PRESS RELEASE

The Board of Directors approves the results at 30 September 2019: solid growth in all business sectors supported by the increase in investments (+13%) and by consolidation operations.

*The growth recorded in the first nine months of 2019, excluding the non-recurring positive effects of approximately € 87 million, generated a Gross Operating Profit (**EBITDA**) of € 675 million (**€ +56 million** compared to 30 September 2018) and a **Group Net Profit** of € 191 million (**€ +20 million**).*

Main financial and economic indicators

- **Revenues totalling € 3,190 million** (+13.0% compared to € 2,824 million at 30 September 2018).
- **Gross Operating Profit (EBITDA) of € 675 million** (-4.4% compared to € 706 million at 30 September 2018). Excluding the non-recurring positive elements of last year of € 87 million (€ 60 million of energy certificates and € 27 million hydroelectric green certificates), the EBITDA at 30 September 2018 would have been € 619 million, with consequent growth of € 56 million.
- **Operating Profit (EBIT) of € 344 million** (-16.1% compared to € 410 million at 30 September 2018). Excluding the non-recurring elements of last year the growth would have been € 21 million.
- **Group Net Profit of € 191 million** (-18.2% compared to € 234 million at 30 September 2018). Excluding the non-recurring elements of last year the growth would have been € 20 million.
- **Net financial debt of € 2,615 million**, up by approximately € 162 million compared to 31 December 2018. Excluding the impacts deriving from the application of IFRS 16 (105 million), the change in the scope of consolidation (72 million) and the change in the fair value of derivatives (38 million), the net financial position would be down by about 53 millions.

Business highlights

- Strong contribution of thermoelectric, cogenerative and heat production (€ +39 million).
- Organic growth of around € 24 million, supported by € 324 million in investments (+13%).
- Synergies totalling € 7 million.
- Positive effects of around € 11 million of EBITDA deriving from the inclusion of ACAM, San Germano, Spezia Energy Trading and Maira within the business.
- Solid customer base in the energy sectors (approximately 1.81 million customers), up by over 27,000 compared to 31 December 2018.

Iren Group | Images | Investor Relations Area | Iren Overview

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Reggio Emilia, 8 November 2019 - Late yesterday evening, the Board of Directors of IREN S.p.A. approved the consolidated results at 30 September 2019.

Renato Boero, the Group Chairperson said: *"The process of consolidation undertaken in the last few years by the Group continues alongside the organic growth activity supporting the development of Iren and of the territories of reference. In these first nine months of 2019 the contribution generated by the companies that came into the perimeter of the Group, ACAM, Spezia Energy Trading, San Germano and Maira was € 11 million. This process of growth in an external direction will continue also in the next few months, in line with what was announced on the occasion of the presentation of the Business Plan."*

Group CEO Massimiliano Bianco stated: *"The results just approved show the solidity of the management of each individual business which, net of the extraordinary and unrepeatable elements of last year, recorded a EBITDA up by € 56 million. "The Group has further confirmed not only the effectiveness of its operating management, supported by all the strategic lines, but also in terms of financial management, which saw financial expenses reduced by 10%, as well as a strengthening of the financial indices and of the liquidity profile following the sale of the equity investment in OLT. Finally in October, with the issue of the third Green Bond, Iren became the first Italian multiutility for number of green issues, for an amount of € 1.5 billion, confirming the constant attention that the Group pays to the issues of sustainability."*

IREN GROUP: CONSOLIDATED RESULTS AT 30 SEPTEMBER 2019

Consolidated **revenues** amounted to € 3,190 million at the end of the third quarter of 2019. The 13% increase compared to € 2,824 million in the same period of the previous year was due mainly to the contribution deriving from higher sales and production of electricity as well as from the expansion of the consolidation scope with ACAM La Spezia (from April 2018), Maira and Spezia Energy Trading (from October 2018), San Germano and CMT (from January 2019) and Ferrania Ecologia (from July 2019).

Gross Operating Profit (EBITDA) came to € 675 million, -4.4% compared to the € 706 million recorded during the first nine months of 2018.
The drop in profit is attributable firstly to the extraordinary recognition, in 2018, of approximately € 60 million of previous energy efficiency certificates and to the expiry in the first months of 2019 of the green certificates related to hydroelectric plants (approximately € 27 million). Net of the above discontinuity negative effects the gross operating profit would have shown an improvement of € 56 million. This improvement regarded all the business lines, with the sole exception of gas sales for which lower margins were recorded as a result of a decrease in volumes sold related to an unfavourable winter thermal season.

Operating Profit (EBIT) amounted to € 344 million, down (-16.1%) compared to the € 410 million of 30 September 2018. Excluding the non-recurring elements of last year the growth would be € 21 million. The drop in growth compared to that reported on EBITDA reflects the higher depreciation and amortisation of approximately € 32 million related mainly to expansion of the consolidation scope and application of IFRS16. In addition lower provisions for the impairment of receivables of € 11 million were recorded, as well as higher provisions for risks, net of releases, of € 13 million.

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Group Net Profit of € 191 million, -18.2% compared to € 234 million recorded at 30 September 2018. This reduction reflects the trend in EBIT and the increase in profit pertaining to non-controlling interests. Excluding the non-recurring elements of last year the growth would have been € 20 million.

Net Financial Debt at 30 September 2019 was of € 2,615 million, up by approximately € 162 million compared to 31 December 2018. Excluding the impacts deriving from the application of IFRS 16 (105 million), the change in the scope of consolidation (72 million) and the change in the fair value of derivatives (38 million), the net financial position would be down by about 53 millions.

Gross technical investments made during the period amounted to € 324 million, an increase compared to 30 September 2018 (+13%).

IREN GROUP: MAIN RESULTS BY BUSINESS AREA

(millions of euro)	30/09/2019	30/09/2018	Change %
Revenue	**3,190**	**2,824**	**13.0%**
Networks BU (energy and water infrastructures)	740	676	9.5%
Waste Management BU	531	456	16.4%
Energy BU (Generation, DH, En. Efficiency)	1,088	954	14.0%
Market BU	2,061	1,754	17.5%
Services and other	16	26	-37.6%
Netting and adjustments	-1,246	-1,042	19.6%
Gross Operating Profit (EBITDA)	**675**	**706**	**-4.4%**
Networks BU (energy and water infrastructures)	264	246	7.5%
Electrical networks	*55*	*52*	*4.7%*
Gas networks	*63*	*60*	*5.4%*
Water networks	*146*	*134*	*9.5%*
Waste Management BU	126	116	8.4%
Energy BU (Generation, DH, En. Efficiency)	199	257	-22.8%
Market BU	84	83	2.0%
Electricity	*27*	*22*	*25.2%*
Gas and other services	*57*	*61*	*-6.6%*
Services and other	2	4	-52.3%
Operating Profit (EBIT)	**344**	**410**	**-16.1%**
Networks BU (energy and water infrastructures)	140	136	3.1%
Waste Management BU	55	61	-9.6%
Energy BU (Generation, DH, En. Efficiency)	101	171	-40.9%
Market BU	47	41	14.6%
Services and other	1	2	-34.2%

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NETWORKS (WATER AND ENERGY INFRASTRUCTURES)

Revenues of the Networks sector amounted to € 740 million, up by 9.5% compared to € 676 million recorded in the first nine months of 2018. Revenues contributed by the consolidation of ACAM Acque and Busseto Servizi were part of the increase.

Gross Operating Profit (EBITDA) came out at € 264 million, up by 7.5% with respect to the € 246 million seen at 30 September 2018. The increase in revenue from regulated activities, the significant synergies and efficiencies and the positive effects of the consolidation supported the business unit's growth trend.

During the reference period, the Group distributed 2,852 GWh of **electricity**, 880 million cubic metres of **gas** and 131 million cubic metres of **water**.

At 30 September 2019 **gross investments** in the sector amounted to € 183 million, in particular targeted at obtaining the infrastructure envisaged in the Plans related to the integrated water cycle (€ 122 million), modernising the gas networks and smart meters installation (€ 34 million) and new connections and substations of the electricity network (€ 27 million).

WASTE MANAGEMENT

In the Waste Management sector, **revenues** totalled € 531 million, up by 16.4% compared to the figure recorded at 30 September 2018, € 456 million. This increase was mainly due to the effects of consolidation of the companies in which the controlling interests have been acquired (ACAM Ambiente, ReCos, San Germano, CMT and Ferrania Ecologia), as well as to higher revenues of the activity of intermediating special waste and to the increase in disposal revenues.

Gross Operating Profit (EBITDA) came to € 126 million, an improvement (+8.4%) with respect to the € 116 million recorded at 30 September 2018.
The improvement of the margin is mainly attributable to the positive contribution of the waste collection activities and of the expansion of the scope of the consolidation. As regards the disposal activities the margin fell owing mainly to the drop in the transfer price of electricity produced by the waste-to-energy plants, only partially offset by increased revenues for higher quantities disposed and higher prices for the disposal of special waste.

At 30 September 2019, **gross investments** in the segment amounted to € 34 million, allocated 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 from the Energy sector amounted to € 1,088 million, a 14% increase with respect to the € 954 million seen in the first nine months of 2018 mainly as a result of the higher electricity production.

Gross Operating Profit (EBITDA) for the sector came to € 199 million, down (-22.8%) compared to the € 257 million reported at 30 September 2018. The significant drop in profit

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is mainly attributable to the absence of the extraordinary recognition, made in 2018, of approximately € 60 million of previous energy efficiency certificates and to the expiry from first months of 2019 of the green certificates related to the hydroelectric plants of Pont Ventoux and Bussento recognised in the first nine months of 2018, for approximately € 27 million.
Net of these factors of operating discontinuity the gross operating profit would show an improvement of €29 million compared to the € 170 million of 2018 recalculated. The first nine months of 2019 were characterised by a trend in the average price in the period of electricity (PUN) of 53.8 €/MWh on average lower than the 58.9 €/MWh of the corresponding period of 2018. Despite this context, the drop in gas prices, thanks also to a particularly mild winter thermal season, entailed an increase in the profitability of thermoelectric generation which made it possible to absorb the lower profitability of dispatching services (MSD) and the higher costs connected with the increase in ETS prices. The recognition of certain items related to energy certificates of earlier years, the recognition of prices of the capacity payment, the expansion of the district heating volumes the development of the energy efficiency activities.

During the first nine months of 2019, total **electricity** produced amounted to 7,222 GWh, +18.7% compared to the 6,082 GWh recorded during the same period the previous year. This was due mainly to thermoelectric and cogenerative generation, the production of which came out at 6,207 GWh, while hydroelectric production fell (-15.9%) to 1,015 GWh, as a result of the extraordinary rainfall that had characterised May and June 2018.

Heat production in the period was 1,822 GWht, up by +5.6% compared to the 1,725 GWht of the previous year. Overall district heating volumes amounted to approximately 94 million m³, up by +1.6% compared to the approximately 92 million m³ of 2018 also as a result of the rental of the SEI Energia business unit.

At 30 September 2019, **gross investments** totalled € 43 million, mainly dedicated to cogeneration plants and district heating development.

MARKET

Revenues of the Market sector amounted to € 2,061 million, up (+17.5%) compared to the € 1,754 million recorded at the end of the third quarter of 2018, thanks in part to the consolidation of Spezia Energy Trading.

Gross Operating Profit (EBITDA) for the sector came to € 84 million, up by 2% compared to the 83 million recorded at 30 September 2018. The increase in EBITDA was due to the improvement of the margin on sales of electricity which absorbed the drop recorded by gas sales owing to the combined effects of an unfavourable winter thermal season and a worsening of margins, the consequence of a particularly volatile energy scenario.

Electricity sold directly during the first nine months of 2019 totalled 7,020 GWh, up by 10.8% compared to the 6,334 GWh recorded in the same period of the previous year, owing to higher sales on the free market attributable mainly to the wholesalers segment and small business segment of final customers, while sales of both the business and the retail segments declined. Sales on the protected market also fell compared to the corresponding period of the previous year.

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In addition, 2,219 million cubic metres of **gas** were purchased, up by 9% compared to the 2,041 million cubic metres of the previous year, mainly due to less gas sold, set against an increase in gas used for internal purposes.

At 30 September 2019 **gross investments** totalled € 30 million, primarily for development of the “New Downstream” project and for e-mobility initiatives.

CONFERENCE CALL

The results at 30 September 2019 will be presented today, 8 November, at 10:30 (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.

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 September 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.

Below are the accounting statements of the IREN S.p.A. Group, not subject to independent auditing.

CONSOLIDATED INCOME STATEMENT AT 30/09/2019

thousands of euro

	First 9 months 2019	First 9 months 2018 Restated (*)	Change %
Revenue			
Revenue from goods and services	3,060,683	2,611,335	17.2
Change in work in progress	(17)	1	(**)
Other income	129,184	212,723	(39.3)
Total revenue	**3,189,850**	**2,824,059**	**13.0**
Operating expenses			
Raw materials, consumables, supplies and goods	(1,074,316)	(924,150)	16.2
Services and use of third-party assets	(1,083,180)	(887,046)	22.1
Other operating expenses	(52,326)	(39,303)	33.1
Capitalised expenses for internal work	22,014	23,394	(5.9)
Personnel expense	(326,957)	(290,825)	12.4
Total operating expenses	**(2,514,765)**	**(2,117,930)**	**18.7**
GROSS OPERATING PROFIT (EBITDA)	**675,085**	**706,129**	**(4.4)**
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(290,800)	(258,413)	12.5
Provisions for impairment of receivables	(23,719)	(34,275)	(30.8)
Other provisions and impairment losses	(16,489)	(3,339)	(**)
Total depreciation, amortisation, provisions and impairment losses	**(331,008)**	**(296,027)**	**11.8**
OPERATING PROFIT (EBIT)	**344,077**	**410,102**	**(16.1)**
Financial income and expenses			
Financial income	22,719	25,652	(11.4)
Financial expenses	(68,487)	(71,382)	(4.1)
Total financial income and expense	**(45,768)**	**(45,730)**	**0.1**
Share of profit (loss) of associates accounted for using the equity method	4,704	(741)	(**)
Value adjustments on equity investments	-	(329)	(100.0)
Profit (loss) before tax	**303,013**	**363,302**	**(16.6)**
Income tax expense	(90,697)	(110,193)	(17.7)
Net profit (loss) from continuing operations	**212,316**	**253,109**	**(16.1)**
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	**212,316**	**253,109**	**(16.1)**
attributable to:			
- Profit (loss) for the period attributable to shareholders	191,120	233,731	(18.2)
- Profit (loss) for the period attributable to non-controlling interests	21,196	19,378	9.4

(*) As provided for in IFRS 3, the economic balances of the first nine months 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 30/09/2019

thousands of euro

	30.09.2019	31.12.2018	Change %
Non-current assets	5,987,139	5,786,294	3.5
Other non-current assets (liabilities)	(434,077)	(431,648)	0.6
Net Working Capital	107,984	132,325	(18.4)
Deferred tax assets (liabilities)	166,916	148,745	12.2
Provisions for risks and employee benefits	(620,714)	(621,063)	(0.1)
Assets (Liabilities) held for sale	524	524	-
Net invested capital	**5,207,772**	**5,015,177**	**3.8**
Shareholders’ equity	2,593,044	2,562,371	1.2
Non-current financial assets	(157,724)	(147,867)	*6.7*
Non-current financial debt	3,082,182	3,013,303	*2.3*
Non-current net financial debt	2,924,458	2,865,436	2.1
Current financial assets	(560,564)	(849,993)	*(34.1)*
Current financial debt	250,834	437,363	*(42.6)*
Current net financial debt	(309,730)	(412,630)	(24.9)
Net financial debt	2,614,728	2,452,806	6.6
Own funds and net financial debt	**5,207,772**	**5,015,177**	**3.8**

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CONSOLIDATED STATEMENT OF CASH FLOWS AT 30/09/2019

thousands of euro

	First 9 months 2019	First 9 months 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	212,316	253,109	(16.1)
Adjustments for non-financial movements	515,133	485,153	6.2
Utilisations of employee benefits	(9,698)	(8,448)	14.8
Utilisations of provisions for risks and other charges	(36,385)	(20,826)	74.7
Change in other non-current assets and liabilities	(6,162)	5,134	(**)
Other changes in equity	(25,564)	(28,911)	(11.6)
Taxes paid	(88,738)	(54,099)	64.0
B. Cash flows from operating activities before changes in NWC	**560,902**	**631,112**	**(11.1)**
C. Cash flows from changes in NWC	**(1,914)**	**(52,045)**	**(96.3)**
D. Cash flows from/(used in) operating activities (B+C)	**558,988**	**579,067**	**(3.5)**
Cash flows from/(used in) investing activities			
Investments in property, plant and equipment and intangible assets	(323,824)	(286,483)	13.0
Investments in financial assets	(118)	(300)	(60.7)
Proceeds from the sale of investments and changes in assets held for sale	6,652	14,902	(55.4)
Changes in consolidation scope	(54,453)	(233,366)	(76.7)
Dividends received	1,289	1,698	(24.1)
E. Total cash flows from /(used in) investing activities	**(370,454)**	**(503,549)**	**(26.4)**
F. Free cash flow (D+E)	**188,534**	**75,518**	**(**)**
Cash flows from /(used in) financing activities			
Capital increase	-	52,622	(100.0)
Purchases of own shares	(8,870)	-	-
Dividends paid	(150,122)	(112,973)	32.9
Interest paid	(40,146)	(39,932)	0.5
Interest received	10,460	10,480	(0.2)
Change in fair value of hedging derivatives	(37,620)	10,709	(**)
Change in financial payables for leasing	(105,913)	-	-
Other changes	(18,245)	(19,522)	(6.5)
G. Total cash flows from /(used in) financing activities	**(350,456)**	**(98,616)**	**(**)**
H. Change in net financial (debt) (F+G)	**(161,922)**	**(23,098)**	**(**)**
I. Closing Net financial (debt) (A+H)	**(2,614,728)**	**(2,394,883)**	**9.2**

(*) As provided for in IFRS 3, the cash flows of the first nine months 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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