



14th November 2017

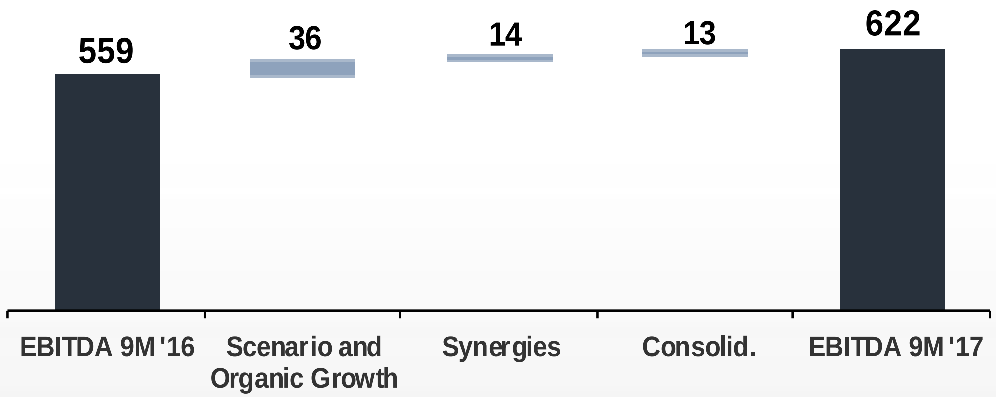
2017 – 9M Results

9M 2017: Double digit growth in all the operating KPIs.

KPIs

m€	9M '16*	**9M '17**	Δ	Δ%
Revenues	2,228	**2,614**	386	17.3%
Ebitda	559	**622**	63	11.3%
Ebit	281	**341**	60	21.4%
Net profit	126	**180**	53	42.3%
Tech. Capex	157	**200**	43	27.8%

Ebitda Bridge



- **Revenues +17.3%:** Growth in revenues linked mainly to higher commodities prices (PUN +38.5%).
- **Ebitda +11.3%:** 80% of the total growth is attributable to synergies and organic growth while 13m€ derive from the transactions completed in 2016 (mainly Atena, SAP and REI).
- **Ebit +21.4%:** reflects the good operating results which more than offset higher D&A, linked to the change in scope of consolidation.
- **Net profit +42.3%:** Good operating results reflected in the bottom line, including lower financial charges and lower taxes (lower IRES percentage effect).
- **Tech. Capex +27.8%:** Strong increase in particular in network-based business, in line with expectations.

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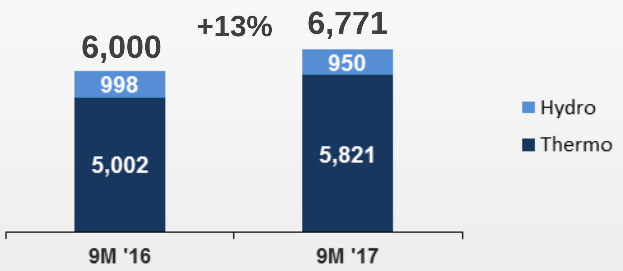
GENERATION AND DH – Positive results confirmed.

- Strong growth in operating performance thanks to the capacity of the Group to exploit its balanced generation fleet and the scenario conditions.
- **Generation sector** confirms and slightly improve the increase in profitability thanks to higher spark-spreads and margins from ancillary services.
- **Hydroelectric sector's** 5% lower production (due mainly to run-of-the-river plants) was more than offset by higher PUN.
- **Heat sector:** higher volumes mainly linked to the increase in volumes heated (+4mcm).

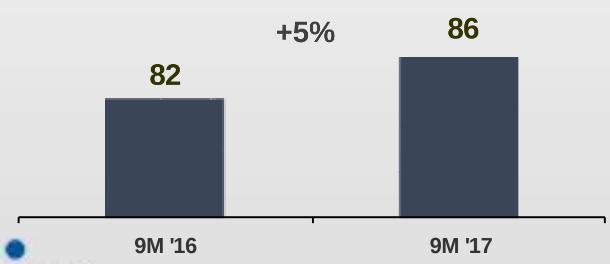
Outlook: Q4 results will be linked to the electricity scenario (extraordinarily positive in 2016) and to climate trend.

m€	9M '16	**9M '17**	Δ	Δ%
Revenues	547	**755**	208	38%
Ebitda	140	**178**	38	27%
Ebit	52	**88**	36	71%
Gross Capex	25	**38**	13	49%

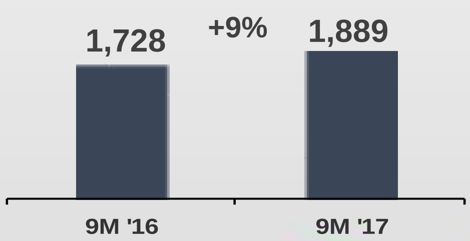
ELECTRICITY PRODUCTION (GWh)



DH VOLUMES HEATED (MCM)



HEAT PRODUCTION (GWht)



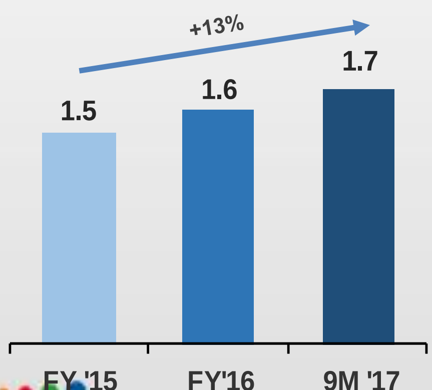
MARKET – Negative scenario still affecting the electricity sector.

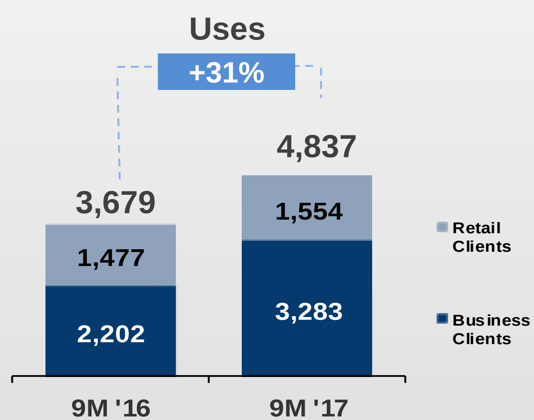
The higher than expected growth in PUN (+38%) halved the electricity sector margin, confirming the trend already reported in the first half of the year. This element was partially offset by:

- Active client management and client-base growth: **+31% electricity volumes sold to end Clients**.
- Strong results in gas sector thanks to use of stored gas bought during 2016 summer season at favorable price.

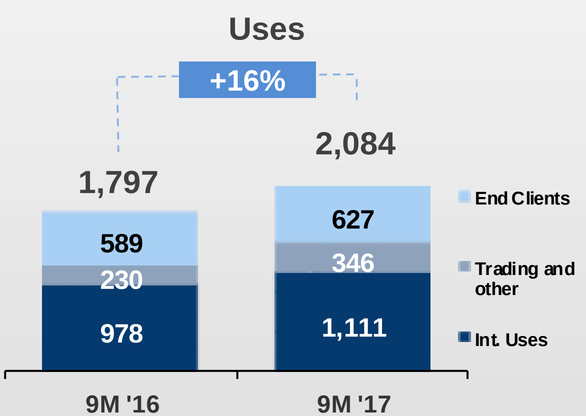
Outlook: Electricity scenario stabilization and slightly worse gas market conditions are expected in the last part of the year.

m€	9M '16	**9M '17**	Δ	Δ%
Revenues	1,467	**1,689**	222	15%
Ebitda	97	**85**	-12	-13%
Electricity	*44*	***20***	*-24*	*-55%*
Gas&Heat	*53*	***65***	*12*	*23%*
Ebit	53	**47**	-6	-12%
Gross Capex	12	**15**	3	22%





*net of Ipex, wholesalers and other



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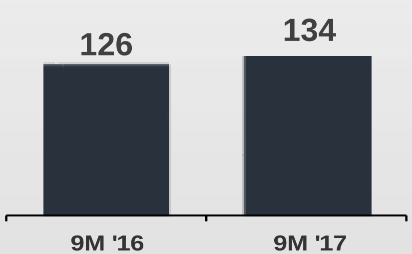
NETWORKS – synergies, consolidation and balances for previous years drove the growth

- **Energy networks:** Achieved synergies, in line with expectations, more than offset higher costs for “white certificates”.
- **Water networks:** Strong increase in EBITDA is linked mainly to the change in scope of consolidation (Atena and SAP), higher allowed revenues and balances from previous years (approximately 10m€).

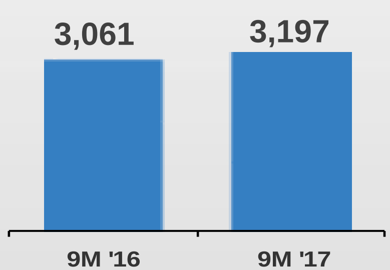
Outlook: Q4 ordinary growth drivers will be substantially the same reported in the first nine months of the year.

m€	9M '16	**9M '17**	Δ	Δ%
Revenues	591	**668**	77	13%
Ebitda	220	**242**	22	10%
Electricity	*51*	***53***	*2*	*4%*
Gas	*56*	***60***	*4*	*7%*
Water	*113*	***129***	*16*	*14%*
Ebit	125	**142**	17	14%
Gross Capex	97	**120**	23	24%

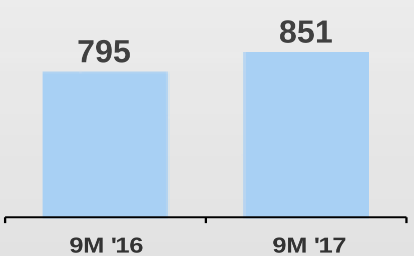
WATER DISTRIB. (MCM)



Electricity DISTRIB. (Gwh)



Gas DISTRIB. (MCM)



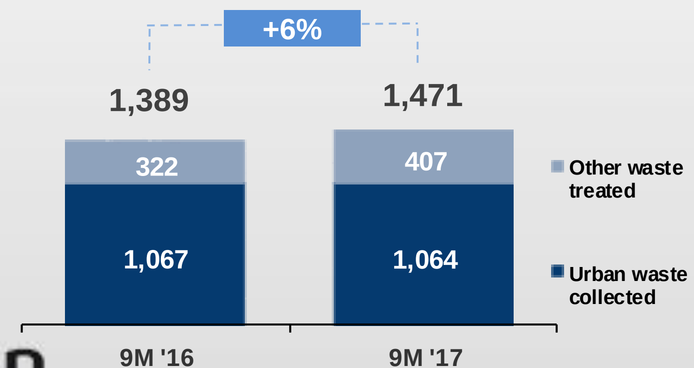
WASTE – Further improvement in organic growth.

- **Higher margins** coming from WTE (higher saturation and persistent high drove the significant growth in the sector.
- **REI**, the new landfill in Collegno (Turin) for special waste came on stream in May. Year-end expected total contribution equals to 4-5 million euros

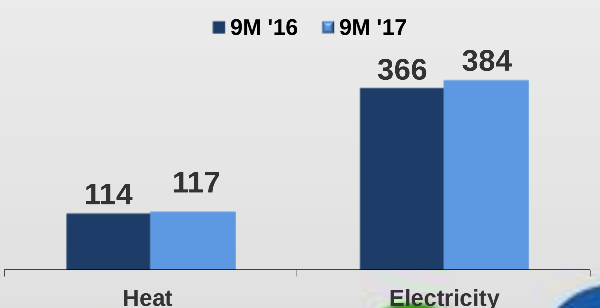
m€	9M '16	**9M '17**	Δ	Δ%
Revenues	382	**408**	26	7%
Ebitda	96	**116**	20	21%
Ebit	45	**62**	17	37%
Gross Capex	13	**13**	0	3%

Outlook: WTE plants capacity are and will be substantially saturated in 2017.

Waste (Kton)



WTEs - Electricity and Heat sold (GWh)



From EBITDA to Net Profit.

	9M '16*	**9M '17**	Δ	Δ%
EBITDA	558.9	622.2	63.3	11.3%
D&A	*-220.8*	***-233.5***		
Provisions	*-57.6*	***-48.0***		
EBIT	280.6	**340.6**	60.0	21.4%
Financial charges	*-69.7*	***-62.4***		
Other financial costs	*-8.8*	***2.6***		
Companies cons with e.m.and adj.	*16.0*	***13.0***		
EBT	218.1	**293.9**	75.8	34.7%
Taxes	*-77.3*	***-92.6***		
Minorities	*-14.6*	***-21.7***		
Group net profit	126.2	**179.6**	53.4	42.3%

- **Higher** D&A linked mainly to ATENA and SAP consolidation.
- **Provision in line with expectations** (2016 3Q was impacted by a negative one-off)
- **Lower financial charges** thanks mainly to lower cost of debt.
- **Lower other financial costs** due to the FV of derivatives and lower actualization charges.
- **Lower non-recurring adjustment in equity investments** consolidated with equity methods (Salerno Energia Vendite) vs. 9M 2016 (TRM).
- **Lower** tax-rate (approximately 32%) thanks to structural decrease in IRES.
- **Higher minorities** due to better results in our subsidiary (TRM, IREN Acqua etc.)

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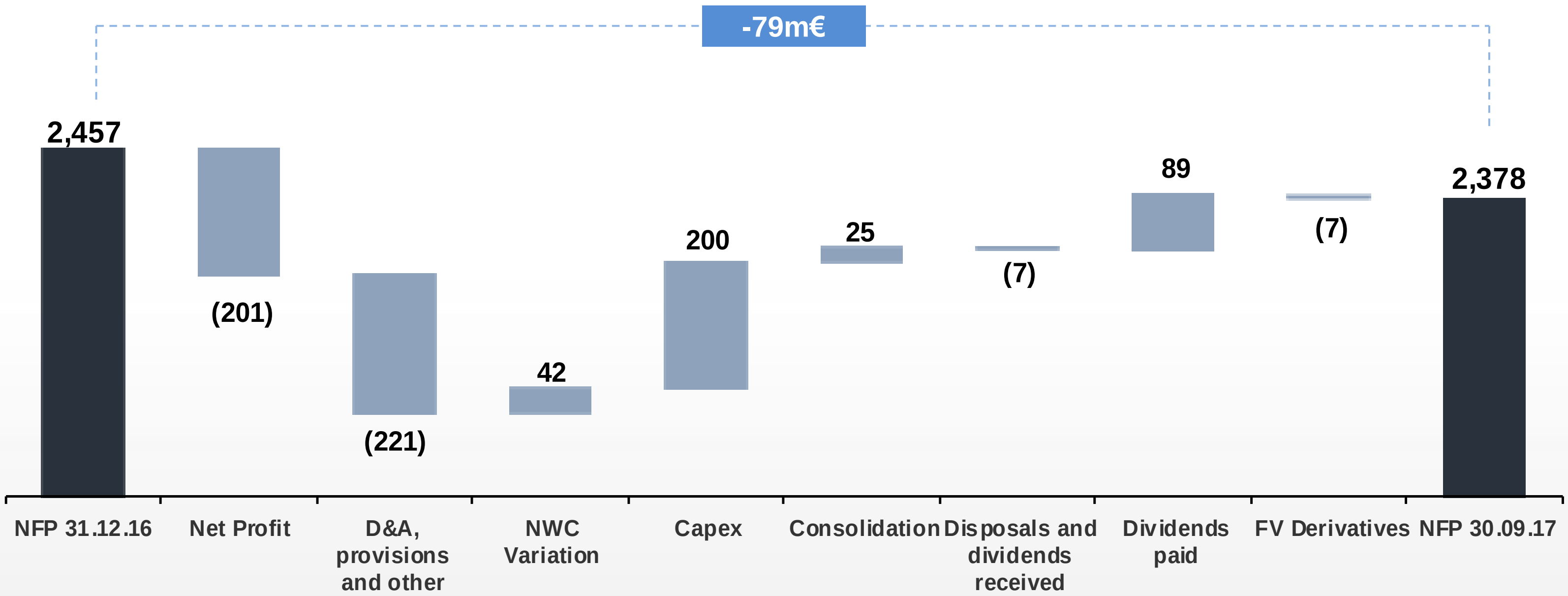
Cash-flow and NFP Bridge.



- Continuous debt reduction (-79m€ in the first nine months of the year) thanks to the robust operating cash-flow generation.

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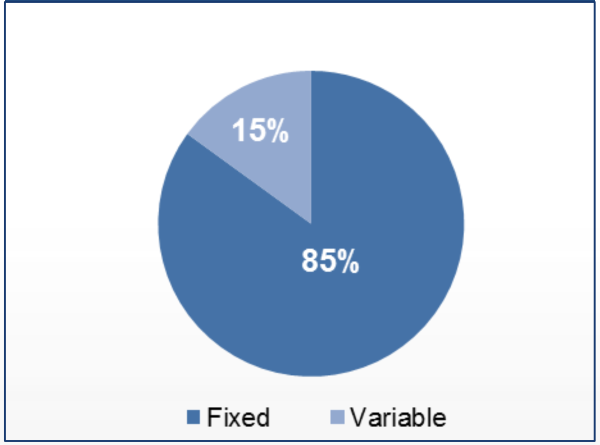
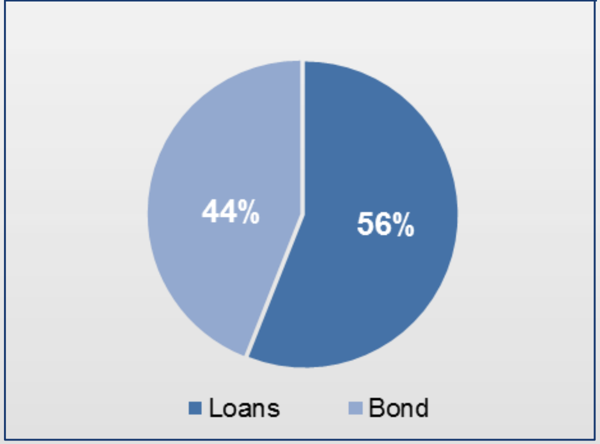
Interest rate and debt structure.

- 85% of gross debt at fixed interest rate.
- Average long-term debt duration of about 4.8 years (5.8 years including the Green Bond and the liability management operations).
- Slight reduction in cost of debt (3.2% vs. 3.4% in 9M 2016)
- IREN's debt is formed of:
  - 44% bonds*
  - 32% EIB loans
  - 24% other loans

Gross debt interest rate



Debt structure



*Excluding the Green Bond issued in October 2017

Annexes

Market Scenario.

	9M '16	**9M '17**	Δ%
Gas Demand *(bcm)*	48	**52**	8%
TTF *€/000 scm*	139	**176**	26%
PSV *€/000 scm*	159	**198**	24%
Energy Demand *(Twh)*	232	**234**	1%
PUN *(€/Mwh)*	37.0	**51.3**	38.0%
CO2 *€/Ton*	5.7	**5.3**	-7%
Green Cert. Hydro *(€/Mwh)*	100.1	**107.3**	7%

Balance Sheet.

	9M '17	FY '16*
Net fixed assets	***5,245***	*5,233*
Net Working Capital	***213***	*171*
Funds	***-548***	*-562*
Other assets and liabilities	***-110***	*-88*
Net invested capital	**4,800**	4,754
Group Sharholders' equity	***2,422***	*2,297*
Net Financial Position	***2,378***	*2,457*
Total Funds	**4,800**	4,754

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