# **Consolidated** Quarterly Report
at 31 March **2020**

# Summary

# COMPANY OFFICERS

**Board of Directors** [(1)]

| | |
|---|---|
| Chairperson | Renato Boero [(2)] |
| Deputy Chairperson | Moris Ferretti [(3)] |
| Chief Executive Officer and General Manager | Massimiliano Bianco [(4)] |
| Directors | Sonia Maria Margherita Cantoni [(5)] |
| | Enrica Maria Ghia [(6)] |
| | Pietro Paolo Giampellegrini [(7)] |
| | Alessandro Giglio [(8)] |
| | Francesca Grasselli [(9)] |
| | Maurizio Irrera [(10)] |
| | Cristiano Lavaggi [(11)] |
| | Ginevra Virginia Lombardi [(12)] |
| | Giacomo Malmesi [(13)] |
| | Gianluca Micconi |
| | Tiziana Merlino |
| | Licia Soncini [(14)] |

**Board of Statutory Auditors** [(15)]

| | |
|---|---|
| Chairperson | Michele Rutigliano |
| Standing Auditors | Cristina Chiantia |
| | Simone Caprari |
| Supplementary Auditors | Donatella Busso |
| | Marco Rossi |

**Financial Reporting Manager**
Massimo Levrino

**Independent Auditors**
PricewaterhouseCoopers S.p.A. [(16)]

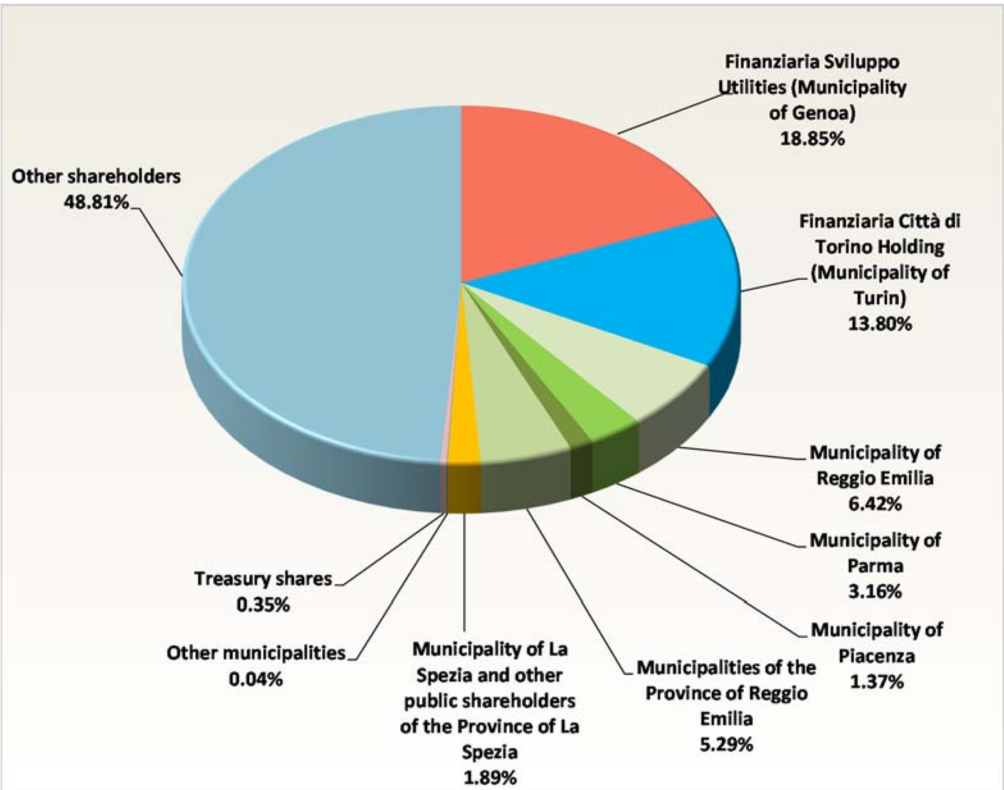
(1) Appointed by the Shareholders' Meeting of 22 May 2019 for the three years 2019-2020-2021.
(2) Appointed Chairperson by the Shareholders' Meeting of 22 May 2019.
(3) Appointed Deputy Chairperson at the meeting of the Board of Directors of 22 May 2019.
(4) Appointed Chief Executive Officer at the meeting of the Board of Directors of 22 May 2019. At the Board of Directors meeting of 2 July 2019, Mr Bianco was also appointed General Manager of the Company.
(5) Member of the Control, Risk and Sustainability Committee appointed on 22 May 2019.
(6) Member of the Control, Risk and Sustainability Committee appointed on 22 May 2019.
(7) Member of the Remuneration and Appointments Committee, appointed on 22 May 2019. Mr Giampellegrini was also appointed Chairperson of the Remuneration and Appointments Committee during the Board of Directors meeting held on 30 May 2019.
(8) Member of the Transactions with Related Parties Committee, appointed on 22 May 2019.
(9) Member of the Transactions with Related Parties Committee from 22 May to 30 May 2019 and member of the Remuneration and Appointments Committee from 30 May 2019.
(10) Member of the Remuneration and Appointments Committee, appointed on 22 May 2019.
(11) Member of the Remuneration and Appointments Committee from 22 May to 30 May 2019 and member of the Control, Risk and Sustainability Committee from 30 May 2019.
(12) Member of the Transactions with Related Parties Committee, appointed on 30 May 2019.
(13) Member of the Control, Risk and Sustainability Committee appointed on 22 May 2019 and member of the Transactions with Related Parties Committee, appointed on 30 May 2019. Mr Malmesi was also appointed Chairperson of the Control, Risk and Sustainability Committee during the Board of Directors meeting held on 30 May 2019.
(14) Member of the Transactions with Related Parties Committee, appointed on 22 May 2019. Ms Soncini was also appointed Chairperson of the Transactions with Related Parties Committee during the full Committee meeting held on 29 May 2019.
(15) Appointed by the Shareholders' Meeting of 19 April 2018 for the three years 2018-2019-2020.
(16) Appointed by the Shareholders' Meeting of 14 May 2012 for the nine years 2012–2020.

# SHAREHOLDING STRUCTURE

The Company's Share Capital amounts to 1,300,931,377 euro, fully paid up, and is made up of ordinary shares with a par value of 1 euro each.

We can note that, in accordance with the purchase programme resolved by the Shareholders' Meeting of 5 April 2019, as of 27 March 2020, a second tranche of the treasury share purchase programme was begun. At 31 March 2020, Iren S.p.A. holds 4,611,447 treasury shares, equal to 0.35% of share capital. For more information on the subject please see what is presented in the chapter "Significant events of the period".

At 31 March 2020, based on available information, the Iren shareholding structure was as follows:




At the same date there were no private shareholders that held a stake of more than 3% of the share capital.

# A century of **history**

**1905** The Parma municipal company for electric lighting is founded

**1907** The Turin municipal company AEM is founded

**1922** The Genoa municipal company for gas is founded

**1936** The Genoa municipal company becomes AMGA

**1962** The Reggio Emilia municipal company AMG is founded

**1965** The Parma municipal company becomes AMPS

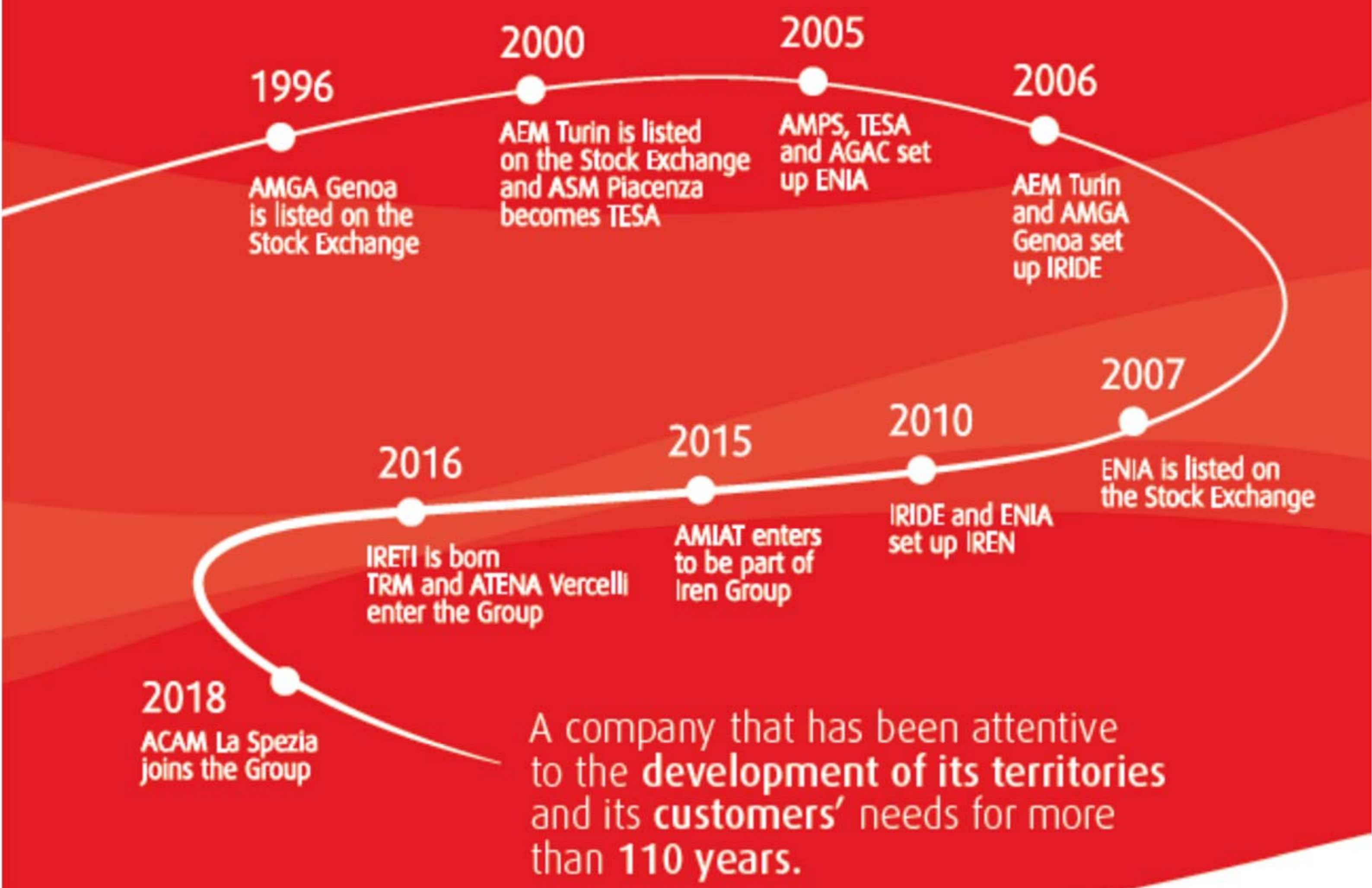
**1972** The Piacenza municipal company ASM is founded

**1994** From the Reggio Emilia municipal company AGAC is set up

# Mission

Offering our customers and our territories the best integrated management of energy, water and environmental resources with innovative and sustainable solutions to create value over time.

For everyone, every day.




# Vision

Improving people's quality of life. Making companies more competitive. Looking at territorial growth with a focus on change. Merging development and sustainability into one unique value. We are the multi-utility company that wants to realise this future through innovative choices.

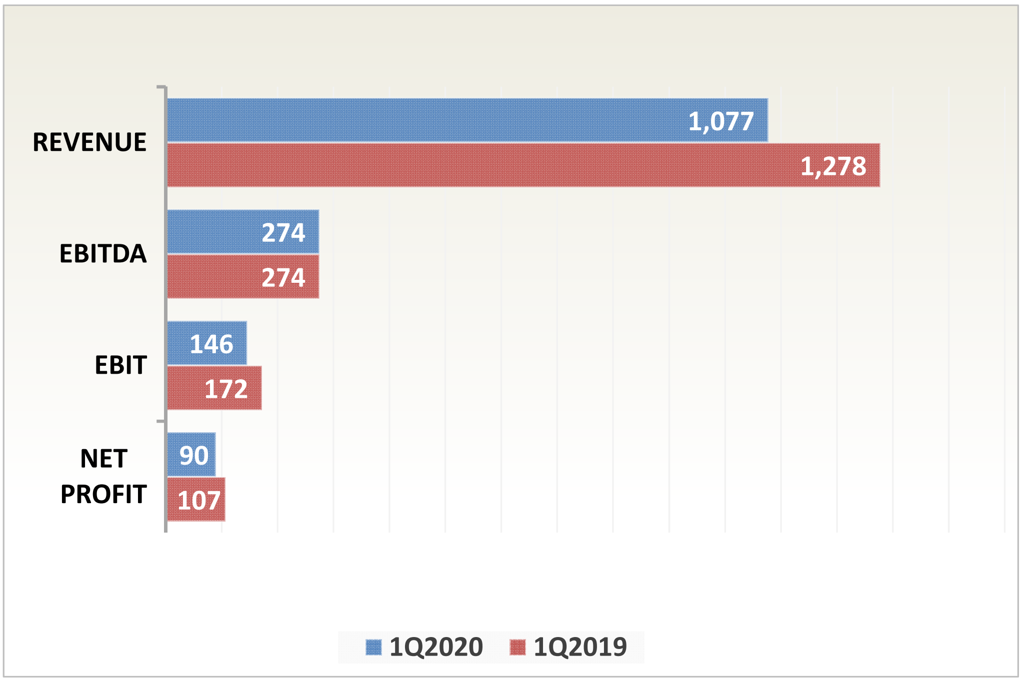
For everyone, every day.

# KEY FIGURES OF THE IREN GROUP: FIRST QUARTER 2020 HIGHLIGHTS

## Economic data

millions of euro

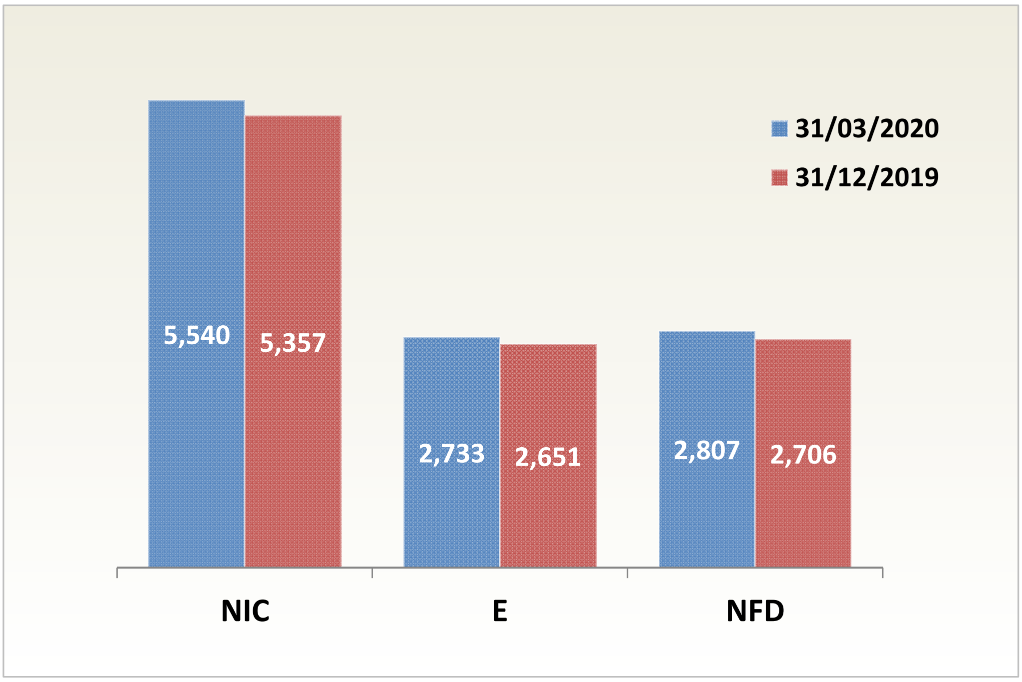
| | First 3 months 2020 | First 3 months 2019 | Changes % |
|---|---|---|---|
| Revenue | 1,077.2 | 1,277.6 | (15.7) |
| EBITDA | 274.4 | 274.2 | 0.1 |
| EBIT | 145.5 | 171.8 | (15.3) |
| Net profit | 89.5 | 106.6 | (16.1) |
| | | | |
| EBITDA Margin (EBITDA/Revenue) | 25.5% | 21.5% | |



## Financial position data

millions of euro

| | 31.03.2020 | 31.12.2019 | Changes % |
|---|---|---|---|
| Net Invested Capital (NIC) | 5,540.0 | 5,357.1 | 3.4 |
| Equity (E) | 2,732.8 | 2,651.5 | 3.1 |
| Net Financial Debt (NFD) | 2,807.2 | 2,705.6 | 3.8 |
| | | | |
| Debt/Equity (Net Financial Debt/Equity) | 1.03 | 1.02 | |

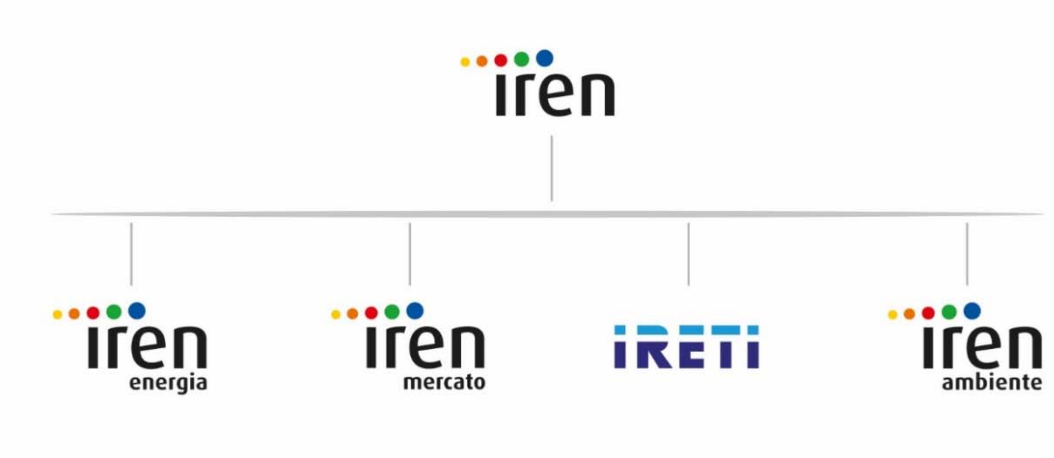



## Technical and commercial figures

| | First 3 months 2020 | First 3 months 2019 | Changes % |
|---|---|---|---|
| Electricity produced (GWh) | 2,777 | 2,985 | (7.0) |
| Thermal energy produced (GWht) | 1,324 | 1,404 | (5.7) |
| Electricity distributed (GWh) | 932 | 989 | (5.8) |
| Gas introduced into the network (mln $m^3$) | 540 | 566 | (4.6) |
| Water distributed (mln $m^3$) | 43 | 44 | (2.3) |
| Electricity sold (GWh) | 4,779 | 5,079 | (5.9) |
| Gas sold (mln $m^3$)* | 978 | 1,026 | (4.7) |
| District heating volume (mln $m^3$) | 95.0 | 93.8 | 1.3 |
| Waste handled (tonnes) | 670,511 | 649,573 | 3.2 |

* of which, 500 mln $m^3$ for internal use in the first quarter of 2020 (560 mln $m^3$ in the first quarter of 2019, -10.7%)

# THE CORPORATE STRUCTURE OF THE IREN GROUP




The Group is structured according to a model which provides for an industrial holding company, with registered office in Reggio Emilia, and four companies responsible for the single business lines operating in the main operating bases of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli and La Spezia.
The Holding is responsible for the strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and guidance of the companies operating in their respective sectors:

- Networks, which operates in the field of the integrated water cycle, and in the gas distribution and electricity distribution sectors;
- Waste Management, which performs the activities of waste collection and disposal;
- Energy, operating in the sectors of electricity production, district heating and energy efficiency;
- Market, active in the sale of electricity, gas, heat and customer services

## NETWORKS BU

The lead company IRETI and the business unit's subsidiaries handle the integrated water cycle, electricity distribution, natural gas distribution and other minor activities.

**Integrated Water Services**
IRETI, directly and through the operating subsidiaries Iren Acqua, Iren Acqua Tigullio, ASM Vercelli and ACAM Acque, as mentioned above, operates in the field of water supply, sewerage and waste water treatment in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia, Vercelli, La Spezia, and several municipalities in Piedmont and Lombardy.
Overall, in the Ambiti Territoriali Ottimali (ATOs) Optimal Territorial Areas] managed, the service is provided in 242 municipalities through a distribution network of 19,870 kilometres, serving almost 2.8 million residents. As regards waste water, the Networks BU manages a sewerage network spanning a total of 11,107 kilometres.

**Gas distribution**
IRETI distributes natural gas in 70 municipalities of the Provinces of Reggio Emilia, Parma and Piacenza, in the Municipality of Genoa and in 20 other municipalities nearby. Through ASM Vercelli it distributes gas in the city of Vercelli, in 8 municipalities of the same province and in 3 other municipalities located in Piedmont and Lombardy. The distribution network, made up of 8,099 kilometres of high, medium and low-pressure pipes, serves a catchment area of approximately 743 thousand redelivery points.

**Electricity distribution**
IRETI provides the electricity distribution service in the cities of Turin, Parma and, through ASM Vercelli, in the city of Vercelli with 7,742 kilometres of network in medium and low voltage, and a total of more than 721 thousand connected users.

## WASTE MANAGEMENT BU

The Waste Management Business Unit carries out waste collection, processing and disposal activities mainly through geographically-distributed companies: Iren Ambiente, operating in the Emilia area, AMIAT, TRM, ASM Vercelli and Territorio e Risorse, operating in the Piedmont area, ACAM Ambiente, ReCos and Ferrania Ecologia operating in the Liguria area. Finally, the subsidiary San German operates in Sardinia and Lombardy, as well as in Piedmont and Emilia Romagna.
The Waste Management BU carries out all the activities of the urban waste management chain (collection, selection, recovery and disposal), with particular attention to sustainable development and to environmental protection confirmed by growing levels of separated waste collection; it also manages an important customer portfolio to which it provides all the services for special waste disposal.
Through these activities, the Waste Management BU serves a total of 297 municipalities for a total of more than 3.0 million residents present in its operating areas; the plant assets of the integrated waste cycle consist mainly of 3 waste-to-energy plants (TRM, owned by the company of the same name, in Turin, the Integrated Environmental Hub (Polo Ambientale Integrato -PAI), in Parma, and Tecnoborgo, in Piacenza, these latter owned by the lead company Iren Ambiente), 2 active landfill sites, 197 equipped ecological stations and 36 treatment, selection, biodigestion storage and composting plants. These figures take into account the plant assets contributed by the changes in the perimeter that occurred during 2019 with entry of new companies into the group (San Germano at the beginning of the year, Ferrania Ecologia in July and Territorio e Risorse in October).

Consolidation of the Waste Management BU to manage all phases of the waste cycle continued with the establishment on 21 January 2020 of Rigenera Materiali S.r.l., with offices in Genoa, fully held by Iren Ambiente. The company will design, build, manage and operate a Mechanical/Biological Processing plant (MBP) for residual municipal waste, to be built in the Plant Hub in Scarpino (Genoa). The plant will have a processing capacity of 100 Ktonnes/year and will separate dry and wet municipal solid waste, sending them to disposal or recovery, obtaining from the latter secondary solid fuel.

## ENERGY BU

**Production of electricity and heat**
The Energy BU’s installed capacity totals 2,852 MW of electricity and approximately 2,300 MW of heat. Specifically, it has 28 electricity production plants directly available to it: 20 hydroelectric plants (of which 3 mini-hydro plants), 6 thermoelectric cogeneration plants and 1 conventional thermoelectric plant, to which must be added 1 cogeneration plant managed on the basis of a business unit rental contract. The business unit also has 194 photovoltaic production plants with installed capacity of 20 MW.
All primary energy sources used are eco-friendly because they are mainly hydroelectric and co-generative. In particular, the hydroelectric production system plays an important role in environmental protection, as it uses a renewable and clean resource, without the emission of pollutants, and reduces the need to make use of other forms of production that have a greater environmental impact.

On the thermoelectric side, at the Group level over 34% of total heat production capacity serving district heating comes from cogeneration plants owned by Iren, producing 80% of the heat destined for district heating. The portion of heat production relative to conventional heat generators is 58%, with 16% heat production for district heating. The remainder is produced by plants of the group that do not belong to the energy BU (waste to energy plants). Iren Energia also oversees the Group’s electricity and thermal energy planning and dispatching activities, as well as operations on the power exchange.

**District heating**
Iren Energia has the largest district heating network in the country with more than 1,041 kilometres of dual pipes. The extension of the network amounts to 679 kilometres in the territory of Turin of which 76 kilometres of network situated in the area managed thanks to rental of the business unit of SEI Energia, operating in the municipalities of Grugliasco, Rivoli and Collegno (Metropolitan City of Turin), 10 in the Municipality of Genoa, 220 in the Municipality of Reggio Emilia, 103 in the Municipality of Parma and 29 in the Municipality of Piacenza. The total volume heated amounts, in the catchment area historically served

by the company's networks, to 89.8 million $m^3$. To this volume must be added the 5.2 million $m^3$ of volumes heated in the area of the business unit, making the total 95.0 million $m^3$.

**Energy efficiency services**

Iren Energia, through its subsidiary Iren Smart Solutions), operates in the energy efficiency sector, carrying out activities of planning, creation and management of projects for the reduction of energy consumption, saving and efficiency; its handles the supply of energy services and global services destined for residential buildings, private and public structures and industrial and commercial complexes guaranteeing maintenance and conduction of heating, conditioning, plumbing, sanitary, refrigeration and electrical systems, and of solar panels, as well as their design and installation. Iren Smart Solutions also handles the development and management of public lighting and traffic lights and similar services.

## MARKET BU

Through Iren Mercato, Atena Trading and Salerno Energia Vendite, the Group sells electricity, gas and heat, through district heating networks, supplies fuel for the Group, and provides customer management services to the Group's investee companies.
Iren Mercato operates, in the context of the free market, all over the country, with a higher concentration of customers served in Central and Northern Italy, and handles the sale of the energy provided by the Group's various sources on the market, represented by final customers and wholesalers. The main Group energy sources available for its activities are the thermoelectric and hydroelectric plants of Iren Energia.

Iren Mercato also acts as "higher protection" service operator for retail customers in the electricity market in the Province of Turin and the Parma area. Through the signing of a contract to purchase a business unit effective as of 1 January 2020, Iren Mercato extended this activity to the Sanremo catchment of users, in the province of Imperia. The operation between AMAIE S.p.A., owned by the municipality of Sanremo, and Iren Mercato, completed at the end of 2019, transferred to the latter the business unit known as Sanremo Luce, bringing a portfolio of around 21 thousand customers in the enhanced protection segment, with expected consumption of around 50 GWh annually.

Historically, Iren Mercato has operated in the direct sale of natural gas in the territories of Genoa, Turin and Emilia. Lastly, it handles heat sales to district heating customers in the Municipality of Turin and the provincial capitals of Reggio Emilia, Parma, Piacenza and Genoa and sales development in new district heating areas.

Among the commercial proposals in being, we can note the "New downstream" business line, destined for the sale to retail customer of innovative products in the area of domotics, energy saving and maintenance of domestic systems, and "IrenGO at zero emissions", the innovative offer for electric mobility aimed at private customers, businesses and public bodies with the objective of reducing the environmental impact of movements. On this subject, the Group has already tested the potentials and benefits of e-mobility through the internal launch of a series of initiatives, such as the installation of recharging infrastructures and the gradual introduction of electric vehicles. All the IrenGO internal and external electric mobility initiatives benefit from 100% green energy supply coming from the Group's hydroelectric plants.

**Sale of Natural Gas**
Retail gas customers managed by the Market Business Unit amounted to more than 900 thousand, mainly spread throughout the traditional Genoa, Turin and Emilia Romagna catchment area and surrounding and developing areas, and customers of the catchment areas of Vercelli, Campania (respectively through ATENA Trading and Salerno Energia Vendite) and La Spezia.
In particular, Salerno Energia Vendite is present in almost all the provinces in Campania as well as in a number of municipalities of the Basilicata, Calabria, Tuscany and Lazio regions.

**Sale of electricity**
Retail electricity customers managed are more than 930 thousand, distributed mainly in the areas traditionally served, corresponding to Turin and Parma, and in the other areas covered commercially by Iren Mercato and by ATENA Trading, extended to the municipality of Sanremo as of January.

**Sale of heat through the district heating network**
Iren Mercato manages the sale of heat, purchased from Iren Energia, to customers receiving district heating in the municipalities of Turin, Nichelino, Beinasco (Turin area), Genoa, Reggio Emilia, Piacenza and Parma.

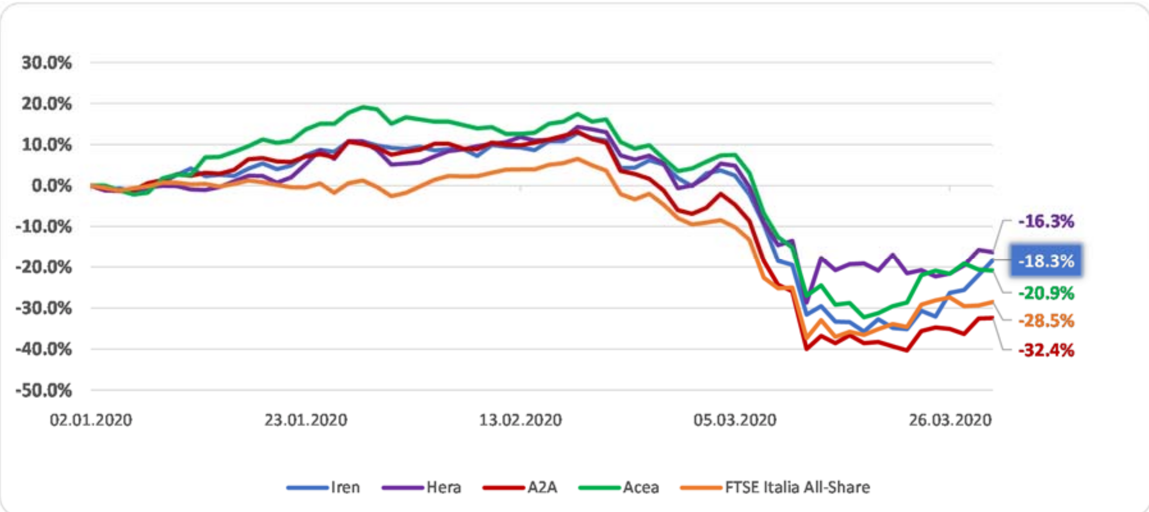
# INFORMATION ON THE IREN STOCK IN THE FIRST QUARTER OF 2020

**Iren stock performance on the Stock Exchange**
In the first quarter of 2020, the FTSE Italia All-share (the main Borsa Italiana index), recorded a drop of 28.5%. To better understand the performance of financial markets during the period, two distinct phases must be analysed, distinguished by the spread of the Coronavirus epidemic.
From the start of the year through mid-February, financial markets showed positive performance, supported by the economic agreement reached between China and the United States and the then solid prospects for global economic growth, confirmed by the International Monetary Fund.
Towards the end of February, awareness that the pandemic would impact all developed countries, the consequent lockdown measures adopted by governments and the simultaneous worsening of economic prospects led to significant decrease in prices in shares on all international stock markets.
The external shock was also accompanied by a collapse in the price of oil, which lost more than 50% from the beginning of the year due to lower demand and high production.

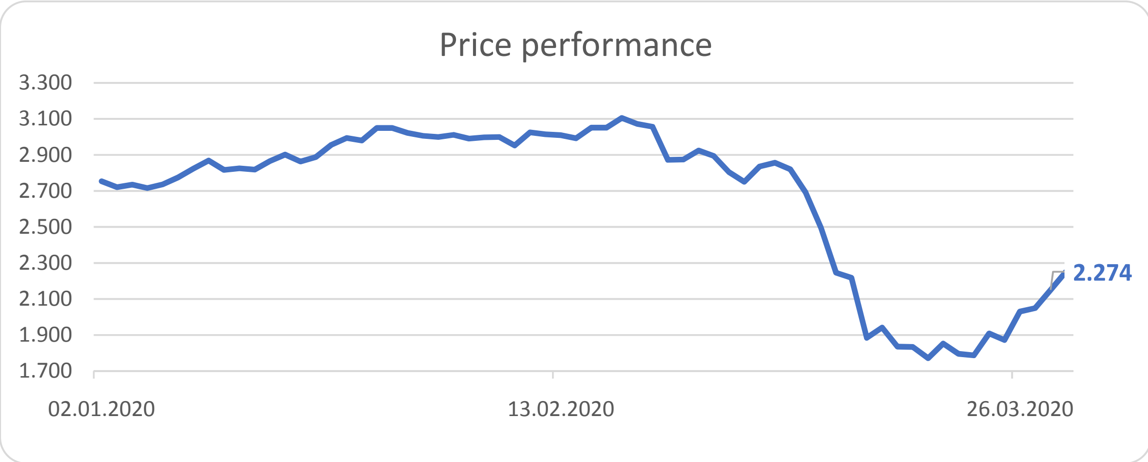
Even in this context, utilities, especially those with high levels of exposure relative to regulated sectors, contained their stock market losses, compared both to other sectors and the main stock index. In fact, from a minimum of 1.77 euro/share during the period, recorded on 18 March 2020, the Iren stock recovered around 27%, ending at 2.25 euro/share on 31 March 2020, the last trading day for the first quarter. In any case, the figure is down by 18.3% with respect to the price at the beginning of the year.

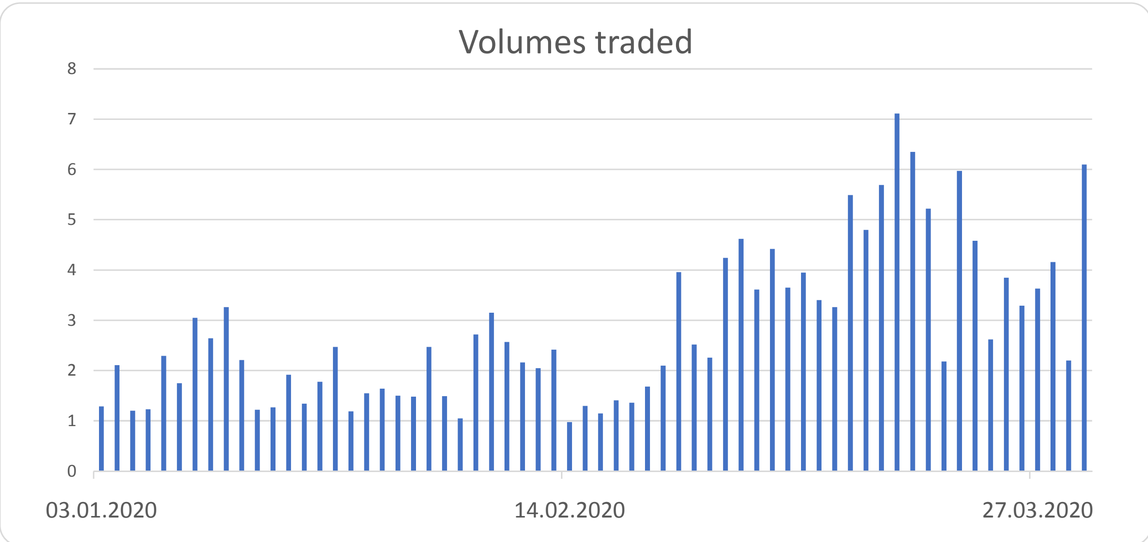
Note that, prior to the spread of the epidemic, national lockdown measures and the consequent decrease in share prices on financial markets, the Iren stock had reached a historical maximum on 19 February 2020 (3.10 euro/share), bringing Group market capitalisation over 4 billion euro.

**Performance of Iren stock compared to competitors**



The two charts below show the price performance and volumes traded in Iren stock in the first quarter of 2020.
Average daily volumes traded during the period came to around 2.837 million pieces, while the average price during the first quarter 2020 was 2.668 euro/share.




**Share coverage**

During the period the Iren Group was followed by eight brokers: Banca IMI, Banca Akros, Equita, Fidentiis, Intermonte, KeplerCheuvreux, Main First and Mediobanca.

# Directors' Report

at 31 March 2020

# SIGNIFICANT EVENTS OF THE PERIOD

**Manifestation of interest for the acquisition of the gas sales business unit of Sidigas.com**

In January 2020 SI.DI.GAS – Società Irpina DIstribuzione GAS S.p.A. accepted the binding manifestation of interest presented by Iren regarding the acquisition of a business unit of its subsidiary Sidigas.com S.r.l. related to natural gas sales, with a portfolio of approximately 55 thousand customers (95% of which in the retail segment), distributed over 78 Municipalities mainly in the Province of Avellino.

The operation is subordinated to fulfilment of a number of conditions precedent, on fulfilment of which – in the meantime contributed to a newly-incorporated vehicle company (NewCO) – it will be acquired by an Iren S.p.A. subsidiary. In this regard, SIDIGAS S.p.A. and Iren agreed a period of exclusive rights for finalising the operation.

**Binding agreement with Idealservice for acquisition of 80% of I.Blu and for a partnership in environmental services**

On 29 January 2020 Iren S.p.A. signed a Preliminary Agreement with Idealservice in order to acquire (through Iren Ambiente) 80% of the share capital of I.Blu, which operates:

- in the selection of plastic waste to be sent for recovery and recycling, mostly of the Corepla Consortium circuit, in two plants with a total capacity of 200 Ktonnes/year and
- In the processing of plastic waste for the production of Blupolymer (a polymer for civil uses) and Bluair ("reducing agent" for steel-making plants).

Besides this, the Preliminary Agreement provides, among other things, for the definition of a partnership with Idealservice for the management of municipal solid waste collection services in certain areas of Northern Italy.

The price of the transaction is 16 million euro. The 2019 pro-forma economic results of the business being acquired present turnover of 46 million and an EBITDA of 7.5 million.

The signing of the Definitive Agreement is conditional on the fulfilment of the conditions precedent and on reaching full agreement on all the detailed terms and conditions of the operation.

The operation will enable Iren to become the national leader in the selection of Corepla plastics and, prospectively, in the treatment of so-called plasmix, heterogeneous plastics that currently do not have an outlet in the recycling market downstream of separate collection.

**Completion of the disposal of the stake in OLT Offshore LNG Toscana**

To complete the operation undertaken in the previous year, after obtaining authorisation from the competent authorities, on 26 February 2020 the Group transferred to SNAM 49.07% of OLT Offshore LNG Toscana. The selling price of the equity investment, and the remaining portion of the shareholders' loan, amounted to a total of 332 million euro, excluding any future upward adjustments on fulfilment of certain conditions.

The sale of the equity investment in OLT enabled the Group to improve its financial structure, by obtaining resources necessary to accelerate the investments provided for in the business plan and to seize opportunities for growth along external lines.

**Contract for expansion of Turbigo power station**

On 3 March 2020 Iren signed with Ansaldo Energia a contract worth 180 million euro for the final design, supply and construction of a new, gas-powered combined-cycle electricity generation plant, and of the related auxiliary works, which will make it possible to increase the total installed capacity of the Turbigo site from the current 850 MW to approximately 1,280 MW.

In the Capacity Market auction, the expansion of the power station enabled recognition of the contribution for fifteen years starting from 2022, the year in which the start of the production stage is planned, for a total of 117 million euro. The expansion of Turbigo will make the plant one of those which, operating at high flexibility and in a way complementary to renewable sources, are essential for sustaining the adequacy of the Italian electricity production system.

**New tranche of treasury shares purchased**

On 27 March 2020, Iren S.p.A. began a second tranche in the program to repurchase treasury shares begun in 2019. To that end, the purchase of ordinary shares for up to a maximum of 25,000,000 euro is planned by 27 January 2021. At 31 March 2020, Iren S.p.A. holds 4,611,447 treasury shares, equal to 0.35% of share capital.

# FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS OF THE IREN GROUP

## Income statement

### IREN GROUP INCOME STATEMENT

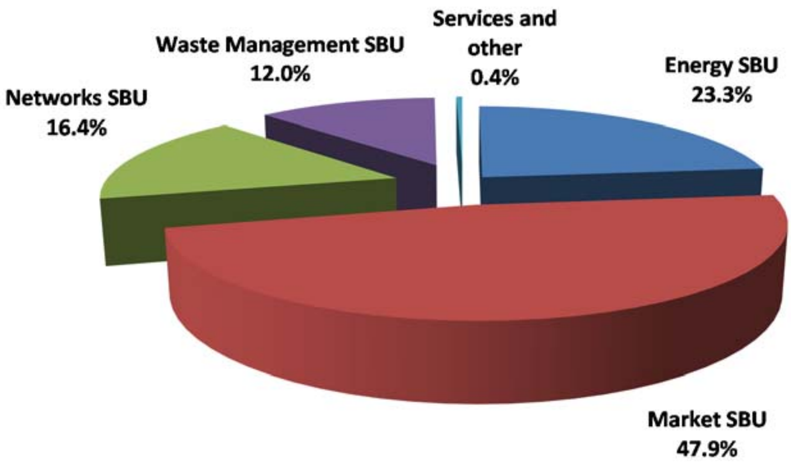
thousands of euro

| | First three months 2020 | First three months 2019 | Change % |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from goods and services | 1,040,311 | 1,235,335 | (15.8) |
| Other income | 36,871 | 42,311 | (12.9) |
| **Total revenue** | **1,077,182** | **1,277,646** | **(15.7)** |
| **Operating expense** | | | |
| Raw materials, consumables, supplies and goods | (353,764) | (508,113) | (30.4) |
| Services and use of third-party assets | (327,846) | (375,765) | (12.8) |
| Other operating expenses | (17,521) | (16,659) | 5.2 |
| Capitalised expenses for internal work | 9,077 | 7,423 | 22.3 |
| Personnel expense | (112,745) | (110,309) | 2.2 |
| **Total operating expense** | **(802,799)** | **(1,003,423)** | **(20.0)** |
| **GROSS OPERATING PROFIT (EBITDA)** | **274,383** | **274,223** | **0.1** |
| **Depreciation, amortisation, provisions and impairment losses** | | | |
| Depreciation and amortisation | (102,362) | (94,279) | 8.6 |
| Provisions for impairment of receivables | (22,029) | (4,655) | (*) |
| Other provisions and impairment losses | (4,469) | (3,515) | 27.1 |
| **Total depreciation, amortisation, provisions and impairment losses** | **(128,860)** | **(102,449)** | **25.8** |
| **OPERATING PROFIT (EBIT)** | **145,523** | **171,774** | **(15.3)** |
| **Financial income and expense** | | | |
| Financial income | 5,553 | 6,213 | (10.6) |
| Financial expense | (23,935) | (26,032) | (8.1) |
| **Total financial income and expense** | **(18,382)** | **(19,819)** | **(7.3)** |
| Share of profit (loss) of associates accounted for using the equity method | (155) | (76) | (*) |
| Value adjustments on equity investments | (146) | - | - |
| **Profit (loss) before tax** | **126,840** | **151,879** | **(16.5)** |
| Income tax expense | (37,385) | (45,315) | (17.5) |
| **Net profit (loss) from continuing operations** | **89,455** | **106,564** | **(16.1)** |
| Net profit (loss) from discontinued operations | - | - | - |
| **Net profit (loss) for the period** | **89,455** | **106,564** | **(16.1)** |
| attributable to: | | | |
| - Profit (loss) for the period attributable to shareholders | 83,797 | 99,940 | (16.2) |
| - Profit (loss) for the period attributable to non-controlling interests | 5,658 | 6,624 | (14.6) |

(*) Change of more than 100%

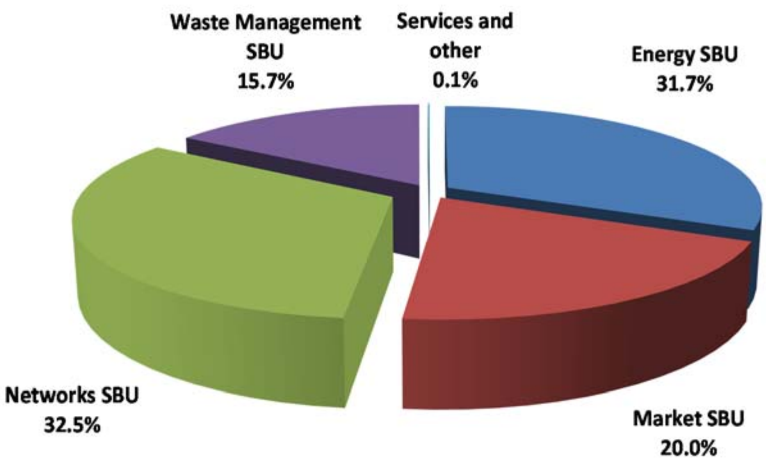
**Revenue**

At 31 March 2020, the Group achieved revenue of 1,077 million euro, down by -15.7% compared to the 1,278 million euro of the first quarter of 2019. This decrease in revenue can be attributed primarily to a drop in prices of energy commodities, the reduction in heating sales for district heating due to a particularly mild winter and lower amounts of energy produced by the Group's plants. The energy scenario, already challenging at the start of the year, suddenly worsened further from the end of February, and this continued with progressive tightening of safety restrictions in the face of the growing effects of the Covid-19 virus.




**Gross Operating Profit (EBITDA)**

Gross operating profit (EBITDA) reached 274 million euro, largely in line with the value for the first quarter of 2019 (+0.1%). The trend for the margin was significantly affected by the particularly unfavourable energy and climate situation, which negatively impacted margins in the Energy Business Unit. Whilst improvement was seen in all other group business units (Market, Environment and Networks) compared to the first quarter of 2019, the Energy business unit recorded a -25% drop that completely offset improvements in the period achieved by the other activities.




**Operating profit (EBIT)**

Operating profit totalled 146 million euro, down -15.3% from the figure of 172 euro million in the corresponding period of 2019. Greater depreciation and amortisation of around 8 million euro was recorded, mainly relative to new investments included during the year, greater allocations to provisions for impairment of receivables for 17 million euro, of which 12 million in relation to the increase in expected losses estimated for the economic crisis linked to the Covid-19 health emergency, and 1 million euro for allocations to provisions for risks.

**Financial income and expense**
The economic components of a financial nature showed a balance of net financial expenses of 18.4 million euro, down by -7.3% with respect to the figure in the first quarter of 2019.
Financial expense totalled 23.9 million (-8.1% with respect to the same period in 2019, when the figure was 26.0 million). The decrease can be linked to the decline in the average cost of financial debt.
Financial income came out at 5.6 million euro, down slightly from the 6.2 million seen in the first quarter of 2019.

**Share of profit (loss) of associates accounted for using the equity method**
This item, which represents insignificant amounts, includes, pro-quota, the results of the Group's associated companies and joint ventures.

**Value adjustments on equity investments**
The amount refers to the full write-off of an investee in the waste management segment. This item was not present in the first quarter of 2019.

**Profit (loss) before tax**
As a result of the above trends, consolidated profit before tax amounted to 126.8 million euro (151.9 in the first quarter of 2019).

**Income tax expense**
Income taxes for the period were 37.4 million euro, a decrease of -17.5% with respect to the comparison period, in relation to lower profit before tax, with an effective tax rate currently estimated at 29.5% for financial year 2020 (29.8% in the first quarter of 2019).

**Net profit (loss) for the period**
Based on that outlined above, net profit for the period amounts to 89.5 million euro, down by -16.1% with respect to the result seen in the first quarter of 2019.
The figure is due to the profit pertaining to shareholders of 83.8 million euro, while profit attributable to non-controlling interests was 5.7 million euro.

# Statement of Financial Position

## RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

| | 31.03.2020 | 31.12.2019 | Change % |
|---|---|---|---|
| Non-current assets | 6,142,240 | 6,095,998 | 0.8 |
| Other non-current assets (liabilities) | (447,302) | (444,550) | 0.6 |
| Net Working Capital | 325,820 | 165,707 | 96.6 |
| Deferred tax assets (liabilities) | 166,960 | 163,898 | 1.9 |
| Provisions for risks and employee benefits | (649,047) | (625,240) | 3.8 |
| Assets (Liabilities) held for sale | 1,285 | 1,293 | (0.6) |
| **Net invested capital** | **5,539,956** | **5,357,106** | **3.4** |
| Equity | 2,732,765 | 2,651,529 | 3.1 |
| *Non-current financial assets* | (170,390) | (148,051) | *15.1* |
| *Non-current financial debt* | 3,250,117 | 3,167,048 | *2.6* |
| Non-current net financial debt | 3,079,727 | 3,018,997 | 2.0 |
| *Current financial assets* | (681,610) | (774,583) | *(12.0)* |
| *Current financial debt* | 409,074 | 461,163 | *(11.3)* |
| Current net financial debt | (272,536) | (313,420) | (13.0) |
| Net financial debt | 2,807,191 | 2,705,577 | 3.8 |
| **Own funds and net financial debt** | **5,539,956** | **5,357,106** | **3.4** |

The main changes in the statement of financial position for the period are commented on below.

Non-current assets at 31 March 2020 amounted to 6,142.2 million euro, up compared to 31 December 2019, when they were 6,096.0 million euro. The increase of +46.2 million euro was mainly due to the effect of the following determinants:

- technical investments in property, plant and equipment and intangible assets (+130.0 million) and depreciation and amortisation (-102.4 million) in the period;
- purchases of $CO_2$ emission rights (10.3 million);
- recognition of rights of use in application of IFRS 16 – Leases for 5.8 million euro, for the most part relative to lease contracts for buildings used for business purposes.

For more information on the segment details of investments in the period, reference should be made to the section “Segment Reporting” below.

While Other non-current liabilities were substantially in line with the figure for the end of the previous year, the Net Working Capital increase (+160.1 million euro), coming out at 325.8 million against the 165.7 million registered at 31 December 2019. The increase was mainly affected by the seasonal trend of commercial components.

“Provisions for Risks and Employee Benefits” amounted to 649 million euro, an increase of 23.8 million with respect to 31 December 2019, mainly due to the recognition of liabilities associated with obligations related to $CO_2$ emission rights of the period.

Equity amounted to 2,732.8 million euro, compared to the 2,651.5 million euro of 31 December 2019 (+81.3 million euro). The change is mainly related to the effect of the net profit (+89.4 million), the trend in the cash flow hedge reserve linked to interest rate hedging derivatives and commodities in the portfolio (-6.7 million) and purchases of treasury shares (-1.4 million).

Net financial debt at the end of the period was 2,807.2 million euro, an increase of 101.5 million euro compared to 31 December 2019 (+3.8%), due to the effects of the trends in net working capital and investments during the period.
For more details please see the analysis of the statement of cash flows presented below.

## STATEMENT OF CASH FLOWS OF THE IREN GROUP

### Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the period.

thousands of euro

| | First three months 2020 | First three months 2019 | Change % |
|---|---|---|---|
| **A. Opening Net financial (debt)** | **(2,705,577)** | **(2,452,806)** | **10.3** |
| **Cash flows from operating activities** | | | |
| Profit (loss) for the period | 89,455 | 106,564 | (16.1) |
| Adjustments for non-financial movements | 209,128 | 185,598 | 12.7 |
| Utilisations of employee benefits | (1,704) | (6,200) | (72.5) |
| Utilisations of provisions for risks and other charges | (5,917) | (9,364) | (36.8) |
| Change in other non-current assets and liabilities | (623) | (2,626) | (76.3) |
| Other changes in capital | (4,843) | (8,608) | (43.7) |
| Taxes paid | - | - | - |
| **B. Cash flows from operating activities before changes in NWC** | **285,496** | **265,364** | **7.6** |
| **C. Cash flows from changes in NWC** | **(217,775)** | **(58,734)** | **(*)** |
| **D. Cash flows from/(used in) operating activities (B+C)** | **67,721** | **206,630** | **(67.2)** |
| **Cash flows from/(used in) investing activities** | | | |
| Investments in property, plant and equipment and intangible assets | (130,010) | (85,454) | 52.1 |
| Investments in financial assets | - | (3) | (100.0) |
| Proceeds from the sale of investments and changes in assets held for sale | (1,639) | 237 | (*) |
| Changes in consolidation scope | - | (23,494) | (100.0) |
| Dividends received | 320 | 320 | - |
| **E. Total cash flows from /(used in) investing activities** | **(131,329)** | **(108,394)** | **21.2** |
| **F. Free cash flow (D+E)** | **(63,608)** | **98,236** | **(*)** |
| **Cash flows from /(used in) financing activities** | | | |
| Capital increase | - | - | - |
| Purchases of treasury shares | (1,361) | - | - |
| Dividends paid | (88) | (104) | (15.4) |
| Interest paid | (599) | (4,367) | (86.3) |
| Interest received | 1,809 | 3,803 | (52.4) |
| Change in fair value of hedging derivatives | (15,033) | (47,249) | (68.2) |
| Change in financial payables for leasing | (5,701) | (104,974) | (94.6) |
| Other changes | (17,033) | (17,835) | (4.5) |
| **G. Total cash flows from /(used in) financing activities** | **(38,006)** | **(170,726)** | **(77.7)** |
| **H. Change in net financial (debt) (F+G)** | **(101,614)** | **(72,490)** | **40.2** |
| **I. Closing Net financial (debt) (A+H)** | **(2,807,191)** | **(2,525,296)** | **11.2** |

(*) Change of more than 100%

The increase in financial debt derives from the following determinants:

- operating cash flow of +67.7 million, a significant decease with respect to the figure from the comparison period (-67.2%), due to absorption of resources linked to the trend in net working capital;
- financial cash flows from investments (-131.3 million euro), essentially relative to technical investments during the period (130 million, up with respect to the 85.5 million seen in the first quarter of 2019). During the comparison period, this financial cashflow also included the effect of certain M&A operations (the acquisition of San Germano, CMT and Busseto Servizi for 23.5 million), recognised under the item "changes in consolidation scope";
- financial cash flow from financing activities (of -38.0 million euro), the components of which are detailed in the schedule, were more contained with respect to the first quarter of 2019, when the amount was -170.7 million: the latter figure included for the most part the effects of the initial recognition of liabilities relative to leases of the Group, in accordance with IFRS 16.

We can note finally that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the section "Consolidated Financial Statements at 31 March 2020".

# SEGMENT REPORTING

The Iren Group identifies the following business segments:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Heat management, Energy efficiency services)
- Market (Sale of electricity, gas, heat and other customer services)
- Other services (Laboratories, Telecommunications and other minor services).

These operating segments are disclosed pursuant to IFRS 8, which requires the disclosure about operating segments to be based on the elements which management uses in making operational and strategic decisions.
For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to overhead activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.
Given the fact that the Group mainly operates in one area, the following segment information does not include a breakdown by geographical area.
Below are the main income statement items with relative comments broken down by operating segment compared to the figures for the first quarter of 2019.
In the first quarter of 2020 non-regulated activities contributed to the formation of gross operating profit for 30% (26% in the first quarter of 2019), regulated activities accounted for 38%, up from the 36% recorded during the corresponding period in 2019, while semi-regulated activities fell, going from 38% in 2019 to 32% in the current quarter.

**Networks SBU**

At 31 March 2020 the Network business segment, which comprises the businesses of Gas distribution, Electricity and the Integrated Water Service, recorded revenue of 244 million euro, up by +4.8%, compared to the 233 million euro for the first quarter of 2019.

The gross operating profit (EBITDA) amounted to 89 million euro, up +5.5% on the 85 million euro for the first quarter of 2019, while net operating profit (EBIT) was 40 million euro, a decrease of -11.4% compared to 46 million euro in the first quarter of 2019.
The positive trend in gross operating profit (EBITDA) was partially absorbed by higher amortisation and depreciation for around 2 million euro, related to the increase in technical investments and to higher allocations to provisions for impairment of receivables of around 8 million euro, of which 5 million related to the Covid-19 health emergency.

| | | **First 3 months 2020** | **First 3 months 2019** | **Δ %** |
|---|---|---|---|---|
| Revenue | €/mln | 244 | 233 | 4.8% |
| Gross Operating Profit (EBITDA) | €/mln | 89 | 85 | 5.5% |
| *EBITDA Margin* | | *36.6%* | *36.3%* | |
| *from Electricity Networks* | *€/mln* | 19 | 18 | 5.6% |
| *from Gas Networks* | *€/mln* | 20 | 20 | - |
| *from Integrated Water Service* | *€/mln* | 50 | 47 | 7.1% |
| Operating Profit (EBIT) | €/mln | 40 | 46 | -11.4% |
| | | | | |
| Investments | €/mln | 56 | 50 | 11.8% |
| *in Electricity Networks* | *€/mln* | 11 | 7 | 49.1% |
| *in Gas Networks* | *€/mln* | 9 | 11 | -14.8% |
| *in Integrated Water Service* | *€/mln* | 36 | 32 | 12.5% |
| | | | | |
| Electricity distributed | GWh | 932 | 989 | -5.8% |
| Gas introduced into the network | Million $m^3$ | 540 | 566 | -4.6% |
| Water sold | Million $m^3$ | 43 | 44 | -2.3% |

The changes in gross operating profit for the segments concerned are illustrated below.

*Networks SBU* **-** *Electricity*

The gross operating profit of the sector amounted to 19 million euro, up by +5.6% compared to 18 million euro in the first quarter of 2019.
The increase in the margin can mainly be traced to operational synergy achieved during the period.
During the period investments for 11 million euro were made, up by +49.1% compared to the 7 million euro in the first quarter of 2019. They were mainly related to new connections, to the construction of new LV/MV substations and lines, as well as to the completion of a number of primary substations.

*Networks SBU* **-** *Gas Distribution*

Gross operating profit (EBITDA) of gas distribution networks amounted to 20 million euro, in line with the result registered in the first quarter of 2019.
Investments made in the period amounted to 9 million euro, down by -14.8% compared to the 11 million euro of the first quarter of 2019, and regarded the provisions of ARERA resolutions, in particular making the network compliant with cathodic protection, and the installation of electronic meters. This latter activity was temporarily suspended in compliance with the safety measures established in response to the Covid-19 emergency.

*Networks SBU - Water Cycle*

The gross operating profit for the period amounted to 50 million euro, up by +7.1% compared to 47 million euro in the first quarter of 2019. The increase in the margin can be traced to the increase in tariff revenue constraint, also in the face of significant investments made in previous years and greater synergies for operating expenses.

Investments in the period totalled 36 million euro, up by +12.5% compared to the 32 million euro of the first quarter of 2019 and concerned the construction, development and extraordinary maintenance of distribution networks and plants, the sewerage network and, in particular, the construction of new water treatment plants and to the replacement and installation of mainly remote-reading metering units.

**Waste Management SBU**

At 31 March 2019, the revenue of the sector totalled 179 million euro, up by +2.3% compared to 175 million euro in the first quarter of 2019. The increase in revenues can be traced to the enlarged consolidation scope (relative to the companies Ferrania Ecologia and Territorio e Risorse, not present in the first quarter of 2019), as well as to special waste intermediation and disposal, partially compensated for by a decrease in revenues from sales of electricity and heat.

| | | First 3 months 2020 | First 3 months 2019 | Δ % |
|---|---|---|---|---|
| Revenue | €/mln | 179 | 175 | 2.3% |
| Gross Operating Profit (EBITDA) | €/mln | 43 | 41 | 4.7% |
| *EBITDA Margin* | | *24.1%* | *23.5%* | |
| Operating Profit (EBIT) | €/mln | 19 | 19 | - |
| Investments | €/mln | 16 | 7 | (*) |
| Electricity sold | GWh | 134 | 138 | -2.9% |
| Thermal energy sold | $GWh_t$ | 82 | 79 | 3.6% |
| Waste managed | tonnes | 670,511 | 649,573 | 3.2% |
| Emilia area separate waste collection | % | 77.7 | 76.0 | 2.2% |
| Piedmont area separate waste collection | % | 55.2 | 52.9 | 4.4% |
| Liguria area separate waste collection | % | 74.4 | 73.3 | 1.4% |

*(*) Change of more than 100%*

Gross operating profit of the segment amounted to 43 million euro, an improvement of +4.7% on the 41 million euro of the first quarter of 2019. The growth in profit is attributable to both the positive contribution from waste-collection business, primarily due to increased synergies, and waste-disposal business. The latter, whilst affected by a reduction in the price of electricity produced by waste-to-energy plants, benefited from the increase in volumes and prices of special waste processed by Group plants.
The operating profit was 19 million euro, as in the first quarter of 2019. The positive trend of gross operating profit (EBITDA) was in fact absorbed by greater amortisation and depreciation, in part correlated with the enlarging of the consolidation scope, and by greater allocations to provisions for risks.
Investments during the period amounted to 16 million euro, up with respect to the 7 million euro seen during the same period of 2019. Among the main investments during the period, note those relative to revamping of the biodigesters of Cairo Montenotte and Saliceti, vehicles and equipment for door to door collection in Turin and the development of the new management system Just Iren.

**Energy SBU**

At 31 March 2020, the revenues of the Energy SBU, which includes energy production and heat management business, public lighting and energy efficiency, amounted to 348 million euro, down by -25.6% with respect to the 468 million euro registered in the first quarter of 2019, mainly due to a reduction in heat volumes for district heating due to the particularly mild climate, lower production of electricity and the drop in sales prices (PUN), following the unfavourable energy scenario and the decrease in demand after the national restrictive measures implemented to deal with the Covid-19 health emergency, in effect as of the beginning of March 2020.

| | | First 3 months 2020 | First 3 months 2019 | Δ % |
|---|---|---|---|---|
| Revenue | €/mln | 348 | 468 | -25.6% |
| Gross Operating Profit (EBITDA) | €/mln | 87 | 116 | -24.9% |
| *EBITDA Margin* | | *25.0%* | *24.7%* | |
| Operating Profit (EBIT) | €/mln | 52 | 85 | -38.1% |
| | | | | |
| Investments | €/mln | 38 | 10 | (*) |
| | | | | |
| Electricity produced | GWh | 2,630 | 2,853 | -7.8% |
| *from hydroelectric and other renewable sources* | *GWh* | 338 | 265 | 27.7% |
| *from cogeneration sources* | *GWh* | 1,720 | 2,003 | -14.2% |
| *from thermoelectric sources* | *GWh* | 572 | 585 | -2.2% |
| | | | | |
| Heat produced | $GWh_t$ | 1,242 | 1,324 | -6.3% |
| *from cogeneration sources* | $GWh_t$ | 1,023 | 1,149 | -11.0% |
| *from non-cogeneration sources* | $GWh_t$ | 219 | 175 | 24.8% |
| District heating volumes | Million $m^3$ | 95.0 | 93.8 | 1.3% |

*(*) Change of more than 100%*

During the quarter, electricity produced was 2,630 GWh, down by -7.8% compared to 2,853 GWh in the first quarter of 2019.
Total thermoelectric production was 2,292 GWh, of which 1,720 GWh from cogeneration sources, down by -14.2% compared to the 2,003 GWh in the first quarter of 2019 and 572 GWh from conventional thermoelectric sources, down by -2.2% compared to the 585 GWh in the first quarter of 2019.
Production from renewable sources was 338 GWh, of which 334 GWh deriving from hydroelectric sources and, marginally for approximately 4 GWh, from other renewables (photovoltaic). Production as a whole was up by +27.7% with respect to the 265 GWh of the first quarter of 2019, due to greater rainfall during the period.
Heat production in the period was 1,242 GWht, down by -6.3% compared to the 1,324 GWht in the first quarter of 2019. Overall district heating volumes amounted to approximately 95 million $m^3$ up by +1.3% compared to the 94 million $m^3$ of 2019. The figures include the volumes managed thanks to rental of the business unit of SEI Energia.

The gross operating profit (EBITDA) amounted to 87 million euro, down by -24.9% compared to 116 million euro in the first quarter of 2019.

Performance during the first quarter of 2020 saw a scenario in which national electricity demand came to 77 TWh, down by -4.2% with respect to the 80.3 TWh of 2019, with a drop in the average price of electricity (PUN) to 39.6 €/MWh, a -33.4% decline with respect to the 59.4 €/MWh in the first quarter of 2019.
The progressively downward trend worsened in response to the “lockdown” orders associated with the Covid-19 health emergency which, by reducing demand, further pushed down the price of energy towards minimums (spot price of 24.87 €/MWh at 31 March 2020).

A simultaneous contraction in heating volumes, along with a reduction in prices and profitability of electricity production had a strong impact on sector profits, only partially offset by improved results from dispatching services (dispatching services market – "Mercato dei Servizi di Dispacciamento - MSD") and greater hydroelectric production.
Additionally, please note that the first quarter of 2019 has been characterised by certain, no longer replicable, contingent assets.

The operating profit (EBIT) of the energy segment totalled 52 million euro, down by -38.1% compared to the 85 million euro in the first quarter of 2019. The depreciation and amortisation of the period showed an increase of approximately 3 million euro compared to the first quarter of 2019, as well as greater provisions for around 1 million euro with respect to 2019.

Investments during the period totalled 38 million euro, up with respect to the 10 million euro registered in the first quarter of 2019, mainly relative to the start of the project to enlarge Turbigo, making it possible to increase installed power from 850 to 1,280 MW.

**Market SBU**

At 31 March 2020, the revenue of the sector totalled 713 million euro, down by -25.3% compared to 955 million euro in the first quarter of 2019. In addition to fewer sales, a reduction in the price of energy commodities was another cause of the drop in revenue.
The gross operating profit (EBITDA) amounted to 55 million euro, up by +67.3% compared to 33 million euro in the first quarter of 2019. This increase is relative both to sales of electricity and natural gas, and is largely attributable to an improvement in unit margins of sale.

The operating profit (EBIT) was 34 million euro, up by 46.9% compared to the 23 million euro recorded in the first quarter of 2019. The positive trend in gross operating profit (EBITDA) was partially absorbed by higher amortisation and depreciation for around 2 million euro as well as by greater allocations to provisions for impairment of receivables of around 9 million euro, of which 7 million related the estimated effects of Covid-19.

| | | | **First 3 months 2020** | **First 3 months 2019** | **Δ %** |
|---|---|---|---|---|---|
| Revenue | | €/mln | 713 | 955 | -25.3% |
| Gross Operating Profit (EBITDA) | | €/mln | 55 | 33 | 67.3% |
| *EBITDA Margin* | | | *7.7%* | *3.4%* | |
| | *from Electricity* | *€/mln* | 12 | 1 | (*) |
| | *from Gas* | *€/mln* | 42 | 31 | 35.4% |
| | *from Other sales services* | *€/mln* | 1 | 1 | - |
| Operating Profit (EBIT) | | €/mln | 34 | 23 | 46.9% |
| Investments | | | 11 | 10 | 9.5% |
| Electricity Sold | | GWh | 2,115 | 2,748 | -23.0% |
| Gas Purchased | | Million $m^3$ | 978 | 1,026 | -4.7% |
| | *Gas sold by the Group* | *Million $m^3$* | 478 | 466 | 2.5% |
| | *Gas for internal use* | *Million $m^3$* | 500 | 560 | -10.7% |

*(*) Change of more than 100%*

*Sale of electricity*

Volumes of electricity sold on the free market amounted to 2,005 GWh (net of pumping, network leaks, dedicated withdrawals and including unbalancing) up by 23.4% compared to the 2,617 GWh of the first quarter of 2019.

Sales in the protected market amounted to 110 GWh, down by -16.2% compared to 131 GWh in the corresponding period of 2019.

The table shows quantities sold by client segment class:

**Market SBU - Electricity sales** *GWh*

| | First 3 months 2020 | First 3 months 2019 | Δ % |
|---|---|---|---|
| *Business* | *829* | *1,543* | *-46.3%* |
| *Small business* | *155* | *200* | *-22.5%* |
| *Retail* | *382* | *310* | *23.2%* |
| *Wholesalers* | *639* | *563* | *13.5%* |
| **Free market** | **2,005** | **2,617** | **-23.4%** |
| **Protected market** | **110** | **131** | **-16.2%** |
| *Unbalancing, pumping, grid loss and dedicated withdrawals* | *116* | *126* | *-8.0%* |
| **Total electricity sold** | **2,231** | **2,874** | **-22.38%** |

The gross operating profit (EBITDA) of the sale of electricity amounted to 12 million euro, an improvement with respect to the one million euro in the first quarter of 2019. The improvement in the result can be attributed to the improvement of the margins and an increase in the portion of sales to free market customers (PCV).

*Sale of Natural Gas*

The volumes purchased amounted to 978 million m³, down by -4.7% compared to the 1,026 million m³ of the first quarter of 2019.

The gas sold by the group amounted to 478 million m³, up by +2.5% compared to the 466 million m³ of the first quarter of 2019, thanks to higher sales to wholesalers, while gas used for internal consumption was 500 million m³, down by -10.7% compared to 560 million m³ in the first quarter of 2019.

Gross operating profit (EBITDA) of gas sales amounted to 42 million euro, up +35.4% compared to the 31 million euro recorded in the first quarter of 2019. The improvement in the result, despite a winter thermal season that was less favourable with respect to the first quarter of 2019, can be traced to the improvement in unitary sales margins and revenue relative to the adjustment regarding previous allocations for gas volumes.

*Sales of heat and other services*

The sale of heat and other services showed gross operating profit (EBITDA) of 1 million euro, substantially in line with the first quarter of 2019.

Investments in the period totalled 11 million euro, up compared to 10 million euro in the first quarter of 2019.

### Services and other

At 31 March 2020 revenue of the segment, which includes the activities of the analysis laboratories, telecommunications and other minor activities, was 5.4 million euro, up by +10.5% compared to the 4.9 million euro recorded in the first quarter of 2019.

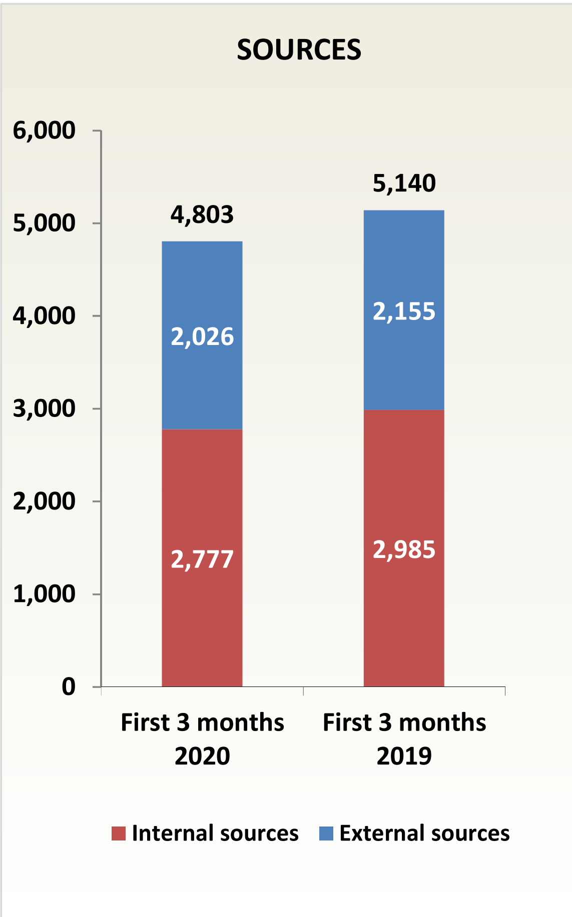
| | | **First 3 months 2020** | **First 3 months 2019** | **Δ %** |
|---|---|---|---|---|
| Revenue | €/mln | 5.4 | 4.9 | 10.5% |
| Gross Operating Profit (EBITDA) | €/mln | 0 | 0 | - |
| *EBITDA Margin* | | *4.2%* | *-0.6%* | |
| Operating Profit (EBIT) | €/mln | 0 | -1 | (*) |
| | | | | |
| Investments | €/mln | 9.3 | 9.0 | 3.3% |

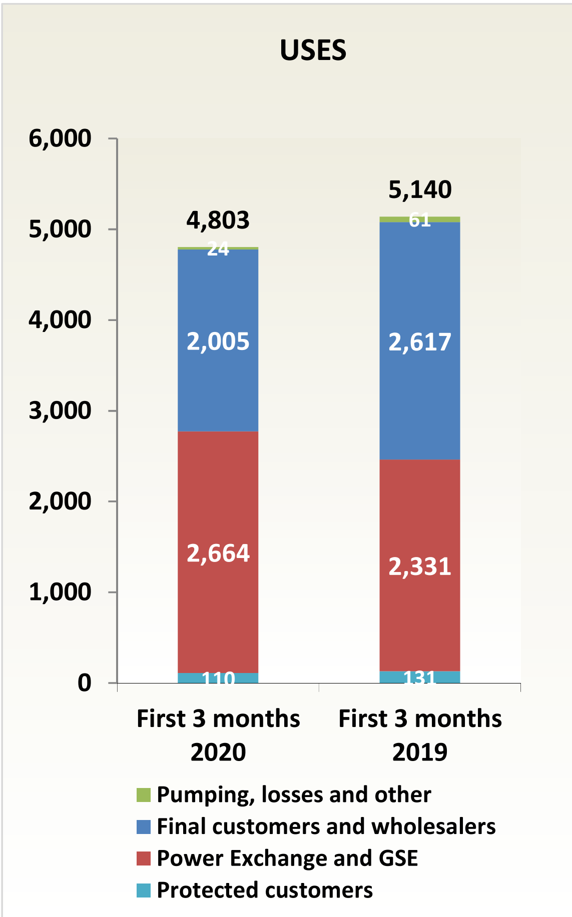
*(*) Change of more than 100%*

## ENERGY BALANCES

### Electricity balance sheet

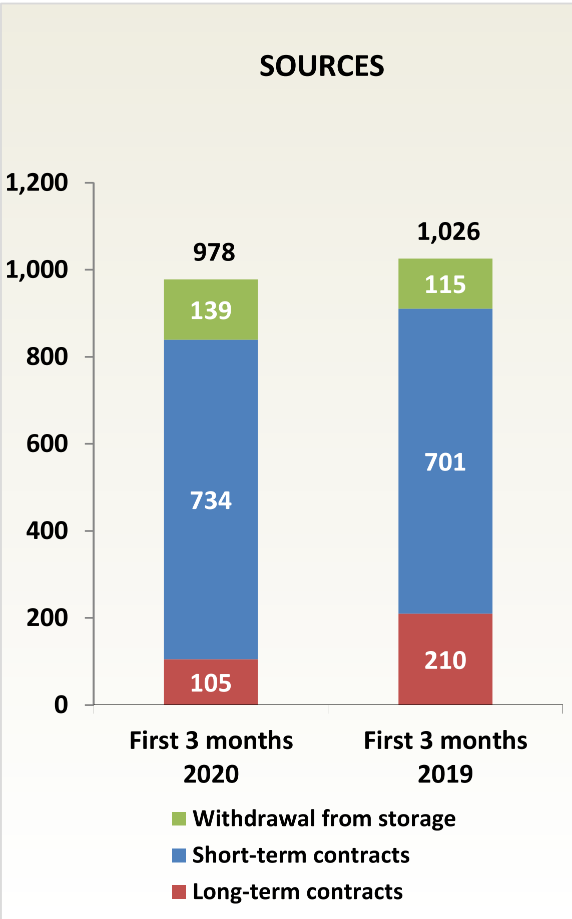
| GWh | First 3 months 2020 | First 3 months 2019 | Δ % |
|---|---|---|---|
| **SOURCES** | | | |
| The Group's gross production | 2,777 | 2,985 | -7.0% |
| *a) Hydroelectric and other renewables* | *338* | *265* | 27.7% |
| *b) Cogeneration* | *1,720* | *2,003* | -14.2% |
| *c) Thermoelectric* | *572* | *585* | -2.2% |
| *d) Production from WTE plants and landfills* | *147* | *132* | 11.2% |
| Purchases from Acquirente Unico [Single Buyer] | 121 | 145 | -16.2% |
| Energy purchased on the Power exchange | 1,805 | 1,827 | -1.2% |
| Energy purchased from wholesalers and imports | 100 | 183 | -45.6% |
| **Total Sources** | **4,803** | **5,140** | **-6.6%** |
| | | | |
| **USES** | | | |
| Sales to protected customers | 110 | 131 | -16.2% |
| Sales on the Power Exchange | 2,664 | 2,331 | 14.3% |
| Sales to final customers and wholesalers | 2,005 | 2,617 | -23.4% |
| Pumping, distribution losses and other | 24 | 61 | -60.0% |
| **Total Uses** | **4,803** | **5,140** | **-6.6%** |

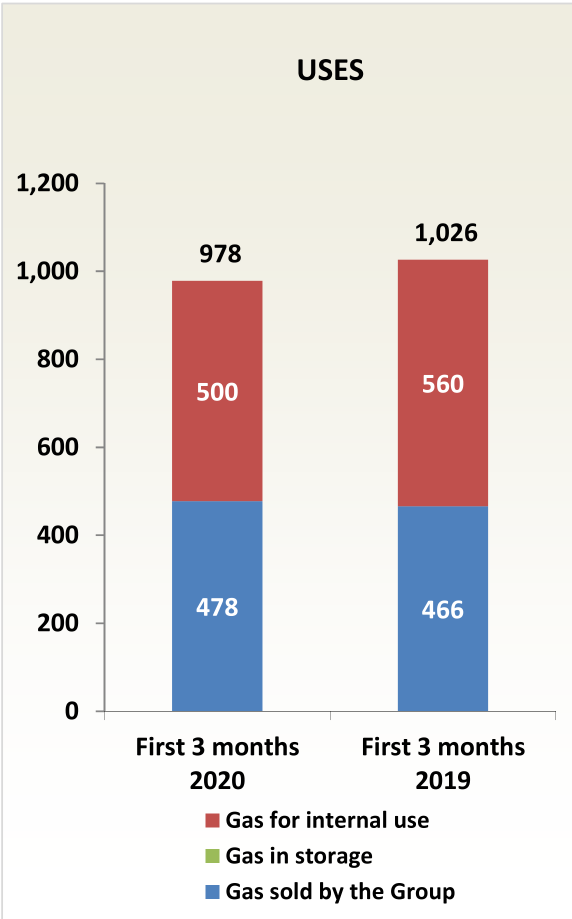


### Gas balance sheet

| Millions of m³ | First 3 months 2020 | First 3 months 2019 | Δ % |
|---|---|---|---|
| **SOURCES** | | | |
| Long-term contracts | 105 | 210 | -49.8% |
| Short- and medium-term contracts | 734 | 701 | 4.7% |
| Withdrawals from storage | 139 | 116 | 19.6% |
| **Total Sources** | **978** | **1,026** | **-4.7%** |
| | | | |
| **USES** | | | |
| Gas sold by the Group | 478 | 466 | 2.5% |
| Gas for internal use (1) | 500 | 560 | -10.7% |
| **Total Uses** | **978** | **1,026** | **-4.7%** |



# FINANCIAL MANAGEMENT

**General framework**
During the first quarter of 2020, the short term portion of the interest rate curve, after a long period of stability, first showed significant downward movement following by a return to growth during the final part of the quarter. In the meantime, the medium/long term portion fell brusquely until the beginning of the COVID-19 lockdown period, followed by an abrupt upward movement.
The European Central Bank has kept rates unchanged since March 2016. The reference rate is currently 0%. Examining the trend in Euribor six month rates, after reaching minimum levels at the beginning of March, the parameter rapidly rose together with uncertainties about market liquidity and currently stands at -0.16% (compared to -0.40% at the end of 2019).
Fixed rate prices, reflected in the values of 5 and 10 year IRSs, showed downward movement in the first quarter of 2020 until March, followed by a rise, in a volatile situation linked to uncertainties about a new crisis following the spread of the COVID-19 virus.

**Activities performed**
During the first quarter of 2020, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of debt, the investments, the trend in working capital and the balance of short-term and long-term sources.

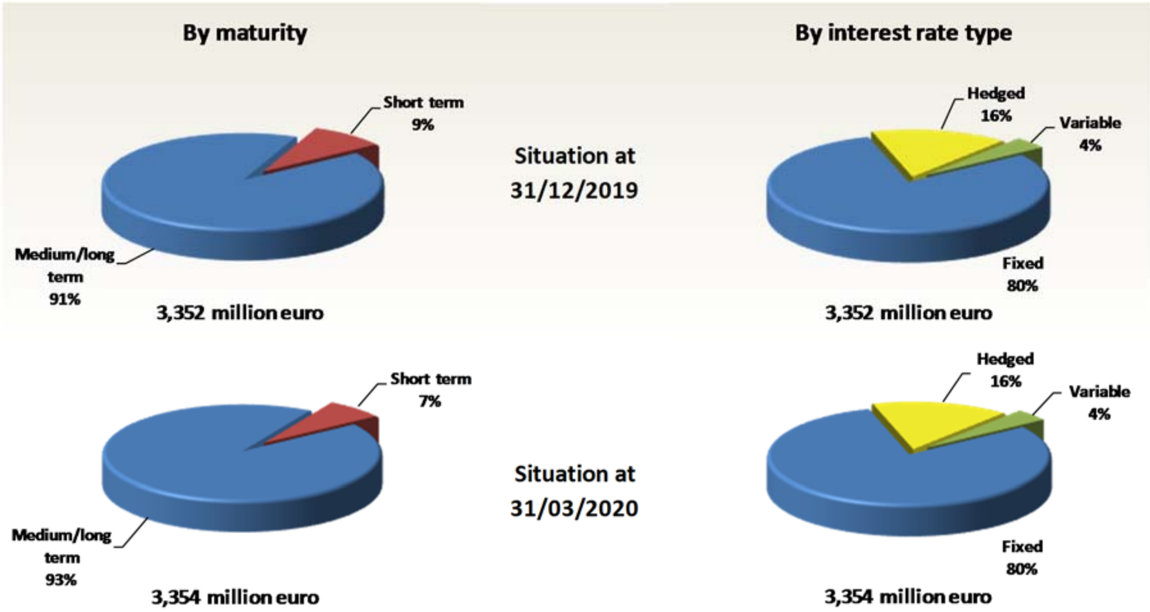
The organisational model adopted by the Iren Group, with the goal of financial optimisation of the companies, provides for centralisation in Iren of treasury management, medium/long-term loan operations and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of finding the types of loans best suited to its needs, and the best market conditions.
Examining the operations carried out in the first quarter of 2020 in more detail, note that new loans were not taken out during the period, while in March the EIB loan "Electricity distribution networks" was used in its entirety, involving a total of 75 million euro signed in March 2017.
Direct loans with the European Investment Bank, with a duration of up to 16 years, remaining unused and available total 120 million euro.

The financial debt from loans (excluding the financial liabilities recognised in application of IFRS 16) at the end of the period was made up of 20% loans and 80% bonds.

As regards financial risks, the Iren Group is exposed to various types of risk, including liquidity risk, interest rate risk, and exchange rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit risks of fluctuations in the interest rate. In the period, no new Interest Rate Swap contracts were entered into.

At the end of the period, the portion of floating rate debt not hedged by exchange rate derivatives was 4% of financial debt from loans, in line with the Iren Group's objective of maintaining adequate protection against significant increases in interest rates.
Overall, the activity carried out is aimed at refinancing debt with a view to improving the financial structure, structurally reducing the cost of capital and extending the average duration of financial debt.

The composition of financial debt from loans by maturity and rate type, compared with the situation at 31 December 2019, is shown in the chart below.




**Rating**

In October 2019 and most recently in February 2020 the agency Fitch confirmed for Iren and its senior unsecured issues the rating BBB, with outlook stable. The judgement is based mainly on the update of the business plan to 2024 which, in continuity compared to previous years, confirms the prevalence of regulated and semi-regulated activities (approximately 70% of Gross Operating Profit (EBITDA) at the end of the Plan). Fitch sees the company as well-positioned within the reference indexes, as was also confirmed for Iren in the analysis published by the agency with regards to the impact of COVID-19 on Italian utilities ("COVID-19 Impact Still Limited for Rated Italian Utilities" - Fitch Ratings, 11 March 2020).

Supporting the Group's liquidity profile and the rating level, Iren has the aforesaid medium/long-term loan facilities agreed and available but not used for 120 million euro, as well as committed credit lines of the Sustainability-linked Revolving Credit Facility (RCF) type, which amounted to 150 million euro at the end of the period, in addition to current cash and cash equivalents.

# EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

**Acquisition of the district heating business unit from SEI Energia**

On 23 April 2020, Iren Energia and Fineurop Investment Opportunities S.p.A., which operates as the assumptor relative to the SEI Energia arrangement procedure, signed the contract to acquire the district heating business unit from SEI, already managed through a lease by Iren Energia since September 2018.

This business unit includes the heat distribution plants and network in the municipalities surrounding metropolitan Turin, Revioli and Collegna, and 49% of the company NOVE, which manages the service in the municipality of Grugliasco, for total connected volumes of 5.2 million cubic metres. Total thermal energy distributed is around 150 GWht/year.

The amount paid by Iren to acquire the business unit was 24.4 million euro, taking into account future development options. The economic results of the business unit include EBITDA of 2 million euro during financial year 2019.

Acquisition of the SEI Energia district heating business is done with the prospect of integrating with the existing grid in the metropolitan area of the municipality of Turin, taking advantage of heat produced by Group cogeneration and waste to energy plants.

**Acquisition of 7 real estate complexes**

At the end of April, Iren S.p.A. acquired from REAM SGR S.p.A. 7 real estate complexes for office and operational support use, located in Turin, Genoa, Parma and Reggio Emilia, previously part of a real estate fund and now the subject of leasing contracts which fall under the scope of international accounting standard IFRS 16 - Leases. The total value of the transaction is 97 million euro, with no impact on net financial debt.

**Shareholders' Meeting**

On 29 April 2020, the Ordinary Shareholders' Meeting approved the Company's Financial Statements in relation to financial year 2019 and the Directors' Report and resolved to distribute a dividend of 0.0925 euro per ordinary share (exclusive of treasury shares), confirming what had been proposed by the Board of Directors. The dividend will be paid starting from 24 June 2020 (coupon detachment 22 June 2020 and record date 23 June 2020).

The Shareholders' Meeting also:

- approved the first section ("2020 remuneration policy") of the Report on the 2020 remuneration policy and on fees paid for financial year 2019;
- made a favourable consultation vote on the second section ("Fees paid for financial year 2019") of the same Report.

Finally, the Shareholders' Meeting authorised the Board of Directors to acquire and make use of Iren S.p.A. treasury shares for eighteen months as of the said resolution, simultaneously revoking, for the unused part, the previous purchase authorisation resolved by the Shareholders' Meeting on 5 April 2019. The Board of Directors may acquire and make use of up to 65,000,000 shares, equal to 5% of share capital, based on the regulations in effect on the subject. The new purchase programme is a continuation of that previously established in order to provide the Company with treasury shares to make use of for external growth transactions.

**Signing of an 80 million euro loan for sustainable investments in the water sector**

On 6 May 2020, Iren S.p.A. signed with Council of Europe Development Bank - CEB) a Public Finance Facility (PFF) in the amount of 80 million euro, usable in multiple tranches and with a duration of 16 years, intended to finance a significant part of the investment plan for the water infrastructure in the provinces of Genoa and Parma, in particular with regards to the expansion and improvement of the aqueduct and sewer network and water treatment systems.

The agreement falls under the framework of sustainable water resource management promoted by the CEB, in line with development objectives shared with Iren, and contributes to strengthening the financial structure in terms of the duration and cost of the debt. Sustainable finance instruments represent around 60% of Iren's total debt.

## BUSINESS OUTLOOK

The recent global pandemic connected with the spread of Covid-19 has led to an unexpected shock on the financial markets, with significant impacts on the real economy that are currently difficult to forecast. The expansive monetary policies implemented by the major central banks may facilitate the recovery of the global economy above all if accompanied by public finance interventions. In addition to this situation, there has also been a fall in the oil price in April, when the WTI recorded the lowest price since 2003.

In the current year, the Covid-19 emergency in Italy could have, for the time being, what is considered a limited impact on the Group's activities, mainly due to the nature of its business (over 70% in regulated and semi-regulated sectors). The lack of objective final and forecast data, the latter linked to scenarios that are difficult to make assumptions about today, currently prevents an assessment of the possible impact during the year on electricity demand from companies and therefore on sales revenue. We can however foresee, also on the basis of the recent ARERA provisions and the corporate measures adopted to mitigate the economic and social impacts consequent to the crisis, an effect on working capital following the interruption of new actions to suspend/reduce supplies (gas, electricity, water and district heating) due to arrears from 9 March and the possibility, in the case of an objective situation of economic difficulty, to request postponement of the payment deadline by 30 days or payment in three instalments in the three following months. However, the persistence of the negative situation could lead to a deterioration in credit conditions and, therefore, the need to further adjust the provisions for impairment of receivables to the value of the expected losses. Finally, extra operating and management costs resulting from the emergency are being closely monitored and delays may be seen for some projects aimed at increased efficiency.

Given the recent collapse in the prices of commodities and lower demand for electricity, we expect a reduction in volumes of electricity produced and a lower SNP (standard national price – "Prezzo Unico Nazionale – PUN"). In 2020, the Group expects to be able to take advantage of the potential of its customer portfolio through recovery of unit margins, but also through an increase in the number of customers, thanks also to the expansion of the line of New Downstream products. Given the current situation, the acquisition of new customers could slow down and sales volumes could be reduced. However, this would be limited, given the percentage of business customers in the portfolio. Looking forward, it is expected that changes to tariffs, connected with the regulatory framework approved by ARERA in the water and energy-distribution sectors and new regulations introduced in the waste-collection sector, will have a limited negative impact on expected profits.

The Group will also continue in its growth process set forth in the latest business plan, which provides for significant investments above all in the Networks and Waste Management divisions as well as investments destined to increase electricity generation capacity. Iren also confirms sustainability as one of the main strategic pillars, continuing to invest in projects linked to the Circular Economy, the efficient use of resources and the reduction of emissions, for an amount of approximately 60% of the investments provided for in the business plan.

# **Consolidated** Financial Statements

at 31 March **2020**

# BASIS OF PREPARATION

**CONTENT AND STRUCTURE**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the provisions set forth in implementation of art. 9 of Italian Legislative Decree no. 38/2005. “IFRS” also includes the International Accounting Standards (“IAS”) and all interpretations issued by the International Financial Reporting Interpretations Committee (“IFRC”), previously known as the Standing Interpretations Committee (“SIC”).
In drawing up these consolidated financial statements, the same accounting principles were applied as those adopted for the previous year’s statements, to which you are referred for a more ample discussion.

The financial statement formats adopted by the Iren Group in preparing these financial statements are the same as those applied in preparing the financial statements at 31 December 2019.
In line with what was previously published, in the statement of financial position, assets and liabilities are classified as “current/non-current”. Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group’s ordinary operating cycle or during the twelve months following the end of the period. Current liabilities are those for which settlement is envisaged during the Group’s ordinary operating cycle or during the twelve months following the end of the period.
The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit (EBIT), the Income Statement also shows the Gross Operating Profit (EBITDA) obtained by deducting total operating expense from total revenue.
The indirect method is used in the cash flow statement. The cash configuration analysed in the cash flow statement includes cash on hand and cash in current accounts.

In this Report a number of alternative performance measures (APMs) have been used; these are different from the financial measures explicitly required by the IAS/IFRS international accounting standards adopted by the Group. For details of these measures please see the specific paragraph “Alternative Performance Measures”.

The financial statements have been drawn up on the basis of the historical cost principle, except for certain financial instruments measured at fair value.

The preparation of the consolidated reports has required the use of estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities. The later results that derive from occurrence of events could differ from these estimates.
It should also be noted that certain complex valuation processes, such as the determination of any impairment losses on non-current assets, are generally carried out in full only at the time of preparing the annual financial statements, when all the information that may be needed is available, except in cases when there is evidence of impairment that requires an immediate measurement of any losses. To that end, we note that the Iren Group is carefully monitoring developments in the energy and financial scenario associated with the economic crisis linked to the lockdown due to the current pandemic, as well as possible long-term impacts on the businesses in which it operates.
In the same way, the actuarial valuations necessary to determine provisions for employee benefit are normally carried out on the occasion of preparing the annual financial statements.
It should also be remembered that these statements are not subject to independent auditing.

## ALTERNATIVE PERFORMANCE MEASURES

The Iren Group uses alternative performance indicators (APIs) in order to convey more effectively the information on the profitability performance of the businesses in which it operates, and on its financial and capital situation. These measures are different from the financial measures explicitly required by the IAS/IFRS international accounting standards adopted by the Group.
On the subject of these measures, CONSOB issued Communication no. 92543/15 which makes applicable the Guidelines issued by the European Securities and Markets Authority (ESMA) on their presentation in the regulated information distributed or in prospectuses published. These Guidelines are aimed at promoting the usefulness and transparency of the alternative performance measures included in regulated information or prospectuses that fall within the scope of application of Directive 2003/71/EC, in order to improve their comparability, reliability and comprehensibility.

In line with the aforementioned communications, the criteria used to construct these measures presented in the present financial report are provided below.

**Net invested capital:** determined by the algebraic sum of Non-current assets, Other non-current assets (liabilities), Net working capital, Deferred tax assets (liabilities), Provisions for risks and employee benefits and Assets (Liabilities) held for sale. For further details on the construction of the single items that make up the indicator please see the statement of reconciliation of the reclassified balance sheet with the accounting statement presented in the annexes to the consolidated financial statements.
This APM is used by the Group in the context of documents both internal to the Group and external and is a useful measure for the purpose of measuring total net assets, both current and non-current, also through comparison between the period with which the report is concerned and 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.

**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.

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

**Operating cash flow:** determined starting from net profit /(loss) for the period, adjusted for financial income and expenses and for non-monetary items (depreciation and amortisation, provisions, impairment losses…), to which are added the changes of Net working capital, utilisations of provisions and employee benefits and other operating changes.
This APM is used by the Group in the context of documents both internal to the Group and external and measures the cash generation capacity of the group's operating activities and therefore its self-financing capacity.

**Free cash flow**: determined adding to the operating cash flow the financial resources used or provided by investing activities represented by investments in property, plant and equipment, intangible and financial assets, disposals, changes in the consolidation scope and dividends received.

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

**Gross operating profit over revenue:** determined making a proportion, in percentage terms, between gross operating profit and value of revenue.
This APM is used by the Group in the context of documents both internal to the Group and external and is a useful instrument for assessing the Group's operating performance (both as a whole and at the level of single Business Units), also through comparison with previous periods or financial years.

**Net financial debt over equity:** determined as the ratio between net financial debt and equity including minority interests.
This APM is used by the Group in the context of documents both internal to the Group and external and is a useful instrument for assessing the financial structure in terms of relative proportion of financing sources between third-party funds and own funds.

**SEASONALITY**

Finally, we note that the Iren Group's results for the period reflect the seasonality characteristic of the sectors in which it operates. These are influenced above all by the weather trends, and therefore cannot be extrapolated for the entire year.

# CONSOLIDATION PRINCIPLES

The consolidation scope includes subsidiaries, joint ventures and associates.

*Subsidiaries*
Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 - *Consolidated Financial Statements.* Control exists when the Parent Company has at the same time:
- decision-making power over the investee, that is the power to direct the relevant activities of the investee, that is activities that have a significant influence on the results of the said investee;
- the right to variable (positive or negative) returns from its involvement with the entity;
- the ability to use its decision-making power to determine the amount of the returns coming from its involvement with the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
Equity and portion of profit/loss attributable to minority interests are identified separately in the consolidated statement of financial position and income statement.
Subsidiaries are consolidated on a line-by-line basis intra-group balances, transactions, unrealised income and expenses are eliminated in full.
We can note also that: a) all changes in the equity interest that do not constitute a loss of control are treated as *equity transactions* and therefore have a contra entry in equity; b) when a parent company transfers control to one of its investees, but continues all the same to hold an interest in the company, it measures the equity investment retained in the financial statements at *fair value* and recognises any gains or losses deriving from loss of control in the income statement.

*Joint ventures*
These are companies over whose activity the Group has joint control, in virtue of contractual agreements. Joint control, as defined by IFRS 11 – *Joint Arrangements, is the "contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control".*
With reference to entities jointly owned by mixed public and private ventures, given the objective possibility for the public shareholder to influence the company not only by means of *governance* agreements, but also because of its nature of public entity, the existence of joint control is judged on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly control strategic decisions regarding the joint venture.
Joint arrangements are divided into 2 types:
- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint Ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's net profit or loss, but have rights to its assets and obligations for its liabilities. In this case the assets/revenues on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

*Associates (accounted for using the equity method)*
An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associates' profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses of an associate equals or exceeds the carrying amount of its interest in the associate, the carrying amount is reduced to nil and recognition of further losses is not detected, except to the extent that the Group is obliged to respond.

*Transactions eliminated on consolidation*
Intra-group balances and significant transactions and any unrealised gains and losses arising from intra-group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. The related tax effect is calculated for all consolidation adjustments.

# CONSOLIDATION SCOPE

The consolidation scope includes the companies directly or indirectly controlled by the Parent Company, plus joint ventures and associates.

*Parent Company:*
Iren S.p.A.

*Companies consolidated on a line-by-line basis*
The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis.

1) Iren Ambiente and its subsidiaries:
   - Waste Management ACAM
   - AMIAT V and the subsidiary:
     - AMIAT
   - Bonifica Autocisterne
   - Ferrania Ecologia
   - Montequerce
   - ReCos
   - Rigenera Materiali
   - San Germano
   - Territorio e Risorse
   - TRM

2) Iren Energia and its subsidiaries:
   - Iren Smart Solutions (formerly Iren Rinnovabili) and its subsidiary:
     - Studio Alfa and its subsidiary
       - Coin Consultech
   - Maira and its subsidiary:
     - Formaira

3) Iren Mercato and its subsidiaries:
   - Salerno Energia Vendite

4) IRETI and its subsidiaries:
   - ACAM Acque
   - ASM Vercelli and its subsidiary:
     - ATENA Trading
   - Consorzio GPO
   - Iren Laboratori
   - Iren Acqua and its subsidiary:
     - Iren Acqua Tigullio

During the first quarter of 2020, the following mergers by incorporations of subsidiaries took effect: Busseto Servizi in IRETI, CMT in Iren Ambiente, Immobiliare delle Fabbriche in Iren Acqua and Spezia Energy Trading in Iren Mercato.
While these have an effect on the shareholding structure, they did not lead to changes in the scope of consolidation, and took part within rationalisation intended to strengthen the Group's organisational model, which also affected other companies acquired through recent M&A transactions.

Also note, again from an operational point of view and not affected the scope of consolidation, in January 2020 Iren Ambiente established the company Rigenera Materiali (RI.MA.), which will design, build, manage and operate a Mechanical/Biological Processing Plant for residual municipal waste, to be built in the Plant Hub in Scarpino (Genoa).

For details of the subsidiaries, joint ventures and associates please see the lists contained at the end of this document.

## CHANGES IN FULL CONSOLIDATION SCOPE

On 1 January 2020, the transfer took effect, from AMAIE S.p.A. (a company owned by the municipality of Sanremo, province of Imperia) to Iren Mercato, of a business unit operating the electricity protected market, known as “Sanremo Luce”, mainly consisting of a portfolio of 21 thousand clients, with expected consumption of 50 GWh annually.
Pursuant to IFRS 3 – Business combinations, the positive differential between the amount paid and the provisional value of the net assets acquired was recognised under goodwill, in the amount of 6,231 thousand euro.

# STATEMENT OF CONSOLIDATED FINANCIAL POSITION

thousands of euro

| | 31.03.2020 | 31.12.2019 |
|---|---|---|
| **ASSETS** | | |
| Property, plant and equipment | 3,604,655 | 3,600,408 |
| Investment property | 2,977 | 3,003 |
| Intangible assets with a finite useful life | 2,211,126 | 2,175,232 |
| Goodwill | 178,908 | 172,677 |
| Investments accounted for using the equity method | 137,171 | 137,275 |
| Other equity investments | 7,403 | 7,403 |
| Non-current trade receivables | 82,373 | 74,443 |
| Non-current financial assets | 170,390 | 148,051 |
| Other non-current assets | 32,297 | 35,490 |
| Deferred tax assets | 372,246 | 368,436 |
| **Total non-current assets** | **6,799,546** | **6,722,418** |
| Inventories | 46,427 | 71,789 |
| Trade receivables | 1,051,628 | 905,628 |
| Current tax assets | 17,197 | 18,851 |
| Other receivables and other current assets | 356,597 | 305,296 |
| Current financial assets | 154,946 | 75,807 |
| Cash and cash equivalents | 526,664 | 345,876 |
| **Total current assets** | **2,153,459** | **1,723,247** |
| Assets held for sale | 1,285 | 354,193 |
| **TOTAL ASSETS** | **8,954,290** | **8,799,858** |

thousands of euro

| | 31.03.2020 | 31.12.2019 |
|---|---|---|
| **EQUITY** | | |
| **Equity attributable to shareholders** | | |
| Share capital | 1,300,931 | 1,300,931 |
| Reserves and Retained Earnings (Losses) | 979,022 | 750,264 |
| Net profit (loss) for the period | 83,797 | 236,578 |
| **Total equity attributable to shareholders** | **2,363,750** | **2,287,773** |
| Equity attributable to non-controlling interests | 369,015 | 363,756 |
| **TOTAL EQUITY** | **2,732,765** | **2,651,529** |
| **LIABILITIES** | | |
| Non-current financial liabilities | 3,250,117 | 3,167,048 |
| Employee benefits | 105,308 | 106,420 |
| Provisions for risks and charges | 418,385 | 415,260 |
| Deferred tax liabilities | 205,286 | 204,538 |
| Other payables and other non-current liabilities | 479,599 | 480,040 |
| **Total non-current liabilities** | **4,458,695** | **4,373,306** |
| Current financial liabilities | 409,074 | 461,163 |
| Trade payables | 835,733 | 887,062 |
| Other payables and other current liabilities | 340,853 | 306,735 |
| Current tax liabilities | 37,535 | 1,761 |
| Provisions for risks and charges - current portion | 139,635 | 118,302 |
| **Total current liabilities** | **1,762,830** | **1,775,023** |
| Liabilities related to assets held for sale | - | - |
| **TOTAL LIABILITIES** | **6,221,525** | **6,148,329** |
| **TOTAL EQUITY AND LIABILITIES** | **8,954,290** | **8,799,858** |

# CONSOLIDATED INCOME STATEMENT

| | First three months 2020 | First three months 2019 |
|---|---|---|
| | | thousands of euro |
| **Revenue** | | |
| Revenue from goods and services | 1,040,311 | 1,235,335 |
| Other income | 36,871 | 42,311 |
| **Total revenue** | **1,077,182** | **1,277,646** |
| **Operating expense** | | |
| Raw materials, consumables, supplies and goods | (353,764) | (508,113) |
| Services and use of third-party assets | (327,846) | (375,765) |
| Other operating expenses | (17,521) | (16,659) |
| Capitalised expenses for internal work | 9,077 | 7,423 |
| Personnel expense | (112,745) | (110,309) |
| **Total operating expense** | **(802,799)** | **(1,003,423)** |
| **GROSS OPERATING PROFIT (EBITDA)** | **274,383** | **274,223** |
| **Depreciation, amortisation, provisions and impairment losses** | | |
| Depreciation and amortisation | (102,362) | (94,279) |
| Provisions for impairment of receivables | (22,029) | (4,655) |
| Other provisions and impairment losses | (4,469) | (3,515) |
| **Total depreciation, amortisation, provisions and impairment losses** | **(128,860)** | **(102,449)** |
| **OPERATING PROFIT (EBIT)** | **145,523** | **171,774** |
| **Financial income and expense** | | |
| Financial income | 5,553 | 6,213 |
| Financial expense | (23,935) | (26,032) |
| **Total financial income and expense** | **(18,382)** | **(19,819)** |
| Share of profit (loss) of associates accounted for using the equity method | (155) | (76) |
| Value adjustments on equity investments | (146) | - |
| **Profit (loss) before tax** | **126,840** | **151,879** |
| Income tax expense | (37,385) | (45,315) |
| **Net profit (loss) from continuing operations** | **89,455** | **106,564** |
| Net profit (loss) from discontinued operations | - | - |
| **Net profit (loss) for the period** | **89,455** | **106,564** |
| attributable to: | | |
| - Profit (loss) for the period attributable to shareholders | 83,797 | 99,940 |
| - Profit (loss) for the period attributable to non-controlling interests | 5,658 | 6,624 |

# STATEMENT OF OTHER COMPREHENSIVE INCOME

| | thousands of euro | |
|---|---|---|
| | **First three months 2020** | **First three months 2019** |
| **Profit/(loss) for the period - Group and non-controlling interests (A)** | **89,455** | **106,564** |
| **Other comprehensive income that will subsequently be reclassified to the Income Statement** | | |
| - effective portion of changes in fair value of cash flow hedges | (9,434) | (32,805) |
| - changes in fair value of financial assets | - | - |
| - share of other profits/(losses) of companies accounted for using the equity method | - | - |
| Tax effect of other comprehensive income | 2,428 | 8,854 |
| **Total other comprehensive income to be subsequently be reclassified to the Income Statement, net of tax effect (B1)** | **(7,006)** | **(23,951)** |
| **Other comprehensive income that will subsequently not be reclassified to the Income Statement** | | |
| - actuarial gains/(losses) on employee defined benefit plans (IAS 19) | - | - |
| - portion of other profits/(losses) of companies accounted for using the equity method related to employee defined benefit plans (IAS 19) | - | - |
| Tax effect of other comprehensive income | - | - |
| **Total other comprehensive income that will subsequently not be reclassified to the Income Statement, net of tax effect (B2)** | **-** | **-** |
| **Total comprehensive income/(expense) (A)+(B1)+(B2)** | **82,449** | **82,613** |
| attributable to: | | |
| - Profit (loss) for the period attributable to shareholders | 77,102 | 76,781 |
| - Profit (loss) for the period attributable to non-controlling interests | 5,347 | 5,832 |

# STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

| | Share capital | Share premium reserve | Legal reserve |
|---|---|---|---|
| **31/12/2018** | **1,300,931** | **133,019** | **58,346** |
| Retained earnings | | | |
| Dividends to shareholders | | | |
| Change in equity interests | | | |
| Other changes | | | |
| Comprehensive income for the period | | | |
| of which: | | | |
| - Net profit for the period | | | |
| - Other comprehensive income | | | |
| **31/03/2019** | **1,300,931** | **133,019** | **58,346** |
| | | | |
| **31/12/2019** | **1,300,931** | **133,019** | **64,642** |
| Retained earnings | | | |
| Dividends to shareholders | | | |
| Purchases of treasury shares | | | |
| Changes in consolidation scope | | | |
| Change in equity interests | | | |
| Other changes | | | |
| Comprehensive income for the period | | | |
| of which: | | | |
| - Net profit for the period | | | |
| - Other comprehensive income | | | |
| **31/03/2020** | **1,300,931** | **133,019** | **64,642** |

thousands of euro

| Cash flow hedging reserve | Other reserves and retained earnings (losses) | Total reserves and retained earnings (losses) | Profit (loss) for the period | Total equity attributable to shareholders | Equity attributable to non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| **(17,353)** | **468,384** | **642,396** | **242,116** | **2,185,443** | **376,928** | **2,562,371** |
| | 242,116 | 242,116 | (242,116) | - | | - |
| | - | - | | - | (104) | (104) |
| | 415 | 415 | | 415 | (415) | - |
| | 333 | 333 | | 333 | (1) | 332 |
| (23,159) | - | (23,159) | 99,940 | 76,781 | 5,832 | 82,613 |
| | | | | - | | |
| | | | 99,940 | 99,940 | 6,624 | 106,564 |
| (23,159) | | (23,159) | | (23,159) | (792) | (23,951) |
| **(40,512)** | **711,248** | **862,101** | **99,940** | **2,262,972** | **382,240** | **2,645,212** |
| | | | | | | |
| **(31,429)** | **584,032** | **750,264** | **236,578** | **2,287,773** | **363,756** | **2,651,529** |
| | 236,578 | 236,578 | (236,578) | - | | - |
| | - | - | | - | (88) | (88) |
| | (1,361) | (1,361) | | (1,361) | | (1,361) |
| | - | - | | - | - | - |
| | - | - | | - | - | - |
| | 236 | 236 | | 236 | - | 236 |
| (6,695) | - | (6,695) | 83,797 | 77,102 | 5,347 | 82,449 |
| | | | | | | |
| | | | 83,797 | 83,797 | 5,658 | 89,455 |
| (6,695) | - | (6,695) | | (6,695) | (311) | (7,006) |
| **(38,124)** | **819,485** | **979,022** | **83,797** | **2,363,750** | **369,015** | **2,732,765** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

thousands of euro

| | First three months 2020 | First three months 2019 |
|---|---|---|
| **A. Opening cash and cash equivalents** | **345,876** | **369,318** |
| **Cash flows from operating activities** | | |
| Profit (loss) for the period | 89,455 | 106,564 |
| Adjustments: | | |
| Income tax expense for the period | 37,385 | 45,315 |
| Share of profit (loss) of associates and joint ventures | 155 | 76 |
| Net financial expense (income) | 18,382 | 19,819 |
| Amortisation of intangible assets and depreciation of property, plant and equipment | 102,362 | 94,279 |
| Net impairment losses (reversals of impairment losses) on assets | 146 | - |
| Net provisions for risks and other charges | 50,224 | 26,154 |
| Capital (gains) losses | 474 | (45) |
| Utilisations of employee benefits | (1,704) | (6,200) |
| Utilisations of provisions for risks and other charges | (5,917) | (9,364) |
| Change in other non-current assets and liabilities | (623) | (2,626) |
| Other changes in capital | (4,843) | (8,608) |
| Taxes paid | - | - |
| **B. Cash flows from operating activities before changes in NWC** | **285,496** | **265,364** |
| Change in inventories | 25,362 | 27,952 |
| Change in trade receivables | (174,034) | (194,800) |
| Change in tax assets and other current assets | (51,892) | 20,746 |
| Change in trade payables | (51,329) | 20,174 |
| Change in tax liabilities and other current liabilities | 34,118 | 67,194 |
| **C. Cash flows from changes in NWC** | **(217,775)** | **(58,734)** |
| **D. Cash flows from/(used in) operating activities (B+C)** | **67,721** | **206,630** |
| **Cash flows from/(used in) investing activities** | | |
| Investments in property, plant and equipment and intangible assets | (130,010) | (85,454) |
| Investments in financial assets | - | (3) |
| Proceeds from the sale of investments and changes in assets held for sale | (1,639) | 237 |
| Changes in consolidation scope | - | (16,205) |
| Dividends received | 320 | 320 |
| **E. Total cash flows from /(used in) investing activities** | **(131,329)** | **(101,105)** |
| **F. Free cash flow (D+E)** | **(63,608)** | **105,525** |
| **Cash flows from /(used in) financing activities** | | |
| Capital increase | - | - |
| Purchases of treasury shares | (1,361) | - |
| Dividends paid | - | (4,329) |
| New non-current loans | 75,000 | 750 |
| Repayment of non-current loans | (72) | (100,604) |
| Change in financial payables for leasing | (5,214) | (4,248) |
| Change in other financial liabilities | (76,663) | (20,761) |
| Change in financial receivables | 251,496 | (15,263) |
| Interest paid | (599) | (4,367) |
| Interest received | 1,809 | 3,803 |
| **G. Total cash flows from /(used in) financing activities** | **244,396** | **(145,019)** |
| **H. Cash flows for the period (F+G)** | **180,788** | **(39,494)** |
| **I. Closing cash and cash equivalents (A+H)** | **526,664** | **329,824** |

# LIST OF FULLY CONSOLIDATED COMPANIES

| Company | Registered office | Currency | Share capital | % interest | Shareholder company |
|---|---|---|---|---|---|
| Iren Ambiente S.p.A. | Piacenza | Euro | 63,622,002 | 100.00 | Iren |
| Iren Energia S.p.A. | Turin | Euro | 918,767,148 | 100.00 | Iren |
| Iren Mercato S.p.A. | Genoa | Euro | 61,356,220 | 100.00 | Iren |
| Ireti S.p.A. | Genoa | Euro | 196,832,103 | 100.00 | Iren |
| Acam Acque S.p.A. | La Spezia | Euro | 24,260,050 | 100.00 | IRETI |
| Acam Ambiente S.p.A. | La Spezia | Euro | 3,000,000 | 100.00 | Iren Ambiente |
| AMIAT S.p.A. | Turin | Euro | 46,326,462 | 80.00 | AMIAT V |
| AMIAT V. S.p.A. | Turin | Euro | 1,000,000 | 93.06 | Iren Ambiente |
| ASM Vercelli S.p.A. | Vercelli | Euro | 120,812,720 | 59.97 | IRETI |
| Atena Trading S.r.l. | Vercelli | Euro | 556,000 | 100.00 | ASM Vercelli |
| Bonifica Autocisterne S.r.l. | Piacenza | Euro | 595,000 | 51.00 | Iren Ambiente |
| Coin Consultech S.r.l. | Reggio Emilia | Euro | 10,000 | 72.87 | Studio Alfa |
| Consorzio GPO | Reggio Emilia | Euro | 20,197,260 | 62.35 | IRETI |
| Ferrania Ecologia S.r.l | Cairo Montenotte | Euro | 1,559,042 | 100.00 | Iren Ambiente |
| Formaira S.r.l. | San Damiano Macra (Cuneo) | Euro | 10,000 | 100.00 | Maira |
| Iren Acqua S.p.A. | Genoa | Euro | 19,203,420 | 60.00 | IRETI |
| Iren Acqua Tigullio S.p.A. | Chiavari (Genoa) | Euro | 979,000 | 66.55 | Iren Acqua |
| Iren Laboratori S.p.A. | Genoa | Euro | 2,000,000 | 90.89 | IRETI |
| Iren Smart Solutions S.p.A. | Reggio Emilia | Euro | 2,596,721 | 60.00 | Iren Energia |
| | | | | 20.00 | Iren Ambiente |
| | | | | 20.00 | Iren Mercato |
| Maira S.p.A. | San Damiano Macra (Cuneo) | Euro | 596,442 | 66.23 | Iren Energia |
| Monte Querce S.c. a r.l. | Reggio Emilia | Euro | 100,000 | 60.00 | Iren Ambiente |
| ReCos S.p.A. | La Spezia | Euro | 12,466,000 | 98.60 | Iren Ambiente |
| Rigenera Materiali S.r.l. | Genoa | Euro | 3,000,000 | 100.00 | Iren Ambiente |
| Salerno Energia Vendite S.p.A. | Salerno | Euro | 3,312,060 | 50.00 | Iren Mercato |
| San Germano S.p.A. | Turin | Euro | 1,425,000 | 100.00 | Iren Ambiente |
| Studio Alfa S.p.A. | Reggio Emilia | Euro | 100,000 | 86.00 | Iren Smart Solutions |
| Territorio e Risorse S.r.l. | Tortona | Euro | 2,510,000 | 100.00 | Iren Ambiente |
| TRM S.p.A. | Turin | Euro | 86,794,220 | 80.00 | Iren Ambiente |

# LIST OF JOINT VENTURES

| Company | Registered office | Currency | Share capital | % interest | Shareholder company |
|---|---|---|---|---|---|
| Acque Potabili S.p.A. | Turin | Euro | 7,633,096 | 44.92 | IRETI |

# LIST OF ASSOCIATES

| Company | Registered office | Currency | Share capital | % interest | Shareholder company |
|---|---|---|---|---|---|
| A2A Alfa S.r.l. (1) | Milan | Euro | 100,000 | 30.00 | Iren Mercato |
| Acos Energia S.p.A. | Novi Ligure | Euro | 150,000 | 25.00 | Iren Mercato |
| Acos S.p.A. | Novi Ligure | Euro | 17,075,864 | 25.00 | IRETI |
| Acquaenna S.c.p.a. | Enna | Euro | 3,000,000 | 48.50 | IRETI |
| Aguas de San Pedro S.A. de C.V. | S.Pedro Sula (Honduras) | Lempiras | 159,900 | 39.34 | IRETI |
| Aiga S.p.A. | Ventimiglia | Euro | 104,000 | 49.00 | IRETI |
| Amat S.p.A. | Imperia | Euro | 5,435,372 | 48.00 | IRETI |
| Amter S.p.A. | Cogoleto (Genoa) | Euro | 404,263 | 49.00 | Iren Acqua |
| ASA S.p.A. | Livorno | Euro | 28,613,406 | 40.00 | IRETI |
| ASTEA S.p.A. | Recanati | Euro | 76,115,676 | 21.32 | Consorzio GPO |
| Asti Energia e Calore S.p.A. | Asti | Euro | 120,000 | 34.00 | Iren Energia |
| BI Energia S.r.l. | Reggio Emilia | Euro | 100,000 | 47.50 | Iren Energia |
| CSP Innovazione nelle ICT S.c.r.l. | Turin | Euro | 600,000 | 25.00 | Iren Energia |
| Fata Morgana S.p.A. (2) | Reggio Calabria | Euro | 2,225,694 | 25.00 | IRETI |
| Fin Gas S.r.l. | Milan | Euro | 10,000 | 50.00 | Iren Mercato |
| Fratello Sole Energie Solidali Impresa Sociale S.r.l. | Genoa | Euro | 350,000 | 40.00 | Iren Energia |
| G.A.I.A. S.p.A. | Asti | Euro | 5,539,700 | 45.00 | Iren Ambiente |
| Global Service Parma S.c. a r.l. (1) | Parma | Euro | 20,000 | 30.00 | IRETI |
| Iniziative Ambientali S.r.l. | Novellara (Reggio Emilia) | Euro | 100,000 | 40.00 | Iren Ambiente |
| Mondo Acqua S.p.A. | Mondovì (Cuneo) | Euro | 1,100,000 | 38.50 | IRETI |
| Nord Ovest Servizi S.p.A. | Turin | Euro | 7,800,000 | 10.00 | IRETI |
| | | | | 15.00 | AMIAT |
| Parma Servizi Integrati S.c. a r.l. | Parma | Euro | 20,000 | 11.00 | Iren Smart Solutions |
| Piana Ambiente S.p.A. (2) | Gioia Tauro | Euro | 1,719,322 | 25.00 | IRETI |
| Plurigas S.p.A. (2) | Milan | Euro | 800,000 | 30.00 | Iren |
| Rio Riazzone S.p.A. (1) | Castellarano (Reggio Emilia) | Euro | 103,292 | 44.00 | Iren Ambiente |
| Seta S.p.A. | Turin | Euro | 12,378,237 | 48.85 | Iren Ambiente |
| Sinergie Italiane S.r.l. (1) | Milan | Euro | 1,000,000 | 30.94 | Iren Mercato |
| STU Reggiane S.p.A. | Reggio Emilia | Euro | 6,587,558 | 30.00 | Iren Smart Solutions |
| Tirana Acque S.c. a r.l. (1) | Genoa | Euro | 95,000 | 50.00 | IRETI |
| Valle Dora Energia S.r.l. | Turin | Euro | 537,582 | 49.00 | Iren Energia |

(1) Company in liquidation

(2) Company in liquidation classified among discontinuing operations

# Certification by the Financial Reporting Manager pursuant to Article 154-bis, paragraph 2 of Italian Legislative Decree no. 58/1998 (“Testo Unico della Finanza” [Consolidated Finance Act])

The undersigned 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 Finance Act] that the accounting information contained in this Consolidated Quarterly Report at 31 March 2020 corresponds to the documentary records, books and accounting entries.

12 May 2020

Administration, Finance, Control and M&A Manager and
Financial Reporting Manager appointed under Law 262/05

Massimo Levrino

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