



2nd August 2018

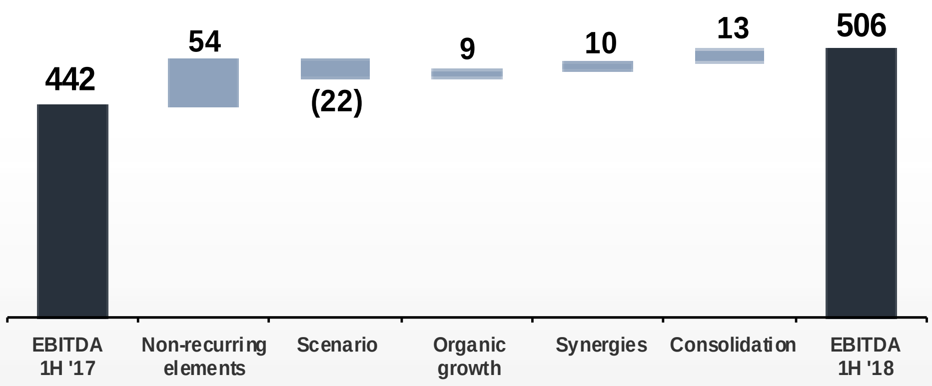
2018 – 1H Results

1H 2018: Strong results driven by further achievements along the strategic pillars and by a non-recurring sale of white certificates

KPIs

m€	1H '17	**1H '18**	Δ	Δ%
Revenues	1,814	**1,937**	123	6.8%
Ebitda	442	**506**	64	14.4%
Ebit	257	**315**	58	22.7%
Net profit	145	**187**	42	29.2%
Tech. Capex	103	**164**	61	59.2%

Ebitda Bridge



- **Revenues +6,8%:** substantially stable compared to 1H 2017 (net of extraordinary elements)
- **Ebitda +14.4%:** Organic growth (linked mainly to networks/waste SBUs), synergies (in line with expectations) and consolidation (chiefly ACAM and SEV) more than offset the negative commodity scenario. On top of this the recognition by the GSE of an amount of white certificates linked to district heating.
- **Ebit +22.7%:** better operating results and lower provisions offset higher D&A (due mainly to the consolidation activity)
- **Net profit +29.2%:** including a further improvement in financial charges and lower tax rate.
- **Tech. Capex +59.2%:** the growth trend reported in 1Q 2018 is confirmed.

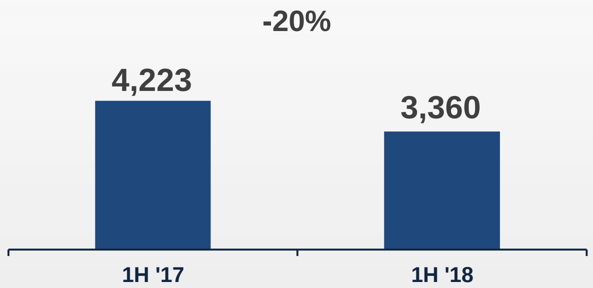
GENERATION AND DH – Net of the extraordinary recognition of white certificates, results in line with last year

- Sale of approx. 60m€ of white certificates mainly linked to previous years.
- The shrink in thermoelectric/cogeneration margins, due to higher gas costs and ETS certificates price, was partly offset by the positive trend in hydroelectric sector.
  - **Generation sector** results were affected by the reduction in spark-spreads and lower volumes (the latter due to higher renewable production), partially counterbalanced by a significant increase in ancillary services.
  - **Hydro sector:** higher margins thanks to higher volumes and prices.
  - **Heat sector:** Volumes and margins substantially in line with 1H 2017.

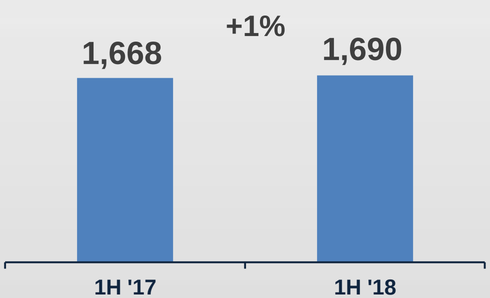
- **Outlook:** taking into consideration growing forward electricity prices for the second part of the year, a recovery in thermoelectric margins is expected.

m€	1H '17	**1H '18**	Δ	Δ%
Revenues	555	**620**	65	12%
Ebitda	147	**207**	60	40%
Ebit	84	**145**	61	73%
Gross Capex	12	**25**	13	114%

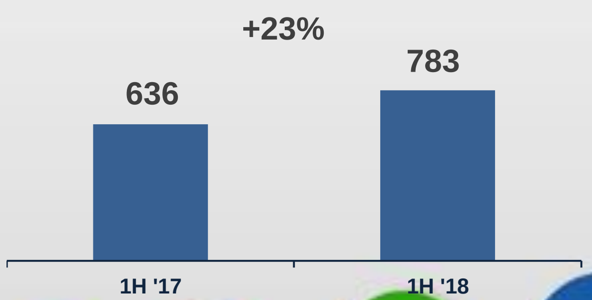
THERMO/COGEN PRODUCTION (GWh)



HEAT PRODUCTION (GWht)



HYDRO PRODUCTION (GWh)



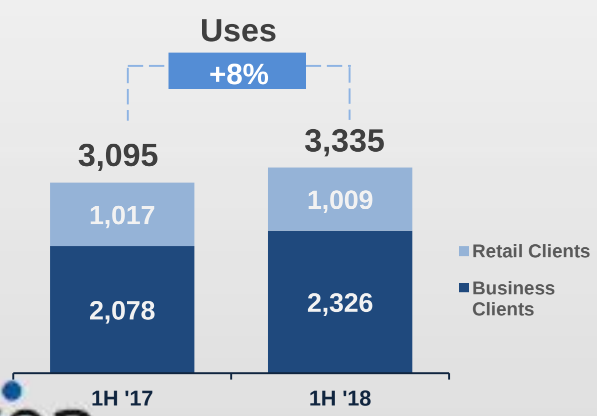
MARKET – Negative commodity scenario compared to last year.

- The main elements driving the performance are:
  - **Electricity sale sector:** higher PUN price, which squeezed margins, was offset by previous years balances linked to commodity transport charges;
  - **Gas sale sector:** in 1H 2017 lower procurement costs (linked to gas storage).
- **+20K Clients** thanks to the strengthening of the commercial offering and the "New Downstream" project. (~1,740K customers, in line with business plan target).
- **Higher electricity volumes sold** in the business sector (mainly linked to Consip).

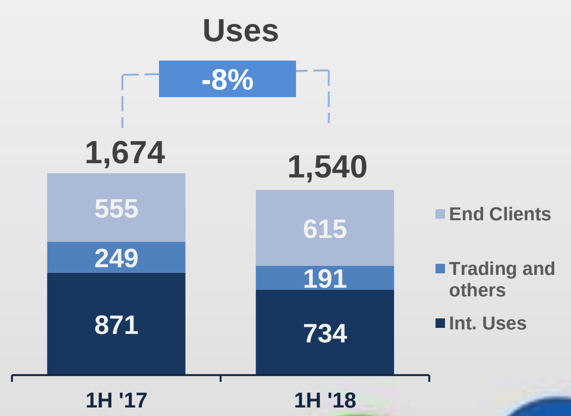
- **Outlook:** The electricity scenario outlined in the generation sector (higher PUN) is expected to have a further negative impact on sale margins.

m€	1H '17	**1H '18**	Δ	Δ%
Revenues	1,248	**1,241**	-7	-1%
Ebitda	70	**63**	-7	-10%
Electricity	*11*	***11***	*0*	*0%*
Gas&Heat	*59*	***52***	*-7*	*-12%*
Ebit	49	**43**	-6	-12%
Gross Capex	10	**15**	5	47%

ELECTRICITY PORTFOLIO* (GWh)



GAS PORTFOLIO (MCM)



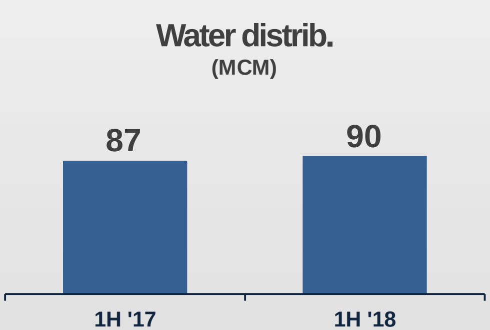
*net of Ipex, wholesalers and other

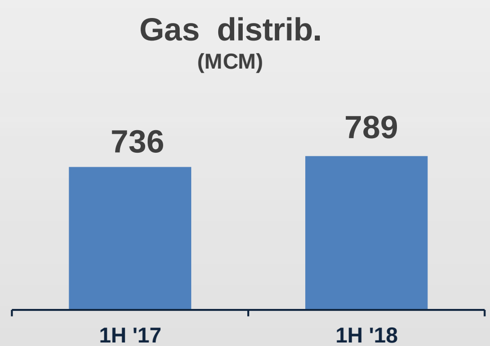
NETWORKS – Growth driven by investments, synergies and consolidation (ACAM since April 2018)

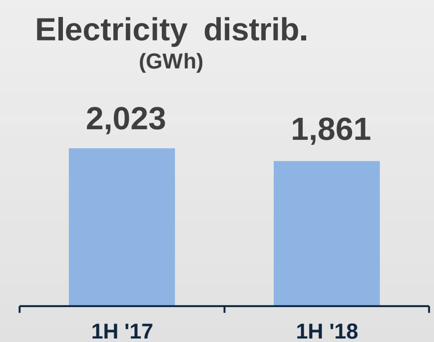
- **Energy and water networks:** Higher revenues (thanks to the growth in RAB), synergies and the consolidation of ACAM were partially offset by minor non-recurring elements.
- **Increase in Capex (+55.0%):** The positive trend in capex, already reported at the end of 2017 (+39%), continues, in line with the growth prospects outlined in the business plan

- **Outlook:** the positive trend reported in the first six months of 2018 is expected to recur also in the second part of the year, partially offsetting a number of positive non-recurring elements that occurred in 2H 2017.

m€	1H '17	**1H '18**	Δ	Δ%
Revenues	421	**443**	22	5%
Ebitda	153	**161**	8	5%
Electricity	*35*	***35***	*0*	*0%*
Gas	*38*	***39***	*1*	*1%*
Water	*80*	***87***	*7*	*9%*
Ebit	86	**88**	2	2%
Gross Capex	65	**101**	36	55%





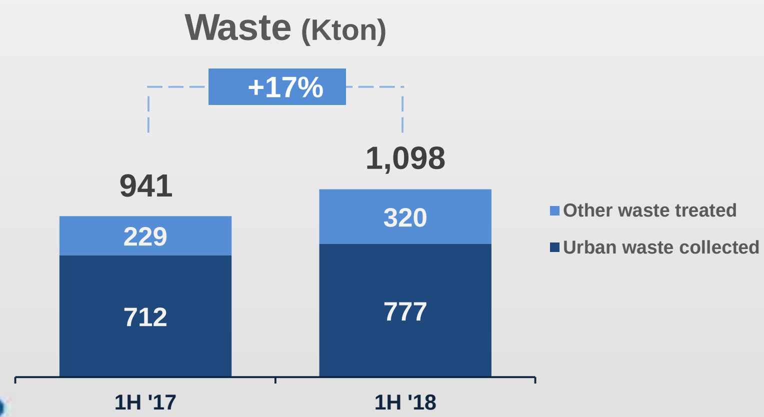


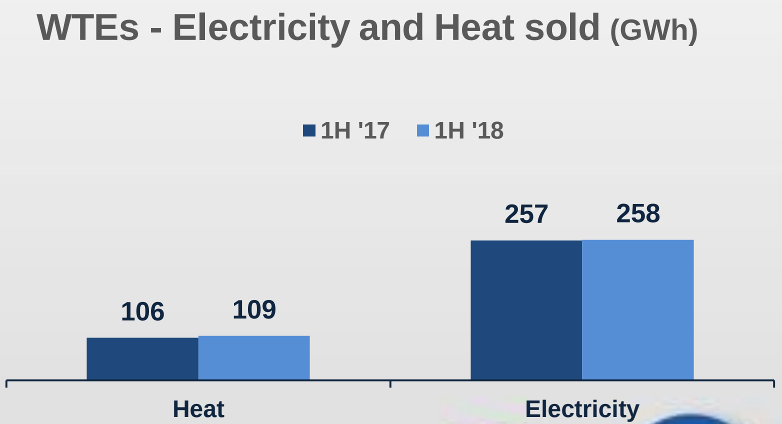
WASTE – Waste disposal sector driving the growth.

- **The increase in EBITDA** is mainly linked to IREN's disposal plants (in particular TRM WTE and REI landfill) which took advantage also from a supportive commodity scenario. In addition to this the contribution from ACAM consolidation (1m€).
- **Steady increase in special waste collection (+40%)** partly disposed of in the Group's plants

m€	1H '17	**1H '18**	Δ	Δ%
Revenues	270	**294**	24	9%
Ebitda	71	**73**	2	3%
Ebit	37	**36**	-1	-3%
Gross Capex	7	**9**	2	31%

- **Outlook:** the same elements that drove the growth in the period are expected to persist until the end of the year.





From EBITDA to Net Profit.

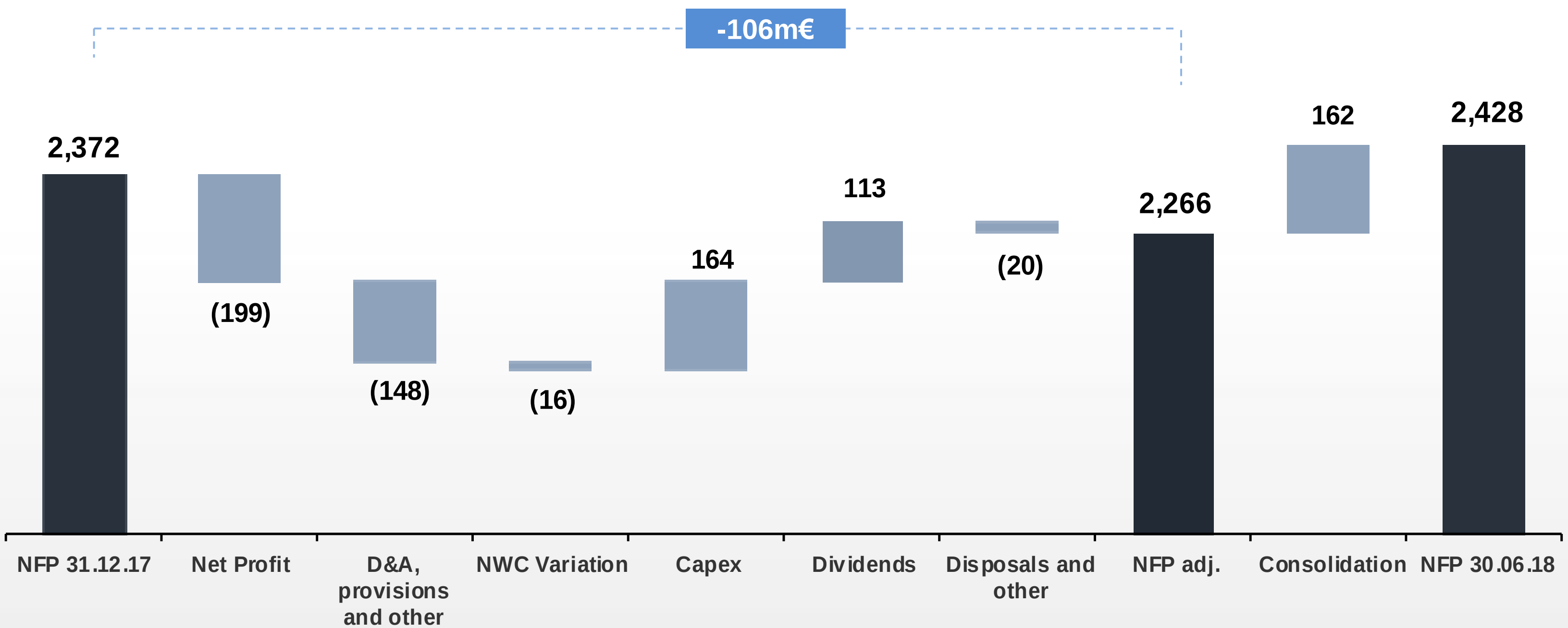
	1H '17	**1H '18**	Δ	Δ%
EBITDA	442.3	**505.8**	63.5	14.4%
D&A	*-155.5*	***-168.9***		
Provisions	*-29.9*	***-21.6***		
EBIT	256.9	**315.3**	58.4	22.7%
Financial charges	*-42.6*	***-34.0***		
Other financial income	*2.6*	***3.4***		
Companies cons with e.m.	*4.5*	***0.8***		
Participations adjustment	*8.6*	***2.0***		
EBT	230.1	**287.5**	57.4	25.0%
Taxes	*-72.5*	***-88.3***		
Minorities	*-12.8*	***-12.0***		
Group net profit	144.8	**187.2**	42.4	29.2%

- **Higher D&A** due to changes in scope of consolidation (and higher fixed assets offset by **non-recurring lower provision** linked to IFRS9)

- **Lower financial charges** thanks mainly to lower cost of debt.
- **Lower contribution from companies consolidated with E.M.** due to the absence of some 1H 2017 non-recurring elements
- **Lower non-recurring adjustment** in equity investments consolidated with equity methods vs. 1H 2017 (Salerno Energia Vendite)

- **Lower tax-rate** thanks to structural decrease in IRES (ordinary tax rate 31%-32%).

Cash-flow and NFP Bridge.

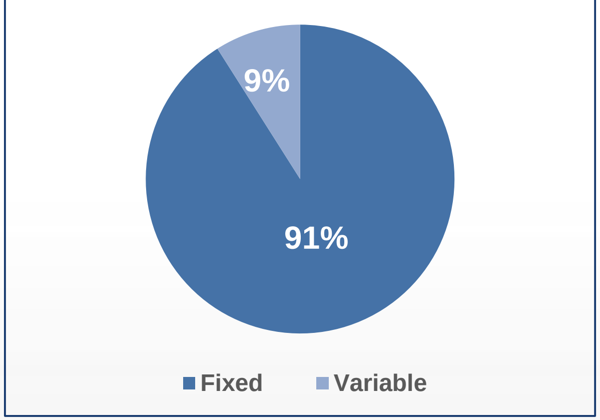


- **Net of consolidation effect,** debt would decrease by 106m€, benefitting from strong cash-flow generation, which easily covered higher capex and dividends.

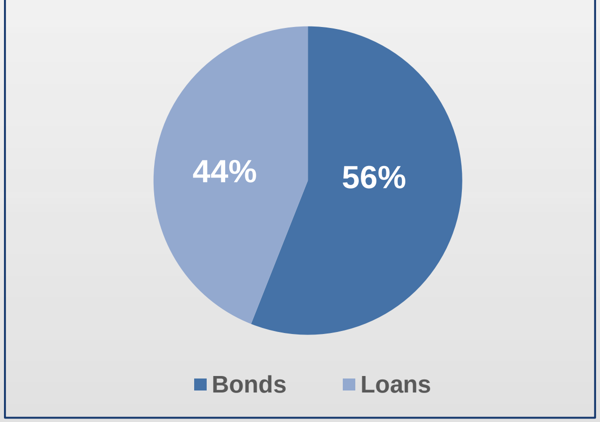
Interest rate and debt structure.

- >90% of gross debt at fixed interest rate.
- Average long-term debt duration of about 5.5 years
- Reduction in cost of debt (2.9% vs. 3.3% in 1H 2017)
- IREN's debt is formed of:
    - 56% Bonds
    - 31% EIB loans
    - 13% other loans

Gross debt interest rate



Debt structure



Closing remarks

Iren delivered **organic growth and synergies 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 and the effectiveness of the Group in integrating companies;

These elements combined with the extraordinary recognition of White Certificates in 2Q made it possible to **offset the effects of the worse energy scenario**;

In light of the previous elements the Company is confident **of exceeding the FY 2018 Ebitda business plan target.**

Annexes

Scenario.

	1H '17	**1H '18**	Δ%
Gas Demand *(bcm)*	39.2	**38.5**	-1.8%
TTF *€/000 scm*	180	**223**	23.5%
PSV *€/000 scm*	204	**237**	16.3%
Energy Demand *(Twh)*	152.4	**156.4**	2.6%
PUN *(€/Mwh)*	51.2	**53.8**	5.2%
CO2 *€/Ton*	5.0	**12.3**	147.4%
Green Cert. Hydro *(€/Mwh)*	107.3	**99.0**	-7.8%

Balance Sheet.

	1H '18	FY '17
Net fixed assets	***5,669***	*5,412*
Net Working Capital	***166***	*182*
Funds	***-622***	*-618*
Other assets and liabilities	***-286***	*-105*
Net invested capital	**4,927**	4,871
Group Shareholders' equity	***2,499***	*2,499*
Net Financial Position	***2,428***	*2,372*
Total Funds	**4,927**	4,871

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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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