



12th April 2019

2018 – FY Results

Abstract

4 YEARS GROWTH

- The FY 2018 Results mark a further step along a growth path, started 4 years ago, leading the Company to strong achievements in line with the last Business plan objectives:
 - Ebitda up by 220 m€ (cagr ~8%);
 - NFP/Ebitda from 3.6x to 2.8x (calculated on Ebitda recurrent);
 - Net Profit reported more than tripled;
 - DPS cagr >12%;

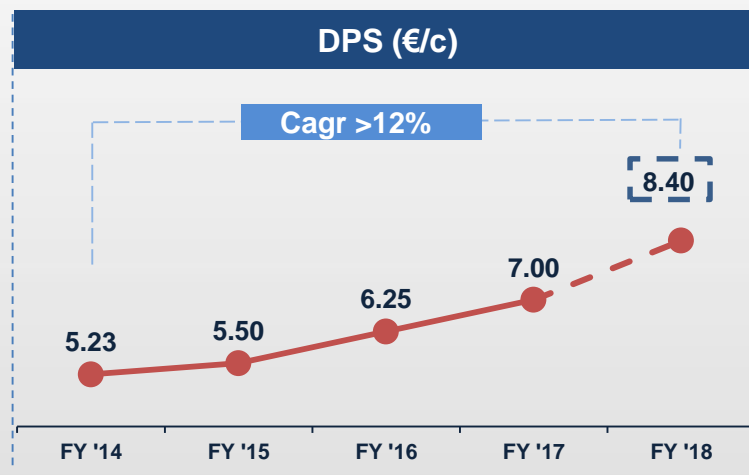
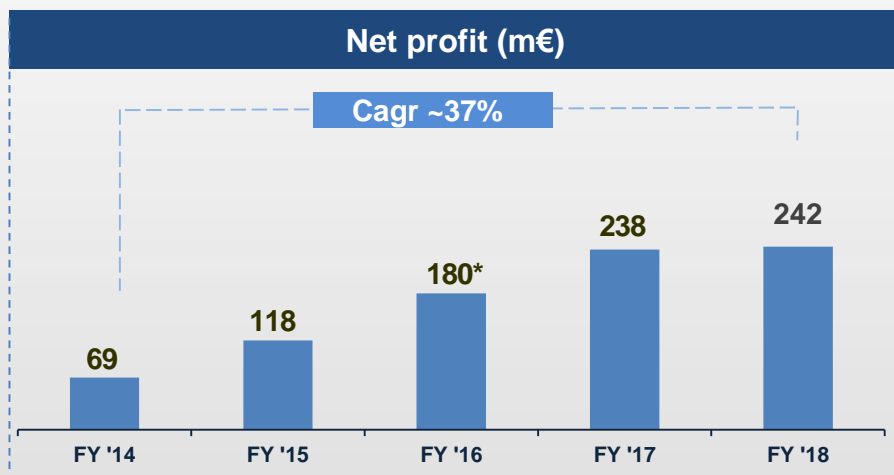
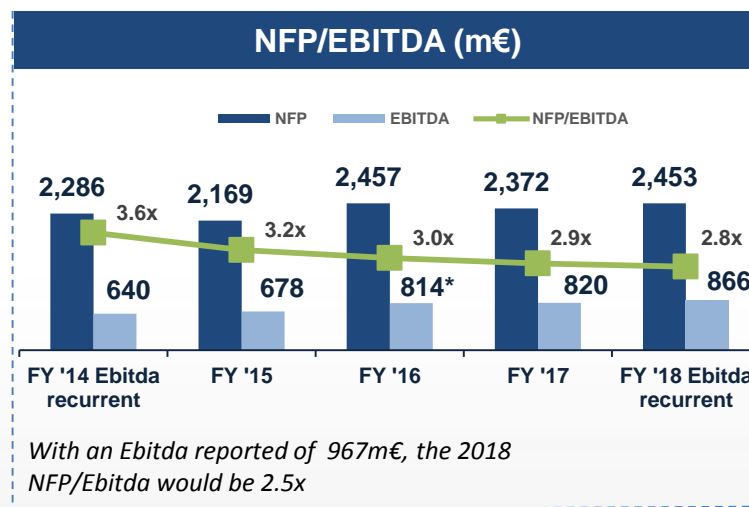
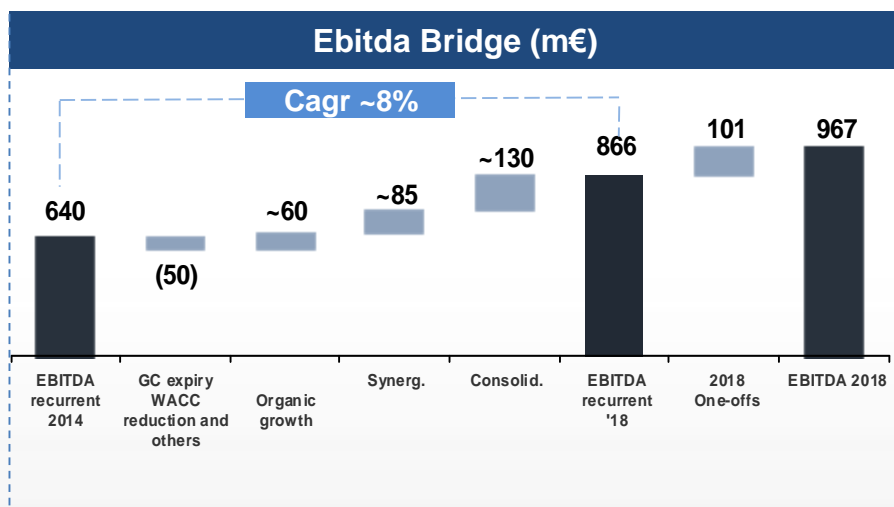
ASSET BASE ENHANCEMENT

- Networks RAB FY 2018: 2,125m€ (**+425m€** vs 2014)
- Clients in energy sector FY 2018: ~1,780k (**+340k** vs 2014)
- Heat distributed FY 2018: 2,946 GWht (**+310GWht** vs 2014)
- Waste collected FY 2018: 2,241 kton (**+1,150kton** vs 2014)
- Waste treatment capacity FY 2018: 1,414 kton (**+800kton** vs 2014)

FY 2018 RESULTS KEY POINTS

- FY 2018 results confirm the effectiveness of the Group strategy focusing on growth as a combination of **organic investments** and **consolidation activities**.
- The strong **cash flow generation** allows for a further **leverage improvement** while confirming the dividend's growth commitment.
- Dividend FY 2018 proposal: **8.4€/c per share** (**+20%** vs DPS 2017).

FY 2018 results: growth trend confirmed

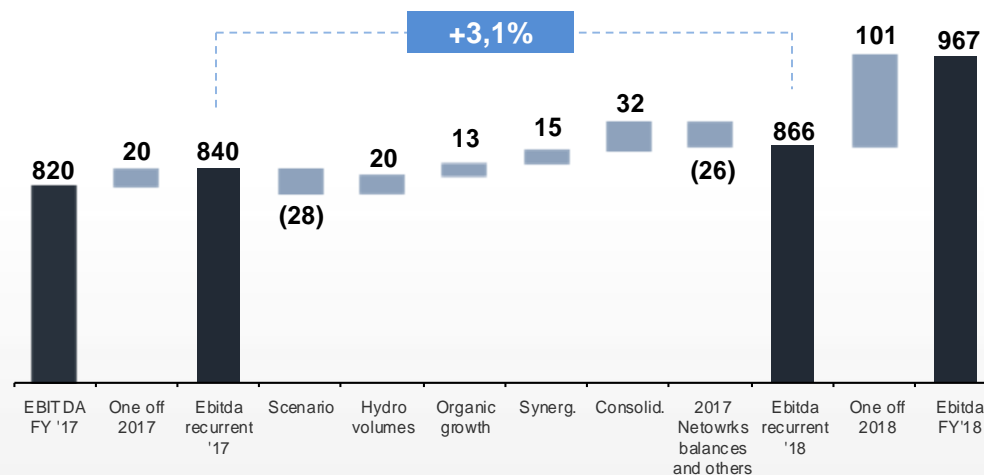


FY 2018: underlying growth led by all the strategic pillars in a extraordinary energy scenario

KPIs

	m€	FY '17	FY '18	Δ	Δ%
Revenues		3,697	4,041	344	9.3%
Ebitda		820	967	147	17.8%
Ebit		420	530	110	26.2%
Net profit		238	242	4	1.8%
Tech. Capex		357	447	90	25.2%

Ebitda Bridge

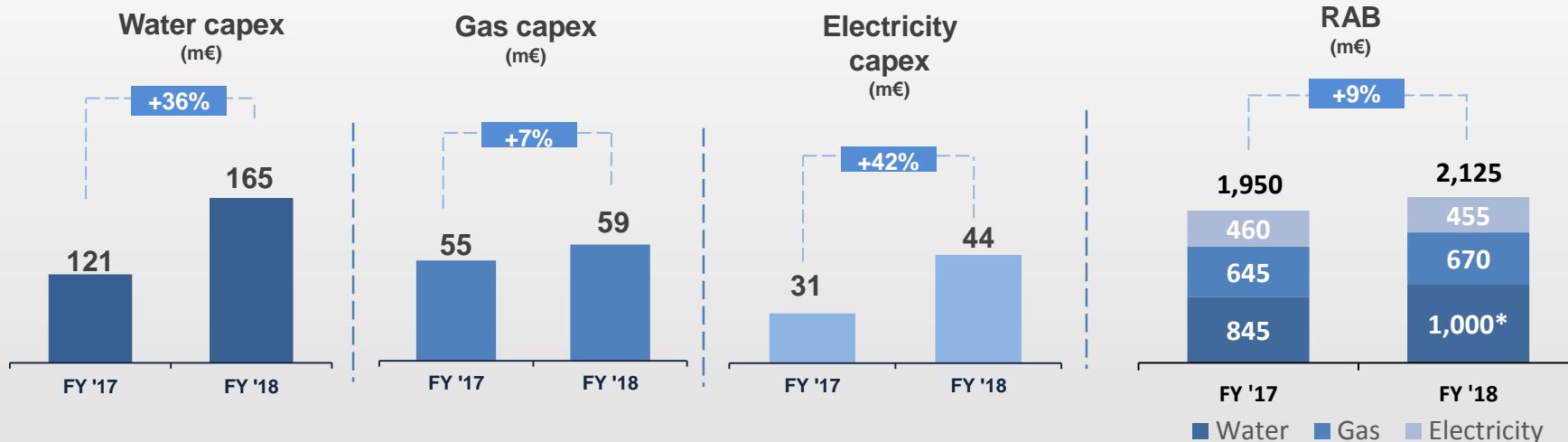


- **Ebitda reported +17.8%:** It takes into account the extraordinary sale of White Certificates (60m€) and the recognition of a Market BU accrual (41m€) attributable to the revision of previous estimates of invoices to be issued accounted in Q4. Stripping out the last element, the Ebitda would have been 926m€, in line with our guidance.
- **Ebitda recurrent +3.1%:** growth in all the business units led by consolidation (mainly ACAM), organic growth and synergies. The negative energy scenario has affected mainly the operational results of supply activities.
- **Ebit +26.2%:** half of D&A costs increase is related to the consolidation process. Slight increase of provisions.
- **Net profit +1.8%:** the reduction in the cost of debt, has been offset by liability management activities, lower results of companies consolidated with equity method and participated ones.
- **Tech. Capex +25.2%:** double-digit percentage growth in investments in line with our strategy

NETWORKS – Organic growth, Synergies and Consolidation more than offset the absence of balances recorded in 2017

- **Energy and water networks:** operating margins have been mainly affected by the absence of positive balances (roughly 25m€) reported in 2017. However, the results have been positive thanks to ACAM consolidation (+19m€), synergies and organic growth.
- **Increase in Capex (+29%):** the growth trend reported during last years is confirmed as it's one of the main pillars of our strategy.

	m€	FY '17	FY '18	Δ	Δ%
Revenues		936	947	11	1%
Ebitda		336	342	6	2%
	<i>Electricity</i>	76	74	-2	-3%
	<i>Gas</i>	87	80	-7	-8%
	<i>Water</i>	173	188	15	8%
Ebit		179	176	-3	-1%
Gross Capex		207	268	61	29%



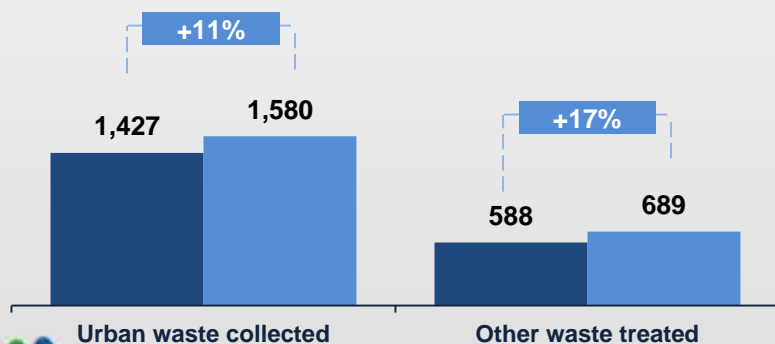
*of which 140m€ related to ACAM

WASTE – Margin recovery thanks to higher volumes and prices

- **Ebitda growth** thanks to a positive scenario (higher PUN) and organic growth driven by plants saturation, synergies and ACAM consolidation (+2m€).
- The positive results in **waste disposal** sector have been partially offset by higher door-to-door collection costs due to extension in Reggio Emilia and Turin.
- **Average increase in waste management by 13%**, mainly due to higher special waste volumes partly disposed in the Group's plants (stronger contribution of REI landfill for special waste disposal) that have also benefited of rising prices.
- Current percentage of **door-to-door collection** is **79%** and **sorted waste collection** is **64.2%**, both growing if compared to 2017.

Waste (Kton)

■ FY '17 ■ FY '18

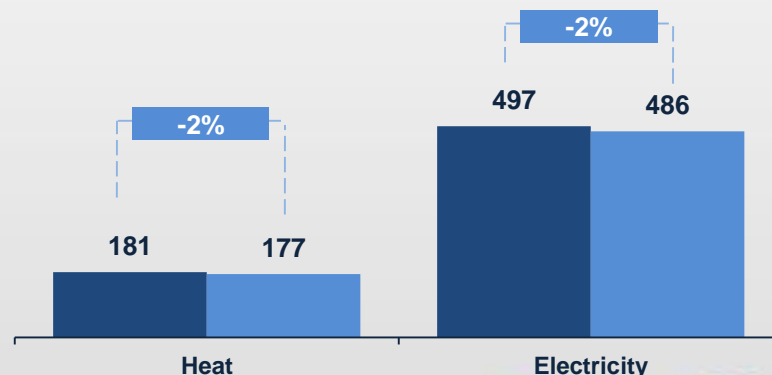


WASTE

	m€	FY '17	FY '18	Δ	Δ%
Revenues		551	610	59	11%
Ebitda		149	155	6	5%
Ebit		67	75	8	11%
Gross Capex		27	31	4	15%

WTEs - Electricity and Heat sold (GWh)

■ FY '17 ■ FY '18



ENERGY – Growth led by exceptional hydro volumes, strong ancillary services offset by lower spark spread

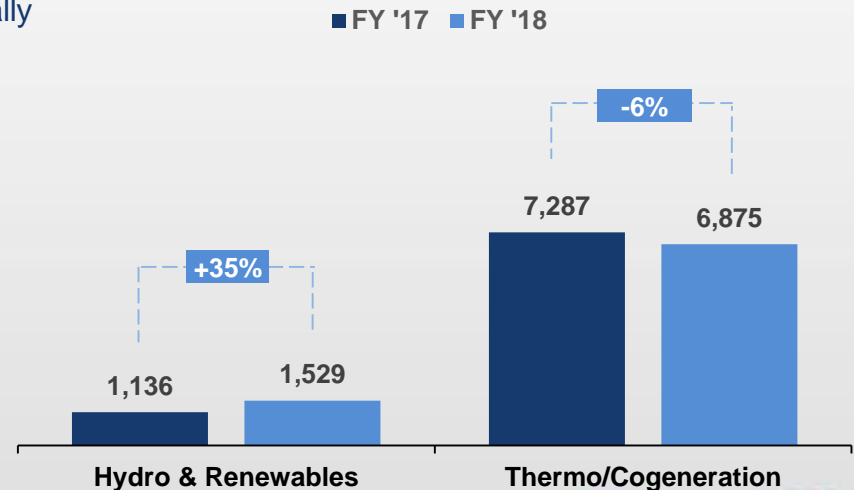
- **Generation sector:** the aggregate volumes of electricity production are in line with last year. The increase in hydro volumes has been offset by the decrease in thermo/coge volumes.
 - **Hydro sector:** strong contribution thanks also to a positive PUN scenario. The extraordinary volumes led to 20m€ increase in margins if compared to standard hydro volumes (electricity production ~1.2GWh).
 - **Thermo/Coge sector:** the increase in ancillary services (~80m€) has offset the lower thermoelectric/cogeneration spark spread caused by higher gas costs and ETS certificates price.
 - **District heating:** slight reduction in heat distributed partially compensated by the increase in heat spark spread.

	m€	FY '17	FY '18	Δ	Δ%
Revenues		1,104	1,345	241	22%
Ebitda		255*	325**	70	27%
Ebitda recurrent		241	265	24	10%
Ebit		138	188	50	36%
Gross Capex		56	80	24	43%

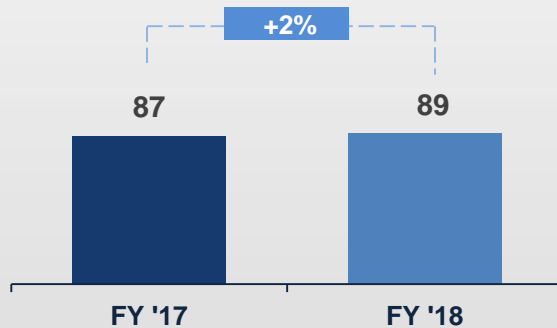
*Including 14m€ capital gains from the CCGT turbine sale

**Including 60m€ capital gains from the White Certificates extraordinary sale

Electricity Production (GWh)



DH volumes heated (mcm)



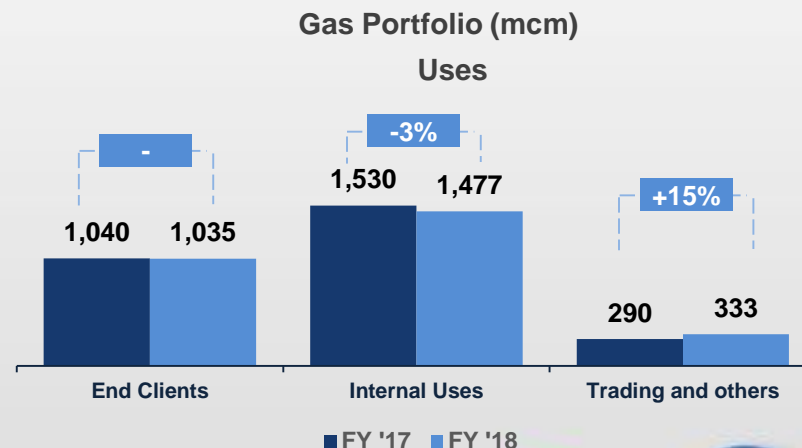
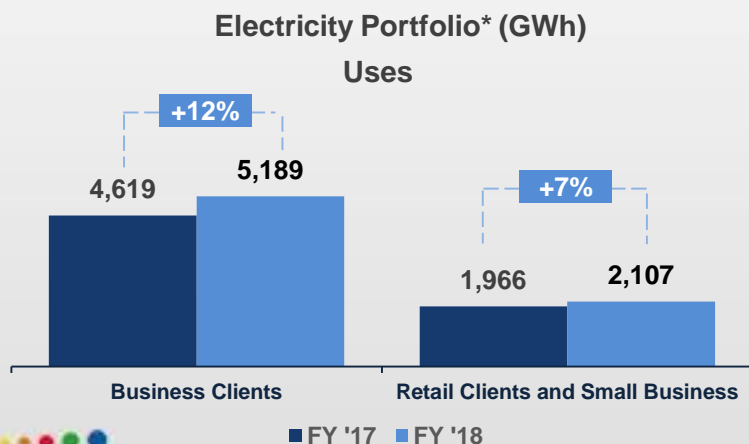
MARKET – The negative commodity scenario persists particularly in the gas sector

- 41m€ extraordinary contribution due to a **market accrual** related to previous years, accounted in Q4.
- **Electricity sale sector:** the increase in volumes sold and the hedging policy have reduced the impact of the negative scenario.
- **Gas sale sector:** the absence of lower procurement costs (linked to favorable gas storage in 1H 2017) and a warmer year vs 2017, led to negative margins.
- **Continuous Clients growth** trend, now standing at ~1,780k Customers (~+65k), with a churn rate in further reduction compared to last year (-13.5% yoy).
- Uses reached ~80% of internal power production in line with BP target.

	m€	FY '17	FY '18	Δ	Δ%
Revenues		2,418	2,602	184	8%
Ebitda		111	139*	28	25%
Ebitda recurrent		111	98	-13	-12%
	<i>Electricity</i>	20	19	-1	-5%
	<i>Gas&Heat</i>	91	79	-12	-13%
Ebit		69	86**	17	25%
Gross Capex		21	31	10	51%

*Including 41m€) attributable Revision of previous estimates of invoices to be issued of which 2m€ referred to electricity and 39m€ referred to gas&heat.

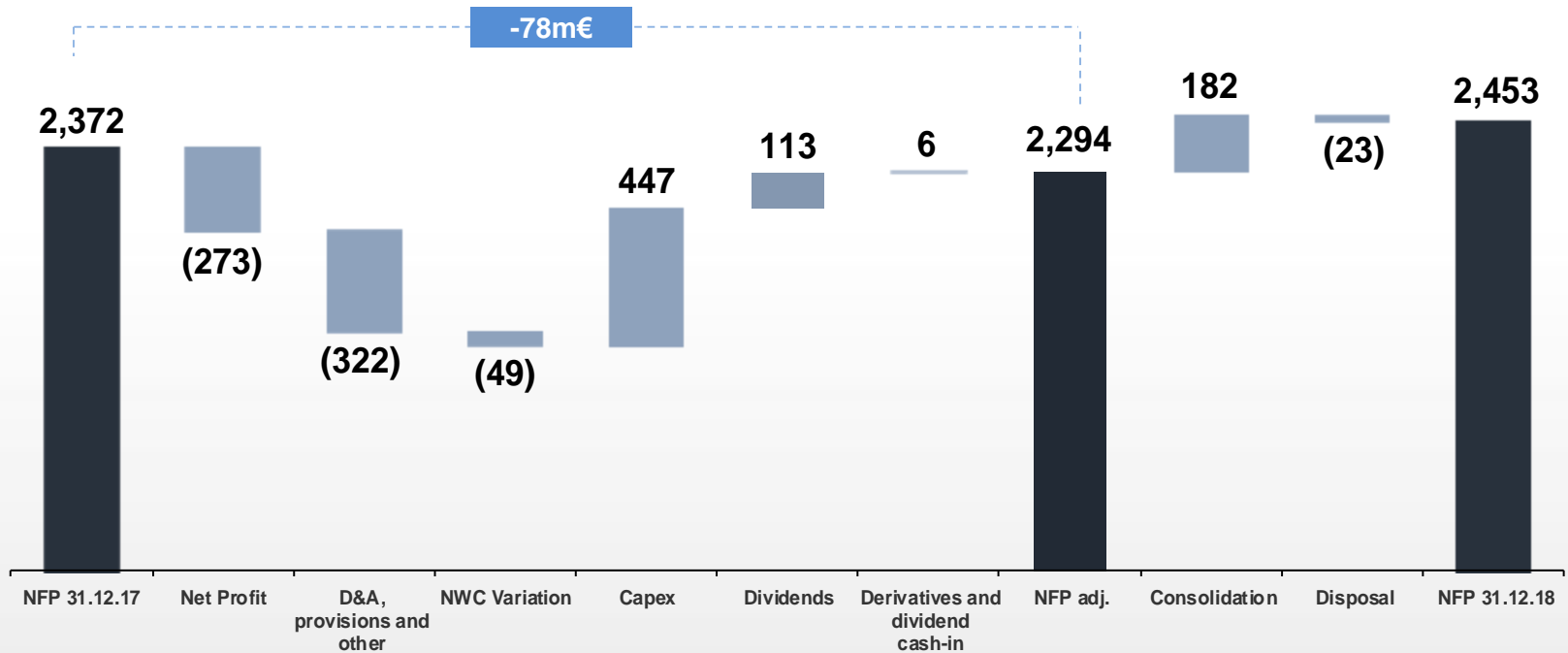
**The Ebit adjusted would be equal to 46m€



From EBITDA to Net Profit

	FY '17	FY '18	Δ	Δ%	
EBITDA	820.2	966.6	146.4	17.8%	
	<i>D&A</i>	-353.2			<ul style="list-style-type: none"> • Increase in D&A related to consolidation process (ACAM and IREN Rinnovabili)
	<i>Provisions to bad debt</i>	-46.7			
EBIT	420.3	530.5	110.2	26.2%	
	<i>Financial charges</i>	-79.4			<ul style="list-style-type: none"> • Lower cost of debt (2.7% compared to 3.1% last year). • Liability management for 30m€
	<i>Other financial charges</i>	-3.0			
	<i>Companies cons with e.m.</i>	22.5	0.7		<ul style="list-style-type: none"> • Lower contribution from companies consolidated with equity method vs. 1H 2017 (Salerno Energia Vendita and OLT). • OLT participations adjustment for 28m€
	<i>Participations adjustment</i>	8.7	-35.6		
EBT	369.1	389.5	20.4	5.5%	
	<i>Taxes</i>	-104.4			<ul style="list-style-type: none"> • Tax-rate (30%) thanks to structural stabilization in IRES (ordinary tax rate 30%).
	<i>Minorities</i>	-27.0			
Group net profit	237.7	242.1	4.4	1.8%	

Cash-flow and NFP Bridge

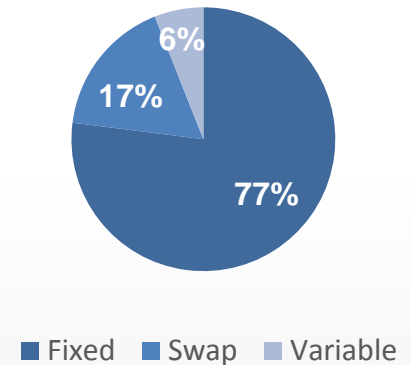


- Overall, the **NFP** worsens by only **3.4%** notwithstanding **182m€** due to consolidation and **23m€** due to assets' disposal. **Net of these effects**, debt would decrease by **78m€**, benefitting from strong cash-flow generation, which easily covered higher capex and dividends.
- Consolidation** includes ACAM, RECOS, Spezia Energia Trading and MAIRA operations.

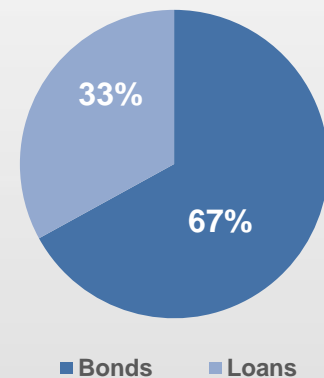
Interest rate and debt structure

- 94% of gross debt at fixed interest rate and 6% of gross debt at variable interest rate.
- Average long-term debt duration of about 5.3 years (5.9 years in FY 2017).
- Reduction in cost of debt (2.7% vs. 3.1% in FY 2017).
- IREN's debt is formed of:
 - 67% bonds
 - 25% EIB loans
 - 8% other loans
- Iren is the only Italian local utility that has issued two Green Bond.

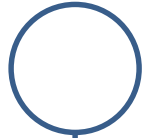
Gross debt interest rate



Debt structure



Closing remarks



The Iren's sound asset base combined with the effectiveness of the strategy has been allowing the company to cope with the energy scenario volatility.



Since last year the Group is focusing more on organization's enhancement to deal with:

- A larger complexity led by the several companies taken over
 - The far intense investment's plan included in the last business plan.
-



Guidance on FY 2019:

In light of the FY 2018 results and confirming the business plan objectives, we expect for FY 2019:

- Ebitda: 880/890m€
- NFP/Ebitda: ~2.9x
- Capex: ~570m€



Annexes



IREN at a glance

2018 data



>7 million
Inhabitants in
IREN's reference
areas

CUSTOMERS:

- >1.7M in the energy sector
- ~2.8M served inhabitants in the water service
- ~2.3M served inhabitants in the waste sector
- ~0.9M served inhabitants in district heating
- >3.5 services provided per clients

REGULATED ACTIVITIES (45% OF EBITDA)

- **ENERGY INFRASTRUCTURE**
 - RAB electricity distribution: 455m€
 - RAB gas distribution: 670m€
- **WATER SERVICE**
 - RAB water cycle management: 1,000m€
- **URBAN WASTE COLLECTION**
 - 165 municipalities covered
 - >1.5m tons of Municipal waste collected
 - >64% of sorted waste (vs. national avg. 52.5%)

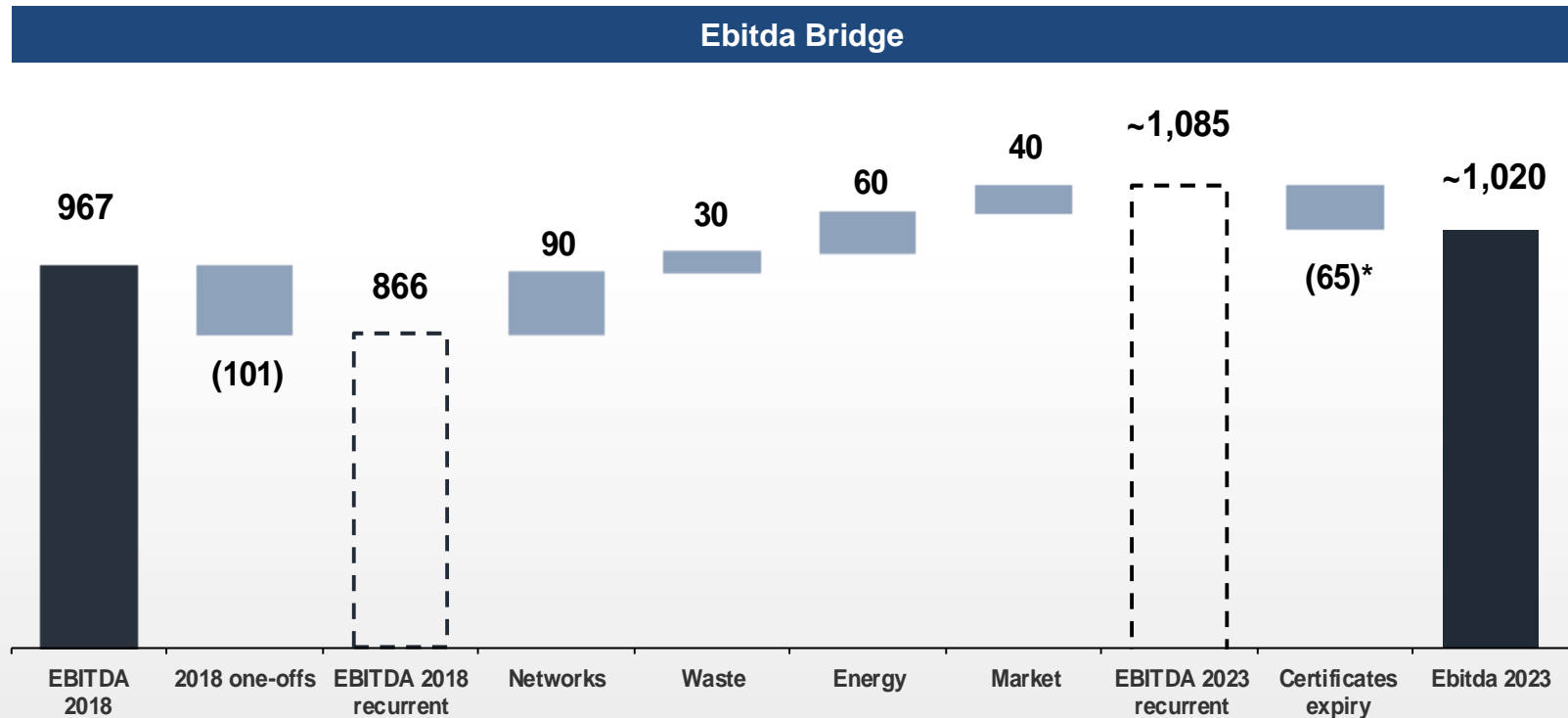
QUASI REGULATED ACTIVITIES (28% OF EBITDA)

- **HYDROELECTRIC GREEN CERT.**
 - 700 GWh GCs produced through hydro generation
- **DISTRICT HEATING**
 - ~1,000 km of pipes and 870,000 inhabitants covered
 - 89mcm of district heated volumes
 - 3.0 Twh volumes produced
- **URBAN WASTE DISPOSAL**
 - 3 Waste To Energy plants (>800Kton/y)

UNREGULATED ACTIVITIES (27% OF EBITDA)

- **2,700 MW OF GENERATION CAPACITY**
 - 1,300 MW from cogen. plants connected to DH networks
 - 600 MW from hydroelectric plants
 - 800 MW from Turbigio plant (the only thermoelectric plant running on merchant base)
- **ENERGY MARKET**
 - ~9.1 TWh electricity uses; ~2.8 bcm gas uses
- **SPECIAL WASTE**
 - ~690K tons of special waste collected

Actual progress vs. business plan targets

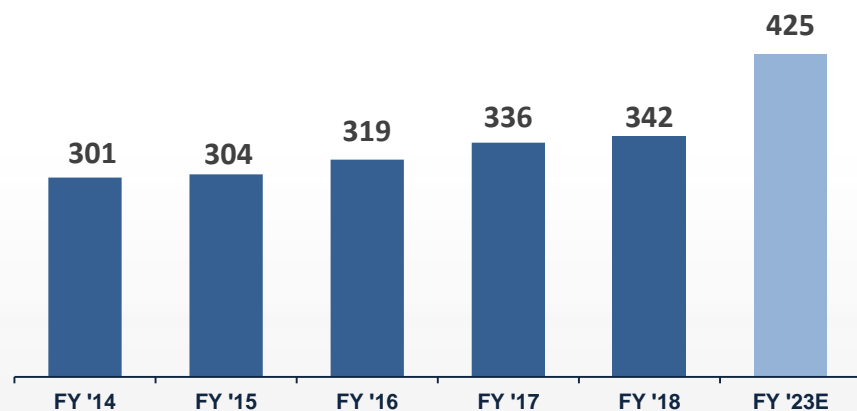


* **Certificates expiry:** ~40m€ expiring in 2019 (GCs) and ~25m€ expiring in 2022 (WCs)

- Organic growth will be the main driver throughout the next years, supported by higher investments in Networks and Waste
- The hedging policy in the energy value chain and investments in generation plants flexibility will lead to tackle the high volatile scenario and to offset the certificates' expiry.

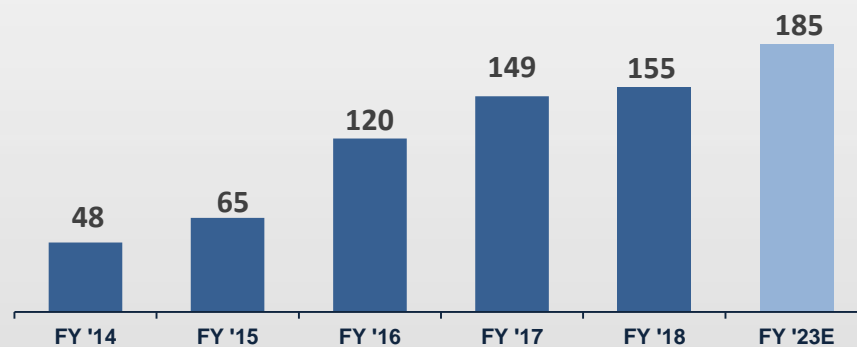
EBITDA progress by SBU

NETWORKS



- ~650m€ increase in RAB mainly in water thanks also to ACAM consolidation since April 2018 (140m€)
- Roughly 850m€ invested in water network efficiency and water treatment plants
- Maintaining all the gas and water concessions in which IREN is incumbent.
- Possible participation in tenders related to ATEMs in IREN's reference areas (not included in the business plan figures).
- Continuous improvement in asset/workforce management system, exploiting further synergies.

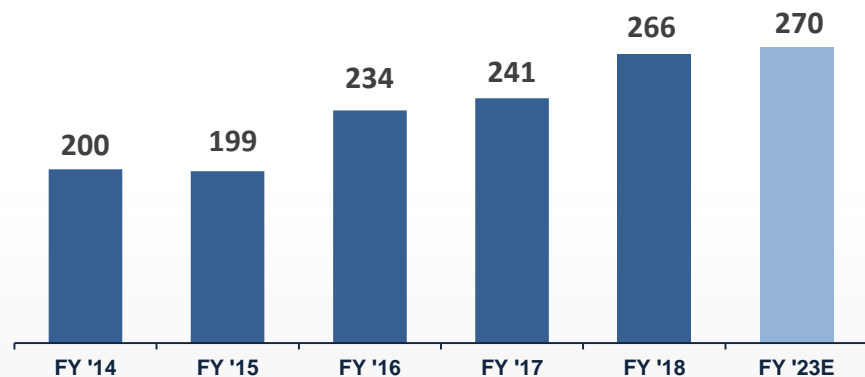
WASTE



- Significant increase in waste treatment capacity, starting from 2021 (plastic, organic fraction and paper) and consequently in profitability, also from special waste.
- Self-sufficiency in completing the entire waste cycle thanks to investments in new waste treatment plants.
- Confirming all the concessions currently owned. Possible participation in tenders within reference areas in which IREN is not incumbent (not included in BP figures).

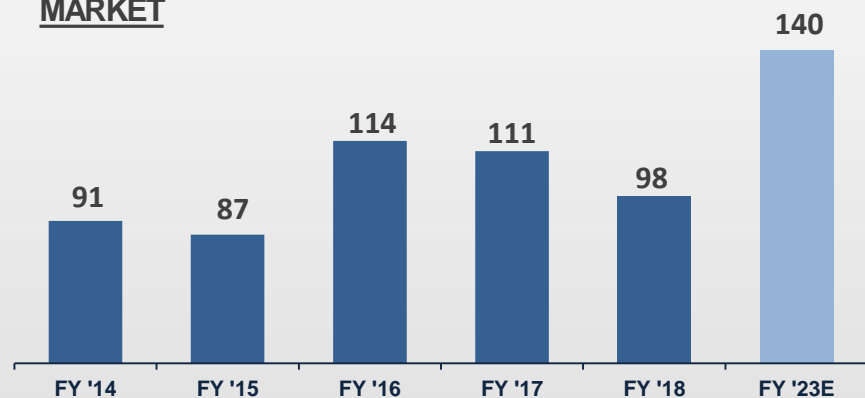
EBITDA progress by SBU

ENERGY



- Growth in margins in spite of the expiry of 40m€ of GCs on hydro and 25m€ of WCs on cogeneration (Ebitda cagr would be 5.4% net of certificates expiry).
- Full utilization of existing heat production sources (Plants/WTEs) thanks to the increase in volumes heated (+8mcm).
- Increase in IREN's generation fleet flexibility, in order to be more competitive in ancillary services (neutral impact of capacity market expected).
- 200m€ invested in energy efficiency projects

MARKET



- Full deployment of the “New Downstream” project: moving from a commodity provider to an expert in high value added services
- Customer base expansion of +12,5% while keeping the churn rate as one of the lowest in the sector
- Digitalization will be one of the drivers of the reduction in cost-to-serve (50% of operations will be digitally carried out by 2021).
- Further ~10m€ will be invested in e-mobility to extend the range of innovative products and services offered.

Networks concessions

GAS TENDERS

ATEM	Expiry
Genova 1	Expired
Parma	Expired
Reggio Emilia	Expired
Vercelli	Expired
Piacenza 2 - Est	Expired

WATER CONCESSIONS

AREA	Expiry
Piacenza	Expired
Reggio Emilia	Expired
Genova	2032
Parma	2025
Vercelli 1	2023
La Spezia	2033

ELECTR. CONCESSIONS

AREA	Expiry
Torino	2030
Parma	2030
Vercelli 1	2030

Hydroelectric and Waste concessions

HYDROELECTRIC CONCESSIONS

AREA	Hydroelectric plant	Electric Power (MW)	Expiry
Piemonte 1	Pont Ventoux-Susa	157	2034
Piemonte 2	Valle Orco e S. Mauro	300	Expired 2010
Piemonte 3	S. Lorenzo, Moncalieri, La Loggia, valle Susa	25	---*
Campania	Nucleo Tusciano	108	2029
Liguria	Brugneto, Canate	10	Expired 2014

* The expiring date is not provided for electric power plants <10 MW

WASTE CONCESSIONS

AREA	Expiry
Parma**	Expired
Piacenza**	Expired
Reggio Emilia	Expired
Torino	2033
Vercelli 1	2028
Vercelli 2	2019
La Spezia	2028

**Ongoing tenders

Regulated business – WACC assumptions

	GAS DISTRIBUTION	ELECTRICITY DISTRIBUTION	WATER SERVICE
Regulatory period	6 years (2014 – 2019)	8 years (2016 – 2023)	4 years (2016 – 2019)
WACC methodology update	6 years (2016 – 2021)	6 years (2016 – 2021)	-
WACC update	every three years (2019)	every three years (2019)	every two years (2018)

	2018	2019 - 2023
Gas distribution	6.1%	6.1%
Gas metering	6.6%	6.6%
Electricity distrib. and metering	5.6%	5.6%
	2018-2019	2020 - 2023
Integrated water service	5.32%	5.32%

■ Already defined values

■ Assumptions



Scenario

ACTUAL

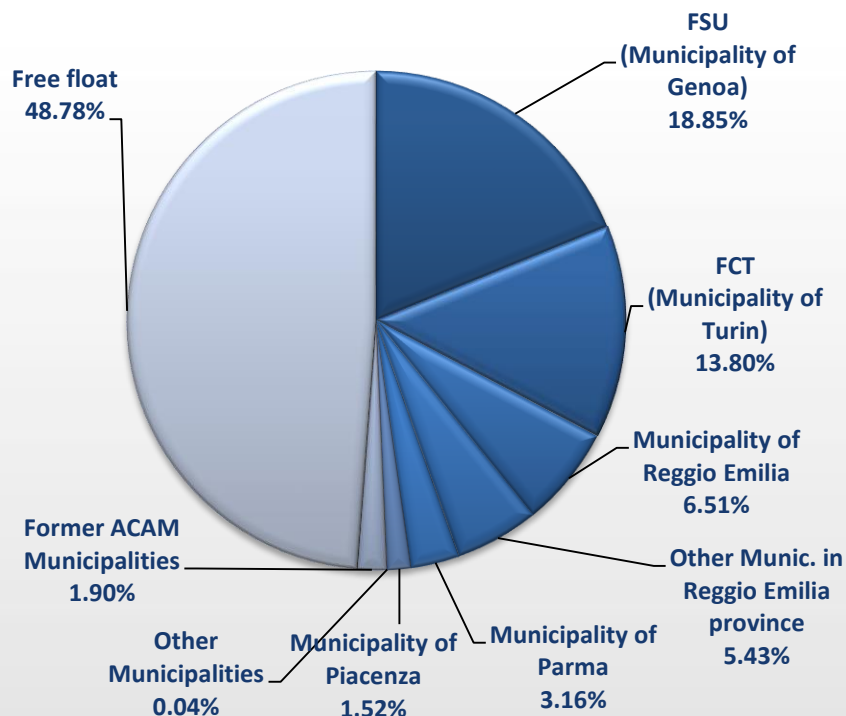
	FY '17	FY '18	Δ%
Gas Demand (bcm)	74.7	72.1	-3.5%
TTF €/000 smc	18.3	24.1	31.7%
PSV €/000 smc	20.7	25.6	23.7%
Energy Demand (Twh)	320.5	321.9	0.4%
PUN (€/Mwh)	53.9	61.3	13.7%
ETS €/Ton	5.8	15.9	174%
Clean SS/PSV (€/Mwh)	7.6	4.6	-40%
Green Cert. Hydro (€/Mwh)	107.3	99.0	-7.8%
Energy efficiency cert.(€/Mwh)	302.5	250.0	-17.4%

BP ASSUMPTIONS

	2017	2021	2023
PUN (€/Mwh)	54	69	72
PSV (€/000 smc)	19	25	26
ETS (€/Ton)	6	24	26
Clean SS/PSV (€/Mwh)	6.0	5.5	6.5
Green Cert. Hydro (€/Mwh)	107	86	84
Energy Efficiency cert. (€/Mwh)	250	225	225

Shareholding structure

SHAREHOLDING STRUCTURE



>50%
Public Shareholders

Public entities IREN's Shareholders are more than 50%: Municipality of Genoa ~19%, Municipality of Turin ~14%, Emilia Municipalities (Reggio Emilia, Parma, Piacenza and other minor Municipalities) ~17%, La Spezia Municipalities ~2%.

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Shareholders Agreements

Four Shareholders' agreements:

- One between FSU (Municip. Of Genoa) , FCT (Municip. of Turin), Emilia Shareholders and former ACAM Municipalities (expiring April 2022)
- One between FSU and FCT (expiring July 2021)
- One between Emilia Shareholders (expiring April 2022)
- One between former ACAM Municipalities (expiring May 2022)

They guarantee that all the most important decisions relating to Corporate Governance are taken by agreement of the public Shareholders. In particular, out of 15 members of IREN's BoDs, 13 are appointed by the members of the shareholders agreements, including the CEO, Chairman and Vice-Chairman which are unanimously appointed.

LSS

Loyalty Shares Scheme

The introduction of LSS in IREN's bylaws (May 2016) and the elimination of the obligation for Public shareholders to hold at least 51% of IREN's share capital, have already had the effect of increasing the free float (Public shareholders sold approximately 30 million shares in 2017/2018 plus the conversion of >80 million preferred shares into ordinary shares)

Public entities/Shareholders

IREN SHAREHOLDING STRUCTURE

Shareholders	Total Shares	%	Total Voting rights	%
FSU Municipality of Genoa	245,249,617	18.85%	457,749,233	23.69%
FCT Municipality of Turin	179,567,795	13.80%	359,135,582	18.59%
Municipality of Reggio Emilia	84,717,464	6.51%	169,434,928	8.77%
Other Municipalities of Reggio Emilia	70,606,428	5.43%	138,807,151	7.18%
Municipality of Parma	41,158,566	3.16%	82,317,132	4.26%
Municipality of Piacenza	19,759,547	1.52%	39,519,094	2.05%
Other Municipalities	534,070	0.04%	1,056,105	0.05%
Former ACAM Municipalities (La Spezia)	24,705,700	1.90%	24,705,700	1.28%
Shares/voting rights owned by public entities	666,299,187	51.22%	1,272,724,925	65.87%
Free float	634,632,190	48.78%	659,507,326	34.13%
IREN's Share capital	1,300,931,377	100%	1,932,232,251	100%

On the 1st June 2018, the "loyalty share scheme" came into force. All the Shareholders that have kept IREN shares for at least two years and have been registered in the proper list have now a double voting right for each shares (only in relation to specific matters, such as the appointment of the Board of Directors and of the Board of Statutory Auditors).

TRADE REGIME OF PUBLIC SHAREHOLDERS' SHARES

Shareholders	Total Shares	Non-negotiable shares (until may 2022)	Negotiable shares (under specific policy to avoid overhang risk)	Freely negotiable shares (not included in the shareholders agreement)
FSU Municipality of Genoa	245,249,617	154,281,688	90,967,929	-
FCT Municipality of Turin	179,567,795	154,281,689	25,286,106	-
Municipality of Reggio Emilia	84,717,464	58,228,078	26,489,386	-
Other Municipalities of Reggio Emilia	70,606,428	44,147,738	23,272,996	3,185,694
Municipality of Parma	41,158,566	14,025,186	5,292,380	21,841,000
Municipality of Piacenza	19,759,547	12,248,901	7,510,646	-
Other Municipalities	534,070	311,318	216,288	6,464
Former ACAM Municipalities	24,705,700	17,804,838	2,918,139	3,982,723
Shares owned by public entities	666,299,187	455,329,436	181,953,870	29,015,881

210,969,751 negotiable shares equal to 16.2% of IREN's share capital

Balance Sheet

	FY '18	FY '17
<i>Net fixed assets</i>	5,786	5,412
<i>Net Working Capital</i>	132	182
<i>Funds</i>	-621	-618
<i>Other assets and liabilities</i>	-282	-105
Net invested capital	5,015	4,871
<i>Group Shareholders' equity</i>	2,562	2,499
<i>Net Financial Position</i>	2,453	2,372
Total Funds	5,015	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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