Separate Financial Statements and Notes to the Financial Statements

at 31 December 2020

STATEMENT OF FINANCIAL POSITION

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	Notes	31.12.2020	of which related parties	31.12.2019	of which related parties
ASSETS					
Property, plant and equipment	(1)	159,328,186		144,816,275	
Intangible assets with a finite useful life	(2)	69,706,149		61,446,904	
Investment property		-		-	
Investments in subsidiaries, associates and joint ventures	(3)	2,564,031,856		2,564,031,856	
Other equity investments	(4)	100,000		150,000	
Non-current financial assets	(5)	2,225,873,362	2,201,369,269	1,810,266,376	1,809,533,137
Other non-current assets	(6)	1,831,926	41,520	1,871,797	41,520
Deferred tax assets	(7)	11,035,376		13,705,282	
Total non-current assets		**5,031,906,855**	**2,201,410,789**	**4,596,288,490**	**1,809,574,657**
Inventories	(8)	4,022,987		3,040,506	
Trade receivables	(9)	90,698,750	90,534,715	114,160,508	113,429,174
Current tax assets	(10)	927,034		7,722,447	
Other receivables and other current assets	(11)	123,259,215	38,531,019	142,037,994	73,763,757
Current financial assets	(12)	74,097,463	69,134,178	382,342,933	382,210,459
Cash and cash equivalents	(13)	745,110,781		239,114,582	
Total current assets		**1,038,116,230**	**198,199,912**	**888,418,970**	**569,403,390**
Assets held for sale	(14)	240,000		240,000	
TOTAL ASSETS		**6,070,263,085**	**2,399,610,702**	**5,484,947,460**	**2,378,978,047**

	Notes	31.12.2020	of which related parties	31.12.2019	of which related parties
					€
EQUITY					
Share capital		1,300,931,377		1,300,931,377	
Reserves and Retained Earnings (Losses)		460,912,293		365,813,716	
Net profit (loss) for the period		210,063,020		241,413,435	
TOTAL EQUITY	**(15)**	**1,971,906,690**		**1,908,158,528**	
LIABILITIES					
Non-current financial liabilities	(16)	3,490,489,308		2,835,231,430	
Employee benefits	(17)	18,484,829		18,161,714	
Provisions for risks and charges	(18)	12,400,174		18,058,011	
Deferred tax liabilities	(19)	945,186		945,186	
Other payables and other non-current liabilities	(20)	9,809,608	8,498,580	10,774,267	8,498,580
Total non-current liabilities		**3,532,129,105**	**8,498,580**	**2,883,170,608**	**8,498,580**
Current financial liabilities	(21)	306,937,086	72,853,189	487,041,681	106,893,880
Trade payables	(22)	89,834,218	5,489,914	95,271,458	15,795,863
Other payables and other current liabilities	(23)	167,856,201	142,047,746	110,113,763	87,212,360
Current tax liabilities	(24)	-		-	
Provisions for risks and charges - current portion	(25)	1,599,785		1,191,422	
Total current liabilities		**566,227,290**	**220,390,849**	**693,618,324**	**209,902,103**
Liabilities related to assets held for sale		-		-	
TOTAL LIABILITIES		**4,098,356,395**	**228,889,429**	**3,576,788,932**	**218,400,683**
TOTAL EQUITY AND LIABILITIES		**6,070,263,085**	**228,889,429**	**5,484,947,460**	**218,400,683**

INCOME STATEMENT

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	Notes	FY 2020	of which related parties	FY 2019	of which related parties
Revenue					
Revenue from goods and services	(26)	218,968,009	218,080,314	198,928,801	198,146,604
Other income	(27)	12,963,956	10,741,969	14,711,599	13,158,671
Total revenue		**231,931,965**	**228,822,282**	**213,640,400**	**211,305,275**
Operating expenses					
Raw materials, consumables, supplies and goods	(28)	(12,312,604)	(10,250)	(13,579,333)	(416,179)
Services and use of third-party assets	(29)	(128,802,431)	(16,782,096)	(112,745,453)	(17,423,459)
Other operating expenses	(30)	(9,156,866)	(2,156,202)	(7,869,536)	(949,423)
Capitalised expenses for internal work	(31)	4,966,137		3,070,395	
Personnel expense	(32)	(73,684,541)		(70,046,282)	(819)
Total operating expenses		**(218,990,305)**	**(18,948,548)**	**(201,170,209)**	**(18,789,880)**
GROSS OPERATING MARGIN		**12,941,660**	**209,873,734**	**12,470,191**	**192,515,395**
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(33)	(31,356,116)		(26,601,941)	
Provisions for impairment of receivables	(34)	-		(350,000)	
Other provisions and impairment losses	(34)	96,022		8,126,682	
Total amortisation, depreciation, provisions and impairment losses		**(31,260,094)**		**(18,825,259)**	
OPERATING RESULT		**(18,318,434)**	**209,873,734**	**(6,355,068)**	**192,515,395**
Financial income and expenses	(35)				
Financial income		290,010,960	285,687,927	331,643,790	329,339,687
Financial expenses		(65,834,043)	(73,226)	(87,109,585)	(84,084)
Total financial income and expenses		**224,176,917**	**285,614,701**	**244,534,205**	**329,255,603**
Value adjustments on equity investments	(36)	-		-	
Profit (loss) before tax		**205,858,483**	**495,488,435**	**238,179,137**	**521,770,998**
Income tax expense	(37)	4,204,537		3,234,298	
Net profit (loss) from continuing operations		**210,063,020**		**241,413,435**	
Net profit (loss) from discontinued operations		-		-	
Net profit (loss) for the period		**210,063,020**		**241,413,435**	

STATEMENT OF OTHER COMPREHENSIVE INCOME

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	Notes	FY 2020	FY 2019
Profit/(loss) for the period - (A)		**210,063,020**	**241,413,435**
Other comprehensive income			
subsequently reclassified to the Income Statement	**(38)**		
- effective portion of changes in fair value of cash flow hedges		(232,243)	(5,513,168)
- changes in fair value of financial assets		-	-
Tax effect of other comprehensive income		55,738	1,323,160
Total other comprehensive income, net of tax effect (B1)		**(176,505)**	**(4,190,008)**
Other comprehensive income not			
subsequently reclassified to the Income Statement			
- actuarial gains/(losses) on employee defined benefit plans (IAS 19)		(1,369,220)	(1,056,627)
Tax effect of other comprehensive income		328,613	253,590
Total other comprehensive income, net of tax effect (B2)		**(1,040,607)**	**(803,037)**
Total comprehensive income/(expense) (A)+(B1)+(B2)		**208,845,908**	**236,420,390**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2018	**1,300,932**	**133,019**	**58,346**
Legal reserve			6,296
Dividends to shareholders			
Retained earnings			
Purchases of treasury shares			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit (loss) for the period			
- Other comprehensive income			
31.12.2019	**1,300,932**	**133,019**	**64,642**
Legal reserve			12,071
Dividends to shareholders			
Retained earnings			
Purchases of treasury shares			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit (loss) for the period			
- Other comprehensive income			
31.12.2020	**1,300,932**	**133,019**	**76,713**

thousands of €

Cash flow hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity
(5,150)	**176,712**	**362,927**	**125,928**	**1,789,787**
		6,296	(6,296)	-
		-	(108,994)	(108,994)
	10,638	10,638	(10,638)	-
	(9,054)	(9,054)		(9,054)
		-		-
(4,190)	(803)	(4,993)	241,413	236,420
		-		-
		-	241,413	241,413
(4,190)	(803)	(4,993)		(4,993)
(9,340)	**177,493**	**365,814**	**241,413**	**1,908,159**
		12,071	(12,071)	-
		-	(119,504)	(119,504)
	109,838	109,838	(109,838)	-
	(25,594)	(25,594)		(25,594)
		-		-
(176)	(1,041)	(1,217)	210,063	208,846
		-		-
		-	210,063	210,063
(176)	(1,041)	(1,217)		(1,217)
(9,516)	**260,696**	**460,912**	**210,063**	**1,971,907**

CASH FLOW STATEMENT

	FY 2020	FY 2019
		thousands of €
A. Opening balance of cash and cash equivalents and centralised treasury management	**1,935,488**	**1,733,451**
Operating cash flows		
Profit (loss) for the period	210,063	241,413
Adjustments:		
Income tax expense for the period	(4,205)	(3,234)
Net financial expense (income)	(224,177)	(244,534)
Amortisation of intangible assets and depreciation of property, plant and equipment	31,356	26,602
Net impairment losses (reversals of impairment losses) on assets	-	-
Net provisions for risks and other charges	710	(10,556)
Capital (gains) losses	1,065	1,815
Utilisations of employee benefits	(1,260)	(1,494)
Utilisations of provisions for risks and other charges	(5,200)	(8,557)
Change other non-current assets and liabilities	(924)	8,967
Other changes in capital	-	-
Taxes received (paid)	33,991	15,552
B. Operating cash flow before changes in net working capital	**41,419**	**25,974**
Change in inventories	(1,691)	(1,289)
Change in trade receivables	23,462	(4,908)
Change in tax assets and other current assets	4,932	(62,512)
Change in trade payables	(5,437)	27,490
Change in tax payables and other current liabilities	51,650	31,798
C. Cash flow from changes in net working capital	**72,916**	**(9,421)**
D. Operating cash flow (B+C)	**114,335**	**16,553**
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(51,253)	(46,681)
Investments in financial assets	(50)	(50)
Proceeds from sale of investments and changes in assets held for sale	1,341	756
Change in company perimeter	-	-
Dividends collected	236,437	266,515
E. Total cash flows from /(used in) investing activities	**186,475**	**220,540**
F. Free cash flow (D+E)	**300,810**	**237,093**
Cash flows from /(used in) financing activities		
Capital increase	-	-
Purchases of treasury shares	(25,594)	(9,054)
Dividends paid	(119,523)	(108,975)
New long term financing	875,000	530,000
Repayment of long term financing	(190,099)	(520,884)
Change in financial payables for leasing	(103,830)	(7,201)
Change in other financial payables	(97,079)	41,019
Change in financial receivables	314,413	80,429
Interest paid	(78,900)	(90,710)
Interest received	66,231	50,320
G. Total cash flows from /(used in) financing activities	**640,619**	**(35,056)**
H. Cash flows for the period (F+G)	**941,429**	**202,037**
I. Closing balance of cash and cash equivalents and centralised treasury management (A+H)	**2,876,917**	**1,935,488**
L. Balance centralised treasury management	**(2,131,806)**	**(1,696,373)**
M. Closing cash and cash equivalents (I+L)	**745,111**	**239,115**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Iren S.p.A. is a multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana), created on 1 July 2010 through the merger of IRIDE and ENÌA.

Iren S.p.A. is an industrial holding company, with registered office in Reggio Emilia, parent company of the four companies responsible for the operational activity (Business Units) in the main offices of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli, and La Spezia.
The Holding is responsible for the strategic, development, coordination and control activities, while the four BUs have been entrusted with the coordination and guidance of the companies operating in their respective sectors:

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

I. CONTENT AND STRUCTURE OF THE FINANCIAL STATEMENTS

These financial statements represent the separate financial statements of the Parent Company Iren S.p.A. (annual report) and were prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. "IFRS" also includes the revised International Accounting Standards ("IAS"/"IFRS") and all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these financial statements, the same accounting standards were applied as those adopted for the Financial Statements as at 31 December 2019, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective as of 1 January 2020".

The separate financial statements at 31 December 2020 consist of a statement of financial position, an income statement, a statement of other comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The accounts are the same as those applied in the preparation of the financial statements for the year ended 31 December 2019.

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the ordinary operating cycle or during the twelve months following year end.
The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in current accounts.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value.
The estimates and related assumptions are based on previous experience and other case factors, which are deemed reasonable and were adopted to define the carrying amount of assets and liabilities to which they refer. Estimates have been used to measure property, plant and equipment and intangible assets subject

to impairment, as well as to recognise provisions for credit risks, risks for obsolete inventory items, amortisation/depreciation and impairment losses on assets, employee benefits, to determine the fair value of derivatives and certain financial assets, taxes and other provisions for risks. These estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the period in which they are revised, if the revision refers only to the period under evaluation. Should the revision involve both current and future periods, the variation is recognised in both the year in which the revision occurs and in the related future periods.

These separate financial statements are stated in euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro.

Lastly, in accordance with CONSOB Resolution No. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight transactions with related parties.

II. ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The criteria adopted in drawing up the annual financial statements as at 31 December 2020 of Iren S.p.A. are indicated below; the aforesaid accounting standards have not changed with respect to those adopted as at 31 December 2019, except for those indicated in the section "Accounting standards, amendments and interpretations effective from 1 January 2020".

Property, plant and equipment

- Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Financial expense related to the purchase or internal construction of items of property, plant and equipment is capitalised for the part of the cost of the asset until it becomes operative.

When significant components of property, plant and equipment have different useful lives, they are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Ordinary maintenance expenditure is expensed in full in the income statement. Other costs of an incremental nature are allocated to the fixed assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Expenditures that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include expenditure related to the construction or improvement of plants incurred until the reporting date. These investments are depreciated from the date they become operational or are available for use.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out below. The tables also show the residual durations of the leasing contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

Item	Min. rate	Max. rate
Buildings	2.00%	7.00%
Lightweight constructions	10.00%	10.00%
Vehicles	20.00%	25.00%
Sundry equipment	10.00%	10.00%
Furniture and office machines	12.00%	12.00%
Hardware	20.00%	20.00%
Plants	3.00%	33.00%

	Years	
	from	to
Rights of use IFRS 16 - Leases	1	50

The rates for equipment refer, respectively, as minimum and maximum values, to transformers serving the headquarters and prototypes in the context of innovation activities.

Grants related to assets are recognised as deferred revenue and taken to the income statement over the depreciation period of the related item of property, plant and equipment.

- Leased assets

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lessee's part, IFRS 16 provides for recognition in the balance sheet of the assets and related financial liabilities for all leasing contracts with a duration of more than 12 months, unless the underlying asset has a value at new of less than five thousand euros.

The leasing liability is initially measured at the present value of the payments due for the leasing, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate to be used for discounting, reference is made to the marginal borrowing rate inferred from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the short-term portion (within 12 months) from the long-term portion.

The right of use of the asset underlying the leasing contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the duration of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redeterminations of the leasing liability.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment of the asset consisting of the right of use.

On the lessor's part, the distinction between operating leases and finance leases remains. Assets transferred in financial leasing are excluded from property, plant and equipment, while the related financial receivable is recognised in the statement of financial position when the respective capital is collected. Interest income on receivables is recognised in the income statement based on the repayment plan.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development costs are capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the cost is fully recognised in the period in which it is incurred.

Intangible assets with finite useful lives are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the company's plans to develop production. Amortisation begins when the asset is available for use.
Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property use rights	20	20
Software	5	5
Other intangible assets with finite useful life	5	5

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under construction relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.
Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Non-current assets held for sale - Discontinued operations
A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in the income statement. Positive changes are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the company that has been discontinued or classified as held for sale, and:

a. represents an important business unit or geographical area of operations;
b. forms part of a single coordinated disposal plan or an important autonomous business unit or geographical area of operations;
c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset.
If it is a discontinued operation and is a material component of the item "Net profit/loss from discontinued operations", a single amount is recorded represented by the total of:

i) profit or loss on the discontinued operation, net of tax effects; and
ii) the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative period is restated in order to guarantee consistent comparison.
If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

Impairment losses on non-financial assets
The IASs/IFRSs require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its net carrying amount.
The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior periods no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a counter-item in the income statement, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.
The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the value expected from its disposal at the end of its useful life.
Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments
All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- *Financial assets and liabilities*

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in the income statement, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories: a) financial assets carried at amortised cost; b) financial assets carried at fair value through other comprehensive income (FVOCI); c) financial assets carried at fair value through profit or loss (FVTPL).

The classification within the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

a) a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;
b) a financial asset is measured at Fair Value with a counter-item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
c) finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the period, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS9 the impairment model adopted by the Iren group is based on expected losses, where "loss" means the present value of all future lost revenue, opportunely integrated to take into account future expectations ("forward-looking information"). According to the *general approach* concerning all financial activities, the expected losses is a function of probability of default (PD) of the *loss given default* (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the receivable exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected losses in the subsequent 12 months; in view of any gradual deterioration of the receivable, the estimate is adjusted to cover the expected losses along the entire life of the receivable.
Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value recognised in profit (loss) for the period. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- *Equity investments in subsidiaries and associates*

Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in the income statement.

- *Other equity investments*

Other equity investments, consisting of non-controlling interests in unlisted companies that the Company intends to keep in its portfolio in the near future, are measured at fair value through profit or loss (FVTPL).

- *Hedging instruments*

The Company holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to interest rate and exchange rate risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by using adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (*intrinsic value*). For options fair value is supplemented with the *time value*, which is based on their residual life and the volatility of the underlying.
At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in shareholders' equity for the effective portion of the hedge (intrinsic value), and in the income statement for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in the income statement.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in the income statement.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

- *Trade receivables and payables*

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal amount). After initial recognition they are measured at amortised cost. Trade receivables are shown net of provisions for impairment of receivables determined, in accordance with IFRS 9, applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit (loss) for the period, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.
Cash and cash equivalents, including ancillary charges, are measured at fair value.
Cash on hand and revenue stamps are measured at their nominal amount.

Inventories

Inventories are measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method. If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

Equity

Share capital, including the various categories of shares, is stated at its nominal amount less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions, for new subscriptions, are accounted for reducing equity.

Dividends are recognised as payables when they are approved by the Shareholders.

Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into “defined contribution” and “defined benefit” plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the company these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the additional pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the company, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, taking into account economic, financial and demographic factors.This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

1) operating (service costs), personnel expenses;
2) financial (finance costs), net interest income/expense;
3) measuring (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in the Income Statement.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of oscillations in demographic risk.

Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- the company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any commercial discounts and reductions connected with quantity.

For correct recognition of revenue from contracts with customers, reference is made to what is laid down in IFRS 15 which provides for a revenue recognition model based on 5 steps:

1. identify the contract with the customer. By contract is meant a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer’s rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer’s ability and intention to pay are considered);
2. identify the “Performance Obligations” contained in the contract. Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.

   If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question;
3. determine the “Transaction Price”. The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
4. allocate the price to the Performance Obligations on the basis of the “Relative Stand Alone Selling Price”;
5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to the income statement over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants for current expenses are recognised in the income statement when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature. Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company.

Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

Financial income and expenses

Financial income and expenses are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expenses directly attributable to the acquisition, construction or production of a plant are capitalised when:

- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the shareholder's meeting.

Income tax expense

Income taxes comprise all the taxes calculated on the company's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable. The amendments to IAS 12 approved by the European Commission with Regulation (EU) 2017/1989 of 6 November 2017 provide some clarifications on the criteria to be adopted to determine whether there are sufficient future taxable incomes against which to use the deductible temporary differences.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences will be paid.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent Company Iren S.p.A. It requires that the consolidated companies transfer their IRES receivables/payables to the parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying “tax settlements” to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.

Translation criteria

The functional and presentation currency adopted by the company is the euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are taken to the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2020

As of 1 January 2020, the following accounting standards and amendments to the accounting standards, issued by the IASB and endorsed by the European Union, must be implemented:

Reform of benchmarks for determining interest rates (Amendments to IFRS9, IAS39, and IFRS 7).

On 22 July 2014, the Financial Stability Board published the report, “Reforming Major Interest Rate Benchmarks”, which contained recommendations on how to strengthen existing benchmark indices and other potential benchmark rates based on interbank markets and how to develop alternative, almost risk-free, benchmark rates. To take into account the consequences of the reform of financial disclosure, in particular in the period that precedes the replacement of a benchmark for determining the existing interest rates with an alternative reference rate, on 26 September 2019 the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), endorsed with Reg. (EU) 2020/ 34 of 16 January 2020.

The amendments, applicable starting from 1 January 2020, establish temporary and limited exceptions to the provision on hedge accounting, so that entities can continue to observe the provisions presuming that existing benchmarks for determining interest rates are not modified following the reform of interbank rates.

The exceptions concern:

- the designation of a risk component of an item as a hedged item;
- the “high probability” requirements for cash flow hedges;
- the assessment of the economic relationship between the hedged item and the hedging instrument;
- the reclassification of the amount accumulated in the cash flow hedge reserve.

The exceptions apply to hedging relationships directly affected by the reform of the benchmark indices to determine interest rates, i.e. hedging relationships for which the reform generates uncertainties regarding: a) the benchmark index to determine interest rates (defined contractually or not contractually) designated as the hedged risk; b) the timing or the amount of cash flows related to the benchmark indices to determine interest rates of the hedged item or hedging instrument.

With reference to the hedging relationships to which the exceptions are applied, specific additional information is required.

The Company's hedging relationships are exposed to the EURIBOR benchmark index. The methodology for calculating the EURIBOR was revised in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of Regulation (EU) 2016/1011 (Benchmarks Regulation - BMR): it is, therefore, assumed that the EURIBOR will continue to be used in the near future and that the benchmark indices to determine existing interest rates will not be changed as a result of the reform of interbank rates. As a result, the assumption is that there is no uncertainty regarding the timing and the amount of the cash flows related to the benchmark indices to determine interest rates and it is estimated that the degree of risk exposure directly affected by the reform of the benchmark indices is almost zero. As at 31 December 2020, the nominal amount of hedging instruments correlated to the EURIBOR benchmark index is € 390,000,000.

Amendments to IFRS 3 - Business Combinations.
The amendment, issued by the IASB on 22 October 2018 and endorsed by the European Union through Reg. 2020/551 of 21 April 2020, concerned the definition of business, to be understood as an integrated set of activities that can be conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. This clarification makes it possible to distinguish whether an acquisition relates to a company or to a group of activities: only in the first case can goodwill be recorded. In order to identify a business, the entity may carry out the so-called *fair value concentration* test and/or perform more in-depth assessments to verify the presence of at least one input and a substantial process applied to it.

Amendments to IAS 1 and IAS 8 - Definition of "Material".
The standard, published by the IASB on 31 October 2018 and endorsed with Reg. 2019/2104 of 29 November 2019, has the purpose of clarifying better the definition of “material”, providing indications useful for identifying all the relevant information to be included in the financial statements and making uniform the application of the concept of materiality in the body of the International Accounting Standards.

Amendment to IFRS16 - Concessions on payments related to COVID-19.
The document, published by the IASB in May 2020 and endorsed with Reg.2020/1434 of 9 October 2020, introduces an amendment to *IFRS 16 - Leases* that has "temporary validity" in relation to the Covid19 emergency.
Tenants who, as a direct consequence of the COVID-19 pandemic, benefit from concessions, such as reductions, rebates or rent deferments, may make use of a practical expedient which makes it possible to assume, without making any assessment, that the reduction or deferment of the payments due does not constitute a change in the contract if 3 conditions are met: a) the contract price, following the change in payments, is equal to or less than the price due before the change; b) the reduction concerns payments due by 30 June 2021; c) no other contractual condition is substantially changed.
If it uses the practical expedient, the entity reduces the lease liability by recognising under profit or loss the amounts not due as a result of the relief (IFRS16, paragraph 38b). The entity must disclose the contracts to which it has applied the practical expedient and the amounts recognised in the income statement.
The amendment must be applied in annual periods beginning after 1 June 2020, but may be applied to all financial statements, including interim financial statements, not yet approved as of the date of issuance of the document.
The Iren group has, so far, not benefited from any discounts or rebates on lease payments in connection with the COVID-19 pandemic, so the practical expedient in question is not applicable.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BUT NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE

In August 2020, the IASB published the *Reform of Interest Rate Benchmarks - Phase 2 (amendments to IFRS9, IAS39, IFRS 7, IFRS 4 and IFRS16),* endorsed by the European Union with Reg. 2021/25 of 13 January 2021. While Phase 1 focused on the consequences of pre-reform IBOR by providing exceptions to hedge accounting requirements, Phase 2 examines the consequences of contractual changes resulting from the reform by clarifying the proper accounting treatment of the financial instruments involved when interest rate benchmarks are replaced by alternative rate benchmarks.
The amendments, which are effective as of 1 January 2021, relate primarily to the following issues.

1) <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 relationship must not be interrupted if the change in documentation meets certain conditions (IFRS9 6.9.1);
ii. when the hedging relationship is changed to consider the new reference rate, the cash flow hedging reserve recognised under Other comprehensive income is deemed to be calculated based on the alternative reference rate (IFRS9 6.9.7);
iii. for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, as soon as the Phase 1 exceptions cease to apply, the cumulative change in the fair value of the hedged item and the hedging instrument can be reset to zero to prevent the hedging relationship from being terminated due to the accumulated ineffectiveness during Phase 1 (IAS 39 102V);
iv. where the alternative reference rate is designated as a non-contractually specified risk component or the elements have been hedged at portfolio level, specific guidance is provided to manage the transition (IFRS9 6.9.9-13).

3) Information required in the notes. In order to help all users of financial statements understand the nature and extent of risks arising from the reform and the progress made by entities in completing the transition to alternative reference rates, the following disclosures are required:

▪ a description of how the entity manages the IBOR transition for the various rates involved and the risks arising from that transition;
▪ the carrying amount of financial assets and liabilities not linked to derivatives and the nominal value of derivatives that continue to relate to benchmark interest rates subject to reform. These amounts are broken down by reference interest rate and presented separately;
▪ the impact of the IBOR reform on the entity's risk management strategy.

4) The impact of the IBOR reform on standards other than those relating to financial instruments, in particular IFRS 4 Insurance Contracts and IFRS 16 Leases. With respect to IFRS 16, in the case of leases that include variable payments indexed to benchmark rates that are within the scope of the IBOR reform, the document provides, as a practical expedient, that changes in lease payments resulting from the IBOR reform are accounted for as adjustments to the lease liability, rather than as lease modifications. This exception is strictly limited to changes that are the direct result of the IBOR reform and are economically equivalent to previous assumptions (e.g. the previous reference rate).

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

Endorsement by the relevant bodies of the European Union is currently in progress for the following updates and amendments to the IFRSs (already approved by the IASB):

Amendments to IAS1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

The amendment specifies that, if the debtor has the right to defer payment of the debt by more than 12 months with respect to the reporting date, and this right is immediately exercisable, the liability must be classified as non-current, irrespective of the probability that this right will be exercised. Even if the management has the intention to extinguish the debt within the 12 months following the reporting date and/or the debt is repaid before approval of the financial statements, the liability should equally be classified as non-current, but adequate disclosure of this must be provided in the notes to the financial statements. The amendment will be applicable as of 1 January 2023.

Amendments to IAS37 – Onerous contract.

The document, published by the IASB in May 2020, specifies which costs should be included in the cost of performing a contract in order to identify any onerous contract. In particular paragraph 68A clarifies that costs necessary to perform the contract include: (a) incremental costs incurred by the entity in performing the contract, such as materials and direct labour; and (b) an allocation of other costs, such as a portion of the depreciation of a facility used to perform the contract on a non-exclusive basis. The amendment must be applied as of 1 January 2022, with respect only to contracts in effect on the date of initial application. An entity shall not restate prior periods; the cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS16 - Proceeds before Intended Use.
The document, published by the IASB in May 2020, introduces some changes to *IAS 16 - Property, Plant and Equipment* with reference to the accounting for any revenue from the sale of items produced by the entity to "bring the asset to the location and condition necessary for it to operate in the manner intended by management" (e.g. samples produced during the testing of machinery). Such income no longer has to be deducted from the cost of property, plant and equipment (the offset is therefore cancelled). Sales revenues and costs of such items shall be recognized in the income statement in accordance with the principles applicable to them.
If not presented separately in the statement of comprehensive income, an entity shall disclose in the notes to the financial statements the amounts of income and expense to items produced that are not an output of the entity's ordinary activities and specify which lines of the statement of comprehensive income include them.
The amendment is to be applied retrospectively from 1 January 2022, but only with respect to property and equipment that came into use or became available for use after the beginning of the first comparative period presented. The cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS8 – Definition of Accounting Estimates.
The document, published by the IASB on 12 February 2021, clarifies, also through some examples, the distinction between changes in estimates and changes in accounting policies. The distinction is relevant because changes in estimates are applied prospectively to future transactions and events, while changes in accounting policies are generally applied retrospectively. The amendment must be applied as of 1 January 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.
The document, published by the IASB on 12 February 2021, requires companies to provide the relevant information about the accounting standards they apply and suggests avoiding or limiting unnecessary disclosures. Information about accounting policies is material if it could reasonably be expected that, taken together with other information included in an entity's financial statements, it would influence the decisions of users of the financial statements.
As a general principle, accounting policy disclosures that explain how an entity has applied IFRSs in its financial statements are more useful to users of financial statements than standardised disclosures or disclosures that duplicate or summarise the content of IFRSs. The amendment provides examples to clarify when disclosures about accounting policies related to significant transactions or other events may be material:
(a) the entity changed its accounting policy and that change had a material impact on the financial statements;
(b) the entity has selected one or more of the options permitted by IFRSs (eg historical cost rather than fair value);
(c) the accounting policy was developed by the entity in accordance with IAS 8, in the absence of an IFRS that specifically addresses this issue;
(d) the accounting policy relates to an area for which the entity is required to make significant judgments or assumptions in applying the policy;
(e) the accounting treatment adopted is complex, for example because it involves the combined application of several IFRSs.
The amendment must be applied as of 1 January 2023.

As regards the new standards applicable starting from financial year 2021 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

III. IREN S.p.A. FINANCIAL RISK MANAGEMENT

A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, interest rate risk, credit risk).
As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit interest rate risk.

LIQUIDITY RISK
Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.
The financial position, both current and forecast, and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the period short-term bank credit facilities used by the company totalled € 8 million.

The table below illustrates the nominal cash flows required to settle financial liabilities:

thousands of €

Data at 31/12/2020	Carrying amount	Contractual cash flows	Within 12 months	1-5 years	Over 5 years
Loan and bond payables (*)	3,678,527	(3,923,223)	(255,633)	(1,626,701)	(2,040,889)
Hedging of interest rate risk (**)	13,576	(13,576)	(2,601)	(9,588)	(1,387)
Payables for leases	11,689	(11,884)	(4,527)	(6,263)	(1,094)

(*) The carrying amount of "Loan and bond payables" includes both current and non-current portions.
(**) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle other financial liabilities, other than those shown in the above tables, do not differ significantly from the recognised carrying amount.
Financial indebtedness from loans at year-end consisted of 16% in loans and 84% in bonds; it is noted that 59% of the total debt was financed by sustainable funds and that 85% of the residual debt for loans was at fixed rate and 15% at floating rate
For details of the liquidity risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

INTEREST RATE RISK
Iren is exposed to interest rate fluctuations especially with regard to the measurement of financial expenses related to indebtedness. The strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.
In a non-speculative view, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by *swap* and *collar* contracts with financial counterparties of high credit *standing*, for the sole purpose of hedging. At the end of the period, all the contracts entered into meet the requisite of limiting the exposure to the risk of oscillation of interest rates and, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.
The total fair value of the aforementioned interest rate hedges was a negative € 13,576 thousand as at 31 December 2020.
The hedging contracts entered into, together with fixed-rate loans, hedge approximately 96% of financial debt from financing against interest rate risk, in line with the goal of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Company is exposed, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivatives contracts to changes in interest rates. As regards financial charges, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expenses capitalised in the year.

With regard to hedging derivatives at year end, a 100 *basis points* theoretical upward and downward change was applied to the *forward* curve of interest rates used to measure the *fair value* of the hedges.

The following table illustrates the results of the above sensitivity analysis performed with reference to 31 December 2020.

thousands of €

	Financial expenses		**Cash Flow Hedge Reserve**	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
Cash flow sensitivity (net)				
Net financial debt				
(including hedging contracts)	(3,794)	3,503	-	-
Change in fair value				
Hedging contracts				
(assessment components only)	14	-	17,858	(19,286)
Total impact from sensitivity analysis	**(3,780)**	**3,503**	**17,858**	**(19,286)**

RECOGNITION OF DERIVATIVES

Derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

Transactions recognised in compliance with hedge accounting rules

These transactions may include:

- fair value hedging: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement;
- cash flow hedging:the derivative is recognised at fair value with a contra entry in a specific equity reserve for the effective component of the hedge and in the income statement for the ineffective component; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

  Classification in the income statement of the ineffective component and the deferred amount transferred from equity is based on the nature of the underlying instrument. Specifically, in the case of interest rate risk hedges in financial income and expenses.

Transactions not recognised in compliance with hedge accounting rules
The derivative is recognised at fair value in the statement of financial position. The change in the fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument; in the case of interest rate risk hedges, in financial income and expenses.
As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in long term financial assets and liabilities if the related underlying item is a medium/long term item.Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reference period.

FAIR VALUE

In addition to the carrying amount, the fair value, along with the methods and major assumptions used to determine it, must be disclosed for every asset and liability class shown in the financial statements.
Fair value is determined as the sum of estimated future cash flows in relation to assets or liabilities, including the related financial income or expense, discounted with reference to the reporting date. The present value of future flows is determined by applying the *forward* interest rate curve at the reporting date.
In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

Asset/liability description	31/12/2020		31/12/2019	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current financial receivables from affiliated companies	2,201,369	2,417,227	1,809,533	2,022,049
Assets for hedging derivative instruments	40	40	693	693
Bonds due at more than 12 months	(3,124,430)	(3,339,613)	(2,516,069)	(2,667,775)
Bonds due within 12 months	(181,628)	(187,490)	(167,831)	(174,955)
Loans - non-current portion	(345,240)	(342,894)	(297,430)	(293,596)
Loans - current portion	(27,229)	(27,218)	(22,229)	(22,387)
Liabilities for hedging derivatives	(13,617)	(13,617)	(13,900)	(13,900)
Total	**(1,490,734)**	**(1,493,564)**	**(1,207,233)**	**(1,149,871)**

As regards financial asset and liability classes which are not included in the table above, the carrying amount is equal to fair value.

Fair value hierarchy

The following table shows financial instruments recognised at fair value, based on the measurement technique used and the method of accounting for them. The various levels were defined as shown below:

- Level 1: Prices listed (not adjusted) on active markets for identical assets or liabilities;
- Level 2: Input data other than Level 1 listed prices which are observable for assets or liabilities, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Input data related to assets or liabilities which are not based on observable market data (unobservable data).

thousands of €

31.12.2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			24,523	24,523
Derivative financial assets in Cash Flow Hedge		40		40
Derivative financial assets in Fair Value Hedge				
Derivative financial assets not included in hedge accounting				
Total assets		**40**	**24,523**	**24,563**
Derivative financial liabilities in Cash Flow Hedge		(13,617)		(13,617)
Derivative financial liabilities in Fair Value Hedge				
Derivative financial liabilities not included in hedge accounting				
Total liabilities		**(13,617)**		**(13,617)**
Grand total		**(13,577)**	**24,523**	**10,946**

thousands of €

31.12.2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Financial assets measured at fair value through profit or loss			100	100
Derivative financial assets in Cash Flow Hedge		693		693
Derivative financial assets in Fair Value Hedge				
Derivative financial assets not included in hedge accounting				
Total assets		**693**	**100**	**793**
Derivative financial liabilities in Cash Flow Hedge		(11,580)		(11,580)
Derivative financial liabilities in Fair Value Hedge				
Derivative financial liabilities not included in hedge accounting		(2,319)		(2,319)
Total liabilities		**(13,899)**		**(13,899)**
Grand total		**(13,206)**	**100**	**(13,106)**

All Iren S.p.A. hedging financial instruments have a fair value which can be classified as level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

We can also note that no transfers occurred amongst the various Levels of the fair value hierarchy.

CREDIT RISK

From a business point of view, Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the subsidiaries, according to their needs, based on service agreements signed by the parties.

Financial receivables from subsidiaries arise from the centralized procurement of financial resources in order to optimize their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the Parent Company.

For details of the credit risk management policies, reference should be made to the Notes to the Consolidated Financial Statements included in this report.

CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involves maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to ordinary shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid equity position.

IV. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

As indicated in the Directors' Report, contained in this document, the information on main financial and economic transactions with related parties, carried out for Iren S.p.A. is provided below.

Transactions with subsidiaries

Intercompany Services

In order to make the most of the organisational synergies that can be achieved, Iren's configuration is based on the model of an industrial holding company, with staff structures that are adequate to support the Group's strategic, development, financial, IT, administrative, and control activities. Therefore, Iren is able to provide professional services of a technical-administrative nature in favour of its subsidiaries, which operate in the relevant *business* field. All these activities are governed by special supply contracts at arm's length terms.

Financial income and expenses

Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing. For this purpose, loans have been contracted by Iren with financial institutions, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intercompany facility agreements.
The conditions of intercompany loan agreements have been defined according to the conditions at which the Parent Company procures on the financial market.

Tax consolidation

Starting from 2010, Iren S.p.A. adopted the domestic tax consolidation scheme pursuant to Arts 117 et seq. of the new Consolidated Law on Income Tax (TUIR). Under this approach, IRES is calculated on the taxable income of the Group, calculated as the total taxable profits and losses recognised by the individual consolidated companies, properly adjusted for the consolidation changes.
All financial and legal transactions between the parties are governed by the specific intra-group agreement between the companies involved and the parent, Iren S.p.A.
The tax consolidation scope for 2020 includes the following companies, in addition to the consolidating company Iren S.p.A.: IRETI, Iren Mercato, Iren Energia, Iren Acqua e l'incorporata Immobiliare delle Fabbriche, Iren Ambiente, Iren Smart Solutions, AMIAT, AMIAT V., ACAM Ambiente, ACAM Acque, Maira, Formaira, Studio Alfa (e l'incorporata Coin Consultech), ReCos, Iren Laboratori, San Germano, Territorio e Risorse, Ri.Ma., ASM Vercelli, Atena Trading, GIA in liquidation.
In particular, this contract, recently updated to take account of the new scope and the new legislation, covers the way in which the IRES taxable amounts are transferred and the related remuneration, as well as the effects of any suspension of the above-mentioned regime or of its non-application in future years.
After the companies chose to adhere to the tax consolidation scheme, in return for the taxable income earned and transferred to the parent, the consolidated company commits to pay to the parent "tax settlements" equal to the amount of taxes owed on the income transferred, net of the transferred IRES receivables.
The other obligations of the parties are also pointed out in the Regulation, including the consolidated entities having to send information flows so that the Parent is able to determine the total Group Income for IRES purposes.
The consequences regarding early interruption of the consolidation, failure to renew and the responsibilities of the parties in the case of errors attributable to them, pursuant to Art. 127, paragraph 2 of the Consolidated Income Tax Act, are indicated in specific paragraphs.

VAT Group

In September 2019 Iren exercised the option for establishment of Group VAT to which the Revenues Agency attributed a new VAT number with effect from 1 January 2020.
The companies that take part in the VAT Group for 2020, not including the Parent Company Iren S.p.A., are as follows: Iren Energia, IRETI (and the merged company Busseto Servizi), Iren Mercato (and the merged company Spezia Energy Trading), Iren Ambiente (and the merged companies CMT and Ferrania Ecologia),

AMIAT, Iren Smart Solutions, Iren Acqua Tigullio, Iren Acqua (and the merged Immobiliare delle Fabbriche), Iren Laboratori, Bonifica Autocisterne, ASM Vercelli, Atena Trading, ACAM Ambiente, ACAM Acque, ReCos, Studio Alfa (and the merged Coin Consultech), TRM, San Germano, Maira, Formaira, and Monte Querce.
On the basis of the provisions of the reference legislation, all the credit accrued up to 31 December 2019 in the context of group settlement was not transferred to the VAT Group, but was requested for reimbursement.

Transactions with *joint ventures* and associates

Among the main transactions carried out by the Iren S.p.A. with joint ventures and associates, we can note:
- a centralized cash management line of credit provided to Valle Dora Energia;
- the reversible fees paid to Iren S.p.A. for participation in the Boards of Directors of the related companies;
- the supply of services of an administrative nature.

Quantitative information on financial and economic transactions with related parties is provided in the chapter "X. Annexes to the Separate Financial Statements", considered an integral part of these Notes.

Lastly and as regards the Directors and Statutory Auditors of Iren S.p.A. with the exception of payment of the emoluments envisaged for the performance of duties in the administrative or auditing bodies, we can report that there were no transactions.
Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the administration and control bodies of Iren S.p.A. and Key Management Personnel of the IREN Group are also subject to the provisions of the TRP Procedure.

V. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the balance sheet date.

VI. OTHER INFORMATION

CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

Significant non-recurring events and transactions
During the FY 2020, the company was not affected by “non-recurring” events and did not carry out significant transactions identified as such on the basis of the definitions contained, in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations
In 2020, the company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company’s assets or protection of minority shareholders.

Disclosure on treasury shares
On 29 April 2020, the Shareholders' Meeting of Iren S.p.A. authorized the Board of Directors to purchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the unexecuted portion, the previous authorization to purchase deliberated on 5 April 2019. On 12 May, the Board of Directors, authorizing the CEO to carry out the purchase program, set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.
As of 31 December 2020, 15,868,004 shares were purchased for a total price of 34,648 thousand € recognised as a reduction of shareholders’ equity in the item “Reserves and Retained Earnings (Losses)”.

DISCLOSURE ON PUBLIC DISBURSEMENTS
With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Italian Law Decree no. 34/2019 (‘growth decree’) we can specify that the National Register of State Aid includes aid, in favour of the company, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies;

PUBLICATION OF THE FINANCIAL STATEMENTS
The Financial Statements were approved for publication by Iren S.p.A.’s Board of Directors at its meeting of 25 March 2021. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the financial statements as necessary or adequate to improve them until the date of approval by the Shareholders. The shareholders’ meeting to be called to approve the separate financial statements of the Parent Company has the right to request amendments to the aforementioned financial statements.

VII. NOTES TO THE STATEMENT OF FINANCIAL POSITION

Unless otherwise stated, the tables below are in thousands of €.

ASSETS

NON-CURRENT ASSETS

NOTE 1_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including usage rights, is shown in the table below:

thousands of €

	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Land	13,963	(636)	13,327	3,231	(22)	3,209
Buildings	130,496	(17,653)	112,843	133,954	(12,650)	121,304
Plant and machinery	3,523	(851)	2,672	1,739	(433)	1,306
Industrial and commercial equipment	1,009	(490)	519	865	(415)	450
Other assets	41,477	(22,806)	18,671	33,522	(16,710)	16,812
Assets under construction and payments on account	11,296	-	11,296	1,735	-	1,735
Total	**201,764**	**(42,436)**	**159,328**	**175,046**	**(30,230)**	**144,816**

The variation in the historical cost of property, plant and equipment, including the right of use, is as follows:

thousands of €

	31/12/2019	Increases	Decreases	Reclassifica-tions	31/12/2020
Land	3,231	153	(117)	10,696	13,963
Buildings	133,954	7,645	(52)	(11,051)	130,496
Plant and machinery	1,739	800	(9)	993	3,523
Industrial and commercial equipment	865	134	-	10	1,009
Other assets	33,522	9,133	(1,178)	-	41,477
Assets under construction and payments on account	1,735	10,209	-	(648)	11,296
Total	**175,046**	**28,074**	**(1,356)**	**-**	**201,764**

Movements of related accumulated depreciation are shown below:

thousands of €

	31/12/2019	Amortisation for the period	Decreases	Reclassifica-tions	31/12/2020
Land	(22)	(29)	37	(622)	(636)
Buildings	(12,650)	(5,819)	44	772	(17,653)
Plant and machinery	(433)	(277)	-	(141)	(851)
Industrial and commercial equipment	(415)	(66)	-	(9)	(490)
Other assets	(16,710)	(7,266)	1,170	-	(22,806)
Total	**(30,230)**	**(13,457)**	**1,251**	**-**	**(42,436)**

The main categories refer to:

- Land and buildings: this item mainly includes buildings relating to management offices or in support of operating activities;
- Plant and machinery: this item includes auxiliary plant for buildings, air conditioning or telecommunications, and some prototypes for development activities;
- Other assets: include motor vehicles and cars, furniture, office machines and IT equipment;
- Assets under construction and payments on account includes all expenses incurred for investments in progress and not yet in operation.

Finally, no assets are pledged against liabilities.

Increases

The increases in the period, of € 28,074 thousand, refer mainly to:

- the registration of the right to use the Piacenza headquarters, leased from IRETI at the beginning of the financial year;
- investments in motor vehicles, including those leased and recorded in accordance with IFRS 16, and in IT equipment;
- the costs incurred for the building renovation of the Piazza Raggi office, which is currently underway.

Amortisations

Ordinary depreciation for 2020, amounting to 13,457 thousand €, was calculated on the basis of the rates indicated in the section "Accounting policies and measurement criteria" and deemed representative of the residual useful life of the assets.

Reclassifications

It is noted that changes in balance sheet items, in addition to the normal entry into operation of investments made in the previous year, concern mainly the separation of the value of the land underlying the property complexes repurchased during the year.

Rights of use IFRS 16

IFRS 16 provides for recognition in the balance sheet of the assets and related financial liabilities for all leasing contracts with a duration of more than 12 months, unless the underlying asset is of little value. The contracts in which Iren S.p.A. acts as lessee refer to property leasing and long-term hires of cars and other motor vehicles.

The breakdown of right of use, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

thousands of €

	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Land	141	(15)	126	148	(22)	126
Buildings	16,545	(5,595)	10,950	115,218	(7,722)	107,496
Other assets	5,215	(2,346)	2,869	5,061	(1,584)	3,477
Total	**21,901**	**(7,956)**	**13,945**	**120,427**	**(9,328)**	**111,099**

The variation in the historical cost of the right of use, is as follows:

thousands of €

	31/12/2019	Increases	Decreases	Other changes	31/12/2020
Land	148	110	(117)	-	141
Buildings	115,218	4,013	(43)	(102,643)	16,545
Other assets	5,061	1,168	(1,014)	-	5,215
Total	**120,427**	**5,291**	**(1,174)**	**(102,643)**	**21,901**

Finally, changes in the accumulated depreciation for rights of use are shown below:

thousands of €

	31/12/2019	Amortisation for the period	Decreases	Other changes	31/12/2020
Land	(22)	(29)	36	-	(15)
Buildings	(7,722)	(3,776)	43	5,860	(5,595)
Other assets	(1,584)	(1,776)	1,014	-	(2,346)
Total	**(9,328)**	**(5,581)**	**1,093**	**5,860**	**(7,956)**

Finally, it is noted that the net amount of € 96,783 thousand, reported under "Other movements" as part of rights of use of buildings, relates to the Group's office complexes that were repurchased during the first half of 2020 and previously leased.

NOTE 2_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and net amount is shown in the following table:

thousands of €

	Cost at 31/12/2020	Accumulated depreciation at 31/12/2020	Net book value at 31/12/2020	Cost at 31/12/2019	Accumulated depreciation at 31/12/2019	Net book value at 31/12/2019
Development costs	47	(47)	-	47	(47)	-
Industrial patents and intellectual property rights	122,038	(63,432)	58,606	87,141	(46,075)	41,066
Concessions, licences, trademarks and similar rights	34	(4)	30	34	(3)	31
Other intangible fixed assets	9,605	(8,657)	948	9,594	(8,116)	1,478
Investments in progress and payments on account	10,122	-	10,122	18,872	-	18,872
Total	**141,846**	**(72,140)**	**69,706**	**115,688**	**(54,241)**	**61,447**

The variation in the historical cost of intangible assets is shown in the following table:

thousands of €

	31/12/2019	Increases	Decreases	Reclassifica-tions	31/12/2020
Development costs	47	-	-	-	47
Industrial patents and intellectual property rights	87,141	20,533	(91)	14,455	122,038
Concessions, licences, trademarks and similar rights	34	-	-	-	34
Other intangible fixed assets	9,594	11	-	-	9,605
Investments in progress and payments on account	18,872	7,926	(2,221)	(14,455)	10,122
Total	**115,688**	**28,470**	**(2,312)**	**-**	**141,846**

Changes in the accumulated depreciation are shown below:

thousands of €

	31/12/2019	Amortisation for the period	Decreases	Reclassifica-tions	31/12/2020
Development costs	(47)	-	-	-	(47)
Industrial patents and intellectual property rights	(46,075)	(17,357)	-	-	(63,432)
Concessions, licences, trademarks and similar rights	(3)	(1)	-	-	(4)
Other intangible fixed assets	(8,116)	(541)	-	-	(8,657)
Total	**(54,241)**	**(17,899)**	**-**	**-**	**(72,140)**

The main categories refer to:

- Industrial patents and intellectual property rights the item consists of software use licenses and costs incurred for the internal production of software created in order to adapt and update the licensed applications; these fixed assets are amortized over a five-year period;
- Intangible fixed assets in progress :this item consists mainly of costs incurred for new implementations and studies relating to IT projects, concerning applications supporting operating and administrative activities.

Increases

Increases in the period, amounting to € 28,470 thousand, primarily refer to the purchase, internal development (including ongoing development), implementation and adaptation of software for administrative, commercial and customer management within the Group.

NOTE 3_INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiaries

Data on investments in directly controlled companies, i.e., the lead companies of the Group's business chains, as at 31 December 2020 can be found in the appropriate section of the Annexes.
The carrying amounts of equity investments are as follows, and are unchanged from the previous year.

thousands of €

	31/12/2020
Iren Ambiente	243,437
IRETI	1,039,418
Iren Energia	1,139,112
Iren Mercato	142,065
Total	**2,564,032**

NOTE 4_OTHER EQUITY INVESTMENTS

This item relates to investments in companies over which Iren S.p.A. has neither control nor significant influence. These equity investments are measured at *fair value* but, as the most recent information available for measuring the *fair value* is insufficient and the cost represents the best estimate of the *fair value*, they are carried at cost.
As of the date of these financial statements, the only investment held relates to the consortium company Competence Industry Manufactoring 4.0, and amounts to € 100 thousand (€ 50 thousand as at 31 December

2019). In fact, during the period, the investment in the Core MultiUtilities Fund was disposed of, recorded at a value of € 100 thousand as at 31 December 2019.

NOTE 5_NON-CURRENT FINANCIAL ASSETS

The total of the item amounted to 2,225,873 thousand € (1,810,266 thousand € as at 31 December 2019).

thousands of €

	31/12/2020	**31/12/2019**
Receivables for centralised treasury management	2,201,369	1,809,533
Fair value of derivatives – non-current portion	40	693
Other receivables	40	40
Other financial assets	24,424	-
Total	**2,225,873**	**1,810,266**

For details on the item "Receivables for centralised treasury management", see the table showing "Transactions with related parties" in the Annexes to this document.
The fair value of derivative contracts, for the non current portion, amounted to 40 thousand € (693 thousand € as at 31 December 2019). For comments please see chapter "IREN S.p.A. financial risk management".
Other accounts receivable refer to participation in a film production under a Tax credit regime for € 40 thousand (unchanged from 31 December 2019).
The item "Other financial assets" consists of the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan, measured at fair value with changes recognised in profit (loss) for the period.

NOTE 6_OTHER NON-CURRENT ASSETS

These amounted to € 1,832 thousand (€ 1,872 thousand as at 31 December 2019) and consisted mainly of tax receivables accrued from the tax authorities following the request for deduction of IRAP from the IRES taxable base amount (€ 608 thousand, unchanged compared to 31 December 2019), receivables for contributions accrued for innovation projects for € 1,040 thousand (€ 1,076 thousand as at 31 December 2019) and receivables for loans to personnel for € 122 thousand (€ 142 thousand as at 31 December 2019).

NOTE 7_DEFERRED TAX ASSETS

This item amounts to 11,035 thousand € (31 December 2019, 13,705 thousand €) and refers to deferred tax assets arising from income components deductible in future years.
For further information, reference is made to the note to the income statement "Income taxes" and to the Annexes concerning the details on temporary differences related to deferred taxation.

CURRENT ASSETS

NOTE 8_INVENTORIES

The item amounted to € 4,023 thousand (€ 3,041 thousand as at 31 December 2019). The inventory includes stocks of articles used by all Group companies (technical clothing, hardware, stationery and signs).
The inventory write-down provisions were set aside and used to take into consideration inventories that are technically obsolete and slow-moving, and amount to € 709 thousand.

NOTE 9_TRADE RECEIVABLES

These are as follows:

thousands of €

	31/12/2020	31/12/2019
Receivables from customers	1,388	1,975
Receivables from subsidiaries	89,775	112,284
Receivables from joint ventures and associates	744	854
Receivables from related-party shareholders	16	301
Provisions for impairment of receivables	(1,224)	(1,253)
Total	**90,699**	**114,161**

Receivables from customers
These relate to receivables for services rendered to third party customers.

Receivables from subsidiaries
Receivables from subsidiaries relate to normal trade transactions performed at arm’s length, and refer mainly to corporate services, of a technical/administrative nature provided to the Group companies. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Statements.

Receivables from joint ventures and associates
This item primarily refers to fees that may be charged back for offices held by Iren’s employees in the associated companies, as well as to the recharging of insurance costs borne by the Parent. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Statements.

Receivables from related-party shareholders
Receivables from affiliated shareholders show a balance of € 16 thousand (€ 301 thousand as at 31 December 2019) and refer to receivables for services and activities performed in favour of FSU (unchanged from 31 December 2019). As at 31 December 2019, receivables were booked for services and activities carried out in favour of the Municipality of Turin for € 278 thousand and the Municipality of Reggio Emilia for € 7 thousand.

Provisions for impairment of receivables
Write-down provisions, related to the category reported above, are as follows:

thousands of €

	31/12/2019	Provisions	Decreases	31/12/2020
Provisions for impairment of receivables	**1,253**	-	(29)	**1,224**

No provision was made during the year, as the provision was adequate to the amount of expected losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the current value of all future non-collections, suitably integrated to take into account future expectations (“forward looking information”), considering the historical series.

NOTE 10_CURRENT TAX ASSETS

The item amounted to € 927 thousand (€ 7,722 thousand as at 31 December 2019) and refers to receivables for IRES and IRAP advances.

NOTE 11_OTHER RECEIVABLES AND OTHER CURRENT ASSETS

These are as follows:

thousands of €

	31/12/2020	31/12/2019
Receivables from subsidiaries by VAT group	20,921	48,353
Receivables from subsidiaries for tax consolidation scheme	17,566	25,401
VAT credit	72,051	58,667
Other tax assets	4,624	3,898
Tax assets due within 12 months	**115,162**	**136,319**
Advances to suppliers	1,526	1,481
Other receivables	1,794	1,579
Other current assets	**3,320**	**3,060**
Prepaid expenses	4,777	2,659
Total	**123,259**	**142,038**

As at 31 December, 2020, factoring transactions were carried out with derecognition of the receivable referring to the VAT credit accrued until 31 December 2019 for € 82,780 thousand.
As noted in “Relationships with affiliated parties”, in September 2019 Iren exercised the option for establishment of the VAT Group to which the Revenues Agency attributed a new VAT number with effect from 1 January 2020. On the basis of the provisions of the reference legislation, all the credit accrued up to 31 December 2019 in the context of group settlement was not transferred to the VAT Group, but was requested for reimbursement and disbursed as indicated above.
The option for the Group tax consolidation scheme was exercised by the Group. This requires that the consolidated companies transfer their IRES receivables/payables to the Parent Company Iren S.p.A.
The other tax receivables shown in the table consist mainly of receivables from the tax authorities for income tax withholdings, while deferred charges relate largely to the share pertaining to future IT services.

NOTE 12_CURRENT FINANCIAL ASSETS

The item amounted to a total of €74,097 thousand(€ 382,342 thousand as at 31 December 2019). All financial receivables recognised in this item are due within 12 months. The carrying amount of these receivables approximates their fair value as the impact of discounting is negligible. Current financial receivables relate to:

thousands of €

	31/12/2020	31/12/2019
To subsidiaries	69,027	29,259
From joint ventures and associates	107	352,951
To third parties for deposit of own shares purchase	4,181	-
From others	782	132
Total	**74,097**	**382,342**

Financial receivables from subsidiaries
Receivables from subsidiaries refer to:

- loans to the subsidiaries Territorio e Risorse (€ 12,200 thousand, up from € 3,000 thousand as at 31 December, 2019), I. Blu (€ 16,337 thousand), UCH Holding (€ 6,100 thousand), Unieco Holding Ambiente (€ 16,000 thousand) and STA (€ 5,500 thousand), acquired during the year.
- interest accrued on lines of credit, in particular centralized treasury bonds (€ 12,890 thousand);

Financial receivables from joint ventures and associates
Receivables from joint ventures and associates relate to interest accrued on the cash pooling contract with Valle Dora Energia.
The figure for the previous year included € 352,900 thousand relating to the shareholders' loan to OLT Offshore LNG Toscana, which was transferred on 26 February 2020 after the relevant authorities obtained the necessary authorisations. For further details on the transaction, please see the disclosures in “Significant events of the financial period” in the Director's Report.

Other financial receivables
These amount to Euro 782 thousand (Euro 132 thousand at 31 December 2019) and primarily relate to financial prepayments.

NOTE 13_CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

thousands of €

	31/12/2020	31/12/2019
Bank and postal deposits	745,042	239,022
Cash and valuables in hand	69	93
Total	**745,111**	**239,115**

Cash and cash equivalents are represented by existing liquidity on bank and postal deposits. Iren S.p.A. does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 14_ASSETS HELD FOR SALE

These were € 240 thousand (unchanged compared to 31 December 2019) and refer to the equity investment in Plurigas, in liquidation. The investment was classified among assets held for sale because during 2014 the company ceased to do business.

LIABILITIES

NOTE 15_EQUITY

Equity may be analysed as follows:

thousands of €

	31/12/2020	31/12/2019
Share Capital	1,300,931	1,300,931
Reserves and Retained Earnings (Losses)	460,912	365,815
Net profit (loss) for the period	210,063	241,413
Total	**1,971,906**	**1,908,159**

Share capital
Share capital amounts to 1,300,931,377 € (unchanged compared to 31 December 2019), which is fully paid up and comprises 1,300,931,377 ordinary shares with a nominal value of € 1 each.
On 29 April 2020, the Shareholders' Meeting of Iren S.p.A. authorized the Board of Directors to purchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the unexecuted portion, the previous authorization to purchase deliberated on 5 April 2019. On 12 May, the Board of Directors, authorizing the CEO to carry out the purchase program, set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.
As of 31 December 2020, 15,868,004 shares were purchased for a total price of 34,648 thousand € recognised as a reduction of shareholders' equity in the item "Reserves and Retained Earnings (Losses)".

Reserves
The breakdown of this item is provided in the following table:

thousands of €

	31/12/2020	31/12/2019
Treasury shares	(34,648)	(9,054)
Share premium reserve	133,020	133,020
Legal reserve	76,712	64,642
Cash flow hedging reserve	(9,517)	(9,340)
Other reserves and Retained earnings (losses)	295,345	186,547
Total	**460,912**	**365,815**

<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.

Other reserves and Retained earnings (losses)
These mainly comprise the surplus generated from the merger of AMGA into AEM Torino and the later merger of Enìa into Iride, retained earnings and losses, and the reserve comprising actuarial gains and losses resulting from the measurement of post-employment benefits to employees.
During the financial year, they changed owing mainly to the carrying forward of profits of the previous financial year not distributed (€ 109,007 thousand).

Dividends
The Ordinary Shareholders' Meeting of Iren S.p.A. held on 29 April 2020 deliberated the distribution of a dividend of € 0.0925 per share which was paid starting from 24 June 2020.

NON-CURRENT LIABILITIES

NOTE 16_NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to € 3,490,489 thousand (€ 2,835,231 thousand as at 31 December 2019) and consist of:

Bonds
These amounted to € 3,124,430 thousand due after 12 months (€ 2,516,069 thousand as at 31 December 2019). The item refers to Public Bond issues, accounted for at amortised cost, against a total nominal amount in issue as at 31 December 2020 of € 3,159,634 thousand (2,541,470 thousand as at 31 December 2019). The details of Public Bonds with maturity at more than 12 months are presented below:
- Bond maturity 2022, coupon 2.75%, issue amount 500 million euro, in issue at 31 December 2020 for 359,634 thousand euro following repurchases (tender offers) carried out in 2016 and 2017 (amount at amortised cost 358,554 thousand euro);
- Bond maturity 2024, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 496,501 thousand euro);
- Green Bond maturity 2027, coupon 1.5%, amount 500 million euro, all in issue (amount at amortised cost 492,935 thousand euro);
- Green Bond maturity 2025, coupon 1.95%, amount 500 million euro, all in issue (amount at amortised cost 495,529 thousand euro);
- Green Bond maturity 2029, coupon 0.875%, amount 500 million euro, all in issue (amount at amortised cost 495,204 thousand euro);
- Bond issued on July 2020, maturity 2030, coupon 1%, amount 500 million €, all in issue (amount at amortised cost 489,652 thousand €);
- Green Bond issued on December 2020, maturity 2031, coupon 0.25%, amount € 300 million, all in issue (amount at amortised cost € 296,055 thousand).

Long-term bonds were subscribed by Italian and foreign institutional investors and are listed on the Irish Stock Exchange; the Public Bonds were assigned a Fitch rating.
The change in the total book value compared to 31 December 2019 was due to the 2020 issue of shares, as indicated above, the reclassification within 12 months of a Bond maturing within 2021 and the allocation of borrowing costs, calculated using the amortised cost method according to the IAS/IFRS standards.

Non-current bank loans
Medium/long term loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to € 345,239 thousand (€ 297,430 thousand as at 31 December 2019).

Medium/long-term loans, all at floating rate, can be analysed by maturity (referring to the portion due after 12 months), as follows:

thousands of €

	TOTAL
min/max interest rate	0.00% - 0.00%
maturity	2022-2034
1.1.2022 – 31.12.2022	36,480
1.1.2023 – 31.12.2023	31,686
1.1.2024 – 31.12.2024	32,850
1.1.2025 – 31.12.2025	32,850
subsequent	211,373
Total payables beyond 12 months at 31/12/2020	**345,239**
Total payables beyond 12 months at 31/12/2019	**297,430**

All loans are denominated in euro.

The changes in medium/long term loans during the year are summarised below:

thousands of €

	31/12/2019 Total payables beyond 12months	Increases	Decreases	Adjustment of amortized cost	31/12/2020 Total payables beyond 12months
TOTAL	**297,430**	**75,000**	**(27,229)**	**38**	**345,239**

Total medium/long term payables as at 31 December 2019 decreased overall compared to 31 December 2019, as a result of:

- disbursement of a loan of € 75,000 thousand from the European Investment Bank for the project to develop the electricity distribution network;
- reduction of a total of € 27,229 thousand, owing to early repayment of loans in the context of liability management activities and the reclassification to short term of the portions of loans maturing within the next 12 months;
- changes in amortised cost for the purpose of IAS/IFRS accounting of loans.

Non-current financial payables for leases

This item relates to the portion of the Company's lease, rental and hire payables due after 12 months, recognised in accordance with IFRS 16, and amounted to € 7,203 thousand (€ 7,833 thousand as at 31 December 2019). This figure will be gradually reduced on the basis of repayment of the lease principal.

Other financial liabilities

Amounted to € 13,617 thousand (€ 13,900 thousand as at 31 December 2019) and refer to the fair value of derivative contracts entered into by Iren as hedges against the interest rate risk on floating rate loans (please refer to paragraph “IREN S.p.A. financial risk management” for comments).

NOTE 17_EMPLOYEE BENEFITS

Changes in this item in 2020 were as follows:

thousands of €

	31/12/2019	Current Service Cost	Financial expenses	Disburse-ments for the period	Intra-group transfers	Actuarial (gains)/losses	31/12/2020
Employee severance indemnity	13,885	-	122	(809)	16	936	14,150
Additional monthly salaries	741	26	6	(52)	-	(1)	720
Loyalty bonus	611	24	3	(63)	-	6	581
Tariff discounts	2,607	-	25	(174)	-	167	2,625
Premungas	318	-	2	(178)	-	267	409
Total	**18,162**	**50**	**158**	**(1,276)**	**16**	**1,375**	**18,485**

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits. The "Energy discount" awarded up to 30 September 2017 to retired employees was revoked unilaterally and replaced with lump sums included in provisions for former employee benefits.
The provision for former employee benefits, which included amounts to be paid on a one-off basis to retired employees to replace the energy discount no longer recognized as of 1 October 2017, was fully utilized during the first half of 2020.

Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accrual basis in line with the service necessary to obtain benefits.
For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in both the total number of employees and employee remuneration.Future service represents the amount that would be liquidated to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.
The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:
- stock market of reference;
- the date the measurement is made;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits.
The economic and financial assumptions adopted in the calculations are the following:

Annual discount rate	-0.02% - 0.34%
Annual inflation rate	0.80%
Annual rate of increase Employee severance indemnity	2.10%

In accordance with the provisions of IAS 19 the following additional information is supplied:
- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the following year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the following table.

	Change in liabilities according to changes in discount rate		Service cost 2021	Duration of the plan
	+0.25%	-0.25%		
Employee severance indemnity	269	(277)	-	8.3
Additional months' salaries (long-service bonus)	19	(19)	24	3.4
Loyalty bonus	8	(8)	22	5.4
Tariff discounts	63	(65)	-	10.0
Premungas	6	(6)	-	7.6

NOTE 18_PROVISIONS FOR RISKS AND CHARGES

Details and variations are shown in the table below:

thousands of €

	31/12/2019	Increases	Decreases	31/12/2020	Non-current portion
Provisions for early retirement expenses	10,679	-	(5,061)	5,618	4,018
Other provisions for risks and charges	8,571	1,348	(1,537)	8,382	8,382
Total	**19,250**	**1,348**	**(6,598)**	**14,000**	**12,400**

Provisions for early retirement expenses
The provisions refer to expenses associated with early retirement of some employees and arises from the results of agreements between the Iren Group and the Trade Unions that provide for retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The operation must be seen in the wider context of professional and demographic rebalancing of the Iren Group's personnel, in view of a plan to recruit young people.
The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Italian Law 92/2012), will enable the personnel in possession of the legal requisites to retire in advance with respect to the date of eligibility, making up in part for the delay in terminating the employment determined after the reform of the pensions system.
The provisions represent the estimated payment to the employees involved in the Plan, through the Pensions Agency, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules (isopension) with payment to the Pensions Agency of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.
During 2019, in order to continue in the programme for professional and demographic rebalancing of the personnel and following agreements with the Trade Unions, the Group set aside provisions for retirement incentives on a voluntary basis for employees interested and with the requisites introduced by Italian Law Decree 4/2019 containing the so-called "quota 100". Article 14 of the aforementioned Italian Law Decree 4/2019 introduces starting from 2019 the possibility of retiring once the requirements of reaching 62 years of age and 38 years of contributions matured by 31 December 2021.

Other provisions for risks and charges
Among other provisions, the increases relate mainly to personnel disputes and the adjustment of the provision for long-term incentive plans, while the decreases refer mainly to the outcome of disputes with suppliers that arose in previous years.

NOTE 19_DEFERRED TAX LIABILITIES

Deferred tax liabilities of € 945 thousand (unchanged from 31 December 2019) are due to the temporary difference between the carrying amount and tax value of assets and liabilities recognised in the financial statements. Deferred taxation is calculated with reference to the expected tax rates applicable at the time the differences will reverse.
For further information, reference is made to the note to the income statement "Income taxes" and to the Annexes concerning the details on temporary differences related to deferred taxation.

NOTE 20_OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

This item amounted to 9,810 thousand euro (10,774 thousand euro at 31 December 2019) and refers mainly:

- for € 8,499 thousand (unchanged compared to 31 December 2019) to payables to companies falling within the tax consolidation procedure as IRES rebate for the IRAP claim for the years 2007 – 2011;
- for € 1,279 thousand to portions of contributions related to future years (€ 1,336 thousand as at 31 December 2019).

CURRENT LIABILITIES

NOTE 21_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.
Short-term financial liabilities can be analysed as follows:

thousands of €

	31/12/2020	**31/12/2019**
Bonds	181,628	167,831
Bank loans	47,960	108,948
Financial payables to subsidiaries	72,484	106,894
Financial payables to associates	369	-
Current financial payables for leases	4,486	102,475
Other financial liabilities	10	894
Total	**306,937**	**487,042**

Bonds

The amounts relate to Private Placement and Public Bonds maturing within 12 months and represent the amortised cost value of the financial instruments, specifically:

- as at 31 December 2020, this relates to the Bond issued in 2014 maturing in 2021 (nominal value of €181,836 thousand maturing);
- as at 31 December 2019 the value at amortised cost of the Notes issued in 2013 was shown; these were repaid on maturity in February 2020 at their nominal value of € 167,870 thousand.

Bank loans

The related amounts are shown in the table:

thousands of €

	31/12/2020	31/12/2019
Loans - current portion	27,229	22,229
Other short-term loans	8,000	75,000
Short-term due to banks	158	112
Accrued expenses and deferred income	12,573	11,607
Total	**47,960**	**108,948**

Current financial payables for leases
Current financial payables for leases and rentals regard the portion due within 12 months; this amounted to € 4,486 thousand (€ 102,475 thousand as at 31 December 2019). The significant reduction is due to the payment made during the first half of 2020 to acquire a portion of the Group's executive offices that had been previously leased.

Financial payables to subsidiaries
Short-term payables to subsidiaries, amounting to € 72,484 thousand as at 31 December 2020 (€ 106,894 thousand as at 31 December, 2019) refer to the cash pooling contract with Group companies that have a credit position with Iren S.p.A.. The amount includes an estimate of the related accrued interest expense still to be paid.

Financial payables to others
Amount to € 10 thousand. At the end of the financial year 2019, they amounted to € 894 thousand and referred mainly to payables to a *factoring* company resulting from the assignment of tax receivables, in the meantime collected in the name and on behalf of the same and, therefore, to be returned to the same.

NOTE 22_TRADE PAYABLES

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of €

	31/12/2020	31/12/2019
Trade payables	84,345	79,330
Payables to subsidiaries	5,106	15,094
Payables to associates	59	119
Payables to related-party shareholders	141	704
Payables to other related parties	183	24
Total	**89,834**	**95,271**

NOTE 23_OTHER PAYABLES AND OTHER CURRENT LIABILITIES

All payables recognised in this item are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

thousands of €

	31/12/2020	31/12/2019
Amounts payable to subsidiaries by VAT group	129,464	80,685
Amounts payable to subsidiaries for tax consolidation scheme	12,525	6,435
IRPEF payable	87	129
Other tax liabilities	3,667	4,048
Tax liabilities due within 12 months	**145,743**	**91,297**
Payables to employees	10,047	8,162
Payables to social security institutions	3,891	3,585
Other payables	7,245	6,109
Other current liabilities	**21,183**	**17,856**
Deferred income	931	961
Total	**167,857**	**110,114**

Payables to social security agencies consist mainly of withholdings and contributions to be paid to INPS and INPDAP.
Deferred income of € 931 thousand (€ 961 thousand as at 31 December 2019) refers mainly to the portion not accruing with regard to the year of grants received for the purpose of financing research, development and innovation projects, to the deferment on reimbursement of surety expenses, and to the deferment on the multi-annual revenue related to transfer in usufruct of IT software to the company IRETI for the portion accruing to the year.
The other payables refer mostly to adjustments of premiums related to insurance policies entered into in favour of the Group.

NOTE 25_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The fair value of derivative contracts amounted to € 1,600 thousand (€ 1,191 thousand as at 31 December 2019). This amount refers to the provision for staff leaving indemnities.
For more details on the breakdown see Note “Provisions for risks and charges”.

FINANCIAL POSITION

The net financial debt, calculated as the difference between short/medium/long-term financial liabilities and short/medium/long-term financial assets, can be broken down as indicated in the following table:

thousands of €

	31/12/2020	31/12/2019
Non-current financial assets	(2,225,873)	(1,810,266)
Non-current term financial debt	3,490,489	2,835,231
Non-current net financial debt	**1,264,616**	**1,024,965**
Current financial assets	(819,208)	(621,458)
Current financial debt	306,937	487,042
Current net financial debt	**(512,271)**	**(134,416)**
Net financial debt	**752,345**	**890,549**

Detail of Net Financial Position regarding related parties

Non-current financial assets are related to centralised treasury relationships with subsidiaries and associates for 2,199,694 thousand euro.
Current financial assets are booked for € 56,137 thousand for loans and for € 12,890 for invoices to be issued to subsidiaries for interest.
Short-term financial liabilities of € 72,484 thousand refer to financial payables to subsidiaries for centralised treasury management contracts and the related interest, and to repayments of insurance premiums to be settled.

For additional information, see the annexed tables on transactions with related parties.

Below is the net financial position in the format proposed by the ESMA recommendation of 10 February 2005 transposed with CONSOB Communication of 28 July 2006, which does not include long-term financial assets.

thousands of €

	31/12/2020	31/12/2019
A. Cash in hand	(745,111)	(239,115)
B. Other cash and cash equivalents (details)	-	-
C. Securities held for trading	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**(745,111)**	**(239,115)**
E. Current financial receivables	**(74,097)**	**(382,343)**
F. Current bank debt	20,731	86,719
G. Current portion of non-current debt	208,857	190,060
H. Other current financial debt	77,349	210,263
I. Current financial debt (F) + (G) + (H)	**306,937**	**487,042**
J. Net current financial debt (I) – (E) – (D)	**(512,271)**	**(134,416)**
K. Non-current bank debt	345,240	297,430
L. Bonds issued	3,124,430	2,516,069
M. Other non-current debt	20,819	21,732
N. Non-current financial debt (K) + (L) + (M)	**3,490,489**	**2,835,231**
O. Net debt (J) + (N)	**2,978,218**	**2,700,815**

The table below finally shows the changes in the year in current and non-current financial liabilities.

	thousands of €
Current and non-current financial liabilities 31.12.2019	**3,322,273**
Opening of medium/long-term loans	875,000
Repayment of medium/long-term loans	(190,099)
Liabilities acquired following change in consolidation scope	-
Change in payables for leases	(98,619)
Fair value changes on derivatives	(283)
Other changes	(110,846)
Current and non-current financial liabilities 31.12.2020	**3,797,426**

VIII. NOTES TO THE INCOME STATEMENT

Unless otherwise stated, the tables below are in thousands of €.

REVENUES

NOTE 26_REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as in the table below:

thousands of €

	FY 2020	FY 2019
Services to subsidiaries	217,546	197,560
Services to associates	534	551
Payables to related-party shareholders	-	32
Services to other related parties	-	6
Services to others	888	780
Total	**218,968**	**198,929**

Revenues from services refer to corporate, administrative and technical services provided to Group companies and associated companies.

For additional information, see the annexed tables on transactions with related parties.

NOTE 27_OTHER INCOME

Other income includes:

thousands of €

	FY 2020	FY 2019
Revenues for personnel in other companies	7,293	7,870
Sale of materials	3,785	5,366
Rents and leases receivable	538	434
Operating grants	338	312
Insurance reimbursement	317	112
Revenue from previous years	426	406
Other revenue and income	267	212
Total	**12,964**	**14,712**

Sundry repayments include reversible fees which were paid to Iren Directors and employees by Group companies and the chargeback of costs for personnel seconded to subsidiaries.
The sale of materials mainly relates to sales to subsidiaries, as a result of the *procurement* and centralised management of materials for common use by the Group's businesses.
Prior year revenue mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments to prior years' invoices.

COSTS

NOTE 28_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Costs for raw materials, consumables, supplies and goods are as follows:

thousands of €

	FY 2020	FY 2019
Raw materials and inventory materials	9,715	10,500
Purchase of fuels	3,581	4,190
Change in inventories	(1,692)	(1,111)
Write-down provisions	709	-
Total	**12,313**	**13,579**

These costs refer mainly to the purchase of materials for common use by subsidiaries (technical clothing, hardware, stationery and signs) and fuel for Group vehicles.
During the year, inventory write-down provisions amounting to € 709 thousand established in order to take into account the technical obsolescence and low movement of certain materials.

NOTE 29_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down in the following table:

thousands of €

	FY 2020	FY 2019
Technical and administrative services from subsidiaries and Group companies	9,948	10,674
Third-party works, maintenance and industrial services	17,708	11,539
Collection and disposal, snow clearing, public parks	1,562	1,280
Expenses related to personnel (canteen, training, travel)	7,004	9,718
Technical, administrative and commercial consulting and advertising expenses	17,860	22,709
Legal and notary fees	1,503	825
Insurance	12,631	12,026
Bank and postal expenses	694	938
Telephone costs	4,377	5,669
Internal utilities (electricity, water, gas, cleaning, etc.)	8,631	7,672
IT expenses	41.515	24,380
Fees of the Board of Statutory Auditors	111	109
Other costs for services	4,561	3,610
Total	**128,105**	**111,149**

Leased assets amounted to € 697 thousand (€ 1,597 thousand in the 2019 financial year) and relate mainly to short-term rentals of technical equipment and the rental of exhibition space for promotional events.
Residually, there are also costs present for short-term hire or hire in which the underlying asset is of modest value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 30_OTHER OPERATING EXPENSE

Other operating expense is broken down in the following table:

thousands of €

	FY 2020	FY 2019
Membership fees	2,008	1,918
General expenses	1,350	1,334
Taxes and duties	1,486	951
Prior year expense	1,202	1,308
Donations	2,787	2,087
Other sundry operating expenses	324	272
Total	**9,157**	**7,870**

The item "taxes and duties" refers mainly to charges for IMU on the Company's plants and buildings, which increased following the repurchase of property complexes for management use. Prior year expense mainly refers to adjustments related to differences on estimates.

NOTE 31_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised internal work costs amounted to € 4,966 thousand (€ 3,070 thousand in the FY 2019) and refer to labour costs mainly for the study, creation and implementation of software and IT projects.

NOTE 32_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

thousands of €

	FY 2020	FY 2019
Gross remuneration	52,481	50,927
Social security contributions	16,092	15,809
Other long-term employee benefits	50	50
Other personnel costs	4,410	2,626
Directors’ fees	652	634
Total	**73,685**	**70,046**

Other personnel costs include provisions for social security and recreational contributions, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits, and contributions to be paid by the employer to supplementary pension funds.

The personnel is structured as follows:

	31/12/2020	31/12/2019	Average of the year
Senior managers	49	51	49
Junior managers	121	123	122
White collar workers	816	807	810
Blue collar workers	77	79	77
Total	**1,063**	**1,060**	**1,058**

NOTE 33_DEPRECIATION AND AMORTISATION

Depreciation/amortisation of the period amounted to 31,356 thousand euro (26,602 thousand euro in 2019).

thousands of €

	FY 2020	FY 2019
Property, plant and equipment	13,457	13,152
Other intangible assets with finite useful life	17,899	13,450
Total	**31,356**	**26,602**

Depreciation of property, plant and equipment includes the depreciation for the period of assets under right of use recognised in accordance with IFRS 16.
For further details on depreciation/amortisation, reference should be made to the tables of changes in property, plant and equipment and intangible assets.

NOTE 34_PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to a total of € 96 thousand (€ 7,777 in the FY 2019) and is detailed in the following table:

thousands of €

	FY 2020	FY 2019
Provisions for doubtful accounts	**-**	**350**
Provisions for risks	247	1,100
Provision releases	(343)	(9,227)
Total	**(96)**	**(7,777)**

No provisions for bad and doubtful debts was made during 2020, as the provision was adequate to the amount of expected losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the current value of all future non-collections, suitably integrated to take into account future expectations (“forward looking information”).
The trend in provisions for risks is mainly due to probable charges in the personnel area.
Regarding year 2019, releases were mainly associated with the cessation of risks for expenses related to the executive properties rented by the property fund, owing to the high probability of exercise of the related redemption option.
Details of changes in provisions are given in the comment on the Balance Sheet item “Provisions for risks and charges”.

NOTE 35_FINANCIAL INCOME AND EXPENSES

Financial income

The breakdown of financial income is provided in the following table:

thousands of €

	FY 2020	FY 2019
Dividends	236,439	266,517
Bank interest income	572	380
Interest income from subsidiaries	48,958	49,800
Interest income from associates	311	63
Interest income on loans	1,733	12,964
Fair value gains on derivatives	349	856
Fair value gains on financial instruments	1,625	-
Gains made on derivatives	-	322
Exchange rate gains	5	3
Other financial income	19	739
Total	**290,011**	**331,644**

Interest income on loans refers to the receivable from OLT Offshore LNG Toscana, sold at the beginning of the year.
Income from fair value on derivative contracts refers to the fair value changes of hedging instruments that do not meet the formal requirements for the application of hedge accounting.

Financial expenses

The breakdown of financial expenses is provided in the following table:

thousands of €

	FY 2020	FY 2019
Interest expense on loans	667	28,959
Interest expense on bonds	54,703	49,525
Interest expense on bank current accounts	2	55
Expenses paid on derivatives	3,920	4,366
Derivative fair value charges	5,835	735
Capital loss on disposal of financial assets	31	-
Interest expense to subsidiaries	73	84
Interest cost – Employee benefits	158	276
Financial expense on leasing liabilities	154	2,964
Other financial expenses	291	146
Total	**65,834**	**87,110**

Interest on loans and bonds includes the expenses relating to the measurement at amortised cost.
The interest expense on borrowings for 2019 included charges for *liability* management transactions of € 19.3 million.
Interest expense on long-term bonds increased due to the greater weight of these financial instruments in terms of debt structure.
Fair value charges on derivatives include charges for early extinguishment of derivatives for € 5.5 million.
Reference should be made to the note on “Employee benefits” in the Statement of Financial Position for details of financial expense on employee benefits.

The decrease in financial charges on leasing liabilities is the result of the repurchase of office buildings, previously rented, in the first half of the year.

NOTE 36_VALUE ADJUSTMENTS ON EQUITY INVESTMENTS

As at 31 December 2020, this item was not measured, as it was as at 31 December 2019.

NOTE 37_INCOME TAX EXPENSE

Income taxes amount to € 4,205 thousand (€ 3,234 thousand in the FY 2019) and are composed of:
- IRES, a positive € 6,785 thousand (€ 5,331 thousand in the FY 2019), as a result of negative operating income and net interest expense;
- net negative pre-paid tax assets, given by the reversal of taxable temporary differences, of € 3,054 thousand (€ 1,573 thousand in the FY 2019).
- taxes related to previous years a negative 474 thousand € (a positive 524 thousand € in the 2019 financial year).

Under the terms of Art. 96 of the Consolidated Income Tax Act, the interest expense rules provide for their deductibility up to a maximum of 30% of the Gross Operating Profit ("fiscal" GOP) with the option to carry forward any surpluses of non-deductible interest expense to subsequent years and, if Group taxation is adopted, with the right to offset such surpluses with any "fiscal" GOP surpluses accrued from other group companies.
With reference to Iren S.p.A., the application of the rules set forth in art. 96 of the Consolidated Law on Income Tax resulted in the creation of non-deductible net interest expense surpluses of € 14,235 thousand for 2020 which, however, owing to Iren's participation in the Group taxation and by virtue of the consolidated taxation agreements in place, the company was able to fully offset with the GOP surpluses accrued at Group level, with a consequent benefit, in terms of lower IRES taxes for the year, of € 3,416 thousand.
Pursuant to the consolidated taxation agreements, no remuneration is owed by the companies with surpluses of non-deductible interest expense to the Group companies that transferred their GOP surpluses.

The following table shows the reconciliation between theoretical and effective IRES tax rates. The reconciliation between ordinary and effective IRAP rate was not significant.
The table shows current taxes only, thus excluding deferred taxes. Therefore, changes to the theoretical tax refer to both temporary and final changes.

The table below shows the breakdown of the tax rate for the financial year 2020 and financial year 2019.

	STATEMENT OF IRES RATE RECONCILIATION	FY 2020	FY 2019
A)	Profit (loss) before tax	205,858	238,179
B)	Theoretical tax charge (24% rate)	49,406	57,163
C)	Temporary differences taxable in future years	-	-
	Alloc. Tax receivables write-down provision		
D)	Temporary differences deductible in future years	8,360	9,582
	Fees to independent auditors and directors	*233*	*236*
	Plus minus amortisations	-	-
	Provisions set aside and interest expense	*3,474*	*5,117*
	Other	*4,654*	*4,229*
E)	Transfer of previous year temporary differences	(19,884)	(17,121)
	Dividends not collected during the year	-	-
	Use funds and interest expense	(16,668)	(16,286)
	Fees to independent auditors and directors	(259)	(93)
	Other	(2,956)	(742)
F)	Differences which will not carry forward	(220,905)	(251,235)
	Non-taxable share of dividends (95%) received at 31/12	(224,616)	(253,192)
	Others	*3,711*	*1,956*
G)	Taxable income (A)+C)+D)+E)+F))	(26,570)	(20,596)
H)	Current taxes for the year	(6,785)	(5,331)
	Consolidation income	(6,377)	(4,943)
	Art Bonus	(408)	(388)
M)	Rate	-3%	-2%

The table below shows the composition of deferred tax assets and liabilities for the two years, broken down by type of temporary difference, and the resulting effects.

thousands of €

	FY 2020	FY 2019
Deferred tax assets		
Non-deductible funds	4,546	7,893
Differences in value of fixed assets	554	554
Derivatives	2,879	2,823
Other	3,057	2,434
Total	**11,035**	**13,705**
Deferred tax liabilities		
Differences in value of fixed assets	823	823
Provisions for impairment of receivables	11	11
Other	111	111
Total	**945**	**945**
Total net deferred tax assets (liabilities)	**10,090**	**12,760**

NOTE 38_OTHER COMPREHENSIVE INCOME

Other comprehensive income decreased to € 1,217 thousand (decreased to € 4,993 thousand in 2019); Specifically, other comprehensive income that will not be subsequently reclassified to the Income Statement relates to:

- the effective portion of changes in the fair value of cash flow hedging instruments, a negative € 232 thousand, which refers to derivatives hedging changes in interest rates.
- other provisions for risks of € 56 thousand.

Other comprehensive income that will not be subsequently reclassified to the Income Statement relates to:

- actuarial losses, related to defined benefit plans, for € 1,369 thousand.
- other provisions for risks of € 328 thousand.

IX. GUARANTEES AND CONTINGENT LIABILITIES

Personal guarantees given amounted to 451,608 thousand euro (31 December 2019, 420,609 thousand euro) to be divided as follows:

- - € 153,139 thousand of bank and insurance guarantees to various Banks. Among the above, it is worth noting guarantees given in favour of:
    - Revenue Agency for € 118,557 thousand to guarantee VAT Refund requests for 2019 and 2020;
    - Municipality of Turin, for € 27,476 thousand, as definitive guarantee in the AMIAT/ TRM acquisition;
    - INPS for € 2,323 thousand as guarantee envisaged for planned retirement procedures;
    - FCT Holding, for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
    - Genoa City Council for € 860 thousand to guarantee urbanisation works and the cost of building new premises;
    - Atersir/Ato for € 820 thousand to guarantee the management of the integrated water service in the municipalities of Reggio Emilia and Parma.

- - € 271,025 thousand in guarantees granted on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Company Guarantees on behalf of Iren Mercato Spa).

- 27,444 thousand euro of guarantees given on behalf of Associates.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane in liquidation (namely guarantees for credit facilities and letters of patronage for € 23,999 thousand). The liquidators concluded the main procurement contracts and since 1 October 2012 the Company's operating activity therefore includes only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato.

X. ANNEXES TO THE SEPARATE FINANCIAL STATEMENTS

LIST OF EQUITY INVESTMENTS

INDEPENDENT AUDITORS' FEES

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

TRANSACTIONS WITH RELATED PARTIES

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

LIST OF EQUITY INVESTMENTS

Company	Registered office	Currency	Share capital	% ownership
SUBSIDIARIES				
Iren Ambiente S.p.A.	Piacenza	€	63,622,002	100.00
Ireti S.p.A.	Reggio Emilia	€	196,832,103	100.00
Iren Energia S.p.A.	Turin	€	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	€	61,356,220	100.00
ASSOCIATES				
Plurigas (*)	Milan	€	800,000	30.00

(*) company in liquidation classified among assets held for sale

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree 58/1998, the fees for the year due to PricewaterhouseCoopers S.p.A. can be summarised as follows:

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**

STATEMENT OF SHAREHOLDERS' EQUITY WITH ADDITIONAL INFORMATION

Item/Description	31.12.2020	31.12.2019	31.12.2018
SHARE CAPITAL	1,300,931,377	1,300,931,377	1,300,931,377
CAPITAL RESERVES			
Share premium reserve (1)	133,019,647	133,019,647	133,019,647
Merger Surplus	56,792,947	56,792,947	56,792,947
Treasury shares negative reserve	(34,648,147)	(9,054,404)	-
PROFIT RESERVES			
Legal reserve	76,712,515	64,641,843	58,345,452
Other reserves:			
Extraordinary reserve	53,766,557	53,766,557	53,766,557
Hedging reserve	(9,516,688)	(9,340,183)	(5,150,176)
IAS 19 actuarial reserve	(4,637,006)	(3,596,399)	(2,793,362)
Other reserves untaxed	1,402,976	1,402,976	1,402,976
Retained earnings (losses)	188,019,492	78,180,732	67,544,008
TOTAL	**1,761,843,670**	**1,666,745,093**	**1,663,859,426**
Non-distributable amount	1,476,015,392	1,489,538,463	1,492,296,476
Distributable residual amount	285,828,278	177,206,630	171,562,950

(1) Distributable to shareholders after the legal reserve has reached one fifth of the share capital

KEY:
A: share capital increase
B: payments to replenish losses
C: shareholder distribution

€

Possible utilisation	Available portion	Summary of uses over the last three years	
		Coverage of losses	Other reasons
B	1,300,931,377		
A, B	133,019,647		
A, B, C	56,792,947		
	(9,054,404)		
B	64,641,843		
A, B, C	53,766,557		
	(9,340,183)		
	(3,596,399)		
A, B, C	1,402,976		
A, B, C	78,180,732		
	1,666,745,093		
	1,489,538,463		
	177,206,630		

DEFERRED TAX ASSETS AND LIABILITIES 2020

	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Non-deductible funds	32,890	2,390	16,340	18,940
Differences in value of fixed assets	2,308	-	-	2,308
Derivatives	11,764	232	-	11,996
Other	10,144	6,137	3,544	12,736
Total taxable base/deferred tax assets	**57,105**	**8,759**	**19,884**	**45,981**
Deferred tax liabilities				
Differences in value of fixed assets	3,430	-	-	3,430
Provisions for receivables	44	-	-	44
Other	464	-	-	464
Total taxable base/deferred tax liabilities	**3,938**	**-**	**-**	**3,938**
Net deferred tax assets (liabilities)	**53,167**	**8,759**	**19,884**	**42,042**

thousands of €

taxes to inc. stat.	taxes to equity	IRES (Corporate income tax)	IRAP (regional business tax)	total
(3,412)	64	4,546	-	4,546
-	-	554	-	554
-	56	2,879	-	2,879
358	265	3,057	-	3,057
(3,054)	**384**	**11,035**	**-**	**11,035**
-	-	823	-	823
-	-	11	-	11
-	-	111	-	111
-	**-**	**945**	**-**	**945**
(3,054)	**384**	**10,090**	**-**	**10,090**

DEFERRED TAX ASSETS AND LIABILITIES 2019

	differences			
	initial	formation	payment	remainder
Deferred tax assets				
Non-deductible funds	36,891	6,658	10,660	32,890
Differences in value of fixed assets	2,686	-	378	2,308
Derivatives	6,251	5,513	-	11,764
Other	11,511	5,581	6,948	10,144
Total taxable base/deferred tax assets	**57,339**	**17,752**	**17,986**	**57,105**
Deferred tax liabilities				
Differences in value of fixed assets	3,430	-	-	3,430
Provisions for receivables	44	-	-	44
Other	714	-	250	464
Total taxable base/deferred tax liabilities	**4,188**	**-**	**250**	**3,938**
Net deferred tax assets (liabilities)	**53,151**	**17,752**	**17,736**	**53,167**

thousands of €

taxes to inc. stat.	taxes to equity	IRES (Corporate income tax)	IRAP (regional business tax)	total
(997)	37	7,893	-	7,893
(91)	-	554	-	554
-	1,323	2,823	-	2,823
(545)	217	2,434	-	2,434
(1,633)	**1,577**	**13,705**	**-**	**13,705**
-	-	823	-	823
-	-	11	-	11
(60)	-	111	-	111
(60)	**-**	**945**	**-**	**945**
(1,573)	**1,577**	**12,760**	**-**	**12,760**

DETAILS ON TRANSACTIONS WITH RELATED PARTIES TABLE

thousands of €

	Trade Receivables	Financial Receivables, Cash and cash equivalents	Other receivables	Trade Payables	Financial Liabilities
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa		-	-	2	-
Municipality of Parma		-	-	32	-
Municipality of Piacenza		-	-	62	-
Municipality of Reggio Emilia		-	-	24	-
Municipality of Turin		-	-	21	-
Finanziaria Sviluppo Utilities	16	41	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	1,430	141,234	2,147	298	13
ACAM Ambiente S.p.A.	969	24,218	- 57	113	-
AMIAT S.p.A.	5,832	69,134	1,387	459	-
AMIAT V. S.p.A.	10	10,569	-	-	-
ASM Vercelli S.p.A.	1,594	-	134	276	28,610
Asti Energia e Calore S.p.A.	-	1,685	-	-	-
ATENA Trading S.r.l.	4	-	802	6	1,845
Bonifica Autocisterne S.r.l.	2	-	7	-	569
Consorzio GPO	-	-	-	-	2,056
Formaira S.r.l.	1	-	7	-	83
GIA S.p.A. in liquidation	-	-	-	-	-
I. Blu S.r.l.	80	16,434	-	18	-
Iren Acqua Tigullio S.p.A.	357	2	1,042	-	1,194
IREN Ambiente S.p.A.	11,300	423,235	2,675	218	272
IREN Ambiente Parma S.r.l.	12	-	-	-	4,000
IREN Ambiente Piacenza S.r.l.	12	-	-	-	4,000
IREN Energia S.p.A.	15,600	581,501	2	- 42	1,598
IREN Mercato S.p.A.	19,353	11	14,165	616	19,025
Iren Smart Solutions S.p.A.	1,545	62,826	1,987	1,237	-
IRETI S.p.A.	27,012	766,404	9,932	1,451	5,775
Iren Laboratori S.p.A.	606	-	173	132	6,706
Iren Acqua S.p.A.	2,277	68,678	3,772	51	3,887
Maira S.p.A.	12	-	14	-	1,350
Monte Querce S.c.r.l.	-	-	1	-	-
ReCos S.p.A.	320	22,793	-	-	-
Rigenera Materiali (Ri. Ma.) S.r.l.	27	-	-	-	-
Salerno Energia Vendite S.p.A.	56	176	-	-	-
San Germano S.p.A.	1,154	21,725	-	57	-
STA - Società Toscana Ambiente S.p.A.	-	5,508	-	-	-
Studio Alfa S.p.A.	21	-	341	175	-
Territorio e Risorse S.r.l.	14	12,200	-	-	-
TRM S.p.A.	171	-	-	41	-
UCH Holding S.r.l.	1	6,109	-	-	-
UHA - Unieco Holding Ambiente S.r.l.	2	16,000	-	-	-

thousands of €

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
RELATED-PARTY SHAREHOLDERS					
Municipality of Genoa	-	-	860	-	-
Municipality of Parma	-	-	79	-	-
Municipality of Piacenza	-	-	62	-	-
Municipality of Reggio Emilia	-	6	443	-	-
Municipality of Turin	-	620	621	-	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	1,694	4,562	241	3,494	-
ACAM Ambiente S.p.A.	3,263	3,926	241	583	-
AMIAT S.p.A.	11,397	23,039	3,600	1,686	-
AMIAT V. S.p.A.	78	282	-	211	-
ASM Vercelli S.p.A.	2,822	4,438	1,723	-	66
Asti Energia e Calore S.p.A.	-	-	-	11	-
ATENA Trading S.r.l.	327	609	24	-	7
Bonifica Autocisterne S.r.l.	12	46	-	-	1
Consorzio GPO	-	-	-	-	-
Formaira S.r.l.	2	5	-	-	-
GIA S.p.A. in liquidation	1	-	-	-	-
I. Blu S.r.l.	-	78	18	120	-
Iren Acqua Tigullio S.p.A.	1,855	1,086	-	3	-
IREN Ambiente S.p.A.	21,710	32,982	1,159	13,859	-
IREN Ambiente Parma S.r.l.	-	12	-	-	-
IREN Ambiente Piacenza S.r.l.	-	12	-	-	-
IREN Energia S.p.A.	50,985	30,240	499	93,739	-
IREN Mercato S.p.A.	2,164	36,779	3,499	36,965	-
Iren Smart Solutions S.p.A.	1,738	8,250	1,731	1,673	-
IRETI S.p.A.	33,792	69,438	2,575	130,392	-
Iren Laboratori S.p.A.	634	2,218	165	-	-
Iren Acqua S.p.A.	5,018	6,467	255	1,223	-
Maira S.p.A.	17	58	-	-	-
Monte Querce S.c.r.l.	1	-	-	-	-
ReCos S.p.A.	1,109	722	-	563	-
Rigenera Materiali (Ri. Ma.) S.r.l.	-	30	-	-	-
Salerno Energia Vendite S.p.A.	-	6	-	196	-
San Germano S.p.A.	2,320	1,660	209	490	-
STA - Società Toscana Ambiente S.p.A.	-	-	-	8	-
Studio Alfa S.p.A.	67	73	273	-	-
Territorio e Risorse S.r.l.	-	14	-	128	-
TRM S.p.A.	1,042	530	232	-	-
UCH Holding S.r.l.	-	1	-	9	-
UHA - Unieco Holding Ambiente S.r.l.	-	2	-	24	-

DETAILS ON TRANSACTIONS WITH RELATED PARTIES TABLE

thousands of €

	Trade Receivables	Financial Receivables, Cash and cash equivalents	Other receivables	Trade Payables	Financial Liabilities
JOINT VENTURES					
Acque Potabili S.p.A.	105	-	-	-	-
ASSOCIATES					
ACOS S.p.A.	-	-	-	-	-
ACOS Energia S.p.A.	-	-	-	-	-
Acquaenna S.c.p.a.	24	-	-	-	-
Aguas de San Pedro S.A. de C.V.	2	-	-	-	-
AMAT S.p.A.	8	-	-	-	-
AMTER S.p.A.	48	-	-	2	369
ASA S.c.p.a.	14	-	-	-	-
ASA Livorno S.p.A.	332	-	-	1	-
ASTEA S.p.A.	12	-	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	-	-	-	56	-
Fratello Sole Energie Solidali S.r.l.	89	-	-	-	-
Iniziative Ambientali S.r.l.	6	-	-	-	-
Mondo Acqua S.p.A.	9	-	-	-	-
Piana Ambiente S.p.A. in liquidation	62	-	-	-	-
SEI Toscana S.r.l.	1	-	-	-	-
STU Reggiane S.p.A.	-	-	-	-	-
Valle Dora Energia S.r.l.	32	20,060	-	-	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	2	1	-
Subsidiaries of Municipality of Parma	-	-	-	-	-
Subsidiaries of Municipality of Piacenza	-	-	-	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	-	182	-
TOTAL	**90,535**	**2,270,545**	**38,531**	**5,490**	**81,352**

thousands of €

	Other payables	Revenue and income	Costs and other charges	Financial income	Financial expenses
JOINT VENTURES					
Acque Potabili S.p.A.	-	20	-	-	-
ASSOCIATES					
ACOS S.p.A.	-	-	-	-	-
ACOS Energia S.p.A.	-	-	-	-	-
Acquaenna S.c.p.a.	-	-	-	-	-
Aguas de San Pedro S.A. de C.V.	-	2	-	-	-
AMAT S.p.A.	-	12	-	-	-
AMTER S.p.A.	-	69	-	-	-
ASA S.c.p.a.	-	14	-	-	-
ASA Livorno S.p.A.	-	306	-	-	-
ASTEA S.p.A.	-	12	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	-	-	98	-	-
Fratello Sole Energie Solidali S.r.l.	-	101	-	-	-
Iniziative Ambientali S.r.l.	-	2	-	-	-
Mondo Acqua S.p.A.	-	6	-	-	-
Piana Ambiente S.p.A. in liquidation	-	-	-	-	-
SEI Toscana S.r.l.	-	1	-	-	-
STU Reggiane S.p.A.	-	-	20	-	-
Valle Dora Energia S.r.l.	-	84	-	311	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	46	-	-
Subsidiaries of Municipality of Parma	-	-	10	-	-
Subsidiaries of Municipality of Piacenza	-	-	-	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	267	-	-
TOTAL	**142,048**	**228,822**	**18,947**	**285,688**	**73**

RECONCILIATION OF IAS/IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

thousands of €

IAS/IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	159,328		
Intangible fixed assets with a finite useful life	69,706		
Investment property	-		
Investments in subsidiaries, associates and joint ventures	2,564,032		
Other equity investments	100		
Total (A)	**2,793,166**	**Non-Current Assets (A)**	**2,793,166**
Other non-current assets	1,832		
Other non-current liabilities	(9,809)		
Total (B)	**(7,977)**	**Other non-current assets (liabilities) (B)**	**(7,977)**
Inventories	4,023		
Trade receivables	90,699		
Current tax assets	927		
Other receivables and other current assets	123,259		
Trade payables	(89,834)		
Other payables and other current liabilities	(167,856)		
Current tax liabilities	-		
Total (C)	**(38,782)**	**Net working capital (C)**	**(38,782)**
Pre-paid tax assets	11,035		
Deferred tax liabilities	(945)		
Total (D)	**10,090**	**Deferred tax assets (liabilities) (D)**	**10,090**
Employee benefits	(18,485)		
Provisions for risks and charges	(12,400)		
Provisions for risks and charges - current portion	(1,600)		
Total (E)	**(32,485)**	**Provisions for risks and employee benefits (E)**	**(32,485)**
		Net invested capital (G=A+B+C+D+E+F)	**2,724,012**
Shareholders' Equity (F)	**1,971,907**	**Shareholders' Equity (F)**	**1,971,907**
Non-current financial assets	(2,225,873)		
Non-current financial liabilities	3,490,489		
Total (G)	**1,264,616**	**Medium- and long-term term financial debt (G)**	**1,264,616**
Current financial assets	(74,097)		
Cash and cash equivalents	(745,111)		
Current financial liabilities	306,937		
Total (H)	**(512,271)**	**Short term financial debt (H)**	**(512,271)**
		Net debt (I=G+H)	**752,345**
		Own funds and net financial debt (F+I)	**2,724,252**

STATEMENT REGARDING THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Massimiliano Bianco, Chief Executive Officer and Managing Director, and Massimo Levrino, Administration, Finance, Control and M&A Director and Corporate Financial Reporting Manager of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of 24 February 1998:

   - the suitability in respect of the company's characteristics and
   - the effective application of the administrative and accounting procedures in preparing the separate financial statements during 2020.

2. It is also certified that:

   2.1 the financial statements:

   a) are prepared in compliance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

   b) correspond to the results of the books and account records;

   c) are suitable to offer a true and fair view of the financial position and results of operations of the issuer and the group companies included in the consolidation scope.

   2.2 the directors' report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

25/03/2021

Chief Executive Officer

Dr. Massimiliano Bianco

Administration, Finance, Control and M&A Director
and Reporting Manager Law 262/05

Dr. Massimo Levrino

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Iren SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Iren SpA (the "Company"), which comprise the statement of financial position as of 31 December 2020, the income statement, the statement of other comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of Iren SpA pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Audit procedures in response to key audit matters***
Assessment of recoverability of equity Investments *Notes to the financial statements at 31 December 2020: Note 3 "Investments in subsidiaries, associated companies and joint ventures"* The financial statements of Iren SpA at 31 December 2020 show equity investments amounting to Euro 2,564.0 million, the breakdown of which is as follows: 1. *Iren Energia SpA*: Euro 1.139,1 million; 2. *Ireti SpA*: Euro 1.039,4 million; 3. *Iren Ambiente SpA*: Euro 243,4 million; 4. *Iren Mercato SpA*: Euro 142,1 million. The overall value of such equity investments represented approximately 42% of the total assets of the financial statements as at 31 December 2020. The Company assesses the recoverability of the value of the equity investments shown in the financial statements annually or, more frequently, whenever there are indications leading to presume the existence of an impairment loss. Considering the current structure of the Iren Group, this assessment coincides with the assessment of the recoverability of goodwill values, performed when drawing up the consolidated financial statements, as the above subsidiaries correspond to the Cash Generating	 We carried out anunderstanding and evaluating of the impairment test procedures prepared by management and approved by the Board of Directors of Iren SpA on 23 February 2021, in order to assess compliance with the requirements of the international accounting standard IAS 36. Our procedures focused on a critical examination of the main assumptions behind the drawing up of the 2020-2024 Business Plan and of the discounting rates used; furthermore, specific sensitivity analyses were performed, aimed at evaluating the impact on the results of the tests of changes in the main parameters adopted. Moreover, we also verified the overall mathematical correctness of the plan and of the impairment test model prepared by management, reviewing, for each company / business unit, the method followed to obtain the discounting rate and the constant growth rate of cash flows beyond the plan's time frame. We also compared the book value of each equity investment with the related recoverable value.

Units (CGU) identified, in accordance with the definition set forth in the international accounting standard IAS 36 - Impairment of assets. The above assessment of the recoverability of goodwill is based upon the higher between fair value less costs to sell and value in use of each CGU to which goodwill has been allocated. The value in use was determined by discounting future cash flows expected from each CGU in the 2021-2025 period, as well as their respective terminal values. These flows were extracted from economic and financial projections based on the Business Plan approved by the Board of Directors on 29 September 2020. Investments are considered as a key audit matter due to their size and to the inherent estimate elements influencing the valuations made by the directors on their recoverability.	These activities were performed also involving experts belonging to the PwC network. Finally, we verified the completeness and accuracy of the information provided in the notes.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 14 May 2012, the Shareholders' meeting of Iren SpA engaged us to perform the statutory audit of the Company's separate and consolidated financial statements for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation (EU) No. 537/2014.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

Management of Iren SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Iren SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Iren SpA as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Genoa, April 14, 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Report of The Board of Statutory Auditors of IREN S.p.A.
at the Shareholders' Meeting of 06 May 2021
in accordance with article 153 of Legislative Decree no. 58/1998

Dear Shareholders,
the Board of Statutory Auditors who, pursuant to Art. 153 of Legislative Decree no. 58/1998, Consolidated Law on Financial Intermediation (hereinafter referred to as the "TUF"), is called upon to report to the Shareholders' Meeting on the supervisory activities carried out and on any omissions or reprehensible facts discovered. The Board of Statutory Auditors may also make observations and proposals regarding the financial statements, their approval and matters within its competence.
During the year, the Board of Statutory Auditors carried out the supervisory duties assigned to it by current laws and regulations. The Board of Statutory Auditors monitored compliance with the law and the articles of association, as well as respect for the principles of correct administration; it also monitored the adequacy of the Company's organisational, administrative and accounting structure to the extent of its competence. The Board of Statutory Auditors does not believe that there are any irregularities that require disclosure in this Report.

1. Independence of the members of the Board of Statutory Auditors
The Board of Statutory Auditors verified the absence of causes of disqualification, pursuant to art. 148 TUF, for its members, as well as the permanence of independence requirements for the same: *(i)* pursuant to article 148, paragraph 3 of the TUF, and *(ii)* pursuant to article 2 Recommendation 7 of the new Corporate Governance Code.

2. Significant transactions and events
The Board of Statutory Auditors certifies, to the extent of its competence, the compliance with the law and the Articles of Association of the most important economic, financial and asset operations carried out by the company and that they are not manifestly imprudent or risky, in potential conflict of interest, in contrast with the resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets.

The aforementioned transactions, as well as the significant events of the 2020 financial year and subsequent years, relating to IREN S.p.A and the companies directly and indirectly controlled by it ("IREN Group" or "Group"), are set out in the paragraphs "Significant events during the financial year" and "Significant events after the end of the financial year and outlook" in the Directors' Report at 31 December 2020.

3. Transactions with related parties or intra-group

Pursuant to Article 2391-bis of the Italian Civil Code, the Board of Directors adopted, in accordance with the general principles indicated by Consob, rules ensuring the transparency and substantial and procedural fairness of transactions with related parties, for which reference should be made to the Directors' Report.

The paragraphs "Disclosure of Transactions with Related Parties" in the Notes to the Separate Financial Statements of IREN S.p.A. and the Notes to the Consolidated Financial Statements at 31 December, 2020 provide information about income statement and balance sheet transactions with related parties. Details of these transactions are provided in paragraph X "Appendices to the separate financial statements" and paragraph XII "Appendices to the consolidated financial statements".

The Chairman of the Board of Statutory Auditors and/or one or more regular auditors regularly attend the work of the Committee for Related Party Transactions, monitoring the procedures concretely adopted for important resolutions in the interest of the Company and the Group, and in this regard there are no particular observations to report.

Considering the model adopted by the Group with IREN SpA as a holding company with adequate centralised staff structures, as well as the management and coordination activity carried out, the company provides services to subsidiaries on the basis of specific contracts. Other non-recurring intra-Group transactions, if any, are dictated by the need to rationalize operations in accordance with the structure of operations by Business Unit.

4. Atypical and/or unusual transactions

The Notes to the Separate Financial Statements of IREN S.p.A. and the Consolidated Financial Statements, the information provided to the Board of Directors and the information received from the directors and company management did not reveal the existence of any atypical and/or unusual transactions, including intragroup transactions or transactions with related parties, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. As of the date of preparation of this Report, the Board of

Statutory Auditors had not received any communications from the Boards of Statutory Auditors of subsidiaries, associates or joint ventures or from the Independent Auditors containing observations worthy of note.

5. Meetings of the Board of Statutory Auditors, the Board of Directors and the Board Committees

During the financial year ended 31 December 2020, the Board of Statutory Auditors met 11 times, with full attendance by its members.

The Board of Statutory Auditors also attended the meetings of the Board of Directors (18 meetings) and as a rule ensured the presence of at least one member at the meetings of the Control, Risk and Sustainability Committee (12 meetings), at the meetings of the Committee for Related Party Transactions (9 meetings) and at the meetings of the Compensation and Nominating Committee (11 meetings).

6. Observations under the terms of Italian Legislative Decree 39/2010, of the Legislative Decree of 30 December, 2016, No. 254 and on the independence of the Auditing Firm

With regard to the statutory audit tasks, the Board of Statutory Auditors recalls that these are assigned to the Independent Auditors PricewaterhouseCoopers S.p.A. (the Independent Auditors, or PwC), which issued on 14 April, 2021 the Reports, pursuant to Article 14 of Legislative Decree. No. 39 of 27 January, 2010 and Article 10 of EU Regulation No. 537/2014, concerning the Separate Financial Statements of IREN Spa and the Group's Consolidated Financial Statements at 31 December, 2020, to which we refer you, noting at the same time that they are unqualified. The Independent Auditors confirmed their independence in carrying out the statutory audit.

The Board of Statutory Auditors monitored the effectiveness of the statutory audit process, meeting periodically with PwC representatives to discuss the activities carried out.

Additional assignments entrusted to the Independent Auditors are governed by a separate Guideline entitled "Assignment of Assignments to the Independent Auditors", which complies with the relevant regulations. The corresponding amounts are discussed in the Notes to the Separate Financial Statements and in the Notes to the Consolidated Financial Statements in the section entitled “Fees Paid to the Independent Auditors”.

In addition, the Board of Statutory Auditors confirms that the Consolidated Non-Financial Statement (DNF) was prepared in accordance with the requirements of Articles 3 and 4 of Legislative Decree No. 254 of 30 December 2016. The independent auditors PwC issued, in a specific Report dated 14 April 2021 and on the basis of the auditing procedures specified therein, a certification regarding the conformity, in all significant aspects, of the information provided with respect to the requirements of the aforementioned legislative decree and with respect to the reporting standards indicated in the DNF's "Methodological Note".

7. Observations on the financial reporting process and the internal control system

During the 2020 financial year, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent operating events, by obtaining information from the Manager responsible for preparing the company's financial reports and from the other heads of administrative functions. The Board of Statutory Auditors believes that, overall, the administrative and accounting system is adequate and reliable in relation to the size and complexity of the Company and the Group.

The Board of Statutory Auditors monitored, as part of its duties, the adequacy of the internal control system through: (i) obtaining information from the heads of the corporate structures; (ii) meetings with the heads of the Risk Management department and the Internal Audit department; (iii) attendance, with at least one of its members, at the meetings of committees outside of the council; (iv) exchange of information with the Independent Auditors.

Due to the constraints related to the Covid-19 pandemic, the control functions were not always able to carry out on-the-spot checks, but instead used technology that allowed them to carry out their activities properly.

The Board of Statutory Auditors was also informed, by means of the half-yearly reports submitted to the Board of Directors, on the activities carried out by the Supervisory Body set up pursuant to Legislative Decree no. 231/2001 and subsequent amendments.

Lastly, the Board of Statutory Auditors acknowledged the attestations provided by the Chief Executive Officer and the Manager pursuant to Law no. 262/05 responsible for preparing the Company's financial reports, pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May, 1999, as amended, concerning the adequacy and effective implementation of the administrative and accounting procedures for the preparation of the separate and consolidated financial statements.

Based on the results of the activities carried out, the Board of Statutory Auditors believes that the internal control system is adequate for the size and structure of the operations.

8. Observations on the adequacy of the organisational structure

The Board of Statutory Auditors monitored, to the extent of its responsibility, the adequacy of the Company's organizational structure, acquiring information from the heads of company departments, and considers this structure to be overall adequate for the characteristics of the Company and the activities carried out.

9. Other activities of the Board of Statutory Auditors

The Board of Statutory Auditors:

(i) has not received any complaints *pursuant to* Article 2408 of the Italian Civil Code, nor has it received any exposure;

(ii) did not issue opinions pursuant to law during the year;

(iii) verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members;

(iv) noted the existence of instructions given by the parent company for subsidiaries to provide all the information necessary to the parent company to fulfil the disclosure obligations required by law;

(v) with regard to first level subsidiaries, it obtained information regarding the organisational structure and internal control system through the central functions of the parent company, meetings with the top management of the subsidiaries and liaison with the respective control bodies;

(vi) it acknowledged the preparation of the Report on the Remuneration Policy 2021 and on the remuneration paid 2020, pursuant to art. 123-*ter*TUF, and has no particular observations to report;

(vii) with regard to the Company's adherence to the new Corporate Governance Code, please refer to the Report on Corporate Governance and Ownership Structure, prepared pursuant to Article 123-bis TUF;

(viii) confirms that during the periodic meetings with the representatives of the Independent Auditors, no aspects emerged that need to be highlighted in this report;

(ix) in its capacity as Internal Control and Audit Committee pursuant to Legislative Decree no. 39/2010 and subsequent amendments, acknowledges that the Framework Agreement with KPMG, relating to the performance of audit activities for the nine-year period 2021-2029, has been supplemented by an Addendum pursuant to article 5 of the Agreement ("Expansion or reduction of contractual services") to adjust the fees following the expansion of audit activities due to the extraordinary transactions involving the Group subsequent to the signing of the aforementioned Agreement. The Board of Statutory Auditors was informed by the contacts of the Administration, Finance and Control Department about the discussions with KPMG to define the change in fees (on an aggregate basis and with specific reference to IREN) in compliance with the clause of the Framework Agreement referred to above and consistent with the criteria (effort, professional mix and hourly rate) considered in the context of the Tender Process. On this point, reference should also be made to the Directors' Report prepared by the Board of Directors.

During the course of our supervisory activities, as described above, no reprehensible facts, omissions or irregularities were found that require reporting in this Report.

Moreover, the Board of Statutory Auditors does not believe that there are grounds for exercising its right to submit proposals to the Shareholders' Meeting pursuant to Article 153, Section 2, TUF.

oOo

The draft Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December, 2020, as well as the Directors' Report, were approved at the meeting of the Board of Directors held on 25 March, 2021. The separate financial statements show a net profit for the period of 210,063 thousand of euro, while the consolidated financial statements show a net profit for the period of Euro 265,071 thousand .

Since the independent auditors PwC are not responsible for the statutory audit of the accounts, the Board of Statutory Auditors verified, with reference to the separate and consolidated financial statements, that they generally comply with the rules governing their preparation and structure. The Board of Statutory Auditors also verified, to the extent of its competence, that the facts and information of which it became aware in the course of its duties were substantially true. The Board of Statutory Auditors has no particular observations to make in this regard.

In the "Risks and uncertainties" section of the Directors' Report, the Directors describe the principal risks to which the Company is exposed: financial (liquidity, interest rate, exchange rate), credit, energy, operational, IT, tax and climate change risks. Contingent liabilities are discussed in the "Guarantees and Contingent Liabilities" section of the Notes to the Separate Financial Statements and the Notes to the Consolidated Financial Statements.

The effects of the Covid-19 pandemic, as well as the actions and initiatives taken to protect employees and ensure full operations, are discussed in a separate section of the Directors' Report.

In light of the above, the Board of Statutory Auditors, having acknowledged the aforementioned certifications issued jointly by the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports, as well as the reports of the independent auditors PwC, finds no grounds, within the scope of its authority, to oppose the approval of the proposed Financial Statements for the year ended 31 December 2020 formulated by the Board of Directors and the proposal for the allocation of the net result for the period.

We remind you that, with the approval of the Financial Statements for the year ending 31 December 2020, the mandate conferred by the Shareholders' Meeting on the auditing firm PwC expires. The Board of Statutory Auditors thanks PwC for the activity carried out with competence and availability in the interest of the company.

Lastly, the mandate of the Board of Statutory Auditors is also coming to an end. The Shareholders' Meeting is therefore called upon to appoint the new Board of Statutory Auditors for the next three years.

For the Board of Statutory Auditors

Prof. Michele Rutigliano – Chairperson;

Reggio Emilia, 14 April 2021

SUMMARY OF THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING