

Annual Report

at 31 December 2020



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COMPANY OFFICERS

Board of Directors⁽¹⁾

Chairperson

Renato Boero ⁽¹⁾

Deputy Chairperson

Moris Ferretti ⁽³⁾

Chief Executive Officer and General Manager

Massimiliano Bianco ⁽⁴⁾

Directors

Sonia Maria Margherita Cantoni ⁽⁵⁾

Enrica Maria Ghia ⁽⁶⁾

Pietro Paolo Giampellegrini ⁽⁷⁾

Alessandro Giglio ⁽⁸⁾

Francesca Grasselli ⁽⁹⁾

Maurizio Irrera ⁽¹⁰⁾

Cristiano Lavaggi ⁽¹¹⁾

Ginevra Virginia Lombardi ⁽¹²⁾

Giacomo Malmesi ⁽¹³⁾

Gianluca Micconi

Tiziana Merlino

Licia Soncini ⁽¹⁴⁾

Board of Statutory Auditors⁽¹⁵⁾

Chairperson

Michele Rutigliano

Statutory auditors

Cristina Chiantia

Simone Caprari

Supplementary Auditors

Donatella Busso

Marco Rossi

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. ⁽¹⁶⁾

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

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

⁽³⁾ Appointed Deputy Chairman at the Board of Directors meeting held on 22 May 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTICE CONCERNING THE SHAREHOLDERS' MEETING

The Shareholders are called to the ordinary meeting in first call in Parma, at Via S. Margherita 6/A in the Multipurpose Room ("Sala Polivalente") of Iren's headquarters on 6 May 2021 at 11.00 a.m., to discuss and resolve on the following

Agenda:

- 1) Separate Financial statements as at 31 December 2020; Directors' Report, Report of the Board of Statutory Auditors and of the Independent Auditor.
- 2) Proposed allocation of the profit for the year: related and consequent resolutions.
- 3) Report on 2021 remuneration policy prepared pursuant to Art. 123-ter TUF (as amended by Legislative Decree 49/2019), section one: related and consequent resolutions.
- 4) Report on remuneration paid in 2020 pursuant to Art. 123-ter TUF (as amended by Legislative Decree 49/2019), section two: related and consequent resolutions - advisory resolution.
- 5) Appointment of the Board of Statutory Auditors and its Chair for the financial years 2021-2022-2023, and determination of their remuneration: related and consequent resolutions.

Chair of the Board of Directors
Renato Boero



LETTER TO SHAREHOLDERS AND STAKEHOLDERS

Dear Shareholders and Stakeholders,

Iren Group has integrated the principles of sustainability into its growth strategy to the point of making them the guiding star for its future development.

Naturally, the plan to integrate ESG criteria - Economic, Environmental and Social - into the life of the company is represented by the decision to unite in this letter the presentation of the results of both the Annual Report 2020 and the Sustainability Report 2020 with the aim of ensuring an integrated reading for all the Group's stakeholders.

Attention to the principles of sustainability and the important path of growth and efficiency achieved in recent years have allowed the Group to face 2020 – a year like no other, marked by the Covid-19 pandemic – with extreme flexibility. In just a few weeks, Iren was able to rethink its approach to work and to the provision of essential services, ensuring full operational continuity to 4.6 million Italians in the areas in which it operates.

The ability to adapt to a new scenario and the resilience demonstrated, together with the dedication and sense of responsibility of our employees, are the most valuable result that 2020 has brought to Iren Group.

In fact, 2020 was a testament to Iren's extraordinary ability to adapt, its economic and financial solidity and the managerial and industrial excellence achieved by our Group in recent years. A stability which enables us to also tackle emergency situations, like the one we are experiencing in this historical moment and which compels each of us toward the search for new horizons and new strategies.

In 2020, the Group turned 10 years old, an occasion celebrated with a new visual identity and a new logo that will accompany the Group's growth throughout Italy in the coming years. In these 10 years, Iren has established itself as one of the most important multi-utilities in the country, serving more than 440 municipalities for a total of more than 4.6 million inhabitants, placing itself as the 2nd multi-utility both for regions covered by the services and for number of clients served. The Group is also the 1st Italian multi-utility for growth in employees, which have reached more than 8,650, with a continuous and constant upward trend over the last five years.

These figures are a snapshot of a Group that, even today, has reached national dimensions and requires us to think and act as a large company in the country while maintaining, and where possible further strengthening, our deep territorial roots.

A growth that is also due to two important extraordinary operations, valued at approximately € 200 million; the acquisition of the companies of the former Environment Division of UNIECO and of I.BLU. The incorporation of these companies has allowed the Group to further strengthen its position in the environmental sector and to become the leading operator in the plastics chain in Italy, highlighting, once again, the national dimensions reached by Iren.

The energy transition is a subject which the new Draghi government has chosen to foster through a dedicated ministry – is significantly changing our business. We will be increasingly called upon to respond to the challenges of our time, such as climate change, infrastructure obsolescence, security, energy transition, resource consumption, mobility, integrated services, investment attraction and competitiveness.

Thanks to our assets and the path of growth in terms of skills and size that we have undertaken, we are ready to play a leading role in the energy sector. To this end, we have started to design our future with the Industrial Plan to 2025, which projects the growth of the Group throughout the country and the affirmation of Iren's leadership in sustainability through the development of the "multicircle economy". The Plan represents our long-term industrial vision, focused on the conscious and efficient use of resources in all areas of business.

A decisive and enabling factor in the Group's development will be the investment of € 3.7 billion, planned over the next five years, € 2.1 billion of which will be allocated to the multicircle economy, which applies the concept of circular economy to all our businesses – from the production of energy from renewable sources to the waste cycle, from the management of water to green mobility – a concept that is strongly ingrained in our DNA.

With the multicircle economy, the Group wants to take the concept of circular economy to a new level, linking energy production, energy efficiency, the waste cycle and water resource management. The objective is to multiply the value created in all the areas in which Iren is present. In the territories served, the Group boasts a percentage of differentiated waste collection of 69.3% compared to a national average of 61.3%, not to mention an average of water network losses that are more than 10 percentage points lower than the national average, avoiding 2.7 million tonnes of CO₂ emissions every year.

The Group contributes to the reduction of pollution through national leadership in district heating and with 3/4 of energy production from green or high efficiency sources; to the development of electric mobility through the electrification of the corporate fleet, shared mobility solutions and the creation of related infrastructure; energy saving through the maintenance and requalification of buildings through the development of efficiency solutions; innovation and digitalization, for which 300 million euros of investments have been earmarked over the next 5 years, with particular attention to the Corporate Venture Capital project that sees us as the first multi-utility in supporting innovative start-ups in the cleantech sector.

The above shows how sustainability permeates Iren's actions in all the business areas in which it operates. Sustainability that goes well beyond the commitment on the environmental front, integrating ESG criteria into the life of the company. This is demonstrated by the 99% of employees with permanent or apprenticeship contracts, 88% of them engaged in training activities, the presence of more than 2,000 women in the Group and a strong focus on gender equality, which has been recognised by inclusion in the Bloomberg Gender Equality Index.

To all our stakeholders, we demonstrate constant attention to the areas in which we operate: 180 thousand people participated in Eduiren environmental education projects, 53 projects carried out by Iren's sustainability Local Committees, 60% of the value of purchase orders were placed with local suppliers.

Iren Group wants to progress within an internationally recognized framework and guidelines, such as those of the United Nations Global Compact, to which it renews in 2021 its commitment to respect its fundamental principles, and the Sustainable Development Goals of the 2030 Agenda.

The results achieved in 2020 confirm the growth of the Group, which closed the year with revenues of € 3.7 billion, EBITDA of € 927 million, up 1.1% compared with last year, and Group net profit of € 235 million, in line with last year. Of particular note are the investment figures, which grew by 30.7% compared to 2019 and amounted to € 685 million, of which € 350 million were allocated to projects related to the multicircle economy. These investments made it possible to achieve the planned strategic objectives, support the economies and induced activities of the territories severely affected by the pandemic and propel Iren with a leading role in the post-emergency recovery programme that will involve the country.

Key factors like the efficient management of the Group in terms of size and economic-financial indicators, the development of skills and quality of services, the utmost attention to sustainability and care for internal resources and clients, have enabled us to achieve the results we are presenting for the approval of the Shareholders, as well as to propose a dividend of 9.5 c€ per share at the Shareholders' Meeting, up 2.7% compared to 2019.

Also on behalf of the Board of Directors, we extend our gratitude to all the women and men of Iren Group for their expertise and the commitment they show every day in their work, which have led to our achieving these results. Thank you, today more than ever, for the dedication and responsibility with which you have and continue to guarantee the supply of essential services for our community, efficiently as always and with innovative methods compared to the past and, in many cases, reconciling family life and work, especially during this difficult scenario. We would like to thank our Shareholders and Stakeholders for the encouragement they provide us in pursuing sustainable development and the members of the Board of Directors and the Board of Statutory Auditors for their decisive contribution to the growth of the Company.

Chairperson
Renato Boero


Deputy Chairman
Moris Ferretti

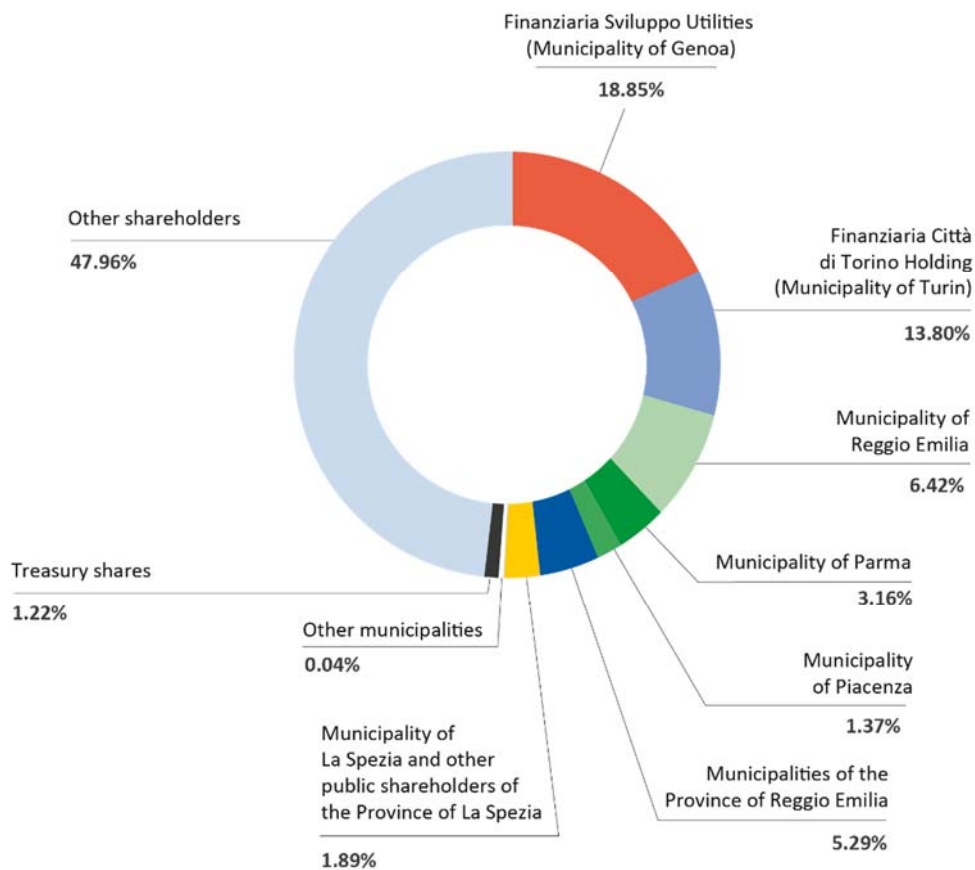

Chief Executive Officer
Massimiliano Bianco


SHAREHOLDERS

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

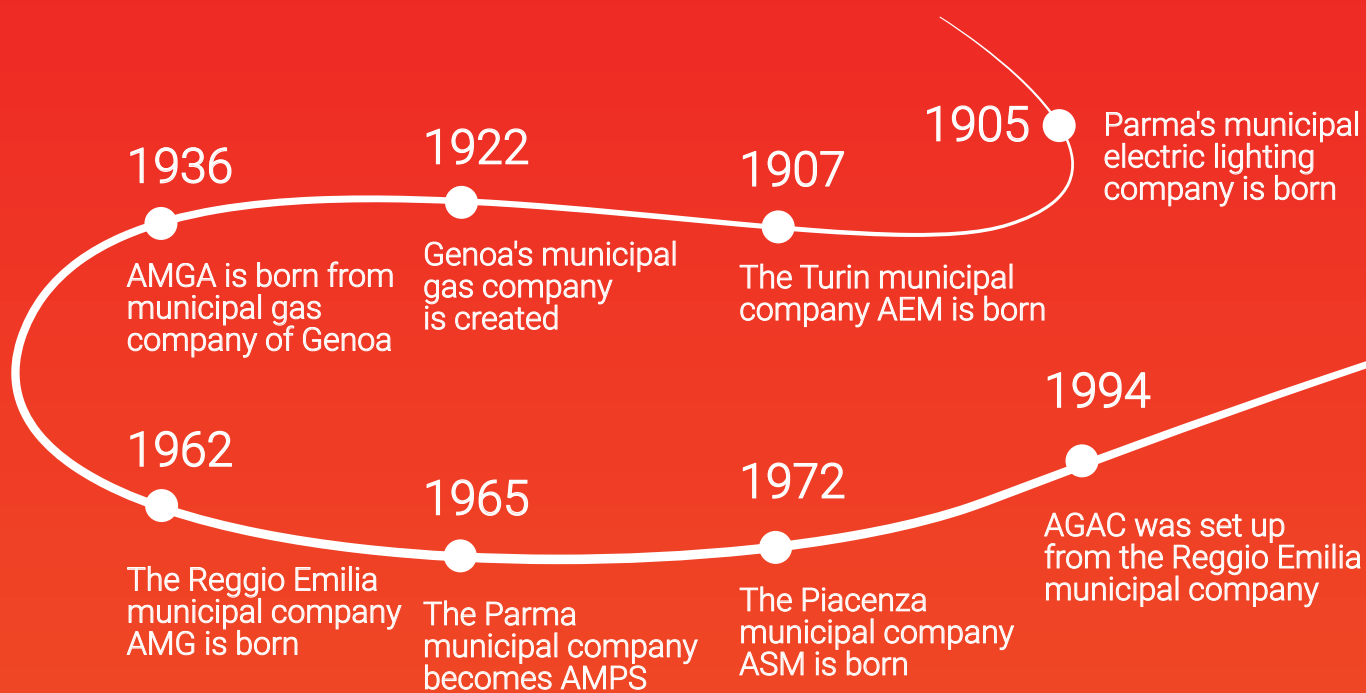
It is noted that a second tranche of the share buyback programme commenced in 2019 was initiated during the year. As at 31 December 2020, Iren S.p.A. held 15,868,004 treasury shares, equal to 1.22% of the share capital.

At 31 December 2020, based on available information, the Iren shareholding structure was as follows:



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

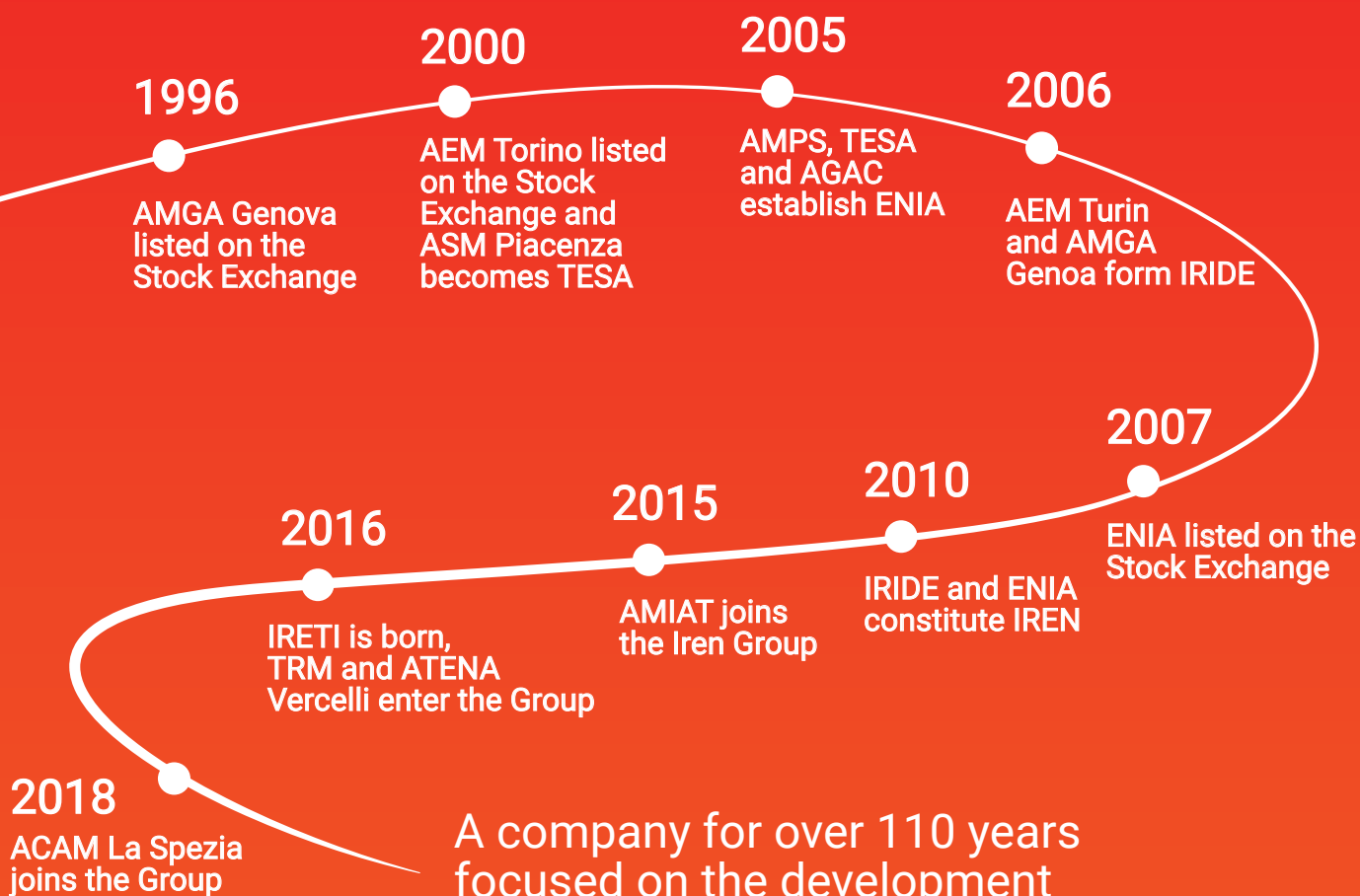
A century of history



Mission

To offer our customers and areas the best integrated management of energy, water and environmental resources, with innovative and sustainable solutions in order to create value over time.

For everyone, every day.



A company for over 110 years focused on the development of its territories and the needs of its customers.

Vision

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

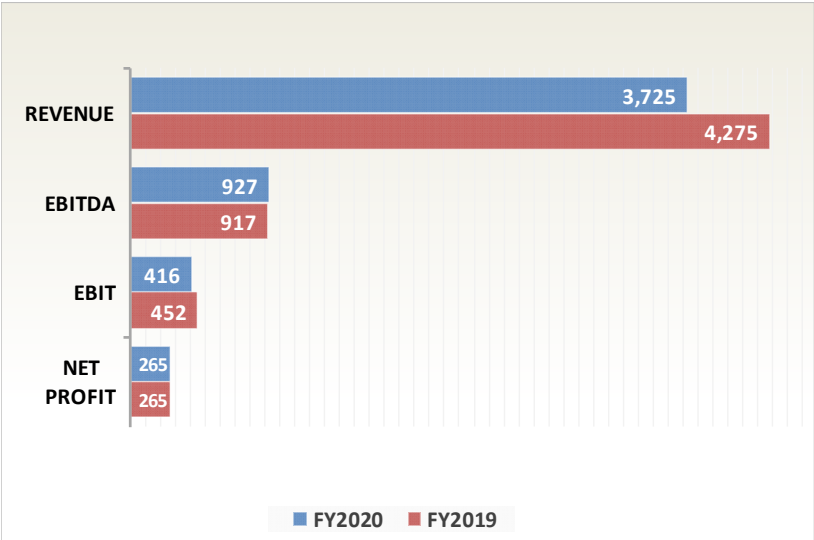
For everyone, every day.

KEY FIGURES OF THE IREN GROUP: HIGHLIGHTS OF FINANCIAL YEAR 2020

Economic data

	FY 2020	FY 2019 Restated	Changes %
Revenues	3,725.4	4,274.7	(12.9)
EBITDA	927.4	917.3	1.1
EBIT	415.8	451.8	(8.0)
Net profit	265.1	265.4	(0.1)
EBITDA Margin (EBITDA/Revenue)	24.9%	21.5%	

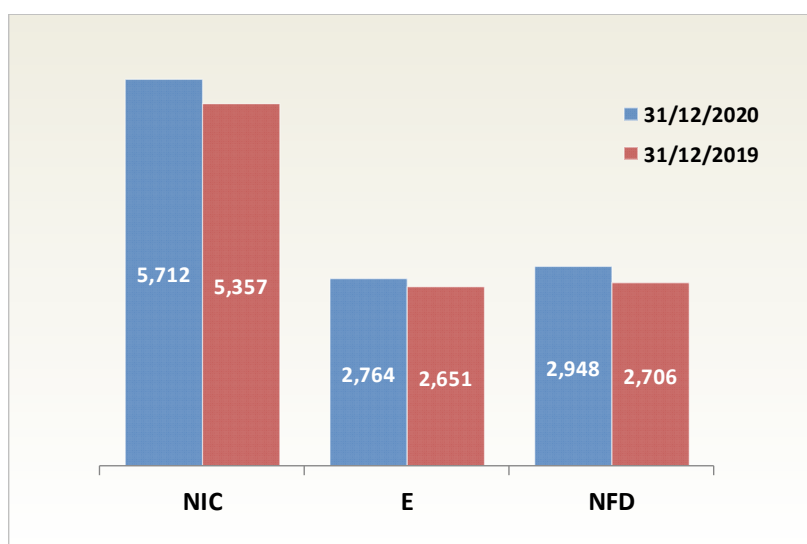
As required by IFRS 3, the 2019 cash flow balances have been recalculated to take into account, at the acquisition date, the effects of the completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.



Financial position data

	31.12.2020	31.12.2019 Restated	Changes %
Net Invested Capital (NIC)	5,711.5	5,357.4	6.6
Equity (E)	2,763.5	2,651.3	4.2
Net Financial Debt (NFD)	2,948.0	2,706.1	8.9
Debt/Equity (Net Financial Debt/Equity)	1.07	1.02	

As required by IFRS 3, the financial position at 31 December 2019 has been restated to take into account, at the acquisition date, the effects of completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

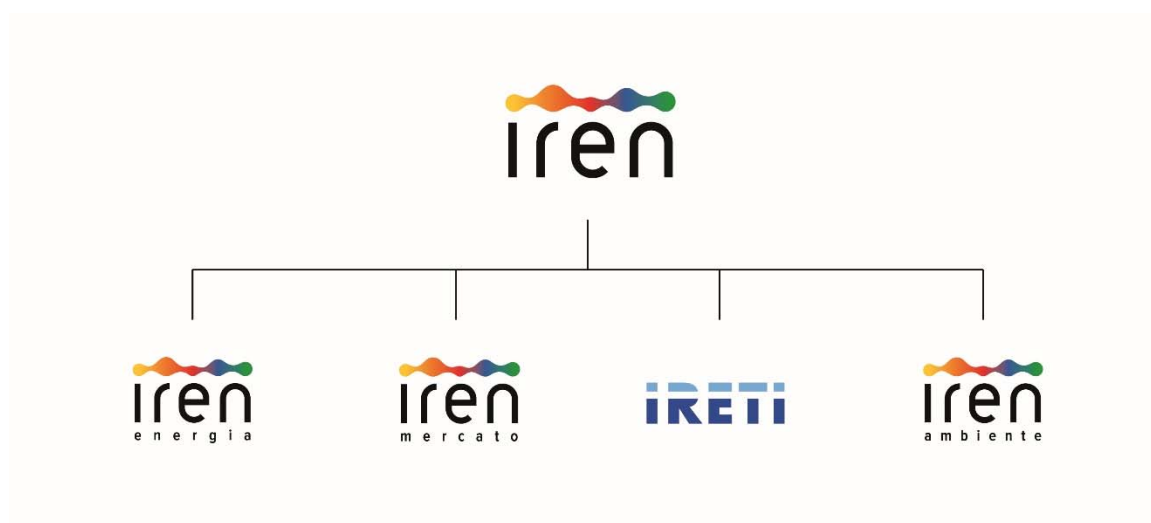


Technical and commercial figures

	FY 2020	FY 2019	Changes %
Electricity produced (GWh)	10,109.7	10,380.9	(2.6)
Thermal energy produced (GWht)	2,943.8	2,993.8	(1.7)
Electricity distributed (GWh)	3,587.3	3,818.8	(6.1)
Gas introduced into the network (mln m ³)	1,266.0	1,289.3	(1.8)
Water distributed (mln m ³)	175.1	174.9	0.1
Electricity sold (GWh)	16,922.2	18,382.5	(7.9)
Gas sold (mln m ³) (*)	2,808.6	2,825.4	(0.6)
District heating volume (mln m ³)	96.7	95.0	1.9
Waste handled (tonnes)	3,081,055	2,835,310	8.7

* of which, 1,728.2 mln m³ for internal use in the FY 2020 (1,760.2 mln m³ in 2019, -1.8%)

THE CORPORATE STRUCTURE OF THE IREN GROUP



The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and four companies responsible for the single business lines operating in the main operating bases of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli and La Spezia.

The Holding is responsible for the strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and guidance of the companies operating in their respective sectors:

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

NETWORKS BU

The lead company IRETI and the business unit's subsidiaries handle the integrated water cycle, electricity distribution, natural gas distribution and other minor activities.

Integrated Water Services

IRETI, directly and through the operating subsidiaries Iren Acqua, Iren Acqua Tigullio, ASM Vercelli and ACAM Acque, as mentioned above, operates in the field of water supply, sewerage and waste water treatment in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia, Vercelli, La Spezia, and several municipalities in Piedmont and Lombardy.

Overall, in the Ambiti Territoriali Ottimali (ATO, Optimal Territorial Areas) managed, the service is provided in 241 municipalities through a distribution network of 20,258 kilometres, serving almost 2.8 million residents. As regards waste water, the Networks BU manages a sewerage network spanning a total of 11,189 kilometres.

On 21 July 2020, the group, through IRETI and AMIAT, acquired the majority stake in Nord Ovest Servizi S.p.A., which holds a 45% stake in Asti Servizi Pubblici operating in the integrated water cycle, and in the environment and transport sectors in the province.

Gas distribution

IRETI distributes natural gas in 70 municipalities of the Provinces of Reggio Emilia, Parma and Piacenza, in the Municipality of Genoa and in 20 other municipalities nearby. Through ASM Vercelli it distributes gas in the city of Vercelli, in 10 municipalities of the same province and in 3 other municipalities located in

Piedmont and Lombardy. The distribution network, made up of 8,115 kilometres of high, medium and low-pressure pipes, serves a catchment area of approximately 743 thousand redelivery points.

Electricity distribution

IRETI provides the electricity distribution service in the cities of Turin, Parma and, through ASM Vercelli, in the city of Vercelli with 7,795 kilometres of network in medium and low voltage, and a total of more than 724 thousand connected users.

WASTE MANAGEMENT BU

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

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

The Waste Management BU carries out all the activities of the urban waste management chain (collection, selection, recovery and disposal), with particular attention to sustainable development and to environmental protection confirmed by growing levels of separated waste collection; it also manages an important customer portfolio to which it provides all the services for special waste disposal.

Through these activities, the Waste Management BU serves a total of 307 municipalities for a total of more than 3.0 million residents present in its operating areas; the plant assets of the integrated waste cycle consist mainly of 3 waste-to-energy plants (TRM, owned by the company of the same name, in Turin, the Integrated Environmental Hub ("Polo Ambientale Integrato" -PAI), in Parma, and Tecnoborgo, in Piacenza, these latter owned by the lead company Iren Ambiente), 2 active landfill sites, 197 equipped ecological stations and 36 treatment, selection, storage and recovery plants.

The consolidation of the Waste Management BU for the management of all phases of the waste cycle continued this year with the incorporation, in January, of the special purpose entity Rigenera Materiali with registered office in Genoa and entirely owned by Iren Ambiente. The company engages in the design, construction, management and operation of a plant for the Mechanical-Biological Treatment (MBT) of urban waste, to be built in the plant hub in Scarpino (Genoa). The plant will have a processing capacity of 100 Ktonnes/year and will have the function of separating the wet fraction from the dry fraction of municipal solid waste, sending them to disposal or recovery, obtaining from the latter secondary solid fuel. On 12 August, the company I.Blu became part of the group, with the purchase of an 80% shareholding by Iren Ambiente. I.Blu operates in the selection of plastic waste to be sent for recovery and recycling in two plants, with a total capacity of 200 Kton/year, and in the treatment of plastic waste for the production of Blupolymer (polymer for civil uses) and Bluair ("reducing agent" for steel plants).

This transaction was carried out to enable Iren to become the national leader in the selection of Corepla plastics and, prospectively, in the treatment of so-called *plasmix*, i.e. heterogeneous plastics that currently do not have an outlet in the recycling market downstream of separate collection.

On 17 November, Iren Ambiente Spa finalised the acquisition of UNIECO Environment Division, which includes the company UNIECO Holding Ambiente (UHA) and other subsidiaries and associated companies operating in the waste sector, located in a number of Italian regions: Emilia, Piedmont, Tuscany, Marche and Puglia.

The companies belonging to UNIECO Environment Division are active in all stages of the supply chain: from waste brokerage to the treatment and disposal of urban and special waste, both hazardous and non-hazardous, and through the associate SEI Toscana which also operates in the field of collection of urban waste.

UNIECO Environment Division can count on a considerable amount of facilities consisting of: 2 landfills, 2 storage and transfer plants, 3 material recovery plants, 2 liquid waste treatment plants and 3 mechanical biological treatment plants.

This important operation will enable the Waste Management Business Unit to consolidate its position among the leading national operators in the environmental sector, expanding significantly the geographical area served, strengthening its role as a leading national operator in the treatment and development or

disposal of special waste, and acquiring a strategic position in the collection of waste from a vast area of the Tuscany Region.

ENERGY BU

Production of electricity and heat

The Energy BU's installed capacity totals 2,858 MW of electricity and approximately 2,373 MW of heat. Specifically, it has 30 electricity production plants directly available to it: 22 hydroelectric (including 3 mini-hydro) systems, 7 thermoelectric cogeneration systems, and 1 conventional thermoelectric system. The Business Unit also has 85 photovoltaic production plants with an installed capacity of 20 MW.

All primary energy sources used are eco-friendly because they are mainly hydroelectric and co-generative. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource, without the emission of pollutants, and reduces the need to make use of other forms of production that have a greater environmental impact.

On the thermoelectric side, at Group level, more than 34% of the total thermal power at the service of district heating comes from the cogeneration plants owned by Iren Energia and produces 80% of the heat intended for district heating. The share of thermal output related to conventional heat generators is 58%, with district heating production at 16%. The remaining portion is produced by group plants not belonging to the Energy BU (waste to energy plants).

In 2020, Iren signed with Ansaldo a contract for the expansion of the Turbigio thermal power plant through the design, supply and construction of a new gas-powered combined cycle electricity generation plant, which will increase the overall installed capacity of the Turbigio site from the current 850 MW to approximately 1,280 MW.

Iren Energia also oversees the Group's electricity and thermal energy planning and dispatching activities, as well as operations on borsa elettrica (pool market).

District heating

Iren Energia has the largest district heating network in the country with more than 1,064 kilometres of dual pipes. The extension of the network amounts to 700 kilometers in the Turin area, of which 76 kilometers of network recently acquired (district heating business unit of SEI Energia) in the municipalities of Grugliasco, Rivoli and Collegno (Metropolitan City of Turin), 10 in the Municipality of Genoa, 221 in the Municipality of Reggio Emilia, 103 in the Municipality of Parma, and 29 in the Municipality of Piacenza. The total volume heated amounts to 96.7 million cubic metres, of which 5.3 million relating to the SEI Energia business unit. The acquisition of this business, which occurred in April 2020, includes also 49% of the company Nove S.p.A.

Energy efficiency services

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

On 21 July 2020, Iren Energia acquired from ASTA S.p.A. (Gavio group) 28% of the company Asti Energia e Calore S.p.A., thus consolidating its equity investment in the company, which now amounts to 62%.

MARKET BU

Through Iren Mercato, Atena Trading and Salerno Energia Sales, the Group trades electricity, gas and heat through the district heating network, in the supply of fuels for internal consumption and in customer management services of investee companies.

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

Iren Mercato also acts as "higher protection" service operator for retail customers in the electricity market in the Province of Turin and the Parma area. Through the acquisition of a company branch, starting from January 2020 Iren Mercato has extended this activity to the catchment area of the municipality of Sanremo in the province of Imperia. The transaction concluded at the end of 2019 between the company AMAIE S.p.A., owned by the municipality of Sanremo, and Iren Mercato transferred to the latter the Sanremo Luce business unit bringing in a portfolio of approximately 21 thousand customers in the higher protection segment for expected consumption of approximately 50 GWh per year.

Historically, Iren Mercato is active in the direct sale of methane gas in the areas of Genoa, Turin and the Emilia Romagna region.

Lastly, it handles heat sales to district heating customers in the Municipality of Turin and the provincial capitals of Reggio Emilia, Parma, Piacenza and Genoa and sales development in new district heating areas.

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

Sale of Natural Gas

Retail gas customers managed by the Market Business Unit amounted to more than 906 thousand, mainly spread throughout the traditional Genoa, Turin and Emilia Romagna catchment area and surrounding development and the catchment areas of Vercelli and the area in Campania (through ATENA Trading and Salerno Energia Vendite, respectively), and La Spezia.

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

Sale of electricity

The retail electricity customers managed amount to approximately 971 thousand, distributed mainly across the traditionally served basin of Turin and Parma and in the other areas commercially covered by Iren Mercato and ATENA Trading, extended since the beginning of the year also to the municipality of Sanremo with a contribution of approximately 21,500 customers of the higher protection service.

Sale of heat through the district heating network

Iren Mercato manages the sale of heat, purchased from Iren Energia, to customers receiving district heating in the municipalities of Turin, Nichelino, Beinasco (Turin area), Genoa, Reggio Emilia, Piacenza and Parma.

INFORMATION ON THE IREN STOCK IN 2020

Iren stock performance on the Stock Exchange

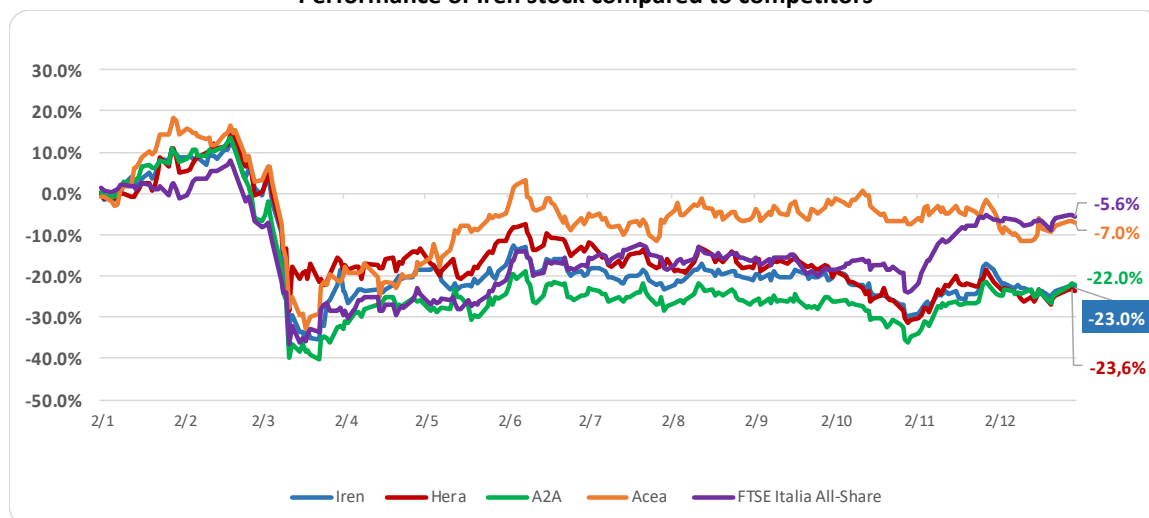
During 2020, the FTSE Italia All-Share (the main index of the Italian Stock Exchange) fell by 5.6%. The share price has been affected by the difficult economic environment.

The first part of the year was, in fact, characterised by an unfavourable energy scenario, with low *commodity* prices, which deteriorated further following the Coronavirus emergency, the subsequent *lockdown* and expectations of a slow economic recovery, despite the recovery plans approved by Central Banks and Governments.

The difficult economic situation and the continuation, also in the fourth quarter, of the health emergency and of the consequent contrasting measures, had an effect on the share price trend, which was influenced by negative market expectations such as incurring extra costs linked to the emergency, the lower demand for products and services, and the slowdown in investments in various sectors.

In this context, the four *multi-utilities* underperformed the main FTSE Italia All Share index, particularly in the fourth quarter, due to the investment choices of market operators, who favoured other sectors, particularly those linked to digital technologies.

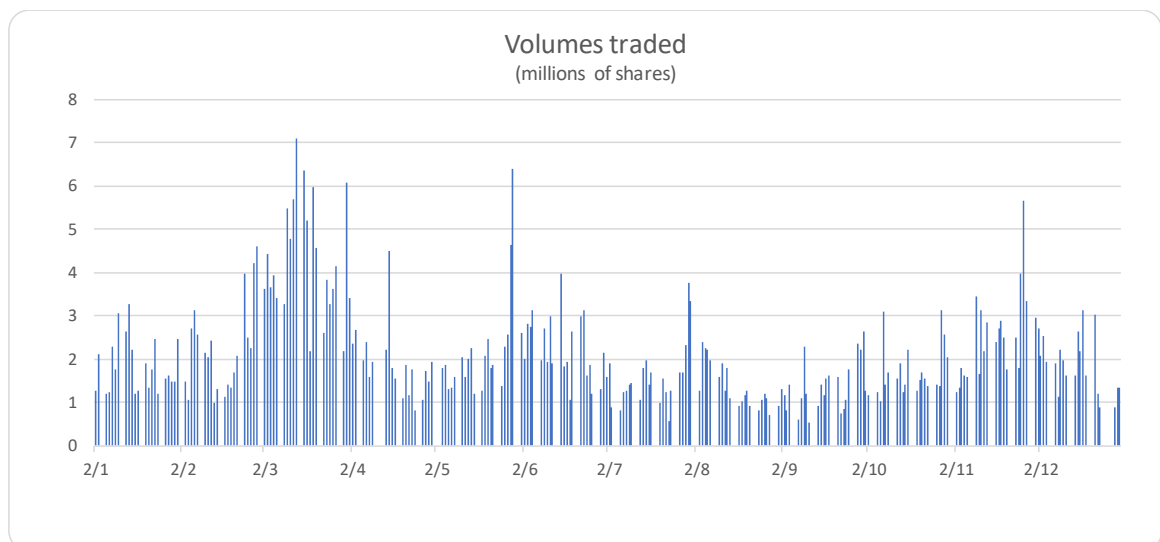
Performance of Iren stock compared to competitors



As at 30 December 2020, the last trading day in the year, the price of IREN stock stood at € 2.126 per share, down by 23.0% compared to the price at the beginning of the year, with average trading volumes exchanged during the period of approximately 2.12 million units. The average price in 2020 was € 2.30 per share.

It is noted that, before the spread of the epidemic, the *lockdown* measures at national level and the consequent reduction in share prices in the financial markets, Iren's share price had reached an all-time high (€ 3.10 per share) on 19 February 2020, bringing the Group's market capitalisation to over € 4 billion; the minimum for the period, i.e. € 1.77 per share, was recorded on 18 March.

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



Share coverage

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

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

The COVID-19 pandemic triggered a severe economic crisis. In the March 2021 update, the OECD reported an annual fall in GDP in 2020 at global level of 3.4%; by contrast, the Euro Area's GDP was down by 6.8% compared to 2019, with a return to pre-crisis levels not expected before 2022.

For the Italian economy, an 8.9% decline in GDP in 2020 compared to the previous year was recorded. The Bank of Italy forecasts Italian GDP growth of 3.5% in 2021 and a return to pre-pandemic levels only starting in 2024.

Household spending

The current economic crisis has led to a decrease in households' disposable income, with repercussions on consumption. In fact, total household consumption expenditure in 2020 was 11% lower than in 2019.

The freeze on layoffs maintained the number of employees with permanent contracts stable, while the number of employees under fixed-term employment contracts decreased the most. Overall, as of December 2020, the number of employed people was 2% lower than a year earlier. Despite the fall in the number of employed persons, in December the unemployment rate for the population aged between 15 and 64 (9%) was 0.6 percentage points lower than in the previous year; the inactive population increased over the same period (+3.6%).

Investments

The climate of uncertainty related to the evolution of the pandemic and the economic crisis affected business confidence negatively in 2020, causing a significant reduction in gross fixed capital formation. The 2020 value of investments is 9% lower than the 2019 level.

Exports

The value of Italian exports in 2020 was 10% lower than in the previous year. The decline was concentrated in the first half of the year, when the value of exported goods fell by 16% compared to the same benchmark in 2019. Despite the recovery recorded in the third quarter, this came to a halt in the last months of the year.

Prospects for a return to pre-2020 levels remain strongly influenced by uncertainty about pandemic evolution.

THE OIL MARKET

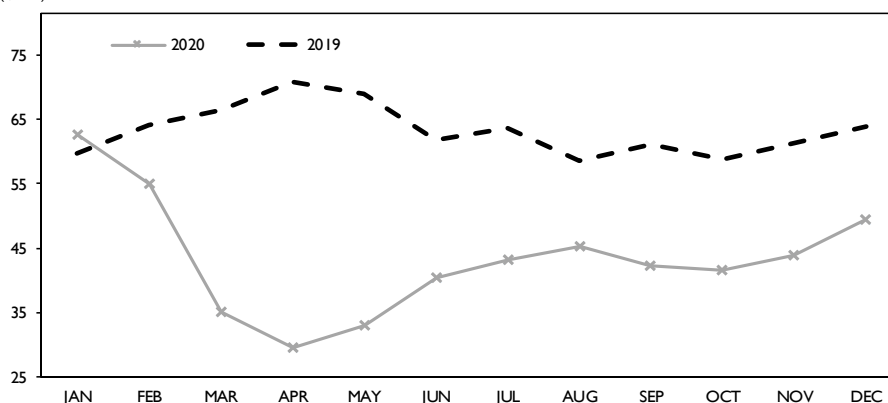
2020 recorded an average Brent price of \$43.21/bbl, down 33% from 2019, which had averaged \$64.2/bbl for the year.

Overall, a decline in global oil demand of around 8% was recorded in 2020 compared to 2019. The largest reduction was recorded in the second quarter (-15% compared to Q2 2019). Fourth quarter demand, which recovered 3 percentage points in cyclical terms, was still lower (-4%) than in the same period of 2019.

The 2020 production cut decided by OPEC Plus countries and the concomitant reduction in US *shale oil* production led to an overall reduction in global oil supply of 6% compared to 2019. The fourth quarter of 2020 ended with supply down 5% compared to the last quarter of 2019.

BRENT PRICE TRENDS

(\$/bbl)



Source: REF-E processing of Reuters data

THE ELECTRICITY MARKET

Supply and demand

In 2020, net electricity production in Italy was 273.11 TWh, down 3.8% compared to 2019. The demand for electricity, amounting to 302.80 TWh, was 89% met by domestic production, with the remaining 11% met by imports from abroad. At 175.38 TWh, domestic thermoelectric production accounted for 64% of net domestic production, down 6.4% compared to 2019 values, mainly under the effect of lower demand. Production from hydroelectric sources amounted to 47.99 TWh (+0.8% compared to 2019), representing 18% of the national supply, while 49.74 TWh (+1% compared to 2019) were produced from geothermal, wind and photovoltaic sources, i.e. 18% of the national supply.

Consumption in 2020 was 5.3% lower than in 2019. The North suffered the most significant reduction in demand (-6.2%), followed by the Centre (-5.7%), the South (-3.2%), and the Islands (-2.7%).

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

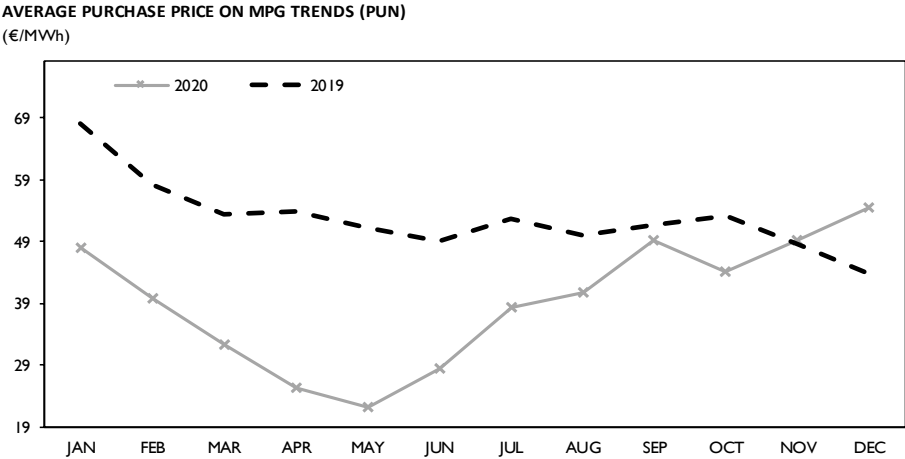
	up to 31/12/2020	up to 31/12/2019	Change %
Demand	302,801	319,792	-5.3%
<i>Northern Italy</i>	141,746	151,142	-6.2%
<i>Central Italy</i>	88,824	94,176	-5.7%
<i>Southern Italy</i>	45,026	46,523	-3.2%
<i>Islands</i>	27,205	27,951	-2.7%
Net production	273,108	283,950	-3.8%
<i>Hydroelectric</i>	47,990	47,590	0.8%
<i>Thermoelectric</i>	175,376	187,317	-6.4%
<i>Geothermoelectric</i>	5,646	5,689	-0.7%
<i>Wind and photovoltaic</i>	44,096	43,354	1.7%
Pumping consumption	-2,557	-2,469	3.6%
Foreign balance	32,250	38,311	-15.8%

Source: Terna

Day-Ahead Market (DAM) prices

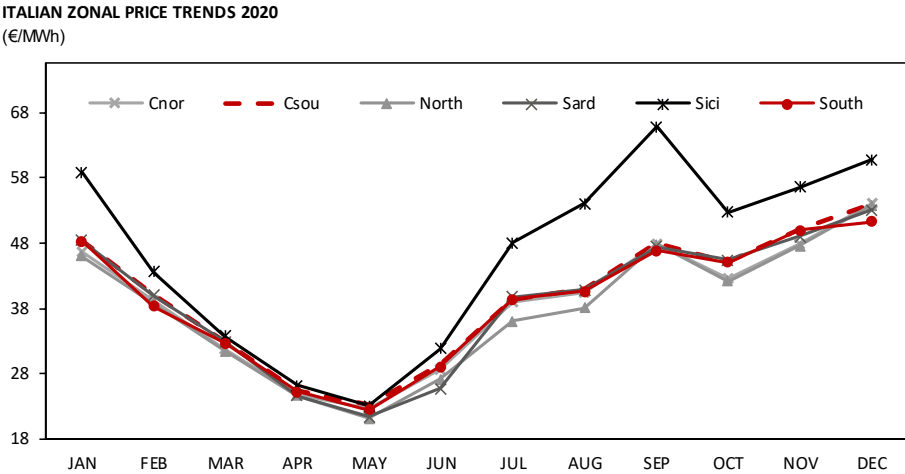
In 2020, the National Single Price (NSP) stood at an average value of € 38.9/MWh, down 25.7% from 2019. The decrease in the NSP compared with the previous year was particularly significant in the first half of the year, with the largest decreases occurring in April (-53.5%) and May (-57.0%).

The average monthly NSP value was higher than in 2019 only in the last two months of the year.



Source: REF-E processing of GME data

The year-on-year decrease in prices involved all zonal prices, with the highest incidence for Sicily (-26.4%) and the lowest for the South (-23.4%). Despite this sharp reduction, Sicily's average annual price continued to be the highest, whilst the lowest electric power price was in the North, where it averaged € 1.12 per MWh lower than the NSP. In 2020, the zonal average price differential (8.4 €/MWh) contracted compared to 2019 (€ 11.9/ MWh).



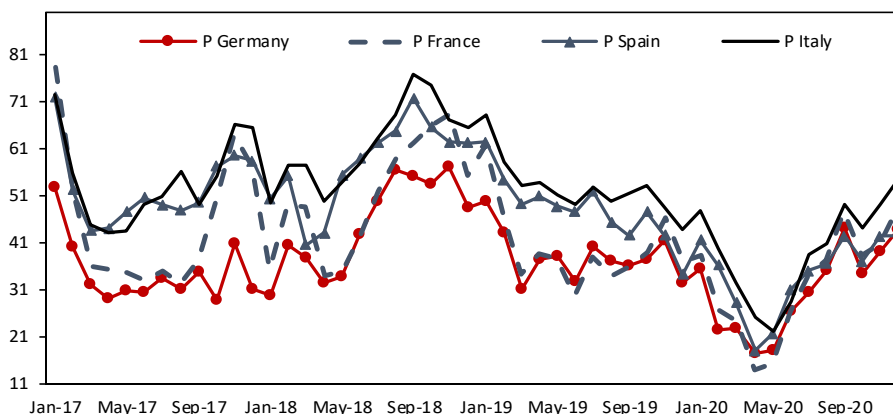
Source: REF-E processing of GME data

Trends in the main European power exchanges

The average price for European power exchanges in 2020 (calculated by taking into account the arithmetic average of market results in Germany, France and Spain) was € 32.2/ MWh, down 23% compared to 2019. The differential with the NSP was € 6.7/ MWh, compared with € 10.7/ MWh in the previous year. Thus, only in the last quarter of 2020 prices were on average higher than in the same period of 2019 (+3%).

EUROPEAN ELECTRICITY PRICE TRENDS

(€/MWh)



Source: REF-E processing of European stock exchanges data

Futures of Baseload NSP on the EEX

The table below shows *futures* prices traded in the last quarter of 2020, signalling expectations of higher electricity prices on the European Energy Exchange. Specifically, forward purchases referable to delivery in January showed upward changes between the beginning and end of the quarter; those maturing in future quarters (Q1 21, Q2 21 and Q3 21) also increased, rising by 5.9 €/MWh, 4.5 €/MWh, and 3.7 €/MWh, respectively. The yearly *Calendar-21* followed the same trend, from € 47.9/ MWh in October to € 52.5/ MWh in December.

Oct-20 Futures		Nov-20 Futures		Dec-20 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
Nov-20	43.2	dec-20	45.6	Jan-21	54.3
dec-20	46.5	Jan-21	45.3	Feb-21	56.5
Jan-21	47.1	Feb-21	48.3	Mar-21	57.3
Quarterly		Quarterly		Quarterly	
Q1 21	48.8	Q1 21	48.0	Q1 21	54.7
Q2 21	43.3	Q2 21	43.1	Q2 21	47.8
Q3 21	48.7	Q3 21	48.7	Q3 21	52.3
Yearly		Yearly		Yearly	
Y1 21	47.9	Y1 21	47.7	Y1 21	52.5

Source: Reuters on EEX data

THE NATURAL GAS MARKET

Supply and demand

Gas consumption in 2020 decreased by 4.2% compared to 2019, to 70.7 billion cubic meters (last year it amounted to approximately 73.8 billion). The significant drop in consumption occurred during the first half of 2020 as a result of the spread of the pandemic and related containment measures. Winter temperatures, in line with the seasonal average, together with the partial economic recovery, particularly in the third quarter, allowed demand to recover slightly in the latter part of the year.

Uses and sources of natural gas in 2020 and comparison with previous years

GAS WITHDRAWN (bln m3)*	2020	2019	2018	Change % 2020 vs 2019	Change % 2019 vs 2018
Industrial use	13.2	14.0	14.3	-5.7%	-2.0%
Thermoelectric use	24.2	25.8	23.3	-6.1%	10.5%
Distribution plants	31.3	31.7	32.3	-1.0%	-2.1%
Third party network and system consumption / <i>line pack</i>	1.9	2.3	2.3	-17.9%	-0.6%
Total withdrawn	70.7	73.8	72.3	-4.2%	2.0%

*Cumulative amounts at 31 December 2020

Source: REF-E processing of SRG data

GAS INPUT (bln m3)*	2020	2019	2018	Change % 2020 vs 2019	Change % 2019 vs 2018
Imports	65.9	70.6	67.4	-6.8%	4.8%
Domestic production	3.8	4.5	5.1	-14.9%	-11.9%
Storage	0.9	-1.4	-0.3	(**)	(**)
Total input (incl. storage)	70.7	73.8	72.3	-4.2%	2.0%
Maximum capacity	145.7	137.6	135.9		
Load Factor	45.2%	51.3%	49.6%		

*Cumulative values as at 31 December 2020, the value of inventories indicates net movement

**Change of more than 100%

Source: REF-E processing of SRG data

The sectors that suffered the most significant reduction were the industrial sector (-5.7%) and the thermoelectric sector (-6.1%), mainly due to the economic effects of the measures implemented to contain the pandemic. Gas consumption in the residential sector was also slightly negative (-1.0%).

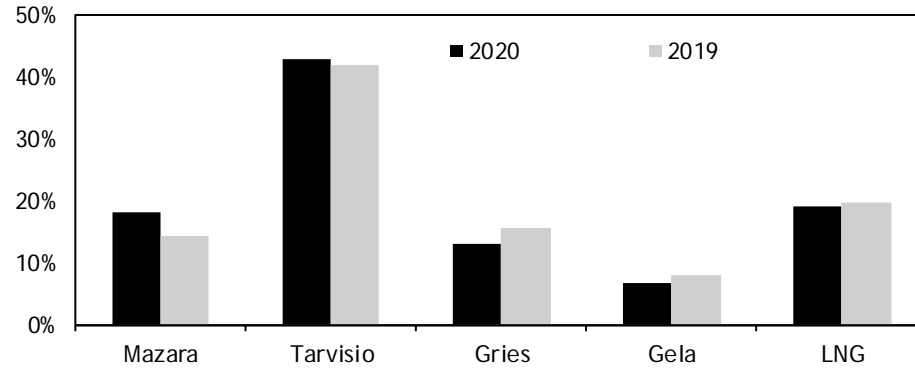
As regards supply, total imports in 2020 were 6.8% lower than in 2019 (at 65.9 bln/m³, compared to 70.6 bln/m³ in 2019), while domestic production fell further by 14.9% compared to 2019 (for a total of 3.8 bln/m³ of gas produced).

Concerning exports, the general situation of domestic entry points connected with foreign countries is as follows:

- inflows from Russia at the Tarvisio *entry point* (28.2 bln/m³) confirm once again the central role played by the Russian *gas pipeline* in Italy's overall budget (43% of the domestic market);
- the reduction in Norwegian production, together with a tight schedule of *Transitgas's* pipeline maintenance, led to a decrease in imports from Northern Europe, which stood at 8.5 bln/m³ (-22% compared to 2019);
- gas supply was also concentrated in the Mediterranean areas, with an increase in inflows from Algeria at Mazara del Vallo (+18% compared to 2019, i.e. 12.0 bln/m³);
- Liquefied Natural Gas (LNG) imports remained high in 2020 (12.6 bln/m³), but did not reach the record of 2019 (14.0 bln/m³).

Imports by point of entry on total*

(% values)



*Cumulative amounts at 31 December 2020

Source: REF-E processing of SRG data

Wholesale gas prices

In the first part of 2020, the downward trend in European and global wholesale natural gas prices that has been in place since late 2018 continued. In the second half of the year, however, there was a rather significant recovery.

The downturn in the first two quarters, due to Asian demand (Chinese in particular), a surplus of supply also on the storage side and the decrease in the price of *Brent*, was overcome by the upward trend in the second half of the year, mainly due to:

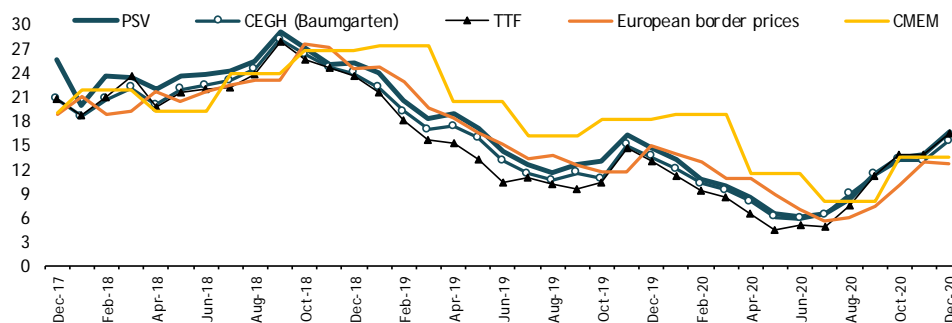
- recovery of Asian demand and consequent gradual recovery of global economic activities;
- supply issues, especially for LNG: maintenance, interruptions and forecasts of a colder-than-normal winter in the North Asian hemisphere, addressed by US supply, leaving European needs uncovered;
- the start of a winter season with temperatures at times below normal.

The average spot price at the Dutch TTF for 2020 stood at € 9.4/MWh, down 32.4% from € 13.9/MWh in 2019. With regard to the PSV, the average *spot* price marks a -37% compared to the 2019 quotas, settling at 10.4 €/MWh and demonstrating once again how the Italian *hub* continues to remain a premium market compared to the Northern European ones, with an average PSV-TTF differential of € 1/MWh (down, however, by more than 60% compared to last year).

The so-called “CMEM component”, meant to reflect the cost of gas procurement in the protected market price and defined by the ARERA on the basis of the TTF *forward* prices, increased with an average of 12.93 €/MWh.

In 2020, prices at the border, still *oil-linked* partly, followed the general downward trend and settled at a European average level of € 9.9/MWh, down almost 40% compared to 2019. Average Italian prices at the border were lower than the European average, standing at € 11.2/MWh.

Wholesale prices in Europe (€/MWh)



Latest data 31 December 2020

Source: REF-E processing of WGI - ARERA - Alba Soluzioni data

SIGNIFICANT EVENTS OF THE PERIOD

Expression of interest for the acquisition of the gas sales business unit of Sidigas.com

In January 2020 SI.DI.GAS – Società Irpina Distribuzione GAS S.p.A. accepted the binding manifestation of interest presented by Iren regarding the acquisition of a business unit of its subsidiary Sidigas.com S.r.l. related to natural gas sales, with a portfolio of approximately 55 thousand customers (mainly in *retail*), distributed over 78 Municipalities mainly in the Province of Avellino. The transaction is subject to the occurrence of certain conditions precedent.

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

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

Agreement for the expansion of the Turbigio power plant

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

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

Purchases of treasury shares

On 29 April, the Shareholders' Meeting authorized the Board of Directors to purchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the unexecuted portion, the previous authorization to purchase deliberated on 5 April 2019. The Board of Directors may purchase and dispose of a maximum of 65,000,000 shares, equal to 5% of the share capital, in accordance with the applicable regulations.

On 12 May, the Board of Directors, authorizing the CEO to carry out the purchase program, set the limit at 26,000,000 shares, taking into account the shares already in the portfolio. As at 31 December 2020, Iren S.p.A. held on the whole 15,868,004 treasury shares, equal to 1.22% of the share capital.

Acquisition of the district heating business unit from SEI Energia

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

The branch includes the network and the heat distribution plants in the municipalities of Rivoli and Collegno in the Turin metropolitan belt and 49% of the company NOVE, which manages the service in the municipality of Grugliasco, for a total connected volume of 5.2 million cubic metres. Total thermal energy distributed is around 150 GWh/year. The consideration paid by Iren for the acquisition of the business was € 24.4 million. Acquisition of the SEI Energia district heating business is done with the prospect of integrating with the existing grid in the metropolitan area of the municipality of Turin, taking advantage of heat produced by Group cogeneration and waste to energy plants.

Acquisition of seven property complexes

At the end of April, Iren S.p.A. bought back from REAM SGR S.p.A. seven real estate complexes for management and operational support use located in Turin, Genoa, Parma and Reggio Emilia, which were already the subject of lease contracts falling within the scope of application of the international accounting standard IFRS 16 - *Leases*. The total value of the transaction was 97 million Euro, with zero impact on net financial debt.

Shareholders' Meeting

On 29 May 2020, the Ordinary Shareholders' Meeting approved the Company's Financial Statements for 2019 and the Report on Operations, and resolved to distribute a dividend of € 0.0925 per share, confirming what had been proposed by the Board of Directors. The dividend was paid starting from 24 June 2020 (coupon detachment 22 June 2020 and record date 23 June 2020).

The Shareholders' Meeting also:

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

Execution of an 80 million Euro loan for sustainable investments in the water sector

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

Agreement with Engie to extend district heating in Turin

On 15 May 2020, Iren Energia signed an agreement with Engie to develop district heating in the north-east of Turin. This collaboration sees Engie producing thermal energy from its cogeneration plant in Leini (north of the metropolitan area), transported through a feeder (to be built by Engie) to the Turin border and from there to the area covered by Iren Energia's heat distribution network.

Through this agreement, Iren Energia will extend the district heating network in the north-east of the city to serve potential connected volumes of 17 million cubic meters by 2024. The investments planned by Iren to extend the network (pipes, accumulators and substations) amount to 90 million euro.

The significant increase in the number of users served by the district heating service will thus be achieved without having to build new production sites in the metropolitan area.

500 million euro bond issued

At the end of June 2020, Iren S.p.A. completed the issuance of a ten-year Bond, reserved for institutional investors, for a total of € 500 million, under the € 4 billion Euro Medium Term Notes (EMTN) Programme.

The Notes, which have a minimum unit denomination of 100,000 euro and mature on 1 July 2030, pay a gross yearly interest of 1% and were placed at an issue price of 98.144. The effective rate of return at maturity is 1.198%, corresponding to a yield of 135 basis points above the 10-year mid-swap rate.

Settlement took place on 1 July, the date on which the Bond was listed on the regulated market of the Irish Stock Exchange (Euronext Dublin).

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

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

In particular, NOS holds 45% of the share capital of Asti Servizi Pubblici S.p.A. (ASP), a company controlled by the Municipality of Asti that operates in the integrated water cycle, in the waste management and transport sectors in the province, which in turn owns the remaining 38% of AEC.

The transaction is part of the territorial development strategy of the Group, which is already present in the area with its subsidiary GAIA, with particular reference to the water and environmental sectors and the promotion of energy streamlining and e-mobility projects.

Acquisition of I.Blu and partnership with Idealservice in environmental services.

Following the preliminary agreement signed at the end of January and considering that all the suspensive conditions were met, on 12 August 2020, Iren Ambiente completed the purchase of 80% of the share capital of I.Blu from Idealservice for € 16 million. I.Blu operates:

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

The company plans to increase the capacity of the current plants and build a new plant to treat the so-called plasmix, heterogeneous plastics which, at the moment, have no outlet in the downstream recycling market.

An agreement has also been signed between Iren Ambiente and Idealservice concerning the subcontracting of any selection activities and services on multi-material plants and the definition of a partnership between Idealservice and San Germano for the management of urban solid waste collection services in some areas of Northern Italy.

The operation allows Iren to become a national leader in the selection of Corepla plastics and, in perspective, in *plasmix* management.

Business Plan to 2025

On 29 September, the Board of Directors approved the 2020-2025 Business Plan which presents, compared to the previous year, an increase in investments and margins that continue the growth recorded in recent years, through commercial expansion at national level and bringing the results achieved in the historical areas in the field of waste and energy efficiency to new areas.

On this subject, the Group is aiming for:

- EBITDA of 1,160 million euro by 2025, through organic growth, the contribution from expanding the company’s scope, and the synergies that can be achieved;
- total investments over the plan period of 3.7 billion euro, 400 million euro more than the previous business plan. 40% of these are oriented towards the regulated and semi-regulated sectors (improvement of network services and urban waste collection), a similar proportion concerns development (mainly in the environmental sector, district heating and *smart solution* and digitalisation projects), and the remaining portion is for maintenance investments;
- a Net Financial Position/EBITDA ratio of 2.5x by 2025, despite the fact that in the short-medium term, the company could position itself in the 3.0-3.5x range in finalising any further strategic options and due to the significant amount of investments in the first two years;
- group net profit of around 350 million euro by 2025;
- a planned dividend of € 0.095/ share for the 2020 result, up 2.7% compared to the last one distributed. Increasing unit distributions are expected particularly in the last three years of the Plan, with a dividend of € 0.146 per share in 2025.

Confirming growth as a priority, the Group also identified certain additional strategic options not included in the data of the Plan, but which can be considered on the basis of future developments:

- growth options for internal lines focused on bidding for gas tenders, developing district heating in new geographic areas, repowering some hydroelectric plants, projects to make electric power generation facilities more flexible, and further waste treatment plants;
- external growth options (M&A), both small, focusing on a more selective choice aimed at consolidating minority interests, and large, to be carried out whilst maintaining the current investment grade.

Confirmation of Iren's rating

On 20 October 2020, Fitch confirmed the Group's BBB rating with a stable *outlook*. The judgment is mainly based on the update of the industrial plan to 2025 which, in continuity with previous years, confirms the prevalence of regulated and quasi-regulated activities (over 70% of EBITDA), with the consequent limited impact of the negative effects of market resulting from the Coronavirus emergency. In addition, Fitch assesses positively the Group's liquidity profile.

"Green Energy Loan"

At the end of October, Iren S.p.A. and the European Investment Bank (EIB) signed a 16-year loan, which can be used in several tranches, of € 100 million to finance projects for the development and efficiency of the district heating network in the Turin area (for total investments of € 197 million in the 2021-2025 period).

Acquisition of Unieco's Environment Division

On 17 November 2020, Iren Ambiente completed the purchase of the so-called "Unieco Environment Division", a cooperative company under administrative compulsory liquidation.

The Environment Division's business, distributed in Piedmont, Emilia Romagna, Marche, Tuscany and Puglia, is run through a set of subsidiaries and associated companies which oversee the main operational sectors of the waste chain:

- brokering, treatment, sending for disposal and disposal of hazardous and non-hazardous special waste;
- collection and management of mechanical-biological treatment plants, composting, energy recovery and disposal of urban waste.

The consideration paid by Iren Ambiente for the acquisition of all the equity investments concerned was € 121.1 million, subject to adjustment.

The transaction will allow Iren Ambiente to consolidate its position among the national operators in the environmental sector, expanding the territorial basin served and acquiring a strategic position in waste collection in the Tuscany region.

Issue of the fourth Green Bond, for a total of € 300 million

As part of the Euro Medium Term Notes (EMTN) Programme of € 4 billion, on 10 December Iren S.p.A. successfully concluded, for the fourth consecutive year, the issue and listing of a *Green Bond* reserved for institutional investors, for an amount of € 300 million, maturing in January 2031, intended to finance projects relating to the recovery of plastic materials, the development of district heating and the improvement of purification processes, as defined in the 2025 Business Plan.

The Notes, which have a minimum unit denomination of 100,000 euro, pay a gross yearly interest of 0.25% and were placed at an issue price of 99.030. The effective rate of return at maturity is 0.348%, corresponding to a yield of 64 basis points above the mid-swap rate.

EFFECTS OF THE COVID-19 PANDEMIC ON THE FINANCIAL YEAR 2020

In early 2020, the COVID-19 virus began to spread globally. Considering the number of countries affected and deaths recorded, the spread of the virus was officially declared a pandemic by the World Health Organization on 11 March 2020.

In the context of the health emergency that has arisen, the governments of the affected countries have placed restrictions on the movement and assembly of people, quarantines, and limitations on economic activities. In Italy, after the so-called "lockdown" period, which ended in May 2020, restrictive and emergency measures are still in place, differentiated according to risk levels at territorial level.

When the seriousness of the pandemic became evident, also with specific reference to the territories in which the Group operates, Iren implemented first measures to protect its employees, using individual protection devices and promptly adopting, where possible, forms of remote work on a large scale thanks to the level of digitalisation achieved. In addition, service operations were structured to minimize the risk of exposure to contagion, particularly with regard to waste collection, network businesses and customer service desks, while ensuring the continuity of the service provided.

In the macroeconomic context, the slowdown in domestic industrial production and commercial activities following the emergency situation affected the Group's revenue performance, which nevertheless maintained stable margins. In particular, the contraction in industrial demand affected the disposal of special non-urban waste, the sale of electricity and gas to the small and large business segments and the quantities of electricity produced, especially in the thermoelectric sector. In this scenario, electric power prices, which were lower on average than in the previous year, were accompanied by a significant decrease in gas prices, influenced in part by mild weather conditions and lower demand in the European and global markets.

In the regulatory area, ARERA introduced measures to support end users of natural gas, electric power and water services during the lockdown period, reducing some rate components for electric power and halting the issuance of default proceedings and suspensions of supply to households and small businesses, providing subsequent instalment plans to make up for lateness in paying debt.

Given the persistence of the emergency situation, in November 2020 the Group also decided to stop until the end of the year, for small commercial activities in the so-called "red" or "orange" areas, the new actions of suspension/reduction of gas, electricity, water and district heating supplies due to arrears. At the same time, it made it possible for all customers in objective financial hardship to access payment instalments.

With reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and measures implemented to mitigate the economic and social impact of the crisis, the Group increased the provision for bad and doubtful debts by € 25 million due to the assessment of expected losses, particularly in the electricity and gas sales and integrated water service sectors.

Notwithstanding the above, and in spite of the emerging costs linked to the extraordinary situation, the impact on the economic and financial results for the year was on the whole limited, thanks to actions taken at all levels, to the financial strength of the Group and to its resilience due to the nature of the businesses in which it operates, including those of an essential nature (over 70% of margins are achieved in regulated or semi-regulated sectors). In fact, a reduction of € 15 million in EBITDA was recorded, in addition to an increase of € 25 million in the provision for bad and doubtful debts (see above), and an increase in trade receivables of approximately € 60 million.

The margins of the Group's operating chains recorded substantial overall stability, and planned investments did not slow down and were instead significantly higher (+30%) than in FY 2019.

These results confirm the resilience of Iren Group's multi-business model, also with reference to new opportunities deriving from energy efficiency incentives (e.g. 110% superbonus) issued by the Government in the emergency context to accelerate economic recovery; moreover, the liquidity generated by operating activities and that deriving from recent bond issues is sufficient to cover the needs deriving from management and planned investments, as well as to face the risk of non-collection of customer receivables. Finally, reference is made to the information contained in the "Goodwill" section of the Notes to the Financial Statements concerning *impairment tests* and the recoverable value of assets.

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

Income statement

IREN GROUP INCOME STATEMENT

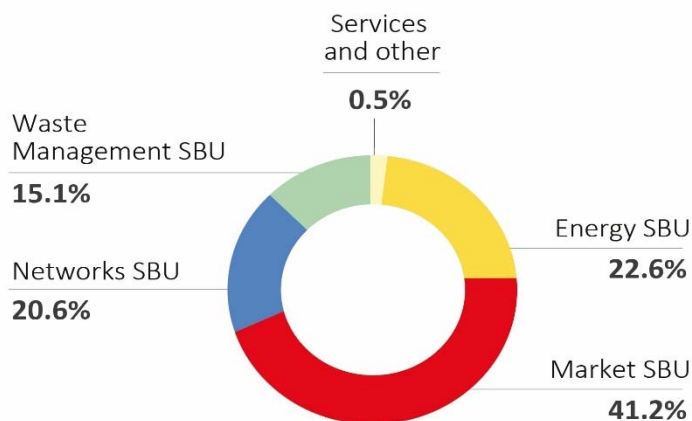
	thousands of €		
	FY 2020	FY 2019 Restated	Change %
Revenue			
Revenue from goods and services	3,537,250	4,081,333	(13.3)
Other income	188,211	193,373	(2.7)
Total revenue	3,725,461	4,274,706	(12.8)
Operating expenses			
Raw materials, consumables, supplies and goods	(1,021,501)	(1,410,798)	(27.6)
Services and use of third-party assets	(1,294,058)	(1,458,394)	(11.3)
Other operating expenses	(71,472)	(78,976)	(9.5)
Capitalised expenses for internal work	38,262	33,444	14.4
Personnel expense	(449,341)	(442,721)	1.5
Total operating expenses	(2,798,110)	(3,357,445)	(16.7)
GROSS OPERATING MARGIN (EBITDA)	927,351	917,261	1.1
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(440,910)	(403,563)	9.3
Provisions for impairment of receivables	(61,708)	(37,203)	65.9
Other provisions and impairment losses	(8,943)	(24,647)	(63.7)
Total amortisation, depreciation, provisions and impairment losses	(511,561)	(465,413)	9.9
OPERATING RESULT (EBIT)	415,790	451,848	(8.0)
Financial income and expenses			
Financial income	38,372	34,614	10.9
Financial expenses	(93,630)	(114,482)	(18.2)
Total financial income and expenses	(55,258)	(79,868)	(30.8)
Share of profit (loss) of associates accounted for using the equity method	6,535	4,477	46.0
Value adjustments on equity investments	(1,862)	558	(*)
Profit (loss) before tax	365,205	377,015	(3.1)
Income tax expense	(100,134)	(111,550)	(10.2)
Net profit (loss) from continuing operations	265,071	265,465	(0.1)
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	265,071	265,465	(0.1)
attributable to:			
- Profit (loss) for the period attributable to shareholders	235,322	236,362	(0.4)
- Profit (loss) for the period attributable to non-controlling interests	29,749	29,103	2.2

(*) Change of more than 100%

As required by IFRS 3, the 2019 cash flow balances have been recalculated to take into account, at the acquisition date, the effects of the completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

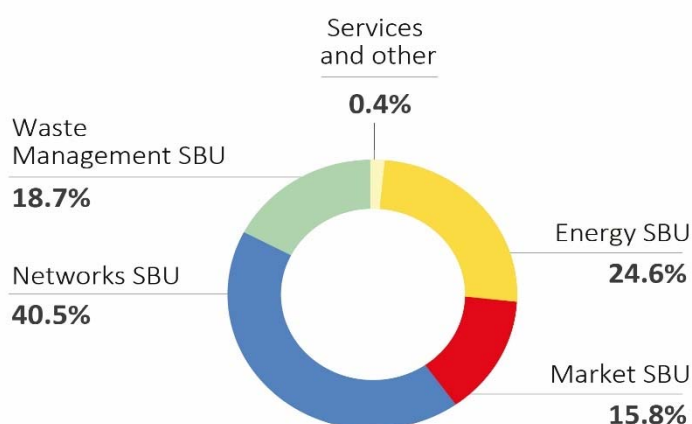
Revenue

As at 31 December 2020, the Group booked revenues of € 3,725.5 million, down by -12.8% compared to € 4,274.7 million in the FY 2019. The main reasons for the decrease in revenues are lower energy *commodity* prices, a reduction in unit sales of electric power caused in part by the *lockout* resulting from the Covid-19 health emergency, lower sales of natural gas and heat for district heating due to the particularly mild winter, and a decrease in the amount of electric power generated by the Group's facilities. The energy scenario, which was already weak at the beginning of the year, suddenly worsened from the end of February as the safety measures, put in place to cope with the spread of the COVID-19 virus, culminated in the total closure of production activities from the beginning of March until 4 May. The third quarter of 2020 saw an increase in thermoelectric power generation and a recovery in the price of electricity (NSP), which was still below the average price recorded for the same period in 2019. Only during the fourth quarter (months of November and December 2020) the price of electricity (NSP) was higher than that recorded in 2019.



Gross Operating Margin

Gross operating margin (EBITDA) amounted to € 927.4 million, up +1.1% compared to € 917.3 million in 2019. The trend for the margin was adversely affected by the particularly unfavourable energy and climate situation, mentioned above, the absence of certain non-recurring factors that had featured positively in last year's results, and the economic consequences of the COVID-19 pandemic. However, the Group's *multi-business* portfolio and the consolidation operations more than offset the adverse effects mentioned above; in fact, the improvements in the margins of the Market (+33.1%), Waste Management (+9.6%), and Networks (+0.9%) *business units* more than offset the decline reported by the Energy *business unit* (-16.7%).



Operating result

Operating profit (EBIT) amounted to € 415.8 million, down by -8% compared to € 451.8 million of the corresponding period of 2019.

Amortization and depreciation increased by approximately € 37 million during the year, due mainly to new investments becoming operational and the expansion of the scope of consolidation, as well as additions to the provision for bad and doubtful debts of approximately € 25 million, mainly related to an increase in the estimate of expected losses due to the economic crisis linked to the Covid-19 health emergency. In addition, net additions to the provisions for risks, net of reversals, decreased by approximately € 9 million and write-downs by approximately € 8 million.

Financial income and expenses

The revenue components show a balance of net financial expenses of € 55.3 million (79.9 million in 2019). Financial expenses amounted to 93.6 million, down (-20.9 million) compared to 2019. The decrease is mainly attributable to lower expenses for *liability management* transactions (-13.8 million); in addition, a decrease has been recorded in the average cost of financial debt, and lower interest, of an accounting nature, relating to outstanding *leases*, partially offset by higher charges for discounting provisions for charges.

Financial income for the year, which includes capital gains from the sale of non-controlling interests, amounted to € 38.4 million (+10.9% compared to 2019).

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

This item, which amounts to € +6.5 million (up from € +4.5 million in the previous financial year), includes the share of the pro-rata results of the Group's associates and *joint ventures*, the most significant referring to Aguas de San Pedro, SETA, ACOS, and ASA.

Value adjustments on equity investments

The item (negative by € 1.9 million, positive by € 0.6 million in 2019) comprises mainly the effect of the *fair value* restatement, at the date of acquisition of control, of the non-controlling interest in Nord Ovest Servizi.

Profit (loss) before tax

As a result of the above trends, consolidated profit before tax amounted to 365.2 million euro (377.0 million euro in the comparison period).

Income tax expense

Income tax for the period amounted to € 100.1 million (-10.2% compared to 2019, in correlation to the lower pre-tax result), with an effective tax rate for 2020 of 27.4% (29.6% in the cross year comparison). The decrease in the tax rate is linked to some extraordinary items relating to previous years and, in particular, among other things, to the IRES refund from IRAP deduction by the Revenue Agency. Not considering these elements of discontinuity, the tax rate would have been substantially in line with that of the previous year.

Net profit (loss) for the period

Therefore, a net profit has been booked for the period of € 265.1 million, unchanged compared to 2019. The figure is due to the profit pertaining to shareholders of 235.3 million euro, while profit attributable to minorities interests was 29.8 million euro.

Statement of Financial Position

IREN GROUP RECLASSIFIED STATEMENT OF FINANCIAL POSITION (1)

	thousands of €		
	31.12.2020	31.12.2019 Restated	Change %
Non-current assets	6,580,889	6,102,060	7.8
Other non-current assets (liabilities)	(421,336)	(444,550)	(5.2)
Net Working Capital	42,070	165,707	(74.6)
Deferred tax assets (liabilities)	165,835	158,170	4.8
Provisions for risks and employee benefits	(657,188)	(625,240)	5.1
Assets (Liabilities) held for sale	1,285	1,293	(0.6)
Net invested capital	5,711,555	5,357,440	6.6
Equity	2,763,528	2,651,313	4.2
Non-current financial assets	(166,522)	(148,051)	12.5
Non current financial debt	3,825,197	3,167,048	20.8
Non-current net financial debt	3,658,675	3,018,997	21.2
Current financial assets	(985,525)	(774,583)	27.2
Current financial debt	274,877	461,713	(40.5)
Current net financial debt	(710,648)	(312,870)	(*)
Net financial debt	2,948,027	2,706,127	8.9
Own funds and net financial debt	5,711,555	5,357,440	6.6

(*) Change of more than 100%

As required by IFRS 3, the financial position at 31 December 2019 has been restated to take into account, at the acquisition date, the effects of completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

(1) For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific attachment to the Notes to the Consolidated Financial Statements.

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

Non-current assets at 31 December 2020 amounted to € 6,580.9 million, up compared to 31 December 2019, when they were 6,102.1 million euro. The increase of € +478.8 million was mainly due to the effect of the following determinants:

- technical investments in property, plant and equipment (€ +685.2 million) and depreciation and amortisation (€ -440.9 million) in the period;
- M&A transactions:
 - the assets of the so-called "Unieco Environment Division", relating to waste treatment plants and equity investments for a total of € 156.1 million;
 - the district heating network and the equity investment in Nove, included in the SEI Energia business unit, for a total of € 24.2 million;
 - the assets of I.Blu, mainly relating to plastic processing plants (€ 40.2 million);
 - the investment in Asti Servizi Pubblici resulting from the consolidation of Nord Ovest Servizi (€ 9.8 million);
- the recognition of rights of use in application of IFRS 16 - Leases for € 10.9 million, largely relating to lease contracts for buildings used for operating activities.

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

The increase in Other non-current assets (liabilities) (amounting to € 23.3 million) refers mainly to receivables owed by the tax authorities for energy efficiency incentives for buildings.

Net Working Capital decreased by € 123.6 million to € 42.1 million compared to €165.7 million as at 31 December 2019. The change is due to the performance of the commercial and tax components, as well as the increase in the provision for bad and doubtful debts.

"Provisions for Risks and Employee Benefits" amounted to € 657.2 million, an increase of 31.9 million compared with 31 December 2019; the change is mainly attributable to liabilities assumed following the consolidation of the Unieco Environment Division, relating to the future post-operating management of landfills in operation.

Equity amounted to 2,763.5 million euro, compared to the 2,651.3 million euro of 31 December 2019 (+112.2 million euro). The change refers to the effect of the net result (+265.1 million), dividends paid (-148.9 million), the trend of the *cash flow hedge* reserve linked to interest rate and *commodities* hedging derivatives (+17.5 million), the change in the scope of consolidation (+9.0 million), the purchase of own shares (-25.6 million), and other changes (4.9 million).

Net financial debt at end of the period amounted to € 2,948.0 million, an increase of € 241.9 million compared to 31 December 2019 (+8.9%) mainly due to the significant investments in the period, growth through acquisitions and dividend payments, partly offset by the dynamics of operating cash flow. For more details please see the analysis of the statement of cash flows presented below.

IREN GROUP CASH FLOW STATEMENT

Change in net financial debt

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

	thousands of €		
	FY 2020	FY 2019 Restated	Change %
Starting Net Financial (debt)	(2,706,127)	(2,452,806)	10.3
Result for the period	265,071	265,465	(0.1)
Adjustments for non-financial transactions	747,655	718,991	4.0
Utilisations of employee benefits	(7,096)	(10,950)	(35.2)
Utilisations of provisions for risks and other charges	(30,463)	(42,306)	(28.0)
Change other non-current assets and liabilities	(27,363)	10,827	(*)
Other changes in capital	(96,981)	(37,635)	(*)
Taxes paid	(102,328)	(157,924)	(35.2)
Operating cash flow before changes in NWC	748,495	746,468	0.3
Cash flows from changes in NWC	73,018	(21,817)	(*)
Operating cash flow	821,513	724,651	13.4
Investments in property, plant and equipment and intangible assets	(685,150)	(523,985)	30.8
Investments in financial assets	(50)	(277)	(81.9)
Proceeds from sale of investments and changes in assets held for sale	11,289	5,955	89.6
Change in consolidation scope	(197,824)	(64,795)	(*)
Dividends received	2,787	1,784	56.2
Total cash flows from/(used in) investing activities	(868,948)	(581,318)	49.5
Free cash flow	(47,435)	143,333	(*)
Cash flows of equity capital	(174,540)	(159,176)	9.7
Other changes	(19,925)	(237,478)	(91.6)
Change in net financial (debt)	(241,900)	(253,321)	(4.5)
Closing Net financial (debt)	(2,948,027)	(2,706,127)	8.9

(*) Change of more than 100%

As required by IFRS 3, the 2019 cash flow presentation has been recalculated to take into account, at the acquisition date, the effects of the completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

The increase in financial debt derives from the following determinants:

- *operating cash flow* of € +821.5 million, upwards (+13.4%) compared with the same period of the previous year, when it amounted to € +724.7 million;
- *cash flow from investing activities* (-868.9 million), which includes mainly technical investments for the period (685.2 million, up significantly from 524.0 million in 2019).
The item "Change in consolidation scope" includes the effect of the consideration paid and the net debt assumed of -197.8 million for the acquisition of the Unieco Environment Division, the district heating business unit of SEI Energia, I.Blu, Nord Ovest Servizi, and Asti Energia e Calore;
- the cash flows of equity capital of € -174.5 million, which includes dividends approved (€ -148.9 million) and the purchase of treasury shares (€ -25.6 million);
- the item "*Other changes*", amounting to -19.9 million, includes net financial charges, the positive change in the *fair value* of derivatives hedging interest rate and *commodity* risks, and the effect of recognition of new *lease* agreements falling within the scope of IFRS 16. The 2019 comparative figure of -237.5 million included, among others, the effect of the first-time application of IFRS 16 (-105 million) and a negative change in the fair value of hedging derivative instruments.

Finally, we note that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the opening section "Consolidated Financial Statements and Notes".

SEGMENT REPORTING

The Iren Group identifies the following business segments:

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

These operating segments are disclosed pursuant to IFRS 8, which requires the disclosure about operating segments to be based on the elements which management uses in making operational and strategic decisions.

For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to overhead activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers. Given the fact that the Group mainly operates in one area, the following segment information does not include a breakdown by geographical area.

Net invested capital compared to the figures as at 31 December 2019 restated and the income statements for the FY 2020 (up to the operating performance) are presented below by business segment, compared with the figures for the restated FY 2019. As at 31 December 2020, non-regulated activities contributed to the formation of EBITDA for 29% (27% as at 31 December 2019), regulated activities accounted for 49% (unchanged compared to the corresponding period of 2019), while semi-regulated activities account for 22% (24% in 2019).

Reclassified statement of financial position by business segment at 31 December 2020

	millions of €						
	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,233	1,953	202	35	178	6,581
Net Working Capital	(101)	63	20	58	2		42
Other non-current assets and liabilities	(601)	(207)	(86)	(18)	1		(911)
Net invested capital (NIC)	2,278	1,089	1,887	242	38	178	5,712
Equity							2,764
Net financial debt							2,948
Own funds and net financial debt							5,712

Reclassified statement of financial position by business segment at 31 December 2019 restated

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,823	1,037	1,884	175	38	145	6,102
Net Working Capital	(69)	64	87	70	13		165
Other non-current assets and liabilities	(603)	(171)	(139)	0	3		(910)
Net invested capital (NIC)	2,151	930	1,832	245	54	145	5,357
Equity							2,651
Net financial debt							2,706
Own funds and net financial debt							5,357

Income Statement by business segment FY 2020

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,336)	3,725
Total operating expenses	(665)	(591)	(917)	(1,938)	(22)	1,336	(2,798)
Gross Operating Margin (EBITDA)	376	173	228	147	3	-	927
Net am./depr., provisions and impairment losses	(190)	(123)	(117)	(80)	(3)		(512)
Operating result (EBIT)	186	50	111	67	1	-	415

Income Statement by 2019 business segments restated

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,046	715	1,473	2,746	22	(1,727)	4,275
Total operating expenses	(673)	(557)	(1,199)	(2,636)	(20)	1,727	(3,358)
Gross Operating Profit (EBITDA)	373	158	274	110	2	-	917
Net am./depr., provisions and impairment losses	(175)	(102)	(134)	(53)	(1)	-	(465)
Operating result (EBIT)	198	56	140	57	1	-	452

Networks SBU

As at 31 December 2020, the Networks business segment, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, reported revenues of € 1,040.9 million, downwards slightly by -0.5% compared to € 1,046.4 million in FY 2019.

EBITDA was equal to € 375.8 million, an increase of +0.9% compared to € 372.5 million in 2019, while the operating result was of € 186.0 million, down by -5.9% compared to € 197.7 million in 2019.

The increase in EBITDA was offset by a rise in depreciation and amortization of approximately € 12 million due to higher capital expenditures and a € 10 million increase in provisions for bad and doubtful debts caused by the Covid-19 health emergency, offset in part by a reduction in the provisions for risks and a decrease in write-downs of approximately € 8 million.

		FY 2020	FY 2019	Changes %
Revenue	€/mln	1,040.9	1,046.4	(0.5)
Gross Operating Margin (EBITDA)	€/mln	375.8	372.5	0.9
<i>EBITDA Margin</i>		<i>36.1%</i>	<i>35.6%</i>	
	<i>from Electricity Networks</i>	€/mln 79.3	74.9	5.9
	<i>from Gas Networks</i>	€/mln 85.3	88.7	(3.9)
	<i>from Integrated Water Service</i>	€/mln 211.2	208.9	1.1
Operating Result (EBIT)	€/mln	186.0	197.7	(5.9)
Investments	€/mln	293.9	297.1	(1.1)
	<i>in Electricity Networks</i>	€/mln 52.5	48.8	7.7
	<i>in Gas Networks</i>	€/mln 50.6	53.6	(5.5)
	<i>in Integrated Water Service</i>	€/mln 182.3	187.3	(2.7)
	<i>in generic services</i>	€/mln 8.5	7.4	14.5
Electricity distributed	GWh	3,587.3	3,818.8	(6.1)
Gas introduced into the network	Million m3	1,266.0	1,289.3	(1.8)
Water sold	Million m3	175.1	174.9	0.1

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

Networks SBU - Electricity

Gross operating profit (EBITDA) amounted to € 79.3 million, upwards +5.9% compared to € 74.9 million in 2019. The increase in the margin is due to an increase in tariff revenues of approximately € 1 million and the operating synergies achieved during the period.

Investments of € 52.5 million were booked for the period, upwards by +7.7% compared to the € 48.8 million in 2019, concerning mainly new connections, line resilience activities, and the construction of new LV/MV substations and lines, as well as the completion of some primary substations.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) amounted to € 85.3 million, up -3.9% from € 88.7 million in 2019. The decrease in the margin is due to various factors, including the unfavourable effects deriving from the revision of the tariff method (5th regulatory period), only partially offset by the positive effects on tariffs related to the increase in investments. In addition to the regulatory effect, higher costs have been booked in relation to the energy efficiency certificates (EEC) required to meet the obligation and extraordinary losses related to the recalculation of gas leakage, as well as the effects of components that had positively characterized 2019 and are non-recurring.

Investments in the period amounted to € 50.6 million, down by -5.5% compared to € 53.6 million in 2019, and concerned mainly the areas subject to ARERA resolutions, specifically, the adjustment of the cathodic protection network and the installation of electronic meters.

The latter activity, suspended during the *lockdown* period, resumed from the beginning of May, albeit at a slow pace due to compliance with Covid-19 protocols.

Networks SBU - Water Cycle

Gross operating profit (EBITDA) amounted to € 211.2 million, upwards +1.1% compared to € 208.9 million in 2019. The increase in the margin is attributable to the restriction on tariff revenues (VRG), in which the components related to the increase in rateable investments (RAB) more than offset the reduction in other components linked to the tariff revision envisaged by the new regulatory period (MTI-3), and to greater synergies on operating costs, which made it possible to offset the absence of some contingencies from the previous year that are no longer repeatable, linked to the adjustment of past tariff items.

Investments in the period totalled € 182.3 million, slightly declining by -2.7% compared to the € 187.3 million in 2019, and concerned the construction, development and extraordinary maintenance of distribution networks and plants, the sewerage network and, in particular, the construction of new water treatment plants and the replacement and installation of mainly remote-reading metering units.

In addition, common fund investments of € 8.5 million were booked, particularly in information and e-mobility services, across the businesses.

Waste Management SBU

As at 31 December 2020, the sector's revenues amounted to € 764.8 million, an increase of +7% compared to 714.9 million in 2019. The increase is mainly due to the expansion of the scope of consolidation related to the companies I.Blu (€ +19.7 million) consolidated from August 2020, and the companies of the Environment Division of the UNIECO Group (€ +29.7 million) consolidated from 1 November 2020. On the other hand, energy revenues and revenues from waste disposal activities decreased, only partially absorbed by higher revenues from commercial brokerage and special waste management activities.

		FY 2020	FY 2019 (restated)	Changes %
Revenue	€/mln	764.8	714.9	7.0
Gross Operating Margin (EBITDA)	€/mln	173.3	158.1	9.6
<i>EBITDA Margin</i>		22.7%	22.1%	
Operating Result (EBIT)	€/mln	50.1	55.5	(9.5)
Investments	€/mln	116.3	76.4	52.2
Electricity sold	GWh	519.5	507.3	2.4
Thermal energy produced	GWht	207.5	173.1	19.9
Waste managed	tonnes	3,081,055	2,835,310	8.7
Emilia area separate waste collection	%	78.3	77.0	1.7
Piedmont area separate waste collection	%	56.0	54.8	2.2
Liguria area separate waste collection	%	74.2	74.1	0.2

Gross operating profit (EBITDA) of the segment amounted to € 173.3 million, upwards +9.6% compared to € 158.1 million in 2019. The increase in margin is attributable for approximately € 11 million to the change in the scope of consolidation of I.Blu and the companies in the UNIECO Environment Division.

On the other hand, revenues from electricity produced by the waste-to-energy plants were down sharply as a result of the fall in electricity prices (average NSP € 38.9/MWh, -25.7%), which was only partially offset by the improved value of green certificates produced (€ 99.1/MWh, +7.5%) and lower volumes of special waste treated and disposed of in landfills as a result of the Covid-19 health emergency. These negative factors were only partially offset by higher revenues from municipal waste management activities, and, specifically, from collection and intermediation activities.

Operating profit (EBIT) amounted to € 50.1 million, down by -9.5% compared to € 55.5 million in the corresponding period of 2019. Higher amortizations were booked during the year for approximately € 11 million, partly related to the expansions of the scope, higher provisions to the bad debt provision for approximately € 4 million, higher provisions for risks for € 8 million and lower write-downs for approximately € 4 million.

Investments made during the year amounted to € 116.3 million, upwards sharply from € 76.4 million in the corresponding period of 2019. The main investments in the period include those relating to the *revamping* of the Cairo Montenotte biodigester, the construction of the paper and plastic sorting plant in Parma, the vehicles and equipment for door-to-door collection in Turin, and the development of the new Just Iren management system.

SBU Energia

As at 31 December 2020, revenues of the Energy SBU, which includes power generation and heat management, public lighting and energy efficiency activities, amounted to € 1,144.7 million, down -22.3% compared to € 1,473.3 million in 2019. The main reason for the sharp decline in revenues is the drop in sales prices for electric power (approximately € -260 million) caused by the unfavourable energy scenario, in addition to a decrease in electric power production (approximately € -40 million). The contraction in revenue was also affected by lower prices and volumes of district heating heat due to the particularly mild weather (approximately € -20 million) and lower income from energy securities compared to 2019 (€ -26 million). Only revenues from services increased (+ 25 million euros).

		FY 2020	FY 2019	Changes %
Revenue	€/mln	1,144.7	1,473.3	(22.3)
Gross Operating Margin (EBITDA)	€/mln	228.1	273.9	(16.7)
<i>EBITDA Margin</i>		19.9%	18.6%	
Operating Result (EBIT)	€/mln	111.3	139.7	(20.3)
Investments	€/mln	171.6	67.4	(*)
Electricity produced	GWh	9,444.5	9,711.9	(2.8)
<i>from hydroelectric and other renewable sources</i>	GWh	1,283.7	1,321.0	(2.8)
<i>from thermoelectric cogeneration sources</i>	GWh	5,454.5	5,920.2	(7.9)
<i>from conventional thermoelectric sources</i>	GWh	2,706.3	2,470.7	9.5
Heat produced	GWht	2,736.3	2,820.7	(3.0)
<i>from cogeneration sources</i>	GWht	2,230.0	2,380.9	(6.3)
<i>from non-cogeneration sources</i>	GWht	506.3	439.8	15.1
District heating volumes	Million m3	96.7	95.0	1.9

(*) Change of more than 100%

As at 31 December 2020, electricity produced was 9,444.5 GWht, downwards -2.8% compared to 9,711.9 GWht of the previous year 2019.

Total thermoelectric production amounted to 8,160.8 GWh, of which 5,454.5 GWh from cogeneration sources, down by -7.9% compared to 5,920.2 GWh in 2019 and 2,706.3 GWh from conventional thermoelectric sources, an increase of + 9.5% compared to 2,470.7 GWh in the corresponding period of 2019.

Production from renewable sources amounted to 1,283.7 GWh, of which 1,262.7 GWh deriving from hydroelectric sources and, marginally, approximately 21 GWh from other renewables (photovoltaic); overall production is down by -2.8% compared to 1,321 GWh in 2019 mainly due to the partial use, however planned, of the Piantonetto reservoir.

Heat production for the period was 2,736.3 GWht, down -3% compared to the 2,820.7 GWht in 2019. Overall, district heating volumes amounted to approximately 96.7 Mmc up +1.9% compared to approximately 95 Mmc in 2019.

EBITDA amounted to € 228.1 million, down by -16.7% compared to € 273.9 million in 2019.

The FY 2020 was characterised by a scenario in which domestic electricity demand was 302.8 TWh, down by -5.3% compared to 319.6 TWh in 2019 (as at 30 June demand was down by -8.8% and as at 30 September by -6.9%) with an average electricity price (NSP) of € 38.9/MWh, down by -25.7% compared to € 52.3/MWh in 2019.

The NSP trend, already down as of the beginning of the year compared to 2019, widened the fall matching the *lockdown* measure related to the Covid-19 health emergency (17 March - 4 May) which, by reducing demand, further pushed the energy price towards the minimum values recorded in May 2020 (€ 21.8/MWh). Since the third quarter of 2020, the NSP value has been recovering but characterized by high volatility related to pandemic containment actions, availability of hydroelectric generation and higher gas prices.

The concurrent impact of a contraction in sales of electric power and heat and a sharp reduction in unit prices and margins on electric power generation had a significant impact on the SBU's margins, which were offset only in part by improved results from the dispatching service (MSD) and, starting in the third quarter of 2020, by an increase in scheduled thermoelectric generation.

Furthermore, it affects negatively, in the comparison with the previous year, the absence of some extraordinary items of 2019, non-recurring.

The energy efficiency sector compensates, albeit only partially, for the above-mentioned effects and, thanks to activities related to energy re-qualification and building renovation favoured by recent tax breaks (e.g., façade bonus), records positive increases of approximately € 3 million.

The operating result of the energy sector amounted to € 111.3 million, down by -20.3% compared to € 139.7 million in 2019. Depreciation and amortization for the period increased by approximately € 3 million compared to 2019, mainly due to the resumption of amortization in the hydroelectric sector on devolvable works (Law No. 12 of 11 February 2019); a decrease was recorded in provisions of approximately € 10 million and a higher release of provisions due to the non-existence of related risks of approximately € 13 million (of which € 18.7 million related to additional past hydroelectric fees).

Investments for the period amounted to € 171.6 million, up from € 67.4 million in 2019, and related mainly to the start of expansion activities at the Turbigo thermoelectric power plant, which will increase the plant's installed capacity from 850 to 1,280 MW.

Market SBU

As at 31 December 2020, the segment's revenues amounted to € 2,084.6 million, down by -24.1% compared to € 2,745.6 million in 2019. The decrease in revenues reflects a reduction in unit sales, which were down due to the halt in productive activities caused by the Covid-19 health emergency, and a particularly mild winter, and a reduction in the price of energy *commodities*. This trend characterised the entire fiscal year, with prices recovering from the third quarter onwards but still below the values of the corresponding period of 2019.

Despite the contraction in revenues, EBITDA amounted to € 147.0 million, an increase of + 33.1% compared to € 110.4 million in 2019. This increase is attributable both to sales of electric power and natural gas and reflects primarily an improvement in unit sales margins, which more than offset the negative impact of the drop in unit sales caused by the Covid-19 health emergency.

The operating result amounted to € 67.3 million, an increase of + 17.2% compared to the € 57.5 million in the corresponding period of 2019. The positive trend in EBITDA was offset in part by: higher depreciation and amortization (approximately € 9 million); increased provisions for bad and doubtful debts (approximately € 14 million), reflecting an increase in the estimate of expected losses due to the economic crisis related to the Covid-19 health emergency; and lower releases of provisions and write-downs (approximately € 2 million).

		FY 2020	FY 2019	Changes %	
Revenue	€/mln	2,084.6	2,745.6	(24.1)	
Gross Operating Margin (EBITDA)	€/mln	147.0	110.4	33.1	
<i>EBITDA Margin</i>		7.0%	4.0%		
	<i>from Electricity</i>	€/mln	55.5	34.9	58.9
	<i>from Gas</i>	€/mln	86.1	71.3	20.8
	<i>from Heat and other services</i>	€/mln	5.3	4.1	29.2
Operating Result (EBIT)	€/mln	67.3	57.5	17.2	
Investments		50.6	40.8	23.9	
Electricity Sold	GWh	7,295.9	9,447.4	(22.8)	
Gas Purchased	Million m3	3,017.7	3,014.2	0.1	
	<i>Gas sold by the Group</i>	Million m3	1,080.4	1,065.2	1.4
	<i>Gas for internal use</i>	Million m3	1,728.2	1,760.2	(1.8)
	<i>Gas in storage</i>	Million m3	209.1	188.8	10.7

Sale of electricity

The volumes of electricity sold on the free market, net of pumping, grid losses, dedicated withdrawals and including imbalances, amounted to 6,924.1 GWh, down by -23.3% compared to 9,033 GWh in the corresponding period of 2019.

The decrease in the deregulated market affected all customer segments, particularly the business segment (-34.1%), due in part to the effect of the reduction in Consip and small business contracts (-24.2%), which are most affected by the effects of the COVID-19 pandemic.

Sales in the protected market amounted to 371.8 GWh, down by -10.3% compared to 414.5 GWh in the FY 2019.

The table below shows the quantities sold by class of customer segment:

	<i>GWh</i>		
	FY 2020	FY 2019	Changes %
<i>Business</i>	3,161.7	4,794.8	(34.1)
<i>Small business</i>	576.0	760.3	(24.2)
<i>Retail</i>	1,283.3	1,554.0	(17.4)
<i>Wholesalers</i>	1,903.1	1,923.9	(1.1)
Free market	6,924.1	9,033.0	(23.3)
Protected market	371.8	414.5	(10.3)
<i>Imbalances, pumping, network losses and dedicated withdrawals</i>	410.1	433.3	(5.4)
Total Electricity sold	7,706.0	9,880.7	(22.0)

EBITDA from the sale of electricity amounts to € 55.5 million, an improvement of + 58.9% compared to € 34.9 million in 2019. This increase is due to an improved unit margin and the development of the customer portfolio, which made it possible to offset the negative impact of a reduction in sales volumes caused by the Covid-19 emergency.

Sale of Natural Gas

Purchased volumes amounted to 3,017.7 Mm³, essentially unchanged (+0.1%), compared to 3,014.2 Mm³ in 2019.

The gas sold by the group amounted to 1,080.4 Mmc up +1.4% compared to 1,065.2 Mmc in 2019 thanks to higher sales to wholesalers; all other customer segments recorded a contraction.

Gas used for internal consumption within the Group amounted to 1,728.2 Mm³, down -1.8% compared to 1,760.2 Mm³ in FY 2019.

EBITDA from gas sales amounts to € 86.1 million, an increase of + 20.8% compared to € 71.3 million in 2019. The positive margin performance is due to improvements in unit sales margins and also to an improvement in the retail sales quota (QVD) component, which made it possible to absorb the lower quantities of gas sold (all business segments were down, except for trading) caused by a particularly mild heating season and the negative effects of the economic crisis resulting from the Covid-19 health emergency.

Sales of heat and other services

Heat sales and other services recorded an EBITDA of € 5.3 million, up from € 4.1 million in 2019. The improvement in the margin is due to the commercial activities of Iren plus and Iren go, the two new business lines for the marketing of goods and services ancillary to the supply of commodities and electric mobility.

Investments made during the year amounted to € 50.6 million, upwards from € 40.8 million in the corresponding period of 2019.

Services and other

As at 31 December 2020 the revenues of the sector, which includes the activities of the analysis laboratories, telecommunications and other minor activities, amounted to € 24.9 million and were up by + 10.9% compared to € 22.5 million in the corresponding period of 2019.

		FY 2020	FY 2019	Changes %
Revenue	€/mln	24.9	22.5	10.9
Gross Operating Margin (EBITDA)	€/mln	3.3	2.5	32.0
<i>EBITDA Margin</i>		<i>13.2%</i>	<i>10.9%</i>	
Operating Result (EBIT)	€/mln	1.0	1.5	(33.3)
Investments	€/mln	52.8	42.3	24.8

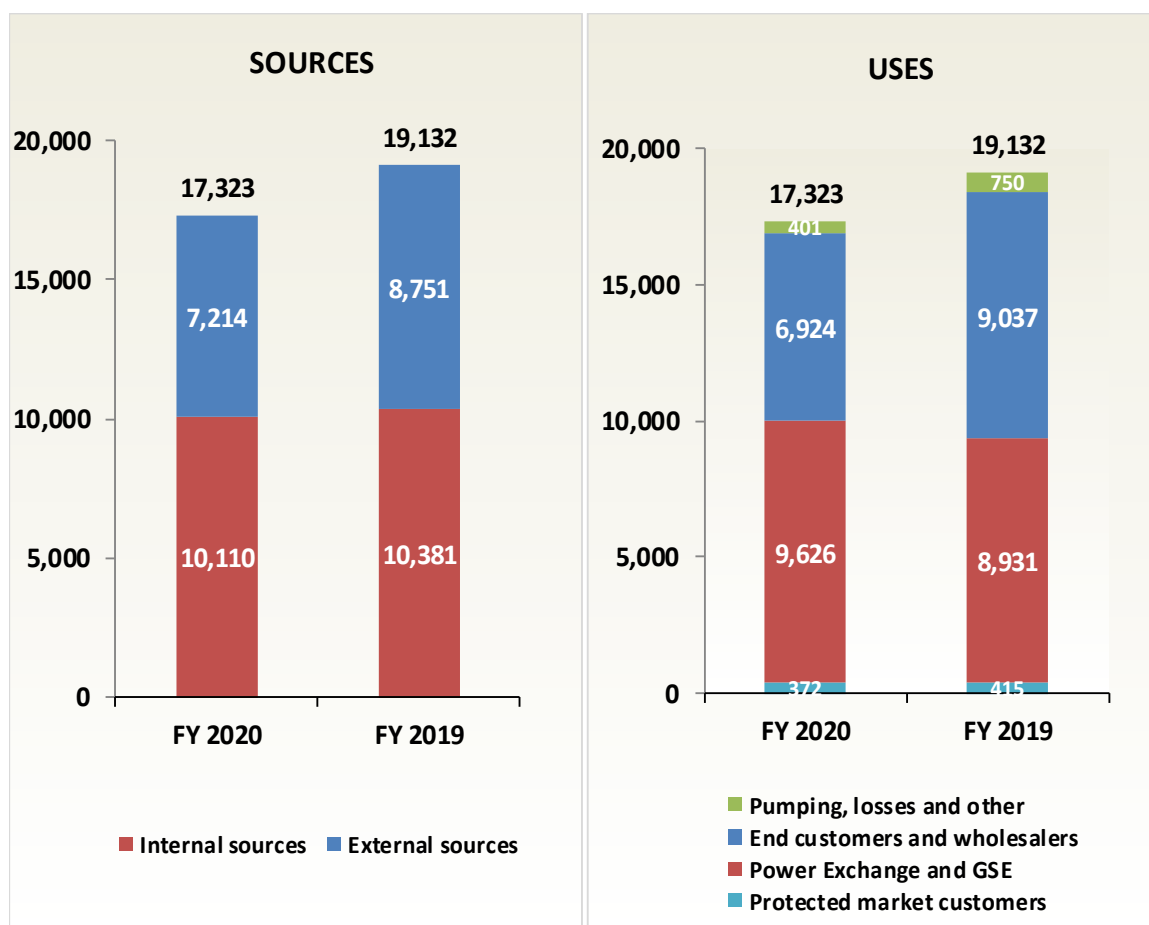
EBITDA amounts to € 3.3 million, upwards compared to € 2.5 million in 2019.

Investments for the period amounted to € 52.8 million and related mainly to corporate activities: information systems, vehicles and real estate services.

ENERGY BALANCES

Electricity balance sheet

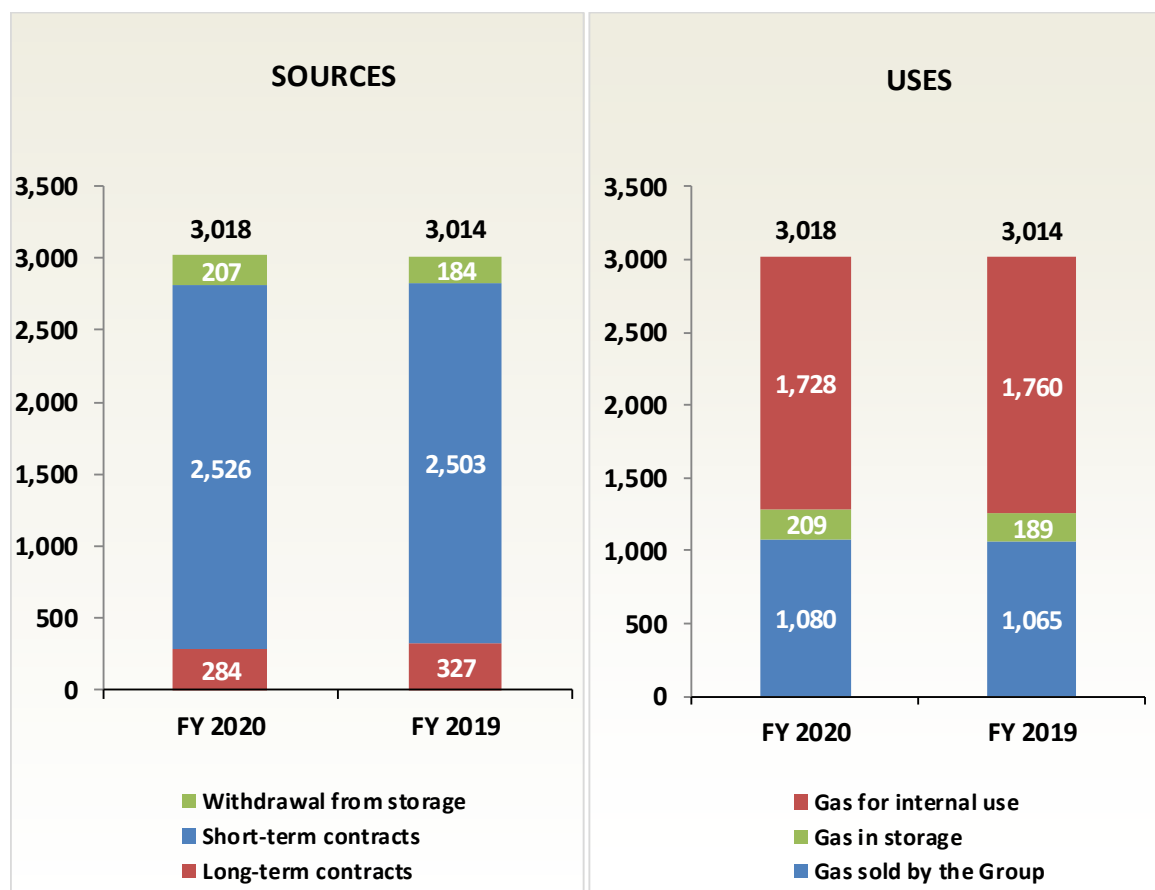
GWh	FY 2020	FY 2019	Changes %
SOURCES			
The Group's gross production	10,109.7	10,380.9	(2.6)
<i>a) Hydroelectric and other renewables</i>	1,315.7	1,352.4	(2.7)
<i>b) Cogeneration</i>	5,454.5	5,920.2	(7.9)
<i>c) Thermoelectric</i>	2,706.3	2,470.7	9.5
<i>d) Production from WTE plants and landfills</i>	633.2	637.6	(0.7)
Purchases from Acquirente Unico [Single Buyer]	410.5	457.6	(10.3)
Energy purchased on the Power exchange	6,308.4	7,706.0	(18.1)
Energy purchased from wholesalers and imports	494.6	587.8	(15.9)
Total Sources	17,323.2	19,132.3	(9.5)
USES			
Sales to protected market customers	371.8	414.5	(10.3)
Sales to end customers and wholesalers	6,924.1	9,037.0	(23.4)
Sales on the Power exchange and GSE	9,626.3	8,931.0	7.8
Pumping, losses and other	401.0	749.8	(46.5)
Total Uses	17,323.2	19,132.3	(9.5)



Gas balance sheet

Millions of m ³	FY 2020	FY 2019	Changes %
SOURCES			
Long-term contracts	284.4	327.4	(13.1)
Short-term contracts	2,526.2	2,503.0	0.9
Withdrawals from storage	207.1	183.8	12.7
Total Sources	3,017.7	3,014.2	0.1
USES			
Gas sold by the Group	1,080.4	1,065.2	1.4
Gas for internal use (1)	1,728.2	1,760.2	(1.8)
Gas in storage	209.0	188.8	10.7
Total Uses	3,017.7	3,014.2	0.1

(1) Internal use concerns thermoelectric plants and use for heat services and internal consumption



FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS OF IREN S.P.A.

Income statement

INCOME STATEMENT OF IREN S.p.A.

	thousands of €		
	FY 2020	FY 2019	Change %
Revenue			
Revenue from goods and services	218,968	198,929	10.1
Other income	12,964	14,712	(11.9)
Total revenue	231,932	213,641	8.6
Operating expenses			
Raw materials, consumables, supplies and goods	(12,313)	(13,579)	(9.3)
Services and use of third-party assets	(128,802)	(112,745)	14.2
Other operating expenses	(9,157)	(7,870)	16.4
Capitalised expenses for internal work	4,966	3,070	61.8
Personnel expense	(73,685)	(70,046)	5.2
Total operating expenses	(218,991)	(201,170)	8.9
Gross Operating Margin (EBITDA)	12,941	12,471	3.8
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(31,356)	(26,602)	17.9
Provisions for impairment of receivables	-	(350)	(100.0)
Other provisions and impairment losses	96	8,127	(98.8)
Total depreciation, amortisation, provisions and impairment losses	(31,260)	(18,825)	66.1
Operating result (EBIT)	(18,319)	(6,354)	(*)
Financial income and expenses			
Financial income	290,011	331,644	(12.6)
Financial expenses	(65,834)	(87,110)	(24.4)
Total financial income and expenses	224,177	244,534	(8.3)
Value adjustments on equity investments	-	-	-
Profit (loss) before tax	205,858	238,180	(13.6)
Income tax expense	4,205	3,234	30.0
Net profit (loss) from continuing operations	210,063	241,414	(13.0)
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	210,063	241,414	(13.0)

(*) Change of more than 100%

Revenue

Total revenue for Iren S.p.A. was € 231.9 million (upwards compared to the 213.6 million in 2019), primarily relating to *corporate* service activities provided to Group companies.

Operating expenses

Operating expenses amounted to € 219.0 million, upwards compared to the FY 2019 figure (201.1 million) due in particular to costs for services, attributable to the management of staff activities in favour of Group companies and, specifically, the management of information systems. This increase in the cost base is reflected in the revenue trend described above.

Other expenses are higher than in the previous year with reference to property taxes on the property complexes repurchased at the beginning of the year.

Depreciation, amortisation, provisions and impairment losses

Depreciation, amortisation, provisions and impairment losses amounted to 31.3 million euro.

Depreciation and amortization, which amounted to € 31.4 million, compared to € 26.6 million in the previous year, were up due to the effect of the *release of* recent significant investments in the IT area.

The item of net provisions is substantially nil; the net releases of the previous year, amounting to € 8.1 million, referred instead to the absence of risks for charges relating to office buildings rented from the real estate fund, subject to redemption at the beginning of 2020.

Financial income and expenses

The balance between financial income and expense was positive at 224.2 million euro.

Analysing the breakdown of the items, financial income, amounting to € 290.0, million, mainly includes dividends from subsidiaries of € 236.4 million (€ -30.1 million compared to 2019) and interest income on loans to subsidiaries, associates and joint ventures of € 52 million (€ -10.9 million compared to the previous year, which included throughout the period interest on the shareholders' loan to OLT Offshore LNG Toscana, subject to sale at the beginning of 2020).

Financial expense totalled € 65.8 million, consisting mainly of interest expense paid on long-term bonds (€ 54.7 million) and charges incurred to close out derivative positions that do not qualify for hedge accounting (€ 6.4 million). The significant decrease compared to the figure for 2019, i.e. 87.1 million, is attributable to the lower expenses for *liability* management operations, reinforced by the reduction in the average cost of financial debt and interest expense, of an accounting nature, related to existing *leases*.

Profit (loss) before tax

As a consequence of the trends illustrated above, the profit before tax was € 205.9 million, downwards compared to 238.2 million in 2019.

Income tax expense

Income taxes were positive (4.2 million euro), owing to a negative taxable income deriving from the non-taxability of 95% of the dividends received.

Net profit (loss) for the period

Including taxes for the year, there was a profit of 210.1 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN S.P.A. (1)

	thousands of €		
	31.12.2020	31.12.2019	Change %
Non-current assets	2,793,166	2,770,445	0.8
Other non-current assets (liabilities)	(7,977)	(8,902)	(10.4)
Net Working Capital	(38,782)	61,576	(*)
Deferred tax assets (liabilities)	10,090	12,760	(20.9)
Provisions for risks and employee benefits	(32,485)	(37,411)	(13.2)
Assets (Liabilities) held for sale	240	240	-
Net invested capital	2,724,252	2,798,708	(2.7)
Equity	1,971,907	1,908,159	3.3
<i>Non-current financial assets</i>	<i>(2,225,873)</i>	<i>(1,810,266)</i>	23.0
<i>Non-current financial debt</i>	<i>3,490,489</i>	<i>2,835,231</i>	23.1
Non-current net financial debt	1,264,616	1,024,965	23.4
<i>Current financial assets</i>	<i>(819,208)</i>	<i>(621,458)</i>	31.8
<i>Current financial debt</i>	<i>306,937</i>	<i>487,042</i>	(37.0)
Current net financial debt	(512,271)	(134,416)	(*)
Net financial debt	752,345	890,549	(15.5)
Own funds and net financial debt	2,724,252	2,798,708	(2.7)

(*) Change of more than 100%

(1) For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Separate Financial Statements.

The main items of the statement of financial position subject to significant changes in the period are commented on below.

Non-current assets at 31 December 2020 amounted to € 2,793.1 million, up compared to 31 December 2019, when they were € 2,770.4 million. The increase (+22.7 million) was mainly due to the effect of the following determinants:

- technical investments in tangible and intangible fixed assets (+51.2 million), mainly relating to motor vehicles, property redevelopment and IT implementations, disposals (-2.3 million) and amortization (-31.4 million) for the period;
- the recognition of rights of use in application of IFRS 16 - *Leases* for € 5.2 million, mostly relating to lease contracts from Group companies for buildings used for management activities.

The decrease in Net Working Capital, which was negative at the end of 2020 (€ -38.8 million), is attributable primarily to the Group's VAT positions with its subsidiaries and, to a lesser extent, to trade receivables due from them in connection with the corporate services provided.

"Provisions for Risks and Employee Benefits" amounted to € 32.5 million and decreased by € 4.9 million compared to 31 December 2019, largely as a result of disbursements in the period of the provision set aside for early retirement of personnel.

Equity amounted to € 1,971.9 million, compared to the € 1,908.2 million of 31 December 2019 (€ +63.7 million). The change in the period mainly refers to net profit (+210.1 million), dividends paid (-119.5 million), actuarial losses (-1.0 million) and purchases of treasury shares (-25.6 million).

Net financial debt at year-end was € 752.3 million, an increase of 138.2 million compared to 31 December 2019 (-15.5%), mainly due to the performance of the net working capital. For more details please see the analysis of the statement of cash flows presented below.

CASH FLOW STATEMENT OF IREN S.P.A.

Change in net financial debt

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

	thousands of €		
	FY 2020	FY 2019	Change %
Starting Net Financial (debt)	(890,549)	(867,068)	2.7
Result for the period	210,063	241,413	(13.0)
Adjustments for non-financial transactions	(195,251)	(229,907)	(15.1)
Utilisations of employee benefits	(1,260)	(1,494)	(15.7)
Utilisations of provisions for risks and other charges	(5,200)	(8,557)	(39.2)
Change other non-current assets and liabilities	(924)	8,967	(*)
Other changes in capital	-	-	-
Taxes received (paid)	33,991	15,552	(*)
Operating cash flow before changes in NWC	41,419	25,974	59.5
Cash flows from changes in NWC	72,916	(9,421)	(*)
Operating cash flow	114,335	16,553	(*)
Investments in property, plant and equipment and intangible assets	(51,253)	(46,681)	9.8
Investments in financial assets	(50)	(50)	-
Proceeds from sale of investments and changes in assets held for sale	1,341	756	77.4
Change in company perimeter	-	-	-
Dividends received	236,437	266,515	(11.3)
Total cash flows from/(used in) investing activities	186,475	220,540	(15.4)
Free cash flow	300,810	237,093	26.9
Cash flows of equity capital	(145,098)	(118,048)	22.9
Other changes	(17,508)	(142,526)	(87.7)
Change in net financial (debt)	138,204	(23,481)	(*)
Closing Net financial (debt)	(752,345)	(890,549)	(15.5)

(*) Change of more than 100%

The change in financial debt derives from the following determinants:

- *operating cash flow* of € +114.3 million, influenced by the performance of net working capital;
- *cash flow from investing activities* (+186.5 million), which includes dividends received from subsidiaries and investments for the period;
- *cash flow from equity* amounting to -145.1 million, which includes dividends paid (-119.5 million) and the purchase of treasury shares (-25.6 million);
- the item "*Other changes*", amounting to -17.5 million, includes financial income and expenses received and paid, the change in the *fair value* of derivative instruments hedging interest rate risk and the effect of the recognition of new *lease* agreements falling within the scope of IFRS 16. The 2019 comparative figure of -142.5 million included, among other things, the effect of the first-time application of IFRS 16 (-93.8 million).

We can note finally that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Separate Financial Statements at 31 December 2020.

The table below reconciles equity and the result of the Parent Company Iren S.p.A. as at 31 December 2020 and 31 December 2019 with those of the consolidated financial statements.

	thousands of €	
31/12/2020	Shareholders' Equity	Result for the period
Shareholders' equity and profit for the year of the Parent Company	1,971,907	210,063
Difference between the carrying amount and value of equity-accounted associates	42,069	8,093
Higher value from consolidation compared to the carrying amount of consolidated equity investments	369,190	245,337
Elimination of dividends from subsidiaries/associates	-	(236,418)
Elimination of intra-group margins	(48,589)	2,003
Others	56,737	6,244
Equity and profit attributable to shareholders	2,391,314	235,322

“Elimination of intra-group margins” refers to the elimination of capital gains from the sale of business units or companies within the Group. In particular, it is worth noting the transaction related to the Genoa integrated water cycle carried out by the former AMGA (positive effect of € 2.5 million on the income statement and negative by € 31.3 million on Equity).

	thousands of €	
31/12/2019	Shareholders' Equity	Result for the period
Shareholders' equity and profit for the year of the Parent Company	1,908,159	241,413
Difference between the carrying amount and value of equity-accounted associates	36,695	4,121
Higher value from consolidation compared to the carrying amount of consolidated equity investments	361,667	244,449
Elimination of dividends from subsidiaries/associates	-	(266,513)
Elimination of intra-group margins	(50,908)	2,647
Others	32,160	10,461
Equity and profit attributable to shareholders	2,287,773	236,578

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Acquisition of control of Futura

As part of the consolidation activities resulting from the acquisition of the Unieco Environment Division, on March 30, 2021, Iren Ambiente acquired from S.I.T. - Società Igiene Territorio S.p.A. an additional stake in Futura S.p.A., representing 20% of the share capital. The purchase price is € 1.1 million; as a result of the transaction, the Iren Group holds a total stake of 60%.

Futura is based in Grosseto and operates a mechanical biological treatment plant, with a composting section for the organic fraction.

BUSINESS OUTLOOK

The Covid-19 pandemic will impact global economies throughout the year 2021 slowing the economic recovery. Therefore, the Iren Group will face a national scenario whose recovery in 2021 is still dependent on the spread of the virus and the consequent countermeasures which, especially in the first half of the year, when the vaccination campaign is still partial, will continue to have a negative impact on the economy.

Despite the difficult context, thanks to a resilient business profile with respect to the Covid-19 pandemic, the Group will continue to pursue its growth path as set out in the latest business plan, which calls for significant investments, especially in the Networks and Waste Management segments, in addition to investments to increase electricity generation capacity and extend the district heating network. The major investment plan in the regulated sectors to improve the quality of the service is therefore confirmed, especially in the water sector, where the goal is to increase purification capacity and reduce the use of the water resource. With regard to the Waste Management segment, investments will be aimed at building the waste treatment and disposal plants envisaged in the industrial plan and at increasing the quality of the service by extending door-to-door collection and punctual pricing.

Iren also confirms sustainability as one of its main strategic pillars thanks to the investments in projects linked to the Multi-circle Economy, equal to about 60% of the investments established in the industrial plan, such as material recovery, efficient use and protection of resources, combined with energy efficiency and reduction of greenhouse gas emissions.

Regarding the energy activities, in 2020 the Group implemented a series of actions that will mitigate the impact of volatility in energy prices thanks to a hedging policy implemented with the goal of stabilising margins.

Therefore, even in the difficult context determined by the continuation of the Covid-19 emergency, the Group confirms its profitability forecasts thanks to the aforementioned investments capable of sustaining organic growth, to a strong development of activities concerning energy efficiency projects in buildings, taking advantage of the opportunities offered by current regulations, and to a complete integration of the recently acquired companies in the Waste Management segment.

The outlook for profitability growth takes into account the continuation of the Covid-19 emergency, which the Group estimates will be resolved in the second half of the year, with a negative effect on EBITDA not exceeding € 10 million, additional provisions for bad debts not exceeding € 10 million, and the partial re-absorption, by € 40 million, of the negative effect on net working capital recorded in 2020.

FINANCIAL MANAGEMENT

General framework

After a long period of stability, the short-term part of the rate curve showed significant changes during 2020, with an upward peak in May (owing to uncertainties linked to the pandemic situation) followed by a downward phase.

In the meantime, the medium/long-term portion of the rates also fell sharply until the start of the *lockdown* period due to COVID-19, then rose sharply to subsequently fall gradually until the end of 2020; a strong bullish movement resumed in the new year.

The European Central Bank keeps rates unchanged since March 2016. The current rate is 0%.

Similarly, by examining the trend of the six-month Euribor rate, we note that the parameter, after having reached minimum levels at the beginning of March, increased rapidly due to uncertainties on the liquidity front of the market, followed by a subsequent progressive fall to the current level of -0,5%.

The quotations of fixed rates, reflected in the values of the IRS at 5 and 10 years, also fell at the beginning of 2020, which was then completely cancelled out by the rise caused by uncertainty and the crisis linked to the spread of Covid-19. Thanks mainly to the market interventions of the ECB, medium/long-term rates settled at negative levels, except for a recovery in the first months of the new year.

Activities performed

During 2020, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of debt, the investments, the trend in working capital and the balance of short-term and long-term sources.

The organisational model adopted by the Iren Group, with the goal of financial optimisation of the companies, provides for centralisation in Iren of treasury management, medium/long-term loan operations and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of finding the types of loans best suited to its needs, and the best market conditions.

Turning to the transactions carried out in 2020 in more detail, it is noted that, as described in the "Significant events in the period", a loan agreement was signed in May with the new counterparty CEB (Council of Europe Development Bank) for € 80 million to support the investment plan in water infrastructures; also, in October, a new EIB "Green Energy" Loan agreement was signed for € 100 million to support the development and streamlining projects of the district heating network in the Turin area. In March, the "Electricity distribution networks" EIB loan for a total of € 75 million signed in March 2017 was also used in full.

Direct loans with EIB and CEB, with a duration of up to 16 years, not used and available, amount to a total of € 300 million.

With regard to market transactions, under the Euro Medium Term Notes (EMTN) Program of € 4 billion, a new bond issue for an amount of € 500 million, with an annual gross coupon of 1% and maturing on July 1, 2030, was completed at the end of June 2020, with a settlement date of July 1; in addition, on 10 December 2020, with a settlement date of 17 December, the issue of the 4th Green Bond for an amount of € 300 million, with an annual gross coupon of 0.25% and maturing on 17 January 2031, was completed. Both securities have a Fitch BBB rating and are listed on the regulated market of the Irish stock exchange, where the prospectuses have been filed, and on the ExtraMOT market of Borsa Italiana.

Within the Group, the debt position of Scarlino Energia, amounting to € 14 million, was included in the consolidation area while, for the purposes of optimisation, the debt positions of Asti Energia e Calore, I.BLU and the Unieco Environment Division, totalling € 33 million, were written off in advance.

The financial debt from loans (excluding the financial liabilities recognised in application of IFRS 16) at the end of the period was made up of 16% loans and 84% bonds.

As regards financial risks, the Iren Group is exposed to various types of risk, including liquidity risk, risks of changes in interest and exchange rates. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit risks of fluctuations in the interest rate. It is noted that during the period a new interest rate swap contract was entered into to hedge € 50 million of debt, maturing in 2028 and with deferred effect from December 2022; as part of the Liability Management activities, two interest rate swap contracts were terminated for a negative market value of € 5 million.

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

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

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



Rating

On 20 October 2020, Fitch confirmed for Iren and its *senior unsecured* issues the BBB rating, with stable outlook. The judgement is based mainly on the update of the business plan to 2025 which, in continuity compared to previous years, confirms the prevalence of regulated and semi-regulated activities (approximately 70% of Gross Operating Profit (EBITDA) at the end of the Plan). Fitch rates the company well positioned within its benchmark indices, with limited impact from the negative market effects of the coronavirus emergency.

To support the liquidity profile of the Group and the rating level, Iren has the aforementioned medium/long-term credit lines subscribed and available but not used for € 300 million and committed credit lines of the Sustainability linked revolving credit facility (RCF) which amounted to € 150 million at year-end and which are added to current liquid assets.

RISKS AND UNCERTAINTIES

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

For each of the following risk types:

- Financial Risks (liquidity, interest rate, exchange rate);
- Credit Risk;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity, heat and gas, and to the *hedging* derivative markets;
- Cyber Risks, linked to potential events related to the loss of confidentiality, integrity or availability of data or information after which negative impacts on the organisation, people, operations or other organisations could derive;
- Risks from Climate Change, which include risks due to the transition to a low carbon dioxide emission economy (transition risks) and risks of a physical nature (physical risks) that may result from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks);
- Tax risks, associated with potential transactions carried out in violation of tax regulations or in contrast with the principles or purposes of the tax system;
- 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 Commissions to manage the financial, IT, credit and energy risks.

The Cyber Risk Policy, the Climate Change Risk Policy, and the Tax Control Model were adopted in 2020 following approval by the Board of Directors of Iren S.p.A., while the other Policies underwent some substantial revisions during the year to adapt them to the current organisational models and to the evolution of risk factors.

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

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

- verification of the integrated management of the Group’s Enterprise Risk Management (ERM) System: methodological approach, definition of policies and monitoring of the System;
- stipulation and management of insurance policies in conjunction with the CEO and with the support of the "Procurement, Logistics and Services", and "Legal Affairs" functions.

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

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

1. FINANCIAL RISKS

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

a) Liquidity risk

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

The procurement of financial resources has been centralised in order to optimise their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.

A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

b) Exchange rate risk

Except as indicated in the section on energy risk, the Iren Group is not significantly exposed to exchange rate risk.

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

Compliance with the limits imposed by the Policy are verified during the Financial Risk Commission meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and environmental services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects, among other factors, also the current economic and financial situation.

To limit exposure to credit risk, a number of tools have been activated. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, methods of payment through digital channels are offered to Customers.

The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

Provisions set aside for impairment of receivables reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected losses determined on a prospective basis, taking into due consideration the historical series. As mentioned, with regard to the Covid-19 emergency context, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group increased the provision for bad and doubtful debts by € 25 million due to the assessment of expected losses, particularly in the electricity and gas sales and integrated water service sectors.

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

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

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

3. ENERGY RISK

The Iren Group is exposed to price risk on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly, or through indexing formulae. Exposure to foreign exchange rate risk, characteristic of oil-based commodities, exists, but attenuated thanks to the development of the European organised markets that trade the gas commodity in Euro and no longer indexed to oil products.

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

For this purpose, the Group carries out planning of the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae. The objective is to obtain sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group's customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

For a more detailed analysis of the risks dealt with up to now, reference should be made to the paragraph "Group Financial Risks Management" in the Notes to the Consolidated Financial Statements.

4. CLIMATE CHANGE RISKS

During the year, Iren Group included in its Enterprise Risk Management system a Policy dedicated to climate change risks, which are becoming increasingly important for organisations. Moreover, they affect the health of the planet, with estimates of significant effects already in the medium term. All companies, and in particular those operating in significantly exposed sectors such as Iren Group, must consider the analysis of

climate change risks as an emerging and determining factor in the definition of their medium and long-term strategies.

The adoption of the Climate Change Risk Policy and the resulting risk analysis and management represent the preliminary steps in a process that will enable the Group to provide even more effective control over its exposure to damaging events and the opportunities that the external context and its changes may offer, as well as its contribution to the achievement of sustainable development objectives defined at national and international level.

The document was written with the extensive involvement of the corporate functions involved in managing these risks, with which a Climate Change Risk Assessment was carried out, based on which the Policy was subsequently drafted.

The Policy analyses and regulates, focusing on the applicability to the individual Business Units, the risk factors related to climate change, distinguishing between physical risks and transition risks. Physical risks resulting from changing climatic conditions are divided into acute physical risks - if related to local catastrophic natural events (e.g. floods, heat waves, fires, etc.) - and chronic physical risks - if related to long-term climate change (e.g. global warming, rising sea levels, water scarcity, etc.).

The transition to a *low-carbon* economy could entail extensive changes in government policies, with consequent regulatory, technological and market changes. Depending on the nature and speed of these changes, transition risks may result in a varying level of financial and reputational risk for the Group.

The Policy requires the presence of a Risk Commission to periodically review the Group's risk profile, defining and proposing updates to the Chief Executive Officer on strategies for managing risk classes and reporting any emerging critical issues to the Executive Bodies. The document also includes guidelines for reporting, aimed at ensuring transparency of information to all stakeholders.

5. TAX RISKS

Iren Group has adopted a specific internal control and tax risk management system, understood as the risk of operating in violation of tax regulations or in contrast with the principles or aims of the legal system.

The tax risk control and management system, the "Tax Control Framework" (hereinafter "TCF"), enables the Group to pursue the objective of minimising its exposure to tax risk by identifying, updating, assessing and monitoring tax-related governance, processes, risks and controls.

The Group is committed to managing its tax affairs in accordance with all applicable laws and regulations. For this reason, Iren has adopted the TCF as an internal control system that defines the governance for the management of taxation and related risk in line with the principles of the company strategy and, in particular, the Tax Strategy.

The Tax Control Framework adopted consists of a set of rules, guidelines, tools and models aimed at supporting the Group's employees in carrying out their daily activities, ensuring consistency on relevant tax matters.

Therefore, the TCF's structure provides for the presence of two pillars that outline its operating scheme: the Tax Strategy and the Tax Compliance Model.

The **Tax Strategy** defines the objectives and the approach adopted by the Group in managing the tax variable. The purpose of this document is to establish the Principles of conduct in tax matters in order to i) contain tax risk due to exogenous and endogenous factors, and ii) continue to guarantee over time the correct and timely determination and settlement of taxes due by law, and the performance of related obligations. The Tax Strategy has been approved and issued by the Board of Directors of Iren S.p.A..

The **Tax Compliance Model** is an element of the Internal Control and Risk Management System. This document contains the detailed description of the phases comprising the *risk assessment*, control and periodic monitoring processes carried out by Iren, and the subsequent reporting on tax issues to the Chief Executive Officer and the other relevant bodies and functions. It also aims to summarize the main responsibilities assigned to the various functions involved in tax-relevant processes. The Tax Compliance Model is prepared by the Tax and Compliance Function and is ultimately approved by the Board of Directors of Iren S.p.A..

The project to create a TCF aligned with the best practices in the field was concluded in 2020 with the submission of the application for access to the institution of Cooperative Compliance, a scheme between the Revenue Agency and large companies, introduced by Legislative Decree No. 128 of 5 August 2015 in order to promote the implementation of enhanced forms of communication and cooperation based on

mutual trust between tax authorities and taxpayers, and to encourage, in the common interest, the prevention and resolution of tax disputes.

6. OPERATIONAL RISKS

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

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

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

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

Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity. Each process stage is performed in accordance with standards and references defined at Group level. The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, IT, credit and energy risks. The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity. The risk analysis also supports the preparation of planning tools.

In 2020, a project was carried out to revise the Group Risk Map, which, through interviews with the Risk Owners of Iren S.p.A. and the Group companies, and the subsequent sharing and fine-tuning of the results, led to the construction of a very detailed risk map that corresponds to the reality of the Group, with qualitative and quantitative assessments of each individual risk and with details of controls and mitigation actions existing or planned. The identified risks have been associated with the ESG (Environmental, Social and Governance) category to which they belong. It is noted that for each risk it was verified whether and how it had been impacted by Covid-19.

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 departments operate, reporting directly to the Chief Executive Officer, dedicated to continual monitoring of the relevant legislation and regulations in order to assess their implications, guaranteeing their correct application in the Group.

b. Plant-related risks

As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.). For the most important plants the Risk Management Department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action. The risk is also hedged by insurance policies designed considering the situation of the single plants.

c. IT Risks

IT Risks (Cyber Risks) are defined as the set of internal and external threats which can compromise business continuity or cause civil liability damage to third parties in the event of loss or disclosure of sensitive data. From an internal point of view, the operational risks regarding information technology are closely related to the business of the Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers. At the same time, problems related to supervision and data acquisition on physical systems could cause plant shutdowns and collateral and even serious damage. A breakdown of invoicing systems could also determine delays in issuing bills and the related collections, as well as damage to reputation.

To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness. The Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Market benchmarks also show that attacks aimed at acquiring companies' and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. The perimeter security technologies have been updated. The data network has been further segregated according to the functional use; in addition a vulnerability management system has been introduced, and extended also to suppliers that process sensitive corporate data for various reasons. The support of an external Security Operation Centre (SOC) has been launched for 24h monitoring, with the use of Iren security platforms. Policies have been adopted to strengthen system access passwords, increase workstation security with the introduction of systems featuring behavioural analysis capabilities and automated and remote response execution. A Cyber Threat Intelligence (CTI) platform has also been introduced in order to capture evidence of attackers and threats potentially impacting corporate *assets*. On 23 January 2020, the Board of Directors of Iren S.p.A. approved the Cyber Risk Policy, which – similar to the other main risk Policies – provides for the convocation of specific Risk Commissions, the monitoring of performance indicators and dedicated reporting.

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

7. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2025 which defines its strategic orientations and the related industrial objectives from which the economic and financial figures of reference derive. The said objectives refer to:

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

In application of the Group's policies, the Plan was subject to a *risk assessment* carried out by the Risk Management Department and to the related stress tests, which showed substantial resilience including when facing adverse events characterised by specific *sensitivities*. On the basis of the aforementioned project to revise the Risk Map, a specific Risk Map relating to the risks of the Industrial Plan was prepared in parallel with the *risk assessment*, with the same time horizon. The development of this Risk Map, together with the construction of quantitative stresses, constitutes an important point of integration with the Strategic Planning function. In addition to the risk analysis associated with the Plan, the Risk Management Department contributes *risk assessments* specific to *merger & acquisition* transactions and the main strategic plans concerning Iren Group.

TRANSACTIONS WITH RELATED PARTIES

The current TRP Procedure is published on Iren's website(www.gruppoiren.it) and was approved by the Board of Directors on 30 May 2019, subject to the favourable opinion of the Transactions with Related Parties Committee ("TRPC", entirely composed of independent Directors).

The above document was prepared implementing:

- the provisions regarding transactions with related parties set forth in article 2391-bis of the Italian Civil Code, as most recently amended by Legislative Decree No. 49 of 10 May 2019, concerned with *"Implementation of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement"*;
- the Regulation containing provisions on related party transactions, adopted by Consob by Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions. ("Consob Regulation"), considering the recommendations of Consob Communication no. DEM/10078683 of 24 September 2010 ("Consob Communication");
- the provisions of Article 114 of Legislative Decree No. 58 of 24 February 1998 ("Testo Unico della Finanza"/ TUF - Consolidated Law on Finance) and the provisions of Regulation (EU) no. 596/2014 on market abuse.

The corporate documents adopted in accordance with the legislation on transactions with related parties, defined in coordination with the provisions of the administrative and accounting procedures pursuant to Art. 154-*bis* TUF, aim specifically:

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

These, very briefly, provide for:

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

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

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

Information on financial and economic transactions with related parties is included in the Notes to the Consolidated Financial Statements in chapters "VI. Information on transactions with related parties" and "XII. Annexes to the Consolidated Financial Statements", as an integral part of the same.

There are currently monitored and studied, in order to put in place the appropriate and possible activities to adapt the corporate documents adopted in compliance with the regulations on related party transactions, prospective changes arising from (i) the transposition into Italian law of Directive 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (so-called *Shareholder Rights Directive 2*), as well as (ii) the publication on 10 December 2020 of Consob Resolution No. 21624, entitled *"Amendments to the Regulation containing provisions on Related Party Transactions and the Regulation concerning rules implementing Legislative Decree No. 68 of 24 February 1998 on Markets, as amended"*, the amendments to which will become effective on 1 July 2021.

LEGISLATIVE FRAMEWORK

This chapter describes the main regulatory changes affecting the Group's sectors of operation. It also provides essential information on existing concessions and assignments.

ENERGY EFFICIENCY

Below is a summary of the main changes introduced by Legislative Decree No. 34 of 19 May 2020 (so-called "D.L. Rilancio"), following conversion Law no. 77 of 17 July 2020 on energy efficiency measures, insofar as they are of interest to the companies of the Iren Group and in particular to Iren Mercato and Iren Smart Solutions.

110% DEDUCTION

D.L. Rilancio, with the related conversion law, provides that the tax deduction will apply to the extent of 110 percent for expenses documented and borne by the taxpayer, incurred from 1 July 2020 until 31 December 2021, to be divided among parties entitled in five equal annual instalments. For interventions carried out by autonomous social housing institutes, the following provisions also apply to the expenses, documented and borne by the taxpayer, incurred until 30 June 2022.

Admitted interventions

The interventions for which, if the conditions are met, access is granted to the deduction to the extent of 110% are as follows:

- 1) interventions of thermal insulation of opaque vertical, horizontal and inclined surfaces affecting the building shell;
- 2) interventions on common areas of buildings for the replacement of existing winter air-conditioning systems with centralised systems for heating, cooling or the supply of sanitary hot water, whether condensation, heat pump or solar collectors and (exclusively for mountain municipalities not affected by the European infringement procedures for Italy's non-compliance with the obligations laid down in Directive 2008/50/EC) featuring connection to efficient district heating systems;
- 3) interventions on single-family buildings or building units located within multi-family buildings which are functionally independent and feature one or more independent accesses from the outside for the replacement of existing winter air conditioning systems with heating, cooling or hot sanitary water supply systems, whether they are condensation, heat pump or solar collectors;
In addition, exclusively for non-methane areas in municipalities not affected by the European infringement procedures for Italy's failure to comply with the obligations laid down in Directive 2008/50/EC, the deduction is obtainable with the replacement of existing plants with biomass boilers with emission performance values at least 5 star class and, for mountain municipalities not affected by the same European infringement procedures, featuring connection to efficient district heating systems;
- 4) all other energy efficiency interventions as per article 14 of Decree-Law No. 63 of 4 June 2013, converted, with amendments, by Law No. 90 of 3 August 2013, within the limits of expenditure foreseen, for each energy efficiency intervention, by the legislation in force, provided that they are carried out together with at least one of the interventions mentioned in the previous points;
If the building is subject to at least one of the constraints provided for by the code of cultural heritage and landscape or the relevant interventions are prohibited by building, urban planning and environmental regulations, the deduction applies to all the interventions referred to in this point, even if not carried out in conjunction with at least one of the interventions referred to in the previous points;
- 5) installation of grid-connected photovoltaic solar energy systems on buildings, provided that the installation of the systems is carried out jointly with one of the previous interventions;
- 6) simultaneous or subsequent installation of storage systems integrated into the solar photovoltaic systems facilitated, under the same conditions;
- 7) installation of infrastructure for recharging electric vehicles in buildings, provided that the installation is carried out in conjunction with one of the interventions referred to in the first three points.

Minimum requirements for access to the deduction

For the purposes of access to the deduction, the interventions must meet certain minimum requirements (provided by the decrees referred to in paragraph 3-ter of Article 14 of Decree-Law No. 63 of 4 June 2013, converted, with amendments, by Law No. 90 of 3 August 2013) and, as a whole, must ensure, the improvement of at least two energy classes of the building or building units located within multi-family buildings, or, if this is not possible, the achievement of the highest energy class, to be demonstrated by the energy performance certificate (E.P.C.), before and after the intervention, issued by a qualified technician in the form of the sworn statement.

Subjective scope

The provisions set out above apply to interventions carried out, among others:

- by residents;
- by individuals, outside the performance of business, arts and professions, on real estate units, which can benefit from the deductions referred to in the first four points for interventions carried out on the maximum number of two building units, without prejudice to the recognition of deductions for interventions carried out on the common parts of the building;
- by the Istituti Autonomi per le Case Popolari;
- by indivisible housing cooperatives;
- by non-profit organizations of social utility.

Finally, it is noted that the same provisions do not apply if the streamlining measures relate to stately homes, villas, castles and buildings of eminent artistic or historical value (A/1, A/8, A/9 categories).

OPTION FOR TRANSFER OR DISCOUNT

Individuals who incur, in 2020 and 2021, expenses for the following actions:

- 1) rehabilitation of the building heritage;
 - 2) energy efficiency;
 - 3) adoption of anti-seismic measures;
 - 4) recovery or restoration of the façade of existing buildings, including those of only cleaning or external painting;
 - 5) installation of photovoltaic systems;
 - 6) installation of electric vehicle recharging stations
- may opt, in lieu of direct use of the deduction due, alternatively:

- **for a contribution, in the form of a discount on the due payment**, up to a maximum amount equal to the consideration itself, advanced by the suppliers who carried out the work and recovered by them in the form of a tax credit, for an amount equal to the deduction due, with the option of subsequent transfer of the credit to other parties, including banks and other financial intermediaries;
- **for the assignment of a tax credit of the same amount**, with the option of subsequent assignment to other parties, including banks and other financial intermediaries.

For the purpose of exercising the option to transfer or discount the following must be met:

- 1) the visa of conformity of the data relating to the documentation that attests to the existence of the requirements that entitle to tax deduction issued by specifically indicated parties;
- 2) the communication of the data relating to the option exclusively by telematic means, also by making use of the parties issuing the compliance certificate (methods to be regulated by implementing measures);
- 3) asseveration (also for the purposes of the 110 per cent deduction).

The expenses incurred for the issue of certificates, asseverations and the conformity certificate are among the deductible expenses.

In order to render the measures operational, the following will have to be issued within 30 days from the date when the law comes into force:

- an Order of the Director of the Revenue Agency;
 - an implementing decree of the MISE,
- which will define the modalities of credit assignment and invoice discounting.

Finally, it is noted that the 2020 Budget Law has, among other things:

- extended to 31 December 2020 the expiry date of existing tax deductions for expenses relating to energy requalification interventions for buildings;
- extended to 31 December 2020 the deadline for the 50% deduction for interventions aimed at recovering the building heritage, including interventions aimed at energy saving, with particular regard to the installation of systems based on the use of renewable energy sources, including photovoltaics;
- introduced the so-called "bonus façades", a deduction of 90% of the expenses incurred for the renovation of the external façades of buildings.

AWARD AND PERFORMANCE OF ELECTRICITY DISTRIBUTION SERVICES

Network Code (CADE) and general system expenses

By Resolution No. 490/2020/R/eel of 24 November 2020, the Authority made urgent additions to complete the regulations of the Standard Network Code for the electricity transmission service in force as of 1 January 2021, in particular on the actions to be taken by distribution companies to adjust insurance sureties and on the procedure for payment defaults in the presence of a mixed guarantee (rating with traditional guarantee).

By Resolution No. 583/2020/R/eel of 22 December 2020, the Authority confirms with additions the interventions approved by Resolution 490/2020/R/eel.

Finally, by Consultation No. 445/2020/R/eel of 3 November 2020, the Authority published the final guidelines referring to the mechanism for recognizing any failure to collect the tariff components covering general system charges, as part of the procedure for compliance with administrative justice rulings, as per Resolution No. 109/2017/R/eel of 3 March.

The objective is to implement measures aimed, on the one hand, at guaranteeing the system and end customers with respect to the economic consequences of possible defaults by sales operators and, on the other, at ensuring the soundness and reliability of the relevant processes. Alongside the strengthening of instruments to guarantee the solidity of operators, the Authority also intended to strengthen control in order to contain their exposure, making the most of the new opportunities offered by tools such as the Integrated Information System and the timely availability of measurement data, while reducing the costs that ultimately weigh on end customers.

In summary, the main lines of action comprise:

- a) the development of instruments aimed at assessing the financial soundness of operators and their solvency in making payments to the system, also in order to provide useful elements for updating the lists of authorised sellers (Vendors Register), as well as the ability of these parties to manage the processes and services characteristic of the activity, in particular those with immediate repercussions on customers;
- b) the development of systems of minimum guarantees and mechanisms for the recovery of vendor insolvencies - with particular reference to the quotas relating to general system charges in the electricity sector - aimed at guaranteeing revenue requirements for general interest purposes (such as the promotion of RES) and, at the same time, minimising recourse to end customers for the coverage of insolvencies from end customers themselves. These measures are based on encouraging all parties in the electric power industry to manage credit efficiently, while maintaining the current collection methods and leaving the role of sellers and distributors unchanged.

AWARD AND PERFORMANCE OF WASTE MANAGEMENT SERVICES

With regard to the sector under review, the financial year was affected by the following measures:

1) COMMUNITY LEGISLATION

EU Council Decision 2020/1421/EU on the position to be adopted on behalf of the EU concerning the amendments to the Annexes to the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) and to the Regulations annexed to the European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterways (ADN).

EU Commission Regulation 2020/2174/EU on shipments of waste.

EU Council Decision 2020/1829/EU on the submission, on behalf of the European Union, of proposals to amend the Basel Convention on the control of cross-border movements of hazardous wastes and their disposal.

EU Council Decision 2020/2053/EU on the system of own resources of the European Union repealing Decision 2014/335/EU and establishing a uniform rate of levy on the weight of non-recycled plastic packaging waste.

EU Commission Regulation 2020/2151/EU lays down provisions on harmonised technical marking specifications for sanitary towels, tampons and tampon applicators, wet wipes, tobacco products and cups and glasses (reduction of the percentage impact of certain single-use plastic products under Directive 2019/904/EU).

EU Commission Decision 2021/19/EU establishes a common methodology and format for the provision of re-use information in accordance with Directive 2008/98/EC of the European Parliament and of the Council.

2) NATIONAL LEGISLATION

D.M. 21 April 2020 (End of waste, REcer institution)

was published in the Official Gazette of 5 June, 21 April 2020, concerning "Modalities for the organization and operation of the national registry for the collection of authorisations issued and the outcomes of simplified procedures concluded for the performance of recovery operations" (REcer for simplicity), as required by the TUA.

The measure consists of eight articles and an annex, and sets out how the national register is to operate, be organised and transmit data. Specifically, the REcer uses the telematic platform "Monitor-piani" established by the Ministry of the Environment at the National Register of Environmental Managers where the competent authorities must enter the data of authorizations and the results of simplified procedures using the procedure made available on the web portal of the platform and indicated in Annex 1 of the Decree.

The main feature of this tool is to render the data available to the public administrations that request it in order to carry out their institutional tasks and to the competent authorities that request it also, in order to be evaluated in the preliminary investigation of the procedures aimed at issuing the authorizations referred to in Article 184-ter, paragraph 3, of Legislative Decree 152/2006.

The information contained in the national register can also be used by the Ministry of the Environment for the preliminary investigations aimed at defining the specific criteria for the cessation of waste status, as well as to request ISPRA to activate specific control procedures.

The actual operation of the REcer will be communicated with a specific link on the website of the Ministry of the Environment and, until the register is effective, the transmission of authorizations will in any case be carried out in compliance with the procedures set out in Legislative Decree of 3 April 2006 (the "Consolidated Environment Act"), No. 152, and the Law of 2 November 2019 converting, with amendments, Decree-Law No. 101 of 3 September 2019.

Law No. 40 of 5 June 2020 (Conversion law of the so-called D.L. "Liquidità")

On 7 June 2020, the Conversion Law No. 40 of 5 June 2020, of Decree-Law No. 23 of 8 April 2020 (so-called "D.L. Liquidità") concerning "*Urgent measures on access to credit and tax obligations for companies, special powers in strategic sectors, as well as interventions on health and work, extension of administrative and procedural deadlines*".

This measure also contains a number of rules affecting the environment, particularly with regard to the management of medical waste. Specifically, it establishes that up to thirty days after the declaration of the end of the state of health emergency, medical waste with only infectious risk subject to the sterilization process in public and private health facilities shall be subject to the legal regime of municipal waste.

Therefore, medical waste with an infectious risk from private and public healthcare facilities may, if sterilised in line with the procedures referred to in the regulation, be temporarily managed as urban waste.

D.L. No. 76 of 16 July 2020 (so-called "Decreto Semplificazioni")

The Decree contains important innovations regarding EIA, decontamination and green new deal. Specifically, Articles 12 and 13, included in Chapter I of Title II "Procedural simplifications", provide for significant changes to speed up the time required for the Conferences of Services and indicate the date of 31 December 2020 as the deadline for public administrations, and entities to reduce the duration of the procedures for which they are responsible.

Chapters II and III of Title IV are dedicated, respectively, to "Simplifications in environmental matters" and "Simplifications in the field of the green new deal". Among the most significant innovations are those concerning environmental impact assessment procedures, interventions and works at sites subject to reclamation and against hydrogeological instability, renewable energy sources, and financing for the green new deal.

Law No. 77 of 17 July 2020 (Conversion law of the so-called "Decreto Rilancio")

Other provisions of an environmental nature (contained in Chapter VII - Environmental Measures) include: Support for environmental economic zones, Protection of marine ecosystems, Urgent EIA measures - where the abolition of the Via-Vas Technical-Institutional Committee has been confirmed, Sustainable mobility. In addition, it provides for the introduction of Guidelines by the Ministry of the Environment on the measures to be applied for the waste management of disposable masks and gloves.

The conversion law also confirmed the postponement to 1 January 2021 of the provisions on the so-called "plastic tax".

D.M. Environment 5 August 2020

Restriction of certain hazardous substances in electrical and electronic equipment (EEE).

Legislative Decree No. 116 of 3 September 2020, concerning "Implementation of Directives 2018/851/EU and 2018/852/EU". Specifically, it intervenes and modifies the following issues and institutions:

- Extended producer responsibility;
- Priorities and prevention;
- Preparation for reuse, recycling and recovery;
- Organic waste;
- Definitions;
- Municipal and special waste and classification;
- By-products;
- End Of Waste;
- Exclusions - mowing and pruning;
- Temporary storage;
- Responsibility of waste producer and disposal;
- MUD (consolidated environmental declaration form), FIR, Registers;
- Post Sistri traceability;
- Intermodal transport;
- National waste management programme;
- National waste management planning;
- Separate collection measures;
- Packaging;
- Penalties.

Legislative Decree No. 121 of 3 September 2020, concerning "Implementation of Directive (EU) 2018/850/EU, amending Directive 1999/31/EC on the landfill of waste".

The decree introduces new organic regulations on the transfer of waste to landfills, making changes to Legislative Decree No. 36 of 13 January 2003.

Specifically, it provides for the progressive reduction of the use of landfills, until the target of no more than 10% of municipal waste by 2035 has been reached, new and uniform calculation methods to measure the achievement of the targets, as well as the prohibition of landfilling waste from separate collection and intended for recycling or preparation for reuse, or in any case (from 2030) suitable for recycling or other recovery.

There are also other important new developments with regard to the following topics:

- eligibility conditions: a specific list of EER codes not eligible for landfill in the presence of chemical-physical characteristics that render them unsuitable is introduced and the general exclusion criteria are updated; exemptions from pre-treatment are inserted for waste from separate collection "for which landfilling produces the best environmental result" (which could be detailed in future regulatory interventions); the Regions are granted the power to define the eligibility of specific waste streams without prior treatment in the presence of well-defined technical (product analysis, IRDP) and management (separate collection) conditions;
- risk analysis: the new Annex 7, which defines the "Information on waste to be included in the permit application for subcategories of non-hazardous waste landfills" details the contents, objectives and methods for carrying out the risk analysis;
- acknowledgement, checks and controls: it is foreseen that sampling and analytical determinations must be carried out by "independent and qualified persons and institutions, through accredited laboratories;
- authorizations and new construction criteria: important innovations in these areas, applicable - by express legal provision - to newly constructed landfills as well as to the construction of new lots in existing landfills for which authorization applications were submitted after the date on which Legislative Decree 121/2020 comes into force.

Legislative Decree no. 118 of 3 September 2020, concerning "Implementation of Directive 2018/849/EU on waste electrical and electronic equipment (WEEE)".

Specifically, the frequency with which the MATTM must send the EU Commission the report containing information, including circumstantial estimates on the quantities, by weight, of electrical and electronic equipment (EEE) placed on the market and waste electrical and electronic equipment (WEEE) collected separately and exported, as well as information relating to the collection and recycling of exhausted batteries and accumulators, is reduced from three years to one.

With regard to photovoltaics, paragraph 1 of the Legislative Decree provides that the financing of the management of WEEE deriving from photovoltaic EEE is the responsibility of the producers.

Law no. 126 of 13 October 2020, (Law converting the so-called "D.L. Agosto")

In particular, the conversion law confirms the amendment to art. 7-quinquies of Legislative Decree no. 36/2003 thus correcting the erroneous references to the tables and annexes provided by Legislative Decree no. 121/2020 on landfills.

In addition, during the conversion, two paragraphs were added to art. 51, which legitimise (for a limited period) the production of PET bottles without observance of the minimum percentage of 50% of virgin polymer.

MEF Directorial Decree 21 October 2020

Concerning the modalities for the unified payment, for the years 2021 et seq, of the tax on waste (TARI) and the tax for the exercise of the functions of environmental protection and hygiene (TEFA) through the PagoPa platform.

DPCM 11 December 2020

It contains the revision of the methodology of the standard requirements of the Municipalities of the Regions with ordinary statute for the waste disposal service.

Resolution No. 22 of 22 December 2020 of the Register of Environmental Managers

Provides that the persons registered in categories 4 and 2-bis of the Register for the activity of collection and transport of special non-hazardous waste identified by the EER codes and descriptions contained in Annex L-quater produced by the activities reported in Annex L-quinquies, attached to Part IV of Legislative Decree 152/2006, can carry out the collection and transport of this waste if it becomes urban after 31 December 2020, until the modalities of adaptation of the respective registration measures have been defined.

D.L. 31 December 2020, No. 183 - Urgent provisions regarding the extension of legislative terms (so-called "Decreto Milleproroghe")

The measure did not provide for any extensions in relation to the application of the provisions on the classification of waste. The most important term subject to deferral was instead that, until 31 December 2021, of the new labelling obligations for packaging subject to collection, reuse and recovery.

3) REGIONAL LEGISLATION

At territorial level, the three regions corresponding to the Group's main areas of activity (Emilia Romagna, Liguria, and Piedmont) issued numerous acts in 2020 on environmental matters and, more specifically, on the management and planning of the waste cycle. The main measures concerned sector measures related to the health emergency resulting from the spread of Covid-19, including specific extensions and derogations functional to the continuity of the services provided.

MAJOR HYDROELECTRIC SHUNT CONCESSIONS

L.R. Region of Piedmont No. 26/2020 "*Allocation of large derivations for hydroelectric use*", introduced the discipline of the annual fee for concessions of large derivations for hydroelectric purposes applicable from 2021 and to be paid in two semi-annual instalments. This law was submitted by the Government to the Constitutional Court through an appeal for conflict of attributions, still pending.

In implementation of Article 21 of RL 26/2020, the Piedmont Region approved the Regional Regulation No. 5/R of 18 December 2020 on the regulation of fees. Iren Energia has indicated that it does not believe that the new regulations are legitimate and does not intend to comply with them.

In implementation of Article 17 of RL 26/2020, the Piedmont Region also approved Regional Regulation No. 6/R of 18 December 2020 on the subject of the obligation to supply energy free of charge from large hydroelectric derivation plants.

CONCESSIONS AND ASSIGNMENTS OF THE IREN GROUP

HYDROELECTRIC PRODUCTION

The major hydroelectric shunt concessions and the related expiries for the Iren Energia plants are summarised below.

Region	Plant	Nominal power (MW)	Expiry
Piedmont	Po Stura - San Mauro	5.58	31/12/2010
Piedmont	Pont Ventoux - Susa	47.42	13/12/2034
Piedmont	Agnel - Serrù - Villa	12.53	31/12/2010
Piedmont	Bardonetto - Pont	8.92	31/12/2010
Piedmont	Ceresole - Rosone	32.92	31/12/2010
Piedmont	Telessio - Eugio - Rosone	26.10	31/12/2010
Piedmont	Rosone - Bardonetto	9.71	31/12/2010
Piedmont	Valsoera - Telessio	1.76	31/12/2010
Campania	Tusciano	8.49	31/03/2029
Campania	Tanagro	12.84	31/03/2029
Campania	Bussento	17.06	31/03/2029
Campania	Heat	3.27	31/03/2029

NATURAL GAS DISTRIBUTION

Genoa area

The natural gas distribution service in the area of the Municipality of Genoa and neighbouring municipalities is carried out by IRETI. These concessions are currently operating under the *extended* regime pending the launch of public invitations to tender.

Emilia Romagna area

The natural gas distribution service in the Emilia provinces is managed by IRETI. It is noted that the existing credit lines are subject to *extension* pending the call for public tenders.

Other geographical areas

The Group also operates in numerous other areas 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. (in which a 21.32% stake is held by the Consorzio GPO, 62.35% of which IRETI controls in turn): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and under *prorogatio* regime;
- Municipality of Vercelli and other municipalities in the Province - ASM Vercelli S.p.A. (formerly ATENA S.p.A., 60% owned by IRETI): the 1999 concession expired on 31 December 2010 and is being *extended*;
- Province of Livorno - ASA S.p.A. (in which IRETI has a 40% stake); Provinces of Livorno, Castagneto Carducci, Collesalveti, Rosignano Marittimo and San Vincenzo – assignment expired on 31 December 2010 and under *prorogatio* regime;

ELECTRICITY

IRETI 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. IRETI also distributes electricity in the Municipality of Parma, with the same expiry date.

Through local mixed companies, the Iren Group also distributes Electricity in the following main areas:

- Municipality of Vercelli, with the subsidiary ASM Vercelli S.p.A., which manages in the City the public electricity distribution service on the basis of a ministerial concession, which expires on 31 December 2030;
- Le Marche area, with DEA S.p.A., controlled by ASTEA S.p.A., manages the public electricity distribution service in the municipalities of Osimo (AN), Recanati (MC) and Polverigi (AN), with expiry on 31 December 2030.

DISTRICT HEATING

Iren Energia manages the district heating distribution service through concession, award or authorisation to lay networks in the following areas:

- Municipalities of Turin and Moncalieri (TO);
- Municipality of Nichelino (TO);
- Beinasco (TO);
- Reggio Emilia;
- Parma;
- Piacenza;
- Genoa;
- Rivoli;
- Collegno;
- Grugliasco (through NOVE, a company in which Iren Energia holds a 49% interest).

Moreover, Asti Energia e Calore was entrusted with the sub-concession of the district heating service in the city of Asti.

INTEGRATED WATER SERVICE

Liguria area

IRETI S.p.A. 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 IRETI through the safeguarded operators. The authorised and/or safeguarded companies of the Iren Group that perform the function of operating manager are Iren Acqua S.p.A. (60% owned by IRETI), Iren Acqua Tigullio S.p.A. (66.55% controlled by Iren Acqua) and AMTER S.p.A. (49% owned by Iren Acqua).

IRETI also provides the drinking water distribution service in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoese ATO.

The company manages only the segment of the water service in the following ATOs:

- Savona area, in the municipalities of Albissola Marina, Albissola Superiore, Quiliano, Vado Ligure, Celle Ligure, Noli, Spotorno, Bergeggi, Savona, Stella, Varazze;
- Centre West 2 - comprises all the municipalities located on the Po valley side, managing the service, through the C.I.R.A. Consortium in the municipalities of Altare, Cairo Montenotte, Carcare, Cengio;
- as regards the Province of Imperia: Bordighera, Camporosso, Isolabona, Dolceacqua, Perinaldo, Vallecrosia, San Biagio della Cima, Vallebona, Seborga, Soldano. For AIGA, IRETI manages in prorogatio a part of the territory of the Municipality of Ventimiglia.

Finally, in La Spezia and its Province, in 29 municipalities, the Iren Group manages (through ACAM Acque) the water service with a concession valid until 31 December 2033.

Emilia Romagna area

The 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, in a safeguarding arrangement, 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 Service in the Parma, Piacenza and Reggio Emilia ATOs is managed by the companies of the IRETI Group. 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.

On 3 December 2019, ATERSIR published in the Official Journal of the European Union the Call for Tenders, concerning "Restricted procedure for the selection of the operating private partner of the company to be established to which the concession of the integrated water service for the Province of Reggio Emilia will be entrusted".

Main elements:

- Value of the Concession: 1,550,000,000.00 euro
- Duration of Concession: from 1 January 2021 to 31 December 2040 => 20 years;
- Award criterion: most advantageous cost-effective offer (70 points technical-qualitative part + 30 points to the financial portion);

As regards the Management model, it provides - from the corporate point of view - for the incorporation of a limited-liability company, to be called "Azienda Reggiana per la Cura dell'Acqua" (Reggian Company for Water Treatment), abbreviated to ARCA. The private partner - selected with the dual-purpose procedure - will hold 40% of the share capital of the company in question, while AGAC Infrastrutture S.p.A. will be the public partner with 60% of the shares.

The tender procedure provides for an obligation for the private partner to create a territorial operating company (100% held) for management of the operating tasks assigned with the tender procedure. This company will not be linked to the mixed company through an equity investment, but only through an agreement that governs the assignment by ARCA S.r.l. to the operating company of the specific operating tasks identified in the tender procedure.

The tender procedure, having passed the pre-qualification stage, is currently underway.

The table below summarises the data on the existing agreements in the Group's main areas of operation:

ATO	REGIME	STIPULATION DATE	EXPIRY DATE
<i>Genoa area</i>	ATO/operator agreement	16-4-2004/5-10-2009	31/12/2032
<i>Reggio Emilia</i>	ATO/operator agreement	30/06/2003	31/12/2011 (*)
<i>Parma</i>	ATO/operator agreement	27/12/2004	30/06/2025
<i>Piacenza</i>	ATO/operator agreement	20/12/2004	31/12/2011 (*)
<i>Vercelli</i>	ATO/operator agreement	13/03/2006	31/12/2023
<i>La Spezia</i>	ATO/operator agreement	20/10/2006	31/12/2033

(*) Service extended until new agreements are defined following the tender procedure

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:

- ATO Toscana Costa – ASA S.p.A. (in which IRETI has a 40% stake) Integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Ambito Territoriale Marche Centro, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO, which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Municipality of Ventimiglia: AIGA S.p.A. (in which IRETI has a 49% stake);
- Municipality of Imperia: AMAT S.p.A. (in which IRETI has a 48% stake);
- Alessandria ATO: ACOS S.p.A. (in which IRETI has a 25% stake) for the Municipality of Novi Ligure; Cuneo ATO: Mondo Acqua S.p.A. (in which IRETI has a 38.5% stake) – manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Finally, it should be recalled that on 30 December 2016 IRETI acquired from Società Acque Potabili S.p.A. of Turin a business unit related to the management of the integrated water service in various Municipalities in northern Italy. Several of these managements, outside the Group's territories of reference, have been gradually sold to third parties. At 31 December 2020 IRETI is still responsible for the management in the Municipalities of Costigliole Saluzzo, Racconigi, Ceresole d'Alba, Sanfrè and Montà, all in the province of Cuneo, and Gazzuolo and Viadana in the province of Mantua. Negotiations for the sale of these operations are expected to take place in 2021.

ENVIRONMENTAL SERVICE MANAGEMENT

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 main areas of operation:

ATO	REGIME	STIPULATION DATE	EXPIRY DATE
<i>Reggio Emilia</i>	ATO/operator agreement	10/06/2004	31/12/2011 (*)
<i>Parma</i>	ATO/operator agreement	27/12/2004	31/12/2014 (*)
<i>Piacenza</i>	ATO/operator agreement	18/05/2004	31/12/2011 (*)
<i>Turin</i>	ATO/operator agreement	21/12/2012	30/04/2033 (*)
<i>Vercelli (Municipality)</i>	Municipality/operator agreement	22/01/2003	31/12/2028
<i>Other Municipalities in the Vercelli area (except Borgosesia)</i>	Procurement contract with C.O.Ve.Va.R.	1 February 2011	31/01/2019
<i>La Spezia (Municipality)</i>	Municipality/operator agreement	10/06/2005	31/12/2028 (collection and sweeping) 30/12/2043 (waste disposal)

(*) 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.

ACAM Ambiente, controlled by Iren Ambiente and operating in La Spezia and its Province, manages the service of the integral waste cycle, in 20 Municipalities of the Province (including the Municipality of La Spezia). In addition, it performs the activity of waste disposal, with award in a contract/on a time-and-materials basis/in-house, in 12 other Municipalities of the said Province.

We can note that Iren Ambiente presented a tender for “The award in concession of the public service of integrated municipal and similar waste management in the territorial catchment area of Parma” (44 Municipalities) and for the analogous award in Piacenza.

After a long pause dictated by the well-known emergency situation, ATERSIR, in the context of the tender procedure for the concession of the public service of integrated management of urban and assimilated waste in the Parma basin, opened the envelopes containing the technical and economic offer on 5 June 2020. The offer submitted by Iren Ambiente was provisionally first in the ranking (total score of 100 points), exceeding 4/5 of the maximum score obtainable both from a technical and economic point of view.

On 19 June 2020, the session was held for the evaluation of the anomaly threshold of the offer, and the awarding commission - departing from a first expressed orientation, in that the current legislation (Legislative Decree 50/2016, Article 97, paragraph 3) does not provide for verification obligations on the part of the Commissioning Body where the number of admitted bids is less than three - considered that Iren Ambiente's bid, exceeding the aforementioned 4/5 of the maximum score obtainable, was to be subject to the procedure.

The anomaly assessment procedure was activated on 2 July 2020 by the Project Manager and on 25 September Iren Ambiente sent the last requested justifications.

ATERSIR is also proceeding with the verification of the possession of the general capacity requirements pursuant to art. 80 paragraph 3 of the Legislative Decree 50/2016 and anti-mafia checks.

With respect to the similar tender for the concession of the public service for the integrated management of urban and similar waste in the territorial basin of Piacenza, Iren Ambiente was first in the ranking. ATERSIR activated the procedure for evaluating the anomaly of the offer on 11 September 2020 and on 25 November the company sent the last requested justifications.

With regard to the perimeter of the investee companies of the so-called "Unieco Environment Division", subject to acquisition in 2020, it is noted that the associate SEI Toscana is the owner, under an agreement with ATO Toscana Sud, of the integrated waste management in 104 municipalities in the provinces of Grosseto, Siena and Arezzo, which expires on 27 March 2033.

Services provided to the Municipality of Turin

Iren Smart Solutions is party to the following conventions:

- 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;
- Agreement stipulated with the Municipality of Turin for the assignment of the management service of the municipal heating plants;
- Agreement stipulated with the Municipality of Turin for the assignment of the management service of the electrical and special systems of the municipal buildings.

With regard to the assignments of the management service of municipal thermal systems and of the management service of electrical and special systems of municipal buildings, expiring on 31 December 2020, the Municipality, by Executive Resolution of 24 December 2020, has extended the deadline to 30 June 2021. At the end of 2020, Iren Smart Solutions submitted a new *project financing* proposal pursuant to Article 183 paragraph 15 of the Public Contracts Code for the assignment of the service and, with a Resolution of the Municipal Council of 15 December 2020, the proposal was declared of public interest; Iren Smart Solutions was therefore identified as the promoter.

2020 REGULATORY MEASURES

Measures following the Covid-19 emergency

Before expounding upon the most significant regulatory measures issued in 2020, it is worth noting that, following the health emergency, many regulatory measures were enacted, particularly in the area of energy infrastructures, concerning both organizational aspects (interruption of non-essential activities for safety and continuity of service during the most acute phases) and economic-financial support measures (deferment of vendor payments, measures in favour of low-voltage users, etc.). In addition, with Resolution 432/2020/R/con ARERA introduced extraordinary measures regarding *output-based* regulation of electricity and gas distribution services.

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

GAS

Gas Energy Management

Resolution 96/2020/R/eel - Revision of the methods for allocating costs relating to the mechanism of energy efficiency certificates and application of the RE and RET tariff components.

The Resolution in question provided for the return (total or partial based on the type of plant, pure thermoelectric or cogeneration) was provided in particular for thermoelectric producers who withdraw natural gas for the production of electricity to be fed into the grid, of the quotas of the aforementioned tariff components to cover the TEE mechanism. The amounts of the tariff components in question will be made explicit by the Authority from 1 July 2021.

Gas transport tariffs

The Lazio Regional Administrative Court, by way of judgement no. 440/2020, annulled Del. ARERA No. 575/2017/R/gas that had determined the transportation tariffs for the transitional period in the 2018-2019 years. The Authority has appealed to the Council of State.

By sentence no. 33/2021 the Lombardy Regional Administrative Court also repealed Del. ARERA 114/2019 which established the tariff regulation for the natural gas transportation and metering service for the 2020-2023 period. ARERA also appealed this ruling to the Council of State.

Gas Networks

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

The recent resolution 13/2020 defined the procedures for submitting applications for the tariff recognition of remote reading/remote management and concentrator operating costs incurred in the years 2017 and 2018 (by 30 September 2020) and 2019 by 22 January 2021, consistently with the methods of recognition of eligible costs clarified with the previous resolution 537/2109/R/gas.

Consultation Document 39/2020/R/gas - pilot projects to optimise the management and innovative use of gas transmission and distribution networks

The consultation, which ended in April 2020, aims to promote (with a contribution in addition to that provided by the tariffs) actions for the optimization of distribution / transport networks or that seek their more efficient use, which will take the form of three project areas:

- 1) methods and tools for the optimised management of networks (bi-directional networks through the construction of bi-REMI substations, management methods for the use of networks in storage function with dynamic pressure management, methods and tools for the reduction of gas losses from networks);
- 2) innovative uses of existing infrastructure (capacity to accommodate renewable gas or hydrogen, *power-to-gas* and *power-to-hydrogen* applications and possible related activities for carbon capture/sequestering and/or use);

- 3) technological/managerial innovation interventions on networks (methods and tools aimed at digitizing networks and business processes, introduction of innovative technologies or innovative uses of existing technologies).

Consultation Document 545/2020/R/gas - criteria for the decommissioning of traditional meters replaced with smart meters and determination of the amount to recover lost depreciation on class G4/G6 meters

Specifically, it states:

- that the recovery of lost depreciation (IRMA) on class G4/G6 meters resulting from the change in useful life takes place over 5 years;
- that IRMA constitutes a tariff receivable from the system, so it can be transferred for valuable consideration to the incoming operator in the event of the award of tenders;
- the guidelines in relation to the criteria for divestment for regulatory purposes of traditional meters of class up to G6, establishing that divestments relating to meters are conventionally deducted from the stratification of historical gross values starting from the values of gross fixed assets relating to the oldest assets.

Consultation Document 312/2020/R/gas - Incentive criteria for aggregations between natural gas distribution companies - Final guidelines

The Regulator believes that it is important to encourage the growth in size of companies, so as to improve the achievement of economies of scale in the natural gas distribution sector and accelerate the process of convergence towards efficient levels of unit costs recognised in the ultimate interest of end users of the service.

The Authority's orientation is to introduce an incentive for aggregation, expressed in €/PdR, to meet the following characteristics:

- apply only to aggregations involving at least one small- or at least one medium-sized enterprise;
- is differentiated according to the size of enterprises and the impact on the degree of concentration in ATEMs;
- is not applicable in the event that the aggregation involves companies serving more than 500,000 RTPs, or in the event that the resulting entity is a company serving less than 50,000 RTPs, or in the event of supra-threshold transactions not yet authorized by AGCM, or sub-threshold transactions leading to the elimination of a potential competitor for the ATEM tender or in which the resulting entity would hold a market share above a pre-established threshold (approximately 80%).

ARERA also provides for the introduction of a corrective element that takes into account the competitive effects on ATEMs:

- maximum in cases where the aggregated unit reaches a size relevant to the tender (approximately greater than 20%) and not prevalent (approximately less than 50-60%) in at least one ATEM in which the pre-aggregated companies operate;
- lowest, or nil, in cases where either the aggregate unit nevertheless remains irrelevant to the tender or assumes a predominant size that is undesirable from a competitive point of view.

Resolution 562/2020/R/com - Provisions on the recognition of costs incurred by electricity and natural gas distribution companies for the rebranding and related communication policies (debranding)

By this resolution, the Authority ordered the recognition of the costs incurred by electricity and gas distribution companies for the change of brand and related communication policies.

Resolution 380/2020/R/com - Initiation of proceedings for the adoption of measures concerning the methods and criteria for determining and updating the rate of return on invested capital in the electric power and gas sectors for the second regulatory period

The Authority has anticipated that, in general, there will be substantial continuity in the regulatory model adopted in the previous regulatory period, with refinements on the level of gearing, the beta parameter and the cost of debt.

ELECTRICITY

D.L. Milleproroghe 2020

The Decree introduced amendments to the primary legislation (Competition Law No. 124/2017) concerning price protection: postponement of the end of the protection period to 1 January 2021 for small and medium-sized businesses, and to 1 January 2022 for micro-businesses, and mandated the Ministry of Economic Development (MiSE) to establish by decree the measures to encourage the transition to the deregulated market in addition to defining the Sellers List (parties authorized to sell electric power and natural gas).

Resolution 491/2020/R/eel - Provisions for the provision of the gradual protection service for small enterprises in the electricity sector pursuant to Law No. 124 of 4 August 2017 (Annual market and competition law)

The resolution in question provides that in the first phase of application (1 January 2021 - 30 June 2021) the Gradual Protection Service is temporarily entrusted to the local exercising higher protection that will provide it according to methods defined by the Authority (contractual conditions similar to PLACET, financial terms and conditions calculated on ex-post NSP). In the second phase (1 July 2021 - 30 June 2024) the service will be entrusted to operators selected through competitive procedures: these will be double round auctions, with access to the second round reserved for the two best bidders and with *Cap* and *Floor* for the assignment of lots of users in the SME segment divided into homogeneous territorial areas in terms of number, power used, and unpaid ratio. An antitrust cap exists on the volume that can be awarded (35% of the total amount in the tender). In addition to SMEs and micro-enterprises, the service will also benefit points with a power output of more than 15 kW (pursuant to Resolution 604/2020).

Decree 162/2019 (converted by Law no. 8 of 28 February 2020), concerning "Urgent provisions regarding the extension of legislative terms, the organisation of public administrations, as well as technological innovation"

The decree, provides that, pending the full transposition of EU Directive 2018/2001 on the promotion of the use of energy from renewable sources (so-called RED II) - and in partial and early implementation of the provisions contained therein - it is permitted to activate collective self-consumption from renewable sources, or to create renewable energy communities, dictating the relative regulations.

Appropriate measures governed (i) the regulation of financial items related to shared electricity (Del. ARERA no. 318/2020/R/eel) as well as (ii) the incentive tariff for the remuneration of renewable source plants included in configurations for collective self-consumption and in renewable energy communities (MD MiSE of 16 September 2020).

DISTRICT HEATING

Resolution 537/2020/E/tlr - Extension to the district heating and cooling sector of the system of safeguards for the handling of complaints and the out-of-court settlement of disputes by customers and end users in the regulated sectors

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) is gradually extending to the district heating and cooling sector the system of protections for handling complaints and the out-of-court settlement of disputes by customers and end users (currently "fully operational" for the energy sectors and, on the basis of "transitional rules", for the water sector). This is with a view to harmonisation between the regulated sectors, to the benefit of the customers and users themselves.

Resolution 478/2020/R/tlr - Regulation of metering in the district heating and cooling service for the regulatory period 1 January 2022 - 31 December 2024

The resolution defines the regulation of the quality of measurement in district heating service, supplementing the regulation of the commercial quality of service, for the 1 January 2022 - 31 December 2024 regulatory period.

ELECTRICITY NETWORKS

Electricity distribution and metering tariffs

Resolution 190/2020/R/eel - changes to the tariffs of non-domestic low voltage users for May - July 2020

The resolution implements the decrease in the fixed components of transmission, distribution and metering tariffs and general charges provided for by art. 30 of the "Rilancio" Decree. Specifically, it established that low voltage non-domestic customers with power of more than 3 kW were to be given a discount for the May-June-July quarter:

- reset the power quota to zero;
- applied only a fixed fee of reduced amount (as if the supply were at 3 kW), without reducing the power actually available.

The "Ristori" Decree extended this intervention on fixed fees and power for non-domestic users over 3 kW extended to 2021, but only if certain requirements are met (assignment of a specific ATECO code and active VAT number as of 25 October 2020). It will be up to ARERA to define the timing and application methods.

Resolution 461/2020/R/eel - reinstatement to distributors of charges otherwise not recoverable due to failure to collect network service tariffs

Anticipated by Resolution 568/2019, 461/2020 introduced in favour of DSOs a mechanism for the reinstatement of network charges not collected in the 2016-2019 period by sellers with a transportation contract terminated for at least 6 months. In general, the conditions are similar to the rules already defined for the mechanism of reintegration of general system charges (del. 50/2020), with the specific introduction of a 10% deductible. DSOs could submit a petition for an interim reinstatement by 7 December 2020, and will be able to submit a petition for full reinstatement by 30 June 2021.

Resolutions 500/2020 and 563/2020 – resilience plan of DSOs

The recent resolution 500/2020, contains the set of actions to increase the resilience of the electricity distribution grids in relation to the 2020-2022 plans eligible for bonus and/or penalty of the main DSOs, including IRETI.

Subsequent resolution 563/2020 recognized the major DSOs for awards/penalties for interventions completed in 2019. Specifically for the group, IRETI was awarded a prize of approximately € 1 million.

WASTE

During 2020, Resolution 443/2019/R/RIF was supplemented by various provisions, drafted both to meet the needs derived from the health emergency from Covid-19 and for the necessary update of the Waste Tariff Method (WTM) for the purposes of preparing the 2021 Economic and Financial Plan (EFP).

The main measures taken are listed below:

Resolution 57/2020/R/RIF containing procedural simplifications relating to the regulation of tariffs for the integrated waste service and initiation of proceedings to verify the regulatory consistency of the relevant decisions of the competent local authority.

Determination 2/DRIF/2020 containing clarifications on the Waste Tariff Method, the procedures for the transmission of the Economic-Financial Plans as well as indications on the valuation of incentives deriving from Renewable Energy Sources, for the purposes of determining revenues, as per regulation prior to the WTR.

Resolution 102/2020/R/RIF: request for data from operators for measures to mitigate the effects of health emergencies on users and on the economic-financial balance of operators, to ensure continuity of essential services and to define methods for dealing with additional charges on operators. The likely postponement of the treatment adjustment is also reported.

Resolution 158/2020/R/RIF concerning new tariff measures in favour of Non-Domestic Users affected by *lockdown* and of Disadvantaged Domestic Users.

Resolution 238/2020/R/RIF (approved downstream of a consultation process): the measure amends some parts of Resolution 443/2019 relating to the WTR, introducing some elements of flexibility for the Territorial Competent Bodies aimed at mitigating the effects of the health emergency on users and operators. Specifically, the following have been introduced:

- a) an additional target 19 that takes into account the costs arising from the COVID-19 pandemic;
- b) additional forecast-related components (some for 2020 only, and others for 2021);
- c) the annual portion of the adjustment relating to the difference between the costs determined for 2019 and the costs resulting from the 2020 Economic and Financial Plan approved, by 31 December 2020, in application of the WTM (recoverable over three years);
- d) the possibility, also for the waste sector, of accessing CSEA funding aimed at supporting the financial advance resulting from the application of the facilities provided by Resolution 158/2020; this option, subject to some conditionalities on ETC and beneficiary operators, can be requested by the ETC itself by 30 September 2020, indicating the beneficiary operators; CSEA verifies and, if positive, disburses the amounts requested by 31 October 2020. By subsequent resolution 299/2020/R/RIF, these terms were then deferred, maintaining the possibility of disbursement of the amounts by 2020.

Resolution 493/2020/R/RIF updating Resolution 443/2019 on the Waste Tariff Method for the purpose of preparing the 2021 Economic and Financial Plan.

Specifically, the measure contains:

- the updating of the inflation rate and the deflator;
- the extension of the emergency measures related to the COVID-19 emergency to 2021;
- time frame: the 2021 Economic and Financial Plan must be sent to ARERA by the Territorial Administration within 30 days of the adoption of municipal resolutions, or by the deadline set by the relevant state regulations (30 January 2021).

In addition, in view of the extension of the health emergency, the national legislator has provided for the allocation of funds to cover the **shortfall in TARI revenues**, both through DL Rilancio and DL Agosto:

- non-repayable appropriations intended to compensate for the loss of revenue for the Municipalities and municipalities in the red zones, which can also be used for TARI purposes (€ 17.6 million have been allocated for the Province of Piacenza);
- increase in the Fund for Local Authorities for 2020.

Finally, it is worth noting the **transposition of the European directives of the "Circular Economy Package"** through the approval in August 2020 of the subsequent four legislative decrees concerning waste and packaging, waste batteries, accumulators and WEEE, the management of end-of-life vehicles and landfills. The main innovations concern the new definition of urban waste with qualitative assimilation criteria, the introduction of a National Waste Management Plan and the reform of the Extended Producer Responsibility system.

WATER SERVICE

Resolution 186/2020 and Resolution 221/2020 - Implementation of the provisions of Law 160/2019

Law No. 160 of 27 December 2019, concerning "State budget for the FY 2020 and multi-year budget for the 2020-2022 three-year period" supplemented the regulatory framework with respect to the two-year statute of limitations and certain aspects of arrears management.

Consequently, ARERA has provided:

- by resolution 186/2020 of 26 May to incorporate the new provisions relating to the two-year statute of limitations, providing for the overriding of the distinction, previously provided for by Article 1(5) of the 2018 Budget Law, between cases in which the delay in billing of amounts referring to consumption dating back more than two years is attributable to the responsibility of the operator and those in which the delay is presumably attributable to the end user;
- by way of Resolution 221/2020 of 16 June, to amend and supplement the provisions introduced by REMSI (regulation of arrears in the IWT), providing in particular that 1) the payment reminder must be sent to the end user exclusively by registered letter with acknowledgement of receipt or certified email, 2) the deadline by which the end user is required to settle outstanding past payments may not be less

than the 40 calendar days provided for by current legislation, calculated from the time the user receives the communication containing the payment reminder.

Resolution 235/2020 - Implementation of urgent measures in the Integrated Water Service in light of the Covid-19 emergency

In relation to the health emergency, the Authority, following the collection of information and a consultation document, adopted urgent measures aimed at mitigating the effects of the COVID-19 emergency on the economic and financial balance of management, and on the conditions under which services are provided, guaranteeing the continuity of essential services, creating the conditions for relaunching investment expenditure and strengthening the social sustainability of the tariffs applied to users.

Specifically, the Authority has provided:

- a) postponement of the deadlines for tariff and technical quality obligations: the deadline for concluding data collection for the assessment of the achievement of the 2018-2019 technical quality objectives and for the transmission of the proposed 2020-2023 tariff scheme is postponed to July;
- b) elements of flexibility regarding the mechanism for assessing contractual and technical quality performance: the contractual and technical quality objectives for 2020 and 2021 are assessed cumulatively on a two-year basis;
- c) derogations regarding the acquisition of measurement data and determinations relating to industrial waste water authorised for discharge into the public sewer system;
- d) measures aimed at protecting the economic-financial balance of operations, envisaging: i) adjustment of the rate of recognition of financial charges for ordinary work in progress; ii) the possibility for EGA to recognise forecast costs linked to Covid-19, subject to adjustment, as well as deferment costs to cover the lengthening of collection times; iii) potential adjustment of the tariff recognition of arrears costs for the two-year period 2022 and 2023, if findings emerge to this effect;
- e) measures to strengthen social sustainability: subject to an agreement between the EGA and the operator, the right is granted to defer over time the recognition of costs that contribute to an increase in the tariff with respect to 2019.

OTHER GENERAL MATTERS

Incentives

Resolution No. 270-550/2020/R/efr - Revision of the tariff contribution to be recognized to distributors under the energy efficiency certificates mechanism in execution of Lombardy Regional Administrative Court ruling No. 2538/2019

The resolution, among other things:

- confirms the *cap* to the tariff contribution (TC) of € 250/EEC;
- introduces an additional fee (AF) of up to € 10/EEC paid to the principal distributor to address shortages of securities on the market;
- by virtue of the extensions granted in view of the epidemiological emergency, distributors will be able to ask the CSEA for an extraordinary advance payment valued at 250 €/EEC to the extent of 18% of the 2019 target (200 €/EEC on future obligations).

Lastly, Resolution No. 550/2020 defined the reference level of the TC and the AF for the 2019 compulsory year as € 250/ EEC and € 4.49/ EEC, respectively

Update of GSE obligations

As a result of the Resolution of the Council of Ministers of 31 January 2020, the GSE provided, among other things, for the extension by a total of 366 days of the deadlines for the entry into operation of plants eligible for incentives under Ministerial Decree FER 2016.

Short limitation

Resolution 184/2020 - billing of amounts referring to consumption exceeding two years

Resolution 569/2018/R/COM had governed the protection of small end customers in cases of billing for consumption that dates back more than two years, providing for specific information obligations of sellers, methods to help them contest the statute of limitations, and forms for submitting and handling any complaints.

These rules distinguished, as provided for in the 2018 Budget Law, cases in which the billing delay was presumably attributable to seller and/or distributor responsibility from those in which the end customer was presumably responsible.

The recent resolution 184/2020 now implements the repeal - made by the Budget Law 2020 - of the point of the Budget Law 2018 on the inapplicability of protections in case of failure/erroneous detection of consumption data resulting from ascertained responsibility of the user.

As a result, from 1 January 2020, small end-user electricity/gas customers and water service users can in any case challenge the statute of limitations for consumption invoiced more than 2 years prior, regardless of the party responsible.

In detail, Resolution 184/2020:

- shall apply from the first useful billing cycle after 28 May 2020;
- shall maintain any actions already commenced by Sellers for invoices issued on or after 1 January 2020;
- requires sellers and operators to adjust the information to customers and users included in the invoice and to inform customers and users of the possibility to object to amounts older than two years by providing a special form.

Consultation Document 330/2020/R/com - Measures for the implementation of the provisions of Law 205/2017 regarding the two-year statute of limitations in relation to the electricity and gas settlement

In the consultation document, the Authority sets out guidelines on:

- 1) Amendments and/or additions to be made to the regulations governing the physical and financial items involved in dispatching(*settlement*) when the two-year statute of limitations affects different operators in the wholesale electric power and natural gas markets;
- (2) the arrangements for offsetting charges arising from exceptions to the two-year limitation period.

The statute of limitations may be invoked as a result, in the case of the electricity sector, of adjustments resulting from the occurrence of late adjustments and, in the case of the gas sector, of the new availability of measurement data replacing estimates or adjustments of actual measurement data previously used. Only these cases, in fact, reverberate upstream in the chain.

In case of enforcement of the short statute of limitations by the end customer, the vendor compensates for the missed receipts by reimbursing the distributor who is penalized for delays in the transmission of measurement data that exceed 24 months by feeding a fund managed by CSEA.

PERSONNEL

As at 31 December 2020 the Iren Group had 8,680 employees, up compared to 8,102 employees as at 31 December 2019, as the table below shows, divided into Holding and first-level companies and related subsidiaries.

Company	Workforce at 31.12.2020	Workforce at 31.12.2019
Iren S.p.A.	1,063	1,060
IRETI and subsidiaries	2,154	2,150
Iren Ambiente and subsidiaries	4,065	3,508
Iren Energia and subsidiaries	874	875
Iren Mercato and subsidiaries	524	509
Total	8,680	8,102

The main changes in the workforce compared to 31 December 2020 were ascribable to:

- the acquisition, in August 2020, by Iren Ambiente of the company I.Blu for a total of 291 resources;
- the acquisition, in November 2020, of Unieco Environment Division for a total of 217 resources;
- the company San Germano due to the launch/conclusion of contracted services, including seasonal work;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

ORGANISATION AND IT SYSTEMS

Organisational Development

During 2020, activities continued to support acquisitions and corporate rationalisations and to improve operations and competitiveness, in accordance with the Group's organisational model.

In this context, the structure of the Organisation has been redesigned, attributing to it all the activities of management and coordination of transversal projects and Change Management, and seeking greater synergies with the activities related to certified management systems.

In order to facilitate the achievement of the objectives of the Group and of the individual companies that are part of it, in line with the provisions of the Strategic Guidelines of the Business Plan, important transformation projects were launched or continued, developed together with an in-depth *Change Management* process; specifically:

- a complex programme continued with the aim of redesigning the entire customer management and relation process, from the first contact to invoicing, entitled "Market Transformation Programme";
- in the Networks Business Unit, the project for the use of a new *Asset Management* system and an *Asset and Work Force Management (AM-WFM)* system was extended to the other companies belonging to Ireti; the "IrenWay" project continued, with the aim of creating a new and single technical-commercial information system for the management of the Gas and Electricity distribution service and the Integrated Water Cycle;
- in the context of the Waste Management Business Unit, important progress was made on the "Just Iren" project, which provides for the creation of a new management, operational and IT model capable of optimising the management of the waste collection, sweeping and conferment process, facilitating also the interaction with Customers/Citizens and with local authorities to which the service is provided;
- with regard to transversal projects, the "Digital Workplace" project was launched, aimed at allowing all Group employees to easily access information and collaborate safely and efficiently both in the office and remotely;
- testing of the *agile* method continued as part of the "Digital Factory" program (consisting of several projects developed with the Business Units and some Central Departments) and of the *lean* method to support process streamlining and improve business performance;
- The first phase of the project to define the model of corporate roles and the subsequent mapping of the entire Group organisation was also completed.

The beginning of the pandemic constituted a sort of *stress test* of the change paths that had been set in motion, forcing the acceleration of the spread of remote work and the general adoption of new working methods (such as, for example, the "departure from home" for the staff of the operating teams), based on the one hand on the empowerment and greater autonomy of people, and on the other on a different leadership system, a topic with respect to which an innovative training path for managers was launched.

Thanks to the foundations laid in advance both on an organisational and technological level and on a cultural level, and to the specific measures adopted to prevent and counter contagion taking into account the different operating situations that characterise the Group, notwithstanding some slowdowns during the *lockdown* months, all the organisational development programmes, as described above, continued successfully and no significant drops in productivity were noted.

It is clear that it is now necessary to consolidate the new manners of working that have been experimented, identifying new forms of monitoring activities and maximising their value for both people and companies, avoiding the risks of loss of relationships and cohesion that remote working puts at risk, and redesigning work spaces.

Information Technology

2020 saw the continuation and/or completion of important projects which are strategic for the Group, as presented below.

In general, besides the necessary adjustments, the computerisation and digitalisation plan provided for in the Business Plan is in the implementation stage, with a significant increase in investments and operating costs for sustaining the process of transformation, security, and development of the Group. In 2020 the incorporations/corporate mergers were also supported, proceeding to the integration or standardisation of the systems starting from the administrative-management area.

In order to support this change and achieve the expected results, among other things, the Information Systems Function was reorganized, the Solution Market and Networks structures were strengthened, internal service levels were improved and numerous projects were launched.

At the level of transversal initiatives on the Infrastructure front, we note in particular projects related to:

- Digital Workplace with the completion of the move of company mailboxes to the cloud and the start of the migration of company PCs to the new model office;
- the extension of smart working in order to enable people to work remotely considering the health emergency;
- the new enterprise wide area network in order to increase resilience and speed (ongoing).
- IT/OT network segregation to increase IT security in compliance with new NIS regulations (in progress);
- the unification of call center platforms for emergency response (Networks BU);
- network virtualization with the implementation of a solution that increases enterprise security over infrastructure and enables operations automation;
- raising the level of protection of servers and clients through the implementation of behavioural analysis tools that make it possible to recognise improper or malicious actions in addition to what is already detected by traditional antivirus (in progress).

With regard to the Corporate area, the main projects carried out in 2020 were:

- The expansion of the functionality of the Performance and Recruiting system, Success Factor, through the adoption of a module for centralised personnel management;
- The introduction of the Real Estate Platform for the digitalization of Property Management processes in the broader context of Facility, to be continued in 2021 with Building Maintenance & Construction;
- Consolidation of the integration platform for Market Transformation projects and Iren Way as the new corporate communication bus.

Finally, numerous initiatives were carried out in the AFC area, including the introduction of VIM (Vendor Invoice Management) for the automatic reconciliation of supplier invoices and an application for Tax Framework Control.

With regard to the Energy BU, in 2020, the main areas that underwent significant improvements in ICT terms were:

- the District Heating Area, through the introduction of a portal for the management and operation of substations, as well as technical and commercial quality management solutions in compliance with ARERA indications;
- Thermoelectric Area, where a tool for document (technical) management was introduced for the Turbigo power plant.

With respect to the Market BU, several functional releases were made in 2020 in connection with the "Market Transformation" program and the migration of most electric power and natural gas customers to the new Customer Relationship Management and billing platforms. The year also saw the release of the new Iren You app for customers, on which the "PSD2" digital payment channels were enabled. The Transformation programme will continue in 2021 with the migration of business customers in the electricity and gas and water markets. In 2020, a new project was also launched that will lead to the release of the new Energy Trading & Risk Management and Forecasting Energy cloud platform, which will be able to manage and optimise Iren's portfolio.

With regard to the Networks BU, the release of the new Asset and Work Force Management (WFM) system was completed also for the electric power distribution business, thus completing the program implemented for the different business lines. The activities related to the "Iren Way" project continued, aimed at revising and standardising the processes and information systems supporting the technical-commercial activities of network management; at the beginning of October, the first release for the GAS stream occurred; the activities related to the EE and Water streams continue.

In November 2020, the activities related to the PMS2 project (smart meter 2G EE) were started, whose release is expected in November 2021, in conjunction with the release of Iren Way's EE stream. Finally, the "Geolren" project concerning the unification of cartography was released in early November 2020.

For the Waste Management BU the activities linked to the "Just Iren" programme continued. This programme provides for the complete redesign of the application map starting from the sector of collection and sweeping and of the activities related to the relationship with Municipalities and citizens. In May 2020, functionality for AMIAT's environmental services and weight management was released. On the other hand, the activities for the release of Just Iren for Iren Ambiente continue.

During 2020, the systemic integrations into Iren Ambiente of the companies Ferrania and CMT were also completed. The integration of UNIECO and I.Blu is underway.

Two main initiatives were carried out in the ICT Governance area:

- IT Iren Now, completed in December, relating to the complete revision and digitalization of IT Service management processes on the Service Now platform, with the aim to:
 - rationalise and accelerate user support and service management processes;
 - facilitate the request for IT assistance;
 - gain greater control over the ICT architecture, thanks to the complete visibility of the infrastructure and the relationships between its various components;
 - manage the integrity of the End to End service, given the growing demand for ICT services that are always available and flexible to frequent changes.
- ISO 27001: in July 2020, the project for UNI CEI EN ISO/IEC 27001:2013 certification was completed, concerning "Provision of ICT services (application and infrastructure design, maintenance of application and infrastructure systems, management of supporting assets) provided to Iren S.p.A.", obtaining the relative certificate; in June 2020, the project was also started for the extension of the certification scope to other Group companies.

2020 also saw a series of project initiatives aimed at raising the level of security against cyber events and threats; in addition to the actions undertaken in the area of 27001 certification, the most significant are:

- Segregation of authentication systems to the enterprise network domain;
- Adoption of a Threat Intelligence platform for cyber threat analysis;
- Implementation of an Endpoint Detection and Response platform for workstations;
- Introduction of a network traffic analysis tool to detect possible malicious actions (in progress);
- Introduction of dual factor authentication for system access (in progress);
- Adoption of a tool for the management of privileged users (in progress).

QUALITY, ENVIRONMENT AND SAFETY

As expressed in its corporate mission the Iren Group provides integrated services aimed at 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, Environment and Safety) as a means to support the achievement of 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 approach based increasingly on customers, workers' safety and environmental protection.

The Values on which the Iren Group is based, at the general level, are:

- belonging;
- responsibility;
- customer satisfaction;
- teamwork;
- change and flexibility;
- employee development and support;
- sustainability;
- transparency.

These Values are indicated and translated in the QAS Policy into the following basic principles of the Certificate System:

- satisfaction of all the parties involved;
- environmental safeguarding and rational use of natural resources;
- health and safety of the personnel;
- sustainable development;
- information security;
- responsibility and cooperation with the community;
- efficiency of the services;
- attention to and governance of risks, with continual analysis of the context of the organisation and the needs and expectations of the parties involved;
- respect for and enhancement of people;
- innovation and change;
- supply and contract quality;
- constant improvement.

The Parent Company, all its direct (first level) subsidiaries and the investees AMIAT, ACAM Ambiente, RECOS, ACAM Acque, ASM Vercelli, Atena Trading and San Germano have systems certified according to the international standards ISO 9001 (Quality) and BS OHSAS 18001 or ISO 45001 (Safety).

The Parent Company, the first level companies (with the exception of Iren Mercato as it is a commercial company) and the investees AMIAT, ACAM Ambiente, RECOS, ACAM Acque, ASM Vercelli and San Germano are certified according to the international standard ISO 14001 (Environment).

In addition, Iren Energia and Iren Smart Solutions are certified in accordance with the standard ISO 50001 for Energy Efficiency; Iren Smart Solutions is, in addition, certified in relation to UNI 11352 (for Energy Service Companies) and F-GAS. Finally, Iren Mercato is certified in accordance with the Certiquality 66 Technical Document in relation to the Sale of Green Energy, and has acquired, in 2020, the Certification of conformity RINA no. TRAC_EE 001 for "System for Tracking Characteristics of Electricity from Renewable Sources", Document ST TRAC_EE.

The Quality, Safety and Environment management systems are overseen for each first-level company by the Personnel, Organisation and Information Systems Department of IREN.

All audits carried out by the Certification Bodies at the Group companies in 2020 ended with a positive result confirming the maintenance of the Certifications in possession of the single companies. In addition, all BS OHSAS 18001 Certifications due to expire in 2020 have been renewed with a move to ISO 45001.

Finally, during 2020 Iren S.p.A. acquired the ISO 27001 (Information Security) certification.

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 2025 confirms the centrality of innovation in the Iren Group's Vision which will be expressed in the development of all the sectors in which it operates with the objective of making IREN an example of excellence and innovation in the multi-utility sector. Specifically, the Industrial Plan outlines a strong development plan in support of the circular economy, according to a "multicircle" approach involving all the sectors in which the group is active. From this perspective, the main innovation activities underway within the Group are aimed at researching and adopting technologies and processes to support the sustainable development of the reference businesses.

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

- energy efficiency divided into several levels and *assets* (customer, building, urban agglomerate, public lighting systems, energy assets of the Group);
- study of new systems for the recovery of energy losses and an increase in the efficiency of the plants;
- solutions for the production of renewable hydrogen and for the production of synthetic methane combined with the capture of carbon dioxide;
- thermal energy and electricity storage systems;
- study of business models and analysis of platforms for the implementation of Energy Communities;
- processes aimed at maximising the recovery of energy and materials from different waste fractions, separately and not separately collected;
- automation and robotics in waste treatment plants, to support operational staff;
- Internet of Things ("IoT"), home automation and data intelligence ICT tools;
- optimised management of the integrated water cycle (districtualisation, identification and reduction of network leaks) and instruments in support of sensors in the field;
- detection and removal of pathogens in water samples;
- systems for the quantitative reduction and recovery of material and/or energy from sludge deriving from waste water treatment processes;
- innovative solutions connected with electric mobility;
- "smart safety" systems for assisting staff or signalling potential risk situations;
- "industry 4.0" solutions in support of the personnel involved in plant operation and maintenance activities, for predictive maintenance and monitoring in the field.

Iren manages the innovation processes through an *open innovation* model and, in keeping with this model, it has in progress fruitful collaborations with Universities, Research Centres, Innovation Hubs and innovative start-ups. Additionally, it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and *hackathons*. 2020 was characterised both by the continuation of technical activities related to the Group's various co-financed projects and by the development, also in partnership with innovative companies and start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at offering the Group the tools needed to seize the opportunities and mitigate the risks deriving from evolution of the markets in which it operates.

"IREN UP", an innovative *Corporate Venture Capital* program with the aim of supporting the highest potential Italian startups in the *cleantech* sector, has been further structured during 2020. The program provides an unprecedented package of customized services including testing, technical support, legal advice, market testing, commercial and industrial agreements. During 2020, IREN UP completed two *corporate venture* transactions. The first transaction concerned a startup operating in the field of applied robotics and specifically in the waste sector. The second initiative relates to the circular economy and concerned investing, in early 2021, in an innovative company that deals with recycling applied to the polyurethane supply chain.

In addition, scouting activities and participation in events of the innovation ecosystem continued, enabling the identification of new investment targets for 2021.

Public *open innovation* events decreased during 2020 due to the Covid-19 emergency, which limited the ability to interact with the innovation ecosystem using traditional tools. Despite this difficulty IREN was able to support the 2020 edition of Innovation 4 Change by promoting a *challenge* focused on new business models connected to citizens' energy communities.

COMPLETED AND ONGOING FUNDED RESEARCH PROJECTS

Also in 2020 IREN contributed to the creation of important innovation projects co-financed with public funds for research. On this point, the main projects underway are presented below. The total investment for the IREN Group is approximately 8.8 million euro, of which around half being financed. In relation to these amounts, the expense incurred during the year was approximately € 1,200,000, of which approximately € 730,000 covered by loans.

The projects in progress in 2020 are presented below:

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

The project has as its main objective the development of technologies with high replicability and rapidly transferable to the industrial world, aimed at optimising the management of waste electrical and electronic equipment (WEEE), and in particular the recovery of polyurethane from refrigerators (WEEE R1) as secondary raw material and optimisation of the separation of cement from the carcass of washing machines (WEEE R2). During 2020, Iren Ambiente and AMIAT, partners in the project, contributed to the development of the technical-economic feasibility analysis for the implementation of a refining line for polyurethane produced by the treatment of WEEE R1.

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

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

IREN is involved in the project together with its associate GAIA, where tests will be carried out on the separation and treatment of bio-plastics separated from the OFMSW (Organic Fraction of Municipal Solid Waste); IREN is also involved in the development of the Business Plan for the SATURNO integrated biorefinery, which will be tested and validated during the project.

During 2020, IREN began collecting and processing experimental data in order to set up the activities for developing the Business Plan; it also collaborated in the activities related to the quantification/characterization of the extraneous fraction (with particular reference to plastics) present in the FORSU from separate waste collection.

OnlyPlastic (RFCS - 2019)

The OnlyPlastic project aims to replace fossil carbon sources (coal, coke, petroleum coke) in the electric arc furnaces of the Feralpi steel plant in Lonato (BS) with densified polymers derived from residues from the treatment of plastic waste. In order to achieve optimum use of SRA (secondary reducing agent) granules in Feralpi's steel plant, a prototype is to be built for the transport, handling and loading of the granules, as well as the design of a new injection system that meets the characteristics of the SRA obtained in accordance with the specifications of the UNI 10667-17 standard.

Within the project, the role of IREN, through I.BLU, is configured in the production of densified plastic material to be used as a reducing agent/ foam alternative to fossil fuels in steel production processes. I.BLU will supply a product deriving from post-consumer plastic residues destined for injection and a product designed for loading into baskets.

PolynSPIRE (Horizon 2020)

The PolynSPIRE project aims to demonstrate a range of sustainable, innovative and cost-effective solutions for the energy and material recovery of post-consumer plastics and industrial waste. Three macro-sectors of innovation are considered: 1) chemical recycling assisted by the use of microwaves and magnetic catalysts; 2) advanced additives and irradiation of polymers with high energy radiation to promote high quality plastic recycling; 3) development of plastic waste as a carbon source in the steel industry. Specifically, IREN participates in the project through its subsidiary I.BLU contributing to the third line of research.

CHESTER (Horizon 2020)

The project has the objective of developing and integrating an innovative solution of the *Power-to-Heat-to-Power* type that will enable maximisation of the exploitation of non-programmable electricity RESs and thermal RESs already combined with TLR (district heating) systems. The system involved in the study, named CHEST, making use of heat pumps, latent heat storages and Organic Rankine Cycles (ORCs), will make it possible to transform electricity into heat, store it and subsequently produce new electricity.

IREN is involved in the project as district heating network operator and has provided operational data of electricity and heat production of the Turin plants and district heating network demand as input to the CHEST system model. IREN supervises the development phases of the system components and control infrastructure and during 2020 has started the analysis of market opportunities arising from the exploitation of the CHEST system in its plants.

Energy Shield (Horizon 2020)

The project intends to develop an integrated cyber security platform, usable by all actors of the energy chain (Transmission System Operators, Distributors, Aggregators, Producers) to prevent future attacks and learn how to defend yourself by analyzing past attacks.

IREN participates as a Distributor (through IRETI) supporting the partners in the definition of the specific *cyber security* instruments, preparing a feasibility test (on paper) and possibly an “offline” field test applied to one or more subsystems of the network (remote control, SCADA, *smart meters*, supporting TLC networks etc.). During 2020, testing of the functionality of the "*security culture framework and tool*" was conducted for field-tested and/or evaluated use cases.

IREN and IRETI have interacted with partners/technology providers for the development of the different software that will make up the integrated platform.

ENERGYNIUS (POR-FESR 2014-2020 Emilia-Romagna)

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

EVERYWH2ERE (Horizon 2020)

The objective of the project is to develop an electric generator with “plug and play” fuel cells, easy to transport around the city for temporary electrical power in various sectors (building sites, music festivals, temporary events, exhibition centres) and able to guarantee high levels of reliability and safety as well as a reduction in emissions compared to traditional generators.

The IREN Group, as a third party of Environment Park, will test a hydrogen *skid*, currently installed at the Friem headquarters in Segrate (Milan), for electricity production during events/trade fairs (Uninterruptible Power Supply (UPS)/mobile generator mode). During 2020, IREN has identified events related to the city of Turin during which to test the *skid* and current business models and authorization parameters for the future marketability of the developed solutions.

INCIT-EV (Horizon 2020)

The objective of the INCIT-EV project is to develop and field test a set of electric vehicle charging infrastructure, hardware and software technologies and business models to drive large-scale adoption of electric mobility.

IREN and IRETI will play a central role in the development of the pilot project in the Caio Mario interchange car park in Turin, which intends to test a system of DC columns (both slow and fast recharging), directly connected to the DC power supply of the trams. During 2020, IREN participated in the definition of the specifications of the *decision support system* related to private electric mobility, in the measurement campaigns for the preliminary setup of the Turin Pilot and will coordinate the partners involved in the definition of the specifications for the construction of the conversion cabin.

PLANET (Horizon 2020)

The project aims at developing technologies and analysing the regulatory constraints for taking synergistic advantage of the distribution networks (electricity, gas and heat). During the project storage and conversion technologies have been modelled; *multi-grid* intelligent automated management systems have been simulated; new *business models* have been created; energy conversion systems have been tested in a physical pilot.

During 2020 IREN designed and installed a pilot heat pump system that can be managed remotely, to integrate the heating and cooling system, at a building it manages in Turin. The aim of the experimentation was to test in the field the joint management of energy vectors for the activation of demand flexibility strategies with a view to providing ancillary services to the electricity grid. The heat pump was tested in the winter heating season to balance load imbalances or participate in ancillary electricity markets, while optimizing the building's energy needs and flexibility measures required by the electrical grid.

PUMP-HEAT (Horizon 2020)

The project has the objective of increasing the flexibility of conventional fossil source plants, in particular combined cycles, in order to satisfy the ever-increasing needs of the network to offset the demand fluctuations deriving from renewable sources. The project investigates the combination of heat pumps with cogenerative combined cycle and conventional combined cycle plants; the combination with systems for heat and cold storage is also analysed. Specifically, in 2020, the heat pump and the phase change thermal storage system were delivered to the IREN plant in Moncalieri (TO). The activities for the integration of the pilot plant with one of the two combined cycles are currently being completed, with the aim of testing the technologies studied and developed during the project.

STORE&GO (Horizon 2020)

The STORE&GO project, concluded in February 2020, tested 3 innovative *Power to Gas* (P2G) systems located in Germany, Switzerland and Italy, in order to identify and overcome the technical, economic, social and legal barriers associated with the technology for converting electricity into chemical energy, in the form of hydrogen molecules or synthetic methane. The project aimed to evaluate the possibility of integrating the P2G *storage* system within cutting-edge energy production and distribution systems. IREN's role regarded the study of the technical/economic possibilities of integrating P2G technology into thermoelectric production systems.

5G-Solutions (Horizon 2020)

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

IREN participates in the activities of the "Energy" vertical, assessing the benefits related to integration and use of the 5G network (and of its main characteristics of speed, limited latency and high reliability) in the cases of use of *Demand Side Management* at industrial level and of Smart Charging of electrical vehicles.

In 2020, the locations of the pilots have been defined: the parking lot of IREN headquarters in Turin (Martinetto) for the use cases on *smart mobility* and, in synergy with the PLANET project pilot, a building of the City of Turin equipped with a prototype Heat Pump for the use cases on *Demand Side Management*. The software infrastructure for the control and monitoring of the case studies has been defined and developed in *Beta* version. Finally, a first prototype of the hardware that will control the heat pump remotely has been developed, and 5G connectivity tests with proprietary VPN have been performed.

Evolution2G (EMEurope Call 2016)

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

- Development of an EMCS (*Energy Management and Control System*) prototype, for data management according to the various subjects involved, with a view to improving the balance of the electricity network;
- Tests on prototypes of V2G recharging solutions, at both the domestic level and the public/urban level. IREN has equipped itself with 2 bi-directional DC prototype columns and has carried out several experimental tests related to different usage scenarios (i.e. vehicle charging, powering a stand-alone house, using the car battery to power the grid).

WaterTech (MIUR)

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.

In 2020, the loan agreement was signed and research activities on water and wastewater systems continued.

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

The WATERSPY project is developing and defining a method for detecting the presence of heterotrophic bacteria in aqueous matrices such as *Escherichia Coli*, *pseudomonas aeruginosa* and salmonella. The instrument, developed at the prototype level for use in the field at water service supply sources (artificial lakes) and in the distribution network, provides for a stage of pre-concentration which enables the bio-sensor to bind the bacteria onto a surface which is subsequently analysed using laser technology. The project ended formally at the end of February 2020.

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

The MARILIA project, started in September 2020, aims to develop, from Technology Readiness Level 2/3 to 5, a new low-cost, high-sensitivity, expeditive test for the detection of pathogens in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at laboratory level, developed for the identification of a set of bacteria (to be identified with the contribution of IREN), laying the foundations for a subsequent *deployment* in the field by introducing a significant streamlining in terms of speed and cost compared to current analytical practices. In the first four months of activity IREN, with the collaboration of IRETI and IREN Laboratories, participated in the definition of the specifications of the sensor that will be developed according to the needs of the end-users (analysis laboratories, water service managers and control bodies).

PRELUDE (Horizon 2020)

The objective of the project, awarded in 2020, is to test, in several pilot projects in Europe, solutions in the field of innovative management of buildings and plants, *free-running mode*, self-consumption and integration of renewable sources. From the technological point of view, PRELUDE intends to integrate multiple physical and mathematical models developed by the partners, databases of the different pilots and monitoring and control systems of the *assets* of the pilot projects in a single modular/*middleware* platform that is based on FusiX (metadata infrastructure and DSS - *Decision Support System*), developed by partner EMTECH in previous EU projects. IREN and IREN Smart Solutions participate in the project as coordinators of the Italian Pilot by installing in some apartments different levels of sensors, implementation and direct feedback on the inhabitants.

RES-DHC (Horizon 2020)

The objective of the project, also awarded in 2020, is to create tools to support regulators and *stakeholders* in increasing the use of renewables in district heating and cooling systems. Programmatic and techno-economic assessment tools, actions to improve policies and regulatory *frameworks*, and innovative dissemination and communication means will be tested in 6 European pilot projects with the aim of validating their benefits and preparing a set of tools for future energy projects.

IREN and IREN Energia participate in RES-DHC to test the *tools* and skills of the partners on studies/projects for the renewal of existing TLR networks or new expansion projects, with the primary objective of improving the way in which the Group's innovative district heating 4.0 projects are planned, communicated and accepted. During 2020, a screening of projects in line with the project goals was started (on the basis of the outcome a stakeholder group will be formed) and the *dissemination plan* valid for Italy was defined.

BESTSAFE4IREN (Bando PRIA4.0 - Competence center CIM4.0)

The project aims to increase the levels of redundancy, security and interoperability of the equipment for the Safety of workers, integrating them with a wireless LoRa infrastructure and a new generation DLT patent able to certify in a standardized and anonymized way on blockchain networks the data from field sensors in order to ensure the appropriate level of neutrality needed for operational, regulatory, insurance and legal use. The project, started in late 2020, will develop a solution that will be tested on a portion of TRM's plant and on a portion of the City of Turin's hillside where IREN operators handle waste collection.

OTHER INNOVATION ACTIVITIES

During 2020, alongside the financed projects, IREN launched approximately 40 initiatives and self-financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, IREN activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the IREN businesses, the creation of models and the identification of new processes and services.

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

Water

Research activities continued for optimisation of water pipeline networks during the year.

Specifically, tests continued on sensors for monitoring hydraulic transients in water distribution networks and on the instrumentation, in order to identify and eliminate the causes generating the damaging effects of hydraulic transients on the pipes and causing breakages. IREN has also started collaborations aimed at testing the use of specific probes to detect the presence of water in biomasses through the measurement of cosmic rays in the aqueduct and in the hydroelectric field for the water estimation of snowpacks.

In addition IREN benefited from the results of an important research project aimed at improving the ARERA technical quality indicators in the integrated water cycle sector, for the purpose of responding to the needs of competitiveness and efficiency required by the new Regulation of the Technical Quality of the Integrated Water Service supporting the adoption of innovation in the planning of Investments.

In the water sector, following the patent filing of the technological core that demonstrated the feasibility of the acoustic telemetry technique, in 2020, it carried out the design of the components of the system with acoustic modems by experimenting them on portions of the network made in the laboratory (bed test) and in the field.

Activities connected with research on new technologies to be applied to purification processes also continued, with the aim of reducing the production of surplus sludge and recovering material and deriving energy with the objective of reducing total operating costs. In this area, the Group continued to collaborate with startups and research entities, with the goal of assessing the yields and applicability of innovative processes such as hydrolysis, gasification or biotechnological processes for the extraction of high-value compounds, such as biopolymers. With regard to gasification, an in-depth study was conducted to assess the feasibility and methods of applying the process to the sludge line of the Group's purification plants.

In 2020, IREN Group continued its research activities with the aim of standardizing the procedure for sampling and managing odorigenic emissions.

The research activity involving Hera, IREN, SMAT, and A2A also continued. During the year, in fact, IREN continued to share its experience and knowledge through joint development of innovative projects, with repercussions to the benefit of the said Companies, with the objective of developing applied research, innovation and technological development in the context of management of the water service. In particular, projects continued dedicated to (i) sensors for on-line monitoring dedicated to *early warning*; (ii) the recovery of substances useful for the production of bioplastics from the purification cycle of urban waste water; (iii) the management of the presence of Legionella in water networks by comparing different analytical methods; (iv) the monitoring of chlorites and chlorates by identifying infrastructural and technological interventions, control and mitigation activities, and behaviours in the field of transparency and communication, in view of the entry into force of new limits provided by the revision of the European Drinking Water Directive for the two disinfection by-products (DBPs) Chlorite and Chlorate.

Projects included in the AMGA Foundation's research programme

During the year, IREN continued its collaboration in the context of research projects funded by the AMGA Foundation relating to economic and regulatory issues and technical-scientific aspects related to water, energy and environmental resources. Further projects will be identified and selected in a research call that the Foundation will issue this year.

Among these, we note the research on:

- Applicability of *Landfill Mining* to old landfill sites in Italy;
- MYRAEE - *MYco* Recovery of Electrical and Electronic Equipment;
- Nanocatalysers based on manganese oxides for sustainable energy production (*Mn4Energy*);
- Comparative assessment of biogas cleaning and *upgrading* processes;
- Markets in search of regulation: tenders for gas distribution concessions;

- Optimal methods of managing urban drainage systems based on innovative monitoring of rainfall using *IoT low-power wide-area network technology*;
- The economic, environmental and organisational performance of the Italian water sector;
- Reuse of purified wastewater: analysis of the hygienic-sanitary impact;
- Regulation of water and environmental services, analysis of factors that determine operating and capital costs, and possible impacts on price recognition models:
- Energy markets and consumer *switching*: the drivers and the potentially effective intervention tools;
- Proposed actions for the removal of emerging pollutants and micropollutants in water treatment plants. Conventional and innovative processes;
- National guidelines for the sustainability of third-sector entities (TSEs) with particular reference to energy and water;
- Behavioural economy and energy market;
- Cost-benefit analysis in the *energy* field (reference to no-dig);
- Cost characteristics and economies of scale in the waste management sector;
- Application of WSP to the water service: methodological and informative aspects for the stakeholders involved;
- Development and validation of procedures for the assessment of the input of biomethane into distribution networks;
- Resilience indicators in water distribution systems with respect to climatic and socio-economic changes;
- Models for the forecasting and management of damage to networks in the case of floods. The project was launched in 2017.

Environment

During 2020, the first part of a research and experimentation activity was completed which concerns a reaction for the immobilization of CO₂ deriving from combustion processes in solid state matrices, using reactions that make use of extractable acids and/or analogues from vegetable substances. After the definition of yields and reaction kinetics, the activity continued with the support of an industrial partner for the realization of a first prototype of the system.

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

In 2020, the research activity continued; this regards the use that can be made of bottom and fly ashes produced by the Group's incineration plants. Specifically, the activities carried out, which involved universities and industry, focused on evaluating the industrial applicability of the processes previously studied at laboratory level (carbonation, washing).

In the early months of 2020, the activities connected with the research grant for the exploitation of mixed plastics from WEEE were concluded, in which the possibility of their use in cement mixtures or in bitumen, as a partial replacement for aggregates, was studied and explored in depth.

With regard to the treatment of WEEE, a feasibility study has been developed in 2020 with annexed field tests of a robotic system based on artificial vision for the automation of the disassembly process (currently mainly manual) of LCD screens at the end of their useful life treated at the TBD plant in Volpiano (TO). The activity ended with the preliminary design of a semi-automated robotic line to be installed at the above-mentioned plant, which is expected to be completed in 2021.

Lastly, a feasibility and technological *scouting* study concerning innovative processes for the production of biopolymers and bio-composites from organic vegetable waste, including OFMSW, and for the valorisation of digestate/compost through the extraction and production of fertilised products in compliance with the new European regulations was completed in 2020.

Energy

Industry 4.0 Innovation

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

During 2020, testing activities using drones for inspections of dams, reservoirs and rocky slopes continued. In addition, some IREN Energia employees were trained in the use of drones and joined external personnel during inspection activities. All the data acquired over the years is now available on a cloud platform. The prototype rover for the inspection of bypass tunnels has been completed and tested in an operational environment: once industrialised, the robot will be able to travel through the tunnels acquiring images and 3D mapping, communicating with the outside world via a wireless network during inspection. Again, in the hydroelectric sector tests are continuing on the use, in an operating context, of smart glasses systems in order to enable interaction between the operating field and the control room and real-time data communication. Training days were organised for maintenance staff.

In 2020, in the colder months, the experimental technique of monitoring district heating networks by air was once again used. Thanks to the use of a high-resolution thermographic camera, mounted on an aircraft, it was possible to fly, in a winter night, over the city of Turin and identify using thermal image processing software the water and heat leaks of the network.

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

Other innovations in the energy field

In the research area, during the year, IREN:

- carried out, in collaboration with the Department of Energy of the Polytechnic of Turin and Environment Park, some feasibility studies of solutions for the production of hydrogen from renewable sources and synthetic fuels, exploiting the flow of carbon dioxide from processes of capture from fumes or upgrade of biogas into biomethane. During the study, the use of these energy carriers for local public mobility was evaluated. In this context, IREN is also active in bodies and associations for the promotion and regulation of hydrogen development;
- analysed solutions for the recovery of geothermal heat and waste heat in combination with metropolitan transport networks.
- transformed a portion of the uncovered parking lot of the Martinetto headquarters into an experimental laboratory for testing *smart lighting* systems. In this area, innovative lighting fixtures from different manufacturers were installed in 2020. They are equipped with sensors capable of processing external stimuli (radar, presence sensors) and can be controlled remotely via a platform capable of integrating inputs from different databases;
- launched research to estimate the impacts of public and private electric mobility on Turin's electricity distribution network, with the aim of supporting decisions on network development;
- launched a project for the development of solutions to support renewable energy communities for which Italian regulations are currently being published, anticipating part of the transposition of the European RED-II directive, and set up a pilot to test technologies currently on the market;
- completed studies on fourth generation district heating networks powered by renewable sources or heat pumps, as well as feasibility studies for the reconstruction of existing networks;
- continued the *LoRa* Castellarano project, which has provided with the implementation of *IoT* connectivity network based on *LoRaWAN* communication protocol to cover the city of Castellarano. The aim of the project is to test typical smart city solutions starting from the *assets* managed by IREN, such as the gas distribution network, the drinking water network, the waste collection, up to additional services for citizens, such as monitoring weather conditions, noise, parking and comfort conditions of some buildings owned by the Municipality.

Corporate Venture Capital – IREN UP

During 2020, numerous activities were carried out in the context of the *Corporate Venture Capital* programme. First of all, a transaction was completed with a *startup* active in the field of robotics applied to the *waste* sector. Iren Group has secured potential entry into the *equity* of the innovative company on favourable terms in the next investment round.

At year-end, an investment agreement was concluded with an innovative Piedmontese company operating in the polyurethane recycling chain; the operation also includes a commercial agreement that will guarantee the Group an additional solution for the disposal of certain types of waste.

In the second half of 2020, the Group participated in institutional events and collaborations, such as the National Innovation Award (NIA) and Techstars, which allowed it to continue its scouting activities for new startups, identifying possible new investment targets for 2021.

During the year, the management of the investee companies continued, verifying the achievement of *milestones* and signing supplementary agreements, to extend certain option rights.

The research and analysis of startups at national level in 2020 produced contacts with more than 400 startups, of which approximately ten are in an advanced stage of expounding their dossiers.

IREN AND SUSTAINABILITY

Sustainability is at the centre of the agenda of the Iren Group which, as well as taking it on as a pillar of strategic development, reports policies and performance on it with particular regard to environmental and social issues, to those relating to the personnel, to human rights, and to combating active and passive corruption.

These issues, together with others identified as priorities by the materiality analysis, carried out with the involvement of stakeholders, are reported and analysed in the Sustainability Report of the Iren Group, which also fulfils the function of Consolidated Non-Financial Statement (DNF) required by Legislative Decree 254/2016. A significant function that underlines how the strategic approach to social responsibility is becoming increasingly important in the long term for the competitiveness of companies, and that strengthens the Group's orientation both in terms of information transparency and in considering sustainability a strategic lever for growth.

The Industrial Plan to 2025, which confirms the strategy undertaken in previous years, renders concrete form to the Group's vision and mission and defines the following strategic lines: customers/citizens, growth, technological evolution and efficiency, sustainability, people, digitalisation. The commitments and targets defined in these areas represent Iren's contribution to the objectives of the UN 2030 Agenda and to the 10 principles of the UN Global Compact, and render the Sustainability Report/Non-financial Statement - to which reference is made pursuant to Legislative Decree 254/2016 - a tool for monitoring operations, economic, environmental and social impacts.

The document is prepared, under the coordination of the Corporate Social Responsibility and Local Committees Department, in compliance with the GRI (Global Reporting Initiative) Standard with the electricity industry Utility supplement – G4 Sector Disclosure, and is submitted for approval to the Board of Directors at the same time as the draft Separate and Consolidated Financial Statements.

OTHER INFORMATION

Protection of natural persons with reference to personal data

During 2020, for Iren S.p.A. and for the main Group companies, the activity of adapting, monitoring and implementing the existing Group Privacy System, in compliance with the regulatory principles referred to in EU Regulation 679/16 (GDPR) and the national legislation in force (Legislative Decree 196/2003 and subsequent amendments, supplementary measures issued by the Privacy Guarantor, etc.) was carried out. The GDPR substantially changed the concept of Privacy with the objective of strengthening the rights of individuals to personal data protection, introducing among other things, the concepts of privacy *by design* and *by default* and of *accountability*, thus obliging Companies to set up their Privacy right from the start, adopting the best solutions in order to minimise personal data processing.

The project launched, developed starting from 2017 and in the following years, led to the identification of the Data Protection Officer (DPO) of Iren S.p.A. in the figure of the 231 System Compliance and Privacy Manager, subsequently designated by the Data Controller (CEO of Iren S.p.A.). The same then gave instructions, in the context of the activity of management and coordination of the subsidiaries, to the Data Controllers of these companies, that they were to appoint as DPO the same person chosen for the Parent Company.

Subsequently all the Data Controllers of the main Group Companies therefore designated as DPO the Parent Company DPO and made the relevant communication to the Supervisory Authority.

In 2020, activities to adapt and monitor the Group's Privacy System led, among other things, to the implementation of a special tool for managing the Group's Privacy System, the publication of procedures containing rules of conduct to be implemented by staff, the conduct of detailed training activities (both online in e-learning mode, aimed at the entire company population, and in attendance - remotely - on specific procedures), and constant support for business structures on all issues relating to the processing of personal data.

The Processing Registers, provided for under the terms of art. 30 GDPR are also constantly updated. These documents, revised annually, are provided for in the legislation for the purpose of providing full knowledge of the existing processing, identifying, among other things, a number of elements of particular significance such as data processed, conservation times, risk levels, etc.

Control of companies abroad

It is noted that the Company does not control companies established and regulated by the laws of non-EU countries. Furthermore, it is noted that Iren S.p.A. is not subject to management and coordination by another company.

Report on Corporate Governance and Ownership Structures and Report on the policy on the subject of remuneration and on fees paid

The Report on Corporate Governance and Ownership Structures and the Report on the policy on the subject of remuneration and on fees paid, approved by the Board of Directors and published within the legal deadline, include information not mentioned in the section below Information on Iren's *Corporate Governance*, as envisaged in art. 123-*bis* and art. 123-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.

INFORMATION ON CORPORATE GOVERNANCE

INTRODUCTION

IREN S.p.A. (hereinafter “Iren”) is the result of the merger by incorporation of Enia S.p.A. into IRIDE S.p.A. which took effect on 1 July 2010. The merger between IRIDE and Enia was promoted by the controlling shareholders - respectively FSU S.r.l. (then controlled equally by the Municipalities of Turin, through FCT Holding S.p.A., and Genoa) and the Municipalities of Reggio Emilia, Parma, Piacenza and other Municipalities of the Emilia area that had signed *ad hoc* shareholders’ agreements – with the objective of creating a new entity capable of developing industrial synergies and to be a hub for further aggregations on the national market.

At the date of this report, three Shareholders’ Agreements are in force among the public shareholders of Iren S.p.A.:

- FSU - FCT Agreement- so-called Parti Emiliane – Soci Spezzini, effective as of 5 April 2019.
This agreement (hereinafter also the “Shareholders' Agreement”) is attributable to a blocking and voting syndicate with the purpose of guaranteeing the development of the Company, of its investees and of its business, and of ensuring unity and stability of guidance, also through the use of the instrument of increased votes, and, specifically: (i) determining methods of consultation and joint decision-making regarding certain resolutions of the Company’s Shareholders’ Meeting; and (ii) setting certain limits on the circulation of the shares contributed.
The Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the Agreement, for a further 2 years; subsequently, any further renewal must be agreed in advance in writing.
- Emilian Parties *Sub*-Agreement in effect as of 5 April 2019.
This agreement is intended, among other things, to determine the respective rights and obligations, in order to (i) ensure uniformity of conduct and rules on decisions that must be taken by the Emilian parties in the context of what is provided for in the FSU-FCT-Emilian Parties-La Spezia Shareholders Agreement; provide for further commitments in order to guarantee the development of the Company, of its investees and of its business, and of ensuring to the same unity and stability of guidance; (iii) attribute a right of pre-emption in favour of the signatories in the event of sale of the Company’s shares other than shares covered by the Block Syndicate under the terms of the Agreement; and (iv) confer on the Municipality of Reggio Emilia an irrevocable mandate to exercise on behalf of the signatories the rights attributed to these latter under the terms of the Agreement.
The Emilian Parties *Sub*-Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and under the terms pursuant to the *Sub* Agreement, for 2 additional years; subsequently, any further renewal must be agreed in advance in writing.
- FSU – FCT *Sub*-Agreement in effect as of 17 July 2018.
This agreement is attributable to a blocking and voting syndicate with the purpose of ensuring that, following the Demerger, FCT and FSU will exercise jointly the powers of voting and indicating candidates for IREN’s company officers, in substantial compliance with what is provided for in the Articles of Association of FSU current up to the date of the Demerger; all this, in the context and with the necessary observance of the Shareholders' Agreement, so that the provisions regarding FSU in this Shareholders' Agreement are passed on jointly, without a break, to FSU and FCT, which will act as a single party in relation to the other signatories, in accordance with what is provided for in the *Sub*-Agreement.
The FSU-FCT *Sub*-Agreement has a duration of 3 years from the date of effectiveness of the Demerger and is renewed automatically on expiry for a period of a further 2 years, subject to withdrawal to be communicated at least 6 months before expiry.

During FY 2020, the structure of IREN's public ownership structure changed as follows:

- 2 Subscribers sold on the market a total of 119,000 shares contributed to the FSU - FCT - Emilian Parties - Spezzini Shareholders Agreement;
- the number of voting rights conferred to the FSU - FCT- Parti Emiliane - Spezzini Shareholders Agreement as a result of the allocation of the Increased Vote for 20,415,981 shares held by 24 Spezzini Shareholders as of 1 June 2020 and, subsequently on 1 September 2020, for 1 share held by FSU;
- an Emilian Shareholder joined the FSU - FCT- Parti Emiliane - Soci Spezzini Agreement by contributing 257,298 ordinary shares.

The Company adopts a traditional system of corporate governance. The Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Company and, specifically, with the power to carry out all the actions it deems appropriate for the implementation and achievement of the corporate purpose, including organising the Company and the Group into *business* areas, whether structured as companies or operating divisions, excluding only those actions that the law and the Articles of Association reserve for the Shareholders' Meeting.

Under the terms of the current Articles of Association, the Board of Directors delegates its powers to one or more of its members and may also assign powers to the Chairperson, Deputy Chairperson and CEO provided they do not conflict with each other.

Declaration on observance of the laws on the subject of corporate governance

Iren's *corporate governance* system is in line with the provisions of the Consolidated Law on Finance (hereinafter "TUF") and the *Corporate Governance* Code approved by the Italian *Corporate Governance* Committee on 31 January 2020 (hereinafter "Code"), to which the Company subscribed by board resolution of 18 December 2020.

After adoption a disclosure was made to the public through a press release distributed to the market. On the same date the Board of Directors also approved the document which highlights the *governance* solutions adopted by the Company with reference to the provisions of the Code. This was published on the IREN Group's *website* (www.gruppoiren.it), in the Section "*Investors – Corporate Governance – Corporate documents*".

The current Articles of Association are in keeping with the rules of the TUF and the other provisions of laws or regulations applicable to listed companies.

In particular the Articles of Association state, among other things, that:

- the directors must be in possession of the requisites provided for by law and by the regulations on the subject (art. 147-*quinquies* of the Consolidated Law on Finance);
- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (art. 147-*ter*, paragraph 4, and art. 148, paragraph 3, Consolidated Law on Finance);
- the members of the entire Board of Directors are appointed on the basis of lists (art. 147-*ter*, paragraph one, Consolidated Law on Finance);
- the non-controlling shareholders have the right to appoint at least two Directors (art. 147-*ter*, paragraph 3, Consolidated Law on Finance);
- the balanced representation of genders in the composition of corporate bodies is respected (Article 147-*ter*, paragraph 1-*ter* and art. 148, paragraph 1-*bis*, Consolidated Law on Finance);
- one standing and one supplementary member of the Board of Statutory Auditors must be elected from the list presented by the minority (art. 148, paragraph 2 of the Consolidated Law on Finance);
- the Chairperson of the Board of Statutory Auditors and one supplementary auditor must be appointed on the basis of the list presented by the minority (art. 148, paragraph 2-*bis* of the Consolidated Law on Finance);
- a person responsible for corporate financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (art. 154-*bis* of the Consolidated Law on Finance).

On 22 May 2019 the Iren Shareholders' Meeting, called *inter alia* to approve the financial statements at 31 December 2018, also proceeded to appoint the Company's Board of Directors for the 2019-2021 three year period, with expiry on the date of approval of the financial statements as at 31 December 2021.

By resolution of the Board of Directors meeting of 22 May 2019, the newly appointed Chairperson, Renato Boero, was conferred powers, delegated powers and responsibilities in relation to communication and external relations, institutional relations (including relations with Regulators, Regions and Local Authorities), and *mergers & acquisitions*.

The Deputy Chairperson, Moris Ferretti, conferred given powers, delegated powers and responsibilities in relation to corporate affairs, *corporate compliance*, *corporate social responsibility* (which also covers support for the activities of territorial Committees), *risk management*, *internal auditing*.

The Chief Executive Officer, Massimiliano Bianco, was given powers, delegated powers and responsibilities in relation to administration, finance and control (including *investor relations*); personnel, organisation and information systems; procurement, logistics and services; legal affairs; Energy, Market, Networks and

Waste Management *business units*, as well as expansive entrustment of duties and powers of representation.

On 2 July 2019, at the same time as his appointment as General Manager, the Board of Directors of Iren gave Massimiliano Bianco powers and delegated powers of an operational kind, with a transversal impact on the Departments and *Business Units*.

In compliance with the provisions of the Code, with resolutions passed at the meetings on 22 and 30 May 2019, the Board of Directors also appointed:

- a Remuneration and Appointments Committee (hereinafter also “RAC”);
- a Control, Risk and Sustainability Committee (henceforth also “CRSC”).

In accordance with the provisions of the CONSOB Regulation and of current TRP Procedure, with a resolution passed at the meeting on 22 May 2019 (amended with a resolution passed on 30 May 2019), the Board of Directors also appointed the Independent Directors’ Committee for dealing with Transactions with Related Parties, named the Committee for Transactions with Related Parties (hereinafter also “CTRP”).

BOARD OF DIRECTORS

As mentioned above, on 22 May 2019, the Shareholders’ Meeting appointed the current Board of Directors, made up of fifteen members, in office for the years 2019/2020/2021 (until approval of the separate financial statements at 31 December 2021).

The composition is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Renato Boero	Turin (TO)	09/03/1962
Deputy Chairperson	Moris Ferretti	Reggio Emilia	28/05/1972
CEO and General Manager	Massimiliano Bianco	Gioia del Colle (BA)	30/08/1971
Director	Sonia Maria Margherita Cantoni	Milan	16/02/1958
Director	Pietro Paolo Giampellegrini	Massa (MS)	14/11/1968
Director	Enrica Maria Ghia	Rome	26/11/1969
Director	Sonia Maria	Genoa	30/07/1965
Director	Francesca Grasselli	Reggio Emilia	13/06/1979
Director	Maurizio Irrera	Turin	17/09/1958
Director	Cristiano Lavaggi	Carrara (MS)	08/08/1975
Director	Ginevra Virginia Lombardi	Viareggio (LU)	04/07/1966
Director	Giacomo Malmesi	Parma	29/10/1971
Director	Gianluca Micconi	Ponte dell’Olio (PC)	19/03/1956
Director	Tiziana Merlini	Finale Ligure (SV)	08/06/1974
Director	Licia Soncini	Rome	24/04/1961

In accordance with art. 25 of the current Articles of Association, resolutions of the IREN Board of Directors are carried by a vote in favour of the absolute majority of Directors in office.

For the matters indicated in Art. 25.5 of the Articles of Association (“Significant Matters”), resolutions of the Board are instead carried by the vote in favour of at least 12 Directors.

Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.

During FY 2020 the IREN Board of Directors held 19 meetings.

As at 31 December 2020, in the Board of Directors, consisting of 15 directors, 9 of possess the requirements of independence both under the terms of the combined provisions of arts 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of art. 7 of the Code.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an at least annual basis, or when significant circumstances occur for the purposes of independence during their mandate. The outcome of the Board's assessments is disclosed to the market, with the methods identified in the Code.

As at 31 December 2020, the Independent Directors met twice, under the terms of Recommendation no. 5 of the Code. During the FY 2020, an additional meeting was held which was attended by the Executive Directors in addition to the Independent Directors.

The Company has set up a short-term bonus system (MBO) for the Chief Executive Officer and General Manager of the Parent Company and the Group's Executives with Strategic Responsibilities: the targets are set respectively by the Company's Board of Directors and Chief Executive Officer and General Manager – after an opinion of the Company's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established at the end of an enquiry carried out by the Committee, give the right to receive the related bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer and General Manager).

During the meeting on 27 November 2018, the Company's Board of Directors, on the basis of the inquiry carried out by the Remuneration and Appointments Committee, approved the 2019-2021 Long-Term Monetary Incentive Plan for the Group's Key Management Personnel and other resources (the so-called "Key Resources") who can contribute in a significant way to achieving the targets in the 2018-2023 Business Plan (as approved by the Board of Directors on 26 September 2018). On 2 July 2019, considering the enquiry carried out by the Company's Remuneration and Appointments Committee, also in performing the duties pursuant to the TRP Procedure, the Iren Board of Directors approved the acceptance by Mr Massimiliano Bianco (Chief Executive Officer and General Manager of the Company), of the 2019-2021 Long-Term Monetary Incentive Plan.

For more information on the remuneration policy, please see the Report on the policy on the subject of 2021 remuneration and on fees paid for FY 2020 made available to the shareholders, in observance of the terms provided for in the current legislation, in view of the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2020.

As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On this point, with a resolution passed on 30 May 2019, the current text of IREN's Procedure for Transactions with Related Parties was approved by the Board of Directors.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Board of Directors set up within it a Remuneration and Appointments Committee (hereinafter also "RAC"), composed of non-executive directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson. The Committee has the preliminary, proposing and consultative functions towards the Board of Directors, as per the Code as well as the Policies and Procedures approved by the Board of Directors of IREN S.p.A. on 1 August 2018 (and of which the RAC in office took note in the first meeting following the appointment), *as follows*:

- a) to formulate proposals to the Company's Board of Directors on the definition of the policy on remuneration of Directors and Key Management Personnel of the IREN Group (top management, as defined in the Code), in compliance with the current legislation and having regard to the criteria recommended by the Code, after interaction with the Company's Control, Risk and Sustainability Committee, as regards the risk profiles;
- b) to submit for the approval of the Company's Board of Directors the annual Report on the policy on the subject of remuneration and on fees paid prepared under the terms of art. 123-ter of the Consolidated Law on Finance, for its presentation to the Shareholders' Meeting called for approval of the annual financial statements;
- c) to assess periodically the adequacy, overall consistency and actual application of the policy *under a) above*, availing itself, in this last regard, of the information provided by the competent delegated bodies and formulating proposals on the subject to the Board of Directors;

- d) to present proposals or express opinions to the Company's Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing *performance* objectives relating to the short and medium/long-term variable component connected with this remuneration;
- e) to monitor the application of the decisions adopted by the said Board by verifying, in particular, the actual achievement of the short- and medium/long-term *performance* targets pursuant to *point d) above*;
- f) to formulate proposals to the Company's Board of Directors on the remuneration of the members of the Committees set up within the Board itself;
- g) to establish the annual board evaluation procedure ("*board evaluation*") on the operation of the Board itself and of its Committees and on their size and composition, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, and their seniority in office; specifically, after coordination with the Chairperson of the Board of Directors, the Committee identifies the subjects with which the assessment is concerned and, having regard to the *best practices*, also availing itself of the assistance of an expert consultant in the sector;
- h) taking into account the results of the *board evaluation* as in *point g) above*, to formulate opinions to the Board of Directors on the subject of the dimensions and composition of the same and of its Committees (including the requisites of professionalism, integrity and independence of the related members) and to express recommendations on the professional and *managerial* figures whose presence on the Board of Directors is considered opportune, so that the Board of Directors can express its guidance to the shareholders before the appointment of the new administrative body;
- i) to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of IREN S.p.A. taking into consideration the participation of the Directors in the Committees set up within the Board;
- j) to express recommendations to the Board of Directors on any problematic cases connected with application of the prohibition on competition provided for in relation to Directors in art. 2390 of the Italian Civil Code;
- k) in line with the current with statutory provisions, to propose candidates to the Board of Directors for the position of Director in the cases of co-option *pursuant to* Article 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
- l) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;
- m) to report, through its Chairperson, on the most significant questions examined by the Committee on the occasion of the first useful meeting of the Board of Directors of IREN;
- n) to report on the methods of performing its duties to the Shareholders' Meeting called for approval of the annual financial statements, through its Chairperson or another member indicated by the same.

No Director shall take part in meetings of the Committee in which proposals are formulated to the Company's Board of Directors on their remuneration, unless the proposals regard all the members of the Committees set up within the administrative body.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

In the case of operations regarding the remuneration of the Directors of the Company and the Key Management Personnel of the IREN Group, the Committee also performs the duties of the Committee of independent directors responsible for the examination and enquiry pursuant to the current TRP Procedure, limited to cases in which its composition makes it possible to meet the minimum requisites of independence and non-relatedness of its members required by the CONSOB T.R.P. Regulation.

With resolutions passed on 22 and 30 May 2019, IREN's Board of Directors identified, as members of the Remuneration and Appointments Committee for the three years 2019-2021, the following Directors:

- Pietro Paolo Giampellegrini, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;

- Maurizio Irrera, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;
- Francesca Grasselli, recognising that she possesses adequate knowledge and experience on financial matters and remuneration policies.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as President of the Remuneration and Appointments Committee att. Pietro Paolo Giampellegrini, in possession of the requisites of independence under the terms of arts 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

In FY 2020 the Remuneration and Appointments Committee met 11 times (of which once jointly with the Control, Risk and Sustainability Committee), preparing proposals and opinions recorded in the minutes of the Committee meetings. The Committee meetings held during the year were attended by at least one Statutory Auditor of the Company, as per the Committee Regulations.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE

In accordance with what is established by the Code, the Board of Directors set up within it a Control, Risk and Sustainability Committee (hereinafter also "CRSC"), composed, as of today, of four non-executive Directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Control, Risk and Sustainability Committee performs the general task of supporting, through adequate preliminary activities, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those concerning approval of the periodic reports of both a financial and a non-accounting nature.

It is assigned the functions set out in the Code as well as in the Regulation approved by the Board of Directors of IREN S.p.A. on 5 April 2019 (and which the CRSC in office acknowledged in the first meeting following its appointment), *as follows*:

- to assess, together with the Financial Reporting Manager, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting standards, and in the case of Groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the *Risk Policies*, identifying the main business risks and the *Audit Plan*, and on Guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the *Internal Audit* Unit;
- to monitor the independence, adequacy, effectiveness and efficiency of the *Internal Audit* function;
- to request that the *Internal Audit* function carry out checks on specific operational areas, communicating simultaneously with the Chairperson of the Board of Statutory Auditors;
- to report to the Board, at least every six months, on the occasion of approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware;
- to examine the risk analysis carried out (a) with reference to the multi-annual Business Plan of the IREN Group, prior to its approval by the Board of Directors; (b) with reference to the strategic initiatives, including the *merger & acquisition* operations, carried out by the Company and/or by the subsidiaries, if they fall within the scope of Iren's Board of Directors;
- to express to the Board of Directors of the Company its prior opinion on the proposal related (a) to the appointment and dismissal of the Manager of the *Internal Audit* unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

- in agreement with the Remuneration and Appointments Committee, prior to its approval by the Board of Directors, to examine the Company's policy for the remuneration of the Directors and Key Management Personnel of the Group, with a particular *focus* on the risk profiles.

The Committee also provides the Board of Directors with its prior opinion on proposals related: (a) to the appointment and dismissal of the Manager of the *Internal Audit* unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

The Board of Directors of Iren S.p.A. also attributed to the Control, Risk and Sustainability Committee the functions of consultation and proposal in relation to the administrative body on the subject of sustainability *listed below*:

- to express opinions to the Board of Directors of the Company on (a) the definition of "sustainability" policies and principles of conduct, in order to ensure the creation of value over time for the shareholders and for all the other stakeholders; (b) the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the economic, environmental and social responsibility of the Group;
- to supervise the "sustainability" policies and observance of any principles of conduct adopted on the subject by the Company and its subsidiaries;
- examine the issues under enquiry in terms of long-term sustainability of the basic principles and guidelines of strategic planning, of the Business Plan and of short-term planning, supervising the methods for implementing the same;
- to assess, together with the competent Group Unit and after consulting the Independent Auditors, the proper use of the standards adopted for the purposes of preparing the non-accounting disclosures provided for in the current legislation;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- to examine the periodic reports on the implementation of the structured methods of discussion with *stakeholders* in the local areas in which the Group operates, also through instruments such as Local Committees, and those on the consistency with the *corporate social responsibility* questions of the Group's cultural and image promotion activities.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

With resolutions passed on 22 and 30 May 2019, Iren's Board of Directors identified as members of the Control, Risk and Sustainability Committee for the three years 2019-2021, the following Directors:

- Giacomo Malmesi, recognising that he possessed adequate experience on strategic planning processes and aspects of corporate social responsibility;
- Sonia Maria Margherita Cantoni, recognising that she possessed adequate experience on assessment of functioning processes of complex organisations, on strategic planning processes, on strategic risk management, on aspects of corporate social responsibility and on guidance and assessment of environmental aspects;
- Enrica Maria Ghia, recognising that she possessed adequate experience regarding assessment of functioning processes of complex organisations, of strategic planning processes, of strategic risk management, of aspects of corporate social responsibility and of guidance and assessment of environmental aspects;
- Cristiano Lavaggi, recognising that he possessed adequate experience regarding the analysis of accounting and financial disclosures and aspects of corporate social responsibility.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as President of the Remuneration and Appointments Committee att. Giacomo Malmesi, in possession of the requirements of independence under the terms of arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2020, the Audit, Risk and Sustainability Committee held 15 meetings (of which one jointly with the Remuneration and Appointments Committee and one jointly with the Board of Statutory Auditors). As per the recommendations of the Code, all the meetings of the Committee were attended by the President of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

TRANSACTIONS WITH RELATED PARTIES COMMITTEE

In accordance with what is established by the current TRP Procedure, the Board of Directors set up a specific Transactions with Related Parties Committee (“TRPC”).

The TRPC consists of four Directors in possession of the requirements of independence provided for in Arts 147-ter, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and the additional requirements set forth in Recommendation no. 7 of the Code. In order to guarantee the double requisite of independence and non-relatedness in each transaction to be examined, in the context of the current TRP Procedure mechanisms were put in place to identify any subjects responsible, as an alternative, for the enquiry.

Specifically, without prejudice to the competence of the RAC in the case of transactions related to the remuneration of the Company’s Directors and the Group’s Key Management Personnel, it is envisaged that:

- if possible, the TRPC is expanded to include other independent Directors, “*unrelated to the transaction under review*” who are members of the Company’s Board of Directors, attributing to same administrative body the task of identifying a Sub-Committee composed of three Independent Directors unrelated to the individual transaction with Related Party under review;
- if there is not even one member of the TRPC or of the Board of Directors in possession of the aforementioned requisites of independence and non-relatedness, the task of the enquiry will be given, as Alternative Overseers to (a) the Company’s Board of Statutory Auditors or (b) an Independent Expert appointed by the Company’s Board of Directors.

With resolutions passed on 22 and 30 May 2019, the Board of Directors identified, as members of the Committee for Transactions with Related Parties for the three years 2019-2021, the following Directors:

- Licia Soncini;
- Alessandro Giglio;
- Giacomo Malmesi;
- Ginevra Virginia Lombardi;

all in possession of the requirements of independence under the terms of the provisions of the Consolidated Law on Finance, and pursuant to Recommendation no.7 of the Code.

On 29 May 2019, the TRPC appointed Licia Soncini as its President..

In 2020, the TRPC met 11 times preparing, among other things, opinions that are recorded in the minutes of the Committee’s meetings. The meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by him.

BOARD OF STATUTORY AUDITORS

As of today, the Board of Statutory Auditors is composed of three statutory auditors and two supplementary auditors¹ with a three-year term of office expiring on the date of the shareholders’ meeting called to approve the financial statements in their last year of office; they can be re-elected.

On 19 April 2018, the Shareholders’ Meeting appointed the members of the Supervisory Board; their term expires upon approval of these 2020 financial statements.

The composition is as follows:

¹ The Shareholders’ Meeting of Iren S.p.A. held on 5 April 2019 (extraordinary part) resolved to amend, *inter alia*, art. 27, paragraph 1, of the Company’s Articles of Association, with reference to the number of standing members of the Board of Statutory Auditors, which increases from the current three to five. This provision will apply as of the 2021-2023 mandate.

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06/10/1953
Standing Auditor	Cristina Chiantia	Turin	07/05/1975
Standing Auditor	Simone Caprari	Reggio Emilia	10/01/1975
Supplementary Auditor	Donatella Busso	Savigliano (CN)	30/06/1973
Supplementary Auditor	Marco Rossi	Piacenza	05/01/1978

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.

The members of the Board of Statutory Auditors attend the shareholders' meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the company and on the transactions of greatest economic, financial and equity significance performed by the company and its subsidiaries, particularly transactions in which the directors have an interest.

As indicated *above*, in accordance with the indications of the Code, the meetings of the Committees set up within the Board of Directors held during the FY 2020, were attended by the President of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

In carrying out its supervisory activities on the adequacy of the internal control and risk management system, the Board of Statutory Auditors has established an information flow with the *Internal Audit* Function and the *Risk Management* Department of the Company.

Furthermore, in its capacity as the "Internal Control and Risk Management Committee" and in coordination with the Company's Administration, Finance and Control Department, the Board of Statutory Auditors monitored, inter alia, (i) the financial reporting process, (ii) the legal audit of the Company's Financial Statements and of the Consolidated Financial Statements, and (iii) the verification of the independence of the Audit Company.

In 2020, the Board of Statutory Auditors held 11 meetings. The outcome of the supervisory activities of the Board of Statutory Auditors is shown in the report to the Shareholders' Meeting prepared pursuant to Article 153 of the Consolidated Law on Finance and annexed to these financial statements.

Financial Reporting Manager

Massimo Levrino (Manager of the Administration, Finance and Control Department)

Independent Auditors

PricewaterhouseCoopers S.p.A. was appointed by the Shareholders' Meeting of 14 May 2012 to audit the Company's accounts for the 2012-2020 nine-year period. With the approval of the financial statements for the year ended December 31, 2020, this audit engagement ends.

As is known, on the recommendation of the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", the Shareholders' Meeting, held on 22 May 2019, has already appointed KPMG S.p.A. to audit the financial statements of IREN S.p.A. for the nine-year period 2021-2029. This resolution was taken at the end of an articulated selection procedure which was carried out in accordance with the provisions of Article 16 of Regulation (EU) 537/2014 (the "*Tender Process*").

Subsequently, on 25 November 2019, the Parent Company and KPMG signed a Framework Agreement containing terms and conditions (technical and financial) for the performance, for the 2021-2029 nine-year period by KPMG S.p.A. of (i) the activity of legal audit of Iren's financial statements, and (iii) the activity of legal audit of the financial statements of the consolidated companies included in the scope of the *Tender Process* (the "*Framework Agreement*"). Moreover, the same Framework Agreement contains (technical and economic) terms and conditions for carrying out the limited review activity of the DNF of the Iren Group for the three-year period 2021-2023, with an option to renew for two further three-year periods.

The Shareholders' Meetings of each consolidated company included in the *Tender Process*, on the basis of a reasoned proposal from their respective Boards of Statutory Auditors, have therefore appointed KPMG S.p.A. to audit their accounts for the 2021-2023 three-year period (with an option to renew for two additional three-year periods), in accordance with the terms and conditions of the Framework Agreement. After the signing of the Framework Agreement, the dynamism that has characterised the Group in the last period, both in terms of growth through external lines and in terms of internal reorganisation, has given

rise to situations such as to entail changes to the original *audit scope* entrusted by Iren to KPMG S.p.A. for the nine-year period 2021-2029. More precisely it is: (i) the expansion of the scope of Iren's subsidiaries (direct and indirect) which, at the end of this year, includes entities not envisaged in the *Tender Process* concluded in 2019; (ii) changes in the size or legal *status* of some consolidated companies, already included in the *audit scope*, which could affect the terms and conditions of the audit appointments already conferred on KPMG S.p.A. by these companies.

Given the changes that have occurred *in the meantime*, it has become necessary to amend the Framework Agreement. This intervention is permitted by Article 5 of the Framework Agreement, which expressly regulates the procedures and terms for amending the Agreement itself in connection with changes both with reference to the characteristics of the companies subject to legal audit and with reference to the list of companies directly and indirectly controlled by Iren. The Company, also in the name and on behalf of the companies directly and indirectly controlled by Iren, and KPMG S.p.A. will therefore finalise, by the approval of the 2020 financial statements, an *Addendum* to the Framework Agreement, aimed at: (i) extending the statutory audit that KPMG S.p.A. is required to perform, starting from 2021, to the financial statements of companies consolidated in the *medium term* following the single group auditor approach that was the basis for the *Tender Process*; (ii) adjusting the terms and conditions of certain statutory audit engagements already assigned to KPMG S.p.A.

More specifically, in relation to the above-mentioned growth in size of the Group and the changes in size or legal *status* undergone by the companies referred to *above*, the increase in *audit* services provided for in the *Addendum* to the Framework Agreement concerns the following activities: (i) Statutory audit of the financial statements of subsidiaries, (ii) Statutory audit of the consolidated financial statements of Iren Group, (iii) Limited audit of the consolidated half-yearly report of Iren Group, (iv) Limited audit of the half-yearly report of subsidiaries and (v) Limited audit of the DNF of Iren Group.

The increase in consideration recognised for the entire Iren Group, in compliance with the indications of art. 5 of the Framework Agreement, amounts respectively, in yearly terms, to: € 348,958.15, plus VAT, with respect to the activities indicated at points (i) through (iv); and € 12,213.42, plus VAT, with respect to the activity indicated at point (v).

Maximum number of positions held in other companies

According to the Code, the directors ensure adequate time availability for the diligent fulfilment of the tasks assigned to them. Furthermore, the Board of Directors, on the basis of the commitment required of the directors for the execution of their office in Iren, can express their orientation regarding the maximum number of offices in the management or control bodies in other listed companies or companies of significant size which can be considered compatible with the effective execution of the office of director of the company, taking into account the commitment deriving from the role held, as well as the participation of the Directors in the Committees established within the Board. To this end it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.

In the current context, the Remuneration and Appointments Committee and the Board of Directors of the Company did not consider it necessary to make this provision, considering that the number of positions currently held by members of the *board* in other companies is compatible with the fulfilment of the commitment as Director of IREN S.p.A.

Directors responsible for the Internal Control and Risk Management System

By resolution of 4 June 2019, having regard to the allocation of powers, the Board of Directors of Iren identified, as Directors in charge of the internal control and risk management system (hereinafter "ICRMS Directors"), Eng. Renato Boero (Chairperson), Massimiliano Bianco (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers².

Each ICRMS Director, with reference to the areas falling under their responsibility, and in compliance with the delegated powers, is vested with the functions indicated *below*:

- to identify the main business risks, taking into account the characteristics of the activities performed by Iren S.p.A. and by its subsidiaries and check that the same are submitted periodically to examination by the Board of Directors; in more detail, in the current *governance* system, the ICRMS Director with

² With reference to Recommendation 32, letter b), of the new Code, since the Board's term of office is ongoing and also in light of what was highlighted in the Q&A to the Code, the Board of Directors deemed it appropriate to refrain from making decisions. Any different assessment is referred to the Board of Directors to be appointed for the 2022-2024 three-year period.

delegated powers on the subject of *Risk Management*, in agreement with the other ICRMS Directors, as far as each is responsible, also submits to examination by the Board of Directors the *Risk Policies* and the *Audit Plan*;

- to put into practice the guidelines defined by the Board of Directors, dealing with the planning, creation and management of the internal control and risk management system and checking constantly its adequacy and effectiveness;
- to adapt this system to changes in the operating conditions and the legislative and regulatory framework;
- to request that the Internal Audit Unit perform audits on specific operating areas and on compliance with the internal rules and procedures in the execution of business operations, communicating this at the same time to the Chairperson of the Board of Directors, to the President of the Control, Risk and Sustainability Committee and to the President of the Board of Statutory Auditors;
- to report promptly to the Control, Risk and Sustainability Committee (or to the Board of Directors) on the problems and critical issues that have emerged in performance of his or her work or which he or she has in any case been informed, so that the Committee (or the Board) may take the opportune initiatives.

Supplementing the above, the ICRMS Director with delegated powers on the subject of *Risk Management* (in the current system, this is the Deputy Chairperson), in agreement with the Chairperson (who, equally, holds the position of ICRMS Director), proposes to the Control, Risk and Sustainability Committee, for the relevant opinion, and to the Board of Directors, for the related decision, the appointment, dismissal and remuneration of the Manager of the *Internal Audit* unit.

Requisites of directors

All members of the Company's Board of Directors in office possess the requirements of integrity, pursuant to Article 147-*quinquies* of the Consolidated Law on Finance. As at 31 December 2020, the Directors Sonia Maria Margherita Cantoni, Pietro Paolo Giampellegrini, Enrica Maria Ghia, Alessandro Giglio, Francesca Grasselli, Ginevra Virginia Lombardi, Giacomo Malmesi, Gianluca Micconi, and Licia Soncini are also in possession of the requirements of independence provided for in the provisions of the Consolidated Law on Finance (acc. to Arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance), and in Art. 7 of the Code according to the *Corporate Governance* solutions adopted by IREN S.p.A.

Organisational model under the terms of Italian Legislative Decree 231/2001

Iren and the main Group companies have adopted Organisation, Management and Control Models under the terms of Italian Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Italian Legislative Decree 231/2001. Alongside the Organisation, Management and Control Model, Iren S.p.A. has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics. This document has been updated several times over the years and was approved in its current version by the Board of Directors on 18 December 2020.

During 2020, the Holding and the main Group Companies continued the Project for substantial revision and updating of the Organisation, Management and Control Models in order to guarantee their constant consistency with the organisational changes that had occurred and with the introduction by the legislator of new offences, so that they maintain over time their effective ability to prevent 231 offences from being committed. The updated 231ies Models were subsequently submitted to the Supervisory Bod, presented to the Boards of Directors of the individual companies for approval, and published in their entirety on the companies' intranet sites. Iren and the main companies in the Group have established, by a resolution of the Board of Directors, a Supervisory Body pursuant to art. 6 of Legislative Decree. 231/2001, with the task of supervising the functioning of and compliance with the model and ensuring that it is updated. In 2019, the Board of Directors of Iren S.p.A. confirmed the sitting as a united bench of its Supervisory Body appointing three external professionals with legal, corporate governance, organisational, economic and financial skills, with the objective of meeting the requirements of autonomy, independence and professionalism required by law. The Board of Directors also appointed a Contact Person within the OC in order to ensure the coordination and continuity of action of the Committee itself and the constant identification of a reference in the Company. IREN S.p.A.'s Supervisory Body, availing itself of the competent corporate units, performs checks on areas of activity considered at risk under the terms of Italian Legislative Decree 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. If it is considered necessary, the Supervisory Body expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the general part of the Model and the Code of Ethics are available on the Company's website.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEMS “Financial Statements as at 31 December 2020; Report on Operations, Report of the Board of Statutory Auditors and of the Independent Auditors” and “Proposal for allocation of the profit, relevant and ensuing deliberations”

Dear Shareholders,

in relation to the above, we propose that you:

- approve the Financial statements of Iren S.p.A. at 31 December 2020 and the Director’s Report prepared by the Board of Directors;
- approve the proposed allocation of the profit for the year, € 210,063,019.55, as follows:
 - € 10,503,150.98, 5% of the profit for the year, to the legal reserve;
 - a maximum of € 123,588,480.82 as dividend to Shareholders, corresponding to € 0.095 for each of the maximum no. of 1,300,931,377 ordinary shares constituting the Company’s share capital, noting that treasury shares, if any, will not benefit from the dividend; the dividend will be paid starting from 23 June 2021, ex-dividend date 21 June 2021, and record date 22 June 2021;
 - to a specific retained earnings reserve, the remaining amount of at least € 75,971,387.75.

Reggio Emilia, 25 March 2021

On behalf of the Board of Directors

Chairperson
Renato Boero



Consolidated Financial Statements and Notes to the Financial Statements

at 31 December 2020

STATEMENT OF FINANCIAL POSITION

			thousands of €		
	Notes	31.12.2020	of which related parties	31.12.2019 Restated	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,831,865		3,600,408	
Investment property	(2)	2,764		3,003	
Intangible assets with a finite useful life	(3)	2,355,140		2,195,572	
Goodwill	(4)	213,587		158,399	
Investments accounted for using the equity method	(5)	173,513		137,275	
Other equity investments	(6)	4,020		7,403	
Non-current trade receivables	(7)	115,113	32,717	74,443	14,469
Non-current financial assets	(8)	166,522	127,680	148,051	131,362
Other non-current assets	(9)	66,670	6,944	35,490	6,944
Deferred tax assets	(10)	369,375		368,436	
Total non-current assets		7,298,569	167,341	6,728,480	152,775
Inventories	(11)	66,521		71,789	
Trade receivables	(12)	875,661	100,185	905,628	120,820
Current tax assets	(13)	9,622		18,851	
Other receivables and other current assets	(14)	317,082	13	305,296	829
Current financial assets	(15)	95,356	9,951	75,807	24,211
Cash and cash equivalents	(16)	890,169		345,876	
Total current assets		2,254,411	110,149	1,723,247	145,860
Assets held for sale	(17)	1,285		354,193	352,900
TOTAL ASSETS		9,554,265	277,490	8,805,920	651,535

As required by IFRS 3, the balance sheet balances as at 31 December 2019 have been restated to consider, at the date of acquisition, the effects arising from the completion, during the financial year 2020, of the allocation of the acquisition price at the final fair value of the assets and liabilities acquired (*Purchase Price Allocation*) of the companies Ferrania Ecologia and Territorio e Risorse. For additional information, refer to "Restatement of values at 31 December 2019" in the "Content and Structure of the Consolidated Financial Statements" section.

	Notes	31.12.2020	of which related parties	31.12.2019 Restated	of which related parties
thousands of €					
EQUITY					
Equity attributable to shareholders					
Share capital		1,300,931		1,300,931	
Reserves and Retained Earnings (Losses)		855,061		750,264	
Net profit (loss) for the period		235,322		236,362	
Total equity attributable to shareholders		2,391,314		2,287,557	
Equity attributable to non-controlling interests		372,214		363,756	
TOTAL EQUITY	(18)	2,763,528		2,651,313	
LIABILITIES					
Non-current financial liabilities	(19)	3,825,197	2,013	3,167,048	
Employee benefits	(20)	109,027		106,420	
Provisions for risks and charges	(21)	405,456		415,260	
Deferred tax liabilities	(22)	203,540		210,266	
Other payables and other non-current liabilities	(23)	488,006	138	480,040	133
Total non-current liabilities		5,031,226	2,151	4,379,034	133
Current financial liabilities	(24)	274,877	4,755	461,713	3,868
Trade payables	(25)	977,906	40,230	887,062	35,364
Other payables and other current liabilities	(26)	345,447	363	306,735	26
Current tax liabilities	(27)	5,309		1,761	
Provisions for risks and charges - current portion	(28)	155,972		118,302	
Total current liabilities		1,759,511	45,348	1,775,573	39,258
Liabilities related to assets held for sale	(29)	-		-	
TOTAL LIABILITIES		6,790,737	47,499	6,154,607	39,391
TOTAL EQUITY AND LIABILITIES		9,554,265	47,499	8,805,920	39,391

As required by IFRS 3, the balance sheet balances as at 31 December 2019 have been restated to consider, at the date of acquisition, the effects arising from the completion, during the financial year 2020, of the allocation of the acquisition price at the final fair value of the assets and liabilities acquired (*Purchase Price Allocation*) of the companies Ferrania Ecologia and Territorio e Risorse. For additional information, refer to "Restatement of values at 31 December 2019" in the "Content and Structure of the Consolidated Financial Statements" section.

INCOME STATEMENT

				thousands of €	
	Notes	FY 2020	of which related parties	FY 2019 Restated	of which related parties
Revenue					
Revenue from goods and services	(30)	3,537,250	331,656	4,081,333	327,849
Other income	(31)	188,211	6,276	193,373	6,039
Total revenue		3,725,461	337,932	4,274,706	333,888
Operating expenses					
Raw materials, consumables, supplies and goods	(32)	(1,021,501)	(36,552)	(1,410,798)	(59,448)
Services and use of third-party assets	(33)	(1,294,058)	(29,700)	(1,458,394)	(31,346)
Other operating expenses	(34)	(71,472)	(16,232)	(78,976)	(13,361)
Capitalised expenses for internal work	(35)	38,262		33,444	
Personnel expense	(36)	(449,341)		(442,721)	
Total operating expenses		(2,798,110)	(82,484)	(3,357,445)	(104,155)
GROSS OPERATING MARGIN		927,351	255,448	917,261	229,733
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(37)	(440,910)		(403,563)	
Provisions for impairment of receivables	(38)	(61,708)		(37,203)	
Other provisions and impairment losses	(38)	(8,943)		(24,647)	
Total amortisation, depreciation, provisions and impairment losses		(511,561)		(465,413)	
OPERATING RESULT		415,790	255,448	451,848	229,733
Financial income and expenses					
Financial income		38,372	2,821	34,614	18,253
Financial expenses		(93,630)	(54)	(114,482)	(26)
Total financial income and expenses		(55,258)	2,767	(79,868)	18,227
Share of profit (loss) of associates accounted for using the equity method	(40)	6,535		4,477	
Value adjustments on equity investments	(41)	(1,862)		558	
Profit (loss) before tax		365,205	258,215	377,015	247,960
Income tax expense	(42)	(100,134)		(111,550)	
Net profit (loss) from continuing operations		265,071		265,465	
Net profit (loss) from discontinued operations	(43)	-		-	
Net profit (loss) for the period		265,071		265,465	
attributable to:					
- Profit (loss) for the period attributable to shareholders		235,322		236,362	
- Profit (loss) for the period attributable to non-controlling interests	(44)	29,749		29,103	
Earnings per ordinary and savings share	(45)				
- basic (euro)		0.18		0.18	
- diluted (euro)		0.18		0.18	

As required by IFRS 3, the 2019 financial balances have been restated to consider, at the date of acquisition, the effects arising from the completion, during the financial year 2020, of the allocation of the acquisition price at the final fair value of the assets and liabilities acquired (*Purchase Price Allocation*) of the companies Ferrania Ecologia and Territorio e Risorse. For additional information, refer to "Restatement of values at 31 December 2019" in the "Content and Structure of the Consolidated Financial Statements" section.

STATEMENT OF OTHER COMPREHENSIVE INCOME

		thousands of €	
		FY 2020	FY 2019 Restated
Profit/(loss) for the period – Shareholders and non-controlling interests (A)		265,071	265,465
Other comprehensive income that will be subsequently reclassified to the Income Statement			
- effective portion of changes in fair value of cash flow hedges		25,475	(22,679)
- changes in fair value of financial assets		-	-
- share of other profits/(losses) of companies accounted for using the equity method		(620)	1,719
Tax effect of other comprehensive income		(7,358)	5,912
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	(46)	17,497	(15,048)
Other comprehensive income which will not be subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		(5,073)	(3,731)
- portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19)		(68)	(298)
Tax effect of other comprehensive income		1,236	814
Total other comprehensive income not to be subsequently reclassified to the Income Statement, net of tax effect (B2)	(46)	(3,905)	(3,215)
Total comprehensive income/(expense) (A)+(B1)+(B2)		278,663	247,202
attributable to:			
- Profit (loss) for the period attributable to shareholders		249,604	219,229
- Profit (loss) for the period attributable to non-controlling interests		29,059	27,973

As required by IFRS 3, the 2019 financial balances have been restated to consider, at the date of acquisition, the effects arising from the completion, during the financial year 2020, of the allocation of the acquisition price at the final fair value of the assets and liabilities acquired (*Purchase Price Allocation*) of the companies Ferrania Ecologia and Territorio e Risorse. For additional information, refer to "Restatement of values at 31 December 2019" in the "Content and Structure of the Consolidated Financial Statements" section.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2018	1,300,931	133,019	58,346
Dividends to shareholders			
Profits not distributed			6,296
Purchases of treasury shares			
Change in equity interests			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/12/2019 Restated	1,300,931	133,019	64,642
31/12/2019 Restated	1,300,931	133,019	64,642
Dividends to shareholders			
Profits not distributed			12,071
Purchases of treasury shares			
Change in consolidation scope			
Change in equity interests			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/12/2020	1,300,931	133,019	76,713

As required by IFRS 3, the balance sheet balances as at 31 December 2019 have been restated to consider, at the date of acquisition, the effects arising from the completion, during the financial year 2020, of the allocation of the acquisition price at the final fair value of the assets and liabilities acquired (*Purchase Price Allocation*) of the companies Ferrania Ecologia and Territorio e Risorse. For additional information, refer to "Restatement of values at 31 December 2019" in the "Content and Structure of the Consolidated Financial Statements" section.

thousands of €

Cash flow hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Total equity attributable to shareholders	Equity attributable to non-controlling interests	Total equity
(17,353)	468,384	642,396	242,116	2,185,443	376,928	2,562,371
	126,825	-	(108,995)	(108,995)	(40,731)	(149,726)
	(9,054)	133,121	(133,121)	-	-	-
	490	(9,054)		(9,054)	-	(9,054)
	444	490		490	(415)	75
(14,076)	(3,057)	444		444	1	445
		(17,133)	236,362	219,229	27,973	247,202
			236,362	236,362	29,103	265,465
(14,076)	(3,057)	(17,133)		(17,133)	(1,130)	(18,263)
(31,429)	584,032	750,264	236,362	2,287,557	363,756	2,651,313
(31,429)	584,032	750,264	236,362	2,287,557	363,756	2,651,313
	104,787	-	(119,504)	(119,504)	(29,442)	(148,946)
	(25,594)	116,858	(116,858)	-	-	-
	-	(25,594)		(25,594)	8,991	8,991
	(94)	-		-	(50)	(144)
	(655)	(94)		(94)	(100)	(755)
17,936	(3,654)	(655)		(655)		
		14,282	235,322	249,604	29,059	278,663
			235,322	235,322	29,749	265,071
17,936	(3,654)	14,282		14,282	(690)	13,592
(13,493)	658,822	855,061	235,322	2,391,314	372,214	2,763,528

CASH FLOW STATEMENT

	thousands of €	
	FY 2020	FY 2019 Restated
A. Opening cash and cash equivalents	345,876	369,318
Operating cash flow		
Profit (loss) for the period	265,071	265,465
Adjustments:		
Income tax expense for the period	100,134	111,550
Share of profit (loss) of associates and joint ventures	(6,535)	(4,477)
Net financial expense (income)	55,258	79,868
Amortisation of intangible assets and depreciation of property, plant and equipment	440,910	403,563
Net impairment losses (reversals of impairment losses) on assets	6,323	12,087
Net provisions for risks and other charges	148,054	112,712
Capital (gains) losses	3,511	3,688
Utilisations of employee benefits	(7,096)	(10,950)
Utilisations of provisions for risks and other charges	(30,463)	(42,306)
Change other non-current assets and liabilities	(27,363)	10,827
Other changes in capital	(96,981)	(37,635)
Taxes paid	(102,328)	(157,924)
B. Operating cash flow before changes in net working capital	748,495	746,468
Change in inventories	13,286	2,860
Change in trade receivables	(8,076)	65,994
Change in tax assets and other current assets	(3,618)	(42,299)
Change in trade payables	47,110	(61,668)
Change in tax payables and other current liabilities	24,316	13,296
C. Cash flow from changes in net working capital	73,018	(21,817)
D. Operating cash flow (B+C)	821,513	724,651
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(685,150)	(523,985)
Investments in financial assets	(50)	(277)
Proceeds from sale of investments and changes in assets held for sale	11,289	5,955
Change in consolidation scope	(120,099)	(50,746)
Dividends received	2,787	1,784
E. Total cash flows from/(used in) investing activities	(791,223)	(567,269)
F. Free cash flow (D+E)	30,290	157,382
Cash flows from/(used in) financing activities		
Capital increase	-	-
Purchases of treasury shares	(25,594)	(9,054)
Dividends paid	(149,049)	(150,225)
New long term financing	875,000	530,750
Repayment of long term financing	(246,292)	(555,158)
Change in financial payables for leasing	(115,609)	(11,240)
Change in other financial liabilities	(93,382)	50,300
Change in financial receivables	349,086	58,527
Interest paid	(84,619)	(109,122)
Interest received	4,462	14,398
G. Total cash flows from/(used in) financing activities	514,003	(180,824)
H. Cash flows for the period (F+G)	544,293	(23,442)
I. Closing cash and cash equivalents (A+H)	890,169	345,876

As required by IFRS 3, the 2019 financial flows have been restated to consider, at the date of acquisition, the effects arising from the completion, during the financial year 2020, of the allocation of the acquisition price at the final fair value of the assets and liabilities acquired (*Purchase Price Allocation*) of the companies Ferrania Ecologia and Territorio e Risorse. For additional information, refer to "Restatement of values at 31 December 2019" in the "Content and Structure of the Consolidated Financial Statements" section.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 1 July 2010 through the merger of IRIDE and ENÌA.

The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and four companies responsible for the single business lines operating in the main operating bases in Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

The business segments in which the Group operates are:

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

Paragraph XI, Segment reporting, includes the information required by IFRS 8.

The company's consolidated financial statements for the year ended 31 December 2020 include the financial statements of the Company and of its subsidiaries, (collectively referred to as the "Group" and, individually, as "Group entities") and the Group's equity interest in jointly-controlled companies and in associates, measured using the equity method.

I. CONTENT AND STRUCTURE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements as at 31 December 2020 of the Iren Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005. "IFRS" comprises also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In preparing these consolidated financial statements, the same accounting standards were applied as those adopted for the previous year's statements, with the exception of certain amendments to the IFRSs, reported on in the section "Accounting standards, amendments and interpretations applied as of 1 January 2020".

The financial statement formats adopted by the Iren Group in preparing these financial statements are the same as those applied in preparing the financial statements at 31 December 2019.

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current"; assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.

The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in current accounts.

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

The financial statements have been drawn up on the basis of the historical cost principle, except for some financial instruments measured at *fair value*.

The estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. Estimates have been used to measure property, plant and equipment and intangible assets subject to impairment, as well as to recognise provisions for credit risks, risks for obsolete inventory items, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and certain financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

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

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

Net financial debt: calculated as the sum of non-current financial liabilities at net of non-current financial assets and current financial liabilities at net of current financial assets and cash and cash equivalents.

This APM is used by the Group in both internal and external documents and represents a useful tool to assess the Group's financial structure, including by comparing the reporting period with those related to the previous periods or fiscal years.

Gross Operating Margin (EBITDA): determined by subtracting total operating expenses from total revenue. This APM is used by the Group in both internal and external documents and is a useful tool for assessing the Group's operating performance (both as a whole and at the individual Business Units level), including by comparing the operating results for the reporting period with those for previous periods or fiscal years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating efficiency over time.

Operating result: determined by subtracting the depreciation, amortisation, provisions and operating impairment write-downs from Gross Operating Profit (EBITDA).

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

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

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

Investments: calculated as the sum of investments in tangible, intangible and financial assets (equity investments) and reported at gross of the capital gains.

This API is used by the Group in the context of internal documents of the Group and external documents, and measures the financial resources absorbed in purchases of consumer durable goods in the period.

EBITDA margin: calculated by comparing the adjusted EBITDA to the Revenue from sales and services.

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

Debt/Equity: determined as the ratio between net financial debt and net equity including minority interests.

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

RESTATEMENT OF VALUES AT 31 DECEMBER 2019

The Group acquired control of Ferrania Ecologia S.r.l. in July 2019 and of Territorio e Risorse S.r.l. in October 2019. For these acquisitions, the final fair value of the identifiable assets acquired and liabilities assumed was determined during the FY 2020, reflecting the best knowledge gained in the interim. Therefore, in the consolidated financial statements for the year ended 31 December 2019, the fair value had been recorded on a provisional basis as permitted by IFRS 3.

In accordance with the provisions of the standard, the update of the *fair value* occurred with effect from the date of acquisition and, therefore, all changes were made to the net worth of the companies acquired at that date. The resulting balances in the consolidated financial statements as at 31 December 2019 have been restated to reflect the new amounts.

In detail, changes in the fair values of the previously recognized identifiable assets acquired and liabilities assumed resulted in the following adjustments to the statement of assets as at 31 December 2019:

	thousands of €		
	31.12.2019 Published	IFRS3 accounting effect	31.12.2019 Restated
ASSETS			
Intangible assets with a finite useful life	2,175,232	20,340	2,195,572
Goodwill	172,677	(14,278)	158,399
Total non-current assets	6,722,418	6,062	6,728,480
TOTAL ASSETS	8,799,858	6,062	8,805,920
EQUITY			
Net profit (loss) for the period	236,578	(216)	236,362
Total equity attributable to shareholders	2,287,773	(216)	2,287,557
TOTAL EQUITY	2,651,529	(216)	2,651,313
LIABILITIES			
Deferred tax liabilities	204,538	5,728	210,266
Total non-current liabilities	4,373,306	5,728	4,379,034
Current financial liabilities	461,163	550	461,713
Total current liabilities	1,775,023	550	1,775,573
TOTAL LIABILITIES	6,148,329	6,278	6,154,607
TOTAL EQUITY AND LIABILITIES	8,799,858	6,062	8,805,920

In a similar manner, and for comparison purposes, the changes made with reference to the income statement balances and to the representation of cash flows for 2019 are also included.

	thousands of €		
	FY 2019 Published	IFRS3 accounting effect	FY 2019 Restated
Depreciation and amortisation	(403,262)	(301)	(403,563)
OPERATING RESULT	452,149	(301)	451,848
Profit (loss) before tax	377,316	(301)	377,015
Income tax expense	(111,635)	85	(111,550)
Net profit (loss) for the period	265,681	(216)	265,465
attributable to:			
- Profit (loss) for the period attributable to shareholders	236,578	(216)	236,362
- Profit (loss) for the period attributable to non-controlling interests	29,103	-	29,103

	thousands of €		
	FY 2019 Published	IFRS3 accounting effect	FY 2019 Restated
Profit (loss) for the period	265,681	(216)	265,465
Adjustments:			
Income tax expense for the period	111,635	(85)	111,550
Amortisation of intangible assets and depreciation of property, plant and equipment	403,262	301	403,563
Operating cash flow	724,651	-	724,651
H. Cash flows for the period	(23,442)	-	(23,442)

II. CONSOLIDATION PRINCIPLES

The consolidation scope includes subsidiaries, joint ventures and associates.

Subsidiaries

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

- decision-making power over the investee, i.e. the power to direct the relevant activities of the investee, therefore the activities that bear a significant influence on the results of said investee;
- the right to variable (positive or negative) returns from its equity in the entity;
- the ability to use its decision-making power to determine the amount of the returns deriving from its equity in the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Equity and portion of profit/loss attributable to minority interests are identified separately in the consolidated statement of financial position and income statement.

Subsidiaries are consolidated on a line-by-line basis intra-group balances, transactions, unrealised income and expenses are eliminated in full.

Furthermore: a) all changes in the equity interest that do not constitute a loss of control are treated as *equity transactions* and, therefore, feature a corresponding asset item under net equity; b) when a parent company transfers control to one of its investees, but still continues to hold an interest in the company, it measures the equity investment retained in the financial statements at *fair value* and recognises any gains or losses deriving from loss of control in the income statement.

Joint ventures

These are companies over whose activity the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements*, is the “contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control”.

With reference to entities jointly owned by mixed public and private companies, given the objective possibility for the public shareholder to influence the company not only by means of *governance* agreements, but also because of its nature as public entity, the existence of joint control is ascertained on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.

Joint arrangements are divided into 2 types:

- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint Ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The assets/revenues on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

Associates (accounted for using the equity method)

An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group’s share of the associates’ profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases. If the Group’s share of losses of an associate equals or exceeds the carrying amount of its interest in the associate, the carrying amount is reduced to nil and recognition of further losses is not detected, except to the extent that the Group is obliged to respond.

Transactions eliminated on consolidation

Intra-group balances and significant transactions and any unrealised gains and losses arising from intra-group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group’s interest in the entity. The related tax effect is calculated for all consolidation adjustments.

III. CONSOLIDATION SCOPE

The consolidation scope includes companies directly or indirectly controlled by the Parent Company, in addition to joint ventures and associates.

Parent Company:

Iren S.p.A.

Companies consolidated on a line-by-line basis

The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis.

1) Iren Ambiente and its subsidiaries:

- ACAM Ambiente
- AMIAT V and the subsidiary:
 - AMIAT
- Bonifica Autocisterne
- I.Blu
- Iren Ambiente Parma
- Iren Ambiente Piacenza
- Montequerce
- ReCos
- Rigenera Materiali
- San Germano
- Territorio e Risorse
- TRM
- Unieco Holding Ambiente and its subsidiaries:
 - A.M.A.
 - Bio Metano Italia
 - Gheo soil and environment
 - Manduriambiente
 - Picena Depur
 - Sereco Piemonte
 - UCH Holding and its subsidiary:
 - STA and its subsidiaries:
 - Energy Side
 - Produrre Pulito
 - Scarlino Holding and its subsidiaries:
 - Scarlino Energia
 - Scarlino Immobiliare
 - STA partecipazioni
 - TB
 - Unirecuperi and its subsidiary:
 - Borgo ambiente
 - Uniservizi
- Uniproject

2) Iren Energia and its subsidiaries:

- Asti Energia e Calore
- Iren Smart Solutions and its subsidiary:
 - Studio Alfa
- Maira and its subsidiary:
 - Formaira

3) Iren Mercato and its subsidiary:

- Salerno Energia Vendite

4) IRETI and its subsidiaries:

- ACAM Acque
- ASM Vercelli and its subsidiary:
 - ATENA Trading
- Consorzio GPO
- Iren Laboratori
- Iren Acqua and its subsidiary:
 - Iren Acqua Tigullio
- Nord Ovest Servizi

During the 2020 financial year, the mergers by incorporation of the subsidiaries Busseto Servizi into IRETI, CMT and Ferrania Ecologia into Iren Ambiente, Immobiliare delle Fabbriche into Iren Acqua, Spezia Energy Trading into Iren Mercato and Coin Consultech into Studio Alfa became effective.

Although these operations had an effect on the shareholding structure, they did not entail any changes in the consolidation area and took place as part of the rationalisation aimed at strengthening the Group's Organisational Model, which also involved companies acquired through recent Merger&Acquisition operations.

It is noted that, from the point of view of transactions that did not change the scope of consolidation:

- in January 2020 Iren Ambiente established the company Rigenera Materiali (RI.MA.), a special purpose entity dedicated to the design, construction, management and operation of plant for the Mechanical-Biological Treatment of urban waste, to be built in the plant centre in Scarpino (Genoa);
- in September 2020, Iren Ambiente established the companies Iren Ambiente Parma and Iren Ambiente Piacenza for the management of urban and assimilated waste in the territorial basin of Parma and Piacenza, under a contract to be signed with the Territorial Agency of Emilia Romagna for Water and Waste Services.

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

CHANGES IN FULL CONSOLIDATION SCOPE

On 1 May 2020, the business unit transfer to Iren Energia became effective; this concerns "SEI Energia", which includes the district heating network in the Municipalities of Rivoli and Collegno; furthermore, there was also transferred 49% of the company NOVE which manages the district heating network in the Municipality of Grugliasco, amounting to a total volume of the business unit of 5.2 million cubic metres for approximately 50,000 equivalent inhabitants served.

Pursuant to IFRS 3 - *Business Combinations*, the positive difference between the consideration transferred, amounting to € 24,353 thousand, and the provisional *fair value* of the net assets acquired has been recognised as goodwill in the amount of € 2,153 thousand.

In July 2020, the Group acquired from ASTA S.p.A. (a Gavio Group company) through IRETI and AMIAT, 50% of the shares of Nord Ovest Servizi S.p.A (NOS), for a consideration of € 6,513 thousand, increasing its stake to 75% and, through Iren Energia, 28% of Asti Energia e Calore S.p.A. (AEC), for a consideration of € 34 thousand, amounting to 62%.

NOS, valued at equity until 30 June 2020, consequently entered the scope of consolidation on a line-by-line basis as of July. In line with the provisions of IFRS 3 - *Business Combinations*, acquisition of control of NOS entailed recalculation at *fair value* of the previous interest held (25% for a total value of € 4,539 thousand), with consequent recognition of a charge of € 1,579 thousand to the item "Value adjustments to investments".

Pending the valuation to be completed in accordance with IFRS 3, the positive difference, determined on a provisional basis, between the cost of acquisition of the equity investment and the provisional *fair value*, at the date control was obtained, of the identifiable assets acquired and liabilities assumed has been allocated to goodwill for the amount of € 1,326.

Similarly to Nord Ovest Servizi, Asti Energia e Calore was also valued at equity until 30 June 2020, and it is fully consolidated as of July. Pending the definition of the *Purchase Price Allocation*, an insignificant difference is noted between the consideration paid and the provisional *fair value* of the net assets acquired.

In August 2020, Iren Ambiente finalised the purchase of 80% of the share capital of I.Blu from Idealservice; the company operates in the field of selection of plastic waste to be sent for recovery and recycling, as well as in the treatment of plastic waste for the production of Blupolymer (polymer for civil uses) and Blair ("reducing agent" for steel plants).

The positive difference between the consideration transferred, amounting to € 16,106 thousand, and the provisional *fair value* of the net assets acquired has been recognised as goodwill in the amount of € 5,562 thousand.

In November 2020, Iren Ambiente completed the purchase of the so-called "Unieco Environment Division", a cooperative company under administrative compulsory liquidation. The activities acquired are carried out through 20 subsidiaries and 8 associates that oversee the main operating sectors of the environmental supply chain.

The positive difference between the consideration transferred, subject to adjustment, amounting to € 121,551 thousand, and the provisional *fair value* of the net assets acquired has been recognised as goodwill in the amount of € 46,745 thousand.

Specifically, a number of assessments must be completed in order to determine the fair value of a waste disposal asset with respect to which the *process* of obtaining authorisations to operate the plant is ongoing. Finally, the possible applicability of IFRIC 12 to certain concession agreements relating to the urban waste treatment service is currently being assessed.

The table below summarises, for the five business combination operations described above, the fair value of the consideration transferred upon the date of acquisition, the pro-rata share of the carrying amount of the assets acquired (net of goodwill) and liabilities assumed, and the adjustments made following the fair value valuation of the assets acquired and liabilities assumed.

	thousands of €				
	"SEI Energia" branch	NOS	AEC	I.Blu	Unieco Ambiente
Fair value of the price paid at the acquisition date (A)	24,353	6,513	34	16,106	121,551
Fair value of interest held before acquisition of control (B)	-	2,960	41		
Pro-rata carrying amount of the assets acquired (net of goodwill) and the liabilities assumed (C)	22,200	13,616	247	10,544	74,806
Difference (A+B-C)	2,153	(4,143)	(172)	5,562	46,745
Adjustments made following the measurement at fair value of assets acquired and liabilities assumed:					
Property, plant and equipment					-
Intangible assets					-
Investments accounted for using the equity method		(7,292)			-
Deferred taxation					-
Equity attributable to non-controlling interests		1,823			-
Goodwill (Gain deriving from a bargain)	2,153	1,326	(172)	5,562	46,745

IV. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up these Consolidated Financial Statements as at 31 December 2020 of the Iren Group are indicated below; the accounting standards described were applied consistently by all the Group entities and have not changed with respect to those adopted as at 31 December 2019, with the exception of what is indicated in the section "Accounting standards, amendments and interpretations applied as of 1 January 2020".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Financial expense related to the purchase or internal construction of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.

When significant components of property, plant and equipment have different useful lives, they are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Ordinary maintenance expenditure is expensed in full in the income statement. Other costs of an incremental nature are allocated to the fixed assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Expenditures that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include expenditure related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives. Landfills are depreciated based on the filling percentage.

Transferable assets are depreciated according to the expiry term of the related concession decrees. Decree Law No. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and public administration - "D.L. Simplifications") converted, with amendments, by Law No. 12 of 11 February 2019, regulates the new regime of remuneration of the so-called "Wet Works" concerning concessions for large-scale diversions of water for hydroelectric power plants; the new regulations establish that "Wet Works" are to be transferred without compensation to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. As regards the so-called "dry works" (property, plant and equipment included in the business unit of the outgoing operator and not included under the "wet works" category, the so-called non-transferable assets), the new law did not introduce changes and, therefore, the outgoing operator has the right to a consideration determined on the basis of the value of reconstruction as new, less normal wear. Consequently, for purposes of legal consistency, the amortisation schedule of the Wet works concerning the expired concessions was redetermined, considering also the possible reassignment dates thereof, which, on the basis of the previous law, was interrupted starting from the 2012 financial statements.

The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	1.25%	20.00%
Lightweight constructions	2.00%	25.00%
Vehicles	5.00%	25.00%
Sundry equipment	5.00%	25.00%
Furniture and office machines	5.00%	20.00%
Hardware	10.00%	50.00%
Plants	1.22%	33.33%

The changes in rates compared to 2019 are due to the new companies that came into the full consolidation scope, the updating of the economic and technical useful lives of individual assets and the result of verification performed on these by the technicians responsible for the plants.

The table below shows the residual duration of the leasing contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

	Years	
	from	to
Rights of use IFRS 16 - Leases	1	50

Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- Leased assets

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lessee's part, IFRS 16 provides for recognition in the balance sheet of the assets and related financial liabilities for all leasing contracts with a duration of more than 12 months, unless the underlying asset has a value at new of less than five thousand euros.

The leasing liability is initially measured at the present value of the payments due for the leasing, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate to be used for discounting, reference is made to the marginal financing rate deduced from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the short-term portion (within 12 months) from the long-term portion.

The right of use of the asset underlying the leasing contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the duration of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redeterminations of the leasing liability.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment of the asset consisting of the right of use.

On the lessor's part, the distinction between operating leases and finance leases remains. Assets transferred in financial leasing are excluded from property, plant and equipment, while the related financial receivable is recognised in the statement of financial position when the respective capital is collected. Interest income on receivables is recognised in the income statement based on the repayment plan.

Investment property

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable expenditure. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.

Expenses incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these expenses. Otherwise, such costs are charged to the income statement.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development costs are capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements fails to be met, the costs in question are fully recognised in the income statement in the period in which they are incurred.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property use rights	1	50
Concessions, licences, trademarks and similar rights	1	99
Software	1	33
Other intangible assets with finite useful life	1	57

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets in progress and payments on account relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets in progress are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Goodwill

Goodwill is initially recognised at cost. It represents the difference between the cost of the acquisition and the value of non-controlling interests and the net fair value referred to the identifiable assets, and current and contingent liabilities related to the complex acquired. If, after this restatement, the value of current and contingent assets and liabilities exceeds the acquisition cost, the difference is recognised immediately in the income statement.

Any goodwill deriving from the acquisition of an associate or joint venture is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on “Impairment losses on non-financial assets”).

Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the group that has been discontinued or classified as held for sale, and:

- a. it represents an important business unit or geographical area of operations;
- b. forms part of a single coordinated disposal plan or an important autonomous business unit or geographical area of operations;
- c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item “Net profit/loss from discontinued operations”, a single amount is recorded represented by the total of:

- i) profit or loss on the discontinued operation, net of tax effects; and
- ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative period is restated in order to guarantee consistent comparison. If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Service concession arrangements

The IREN Group is subject to application of IFRIC 12, which defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under licence agreement. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will purchase either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position under assets, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The financial asset recognised is subject to the provisions of IAS 32, IAS 9 and IFRS 7. The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditional right to receive payments as the amounts depend on how much the utility is used. The intangible asset recognised is subject to the provisions of IAS 38.

If the operator is paid for the building services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.

With reference to the grants received on non-current assets, included in the application of IFRIC 12, these grants are classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses on non-financial assets

The IASs/IFRSs require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a counter-item in the income statement, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the value expected from its disposal at the end of its useful life.

The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Investments measured using the equity method

These are equity investments in associates or joint ventures, measured using the equity method, that is by recognising an amount equal to the investor's share of equity as per the most recent financial statements available, adjusted to account for the difference between the price paid and equity at the acquisition date and any intra-group transactions, if relevant.

The investor's share of profit or loss arising from application of the equity method is recognised as a "Share of profit or loss of associates and joint ventures measured using the equity method", while the share of other comprehensive income is recognised in the statement of comprehensive income.

The difference between the purchase cost and the value, pertaining to owners of the Parent, of the identifiable current and potential assets and liabilities of the associate or joint venture at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.

The risk deriving from losses which exceed the investor's share of equity is provided for in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- Financial assets and liabilities

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in the income statement, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets carried at amortised cost; b) financial assets carried at fair value through other comprehensive income (FVOCI); c) financial assets carried at fair value through profit or loss (FVTPL).

The classification within the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

- a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;
- b) a financial asset is measured at Fair Value with a counter-item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
- c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the period, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS9 the impairment model adopted by the Iren group is based on expected losses, where "loss" means the present value of all future lost revenue, opportunely integrated to take into account future expectations ("forward-looking information"). According to the *general approach* concerning all financial activities, the expected losses is a function of probability of default (PD) of the *loss given default* (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the receivable exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected losses in the subsequent 12 months; in view of any gradual deterioration of the receivable, the estimate is adjusted to cover the expected losses along the entire life of the receivable.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value recognised in profit (loss) for the period. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- Other equity investments

Other equity investments, consisting of non-controlling interests in unlisted companies that the Group intends to keep in its portfolio in the near future, are measured at *FVTPL – fair value through profit and loss*.

- Hedging instruments

The Group holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by using adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (*intrinsic value*). For options, *fair value is supplemented* with the *time value*, which is based on their residual life and the volatility of the underlying.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in shareholders' equity for the effective portion of the hedge (*intrinsic value*), and in the income statement for the time-value portion and any ineffective portion (*over-hedging*);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in the income statement.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in the income statement.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

- Trade receivables and payables

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition they are measured at amortised cost.

Trade receivables are shown net of provisions for impairment of receivables determined, in accordance with IFRS 9, applying, instead of the *general approach*, valid for all financial assets with the exception of those measured at fair value through profit (loss) for the period, the simplified approach and, more specifically, the *provision matrix* model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and revenue stamps are measured at their nominal amount.

Inventories

Inventories, mainly made up of materials and supplies for the maintenance and construction of plants, raw materials, i.e. fuel oil and diesel, and gas in relation to the marketing activity, measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method.

If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Inventories pertaining to Construction Contracts are measured using the percentage of completion method, net of advances invoiced to customers. Orders for which a loss is expected at the level of direct costs are subject to a specific write-down which is charged to the income statement in the period in which the loss is recorded.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions of the parent are offset against equity.

Dividends are recognised as liabilities when they are approved by the shareholders' meeting.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the Group these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the Group, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional salary payments (Art. 47, national collective bargaining agreement), the loyalty bonus paid to employees, and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, taking into account economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the

proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

- 1) operating (service costs), personnel expenses;
- 2) financial (finance costs), net interest income/expense;
- 3) measurement (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income Statement.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Provisions for landfill post-closure are discounted to the present on the basis of the cash flows indicated in the report drawn up by an independent expert.

The provisions for the renewal of transferable assets was set up so as not to recognise costs for maintenance, replacements and similar work, which do not increase the carrying amount of the asset, only in the periods in which they were incurred but to distribute them among the different periods of use of those assets.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.

For correct recognition of revenue from contracts with customers, reference is made to what is laid down in IFRS 15 which provides for a revenue recognition model based on 5 steps:

1. identify the contract with the customer. By contract is meant a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);

2. identify the "Performance Obligations" contained in the contract. Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.

If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question;

3. determine the "Transaction Price". The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
4. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price";
5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the Statement of Financial Position, under Other liabilities, with suitably separated current and non-current amounts.

Grants for current expenses are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Connection contributions invoiced by companies that provide the distribution service as reimbursement of the costs incurred for the connection/meter installation under the terms of IFRS 15 cannot be considered part of the price of the distribution service because there is no transfer of control over the asset. They are therefore deferred and released along the life of the asset of reference in line with what is envisaged for tariff purposes.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature. Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expenses

Financial income and expenses are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expenses directly attributable to the acquisition, construction or production of a plant are capitalised when:

- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the shareholder's meeting.

Income tax expense

Income taxes comprise all the taxes calculated on the Group's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable. The amendments to IAS 12 approved by the European Commission with Regulation (EU) 2017/1989 of 6 November 2017 provide some clarifications on the criteria to be adopted to determine whether there are sufficient future taxable incomes against which to use the deductible temporary differences.

Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent Company Iren S.p.A. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Translation criteria

The functional and presentation currency adopted by the Group is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

Emission Trading Scheme

The *Emission Trading Scheme*, which came into force in the European Union on 1 January 2005, is one of the 'flexible mechanisms' permitted under the Kyoto Protocol to reach greenhouse gas emission targets. The target for Italy was a 6.5% reduction in CO₂ emissions by 2012 compared with 1990.

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

The Group actively participates in the emissions trading scheme to reduce greenhouse gas emissions and contribute to reaching the targets with respect to the national reduction plan.

Emission quotas acquired in the context of activities associated with achieving these targets are accounted for as intangible assets. The quotas are measured initially *at fair value*, represented by the effective purchase price, and are not amortised. Quotas received free of charge are not recognised.

As regards obligations related to the period, the CO₂ emissions made are measured at fair value, represented by the market price at the end of the period and/or by the effective price of quotas already purchased, and are set aside as provisions for charges, used at the moment in which the rights are cancelled. In the event of sale of emission quotas, together with the decrease in intangible assets, any capital gain/loss deriving from the selling price is recognised.

Any emission quotas held for trading which are still unsold at year end are recognised in the statement of financial position under the item Inventories. These quotas are measured at the lower of cost and market value.

Other energy certificates

Some types of incentives or energy certificates closely related to the activities performed were assigned to the Group. These are strictly connected with the performance of specific activities aimed at energy-saving and at injection into the electricity system of energy produced by renewable sources. In particular, the Group received:

- from the Energy Services Operator ("Gestore dei Servizi Energetici" - GSE) an ex-green certificate incentive tariff, as established by the Ministerial Decree of 6 July 2012, valid for the production of plants that already benefited from green certificates;
- from the Energy Services Operator (GSE), tradable certificates that certify that energy-saving work has been performed (Energy Efficiency Certificates – "EECs" - the so-called "white certificates").

For accounting purposes, these cases are treated as follows:

- the incentive tariff (ex-green certificates) deriving from the annual production of electricity from renewable sources is recognised on the basis of the accruals concept when the right matures;
- White Certificates are accounted for in a slightly different way according to whether the entity is obliged or not obliged to return the EECs.

In fact, entities that are obliged to return EECs recognise among other income the grant related to the obligation for the year and among cost for raw materials the cost of EECs purchased to meet this obligation in the year of accrual. If the EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted; conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year.

Entities not obliged to return the EECs:

- if they operate in trading activities, recognise revenue and costs of the certificates bought and sold and suspend among Inventories any unsold certificates, measured at the weighted average cost and at the lower between cost and market;
- if white certificates mature in the context of energy efficiency and energy saving activities, the related revenue is recognised as it accrues.

Earnings per share

- Earnings per share

Basic earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent. They are calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share

Diluted earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent.

For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2020

As of 1 January 2020, the following accounting standards and amendments to the accounting standards, issued by the IASB and endorsed by the European Union, must be implemented:

Reform of benchmarks for determining interest rates (Amendments to IFRS9, IAS39, and IFRS 7).

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

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

- the designation of a risk component of an item as a hedged item;
- the "high probability" requirements for cash flow hedges;
- the assessment of the economic relationship between the hedged item and the hedging instrument;
- the reclassification of the amount accumulated in the cash flow hedge reserve.

The exceptions apply to hedging relationships directly affected by the reform of the benchmark indices to determine interest rates, i.e. hedging relationships for which the reform generates uncertainties regarding: a) the benchmark index to determine interest rates (defined contractually or not contractually) designated as the hedged risk; b) the timing or the amount of cash flows related to the benchmark indices to determine interest rates of the hedged item or hedging instrument.

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

The Iren Group's hedging relationships are exposed to the EURIBOR benchmark index.

The EURIBOR calculation methodology was subject to review in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of the Benchmarks Regulation (EU) 2016/1011 (BMR): it is therefore assumed that EURIBOR will continue to be used in the immediate future and that the existing interest rate benchmark indices will not be changed following the reform of interest rate benchmarks. As a result, the assumption is that there is no uncertainty regarding the timing and the amount of the cash flows related to the benchmark indices to determine interest rates and it is estimated that the degree of risk exposure directly affected by the reform of the benchmark indices is almost zero. As at 31 December 2020, the nominal amount of hedging instruments correlated to the EURIBOR benchmark index is € 624,576,260.

Amendments to IFRS 3 - Business Combinations.

The amendment, issued by the IASB on 22 October 2018 and endorsed by the European Union through Reg. 2020/551 of 21 April 2020, concerned the definition of business, to be understood as an integrated set of activities that can be conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. This clarification makes it possible to distinguish whether an acquisition relates to a company or to a group of activities: only in the first case can goodwill be recorded. In order to identify a business, the entity may carry out the so-called *fair value concentration* test and/or perform more in-depth assessments to verify the presence of at least one input and a substantial process applied to it.

Amendments to IAS 1 and IAS 8 - Definition of "Material".

The standard, published by the IASB on 31 October 2018 and endorsed with Reg. 2019/2104 of 29 November 2019, has the purpose of clarifying better the definition of "material", providing indications useful for identifying all the relevant information to be included in the financial statements and making uniform the application of the concept of materiality in the body of the International Accounting Standards.

Amendment to IFRS16 - Concessions on fees related to the COVID-19 emergency.

The standard, published by the IASB in May 2020 and endorsed with Reg. 2020/1434 of 9 October 2020, introduces an amendment to *IFRS 16 - Leases* that is "temporary in nature" in relation to the Covid-19 emergency.

Tenants who, as a direct consequence of the COVID-19 pandemic, benefit from concessions, such as reductions, rebates or rent deferments, may make use of a practical expedient which makes it possible to assume, without making any assessment, that the reduction or deferment of the payments due does not constitute a change in the contract if 3 conditions are met: a) the contract price, following the change in payments, is equal to or less than the price due before the change; b) the reduction concerns payments due by 30 June 2021; c) no other contractual condition is substantially changed.

If it uses the practical expedient, the entity reduces the lease liability by recognising under profit or loss the amounts not due as a result of the relief (IFRS 16, paragraph 38b). The entity must disclose the contracts to which it has applied the practical expedient and the amounts recognised in the income statement.

The amendment must be applied in annual periods beginning after 1 June 2020, but may be applied to all financial statements, including interim financial statements, not yet approved as of the date of issuance of the document.

The Iren group has, so far, not benefited from any discounts or rebates on lease payments in connection with the COVID-19 pandemic, so the practical expedient in question is not applicable.

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

In August 2020, the IASB published the *Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)*, endorsed by the European Union with Reg. 2021/25 of 13 January 2021. While Phase 1 focused on the consequences of pre-reform IBOR by providing exceptions to hedge accounting requirements, Phase 2 examines the consequences of contractual changes resulting from the reform by clarifying the proper accounting treatment of the financial instruments involved when interest rate benchmarks are replaced by alternative rate benchmarks.

The amendments, which are effective as of 1 January 2021, relate primarily to the following issues.

- 1) The accounting impacts of a change in the cash flows of a financial instrument resulting from a change in the contractually agreed index. With reference to the changes resulting from the reform of interest rates, the IASB has identified two types of scenarios: a) scenarios in which the reform of interest rates leads to a change in contractual conditions and b) scenarios in which the reform leads to changes in cash flows without requiring changes in contractual conditions. In either case, if the changes are the direct result of the interest rate reform and generate cash flows that are economically equivalent to those expected immediately before the changes resulting from the reform, then the instrument should not be derecognised. In essence, the effective interest rate of the instrument must be changed to reflect these changes, without any impact immediately recognised in the income statement (IFRS 9 B5.4.5.).

2) The consequences of an index change for hedge accounting. In Phase 2, the IASB introduces additional exceptions to the hedge accounting requirements to ensure that hedging relationships affected by the IBOR reform do not have to be discontinued upon replacement:

- i. the hedging report must not be interrupted if the change in documentation meets certain conditions (IFRS 9 6.9.1);
- ii. when the hedging relationship is changed to consider the new reference rate, the Cash Flow Hedging reserve recognised under Other comprehensive income is deemed to be calculated based on the alternative reference rate (IFRS 9 6.9.7);
- iii. for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, as soon as the Phase 1 exceptions cease to apply, the cumulative change in the fair value of the hedged item and the hedging instrument can be reset to zero to prevent the hedging relationship from being terminated due to the accumulated ineffectiveness during Phase 1 (IAS 39 102V);
- iv. where the alternative reference rate is designated as a non-contractually specified risk component or the elements have been hedged at portfolio level, specific guidance is provided to manage the transition (IFRS 9 6.9.9-13).

3) Information required in the notes. In order to help all users of financial statements understand the nature and extent of risks arising from the reform and the progress made by entities in completing the transition to alternative reference rates, the following disclosures are required:

- a description of how the entity manages the IBOR transition for the various rates involved and the risks arising from that transition;
- the carrying amount of financial assets and liabilities not linked to derivatives and the nominal value of derivatives that continue to relate to benchmark interest rates subject to reform. These amounts are broken down by reference interest rate and presented separately;
- the impact of the IBOR reform on the entity's risk management strategy.

4) The impact of the IBOR reform on standards other than those relating to financial instruments, in particular IFRS 4 Insurance Contracts and IFRS 16 Leases. With respect to IFRS 16, in the case of leases that include variable payments indexed to benchmark rates that are within the scope of the IBOR reform, the document provides, as a practical expedient, that changes in lease payments resulting from the IBOR reform are accounted for as adjustments to the lease liability, rather than as lease modifications. This exception is strictly limited to changes that are the direct result of the IBOR reform and are economically equivalent to previous assumptions (e.g. the previous reference rate).

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

The following updates and amendments to the IFRSs (already approved by the IASB) are currently being implemented by the relevant bodies of the European Union:

Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

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

Amendments to IAS 37 – Onerous contract.

The document, published by the IASB in May 2020, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in effect on the date of initial application.

An entity shall not restate prior periods; the cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS 16 – Proceeds before Intended Use.

The document, published by the IASB in May 2020, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for any revenue from the sale of items produced by the entity to "bring the asset to the location and condition necessary for it to operate in the manner intended by management" (e.g. samples produced during the testing of machinery). Such income no longer has to be deducted from the cost of property, plant and equipment (the offset is therefore cancelled). Sales revenues and costs of such items shall be recognized in the income statement in accordance with the principles applicable to them.

If not presented separately in the statement of comprehensive income, an entity shall disclose in the notes to the financial statements the amounts of income and expense to items produced that are not an output of the entity's ordinary activities and specify which lines of the statement of comprehensive income include them.

The amendment is to be applied retrospectively from 1 January 2022, but only with respect to property and equipment that came into use or became available for use after the beginning of the first comparative period presented. The cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS 8 – Definition of Accounting Estimates.

The document, published by the IASB on 12 February 2021, clarifies, also through some examples, the distinction between changes in estimates and changes in accounting policies. The distinction is relevant because changes in estimates are applied prospectively to future transactions and events, while changes in accounting policies are generally applied retrospectively. The amendment must be applied as of 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.

The document, published by the IASB on 12 February 2021, requires companies to provide the relevant information about the accounting standards they apply and suggests avoiding or limiting unnecessary disclosures. Information about accounting policies is material if it could reasonably be expected that, taken together with other information included in an entity's financial statements, it would influence the decisions of users of the financial statements.

As a general principle, accounting policy disclosures that explain how an entity has applied IFRSs in its financial statements are more useful to users of financial statements than standardised disclosures or disclosures that duplicate or summarise the content of IFRSs. The amendment provides examples to clarify when disclosures about accounting policies related to significant transactions or other events may be material:

- (a) the entity changed its accounting policy and that change had a material impact on the financial statements;
- (b) the entity has selected one or more of the options permitted by IFRSs (eg historical cost rather than fair value);
- (c) the accounting policy was developed by the entity in accordance with IAS 8, in the absence of an IFRS that specifically addresses this issue;
- (d) the accounting policy relates to an area for which the entity is required to make significant judgments or assumptions in applying the policy;
- (e) the accounting treatment adopted is complex, for example because it involves the combined application of several IFRSs.

The amendment must be applied as of 1 January 2023.

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

V. GROUP FINANCIAL RISK MANAGEMENT

A summary of the risk management and control methods is shown below with respect to financial instruments (liquidity risk, foreign exchange risk, interest rate risk, credit risk) and *commodity* price risk related to fluctuations in the prices of energy *commodities*.

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines. The procurement of financial resources has been centralised in order to optimise their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the period short-term bank credit facilities used by the Parent Company totalled 8 million euro.

The table below illustrates the nominal cash flows required to settle financial liabilities:

Financial liabilities at 31 December 2020:

	thousands of €				
	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Loan and bond payables (*)	3,935,409	(4,189,236)	(279,261)	(1,743,476)	(2,166,500)
Hedging of interest rate risk(**)	72,507	(72,507)	(14,382)	(44,950)	(13,175)
Payables for leases	37,140	(38,763)	(10,555)	(18,074)	(10,134)

(*) The carrying amount of "Mortgage loan and bond payables" includes both current and non-current portions.

(**) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Financial liabilities at 31 December 2019:

	thousands of €				
	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Loan and bond payables (*)	3,267,486	(3,524,043)	(262,289)	(1,401,546)	(1,860,208)
Hedging of interest rate risk(**)	78,273	(78,273)	(16,111)	(45,848)	(16,313)
Payables for leases	132,014	(132,831)	(106,777)	(19,038)	(7,016)

(*) The carrying amount of "Mortgage loan and bond payables" includes both current and non-current portions.

(**) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Cash flows required to settle other financial liabilities, other than those to lenders and those related to the application of IFRS 16 on the subject of *leases*, shown in the above tables, do not differ significantly from the recognised carrying amount.

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

Details of the activities performed in this area and of the individual transactions are shown in the chapter Financial Income and Expenses of the Directors' Report.

Financial indebtedness from loans at year-end consisted of 16% in loans and 84% in bonds; it is noted that 59% of the total debt was financed by *sustainable* funds; 85% of the residual debt for loans was at fixed rate and 15% at floating rate.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (*default* risk and *covenants*), it is noted that the clauses in Iren's loan agreements are complied with. Specifically, for certain medium/long-term loan agreements Iren is committed to observing financial *covenants* (such as Debt/EBITDA, EBITDA/borrowing costs) verified on a yearly basis. Moreover, other covenants have been provided for the *Change of Control* clause, which states that the Iren Group should be kept under the direct and indirect control of public shareholders. In addition, *Negative Pledge* clauses exist whereby the company undertakes not to grant collateral beyond a specific limit, and the *Pari Passu* clause, which reserves an equal treatment for lending banks with respect to the treatment related to other unsecured creditors. The medium/long-term loan agreements of certain companies which contribute to the Group's Net Financial Position, specifically the *Project Finance* contract with TRM, envisage the observance of financial indices which have been satisfied.

b) Foreign exchange risk

Except as indicated in the section on energy risk, the IREN Group is not significantly exposed to exchange rate risk.

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

From 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 high credit *standing* counterparties, for the sole purpose of hedging. At the end of the period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.

The total fair value of the aforementioned interest rate hedges was a negative € 72,507 thousand as at 31 December 2020.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 96% of financial debt from financing against interest rate risk, in line with the Iren Group's target of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates. As regards financial charges, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expenses capitalised in the year.

With regard to hedging derivatives at year end, a 100 *basis points* theoretical upward and downward change was applied to the *forward* curve of interest rates used to measure the *fair value* of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2020.

	increase of 100 bps	100 bps decrease
Increase (decrease) in net financial charges	(3,150)	3,110
Increase (decrease) in derivative fair value charges	1,346	(1,345)
Increase (decrease) in hedging reserve	28,755	(31,141)

thousands of €

2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and environmental services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects, among other factors, also the current economic and financial situation.

To limit exposure to credit risk, a number of tools have been activated. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, methods of payment through digital channels are offered to Customers.

The receivable management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

Provisions set aside for impairment of receivables reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected losses determined on a prospective basis, taking into due consideration the historical series.

As mentioned in the Directors' Report with regard to the Covid-19 emergency context, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group increased the provision for bad and doubtful debts by € 25 million due to the assessment of expected losses, particularly in the electricity and gas sales and integrated water service sectors.

The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures. In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and *ageing* band. Credit

risk is assessed both at the consolidated and at the Business Unit and company levels. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

With reference to credit concentration we can note the relations between the subsidiaries Iren Smart Solutions and AMIAT and the Municipality of Turin. For further details, see in particular Note 8 “Non-current financial assets” of the Notes to the statement of financial position.

3. ENERGY RISK

The Iren Group is exposed to price risk, on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly or through indexing formulae. Exposure to exchange rate risk, typical of oil-based commodities, is present, but is attenuated thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products. The Group’s policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

For this purpose, the Group carries out planning of the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae.

The objective is to obtain sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group’s customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

In addition to the regular physical contracts, Over the Counter (OTC) commodity derivative contracts (*Commodity swaps* on TTF and PSV indices) are in place to hedge the energy portfolio, for a total of 5.7 TWh. As regards activity on the EEX regulated platform, derivative operations on the SNP are in place for a total net notional amount of 0.5 TWh. The Fair Value of these instruments as at 31 December 2020 totalled a positive € 13,707 thousand.

RECOGNITION OF DERIVATIVES

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

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

- **fair value hedging**: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- **cash flow hedging**: the derivative is recognised at fair value with a contra entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective component and the deferred amount transferred from equity is based on the nature of the underlying instrument; in the case of commodity derivatives, this amount is accounted for in the gross operating profit (EBITDA), while in the case of interest rate risk hedges in financial income and expenses.

Transactions not recognised in compliance with hedge accounting rules

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

- in the case of commodity derivatives, in the gross operating profit (EBITDA); specifically, the realised component is recognised to adjust the income or expense to which it refers, while the portion determined from measuring the derivative at the end of the period is classified under other expense or other income;
- in the case of interest rate risk hedges, in financial income or expenses.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in long term financial assets and liabilities if the related underlying item is a medium/long term item. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reference period.

FAIR VALUE

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every asset and liability class shown in the financial statements.

Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense, discounted with reference to the reporting date. The present value of future flows is determined by applying the *forward* interest rate curve at the reporting date.

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

	31.12.2020		31.12.2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets for hedging derivatives	40	40	693	693
Bonds due at more than 12 months	(3,124,430)	(3,339,613)	(2,516,069)	(2,667,775)
Bonds due within 12 months	(181,628)	(187,490)	(167,831)	(174,955)
Loans - non-current portion	(580,201)	(584,871)	(539,949)	(542,108)
Loans - current portion	(49,150)	(50,836)	(43,637)	(45,502)
Liabilities for hedging derivatives	(72,547)	(72,547)	(78,966)	(78,966)
Total	(4,007,916)	(4,235,317)	(3,345,759)	(3,508,613)

The amounts related to assets and liabilities for hedging derivatives in the table refer exclusively to derivatives hedging interest rate risk.

As regards financial asset and liability classes which are not included in the table above, the carrying amount is equal to fair value.

FAIR VALUE HIERARCHY

The following table shows financial instruments recognised at fair value, based on the measurement technique used and the method of accounting for them. The various levels were defined as shown below:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

	thousands of €			
31.12.2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			28,444	28,444
Derivative financial assets in Cash Flow Hedge		17,244		17,244
Derivative financial assets in Fair Value Hedge				
Derivative financial assets not included in hedge accounting				
Total assets		17,244	28,444	45,688
Derivative financial liabilities in Cash Flow Hedge		(73,115)		(73,115)
Derivative financial liabilities in Fair Value Hedge				
Derivative financial liabilities not included in hedge accounting				
Total liabilities		(73,115)		(73,115)
Grand total		(55,871)	28,444	(27,427)

	thousands of €			
31.12.2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			7,403	7,403
Derivative financial assets in Cash Flow Hedge		693		693
Derivative financial assets in Fair Value Hedge				
Derivative financial assets not included in hedge accounting				
Total assets		693	7,403	8,096
Derivative financial liabilities in Cash Flow Hedge		(117,361)		(117,361)
Derivative financial liabilities in Fair Value Hedge				
Derivative financial liabilities not included in hedge accounting		(2,319)		(2,319)
Total liabilities		(119,680)		(119,680)
Grand total		(118,987)	7,403	(111,584)

All the Group's hedging instruments have a fair value which can be classified at level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the price of the financial instrument, or in any case that do not require a significant adjustment based on data which cannot be observed on the market. We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

CAPITAL MANAGEMENT

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

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

VI. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As indicated in the Directors' Report the information on financial and economic transactions with related parties is provided below.

Transactions with related-party Shareholder Municipalities

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

Through Iren Smart Solutions, the Group, manages services awarded by the Municipality of Turin, i.e. public street lighting and traffic light services, management of heating and electrical systems of buildings used as administrative offices or to provide services to the community. The services rendered by Iren Smart Solutions are governed by specific long- term agreements.

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

Over the last three years some important work on plant regeneration and energy efficiency has been carried out. This has involved municipal street lighting systems and heating plants in numerous publicly-owned buildings.

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

Iren Acqua and IRETI provide water services respectively to the Municipality of Genoa and to the Municipalities of Reggio Emilia, Parma and Piacenza, based on supply contracts similar to those signed with all other customers.

Iren Ambiente provides the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services on the basis of the conditions provided for in the existing agreements.

Again in the context of the sector, for the Municipality of Turin the environmental hygiene and snow clearing services, and post-operative management of the "Basse di Stura" landfill site are provided by AMIAT in accordance with the Service Contract in being. In this regard we can note that an onerous current account contract is in place between the City and the said AMIAT for management of the past-due receivables related to the above activities.

Transactions with associates

Among the main transactions carried out by the Iren Group with joint ventures and associates, the following are noted:

- a centralized cash management line of credit provided to Valle Dora Energia;
- the sales of electricity and water, and the work related to the integrated water service provided to AMTER;
- the sale of heat to NOVE, operating in the district heating sector;
- the waste disposal service, covering also special waste, provided by Iren Ambiente, TRM, and San Germano in favour of GAIA and SETA, operating in the collection sector;
- the procurement of natural gas from Sinergie Italiane;
- the transfer of waste to the landfills of associates ASA S.c.p.a., Barricalla, CSAI and Rimateria, and the related leachate disposal service;
- the sewage disposal service to Futura;
- the service as Sole Manager of urban waste by associate SEI Toscana to TB.

Transactions with other related parties

On the basis of the TRP Procedure, companies controlled, directly or indirectly, by one of the following Provincial Capitals have been identified as related parties: Parma, Piacenza, Reggio Emilia, Turin and Genoa. Specifically, it is noted that in order to supply the integrated water service in the provinces of Parma, Piacenza, and Reggio Emilia, the company IRETI, against payment of an annual lease, uses the *assets* of the companies Parma Infrastrutture, Piacenza Infrastrutture, and AGAC Infrastrutture, controlled by the Municipalities involved. In addition, the Group provides methane gas and waste treatment services to AMIU, a subsidiary of the Municipality of Genoa, and waste disposal services to SMAT, a subsidiary of the Municipality of Turin.

Moreover, after AMIU Genova awarded the concession for the design, construction, management and operation of the mechanical biological treatment plant of urban waste, with production of CSS, to be built in Scarpino, Rigenera Materiali s.r.l. was established on 21 January 2020. (wholly owned by Iren Ambiente) for the design, construction and management of the aforementioned plant.

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

Quantitative information on financial transactions with related parties is provided in chapter "XII. Annexes to the Consolidated Financial Statements", considered an integral part of these notes.

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

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

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

In the meeting of 17 February 2020, the TRPC unanimously expressed its favourable opinion with reference to the transaction, qualified as "of lesser significance", concerning the stipulation, between IRETI and Società Metropolitana Acque Torino (SMAT), controlled by the Municipality of Turin, of a shareholders' agreement as part of the process relating to the management of the residual life of *joint venture* Acque Potabili.

On 9 March 2020, in execution of the requirements of article 9, letter (d) TRP Procedure, TRPC examined the updates, resulting from discussions with the counterparty, with reference to the transaction of "lesser significance" involving the presentation of the Reiss Romoli Project by IREN Smart Solutions to the Municipality of Turin, and confirmed the positive opinion already expressed in the meeting of 19 September 2019.

On 20 March 2020, in compliance with the provisions of par. 10, the Committee expressed unanimously its favourable opinion with reference to the transaction, classified as "of major significance", regarding the presentation, by IREN Smart Solutions, to the Municipality of Turin, of a *project financing* proposal for energy re-qualification and management of numerous buildings owned by the Municipality itself. At the meeting on 29 January 2021, the Committee acknowledged the decision of the Turin City Council adopted on 15 December 2020, whereby the Group's proposal was declared to be in the public interest.

On 4 June 2020, following a preliminary investigation to that effect, the TRPC unanimously expressed its favourable opinion with reference to a transaction, qualified as "of minor significance", concerning the formalisation of the waiver by IRETI and AMIAT to request the payment, by Gruppo Torinese Trasporti (GTT) and Società Metropolitana Acque Torino (SMAT), both controlled by the Municipality of Turin, of the penalty provided for in the Shareholders' Agreement between the public shareholders of the then associated company Nord Ovest Servizi (NOS), following the commitment of GTT and SMAT to waive the exercise of their right of pre-emption in relation to the sale of their stake by another shareholder.

With regard to Nord Ovest Servizi, in compliance with the provisions of par. 9 of the Procedure itself, the Committee examined, during the meeting held on 1 July 2020 and to the extent of its competence, the transaction, qualified as "of minor significance", concerning the stipulation between IRETI and AMIAT (for the IREN Group) and GTT and SMAT of a *Term Sheet* containing shareholders' agreements concerning the

governance of NOS, as part of the broader transaction aimed at the consolidation by the IREN Group of the latter company through the above-mentioned subsidiaries. In this regard, after examining the material prepared by the relevant structures and taking into account the convenience and fairness of the related conditions, the Committee expressed a favourable opinion with respect to the Transaction.

With reference to the above, on 21 July, the IREN Group concluded, through IRETI and AMIAT, the acquisition of the 50% stake in Nord Ovest Servizi sold by ASTA S.p.A. As from that date, the Group holds a 75% stake in NOS (45% owned by IRETI and 30% owned by AMIAT).

On the same date, the TRPC received a preliminary report in relation to the presentation, by the subsidiary IREN Mercato, of a Public-Private Partnership Project for the electrification of a bus line of Azienda Municipale Trasporti ("AMT" wholly owned by the Municipality of Genoa).

In this regard, during the meeting held on 3 December 2020 (with continuation of the works on 9 December 2020), the Committee, after examining the documentation acquired in the records of the aforementioned meetings and taking into account the elements highlighted by the competent functions confirming the assessment of the Group's interest in presenting the aforementioned project, as well as the convenience and fairness of the related conditions, as illustrated by the management, unanimously expressed its favourable opinion on the transaction qualified as "of lesser significance", described above.

It is noted that, during 2020, the TRPC received periodic information on the status of performance of the some transactions previously examined, under the terms of Art. 9(g) and Art. 10(b) of the TRP Procedure), including that, classified as of major importance, regarding the signing of an Agreement between the Municipality of Turin, of the one part, and IREN, as principal of its subsidiaries AMIAT, Iren Energia (which was replaced by Iren Smart Solutions) and Iren Mercato, of the other part, to govern the relationships in being among the parties– an operation on which the TRPC had expressed a favourable opinion and for which please see the Disclosure Document published on 29 March 2018 and the supplementary Disclosure Document published on 9 July 2018, both documents available on the website www.gruppouren.it.

In the meeting of 29 May 2020, in exercising the functions assigned under the TRP Procedure, the Remuneration and Appointments Committee expressed a favourable opinion on the conditions of the agreement *pursuant to* Article 4 of Law 92/2012 (so-called "early retirement of senior employees", i.e. "isopensione") for the consensual early termination of the employment relationship between the Company and a Key Management Executive of the IREN Group (acting as Director of the Waste Management Business Unit/Chief Executive Officer of IREN Ambiente S.p.A.) effective as of 30 June 2020 (last day of employment).

VII. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

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

Positions or transactions deriving from atypical and/or unusual operations

It is noted that during FY 2020 the Group did not engage in any atypical and/or unusual transactions, as defined in the Communication. Atypical and/or unusual operations are operations which owing to their significance/relevance, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the company’s equity or protection of minority shareholders.

DISCLOSURE ON PUBLIC DISBURSEMENTS

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Italian Law Decree no. 34/2019 (‘growth decree’) we can specify what follows:

- the National State Aid Registry includes aid, in favour of Iren Group companies, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies;
- under the terms of article 35, paragraphs 125 and 125-bis the disclosure does not consider grants, subsidies, advantages, contributions or aid, in cash or in kind, of a general character and with the nature of consideration, remuneration or compensation such as the amounts deriving from former green certificates, white certificates, all-inclusive tariff, energy account and in general all incentives connected with consideration for supplies and services rendered;
- during 2020 grants were received that fall under the relevant legislation; these are listed in the table presented in paragraph “XII. Annexes to the Consolidated Financial Statements”, with the exclusion of those less than 10 thousand euro per disbursing Body.

PUBLICATION OF THE FINANCIAL STATEMENTS

The Financial Statements were approved for publication by Iren S.p.A.’s Board of Directors at its meeting of 25 March 2021. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.

The shareholders’ meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned consolidated financial statements.

VIII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the tables below are in thousands of euro.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including rights of use and divided between historical cost, accumulated depreciation and net value, is shown in the following table:

	thousands of €					
	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value as at 31/12/2019
Land	142,675	(6,259)	136,416	119,986	(4,062)	115,924
Buildings	806,330	(294,289)	512,041	749,071	(252,364)	496,707
Plant and machinery	5,631,017	(2,848,472)	2,782,545	5,332,608	(2,574,870)	2,757,738
Industrial and commercial equipment	166,953	(123,820)	43,133	149,902	(115,301)	34,601
Other assets	325,483	(210,046)	115,437	262,665	(164,735)	97,930
Assets under construction and payments on account	242,293	-	242,293	97,508	-	97,508
Total	7,314,751	(3,482,886)	3,831,865	6,711,740	(3,111,332)	3,600,408

The variation in the historical cost of property, plant and equipment, including the right of use, is as follows:

	thousands of €						
	31/12/2019	Increases	Decreases	Changes in consolidation scope	Reclassifica- tions	Write- downs for the period	31/12/2020
Land	119,986	295	(449)	8,152	14,691	-	142,675
Buildings	749,071	20,597	(1,940)	37,995	607	-	806,330
Plant and machinery	5,332,608	126,099	(6,964)	150,795	30,261	(1,782)	5,631,017
Industrial and commercial equipment	149,902	15,531	(4,190)	5,638	72	-	166,953
Other assets	262,665	33,375	(8,911)	38,176	178	-	325,483
Assets under construction and payments on account	97,508	189,879	(4,129)	1,454	(42,419)	-	242,293
Total	6,711,740	385,776	(26,583)	242,210	3,390	(1,782)	7,314,751

The change in accumulated depreciation of property, plant and equipment, including the right of use, is as follows:

	thousands of €					
	31/12/2019	Amortisation for the period	Decreases	Changes in consolidation scope	Reclassifications	31/12/2020
Land	(4,062)	(1,140)	39	(218)	(878)	(6,259)
Buildings	(252,364)	(27,415)	835	(15,833)	488	(294,289)
Plant and machinery	(2,574,870)	(214,357)	6,267	(65,069)	(443)	(2,848,472)
Industrial and commercial equipment	(115,301)	(8,198)	3,576	(3,881)	(16)	(123,820)
Other assets	(164,735)	(28,441)	8,403	(25,185)	(88)	(210,046)
Total	(3,111,332)	(279,551)	19,120	(110,186)	(937)	(3,482,886)

The column "change in consolidation scope" refers to the balances acquired during the year relating to the "SEI Energia" business unit, which includes the district heating network in the municipalities of Rivoli and Collegno, the company I.Blu and the companies operating in the environment sector acquired from Unieco. The balance of the "reclassifications" column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not come within the scope of application of IFRIC 12.

Land and buildings

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

Plant and machinery

This item refers to costs for electricity production plants, heat production plants, electricity distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electricity production plants.

Industrial and commercial equipment

This item includes costs related to the purchase of supplementary or auxiliary assets for plants and machinery, such as rubbish bins, laboratory and other equipment.

Other assets

This item refers to costs for the purchase of office furniture and machines and vehicles.

Investments in progress and payments on account

The item assets in progress includes all expenses incurred for investments in progress and not yet in operation.

Increases

The increases in the period of € 385,776 thousand refer mainly to:

- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for € 42,606 thousand;
- investments in the electricity distribution grids, including primary substations, of € 50,564 thousand;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of € 15,820 thousand;
- investments in thermoelectric and hydroelectric plants of € 127,304 thousand;
- investments for collection and disposal in the waste management sector for € 86,698 thousand.

Amortisation

Ordinary depreciation for 2020, amounting to € 279,551 thousand, was calculated on the basis of the rates indicated in the 2019 financial statements and deemed to be representative of the residual useful life of the fixed assets.

It is noted that Italian Law Decree no. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and the public administration – the so-called “D.L. converted, with amendments, by Italian Law no. 12 of 11 February 2019, governs the new regimen of remuneration of Wet Works in relation to large shunting concessions for hydroelectric plants; the new law establishes that Wet Works must be transferred without payment to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. Consequently, for purposes of legal consistency, as of the FY 2019, the amortisation schedule of the Wet works concerning the expired concessions was redetermined, considering also the possible reassignment dates thereof, which, on the basis of the previous law, was interrupted starting from the 2012 financial statements.

Finally, no assets are pledged against liabilities.

Rights of use IFRS 16

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

The breakdown of right of use, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

	thousands of €					
	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Land	6,253	(1,037)	5,216	6,179	(567)	5,612
Buildings	25,709	(5,269)	20,440	116,803	(7,948)	108,855
Plant and machinery	783	(170)	613	8,008	(442)	7,566
Industrial and commercial equipment	683	(390)	293	393	(228)	165
Other assets	20,558	(7,448)	13,110	14,158	(3,742)	10,416
Total	53,986	(14,314)	39,672	145,541	(12,927)	132,614

The variation in the historical cost of the right of use, is as follows:

	thousands of €					
	31/12/2019	Increases	Decreases	Changes in consolidation scope	Other changes	31/12/2020
Land	6,179	187	(120)	7	-	6,253
Buildings	116,803	8,552	(887)	3,884	(102,643)	25,709
Plant and machinery	8,008	2,545	-	320	(10,090)	783
Industrial and commercial equipment	393	344	(54)	-	-	683
Other assets	14,158	1,615	(1,592)	6,377	-	20,558
Total	145,541	13,243	(2,653)	10,588	(112,733)	53,986

The change in accumulated depreciation of the rights of use is as follows:

	thousands of €				
	31/12/2019	Amortisation for the period	Decreases	Other changes	31/12/2020
Land	(567)	(509)	39	-	(1,037)
Buildings	(7,948)	(3,593)	412	5,860	(5,269)
Plant and machinery	(442)	(1,063)	-	1,335	(170)
Industrial and commercial equipment	(228)	(216)	54	-	(390)
Other assets	(3,742)	(5,053)	1,347	-	(7,448)
Total	(12,927)	(10,434)	1,852	7,195	(14,314)

Finally, it is noted that the net amount of € 105,538 thousand, booked under "Other changes" as part of rights of use buildings and plant and machinery, refers to a portion of the Group's headquarters and the biodigester of Cairo Montenotte (SV) acquired in 2020, previously leased.

NOTE 2_ INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

	thousands of €					
	Cost as at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Land	709	-	709	728	-	728
Buildings	4,172	(2,117)	2,055	4,334	(2,059)	2,275
Total	4,881	(2,117)	2,764	5,062	(2,059)	3,003

This item consists mainly of properties whose fair value is not lower than their book value.

NOTE 3_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

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

	thousands of €					
	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Development costs	8,880	(3,948)	4,932	7,529	(2,260)	5,269
Industrial patents and intellectual property rights	190,177	(109,072)	81,105	136,626	(80,625)	56,001
Concessions, licences, trademarks and similar rights	3,092,281	(1,223,665)	1,868,616	2,867,223	(1,132,754)	1,734,469
Other intangible fixed assets	423,217	(182,200)	241,017	355,323	(140,459)	214,864
Investments in progress and payments on account	159,470	-	159,470	184,969	-	184,969
Total	3,874,025	(1,518,885)	2,355,140	3,551,670	(1,356,098)	2,195,572

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

	thousands of €						
	31/12/2019	Increases	Decreases	Changes in consolidation scope	Reclassifications	Write-downs for the period	31/12/2020
Development costs	7,529	1,286	-	59	6	-	8,880
Industrial patents and intellectual property rights	136,626	31,042	(92)	1,214	21,387	-	190,177
Concessions, licences, trademarks and similar rights	2,867,223	158,895	(3,611)	166	71,690	(2,082)	3,092,281
Other intangible fixed assets	355,323	124,618	(67,706)	10,835	147	-	423,217
Investments in progress and payments on account	184,969	72,538	(1,162)	785	(97,660)	-	159,470
Total	3,551,670	388,379	(72,571)	13,059	(4,430)	(2,082)	3,874,025

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

	thousands of €					
	31/12/2019	Amortisation for the period	Decreases	Changes in consolidation scope	Reclassifications	31/12/2020
Development costs	(2,260)	(1,653)	-	(35)	-	(3,948)
Industrial patents and intellectual property rights	(80,625)	(27,611)	3	(788)	(51)	(109,072)
Concessions, licences, trademarks and similar rights	(1,132,754)	(95,108)	2,380	(115)	1,932	(1,223,665)
Other intangible fixed assets	(140,459)	(36,888)	199	(5,188)	136	(182,200)
Total	(1,356,098)	(161,260)	2,582	(6,126)	2,017	(1,518,885)

The column "change in the scope of consolidation" refers to the balances acquired during the year in relation to I.Blu, Asti Energia Calore and the companies operating in the environment sector acquired by Unieco.

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

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

The net book value of other intangible assets at the end of the year includes € 83,494 thousand in assets recognised as costs incurred for the commercial development of customers.

Industrial patents and intellectual property use rights

This item mainly relates to the total costs borne for the purchase and internal production of corporate software and the acquisition of rights for the exclusive use of technical studies on the statistical trend of network losses, amortised over between three and five years.

Concessions, licences, trademarks and similar rights

This item consists mainly of:

- assets recognised in application of IFRIC 12, related to the operating business segments of natural gas distribution, the Integrated Water Service and, marginally, district heating;
- the right of use of pipeline networks by virtue of the concessions granted by the Municipality of Genoa and other neighbouring municipalities;
- the right of use of penstocks, not owned, of hydroelectric plants;
- concessions for the operation and management of photovoltaic systems.

Other intangible fixed assets

This item consists mainly of:

- rights to use telecommunication infrastructure owned by third parties;
- emission trading quotas held for internal needs;
- costs for the commercial development of customers;
- measurement of the customer list made on allocation of the price for acquiring control over Atena Trading, Salerno Energia Vendite, Studio Alfa and Spezia Energy Trading;
- the development of the environmental authorisations for the operation of the biodigester and recovery plants which took place when the purchase price was allocated for the acquisition of control of Ferrania Ecologia and Territorio e Risorse.

Assets in progress and payments on account

This item mainly consists of investments for concession services governed by IFRIC 12, in addition to software licences and related implementation costs.

NOTE 4_GOODWILL

Goodwill, of € 213,587 thousand (€ 158,399 thousand as at 31 December 2019), during the FY 2020 showed an upward change of € 55,188 thousand following the acquisitions (*business combinations*) carried out by the Group during the year and the results of the impairment test. In particular, the increase relates to the acquisition of control of a business unit called "SEI Energia" which includes the district heating network in the municipalities of Rivoli and Collegno and 49% of the company NOVE which manages the district heating network in the municipality of Grugliasco (€ 2,153 thousand), the company I.blu (€ 5,562 thousand), the company Nord Ovest Servizi (€ 1,325 thousand) and the companies operating in the environment sector acquired from Unieco (€ 46,745 thousand). Pending the valuation to be completed in accordance with IFRS 3 - Business combinations, the positive difference, determined on a provisional basis, between the cost of acquisition and the provisional fair value, at the acquisition date, of the identifiable assets acquired and liabilities assumed has been allocated to goodwill.

At year-end as provided for in IAS 36 - Impairment of Assets the goodwill was subject to impairment test and that related to the assets acquired during 2018 concerning the waste processing plants located in the province of La Spezia recorded a negative result. The net book value of assets was approximately € 4,461 thousand higher than their recoverable value and, consequently, goodwill (€ 597 thousand) and assets (€ 3,864 thousand) were written down accordingly.

It is noted that during the FY 2020, the accounting for the acquisition of control of the companies Ferrania Ecologia and Territorio e Risorse was rendered final and the values provisionally accounted for in the 2019 financial statements were restated. For further details, please refer to the section "Restatement of amounts as of 31 December 2019" in the chapter "I. Content and structure of the consolidated financial statements".

Goodwill is considered an intangible asset with an indefinite useful life and, therefore, is not amortized, but is subjected to an impairment test at least once a year to verify the recoverability of its carrying amount. Since goodwill does not generate independent cash flows and cannot be sold on its own, the impairment test on the goodwill recognised in the financial statements is carried out making reference to the Cash Generating Unit to which the same can be allocated. At the Group level the Cash Generating Units are identified with the single Business Units and correspond to the business segments presented in the foreword to these notes. They are based on the Group's management structure and internal reporting system.

This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market.

The table below shows the allocation of the item goodwill to the Cash Generating Units.

	thousands of €
	31/12/2020
Waste Management	62,827
Energy	6,839
Market	32,460
Networks	111,461
Total	213,587

The impairment test procedure at 31 December 2020 was carried out in methodological continuity with that adopted at 31 December 2019.

The impairment test consists of verifying that the carrying amount of an asset recognised in the financial statements is not more than the recoverable amount of the said asset.

The recoverable amount of an asset is the higher between fair value, less costs to sell, and the value in use. The fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell.

The value in use is the present value of the estimate of future outgoing and incoming cash flows that will derive from continuous use of the asset and from its final disposal. To measure the value in use, assessments were made by using pre-tax operating cash flows, which derive from the economic and financial projections based on the medium-term Business Plan approved by the Iren Board of Directors on 29 September 2020, with an explicit horizon up to 2025, as well as the pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all businesses. It can be noted that the investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. The average of the perpetual yield and net invested capital was used as the control method. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital. The discount rate, defined starting from the pre-tax weighted average cost of capital (WACC), is calculated specifically for each CGU and is included in the 4.70%-8.10% range, according to the related business line.

The table below shows the goodwill attributed to the single Cash Generating Units, specifying for each of them the discount rate (WACC) used.

	Amount at 31/12/2020	WACC 2020
Waste Management	62,827	6.40%
Energy	6,839	6.70%
Market	32,460	8.10%
Networks	111,461	4.70% - 5.70% (1)
Total	213,587	

(1) Range between 4.70% and 5.70% according to whether they are Electricity Networks, Gas Networks or Water Networks

The recoverable value of the goodwill attributed to the Cash Generating Units was determined making reference to the value in use of the same.

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to programmed inflation (1.4%).

Waste Management Cash Generating Unit

The value of goodwill, of € 62,827 thousand refers mainly to the:

- to the acquisition of control of the companies operating in the environmental sector acquired from Unieco in November 2020 (€ 46,745 thousand);
- acquisition of control of I.Blu S.r.l. in August 2020 (€ 5,562 thousand).
- to acquisition of control over Ferrania Ecologia s.r.l. in July 2019 (€ 7,048 thousand).
- to acquisition of control over a business unit from SMC S.p.A. consisting of a 48.85% stake in the share capital of Società Ecologica Territorio Ambiente (SETA) S.p.A. and the activities of closure and post-closure management of the Chivasso 0 landfill site in October 2018 (€ 894 thousand);
- acquisition of control of ACAM Ambiente (ACAM group) in April 2018 (€ 2,572 thousand);

No further loss of value, not including the above, was detected when the impairment test was performed, in that the recoverable value of the Environment Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

Energy Cash Generating Unit

The value of goodwill, of € 6,839 thousand refers mainly to the:

- acquisition of control in May 2020 of a business unit called "SEI Energia" which includes the district heating network in the municipalities of Rivoli and Collegno, and 49% of the company NOVE which manages the district heating network in the municipality of Grugliasco (€ 2,153 thousand).
- acquisition of control over Iren Rinnovabili in 2017 following the expiry of the governance agreements entered into with the other shareholder CCPL S.p.A. which made Iren Rinnovabili a joint venture. The goodwill of 3,544 thousand euro was recognised as the surplus between the fair value of the price paid for acquisition of control and the fair value of the identifiable assets acquired and the identifiable liabilities assumed at the acquisition;
- the Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (€ 948 thousand).

No further loss of value was detected when the impairment test was performed, in that the recoverable value of the Energy Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

Market Cash Generating Unit

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

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

No further loss of value was detected when the impairment test was performed, in that the recoverable value of the Market Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

Networks Cash Generating Unit

The value of goodwill, of €111,461 thousand refers mainly to the:

- acquisition of control of Nord Ovest Servizi in July 2020 (€ 1,325 thousand);
- acquisition of control of Busseto Servizi in January 2019 (€ 1,638 thousand);
- to acquisition of control over ACAM Acque (ACAM group) in April 2018 (15,442 thousand euro);
- the acquisition of control of Acqua Italia S.p.A in 2005. (now Iren Acqua S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of € 23,202 thousand;
- acquisition in 2000 from ENEL of the business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand euro;

- business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of € 3,023 thousand;

No further loss of value was detected when the impairment test was performed, in that the recoverable value of the Networks Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

In the light of the considerations presented above the recoverable value is higher than the carrying amount of the net invested capital for all the Cash Generating Units. This difference is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were therefore performed on the sensitivity of the recoverable value as the two variables deteriorate, without any significant problems emerging.

In relation to the sensitivity analysis of the recoverable value, we note CONSOB communication no. 1/21 of 16.02.2021 on the disclosure to be provided by supervised issuers in relation to the 2020 financial statements, which incorporates the provisions of the ESMA document on common European supervisory priorities ("*European common enforcement priorities for 2020 annual financial reports*") of 28 October 2020 which, in light of the consequences of the COVID-19 pandemic, highlights four thematic areas of particular importance for the purposes of preparing financial statements. One of these areas concerns the application of IAS 36 "Impairment of Assets", on determination of the recoverable amount of goodwill and intangible and tangible assets that may be impacted by a deterioration in economic prospects.

ESMA, inter alia, suggests to issuers that, when estimating the future cash flows of a cash-generating unit (CGU), it is reasonable to expect that entities consider introducing models relating to as many future scenarios as possible to reflect the increased level of uncertainty about future economic prospects.

For this purpose, the Group has developed a sensitivity scenario, which takes into account specific relevant risks (market risks, technological changes, natural events) not otherwise assessed in the base scenario (Business Plan). The future cash flows for each CGU were then adjusted for the negative impact of adverse events identified in the Group Risk Map. These analyses did not reveal any critical issues with regard to the recoverable value of the Group's goodwill, intangible assets and property, plant and equipment.

In light of the current market volatility and uncertainty about future economic prospects, the company believes it appropriate to point out that regulated businesses are subject to specific industry regulations governing their margins; therefore, these businesses have more stable and predictable margins even during market turbulence periods.

We can note that the results of the aforementioned procedures were the subject of specific approval by the Board of Directors of Iren S.p.A., prior to approval of the draft financial statements, as recommended in the rules issued by CONSOB, the Bank of Italy and IVASS.

NOTE 5_INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

The Group companies measured using the equity method at 31 December 2020 are shown in an annex. Changes for the year are shown in the following tables:

Equity investments in joint ventures

The item amounts to € 9,907 thousand (unchanged compared to 31 December 2019) and refers to the value of the investment in the company Acque Potabili which, in 2018, disposed of the last concession for the management of the water service it owned and, as of 31 December 2020, appears to not carry out direct operating activities.

Equity investments in associates

	thousands of €						
	31/12/2019	Changes in consolidation scope	Write-backs (write-downs) for equity	Write-downs	Dividend distribution	Changes with effect on equity	31/12/2020
A2A Alfa	-	-	-	-	-	-	-
Acos	11,592	-	1,044	-	(247)	(1)	12,388
Acos Energia	970	-	313	-	(381)	-	902
Acquaenna	3,721	-	372	-	-	(239)	3,854
Aguas de San Pedro	11,160	-	1,563	-	(146)	(866)	11,711
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	981	-	134	-	(101)	-	1,014
Asa	36,414	-	1,008	-	-	(392)	37,030
Asa scpa	-	1,197	-	-	-	-	1,197
Astea	22,766	-	780	-	(234)	6	23,318
Asti Energia Calore	166	(40)	(31)	(95)	-	-	-
Asti Servizi Pubblici	-	9,815	-	-	-	-	9,815
Barricalla	-	1,076	-	-	-	-	1,076
BI Energia	974	-	(161)	-	-	-	813
CSA	-	619	-	-	-	-	619
CSAI	-	1,126	-	-	-	-	1,126
CSP Innovazione nelle ICT	111	-	1	(112)	-	-	-
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	292	-	5	-	-	-	297
Futura	-	1,813	-	-	-	-	1,813
G.A.I.A.	14,723	-	455	-	(432)	-	14,746
Global Service	6	-	-	-	-	-	6
Iniziative Ambientali	465	-	8	-	-	-	473
Mondo Acqua	647	-	18	-	-	-	665
Nord Ovest Servizi	4,452	(2,960)	87	(1,579)	-	-	-
Nove	-	2,300	-	-	-	-	2,300
Rimateria	-	1,396	-	-	-	-	1,396
Rio Riazzone	146	-	-	(146)	-	-	-
SEI Toscana	-	9,525	-	-	-	-	9,525
SETA	10,800	-	1,245	-	(888)	-	11,157
Sienambiente	-	9,812	-	-	-	-	9,812
Sinergie Italiane	-	-	-	-	-	-	-
STU Reggiane	5,405	-	-	-	-	-	5,405
Tirana Acque	-	-	-	-	-	-	-
Valle Dora Energia	1,577	-	(306)	-	(123)	-	1,148
TOTAL	127,368	35,679	6,535	(1,932)	(2,552)	(1,492)	163,606

The Company Nove S.p.A. is consolidated using the equity method following the acquisition of a business unit consisting of 49% of the equity and the district heating network in the municipalities of Rivoli and Collegno.

For the subsidiary Nord Ovest Servizi, the change in the scope of consolidation relates to the acquisition of control and the consequent line-by-line consolidation of the company. Equity write-down refers to the restatement at fair value, at the date the controlling stake was acquired, of the minority interest held as at 30 June 2020.

The company Asti Servizi Pubblici S.p.A. is consolidated using the equity method following the acquisition of control of Nord Ovest Servizi, which holds 45% of the company's shares.

For the subsidiary Asti Energia Calore, the change in the scope of consolidation relates to the acquisition of control and the consequent line-by-line consolidation of the company. Equity write-down refers to the restatement at fair value, at the date the controlling stake was acquired, of the minority interest held as at 30 June 2020.

The companies ASA S.c.p.a., Barricalla S.p.A., CSA S.p.A., CSAI S.p.A., Futura S.p.A., Rimateria S.p.A., SEI Toscana S.r.l., and Sienambiente S.p.A. are included in the scope of consolidation using the equity method following the acquisition of control of the environment division of the Unieco Group.

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

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

NOTE 6_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. These equity investments are measured at *fair value* but, as the most recent information available for measuring the *fair value* is insufficient and the cost represents the best estimate of the *fair value*, they are carried at cost.

The list of other Group equity investments as at 31 December 2020 is enclosed.

The breakdown of this item is as follows:

	31/12/2019	Change in consolidation scope	Increases (Decreases)	Write-downs	thousands of € 31/12/2020
AISA Impianti	-	992	-	-	992
Autostrade Centro Padane	1,248	-	-	-	1,248
BT Enia	2,110	-	(2,110)	-	-
CIDIU	2,305	-	(2,305)	-	-
Environment Park	1,243	-	-	-	1,243
Others	497	203	(60)	(103)	537
TOTAL	7,403	1,195	(4,475)	(103)	4,020

NOTE 7_NON-CURRENT TRADE RECEIVABLES

Receivables, which reflect the discounting effect, amounted to € 115,113 thousand (€ 74,443 thousand as at 31 December 2019) and refer mainly to:

- receivables of the integrated water service for tariff adjustments and for lower volumes supplied with respect to the constraint of revenue due to the operator; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery through fees after two years (€ 61,800 thousand as at 31 December 2020, € 41,505 thousand as at 31 December 2019);
- receivables of the electricity transmission, distribution, and metering services deriving from the rules issued in AEEGSI Resolution no. 654/2015 on the subject of tariff regulation for the period 2016-2023 which entailed the recognition of revenue from electricity transport and of the related receivables (€ 15,975 thousand as at 31 December 2020, € 14,394 thousand as at 31 December 2019);
- receivables from the Municipality of Turin for the technological renewal and for the streamlining of the heating systems at some municipal buildings, as well as for the non-current portion of the receivables for the management and maintenance of the traffic light, thermal and electrical systems determined due to the forecast of collection times (€ 32,717 thousand as at 31 December 2020, € 14,469 thousand as at 31 December 2019). For more information on the overall receivable position of the Iren Group in relation to the Municipality of Turin please see Note 8 “Non-current financial assets”.

NOTE 8_NON-CURRENT FINANCIAL ASSETS

The item of € 166,522 thousand (€ 148,051 thousand as at 31 December 2019) consists of financial receivables, the development of derivatives with positive fair value and securities other than equity investments. These are detailed in the following table.

	thousands of €	
	31/12/2020	31/12/2019
Non-current financial receivables from associates	34,620	9,899
Non-current financial receivables from related-party shareholders	92,954	121,463
Non-current financial receivables from others	13,700	15,972
Fair value of derivatives – non-current portion	800	693
Securities other than equity investments	24	24
Other financial assets	24,424	-
Total	166,522	148,051

Non-current financial receivables from associates

They refer mainly to receivables from Valle Dora Energia (€ 19,953 thousand), Acos (€ 5,407 thousand), Nove (€ 4,500 thousand), Acquaenna (€ 3,832 thousand), and Futura (€ 919 thousand). Also present is a receivable of 817 thousand euro from the associate AIGA which was completely written off. It is noted that the receivable from Valle Dora Energia, relating to the cash pooling contract, was classified as a current financial asset as at 31 December 2019.

Non-current financial receivables from related-party shareholders

Receivables from related-party shareholders, of € 92,954 thousand (€ 121,463 thousand as at 31 December 2019), regard receivables from the Municipality of Turin, and relate to:

- the medium/long-term portion of receivables, including interest, related to the current account which governs transactions between the subsidiaries AMIAT S.p.A., Iren Smart Solutions S.p.A., and the Municipality of Turin (€ 63,076 thousand);
- application of the financial asset model provided for in IFRIC 12 to the streamlining project (“Turin LED”) associated with the Public Lighting service performed under concession by Iren Smart Solutions S.p.A. in the city of Turin, for the long-term portion (€ 28,878 thousand). Recognition of the discounted financial asset is a result of maturation of the current unconditional right to receive the cash flows contractually recognised, which occurred with completion of the installation of the related LED devices.

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

These receivables form part of an overall position, totalling € 185,914 thousand, and are divided among various accounting items according to their classification by type and expiry date: Non-current trade receivables (Note 7), Non-current financial assets (Note 8), Trade receivables (Note 12) and Current financial assets (Note 15), as shown in the table presented below.

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

	thousands of €	
	31/12/2020	31/12/2019
Non-current trade receivables	32,717	14,469
Trade receivables for services on invoices issued	43,770	63,277
Trade receivables for services on invoices to be issued	8,150	9,079
Trade receivables for electricity and other supplies	1,948	3,880
Provisions for impairment of trade receivables	(69)	(69)
Total current trade receivables	53,799	76,167
Non-current portion of financial receivables in current account	63,076	100,942
Non-current portion of financial receivables for interest	-	658
Non-current portion of financial receivables for services in concession	29,878	19,863
Total non-current financial receivables	92,954	121,463
Current portion of financial receivables in current account	2,343	9,448
Current portion of financial receivables for interest	2,855	4,078
Current portion of financial receivables for services in concession	1,246	-
Total current financial receivables	6,444	13,526
Total	185,914	225,625

Non-current financial receivables from others

Non-current financial receivables from others includes the long-term portion of the receivable deriving from the sale of the business unit made up of the telecommunication (TLC) network present in Emilia Romagna during 2016 and the business unit related to management of the integrated water service of two municipalities of the Catchment Area of the Verona ATO during 2019 and the receivables deriving from application of the financial asset model provided for in IFRIC 12 to the efficiency project related to the Public Lighting service performed in a regimen of concession in the cities of Vercelli, Biella and Fidenza.

Fair value of derivatives – non-current portion

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

Securities other than equity investments

These amounted to € 24 thousand (unchanged from 31 December 2019) and relate to security securities measured at amortised cost.

Other financial assets

These are represented by the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan. These assets are measured at fair value and any changes are recognised in the profit or loss for the period

NOTE 9_OTHER NON-CURRENT ASSETS

These are as follows:

	thousands of €	
	31/12/2020	31/12/2019
Guarantee deposits	11,042	10,225
Tax assets after 12 months	47,475	7,417
Other non-current assets	5,508	14,514
Non-current accrued income and prepaid expenses	2,645	3,334
Total	66,670	35,490

Receivables for security deposits refer mainly to amounts paid by Iren Mercato to the investee Sinergie Italiane in relation to the natural gas supply contract signed by the parties.

Tax assets after 12 months refer mainly to credits for deductions on work done in order to improve the energy efficiency of buildings (ecobonus) and to VAT credits for which an application for rebate has been made.

The reduction in the item other non-current assets refers mainly to the loss of the receivable resulting from the advance payment of the purchase price of the contracts for the service of greater protection of the electricity sector put up for sale by AMAIE S.p.A., a company of the Municipality of Sanremo (Province of Imperia), as the transaction became effective on 1 January 2020.

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

NOTE 10_DEFERRED TAX ASSETS

This item amounts to € 369,375 thousand (€ 368,436 thousand as at 31 December 2019) and refers to deferred tax assets arising from income components deductible in future years. They also include the tax effect on adjustments made on adoption of the international accounting standards.

For further details please see the note of the income statement, "Income tax expense" (Note 42) and the prospectus enclosed.

CURRENT ASSETS

NOTE 11_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.

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

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

	thousands of €	
	31/12/2020	31/12/2019
Raw materials	70,905	75,631
Inventory write-down provisions	(5,348)	(4,500)
Net	65,557	71,131
Construction Contracts	964	658
Total	66,521	71,789

The change in raw material inventories for the period is essentially due to the reduction in gas inventories (€ -11,354 thousand) and to the change in the scope of consolidation (€ +6,691 thousand).

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

At 31 December 2020 no inventories were pledged against liabilities.

NOTE 12_TRADE RECEIVABLES

These are as follows:

	thousands of €	
	31/12/2020	31/12/2019
Trade receivables due from clients	1,007,564	976,980
Trade receivables from joint ventures	142	357
Trade receivables from associates	20,554	15,627
Trade receivables from related-party shareholders	75,986	97,990
Trade receivables from other related parties	3,503	6,849
Total gross trade receivables	1,107,749	1,097,803
Provisions for bad and doubtful debts	(232,088)	(192,175)
Total	875,661	905,628

As at 31 December 2020 factoring transactions were completed with *derecognition* of the receivables for a total of € 40,094 thousand (€ 55.286 as at 31 December 2019).

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

	thousands of €	
	31/12/2020	31/12/2019
Not past due	739,742	796,197
Past due from 0 to 3 months	125,508	105,113
Past due from 3 to 12 months	99,293	71,986
Past due for more than 12 months	143,206	124,507
Total	1,107,749	1,097,803

Receivables not past due include receivables for invoices to be issued of € 482,315 thousand (517,974 thousand at 31 December 2019) which include the estimate of revenue earned for services supplied between the date of the last reading of effective consumption and the year-end date.

Receivables from customers

These mainly relate to receivables due for electricity, gas, water and heat supplies, environmental services and sundry services.

Receivables from joint ventures

This item includes receivables from the Group joint ventures, consolidated with the equity method. These relate to normal trade transactions performed at arm's length. For further details, please see the table of related-party transactions shown in the annex.

Receivables from associates

These relate to normal trade transactions performed at arm's length. For further details, please see the table of related-party transactions shown in the annex.

Receivables from related-party shareholders

Receivables from related-party shareholders refer to trading transactions performed at arm's length with territorial authorities classified as related parties (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. For further details, please see the table of related-party transactions shown in the annex.

Receivables from other related parties

These regard receivables from the companies controlled by the territorial body owners (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal commercial transactions carried out at arm's length.

Provisions for bad and doubtful debts

The provisions for impairment feature the movements shown in the following table:

	31/12/2019	Changes in consolidation scope	Provisions for the period	Decreases	31/12/2020
Provisions for impairment of receivables	192,175	5,023	61,081	(26,191)	232,088

thousands of €

The column "Changes in consolidation scope" refers to the purchase balances during the period relating to the companies I.Blu and the companies operating in the environment sector acquired by Unieco.

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

The item "decreases" refers to utilisations for losses on receivables of € 25,489 thousand and to releases of € 702 thousand.

NOTE 13_CURRENT TAX ASSETS

These amounted to € 9,622 thousand (€ 18,851 thousand as at 31 December 2019) and include receivables from the tax authority for IRES and IRAP.

NOTE 14_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are as follows:

	31/12/2020	31/12/2019
Revenue tax receivables /UTIF	26,041	21,569
VAT credit	84,622	93,880
Other tax assets	24,133	23,557
Tax assets due within 12 months	134,796	139,006
Receivables from Cassa Servizi Energetici e Ambientali (CSEA)	77,258	56,527
Receivables for green certificates	33,997	35,597
Advances to suppliers	11,468	15,467
Other current assets	46,731	48,403
Other current assets	169,454	155,994
Accruals and deferrals	12,832	10,296
Total	317,082	305,296

thousands of €

As at 31 December 2020, factoring transactions were carried out with *derecognition* of the credit for energy efficiency certificates for a total of € 27,912 thousand (€ 7,872 thousand as at 31 December 2019) and of the VAT credit for a total of € 93,484 thousand (not present as at 31 December 2019).

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

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

The companies that take part in the VAT Group for 2020, not including the Parent Company Iren S.p.A., are as follows: Iren Energia S.p.A., IRETI S.p.A. (and the merged company Busseto srl), Iren Mercato S.p.A. (and the incorporated SET S.r.l.), Iren Ambiente S.p.A. (and the merged company CMT S.p.A. and Ferrania S.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. (and the merged company Immobiliare delle Fabbriche S.r.l.) Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l, ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Studio Alfa S.p.A. (and the merged company Coin Consultech S.r.l.), TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A. and Montequerce S.c.a.r.l.

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

NOTE 15_CURRENT FINANCIAL ASSETS

These are as follows:

	thousands of €	
	31/12/2020	31/12/2019
Financial receivables from associates	3,614	10,685
Financial receivables from related-party shareholder Municipalities	6,444	13,526
Other financial receivables	68,854	51,596
Derivative receivables - current	16,444	-
Total	95,356	75,807

All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their *fair value* as the impact of discounting is negligible.

Financial receivables from associates

This item refers mainly to loans to Acquaenna (€ 629 thousand), BI Energia (€ 819 thousand), STU Reggiane (€ 481 thousand) and interest receivables from Valle Dora Energia (€ 107 thousand). The remainder regards essentially receivables for dividends to be received.

It is noted that the receivable relating to the treasury relationship with the associate Valle Dora Energia as at 31 December 2020 has been classified under non-current financial assets.

For further details please see the schedule of related-party transactions shown in the annex.

Financial receivables from related-party shareholders

These regard receivables from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to € 6,444 thousand (€ 13,526 thousand as at 31 December 2019), and are related to relationships between the subsidiaries AMIAT S.p.A. and Iren Smart Solutions and the Municipality of Turin. For details of the overall receivable position of the Iren Group in relation to the Municipality of Turin please see Note 8 "Non-current financial assets".

Other financial receivables

These refer for €35,486 thousand to tied bank deposits of the subsidiary TRM S.p.A. deriving from the loan contract which specifies that amounts serving the instalment due, the costs regarding environmental offsets and extraordinary maintenance of the waste-to-energy plant are tied. The remaining balance consists of receivables arising from the implementation of the financial asset model provided by IFRIC 12 for the water purification service acquired in the Marche region, deposits paid to perfect the share buyback program, deposits provided as collateral in connection with transactions in the future commodities markets, the

receivable for the price adjustment for the acquisition of control of San Germano and CMT, accrued income and deferred charges of a financial nature and sundry financial receivables.

Derivative receivables - current

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

NOTE 16_CASH AND CASH EQUIVALENTS

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

	thousands of €	
	31/12/2020	31/12/2019
Bank and postal deposits	889,870	345,753
Cash and valuables in hand	299	123
Total	890,169	345,876

Cash and cash equivalents are represented by existing liquidity on bank and postal deposits. The Group does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 17_ASSETS HELD FOR SALE

Assets held for sale are carried at the lower of their carrying amount and *fair value* less costs to sell. They amounted to € 1,285 thousand (€ 354,193 thousand as at 31 December 2019). This item relates:

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

In addition, assets held for sale include the equity investment in Fata Morgana, already completely written down in previous periods.

As at 31 December 2019, the investment in the OLT Offshore LNG joint venture (value reduced to zero at the end of 2018) and the related shareholder loan (€ 352,900 thousand) and the investment in the associate Campo Base (€ 9 thousand), which were sold in 2020, were booked to this item.

LIABILITIES

NOTE 18_EQUITY

Equity may be analysed as follows:

	thousands of €	
	31/12/2020	31/12/2019
Share capital	1,300,931	1,300,931
Reserves and Retained Earnings (Losses)	855,061	750,264
Net profit (loss) for the period	235,322	236,362
Total equity attributable to shareholders	2,391,314	2,287,557
Capital and reserves attributable to non-controlling interests	342,465	334,653
Profit/(loss) attributable to non-controlling interests	29,749	29,103
Total consolidated equity	2,763,528	2,651,313

Share capital

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

On 27 March 2020, Iren S.p.A. initiated a second tranche of the share buyback program undertaken in 2019, and on 29 April 2020, the Shareholders' Meeting authorized the Board of Directors to purchase treasury shares for eighteen months for a maximum of 65,000,000 shares, equal to 5% of the share capital, in accordance with the applicable regulations, at the same time revoking, for the unexecuted portion, the previous authorization to purchase approved by the Shareholders' Meeting on 5 April 2019. As of 31 December 2020, 15,868,004 shares were purchased for a total price of € 34,648 thousand recognised as a reduction of shareholders' equity in the item "Reserves and Retained Earnings (Losses)".

Reserves and Retained Earnings (Losses)

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

	thousands of €	
	31/12/2020	31/12/2019
Treasury shares	(34,648)	(9,054)
Share premium reserve	133,019	133,019
Legal reserve	76,713	64,642
Cash flow hedging reserve	(13,493)	(31,429)
Other reserves and retained earnings (losses)	693,470	593,086
Total reserves	855,061	750,264

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a contra-entry directly in equity under the cash-flow hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

Other reserves and retained earnings (losses)

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

During FY 2020 they changed owing mainly to the carrying forward of the profits of FY 2019 not distributed (€ 104,814 thousand).

For further details, reference should be made to the statement of changes in equity.

NON-CURRENT LIABILITIES

NOTE 19_NON-CURRENT FINANCIAL LIABILITIES

The item amounted to a total of € 3,825,197 thousand (€ 3,167,048 thousand as at 31 December 2019).

Bonds

These amounted to € 3,124,430 thousand due after 12 months (€ 2,516,069 thousand as at 31 December 2019). The item comprises solely positions of the Parent Company concerning Public Bond issues, accounted for at amortised cost, against a total nominal amount in issue as at 31 December 2020 of € 3,159,634 thousand (€ 2,541,470 thousand as at 31 December 2019). The details of Public Bonds with maturity at more than 12 months are presented below:

- Bond maturity 2022, coupon 2.75%, issue amount 500 million euro, in issue at 31 December 2020 for 359,634 thousand euro following repurchases (tender offers) carried out in 2016 and 2017 (amount at amortised cost 358,554 thousand euro);
- Bond maturity 2024, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 496,501 thousand euro);
- Green Bond maturity 2027, coupon 1.5%, amount 500 million euro, all in issue (amount at amortised cost 492,935 thousand euro);
- Green Bond maturity 2025, coupon 1.95%, amount 500 million euro, all in issue (amount at amortised cost 495,529 thousand euro);
- Green Bond maturity 2029, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 495,204 thousand euro);
- Bond issued on July 2020, maturity 2030, coupon 1%, amount 500 million €, all in issue (amount at amortised cost 489,652 thousand €);
- Green Bond issued on December 2020, maturity 2031, coupon 0.25%, amount € 300 million, all in issue (amount at amortised cost € 296,055 thousand).

Long-term bonds were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were assigned a Fitch rating.

The change in the total book value compared to 31 December 2019 was due to the 2020 issue of shares, as indicated above, the reclassification within 12 months of a Bond maturing within 2021 and the allocation of borrowing costs, calculated using the amortised cost method according to the IAS/IFRS standards.

Non-current bank loans

Medium/long term loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to € 580,201 thousand (€ 539,949 thousand as at 31 December 2019).

Medium/long term loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and by maturity date (related to the portion after 12 months), as shown in the table below:

	thousands of €		
	fixed rate	floating rate	TOTAL
min/max interest rate	2.50% - 5.151%	0.000% - 0.317%	
maturity	2022-2031	2022-2034	
1.1.2022 – 31.12.2022	2,501	59,458	61,959
1.1.2023 – 31.12.2023	2,334	57,114	59,448
1.1.2024 – 31.12.2024	2,277	60,018	62,295
1.1.2025 – 31.12.2025	2,298	59,806	62,104
subsequent	10,782	323,613	334,395
Total payables beyond 12 months at 31/12/2020	20,192	560,009	580,201
Total payables beyond 12 months at 31/12/2019	10,023	529,926	539,949

All loans are denominated in euro.

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

	thousands of €					
	31/12/2019 Total payables beyond 12months	Increases	Changes in consolidation scope	Decreases	Change in amortised cost	31/12/2020 Total payables beyond 12months
- fixed rate	10,023	-	17,732	(7,563)	-	20,192
- floating-rate	529,926	75,000	31,003	(76,372)	452	560,009
TOTAL	539,949	75,000	48,735	(83,935)	452	580,201

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

- disbursement to the Parent Company of a loan of € 75,000 thousand from the European Investment Bank for the project to develop the electricity distribution network;
- an increase of € 48,735 thousand in medium/long-term loans to companies acquired in 2020 and their subsequent inclusion in the Group's scope of consolidation;
- a decrease of € 83,935 thousand due to the early repayment of almost all of the above loans acquired in the consolidation area, the optimisation of the financial structure following the acquisitions, and the short-term classification of the portions of loans due within the subsequent 12 months;
- an increase of € 452 thousand due to recognition of the loans at amortised cost.

Other financial liabilities

These amount to € 120,566 thousand (€ 111,030 thousand as at 31 December 2019) and refer to:

- € 2,013 thousand (not present as at 31 December 2019) in payables to associates;
- for € 72,547 thousand (€ 79,673 thousand as at 31 December 2019) at *fair value* of derivative contracts entered into to hedge the exposure to the risk of fluctuations in interest rates of loans at floating rate (for the comment, see the "Management of financial risks of the Group" paragraph);
- for € 27,709 thousand (€ 25,500 thousand as at 31 December 2019) to payables for leasing contracts;
- for € 1,630 thousand (€ 4,074 as at 31 December 2019) to the long-term portion of the debt resulting from the operation to acquire the rights of use of 25% of the total capacity of the TLC network sold to BT Enia;
- for € 16,667 thousand (€ 1,783 thousand as at 31 December 2019) to equity financial instruments issued, interest payable and other debt.

NOTE 20_EMPLOYEE BENEFITS

Changes in this item in 2020 were as follows:

	thousands of €						
	Opening balance	Changes in consolidation scope	Current Service Cost	Financial expenses	Actuarial (gains)/losses	Disbursements for the period	Closing balance
Employee severance indemnity	93,097	3,117	584	813	4,101	(5,670)	96,042
Additional months' salaries (long-service bonus)	2,817	-	95	22	199	(456)	2,677
Loyalty bonus	3,199	-	107	21	(80)	(259)	2,988
Tariff discounts	4,861	-	-	47	434	(201)	5,141
Fondo premungas	2,354	-	-	13	287	(475)	2,179
Provisions for ex-employee benefits	92	-	-	-	-	(92)	-
Total	106,420	3,117	786	916	4,941	(7,153)	109,027

The column "Changes in consolidation scope" refers to the purchase balances during the period relating to the companies I.Blu and the companies operating in the environment sector acquired by Unieco.

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

The provision for former employee benefits, which included amounts to be paid on a one-off basis to retired employees to replace the energy discount no longer recognized as of 1 October 2017, was fully utilized in 2020.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

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

Annual discount rate	-0.02% - 0.34%
Annual inflation rate	0.80%
Annual increase rate of post-employment benefits	2.10%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		Service cost 2021	Duration of the plan
	+0.25%	-0.25%		
Post-employment benefits	(1,836)	1,900	772	9.1
Additional monthly salaries	(68)	70	85	5.5
Loyalty bonus	(45)	47	133	7.9
Tariff discounts	(131)	136	-	10.5
Premungas	(29)	30	-	6.0

The method used to estimate sensitivity was unchanged compared to the previous financial year.

NOTE 21_ PROVISIONS FOR RISKS AND CHARGES

The item amounted to € 405,456 thousand (€ 415,260 thousand as at 31 December 2019). These are detailed in the following table, and refer both to the current and non-current portions:

	thousands of €						
	Opening balance	Changes in consolidation scope	Increases	Decreases	(Income) expense from discounting	Closing balance	Non-current portion
Provisions for restoration of third-party assets	175,863	-	8,170	(5,883)	1,335	179,485	178,411
"Post mortem" provisions	44,340	25,806	5,936	(7,167)	3,427	72,342	61,945
Provisions for dismantling and reclaiming sites	35,694	-	749	(261)	4,054	40,236	40,190
Provisions for early retirement expenses	26,396	-	1,015	(12,366)	-	15,045	8,265
Provisions for risks on equity investments	6,565	-	-	-	-	6,565	-
Other provisions for risks and charges	244,704	5,696	104,543	(107,188)	-	247,755	116,645
Total	533,562	31,502	120,413	(132,865)	8,816	561,428	405,456

If the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which, on the basis of the time period envisaged for the future cash flows, does not exceed 2.73%.

The column "change in the scope of consolidation" refers to the balances acquired during the year in relation to I.Blu and the companies operating in the environment sector acquired by Unieco, the latter particularly with regard to post-mortem funds..

Provisions for restoration of third-party assets

These provisions refer to liabilities which, if the water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are reassigned to third parties, will be deducted from the fee to be paid to the Group by the incoming operator. These liabilities are estimated according to the depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesa and AMPS (later merged into Enià), were transferred

to the financial statements of three full publicly-held companies as envisaged in Art. 113 paragraph 13 of T.U.E.L. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set aside the aforementioned provisions.

The provisions for the restoration of transferable works represent an estimate of the expense necessary to return assets in concession in the hydroelectric sector in perfect working order.

“Post mortem” provisions

These are mainly provisions for future expense for environmental recovery of controlled landfill plants which also include costs for post-operating management until the sites involved have been completely converted to green areas. These provisions are supported by specific appraisals periodically updated in order to adjust the existing provisions to the estimate of the future costs to be incurred. The decreases refer in particular to the utilisation of the provision to cover costs incurred in the post-operating phase until the mineralisation of waste and the conversion of landfills into “green areas” are completed.

Provisions for dismantling and reclaiming sites

The “Provision for decommissioning and decontamination of sites” represents the estimate of expense associated with the future dismantling of the Group’s waste-to-energy plants and the estimate of charges to be incurred in relation to the future reclamation of former AMNU in Parma on which an incinerator was located.

Provisions for early retirement expenses

The provisions refer to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for retirement incentives for some employees, on a voluntary basis among the Group’s personnel who are potentially involved. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group’s personnel, in view of a plan to recruit young people.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the personnel in possession of the legal requisites to retire in advance with respect to the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.

The provisions represent the estimated payment to the employees involved in the Plan, through the Pensions Agency, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the Pensions Agency of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

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

Provisions for risks on equity investments

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

Other provisions for risks and charges

The amount of the provisions mainly refers to the probable risk of higher charges for the construction of plants which are completed or yet to be finished, the estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-quinquies of Italian Law Decree no. 44 of 31 March 2005, the estimate of charges related to the return of emissions quotas, charges for environmental offsets, risks of a regulatory nature and probable charges for various disputes.

The current portion referring to the provisions described above was presented under “provisions, current portion” (Note 28).

NOTE 22_DEFERRED TAX LIABILITIES

Deferred tax liabilities of € 203,540 thousand (€ 210,266 thousand as at 31 December 2019) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements.

Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.

For further details please see the note of the income statement, "Income tax expense", note 42, and the prospectus enclosed.

NOTE 23_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

	thousands of €	
	31/12/2020	31/12/2019
Payables after 12 months	54,988	47,806
Deferred income for grants - non current	429,448	429,479
Non-current accrued liabilities and deferred income	3,569	2,755
Total	488,006	480,040

The item "Payables after 12 months" refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the redundancy fund (CIG), for the extraordinary redundancy fund (CIGS) and for mobility and to tax payables for substitutive taxes to be paid at more than 12 months from the reporting date.

Deferred income for contributions against plant investments includes the amounts relating to connection grants of € 192,228 thousand and the Fo.N.I. component (Provision for New Investments), amounting to € 52,320 thousand, provided for by the tariff method for the Integrated Water Service, which will be reversed in the income statement after 12 months from the balance sheet date. The portion that will be booked to the income statement in the 12 months following the reporting date amounts to € 9,311 thousand and € 3,290 thousand, respectively, and is included in the item "Other payables and other current liabilities under deferred income" for grants related to plants.

CURRENT LIABILITIES

NOTE 24_ CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

Short-term financial liabilities can be analysed as follows:

	thousands of €	
	31/12/2020	31/12/2019
Bonds	181,628	167,831
Bank loans	74,489	130,709
Financial payables to associates	964	68
Financial payables to related-party shareholders	3,789	3,867
Financial payables for leases	9,430	106,514
Financial payables to others	4,009	12,717
Current liabilities for derivatives	568	40,007
Total	274,877	461,713

Bonds

The amounts relate to Private Placement and Public Bonds maturing within 12 months and represent the amortised cost value of the financial instruments, specifically:

- as at 31 December 2020, this relates to the Bond issued in 2014 maturing in 2021 (nominal value of €181,836 thousand maturing);
- as at 31 December 2019 the value at amortised cost of the Notes issued in 2013 was shown; these were repaid on maturity in February 2020 at their nominal value of € 167,870 thousand.

Bank loans

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

	thousands of €	
	31/12/2020	31/12/2019
Loans - current portion	49,150	43,637
Other current payables to banks	12,558	75,256
Accrued financial expenses and deferred financial income	12,781	11,816
Total	74,489	130,709

Financial payables to associates

These refer to receivables from the companies Amter (€ 437 thousand), SEI Toscana (€ 431 thousand), and CSAI (€ 96 thousand).

Financial payables to related-party shareholders

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

Financial payables for leases

The significant reduction compared to 31 December 2019 is due to the payment made during the FY 2020 to acquire part of the Group's executive offices and the biodigester of Cairo Montenotte (SV) which were previously the subject of a lease agreement.

Financial payables to others

They relate to payables to factoring companies for the portions collected from customers and to be paid to the factor (€ 1,300 thousand), payables resulting from the acquisition of the right of use of 25% of the total capacity of the TLC network sold to BT Enia (€ 1,840 thousand) and individually less significant amounts.

Current liabilities for derivatives

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

NOTE 25_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of €	
	31/12/2020	31/12/2019
Trade payables	923,212	830,377
Trade payables to joint ventures	233	311
Trade payables to associates	19,631	12,950
Trade payables to related-party shareholders	13,767	12,874
Trade payables to other related parties	6,600	9,225
Advances due within 12 months	7,376	6,801
Guarantee deposits due within 12 months	7,077	14,514
Charges to be reimbursed within 12 months	10	10
Total	977,906	887,062

NOTE 26_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of €	
	31/12/2020	31/12/2019
VAT payable	1,024	572
Revenue tax payable /UTIF	960	494
IRPEF payable	2,192	444
Other tax liabilities	21,298	28,142
Tax liabilities due within 12 months	25,474	29,652
Payables to employees	55,050	44,853
Payables to Cassa Servizi Energetici e Ambientali (CSEA)	42,925	62,971
Accounts payable to social security institutions within 12 months	24,616	30,272
Other current liabilities	171,230	117,751
Other payables due within 12 months	293,821	255,847
Accrued expenses and deferred income	26,152	21,236
Total	345,447	306,735

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

The change in payables to Cassa per i Servizi Energetici e Ambientali (the Energy and Environmental Services Fund) of the period is related to the estimates of negative equalisation of electricity and gas.

Other current liabilities mainly refer to the cost estimates for the obligations relating to energy efficiency certificates, payables for tariff components of electricity distribution to be paid to the GSE, payables for purification fees, payables for RAI fees collected in the bill and payables to customers for works invoiced but not yet carried out relating to the energy efficiency of buildings.

NOTE 27_CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounting to € 5,309 thousand (€ 1,761 thousand as at 31 December 2019) is made up of IRES and IRAP payables, comprising the estimate of taxes for the year.

NOTE 28_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to € 155.972 thousand (€ 118,302 thousand as at 31 December 2019) and refers to the short-term portion of the provisions, divided as follows:

- provisions for environmental offset charges of €13,267 thousand;
- provisions for charges related to the obligation to return emission quotas of € 82,527 thousand;
- provisions for early retirements of € 6,781 thousand;
- provisions for equity investment risks of €6,565 thousand, related mainly to the associate Sinergie Italiane;
- provisions for restoration of transferable works of €1,074 thousand;
- provisions for decommissioning and decontamination of sites and post mortem provisions of € 10,442 thousand, which are expected to be used within the next 12 months;
- other provisions for risks of € 35,316 thousand.

For further details on the breakdown of and changes in provisions for risks and charges see Note 21.

NOTE 29_LIABILITIES RELATED TO ASSETS HELD FOR SALE

There are not liabilities related to assets held for sale at 31 December 2020.

FINANCIAL POSITION

The net financial debt, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

	thousands of €	
	31/12/2020	31/12/2019
Non-current financial assets	(166,522)	(148,051)
Non-current financial debt	3,825,197	3,167,048
Non-current net financial debt	3,658,675	3,018,997
Current financial assets	(985,525)	(774,583)
Current financial debt	274,877	461,713
Current net financial debt	(710,648)	(312,870)
Net financial debt	2,948,027	2,706,127

Detail of Net Financial Position regarding related parties

Long-term financial assets relate for € 92,954 thousand to receivables from the Municipality of Turin and for € 34,620 thousand to receivables from associates.

Short-term financial assets relate for € 6,444 thousand to receivables from the Municipality of Turin and for € 3,614 thousand to receivables from associates.

Long-term financial liabilities relate for € 2,013 thousand to payables to associated companies.

Non-current financial liabilities relate for €3,789 thousand to payables to the Municipality of Turin and for €964 thousand to payables to associates.

Below is the net financial position in the format proposed by the ESMA recommendation of 10 February 2005 transposed with CONSOB Communication of 28 July 2006, which does not include non-current financial assets.

	thousands of €	
	31/12/2020	31/12/2019
A. Cash in hand	(890,169)	(345,876)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	(890,169)	(345,876)
E. Current financial receivables	(95,356)	(428,707)
F. Current bank debt	25,339	87,072
G. Current portion of non-current debt	230,778	211,468
H. Other current financial debt	18,760	163,173
I. Current financial debt (F)+(G)+(H)	274,877	461,713
J. Net current financial debt (I) – (E) – (D)	(710,648)	(312,870)
K. Non-current bank debt	580,201	539,949
L. Bonds issued	3,124,430	2,516,069
M. Other non-current debt	120,566	111,030
N. Non-current financial debt (K) + (L) + (M)	3,825,197	3,167,048
O. Net debt (J) + (N)	3,114,549	2,854,178

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

	thousands of €
Current and non-current financial liabilities 31.12.2019	3,628,761
Opening of medium/long-term loans	875,000
Repayment of medium/long-term loans	(246,292)
Liabilities acquired following change in consolidation scope	91,207
Change in payables for leases	(105,461)
Fair value changes on derivatives	(46,565)
Other changes	(96,576)
Current and non-current financial liabilities 31.12.2020	4,100,074

IX. NOTES TO THE INCOME STATEMENT

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

Starting from 1 July 2020, the consolidated income statement of the Group includes the economic figures of the companies Asti Energia Calore and Nord Ovest Servizi; starting from 1 August 2020, those of the company I. Blu; and, starting from 1 November 2020 those of the operating companies in the environment sector acquired by Unieco; the 2020 financial results are therefore influenced by the inclusion of these quantities in the scope of consolidation.

For the purposes of a correct analysis of the income statement, it is also noted that the items include, along the entire time horizon in question, the results of the companies Ferrania Ecologia (now merged by incorporation in Iren Ambiente) and Territorio e Risorse. In 2019, the income statement items of Ferrania Ecologia were in fact included starting from July, while those of Territorio e Risorse starting from October.

REVENUES

NOTE 30_REVENUE FROM GOODS AND SERVICES

This item amounts to € 3,537,250 thousand (€ 4,081,333 thousand in 2019). For more details on the trend in revenue by business segments please refer to what is explained in the chapter “Segment reporting” of the Directors' Report and to the tables contained in paragraph XI “Segment reporting” below.

NOTE 31_OTHER INCOME

Other income totalled € 188,211 thousand (€ 193,373 thousand in the FY 2019) and refers to contributions, revenue for energy certificates and sundry income. The tables below show the details of the single items.

Contributions

	thousands of €	
	FY 2020	FY 2019
Grants for plant facilities	12,697	8,707
Connection contributions	10,302	10,030
Other grants	7,954	3,462
Total	30,953	22,199

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

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

Revenue from energy certificates

	thousands of €	
	FY 2020	FY 2019
Revenue from ex-Green Certificates incentive	58,143	65,834
Revenue from Energy Efficiency Certificates (White Certificates)	55,182	49,681
Total	113,325	115,515

Other income

	thousands of €	
	FY 2020	FY 2019
Revenue from service contracts	3,058	2,507
Revenue from rental income and leases	1,495	1,483
Capital gains on goods disposal	978	934
Insurance reimbursement	4,767	6,119
Sundry repayments	4,973	7,556
Other revenue and income	28,662	37,060
Total	43,933	55,659

COSTS

NOTE 32_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

	thousands of €	
	FY 2020	FY 2019
Purchase of electricity	299,764	534,896
Purchase of gas	498,479	677,591
Purchase of water	4,458	3,958
Other raw materials and inventory materials	93,525	108,829
Emission Trading	82,527	67,741
White certificates	28,761	15,364
Change in inventories	13,987	2,419
Total	1,021,501	1,410,798

Costs for raw materials, consumables, supplies and goods decreased by approximately € 389,297 thousand. The decrease in the cost of purchasing electricity and gas is linked both to the reduction in prices and volumes purchased.

With regard to energy certificates, the change in costs for White Certificates is linked to the higher quantities purchased to meet the obligations of the period.

The change in inventories was partly due to gas storages.

NOTE 33_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to € 1,259,712 thousand (€ 1,422,864 thousand in 2019), as follows:

	thousands of €	
	FY 2020	FY 2019
Electricity transport and electricity system expenses	510,353	715,456
Gas carriage	63,672	66,906
Heat carriage	110	112
Third-party works, maintenance and industrial services	271,749	230,457
Collection and disposal, snow clearing, public parks	219,755	209,503
Expenses related to personnel (canteen, training, travel)	8,792	11,859
Technical, administrative and commercial consulting and advertising expenses	68,297	59,451
Legal and notary fees	2,869	1,996
Insurance	14,886	13,832
Banking costs	7,137	7,521
Telephone costs	6,105	7,211
IT expenses	44,856	47,871
Reading and invoicing services	11,404	11,912
Fees of the Board of Statutory Auditors	938	925
Other costs for services	28,789	37,852
Total costs for services	1,259,712	1,422,864

Costs for third-party works mainly relate to operating and maintenance costs of plants and networks. "Other costs for services" consist of the remaining costs for internal consumption, back office, transport and other services.

Costs for leased assets amount to € 34,346 thousand (€ 35,530 thousand in 2019). The item included mainly fees paid to the single operator of the Genoa Area, fees paid to the companies that own the assets of the integrated water service of the Municipalities of Parma, Piacenza, and Reggio Emilia.

Residually, there are also costs present for short-term hire or hire in which the underlying asset is of modest value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 34_OTHER OPERATING EXPENSES

Other expenses amounted to € 71,472 thousand (€ 78,976 thousand in 2019), as follows:

	thousands of €	
	FY 2020	FY 2019
General expenses	14,171	19,359
Instalments and higher instalments for water shunting	18,911	18,636
Taxes and duties	25,163	25,145
Capital losses on goods disposal	1,975	1,022
Other sundry operating expenses	11,252	14,814
Total	71,472	78,976

General expenses include among other things contributions to the running costs of various entities and penalties from service providers. The item “taxes and duties” relates mainly to expenses for IMU (Council Tax) on the Group’s plants and buildings and expenses for occupying and reclaiming public land. The item Other sundry operating expenses includes adjustments of revenue accruing to previous years.

NOTE 35_ CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to € 38,262 thousand (€ 33,444 thousand in 2019), and regard increases in capital assets made with internal resources and production factors.

	thousands of €	
	FY 2020	FY 2019
Capitalised labour costs	(32,247)	(26,779)
Capitalised inventory materials	(6,015)	(6,665)
Total	(38,262)	(33,444)

NOTE 36_ PERSONNEL EXPENSE

Personnel expenses amounted to € 449,341 thousand (€ 442,721 thousand in 2019), as follows:

	thousands of €	
	FY 2020	FY 2019
Gross remuneration	321,441	309,629
Social security contributions	100,978	99,042
Post-employment benefits	584	565
Other long-term employee benefits	202	216
Other personnel expense	24,466	31,936
Directors’ fees	1,670	1,333
Total	449,341	442,721

As specified in Note 35, € 32,247 thousand of costs related to employees were capitalised.

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

The composition of personnel is shown in the following table.

	FY 2020	FY 2019	Average for the period
Senior managers	101	94	93
Junior managers	318	314	313
White collar workers	3,733	3,495	3,568
Blue collar workers	4,528	4,199	4,326
Total	8,680	8,102	8,300

The main changes in the workforce compared to 31 December 2019 were ascribable to:

- the consolidation of company I.Blu and the environmental companies acquired from Unieco;
- the company San Germano due to the launch/conclusion of contracted services, including seasonal work;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

NOTE 37_ DEPRECIATION AND AMORTISATION

Depreciation/amortisation for the period amounted to € 440,910 thousand (€ 403,563 thousand in 2019).

	thousands of €	
	FY 2020	FY 2019
Property, plant and equipment and investment property	279,650	267,106
Intangible assets	161,260	136,457
Total	440,910	403,563

For further details on depreciation/amortisation, reference should be made to the tables of changes in property, plant and equipment and intangible assets.

NOTE 38_ PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to a total of € 70,651 thousand (€ 61,850 in the FY 2019) as follows:

	thousands of €	
	FY 2020	FY 2019
Provisions for impairment of receivables	61,708	37,203
Provisions set aside for risks and restoration of third-party assets	32,986	41,816
Provision releases	(28,504)	(29,803)
Write-downs	4,461	12,634
Total net other provisions and impairment losses	8,943	24,647
Total	70,651	61,850

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

The trend of provisions set aside for risks and restoration of third-party assets is referable to the assessment of risks of liabilities in the electrical and water fields, as well as to probable costs in the waste management segment, while releases of provisions in the period refer to the revision of estimates of expenses set aside in previous years.

Details of changes in provisions are given in the comment on the Balance Sheet item “Provisions for risks and charges”.

The write-down in 2020 relates to the assets of the waste treatment plants located in the province of La Spezia. The 2019 impairment losses refer mainly to the downward adjustment of the carrying amount of a portion of goodwill related to assets of the waste processing plants located in the province of La Spezia and of the property complex in Piazza Raggi in Genoa.

NOTE 39_ FINANCIAL INCOME AND EXPENSE

Financial income

Financial income amounted to € 38,372 thousand (€ 34,614 thousand in 2019). The details are shown in the following table:

	thousands of €	
	FY 2020	FY 2019
Dividends	79	48
Bank interest income	600	394
Interest income from receivables/loans	5,731	17,342
Interest income from customers	10,190	3,977
Fair value gains on derivatives	9,413	9,360
Gains made on derivatives	-	322
Capital gain on disposal of financial assets	5,713	-
Exchange rate gains	15	9
Other financial income	6,631	3,162
Total	38,372	34,614

Interest income from receivables/loans refers mainly to interest income from the joint venture OLT Offshore (€ 1,733 thousand) and interest accrued on current accounts between the Group and the Municipality of Turin (€ 2,392 thousand).

Income from fair value on derivative contracts refers to the non-effective portion of hedging instruments and to the fair value changes of hedging instruments that do not meet the formal requirements for the application of hedge accounting.

The capital gain from the sale of financial assets relates to companies BT Enia and CIDIU, which were sold during the year.

Other financial income consists mainly of income for the discounting of provisions and for adjustments to estimates of previous years.

Financial expenses

The items amounts to € 93,630 thousand (€114,482 thousand in 2019). The breakdown of financial expenses is provided in the following table:

	thousands of €	
	FY 2020	FY 2019
Interest expense on loans	3,143	31,506
Interest expense on bonds	54,703	49,525
Interest expense on bank current accounts	116	140
Other interest expense	957	1,190
Capitalised borrowing costs	(629)	-
Derivative fair value charges	5,835	735
Expenses paid on derivatives	16,100	17,446
Capital loss on disposal of financial assets	1,866	551
Interest cost – Employee benefits	916	1,652
Financial expense on leasing liabilities	624	3,344
Other financial expenses	9,999	8,393
Total	93,630	114,482

The interest expense on borrowings for 2019 included charges for *liability* management transactions of € 19.3 million.

Interest on loans and bonds includes the expenses relating to the measurement at amortised cost.

The fair value charges on derivative contracts include the transfer to the income statement of the cash flow hedge reserve relating to some hedging positions extinguished during the year.

Reference should be made to the note to the statement of financial position on the item “Employee benefits” for details of financial expenses on employee benefits.

Other financial expenses mainly includes financial expenses for the discounting of provisions.

NOTE 40_SHARE OF PROFIT (LOSS) OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The profit of equity-accounted companies amounted to € 6,535 thousand (a profit of € 4,477 thousand in 2019). For more details please see Note 5 “Investments accounted for using the equity method”.

NOTE 41_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

This item is negative by € 1,862 thousand (positive by € 558 thousand in the 2019 FY) and mainly relates to the restatement to fair value, at the date of acquisition of the controlling interests, of the minority interest held as at 30 June 2020 in Nord Ovest Servizi and Asti Energia Calore (-€ 1,673 thousand).

In the FY 2019, the item was negative for € 558 thousand and referred mainly to:

- the difference between the fair value of the net assets acquired of the companies San Germano and CMT and the price transferred for the acquisition of the same (+1,766 thousand euro);
- the write-down of the equity investment in Astea (-1,208 thousand euro) made following the impairment test carried out on the value of the investee.

NOTE 42_INCOME TAX EXPENSE

Income taxes for 2020 are estimated at € 100,134 thousand (€111,550 thousand in 2019). The breakdown of taxes is provided in the following table:

	thousands of €	
	FY 2020	FY 2019
Current taxes (IRES)	96,920	97,308
Current taxes (IRAP)	22,765	24,203
Current taxes (IRES and IRAP) previous years	(10,078)	(4,472)
Deferred tax assets	2,298	4,659
Deferred tax liabilities	(11,771)	(10,148)
Total	100,134	111,550

It should be noted that, starting from 2010, Iren S.p.A. adopted the domestic tax consolidation scheme pursuant to Arts 117 et seq. of the new Consolidated Law on Income Tax (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.

The tax consolidation scope for 2020 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI, Iren Mercato, Iren Energia and the merged companies (Green Source, Enia Solaris, Varsi Fotovoltaico), Iren Acqua and the merged company Immobiliare delle Fabbriche, Iren Ambiente, Iren Smart Solution (formerly Iren Rinnovabili), AMIAT, AMIAT V., ACAM Ambiente, ACAM Acque, Maira, Formaira, Studio Alfa (and the merged company Coin Consultech), ReCos, Iren Laboratori, San Germano, Territorio e Risorse, Ri.Ma., ASM Vercelli, Atena Trading, GIA in liquidation.

The table below shows the breakdown of the tax rate for FY 2020 and for FY 2019.

	thousands of €			
	FY 2020		FY 2019	
Profit (loss) before tax	365,205		377,015	
IRES tax	87,649	24.0%	90,556	24.0%
Permanent differences	4,081	1.1%	1,083	0.3%
IRAP (regional business tax)	18,260	5.0%	24,203	6.4%
Previous years' taxes and other differences	(9,856)	-2.7%	(4,292)	-1.1%
Total taxes in the income statement	100,134	27.4%	111,550	29.6%

The following table shows deferred tax assets and liabilities and their impact.

	thousands of €	
	FY 2020	FY 2019
Deferred tax assets		
Non-taxable provisions	145,001	140,586
Differences in value of fixed assets	177,451	132,392
Connection contributions	16,769	48,563
Derivatives	22,109	30,706
Tax losses carried forward + ACE	2,786	5,120
Other	5,259	11,069
Total	369,375	368,436
Deferred tax liabilities		
Differences in value of fixed assets	186,613	200,430
Provisions for impairment of receivables	441	441
Other provisions	553	526
Other	15,933	8,869
Total	203,540	210,266
Total net deferred tax assets (liabilities)	165,835	158,170
Total change	7,665	
of which:		
Equity	(6,122)	
to the Income statement	9,473	
owing to changes in the consolidation scope	4,314	

NOTE 43_ NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

Not present in FY 2020 and in FY 2019.

NOTE 44_ PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITIES

Profit attributable to non-controlling interests, which amounted to € 29,749 thousand (€ 29,103 thousand in 2019), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 45_EARNINGS PER SHARE

For the purposes of calculating basic and diluted earnings per share, it is noted that the number of shares for 2020 represents the weighted average number of shares in issue in the reporting period based on the provisions of IAS 33 § 20. The Company has not issued any financial instruments that have the potential to dilute its common stock, therefore diluted earnings per share is equal to basic earnings per share.

	FY 2020	FY 2019
Net profit (loss) for the period (thousands of euro)	235,322	236,362
Weighted average number of shares outstanding over the year (thousand)	1,291,894	1,298,646
Basic earnings/(loss) per share (euro)	0.18	0.18

NOTE 46_OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to a negative € 13,592 thousand (a negative € 18,263 thousand in 2019) and included other comprehensive income that will be subsequently reclassified to the Income Statement and other comprehensive income that will not be subsequently reclassified to the Income Statement.

Other comprehensive income that will be subsequently reclassified to the Income Statement relates to:

- the effective portion of changes in the *fair value* of cash flow hedging instruments, a positive € 25,475 thousand, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group, this concerns gas).
- the share of other profits/(losses) of equity-accounted companies, a positive € 620 thousand, which refers to changes in the *fair value* of cash flow hedging instruments of associates;
- the tax effect of other comprehensive income, for € 7,358 thousand.

Other comprehensive income that will not be subsequently reclassified to the Income Statement relates to:

- actuarial losses, related to employee defined benefit plans, for € 5,073 thousand.
- the portion of actuarial losses of equity-accounted companies related to employee defined benefit plans, for € 68 thousand.
- the tax effect of other comprehensive income, for € 1,236 thousand.

X. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees relate to:

- a) Sureties and other guarantees for own commitments of € 793,584 thousand (€ 492,226 thousand as at 31 December 2019); the most significant items refer to sureties issued in favour of:
- Revenue Agency for € 126,266 thousand for a VAT credit refund request;
 - the Turin Provincial/Metropolitan City Governments, for € 100,131 thousand for waste conferment and post-closure management of plants subject to I.E.A.;
 - MPS Capital Service for € 66,840 thousand to secure the assets and liabilities of certain acquired companies that are part of the "Unieco Environment Division";
 - ARPAE for € 62,997 thousand for waste conferment and operations and post-closure management of plants subject to Integrated Environmental Authorisation (I.E.A.);
 - Unieco for € 46,000 thousand to guarantee the acquisition of the "Unieco Environment Division";
 - ATO-R, for € 44,335 thousand, as definitive guarantees in the Amiat/TRM tender procedure;
 - the Ministry of the Environment, for € 31,855 thousand;
 - the Electricity Market Operator (GME) for € 29,718 thousand to guarantee the energy market participation contract;
 - Municipality of Turin, for € 28,539 thousand, as definitive guarantee in the AMIAT/TRM acquisition;
 - CONSID for € 27,905 thousand for electricity supply contracts;
 - the Customs Authority, for € 22,013 thousand to guarantee the regular payment of revenue tax and additional local and provincial duties on electricity consumption and gas excise;
 - ATERSIR for € 20,306 thousand for agreements and tenders in progress relating to the Integrated Water Service and the Urban Waste Management Service;
 - Province of Parma for € 17,136 thousand as a guarantee for authorisations to operate various plants;
 - Province of La Spezia for € 14,773 thousand for contributions and management of plants;
 - Regione Puglia for 12,714 to guarantee landfill and plant authorizations;
 - SNAM Reti Gas for € 11,091 thousand to guarantee contracts and network codes;
 - INPS for € 7,015 thousand for the planned redundancy procedure for group employees;
 - Consorzio di Bacino Basso Novarese for € 6,989 thousand to guarantee the contract for the collection and disposal of urban waste;
 - Terna, for € 6,612 thousand to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
 - Rimateria for € 6,108 thousand as a guarantee for sureties;
 - SETA SpA for € 5,850 thousand to guarantee regular execution of post-closure activities at the Chivasso 0 landfill site;
 - Province of La Spezia for € 5,441 thousand for contributions and management of plants;
 - AMIU Genova for € 4,445 thousand as a guarantee for the project finance relating to the Scarpino Biological Mechanical Treatment plant.
- b) Guarantees provided on behalf of subsidiaries and associates for € 298,469 thousand, primarily to guarantee credit facilities and sales/Parent Company Guarantee contracts on behalf of Iren Mercato SpA.

The most significant amounts, regarding the guarantees granted on behalf of associates, refer to the associate Sinergie Italiane in liquidation, i.e. guarantees for credit facilities and letters of patronage for € 23,999 thousand (€ 25,332 thousand as at 31 December 2019). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato.

COMMITMENTS

In relation to the subsidiary Iren Acqua (formerly Mediterranea delle Acque), we can note the existence of a commitment within the framework Agreement with the Shareholder F2i rete idrica S.p.A. Article 15 of this agreement envisages that Ireti is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Iren Acqua or its investees, resulting from incorrect or unfair statements included in the agreement.

CONTINGENT LIABILITIES

Disclosure on the Inspection Report of 26 July 2019 served on Iren Mercato S.p.A.

On 20 February 2019, Agenzia delle Entrate - Regional Revenue Authority Department of Liguria initiated a tax audit, for the 2013 and 2014 tax years, against the company Iren Mercato S.p.A. which concluded in the notification of the official tax audit report (OTAR) of 26 July 2019: the audit concerned mainly the business relationships between the company and the investee Sinergie Italiane, in implementation of the contract for the purchase of natural gas signed on 20 March 2013.

The Office with the aforementioned OTAR, for IRES and IRAP purposes, claimed that the company applied undue deduction, in breach of Art. 109 of the Consolidated Income Tax Act (TUIR), of part of the price of the gas paid to Sinergie Italiane (for the part constituted, in fact, of the *mark-up* applied by the latter on its natural gas purchase price), for a total of € 4,274,009 for 2013 and € 3,748,010 for 2014.

In the tax assessment report, the Office also contested the undue deduction (in violation of Article 19, paragraph 1, of Presidential Decree no. 633/1972) of VAT (applied at a 10% rate) paid by the company in relation to the invoices issued by Sinergie Italiane.

In relation to the transactions covered by the accusation, Iren Mercato produced, during the audit, briefs with which ample clarifications were provided on the nature of the commercial transactions that occurred between the two companies.

In addition, the company - although convinced of the legitimacy of its actions and for the sole purpose of benefiting from the criminal non-punishability cause introduced by Article 39, paragraph 1, of Legislative Decree no. 124/2019 - on 6 February 2020, carried out the so-called "voluntary correction of the tax return" (in relation to the Mark-up irregularity) for the years 2015, 2016, and 2017, through the submission of supplementary statements and simultaneous payment of taxes, interest and penalties.

As of today, the Office has not yet served on the company any notice of assessment.

With regard to the aforementioned findings, during 2020, an invitation to provide relevant data and information and subsequently an invitation to a cross-examination were notified in relation to the 2015 tax year, which did not result in any definition. On 23 March 2021, a VAT assessment notice was served in relation to this year in which the method of invoicing the supply from Sinergie Italiane is disputed.

The risks connected with the Agency's findings did not lead to any provisions in the present financial statements as they are estimated as "potential" in application of the international accounting standards, considering that there are a series of factual circumstances and considerations on points of law in support of the legitimate operation of the company.

On the other hand, the risk associated with the possibility of not obtaining a refund of the amounts paid for the voluntary correction for the 2015, 2016 and 2017 tax periods, is estimated as "probable", and a provision has therefore been made as a write-down of the receivable recognised in relation to the amounts assessed to act on the aforementioned voluntary correction.

XI. SEGMENT REPORTING

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.

Given the nature of the activity performed by Group companies, a geographical segment analysis is not relevant.

OPERATING BUSINESS SEGMENTS

The business segments in which the Group operates are:

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

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.

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

Given the fact that the Group mainly operates in one area, the following segment information does not include a breakdown by geographical area.

Net invested capital by business segment compared to the figures as at 31 December 2019 restated and income statements (up to the operating profit/(loss)) for the current year by business segment are presented below, compared against the 2019 figures restated.

Reclassified statement of financial position by business segment at 31 December 2020

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,233	1,953	202	35	178	6,581
Net Working Capital	(101)	63	20	58	2	-	42
Other non-current assets and liabilities	(601)	(207)	(86)	(18)	1	-	(911)
Net invested capital (NIC)	2,278	1,089	1,887	242	38	178	5,712
Equity							2,764
Net financial debt							2,948
Own funds and net financial debt							5,712

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

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,823	1,037	1,884	175	38	145	6,102
Net Working Capital	(69)	64	87	70	13	-	165
Other non-current assets and liabilities	(603)	(171)	(139)	0	3	-	(910)
Net invested capital (NIC)	2,151	930	1,832	245	54	145	5,357
Equity							2,651
Net financial debt							2,706
Own funds and net financial debt							5,357

Income Statement by business segment of Financial Year 2020

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,336)	3,725
Total operating expenses	(665)	(591)	(917)	(1,938)	(22)	1,336	(2,798)
Gross Operating Margin (EBITDA)	376	173	228	147	3	-	927
Net am./depr., provisions and impairment losses	(190)	(123)	(117)	(80)	(3)	-	(512)
Operating result (EBIT)	186	50	111	67	1	-	415

Income Statement by business segments of Financial Year 2019 restated

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,046	715	1,473	2,746	22	(1,727)	4,275
Total operating expenses	(673)	(557)	(1,199)	(2,636)	(20)	1,727	(3,358)
Gross Operating Margin (EBITDA)	373	158	274	110	2	-	917
Net am./depr., provisions and impairment losses	(175)	(102)	(134)	(53)	(1)	-	(465)
Operating result (EBIT)	198	56	140	57	1	-	452

XII. ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FULLY CONSOLIDATED COMPANIES

LIST OF JOINT VENTURES

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ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE, JOINT VENTURES AND ASSOCIATES

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

LIST OF CONTRIBUTIONS PURSUANT TO ITALIAN LAW DECREE 34/2019 ART. 35

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TRANSACTIONS WITH RELATED PARTIES

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FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Iren Ambiente S.p.A.	Piacenza	€	63,622,002	100.00	Iren
Iren Energia S.p.A.	Turin	€	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	€	61,356,220	100.00	Iren
Ireti S.p.A.	Genoa	€	196,832,103	100.00	Iren
Acam Acque S.p.A.	La Spezia	€	24,260,050	100.00	Ireti
Acam Ambiente S.p.A.	La Spezia	€	3,000,000	100.00	Iren Ambiente
AMA S.p.A.	Reggio Emilia	€	1,800	100.00	UHA
AMIAT S.p.A.	Turin	€	46,326,462	80.00	AMIAT V
AMIAT V. S.p.A.	Turin	€	1,000,000	93.06	Iren Ambiente
ASM Vercelli S.p.A.	Vercelli	€	120,812,720	59.97	Ireti
Asti Energia e Calore S.p.A.	Asti	€	120,000	62.00	Iren Energia
Atena Trading S.r.l.	Vercelli	€	556,000	100.00	ASM Vercelli
Bonifica Autocisterne S.r.l.	Piacenza	€	595,000	51.00	Iren Ambiente
BIO Metano S.r.l.	Reggio Emilia	€	20,000	100.00	UHA
Borgo Ambiente S.c.a.r.l.	Reggio Emilia	€	100,000	51.00	Unirecuperi
Consorzio GPO	Reggio Emilia	€	20,197,260	62.35	Ireti
Energy Side Srl	Florence	€	88,729	100.00	STA
Formaira S.r.l.	San Damiano Macra (CN)	€	10,000	100.00	Maira
Gheo suolo e Ambiente S.r.l.	Reggio Emilia	€	100,000	100.00	UHA
I. Blu S.r.l.	Pasian di Prato (UD)	€	9,001,000	80.00	Iren Ambiente
Iren Acqua S.p.A.	Genoa	€	19,203,420	60.00	Ireti
Iren Acqua Tigullio S.p.A.	Chiavari (GE)	€	979,000	66.55	Iren Acqua
Iren Ambiente Parma S.r.l.	Parma	€	4,000,000	100.00	Iren Ambiente
Iren Ambiente Piacenza S.r.l.	Piacenza	€	4,000,000	100.00	Iren Ambiente
Iren Laboratori S.p.A.	Genoa	€	2,000,000	90.89	Ireti
Iren Smart Solutions S.p.A.	Reggio Emilia	€	2,596,721	60.00	Iren Energia
				20.00	Iren Ambiente
				20.00	Iren Mercato
Maira S.p.A.	San Damiano Macra (CN)	€	596,442	66.23	Iren Energia
Manduriambiente S.p.A.	Manduria (TA)	€	4,111,820	95.28	UHA
Monte Querce S.c. a r.l.	Reggio Emilia	€	100,000	60.00	Iren Ambiente
				40.00	Unirecuperi
Nord Ovest Servizi S.p.A.	Turin	€	7,800,000	45.00	Ireti
				30.00	Amiat
Picena Depur S.r.l.	Ascoli Piceno	€	46,000	99.90	UHA
Produrre Pulito S.r.l.	Sesto Fiorentino (FI)	€	25,721	100.00	STA
ReCos S.p.A.	La Spezia	€	6,420,608	99.14	Iren Ambiente
Rigenera Materiali S.r.l.	Genoa	€	3,000,000	100.00	Iren Ambiente
Salerno Energia Vendite S.p.A.	Salerno	€	3,312,060	50.00	Iren Mercato
San Germano S.p.A.	Turin	€	1,425,000	100.00	Iren Ambiente
Scarlino Energia S.p.A.	Scarlino (GR)	€	16,917,108	89.54	Scarlino Holding
Scarlino Holding S.r.l.	Florence	€	90,000	100.00	STA
Scarlino Immobiliare S.r.l.	Florence	€	10,000	72.22	Scarlino Holding

Company	Registered office	Currency	Share capital	% ownership	Participating company
Sereco Piemonte S.p.A.	Reggio Emilia	€	7,224	100.00	UHA
STA S.p.A.	Florence	€	15,934,370	100.00	UCH Holding
STA Partecipazioni S.r.l.	Reggio Emilia	€	2,500,000	100.00	STA
Studio Alfa S.p.A.	Reggio Emilia	€	100,000	86.00	Iren Smart Solutions
TB S.p.A.	Florence	€	2,220,000	58.56	STA
Territorio e Risorse S.r.l.	Tortona (AL)	€	2,510,000	100.00	Iren Ambiente
TRM S.p.A.	Turin	€	86,794,220	80.00	Iren Ambiente
UCH Holding S.r.l.	Reggio Emilia	€	15,742,660	64.71	UHA
				27.86	Iren Ambiente
UHA S.r.l.	Reggio Emilia	€	49,324,031	100.00	Iren Ambiente
Uniproject S.r.l.	Maltignano (AP)	€	91,800	100.00	Iren Ambiente
Unirecuperi S.r.l.	Reggio Emilia	€	323,000	80.80	UHA
				19.20	Iren Ambiente
Uniservizi S.r.l.	Maltignano (AP)	€	64,021	100.00	UHA

LIST OF JOINT VENTURES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili S.p.A.	Turin	€	7,633,096	44.92	Ireti

LIST OF ASSOCIATES

Company	Registered office	Currency	Share capital	% ownership	Participating company
A2A Alfa S.r.l. in liq. (1)	Milan	€	100,000	30.00	Iren Mercato
Acos S.p.A.	Novi Ligure	€	17,075,864	25.00	Ireti
Acos Energia S.p.A.	Novi Ligure	€	150,000	25.00	Iren Mercato
Acquaenna S.c.p.a.	Enna	€	3,000,000	48.50	Ireti
Aguas de San Pedro S.A. de C.V.	S.Pedro Sula (Honduras)	Lempiras	159,900	39.34	Ireti
Aiga S.p.A.	Ventimiglia	€	104,000	49.00	Ireti
Amat S.p.A.	Imperia	€	5,435,372	48.00	Ireti
Amter S.p.A.	Cogoleto (GE)	€	404,263	49.00	Iren Acqua
ASA S.p.A.	Livorno	€	28,613,406	40.00	Ireti
Asa S.c.p.a.	Castel Maggiore (BO)	€	1,820,000	49.00	Unirecuperi
Astea S.p.A.	Recanati (MC)	€	76,115,676	21.32	Consorzio GPO
Asti Servizi Pubblici S.p.A.	Asti	€	7,540,270	45.00	Nord Ovest Servizi
Barricalla S.p.A.	Turin	€	2,066,000	35.00	Sereco Piemonte
BI Energia S.r.l.	Reggio Emilia	€	100,000	47.50	Iren Energia
CSA S.p.A. (1)	Terranuova Bracciolini (AR)	€	1,369,502	47.97	STA
CSAI S.p.A.	Terranuova Bracciolini (AR)	€	1,610,511	40.32	STA
CSP Innovazione nelle ICT S.c. a r.l. in liq. (1)	Turin	€	600,000	25.00	Iren Energia
Fata Morgana S.p.A. (2)	Reggio Calabria	€	2,225,694	25.00	Ireti
Fin Gas S.r.l.	Milan	€	10,000	50.00	Iren Mercato
Fratello Sole Energie Solidali Impresa Sociale S.r.l.	Genoa	€	350,000	40.00	Iren Energia
Futura S.p.A.	Florence	€	7,000,000	40.00	STA
G.A.I.A. S.p.A.	Asti	€	5,539,700	45.00	Iren Ambiente
Global Service Parma S.c.a.r.l. in liq. (1)	Parma	€	20,000	30.00	Ireti
Iniziative Ambientali S.r.l.	Novellara (RE)	€	100,000	40.00	Iren Ambiente
Mondo Acqua S.p.A.	Mondovì (CN)	€	1,100,000	38.50	Ireti
Nove S.p.A.	Grugliasco (TO)	€	9,983,505	49.00	Iren Energia
Piana Ambiente S.p.A. in liq. (2)	Gioia Tauro	€	1,719,322	25.00	Ireti
Plurigas S.p.A. in liq. (1)	Milan	€	800,000	30.00	Iren
Rimateria S.p.A. in CP	Piombino (LU)	€	4,589,273	30.00	Unirecuperi
SEI Toscana S.r.l.	Siena	€	42,236,230	35.64	STA
Seta S.p.A.	Turin	€	12,378,237	48.85	Iren Ambiente
Sienambiente S.p.A.	Siena	€	2,866,575	40.00	STA
Sinergie Italiane S.r.l. in liq. (1)	Milan	€	1,000,000	30.94	Iren Mercato
STU Reggiane S.p.A.	Reggio Emilia	€	12,222,580	30.00	Iren Smart Solutions
Tirana Acque S.c.a.r.l. in liq. (1)	Genoa	€	95,000	50.00	Ireti
Valle Dora Energia S.r.l.	Turin	€	537,582	49.00	Iren Energia

(1) Company in liquidation

(2) Company in liquidation classified under assets held for sale

LIST OF OTHER COMPANIES

Company	Registered office	Currency	Share capital	% ownership	Participating company
Acque Potabili Siciliane S.p.A. (1)	Palermo	€	5,000,000	9.83	Iren Acqua
Aeroporto di Reggio Emilia S.p.A.	Reggio Emilia	€	2,177,871	0.11	Studio Alfa
AISA S.p.A.	Arezzo	€	3,867,640	3.00	STA
AISA Impianti	Arezzo	€	6,650,000	3.00	STA
Alpen 2.0 S.r.l.	Turin	€	70,000	14.29	Maira
ATO2ACQUE S.c.a.r.l.	Biella	€	48,000	16.67	ASM Vercelli
Aurora S.r.l.	S. Martino in Rio (RE)	€	514,176	0.10	Studio Alfa
Autostrade Centro Padane S.p.A.	Cremona	€	30,000,000	1.46	Ireti
C.R.P.A. S.p.A.	Reggio Emilia	€	2,201,350	2.27	Ireti
Consorzio CIM 4.0	Turin	€	1,400,000	4.00	Iren
CCC-Consorzio cooperative costruzioni	Bologna	€	15,637,899	0.06	Unirecuperi
Consorzio Integra	Bologna	€	42,548,492	0.02	Unirecuperi
Consorzio Topix	Turin	€	1,600,000	0.30	Iren Energia
Enerbrain S.r.l.	Turin	€	21,073	1.00	Iren Smart Solutions
Environment Park S.p.A.	Turin	€	11,406,780	3.39	Iren Energia
I-TES S.r.l.	Turin	€	10,204	7.41	AMIAT
Genera S.c.a.r.l.	Ascoli Picena	€	1,390,361	2.00	Iren Energia
L.E.A.P. S.c. a r.l.	Piacenza	€	180,000	1.00	Uniproject
Objective ValdArno S.r.l.	Montevarchi AR	€	800,000	8.30	Iren Ambiente
Reggio Emilia Innovazione S.c.a.r.l. in liquidation (2)	Reggio Emilia	€	871,956	1.50	STA
Se.ver.a. S.p.A. in liquidation (2)	Castelnuovo di Garfagnana LU	€	1,128,950	0.99	Iren Ambiente
Serchio Verde Ambiente S.p.A. in liquidation (2)	Castelnuovo di Garfagnana (LU)	€	1,128,950	5.93	STA
Smart Mobility S.r.l. in liquidation (2)	Rome	€	14,175	5.93	STA
Società di Biotecnologie S.p.A.	Turin	€	536,000	5.14	Iren Mercato
Stadio Albaro S.p.A. in liquidation (2)	Genoa	€	1,230,000	1.00	Iren Smart Solutions
T.I.C.A.S.S. S.c.a.r.l.	Genoa	€	176,000	2.00	Iren Mercato
Valdisieve S.c.a.r.l.	Florence	€	1,400,000	3.13	Ireti
				0.96	STA

ACCOUNTING DATA OF THE MAIN COMPANIES CONSOLIDATED LINE-BY-LINE, JOINT VENTURES AND ASSOCIATES

Fully consolidated companies

Company	Currency	Total Assets	Shareholders' equity	Total Revenues	Profit/loss
Iren Ambiente S.p.A.	€	943,093,557	248,279,943	343,604,349	17,247,100
Iren Energia S.p.A.	€	2,317,529,196	1,256,458,081	999,194,636	72,415,648
Iren Mercato S.p.A.	€	697,199,088	207,466,694	2,005,274,711	49,185,447
Ireti S.p.A.	€	2,715,701,135	1,184,161,731	591,609,109	108,748,196
Acam Acque S.p.A.	€	271,475,742	38,989,489	77,745,928	6,299,748
Acam Ambiente S.p.A.	€	57,775,280	(5,187,627)	47,789,870	(2,867,239)
A.M.A. Azienda Monregalese Ambiente S.p.A.	€	10,961,582	7,350,007	8,074,313	1,239,442
AMIAT S.p.A.	€	264,148,154	98,405,041	199,780,899	19,813,965
AMIAT V. S.p.A.	€	50,923,912	40,267,944		8,986,634
ASM VerCELLI S.p.A.	€	167,162,143	134,814,202	37,264,038	5,336,370
Asti Energia e Calore S.p.A.	€	3,996,782	508,091	550,298	109,288
Atena Trading S.r.l.	€	19,630,643	9,629,653	41,373,108	1,754,664
Bio Metano Italia S.r.l.	€	8,538	8,174	38	(5,239)
Bonifica Autocisterne S.r.l.	€	1,475,445	1,038,832	1,375,442	223,649
Borgo Ambiente Soc. Cons. a r.l.	€	916,137	100,000	681,235	-
Consorzio GPO	€	22,794,292	22,767,889	-	189,084
Energy Side S.r.l.	€	153,623	107,850	116,871	(4,346)
Formaira S.r.l.	€	198,443	8,858	73,309	(1,722)
Gheo Suolo E Ambiente S.r.l.	€	2,834,217	(9,058)	4,787,601	(146,880)
Iblu S.r.l.	€	50,660,258	14,075,743	49,806,991	2,566,894
Iren Acqua S.p.A.	€	699,372,113	468,799,874	211,685,421	42,295,431
Iren Acqua Tigullio S.p.A.	€	43,335,039	19,129,706	22,903,142	1,820,980
Iren Ambiente Parma S.p.A.	€	4,023,916	4,008,916	-	8,916
Iren Ambiente Piacenza S.p.A.	€	4,023,918	4,008,916	-	8,916
Iren Laboratori S.p.A.	€	13,721,369	7,044,463	14,344,308	1,450,721
Iren Smart Solutions S.p.A.	€	167,810,255	37,197,436	84,407,543	8,974,397
Maira S.p.A.	€	9,623,904	7,974,655	1,393,391	131,056
Manduriambiente S.p.A.	€	33,139,201	7,415,142	21,129,235	518,290
Monte Querce S.c.a.r.l.	€	859,106	149,365	96,425	49,366
Nord Ovest Servizi	€	18,234,054	18,143,708	68,423	(12,150)
Picena Depur S.r.l.	€	34,260,656	144,793	3,055,431	(2,501,207)
Produrre Pulito S.r.l.	€	3,677,850	74,515	2,168,261	15,663
ReCos S.p.A.	€	40,406,317	1,618,264	13,229,264	(4,801,208)
Rigenera Materiali S.r.l.	€	3,124,597	2,956,783	-	(43,217)
Salerno Energia Vendite S.p.A.	€	35,759,850	9,752,969	59,681,312	1,938,792
San Germano S.p.A.	€	54,066,928	7,435,856	65,692,638	859,409
Scarlino Energia S.p.A.	€	40,145,053	11,804,500	683,693	(1,677,673)
Scarlino Holding S.r.l.	€	14,496,297	5,916,291	10,723	(1,233,606)
Scarlino Immobiliare S.r.l.	€	4,811,549	1,276,732	311,389	85,272
Sereco Piemonte S.p.A.	€	27,838,397	19,792,032	17,197,808	3,148,649
STA S.p.A.	€	46,386,656	23,147,186	8,822,789	1,513,464
STA Partecipazioni S.r.l.	€	2,390	(2,011)	-	(3,337)
Studio Alfa S.p.A.	€	22,140,792	4,526,065	20,993,912	1,414,720
TB S.p.A.	€	12,691,852	6,990,299	4,822,418	843,753
Territorio e Risorse S.r.l.	€	20,692,112	3,456,146	1,698,857	(223,846)
TRM S.p.A.	€	414,914,118	65,564,450	99,681,735	20,015,367
UCH Holding S.r.l.	€	33,222,097	17,490,566	1,259,660	1,411,785
UHA S.r.l.	€	103,237,301	76,069,167	2,161,109	1,119,952
UNIPROJECT S.r.l.	€	14,097,152	4,837,133	3,616,956	157,955
UNIRECUPERI S.r.l.	€	50,164,070	31,928,975	40,581,515	1,461,512
UNISERVIZI S.r.l.	€	1,500,082	742,300	888,410	(6,310)

Joint ventures

Company	Currency	Total Assets	Shareholders' equity	Total Revenues	Profit/loss
Acque Potabili S.p.A.	€	51,490,000	22,053,000	243,000	(690,000)

Associates

Company	Currency	Total Assets	Shareholders' equity	Total Revenues	Profit/loss
A2A Alfa S.r.l. (1)	€	245,838	7,088	18,320	(3,813)
Acos Energia S.p.A. (1)	€	11,870,304	5,135,791	21,892,158	1,253,965
Acos S.p.A. (1)	€	165,207,777	59,812,838	82,273,433	5,562,464
Acquaenna S.c.p.a. (1)	€	105,721,424	7,945,758	26,983,318	765,616
Aguas de San Pedro (1)	Lempiras	1,604,768,881	889,264,597	1,149,449,840	97,926,446
Aiga S.p.A. (1)	€	5,273,476	(960,023)	2,971,243	(417,610)
Amat S.p.A. (1)	€	36,475,892	1,881,984	8,363,821	(792,839)
Amter S.p.A. (1)	€	13,689,676	2,275,242	5,424,707	273,932
ASA S.c.p.a.	€	20,216,086	2,442,487	5,292,976	-
ASA S.p.A. (1)	€	314,029,831	82,902,013	110,577,520	2,707,502
ASTEA S.p.A. (1)	€	173,365,616	106,952,119	48,679,461	3,579,397
Asti Servizi Pubblici S.p.A. (1)	€	60,870,841	12,010,829	40,996,459	1,058,684
Barricalla S.p.A.	€	37,974,631	6,575,610	22,241,607	3,734,800
BI Energia S.r.l. (1)	€	8,192,843	1,396,533	510,554	(338,788)
CSA Centro Servizi Ambientali S.p.A. in liq.	€	1,401,115	1,289,989	32,597	-
CSAI - Centro Servizi Ambientali Impianti S.p.A.	€	58,552,353	3,961,141	22,910,169	1,168,131
CSP Innovazione nelle ICT S.c.r.l. (1)	€	2,142,210	448,944	1,875,832	5,013
Fin Gas S.r.l.	€	11,793,732	11,793,610	-	(26,643)
Fratello Sole Energie Solidali Impresa Sociale S.r.l. (1)	€	18,297,635	342,590	869,574	11,774
Futura S.p.A.	€	37,433,504	3,059,405	10,387,302	476,470
G.A.I.A. S.p.A. (1)	€	43,391,462	19,786,659	24,733,641	1,011,623
Global Service Parma S.c.a.r.l. in liquid. (1)	€	5,005,705	20,000	2,318,487	-
Iniziative Ambientali S.r.l. (1)	€	5,738,001	1,183,128	-	19,438
Mondo Acqua S.p.A.(1)	€	10,949,315	1,728,363	5,033,083	44,675
NOVE S.p.A. (1)	€	26,399,309	10,082,312	6,266,292	17,882
Plurigas S.p.A. (in liquidation)	€	3,170,144	2,967,892	468,344	287,476
Rimateria S.p.A.	€	44,338,627	(3,731,522)	5,743,266	(11,408,308)
SEI Toscana S.r.l.	€	181,418,677	33,477,227	204,806,648	(10,683,272)
Seta S.p.A (1)	€	27,358,199	15,262,890	35,577,862	2,548,489
Sienambiente S.p.A	€	70,982,357	23,493,202	27,099,617	670,817
Sinergie Italiane S.r.l. (in liquidation) (2)	€	36,064,680	175,694	114,263,231	3,228,686
STU Reggiane S.p.A. (1)	€	27,282,521	15,439,415	2,455,112	22,493
Valle Dora Energia S.r.l. (1)	€	11,209,368	2,742,415	276,130	(615,184)

(1) Data as at 31/12/2019

(2) Data as at 31/09/2020

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

thousands of €

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	3,831,865	Property, plant and equipment	3,831,865
Investment property	2,764	Investment property	2,764
Intangible assets	2,355,140	Intangible assets	2,355,140
Goodwill	213,587	Goodwill	213,587
Investments accounted for using the equity method	173,513	Investments accounted for using the equity method	173,513
Other equity investments	4,020	Other equity investments	4,020
Total (A)	6,580,889	Non-Current Assets (A)	6,580,889
Other non-current assets	66,670	Other non-current assets	66,670
Other payables and other non-current liabilities	(488,006)	Other payables and other non-current liabilities	(488,006)
Total (B)	(421,336)	Other non-current assets (liabilities) (B)	(421,336)
Inventories	66,521	Inventories	66,521
Non-current trade receivables	115,113	Non-current trade receivables	115,113
Trade receivables	875,661	Trade receivables	875,661
Current tax assets	9,622	Current tax assets	9,622
Other receivables and other current assets	317,082	Other receivables and other current assets	317,082
Trade payables	(977,906)	Trade payables	(977,906)
Other payables and other current liabilities	(345,447)	Other payables and other current liabilities	(358,714)
Current tax liabilities	(5,309)	Current tax liabilities	(5,309)
Total (C)	55,337	Net working capital (C)	42,070
Pre-paid tax assets	369,375	Pre-paid tax assets	369,375
Deferred tax liabilities	(203,540)	Deferred tax liabilities	(203,540)
Total (D)	165,835	Deferred tax assets (liabilities) (D)	165,835
Employee benefits	(109,027)	Employee benefits	(109,027)
Provisions for risks and charges	(405,456)	Provisions for risks and charges	(405,456)
Provisions for risks and charges - current portion	(155,972)	Provisions for risks and charges - current portion	(142,705)
Total (E)	(670,455)	Provisions and employee benefits (E)	(657,188)
Assets held for sale	1,285	Assets held for sale	1,285
Liabilities related to assets held for sale	-	Liabilities related to assets held for sale	-
Total (F)	1,285	Assets (Liabilities) held for sale (F)	1,285
		Net invested capital (G=A+B+C+D+E+F)	5,711,555
Equity (H)	2,763,528	Equity (H)	2,763,528
Non-current financial assets	(166,522)	Non-current financial assets	(166,522)
Non-current financial liabilities	3,825,197	Non-current financial liabilities	3,825,197
Total (I)	3,658,675	Non-current financial debt (I)	3,658,675
Current financial assets	(95,356)	Current financial assets	(95,356)
Cash and cash equivalents	(890,169)	Cash and cash equivalents	(890,169)
Current financial liabilities	274,877	Current financial liabilities	274,877
Total (L)	(710,648)	Current financial debt (L)	(710,648)
		Net financial debt (M=I+L)	2,948,027
		Own funds and net financial debt (H+M)	5,711,555

LIST OF CONTRIBUTIONS PURSUANT TO ITALIAN LAW DECREE 34/2019 ART. 35

ACAM ACQUE

Disbursing body	Type of contribution	Amounts in €
Municipality of La Spezia	Grants for plant facilities	317,142
Municipality of La Spezia	Grants for plant facilities	1,447,552

AMIAT

Disbursing body	Type of contribution	Amounts in €
City of Turin	Grants for development of separate waste collection	641,455
City of Turin	Grants for development of separate waste collection	1,669,091

ASM

Disbursing body	Type of contribution	Amounts in €
Piedmont Region	Grants for plant facilities	585,678

IREN ACQUA

Disbursing body	Type of contribution	Amounts in €
MIT	Grants for plant facilities	500,000

IREN AMBIENTE

Disbursing body	Type of contribution	Amounts in €
ATERSIR	LFA contribution	59,136

IRETI

Disbursing body	Type of contribution	Amounts in €
Municipality of Reggio Emilia	Works Distribution Networks	27,049
Municipality of Reggio Emilia	Works Distribution Networks	12,900
Emilia Romagna Region	Works Distribution Networks	38,841
Emilia Romagna Region	Works Distribution Networks	35,788
Emilia Romagna Region	Works Distribution Networks	802,281
Piedmont Region	Works Distribution Networks	166,556
Energy and Environmental Services Fund	Works Distribution Networks	35,020
Emilia Romagna Region	Expansion of Treatment Plants	110,024
Piedmont Region	Expansion of Treatment Plants	137,499
Civil Protection	Contribution Water Crisis	100,000

DEFERRED TAX ASSETS AND LIABILITIES FOR 2020

	initial	formation	differences Change consolid. scope	payment	remainder
Deferred tax assets					
Non-taxable provisions	571,917	154,793	24,318	189,091	561,937
Differences in value of fixed assets	556,950	192,079	735	39,695	710,070
Connection contributions	337,810	2,758	-	142,604	197,964
Derivatives	124,540	18,803	-	49,766	93,577
Tax losses carried forward + ACE	18,746	1,746	4,623	19,492	5,624
Other	47,784	41,231	696	28,940	60,771
Total taxable base/deferred tax assets	1,657,748	411,410	30,373	469,588	1,629,943
Deferred tax liabilities					
Differences in value of fixed assets	749,455	8,437	14,848	45,073	727,666
Provisions for receivables	6,624	-	-	3	6,621
Other provisions	2,536	183	-	81	2,638
Other	54,576	19,505	-	20,529	53,552
Total taxable base/deferred tax liabilities	813,192	28,124	14,848	65,686	790,478
Net deferred tax assets (liabilities)	844,555	383,286	15,525	403,901	839,465

DEFERRED TAX ASSETS AND LIABILITIES FOR 2019

	initial	formation	differences Change consolid. scope	payment	remainder
Deferred tax assets					
Non-taxable provisions	522,362	3,666	171,161	125,273	571,917
Differences in value of fixed assets	650,151	5,600	106,995	205,796	556,950
Connection contributions	197,060	-	142,544	1,794	337,810
Derivatives	99,503	-	52,647	27,609	124,540
Tax losses carried forward + ACE	19,617	787	15,263	16,921	18,746
Other	120,785	571	18,304	91,876	47,784
Total taxable base/deferred tax assets	1,609,478	10,624	506,914	469,269	1,657,748
Deferred tax liabilities					
Differences in value of fixed assets	761,801	-	52,274	44,280	769,795
Provisions for receivables	20,624	-	-	14,000	6,624
Other provisions	2,736	-	62	261	2,536
Other	59,223	-	16,583	21,229	54,576
Total taxable base/deferred tax liabilities	844,384	-	68,919	79,770	833,532
Net deferred tax assets (liabilities)	765,094	10,624	437,996	389,499	824,215

thousands of €

Change consolid. scope	taxes				total
	taxes	taxes	IRES (Corporate income tax)	IRAP (regional business tax)	
	to inc. stat.	to equity			
6,858	(2,789)	347	131,405	13,596	145,001
207	44,851	-	161,880	15,571	177,451
-	(31,794)	-	15,946	823	16,769
-	(2,173)	(6,425)	21,498	611	22,109
1,110	(3,443)	-	2,786	-	2,786
326	705	895	3,384	1,876	5,259
8,501	5,357	(5,183)	336,899	32,477	369,375
4,187	(10,267)	-	159,303	27,311	186,613
-	(1)	-	440	-	440
0	22	5	460	93	553
-	6,130	934	15,031	901	15,932
4,187	(4,116)	939	175,234	28,305	203,539
4,314	9,473	(6,122)	161,664	4,172	165,836

thousands of €

Change consolid. scope	taxes				total
	taxes	taxes	IRES (Corporate income tax)	IRAP (regional business tax)	
	to inc. stat.	to equity			
690	14,321	27	127,160	13,425	140,586
1,818	5,014	17	122,485	9,908	132,392
-	(230)	-	41,695	6,868	48,563
-	(2,041)	9,019	28,930	1,776	30,706
406	(749)	-	5,120	-	5,120
108	(20,974)	712	9,430	1,639	11,069
3,023	(4,659)	9,774	334,820	33,616	368,436
5,813	(6,637)	14	172,011	28,419	200,430
-	(3,373)	-	441	-	441
0	(9)	(47)	526	-	526
-	41	3,081	8,077	791	8,869
5,813	(9,978)	3,048	181,056	29,210	210,266
(2,791)	5,319	6,727	153,764	4,406	158,170

TRANSACTIONS WITH RELATED PARTIES

	Trade Receivables	Financial receivables	Other receivables	Trade Payables	Financial Payables
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	844	-	-	6,352	-
Municipality of Parma	14,409	-	-	922	-
Municipality of Piacenza	945	-	-	1,232	-
Municipality of Reggio Emilia	5,913	-	-	791	-
Municipality of Turin	86,585	99,398	-	4,469	3,789
Finanziaria Sviluppo Utilities	16	-	41	-	-
Finanziaria Città di Torino Holding	(8)	-	-	-	-
JOINT VENTURES					
Acque Potabili	142	-	-	233	-
ASSOCIATES					
ACOS	14	5,653	-	-	-
ACOS Energia	2	-	-	-	-
Acquaenna	159	4,461	-	-	-
Aguas de San Pedro	4	602	-	-	-
AIGA	209	83	-	101	-
AMAT	52	-	-	-	-
AMTER	6,805	101	-	640	437
ASA	841	-	-	-	-
ASA Livorno	1,102	-	-	(2)	-
ASTEA	12	554	-	-	-
Barricalla	465	-	-	6,224	-
BI Energia	36	819	-	-	-
CSA	-	-	-	-	-
CSAI	564	-	-	3,081	323
CSP - Innovazione nelle ICT	-	-	-	149	-
Fratello Sole Energie Solidali	373	-	-	-	-
Futura	741	919	-	5	-
GAIA	646	-	-	881	-
Global Service Parma	2,069	-	-	1,422	-
Iniziative Ambientali	10	-	-	-	-
Mondo Acqua	889	-	-	-	-
NOVE	1,583	4,500	-	213	-
Piana Ambiente in liquidation	70	-	-	-	-
Rimateria	8	-	-	412	-
SEI Toscana	1,162	-	-	101	1,501
SETA	2,435	-	-	358	-
Sienambiente	7	-	-	4	715
Sinergie Italiane in liquidation	21	-	6,901	4,983	-
STU Reggiane	(27)	481	-	-	-
Valle Dora Energia	303	20,060	-	1,059	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	1,285	-	12	1,393	-
Subsidiaries of Municipality of Genoa	1,090	-	3	518	3
Subsidiaries of Municipality of Parma	1,057	-	-	2,551	-
Subsidiaries of Municipality of Piacenza	24	-	-	571	-
Subsidiaries of Municipality of Reggio Emilia	17	-	-	1,567	-
Others	28	-	-	-	-
TOTAL	132,902	137,631	6,957	40,230	6,768

The balances reported in the "Trade receivables" column are shown gross of any allowance for doubtful accounts

	thousands of €				
	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	1	1,378	8,033	-	-
Municipality of Parma	11	33,618	1,746	-	-
Municipality of Piacenza	-	17,822	1,783	-	-
Municipality of Reggio Emilia	-	33,508	1,709	-	-
Municipality of Turin	-	211,348	6,927	2,392	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
Finanziaria Città di Torino Holding	-	-	-	-	-
JOINT VENTURES					
Acque Potabili	-	50	(78)	-	-
ASSOCIATES					
ACOS	-	35	-	-	-
ACOS Energia	-	3	-	-	-
Acquaenna	-	89	-	77	-
Aguas de San Pedro	-	4	-	-	-
AIGA	-	8	-	-	-
AMAT	-	56	-	-	-
AMTER	-	3,610	828	-	-
ASA	-	729	-	-	-
ASA Livorno	-	576	70	-	-
ASTEA	-	5	3	-	-
Barricalla	-	426	-	-	2
BI Energia	-	5	-	27	-
CSA	-	36	1,442	-	9
CSAI	-	475	52	-	3
CSP - Innovazione nelle ICT	-	1	293	-	-
Fratello Sole Energie Solidali	16	2,861	-	-	-
Futura	-	328	30	-	-
GAIA	-	1,840	1,654	-	-
Global Service Parma	-	-	498	-	-
Iniziative Ambientali	-	6	-	-	-
Mondo Acqua	-	290	-	-	-
NOVE	-	3,770	213	-	-
Piana Ambiente in liquidation	-	-	-	-	-
Rimateria	-	7	839	-	-
SEI Toscana	-	568	-	-	15
SETA	-	9,850	741	-	-
Sienambiente	-	1	3	-	21
Sinergie Italiane in liquidation	-	85	34,040	-	-
STU Reggiane	-	28	24	12	-
Valle Dora Energia	-	837	1,991	311	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	336	5,125	7,263	2	4
Subsidiaries of Municipality of Genoa	-	5,360	1,040	-	-
Subsidiaries of Municipality of Parma	136	2,138	3,294	-	-
Subsidiaries of Municipality of Piacenza	-	218	1,143	-	-
Subsidiaries of Municipality of Reggio Emilia	1	698	6,903	-	-
Others	-	140	-	-	-
TOTAL	501	337,932	82,484	2,821	54

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree 58/1998, the fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

	thousands of €			
	Independent auditing services	Services other than independent auditing		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	190	143	11	344
Direct and indirect subsidiaries of Iren S.p.A.	1,162	192	-	1,354
Total Iren Group	1,352	335	11	1,698

STATEMENT REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Massimiliano Bianco, Chief Executive Officer, and Massimo Levrino, Administration, Finance, Control and M&A Director and Corporate Financial Reporting Manager of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

- the suitability in respect of the company's characteristics and
- the effective application of the administrative and accounting procedures in preparing the 2020 consolidated separate financial statements.

2. It is also certified that:

2.1. the Consolidated Financial Statements:

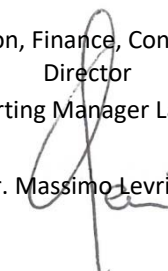
- a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) correspond to the results of the books and account records;
- c) are suitable to offer a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

2.2 the directors' report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

25/03/2021

Chief Executive Officer

Dr. Massimiliano Bianco

Administration, Finance, Control and M&A
Director
and Reporting Manager Law 262/05

Dr. Massimo Levrino



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Iren SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Iren SpA and its subsidiaries (the “Iren Group” or the “Group”), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of other comprehensive income, the statement of changes in shareholders’ equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of this report. We are independent of Iren SpA (the “Company”) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d’Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit procedures in response to key audit matters
Assessment of recoverability of goodwill	
<i>Notes to the consolidated financial statements at 31 December 2020: Note 4 “Goodwill”</i>	
<p>Goodwill recognised in the consolidated financial statements of the Iren Group at 31 December 2020 amounts to Euro 213.6 million.</p> <p>At least once a year the management of the Company performs, as requested by the IAS 36 “Impairment of assets”, the valuation of the recoverability of goodwill accounted for in the financial statement through specific analysis (<i>impairment test</i>).</p> <p>The recoverable amount used for this analysis is the higher between fair value less cost to sell and value in use of each Cash Generating Unit (CGU) to which goodwill has been allocated. Such test is carried out verifying the recoverability of the net invested capital of which goodwill is a component. The value in use was determined by discounting future cash flows expected from each CGU in the 2021-2025 period, as well as their respective terminal values. These flows were extracted from economic and financial projections based on the Business Plan approved by the Board of Directors on 29 September 2020.</p> <p>Goodwill is considered as a key audit matter due to its size and to the inherent estimate elements influencing the valuations made by the Directors on its recoverability.</p> <p>The main estimate elements are linked to the correct definition and identification of the CGUs, of future cash flows for each CGU and their</p>	<p>We carried out an understanding and valuation of the impairment test procedures prepared by management and approved by the Board of Directors of Iren SpA on 23 February 2021, to assess compliance with the requirements of the international accounting standard IAS 36.</p> <p>We analysed the reasonableness of the considerations made by management regarding the CGUs identified and the allocation of goodwill thereto, verifying the consistency with the structure of the Group and with the operating sectors in which it operates.</p> <p>Our procedures then focused on a critical examination of the main assumptions behind the drawing up of the 2020-2024 Business Plan and of the discounting rates used; furthermore, specific sensitivity analyses were performed, aimed at evaluating the impact, on the results of the tests, of changes in the main parameters adopted.</p> <p>Moreover, we also verified the overall mathematical correctness of the plan and of the impairment test model prepared by management, reviewing the method followed to obtain the discounting rate and the</p>

discounting rates.

constant growth rate of cash flows beyond the plan's time frame. We also verified the correct determination of the carrying values of assets and liabilities attributed to each CGUs, including the goodwill values allocated to them, used for the comparison with the related value in use.

These activities were performed also involving experts belonging to the PwC network.

We verified the completeness and accuracy of the information provided in the notes in relation to this matter.

Determination of revenues accrued and not yet invoiced

Notes to the consolidated financial statements at 31 December 2020: Note 12 to the consolidated financial statements "Trade receivables" and Note 30 to the consolidated financial statements "Revenue from goods and services"

The consolidated financial statements of the Iren Group at 31 December 2020 show revenue from goods and services amounting to Euro 3,537 million, which include accruals for invoices to be issued which were recognised among the assets for an amount of Euro 482 million.

Revenues from goods and services are recognised when the control over the good is actually transferred or when the service is rendered. They are valued at the fair value of the amounts received or due, considering any trade discounts or quantity reductions.

The above mentioned amounts include the estimate of revenues accruing for services provided between the date of the latest meter readings and the closure of the accounting period.

We conducted our audit procedures in order to obtain an adequate understanding and valuation of both manual and automatic key controls behind the billing procedure, focusing - in particular, but not only - on customers' master data, meter readings, consumption estimates, determination of tariffs and the valuation of invoices.

With reference to the method to estimate accrued income we performed the following procedures:

- Understanding and analysis of the dedicated IT application (Tool Calcolo Ricavi or "TCR"), which enables the availability and the analysis of the consumption data (invoiced and to be invoiced) according to the relevant period

The recognition of these revenue items and of the related invoices to be issued was deemed as a key audit matter, in particular for what concerns the sale of electricity and gas, the distribution of electricity and gas as well as the supply of the integrated water service, as the ways of determining the allocations are based on complex algorithms and entail a significant estimation element.

and by each withdrawal and/or redelivery point through the verification of the efficacy of the controls implemented by the company's management;

- Analysis and validation of the effects that the estimate model of the TCR had on the financial statements at 31 December 2020.

With the reference to the single type of revenue, we verified:

1. *For revenue from the sale of electricity, gas and heat*
 - The agreement, on a sample basis, between the consumption periods invoiced and the estimated and/or actual meter readings from the billing systems;
 - The consistency of the unit price with the tariffs in effect at the time;
 - The agreement of the quantities of heat sold by the Group with the data contained in the printouts on heat production of each plant of the Energia business unit;
 - The correct valuation of electricity, gas and heat quantities delivered based on the tariffs in line with the market trends and the tariffs set by the Regulatory Authority for Energy, Networks and the Environment ("ARERA").
2. *For the revenue from gas distribution*
 - The agreement of the gas quantities used by the company to determine receivables for invoices to be issued, with the data communicated by the party in charge of the transport and dispatching;
 - The correct valuation of gas amounts yet to be invoiced, based upon the tariffs in force in the period under analysis;
 - The correct calculation of the balances related to the gas equalisation, through the comparison of the actual revenues with the admissible revenues for the year based on the ARERA resolutions.

-
3. *Revenue from electricity distribution*
 - The agreement of the electricity amounts used by the company to determine the receivables for invoices to be issued with the data communicated by the dispatchers adjusted to reflect grid losses;
 - The correct valuation of electricity amounts yet to be invoiced, based upon the tariffs in force in the period under analysis;
 - The correct determination of the balances related to the electricity equalisation through the comparison of actual revenues with the regulatory revenues for the year, based on the ARERA resolutions.
 4. *Revenue from the provision of the integrated water service*
 - The agreement of sales revenue with the guaranteed revenues restriction limit (“VRG”) envisaged in the tariff plan concerning the second regulatory period 2020-23 approved by the relevant authorities;
 - The correct determination of receivables for invoices to be issued, by comparing the invoices issued and the VRG;
 - The correct determination of invoices issued through the validation of the operating effectiveness of the invoicing system, on the basis of sample inspections carried out to check the correct apportionment of tariffs.

Valuations on the recoverability of receivables

Notes to the consolidated financial statements at 31 December 2020: Note 7 to the consolidated financial statements “Non-current trade receivables”, Note 8 to the consolidated financial statements “Non-current financial assets”, Note 12 to the consolidated financial statements “Trade receivables” and Note 15 to the consolidated financial statements “Current financial assets”

The consolidated financial statements at 31 December 2020 showed non-current trade receivables for Euro 115.1 million, current and non-current financial assets for Euro 261.9 million, trade receivables for Euro 875.7 million net of a provision for impairment of receivables amounting to Euro 232.1 million.

The value of the abovementioned receivables includes Euro 185.9 million related to receivables from the Municipality of Turin.

Management periodically estimates the value of uncollectable trade receivables based on the analysis of the single specific credit positions and on calculation models that consider many variables like, for example, the type of customer, the age of receivables, historical data on collection performances modified in order to take into account the forward looking information on the customers being evaluated, in accordance with the provisions of IFRS 9 “Financial instruments”.

The determination of the collectability of the receivables was deemed as a key audit matter, considering the total value of the receivables analysed and the specific complexity related to the estimate of the recoverability of receivables that as for the retail part is also linked to the large number of customers and to the fragmentation of

We directed our audit procedures in order to obtain an adequate understanding and valuation of the internal control system with reference to the corporate processes concerning the management of receivables as well as the correctness and completeness of the reports generated by the IT systems used to determine the provision for impairment of receivables (in particular with reference to clusters of customers and to segmentation of their balances by due date).

Subsequently, by interviewing the credit managers of the Group and of its companies and through an analysis of the replies received from lawyers as well as of any other information collected after the reporting date, we validated the information and the assumptions behind the calculation model of the provision for bad and doubtful debts.

Finally, to evaluate the reasonableness of the estimates on the recoverability of receivables we validated the consistency of the method adopted by the company with the provisions set forth in IFRS 9, on the basis of the expected credit losses model and the accuracy of the related mathematical calculation to determine the credit risk.

the amounts to be collected; in addition, this estimate is based upon valuation assumptions influenced by socio-economic variables which are difficult to foresee or attribute to the various classes of customers.

With reference to the receivable from the Municipality of Turin, in addition to the abovementioned we:

- Performed an analysis of the contracts in force between the parties, with the aim of assessing their consistency with the accounting treatment of receivables at 31 December 2020, including the relevant classification under trade or financial items;
- Requested the Municipality of Turin to confirm in writing the year-end balances, to validate their existence and obtain useful information for the assessment of their recoverability;
- Verified that the maximum amount provided for by the arrangement between the parties signed on 12 July 2018 was not exceeded;
- Verified the accuracy of the calculation of the interest income accounted for as part of the profit and loss of the year.

Finally, we verified the completeness and accuracy of the information provided in the notes in relation to the abovementioned receivables.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Iren SpA or to cease operations, or has no realistic alternative



but to do so.

The Board of Statutory Auditors (“Collegio Sindacale”) is responsible for overseeing, in the terms prescribed by law, the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the



entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 14 May 2012, the Shareholders of Iren SpA in general meeting engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation (EU) No 537/2014.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Iren SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Iren Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Iren Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Iren Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Iren Group and its environment obtained in the course of the audit, we have nothing to report.

Declaration pursuant to Article 4 of the Consob Regulation implementing Legislative Decree 30 December 2016, No. 254

The directors of Iren SpA are responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree 30 December 2016, No. 254. We verified the approval of the consolidated non-financial statement by the directors.

Pursuant to Article 3, paragraph 10 of Legislative Decree 30 December 2016, No. 254, this consolidated non-financial statement is the subject of a separate attestation of conformity by ourselves.

Genoa, April 14, 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Separate Financial Statements and Notes to the Financial Statements

at 31 December 2020

STATEMENT OF FINANCIAL POSITION

					€
	Notes	31.12.2020	of which related parties	31.12.2019	of which related parties
ASSETS					
Property, plant and equipment	(1)	159,328,186		144,816,275	
Intangible assets with a finite useful life	(2)	69,706,149		61,446,904	
Investment property		-		-	
Investments in subsidiaries, associates and joint ventures	(3)	2,564,031,856		2,564,031,856	
Other equity investments	(4)	100,000		150,000	
Non-current financial assets	(5)	2,225,873,362	2,201,369,269	1,810,266,376	1,809,533,137
Other non-current assets	(6)	1,831,926	41,520	1,871,797	41,520
Deferred tax assets	(7)	11,035,376		13,705,282	
Total non-current assets		5,031,906,855	2,201,410,789	4,596,288,490	1,809,574,657
Inventories	(8)	4,022,987		3,040,506	
Trade receivables	(9)	90,698,750	90,534,715	114,160,508	113,429,174
Current tax assets	(10)	927,034		7,722,447	
Other receivables and other current assets	(11)	123,259,215	38,531,019	142,037,994	73,763,757
Current financial assets	(12)	74,097,463	69,134,178	382,342,933	382,210,459
Cash and cash equivalents	(13)	745,110,781		239,114,582	
Total current assets		1,038,116,230	198,199,912	888,418,970	569,403,390
Assets held for sale	(14)	240,000		240,000	
TOTAL ASSETS		6,070,263,085	2,399,610,702	5,484,947,460	2,378,978,047

					€
	Notes	31.12.2020	of which related parties	31.12.2019	of which related parties
EQUITY					
Share capital		1,300,931,377		1,300,931,377	
Reserves and Retained Earnings (Losses)		460,912,293		365,813,716	
Net profit (loss) for the period		210,063,020		241,413,435	
TOTAL EQUITY	(15)	1,971,906,690		1,908,158,528	
LIABILITIES					
Non-current financial liabilities	(16)	3,490,489,308		2,835,231,430	
Employee benefits	(17)	18,484,829		18,161,714	
Provisions for risks and charges	(18)	12,400,174		18,058,011	
Deferred tax liabilities	(19)	945,186		945,186	
Other payables and other non-current liabilities	(20)	9,809,608	8,498,580	10,774,267	8,498,580
Total non-current liabilities		3,532,129,105	8,498,580	2,883,170,608	8,498,580
Current financial liabilities	(21)	306,937,086	72,853,189	487,041,681	106,893,880
Trade payables	(22)	89,834,218	5,489,914	95,271,458	15,795,863
Other payables and other current liabilities	(23)	167,856,201	142,047,746	110,113,763	87,212,360
Current tax liabilities	(24)	-		-	
Provisions for risks and charges - current portion	(25)	1,599,785		1,191,422	
Total current liabilities		566,227,290	220,390,849	693,618,324	209,902,103
Liabilities related to assets held for sale		-		-	
TOTAL LIABILITIES		4,098,356,395	228,889,429	3,576,788,932	218,400,683
TOTAL EQUITY AND LIABILITIES		6,070,263,085	228,889,429	5,484,947,460	218,400,683

INCOME STATEMENT

€

	Notes	FY 2020	of which related parties	FY 2019	of which related parties
Revenue					
Revenue from goods and services	(26)	218,968,009	218,080,314	198,928,801	198,146,604
Other income	(27)	12,963,956	10,741,969	14,711,599	13,158,671
Total revenue		231,931,965	228,822,282	213,640,400	211,305,275
Operating expenses					
Raw materials, consumables, supplies and goods	(28)	(12,312,604)	(10,250)	(13,579,333)	(416,179)
Services and use of third-party assets	(29)	(128,802,431)	(16,782,096)	(112,745,453)	(17,423,459)
Other operating expenses	(30)	(9,156,866)	(2,156,202)	(7,869,536)	(949,423)
Capitalised expenses for internal work	(31)	4,966,137		3,070,395	
Personnel expense	(32)	(73,684,541)		(70,046,282)	(819)
Total operating expenses		(218,990,305)	(18,948,548)	(201,170,209)	(18,789,880)
GROSS OPERATING MARGIN		12,941,660	209,873,734	12,470,191	192,515,395
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(33)	(31,356,116)		(26,601,941)	
Provisions for impairment of receivables	(34)	-		(350,000)	
Other provisions and impairment losses	(34)	96,022		8,126,682	
Total amortisation, depreciation, provisions and impairment losses		(31,260,094)		(18,825,259)	
OPERATING RESULT		(18,318,434)	209,873,734	(6,355,068)	192,515,395
Financial income and expenses					
Financial income	(35)	290,010,960	285,687,927	331,643,790	329,339,687
Financial expenses		(65,834,043)	(73,226)	(87,109,585)	(84,084)
Total financial income and expenses		224,176,917	285,614,701	244,534,205	329,255,603
Value adjustments on equity investments	(36)	-		-	
Profit (loss) before tax		205,858,483	495,488,435	238,179,137	521,770,998
Income tax expense	(37)	4,204,537		3,234,298	
Net profit (loss) from continuing operations		210,063,020		241,413,435	
Net profit (loss) from discontinued operations		-		-	
Net profit (loss) for the period		210,063,020		241,413,435	

STATEMENT OF OTHER COMPREHENSIVE INCOME

		€	
	Notes	FY 2020	FY 2019
Profit/(loss) for the period - (A)		210,063,020	241,413,435
Other comprehensive income subsequently reclassified to the Income Statement	(38)		
- effective portion of changes in fair value of cash flow hedges		(232,243)	(5,513,168)
- changes in fair value of financial assets		-	-
Tax effect of other comprehensive income		55,738	1,323,160
Total other comprehensive income, net of tax effect (B1)		(176,505)	(4,190,008)
Other comprehensive income not subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		(1,369,220)	(1,056,627)
Tax effect of other comprehensive income		328,613	253,590
Total other comprehensive income, net of tax effect (B2)		(1,040,607)	(803,037)
Total comprehensive income/(expense) (A)+(B1)+(B2)		208,845,908	236,420,390

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2018	1,300,932	133,019	58,346
Legal reserve			6,296
Dividends to shareholders			
Retained earnings			
Purchases of treasury shares			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit (loss) for the period			
- Other comprehensive income			
31.12.2019	1,300,932	133,019	64,642
Legal reserve			12,071
Dividends to shareholders			
Retained earnings			
Purchases of treasury shares			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit (loss) for the period			
- Other comprehensive income			
31.12.2020	1,300,932	133,019	76,713

thousands of €

Cash flow hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity
(5,150)	176,712	362,927	125,928	1,789,787
		6,296	(6,296)	-
		-	(108,994)	(108,994)
	10,638	10,638	(10,638)	-
	(9,054)	(9,054)		(9,054)
		-		-
(4,190)	(803)	(4,993)	241,413	236,420
		-		-
		-	241,413	241,413
(4,190)	(803)	(4,993)		(4,993)
(9,340)	177,493	365,814	241,413	1,908,159
		12,071	(12,071)	-
		-	(119,504)	(119,504)
	109,838	109,838	(109,838)	-
	(25,594)	(25,594)		(25,594)
		-		-
(176)	(1,041)	(1,217)	210,063	208,846
		-		-
		-	210,063	210,063
(176)	(1,041)	(1,217)		(1,217)
(9,516)	260,696	460,912	210,063	1,971,907

CASH FLOW STATEMENT

	thousands of €	
	FY 2020	FY 2019
A. Opening balance of cash and cash equivalents and centralised treasury management	1,935,488	1,733,451
Operating cash flows		
Profit (loss) for the period	210,063	241,413
Adjustments:		
Income tax expense for the period	(4,205)	(3,234)
Net financial expense (income)	(224,177)	(244,534)
Amortisation of intangible assets and depreciation of property, plant and equipment	31,356	26,602
Net impairment losses (reversals of impairment losses) on assets	-	-
Net provisions for risks and other charges	710	(10,556)
Capital (gains) losses	1,065	1,815
Utilisations of employee benefits	(1,260)	(1,494)
Utilisations of provisions for risks and other charges	(5,200)	(8,557)
Change other non-current assets and liabilities	(924)	8,967
Other changes in capital	-	-
Taxes received (paid)	33,991	15,552
B. Operating cash flow before changes in net working capital	41,419	25,974
Change in inventories	(1,691)	(1,289)
Change in trade receivables	23,462	(4,908)
Change in tax assets and other current assets	4,932	(62,512)
Change in trade payables	(5,437)	27,490
Change in tax payables and other current liabilities	51,650	31,798
C. Cash flow from changes in net working capital	72,916	(9,421)
D. Operating cash flow (B+C)	114,335	16,553
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(51,253)	(46,681)
Investments in financial assets	(50)	(50)
Proceeds from sale of investments and changes in assets held for sale	1,341	756
Change in company perimeter	-	-
Dividends collected	236,437	266,515
E. Total cash flows from/(used in) investing activities	186,475	220,540
F. Free cash flow (D+E)	300,810	237,093
Cash flows from/(used in) financing activities		
Capital increase	-	-
Purchases of treasury shares	(25,594)	(9,054)
Dividends paid	(119,523)	(108,975)
New long term financing	875,000	530,000
Repayment of long term financing	(190,099)	(520,884)
Change in financial payables for leasing	(103,830)	(7,201)
Change in other financial payables	(97,079)	41,019
Change in financial receivables	314,413	80,429
Interest paid	(78,900)	(90,710)
Interest received	66,231	50,320
G. Total cash flows from/(used in) financing activities	640,619	(35,056)
H. Cash flows for the period (F+G)	941,429	202,037
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	2,876,917	1,935,488
L. Balance centralised treasury management	(2,131,806)	(1,696,373)
M. Closing cash and cash equivalents (I+L)	745,111	239,115

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is a multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 1 July 2010 through the merger of IRIDE and ENÌA.

Iren S.p.A. is an industrial holding company, with registered office in Reggio Emilia, parent company of the four companies responsible for the operational activity (Business Units) in the main offices of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli, and La Spezia.

The Holding is responsible for the strategic, development, coordination and control activities, while the four BUs have been entrusted with the coordination and guidance of the companies operating in their respective sectors:

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

I. CONTENT AND STRUCTURE OF THE FINANCIAL STATEMENTS

These financial statements represent the separate financial statements of the Parent Company Iren S.p.A. (annual report) and were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. "IFRS" also includes the revised International Accounting Standards ("IAS"/"IFRS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these financial statements, the same accounting standards were applied as those adopted for the Financial Statements as at 31 December 2019, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective as of 1 January 2020".

The separate financial statements at 31 December 2020 consist of a statement of financial position, an income statement, a statement of other comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The accounts are the same as those applied in the preparation of the financial statements for the year ended 31 December 2019.

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.

The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in current accounts.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value.

The estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. Estimates have been used to measure property, plant and equipment and intangible assets subject

to impairment, as well as to recognise provisions for credit risks, risks for obsolete inventory items, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and certain financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

These separate financial statements are stated in euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro.

Lastly, in accordance with CONSOB Resolution No. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight transactions with related parties.

II. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up the annual financial statements as at 31 December 2020 of Iren S.p.A. are indicated below; the aforesaid accounting standards have not changed with respect to those adopted as at 31 December 2019, except for those indicated in the section "Accounting standards, amendments and interpretations effective from 1 January 2020".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Financial expense related to the purchase or internal construction of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.

When significant components of property, plant and equipment have different useful lives, they are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Ordinary maintenance expenditure is expensed in full in the income statement. Other costs of an incremental nature are allocated to the fixed assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Expenditures that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include expenditure related to the construction or improvement of plants incurred until the reporting date. These investments are depreciated from the date they become operational or are available for use.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out below. The tables also show the residual durations of the leasing contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

Item	Min. rate	Max. rate
Buildings	2.00%	7.00%
Lightweight constructions	10.00%	10.00%
Vehicles	20.00%	25.00%
Sundry equipment	10.00%	10.00%
Furniture and office machines	12.00%	12.00%
Hardware	20.00%	20.00%
Plants	3.00%	33.00%

	Years	
	from	to
Rights of use IFRS 16 - Leases	1	50

The rates for equipment refer, respectively, as minimum and maximum values, to transformers serving the headquarters and prototypes in the context of innovation activities.

Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- Leased assets

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lessee's part, IFRS 16 provides for recognition in the balance sheet of the assets and related financial liabilities for all leasing contracts with a duration of more than 12 months, unless the underlying asset has a value at new of less than five thousand euros.

The leasing liability is initially measured at the present value of the payments due for the leasing, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate to be used for discounting, reference is made to the marginal borrowing rate inferred from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the short-term portion (within 12 months) from the long-term portion.

The right of use of the asset underlying the leasing contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the duration of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redeterminations of the leasing liability.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment of the asset consisting of the right of use.

On the lessor's part, the distinction between operating leases and finance leases remains. Assets transferred in financial leasing are excluded from property, plant and equipment, while the related financial receivable is recognised in the statement of financial position when the respective capital is collected. Interest income on receivables is recognised in the income statement based on the repayment plan.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development costs are capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the cost is fully recognised in the period in which it is incurred.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property use rights	20	20
Software	5	5
Other intangible assets with finite useful life	5	5

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under construction relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the company that has been discontinued or classified as held for sale, and:

- a. represents an important business unit or geographical area of operations;
- b. forms part of a single coordinated disposal plan or an important autonomous business unit or geographical area of operations;
- c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.

If it is a discontinued operation and is a material component of the item "Net profit/loss from discontinued operations", a single amount is recorded represented by the total of:

- i) profit or loss on the discontinued operation, net of tax effects; and
- ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative period is restated in order to guarantee consistent comparison. If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Impairment losses on non-financial assets

The IASs/IFRSs require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a counter-item in the income statement, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the value expected from its disposal at the end of its useful life.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- Financial assets and liabilities

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in the income statement, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets carried at amortised cost; b) financial assets carried at fair value through other comprehensive income (FVOCI); c) financial assets carried at fair value through profit or loss (FVTPL).

The classification within the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

- a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;
- b) a financial asset is measured at Fair Value with a counter-item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
- c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the period, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS9 the impairment model adopted by the Iren group is based on expected losses, where "loss" means the present value of all future lost revenue, opportunely integrated to take into account future expectations ("forward-looking information"). According to the *general approach* concerning all financial activities, the expected losses is a function of probability of default (PD) of the *loss given default* (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the receivable exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected losses in the subsequent 12 months; in view of any gradual deterioration of the receivable, the estimate is adjusted to cover the expected losses along the entire life of the receivable.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value recognised in profit (loss) for the period. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- *Equity investments in subsidiaries and associates*

Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in the income statement.

- *Other equity investments*

Other equity investments, consisting of non-controlling interests in unlisted companies that the Company intends to keep in its portfolio in the near future, are measured at fair value through profit or loss (FVTPL).

- *Hedging instruments*

The Company holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to interest rate and exchange rate risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by using adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (*intrinsic value*). For options fair value is supplemented with the *time value*, which is based on their residual life and the volatility of the underlying.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in shareholders' equity for the effective portion of the hedge (intrinsic value), and in the income statement for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in the income statement.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in the income statement.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

- *Trade receivables and payables*

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition they are measured at amortised cost. Trade receivables are shown net of provisions for impairment of receivables determined, in accordance with IFRS 9, applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit (loss) for the period, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and revenue stamps are measured at their nominal amount.

Inventories

Inventories are measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method. If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions, for new subscriptions, are accounted for reducing equity.

Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into “defined contribution” and “defined benefit” plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the company these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the company, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, taking into account economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

- 1) operating (service costs), personnel expenses;
- 2) financial (finance costs), net interest income/expense;
- 3) measuring (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income Statement.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.

For correct recognition of revenue from contracts with customers, reference is made to what is laid down in IFRS 15 which provides for a revenue recognition model based on 5 steps:

1. identify the contract with the customer. By contract is meant a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);
2. identify the "Performance Obligations" contained in the contract. Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.
If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question;
3. determine the "Transaction Price". The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
4. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price";
5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been

transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants for current expenses are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature. Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expenses

Financial income and expenses are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expenses directly attributable to the acquisition, construction or production of a plant are capitalised when:

- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the shareholder's meeting.

Income tax expense

Income taxes comprise all the taxes calculated on the company's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable. The amendments to IAS 12 approved by the European Commission with Regulation (EU) 2017/1989 of 6 November 2017 provide some clarifications on the criteria to be adopted to determine whether there are sufficient future taxable incomes against which to use the deductible temporary differences.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences will be paid.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent Company Iren S.p.A. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying “tax settlements” to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Translation criteria

The functional and presentation currency adopted by the company is the euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020

As of 1 January 2020, the following accounting standards and amendments to the accounting standards, issued by the IASB and endorsed by the European Union, must be implemented:

Reform of benchmarks for determining interest rates (Amendments to IFRS9, IAS39, and IFRS 7).

On 22 July 2014, the Financial Stability Board published the report, “Reforming Major Interest Rate Benchmarks”, which contained recommendations on how to strengthen existing benchmark indices and other potential benchmark rates based on interbank markets and how to develop alternative, almost risk-free, benchmark rates. To take into account the consequences of the reform of financial disclosure, in particular in the period that precedes the replacement of a benchmark for determining the existing interest rates with an alternative reference rate, on 26 September 2019 the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), endorsed with Reg. (EU) 2020/ 34 of 16 January 2020. The amendments, applicable starting from 1 January 2020, establish temporary and limited exceptions to the provision on hedge accounting, so that entities can continue to observe the provisions presuming that existing benchmarks for determining interest rates are not modified following the reform of interbank rates. The exceptions concern:

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

The exceptions apply to hedging relationships directly affected by the reform of the benchmark indices to determine interest rates, i.e. hedging relationships for which the reform generates uncertainties regarding: a) the benchmark index to determine interest rates (defined contractually or not contractually) designated as the hedged risk; b) the timing or the amount of cash flows related to the benchmark indices to determine interest rates of the hedged item or hedging instrument.

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

The Company's hedging relationships are exposed to the EURIBOR benchmark index. The methodology for calculating the EURIBOR was revised in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of Regulation (EU) 2016/1011 (Benchmarks Regulation - BMR): it is, therefore, assumed that the EURIBOR will continue to be used in the near future and that the benchmark indices to determine existing interest rates will not be changed as a result of the reform of interbank rates. As a result, the assumption is that there is no uncertainty regarding the timing and the amount of the cash flows related to the benchmark indices to determine interest rates and it is estimated that the degree of risk exposure directly affected by the reform of the benchmark indices is almost zero. As at 31 December 2020, the nominal amount of hedging instruments correlated to the EURIBOR benchmark index is € 390,000,000.

Amendments to IFRS 3 - Business Combinations.

The amendment, issued by the IASB on 22 October 2018 and endorsed by the European Union through Reg. 2020/551 of 21 April 2020, concerned the definition of business, to be understood as an integrated set of activities that can be conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. This clarification makes it possible to distinguish whether an acquisition relates to a company or to a group of activities: only in the first case can goodwill be recorded. In order to identify a business, the entity may carry out the so-called *fair value concentration* test and/or perform more in-depth assessments to verify the presence of at least one input and a substantial process applied to it.

Amendments to IAS 1 and IAS 8 - Definition of "Material".

The standard, published by the IASB on 31 October 2018 and endorsed with Reg. 2019/2104 of 29 November 2019, has the purpose of clarifying better the definition of "material", providing indications useful for identifying all the relevant information to be included in the financial statements and making uniform the application of the concept of materiality in the body of the International Accounting Standards.

Amendment to IFRS16 - Concessions on payments related to COVID-19.

The document, published by the IASB in May 2020 and endorsed with Reg.2020/1434 of 9 October 2020, introduces an amendment to *IFRS 16 - Leases* that has "temporary validity" in relation to the Covid19 emergency.

Tenants who, as a direct consequence of the COVID-19 pandemic, benefit from concessions, such as reductions, rebates or rent deferments, may make use of a practical expedient which makes it possible to assume, without making any assessment, that the reduction or deferment of the payments due does not constitute a change in the contract if 3 conditions are met: a) the contract price, following the change in payments, is equal to or less than the price due before the change; b) the reduction concerns payments due by 30 June 2021; c) no other contractual condition is substantially changed.

If it uses the practical expedient, the entity reduces the lease liability by recognising under profit or loss the amounts not due as a result of the relief (IFRS16, paragraph 38b). The entity must disclose the contracts to which it has applied the practical expedient and the amounts recognised in the income statement.

The amendment must be applied in annual periods beginning after 1 June 2020, but may be applied to all financial statements, including interim financial statements, not yet approved as of the date of issuance of the document.

The Iren group has, so far, not benefited from any discounts or rebates on lease payments in connection with the COVID-19 pandemic, so the practical expedient in question is not applicable.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE

In August 2020, the IASB published the *Reform of Interest Rate Benchmarks - Phase 2 (amendments to IFRS9, IAS39, IFRS 7, IFRS 4 and IFRS16)*, endorsed by the European Union with Reg. 2021/25 of 13 January 2021. While Phase 1 focused on the consequences of pre-reform IBOR by providing exceptions to hedge accounting requirements, Phase 2 examines the consequences of contractual changes resulting from the reform by clarifying the proper accounting treatment of the financial instruments involved when interest rate benchmarks are replaced by alternative rate benchmarks.

The amendments, which are effective as of 1 January 2021, relate primarily to the following issues.

1) The accounting impacts of a change in the cash flows of a financial instrument resulting from a change in the contractually agreed index. With reference to the changes resulting from the reform of interest rates, the IASB has identified two types of scenarios: a) scenarios in which the reform of interest rates leads to a change in contractual conditions and b) scenarios in which the reform leads to changes in cash flows without requiring changes in contractual conditions. In either case, if the changes are the direct result of the interest rate reform and generate cash flows that are economically equivalent to those expected immediately before the changes resulting from the reform, then the instrument should not be derecognised. In essence, the effective interest rate of the instrument must be changed to reflect these changes, without any impact immediately recognised in the income statement (IFRS 9 B5.4.5.).

2) The consequences of an index change for hedge accounting. In Phase 2, the IASB introduces additional exceptions to the hedge accounting requirements to ensure that hedging relationships affected by the IBOR reform do not have to be discontinued upon replacement:

- i. the hedging relationship must not be interrupted if the change in documentation meets certain conditions (IFRS9 6.9.1);
- ii. when the hedging relationship is changed to consider the new reference rate, the cash flow hedging reserve recognised under Other comprehensive income is deemed to be calculated based on the alternative reference rate (IFRS9 6.9.7);
- iii. for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, as soon as the Phase 1 exceptions cease to apply, the cumulative change in the fair value of the hedged item and the hedging instrument can be reset to zero to prevent the hedging relationship from being terminated due to the accumulated ineffectiveness during Phase 1 (IAS 39 102V);
- iv. where the alternative reference rate is designated as a non-contractually specified risk component or the elements have been hedged at portfolio level, specific guidance is provided to manage the transition (IFRS9 6.9.9-13).

3) Information required in the notes. In order to help all users of financial statements understand the nature and extent of risks arising from the reform and the progress made by entities in completing the transition to alternative reference rates, the following disclosures are required:

- a description of how the entity manages the IBOR transition for the various rates involved and the risks arising from that transition;
- the carrying amount of financial assets and liabilities not linked to derivatives and the nominal value of derivatives that continue to relate to benchmark interest rates subject to reform. These amounts are broken down by reference interest rate and presented separately;
- the impact of the IBOR reform on the entity's risk management strategy.

4) The impact of the IBOR reform on standards other than those relating to financial instruments, in particular IFRS 4 Insurance Contracts and IFRS 16 Leases. With respect to IFRS 16, in the case of leases that include variable payments indexed to benchmark rates that are within the scope of the IBOR reform, the document provides, as a practical expedient, that changes in lease payments resulting from the IBOR reform are accounted for as adjustments to the lease liability, rather than as lease modifications. This exception is strictly limited to changes that are the direct result of the IBOR reform and are economically equivalent to previous assumptions (e.g. the previous reference rate).

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

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

Amendments to IAS1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

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

Amendments to IAS37 – Onerous contract.

The document, published by the IASB in May 2020, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in effect on the date of initial application. An entity shall not restate prior periods; the cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS16 - Proceeds before Intended Use.

The document, published by the IASB in May 2020, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for any revenue from the sale of items produced by the entity to "bring the asset to the location and condition necessary for it to operate in the manner intended by management" (e.g. samples produced during the testing of machinery). Such income no longer has to be deducted from the cost of property, plant and equipment (the offset is therefore cancelled). Sales revenues and costs of such items shall be recognized in the income statement in accordance with the principles applicable to them.

If not presented separately in the statement of comprehensive income, an entity shall disclose in the notes to the financial statements the amounts of income and expense to items produced that are not an output of the entity's ordinary activities and specify which lines of the statement of comprehensive income include them.

The amendment is to be applied retrospectively from 1 January 2022, but only with respect to property and equipment that came into use or became available for use after the beginning of the first comparative period presented. The cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS8 – Definition of Accounting Estimates.

The document, published by the IASB on 12 February 2021, clarifies, also through some examples, the distinction between changes in estimates and changes in accounting policies. The distinction is relevant because changes in estimates are applied prospectively to future transactions and events, while changes in accounting policies are generally applied retrospectively. The amendment must be applied as of 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.

The document, published by the IASB on 12 February 2021, requires companies to provide the relevant information about the accounting standards they apply and suggests avoiding or limiting unnecessary disclosures. Information about accounting policies is material if it could reasonably be expected that, taken together with other information included in an entity's financial statements, it would influence the decisions of users of the financial statements.

As a general principle, accounting policy disclosures that explain how an entity has applied IFRSs in its financial statements are more useful to users of financial statements than standardised disclosures or disclosures that duplicate or summarise the content of IFRSs. The amendment provides examples to clarify when disclosures about accounting policies related to significant transactions or other events may be material:

- (a) the entity changed its accounting policy and that change had a material impact on the financial statements;
- (b) the entity has selected one or more of the options permitted by IFRSs (eg historical cost rather than fair value);
- (c) the accounting policy was developed by the entity in accordance with IAS 8, in the absence of an IFRS that specifically addresses this issue;
- (d) the accounting policy relates to an area for which the entity is required to make significant judgments or assumptions in applying the policy;
- (e) the accounting treatment adopted is complex, for example because it involves the combined application of several IFRSs.

The amendment must be applied as of 1 January 2023.

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

III. IREN S.p.A. FINANCIAL RISK MANAGEMENT

A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, interest rate risk, credit risk).

As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit interest rate risk.

LIQUIDITY RISK

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

The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the period short-term bank credit facilities used by the company totalled € 8 million.

The table below illustrates the nominal cash flows required to settle financial liabilities:

Data at 31/12/2020	thousands of €				
	Carrying amount	Contractual cash flows	Within 12 months	1-5 years	Over 5 years
Loan and bond payables (*)	3,678,527	(3,923,223)	(255,633)	(1,626,701)	(2,040,889)
Hedging of interest rate risk (**)	13,576	(13,576)	(2,601)	(9,588)	(1,387)
Payables for leases	11,689	(11,884)	(4,527)	(6,263)	(1,094)

(*) The carrying amount of "Loan and bond payables" includes both current and non-current portions.

(**) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle other financial liabilities, other than those shown in the above tables, do not differ significantly from the recognised carrying amount.

Financial indebtedness from loans at year-end consisted of 16% in loans and 84% in bonds; it is noted that 59% of the total debt was financed by sustainable funds and that 85% of the residual debt for loans was at fixed rate and 15% at floating rate

For details of the liquidity risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

INTEREST RATE RISK

Iren is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by *swap* and *collar* contracts with financial counterparties of high credit *standing*, for the sole purpose of hedging. At the end of the period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting. The total fair value of the aforementioned interest rate hedges was a negative € 13,576 thousand as at 31 December 2020.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 96% of financial debt from financing against interest rate risk, in line with the goal of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Company is exposed, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates. As regards financial charges, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expenses capitalised in the year.

With regard to hedging derivatives at year end, a 100 *basis points* theoretical upward and downward change was applied to the *forward* curve of interest rates used to measure the *fair value* of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2020.

	thousands of €			
	Financial expenses		Cash Flow Hedge Reserve	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Cash flow sensitivity (net)				
Net financial debt (including hedging contracts)	(3,794)	3,503	-	-
Change in fair value				
Hedging contracts (assessment components only)	14	-	17,858	(19,286)
Total impact from sensitivity analysis	(3,780)	3,503	17,858	(19,286)

RECOGNITION OF DERIVATIVES

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

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

- **fair value hedging:** the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- **cash flow hedging:** the derivative is recognised at fair value with a contra entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective component and the deferred amount transferred from equity is based on the nature of the underlying instrument. Specifically, in the case of interest rate risk hedges in financial income and expenses.

Transactions not recognised in compliance with hedge accounting rules

The derivative is recognised at fair value in the statement of financial position. The change in the fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument; in the case of interest rate risk hedges, in financial income and expenses.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in long term financial assets and liabilities if the related underlying item is a medium/long term item. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reference period.

FAIR VALUE

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every asset and liability class shown in the financial statements.

Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense, discounted with reference to the reporting date. The present value of future flows is determined by applying the *forward* interest rate curve at the reporting date.

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

Asset/liability description	31/12/2020		31/12/2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current financial receivables from affiliated companies	2,201,369	2,417,227	1,809,533	2,022,049
Assets for hedging derivative instruments	40	40	693	693
Bonds due at more than 12 months	(3,124,430)	(3,339,613)	(2,516,069)	(2,667,775)
Bonds due within 12 months	(181,628)	(187,490)	(167,831)	(174,955)
Loans - non-current portion	(345,240)	(342,894)	(297,430)	(293,596)
Loans - current portion	(27,229)	(27,218)	(22,229)	(22,387)
Liabilities for hedging derivatives	(13,617)	(13,617)	(13,900)	(13,900)
Total	(1,490,734)	(1,493,564)	(1,207,233)	(1,149,871)

As regards financial asset and liability classes which are not included in the table above, the carrying amount is equal to fair value.

Fair value hierarchy

The following table shows financial instruments recognised at fair value, based on the measurement technique used and the method of accounting for them. The various levels were defined as shown below:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

	thousands of €			
31.12.2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			24,523	24,523
Derivative financial assets in Cash Flow Hedge		40		40
Derivative financial assets in Fair Value Hedge				
Derivative financial assets not included in hedge accounting				
Total assets		40	24,523	24,563
Derivative financial liabilities in Cash Flow Hedge		(13,617)		(13,617)
Derivative financial liabilities in Fair Value Hedge				
Derivative financial liabilities not included in hedge accounting				
Total liabilities		(13,617)		(13,617)
Grand total		(13,577)	24,523	10,946

	thousands of €			
31.12.2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			100	100
Derivative financial assets in Cash Flow Hedge		693		693
Derivative financial assets in Fair Value Hedge				
Derivative financial assets not included in hedge accounting				
Total assets		693	100	793
Derivative financial liabilities in Cash Flow Hedge		(11,580)		(11,580)
Derivative financial liabilities in Fair Value Hedge				
Derivative financial liabilities not included in hedge accounting		(2,319)		(2,319)
Total liabilities		(13,899)		(13,899)
Grand total		(13,206)	100	(13,106)

All Iren S.p.A. hedging financial instruments have a fair value which can be classified as level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

CREDIT RISK

From a business point of view, Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the subsidiaries, according to their needs, based on service agreements signed by the parties.

Financial receivables from subsidiaries arise from the centralized procurement of financial resources in order to optimize their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

For details of the credit risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

CAPITAL MANAGEMENT

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

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

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As indicated in the Directors' Report, contained in this document, the information on main financial and economic transactions with related parties, carried out for Iren S.p.A. is provided below.

Transactions with subsidiaries

Intercompany Services

In order to make the most of the organisational synergies that can be achieved, Iren's configuration is based on the model of an industrial holding company, with staff structures that are adequate to support the Group's strategic, development, financial, IT, administrative, and control activities. Therefore, Iren is able to provide professional services of a technical-administrative nature in favour of its subsidiaries, which operate in the relevant *business* field. All these activities are governed by special supply contracts at arm's length terms.

Financial income and expenses

Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing. For this purpose, loans have been contracted by Iren with financial institutions, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intercompany facility agreements.

The conditions of intercompany loan agreements have been defined according to the conditions at which the Parent Company procures on the financial market.

Tax consolidation

Starting from 2010, Iren S.p.A. adopted the domestic tax consolidation scheme pursuant to Arts 117 et seq. of the new Consolidated Law on Income Tax (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.

All financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A.

The tax consolidation scope for 2020 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI, Iren Mercato, Iren Energia, Iren Acqua e l'incorporata Immobiliare delle Fabbriche, Iren Ambiente, Iren Smart Solutions, AMIAT, AMIAT V., ACAM Ambiente, ACAM Acque, Maira, Formaira, Studio Alfa (e l'incorporata Coin Consultech), ReCos, Iren Laboratori, San Germano, Territorio e Risorse, Ri.Ma., ASM Vercelli, Atena Trading, GIA in liquidation.

In particular, this contract, recently updated to take account of the new scope and the new legislation, covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.

After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the Parent is able to determine the total Group Income for IRES purposes.

The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to Art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.

VAT Group

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

The companies that take part in the VAT Group for 2020, not including the Parent Company Iren S.p.A., are as follows: Iren Energia, IRETI (and the merged company Busseto Servizi), Iren Mercato (and the merged company Spezia Energy Trading), Iren Ambiente (and the merged companies CMT and Ferrania Ecologia),

AMIAT, Iren Smart Solutions, Iren Acqua Tigullio, Iren Acqua (and the merged Immobiliare delle Fabbriche), Iren Laboratori, Bonifica Autocisterne, ASM Vercelli, Atena Trading, ACAM Ambiente, ACAM Acque, ReCos, Studio Alfa (and the merged Coin Consultech), TRM, San Germano, Maira, Formaira, and Monte Querce. On the basis of the provisions of the reference legislation, all the credit accrued up to 31 December 2019 in the context of group settlement was not transferred to the VAT Group, but was requested for reimbursement.

Transactions with *joint ventures* and associates

Among the main transactions carried out by the Iren S.p.A. with joint ventures and associates, we can note:

- a centralized cash management line of credit provided to Valle Dora Energia;
- the reversible fees paid to Iren S.p.A. for participation in the Boards of Directors of the related companies;
- the supply of services of an administrative nature.

Quantitative information on financial and economic transactions with related parties is provided in the chapter "X. Annexes to the Separate Financial Statements", considered an integral part of these Notes.

Lastly and as regards the Directors and Statutory Auditors of Iren S.p.A. with the exception of payment of the emoluments envisaged for the performance of duties in the administrative or auditing bodies, we can report that there were no transactions.

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

V. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the balance sheet date.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions

During the FY 2020, the company was not affected by “non-recurring” events and did not carry out significant transactions identified as such on the basis of the definitions contained, in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations

In 2020, the company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company’s assets or protection of minority shareholders.

Disclosure on treasury shares

On 29 April 2020, the Shareholders' Meeting of Iren S.p.A. authorized the Board of Directors to purchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the unexecuted portion, the previous authorization to purchase deliberated on 5 April 2019. On 12 May, the Board of Directors, authorizing the CEO to carry out the purchase program, set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.

As of 31 December 2020, 15,868,004 shares were purchased for a total price of 34,648 thousand € recognised as a reduction of shareholders’ equity in the item “Reserves and Retained Earnings (Losses)”.

DISCLOSURE ON PUBLIC DISBURSEMENTS

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Italian Law Decree no. 34/2019 (‘growth decree’) we can specify that the National Register of State Aid includes aid, in favour of the company, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies;

PUBLICATION OF THE FINANCIAL STATEMENTS

The Financial Statements were approved for publication by Iren S.p.A.’s Board of Directors at its meeting of 25 March 2021. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the financial statements as necessary or adequate to improve them until the date of approval by the Shareholders. The shareholders’ meeting to be called to approve the separate financial statements of the Parent Company has the right to request amendments to the aforementioned financial statements.

VII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the tables below are in thousands of €.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including usage rights, is shown in the table below:

	thousands of €					
	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Land	13,963	(636)	13,327	3,231	(22)	3,209
Buildings	130,496	(17,653)	112,843	133,954	(12,650)	121,304
Plant and machinery	3,523	(851)	2,672	1,739	(433)	1,306
Industrial and commercial equipment	1,009	(490)	519	865	(415)	450
Other assets	41,477	(22,806)	18,671	33,522	(16,710)	16,812
Assets under construction and payments on account	11,296	-	11,296	1,735	-	1,735
Total	201,764	(42,436)	159,328	175,046	(30,230)	144,816

The variation in the historical cost of property, plant and equipment, including the right of use, is as follows:

	thousands of €				
	31/12/2019	Increases	Decreases	Reclassifica- tions	31/12/2020
Land	3,231	153	(117)	10,696	13,963
Buildings	133,954	7,645	(52)	(11,051)	130,496
Plant and machinery	1,739	800	(9)	993	3,523
Industrial and commercial equipment	865	134	-	10	1,009
Other assets	33,522	9,133	(1,178)	-	41,477
Assets under construction and payments on account	1,735	10,209	-	(648)	11,296
Total	175,046	28,074	(1,356)	-	201,764

Movements of related accumulated depreciation are shown below:

	thousands of €				
	31/12/2019	Amortisation for the period	Decreases	Reclassifica- tions	31/12/2020
Land	(22)	(29)	37	(622)	(636)
Buildings	(12,650)	(5,819)	44	772	(17,653)
Plant and machinery	(433)	(277)	-	(141)	(851)
Industrial and commercial equipment	(415)	(66)	-	(9)	(490)
Other assets	(16,710)	(7,266)	1,170	-	(22,806)
Total	(30,230)	(13,457)	1,251	-	(42,436)

The main categories refer to:

- Land and buildings: this item mainly includes buildings relating to management offices or in support of operating activities;
- Plant and machinery: this item includes auxiliary plant for buildings, air conditioning or telecommunications, and some prototypes for development activities;
- Other assets: include motor vehicles and cars, furniture, office machines and IT equipment;
- Assets under construction and payments on account includes all expenses incurred for investments in progress and not yet in operation.

Finally, no assets are pledged against liabilities.

Increases

The increases in the period, of € 28,074 thousand, refer mainly to:

- the registration of the right to use the Piacenza headquarters, leased from IRETI at the beginning of the financial year;
- investments in motor vehicles, including those leased and recorded in accordance with IFRS 16, and in IT equipment;
- the costs incurred for the building renovation of the Piazza Raggi office, which is currently underway.

Amortisations

Ordinary depreciation for 2020, amounting to 13,457 thousand €, was calculated on the basis of the rates indicated in the section "Accounting policies and measurement criteria" and deemed representative of the residual useful life of the assets.

Reclassifications

It is noted that changes in balance sheet items, in addition to the normal entry into operation of investments made in the previous year, concern mainly the separation of the value of the land underlying the property complexes repurchased during the year.

Rights of use IFRS 16

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

The breakdown of right of use, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

	thousands of €					
	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Land	141	(15)	126	148	(22)	126
Buildings	16,545	(5,595)	10,950	115,218	(7,722)	107,496
Other assets	5,215	(2,346)	2,869	5,061	(1,584)	3,477
Total	21,901	(7,956)	13,945	120,427	(9,328)	111,099

The variation in the historical cost of the right of use, is as follows:

	thousands of €				
	31/12/2019	Increases	Decreases	Other changes	31/12/2020
Land	148	110	(117)	-	141
Buildings	115,218	4,013	(43)	(102,643)	16,545
Other assets	5,061	1,168	(1,014)	-	5,215
Total	120,427	5,291	(1,174)	(102,643)	21,901

Finally, changes in the accumulated depreciation for rights of use are shown below:

	thousands of €				
	31/12/2019	Amortisation for the period	Decreases	Other changes	31/12/2020
Land	(22)	(29)	36	-	(15)
Buildings	(7,722)	(3,776)	43	5,860	(5,595)
Other assets	(1,584)	(1,776)	1,014	-	(2,346)
Total	(9,328)	(5,581)	1,093	5,860	(7,956)

Finally, it is noted that the net amount of € 96,783 thousand, reported under "Other movements" as part of rights of use of buildings, relates to the Group's office complexes that were repurchased during the first half of 2020 and previously leased.

NOTE 2_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

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

	thousands of €					
	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Development costs	47	(47)	-	47	(47)	-
Industrial patents and intellectual property rights	122,038	(63,432)	58,606	87,141	(46,075)	41,066
Concessions, licences, trademarks and similar rights	34	(4)	30	34	(3)	31
Other intangible fixed assets	9,605	(8,657)	948	9,594	(8,116)	1,478
Investments in progress and payments on account	10,122	-	10,122	18,872	-	18,872
Total	141,846	(72,140)	69,706	115,688	(54,241)	61,447

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

	thousands of €				
	31/12/2019	Increases	Decreases	Reclassifications	31/12/2020
Development costs	47	-	-	-	47
Industrial patents and intellectual property rights	87,141	20,533	(91)	14,455	122,038
Concessions, licences, trademarks and similar rights	34	-	-	-	34
Other intangible fixed assets	9,594	11	-	-	9,605
Investments in progress and payments on account	18,872	7,926	(2,221)	(14,455)	10,122
Total	115,688	28,470	(2,312)	-	141,846

Changes in the accumulated depreciation are shown below:

	31/12/2019	Amortisation for the period	Decreases	Reclassifica- tions	thousands of € 31/12/2020
Development costs	(47)	-	-	-	(47)
Industrial patents and intellectual property rights	(46,075)	(17,357)	-	-	(63,432)
Concessions, licences, trademarks and similar rights	(3)	(1)	-	-	(4)
Other intangible fixed assets	(8,116)	(541)	-	-	(8,657)
Total	(54,241)	(17,899)	-	-	(72,140)

The main categories refer to:

- Industrial patents and intellectual property rights the item consists of software use licenses and costs incurred for the internal production of software created in order to adapt and update the licensed applications; these fixed assets are amortized over a five-year period;
- Intangible fixed assets in progress :this item consists mainly of costs incurred for new implementations and studies relating to IT projects, concerning applications supporting operating and administrative activities.

Increases

Increases in the period, amounting to € 28,470 thousand, primarily refer to the purchase, internal development (including ongoing development), implementation and adaptation of software for administrative, commercial and customer management within the Group.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiaries

Data on investments in directly controlled companies, i.e., the lead companies of the Group's business chains, as at 31 December 2020 can be found in the appropriate section of the Annexes.

The carrying amounts of equity investments are as follows, and are unchanged from the previous year.

	thousands of € 31/12/2020
Iren Ambiente	243,437
IRETI	1,039,418
Iren Energia	1,139,112
Iren Mercato	142,065
Total	2,564,032

NOTE 4_OTHER EQUITY INVESTMENTS

This item relates to investments in companies over which Iren S.p.A. has neither control nor significant influence. These equity investments are measured at *fair value* but, as the most recent information available for measuring the *fair value* is insufficient and the cost represents the best estimate of the *fair value*, they are carried at cost.

As of the date of these financial statements, the only investment held relates to the consortium company Competence Industry Manufacturing 4.0, and amounts to € 100 thousand (€ 50 thousand as at 31 December

2019). In fact, during the period, the investment in the Core MultiUtilities Fund was disposed of, recorded at a value of € 100 thousand as at 31 December 2019.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

The total of the item amounted to 2,225,873 thousand € (1,810,266 thousand € as at 31 December 2019).

	thousands of €	
	31/12/2020	31/12/2019
Receivables for centralised treasury management	2,201,369	1,809,533
Fair value of derivatives – non-current portion	40	693
Other receivables	40	40
Other financial assets	24,424	-
Total	2,225,873	1,810,266

For details on the item "Receivables for centralised treasury management", see the table showing "Transactions with related parties" in the Annexes to this document.

The fair value of derivative contracts, for the non current portion, amounted to 40 thousand € (693 thousand € as at 31 December 2019). For comments please see chapter "IREN S.p.A. financial risk management".

Other accounts receivable refer to participation in a film production under a Tax credit regime for € 40 thousand (unchanged from 31 December 2019).

The item "Other financial assets" consists of the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan, measured at fair value with changes recognised in profit (loss) for the period.

NOTE 6_OTHER NON-CURRENT ASSETS

These amounted to € 1,832 thousand (€ 1,872 thousand as at 31 December 2019) and consisted mainly of tax receivables accrued from the tax authorities following the request for deduction of IRAP from the IRES taxable base amount (€ 608 thousand, unchanged compared to 31 December 2019), receivables for contributions accrued for innovation projects for € 1,040 thousand (€ 1,076 thousand as at 31 December 2019) and receivables for loans to personnel for € 122 thousand (€ 142 thousand as at 31 December 2019).

NOTE 7_DEFERRED TAX ASSETS

This item amounts to 11,035 thousand € (31 December 2019, 13,705 thousand €) and refers to deferred tax assets arising from income components deductible in future years.

For further information, reference is made to the note to the income statement "Income taxes" and to the Annexes concerning the details on temporary differences related to deferred taxation.

CURRENT ASSETS

NOTE 8_INVENTORIES

The item amounted to € 4,023 thousand (€ 3,041 thousand as at 31 December 2019). The inventory includes stocks of articles used by all Group companies (technical clothing, hardware, stationery and signs). The inventory write-down provisions were set aside and used to take into consideration inventories that are technically obsolete and slow-moving, and amount to € 709 thousand.

NOTE 9_TRADE RECEIVABLES

These are as follows:

	thousands of €	
	31/12/2020	31/12/2019
Receivables from customers	1,388	1,975
Receivables from subsidiaries	89,775	112,284
Receivables from joint ventures and associates	744	854
Receivables from related-party shareholders	16	301
Provisions for impairment of receivables	(1,224)	(1,253)
Total	90,699	114,161

Receivables from customers

These relate to receivables for services rendered to third party customers.

Receivables from subsidiaries

Receivables from subsidiaries relate to normal trade transactions performed at arm's length, and refer mainly to corporate services, of a technical/administrative nature provided to the Group companies. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Statements.

Receivables from joint ventures and associates

This item primarily refers to fees that may be charged back for offices held by Iren's employees in the associated companies, as well as to the recharging of insurance costs borne by the Parent. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Statements.

Receivables from related-party shareholders

Receivables from affiliated shareholders show a balance of € 16 thousand (€ 301 thousand as at 31 December 2019) and refer to receivables for services and activities performed in favour of FSU (unchanged from 31 December 2019). As at 31 December 2019, receivables were booked for services and activities carried out in favour of the Municipality of Turin for € 278 thousand and the Municipality of Reggio Emilia for € 7 thousand.

Provisions for impairment of receivables

Write-down provisions, related to the category reported above, are as follows:

	thousands of €			
	31/12/2019	Provisions	Decreases	31/12/2020
Provisions for impairment of receivables	1,253	-	(29)	1,224

No provision was made during the year, as the provision was adequate to the amount of expected losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the current value of all future non-collections, suitably integrated to take into account future expectations ("forward looking information"), considering the historical series.

NOTE 10_CURRENT TAX ASSETS

The item amounted to € 927 thousand (€ 7,722 thousand as at 31 December 2019) and refers to receivables for IRES and IRAP advances.

NOTE 11_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are as follows:

	thousands of €	
	31/12/2020	31/12/2019
Receivables from subsidiaries by VAT group	20,921	48,353
Receivables from subsidiaries for tax consolidation scheme	17,566	25,401
VAT credit	72,051	58,667
Other tax assets	4,624	3,898
Tax assets due within 12 months	115,162	136,319
Advances to suppliers	1,526	1,481
Other receivables	1,794	1,579
Other current assets	3,320	3,060
Prepaid expenses	4,777	2,659
Total	123,259	142,038

As at 31 December, 2020, factoring transactions were carried out with derecognition of the receivable referring to the VAT credit accrued until 31 December 2019 for € 82,780 thousand.

As noted in "Relationships with affiliated parties", in September 2019 Iren exercised the option for establishment of the VAT Group to which the Revenues Agency attributed a new VAT number with effect from 1 January 2020. On the basis of the provisions of the reference legislation, all the credit accrued up to 31 December 2019 in the context of group settlement was not transferred to the VAT Group, but was requested for reimbursement and disbursed as indicated above.

The option for the Group tax consolidation scheme was exercised by the Group. This requires that the consolidated companies transfer their IRES receivables/payables to the Parent Company Iren S.p.A.

The other tax receivables shown in the table consist mainly of receivables from the tax authorities for income tax withholdings, while deferred charges relate largely to the share pertaining to future IT services.

NOTE 12_CURRENT FINANCIAL ASSETS

The item amounted to a total of €74,097 thousand (€ 382,342 thousand as at 31 December 2019). All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible. Current financial receivables relate to:

	thousands of €	
	31/12/2020	31/12/2019
To subsidiaries	69,027	29,259
From joint ventures and associates	107	352,951
To third parties for deposit of own shares purchase	4,181	-
From others	782	132
Total	74,097	382,342

Financial receivables from subsidiaries

Receivables from subsidiaries refer to:

- loans to the subsidiaries Territorio e Risorse (€ 12,200 thousand, up from € 3,000 thousand as at 31 December, 2019), I. Blu (€ 16,337 thousand), UCH Holding (€ 6,100 thousand), Unieco Holding Ambiente (€ 16,000 thousand) and STA (€ 5,500 thousand), acquired during the year.
- interest accrued on lines of credit, in particular centralized treasury bonds (€ 12,890 thousand);

Financial receivables from joint ventures and associates

Receivables from joint ventures and associates relate to interest accrued on the cash pooling contract with Valle Dora Energia.

The figure for the previous year included € 352,900 thousand relating to the shareholders' loan to OLT Offshore LNG Toscana, which was transferred on 26 February 2020 after the relevant authorities obtained the necessary authorisations. For further details on the transaction, please see the disclosures in "Significant events of the financial period" in the Director's Report.

Other financial receivables

These amount to Euro 782 thousand (Euro 132 thousand at 31 December 2019) and primarily relate to financial prepayments.

NOTE 13_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

	thousands of €	
	31/12/2020	31/12/2019
Bank and postal deposits	745,042	239,022
Cash and valuables in hand	69	93
Total	745,111	239,115

Cash and cash equivalents are represented by existing liquidity on bank and postal deposits. Iren S.p.A. does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 14_ASSETS HELD FOR SALE

These were € 240 thousand (unchanged compared to 31 December 2019) and refer to the equity investment in Plurigas, in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business.

LIABILITIES

NOTE 15_EQUITY

Equity may be analysed as follows:

	thousands of €	
	31/12/2020	31/12/2019
Share Capital	1,300,931	1,300,931
Reserves and Retained Earnings (Losses)	460,912	365,815
Net profit (loss) for the period	210,063	241,413
Total	1,971,906	1,908,159

Share capital

Share capital amounts to 1,300,931,377 € (unchanged compared to 31 December 2019), which is fully paid up and comprises 1,300,931,377 ordinary shares with a nominal value of € 1 each.

On 29 April 2020, the Shareholders' Meeting of Iren S.p.A. authorized the Board of Directors to purchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the unexecuted portion, the previous authorization to purchase deliberated on 5 April 2019. On 12 May, the Board of Directors, authorizing the CEO to carry out the purchase program, set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.

As of 31 December 2020, 15,868,004 shares were purchased for a total price of 34,648 thousand € recognised as a reduction of shareholders' equity in the item "Reserves and Retained Earnings (Losses)".

Reserves

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

	thousands of €	
	31/12/2020	31/12/2019
Treasury shares	(34,648)	(9,054)
Share premium reserve	133,020	133,020
Legal reserve	76,712	64,642
Cash flow hedging reserve	(9,517)	(9,340)
Other reserves and Retained earnings (losses)	295,345	186,547
Total	460,912	365,815

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a contra-entry directly in equity under the cash-flow hedging reserve. These contracts were entered in to hedge exposure to the risk of interest rate fluctuations on floating rate loans.

Other reserves and Retained earnings (losses)

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

During the financial year, they changed owing mainly to the carrying forward of profits of the previous financial year not distributed (€ 109,007 thousand).

Dividends

The Ordinary Shareholders' Meeting of Iren S.p.A. held on 29 April 2020 deliberated the distribution of a dividend of € 0.0925 per share which was paid starting from 24 June 2020.

NON-CURRENT LIABILITIES

NOTE 16_NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to € 3,490,489 thousand (€ 2,835,231 thousand as at 31 December 2019) and consist of:

Bonds

These amounted to € 3,124,430 thousand due after 12 months (€ 2,516,069 thousand as at 31 December 2019). The item refers to Public Bond issues, accounted for at amortised cost, against a total nominal amount in issue as at 31 December 2020 of € 3,159,634 thousand (2,541,470 thousand as at 31 December 2019). The details of Public Bonds with maturity at more than 12 months are presented below:

- Bond maturity 2022, coupon 2.75%, issue amount 500 million euro, in issue at 31 December 2020 for 359,634 thousand euro following repurchases (tender offers) carried out in 2016 and 2017 (amount at amortised cost 358,554 thousand euro);
- Bond maturity 2024, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 496,501 thousand euro);
- Green Bond maturity 2027, coupon 1.5%, amount 500 million euro, all in issue (amount at amortised cost 492,935 thousand euro);
- Green Bond maturity 2025, coupon 1.95%, amount 500 million euro, all in issue (amount at amortised cost 495,529 thousand euro);
- Green Bond maturity 2029, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 495,204 thousand euro);
- Bond issued on July 2020, maturity 2030, coupon 1%, amount 500 million €, all in issue (amount at amortised cost 489,652 thousand €);
- Green Bond issued on December 2020, maturity 2031, coupon 0.25%, amount € 300 million, all in issue (amount at amortised cost € 296,055 thousand).

Long-term bonds were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were assigned a Fitch rating.

The change in the total book value compared to 31 December 2019 was due to the 2020 issue of shares, as indicated above, the reclassification within 12 months of a Bond maturing within 2021 and the allocation of borrowing costs, calculated using the amortised cost method according to the IAS/IFRS standards.

Non-current bank loans

Medium/long term loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to € 345,239 thousand (€ 297,430 thousand as at 31 December 2019).

Medium/long-term loans, all at floating rate, can be analysed by maturity (referring to the portion due after 12 months), as follows:

	thousands of €
	TOTAL
min/max interest rate	0.00% - 0.00%
maturity	2022-2034
1.1.2022 – 31.12.2022	36,480
1.1.2023 – 31.12.2023	31,686
1.1.2024 – 31.12.2024	32,850
1.1.2025 – 31.12.2025	32,850
subsequent	211,373
Total payables beyond 12 months at 31/12/2020	345,239
Total payables beyond 12 months at 31/12/2019	297,430

All loans are denominated in euro.

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

	31/12/2019 Total payables beyond 12months	Increases	Decreases	Adjustment of amortized cost	31/12/2020 Total payables beyond 12months
TOTAL	297,430	75,000	(27,229)	38	345,239

Total medium/long term payables as at 31 December 2019 decreased overall compared to 31 December 2019, as a result of:

- disbursement of a loan of € 75,000 thousand from the European Investment Bank for the project to develop the electricity distribution network;
- reduction of a total of € 27,229 thousand, owing to early repayment of loans in the context of liability management activities and the reclassification to short term of the portions of loans maturing within the next 12 months;
- changes in amortised cost for the purpose of IAS/IFRS accounting of loans.

Non-current financial payables for leases

This item relates to the portion of the Company's lease, rental and hire payables due after 12 months, recognised in accordance with IFRS 16, and amounted to € 7,203 thousand (€ 7,833 thousand as at 31 December 2019). This figure will be gradually reduced on the basis of repayment of the lease principal.

Other financial liabilities

Amounted to € 13,617 thousand (€ 13,900 thousand as at 31 December 2019) and refer to the fair value of derivative contracts entered into by Iren as hedges against the interest rate risk on floating rate loans (please refer to paragraph "IREN S.p.A. financial risk management" for comments).

NOTE 17_EMPLOYEE BENEFITS

Changes in this item in 2020 were as follows:

	31/12/2019	Current Service Cost	Financial expenses	Disbursements for the period	Intra-group transfers	Actuarial (gains)/losses	thousands of € 31/12/2020
Employee severance indemnity	13,885	-	122	(809)	16	936	14,150
Additional monthly salaries	741	26	6	(52)	-	(1)	720
Loyalty bonus	611	24	3	(63)	-	6	581
Tariff discounts	2,607	-	25	(174)	-	167	2,625
Premungas	318	-	2	(178)	-	267	409
Total	18,162	50	158	(1,276)	16	1,375	18,485

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

The provision for former employee benefits, which included amounts to be paid on a one-off basis to retired employees to replace the energy discount no longer recognized as of 1 October 2017, was fully utilized during the first half of 2020.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration. Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits.

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

Annual discount rate	-0.02% - 0.34%
Annual inflation rate	0.80%
Annual rate of increase Employee severance indemnity	2.10%

In accordance with the provisions of IAS 19 the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		Service cost 2021	Duration of the plan
	+0.25%	-0.25%		
Employee severance indemnity	269	(277)	-	8.3
Additional months' salaries (long-service bonus)	19	(19)	24	3.4
Loyalty bonus	8	(8)	22	5.4
Tariff discounts	63	(65)	-	10.0
Premungas	6	(6)	-	7.6

NOTE 18_ PROVISIONS FOR RISKS AND CHARGES

Details and variations are shown in the table below:

	31/12/2019	Increases	Decreases	31/12/2020	Non-current portion
Provisions for early retirement expenses	10,679	-	(5,061)	5,618	4,018
Other provisions for risks and charges	8,571	1,348	(1,537)	8,382	8,382
Total	19,250	1,348	(6,598)	14,000	12,400

thousands of €

Provisions for early retirement expenses

The provisions refer to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the personnel in possession of the legal requisites to retire in advance with respect to the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.

The provisions represent the estimated payment to the employees involved in the Plan, through the Pensions Agency, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the Pensions Agency of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

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

Other provisions for risks and charges

Among other provisions, the increases relate mainly to personnel disputes and the adjustment of the provision for long-term incentive plans, while the decreases refer mainly to the outcome of disputes with suppliers that arose in previous years.

NOTE 19_DEFERRED TAX LIABILITIES

Deferred tax liabilities of € 945 thousand (unchanged from 31 December 2019) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements. Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.

For further information, reference is made to the note to the income statement "Income taxes" and to the Annexes concerning the details on temporary differences related to deferred taxation.

NOTE 20_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item amounted to 9,810 thousand euro (10,774 thousand euro at 31 December 2019) and refers mainly:

- for € 8,499 thousand (unchanged compared to 31 December 2019) to payables to companies falling within the tax consolidation procedure as IRES rebate for the IRAP claim for the years 2007 – 2011;
- for € 1,279 thousand to portions of contributions related to future years (€ 1,336 thousand as at 31 December 2019).

CURRENT LIABILITIES

NOTE 21_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

Short-term financial liabilities can be analysed as follows:

	thousands of €	
	31/12/2020	31/12/2019
Bonds	181,628	167,831
Bank loans	47,960	108,948
Financial payables to subsidiaries	72,484	106,894
Financial payables to associates	369	-
Current financial payables for leases	4,486	102,475
Other financial liabilities	10	894
Total	306,937	487,042

Bonds

The amounts relate to Private Placement and Public Bonds maturing within 12 months and represent the amortised cost value of the financial instruments, specifically:

- as at 31 December 2020, this relates to the Bond issued in 2014 maturing in 2021 (nominal value of €181,836 thousand maturing);
- as at 31 December 2019 the value at amortised cost of the Notes issued in 2013 was shown; these were repaid on maturity in February 2020 at their nominal value of € 167,870 thousand.

Bank loans

The related amounts are shown in the table:

	thousands of €	
	31/12/2020	31/12/2019
Loans - current portion	27,229	22,229
Other short-term loans	8,000	75,000
Short-term due to banks	158	112
Accrued expenses and deferred income	12,573	11,607
Total	47,960	108,948

Current financial payables for leases

Current financial payables for leases and rentals regard the portion due within 12 months; this amounted to € 4,486 thousand (€ 102,475 thousand as at 31 December 2019). The significant reduction is due to the payment made during the first half of 2020 to acquire a portion of the Group's executive offices that had been previously leased.

Financial payables to subsidiaries

Short-term payables to subsidiaries, amounting to € 72,484 thousand as at 31 December 2020 (€ 106,894 thousand as at 31 December, 2019) refer to the cash pooling contract with Group companies that have a credit position with Iren S.p.A.. The amount includes an estimate of the related accrued interest expense still to be paid.

Financial payables to others

Amount to € 10 thousand. At the end of the financial year 2019, they amounted to € 894 thousand and referred mainly to payables to a *factoring* company resulting from the assignment of tax receivables, in the meantime collected in the name and on behalf of the same and, therefore, to be returned to the same.

NOTE 22_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of €	
	31/12/2020	31/12/2019
Trade payables	84,345	79,330
Payables to subsidiaries	5,106	15,094
Payables to associates	59	119
Payables to related-party shareholders	141	704
Payables to other related parties	183	24
Total	89,834	95,271

NOTE 23_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of €	
	31/12/2020	31/12/2019
Amounts payable to subsidiaries by VAT group	129,464	80,685
Amounts payable to subsidiaries for tax consolidation scheme	12,525	6,435
IRPEF payable	87	129
Other tax liabilities	3,667	4,048
Tax liabilities due within 12 months	145,743	91,297
Payables to employees	10,047	8,162
Payables to social security institutions	3,891	3,585
Other payables	7,245	6,109
Other current liabilities	21,183	17,856
Deferred income	931	961
Total	167,857	110,114

Payables to social security agencies consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

Deferred income of € 931 thousand (€ 961 thousand as at 31 December 2019) refers mainly to the portion not accruing with regard to the year of grants received for the purpose of financing research, development and innovation projects, to the deferment on reimbursement of surety expenses, and to the deferment on the multi-annual revenue related to transfer in usufruct of IT software to the company IRETI for the portion accruing to the year.

The other payables refer mostly to adjustments of premiums related to insurance policies entered into in favour of the Group.

NOTE 25_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The fair value of derivative contracts amounted to € 1,600 thousand (€ 1,191 thousand as at 31 December 2019). This amount refers to the provision for staff leaving indemnities.

For more details on the breakdown see Note "Provisions for risks and charges".

FINANCIAL POSITION

The net financial debt, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

	thousands of €	
	31/12/2020	31/12/2019
Non-current financial assets	(2,225,873)	(1,810,266)
Non-current term financial debt	3,490,489	2,835,231
Non-current net financial debt	1,264,616	1,024,965
Current financial assets	(819,208)	(621,458)
Current financial debt	306,937	487,042
Current net financial debt	(512,271)	(134,416)
Net financial debt	752,345	890,549

Detail of Net Financial Position regarding related parties

Non-current financial assets are related to centralised treasury relationships with subsidiaries and associates for 2,199,694 thousand euro.

Current financial assets are booked for € 56,137 thousand for loans and for € 12,890 for invoices to be issued to subsidiaries for interest.

Short-term financial liabilities of € 72,484 thousand refer to financial payables to subsidiaries for centralised treasury management contracts and the related interest, and to repayments of insurance premiums to be settled.

For additional information, see the annexed tables on transactions with related parties.

Below is the net financial position in the format proposed by the ESMA recommendation of 10 February 2005 transposed with CONSOB Communication of 28 July 2006, which does not include long-term financial assets.

	thousands of €	
	31/12/2020	31/12/2019
A. Cash in hand	(745,111)	(239,115)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	(745,111)	(239,115)
E. Current financial receivables	(74,097)	(382,343)
F. Current bank debt	20,731	86,719
G. Current portion of non-current debt	208,857	190,060
H. Other current financial debt	77,349	210,263
I. Current financial debt (F) + (G) + (H)	306,937	487,042
J. Net current financial debt (I) – (E) – (D)	(512,271)	(134,416)
K. Non-current bank debt	345,240	297,430
L. Bonds issued	3,124,430	2,516,069
M. Other non-current debt	20,819	21,732
N. Non-current financial debt (K) + (L) + (M)	3,490,489	2,835,231
O. Net debt (J) + (N)	2,978,218	2,700,815

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

	thousands of €
Current and non-current financial liabilities 31.12.2019	3,322,273
Opening of medium/long-term loans	875,000
Repayment of medium/long-term loans	(190,099)
Liabilities acquired following change in consolidation scope	-
Change in payables for leases	(98,619)
Fair value changes on derivatives	(283)
Other changes	(110,846)
Current and non-current financial liabilities 31.12.2020	3,797,426

VIII. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the tables below are in thousands of €.

REVENUES

NOTE 26_REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as in the table below:

	thousands of €	
	FY 2020	FY 2019
Services to subsidiaries	217,546	197,560
Services to associates	534	551
Payables to related-party shareholders	-	32
Services to other related parties	-	6
Services to others	888	780
Total	218,968	198,929

Revenues from services refer to corporate, administrative and technical services provided to Group companies and associated companies.

For additional information, see the annexed tables on transactions with related parties.

NOTE 27_OTHER INCOME

Other income includes:

	thousands of €	
	FY 2020	FY 2019
Revenues for personnel in other companies	7,293	7,870
Sale of materials	3,785	5,366
Rents and leases receivable	538	434
Operating grants	338	312
Insurance reimbursement	317	112
Revenue from previous years	426	406
Other revenue and income	267	212
Total	12,964	14,712

Sundry repayments include reversible fees which were paid to Iren Directors and employees by Group companies and the chargeback of costs for personnel seconded to subsidiaries.

The sale of materials mainly relates to sales to subsidiaries, as a result of the *procurement* and centralised management of materials for common use by the Group's businesses.

Prior year revenue mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments to prior years' invoices.

COSTS

NOTE 28_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Costs for raw materials, consumables, supplies and goods are as follows:

	thousands of €	
	FY 2020	FY 2019
Raw materials and inventory materials	9,715	10,500
Purchase of fuels	3,581	4,190
Change in inventories	(1,692)	(1,111)
Write-down provisions	709	-
Total	12,313	13,579

These costs refer mainly to the purchase of materials for common use by subsidiaries (technical clothing, hardware, stationery and signs) and fuel for Group vehicles.

During the year, inventory write-down provisions amounting to € 709 thousand established in order to take into account the technical obsolescence and low movement of certain materials.

NOTE 29_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

	thousands of €	
	FY 2020	FY 2019
Technical and administrative services from subsidiaries and Group companies	9,948	10,674
Third-party works, maintenance and industrial services	17,708	11,539
Collection and disposal, snow clearing, public parks	1,562	1,280
Expenses related to personnel (canteen, training, travel)	7,004	9,718
Technical, administrative and commercial consulting and advertising expenses	17,860	22,709
Legal and notary fees	1,503	825
Insurance	12,631	12,026
Bank and postal expenses	694	938
Telephone costs	4,377	5,669
Internal utilities (electricity, water, gas, cleaning, etc.)	8,631	7,672
IT expenses	41,515	24,380
Fees of the Board of Statutory Auditors	111	109
Other costs for services	4,561	3,610
Total	128,105	111,149

Leased assets amounted to € 697 thousand (€ 1,597 thousand in the 2019 financial year) and relate mainly to short-term rentals of technical equipment and the rental of exhibition space for promotional events. Residually, there are also costs present for short-term hire or hire in which the underlying asset is of modest value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 30_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

	thousands of €	
	FY 2020	FY 2019
Membership fees	2,008	1,918
General expenses	1,350	1,334
Taxes and duties	1,486	951
Prior year expense	1,202	1,308
Donations	2,787	2,087
Other sundry operating expenses	324	272
Total	9,157	7,870

The item "taxes and duties" refers mainly to charges for IMU on the Company's plants and buildings, which increased following the repurchase of property complexes for management use. Prior year expense mainly refers to adjustments related to differences on estimates.

NOTE 31_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised internal work costs amounted to € 4,966 thousand (€ 3,070 thousand in the FY 2019) and refer to labour costs mainly for the study, creation and implementation of software and IT projects.

NOTE 32_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

	thousands of €	
	FY 2020	FY 2019
Gross remuneration	52,481	50,927
Social security contributions	16,092	15,809
Other long-term employee benefits	50	50
Other personnel costs	4,410	2,626
Directors' fees	652	634
Total	73,685	70,046

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

The personnel is structured as follows:

	31/12/2020	31/12/2019	Average of the year
Senior managers	49	51	49
Junior managers	121	123	122
White collar workers	816	807	810
Blue collar workers	77	79	77
Total	1,063	1,060	1,058

NOTE 33_DEPRECIATION AND AMORTISATION

Depreciation/amortisation of the period amounted to 31,356 thousand euro (26,602 thousand euro in 2019).

	thousands of €	
	FY 2020	FY 2019
Property, plant and equipment	13,457	13,152
Other intangible assets with finite useful life	17,899	13,450
Total	31,356	26,602

Depreciation of property, plant and equipment includes the depreciation for the period of assets under right of use recognised in accordance with IFRS 16.

For further details on depreciation/amortisation, reference should be made to the tables of changes in property, plant and equipment and intangible assets.

NOTE 34_PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to a total of € 96 thousand (€ 7,777 in the FY 2019) and is detailed in the following table:

	thousands of €	
	FY 2020	FY 2019
Provisions for doubtful accounts	-	350
Provisions for risks	247	1,100
Provision releases	(343)	(9,227)
Total	(96)	(7,777)

No provisions for bad and doubtful debts was made during 2020, as the provision was adequate to the amount of expected losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the current value of all future non-collections, suitably integrated to take into account future expectations ("forward looking information").

The trend in provisions for risks is mainly due to probable charges in the personnel area.

Regarding year 2019, releases were mainly associated with the cessation of risks for expenses related to the executive properties rented by the property fund, owing to the high probability of exercise of the related redemption option.

Details of changes in provisions are given in the comment on the Balance Sheet item "Provisions for risks and charges".

NOTE 35 FINANCIAL INCOME AND EXPENSES

Financial income

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

	thousands of €	
	FY 2020	FY 2019
Dividends	236,439	266,517
Bank interest income	572	380
Interest income from subsidiaries	48,958	49,800
Interest income from associates	311	63
Interest income on loans	1,733	12,964
Fair value gains on derivatives	349	856
Fair value gains on financial instruments	1,625	-
Gains made on derivatives	-	322
Exchange rate gains	5	3
Other financial income	19	739
Total	290,011	331,644

Interest income on loans refers to the receivable from OLT Offshore LNG Toscana, sold at the beginning of the year.

Income from fair value on derivative contracts refers to the fair value changes of hedging instruments that do not meet the formal requirements for the application of hedge accounting.

Financial expenses

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

	thousands of €	
	FY 2020	FY 2019
Interest expense on loans	667	28,959
Interest expense on bonds	54,703	49,525
Interest expense on bank current accounts	2	55
Expenses paid on derivatives	3,920	4,366
Derivative fair value charges	5,835	735
Capital loss on disposal of financial assets	31	-
Interest expense to subsidiaries	73	84
Interest cost – Employee benefits	158	276
Financial expense on leasing liabilities	154	2,964
Other financial expenses	291	146
Total	65,834	87,110

Interest on loans and bonds includes the expenses relating to the measurement at amortised cost.

The interest expense on borrowings for 2019 included charges for *liability* management transactions of € 19.3 million.

Interest expense on long-term bonds increased due to the greater weight of these financial instruments in terms of debt structure.

Fair value charges on derivatives include charges for early extinguishment of derivatives for € 5.5 million.

Reference should be made to the note on “Employee benefits” in the Statement of Financial Position for details of financial expense on employee benefits.

The decrease in financial charges on leasing liabilities is the result of the repurchase of office buildings, previously rented, in the first half of the year.

NOTE 36_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

As at 31 December 2020, this item was not measured, as it was as at 31 December 2019.

NOTE 37_INCOME TAX EXPENSE

Income taxes amount to € 4,205 thousand (€ 3,234 thousand in the FY 2019) and are composed of:

- IRES, a positive € 6,785 thousand (€ 5,331 thousand in the FY 2019), as a result of negative operating income and net interest expense;
- net negative pre-paid tax assets, given by the reversal of taxable temporary differences, of € 3,054 thousand (€ 1,573 thousand in the FY 2019).
- taxes related to previous years a negative 474 thousand € (a positive 524 thousand € in the 2019 financial year).

Under the terms of Art. 96 of the Consolidated Income Tax Act, the interest expense rules provide for their deductibility up to a maximum of 30% of the Gross Operating Profit ("fiscal" GOP) with the option to carry forward any surpluses of non-deductible interest expense to subsequent years and, if Group taxation is adopted, with the right to offset such surpluses with any "fiscal" GOP surpluses accrued from other group companies.

With reference to Iren S.p.A., the application of the rules set forth in art. 96 of the Consolidated Law on Income Tax resulted in the creation of non-deductible net interest expense surpluses of € 14,235 thousand for 2020 which, however, owing to Iren's participation in the Group taxation and by virtue of the consolidated taxation agreements in place, the company was able to fully offset with the GOP surpluses accrued at Group level, with a consequent benefit, in terms of lower IRES taxes for the year, of € 3,416 thousand.

Pursuant to the consolidated taxation agreements, no remuneration is owed by the companies with surpluses of non-deductible interest expense to the Group companies that transferred their GOP surpluses.

The following table shows the reconciliation between theoretical and effective IRES tax rates. The reconciliation between ordinary and effective IRAP rate was not significant.

The table shows current taxes only, thus excluding deferred taxes. Therefore, changes to the theoretical tax refer to both temporary and final changes.

The table below shows the breakdown of the tax rate for the financial year 2020 and financial year 2019.

STATEMENT OF IRES RATE RECONCILIATION	<u>FY 2020</u>	<u>FY 2019</u>
A) Profit (loss) before tax	205,858	238,179
B) Theoretical tax charge (24% rate)	49,406	57,163
C) Temporary differences taxable in future years <i>Alloc. Tax receivables write-down provision</i>	-	-
D) Temporary differences deductible in future years <i>Fees to independent auditors and directors</i> <i>Plus minus amortisations</i> <i>Provisions set aside and interest expense</i> <i>Other</i>	8,360 233 - 3,474 4,654	9,582 236 - 5,117 4,229
E) Transfer of previous year temporary differences <i>Dividends not collected during the year</i> <i>Use funds and interest expense</i> <i>Fees to independent auditors and directors</i> <i>Other</i>	(19,884) - (16,668) (259) (2,956)	(17,121) - (16,286) (93) (742)
F) Differences which will not carry forward <i>Non-taxable share of dividends (95%) received at 31/12</i> <i>Others</i>	(220,905) (224,616) 3,711	(251,235) (253,192) 1,956
G) Taxable income (A)+C)+D)+E)+F))	(26,570)	(20,596)
H) Current taxes for the year Consolidation income Art Bonus	(6,785) (6,377) (408)	(5,331) (4,943) (388)
M) Rate	-3%	-2%

The table below shows the composition of deferred tax assets and liabilities for the two years, broken down by type of temporary difference, and the resulting effects.

	thousands of €	
	FY 2020	FY 2019
Deferred tax assets		
Non-deductible funds	4,546	7,893
Differences in value of fixed assets	554	554
Derivatives	2,879	2,823
Other	3,057	2,434
Total	11,035	13,705
Deferred tax liabilities		
Differences in value of fixed assets	823	823
Provisions for impairment of receivables	11	11
Other	111	111
Total	945	945
Total net deferred tax assets (liabilities)	10,090	12,760

NOTE 38_OTHER COMPREHENSIVE INCOME

Other comprehensive income decreased to € 1,217 thousand (decreased to € 4,993 thousand in 2019); Specifically, other comprehensive income that will not be subsequently reclassified to the Income Statement relates to:

- the effective portion of changes in the fair value of cash flow hedging instruments, a negative € 232 thousand, which refers to derivatives hedging changes in interest rates.
- other provisions for risks of € 56 thousand.

Other comprehensive income that will not be subsequently reclassified to the Income Statement relates to:

- actuarial losses, related to defined benefit plans, for € 1,369 thousand.
- other provisions for risks of € 328 thousand.

IX. GUARANTEES AND CONTINGENT LIABILITIES

Personal guarantees given amounted to 451,608 thousand euro (31 December 2019, 420,609 thousand euro) to be divided as follows:

- - € 153,139 thousand of bank and insurance guarantees to various Banks. Among the above, it is worth noting guarantees given in favour of:
 - Revenue Agency for € 118,557 thousand to guarantee VAT Refund requests for 2019 and 2020;
 - Municipality of Turin, for € 27,476 thousand, as definitive guarantee in the AMIAT/ TRM acquisition;
 - INPS for € 2,323 thousand as guarantee envisaged for planned retirement procedures;
 - FCT Holding, for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
 - Genoa City Council for € 860 thousand to guarantee urbanisation works and the cost of building new premises;
 - Atersir/Ato for € 820 thousand to guarantee the management of the integrated water service in the municipalities of Reggio Emilia and Parma.
- - € 271,025 thousand in guarantees granted on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Company Guarantees on behalf of Iren Mercato Spa).
- 27,444 thousand euro of guarantees given on behalf of Associates.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane in liquidation (namely guarantees for credit facilities and letters of patronage for € 23,999 thousand). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato.

X. ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

LIST OF EQUITY INVESTMENTS

INDEPENDENT AUDITORS' FEES

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

LIST OF EQUITY INVESTMENTS

Company	Registered office	Currency	Share capital	% ownership
SUBSIDIARIES				
Iren Ambiente S.p.A.	Piacenza	€	63,622,002	100.00
Ireti S.p.A.	Reggio Emilia	€	196,832,103	100.00
Iren Energia S.p.A.	Turin	€	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	€	61,356,220	100.00
ASSOCIATES				
Plurigas (*)	Milan	€	800,000	30.00

(*) company in liquidation classified among assets held for sale

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree 58/1998, the fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

	Independent auditing services	Services other than independent auditing		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	190	143	11	344

thousands of €

STATEMENT OF SHAREHOLDERS' EQUITY WITH ADDITIONAL INFORMATION

Item/Description	31.12.2020	31.12.2019	31.12.2018
SHARE CAPITAL	1,300,931,377	1,300,931,377	1,300,931,377
CAPITAL RESERVES			
Share premium reserve (1)	133,019,647	133,019,647	133,019,647
Merger Surplus	56,792,947	56,792,947	56,792,947
Treasury shares negative reserve	(34,648,147)	(9,054,404)	-
PROFIT RESERVES			
Legal reserve	76,712,515	64,641,843	58,345,452
Other reserves:			
Extraordinary reserve	53,766,557	53,766,557	53,766,557
Hedging reserve	(9,516,688)	(9,340,183)	(5,150,176)
IAS 19 actuarial reserve	(4,637,006)	(3,596,399)	(2,793,362)
Other reserves untaxed	1,402,976	1,402,976	1,402,976
Retained earnings (losses)	188,019,492	78,180,732	67,544,008
TOTAL	1,761,843,670	1,666,745,093	1,663,859,426
Non-distributable amount	1,476,015,392	1,489,538,463	1,492,296,476
Distributable residual amount	285,828,278	177,206,630	171,562,950

(1) Distributable to shareholders after the legal reserve has reached one fifth of the share capital

KEY:

A: share capital increase

B: payments to replenish losses

C: shareholder distribution

€

Possible utilisation	Available portion	Summary of uses over the last three years	
		Coverage of losses	Other reasons
B	1,300,931,377		
A, B	133,019,647		
A, B, C	56,792,947		
	(9,054,404)		
B	64,641,843		
A, B, C	53,766,557		
	(9,340,183)		
	(3,596,399)		
A, B, C	1,402,976		
A, B, C	78,180,732		
	1,666,745,093		
	1,489,538,463		
	177,206,630		

DEFERRED TAX ASSETS AND LIABILITIES 2020

	differences			
	initial	formation	payment	remainder
<u>Deferred tax assets</u>				
Non-deductible funds	32,890	2,390	16,340	18,940
Differences in value of fixed assets	2,308	-	-	2,308
Derivatives	11,764	232	-	11,996
Other	10,144	6,137	3,544	12,736
Total taxable base/deferred tax assets	57,105	8,759	19,884	45,981
<u>Deferred tax liabilities</u>				
Differences in value of fixed assets	3,430	-	-	3,430
Provisions for receivables	44	-	-	44
Other	464	-	-	464
Total taxable base/deferred tax liabilities	3,938	-	-	3,938
Net deferred tax assets (liabilities)	53,167	8,759	19,884	42,042

thousands of €

taxes to inc. stat.	taxes to equity	IRES (Corporate income tax)	IRAP (regional business tax)	total
(3,412)	64	4,546	-	4,546
-	-	554	-	554
-	56	2,879	-	2,879
358	265	3,057	-	3,057
(3,054)	384	11,035	-	11,035
-	-	823	-	823
-	-	11	-	11
-	-	111	-	111
-	-	945	-	945
(3,054)	384	10,090	-	10,090

DEFERRED TAX ASSETS AND LIABILITIES 2019

	differences			
	initial	formation	payment	remainder
<u>Deferred tax assets</u>				
Non-deductible funds	36,891	6,658	10,660	32,890
Differences in value of fixed assets	2,686	-	378	2,308
Derivatives	6,251	5,513	-	11,764
Other	11,511	5,581	6,948	10,144
Total taxable base/deferred tax assets	57,339	17,752	17,986	57,105
<u>Deferred tax liabilities</u>				
Differences in value of fixed assets	3,430	-	-	3,430
Provisions for receivables	44	-	-	44
Other	714	-	250	464
Total taxable base/deferred tax liabilities	4,188	-	250	3,938
Net deferred tax assets (liabilities)	53,151	17,752	17,736	53,167

thousands of €

taxes to inc. stat.	taxes to equity	IRES (Corporate income tax)	IRAP (regional business tax)	total
(997)	37	7,893	-	7,893
(91)	-	554	-	554
-	1,323	2,823	-	2,823
(545)	217	2,434	-	2,434
(1,633)	1,577	13,705	-	13,705
-	-	823	-	823
-	-	11	-	11
(60)	-	111	-	111
(60)	-	945	-	945
(1,573)	1,577	12,760	-	12,760

DETAILS ON TRANSACTIONS WITH RELATED PARTIES TABLE

	thousands of €				
	Trade Receivables	Financial Receivables, Cash and cash equivalents	Other receivables	Trade Payables	Financial Liabilities
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa		-	-	2	-
Municipality of Parma		-	-	32	-
Municipality of Piacenza		-	-	62	-
Municipality of Reggio Emilia		-	-	24	-
Municipality of Turin		-	-	21	-
Finanziaria Sviluppo Utilities	16	41	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	1,430	141,234	2,147	298	13
ACAM Ambiente S.p.A.	969	24,218	- 57	113	-
AMIAT S.p.A.	5,832	69,134	1,387	459	-
AMIAT V. S.p.A.	10	10,569	-	-	-
ASM Vercelli S.p.A.	1,594	-	134	276	28,610
Asti Energia e Calore S.p.A.	-	1,685	-	-	-
ATENA Trading S.r.l.	4	-	802	6	1,845
Bonifica Autocisterne S.r.l.	2	-	7	-	569
Consorzio GPO	-	-	-	-	2,056
Formaira S.r.l.	1	-	7	-	83
GIA S.p.A. in liquidation	-	-	-	-	-
I. Blu S.r.l.	80	16,434	-	18	-
Iren Acqua Tigullio S.p.A.	357	2	1,042	-	1,194
IREN Ambiente S.p.A.	11,300	423,235	2,675	218	272
IREN Ambiente Parma S.r.l.	12	-	-	-	4,000
IREN Ambiente Piacenza S.r.l.	12	-	-	-	4,000
IREN Energia S.p.A.	15,600	581,501	2 -	42	1,598
IREN Mercato S.p.A.	19,353	11	14,165	616	19,025
Iren Smart Solutions S.p.A.	1,545	62,826	1,987	1,237	-
IRETI S.p.A.	27,012	766,404	9,932	1,451	5,775
Iren Laboratori S.p.A.	606	-	173	132	6,706
Iren Acqua S.p.A.	2,277	68,678	3,772	51	3,887
Maira S.p.A.	12	-	14	-	1,350
Monte Querce S.c.r.l.	-	-	1	-	-
ReCos S.p.A.	320	22,793	-	-	-
Rigenera Materiali (Ri. Ma.) S.r.l.	27	-	-	-	-
Salerno Energia Vendite S.p.A.	56	176	-	-	-
San Germano S.p.A.	1,154	21,725	-	57	-
STA - Società Toscana Ambiente S.p.A.	-	5,508	-	-	-
Studio Alfa S.p.A.	21	-	341	175	-
Territorio e Risorse S.r.l.	14	12,200	-	-	-
TRM S.p.A.	171	-	-	41	-
UCH Holding S.r.l.	1	6,109	-	-	-
UHA - Unieco Holding Ambiente S.r.l.	2	16,000	-	-	-

thousands of €

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	-	860	-	-
Municipality of Parma	-	-	79	-	-
Municipality of Piacenza	-	-	62	-	-
Municipality of Reggio Emilia	-	6	443	-	-
Municipality of Turin	-	620	621	-	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	1,694	4,562	241	3,494	-
ACAM Ambiente S.p.A.	3,263	3,926	241	583	-
AMIAT S.p.A.	11,397	23,039	3,600	1,686	-
AMIAT V. S.p.A.	78	282	-	211	-
ASM Vercelli S.p.A.	2,822	4,438	1,723	-	66
Asti Energia e Calore S.p.A.	-	-	-	11	-
ATENA Trading S.r.l.	327	609	24	-	7
Bonifica Autocisterne S.r.l.	12	46	-	-	1
Consorzio GPO	-	-	-	-	-
Formaira S.r.l.	2	5	-	-	-
GIA S.p.A. in liquidation	1	-	-	-	-
I. Blu S.r.l.	-	78	18	120	-
Iren Acqua Tigullio S.p.A.	1,855	1,086	-	3	-
IREN Ambiente S.p.A.	21,710	32,982	1,159	13,859	-
IREN Ambiente Parma S.r.l.	-	12	-	-	-
IREN Ambiente Piacenza S.r.l.	-	12	-	-	-
IREN Energia S.p.A.	50,985	30,240	499	93,739	-
IREN Mercato S.p.A.	2,164	36,779	3,499	36,965	-
Iren Smart Solutions S.p.A.	1,738	8,250	1,731	1,673	-
IRETI S.p.A.	33,792	69,438	2,575	130,392	-
Iren Laboratori S.p.A.	634	2,218	165	-	-
Iren Acqua S.p.A.	5,018	6,467	255	1,223	-
Maira S.p.A.	17	58	-	-	-
Monte Querce S.c.r.l.	1	-	-	-	-
ReCos S.p.A.	1,109	722	-	563	-
Rigenera Materiali (Ri. Ma.) S.r.l.	-	30	-	-	-
Salerno Energia Vendite S.p.A.	-	6	-	196	-
San Germano S.p.A.	2,320	1,660	209	490	-
STA - Società Toscana Ambiente S.p.A.	-	-	-	8	-
Studio Alfa S.p.A.	67	73	273	-	-
Territorio e Risorse S.r.l.	-	14	-	128	-
TRM S.p.A.	1,042	530	232	-	-
UCH Holding S.r.l.	-	1	-	9	-
UHA - Unieco Holding Ambiente S.r.l.	-	2	-	24	-

DETAILS ON TRANSACTIONS WITH RELATED PARTIES TABLE

	thousands of €				
	Trade Receivables	Financial Receivables, Cash and cash equivalents	Other receivables	Trade Payables	Financial Liabilities
JOINT VENTURES					
Acque Potabili S.p.A.	105	-	-	-	-
ASSOCIATES					
ACOS S.p.A.	-	-	-	-	-
ACOS Energia S.p.A.	-	-	-	-	-
Acquaenna S.c.p.a.	24	-	-	-	-
Aguas de San Pedro S.A. de C.V.	2	-	-	-	-
AMAT S.p.A.	8	-	-	-	-
AMTER S.p.A.	48	-	-	2	369
ASA S.c.p.a.	14	-	-	-	-
ASA Livorno S.p.A.	332	-	-	1	-
ASTEA S.p.A.	12	-	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	-	-	-	56	-
Fratello Sole Energie Solidali S.r.l.	89	-	-	-	-
Iniziative Ambientali S.r.l.	6	-	-	-	-
Mondo Acqua S.p.A.	9	-	-	-	-
Piana Ambiente S.p.A. in liquidation	62	-	-	-	-
SEI Toscana S.r.l.	1	-	-	-	-
STU Reggiane S.p.A.	-	-	-	-	-
Valle Dora Energia S.r.l.	32	20,060	-	-	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	2	1	-
Subsidiaries of Municipality of Parma	-	-	-	-	-
Subsidiaries of Municipality of Piacenza	-	-	-	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	-	182	-
TOTAL	90,535	2,270,545	38,531	5,490	81,352

	thousands of €				
	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
JOINT VENTURES					
Acque Potabili S.p.A.	-	20	-	-	-
ASSOCIATES					
ACOS S.p.A.	-	-	-	-	-
ACOS Energia S.p.A.	-	-	-	-	-
Acquaenna S.c.p.a.	-	-	-	-	-
Aguas de San Pedro S.A. de C.V.	-	2	-	-	-
AMAT S.p.A.	-	12	-	-	-
AMTER S.p.A.	-	69	-	-	-
ASA S.c.p.a.	-	14	-	-	-
ASA Livorno S.p.A.	-	306	-	-	-
ASTEA S.p.A.	-	12	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	-	-	98	-	-
Fratello Sole Energie Solidali S.r.l.	-	101	-	-	-
Iniziative Ambientali S.r.l.	-	2	-	-	-
Mondo Acqua S.p.A.	-	6	-	-	-
Piana Ambiente S.p.A. in liquidation	-	-	-	-	-
SEI Toscana S.r.l.	-	1	-	-	-
STU Reggiane S.p.A.	-	-	20	-	-
Valle Dora Energia S.r.l.	-	84	-	311	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	46	-	-
Subsidiaries of Municipality of Parma	-	-	10	-	-
Subsidiaries of Municipality of Piacenza	-	-	-	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	267	-	-
TOTAL	142,048	228,822	18,947	285,688	73

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

		thousands of €	
IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	159,328		
Intangible fixed assets with a finite useful life	69,706		
Investment property	-		
Investments in subsidiaries, associates and joint ventures	2,564,032		
Other equity investments	100		
Total (A)	2,793,166	Non-Current Assets (A)	2,793,166
Other non-current assets	1,832		
Other non-current liabilities	(9,809)		
Total (B)	(7,977)	Other non-current assets (liabilities) (B)	(7,977)
Inventories	4,023		
Trade receivables	90,699		
Current tax assets	927		
Other receivables and other current assets	123,259		
Trade payables	(89,834)		
Other payables and other current liabilities	(167,856)		
Current tax liabilities	-		
Total (C)	(38,782)	Net working capital (C)	(38,782)
Pre-paid tax assets	11,035		
Deferred tax liabilities	(945)		
Total (D)	10,090	Deferred tax assets (liabilities) (D)	10,090
Employee benefits	(18,485)		
Provisions for risks and charges	(12,400)		
Provisions for risks and charges - current portion	(1,600)		
Total (E)	(32,485)	Provisions for risks and employee benefits (E)	(32,485)
		Net invested capital (G=A+B+C+D+E+F)	2,724,012
Shareholders' Equity (F)	1,971,907	Shareholders' Equity (F)	1,971,907
Non-current financial assets	(2,225,873)		
Non-current financial liabilities	3,490,489		
Total (G)	1,264,616	Medium- and long-term term financial debt (G)	1,264,616
Current financial assets	(74,097)		
Cash and cash equivalents	(745,111)		
Current financial liabilities	306,937		
Total (H)	(512,271)	Short term financial debt (H)	(512,271)
		Net debt (I=G+H)	752,345
		Own funds and net financial debt (F+I)	2,724,252

STATEMENT REGARDING THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Massimiliano Bianco, Chief Executive Officer and Managing Director, and Massimo Levrino, Administration, Finance, Control and M&A Director and Corporate Financial Reporting Manager of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

- the suitability in respect of the company's characteristics and
- the effective application of the administrative and accounting procedures in preparing the separate financial statements during 2020.

2. It is also certified that:

2.1 the financial statements:

- a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b) correspond to the results of the books and account records;
- c) are suitable to offer a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

2.2 the directors' report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

25/03/2021

Chief Executive Officer



Dr. Massimiliano Bianco

Administration, Finance, Control and M&A
Director
and Reporting Manager Law 262/05



Dr. Massimo Levrino



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Iren SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Iren SpA (the “Company”), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of other comprehensive income, the statement of changes in shareholders’ equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of this report. We are independent of Iren SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit procedures in response to key audit matters
<p>Assessment of recoverability of equity Investments</p> <p><i>Notes to the financial statements at 31 December 2020: Note 3 “Investments in subsidiaries, associated companies and joint ventures”</i></p> <p>The financial statements of Iren SpA at 31 December 2020 show equity investments amounting to Euro 2,564.0 million, the breakdown of which is as follows:</p> <ol style="list-style-type: none">1. <i>Iren Energia SpA</i>: Euro 1.139,1 million;2. <i>Ireti SpA</i>: Euro 1.039,4 million;3. <i>Iren Ambiente SpA</i>: Euro 243,4 million;4. <i>Iren Mercato SpA</i>: Euro 142,1 million. <p>The overall value of such equity investments represented approximately 42% of the total assets of the financial statements as at 31 December 2020.</p> <p>The Company assesses the recoverability of the value of the equity investments shown in the financial statements annually or, more frequently, whenever there are indications leading to presume the existence of an impairment loss.</p> <p>Considering the current structure of the Iren Group, this assessment coincides with the assessment of the recoverability of goodwill values, performed when drawing up the consolidated financial statements, as the above subsidiaries correspond to the Cash Generating</p>	<p>We carried out an understanding and evaluating of the impairment test procedures prepared by management and approved by the Board of Directors of Iren SpA on 23 February 2021, in order to assess compliance with the requirements of the international accounting standard IAS 36.</p> <p>Our procedures focused on a critical examination of the main assumptions behind the drawing up of the 2020-2024 Business Plan and of the discounting rates used; furthermore, specific sensitivity analyses were performed, aimed at evaluating the impact on the results of the tests of changes in the main parameters adopted.</p> <p>Moreover, we also verified the overall mathematical correctness of the plan and of the impairment test model prepared by management, reviewing, for each company / business unit, the method followed to obtain the discounting rate and the constant growth rate of cash flows beyond the plan’s time frame. We also compared the book value of each equity investment with the related recoverable value.</p>



Units (CGU) identified, in accordance with the definition set forth in the international accounting standard IAS 36 - Impairment of assets.

The above assessment of the recoverability of goodwill is based upon the higher between fair value less costs to sell and value in use of each CGU to which goodwill has been allocated. The value in use was determined by discounting future cash flows expected from each CGU in the 2021-2025 period, as well as their respective terminal values. These flows were extracted from economic and financial projections based on the Business Plan approved by the Board of Directors on 29 September 2020.

Investments are considered as a key audit matter due to their size and to the inherent estimate elements influencing the valuations made by the directors on their recoverability.

These activities were performed also involving experts belonging to the PwC network.

Finally, we verified the completeness and accuracy of the information provided in the notes.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and



communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 14 May 2012, the Shareholders' meeting of Iren SpA engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation (EU) No. 537/2014.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Iren SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Iren SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Iren SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Genoa, April 14, 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

**Report of The Board of Statutory Auditors of IREN S.p.A.
at the Shareholders' Meeting of 06 May 2021**

in accordance with article 153 of Legislative Decree no. 58/1998

Dear Shareholders,

the Board of Statutory Auditors who, pursuant to Art. 153 of Legislative Decree no. 58/1998, Consolidated Law on Financial Intermediation (hereinafter referred to as the "TUF"), is called upon to report to the Shareholders' Meeting on the supervisory activities carried out and on any omissions or reprehensible facts discovered. The Board of Statutory Auditors may also make observations and proposals regarding the financial statements, their approval and matters within its competence.

During the year, the Board of Statutory Auditors carried out the supervisory duties assigned to it by current laws and regulations. The Board of Statutory Auditors monitored compliance with the law and the articles of association, as well as respect for the principles of correct administration; it also monitored the adequacy of the Company's organisational, administrative and accounting structure to the extent of its competence. The Board of Statutory Auditors does not believe that there are any irregularities that require disclosure in this Report.

1. Independence of the members of the Board of Statutory Auditors

The Board of Statutory Auditors verified the absence of causes of disqualification, pursuant to art. 148 TUF, for its members, as well as the permanence of independence requirements for the same: (i) pursuant to article 148, paragraph 3 of the TUF, and (ii) pursuant to article 2 Recommendation 7 of the new Corporate Governance Code.

2. Significant transactions and events

The Board of Statutory Auditors certifies, to the extent of its competence, the compliance with the law and the Articles of Association of the most important economic, financial and asset operations carried out by the company and that they are not manifestly imprudent or risky, in potential conflict of interest, in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The aforementioned transactions, as well as the significant events of the 2020 financial year and subsequent years, relating to IREN S.p.A and the companies directly and indirectly controlled by it ("IREN Group" or "Group"), are set out in the paragraphs "Significant events during the financial year" and "Significant events after the end of the financial year and outlook" in the Directors' Report at 31 December 2020.

3. Transactions with related parties or intra-group

Pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors adopted, in accordance with the general principles indicated by Consob, rules ensuring the transparency and substantial and procedural fairness of transactions with related parties, for which reference should be made to the Directors' Report.

The paragraphs "Disclosure of Transactions with Related Parties" in the Notes to the Separate Financial Statements of IREN S.p.A. and the Notes to the Consolidated Financial Statements at 31 December, 2020 provide information about income statement and balance sheet transactions with related parties. Details of these transactions are provided in paragraph X "Appendices to the separate financial statements" and paragraph XII "Appendices to the consolidated financial statements".

The Chairman of the Board of Statutory Auditors and/or one or more regular auditors regularly attend the work of the Committee for Related Party Transactions, monitoring the procedures concretely adopted for important resolutions in the interest of the Company and the Group, and in this regard there are no particular observations to report.

Considering the model adopted by the Group with IREN SpA as a holding company with adequate centralised staff structures, as well as the management and coordination activity carried out, the company provides services to subsidiaries on the basis of specific contracts. Other non-recurring intra-Group transactions, if any, are dictated by the need to rationalize operations in accordance with the structure of operations by Business Unit.

4. Atypical and/or unusual transactions

The Notes to the Separate Financial Statements of IREN S.p.A. and the Consolidated Financial Statements, the information provided to the Board of Directors and the information received from the directors and company management did not reveal the existence of any atypical and/or unusual transactions, including intragroup transactions or transactions with related parties, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. As of the date of preparation of this Report, the Board of

Statutory Auditors had not received any communications from the Boards of Statutory Auditors of subsidiaries, associates or joint ventures or from the Independent Auditors containing observations worthy of note.

5. Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During the financial year ended 31 December 2020, the Board of Statutory Auditors met 11 times, with full attendance by its members.

The Board of Statutory Auditors also attended the meetings of the Board of Directors (18 meetings) and as a rule ensured the presence of at least one member at the meetings of the Control, Risk and Sustainability Committee (12 meetings), at the meetings of the Committee for Related Party Transactions (9 meetings) and at the meetings of the Compensation and Nominating Committee (11 meetings).

6. Observations under the terms of Italian Legislative Decree 39/2010, of the Legislative Decree of 30 December, 2016, No. 254 and on the independence of the Auditing Firm

With regard to the statutory audit tasks, the Board of Statutory Auditors recalls that these are assigned to the Independent Auditors PricewaterhouseCoopers S.p.A. (the Independent Auditors, or PwC), which issued on 14 April, 2021 the Reports, pursuant to Article 14 of Legislative Decree. No. 39 of 27 January, 2010 and Article 10 of EU Regulation No. 537/2014, concerning the Separate Financial Statements of IREN Spa and the Group's Consolidated Financial Statements at 31 December, 2020, to which we refer you, noting at the same time that they are unqualified. The Independent Auditors confirmed their independence in carrying out the statutory audit.

The Board of Statutory Auditors monitored the effectiveness of the statutory audit process, meeting periodically with PwC representatives to discuss the activities carried out.

Additional assignments entrusted to the Independent Auditors are governed by a separate Guideline entitled "Assignment of Assignments to the Independent Auditors", which complies with the relevant regulations. The corresponding amounts are discussed in the Notes to the Separate Financial Statements and in the Notes to the Consolidated Financial Statements in the section entitled "Fees Paid to the Independent Auditors".

In addition, the Board of Statutory Auditors confirms that the Consolidated Non-Financial Statement (DNF) was prepared in accordance with the requirements of Articles 3 and 4 of Legislative Decree No. 254 of 30 December 2016. The independent auditors PwC issued,

in a specific Report dated 14 April 2021 and on the basis of the auditing procedures specified therein, a certification regarding the conformity, in all significant aspects, of the information provided with respect to the requirements of the aforementioned legislative decree and with respect to the reporting standards indicated in the DNF's "Methodological Note".

7. Observations on the financial reporting process and the internal control system

During the 2020 financial year, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent operating events, by obtaining information from the Manager responsible for preparing the company's financial reports and from the other heads of administrative functions. The Board of Statutory Auditors believes that, overall, the administrative and accounting system is adequate and reliable in relation to the size and complexity of the Company and the Group.

The Board of Statutory Auditors monitored, as part of its duties, the adequacy of the internal control system through: (i) obtaining information from the heads of the corporate structures; (ii) meetings with the heads of the Risk Management department and the Internal Audit department; (iii) attendance, with at least one of its members, at the meetings of committees outside of the council; (iv) exchange of information with the Independent Auditors.

Due to the constraints related to the Covid-19 pandemic, the control functions were not always able to carry out on-the-spot checks, but instead used technology that allowed them to carry out their activities properly.

The Board of Statutory Auditors was also informed, by means of the half-yearly reports submitted to the Board of Directors, on the activities carried out by the Supervisory Body set up pursuant to Legislative Decree no. 231/2001 and subsequent amendments.

Lastly, the Board of Statutory Auditors acknowledged the attestations provided by the Chief Executive Officer and the Manager pursuant to Law no. 262/05 responsible for preparing the Company's financial reports, pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May, 1999, as amended, concerning the adequacy and effective implementation of the administrative and accounting procedures for the preparation of the separate and consolidated financial statements.

Based on the results of the activities carried out, the Board of Statutory Auditors believes that the internal control system is adequate for the size and structure of the operations.

8. Observations on the adequacy of the organisational structure

The Board of Statutory Auditors monitored, to the extent of its responsibility, the adequacy of the Company's organizational structure, acquiring information from the heads of company departments, and considers this structure to be overall adequate for the characteristics of the Company and the activities carried out.

9. Other activities of the Board of Statutory Auditors

The Board of Statutory Auditors:

- (i) has not received any complaints *pursuant to* Article 2408 of the Italian Civil Code, nor has it received any exposure;
- (ii) did not issue opinions pursuant to law during the year;
- (iii) verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members;
- (iv) noted the existence of instructions given by the parent company for subsidiaries to provide all the information necessary to the parent company to fulfil the disclosure obligations required by law;
- (v) with regard to first level subsidiaries, it obtained information regarding the organisational structure and internal control system through the central functions of the parent company, meetings with the top management of the subsidiaries and liaison with the respective control bodies;
- (vi) it acknowledged the preparation of the Report on the Remuneration Policy 2021 and on the remuneration paid 2020, pursuant to art. 123-*ter*TUF, and has no particular observations to report;
- (vii) with regard to the Company's adherence to the new Corporate Governance Code, please refer to the Report on Corporate Governance and Ownership Structure, prepared pursuant to Article 123-bis TUF;
- (viii) confirms that during the periodic meetings with the representatives of the Independent Auditors, no aspects emerged that need to be highlighted in this report;
- (ix) in its capacity as Internal Control and Audit Committee pursuant to Legislative Decree no. 39/2010 and subsequent amendments, acknowledges that the Framework Agreement with KPMG, relating to the performance of audit activities for the nine-year period 2021-2029, has been supplemented by an Addendum pursuant to article 5 of the Agreement ("Expansion or reduction of contractual services") to adjust the fees following the expansion of audit activities due to the extraordinary transactions

involving the Group subsequent to the signing of the aforementioned Agreement. The Board of Statutory Auditors was informed by the contacts of the Administration, Finance and Control Department about the discussions with KPMG to define the change in fees (on an aggregate basis and with specific reference to IREN) in compliance with the clause of the Framework Agreement referred to above and consistent with the criteria (effort, professional mix and hourly rate) considered in the context of the Tender Process. On this point, reference should also be made to the Directors' Report prepared by the Board of Directors.

During the course of our supervisory activities, as described above, no reprehensible facts, omissions or irregularities were found that require reporting in this Report.

Moreover, the Board of Statutory Auditors does not believe that there are grounds for exercising its right to submit proposals to the Shareholders' Meeting pursuant to Article 153, Section 2, TUF.

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The draft Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December, 2020, as well as the Directors' Report, were approved at the meeting of the Board of Directors held on 25 March, 2021. The separate financial statements show a net profit for the period of 210,063 thousand of euro, while the consolidated financial statements show a net profit for the period of Euro 265,071 thousand .

Since the independent auditors PwC are not responsible for the statutory audit of the accounts, the Board of Statutory Auditors verified, with reference to the separate and consolidated financial statements, that they generally comply with the rules governing their preparation and structure. The Board of Statutory Auditors also verified, to the extent of its competence, that the facts and information of which it became aware in the course of its duties were substantially true. The Board of Statutory Auditors has no particular observations to make in this regard.

In the "Risks and uncertainties" section of the Directors' Report, the Directors describe the principal risks to which the Company is exposed: financial (liquidity, interest rate, exchange rate), credit, energy, operational, IT, tax and climate change risks. Contingent liabilities are discussed in the "Guarantees and Contingent Liabilities" section of the Notes to the Separate Financial Statements and the Notes to the Consolidated Financial Statements.

The effects of the Covid-19 pandemic, as well as the actions and initiatives taken to protect employees and ensure full operations, are discussed in a separate section of the Directors' Report.

In light of the above, the Board of Statutory Auditors, having acknowledged the aforementioned certifications issued jointly by the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports, as well as the reports of the independent auditors PwC, finds no grounds, within the scope of its authority, to oppose the approval of the proposed Financial Statements for the year ended 31 December 2020 formulated by the Board of Directors and the proposal for the allocation of the net result for the period.

We remind you that, with the approval of the Financial Statements for the year ending 31 December 2020, the mandate conferred by the Shareholders' Meeting on the auditing firm PwC expires. The Board of Statutory Auditors thanks PwC for the activity carried out with competence and availability in the interest of the company.

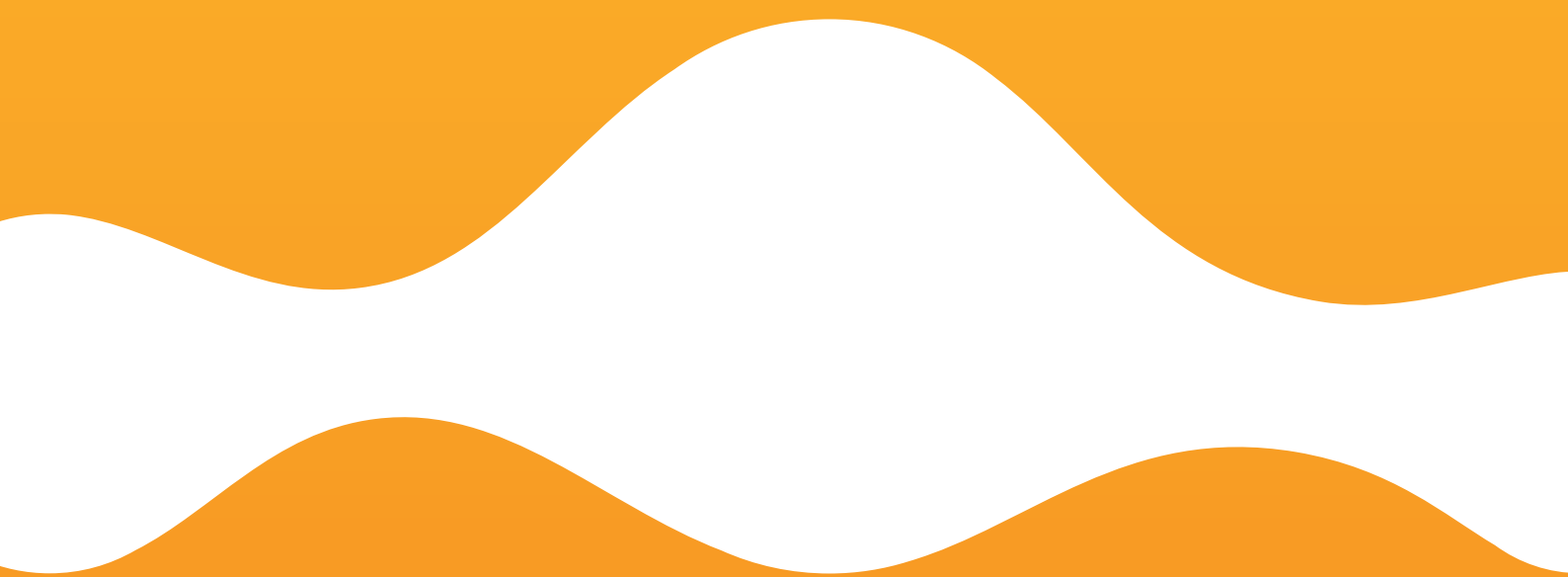
Lastly, the mandate of the Board of Statutory Auditors is also coming to an end. The Shareholders' Meeting is therefore called upon to appoint the new Board of Statutory Auditors for the next three years.

For the Board of Statutory Auditors
Prof. Michele Rutigliano – Chairperson;

A handwritten signature in blue ink, appearing to be 'M. Rutigliano', written in a cursive style.

Reggio Emilia, 14 April 2021

SUMMARY OF THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING




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