Interim Report on Operations
at 30 September 2011

Board of Directors
of 14 November 2011

iren

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

Contents

KEY FIGURES OF THE IREN GROUP

	First 9 months of 2011	First 9 months of 2010 pro forma	% Change
Income statement figures (*millions of euro*)			
Revenue	2,364	2,398	(1.4)
Gross operating profit	410	410	(0.1)
Operating profit	217	209	3.8
Profit before tax	182	176	3.1
Consolidated profit for the period	101	115	(12.7)
Statement of financial position figures (*millions of euro*)	***At 30/09/2011***	***At 31/12/2010***	
Net invested capital	4,713	4,342	8.6
Equity	2,046	2,082	(1.7)
Net financial position	(2,667)	(2,260)	18.0
Financial/economic indicators	**First 9 months of 2011**	**First 9 months of 2010 pro forma**	
GOP/Revenue	17.33%	17.11%	
Debt/Equity	1.30	1.08	
Technical and trading figures	**First 9 months of 2011**	**First 9 months of 2010 pro forma**	
Electrical energy sold (GWh)	10,134	10,928	(7.3)
Heat energy produced (GWh_t)	1,571	1,713	(8.3)
District heating volume (mln m^3)	67	64	5.8
Gas sold (mln m^3)	1,937	2,146	(9.7)
Water distributed (mln m^3)	138	141	(2.1)
Waste handled (tons)	769,674	744,792	3.3

Iren is a multi-utility company, listed at the Italian Stock Exchange and established on 1 July 2010 as a merger of Iride and Enìa. It operates in the sectors of electricity (production, distribution and sale), heat (production and sale), gas (distribution and sale), integrated water services, environmental services (collection and disposal of waste) and services for public administrations.

Iren is structured as an industrial holding company and its registered offices are in Reggio Emilia, while it maintains operating branches in Genoa, Parma, Piacenza and Turin and companies which handle individual lines of business. Thanks to its substantial production assets, to its investments, to a leadership established in all business areas and to its territorial penetration, today Iren ranks among the top Italian multi-utility actors.

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

- Iren Acqua Gas - integrated water cycle;
- Iren Energia - electric and thermal power production and technology services;
- Iren Mercato - sales of electric power, gas and district heating;
- Iren Emilia - gas, waste collection, environmental health and management of local services;
- Iren Ambiente - engineering and management of waste treatment and disposal plants, as well as management of heat production plants for district heating on the Emilia territory.

Production of electrical energy: Thanks to a considerable number of electrical and thermal energy plants for district heating production, an overall electric production capacity of over 7,400 GWh/year, including the portion ensured by Edipower.

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

Distribution of electrical energy: With over 7,200 km of medium and low voltage networks, the Group distributes electrical energy to over 710,000 customers in Turin and Parma.

Integrated water service: With 13,900 km of aqueduct networks, 7,868 km of sewerage networks and 813 treatment plants, IREN provides services to over 2,400,000 residents.

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

District heating: through dual-pipe underground networks spanning approximately 700 km, the Iren Group supplies heating for an overall volume of over 66 million cubic metres, or equivalent to a population of over 550,000 citizens.

Sales of gas, electrical energy and thermal energy: each year the Group sells over 3.1 billion cubic metres of gas, over 12,000 GWh of electric power and 2,840 GWht of heat into the district heating networks.

COMPANY OFFICERS

Board of Directors

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

Board of Statutory Auditors

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

Manager in charge of financial reporting

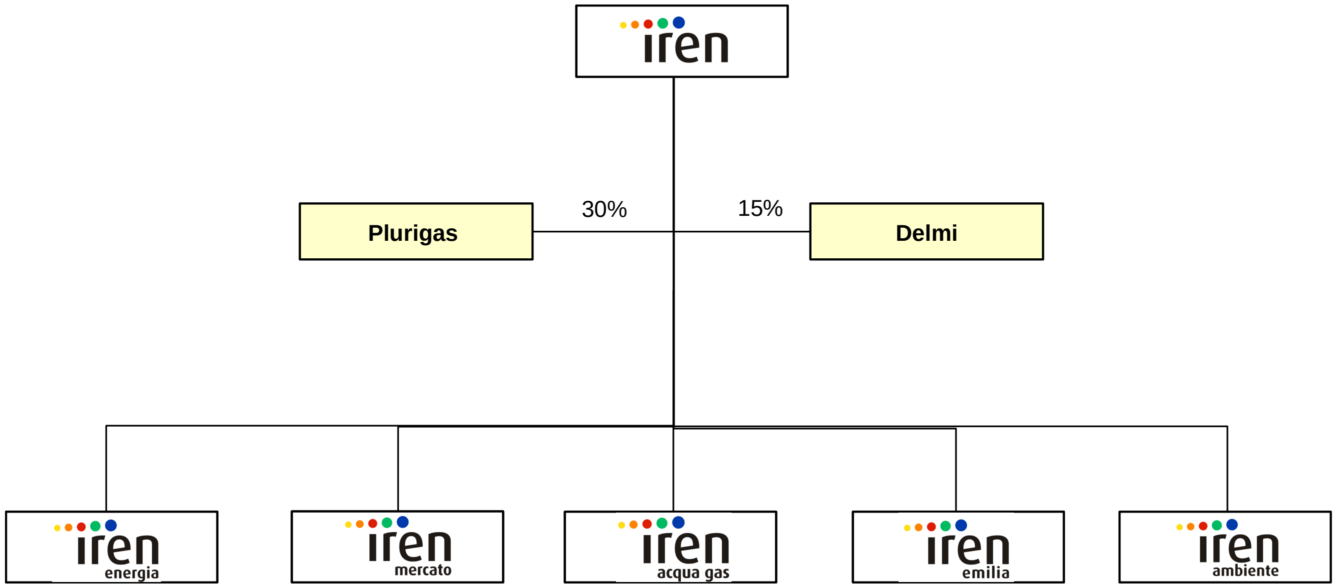
Massimo Levrino

Independent Auditors

KPMG S.p.A.

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

IREN GROUP: CORPORATE STRUCTURE



This diagram illustrates the main Subsidiaries of Iren Holding.

IREN ENERGIA

Production of cogeneration electrical and heat energy

Iren Energia's installed capacity totals approximately 2,300 MW, of which around 1,400 MW is generated directly and around 900 MW through Edipower and Energia Italiana. Specifically, Iren Energia owns 20 electrical energy production plants: 12 hydroelectric plants and 8 thermoelectric cogeneration plants, for a total capacity of 1,400 MW of electrical energy and 1,800 MW of heat energy, of which 700 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration sources – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection, as it uses a renewable and clean resource which does not emit pollutants. Hydroelectric energy reduces the need to turn to other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to protect the environment. Iren Energia's total heat capacity is equal to 1,800 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. The heat production in the First 9 months of 2011 was approximately 1,409 GWh_t, with a heated district volume of approximately 66 million cubic metres. Iren 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 2,300 MW.
On 16 October 2011 the "Torino Nord" new combined cycle cogeneration plant became operative, which will allow district heating to be extended from the current 40% to 54% of the volumes of the City of Turin. The plant has a 400 MW power and district heating capacity of 220 MW, allowing 18 million cubic metres to be heated once it is up and running. The Torino Nord project will provide significant benefits in terms of energy savings (95,000 TOE saved) and air quality improvement (emissions reduced by134 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.
In relation to the repowering of hydroelectric plants in Valle Orco, the renewal works on the Rosone plant have been concluded, with the start up of the new units.

Distribution of electrical energy

Through its subsidiary, AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,085,000 residents). In the first nine months of 2011, total electrical energy distributed was equal to 3,207 GWh, of which 2,502 GWh in Turin and 705 GWh in Parma.

Services to Local Authorities and Global Service

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

Gas distribution and District Heating

The district heating and gas distribution activities in the city of Turin are carried out by AES Torino (51% controlled by Iren Energia S.p.A.), which owns one of the largest district heating networks in the whole Italian territory (approximately 445 km of dual-piping at 30 September 2011). As of 30 September 2011, the 1,328 km gas network was serving approximately 500,000 end customers. After the merger with Enìa, Iren Energia also owns the Parma, Reggio Emilia and Piacenza district heating network, with an overall extension of approximately 304 km.

Finally, Nichelino Energia which was established jointly with Iren Energia (which holds a 62% shareholding), IREN Mercato (5%) and AES Torino (33%), aims to develop district heating in the city of Nichelino. At 30 September 2011, the network extended for 21 km of double piping.

IREN MERCATO

Through IREN Mercato, the Group operates in the electrical energy, gas and heat marketing sector, acts as fuel provider to the Group, performs energy efficiency certificates, green certificates and emission trading, provides customer management services to Group companies and supplies heat services and heat sales through the district heating network.
Commercial activities on the free market are implemented both directly and through business investments in local trading companies mainly located in the northwest and the Tyrrhenian area.
The main sources of electricity available for Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A. and, through tolling agreements; furthermore, Iren Mercato receives 10% of the electrical energy from Edipower plants.
At 30 September 2011, the gas customers directly served by IREN Mercato totalled approximately 747,000, while the electric power customers served were approximately 681,000.

Sale of natural gas
Total volumes of natural gas procured in the period were approximately 2,571 million cubic meters of which approximately 1,011 million cubic meters were sold to customers outside the Group, 160 million cubic meters were used in the production of electrical energy for tolling contracts with Edipower and 766 million cubic meters were used within the IREN Group both for the production of electrical and thermal energy and for the provision of heating services.

Sale of electrical energy
During the first nine months of 2011, a total volume of 10.499 GWh was sold, net of distribution losses.

Following is a cluster analysis of end customers.

Free market and power exchange:
Total volumes sold to end customers and wholesalers in the period amount to 6,473 GWh, while the volumes used on the power exchange amounted to 3,660 GWh.

Regarding supplies, in the first nine months of 2011 a total 4,426 GWh were available internally to the Iren Group (Iren Energia, Tirreno Power), with 1,084 GWh coming from the Edipower tolling. Recourse to the IPEX market amounted to 2,702 GWh while supplies from wholesalers amounted to 844 GWh.

Former non-eligible market:
Total customers managed by Iren Mercato in the higher protection segment were around 407,000 at 30 September 2011. Total volumes sold in the first nine months of the year amounted to 786 GWh.

Sale of heat through the district heating network
Iren Mercato handles heat sales to clients in the Genoa, Turin and Nichelino municipalities and the Reggio Emilia, Piacenza and Parma provinces.
This entails the supply of heat to customers already on the district heating network, the management of customer relations and the control and management of the substations that supply power to the thermal plants in the buildings served by the network. The heat supplied to clients is in turn supplied by Iren Energia S.p.A. at such trading conditions as to guarantee adequate remuneration.
As of September 2011 the client portfolio in the Piedmont area increased to over 43 million cubic metres, meaning over 430,000 inhabitants or 40% of Turin citizens, whereas in the Emilia region an approximate total of 18.5 million cubic metres of district heating were delivered.

Heat service management

The weather had a positive influence on the results, favouring the heat contracts for less specific consumption per unit of hours of service provided.
The contract with the Liguria Regional Government is also operative with regard to the management of energy services in hospitals and health authority premises in which, through CAE (Global Services) and the Climatel and OCCLIM specialist companies, the company has managed a number of important operational management and maintenance contracts. Iren Mercato is the energy supplier in this initiative. A similar initiative was launched with A2A in the Lazio region ATI.

IREN ACQUA GAS

Integrated Water Services

The first-level company Iren Acqua Gas is active, both directly and via its subsidiary Mediterranea delle Acque, in water supply services to the Genoa, Parma and Reggio Emilia provinces.
The current corporate configuration is the result of a re-organisation project of the activities pertaining to the Mediterranea delle Acque subsidiary and the water-related branch in Iren Acqua Gas that led to the company F2i Rete Idrica Italiana S.p.A. entering the Group.
Said re-organisation was effected in order to overcome the inefficiencies in the Italian integrated water supply system by grouping together previously fragmented activities, and to create a more flexible structure suitable for taking advantage of development opportunities related to the new regulations and standards in this field.
In particular, it assumed from July 2004 the role of market operator for the Genoa District and from 1 July 2010, the management of the water division for the Reggio Emilia and Parma areas was granted to Iride Acqua Gas as part of the Iride-Enìa merger. The Board of Directors resolved the transfer of the water business unit regarding management of the Piacenza ATO to IAG starting from 1 October 2011.
The water services reform introduced in Italy by the Galli Law consists of essentially 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 returned to the environment again.
The recent referendum resulted in the repeal of art. 23 bis of Italian Law Decree no. 112/08 and par. 1 of art. 154 of Italian Law Decree no. 152/06, which should be formalised through the publication of a specific Italian Presidential Decree in the Official Gazette.
While waiting for the repeal to enter into force, the leading parties involved in the integrated water service hope that in the meantime, suitable legal and regulatory provisions are issued to overcome the legislative gaps resulting from the outcome of the referendums.
An immediate consequence of repealing art. 23 bis is the application in Italian law of EU regulations on the matter of the assignment of services of economic importance.
As the adequacy of the return on invested capital has been repealed, it is urgent that the future National Agency for Water Regulation and Supervision (provided for by the Development Decree), once established, issue a new tariff method which takes account of all cost components, “with a view to ensuring full coverage of investment and operating costs based on both cost recovery principles and the principle according to which "he who pollutes, pays" (art. 154, par.1 of Italian Law Decree no. 152/06).
Through its own structure, Iren Acqua Gas reaches through its managed ATOs [*Ambito Territoriale Ottimale*] (Genoa, Reggio Emilia and Parma) a total of 128 municipalities serving over 1.7 million residents.
In the third quarter of 2011, Iren Acqua Gas sold approximately 120 million cubic metres of water in the areas managed, through a distribution network of over 9,400 km. In regard to waste water, it manages a sewerage network spanning approximately 5,400 km.

IdroTigullio manages the integrated water service in the Levante area of the Genoa ATO through 464 km of aqueduct networks with 453 km of sewerage networks, 7 medium-sized treatment plants and another 34 minor plants.
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.

Gas Distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience, for residents, to a minimum.
In addition, through the subsidiary Gea S.p.A., the distribution service is supplied to the Grosseto territory.
In the third quarter of 2011, through its subsidiaries, Iren Acqua Gas distributed an overall 265 million cubic metres of gas.

Special technological services / research
Through its Saster and SasterPipe Divisions, Iren Acqua Gas is able to offer network engineering services to the market, such as computerisation, modelling, or simulation, as well as renewal of technology networks through no-dig technologies, where the company boasts an exclusive know-how. In order to specially promote and organise scientific and cultural initiatives aimed at safeguarding environment and water resources, and at managing at best network services, in 2003 the Fondazione AMGA Onlus was also created. The corporate business is aimed at promoting and implementing research, training and information projects, as well as supporting actions carried out by other entities as to environmental safeguard and organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the activities of Emilia Romagna territorial companies for the management of the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, management of public parks, etc).
Iren Emilia manages the distribution activity for natural gas in 72 of the 140 municipalities of the provinces of Reggio Emilia, Parma and Piacenza. The company manages over 5,700 km of high, medium and low pressure distribution networks with a designed maximum collection capacity of 726,879 Smc/h.
Iren Emilia is active in the waste management service in the Piacenza, Parma and Reggio Emilia provinces, totalling 116 municipalities and 1,127,700 inhabitants in these territories. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented differentiated, widespread door-to-door waste collection systems which, also thanks to the management of over 122 equipped ecological stations, has allowed the basin served to achieve results above 58%.
In particular, the company collects urban waste, performs street and sidewalk cleaning, snow clearing and cleaning and maintenance of parks and urban green areas and dispatches recyclable waste to the correct chains, in order to transform it into raw materials or renewable energy. Through Iren Ambiente, a company belonging to the IREN Group, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies the aspects of the waste

collection problem, increasing its knowledge and the development of technologies that are more innovative and "environmentally safe" than existing ones.
It also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 11,416 km of aqueduct networks, 6,075 km of sewerage networks, 3,379 wastewater pumping systems and 735 purification plants, both biological treatment plants and Imhoff tanks, distributed throughout an area of 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 303 km that serves a volume of 18.0 million cubic meters. Operations management of the electrical energy distribution network is carried out in the city of Parma for 2,320 km of network and approximately 125,600 delivery points to end customers.

IREN AMBIENTE

Waste Management sector

Whether directly or through investees, Iren Ambiente operates in the collection, treatment, storage, recovery and recycling of urban and special waste, both dangerous and non-dangerous, the generation of electrical energy and heat and the production of bio gas using its plants, in the provinces of Parma, Reggio Emilia and Piacenza. Iren Ambiente owns contractual relations with customers for the management and marketing of special waste, while it carries out services for the disposal and management of urban waste for Iren Emilia S.p.A., which has been entrusted with the collection service, based on a specific contract which also envisages the management of urban waste from differentiated waste collection (including related activities), through the various phases of treatment, selection, recovery, recycling and final disposal.
The undifferentiated component of the waste collected is to be used, adopting different disposal methods, for the search for better usage of the waste resource, according to a hierarchy which sees the recovery of energy through waste-to-energy operations and the captation of biogas at the top and, finally, the disposal in a rubbish dump. In addition, aware of the environmental impact of dumping waste, in certain cases Iren Ambiente arranges for prior mechanical selection which allows a humid fraction to be identified, rich in organic substance, to be stabilised biologically.
Iren Ambiente handles more than 1,000,000 tonnes of waste per annum, with 11 treatment and storage plants, 2 waste-to-energy plants (Piacenza and Reggio Emilia), 1 landfill, (Poiatica - Reggio Emilia), 2 composting plants (Reggio Emilia) and 1 automatic selection plant for urban waste (Parma).

Production of electrical energy from renewable sources

Iren Ambiente also operates in the renewables sector, through various projects mainly focused on the photovoltaic sector. In this sector a 5MW plant has been constructed in Puglia (through the subsidiary Enia Solaris) as well as a 1 MW plant which covers the requirements of a company building. The above plants, completed in 2010 (to protect the Conto Energia 2010 tariff) were connected to the distribution network by 30 June 2011. An additional own 29 photovoltaic plants with lower capacity were also built in headquarters of companies and municipal buildings (schools). Concurrent with the construction of owned plants, throughout the first nine months of 2011, via the subsidiary Iren Rinnovabili S.r.l., a marketing operation in the photovoltaic sector under the logo "Raggi & Vantaggi" continued. However, following a positive launch in 2010 – 50 plants contractualised -, there was a slowdown in the period as a result of the regulatory amendments approved at the start of 2011, which significantly reduced the level of incentives in the sector. With regard to projects in the wind energy sector, after the wind measurement recordings in the Apennine area in 2010, the process for obtaining authorisation for the construction of a 6 MW wind farm was begun.

Management of district heating plants

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

IREN GROUP STAFF

The Group had a workforce of 4,673 staff as at 30 September 2011. The table below shows a breakdown by individual Group in relation to top-level companies.

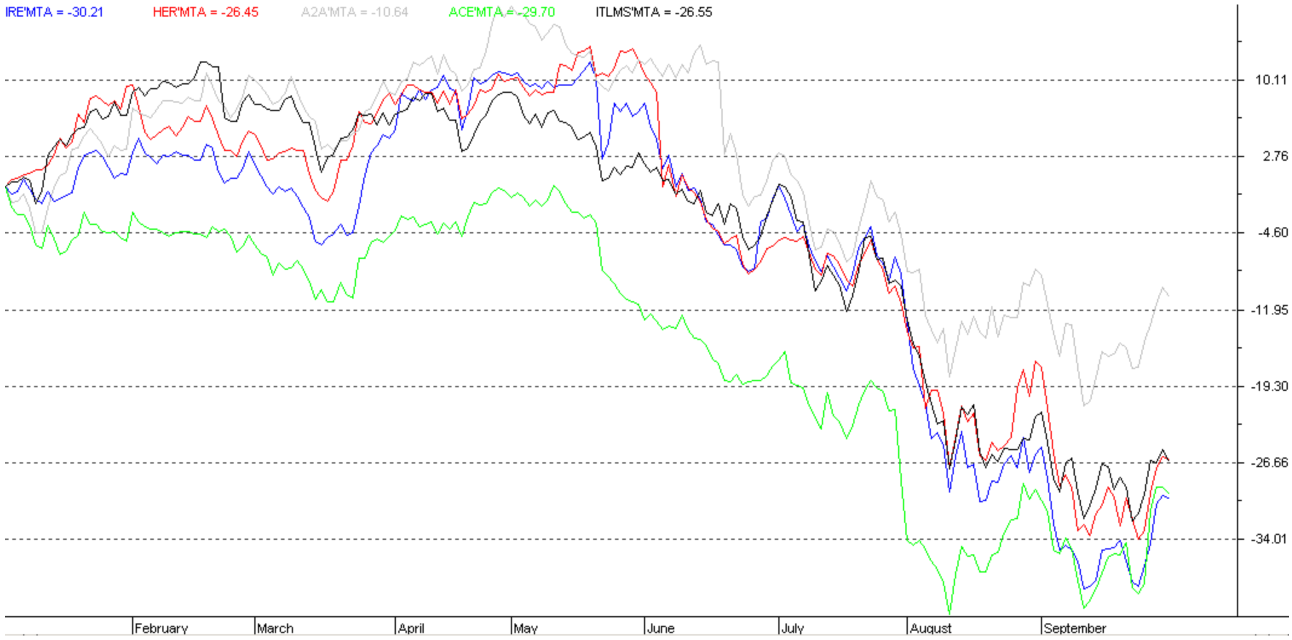
Company	Workforce at 30.09.2011	Workforce at 31.12.2010	% Change
IREN S.p.A.	268	270	(0.7)
IREN Acqua Gas and subsidiaries	1,031	1,049	(1.7)
IREN Ambiente and subsidiaries	241	241	-
IREN Emilia and subsidiaries	1,674	1,711	(2.2)
IREN Energia and subsidiaries	1,024	1,045	(2.0)
IREN Mercato and subsidiaries	435	436	(0.2)
Total	**4,673**	**4,752**	**(1.7)**

INFORMATION ON IREN SHARES IN THE FIRST NINE MONTHS OF 2011

IREN share performance on the Stock Market

During the first nine months of 2011, the stock markets were affected by the prolonged negative trend in the international financial scenario which was made worse by the financial crisis affecting a number of sovereign European states starting from May 2011, which led the ratings agencies to lower the credit ratings of various countries, including Italy, burdened by high levels of debt.

In this scenario, in the first nine months of the year Iren shares declined by approximately -30%, in line with the negative performance of its main competitors and the All Shares index, which lost approximately 26% during the same period.

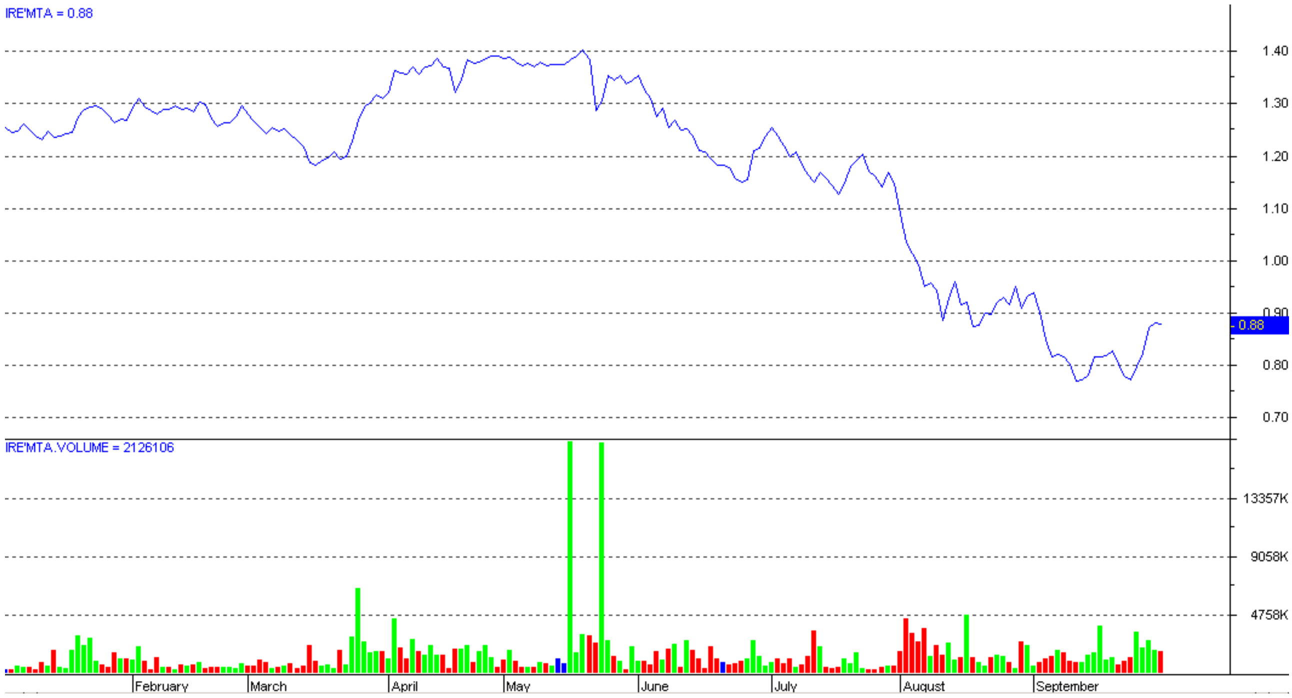


The Iren share price stood at EUR 0.87 at the end of September 2011, with daily trading volumes of around 1.9 million since the beginning of the year.

In the same period, the average price per share was EUR 1.19 after bottoming out at EUR 0.77 per share on 23 September 2011 and reaching a high point of EUR 1.42 per share on 19 May.

STOCK EXCHANGE DATA, Euro/share in the first nine months of 2011	
Average price	1.19
Maximum price	1.42
Minimum price	0.77
Number of shares ('000)	1,276,226

Price performance and volumes of the IREN share

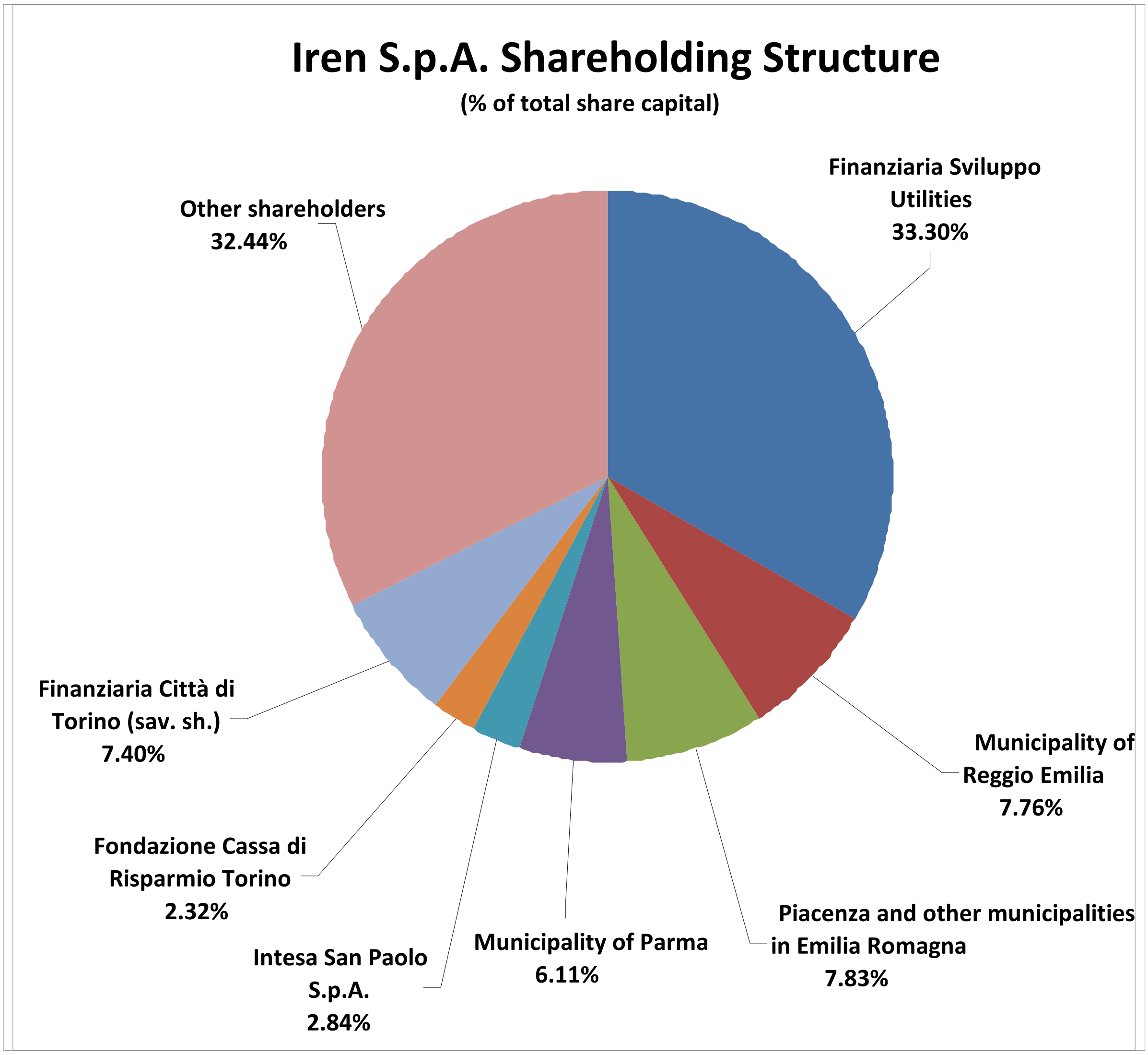


Share coverage

The IREN Group is currently handled by ten brokers: Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Deutsche Bank, Equita, Intermonte, Mediobanca, Banca Akros and BNP Paribas.

Shareholding structure

At 30 September 2011, based on information available to the company, the shareholding structure of IREN was as follows:



OPERATING FIGURES

Electrical energy production

GWh	First 9 months 2011	First 9 months 2010 pro forma	% Change
SOURCES			
Gross production	5,606	5,241	7.0
a) Thermoelectric	3,487	3,070	13.6
b) Hydroelectric	773	782	(1.2)
c) WTE plants production	96	101	(4.9)
d) Edipower plants production	1,084	1,035	4.7
e) Tirreno Power plants production	166	253	(34.4)
Purchases from the Single Buyer	820	1,025	(20)
Energy purchased on the Power Exchange	3,379	4,015	(15.8)
Energy purchased from wholesalers and imports	845	1,076	(21.5)
Total sources	**10,650**	**11,358**	**(6.3)**
APPLICATION			
Sales to protected customers	787	1,010	(22.1)
Sales on the Power Exchange	3,660	4,399	(16.8)
Sales to eligible end customers, wholesalers and others	5,768	5,603	2.9
Pumping and distribution losses	435	346	25.7
Total application	**10,650**	**11,358**	**(6.3)**

Gas Production

millions of cubic metres	First 9 months 2011	First 9 months 2010 pro forma	% Change
SOURCES			
Purchases (Plurigas and Sinit)	1,003	1,341	(25.2)
Purchases (other wholesalers)	934	805	16.0
TOTAL SOURCES	**1,937**	**2,146**	**(9.7)**
APPLICATION			
Gas marketed by the Group	1,011	1,299	(22.2)
Gas for internal use (*)	926	847	(9.3)
TOTAL APPLICATION	**1,937**	**2,146**	**(9.7)**

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

Network Services

	First 9 months of 2011	First 9 months of 2010 pro forma	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	3,207	3,187	0.6
No. of electronic meters	671,181	644,160	4.2
GAS DISTRIBUTION			
Gas distributed by AES Torino (mln m^3) (*)	393	449	(12.3)
Gas distributed by Iren Acqua Gas (mln m^3)	265	303	(12.4)
Gas distributed by Iren Emilia (mln m^3)	629	681	(7.7)
Total Gas distributed	1,287	1,433	(10.2)
DISTRICT HEATING			
District heating volume (mln m^3)	67	64	5.8
District heating network (Km)	782	689	13.5
INTEGRATED WATER SERVICE			
Water volume (mln m^3)	138	141	(2.1)

(*) AES Torino 51%

MARKET CONTEXT

The domestic energy context

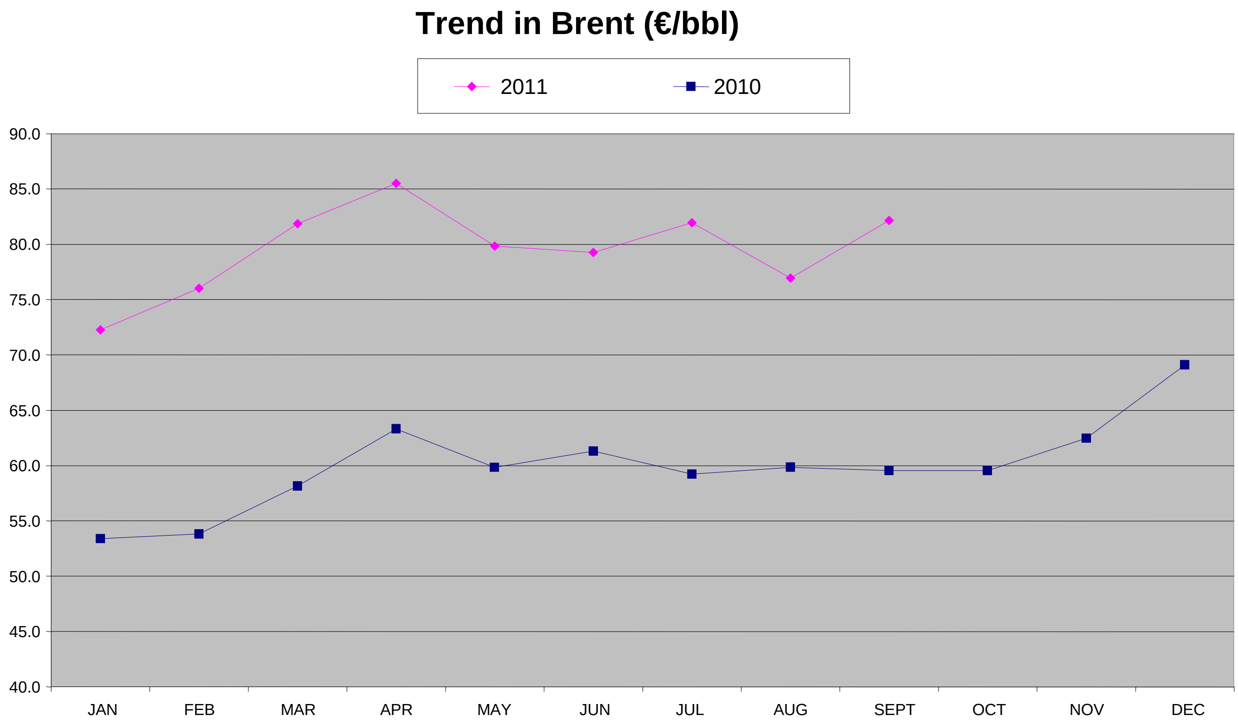
In the period January - September 2011, net electrical energy production in Italy totalled 220,014 GWh, (+1.8%) compared to the same period of 2010. The demand for electrical energy, equal to 250,463 GWh (+1.7%), was 88.6% met by domestic production (-0.5%), with the remaining 11.4% coming from foreign balance. At the domestic level, thermoelectric production was 164,957 GWh, an increase of 0.9% over 2010 and covered 75% of demand. Production from hydroelectric sources was 37,802 GWh (-8.7% compared to 2010) covering 17.2% of demand, whilst geothermal, wind and photovoltaic energy production amounted to 17,255 GWh (+2.6%) and met 7.8% of demand.

Accumulated demand and supply of electrical energy (GWh and changes in trends)			
	To 30/09/2011	**To 30/09/2010**	**% Change**
Demand	**250,463**	**246,308**	**1.7%**
-Northern Italy	114,647	112,617	1.8%
-Central Italy	73,080	72,222	1.2%
-Southern Italy	36,602	36,109	1.3%
-Islands	26,134	25,360	3.0%
Net production	**220,014**	**216,000**	**1.8%**
- Hydroelectric	37,802	41,104	-8.7%
-Thermoelectric	164,957	163,544	0.9%
-Geo-thermoelectric	3,978	3,735	6.1%
-Wind and photovoltaic	13,277	7,617	42.6%
Foreign balance	**32,221**	**33,742**	**-4.7%**

Source: RIE processing using TERNA data

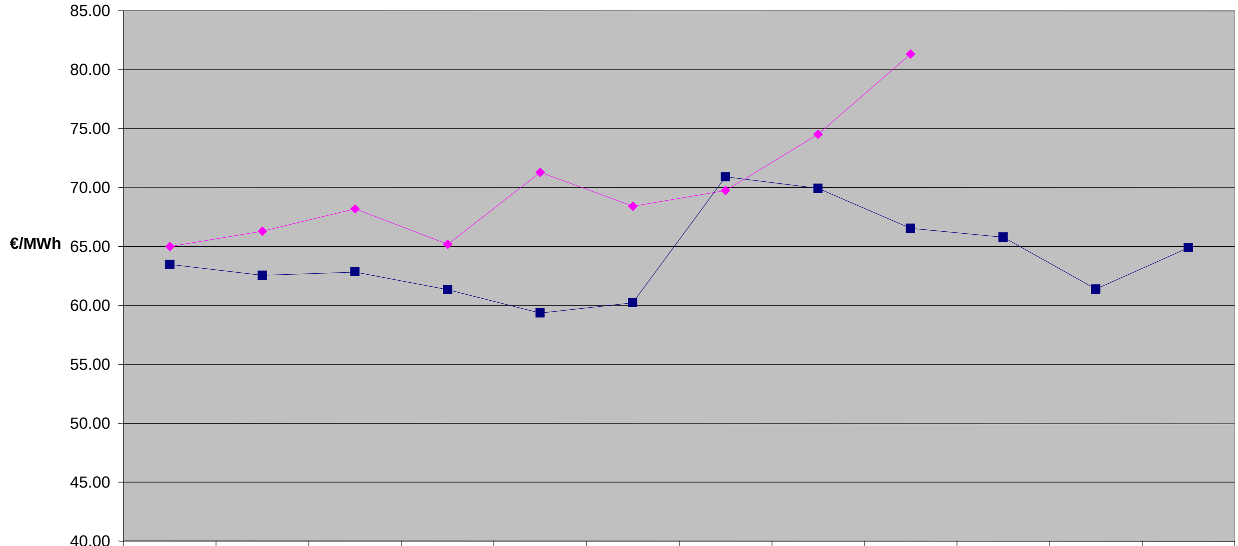
The first nine months of 2011 showed an overall recovery in electricity demand from the same quarters of 2010 (+1.7%). Compared to the first nine months of 2009, which in turn showed a -6.1% decrease from the first nine months of 2008, a 2.9% or approximately +7.0 TWh increase can be observed. The per cent growth was positive in all regions within the Italian territory, particularly in the two major islands (+3.0%) and the north region (+1.8%).
During the first nine months of 2011 the average price of crude oil was USD/bbl 111.9, an increase compared to the same period of 2010 (+45.2%). The average EUR/USD was 1.41, up by 0.09 compared to the average for the same period in 2010. Due to these dynamics, the average crude oil price in Euro was EUR 79.6 per barrel in 2011, higher than the average price for 2010 (+35.9%). Oil prices remained substantially steady also in the third quarter of the year, despite the gradual deterioration of the macroeconomic scenarios in the Eurozone. The average for the July - September quarter closed at USD 113.5 per barrel, which remains above the average figure for the first nine months of 2011 (112 dollars). Compared to April - June, when the trend in the prices of Brent Dated was mainly affected by the Libya factor and the fear premium associated with revolutionary drives in the MENA area, the third quarter 2011 is affected more by the fears of a double-dip recession. The downwards pressure is mainly attributable to the new explosion of the financial crisis, with diffuse risks of sovereign debt and the weakening of expectations for growth in economies, not only mature economies but also emerging economies (including China). The general lack of confidence has had

an effect on stock markets, with sharp stock market collapses in the US and European markets, which also impacted oil prices.



In the third quarter of the year, the references prices on the Power Exchange increased both on the same period of 2010 and on the previous quarter. The market price (PUN) rose to 75.2 EUR/MWh, +8.8% on the third quarter of the previous year and +10.1% on the period April - June 2011. The price was significantly high in September (81.3 EUR/MWh), up +22,2% compared to the previous year and +16.6% compared to the previous month.
As in the first two quarters of the year, the rise in prices in off-peak hours was confirmed, up by +13.7% on the third quarter 2010 and by +9.5% on the previous quarter. Prices also increased by the same average percentage (+13.4%) for the first nine months of the current year.

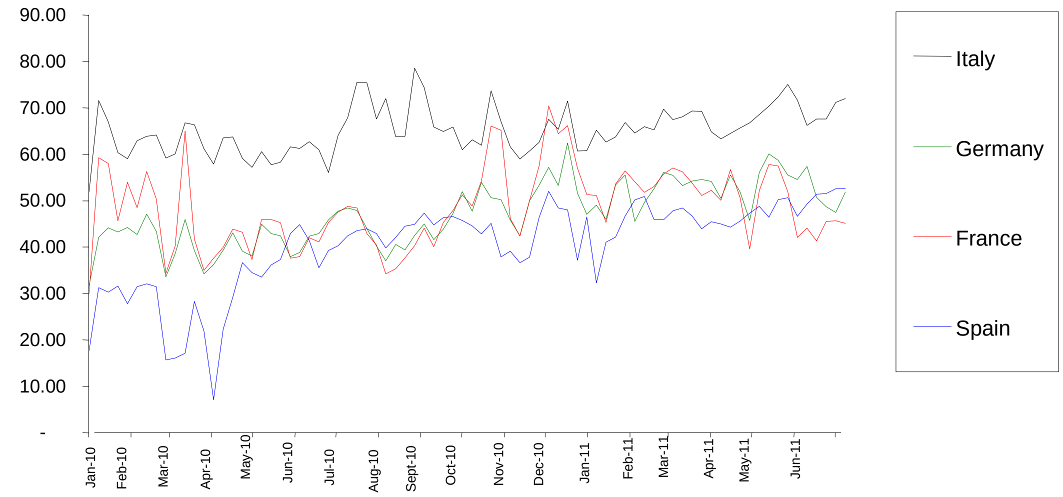
Average Purchase Price on the Stock Exchange (MGP)
Single National Price (PUN)



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
2011	65.00	66.29	68.18	65.18	71.28	68.41	69.74	74.51	81.31			
2010	63.45	62.55	62.82	61.31	59.36	60.20	70.90	69.91	66.55	65.78	61.38	64.88

As for regional prices, the area with the lowest prices in the first three quarter, as in 2010, is the South region, at 66.23 EUR/MWh (-5.4% from PUN), whereas Sicily has the highest prices at 92.94 EUR/MWh (+32.7% from PUN). In both cases the variance from the average price was reduced, from -7.6% for the South region in the same period of 2010 and from +44% for Sicily.

Weekly Prices on the Power Exchanges
(Euro/MWh)



The following table shows values and comparisons between average monthly future prices in the third quarter. An increasing trend was observed from July to September that confirmed a bullish sentiment in quotations. Annual future prices grew from 70.89 EUR/MWh at the beginning of January to 74.50 EUR/MWh at the end of September.

Jul-11		Aug-11		Sep-11	
Futures		**Futures**		**Futures**	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
Aug-11	72.30	Sep-11	73.85	Oct-11	76.81
Sep-11	74.48	Oct-11	74.49	Nov-11	79.31
Oct-11	75.78	Nov-11	76.50	Dec-11	78.36
Quarterly		**Quarterly**		**Quarterly**	
Dec-11	77.11	Dec-11	75.75	Dec-11	78.27
Mar-12	76.69	Mar-12	75.99	Mar-12	77.79
Jun-12	71.54	Jun-12	70.27	Jun-12	70.38
Sep-12	75.42	Sep-12	73.78	Sep-12	74.55
Annual		**Annual**		**Annual**	
Dec-12	74.75	Dec-12	73.57	Jan- 12	74.50

Source: RIE on IDEX data

The Natural Gas Market

Based on Snam Rete Gas figures, total natural gas withdrawals from the start of the year were -4.2% lower than 2010, or approximately 2.4 billion cubic metres. This was mainly the result of: 1.5 billion cubic metres less (-6.3%), attributable to lower withdrawals from the distribution network in relation to milder temperatures, the fall of 1.0 billion cubic metres (-4.3%) in thermoelectric uses, which were affected by both the switch with coal (exit of CIP 6 plants) and the development of renewable production, and slight growth in industrial consumption (+0.3 billion cubic metres, equal to +2.9%). August and September were the only months of 2011 to record an increase in consumption on 2010, marking a positive sign for industrial consumption following several months of decline.
In terms of input into the system, compared to the previous year domestic production fell by -3.4% and imports fell by -1.2%.
Imports from Libya through the Greenstream (which had been stopped since 23 February) started up again on 13 October, at reduced volumes for the moment (3-4 million cubic metres/day). The goal is to return to full operating capacity of 28 million cubic metres/day in a few weeks.

January-September	2011	2010	2009	2008	% Change 11/10	% Change 11/09	% Change 11/08
GAS DRAWN (bil cbm)							
Distribution plants	22.5	24.0	22.4	22.4	-6.3%	0.4%	0.7%
Industrial use	10.0	9.7	8.8	11.2	3.2%	14.3%	-10.6%
Thermoelectric use	21.1	22.1	20.5	25.2	-4.3%	3.0%	-16.3%
Exports. other networks and system consumption (*)	1.8	2.1	2.1	2.3	-12.9%	-12.4%	-20.2%
Total withdrawn	**55.5**	**57.9**	**53.8**	**61.1**	**-4.2%**	**3.1%**	**-9.2%**
GAS INPUT (bil cbm)							
Domestic production	6.0	6.2	6.2	6.94	-3.4%	-3.3%	-14.2%
Imports	53.5	54.2	49.2	56.46	-1.2%	8.8%	-5.3%
Storage	-3.9	-2.4	-1.5	-2.27	63.9%	159.5%	73.2%
Total input	**55.5**	**57.9**	**53.8**	**61.1**	**-4.2%**	**3.1%**	**-9.2%**

Source: processing of Snam Rete Gas figures; final figures January - June 2011; non-definitive figures for July - August 2011; provisory figures for September - October 2011

(*) includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.

Demand is falling also in the European Union. According to Eurogas figures, in the first six months of the year, consumption dropped by about 9% (25 billion cubic metres) compared to 2010 due to causes substantially equivalent to those indicated for Italy. Forecasts for all of 2011 estimate a reduction of 5% - 7% on an annual basis for consumption between 485-495 billion cubic metres compared to 522 billion cubic metres in 2010.

Though in a scenario of increasingly weak demand, we can observe a growth trend in gas prices over the year, compared to both prices indexed to oil products and spot prices.
Regarding indexed prices:

- the “Gas Release 2 (GR2)” price rose from approximately 31 Eurocents/cbm at the start of the year to 39.3 Eurocents/cbm in September, and a further slight increases is expected in the last few months of 2011. Comparing the first nine months of 2011 with those of 2010, the average increase in the GR2 price amounted to 15%;
- the Wholesale Marketing Component (CCI = raw material QE + marketing costs), set by AEEG for the reference prices for protected customers, rose from 29.6 Eurocents/cbm in the first quarter to 33.7 Eurocents/cbm metre in the third quarter. Compared to the first nine months of 2010 it increased by 16.8%. The AEEG update for the last quarter of the year calculated a value of 36.8 Eurocents/cbm (thus, the annual average growth of the CCI compared to 2010 reaches 20%).

Considering the main European hubs, in the first nine months of 2011, prices increased by an average of approximately 39% compared to the same period of 2010 (at the start of 2010 prices were 40-50% lower than the prices of long-term contracts). During the year, prices stood at between approximately 23 and 25 Eurocents/cbm, values which are still significantly lower than the current prices of oil-linked imports (around 17%-20%).
At the Italian Virtual Exchange Point, the price was approximately 29 Eurocents/cbm, 11% higher than at the start of the year. There was significant growth in volumes traded: +36% in the thermal year 2010-2011 compared to the thermal year 2009-2010. In the last few months, the churn ratio, which is the ratio of volumes traded to physical volumes, rose to 2.9 compared to 2.2 at the start of 2011.
Prices on the spot market governed by the electricity market operator - GME (volumes which are still insignificant) showed increases in September: after slight fluctuations between 26 and 28 Eurocents/cbm over the year, the MGP monthly average price in continuous negotiation rose from 27.0 Eurocents/cbm in August to 32.3 Eurocents/cbm in September.

SIGNIFICANT EVENTS OF THE PERIOD

Edison Group reorganisation

On 5 September, following the meeting between the Minister for Productive Activities, Paolo Romani, and the Chairman of Edf, Henri Proglio, Edison's shareholders, including, reached an agreement to postpone to 31 October 2011 the expiration date (originally 16 March 2011 and subsequently postponed to 15 September 2011) for optional cancellation of shareholders' agreements in order to define a reorganisation project for the energy group from Foro Bonaparte.
As reported by the mass media, negotiations between the parties have started up again, and Iren's representatives are following them closely as regards their specific responsibilities, examining the numerous proposals for reorganisation, in the interest of the Group.

Parma Integrated Environmental Hub (IEH)

On 6 July 2011 the Municipality of Parma served an order for suspension of works, reiterated on 24 August pursuant to Regional Law no. 23/2004, on the waste-to-energy plant being built in the Parma Integrated Environmental Hub. The order was issued as a precautionary measure, due to the alleged lack of the building permit as part of the Integrated Environmental Authorisation issued on conclusion of the Integrated Environmental Assessment procedures.
Iren Ambiente, which has been building the plant since September 2009, in the full conviction of the legality of its operations, has initiated all the actions required to protect its image and its interests, also in terms of economic damage, deriving from the order to suspend the works.

Loan agreements

In July Iren SpA finalised the conclusion of 3 loan agreements, with a term of 3 years, with repayment on expiry, for a total of EUR 350 million, with Cassa Depositi e Prestiti SpA (loan of EUR 100 million), Mediobanca - Banca di Credito Finanziario SpA (loan of EUR 100 million) and Unicredit Corporate & Investment Banking (loan of EUR 150 million), which contributed new resources in order to implement the Iren Group's development projects.
The loan transactions, indexed to the Euribor plus a margin in line with the current best conditions on the market, confirm the support and appreciation the financial system has for the quality of the projects planned by Iren.

PREPARATION CRITERIA

CONTENT AND STRUCTURE

The consolidated interim report on operations at 30 September 2011 was prepared in compliance with the provisions of art. 154-ter "Financial reports" of the Italian Consolidated Finance Act ("TUF") introduced by Italian Legislative Decree 195/2007 based on which Italian lawmakers implemented Directive 2004/109/EC (known as the Transparency directive) regarding periodic disclosure and based on Consob communication no. DEM/8041082 of 30 April 2008. Said provision replaces what was previously provided by art. 82 "Quarterly report" and Annex 3D ("Criteria for preparing the quarterly report") of the Issuer Regulation.
The accounting standards used to prepare the report are the "International Financial Reporting Standards – IFRS" issued by the International Accounting Standards Board ("IASB") and approved by the European Commission. "IFRS" also includes the International Accounting Standards ("IAS") still in effect, as well as all explanatory documents issued by the International Financial Reporting Interpretations Committee ("IFRC") and the previous Standing Interpretations Committee ("SIC").

ACCOUNTING PRINCIPLES ADOPTED

Accounting principles and evaluation criteria, as well as consolidation principles, adopted when preparing this interim report on operations for the IREN Group are consistent with those used when preparing the IREN Group's Consolidated Financial Statements at 31 December 2010, to which reference is made for a complete description.

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

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

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

CONSOLIDATION SCOPE

The consolidation scope includes the companies directly or indirectly controlled by the parent.

Parent
IREN S.p.A.

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

1) IREN Energia and its subsidiaries:
- Iride Servizi and subsidiaries:
  - AEM NET
  - Sasternet
- AEM Torino Distribuzione
- CELPI
- Nichelino Energia

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

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

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

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

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

Companies consolidated with the proportional method
The following companies are consolidated through the proportional method:

- AES Torino S.p.A. (51% held by IREN Energia, but jointly managed with the other shareholder Italgas, due to contractual agreements signed by the parties)
- Società Acque Potabili (30.86% held by IREN Acqua Gas)
- Acquedotto Savona (100% held by Società Acque Potabili)
- Acquedotto Monferrato (100% held by Società Acque Potabili)
- Acque potabili Siciliane (56.77% held by Società Acque Potabili)
- Acque potabili Crotone (100% held by Società Acque Potabili)
- OLT Offshore LNG S.p.A (41.71% held by IREN Mercato)
- Namtra Investments Ltd (wholly owned by OLT Offshore LNG).

In the first nine months of 2011, changes in the scope of consolidation of the Iren Group involved:

- the deconsolidation of Aquamet as a result of the finalisation of the transfer of the entire investment held by the Group, equal to 60% of the share capital. At 31 December 2010 the assets and liabilities of Aquamet were recognised under assets held for sale and liabilities related to assets held for sale. The transfer had an insignificant effect on the equity attributable to owners of the parent, while it involved a reduction of approximately EUR 11,592 thousand in non-controlling interests;
- the change in the percentage of investment in the consolidated Laboratori Iren Acqua Gas, from 73.13% to 90.89% due to the share capital increase reserved to Iren Acqua Gas S.p.A., subscribed through transfer of the business unit relating to the laboratories, which was previously part of Iren Acqua Gas S.p.A..

RISK MANAGEMENT

The management of business risks is an essential component of the Internal Control System of corporate governance in a listed company, and the Code of Conduct set forth by Borsa Italiana assigns specific responsibilities as regards this aspect. The enterprise risk management model in place within the Group is currently being adapted and implemented in the new IREN entity through a specific project. The model includes the methodological approach to the integrated identification, assessment and management of Group risks.
For each of the following risk types:

- Financial risk (interest rate, currency, spread);
- Credit risk;
- Energy risk (risk factors associated to energy and/or financial markets, such as market variables or pricing choices);
- Operational 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” were defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of related risks.
This model also regulates the roles of the various parties involved in the risk management process, which is governed by the Group Board of Directors. The document requires 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.
The “Risk Management” department, reporting to the CEO, was set up within the IREN Group. This department is formally entrusted with the following activities:

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

A summary of the Group risk management models is shown hereunder.

1. FINANCIAL RISKS

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

a) Liquidity risk
Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in IREN, both through cash pooling and centralisation of all collection and payments within the IREN current accounts, make it possible to allocate Group-wide available funds according to the needs arising from time to time within the single companies. Cash movements are recognised in infragroup bank accounts along with infragroup interest income and expense.
Other investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
Based on the cash pooling model, the accounts of all the companies are zeroed every day by means of a netting system that transfers the balances of currency transactions on the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored.
IREN has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suitable to its needs, and the best market conditions.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default and covenant risk), we note that the clauses in IREN loan agreements do not contain critical elements.
For a number of Iren medium/long-term loan agreements, a commitment to observe financial covenants is envisaged (such as 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 IREN Group's should be kept under indirect or direct control of Local Authorities, as well as clauses concerning negative pledges, under which the company undertakes not to give collateral beyond a specific limit, and the *Pari Passu* clause, which reserves an equal treatment to lending banks with respect to the treatment for other unsecured creditors.
The medium/long-term loan agreements of some Group companies also involve financial index covenants (Net Financial Indebtedness/EBITDA, Net Financial Indebtedness/Equity).

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

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

2. CREDIT RISK

The Group’s credit risk is related mainly to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties. This risk is connected to the sale of electrical energy, district heating and gas to retail and business customers, public entities.

In order to control credit risk, operating management of which is entrusted to individual regional functions, methodologies have been defined for monitoring and control of receivables in addition to the definition of strategies (Customer solvency analysis on acquiring receivables, the assignment of cases to external credit recovery companies, management of legal disputes through new recovery methods) for reduction of credit exposure.

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

Accruals to the allowance for impairment accurately reflect the effective credit risk through the targeted quantification of the accrual, involving the analysis of the individual receivable items recorded in the database, specifically taking into account ageing, as well as comparison with historical impairment loss data and determination of the average non-payment rate.

3. ENERGY RISK

The IREN Group is exposed to the 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 segments.
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.

Iren Mercato launched trading operations which involve the trading of physical and financial contracts on the electrical market and financial contracts directly on the underlying commodities. These contracts may refer to various indexes (PUN, ITEC, Itmix, BINE). These also include trading on the IDEX.
The contracts that give rise to these activities are classified in a specific Trading Portfolio.

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 IREN Group, including on the basis of the models implemented in the former IRIDE and Enìa, focused on the integrated and synergic management of risks, and it implements a management process that consists of the following stages:

- Identification;
- Estimation;
- Assessment;
- Treatment;
- Control;
- Reporting.

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

a. Legislation and regulatory risks

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

b. Strategic Risks

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

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

c. Plant-related risks

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

d. IT Risks

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

FINANCIAL POSITION, RESULTS AND CASH FLOWS FOR THE FIRST NINE MONTHS OF 2011

The IREN Group was established on 1 July 2010 following the merger of Enìa into Iride. The reclassified Income Statement and Statement of Financial Position, as well as the Statement of Cash Flows are shown hereunder.

The IREN Group's figures regarding the restated statement of financial position are compared with the corresponding figures as at 31 December 2010. Figures in the income statement and the statement of cash flows are compared with the IREN Group's corresponding pro-forma data regarding the first nine months of the previous year.

As regards the pro-forma figures, it is worth mentioning that the 2010 Pro-forma consolidated financial statements were drawn up in order to simulate the effects of merger on IRIDE's state of affairs, according to measurement criteria consistent with those applied by IRIDE in the preparation of its consolidated financial statements and compliant with reference legislation. This, while assuming that the extraordinary operation took place at the beginning of the period to which the Income statement and the Statement of cash flows refer, that is to say as at 1 January 2010.

Income Statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

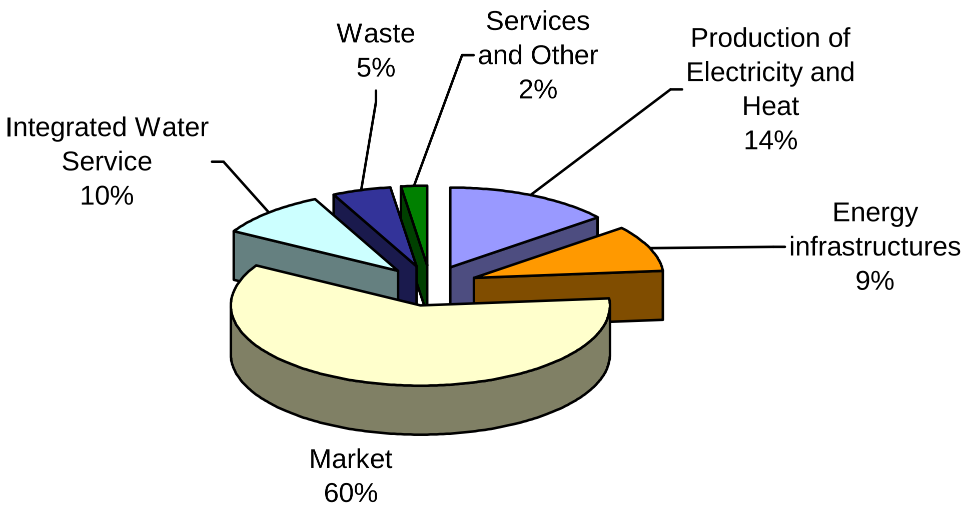
thousands of euro

	First 9 months of 2011	First 9 months of 2010 pro forma	% Change
Revenue			
Revenue from goods and services	2,231,756	2,256,600	(1.1)
Change in contract work in progress	568	2,469	(77.0)
Other revenue and income	131,369	138,848	(5.4)
Total revenue	**2,363,693**	**2,397,917**	**(1.4)**
Operating expense			
Raw materials, consumables, supplies and goods	(1,046,847)	(1,141,664)	(8.3)
Services and use of third-party assets	(680,896)	(616,826)	10.4
Other operating expense	(51,919)	(54,619)	(4.9)
Capitalised expenses for internal work	20,603	23,717	(13.1)
Personnel expense	(194,897)	(198,339)	(1.7)
Total operating expense	**(1,953,956)**	**(1,987,731)**	**(1.7)**
Gross Operating Profit	**409,737**	**410,186**	**(0.1)**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(148,464)	(147,299)	0.8
Provisions and impairment losses	(44,488)	(54,065)	(17.7)
Total amortisation, depreciation, provisions and impairment losses	**(192,952)**	**(201,364)**	**(4.2)**
Operating Profit	**216,785**	**208,822**	**3.8**
Financial expense			
Financial income	17,445	17,824	(2.1)
Financial expense	(66,325)	(62,156)	6.7
Net financial expense	**(48,880)**	**(44,332)**	**10.3**
Share of profit of associates accounted for using the equity method	13,641	11,613	17.5
Impairment losses on investments	-	(29)	(100.0)
Profit before tax	**181,546**	**176,074**	**3.1**
Income tax expense	(82,145)	(62,575)	31.3
Profit for the period from continuing operations	**99,401**	**113,499**	**(12.4)**
Profit from discontinued operations	1,263	1,783	(29.2)
Profit for the period	**100,664**	**115,282**	**(12.7)**
attributable to:			
- owners of the Parent	95,018	109,613	(13.3)
- non-controlling interests	5,646	5,669	(0.4)

Revenue

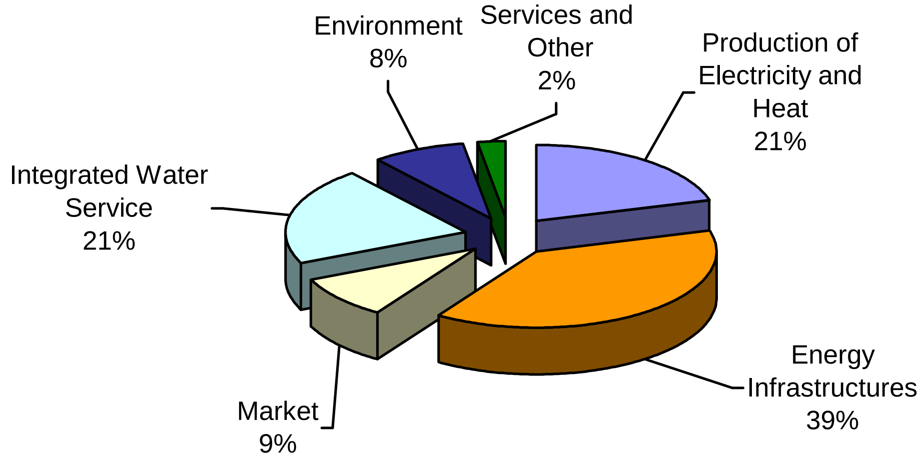
In the first nine months of 2011 the Iren Group recognised revenue of EUR 2,364 million, down by -1.4% compared to the EUR 2,398 million in the same period of 2010. The following table highlights the breakdown:

Breakdown of Revenue



Gross operating profit
The gross operating profit, equal to approximately EUR 409.7 million, was substantially in line with the EUR 410.2 million in the corresponding period of 2010 (-0.1%).
The production of Electricity and Heat, Waste Management and Energy Infrastructures segments reported shrinking margins compared to the corresponding period of 2010. Nonetheless, this downturn was offset by the positive results of the Market and Integrated Water Cycle segments.

Breakdown of EBITDA



Operating profit
Operating profit amounted to EUR 217 million and has improved by +3.8% compared to EUR 209 million in the first nine months of 2010. There is furthermore slight increase in amortisation/depreciation compared to the previous year, as well as a reduction in allocations to provisions for risks of approximately EUR 9 million, mainly due to the risk of default on receivables and to charges for transport on the electrical energy network. As set forth below along with the analysis of the financial position, provisions for risks increased significantly due to decreased usage.

Financial income and expense
Net financial expense was negative by EUR 49 million. Specifically, financial expense totalled EUR 66 million, up (+6.7%) on the 2010 figures, due to the increase in the average indebtedness of the period and due to the increase in the average cost of debt. Financial income amounted to EUR 17 million, down slightly (-2.1%) on the first nine months of 2010. The results of associates accounted for using the equity method was a positive EUR 14 million, up by 17.5% compared to the same period in 2010.

Profit before tax
As a result of the trends indicated above, the consolidated profit before tax reached EUR 182 million, an increase of 3.1% compared to the first nine months of 2010.

Income tax expense
Income taxes for the first nine months of 2011 amounted to EUR 82 million, an increase of 31.3% compared to the same period of 2010.
The increase is due to the following factors:

- in 2010 these included extraordinary components which had a positive effect on taxes. Specifically, the inapplicability for 2009, following Ministerial clarifications, of the 1% increase of the so-called “Robin Hood Tax” rate, recovered in 2010.
- in 2010, benefits were also provided by tax concessions for investments (so-called Tremonti Ter), provided for by Law Decree no. 78 of 1/7/2009, converted into 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;
- in 2011, as a result of the approval of Italian Law Decree 98/2011, the IRAP tax rate for companies operating through concession, such as most of the companies in the IREN Group, was increased by 0.30%.
- in August 2011, following the approval of Law Decree 138/2011, the additional IRES was increased by 4% for companies which were already subject to said tax, while it was also introduced for companies that distribute electrical energy and natural gas. Therefore, the rate for the additional tax is 10.5%.

Profit for the period from continuing operations
Profit from continuing operations was EUR 99 million, down by 12.4% on the first nine months of 2010, due to the factors indicated above.

Profit for the period
Profit for the period amounted to EUR 101 million, a decrease compared to EUR 115 million in the same period in 2010. This decrease was mainly the result of the positive tax impact of the “Tremonti ter” (+ EUR 9.7 million) in the first half of 2010 and the negative impact of the increase in IRAP and the additional IRES for 2011.
The main economic components are shown below, with comments for each business segment.

Production of electricity and heat

The turnover of the segment, as at 30 September 2011 amounted to EUR 485 million, up by 6.1% compared to EUR 457 million in the same period of 2010.

		First 9 months of 2011	First 9 months of 2010	Δ %
Revenue	€/mln.	484.8	457.0	6.1%
Gross Operating Profit	€/mln.	84.8	102.6	-17.4%
Gross Operating Margin		*17.5%*	*22.4%*	
Operating profit	€/mln.	26.0	43.7	-40.5%
Investments	€/mln.	86.7	134.8	-35.7%
Electrical energy produced	GWh	4,260	3,852	10.6%
from hydroelectric sources	*GWh*	773	782	*-1.2%*
from thermoelectric sources	*GWh*	3,487	3,070	*13.6%*
Heat produced	GWh_t	1,571	1,713	-8.3%
from cogenerative sources	GWh_t	1,217	1,278	*-4.8%*
from non-cogenerative sources	GWh_t	354	435	*-18.7%*

Electrical energy produced at 30 September 2011 totalled 4,260 GWh, up by 10.6% compared to the first nine months of 2010, due to higher cogeneration production (+13.6%) and a slight fall in hydroelectric production (-1.2%). In particular, hydroelectric production was around 773 GWh, down compared to the same period in 2010 due to the lower water levels recorded, partly offset by the launch, on conclusion of repowering, of the new G4 and G1 groups of the plant in Rosone.
Thermoelectric production was around 3,487 GWh, up (+13.6%) compared to the same period of 2010, due to the higher production of the GT2 plant in Moncalieri.

The production of heat amounted to 1,571 GWht, down by 8.3% compared to the same period of 2010 due to lower consumption, already recorded during the half year, as a result of higher than average seasonal temperatures (-18% degrees compared to the same period of 2010) and in spite of the higher volumes supplied (+3.7 million cubic metres compared to the first nine months of 2010). The total district heating volume exceeded 67 million cubic metres.
The share of heat produced by cogeneration plants was 77.5%, up compared to the 74.6% in the same period of 2010.

Gross operating profit amounted to EUR 84.8 million, down by -17.4% compared to the EUR 102.6 million in the corresponding period of 2010.
The contraction in the margin compared to the previous period was due to the decrease in the spark spread on cogeneration production of electrical energy and the reduction in the MSD market margin, in additional to lower volumes of thermal energy (-142 GWh) and lower revenue from green certificates on the production of heat. These negative factors were partly offset by the higher volumes of electrical energy produced (+417 Gwh) and the increase in revenue from green certificates on hydroelectric production.

Operating profit amounted to EUR 26 million, down by -40.5% on the EUR 43.7 million in 2010, expressing the same dynamic as the gross operating profit for the segment.

Capital expenditure relating to the segment amounted to approximately EUR 86.7 million, of which approximately EUR 74.7 million refers to cogeneration (relating almost entirely to the Torino Nord project) and EUR 10.5 million to the production of hydroelectricity (powering of the Valle Orco plants). Expenditure in the renewables segment amounted to EUR 1.5 million, mainly relating to the construction of photovoltaic plants.

Market

The turnover in the Market segment amounted to EUR 2,030 million, substantially stable compared to EUR 2,016 million in the corresponding 2010 period.
A summary of the economic results per business segment is shown below:

		First 9 months of 2011	First 9 months of 2010	Δ %
Revenue	€/mln.	2,030.0	2,016.2	0.7%
Gross Operating Profit	€/mln.	37.3	18.0	(*)
Gross Operating Margin		*1.8%*	*0.9%*	
from electrical energy	*€/mln.*	-0.1	2.2	*(*)*
from gas	*€/mln.*	33.1	12.4	*(*)*
from heat	*€/mln.*	4.3	3.4	*27.5%*
Operating profit	€/mln.	24.3	7.1	*(*)*
Investments	€/mln.	3.6	4.2	*-15.0%*
Electrical energy sold	GWh	10,134	10,928	-7.3%
Electrical energy sold net of purchases/sales in the Stock Exchange	GWh	7,765	8,590	-9.6%
Gas purchased	Mln m^3	1,937	2,146	-9.7%
Gas marketed by the Group	Mln m^3	1,011	1,299	-22.2%
Gas for internal use	Mln m^3	926	846	9.4%

(*) Change of more than 100%

Sale of natural gas
Total volumes of natural gas procured in the first nine months of 2011 were approximately 1,937 million cubic metres (around 2,146 million cubic metres for the same period of 2010) referring to gas sold to customers outside the Group, and the cubic meters used within the Group for both the production of electrical energy and the provision of heating services.
The lower volumes sold, compared to 2010 (-209 million cubic metres) are mainly attributable to unfavourable weather conditions, partially offset by the effect of the marketing campaign which mitigated the natural erosion resulting from the liberalisation of the markets traditionally served.

The gross operating profit, equal to EUR 37 million, has improved compared to the EUR 18 million of the first nine months of 2010, mainly due to the effects deriving from the renegotiation of procurement conditions.

Sale of electrical energy
Total volumes sold on the free market amounted to 9,347 GWh, compared to 9,918 GWh in the first nine months of 2010 (-5.8%). The decrease in quantities sold is mainly attributable to a reduction in volumes sold on the Power Exchange.
The electrical energy availability from production inside the Iren Group, (Iren Energia and Tirreno Power), amounted to 4,426 GWh (compared to 4,105 GWh in 2010), while the volumes used in the production of electrical energy for tolling contracts with Edipower amounted to 1,084 GWh (1,035 GWh in 2010).
Volumes sold to end customers and wholesalers amounted to 5,687 GWh versus the 5,519 GWh of 2010; gross sales on the power exchange amounted to 3,660 GWh versus the 4,399 GWh of 2010, and the remaining part of volumes sold mainly refers to intercompany transactions and distribution losses.
The gross operating profit from the sales of electrical energy amounts to EUR - 0.1 million, down by approximately EUR -2 million compared to the same period of 2010. This reduction was impacted by the lower profit of EUR - 6 million on sales to eligible and protected end customers, prior year items and other lesser effects for EUR - 3.6 million. These factors were partly offset by the sale of CO2 ETS emission rights (Emission Trading System) for approximately EUR +7 million.

Energy infrastructures

As of 30 September 2011, the Energy Infrastructure segment, including distribution of gas, electrical energy and heat businesses, recorded revenues of EUR 311.4 million, in line with the EUR 311.2 million in the first nine months of 2010.
The gross operating profit stood at EUR 158.1 million, down by -0.9% compared to the EUR 159.5 recorded in the first nine months of 2010.
The operating profit amounted to EUR 111.6 million, +10.4% compared to EUR 101.1 million in the first nine months of 2010.

		First 9 months of 2011	**First 9 months of 2010**	**Δ %**
Revenue	€/mln.	311.4	311.2	0.0%
Gross Operating Profit	€/mln.	158.1	159.5	-0.9%
Gross Operating Margin		*50.8%*	*51.2%*	
from electricity networks	*€/mln.*	56.6	63.5	*-10.8%*
from gas networks	*€/mln.*	73.0	68.9	*5.9%*
from district heating networks	*€/mln.*	29.2	27.5	*6.1%*
from the regasification plant	*€/mln.*	-0.8	-0.5	*56.4%*
Operating profit	€/mln.	111.6	101.1	10.4%
Investments	€/mln.	112.0	109.4	2.4%
in electricity networks	*€/mln.*	13.8	17.2	-19.6%
in gas networks	*€/mln.*	38.5	34.0	13.1%
in district heating networks	*€/mln.*	41.6	27.6	n.s.
in regasification plant	*€/mln.*	18.1	30.5	-40.8%
Electrical energy distributed	GWh	3,207	3,187	0.6%
Gas distributed	Mln m^3	1,287	1,433	-10.2%
District heating volumes	Mln m^3	67	64	5.8%

Electricity networks
Gross operating profit amounted to EUR 56.6 million, a decrease on the EUR 63.5 million of 2010 (-10.8%).
The decline in profit of approximately EUR 7 million is mainly attributable to previous year's losses connected to the settlements required by the equalisation mechanisms relating to distribution tariff systems.
Investments totalling roughly EUR 13.8 million were made during the period, mainly for new connections, the replacement of electronic meters and the construction of new HV/MV primary transformation stations.

Gas networks
The gross operating profit from Gas Network distribution has increased to EUR 73 million (5.9%) compared to EUR 68.9 million in 2010.
The increase in profit compared to the previous year is jointly attributable to higher revenues from tariffs and the reduction in operating costs.

Capital expenditure in the segment amounted to approximately EUR 38.5 million and mainly involves the 10-year renovation plan of the network through replacement of pipes, pursuant to resolution 168/04 of the AEEG, the installation of electronic metres, and the development initiatives for the distribution network and connections in the main areas served by the Group (Genoa, Turin, Reggio Emilia and Parma).

District heating networks
The gross operating profit for the district heating segment was EUR 29.2 million, up by 6.1% compared to EUR 27.5 million in 2010. This trend was due to the increase in volumes supplied, from 63.5 million cubic metres to 67.2 million cubic metres (+5.8%).

During the period, investments were made in the distribution network of approximately EUR 41.6 million, mainly in regard to the Torino Nord project (EUR 22 million), Nichelino Energia (EUR 8 million) and projects in the Emilia Romagna area (EUR 8 million).

Regasification plant
Investments made in the segment amounted to approximately EUR 18 million. The construction of the OLT regasification plant in Livorno is approximately 85% completed. Nonetheless, several technical issues which arose during the construction phase of the anchoring system are currently being handled.
At this stage, the plant is expected to come on stream, for commercial purposes, during the thermal year 2012-2013.

Integrated water service

At 30 September 2011, the Integrated Water Service segment had revenue of EUR 323.2 million, up by 3.5% compared to EUR 312.2 million in the first nine months of 2010. The increase in the segment revenue is attributable to the tariff increases resolved by the ATOs (*Agenzie di Ambito territoriale ottimale)* in all the areas managed by the Group, partly offset by lower revenue achieved and a reduction in volumes sold.

		First 9 months of 2011	**First 9 months of 2010**	**Δ %**
Revenue	€/mln.	323.2	312.2	3.5%
Gross Operating Profit	€/mln.	84.9	83.5	1.7%
Gross Operating Margin		*26.3%*	*26.7%*	
Operating profit	€/mln.	34.8	33.2	4.6%
Investments	€/mln.	61.4	65.3	-5.9%
Water sold	Mln m^3	138	141	-2.1%

Gross operating profit amounted to EUR 84.9 million, up by 1.7% on the EUR 83.5 million of the corresponding period of 2010. The increase is mainly attributable to tariff increases, offset by lower quantities sold (-2.1%) and a higher weight of operating costs.
Operating profit is EUR 34.8 million, up by 4.6% compared to EUR 33.2 million in the first nine months of 2010. Amortisation/depreciation for the period is in line with figures recorded in 2010.
Capital expenditure made in the integrated water service segment amounted to EUR 61.4 million and mainly refers to the construction of infrastructures provided for by the ATOs for the development of the water distribution network, the sewerage network and water treatment plants.

Waste Management

The segment's turnover volume of business amounted to a total of EUR 161.2 million at 30 September 2011, a decrease of -5.5% compared to the EUR 170.5 million in the same period in 2010.
The downturn in revenue is mainly attributable to the termination of the CIP 6 incentive on the production of electrical energy through the waste-to-energy plant in Tecnoborgo and to lower electrical energy production due to extraordinary maintenance of said plant. Lower revenue was also recorded for the performance of accessory services (maintenance of public parks and show removal).

			First 9 months of 2011	First 9 months of 2010	Δ %
Revenue		€/mln.	161.2	170.5	-5.5%
Gross Operating Profit		€/mln.	34.5	38.1	-9.4%
Gross Operating Margin			*21.4%*	*22.3%*	
Operating profit		€/mln.	14.9	19.1	-22.1%
Investments		€/mln.	46.1	22.1	(*)
Waste handled		ton	769,674	744,792	3.3%
	Urban waste	ton	577,889	596,465	-3.1%
	Special waste	ton	191,785	148,327	29.3%

(*) Change of more than 100%

The gross operating profit for the segment amounted to EUR 34.5 million, a -9.4% decrease compared to EUR 38.1 million in the first nine months of 2010. The decrease in profit for the period is attributable, as already mentioned, to the termination of the CIP 6 incentive on the waste-to-energy plant in Tecnoborgo (PC) on 1 October 2010, as well as to the lower production of electrical energy, due to extraordinary maintenance on the plants. The positive effects of tariff increases and collection procedures for the provision of the waste management services were felt in the period, as well as the reduction in operating costs.

Operating profit for the period amounted to EUR 14.9 million, down by -22.1% compared to EUR 19.1 million in the first nine months of 2010.

Investments, amounting to EUR 46.1 million, refer to the construction works for the Parma Integrated Environmental Hub (IEH) for EUR 38.1 million, while the remaining portion refers to development and maintenance works on collection plants waste collection and equipment.

Other services

Revenue totalled EUR 79 million, up by +7.9% compared to EUR 73.2 million recorded in the corresponding period of 2010.
The gross operating profit, equal to EUR 10.2 million, increased compared to the same period of the previous year due to upgrading in the Telecommunication segment and other changes in minor segments (facility management, public lighting, etc.).

		First 9 months of 2011	**First 9 months of 2010**	**∆ %**
Revenue	€/mln.	79.0	73.2	7.9%
Gross Operating Profit	€/mln.	10.2	8.7	18.0%
Gross Operating Margin		*13.0%*	*11.9%*	
Operating profit	€/mln.	5.2	4.6	12.7%
Investments	€/mln.	14.1	16.7	-15.5%

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	30.09.2011	31.12.2010	% Change
Non-current assets	4,749,238	4,566,148	4.0
Other non-current assets (liabilities)	(124,570)	(118,920)	4.8
Net working capital	385,185	137,040	(*)
Deferred tax assets	32,158	27,241	18.0
Provisions and employee benefits	(348,655)	(325,267)	7.2
Assets held for sale	19,834	55,528	(64.3)
Net invested capital	**4,713,190**	**4,341,770**	**8.6**
Equity	2,045,643	2,081,620	(1.7)
Non-current financial assets	*(75,317)*	*(88,388)*	*(14.8)*
Non-current financial indebtedness	*2,055,901*	*1,829,263*	*12.4*
Net non-current financial indebtedness	1,980,584	1,740,875	13.8
Current financial assets	*(476,229)*	*(521,828)*	*(8.7)*
Current financial indebtedness	*1,163,192*	*1,041,103*	*11.7*
Net current financial indebtedness	686,963	519,275	32.3
Net financial indebtedness	2,667,547	2,260,150	18.0
Own funds and net financial indebtedness	**4,713,190**	**4,341,770**	**8.6**

(*) Change of more than 100%

The main dynamics affecting the statement of financial position in the first nine months of 2011 are described hereunder.

The increase in **non-current assets** reflects the increased investments with particular reference to: *production of electricity and heat* of EUR 86.7 million (with the Torino Nord project of approximately EUR 74 million), the *energy infrastructures* (gas networks of EUR 38.5 million, district heating networks of EUR 41.6 million and electricity networks of EUR 13.8 million and the OLT project of EUR 18 million), the *integrated water cycle* of EUR 61.4 million, and *waste management* of EUR 46.1 million.

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

The increase in provisions and employee benefits is mainly due to allocations to the provisions for risks for the period, only partially offset by releases and uses.

The decrease in **assets held for sale** was affected by the deconsolidation of Aquamet as a result of the finalisation of the transfer of the entire investment held by the Group, equal to 60% of the share capital. At 31 December 2010 the net assets of Aquamet were recognised under assets held for sale.

The reduction in **equity** mainly derives from the distribution of dividends, only partially offset by profit for the period.

The higher **net financial indebtedness** is the result of outflows for investments and dividends paid. The statement of cash flows shown below provides an analytical breakdown of the reasons for the changes in the first nine months of 2011.

CASH FLOW FIGURES

STATEMENT OF CASH FLOWS FOR THE IREN GROUP

thousands of euro

	First 9 months of 2011	First 9 months of 2010 pro forma	% Change
A. Opening cash and cash equivalents	**144,112**	**56,905**	**(*)**
Cash flow from operating activities			
Profit for the period	100,664	115,282	(12.7)
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	148,464	147,299	0.8
Net change in post-employment benefits and other employee benefits	(1,046)	(1,576)	(33.6)
Net change in provision for risks and other charges	27,787	20,017	38.8
Loss from the sale of discontinued operations net of tax effects	(1,895)	-	-
Change in deferred tax liabilities	(4,352)	(14,179)	(69.3)
Variation in non-current assets	5,650	(12,379)	(*)
Dividends received	(3)	(6,665)	(100.0)
Portion of loss of associates	(13,641)	(11,613)	17.5
Net impairment losses (reversals of impairment losses) on non-current assets	1,334	802	66.3
B. Cash flows from operations before variations in NWC	**262,962**	**236,988**	**11.0**
Variation in inventories	(2,881)	(2,649)	8.8
Variation in trade receivables	56,877	3,741	(*)
Variation in tax assets and other current assets	(48,622)	52,575	(*)
Variation in trade payables	(242,440)	(172,233)	40.8
Variation in tax liabilities and other current liabilities	(11,079)	1,452	(*)
C. Cash flow from variations in NWC	**(248,145)**	**(117,114)**	**(*)**
D. Operating cash flows (B+C)	**14,817**	**119,874**	**(87.6)**
Cash flows from/(used in) investing activities			
Investments in intangible assets and in property, plant and equipment and investment property	(339,787)	(363,549)	(6.5)
Investments in financial assets	(40)	(7,717)	(99.5)
Proceeds from the sale of investments and changes in assets held for sale	4,956	4,638	6.9
Transfer of discontinued operations net of cash disposed of	28,209	-	-
Dividends received	10,144	17,437	(41.8)
Other variations in financial assets	-	(1,002)	(100.0)
E. Total cash flows used in investing activities	**(296,518)**	**(350,193)**	**(15.3)**
F. Free cash flows (D+E)	**(281,701)**	**(230,319)**	**22.3**
Cash flows from/(used in) financing activities			
Dividends paid	(121,297)	(110,589)	9.7
Other changes in equity	(53)	13,942	(*)
New non-current loans	353,258	5,815	(*)
Repayment of non-current loans	(60,829)	(88,421)	(31.2)
Variation in financial receivables	(35,647)	(55,646)	(35.9)
Variation in financial payables	52,449	513,471	(89.8)
G. Total cash flow from financing activities	**187,881**	**278,572**	**(32.6)**
H. Cash flows for the period (F+G)	**(93,820)**	**48,253**	**(*)**
I. Closing cash and cash equivalents (A+H)	**50,292**	**105,158**	**(52.2)**

(*) Change of more than 100%

The following table shows the change in the Group's consolidated net financial indebtedness for the relevant periods.

thousands of euro

	First 9 months of 2011	First 9 months of 2010 pro forma	% Change
Free cash flow	(281,701)	(230,319)	22.3
Dividends paid	(121,297)	(110,589)	9.7
Other changes in equity	(53)	13,942	(*)
Variation in fair value of hedging derivatives	(4,346)	(15,428)	(71.8)
Financial assets (liabilities) held for sale	-	14,395	(100.0)
Change in net financial indebtedness	**(407,397)**	**(327,999)**	**24.2**

(*) Change of more than 100%

At 30 September 2011, net financial indebtedness amounted to EUR 2,668 million, up by 18% compared to 31 December 2010 due to a negative free cash flow of EUR 282 million, the changes in equity, including dividends paid, which were negative by EUR 121 million.
The free cash flow, negative by EUR 282 million, derives from the combined effect of the following cash flows:
- cash flows from operations are positive by EUR 15 million and are composed of EUR 263 million from the cash flows from operations before variations in net working capital and EUR -248 million from the cash flows from variations in net working capital;
- negative cash flows from investing activities of EUR 297 million, generated from EUR 340 million in investments in property, plant and equipment, investment property and intangible assets (including investments made for the building of infrastructures under concession, pursuant to IFRIC 12), EUR 5 million in investments made in property, plant and equipment, investment property and intangible assets, EUR 28 million from the sale of Aquamet, Alegas, a stake in BT Enia and a portion of investment property, and EUR 10 million from the collection of dividends from associates.

The EUR 353 million in "New non-current loans" relates to a medium-term loan with Cassa Depositi e Prestiti for EUR 100 million, entered into in June and two loans from Mediobanca and Unicredit, for EUR 250 million, entered into in July in favour of Iren S.p.A. The remaining portion refers to the Group's share of the loan granted to the joint venture Società Acque Potabili.

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SUBSEQUENT EVENTS AND FORECAST DEVELOPMENTS

SUBSEQUENT EVENTS

Parma Integrated Environmental Hub (IEH)
On 6 October 2011, as a result of an appeal from Iren Ambiente, the Parma section of the Administrative Regional Court, suspended the order of the Municipality of Parma which had suspended the construction works on the EIH, pointing out the damage to society of said order, both in consideration of the environmental validity of the EIH in solving the problem of waste disposal within the province, and in relation to the significant pecuniary damages that the interruption of the construction works would cause for the Municipality of Parma. Based on these considerations, the Administrative Regional Court also decided to set the hearing on the merits for 7 December 2011.

Edison Group reorganisation
On 27 October 2011 the representatives of Delmi, A2A, Iren, Mediobanca and EDF met in Paris to continue negotiations in order to identify a mutually satisfactory solution for the future of Edison. Guidelines for the definition of a detailed agreement were formulated by the parties and, subsequently, presented to their respective corporate boards.
On 4 November 2011 the Board of Directors of IREN approved the guidelines, whose key points from an industrial point of view, are:

- Demerger of Edipower with attribution of thermoelectric plants and the Tusciano plant to Edison and attribution of the Mese and Udine hydroelectric plants to Iren and A2A, which will set up a special purpose vehicle (66.6% A2A and 33.3% IREN) to manage such plants;
- Delmi's call option on 250 MW of Edison's wind farm assets at fair value, which can be exercised in three years, and payable in Edison shares measured at fair value;
- Delmi's (or its assignees') call option on Edison's minority stakes in the companies owning the Trento and Bolzano hydroelectric plants, which can be exercised in one year.

The guidelines for the reorganisation of the Edison Group also involve:

- Demerger of Transalpina di Energia (TdE) with contribution of half of TdE's assets and liabilities to EDF and Delmi, each, respectively. Following the demerger, EDF and Delmi will hold approximately 50 and approximately 31% of Edison's ordinary shares, respectively;
- Execution of a new shareholders' agreement between EDF and Delmi, which provides for Delmi to have governance rights to protect its investment (specifically including related party transactions). The chairman of Edison will be Italian. A put option will be granted by EDF to Delmi on 100% of Edison shares held by Delmi: it can be exercised in 3 years on 25% of the shares at a price determined through a formula based on Edison's EBITDA and a multiple deriving from a sample of comparable Italian companies, and on the remaining 75% of Edison shares held by Delmi, or lower percentages resulting from the exercise of the call option on the wind farm assets, at fair value, which can be exercised in 3-5 years, in the event that there is no improvement in the liquidity of Edison shares.

Implementation of the transactions to be entered into by Edison will need to be approved by the Edison's corporate boards in accordance with applicable law.

Completion of the transaction is, in any event, subject to confirmation from CONSOB that the price of Edison shares for a mandatory take-over bid will be equal to the average of the prior 12 months.

Following the approval of the aforementioned guidelines by Delmi's Board of Directors, Delmi and EDF further extended the shareholders' agreement to 30 November 2011 in order to conclude binding agreements in accordance with the above-mentioned guidelines.

For these reasons, the Directors of IREN decided to maintain the measurement of the investment in Delmi carried out in the 2010 financial statements and confirmed in the 2011 half-yearly financial statements.

Loan agreements

In October Iren S.p.A. finalised the conclusion of a new 3-year loan agreement with repayment on expiry, for an amount of EUR 75 million, with Banca Regionale Europea. This amount contributes to the location of new resources to implement Iren Group development projects.

Torino Nord Project

On 16 October 2011 the "Torino Nord" new combined cycle cogeneration plant became operative, which will allow district heating to be extended from the current 40% to 54% of the volumes of the City. The plant has a 400 MW power and district heating capacity of 220 MW, allowing 18 million cubic metres to be heated once it is up and running. The Torino Nord project will provide significant benefits in terms of energy savings (95,000 TOE saved) and air quality improvement (emissions reduced by 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.

BUSINESS OUTLOOK

Based on the available information and the forecasts for the year underway, also for the next few months the macroeconomic scenario will still be characterised by the persisting weakness in the demand for electrical energy and gas. This scenario will also continue to be influenced by the sovereign debt of EU member states, the Italian financial crisis and the resulting extraordinary actions to contain the debt and support economic development. The IREN Group forecasts consolidation in the growth of its assets as a result of the progressive contribution of the investments made and the balance between the regulated and deregulated sectors.
However, IREN Group results for the end of the year will be affected by developments in the energy context, reference legislation and the seasonality of the sectors in which it operates, with particular reference to the climate trend in the last quarter.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

thousands of euro

	30.09.2011	31.12.2010
ASSETS		
Property, plant and equipment	2,773,749	2,642,531
Investment property	2,633	2,687
Intangible assets with a finite useful life	1,224,178	1,168,458
Goodwill	132,117	132,117
Investments accounted for using the equity method	318,984	324,106
Other investments	297,577	296,249
Non-current financial assets	75,317	88,388
Other non-current assets	24,256	29,463
Deferred tax assets	149,610	134,046
Total non-current assets	**4,998,421**	**4,818,045**
Inventories	48,108	45,227
Trade receivables	1,058,358	1,115,235
Current tax assets	-	5,755
Other receivables and other current assets	263,880	209,504
Current financial assets	425,937	377,281
Cash and cash equivalents	50,292	144,548
Total current assets	**1,846,575**	**1,897,550**
Assets held for sale	24,577	77,857
TOTAL ASSETS	**6,869,573**	**6,793,452**

thousands of euro

	30.09.2011	31.12.2010
EQUITY		
Equity attributable to owners of the Parent		
Share/ Quota capital	1,276,226	1,276,226
Reserves and retained earnings	463,516	432,700
Profit for the period	95,018	143,104
Total equity attributable to owners of the Parent	**1,834,760**	**1,852,030**
Non-controlling interests	210,883	229,590
TOTAL EQUITY	**2,045,643**	**2,081,620**
LIABILITIES		
Non-current financial liabilities	2,055,901	1,829,263
Employee benefits	93,281	94,327
Provisions for risks and charges	213,437	195,133
Deferred tax liabilities	117,452	106,806
Other payables and other non-current liabilities	148,826	148,383
Total non-current liabilities	**2,628,897**	**2,373,912**
Current financial liabilities	1,163,192	1,041,103
Trade payables	713,236	955,677
Other payables and other current liabilities	233,214	270,444
Current tax liabilities	38,711	12,560
Provisions for risks and charges - current portion	41,937	35,807
Total current liabilities	**2,190,290**	**2,315,591**
Liabilities related to assets held for sale	4,743	22,329
TOTAL LIABILITIES	**4,823,930**	**4,711,832**
TOTAL EQUITY AND LIABILITIES	**6,869,573**	**6,793,452**

CONSOLIDATED INCOME STATEMENT

thousands of euro

	First 9 months of 2011	First 9 months of 2010
Revenue		
Revenue from goods and services	2,231,756	1,713,651
Change in contract work in progress	568	2,399
Other revenue and income	131,369	118,822
Total revenue	**2,363,693**	**1,834,872**
Operating expense		
Raw materials, consumables, supplies and goods	(1,046,847)	(891,581)
Services and use of third-party assets	(680,896)	(468,994)
Other operating expense	(51,919)	(47,011)
Capitalised expenses for internal work	20,603	13,318
Personnel expense	(194,897)	(136,824)
Total operating expense	**(1,953,956)**	**(1,531,092)**
Gross Operating Profit	**409,737**	**303,780**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(148,464)	(108,217)
Provisions and impairment losses	(44,488)	(37,990)
Total amortisation, depreciation, provisions and impairment losses	**(192,952)**	**(146,207)**
Operating Profit	**216,785**	**157,573**
Financial expense		
Financial income	17,445	8,646
Financial expense	(66,325)	(50,599)
Net financial expense	**(48,880)**	**(41,953)**
Share of profit of associates accounted for using the equity method	13,641	9,551
Impairment losses on investments	-	(29)
Profit before tax	**181,546**	**125,142**
Income tax expense	(82,145)	(46,823)
Profit for the period from continuing operations	**99,401**	**78,319**
Profit from discontinued operations	1,263	1,783
Profit for the period	**100,664**	**80,102**
attributable to:		
- owners of the Parent	95,018	75,596
- non-controlling interests	5,646	4,506

OTHER COMPREHENSIVE INCOME

thousands of euro

	First 9 months of 2011	First 9 months of 2010
Profit for the period - Owners of the parent and non-controlling interests (A)	**100,664**	**80,102**
Other comprehensive income		
- effective portion of changes in fair value of cash flow hedges	(3,849)	(15,875)
- change in fair value of available-for-sale financial assets	(497)	-
- share of other profits (losses) of companies accounted for using the equity method	82	1,228
Tax effect of other comprehensive income	565	5,369
Total other comprehensive income/(loss) for the period, net of tax effect (B)	**(3,699)**	**(9,278)**
Total comprehensive income for the period (A)+(B)	**96,965**	**70,824**
attributable to:		
- owners of the Parent	91,370	66,445
- non-controlling interests	5,595	4,379

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share/ Quota capital	Share premium reserve	Legal reserve
31/12/2009	**832,042**	**105,102**	**20,258**
Legal reserve			3,604
Dividends to shareholders			
Changes in business combinations	444,184		
Var. in consolidation area and in interests			
Other changes			
Comprehensive income for the period/year			
of which:			
- Profit for the period/year			
- Other comprehensive income			
30/09/2010	**1,276,226**	**105,102**	**23,862**
31/12/2010	**1,276,226**	**105,102**	**23,862**
Legal reserve			5,134
Dividends to shareholders			
Retained earnings			
Change in interests			
Changes in consolidation scope			
Other changes			
Comprehensive income for the period/year			
of which:			
- Profit for the period/year			
- Other comprehensive income			
30/09/2011	**1,276,226**	**105,102**	**28,996**

thousands of euro

Hedging reserve	Available – for-sale reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit for the period/year	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
(15,074)	**-**	**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)	(2,758)	(73,482)
(3,387)	5,115	67,455	69,183		513,367	-	513,367
		31,999	31,999		31,999	528	32,527
		336	336		336	261	597
(9,151)			(9,151)	75,596	66,445	4,379	70,824
				75,596	75,596	4,506	80,102
(9,151)	-		(9,151)		(9,151)	(127)	(9,278)
(27,612)	**5,115**	**334,518**	**440,985**	**75,596**	**1,792,807**	**137,629**	**1,930,436**
(17,029)	**(8,119)**	**328,884**	**432,700**	**143,104**	**1,852,030**	**229,590**	**2,081,620**
			5,134	(5,134)	-		-
		(10,975)	(10,975)	(97,504)	(108,479)	(12,818)	(121,297)
		40,466	40,466	(40,466)	-		-
		(109)	(109)		(109)	109	-
			-		-	(11,592)	(11,592)
		(52)	(52)		(52)	(1)	(53)
(3,320)	(328)		(3,648)	95,018	91,370	5,595	96,965
				95,018	95,018	5,646	100,664
(3,320)	(328)		(3,648)		(3,648)	(51)	(3,699)
(20,349)	**(8,447)**	**358,214**	**463,516**	**95,018**	**1,834,760**	**210,883**	**2,045,643**

CONSOLIDATED CASH FLOW STATEMENT

thousands of euro

	First 9 months of 2011	First 9 months of 2010
A. Opening cash and cash equivalents	**144,112**	**40,373**
Cash flow from operating activities		
Profit for the period	100,664	80,102
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	148,464	108,217
Net change in post-employment benefits and other employee benefits	(1,046)	(1,233)
Net change in provision for risks and other charges	27,787	13,588
Loss from the sale of discontinued operations net of tax effects	(1,895)	-
Change in deferred tax liabilities	(4,352)	(12,413)
Variation in non-current assets	5,650	(14,279)
Dividends received	(3)	(64)
Portion of loss of associates	(13,641)	(9,551)
Net impairment losses (reversals of impairment losses) on non-current assets	1,334	802
B. Cash flows from operations before variations in NWC	**262,962**	**165,169**
Variation in inventories	(2,881)	(1,844)
Variation in trade receivables	56,877	133,726
Variation in tax assets and other current assets	(48,622)	43,070
Variation in trade payables	(242,440)	(164,077)
Variation in tax liabilities and other current liabilities	(11,079)	(48,819)
C. Cash flow from variations in NWC	**(248,145)**	**(37,944)**
D. Operating cash flows (B+C)	**14,817**	**127,225**
Cash flows from/(used in) investing activities		
Investments in intangible assets and in property, plant and equipment and investment property	(339,787)	(301,192)
Investments in financial assets	(40)	(7,717)
Proceeds from the sale of investments and changes in assets held for sale	4,956	17,162
Transfer of discontinued operations net of cash disposed of	28,209	-
Dividends received	10,144	10,836
Other variations in financial assets	-	(980)
E. Total cash flows used in investing activities	**(296,518)**	**(281,891)**
F. Free cash flows (D+E)	**(281,701)**	**(154,666)**
Cash flows from/(used in) financing activities		
Dividends paid	(121,297)	(73,482)
Other changes in equity	(53)	14,569
New non-current loans	353,258	4,000
Repayment of non-current loans	(60,829)	(69,555)
Variation in financial receivables	(35,647)	(382,892)
Variation in financial payables	52,449	688,983
G. Total cash flow from financing activities	**187,881**	**181,623**
H. Cash flows for the period (F+G)	**(93,820)**	**26,957**
I. Cash and cash equivalents acquired with the Iride-Enia merger	**-**	**37,828**
L. Closing cash and cash equivalents (A+H+I)	**50,292**	**105,158**

STATEMENT OF THE MANAGER IN CHARGE OF DRAWING UP THE CORPORATE ACCOUNTING DOCUMENTS, PURSUANT TO THE PROVISIONS OF ART. 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1988 (CONSOLIDATED FINANCE ACT)

The undersigned manager in charge of drawing up the corporate accounting documents of IREN S.p.A., Mr. Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act, that the Interim Report on Operations at 30 September 2011 corresponds to the accounting documents, records and books.

14 November 2011

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

Mr. Massimo Levrino