PRESS RELEASE

The Board of Directors has approved the results at 30 June 2019: Operating profit up sharply, net of the non-recurring effects recorded last year.

The results achieved during the first six months of the year, excluding the positive effect of energy certificates recorded in 2018, show Gross Operating Profit at around € 478 million (+12.7%) and a Group net profit of € 151 million (+19.5%). Net financial debt substantially stable, excluding the accounting effects related to application of IFRS16 – Leases.

Main financial and economic indicators

- **Revenues totalling € 2,238 million** (+15.6% compared to € 1,937 million at 30 June 2018).
- **Gross Operating Profit (EBITDA) of € 478 million** (-5.5% compared to € 506 million at 30 June 2018). Excluding the effect of energy certificates from last year (€ 60 million in white certificates and € 22 million in green certificates expiring in the second quarter), the increase in EBITDA would have been 12.7%.
- **Operating Profit (EBIT) of € 258 million** (-18.2% compared to € 315 million at 30 June 2018).
- **Group Net Profit (post minorities) of € 151 million euro** (-18.4% compared to € 185 million at 30 June 2018). Excluding the aforementioned effect of energy certificates, the net profit would be up by 19.5%.
- **Net Financial Debt of € 2,570 million**, up by € 117 million compared to € 2,453 million at 31 December 2018. Excluding the effect of application of IFRS16, € 105 million, and the purchase of treasury shares, net financial debt would be substantially in line.

Business highlights

- Organic growth of around € 11 million in EBITDA, supported by € 197 million in investments (+20.1%).
- Positive effects of around € 9 million deriving from the inclusion of ACAM, Maira, Spezia Energy Trading and San Germano within the consolidation scope.
- Synergies for € 5 million of EBITDA.
- Positive effects deriving from the valorisation of energy certificates related to the previous year (€ 15 million of EBITDA).
- Solid customer base in the energy sectors (approximately 1.8 million customers), up by over 17,000 compared to 31 December 2018.

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Reggio Emilia, 31 July 2019 - Today, the Board of Directors of IREN S.p.A. approved the consolidated results at 30 June 2019.

Renato Boero, the Group Chairperson said: *"The results of the first six months of 2019 show the Group's ability to combine the levers of internal growth and external development, enabling an increase in EBITDA of around € 20 million, divided equally between the two variables. The external development will continue also in the coming months, with a number of further operations expected to be completed by the end of the year."*

Group CEO Massimiliano Bianco stated: *"The results approved today confirm the efficacy of the business model for the Group, which, net of extraordinary and non-repeatable elements, shows operating indicators sharply up compared to last year. This economic trend is accompanied by financial management which, despite an increase in investments and dividends distributed, was substantially in line with the figure for the end of 2018. These results show the Group's ability to pursue effectively the objectives indicated in the Business Plan, presented last year, which we are about to update, refining the targets and the underlying strategic guidelines, in the document that we shall share with the financial community at the end of September."*

IREN GROUP: CONSOLIDATED RESULTS AT 30 JUNE 2019

Consolidated **revenues** amounted to € 2,238 million at the end of the second quarter of 2019. The 15.6% increase on the € 1,937 million for the same period last year was due largely to higher revenues of electricity, thanks to greater volumes and an increase in the price, and to consolidation of the ACAM group companies from 1 April 2018, Maira and Spezia Energy Trading from October 2018 and San Germano from 1 January 2019.

Gross Operating Profit (EBITDA) came to € 478 million, -5.5% compared to the € 506 million recorded in the first six months of 2018.
The drop in the profit is attributable to the absence of approximately € 60 million related to the non-repeatable recognition, in the first half of 2018, of previous white certificates and to the expiry of the incentives in green certificates recognised on the hydroelectric production of the Pont Ventoux and Bussento plants, generating a negative effect on the period of approximately € 22 million. Gross operating profit, net of these extraordinary factors of discontinuity, would have improved by +12.7% compared to the € 424 million of the first half of 2018.
The first half of 2019 featured an improvement in all business lines, with the sole exception of the sale of electricity and gas, for which there was a decrease in profit although with a significant recovery compared to the quarterly results. The profits of the Market SBU were negatively affected by the absence of accounting effects associated with previous one-off adjustment items from 2018 and, regarding gas sales, also unfavourable weather conditions in the first half of the year.

Operating Profit (EBIT) amounted to € 258 million, down (-18.2%) compared to the € 315 million of 30 June 2018. The decrease compared to the first half of the previous year is attributable to an increase in depreciation and amortisation (+€ 22 million), including the effect deriving from the change in scope following the consolidation of ACAM and San Germano and to greater provisions and impairment losses (+ € 7 million).

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Group Net Profit (post minorities) came out at € 151 million, -18.4% compared to € 185 million recorded at 30 June 2018. Excluding the effect of energy certificates, the net profit would be up by 19.5%, despite the increase in amortisation, depreciation and impairment just described.

Net Financial Debt at 30 June 2019 was € 2,570 million, up € 117 million compared to 31 December 2018, due to the effects of greater investments, the distribution of dividends and application of the accounting standard IFRS16, which together had an impact on net financial debt of around € 105 million. Excluding this accounting effect and the purchase of treasury shares, net financial debt would be substantially in line with the figure at 31 December 2018.

Gross technical investments made during the period amounted to € 197 million, an increase compared to 30 June 2018 (+20.1%).

IREN GROUP: MAIN RESULTS BY BUSINESS AREA

(millions of euro)	30/06/2019	30/06/2018	Change %
Revenue	**2,238**	**1,937**	**15.6%**
Networks BU (energy and water infrastructures)	482	443	8.7%
Waste Management BU	352	294	19.8%
Energy BU (Generation, DH, Energy Efficiency)	785	644	21.8%
Market BU	1,512	1,241	21.9%
Services and other	10	18	-41.2%
Netting and adjustments	-903	-703	28.4%
Gross Operating Profit (EBITDA)	**478**	**506**	**-5.5%**
Networks BU (energy and water infrastructures)	172	160	7.5%
Electrical networks	*36*	*35*	*2.3%*
Gas networks	*41*	*38*	*7.1%*
Water networks	*95*	*87*	*9.8%*
Waste Management BU	84	74	13.9%
Energy BU (Generation, DH, Energy Efficiency)	166	206	-19.1%
Hydroelectric and renewables	*41*	*65*	*-36.9%*
Thermoelectric, cogeneration and DH	*125*	*141*	*-11.3%*
Market BU	55	63	-13.4%
Electricity	*9*	*11*	*-20.6%*
Gas and other services	*46*	*52*	*-11.5%*
Services and other	1	3	-75.3%
Operating Profit (EBIT)	**258**	**315**	**-18.2%**
Networks BU (energy and water infrastructures)	90	88	2.5%
Waste Management BU	37	36	1.7%
Energy BU (Generation, DH, Energy Efficiency)	102	146	-30.5%
Market BU	29	43	-31.2%
Services and other	0	2	-98.1%

NETWORKS (WATER AND ENERGY INFRASTRUCTURES)

Revenues for the Networks sector amounted to € 482 million, an increase of 8.7% compared to € 443 million recorded at the end of the first half of 2018. The consolidation of ACAM Acque from 1 April 2018 contributed to the increase in revenue.

Gross Operating Profit (EBITDA) came to € 172 million, up by 7.5% compared to € 160 million seen at 30 June 2018. The increase in revenue from regulated activities due to the increase in investment and consolidation of ACAM Acque supported the SBU's growth trend.

During the reference period, the Group distributed 1,828 GWh of **electricity**, 769 million cubic metres of **gas** and 90 million cubic metres of **water**.

At 30 June 2019, **gross investments** in the sector amounted to € 114 million, primarily aimed at obtaining the infrastructure included in the Area Plans of the integrated water cycle (€ 74 million), modernising the gas network (€ 23 million) and developing the electricity network (18 million).

WASTE MANAGEMENT

In the Waste Management sector, **revenues** totalled € 352 million, up by 19.8% compared to the figure recorded at 30 June 2018, € 294 million. This increase is attributable for around € 44 million to consolidation of ACAM Ambiente and ReCos (+ € 10 million), from 1 April 2018 and San Germano from 1 January 2019 (€ 34 million), as well as to higher revenue from the activity of collection and intermediation of special waste and to an increase in disposal revenue.

The **Gross Operating Profit** (EBITDA) of € 84 million was up (+13.9%) compared to the € 74 million recorded in the first half of 2018 as a result of greater quantities of waste disposed of in the Group's plants (thanks also to the positive contribution of the REI landfill site in full operation from April 2018), of higher revenue from collection connected with the development of the door-to-door collection activity and from the aforementioned expansion of the consolidation scope.

In the first half of 2019, the Group managed 1,328,246 tonnes of **waste**.

At 30 June 2019, **gross investments** in the segment amounted to € 22 million, allocated mainly to the extraordinary maintenance of the various plants and to investments in equipment and vehicles supporting waste collection based on the door-to-door and separated method.

ENERGY (GENERATION, DISTRICT HEATING AND ENERGY EFFICIENCY)

Revenues for the Energy sector amounted to € 785 million, a 21.8% increase compared to the € 644 million recorded in the first six months of 2018. This growth derives primarily from greater production volumes and, to a lesser extent, from the positive effects of the increase in electricity prices.

Gross Operating Profit (EBITDA) for the sector came to € 166 million, down (-19.1%) compared to the € 206 million reported at 30 June 2018. The sharp drop in profit is mainly

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attributable to the recognition, in the first half of 2018, of the white certificates of previous years related to the Turin North plant (€ 60 million) and to the expiry of the incentives, through recognition of green certificates, on the hydroelectric production of the Pont Ventoux and Bussento hydroelectric plants (€ 22 million).
Net of these factors of discontinuity, the gross operating profit of the first half of 2019 would show an improvement of 33.9% compared to the € 124 million of operating profit in 2018. The period in question was distinguished by electricity prices (single national price – "Prezzo Unico Nazionale" - PUN) with a downward trend compared to the beginning of the year, but on average higher than the first half of the previous year. This context, together with a drop in gas prices, thanks also to a particularly mild thermal season, entailed an increase in the profitability of generation which made it possible to absorb the lower profitability of dispatching services (DSM) and the higher costs connected with the increase in ETS prices. The development of the energy efficiency activity (€ 5 million) and the recognition of certain items related to energy certificates (€ 15 million) contributed to the improvement in the profit.

During the first six months of 2019, total **electricity** produced amounted to 5,087 GWh, +22.5% compared to the 4,153 GWh recorded during the same period of the previous year. This was mainly due to the thermoelectric and cogeneration sector, where production totalled 4,443 GWh (+32%).

The trend in the **hydroelectric and renewables** sector was downward, recording at 30 June 2019 production of 644 GWh (-18.7%), as a result of the extraordinary rainfall in May and June 2018.

Heat production for district heating recorded 1,643 Gwht, up (+4.6%) compared to the first half of 2018. The 2% increase in district heating volumes, which went up from 87 to 89 million cubic metres, offset the negative thermal effect mentioned above.

At 30 June 2019, **gross investments** totalled € 22 million, mainly dedicated to cogeneration plants and district heating development.

MARKET

Revenues from the Market sector amounted to € 1,512 million, up (+21.9%) compared to the € 1,241 million seen at the end of the second quarter of 2018, thanks in part to the consolidation of Spezia Energy Trading (SET).

Gross Operating Profit (EBITDA) for the sector came to € 55 million, down by 13.4% compared to the € 63 million seen at 30 June 2018, although with a sharp recovery compared to the quarterly results. The reduction in profit is attributable to the lack of accounting effects associated with previous one-off adjustment items from the first half of 2018, related to both gas and electricity sales, and, regarding gas sales, also to an unfavourable season and worsening in the margin due to the particularly volatile energy scenario over recent months.

During the first six months of 2019, directly sold **electricity** totalled 4,756 GWh, up 22.6% with respect to the 3,878 GWh recorded during the same period the previous year, owing mainly to higher sales to the wholesaler segment.

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In addition, 1,633 million cubic metres of **gas** were purchased, up 6% compared to the 1,540 million cubic metres the previous year, mainly due to greater internal usage.

At 30 June 2019, **gross investments** totalled € 21 million, primarily for development of the customer base.

CONFERENCE CALL

The results at 30 June 2019 will be presented today, 31 July, at 5:30 pm (CET) as part of a conference call with the financial community, also offered as a webcast in “listen only” mode, at www.gruppoiren.it in the *Investors* section.

ALTERNATIVE PERFORMANCE MEASURES

A number of alternative performance measures (APMs) are used in this press release. These are not provided for in the international accounting standards adopted by the European Union (IFRS-EU), but 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 these measures are presented below:

- **Gross operating profit (EBITDA):** determined subtracting total operating expenses from total revenue. This APM is used by the Group in the context of documents, both internal to the Group and external, and is a useful tool for assessing the Group’s operating performance (as a whole and at the individual Business Unit level), also through comparison between the operating profit of the period with which the report is concerned and those of previous periods or financial years. This indicator also makes it possible to carry out analyses on operating performance and to measure performance in terms of operating efficiency over time.

- **Operating profit:** determined subtracting from Gross Operating Profit (EBITDA) depreciation, amortisation, provisions and operating impairment losses.

- **Net financial debt:** determined by the sum of Non-current financial liabilities net of Non-current financial assets and Current financial liabilities net of Current financial assets and of Cash and cash equivalents. This APM is used by the Group in the context of documents both internal and external to the Group and is a useful measure of the Group’s financial structure, also through comparison between the period with which the report is concerned and previous periods or financial years.

- **Investments:** determined by the sum of investments in intangible assets, property, plant and equipment and investment property and financial assets (equity investments) and presented gross of capital grants. This APM is used by the Group in the context of both external and internal Group documents and represents a measurement of the financial resources absorbed by purchases of durable goods during the period.

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Massimo Levrino, Financial Reporting Manager of IREN S.p.A declares, pursuant to paragraph 2 of Article 154-bis of the "Testo Unico della Finanza" [Consolidated Law on Finance], that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries.
The financial report at 30 June 2019 will be filed, in accordance with the law, at the company headquarters (Via Nubi di Magellano, 30 – Reggio Emilia, Italy) and with Borsa Italiana S.p.A., available to anyone who requests it, and will also be available on the Group's website, www.gruppoiren.it.

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Below are the accounting statements of the IREN S.p.A. Group, currently under review by independent auditing.

CONSOLIDATED INCOME STATEMENT AT 30/06/2019

thousands of euro

	First half 2019	First half 2018 Restated (*)	Change %
Revenue			
Revenue from goods and services	2,153,312	1,771,999	21.5
Change in work in progress	(9)	27	(**)
Other income	84,954	164,930	(48.5)
Total revenue	**2,238,257**	**1,936,956**	**15.6**
Operating expenses			
Raw materials, consumables, supplies and goods	(793,342)	(625,735)	26.8
Services and use of third-party assets	(723,349)	(598,190)	20.9
Other operating expenses	(34,831)	(25,344)	37.4
Capitalised expenses for internal work	14,255	13,804	3.3
Personnel expense	(222,930)	(195,644)	13.9
Total operating expenses	**(1,760,197)**	**(1,431,109)**	**23.0**
GROSS OPERATING PROFIT (EBITDA)	**478,060**	**505,847**	**(5.5)**
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(191,510)	(169,237)	13.2
Provisions for impairment of receivables	(16,845)	(16,436)	2.5
Other provisions and impairment losses	(12,053)	(5,154)	(**)
Total depreciation, amortisation, provisions and impairment losses	**(220,408)**	**(190,827)**	**15.5**
OPERATING PROFIT (EBIT)	**257,652**	**315,020**	**(18.2)**
Financial management			
Financial income	17,872	19,305	(7.4)
Financial expenses	(45,843)	(49,952)	(8.2)
Total financial income and expense	**(27,971)**	**(30,647)**	**(8.7)**
Share of profit (loss) of equity investments accounted for using the equity method	4,752	825	(**)
Value adjustments on equity investments	-	(329)	(100.0)
Profit (loss) before tax	**234,433**	**284,869**	**(17.7)**
Income tax expense	(70,197)	(88,239)	(20.4)
Net profit (loss) from continuing operations	**164,236**	**196,630**	**(16.5)**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**164,236**	**196,630**	**(16.5)**
attributable to:			
- Profit (loss) for the period attributable to shareholders	150,638	184,650	(18.4)
- Profit/(loss) for the period attributable to non-controlling interests	13,598	11,980	13.5

(*) As provided for in IFRS 3, the economic balances of the first half of 2018 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of financial year 2018, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the ACAM group companies and of Re.Cos.
(**) Change of more than 100%.

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RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 30/06/2019

thousands of euro

	30.06.2019	31.12.2018	Change %
Non-current assets	5,919,027	5,786,294	2.3
Other non-current assets (liabilities)	(434,776)	(431,648)	0.7
Net Working Capital	69,894	132,325	(47.2)
Deferred tax assets (liabilities)	163,802	148,745	10.1
Provisions for risks and employee benefits	(610,150)	(621,063)	(1.8)
Assets (Liabilities) held for sale	524	524	-
Net invested capital	**5,108,321**	**5,015,177**	**1.9**
Shareholders' equity	2,538,483	2,562,371	(0.9)
Non-current financial assets	*(145,154)*	*(147,867)*	*(1.8)*
Non-current financial debt	*3,065,955*	*3,013,303*	*1.7*
Non-current net financial debt	2,920,801	2,865,436	1.9
Current financial assets	*(572,224)*	*(849,993)*	*(32.7)*
Current financial debt	*221,261*	*437,363*	*(49.4)*
Current net financial debt	(350,963)	(412,630)	(14.9)
Net financial debt	2,569,838	2,452,806	4.8
Own funds and net financial debt	**5,108,321**	**5,015,177**	**1.9**

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CONSOLIDATED STATEMENT OF CASH FLOWS AT 30/06/2019

thousands of euro

	First half 2019	First half 2018 Restated (*)	Change %
A. Opening Net financial (debt)	**(2,452,806)**	**(2,371,785)**	**3.4**
Cash flows from operating activities			
Profit (loss) for the period	164,236	196,630	(16.5)
Adjustments for non-financial movements	349,303	328,666	6.3
Utilisations of employee benefits	(6,911)	(4,666)	48.1
Utilisations of provisions for risks and other charges	(25,236)	(11,784)	(**)
Change in other non-current assets and liabilities	(5,463)	(2,248)	(**)
Other changes in equity	(11,493)	(19,106)	(39.8)
Taxes paid	-	-	-
B. Cash flows from operating activities before changes in NWC	**464,436**	**487,492**	**(4.7)**
C. Cash flows from changes in NWC	**(17,306)**	**(85,110)**	**(79.7)**
D. Cash flows from/(used in) operating activities (B+C)	**447,130**	**402,382**	**11.1**
Cash flows from/(used in) investing activities			
Investments in property, plant and equipment and intangible assets	(196,960)	(164,179)	20.0
Investments in financial assets	(103)	-	-
Proceeds from the sale of investments and changes in assets held for sale	5,760	13,930	(58.7)
Changes in consolidation scope	(23,494)	(220,960)	(89.4)
Dividends received	785	1,224	(35.9)
E. Total cash flows from /(used in) investing activities	**(214,012)**	**(369,985)**	**(42.2)**
F. Free cash flow (D+E)	**233,118**	**32,397**	**(**)**
Cash flows from /(used in) financing activities			
Capital increase	-	52,622	(100.0)
Purchases of own shares	(7,959)	-	-
Dividends paid	(150,122)	(112,973)	32.9
Interest paid	(22,795)	(28,066)	(18.8)
Interest received	6,803	7,325	(7.1)
Change in fair value of hedging derivatives	(55,774)	5,241	(**)
Change in financial payables for leasing	(104,109)	-	-
Other changes	(16,194)	(12,549)	29.0
G. Total cash flows from /(used in) financing activities	**(350,150)**	**(88,400)**	**(**)**
H. Change in net financial (debt) (F+G)	**(117,032)**	**(56,003)**	**(**)**
I. Closing Net financial (debt) (A+H)	**(2,569,838)**	**(2,427,788)**	**5.9**

(*) As provided for in IFRS 3, the presentation of the cash flows of the first half of 2018 were restated to take into account, at the acquisition date, the effects deriving from the completion, at the end of financial year 2018, of the allocation of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of the ACAM group companies and of Re.Cos.
(**) Change of more than 100%

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