasanta (LU) Via Donizzetti, 16	Euro	96,000	37.00	Iride Mercato S.p.A.

INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share/quota capital/ Consortium fund	% of investment	Participating companies
Astea Energia S.p.A.(*)	Osimo (AN) - Via Guazzatore, 163	Euro	100,000	7.00	Iride Mercato S.p.A.
Alagaz S.p.A.	San Pietroburgo - Via Sedova, 9	Euro	20,000	15.00	Iride Acqua e Gas S.p.A.
Atena Patrimonio S.p.A.	Vercelli - C.so Palestro, 126	Euro	73,829,295	14.65	Zeus S.p.A.
ATO 2 Acque S.c.r.l.	Biella - P.za Martiri della Libertà, 13	Euro	80,000	12.50	Iride Acqua e Gas S.p.A.
C.E.S.I. S.p.A.	Milan - Via R. Rubattino, 54	Euro	8,550,000	0.47	Iride Energia S.p.A.
Consorzio Prometeo in liquidation	Ivrea - Via Cappuccini, 22/A	Euro	11,000	13.83	Iride Energia S.p.A.
Consorzio SI.RE.	Savona - Via Magliotto, 2	Euro	100,000	15.00	Mediterranea delle Acque S.p.A.
Consorzio Topix	Turin - Via Bogino, 9	Euro	1,650,000	0.30	AEMNET S.p.A.
CSP Innovazione nelle ICT S.c.r.l.	Turin - Via Livorno, 60	Euro	52,000	10.00	Iride Energia S.p.A.
Energia Italiana S.p.A.	Milan - Via Viviani, 12	Euro	26,050,000	11.00	Iride S.p.A.
Environment Park S.p.A.	Turin - Galleria San Federico, 54	Euro	11,406,780	3.38	Iride Energia S.p.A.
Fingas S.r.l.	Milan -	Euro	10,000	50.00	Iride Acqua e Gas S.p.A.
Nord Ovest Servizi S.p.A.	Turin - C.so XI Febbraio, 14	Euro	7,800,000	10.00	Iride Acqua e Gas S.p.A.
Rupe S.p.A.	Genoa - Via Parini, 5	Euro	2,536,992	0.39	Mediterranea delle Acque S.p.A.
Società di Biotecnologie S.p.A.	Turin - Via Campana, 36	Euro	2,000,000	1.00	Iride Servizi S.p.A.
Sogea S.c.p.a.	Genoa - Via Interiano, 1	Euro	400,000	0.10	Iride Acqua e Gas S.p.A.
Stadio Albaro S.p.A.	Genoa - Piazza Henry Dunant, 4	Euro	1,230,000	2.00	CAE Amga Energia S.p.A.
T.I.C.A.S.S. S.c.ar.l.	Genoa - Via Bartolomeo Bosco 57/6c	Euro	70,000	5.72	Iride Acqua e Gas S.p.A.

(*) formerly Adriatica Energia Servizi - company name changed on 1 May 2009

TRANSACTIONS WITH RELATED PARTIES

Financial Transactions	Amounts in thousands of Euro			
	First Half of 2010	Joint venture and associates	Parents	% impact on financial statements captions
Revenue	154,230	101,517	52,713	13.0%
Operating expense	(338,755)	(337,962)	(793)	34.9%
Financial income	3,061	1,441	1,620	57.7%
Financial expense	-	-	-	-

	Amounts in thousands of Euro			
	First Half of 2009	Joint venture and associates	Parents	% impact on financial statements captions
Revenue	151,853	94,948	56,905	12.4%
Operating expense	(250,621)	(249,956)	(665)	24.6%
Financial income	5,624	1,920	3,704	47.8%
Financial expense	(25)	(25)	-	0.0%

Equity Transactions	Amounts in thousands of Euro			
	30.06.2010	Joint venture and associates	Parents	% impact on financial statements captions
Non-current financial assets including	236,422	65,205	171,217	85.1%
Trade receivables	143,311	73,426	69,885	21.9%
Other receivables and other current assets	1,056	12	1,044	0.5%
Current financial assets including derivatives	254,162	169,790	84,372	98.7%
Current financial liabilities	16,972	-	16,972	2.2%
Trade payables	56,561	38,473	18,088	10.3%
Other payables and other current liabilities	3,484	3,484	-	2.1%

	Amounts in thousands of Euro			
	31.12.2009	Joint venture and associates	Parents	% impact on financial statements captions
Non-current financial assets including	264,980	64,769	200,211	84.48%
Trade receivables	153,262	83,370	69,892	22.68%
Other receivables and other current assets	26,702	527	26,175	13.93%
Current financial assets including derivatives	180,786	119,110	61,676	97.95%
Current financial liabilities	3,893	-	3,893	0.67%
Trade payables	84,699	68,905	15,794	14.40%
Other payables and other current liabilities	22,554	-	22,554	12.67%

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (CONSOB COMMUNICATION NO. 6064293 DATED 26 JULY 2006)

Amounts in thousands of Euro

	IFRS Statement of financial position		Reclassified statement of financial position
Property, plant and equipment	1,774,291		
Investment property	2,887		
Intangible assets	685,703		
Goodwill	103,925		
Investments accounted for using the equity method	313,771		
Non-current financial assets (investments and sundry securities)	34,475		
Total (A)	2,915,052	Non-Current Assets (A)	2,915,052
Other non-current assets	21,100		
Other payables and other non-current liabilities	(11,911)		
Total (B)	9,189	Other non-current assets (B)	9,189
Inventories	37,715		
Trade receivables	654,386		
Tax assets	39,405		
Other receivables and other current assets	201,252		
Trade payables	(547,029)		
Other payables and other current liabilities	(163,361)		
Debiti tributari	(25,686)		
Total (C)	196,682	Net working capital (C)	196,682
Deferred tax assets	100,900		
Deferred tax liabilities	(142,860)		
Total (D)	(41,960)	Deferred tax liabilities (D)	(41,960)
Employee benefits	(62,120)		
Provisions	(62,861)		
Provisions for current portion	(57,992)		
Total (E)	(182,973)	Provisional and employee benefits (E)	(182,973)
Assets held for sale	32,538		
Available-for-sale financial assets	-		
Totale (F)	32,538	Assets held for sale (F)	32,538
		Net invested capital (G=A+B+C+D+E+F)	2,928,528
Equity (H)	1,377,902	Equity (H)	1,377,902
Non-current financial assets (long-term loans)	(243,476)		
Non-current financial liabilities	1,310,880		
Total (I)	1,067,404	Medium and long-term financial indebtedness (I)	1,067,404
Current financial assets (excl. available for sale)	(257,608)		
Cash and cash equivalents	(37,079)		
Current financial liabilities	777,909		
Total (L)	483,222	Short-term financial indebtedness (L)	483,222
		Net financial indebtedness (M=I+L)	1,550,626
		Own funds and net financial indebtedness (H+M)	2,928,528

STATEMENT REGARDING THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/1988

1. The undersigned, Andrea Viero, Managing Director, and Massimo Levrino, Manager in charge of financial reporting of Iren S.p.A. hereby confirm, also in consideration of the provisions of art. 154-bis, subsections 3 and 4, Italian Legislative Decree no. 58 of 24 February 1998:

- the adequacy in respect of the company's characteristics and
- the actual application during the first half of 2010 of administrative and accounting procedures in preparing the condensed interim consolidated financial statements.

2. With effect on 1 July 2010, Iride S.p.A. and Enìa S.p.A. merged into Iride S.p.A. (now Iren S.p.A.).

3. Furthermore, it is hereby declared that:

3.1 the condensed interim consolidated financial statements:

- a) are prepared in compliance with applicable IFRS endorsed by the European Community pursuant to EC Regulation 1606/2002 of the European Parliament and Council dated 19 July 2002;
- b) correspond with books and accounting records;
- c) are suitable to give a true and fair view of the financial position and results of operations of the issuer and group of companies included in the consolidation scope.

3.2 The interim directors' report contains reference to important events occurring in the first six months of the year and their impact on the condensed interim consolidated 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 contains a reliable analysis of information on significant transactions with related parties.

26 August 2010

The Managing Director
Dr. Andrea Viero

(signed on the original)

The Manager in charge
of financial reporting
Dr. Massimo Levrino

(signed on the original)



KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Review report

To the shareholders of
 Iren S.p.A.

- 1 We have reviewed the condensed interim consolidated financial statements of the Iride Group (now the Iren Group) as at and for the six months ended 30 June 2010, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting", endorsed by the European Union. Our responsibility is to prepare this report based on our review.
- 2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than an audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements present the corresponding prior year annual and condensed interim consolidated financial statements figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year annual and condensed interim consolidated financial statements. We audited such consolidated financial statements and reviewed such condensed interim financial statements and issued our reports thereon on 13 April 2010 and 28 August 2009, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of preparing this report.

- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Iride Group (now the Iren Group) as at and for the six months ended 30 June 2010 have not been prepared, in all material respects, in conformity with IAS 34, “Interim Financial Reporting”, endorsed by the European Union.

Turin, 27 August 2010

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

GLOSSARY

ADJUSTMENT MARKET (MA): venue where all operators can modify (for offer points only) the schedules defined on the Day-Ahead Market (MGP). It takes place after the closing of the MGP.

ANCILLARY SERVICES MARKET: venue in which the dispatching users of the offer points authorised by the GRTN make offers/bids in respect of changes in energy injection or withdrawal. They are used by the GRTN to ensure compliance with transmission limits, procuring reserves and balancing discrepancies from schedules in real time.

AUTHORITY OR AEEG: the Electricity and Gas Authority set up pursuant to Law no. 481 of 14 November 1995.

BERSANI DECREE: Legislative Decree no. 79 of 16 March 1999.

CARRIAGE: utilisation of the transport and distribution networks to transport energy (electrical energy, heat or gas) from an injection point, to a withdrawal point.

CASH GENERATING UNIT (CGU): the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

CO: carbon monoxide.

COGENERATION: the simultaneous production of electricity and useful thermal energy.

COMBINED CYCLE OR CCGT: the technology used in electrical energy production plants including one or more turbo-gas generator units, whose exhaust fumes heat a boiler, which can also be supplied with supplementary fuel. The steam produced by the boiler is used to operate a gas turbine combined with a generator.

CSR: Corporate Social Responsibility.

DAY-AHEAD MARKET (MGP): venue where the injection and withdrawal schedules and the transmission limits available among areas are decided one day ahead and operators trade energy wholesale for all the points for the next day.

DISTRIBUTION: the transportation and transformation of electricity on high-, medium- and low-voltage distribution networks for delivery to End customers.

DISTRICT HEATING: the transmission of heat to a distant location, using water circulating in two pipes, one delivery pipe with hot water and one return pipe with colder water.

DISPATCH: activity coordinating the use and operation of generating plants, the transmission network, and auxiliary services.

ELIGIBLE CUSTOMER: under the Bersani Decree, after exceeding specific consumption thresholds, an individual or company may enter into electricity supply contracts with any producer, distributor or wholesaler, in Italy and abroad.

END CUSTOMER: an individual or company that acquires electricity solely for their own use.

ENVIRONMENTAL MANAGEMENT AND AUDIT SCHEME (EMAS): provided for by EU directive 761/2001.

FAIR VALUE: the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

GIGAWATT (GW): a measure of power (of any kind) of one million kilowatts.

GIGAWATT-HOUR (GWH): a measure of energy (of any kind) of one million kilowatts per hour.

GROSS PRODUCTION: electricity produced in the period of time considered, as measured by the electricity generators.

GVR: Waste steam generator.

HEDGE ACCOUNTING: Accounting used for hedges.

HV: high voltage (132 kV, 220 kV and 380 kV).

IAS: International Accounting Standards (now International Financial Reporting Standards or IFRS).

IASB: International Accounting Standards Board.

IFRS: International Financial Reporting Standards.

IMPAIRMENT TEST: checking that the carrying amount of an asset does not exceed its recoverable amount. The higher of an asset's fair value less costs to sell and its value in use (the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life).

KILOVOLT (kV): equal to 1,000 volts.

KILOWATT (kW): a measure of power (of any kind) of one thousand watts.

KILOWATT-HOUR (kWh): a measure of energy (of any kind) of one thousand watts per hour.

LP: low pressure.

LV: low voltage (between 220 V and 380 V).

MARZANO LAW: Law no. 239 of 23 August 2004, from the Marzano draft law approved by the Council of Ministers on 19 July 2002, introducing the "Reform and reorganisation of the energy sector".

MEGA VOLT AMPÈRE (MVA): multiple of the units of apparent electrical power in an electrical machine.

MEGAWATT (MW): a measure of power (of any kind) of one million watts.

MEGAWATT-HOUR (MWh): a measure of energy (of any kind) of one thousand kilowatts per hour.

MV: medium voltage, between 1 and 30 kV.

NET PRODUCTION: gross production less consumption used in running the generation unit, including the step-up transformer.

NETWORK (RTN): Rete di Trasmissione Nazionale, made up of all the transformation stations and high voltage electricity transmission lines in Italy subject to unified management.

NETWORK OPERATOR OR GRTN: Gestore della Rete di Trasmissione Nazionale S.p.A., the joint-stock company responsible for transmitting and dispatching electrical energy, including the unified management of the National Transmission Network, irrespective of the ownership of the network.

NON-ELIGIBLE CUSTOMER: under the Bersani Decree, an End customer not included in the category of Eligible customers and only authorised to enter into supply contracts with the distributor providing electricity in the area where the user is located and to whose network such customer is connected.

NOx: nitrogen monoxide.

O.O.S.S.: organizzazioni sindacali, trade unions.

PET: petroleum equivalent tons; representing the quantity of primary fossil fuel that would have been required to produce the same quantity of useful energy in the domestic framework.

POWER EXCHANGE: the market managed by the GME (electricity market operator), which became operative on 1 April 2004, where electricity sector operators may purchase and sell electrical energy.

PRODUCTION: the generation of electrical or thermal energy, however produced.

PRODUCTION CAPACITY: estimated energy that can be produced by each producer.

PUMPING: plant consisting of one or more pumps which perform the function of circulating a liquid inside a pipe.

RENEWABLE ENERGY: sun, wind, water resources, geothermal resources, tides, waves, organic and inorganic waste.

REPUMPING: plant consisting of one or more pumps which, located after a main pumping plant, perform the function of providing further energy to a liquid so as to allow it to circulate inside a pipe.

RTI: temporary business consortium.

SESO: provisional system for the selection of bids to generate electricity for the non-eligible market established by the Authority at the end of June 2003. It will remain in force until the Power Exchange comes into force with the participation of the supply-side.

SINGLE BUYER: the joint-stock company set up by the GRTN in order to guarantee the supply of electrical energy to non-eligible customers under continuous, safe and efficient conditions.

SMC: standard cubic metre.

SOCIETÀ: AEM Torino S.p.A.

ST: steam turbine.

STAKEHOLDERS: all players that interact with the business, that is, every individual, community or organisation that may influence or be influenced by the company's activity.

TERAWATT-HOUR (TWH): one billion kilowatt-hours.

TG OR TURBOGAS: gas turbine, often referred to as the turbine of the Moncalieri plant.

TOLLING AGREEMENT: contract whereby an operator agrees to produce electrical energy requested by a party that provides fuel and pays a fee to cover plant overheads and a variable portion based on the energy produced.

TOTAL CAPACITY: the total electrical and thermal energy of the various producers installed in a plant.

TRANSMISSION: the transportation of electrical energy along high and very high voltage interconnected networks either from the production plants, or, in the case of imported energy, from the point at which the energy is delivered, to the distribution network.

TRIAD: all the conductors of a three-phase electric line.

UPS: continuity system.



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