

IREN Group: The Board of Directors has approved the results at 31 March 2018, which show a growth trend in margins, increased investments and a reduction in debt.

The results obtained in the first quarter of the year show a further growth in all operating indicators, despite the absence of the temporary particularly positive energy scenario that occurred in the first quarter of 2017, demonstrating the Group's resilience and the balance of the Group's business portfolio. The constant improvement in economic trends is supported by financial trends: while the Ebitda achieved was 269 million (+1.6%) and profit 103 million euros (+2.6%), the net debt fell by around 57 million euros, thanks to the robust cash generation which made it possible to easily cover the strongly growing investments (+45%).

- **Revenues of 1,065.5 million euros (+1.8% compared to 1,046.7 million euros at 31/03/2017)**
- **Ebitda of 269.2 million euros (+1.6% against 265.0 million euros at 31/03/2017)**
- **Ebit of 177.3 million euros (+1.7% against 174.4 million euros at 31/03/2017)**
- **Group Net Profit of 103.2 million euros (+2.6% against 100.6 million euros at 31/03/2017).**
- **Net Financial Position of 2,315 million euros, down by around 57 million euros compared to the figure at 31 December 2017.**

Reggio Emilia, 10 May 2018 – The Board of Directors of IREN S.p.A. has today approved the consolidated results for the quarter ending 31 March 2018.

Paolo Peveraro, Chairman of the Group, declared: - “2018 has started with improved results once more, underlining IREN's ability to adapt to not particularly favourable scenarios, thanks also to the important efficiency-improving initiatives implemented during recent years. This performance, together with the constant increase in investments, +45% in the quarter, demonstrates the Group's role as driver in its reference territories and its increased capacity of attraction which has led to the completion, in April, of the business combination with ACAM La Spezia, the reference multi-utility company in Eastern Liguria.”

Massimiliano Bianco, Group C.E.O. declared: “The growth in all economic indicators and the simultaneous reduction in financial debt recorded for the first quarter of this year, significant by themselves, are even more impressive taking account of the considerably worse energy scenario compared to that of the first quarter of 2017 and come after the excellent economic and financial results already achieved in the last 3 years. This trend is accompanied by constant attention towards environmental sustainability issues, one of the

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five strategic pillars in the latest business plan, the importance of which was underlined by the launch in April of this year of "IREN GO", an important project linked to electric-powered mobility; there was also, in the same month, the achievement of a B- "Prime" sustainability rating on the part of ISS-OEKOM, one of the most important independent companies operating in this sector. The fact that of the 163 utility companies subjected to rating by ISS-OEKOM, only 13% obtained an equal or superior rating is a source of particular satisfaction."

IREN GROUP: CONSOLIDATED RESULTS AT 31 MARCH 2018

Consolidated **Revenues** in the first quarter of 2018 stand at 1,065.5 million euros. The increase of 1.8% compared to 1,046.7 million euros for the same period in the previous year is mainly due to the increase in volumes of gas sold.

Ebitda is 269.2 million euros, +1.6% compared to the 265.0 million euros recorded for the first three months of 2017. This result is particularly significant taking account of both the extraordinarily positive energy scenario that characterized electricity generation activities in the same period last year (and which has not repeated this year), and the reduction, for around 10 million euros, of the sales margin in the gas sector which in 2017 benefitted from the use of stores acquired at particularly advantageous prices (again not repeated this year). These elements have been substantially offset, in the energy supply chain, by the upward trend in market prices of energy efficiency certificates, with a positive effect arising from the increase in value of the whole portfolio and is in addition to the recognition of further certificates relating to 2018. With regards to networks, the performance improvement is mainly linked to the synergies achieved and to an increase in regulated revenues thanks to the growth in invested capital. The margins in the Waste sector have suffered from the greater start-up costs of the door-to-door waste collection services (which will be recognized in future tariffs), a lower price of electricity sold and the temporary maintenance of a number of waste disposal plants.

Ebit stands at 177.3 million euros, slightly up (+1.7%) compared to 174.4 million euros at 31 March 2017. This reflects the improved operating results, while the higher amortization and depreciation provisions connected with the extension of the scope of consolidation have been offset by lower provisions linked largely to the application of IFRS 9.

Group Net Profit is 103.2 million euros, +2.6% compared to 100.6 million euros recorded for the first quarter of 2017. This growth is, first of all, linked to improved financial management, due both to a reduction in the average cost of debt and the amount of the debt itself. In addition there is the positive effect of lower taxes.

The **Net Financial Position** at 31 March 2018 is 2,315 million euros, down by around 57 million euros compared to 31 December 2017, and benefits from the robust generation of cash that has easily covered the strong increase in investments.

Gross technical investments made in the period amount to 67.5 million euros, significantly up compared to 31 March 2017 (+45%).

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IREN GROUP: MAIN RESULTS BY BUSINESS AREA

(millions of euros)	31/3/2018	31/3/2017	Var. %
Revenues	1,065.5	1,046.7	1.8%
Electricity and district heating	349.1	340.8	2.4%
Market	790.8	810.1	-2.4%
Networks (electricity, gas, and water infr.)	198.2	194.9	1.7%
Waste	138.0	135.3	2.0%
Services and other	23.2	27.7	-16.2%
Netting and adjustments	-433.9	-462.1	-6.1%
Gross Operating Profit	269.2	265.0	1.6%
Electricity and district heating	102.3	99.7	2.6%
Market	49.9	54.2	-7.8%
<i>Electricity</i>	5.4	2.8	92.8%
<i>Gas and Heat</i>	44.6	51.4	-13.2%
Networks	79.5	74.3	6.9%
<i>Electricity networks</i>	17.1	18.0	-4.7%
<i>Gas networks</i>	18.9	17.6	7.4%
<i>Water networks</i>	43.5	38.8	12.1%
Waste	35.8	37.7	-5.0%
Services and other	1.7	-0.8	(*)
Operating Profit	177.3	174.4	1.7%
Electricity and district heating	71.6	68.0	5.3%
Market	42.1	42.9	-1.9%
Networks (electricity, gas, and water infr.)	44.4	40.7	9.0%
Waste	18.1	24.1	-25.1%
Services and other	1.3	-1.3	(*)

(*) Changes higher than 100%

ENERGY (GENERATION AND DISTRICT HEATING)

Revenues of the sector amount to 349.1 million euros against 340.8 million euros reported in the first three months of 2017 (+2.4%). This increase is mainly due to the positive trend in the energy efficiency certificates market and the change in the scope of consolidation (IREN Rinnovabili), elements that offset the fall in prices and in volumes of electricity produced.

EBITDA of the sector is at 102.3 million euros, up by 2.6% compared to what was reported at 31 March 2017. The absence of the particularly positive and temporary scenario that characterized the first quarter of the previous year was more than offset by the increase in value of energy efficiency certificates (both for the period and in portfolio, and therefore relating to previous years), from higher heat and hydroelectric generation and a margin on ancillary services in line with what was reported last year.

In the first quarter of 2018, total **electricity** produced was 2,408 GWh, 12.4% down on 2,749 GWh in the same period in the previous year.

This is mainly attributable to the thermoelectric/co-generative sector, whose electricity production of 2,173 (-14.5%) was affected by an unfavourable scenario. The trend in renewals (hydroelectric and others) was, instead, positive, registering at 31 March 2018 a production of 235 GWh (+13.2%), due to greater water availability both in reservoir-based and flowing water-based plant.

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Heat production for district heating stands at 1,315 Gwht, up (+4.5%) thanks mainly to the increase in heated volumes, which reached 87 million cubic meters.

At 31 March 2018 **gross investments** amounted to 5.8 million euros, mainly devoted to cogeneration and district heating production.

MARKET

Revenues of the Market sector stand at 790.8 million euros, slightly down from the 810.1 million reported in the first quarter 2017, mainly due to the trend in the price of electricity.

EBITDA of the sector at 49.9 million euros is down by 7.8% compared to 54.2 million euros reported at 31 March 2017. This derives from the gas sales sector, due to the absence of the positive effect that characterized the first quarter of 2017 linked to the use of stored gas bought at very favourable prices last year. This effect is partly compensated by the performances recorded in electricity sales, mainly thanks to the contribution of non-recurring elements linked to previous years.

Electricity directly sold in the first quarter of 2018 was 2,294 GWh, down by 24% compared to 3,028 Gwh sold in the same period in 2017 due to the lower quantities sold to wholesalers, while sales to final customers increased in both the business and retail segments.

993 million cubic meters of **gas** were bought, down 5% compared to 1,050 million cubic metres in the previous year, mainly due to lower internal use for thermoelectric production.

At 31 March 2018 **gross investments** amounted to 7.3 million euros.

NETWORKS (ENERGY AND WATER INFRASTRUCTURE)

Revenues in the sector amount to 198.2 million euros, up by 1.7% compared to 194.9 million euros reported in the first quarter 2017.

EBITDA stands at 79.5 million euros, up on the 74.3 million euros at 31 March 2017. The achievement of significant synergies and efficiencies together with the increase in regulated revenues due to the growth in investments and therefore of invested capital have more than offset the lower network connection revenues and a number of non-recurring elements of a minor entity.

During the reference period the Group distributed 981 GWh of **electricity**, 632 million cubic metres of **gas** and 42 million cubic metres of **water**.

At 31 March 2018, **gross investments** in the sector amount to 44.7 million euros for the modernization of the gas and electricity networks and for the construction of the infrastructures as provided for in the "Territorial Plan" for the integrated water cycle.

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WASTE

In the Waste sector, **revenues** totalled 138.0 million euros, up by 2.0% on the figure reported in the first quarter 2017 of 135.3 million euros. The increase derives mainly from higher revenues for collection activities and for the brokering of special waste, offset by lower energy revenues relating to the waste-to-energy plants.

EBITDA of 35.8 million euros is slightly down (-5.0%) compared to 37.7 million euros at 31 March 2017, mainly due to the higher collection costs (due to the extension of the services provided) not yet reflected in tariffs, in addition to lower energy margins. It is important to underline the temporary maintenance of a special waste disposal plant which has therefore not fully contributed to the profitability of the sector.

Approximately 486 thousand tons of waste were treated in the quarter, with a significant increase in special waste (+29%).

At 31 March 2018, **gross investments** made in the sector amount to 3.6 million euros mainly devoted to the implementation and development of the “door-to-door” sorted waste collection system and to the maintenance of various plant.

CONFERENCE CALL

The results at 31 March 2018 will be illustrated tomorrow, 11 May at 10,30 (Italian time), during a conference call to the financial community, also broadcast through web casting in listen-only mode on the www.gruppoiren.it website in the investor section.

ALTERNATIVE PERFORMANCE MEASURES (APMs)

A number of alternative performance indicators (API) are used in this press release, not provided for by the international accounting standards adopted by the European Union (IFRS-EU), in order to permit a better understanding of the economic-financial performance of the IREN Group. In compliance with the recommendations of the Guidelines published in October 2015 by ESMA, the significance, content and basis of calculation of said indicators are shown below:

- **Ebitda:** calculated by subtracting operating costs from total revenues. This IAP is used by the Group in both internal Group documents and in external documents and is a useful tool for evaluating the Group's operating performance (both overall and at single Business Unit level), also through a comparison between the operating results for the period in question and those for previous periods or years. This indicator also makes it possible to carry out analyses of operating trends and to measure performance in terms of operating efficiency over time.
- **Ebit:** calculated subtracting amortization, depreciation, provisions and operating write-downs from Ebitda.

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- **Net financial debt:** calculated as the sum of non-current financial liabilities less non-current financial assets plus current financial liabilities less current financial assets and cash and cash equivalents. This IAP is used by the Group in both internal Group documents and external documents and is a useful measure of the Group's financial structure, also through a comparison between the period in question and those for previous periods or years.
- **Investments:** calculated as the sum of investments in tangible, intangible and financial assets (equity investments) and are shown gross of capital grants. This IAP is used by the Group in both internal Group documents and external documents and is a measure of the financial resources absorbed in the acquisition of non-current assets.

The Manager in charge of drawing up the corporate accounting documents, Mr, Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act, that the accounting information presented herein corresponds to the accounting documents, records and registers.

The Financial Report at 31 March 2018 will be made available to the public as provided for by the law, at the company's headquarters (Via Nubi di Magellano, 30 – Reggio Emilia) at Borsa Italiana S.p.A, and they will be published on the website www.gruppoiren.it.

The financial statements of IREN Group S.p.A. (not subject to audit) are set out below.

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IREN GROUP: CONSOLIDATED INCOME STATEMENT AT 31/3/2018

(Thousands Euro)

	31.3.2018	31.3.2017 Redetermined*	Var. %
Revenues			
Revenues from goods and services	1,006,125	1,011,993	(0.6)
Change in contract work in progress	-	1,479	(100.0)
Other revenues and income	59,377	33,276	78.4
Total Revenues	1,065,502	1,046,748	1.8
Operating expenses			
Costs for raw materials, consumables, supplies and goods	(389,778)	(383,667)	1.6
Services and use of third-party assets	(304,049)	(294,762)	3.2
Other operating expenses	(17,019)	(17,476)	(2.6)
Capitalized expenses for internal work	7,249	6,276	15.5
Personnel expenses	(92,720)	(92,077)	0.7
Total Operating Expenses	(796,317)	(781,706)	1.9
Gross Operating Profit (EBITDA)	269,185	265,042	1.6
Amortization, depreciation, impairment and provisions			
Amortization/depreciation	(82,519)	(76,436)	8.0
Provisions and impairment	(9,332)	(14,232)	(34.4)
Total amortization, depreciation impairment and provisions	(91,851)	(90,668)	1.3
Operation Profit (EBIT)	177,334	174,374	1.7
Financial Income			
Financial Income	5,878	7,996	(26.5)
Financial expense	(24,564)	(28,542)	(13.9)
Net Financial Income	(18,686)	(20,546)	(9.1)
Share of profit (loss) of associates accounted for using the equity method	(636)	4,884	(**)
Impairment losses on investments	-	-	-
Profit before tax	158,012	158,712	(0.4)
Income tax expenses	(48,211)	(50,928)	(5.3)
Profit for the period from continuing operations	109,801	107,784	1.9
Profit from discounted operations	-	-	-
Profit for the period	109,801	107,784	1.9
Attributable to:			
- owners of the Parent	103,215	100,609	2.6
- non-controlling interests	6,586	7,175	(8.2)

(*) As provided by IFRS 3, the representation of the economic figures of the first three months 2017 has been redetermined in order to take into account the effect deriving from completion, occurred in 2017, of the allocation of the acquisition price, at the final fair value, of the assets and liabilities purchased (Purchase Price Allocation) related to ASM Vercelli and Atena Trading

(**) Variation of more than 100%

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IREN GROUP: RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 31/3/2018

(Thousands Euro)

	31.3.2018	31.12.2017	Var. %
Non-current assets	5,402,576	5,412,159	(0.2)
Other non-current assets (liabilities)	(361,176)	(177,981)	(*)
Net Working Capital	250,205	181,869	37.6
Deferred tax assets (liabilities)	118,911	64,011	85.8
Provisions and employee benefits	(627,879)	(618,194)	1.6
Assets (Liabilities) held for sale	524	8,724	(94.0)
Net invested capital	4,783,161	4,870,588	(1.8)
Shareholders' Equity	2,468,325	2,498,803	(1.2)
<i>Non-current financial assets</i>	<i>(166,597)</i>	<i>(165,767)</i>	<i>0.5</i>
<i>Non-current financial indebtedness</i>	<i>2,874,465</i>	<i>3,023,888</i>	<i>(4.9)</i>
Non-current net financial indebtedness	2,707,868	2,858,121	(5.3)
<i>Current financial assets</i>	<i>(693,728)</i>	<i>(675,468)</i>	<i>2.7</i>
<i>Current financial indebtedness</i>	<i>300,696</i>	<i>189,132</i>	<i>59.0</i>
Current net financial indebtedness	(393,032)	(486,336)	(19.2)
Net financial debt	2,314,836	2,371,785	(2.4)
Own funds and net financial indebtedness	4,783,161	4,870,588	(1.8)

(**) Variation of more than 100%

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IREN GROUP: CONSOLIDATED STATEMENT OF CASH FLOWS AT 31/3/2018

(Thousands Euro)

	31.3.2018	31.3.2017 Redetermined*	Var. %
A. Opening Net Financial Debt	(2,371,785)	(2,457,107)	(3.5)
Cash flow from operating activities			
Profit (loss) for the period	109,801	107,784	1.9
Adjustment for non-financial elements	170,322	163,992	3.9
Benefits to employees	(1,746)	(1,914)	(8.8)
Net change in provision for risk and other changes	(5,460)	(6,639)	(17.8)
Change in other non-current assets and liabilities	(1,762)	4,714	(**)
Other changes	(8,151)	(4,515)	80.5
B. Cash flows from operating activities before changes in NWC	263,004	263,422	(0.2)
C. Cash flows from changes in NWC	(129,452)	(124,501)	4.0
D. Cash flows from/(used in) operating activities (B+C)	133,552	138,921	(3.9)
Cash flows from/(used in) investing activities			
Investments in intangible assets, property, plant, equipment and investment property	(67,531)	(46,554)	45.1
Investments in financial assets	-	(15,145)	(100.0)
Proceeds from the sale of investments and changes in assets held for sale	8,754	486	(**)
Change in consolidation perimeter	-	(13,064)	(100.0)
Dividends received	338	599	(43.6)
E. Total cash flow from/(used in) investing activities	(58,439)	(73,678)	(20.7)
F. Free cash flow (D+E)	75,113	65,243	15.1
Cash flow from/used in financing activities			
Dividends paid	(879)	-	-
Interests paid	(2,935)	(7,619)	(61.5)
Interests received	3,797	3,854	(1.5)
Change in fair value of hedging derivatives	(853)	(9,779)	(91.3)
Other changes	(17,294)	(16,448)	5.1
G. Total cash flows from/(used in) financing activities	(18,164)	(29,992)	(39.4)
H. Change Net Financial Debt (F+G)	56,949	35,251	61.6
I. Closing Net Financial Debt (A+H)	(2,314,836)	(2,421,856)	(4.4)

(*) As provided by IFRS 3, the representation of the financial flows of the first three months 2017 has been redetermined in order to take into account the effect deriving from completion, occurred in 2017, of the allocation of the acquisition price, at the final fair value, of the assets and liabilities purchased (Purchase Price Allocation) related to ASM Vercelli and Atena Trading

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