Consolidated Financial Statements and Notes to the Financial Statements

3

At 31 december 2021

Statement of financial position

(THOUSANDS OF EURO)

	Notes	31.12.2021	of which related parties	31.12.2020 Restated	of which related parties
ASSETS					
Property, plant and equipment	(1)	3,937,586		3,798,958	
Investment property	(2)	2,456		2,764	
Intangible assets with a finite useful life	(3)	2,646,864		2,391,646	
Goodwill	(4)	208,089		169,255	
Equity-accounted investments	(5)	217,339		221,613	
Other equity investments	(6)	8,469		4,020	
Non-current contract assets	(7)	77,262		82,230	
Non-current trade receivables	(8)	20,824	18,753	20,412	13.273
Non-current financial assets	(9)	131,766	78,769	173,736	128.800
Other non-current assets	(10)	37,167	44	66,670	6.944
Deferred tax assets	(11)	427,572		372,768	
Total non-current assets		7,715,394	97,566	7,304,072	149.017
Inventories	(12)	111,812		65,642	
Current contract assets	(13)	46,391		3,175	
Trade receivables	(14)	1,063,926	124,188	885,921	119.629
Current tax assets	(15)	7,114		9,622	
Sundry assets and other current assets	(16)	385,061	766	317,082	13
Current financial assets	(17)	372,724	10,352	96,674	8.831
Cash and cash equivalents	(18)	606,888		890,169	
Assets held for sale	(19)	1,144		1,285	
Total current assets		2,595,060	135,306	2,269,570	128.473
TOTAL ASSETS		10,310,454	232,872	9,573,642	277.490

The statement of financial position balances at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities (of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV. Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under “Consolidated Financial Statements”.

(THOUSANDS OF EURO)

	Notes	31.12.2021	of which related parties	31.12.2020 Restated	of which related parties
EQUITY					
Equity attributable to the owners of the parent					
Share capital		1,300,931		1,300,931	
Reserves and Retained Earnings		966,512		847,800	
Profit for the year		303,088		239,172	
Total equity attributable to the owners of the parent		2,570,531		2,387,903	
Equity attributable to non-controlling interests		380,129		376,844	
TOTAL EQUITY	(20)	2,950,660		2,764,747	
LIABILITIES					
Non-current financial liabilities	(21)	3,549,612	611	3,829,543	2,013
Employee benefits	(22)	105,601		109,027	
Provisions for risks and charges	(23)	422,989		409,091	
Deferred tax liabilities	(24)	182,997		209,317	
Sundry liabilities and other non-current liabilities	(25)	495,809	124	488,006	138
Total non-current liabilities		4,757,008	735	5,044,984	2,151
Current financial liabilities	(26)	467,587	3,141	279,277	4,755
Trade payables	(27)	1,523,705	22,329	977,906	40,230
Current contract liabilities	(28)	89,262		28,279	
Sundry liabilities and other current liabilities	(29)	261,057	121	317,168	363
Current tax liabilities	(30)	48,674		5,309	
Provisions for risks and charges - current portion	(31)	212,501		155,972	
Liabilities associated with assets held for sale	(32)	-		-	
Total current liabilities		2,602,786	25,591	1,763,911	45,348
TOTAL LIABILITIES		7,359,794	26,326	6,808,895	47,499
TOTAL EQUITY AND LIABILITIES		10,310,454	26,326	9,573,642	47,499

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under “Financial Statements”.

Income statement

(THOUSANDS OF EURO)

	Notes	2021	of which related parties	2020 restated	of which related parties
Revenue					
Revenue from goods and services	(33)	4,826,741	345,416	3,537,997	331,656
Other income	(34)	129,130	7,742	188,211	6,276
Total revenue		4,955,871	353,158	3,726,208	337,932
Operating expenses					
Raw materials, consumables, supplies and goods	(35)	(1,990,495)	(60,053)	(1,021,501)	(36,552)
Services and use of third-party assets	(36)	(1,421,590)	(38,376)	(1,295,299)	(29,700)
Other operating expenses	(37)	(87,832)	(9,503)	(71,472)	(16,232)
Internal work capitalised	(38)	43,382		38,262	
Personnel expense	(39)	(483,498)		(449,341)	
Total operating expenses		(3,940,033)	(107,932)	(2,799,351)	(82,484)
GROSS OPERATING PROFIT		1,015,838		926,857	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(40)	(477,890)		(440,793)	
Impairment losses on loans and receivables	(41)	(53,521)		(61,708)	
Other provisions and impairment losses	(41)	(30,321)		(8,943)	
Total depreciation, amortisation, provisions and impairment losses		(561,732)		(511,444)	
OPERATING PROFIT		454,106		415,413	
Financial management	(42)				
Financial income		28,173	2,179	38,372	2,821
Financial expense		(74,553)	(231)	(93,702)	(54)
Net financial expense		(46,380)	1,948	(55,330)	2,767
Gains on equity-accounted investments	(43)	5,782		2,673	
Share of profit of equity-accounted investees, net of tax effects	(44)	10,294		6,535	
Profit before tax		423,802		369,291	
Income taxes	(45)	(90,332)		(100,006)	
– *of which non-recurring*		*32,371*		-	
Profit from continuing operations		333,470		269,285	
Profit (loss) from discontinued operations	(46)	-		-	
Profit for the year		333,470		269,285	
attributable to:					
– the owners of the parent		303,088		239,172	
– non-controlling interests	(47)	30,382		30,113	
Earnings per ordinary and savings share	(48)				
– basic (euro)		0.24		0.19	
– diluted (euro)		0.24		0.19	

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

Statement of other comprehensive income

(THOUSANDS OF EURO)

		2021	2020 restated
Profit/(loss) for the year - owners of the parent and non-controlling interests (A)		333,470	269,285
Other comprehensive income that will be subsequently reclassified to profit or loss			
- effective portion of fair value gains on cash flow hedges		7,646	25,475
- fair value gains/(losses) on financial assets		-	-
- share of other gains/(losses) of equity-accounted investees		19	(620)
- change in translation reserve		752	(804)
Tax effect		(1,505)	(7,358)
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax effect (B1)	(49)	6,912	16,693
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial losses on defined benefit plans (IAS 19)		(3,046)	(5,073)
- share of other gains/(losses) of equity-accounted investees related to defined benefit plans (IAS 19)		3	(68)
Tax effect		392	1,236
Other comprehensive income that will not be subsequently reclassified to profit or loss, net of tax effect (B2)	(49)	(2,651)	(3,905)
Comprehensive income (A)+(B1)+(B2)		337,731	282,073
attributable to:			
- the owners of the parent		306,446	252,650
- non-controlling interests		31,285	29,423

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities (of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV for more information. Business combinations In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under "Consolidated Financial Statements".

Statement of changes in equity

(THOUSANDS OF EURO)

	Share capital	Share premium reserve	Legal reserve
31/12/2019 Restated	1,300,931	133,019	64,642
Owner transactions			
Dividends			
Retained earnings			12,071
Repurchase of treasury shares			
Changes in consolidation scope			
Change in equity interests			
Other changes			
Total owner transactions	-	-	12,071
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year	-	-	-
31/12/2020 Restated	1,300,931	133,019	76,713

	Share capital	Share premium reserve	Legal reserve
31/12/2020 Restated	1,300,931	133,019	76,713
Owner transactions			
Dividends			
Retained earnings			10,503
Repurchase of treasury shares			
Changes in consolidation scope			
Change in equity interests			
Other changes			
Total owner transactions	-	-	10,503
Comprehensive income for the year			
Profit for the year			
Other comprehensive income			
Total comprehensive income for the year	-	-	-
31/12/2021	1,300,931	133,019	87,216

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under "Consolidated Financial Statements".

(THOUSANDS OF EURO)

Cash flow hedging reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit (loss) for the year	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
(37,437)	590,040	750,264	236,362	2,287,557	363,756	2,651,313
		-	(119,504)	(119,504)	(29,442)	(148,946)
	104,787	116,858	(116,858)	-		-
	(25,594)	(25,594)		(25,594)		(25,594)
	(6,837)	(6,837)		(6,837)	13,320	6,483
	(94)	(94)		(94)	(50)	(144)
	(275)	(275)		(275)	(163)	(438)
-	71,987	84,058	(236,362)	(152,304)	(16,335)	(168,639)
			239,172	239,172	30,113	269,285
17,936	(4,458)	13,478		13,478	(690)	12,788
17,936	(4,458)	13,478	239,172	252,650	29,423	282,073
(19,501)	657,569	847,800	239,172	2,387,903	376,844	2,764,747
(19,501)	657,569	847,800	239,172	2,387,903	376,844	2,764,747
			(121,892)	(121,892)	(27,390)	(149,282)
	106,777	117,280	(117,280)	-		-
	(4,042)	(4,042)		(4,042)		(4,042)
	326	326		326	1,766	2,092
	1,545	1,545		1,545	(6,009)	(4,464)
	240	240		240	3,638	3,878
-	104,846	115,349	(239,172)	(123,823)	(27,995)	(151,818)
			303,088	303,088	30,382	333,470
5,036	(1,673)	3,363		3,363	898	4,261
5,036	(1,673)	3,363	303,088	306,451	31,280	337,731
(14,465)	760,742	966,512	303,088	2,570,531	380,129	2,950,660

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer to Section IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under "Consolidated Financial Statements".

Statement of cash flows

(THOUSANDS OF EURO)

	2021	2020 restated
A. Opening cash and cash equivalents	890,169	345,876
Cash flows from operating activities		
Profit for the year	333,470	269,285
Adjustments:		
Income taxes for the year	90,332	100,006
Share of profit (loss) of associates and joint ventures	(10,294)	(6,535)
Net financial expense (income)	46,380	55,330
Amortisation and depreciation	477,890	440,793
Net impairment losses (reversals of impairment losses) on assets	18,913	1,788
Impairment losses on loans and receivables	53,521	61,708
Net provisions for risks and other charges	182,435	86,346
Capital (gains) losses	825	3,511
Payment of employee benefits	(10,373)	(7,096)
Utilisations of provisions for risks and other charges	(28,556)	(30,463)
Change in other non-current assets	30,929	(36,865)
Change in sundry liabilities and other non-current liabilities	492	9,502
Taxes paid	(102,550)	(102,328)
ETS Purchase	(155,457)	(67,516)
Cash flows for transactions on commodities derivatives markets	(25,583)	(2,072)
Other changes in equity	(177)	(644)
Change in inventories	(48,574)	13,286
Change in contract assets	(35,823)	(37,354)
Change in trade receivables	(317,767)	2,624
Change in current tax assets and other current assets	(84,500)	(3,618)
Change in trade payables	533,763	21,069
Change in contract liabilities	61,124	26,041
Change in current tax liabilities and other current liabilities	(59,948)	24,316
B. Net cash and cash equivalents generated by operating activities	950,472	821,114

	2021	2020 restated
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(757,775)	(685,150)
Investments in financial assets	(4,488)	(50)
Proceeds from the sale of investments	7,011	11,289
Changes in consolidation scope	(60,419)	(120,099)
Dividends received	3,878	2,787
C. Net cash and cash equivalents used in investing activities	(811,793)	(791,223)
Cash flows from/(used in) financing activities		
Repurchase of treasury shares	(4,042)	(25,594)
Dividends paid	(149,458)	(149,049)
Purchase of interests in consolidated companies	(4,464)	(95)
New non-current loans	205,000	875,000
Repayment of non-current loans	(293,765)	(246,292)
Change in lease liabilities	(11,509)	(115,726)
Change in other financial liabilities	(17,746)	(93,382)
Change in loan assets	(71,972)	349,697
Interest paid	(75,930)	(84,619)
Interest received	1,926	4,462
D. Net cash and cash equivalents generated by/(used in) financing activities	(421,960)	514,402
E. Cash flow for the year (B+C+D)	(283,281)	544,293
F. Closing cash and cash equivalents (A+E)	606,888	890,169

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and IBlu. Please refer toSection IV Business combinations for more information. In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in Section I. Basis of presentation under “Consolidated Financial Statements”.

Notes to the consolidated financial statements

Introduction

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Parent's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2021.

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

The business segments in which the Group operates are:

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

Section XIII, Segment reporting, includes the information required by IFRS 8.

The group's consolidated financial statements as at and for the year ended 31 December 2021 include the financial statements of the Parent and of its subsidiaries, (collectively referred to as the "Group" and, individually, as "Group companies") and the Group's equity interest in jointly-controlled companies and in associates, measured using the equity method.

I. Basis of presentation

The Consolidated Financial Statements of the Iren Group as at and for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In preparing these consolidated financial statements, the same accounting policies were applied as those adopted for the previous year's statements, with the exception of certain amendments to the IFRSs, reported on in the section "Standards, amendments and interpretations applied as of 1 January 2021".

The consolidated financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments measured at fair value and potential fees deriving from a business combination (i.e. put options to non-controlling investors), which are measured at fair value, as well as on the going concern assumption. The Group did not detect any particular risks connected with its business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

These consolidated financial statements are stated in euro, the parent's functional currency. All amounts expressed in euro are rounded to the nearest thousand in these consolidated financial statements. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these consolidated financial statements.

Financial statement formats

The financial statement formats adopted by the Iren Group in preparing these consolidated financial statements have been modified compared to those applied in preparing the consolidated financial statements at 31 December 2020. In order to present the items of the financial statements in a manner that is as consistent as possible with the Core Taxonomy of the European Single Electronic Format (ESEF), a number of additional items have been included in the Statement of Financial Position and the Statement of Cash Flows and a number of reclassifications have been made. The following table provides a reconciliation of the reclassifications made to the 2020 comparative year.

STATEMENT OF FINANCIAL POSITION (THOUSANDS OF EURO)

	31.12.2020 Published	Reclassifications	31.12.2020 Restated
ASSETS			
Non-current contract assets	-	82,230	82,230
Non-current trade receivables	115,113	(94,701)	20,412
Non-current financial assets	166,522	1,120	
Total non-current assets	281,635	(11,351)	102,642
Inventories	66,521	(964)	65,557
Current contract assets	-	3,175	3,175
Trade receivables	875,661	10,260	885,921
Current financial assets	95,356	(1,120)	
Total current assets	1,037,538	11,351	954,653
LIABILITIES			
Current contract liabilities	-	28,279	28,279
Trade payables	977,906	(28,279)	949,627
Total current liabilities	977,906	-	977,906

STATEMENT OF CASH FLOWS (THOUSANDS OF EURO)

	2020 Published	Reclassifications	2020 Restated
A. Opening cash and cash equivalents	345,876		345,876
Cash flows from operating activities			
Adjustments:			
Impairment losses on loans and receivables		61,708	61,708
Net provisions for risks and other charges	148,054	(61,708)	86,346
Change in other non-current assets and liabilities	(27,363)	27,363	-
Change in other non-current assets		(36,865)	(36,865)
Change in sundry liabilities and other non-current liabilities		9,502	9,502
ETS Purchase		(67,516)	(67,516)
Cash flows for transactions on commodities derivatives markets		(2,072)	(2,072)
Other changes in equity	(96,981)	96,337	(644)
Change in contract assets	-	(37,354)	(37,354)
Change in trade receivables	(8,076)	10,700	2,624
Change in trade payables	47,110	(26,041)	21,069
Change in contract liabilities	-	26,041	26,041
B. Net cash and cash equivalents generated by operating activities	821,513	95	821,608
C. Net cash and cash equivalents used in investing activities	(791,223)	-	(791,223)
Cash flows from/(used in) financing activities			
Purchase of interests in consolidated companies		(95)	(95)
D. Net cash and cash equivalents generated by financing activities	514,003	(95)	513,908
E. Cash flow for the year (B+C+D)	544,293	-	544,293
F. Closing cash and cash equivalents (A+E)	890,169	-	890,169

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as “current/non-current”. Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group’s ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the Group’s ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the total intermediate of Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.

The indirect method is used in the Statement of Cash Flows. The cash configuration analysed in the Statement of Cash Flows includes cash on hand and cash in current accounts.

Publication of the Consolidated Financial Statements

The Consolidated Financial Statements were approved for publication by Iren S.p.A.’s Board of Directors at its meeting of 29 March 2022. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the consolidated financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.

The Shareholders’ Meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned consolidated financial statements.

Use of estimates and assumptions by management

Estimates

Preparation of the Consolidated Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not readily apparent from comparable sources.

Estimates and assumptions were used in applying the accounting policies, in particular to measure the following items of the financial statements:

- revenue from contracts with customers: revenue from the sale of electricity and gas to end customers is recognised at the time the electricity or gas is supplied and includes, in addition to the amounts invoiced on the basis of periodic readings (and pertaining to the financial year) or on the basis of the volumes communicated by distributors and transporters, an estimate of the electricity and gas supplied during the financial year but not yet invoiced, as the difference between the electricity and gas injected into the distribution network and those invoiced during the financial year, calculated taking account of any network losses. Revenue between the date of the last reading and the end of the year is based on estimates of the customer’s daily consumption, primarily based on the customer’s historical profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption.
- impairment losses on non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts. Information on the main assumptions used to estimate the recoverable amount of

assets with reference to impacts related to climate change as well as information on changes in these assumptions is provided in Note 4 "Goodwill".

- Expected losses on financial assets: at the end of each reporting date, the Group recognises a loss allowance for trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the risk of default and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected credit loss, management uses its professional judgement, based on the Group's past experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.

- the useful life of property, plant and equipment. Transferable assets are depreciated according to the expiry term of the related concession decrees. Decree Law No. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and public administration - "D.L. Semplificazioni") converted, with amendments, by Law No. 12 of 11 February 2019, regulates the new regime of remuneration of the so-called "Wet Works" concerning concessions for large-scale diversions of water for hydroelectric power plants; the new regulations establish that "Wet Works" are to be transferred without compensation to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. As regards the so-called "dry works" (property, plant and equipment included in the business unit of the outgoing operator and not included under the "wet works" category, the so-called non-transferable assets), the new law did not introduce changes and, therefore, the outgoing operator has the right to a consideration determined on the basis of the value of reconstruction as new, less normal wear. Consequently, for purposes of legal consistency, the depreciationn schedule of the Wet works concerning the expired concessions was redetermined, considering the possible reassignment dates thereof, which, on the basis of the previous law, was interrupted starting from the 2012 financial statements.
While acknowledging that the new regulations introduce significant changes regarding the transfer of ownership of the business unit required for the operation of the hydroelectric concession, the difficulties associated with the practical application of the aforementioned principles are evident owing to their uncertainties, which do not allow a reliable estimate to be formulated of the amount that can be recovered at the end of the existing concession (residual value).
Accordingly, management has decided that it is not able to arrive at a reasonable and reliable estimate of residual value.
Given that the law in question nevertheless requires the incoming concessionaire to award a consideration to the outgoing concessionaire, management reconsidered the depreciation schedules of assets to be relinquished free of charge prior to Law no. 134/2012 (until the year ended on 31 December 2011, as the assets were to be relinquished free of charge, the depreciation schedule corresponded to the closest period between that of the concession or the useful life of the individual asset), no longer as proportional to the duration of the concession but, if longer, to the useful life of the individual asset: for this reason, in 2021, the management started a valuation process aimed at assessing the plants held by the Group in order to identify their residual life, which concerned the plants of San Mauro and Valle Orco. This process will continue in 2022 and if any additional information becomes available to enable a reliable estimate of residual value to be made, the carrying amounts of the assets involved will be adjusted prospectively.

- the determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, the inputs are estimated by management taking into account the characteristics of the instruments being measured. For further details on financial instruments measured at fair value, please refer to section VI Group Financial Risk Management. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair value estimates, the Group is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.

- Hedge accounting. Hedge accounting is applied to derivatives in order to reflect the effects of risk management strategies in the financial statements. To this end, the Group documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy. In addition, the Group assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts profit or loss. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section VI Group Financial Risk Management.

- The determination of the amount of provisions for future risks and charges. The Group is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above proceedings is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the Group, with reference to their classification among contingent liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The Group determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The Group makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 45 Income Taxes for further details regarding income taxes.

- Onerous Contracts. In order to identify an onerous contract, the Group estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.

- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Group considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of other assets. For further details on this aspect, see Note 1 "Property, plant and equipment".

- Evaluation of the existence of significant influence over an associate. Associates are those in which the Group exercises significant influence, i.e., the power to participate in determining decisions about the financial and operating policies of the investee without exercising control or joint control over those policies. As a general rule, the Group is presumed to have significant influence when it holds an interest of at least 20%. In order to determine the existence of significant influence, management's judgement is required to evaluate all facts and circumstances. The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more of the elements considered for the test of the existence of significant influence. For further details of the Group's equity investments in associates, reference should be made to Note 5 "Equity-accounted investments".
- Application of IFRIC 12 "Service Concession Arrangements" to concessions. IFRIC 12 applies to "public-to-private" service concession arrangements, which can be defined as contracts that oblige a concessionaire to provide public services, i.e., to provide access to key economic and social services, for a specified period of time on behalf of the public authority (i.e. the grantor). In these contracts, the grantor transfers to the concessionaire the right to operate the infrastructure used to provide these public services.

The estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the year in which they are revised, if the revision refers only to the year under evaluation. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these valuations refers to the use of assumptions and judgements relating to issues that are by their very nature uncertain, and is amplified by the peculiarity and variety of the businesses in which the Group operates. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

II. Basis of consolidation

The consolidation scope includes subsidiaries, joint ventures and associates.

Subsidiaries

Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 – *Consolidated Financial Statements*. Control exists when the Parent has all of the following:

- power over the investee, i.e. the current ability to direct the relevant activities of the investee thatsignificantly affect the investee's returns;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases.

Equity and the profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement.

Subsidiaries are consolidated on a line-by-line basis with the elimination of intra-group balances, transactions, unrealised income and expenses.

Furthermore: a) all changes in the equity interest that do not constitute a loss of control are treated as *equity transactions* and, therefore, have a balancing entry in equity; b) when a parent transfers control in an investee, but retains an interest in the company, it measures the retained equity investment at fair value and recognises any gains or losses deriving from loss of control in profit or loss.

Joint ventures

These are companies over which the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements, is the "contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control".*

With reference to entities jointly owned by mixed public and private companies, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also because of its nature as public entity, the existence of joint control is ascertained on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.

Joint arrangements are divided into 2 types:

- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint Ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's profit or loss but have rights to its assets and obligations for its liabilities. In this case the assets/revenue on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

Associates (accounted for using the equity method)

An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associates' profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases.

Equity-accounted investments are accounted for an amount equal to the corresponding portion of equity resulting from the latest available financial statements, adjusted to take into account the differences between the price paid and equity at the date of purchase and for any intra-group transactions, if significant.

The investor's share of profit or loss arising from application of the equity method is recognised as a "Share of profit or loss of equity-accounted associates and joint ventures", while the share of other comprehensive income is recognised in the statement of comprehensive income.

The difference between the purchase cost and the portion of the fair value, attributable to the owners of the Parent, of the identifiable current and contingent assets and liabilities of the associate or joint venture at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.

The risk deriving from losses which exceed the investor's share of equity is provided for in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.

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

Business combinations

The Group accounts for business combinations by applying the acquisition method when the group of assets and property acquired meets the definition of a business and the Group obtains control. In determining whether a particular group of assets constitutes a business, the Group assesses whether that group includes, at a minimum, a substantial input and process and whether it has the capacity to create output.

The Group has the option to carry out a 'concentration test', which enables it to ascertain through a simplified procedure that the acquired group of assets is not a business. The optional concentration test is positive if almost all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of identifiable assets with similar characteristics.

The consideration transferred and the identifiable net assets acquired are usually recognised at fair value. The carrying amount of any goodwill that arises is tested annually for impairment. Any gain from a bargain purchase is recognised immediately in profit or loss under gains or losses on Investments, while costs related to the combination, other than those related to the issuance of debt or equity instruments, are recognised as an expense in profit/(loss) for the year when incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Normally, these amounts are recognised in profit/(loss) for the year.

The contingent consideration is recognised at fair value on the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any profit or loss deriving from the loss of control is recognised in profit/(loss) for the year. Any interest retained in the former subsidiary is measured at fair value when control has been lost.

Transactions eliminated on consolidation

Intra-group balances and significant transactions and any unrealised gains and losses arising from intra- group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. The related tax effect is calculated for all consolidation adjustments.

III. Consolidation scope

The consolidation scope includes companies directly or indirectly controlled by the Parent, in addition to joint ventures and associates.

Parent:

Iren S.p.A.

Companies consolidated on a line-by-line basis

The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis.

1) Iren Ambiente and its subsidiaries:
   - ACAM Ambiente
   - AMIAT V and the subsidiary:
     - AMIAT
   - Bonifica Autocisterne
   - I.Blu
   - Iren Ambiente Parma
   - Iren Ambiente Piacenza
   - ReCos
   - Rigenera Materiali
   - San Germano
   - Territorio e Risorse
   - TRM
   - Unieco Holding Ambiente and its subsidiaries:
     - Borgo Ambiente
     - Iren Ambiente Toscana and its subsidiaries:
       - Futura
       - Produrre Pulito
       - Scarlino Energia
       - Scarlino Immobiliare
       - TB
     - Manduriambiente
     - Picena Depur
   - Uniproject

2) Iren Energia and its subsidiaries:
   - Asti Energia e Calore
   - Iren Smart Solutions and its subsidiaries:
     - Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy)

- Alfa Solutions (formerly Studio Alfa) and its subsidiary
  - Lab 231 S.r.l
- Maira and its subsidiary:
  - Formaira

3) Iren Mercato and its subsidiary:
   - Salerno Energia Vendite and its subsidiary:
     - Sidiren

4) IRETI and its subsidiaries:
   - ACAM Acque
   - ASM Vercelli and its subsidiary:
     - ATENA Trading
   - Consorzio GPO
   - Iren Laboratori
   - Iren Acqua and its subsidiary:
     - Iren Acqua Tigullio
   - Nord Ovest Servizi

The change in the consolidation scope for 2021 is due to the acquisition of control of the companies Futura S.p.A., Sidiren S.r.l., Lab231 S.r.l., Nove S.p.A., Bosch Energy and Building Solutions Italy s.r.l. (Iren Energy Solutions as of 1 January 2022) and a business unit of the company Sviluppo Ambiente e Sicurezza S.r.l., relating to consultancy regarding health and safety in the workplace, management of environmental practices, privacy and professional training. Further details on these operations are provided in Section IV Business combinations below.

From the point of view of investment structures, it should be noted that on 22 April 2021 Iren Ambiente acquired a further 7.42% stake in the subsidiary UCH Holding and therefore, following this transaction, the Group holds 100% of the company's share capital.

On 23 November 2021, Iren Ambiente Toscana acquired a 31.53% interest in the capital of its subsidiary TB. The total share held by Iren Ambiente Toscana in TB amounts to 90.09%.

Effective 03 December 2021, Unieco Holding Ambiente, which already held 99.90% of the Picena Depur share capital, became a 100% shareholder of Picena Depur.

Finally, on 22 December 2021, Iren Ambiente Toscana acquired a 27.78% stake in the capital of the subsidiary Scarlino Immobiliare, consequently becoming its sole shareholder.

In addition, certain corporate transactions became effective in 2021, which, while not involving changes in the consolidation scope, resulted in a streamlining of the Waste Management Business Unit's ownership structure:

- on 1 July 2021, Unirecuperi was merged into Unieco Holding Ambiente and, the companies AMA, Gheo Suolo e Ambiente, Monte Querce and Sereco Piemonte were merged into Iren Ambiente;
- on 24 November 2021, a partial spin-off of the Unieco Holding Ambiente business unit represented by the entire investment in Uniservizi took place in favour of Uniproject. Subsequently, on 1 December 2021, Uniservizi was merged into Uniproject. On the same day, Scarlino Holding and UCH Holding were merged into Iren Ambiente Toscana. As a result of the latter transaction, Iren Ambiente cancelled its 35.29% direct equity investment in UCH Holding and acquired an equity investment in Iren Ambiente Toscana.
- on 31 December 2021, Nove was merged into Iren Energia.

It should also be noted that during 2021, the companies Bio Metano Italia, Energy Side and STA Partecipazioni were liquidated and, consequently, removed from the register of companies.

For details of the subsidiaries, joint ventures and associates please see the lists included in the Annexes.

IV. Business combinations

Business combinations in 2021

Business combinations definitively recognised

Futura S.p.A.

With reference to the business combination of November 2020 relating to the Unieco Waste Management Division, on 30 March 2021 the Group increased its stake in the associate Futura S.p.A., acquiring a further 20% of the share capital (for the amount of 1,100 thousand euro) and gaining control by virtue of a total 60% shareholding. The company operates a mechanical-biological treatment plant that treats 140 thousand tonnes of non-sorted waste per year, equipped with a composting section for the organic and green fraction, whose concession expires in 2041.

In the nine-month period ended 31 December 2021, the subsidiary generated revenue of 7,717 thousand euro and a loss of 315 thousand euro. Management believes that if the acquisition had occurred on 1 January 2021, the impact on consolidated revenue would have amounted to 9.556 thousand euro and on consolidated profit for the year would have amounted to -367 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

The following table shows the value of identifiable assets acquired and liabilities assumed.

(THOUSANDS OF EURO)

	Nominal values	FV Adjustment	Fair value
Property, plant and equipment	55		55
Intangible assets with a finite useful life	26,566	1,869	28,435
Other non-current assets	281		281
Deferred tax assets	859		859
Inventories	243		243
Trade receivables	2,655		2,655
Sundry assets and other current assets	1,607		1,607
Cash and cash equivalents	3,679		3,679
Non-current financial liabilities	(25,206)		(25,206)
Employee benefits	(339)		(339)
Deferred tax liabilities	-	(521)	(521)
Sundry liabilities and other non-current liabilities	(420)		(420)
Current financial liabilities	(1,759)		(1,759)
Trade payables	(2,439)		(2,439)
Sundry liabilities and other current liabilities	(1,755)		(1,755)
Current tax liabilities	(116)		(116)
Provisions for risks and charges - current portion	(40)		(40)
Total net identifiable assets	3,871	1,348	5,219

The analysis carried out for the purpose of allocating the purchase price of the company Futura identified the intangible asset deriving from the concession stipulated with the Comunità d'ambito Toscana Sud (grantor) for the construction and management of the Grosseto plant for the mechanical biological treatment of undifferentiated waste, equipped with a composting section for the organic and green fractions.

The valuation of the concession, amounting to 1,869 thousand euro, was carried out on the basis of the *Multi Period Excess Earning method (MEEM)*, which is based on the principle that the entire current income of a company must be allocated to the assets identified at the time of purchase price allocation. The income attributable to the identified intangible asset can then be derived by difference by deducting the normal remuneration of all other assets (property, plant and equipment and intangible assets) from total income. The fair value of the intangible asset is thus obtained by discounting the expected residual income over the years of the useful life of the asset.

Goodwill arising from the acquisition has been recognised as shown in the table below:

(THOUSANDS OF EURO)

Fair value of the price transferred	1,100
Fair value of interest held before acquisition of control	4,840
Restatement of equity investments at fair value recognised in profit or loss	1,305
Fair value of identifiable net assets	(5,219)
Non-controlling interests in identifiable net assets	2,089
Goodwill	4,115

The goodwill arising from the acquisition relates primarily to the development of an 80 kton/y anaerobic digester of OFMSW upstream of the existing composting line. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

Nove S.p.A.

On 12 October 2021, Iren Energia won the tender called by the Municipality of Grugliasco (Province of Turin) for the sale of 51% of Nove S.p.A., manager of the district heating service in the same municipality. The company, which was already 49% owned, was consequently fully consolidated and was merged into Iren Energia. The price of the transaction was 5,355 thousand euro.

In the three-month period ended 31 December 2021, the subsidiary generated revenue of 3,913 thousand euro and a loss of 208 thousand euro. Management believes that if the acquisition had occurred on 1 January 2021, the impact on consolidated revenue would have amounted to 7,462 thousand euro and on consolidated profit for the year would have amounted to about 199 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

The following table shows the value of identifiable assets acquired and liabilities assumed.

(THOUSANDS OF EURO)

	Fair value
Property, plant and equipment	17,831
Intangible assets with a finite useful life	3,526
Other non-current assets	4
Deferred tax assets	168
Trade receivables	1,001
Current tax assets	3
Sundry assets and other current assets	32
Cash and cash equivalents	2,277
Non-current financial liabilities	(16)
Employee benefits	(81)
Deferred tax liabilities	(691)
Current financial liabilities	(7,720)
Trade payables	(3,965)
Sundry liabilities and other current liabilities	(24)
Current tax liabilities	(5)
Total net identifiable assets	12,340

The analysis conducted for the purpose of allocating the purchase price of Nove S.p.A. did not reveal any differences between the fair value of the assets acquired and liabilities assumed, which are identifiable, and their carrying amount at the date of acquisition.

The gain from the purchase at favourable prices was recognised as shown in the table below.

(THOUSANDS OF EURO)

Fair value of the price transferred	5,355
Interest held before the acquisition of control	2,311
Restatement of equity investments at fair value recognised in profit or loss	2,366
Fair value of identifiable net assets	(12,340)
Profit from purchase at favourable prices	(2,308)

The remeasurement at fair value of the Group's previously held 49% interest in Nove generated a gain of 2,366 thousand euro (4,677 thousand euro less 2,311 thousand euro relating to the carrying amount of the equity-accounted investment at the date of acquisition). This amount has been included in the item "Gains on equity-accounted investments". The gain from the purchase at favourable prices is recorded in the same item.

Business combinations provisionally recognised

During 2021, the Group acquired control of the companies Sidiren S.r.l., Lab231 S.r.l., Bosch Energy and Building Solutions Italy S.r.l. (Iren Energy Solutions as of 1 January 2022) and a business unit of the company Sviluppo Ambiente e Sicurezza S.r.l.

On 16 July 2021, the Group completed the acquisition of 100% of Sidiren S.r.l., a newco conferring the business unit, personnel included, from Sidigas.com S.r.l., operating in the sale of natural gas with a portfolio of approximately 52 thousand customers distributed mainly in the Province of Avellino.

In the six-month period ended 31 December 2021, the subsidiary generated revenue of 14,221 thousand euro and a profit of 754 thousand euro.

On 29 July 2021, the Alfa Solutions Group company (formerly Studio Alfa) completed the parallel purchase transactions:

- a business unit of the company Sviluppo Ambiente e Sicurezza S.r.l., relating to consultancy regarding health and safety in the workplace, management of environmental practices, privacy and professional training;
- a share representing 100% of Lab231 S.r.l., operating in the field of audits on the implementation of the organisational model required by Legislative Decree no. 231/2001.

In the five-month period ended 31 December 2021, the subsidiary generated €255 thousand of revenue and €83 thousand of profit.

On 30 November 2021, Iren Smart Solutions acquired the entire equity investment of Bosch Energy and Building Solutions Italy S.r.l. (Iren Energy Solutions as from 1 January 2022), operating in the energy efficiency sector, in particular in the design, construction and management of integrated heating, air conditioning and cogeneration plants for public and private customers.

In the one-month period ended 31 December 2021, the acquisition generated revenue of 6,437 thousand euro and a loss of 1,380 thousand euro. Management believes that if the acquisition had occurred on 1 January 2021, the impact on consolidated revenue would have amounted to 38,454 thousand euro and on consolidated profit for the year would have amounted to a loss of 5,830 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2021.

For these acquisitions, pending the definition of the Purchase Price Allocation (PPA) to be completed in accordance with IFRS 3, the positive difference between the price paid and the provisional fair value, at the date of obtaining control, of the identifiable assets acquired and the identifiable liabilities assumed was allocated to goodwill.

The following table shows for each acquisition the provisional fair value of the consideration, the identifiable assets acquired, and liabilities assumed, and provisional goodwill.

(THOUSANDS OF EURO)

	Sidiren	Iren Energy Solutions	SAS Unit and Lab 231
Consideration transferred			
Cash and cash equivalents	30,223	29,001	850
Contingent consideration	-	5,268	-
Fair value of the price at the acquisition date	30,223	34,269	850
Provisional fair value of identifiable net assets			
Property, plant and equipment	-	871	67
Intangible assets with a finite useful life	-	8	-
Non-current financial assets	-	17,472	40
Other non-current assets	-	1,134	7
Deferred tax assets	-	1,500	-
Inventories	-	126	-
Current contract assets	-	3,475	-
Trade receivables	-	19,574	825
Sundry assets and other current assets	-	334	361
Current financial assets	-	2,836	-
Cash and cash equivalents	-	1	153
Non-current financial liabilities	-	(87)	(289)
Employee benefits	-	(324)	(90)
Provisions for risks and charges	-	-	(15)
Sundry liabilities and other non-current liabilities	(2,660)	-	-
Current financial liabilities	-	(172)	(90)
Trade payables	-	(10,764)	(186)
Sundry liabilities and other current liabilities	-	(1,612)	(446)
Current tax liabilities	-	-	(64)
Provisions for risks and charges - current portion	-	(1,362)	-
Total provisional fair value of identifiable net assets	(2,660)	33,010	273
Provisional goodwill	32,883	1,259	577

The fair value of Iren Energy Solution's contract assets is subject to variable fees based on the achievement of certain energy efficiency objectives, including with reference to energy supply prices. The Group conducted a prior evaluation of the provisions for onerous contracts based on initial estimates made and recognised a provisional amount on initial recognition. In addition, the accounting for lease assets is subject to a number of conditions that could impact the transfer of control of the assets to the end customer. The Group conducted a prior evaluation of these contracts and their effect on revenue from the sale of goods and services and recognised a provisional amount upon initial recognition. However, the Group will continue to review these aspects during the evaluation period.

If new information obtained within one year of the acquisition date relating to facts and circumstances as of the acquisition date results in adjustments to the amounts shown or any additional provisions as of the acquisition date, the accounting for the acquisition will be revised.

Business combinations in 2020

During 2020, the Group acquired control of Unieco Waste Management Division companies, Nord Ovest Servizi and IBlu. For these acquisitions, the final fair value of the identifiable assets acquired and liabilities assumed was determined during 2021, reflecting the best knowledge gained in the interim. Therefore, in the consolidated financial statements as at and for the year ended 31 December 2020, the fair value had been recorded on a provisional basis as permitted by IFRS 3.

In accordance with the provisions of the standard, the update of the fair value occurred with effect from the date of acquisition and, therefore, all changes were made to the financial position of the companies acquired at that date. The resulting balances in the consolidated financial statements at 31 December 2020 have been restated to reflect the new amounts.

Unieco Waste Management Division

In November 2020, Iren Ambiente completed the purchase of the so-called "Waste Management Division" of Unieco, a cooperative company under compulsory liquidation, for a fee of 121,551 thousand euro. The activities acquired are carried out through 20 subsidiaries and 8 associates that oversee the main operating sectors of the waste management supply chain.

In the three-month period ended 31 December 2020, the business acquired generated revenue of 30,065 thousand euro and a profit of 2,030 thousand euro.

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated as of that date.

(THOUSANDS OF EURO)

	Provisional fair value	Adjustments IFRS 16 and IFRIC 12	Fair value adjustment	Final fair value
Fair value of the price at the acquisition date	121,551			121,551
Fair value of identifiable net assets				
Property, plant and equipment	79,545	(26,139)	(7,303)	46,103
Intangible assets with a finite useful life	2,032	20,866	5,735	28,633
Equity-accounted investments	26,565		41,295	67,860
Other equity investments	1,185			1,185
Non-current trade receivables	26			26
Non-current financial assets	1,179	6,705		7,884
Other non-current assets	292			292
Deferred tax assets	8,361	1,959	1,613	11,933
Inventories	4,520			4,520
Trade receivables	36,721			36,721
Current tax assets	2,017			2,017
Sundry assets and other current assets	5,235			5,235
Current financial assets	12,303	2,438		14,741
Cash and cash equivalents	50,278			50,278
Non-current financial liabilities	(49,026)	(1,298)		(50,324)
Employee benefits	(2,876)			(2,876)
Provisions for risks and charges	(25,148)		(3,635)	(28,783)
Deferred tax liabilities	(3,804)	(2,579)	(587)	(6,970)
Sundry liabilities and other non-current liabilities	(1,320)			(1,320)
Current financial liabilities	(12,173)	(374)		(12,547)
Trade payables	(37,286)			(37,286)
Sundry liabilities and other current liabilities	(10,880)			(10,880)
Current tax liabilities	(3,105)			(3,105)
Provisions for risks and charges - current portion	(6,349)			(6,349)
Total fair value of net identifiable assets	78,292	1,578	37,118	116,988
Non-controlling interests in identifiable net assets	(3,486)		(1,336)	(4,822)
Goodwill	46,745			9,385

The analysis carried out for the purpose of allocating the purchase price identified the intangible asset deriving from the concession for the construction and management of the Manduria (Taranto) plant for the mechanical biological treatment of undifferentiated waste, with annexed service landfill and the concession for the construction and management of the Terranuova Bracciolini (Arezzo) plant for the mechanical biological treatment of undifferentiated waste and a composting line.

The valuation of the concession, amounting to 5,735 thousand euro, was carried out on the basis of the Multi Period Excess Earning method (MEEM), which is based on the principle that the entire current income of a company must be allocated to the assets identified at the time of purchase price allocation. The income attributable to the identified intangible asset can then be derived by difference by deducting the normal remuneration of all other assets (property, plant and equipment and intangible assets) from total income. The fair value of the intangible asset is thus obtained by discounting the expected residual income over the years of the useful life of the asset.

The fair value of investments in associates was obtained by using the discounted cash flow method (DCF), which resulted in an increase of 41,295 thousand euro in the item Equity-accounted investments. The increase regarded the shareholdings in Barricalla, CSAI, Futura, Sei Toscana and Siena Ambiente.

The fair value of the waste-to-energy plant in Scarlino (Grosseto), whose authorisation was denied at the beginning of 2015 and for which a new authorisation process was underway at the date of acquisition, was determined by weighting two alternative scenarios related to the restart of the plant. The result of this valuation based on the discounted cash flow method (DCF) led to a write-down of the asset of 7,303 thousand euro. In addition, the future cost of possible decommissioning of the plant (3,635 thousand euro) was recorded as a contingent liability.

Goodwill arising from the acquisition relates primarily to the skills and technical knowledge of Unieco staff and the synergies expected to be obtained from the integration of the acquired company into the Group's waste management sector

Nord Ovest Servizi

In July 2020, the Group acquired from ASTA S.p.A. (a Gavio Group company) through IRETI and AMIAT, 50% of the shares of Nord Ovest Servizi S.p.A (NOS), for a consideration of 6,513 thousand euro, increasing to 75%. NOS, measured at equity until 30 June 2020, consequently entered the consolidation scope on a line-by-line basis as of July 2020.

The equity investment in NOS essentially holds the associated investment (45%) in Asti Servizi Pubblici S.p.A. ("ASP"), which operates in concession in the sectors of integrated water service, urban hygiene, transport and cemetery services.

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated as of that date.

(THOUSANDS OF EURO)

	Provisional fair value	Fair value adjustment	Final fair value
Fair value of the price transferred	6,513		6,513
Interest held before the acquisition of control	4,539		4,539
Restatement of equity investments at fair value recognised in profit or loss	(1,578)	1,578	-
Fair value of the price at the acquisition date	9,474	1,578	11,052
Fair value of identifiable net assets			
Equity-accounted investments	9,815	7,292	17,107
Trade receivables	119		119
Current tax assets	61		61
Cash and cash equivalents	1,031		1,031
Trade payables	(161)		(161)
Total fair value of net identifiable assets	10,865	7,292	18,157
Non-controlling interests in identifiable net assets	(2,716)	(1,823)	(4,539)
Goodwill / (Profit from purchase at favourable prices)	1,325		(2,566)

The final fair value of the investment in the associate ASP was determined through the liquidation value of the shares held by Nord Ovest Servizi (private industrial shareholder) recognised by the public shareholder, Municipality of Asti, upon expiry of the concessions for the services managed by Asti Servizi Pubblici. The profit resulting from purchases at favourable prices is recognised in profit or loss under "Gains on equity-accounted investments".

When defining the definitive accounting for the acquisition of the company, the fair value of the put options exercisable by non-controlling investors on the remaining 25% of their shareholdings in Nord Ovest Servizi was recorded for 3,093 thousand euro under non-current financial liabilities.

I. Blu

In August 2020, Iren Ambiente finalised the purchase of 80% of the share capital of I.Blu from Idealservice for 16,106 thousand euro; the company operates in the field of selection of plastic waste to be sent for recovery and recycling, as well as in the treatment of plastic waste for the production of Blupolymer (polymer for civil uses) and Bluair ("reducing agent" for steel plants).

The following table shows the value of the identifiable assets acquired and liabilities assumed provisionally accounted for as of the acquisition date and the amounts restated as of that date.

In the five-month period ended 31 December 2020, the acquisition generated revenue of 19,724 thousand euro and a profit of 617 thousand euro. Management believes that if the acquisition had occurred on 1 January 2020, the impact on consolidated revenue would have amounted to 49,807 thousand euro and on consolidated profit for the year would have amounted to 2,198 thousand euro. In calculating the above amounts, company management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2020.

(THOUSANDS OF EURO)

	Provisional fair value	Fair value adjustment	Final fair value
Fair value of the price at the acquisition date	16,106		16,106
Fair value of identifiable net assets			
Property, plant and equipment	32,770		32,770
Intangible assets with a finite useful life	1,854	10,324	12,178
Other equity investments	10		10
Deferred tax assets	3		3
Inventories	4,469		4,469
Trade receivables	12,895		12,895
Current tax assets	642		642
Sundry assets and other current assets	1,426		1,426
Cash and cash equivalents	786		786
Non-current financial liabilities	(10,587)		(10,587)
Employee benefits	(241)		(241)
Provisions for risks and charges	(6)		(6)
Deferred tax liabilities	(383)	(2,880)	(3,263)
Current financial liabilities	(17,014)		(17,014)
Trade payables	(8,605)		(8,605)
Sundry liabilities and other current liabilities	(3,403)		(3,403)
Current tax liabilities	(1,435)		(1,435)
Total fair value of net identifiable assets	13,181	7,444	20,625
Non-controlling interests in identifiable net assets	(2,637)	(1,489)	(4,126)
Goodwill / (Profit from purchase at favourable prices)	5,562		(393)

The analysis carried out for the purpose of allocating the purchase price of the company IBlu identified the intangible asset deriving from the value of the environmental authorisations for the construction and management of the plastic selection and recycling plants owned by the company.

The valuation of authorisations totalling 10,324 thousand euro was carried out using the discounted cash flow method (DCF).

The profit resulting from purchases at favourable prices is recognised in profit or loss under "Gains on equity-accounted investments".

When defining the definitive accounting for the acquisition of the company, the fair value of the put option exercisable by the non-controlling investor on its shares in IBlu was recorded for 4,026 thousand euro under current financial liabilities.

V. Accounting policies

The accounting policies adopted in drawing up these Consolidated Financial Statements of the Iren Group at 31 December 2021 are indicated below; the accounting policies described were applied consistently by all the Group companies and have not changed with respect to those adopted at 31 December 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.

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

If significant items of such property, plant and equipment have different useful lives, these items 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 costs are fully recognised in profit or loss. Other costs of an incremental nature are allocated to the 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. Costs 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 costs related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

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

The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	1.25%	20.00%
Light constructions	2.00%	35.29%
Vehicles	5.00%	25.00%
Sundry equipment	5.00%	35.29%
Furniture and office machines	5.00%	20.00%
Hardware	10.00%	50.00%
Plants	1.22%	35.29%

The changes in rates compared to 2020 are due to the new companies that came into the full consolidation scope, the updating of the economic and technical useful lives of individual assets and the result of verification performed on these by the technicians responsible for the plants.

The table below shows the residual term of the lease contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

	Years	
Right-of-use assets IFRS 16 - Leases	from	to
Land	2	96
Buildings	2	57
Plant and machinery	2	4
Industrial and commercial equipment	7	7
Other assets (vehicles)	2	9

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

- Leased assets

Lessee

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.

The Group lessee side applies the practical expedient of IFRS 16, which provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset has a unit value as new of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, 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 used for discounting, reference is made to the marginal loan rate derived 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 current portion (within 12 months) from the non-current portion.

The right of use of the asset underlying the lease 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 term 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 redetermination of the lease liability.

In the statement of financial position, the Group shows right-of-use assets that do not meet the definition of investment property under ‘property, plant and equipment’ and lease liabilities under ‘financial liabilities’.

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

Lessor

At the inception of a contract or upon amendment of a contract that contains a lease component, the Group allocates the contract consideration to each lease component based on its stand-alone price.

At the inception of the lease, the Group, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, the Group generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset. In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the Group considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the Group, as an intermediate lessor, classifies its share in the head lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the principal lease is a short-term lease that the Group has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the Group allocates the contract consideration by applying IFRS 15.

The Group applies the derecognition and impairment provisions of IFRS 9 to the net investment in leases. The Group periodically reviews estimates of non-guaranteed residual values used in the calculation of gross investment in leases.

The Group recognises payments received for operating leases as income on a straight-line basis over the lease term in 'other income'.

Investment property

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable costs. The related transaction costs are recognised among the property costs, when purchase is recognised. Real estate investments are measured at cost in the following evaluation.

Costs incurred after the purchase or completion of a property intended as an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these costs. Otherwise, such costs are charged to profit or loss.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

Intangible assets

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the group 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 expenditure is capitalised if all of the following features can be demonstrated:

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

If even one of these requirements fails to be met, the expenditure in question is fully recognised in profit or loss in the year in which it is incurred.

Intangible assets with a finite useful life 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 group's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property use rights	1	50
Concessions, licences, trademarks and similar rights	1	99
Software	1	33
Other intangible assets with a finite useful life	1	99

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 development and payments on account relate to internal and external costs referring to intangible assets for which the group has not yet acquired the right and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets 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.

Goodwill

Goodwill is initially recognised at cost. It represents the difference between the purchase cost and the portion of fair value attributable tp non-controlling interests and the net fair value referred to the identifiable assets, and current and contingent liabilities acquired. If, after this restatement, the fair value of current and contingent assets and liabilities exceeds the purchase cost, the difference is recognised immediately in profit or loss.

Any goodwill deriving from the acquisition of an associate or joint venture is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses on non-financial assets").

Non-current assets held for sale - Discontinued operations

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

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

a) it represents an important business unit or geographical segment;

b) forms part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;

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 "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 year is restated in order to guarantee consistent comparison.

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

Service concession arrangements

The IREN Group is subject to application of IFRIC 12, which defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under licence agreement. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will purchase either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service as property, plant and equipment in the statement of financial position under assets, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The financial asset recognised is subject to the provisions of IAS 32, IAS 9 and IFRS 7.

The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditional right to receive payments as the amounts depend on how much the utility is used. The intangible asset recognised is subject to the provisions of IAS 38.

If the operator is paid for the building services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.

With reference to the grants received on non-current assets, included in the application of IFRIC 12, these grants are classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. The group performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its 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 years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing item in profit or loss, 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 amount expected from its disposal at the end of its useful life.

The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the group 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 profit or loss, 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 measured at amortised cost; b) financial assets measured at fair value through other comprehensive income (FVOCI); c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under 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 balancing 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 year, 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 IFRS 9 the impairment model adopted by the Iren group is based on expected credit losses, where "loss" means the present value of all cash shortfalls considering forward-looking information. According to the general approach concerning all financial activities, the expected credit 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 exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value through profit orloss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- Other equity investments

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

- Hedging instruments

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

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

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the group'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 employing 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, the fair value is supplemented with 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 equity for the effective portion of the hedge (intrinsic value), and in profit or loss 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 profit or loss.

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 profit or loss.

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: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market 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 loss allowances determined, in accordance with IFRS 9, by applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit or loss, 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 equivalents in hand are measured at their nominal amount.

- Derecognition of financial assets and liabilities

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the Group has substantially transferred all the risks and benefits associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to shift these cash flows to one or more beneficiaries under a contract that meets the requirements under IFRS 9 (pass through test);
- the Group has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories, mainly made up of materials and supplies for the maintenance and construction of plants, raw materials, i.e. fuel oil and diesel, and gas in relation to the marketing activity, measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method.

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

Equity

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

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

Costs directly attributable to share capital transactions of the parent, for new subscriptions, are offset against equity.

Dividends are recognised as liabilities 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 Group these are included under post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the supplementary pension funds.

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

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as 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 expense;
2) financial (financial expense), net interest income/expense;
3) measurement (remeasurement costs), actuarial gains/losses.

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

As regards disclosures, information is given on the characteristics of the plans and related amounts recognised in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations 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 group 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 consolidated 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 group would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

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

Provisions for landfill post-closure are discounted to the present on the basis of the cash flows indicated in the report drawn up by an independent expert.

The provision for the renewal of transferable assets was set up so as not to recognise costs for maintenance, replacements and similar work, which do not increase the carrying amount of the asset, only in the years in which they were incurred but to distribute them among the different years of use of those assets.

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

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

1) identify the contract with the customer. Contract means 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. Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual characteristics.
   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.
   In this context, it is determined whether the entity is acting as "principal" or "agent," depending on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

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". For any bundled supplies, the selling price is generally allocated on the basis of the standalone price of each good or service, i.e., the price at which the Group would sell such good or service separately to the customer;

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. For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.
When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.
If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the Group's operating segments, it should also be noted that:

- revenue from the sale of electricity, gas and heat to customers are recognised at the time of supply and include the estimated amount relating to supplies made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption;
- revenue from network businesses (electricity, gas and water distribution) are entered on the basis of the tariffs determined by the competent Authorities to reflect the remuneration paid for the investments made;
- revenue relating to contracts for the energy efficiency upgrading of buildings or plants are recognised on the basis of the stage of completion of the contract work, deduced from the total estimated costs incurred, by means of the recognition of an asset arising from contracts with customers until the obligation has been fully met.

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.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically recognised as income over the useful life of the asset to which they refer. The deferred revenue relating to the grants themselves is reflected in the statement of financial position as other liabilities, with appropriate separation between the current portion and the non-current one.

Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Connection grants invoiced by companies that provide the distribution service as reimbursement of the costs incurred for the connection/meter installation under the terms of IFRS 15 cannot be considered part of the price of the distribution service because there is no transfer of control over the asset. They are therefore deferred and released along the life of the asset of reference in line with what is envisaged for tariff purposes.

Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature.

Income is measured at the fair value of the price received or due and is recognised when:
- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group.

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 expense

Financial income and expense 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 expense directly attributable to the acquisition, construction or production of a plant is capitalised when:
- it is likely that it will result in future economic benefits for the group;
- it can be reliably measured.

Income taxes

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

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

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

Deferred tax assets are recognised only when their recovery is probable.

Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the tax consolidation 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 assets.

Uncertainty of income tax treatment

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Group recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Group believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, the Group reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Group decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Group assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Group reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Group reports uncertain tax assets/liabilities as current taxes or deferred taxes.

Translation criteria

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

Emission Trading Scheme

The Emission Trading Scheme, which came into force in the European Union on 1 January 2005, is one of the 'flexible mechanisms' permitted under the Kyoto Protocol to reach greenhouse gas emission targets. The target for Italy was a 6.5% reduction in CO2 emissions by 2012 compared with 1990.

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

The Group actively participates in the emissions trading scheme to reduce greenhouse gas emissions and contribute to reaching the targets with respect to the national reduction plan.

Emission quotas acquired in the context of activities associated with achieving these targets are accounted for as intangible assets. The quotas are measured initially at fair value, represented by the effective purchase price, and are not amortised. Quotas received free of charge are not recognised.

As regards obligations related to the year, the CO2 emissions made are measured at fair value, represented by the market price at the end of the year and/or by the effective price of quotas already purchased, and are set aside as provisions for charges, used at the moment in which the rights are cancelled.

In the event of sale of emission quotas, together with the decrease in intangible assets, any capital gain/loss deriving from the selling price is recognised.

Any emission quotas held for trading which are still unsold at year end are recognised in the statement of financial position under the item Inventories. These quotas are measured at the lower of cost and market value.

Other energy certificates

Some types of incentives or energy certificates closely related to the activities performed were assigned to the Group. These are strictly connected with the performance of specific activities aimed at energy-saving and at injection into the electricity system of energy produced by renewable sources. In particular, the Group received:

- from the Energy Services Operator ("Gestore dei Servizi Energetici" - GSE) the ex-green certificate incentive, as established by the Ministerial Decree of 6 July 2012, valid for the production of plants that already benefited from green certificates;
- from the Energy Services Operator (GSE), tradable certificates that certify that energy-saving work has been performed (Energy Efficiency Certificates – "EECs"- the so-called "white certificates").

For accounting purposes, these cases are treated as follows:

- the incentive tariff (ex-green certificates) deriving from the annual production of electricity from renewable sources is recognised on the basis of the accruals concept when the right matures;
- white certificates are accounted for in a slightly different way according to whether the entity is obliged or not obliged to return the EECs.

In fact, entities that are obliged to return EECs recognise among other income the grant received related to the obligation for the year and among cost for raw materials the cost of EECs purchased to meet this obligation in the year of accrual. If the EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted;

conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year.

Entities not obliged to return the EECs:

- if they operate in trading activities, recognise revenue and costs of the certificates bought and sold and suspend among Inventories any unsold certificates, measured at the weighted average cost and at the lower between cost and market;
- if white certificates mature in the context of energy efficiency and energy saving activities, the related revenue is recognised as it accrues.

Earnings per share

- Earnings per share

Basic earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent. They are calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share

Diluted earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent.

For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

Standards, amendments and interpretations applied as of 1 January 2021

As of 1 January 2021, the following standards and amendments to standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

Interest Rate Benchmark Reform - Phase 2

In August 2020, the IASB published the Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16), endorsed by the European Union with Reg. 2021/25 of 13 January 2021. While Phase 1 focused on the consequences of pre-reform IBOR by providing exceptions to hedge accounting requirements, Phase 2 examines the consequences of contractual changes resulting from the reform by clarifying the proper accounting treatment of the financial instruments involved when interest rate benchmarks are replaced by alternative rate benchmarks.

The amendments mainly concern the following topics:

1) The accounting impacts of a change in the cash flows of a financial instrument resulting from a change in the contractually agreed index. With reference to the changes resulting from the reform of interest rates, the IASB has identified two types of scenarios: a) scenarios in which the reform of interest rates leads to a change in contractual conditions and b) scenarios in which the reform leads to changes in cash flows without requiring changes in contractual conditions. In either case, if the changes are the direct result of the interest rate reform and generate cash flows that are economically equivalent to those expected immediately before the changes resulting from the reform, then the instrument should not be derecognised. In essence, the effective interest rate of the instrument must be changed to reflect these changes, without any impact immediately recognised in profit or loss (IFRS 9 B5.4.5.).
2) The consequences of an index change for hedge accounting. In Phase 2, the IASB introduces additional exceptions to the hedge accounting requirements to ensure that hedging relationships affected by the IBOR reform do not have to be discontinued upon replacement:-
   i) the hedging report must not be interrupted if the change in documentation meets certain conditions (IFRS 9 6.9.1);
   ii) when the hedging relationship is changed to consider the new reference rate, the Hedging reserve recognised under Other comprehensive income is deemed to be calculated based on the alternative reference rate (IFRS 9 6.9.7);
   iii) for the purpose of assessing the retrospective effectiveness of a hedging relationship on a cumulative basis, as soon as the Phase 1 exceptions cease to apply, the cumulative change in the fair value of the hedged item and the hedging instrument can be reset to

zero to prevent the hedging relationship from being terminated due to the accumulated ineffectiveness during Phase 1 (IAS 39 102V);

iv) where the alternative reference rate is designated as a non-contractually specified risk component or the elements have been hedged at portfolio level, specific guidance is provided to manage the transition (IFRS 9 6.9.9-13).

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

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

4) The impact of the IBOR reform on standards other than those relating to financial instruments, in particular IFRS 4 Insurance Contracts and IFRS 16 Leases. With respect to IFRS 16, in the case of leases that include variable payments indexed to benchmark rates that are within the scope of the IBOR reform, the document provides, as a practical expedient, that changes in lease payments resulting from the IBOR reform are accounted for as adjustments to the lease liability, rather than as lease modifications. This exception is strictly limited to changes that are the direct result of the IBOR reform and are economically equivalent to previous assumptions (e.g. the previous reference rate).
The Iren Group's hedging relationships are exposed to the EURIBOR benchmark index. The EURIBOR's calculation methodology was subject to review in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of the Benchmarks Regulation (EU) 2016/1011 (BMR): it is therefore assumed that EURIBOR will continue to be used in the immediate future, and the directors believe that the risk associated with the IBOR transition is therefore almost nil and no significant effects are expected in the Group's consolidated financial statements. Iren also continues to monitor developments in the interest rate benchmark reform for determining interest rates and the inclusion of fallback clauses in contracts for financial transactions to guarantee the effectiveness of hedging relationships. It should be noted that the IBOR reform has not, at present, had any impact on the Iren Group's interest rate risk management strategy.

At 31 December 2021, the nominal amount of financial liabilities not linked to derivatives and correlated to the EURIBOR benchmark was 54,309 thousand euro, while the nominal amount of hedging instruments correlated to this index was 488,716 thousand euro.

Amendments to IFRS 16 – Covid-19-Related Rent Concessions. The document, issued by the IASB on 31 March 2021 and endorsed by the European Union through Reg. 2021/1421 dated 30 August 2021, extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for concessions granted to lessees due to Covid-19.

In practice, lessees who, as a direct result of the Covid-19 pandemic, benefit from concessions, such as reductions, rebates or deferral of rent, may use a practical expedient to assume, without making any assessment, that the reduction or deferral of payments due does not constitute a contractual modification if, without prejudice to the other conditions set forth in paragraph 46B, the reduction concerns payments due on or before 30 June 2022.

The amendment must be applied in annual periods beginning after 1 April 2021, but may be applied to all financial statements, including interim financial statements, not yet approved as of the date of issuance of the document.

To date, the Iren Group has not benefited from discounts or rebates on payments due for leases in relation to the Covid-19 pandemic, therefore the practical expedient in question is not applicable.

Extension of the temporary extension from the application of IFRS 9 (Amendments to IFRS 4). In particular, the amendments to IFRS 4 extend the expiry of the temporary exemption from the application of IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and thus remedy the temporary accounting consequences that could arise in the event that the two standards come into force on different dates.

Standards, amendments and interpretations endorsed but not yet applicable and not adopted in advance by the group

Amendments to IAS 37 – Onerous contracts

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, 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 years; the cumulative effect of applying the amendment for the first time shall be recognised in the opening balance of retained earnings (or other equity component if appropriate).

Amendments to IAS 16 - Proceeds before Intended Use.

The document, issued by the IASB in May 2020 and endorsed by the European Union through Reg. 2021/1080 of 28 June 2021, 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 revenue no longer has to be deducted from the cost of property, plant and equipment (the offset is therefore cancelled). Sales revenue and costs of such items shall be recognised in profit or loss in accordance with the standards 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).

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

The standard goes into effect on 1 January 2023. However, earlier application is permitted.

Annual Improvements to IFRS Standards 2018-2020

The amendment will be applicable for annual reporting periods beginning 1 January 2022.

The main amendments regard:

- IFRS 1 First-time Adoption of IFRS - Subsidiary as a First-time adopter -A subsidiary that applies the IFRS for the first time after its parent, may apply paragraph D16(a) of IFRS 1 and measure cumulative translation differences using the amounts recognised in the group's consolidated financial statements, which were determined based on the parent's date of transition to IFRS. The above exemption can also be applied by associates and joint ventures that apply IFRS for the first time after their investor.

- IFRS 9 Financial instruments - Fees included in the "10% test" for the purposes of derecognition of financial liabilities - The amendment to IFRS 9 has clarified that the fees to be considered in the above 10% test are only the fees paid or received between the borrower and the lender and the fees paid or received by the borrower or the lender on behalf of the other party.

- Illustrative Examples of IFRS 16 Leases - Lease Incentives - Removed from Illustrative Example 13 accompanying IFRS 16, the accounting treatment in a lessee's financial statements of collection received from the lessor for leasehold improvements, as the conclusion of the example was not supported by an adequate explanation.

- IAS 41 Agriculture - Taxes in Fair Value Measurement

- The IASB Board has clarified that tax-related cash flows need not be excluded in the fair value measurement of biological assets.

Amendment to IFRS 3 - Reference to the Conceptual Framework

The amendment will be applicable for annual reporting periods beginning 1 January 2022.

Amendment to IAS 1 and IAS 8

Regulation (EU) 2022/357 of 2 March 2022 adopts the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates, in order to ensure the consistent application of accounting policies and the comparability of financial statements. The amendments shall apply at the latest from the start date of the first financial year starting on or after 1 January 2023. Early application is, however, allowed.

Standards, amendments and interpretations not yet endorsed by the European Union

It should be noted that these documents will only be applicable once they have been approved by the EU.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending new standards on "rate regulated activities"
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB project on the equity method	Endosement method process suspended pending conclusions of IASB project on equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020[1]	January 2020 July 2020	1 January 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	TBD
Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)	December 2021	1 January 2023	TBD

[1] A project is underway by the IASB to modify the requirements of the document published in 2020 and to postpone its entry into force to 1 January 2024. The Exposure Draft was published on 19 November 2021.

As regards the new standards applicable starting from 2022 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

VI. Group Financial Risk Management

A summary of the risk management and control methods is shown below with respect to financial instruments (liquidity risk, currency risk, interest rate risk, credit risk) and commodity price risk related to fluctuations in the prices of energy commodities.

1. FINANCIAL RISKS

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

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the group will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines. The procurement of financial resources has been centralised in order to optimise their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the parent.

The current and prospective financial position 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 year, short-term bank credit facilities used by the Parent totalled 2 million euro.

Furthermore, having evaluated from time to time the convenience and opportunity in the context of the activities of optimisation of the available financial resources, the Group carries out non-recourse factoring of trade receivables, assets related to energy certificates and tax assets, benefiting from the advance liquidity deriving from them.

In this context, to support the liquidity profile of the Group and the rating level, Iren has medium/long-term credit lines agreed and available but not used for 295 million euro, which are added to current liquid assets.

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

Financial liabilities at 31 December 2021:

(THOUSANDS OF EURO)

	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Mortgage loan and bond liabilities*	3,866,528	(4,086,459)	(444,443)	(1,355,691)	(2,286,325)
Hedging of interest rate risk**	46,845	(46,845)	(13,442)	(28,154)	(5,249)
Lease liabilities	38,940	(40,055)	(10,424)	(18,741)	(10,890)

* The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

** The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Financial liabilities at 31 December 2020:

(THOUSANDS OF EURO)

	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Mortgage loan and bond liabilities*	3,935,409	(4,189,236)	(279,261)	(1,743,476)	(2,166,500)
Hedging of interest rate risk**	72,507	(72,507)	(14,382)	(44,950)	(13,175)
Lease liabilities	38,695	(40,318)	(10,929)	(19,255)	(10,134)

* The carrying amount of "Mortgage loan and bond liabilities" includes both current and non-current portions.

** The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Cash flows required to settle remaining financial liabilities, other than those to lenders and those related to the application of IFRS 16 on the subject of leases, shown in the above tables, do not differ significantly from the recognised carrying amount.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions.

Details of the activities performed in this area and of the individual transactions are shown in the Financial management section of the Directors' Report.

Financial debt at year-end consisted of 14% in loans and 86% in bonds; it is noted that 64% of the total debt was financed by sustainable funds; 86% of the outstanding debt for loans was at fixed rate and 14% at floating rate.

With regard to the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (default risk and covenants), it is noted that the clauses in Iren's loan agreements are complied with. Specifically, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/gross operating profit, Gross operating profit/borrowing costs) verified on a yearly basis. Moreover, other covenants have been provided for the Change of Control clause, which states that the Iren Group should be kept under the direct and indirect control of public shareholders. In addition, Negative Pledge clauses exist whereby the company undertakes not to grant collateral beyond a specific limit, and the Pari Passu clause, which reserves an equal treatment for lending banks with respect to the treatment related to other unsecured creditors. The medium/long-term loan agreements of certain companies which contribute to the Group's Net Financial Debt, specifically the Project Finance contract with TRM, envisage compliance with financial covenants, which are complied with.

b) Currency risk

Except as indicated in the section on energy risk, the IREN Group is not significantly exposed to currency risk.

c) Interest rate risk

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

For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial high credit standing counterparties, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and 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 46,845 thousand euro at 31 December 2021.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 99% of loans against interest rate risk, in line with the Iren Group's target of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation components in derivative contracts to changes in interest rates. As regards financial expense, 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 expense capitalised in the year.

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

The table below illustrates the results of the above sensitivity analysis performed with reference to 31 December 2021.

(THOUSANDS OF EURO)

	increase of 100 bps	decrease of 100 bps
Increase (decrease) in net financial expense	(4,677)	4,661
Increase (decrease) in derivative fair value charges	972	(1,090)
Increase (decrease) in hedging reserve	23,236	(24,873)

2. CREDIT RISK

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

In carrying on its business, the Group is exposed to the risk that assets may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in assets subject to arrangement procedures or unenforceable. Among other factors, this risk is also affected by the economic and financial situation, which in the second half of 2021, led to a particularly significant increase in prices for end customers of gas, electricity and district heating. To limit exposure to credit risk, a number of tools have been activated. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, methods of payment through digital channels are offered to customers.

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

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

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

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

The loss allowances reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected credit losses determined on a prospective basis, taking into due consideration the historical data.

With reference to the emergency caused by Covid-19, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group adjusted the loss allowance based on the assessment of expected credit losses.

In this regard, details are provided by financial statements item of the estimate of expected credit losses recognised in the year.

Trade receivables	53,453
Current contract assets	343
Other current assets (sundry assets)	79
Non-current financial assets	1
Total	53,876

Credit risk control is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and ageing band. The assessment of credit risk is carried out both at the consolidated level and at the level of Business Units and companies. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

There is credit concentration in the transactions between the subsidiaries Iren Smart Solutions and AMIAT and the Municipality of Turin. For further details, see in particular Note "Non-current financial assets" of the Notes to the statement of financial position.

3. ENERGY RISK

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

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

For this purpose, the Group plans the production of its plants and purchases and sales of energy and natural gas, in relation to both volumes and price formulae. The objective is to achieve sufficient margin stability through a policy of indexed purchases and sales that achieves a high degree of natural hedging, with adequate recourse to futures and spot markets.

In addition to the regular physical contracts, Over the Counter (OTC) commodity derivative contracts (Commodity swaps on TTF, PSV and PUN indices) are in place to hedge the energy portfolio, for a total of 5.4 TWh. As regards activity on the European Energy Exchange - EEX regulated platform, derivative transactions on the PUN are in place for a total net notional amount of 1.3 TWh. The Fair Value of these instruments at 31 December 2021 totalled a positive 117,604 thousand euro.

Recognition of derivatives

Financial 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 under hedge accounting

These transactions may include:

- fair value hedges: 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 profit or loss;
- cash flow hedges: the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in profit or loss for the ineffective portion; when the hedged item arises, the amount suspended in equity is reversed to profit or loss.

Classification in the income statement of the ineffective portion and the deferred amount transferred from equity is based on the nature of the underlying instrument; in the case of commodity derivatives, this amount is accounted for in the gross operating profit, while in the case of interest rate risk hedges it is recognised in financial income and expense.

Transactions not recognised under hedge accounting

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 profit or loss and is classified based on the type of underlying instrument:

- in the case of commodity derivatives, in the gross operating profit; specifically, the realised portion is recognised to adjust the income or expense to which it refers, while the portion determined from measuring the derivative at the end of the year is classified under other expense or other income;
- in the case of interest rate risk hedges, it is recognised in financial income or expenses

As regards the measurement of the derivative in the statement of financial position, the fair value of the derivative is recognised in non-current financial assets and liabilities if the related underlying item is non-current. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reporting period.

Fair value

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: nputs for the asset or liability which are not based on observable market data.

In particular, the fair value of mortgages, level 2, 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. This present value is determined by applying the forward interest rate curve at the reporting date.

With regard to bonds, the related fair value derives from the listing on the regulated market of the Irish Stock Exchange (Euronext Dublin) and on the ExtraMOT Pro market of Italian Stock Exchange (Borsa Italiana).

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

Finally, it should be noted that there have been no transfers between the various levels of the fair value hierarchy and that information on the fair value of financial assets and liabilities not measured at fair value is excluded when their carrying amount is reasonably representative of their fair value.

The following tables do not include assets and liabilities relating to derivatives stipulated on the EEX market (used for fair value hedges), which have a daily adjustment of their fair value on a specific current account: they are not measured in the financial statements as they are already expressed in "higher/lower" cash balances.

In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

(THOUSANDS OF EURO)

	Carrying amount				
31.12.2021	Fair value of hedging instruments	Fair Value Through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
Financial assets measured at fair value					
Derivative hedging contracts (rate and commodities)	169,451				169,451
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,725			24,725
Other equity investments		8,469			8,469
Total Financial assets measured at fair value	169,451	33,194	-	-	202,645
Financial assets not measured at fair value					
Trade receivables			1,084,750		1,084,750
Loan assets			310,314		310,314
Sundry assets and other assets*			389,362		389,362
Cash and cash equivalents			606,888		606,888
Total Financial assets not measured at fair value	-	-	2,391,314	-	2,391,314
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(70,195)				(70,195)
Put options		(7,263)			(7,263)
Total Financial liabilities measured at fair value	(70,195)	(7,263)	-	-	(77,458)
Financial liabilities not measured at fair value					
Bonds				(3,319,311)	(3,319,311)
Mortgages				(547,217)	(547,217)
Other financial liabilities**				(34,273)	(34,273)
Trade payables				(1,523,705)	(1,523,705)
Sundry liabilities and other liabilities*				(292,514)	(292,514)
Total Financial liabilities not measured at fair value	-	-	-	(5,717,020)	(5,717,020)
TOTAL	99,256	25,931	2,391,314	(5,717,020)	(3,200,519)

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

(THOUSANDS OF EURO)

	Fair Value			
31.12.2021	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Derivative hedging contracts (rate and commodities)		169,451		169,451
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,725	24,725
Other equity investments				-
Total Financial assets measured at fair value	-	169,451	24,725	194,176
Financial assets not measured at fair value				
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	-	-	-
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(70,195)		(70,195)
Put options		(7,263)		(7,263)
Total Financial liabilities measured at fair value	-	(77,458)	-	(77,458)
Financial liabilities not measured at fair value				
Bonds	(3,421,160)			(3,421,160)
Mortgages		(552,827)		(552,827)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
Total Financial liabilities not measured at fair value	(3,421,160)	(552,827)	-	(3,973,987)
TOTAL	(3,421,160)	(460,834)	24,725	(3,857,269)

The non-current portion of "Financial assets at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 24,725 thousand euro at 31 December 2021, the fair value of which is determined on the basis of the application of the price formula provided for in the contract, taking into account the average income of the company relating to its historical financial statements and the discount rates inferred from its financial statements.

In this regard, the reported sensitivity analysis on the fair value of the variable portion of the sale price expresses the variation of such fair value to the increase/decrease of one percentage point of the expected profitability and the discount rate.

(THOUSANDS OF EURO)

	+1%	-1%
Profitability (flows)	985	(951)
Discount Rate	(1,582)	1,711

The fair value level of "Other equity investments" (which refer to companies not listed on regulated markets) is not reported, since the related carrying amount is a reasonable approximation.

(THOUSANDS OF EURO)

	Carrying amount				
31.12.2020	Fair value of hedging instruments	Fair Value Through Profit or Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
Financial assets measured at fair value					
Derivative hedging contracts (rate and commodities)	17,244				17,244
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,424			24,424
Other equity investments		4,020			4,020
Total Financial assets measured at fair value	17,244	28,444	-	-	45,688
Financial assets not measured at fair value					
Trade receivables			906,333		906,333
Loan assets			228,742		228,742
Sundry assets and other assets*			368,345		368,345
Cash and cash equivalents			890,169		890,169
Total Financial assets not measured at fair value	-	-	2,393,589	-	2,393,589
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(73,115)				(73,115)
Put options		(7,191)			(7,191)
Total Financial liabilities measured at fair value	(73,115)	(7,191)	-	-	(80,306)
Financial liabilities not measured at fair value					
Bonds				(3,306,058)	(3,306,058)
Mortgages				(629,351)	(629,351)
Other financial liabilities**				(53,411)	(53,411)
Trade payables				(977,906)	(977,906)
Sundry liabilities and other liabilities*				(346,389)	(346,389)
Total Financial liabilities not measured at fair value	-	-	-	(5,313,115)	(5,313,115)
TOTAL	(55,871)	21,253	2,393,589	(5,313,115)	(2,954,144)

* Prepaid expenses and deferred income are excluded

** Lease liabilities recognised in accordance with IFRS 16 are excluded

(THOUSANDS OF EURO)

	Fair Value			
31.12.2020	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Derivative hedging contracts (rate and commodities)		17,244		17,244
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,424	24,424
Other equity investments				-
Total Financial assets measured at fair value	-	17,244	24,424	41,668
Financial assets not measured at fair value				
Trade receivables				-
Loan assets				-
Sundry assets and other assets*				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	-	-	-
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(73,115)		(73,115)
Put options		(7,191)		(7,191)
Total Financial liabilities measured at fair value	-	(80,306)	-	(80,306)
Financial liabilities not measured at fair value				
Bonds	(3,527,103)			(3,527,103)
Mortgages		(635,707)		(635,707)
Other financial liabilities**				-
Trade payables				-
Sundry liabilities and other liabilities*				-
Total Financial liabilities not measured at fair value	(3,527,103)	(635,707)	-	(4,162,810)
TOTAL	(3,527,103)	(698,769)	24,424	(4,201,448)

VII. Related party transactions

As indicated in the Directors' Report the information on transactions with related parties is provided below.

Transactions with related-party owner municipalities

The main transactions directly carried out between the Parent's main subsidiaries and the owner municipalities classified as related parties (Municipality of Turin, Municipality of Reggio Emilia, Municipality of Parma, Municipality of Piacenza and Municipality of Genoa) where Iren operates are detailed below.

Through Iren Smart Solutions, the Group operates services awarded by the Municipality of Turin, i.e. public street lighting and traffic light services, management of heating and electrical systems of buildings used as administrative offices or to provide services to the community. The services rendered by Iren Smart Solutions are governed by specific long-term agreements.

In this regard, an onerous current account contract is in place between the City of Turin and Iren Smart Solutions for management of the past-due amounts related to the above activities.

Over the last years, some important work on plant regeneration and energy efficiency has been carried out. This has involved municipal street lighting systems and heating plants in numerous publicly-owned buildings.

The Group, through Iren Mercato, provides to the Municipalities of Reggio Emilia, Parma, Piacenza and Turin commercial supplies of energy vectors, specifically district heating, under the terms and conditions normally applied to all other customers.

Iren Acqua and IRETI provide water services respectively to the Municipality of Genoa and to the Municipalities of Reggio Emilia, Parma and Piacenza, based on supply contracts similar to those signed with all other customers.

Iren Ambiente provides the Municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services on the basis of the conditions provided for in the existing agreements.

Again in the context of the sector, for the Municipality of Turin the waste management and snow clearing services, and post-operative management of the "Basse di Stura" landfill site are provided by AMIAT in accordance with the Service Contract in place. In this regard, an onerous current account contract is in place between the City and said AMIAT for management of the past-due amounts related to the above activities.

Transactions with associates

Among the main transactions carried out by the Iren Group with joint ventures and associates, the following are noted:

- a cash pooling credit line provided to Valle Dora Energia;
- sale of electricity and the work related to the integrated water service provided to AMTER;
- sale of electricity to Asti Servizi Pubblici and Mondo Acqua;
- waste collection and disposal services, including special waste, for GAIA, SETA and SEI Toscana, which operate in the collection sector;
- procurement of natural gas from Sinergie Italiane;
- transfer of waste to the landfills of associates ASA S.c.p.a., Barricalla and CSAI, and the related leachate disposal service;
- service as Sole Manager of urban waste by the associate SEI Toscana to the subsidiary TB.

Transactions with other related parties

On the basis of the RPT Procedure, companies controlled, directly or indirectly, by one of the following Municipalities have been identified as related parties: Parma, Piacenza, Reggio Emilia, Turin and Genoa.

Specifically, it is noted that in order to supply the integrated water service in the provinces of Parma, Piacenza, and Reggio Emilia, the company IRETI, against payment of an annual lease, uses the assets of the companies Parma Infrastrutture, Piacenza Infrastrutture, and AGAC Infrastrutture, controlled by the Municipalities involved. In addition, the Group provides waste treatment services to AMIU, a subsidiary of the Municipality of Genoa, and waste disposal services to SMAT, a subsidiary of the Municipality of Turin.

Moreover, Rigenera Materiali (wholly owned by Iren Ambiente), after being entrusted by AMIU Genova, holds the concession for the design, construction, management and operation of the mechanical biological treatment plant of urban waste, with production of SSF, currently under construction in Scarpino.

The remaining transactions with the companies controlled by the above Municipalities are mainly of a commercial nature and regard services provided to all other customers, in particular regarding energy vectors.

Quantitative information on financial transactions with related parties is provided in section "XII. Annexes to the Consolidated Financial Statements", considered an integral part of these notes.

Lastly and as regards the Directors and Statutory Auditors of IREN, with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies of the Parent or of other Group companies, there were no transactions.

Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the management and control bodies of IREN and Key Management Personnel of the IREN Group are also subject to the provisions of the RPT Procedure.

The remuneration of key management (members of the Board of Directors and Executives with Strategic Responsibilities) totals 5,802 thousand euro and refers to fixed remuneration (2,578 thousand euro), remuneration for participation in committees (80 thousand euro), bonuses and other incentives (2,153 thousand euro), non-cash benefits (25 thousand euro) and other remuneration (966 thousand euro).

Disclosure pursuant to Art. 5.8 and 5.9 CONSOB Regulation

In the meeting of 30 April 2021, the RPTC unanimously expressed its favourable opinion with reference to the transaction, qualified as an "immaterial transaction", having as its object the stipulation, between IREN Mercato S.p.A. and the Municipality of Genoa, of a contract of commercial visibility through inclusion as official partner in the event *"The Ocean Race, Genoa Grand Final 2022 -23"*.

In the meeting of 30 July 2021, the RPTC unanimously expressed its favourable opinion with reference to the transaction, qualified as an "immaterial transaction", concerning the signing of a joint and several liability by IRETI/IREN Group and SMAT, as reference shareholders of Acque Potabili in liquidation, in relation to the VAT refund requested by the latter to the Tax Authority.

In the meeting of 21 September 2021, the RPTC unanimously confirmed its favourable opinion with reference to the transaction, qualified as a "material transaction", having as its object the signing of an Agreement for the extension of the Eco-island Collection System as of 2023 with the City of Turin (supplementary to the Service Agreement entered into between AMIAT and the Municipality on 04 December 2013, as in turn amended by the Final Agreement signed in July 2018 between certain companies of the Iren Group, including AMIAT, and the Municipality of Turin for the regulation of transactions between the Parties). In this regard, reference should be made to the updated Information Document made available on the Parent's website.

In the meeting of 22 October 2021, the RPTC unanimously expressed its favourable opinion with reference to the transaction, qualified as an "immaterial transaction", concerning the signing of (i) the "Corporate Services" service contract between IREN and TRM and (ii) the "Environment and Technical Supervision Services" service contract between Iren Ambiente and TRM.

We can note that, during 2021, the RPTC also received periodic information on the status of performance of some transactions previously examined, including (i) the transaction, classified as a material transaction, regarding the signing of an Agreement between the Municipality of Turin, as one party, and Iren, as principal of its subsidiaries AMIAT, Iren Energia (which was replaced by Iren Smart Solutions) and Iren Mercato, as the other party, to govern the transactions in place among the parties – an operation on which the RPTC had expressed a favourable opinion and for which please see the Information Document published on 29 March 2018 and the supplementary Information Document published on 9 July 2018, both documents available on the website www.gruppoiren.it; (ii) the transaction, qualified as a material transaction, relating to the presentation of the Project Financing "EfficienTO", having as its object the energy efficiency upgrading of the properties of the City of Turin and related management, by Iren Smart Solutions S.p.A. and on which the Committee had expressed a positive opinion in the meeting of 20 March 2020.

With reference to this last transaction, in particular, the Committee was periodically informed during the various phases following the declaration, by the Administration, of the proposed Project Financing as being of public interest, pursuant to art. 183, paragraph 15 of Legislative Decree no. 50/2016; lastly, the Committee has re-initiated the preliminary investigation of competence, again pursuant to art. 10 of the RPT Procedure, with reference to the participation phase, by Iren Smart Solutions, in the tender phase, consequent to the above declaration of public interest, in order to verify the permanence of the interest in carrying out the same, as well as the profiles of economic convenience and substantial correctness of the same. At its meeting on 08 November 2021, the Committee therefore confirmed its favourable opinion, pursuant to article 10, paragraph 1, letter (d) of the RPT Procedure, regarding the transaction.

Below is also a summary of the activities carried out, during the 2021 financial year, by the Remuneration and Appointments Committee in the exercise of the functions assigned pursuant to the RPT Procedure in force at the time.

At the meeting held on 27 May 2021, the Remuneration and Appointments Committee expressed its favourable opinion on the terms of the agreement for the consensual termination of the relationship between Mr. Massimiliano Bianco and the Parent, according to which Mr. Bianco relinquished, with effect from 29 May 2021, the positions of Director, CEO and

General Manager, as well as all powers and proxies granted to him.

During the meeting held on 29 May 2021, the Remuneration and Appointments Committee expressed its favourable opinion on the economic-contractual conditions of the fixed-term executive employment relationship between Iren S.p.A. and Gianni Vittorio Armani, co-opted on the same date by the Board of Directors as a new Director to replace Massimiliano Bianco, who resigned, and appointed as CEO and General Manager of the Parent.

At the meeting held on 04 August 2021, the Remuneration and Appointments Committee expressed a favourable opinion on the proposal of the Chief Executive Officer and General Manager concerning the economic aspects relating to the employment of the new person to hold the position of Chief Financial Officer of the IREN Group (a person who, by virtue of this role, has joined the list of key management personnel of the IREN Group).

Finally, at its meeting of 10 December 2021, the Remuneration and Appointments Committee expressed a favourable opinion regarding the proposal, received from the Chief Executive Officer and General Manager, for the establishment of an agreement for the termination of the executive employment relationship between the Parent and a memberof the Group's key management personnel. In detail, following the Committee's investigation, a report on conciliation with the trade unions, pursuant to article 2113, paragraph 4, of the Italian Civil Code and articles 410 and 411, paragraph 3, of the Code of Civil Procedure, was signed by the parties, based on those already used to terminate the employment of other managers to whom the early retirement scheme (i.e. "iso-pensione") was applied.

VIII. Significant events after the reporting date

Acquisition of photovoltaic systems

On 16 February 2022, the Group finalised the acquisition from European Energy S/A, a Danish company active in the development and management of wind and photovoltaic plants, of 100% of Puglia Holding S.r.l., holder of five Special Purpose Vehicles (SPV) holding the authorisations for the construction and management of the photovoltaic parks of ASI Troia, in the localities of San Vincenzo and Montevergine (Province of Foggia) and the complex of Palo del Colle (Province of Bari).

The acquired plants were built between 2019 and early 2022 and have an installed capacity of 121.5 MW, making them the largest photovoltaic park built in Italy to date. The acquired business has an enterprise value of 166 million euro.

The carrying amount of net assets acquired refers to production plants and related land for a total of 100 milion euro, net tax assets of 12 million euro, financial liabilities of 140 million euro and cash equivalents of 7 million euro.

Together with the Puglia Holding transaction, Iren Energia entered into a commercial agreement relating to the European Energy plants under development for a total installed capacity of 437.5 MW in four sites located in Lazio, Sicily and Apulia. The agreement provides for the possibility of exercising rights to invest in such assets over a period of exclusivity and at various stages of development.

Financing to support investments for the development of district heating in Turin

Continuing the cooperation in the field of environmental sustainability started in 2020, on 25 March 2022, the Council of Europe Development Bank (CEB) and Iren S.p.A. signed a Public Finance Facility (PFF) loan for 80 million euro to support the investments for the development of the district heating network in the metropolitan area of Turin, provided for in the Business Plan.

The investments financed are aimed at saturating and extending district heating to new areas by connecting new users and improving the operational efficiency and flexibility of the network.

Russia-Ukraine conflict

On 24 February 2022, the Russian President Vladimir Putin announced the beginning of a full-scale land, sea and air military operation targeting Ukrainian military assets and cities across the country. It was the consequence of the intensification of a state of crisis began by the end of 2021, when Russian troops moved to the Russia-Ukraine borders and diplomatic negotiations between Russia and NATO countries failed. This marked the beginning of hostilities between the two countries' armed forces. As a result, several states and supranational organisations decried Russian doings and supported Ukrainian forces. In particular, the United Nations General Assembly and the European Council, based on international law, passed on a resolution condemning Russian military actions and demanding that Russia immediately cease its use of force in Ukraine. At the same time, the European Commission has implemented several emergency aid programmes, including financial support and interventions aimed at mitigating the humanitarian crisis caused by the conflict in Ukraine. There are ongoing negotiations between the parties involved whose goal is to identify the most appropriate diplomatic solutions on international peace, security, and stability.

The European Union and other countries (the United States, Great Britain, Australia, Japan and Switzerland among others) have tightened and extended the packages of sanctions on Russia which, although with different terms and effectiveness, aim at both hitting the Russian economy strategic and financial sectors and imposing targeted restrictions on the President and other figures constituting Russia's industrial, defensive and political base. These sanctions have had a direct impact on the exchange rate of the Russian currency (the ruble has sharply depreciated against the euro and the US dollar), on local interest rates (increased to 20% by the Russian Central Bank) and on the share price of companies listed on the Moscow Stock Exchange (with a significant sign of decline recorded in March).

In this context, the Italian government is defining measures addressing the exceptional instability of the national natural gas system resulting from the conflict in Ukraine. These measures include actions to soar gas availability, the reduction of consumption and actions aimed at filling gas storage for the 2022-2023 thermal year. Considering the actual energy sector scenario, Iren has activated a task force to carefully monitor the situation and evolution of the impact that the international crisis has on its businesses, even though the Group is not present in Russia and Ukraine. The focus is on the supply of raw materials and services, in terms of their economic and financial outcomes that could be eventually arising from the shortage of raw materials coming from areas involved in the conflict and, lastly, by the generalised increase in commodity prices considering that that the gas supplied by Russia covers 40% of national needs. In this context, the increase in commodity prices leads to greater quantitative exposure and greater risk in the event of late payments in both gas and electricity retail sectors.

The Group implements direct risk reduction actions by leveraging on:

- The purchase of gas from the main Italian operators, thus excluding the risk of application of non-supply contractual clauses as a result of geopolitical events
- Hedging policies, which ensure that margins are kept under control
- Measures to protect the group from cyber-attacks, in particular trading and dispatching platforms.

In a constantly evolving scenario, characterised by regulatory uncertainty in addition to high and volatile prices regardless of the Ukrainian crisis, the Iren Group continues to monitor macroeconomic and business variables to promptly have potential impacts best estimates on regulatory changes, suppliers and contracts applicable to the Group.

Legislative measures to fight the increase in commodity prices

For the purpose of financing measures to contain the increase in energy prices, the Italian Government is introducing some extraordinary levies on companies in the energy sector including, in particular, those listed below:

- From art. 37 of Legislative Decree no. 21 of 21 March 2022 ("Energy Decree"), which aims to tax the extra profits made by companies in the energy sector as a result of the increase in raw material costs. The Iren Group is currently assessing the possible impacts of this measure on its profitability, which are assumed to be limited according to initial estimates.
- From art. 15-bis of Law no. 25 of 28 March 2022 (conversion of Legislative Decree no. 4 of 27 January 2022 - "Sostegni-ter Decree"), which provides for a contribution on extra profits on non-incentivised renewable energy production. The effect of these measures on the Group's profits for 2022 is estimated to be a reduction of around 15 million euro.

IX. Other information

Consob communication no. Dem/6064293 of 28 july 2006

Significant non-recurring events and transactions

In 2021, the Iren Group benefited from the option on the realignment of carrying amounts and tax bases pursuant to art. 110 of Decree Law no. 104 of 14 August 2020 ("Decree no. 104/20"), as amended, which, in paragraphs 8 and 8-bis, grants IFRS-adopters and OIC-adopters the possibility of opting for the realignment of the (lower) tax bases to the (higher) carrying amounts of certain property, plant and equipment and intangible assets (paragraph 8), as well as goodwill and other intangible assets (paragraph 8-bis). Application of the regulation contained in Decree no. 104/20 resulted in the recognition of net tax income of 32,371 thousand euro in the first half of 2021. Further details are provided in note 45 "Income taxes".

Positions or transactions deriving from atypical and/or unusual transactions

It is noted that during 2021 the Group did not engage in any atypical and/or unusual transactions, as defined in the Communication. Atypical and/or unusual transactions are transactions which owing to their significance/materiality, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the Parent's equity or protection of non-controlling investors.

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 Decree Law no. 34/2019 ("Decreto Crescita") we can specify what follows:

- the National State Aid Registry includes aid, in favour of Iren Group companies, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies;
- under the terms of article 35, paragraphs 125 and 125-bis the disclosure does not consider grants, subsidies, advantages, contributions or aid, in cash or in kind, of a general character and with the nature of consideration, remuneration or compensation such as the amounts deriving from former green certificates, white certificates, all-inclusive tariff, energy account and in general all incentives connected with consideration for supplies and services rendered;
- during 2021 grants were received that fall under the relevant legislation; these are listed in the table presented in paragraph "XIV. Annexes to the Consolidated Financial Statements", with the exclusion of those less than 10 thousand euro per disbursing Body.

X. Information on the statement of financial position

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

Assets

NON-CURRENT ASSETS

NOTE 1 PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is shown in the table below:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	147,651	(7,150)	140,501	142,404	(6,259)	136,145
Buildings	817,303	(316,619)	500,684	798,082	(287,835)	510,247
Plant and machinery	5,749,894	(3,011,238)	2,738,656	5,573,896	(2,816,233)	2,757,663
Industrial and commercial equipment	175,220	(128,755)	46,465	165,011	(122,502)	42,509
Other assets	330,823	(217,194)	113,629	303,708	(193,593)	110,115
Assets under construction and payments on account	397,651	-	397,651	242,279	-	242,279
Total	7,618,542	(3,680,956)	3,937,586	7,225,380	(3,426,422)	3,798,958

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

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Impairment losses	Changes in consolidation scope	Reclassi-fications	31/12/2021
Land	142,404	3,658	(1,305)	-	13	2,881	147,651
Buildings	798,081	12,185	(832)	-	734	7,135	817,303
Plant and machinery	5,573,896	158,759	(35,985)	(24,302)	34,895	42,631	5,749,894
Industrial and commercial equipment	165,011	13,455	(3,644)	-	180	218	175,220
Other assets	303,708	34,903	(8,702)	-	335	579	330,823
Assets under construction and payments on account	242,279	205,244	(239)	-	155	(49,788)	397,651
Total	7,225,379	428,204	(50,707)	(24,302)	36,312	3,656	7,618,542

La movimentazione del fondo ammortamento delle attività materiali, comprensive dei diritti d'uso, è esposta nella tabella seguente:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Changes in consolidation scope	Reclassi-fications	31/12/2021
Land	(6,259)	(761)	95	(3)	(222)	(7,150)
Buildings	(287,835)	(28,160)	717	(544)	(797)	(316,619)
Plant and machinery	(2,816,233)	(212,669)	35,575	(16,694)	(1,217)	(3,011,238)
Industrial and commercial equipment	(122,502)	(9,050)	3,045	(95)	(153)	(128,755)
Other assets	(193,593)	(31,619)	8,450	(151)	(281)	(217,194)
Total	(3,426,422)	(282,259)	47,882	(17,487)	(2,670)	(3,680,956)

"Changes in consolidation scope" refers to the balances acquired during the year relating to the companies Futura, Nove and Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy).

The balance of the "reclassifications" column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not fall within the scope of application of IFRIC 12.

Land and buildings

This item primarily includes industrial buildings connected with Group plants and related land.

Plant and machinery

This item refers to costs for electricity production plants, heat production plants, electricity distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electricity production plants.

The depreciation of the item "Plant and machinery" is due to the Waste-to-Energy plant in Scarlino (Grosseto). Pending the authorisation to proceed, the interruption of the normal operations of the plant led to a recoverable amount of the assets being measured at nill.

Industrial and commercial equipment

This item includes costs related to the purchase of supplementary or auxiliary assets for plants and machinery, such as rubbish bins, laboratory, and other equipment.

Other assets

This item refers to costs for the purchase of office furniture and machines and vehicles.

Assets under construction and payments on account

Assets under construction include all expenses incurred for investments in progress and not yet in operation.

Increases

The increases in the year of 428,204 thousand euro refer mainly to:

- investments in thermoelectric and hydroelectric plants of 115,320 thousand euro;
- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 48,693 thousand euro;
- investments in the electricity distribution grids, including primary substations, of 54,695 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 13,325 thousand euro;
- investments for collection and disposal in the waste management sector for 132,539 thousand euro.

Depreciation

Ordinary depreciation for 2021, totalling 282,259 thousand euro, was calculated on the basis of the rates previously indicated in paragraph "IV. Accounting policies" and considered representative of the residual useful life of the assets.

Finally, no assets are pledged against liabilities.

Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months unless the underlying asset is of low value. The contracts in which the Iren Group plays the role of lessee refer mainly to property leases and long-term hires of cars and other motor vehicles.

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

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	9,380	(1,680)	7,700	6,253	(1,037)	5,216
Buildings	29,177	(7,659)	21,518	27,252	(5,352)	21,900
Plant and machinery	1,816	(223)	1,593	783	(170)	613
Industrial and commercial equipment	731	(567)	164	812	(401)	411
Other assets	17,677	(8,789)	8,888	20,558	(7,448)	13,110
Total	58,781	(18,918)	39,863	55,658	(14,408)	41,250

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

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Changes in consolidation scope	Other changes	31/12/2021
Land	6,253	3,569	(442)	-	-	9,380
Buildings	27,252	5,263	(1,016)	659	(2,981)	29,177
Plant and machinery	783	1,287	-	-	(254)	1,816
Industrial and commercial equipment	812	-	(59)	-	(22)	731
Other assets	20,558	2,407	(2,669)	55	(2,674)	17,677
Total	55,658	12,526	(4,186)	714	(5,931)	58,781

The change in the accumulated depreciation of right-of-use assets is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Changes in consolidation scope	Other changes	31/12/2021
Land	(1,037)	(739)	96	-	-	(1,680)
Buildings	(5,352)	(3,412)	686	(513)	932	(7,659)
Plant and machinery	(170)	(179)	-	-	126	(223)
Industrial and commercial equipment	(401)	(235)	59	-	10	(567)
Other assets	(7,448)	(5,773)	2,495	-	1,937	(8,789)
Total	(14,408)	(10,338)	3,336	(513)	3,005	(18,918)

Finally, it should be noted that the net amount of 2,926 thousand euro, reported under "Other changes" in the context of right-of-use assets, refers to assets acquired during the year 2021 and that were previously the subject of lease contracts.

NOTE 2 INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated depreciation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated depreciation as at 31/12/2020	Carrying amount as at 31/12/2020
Land	645	-	645	709	(6)	703
Buildings	3,972	(2,161)	1,811	4,172	(2,111)	2,061
Total	4,617	(2,161)	2,456	4,881	(2,117)	2,764

This item consists mainly of properties whose fair value is not lower than their carrying amount.

NOTE 3 INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and carrying amount is as follows:

(THOUSANDS OF EURO)

	Cost as at 31/12/2021	Accumulated amortisation as at 31/12/2021	Carrying amount as at 31/12/2021	Cost as at 31/12/2020	Accumulated amortisation as at 31/12/2020	Carrying amount as at 31/12/2020
Development expenditure	13,816	(6,416)	7,400	8,880	(3,948)	4,932
Industrial patents and intellectual property rights	225,748	(141,624)	84,124	190,040	(108,954)	81,086
Concessions, licences, trademarks and similar rights	3,399,490	(1,373,803)	2,025,687	3,151,375	(1,260,294)	1,891,081
Other intangible assets	574,439	(234,831)	339,608	436,183	(181,119)	255,064
Assets under development and payments on account	190,045	-	190,045	159,483	-	159,483
Total	4,403,538	(1,756,674)	2,646,864	3,945,961	(1,554,315)	2,391,646

The change in the historical cost of intangible assets is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Impairment losses	Changes in consolidation scope	Reclassifi-cations	31/12/2021
Development expenditure	8,880	1,699	-	-	-	3,237	13,816
Industrial patents and intellectual property rights	190,040	30,970	(81)	-	52	4,767	225,748
Concessions, licences, trademarks and similar rights	3,151,375	167,171	(10,377)	(127)	46,595	43,918	3,399,490
Other intangible assets	436,183	219,614	(82,506)	(1,280)	2,311	117	574,439
Assets under development and payments on account	159,483	86,711	(734)	(188)	468	(55,695)	190,045
Total	3,945,961	506,165	(93,698)	(1,595)	49,426	(3,656)	4,403,538

Changes in the accumulated amortisation of intangible assets are shown in the following table:

(THOUSANDS OF EURO)

	31/12/2020	Amortisation for the year	Decreases	Changes in consolidation scope	Reclassifi-cations	31/12/2021
Accumulated amortisation of development expenditure	(3,948)	(2,446)	-	-	(22)	(6,416)
Accumulated amortisation of ind. patents and intellectual property rights	(108,954)	(32,620)	33	(43)	(40)	(141,624)
Accumulated amortisation of licences, trademarks and similar rights	(1,260,294)	(106,941)	7,919	(16,984)	2,497	(1,373,803)
Accumulated amortisation of other intangible assets	(181,119)	(53,562)	45	(430)	235	(234,831)
Total	(1,554,315)	(195,569)	7,997	(17,457)	2,670	(1,756,674)

"Changes in consolidation scope" refers to the balances acquired during the year relating to the companies Futura, Nove and Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy).

The balance of the "reclassifications" column refers mainly to net transfers from intangible assets to property, plant and equipment of items that do not fall within the scope of application of IFRIC 12.

The increases in the item "other intangible assets" refer mainly to the purchases of emission quotas (emission trading) and the capitalisation of costs for commercial development of customers, while the decreases refer to the cancellation of the emission allowances.

The carrying amount of other intangible assets at the end of the year includes 100,142 thousand euro in assets recognised in relation to costs incurred for the commercial development of customers.

Industrial patents and intellectual property rights

This item mainly relates to the total costs borne for the purchase and internal production of company software and the acquisition of rights for the exclusive use of technical studies on the statistical trend of network losses, amortised over three to five years.

Concessions, licences, trademarks and similar rights

This item consists mainly of:

- assets recognised in application of IFRIC 12, related to natural gas distribution, the Integrated Water Service, district heating and waste treatment and disposal;
- the right of use of pipeline networks by virtue of the concessions granted by the Municipality of Genoa and other neighbouring municipalities;
- the right of use of penstocks, not owned, of hydroelectric plants;
- concessions for the operation and management of photovoltaic systems.

Other intangible assets

This item consists mainly of:

- rights to use telecommunication infrastructure owned by third parties;
- emission allowances held for internal needs;
- costs for the commercial development of customers;
- valuation of the customer list made for the purchase price allocation for the acquisition of control over Atena Trading, Salerno Energia Vendite, Studio Alfa and Spezia Energy Trading;
- the development of the environmental authorisations for the operation of the biodigester and recovery plants on the purchase price allocation for the acquisition of control of Ferrania Ecologia, Territorio e Risorse, I Blu, Manduriambiente and TB.

During the year, the useful life of the costs for the commercial development of customers and customer lists have been revised to better reflect the abandonment rate of acquired customers following the acquisitions of Atena Trading and Salerno Energia Vendite. The new estimate resulted in higher amortisation of 6,150 thousand of euro.

Assets under development and payments on account

This item mainly consists of investments for concession services governed by IFRIC 12, in addition to software licences and related implementation costs.

NOTE 4 GOODWILL

Goodwill, of 208,089 thousand euro (169,255 thousand euro at 31 December 2020), during 2021 showed an increase of 38,834 thousand euro following the acquisitions (business combinations) carried out by the Group during the year and detailed below.

(THOUSANDS OF EURO)

Goodwill as at 31.12.2020		169,255
Acquisition Futura	Final accounting	4,115
Acquisition Sidiren	Provisional accounting	32,883
Acquisition Iren Energy Solutions	Provisional accounting	1,259
Acquisition Lab 231 and SAS	Provisional accounting	577
Goodwill as at 31.12.2021		208,089

During 2021, the fair value of the identifiable assets acquired and liabilities assumed relating to the business combinations carried out by the Group during 2020 was definitively determined, which concerned the business unit known as “SEI Energia” which includes the district heating network in the municipalities of Rivoli and Collegno and 49% of the company NOVE, the company I.Blu, the company Nord Ovest Servizi and the companies operating in the waste management segment acquired from Unieco. The amounts provisionally accounted for in the 2020 financial statements have been restated. Reference should be made to Section IV Business combinations for more details.

Goodwill is considered an intangible asset with an indefinite useful life and, therefore, is not amortised, but is tested for impairment at least once a year to verify the recoverability of its carrying amount. Since goodwill does not generate independent cash flows and cannot be sold on its own, the impairment test on the goodwill recognised in the financial statements is carried out referring to the Cash Generating Unit to which the same can be allocated. At the Group level the Cash Generating Units coincide with the individual Business Units described in the introduction to these notes. They are based on the Group's management structure and internal reporting system.

This method allows for a more effective disclosure of goodwill and future investment plans and supplies a homogeneous analysis of information communicated to the market.

The table below shows the allocation of goodwill to the Cash Generating Units.

(THOUSANDS OF EURO)

	31/12/2021
Waste Management	24,020
Energy	8,590
Market	65,343
Networks	110,136
Total	208,089

The impairment test at 31 December 2021 was carried out in methodological continuity with that adopted at 31 December 2020.

The impairment test consists of verifying that the carrying amount of an asset recognised in the financial statements is not more than the recoverable amount of the said asset.

The recoverable amount of an asset is the higher between fair value, less costs to sell, and the value in use.

The fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell.

The value in use is the present value of the estimate of future outgoing and incoming cash flows that will derive from continuous use of the asset and from its final disposal. To measure the value in use, assessments were made by using pre-tax operating cash flows, which derive from the economic and financial projections based on the medium-term Business Plan approved by the Iren Board of Directors on 11 November 2021, with an explicit horizon up to 2026, as well as the pre-tax terminal value, calculated using the perpetual yield method, if applicable, based on going concern assumptions for all businesses. The investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. The average of the perpetual yield and net invested capital was used as the control method. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital.

The discount rate, defined starting from the pre-tax weighted average cost of capital (WACC), is calculated specifically for each CGU and is included in the 4.10%-7.10% range, according to the related business unit.

The table below shows the goodwill attributed to the single Cash Generating Units, specifying for each of them the discount rate (WACC) used.

	Value as at 31/12/2021	WACC 2021
Waste Management	24,020	5.80%
Energy	8,590	6.00%
Market	65,343	7.10%
Networks	110,136	4.10% - 5.00%[1]
Total	208,089	

[1] Range between 4.10% and 5.00% according to whether they are Electricity Networks, Gas Networks or Water Networks

The recoverable amount of the goodwill attributed to the Cash Generating Units was determined making reference to the value in use of the same.

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to programmed inflation (1.3%).

Waste Management Cash Generating Unit

Goodwill, of 24,020 thousand euro refers mainly to the:

- acquisition of control over Futura in March 2021 (4,115 thousand euro);
- acquisition of control of the companies operating in the waste management segment acquired from Unieco in November 2020 (9,385 thousand euro);
- acquisition of control over Ferrania Ecologia s.r.l. in July 2019 (7,048 thousand euro).
- acquisition of control over a business unit from SMC S.p.A. consisting of a 48.85% stake in the share capital of Società Ecologica Territorio Ambiente (SETA) S.p.A. and the activities of closure and post-closure management of the Chivasso 0 landfill site in October 2018 (894 thousand euro);
- acquisition of control of ACAM Ambiente (ACAM group) in April 2018 (2,572 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Waste Management Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Energy Cash Generating Unit

Goodwill, of 8,590 thousand euro refers mainly to the:

- acquisition of control in December 2021 of Bosch Energy and Building Solutions Italy (now Iren Energy Solutions), operating in the energy efficiency sector, specifically in the design, construction and management of integrated heating, air conditioning and cogeneration systems (1,259 thousand euro);
- acquisition of control in May 2020 of a business unit called "SEI Energia" which includes the district heating network in the municipalities of Rivoli and Collegno, and 49% of the company NOVE which manages the district heating network in the municipality of Grugliasco (2,068 thousand euro);
- acquisition of control over Iren Rinnovabili in 2017 following the expiry of the governance agreements entered into with the other shareholder CCPL S.p.A. which made Iren Rinnovabili a joint venture. The goodwill of 3,544 thousand euro was recognised as the difference between the fair value of the price paid for acquisition of control and the fair value of the identifiable assets acquired and the identifiable liabilities assumed at the acquisition;
- the Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (948 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Energy Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Market Cash Generating Unit

Goodwill, of 65,343 thousand euro refers mainly to the:

- acquisition of control over Sidiren in July 2021 (32,883 thousand euro);
- acquisition of control of Spezia Energy Trading s.r.l. in September 2018 (2,694 thousand euro).
- acquisition in 2012 of the business unit from ERG Power & Gas related to the marketing and sale of electricity for an amount of 3,401 thousand euro;
- the equity interest in Enìa Energia (now merged into Iren Mercato), acquired from Sat Finanziaria S.p.A. and Edison in 2008, for an amount of 16,761 thousand euro;
- business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 7,421 thousand euro;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Market Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

Networks Cash Generating Unit

Goodwill, of 110,136 thousand euro refers mainly to the:

- acquisition of control of Busseto Servizi in January 2019 (1,638 thousand euro);
- acquisition of control over ACAM Acque (ACAM group) in April 2018 (15,442 thousand euro);
- acquisition of control of Acqua Italia S.p.A in 2005 (now Iren Acqua S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of 23,202 thousand euro;
- acquisition in 2000 from ENEL of the business unit related to the distribution and sale of electrical energy to non-eligible customers in the Municipality of Turin, in which the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand euro;
- business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 3,023 thousand euro;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Networks Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

In the light of the considerations presented above the recoverable amount is higher than the carrying amount of the net invested capital for all the Cash Generating Units, therefore no impairment losses were recognised. In the years previous to the year ended 31 December 2021, goodwill was fully impaired for a total of 9,636 thousand of euro. The recoverable amount is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were therefore performed on the sensitivity of the recoverable amount as the two variables deteriorate, without any significant problems emerging. The table below shows the pre-tax weighted average cost of capital (WACC) that would make the value in use equal to the carrying amount of each Cash Generating Unit.

Waste Management	10.50%
Energy	9.50%
Market	17.00%
Networks	9.70%

Moreover, the Group has developed a sensitivity scenario, which takes into account specific relevant risks (market risks, technological changes, natural events) not otherwise assessed in the base scenario (Business Plan). The future cash flows for each CGU were then adjusted for the negative impact of adverse events identified in the Group Risk Map. These analyses did not reveal any critical issues with regard to the recoverable amount of the Group's goodwill, intangible assets and property, plant and equipment.

In light of the current market volatility and uncertainty about future economic prospects, the group believes it appropriate to point out that regulated businesses are subject to specific industry regulations governing their profitability; therefore, these businesses have more stable and predictable profitability even during market turbulence periods.

Tthe results of the aforementioned procedures were the subject of specific approval by the Board of Directors of Iren S.p.A., prior to approval of the draft financial statements, as recommended in the rules issued by CONSOB, the Bank of Italy and IVASS.

NOTE 5 EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments are investments in companies in which the Group has joint control or exercises a significant influence. Measurement at equity is carried out on the basis of the latest available financial statements (consolidated if prepared) of the investees.

The list of Group companies measured using the equity method at 31 December 2021 is attached.

Changes for the year are shown in the following tables.

EQUITY INVESTMENTS IN JOINT VENTURES (THOUSANDS OF EURO)

	31/12/2020	Increases (Decreases)	Changes in consoli-dation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2021
Acque Potabili	9,907	-	-	(1,795)	(97)	-	8,015
TOTAL	9,907	-	-	(1,795)	(97)	-	8,015

As of 31 May 2021, the company Acque Potabili was put into liquidation.

EQUITY INVESTMENTS IN ASSOCIATES (THOUSANDS OF EURO)

	31/12/2020	Increases (Decreases)	Changes in consoli-dation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2021
A2A Alfa	-	-	-	-	-	-	-
Acos	12,388	-	-	1,534	-	(164)	13,758
Acos Energia	902	-	-	434	82	(250)	1,168
Acquaenna	3,854	-	-	405	18	-	4,277
Aguas de San Pedro	11,711	-	-	3,689	752	(276)	15,876
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	1,014	-	-	194	-	(131)	1,077
Asa	37,030	-	-	2,817	1	-	39,848
Asa scpa	1,197	-	-	-	-	-	1,197
Astea	23,318	-	-	2,685	-	(277)	25,726
Asti Servizi Pubblici	17,086	-	-	917	-	(451)	17,552
Barricalla	15,318	-	-	842	-	(1,190)	14,970
BI Energia	813	-	-	(435)	-	-	378
Centro Corsi	-	25	-	-	-	-	25
CSA	609	-	-	(13)	-	-	596
CSAI	3,234	-	-	240	-	-	3,474
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	297	-	-	(41)	-	-	256
Futura	4,805	-	(4,840)	35	-	-	-
G.A.I.A.	14,746	-	-	84	-	-	14,830

	31/12/2020	Increases (Decreases)	Changes in consolidation scope	Change in profit or loss	Change in Equity	Dividend distribution	31/12/2021
Global Service	6	-	-	-	-	-	6
Iniziative Ambientali	473	-	-	14	-	-	487
Mondo Acqua	665	-	-	80	-	-	745
Nove	2,300	-	(4,677)	2,377	-	-	-
Rimateria	1,396	-	-	(1,396)	-	-	-
SEI Toscana	20,992	(2,761)	-	(3,336)	(576)	-	14,319
SETA	11,157	-	-	1,756	-	(454)	12,459
Siena Ambiente	19,842	-	-	(330)	-	-	19,512
Sinergie Italiane	-	-	-	-	-	-	-
STU Reggiane	5,405	-	-	(170)	-	-	5,235
Tirana Acque	-	-	-	-	-	-	-
Valle Dora Energia	1,148	-	-	527	-	(122)	1,553
TOTAL	211,706	(2,736)	(9,517)	12,909	277	(3,315)	209,324

The decreases in the equity investment in Sei Toscana refer to the sale of 4.685% of the shares, which therefore decreased from 35.64% at 31 December 2020 to 30.955% at 31 December 2021.

For the subsidiaries Futura and Nove, the change in the consolidation scope relates to the acquisition of control and the consequent consolidation of the companies.

With reference to the associate Rimateria, the Court of Livorno declared the company bankrupt on 14 June 2021 and, therefore, the equity investment was fully impaired. In addition, the liability previously recognised for the variable portion of the purchase price of the company's shares (earn-out) was cancelled as the condition for payment was not met.

The amounts related to the column Change in Equity are due mainly to the exchange difference (Aguas de San Pedro) and to changes in the hedging reserves and in those connected to actuarial gains (losses) on employee benefits.

NOTE 6 OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. These equity investments are measured at fair value but, as the most recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the fair value, they are recognised at cost.

The list of other Group equity investments at 31 December 2021 is attached in the annex.

The breakdown of this item is as follows:

(THOUSANDS OF EURO)

	31/12/2020	Increases	(Decreases)	31/12/2021
AISA Impianti	992	-	-	992
Autostrade Centro Padane	1,248	-	-	1,248
CIDIU Servizi	-	2,655	-	2,655
Enerbrain	-	1,554	-	1,554
Environment Park	1,243	-	-	1,243
Others	537	254	(14)	777
TOTAL	4,020	4,463	(14)	8,469

NOTE 7 NON-CURRENT CONTRACT ASSETS

Non-current contract assets, net of the related loss allowance, total 77,262 thousand euro (82,230 thousand euro at 31 December 2020) and refer to:

- assets of the integrated water service for tariff adjustments and for lower volumes supplied than the operator's guaranteed revenue; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery through fees after two years (55,226 thousand euroat 31 December 2021, 61,800 thousand euro at 31 December 2020);
- assets of the electricity transmission, distribution, and metering services deriving from the rules issued in AEEGSI Resolution no. 654/2015 on the subject of tariff regulation for the period 2016-2023 which entailed the recognition of revenue from electricity transport and of the related amounts due (17,805 thousand euro at 31 December 2021, 15,975 thousand euro as at 31 December 2020) which will be recovered starting from 2023 until 2030.
- waste management service assets for tariff adjustments relating to activities already carried out that may be invoiced more than twelve months after the reporting date (4,230 thousand euro at 31 December 2021, 6,973 thousand euro as at 31 December 2020).

NOTE 8 NON-CURRENT TRADE RECEIVABLES

Receivables, which are affected by the effect of discounting, amounted to 20,824 thousand euro (20,412 thousand euro at 31 December 2020) and mainly refer to receivables from the Municipality of Turin for the waste management service and the technological renewal and efficiency upgrading of the heating systems at some municipal buildings (18,753 thousand euro at 31 December 2021, 13,273 thousand euro at 31 December 2020). For more information on the overall position of the Iren Group in relation to the Municipality of Turin please see Note 9 "Non-current financial assets".

NOTE 9 NON-CURRENT FINANCIAL ASSETS

The item of 131,766 thousand euro (173,736 thousand euro as at 31 December 2020) mainly consists of loan assets and derivatives with positive fair value. These are detailed in the following table.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current loan assets with associates	37,467	34,620
Non-current loan assets with ownerss	34,801	94,074
Non-current loan assets with others	32,676	19,794
Fair value of derivatives – non-current portion	2,024	800
Securities other than equity investments	73	24
Other financial assets	24,725	24,424
Total	131,766	173,736

Non-current loan assets with associates

They refer mainly to amounts due from Valle Dora Energia (22,562 thousand euro), Sinergie Italiane (2,909 thousand euro), Acos (5,417 thousand euro), Acquaenna (3,832 thousand euro) and SEI Toscana (2,688 thousand euro). Also present is an amount due from the associate AIGA of 817 thousand euro which was fully impaired.

Non-current loan assets with owners

Amounting to 34,801 thousand euro (94,074 thousand euro as at 31 December 2020), these refer to amounts due from the Municipality of Turin, and relate to:

- the non-current portion of the amount related to the current account which governs transactions between the subsidiaries AMIAT, Iren Smart Solutions, and the Municipality of Turin (2,904 thousand euro); Current account contracts last until 31 December 2036 and accrued interest is calculated on the basis of the effective average costs incurred by the Group for its financial exposure.
- application of the financial asset model provided for in IFRIC 12 to the energy efficiency project ("Turin LED") associated with the Public Lighting service performed under concession by Iren Smart Solutions S.p.A. in the city of Turin, for the non-current portion (31,898 thousand euro). Recognition of the discounted financial asset is a result of the vesting of the current unconditional right to receive the contractually-agreed cash flows, which coincided with completion of the installation of the related LED devices.

The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables presented in the statement of cash flows as a generation of operating cash flows, and a corresponding increase in loan assets, presented as a cash absorption in cash flows from financing activities.

These assets form part of an overall position, totalling 145,447 thousand euro, and are divided among various accounting items according to their classification by type and due date: Non-current trade receivables (Note 8), Non-current financial assets (this Note 9), Trade receivables (Note 14) and Current financial assets (Note 17), as shown in the table presented below.

The directors have classified financial assets as current and non-current on the basis of a forecast of their collection times also considering the outcomeof the agreement signed by the Municipality of Turin and the Iren Group in 2018.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current trade receivables	18,753	13,273
Invoices issued for services	71,748	63,214
Invoices to be issued for services	6,923	8,150
Supply of heating and other	5,830	1,948
Loss allowance	(176)	(69)
Total current trade receivables	84,325	73,243
Non-current portion of current account assets	2,904	65,419
Non-current portion of service concession financial assets	31,898	28,655
Total non-current financial assets	34,802	94,074
Current portion of current account assets	1,223	1,223
Current portion of accrued interest income	3,364	2,855
Current portion of service concession financial assets	2,980	1,246
Total current financial assets	7,567	5,324
Total	145,447	185,914

Non-current financial assets with others

Non-current financial assets with others include the non-current portion of:

- assets for finance leases relating to air conditioning systems;
- the asset arising from the sale of the business unit related to the management of the integrated water service of two municipalities of the Veronese ATO Basin in 2019;
- assets arising from the application of the financial asset model provided for by IFRIC 12 to the energy efficiency project connected with the Public Lighting service provided under concession in various cities, including Vercelli, Biella and Fidenza.

Fair value of derivatives – non-current portion

The fair value of derivatives refers to instruments in the portfolio for hedging the risk of changes in rates.

Securities other than equity investments

These amounted to 73 thousand euro (24 thousand euro as at 31 December 2020) and relate to securities given as collateral and measured at amortised cost.

Other financial assets

The item amounted to 24,725 thousand euro and is represented by the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan. These assets are measured at fair value and any changes are recognised in profit or loss.

NOTE 10 OTHER NON-CURRENT ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Guarantee deposits	3,954	11,042
Tax assets after 12 months	23,243	47,475
Other non-current assets	6,696	5,508
Non-current accrued income and prepaid expenses	3,274	2,645
Total	37,167	66,670

The decrease in guarantee deposits refers to the reimbursement of the amounts paid by Iren Mercato to the investee Sinergie Italiane in relation to the end of the natural gas supply contract signed by the parties.

Tax assets after 12 months refer mainly to deductions on work done in order to improve the energy efficiency of buildings (ecobonus) and to VAT assets for which claims for refundhave been made.

Non-current assets resulting from activites carried out to improve the energy efficiency in buildings (known as ecobonus) will be used by the Group to offset the taxes due to the next five years.

Prepaid expenses mainly include the non-current portion of prepaid costs for energy service contracts of the subsidiary Iren Smart Solutions S.p.A.

NOTE 11 DEFERRED TAX ASSETS

They amounted to 427,572 thousand euro (372,768 thousand euro as at 31 December 2020) and refer to deferred tax assets arising from costs that will be deductible in future years. They also include the tax effect of adjustments for the adoption of the IFRS.

For further details please see the note to the income statement, “Income taxes” (Note 42) and the attached table.

CURRENT ASSETS

NOTE 12 INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.

The table below summarises the amounts of the item in the years in question:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Raw materials	119,001	70,990
Provision for inventory write-down	(7,189)	(5,348)
Total	111,812	65,642

The change in raw materials for the year essentially reflects increases in gas stocks.

The provision for inventory write-down was set up and used to cover inventories that are technically obsolete and slow-moving.

At 31 December 2021 no inventories were pledged against liabilities.

NOTE 13 CURRENT CONTRACT ASSETS

Current contract assets, net of the loss allowance for a total of 205 thousand of euro, amounted to 46,391 thousand euro (3,175 thousand euro as at 31 December 2020) and mainly refer to activities carried out in order to improve the energy efficiency of the buildings worked on and to activities carried out for the Municipality of Turin.

NOTE 14 TRADE RECEIVABLES

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade receivables from customers	1,179,250	1,001,669
Trade receivables from joint ventures	114	142
Trade receivables from associates	16,712	20,554
Trade receivables from owners	103,434	92,141
Trade receivables from other related parties	3,928	3,503
Total gross trade receivables	1,303,438	1,118,009
Loss allowance	(239,512)	(232,088)
Total	1,063,926	885,921

At 31 December 2021 factoring transactions were completed with derecognition of the trade receivables for a total of 77,718 thousand euro (40,094 thousand euro as at 31 December 2020).

Trade receivables, gross of the loss allowance, are broken down by due date as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Not yet due	900,585	750,002
0 to 3 months past due	131,850	125,508
3 to 12 months past due	108,359	99,293
More than 12 months past due	162,644	143,206
Total	1,303,438	1,118,009

Trade receivables not yet due include invoices to be issued of 545,866 thousand euro (473,131 thousand euro at 31 December 2020) which include the estimate of revenue earned for services supplied between the date of the last reading of effective consumption and the year-end date.

Trade receivables from customers

These mainly relate to amounts due for electricity, gas, water and heat supplies, waste management services and sundry services.

Trade receivables from joint ventures

This item includes amounts due from the Group's joint ventures, consolidated using the equity method. These relate to normal trade transactions performed at arm's length. For further details, please see the table of related-party transactions shown in the annex.

Trade receivables from owners

Trade receivables from owners refer to trade transactions performed at arm's length with territorial authorities classified as related parties (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and, marginally, with the company FSU. For further details, please see the table of related party transactions shown in the annex.

Trade receivables from other related parties

These regard amounts due from the companies controlled by the territorial authorities that are owners (Municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal trade transactions carried out at arm's length.

Loss allowance

This changed as follows:

(THOUSANDS OF EURO)

	31/12/2020	Impairment losses for the year	Uses	31/12/2021
Loss allowance	232,088	57,332	(40,753)	239,512

The impairment losses for the year were recognised to adjust the amount of the loss allowance to the expected credit losses determined on the basis of the simplified model provided for in IFRS 9, where "loss" means the present value of all cash shortfalls, considering forward-looking information.

NOTE 15 CURRENT TAX ASSETS

These amounted to 7,114 thousand euro (9,622 thousand euro as at 31 December 2020) and include amounts due from the tax authority for IRES and IRAP.

NOTE 16 SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Government land tax/UTIF	3,537	26,041
VAT assets	46,692	84,622
Other tax assets	160,581	24,133
Tax assets within 12 months	210,810	134,796
Cassa Servizi Energetici e Ambientali (CSEA)	39,927	77,258
Green certificates	31,109	33,997
Advances to suppliers	14,260	11,468
Other current assets	59,363	46,731
Other current assets	144,659	169,454
Accrued income and prepaid expenses	29,592	12,832
Total	385,061	317,082

As at 30 June 2021 factoring transactions of the VAT asset with derecognition were completed for a total of 12,151 thousand euro (93,484 thousand euro as at 31 December 2020). As at 31 December 2020, there were also factoring transactions of the asset for energy efficiency certificates with derecognition totalling 27,912 thousand euro.

The decrease in tax assets for government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

Other tax assets include 147,140 thousand euro for deductions on work carried out to improve the energy efficiency of buildings (ecobonus). Beginning in 2021, these assets are recognised under current assets, as the business model calls for the financial asset to be realised through financial intermediaries' transfers.

The companies that take part in the VAT Group for 2021, not including the Parent Iren S.p.A., are as follows: Iren Energia S.p.A., IRETI S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A. (and the merged companies Sereco S.P.A., Gheo S.A. S.r.l., AMA S.p.A., Montequerce S.c.r.l.), AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A. Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A., San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. and Rigenera Materiali S.r.l.

With regard to amounts due from the Cassa Servizi Energetici e Ambientali (CSEA), a portion of the amounts shown may not be collectable within the next 12 months; their reduction is due to the lower tariff contributions recognised against the reduction in the obligations for Energy Efficiency Certificates (White Certificates) in 2020, which electricity and natural gas distributors are required to meet, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

NOTE 17 CURRENT FINANCIAL ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loan assets with associates	2,786	3,614
Loan assets with owners	7,567	5,324
Loan assets with others	194,945	71,292
Current portion of derivative financial instruments	167,426	16,444
Total	372,724	96,674

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

Loan assets with associates

This item refers mainly to loans to Acquaenna (343 thousand euro), BI Energia (786 thousand euro), STU Reggiane (455 thousand euro) and interest from Valle Dora Energia (164 thousand euro). The remainder regards dividends to be received.

For further details please see the schedule of related party transactions shown in the annex.

Loan assets with owners

These regard amounts due from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to 7,568 thousand euro (5,324 thousand euro as at 31 December 2020), and are related to relationships between the subsidiaries AMIAT S.p.A. and Iren Smart Solutions and the Municipality of Turin.

For details of the overall position of the Iren Group with the Municipality of Turin please see Note 8

"Non-current financial assets".

Loan assets with others

Most of the amount refers to deposits paid as security for transactions on commodities futures markets (103,595 thousand euro), bank certificates of deposit (30,000 thousand euro) and restricted current accounts of the subsidiary, TRM S.p.A., deriving from the loan agreement that provides for the linking of amounts to service the instalment due, environmental compensation charges and extraordinary maintenance of the waste-to-energy plant (35,977 thousand euro). The remaining balance consists of assets arising from the implementation of the financial asset model provided by IFRIC 12 for the water purification service acquired in the Marche region, the asset for the price adjustment for the acquisition of control of San Germano and CMT, accrued income and deferred charges of a financial nature and finance lease assets.

Current portion of derivative financial instruments

These relate to the positive fair value of derivative contracts on commodities.

NOTE 18 CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents is made up as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bank and postal deposits	606,787	889,870
Cash and similar on hand	101	299
Total	606,888	890,169

Cash and cash equivalents consist of available bank and postal deposits. The Group does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 19 ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amounted to 1,144 thousand euro (1,285 thousand euro as at 31 December 2020). This item relates:

- for 987 thousand euro (unchanged from 31 December 2020), the net assets related to the concessions of the integrated water service of four municipalities of the province of Alessandria and two municipalities of Valle d'Aosta for which the takeover of the new operator is being defined;
- for 158 thousand euro (unchanged compared to 31 December 2020), to the associate Piana Ambiente.

In addition, assets held for sale include the equity investment in Fata Morgana, already fully impaired in previous years.

As at 31 December 2020, the investment in the associate Plurigas (140 thousand euro), whose liquidation process ended during the first half of 2021, was shown under this item.

Liabilities

NOTE 20 EQUITY

Equity may be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Share capital	1,300,931	1,300,931
Reserves and Retained Earnings	966,512	847,800
Profit for the year	303,088	239,172
Total equity attributable to the owners of the parent	2,570,531	2,387,903
Capital and reserves attributable to non-controlling interests	349,747	346,731
Profit attributable to non-controlling interests	30,382	30,113
Total consolidated equity	2,950,660	2,764,747

Share capital

The share capital, unchanged compared to 31 December 2020 amounts to 1,300,931,377 euro, which is fully paid-up and comprises 1,300,931,377 ordinary shares with a nominal value of 1 euro each.

On 29 April 2020, the Shareholders authorised the Board of Directors to repurchase treasury shares for eighteen months for a maximum of 65,000,000 shares, equal to 5% of the share capital, in accordance with the applicable regulations. A 31 December 2021, 17,855,645 shares were repurchased for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

Reserves and Retained Earnings

The breakdown of this item is as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Treasury shares	(38,691)	(34,648)
Share premium reserve	133,019	133,019
Legal reserve	87,216	76,713
Hedging reserve	(14,465)	(19,501)
Other reserves and retained earnings	799,432	692,217
Total reserves	966,512	847,800

Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a corresponding balancing item directly in equity under the hedging reserve. These contracts were entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

Other reserves and retained earnings

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enìa into Iride, from retained earnings and losses carried forward, and the actuarial reserve, for actuarial gains and losses resulting from the measurement of post-employment benefits.

During 2021 they changed owing mainly to the carrying forward of the profit for 2020 (106,777 thousand euro).

Dividends

At their Ordinary Meeting held on 6 May 2021, the shareholders of Iren S.p.A. approved the Parent's separate financial statements at 31 December 2020 and the Directors' Report, and resolved to distribute a dividend of 0.095 euro per ordinary share, confirming the proposal made by the Board of Directors. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 121,892,194.54 euro.

For further details, reference should be made to the statement of changes in equity.

CAPITAL MANAGEMENT

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

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

NON-CURRENT LIABILITIES

NOTE 21 NON-CURRENT FINANCIAL LIABILITIES

The item amounted to a total of 3,549,612 thousand euro (3,829,543 thousand euro as at 31 December 2020).

Bonds

These amounted to 2,960,176 thousand euro due after 12 months (3,124,430 thousand euro as at 31 December 2020). The item entirely refers to the Parent's Public Bond issues, accounted for at amortised cost, against a total nominal amount outstanding at 31 December 2021 of 3,000,000 thousand euro (3,159,634 thousand at 31 December 2020). The details of Public Bonds with maturity after 12 months are as follows:

- Bonds maturing November 2024, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 497,405 thousand euro);
- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 493,918 thousand euro);
- Green Bonds maturing September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 496,434 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 495,726 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 490,741 thousand euro);
- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 485,952 thousand euro).

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned a Fitch and S&P rating.

The change in the total carrying amount compared to 31 December 2020 is due to the reclassification to short term of the Bonds maturing in November 2022 (amount outstanding at 31 December 2021 equal to 359,634 thousand euro, amount at amortised cost 359,135 thousand euro), to the issue in October 2021 of the TAP Green Bonds maturing in January 2031, coupon 0.25%, amounting to 200 million euro and to the allocation of the relevant financial expense, calculated on the basis of the amortised cost method.

Non-current bank loans

Non-current loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 504,677 thousand euro (580,201 thousand euro as at 31 December 2020). Non-current loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and by maturity date (related to the portion after 12 months), as shown in the table below:

(THOUSANDS OF EURO)

	fixed rate	floating rate	TOTAL
min/max rate	4.095% - 5.151%	0.000% - 0.296%	
maturity	2023-2028	2023-2036	
1.1.2023 – 31.12.2023	1,019	48,918	49,937
1.1.2024 – 31.12.2024	1,076	60,388	61,464
1.1.2025 – 31.12.2025	1,136	60,176	61,312
1.1.2026 – 31.12.2026	1,201	58,810	60,011
Subsequent	2,606	269,347	271,953
Total after 12 months as at 31/12/2021	7,038	497,639	504,677
Total after 12 months as at 31/12/2020	20,192	560,009	580,201

All loans are denominated in euro.

The changes in non-current loans during the year are summarised as follows:

(THOUSANDS OF EURO)

	31/12/2020					31/12/2021
	Totalafter 12 months	Increases	Changes in consolidation scope	Decreases	Change in amortised cost	Total after 12 months
- fixed rate	20,192	-	3,120	(16,274)	-	7,038
- floating-rate	560,009	5,000	21,206	(89,045)	470	497,639
TOTAL	580,201	5,000	24,326	**(105,319)**	470	504,677

Total non-current loans at 31 December 2021 decreased overall compared to 31 December 2020, as a combined result of:

- a loan of 5,000 thousand euro from CEB (Council of Europe Development Bank) to the Parent, in relation to the investment programme in the integrated water service infrastructure in the Parma and Genoa areas;
- an increase of 24,326 thousand euro in non-current loans held by companies that entered the consolidation scope of the Group in 2021;
- a decrease of 105,319 thousand euro for the voluntary early repayment of the Parent's loans and the aforementioned loans acquired in the consolidation scope, for Liability Management activities, and for the classification of the portions of loans falling due within the next 12 months as current;
- an increase of 470 thousand euro due to recognition of the loans at amortised cost.

Other financial liabilities

These amount to 84,759 thousand euro (124,912 thousand euro as at 31 December 2020) and refer to:

- for 48,869 thousand euro (72,547 thousand euro as at 31 December 2020) at fair value of derivative contracts entered into to hedge the exposure to the risk of fluctuations in interest rates of loans at floating rate (for the comment, see the "Group financial risk management" paragraph);

- for 611 thousand euro (2,013 thousand euro as at 31 December 2020) to financial liabilities with associates;
- for 29,820 thousand euro (28,890 thousand euro as at 31 December 2020) to lease liabilities;
- for 3,236 thousand euro (3,165 thousand euro as at 31 December 2020) to "Put option for non-controlling interests", relating to the fair value measurement of the put options granted to non-controlling interests on their shares. This item refers to the option to sell the non-controlling interest in Nord Ovest Servizi S.p.A., equal to 25% of the share capital, held partly by SMAT and partly by GTT.
- for 2,223 thousand euro (18,297 thousand euro at 31 December 2020) to minor loans from others, the most significant amounts of which regard loans granted to certain consolidated companies, but in which the Group does not hold 100% of the shares, by the non-controlling investor.

The decrease is largely due to the early repayment in 2021 of liabilities previously recognised for equity instruments issued and interest due totalling 14,863 thousand euro.

NOTE 22 EMPLOYEE BENEFITS

Changes in this item in 2021 were as follows:

(THOUSANDS OF EURO)

	31/12/2020	Changes in consolidation scope	Disbursements during the year	Obligations vested during the year	31/12/2021
Post-employment benefits	96,042	832	(8,733)	790	92,081
Additional salary payments (seniority bonus)	2,677	-	(436)	85	4,168
Loyalty bonus	2,988	-	(197)	94	2,807
Tariff discounts	5,141	-	(282)	-	4,362
Premungas fund	2,179	-	(451)	-	2,183
Total	109,027	832	(10,099)	969	105,601

"Changes in consolidation scope" mainly refers to the balances acquired during the year relating to the companies Futura and Bosch Energy and Building Solutions Italy S.r.l. (now Iren Energy Solutions).

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.

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 the total number of employees and employee remuneration. Future service represents the amount that would be paid out 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:

- relevant market;
- the measurement date;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits and all Group companies.

The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	-0.17% - 0.98%
Annual inflation rate	1.75%
Annual rate of increase of post-employment benefits	2.813%

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

	Change in liabilities according to changes in discount rate		Service cost 2022	Duration of the plan	Disbursements 2022
	+0.25%	-0.25%			
Post-employment benefits	(1,751)	1,810	770	9.1	6,056
Additional salary payments	(94)	97	131	10.5	101
Loyalty bonus	(41)	44	97	8.5	192
Tariff discounts	(112)	108	-	10.4	240
Premungas	(28)	29	-	5.7	306

The method used to estimate sensitivity was unchanged compared to the previous year.

NOTE 23 PROVISIONS FOR RISKS AND CHARGES

The item amounted to 422,989 thousand euro (409,091 thousand euro as at 31 December 2020). These are detailed in the following table, and refer both to the current and non-current portions:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	gains (losses)	Changes in consolidation scope	31/12/2021	Non-current portion
Provision for restoration of third-party assets	165,460	7,666	-	868	-	173,994	173,994
"Post-closure" provisions	72,342	8,972	(7,531)	4,672	-	78,455	69,299
Provision for dismantling and reclaiming sites	43,871	2,846	(176)	3,507	-	50,048	50,002
Provision for early retirement	15,045	713	(5,733)	-	-	10,025	3,115
Provision for risks on equity investments	6,565	-	(6,500)	-	-	65	-
ETS cancellation obligation	82,527	143,864	(82,527)	-	-	143,864	-
Other provisions for risks and charges	179,253	34,461	(36,092)	-	1,417	179,039	126,579
Total	565,063	198,522	(138,559)	9,047	1,417	635,490	422,989

If the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which, on the basis of the time period envisaged for the future cash flows, does not exceed 2.22%.

"Changes in consolidation scope" mainly refers to the balances acquired during the year relating to the companies Futura and Bosch Energy and Building Solutions Italy.

Provision for restoration of third-party assets

This provision refers to liabilities which, if the water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are reassigned to third parties, will be deducted from the fee to be paid to the Group by the incoming operator. These liabilities are estimated according to the depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesa and AMPS (later merged into Enìa), were transferred to the financial statements of three full publicly-held companies as envisaged in Art. 113 paragraph 13 of T.U.E.L. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set aside the aforementioned provisions.

"Post-closure" provisions

These are mainly provisions for future expense for environmental remediation of controlled landfill plants which also include costs for post-operating management until the sites involved have been completely converted into green areas. These provisions are supported by specific appraisals periodically updated in order to adjust the existing provisions to the estimate of the future costs to be incurred. The decreases refer in particular to the utilisation of the provision to cover costs incurred in the post-operating phase until the mineralisation of waste and the conversion of landfills into "green areas" are completed.

Provision for dismantling and reclaiming sites

The "Provision for dismantling and reclaiming sites" represents the estimate of expense associated with the future dismantling of the Group's waste-to-energy plants and the estimate of charges to be incurred in relation to the future reclamation of former AMNU in Parma on which an incinerator was located.

Provision for early retirement

The provision refers 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 early retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The transaction should 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 individuals.

The incentive, completely chargeable to the Iren Group (in application of Art. 4 of Law no. 92/2012), will enable the personnel who meet the legal requisites to retire ahead of the date of eligibility, making up in part for the delay in retirement created by the social security reform.

The provision represents the estimated payment to the employees involved in the Plan, through the social security institution, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules ("early retirement") with payment of the contribution to the social security institution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law no. 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 Decree Law no. 4/2019 containing the so-called "quota 100". Article 14 of the aforementioned Decree Law no. 4/2019 introduces starting from 2019 the possibility of retiring once workers meet the requirements of reaching 62 years of age and 38 years of contributions by 31 December 2021.

Provision for risks on equity investments

The provision for risks on equity investments was set up to cover the potential charges deriving from the liquidation of the investee Sinergie Italiane S.r.l.; during 2021, the liquidators resolved the last element of uncertainty pending on the company, proceeding with the sale of the onerous contract with the supplier TAG, the entity managing the Austrian methane gas transportation network. This contract was acquired from the quotaholders, including Iren Mercato, and the transaction provided for the simultaneous recognition to the purchasers of a monetary amount equal to the estimated total cost of the contract. In order to enable this transaction to be carried out, the quotaholders themselves first had to provide a non-interest-bearing quotaholder loan: the existing provision for risks on equity investments of 6,500 thousand euro was therefore used to adjust the financial asset and reflect the risk of partial non-recoverability of the same.

ETS cancellation obligation

This item refers to obligations related to carbon dioxide emission rights under the Emission Trading Scheme. The changes relate to estimated obligation costs for the year and cancellation of ETS certificates for having met the prior year obligation.

Other provisions for risks and charges

The amount of the provisions mainly refers to the probable risk of higher charges for the construction of plants which are completed or yet to be finished, the estimated IMU/ICI tax to be paid based on the value of plant systems as envisaged in Art. 1-quinquies of Decree Law no. 44 of 31 March 2005, the estimate of charges related to the return of emissions quotas, charges for environmental offsets, risks of a regulatory nature and probable charges for various disputes.

The current portion referring to the provisions described above was presented under "provisions for risks and charges - current portion" (Note 31).

NOTE 24 DEFERRED TAX LIABILITIES

Deferred tax liabilities of 182,997 thousand euro (209,317 thousand euro as at 31 December 2020) are due to the temporary difference between the carrying amount and tax base of assets and liabilities recognised in the financial statements.

Deferred taxation is calculated with reference to the expected tax rates applicable when the temporary differences will reverse.

For further details please see the note to the income statement, "Income taxese", note 42, and the attached table.

NOTE 25 SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item can be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Due after 12 months	59,828	54,988
Deferred income for grants related to assets- non current	431,783	429,448
Non-current accrued expenses and deferred income	4,198	3,569
Total	495,809	488,006

The item "Due after 12 months" refers to advances paid by users to guarantee water supply, to amounts related to previous years to be paid for the government-sponsored temporary redundancy fund (CIG), for the government-sponsored extraordinary redundancy fund (CIGS) and for furloughs and to tax liabilities for substitute taxes due more than 12 months after the reporting date.

Deferred income for grants related to assets includes the amounts relating to connection grants of 144,248 thousand euro and the Fo.N.I. component (Provision for New Investments), amounting to 59,085 thousand euro, provided for by the tariff method for the Integrated Water Service, which will be reversed to profit or loss more than 12 months after the reporting date. The portion that will be taken to profit or loss in the 12 months following the reporting date amounts to 7,553 thousand euro and 3,249 thousand euro, respectively, and is included in the item "Sundry liabilities and other current liabilities under deferred income" for grants related to assets.

CURRENT LIABILITIES

NOTE 26 CURRENT FINANCIAL LIABILITIES

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

Current financial liabilities can be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bonds	359,135	181,628
Bank loans	55,677	74,489
Loans from associates	-	964
Loans from owners	3,140	3,789
Loans from other related parties	1	2
Lease liabilities	9,120	9,804
Loans from others	19,187	8,033
Current derivative liabilities	21,327	568
Total	467,587	279,277

Bonds

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

- at 31 December 2021, this relates to the Bonds issued in 2015 maturing in 2022 (nominal value of 359,634 thousand euro maturing);
- at 31 December 2020 the amortised cost of the Bonds issued in 2014 was shown; it was repaid on maturity in July 2021 at the nominal value of 181,836 thousand euro.

Bank loans

Current bank loans may be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loans - current portion	42,540	49,150
Other current bank loans	2,126	12,558
Accrued financial expenses and deferred financial income	11,011	12,781
Total	55,677	74,489

Loans from associates

As at 31 December 2020, these refer to amounts due from the companies Amter (437 thousand euro), SEI Toscana (431 thousand euro), and CSAI (96 thousand euro).

Loans from owners

This item relates to dividends of the company TRM still to be paid to the shareholder Municipality of Turin.

Loans from others

These amount to 19,187 thousand euro (8,033 thousand euro as at 31 December 2020) and refer to:

- 8,227 thousand euro relating to the price adjustment for the purchase of Iren Energy Solutions (formerly Bosch Energy and Building Solutions Italy);
- 4,026 thousand euro for "Put option for non-controlling investors", relating to the fair value measurement of the put options granted to non-controlling investorson their shares, in accordance with specific agreements. This item refers mainly to the put option of the non-controlling interest in IBlu S.r.l., equal to 20% of the quota capital, partly held by Idealservice Soc Coop;
- 1,579 thousand euro relate to the acquisition of the right of use of 25% of the total capacity of the TLC network sold to BT Enia.

Current derivative liabilities

These relate to the fair value of derivative contracts entered into to hedge the exposure to the risk of fluctuations in commodity prices.

NOTE 27 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 EURO)

	31/12/2021	31/12/2020
Trade payables to suppliers	1,482,557	923,212
Trade payables to joint ventures and associates	12,356	19,864
Trade payables to owners	6,820	13,767
Trade payables to other related parties	7,372	6,600
Advances due within 12 months	9,012	7,376
Guarantee deposits due within 12 months	5,579	7,077
Charges to be reimbursed within 12 months	9	10
Total	1,523,705	977,906

NOTE 28 CURRENT CONTRACT LIABILITIES

This item totalled 89,262 thousand euro (28,279 thousand euro as at 31 December 2020) and refers to the amounts paid by customers as advance payments for energy efficiency measures in buildings, which have not yet been completed.

NOTE 29 SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES

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

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
VAT liability	196	1,024
Government land tax/UTIF	17,412	960
IRPEF liability	2,361	2,192
Other tax liabilities	27,449	21,298
Tax liabilities due within 12 months	47,418	25,474
Amounts due to employees	59,235	55,050
Cassa Servizi Energetici e Ambientali (CSEA)	31,102	42,925
Amounts due to social security institutions within 12 months	26,399	24,616
Other current liabilities	68,240	142,951
Sundry liabilities due within 12 months	184,976	265,542
Accrued expenses and deferred income	28,662	26,152
Total	261,056	317,168

The increase in for the government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

The change in amounts due to Cassa per i Servizi Energetici e Ambientali (the Energy and Waste Management Services Fund) in the year is related to the estimates of negative equalisation of electricity and gas.

Other current liabilities mainly refer to the cost estimates for the obligations relating to energy efficiency certificates, payables for tariff components of electricity distribution to be paid to the GSE, liabilities for purification fees, liabilities for RAI fees collected in the bill and amounts due to customers for works invoiced but not yet carried out relating to the energy efficiency of buildings.

The decrease in the item is largely related to the quantitative reduction in the obligations for Energy Efficiency Certificates (White Certificates) in 2020, which electricity and natural gas distributors are required to comply with, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

NOTE 30 CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounting to 48,674 thousand euro (5,309 thousand euro as at 31 December 2020) is made up of IRES and IRAP, comprising the estimate of taxes for the current year.

NOTE 31 PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 212,501 thousand euro (155,972 thousand euro as at 31 December 2020) and refers to the current portion of the provisions, divided as follows:

- provisions for charges related to the obligation to cancel ETS allowances of 143,864 thousand euro;
- provisions for environmental offset charges of 12,193 thousand euro;
- provision for early retirement of 6,910 thousand euro;
- provision for dismantling and reclaiming sites and post-closure provisions for 9,202 thousand euro;
- other provisions for risks of 40,332 thousand euro.

For further details on the breakdown of and changes in provisions for risks and charges see Note 23.

NOTE 32 LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

There are no liabilities associated with assets held for sale at 31 December 2021.

FINANCIAL POSITION

Net financial debt, calculated as the difference between current and non-current financial debt and current and non-current financial assets, can be broken down as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Non-current financial assets	(131,766)	(173,736)
Non-current financial debt	3,549,612	3,829,543
Non-current net financial debt	3,417,846	3,655,807
Current financial assets	(979,612)	(986,843)
Current financial debt	467,587	279,277
Current net financial debt	(512,025)	(707,566)
Net financial debt	2,905,821	2,948,241

Net Financial debt with related parties

Non-current financial assets include 34,801 thousand euro due from the Municipality of Turin and 43,967 thousand euro due from from associates.

Current financial assets include 7,567 thousand euro due from the Municipality of Turin and 2,786 thousand euro due from associates.

Non-current financial debt includes 611 thousand euro due to associates.

Current financial debt includes 3,140 thousand euro due to the Municipality of Turin.

Net financial debt according to the structure proposed by ESMA in the document of 04 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation and* implemented by Consob with *Warning notice No. 5/21 of 29 April 2021* is shown below.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
A. Cash and cash equivalents	(606,888)	(890,169)
B. Cash equivalents	-	-
C. Other current financial assets	(103,595)	(4,695)
D. Liquidity (A) + (B) + (C)	(710,483)	(894,864)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	56,792	38,695
F. Current portion of non-current financial debt	410,795	240,582
G. Current financial debt (E + F)	467,587	279,277

	31/12/2021	31/12/2020
H. Net current financial debt (G - D)	(242,896)	(615,587)
I. Non-current financial debt (excluding current portion and debt instruments)	589,436	692,861
J. Debt instruments	2,960,176	3,124,430
K. Trade payables and other non-current debt	-	12,252
L. Non-current financial debt (I + J + K)	3,549,612	3,829,543
M. Total financial debt (H + L)	3,306,716	3,213,956

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

(THOUSANDS OF EURO)

Current and non-current financial liabilities at 31.12.2020	4,108,820
Monetary changes as accounted for in the Statement of Cash Flows	
New non-current loans	205,000
Repayment of non-current loans	(293,765)
Repayment of finance leases	(11,509)
Change in other financial liabilities	17,746
Interest paid	(75,930)
Non-monetary changes	
Liabilities acquired following change in consolidation scope	38,588
New finance leases	11,676
Fair value change in derivatives	(2,919)
Interest and other financial expense	55,160
Other changes	(176)
Current and non-current financial liabilities 31.12.2021	4,017,199

XI. Information on the Income Statement

Unless otherwise stated, the following comments and tables show the figures in thousands of euro.

The consolidated income statement includes the income statement amounts of the entities over which the Group acquired control in 2021: Futura, SidIren, Lab231, the SAS business unit merged into Alfa Solutions, Nove and Bosch Energy and Building Solutions Italy.

Again for the purposes of a correct analysis, it should also be noted that the items include, throughout the entire time span, the results of the district heating branch of SEI Energia, Asti Energia e Calore, Nord Ovest Servizi, I. Blu and the companies of the Unieco Waste Management Division, acquired in 2020.

Revenue

NOTE 33 REVENUE FROM GOODS AND SERVICES

This item amounted to 4,826,741 thousand euro (3,537,997 thousand euro in 2020) as reported in the table below.

(THOUSANDS OF EURO)

	2021	2020
Electricity revenue	2,321,317	1,424,822
District heating revenue	237,775	174,435
Gas revenue	615,591	535,970
Integrated water service revenue	423,468	417,121
Waste management revenue	734,735	645,060
Revenue from asset construction services under concession - IFRIC 12	225,846	207,874
Revenue from other services	268,009	132,715
Total	4,826,741	3,537,997

The following table shows the reconciliation between revenue from goods and services and the information reported by business segment in the Section XIII Segment reporting.

(THOUSANDS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Eliminations	Total
Revenue from goods and services	902,031	840,924	2,148,600	2,992,343	22,028	(2,079,185)	4,826,741
Other revenue	88,787	75,218	132,205	77,250	4,275	(248,605)	129,130
Total	990,818	916,142	2,280,805	3,069,593	26,303	(2,327,790)	4,955,871

The following tables shows revenue from goods and services divided by business segment:

(THOUSANDS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Eliminations	Total
Electricity revenue	132,638	53,841	1,715,055	1,289,775	-	(869,992)	2,321,317
District heating revenue	-	18,063	238,970	232,907	-	(252,165)	237,775
Gas revenue	118,473	2,440	-	1,426,060	-	(931,382)	615,591
Integrated water service revenue	423,226	4,295	-	-	-	(4,053)	423,468
Waste management revenue	17	742,584	-	-	-	(7,866)	734,735
Revenue from asset construction services under concession - IFRIC 12	218,710	4,928	2,208	-	-	-	225,846
Revenue from other services	8,967	14,773	192,367	43,601	22,028	(13,727)	268,009
Total Revenue from goods and services	902,031	840,924	2,148,600	2,992,343	22,028	(2,079,185)	4,826,741

Below is a description of the nature and when performance obligations are to be considered fulfilled:

Sale and distribution of electricity, gas and heat to end customers

Sale of energy contracts include fees that relate to both sale and distribution of the related commodities, identified as a single indistinct performance obligation. This obligation shall be fulfilled at the time of disbursement at the redelivery point or heat exchange substation.

These contracts relate to continuous supplies which imply the fulfillment of the related obligations in an over-time logic, given that the final customer benefits repeatedly over time from single units of homogeneous commodities.

The revenue in this case includes the estimate of disbursements made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect consumption.

In this context, revenue from the electricity and gas distribution service, supplied through the Group's networks to third-party sellers, is recognised based on the tariffs determined by the competent Authorities. They reflect the remuneration paid for the investments made by taking into account the equalisation mechanisms. They also indicate services aimed at fulfilling the related obligations on an ongoing basis.

Integrated water services

Similar to the other network businesses mentioned above, the water main services (collection, purification, lifting and distribution), sewerage and wastewater purification services relate to obligations fulfilled over time. They are also reported on the basis of the rates determined by the competent Authorities to reflect the remuneration recognised against the investments made.

Waste management revenue

The revenue generated by the waste management segment essentially relate to:

- Collection and urban hygiene, in this case the obligations are fulfilled continuously over time based on existing assignments.
- The treatment of municipal and special waste, including its disposal and reuse. The Group evaluates services as provided over time, with reference to the non-stop disposal of homogeneous waste units within the framework of the agreements in place with the competent authorities.

It should also be noted that in this context there are, to a residual extent, services provided on time and related to event obligations (e.g., the snow removal service).

Revenue from other services

The revenue included in this item refers to:

- Products / services related to the sale of commodities (the so-called new downstream), which concern obligations to be fulfilled at the time of transfer of the product / service to the customer.
- Services related to energy services management, including the maintenance service, and to plants and buildings contracts for energy efficiency activities. They both refer to obligations fulfilled over time. In particular, the revenue relating to the efficiency contracts is recognised based on the progress of the activities, derived from the costs incurred attributed to the total estimated expected costs, by recognising a contract asset until complete fulfillment of the obligation.

NOTE 34 OTHER INCOME

Other income totalled 129,130 thousand euro (188,211 thousand euro in 2020) and refers to grants, revenue for energy certificates and sundry income. The tables below show the details of the individual items.

GRANTS (THOUSANDS OF EURO)

	2021	2020
Grants related to assets	13,741	12,697
Connection grants	10,653	10,302
Other grants	5,520	7,954
Total	29,914	30,953

The grants related to assets and connection grants represent the relevant portion of grants calculated in proportion to the depreciation rates of the plants to which they refer.

The connection grants include amounts received for connection to the Group's electricity, water, gas and heat distribution networks.

REVENUE FROM ENERGY EFFICIENCY CERTIFICATES (THOUSANDS OF EURO)

	2021	2020
Revenue from ex-Green Certificates incentive	53,442	58,143
Revenue from Energy Efficiency Certificates (White Certificates)	28,778	55,182
Reduction in tariff contribution for White Certificates from previous years	(33,078)	-
Total	49,142	113,325

The reduction in the tariff contribution relating to White Certificates from previous years originates from the reduction of the obligations for 2020, which electricity and natural gas distributors are required to meet, introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

OTHER INCOME (THOUSANDS OF EURO)

	2021	2020
Service contracts	2,595	3,058
Lease income	1,608	1,495
Capital gains on sale of assets	2,252	978
Insurance settlements	5,105	4,767
Sundry reimbursements	7,461	4,973
Other revenue and income	31,053	28,662
Total	50,074	43,933

COSTS

NOTE 35 RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Purchase of electricity	441,523	299,764
Purchase of gas	1,368,234	498,479
Purchase of heat	302	-
Purchase of other fuels	168	-
Purchase of water	4,282	4,458
Other raw materials and inventory materials	112,137	93,525
CO_2 Emissions	144,200	82,527
White certificates	728	28,761
Reduction in obligations for White Certificates from previous years	(35,806)	-
Change in inventories	(45,273)	13,987
Total	1,990,495	1,021,501

Costs for raw materials, consumables, supplies and goods increased by approximately 968,994 thousand euro. The increase in the cost of purchasing electricity and gas is mainly linked to the increase in prices.

The reduction in obligations for White Certificates from previous years refers to the revision of the estimated costs for the purchase of certificates to meet the obligations for 2020, following the quantitative reduction of obligations introduced by the Decree of the Ministry of Ecological Transition of 21 May 2021.

The change in inventories was partly due to gas stocks.

NOTE 36 SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services amounted to 1,386,547 thousand euro (1,261,070 thousand euro in 2020), as follows:

(THOUSANDS OF EURO)

	2021	2020
Electricity transport and electricity system expenses	471,396	510,353
Gas carriage	69,346	63,672
Heat carriage	-	110
Third-party works, maintenance and industrial services	377,307	273,107
Collection and disposal, snow clearing, public parks	250,008	219,755
Expenses related to personnel (meal allowance, training, business travel)	10,439	8,792
Technical, administrative and commercial consulting and advertising expenses	82,446	68,297
Legal and notary fees	2,529	2,869
Insurance	19,170	14,886
Bank expenses	8,388	7,137

	2021	2020
Telephone expenses	5,737	6,105
IT expenses	47,901	44,856
Reading and invoicing services	11,653	11,404
Board of Statutory Auditors' fees	1,118	938
Other costs for services	29,109	28,789
Total costs for services	1,386,547	1,261,070

Costs for third-party works mainly relate to operating and maintenance costs of plants and networks.

"Other costs for services" consist of the remaining costs for internal consumption, back office, transport and other services.

Use of third-party assets amounted to 35,043 thousand euro (34,229 thousand euro in 2020). The item included mainly fees paid to the single operator of the Genoa Area and fees paid to the companies that own the assets of the integrated water service of the Municipalities of Parma, Piacenza, and Reggio Emilia.

Secondarily, this item includes short-term leases or when the underlying asset is of low value, which the group has decided to exclude from the scope of application of IFRS 16.

NOTE 37 OTHER OPERATING EXPENSES

Other operating expenses amounted to 87,832 thousand euro (71,472 thousand euro in 2020), as follows:

(THOUSANDS OF EURO)

	2021	2020
General expenses	24,703	14,171
Instalments and higher instalments for water shunting	20,550	18,911
Taxes and duties	21,784	25,163
Capital losses on sale of assets	2,059	1,975
Other sundry operating expenses	18,736	11,252
Total	87,832	71,472

General expenses include among other things contributions to the running costs of various entities and penalties from service providers. The item "Taxes and duties" relates mainly to expenses for IMU property tax on the Group's plants and buildings and expenses for occupying and reclaiming public land.

The item "Other sundry operating expenses" includes adjustments of revenue pertaining to previous years.

NOTE 38 INTERNAL WORK CAPITALISED

Internal work capitalised amounted to 43,387 thousand euro (38,262 thousand euro in 2020), and regards increases in capital assets made with internal resources and production factors.

(THOUSANDS OF EURO)

	2021	2020
Capitalised personnel expense	(36,345)	(32,247)
Capitalised materials	(7,042)	(6,015)
Total	(43,387)	(38,262)

NOTE 39 PERSONNEL EXPENSE

Personnel expense amounted to 483,489 thousand euro (449,341 thousand euro in 2020), as follows:

(THOUSANDS OF EURO)

	2021	2020
Gross remuneration	343,430	321,441
Social security contributions	106,596	100,978
Post-employment benefits	481	584
Other long-term employee benefits	80	202
Other personnel expense	31,028	24,466
Directors' fees	1,883	1,670
Total	483,498	449,341

As specified in Note 35, 36,345 thousand euro of personnel expense was capitalised.

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

The composition of the workforce is shown in the following table.

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020	Average for the year
Executives	104	101	103
Junior managers	345	318	339
White collars	3,915	3,733	3,871
Blue collars	4,691	4,528	4,640
Total	9,055	8,680	8,953

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

- the acquisition, in March 2021, of Futura S.p.A. by Iren Ambiente, for a total of 28 resources;
- the acquisition, in August 2021, by Alfa Solutions (formerly Studio Alfa) of the business unit of SAS - Sviluppo Ambiente e Sicurezza and of Lab231, for a total of 26 resources;
- Bosch Energy and Building Solutions Italy (now Iren Energy Solutions), for a total of 156 resources, acquired by Iren Smart Solutions at the end of November 2021;
- the company San Germano due to the launch/conclusion of contracted services, including seasonal work;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

NOTE 40 DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 477,890 thousand euro (440,793 thousand euro in 2020).

(THOUSANDS OF EURO)

	2021	2020
Depreciation	282,321	277,181
Amortisation	195,569	163,612
Total	477,890	440,793

For further details on depreciation/amortisation, refer to the tables of changes in property, plant and equipment and intangible assets.

NOTE 41 PROVISIONS AND IMPAIRMENT LOSSES

This item amounted to a total of 83,842 thousand euro (70,651 thousand euro in 2020) as follows:

(THOUSANDS OF EURO)

	2021	2020
Impairment losses on loans and receivables	53,521	61,708
Provisions for risks and restoration of third-party assets	21,197	32,986
Releases	(15,620)	(28,504)
Impairment losses	24,744	4,461
Total net other provisions and impairment losses	30,321	8,943
Total	83,842	70,651

The impairment losses for the year were recognised to adjust the amount of the loss allowance to the expected credit losses determined on the basis of the simplified model provided for in IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information.

The trend of provisions for risks and restoration of third-party assets is referable to the assessment of risks of liabilities in the electrical and water fields, as well as to probable costs in the waste management segment, while releases of provisions in the year refer to the revision of estimates of expenses accrued in previous years.

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

The impairment losses mainly refer to the waste-to-energy plant in Scarlino (Grosseto) as, following the interruption of the authorisation process for the plant operation, the recoverable amount of the asset is substantially nil.

NOTE 42 FINANCIAL MANAGEMENT

Financial income

Financial income amounted to 28,173 thousand euro (38,372 thousand euro in 2020). The details are shown in the following table:

(THOUSANDS OF EURO)

	2021	2020
Bank interest income	562	600
Interest income on loans	2,928	5,731
Interest income from customers	5,238	10,190
Fair value gains on derivatives	1,068	9,413
Capital gain on disposal of financial assets	409	5,713
Other financial income	17,968	6,631
Total	28,173	38,372

Interest income on loans refers primarily to interest on current account overdrafts between the Group and the Municipality of Turin (1,415 thousand euro) and interest on loans granted to associates (767 thousand euro).

Fair value gains on derivatives refer to the ineffective portion of hedging instruments.

Other financial income consists mainly of income for the early settlement of financial liabilities, discounting of provisions and for changes in the fair value of financial instruments.

Financial expense

The item amounted to 74,553 thousand euro (93,702 thousand euro in 2020). The breakdown of financial expense is as follows:

(THOUSANDS OF EURO)

	2021	2020
Interest expense on loans	1,815	3,143
Interest expense on bonds	50,386	54,703
Interest expense on bank current accounts	133	116
Other interest expense	1,005	957
Capitalised borrowing costs	(1,874)	(629)
Fair value losses on derivatives	-	5,835
Realised losses on derivatives	5,848	16,100
Capital losses on disposal of financial assets	759	1,866
Interest cost – Employee benefits	-	916
Financial expense on lease liabilities	506	696
Other financial expense	15,975	9,999
Total	74,553	93,702

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost.

The fair value losses on derivatives for 2020 included the reversal to profit or loss of the hedging reserve relating to some hedging positions terminated during the year.

Other financial expense mainly includes financial expense for the discounting of provisions.

NOTE 43 GAINS ON EQUITY-ACCOUNTED INVESTMENTS

These gains came to 5,782 thousand euro (2,673 thousand euro in 2020) and essentially refer to the income from the acquisition of the net assets of Nove (4,627 thousand euro) and the effect of the recalculation at fair value, at the date of acquisition of control, of the non-controlling interest in Futura (1,305 thousand euro).

In 2020, the gains came to 2,673 thousand euro and were largely comprised of negative goodwill relating to the acquisition of Nord Ovest Servizi.

NOTE 44 SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

The profit of equity-accounted investees amounted to 10,294 thousand euro (a profit of 6,535 thousand euro in 2020). For more details please see Note 5 "Equity-accounted investments".

NOTE 45 INCOME TAXES

Income taxes for 2021 are estimated at 90,332 thousand euro (100,006 thousand euro in 2020). The breakdown of taxes is provided in the following table:

(THOUSANDS OF EURO)

	2021	2020
Current taxes (IRES)	140,378	96,920
Current taxes (IRAP)	29,386	22,765
Current taxes (IRES and IRAP) previous years	1,588	(10,078)
Pre-paid tax	(36,008)	2,477
Deferred taxes	(45,013)	(12,077)
Total	90,332	100,006

The Group's effective tax rate in 2021 is 21.3% (in 2020 it was 27.1 %). The change in the effective tax rate was primarily influenced by the option to realign carrying amounts and tax bases pursuant to art. 110 of Legislative Decree no. 104 of 14 August 2020 ("Decree no. 104/20"), as amended, which, in paragraphs 8 and 8-bis, grants IFRS-adopters and OIC-adopters the possibility of opting for the realignment of the (lower) tax bases to the (higher) carrying amounts of certain property, plant and equipment and intangible assets (paragraph 8), as well as goodwill and other intangible assets (paragraph 8-bis).

The rule provides that a 3% substitute tax on income tax and IRAP is payable on the values subject to realignment and that the option for realignment is finalised through the exercise of the same in the tax return relating to the tax period following the one in progress as of 31 December 2019 (the option was finalised in the tax return relating to 2020 submitted by 30 November 2021).

Moreover, the change in the effective tax rate was also influenced, to a lesser extent, by the redemption of goodwill and other intangible assets pursuant to art. 176 of Presidential Decree no. 917/1986.

The total misalignment between the tax bases and carrying amounts identified in the consolidated financial statements at 31 December 2020 (the reference date) is 128.6 million euro.

Application of the regulations contained in Decree no. 104/20 has thus entailed recognition in 2021 of net tax income of 32,371 thousand euro deriving from the reversal of deferred taxes previously allocated for 36,345 thousand euro and recognition of substitute tax of 3,974 thousand euro.

The table below shows the breakdown of the tax rate for 2021 and 2020.

(THOUSANDS OF EURO)

	2021		2020	
Profit before tax	423,802		369,291	
IRES tax	101,712	24.0%	88,630	24.0%
Permanent differences	(3,858)	-0.9%	2,844	0.8%
IRAP (regional business tax)	29,386	6.9%	18,260	4.9%
Previous years' taxes and other differences	(36,908)	-8.7%	(9,728)	-2.6%
Total income taxes	90,332	21.3%	100,006	27.1%

The Group also exercised the option, pursuant to Art. 117 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the tax consolidation 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 assets.

The companies in the domestic tax consolidation for 2021, not including the Parent Iren Spa, are as follows: Iren energia S.p.A., Ireti S.p.A., Territorio e Risorse S.r.l., Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A., Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A., Maira S.p.A., AMIAT S.p.A., AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., IAM Parma S.r.l., IAM Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., UHA s.r.l., Uniproject S.r.l. (and merged company Uniservizi S.r.l.), Manduriambiente Spa, Scarlino Immobiliare S.r.l., Scarlino Energia S.p.A., Picena Depur S.r.l., Iren Ambiente Toscana S.p.A. (formerly STA S.p.A. and merged companies UCH H S.r.l. and Scarlino H S.r.l.), TB S.p.A., Produrre Pulito S.r.l., Borgo Ambiente Scarl and STA Partecipazioni S.r.l., Energy side S.r.l. and Biometano Italia S.r.l. settled during the year.

In particular, the companies of the Unieco Waste Management Division, which used to draw up the Domestic Tax Consolidation, adhered during the year to that of the Iren Group pursuant to the provisions of article 13, paragraph 4 of the Decree of the MEF of 01.03.2018 containing the implementing provisions of the tax consolidation regime. The quoted paragraph in fact provides that:

"*if, during the period of duration of the option for group taxation, the consolidating company opts jointly with another company for group taxation as a subsidiary, the group taxation is interrupted with regard to the consolidation in which it participated as consolidator, with the effects envisaged by article 124 of the Consolidated Act*".

However, pursuant to the following paragraph 5, the typical effects of the interruption can be avoided if all the companies that adhered as consolidated companies to the taxation of Unieco Waste Management Division (and therefore all 15 companies) opt in their turn as consolidated companies for group taxation by the new consolidating company (Iren S.p.A.), at the same time as their former consolidating company (Unieco Holding Ambiente S.r.l.).

Therefore, since all the companies in the Unieco Waste Management Division have opted to participate in the Iren Group's consolidated tax return, the tax consolidation of the Unieco Waste Management Division has not been interrupted, but rather has been seamlessly merged into the Iren Group's consolidated tax return.

The following table shows deferred tax assets and liabilities and their impact.

(THOUSANDS OF EURO)

	2021	2020
Deferred tax assets		
Non-taxable provisions	175,109	145,874
Differences in non-current assets	186,327	179,971
Connection grants	4,390	16,769
Derivatives	54,696	22,109
Tax losses carried forward + ACE	3,375	2,786
Other	3,675	5,259
Total	427,572	372,768
Deferred tax liabilities		
Differences in non-current assets	128,147	192,371
Loss allowance	440	440
Other provisions	5,024	553
Other	49,386	15,952
Total	182,997	209,317
Net deferred tax assets	244,575	163,451
Total variation	81,123	7,665
Of which:		
Equity	(1,113)	
Profit or loss	80,922	
Change in consolidation scope	1,315	

NOTE 46 PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

Not present in 2021 or 2020.

NOTE 47_ PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests, which amounted to 30,382 thousand euro (30,113 thousand euro in 2020), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

NOTE 48_EARNINGS PER SHARE

For the purposes of calculating basic and diluted earnings per share, it is noted that the number of shares for 2021 represents the weighted average number of shares in issue in the reporting period based on the provisions of IAS 33 § 20. The Parent has not issued any financial instruments that have the potential to dilute its common stock, therefore diluted earnings per share is equal to basic earnings per share.

	2021	2020
Profit for the year (thousands of euro)	303,088	239,172
Weighted average number of shares outstanding over the year (thousand)	1,283,304	1,291,894
Basic earnings per share (euro)	0.24	0.19

NOTE 49 OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 4,261 thousand euro (12,788 thousand euro in 2020) and included other comprehensive income that will be subsequently reclassified to profit or loss and other comprehensive income that will not be subsequently reclassified to profit or loss.

Other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion of fair value gains on cash flow hedges, of 7,646 thousand euro, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group, this concerns gas).
- the share of other gains of equity-accounted investees, of 19 thousand euro, which refers to fair value gains on cash flow hedges of associates;
- the change in the translation reserve, amounting to a positive 752 thousand euro, due to the change in the exchange rate used to translate the financial statement balances of associates that prepare their financial statements in currencies other than the euro;
- the tax effect, for 1,505 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- actuarial losses, related to defined benefit plans, for 3,046 thousand euro;
- the share of actuarial gains of equity-accounted investees related to defined benefit plans, for 3 thousand euro;
- the tax effect, for 392 thousand euro.

XII. Guarantees and contingent liabilities

Guarantees relate to:

a) Sureties and other guarantees for own commitments of 741,391 thousand euro (793,583 thousand euro as at 31 December 2020); the most significant items refer to sureties issued in favour of:

   - the Tax Authority for 129,795 thousand euro for a VAT refund request;
   - ARPAE for 59,433 thousand euro for waste transfer and operations and post-closure management of plants subject to Integrated Environmental Authorisation (I.E.A.);
   - the Turin Provincial/Metropolitan City Governments, for 58,204 thousand euro for waste transfer and post-closure management of plants subject to I.E.A.;
   - Unieco for 46,000 thousand euro to guarantee the acquisition of the "Unieco Waste Management Division";
   - ATO-R, for 44,335 thousand euro, as definitive guarantees in the Amiat/TRM tender procedure;
   - the Electricity Market Operator (GME) for 29,718 thousand euro to guarantee the energy market participation contract;
   - CONSIP for 51,022 thousand euro mainly for electricity supply contracts;
   - Municipality of Turin, for 31,557 thousand euro, definitive guarantee in the AMIAT/TRM acquisition;
   - Ministry of the Environment, for 23,422 thousand euro for various authorisations;
   - Customs Authority, for 21,166 thousand euro to guarantee the regular payment of revenue tax and additional local and provincial duties on electricity consumption and gas excise;
   - Province of La Spezia for 21,545 thousand euro for waste transfer and management of plants;
   - ATERSIR for 19,066 thousand euro for agreements and tenders in progress relating to the Integrated Water Service and the Urban Waste Management Service;
   - Province of Parma for 17,136 thousand euro as guarantee for authorisations for various plants;

- the Puglia Region for 12,444 euro to guarantee landfill and plant authorisations;
- SNAM Reti Gas for 7,270 thousand euro to guarantee contracts and network codes;
- Consorzio di Bacino Basso Novarese for 6,989 thousand euro to guarantee the contract for the collection and disposal of urban waste;
- Terna for 5,810 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
- Rimateria for 6,108 thousand euro as a guarantee for sureties;
- SETA SpA for 5,850 thousand euro to guarantee regular execution of post-closure activities at the Chivasso 0 landfill site;
- Province of Savona for 6,912 thousand euro to guarantee management of plants.

b) Guarantees provided on behalf of subsidiaries and associates for 265,746 thousand euro, primarily to guarantee credit facilities and sales/Parent Guarantee contracts on behalf of Iren Mercato SpA.

The most significant amounts, regarding the guarantees granted on behalf of associates, refer to the associate Sinergie Italiane in liquidation, i.e. guarantees for credit facilities and letters of patronage for 10,999 thousand euro (23,999 thousand euro as at 31 December 2020). The liquidators have completed the main supply contracts and as of 30 September 2021, the activity of purchasing gas from Gazprom and following resale to commercial companies (shareholders or their subsidiaries) including Iren Mercato has ceased and at the same time, the activities for the final release of the remaining guarantees are continuing.

Commitments

Commitments to suppliers

During the course of its business activities, the Group has signed multiple contracts for the purchase of a specific quantity of commodities and CO_2 emissions allowances at a certain future date. Since they have the characteristics of own use, the contracts fall within the so-called "own use exemption" provided for by IFRS 9. These commitments are:

- Methane gas purchase contracts at a fixed price, for a total of 203.2 million of euro;
- Methane gas purchase contracts at a price index, for a previsional quantity of 262.5 million cubic meters;
- Electricity purchase contracts, for a total of 9.1 million euro;
- CO_2 emissions allowances purchase contracts, for a total of 109.3 million of euro;

Commitments to F2i

In relation to the subsidiary Iren Acqua (formerly Mediterranea delle Acque), we can note the existence of a commitment within the framework Agreement with the Shareholder F2i rete idrica S.p.A. Article 15 of this agreement envisages that Ireti is bound to pay damages in the event of liabilities, losses or damage suffered by F2i or Iren Acqua or its investees, resulting from incorrect or unfair statements included in the agreement.

Contingent liabilities

Disclosure on the Inspection Report of 26 July 2019 served on Iren Mercato S.p.A.

On 20 February 2019, Agenzia delle Entrate - Regional Revenue Authority Department of Liguria initiated a tax audit, for the 2013 and 2014 tax years, against the company Iren Mercato S.p.A. which concluded in the notification of the official tax audit report (OTAR) of 26 July 2019: the audit concerned mainly the business relationships between the company and the investee Sinergie Italiane, in implementation of the contract for the purchase of natural gas signed on 20 March 2013.

The Office with the aforementioned OTAR, for IRES and IRAP purposes, claimed that the company applied undue deduction, in breach of Art. 109 of the Consolidated Law on Income Tax (TUIR), of part of the price of the gas paid to Sinergie Italiane (for the part constituted, in fact, of the mark-up applied by the latter on its natural gas purchase price), for a total of 4,274,009 euro for 2013 and 3,748,010 euro for 2014.

In the OTAR, the Office also contested the undue deduction (in violation of Article 19, paragraph 1, of Presidential Decree no. 633/1972) of VAT (applied at a 10% rate) paid by the company in relation to the invoices issued by Sinergie Italiane.

In relation to the transactions covered by the accusation, Iren Mercato produced, during the audit, briefs with which ample clarifications were provided on the nature of the commercial transactions that occurred between the two companies.

In addition, the company - although convinced of the legitimacy of its actions and for the sole purpose of benefiting from the criminal non-punishability cause introduced by Article 39, paragraph 1, of Legislative Decree no. 124/2019 - on 6 February 2020, carried out the so-called "voluntary correction of the tax return" (in relation to the Mark-up irregularity) for the years 2015, 2016, and 2017, through the submission of supplementary statements and simultaneous payment of taxes, interest and penalties.

As of today, the Office has not yet served on the company any notice of assessment.

With regard to the aforementioned findings, during 2020, an invitation to provide relevant data and information and subsequently an invitation to a cross-examination were notified in relation to the 2015 tax year, which did not result in any definition. Therefore, on 23 March 2021 a VAT assessment notice was served in relation to this year in which the invoicing of the mark-up on the supply by Sinergie Italiane under the reverse charge regime was contested. Similarly, on 17 December 2021, a notice of dispute was served for VAT tax year 2016 in which the same mark-up already contested for 2015 is replicated.

The risks connected with the Tax Authority's findings did not lead to any provisions in the present consolidated financial statements as they are estimated as "potential" in application of the IFRS, considering that there are a series of factual circumstances and considerations on points of law in support of the legitimate operation of the company.

On the other hand, the risk associated with the possibility of not obtaining a refund of the amounts paid for the voluntary correction for the 2015, 2016 and 2017 tax periods, is estimated as "probable", and a provision has therefore been made as an impairment lossof the asset recognised in relation to the amounts assessed to act on the aforementioned voluntary correction.

Iren Mercato S.p.A. / Local Health Authority Rome 1

Proceedings initiated by a claim form dated 10 April 2020 by ASL ROMA 1 against Iren Mercato and the other parties belonging to the RTI (Temporary Consortium) set up at the time, each on their own behalf and in their respective capacities within the RTI, are pending before the Court of Rome, with the aim of ascertaining the undue receipt of the fee for the supply of hot water and steam for the period from 01 July 2007 to 28 February 2017, contesting the incorrect application of the tariff, and the consequent repayment of the sum; the plaintiff has quantified this amount as 8 million euro.

Following the appointment of a court-appointed expert witness by the Judiciary, the expert operations were started, and the hearing for the definition of conclusions was set for 13 March 2023.

The risk of losing the case has been cautiously estimated as possible, given the uncertainty connected with expert appraisals involving highly technical services completed many years ago.

XIII. Segment reporting

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.

Given the nature of the activity performed by Group companies, a geographical segment analysis is not relevant.

The operating segments in which the Group operates are:

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

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

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

Given the fact that the Group mainly operates in one area, the following segment information does not include a breakdown by geographical segment.

Net invested capital by operating segment compared to the figures as at 31 December 2020 and income statements (up to the operating profit/(loss)) for the current year by operating segment are presented below, compared against the 2020 figures restated.

It shall be noted that there are revenue from transactions with a single customer that are equal or greater than 10% of total revenue.

The following quantities are presented in the sectoral analysis schemes:

Net Invested Capital (NIC): determined as the algebraic sum of non-current Assets, Other non-current assets (liabilities), net working capital, Deferred tax assets (liabilities), provisions for risks, employee benefits and Assets (liabilities) held for sale.

Net financial debt: determined as the sum of Non-current Financial Liabilities net of Non-current Financial Assets and Current Financial Liabilities net of Current Financial Assets and Cash and cash equivalents.

Net Working Capital (NWC): determined by the algebraic sum of current and non-current contract assets, current and non-current trade receivables, Inventories, current tax Assets and liabilities, sundry assets and other current assets, trade payables and sundry liabilities and other current liabilities.

Non-current assets: determined as the sum of Property, Plant and Equipment, Investment Property, Intangible Assets with a finite useful Life, Goodwill, Equity-accounted investments and other equity investments.

Gross Operating Profit or Loss: determined as the sum of Profit (loss) before tax, share of profit/(loss) of equity-accounted investees, gains and losses on equity-accounted investments, financial income and expenses, Depreciation, Amortisation, Provisions, and Impairment losses.

Operating profit or loss: determined as the sum of Profit (loss) before tax, share of profit/(loss) of equity-accounted investees, gains and losses on equity-accounted investments and financial income and expense.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT
AT 31 DECEMBER 2021

(MILLIONS OF EURO)

	Net-works	Waste Ma-nagement	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,132	1,277	2,108	252	26	226	7,021
Net Working Capital	(60)	91	29	(286)	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	(125)	(16)	3	-	(942)
Net invested capital (NIC)	2,466	1,170	2,012	(50)	32	226	5,856
Equity							2,951
Net financial debt							2,906
Own funds and net financial debt							5,856

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT
AT 31 DECEMBER 2020, RESTATED

(MILLIONS OF EURO)

	Net-works	Waste Ma-nagement	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,241	1,953	202	35	177	6,588
Net Working Capital	(102)	63	20	58	2	-	42
Other non-current assets and liabilities	(601)	(213)	(86)	(18)	1	-	(917)
Net invested capital (NIC)	2,277	1,091	1,887	242	38	177	5,713
Equity							2,765
Net financial debt							2,948
Own funds and net financial debt							5,713

INCOME STATEMENT BY OPERATING SEGMENT FOR 2021 (MILLIONS OF EURO)

	Net-works	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	991	916	2,280	3,071	26	(2,328)	4,956
Total operating expenses	(608)	(689)	(1,982)	(2,967)	(22)	2,328	(3,940)
Gross Operating Profit	383	227	298	104	4	-	1,016
Net amortisation, depreciation and impairment losses	(195)	(135)	(140)	(90)	(2)	-	(562)
Operating profit	188	92	158	14	2	-	454

INCOME STATEMENT BY OPERATING SEGMENT FOR 2020, RESTATED (MILLIONS OF EURO)

	Net-works	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,335)	3,726
Total operating expenses	(665)	(592)	(917)	(1,938)	(22)	1,335	(2,799)
Gross Operating Profit	376	173	228	147	3	-	927
Net amortisation, depreciation and impairment losses	(190)	(123)	(117)	(80)	(2)	-	(512)
Operating profit	186	50	111	67	1	-	415

XIV. Annexes to the consolidated financial statements

LIST OF CONSOLIDATED COMPANIES

LIST OF JOINT VENTURES

LIST OF ASSOCIATES

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

FINANCIAL FIGURES OF THE MAIN CONSOLIDATED COMPANIES , JOINT VENTURES AND ASSOCIATES

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

LIST OF GRANTSS PURSUANT TO DECREE LAW NO. 34/2019 ART. 35

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

INDEPENDENT AUDITORS' FEES

LIST OF CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
Ireti S.p.A.	Genoa	Euro	196,832,103	100.00	Iren
Acam Acque S.p.A.	La Spezia	Euro	24,260,050	100.00	Ireti
Acam Ambiente S.p.A.	La Spezia	Euro	3,000,000	100.00	Iren Ambiente
AMIAT S.p.A.	Turin	Euro	46,326,462	80.00	AMIAT V
AMIAT V S.p.A.	Turin	Euro	1,000,000	93.06	Iren Ambiente
ASM Vercelli S.p.A.	Vercelli	Euro	120,812,720	59.97	Ireti
Asti Energia e Calore S.p.A.	Asti	Euro	120,000	62.00	Iren Energia
Atena Trading S.r.l.	Vercelli	Euro	556,000	100.00	ASM Vercelli
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Borgo Ambiente S.c.a.r.l.	Reggio Emilia	Euro	100,000	51.00	UHA
Bosch Energy and Building Solutions Italy S.r.l.	Milan	Euro	4,510,000	100.00	Iren Smart Solutions
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	Ireti
Formaira S.r.l.	San Damiano Macra (CN)	Euro	40,000	100.00	Maira
Futura S.p.A.	Grosseto	Euro	7,000,000	40.00	Iren Ambiente Toscana
				20.00	Iren Ambiente
I. Blu S.r.l.	Pasian di Prato (UD)	Euro	9,001,000	80.00	Iren Ambiente
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	60.00	Ireti
Iren Acqua Tigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Iren Acqua
Iren Ambiente Parma S.r.l.	Parma	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Piacenza S.r.l.	Piacenza	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Toscana S.p.A.	Florence	Euro	15,934,370	64.71	UHA
				35.29	Iren Ambiente

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Iren Laboratori S.p.A.	Genoa	Euro	2,000,000	90.89	Ireti
Iren Smart Solutions S.p.A.	Reggio Emilia	Euro	2,596,721	60.00	Iren Energia
				20.00	Iren Ambiente
				20.00	Iren Mercato
LAB 231 S.r.l.	Parma	Euro	10,000	100.00	Studio Alfa
Maira S.p.A.	San Damiano Macra (CN)	Euro	596,442	66.23	Iren Energia
Manduriambiente S.p.A.	Manduria (TA)	Euro	4,111,820	95.28	UHA
Nord Ovest Servizi S.p.A.	Turin	Euro	7,800,000	45.00	Ireti
				30.00	Amiat
Picena Depur S.r.l.	Ascoli Piceno	Euro	46,000	100.00	UHA
Produrre Pulito S.r.l.	Sesto Fiorentino (FI)	Euro	25,721	100.00	Iren Ambiente Toscana
ReCos S.p.A.	La Spezia	Euro	1,000,000	99.51	Iren Ambiente
Rigenera Materiali S.r.l.	Genoa	Euro	3,000,000	100.00	Iren Ambiente
Salerno Energia Vendite S.p.A.	Salerno	Euro	3,312,060	50.00	Iren Mercato
San Germano S.p.A.	Turin	Euro	1,425,000	100.00	Iren Ambiente
Scarlino Energia S.p.A.	Scarlino (GR)	Euro	1,000,000	89.54	Iren Ambiente Toscana
Scarlino Immobiliare S.r.l.	Florence	Euro	10,000	100.00	Iren Ambiente Toscana
SidIren S.r.l.	Salerno	Euro	29,910,000	100.00	Salerno Energia Vendite
Studio Alfa S.p.A.	Reggio Emilia	Euro	100,000	86.00	Iren Smart Solutions
TB S.p.A.	Florence	Euro	2,220,000	90.09	Iren Ambiente Toscana
Territorio e Risorse S.r.l.	Turin	Euro	2,510,000	65.00	Iren Ambiente
				35.00	ASM Vercelli
TRM S.p.A.	Turin	Euro	86,794,220	80.00	Iren Ambiente
Unieco Holding Ambiente (UHA) S.r.l.	Reggio Emilia	Euro	49,324,031	100.00	Iren Ambiente
Uniproject S.r.l.	Maltignano (AP)	Euro	91,800	100.00	Iren Ambiente

LIST OF JOINT VENTURES

Company	Registered office	Currency	Share capital	% interest	Investor
Acque Potabili S.p.A.	Turin	Euro	7,633,096	47.546	Ireti

LIST OF ASSOCIATES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
A2A Alfa S.r.l.[1]	Milan	Euro	100,000	30.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Ireti
Acos Energia S.p.A.		Euro	150,000	25.00	Iren Mercato
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	48.50	Ireti
Aguas de San Pedro S.A. de C.V.	S.Pedro Sula (Honduras)	Lempiras	159,900	39.34	
Aiga S.p.A.[1]	Ventimiglia	Euro	104,000	49.00	
Amat S.p.A.[1]	Imperia	Euro	5,435,372	48.00	
Amter S.p.A.	Cogoleto (GE)	Euro	404,263	49.00	Iren Acqua
ASA S.p.A.	Livorno	Euro	28,613,406	40.00	Ireti
Asa S.c.p.a.	Castel Maggiore (BO)	Euro	1,820,000	49.00	Iren Ambiente
Astea S.p.A.	Recanati (MC)	Euro	76,115,676	21.32	Consorzio GPO
Asti Servizi Pubblici S.p.A.	Asti	Euro	7,540,270	45.00	Nord Ovest Servizi
Barricalla S.p.A.	Turin	Euro	2,066,000	35.00	Iren Ambiente
BI Energia S.r.l.	Reggio Emilia	Euro	100,000	47.50	Iren Energia
Centro Corsi S.r.l.		Euro	12,000	33.00	Studio Alfa
CSA S.p.A.[1]	Terranuova Bracciolini (AR)	Euro	1,369,502	47.97	Iren Ambiente Toscana
CSAI S.p.A.		Euro	1,610,511	40.32	
Fata Morgana S.p.A.[2]	Reggio Calabria	Euro	2,225,694	25.00	Ireti
Fin Gas S.r.l.	Milan	Euro	10,000	50.00	Iren Mercato
Fratello Sole Energie Solidali Impresa Sociale S.r.l.	Genoa	Euro	350,000	40.00	Iren Energia
G.A.I.A. S.p.A.	Asti	Euro	5,539,700	45.00	Iren Ambiente

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Global Service Parma S.c.a.r.l.[1]	Parma	Euro	20,000	30.00	Ireti
Iniziative Ambientali S.r.l.	Novellara (RE)	Euro	100,000	40.00	Iren Ambiente
Mondo Acqua S.p.A.	Mondovì (CN)	Euro	1,100,000	38.50	Ireti
Piana Ambiente S.p.A.[2]	Gioia Tauro	Euro	1,719,322	25.00	
Rimateria S.p.A.[3]	Piombino (LI)	Euro	4,589,273	30.00	Iren Ambiente
SEI Toscana S.r.l.	Siena	Euro	44,272,566	30.96	Iren Ambiente Toscana
				24.90	Sienambiente SpA
Seta S.p.A.	Turin	Euro	12,378,237	48.85	Iren Ambiente
Sienambiente S.p.A.	Siena	Euro	2,866,575	40.00	Iren Ambiente Toscana
Sinergie Italiane S.r.l.[1]	Milan	Euro	1,000,000	30.94	Iren Mercato
STU Reggiane S.p.A.	Reggio Emilia	Euro	12,222,580	30.00	Iren Smart Solutions
Tirana Acque S.c. a r.l.[1]	Genoa	Euro	95,000	50.00	Ireti
Valle Dora Energia S.r.l.	Turin	Euro	537,582	49.00	Iren Energia

[1] Company in liquidation
[2] Company in liquidation classified under assets held for sale
[3] Company in bankruptcy

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Acque Potabili Siciliane S.p.A.[1]	Palermo	Euro	5,000,000	9.83	Iren Acqua
Aeroporto di Reggio Emilia S.p.A.	Reggio Emilia	Euro	2,177,871	0.11	Studio Alfa
AISA S.p.A.	Arezzo	Euro	3,867,640	3.00	Iren Ambiente Toscana
AISA Impianti S.p.A.		Euro	6,650,000	3.00	
Alpen 2.0 S.r.l.	Turin	Euro	70,000	14.29	Maira
ATO2ACQUE S.c.a.r.l.	Biella	Euro	48,000	16.67	ASM Vercelli
Aurora S.r.l.	S. Martino in Rio (RE)	Euro	514,176	0.10	Studio Alfa
Autostrade Centro Padane S.p.A.	Cremona	Euro	30,000,000	1.46	Ireti
C.R.P.A. S.p.A.	Reggio Emilia	Euro	2,201,350	2.27	
CIDIU Servizi S.p.A.	Collegno (TO)	Euro	10,000,000	17.90	Amiat
Consorzio CIM 4.0 s.c.a.r.l.	Turin	Euro	232,000	4.30	Iren
CCC-Consorzio cooperative costruzioni	Bologna	Euro	15,637,899	0.06	UHA
Consorzio Integra		Euro	42,548,492	0.02	
Consorzio Topix	Turin	Euro	1,600,000	0.30	Iren Energia
Enerbrain S.r.l.		Euro	28,181	10.00	Iren Smart Solutions
Environment Park S.p.A.		Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
I-TES S.r.l.	Turin	Euro	10,204	2.00	Iren Energia
Genera S.c.a.r.l.	Ascoli Piceno	Euro	1,390,361	1.00	Uniproject
L.E.A.P. S.c. a r.l.	Piacenza	Euro	180,000	8.30	Iren Ambiente
Obiettivo ValdArno Srl in liquidation	Montevarchi AR	Euro	800,000	1.50	Iren Ambiente Toscana
Parma Servizi Integrati S.c. a r.l.	Parma	Euro	20,000	11.00	Iren Smart Solutions
Reggio Emilia Innovazione S.c.a.r.l. in liquidation[2]	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Re Mat Srl	Turin	Euro	57,750	9.09	
Serchio Verde Ambiente S.p.a. in liquidation[2]	Castelnuovo di Garfagnana (LU)	Euro	1,128,950	5.93	Iren Ambiente Toscana
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	2.93	Iren Smart Solutions
Stadio Albaro S.p.A. in liquidation[2]	Genoa	Euro	1,230,000	2.00	Iren Mercato
T.I.C.A.S.S. S.c. a r.l.		Euro	136,000	2.94	Ireti
Valdisieve S.c. a r.l.	Florence	Euro	1,400,000	0.96	Iren Ambiente Toscana

FINANCIAL FIGURES OF THE MAIN CONSOLIDATED COMPANIES , JOINT VENTURES AND ASSOCIATES

CONSOLIDATED COMPANIES

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Iren Ambiente S.p.A.	Euro	976,986,853	261,494,544	37,771,144	29,037,579
Iren Energia S.p.A.	Euro	2,499,028,012	1,322,475,547	2,026,288,014	135,201,871
Iren Mercato S.p.A.	Euro	1,261,509,840	162,068,827	2,976,259,257	11,439,074
Ireti S.p.A.	Euro	2,717,815,534	1,187,498,402	531,296,907	106,647,457
Acam Acque S.p.A.	Euro	282,364,122	36,258,673	82,583,654	3,295,158
Acam Ambiente S.p.A.	Euro	56,113,285	(372,720)	53,683,966	(5,414,556)
Alfa Solutions S.p.A. (formerly Studio Alfa S.p.A.)	Euro	24,562,324	5,105,268	23,645,495	1,693,495
AMIAT S.p.A.	Euro	242,178,235	94,947,471	211,202,755	15,839,538
AMIAT V S.p.A.	Euro	50,961,248	46,277,199		14,546,557
ASM Vercelli S.p.A.	Euro	170,721,406	134,932,865	37,862,891	5,188,215
Asti Energia e Calore S.p.A.	Euro	116,074	718,334	302,086	203,501
Atena Trading S.r.l.	Euro	19,963,418	8,852,144	44,886,235	730,606
Bonifica Autocisterne S.r.l.	Euro	1,472,860	1,095,447	1,504,295	269,082
Borgo Ambiente Soc. Cons. a r.l.	Euro	126,654	100,000	546,311	-
Bosch Energy and Building Solutions Italy S.r.l.	Euro	52,999,596	5,734,520	38,454,074	(9,691,872)
Consorzio GPO	Euro	22,837,080	22,808,179	-	229,374
Formaira S.r.l.	Euro	213,582	37,982	88,803	(876)
Futura S.p.A.	Euro	49,888,946	6,682,440	7,329,571	(2,995,873)
Iblu S.r.l.	Euro	61,466,585	16,248,654	50,603,713	2,182,311
Iren Acqua S.p.A.	Euro	716,095,325	477,295,454	209,175,952	36,687,096
Iren Acqua Tigullio S.p.A.	Euro	48,554,474	19,346,937	25,052,721	824,237
Iren Ambiente Parma S.p.A	Euro	3,999,068	3,983,390	-	(25,526)
Iren Ambiente Piacenza S.p.A.	Euro	3,995,201	3,983,285	-	(25,631)
Iren Laboratori S.p.A.	Euro	14,072,441	7,619,417	15,309,342	2,008,570
Iren Smart Solutions S.p.A.	Euro	346,069,604	42,187,892	183,597,726	13,868,208

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
LAB 231 S.r.l.	Euro	187,254	121,155	254,889	83,288
Maira S.p.A.	Euro	9,269,073	8,007,907	1,315,891	98,856
Manduriambiente S.p.A.	Euro	39,273,110	9,647,547	20,103,261	1,714,111
Nord Ovest Servizi S.p.A.	Euro	18,587,924	18,491,500	5,094	347,792
Picena Depur S.r.l.	Euro	11,404,302	(902,473)	1,788,294	(1,337,341)
Produrre Pulito S.r.l.	Euro	4,268,050	784,784	2,228,714	710,267
ReCos S.p.A.	Euro	36,270,096	5,388,428	10,725,213	(1,029,039)
Rigenera Materiali S.r.l.	Euro	5,421,255	2,789,694	-	(167,089)
Salerno Energia Vendite S.p.A.	Euro	87,236,001	8,389,185	90,080,785	(187,713)
San Germano S.p.A.	Euro	60,456,760	7,057,770	69,256,510	516,991
Scarlino Energia S.p.A.	Euro	56,041,080	12,454,500	14,642,615	(20,352,702)
Scarlino Immobiliare S.r.l.	Euro	3,931,257	1,276,732	314,000	89,095
Sidiren S.r.l.	Euro	48,720,285	30,186,860	14,221,141	278,147
Iren Ambiente Toscana S.p.A. (formerly STA S.p.A.)	Euro	41,468,367	(606,584)	7,669,561	(203,470,094)
TB S.p.A.	Euro	12,011,605	7,676,718	4,487,860	686,419
Territorio e Risorse S.r.l.	Euro	20,633,611	2,669,612	1,933,433	(786,534)
TRM S.p.A.	Euro	424,372,007	106,731,781	137,681,361	48,116,495
UHA S.r.l.	Euro	44,179,100	34,079,039	32,428,051	(16,999,136)
UNIPROJECT S.r.l.	Euro	14,097,152	5,038,381	4,327,121	172,398

JOINT VENTURES

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Acque Potabili S.p.A.	Euro	48,702,000	17,380,000	894,000	(3,042,000)

ASSOCIATES

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
A2A Alfa S.r.l.[1]	Euro	226,358	721	13,573	(6,367)
Acos Energia S.p.A.[1]	Euro	9,544,794	4,990,948	17,641,520	1,055,157
Acos S.p.A.[1]	Euro	167,349,884	63,169,812	76,812,121	4,642,125
Acquaenna S.c.p.a.[1]	Euro	103,927,831	8,131,029	26,471,675	431,987
Aguas de San Pedro[1]	Lempiras	1,611,495,363	971,509,910	985,405,452	92,245,313
Aiga S.p.A.[1]	Euro	5,190,379	(1,190,849)	2,640,105	(230,828)
Amat S.p.A.[1]	Euro	35,812,818	(9,043,069)	8,047,497	(10,925,052)
Amter S.p.A.[1]	Euro	13,937,372	2,338,103	5,481,822	268,310
ASA S.c.p.a.	Euro	18,877,373	2,442,485	3,016,540	-
ASA S.p.A.[1]	Euro	339,143,776	86,569,330	111,900,268	4,319,237
ASTEA S.p.A.[1]	Euro	193,670,334	110,430,227	48,191,685	4,565,140
Asti Servizi Pubblici S.p.A.[1]	Euro	57,925,688	13,386,785	39,026,205	1,375,956
Barricalla S.p.A.	Euro	38,781,636	6,661,666	20,131,626	3,586,054
BI Energia S.r.l.[1]	Euro	8,071,215	982,006	346,609	(414,527)
Centro Corsi srl	Euro	138,673	26,330	147,702	9,873
CSA Centro Servizi Ambientali S.p.A. in liq.	Euro	1,384,488	1,269,760	25,720	-
CSAI - Centro Servizi Ambientali Impianti S.p.A.	Euro	55,029,492	2,659,510	15,015,588	(133,500)
Fin Gas S.r.l.	Euro	11,793,732	11,793,610	-	(26,643)
Fratello Sole Energie Solidali Impresa Sociale S.r.l.[1]	Euro	22,103,264	239,821	3,311,648	(102,770)
G.A.I.A. S.p.A.[1]	Euro	46,392,959	18,901,972	19,524,670	76,355
Global Service Parma[1]	Euro	2,925,030	20,000	69,420	-
Iniziative Ambientali S.r.l.[1]	Euro	5,730,402	1,219,288	-	36,160
Mondo Acqua[1]	Euro	12,151,968	1,935,225	4,728,586	206,865
SEI Toscana S.r.l.	Euro	186,136,318	25,313,356	184,072,410	(7,947,227)
Seta S.p.A[1]	Euro	26,327,136	15,444,797	34,859,299	1,998,832
Sienambiente S.p.A	Euro	66,077,853	24,678,254	25,459,751	1,151,925
Sinergie Italiane S.r.l. (in liquidation)[2]	Euro	56,505,544	(18,675,058)	205,342,810	(18,850,756)
STU Reggiane S.p.A.[1]	Euro	25,724,173	15,465,346	1,626,010	25,931
Valle Dora Energia S.r.l.[1]	Euro	25,681,001	2,029,310	2,055,382	(463,105)

[1] Figures as at 31/12/2020

[2] Figures as at 30/09/2021

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (CONSOB COMMUNICATION NO. 6064293 OF 26 JULY 2006)

(THOUSANDS OF EURO)

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	3,937,586	Property, plant and equipment	3,937,586
Investment property	2,456	Investment property	2,456
Intangible assets	2,646,864	Intangible assets	2,646,864
Goodwill	208,089	Goodwill	208,089
Equity-accounted investments	217,339	Equity-accounted investments	217,339
Other equity investments	8,469	Other equity investments	8,469
Total (A)	7,020,803	Non-current Assets (A)	7,020,803
Other non-current assets	37,167	Other non-current assets	37,167
Sundry liabilities and other non-current liabilities	(495,809)	Sundry liabilities and other non-current liabilities	(495,809)
Total (B)	(458,642)	Other non-current assets (Liabilities) (B)	(458,642)
Inventories	111,812	Inventories	111,812
Non-current contract assets	77,262	Non-current contract assets	77,262
Current contract assets	46,391	Current contract assets	46,391
Non-current trade receivables	20,824	Non-current trade receivables	20,824
Trade receivables	1,063,926	Trade receivables	1,063,926
Current tax assets	7,114	Current tax assets	7,114
Sundry assets and other current assets	385,061	Sundry assets and other current assets	385,061
Trade payables	(1,523,705)	Trade payables	(1,523,705)
Contract liabilities	(89,262)	Contract liabilities	(89,262)
Sundry liabilities and other current liabilities	(261,057)	Sundry liabilities and other current liabilities	(273,250)
Current tax liabilities	(48,674)	Current tax liabilities	(48,674)
Total (C)	(210,308)	Net working capital (C)	(222,501)
Deferred tax assets	427,572	Deferred tax assets	427,572
Deferred tax liabilities	(182,997)	Deferred tax liabilities	(182,997)
Total (D)	244,575	Deferred tax assets (Liabilities) (D)	244,575
Employee benefits	(105,601)	Employee benefits	(105,601)

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Provisions for risks and charges	(422,989)	Provisions for risks and charges	(422,989)
Provisions for risks and charges - current portion	(212,501)	Provisions for risks and charges - current portion	(200,308)
Total (E)	(741,091)	Provisions and employee benefits (E)	(728,898)
Assets held for sale	1,144	Assets held for sale	1,144
Liabilities associated with assets held for sale	-	Liabilities associated with assets held for sale	-
Total (F)	1,144	Assets (Liabilities) held for sale (F)	1,144
		Net invested capital (G=A+B+C+D+E+F)	5,856,481
Equity (H)	2,950,660	Equity (H)	2,950,660
Non-current financial assets	(131,766)	Non-current financial assets	(131,766)
Non-current financial liabilities	3,549,612	Non-current financial liabilities	3,549,612
Total (I)	3,417,846	Non-current financial debt (I)	3,417,846
Current financial assets	(372,724)	Current financial assets	(774,624)
Cash and cash equivalents	(606,888)	Cash and cash equivalents	(606,888)
Current financial liabilities	467,587	Current financial liabilities	467,587
Total (L)	(512,025)	Current financial debt (L)	(512,025)
		Net financial debt (M=I+L)	2,905,821
		Own funds and net financial debt (H+M)	5,856,481

LIST OF GRANTS PURSUANT TO DECREE LAW NO. 34/2019 ART. 35

ACAM ACQUE

Lender	Type of grant	Amount in euro
Municipality of La Spezia (SP)	Installation grants	486,292
		295,940
		625,622
		91,499
Municipality of Portovenere (SP)		212,877
Municipality of La Spezia (SP)		52,456

ASM

Lender	Type of grant	Amount in euro
A.T.O. N.2 Piemonte	Installation grants	154,000

IREN ACQUA

Lender	Type of grant	Amount in euro
Metropolitan city of Genova	Installation grants	953,820
		115,109

IREN AMBIENTE

Lender	Type of grant	Amount in euro
Atersir	Lfa grant	36,967

IRETI

Lender	Type of grant	Amount in euro
Anas	Network extension	495,480
Port authority		72,850
ASL		30,100
Municipality of Casalgrande		28,600
Entity Ambito in Mantova		199,943
Region of Emilia Romagna		16,735
Region of Emilia Romagna	Installation grants	288,239
Enty ATO in the area of Asti		30,000

DEFERRED TAX ASSETS AND LIABILITIES - 2021

	Opening balance	Differences			Closing balance
		Formation	Change in consolidation scope	Reversal	
Deferred tax assets					
Non-taxable provisions	565,033	297,797	3,726	187,370	679,187
Differences in non-current assets	719,005	145,257	-	125,615	738,648
Connection grants	197,964	358	-	54,941	143,381
Derivatives	93,577	153,624	-	46,329	200,872
Tax losses carried forward + ACE	5,623	4,265	-	1,685	8,203
Other	60,771	41,022	5,916	62,317	45,392
Total taxable income/deferred tax assets	1,641,973	642,323	9,642	478,257	1,815,682
Deferred tax liabilities					
Differences in non-current assets	748,249	11,769	1,848	382,359	379,507
Loss allowance	6,621	57	-	1	6,677
Other provisions	2,638	30,000	-	14,368	18,270
Other	53,637	164,559	2,880	54,296	166,779
Total taxable income/deferred tax liabilities	811,145	206,384	4,727	451,024	571,233
Net deferred tax assets	830,828	435,939	4,915	27,233	1,244,449

DEFERRED TAX ASSETS AND LIABILITIES - 2020

	Opening balance	Differences			Closing balance
		Formation	Change in consolidation scope	Reversal	
Deferred tax assets					
Non-taxable provisions	571,917	154,793	27,414	189,091	565,033
Differences in non-current assets	556,950	192,079	10,301	40,324	719,005
Connection grants	337,810	2,758	-	142,604	197,964
Derivatives	124,540	18,803	-	49,766	93,577
Tax losses carried forward + ACE	18,746	1,746	4,623	19,492	5,623
Other	47,784	41,231	696	28,940	60,771
Total taxable income/deferred tax assets	1,657,747	411,410	43,034	470,217	1,641,973
Deferred tax liabilities					
Differences in non-current assets	749,455	8,437	36,460	46,102	748,249
Loss allowance	6,624	-	-	3	6,621
Other provisions	2,536	183	-	81	2,638
Other	54,576	19,505	157	20,601	53,637
Total taxable income/deferred tax liabilities	813,191	28,125	36,616	66,787	811,145
Net deferred tax assets	844,556	383,285	6,417	403,430	830,828

(THOUSANDS OF EURO)

		Taxes			
Change in consolidation scope	Taxes To profit or loss	Taxes To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
859	28,428	(52)	147,092	28,017	175,109
-	6,355	-	165,831	20,496	186,327
-	(12,379)	-	3,666	724	4,390
-	(2,032)	34,619	48,132	6,564	54,696
-	589	-	3,375	-	3,375
1,668	(3,714)	461	2,400	1,275	3,675
2,527	17,247	35,029	370,496	57,076	427,572
522	(64,746)	-	108,249	19,898	128,147
-	-	-	428	12	440
-	4,471	-	4,331	694	5,024
691	(3,400)	36,142	42,870	6,516	49,386
1,213	(63,674)	36,142	155,877	27,121	182,997
1,315	80,922	(1,113)	214,619	29,955	244,575

(THOUSANDS OF EURO)

		Taxes			
Change in consolidation scope	Taxes To profit or loss	Taxes To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
7,731	(2,789)	347	132,148	13,726	145,874
2,905	44,674	-	164,025	15,946	179,971
-	(31,794)	-	15,946	823	16,769
-	(2,173)	(6,425)	21,498	611	22,109
1,110	(3,443)	-	2,786	-	2,786
326	705	895	3,383	1,876	5,259
12,072	5,180	(5,183)	339,786	32,982	372,768
10,233	(10,556)	-	164,243	28,129	192,371
-	(1)	-	440	-	440
-	22	5	460	93	553
38	6,113	934	15,051	901	15,952
10,271	(4,422)	939	180,194	29,123	209,317
1,801	9,602	(6,122)	159,592	3,860	163,451

RELATED PARTY TRANSACTIONS (THOUSANDS OF EURO)

	Trade Receivables	Loan assets	Sundry assets	Trade Payables	Financial liabilities
OWNERS					
Municipality of Genoa	570	-	-	9	-
Municipality of Parma	13,867	-	-	843	-
Municipality of Piacenza	251	-	-	1,300	-
Municipality of Reggio Emilia	4,231	-	-	994	-
Municipality of Turin	103,254	42,369	-	3,616	3,140
Finanziaria Sviluppo Utilities	16	-	41	-	-
JOINT VENTURES					
Acque Potabili	114	-	-	(2)	-
ASSOCIATES					
ACOS	12	5,581	-	-	-
ACOS Energia	2	-	-	-	-
Acquaenna	70	4,175	-	-	-
Aguas de San Pedro	1	133	-	-	-
AIGA	207	95	-	85	-
AMAT	29	-	-	-	-
AMTER	7,305	131	-	162	-
ASA	209	-	-	-	-
ASA Livorno	860	-	-	6	-
ASTEA	8	512	-	1	-
Asti Servizi Pubblici	101	-	-	20	-
Barricalla	537	-	-	4,135	-
BI Energia	12	786	-	-	-
Centro Corsi	-	40	-	17	-
CSAI	443	-	-	3,019	151
CSP - Innovazione nelle ICT	-	-	-	46	-
Fratello Sole Energie Solidali	674	-	-	-	-
GAIA	429	-	-	842	-
Global Service Parma	(4)	-	-	45	-
Iniziative Ambientali	8	-	-	-	-
Mondo Acqua	41	-	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
SEI Toscana	3,067	2,709	-	10	460
SETA	2,483	-	-	204	-
Sienambiente	149	-	-	-	-
Sinergie Italiane in liquidation	14	9,409	-	-	-
STU Reggiane	(26)	456	-	275	-
Valle Dora Energia	12	22,725	-	3,650	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	1,701	-	769	1,025	-
Subsidiaries of Municipality of Genoa	1,315	-	-	223	1
Subsidiaries of Municipality of Parma	451	-	-	1,173	-
Subsidiaries of Municipality of Piacenza	69	-	-	571	-
Subsidiaries of Municipality of Reggio Emilia	346	-	-	60	-
Others	43	-	-	-	-
TOTAL	142,941	89,121	810	22,329	3,752

The balances reported in the “Trade receivables” column are shown gross of any loss allowance.

(THOUSANDS OF EURO)

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
OWNERS					
Municipality of Genoa	-	1,682	7,961	-	-
Municipality of Parma	-	35,224	1,174	-	-
Municipality of Piacenza	-	18,849	1,797	-	-
Municipality of Reggio Emilia	-	35,239	465	-	-
Municipality of Turin	-	214,647	6,068	1,415	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
JOINT VENTURES					
Acque Potabili	-	48	(229)	-	-
ASSOCIATES					
ACOS	-	34	-	-	-
ACOS Energia	-	3	59	-	-
Acquaenna	-	130	-	68	-
Aguas de San Pedro	-	1	-	-	-
AIGA	-	9	-	-	-
AMAT	-	11	-	-	-
AMTER	(2)	4,320	360	-	1
ASA	45	318	-	-	-
ASA Livorno	-	223	76	-	-
ASTEA	-	7	7	-	-
Asti Servizi Pubblici	-	1,378	55	-	-
Barricalla	1	855	2,831	-	-
BI Energia	-	3	-	27	-
Centro Corsi	-	-	26	-	-
CSAI	-	1,635	5,332	-	2
CSP - Innovazione nelle ICT	(8)	1	94	-	200
Fratello Sole Energie Solidali	101	924	-	-	-
GAIA	-	1,246	5,191	-	-
Global Service Parma	-	(32)	-	-	-
Iniziative Ambientali	-	6	-	-	-
Mondo Acqua	-	268	-	-	-
Piana Ambiente in liquidation	-	-	-	-	-
SEI Toscana	-	5,281	-	34	20
SETA	-	11,535	781	-	-
Sienambiente	-	146	-	-	-
Sinergie Italiane in liquidation	-	7,801	54,799	-	-
STU Reggiane	-	67	250	11	-
Valle Dora Energia	-	490	3,735	626	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Turin	(18)	4,826	4,626	-	7
Subsidiaries of Municipality of Genoa	-	2,833	1,111	3	-
Subsidiaries of Municipality of Parma	126	1,812	3,311	(5)	1
Subsidiaries of Municipality of Piacenza	-	256	1,143	-	-
Subsidiaries of Municipality of Reggio Emilia	-	890	6,909	-	-
Others	-	192	-	-	-
TOTAL	245	353,158	107,932	2,179	231

INDEPENDENT AUDITORS' FEES

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree no. 58/1998, the fees for the year due to KPMG S.p.A. can be summarised as follows:

(THOUSANDS OF EURO)

	Statutory audit	Non-audit services		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	238	127		365
Direct and indirect subsidiaries of Iren S.p.A.	1,152	116		1,268
Total Iren Group	1,390	243		1,633

Statement regarding the Consolidated Financial statements pursuant to art. 81-Ter of Consob Regulation no. 11971 Of 14 May 1999, as subsequently amended and supplemented

1) The undersigned Gianni Vittorio Armani, Chief Executive Officer, and Anna Tanganelli, Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting of Iren S.p.A., hereby certify, in view of the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998:

   - the suitability in respect of the group's characteristics and
   - the effective application of the administrative and accounting procedures in preparing the 2021 consolidated financial statements.

2) It is also hereby certified that:

   2.1 the consolidated financial statements:

   a) are prepared in compliance with the applicable IFRS endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002;
   b) correspond to the results of the books and accounting records;
   c) are suitable to offer a true and fair view of the financial position and financial performance 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.

29 March 2022

Chief Executive Officer	Administration, Finance, Control and M&A Manager and Manager in charge of financial reporting under Law 262/05
Ing. Gianni Vittorio Armani	Dott.ssa Anna Tanganelli

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(The accompanying translated consolidated financial statements of the Iren Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Iren S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Iren Group (the "group"), which comprise the statement of financial position as at 31 December 2021, income statement and the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing 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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Iren S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The group's 2020 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 14 April 2021.

Key audit matters

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

Recoverability of the carrying amount of goodwill

Notes to the consolidated financial statements as at 31 December 2021: note V "Accounting policies" and note 4 "Goodwill"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2021 include goodwill of €208 million, accounting for 2% of total assets. The directors tested the cash-generating units (CGUs) to which goodwill is allocated for impairment. The directors have calculated the CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the parent's board of directors on 11 November 2021 (the "plan"). The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	— Analysing the process adopted by the parent to prepare the impairment test. — Analysing the criteria used to identify the CGUs and trace their carrying amounts to the consolidated financial statements. — Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan. — Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors. — Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the CGUs' value in use. — Involving experts in the assessment of the reasonableness of the valuation models and related assumptions. — Checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing. — Assessing the appropriateness of the disclosures provided in the notes.

Recognition of revenue accrued and not yet invoiced

Notes to the consolidated financial statements as at 31 December 2021: note V "Accounting policies", note 14 "Trade receivables" and note 33 "Revenue from goods and services"

Key audit matter	Audit procedures addressing the key audit matter
Revenue from the supply of gas and heat to end users is recognised at the time of supply and includes, in addition to amounts invoiced on the basis of periodic meter readings or on the volumes notified by distributors, an estimate of the gas and heat supplied during the year but not yet invoiced that is calculated also taking account of any network losses. Revenue accrued between the date of the last meter reading and the year-end is based on estimates of the daily consumption of individual customers, primarily determined on their historical information, adjusted to reflect the climate factors or other matters that may affect the estimated consumption. Since the accruals are determined using methods that require significant estimates and the use of complex algorithms, we believe that the recognition of this revenue component and the related invoices to be issued is a key audit matter.	— Analysing the processes and controls implemented by management, including by involving our IT specialists. — Analysing the previous year accruals retrospectively. — Analysing the reasonableness of the estimates and main assumptions used to measure this revenue component, including the models, assumptions and data sources used. — Checking the accuracy and completeness of the data used to recognise revenue accrued and not invoiced. — Checking the correct recognition of sales performed near the year end on an accruals basis. — Assessing the appropriateness of the disclosures provided in the notes.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level 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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate 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 determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 13 June 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2021 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2021 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Iren S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Turin, 29 April 2022

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit