



2017 – 1H Results

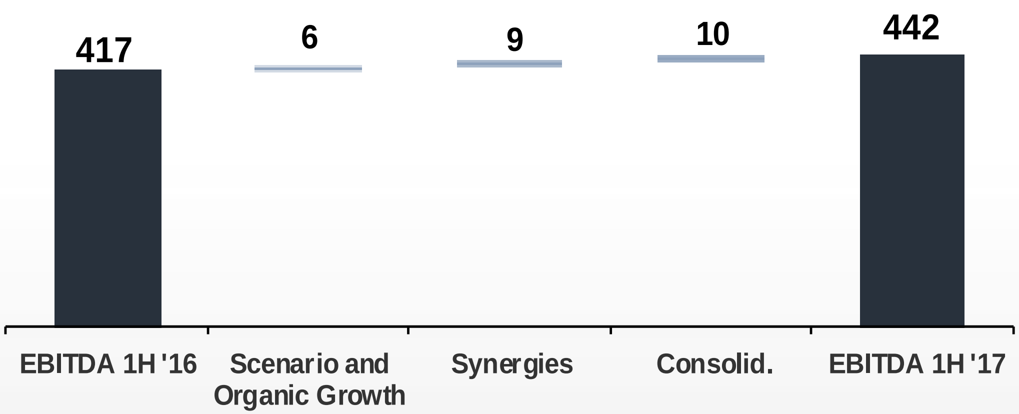
3rd August 2017

1H 2017: growth equally driven by regulated and unregulated activities.

Income statement

m€	1H '16*	**1H '17**	Δ	Δ%
Revenues	1,555	**1,814**	259	16.6%
Ebitda	417	**442**	25	6.0%
Ebit	239	**258**	19	7.9%
Net profit	121	**145**	24	19.5%

Ebitda Bridge



- **Revenues +16.6%:** growth in revenues linked mainly to higher commodities prices (PUN +38.2%).
- **Ebitda +6.0%:** Organic growth combined with synergies account for approximately 60% of the increase in EBITDA. The remainder relates to external growth for approximately 10m€ deriving from the transactions completed in 2016 (mainly Atena and SAP).
- **Ebit +7.9%:** reflects the good operating results which more than offset higher D&A, linked to the change in scope of consolidation.
- **Net profit +19.5%:** In addition to the increase in EBIT, lower financial charges and lower taxes (lower IRES percentage effect).

*Restated ex IFRS 3

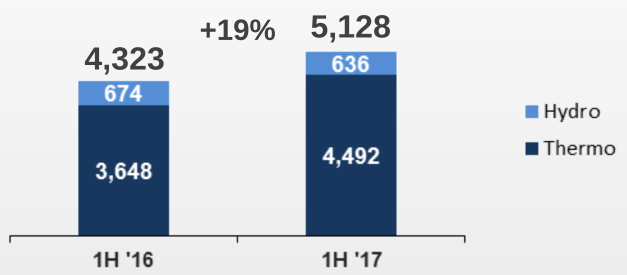
GENERATION AND DH – active exploitation of positive scenario conditions.

- Positive results in all the sub-sectors deriving from the active exploitation of the favorable scenario conditions.
- **Generation sector** confirms the growth reported in the first three months of the year led by higher spark-spreads and volumes.
- **Hydroelectric sector's** lower production (due mainly to run-of-the-river plants) was more than offset by higher PUN.
- **Heat sector:** higher volumes mainly linked to the increase in volumes heated.

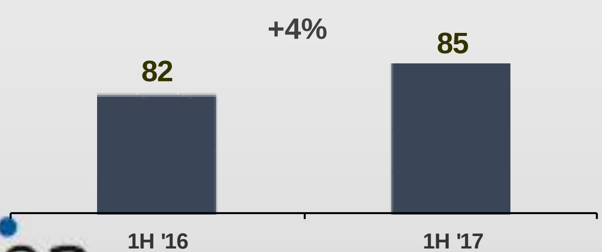
Outlook: The exceptional scenario experienced in 2H 2016 will unlikely recur with the same magnitude.

m€	1H '16	**1H '17**	Δ	Δ%
Revenues	403	**555**	152	38%
Ebitda	119	**147**	28	24%
Ebit	60	**84**	24	41%
Gross Capex	15	**12**	-3	-24%

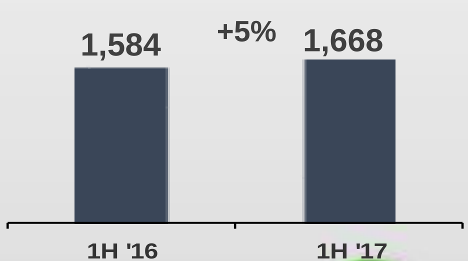
ELECTRICITY PRODUCTION (GWh)



DH VOLUMES HEATED (MCM)



HEAT PRODUCTION (GWht)



MARKET – electricity sector affected by an expected negative scenario.

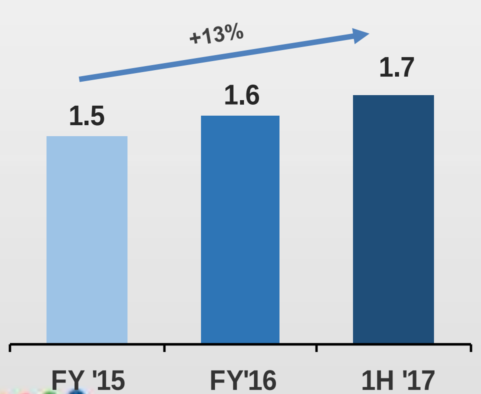
The higher than expected growth in PUN (+38%) negatively affected the electricity procurement costs, confirming the trend already reported in the first three months of the year. This element was partially offset by:

- Active client management and client-base growth: **+40% electricity volumes sold to end Clients**. **1.7m Clients (+200k additional Clients in the last 18 months)**
- Strong results in gas sector thanks to use of stored gas bought during 2016 summer season at favorable price.

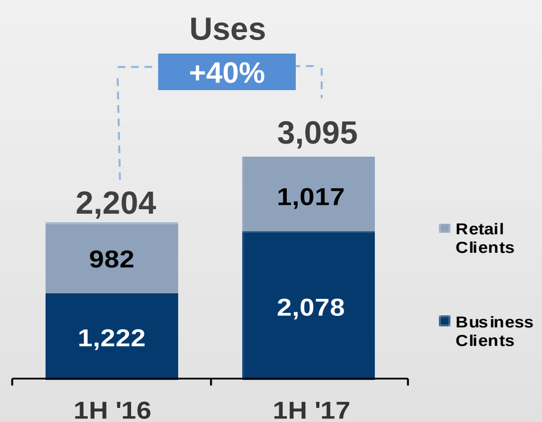
m€	1H '16	**1H '17**	Δ	Δ%
Revenues	1,084	**1,248**	164	15%
Ebitda	83	**70**	-13	-16%
Electricity	*32*	***11***	*-21*	*-66%*
Gas&Heat	*51*	***59***	*8*	*16%*
Ebit	59	**49**	-10	-18%
Gross Capex	9	**10**	1	11%

Outlook: The negative electricity downtrend will stabilize in the second half of the year, while in the gas sector we expect a worse scenario mainly in the last quarter.

ENERGY CLIENTS (million)

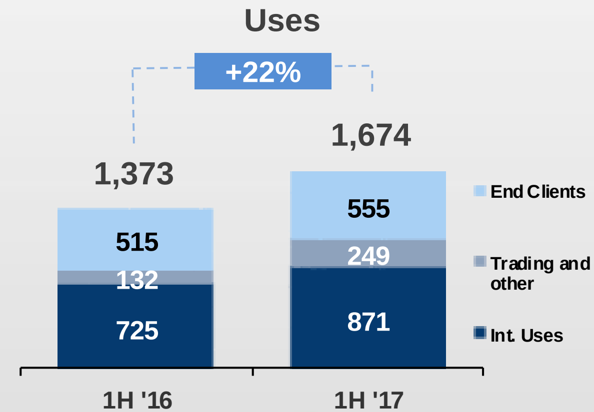


ELECTRICITY PORTFOLIO* (GWh)



*net of Ipex, wholesalers and other

GAS PORTFOLIO (MCM)



iren

NETWORKS – synergies offsetting some minor negative elements.

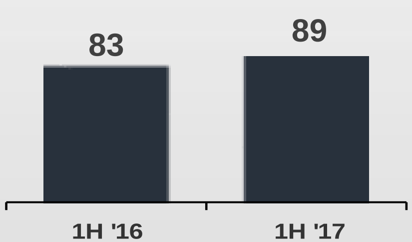
- **Energy networks:** Achieved synergies, in line with expectations, more than offset higher costs for “white certificates”.

- **Water networks:** The slight increase in EBITDA is linked mainly to the change in scope of consolidation (Atena and SAP) and higher allowed revenues which more than offset a number of minor extraordinary negative items.

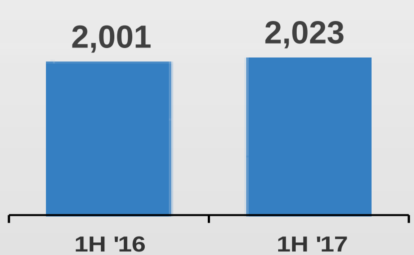
m€	1H '16	**1H '17**	Δ	Δ%
Revenues	400	**421**	21	5%
Ebitda	148	**153**	5	3%
Electricity	*35*	***35***	*0*	*0%*
Gas	*36*	***38***	*2*	*6%*
Water	*77*	***80***	*3*	*4%*
Ebit	87	**86**	-1	-1%
Gross Capex	60	**65**	5	9%

Outlook: The drivers of the growth will be the implementation of performance improvement projects (enabling the achievement of further synergies) and the contribution from Atena and SAP.

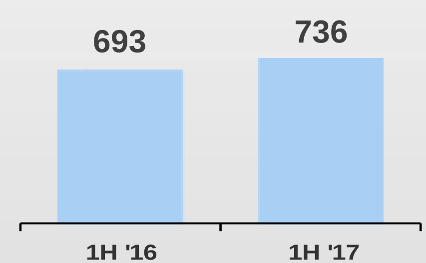
WATER DISTRIB. (MCM)



Electricity DISTRIB. (Gwh)



Gas DISTRIB. (MCM)



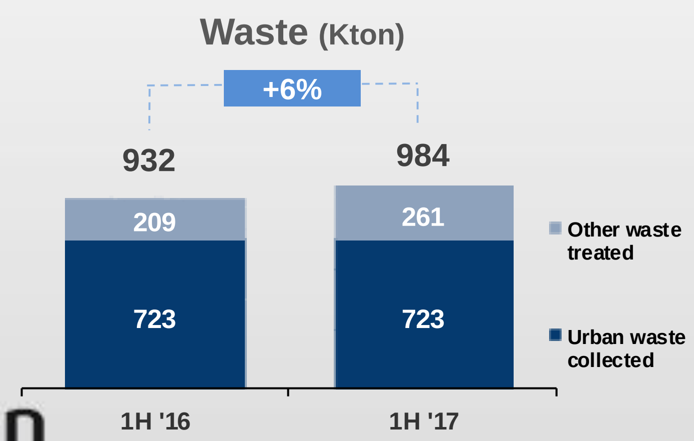
WASTE – disposal plants at fuller capacity drove the growth

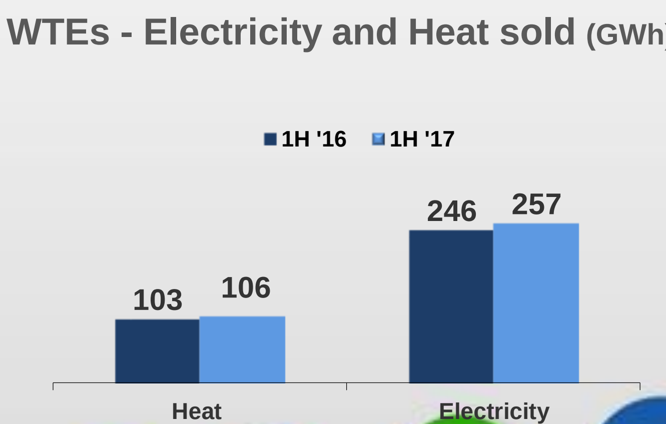
- **Higher saturation** of the WTE plants together and the positive impact of the growth in PUN price, experienced in particular in the Q1 are the drivers of the growth reported in the sector.

- **Coming on stream of REI**, the new landfill in Collegno (Turin) enabling higher volumes and margins on special waste.

Outlook: WTE plants at almost full capacity together with higher efficiency in waste collection and a particular focus on special waste treatment will lead to an improvement in margins in the second half of the year.

m€	1H '16	**1H '17**	Δ	Δ%
Revenues	254	**270**	16	6%
Ebitda	63	**71**	8	13%
Ebit	29	**38**	9	29%
Gross Capex	7	**7**	0	6%





From EBITDA to Net Profit.

	1H '16*	**1H '17**	Δ	Δ%
EBITDA	417.1	442.3	25.2	6.0%
D&A	*-146.1*	***-154.6***		
Provisions	*-32.1*	***-29.9***		
EBIT	238.9	**257.7**	18.8	7.9%
Financial charges	*-47.0*	***-42.7***		
Other financial costs	*-5.8*	***2.4***		
Companies cons with e.m.and adj.	*17.4*	***13.1***		
EBT	203.4	**230.6**	27.2	13.4%
Taxes	*-70.5*	***-72.7***		
Minorities	*-11.5*	***-12.8***		
Group net profit	121.4	**145.1**	23.7	19.5%

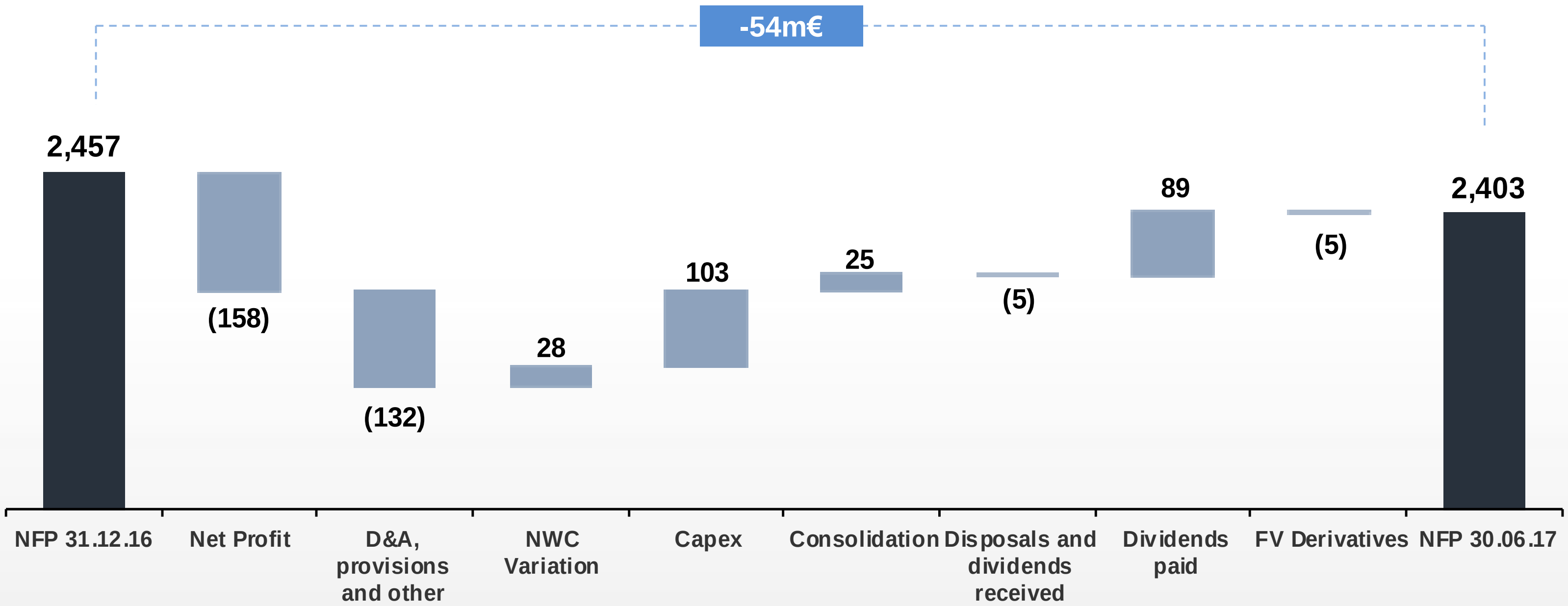
- **Higher D&A** linked mainly to ATENA and SAP consolidation.

- **Lower financial charges** thanks mainly to lower cost of debt.
- **Lower other financial costs** due to the FV of derivatives and lower actualization charges.
- **Lower non-recurring adjustment in equity investments** consolidated with equity methods (Salerno Energia Vendite) vs. 1H 2016 (TRM).

- **Lower** tax-rate (approximately 32%) thanks to structural decrease in IRES (from 27.5% to 24.0%).

*Restated ex IFRS 3

Cash-flow and NFP Bridge.

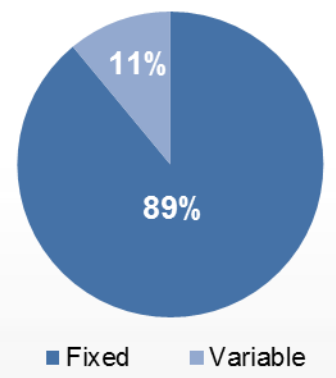


- The robust operating cash-flow generated in the quarter led to a 54m€ net debt decrease in spite of the dividend payment.

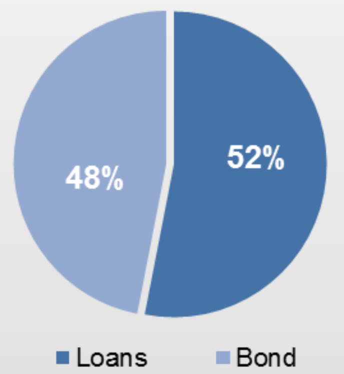
Interest rate and debt structure.

- 89% of gross debt at fixed interest rate.
- Average long-term debt duration of about 4.8 years.
- Slight reduction in cost of debt (3.3% vs. 3.5% in 1H 2016)
- IREN's debt is formed of:
  - 48% bonds
  - 32% EIB loans
  - 20% other loans

Gross debt interest rate



Debt structure



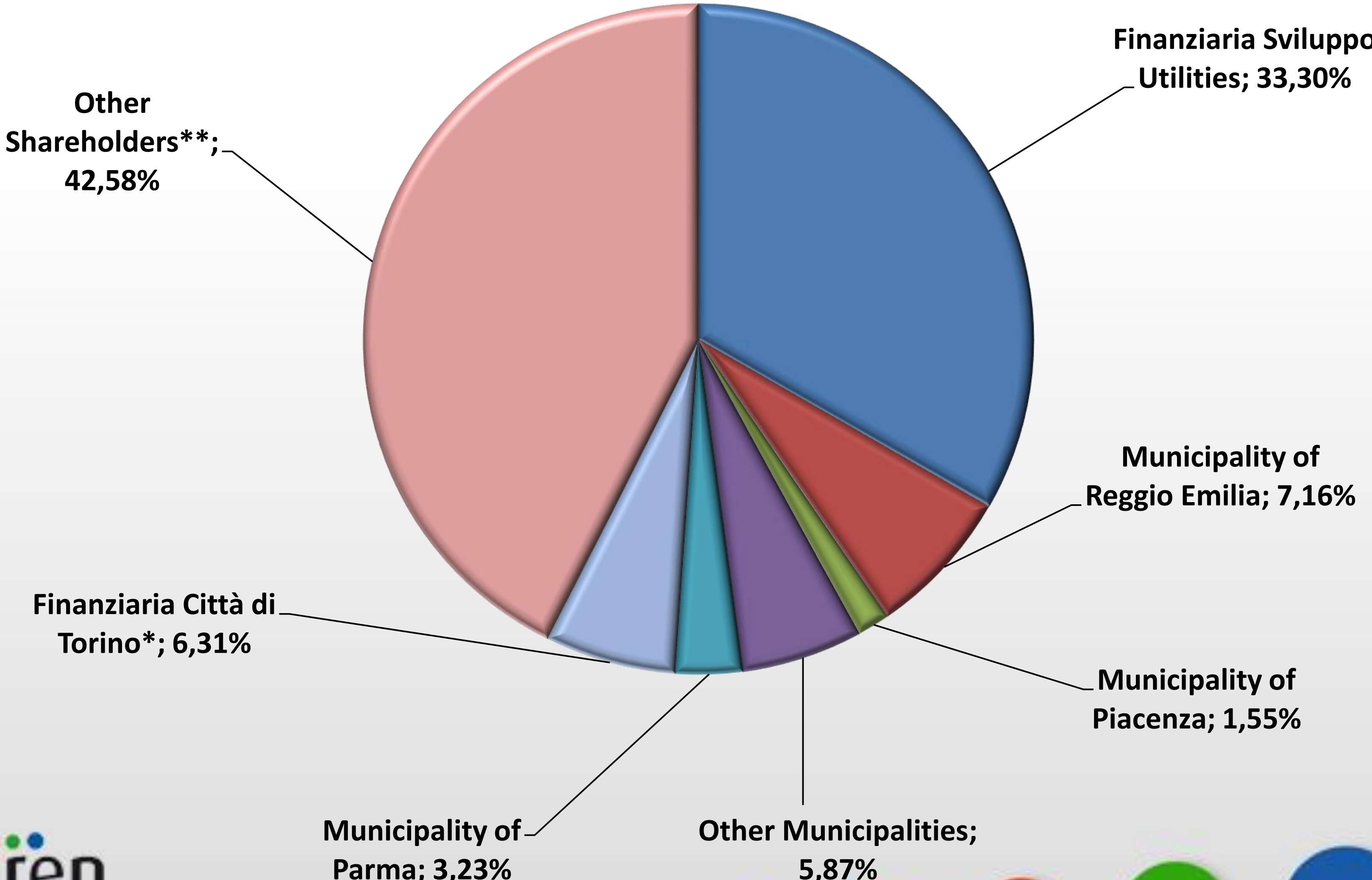
Closing remarks

- The macro-trends reported in the first quarter of the year underpinned also the second quarter, with a substantial stability in terms of growth drivers.
- A significant increase in all the operating indicators, from EBITDA to Net Profit, reflects the Group’s ability in tackling a mixed scenario benefitting from the higher level of integration in the business.
- Synergies achievement in the first half (9m€) in line with the business plan targets
- Further contributions from consolidation activities already closed in 2016.
- Net debt trend reduction confirmed (-54m€ in the period)

All these elements make the company confident that it can exceed the business plan targets.

Annexes

IREN Shareholding structure (relative to total share capital)
30 June 2017



*Preferred shares without voting rights, underlying of the exchangeable bond issued by FCT **including Kairos SGR 3.07%

IREN Shareholding structure – Voting rights and Sharehold. agr.
30 June 2017

Voting rights

IREN - Votes owned by Public Entities	
Shareholders	**# ordinary shares**
Finanziaria Sviluppo Utilities	424,999,233
Municipality of Reggio Emilia	91,427,464
Municipality of Parma	41,158,566
Municipality of Piacenza	19,759,547
Other Municipalities	74,976,153
Public entities (Shareholders)	**652,320,963**
Ordinary share capital (# shares)*	**1,195,727,663**
% of ord. shares owned by Public entities*	**54.6%**

- **Public entities own 652 million ordinary shares**, approximately 55% of the ordinary share capital.
- At present **no public Shareholders has a double voting right**. Such right will mature 2 year after subscription in the Registered Shareholders list.

Shareholders agreement

- **628,375,103 are the shares belonging to the Shareholders' agreement**, corresponding to 52.6% of IREN's ordinary share capital.
    - **510,490,271** of which are also part of a «non-negotiable» agreement. They cannot be sold until the expiration of the Shareholders' agreement.
    - **117,884,832** of which are are instead **negotiable** but could be sold only through particular procedures in order to **avoid any overhang effect**.
- **23,945,860 shares are outside the** Shareholders' agreement **and are therefore negotiable on the market**

- **<u>117,884,832 + 23,945,860 = 141,830,692</u> ordinary shares held by public entities which can be currently sold.**

*not including 80,498,014 preferred shares

Preferred shares.

- IREN’s share capital included **94.500.000** non-listed preferred shares without voting rights, owned by Finanziaria Città di Torino (100% owned by Turin Municipality).
- In November 2015 Finanziaria Città di Torino launched an exchangeable bond on 80,498,014 IREN’s preferred stocks (94,500,000-80,498,014=14,001,986 residual preferred stocks)
- The bond’s maturity is 5 years and it can be converted into IREN ordinary share anytime until 45 days prior to the date fixed for the redemption of the bond. The conversion price is ~1.86€/Sh.
- At present, no conversion right has been exercised. A possible conversion could be exercised in the future, leading to a positive increase in the free float of the company.
- In March 2017 FCT sold the residual 14,001,986 preferred shares through an ABB procedure, converting them into ordinary shares, therefore, the share capital of IREN S.p.A. is therefore currently made of **1,195,727,663 ordinary shares and of 80,498,014 preferred shares**.

Market Scenario.

	1H '16	**1H '17**	Δ%
Gas Demand *(bcm)*	36	**39**	10%
TTF *€/000 scm*	139	**184**	32%
PSV *€/000 scm*	159	**203**	28%
Energy Demand *(Twh)*	151	**152**	1%
PUN *(€/Mwh)*	37.0	**51.2**	38.0%
CO2 *€/Ton*	5.7	**5.0**	-13%
Green Cert. Hydro *(€/Mwh)*	100.1	**107.3**	7%

Balance Sheet.

	1H '17	FY '16*
Net fixed assets	***5,226***	*5,233*
Net Working Capital	***199***	*171*
Funds	***-550***	*-562*
Other assets and liabilities	***-94***	*-88*
Net invested capital	**4,781**	4,754
Group Sharholders' equity	***2,378***	*2,297*
Net Financial Position	***2,403***	*2,457*
Total Funds	**4,781**	4,754

**Restated ex IFRS 3*

DISCLAIMER

The Manager in charge of drawing up the corporate accounting documents and the Chief Financial Officer of IREN S.p.A., Mr. Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act (Legislative Decree No 58/1998), that the accounting information contained in this presentation is consistent with the accounting documents, records and books.

This document was prepared by IREN mainly for use during meetings with investors and financial analysts.
This document does not constitute an offer to sell or a solicitation to buy or subscribe shares and neither this entire document or any portion of it may constitute a basis or provide a reference for any contract or commitment.
Some of the information contained in this document may contain projected data or estimates that are based on current expectations and on opinions developed by IREN and are based on current plans, estimates, projections and projects. Consequently, it is recommended that they be viewed as indicative only.
Projected data and estimates entail risks and uncertainties. There are a number of factors that could produce significant differences between projected results and actual results. In addition, results may be affected by trends that are often difficult to anticipate, are generally beyond IREN's control and could produce results and developments that are substantially different from those explicitly or implicitly described or computed in the abovementioned projected data and estimates. The non-exhaustive list that follows being provided merely by way of example, these risks include: significant changes in the global business scenario, fluctuations in the prices of certain commodities, changes in the market's competitive conditions and changes in the general regulatory framework.
Notice is also given that projected data are valid only on the date they are produced. Except for those cases in which the applicable statutes require otherwise, IREN assumes no obligation to provide updates of the abovementioned estimates and projected data.