Interim Report
at 30 September 2015

Board of Directors of 12 November 2015

iren

Contents

KEY FIGURES OF THE IREN GROUP

	First 9 months 2015	First 9 months 2014	Changes %
Income statement figures *(millions of euro)*			
Revenue	2,219	2,071	7.1
Gross Operating Profit (EBITDA)	498	484	2.7
Operating profit (loss) (EBIT)	253	283	(10.6)
Profit (loss) before tax	185	194	(4.3)
Profit (loss) for the period - Group and non-controlling interests	116	102	13.3
Financial position figures *(millions of euro)*	*At 30/09/2015*	*At 31/12/2014*	
Net invested capital	4,191	4,279	(2.1)
Shareholders' equity	2,035	1,994	2.1
Net financial position	(2,156)	(2,286)	(5.7)
Financial/economic indicators			
	First 9 months 2015	*First 9 months 2014*	
GOP/Revenue	22.4%	23.4%	
	At 30/09/2015	*At 31/12/2014*	
Debt/Equity	1.06	1.15	
Technical and commercial figures	*First 9 months 2015*	*First 9 months 2014*	
Electricity sold (GWh)	8,950	7,883	13.5
Thermal energy produced (GWh_t)	1,766	1,687	4.7
District heating volume (mln m^3)	80.7	79.2	1.9
Gas sold (mln m^3)	1,804	1,479	22.0
Water distributed (mln m^3)	114	108	5.8
Waste collected (tonnes)	889,649	540,892	64.5
Waste disposed of (tonnes)	574,662	456,770	25.8

Iren is structured as an industrial holding, with headquarters in Reggio Emilia and operating offices in Genoa, Parma, Piacenza and Turin, as well as companies responsible for the single 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 operates in the integrated water cycle and in the gas distribution sector;
- Iren Energia operates in the electricity and thermal energy production and technological services sector;
- Iren Mercato manages the sale of electricity, gas and district heating;
- Iren Emilia operates in the gas distribution sector and manages local services;
- Iren Ambiente provides environmental hygiene services in all the chain from waste collection, following acquisition of the business unit from Iren Emilia, to disposal, as well as designing and managing treatment and disposal plants.

Electricity Production: thanks to a considerable number of electricity energy and thermal energy for district heating production plants, the overall production capacity is more than 8,800 GWh/year, including the portion ensured by the plants acquired from Edipower (Turbigo and Tusciano) during financial year 2014.

Gas Distribution: through its network of more than 7,600 kilometres Iren serves approximately 719,000 customers.

Electricity Distribution: with 7,283 kilometres of high, medium and low voltage underground and overhead networks, the Group distributes electricity to approximately 685,000 customers in Turin and Parma.

Integrated water cycle: with around 15,400 kilometres of aqueduct networks, over 9,100 kilometres of sewerage networks and 1,076 treatment plants, Iren provides services to more than 2,400,000 residents.

Environmental cycle: with 123 fully-equipped ecological stations, 2 waste-to-energy plants, 1 landfill site, 17 treatment, selection and storage plants and 2 composting plants, the Group serves historically in Emilia around 116 municipalities for a total of around 1,139,000 residents and around 1,100,000 tonnes managed. From 1 January 2015 the company AMIAT SpA also became part of the IREN Group. In the City of Turin AMIAT provides waste management and environmental health services, winter road management services and services related to the closure and post-operative management of the "Basse di Stura" landfill site. AMIAT SpA serves an area with a population of about 1 million and manages around 413,000 tonnes of waste a year.

District heating: through 864 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 80 million m^3, equivalent to a population served of over 802,000 people.

Sales of gas, electricity and heat: each year the Group sells over 2 billion m^3 of gas, around 11,000 GWh of electricity and 2,600 GWh_t of heat for the district heating networks.

COMPANY OFFICERS

Board of Directors

Chairman	Francesco Profumo
Deputy Chairperson	Ettore Rocchi [(1)]
Chief Executive Officer	Vito Massimiliano Bianco
Directors	Franco Amato [(2)]
	Lorenzo Bagnacani
	Roberto Bazzano
	Tommaso Dealessandri
	Anna Ferrero
	Augusto Buscaglia [(3)]
	Alessandro Ghibellini [(4)]
	Fabiola Mascardi [(5)]
	Moris Ferretti [(6)]
	Barbara Zanardi [(6)]

Board of Statutory Auditors [(8)]

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

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A.

---

(1) Appointed Deputy Chairman by the Board of Directors on 4 June 2015, a position held until 30 April 2015 by Andrea Viero (who resigned on that date)
(2) Chairman of the Control and Risk Committee and member of the Committee for Transactions with Related Parties
(3) Member of the Remuneration and Appointments Committee
(4) Member of the Control and Risk Committee
(5) Chairperson of the Remuneration and Appointments Committee and member of the Committee for Transactions with Related Parties
(6) Co-opted by the Board of Directors on 4 June 2015 to replace Andrea Viero, who had resigned, and at the same meeting appointed Member of the Remuneration and Appointments Committee
(7) Chairperson of the Committee for Transactions with Related Parties and member of the Control and Risk Committee
(8) Elected by the Ordinary Shareholders' Meeting of 28 April 2015 for the three-year period 2015-2017.
(9) Appointment conferred by the Ordinary Shareholders' Meeting of 14 May 2012 for the nine-year period 2012-2020.

MISSION AND VALUES OF THE IREN GROUP

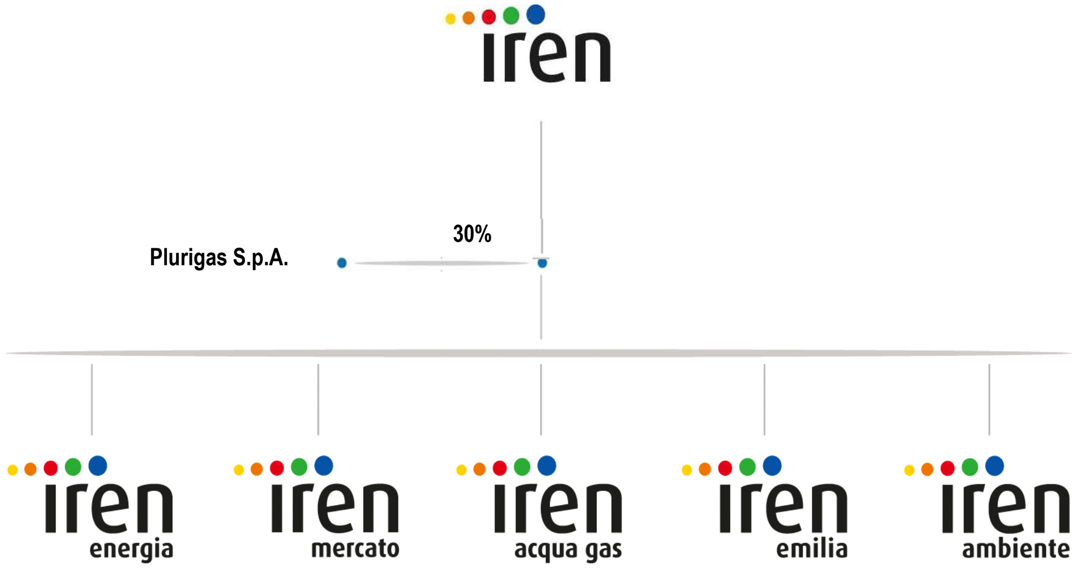
The Iren Group’s mission is to offer its customers and residents service efficiency, effectiveness, economic convenience and high quality, operating with expertise and professionalism with full respect for the environment and safety in the energy, integrated water services and waste management sectors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

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid - in 1,276,225,677.00
Reggio Emilia Companies Register No. 07129470014
Tax Code and VAT No. 07129470014

Directors' Report

at 30 September 2015

IREN GROUP: ORGANISATIONAL STRUCTURE



The shareholders' meeting of 27 March 2013 resolved to place Plurigas S.p.A. in voluntary liquidation.
Note that this is the organisational structure for management purposes.

The flowchart illustrates the main investee companies of Iren S.p.A.

IREN ENERGIA

Cogenerative production of electricity and heat

Iren Energia's installed capacity (in electrical set-up), totals approximately 3,000 MW, of which around 2,800 MW is directly generated and around 200 MW through the investee Energia Italiana. Specifically, Iren Energia owns 25 electricity production plants: 19 hydroelectric plants, 6 thermoelectric cogeneration plants and 1 thermoelectric plant, for a total capacity of approximately 2,800 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are completely eco-compatible. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource without the emission of pollutants. Hydroelectric energy reduces the need to make use of other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Heat production was in the region of 1,665 GWht in the first nine months of 2015, with district heating volumes of approximately 81 million m^3.

District heating

Since 1 July 2014, following the spin-off of AES Torino (previously 51% owned) Iren Energia has managed the district heating business directly, making use in the Piedmontese capital of the largest district heating network in Italy, with approximately 528 km of dual pipes.
Iren Energia also owns the district heating networks of Reggio Emilia, covering around 217 Km, Parma with roughly 94 Km, Piacenza which covers approximately 20 km, and Genoa with 10 km.
Lastly, Nichelino Energia, wholly owned by Iren Energia, aims at developing district heating in the town of Nichelino.

Electricity distribution

Through its subsidiary AEM Torino Distribuzione, Iren Energia distributes electricity to the entire metropolitan areas of Turin and Parma (around 1,094,000 residents); in the first three months of 2015 the total electricity distributed was 2,977 GWh.

Services to Local Authorities and Global Service

Iren Servizi e Innovazione (formerly Iride Servizi) provides Turin with street and monument lighting services, the traffic light service, technological global service management of buildings and of renewable and alternative energies.

In addition, Iren Servizi e Innovazione builds plants for the generation of electricity, using renewables or similar sources such as tri-generation.

IREN MERCATO

Through Iren Mercato the Group sells electricity, gas and heat, supplies fuel to the Group, trades energy efficiency certificates (or white certificates), green and emission trading certificates, provides customer management services to Group companies, and supplies heat services and sells heat through the district heating network.

Iren Mercato operates at national level with a higher concentration of customers served in the North of Italy.

Iren Mercato carries out the activities of programming, despatching and final accounting for electricity; it also handles the sale of the energy provided by the Group's various sources on the market represented by final customers, the Italian power exchange and other wholesale operators.

The Group's main power sources available for Iren Mercato operations are the thermoelectric and hydroelectric plants of Iren Energia S.p.A.

Iren Mercato also acts as “higher protection” service operator for retail customers in the electricity market in Turin province and the Parma area.

Lastly, Iren Mercato handles heat sales to district heating customers in Turin and the provincial capitals of Reggio Emilia, Piacenza and Parma, together with sales development in new district heating areas and in the urban district of Turin for its surrounding municipalities (Nichelino).

Iren Mercato has operated historically in the direct sale of natural gas in the territories of Genoa, Turin and Emilia.

The Group also sells heat management services and global services both to private entities and public authorities. Development has focused on 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

Total volumes of natural gas procured during the first nine months of 2015 were approximately 1,804 million m^3 of which 693 million m^3 were sold to customers outside the Group, 913 million m^3 were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services and 198 million m^3 of gas were destined for storage.

At 30 September 2015 gas customers managed directly by Iren Mercato totalled around 763,000, spread throughout the traditional Genoa catchment area and surrounding development areas, the Turin catchment area and the traditional Emilia Romagna catchment areas.

Sale of electricity

The volumes sold in the first nine months of 2015 amounted to 8,950 GWh.

Electricity customers managed at the end of September 2015 were around 721,000, distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the areas covered commercially by the company.

A cluster analysis of final customers is provided below.

Free market and power exchange
Total volumes sold to final customers and wholesalers amounted to 3,923 GWh, while the volumes used on the power exchange net of energy bought/sold amounted to 3,930 GWh.

Former non-eligible market
Total customers managed by Iren Mercato in the higher protection segment were 280,000 in the first six months of 2015. The total volumes sold amounted to 501 GWh.

Sale of heat through the district heating network
Iren Mercato manages heat sales to customers receiving district heating in the municipalities of Genoa, Turin and 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 of 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.
In the first nine months of 2015 the district heating volume amounted to 81 million m³.

Heat service management
The Group sells heat management services and global services to both private entities and public authorities.

IREN ACQUA GAS

Integrated Water Services
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 ATO [Ambito Territoriale Ottimale], 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 division from Iren Emilia, Iren Acqua Gas extended its management to the Piacenza ATO.
Following the transfer of the business unit
With acquisition of the business unit known as “Ramo Ligure” from Società Acque Potabili S.p.A. with effect from 1 July 2015, Iren Acqua Gas extended to 4 more municipalities (Camogli, Rapallo, Coreglia Ligure and Zoagli) in the Genoa ATO and to the Municipality of Bolano (La Spezia) management of the Integrated water service consolidating its presence in the territory.
Through its own organisation, Iren Acqua Gas reaches a total of 177 municipalities serving over 2 million residents through its managed ATOs (Genoa, Reggio Emilia, Parma and Piacenza).
In the first nine months of 2015, Iren Acqua Gas, directly and through its subsidiaries, sold approximately 122 million m³ of water in the areas managed, through a distribution network of over 14,100 km. With regard to waste water, the company manages a sewerage network spanning approximately 8,000 km.

Gas distribution
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributes natural gas in the municipality of Genoa and in another 19 surrounding municipalities, for a total of around 350,000 final customers. The distribution network comprises about 1,657 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 natural gas 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.
Through its subsidiary Genova Reti Gas, Iren Acqua Gas distributed a total of 237 million m³ of gas during the first nine months of 2015.

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 the environment 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 for initiatives implemented by other entities in relation to environmental protection and the organisation of public utility services.

IREN EMILIA

Iren Emilia operates in the natural gas distribution sector and coordinates the operation management activities of Emilia Romagna area companies for the integrated water cycle, electricity and district heating networks and other minor businesses (public lighting, public parks management, etc.).
Iren Emilia manages natural gas distribution for 72 of the 140 municipalities in the provinces of Reggio Emilia, Parma and Piacenza. The company manages a total of 5,955 km of high, medium and low pressure distribution networks with a designed maximum withdrawal capacity of 862,195 SMC/h. During the first 9 months of 2015 it distributed approximately 579 million cubic metres of gas.
Up to 30 June 2014 Iren Emilia carried on its business in the waste management service sector in the provinces of Piacenza, Parma and Reggio Emilia for a total 116 municipalities in these areas.
Iren Emilia also carries out operational management of the integrated water cycle (pipelines, treatment and sewerage) in the provinces of Parma, Piacenza and Reggio Emilia. This activity involves a total network of 12,275 km of pipeline networks, 7,010 km of sewerage networks, 477 waste water pumping systems and 798 treatment plants, both biological treatment plants and Imhoff tanks, distributed across 109 Municipalities.
The operational 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 330 km that serves a total volume of 19.8 million m^3.
Iren Emilia also runs the district heating plants through the management, extraordinary maintenance and operation of heat energy plants and cogeneration plants owned by Iren Energia in the three provinces of Parma, Reggio Emilia and Piacenza.
Operational management of the electricity distribution network is carried out in the city of Parma and concerns 2,413 km of network and almost 125,000 delivery points to final customers.

IREN AMBIENTE

Whether directly or through investees, Iren Ambiente performs the treatment, disposal, storage, recovery and recycling of urban and special waste, energy recovery (heat and electricity) through waste-to-energy (WtE) transformation and the operation of plants for the production of biogas in the provinces of Parma, Reggio Emilia and Piacenza.
Following the acquisition of the “waste collection” business unit sold by Iren Emilia with effect from 1 July 2014, Iren Ambiente S.p.A. also carries on the waste collection and road sweeping business as well as other collateral services.
This extraordinary operation made it possible to optimise management of the collection and street-cleaning activities and to concentrate in a single entity the entire management of the economic and industrial cycle of waste.
As a consequence of the aforesaid operation, Iren Ambiente therefore operates in the waste management service sector in the Piacenza, Parma and Reggio Emilia provinces, serving a total 116 municipalities and approximately 1,139,000 inhabitants in these areas at 31 December 2014.
The growing attention to environmental protection and sustainable development, has led to ever-increasing implementation of widespread separate waste collection systems which, also through the management of 123 fully-equipped ecological stations, has allowed the area served to achieve 64% in terms of total separate collection.

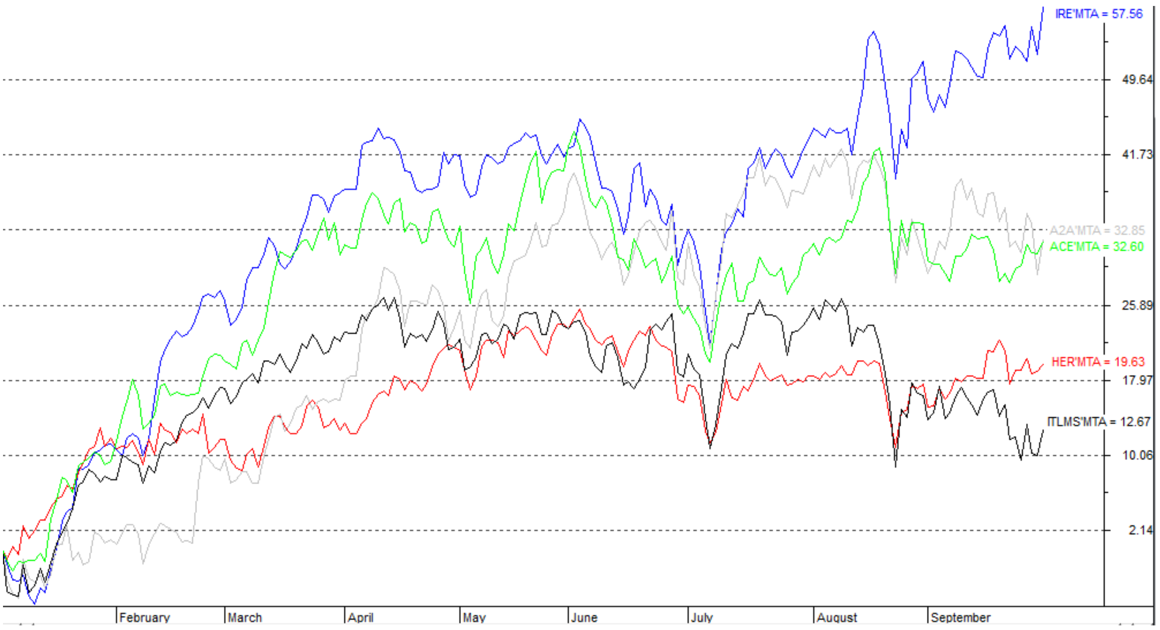
Iren Ambiente S.p.A. also manages a significant customer portfolio to which it provides services for the disposal of special waste and it performs the treatment, selection, recovery and final disposal of urban waste.
The non-separated portion of waste collected is disposed of in various ways as part of research into the best use of waste through an industrial process involving mechanical selection to reduce the percentage destined for WtE conversion and disposal in landfills.
Iren Ambiente S.p.A. manages around 1,150,000 tonnes of waste per year, making use of 17 treatment, selection and storage plants, 2 waste-to-energy plants (Piacenza and Parma), 1 landfill site (Poiatica - Reggio Emilia) and 2 composting plants (Reggio Emilia). The new Integrated Environmental Centre (IEC), a waste selection and waste-to-energy plant in the province of Parma, came into full operation in April 2014.
Iren Ambiente also controls, through AMIAT V S.p.A., the company AMIAT S.p.A. which in the City of Turin AMIAT provides waste management and environmental health services, winter road management services and services related to the closure and post-operative management of the “Basse di Stura” controlled landfill plant. AMIAT S.p.A. serves an area with a population of about 1 million and manages around 413,000 tonnes of waste a year.

INFORMATION ON THE IREN SHARE IN THE FIRST NINE MONTHS OF 2015

IREN SHARE PERFORMANCE ON THE STOCK EXCHANGE

In the first nine months of 2015 the Iren stock achieved the best performance in the sector, recording a rise of approximately 57% compared with an increase in the MTA index of approximately 13%.
This positive performance derives mainly from expectations of growth associated with the projects launched by the new Chief Executive Officer Massimiliano Bianco, who took office in December 2014, and who last June presented to the financial community the new business plan oriented to greater efficiency, to integration and to debt reduction.

PERFORMANCE OF IREN STOCK vs. COMPETITORS

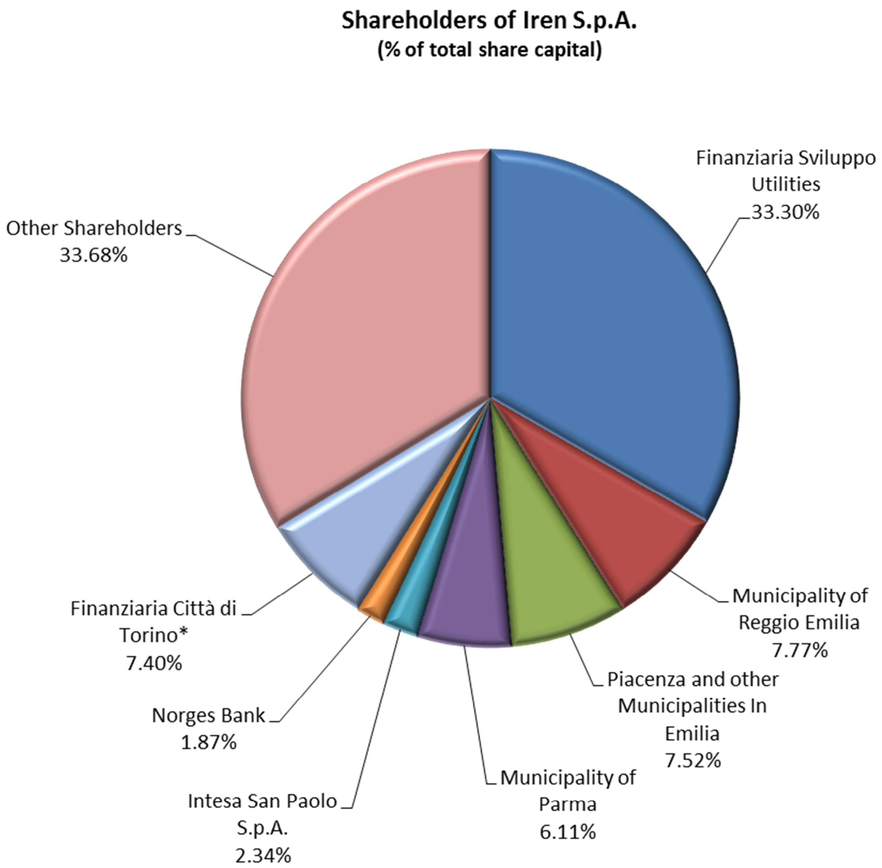


At the end of September 2015, the Iren share recorded Euro 1.46 per share, with average trading volumes since the start of the year of around 2 million units per day.
During the first 9 months of the year the average price was Euro 1.24 per share reaching a peak at Euro 1.46 per share on 30 September and a low of Euro 0.87 per share on 12 January.

Share coverage
The Iren Group is currently covered by six brokers: Banca IMI, Banca Akros, Equita, Intermonte, KeplerCheuvreux and Mediobanca.

SHAREHOLDING STRUCTURE

At 30 September 2015, based on available information, the shareholding structure of Iren was as follows:



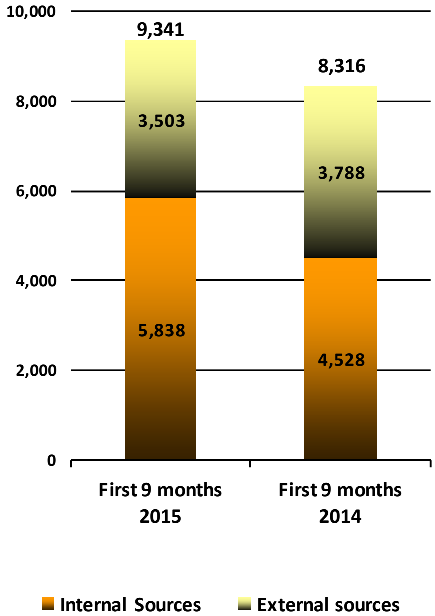
(*) Savings shares without voting rights

OPERATING DATA

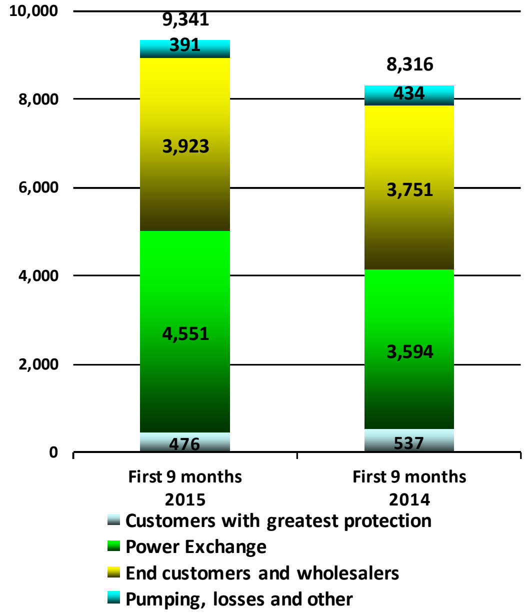
Electricity balance sheet

GWh	First 9 months 2015	First 9 months 2014	Changes %
SOURCES			
The Group's gross production	5,838	4,528	28.9
a) Hydroelectric	*1,157*	*1,114*	*3.8*
b) Cogenerative	*1,195*	*613*	*95.0*
c) Thermoelectric	*3,108*	*2,470*	*25.8*
d) Production from WTE plants and landfills	*378*	*331*	*14.2*
Purchases from *Acquirente Unico* [Single Buyer]	501	564	(11.2)
Energy purchased on the Power Exchange	1,479	1,690	(12.5)
Energy purchased from wholesalers and imports	1,523	1,534	(0.7)
Total Sources	**9,341**	**8,316**	**12.3**
USES			
Sales to protected customers	476	537	(11.4)
Sales on the Power Exchange	4,551	3,594	26.6
Sales to eligible final customers and wholesalers	3,923	3,751	4.6
Pumping, distribution losses and other	391	434	(9.9)
Total Uses	**9,341**	**8,316**	**12.3**

Composition of Sources



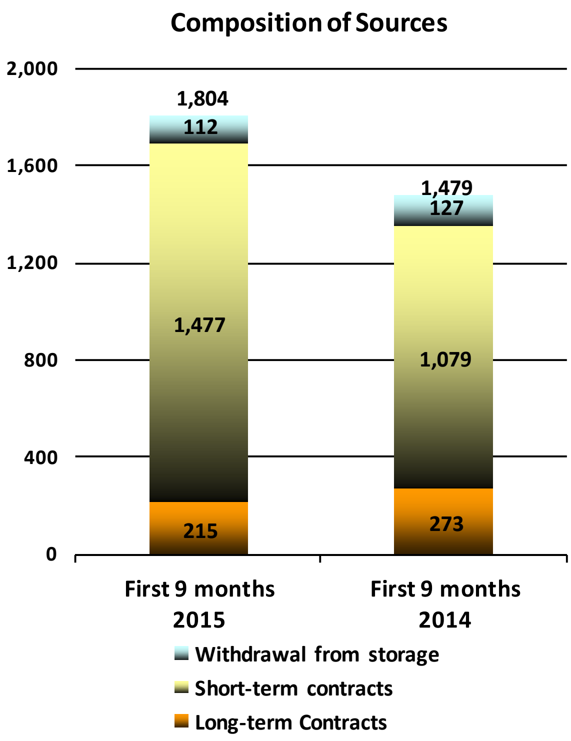
Composition of Uses

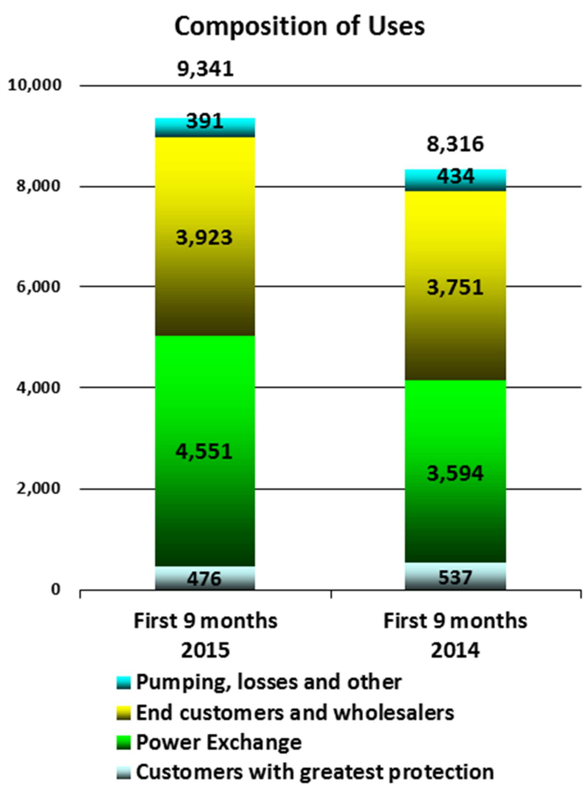


Gas Production

Gas Production Millions of m³	First 9 months 2015	First 9 months 2014	Changes %
SOURCES			
Long-term contracts	215	273	(21.2)
Short-term contracts (annual and spot)	1,477	1,079	36.9
Withdrawals from storage	112	127	(12.2)
Total Sources	**1,804**	**1,479**	**22**
USES			
Gas sold by the Group	693	644	7.6
Gas in storage	198	142	39.6
Gas for internal use (1)	913	693	31.8
Total Uses	**1,804**	**1,479**	**22**

Internal use involved thermoelectric plants, tolling, use in the generation of heat services and internal consumption





Network services

	First 9 months 2015	First 9 months 2014	Changes %
ELECTRICITY DISTRIBUTION			
Electricity distributed (GWh)	2,977	2,880	3.4
No. of electronic meters	708,225	701,697	0.9
GAS DISTRIBUTION			
Gas distributed by Iren Acqua Gas (mln m³)	*237*	*229*	*3.7*
Gas distributed by Iren Emilia (mln m³)	*579*	*531*	*9*
Total Gas distributed	816	760	7.4
DISTRICT HEATING			
District heating volume (mln m³)	80.7	79.2	*1.9*
District heating network (Km)	869	878	(1.0)
INTEGRATED WATER SERVICE			
Water volume (mln m³)	122	108	13.4

MARKET CONTEXT

MACROECONOMIC PERFORMANCE

In the last few months the international scenario has been characterised by uncertainties associated with the slowdown of the emerging economies, while in the Euro Area differences have been seen in the cyclical trends between different countries: in the second quarter quarterly growth was +1% in Spain, +0.4% in Germany, +0.3% in Italy, while France was stagnant. The institutional statistical bodies indicate that in September the climate of confidence in the Area showed an improvement for industry and services. The expectations of consumers were instead stable.
In September ISTAT calculated that in the second quarter of 2015 Italian GDP recorded quarterly growth +0.3% (compared with the previous quarter) and annual growth of +0.7% (compared with same quarter of the previous year). The positive change was determined by manufacturing and services. In the third quarter it is estimated that the economy grew at the same rate. The Government has inserted in the update of the Economic and Financial Document of September GDP growth of +0.9% for 2015 and +1.6% for 2016. ISTAT indicates that in manufacturing and services signs of recovery are continuing, while activity in construction is still weak. The macroeconomic situation is however subject to influences deriving from the slowdown of world trade which could have an impact on exports.

The electricity market

In the period January - September 2015 the net production of electricity in Italy was 205,799 GWh, up (+0.9%) compared with the same period of 2014. The demand for electricity, 237,392 GWh (+1.9%) was met for 87.2% from domestic production (-1.1%) and the remaining 12.8% from foreign production. At the national level, traditional thermoelectric production was 133,115 GWh, an increase of +8.5% compared to 2014 and represented 64.7% of the production supply; hydroelectric production was 36,257 GWh (-23.1% compared to 2014) representing 17.6% while geothermal, wind and photovoltaic production was 36,427 GWh (+6.6%) covering 17.7% of supply.

Demand and supply of accumulated electricity

(GWh and changes in trends)

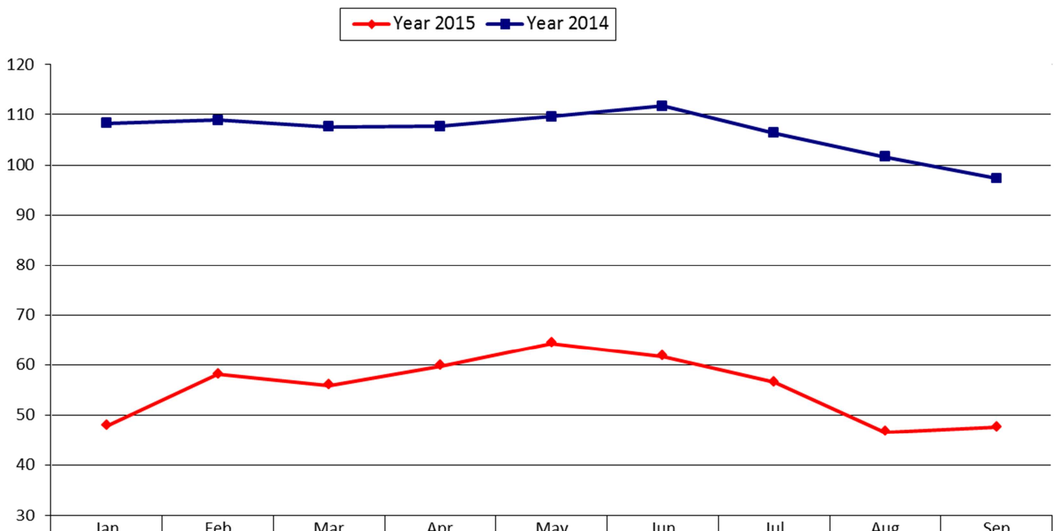
	up to 30/09/2015	**up to 30/09/2014**	**Change %**
Demand	**237,392**	**233,031**	**1.87%**
- North	108,085	108,251	-0.15%
- Centre	71,271	68,696	3.75%
- South	35,952	34,191	5.15%
- Islands	22,084	21,893	0.87%
Net production	**205,799**	**204,033**	**0.87%**
- Hydroelectric	36,257	47,130	-23.07%
- Thermoelectric	133,115	122,714	8.48%
- Geothermoelectric	4,330	4,150	4.34%
- Wind and photovoltaic	32,097	30,039	6.85%
Foreign balance	**32,899**	**30,798**	**6.82%**

Source: RIE processing of TERNA data

The first nine months of 2015 saw electricity demand up compared to the previous year. The growth was concentrated mainly in the summer months of July (+11.9%) and August (+3.2%) and with less intensity in September (+1.0%) and was undoubtedly affected by the weather factor. The figure shows in fact a positive sign (+1.9%) with increases that involve the centre and south of the country and Sardinia while the north and Sicily are still in negative growth.

In the first 9 months of 2015 the price of crude oil was 55.38 $/bbl, sharply down compared to the same period of 2014 (-48.0%). The average $/€ exchange rate was 1.1145, also down (-18.3%) compared to the average for the same period of 2014. As a result of the previous trends, the average price of crude oil in euro was 49.69 €/bbl in 2015, down compared to the 2014 average (-36.6%).
In the third quarter of 2015, the dollar prices of Brent Dated saw a substantially downward trend compared with the rising one of the previous quarter. In particular in July Brent stood at 56.54 $/bbl, down by approximately 5.14 dollars compared to June. Later in August there was another sharp drop in prices which fell to 46.64 $/bbl with a new reduction of 17.5% (-9.9 dollars a barrel). September saw substantial confirmation of the prices of the previous month with a final average figure of 47.61 $/bbl. The interpretation of the real fundamentals suggests a persistent condition of oversupply on the global scale but some signs of change are emerging, such as the recovery of consumption in the OECD area.

Brent Trend ($/BBL)

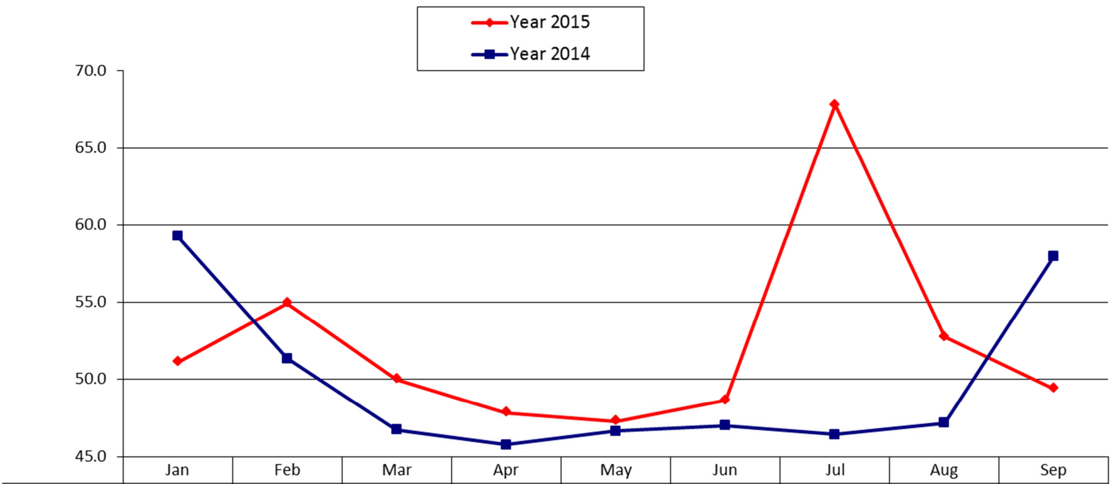


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Year 2015	47.86	58.13	55.92	59.76	64.32	61.68	56.54	46.64	47.61
Year 2014	108.25	108.87	107.54	107.63	109.6	111.65	106.36	101.61	97.30

The third quarter of 2015 on the power exchange[1] ended with an average price of 56.6 €/MWh which as in the previous quarter did not represent the lowest figure since the launch of the energy platform as it was +12.1% higher than the figure in the same period of 2014. A quarter that saw a sharp increase in demand in July and August thus going from –0.1% in the first half of the year to +2% in the first 9 months of the year. The prices on the spot platform seem to have followed this escalation; they were in fact substantially in line in the first six months of the year (49.5 €/MWh in 2014 v. 50 €/MWh in 2015) before climbing at the end of September to +4.7% compared to the previous year (52.2 €/MWh currently compared to 49.8 €/MWh in the first nine months of 2014).

[1] DAM – Day-Ahead Market

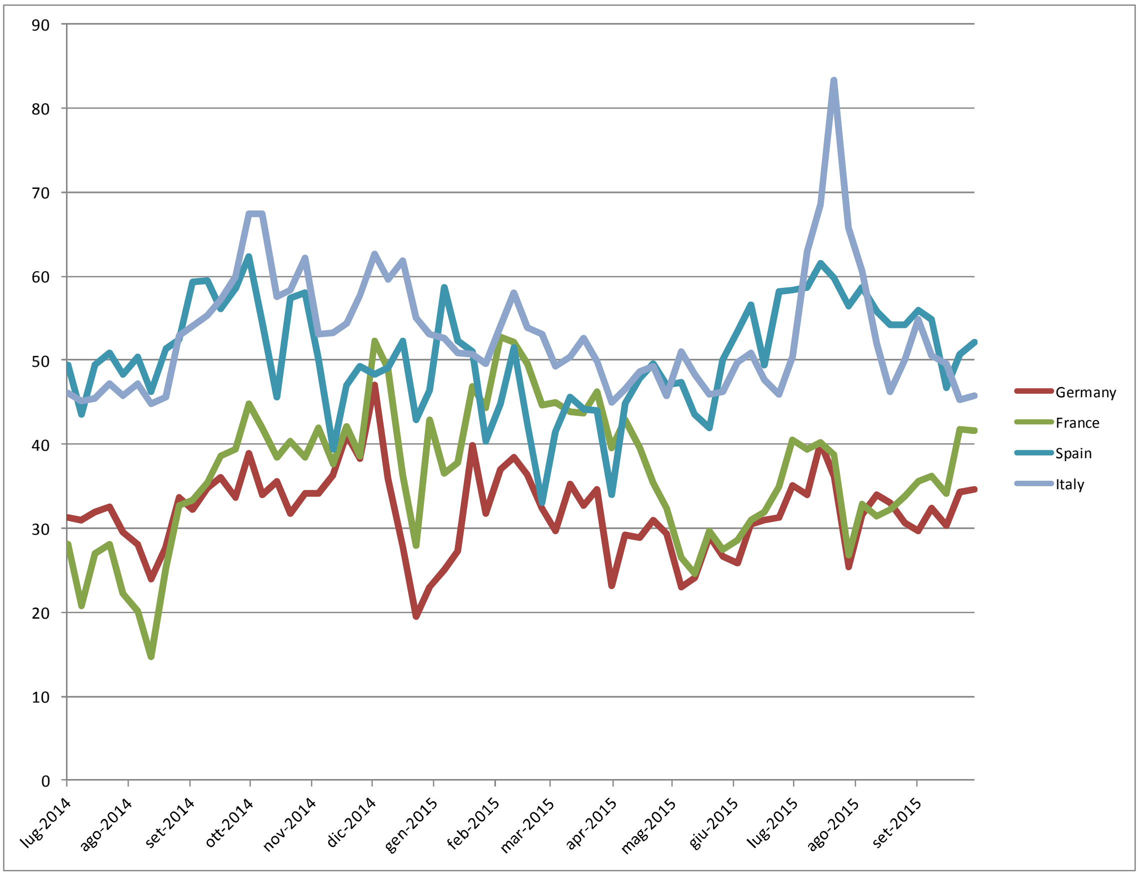
Average purchase price on the MGP Market
PUN (€/MWh)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Year 2015	51.1	54.9	50.0	47.8	47.3	48.6	67.8	52.7	49.4
Year 2014	59.3	51.3	46.7	45.8	46.7	47.0	46.4	47.2	58.0

As regards zonal prices, in the first nine months, the lowest price (49.6 €/MWh) was located in the South, repeating what occurred in 2014. Sicily, with 57.9 €/MWh, was also confirmed as the zone with the maximum price although the difference from the Single National Price (SNP) was notably lower (it was in fact +61.5% in 2014 compared to the current +11.1%).

In the first nine months of the year the European power exchanges expressed an average price of 39.7 €/MWh compared to the Ipex average SNP of 52.1 €/MWh with a difference of 12.4 €/MWh down compared to the 15.2 €/MWh of 2014 and to the 22.0 €/MWh of 2013.



The table below shows a comparison between the average futures prices of baseload products available for the third quarter of 2015. In the three months from July to September, continuous reductions were recorded for futures prices. The annual future (December 2016), which was quoted at € 44.7/MWh in January 2015, reached € 49.0/MWh in July before declining to € 47.8/MWh in September (+3.1 €/MWh compared to January).

July 2015 Futures		**August 2015 Futures**		**September 2015 Futures**	
Monthly	**€/MWh**	**Monthly**	**€/MWh**	**Monthly**	**€/MWh**
aug-15	54.6	sep-15	52.8	oct-15	49.3
sep-15	54.7	oct-15	52.4	nov-15	49.9
oct-15	52.8	nov-15	51.4	dec-15	51.7
Quarterly	**€/MWh**	**Quarterly**	**€/MWh**	**Quarterly**	**€/MWh**
dec-15	52.9	dec-15	52.2	dec-15	50.7
mar-16	51.7	mar-16	51.2	mar-16	50.0
jun-16	44.4	jun-16	44.2	jun-16	43.9
sep-16	49.4	sep-16	48.1	sep-16	48.0
Yearly	**€/MWh**	**Yearly**	**€/MWh**	**Yearly**	**€/MWh**
dec-16	49.0	dec-16	48.0	dec-16	47.8

Source: RIE processing of IDEX data

The Natural Gas Market

The third quarter was characterised by a significant increase in demand for gas in July and August compared to the corresponding months of 2014, respectively +17% and +16%. The increase was associated with the high temperatures and low rainfall which determined sharp growth in the use of natural gas in power stations (+51% in July and +36% in August compared to 2014). In September total and thermoelectric consumption of gas came back however substantially to the levels of the previous year.
Since the beginning of 2015 demand has increased by 8.3% with a "recovery" of 3.6 bln m3 compared to 2014, owing for around half to winter withdrawals of the distribution grids (+9.2%) and for the other half to the increase in volumes sold to power stations, up by 16.3%. The change was instead a negative 2% for industrial consumption.
As regards supply sources, imports grew by 7.1% while national production fell by 7.7%. In August and September the rate of injections into storage increased significantly and at the end of September the sites held approximately 10.8 bln m^3, equivalent to 90% of the space offered and entirely conferred for the current thermal year.
Since the start of 2015, 50% of the gas imported has come via Tarvisio (mainly Russia), 15.8% from Passo Gries (Northern Europe), 12.5% from Gela (Libya) 12.0% from Mazara del Vallo (Algeria), and 9.7% from the Rovigo regasification plant/Cavarzere entry point (Qatar).

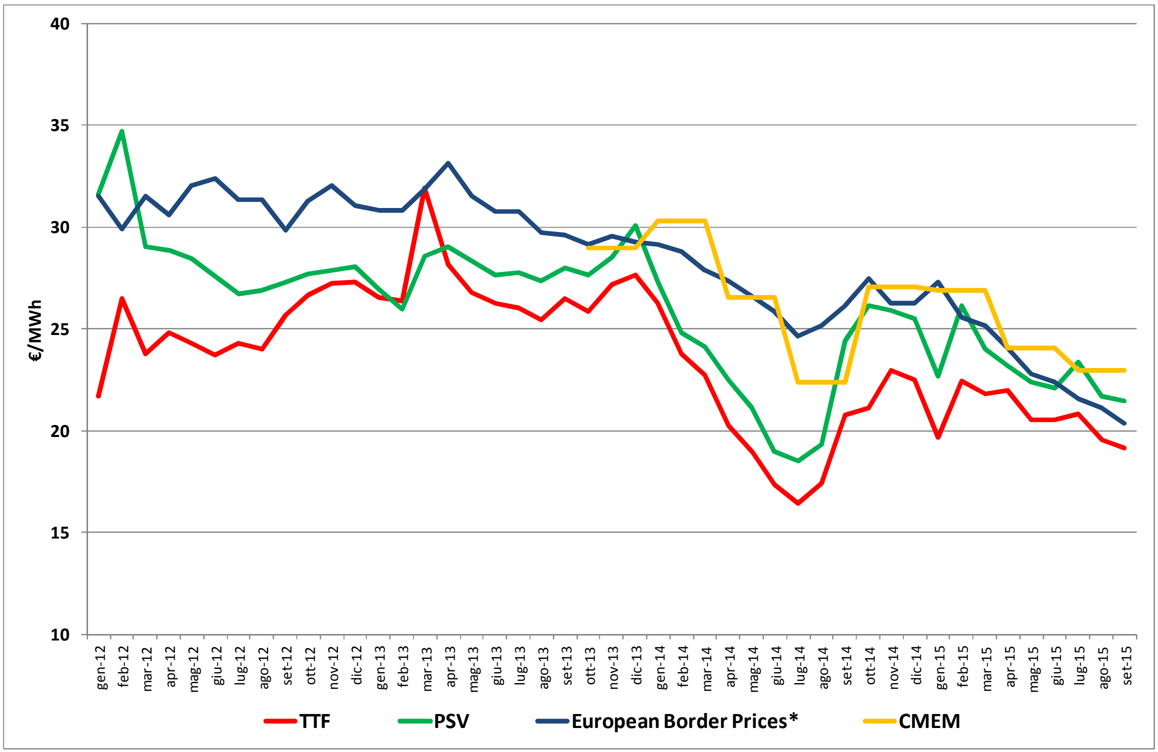
Uses and sources of natural gas in the period January-September 2015 and comparison with previous years

	2015	2014	2013	2012	2008	Change % '15/'14	Change % '15/'13	Change % '15/'12	Change % '15/'08
GAS USED (bln m^3)									
Distribution plants	21.4	19.6	23.3	23.0	22.4	9.2%	-8.2%	-7.0%	-4.5%
Industrial use	9.6	9.8	9.7	9.9	11.2	-2.0%	-1.0%	-3.0%	-14.3%
Thermoelectric use	15.0	12.9	15.2	19.2	25.2	16.3%	-1.3%	-21.9%	-40.5%
Third party network and system consumption (*)	1.2	1.3	1.3	1.9	2.3	-7.7%	-7.7%	-36.8%	-47.8%
Total withdrawn	**47.2**	**43.6**	**49.5**	**54.0**	**61.1**	**8.3%**	**-4.6%**	**-12.6%**	**-22.7%**
GAS INPUT (bln m^3)									
Domestic production	4.8	5.2	5.6	6.2	6.9	-7.7%	-14.3%	-22.6%	-30.4%
Imports	45	42	44.7	51.3	56.5	7.1%	0.7%	-12.3%	-20.4%
Storage	-2.6	-3.6	-0.8	-3.5	-2.3	n.a.	n.a.	n.a.	n.a.
Total input	**47.2**	**43.6**	**49.5**	**54.0**	**61.1**	**8.3%**	**-4.6%**	**-12.6%**	**-22.7%**

(*) Includes: transport, exports, transport company redeliveries, input/output changes, losses, consumption and gas not accounted for.
Source: processing of Snam Rete Gas data: provisional for August and September 2015.

European natural gas prices were declining generally during the third quarter of 2015. Effects of renegotiations and low oil prices, to which some of the volumes imported are still connected, have continued to push the prices of long-term contracts (so-called “border prices”) down accentuating their gradual convergence towards those of short-term trades at the hubs. These latter, in their turn, showed between June and September a downward trend, apart from a temporary modest rise in July, more significant only at the Italian PSV hub owing to the increase in the thermoelectrical demand.
Overall the European market remained long with weak demand and abundant supply. In September too, despite the onset of autumn, spot prices fell gradually but almost constantly during the whole month, a drop to which in the last few days the new agreement between Russia and Ukraine contributed. While on average the third quarter of 2015 recorded figures 7%-9% higher than in the same period of 2014, in September the prices at the hubs were lower than last year by between 8% and 12%.
The Dutch TTF, which has become the most liquid European hub overtaking the British NBP, recorded a quarterly average of 19.9 €/MWh, but at the end of September it fell towards 18 €/MWh, while the PSV, the European hub with the highest figures, recorded between June and September an average price of 22.2 €/MWh, but ended the quarter with prices around 20.5 €/MWh. The average difference in the quarter between PSV and TTF was +2.3 €/MWh (+11.6%).
Over the last seven months futures prices also fell almost continually, and in September in the Northern European hubs stood for deliveries in 2016 at figures around 19 €/MWh.

Gas price trends on European wholesale markets



**Indicative figures based on RIE processing of World Gas Intelligence (Platts) estimates, European Commission, RIE database*

Note: the C_{MEM} prices were translated into Euro/MWh on the basis of a heating power of 38.52 Mj/m^3

Other Sources: RIE processing of European Gas Daily (Platts) and AEEGSI data

As regards the Italian context, besides the aforementioned trends on the PSV, the balancing market (PB-Gas) was confirmed in 2015 as the only liquid gas market among those organised by the Energy Markets Manager (Gestore dei Mercati Energetici - GME). In the two segments that make it up, G+1 and G-1, in the third quarter volumes of approximately 1 bln m^3 were traded (3.2 bln m^3 in the first nine months of 2015) of which around 88% in the G+1 segment. The average prices of the quarter were 22.84 €/MWh in the G+1 and 20.9 €/MWh in the G-1.

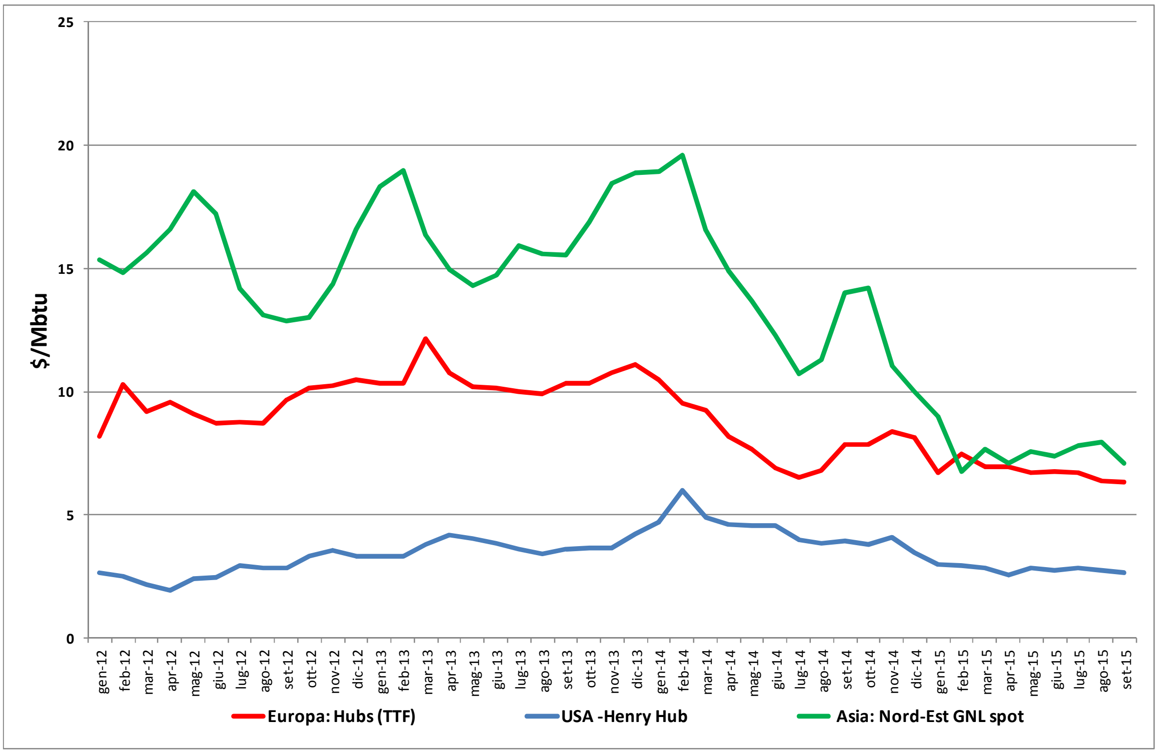
The so-called “CMEM component”, meant to reflect the cost of procuring gas in the protected market price and defined by the AEEGSI on the basis of the TTF futures prices, in the third quarter was c€ 24.56/m^3, down by 4.7% compared with the second quarter.

At the international level low oil prices and oversupply continued to press down Asian LNG prices. Those of long-term oil-linked contracts fell by 50% compared with the middle of 2014 and can be estimated at the end of the quarter in a range of 7-9 $/Mbtu; while spot prices oscillated around 7.5 $/MBtu with a difference of -38% compared with the same period of 2014. Asian spot prices remain higher than European ones by around +15% (1 $/MBtu equivalent to approximately 3.1 €/MWh), but the difference is much less than that of September 2014 when it reached almost +80% (6 $MBtu; 16 €/MWh).

The closing of the gap between Asian prices and European prices makes netbacks obtainable from short-term LNG exports to Asia less attractive for producers encouraging the arrival of larger loads in Europe.

In the USA the prices recorded were substantially stable and always much lower compared with the other market areas. In the third quarter the Henry Hub, the main US market, saw average figures of 2.8 $/MBtu in line with the previous quarter.

Comparison between international natural gas prices



Source: RIE processing of Platts data

White Certificates (EECs)

The third quarter of 2015 saw 12 market sessions with 851 thousand securities traded where type II (achievement of primary energy savings through actions for the reduction of natural gas consumption) was the most traded (approximately 50% of the total) with prices of 102.7 €/TOE in July and August rising then to 105.3 €/TOE in September. Since the beginning of the year 2,765,000 certificates have been traded, with a proportion of 54.8% being of type II at an average price of 103.8 €/TOE, followed by type I (actions for the reduction of final electricity consumption) with 26.9% and average price of 104.0 €/TOE. Compared with the 2014 annual average prices the reduction for the two main types was 8-9%.
In relation to the market for bilaterals, also here in third quarter type II was most traded with an average price up from 98.4 €/TOE of July to 100.8 €/TOE in September.

LEGISLATION FIRST 9 MONTHS 2015

On 20 February the Cabinet approved the text of a Draft Law, known as the "2015 Competition DL", aimed at removing regulatory obstacles to the opening of the markets and at promoting the development of competition. Chapter IV (Arts 19-21) contains the provision of the end of protected electricity and gas prices from 1 January 2018. To implement the cessation of the protection regimes it is stated that the Minister of Economic Development must issue a decree, after consulting the Authority for Electricity, Gas and Water.
The text of the rules of the Draft Competition Law on overcoming price protections for small energy customers has been approved by the joint Finance and Productive Activities Commissions of the Chamber. The plan to abolish the protections starting from 2018 was confirmed on condition that a report by the Authority to be published by 30 April 2017 confirms the achievement of five objectives (site for comparing offers, switching times of a maximum three weeks and a maximum of six weeks for adjustment, operation of the Integrated Information System and implementation of brand unbundling). If one of the five targets has not been achieved the check will be repeated every six months. The Draft Law is currently under discussion in Parliament.

On 25 February the European Commission published a number of communications that took the name "Energy Union Package". Among these, Communication No. 80/2015 contains measures and proposals to be implemented in the next 5 years in the field of energy. Considered by many a document with contents still not wholly defined and a symptom of the difficulties in drawing up an effective European strategy, the Commission's Communication provides for measures to re-found and re-qualify the electricity market, greater transparency in gas supply contracts, substantial evolution of regional cooperation for a more integrated market, new rules to guarantee the procurement of electricity and gas (with particular attention to the security of gas supplies), more EU financing in favour of energy efficiency.

Electricity

AEEGSI Resolution 29 January 2015 22/2015/R/efr With this measure the Authority defined the price of placement on the market of green certificates for the year 2015, quantifying the annual average figure of the selling price of electricity, recorded in the year 2014, as 55.10 €/MWh. In view of the above, it follows that in the year 2015 the GSE will place on the market the GCs issued by the same at a price of 124.90 €/MWh.

AEEGSI Resolution 12 February 2015 45/2015/R/eel
With this measure the Authority defines the criteria for enabling the Italian market to take part in the European market coupling project with particular reference to the Italy-France, Italy-Austria and Italy-Slovenia borders.

Consultation document (CD) 163/2015/R/ eel "Electricity market. Revision of the rules on effective balancing" - published on 9 April 2015
With the CD in question the Authority consults all the electricity operators on new regulation proposals regarding the revision of the mechanism for calculating the balancing prices, currently governed by Arts 39 and 40 of Resolution No. 111/06. This CD was published by the Regulator after the judgement of the Council of State, No. 1532 of 20 March 2015, which annulled the previous regulatory rules contained in resolutions 342/2012/R/eel and 285/2013/R/eel which had introduced urgent measures on the subject of limiting dispatching expenses. The revision proposals illustrated in the CD are aimed at correcting the distortionary elements which, according to the AEEGSI, characterise the current mechanism for calculating the balancing prices, while awaiting the creation of a more ample and organic reform of the balancing rules which will be introduced by the Authority in the coming months, also for the purpose of ensuring full compatibility of the Italian regulatory framework with the rules of the future Balancing Network Code, which is expected to come into force in 2016. In the context of the current calculation scheme, the Authority believes that there are distortionary elements connected to the fact that the calculation of signs and balancing prices also takes into account offers accepted by Terna in the DSM for purposes other than the mere correction of balancing. In order to remove the said distortionary elements, the Regulator proposes that the determination of signs and balancing prices should consider exclusively offers accepted by Terna on the DSM for balancing purposes, or accepted for the sole purpose of correcting the overall balancing of the macro-zone. In particular, the proposal identified by the Authority provides for the adoption of measures aimed at excluding from the balancing calculation all offers accepted in the MSD related to services not directly attributable to balancing correction.

The EU Code on the allocation of capacity has been approved by the European Commission: The European Commission has adopted the European Grid Code on the allocation of capacity and management of congestions (CACM) which outlines a legal framework for electricity trading in Europe and makes market coupling legally binding. The EU estimates that market coupling will generate total savings for European consumers of between Euro 2.5 and 4 billion per year. The Code was published in the EU Official Journal of 25 July and came into force on 14 August.

The EU Commission has presented a summer package on climate and energy: this is a set of measures defined by a draft directive for reform of the ETS, two communications, respectively on a new design of the electricity market and for a relaunch of the role of the energy consumer – the so-called "Consumers' New Deal" – and, finally, a proposed regulation on energy labelling. The package is part of the wider design on the Energy Union envisaged by the Juncker Commission.

AEEGSI Consultation on transmission, distribution and measurement tariffs for the fifth electricity regulation period (DCO 335/2015/R/eel and DCO 446/2015/R/eel).
The Energy Authority has presented the first orientations in relation to fixing the revenue constraints, to the tariff structure and to the associated equalisation mechanisms for the transmission, distribution and measurement tariffs for the new regulatory period. The revision of the current rules is widened starting from the regulatory period which it is proposed to extend to eight years with division into two periods (2016-2019 and 2020-2023). The first period is proposed as a transition with respect to the total change in the mechanisms for determining the tariffs envisaged starting from 2020.
In the document the regulator confirms its intention to carry out a "profound reform" of the current regulation scheme, shifting to cost recognition logics based on "total expense", understood as the sum of operating expenses and investment expenses (a method that the regulator calls "Totex"). This transition will occur gradually. The AEEGSI's idea is therefore to divide into two parts the regulation period, the extension of which to six years is confirmed: a first part from 2016 to 2019 in which to adopt solutions in substantial continuity with the current regulatory period and a second 2020 – 2023 in which first to apply the Totex method, limited to larger companies. With this prospect as regards the intra-period updating mechanism the Authority plans to submit to revision the annual productivity recovery rate (X-factor) change objectives at the end of the first three years. On first application the Totex method will apply to Terna and to the five largest distribution companies

AEEGSI Resolution No. 447/2015/r/eel of 24 September 2015: postponement of the effectiveness of the rules of the standard grid code for the electricity transport service approved with Resolution 268/2015/R/EEL. This resolution establishes that effectiveness of the provisions relating to contractual guarantees and, for reasons of consistency, of the provisions relating to timing for the issue of invoices and their payment dates is postponed, aligning their date of effectiveness with that envisaged for effectiveness of the other rules, that is to say 1 January 2016 compared to the previous date of 1 October 2015.

AEEGSI Resolution No. 437/2015/R/efr of 10 September 2015: Approval of the update to the rules on operation of the market for energy efficiency certificates (white certificates), in order to attribute to the GME the role of central counterparty. With this resolution approval is given for the update to the rules on operation of the market for energy efficiency certificates (white certificates), proposed - under the terms of the current Regulation - by the GME. The amendments have the aim of attributing to the GME the role of central counterparty and were the subject of consultation by the GME itself.

EU Code on HVDC connections approved. This past 11 September the member states approved the European Grid Code on high voltage direct current (HVDC) connections. This is the third EU Code so far to have reached the end of the comitology procedure, which is still awaiting examination by the Parliament and the Council. It is expected to be adopted definitively at the beginning of 2016. Entso-E, the European association of Transmission System Operators, has observed that up to now few countries have codes on HVDC and many of them define specifications and requirements project by project. According to Entso-E the approval "arrives at a particularly opportune time because it harmonises the development of the HVDC technology used in the construction of interconnectors (e.g. between Ireland and Great Britain, or across the North Sea or the Mediterranean), in the connection of offshore plants to the grid and also for long-distance onshore connections (e.g. between North and South Germany)".

Gas

A **Ministerial Decree** of 6 February 2015 (OJ of 23 February) of the Ministry of Economic Development defined figures and general rules for the storage year 1 April 2015-31 March 2016. The MD confirmed at 500 bln m^3 the capacity, deriving from the reduction decided in 2012 of the strategic storage (today approx. 4.6 bln m^3), reserved for integrated regasification plants and storage services for industrial customers; the modulation capacity to be assigned as a priority to the civil market supply is quantified as 6.843 bln m^3, offered in modulation products with a profile variable on a seasonal basis. The capacity to be offered with a uniform profile for the other sectors (e.g. thermoelectric and industrial) is instead 1.122 bln m^3. The capacity is placed through auctions. As regards the profiling of outputs the MD reduced further the daily and monthly maximum output for November and December and increased that of January and February.

With **Resolution No. 49/2015/R/Gas** of 12 February 2015 *("Rules for the conferment of storage capacities for the thermal year of storage 2015-2016 and definition of the storage tariffs"*) AEEGSI, as a consequence of the MD of 6 February, adopted rules regarding the methods of performing the procedures for allocating storage capacity: monthly procedures in sequential auctions, criteria for determining the reserve price for each auction, criteria for performing auctions, tariffs to be applied to the capacities conferred. At the end of June all the capacity was conferred.

With **Resolution No. 133/2015** of 26 March 2015 *("Economic conditions of the natural gas protection service starting from the thermal year 2015-2016"*) the AEEGSI established the criteria for defining the protected gas prices for the thermal year 2015-2016. In brief the Regulatory Authority:

- maintains the reference to the gas prices on the Dutch hub TTF, considering the insufficient degree of development of liquidity of trading on the Italian hub PSV compared to the European standards;
- defines also for the protected price the movement downstream of the PSV, already laid down in Resolution No. 60/2015/R/Gas, of certain system charges (CVI, CV^{BL} and CV^{OS} components) now included in the cost component of procurement of raw materials (the "C_{MEM}"); the components "extracted" will be added to the QT transport tariff;
- establishes with minimum changes the new amounts of the component covering the costs of wholesale selling to retailers (the "CCR");
- as regards the thermal years after the two years 2015-2016, it puts off to a subsequent measure the definition of the methods for assessing the conditions needed to enable reference to national gas prices, also in consideration "*of the wider legislative and regulatory process in progress, aimed at the gradual revision of the price protections"* (see "Competition DL").

With **AEEGSI Resolution No. 271/2015/R/Com** of 4 June ("*Launch of proceeding for definition of the process of reforming the market mechanisms for the price protections for domestic customers and small enterprises in the sectors of electricity and natural gas - Protection 2.0"*) the Regulator set in motion a proceeding which should, by December 2015, define a roadmap for revising the mechanisms for gas and electricity price protection. In specifying the objective of the proceeding AEEGSI does not speak of going beyond protection, but of "gradual absorption of the existing supply contracts of the current price systems" and of moving on to "protection 2.0". The Regulator stresses that the roadmap does not interfere with the process of abrogating protected prices provided for from 2018 in the "Competition DL" currently being discussed in Parliament. The roadmap must define differentiated routes giving any priority to small enterprises in the electricity sector.

With **Consultation Document 275/2015/R/com** of 9 June 2015 ("*Criteria for determining and updating the remuneration rate of the invested capital for the infrastructural regulations of the electricity and gas sectors. Initial orientations")* AEEGSI presented "initial orientations" aimed at "an ample revision" of the criteria for determining the WACC of regulated infrastructures in the electricity and gas sectors. One of the objectives is to assess the possibility of converging towards a common methodology and timing for calculating for all the infrastructures from 2016, by unifying the parameters used to determine the WACC with the exception of the specific ones of the single services. Among the most important proposed changes is that on the "free risk" component.
An estimate is not yet provided of the overall impact of the reform on the remuneration which presumably can be expected to be reduced.

With **Consultation Document No. 449/2015/R/gas** of 24 September 2015 (Natural Gas Market: revision of the QVD component to cover the retail selling costs) AEEGSI submitted orientations for the revision of the Retail Sales Quota from 1 January 2016, proposing alternative methods both in terms of attributing the costs recognised (in continuity with the past or on the basis of data obtainable from the 2014 non-final financial statements) and with regard to the proposal to introduce or not introduce a territorial differentiation of the fixed part of the component, as the Regulator has noted an increase in arrears particularly of condominiums and with significant differences between regional areas. The revision of the figure would regard only the fixed quota and for condominiums could be raised significantly (from the current 75.86 €/PdR to 242-255 €/PdR according to the solution chosen).

REMIT - Regulation on Wholesale Energy Market Integrity and Transparency, No. 1227/2011

The objective of the Remit regulation is to guarantee the integrity and transparency of the wholesale energy markets to avoid abuses. In practice it introduces two main prescriptions:

1) The obligation for anyone who possesses privileged information relating to an energy product to communicate it to the monitoring system;
2) The obligation to transmit information relating to operations carried out on the wholesale energy market to enable monitoring of the said market

On point 1, Regulation (EU) No. 1227/2011 of the European Parliament established rules aimed at preventing abusive practices in the wholesale electricity and natural gas markets by prohibiting market manipulation and abuse of privileged information imposing on market operators the obligation to communicate effectively and quickly the privileged information they possess: “in relation to enterprises or facilities that the market operator involved, the parent company or an associate possesses or controls or for the operating aspects of which the market operator or the company is responsible wholly or in part”. Currently Iren publishes the privileged information through its website and is assessing whether to make use of the dedicated Platform set up by GME for the standard transmission of the same. GME's Platform for Privileged Information will come into operation by the end of the year.
On point 2, on 7 January 2015 Execution Regulation (EU) No. 1348/2014 of the European Commission came into force, which identified the information related to wholesale energy products and to the fundamental data that the market operators are obliged to report to ACER (Agency for the Cooperation of Energy Regulators), and the methods and timing for fulfilling this reporting obligation. The regulation provides for a gradual start for fulfilment of the communication obligations. The first deadline relates to standard Contracts traded in regulated markets which from 7/10/2015 (gas+power) must be transmitted to ACER. By the end of April 2016 the obligation will be extended also to non-standard contracts negotiated outside of regulated markets for LNG and to transport contracts. In September, Iren Mercato activated the service offered by GME for the data reporting service for preparing the reports and transmitting to ACER the information on operations carried out in the context of the GME and those carried out on other markets/platforms.

SIGNIFICANT EVENTS OF THE PERIOD

Organisational Rationalisation Work

Starting from January 2015 the Iren Group companies were involved in a number of reorganisation projects that saw a strong commitment of the new Governance with the objective of strengthening the unitary nature of Group governance and identifying clearly the main activities and responsibilities related to each structure ensuring a rapid and real integration process, indispensable for tackling the challenges of the market.

Four Departments, called Business Units (BUs) were also set up, to coordinate and guide the Companies operating in the respective market sectors, reporting to the Parent Company's Chief Executive Officer. In particular these BUs will be:

- Environment Business Unit
- Energy Business Unit
- Market Business Unit
- Networks Business Unit

The Parent Company's organisation was involved in a first rationalisation project which, from January 2015, entailed a simplification of the head office departments.

In addition the hierarchical structure of all the Departments and staff organisational units of all the first level companies and subsidiaries, were defined in relation to the corresponding head office departments.

From February, through secondment, the resources coming from the Group's various first level companies and subsidiaries also joined Iren S.p.A., in keeping with the centralised activities.

Starting from March the organisation of the first-level companies was also redefined by Business Unit, defining the activities and responsibilities of the said companies' structures.

During June deeds of sale of the corporate staff business units of the subsidiaries to Iren S.p.A. were entered into, with effect from 1 July 2015. The resources coming from these companies therefore became part of the Parent's workforce.

Consequently the Iren Group is organised into the following staff Departments:

- "Corporate Secretariat", "Communication and External Relations", "Local Institutional Relations" and "Internationalisation and Innovation" reporting to the Chairman;
- "Procurement and Contracts", "Administration, Finance and Control", "Legal Affairs", "Personnel, Organisation and Information Systems" and "Strategy and Regulatory Affairs" reporting to the Chief Executive Officer;
- "Internal Audit and Compliance", "Corporate Social Responsibility and Local Committees", "Risk Management" and "Corporate Affairs" reporting to the Deputy Chairman.

From 1 July 2015, on completion of the macro-structure rationalisation process launched, the "Legal Affairs ", "Regulatory Affairs" and "Planning and Control" units of the first-level subsidiaries were also centralised in the Parent Iren S.p.A..

In addition, in keeping with the Business Plan approved in June by the Board of Directors:

- the Energy Business Unit will coordinate also the district heating and energy plant areas as of today in Iren Emilia S.p.A.;
- the Market Business Unit will coordinate also the Commercial Services Organisational Unit as of today in Iren Emilia and the Call Center as of today in Iren Servizi e Innovazione;
- the Networks Business Unit will coordinate also the electricity distribution areas (AEM Torino Distribuzione), public street lighting and traffic light services (as of today in Iren Servizi e Innovazione).

IrenOne Project

In the early months of 2015 the new E.P.M. (Enterprise Performance Management) application system was activated. The fundamental characteristics of this system respond to the need to have at the Group level a single platform for consolidation, such as to guarantee the alignment of the civil law and management aspects, and of making the management analysis dimensions uniform in service of the Group's management.

On 1 July 2015 the Iren Group began the gradual introduction of a single ERP treasury management system enabling the adoption of the new centralised treasury model managed by Iren S.p.A. The above, as well as the already launched use of a single EPM system for the statutory and operational consolidation stages, is a fundamental step in the implementation of the IrenOne Programme, which will be completed with the adoption by the Group Companies of a single ERP, EPM and centralised treasury model from 1 January 2016.

Bank Loans

As regards financing transactions completed in the first nine months of 2015, we can note that new medium/long-term loans were finalised for a total of Euro 250 million. For further details see the chapter "Financial Operations" of the present report.

Merger by incorporation of Società Acque Potabili S.p.A. into Sviluppo Idrico S.p.A.

With reference to the operation for merger by incorporation of Acque Potabili S.p.A. into Sviluppo Idrico S.p.A., we must specify that on 20 January 2015 the merger by incorporation deed was signed, with civil-law effect from 1 February 2015, while for the accounting and tax effects retroactivity to 1 January 2015 is provided for. At the date of effectiveness of the merger, all the Acque Potabili ordinary shares were cancelled; the last day the stock was listed on the MTA market was 30 January 2015. With the same deed Sviluppo Idrico S.p.A. assumed the company name Acque Potabili S.p.A.

Robin Hood Tax Judgement

With Judgement 10/2015 of 9 February 2015 the Constitutional Court declared unconstitutional Art. 81 paragraphs 16, 17 and 18 of Italian Decree Law No 112 of 25 June 2008 converted with Italian Law No. 133 of 6 August 2008, which had introduced an IRES tax surcharge, the "Robin Hood Tax", payable by production, distribution and marketing companies operating in the energy and oil sectors. This unconstitutionality did not have retroactive effect, because it was established that the judgement would apply from the day after its publication in the Official Journal (11 February 2015).

Turin LED Project

During March the Turin LED Project, promoted by the City, was launched. This involves the installation, over two years, of more than 50,000 new LED lamps (on 55% of the total of lampposts in the city).
The Project was developed in partnership with Iren Servizi e Innovazione which, in the context of the existing agreement with the City of Turin, will handle the implementation, making available its know-how and its technical skills on the subject.
The Turin LED Project will enable the City to obtain important benefits on the economic front, halving the electricity consumption of the plants involved in the project.
At the energy and environmental level, once completed, the Project will enable a saving estimated at 20,000,000 kWh/year (with a reduction of electricity consumption of more than 50%), enabling the non-consumption of approximately 3600 TOEs (Tonnes of Oil Equivalent)/year, and avoiding, at the same time, the production of 3.5 tonnes/year of CO2. As of 30 September 2015 approximately 10,000 lighting devices had been replaced.

Sale of business units of Acque Potabili S.p.A.

The Board of Directors of Acque Potabili S.p.A. resolved on 15 April 2015 to sell to Iren Acqua Gas S.p.A. the business unit, known as "Ramo Ligure" [Liguria Branch], related to the integrated water service in the Municipalities of Camogli, Rapallo, Coreglia Ligure and Zoagli in the Genoa ATO and in the Municipality of Bolano (La Spezia) and the equity investment held in the subsidiary Acquedotto di Savona S.p.A., representing the entire share capital of the same, and to sell to Società Metropolitana Acque Torino S.p.A. the business unit, known as "Ramo ATO 3 Torinese", [ATO 3 Turin Branch], related to the integrated water service in the ATO 3 of the Turin area.
The operations to transfer the Business Units described above, with effectiveness from 1 July 2015, pursue the aim of enabling the reorganisation of the activities, managed up to now by Acque Potabili S.p.A., by integrating them with the activities managed by its shareholders of reference permitting at the same time the start of a gradual enhancement of its portfolio of concessions.
Without prejudice to the adjustment of the price at the transfer date, the selling price of Ramo Ligure paid by Iren Acqua Gas S.p.A. to Acque Potabili S.p.A. at the date of effectiveness of the transfer of the business unit and of the 100% equity investment held in the company Acquedotto di Savona S.p.A., is approximately Euro 32.9 million, net of a financial debt of approximately Euro 14.6 million, while the selling price of Ramo ATO 3 Torinese, paid by Società Metropolitana Acque Torino S.p.A. to Acque Potabili S.p.A. on the same date, is approximately Euro 32.9 million, net of a financial debt of approximately Euro 14.6 million.

IREN S.p.A. Ordinary Shareholders' Meeting

On 28 April 2015 the Ordinary Shareholders' Meeting of Iren S.p.A. approved the Company's Financial Statements in relation to financial year 2014 and resolved to distribute a dividend of Euro 0.0523 per share, confirming what had been proposed by the Board of Directors.

The dividend of Euro 0.0523 for each ordinary and savings share was paid on 24 June 2015 (ex-dividend date 22 June 2015 and record date 23 June 2015).

With approval of the financial statements at 31 December 2014 the term of office of the Board of Statutory Auditors expired. For the three years 2015-2017 the Shareholders' Meeting therefore appointed, on the basis of the lists presented: three Standing Auditors in the persons of: Emilio Gatto, Annamaria Fellegara and Michele Rutigliano, electing this last Chairperson of the Board of Statutory Auditors; two Supplementary Auditors in the persons of Giordano Mingori and Giorgio Mosci. The Board of Statutory Auditors will remain in office up to the date of approval of the financial statements for the year ending 31 December 2017.

The Shareholders' Meeting of IREN S.p.A. also resolved to appoint Vito Massimiliano Bianco as Director following the co-option under the terms of Art. 2386 of the Italian Civil Code that occurred on 1 December 2014. Vito Massimiliano Bianco will remain in office up to the date of approval of the financial statements for financial year 2015, the expiry date of the current Board of Directors.

Company officers

The Board of Directors of Iren S.p.A., meeting on 28 April 2015, at the end of the work of the said Shareholders' Meeting, confirmed Vito Massimiliano Bianco as Chief Executive Officer of the multi-utility.

On 30 April 2015 Andrea Viero formalised his resignation with immediate effect from the positions of Director of IREN S.p.A. and, consequently, from the role of Deputy Chairman of the Company.

On 4 June 2015 the Board of Directors of IREN S.p.A. appointed Ettore Rocchi as Deputy Chairman of the company, to replace Andrea Viero.

In addition, to make up its numbers, the Board of Directors of IREN S.p.A., under the terms and for the purposes of Art. 2386 of the Italian Civil Code, co-opted Moris Ferretti who is in possession of the requisites of independence.

The Board of Directors of IREN S.p.A. acknowledged that as a consequence of the attribution of the position of Deputy Chairpman to Professor Rocchi, the same no longer has the requisites of independence of which he was in possession at the moment of his appointment as a Director. The Board of Directors therefore appointed Moris Ferretti to replace him as a member of the Remuneration and Appointments Committee.

Business Plan to 2020

On 17 June 2015 the Board of Directors of IREN S.p.A. approved the Iren Group's 2015-2020 Business Plan.

The Business Plan to 2020 represents the “bridge” towards the new IREN which, through continual innovation, rationalisation and increased efficiency of internal processes, selectivity of investments for profitability and attention to customers' new needs aims at becoming an aggregation hub and driver of development in the areas in which it operates.

The strategic guidelines of the business plan are:

- integration and efficiency aimed at obtaining important synergies;
- centrality of Customers who from being users become protagonists of the service, through digital and innovative communication and customer care systems;
- transversal innovation understood not as a stand-alone element, but as a mindset that permeates all the Group’s life and actions;
- sustainable development in environmental and financial terms which will translate into the choice of investments with high added value for the Group and the territory.

The Business Plan, over its time horizon, provides for a significant increase in EBITDA (more than 34%).

The cumulative investments are quantified at approximately Euro 1.8 billion, of which Euro 630 million in development. Out of the total investments, Euro 450 million will be devoted to projects with innovative technological characteristics.

A significant decrease in indebtedness is foreseen; together with growth in EBITDA this will lead at the end of the plan period to a drastic reduction (approximately 38%) in the Net Financial Indebtedness/EBITDA Ratio.

Rationalisation of equity investments

In line with what was stated in organisational terms, on 28 July the Board of Directors of IREN S.p.A. approved, in keeping with the simplification of the business model defined in the Business Plan, the launch of an operational project to rationalise the Group's corporate structure.

The project, which will be completed by the end of the coming December, provides for centralisation of the wholly-controlled companies with a significant reduction in the number of companies. This project will lead to a reduction in operating costs and greater clarity in the responsibility for results and in achieving the objectives, besides being a determining factor in the Group's integration process.

The Group will be organised in Business Units (Energy, Market, Networks, Environment) and the operating activity will be carried out by the four companies resulting from the reorganisation process.

In particular, a single company will be set up to manage the network services (electricity distribution, gas distribution and integrated water service), which will be an important hub for achieving synergies and for the development of innovative projects in the management of infrastructures in service of the territories.

BASIS OF PREPARATION

CONTENT AND STRUCTURE

The interim report on a consolidated basis at 30 September 2015 has been prepared in compliance with the provisions of art. 154-ter “Financial Reports” of the Consolidated Law on Finance ("TUF"), introduced by Legislative Decree 195/2007, by which the Italian legislator implemented Directive 2004/109/EC (the so-called Transparency Directive) regarding periodic reporting according to Consob Communication DEM/8041082 of 30/04/2008. This provision supersedes the previous provisions of art. 82 "Quarterly Reports" and Annex 3D ("Criteria for the preparation of the Quarterly Report") of the Issuer Regulations.
The accounting standards used in the preparation of the report are the “International Financial Reporting Standards – IFRS” issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. “IFRSs” shall also mean International Accounting Standards (“IAS”) that are still in force, as well as all interpretative documents issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and by the former Standing Interpretations Committee (“SIC”).

ACCOUNTING PRINCIPLES

Accounting standards and measurement criteria, as well as the consolidation principles adopted in the preparation of the interim report are the same as those used in the preparation of the Consolidated Financial Statements of the IREN Group at 31 December 2014, to which reference is made for completeness of coverage, with the exception of what follows.
On 12 December 2013, the IASB issued a series of amendments to the IFRSs: these are the Annual Improvements to IFRSs - 2010-2012 Cycle and Annual Improvements to IFRSs - 2011-2013 Cycle, endorsed respectively on 17 and 18 December 2014. Among others, the most significant subjects dealt with in these amendments are: a) definition of the vesting conditions in *IFRS 2 - Share-based Payment*; b) grouping of operating segments in *IFRS 8 - Operating Segments*; c) definition of key management personnel in *IAS 24 - Related Party Disclosures*; d) exclusion from the scope of application of *IFRS 3 - Business Combinations* of all forms of joint arrangements and e) certain clarifications regarding exceptions to the application of *IFRS 13 - Fair Value Measurement*.
Application of the new standards indicated above did not have a significant impact on preparation of the interim report on operations.

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

Moreover, the following accounting standards, as well as amendments and interpretations which are not yet applicable at the date of this interim report on operations and have not been adopted in advance by the Iren Group are to be noted.

- In July 2014 the IASB published the standard IFRS 9 “Financial Instruments”. The standard is the result of a process that began in 2008 following the economic and financial crisis, with the aim of completely rewriting the accounting rules for recognition and measurement of financial instruments provided for in IAS 39. In brief the rules of IFRS9 regard:
  - <u>the criteria for classification and measurement of financial assets and liabilities</u>. In particular, as regards financial assets, the new standard uses one single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, by replacing the various rules set forth in IAS 39. As regards financial liabilities, the main amendment is instead related to accounting for fair value changes of a financial liability designated as measured at fair value through profit or loss, in the event that these are due to a change in the credit risk of the liability itself. According to the new standard, these changes should be recognised under Other comprehensive gains/(losses) and will no longer be entered in the income statement;
  - <u>impairment of financial assets</u>. The standard establishes that the entity should recognise the expected losses on its financial assets, where “loss” means the present value of all future lost revenue, also providing adequate information on the estimation criteria used;

– hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

IFRS 9 will be applicable prospectively starting from 1 January 2018.

- On 21 November 2013 the IASB published certain minor amendments to IAS 19 "Employee Benefits". These amendments, endorsed on 17 December 2014 and applicable retrospectively from 1 January 2016, regard the simplified accounting treatment of contributions to defined benefit plans by employees or third parties in specific cases.

- In May 2014 the IASB issued an amendment to the standard IFRS 11 "Joint Arrangements" which provides the guidelines on the accounting treatment to be adopted in the case of acquisitions of equity interests in joint operations, the activity of which meets the definition of a "business" as defined in IFRS 3 "Business Combinations". The amendment is applicable starting from 1 January 2016.

- The amendments to the standards IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" issued by the IASB in May 2014, clarify that use of a revenue-based method as the parameter for calculating depreciation or amortisation of property, plant and equipment and intangible assets is not appropriate, because revenues generated by an asset which entails the use of property, plant and equipment and intangible assets generally reflect factors other than deterioration of the economic benefits embodied in the assets themselves. The amendment is applicable starting from 1 January 2016.

- In January 2014 the IASB published the standard IFRS 14 "Regulatory Deferral Accounts", which permits an entity which is a first-time adopter of the IAS/IFRS International Financial Reporting Standards to continue to measure accounting items associated with regulated activities in accordance with the accounting standards used previously. The present standard will be applicable starting from 1 January 2016.

- On 28 May 2014 the IASB issued the standard IFRS 15 "Revenue from Contracts with Customers". The purpose of the new standard is to establish the criteria to be adopted in order to provide users of financial statements with information about the nature, amount and uncertainties associated with revenue and cash flows deriving from existing contracts with customers. The standard in question applies if all the following conditions are met:
  i. the parties have approved the contract and have undertaken to perform their respective obligations;
  ii. each party's rights in relation to the goods or services to be transferred and the payment terms have been identified;
  iii. the contract signed has commercial substance (the risks, timing or amount of the future cash flows of the entity can change as a result of the contract);
  iv. it is probable that the amounts associated with performance of the contract will be collected and paid.

  The new standard, which will replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", will be applicable starting from 1 January 2018.

- In August 2014 the IASB issued an amendment to the standard IAS 27 "Separate Financial Statements" which reintroduces the possibility of measuring equity investments in subsidiaries, associates and joint arrangements using the equity method in the separate financial statements. The amendment is applicable starting from 1 January 2016.

- On 11 September 2014 the IASB issued an amendment to IAS 28 which governs the treatment of gains/losses deriving from "upstream" or "downstream" transactions between a company and one of its associates or joint ventures, distinguishing between sales of businesses as defined by IFRS 3 (total recognition) and simple assets (partial recognition). The amendment is applicable starting from 1 January 2016.

- On 24 September 2014 the IASB issued a collection of amendments to the IFRSs (*Annual Improvements to IFRSs – 2012-2014 Cycle)* which regard mainly: a) specific guidance on “assets held for distribution to owners” in the context of IFRS 5 “Assets Held for Sale”; b) definition of the discount rate for the purposes of IAS 19 “Employee Benefits”. The amendment is applicable starting from 1 January 2016.

USE OF ESTIMATES

The preparation of the interim report has required the use of estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities. The later results that derive from the occurrence of the events could differ from these estimates.

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

It should also be remembered that interim reports are not subject to auditing.

CHANGES IN THE CONSOLIDATION SCOPE COMPARED TO 31 DECEMBER 2014

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

As explained in “Significant events in the period” the Board of Directors of the associate Acque Potabili S.p.A. resolved on 15 April 2015 to sell to Iren Acqua Gas S.p.A. the business unit, known as “Ramo Ligure” [Liguria Branch], related to the integrated water service in the Municipalities of Camogli, Rapallo, Coreglia Ligure and Zoagli in the Genoa ATO and in the Municipality of Bolano (La Spezia) and the equity investment held in the subsidiary Acquedotto di Savona S.p.A., representing the entire share capital of the same, and to sell to Società Metropolitana Acque Torino S.p.A. the business unit, known as “Ramo ATO 3 Torinese”, [ATO 3 Turin Branch], related to the integrated water service in the ATO 3 of the Turin area. The transfer of the business units and of the equity investment came into effect on 1 July 2015. Acquedotto di Savona S.p.A. is therefore fully consolidated by the Iren Group and, starting from that date, contributes to the line-by-line economic results of the period.

We can also remind you that, with effect from 23 December 2014, the Iren Group acquired control over the company AMIAT S.p.A., which manages environmental services for the Municipality of Turin. Following this operation, at 31 December 2014 the financial balances of the company were fully consolidated. From 1 January 2015 the Group's consolidated income statement also includes the economic amounts of the subsidiary; the economic results of the first 9 months of 2015 are therefore affected, unlike in the comparative period, by the inclusion of this entity in the consolidation scope.

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

Income statement

IREN GROUP CONSOLIDATED INCOME STATEMENT

thousands of euro

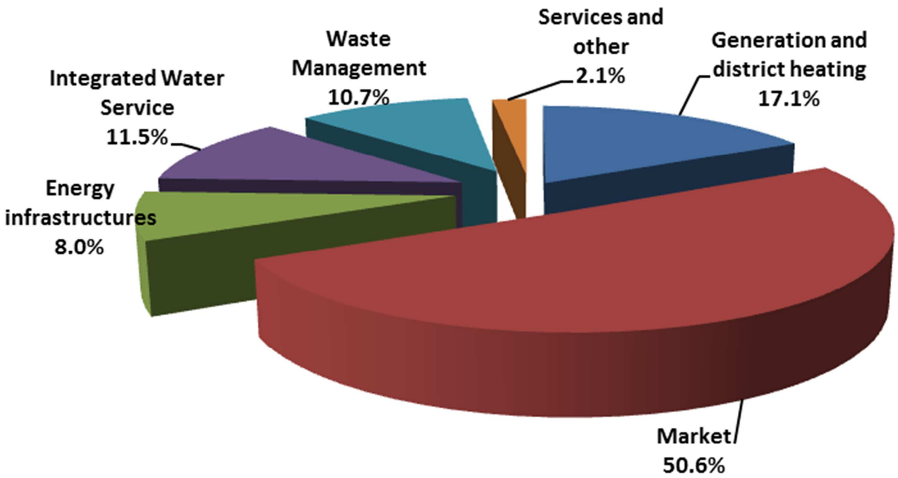
	First nine months 2015	First nine months 2014	Change %
Revenue			
Revenue from goods and services	2,030,877	1,863,256	9.0
Change in work in progress	880	80	(*)
Other income	187,107	208,092	(10.1)
- of which non-recurring	-	*21,044*	
Total revenue	**2,218,864**	**2,071,428**	**7.1**
Operating expense			
Raw materials, consumables, supplies and goods	(718,765)	(720,818)	(0.3)
Services and use of third-party assets	(693,921)	(621,964)	11.6
Other operating expenses	(61,048)	(54,088)	12.9
Capitalised expenses for internal work	19,037	14,669	29.8
Personnel expenses	(266,573)	(204,934)	30.1
Total operating expense	**(1,721,270)**	**(1,587,135)**	**8.5**
GROSS OPERATING PROFIT (EBITDA)	**497,594**	**484,293**	**2.7**
Depreciation, amortisation, provisions and impairment losses			
Amortisation/depreciation	(198,103)	(179,700)	10.2
Provisions and impairment losses	(46,699)	(21,902)	(*)
Total amortisation, depreciation, provisions and impairment losses	**(244,802)**	**(201,602)**	**21.4**
OPERATING PROFIT (EBIT)	**252,792**	**282,691**	**(10.6)**
Financial income and expense			
Financial income	19,987	20,205	(1.1)
Financial expenses	(87,693)	(96,914)	(9.5)
Total financial income and expense	**(67,706)**	**(76,709)**	**(11.7)**
Share of Profit (loss) of associates accounted for using the equity method	388	(12,152)	(*)
Impairment losses on investments	-	(21)	(100.0)
Profit/(loss) before tax	**185,474**	**193,809**	**(4.3)**
Income tax expense	(69,766)	(91,652)	(23.9)
Net profit/(loss) from continuing operations	**115,708**	**102,157**	**13.3**
Net profit/(loss) from discontinued operations	-	-	-
Net profit/(loss) for the period	**115,708**	**102,157**	**13.3**
attributable to:			
- Profit/(loss) – Group	98,847	88,758	11.4
- Profit/(loss) - non-controlling interests	16,861	13,399	25.8

(*) Change of more than 100%

Revenue

At 30 September 2015, the Iren Group achieved revenue of Euro 2,218.9 million, up by 7.1% compared to the Euro 2,071.4 million of the first 9 months of 2014. The increase in revenue was mainly generated by the positive contribution of Environment which since 1 January 2015 has consolidated (economic consolidation) AMIAT S.p.A. (Euro +152 million), the Turin waste collection company, while the changes in the turnovers of the energy sectors are still negative.

REVENUE COMPOSITION



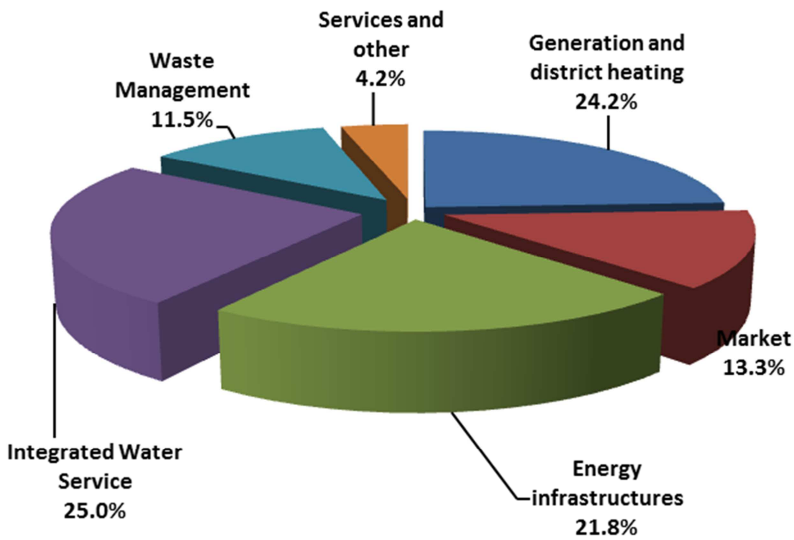
Gross Operating Profit (EBITDA)

The gross operating profit amounted to Euro 497.6 million, up by 2.7% compared to Euro 484.3 million in the corresponding period of 2014.

All business segments present a positive change compared to 2014 with the sole exception of Cogeneration and District Heating.

The business areas of Gas Sales and the Environment were particularly positive.

EBITDA COMPOSITION



Operating profit (EBIT)

Operating profit totalled Euro 252.8 million, 10.6% down from the figure of Euro 282.7 million in the corresponding period of 2014. The result reflects the higher amortisation/depreciation of Euro 18 million and higher provisions of Euro 25 million of which Euro -4 million related to higher provisions for impairment of receivables, Euro +10 million for lower provisions for risks and Euro -31 million for lower releases of provisions compared to the first nine months of 2014.

Financial income and expense

Net financial income and expense came out at a negative Euro 68 million. In particular, financial expense amounted to Euro 88 million. The change compared to the first nine months of 2014 was mainly due to the reduction in the average cost of the debt and of the expense components from discounting and capitalised interest. Financial income amounted to Euro 20 million (-1.1%).

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

The result of associates accounted for using the equity method was a positive Euro 0.3 million. The comparative figure showed a negative result of approximately 12 million; the change was substantially due to the lower loss of OLT in the first 9 months of 2015 compared to what was recognised in the same period of 2014.

We can note that the result of associates in the first nine months of 2014 included the pro-rata 49% of the profit of AMIAT S.p.A., fully consolidated starting from December 2014.

Profit (loss) before tax

As a result of the above trends the consolidated profit before tax came out at Euro 185.5 million, down compared to the Euro 193.8 million recorded in the first 9 months of 2014.

Income tax expense

Income taxes for the first nine months of 2015 amounted to Euro 70 million, down by 24% compared to same period of 2014. The effective tax rate was 38% and represents, as of today, an estimate of the proportion of the cost of taxes of 2015. The decrease in the tax rate was mainly due to the deduction in labour costs from IRAP and to the abolition of the Robin Hood Tax (considered unconstitutional by the Constitutional Court with Judgement No. 10/2015 of 9 February 2015).

Net profit (loss) for the period

As a consequence of the above, there was a net profit of Euro 115.7 million, a sharp increase compared to the same period of 2014 (+13.3%).

We can note that, in keeping with what was stated in the Interim Report on Operations at 30 September 2014, the comparative data of the first 9 months of 2014 presented here differ from the data indicated for the same period in the consolidated financial statements presented in the present document.

This was because the Directors, on the occasion of the Interim Report on Operations at 30 September 2014, had considered it opportune to prepare specific statements that reflected fully, for each line of the income statement, the revenues and costs of district heating of the City of Turin, highlighting the strategic significance of the business following the spin-off operation with which, starting from 1 July 2014, the district heating business unit of AES Torino was fully acquired by Iren Energia.

Segment reporting

The Iren Group operates in the following business segments:

- Generation and District Heating (Hydroelectric Production, Cogeneration of Electricity and Heat, District Heating Networks)
- Market (Sale of electricity, gas, heat)
- Energy Infrastructures (Electricity Distribution Networks, Gas Distribution Networks)
- 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 management uses in making operational and strategic decisions.

For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.

Given the fact that the Group mainly operates in the 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 compared to the figures of the first nine months of 2014.

In the first nine months of 2015 non-regulated activities contribute for 21% (18% in the same period of 2014) to forming the gross operating profit while regulated activities account for 56% (52% in the first nine months of 2014); the contribution of semi-regulated activities went down from 30% in 2014 to 23% in 2015.

Generation and District Heating

Revenue for the period amounted to Euro 557 million, down 2.7% from the Euro 572 million of 2014.

			First 9 months 2015	First 9 months 2014	Δ %
Revenue		€/mln	557	572	-2.5%
Gross Operating Profit (EBITDA)		€/mln	120	141	-14.7%
EBITDA Margin			*21.6%*	*24.6%*	
Operating profit (EBIT)		€/mln	25	81	-69.2%
Investments		€/mln	22	51	-58.1%
Electricity produced		GWh	5,457	4,197	30.0%
	from hydroelectric sources	*GWh*	1,153	1,114	3.5%
	from cogeneration sources	*GWh*	3,108	2,470	25.8%
	from thermoelectric sources	*GWh*	1,195	613	95.0%
Heat produced		GWh_t	1,665	1,620	2.8%
	from cogeneration sources	GWh_t	1,416	1,353	4.7%
	from non-cogeneration sources	GWh_t	249	267	-6.7%
District heating volumes		Mm^3	81	79	1.9%

At 30 September 2015 5,457 GWh of electricity was produced, up by 30% compared to the 4,197 GWh of financial year 2014, as a result of higher production in cogeneration and higher thermoelectric production at the Turbigo plant.

In particular thermoelectric production was 4,303 GWh, of which 3,108 GWh from cogeneration, up by 25.8% compared to the 2,470 GWh of 2014 and 1,195 GWh from thermoelectric sources in the strict sense, connected with the contribution of the Turbigo plant up by 95% compared to the 613 GWh of the first nine months of 2014.
Hydroelectric production was 1,153 GWh, an increase of +3.5% compared to 1,114 GWh in 2014 owing mainly to the higher production at Rosone (+85 GWh).

Heat production in the period amounted to 1,665 GWh_t up by +28 % compared to the 1,620 GWh_t of 2014, as a result of a more favourable thermal season compared to the 2014 thermal season which was particularly mild and the increase in volumes connected. Overall the volumes connected amounted to 81 million m^3, +1.9 % compared with the 79 million m^3 of 2014.

Gross operating profit (EBITDA) amounted to Euro 120 million, down 14.7% on the Euro 141 million of the corresponding period of 2014.
The more favourable winter thermal season compared to the particularly mild one that had characterised 2014, had a positive effect on the profit owing to the higher quantities of thermal energy produced and this, together with higher hydroelectric production, made it possible to absorb partially the sharp drop deriving from the expiry of the incentive system, through green certificates on cogeneration plants and the reduction of margins on electricity generation. The first nine months of 2014 were also characterised by significant contingent assets connected with the assignment of ETS certificates related to earlier years and by compensation for damages.

The operating profit (EBIT) of the Cogeneration and District Heating segment totalled Euro 25 million, a 69.2% decrease on the 2014 figure of Euro 81 million. The worsening compared to 2014 was due to higher depreciation owing to capitalisations of investments on plants made in the second half of 2014 and to a negative effect of the lower release of provisions compared to financial year 2014.
Technical investments made in this sector amounted to Euro 22 million.

Market

At 30 September 2015 the revenue of the segment amounted to Euro 1,646 million, in line (0.5%) with the Euro 1, 654 million of 2014.
The gross operating profit (EBITDA) amounted to Euro 66 million, a significant improvement of +17.6% compared to Euro 56 million in the corresponding period of 2014.

		First 9 months 2015	First 9 months 2014	Δ %
Revenue	€/mln	1,646	1,654	-0.5%
Gross Operating Profit (EBITDA)	€/mln	66	56	17.6%
EBITDA Margin		*4.0%*	*3.4%*	
from electricity	*€/mln*	13	16	-17.4%
from gas	*€/mln*	53	39	35.3%
from heat	*€/mln*	-0	1	(*)
Operating profit (EBIT)	€/mln	37	28	33.5%
Investments		10	7	38.0%
Electricity sold	GWh	8,950	7,883	13.5%
Electricity sold net of Power Exchange purchases/sales	GWh	8,329	6,902	20.7%
Gas purchased	Mm^3	1,804	1,479	22.0%
Gas sold by the Group	Mm^3	693	644	7.6%
Gas for internal use	Mm^3	913	693	31.8%
Gas in storage	Mm^3	198	142	39.6%

(*) Change of more than 100%

Sale of electricity
The volumes of electricity sold amounted to 8,950 GWh (net of pumping, network leaks and dedicated withdrawals) up by +13.5% compared to the 7,883 GWh of 2014.

The volumes sold on the free market, including the segments of free business and free retail customers, wholesalers and net exchange, amounted to a total of 7,853 GWh up +23.4% compared to the 6,365 GWh of 2014. The increase is attributable mainly to the net exchange sale +50.4% at 3,930 GWh compared to the 2,614 GWh of 2014 and the sale to wholesalers segment with an increase of + 59.1 % to 1,729 GWh compared to the 1,086 GWh of 2014 . Sales to the free business segment fell, -30.6% at 1,293 Gwh compared to the 1,864 Gwh of 2014.
The volumes sold on the protected market were 476 GWh down by -11.4% compared to the 537 GWh of 2014.

The gross operating profit (EBITDA) of the sale of electricity amounted to Euro 13 million, down by +17.4% compared to Euro 16 million in the corresponding period of 2014. The downward change can be attributed to higher protection equalisation adjustments 2014 only partially absorbed by the positive effects of the recovery of higher protection arrears and by the improvement in procurement conditions.

Sale of Natural Gas
The volumes sold amounted to 1,804 million m^3 up by +22% compared to the 1,479 million m^3 of 2014. The increase regarded both gas sold, +7.6% at 693 million m^3 compared to the 644 million m^3 of 2014, and internal consumption, +31.8% at 913 million m^3 compared to the 693 million m^3 of the corresponding period of 2014.
The gross operating profit (EBITDA) of the sector amounted to Euro 53 million, a sharp improvement (+35.3%) compared to Euro 39 million in the corresponding period of 2014. This positive change can be attributed to an improvement in the margins on sales and in the procurement conditions as well as the

higher volumes sold owing to a more favourable thermal season compared to the particularly mild one that had characterised in particular the first quarter of 2014.

Sale of heat through district heating networks:

Heat sales presented a margin close to break-even and slightly down compared to Euro 1 million in the corresponding period of 2014.

Energy infrastructures

At 30 June 2015 the Energy Infrastructures segment, which includes the gas and electricity distribution businesses, recorded revenue of Euro 261 million, up on the Euro 241 million of 2014 (+8.3%).

Gross operating profit (EBITDA) amounted to Euro 109 million substantially in line with the Euro 107 million of 2014 (+1.7%).

Net operating profit (EBIT) amounted to Euro 75 million, substantially unchanged from 2014 (+0.6%).

The main changes in the segments concerned are illustrated below.

			First 9 months 2015	First 9 months 2014	Δ %
Revenue		€/mln	261	241	8.3%
Gross Operating Profit (EBITDA)		€/mln	109	107	1.7%
EBITDA Margin			*41.6%*	*44.3%*	
	from electricity networks	*€/mln*	*54*	*52*	*4.3%*
	from gas networks	*€/mln*	*55*	*55*	*-0.7%*
Operating profit (EBIT)		€/mln	75	75	0.6%
Investments		€/mln	42	43	-2.8%
	in electricity networks	*€/mln*	*18*	*17*	*2.9%*
	in gas networks	*€/mln*	*24*	*26*	*-6.5%*
Electricity distributed		GWh	2,977	2,880	3.4%
Gas distributed		Mm^3	816	760	7.3%

Electricity Distribution Networks

The gross operating profit of the sector amounted to Euro 54 million, up by 4.3% compared to Euro 52 million in the nine months of 2014.
The increase of approximately Euro 2 million compared to 2014 is attributable to adjustments on earlier periods related to equalisation mechanisms and to the economic result associated with energy efficiency certificates.

During the 9 months of 2015, investments for Euro 18 million were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Gas Distribution Networks

Gross operating profit of gas distribution networks amounted to Euro 55 million, slightly down by 0.7% compared to the figure for the corresponding period of 2014. The decrease is attributable to a lower margin on energy efficiency certificates.

Investments made in the period amounted to Euro 24 million and regarded the provisions of AEEG resolutions, in particular making the network compliant with cathodic protection, the installation of electronic meters and replacement of grey cast iron pipes.

Integrated Water Service

At 30 September 2015, the Integrated Water Service achieved revenue of Euro 371 million, up by +11.2% compared to the Euro 334 million of the corresponding period of 2014.
The increase in revenue compared to the previous year was due to tariff increases, to higher revenue related to the application of IFRIC 12 related to investments in the period on third-party assets offset by lower contingent assets and Other income.

		First 9 months 2015	**First 9 months 2014**	**Δ %**
Revenue	€/mln	371	334	11.2%
Gross Operating Profit (EBITDA)	€/mln	125	118	5.2%
EBITDA Margin		*33.5%*	*35.5%*	
Operating profit (EBIT)	€/mln	73	66	11.2%
Investments	€/mln	60	48	24.1%
Water distributed	Mm^3	114	108	5.8%

The gross operating profit for the period amounted to Euro 125 million, up by +5.2% compared to Euro 118 million in the corresponding period of 2014. The increase can mainly be attributed to lower operating costs and to a change in the perimeter related to consolidation owing to acquisition of the business unit of Società Acque Potabili (SAP) as of 1 July.

Operating profit amounted to Euro 73 million, an improvement compared to the Euro 66 million recorded in 2014 (+11.2%).
Besides the trend of gross operating profit there was a positive effect on the increase of lower provisions set aside, owing mainly to release of the remaining provisions related to the return of the treatment portion following Judgement 335/08, offset by higher amortisation/depreciation.

Investments in the period totalled Euro 60 million and concerned the construction, development and maintenance of distribution networks and systems, the sewerage network and in particular water treatment plants.

Waste Management

At 30 September 2015 the turnover of the segment amounted to Euro 348 million up compared to the Euro 169 million of the same period of 2014 principally as a result of the entry into the consolidation scope (income statement) of AMIAT SpA from 1 January 2015 (Euro +152 million) which provides the waste collection service for the City of Turin. In addition there were increases in Tari and waste management service revenue and commercial revenue.

			First 9 months 2015	First 9 months 2014	Δ %
Revenue		€/mln	348	169	(*)
Gross Operating Profit (EBITDA)		€/mln	57	39	46.3%
EBITDA Margin			*16.4%*	*23.0%*	
Operating profit (EBIT)		€/mln	24	15	62.8%
Investments		€/mln	12	14	-15.5%
Waste collected		tonnes	889,649	540,892	64.5%
Waste disposed of		*tonnes*	*574,662*	*456,770*	*25.8%*
	Urban waste	*tonnes*	*208,553*	*201,951*	*3.3%*
	Special waste	*tonnes*	*366,109*	*254,819*	*43.7%*
Emilia area separate waste collection	%		*65.8*	*63.9*	*3.0%*
Turin area separate waste collection	%		*42.0*	-	*(*)*

(*) Change of more than 100%

Gross operating profit of the segment amounted to Euro 57 million, up +46.3% on the Euro 39 million of the corresponding period of 2014. The increase was mainly due to the consolidation of AMIAT, the recovery of margins on commercial activities related to special waste and intermediation in part offset by higher disposal costs owing to greater use of hubs external to the group.

The operating profit was Euro 24 million, up +62.8% compared to the Euro 15 million recorded in 2014. The period was affected by higher provisions and amortisation/depreciation of the disposal area and higher amortisation/depreciation related to AMIAT, only partially offset by lower provisions for impairment of receivables as a result of the effect of the transition from environmental health tariff to environmental health price due from the municipal authorities that apply the rubbish tax.
The investments made in the period amounted to Euro 12 million and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection with the door-to-door and separated method.

Services and other

		First 9 months 2015	First 9 months 2014	Δ %
Revenue	€/mln	67	76	-11.1%
Gross Operating Profit (EBITDA)	€/mln	21	23	-8.0%
EBITDA Margin		*31.4%*	*30.4%*	
Operating profit (EBIT)	€/mln	19	19	-1.6%
Investments	€/mln	16	12	34.7%

(*) Change of more than 100%

At 30 September 2015 revenue was Euro 67 million, down compared to the Euro 76 million recorded in 2014. The negative change was due to accounting in 2014 for the capital gain generated by the second tranche of sale of units of the real estate fund set up in 2012 partially absorbed by the contingency for adjustment of estimates related to expenses for electricity transport in previous years (2004-2010). This event was reflected also in the gross operating profit which amounted to Euro 21 million compared to the Euro 23 million of 2014.

Investments in the period amounted to Euro 16 million and related to information systems, telecommunications and facilities.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	30.09.2015	31.12.2014	Change %
Non-current assets	4,596,716	4,618,669	(0.5)
Other non-current assets (liabilities)	(154,845)	(153,619)	0.8
Net Working Capital	170,007	238,448	(28.7)
Deferred tax assets (liabilities)	120,308	115,336	4.3
Provisions for risks and employee benefits	(546,546)	(550,363)	(0.7)
Assets (Liabilities) held for sale	5,443	10,762	(49.4)
Net invested capital	**4,191,083**	**4,279,233**	**(2.1)**
Shareholders' equity	2,034,654	1,993,549	2.1
Non-current financial assets	*(68,504)*	*(66,439)*	*3.1*
Non-current financial indebtedness	*2,367,617*	*2,210,821*	*7.1*
Non-current net financial indebtedness	2,299,113	2,144,382	7.2
Current financial assets	*(581,329)*	*(522,902)*	*11.2*
Current financial indebtedness	*438,645*	*664,204*	*(34.0)*
Current net financial indebtedness	(142,684)	141,302	(*)
Net financial debt	2,156,429	2,285,684	(5.7)
Own funds and net financial indebtedness	**4,191,083**	**4,279,233**	**(2.1)**

(*) Change of more than 100%

The main changes in the statement of financial position at 30 September 2015 are commented on below.
Non-current assets decreased slightly compared to 31 December 2014 owing to amortisation/depreciation for the period, higher than the fixed and other investments made by the Ramo Ligure business unit of Acque Potabili and by Acquedotto di Savona S.p.A., acquired on 1 July 2015. For further details on investments, see the section "Segment Reporting".
The decrease in Net Working Capital (-28.7%) was the combined effect of the seasonal trend in trade receivables and payables, inventories and tax items. We can note in this regard that starting from 1 January 2015 part of the trade receivable from the Municipality of Turin of the subsidiary AMIAT S.p.A. is recognised under short-term financial receivables, following the signing of the current account agreement with the said Municipality. The receivable in question amounted to Euro 83.7 million at 30 September 2015.
Deferred taxes were substantially in line with the amount at 31 December 2014.
The increase in equity derives substantially from the effect of profit for the period, net of dividends distributed.
The statement of cash flows presented below provides an analytical breakdown of the reasons for changes in the first nine months of 2015.

Statement of Cash Flows

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

thousands of euro

	First 9 months 2015	First 9 months 2014	Change %
A. Opening cash and cash equivalents	**51,601**	**50,221**	**2.7**
Cash flows from operating activities			
Profit (loss) for the period	115,708	102,157	13.3
Adjustments:			
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	198,103	179,700	10.2
Capital gains (losses) and other changes in equity	7,538	(25,127)	(*)
Net change in post-employment benefits and other employee benefits	(7,021)	742	(*)
Net change in provision for risks and other charges	(412)	(33,325)	(98.8)
Change in deferred tax assets and liabilities	(5,747)	(7,749)	(25.8)
Change in other non-current assets and liabilities	(2,239)	19,269	(*)
Dividends accounted for net of adjustments	(1,316)	(1,030)	27.8
Share of profit (loss) of associates and joint ventures	(388)	12,152	(*)
Net impairment losses (reversals of impairment losses) on assets	-	837	(100.0)
B. Cash flows from operating activities before changes in NWC	**304,226**	**247,626**	**22.9**
Change in inventories	(49,307)	10,971	(*)
Change in trade receivables	176,920	193,490	(8.6)
Change in tax assets and other current assets	28,792	(67,464)	(*)
Change in trade payables	(154,778)	(300,664)	(48.5)
Change in tax liabilities and other current liabilities	74,488	105,465	(29.4)
C. Cash flows from changes in NWC	**76,115**	**(58,202)**	**(*)**
D. Cash flows from/(used in) operating activities (B+C)	**380,341**	**189,424**	**(*)**
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(160,557)	(175,490)	(8.5)
Investments in financial assets	(1,355)	(58,823)	(97.7)
Proceeds from the sale of investments and changes in assets held for sale	5,502	23,778	(76.9)
Changes in the scope of consolidation	(25,679)	-	-
Dividends received	7,368	7,061	4.3
E. Total cash flows from/(used in) investing activities	**(174,721)**	**(203,474)**	**(14.1)**
F. Free cash flow (D+E)	**205,620**	**(14,050)**	**(*)**
Cash flows from/(used in) financing activities			
Dividends paid	(81,417)	(73,642)	10.6
New non-current loans	250,000	525,000	(52.4)
Repayment of non-current loans	(113,681)	(530,330)	(78.6)
Change in financial liabilities	(200,030)	161,259	(*)
Change in financial assets	(84,212)	(87,132)	(3.4)
G. Total cash flows from/(used in) financing activities	**(229,340)**	**(4,845)**	**(*)**
H. Cash flows for the period (F+G)	**(23,720)**	**(18,895)**	**25.5**
I. Closing cash and cash equivalents (A+H)	**27,881**	**31,326**	**(11.0)**

(*) Change of more than 100%

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

thousands of euro

	First 9 months 2015	First 9 months 2014	Change %
Free cash flow	205,620	(14,050)	(*)
Dividends paid	(81,417)	(73,642)	10.6
Change in fair value of hedging derivatives	5,052	(1,526)	(*)
Change in net financial position	**129,255**	**(89,218)**	**(*)**

(*) Change of more than 100%

Net financial indebtedness at 30 September 2015 amounted to Euro 2,156 million, down 5.7% compared to 31 December 2014.
In particular, the free cash flow, a positive Euro 206 million, derives from the combined effect of the following cash flows.

- cash flows from operating activities were a positive Euro 380 million and consist of Euro 304 million of cash flows from operating activities before changes in net working capital and Euro 76 million of cash flows deriving from changes in net working capital;
- the cash flow from investing activities, a negative Euro 175 million and down compared to the first nine months of 2014, was generated by the combined effect of investments in property, plant and equipment, and intangible and financial fixed assets for Euro 162 million (including investments made for the construction of infrastructures in a concession arrangement according to the provisions of IFRIC 12), of the realisation of fixed assets for Euro 5 million and dividends received by the associates (mainly Plurigas) for a total of Euro 7 million and by the change in the financial position consequent to the operation to acquire Ramo Ligure from Acque Potabili and to the consolidation of Acquedotto di Savona (25 million).

EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

SIGNIFICANT SUBSEQUENT EVENTS

Rating by the Fitch agency
On 15 October 2015 the Fitch agency communicated that it had assigned to the IREN Group the rating BBB- with outlook stable.
The reasons that led to attribution of the "Investment Grade" rating are mainly associated with the balanced mix of its business portfolio between regulated and semi-regulated activities, the liquidity profile, and the Group's strategy at the base of the latest business plan oriented to greater efficiency, integration and debt reduction.
The above reasons are reconfirmed for assignment of the rating 'BBB' (a notch higher) on the bond issue of July 2014 of Euro 300 million, maturity July 2021 and fixed annual coupon of 3.0%.
Fitch also assigned the rating 'BBB' (EXP) (in this case too a notch higher), to the new EMTN (Euro Medium Term Note) programme resolved by the Company for a maximum total amount of Euro 1,000,000,000, with the objective of continuing in the Group's strategy aimed at prolonging the average life of the debt guaranteeing at the same time adequate financial flexibility aimed at efficient management of its debt portfolio.

Management of loans
In October 2015 committed credit lines for a total of Euro 300 million had been agreed and were kept available in support of the liquidity profile. In addition, with a view to optimising the financial structure, improving the capital cost structure and prolonging the average duration of the debt, the placing of a new bond issue was completed with full success. This was part of the EMTN Programme resolved by the Board of Directors on 16 September 2015, and was in Public Placement format for Euro 500 million and duration 7 years (Fitch rating BBB). The operation, preceded by an international roadshow which passed through Paris, London, Milan, Munich and Frankfurt, recorded total demand of approximately Euro 3.4 billion (acceptances around seven times the amount offered) with a high quality and wide geographical diversification of the investors. This shows the confidence that the financial market has in the Company and in the soundness of the operating choices made. At the same time as the issue Euro 20 million related to the Iren Bond maturity 2021 was repurchased and cancelled.

Development of commercial activities
Iren Mercato, the IREN Group company active in Italy in commercial activities related to electricity, gas, heat and services, has won the three lots of the annual tender for supplying electricity to the Public Administration called by CONSIP, in which it had selectively participated.
The 3 lots, in keeping with Iren's positioning and with its strategy of development and closeness to the territories, are: lot 1 Aosta Valley and Piedmont, lot 2 Liguria and Lombardy and lot 3 Emilia Romagna and Trentino.
Iren Mercato came first thanks to a technical and economic offer which was better compared with the major national and local players that had taken part in the call for tenders.
Thanks to the award Iren Mercato will sign an agreement with CONSIP, with a duration of 12 months plus a possible extension of 6, in the context of which it will be able to receive orders from the Local Authority for the supply of 1.45 TWh of electricity, equivalent to approximately Euro 240 million of turnover on approximately thirty thousand supply points.
Iren will offer, for the Public Administrations which request it, the possibility to certify the supply of energy from renewable sources (Green Energy certification) for up to 20% of the total volume, leveraging its renewable, in particular hydroelectric, production.
With this significant result, Iren continues its process of growth through efficiency and innovation which characterises the wider vision of the Strategic Plan 2015-2020: sustainability thanks to one of the most eco-friendly portfolios of plants, integration among the different business areas to be able to make competitive offers to final customers and close collaboration with the Local Community to promote the shared growth of the territory.
Iren Mercato, in particular, doubles for the year 2016 the portfolio of electricity sales to large final customers, increases the use of internal production sources and makes the most of the scalability of its

assets also in managing customers. Finally, in affirming leadership in the processes of closeness to customers in the territories of reference, it is ready to seize further opportunities in relation to the Public Administrations through the offer of added-value services with a focus on energy efficiency.

BUSINESS OUTLOOK

The forecasts for the macroeconomic scenario for the last quarter of 2015 are characterised mainly by a period of stability in the European context which has absorbed the effects of the Greek crisis and of the slowdown of the emerging economies which characterised the summer period. The interventionist line of the ECB is continuing with extension of the quantitative easing which will maintain a stable financial framework.

As regards specifically the Italian economic trend the above elements, in combination with the low cost of commodities and the support for investments associated with an improving financial situation, are giving support to the recovery which has led to improved GDP growth forecasts at around 0.9% in 2015 (compared to previous 0.7%).

As far as the energy scenario is concerned, the electrical sector is continuing to experience a persistent situation of overcapacity. This together with the weakness of demand will determine downward pressure on energy prices and generation margins. This negative trend was temporarily interrupted in July which owing to particularly high temperatures saw demand and price spikes significantly higher than the average for the year.

In the gas sector a a recovery of residential consumption is expected. This is associated with the normalisation of the thermal trend (which penalised demand in 2014 as a result of exceptionally mild weather) and the further development of the national spot market for gas the prices of which in 2015 are expected to be in substantial continuity with the previous year.

As regards regulated sectors in 2015 no substantial changes to the regulatory scheme are expected. The Group therefore expects to seize the development opportunities associated with the important investments made and to grow mainly in the environmental sector in the territories of reference as confirmed by the results for the first half of the year.

In keeping with the objectives of the new business plan presented this past June, the Iren Group is besides focused on achieving important synergies deriving from the new Organisational Structure, from a corporate rationalisation plan and from a series of organisational projects aimed at operating efficiency.

Therefore the Group's objectives are to maintain profitability levels at least in line with the previous year, and to implement a selective approach on investment decisions aimed at rigorous monitoring of financial stability.

REGULATORY FRAMEWORK

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

Regulations relating to local public services of economic importance

The rules on local public services resulting from the regulatory framework are contained in the Law converting Italian Law Decree No. 179 of 18/10/2012 containing further urgent measures for growth of the country, Art. 34, as resulting from the conversion law (Italian Law No. 221 of 17/12/2012), and as amended by Italian Law Decree No. 150 of 30-12-2013 - Extension of terms provided for by legislative measures, **Art. 13** *Terms on the subject of local public services,* in force since 1 March 2014, under the terms of which:

1. By way of exception to the provisions of *Article 34, paragraph 21, of Italian Law Decree No. 179 of 18 October 2012*, converted, with amendments, by *Italian Law No. 221 of 17 December 2012*, in order to guarantee continuity of the service, where the entity responsible for the assignment or, if provided for, the governing entity of the territory or optimal and uniform territorial area has already launched the assignment procedures publishing the report pursuant to paragraph 20 of the same article, the service is performed by the operator or operators already working until the new operator takes over and in any case not later than 31 December 2014.
2. Failure to establish or designate the government bodies of the optimal territorial area under the terms of paragraph 1 Article *3-bis of Italian Law Decree No. 138 of 13 August 2011,* converted, with amendments, by *Italian Law No. 148 of 14 September 2011*, or failure to resolve the assignment within the term of 30 June 2014, entail the exercise of the substitutive powers on the part of the Prefect competent for the territory, whose expenses are chargeable to the non-fulfilling entity, which must perform the formalities necessary for completion of the assignment procedure by 31 December 2014.
3. Failure to observe the terms pursuant to paragraphs 1 and 2 entails the cessation of assignments non-compliant with the requisites provided for in the European legislation as of 31 December 2014.
4. The present article does not apply to the services pursuant to *Article 34, paragraph 25, of Italian Law Decree No. 179 of 18 October 2012,* converted, with amendments *by Italian Law No. 221 of 17 December 2012*. (natural gas distribution service, pursuant to *Italian Legislative Decree No. 164 of 23 May 2000,* electricity distribution service, pursuant to *Italian Legislative Decree No. 79 of 16 March 1999*, and to *Italian Law No. 239 of 23 August 2004*, and management of municipal pharmacies, pursuant to *Italian Law No. 475 of 2 April 1968*).

In addition with Italian Law No. 115 of 29-07-2015 Rules for fulfilling the obligations deriving from Italy's membership of the European Union - European Law 2014, Art. 8, in force since 18 August 2015, paragraph 22 of *Article 34 of Italian Law Decree No. 179 of 18 October 2012*, converted, with amendments, by *Italian Law No. 221 of 17 December 2012*, is replaced by the following:

"22. Direct assignments authorised as of 31 December 2004 to public companies already listed in regulated markets at that date and those controlled by them under the terms of Article 2359 of the Italian Civil Code at the same date, cease at the expiry provided for in the service contract or in the other deeds that govern the relationship; assignments that do not provide for an expiry date cease, with no extension possible and with no need for a specific resolution of the assigning body, on 31 December 2020. Direct assignments to companies placed, after 31 December 2004, under the control of listed companies following corporate operations carried out in the absence of procedures compliant with the principles and rules of the European Union applicable to the specific assignment cease, with no extension possible and with no need for a specific resolution of the assigning body, on 31 December 2018 or at the expiry provided for in the service contract or in the other deeds that govern the relationship, if earlier".

In para. 23 of Art. 34 it is specified that "After par. 1 of *Article 3-bis of Decree Law no. 138 of 13 August 2011*, converted with amendments, by *Law No. 148 of 14 September 2011*, and subsequent amendments, the following is inserted:

"1-bis. The functions organising the local public network services of economic relevance, including those belonging to the urban waste sector, deciding on the form of management, determining the relevant utility tariffs, managing assignment and the associated control, are performed exclusively by the government bodies within optimal, standardised geographic areas, established or designated in accordance with paragraph 1 of this article".

Italian Law No. 190 of 23 December 2014, (Stability Law for 2015) introduced, in paragraph 609 of Art. 1, amendments to Article 3-*bis* of Italian Law Decree No. 138 of 13 August 2011, converted into Italian Law No. 148 of 14 September 2011, in order to promote aggregation processes and to strengthen the industrial management of local public network services of economic relevance. The functions organising the local public network services of economic relevance are performed exclusively by the Government bodies within optimal or uniform geographical territories or areas, in which the bodies take part obligatorily. If the local authorities have not joined the aforesaid Government bodies by 1 March 2015 or within sixty days from the establishment of the government bodies, the Chairperson of the Region exercises substitutive powers, after a warning. The Government bodies must make the report which gives an account of the reasons and existence of the requirements set forth by European law for the pre-established form of the assignment and explains the reasons with reference to the objectives of universality and sociality, efficiency, value for money and quality of the service.
The economic operator that took over from the initial concessionaire, wholly or partially, following business combinations carried out with transparent procedures, including mergers or acquisitions, continues in the management of the service until the expiry dates provided for. In these cases the competent subject ascertains that the qualitative criteria and conditions of economic and financial balance are being maintained including with the update of the expiry term of all or some of the existing concessions, after a check by any Regulatory Authority.
The capital investments made by the local authorities with the income from the disposal of equity investments in companies are excluded from the constraints of the Stability Pact.
The rules on the subject of local public network services of economic relevance are understood as referred, subject to explicit exceptions, also to the urban waste sector and to sectors subject to regulation by an independent authority.

Paragraph 611 of Article 1 of the Stability Law for 2015 states that, starting from 1 January 2015, the Regions and local authorities must begin a process of rationalising the companies and equity investments directly and indirectly held, according to the following criteria:

a) elimination of non-indispensable companies and equity investments;
b) suppression of companies made up of only directors or by a larger number of directors than that of employees;
c) elimination of companies that perform the same or similar activities as those of other investees;
d) aggregation of companies providing local public network services of economic relevance;
e) reorganisation of administrative and control bodies and reduction of the related remunerations.

To this end the next paragraph, 612, of the same Law states, with a view to a reorganisation and reduction of investee companies, that the presidents of regions and the autonomous provinces of Trento and Bolzano, the presidents of provinces, mayors and other top management of the administrations pursuant to paragraph 611, in relation to the respective fields of competence, must define and approve, by 31 March 2015, an operational plan to rationalise the companies and equity investments directly or indirectly held, the methods and implementation times, and a detailed description of the savings to be achieved. This plan, accompanied by a specific technical report, must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. By 31 March 2016, the bodies pursuant to the first sentence must prepare a report on the results achieved, which must be sent to the competent regional auditing section of the Court of Auditors and published on the institutional website of the administration involved. Publication of the plan and the report fulfils the disclosure obligation.

Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014, on the award of concession contracts was published in the E.U.O.J. (Official Journal of the European Union) of 28 March 2014.
The directive must be transposed by the Member States by 18 April 2016, although there are interpretations on the immediate applicability of the same in the Member States; in this sense the Council of State, Section II, expressed itself in Opinion No. 298 of 30 January 2015, according to which it is essential to take into account the detailed rules introduced by the European legislators; besides, Section VI of the Council of State, with Judgement No. 2660 of 26 May 2015, considered not yet directly applicable the above directives as the deadline for transposing them is still pending, affirming only the

existence of a “negative obligation” which in practice is a duty to abstain from a different interpretation potentially prejudicial to the results that the directive is intended to achieve.
The concession assignment methods are:

a) to private companies, selected through a public tender procedure;
b) directly to public-private companies if the private partners is selected via tender concerning (i) assignment of the position of partner and, at the same time, (ii) assignment to the private partner of operating duties related to service management;
c) directly to companies 100% owned by public entities, if the sole purpose of such companies is to provide services to the public shareholders and if the awarding body can exercise the same control that the body exercises over its own offices (“in house” companies with analogous control).

After approval in the Senate, the parliamentary procedure of the Draft Delegating Law on the organisation of the Government authorities is continuing in the institutional affairs commission of the Chamber of Deputies. This draft law includes Art. 15 on the subject of reordering the rules of the local public services of general economic interest.
Italian Law 124/2015 containing “Powers delegated to the Government on the reorganisation of the public administrations”, better known as the Madia Law on Reform of the PA, was published in Official Journal No. 187 of 13 August 2015. The measure contains 14 important delegated legislative powers: public management, reorganisation of central and peripheral state administration, digitalisation of the PA, simplification of administrative procedures, rationalisation and control of investee companies, countering corruption, and transparency.
In particular, Articles 18 and 19 contain guiding criteria for defining consolidated legislative decrees on local public services and public equity investments of general economic interest on the basis of the delegation principles expressed in Article 16 of the aforementioned law.

Code on public works contracts

The text of Italian Legislative Decree 163/2006 (Code on Public Works Contracts) has been subject to frequent additions and amendments. The more important new elements are:

- for bidding companies, a declaration of “in continuity” Arrangement with Creditors is not a reason for exclusion, but to be able to take part an explicit authorisation by the judicial receiver, if appointed, or by the Court is necessary (specification introduced by Italian Law 9/2014);
- the Commissioning Bodies must, where possible and economically convenient, divide the contracts into operating lots;
- establishment of the “National Public Contracts Database” which will enable the commissioning bodies to verify the general, technical, economic and financial capacity requisites; after subsequent postponements from 1 July 2014 it became obligatory to verify the requisites through the Database for contracts in the ordinary sectors (e.g. Solid Urban Waste collection);
- in tenders with award to the lowest price, this price is determined net of the expense related to personnel costs under the terms of Article 82, Section 3-*bis*, of Italian Legislative Decree 163/2006; on this point we can note that the Piedmont Regional Administrative Court – Sect. 1, with a judgement filed on 6 February 2015 introduced the principle of necessary not literal, but substantial and systematically logical interpretation of the law, in order to avoid, among other things, distortionary effects on tender procedures;
- the anti-corruption law introduces new disclosure obligations for public administrations and companies controlled by public bodies, with the exclusion, until new rules are issued, of companies already listed on the Stock Exchange and companies controlled by them, as specified by the circular of the Minister for the Public Administration and Simplification No. 1/2014 and confirmed by the ANAC in the draft resolution subject to online consultation “*Guidelines for implementation of the legislation on the subject of prevention of corruption and transparency by companies and private law bodies controlled and invested in by public administrations and economic public bodies*”;
- with Italian Law No. 9 /2014 converting Italian Law Decree No. 145 of 2013, Art. 13, rules were introduced which enable Commissioning Bodies to pay subcontractors directly in cases of financial liquidity crisis of the contractor which are proven by repeated delays in payments to

Subcontractors or Pieceworkers and ascertained by the commissioning body, after consulting the Contractor. In addition, also for works contracts in progress, where Arrangements with Creditors are pending, the Commissioning Body retains the right to arrange payments due for services provided by the contractor, and by subcontractors and pieceworkers.

At the end of 2013 the European Commission issued Regulation No. 1336/2013 which for the two-year period 2014-2015 changed the application limits on procedures for the award of public works contracts: Euro 207,000 for ordinary sectors (instead of Euro 200,000) and special sectors; Euro 414,000 (rather than Euro 400,000) for all public supply and services contracts and Euro 5,186,000 (instead of Euro 5,000,000) for public works contracts.
Once they are transposed (by 18 April 2016), the following European Union Directives published in E.U.O.J. (Official Journal of the European Union) 94 of 28 March 2014 will have a great impact on the legislation:

- Directive 2014/24/EU of the European Parliament and of the Council, of 26 February 2014, on public works contracts, which abrogates Directive 2004/18/EC;
- Directive 2014/25/EU of the European Parliament and of the Council, of 26 February 2014, on the contract procedures of supplying entities in the water, energy, transport and postal services sectors, which abrogates Directive 2004/17/EC;
- Directive 2014/23/EU on the award of concession contracts (previously not regulated).

The text of the enabling act for implementing the directives was approved by the Senate and was passed by the Chamber with a number of changes such as a reduction in the Commissioning Bodies, the limitation of integrated contracts, use of the criterion of maximum discount only in exceptional cases (the rule becoming that of the economically most advantageous offer) and new powers for the Anti-Corruption Authority which in practice becomes the market regulator.

We can note:

- the suppression of the Authority for Supervision of Public Contracts, which was replaced by the National Anti-Corruption Authority (A.N.A.C.) pursuant to Art. 19 of Italian Law Decree 90/2014, converted into Italian Law No. 114/2014

- A.N.A.C. Communication 2/9/2014 and A.N.A.C. Communication 17/03/2015: "Application of Art. 37 of Italian Law Decree No. 90 of 24 June 2014 as converted by Italian Law No. 114/2014, method of transmitting and communicating to the A.N.A.C. variants to work in progress" which lays down operating rules for commissioning bodies for the new formality (it applies only to over-the-threshold works). Italian Law 114/2014 also introduces rules on accelerating the administrative process (Art. 40) and contrasting abuse of the process (Art. 41) the "vexatious litigation". Again on the subject of the administrative process and its streamlining, we can note also the recent Prime Ministerial Decree No. 40/2015 related to conciseness of defence papers.

- Italian Law Decree 133 /2014 of 12 September 2014 known as "Unblock Italy" which introduced provisions modifying the Contracts Code, among which we can mention in particular those pursuant to Art. 2 on the subject of "Procedural simplifications for strategic infrastructures assigned in concession", to Art. 4 on identifying "Simplification measures for unfinished works reported by local authorities and financial measures in favour of territorial bodies", and the provision of a series of measures for bureaucratic simplification, in favour of project bonds and to relaunch the building industry, to Art. 9 on measures for simplifying bureaucracy for undeferrable projects for amounts less than the community threshold.

Art. 28 of Italian Legislative Decree No. 175 of 21 November 2014, abrogated paragraphs 28, 28-*bis* and 28-*ter* of Art. 35 of Italian Law Decree No. 223 of 4 July 2006, which established the joint liability of the contractor and the subcontractor for payment to the Tax Authority of tax withholdings on income from subordinate employment payable by the subcontractor and imposed on the commissioning body an obligation to control fulfilment of the above obligations.
Following publication of the decree of the Ministry of Employment of 30 January 2015, from 1 July the online DURC [Single Contribution Payment Certificate] came into force with advantages in terms of times and costs for the Commissioning Bodies.

Anti-Mafia Code

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

The Single National Anti-Mafia Database provided for by Articles 87 and 90 of Italian Legislative Decree 159/2011 and subsequent amendments and additions, following publication in Italian Official Journal No. 4 of 7/1/2015 of the Regulation which governs the access methods: Prime Ministerial Decree No. 193 of 30/10/2014 “*Regulation containing rules concerning the methods of operation, access, consultation and connection with the EDP Centre, pursuant to Article 8 of Italian Law No. 121 of 1 April 1981, of the Single National Database of Anti-Mafia Documentation, established under the terms of Article 96 of Italian Legislative Decree No. 159 of 6 September 2011”*, should have been operational from January 2015, but currently it is still not possible to acquire the anti-Mafia information online.

An A.N.A.C. communication of 23 June 2015 provides for annotation in the electronic criminal records and in the Database of Anti-Mafia Disqualifying Information.

Robin Hood Tax

In the judgement of the Constitutional Court of 11 February 2015 the additional IRES tax rate, which applied to companies operating in the energy sector, to electricity transmission/dispatching/distribution and gas transport/distribution operators, and to companies which produce electricity through the prevailing use of biomass and from photovoltaic-solar and wind sources, was considered unconstitutional.

However, the unconstitutionality is not effective retroactively, because it was established that it applies from the day after publication of this judgement in the Italian Official Journal. This “restrictive” interpretation was considered constitutionally oriented as “The macroeconomic impact of rebates of tax payments connected with the declaration of unconstitutionality of Art. 81, paragraphs 16, 17 and 18, of Italian Law Decree No. 112 of 2008, and subsequent amendments, would determine, in fact, an imbalance in the State budget of an amount such as to imply the need for an additional financial manoeuvre, also so as not to fail to observe the parameters to which Italy is obliged in Europe and internationally (Arts 11 and 117, first paragraph, Const.) and, in particular, of the annual and multi-annual forecasts indicated in the stability laws in which this revenue was considered fully acquired. Therefore, the overall consequences of removal with retroactive effect of the law challenged would end up requiring, in a period of continuing economic and financial crisis which affects the weakest bands, an unreasonable redistribution of wealth to the advantage of economic operators that can instead have benefited from a favourable economic situation. An irremediable prejudice to the needs of social solidarity would thus be determined with a serious breach of Arts 2 and 3 of the Constitution.”

Cash transfers

The limit above which transfers in cash, or of bank or post office savings books payable to the bearer are not permitted was set at Euro 999.99 euro.

Gas distribution

The Letta Decree of 2000 introduced competition to the Italian natural gas market by deregulating gas imports, exports, transport, dispatch and sales.
Storage activities aim to compensate fluctuations in consumer demand within the national gas system so as to guarantee a strategic reserve of natural gas. Storage activities are performed by the company on the basis of concessions awarded by public tender procedures. Distribution activities are considered a public service and can only be performed by companies that do not already provide other services in the gas industry. The distribution service is currently assigned on the basis of public tenders for a maximum 12 years.

In a Decree of 19 January 2011 the Ministry of Economic Development determined the geographical areas for the natural gas distribution sector. With Ministerial Decree 12/11/2011, No. 226, the Regulation on public tender criteria and the assessment of bids for the assignment of gas distribution services was also approved. This Regulation establishes that the Municipality which is the Chief Municipality is the Commissioning Body for managing the tender. The deadline for identifying the Commissioning Body is set as six months from entry into force of the regulation (11 February 2012) for the Parma, Reggio Emilia, Turin 1 and Turin 2 areas, 24 months for the Genoa 2 area, 30 months for the Genoa 1 area and 36 months for the Piacenza 2 East area.
The related tenders must be launched within 15 months of the above deadlines by the Chief Municipality, or within 18 months by an entity identified by the Municipalities belonging to the territorial area (if this does not include the Chief Municipality).
In 2013 the “Decreto del Fare” (Action Decree, Italian Decree Law No. 68 of 21 June 2013) introduced a number of amendments to the “Criteria Regulation” which defines the basic rules for conducting area-related tender procedures. The peremptory nature of deadlines is envisaged for appointment of the Commissioning Body, with a penalty for failing to meet the deadlines and the strengthening of substitution powers through the appointment of an “*ad acta* commissioner”. The deadlines for the call for tenders were then extended for different periods, as results from the rules indicated below.
These concessions are currently operating under the extended regime pending the launch and award of public invitations to tender.

Italian Law Decree 145/2013 converted into Italian Law No. 9 of 21/2/2014 established in Art. 1 paragraph 16 that “The expiry terms provided for in paragraph 3 of Article 4 of Italian Law Decree No. 98 of 9 August 2013, are extended for a further 4 months. The deadlines pursuant to Annex 1 to the regulation pursuant to the Decree of Minister of Economic Development No. 226 of 12 November 2011, related to areas included in the third group of the said Annex 1, and the respective terms pursuant to Annex 3 of the same regulation, are extended by four months.”

Article 30-*bis* of Italian Law Decree 91/2014 the “competitiveness decree”, converted with amendments by Italian Law 116/2014, established an extension of the deadlines for publication of the calls for tenders for assignment of the gas distribution service.
Specifically the deadlines for the first Group of territories are extended by eight months (and thus until 11 March 2015) those of the second, third and fourth Group by six months and those of the fifth and sixth Group of territories by four months.
In addition with Italian Law No. 11 of 27 February 2015, converting, with amendments, Italian Law Decree No. 192 of 31 December 2014, containing extension of terms provided for by legislative measures, the *Thousand Extensions*, published in O.J. No. 49 of 28-2-2015, in the coordinated text, in force since 1 March 2015, in Art. 3 , E*xtension of terms on the subject of economic development, established in para. 3-ter that "The term beyond which the provision pursuant to paragraph 4 of Article 30-*bis *of Italian Law Decree No. 91 of 24 June 2014, converted, with amendments, by Italian Law No. 116 of 11 August 2014, applies in relation to the first and the second group as per Annex 1 to the regulation pursuant to the decree of the Ministry of Economic Development No. 226 of 12 November 2011, is extended to 31 December 2015", and in the subsequent para. 3-quater, which "The terms pursuant to Article 3, paragraph 1, of the regulation pursuant to paragraph 3-*ter*, related to failure to publish the call for tenders, for the areas of the first group as per Annex 1 to the same regulation are extended to 11 July 2015* (OMISSIS)".

The launch of tenders for ATEM are therefore as of today envisaged according to the following calendar, which takes into account the term for publication of the call for tenders:

- Reggio Emilia - tender extended for two years owing to earthquake, no change - 11 November 2015
- Parma – envisaged for 11 July 2015, but still not yet published
- Piacenza 1 West – 11 November 2015
- Piacenza 2 East – 11 November 2016
- Genoa – 11 March 2016

With Resolution 382/2012/R/gas, the standard service contract template for natural gas distribution was published.
Amongst the major changes in the regulatory framework of the gas distribution sector, the most important are the measures adopted by the Authority for Energy and Gas (now the Authority for Electricity, Gas and Water Service – AEEGSI) regarding:

- distribution and metering tariffs;
- distribution and metering service.

On 22 May 2014 a Decree was issued by the Ministry for Economic Development containing *"Approval of the document 'Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants'"*. This was published in Italian Official Journal, General Series, No. 129 of 6.6.2014 together the document, which is annexed to the said decree and is an integral part of it, containing *"Guidelines on criteria and application methods for measuring the refund value of the natural gas distribution plants"*.

On 24 July 2014 the AEEGSI published Resolution No. 367/2014 and Annex A – concerning the Gas distribution services tariff regulation system, with reference to the regulation period 2014-2019 for Territorial Area managements and other rules on the subject of tariffs.

On 13 March 2015 the AEEGSI issued clarifications in relation to Resolution 367/2014.

Both the Ministerial Decree of 22 May 2014, and Resolution No. 367/2014 were appealed by the Iren Group respectively the former to the Lazio Regional Administrative Court (henceforth RAC) and the latter to the Lombardy RAC. The appeals are currently pending. The AEEGSI's clarifications of 13 March 2015 were also appealed as reasons added to the original appeal.
The Lombardy RAC with a judgement filed on 16 June 2015 rejected the appeal lodged against Resolution 367/2014 (and preparatory acts including Resolution 573/2013) by SGR Reti S.p.A.

On 25/04/2015 the AEEGSI also issued clarifications on cases in which natural gas distribution grids and plants, or parts of them, are owned by a company which are in the same group to which the system operator belongs or directly associated with the latter by relationships of association or control. In particular, "as regards the subject that will have to receive the payment, the case in which the grids are owned by a company which is in the same group to which the outgoing operator belongs (or linked to it by relationships of control or association) is not expressly regulated by the aforementioned rules on the sector, which take into consideration only circulation between public bodies (or grid companies) and operator of the service. Besides, it is considered that there is nothing to prevent the provision for direct payments by the incoming operator in relation to the owner company's group (or linked to it by relationships of control or association), if this solution is envisaged in the call for tenders or in the context of agreements among the subjects involved."

The "Unblock Italy" Law Decree in Art. 37 provides for "Urgent measures for natural gas procurement and transport" and in Art. 38 "Measures for enhancing national energy resources".

Ministerial Decree No. 106 of 20 May 2015, published Italian Official Journal, General Series, No. 161 of 14-7-2015, updates the regulation on the criteria for tenders for gas distribution (MD 226/2011), completing the legislative framework of reference. In addition, the decree clarifies the methods of recognition of expenses related to the energy efficiency certificates that the incoming Operator must passed on to the Commissioning Body.

On 22 June 2015 the AEEGSI issued Resolution 296/2015/R/com with which it approved the “AEEGSI Rules on functional separation (unbundling) obligations for companies operating in the electricity and gas sectors (TIUF)”. With the said Resolution 296/2015/R/COM the AEEGSI establishes functional unbundling obligations for electricity and gas operators. In particular we can note the obligation to unbundle the communication policy and the brand between sale and distribution companies. It is specified that interfacing with final customers must involve the use of distinct information channels, physical spaces and personnel.

In the Session of 29 September 2015 the Assembly of Chamber of Deputies admitted to examination by the house the amendment to the “Annual law for the market and competition”. The text approved states that after Article 19-*octies* the following Art.19-*nonies* (Urgent measures for assignment in concession of natural gas distribution per municipal territorial areas) is added. This extends the terms pursuant to Article 3, paragraph 1, of the Regulations pursuant to the decree of the Ministry of Economic Development and of the Ministry for Relations with the Regions and Territorial Cohesion No. 226 of 12 November 2011, on non-publication of the call for tenders pursuant to Annex 1 of the said decree. The extensions are respectively of seven months for areas of the first group, of nine months for areas of the second group, of eight months for areas of the third group, of nine months for areas of the fourth group, of seven months for areas of the fifth group, of three months for areas of the sixth group, of two months for areas of the seventh group, in addition to the extensions pursuant to Article 4, paragraph 3, of Italian Law Decree No. 69 of 21 June 2013, converted, with amendments, by Law No. 98 of 9 August 2013, to Article 1, paragraph 16, of Italian Law Decree No. 145 of 23 December 2013, converted, with amendments, by Law No. 9 of 21 February 2014, to Article 30-*bis*, paragraph 2, of Italian Law Decree No. 91 of 24 June, converted, with amendments, by Law No. 116 of 11 August 2014, and Article 3, paragraph 3–*quater* of Italian Law Decree No. 11 of 27 February 2015. The areas pursuant to Article 4, paragraph 3-bis, of Italian Law Decree No. 69 of 21 June 2013, converted, with amendments, by Law No. 98 of 9 August 2013, remain excluded with the exception of those of the first group the terms of which related to non-publication of the call for tenders are extended for a further three months. Paragraphs 4 and 5 of Article 4 of Italian Law Decree No. 69 of 21 June 2013, converted, with amendments, by Law No. 98 of 9 August 2013, are abrogated. In paragraph 2 of the same article the last sentence is replaced by the following one: "When these terms have expired, the Region competent for the area assigns a further five months to comply, after which it begins the tender procedure through the appointment of a commissioner *ad acta*, under the terms of Article 14, paragraph 7, of Italian Legislative Decree No. 164 of 23 May 2000. After two months have passed following the expiry of this term if the competent Region has not proceeded to the appointment of the commissioner *ad acta*, the Ministry of Economic Development, after consulting the Region, intervenes to launch the call for tenders appointing the commissioner *ad acta*".
With the Resolution of 30 July 2015 – 407/2015/R/gas the AEEGSI Ordered “Amendments to the Resolution of 26 June 2014, 310/2014/R/gas on determining the repayment value of natural gas distribution networks”.
In particular these amendments are attributable, on the one hand, to the changes, on the sales of portions of grid by the outgoing to the incoming operator, introduced by Ministerial Decree No. 106 of 20 May 2015 containing an amendment to Italian Decree No. 226 of 12 November 2011, on the other to the introduction of the possibility for the commissioning bodies, following a justified request and in a logic of administrative simplification, to present the data on the VIR and the RAB, needed for assessments of differences by the Authority, with reference to 31 December of year t-2.

Default service
With Resolution ARG/gas 99/11, the Authority had introduced rules for the retail sale of natural gas, with particular reference to the methods of purchase and loss of liability of withdrawals, to rules on non-fulfilment by final customers of their payment obligations (default) to completion of the structure provided for regarding last resort services, regulating the default service (DS), aimed at ensuring the balancing of the distribution network in relation to withdrawals of gas made directly by the final customer (without a supplier), that owns the supply point for which the conditions are not met for the commissioning of a supplier of last resort, or it is, in any case, impossible to commission a supplier of last resort.

With Resolution 352/2012/R/gas, provisions were adopted to complete the regulation of the default service, establishing the remuneration of the distribution company that provides the default service and the entry into force of the regulations governing the remuneration of the default service, fixed starting from 1 January 2013, taking into account Ministerial Decree of 3 August 2012, which aimed at including, under final customers entitled to use a supplier of last resort, also customers that have remained without a supplier based on personal choice and that are owners of supply points that cannot be disconnected.
By means of Judgement No. 3296 of 29/12/2012 of section III of the Lombardy RAC, Resolution 99/11 was deemed illegitimate given that, in breach of the EU and national principle of unbundling, also functional, of distribution activities and gas supply activities, it introduced the default service, making gas distribution companies responsible for it.
The AEEG submitted an appeal with an application for monocratic precautionary measures against the judgement of the Regional Administrative Court. On 28 January 2013 the Council of State upheld the AEEG's appeal on a provisional basis, and suspended the effects of the judgement of the Lombardy Regional Administrative Court, setting the hearing on the merits of the case for 19 February 2013. Following this suspension decision, AEEG saw fit to publish Resolution 25/2013/R/gas on 30 January 2013, "Urgent provisions, in implementation of the monocratic decrees of the Council of State on 28 January 2013, concerning the default service on natural gas distribution networks".
Given the establishment of a technical round table with the AEEG, adjournment of discussion of the appeal was requested in order to be able to continue the work of the round table commenced with operators in the meantime.
The Council of State then adjourned discussion of the precautionary suspension application to the hearing in Chambers of 9 July 2013.
At the hearing of 9 July 2013 the Council of State set the date of the hearing for discussion of the merits of the appeals filed by the AEEG against the Milan Regional Administrative Court judgements of December 2012 as 4 March 2014.
On 21 November 2013 the AEEG adopted another resolution, 533/2013/R/GAS, on regulations for default. On 21 January 2014 an appeal was filed based on additional grounds for its cancellation.

Subsequently the following resolutions were issued:

- on 6 June 2013 Resolution 241/2013/R/gas "Reform of the rules on the distribution default service, following the declared impossibility to perform all the activities pursuant to the TIVG, as regards the balancing of direct withdrawals";
- on 27 February 2014 Resolution 84/2014/R/gas "Rules on default and last resort services, amendments and additions to the TIMG and TIVG;
- on 29 May 2014 Resolution 246/2014/R/gas "measurement of natural gas withdrawn at redelivery points to which the distribution default service is provided following failure to physically disconnect".

With a judgement filed on 12.6.2014, the Council of State accepted the appeal lodged by the AEEG against the judgements with which the Milan Regional Administrative Court, in December 2012, had ruled that Resolution 99/11 was unlawful ordering it to be cancelled.
Very briefly the Council of State, following the AEEGSI's pleadings, decided that the default service is associated with the balancing service and that the same cannot be considered sales activity but, rather, as ex post settlement activity of the objective debt relationships created following withdrawals made by customers that have remained connected to the distribution network.
This was also considering the fact that the typical risk of sales activity, since the default of the final customer served is almost fully socialised and made chargeable to the community.

With Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority approved the criteria and methods for identifying last resort suppliers (LRSs) and distribution default service suppliers (DDSs) with reference to the period 1 October 2014 – 31 September 2016.
In addition with the same Resolution No. 418/2014/R/GAS of 7 August 2014, the Authority amended, among other things, paragraph 30.4 of the TIIVG establishing that "in cases in which the tender procedure (chosen by the DDS) does not make it possible to identify a DDS, or in cases of non-performance of the (default) service by the selected supplier the distribution companies which perform the service in areas where it should have been performed by the supplier are responsible for the activity of economic settlement of the physical gas items attributable to direct withdrawals made by the final customer.

AEEGSI Resolution No. 258/2015/R/com of 29 May provides for “first actions on default in the electricity and natural gas retail markets and revision of switching times in the natural gas sector”.
In particular the documentation transmission procedure between vendor and distributor in order to facilitate legal initiatives was implemented.
It should be noted that the resolution in a ”recital” qualifies as an obligation of result - on the distribution company - the physical disconnection of the redelivery point. The resolution in question was challenged with an appeal for additional reasons.

Electricity distribution

Italian Legislative Decree No. 79 of 16 March 1999 (the “Bersani Decree”) established a general regulatory framework for the Italian electricity market which gradually introduced competition in the production of electricity and sale to eligible customers, against the retention of a regulated monopoly arrangement for transmission and distribution.
Specifically, the Bersani Decree:

- deregulated production, imports, exports, purchases and sales of electricity from 1 January 2003, provided that no company is authorised to produce or to directly or indirectly import more than 50% of the total electricity generated or imported into Italy, with a view to increasing market competition in the production of electricity;
- envisaged the establishment of the Single Buyer, which is in charge of signing and managing supply contracts, with a view to guaranteeing the necessary generation capacity and continuous supply of electricity, the safety and efficiency of the entire system and equal treatment in terms of tariffs;
- envisaged the setup of the "Power Exchange", a virtual marketplace in which producers, importers, wholesalers, distributors, the national grid operator, the Single Buyer and other free market operators can buy and sell electricity a set prices through a tender procedure;
- envisaged the creation of an entity to manage the Power Exchange (i.e. the Electricity Market Operator or Market Operator) and assigned transmission and dispatch activities under concession to the national transmission network operator (Terna); electricity distribution activities are performed under concession granted by the Ministry for Economic Development.

Italian Law No. 290 of 27 October 2003 established the re-unification of ownership and management of the transmission network.
Measures were adopted in 2007 to guarantee unbundling.

Tariff structure for transmission, distribution and metering
The AEEG established a tariff regime that came into force on 1 January 2000. This system replaced the "cost plus" one with a new "price cap" mechanism, which provides for a limit on annual tariff increases corresponding to the difference between the inflation rate and the increase in productivity achievable by the service supplier, together with further factors, such as improving quality. According to the price cap method, tariffs should reduce by a fixed percentage each year in order to encourage regulated operators to improve efficiency and gradually pass on their savings to the end user.

In the fourth regulatory period (2012-2015), provisions are in force that regulate the main electricity distribution activities, which apply to a market that is now fully deregulated.
These activities are:

1) transmission, distribution and metering service tariffs (Resolution ARG/elt 199/11)
2) social tariff (Resolution 402/2013/R/com which replaced from 1 January 2014 Resolution ARG/elt 117/08)
3) quality of service (Resolution ARG/elt 198/11)
4) default (Resolution ARG/elt 4/08)
5) switching (Resolution ARG/elt 42/08)
6) regulation of physical and economic items of the settlement dispatching service (Resolution ARG/elt 107/09)
7) unbundling (Resolution ARG/elt 11/07)
8) indemnity system (Resolution ARG/elt 191/09).

As regards point 1), the mechanism of the average national tariff supplemented by adjustments (general and company-specific) is replaced by a single tariff for each distributor.

As regards point 2), in order to protect domestic customers in situations of difficulty (economic and physical), the electrical bonus rules are simplified and certain critical points removed.

On point 3), Resolution 198/2011 (TIQE - integrated code on electricity quality) regulates the commercial and technical quality for 2012-2015.
The “rapid quote” mechanism came into force in 2013 together with new indicators for the replacement of faulty meters and for restoration of the correct value.

With regard to point 4), the system defined by Resolution 4/08 continues to apply:
a) protection of the receivables of vendors and safeguards for providers;
b) definition of specific regulations for managing suspension of supply in the event of default of final customers, connected to the low voltage network, and not equipped with electronic meters, making provision for disclosure obligations for distributors.

On point 5), Resolution 42/08 regulated the dispatching, transport and metering of electricity in the event of a change of vendor at the same active supply point, or assignment of a new or previously deactivated supply point to a vendor (switching).

As regards point 6), Annex A to Resolution ARG/elt 107/09 summarises in a single document (the Integrated Code on Settlements - TIS) all provisions regarding settlement, i.e. the settlement of the physical and economic items of dispatching (monthly settlement, annual adjustments, metering corrections, etc.) in order to obtain:
a) the correct accounting and economic valuation of energy withdrawn by each dispatching user;
b) containment of the economic and administrative impact for dispatching users due to adjustments of measurements;
c) accounting and administrative simplification for Terna and the distributors.

As regards point 7), the “Integrated code of provisions of the Italian Authority for electricity and gas concerning administrative and accounting unbundling obligations for companies operating in the electricity and gas sectors and the associated publication and communication obligations (Integrated Code or TIU - Integrated Code on Unbundling) established the obligation of functional unbundling for vertically integrated companies - i.e. the company or Group of companies that, in the electricity or gas sector, performs at least one activity under a concession agreement (e.g. the electricity distribution and/or gas) and at least one deregulated activity (e.g. the sale of electricity and/or gas) - essentially acknowledging the content of EU directives 2003/54/EC (for the electricity sector) and 2003/55/EC (for the gas sector).
The objective is to promote competition, efficiency and adequate levels of quality in the provision of services:
a) ensuring the neutrality of management of essential infrastructures for the development of a competitive market;
b) preventing discrimination between market operators regarding access to sensitive information and the use of infrastructures;
c) separating activities carried out in a competitive scenario from regulated activities (management of infrastructures), avoiding the cross transfer of resources and costs.

As regards functional unbundling, first and foremost, within the domain of a vertically integrated company, each regulated activity must be assigned to an Independent Operator, that must manage it with decision-making and organisational autonomy, pursuing objectives of efficiency, cost-effectiveness, neutrality and non-discrimination.
The Independent Operator nominates a Guarantor for the correct management of commercially sensitive information (Data Guarantor), which monitors the proper management of information (intended as commercially sensitive information, i.e. relevant for market competition).
In order to achieve these objectives the Independent Operator is equipped with a plan of obligations, a document containing a series of organisational and managerial measures whose minimum requirements are set by the Authority.
Furthermore, on an annual basis, the Independent Operator drafts an Annual Report on the Measures Adopted and sends it to the Authority.

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

As regards point 8), Resolution ARG/elt 191/09 defined the "Indemnity System", which guarantees compensation to the outgoing vendor in the event of the non-collection of amounts due for the invoices issued in the last few months of supply, before the effective date of switching for the service provided.
The subsequent Resolution ARG/elt 219/10 issues the rules for operation of the Indemnity System.
This system allows all vendors to claim compensation on the end customer, regardless of the change of vendor requested by said end customer.

Major hydroelectric shunt concessions

Constitutional Court Judgement No. 205 of 4 July 2011 pronounced the unconstitutionality of the provisions of Italian Law Decree No. 78 of 31 May 2010, converted to Italian Law No. 122 of 30 July 2010, which extended major water shunting concessions for the production of electricity by five years, with the option of extension by a further seven years if a combined private/public company was established by certain provinces.
As a result of the declaration of constitutional illegitimacy, the concessions expiring on 31 December 2010 are subject to continued management by the operator until takeover by the new operator, which must be chosen through a public tender.
The duration of future concessions, to be issued following a tender process, will vary between twenty and thirty years, in accordance with criteria to be established in an interministerial decree in the process of being issued in agreement with the State-Regions Conference, in relation to the investments deemed necessary. The choice of the best bid for assignment of the concession will be based predominantly on the economic bid for the acquisition of water resources and on the increase in energy produced or installed power. For concessions already expired or those due to expire by 2017, the tender will be called within two years from the date of entry into force of the interministerial decree that will establish the criteria and the new concession will take effect from the fifth year after the original expiry and, in any case, no later than 31 December 2017. Ownership of the business unit relating to the exercise of the concession is transferred from the outgoing to the incoming concession holder, including all pertinent legal relations.
In September 2013 the European Commission began a fact-finding inquiry, concerning several member states, on the conditions for assigning, extending or renewing water concessions for hydroelectric use and sent the Italian Government a letter of formal notice which states that certain provisions recently introduced by the Italian parliament (with Italian Law 134/2012, converting the Italian "Development" Law Decree 83/2012), as well as certain parts of the legislation of the Autonomous Provinces of Trento and Bolzano are contrary to principles and rules of community law (freedom of establishment; Art. 12 of the "Bolkestein" Directive 2006/123/EC) . The Italian Government's reply to the European Commission's objections is being prepared.

The Decree of the President of the Piedmont Regional Executive No. 2/R of 9 March 2015 approved the new regional regulation on public water shunting concessions which changes the rules on proceedings for issuing concessions for which the Province or the metropolitan City is responsible and introduces the possibility of overcoming the "*presumption of incompatibility owing to proximity*" producing specific documentation.

Integrated Water Service

The integrated water service reform process, which began with Italian Law No. 36/94 (the Galli Law), was revised with the approval of Italian Legislative Decree No. 152 of 3 April 2006, as amended by Italian Legislative Decree No. 219 of 10 December 2010.
Regulation of the integrated water service management is based on the following principles:

- establishment of an integrated system for management of the entire water cycle;
- identification by Regional Governments of Optimal Territorial Areas [“Ambiti Territoriali Ottimali” - ATOs], within which the integrated water services are to be managed. Each ATO is responsible for: (a) organising the integrated water service, through a plan which has to define the investment and management policies (the Area Plan), (b) identifying an operator for the integrated water service, (c) determining the tariffs applied to users, (d) monitoring and supervising the service and the activities conducted by the operator to guarantee correct application of the tariffs and achievement of the objectives and quality levels established in the Area Plan;
- organisation of the integrated water service is based on a clear segregation of duties between the various governing bodies. The state and regional authorities carry out the general planning, while the local authorities supervise, organise and control the integrated water services system.

Italian Law No. 42 of 2010 ordered the suppression of the Optimal Territorial Area Authorities when a year had passed from entry into force of this law; this term was extended to 31 December 2012.
The integrated water service is also governed by Regional Laws 25/1999 and 10/2008 for the Emilia Romagna region.
As regards rules on the subject of ATOs (Optimal Territorial Areas), the Emilia Romagna Region with Regional Law No. 23 of 23-12-2011 set forth the “Rules for the territorial organisation of the functions related to local public environmental services”, which lays down the rules relating to regulation of public environmental services and in particular to the territorial organisation of the integrated water service and the integrated urban waste management service in Emilia-Romagna, and states that on the basis of the principles of subsidiarity, differentiation and adequacy, the entire regional territory constitutes the optimal territorial area in accordance with Articles 147 and *200 of Italian Legislative Decree No. 152 of 2006*.

The Liguria Region, with Law No. 1 of 24 February 2014, attributed the functions on the subject of organisation and management of the Integrated Water Service and Integrated Waste Management.
As regards the IWS, the Law identified 5 ATOs:

- ATO West – Province of Imperia;
- ATO Centre/West 1 - Province of Savona;
- ATO Centre/West 2 - Province of Savona;
- ATO Centre/East – Province of Genoa;
- ATO East – Province of La Spezia.

The Law (Article 10) extended the option for autonomous management of the IWS to Municipalities with a population of up to 3,000 inhabitants. This provision was challenged by the Government (raising a question of unconstitutionality) as it clashes with the rules (Art. 148, 5th paragraph of Italian Legislative Decree 152/2006 - Consolidated Law on the Environment), which limit this option to Municipalities with a population of up to 1,000 inhabitants.
With Judgement No. 31 of 10 February 2015 the Constitutional Court declared unconstitutional Article 10 paragraph 1 of Liguria Regional Law No. 1/2014.

The Integrated Water Services segment was also affected by the Referendum held on 12 and 13 June 2011, the result of which partially repealed Article 154 paragraph 1 (integrated water service tariff) of Italian Legislative Decree No. 152 of 13 April 2006 “Determination of the tariff for the integrated water service” only insofar as the portion envisaging that this should be “based on adequate remuneration of invested capital”.
This repeal does not produce direct and immediate effects on the current tariffs, but is limited to changing the criteria to be adopted by the competent Authority in preparing the “Tariff Method”, as now defined in the Ministerial Decree of 1 August 1996.
The Constitutional Court clarified that given the outcome of the Referendum the Regional Governments must identify the entity to replace the ATOs. This entity shall be responsible for assigning management of the water services in compliance with European principles on public tender procedures.
The functions concerning the regulation and control of water services were transferred to the Italian Authority for Electricity, Gas and Water services.

The Authority required a tariff structure by operator/area similar to the pre-existing one to be maintained during the temporary phase.
On 25 June 2013 (Resolution 273/2013), the AEEGSI approved a specific provision defining the criteria for calculating the amounts to be repaid to end users, corresponding to the return on invested capital and paid in the water bills in the post-referendum period from 21 July until 31 December 2011.
The decision made by the Authority is censurable from various points of view, in particular the fact that it conflicts with EU rulings that envisage coverage of this cost item. Instead, the Authority appears to have eliminated the return on invested capital from the tariff without envisaging any alternative means of covering the financial expense. The Lombardy Regional Administrative Court, with a judgement dated 20 February 2014, accepted the arguments of the appellants (including IREN Acqua Gas) ruling that AEEGSI Resolution No. 273/2013 should be cancelled for the reasons maintained by the same. With Resolution No. 643 of 27 December 2013 the AEEG approved the "Water Tariff Method and completion rules" (MTI), containing the methods and parameters for calculating the costs (OPEX and CAPEX) that must provide adequate remuneration through the tariff applied to water service users.
The rules of this Resolution are applicable from financial year 2014 onwards.
By 31 March 2014, the entity with responsibility for the Territorial Areas must:

- define the objectives and (on the Operator's proposal) prepare the Plan of Action;
- prepare the tariff for 2014 and 2015;
- prepare the Economic and Financial Plan (covering the duration of the assignment), which must ensure that operational balance is achieved by the Operator;
- submit these calculations to the AEEG for final approval.

Italian Law Decree 133 /2014 of 12 September 2014 known as the "Unblock Italy" Decree (Art. 7) introduced a number of changes to the rules of the IWS contained in the Consolidated Law on the Environment (Italian Legislative Decree No. 152/2006).
In brief it is established that:

- the Regions (if they have not already done so) must identify the governing entities of the area by 31 December 2014 - otherwise the government's substitutive powers would apply;
- the local authorities must take part in the governing entity of the area (which replaces the Area Authority) - failure to join the governing bodies of the area is sanctioned with exercise of the substitutive powers by the President of the Region;
- the concept of single management of the IWS is introduced;
- the governing entities of the area (if they have not already done so) must choose the form of management of the IWS and begin the assignment procedures within the term of 30 September 2015;
- the relationship between the governing entity of the area and the operator is regulated by an agreement prepared on the basis of a standard agreement prepared by the AEEGSI - the existing agreements are supplemented in accordance with the provisions of the said agreements, with the methods established by the AEEGSI;
- the new operator must pay the outgoing operator an amount to reimburse the investments made, determined according to criteria defined by the AEEGSI;
- in the event of early termination of the assignments, the outgoing operator is owed an indemnity as a refund of the investments made (not depreciated) and for loss of earnings (10% of the service still to be provided assessed on the basis of the economic-financial plan), with a reference to the rules of the Contracts Code;
- the definitive project of the works and actions provided for in the Investment Plan included in the Area Plans (and the related substantial changes) must be approved by the governing entities of the area - approval of the projects entails the declaration of public utility and constitutes authorisation and/or variant to the town and territorial planning instruments - the governing entity of the area convenes the conference of services and constitutes the expropriating authority (a role which may be delegated to the operator);
- in order to ensure observance of the principle of single management, the IWS operator takes over from the other entities operating in the same area with effect from entry into force of the law, but if these entities manage the service on the basis of an assignment granted in accordance with the *pro-tempore* current law, the takeover will occur at the expiry of the assignment.

Finally the AEEGSI adopted, among other things, the following resolutions of interest to the Group:

- Resolution No. 6/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the water tariff method for the second regulatory period with reunification of the proceeding pursuant to Resolution 374/2014/R/IDR and identification of a single term for completion of the proceeding.
- Resolution No. 8/2015/R/IDR of 15 January 2015 regarding the launch of a proceeding for defining the criteria for structuring the tariffs applied to users of the water services.
- Resolution No. 83/2015/A of 5 March 2015 regarding the establishment and operation of the Permanent Observatory on regulations covering energy, water and district heating;
- Resolution No. 107/2015/R/IDR of 12 March 2015 containing the list of managements excluded owing to failure to deliver the plants from the tariff update for the first regulatory period 2012-2015. The list also includes the Group's associates AMAT of Imperia and AIGA of Ventimiglia. These Companies have presented to the AEEGSI a plea for a revision of the decision and are preparing an appeal to the RAC in the event of a negative reply or no reply within the terms for proceeding with an appeal.
- Resolution No. 122/2015/R/IDR of 19 March 2015 regarding the launch of a proceeding for the creation of solidaristic economic and financial equalisation systems covering the tariffs of the integrated water service also on the national scale.

We can note the consultation document 274/2015/R/IDR of 4 June 2015 of the AEEGSI containing “Criteria for preparing one or more model agreements for management integrated water service” and the consultation document 273/2015/R/IDR of 4 June 2015 of the same Authority, containing “Regulation of the contractual quality of the integrated water service or of each of the single services that make it up”. Both texts govern the actions on the subjects of launching and managing the contractual relationship and obligations of recording contractual quality data.

It is worth noting the judgement of the Council of State, Section V, No. 3236 of 26 June 2015 which ruled that Municipalities have no legitimate competence in management of the integrated water service, already devolved to the old optimal territorial area authorities (ATOs), today replaced by the area governing bodies, as organisational structures having a distinct legal subjectivity, in the light of the constant administrative and constitutional jurisprudence. This was established by the Council of State, rejecting the appeal lodged by a Municipality at the Lazio Regional Administrative Court (henceforth RAC), to challenge the silence/non-fulfilment in relation to its request to adopt a measure necessary to ensure immediate payment to the Municipality of the compensation for use of certain water springs, as well as the adoption of the measures indispensable to conclude the proceeding for renewal of the concession for use.
In challenging the lack of active legitimation of the Local Authority in the proceeding, as the case in question involved a matter devolved to the competence and responsibility in the regulation of interference of the ATOs, the Council of State affirmed that these latter are the only subjects holding the power of representation, also in relation to all the subjects that obligatorily are part of the said Area Authority.

On 30 September 2015 the Province of Savona approved Resolution No. 70/2015, with which it approved the Plans of the 3 sub-areas and defined the subjects to which they were to be assigned through an in-house procedure (and therefore excluding Acquedotto di Savona, the Savona water company). The Resolution is being appealed

Waste Management Service

Integrated Waste Management is understood as all the activities of transportation, treatment and disposal of waste, including street sweeping and the management of these operations.
The legislation of a general nature applicable to the Integrated Waste Management Services sector is contained at national level in the Environmental Code (Italian Legislative Decree 152/2006 amended most recently by Italian Legislative Decree N° 145 of 18.8.2015), in Italian Legislative Decree 36/2003 (landfills), in Italian Legislative Decree 133/2005 (incineration and co-incineration), in Presidential Decree No. 59 of

13 March 2013 (Single Environmental Authorisation), and at the regional level by Emilia Romagna Regional Laws No. 25/99, No. 10/2008 and No. 23/2011 and by the very recent Law N° 16 of 29.9.2015.
Given that the Territorial Area Authorities ceased to exist on 31 December 2012, the Emilia Romagna Region set up the Territorial Agency of Emilia Romagna (ATERSIR), according to the aforementioned law, for water and waste services in which all the Municipalities and provinces take part and which is responsible for the regulation functions for the entire regional territory, and determination of the urban waste disposal tariffs on the basis of the regional criteria, of the private and public plant engineering. This agency became operational in 2012.
The Piedmont Region adopted the Regional Waste Management Plan on 30/09/2009, completing a process launched in 2007. The Plan has a 2009 – 2015 time horizon.
At the same time as adopting the Plan, the establishment of 3 Optimal Territorial Areas, combining the 8 previous areas divided by Province, was provided for.
Regional Law 7/2012 further modified the structure of the Areas, providing for their division into 4. The 4 current Areas are made up as follows:
a) Area 1: Novarese, Vercellese, Biellese and Verbano, Cusio, Ossola;
b) Area 2: Astigiano and Alessandrino;
c) Area 3: Cuneese;
d) Area 4: Turinese.
The ATOs have a role of planning the activities and applying the provisions of the Regional Waste Management Plan, and planning the flows and disposal tariffs.
In turn the ATOs are divided into Catchment Area Consortia which have a significant role at the management level.

We can also note that the SISTRI system came into force on 1 October 2013 for hazardous special waste operators and from 3 March 2014 for initial producers of hazardous special waste. The SISTRI sanctions, exclusively related to failure to register or pay the annual contribution, apply starting from 1 April 2015 (following Italian Law 11/2015 converting the “Thousand Extensions Decree ” Italian Law Decree No. 192 of 31 December 2014). The SISTRI sanctions for all the other breaches apply from 1 January 2016.

The “Unblock Italy” Decree converted by Italian Law 164/2014 states that within ninety days from entry into force of the conversion law (10 February 2015) the Prime Minister must identify with his or her decree energy recovery and urban and special waste disposal plants, existing or to be built, to create an integrated and modern management system for such waste capable of achieving national security in self-sufficiency and superseding the infringement proceedings for failure to implement the European laws on the sector. For this purpose he or she must consult the Permanent Conference. The Prime Minister must carry out the check with regard to: a) the total processing capacity at the national level of urban and similar waste by the incinerator plants in operation or authorised at the national level; b) the incinerator plants with energy recovery to be created to cover the residual need (for the purpose of gradual socio-economic rebalancing). The Ministerial Decree implementing “Unblock Italy” is still being prepared, and we are awaiting its approval and consequent publication so that it can be considered effective. This past 29 July the Regions received the draft legislative decree which would provide for the authorisation of 12 new incinerators in ten Regions, including Piedmont and Liguria.

The Stability Law for 2015 (Italian Law No. 190 of 23 December 2014) in paragraph 615 of Art. 1 replaced the second sentence of Art. 149-*bis* of Italian Legislative Decree No. 152/2006 establishing that direct assignment of the service can be made to entirely publicly-owned companies, in possession of the requisites prescribed by the European legislation for in-house management, in any case invested in by local authorities located in the optimal territorial area.
All "energy recovery" (no longer "thermo-treatment") plants, both existing and to be built, must be authorised to saturation of the thermal load, but only in the event of a positive environmental compatibility assessment of the plant in operating mode (including observance of Italian Legislative Decree 155/2010 on air quality).

The plants in question must give priority to urban waste produced in the regional territory (and to those of other Regions, only for the availability remaining after the regional needs are met).
If these plants receive urban waste from other Regions, the operators of the plants must pay the Region a new contribution (max Euro 20 euro per tonne) destined to finance a fund used to prevent waste, provide

incentives for Separate Collection, for reclamation work and to limit tariffs. The law establishes that the expenses of this contribution "*may not be transferred into tariffs, charged to citizens*".

Only hazardous special waste with infection risk remains permitted, "*in a complementary manner*" and observing the principle of proximity, on condition that the plant is fitted with a dedicated loading system that "excludes also all contact between the personnel involved and the waste" (to this end the Integrated Environmental Authorisations are made compliant).

The reduction to a half of the terms for expropriation procedures was confirmed (for proceedings in progress, the remaining terms are reduced to 1/4). The reduction to a half of the terms envisaged for the Environmental Impact Assessment and the IEA was not confirmed, but the new law establishes that the terms set by law for these procedures "must be considered peremptory". The Prime Minister must carry out a study of the existing offer of plants also as regards recovery of the organic fraction, divided into Regions. Until the plants in question are built, the Regions may authorise, where technically possible, an increase of up to 10% of the capacity of such plants to encourage the recovery and production of high-quality compost.

Article 182 of the "Environmental Code" was amended, providing for the exclusion from the prohibition on extra-regional disposal of non-hazardous urban waste that the President of the Region considers necessary to send for disposal out of the Region "*to deal with emergency situations caused by natural calamities for which a state of emergency is declared*".

In January Ministerial Decree No. 272 of 13 November 2014 came into force. This makes known the methods for preparing the reference report when an IEA is requested or renewed. The managers of companies that run a plant subject to IEA, if the activity entails the use, production or discharge of hazardous substances, must in fact present a report containing information on the quality of the soil and underground waters, indicating the hazardous substances. It follows that, if an IEA procedure is pending, it will be necessary to supplement the application with the reference report, which enable also a comparison on the state of Contamination of soil and waters at the moment of definitive cessation of the activity, so as to permit an assessment on any obligations to reclaim.

The “Thousand Extensions Decree” (Italian Law Decree No. 192 of 31 December 2014, converted into Law No. 11 of 27 February 2015) moves to 30 June 2015 the term of the prohibition on conferring to landfills waste with LCV (Lower Calorific Value) of more than 13,000 Kj/kg.

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

Regulation (EU) No. 1357/2014 of the European Commission came into force on 1 June 2015; this innovates the hazardous waste classification system. The Regulation replaces Annex III of Directive 2008/98/EC, and consequently the entire Annex I to Part IV of Italian Legislative Decree No. 152/2006.

On 1 June 2015 the Decision of the European Commission 2014/955/EC came into force. This introduces a new European List of Waste that modifies Decision 2000/532/EC, transposed at the national level by Annex D of part IV of Italian Legislative Decree 152/06.

Italian Law 68/2015 of 22 May 2015 “Rules on the subject of crimes against the environment” has been in force since 29 May. This introduces into the criminal code five new crimes against the environment, namely environmental pollution, environmental disaster, trafficking and abandoning highly radioactive material, impeding controls and failure to reclaim. The law in question also contains amendments to Italian Legislative Decree No. 231/2001, in particular to Art. 25-*undecies*, containing the predicate of environmental crimes. In its Report No. III/04/2015 of 29 May 2015 the Information Office [Ufficio del Massimario] of the Court of Cassation specified, with reference to Italian Law 68/2015, that the “abusive” situation is not created only by cases involving lack of authorisation, but also by cases in which the authorisations have expired.

On 17 June 2015 the Ministry of the Environment published Circular No. 12422, containing “Further criteria on the methods of applying the rules on integrated prevention and reduction of pollution in the light of the amendments introduced by Italian Legislative Decree No. 46 of 4 March 2014”.

The Prime Ministerial Decree of 27 March 2015 establishes the methodological notes and standard needs for Municipalities of ordinary-statute Regions in the fields of roads, transport, management of the territory and the environment (including waste).

It is worth noting Italian Legislative Decree No. 105 of 26 June 2015, containing "*Implementation of Directive 2012/18/EU relating to control of the danger of significant incidents connected with hazardous substances*", transposing the *Seveso ter* Directive*,* which came into force this past July.

We can note that Italian Law Decree No. 92 of 4 July 2015 known as the "Save Companies" Decree, containing "Urgent measures on the subject of waste and integrated environmental authorisations, and for exercising the business of industrial facilities of national strategic interest", was not converted into law "as the acts and measures adopted, the effects produced and the legal relationships that have arisen all remain valid".

In September the Ministerial Decree of 24 June 2015 came into force. This contains "Amendments to the Ministerial Decree of 27 September 2010, related to definition of the criteria of admissibility of waste in landfills" . The significant amendments regard in particular Arts 3, 5, 6, 7, 8 and the entire Annex 3, on the Sampling and analysis of waste.

In August the following Laws came into force:

- Italian Law 114/2015, known as the "2014 European delegation law" with which the Government was delegated to adopt the legislative decrees to implement a series of European Directives concerning various subjects, including the environment.
- Italian Law 115/2015, known as the "European Law", of which Chapter VIII (Arts 21-24) contains specific rules on the subject of the environment.
- Italian Law 124/2015, known as the "P.A. Reform" law containing a number of rules on the subject of the environment.
- Italian Law 125/2015, converting Italian Law Decree 78/2015 known as the "Territorial Bodies" Decree, containing several provisions on the subject of waste, TARI and TARES.

Tariff system for waste management services

The 2014 Stability Law established from 1 January 2014 the IUC tax (Imposta Unica Comunale - single municipal tax) comprising: a municipal tax of a capital nature (IMU), a component referring to "indivisible" services (TASI) and the waste tax (TARI) destined to finance the cost of the urban waste collection and disposal service.
The prerequisite for the TARI tax is the ownership or possession of properties susceptible to producing waste and commensurate with the floor surface area of the property. The rates can be reviewed by the municipalities on the basis of service quality standards.
The possibility is reconfirmed for Municipalities to assign the ascertainment and collection, as an exception to Article 52 of Italian Legislative Decree No. 446 of 15 December 1997, to entities that at the date of 30 December 2013 "performed the service of waste management or TARES ascertainment and collection".

Italian Law Decree No. 78 of 19 June 2015, Urgent provisions on territorial entities, was published in the O.J. on 19 June 2015. In particular, among the rules laid down by the Law Decree we can note Art. 7, paragraphs 4 (on extension also to the TARES of the option to entrust controls to the operator of the waste service), 7 (extension of terms on local collection at 31 December 2015), 8 (extension to the consortia of the fiscal benefits already provided for in the case of winding-up of municipal companies) and 9 which adds to Italian Law No. 147 of 27 December 2013 (2014 Stability Law) paragraph 654-*bis*, which states that any lack of revenue from receivables that turn out to be unenforceable, with reference to the environmental health tariff, the integrated environmental tariff, and the municipal tax on waste and services (TARES) should also be considered among the cost components of the TARI .

District Heating Service

With Resolution 411/2014/R/com of 7 August 2014, the Authority for Electricity, Gas and Water Services (AEEGSI) approved the procedure for adopting the measures on the subject of regulation and control in the sector of district heating and district cooling, for the purpose of implementing the provisions of Italian

Legislative Decree No. 102 of 4 July 2014, which transposed Directive 2012/27/EU on energy efficiency, that is (Art. 10, paragraph 17): "*The Authority […], with one or more measures to be adopted within twenty-four months from the date on which the present decree comes into force and on the bases of guidance formulated by the Ministry of Economic Development, in order to promote the development of district heating and district cooling and of competition:*
a) defines the standards of continuity, quality and security of the district heating and district cooling service, including plants supplying heat and the related accounting systems […];
b) establishes the criteria for determining the tariffs and connection of users to the district heating network and the methods for exercising the right to disconnect;
c) subject to the provisions in letter e), identifies methods with which the network operators make public the prices for supplying heat, connection and disconnection, the ancillary equipment, for the purpose of cost-benefit analyses on the diffusion of district heating made under the terms of the present Article;
d) identifies reference conditions for connection to the district heating and district cooling networks, in order to encourage the integration of new heat generation units and the recovery of the useful heat available in the local area, in coordination with the measures defined to implement paragraph 5 for exploitation of the economically exploitable potential;
e) establishes the heat sale tariffs, exclusively in cases of new district heating networks if there is an obligation to connect to the district heating network, imposed by Municipalities or Regions."

Again in Resolution 411, the AEEGSI set up an interdepartmental Work Group with the task of performing a first reconnaissance on the actual situation of the sector in question.

Following the reconnaissance made by the Workgroup and taking into account the observations received from the operators in the sector, with Resolution No. 19/2015/R/tlr, the AEEGSI defined the priorities to take into consideration in order to regulate the new sector of district heating, in keeping with the results of the fact-finding investigation carried out.

Energy efficiency

Italian Legislative Decree 102/2014 transposed the New European Directive on Energy Efficiency 2012/27. The decree:

- establishes a framework of measures for the promotion and improvement of energy efficiency which combines to achieve the national energy saving target;
- lays down rules aimed at removing obstacles on the energy market and at overcoming market shortcomings that hold back efficiency in the supply and final uses of energy.

The following articles are particularly significant:

- Article 5. Improvement of the energy performance of properties belonging to the Government (starting from 2014 and up to 2020, energy requalification work will be done on buildings owned by the central Government and occupied by it for at least 3 per cent annually of the usable covered area air conditioned, with Euro 30 million of dedicated financing in the period 2014-2020);
- Article 8. Energy diagnosis and energy management systems (Obligation for large companies to carry out energy diagnosis at sites located in Italy by 5 December 2015 and subsequently every 4 years);
- Article 9. Measurement and invoicing of energy consumption (the AEEGSI will, among other things, have to define the criteria concerning the technical and economic feasibility of supplying individual meters for electricity, gas and district heating users and identify the methods with which the measurement operators provide to final customers "intelligent" individual meters);
- Article 10. Promoting efficiency for heating and cooling (see on this point the paragraph "District Heating Service");
- Article 11. Energy transformation, transmission and distribution (aimed at maximising the energy efficiency of energy transformation, transmission and distribution);
- Article 12. Availability of qualification, accreditation and certification systems (UNI-CEI, in collaboration with CTI and ENEA, prepares technical standards on the subject of energy diagnosis for the residential, industrial, tertiary and transport sectors).

With a communication of 1 July 2015 the Ministry of Economic Development made known that three decrees will soon be published in the Official Journal implementing European directives on the subject of energy efficiency in buildings which come into force on 1 October 2015 and which will define:

- adjustment of the national guidelines for the energy certification of the buildings;
- the methods for compiling the technical project report, for the purposes of applying the prescriptions and minimum energy performance requirements in buildings;
- the methods for calculating energy performance and defining the prescriptions and minimum requirements of buildings.

The first decree will be aimed at defining the new methods for calculating energy performance and the new minimum efficiency requirements for new buildings and those being restored.
The second decree will adjust the formats of the technical project report to the new legislative framework, according to the different types of works: new constructions, significant restorations, energy requalifications.
The third decree will update the guidelines for the certification of the energy performance of buildings (APE). The new APE model will be valid over the whole country and, together with a new scheme commercial announcement model the national energy certificates database (SIAPE), will offer more information on the efficiency of buildings and systems, enabling easier comparison of the energy quality of different property units and orienting the market towards buildings with better energy quality. With the issue of these measures, starting from 1 January 2021 new buildings and those being significantly restored must be built in such a way as to reduce energy consumption to a minimum covering them mostly with the use of renewable sources. For public buildings this deadline will be brought forward to 1 January 2019.
On 15 July 2015 the Ministerial Decree of 26 June 2015, containing national guidelines for the energy certification of the buildings, was published in the EU Official Journal;

APEE 2014

In June 2014 the APEE (Action Plan for Energy Efficiency) 2014 was approved definitively by the Cabinet, after public consultation. The document, prepared by the ENEA, contains the energy efficiency targets set by Italy to 2020 and the policies activated to achieve them. In particular the Plan proposes to strengthen the already existing measures and instruments and to introduce new mechanisms to overcome the difficulties encountered in certain sectors. Specific attention is paid to describing the new measures introduced with Italian Legislative Decree 102/2014 which transposed Directive 2012/27/EU.
Compared with the APEE 2011 and with the figures up to 2012, up to now the targets for 2016 have been 58.6% achieved.

Green Certificates, Renewable Electricity Source Incentives, Energy Efficiency Certificates and the ETS

Green certificates
On the basis of Art. 11 of Italian Legislative Decree 79/99, producers and importers of electricity generated from non-renewable sources must introduce electricity produced from renewable sources into the network, equal to a portion of the electricity produced from non-renewable and non-cogeneration sources. The mandatory portion, initially set at 2%, in the period 2004-2006 was increased each year by 0.35 percentage points, whereas the annual increase for the period 2007-2012 was established as 0.75% by the 2008 Budget Law.
The obligation may also be fulfilled by purchase on the market and subsequent return to the GSE for cancellation of a corresponding quantity of green certificates; these certificates are attributed to electricity producers on the basis of the electricity production from plants powered by renewable sources which came into operation or were repowered after 1 April 1999 and classified as PPRSs (plants powered by renewable sources) by the GSE.
The eligible period for obtaining recognition of green certificates, initially 8 years, was later extended to 12 years.

The 2008 Budget Law amended the regulation on green certificates, and the term of the recognition period for plants started up after 31 December 2007 was extended to 15 years. Differentiated rates were introduced according to the sources.
The Authority for Electricity and Gas identified 6 June 2013 as the end date for reaching the provisional cumulative annual cost of Euro 6.7 billion for photovoltaic incentives. Therefore, starting from 6 July 2013 the photovoltaic incentive provisions came to an end.
Italian Legislative Decree No. 28 of 3 March 2011, "implementing Directive 2009/28/EC on promoting use of energy from renewable sources, containing amendment and subsequent abrogation of Directives 2001/77/EC and 2003/30/EC" reformed the system of incentives for electricity from renewable sources, stating, among other things, that the current market system based on green certificates (GCs) will be replaced gradually by a feed-in tariff type system.
The decree of the Ministry of Economic Development of 6 July 2012 containing "Incentives for energy from non-photovoltaic electrical renewable sources" (electrical RES MD), which implemented Article 24 of Italian Legislative Decree No. 28 of 3 March 2011, subsequently, in relation to plants encouraged through the recognition of GCs, envisaged for the period subsequent to 2015, conversion into an incentive of the right to GCs according to specific methods defined by the GSE and published on its website.
The publication by the GSE of the methods for converting GCs into incentives, according to the provisions of the Ministerial Decree of 06 July 2012, is therefore expected for the second half of 2015.

The Energy Services Operator (Gestore dei Servizi Energetici – GSE S.p.A.) is responsible for implementing and managing the mechanism, and including the disbursement of the incentives to beneficiaries.
With Resolution 29 January 2015 No. 22/2015/R/efr, for the purposes of defining the placing price on the market of Green Certificates (GCs) for the year 2015, the AEEGSI quantified the annual average figure of the selling price of electricity, recorded in the year 2014, as 55.10 €/MWh.
With reference to the withdrawal price of GCs issued for production for the year 2015, the withdrawal price of GCs issued for production from renewable sources for the year 2015 will be determined by the GSE and published on its website in February 2016, after the Italian Authority for Electricity, Gas and Water has defined the annual average figure, recorded in 2015, of the selling price of electricity pursuant to Article 13, paragraph 3, of Italian Legislative Decree 387/03. Before the above figure is defined, for the purposes of withdrawing the GCs of the 1st and 2nd quarter of 2015 the price of 96.00 €/GC will be used as an advance, subject to subsequent adjustment;
The price of withdrawal of GC_DHs (Green Certificates for District Heating) for cogeneration production combined with district heating of the years 2013, 2014 and 2015 is 84.34 €/GC_DH, under the terms of the provisions of Article 25, paragraph 4 of Italian Legislative Decree No. 28 of 3/3/2011.

Non-PV RES incentives
The Ministerial Decree of 6 July 2012 establishes the new methods of providing incentives for electricity production from plants powered by non-photovoltaic renewable sources, with power of no less than 1 kW. The incentives envisaged by the decree apply to new-entry plants, fully reconstructed or reactivated plants, those subject to enhancements or upgrading, which come into operation from 1 January 2013.
The Decree also governs the methods with which plants already in operation will transfer from the green certificates mechanism to the new incentive mechanisms starting in 2016.
The Ministry of Economic Development is about to issue the "new RES Ministerial Decree", which, closing the MD of 6 July 2012, will establish the new incentive methods for electricity production for plants powered by renewable sources (other than photovoltaic solar). The structure of the incentive methods should, according to the drafts of the MD currently in circulation, repeat those of the MD of 6 July 2012 (direct access, registers, auctions).

The draft decree on incentives for energy production from renewable sources has been published on the Ministry of Economic Development (MED) website. This decree is intended to support the production of electricity from renewable sources by defining incentives and simple access methods, which promote the effectiveness, efficiency and sustainability of incentive expenses in the context of the objectives of National Energy Strategy; and the gradual adaptation to the Guidelines on the subject of State aid for energy and the environment pursuant to the European Commission communication (2014/C 200/01).

The draft decree was sent to the Italian Authority for Electricity, Gas and Water and to the Unified Conference to obtain the related opinions.

Spread Incentives Decree

In November 2014 the Ministry of Economic Development published the decree known as the "Spread Incentives" decree, on the remodulation of incentives for electricity production from non-photovoltaic renewable sources. The decree states that producers of energy from renewable sources, owners of plants that benefit from incentives in the form of green certificates, all-inclusive tariffs or bonus tariffs can choose between 2 options:

a) continue to enjoy the incentive system due for the remaining period of eligibility. In this case, for a period of ten years running from the end of the period of eligibility for the incentive system, work of any kind carried out on the same site does not have the right of access to further incentives, including dedicated Withdrawal and Exchange on site, chargeable to the electricity prices or tariffs;

b) opt for a remodulation of the incentive payable, for which the incentive currently received (all-inclusive tariff or Green Certificate) is reduced extending by 7 years the incentive period. In this case:

- for work carried out on the same site as the plant for which the remodulation option has been exercised, there is no right of access - up to the end of the new incentive period - to further incentives, with the exception of Dedicated Withdrawal and Exchange On Site (provided that they are compatible with the incentive mechanism enjoyed);
- the regions and local authorities, each for the part they are responsible for, adjust to the duration of the incentive the validity over time of the permits issued for the construction and operation of the plants.

Owners of plants that benefit from Green Certificates or All-Inclusive Tariffs (Ministerial Decree of 18 December 2008) can choose this option, while the following are excluded:

- plants using renewable sources (other than biomass and biogas up to 1 MW) for which the period of eligibility for incentives ends by 31 December 2014;
- biomass and biogas plants of power of not more than 1 MW, for which the period of eligibility for incentives ends by 31 December 2016;
- plants using renewable sources regulated by Decree of the Ministry of Economic Development of 6 July 2012 (decree on electrical renewable energy source incentives from 1 January 2013, with the exception of plants "in transition");
- plants using renewable sources which still receive the CIP6.

Tax concessions

Tax concessions for energy savings, consisting in amounts deductible from IRPEF (personal income tax) or IRES (business income tax), are permitted when works are completed to increase the energy efficiency level of existing buildings.

A deduction of 65% will apply to expenses incurred from 6 June 2013 to 31 December 2015 for energy performance upgrading works on existing buildings.

It should be remembered that the expense incurred prior to 6 June 2013 benefited from a 55% deduction. From 1 January 2016 a 36% tax benefit is envisaged for property restructuring costs.

Energy efficiency certificates (EECs)

Italian Legislative Decrees 79/99 and 164/00 introduced the obligation for electricity and gas distributors (with at least 100,000 customers at year end 2001) to increase the energy efficiency of end users of energy.

Provision was made for the transfer to Società Gestore dei Servizi Energetici S.p.A. of energy saving evaluation and certification management activities relating to projects presented under the energy efficiency certificate mechanism.

Emission trading system

In accordance with the Kyoto Protocol, from 2008 to 2012 industrialised countries and transition economies are committed to reducing the global emission of greenhouse gases by an overall 5%, compared to the levels for 1990.

The reduction targets, different for each member country, are 8% for the European Union and 6.5% for Italy.

To meet the reduction obligations established by the Kyoto Protocol, Directive 2003/87/EC defined a trading system for the greenhouse gas emission quotas within the European Union, i.e. the "Emission Trading System" (ETS). The Italian law transposing Directive 2003/87/EC is Legislative Decree No. 216 of 4 April 2006.

The Emission Trading System provides that a maximum limit is established for emissions from industrial plants producing greenhouse gas, by allocating each plant (through the National Assignment Plans) a given number of emission quotas, which give the right to emit a corresponding quantity of tonnes of carbon dioxide into the atmosphere during the year to which the quotas refer.

Italian Legislative Decree No. 30 of 13 March 2013 transposed Directive 2009/29/EC into Italian law. This directive introduces new rules for the European ETS (Emission Trading Scheme) for trading greenhouse gas emissions and new activities subject to application of the regulations in the period 2013-2020.

The decree amends the field of application by defining it more precisely as regards combustion plants and extending the system to gases other than CO2. It also:

- provided for the possibility of excluding small plants;
- introduced the possibility of establishing simplified rules for the monitoring, reporting and checking;
- modified the method of assigning the quotas providing for the quotas to be assigned through auctions. More precisely, for thermoelectric plants and carbon capture and storage plants, assignment is totally by auctioning, except for cogeneration plants which can receive certificates free of charge for heat energy used in district heating.

With the Ministerial Decree of 21 February 2014, the Ministry for Economic Development defined the methods for reimbursing credits payable to operators for ETS quotas due to new-entrant plants for the period 2008-2012 but not released owing to exhaustion of the stock.

Sale of natural gas and electricity

Article 1 of Italian Legislative Decree No. 21 of 21 February 2014 made changes to the Consumer Code implementing Directive 2011/83/EU on consumers' rights, replacing Chapter I, Title III, Part III of the Consumer Code relating to "Consumers' rights in contracts".

These changes came into force on 13 June 2014 and apply to contracts concluded after that date.

On 03/09/2015 Italian Legislative Decree No. 130 of 6 August 2015 came into force. This is entitled "Implementation of Directive 2013/11/EU on alternative dispute resolution for consumer disputes, amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR).

The objective of the measure is to guarantee to consumers the possibility to resolve voluntarily, also online, their national and cross-border disputes, with professionals resident and established in the EU, before "ADR-Alternative Dispute Resolution entities", registered in particular lists held by the competent authorities.

The new decree amends Italian Legislative Decree No. 206 of 2005, containing the Consumer Code , giving the opportune clarifications, in the new Art. 141, on the definitions of consumer, professional, sales contract, service contract, national dispute and cross-border dispute, and adding among other things Title II-*bis* "Out-of-court dispute resolution."

CONCESSIONS AND ASSIGNMENTS

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

- Natural gas
- Electricity
- Integrated water service
- Environmental service management

Distribution of natural gas

Genoa area
The natural gas distribution service in the municipality of Genoa and the neighbouring municipalities is carried out by Genova Reti Gas S.r.l. which is 100% owned by Iren Acqua Gas. We can note that the concessions are currently operating under the extended regime pending the launch of public invitations to tender, the deadline for launching which is specified in the paragraph above “Gas distribution”.

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

Other geographical areas
The Iren Group also operates in numerous other entities throughout Italy through assignments or concessions given to mixed capital companies in which IREN Group companies have a direct or indirect investment.
These concessions are currently operating under the extended regime pending the launch of public invitations to tender.
The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (21.32% controlled by the G.P.O. Consortium of which IREN Emilia holds 62.35%): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expiring 31 December 2010;
- Municipality of Vercelli - ATENA S.p.A. (of which IREN Emilia holds 40%): assigned in 1999 expiring 31 December 2010;
- Province of Livorno - ASA S.p.A. (40% owned by AGA S.p.A., 99.64% controlled by IREN Emilia): Municipalities of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittima and San Vincenzo – expiring 31 December 2010.

These concessions are operating under the extended regime pending the launch of public invitations to tender.

Natural gas sales
In accordance with the provisions of the "Letta" Decree on the subject of unbundling, the IREN Group carries on the business of selling natural gas mainly through Iren Mercato - which also sells electricity.
This activity is also carried out through direct or indirect investment in vendor companies including:

- Gea Commerciale S.p.A. and Salerno Energia Vendite S.r.l. for the Grosseto area and for Central Southern Italy;
- Astea Energia S.r.l. for the Marche area;
- Atena Trading S.r.l. for the Vercelli area.

Electricity sector

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

- Vercelli area, with ATENA S.p.A.
- Marche area, with ASTEA S.p.A.;

District heating sector

The district heating distribution service in the municipalities of Turin and Moncalieri, from 1 July 2014 has been managed by Iren Energia as a result of the spin-off of the heat distribution unit of the City of Turin of AES Torino.

With an agreement dated 29 December 2008, the municipality of Nichelino (Turin) assigned the concession for use of the public soil and subsoil for the laying of networks, plants and infrastructures for the district heating service for a period of 30 years, to the Temporary Association of Companies established between IREN Energia S.p.A., IREN Mercato S.p.A. and AES Torino S.p.A., which together established Nichelino Energia S.r.l., on 30 September 2015 wholly controlled by Iren Energia and incorporated by the latter with effect from 1 October 2015.

Besides the existing assignment of the distribution of district heating in the city of Turin on the basis of the Framework Agreement signed with the Municipality, Iren Energia acquired an equity investment in the company Asti Energia Calore, incorporated on 18 May 2015, to which the district heating service in the city of Asti is assigned in sub-concession.

Integrated Water Service

Genoa area
Iren Acqua Gas holds the management assignment for the integrated water service in the 67 municipalities of the province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision No. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.
The integrated water service in the territory of the Municipalities of the Province of Genoa is managed by Iren Acqua Gas through the safeguarded operators. The authorised and/or safeguarded companies of the IREN Group that perform the function of operator are Mediterranea delle Acque S.p.A. (60% controlled by IREN Acqua Gas), IdroTigullio S.p.A. (66.55% controlled by Mediterranea delle Acque S.p.A.) and AMTER S.p.A. (49% owned by Mediterranea delle Acque S.p.A.).

On 23 April 2015 the business unit made up of the set of assets and the related legal relationships regarding the drinking water distribution activity in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoan ATO and the integrated water service in the Municipality of Bolano in the Province of La Spezia was sold, with effect from 1 July 2015, by Acque Potabili S.p.A. to Iren Acqua Gas S.p.A.

At the same time, with a deed dated 19 June 2015 and with effect from 1 July 2015 the company Acque Potabili S.p.A. sold to Iren Acqua Gas S.p.A., at the conditions provided for in the deed of sale, the equity investment held in the company Acquedotto di Savona S.p.A. representing 100% of the share capital of the same.

Emilia Romagna area
The IREN Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.
Based on the laws of the Emilia Romagna Region, water service Agreements provide for 10-year assignments, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.
The Integrated Water Services in the Parma, Piacenza and Reggio Emilia ATOs is managed by IREN Acqua Gas. The latter uses Iren Emilia premises for its operations.

Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

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

ATO	REGIME	SIGNING DATE	EXPIRY DATE
Genoa area	ATO/operator agreement	16.04.2004/5.10.2009	31 December 2032
Reggio Emilia	ATO/operator agreement	30 June 2003	31 December 2011 (*)
Parma	ATO/operator agreement	27 December 2004	31 December 2025
Piacenza	ATO/operator agreement	20 December 2004	31 December 2011 (*)

(*) Service extended until new agreements are defined

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

- Tuscana Coast ATO – ASA S.p.A. (40% owned by AGA S.p.A. which is 99.64% controlled by IREN Emilia) integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Central Marche Territorial Area, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO which is in turn 62.35% controlled by IREN Emilia) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Biella-Casale-Vercelli ATO: ATENA S.p.A. (40% owned by IREN Emilia) for the Vercelli area;
- Municipality of Ventimiglia: AIGA S.p.A. (49% owned by IREN Acqua Gas);
- Municipality of Imperia: AMAT S.p.A. (48% owned by IREN Acqua Gas);
- Alessandria ATO: ACOS S.p.A. (25% owned by Iren Emilia) for the Municipality of Novi Ligure;
- Cuneo ATO: Mondo Acqua S.p.A. (38.5% owned by IREN Acqua Gas) – manages the Municipality of Mondovì and 7 other Municipalities in the Cuneo area.

Waste Management segment

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

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

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

In a temporary grouping of companies with F2i and ACEA Pinerolese, the Iren Group was awarded the tender offer launched by the city of Turin in 2012 for the sale of 80% of the share capital of TRM S.p.A. and 49% of AMIAT S.p.A. (the stake is currently 80% following a further acquisition of 31% from Municipality of Turin at the end of 2014).
Two SPVs were set up for the purchase of investments (TRM V and AMIAT V). The company TLR V. was also set up; the majority shareholder with 99% is Iren Energia S.p.A., for the creation of the infrastructural and commercial district heating system between the waste-to-energy plant and the district heating operators of the Municipality of Grugliasco and Beinasco.

TRM is the company that built the Turin waste-to-energy plant and is responsible for waste disposal for the city and for municipalities in Turin province.
AMIAT is the company responsible for waste collection and transport in Turin.

Services provided to the Municipality of Turin

On 31 October 2006, Iren Servizi e Innovazione took over the following from AEM Torino S.p.A.:

- the agreement signed with the Municipality of Turin for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- the management services assignment for the municipal heating plants, expiring on 31 December 2014;
- the management services assignment for the electrical and special systems in municipal buildings, expiring on 31 December 2014.

By a resolution of 3 November 2010, the Turin City Council decided to assign service agreements to Iren Servizi e Innovazione for the thermal plants and electrical and special systems for municipal buildings until 31 December 2017.
By resolution of 27 November 2012, the Municipal Council of Turin extended the assignment of these service agreements to 31 December 2020.

FINANCIAL INCOME AND EXPENSE

Reference scenario
During the first nine months of 2015 the downward trend of interest rates, which characterised all of 2014, remained stable for the short-term part of the rate curve, while the medium/long-term part saw a period of rises concentrated at the end of the half-year period. The European Central Bank did not intervene with changes in the base rate which remained at 0.05%.
Examining the trend in the six-month Euribor rate we can note that the parameter continued on the trend of slow but progressive decline to the current minimum levels now close to 0%. The quotations of fixed rates, reflected in the figures for the IRS at 5 and 10 years, after a long period of decline which led to new record lows in April, recorded a brief inversion of the trend and a subsequent return to the downward trend.

Activities performed
During the first nine months of 2015, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of indebtedness as a result of carrying out the investment programme, the development of working capital and the balance of short-term and long-term sources.
The organisational model adopted by the Iren Group, with the goal of financial optimisation of all Group companies, provides for Iren's centralisation of treasury management, medium/long-term loans management and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of locating the types of loans best suited to its needs, and the best market conditions.

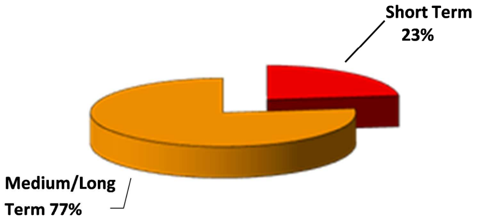
Moving on to examine in more detail the financing transactions completed in the first nine months of 2015, we can note that new medium/long-term loans were finalised for a total of Euro 250 million. To be precise, in January a new loan with Cassa Depositi e Prestiti for Euro 100 million was agreed and used and in May two new loans were agreed and then used respectively with Banca Intesa for Euro 50 million and with Mediobanca for Euro 50 million. In January a tranche of Euro 50 million of a bank loan already agreed at the end of 2014 was also used, while the direct loan with European Investment Bank of Euro 150 million, term up to 15 years, agreed in December 2014 remains unused and entirely available.
The new loans were specifically granted in support of the investment programme and make it possible to maintain a proper balance between the Group's short and long term financial exposure.

The Iren Group is exposed to various types of financial risks, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit such risks. For more details see the paragraph "Risks and Uncertainties" of the present document.
In the first nine months of 2015 two new Interest Rate Swap contracts were signed hedging a total of Euro 100 million of debt, with maturities at 2019-2020 a further Interest Rate Swap contract was signed hedging Euro 50 million of debt with maturities at 2027 and effects starting from December 2016.
At 30 September 2015, the portion of floating rate debt not hedged by Interest Rate Swap derivatives was 25% of consolidated gross financial debt and 3% of the consolidated net financial debt, in line with the objective of the Iren Group which is to maintain a balance between fixed and floating interest rate positions or in any event protected from significant increases in interest rates.

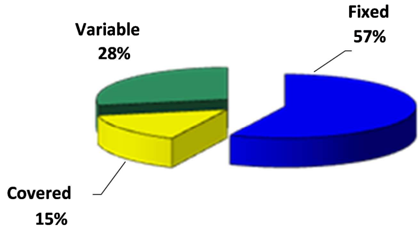
Gross financial indebtedness by maturity

Gross financial indebtedness by rate type

Situation at 31/12/2014

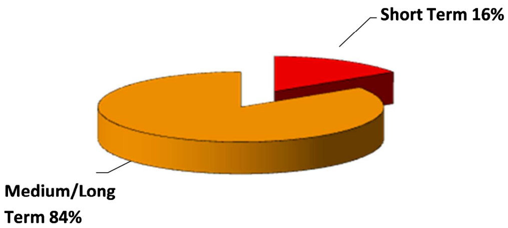


Euro 2,875 million

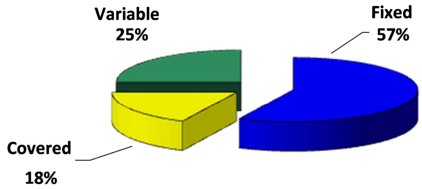


Euro 2,875 million

Situation at 30/09/2015



Euro 2,806 million



Euro 2,806 million

TRANSACTIONS WITH RELATED PARTIES

On 13 March 2015 the Board of Directors of Iren, with the opinion in favour of the Transactions with Related Parties Committee, adopted a new version of the “Internal Regulation on Transactions with Related Parties”, (already approved on 30 November 2010 and amended on 6 February and 3 December 2013) in implementation:

- of the provisions relating to transactions with related parties pursuant to Article 2391-*bis* of the Italian Civil Code;
- of the provisions pursuant to Art. 114 of Italian Legislative Decree 58 of 24 February 1998 (the “Consolidated Law on Finance” or CLF);
- the regulation containing provisions on transactions with related parties, adopted by Consob with its resolution 17221 of 12 March 2010 and subsequently amended with resolution 17389 of 23 June 2010 (the “Consob Regulation”).

The Company and its subsidiaries disclose related party transactions in accordance with transparency and fairness principles. A good part of these relations concern services provided to the customers in general (gas, water, electricity, heat, technological services in general, etc.) and are governed by contract rules normally applicable to these situations.
Where the services provided are not current, the relations are governed by specific agreements whose terms are established in accordance with normal market conditions. If these references are not available or significant, the various profiles will be defined in consultation with independent experts or professionals.

RISKS AND UNCERTAINTIES

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

- Financial Risks (liquidity, interest rate, exchange rate);
- Credit Risk
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity and gas, and to the hedging derivative markets;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational-managerial principles, macro processes and techniques necessary for the active management of the related risks. The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Committees to manage financial, credit and energy risks.
As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also "reputational risks", which relate to the impacts on stakeholders of any malpractices.
The “Risk Management” department, reporting to the Deputy Chairman, was set up within the Holding. This department is formally entrusted with the following activities:

- coordinating the process for integrated management of the Group's risks;
- assessing the Group's insurance needs, designing programmes, signing and managing policies, with the collaboration of the Legal Unit.

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

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

1. FINANCIAL RISKS

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

a) Liquidity risk
Liquidity risk is the risk that the financial resources available to the company will be insufficient to cover financial and commercial commitments in accordance with the agreed terms and deadlines.
The procurement of financial resources was centralised in order to optimise their use. 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 intra-group accounts along with intra-group interest income and expense.
A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent.
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 to the accounts of the Parent.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored; no critical points have emerged regarding the coverage of current financial

commitments. At the end of the period short-term bank credit facilities used by the Parent totalled Euro 190 million.
Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions. During the period, the Iren Group took out new medium/long-term loans totalling Euro 250 million, entirely for the Parent.

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

c) Interest rate risk
The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expense related to indebtedness. The IREN Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial counterparties of high credit standing, for the sole purpose of cash flow hedging.
The hedging contracts agreed, together with fixed-rate loans, hedge approximately 75% of gross financial indebtedness and 97% of net financial indebtedness against interest rate risk, in line with the Iren Group's target of maintaining a balance between positions at floating rate and positions at fixed rate or in any case protected against significant increases in interest rates.
Financial indebtedness at the end of the period is made up 70% of loans and 30% of bonds.
Compliance with the limits imposed by the policy are verified during the Financial Risk Committee meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of water and environmental services. The receivables show no particular concentration since the exposure is spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public entities).
In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects the current unfavourable economic and financial situation.
To limit exposure to credit risk, a number of tools have been introduced and identified. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes.
The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.
Credit risk is covered, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing.
An interest-bearing guarantee deposit is paid for some types of services (water, natural gas, “protected customer” electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.
The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.
Provisions set aside for impairment of receivables accurately reflect the effective credit risk through assessments based on analysis of the individual receivable items recorded in the databases, specifically taking into account ageing, as well as comparison with historical losses on receivables and determination of the average non-payment rate.

In view of the continuing unfavourable economic situation, the control over credit risks has been improved by strengthening the monitoring and reporting procedures, in order to promptly identify possible countermeasures .
In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data on trade receivables of the Group companies, in terms of customers, business chain and ageing band. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

3. ENERGY RISK

The Iren Group is exposed to price risk, including the related currency risk, on the energy commodities traded, (that is electricity, natural gas, coal, etc.) as both purchases and sales are impacted by price fluctuations directly 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 planning of its plants production and purchases of electricity, with the aim of balancing energy self-production and market supply with the demand of Group customers.

4. OPERATIONAL RISKS

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

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

b. Plant-related risks
As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above in order to correctly allocate resources in terms of control and preventive

measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.).
For the most important plants the Risk Management department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action.
The risk is also covered by insurance policies designed considering the situation of the single plants.

c . IT Risks

The main operational IT risks are related to the availability of core systems which regard accounting operational management and invoicing processes and the energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers.
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 subject to simulations, to ensure their effectiveness.

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

5. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2020 which defines its strategic orientations. It is articulated according to the following macro-drivers which determine its targets for economic, capital and financial figures:

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

in application of the Group's policies, the said Plan was subjected to a risk assessment carried out by the Risk Management Department and to the related stress tests, which have shown the substantial resistance including in the face of adverse events characterised by specific sensitivities.

ORGANISATION AND IT SYSTEMS

Organisation

Starting from 1 January 2015, with inputs from and great commitment of the Top Management, the IREN Group companies were the subject of numerous reorganisation actions aimed at strengthening the unitary nature of governance and accelerating the integration process, making operations more efficient and focusing on the business, indispensable for tackling the challenges of the Market.

In a first phase, the reorganisation actions regarded mainly the Parent through simplification of corporate staff Departments (i.e. *personnel and organisation, information systems, certified systems, legal and corporate, planning and control, regulatory affairs, shared services,* etc.), simplification which was implemented on 1 July 2015 through a series of transfers of business units from the main Group companies.

In a second stage, following approval of the Business Plan by the Board of Directors of the Parent on 16 June 2015, an "overall" Group corporate rationalisation and organisational Project (known as the "100% Operations" Project) was launched. This is aimed at simplifying the structure of equity investments/reducing the number of business companies held wholly, directly or indirectly, by the Parent and integrating/optimising processes/business activities with uniform operating characteristics into four Business Units, coinciding with the Parent's four sub-holding companies, operating in the respective market sectors according to the following model:

- <u>ENERGY BUSINESS UNIT</u>: this coordinates and manages the electricity production/energy-heat cogeneration plants, the heat distribution (so-called district heating) plants and networks and the activities related to "indoor" technological services (electrical systems and heating systems, technological global service);
- <u>NETWORKS BUSINESS UNIT</u>: this coordinates and manages the integrated water services and the gas and electricity plants and distribution networks;
- <u>MARKET BUSINESS UNIT</u>: this coordinates and manages the commercial services to Customers of the Group's businesses (electricity, heat and gas, etc.);
- <u>ENVIRONMENT BUSINESS UNIT</u>: this coordinates and manages the waste collection, treatment and disposal activities and the related electricity and heat production plants.

Therefore, it is envisaged that, starting from 1 January 2016, the four sub-holding companies controlled by the Parent, to which the Business Units will belong, will be the following:

1. Iren Energia S.p.A. (Energy Business Unit): all the activities relating to management of the electricity production/energy-heat cogeneration plants, the heat distribution (so-called district heating) plants and networks;
2. Iren Mercato S.p.A. (Market Business Unit): all the activities relating to management of commercial services to Customers of the Group's businesses (electricity, heat and gas, etc.);
3. "*NewCo Reti*" S.p.A., resulting from the merger by incorporation into Iren Emilia S.p.A. of a series of Group companies (Networks Business Unit): all the activities relating to management of the integrated water services and the gas and electricity plants and distribution networks;
4. Iren Ambiente S.p.A. (Environment Business Unit): all the activities relating to management of the waste collection, treatment and disposal activities and the related electricity and heat production plants.

In summary, the benefits that can be expected from the "100% Operations" Project mainly consist of:

- simplification of the structure of the Parent's equity investments - reduction in governance costs, etc.;
- reduction in internal and external costs given by the concentration of resources generated by the management of complementary activities on a "single subject" - taking more advantage of the synergies achievable on the processes and deriving from the integration of the same, greater

drive for organisational and technological innovation/for the extension of best practices, optimisation of the management of resources and economic/financial flows deriving from similar activities, etc.

Finally, in September 2015 an organisational analysis was launched to make more efficient the Parent's corporate staff processes.

During 2015 numerous Performance Improvement projects were carried out with the aim of generating synergies above all from rationalising business processes. The projects in progress involve all the Business Units and the main staff Departments and represent one of the most concrete tools for making the company slim, efficient and flexible. As of today the projects launched are in line with the activity plans, confirming the savings included in the business plan.

Information Technology

At the beginning of 2015, in keeping with the new organisational model, the Plan of the Iren Group's Information Systems, defining the lines of evolution and the planning initiatives, collaborating in the preparation of the Business Plan.

During the first half of 2015 the first stage of the project to revise and integrate the systems in support of the administrative/accounting and management control area processes was completed.
At the end of June a new transactional environment common to the main Group companies was launched together with a single treasury management system enabling the adoption of the new centralised single treasury model at Iren SpA. Development of the new Enterprise Performance Management (EPM) platform also continued. This platform is to manage the Planning, Budgeting, Forecasting, Monthly Closure Consolidation, Quarterly Pre-Closure, Final Accounting and Reporting processes.
The overall programme, entitled *IrenOne*, provides for a second “go–live” moment for the new transactional environment at 1 January 2016, with which the unification of the Corporate systems for all the Group companies will be completed; work is in progress on this second stage of the Programme, harmonising the areas of action of the programme with the corporate evolution of Iren - “100% Operations”.

As regards support for managing the Group's customers, which constitutes an area of great commitment in the second half of 2015, work was completed on developing two applications related to customer service in the environmental and sundry services sectors.
In particular, the first, EcoIren, is aimed at providing information on collection (in particular separated collection) in the Provinces of Parma, Reggio Emilia and Piacenza providing information on the methods for disposing of the single waste components, on the locations of collection points and information centres, making it possible also to book the collection of large items and to find out, for each area according to the specific features of the single collection zones, the collection days for each kind of waste.
The second, ClickIren, is an application that enables the Iren Group's customers to have in mobility information on their supply contracts with the Group Companies, to display the invoices seeing the payment status and to be able to make further service requests.

Applications were also created for “Management of discharges for the precise tariff” – for the Environment sector – and “dematerialisation of bills ” for Iren Mercato.

With reference to infrastructures various consolidation and rationalisation initiatives were launched, for example on videoconference and Wi-Fi systems. In particular during the third quarter projects were launched in the context of ICT Security and expansion/modernisation of the network infrastructure of the Via Nubi di Magellano campus in Reggio Emilia.

RESEARCH AND DEVELOPMENT

In the IREN Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.
The Business Plan to 2020 approved by the Board of Directors of IREN S.p.A. on 17 June 2015 provides for the implementation of an open innovation model which is intended to be: operation, covering all the businesses and focused on achieving the objectives of increasing efficiency, improving service quality and creating development opportunities, in order to anticipate people's, customers' and communities' new needs.

In particular, the IREN Group is investing in terms of research, development and innovation to optimise and improve operating applications and to introduce technological innovation into its processes and products. The Business Plan to 2020 envisages that approximately 25% of total operating investments will be dedicated to investments with innovative characteristics (approximately 3% of accumulated revenue).

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

- advanced remote management, remote reading and multi-metering systems;
- thermal storage systems and trials of electricity storage systems;
- electrical smart grid;
- systems for energy production from renewables or waste;
- “customer empowering” tools;
- Internet of Things (“IoT”) and domotics;
- "data intelligence" tools;
- plant engineering solutions for pre-treatment of waste and extraction of organic and recyclable materials.

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

To supervise Innovation, from the beginning of 2015 IREN has put in place a corporate structure (Internationalisation and Innovation Department) with the task of promoting and coordinating research and development projects within the Group, including the management of financed research projects.
As regards these latter, the financial research projects in progress and the proposals presented by the Group during the first 9 months of 2015 are illustrated below.

FINANCED RESEARCH PROJECTS IN PROGRESS

WATER SERVICES

BlueSCities (Horizon 2020 Programme)
Since last February IREN has taken part in the BlueSCities project financed under H2020; this involves defining a “practical guide” to be applied in the efficient management of the integrated water service and of waste in urban areas. The project intends to develop a method of managing the water and waste segments, identifying the possible synergies and integrating the use of technological hubs used in the smart management of other priority areas such as energy, transport and ICT.

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

Status: the project is at the ninth month of activity and IREN is involved in the development activity of the practical guide for the stakeholders involved.

Geosmartcity (FP7)
The objective of the GeoSmartCity project is to develop a platform for the rational management of subsoil data from various sources, capable of integrating different operating protocols and current standards, namely the services of the Open Geospatial Consortium (OGC), the rules for implementing the INSPIRE Directive (2007/2/EC) and linked-data technologies.

Partners: IREN Acqua Gas, Gisig, Sinergis srl, Intergraph CS SRO, Asplan Viak Internet AS, Epsilon Italia, Trabajos Catasrales S.A., Municipality of Genoa, Ticass, Turun Ammattikorkeakoulu, Epsilon International, Vlaamse Milieumaatschappij, Geobid SP Zoo, Universitat de Girona, Municipality of Reggio Emilia, Municipia Oeiras, Urban Data Management Society.
Status: the project is currently approximately halfway through its duration (three years) and a pilot development is planned soon in Genoa in which the Municipality will tackle the subject of interoperability of its land register and IREN will carry out services in the field with a total station with automatic error correction and restitution in the corporate information system.

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

Partners: IREN Acqua Gas, Mediterranea delle Acque, ABC, Acquedotto Pugliese, Aster, CAE, Digimat, Fast, Foxbit, Icampus, International University College, University of Bologna, University of Naples Federico II, University of Palermo, University of Trento, Irea-CNR.
Status: the project is currently awaiting the resolution of the MEUR with which the new classification will be published enabling the resumption of activities in the Provinces of Genoa and Parma.

ENVIRONMENT

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

Partners: IREN Rinnovabili, Centro Ricerche Produzioni Animali - C.R.P.A. S.p.A., Herambiente S.p.A., SOL S.p.A.
Status: the amendment accepted during the first half of 2015 led to a change in the technological partner of the project. As regards the pilot project which IREN must carry out, we are proceeding with the authorisation request necessary to exploit biogas and use of the area where the system is installed. SOL S.p.A is the partner for the supply of the biogas upgrade system.

ENERGY

CELSIUS (FP7)
The project is aimed at increasing energy efficiency in high-density urban areas by recovering the heat produced by various emission sources. Each city has been given the task of producing a pilot plant to create and verify a particular method of obtaining increased energy efficiency. Specifically the demonstrator for which IREN is responsible, through the subsidiary Genova Reti Gas, aims at achieving energy recovery using the pressure jump of the natural gas distribution network to produce electricity and heat for a small district heating network.
Partners: 20 organisations in 5 European partner cities (London, Gothenburg, Cologne, Rotterdam, Genoa).

Status: the project lasts for 48 months. The activities of the second year of the project have begun.

DIMMER – District Information Modelling and Management for Energy Reduction (FP7 program)

The DIMMER project consists of developing effective web interfaces that provide real-time feedback on the energy impact of user behaviour at district level. In particular the Italian demonstrator will be located in Turin (Polytechnic district) and will be focused on software systems capable of optimising heat supply for district heating and assessing in real time the efficiency of heat exchangers.

Partners: IREN, Turin Polytechnic, CSI, Turin University, Manchester University, sponsored by the Municipality of Turin, Italian and European SMEs.

Status: 2015 is the second year of the project and IREN's main focus relates to activation of the pilot in the buildings identified through the installation of sensors and the testing of software for the advanced management of district heating substations. A building thermal storage system is also at an advanced stage of installation. It will be tested during the coming thermal season.

EDEN – Energy Data ENgagement (POR/FESR Piedmont Region 2007-2013)

The EDEN project provides for the development of a system for optimised analysis and management of energy consumption (heating) at three schools in the Municipality of Turin; besides the more technical aspects, the project provides for an energy education, gamification and user engagement system at the level of students, professors and parents at the chosen schools.

Partners: IREN, Turin Polytechnic, Commitworld, CSP, ISMB, Capetti Elettronica, TOP-IX, Experientia, Sisvel.

Status: the project ended in July 2015 and since then has received the nomination at SMAU Milan 2015 and for the E-GOV prize.

EMPOWERING (Intelligent Energy Europe program)

The project intends to provide effective and easily-consultable tools to end users for energy saving; in particular additional information will be proposed to 2,000 electricity users and 1,100 district heating users (in Turin and Reggio Emilia) through an "intelligent bill" and an online tool on the websites of the participating Utilities.

Partners: IREN, Turin Polytechnic, Municipality of Reggio Emilia, Danish, French and Spanish utility providers, Italian and European SMEs.

Status: In the third quarter of 2015 the project obtained an extension of the duration up to March 2016. Iren will continue to provide electrical and thermal information to the selected users in Turin and Reggio Emilia.

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

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

Partners: IREN, Turin Polytechnic, FIAT, Pininfarina, Energrid and Scania Nissan research centres, other international industrial partners, Italian and European SMEs.

Status: 2015 is characterised by identification/study, in close contact with the other partners of the project, of the activities and changes necessary to the electrical systems for testing recharging and induction devices in the field.

FLEXMETER (Horizon 2020 Programme)

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

Partners: IREN, Turin Polytechnic, E-On, University of Grenoble, Siveco, University of Bucharest, Telecom Italia, University of Bologna, ST Microelectronics.

Status: In the third quarter of 2015 the activities focused on the finalisation of the use cases and on the choice of technologies for the smart meters to be installed.

HOLIDES - Holistic Human Factors and System Design of Adaptive Cooperative Human-Machine Systems (ARTEMIS)

The project has the objective of developing a technological platform which would make it possible to take into consideration human factors, that is the way in which people interact with complex technologies, right from the first stages of design and development of adaptive cooperative systems at different levels of automation. The platform will be tested through the development of applications in 4 different domains industrial (Avionics, Medical, Control Rooms and Automobiles), which are characterised by a high level of complexity from the point of view of safety.

Partners: 31 project partners from 7 different European countries, including: IREN, Fiat Research Centre, Lufthansa Flight Training – CST Gmb, HATOS, Philips, Honeywell International s.r.o., EADS Innovation Works France, University of Turin, Brno University of Technology, OFFIS e.V.

Status: The project involved the start of development of the software application, aimed at assisting the IREN control room in managing emergency calls. A focus group was set up between IREN technicians and software developers with a view to coordinated development.

NRG4Cast – Energy Forecasting (FP7)

A demonstration pilot set up in cooperation with European universities and CSI-Piemonte to improve public building energy efficiency in an urban context. Through the building and function testing of an IT system (software and hardware platform) a system will be made available to forecast energy needs via a Web SoA application.

Partners: IREN, JSI, FIR, CSI PIEMONTE, Envigence, NTUA, KAPE-CRES, SINGULARLOGIC S.A.

Status: the prototype of the software involved in the project was presented at the time of the European Commission revision. The project, which will end in November 2015, has entered its final stages.

PROBIS – Procurement of Building Innovative Solutions (Framework Programme for Competitiveness and Innovation – CIP)

The PROBIS project is concerned with redefining all the stages of an innovation contract, from identifying the requirements and needs (on the basis of what will be the pilot to be created), to dialogue with the market, to the functional performance specifications, to the reward criteria, up to the purely legal and legislative aspects that an innovation contract must have and preparation of the related documentation and contractual forms.

Partners: IREN, Turin Environment Park, Agencia Andalusa de l'Energia, Institut Andaluzo de Technologia, SP Technical Research Institute of Sweden, Lombardy Region, The European House Ambrosetti Spl, Nemzeti Innovacios Hivital, Miskolk Holding Önkormányzati Vagyonkezelö Zártkörüen Müködö Részvénytársasá, Borlänge Kommun.

Status: after completion of the stage of describing the energy needs and proposals for making the building involved in the pilot more efficient, which led to the preparation of a prospectus, the stage of meeting with the market to identify the best and most innovative technologies available with a view to energy savings. Preparation of the tender documents and study of the tender rules have also begun.

PRO-LITE – Procuring Lighting Innovation and Technology in Europe (Framework Programme for Competitiveness and Innovation – CIP)

The project is intended to make use of the lever of public demand to stimulate innovation in the public lighting market. For this purpose the following activities are planned:

- demand analysis;
- early market engagement activity (market analysis);
- preparation of the tender documentation (with particular attention to developing the specifications in functional terms and to assessment criteria);
- study of contractual forms (risk management), launch of the tendering procedure, procurement.

Partners: IREN, Greater London Authority - Transport for London, City of Bremen, Ente Vasco de la Energia, CONSIP, PIANO

Status: The first nine months of 2015 were characterised by drafting and preparing the contract tender documents (technical and performance documents). These documents are being delivered to the competent office. The tender procedure has been launched.

TRIBUTE – Take the energy bill back to the promised building performance (FP7)
The project has the objective of optimising systems to monitor energy consumption metering systems, integrating these with advanced energy management functions and building planning and control tools, with a particular focus on the impact of user habits on final consumption.

Partners: the project arose from a strong industrial partnership made up of 16 different entities (led by CSEM – Swiss Centre for Electronics and Microtechnics and with the presence of IBM and Schneider Electrics). The City of Turin and the Turin Polytechnic are also in the partnership.
Status: the necessary sensors have been installed and a complete analysis of the energy consumption of the project pilot has been carried out. In addition the software system for sampling and transmitting the data to the relevant partners has been developed.

PROPOSALS PRESENTED IN THE FIRST NINE MONTHS OF 2015

The project ideas proposed by IREN in the first nine months of 2015, in the context of calls for research and innovation funding proposals, are illustrated below

COLORS (Horizon 2020 – SCC1 Lighthouse), under assessment (submitted on 05/05/2015)
Iren took part in the proposal proposing a testing area coinciding with the city centre and the "San Salvario" district. The idea is to define in this area a set of coherent actions in the field of energy efficiency of buildings, district heating, mobility and the urban infrastructure.
IREN will focus on the "Nearly Zero Energy District" thanks to the expansion of district heating in the northern part of San Salvario through a storage system (3,000 m^3) which will make it possible to overcome the current network congestions which would not enable a further expansion of district heating in this area without the construction of a new heat production station.
IREN will also contribute to the project with 20 intelligent lampposts for dimming, with intelligent sensors and monitoring systems for smart lighting.
IREN will also test the multi-metering solution proposed in the call for tenders of AEEGSI Resolution 393/2013/R/gas (testing then suspended owing to the withdrawal of Snam Retegas-Italgas). The system of concentrators and the infrastructure will be those installed in 3,500 thermal district heating substations.
The assessment of this proposal by the EU was negative.

DENDRITES (Horizon 2020 – EE-13-2015), under assessment (submitted on 04/06/2015)
DENDRITES has as its objective the development and demonstration of innovative heat storage solutions with high energy density, based on Phase Changing Materials (PCMs), at the level of single buildings connected to the district heating network.
The system will guarantee a significant reduction of primary energy consumed, an increase in the reliability of the system and an increase in the spare energy capacity to connect further users to the district heating network.
This innovative heat storage system has all the characteristics to become an industrial product, as is a series of hardware and software components related to it which will be developed in the project.
The assessment of this proposal by the EU is still in progress.

EASIER (Horizon 2020 – SCC1 Lighthouse), under assessment (submitted on 05/05/2015)
A demonstrator project which will involve the population with integrated solutions in the cities of Genoa, Antwerp and Gothenburg including technological hubs applied to the district heating plants guaranteeing greater energy efficiency by optimising the thermal energy flow to the buildings, to the mobility services in terms of car and bike sharing assessing the business model of distributed natural gas compressors powering taxi fleets, to the multi-metering of network services in terms of natural gas, water service, electricity and district heating. Activities to integrate the measures acquired are planned, interacting with the information systems of the companies that provide the services, with the energy management system and web server platform of the measures acquired in a context of interoperability.
The assessment of this proposal by the EU was negative.

Learn2Empower (Horizon 2020 – EE1), under assessment (submitted on 04/06/2015)
The Learn2Empower project proposes an integrated and cloud-based solution capable of providing user engagement and empowerment tools on energy consumption and analytical and decisional instruments for utilities and public authorities.
The project provides for specific solutions and instruments for user groups with similar characteristics (habits, devices, family groups, houses), assessed on the basis of clusterisation algorithms, of machine learning techniques and user engagement tools based on serious gaming applications, which represent an effective upgrade of IREN's EDEN project in the schools of Turin.
The assessment of this proposal by the EU is still in progress.

SmartWIN - Smart and energy efficient water infrastructure for smart communities (Interreg Central Europe, Call 1), under assessment (submitted on 13/04/2015)
The project proposal refers to the optimisation of the energy consumption of public water pipeline infrastructures. The project will facilitate a process of change among the European water utilities using techniques that derive from analysing the state of the art in combination with smart technologies that use renewable energies. This will change the role of the public utilities making them capable of controlling and optimising the energy consumption connected with the water and energy services managed.
The assessment of this proposal by the EU is still in progress.

STORE&GO (Horizon 2020 – LCE9), under assessment (submitted on 05/05/2015)
The STORE&GO proposal will demonstrate 3 innovative Power to Gas (PtG) systems located in Germany, Switzerland and Italy in order to identify and overcome its technical, economic, social and legal barriers. The project has the ambition of assessing the possibility of integrating the PtG storage system into leading-edge energy production and distribution systems. Using the methanation process as a "bridge", the PtG system can solve, directly or indirectly, the problem of fluctuating production from Renewable Energy Sources (RESs). STORE&GO will demonstrate how new PtG systems can help to balance traditional generation and RESs, verifying this arrangement in three real systems in Europe.
The assessment of this proposal by the EU was positive.

SWARM - Smart technologies for adaptive urban Water Management (ERA-NET COFOUND WATER WORKS), under assessment (submitted on 04/05/2015)
The SWARM Project is aimed at developing in-depth analyses and tools connected with the installation of smart meters for the Water industry making it possible to expand the information acquirable from remote meter readings in a context of interoperability of sensors, databases and models. The purpose of the project is to increase the ability to analyse and manage water systems also in conditions of scarcity of the resource in a new perspective in which the customers of the water service will have a proactive role. Along the distribution network the interoperability of the remote reading systems with the models for the analysis of energy efficiency and of the medium/short-term water balance sheet will be developed. The project has currently passed the first assessment stage.
The assessment of this proposal by the EU, after passing the first assessment stage, is still in progress.

OTHER INNOVATION ACTIVITIES

WATER SERVICES
During the first nine months IREN continued to take part in the WssTP (Water Supply and Sanitation Technology Platform) project, launched by the European Commission in order to oversee the research in the water sector, participating also in the TICASS (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) Consortium, a technological innovation hub of the Liguria region. In this context numerous project proposals have been submitted which also aim to finance research grants relating to the subject of water quality.
In 2015, IREN oversaw technological innovation hubs in the context of specific research projects to be carried out in collaboration with the Amga Foundation, with companies in the business and with Universities and national and international research entities. More specifically, the research projects launched and completed in 2015 concerned:

Projects carried out with study grants financed by the Liguria region coordinated by the TICASS Hub
IREN studied some research subjects in depth as part of the projects that provide for involvement of research who have been awarded financed research grants. The subjects regarded matters such as the study of interactions between underground networks and the surrounding environment, Molecular thermo-decomposition of gaseous effluents and the Study of the phyto-purification process of an urban aggregate in the Imperia area.

Projects included in the Amga Foundation's research programme
IREN is carrying out, through the Amga Foundation, a number of projects related to treatment plants and to the removal of Endocrine Disruptors, to Algae microcystins in water destined for human consumption, to Industrial Ecology and to the study of material and energy flows in industrial systems. Further subjects of an economic and regulatory nature regard a review of the theoretical bases on which the standard costs principle is based as a foundation of regulation, standard costs as the reference for the costs of capital in companies, a review of the incentive methods for photovoltaic energy production in Italy and Germany, the collaboration between AMGA Foundation and AQP in a regulatory context and standard costs: future prospects in the context of future resolutions of the Authority for Energy and Water.

ENERGY

Turin LED Project
A project is in progress to replace in the City of Turin approximately 54,000 lighting points fitted with discharge lamps with new LED lamps. The project will go on for a total of approximately one year. The project is completely financed by IREN as an ESCo. In energy terms, when the project is completed, the saving will be approximately 19.6 GWh per year, with lower emissions of approximately 3,600 TOE.

Remote control of district heating plants
The project for the remote control of district heating systems aims at providing the tools for effective management of consumption control, the configuration of the operating parameters, and the technical maintenance and management of the SST (heat exchange substation) alarms in order to improve the services to district heating customers. To this end a technological platform has been designed, which is able to acquire the operating parameters from the substations, process the data and offer the necessary reporting and control tools.
In the first nine months of 2015, on the Turin district heating network, 4,508 plants out of 5,165 were in operation.
In the same period tests and experiments were carried out for the installation of the same system on the other district heating networks operated by the Group.

Installation of storage systems on the district heating network
In the city of Turin IREN has begun the activities necessary for the design and installation of a fourth heat storage system in service of the district heating network. The system, with a total capacity of 2,500 m^3, will enable further optimisation of the network and maximisation of the heat produced in cogeneration, reducing further the use of supplementary and reserve boilers.

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

Installation of systems for reducing polluting emissions in combined cycle plants
After the positive experience of 2014 with the installation of catalytic systems to abatement of Nitrogen oxides (NO_x) and Carbon monoxide (CO) on two combined cycles of the Moncalieri Power Station, IREN is carrying out the activities necessary to install the CO catalyser also on the combined cycle of the Turin North Power Station. After the installation, currently in progress, a reduction of the minimum technical environmental load will be obtained, thus increasing the field of regulation of the plant.

Dam seismic research contract

In December 2014 the research contract with the Department of Structural, Building and Geotechnical Engineering of the Turin Polytechnic for seismic testing of dams came into effect. The activity of the research programme are oriented to develop methods for the seismic testing of dams and of the related accessory structures, in the current scenario of the changing legislative context on the subject. An annual research grant has been activated to study the stability of the Ceresole Reale dam in seismic conditions, as have two traineeships aimed at characterising the materials of the said dam built at the end of the 1920s and the subject over the years of a certain amount of renewal and extraordinary maintenance work and a dissertation on the seismic testing of the guard house and the generator/compressor unit building.

Monitoring of the Ciardoney glacier

In 2015 research activities continued on the behaviour of the Valle Orco glaciers, through monitoring of the Ciardoney glacier in the Gran Paradiso National Park. This is an initiative launched at the beginning of the 1990s in collaboration with the Italian Meteorological Society which has continued regularly through annual campaigns to check the mass balance of the glacier. The research is oriented to monitoring the reduction of glaciers in the Alps supporting the planning of the production of hydroelectric plants in Valle Orco. The measurements of June 2015 recorded an accumulation of snow variable between 390 and 200 centimetres and an equivalent figure in water of 1,730 mm, higher than the 1992-2014 historical average. The snow melt began early, already at the beginning of May, and in June the coat of snow was already completely humidified and mixed with water, melting rapidly. The series of measurements in September substantially confirmed the accumulated trend of -29 m recorded from 1992 to 2014.

PERSONNEL AND TRAINING

Personnel

At 30 September 2015 the Iren Group had 6,150 employees; with the same perimeter as 30 June 2015 there was a reduction compared to the previous 6,239 employees. The table below provides a breakdown of personnel at 30 September 2015, divided into Holding and First-level companies (with related subsidiaries) compared with the figure at 31 December 2014.

Company	Workforce at 30.09.2015	Workforce at 31.12.2014
Iren S.p.A.	824	254
Iren Acqua Gas and subsidiaries	815	898
Iren Ambiente and subsidiaries	2,251	608
Iren Emilia and subsidiaries	979	1,253
Iren Energia and subsidiaries	878	1,069
Iren Mercato and subsidiaries	403	442
Total	**6,150**	**4,524**

The change in the workforce compared to 31 December 2014 is the result of:

- entry into the Group, with effect from 1 January 2015, of the company AMIAT;
- the process of reorganising and centralising the staffs in Iren S.p.A. through the acquisition, with effect from 1 July 2015, of the related business units from the Group's First Level Companies and their subsidiaries and/or investees;
- the launch of the voluntary retirement incentive process, pursuant to Art. 4 of Italian Law 92/2012, which with the objective of creating a generational change will in any case take into account the organisational need to guarantee the maintenance of the policy on the subject of limiting workforces.

Training

Since it was first established, Iren has made training one of its fundamental tools in the professional development of human resources, developing the necessary technical, professional and managerial skills, in order to make a firm contribution to the development of the entire Group.

The analysis of the training needs for the year 2015 was carried out by macro-subjects and themes which, during 2015, would have had a great impact on the Iren Group. Priority was given to training activities related to activation of Group projects (e.g. Change Management, Iren One, etc.) and those related to fulfilling legislative obligations, assessing however the opportunity to activate further surveys of the training needs in the second half of the year (especially for new recruits).

With the same perimeter as last year, the final figure for hours provided in the first nine months of 2015 was approximately 63,000 hours of training.

Including also the 10,500 hours of training carried out by AMIAT personnel which involved 1,029 employees, the number of person-hours linked to education and training initiatives carried out for various reasons by the Iren Group were approximately 73,000 hours with 81% of the Group's employees who took part in at least one training course.

The average per capita was 13.8 hours if calculated on the basis of the same perimeter as last year.

QUALITY, ENVIRONMENT AND SAFETY

Quality

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

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

The Integrated System policy is adopted by all Group employees and has created strong synergies between the operating structures.
All first-level companies and investees have systems that are certified in accordance with international standard ISO 9001 (Quality).
The first-level companies Iren Energia, Iren Acqua Gas, Iren Emilia and Iren Ambiente and the main investees were certified in accordance with the international standards ISO 14001 (Environment).
The Parent, the companies in Turin and Genoa, Tecnoborgo and AMIAT hold OHSAS 18001 (Safety) certification, Iren Emilia has certified its own safety system for the gas management and distribution service, Iren Ambiente has certified the provision of cleaning services and sweeping of public roads and roads used by the public, collection and transport of urban and similar waste, management of waste collection centres, provision of the Waste-to-energy service with production of electricity and heat at the Parma Environmental Hub.
During the period the planned audits to keep/renew certification for the Group companies were carried out regularly, giving positive results and therefore confirming the existing certifications.
In July, after the corporate reorganisation of Iren which centralised the staff units in the Parent starting from 1 July 2015, Iren S.p.A. obtained the ISO 9001, ISO 14001 and OHSAS 18001 certifications with reference to the coordination and provision of all the staff services to the Group companies.

After the corporate reorganisation the control of the Quality, Safety and Environment management systems is ensured for each first-level Company by IREN's Organisation and Certified Systems Department, which has centralised in the Parent the control functions previously allocated to the sub-holding companies controlled by the Parent.
During the period the following projects were completed positively:

- integration into Iren Energia's Integrated Management System of the Turin district heating unit;
- extension of the ISO 9001/ISO 14001/ OSHAS 18001 Certifications held by Iren Ambiente to the Parma Integrated Environmental Centre (from 2014 Plan);
- maintenance of the ISO 9001/ISO 14001/ OSHAS 18001 Certifications held by Iren Ambiente and Iren Emilia;
- passing of the audit for renewal of accreditation according to the EMAS Regulation held by Iren Ambiente for the Poiatica Landfill Site, of the Turbigo, Tusciano and Moncalieri Plants, held by IREN Energia and validation of the related new environmental statements;
- passing with a positive result of the audit for maintaining the accreditation under the terms of UNI EN ISO/IEC 17025 and Accredia documents for the AMIAT Laboratory and for extension of the said accreditation to certain new parameters and activities: the extension regarded 2 new

analytical tests (hydrocarbons C10 – C40 and polychlorinated biphenyls on waste, phenols and chlorophenols on discharge waters and aqueous liquid waste) and sampling activity (related to product analysis on waste and certain parameters to be analysed on emissions channelled as methane and non-methane compounds, oxygen, carbon dioxide, nitrogen oxides, carbon monoxide and steam). We expect to obtain the extension of the accreditation by the end of the year;

- passing with a positive result of the compliance test by the WEEELABEX body on the Durable Goods Treatment Plant (TBD) – Volpiano (Turin): the test regarded the R3 treatment and the documental part of the related quality/environment/safety management system. The positive result of this test is an essential condition for recognition of the plant as a platform of reference for the RAEE consortia;
- closure of the projects for updating the laboratory LIMS and adoption of digital signatures in test reports by the AMIAT Test Laboratory;
- maintenance of certification according to Reg. 303/2008/EC - FGAS certification for Iren Mercato subsidiaries operating in the heat management sector as regards the service provided for devices containing fluorinated greenhouse gases;
- Renewal of the Quality, Environment and Safety certificates for the companies Iren Energia S.p.A., Iren Servizi e Innovazione S.p.A. and AEM Torino Distribuzione S.p.A.;
- maintenance of certification for sales of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document No. 66, by Iren Mercato;
- recertification with transition to the new edition of the standard according to the new standard UNI CEI 11352:2014 by Iren Rinnovabili;
- achievement of UNI 11352 certification by Iren Gestioni Energetiche.

Safety

The Iren Group considers it an investment to destine to Workplace Health and Safety (WHS) human, professional, organisational, technological and economic resources, believing that it is of primary importance to protect workers and setting itself the objective not only of complying with the requirements of the specific laws on the subject, but also of taking action aimed at continuous improvement of working conditions.
During the period we continued to make the current organisation of health and safety management in the Iren Group increasingly effective, without, for this, limiting or interfering in the autonomy of each Employer.

In the Genoa area, in order to activate adequate preventive actions to limit injuries with the various corporate Departments, it was agreed to launch specific initiatives in order to improve and facilitate the reporting of “near misses”.

The companies in Turin and Genoa, Tecnoborgo, AMIAT, IREN, the companies Iren Emilia and Iren Ambiente are in possession of the Certification under the terms of the OHSAS 18001 Standard. The last two implement the safety management system over the entire perimeter and have agreed with Accredia the process for specific certification of the various services managed, envisaged and regulated for large and multi-service companies. Therefore, as planned, the extensions of the OHSAS 18001 Certification to the Iren Emilia units, begun in 2013 with the gas sector and Iren Ambiente, begun with road sweeping, urban, similar and comparable waste collection, and certified collection centre management in 2014, are continuing. As part of these initiatives numerous meetings were held with workers to illustrate the corporate policy on workplace safety.

Also in the first nine months the planned recertification/maintenance audits were also carried out regularly and as planned in the Group companies, confirming in all cases the certifications acquired.

We can also note the continuing implementation of a single safety management software program in the Iren Group, aimed at computerised management in the territories.

During the period the Group defined and began monitoring the targets and the improvement actions in the safety field. Starting from the guidance issued during 2015 by the Parent Company objectives and improvement plans have been defined.

In the Iren Group assessment of injury trends is subject to an in-depth and detailed analysis, the results of which do not show significant differences compared to the general trend.
Collaboration is continuing with other Organisations and Institutes operating in the workplace safety sector and in particular on roads, a project was launched to assess the risks deriving from driving the company's vehicles (or an authorised private vehicle) and the prevention/reduction of road accidents in working hours for the company's employees, and for all people who come to use a vehicle under the company's direct control. The protocol regarding the activation of a systematic collaboration between Iren S.p.A. and the above subjects has been defined and signed; the aim is to prepare a road safety management system and to define a method for assessing driving risk and consequent improvement measures, as defined by Italian Legislative Decree 81/2008 and subsequent amendments and additions.

The risk analyses were constantly updated in the first nine months of 2015, in keeping with the new organisation.

Environment

The Iren Group's commitment continues as regards environmental protection in the various segments in which it operates. In particular, while performing their business activities, the first-level companies have focused on environmental protection principles, the rational use of natural resources and full compliance with regulations in force, as well as raising the awareness of their customers and suppliers on environmental subjects.

In this context:

- Iren Mercato maintained the certification, under the terms of the DT66 of Certiquality, for its service of selling electricity produced entirely by renewable sources and established the brand "Iren Verde" with which non-domestic customers that sign up for the service have the chance to demonstrate and make visible their environmental commitment;
- Iren Gestioni Energetiche maintained the certification of activities for the installation, maintenance and repair of fixed refrigeration and conditioning equipment and heat pumps according to Regulation 303/08/EC
- IdroTigullio and AMTER obtained Certification of the Environmental Management System under the terms of the UNI EN ISO 14001:2004 standard;
- EMAS registration was obtained for the Turin North plant, the EMAS registrations were confirmed for the Turbigo, Tusciano and Moncalieri plants, as were ISO 14001 certifications for the companies Iren Energia, Iren Servizi e Innovazione and AEM Torino Distribuzione.
- Integrated quality, safety, environment certification was obtained for the Parma PAI (IEC) by Iren Ambiente.

Resources have been deployed in order to ensure sustainable corporate growth based on constant improvement:

- in the development of electricity from renewable resources (hydroelectric) or similar to renewable resources (cogeneration), as well as promotion of district heating, and in the adoption of the best plant technologies available on the market to ensure lower environmental impact;
- in improving use of water resources in terms of collection and utilisation as well as release and discharge;
- in renewing urban waste water treatment plants and in searching for the best available technologies to improve the quality of effluent water and minimise odorous emissions;
- in correct management of obligations regarding the special waste problem, as regards the phases linked to production, storage, transport and disposal/final recovery;

- in disseminating information on the impact of corporate activities on the external environment, through specific reporting, such as the Sustainability Report, the Environmental Statements.

From the operational point of view, to ensure the lowest environmental impact of the Group's activities, particular importance was given to:

- maintaining the certification systems on a voluntary basis regarding certified environmental management systems in accordance with the UNI EN ISO 14001:2004 standard and EMAS;
- monitoring environmental performance through the use of special indicators for each significant environmental aspect;
- analytically controlling the impact on the external environment, especially as regards emissions into the atmosphere, air quality, waste water, noise and electromagnetic fields;
- performing special internal audits aimed at checking the correct management of environmental issues in the company's plants;
- complying with administrative formalities, especially as regards the monitoring and controls connected with the Integrated Environmental Permits (I.P.P.C. Directive) and the issue of greenhouse gas emissions (Emission Trading System) for the plants involved;
- continuously involving the company’s staff, by providing specific training courses, scheduled on an annual basis and focusing on environmental issues and best practices for the management of plants, to ensure lower environmental impact;
- implementing, at the Iren Group's various sites, the steps gradually proposed by the Waste Traceability Control System, entitled SISTRI, set up by the Ministry for the Environment and Protection of the Territory and the Sea to ensure transition, through advanced technological solutions, to innovative and more efficient management of the entire waste chain.

IREN AND SUSTAINABILITY

The system of values that guides the Iren Group is aimed at creating an enterprise model capable of satisfying in a balanced way the legitimate expectations of the various stakeholders respecting fully the environment and community in which it operates. Iren promotes policies in keeping with the principles of environmental, social and financial sustainability: respect for and protection of the territory, professional development of employees, customer satisfaction, constant dialogue with the community and the Public Administration, careful management of the supply chain, and transparent communications with shareholders and lenders. Responsibility for the territory also means listening to and structured dialogue with local communities, and for this reason the Iren Group has set up Local Committees, places for participatory planning to improve the quality of services, social and environmental sustainability and the ability to anticipate the citizens' needs. The Committees are structured on a provincial basis: the Committees of the Provinces of Piacenza, Reggio Emilia and Parma have already been set up, that of Turin is being set up, and on 17 September the call for participation was published. Subsequently the project will be extended to the territory of Genoa. To widen the dialogue and discussions to all communities, the Local Committees make use of the aid of an online platform through which all citizens can publish their ideas and improvement projects directly.

The Sustainability Report contains full details of the Group's economic, environmental and social sustainability performance, represents a tool for operational orientation and constitutes a document for constant and participated dialogue with the community and all stakeholders. The 2014 edition was approved by the Board of Directors of Iren S.p.A. on 13/03/2015, at the same time as the Separate and Consolidated Financial Statements at 31 December 2014 were approved.

The medium/long-term strategic orientations indicate constant attention to sustainability issues. In the 2015-2020 Business Plan, Iren's development is based on four strategic lines: integration and efficiency, centrality of the Customer, innovation and sustainable development in environmental and financial terms, as well as providing for a new strategic orientation for CSR.

In addition, of note among the Group's sustainability initiatives carried out in the first nine months of the year 2015 are:

- participation, for the fourth consecutive year, in the Carbon Disclosure Project survey "CDP Italy 100 Climate Change Report 2015", for which assessments are currently in progress;
- participation in the 2015 edition of the Sodalitas Social Award and subsequent inclusion among the finalists for the following two projects "Demographic Rebalancing Plan" and "Iren: networked schools";
- participation in the 2015 Sustainable Development Award, organised by the Foundation for Sustainable Development in collaboration with Ecomondo;
- participation in the "2015 Responsible Business Award", organised by Unioncamere, in collaboration with Terzocanale and with the CSR and Social Innovation Exhibition;
- participation in sensitisation initiatives on CSR-related issues of other promoters (e.g. Altis, Acea);
- participation in Forums (Altis, Utilitatis, Assonime);
- creation of the mini-website on sustainability;
- weekly publication on the corporate Intranet of the "sustainability pills", short videos to study in depth the commitment that the Group brings into play to guarantee environmental, social and financial sustainability to its stakeholders;
- the analysis of indicators for updating to new GRI-G4 guidelines and transfer of contents in new records for inclusion in the software dedicated to data collection;
- obtainment of the Mela Rosa [Pink Apple] certification, by the Marisa Bellisario Foundation, for Iren's commitment to adopting the provisions of the law on gender parity, making the most of female talent in the company's top management;
- continuation in the territory of Reggio Emilia of the campaign for prevention of aneurysm of the aorta promoted by the Cardioteam Foundation NGO, through which all personnel aged 55 or over have a free medical screening; Overall approximately 650 employees of Turin, Genoa and Piacenza benefited from the initiative, representing 80% of those who had the right. By the end of 2015 the project will also be extended to the territory of Parma;

- in the field of public illumination work is proceeding on the Torino Led project (promoted by the City of Turin), by means of which traditional lampposts are being replaced with new LED lamps. Once completed, the project will enable a reduction of electricity consumption of more than 50%;
- continuation of the project “Edu.Iren”, a programme of training courses made available to schools free of charge, based on the many years of experience of the Iren Group companies at the local level in sustainability education projects in schools; The 2015/2016 catalogue presents new subjects that enrich an offer already appreciated by more than 51,000 students;
- participation at the conference “The City of the Future”, organised by Iren, the Polytechnic School of the University of Genoa and FULGIS (a Foundation that manages a number of secondary schools in the Municipality of Genoa). The conference offered the students of schools in Genoa the occasion to study the theme of environmental sustainability as seen in the fields of construction, mobility and management of services, learning about concrete and excellent experiences;
- the conclusion of the Eden project, the purpose of which was environmental education and the concept of sustainability. Through the involvement of three schools in Turin the first testing began in the region, aimed at measuring objective data in public buildings. The project also received the 2015 Smau Award in the sector of energy efficiency;
- the introduction of concessions for customers in the municipalities in the area of Piacenza affected by the flood in September (rebates of water consumption exceeding the user's historical average, possibility of extending payment of gas and water bills with maturity starting from the day after the floods, up to 31 December 2015 with no penalties for arrears);
- installation of five new public water dispensers in Parma;
- the start of a new experimental method for waste collection in the city of Turin, by means of which a number of towers for conferment of the non-recoverable portion of waste fitted with a closure system and accessible only to authorised users, holding a specific electronic key. The new conferment method is part of the European research project entitled ALMANAC, oriented to careful waste management;
- participation in the “Supernova” event, which was held in Turin, at which the discussion forums dealt with subjects related to energy savings and separate collection;
- the initiative to raise awareness of separate collection on the occasion of Ligabue's concert at Campovolo, thanks to which a reduction was obtained of around 50% of per capita waste produced, compared to the previous edition;
- participation in the national initiative “Kids in the office with mum and dad”, an occasion for employees of nine Iren offices in the provinces of Reggio Emilia, Turin, Genoa, Parma and Piacenza to show their children where they work and what they do during the working day;
- participation in the conference “Trees are alive because they make apples, leaves and wind – For education about dietary and environmental sustainability”, which was held at the 2015 Milan Expo.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia
Share capital fully paid - in 1,276,225,677.00
Reggio Emilia Companies Register No. 07129470014
Tax Code and VAT No. 07129470014

CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2015

Statement of Financial Position

thousands of euro

	30.09.2015	31.12.2014
ASSETS		
Property, plant and equipment	2,917,102	2,992,246
Investment property	14,530	14,427
Intangible assets with a finite useful life	1,299,754	1,234,670
Goodwill	128,612	124,407
Investments accounted for using the equity method	218,901	235,102
Other equity investments	17,817	17,817
Non-current trade receivables	68,731	51,232
Non-current financial assets	68,504	66,439
Other non-current assets	44,644	47,006
Deferred tax assets	282,183	277,679
Total non-current assets	**5,060,778**	**5,061,025**
Inventories	131,287	81,659
Trade receivables	810,119	977,964
Current tax assets	33,065	19,334
Other receivables and other current assets	191,586	233,434
Current financial assets	553,448	471,301
Cash and cash equivalents	27,881	51,601
Total current assets	**1,747,386**	**1,835,293**
Assets held for sale	5,443	10,762
TOTAL ASSETS	**6,813,607**	**6,907,080**

thousands of euro

	30.09.2015	31.12.2014
SHAREHOLDERS' EQUITY		
Equity attributable to owners of the Parent		
Share capital	1,276,226	1,276,226
Reserves and retained earnings (Losses)	427,118	401,198
Net profit (loss) for the period	98,847	85,795
Total equity attributable to owners of the Parent	**1,802,191**	**1,763,219**
Non-controlling interests	232,463	230,330
TOTAL EQUITY	**2,034,654**	**1,993,549**
LIABILITIES		
Non-current financial liabilities	2,367,617	2,210,821
Employee benefits	143,351	148,971
Provisions for risks and charges	289,856	319,662
Deferred tax liabilities	161,875	162,343
Other payables and other non-current liabilities	199,489	200,625
Total non-current liabilities	**3,162,188**	**3,042,422**
Current financial liabilities	438,645	664,204
Trade payables	732,979	874,723
Other payables and other current liabilities	266,937	248,583
Current tax liabilities	64,865	1,869
Provisions for risks and charges - current portion	113,339	81,730
Total current liabilities	**1,616,765**	**1,871,109**
Liabilities related to assets held for sale	-	-
TOTAL LIABILITIES	**4,778,953**	**4,913,531**
TOTAL EQUITY AND LIABILITIES	**6,813,607**	**6,907,080**

Income statement

	First 9 months 2015	First 9 months 2014
		thousands of euro
Revenue		
Revenue from goods and services	2,030,877	1,862,981
Change in work in progress	880	80
Other revenue income	187,107	207,846
- of which non-recurring	-	*21,044*
Total revenue	**2,218,864**	**2,070,907**
Operating expense		
Raw materials, consumables, supplies and goods	(718,765)	(720,794)
Services and use of third-party assets	(693,921)	(672,586)
Other operating expense	(61,048)	(54,088)
Capitalised expenses for internal work	19,037	13,592
Personnel expenses	(266,573)	(202,194)
Total operating expense	**(1,721,270)**	**(1,636,070)**
GROSS OPERATING PROFIT (EBITDA)	**497,594**	**434,837**
Amortisation, depreciation, provisions and impairment losses		
Amortisation/depreciation	(198,103)	(170,206)
Provisions and impairment losses	(46,699)	(21,902)
Total amortisation, depreciation, provisions and impairment losses	**(244,802)**	**(192,108)**
OPERATING PROFIT (EBIT)	**252,792**	**242,729**
Financial income and expense		
Financial income	19,987	20,408
Financial expenses	(87,693)	(94,740)
Total financial income and expense	**(67,706)**	**(74,332)**
Share of equity investments accounted for using the equity method	388	19,678
Impairment losses on investments	-	(21)
Profit/(loss) before tax	**185,474**	**188,054**
Income tax expense	(69,766)	(79,512)
Net profit/(loss) from continuing operations	**115,708**	**108,542**
Net profit/(loss) from discontinued operations		-
Net profit/(loss) for the period	**115,708**	**108,542**
attributable to:		
- Profit/(loss) – Group	98,847	95,143
- Profit/(loss) – non-controlling interests	16,861	13,399

Statement of other comprehensive income

		thousands of euro
	First 9 months 2015	**First 9 months 2014**
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**115,708**	**108,542**
Other comprehensive income to be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	5,052	(1,526)
- changes in fair value of available-for-sale financial assets	-	-
- share of other profits/(losses) of companies accounted for using the equity method	2,821	(10,018)
Tax effect of other comprehensive income	(1,340)	100
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	**6,533**	**(11,444)**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)	-	-
- portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19)	-	-
Tax effect of other comprehensive income	-	-
Total other comprehensive income that will not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**-**	**-**
Total comprehensive income/(expense) (A)+(B1)+(B2)	**122,241**	**97,098**
attributable to:		
- Profit (loss) - Group	105,380	83,636
- Profit (loss) – non-controlling interest	16,861	13,462

Statement of changes in equity

	Share capital	Share premium reserve	Legal reserve
31/12/2013	**1,276,226**	**105,102**	**32,512**
Legal reserve			4,343
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/09/2014	**1,276,226**	**105,102**	**36,855**
31/12/2014	**1,276,226**	**105,102**	**36,855**
Legal reserve			2,505
Dividends to shareholders			
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
30/09/2015	**1,276,226**	**105,102**	**39,360**

thousands of euro

Hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to the Group	Equity attributable to non-controlling interests	Total equity
(24,028)	**302,135**	**415,721**	**80,554**	**1,772,501**	**216,526**	**1,989,027**
		4,343	(4,343)	-		-
			(66,747)	(66,747)	(6,895)	(73,642)
	9,464	9,464	(9,464)	-		-
	(1,585)	(1,585)		(1,585)	(12,219)	(13,804)
	(3,099)	(3,099)		(3,099)	52	(3,047)
(11,506)		(11,506)	95,143	83,637	13,461	97,098
		-		-		-
		-	95,143	95,143	13,399	108,542
(11,506)	-	(11,506)		(11,506)	62	(11,444)
(35,534)	**306,915**	**413,338**	**95,143**	**1,784,707**	**210,925**	**1,995,632**
(39,695)	**298,936**	**401,198**	**85,795**	**1,763,219**	**230,330**	**1,993,549**
		2,505	(2,505)	-		-
			(66,747)	(66,747)	(14,670)	(81,417)
	16,543	16,543	(16,543)	-		-
	511	511		511		511
	(172)	(172)		(172)	(58)	(230)
6,533		6,533	98,847	105,380	16,861	122,241
			98,847	98,847	16,861	115,708
6,533	-	6,533		6,533		6,533
(33,162)	**315,818**	**427,118**	**98,847**	**1,802,191**	**232,463**	**2,034,654**

Statement of cash flows

	thousands of euro	
	First 9 months 2015	**First 9 months 2014**
A. Opening cash and cash equivalents	**51,601**	**50,222**
Cash flows from operating activities		
Profit (loss) for the period	115,708	108,542
Adjustments:		
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	198,103	170,206
Capital gains (losses) and other changes in equity	7,538	(19,110)
Net change in post-employment benefits and other employee benefits	(7,021)	250
Net change in provision for risks and other charges	(412)	(32,842)
Change in deferred tax assets and liabilities	(5,747)	(7,312)
Change in other non-current assets and liabilities	(2,239)	19,312
Dividends accounted for net of adjustments	(1,316)	(1,030)
Portion of profit (loss) of associates and joint ventures	(388)	(19,678)
Net impairment losses (reversals of impairment losses) on assets	-	837
B. Cash flows from operating activities before changes in NWC	**304,226**	**219,175**
Change in inventories	(49,307)	11,051
Change in trade receivables	176,920	223,493
Change in tax assets and other current assets	28,792	(67,318)
Change in trade payables	(154,778)	(320,096)
Change in tax liabilities and other current liabilities	74,488	105,487
C. Cash flows from changes in NWC	**76,115**	**(47,383)**
D. Cash flows from/(used in) operating activities (B+C)	**380,341**	**171,792**
Cash flows from/(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(160,557)	(170,837)
Investments in financial assets	(1,355)	(58,823)
Proceeds from the sale of investments and changes in assets held for sale	5,502	23,808
Changes in the scope of consolidation	(25,679)	(207,560)
Dividends received	7,368	42,790
E. Total cash flows from/(used in) financing activities	**(174,721)**	**(370,622)**
F. Free cash flow (D+E)	**205,620**	**(198,830)**
Cash flows from/(used in) financing activities		
Dividends paid	(81,417)	(73,642)
New non-current loans	250,000	525,000
Repayment of non-current loans	(113,681)	(530,330)
Change in financial payables	(200,030)	332,312
Change in financial assets	(84,212)	(73,406)
G. Total cash flows from/(used in) financing activities	**(229,340)**	**179,934**
H. Cash flows for the period (F+G)	**(23,720)**	**(18,896)**
I. Closing cash and cash equivalents (A+H)	**27,881**	**31,326**

Certification by the Manager in charge of preparing the corporate accounting documents pursuant to article 154-bis, paragraph 2 of Legislative Decree no. 58/1998 (“Testo unico della finanza” [Consolidated Finance Act])

The undersigned Massimo Levrino, Financial Reporting Officer responsible for the preparation of the accounting documents for IREN S.p.A declares, pursuant to paragraph 2 of article 154-bis of the “Testo Unico della Finanza” [Consolidated Finance Act], that the accounting information contained in this Interim Report at 30 September 2015 corresponds to the documentary results, books and accounting entries.

12 November 2015

IREN S.p.A.
Administration, Finance and Control
Manager and
Financial Reporting Manager appointed
under Law 262/05
Massimo Levrino

Iren S.p.A.
Via Nubi di Magellano, 30
42123 Reggio Emilia - Italy
www.gruppoiren.it