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.

thousands of €

	Notes	31.12.2020	of which related parties	31.12.2019 Restated	of which related parties
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	**(39)**				
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**

	Share capital	Share premium reserve	Legal reserve
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**
		-	(108,995)	(108,995)	(40,731)	(149,726)
	126,825	133,121	(133,121)	-	-	-
	(9,054)	(9,054)		(9,054)	-	(9,054)
	490	490		490	(415)	75
	444	444		444	1	445
(14,076)	(3,057)	(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**
			(119,504)	(119,504)	(29,442)	(148,946)
	104,787	116,858	(116,858)	-		-
	(25,594)	(25,594)		(25,594)		(25,594)
	-	-		-	8,991	8,991
	(94)	(94)		(94)	(50)	(144)
	(655)	(655)		(655)	(100)	(755)
17,936	(3,654)	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. case 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 Bluair ("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.

<u>Financial assets</u> 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.
<u>Financial liabilities</u> 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) <u>The accounting impacts of a change in the cash flows of a financial instrument resulting from a change in the contractually agreed index.</u> 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.

thousands of €

	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)

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.

thousands of €

	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.gruppoiren.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. “iso-pensione”) 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	Reclassifica-tions	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	Reclassifica-tions	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	Reclassifica-tions	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.

<u>Industrial patents and intellectual property use rights</u>
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 combination*s) 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 Enìa 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" *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:

thousands of €

	31/12/2019	Change in consolidation scope	Increases (Decreases)	Write-downs	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:

thousands of €

	31/12/2019	Changes in consolida-tion scope	Provisions for the period	Decreases	31/12/2020
Provisions for impairment of receivables	192,175	5,023	61,081	(26,191)	232,088

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:

thousands of €

	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**

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**

<u>Hedging reserve</u>
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.

<u>Other reserves and retained earnings (losses)</u>
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 consolida-tion scope	Current Service Cost	Financial expenses	Actuarial (gains)/losses	Disburse-ments 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 consolida-tion 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 Enìa), 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 decomissioning 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 decomissioning 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

	FY 2020	FY 2019
		thousands of €
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:

	FY 2020	FY 2019
		thousands of €
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, Enìa 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;
   - CONSIP 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	Environme nt	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

LIST OF ASSOCIATES

LIST OF OTHER COMPANIES

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

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES

INDEPENDENT AUDITORS’ FEES

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
				7.41	AMIAT
I-TES S.r.l.	Turin	€	10,204	2.00	Iren Energia
Genera S.c.a.r.l.	Ascoli Picena	€	1,390,361	1.00	Uniproject
L.E.A.P. S.c. a r.l.	Piacenza	€	180,000	8.30	Iren Ambiente
Objective ValdArno S.r.l.	Montevarchi AR	€	800,000	1.50	STA
Reggio Emilia Innovazione S.c.a.r.l. in liquidation (2)	Reggio Emilia	€	871,956	0.99	Iren Ambiente
Se.ver.a. S.p.A. in liquidation (2)	Castelnuovo di Garfagnana LU	€	1,128,950	5.93	STA
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	5.14	Iren Mercato
Società di Biotecnologie S.p.A.	Turin	€	536,000	1.00	Iren Smart Solutions
Stadio Albaro S.p.A. in liquidation (2)	Genoa	€	1,230,000	2.00	Iren Mercato
T.I.C.A.S.S. S.c.a.r.l.	Genoa	€	176,000	3.13	Ireti
Valdisieve S.c.a.r.l.	Florence	€	1,400,000	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 to inc. stat.	taxes to equity	taxes: IRES (Corporate income tax)	taxes: IRAP (regional business tax)	taxes: total
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 to inc. stat.	taxes to equity	taxes: IRES (Corporate income tax)	taxes: IRAP (regional business tax)	taxes: total
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.

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 *Notes to the consolidated financial statements at 31 December 2020: Note 4 "Goodwill"*	
Goodwill recognised in the consolidated financial statements of the Iren Group at 31 December 2020 amounts to Euro 213.6 million. 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 (*impairment test*). 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. 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. The main estimate elements are linked to the correct definition and identification of the CGUs, of future cash flows for each CGU and their	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. 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. 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. 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

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 exceded; - Verified the accuracy of the calculation of the interest income accouted 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