Separate Financial Statements and Notes to the Financial Statements

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At 31 december 2021

Statement of financial position

(AMOUNTS IN EURO)

	Notes	31.12.2021	of which related parties	31.12.2020	of which related parties
ASSETS					
Property, plant and equipment	(1)	166,969,021		159,328,186	
Intangible assets with a finite useful life	(2)	79,953,672		69,706,149	
Investment property		-		-	
Investments in subsidiaries, associates and joint ventures	(3)	2,564,031,856		2,564,031,856	
Other equity investments	(4)	150,000		100,000	
Non-current financial assets	(5)	2,499,027,889	2,472,238,796	2,225,873,362	2,201,369,269
Other non-current assets	(6)	1,662,322	41,520	1,831,926	41,520
Deferred tax assets	(7)	8,460,181		11,035,376	
Total non-current assets		5,320,254,941	2,472,280,316	5,031,906,855	2,201,410,789
Inventories	(8)	3,954,348		4,022,987	
Trade receivables	(9)	107,802,796	107,296,078	90,698,750	90,534,715
Current tax assets	(10)	59,923		927,034	
Sundry assets and other current assets	(11)	117,194,736	58,308,049	123,259,215	38,531,019
Current financial assets	(12)	70,632,654	40,299,610	74,097,463	69,134,178
Cash and cash equivalents	(13)	430,162,174		745,110,781	
Assets held for sale	(14)	-		240,000	
Total current assets		729,806,631	205,903,737	1,038,356,230	198,199,912
TOTAL ASSETS		6,050,061,572	2,678,184,053	6,070,263,085	2,399,610,702

(AMOUNTS IN EURO)

	Notes	31.12.2021	of which related parties	31.12.2020	of which related parties
EQUITY					
Share capital		1,300,931,377		1,300,931,377	
Reserves and Retained Earnings		551,548,320		460,912,293	
Profit for the year		218,850,794		210,063,020	
TOTAL EQUITY	(15)	2,071,330,491		1,971,906,690	
LIABILITIES					
Non-current financial liabilities	(16)	3,278,813,634		3,490,489,308	
Employee benefits	(17)	17,997,003		18,484,829	
Provisions for risks and charges	(18)	6,694,033		12,400,174	
Deferred tax liabilities	(19)	942,831		945,186	
Sundry liabilities and other non-current liabilities	(20)	1,474,768	230	9,809,608	8,498,580
Total non-current liabilities		3,305,922,269	230	3,532,129,105	8,498,580
Current financial liabilities	(21)	464,708,167	69,347,888	306,937,086	72,853,189
Trade payables	(22)	87,672,308	6,416,892	89,834,218	5,489,914
Sundry liabilities and other current liabilities	(23)	82,337,054	54,074,519	167,856,201	142,047,746
Current tax liabilities	(24)	31,708,637		-	
Provisions for risks and charges - current portion	(25)	6,382,646		1,599,785	
Liabilities associated with assets held for sale		-		-	
Total current liabilities		672,808,812	129,839,299	566,227,290	220,390,849
TOTAL LIABILITIES		3,978,731,081	129,839,529	4,098,356,395	228,889,429
TOTAL EQUITY AND LIABILITIES		6,050,061,572	129,839,529	6,070,263,085	228,889,429

Income statement

(AMOUNTS IN EURO)

	Notes	2021	of which related parties	2020	of which related parties
Revenue					
Revenue from goods and services	(26)	235,752,785	234,816,613	218,968,009	218,080,314
Other income	(27)	11,566,759	9,599,174	12,963,956	10,741,969
Total revenue		247,319,544	244,415,787	231,931,965	228,822,282
Operating expenses					
Raw materials, consumables, supplies and goods	(28)	(7,370,458)	(24,488)	(12,312,604)	(10,250)
Services and use of third-party assets	(29)	(137,851,832)	(17,716,358)	(128,802,431)	(16,782,096)
Other operating expenses	(30)	(11,008,313)	(1,342,617)	(9,156,866)	(2,156,202)
Internal work capitalised	(31)	4,901,842		4,966,137	
Personnel expense	(32)	(77,093,283)		(73,684,541)	
Total operating expenses		(228,422,044)	(19,083,463)	(218,990,305)	(18,948,548)
GROSS OPERATING PROFIT		18,897,500		12,941,660	
Depreciation, amortisation, provisions and impairment losses					
Depreciation and amortisation	(33)	(36,266,835)		(31,356,116)	
Impairment losses on loans and receivables	(34)	-		-	
Other provisions and impairment losses	(34)	(72,642)		96,022	
Total depreciation, amortisation, provisions and impairment losses		(36,339,477)		(31,260,094)	
OPERATING LOSS		(17,441,977)		(18,318,434)	
Financial management	(35)				
Financial income		288,829,589	286,369,950	290,010,960	285,687,927
Financial expense		(53,598,164)	(60,685)	(65,834,043)	(73,226)
Net financial income		235,231,425	286,309,265	224,176,917	285,614,701
Gains (losses) on equity investments	(36)	-		-	
Profit before tax		217,789,448		205,858,483	
Income tax benefit	(37)	1,061,346		4,204,537	
Profit from continuing operations		218,850,794		210,063,020	
Profit (loss) from discontinued operations		-		-	
Profit for the year		218,850,794		210,063,020	

Statement of other comprehensive income

(AMOUNTS IN EURO)

	Notes	2021	2020
Profit for the year (A)		218,850,794	210,063,020
Other comprehensive income that will be			
subsequently reclassified to profit or loss	(38)		
- effective portion of fair value gains/(losses) on cash flow hedges		8,732,205	(232,243)
- fair value gains/(losses) on financial assets			
Tax effect		(2,095,729)	55,738
Other comprehensive income/(expense) that will be subsequently reclassified to profit or loss, net of tax effect (B1)		6,636,476	(176,505)
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial losses on defined benefit plans (IAS 19)		(169,872)	(1,369,220)
Tax effect		40,769	328,613
Other comprehensive income that will not be subsequently reclassified to profit or loss, net of tax effect (B2)		(129,103)	(1,040,607)
Comprehensive income (A)+(B1)+(B2)		225,358,167	208,845,908

Statement of changes in equity

	Share capital	Share premium reserve Issue of shares	Legal reserve
31.12.2019	1,300,931	133,019	64,642
Owner transactions			
Dividends			
Retained earnings			12,071
Repurchase of treasury shares			
Other changes			
Total owner transactions	-	-	12,071
Comprehensive income for the year			
Profit for the year			
Other comprehensive expense			
Total comprehensive income for the year			
31.12.2020	1,300,931	133,019	76,713
31.12.2020	1,300,931	133,019	76,713
Owner transactions			
Dividends			
Retained earnings			10,503
Repurchase of treasury shares			
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

(THOUSANDS OF EURO)

Hedging reserve	Other reserves and retained earnings (losses carried forward)	Total reserves and retained earnings (losses carried forward)	Profit (loss) for the year	Equity
(9,340)	177,493	365,814	241,413	1,908,159
		-	(119,504)	(119,504)
	109,838	121,909	(121,909)	-
	(25,594)	(25,594)		(25,594)
		-		-
-	84,244	96,315	(241,413)	(145,098)
				-
			210,063	210,063
(176)	(1,041)	(1,217)		(1,217)
(176)	(1,041)	(1,217)	210,063	208,846
(9,516)	260,696	460,912	210,063	1,971,907
(9,516)	260,696	460,912	210,063	1,971,907
		-	(121,892)	(121,892)
	77,668	88,171	(88,171)	-
	(4,042)	(4,042)		(4,042)
		-		-
-	73,626	84,129	(210,063)	(125,934)
				-
			218,851	218,851
6,636	(129)	6,507		6,507
6,636	(129)	6,507	218,851	225,358
(2,880)	334,193	551,548	218,851	2,071,331

Statement of cash flows

(THOUSANDS OF EURO)

	2021	2020
A. Opening cash and cash equivalents	745,111	239,115
Cash flows from operating activities		
Profit for the year	218,851	210,063
Adjustments:		
Income tax benefit for the year	(1,061)	(4,205)
Net financial expense (income)	(235,232)	(224,177)
Amortisation and depreciation	36,266	31,356
Net impairment losses (reversals of impairment losses) on assets	-	-
Impairment losses on loans and receivables	-	-
Net provisions for risks and other charges	1,116	710
Capital (gains) losses	58	1,065
Payment of employee benefits	(1,507)	(1,260)
Utilisations of provisions for risks and other charges	(1,662)	(5,200)
Change in other non-current assets	170	40
Change in sundry liabilities and other non-current liabilities	(8,335)	(964)
Other changes in equity	-	-
Taxes paid	6,655	33,991
Change in inventories	571	(1,691)
Change in trade receivables	(17,026)	23,462
Change in current tax assets and other current assets	30,875	4,932
Change in trade payables	(2,162)	(5,437)
Change in current tax liabilities and other current liabilities	(82,830)	51,650
B. Net cash and cash equivalents generated by/(used in) operating activities	(55,253)	114,335

	2021	2020
Cash flows from/(used in) investing activities		
Investments in property, plant and equipment and intangible assets	(49,868)	(51,253)
Investments in financial assets	(50)	(50)
Proceeds from the sale of investments	587	1,341
Change in company scope	-	-
Dividends received	235,329	236,437
C. Net cash and cash equivalents generated by investing activities	185,998	186,475
Cash flows from/(used in) financing activities		
Capital increase	-	-
Repurchase of treasury shares	(4,042)	(25,594)
Dividends paid	(121,743)	(119,523)
New non-current loans	205,000	875,000
Repayment of non-current loans	(235,327)	(190,099)
Change in cash pooling arrangements	(191,905)	(435,433)
Change in lease liabilities	(4,631)	(103,830)
Change in other financial liabilities	(9,426)	(97,079)
Change in loan assets	(76,837)	314,413
Interest paid	(59,848)	(78,900)
Interest received	53,065	66,231
D. Net cash and cash equivalents generated by/(used in) financing activities	(445,694)	205,186
E. Cash flow for the year (B+C+D)	(314,949)	505,996
F. Cash and cash equivalents (A+E)	430,162	745,111

Notes to the separate 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 Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2021.

Iren S.p.A. is an industrial holding company, with registered office in Reggio Emilia, parent of the four companies responsible for the operational activity (Business Units) in the main operating offices of Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

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

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

I. Basis of presentation

These financial statements represent the separate financial statements of the Parent Iren S.p.A. (annual report) and were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. 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 drawing up these separate financial statements, the same accounting policies were applied as those adopted for the separate Financial Statements at 31 December 2020, with the exceptions highlighted in the section "Standards, amendments and interpretations effective as of 1 January 2021".

The separate financial statements at 31 December 2021 consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The schedules are the same as those used in the preparation of the separate financial statements as at and for the year ended 31 December 2020.

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

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit, the Income Statement also shows the Gross Operating Profit 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.

The separate financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments and the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, measured at fair value, as well as on a going concern basis. The company did not detect any particular risks connected with the Company's business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

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

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

Use of estimates and assumptions by management

Estimates

Preparation of the Separate 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:

- 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.
- Expected losses on financial assets: at the end of each reporting date, the company 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 past experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.
- 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 III Financial Risk Management of Iren S.p.A.. 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 company 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 company 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 company 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 the Income Statement. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section III Financial Risk Management of Iren S.p.A..

- The determination of the amount of provisions for future risks and charges. The company 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 procedures 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 company, 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 company 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 company 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 37 Income Tax Benefit for further details regarding income taxes.
- Onerous Contracts. In order to identify an onerous contract, the company 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 Company 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.

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 evaluations relates to the use of assumptions and judgements regarding issues that are, by their nature, uncertain. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

II. Accounting policies

The accounting policies adopted in drawing up these Separate Financial Statements of Iren S.p.A. at 31 December 2021 are indicated below; the accounting policies described 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 or improvement 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.

The rates applied are set out below. The tables also show the residual term of the lease contracts on the basis of which the right-of-use assets recognised among property, plant and equipment are depreciated:

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

	Years	
Right-of-use assets IFRS 16 - Leases	from	to
Land	12	12
Buildings	2	57
Other assets (motor vehicles)	2	4

The rates relating to the plants refer, respectively as minimum and maximum rates, to a reserve transformer at the Piacenza site and to a prototype in the context of innovation activities.

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.

On the lessee's part, 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 has a new value 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 to be 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 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 contract consideration is allocated to each lease component based on its stand-alone price.

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

For this purpose, it 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 company considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the company, 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 head lease is a short-term lease that it 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 contract consideration is allocated by applying IFRS 15.

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

Payments received for operating leases are recognised as income on a straight-line basis over the lease term in "other income".

Intangible assets

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

Development 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 is not met, the expenditure is fully recognised 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 company's plans to develop production. Amortisation begins when the asset is available for use.

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

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

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

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

Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset are measured in accordance with the company's 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 the company's 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 company that has been discontinued or classified as held for sale, and:

a) 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.

Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. The company performs an impairment test, which consists of estimating the recoverable amount of the asset and comparing it to its 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.

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

Financial instruments

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

- *Financial assets and liabilities*

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in 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 or loss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

- *Equity investments in subsidiaries and associates*

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

- *Other equity investments*

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

- *Hedging instruments*

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

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

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

Hedging instruments are recognised at fair value, determined by using adequate measurement models for each type of financial instrument using, where available, the market forward curves, both regulated and not regulated (intrinsic value). For options fair value is supplemented with the time value, which is based on their residual life and the volatility of the underlying.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

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

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

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in 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, applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit (loss) for the year, 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 company 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 company 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 are carried at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

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

Equity

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

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

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

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

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

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, 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) measuring (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in 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 company has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

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

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

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

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

Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any 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 stand-alone price of each good or service, i.e., the price at which the company 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 specific activity of Iren S.p.A., i.e. the provision of corporate and technical-administrative services to its investees, the related revenue is recognised upon provision of the services. For each contract, the fees for the individual services rendered are identified and recorded separately.

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 related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

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.

Other income

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

Income is measured at the fair value of the price received or due and is recognised when:

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

Costs for the purchase of goods and services

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

Financial income and 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 company;
- it can be reliably measured.

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

Income taxes

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

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

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

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

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

The Group also exercised the option, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent 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 Company recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Company believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, it reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Company 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 Company 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 Company 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 Company reports uncertain tax assets/liabilities as current taxes or deferred taxes.

Standards, amendments and interpretations applied from 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).

Iren hedging relationships are exposed to the EURIBOR benchmark index. The EURIBOR calculation methodology was subject to review in 2019 by the European Money Markets Institute (EMMI) in order to meet the requirements of the Benchmarks Regulation (EU) 2016/1011 (BMR): it is therefore assumed that EURIBOR will continue to be used in the immediate future, and the directors believe that the risk associated with the IBOR transition is therefore almost nil and no significant effects are expected in the Company's separate 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 Company'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 54,140 thousand euro, while the nominal amount of hedging instruments correlated to this index was 272,067 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, Iren S.p.A. 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 early by the company

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 parent'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 improvement, 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 as 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 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 accounting standard 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	Endorsement process suspended pending conclusion of IASB project on the 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		
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] 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.

III. Financial risk management of Iren S.p.A.

A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, interest rate risk, credit risk).

As part of its Risk Management activities, the Company uses non-speculative hedging contracts to limit interest rate risk.

Liquidity risk

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

The 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 company totalled 2 million euro.

Moreover, having evaluated from time to time the convenience and opportunity in the context of the activities of optimisation of the available financial resources, the Company 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 company 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:

(THOUSANDS OF EURO)

Data at 31/12/2021	Carrying amount	Contractual cash flows	Within 12 months	1-5 years	Over 5 years
Mortgage loan and bond liabilities*	3,643,375	(3,853,575)	(419,408)	(1,239,512)	(2,194,655)
Hedging of interest rate risk**	3,790	(3,790)	(2,781)	(1,672)	663
Lease liabilities	11,441	(11,253)	(4,009)	(5,846)	(1,398)

* 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 fair value of hedging contracts (both positive and negative).

Cash flows required to settle remaining financial liabilities, other than those shown in the above tables, do not differ significantly from the recognised carrying amount.

Financial indebtedness from loans at year-end consisted of 9% in loans and 91% in bonds; it is noted that 63% of the total debt was financed by sustainable funds and that 91% of the residual debt for loans was at fixed rate and 9% at floating rate

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

Interest rate risk

Iren is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. The 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 counterparties of high credit standing, 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, except for a few positions with insignificant impacts, they also meet the formal requirements for the application of hedge accounting.

The total fair value of the aforementioned interest rate hedges was a negative 3,790 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 goal of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Company is exposed, stress testing was performed on the sensitivity of net financial expense and evaluation portions 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)

	Financial expense		Heding Reserve	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
Cash flow sensitivity (net)				
Net financial debt				
(including hedging contracts)	(4,866)	5,397	-	-
Change in fair value				
Hedging contracts				
(evaluation portions only)	-	(67)	14,884	(15,901)
Total impact from sensitivity analysis	(4,866)	5,330	14,884	(15,901)

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. Specifically, 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 interest rate risk hedges, it is recognised in financial income and expense.

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

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.

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

(THOUSANDS OF EURO)

31.12.2021	Carrying amount 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					
Interest rate hedging derivative contracts	2,024				2,024
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,725			24,725
Investments in subsidiaries		2,564,032			2,564,032
Other equity investments		150			150
Total Financial assets measured at fair value	**2,024**	**2,588,907**	**-**	**-**	**2,590,931**
Financial assets not measured at fair value					
Non-current loan assets with related parties			2,395,737		2,395,737
Trade receivables			107,803		107,803
Loan assets			147,175		147,175
Sundry assets and other assets*			105,062		105,062
Cash and cash equivalents			430,162		430,162
Total Financial assets not measured at fair value	**-**	**-**	**3,185,939**	**-**	**3,185,939**
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(5,814)				(5,814)
Total Financial liabilities measured at fair value	**(5,814)**	**-**	**-**	**-**	**(5,814)**
Financial liabilities not measured at fair value					
Bonds				(3,319,311)	(3,319,311)
Mortgages				(324,064)	(324,064)
Other financial liabilities**				(82,892)	(82,892)
Trade payables				(87,672)	(87,672)
Sundry liabilities and other liabilities*				(83,565)	(83,565)
Total Financial liabilities not measured at fair value	**-**	**-**	**-**	**(3,897,504)**	**(3,897,504)**
TOTAL	(3,790)	2,588,907	3,185,939	(3,897,504)	1,873,552

* Prepaid expenses and deferred income are excluded

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

		Fair Value		
31.12.2021	Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Interest rate hedging derivative contracts		2,024		2,024
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,725	24,725
Investments in subsidiaries			2,564,032	2,564,032
Other equity investments				
Total Financial assets measured at fair value	-	2,024	2,588,757	2,590,781
Financial assets not measured at fair value				
Non-current loan assets with related parties		2,548,823		2,548,823
Trade receivables				-
Loan assets				-
Sundry assets and other assets*				-
Cash and cash equivalents				-
Total Financial assets not measured at fair value	-	2,548,823	-	2,548,823
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(5,814)		(5,814)
Total Financial liabilities measured at fair value	-	(5,814)	-	(5,814)
Financial liabilities not measured at fair value				
Bonds	(3,421,160)			(3,421,160)
Mortgages		(323,426)		(323,426)
Other financial liabilities**				-
Trade payables				-
Sundry liabilities and other liabilities*				-
Total Financial liabilities not measured at fair value	(3,421,160)	(323,426)	-	(3,744,586)
TOTAL	(3,421,160)	2,221,607	2,588,757	1,389,204

* Prepaid expenses and deferred income are excluded

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

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					
Interest rate hedging derivative contracts	40				40
Assets for variable portion of transfer price OLT Offshore LNG Toscana		24,423			24,423
Investments in subsidiaries		2,564,032			2,564,032
Other equity investments		100			100
Total Financial assets measured at fair value	40	2,588,555	-	-	2,588,595
Financial assets not measured at fair value					
Non-current loans assets with related parties			2,201,369		2,201,369
Trade receivables			90,699		90,699
Loan assets			74,139		74,139
Sundry assets and other assets*			120,314		120,314
Cash and cash equivalents			745,111		745,111
Assets held for sale			240		240
Total Financial assets not measured at fair value	-	-	3,231,872	-	3,231,872
Financial liabilities measured at fair value					
Derivative hedging contracts (rate and commodities)	(13,617)				(13,617)
Total Financial liabilities measured at fair value	(13,617)	-	-	-	(13,617)
Financial liabilities not measured at fair value					
Bonds				(3,306,058)	(3,306,058)
Mortgages				(372,469)	(372,469)
Other financial liabilities**				(93,593)	(93,593)
Trade payables				(89,834)	(89,834)
Sundry liabilities and other liabilities*				(176,706)	(176,706)
Total Financial liabilities not measured at fair value	-	-	-	(4,038,660)	(4,038,660)
TOTAL	(13,577)	2,588,555	3,231,872	(4,038,660)	1,768,190

* Prepaid expenses and deferred income are excluded

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

(THOUSANDS OF EURO)

31.12.2020	Fair Value Level 1	Level 2	Level 3	TOTAL
Financial assets measured at fair value				
Interest rate hedging derivative contracts		40		40
Assets for variable portion of transfer price OLT Offshore LNG Toscana			24,423	24,423
Investments in subsidiaries			2,564,032	2,564,032
Other equity investments			100	100
Total Financial assets measured at fair value	-	40	2,588,555	2,588,595
Financial assets not measured at fair value				
Non-current loan assets with related parties		2,417,227		2,417,227
Trade receivables				-
Loan assets				-
Sundry assets and other assets*				-
Cash and cash equivalents				-
Assets held for sale				
Total Financial assets not measured at fair value	-	2,417,227	-	2,417,227
Financial liabilities measured at fair value				
Derivative hedging contracts (rate and commodities)		(13,617)		(13,617)
Total Financial liabilities measured at fair value	-	(13,617)	-	(13,617)
Financial liabilities not measured at fair value				
Bonds	(3,527,103)			(3,527,103)
Mortgages		(370,112)		(370,112)
Other financial liabilities**				-
Trade payables				-
Sundry liabilities and other liabilities*				-
Total Financial liabilities not measured at fair value	(3,527,103)	(370,112)	-	(3,897,215)
TOTAL	(3,527,103)	2,033,538	2,588,555	1,094,990

* Prepaid expenses and deferred income are excluded

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

Credit risk

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

Loan assets with subsidiaries arise from the centralised procurement of financial resources 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.

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

IV. Related party transactions

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

Transactions with subsidiaries

Intra-group Services

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

Financial management

Organisational solutions were adopted with the aim of cash pooling for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing. For this purpose, loans have been contracted by Iren with banks, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intra-group facility agreements.

The conditions of intra-group loan agreements have been defined according to the conditions at which the Parent procures on the financial market.

Tax consolidation

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.

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 Iren 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 consolidated tax return, the tax consolidation of the Unieco Waste Management Division has not been interrupted, rather has been seamlessly merged into the Iren consolidated tax return.

<u>VAT Group</u>

In September 2019 Iren exercised the option for establishment of a VAT Group to which the Tax Authority attributed a new VAT number with effect from 1 January 2020.

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.

Transactions with joint ventures and associates

Among the main transactions carried out by the Iren S.p.A. with joint ventures and associates, we can note:

- the loan to Sei Toscana, with a term of 5 years at the rate of 3.25%;
- a cash pooling credit line provided to Valle Dora Energia;
- the reversible fees paid to Iren S.p.A. for the participation of its employees in the Boards of Directors of the related companies;
- the supply of administrative services.

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

Finally, as regards the Directors and Statutory Auditors of Iren S.p.A. with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies, 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 S.p.A. 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).

V. Significant events after the reporting date

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 company 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.

VI. Other information

Consob communication no. Dem/6064293 of 28 July 2006

Significant non-recurring events and transactions

During 2021, the Company was not affected by "non-recurring" events and did not carry out significant transactions identified as such on the basis of the definitions contained in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

Positions or transactions deriving from atypical and/or unusual operations

In 2021, the Company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their significance/materiality, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets or protection of non-controlling interests.

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 that the National Register of State Aid includes aid, in favour of the company, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies.

VII. 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, 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	14,644	(861)	13,783	13,963	(636)	13,327
Buildings	132,590	(21,911)	110,679	130,496	(17,653)	112,843
Plant and machinery	5,129	(1,375)	3,754	3,523	(851)	2,672
Industrial and commercial equipment	1,047	(562)	485	1,009	(490)	519
Other assets	47,617	(28,730)	18,887	41,477	(22,806)	18,671
Assets under construction and payments on account	19,381	-	19,381	11,296	-	11,296
Total	220,408	(53,439)	166,969	201,764	(42,436)	159,328

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	Reclassifi-cations	31/12/2021
Land	13,963	-	(31)	712	14,644
Buildings	130,496	3,103	(526)	(483)	132,590
Plant and machinery	3,523	1,411	(13)	208	5,129
Industrial and commercial equipment	1,009	48	(10)	-	1,047
Other assets	41,477	7,591	(1,451)	-	47,617
Assets under construction and payments on account	11,296	8,522	-	(437)	19,381
Total	201,764	20,675	(2,031)	-	220,408

Changes in accumulated depreciation are shown below:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Reclassifi-cations	31/12/2021
Land	(636)	(9)	6	(222)	(861)
Buildings	(17,653)	(4,996)	516	222	(21,911)
Plant and machinery	(851)	(524)	-	-	(1,375)
Industrial and commercial equipment	(490)	(72)	-	-	(562)
Other assets	(22,806)	(7,332)	1,408	-	(28,730)
Total	(42,436)	(12,933)	1,930	-	(53,439)

The main categories refer to:

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

Finally, no assets are pledged against liabilities.

Increases

The increases in the year, of 20,675 thousand euro, refer mainly to:

- extraordinary maintenance of buildings and auxiliary plants at the various Company Offices;
- upgrading of hardware infrastructure and telecommunications equipment;
- investments in motor vehicles, including those leased and recorded in accordance with IFRS 16;
- costs incurred for the new conference room and office building at the Reggio Emilia office, currently under construction;
- costs incurred for the building renovation of the Piazza Raggi (Genoa) office, which is currently underway.

Depreciation

Ordinary depreciation for 2021, amounting to 12,933 thousand euro, was calculated on the basis of the rates indicated in the section "Accounting standards and policies" and deemed representative of the residual useful life of the assets.

Reclassifications

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

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 Iren S.p.A. acts as lessee refer 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	111	(18)	93	141	(15)	126
Buildings	15,860	(6,980)	8,880	16,545	(5,595)	10,950
Other assets	5,642	(2,635)	3,007	5,215	(2,346)	2,869
Total	21,613	(9,633)	11,980	21,901	(7,956)	13,945

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

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Other Changes	31/12/2021
Land	141	-	(30)	-	111
Buildings	16.545	2.811	(515)	(2.981)	15.860
Other assets	5.215	1.627	(1.200)	-	5.642
Total	21.901	4.438	(1.745)	(2.981)	21.613

Finally, changes in the accumulated depreciation of right-of-use assets are shown below:

(THOUSANDS OF EURO)

	31/12/2020	Depreciation for the year	Decreases	Other Changes	31/12/2021
Land	(15)	(9)	6	-	(18)
Buildings	(5.595)	(2.832)	515	932	(6.980)
Other assets	(2.346)	(1.458)	1.169		(2.635)
Total	(7.956)	(4.299)	1.690	932	(9.633)

NOTE 2 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	47	(47)	-	47	(47)	-
Industrial patents and intellectual property rights	143,931	(86,207)	57,724	122,038	(63,432)	58,606
Concessions, licences, trademarks and similar rights	34	(4)	30	34	(4)	30
Other intangibleassets	9,605	(9,182)	423	9,605	(8,657)	948
Assets under development and payments on account	21,777	-	21,777	10,122	-	10,122
Total	175,394	(95,440)	79,954	141,846	(72,140)	69,706

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

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	Reclassifications	31/12/2021
Development expenditure	47	-	-	-	47
Industrial patents and intellectual property rights	122,038	18,476	(80)	3,497	143,931
Concessions, licences, trademarks and similar rights	34	-	-	-	34
Other intangible assets	9,605	-	-	-	9,605
Assets under development and payments on account	10,122	15,155	(3)	(3,497)	21,777
Total	141,846	33,631	(83)	-	175,394

Changes in the accumulated amortisation are shown below:

(THOUSANDS OF EURO)

	31/12/2020	Amortisation for the year	Decreases	Reclassifications	31/12/2021
Development expenditure	(47)	-	-	-	(47)
Industrial patents and intellectual property rights	(63,432)	(22,808)	33	-	(86,207)
Concessions, licences, trademarks and similar rights	(4)	-	-	-	(4)
Other intangible assets	(8,657)	(525)	-	-	(9,182)
Total	(72,140)	(23,333)	33	-	(95,440)

The main categories refer to:

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

Increases

Increases in the year, amounting to 33,631 thousand euro, primarily refer to the purchase, internal development (including ongoing development), implementation and adaptation of software for administrative, commercial and customer management within the Group.

NOTE 3 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Equity investments in subsidiaries

Data on investments in direct subsidiaries, i.e., the lead companies of the Group's business units, at 31 December 2021 can be found in the appropriate section of the Annexes.

The carrying amounts of equity investments are as follows, and are unchanged from the previous year.

(THOUSANDS OF EURO)

	Cost of equity investment	Equity at 31/12/2021	Difference between equity - Cost of equity investment
Iren Ambiente	243,437	261,495	18,058
IRETI	1,039,418	1,187,545	148,127
Iren Energia	1,139,112	1,322,476	183,364
Iren Mercato	142,065	161,801	19,736
Total	2,564,032	2,933,317	369,285

The impairment per BU presented in the Note to "Goodwill" of the consolidated financial statements is also used for the valuation of equity investments in subsidiaries held by Iren S.p.A. and allows to conclude that, with reference to these investments, there are no indications of impairment.

NOTE 4 OTHER EQUITY INVESTMENTS

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

As of the date of these separate financial statements, the only investment held relates to the consortium company Competence Industry Manufacturing 4.0, and amounts to 150 thousand euro (100 thousand euro as at 31 December 2020).

NOTE 5 NON-CURRENT FINANCIAL ASSETS

The total of the item amounted to 2,499,028 thousand euro (2,225,873 thousand euro at 31 December 2020).

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Centralised treasury arrangement- subsidiaries	2,370,489	2,179,741
Centralised treasury arrangement - associates	22,561	19,953
Loan assets with subsidiaries	76,502	1,675
Loan assets with associates	2,687	-
Fair value of derivatives – non-current portion	2,024	40
Sundry assets	40	40
Other financial assets	24,725	24,424
Total	2,499,028	2,225,873

For details on the item "Centralised treasury arrangement ", see the table showing "Transactions with related parties" in the Annexes to this document.

The fair value of derivative contracts, for the non-current portion, amounted to 2,024 thousand euro (40 thousand euro at 31 December 2020). For comments, please see the "Financial risk management of Iren S.p.A." section.

Sundry assets refer to participation in a film production under a Tax credit regime for 40 thousand euro (unchanged from 31 December 2020).

The item "Other financial assets" consists of the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan, measured at fair value with changes recognised in profit (loss) for the year.

NOTE 6 OTHER NON-CURRENT ASSETS

These amounted to 1,662 thousand euro (1,832 thousand euro as at 31 December 2020) and consisted mainly of tax assets accrued with the tax authorities following the request for deduction of IRAP from the IRES taxable base amount for 64 thousand euro (612 thousand euro as at 31 December 2020), tax assets for grants accrued for innovation projects for 1,437 thousand euro (1,040 thousand euro as at 31 December 2020) and loan assets with personnel for 102 thousand euro (122 thousand euro as at 31 December 2020).

NOTE 7 DEFERRED TAX ASSETS

This item amounts to 8,460 thousand euro (11,035 thousand euro at 31 December 2020) and refers to deferred tax assets arising from costs that will be deductible in future years.

For further information, reference is made to the note to the income statement "Income tax benefit" and to the Annexes concerning the details on temporary differences related to deferred taxation.

CURRENT ASSETS

NOTE 8 INVENTORIES

The item amounted to 3,954 thousand euro (4,023 thousand euro at 31 December 2020). Inventories include stocks of items used by all Group companies (technical clothing, hardware, stationery and signs).

The provision for inventory write-down, which was established in 2020 with the aim of taking into account the technical obsolescence and low movement of certain materials, amounted to 208 thousand euro (709 thousand euro at 31 December 2020).

NOTE 9 TRADE RECEIVABLES

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade receivables from customers	1,731	1,388
Trade receivables from subsidiaries	106,227	89,775
Trade receivables from joint ventures and associates	563	744
Trade receivables from owners	506	16
Loss allowance	(1,224)	(1,224)
Total	107,803	90,699

Trade receivables from customers

These relate to receivables for services rendered to third-party customers.

Trade receivables from subsidiaries

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

Trade receivables from joint ventures and associates

This item refers mainly to fees that may be charged back for offices held by Iren's employees at associates, as well as to the chargeback of insurance costs borne by the Parent. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Separate Financial Statements.

Trade receivables from owners

Trade receivables from owners recorded a balance of 506 thousand euro (16 thousand euro at 31 December 2020) and refer to amounts due for services and activities performed for the Municipality of Turin for 483 thousand euro (nil at 31 December 2020), for the Municipality of Reggio Emilia for 7 thousand euro (nil at 31 December 2020), for FSU for 16 thousand euro (unchanged compared to 31 December 2020).

Loss allowance

The item amounted to 1,224 thousand euro (unchanged compared to 31 December 2020). No accrual was made during the year, as the allowance was adequate for the amount of expected credit losses on the basis of the simplified model envisaged by IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information, also considering historical data.

NOTE 10 CURRENT TAX ASSETS

The item amounted to 60 thousand euro (927 thousand euro at 31 December 2020) and refers to amounts due for IRAP advances.

NOTE 11 SUNDRY ASSETS AND OTHER CURRENT ASSETS

These are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Amounts due from subsidiaries for VAT group	15,467	20,921
Amounts due from subsidiaries for tax consolidation scheme	42,802	17,566
VAT assets	39,275	72,051
Other tax assets	1,048	4,624
Tax assets within 12 months	**98,592**	**115,162**
Advances to suppliers	2,705	1,526
Amounts due from others	2,103	1,794
Other current assets	**4,808**	**3,320**
Prepaid expenses	13,795	4,777
Total	117,195	123,259

As noted in the section "Transactions with related parties", in September 2019 Iren exercised the option for establishment of the VAT Group to which the Tax Authority attributed a new VAT number with effect from 1 January 2020.

The option for the Group tax consolidation scheme was exercised by the Group. This requires that the consolidated companies transfer their IRES assets/liabilities to the Parent Iren S.p.A.

The other tax assets shown in the table consist mainly of amounts due from the tax authorities for tax assets, while prepaid expenses relate largely to the portion pertaining to future IT services.

NOTE 12 CURRENT FINANCIAL ASSETS

The item amounted to a total of 70,633 thousand euro (74,097 thousand euro at 31 December 2020). All financial assets recognised in this item are due within 12 months. The carrying amount of these assets approximates their fair value as the impact of discounting is negligible. Current financial assets relate to:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loan assets with subsidiaries	40,114	69,027
Loan assets with joint ventures and associates	186	107
Loan assets with third parties for deposit of treasury shares repurchase	-	4,181
Loan assets with others	30,333	782
Total	70,633	74,097

Loan assets with subsidiaries

These refer to:

- the loan to the subsidiary Iren Ambiente Toscana for 26,665 thousand euro;
- interest accrued on credit lines, in particular cash pooling arrangements (13,449 thousand euro);

Loan assets with joint ventures and associates

These relate to interest accrued on the cash pooling arrangement with Valle Dora Energia and Sei Toscana.

Loan assets with others

These amounted to 30,333 thousand euro (782 thousand euro as at 31 December 2020) and refer to: 30,014 thousand euro for the purchase of certificates of deposit and 319 thousand euro in prepaid expenses of a financial nature.

NOTE 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents may be analysed as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Bank and postal deposits	430,162	745,042
Cash and similar on hand	-	69
Total	430,162	745,111

Cash and cash equivalents consist of available bank and postal deposits.

Iren S.p.A. does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

NOTE 14 ASSETS HELD FOR SALE

This item is not recognised (240 thousand euro at 31 December 2020) because during 2021 Iren Spa sold the investment in the company Plurigas in liquidation, which was classified at the time among the assets held for sale because the company's operations ended in 2014.

Liabilities

NOTE 15 EQUITY

Net 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	551,548	460,912
Profit for the year	218,851	210,063
Total	2,071,330	1,971,906

Share capital

Share capital amounts to 1,300,931,377 euro (unchanged compared to 31 December 2020), 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 Shareholder 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. This transaction was completed on 02 November 2021.

As of 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	(38,690)	(34,648)
Share premium reserve	133,020	133,020
Legal reserve	87,216	76,712
Hedging reserve	(2,880)	(9,517)
Other reserves and Retained earnings	372,882	295,345
Total	551,548	460,912

Treasury shares

On 29 April 2020, the Shareholders of Iren S.p.A. authorised the Board of Directors to repurchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the non-executed portion, the previous authorisation to repurchase resolved on 5 April 2019. On 12 May 2020, the Board of Directors, authorising the CEO to carry out the repurchase, had set the limit at 2% of the Company's share capital (equal to 26,000,000 shares), taking into account the shares already held in portfolio.

In November 2021, the repurchase of treasury shares was completed and as of 31 December 2021, the portfolio had 17,855,645 shares for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

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 concluded to hedge exposure to the risk of interest rate fluctuations of floating rate loans.

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 the financial year, they changed owing mainly to the carrying forward of profits for the previous financial year (77,668 thousand euro).

Dividends

At their Ordinary Meeting held on 6 May 2021, the shareholders of Iren S.p.A. approved the Company'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.

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.

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

NON-CURRENT LIABILITIES

NOTE 16 NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to

3,278,814 thousand euro (3,490,489 thousand euro as at 31 December 2020) and consist of:

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 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 305,465 thousand euro (345,239 thousand euro as at 31 December 2020).

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

(THOUSANDS OF EURO)

	TOTAL
min/max rate	0.00% - 0.00%
maturity	2023-2036
1.1.2023 – 31.12.2023	23,490
1.1.2024 – 31.12.2024	33,221
1.1.2025 – 31.12.2025	33,221
1.1.2026 – 31.12.2026	33,221
subsequent	182,312
Total after 12 months as at 31/12/2021	305,465
Total after 12 months as at 31/12/2020	345,239

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
	Total after 12 months	Increases	Decreases	Change in amortised cost	Total after 12 months
TOTAL	345,239	5,000	(44,861)	87	305,465

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

- disbursement of a loan of 5,000 thousand euro from CEB (Council of Europe Development Bank), in relation to the investment programme in the integrated water service infrastructure in the Parma and Genoa areas;
- a decrease of a total of 44,861 thousand euro for the voluntary early repayment of loans, for Liability Management activities, and for the classification of the portions of loans falling due within the next 12 months as current;
- Changes in amortised cost for the purpose of IFRS accounting of loans.

Non-current lease liabilities

This item relates to the portion of the Company's lease, rental and hire liabilities due after 12 months, recognised in accordance with IFRS 16, and amounted to 7,359 thousand euro (7,203 thousand euro as at 31 December 2020). This figure will be gradually reduced on the basis of repayment of the lease principal.

Other financial liabilities

These amounted to 5,814 thousand euro (13,617 thousand euro as at 31 December 2020) and refer to the fair value of derivative contracts entered into by Iren as hedges against the interest rate risk on floating rate loans (please refer to the "financial risk management of Iren S.p.A." section for comments).

NOTE 17 EMPLOYEE BENEFITS

Changes in this item in 2021 were as follows:

(THOUSANDS OF EURO)

	31/12/2020	Obligations vested during the year	Financial expense	Disbursements for the year	Intra-group transfers	Actuarial (gains)/ losses	31/12/2021
Post-employment benefits	14,150	-	-	(1,021)	12	283	13,424
Additional monthly salaries	720	492	-	(114)	-	(64)	1,034
Loyalty bonus	581	22	-	(50)	-	(30)	523
Tariff discounts	2,625	-	-	(165)	-	(171)	2,289
Premungas	409	366	-	(169)	-	121	727
Total	18,485	880	-	(1,519)	12	139	17,997

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.

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.

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%

In accordance with the provisions of IAS 19 the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the 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	251	(259)	-	8.2	1,020
Additional salary payments (seniority bonus)	24	(25)	33	10.5	43
Loyalty bonus	7	(7)	21	5.2	29
Tariff discounts	53	(51)	-	9.4	144
Premungas	10	(10)	-	5.8	101

NOTE 18 PROVISIONS FOR RISKS AND CHARGES

Details and changes are shown in the table below:

(THOUSANDS OF EURO)

	31/12/2020	Increases	Decreases	31/12/2021	Non-current portion
Provision for early retirement	5,618		(1,708)	3,910	801
Other provisions for risks and charges	8,382	1,601	(817)	9,166	5,893
Total	14,000	1,601	(2,525)	13,076	6,694

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 4/2019 introduces starting from 2019 the possibility of retiring once workers meet requirements of reaching 62 years of age and 38 years of contributions mby 31 December 2021.

Other provisions for risks and charges

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

NOTE 19 DEFERRED TAX LIABILITIES

Deferred tax liabilities of 943 thousand euro (945 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 information, reference is made to the note to the income statement "Income tax benefit" and to the Annexes concerning the details on temporary differences related to deferred taxation.

NOTE 20 SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES

This item amounts to 1,475 thousand euro (9,810 thousand euro as at 31 December 2020) and mainly refers to portions of grants received on innovation projects, relating to future years for an amount of 1,285 thousand euro (1,279 thousand euro as at 31 December 2020). During 2021, Iren Spa settled amounts due to the companies included in the tax consolidation procedure as IRES reimbursement for IRAP deductibility referred to the years 2007 - 2011 for 8,499 thousand euro, present as at 31 December 2020.

CURRENT LIABILITIES

NOTE 21 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	31,572	47,960
Loans from subsidiaries	69,348	72,484
Loans from associates	-	369
Lease liabilities	4,082	4,486
Loans from others	571	10
Total	464,708	306,937

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

The related amounts are as follows:

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Loans - current portion	18,599	27,229
Other current loans	2,000	8,000
Other current bank loans	76	158
Accrued expenses and deferred income	10,897	12,573
Total	31,572	47,960

Lease liabilities

These regard the portion of the Company's lease, rental and hire liabilities due within 12 months; they amounted to 4,082 thousand euro (4,486 thousand euro as at 31 December 2020).

Loans from subsidiaries

Amounting to 69,348 thousand euro at 31 December 2021 (72,484 thousand euro as at 31 December 2020) these refer to the cash pooling arrangement with Group companies that have a credit position with Iren S.p.A. The amount includes an estimate of the related accrued interest expense still to be paid.

Loans from others

These amounted to 571 thousand euro (10 thousand euro at 31 December 2020) and refer mainly to accrued interest relating to the TAP issue to reopen the Green Bonds issued in 2020, to be settled with the annual coupon in 2022 for 412 thousand euro and to shareholder loans for 149 thousand euro.

NOTE 22 TRADE PAYABLES

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

(THOUSANDS OF EURO)

	31/12/2021	31/12/2020
Trade payables to suppliers	81,240	84,345
Trade payables to subsidiaries	5,760	5,106
Trade payables to associates	47	59
Trade payables to owners	481	141
Trade payables to other related parties	144	183
Total	87,672	89,834

NOTE 23 SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES

All amounts 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
Amounts due to subsidiaries for VAT group	44,178	129,464
Amounts due to subsidiaries for tax consolidation scheme	9,836	12,525
For IRPEF	296	87
Other tax liabilities	4,162	3,667
Tax liabilities due within 12 months	58,472	145,743
Amounts due to employees	10,013	10,047
Amounts due to social security institutions	4,096	3,891
Sundry liabilities	9,697	7,245
Other current liabilities	23,806	21,183
Deferred income	59	931
Total	82,337	167,857

Amounts due to social security institutions consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

Deferred income, amounting to 59 thousand euro (931 thousand euro as at 31 December 2020), refers to reimbursements for surety expenses.

The sundry liabilities refer mostly to adjustments of premiums related to insurance policies entered into in favour of the Group.

NOTE 24 CURRENT TAX LIABILITIES

The item amounts to 31,709 thousand of euro (nil at 31 December 2020) and refers to IRES tax liabilities.

NOTE 25 PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The current portion of the provisions for risks and charges amounted to 6,383 thousand euro (1,600 thousand euro as at 31 December 2020). This amount refers for 3,274 thousand euro (nil at 31 December 2020) to the provision for risks and concerns the LTI quota referring to the three-year period 2019-2021 to be paid in the following year, as well as the provision for early retirement for 3,109 thousand euro (1,600 thousand euro at 31 December 2020).

For more details on the breakdown see Note “Provisions for risks and charges”.

Financial position

Net financial debt, calculated as the difference between current and non-current financial liabilities 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	(2,499,028)	(2,225,873)
Non-current financial debt	3,278,814	3,490,489
Non-current net financial debt	779,786	1,264,616
Current financial assets	(500,795)	(819,208)
Current financial debt	464,708	306,937
Current net financial debt	(36,087)	(512,271)
Net financial debt	743,699	752,345

Net Financial debt with related parties

Non-current financial assets are related to cash pooling arrangements with subsidiaries and associates for 2,393,049 thousand euro.

Current financial assets include 26,665 thousand euro for loans and 13,449 thousand euro for invoices to be issued to subsidiaries for interest.

Current financial debt of 69,349 thousand euro refers to cash pooling arrangements with subsidiaries and the related interest.

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

Net financial debt according to the structure proposed by ESMA in the document of 4 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	(430,162)	(745,111)
B. Cash equivalents	-	-
C. Other current financial assets	-	-
D. Liquidity (A) + (B) + (C)	(430,162)	(745,111)
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	82,892	93,594
F. Current portion of non-current financial debt	381,816	213,343
G. Current financial debt (E + F)	464,708	306,937
H. Net current financial debt (G - D)	34,546	(438,174)
I. Non-current financial debt (excluding current portion and debt instruments)	318,638	366,059
J. Debt instruments	2,960,176	3,124,430
K. Trade payables and other non-current debt	-	-
L. Non-current financial debt (I + J + K)	3,278,814	3,490,489
M. Total financial debt (H + L)	3,313,360	3,052,315

The table below reports on the changes during the year in current and non-current financial liabilities.

(THOUSANDS OF EURO)

Current and non-current financial liabilities 31.12.2020	3,797,426
Monetary changes as reported in the Statement of Cash Flows	
New non-current loans	205,000
Repayment of non-current loans	(235,327)
Repayment of finance leases	(4,631)
Change in other financial liabilities	(9,426)
Interest paid	(59,848)
Non-monetary changes	
New finance lease contracts	4,383
Fair value change in derivatives	(7,802)
Interest and other financial expense	53,598
Other changes	149
Current and non-current financial liabilities 31.12.2021	3,743,522

VIII. Information on the income statement

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

Revenue

NOTE 26 REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Services to subsidiaries	234,603	217,546
Services to associates	214	534
Services to others	936	888
Total	235,753	218,968

Revenue from services refer to corporate, administrative and technical services provided to Group companies and associates.

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

NOTE 27 OTHER INCOME

Other income includes:

(THOUSANDS OF EURO)

	2021	2020
Revenue for personnel at other companies	7,868	7,293
Sale of materials	2,322	3,785
Lease income	498	538
Grants related to income	415	338
Insurance settlements	51	317
Capital gains on sale of assets	36	30
Penalties to suppliers	21	27
Revenue from previous years	255	426
Other revenue and income	101	210
Total	11,567	12,964

Revenue from personnel at other companies includes reversible fees which were paid to Iren Directors and employees by Group companies and the chargeback of costs for personnel seconded to subsidiaries.

The sale of materials mainly relates to sales to subsidiaries, as a result of the procurement and centralised management of materials for common use by the Group's businesses.

Revenue from previous years mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments to prior years' invoices.

Costs

NOTE 28 RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

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

These costs refer mainly to the purchase of materials for common use by subsidiaries (technical clothing, hardware, stationery and signs) and fuel for Group vehicles.

The provision for inventory write-down amounting to 208 thousand euro (709 thousand euro in 2020) was set up last year in order to take into account the technical obsolescence and low level of movement of certain materials.

(THOUSANDS OF EURO)

	2021	2020
Raw materials and inventories	2,897	9,715
Purchase of fuels	4,405	3,581
Change in inventories	570	(1,692)
Accrual/(use) of provision for inventory write-down	(502)	709
Total	7,370	12,313

NOTE 29 SERVICES AND THIRD-PARTY ASSETS

Costs for services are broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Technical and administrative services from subsidiaries and Group companies	10,280	9,948
Third-party works, maintenance and industrial services	13,453	17,708
Snow clearing	2,033	1,562
Expenses related to personnel (meal allowance, training, business travel)	8,027	7,004
Technical, administrative and commercial consulting and advertising expenses	21,755	17,860
Legal and notary fees	957	1,503
Insurance	15,736	12,631
Bank and postal expenses	677	694
Telephone expenses	4,082	4,377
Internal utilities (electricity, water, gas, cleaning, etc.)	9,770	8,631
IT expenses	46,028	41,515
Reading and invoicing services	-	7
Board of Statutory Auditors' fees	150	111
Other costs for services	3,882	4,554
Total	136,830	128,105

Use of third-party assets amounted to 1,022 thousand euro (697 thousand euro in 2020) and relates mainly to short-term rentals of technical equipment and the rental of exhibition space for promotional events.

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 30 OTHER OPERATING EXPENSES

Other operating expenses are as follows:

(THOUSANDS OF EURO)

	2021	2020
Membership fees	2,088	2,008
General expenses	1,500	1,350
Taxes and duties	1,872	1,486
Prior year expenses	3,154	1,202
Charitable donations	2,230	2,787
Other sundry operating expenses	164	324
Total	11,008	9,157

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

NOTE 31 INTERNAL WORK CAPITALISED

Internal work capitalised amounted to 4,902 thousand euro (4,966 thousand euro in 2020) and refers to labour costs mainly for the study, creation and implementation of software and IT projects.

NOTE 32 PERSONNEL EXPENSE

Personnel expense is broken down as follows:

(THOUSANDS OF EURO)

	2021	2020
Gross remuneration	53,003	52,481
Social security contributions	15,930	16,092
Other long-term employee benefits	46	50
Other personnel expense	7,461	4,410
Directors' fees	653	652
Total	77,093	73,685

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 workforce is broken down as follows:

	31/12/2021	31/12/2020	Yearly average
Executives	50	49	49
Junior managers	127	121	127
White collars	823	816	815
Blue collars	74	77	74
Total	1,074	1,063	1,065

NOTE 33 DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 36,267 thousand euro (31,356 thousand euro in 2020).

(THOUSANDS OF EURO)

	2021	2020
Depreciation	12,934	13,457
Amortisation	23,333	17,899
Total	36,267	31,356

Depreciation of includes the depreciation for the year of right-of-use assets recognised in accordance with IFRS 16.

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

NOTE 34 PROVISIONS AND IMPAIRMENT LOSSES

The item amounted to a total of 73 thousand euro (in 2020, it had a positive balance of 96 thousand euro) and is detailed in the following table:

(THOUSANDS OF EURO)

	FY 2021	FY 2020
Impairment losses on loans and receivables	-	-
Provisions for risks	504	247
Releases	(431)	(343)
Total	73	(96)

There were no accruals made to the loss allowance during 2021, as the allowance was adequate to the amount of expected credit losses determined on the basis of the simplified model envisaged by IFRS 9, where "loss" means the current value of all cash shortfalls considering forward-looking information.

The trend in provisions for risks is mainly due to probable charges related to personnel.

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

NOTE 35 FINANCIAL MANAGEMENT

Financial income

The breakdown of financial income is as follows:

(THOUSANDS OF EURO)

	2021	2020
Dividends	235,329	236,439
Bank interest income	534	572
Interest income from subsidiaries	50,381	48,958
Interest income from associates	660	311
Interest income on loans	-	1,733
Fair value gains on derivatives	1,054	349
Income from discounting earn out Olt	301	1,625
Income from the sale of securities	309	-
Default interest	78	-
Other financial income	178	19
Total	288,830	290,011

Income from the sale of securities refers to the sale of the investment in the company Plurigas in liquidation, classified at 31 December 2020 under assets held for sale as the company's operations were wound up in 2014.

Fair value gains on derivatives refer to the hedging instruments that do not meet the formal requirements for the application of hedge accounting.

Financial expense

The breakdown of financial expense is as follows:

(THOUSANDS OF EURO)

	2021	2020
Interest expense on loans	235	667
Interest expense on bonds	50,386	54,703
Realised losses on derivatives	2,597	3,920
Fair value losses on derivatives	-	5,835
Capital losses on disposal of financial assets	-	31
Interest expense subsidiaries	60	73
Interest cost – Employee benefits	-	158
Financial expense on lease liabilities	107	154
Other financial expense	212	291
Total	53,598	65,834

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

Interest expense on bonds decreased as a result of the lower average cost of bonds.

NOTE 36 GAINS (LOSSES) ON EQUITY INVESTMENTS

This item had a nil balance for both 2021 and 2020.

NOTE 37 INCOME TAX BENEFIT

The income tax benefit amounted to 1,061 thousand euro (4,205 thousand euro in 2020) and can be broken down as follows:

- IRES, a benefit of 1,712 thousand euro (6,785 thousand euro in 2020), as a result of negative operating income;
- net deferred tax expense, given by the reversal of taxable temporary differences, of 520 thousand euro (3,054 thousand in 2020);
- deferred tax income of 2 thousand euro (nil in 2020) due to reversal of deferred taxes on accelerated depreciation;
- taxes related to previous years, an expense of 133 thousand euro (a benefit of 474 thousand euro in 2020).

Under the terms of Art. 96 of the Consolidated Law on Income Tax, the interest expense rules provide for their deductibility up to a maximum of 30% of the Gross Operating Profit ("fiscal" GOP) with the option to carry forward any surpluses of non-deductible interest expense to subsequent years and, if Group taxation is implemented, with the right to offset such surpluses with any "fiscal" GOP surpluses accrued from other group companies.

For Iren S.p.A., in 2021, application of the rules pursuant to Art. 96 of the Consolidated Law on Income Tax entailed forming surpluses of net non-deductible interest expense.

The table below shows the reconciliation between standard and effective IRES tax rates. The reconciliation between standard and effective IRAP rate was not significant.

The table shows current taxes only, thus excluding deferred taxes. Therefore, changes to the theoretical tax refer to temporary and final changes.

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

	IRES RATE RECONCILIATION	2021	2020
A)	Profit before tax	217,789	205,858
B)	Theoretical tax charge (24% rate)	52,269	49,406
C)	Temporary differences taxable in future years	-	-
	Alloc. Tax assets loss allowance		
D)	Temporary differences deductible in future years	7,079	8,360
	Fees to independent auditors and directors	*205*	*233*
	Plus minus amortisation	*1,000*	-
	Alloc. Provisions and interest expense	*2,056*	*3,474*
	Other	*3,818*	*4,654*
E)	Reversal of previous year temporary differences	(9,183)	(19,884)
	Dividends not collected during the year		
	Use of provisions and interest expense	(4,269)	(16,668)
	Fees to independent auditors and directors	(233)	(259)
	Other	(4,682)	(2,956)
F)	Differences which will not carry forward	(220,429)	(220,905)
	Non-taxable share of dividends (95%) received as at 31/12	(223,563)	(224,616)
	Other	*3,134*	*3,711*
G)	Taxable income (A)+C)+D)+E)+F))	(4,744)	(26,570)
H)	Current taxes for the year	(1,712)	(6,785)
	Income from consolidation	(1,139)	(6,377)
	Art Bonus	(573)	(408)
M)	Rate	-1%	-3%

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

(THOUSANDS OF EURO)

	FY 2021	FY 2020
Deferred tax assets		
Non-taxable provisions	4,088	4,546
Differences in non-current assets	485	554
Derivatives	783	2,879
Other	3,104	3,057
Total	8,460	11,035
Deferred tax liabilities		
Differences in non-current assets	821	823
Loss allowance	11	11
Other	111	111
Total	943	945
Net deferred tax assets	7,517	10,090

NOTE 38 OTHER COMPREHENSIVE INCOME

Other comprehensive income amounted to 6,507 thousand euro (other comprehensive expense of 1,217 thousand euro in 2020).

Specifically, 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 8,732 thousand euro, which refers to derivatives hedging changes in interest rates;
- the tax effect of 2,096 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 170 thousand euro;
- the tax effect, for 41 thousand euro.

IX. Guarantees and contingent liabilities

Guarantees provided

Personal guarantees amounted to 417,782 thousand euro (451,608 thousand euro as at 31 December 2020) broken down as follows:

- 152,036 thousand euro of bank and insurance guarantees provided to various Entities. Among the above, it is worth noting guarantees granted in favour of:
  - Tax Authority for 119,992 thousand euro to guarantee VAT refund requests for 2019 and 2020;
  - Municipality of Turin, for 27,476 thousand euro, as definitive guarantee in the AMIAT/TRM tender
  - Procedure;

- INPS for 152 thousand euro as guarantees envisaged for planned retirement procedures;
- FCT Holding for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
- Municipality of Genoa for 860 thousand euro to guarantee urbanisation works and the cost of building new premises;
- Atersir/Ato for 820 thousand euro to guarantee the management of the integrated water service.

• 251,302 thousand euro in guarantees granted on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Guarantees on behalf of Iren Mercato Spa);

• 14,444 thousand euro of guarantees given on behalf of associates, mainly relating to the associate Sinergie Italiane.

The most significant amounts, regarding the guarantees given on behalf of associates, refer to the associate Sinergie Italiane in liquidation (namely guarantees for credit facilities and letters of patronage for 10,999 thousand euro). The liquidators concluded the main procurement contracts and, therefore, since 1 October 2012 the Company's operating activity concerns only the purchase of gas from the Russian Gazprom supplier and the sale of gas to shareholders or their subsidiaries, including Iren Mercato.

X. Annexes to the separate financial statements

LIST OF EQUITY INVESTMENTS

INDEPENDENT AUDITORS' FEES

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

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

LIST OF EQUITY INVESTMENTS

Company	Registered office	Currency	Share capital	% interest
SUBSIDIARIES				
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00
IReti S.p.A.	Reggio Emilia	Euro	196,832,103	100.00
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00

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)

		Non-audit services		
	Statutory audit	Services for the purpose of issuing an attestation	Other services	Total
Iren S.p.A.	238	125	-	363

PROSPETTO DI PATRIMONIO NETTO CON INFORMAZIONI AGGIUNTIVE

(AMOUNTS IN EURO)

	31.12.2021	31.12.2020	31.12.2019
SHARE CAPITAL	1,300,931,377	1,300,931,377	1,300,931,377
EQUITY-RELATED RESERVES			
Share premium reserve (1)	133,019,647	133,019,647	133,019,647
Negative goodwill	56,792,947	56,792,947	56,792,947
Treasury shares negative reserve	(38,690,318)	(34,648,147)	9,054,404
INCOME-RELATED RESERVES			
Legal reserve	87,215,666	76,712,515	64,641,843
Other reserves:			
Extraordinary reserve	53,766,557	53,766,557	53,766,557
Hedging reserve	(2,880,211)	(9,516,688)	(9,340,183)
IAS 19 actuarial reserve	(4,766,110)	(4,637,006)	(3,596,399)
Other reserves untaxed	1,402,976	1,402,976	1,402,976
Retained earnings	265,687,166	188,019,492	78,180,732
TOTAL	1,852,479,697	1,761,843,670	1,666,745,093
Non-distributable amount	1,482,476,372	1,476,015,392	1,489,538,463
Distributable residual amount	370,003,325	285,828,278	177,206,630

(AMOUNTS IN EURO)

Possible utilisation	Available portion	Summary of uses over the last three years	
		To cover losses	Other reasons
B	1,300,931,377		
A, B	133,019,647		
A, B, C	56,792,947		
	(38,690,318)		
B	87,215,666		
A, B, C	53,766,557		
	(2,880,211)		
	(4,766,110)		
A, B, C	1,402,976		
A, B, C	265,687,166		
	1,852,479,697		
	1,482,476,372		
	370,003,325		

DEFERRED TAX ASSETS AND LIABILITIES - 2021

		Differences		
	Opening balance	Formation	Reversal	Closing balance
Deferred tax assets				
Non-taxable provisions	18,940	1,770	3,677	17,033
Differences in non-current assets	2,308	171	460	2,019
Derivatives	11,996	-	8,732	3,264
Other	12,736	5,244	5,046	12,935
Total taxable income/deferred tax assets	45,981	7,185	17,915	35,251
Deferred tax liabilities				
Differences in non-current assets	3,430	-	10	3,420
Loss allowance	44	-	-	44
Other	464	-	-	464
Total taxable income/deferred tax liabilities	3,938	-	10	3,928
Net deferred tax assets	42,042	7,185	17,906	31,322

DEFERRED TAX ASSETS AND LIABILITIES - 2020

		Differences		
	Opening balance	Formation	Reversal	Closing balance
Deferred tax assets				
Non-taxable provisions	32,890	2,390	16,340	18,940
Differences in non-current assets	2,308	-	-	2,308
Derivatives	11,764	232	-	11,996
Other	10,144	6,137	3,544	12,736
Total taxable income/deferred tax assets	57,105	8,759	19,884	45,981
Deferred tax liabilities				
Differences in non-current assets	3,430	-	-	3,430
Loss allowance	44	-	-	44
Other	464	-	-	464
Total taxable income/deferred tax	3,938	-	-	3,938
Net deferred tax assets	53,167	8,759	19,884	42,042

(THOUSANDS OF EURO)

		Taxes		
To profit or loss	To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
(431)	(27)	4,088	-	4,088
(69)	-	485	-	485
-	(2,096)	783	-	783
(20)	68	3,104	-	3,104
(520)	(2,055)	8,460	-	8,460
(2)	-	821	-	821
-	-	11	-	11
-	-	111	-	111
(2)	-	943	-	943
(518)	(2,055)	7,517	-	7,517

(THOUSANDS OF EURO)

		Taxes		
To profit or loss	To Equity	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
(3,412)	64	4,546	-	4,546
-	-	554	-	554
-	56	2,879	-	2,879
358	265	3,057	-	3,057
(3,054)	384	11,035	-	11,035
-	-	823	-	823
-	-	11	-	11
-	-	111	-	111
-	-	945	-	945
(3,054)	384	10,090	-	10,090

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial liabilities
OWNERS					
Municipality of Genoa	-	-	-	-	-
Municipality of Parma	-	-	-	-	-
Municipality of Piacenza	-	-	-	-	-
Municipality of Reggio Emilia	7	-	-	85	-
Municipality of Turin	483	-	-	396	-
FSU - Finanziaria Sviluppo Utilities S.r.l.	16	41	-	-	-
SUBSIDIARIES					-
ACAM Acque S.p.A.	1,247	155,646	37	18	-
ACAM Ambiente S.p.A.	927	26,901	346	116	-
Alfa Solutions S.p.A.	128	-	434	228	3,424
AMIAT S.p.A.	5,352	48,062	256	734	-
AMIAT V. S.p.A.	3	4,452	-	-	-
ASM Vercelli S.p.A.	1,654	-	47	385	2,957
Asti Energia e Calore S.p.A.	-	2,983	-	-	-
ATENA Trading S.r.l.	209	1,009	201	3	-
Bonifica Autocisterne S.r.l.	13	-	1	-	471
Consorzio GPO	-	-	-	-	2,142
Formaira S.r.l.	1	-	5	-	79
Futura S.p.A.	1	25,659	-	-	-
GIA - Gestione Impianti Ambientali S.p.A.	-	-	-	-	-
I. Blu S.r.l.	137	28,675	-	77	-
Iren Acqua Tigullio S.p.A.	457	2,724	1,042	-	-
IREN Ambiente S.p.A.	14,128	432,882	3,014	349	-
IREN Ambiente Parma S.r.l.	-	-	-	-	3,981
IREN Ambiente Piacenza S.r.l.	-	-	-	-	3,977
IREN Energia S.p.A.	19,440	501,486	29,397	318	-
Iren Energy Solutions S.r.l.	3	-	-	-	-
IREN Mercato S.p.A.	28,938	91	9,849	941	44,232
Iren Smart Solutions S.p.A.	2,456	167,570	4,815	659	-
IRETI S.p.A.	23,953	870,318	6,440	1,537	-
Iren Laboratori S.p.A.	798	-	177	164	6,599
Iren Acqua S.p.A.	3,413	77,538	1,262	85	-
Maira S.p.A.	12	-	-	-	1,487
Manduriambiente S.p.A.	-	-	718	-	-
Nord Ovest Servizi S.p.A.	-	-	-	-	-
Picena Depur S.c.a.r.l.	-	-	-	-	-
Produrre Pulito S.r.l.	15	-	-	-	-
ReCos S.p.A.	363	11,077	-	-	-
Rigenera Materiali (Ri. Ma.) S.r.l.	27	2,504	-	-	-
Salerno Energia Vendite S.p.A.	55	37,808	-	-	-
San Germano S.p.A.	1,248	25,040	-	52	-
Scarlino Energia S.p.A.	88	17,175	-	-	-
Scarlino Immobiliare S.r.l.	-	-	9	-	-
Sidiren S.r.l.	8	4,113	-	-	-
Iren Ambiente Toscana S.p.A.	36	26,944	96	-	-

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
OWNERS					
Municipality of Genoa	-	200	1,019	-	-
Municipality of Parma	-	-	30	-	-
Municipality of Piacenza	-	-	70	-	-
Municipality of Reggio Emilia	-	6	297	-	-
Municipality of Turin	-	559	672	-	-
FSU - Finanziaria Sviluppo Utilities S.r.l.	-	-	-	-	-
SUBSIDIARIES					
ACAM Acque S.p.A.	609	4,509	260	3,060	-
ACAM Ambiente S.p.A.	1,222	3,660	334	534	-
Alfa Solutions S.p.A.	-	595	833	-	-
AMIAT S.p.A.	5,171	20,314	3,531	1,537	-
AMIAT V. S.p.A.	270	252	-	153	-
ASM Vercelli S.p.A.	2,326	4,184	1,427	-	58
Asti Energia e Calore S.p.A.	-	-	-	64	-
ATENA Trading S.r.l.	416	549	17	-	2
Bonifica Autocisterne S.r.l.	-	44	-	-	1
Consorzio GPO	-	-	-	-	-
Formaira S.r.l.	3	5	-	-	-
Futura S.p.A.	-	1	-	426	-
GIA - Gestione Impianti Ambientali S.p.A.	-	-	-	-	-
I. Blu S.r.l.	-	335	78	473	-
Iren Acqua Tigullio S.p.A.	1,225	1,192	-	24	-
IREN Ambiente S.p.A.	8,761	35,420	1,305	25,678	-
IREN Ambiente Parma S.r.l.	3	1	-	-	-
IREN Ambiente Piacenza S.r.l.	3	1	-	-	-
IREN Energia S.p.A.	16,484	32,086	592	79,795	-
Iren Energy Solutions S.r.l.	-	3	-	-	-
IREN Mercato S.p.A.	6,461	44,832	3,527	46,817	-
Iren Smart Solutions S.p.A.	2	12,072	1,476	2,219	-
IRETI S.p.A.	2,864	69,675	2,278	120,665	-
Iren Laboratori S.p.A.	339	2,496	203	-	-
Iren Acqua S.p.A.	2,501	7,150	318	1,946	-
Maira S.p.A.	24	59	-	-	-
Manduriambiente S.p.A.	-	-	-	-	-
Nord Ovest Servizi S.p.A.	-	1	-	-	-
Picena Depur S.c.a.r.l.	75	-	-	-	-
Produrre Pulito S.r.l.	7	15	-	-	-
ReCos S.p.A.	703	845	-	355	-
Rigenera Materiali (Ri. Ma.) S.r.l.	236	50	-	4	-
Salerno Energia Vendite S.p.A.	-	16	-	217	-
San Germano S.p.A.	2,760	1,751	202	538	-
Scarlino Energia S.p.A.	-	-	-	263	-
Scarlino Immobiliare S.r.l.	-	-	-	-	-
Sidiren S.r.l.	-	-	-	18	-
Iren Ambiente Toscana S.p.A.	-	10	-	377	-

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial Liabilities
TB S.p.A.	-	-	162	-	-
Territorio e Risorse S.r.l.	184	16,340	-	-	-
TRM S.p.A.	411	-	-	72	-
UHA - Unieco Holding Ambiente S.r.l.	521	108	-	23	-
Uniproject S.r.l.	-	-	-	-	-
JOINT VENTURES					
Acque Potabili S.p.A.	114	-	-	-	-
ASSOCIATES					-
Acquaenna S.c.p.a.	10	-	-	-	-
Aguas de San Pedro S.A. de C.V.	1	-	-	-	-
AMAT S.p.A.	-	-	-	-	-
AMTER S.p.A.	83	-	-	-	-
ASA Livorno S.p.A.	115	-	-	1	-
ASTEA S.p.A.	8	-	-	-	-
Asti Servizi Pubblici S.p.A.	49	-	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	-	-	-	46	-
Fratello Sole Energie Solidali S.r.l.	103	-	-	-	-
Iniziative Ambientali S.r.l.	4	-	-	-	-
Mondo Acqua S.p.A.	2	-	-	-	-
Piana Ambiente S.p.A.	62	-	-	-	-
SEI Toscana S.r.l.	-	2,709	-	-	-
SETA S.p.A.	-	-	-	-	-
Valle Dora Energia S.r.l.	12	22,725	-	-	-
OTHER RELATED PARTIES					-
Subsidiaries of Municipality of Genoa	-	-	-	2	-
Subsidiaries of Municipality of Parma	-	-	-		-
Subsidiaries of Municipality of Piacenza	-	-	-		-
Subsidiaries of Municipality of Reggio Emilia	-	-	-		-
Subsidiaries of Municipality of Turin	-	-	-	127	-
TOTAL	107,296	2,512,580	58,308	6,417	69,348

RELATED PARTY TRANSACTIONS

(THOUSANDS OF EURO)

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
TB S.p.A.	-	-	-	-	-
Territorio e Risorse S.r.l.	484	206	-	275	-
TRM S.p.A.	916	581	252	-	-
UHA - Unieco Holding Ambiente S.r.l.	129	495	75	275	-
Uniproject S.r.l.	73	-	-	-	-
JOINT VENTURES					
Acque Potabili S.p.A.	-	28	-	-	-
ASSOCIATES					
Acquaenna S.c.p.a.	-	10	-	-	-
Aguas de San Pedro S.A. de C.V.	-	1	-	-	-
AMAT S.p.A.	-	2	-	-	-
AMTER S.p.A.	-	85	-	-	-
ASA Livorno S.p.A.	-	14	-	-	-
ASTEA S.p.A.	-	7	-	-	-
Asti Servizi Pubblici S.p.A.	-	-	-	-	-
CSP - Innovazione nelle ICT S.c. a r.l.	8	-	75	-	-
Fratello Sole Energie Solidali S.r.l.	-	20	-	-	-
Iniziative Ambientali S.r.l.	-	2	-	-	-
Mondo Acqua S.p.A.	-	2	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
SEI Toscana S.r.l.	-	-	-	34	-
SETA S.p.A.	-	3	-	-	-
Valle Dora Energia S.r.l.	-	72	-	626	-
OTHER RELATED PARTIES					
Subsidiaries of Municipality of Genoa	-	-	41	-	-
Subsidiaries of Municipality of Parma	-	-	5	-	-
Subsidiaries of Municipality of Piacenza	-	-	1	-	-
Subsidiaries of Municipality of Reggio Emilia	-	-	-	-	-
Subsidiaries of Municipality of Turin	-	-	165	-	-
TOTAL	54,074	244,416	19,083	286,370	61

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	166,969		
Intangible assets with a finite useful life	79,954		
Investment property	-		
Investments in subsidiaries, associates and joint ventures	2,564,032		
Other equity investments	150		
Total (A)	2,811,105	Non-current Assets (A)	2,811,105
Other non-current assets	1,662		
Other non-current liabilities	(1,474)		
Total (B)	188	Other non-current assets (Liabilities) (B)	188
Inventories	3,954		
Trade receivables	107,803		
Current tax assets	60		
Sundry assets and other current assets	117,195		
Trade payables	(87,672)		
Sundry liabilities and other current liabilities	(82,337)		
Current tax liabilities	(31,709)		
Total (C)	27,294	Net working capital (C)	27,294
Deferred tax assets	8,460		
Deferred tax liabilities	(943)		
Total (D)	7,517	Deferred tax assets (Liabilities) (D)	7,517

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Employee benefits	(17,997)		
Provisions for risks and charges	(6,694)		
Provisions for risks and charges - current portion	(6,383)		
Total (E)	(31,074)	Provisions for risks and employee benefits (E)	(31,074)
		Net invested capital (G=A+B+C+D+E+F)	2,815,030
Equity (F)	2,071,330	Equity (F)	2,071,330
Non-current financial assets	(2,499,028)		
Non-current financial liabilities	3,278,814		
Total (G)	779,786	Non-current financial debt (G)	779,786
Current financial assets	(70,633)		
Cash and cash equivalents	(430,162)		
Current financial liabilities	464,708		
Total (H)	(36,087)	Current financial debt (H)	(36,087)
		Net financial debt (I=G+H)	743,699
		Own funds and net financial debt (F+I)	2,815,029

Statement regarding the Separate financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1) The undersigned 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 company's characteristics and
   - the effective application of the administrative and accounting procedures in preparing the separate financial statements during 2021.
2) It is also hereby certified that:

   2.1 the separate 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 no. 262/05
Ing. Gianni Vittorio Armani	Dott.ssa Anna Tanganelli

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(The accompanying translated separate financial statements of Iren S.p.A. 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 separate financial statements

Opinion

We have audited the separate financial statements of Iren S.p.A. (the "company"), 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 separate financial statements give a true and fair view of the financial position of Iren S.p.A. 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 separate financial statements*" section of our report. We are independent of the company 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 company's 2020 separate 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 separate financial statements of the current year. These matters were addressed in the context of our audit of the separate 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 investments in subsidiaries

Notes to the separate financial statements as at 31 December 2021: note II "Accounting policies" and note 3 "Investments in subsidiaries, associates and joint ventures"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2021 include investments in subsidiaries of €2,564 thousand, accounting for approximately 42% of total assets. Considering the current structure of the Iren Group, the assessment of the recoverability of the carrying amount of investments in subsidiaries coincides with the assessment of the recoverability of the carrying amount of goodwill performed for the purposes of the consolidated financial statements, because the company's subsidiaries and their investees make up the cash-generating units (CGUs) identified for the purposes of testing goodwill 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 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 company's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate.	— Analysing the process adopted by the directors to prepare the impairment test. — Analysing the criteria used to identify the CGUs and trace their carrying amounts to the separate 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.

For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries is a key audit matter.	

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate 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 company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate 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 company 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 company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 company'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 company'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 company in conducting the statutory audit.

We confirm that the opinion on the separate 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 company'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 separate 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 separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements have been prepared in XHTML format 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 company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2021 and for the consistency of such reports with the related separate 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 company's separate 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 company's separate 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.

Turin, 29 April 2022

KPMG S.p.A.

(signed on the original)

Roberto Bianchi
Director of Audit

Report of the board of Statutory Auditors of iren S.p.A. To the Shareholders' Meeting

Dear Shareholders,

the current Board of Statutory Auditors was appointed on 6 May 2021 by the Ordinary Shareholders' Meeting, the number of its members has increased from three to five. The Shareholders' Meeting confirmed the statutory auditors Michele Rutigliano, as Chairman, Simone Caprari and Cristina Chiantia, as standing auditors. It also appointed Ugo Ballerini and Sonia Ferrero as standing auditors.

The Board of Statutory Auditors who, pursuant to Art. 153 of Legislative Decree no. 58/1998, Consolidated Law on Financial Intermediation (hereinafter referred to as the "TUF"), is called upon to report to the Shareholders' Meeting on the supervisory activities carried out and on any omissions or reprehensible facts discovered. The Board of Statutory Auditors may also make observations and proposals regarding the financial statements, their approval and matters within its competence.

During the year, the Board of Statutory Auditors carried out the supervisory duties assigned to it by current laws and regulations. The Board of Statutory Auditors monitored compliance with the law and the articles of association, as well as respect for the principles of correct administration; it also monitored the adequacy of the Company's organisational, administrative and accounting structure to the extent of its competence. The Board of Statutory Auditors does not believe that there are any irregularities that require disclosure in this Report

1) <u>Independence of the members of the Board of Statutory Auditors</u>

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

2) <u>Significant transactions and events</u>

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

The aforementioned transactions, as well as the significant events of the 2021 financial year and subsequent years, relating to IREN S.p.A and the companies directly and indirectly controlled by it ("IREN Group" or "Group"), are set out in the paragraphs "Significant events during the financial year" and "Significant events after the end of the financial year and outlook" in the Directors' Report at 31 December 2021.

With regard to the consequences of the Russia-Ukraine conflict, the energy scenario and the exposure to related risks, Directors' Report – as recommended by ESMA and Consob – calls the attention to Group's implemented actions, together with the constant monitoring of macroeconomic, business and regulatory variables in order to promptly estimate potential impacts, indirect ones included, deriving from the increase in consumer products prices and the consequent feasible contraction of GDP with a decrease in energy consumption.

3) Transactions with related parties or intragroups

Pursuant to art. 2391-bis of the Civil Code, the Board of Directors has adopted, in accordance with the general principles indicated by Consob, rules ensuring the transparency and substantial and procedural fairness of transactions with related parties, for which reference should be made to the Directors' Report. The paragraphs "Disclosure on relations with related parties" of the Explanatory Notes of the Separate Financial Statements of IREN S.p.A. and the Explanatory Notes of the Consolidated Financial Statements as at 31 December 2021 set out the economic and financial relations with the related parties. The details of these reports are highlighted in paragraph X "Annexes to the separate financial statements" and in paragraph XIV "Annexes to the consolidated financial statements".

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

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

4) Atypical and/or unusual transactions

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

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

During the year ended 31 December 2021, the Board of Statutory Auditors met eighteen times (of which six times in the previous composition and twelve with the current members) with an almost total participation of its members.

The Board also attended the meetings of the Board of Directors (twenty-two meetings) and ensured the presence of at least one member at the meetings of the Control, Risk and Sustainability Committee (nineteen meetings, three of which jointly with the Remuneration and Nomination Committee), the meetings of the Related Party Transactions Committee (nine meetings) and the meetings of the Remuneration and Appointments Committee (seventeen meetings, three of which are jointly with the Control, Risk and Sustainability Committee).

6) Observations pursuant to d. lgs. No. 39/2010, of d. lgs. No. 254/2016 and the independence of the company of revision

With regard to statutory audit tasks, the Board of Statutory Auditors reminds that they are attributed to the auditing firm KPMG S.p.A. (the "Independent Auditors"), which issued the reports on 29 April 2022, pursuant to art. 14 of d.lgs. n. 39/2010 and art. 10 of EU Regulation no. 537/2014, relating to the Financial Statements of IREN S.p.A. and the Consolidated Financial Statements of the Group as at 31 December 2021, to which we refer you, noting that they do not present any remarks.

On this matter, the Board of Statutory Auditors points out that both reports contain: (i) a true and correct presentation of the financial position of Iren S.p.A. and the Group as at 31 December 2021, of the economic result and of cash flows for the year ended said date in accordance with International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of art. 9 of d.lgs. No 38/2005; (ii) a description of audit key aspects audit and their related procedures; (iii) consistency assessment of the annual report and of some specific information contained in the report on corporate governance and ownership structure with the financial statements and consolidated financial statements as at 31 December 2021 and on their compliance with the law; (iv) confirmation that both the opinion on the financial statements and on the consolidated financial statements, stated in the respective reports, are in line with what is indicated in the additional report addressed to the undersigned Board of Statutory Auditors, in its function as Committee for Internal Control and Audit, prepared pursuant to art. 11 of EU Regulation 537/2014.

The Independent Auditors have also issued a conformity assessment showing that the consolidated financial statements and the financial statements have been prepared in XHTML format, in accordance with the provisions of Delegated Regulation (EU) 2019/815 of the European Commission.

On 29 April 2022, the Independent Auditors also issued the Additional Report for the Board of Statutory Auditors, as the Internal Control and Audit Committee, referred to in Article 11 of EU Regulation 537/2014.

The Independent Auditors confirmed its independence in carrying out the statutory audit.

The Board of Statutory Auditors supervised the effectiveness of the statutory audit process, through periodic meetings with the representatives of the Independent Auditors.

Further tasks assigned to the Independent Auditors are regulated by the specific Guideline "Assignment of tasks to the Independent Auditors" in accordance with the relevant legislation. The related amounts are set out in the Explanatory Notes to the Separate Financial Statements and in the Explanatory Notes to the Consolidated Financial Statements in the paragraph "Fees to the independent auditors".

The Board of Statutory Auditors monitored the organisational and operational process aimed at preparing the Consolidated Non-Financial Statement (DNF), through discussions with the competent internal function, with the Control, Risk and Sustainability Committee and with the Independent Auditors.

The Board confirms that the Consolidated Non-Financial Statement is drawn up in accordance with the provisions of Articles 3 and 4 of Legislative Decree no. 254/2016. The Independent Auditors expressed, with a specific Report dated 20 April 2022 and based on the audit procedures specified therein, a certificate of compliance, in all significant aspects, of the information provided with respect to the requirements of the aforementioned legislative decree and with respect to the reporting standards indicated in the "Methodological Note" of the DNF. The Board of Statutory Auditors states that the DNF has been subject to limited scrutiny ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard).

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

During the 2021 financial year, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter to correctly represent operating events, by obtaining information from the Manager responsible for preparing the company's financial reports and from the other heads of administrative functions. The Board of Statutory Auditors believes that, overall, the administrative and accounting system is adequate and reliable in relation to the size and complexity of the Company and the Group.

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

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

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

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

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

8) Observations on the adequacy of the organisational structure

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

9) Other activities of the Board of Statutory Auditors

The Board of Statutory Auditors:

(i) has not received complaints *pursuant to ex* Article 2408 of the Civil Code, nor exposed;

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

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

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

(v) with regard to the first-level subsidiaries, it has obtained information from the relevant control bodies, in which there is a statutory auditor of the parent company, and in this regard confirms that there are no aspects to be reported;

(vi) it acknowledged the preparation of the Report on the 2022 Remuneration Policy and on the remuneration paid 2021, pursuant to Article 123-ter of the TUF, and has no particular observations to report;

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

(viii) with the support of a qualified consultant, it has carried out a self-assessment activity aimed at identifying areas to improve the efficiency and effectiveness of its actions;

(ix) confirms that during the periodic meetings with the representatives of the Independent Auditors, no aspects emerged that should be highlighted in this report.

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

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

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The draft Separate Financial Statements and the Consolidated Financial Statements as at 31 December 2021, as well as the Annual Report, were approved at the meeting of the Board of Directors held on 29 March 2022. The Separate Financial Statements show a net result for the period of euro/thousand 218,851, while the Consolidated Financial Statements show a net result for the period of euro/thousand 333,470.

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

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

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

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

Finally, we remind you that the mandate of the Board of Directors has expired. The Shareholders' Meeting is therefore called upon to appoint the new Administrative Body for the next three years.

For the Board of Statutory Auditors

Michele Rutigliano – Chairman

Reggio Emilia, 29 April 2022