



7th November 2018

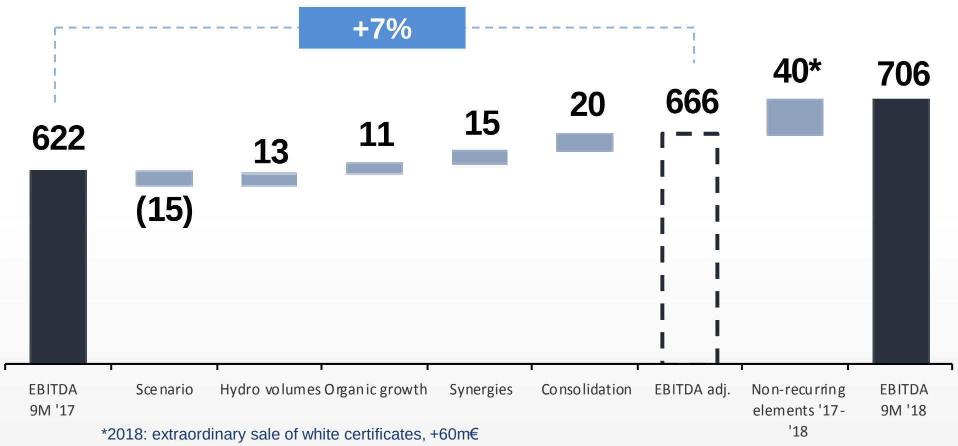
2018 – 9M Results

9M 2018: Strong delivery on all the strategic pillars

KPIs

m€	9M '17	**9M '18**	Δ	Δ%
Revenues	2,614	**2,824**	210	8.0%
Ebitda	622	**706**	84	13.5%
Ebit	339	**411**	72	21.2%
Net profit	179	**236**	57	32.4%
Tech. Capex	200	**286**	86	43.1%

Ebitda Bridge



*2018: extraordinary sale of white certificates, +60m€
2017: other negative elements for -20m€ of which more than -10m€ referred to water balance.

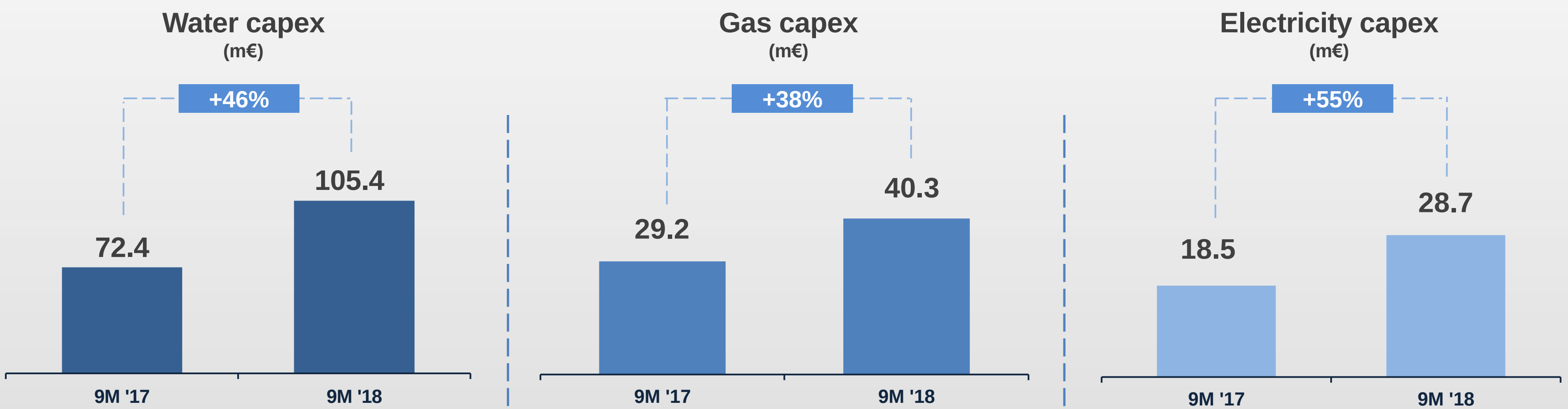
- **Revenues +8.0%:** slight increase in revenues linked mainly to the energy business unit.
- **Ebitda +13.5%:** even excluding the net impact of non-recurring elements, the positive performances over the strategic pillars support the growth. Net of non-recurring elements, the Ebitda growth would have been 7%.
- **Ebit +21.2%:** better operating results and lower provisions despite higher D&A (mainly due to the consolidation activity).
- **Net profit +32.4%:** further improvement in financial charges and lower tax rate partially offset by negative participation adjustment.
- **Tech. Capex +43.1%:** strong increase compared to 9M 2017.

NETWORKS – Organic growth, synergies and consolidation drive the growth despite non-recurring negative elements

- **Energy and water networks:** thanks to organic growth, synergies and consolidation (ACAM since April 2018), Networks SBU keeps on its growth trend although 9M 2017 results benefited of more than 10m€ water balances.
- **Increase in Capex (+45%):** higher investments, mainly in water, enable to increase the allowed revenues.

- **Outlook:** the growth drivers reported in 9M 2018 are expected to occur also in 4Q 2018 but they will be counterbalanced mainly by the absence of further positive elements reported in 2017.

m€	9M '17	**9M '18**	Δ	Δ%
Revenues	668	**676**	8	1%
Ebitda	242	**246**	4	2%
Electricity	*53*	***52***	*-1*	*-2%*
Gas	*59*	***60***	*1*	*1%*
Water	*129*	***134***	*5*	*4%*
Ebit	142	**136**	-6	-4%
Gross Capex	120	**174**	54	45%



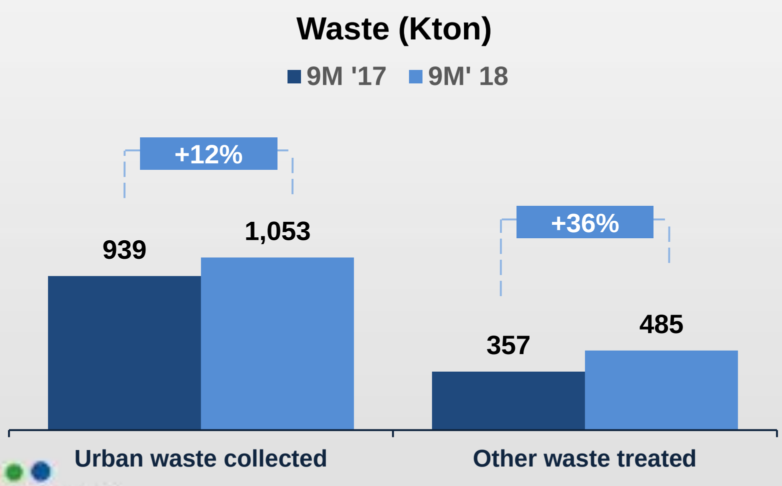
WASTE – Organic growth offset by higher collection start up costs

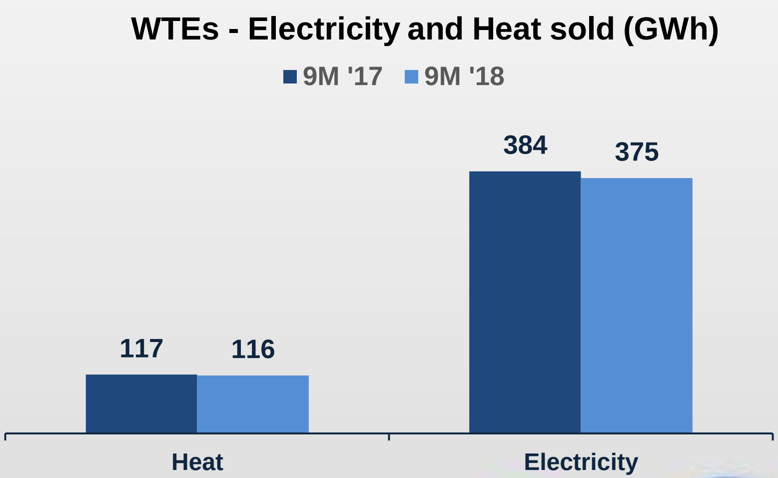
- **EBITDA stable:** the combined positive effects of organic growth, ACAM consolidation and synergies offset the higher extraordinary start up costs related to the expansion of door-to-door collection in new areas.

- **Increase in door-to-door waste collection system** to improve the percentage of sorted collection in reference territories. Current percentage of door-to-door collection is 77% and sorted waste collection is at 63.5%.

- **Outlook:** the same trend is expected in the last quarter, driving the full year Ebitda in line with last year. Further M&A developments SETA and San Germano (on going) with full returns in medium term.

m€	9M '17	**9M '18**	Δ	Δ%
Revenues	408	**456**	48	12%
Ebitda	115	**116**	1	1%
Ebit	61	**61**	0	0%
Gross Capex	13	**18**	5	38%



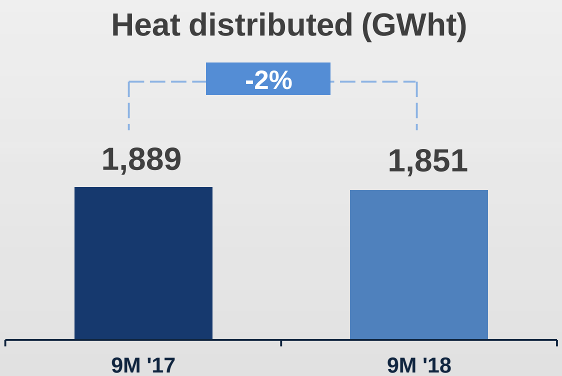


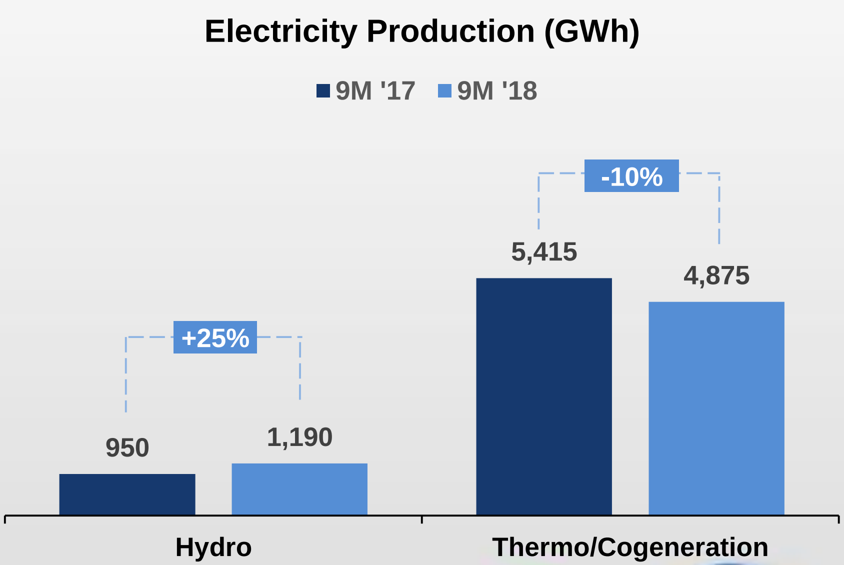
ENERGY– Positive results thanks to hydro sector and ancillary services

- Extraordinary sale of white certificates of 60m€.
- Strong contribution from hydro generation. Ancillary services barely offset the reduction in thermoelectric/cogeneration margins due to higher gas costs and ETS certificates price. **Hydro sector:** growth in margins thanks to higher volumes and prices.
    - **Generation sector** investments made for plants flexibility allowed to obtain positive results in ancillary services (70 m€). This aspect restricted the negative effects of spark-spreads reduction and lower volumes of thermo and cogeneration production.
    - **District heating:** thanks to higher investments, volumes heated grew by 2.2 mcm, +2.5% compared to previous year. The new investments will bring further contribution starting by the end of the year.

- **Outlook:** supportive trend is expected to persist in the last quarter.

m€	9M '17	**9M '18**	Δ	Δ%
Revenues	755	**920**	165	22%
Ebitda	178	**256**	78	44%
Ebit	88	**166**	78	89%
Gross Capex	38	**50**	12	33%





MARKET – Partial recovery in margins despite negative commodity scenario

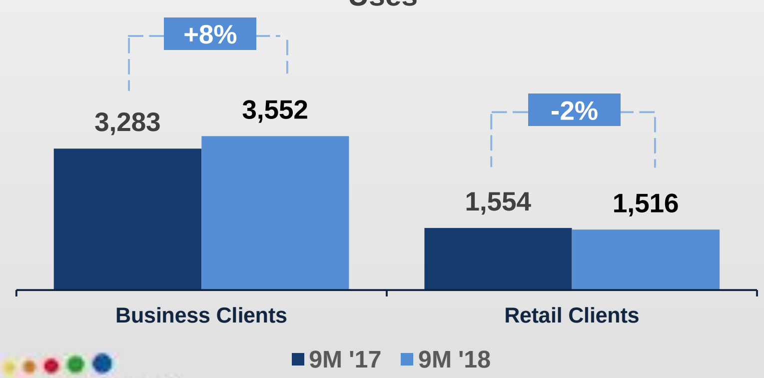
- **Electricity sale sector:** the temporary negative scenario was more than offset by an increase in volumes sold, an hedging policy on procurement prices and previous years balances.
- **Gas sale sector:** the absence of lower procurement costs (linked to favourable gas storage in 1H 2017) was partially recovered thanks to higher retail volumes.
- **Continuous clients growth** trend, now standing at ~1,750k clients (~+40k), with a churn rate in reduction compared to last years also thanks to “New Downstream”.
- **E-mobility initiative** is proceeding as planned.

- **Outlook:** the same scenario is expected to occur in the last quarter of the year leading to a further decrease in sales margins.

m€	9M '17	**9M '18**	Δ	Δ%
Revenues	1,689	**1,754**	65	4%
Ebitda	85	**83**	-2	-2%
Electricity	*20*	***22***	*2*	*10%*
Gas&Heat	*65*	***61***	*-4*	*-6%*
Ebit	47	**41**	-6	-12%
Gross Capex	15	**21**	6	44%

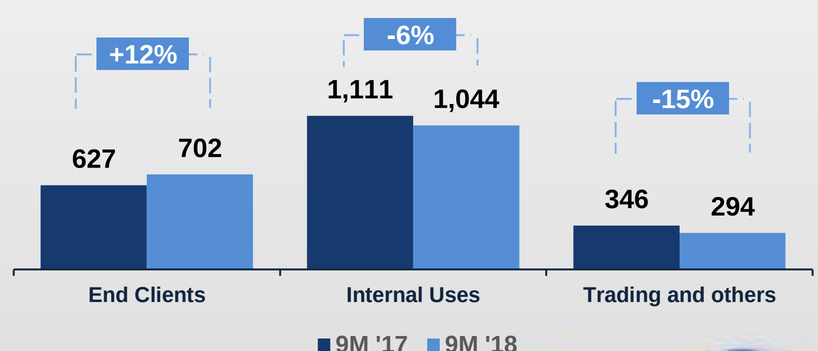
Electricity Portfolio* (GWh)

Uses



Gas Portfolio (mcm)

Uses



iren

*net of Ipex, wholesalers and other

From EBITDA to Net Profit

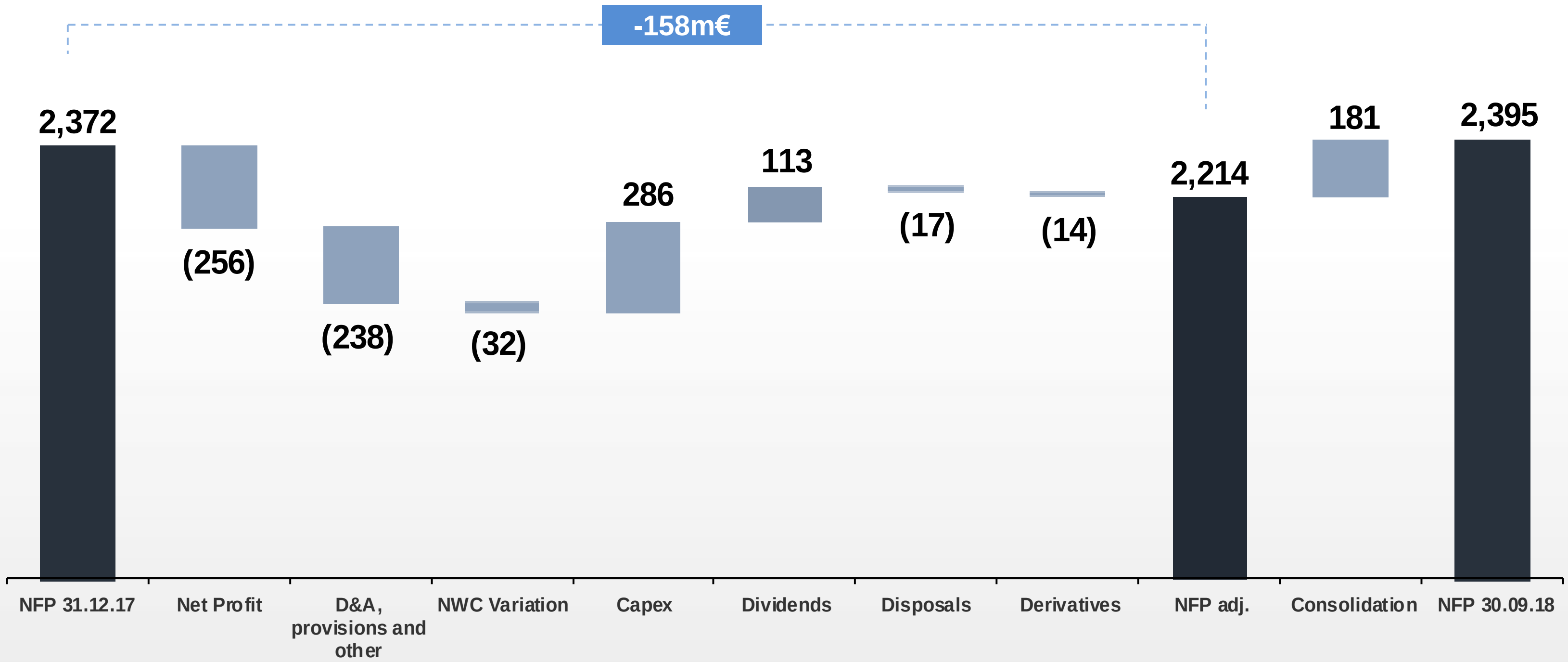
	9M '17	9M '18	Δ	Δ%
EBITDA	622.2	**706.1**	83.9	13.5%
D&A	*-235.2*	***-257.9***		
Provisions	*-48.0*	***-37.6***		
EBIT	338.9	**410.6**	71.7	21.2%
Financial charges	*-62.4*	***-52.3***		
Other financial income	*3.0*	***6.5***		
Companies cons with e.m.	*4.5*	***-0.7***		
Participations adjustment	*8.6*	***2.1***		
EBT	292.5	**366.2**	73.7	25.2%
Taxes	*-92.3*	***-110.3***		
Minorities	*-21.6*	***-19.4***		
Group net profit	178.7	**236.5**	57.8	32.4%

- **Increase in D&A** due to higher fixed assets and consolidation operations offset by **lower provisions.**

- **Lower financial charges** thanks mainly to lower cost of debt (2.8% compared to 3.2% last year).
- **Lower contribution from companies consolidated with e.m.** due to the absence of some 2017 non-recurring positive elements.
- **Lower non-recurring adjustment** in equity investments consolidated with equity method vs. 1H 2017 (Salerno Energia Vendita).

- **Lower tax-rate** thanks to structural stabilization in IRES (ordinary tax rate 30%-31%).

Cash-flow and NFP Bridge

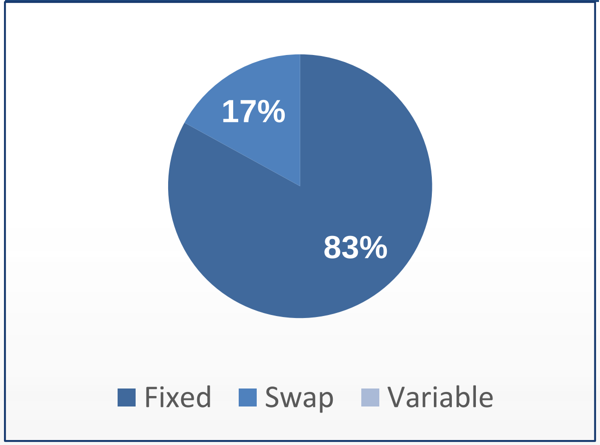


- **Net of consolidation effect,** debt would decrease by 158m€, benefitting from strong cash-flow generation, which easily covered higher capex and dividends.
- **Consolidation** includes ACAM, RECOS, Spezia Energia Trading and MAIRA operations.

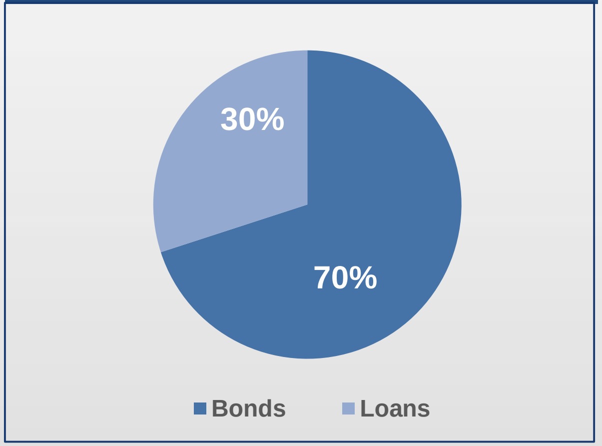
Interest rate and debt structure

- 100% of gross debt at fixed interest rate.
- Average long-term debt duration of about 5.5 years (4.8 years in 9M 2017).
- Reduction in cost of debt (2.8% vs. 3.2% in 9M 2017).
- IREN's debt is formed of:
  - 70% bonds
  - 26% EIB loans
  - 4% other loans
- In September, IREN issued its second green bond of 500m€. The two green bonds have an overall size of 1b€.

Gross debt interest rate



Debt structure



Closing remarks

Iren delivered **organic growth and synergies once again in line with the business plan objectives**.

The Acam consolidation has started on April 1st, confirming the leading role of Iren in its reference area. The effectiveness in integrating companies is allowing the Group to focus on several further transactions (San Germano and SETA).

In light of the previous achievements, the Company is **improving last FY 2018 guidance. The FY 2018 Ebitda is expected between 920m€ and 930m€, net profit is expected higher than 270m€** (including liability management activities).

Annexes

Scenario

	9M '17	**9M '18**	Δ%
Gas Demand *(bcm)*	51.9	**51.5**	-0.8%
TTF *€/000 scm*	160	**235**	46.7%
PSV *€/000 scm*	202	**241**	19.4%
Energy Demand *(Twh)*	234.4	**249.7**	6.5%
PUN *(€/Mwh)*	51.3	**58.9**	14.7%
CO2 *€/Ton*	5.3	**14.4**	172.1%
Green Cert. Hydro *(€/Mwh)*	107.3	**99.0**	-7.8%

Balance Sheet

	9M '18	FY '17
Net fixed assets	***5,720***	*5,412*
Net Working Capital	***150***	*182*
Funds	***-617***	*-618*
Other assets and liabilities	***-296***	*-105*
Net invested capital	**4,957**	4,871
Group Shareholders' equity	***2,562***	*2,499*
Net Financial Position	***2,395***	*2,372*
Total Funds	**4,957**	4,871

DISCLAIMER

The Manager in charge of drawing up the corporate accounting documents and the Chief Financial Officer of IREN S.p.A., Mr. Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act (Legislative Decree No 58/1998), that the accounting information contained in this presentation is consistent with the accounting documents, records and books.

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