Interim Report on Operations

at 31 March 2013

Board of Directors of 14 May 2013

iren

Contents

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

KEY FIGURES OF THE IREN GROUP

	First 3 months of 2013	First 3 months of 2012	% Change
Income statement figures *(millions of euro)*			
Revenue	1,121	1,317	(14.9)
Gross operating profit	244	190	27.9
Operating profit	173	125	38.9
Profit before tax	148	105	41.4
Consolidated profit/(loss) for the period	84	56	48.7
Statement of financial position figures *(millions of euro)*	*At 31/03/2013*	*At 31/12/2012*	
Net invested capital	4,551	4,506	0.9
Equity	2,047	1,954	4.7
Net financial position	(2,504)	(2,555)	(2.0)
Financial/economic indicators	*First 3 months of 2013*	*First 3 months of 2012*	
GOP/Revenue	21.75%	14.46%	
	At 31/03/2013	*At 31/12/2012*	
Debt/Equity	1.22	1.31	
Technical and trading figures	*First 3 months of 2013*	*First 3 months of 2012*	
Electrical energy sold (GWh)	3,648	4,604	(20.8)
Heat energy produced (GWh_t)	1,526	1,388	9.9
District heating volume (mln m^3)	77	73	5.5
Gas sold (mln m^3)	1,208	1,438	(16)
Water distributed (mln m^3)	44	44	0.2
Waste handled (tons)	226,817	219,769	3.2

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

IREN is structured as an industrial holding with main corporate offices in Reggio Emilia, operating units in Genoa, Parma, Piacenza, and Turin, and it has other companies in charge of the individual business lines. The holding company handles strategic, development, coordination and control activities, while the five operating companies ensure the coordination and development of business lines as follows:

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

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

Gas distribution: through its over 9,000 km network, Iren serves over a million customers.

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

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

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

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

Sales of gas, electrical energy and heat energy: each year the Group sells over 3.2 billion m^3 of gas, around 17,053 GWh of electric power and 2,980 GWht of heat into the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Roberto Bazzano [1]
Deputy Chairman	Lorenzo Bagnacani [2]
CEO	Roberto Garbati [3]
Managing Director	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]
	Carla Patrizia Ferrari [12]

Board of Statutory Auditors

Chairman	Paolo Peveraro [13]
Standing auditors	Aldo Milanese [13]
	Anna Maria Fellegara [13]
Substitute auditors	Alessandro Cotto[13]
	Emilio Gatto[13]

Manager in charge of financial reporting

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. [14]

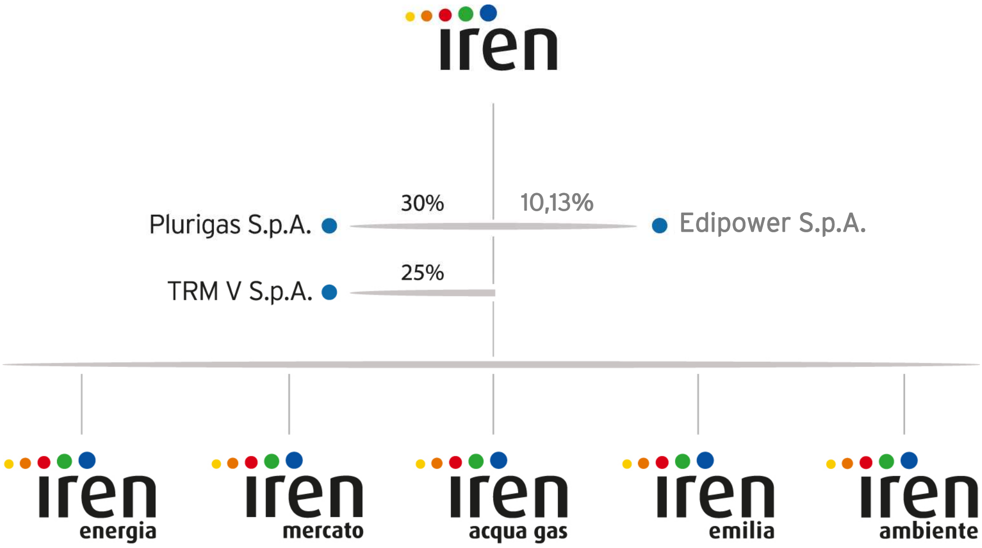
[1] [2] [3] [4] Members of the Executive Committee
[5] Member of the Remuneration Committee and Chairman of the Committee for Control and Risks
[6] Chairman of the Remuneration Committee
[7] Member of the Supervisory Body
[8] [11] Member of the Internal Control Committee
[9] Chairman of the Supervisory Body
[10]Member of the Remuneration Committee and of the Supervisory Body
[12] Co-opted on 18/6/2012 following the resignation of Enrico Salza from the position of director
[13] Appointed by the Shareholders' meeting on 14 May 2012 for the 2012-2014 three-year period
[14] Office assigned by the shareholders' meeting on 14 May 2012 for the 2012-2020 nine-year period

MISSION AND VALUES OF THE IREN GROUP

For the IREN Group, sustainable development, energy efficiency and protection of the environment, together with technological innovation and a particular focus on the territories in which it operates, constitute fundamental characteristics.

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

IREN GROUP: CORPORATE STRUCTURE



Edipower is the investee also of Iren Energia (10.82%)
TRM V has a controlling interest in TRM S.p.A, with an 80% stake.

The flowchart illustrates the main investee companies of IREN Holding.

IREN ENERGIA

Cogeneration production of electrical energy and heat energy
Iren Energia's installed capacity totals approximately 2,700 MW, of which around 1,800 MW is generated directly and around 900 MW through the investees Edipower and Energia Italiana. Specifically, Iren Energia owns 20 electrical energy production plants: 12 hydroelectric plants and 8 thermoelectric cogeneration plants, for a total capacity of approximately 1,800 MW of electrical energy and 2,300 MW of heat energy, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. The hydroelectric production plant plays a particularly important role in environmental protection as it uses a renewable and clean resource 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 safeguard the local environment. Iren Energia's total heat production capacity is equal to 2,300 MWt, of which 40% is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. The heat production in the 1st quarter of 2013 was ca. 1,526 GWh_t, with a heated district volume of ca. 77 million m^3.

Electrical energy distribution
Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electrical energy to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents). In the first quarter of 2013 the electrical energy distributed was equal to around 1,067 GWh, of which 830 GWh in Turin and 237 GWh in Parma.

Gas distribution and District Heating

The district heating and gas distribution activities in the city of Turin are carried out by AES Torino (51% investee of Iren Energia), which owns one of the largest district heating networks in the whole of Italy (approximately 474 km of dual-piping at 31 March 2013). In 2012, the gas network extended over 1,333 km, serving approximately 500,000 end customers.
Iren Energia also holds the district heating network of Reggio Emilia, which covers approximately 216 Km, Parma (around 84 Km) and Piacenza (around 19 Km).
Lastly, Nichelino Energia - Iren Energia (67%), AES Torino (33%) - aims to develop district heating in the town of Nichelino.

Services to Local Authorities and Global Service

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

IREN MERCATO

Through IREN Mercato the Group operates in electrical energy, gas and heat marketing, acts as fuel provider to the Group, performs energy efficiency certificate, green certificate and emission trading, provides customer management services to Group companies and supplies heat services and heat sales through the district heating network.
Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy. The company supplies electrical energy directly, through associates - where present in the area – and through agency contracts with brokers – to customers associated with certain sector categories and to large customers connected with a number of Industrial Associations.
The main power sources available to Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A. Through tolling agreements Iren Mercato also has access to electrical energy produced by Edipower plants.
The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on the chain related to the management of air conditioning systems in buildings for residential and service use by means of energy service agreements, also through subsidiaries and investee companies. This contractual model guarantees long-term customer loyalty, with consequent maintenance of the natural gas supplies which constitute one of the core businesses of Iren Mercato.

Sale of natural gas

During the 1st quarter 2013, a total natural gas volume of 1,208 million m³ was supplied, including around 673 million m³ sold to end clients outside the Group, 47 million m³ employed to produce electric power via the tolling agreements with Edipower, and 488 million m³ used within the Iren Group both for the production of electric and thermal power and the supply of heat services.
At 31 March 2013, the gas customers directly served by Iren Mercato totalled around 752,000 disseminated in the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electrical energy

During the first quarter of 2013, a total volume of 3,648 GWh was sold, net of distribution losses.
The electrical energy customers served at end of March 2013 totalled around 733,000 (of which around 362,000 on the free market and 371,000 on the protected marked), mainly distributed in the traditionally served catchment area, corresponding to Turin and Parma, and in areas covered by company marketing.

A cluster analysis of end customers is provided below.

Free market and power exchange

Total volumes sold to end customers and wholesalers amount to 1,573 GWh, while the volumes used on the stock exchange, less purchased and sold energy, amounted to 1,538 GWh. In the first quarter of 2013, internal availabilities to the Iren Group (Iren Energia), amounted to 2,278 GWh. Volumes coming from Edipower tolling are equal to 303 GWh. The recourse to external sources was equal to 126 GWh for purchases to the stock exchange, less purchased and sold energy (purchases including purchased and sold energy amounted to 422 GWh) and to 542 GWh for purchases to wholesalers. The remaining part of sold volumes mainly refers to infragroup transactions and distribution losses.

Former non-eligible market

Total customers managed by Iren Mercato in the higher protection segment were around 370,573 in the first quarter of 2013. The total volumes sold amounted to 242 GWh.

Sale of heat energy through the district heating network

Iren Mercato manages heat sales to customers receiving district heating from the municipality of Genoa through the CAE, Turin, Nichelino and in the provinces of Reggio Emilia, Piacenza and Parma.
This entails the supply of heat to customers already on the district heating network, customer relations management and the control and management of substations powering the heating systems in buildings served by the network. The heat sold to customers is supplied by Iren Energia S.p.A. under trading conditions that guarantee adequate remuneration.
During the first three months of 2013, the volumes of district heating stood at 76.5 million m^3, up compared to the previous year (+4 million m^3).

Heat service management

With reference to activities relating to the management of energy services carried out in ATI in the ASLs of the Lazio region (San Filippo Neri in Rome, ASL E and ASL F in Rome and ASL in Viterbo), which will be concluded in June 2014, the gas and electrical energy management and supply continued.

LNG regasification plant

Through the OLT Offshore LNG company, the Group is committed in the Project for the building of an off-shore Regasification Terminal, off the coasts of Livorno, through the conversion of the gas carrier Golar Frost.
In the second quarter of 2013 the terminal is expected to leave the Dubai shipyard and reach Livorno, where the terminal will be installed on site. The off-shore final tests will then be started and their completion is scheduled in the third quarter of 2013.

IREN ACQUA GAS

Integrated Water Services

The company IREN Acqua Gas manages the water services in the provinces of Genoa, Parma, Reggio Emilia and Piacenza, both directly and through the operating subsidiaries Mediterranea delle Acque and Idrotigullio and through the investee Am.Ter. In particular, from July 2004 it assumed the role of market operator for the Genoa District, and from 1 July 2010 management of the water division for the Reggio Emilia and Parma areas was granted to Iren Acqua Gas as part of the Iride-Enìa merger.
From 1 October 2011, as a result of transfer of the water services business transferred from Iren Emilia, IREN Acqua Gas extended its management to the Piacenza District.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs [Ambito Territoriale Ottimale] (Genoa, Reggio Emilia, Parma and Piacenza).
Directly and through its subsidiaries, in the first quarter of 2013 Iren Acqua Gas sold approximately 44 million m^3 of water in the areas managed, through a distribution network extending over 14,100 km. In regard to waste water, it manages a sewerage network spanning approximately 8,000 km.

Gas distribution

Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes methane gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 end customers. The distribution network comprises about 1,800 km of network of which about 418 km is medium pressure and the rest low pressure. The area served covers around 571 sq. km and is characterised by an extremely complex chorography with considerable changes in altitude. Natural gas arriving from the domestic transport pipelines transits through 7 interconnected reception cabins owned by the company and is introduced into the local distribution network. Thanks to innovative technologies for the laying and

maintenance of networks, ordinary maintenance can be performed while reducing time, costs and inconvenience to residents to a minimum.
In the first quarter of 2013, through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed gas for a total amount of 204 million metric cubes.

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

IREN EMILIA
Iren Emilia operates in the gas distribution, waste collection and waste management sectors and coordinates the operations management activities of Emilia Romagna area companies for the integrated water cycle, electrical energy and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages the natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages almost 5,900 km of high, medium and low pressure distribution networks with a designed maximum collection capacity of 726,879 Smc/h.
Iren Emilia is active in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and 1,139,000 inhabitants in these areas. In line with its sensitive approach to environmental protection and sustainable development, Iren Emilia has implemented differentiated and widespread waste collection systems which, also thanks to the management of 123 equipped ecological stations, has allowed the basin served to achieve results near 60%.
In particular, the company performs urban waste collection, street cleaning, snow clearing, cleaning and maintenance of parks and urban green areas, and dispatches recyclable waste to the correct chains for transformation into raw materials or renewable energy. Through Iren Ambiente, an IREN Group company, it ensures that waste collection takes place in such a way as to preserve and safeguard the environment and studies aspects of the waste collection problem, increasing its knowledge of technologies that are more innovative and “environmentally safe” than those used at present.
Iren Emilia also carries out operations management of the integrated water cycle (aqueduct, purification and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity refers to a total network of 12,200 km of aqueduct networks, 6,900 km of sewerage networks, 449 waste water pumping systems and 794 purification plants, both biological treatment plants and Imhoff tanks, distributed across 110 Municipalities.
The operations management of the district heating network is carried out in the cities of Reggio Emilia, Parma and Piacenza and refers to a total network spanning 320 km that serves a volume of 18,909,600 cubic meters.
On 20 September 2012, an agreement was signed for the transfer of the “district heating plant management activities” business unit from Iren Ambiente to Iren Emilia, the latter subsequently taking over existing legal and contractual relations. This activity is performed 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. Maintenance of Iren Ambiente cogeneration plants located at proprietary landfills also continued.
Operations management of the electrical energy distribution network is carried out in the city of Parma for 2,370 km of network and 124,000 delivery points to end customers.

IREN AMBIENTE

Waste Management sector

Whether directly or through investees (Tecnoborgo, MonteQuerce, TRMV and TLRV following the spin-off, effective on 9 January 2013, and transfer of the other previously owned investees to Iren Ambiente Holding) , Iren Ambiente performs the collection, treatment, storage, recovery and recycling of urban and special waste, energy recovery (heat and electrical energy) through waste-to-energy (WtE) transformation and the operation of plants for the production of bio gas in the provinces of Parma, Reggio Emilia and Piacenza. Iren Ambiente manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste collected by Iren Emilia S.p.A.

The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined to WtE conversion and disposal in landfills.

Iren Ambiente handles around 1,000,000 tons of waste per year in 12 treatment, selection and storage plants, 1 waste-to-energy plant (Piacenza), 1 landfill (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). A new Parma Integrated Environmental Hub (IEH) is under construction, due to become operative by the first half of 2013, that will include a selection and WtE plant. On 12 May 2012, the expiry date of the related authorisation, the waste-to-energy plant in Reggio Emilia ceased operations.

Electrical energy production from renewable sources

On 21 December 2012, the spin-off deed was signed by Iren Ambiente SpA, effective on 9 January 2013. According to this agreement, Iren Ambiente Holding S.p.A. is conferred the equity investments held in the companies Bonifica Autocisterne, Iren Rinnovabili, Aciam, Iniziative Ambientali, Rio Riazzone, Consorzio Leap and Reggio Emilia Innovazione. Iren Ambiente Holding is therefore operative since 2013, through its investees Iren Rinnovabili and subsidiary Enia Solaris, in the sector of electrical energy production from renewable sources thanks to various projects primarily focused in the photovoltaic sector. In this sector a 5 MW plant has been constructed in Apulia (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, enjoy from the tariffs provided for in the second Conto Energia 2010. This by virtue of the fact that they 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)**.**

The above subsidiary Iren Rinnovabili also operates in the hydroelectric sector, following the construction and start-up of the 1 MW hydroelectric plant in Fornace (Baiso – province of Reggio Emilia), with energy production and sales in 2012 of approximately 7,000 MWh.

Particular attention was also paid to the development of biomass and biomethane plants. On 29 November 2012, a project proposal was put forward for the construction of a biomass plant in the province of Reggio Emilia.

On 29 November 2012 an IREN Rinnovabili/CCPL Group joint venture also became operational as a result of the subscription of the first share capital increase in application of the general agreement which requires, through the subsequent transfer of companies operating in the photovoltaic plant sector, the joint venture to increase its stake up to 30% maximum in Iren Rinnovabili. As at 31 March 2013, the CCPL Group investment stood at 9.815%, after the transfer of 49% of share capital to PFM S.p.A., owner of a leased photovoltaic plant.

The goal of the two shareholders will aim at the joint development of their photovoltaic assets, also through the entrance of financial partners.

Management of district heating plants

Up until 30 September 2012 (the date of transfer of the relative business unit to Iren Emilia S.p.A), Iren Ambiente also operated the district heating sector on the basis of specific contracts with Iren Energia S.p.A..

IREN GROUP PERSONNEL

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

Company	Personnel at 31.03.2013	Personnel at 31.12.2012
Iren S.p.A.	262	263
Iren Acqua Gas and subsidiaries	980	977
Iren Ambiente and subsidiaries	199	198
Iren Emilia and subsidiaries	1,670	1,672
Iren Energia and subsidiaries	1,006	1,008
Iren Mercato and subsidiaries	446	449
Total	**4,563**	**4,567**

The reduction of 4 persons in 2013 is due to the workforce management policy, with recruitment restrictions.
Note that since the Iren Group was established (01/07/2010) the workforce has decreased overall by 311 (-162 as the balance of recruitments/resignations; -149 due to changes in scope).

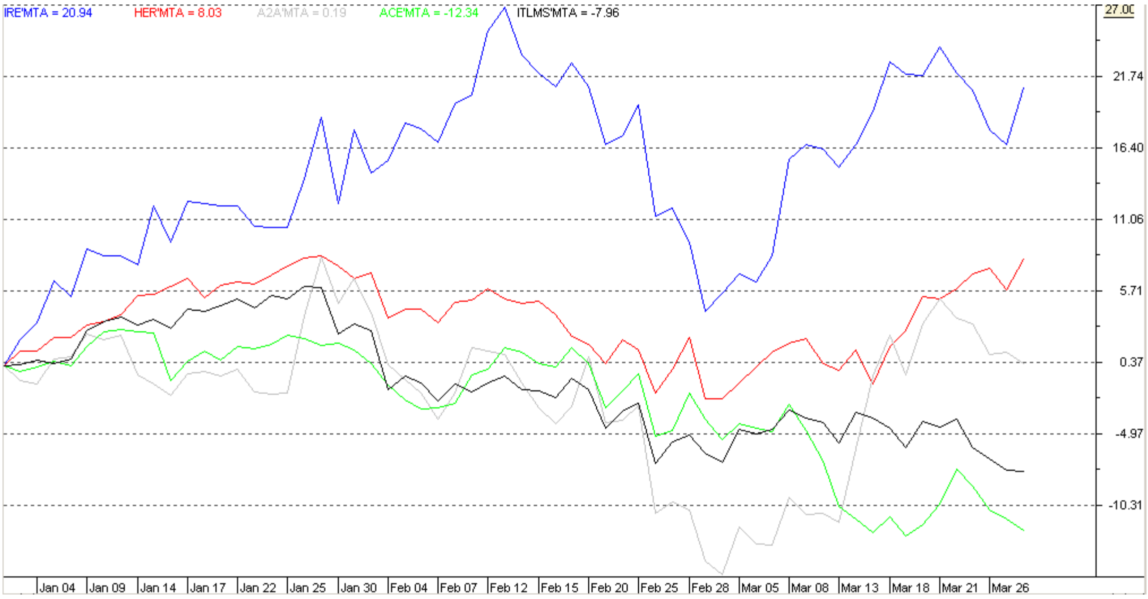
INFORMATION ON THE IREN SHARE IN THE FIRST QUARTER OF 2013

IREN share performance on the Stock Exchange

During the first quarter of 2013, the Italian stock exchange maintained a negative trend, also influenced by the uncertain political context, and no signs of recovery were present in the real economy.
In this framework, the performance of Iren security acquired special importance; in this period it recorded 21% growth against a drop of the reference index by almost 8%.

Various factors had a positive impact on the performance of the trend:

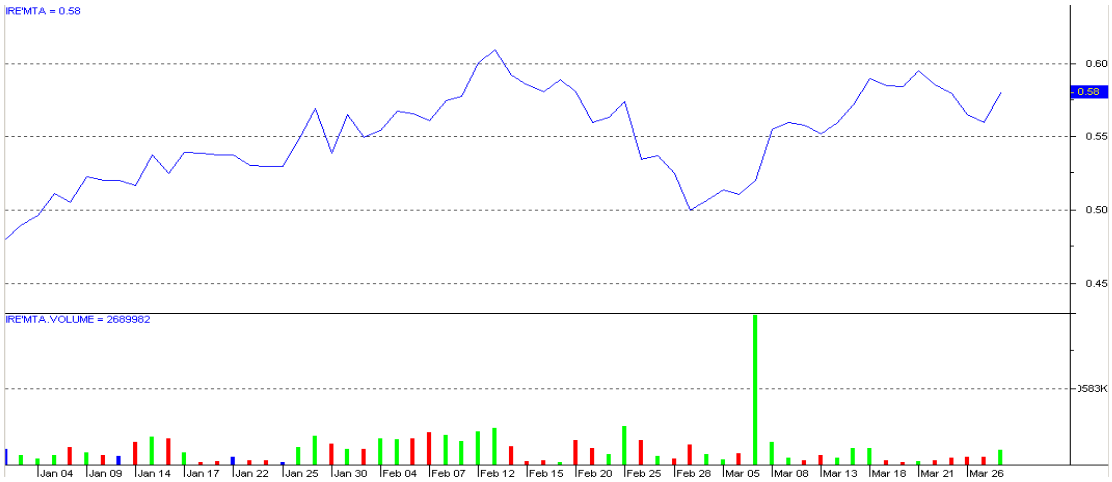
- efficacy of the extraordinary shares aimed at reducing debt;
- positive evaluation of the industrial plan update communicated on 6 February 2013;
- expected good results of the FY 2012.



At the end of March 2013, the Iren share price stood at Euro 0.58, with average trading volumes from the start of the year of around 2.9 million per day.
In the same period the average share price was Euro 0.55, peaking at Euro 0.61 on 12 February.

STOCK EXCHANGE DATA, Euro/share in 2013	
Average price	0.55
Highest price	0.61
Lowest price	0.48
Number of shares ('000)	1,276,226

IREN share price and trading value performance



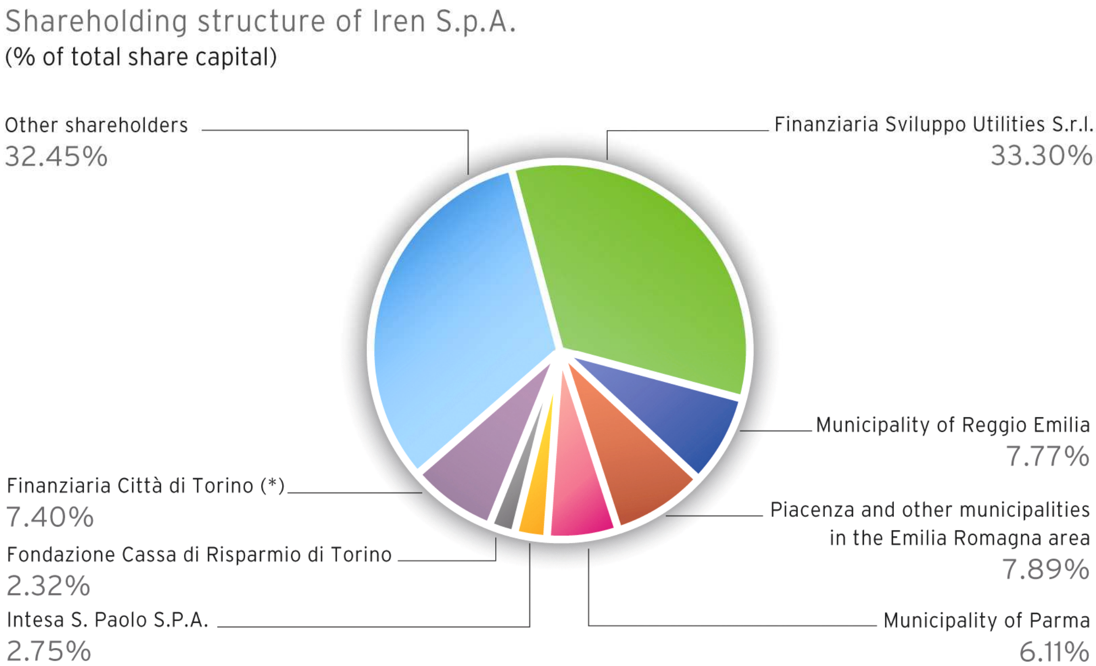
Share coverage

A number of changes in the brokers' strategies, focused on the Italian multiutility segment, occurred during the last six-month period: mergers occurred between banks, while other banks decided to leave the coverage of the Italian market.

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

Shareholding structure

At 31 March 2013, according to information available to the company, the IREN shareholding structure was as follows:

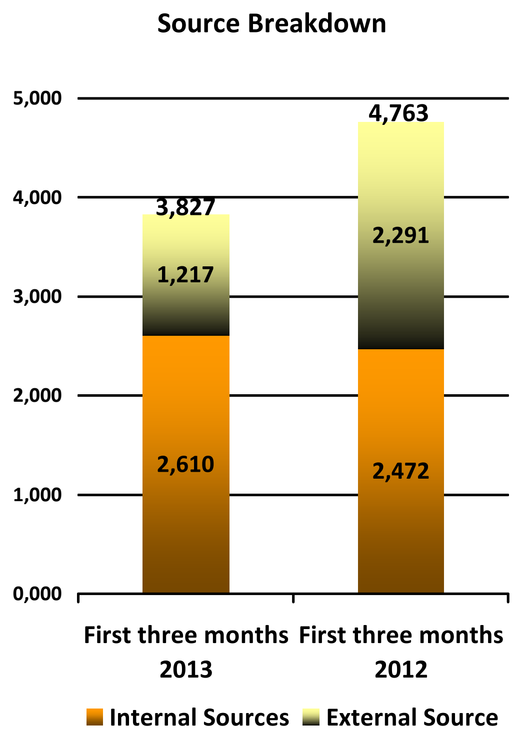


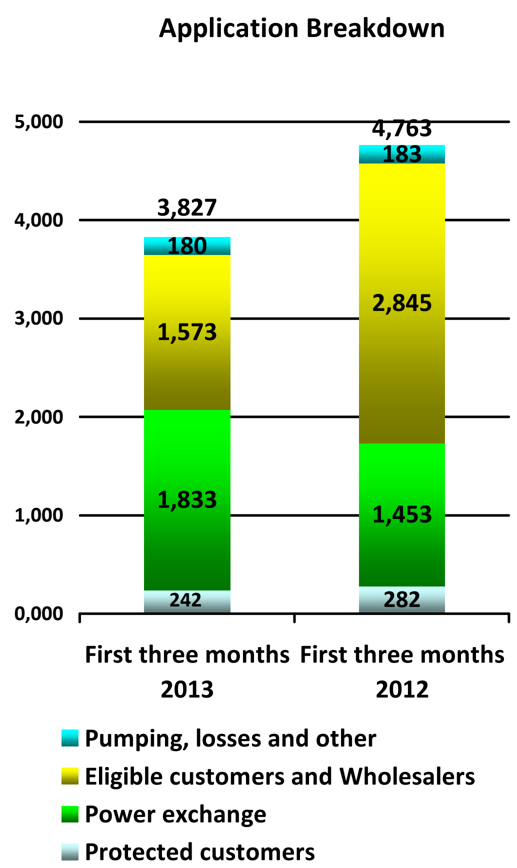
(*) savings shares without voting rights

OPERATING DATA

Electrical Energy production

GWh	First three months 2013	First three months 2012	% change
SOURCES			
Gross production	2,610	2,472	5.6
a) Thermoelectric	*2,122*	*2,043*	*3.9*
b) Hydroelectric	*156*	*172*	*(9.3)*
c) WTE plant and renewable sources production	*29*	*28*	*3.6*
d) Edipower plant production	*303*	*229*	*32.3*
e) Tirreno Power plant production	*-*	*-*	*-*
Purchases from Acquirente Unico	254	296	(14.2)
Energy purchased on the Power Exchange	422	1,002	(58.7)
Energy purchased from wholesalers and imports	542	994	(45.5)
Total Sources	**3,827**	**4,763**	**(19.7)**
APPLICATION			
Sales to protected customers	242	282	(14.2)
Sales on the Power Exchange	1,833	1,453	26.2
Sales to eligible end customers and wholesalers	1,573	2,845	(44.7)
Pumping, distribution losses and other	180	183	(1.6)
Total Application	**3,827**	**4,763**	**(19.7)**

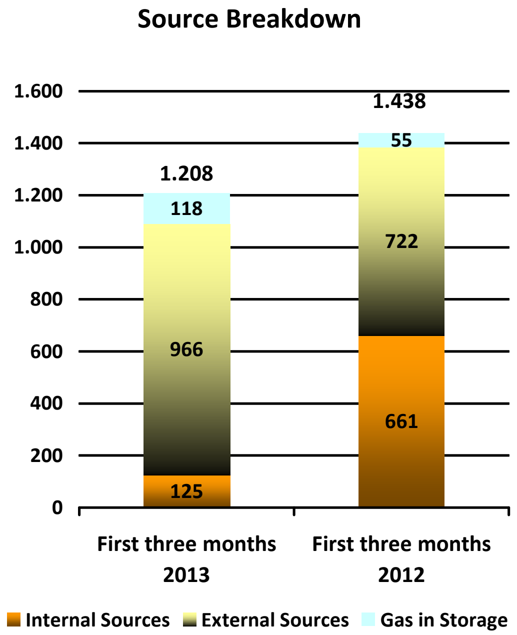


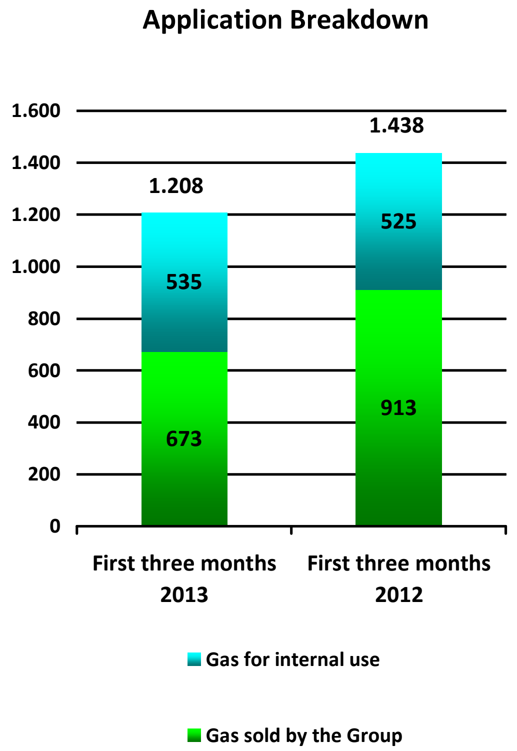


Gas Production

Millions of m³	First three months 2013	First three months 2012	% Change
SOURCES			
Internal sources	125	661	(81.1)
External sources	966	722	34.9
Gas in storage	118	55	(*)
Total Sources	**1,208**	**1,438**	**(15.4)**
APPLICATION			
Gas sold by the Group	673	913	(25.1)
Gas for internal use (1)	535	525	1.5
Total Application	**1,208**	**1,438**	**(15.4)**

(*) Change of more than 100%
(1) Internal use involved thermoelectric plants, tolling, use in the generation of heat services and internal consumption.





Network services

	First three months 2013	First three months 2012	% Change
ELECTRICAL ENERGY DISTRIBUTION			
Electrical energy distributed (GWh)	1,067	1,100	(3.0)
No. of electronic meters	689,783	680,542	1.4
GAS DISTRIBUTION			
Gas distributed by AES Torino (mln m³) (*)	*286*	*273*	*4.8*
Gas distributed by Iren Acqua Gas (mln m³)	*204*	*197*	*3.6*
Gas distributed by Iren Emilia (mln m³)	*468*	*446*	*4.9*
Total Gas distributed	958	916	4.6
DISTRICT HEATING			
District heating volume (mln m³)	77	73	5.5
District heating network (Km)	825	779	5.9
INTEGRATED WATER SERVICE			
Water volume (mln m³)	44	44	0.2

(*) AES Torino 51%

MARKET CONTEXT

The domestic energy context

In the period January-March 2013, net electrical energy production in Italy was 68,850 GWh, with a decrease (-5.3%) over the same period in 2012. The demand for electrical energy, equal to 80,421 GWh (-4.0%), was 86.2% met by domestic production (-1.4%), with the remaining 13.8% coming from foreign balance. At domestic level, thermoelectric production was 49,444 GWh, down 13.9% on 2012 and covering 71.8% of production supply. Production from hydroelectric sources was 9,714 GWh (+41.5% compared to 2012) covering 14.1%, whilst geothermal, wind and photovoltaic energy production amounted to 9,692 GWh (+52.3%) and covered 14.1% of supply.

Demand and supply of accumulated electrical energy

(GWh and changes in trends)

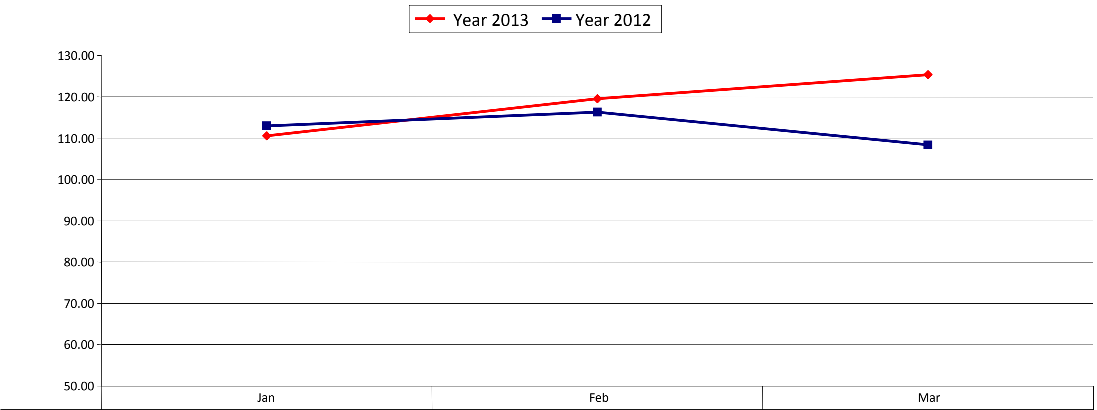
	until 31 March 2013	until 31 March 2012	% change
Demand	**80,421**	**83,731**	**(4.0)**
- Northern Italy	37,415	38,998	(4.1)
- Central Italy	23,791	24,169	(1.6)
- Southern Italy	11,739	12,204	(3.8)
- Islands	7,476	8,360	(10.6)
Net production	**68,850**	**72,724**	**(5.3)**
- Hydroelectric	9,714	6,863	41.5
- Thermoelectric	49,444	57,406	(13.9)
-Geo-thermoelectric	1,273	1,305	(2.5)
- Wind and photovoltaic	8,419	7,150	17.7
Foreign balance	**12,082**	**11,688**	**3.4**

Source: RIE on TERNA data

The first six months of 2013 showed an overall drop in electrical energy demand from the first half of the previous year (-4.0%), corresponding to around -3.3 TWh. Percentage decreases were seen in all areas of the country, the highest being recorded in the islands (-10.6%) and in the North of Italy (-4.1%).

In the first quarter of 2013 the average crude oil price was USD 112.6/barrel, with a -5.1% decrease over the first quarter of 2012. The average $/€ was 1.320, substantially unchanged compared to the average for the same period in 2012. Due to these dynamics, the average crude oil price in Euro was € 85.2/barrel in 2013, up compared to the average price for 2012 (-5.8%).
In the first quarter of 2013, the Brent Dated prices in USD saw an upward trend compared to the fourth quarter, overcoming the USD 116/barrel threshold in February, compared to the minimum price of USD 95/barrel reached in June 2012 (USD +22.1/barrel), although not reaching the daily peak price recorded in March (close to USD 126).
The rise in Brent prices was led by an easing in worries in world economy (including, but not limited to, the reduction of the fiscal cliff in USA, the ameliorations of economy in China, the reduction of the Saudi offer).

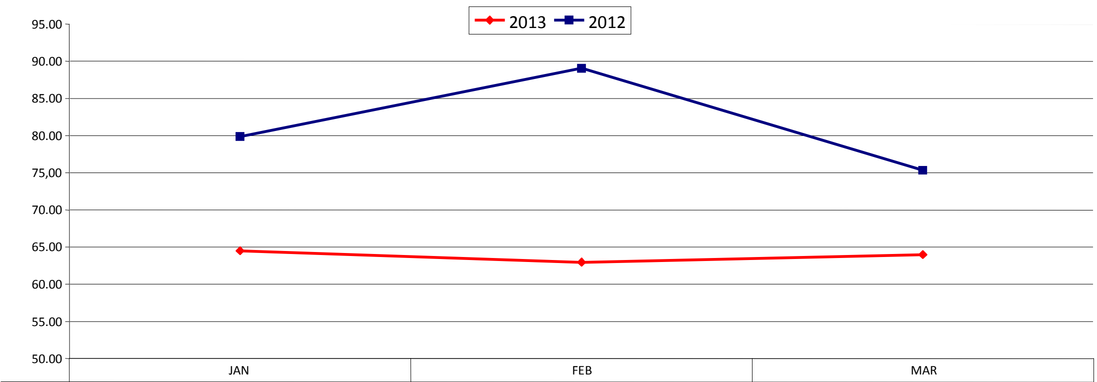
Brent (€/barrel)



	Jan	Feb	Mar
Year 2013	110.58	119.56	125.33
Year 2012	113.01	116.28	108.37

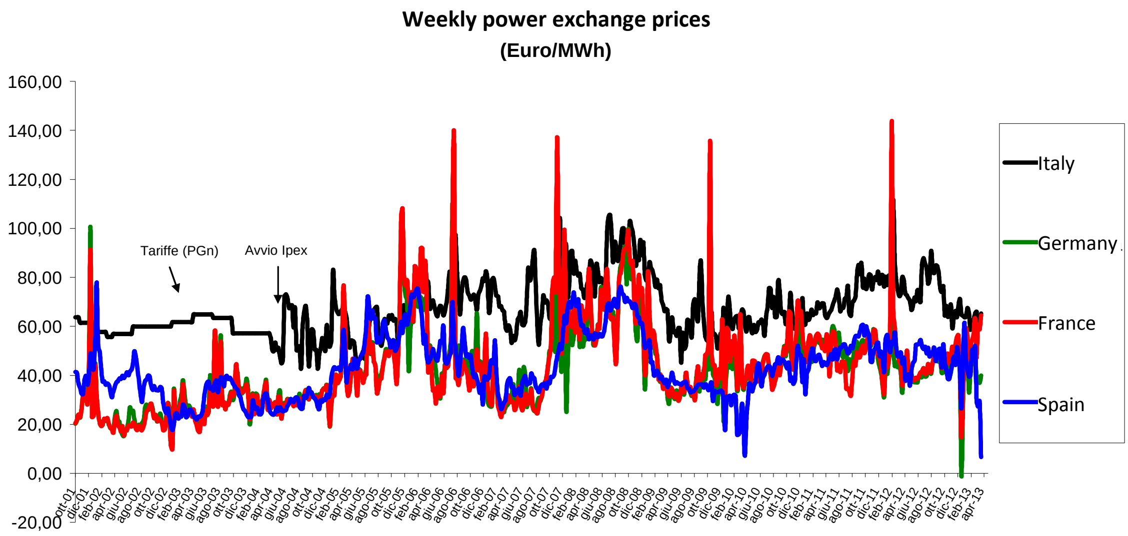
On the Energy Exchange, 2013 opened in the first quarter with a net decrease in average price, compared to 2012 and a reduction in market terms, although in a more limited way. The drop in PUN in percentage points is -21.6. In absolute value, the reduction is equal to -17.6 Euro/MWh. The quarterly demand was reduced by -4.0% (-3.3 TWh), reaching the level reported in the first quarter of 2009, *annus horribilis* in this century for the national electric segment. The fall in prices was also reported with respect to the previous quarter, -3.4% in spite of a limited increase in demand (+0.9%).

Average purchase price on the Power Exchange (MGP) - PUN (Euro/MWh)



	JAN	FEB	MAR
2013	64.49	62.97	63.98
2012	79.85	89.04	75.31

As for regional prices, the area with the lowest prices in the first quarter, as in 2012, is the South region, at 56.11 Euro/MWh (-7.7 Euro/MWh from PUN), whereas Sicily has the highest prices with 87.4 Euro/MWh (+36.9% from PUN). In both cases, deviations from the average price are increasing. As regards Sicily, deviations were, in fact, +17.3% in the first three months of 2012 and, in the South of Italy, they were equal to -6.8%.



In the first three months of 2013, liquidity on the stock exchange increased compared with that of the previous year (75.7% vs. 51.9%), standing at 56.6 TWh. The trend was also consolidated for the Energy Account Platform, which sees a weighting of 24.3% (equal to around 18.2 TWh) compared to the 46.9% of 2012.
The following table shows values and comparisons between average monthly future prices through the three-month period, from January to March. A drop is reported for quarterly prices from June 2013 to March 2014. Annual future prices (December 2014), which stood at 67.0 Euro/MWh at the beginning of the year, dropped to 64.2 Euro/MWh in March (-2.8 Euro/MWh).

January 2013 futures		**February 2013 futures**		**March 2013 futures**	
monthly	**Euro/MWh**	**monthly**	**Euro/MWh**	**monthly**	**Euro/MWh**
Feb-13	67.3	Mar-13	60.1	Apr-13	61.4
Mar-13	65.0	Apr-13	60.3	May-13	60.9
Apr-13	63.9	May-13	60.4	Jun-13	63.8
quarterly	**Euro/MWh**	**quarterly**	**Euro/MWh**	**quarterly**	**Euro/MWh**
Jun-13	64.9	Jun-13	61.5	Jun-13	61.7
Sep-13	70.5	Sep-13	67.7	Sep-13	67.3
Dec-13	68.7	Dec-13	66.7	Dec-13	65.7
Mar-14	68.0	Mar-14	66.3	Mar-14	65.0
annual	**Euro/MWh**	**annual**	**Euro/MWh**	**annual**	**Euro/MWh**
Dec-14	67.0	Dec-14	65.5	Dec-14	64.2

Source: RIE on IDEX data

The Natural Gas Market
Despite a particularly cold March, when distribution networks recorded higher consumption equal to 1.5 Bln m³ (+49.4%) compared to the same month in 2012, gas consumption in the first quarter of 2013 was lower by 5% (-1.4 Bln m³), compared to the same period of the previous year and 7.3% compared to 2011 (-2.1 Bln m³). The weak demand in electrical energy and the competition of renewable sources had an impact on the withdrawals from thermoelectric power plants, which recorded -17.8% over 2012 and -25.5% over 2011, for a loss in volumes of 1.9 Bln m³. Consumption of industrial sites connected with the transport network reported -4.9% over 2012, -4.3% over 2011 and -16.4% over 2008, when the economic crisis had not affected gas consumption yet.

On the supply side, a decrease in imports (-17.8%) was reported, as well as a reduction in network intakes from national production (-14.2%), while the balance of intakes from storage sites reported around 2.5 Bln m³ more than in 2012 (+51.6%). 90% of imports were via gas pipelines and 10% through the two LNG terminals in Panigaglia and Rovigo.

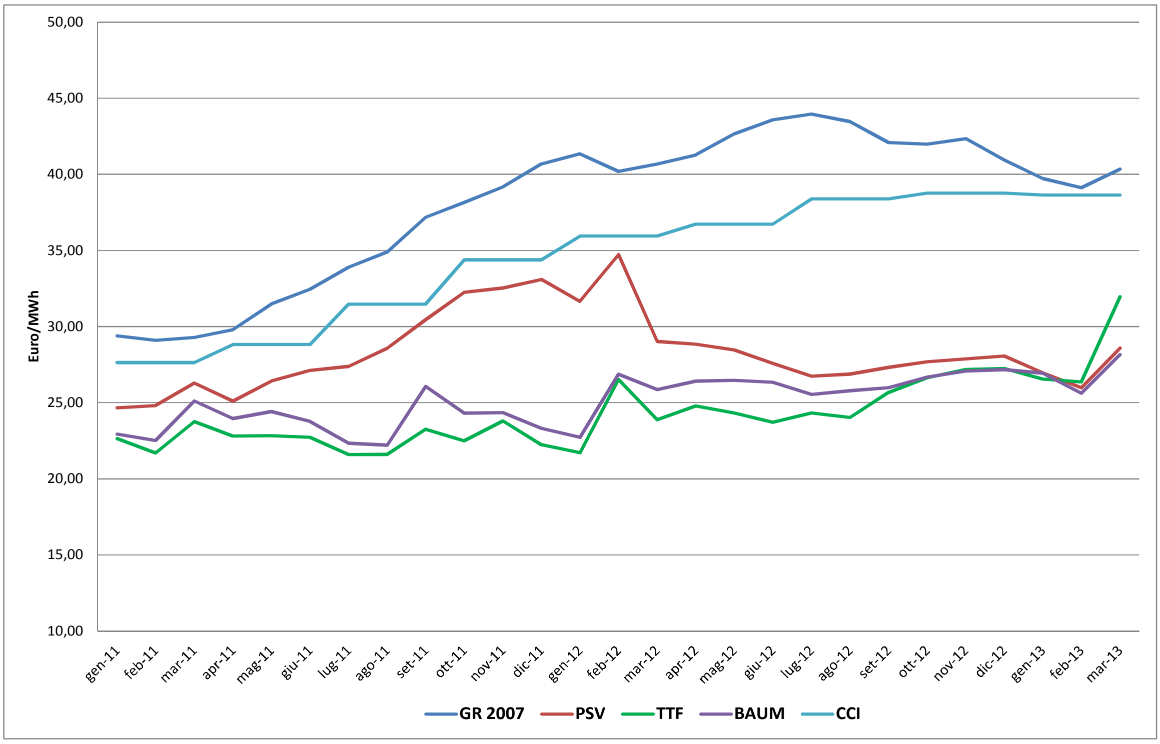
Application/sources of natural gas in the January-March period of 2013 and comparison with previous years

January - March	2013	2012	2011	2010	2009	% change '13/'12	% change '13/'11	% change '13/'10	% change '13/'09
GAS WITHDRAWN (Bln m³)									
Distribution plants	16.1	15.9	15.8	16.6	15.7	1.2	1.6	(3.0)	2.2
Industrial use	3.5	3.7	3.7	3.6	3.1	(4.9)	(4.3)	(0.2)	12.9
Thermoelectric use	5.7	6.9	7.6	7.7	6.9	(17.8)	(25.5)	(26.1)	(17.8)
Third party network and system consumption (*)	0.7	0.9	0.9	1	0.9	(17.5)	(19.4)	(30.6)	(23.0)
Total withdrawn	**26**	**27.4**	**28.1**	**28.8**	**26.7**	**(5.0)**	**(7.3)**	**(9.8)**	**(2.6)**
GAS INPUT (Bln m³)									
Domestic production	1.7	2	1.9	2	2.1	(14.2)	(8.7)	(14.2)	(16.1)
Imports	16.8	20.4	21.6	21.9	18.2	(17.8)	(22.5)	(23.5)	(7.8)
Storage	7.5	5	4.51	4.9	6.4	51.6	66.3	53.9	16.4
Total input	**26**	**27.4**	**28.1**	**28.8**	**26.7**	**(5.0)**	**(7.3)**	**(9.8)**	**(2.6)**

(*) Includes: transport, exports, transport company redeliveries, reservoir/widening changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas: provisory for the January – March 2013 period

In this context of persisting weak demand in the thermoelectric and industrial segments, short-term prices on the gas European markets, after recording a slight decrease in the first two months of the year, compared to end 2012, recorded a peak in March due to temperatures well below the seasonal average. In particular, the cold wave that hit the Central and Northern Europe was exceptionally strong. This caused an increase in consumption for civil uses which, combined with economic problems on the supply side, led to a double figure percentage increase in prices in the National Balancing Point (NBP) and therefore also in other North-European hubs: around +25% at NBP, +17% at the Dutch TTF. Lower increases were recorded in the Austrian hub (+8.4%) and in the Italian Virtual Exchange Point (+10%). Despite the increases in March, in the first quarter the spot prices are still on average below prices of long-term import agreements – mainly indexed at the cost of oil products – estimated indicatively in -10% (around 3 Euro/MWh less):
After the substantial alignment with the other hubs of the Central and Northern Europe achieved at end 2012 and beginning of 2013, the Virtual Exchange Point (VEP) reported less significant increases in March compared to those reported in the European Northern markets (less cold temperature in Italy, in an oversupply context). At the end of the quarter, prices of the Italian hub were 10.6% lower than the average Over the Counter prices of TTF. Over this quarter, prices at VEP reported an average value of 27.2 Euro/MWh, 3.9% lower (-1.1 Euro/MWh) compared to the TTF and slightly higher than the values of the Austrian hub of Baurmgarten, to the extent of 1% (+0.3 Euro/MWh).
The Italian balancing market (BP-Gas) reported an average price of 26.7 Euro/MWh, essentially in line with that of the Virtual Exchange Point, for agreed quantities of around 1.1 Bln cubic meters. M-Gas (the Gas Exchange) was confirmed as a market still little used with only residual trading.
According to gas Italian values, which are primarily or entirely connected with oil products, for the protected customer service, over the quarter the CCI, as defined by AEEG, totalled near 38.64 Euro/MWh, slightly down compared to end 2012 (-0.3%) and the "Gas Release 2007" expressed an average value of 39.7 Euro/MWh compared to 41.8 Euro/MWh of the last quarter of 2012(-5.0%).

Gas Price Trend



Note: prices of the Gas Release and the Wholesale Marketing Cost Component (CCI) were transformed in Euro/MWh based on the calorific power of 38.1 MJ/mcs and 38.52 MJ/mcs, respectively.
Source: Processing of RIE on data, Platts, APX-Endex, GME, CEGH, AEEG

REGULATORY FRAMEWORK

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

Electrical energy

Resolution 28 December 2012 – 576/2012/R/EEL "Update, for the year 2013, of dispatching fees and changes to TIT (Amalgamated Law on Transportation) and TIS (Amalgamated Law on Supply), published on 28 December 2012

While waiting for the completion of the proceeding started by AEEG with resolution 520/2012/R/EEL including the *Starting of a proceeding for the acquisition of functional information to determine the component to cover non recoverable charges in the protected customer segment, divided by type of end customer for whom the supply cannot be cut off* – AEEG set out the unit fee for the recovery of charges related to protected customers, as per article 25-bis of TIS (resolution 107/09 and seq.). The resolution set out that the fee should feature different amounts for customers eligible to the service in the protected area and for protected customers. In particular, AEEG set out that the current levels for customers eligible to the service in the protected area and for protected customers be maintained.

Ministerial Decree, dated 28 December 2012, regarding the "Determination of national quantitative energy saving objectives that must be pursued by electrical energy and gas distribution companies for the years 2013-2016, and for the reinforcement of the white certificates mechanism".

The Ministerial Decree also introduced further novelties, amongst which: the passage from AEEG to GSE of the management of the certification mechanism for energy saving projects; the approval of 18 new technical sheets drawn up by ENEA (attached to the same Ministerial Decree); independent regulations on the management of large projects, i.e. interventions which focus on primary energy savings, higher than 35,000 TOE, and feature a technical life higher than 20 years; new criteria for determining fees for costs borne by distribution subject to obligation.

Lastly, the Ministerial Decree identifies some modalities aimed at generally improving the EECs mechanism in view of reducing the required timing and obligations required to obtain the white certificates and introducing various measures to enhance the total efficacy of the mechanism.

Thus, it is confirmed that provision according to which, if there are excessive EECs available on the market before the annual verification, for a percentage higher than 5% with respect to the obligations of the previous year, the target for the following year will be automatically increased for an amount equal to the above-mentioned "exceeding quantity" (Art. 4, par. 9). Moreover, the Ministerial Decree also clarifies that "energy savings obtained through interventions aimed at enhancing efficiency in grids and natural gas networks will contribute to the achievement of obligations pertaining to distribution companies", albeit such interventions will not entitle the company to receive any EECs (Art. 4, par. 10).

Always in view of improving the mechanism and related investments in the segment, the Ministerial Decree sets out, amongst other, that national quantity targets shall not be defined for the years after 2016, the GSE is in any case asked to withdraw the EECs generated from previously completed projects, and/or from those still underway. The GSE will grant the subjects holding the certificates a withdrawal grant equal to the average transactions recorded on the EEC market in the 2013-2016 four-year period, less 5%.

It is also worth noting that the provision according to which the threshold set out to avoid penalties by the distributors subject to obligations is decreased from 60% to 50% of the obligatory amount of each single distributor. In this context, two years are granted to offset any deficit accumulated.

It is therefore highlighted that, starting from the entrance in force of the Ministerial Decree under evaluation, the possible cumulation of incentives based on EECs with other Government incentives will no longer be possible, except for grants related to interests, guarantee funds and taxation for the purchase of machines and equipment which affect the company's income (Art. 10).

Resolution of 24 January 2013 17/2013/R/EFR "Determination of the average value for the transfer price of electrical energy for 2012 aimed at quantifying the market placement price of green certificates for 2013" published on 28 January 2013

AEEG quantified and published the average value for the transfer price of electrical energy for 2013, aimed at quantifying the market placement price of green certificates in application of article 13, par. 3, Legislative Decree no. 387/03.

With reference to the regulatory framework in force, it is noted that article 2, par. 148, of Law no. 244/07 (Finance Law 2008), set out that, starting from 2008, the green certificates issued by GSE, pursuant to article 11, par. 3, of the Legislative Decree no. 79/99, should be placed by the same on the Green Certificate market at a fixed price, equal to the difference between:

- conventional value of 180 Euro/MWh;
- average value for the transfer price of electrical energy recorded in the previous year, as set forth and published by the Regulatory Authority within 31 January of each year, in application of article 13, par. 3, of the Leg. Decree no. 387/03.

As regards the second of the values indicated, with resolution ARG/elt 24/08 of 26 February 2008, the Authority set out criteria and modalities to define the annual average value for the transfer price of electrical energy as per article 13, par. 3, of the Legislative Decree no. 387/03, while setting out that, to calculate the transfer price on the market, this value is to be equal to the arithmetic average, on a national basis, of the area hourly prices, as per article 6 of Attachment A to resolution no. 280/07 including "Modalities and technical-economical terms for the withdrawal of the electrical electricity, pursuant to art. 13, par. 3 and 4, of the legislative decree of 29 December 2003, no. 387/03, and par. 41 of law no. 239/04 of 23 August 2004".

As for 2012, to calculate the arithmetic average of local/hour prices, AEEG further set out that, due to the update by TERNA of Attachment A24 of the Transport Network Code, only local/hour prices for the geographical areas and national virtual areas in which the network is divided, were used (therefore foreign virtual areas were not included).As regards the above, with the aforesaid provision, AEEG resolved that, to define transfer prices on the market of GSE green certificates for 2013, the average value of 2012 transfer prices for electrical energy shall be equal to 77.00 Euro/MWh, calculated based on criteria set out by the above-mentioned resolution ARG/elt 24/08 and, as indicated, to be deducted from the conventional value of 180 Euro/MWh. Therefore, the price of green certificates issued and placed on the related market by GSE will be equal to 103.00 Euro/MWh for the current year.

Resolution of 14 February 2013 53/2013/R/efr

First urgent measures to update regulations governing markets and bilateral transactions of energy efficiency certificates (white certificates), in consistence with provisions set out by the Ministerial Decree of 28 December 2012. Creation of a monitoring system by the Authority for Electrical Energy and Gas on the certification market, published on 15 February 2013

AEEG approved the updated versions of the "Rules governing the market of energy efficiency certificates" (hereinafter: Rules) and of the "Regulations for the registration of EEC bilateral transactions" (hereinafter: Regulations), adjusted by GME pursuant to provisions set out according to the reference legislation of the mechanism related to energy efficiency certificates (white certificates) and, especially, in application of provisions set out by the Ministerial Decree of 5 September 2011 and the recent Ministerial Decree of 28 December 2012.

Resolution of 7 February 2013 46/2013/R/eel "Conformity evaluation of the proposed amendments to the network transmission, dispatching, development and safety", published on 12 February 2013

With the above Resolution, AEEG approved the proposal to amend the Network Code, drawn up by TERNA, within the ordinary updating procedure of the Network Code, as provided by Par. 14.2.4 in the same Code.

The amendment proposals to the Network Code, submitted by TERNA to AEEG, referred to the introduction of some innovations, which can be summarised in four macro reference areas:

- innovations of the articulation of offers submitted by operators within the services offered on the dispatch services market (MSD);
- innovation of the calculation method of fees in the event of non fulfilment of dispatching orders;
- innovations of calculation methods of the needs of reserve services;
- innovations of programming terms of non availabilities of networks, grids and plants.

In positively evaluating the amendments to the Network Code submitted by TERNA, the Authority set out that the Network Operator should ensure the effective implementation of the proposed amendments by 31 December 2013.

Gas

The Ministerial decree of 6 March 2013 ("*Approval of the natural gas regulations, pursuant to Art. 30, par. 1, Law no. 99/09*") approved the legislation of the forward market of natural gas, which will be managed by GME, as provided for by Law 99/09 (art. 30.1 and 30.2) and Art. 32.2 of the Legislative Decree no. 93/11, within the gas market already managed by the company (M-Gas). All transactions will be treated at the Virtual Exchange Point (VEP). On the forward market, standard products can be exchanged with annual, semi-annual, quarterly and monthly delivery periods and "balance of month" products. The forward market completes the reforms of wholesale markets started with the creation of a spot market until the creation of a balancing market (PB-Gas). The forward market starting date will be determined with subsequent MSE (Ministry of Economic Development) decree.
According to the latest reform proposed by AEEG on the economic terms of the protected service, the values which will be obtained on the forward market will be the reference figures to calculate the raw material component, once significance and representativeness are verified.

With resolution 124/2013/R/Gas of 28 March 2013 ***("Reform of the economic terms of the protected service. Modality of determining the CCI for the first half, from 1 April to 30 September 2013")***, as regards the first step of the planned reform on raw gas, AEEG confirmed provisions set out in advance by the consulting document no 58/2013/R/Gas (*"Reform of the economic terms of the protected service – Final Guidance"*) of 14 February: in the transitory period of the reform, corresponding to the 2013 April-September period, the current way of determining QE and CCI remains unchanged. The formula for determining QE is however modified as regards the weight of short-term forward market prices (reference is made to the Dutch TTF hub), which increases from 5% to 20% (P_{MKT} index). Accordingly, the reference to long-term prices decreases from 95% to 80% (P_{TOP} index). As for the second quarter of 2013, the new formula determined a 7.2% decrease in QE (it would have been 3.4% with the previous weights).
A resolution including the modalities to be followed in the second and more thorough step of the reform, to be implemented starting from 1 October 2013, will be issued by 30 April (art. 2, resolution 124/2013/R/Gas). According to the proposals included in the above-mentioned consulting document of February, AEEG aims at creating the value of the new raw material on prices which will be fixed based on the Italian forward marked, starting from next Fall. In the very likely event that this reference is not available (or is still irrelevant), the provisory benchmark will then be the forwards of the Dutch TTF hub. The direct reference, which has been used till now, to prices of long-term import contracts indexed to oil products would then be abandoned (currently they have a weight of 80%).
According to AEEG, the new modality to price calculation would also involve changes or cancellations of other quotas from the end price and the introduction of new components aimed at enhancing changes in procurement terms granted to vendors, as well as at managing the transitory phase towards the new system.
Final resolutions will be required to finalise the overall guidelines of the reform; however, if the reform is implemented according to proposals, the new rules will involve a reduction of profits for end vendors for the protected segment, offset to a minor extent by the planned review of the so-called "Quota di Vendita al dettaglio" (QVD) (Retail sale quota)

To this purpose, the **consulting document 106/2013/R/Gas of 15 March** ***("Review of the QVD component to cover retail marketing costs")*** envisages that QVD will be reviewed to adjust it to new management costs of end vendors. In particular, the AEEG intends to: maintain an undivided value at national level and undivided values for vendors; confirm the division of fixed component (€/customer/year) and variable component (c€/cubic metre); adjust the amount of fixed component according to the types of customers (54-56 €/customer/year for residential customers and 80.25-82.75 €/customer/year for the other customers of the protected service), with an increase of 34-39% and 45-49%, respectively, compared to the current value; confirm the current amount of variable component (0.48 c€/cubic metre).

As regards **stocks, the first Ministerial Decree of 15 February 2013** ***("Determination of stocking modulation capacity and repartition and allocation modalities of stocking capacity")*** – according to provisions set out by Art. 14 of the Law Decree no. 1/12, as amended by art. 38 of Law Decree 83/12 (converted into Law no. 134/12) - was applied to the reform on the modalities to grant stocking capacities, while setting the capacity level to 4.2 Bln m³, to be granted through tenders. 2.5 Bln m³ of this amount is destined to seasonal of peak modulation for “small” customers (residential and non residential consumption under 50 thousand m³/year) and 1.7 Bln m³, with a constant use of the supply capacity destined to customers related to industrial and thermoelectric uses. Further 4.2 Bln m³ are granted to “small-size” customers, through traditional procedures.

The second Ministerial Decree of 15 February *(“Stock combined to regasification and procurement of liquefied natural gas (LNG) for companies”*), sets out that 500 ml m³ of stock capacity resulting from the redetermination in 4.6 Bln m³ of strategic stock (Ministerial Decree 29 March 2012) be granted in the amount of 450 ml m³ to industries and 50 ml m³ to regasification companies, to ensure their regular supply.

With **resolution 75/2013/R/Gas and consulting document 76/2013/R/Gas**, AEEG set forth rules for the granting of stock capacities in the traditional ways for the 2013-2014 thermal year, and proposed guidance on the ways of granting capacities through tender procedures, as provided for in the above-mentioned decree.

National Energy Strategy

On 8 March 2013, the Ministry of Economic Development and the Ministry for the Environment approved, through an interministerial decree, the final version of the "National Energy Strategy” (NES) document, intended as a planning and guidance instrument for the energy segment. The two Ministries stated that they consider the document as “*Guidelines*” and “*Consolidated work pattern between energy, environment and development*”, which is left to the Parliament and to the new Government to be discussed.

In a “*difficult and uncertain*” macroeconomic scenario, the NES points out "*the main targets to be achieved in the next few years*”, tracks the “*main guidelines*” and defines short and long-term actions, albeit it is well aware that it "*acts in a free market context, with complex logics and continuously developing*".

The primary target is the recovery of a sustainable growth through improved competition in the economic system and winning three main challenges as regards energy: a) the highest prices for energy compared to other European Countries; b) procurement safety, which is not optimal in peak periods (gas) and high reliance on imports; c) economic-financial difficulties of the sector operators.

The main targets are four, for both 2020 and 2050.

- Competitiveness: to gradually align energy prices and costs to European prices and costs.
- Environment: to overcome targets set out by the 2020 Climate-Energy EU Package (so-called 20-20-20) and play a guidance role in the 2050 Roadmap of European decarbonisation.
- Safety: to improve procurement safety and reduce reliance on imports.
- Growth: to foster economic growth through the development of the energy sector.
- The documents define seven, interlinked, priority actions to achieve the above-mentioned targets:
    - energy efficiency, which is the strategic target from which to start as energy efficiency helps achieving all the other goals;
    - development in Italy of a domestic and competitive market of liquid gas, which would help the creation of a South-European gas hub to interchange and/or transit toward Northern Europe;
    - sustainable development of renewable energies, for which the intention is to overcome the 2020 target, set for Italy by the European Union;
    - development of infrastructures and the electric market;
    - restructuration of refining and the fuel distribution network;
    - sustainable production re-launch of national hydrocarbon;
    - modernisation of the governance system.

SIGNIFICANT EVENTS OF THE PERIOD

Exercise of the put option for the deconsolidation from Edipower

On 16 January 2013, the Board of Directors of IREN S.p.A. resolved to exercise the put option for the exit from Edipower, as provided in the agreements, and to start the formal proceeding according to the agreed modalities and timing.

Change in membership of the Board of Directors of Iren S.p.A.

On 6 February 2013 the Board of Directors of IREN S.p.A. appointed Mr. Lorenzo Bagnacani as Director, Vice Chairman and member of the Executive Committee of the multiutility in replacement of Mr. Luigi Giuseppe Villani, who resigned on 19 January 2013.

Presentation of the updating of the 2015 Industrial Plan.

The Iren Group submitted the updating of the 2015 Industrial Plan to the financial community on 6 February 2013. The Plan envisages an EBITDA for 2015 of around Euro 670 million, with a YoY growth of 3.2%, a decreasing net financial position totalling around Euro 700 million compared to 2011, and amounts lower than Euro 2 billion at the end of the plan.

Cumulated investments for the 2013-2015 period stood at around Euro 800 million.

The strategic development lines include:

- the consolidation and growth within the reference territories, businesses in which the Iren Group is leader: Environment, Integrated water cycle and District heating.
- the achievement of operational full potential while completing the integration and rationalization process within the Group and achieving further operating efficiency.
- the expansion of the customer base within the reference territories with special attention to retail and small business segments.
- the reduction of the indebtedness level through the limiting of investments, asset non-core dismissals and the reduction of the working capital.
- the implementation of financial partnership to seize new development opportunities, while maintaining the financial balance.
- the growth of the Group value, while maintaining an adequate return for shareholders.

Loan amounting to Euro 100 million by CDP

On 25 February 2013, IREN SpA signed a 15-year loan agreement with Cassa Depositi e Prestiti Spa (CDP) for the amount of Euro 100 million, aimed at supporting the implementation of the 2013-2015 Industrial Plan, especially regarding investments in the Energy Infrastructure sector.

PREPARATION CRITERIA

CONTENT AND STRUCTURE

The consolidated interim report on operations at 31 March 2013 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 (“IFRIC”) 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 Balance Sheet as of 31 December 2012, 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.

CHANGES IN THE CONSOLIDATION SCOPE COMPARED TO 31 DECEMBER 2012

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

During the first three months of 2013, no significant changes occurred in the consolidation scope.
It is worth noting that the merger of the 100% owned subsidiary Zeus S.p.A. into the parent company Iren Emilia S.p.A. involved no changes in the consolidation scope.

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, which is operative within the Group, includes methodological approach to the integrated identification, assessment and management of the Group risks.
For each of the following risk types:

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

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

On a quarterly basis, the Risk Management Department also analyses losses in all the Group’s operating areas and defines the containment and reduction methods.
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 such risks. Derivatives are neither used nor held for purely trading purposes.

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company are insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The Group Finance Department was centralised in order to optimise the collection and use of financial resources. Specifically, the centralised management of cash flows in 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), the clauses in IREN loan agreements are fulfilled. In particular, for certain medium/long-term loan agreements Iren is committed to meeting financial covenants (such as net financial position/EBITDA, EBITDA/Financial expense ratios) with annual verification. Moreover, other covenants such as the Change of Control clause have been provided for, which sets forth that the 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 position/EBITDA, Debt/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 Iren S.p.A. Group's credit risk is mainly related to trade receivables that show no particular concentration since the credit exposure is spread across a large number of counterparties. This risk is connected to the sale of electrical energy, district heating and gas and the provision of water and environmental services to retail and business customers, as well as public entities.
In conducting its business activities, the Group is exposed to the risk that, as a result of the general economic and financial crisis, trade receivables might not be paid on their due date. The risks are not only attributable to an increase in the seniority of receivables, insolvency risk and an increase in receivables subject to bankruptcy proceedings, but also suffer impairment that could lead to full or partial cancellation from the financial statements.
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 for reduction of credit exposure including Customer solvency analysis on acquiring receivables by means of thorough credit rating analysis to limit insolvency risk, the assignment of credit recovery to external credit recovery companies and the management of legal disputes regarding amounts receivable for services rendered, with the introduction of new recovery methods.
The internal trade credit policy and *ex ante* assessment tools of creditworthiness, as well as monitoring and recovery activities differ in relation to the various categories of customers and the various consumption dimension levels.

Over the last few years, in order to strengthen the analysis and monitoring capacities of receivables, new tools have been introduced for the acquisition of commercial information and customer payment records, operating management for the collection of overdue receivables, outsourcing the telephone inquiry activity for certain customer segments. The Group is also completing the project for "electronic meters" with the aim of enhancing the promptness in the decoupling of customers in arrears and reducing costs.
Credit risk is hedged, for certain types of business customers, by appropriate forms of bank or insurance guarantees upon demand issued by first rate credit entities.

An interest-bearing guarantee deposit is provided for some types of services (water, natural gas, “protected customer” electrical energy) in compliance with regulations governing these activities. This deposit is reimbursed if the customer adopts the payment through 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.
As a result of the persisting economic situation, the Group has improved credit risk management by strengthening its monitoring and reporting procedures in order to promptly find any measure able to tackle the causes pinpointed.

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 databases, specifically taking into account ageing, as well as comparison with historical impairment loss data and determination of the average non-payment rate.
During 2012, a “factoring” project was started aiming at implementing a software application able to manage credit release transactions in an organised way.
On a quarterly basis the Risk Management Department gathers information to integrate the main data on trade receivables from the Group companies in relation to customers, business sector and ageing range. There is a particular focus on customers with the highest level of past due receivables, both among first level companies and for the Group as a whole.
The results are presented at the Committee meetings and agreed with the Credit Managers of first level companies which in operating terms are responsible for credit management and recovery.

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.

4. OPERATIONAL RISKS

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

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

Each process stage is performed in accordance with standards and references defined at Group level.
The main risks in the above categories are assessed in terms of impact, event probability and level of control. These assessments are subject to periodic review. The indicators that allow the risk to be examined in terms of trends and critical points are also monitored.
The Group’s risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, credit and energy risks.
The main reputational risks are managed in addition to the operating risks.
The risk position and related indicators are submitted to top management and to the risk owners involved in mitigation and improvement activities.
Risk analysis is used as input in the preparation of planning tools.

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 sector is experiencing a phase of important development and consolidation. Deregulation and liberalisation mean companies have been forced to adopt a more decisive approach to competitive pressure, taking advantage of the opportunities for external and internal corporate growth offered by the new market contexts.
The strategic development plan of the IREN Group provides for considerable investments, from the development of joint ventures of important regasification plants for the supply of gas, to the construction or upgrading of cogeneration plants to complete the district heating extension plan, and consolidation of the Group's presence in the electrical energy and gas distribution sectors, and water and waste management sectors.
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 said projects.
The Risk Management department performs quality-quantity assessments on strategic risks, indicating the main risk factors and management plans required.

c. Plant-related risks

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

d. IT risks

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

e. Economic risk

The difficult global economic situation in recent years, which has had a heavy impact on Eurozone countries, continues to have serious recessionary effects on Government and company finances.
In particular, the collapse in consumption and industrial production may have a severe impact on companies such as Iren that provide public utility services to the community and to businesses.

According to the Economic Bulletin of the Bank of Italy, in the first half of 2013 Italy is not showing any signs of a cyclical reversal of the trend; the return to growth, albeit modest, could happen in the second half. The trend in domestic demand for goods and services and credit conditions (cost and quality) constitute the biggest uncertainties regarding a forecast economic recovery.

Through the Enterprise Risk Management system, the Iren Group monitors the changes in the effects on company business units, taking any corrective action where necessary, in particular in the financial and commodity sectors.

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

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

Income Statement

CONSOLIDATED INCOME STATEMENT OF IREN GROUP – FIRST THREE MONTHS OF 2013

thousands of euro

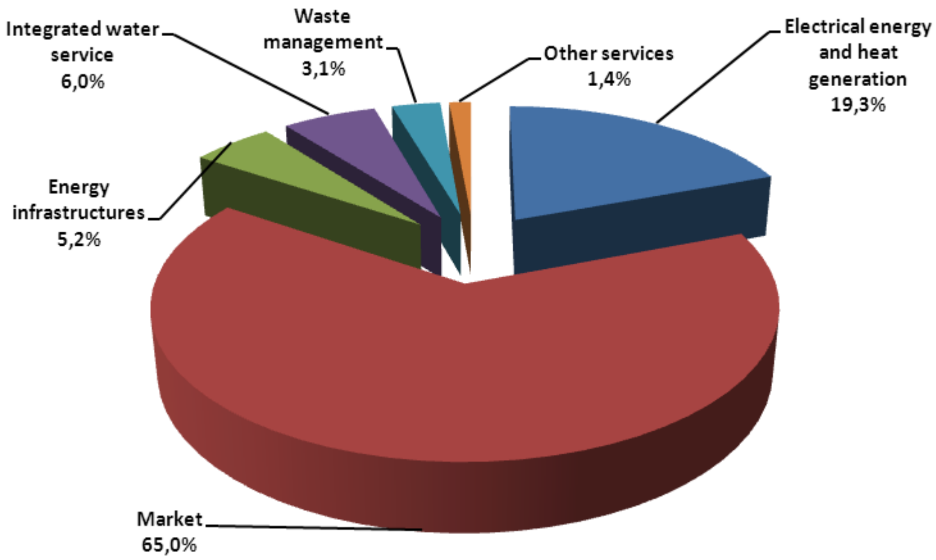
	1st Quarter 2013	1st Quarter 2012	% Change
Revenue			
Revenue from goods and services	1,059,680	1,255,798	(15.6)
Change in contract work in progress	420	1,083	(61.2)
Other revenue and income	60,559	60,458	0.2
Total revenue	**1,120,659**	**1,317,339**	**(14.9)**
Operating expense			
Raw materials, consumables, supplies and goods	(545,536)	(760,937)	(28.3)
Services and use of third-party assets	(254,727)	(280,153)	(9.1)
Other operating expense	(14,429)	(21,750)	(33.7)
Capitalised expenses for internal work	5,141	4,833	6.4
Personnel expense	(67,423)	(68,869)	(2.1)
Total operating expense	**(876,974)**	**(1,126,876)**	**(22.2)**
Gross Operating Profit (EBITDA)	**243,685**	**190,463**	**27.9**
Amortisation, depreciation, provisions and impairment losses			
Amortisation/depreciation	(50,530)	(52,599)	(3.9)
Provisions and impairment losses	(19,864)	(13,136)	51.2
Total amortisation, depreciation, provisions and impairment losses	**(70,394)**	**(65,735)**	**7.1**
Operating profit (EBIT)	**173,291**	**124,728**	**38.9**
Financial income and expense			
Financial income	4,766	9,398	(49.3)
Financial expense	(30,206)	(34,009)	(11.2)
Net financial expense	**(25,440)**	**(24,611)**	**3.4**
Share of profit of associates accounted for using the equity method	452	4,793	(90.6)
Impairment losses on investments	-	-	-
Profit before tax	**148,303**	**104,910**	**41.4**
Income tax expense	(64,331)	(49,673)	29.5
Profit/(loss) for the period from continuing operations	**83,972**	**55,237**	**52.0**
Profit/(loss) from discontinued operations	-	1,249	(100.0)
Net profit (loss) for the period	**83,972**	**56,486**	**48.7**
attributable to:			
- Profit (loss) - Group	81,104	55,027	47.4
- Profit (loss) - non-controlling interests	2,868	1,459	96.6

The figures in the first quarter of 2012 were reclassified to reflect the profit/loss of the associated Edipower in the Profit/(loss) from discontinued operations

Revenue

In the first three months of 2013, the Iren Group reported revenue totalling Euro 1,120.7 million, down by 14.9% compared to Euro 1,317.3 million in the first three months of 2012. The drop in revenue is mainly attributable to lower volumes sold compared to the first quarter of 2012 in the energy segments, especially -956 GWh of electrical energy and -229.5 million m³ of gas.

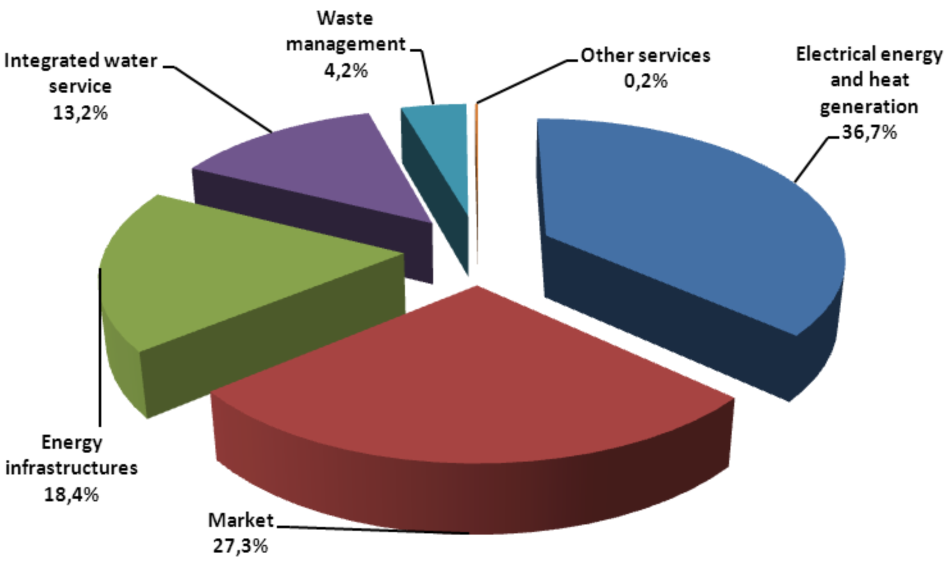
BREAKDOWN OF REVENUES



Gross Operating Profit

Gross operating profit (EBITDA) amounted to Euro 243.7 million, up 27.9% compared to Euro 190.5 million recorded in the first three months of 2012. This improvement resulted from all business segments, except for Waste management which reports a decrease compared to the corresponding period of 2012.

BREAKDOWN OF EBITDA



Operating profit
The operating profit (EBIT) amounted to Euro 173.3 million, up by 38.9% compared to Euro 124.7 million reported in the first three months of 2012. The increase in allocations to allowance for impairment compared to the same period of 2012 (Euro +5.2 million), partially offset the improvement in gross operating profit.

Financial income and expense
Net financial expense was negative by Euro 25.4 million. Specifically, financial expense totalled Euro 30.2 million, down by 11.2% on the same period of 2012, due to the decrease in the average indebtedness of the first quarter of 2013 compared to the same period of 2012. The average cost of debt in the first quarter of 2013 is equal to 3.99% (4.05% in the same period of 2012). Financial income amounted to Euro 4.8 million.
The result for associates measured using the equity method was positive by around Euro 0.4 million, down compared to Euro 4.8 million reported in the same period of 2012 by reason of the lack of contribution of the company Plurigas which is in liquidation upon resolution of its Shareholders' General Meeting.

Profit before tax
As a result of the trends indicated above, the consolidated profit before tax reached 148.3 million, a 41.4% increase compared to the first three months of 2012.

Income tax expense
Income taxes expected in the first three months of 2013 are equal to Euro 64.3 million, with an increase, in absolute value, of 29.5% compared to the same period of 2012.
The tax rate increases from 47% in the first quarter of 2012 to 43% in the first quarter of 2013. The latter reflects the best estimate of the annual weighted average of the tax rates expected for 2013, which will be affected by the tax effect on unrealised capital gains regarding the transfer of the real estate assets to Fondo Core Multiutilities.

Net profit (loss) for the period
The net profit is positive by Euro 84 million, up compared to the profit of Euro 56.5 million in the first three months of 2012 thanks to the improvement of the operating trend in the first three months of 2013.

Segment reporting

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

These operating segments are disclosed pursuant to IFRS 8. Under this Standard, the disclosure about operating segments should be based on the elements which the executive committee and management use in taking operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in the North-West area, the following segment information does not include a breakdown by geographical area.
Below are the main income statement items with relative comments broken down by operating segment.

Electrical Energy Production and District Heating

At 31 March 2013 revenue in this segment amounted to Euro 327.6 million, down 4.0% on the Euro 341.2 million recorded in the first three months of 2012.

		First three months 2013	First three months 2012	Δ %
Revenue	€/mln.	327.6	341.2	(4.0%)
Gross Operating Profit (EBITDA)	€/mln.	89.4	72.5	23.3%
EBITDA Margin		*27.3%*	*21.2%*	
Operating profit (EBIT)	€/mln.	65.0	49.7	30.8%
Investments	€/mln.	4.6	9.7	(52.2%)
Electrical energy produced	GWh	2,282.1	2,218.5	2.9%
from hydroelectric sources	*GWh*	155.6	171.8	(9.4%)
from thermoelectric sources	*GWh*	2,121.9	2,043.1	3.9%
from renewable sources	*GWh*	4.5	3.6	26.3%
Heat produced	GWh_t	1,525.8	1,387.9	9.9%
from cogeneration sources	GWh_t	1,290.8	1,066.6	21.0%
from non-cogeneration sources	GWh_t	235.0	321.3	(26.9%)
District heating volumes		76.5	72.5	5.5%

Electrical energy production in the period totalled 2,282.1 GWh, an increase of 2.9% compared to 2,218.5 GWh in 2012, on account of higher thermoelectric production (+3.9%) which offsets the lower hydroelectric production (-9.4%).
Specifically, thermoelectric production was around 2,121.9 GWh, up by 3.9% compared to 2,043.1 GWh in the same period of 2012, due to higher production of the Torino Nord plant (+80 GWh). This performance bucks the trend in national figures for production from thermoelectric sources, which saw a decrease of 14% compared to the same period in 2012.
Hydroelectric production totalled 155.6 GWh, down by 9.4% on the 171.8 GWh recorded in the first three months of 2012, as a result of lower production of Rosone due to scheduled maintenance. This figure bucks the trend in national figures for production from hydroelectric sources, which saw an increase 41% compared to the first quarter of 2012.

Heat production totalled 1,525.8 GWh_t an increase of 9.9% compared to 1,387.9 GWh_t in the first three months of 2012, due to higher consumption linked to weather conditions (+10% degree/day in the Turin area and +9% in the Emilia area), and to higher volumes served (+3.5 million m^3 in the Turin area and +0.5 million m^3 in the Emilia area compared to the first quarter 2012).
Volumes of district heating exceeded 76 million m^3, of which 54.2 million in Turin (this city is now the area where district heating is used the most in Italy), 3.4 million in Genoa and 18.9 million in the cities of Parma, Piacenza and Reggio Emilia. The cogenerated heat share was 85%, up compared to the first quarter of 2012, when it was equal to 77%.
Gross operating profit amounted to Euro 89.4 million, up 23.3% on the Euro 72.5 million of the same period in 2012.
The improvement is attributable to the joint effects of the improved spark spread on both the electrical energy production from cogeneration sources and district heating, as well as of higher quantity of electrical energy and heat produced in increased green certificates. These effects are partially offset by higher pant maintenance costs and the increase in heat carriage fees.

Operating profit totalled Euro 65.0 million, up 30.8% compared to the Euro 49.7 million of the first quarter of 2012. The improvement is mainly due to the increase in gross operating profit, partly offset by higher allocations to provision for risks.

Market

Turnover in the Market segment amounted to Euro 1,105.4 million, down (-19.5%) on the Euro 1,373.3 million recorded for the corresponding period of 2012. Gross operating profit amounted to Euro 66.6 million, down Euro 35.5 million on the Euro 31.1 million recorded in the first quarter of 2012.

		First three months 2013	First three months 2012	Δ %
Revenue	€/mln.	1,105.4	1,373.3	(19.5%)
Gross Operating Profit (EBITDA)	€/mln.	66.6	31.1	(*)
EBITDA Margin		*6.0%*	*2.3%*	
from electrical energy	*€/mln.*	5.7	(8.1)	(*)
from gas	*€/mln.*	55.9	35.8	56.1%
from heat	*€/mln.*	5.0	3.4	48.6%
Operating profit (EBIT)	€/mln.	56.6	25.4	(*)
Investments	€/mln.	1.8	2.3	(22.1%)
Electrical energy sold	GWh	3,647.9	4,603.9	(20.8%)
Electrical energy sold net of Power Exchange purchases/sales	GWh	3,351.8	3,883.2	(13.7%)
Gas purchased	Mln m³	1,208.1	1,437.6	(16.0%)
Gas sold by the Group	Mln m³	673.2	913.0	(26.3%)
Gas for internal use	Mln m³	535.0	524.6	2.0%

(*) Change of more than 100%

Sale of electrical energy

Volumes sold net of energy bought/sold on the power exchange amounted to 3,351.8 GWh (gross electrical energy totalled 3,647.9 GWh), marking an decrease of 13.7% compared to the first three months of 2012 (3,883.2 GWh).

Total volumes sold to end customers and wholesalers amount to 1,573 GWh (2,845 GWh in the same period of 2012), down 44.7% (-1,272 GWh), while the volumes traded on the power exchange amounted to 1,538 GWh (732 GWh in the first three months of 2012).

Regarding the number of protected customers managed, the total volumes sold in the first quarter of 2013 amounted to 242 GWh, a slight decrease on the previous year's figure (282 GWh) due to deregulation of the market to which the company responded with marketing development initiatives that led to transfer of a significant percentage of non-eligible market customers to the free market.

In the first quarter of 2013 the availability of electrical energy from internal Iren Group production (Iren Energia) increased by approximately 2.8% to reach 2,278 GWh (2,215 GWh in the first quarter of 2012). Volumes from Edipower tolling agreements amounted to 303 GWh, versus the 229 GWh in the same period of 2012. Net power exchange transactions totalled 126 GWh (electrical energy gross of purchases/sales totalled 422 GWh), compared to 281 GWh in the first quarter of 2012, while purchases from wholesalers came to 543 GWh, compared to 993 GWh in the corresponding period of 2012. In addition, 254 GWh was purchased from the Acquirente Unico (Single Buyer).

The gross operating profit from sales of electrical energy amounted to Euro +5.7 million, up compared to the same period of the previous year (Euro -8.1 million in the first three months of 2012). This improvement is mainly due to the release of funds related to Edipower tolling agreements, allocated in

2012 in application of IAS 37 for onerous contracts and a positive change in fair value on derivatives related to commodities.

Sale of natural gas

Total volumes of natural gas procured at 31 March 2013 amounted to approximately 1,208 million m³ (around 1,438 million m³ in the same period of 2012), of which around 673 million m³ were marketed to customers outside the Group (913 million m³ in the same period of 2012), 47 million m³ were used in the electrical energy production through Edipower tolling contracts (34 million m³ in the first three months of 2012) and 488 million m³ were used within the Iren Group for both the generation of electrical energy and the supply of heat services (490 million m³ in the first three months of 2012).

The drop in volumes sold, compared to the first three months of 2012 (-230 million m³) are substantially attributable to the decrease in trading (-223 million m³ compared to 2012) and sales in the business segment (-46 million m³ over 2012). Volumes destined to the retail market in the first three months of 2013 are 454 million m³, up by 6.8% compared to 425 million m³ of the same period of 2012.

The gross operating profit, amounting to Euro 55.9 million, increased compared to the Euro 35.8 million in the corresponding period of 2012, mainly due to the effects of the favourable procurement terms.

Market development

During the first three months of 2013 the activities relating to customer loyalty schemes in areas traditionally managed and development initiatives in the Group's reference areas were further enhanced compared to previous periods. Moreover, a special project was started focused on the implementation of a customer acquisition patters which would enable a real development also on entirely new areas, where the trademark is unknown.

2013 again saw a strong increase in competitors' activities, who further intensified their promotion in areas traditionally managed by the Group. In order to respond adequately to the market, the promotion channels were reinforced (agencies and telesales operators), as was the range of products offered, by defining targeted proposals for the various customer segments.

At 31 March 2013, the gas customers directly served by Iren Mercato totalled around 752,000 in the Genoa, Turin and Emilia Romagna areas. Electrical Energy customers managed numbered approximately 733,000, these too mainly in the area traditionally served, i.e. Turin and Parma.

Sale of heat through the district heating networks

The gross operating profit for the first three months of 2013 amounted to Euro 5.0 million, compared to Euro 3.4 million in the previous year, an increase of Euro 1.6 million (+48.6%).

In the first three months of 2013, the district heating volumes in the Piedmont area amounted to around 54.2 million m³, corresponding to over 450,000 residents, i.e. 40% of Turin's inhabitants, 3.4 million m³ in the Genoa area, whilst in the Emilia area the district heating volumes amounted to around 18.9 million m³.

Energy infrastructures

As of 31 March 2013, the Energy Infrastructures segment, including distribution of gas, electrical energy and heat businesses, recorded revenue of Euro 89.2 million, substantially unchanged compared to the Euro 88.4 million in the corresponding period of 2012.

Gross operating profit amounted to Euro 44.9 million, up by 4.4% on the Euro 43.0 million recorded in the first three months of 2012.

Operating profit totalled Euro 33.2 million, up by 7.0% on the Euro 31.0 million for the corresponding period of 2012.

The main changes in the segments concerned are illustrated below.

		First three months 2013	First three months 2012	Δ %
Revenue	€/mln.	89.2	88.4	0.9%
Gross Operating Profit (EBITDA)	€/mln.	44.9	43.0	4.4%
EBITDA Margin		*50.4%*	*48.6%*	
from electrical energy networks	*€/mln.*	20.2	18.0	12.2%
from gas networks	*€/mln.*	25.2	25.0	0.9%
from regasification plant	*€/mln.*	(0.5)	0.0	(*)
Operating profit (EBIT)	€/mln.	33.2	31.0	7.1%
Investments	€/mln.	16.8	21.6	(22.5%)
in electrical energy networks	*€/mln.*	3.7	3.8	(2.7%)
in gas networks	*€/mln.*	5.5	8.5	(34.9%)
in regasification plant	*€/mln.*	7.5	9.3	19.4%
Electrical energy distributed	GWh	1,066.9	1,100.0	(3.0%)
Gas distributed	Mln m³	957.4	916.2	4.5%

Electrical Energy Distribution Networks
Gross operating profit amounted to Euro 20.2 million, up by 12.2% on the Euro 18.0 million of the January-March period in 2012.
The increase in the GOP is attributable to prior year income for tariff components related to previous years.

In 2013, investments for around Euro 3.7 million were made, mainly related to new connections, and the construction of new HV/MV and MV/LV substations.

Gas distribution Networks
The gross operating profit from Gas Network distribution amounted to Euro 25.2 million, in line compared to Euro 25.0 million in the first three months of 2012. The substantial alignment of the profit therefore results from a capital gain due to the granting by AEEG of incentives for the safety recovery of 2011 and lower revenues from customers.
Capital expenditure in the segment amounted to approximately Euro 5.5 million and specifically involves extraordinary maintenance on the distribution network and replacement of the metering units, envisaged in AEEG resolutions, along with development initiatives for the distribution network and connections.

Regasification plant
Investments made in the segment amounted to approximately Euro 7.5 million.
In the second quarter of 2013 the terminal is expected to leave the Dubai shipyard and reach Livorno, where the terminal will be installed on site. The off-shore final testing will then start and its completion is expected in the third quarter of 2013.

Integrated Water Service
During the period the Integrated Water Service recorded revenue of Euro 101.2 million, down by 5.2% on the Euro 106.7 million of the first quarter of 2012.
The decrease in revenue is primarily attributable to lower capitalised costs due to fewer investments in assets under concession which, due to the application of IFRIC 12, were recorded under item revenue (Euro -8 million). This decrease was partially offset by both the increase in tariff income (Euro +2 million), calculated based on the tariff application method set out by deliberation 585/2012 (VRG restriction on revenue), and the increase in other revenue (Euro +1 million).

		First three months 2013	First three months 2012	Δ %
Revenue	€/mln.	101.2	106.7	(5.2%)
Gross Operating Profit (EBITDA)	€/mln.	32.2	30.8	4.5%
EBITDA Margin		*31.8%*	*28.9%*	
Operating profit (EBIT)	€/mln.	13.5	13.6	(0.9%)
Investments	€/mln.	10.2	18.2	(43.8%)
Water sold	Mln m³	43.9	43.8	0.2%

Gross operating profit amounted to Euro 32.2 million, up by 4.5% compared to Euro 30.8 million in 2012. The tariff increase, following the application of Del. 585/2012 of AEEG and the increase in other revenue were partially offset by the increase in operating costs for electrical energy and costs for network and plant maintenance.
Operating profit, equal to Euro 13.5 million, is in line with Euro 13.6 million of the same period of 2012. The increase in gross operating profit was more than offset by the increase in amortisation and depreciation over the period, especially of the allowance for impairment.
Capital expenditure made in the segment amounted to Euro 10.2 million and refers to the construction of infrastructures envisaged in the ATO plans for maintenance and development of the water distribution network, the sewerage network and water treatment plants.

Waste Management
Turnover in this segment was Euro 52.7 million compared to Euro 54.7 million in the same period of 2012 (-3.7%). The reduction in revenues is due mainly to the change in the scope of consolidation relating to the transfer of Undis Servizi (Euro -1.2 million) and is affected by lower tariff revenue and revenues from electrical energy production, due to the closure of the waste-to-energy plant in Reggio Emilia, only partially offset by higher revenues for waste treatment.

			First three months 2013	First three months 2012	Δ %
Revenue		€/mln.	52.7	54.7	(3.7%)
Gross Operating Profit (EBITDA)		€/mln.	10.2	11.7	(12.8%)
EBITDA Margin			*19.3%*	*21.5%*	
Operating profit (EBIT)		€/mln.	6.1	5.2	17.3%
Investments		€/mln.	10.5	14.4	(27.2%)
Waste handled		ton	226,817	219,769	3.2%
	Urban waste	ton	160,363	168,110	(4.6%)
	Special waste	ton	66,454	51,659	28.6%

Gross operating profit amounted to Euro 10.2 million, down by 12.8% compared to Euro 11.7 million reported in the first three months of 2012. The decrease in GOP results from higher operating costs for collection and snow removal and higher costs for disposal due to the closure of the waste-to-energy plant in Reggio Emilia, only partially offset by the increased profit of the Tecnoborgo WTE plant compared to the first quarter of 2012. In this period, in fact, the plant was not operating due to scheduled maintenance.
Operating profit for the period totalled Euro 6.1 million, a 17.3% increase on Euro 5.2 million of 2012. This improvement is primarily due to the release of certain provisions concerning the post-closure

management of landfills for the adoption of the new accounting policy IAS 37 and lower depreciation regarding the Tecnoborgo plant.

Investments for the period amounted to Euro 10.5 million and mainly relate to construction of the Parma Integrated Environmental Hub, and to a residual extent to extraordinary maintenance on the disposal plants and to collection service equipment and transport.

Other services

Revenue totalled Euro 24.6 million, essentially in line with the Euro 24.6 million, down by 24.1% compared to Euro 32.4 million recorded in the corresponding period of 2012.
Gross operating profit amounted to Euro 0.4 million, down on the Euro 1.4 million recorded in the first quarter of 2012.
The decrease is mainly attributable to reduced profit of service agreements for the management of public lighting systems and buildings and to the deconsolidation of the company Sasternet, sold in the fourth quarter of 2012.

		First three months 2013	**First three months 2012**	**Δ %**
Revenue	€/mln.	24.6	32.4	(24.1%)
Gross Operating Profit (EBITDA)	€/mln.	0.4	1.4	(71.4%)
EBITDA Margin		*1.6%*	*4.2%*	
Operating profit (EBIT)	€/mln.	(1.1)	(0.1)	(*)
Investments	€/mln.	2.2	6.2	(64.9%)

(*) Change of more than 100%

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION FOR THE IREN GROUP AS AT 31 MARCH 2013

thousands of euro

31.03.2012		31.03.2013	31.12.2012	% change
4,656,930	Non-current assets	4,430,455	4,734,916	(6.4)
(117,454)	Other non-current assets (liabilities)	(116,962)	(116,258)	0.6
572,838	Net working capital	288,732	235,106	22.8
61,475	Deferred tax assets (liabilities)	102,686	105,197	(2.4)
(402,995)	Provisions for risks and employee benefits	(454,119)	(457,291)	(0.7)
23,781	Assets (Liabilities) held for sale	300,088	7,718	(*)
4,794,575	**Net invested capital**	**4,550,880**	**4,509,388**	**0.9**
1,901,929	Equity	2,047,037	1,954,257	4.7
(164,616)	*Non-current financial assets*	*(129,070)*	*(116,168)*	*11.1*
2,231,274	*Non-current financial indebtedness*	*2,275,764*	*2,197,827*	*3.5*
2,066,658	Non-current financial liabilities	2,146,694	2,081,659	3.1
(404,670)	*Current financial assets*	*(305,651)*	*(301,591)*	*1.3*
1,230,658	*Current financial* indebtedness	*662,800*	*775,063*	*(14.5)*
825,988	Net current financial indebtedness	357,149	473,472	(24.6)
2,892,646	Net financial indebtedness	2,503,843	2,555,131	(2.0)
4,794,575	**Own funds and net financial indebtedness**	**4,550,880**	**4,509,388**	**0.9**

(*) Change of more than 100%

The main changes in the statement of financial position at 31 March 2013 are commented below.
Fixed assets decreased by 6.4% compared to 31 December 2012, mainly by reason Edipower's reclassification from investments measured at equity to assets held for sale, following the resolution of the Board of Directors to exercise the put option for the exit from the company. Amortisation/depreciation for the period was higher than the progress in investments made during the first three months of the year. For further details on these investments, reference should be made to the section "Segment Reporting".
The increase in net working capital, compared to 31 December 2012, reflects the seasonal trend in trade payables and receivables and tax items. It is worth noting that net working capital decreased by around Euro 284 million compared to 31 March 2012.
Deferred taxes and the amount of allowances and benefits to employees remain substantially unchanged.
The increase in assets held for sale is affected by the reclassification, into the item under evaluation, of the investment in Edipower, following the resolution of the Board of Directors to exercise the put option for the exit from the company.
The increase in Equity derives mainly from profit for the period.
The statement of cash flows shown below provides an analytical breakdown of the reasons for the changes in net financial indebtedness the first three months of 2013.

Cash Flows Statement

CASH FLOWS STATEMENT FOR THE IREN GROUP IN THE FIRST THREE MONTHS OF 2013

thousands of euro

	1st Quarter 2013	1st Quarter 2012	% change
A. Opening cash and cash equivalents	**28,041**	**44,758**	**(37.3)**
Cash flow from operating activities			
Profit/(loss) for the period	83,972	56,486	48.7
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	50,530	52,599	(3.9)
Capital gains (losses) and other equity changes	1,224	(610)	(*)
Net change in post-employment benefits and other employee benefits	570	(155)	(*)
Net change in provision for risks and other charges	(3,851)	9,292	(*)
Change in deferred tax assets and liabilities	(2,198)	(1,108)	98.4
Change in other non-current assets/liabilities	704	(843)	(*)
Portion of loss of associates	(452)	(6,042)	(92.5)
Impairment losses on non-current assets and investments	4,167	-	(*)
B. Cash flows from operations before variations in NWC	**134,666**	**109,619**	**22.8**
Change in inventories	45,705	14,939	(*)
Change in trade receivables	(183,530)	(375,911)	(51.2)
Change in tax assets and other current assets	10,324	46	(*)
Change in trade payables	(12,694)	(16,089)	(21.1)
Change in tax liabilities and other current liabilities	86,569	92,151	(6.1)
C. Cash flows from/(used in) variations in NWC	**(53,626)**	**(284,864)**	**(81.2)**
D. Operating cash flows (B+C)	**81,040**	**(175,245)**	**(*)**
Cash flows from/(used in) investing activities			
Investments in intangible assets and in property, plant and equipment and investment property	(46,001)	(72,291)	(36.4)
Investments in financial assets	-	(525)	(100.0)
Proceeds from the sale of investments and changes in assets held for sale	3,634	8,455	(57.0)
E. Total cash flows used in investing activities	**(42,367)**	**(64,361)**	**(34.2)**
F. Free cash flow (D+E)	**38,673**	**(239,606)**	**(*)**
Cash flows from/(used in) financing activities			
New non-current loans	100,000	190,000	(47.4)
Repayment of non-current loans	(14,102)	(30,548)	(53.8)
Change in financial assets	(3,023)	(20,211)	(85.0)
Change in financial liabilities	(107,609)	95,148	(*)
G. Total Cash flows from financing activities	**(24,734)**	**234,389**	**(*)**
H. Cash flows for the period (F+G)	**13,939**	**(5,217)**	**(*)**
I. Closing cash and cash equivalents (A+H)	**41,980**	**39,541**	**6.2**

(*) 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

	1st Quarter 2013	1st Quarter 2012	% change
Free cash flow	38,673	(239,606)	(*)
Variation in fair value of hedging derivatives	12,615	(365)	(*)
Change in net financial indebtedness	**51,288**	**(239,971)**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 31 March 2013 is equal to Euro 2,504 million, down by approximately Euro 51 million compared to 31 December 2012 and around Euro 389 million compared to 31 March 2012.
The free cash flow in the first three months of 2013, positive by Euro 39 million, derives from the combined effect of the following financial cash flows:

- cash flows from operating activities were positive by Euro 81 million and include Euro 135 million in cash flows from operating activities before changes in net working capital and Euro -54 million cash flows deriving from changes in net working capital, connected with the seasonal features of the segments in which the Group operates;
- financial flows used in investing activities, negative by Euro 42 million, generated from Euro 46 million investments in intangible assets, property, plant and equipment (including investments made for the building of infrastructures under concession, pursuant to IFRIC 12) and Euro 4 million related to the sale of investment in ASMT Servizi Industriali.

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Events after the reporting period

Parma Integrated Environmental Hub (IEH): the first test of electrical parallel is concluded.
On 29 and 30 April, within the limits of 50 hours authorised by the Supervisory Bodies, the testing of appliances and thermal cycle devices as well as of energy production (turbine and alternator) was carried out through the combustion of selected urban waste. This testing allowed for the performance of controls required and preliminary to the provisory deployment of the plant.

Business outlook
After a phase of stagnation in the first quarter of 2013, the macroeconomic scenario in the Eurozone envisages a slight recovery in GDP (+0.2%) in the second quarter, driven by the acceleration in global demand due to more dynamic emerging markets and the recent “fiscal cliff" agreement in the United States, which should limit the potential adverse impact on the recovery of the US economy. The easing of tensions on the financial markets tied to the sovereign debt crisis will help to gradually stabilise investments. However, at present, the forecasts are still, on the whole, negative.
The scenarios in Italy are extremely variable due to the developments in the sovereign debt crisis and its effects on banks’ lending capacity, and whether ongoing reforms resulting from the complex political-institutional phase following the elections in February 2013 are implemented or not.
Private energy consumption will continue to be adversely impacted by the tax consolidation process and the deterioration in the job market. In terms of energy demand from the industrial segment, negative growth rates are still envisaged, intensifying the repercussions on thermoelectric production, which will also continue to feel the effects of competition from renewable sources, which are expected to show a countertrend.
The positive results obtained in the first quarter of 2013 confirmed the Group’s estimates. These estimates, although influenced by the evolution of the energy scenario, the regulatory framework and the seasonality of the business segments, will also benefit from the positive impact of the start up of operations of the regasification terminal in Livorno and of the Parma Integrated Environmental Hub in the second half of the year.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2013

Consolidated statement of financial position

thousands of euro

	31.03.2013	31.12.2012
ASSETS		
Property, plant and equipment	2,810,319	2,813,297
Investment property	1,825	1,831
Intangible assets with a finite useful life	1,289,146	1,295,022
Goodwill	132,956	132,861
Investments accounted for using the equity method	166,401	462,097
Other investments	29,808	29,808
Non-current financial assets	129,070	116,168
Other non-current assets	36,905	38,195
Deferred tax assets	212,062	215,750
Total non-current assets	**4,808,492**	**5,105,029**
Inventories	43,405	89,110
Trade receivables	1,437,243	1,253,713
Current tax assets	8,626	8,690
Other receivables and other current assets	256,993	267,253
Current financial assets	263,671	273,550
Cash and cash equivalents	41,980	28,041
Total current assets	**2,051,918**	**1,920,357**
Assets held for sale	300,104	7,739
TOTAL ASSETS	**7,160,514**	**7,033,125**

thousands of euro

	31.03.2013	31.12.2012
EQUITY		
Equity attributable to owners of the Parent		
Share capital	1,276,226	1,276,226
Reserves and retained earnings	472,435	311,070
Net profit (loss) for the period	81,104	152,559
Total equity attributable to owners of the Parent	**1,829,765**	**1,739,855**
Non-controlling interests	217,272	214,402
TOTAL EQUITY	**2,047,037**	**1,954,257**
LIABILITIES		
Non-current financial liabilities	2,275,764	2,197,827
Employee benefits	103,569	102,999
Provisions for risks and charges	280,529	272,744
Deferred tax liabilities	109,376	110,553
Other payables and other non-current liabilities	153,867	154,453
Total non-current liabilities	**2,923,105**	**2,838,576**
Current financial liabilities	662,800	775,063
Trade payables	1,122,542	1,135,236
Other payables and other current liabilities	264,260	243,514
Current tax liabilities	70,733	4,910
Provisions for risks and charges - current portion	70,021	81,548
Total current liabilities	**2,190,356**	**2,240,271**
Liabilities related to assets held for sale	16	21
TOTAL LIABILITIES	**5,113,477**	**5,078,868**
TOTAL EQUITY AND LIABILITIES	**7,160,514**	**7,033,125**

Consolidated Income Statement

thousands of euro

	1st Quarter 2013	1st Quarter 2012
Revenue		
Revenue from goods and services	1,059,680	1,255,798
Change in contract work in progress	420	1,083
Other revenue and income	60,559	60,458
Total revenue	**1,120,659**	**1,317,339**
Operating expense		
Raw materials, consumables, supplies and goods	(545,536)	(760,937)
Services and use of third-party assets	(254,727)	(280,153)
Other operating expense	(14,429)	(21,750)
Capitalised expenses for internal work	5,141	4,833
Personnel expense	(67,423)	(68,869)
Total operating expense	**(876,974)**	**(1,126,876)**
GROSS OPERATING PROFIT	**243,685**	**190,463**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(50,530)	(52,599)
Provisions and impairment losses	(19,864)	(13,136)
Total amortisation, depreciation, provisions and impairment losses	**(70,394)**	**(65,735)**
OPERATING PROFIT	**173,291**	**124,728**
Financial income and expense		
Financial income	4,766	9,398
Financial expense	(30,206)	(34,009)
Net financial expense	**(25,440)**	**(24,611)**
Share of profit of associates accounted for using the equity method	452	4,793
Impairment losses on investments	-	-
Profit before tax	**148,303**	**104,910**
Income tax expense	(64,331)	(49,673)
Profit/(loss) for the period from continuing operations	**83,972**	**55,237**
Profit/(loss) from discontinued operations	-	1,249
Profit (loss) for the period	**83,972**	**56,486**
attributable to:		
- Owners of the Parent	81,104	55,027
- Non-controlling interests	2,868	1,459

Other comprehensive income

thousands of euro

	1st Quarter 2013	1st Quarter 2012
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**83,972**	**56,486**
Other comprehensive income		
- effective portion of changes in fair value of cash flow hedges	12,615	(365)
- change in fair value of available-for-sale financial assets	-	-
- actuarial profits/(losses) from defined benefit plans (IAS 19)	-	-
- share of other profits (losses) of companies accounted for using the equity method	-	2,221
Tax effect of other comprehensive income	(4,709)	(45)
Total other comprehensive income, net of tax effect (B)	**7,906**	**1,811**
Total comprehensive income/(expense) (A)+(B)	**91,878**	**58,297**
attributable to:		
- Owners of the Parent	89,004	56,852
- Non-controlling interests	2,874	1,445

Consolidated statement of changes in equity

	Share capital	Share premium reserve	Legal reserve	Hedging reserve
31/12/2011 Restated	**1,276,226**	**105,102**	**28,996**	**(30,737)**
Losses carried forward				
Other changes				
Comprehensive income for the period				1,823
of which:				
- Profit for the period				
- Other comprehensive income				1,823
31/03/2012	**1,276,226**	**105,102**	**28,996**	**(28,914)**
31/12/2012	**1,276,226**	**105,102**	**28,996**	**(42,645)**
Retained earnings				
Other changes				
Comprehensive income for the period				7,900
of which:				
- Profit for the period				
- Other comprehensive income				7,900
31/03/2013	**1,276,226**	**105,102**	**28,996**	**(34,745)**

thousands of euro

Available for sale reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit/(loss) for the period	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
-	**362,714**	**466,075**	**(110,970)**	**1,631,331**	**213,375**	**1,844,706**
	(110,970)	(110,970)	110,970	-		-
	(975)	(975)		(975)	(97)	(1,072)
		1,823	55,027	56,850	1,445	58,295
			55,027	55,027	1,459	56,486
-	-	1,823		1,823	(14)	1,809
-	**250,769**	**355,953**	**55,027**	**1,687,206**	**214,723**	**1,901,929**
-	**219,617**	**311,070**	**152,559**	**1,739,855**	**214,402**	**1,954,257**
	152,559	152,559	(152,559)	-		-
	906	906		906	(4)	902
	-	7,900	81,104	89,004	2,874	91,878
			81,104	81,104	2,868	83,972
-	-	7,900		7,900	6	7,906
-	**373,082**	**472,435**	**81,104**	**1,829,765**	**217,272**	**2,047,037**

Consolidated Cash Flows Statement

thousands of euro

	1st Quarter 2013	1st Quarter 2012
A. Opening cash and cash equivalents	**28,041**	**44,758**
Cash flow from operating activities		
Profit/(loss) for the period	83,972	56,486
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	50,530	52,599
Capital gains (losses) and other equity changes	1,224	(610)
Net change in post-employment benefits and other employee benefits	570	(155)
Net change in provision for risks and other charges	(3,851)	9,292
Change in deferred tax assets and liabilities	(2,198)	(1,108)
Change in other non-current assets/liabilities	704	(843)
Portion of loss of associates	(452)	(6,042)
Net impairment losses (reversals of impairment losses) on non-current assets	4,167	-
B. Cash flows from operations before variations in NWC	**134,666**	**109,619**
Change in inventories	45,705	14,939
Change in trade receivables	(183,530)	(375,911)
Change in tax assets and other current assets	10,324	46
Change in trade payables	(12,694)	(16,089)
Change in tax liabilities and other current liabilities	86,569	92,151
C. Cash flows from/(used in) variations in NWC	**(53,626)**	**(284,864)**
D. Operating cash flows (B+C)	**81,040**	**(175,245)**
Cash flows from/(used in) investing activities		
Investments in intangible assets and in property, plant and equipment and investment property	(46,001)	(72,291)
Investments in financial assets	-	(525)
Proceeds from the sale of investments and changes in assets held for sale	3,634	8,455
E. Total cash flows used in investing activities	**(42,367)**	**(64,361)**
F. Free cash flow (D+E)	**38,673**	**(239,606)**
Cash flows from/(used in) financing activities		
New non-current loans	100,000	190,000
Repayment of non-current loans	(14,102)	(30,548)
Change in financial assets	(3,023)	(20,211)
Change in financial liabilities	(107,609)	95,148
G. Total Cash flows from financing activities	**(24,734)**	**234,389**
H. Cash flows for the period (F+G)	**13,939**	**(5,217)**
I. Closing cash and cash equivalents (A+H)	**41,980**	**39,541**

STATEMENT OF THE MANAGER IN CHARGE OF FINANCIAL REPORTING, PURSUANT TO THE PROVISIONS OF ART. 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 58/1988 (CONSOLIDATED FINANCE ACT)

The undersigned manager in charge of financial reporting of IREN S.p.A., Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Finance Act, that the Interim Report on Operations at 31 March 2013 corresponds to the accounting documents, records and books.

14 May 2013

IREN S.p.A.
Administration and Finance Director
Manager in charge appointed under Law 262/05
Massimo Levrino

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