Consolidated Quarterly Report
at 31 March **2018**

Board of Directors of 10 May 2018

iren

Summary

COMPANY OFFICERS

Board of Directors [(1)]

Chairperson	Paolo Peveraro [(2)]
Deputy Chairperson	Ettore Rocchi [(3)]
Chief Executive Officer	Massimiliano Bianco [(4)]
Directors	Moris Ferretti [(5)]
	Lorenza Franca Franzino [(6)]
	Alessandro Ghibellini [(7)]
	Fabiola Mascardi
	Marco Mezzalama [(8)]
	Paolo Pietrogrande [(9)]
	Marta Rocco [(10)]
	Licia Soncini [(11)]
	Isabella Tagliavini [(12)]
	Barbara Zanardi [(13)]

Board of Statutory Auditors [(14)]

Chairperson	Michele Rutigliano
Standing Auditors	Emilio Gatto
	Annamaria Fellegara
Supplementary Auditors	Giordano Mingori
	Giorgio Mosci

Financial Reporting Manager

Massimo Levrino

Independent Auditors

PricewaterhouseCoopers S.p.A. [(15)]

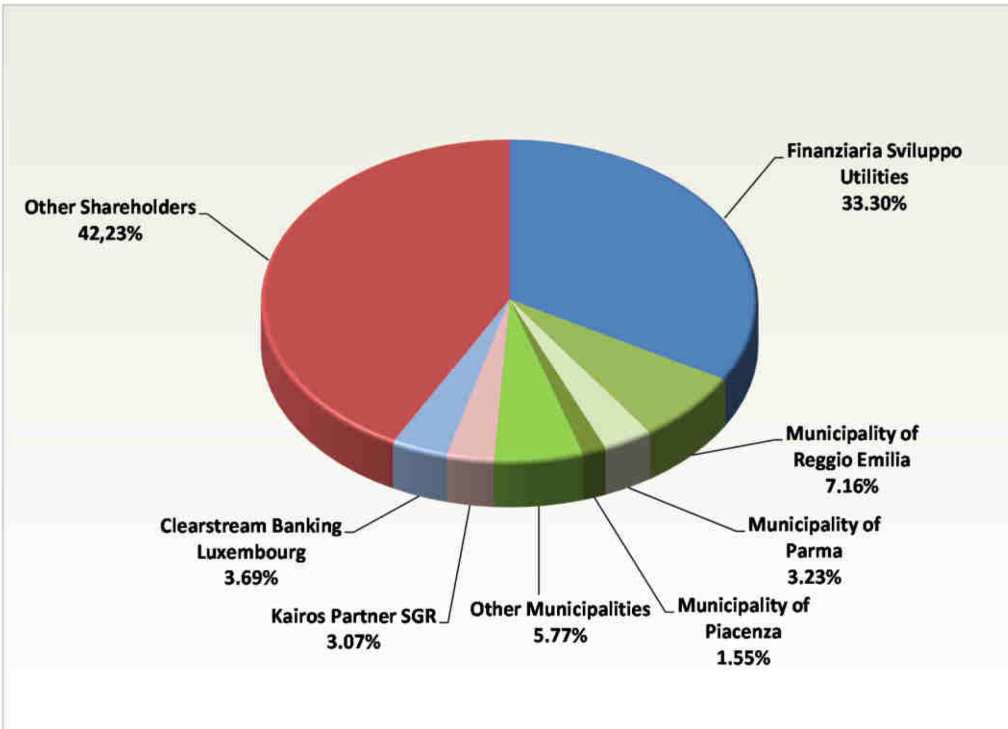
(1) Appointed by the Shareholders' Meeting of 9 May 2016 for the three years 2016-2017-2018.
(2) Appointed Chairperson by the Shareholders' Meeting of 9 May 2016.
(3) Appointed Deputy Chairperson at the meeting of the Board of Directors of 9 May 2016.
(4) Appointed Chief Executive Officer at the meeting of the Board of Directors of 9 May 2016.
(5) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016.
(6) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016.
(7) Member of the Control, Risk and Sustainability Committee appointed on 12 May 2016.
(8) Member of the Control, Risk and Sustainability Committee appointed on 12 May 2016.
(9) Member of the Control, Risk and Sustainability Committee appointed on 12 May 2016. Mr Pietrogrande was also appointed Chairperson of the said Committee during the Committee meeting held on 18 May 2016.
(10) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016. Ms Rocco was also appointed Chairperson of the Remuneration and Appointments Committee during the Committee meeting held on 24 May 2016.
(11) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016.
(12) Member of the Remuneration and Appointments Committee, appointed on 12 May 2016.
(13) Member of the Transactions with Related Parties Committee, appointed on 12 May 2016. Ms Zanardi was also appointed Chairperson of the Transactions with Related Parties Committee during the Committee meeting held on 24 May 2016.
(14) Appointed by the Shareholders' Meeting of 28 April 2015 for the three years 2015–2016–2017. It should be noted that the Shareholders' Meeting of IREN SpA held on 19 April 2018 appointed the new members of the Board of Statutory Auditors for the 2018-2019-2020 three-year period. In this regard, see what is specified in the chapter "Significant subsequent events".
(15) Appointed by the Shareholders' Meeting of 14 May 2012 for the nine years 2012–2020.

SHAREHOLDING STRUCTURE

The Company's share capital at 31 March 2018 amounted to 1,276,225,677 euro, fully paid up, and is entirely made up of ordinary shares with a face value of 1 euro each.

It should be noted that, following the completion of the merger between Iren and the ACAM Group, which took place in April 2018, Iren S.p.A.'s share capital has been increased due to the issuing of 24,705,700 new ordinary shares, with a face value of 1 euro each, subscribed by 27 public entities which already hold shares in ACAM itself, coming to a value of 1,300,931,377 euro, fully paid up. Overall, these subscribing public shareholders represent 1.90% of Iren's share capital, as a result of said increase.

At 31 March 2018, based on available information, the Iren shareholding structure was as follows:



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.

1996
AMGA Genoa is listed on the Stock Exchange

2000
AEM Turin is listed on the Stock Exchange and ASM Piacenza becomes TESA

2005
AMPS, TESA and AGAC set up ENIA

2006
AEM Turin and AMGA Genoa set up IRIDE

2007
ENIA is listed on the Stock Exchange

2010
IRIDE and ENIA set up IREN

A company that has been attentive to the **development of its territories** and its **customers’** needs for more than **110 years.**

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.

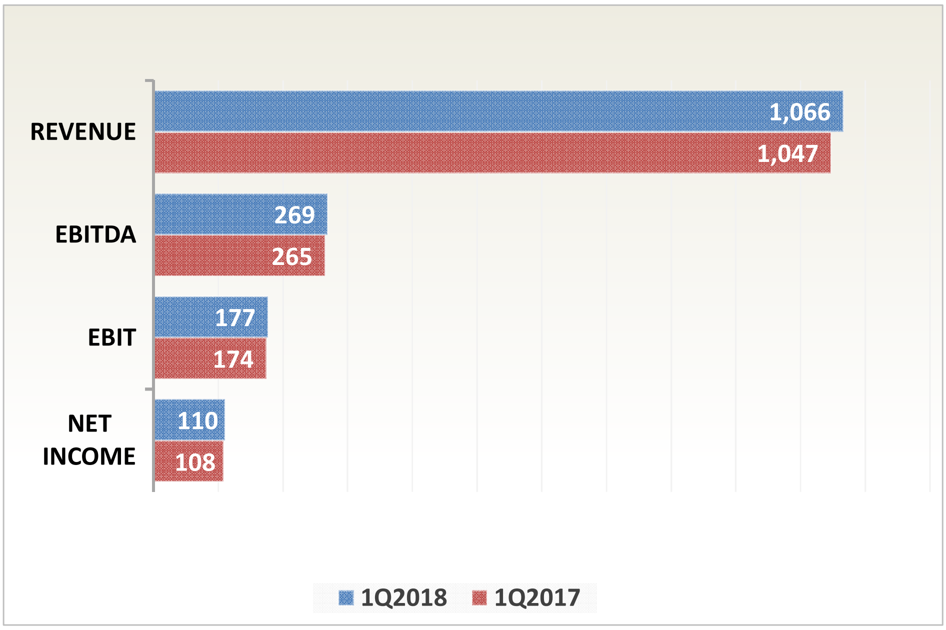
KEY FIGURES OF THE IREN GROUP: FIRST QUARTER 2018 HIGHLIGHTS

Economic data

millions of euro

	First 3 months 2018	First 3 months 2017 Restated (*)	Changes %
Revenue	1,066	1,047	1.8
EBITDA	269	265	1.5
EBIT	177	174	1.7
Net income	110	108	1.9
EBITDA Margin (EBITDA/Revenue)	25.2%	25.3%	

(*) As provided for in IFRS 3, the economic balances of the first three months of 2017 were restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (*Purchase Price Allocation*) of ASM Vercelli and ATENA Trading.
For further information please see the paragraph entitled "Restatement of amounts at 31 March 2017" in the section "Basis of preparation".

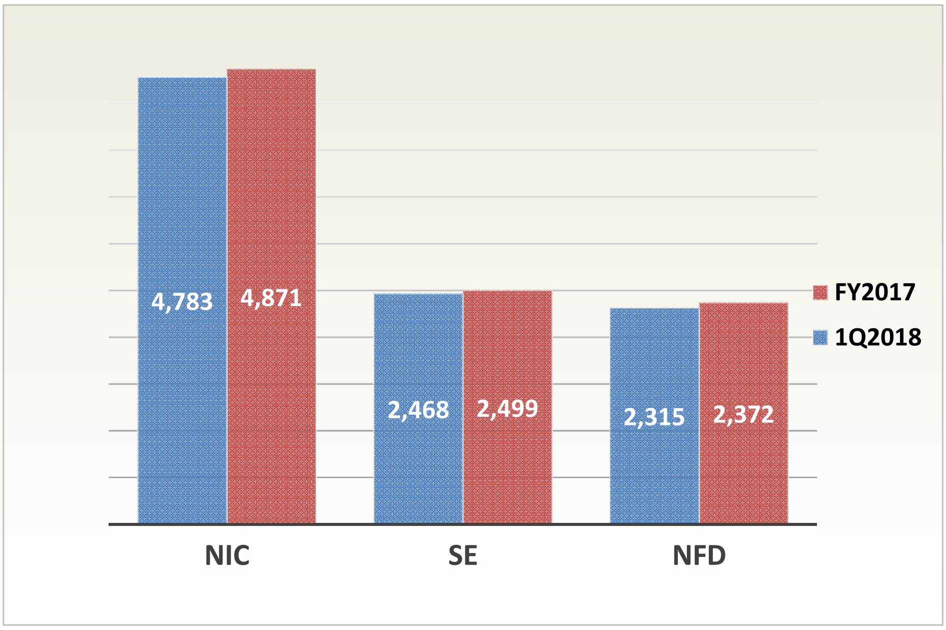


Financial position data

millions of euro

	31.03.2018	31.12.2017	Changes %
Net invested capital (NIC) (*)	4,783	4,871	(1.8)
Group and non-controlling interests shareholders’ equity (SE) (*)	2,468	2,499	(1.2)
Net financial debt (NFD)	2,315	2,372	(2.4)
Debt/Equity (Net financial debt/Shareholders’ equity)	0.94	0.95	

(*) The negative variation compared with 31 December 2017 was caused by the cumulative effect, as at 1 January 2018, of the first application of international accounting standards IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. For further information please see the section “Basis of preparation”.

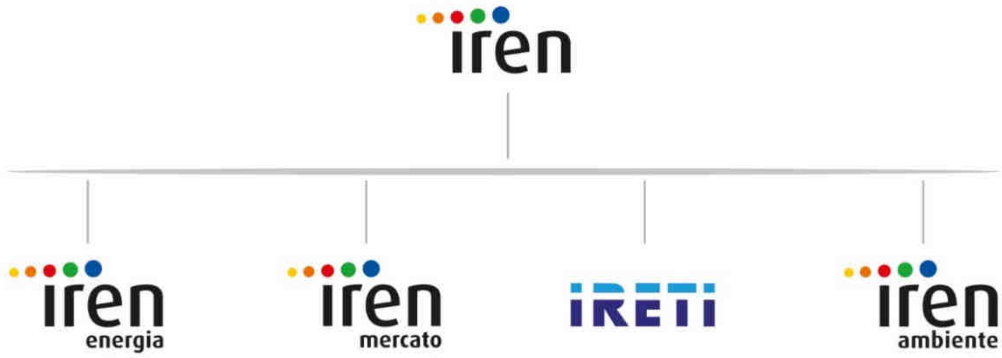


Technical and commercial figures

	First 3 months 2018	First 3 months 2017	Changes %
Electricity produced (GWh)	2,538	2,876	(11.8)
Thermal energy produced (GWht)	1,405	1,346	4.4
Electricity distributed (GWh)	981	1,089	(10.0)
Gas distributed (mln m³)	632	574	10.1
Water distributed (mln m³)	42	43	(1.6)
Electricity sold (GWh)	3,878	4,641	(16.4)
Gas sold (mln m³)*	993	1,050	(5.4)
District heating volume (mln m³)	87.1	84.6	2.9
Waste handled (tonnes)	486,199	458,793	6.0

* of which, 488 mln m3 for internal use in the first three months of 2018 (535 mln m3 in the first three months of 2017, -8.8%)

THE CORPORATE STRUCTURE OF THE IREN GROUP



Note that this is the organisational structure for management purposes.

The presentation includes the Companies directly and entirely controlled by Iren S.p.A. In addition, Iren S.p.A. has a direct equity interest in the associate Plurigas S.p.A. – this company was placed in voluntary liquidation by the Shareholders' Meeting of 27 March 2013.

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 and Vercelli.
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:

- Energy business unit operating in the sector of electricity production and district heating
- Market Business Unit active in the sale of electricity, gas and heat
- Networks Business Unit which operates in the field of the integrated water cycle, and in the gas distribution and electricity distribution sectors
- Waste Management Business Unit which performs the activities of waste collection and disposal.

The Group has an important customer portfolio and a significant number of plants in support of the operating activities; with reference to the most recent approved financial statements, some indicators of the group's sizing are reported below:

Electrical and thermal energy production: a considerable number of electricity and heat production plants for urban district heating production, for a total capacity of approximately 2,850 MW of electricity.

Gas Distribution: through its network of approximately 7,984 kilometres Iren serves more than 742,000 customers.

Electricity Distribution: with 7,654 kilometres of high, medium and low-voltage underground and overhead networks, the Group distributes electricity to almost 854,000 customers in Turin, Parma and Vercelli.

Integrated water cycle: with around 18,954 kilometres of pipeline networks, almost 10,393 km of sewerage networks and 1,171 treatment plants, Iren provides services to more than 2,640,000 residents.

Waste management cycle: with 145 equipped ecological stations, 3 waste-to-energy plants, 5 landfill sites, 18 treatment, selection, storage and recovery plants and 2 composting plants, the Group serves 145 municipalities for a total of approximately 2,100,000 residents and more than 2,000,000 tonnes managed in 2017.

District heating: through 923 kilometres of dual-pipe underground networks the Iren Group supplies heating for an overall volume of around 87 million m³, equivalent to a population served of over 871,000 residents.

Sales of gas, electricity and heat energy: during 2017 the Group sold almost 2.8 billion m³ of gas, just less than 16,000 GWh of electricity and approximately 3,000 GWh_t of heat for the district heating networks.

ENERGY BU

Cogenerative production of electricity and heat

The Energia BU installed capacity totals approximately 2,850 MW (in electricity). Specifically, it owns 23 electricity production plants: 17 hydroelectric plants, 5 thermoelectric cogeneration plants and 1 conventional thermoelectric plant, for a total capacity of approximately 2,700 MW of electricity and 2,300 MW of heat, of which 900 MW through cogeneration. All primary energy sources used – hydroelectric and cogeneration – are eco-compatible. 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. Hydroelectric energy reduces the need to make use of other forms of production that have a greater environmental impact. Environmental protection is a corporate priority for Iren Energia, which has always maintained that the development of hydroelectric production systems, in which it invests heavily each year, is one of the main ways to safeguard the local environment. 40% of total heat production capacity is generated by Group-owned cogeneration plants, while the remainder comes from conventional heat generators. Iren Energia oversees the Group’s electricity and thermal energy planning and dispatching activities.

District heating

Iren Energia has the largest district heating network in the country with 923 km of dual pipes. The extension of the dual-pipe network amounts to approximately: 568 km in the territory of Turin; 10.3 km in the Municipality of Genoa, 219.7 Km in the Municipality of Reggio Emilia, 102.2 Km in the Municipality of Parma and 22.9 km in the Municipality of Piacenza.

The total volume heated at 31 March 2018 amounted to 87.1 million m³, up by 2.9% compared to the first quarter of 2017.

Services to Local Authorities and Global Service

Iren Energia also works in the field of street and monument lighting and traffic lights, and manages, in technological global service, the thermal and electrical systems of the public buildings of the city of Turin and renewable and alternative energy. The company is also responsible for the hear management and the running and operation of heating and air conditioning systems for private customers, as well as the operational management of the heating systems of some public buildings located in the province of Genoa.

MARKET BU

Through Iren Mercato 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.
On 16 May 2017 the company GEA Commerciale, formerly 100% controlled by Iren Mercato, was merged by incorporation into Salerno Energia Vendite with a consequent extension of the catchment area for gas sales.
Iren Mercato operates at the national level with a higher concentration of customers served in the Centre and North of Italy and handles the sale of the energy provided by the Group's various sources on the market represented by end customers and other 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; historically it operated in the direct sale of natural gas in the territories of Genoa and Turin, and in 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.
During 2017 the new "new downstream" business line became operational; this will sell to retail customers innovative products in the areas of domotics, energy saving and domestic plant maintenance.

Sale of Natural Gas

Total volumes of natural gas procured during the first quarter of 2018 were approximately 993 million m³ of which 505 million m³ were sold to end customers outside the Group and 488 million m³ were used within the Iren Group both for electricity and thermal energy production and for the provision of heating services.
At 31 March 2018, gas customers managed by the Market Business Unit amounted to approximately 897,000, principally spread throughout the traditional Genoa, Turin and Emilia Romagna catchment area and surrounding development areas, and customers of the catchment areas of Vercelli brought in by Atena Trading and the area in Campania brought in by Salerno Energia Vendite. In particular, Salerno Energie Vendite is present in almost all the provinces in Campania as well as in a number of municipalities of the Basilicata and Calabria regions.

Sale of electricity

The volumes sold in the first quarter of 2018 by the Market BU amounted to 2,294 GWh. Retail electricity customers managed at 31 March 2018 were more than 826,000, 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.

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 Genoa, Turin and Nichelino, and in the provinces of Reggio Emilia, Piacenza and Parma. The total district heating volumes at 31 March 2018 amounted to 87.1 million m³.

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, and also ASM Vercelli 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 the regions of Piedmont, the Valle d'Aosta, Lombardy and Veneto.

Overall in the optimal territorial areas ("Ambiti Territoriali Ottimali" - ATOs) managed at, the service is provided in 242 municipalities serving over 2.6 million residents.

During the first quarter of 2018 the Networks BU distributed approximately 42 million m^3 of water, through a distribution network of around 19,000 km. As regards waste water, the company manages a total sewerage network spanning almost 10,400 Km.

Gas distribution

IRETI distributes natural gas in 75 municipalities of the Provinces of Reggio Emilia, Parma and Piacenza, in the Municipality of Genoa and in 19 other municipalities nearby. Through ASM Vercelli it distributes gas in the City of Vercelli and in 11 other municipalities of the province. The distribution network made up of 7,984 km of high, medium and low-pressure pipes serves a catchment area of approximately 742,000 customers. During the first quarter of 2018, IRETI introduced approximately 632 million m^3 of gas into the network.

Electricity distribution

IRETI provides the electricity distribution service in the cities of Turin and Parma with approximately 7,654 km of network in medium and low voltage. ASM Vercelli distributes electricity in the City of Vercelli. Electricity distributed in the first quarter of 2018 amounted to 981 GWh.

WASTE MANAGEMENT BU

The Waste Management Business Unit carries out waste collection and disposal activities mainly through five companies: IREN Ambiente, operating in the Emilia area, AMIAT, TRM and ASM Vercelli and REI operating in the Piedmont area. The plant network of the BU was increased with the purchase of the company REI situated in the Piedmont area, and with the equity interest in ReCos operating in the Liguria area. During the first half of 2017 this was further expanded with acquisition of the equity investment in GAIA Asti.

The Ambiente 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 TRM S.p.A, the Business Unit manages the waste-to-energy plant in Turin. This plant has a waste-to-energy capacity of approximately 500 thousand tonnes/year of waste with energy recovery and has enabled the Group to triple its waste-to-energy capacity, confirming IREN among the top three companies at the national level in terms of waste handled. The company REI was set up for the creation of a new landfill site for hazardous waste, excluding municipal waste, based in Pianezza (TO). The company began its operating business in the second quarter of 2017.

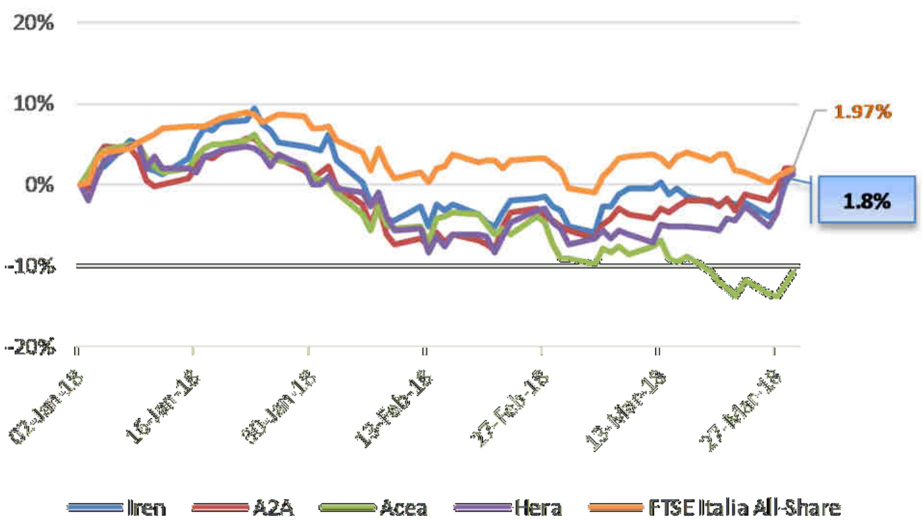
Following the award of the contract for the management of the waste service of the municipalities that are members of the Waste Catchment Area Consortium of the Asti area, Iren Ambiente acquired a 45% stake in the company G.A.I.A. S.p.A. The company is working on creating the waste processing plants and the station for the transfer of municipal waste to TRM.

INFORMATION ON THE IREN SHARE IN THE FIRST QUARTER OF 2018

Iren share performance on the Stock Exchange

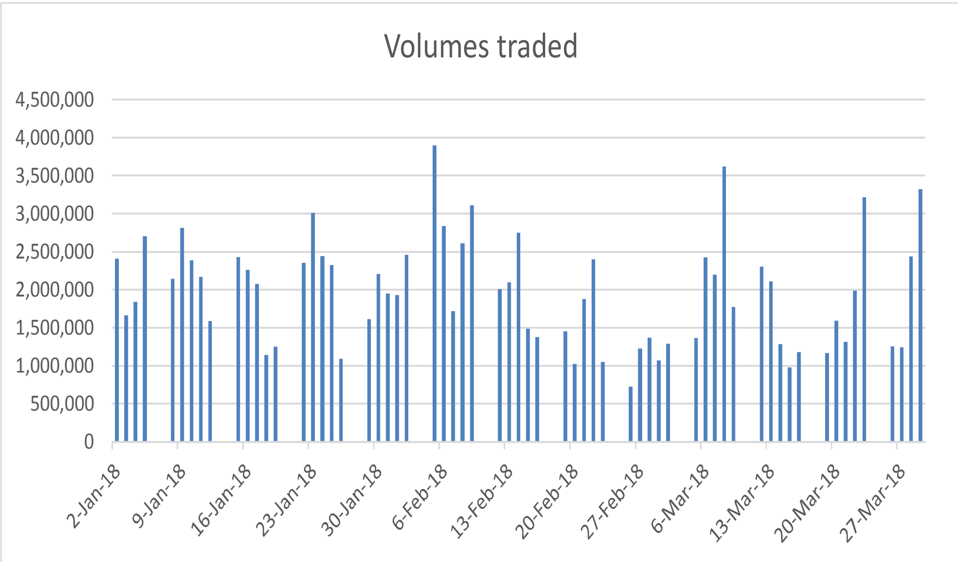
After more than 13% growth in 2017, the FTSE Italia All-Share (the main Italian stock market index) remained substantially stable during the first quarter of 2018, reporting a slight increase (+1.97%). That figure is linked both to international phenomena, such as the gradual abandonment of a particularly expansive monetary policy by the United States, and to more localised phenomena such as the continued weak growth of the Italian economy. In this scenario, IREN stock is aligned with the Market, reporting growth of 1.8% in the same period.

Performance of Iren Share compared to competitors



At 30 March 2018, the last day of Stock Exchange trading for the first quarter of the year, the Iren stock stood at 2.55 euro per share, with average trading volumes of approximately 2 million units per day.
The average price was 2.51 euro per share reaching the highest point since the foundation of Iren (2.74 euro per share) on 23 January and a low for the year (2.36 euro per share) on 5 March.

The two graphs below show the pricing trend and volumes traded in Iren share over the first quarter of 2018.



Share coverage

During the first quarter, 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 **2018**

SIGNIFICANT EVENTS OF THE PERIOD

Conversion of 62,305,465 savings shares of Iren S.p.A. Into ordinary shares

On the basis of the delegated power received from the Board of Directors on 20 December 2017, on 8 January 2018 the Deputy Chairperson of Iren S.p.A., Prof. Ettore Rocchi, carried out, with a positive result, the checks on the existence of the requirements pursuant to art. 6 of the Iren S.p.A. bylaws for investors that acquired all the remaining 62,305,465 savings shares owned by FCT Holding S.p.A., a holding company the Municipality of Turin as its sole shareholder, to be converted at par into Iren ordinary shares.

On the basis of the said article of the Bylaws the disposal of the savings shares held by FCT Holding S.p.A. entails in fact their conversion into ordinary shares, after verification that the transfer, for any reason, is made to parties not connected to the Municipality of Turin.

The transfer occurred following further requests for conversion (see the explanation in "Significant events of the period" in the financial statements at 31 December 2017) received starting from 20 December 2017, related to the "exchangeable" bonds issued by FCT Holding on 30 December 2015 for an amount of 150,000,000 euro that had as underlying a total of 80,498,014 Iren savings shares and 290,353 Iren ordinary shares owned by the same.

Following the aforementioned conversion, the Company's share capital is made up of only ordinary shares.

Award of 4 lots of the Consip tender for supplying electricity to the Public Administration

The Group, through IREN Mercato, strengthened its presence as an electricity supplier to Public Administrations in the North West with the award in January 2018 of four lots of the Consip EE15 tender, for a total amount for the supply estimated at 365 million euro of revenue.

Iren Mercato is confirmed therefore, also for 2018, as a major supplier for Public Administrations in Lombardy (lots 2 and 3) and Emilia Romagna (lot 6), while it becomes one again for the Public Administrations of Piedmont and Val d'Aosta (lot 1), for a total annual volume of supplies estimated at 2.4 TWh.

Among the players that took part in the tender Iren Mercato's technical and economic offer was the most competitive and for the supplies it provides for both fixed prices and variable prices linked to the value of energy on the power exchange. In addition, thanks also the Group's renewable-source production assets, the Public Administrations involved will have the possibility of purchasing certified "green" energy for all the quantities of their energy needs. The agreement with Consip is for a term of 12 months, with the possibility of being extended for a further six. In this context, Iren Mercato may take orders from Public Administrations up to exhaustion of the maximum energy ceilings provided for in each lot.

Sale of the shareholding held in Mestni Plinovodi

The transfer of the shareholding - representing 49.88% of the share capital of Mestni Plinovodi d.o.o., a company operating in the distribution and sale of gas in Slovenia - from IRETI, a company controlled by Iren S.p.A, to Adriaplin d.o.o., a company in the ENI group, was completed on 9 March 2018.

The price for the transfer of the shareholding was 8 million euro, with an economic benefit of approximately 3 million, which was reported in the financial statements at 31 December 2017 as a recovery in the value of the shareholding in light of the planned transfer.

The sale of the shareholding falls in the context of the business rationalisation implemented by the Iren Group in the last three years, which also includes the sale of assets and shareholdings deemed *non-core*, in order to release funds and seize opportunities for growth within the relevant areas.

Preliminary agreement between the companies in the AMIAT Group, Iren Energia, Iren Mercato and the Municipality of Turin.

Following the favourable opinion of the Committee for Transactions with Related Parties, on 20 February 2018 the Board of Directors of Iren S.p.A. approved a proposal, to be submitted to the Municipality of Turin, for a preliminary agreement between Iren S.p.A., in the capacity of authorised agent, with representative powers, of its subsidiaries AMIAT, Iren Energia and Iren Mercato, of the one part, and the Municipality itself, of the other part, in order to come to a subsequent (final) agreement aimed at defining certain relationships between the parties. The Group's actions in this regard are aimed at governing the progressive repayment of the receivables due from the Municipality to each of the stated companies in the Group, with specific reconciling of receivable items contested or not viewed in the same way, with the review and redefinition of some of the obligations envisaged in the existing contractual relationships. The transaction represents an evolution in the series of contracts entered into between 2012 and 2015 and, more specifically, the agreement signed in 2012 by Iren (also in the name and on behalf of Iride Servizi S.p.A., now Iren Energia, and of Iren Mercato) and the Municipality of Turin for purposes similar to the present, and also provides for the implementation of projects in the context of the services already provided.

The Operation, as a whole, falls within the scope of various existing relationships between the Municipality of Turin, and the aforementioned companies in the group; specifically: AMIAT, the contractor for integrated management services for urban waste and winter road management, as well as services and work relative to the closure and post-operational management of the Basse di Stura controlled landfill plant and other services associated with and/or complementary to the aforementioned ones; Iren Energia, the contractor for public street lighting and traffic light services, as well as the management of heating and electrical systems of municipal buildings used to provide services to the community; Iren Mercato, currently the Municipality's thermal energy supplier for district heating and, previously, electricity supplier for public street lighting and traffic light systems.

The preliminary agreement proposal was submitted to the Municipality of Turin which, with a resolution made by the Municipal Council on 27 March 2018, approved the substantive contents of the transaction. Certain small specifications and changes in the text approved by the Municipality, with respect to that approved by the IREN Board of Directors S.p.A., have needed to be examined, so the approval procedure, with the necessary involvement of the Related Parties Committee, concluded on 28 March 2018, clarifying the non-substantial nature of the specifications/changes made.
The Mayor, authorised by the Council, and Iren subsequently signed the Preliminary Agreement, which contains the essential elements, terms and conditions that will be reflected in the subsequent of the contract (the Definitive Agreement), which the parties undertake to negotiate in good faith and define by 30 June 2018, and which will govern the characteristics of the transaction in a complete, timely and definitive manner.

With regard to IREN, the Operation, as structured on the basis of the Preliminary Agreement, allows it:
- to obtain formal recognition from the Municipality of the Group's creditor position, also following the reconciliation of disputed entries or entries not interpreted in the same way by all parties;
- to agree upon a plan for the recovery of past-due receivables, with the Municipality, formalising it with a private authenticated deed, and to set annual balance objectives which the Municipality undertakes to respect, to provide orderly receipt of receivables and an improvement in the Group's gross financial position, with the objective of achieving zero balance, by 2026, in the current accounts held to manage the same past-due receivables;
- to introduce offsetting mechanisms for items and to obtain consent from the Municipality for the assignment of receivables relative to it;
- to introduce protective mechanisms in the case of breach by the Municipality, including the detailed application of interest on arrears (increasing the interest applied to the Current Accounts), based on the significance of the breach, and the ability to activate an acceleration clause relative to the Municipality, terminating the Current Accounts, as well as returning to the original fees at the end of the first three-year period;
- to approve, also as a result of the redefinition or revision of some contractual obligations, the completion of new industrial projects and to implement the ordinary three-year revision procedure provided for by the AMIAT service contract.

Iren's signing of the agreement (as agent of the aforementioned companies in the group) was configured as a significant transaction pursuant to Article 4, paragraph 1, sub-paragraph a) of the "Regolamento recante disposizioni in materia di operazioni con parti correlate" [Regulation Containing Provisions on Transactions with Related Parties], adopted by CONSOB with resolution no. 17221 of 12 March 2010, as subsequently amended, since the equivalent value of the transaction - an indicator of significance - exceeds the threshold of 5% of IREN S.p.A. capitalisation. As a result of the above, an informative document was issued, published and filed within the legal terms, to which you should refer for further information.

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

Income statement

IREN GROUP INCOME STATEMENT

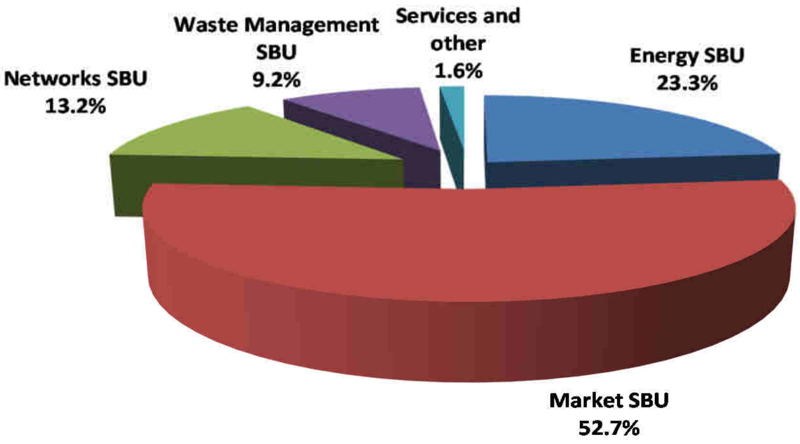
thousands of euro

	First three months 2018	First three months 2017 Restated (*)	Change %
Revenue			
Revenue from goods and services	1,006,125	1,011,993	(0.6)
Change in work in progress	-	1,479	(100.0)
Other income	59,377	33,276	78.4
Total revenue	**1,065,502**	**1,046,748**	**1.8**
Operating expenses			
Raw materials, consumables, supplies and goods	(389,778)	(383,667)	1.6
Services and use of third-party assets	(304,049)	(294,762)	3.2
Other operating expenses	(17,019)	(17,476)	(2.6)
Capitalised expenses for internal work	7,249	6,276	15.5
Personnel expense	(92,720)	(92,077)	0.7
Total operating expenses	**(796,317)**	**(781,706)**	**1.9**
GROSS OPERATING PROFIT (EBITDA)	**269,185**	**265,042**	**1.6**
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(82,519)	(76,436)	8.0
Provisions and impairment losses	(9,332)	(14,232)	(34.4)
Total depreciation, amortisation, provisions and impairment losses	**(91,851)**	**(90,668)**	**1.3**
OPERATING PROFIT (EBIT)	**177,334**	**174,374**	**1.7**
Financial income and expense			
Financial income	5,878	7,996	(26.5)
Financial expense	(24,564)	(28,542)	(13.9)
Total financial income and expense	**(18,686)**	**(20,546)**	**(9.1)**
Share of profit (loss) of associates accounted for using the equity method	(636)	4,884	(**)
Value adjustments on equity investments	-	-	-
Profit (loss) before tax	**158,012**	**158,712**	**(0.4)**
Income tax expense	(48,211)	(50,928)	(5.3)
Net profit (loss) from continuing operations	**109,801**	**107,784**	**1.9**
Net profit (loss) from discontinued operations	-	-	-
Net profit/(loss) for the period	**109,801**	**107,784**	**1.9**
attributable to:			
- Profit/(loss) for the period attributable to shareholders	103,215	100,609	2.6
- Profit/(loss) for the period attributable to minorities	6,586	7,175	(8.2)

(*) As provided for in IFRS 3, the economic balances of the first three months of 2017 were restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (Purchase Price Allocation) of ASM Vercelli and ATENA Trading.
For further information please see the paragraph entitled "Restatement of amounts at 31 March 2017" in the section "Basis of preparation".
(**) Change of more than 100%

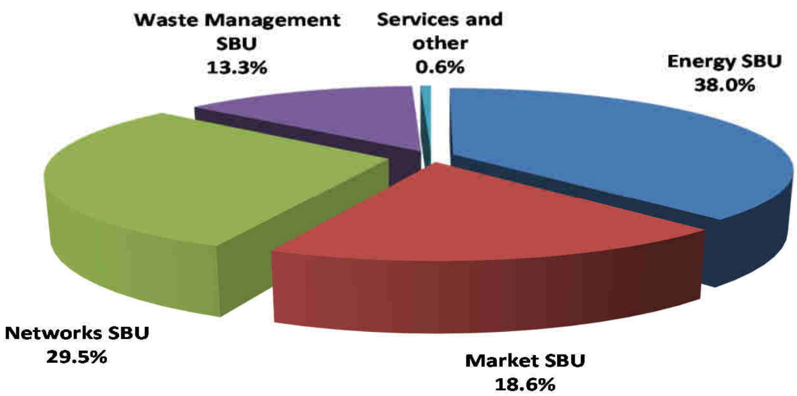
Revenue

At 31 March 2018, the Iren Group achieved revenue of 1,066 million euro, up by +1.8% compared to the 1,047 million euro of the 1st quarter of 2017. Salerno Energia Vendite and Iren Rinnovabili, consolidated since 1 May 2017 and 1 January 2018, respectively, have also contributed to the increase in revenue.



Gross Operating Profit (EBITDA)

Gross operating profit amounted to 269 million euro, up slightly by +1.6% compared to the 265 million euro recorded in the first quarter of 2017. The first quarter of 2018 was characterised by a severe deterioration in the energy sector, with consequent pressure on margins within that sector in terms of both electricity production and gas sales. However, the improvement in the management of energy efficiency certificates, in terms of both the recognition of greater quantities and the emergence of contingencies linked to an increase in their value due to the rise in market prices, in addition to the achievement of synergies and the rationalisation of operating costs in some regulated sectors, have made it possible to absorb the negative effects of the energy scenario.



Operating profit (EBIT)

Operating profit totalled 177 million euro, an increase of +1.7% compared to the restated figure of 174 million euro in the first quarter of 2017. There has been an increase in amortisation and depreciation of approximately 6 million euro, offset by lower provisions losses of approximately 8 million euro and lower releases of provisions of approximately 3 million euro.

Financial income and expense

Net financial expense totalled a negative balance of 19 million euro. In particular financial expenses amounted to 25 million euro (29 million euro in the first quarter of 2017). The decrease compared to the first quarter of 2017 was mainly due to the reduction in the average cost of the debt.

Financial income came to 6 million euro (8 million in the first quarter of 2017); the change results from variations that are not significant when taken individually.

Share of Profit (loss) of associates accounted for using the equity method

The result of associates accounted for using the equity method amounted to -0.6 million euro, and it essentially relates to the pro-rata results of OLT Offshore LNG Toscana. The positive result for the first quarter of 2017 (+4.9 million) was largely attributable to the profit of the ASTEA Group, affected by the capital gain made on disposal of its subsidiary ASTEA Energia.

Value adjustments on equity investments

The item is not included in either of the periods analysed.

Profit (loss) before tax

As a result of the above trends the consolidated profit before tax came out at 158 million euro, stable compared with the figure recorded in the first quarter of 2017.

Income tax expense

Income taxes for the period were 48.2 million euro, a reduction of 5.3% compared to the first quarter of 2017, in relation to the lower estimated effective tax rate, which came out at 30.5% (32.1% in the comparative period).

Net profit/(loss) for the period

As a consequence of the above, there was a slight increase in the net result (+1.9% compared with the comparative period), which comes to 109.8 million euro. The figure is due to the Group’s profit of 103.2 million euro, while profit attributable to minorities was 6.6 million.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF THE IREN GROUP

thousands of euro

	31.03.2018	31.12.2017	Change %
Non-current assets	5,402,576	5,412,159	(0.2)
Other non-current assets (liabilities)	(361,176)	(177,981)	(*)
Net Working Capital	250,205	181,869	37.6
Deferred tax assets (liabilities)	118,911	64,011	85.8
Provisions for risks and employee benefits	(627,879)	(618,194)	1.6
Assets (Liabilities) held for sale	524	8,724	(94.0)
Net invested capital	**4,783,161**	**4,870,588**	**(1.8)**
Equity	2,468,325	2,498,803	(1.2)
Non-current financial assets	*(166,597)*	*(165,767)*	*0.5*
Non-current financial debt	*2,874,465*	*3,023,888*	*(4.9)*
Non-current net financial debt	2,707,868	2,858,121	(5.3)
Current financial assets	*(693,728)*	*(675,468)*	*2.7*
Current financial debt	*300,696*	*189,132*	*59.0*
Current net financial debt	(393,032)	(486,336)	(19.2)
Net financial debt	2,314,836	2,371,785	(2.4)
Own funds and net financial debt	**4,783,161**	**4,870,588**	**(1.8)**

(*) Change of more than 100%

The main changes in the statement of financial position of first quarter 2018 are commented on below.
Non-current assets at 31 March 2018 amounted to 5,403 million euro, substantially in line compared to 31 December 2017, when they amounted to 5,412 million euro. The variation principally relates to technical investments and purchases of CO_2 emission rights, net of amortisation and depreciation for the period.
For more information on the segment details of investments in the first three months of 2018, reference should be made to the section “Business Segment Reporting” below.

The “Other non-current assets (liabilities) show a negative balance of 361 million euro. The decrease compared with 31 December 2017, equal to 183 million euro, is essentially attributable to the recognition of long-term deferred income, relating to the cumulative effect at 1 January 2018 of the change in the accounting treatment of connection contributions, adopted as of that date following the entry into force of IFRS 15 - *Revenue from Contracts with Customers*.
The tax effect following the recognition of that figure largely explains the increase in the Assets (liabilities) item for deferred taxes, which increased by 55 million euro compared with the figure at 31 December 2017, coming to 119 million euro at the end of the period.

Net Working Capital totalled 250 million euro (182 million euro at 31 December 2017). The increase (+37.6%) is mainly linked to the seasonal trend in the commercial components, mitigated by the drop in gas storage and the tax estimate for the period. It should also be noted that the balance of net working capital takes account of the increase in provisions for impairment of trade receivables, restated as at 1 January 2018 in application of IFRS 9 – *Financial instruments*, for 5 million euro.

“Provisions for risks and employee benefits” came to 628 million euro - the increase compared with the figure at 31 December 2017 (+10 million) takes account, among other things, of the recognition of expenses for obligations for the period relating to emission rights, attributable to the Group’s thermoelectric plants.

The decrease in the “Assets (Liabilities) held for sale”, equal to 8 million euro, relates to the sale of the shareholding in the associate Mestni Plinovodi which took place in the period.

Equity amounted to 2,468 million euro; at 31 December 2017 it was 2,499 million. The variation (-30 million) largely relates to the net profit for the period (+110 million) and the cumulative effect at 1 January 2018 of the application of IFRS 9 and 15 (-138 million), as stated, recognised in the retained earnings reserve.

Net financial debt at the end of the period came to 2,315 million euro, and recorded a drop (-57 million euro, equal to 2.4%) compared to 31 December 2017, which are detailed analytically in the statement of cash flows presented below.

CASH FLOW STATEMENT OF THE IREN GROUP

Change in net financial debt

The statement below details the movements in the Group's net financial debt during the first three months of 2018.

thousands of euro

	First three months 2018	First three months 2017 Restated (*)	Change %
A. Opening Net financial (debt)	**(2,371,785)**	**(2,457,107)**	**(3.5)**
Cash flows from operating activities			
Profit (loss) for the period	109,801	107,784	1.9
Adjustments for non-financial movements	170,322	163,992	3.9
Utilisations of employee benefits	(1,746)	(1,914)	(8.8)
Utilisations of provisions for risks and other charges	(5,460)	(6,639)	(17.8)
Change in other non-current assets and liabilities	(1,762)	4,714	(**)
Other financial changes	(8,151)	(4,515)	80.5
Taxes paid	-	-	-
B. Cash flows from operating activities before changes in NWC	**263,004**	**263,422**	**(0.2)**
C. Cash flows from changes in NWC	**(129,452)**	**(124,501)**	**4.0**
D. Cash flows from/(used in) operating activities (B+C)	**133,552**	**138,921**	**(3.9)**
Cash flows from /(used in) investing activities			
Investments in intangible assets, property, plant and equipment and investment property	(67,531)	(46,554)	45.1
Investments in financial assets	-	(15,145)	(100.0)
Proceeds from the sale of investments and changes in assets held for sale	8,754	486	(**)
Changes in consolidation scope	-	(13,064)	(100.0)
Dividends received	338	599	(43.6)
E. Total cash flows from /(used in) investing activities	**(58,439)**	**(73,678)**	**(20.7)**
F. Free cash flow (D+E)	**75,113**	**65,243**	**15.1**
Cash flows from /(used in) financing activities			
Dividends paid	(879)	-	-
Interest paid	(2,935)	(7,619)	(61.5)
Interest received	3,797	3,854	(1.5)
Change in fair value of hedging derivatives	(853)	(9,779)	(91.3)
Other changes	(17,294)	(16,448)	5.1
G. Total cash flows from /(used in) financing activities	**(18,164)**	**(29,992)**	**(39.4)**
H. Change in net financial (debt) (F+G)	**56,949**	**35,251**	**61.6**
I. Closing Net financial (debt) (A+H)	**(2,314,836)**	**(2,421,856)**	**(4.4)**

(*) As provided for in IFRS 3, the representation of the financial flows of the first three months of 2017 was restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (*Purchase Price Allocation*) of ASM Vercelli and ATENA Trading. For further information please see the paragraph entitled "Restatement of amounts at 31 March 2017" in the section "Basis of preparation".
(**) Change of more than 100%

The decrease in net financial debt is mainly a result of the *free cash flow* of the period (+75 million euro), higher than the flows of the financing activity (-18 million euro).
In particular, the *free cash flow* is a result of the joint effect of the operating *cash flow* of +134 million euro, a slight decline compared with the first three months of 2017 (-3.9%), and the net financial flow from investment activities, equal to -58 million euro and less than the -74 million euro for the comparative period (-20.7%).

Analysing the net financial flow from investment activities, one observes that investments in plant, property and equipment and in intangible assets for the first three months of the year (67 million euro, an increase compared with the same period in 2017), are partially counterbalanced by the *cash-in* deriving from the sale of the shareholding in Mestni Plinovodi (present in the item “proceeds from the sale of investments and changes in assets held for sale”).
For the sake of completeness, it should be noted that, in addition to the technical investments for the period, the first quarter of 2017 include the investment relating to the shareholding in the associate GAIA (15 million) and, in the entry for “changes in consolidation scope” for 13 million euro, the acquisition of the “residual” business unit from Acque Potabili.

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” in this document.

SEGMENT REPORTING

The Iren Group operates in the following business segments:

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

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should 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 joint 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 the Italian north-west 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 2017.

During the first quarter of 2018 non-regulated activities contributed to the formation of gross operating profit for 28% (32% the first quarter of 2017), regulated activities accounted for 34% (33% in the corresponding period in 2017), while semi-regulated activities grew, going up from 35% in 2017 to 38% in the 2018.

Energy SBU

At 31 March 2018 revenue for the period amounted to 349 million euro, up +2.4% on the 341 million euro for the first quarter of 2017. As of 1 January 2018, Iren Rinnovabili falls within the consolidation scope.

		First 3 months 2018	First 3 months 2017	Δ %
Revenue	€/mln	349	341	2.4%
Gross Operating Profit (EBITDA)	€/mln	102	100	2.6%
EBITDA Margin		*29.3%*	*29.3%*	
Operating Profit (EBIT)	€/mln	72	68	5.3%
Investments	€/mln	6	6	-2.2%
Electricity produced	GWh	2,408	2,749	-12.4%
from hydroelectric and other renewable sources	*GWh*	235	207	13.2%
from cogeneration sources	*GWh*	1,858	2,058	-9.7%
from thermoelectric sources	*GWh*	315	483	-34.8%
Heat produced	GWh_t	1,315	1,259	4.5%
from cogeneration sources	*GWh_t*	1,090	1,129	-3.5%
from non-cogeneration sources	*GWh_t*	226	131	72.8%
District heating volumes	Million m^3	87.1	85	2.9%

At 31 March 2018 electricity produced was 2,408 GWh, down by -12.4% compared to 2,749 GWh in the first quarter of 2017. The drop regarded mainly the cogeneration and thermoelectric segments.
In particular, total thermoelectric production was 2,173 GWh, of which 1,858 GWh from cogeneration sources, down by -9.7% compared to the 2,058 GWh for the 2017 financial year and 315 GWh from thermoelectric sources in the strict sense, down by 34.8% compared to the 483 GWh of the corresponding period of 2017.
Hydroelectric production was 235 GWh, with an increase of +13.2% compared to the 207 GWh in the corresponding period of 2017.
Heat production in the period amounted to 1,315 GWht up by +4.5% compared to the 1,259 GWht for the previous financial year, as a result of a more favourable thermal season compared to that the first quarter of 2017 and the increase in volumes connected. Overall district heating volumes amounted to approximately 87 million m^3 up by 2.9% compared to the 85 million m^3 in the first quarter of 2017.

Gross operating profit (EBITDA) amounted to 102 million euro, up +2.6% on the 100 million euro for the first quarter of 2017.
Despite the worsening of the energy scenario, which, compared to the first quarter of 2017, is characterised by the resumption of production for French nuclear plants with consequent pressure on margins and quantities generated, there has been an improvement thanks to the dispatching activity and in particular the improvement in the management of energy efficiency certificates (EEC) with regard to both the increase in the value of the EECs produced and still in the portfolio due to a significant increase in market prices, and the larger quantities in the first quarter of 2018. The consolidation of Iren Rinnovabili also contributes to the improvement in the margin, albeit marginally.

The operating profit (EBIT) of the Energy segment totalled 72 million euro, an improvement of 5.3% compared to the 68 million euro in the first quarter of 2017. Besides the positive trend of gross operating profit, the operating profit was characterised by lower provisions and impairment losses of approximately +2.7 million euro and amortisation and depreciation (-0.5 million euro).
Investments in the period amounted to 6 million euro.

Market SBU

At 31 March 2017, the revenue of the sector totalled Euro 791 million, down by -2.4% compared to the 810 million euro for the first quarter of 2017. As of May 2017, the consolidation scope of the Market SBU includes the company Salerno Energia Vendite (SEV), operating mainly in Grosseto and Salerno.

Gross operating profit (EBITDA) amounted to 50 million euro, down 7.8% on the 54 million euro for the corresponding period of 2017. The reduction in the margin is mainly attributable to Gas sales (-9.2%) which has not been able to rely on the procurement policies, and particularly the use of storage, which had characterised the corresponding period in 2017, as well as the transfer of the heat management activity to another sector following an organisational rationalisation of the group. This decline was partially offset by the settlement of previous cost items.

The operating profit (EBIT) was 42 million euro, down -1.9% compared to the 43 million euro recorded in the first quarter of 2017. The negative trend of the gross operating profit (EBITDA) was partially offset by lower provisions for impairment of receivables for roughly 4 million euro and greater depreciation and amortisation for around 1 million euro.

		First 3 months 2018	First 3 months 2017	Δ %
Revenue	€/mln	791	810	-2.4%
Gross Operating Profit (EBITDA)	€/mln	50	54	-7.8%
EBITDA Margin		*6.3%*	*6.7%*	
from Electricity	*€/mln*	5	3	92.8%
from Gas	*€/mln*	45	50	-9.2%
from Other sales services	*€/mln*	-0	2	(*)
Operating Profit (EBIT)	€/mln	42	43	-1.9%
Investments		7	4	71.1%
Electricity Sold	GWh	2,294	3,028	-24.2%
Gas Purchased	Million m^3	993	1,050	-5.4%
Gas sold by the Group	Million m^3	505	515	-1.9%
Gas for internal use	Million m^3	488	535	-8.8%

(*) Change of more than 100%

Sale of electricity

The volumes of electricity sold amounted to 2,234 GWh (net of pumping, network leaks, dedicated withdrawals and balancing; 2,294 GWh gross of balancing) down by 25.5% compared to the 2,996 GWh of the first quarter of 2017 (3,028 GWh gross of balancing).
Volumes sold on the free market, including the segments of free business, free retail customers and wholesalers, amounted to a total of 2,084 GWh, down 23.6% compared to the 2,844 GWh for the first quarter of 2017. The decline in free-market sales is attributable to the wholesale segment, for which sales came to 379 GWh, down by -70.3% compared with the 1,274 GWh for the first quarter of 2017. Final customer sales increased in both the Business segment, to 1,264 GWh compared with 1,162 GWh in the first quarter of 2017 (+8.7%), and the Retail segment, to 442 GWh compared with 409 GWh in the first quarter of 2017 (+8.2%).
Sales in the protected market amounted to 149 GWh, down by -1.8% compared to 152 GWh in the corresponding period of 2017.

The gross operating profit (EBITDA) of the sale of electricity amounted to 5 million euro, up compared to 3 million euro in the first quarter of 2017. The Gross Operating Profit trend was characterised by contingent assets of approximately 4 million euro realised in the first quarter of 2018 and relating to the settlement of previous cost items.

Sale of Natural Gas

The volumes purchased amounted to 993 million m³, down by 5.4% compared to the 1,050 million m³ of the first quarter of 2017.
The gas sold by the group amounted to 505 million m³, down by -1.9% compared to the 515 million m³ for the corresponding period in 2017, while internal consumption was 488 million m³ (-8.8%) compared to the 535 million m³ for the first quarter in 2017.

Gross operating profit (EBITDA) of gas sales amounted to 45 million euro, down (-9.2%) compared to the 50 million euro recorded in the first quarter of 2017. The worsening of the margin is mainly attributable to the disappearance of the favourable procurement conditions guaranteed by the use of storage, which had characterised the first quarter of 2017.

Sales of other services

Heat sales and other services presented a break-even gross operating margin, whereas the figure was 2 million euro in the first quarter of 2017. The decline in the margin is mainly attributable to the transfer of the heat management activity to another company in the group, following the intra-group reorganisation.

Investments in the period amounted to 7 million euro.

Networks SBU

At 31 March 2018 the Network business segment, which comprises the businesses of Gas Distribution, Electricity and the Integrated Water Service, recorded revenue of 198 million euro, up by +1.7%, compared to the 195 million euro for the first quarter of 2017.

Gross operating profit (EBITDA) amounted to 79 million euro, up +6.9% on the 74 million euro of 1st quarter of 2017.

The net operating profit (EBIT) of the sector amounted to 44 million euro, up by +9% compared to 41 million euro in the first quarter of 2017. The positive trend of the gross operating profit (EBITDA) is partially offset by greater amortisation and depreciation for roughly 2 million euro and higher allocations to the risks provisions for around 1 million euro.

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

		First 3 months 2018	First 3 months 2017	Δ %
Revenue	€/mln	198	195	1.7%
Gross Operating Profit (EBITDA)	€/mln	79	74	6.9%
EBITDA Margin		*40.1%*	*38.1%*	
from Electricity Networks	*€/mln*	*17*	*18*	*-4.7%*
from Gas Networks	*€/mln*	*19*	*18*	*7.4%*
from Integrated Water Service	*€/mln*	43	39	*12.1%*
Operating Profit (EBIT)	€/mln	44	41	9.0%
Investments	€/mln	45	29	52.0%
in Electricity Networks	*€/mln*	*6*	*5*	*29.5%*
in Gas Networks	*€/mln*	*11*	*7*	*66.3%*
in Integrated Water Service	*€/mln*	27	18	52.8%
Electricity distributed	GWh	981	1,089	-10.0%
Gas introduced into the network	Million m^3	632	574	10.1%
Water sold	Million m^3	42	43	-1.6%

Networks SBU **-** *Electricity*

The gross operating profit amounted to 17 million euro, down by -4.7% compared to the first quarter of 2017.
The decline in profit is mainly attributable the lower revenue from connections and other less significant factors.
During the period investments for 7 million euro were made, mainly related to new connections, the construction of new LV/MV substations and LV/MV lines.

Networks SBU **-** *Gas Distribution*

Gross operating profit (EBITDA) of gas distribution networks amounted to 19 million euro, up by +7.4% compared to 18 million euro in the first quarter of 2017. The increase in the margin is mainly attributable to the improvement of the revenue constraint (VRG [Manager Revenue Constraint]) and another less significant factor.
Investments made in the period amounted to 11 million euro and regarded the provisions of AEEGSI resolutions, in particular making the network compliant with cathodic protection, and the installation of electronic meters.

Networks SBU - Water Cycle

The gross operating profit for the period amounted to 43 million euro, up by +12.1% compared to 39 million euro in the first quarter of 2017. The increase in the margin should be chiefly attributed to tariff revenue, as well as to the synergies and rationalisations of operating expenses.

Investments in the period totalled 27 million euro and concerned the construction, development and maintenance of distribution networks and plants, the sewerage network and water treatment plants.

Waste Management SBU

At 31 March 2018, turnover for the segment amounted to 138 million euro, up 2% from the 135 million euro in the first quarter of 2017. The increase was due to higher revenue from collection and intermediation of special waste, partially offset by the lower revenue of the disposal hubs.

		First 3 months 2018	First 3 months 2017	Δ %
Revenue	€/mln	138	135	2.0%
Gross Operating Profit (EBITDA)	€/mln	36	38	-5.0%
EBITDA Margin		*25.9%*	*27.8%*	
Operating Profit (EBIT)	€/mln	18	24	-25.1%
Investments	€/mln	4	3	5.8%
Electricity sold	GWh	112	123	-9.0%
Thermal energy produced	GWh_t	90	86	4.0%
Waste managed	tonnes	*486,199*	458,793	6.0%
Emilia area separate waste collection	%	*72.2*	*68.5*	*5.4%*
Turin area separate waste collection	%	*44.9*	*44.7*	*0.4%*
Vercelli area separate waste collection	%	*65.7*	*66.4*	*-1.0%*

Gross operating profit of the segment amounted to 36 million euro, down -5% on the 38 million euro for the corresponding period of 2017. The decline in the margin is mainly due to increased operating costs linked to the implementation of separate door-to-door collection activities in the Emilia Romagna area and the lower energy revenue from the disposal hubs, only partially offset by the special waste collection and intermediation activities.
The operating profit was 18 million euro, down -25.1% compared to the 24 million euro recorded in the first quarter of 2017. The negative trend of the gross operating profit (EBITDA) was amplified by higher levels of depreciation and amortisation (by about 2 million euro) and lower provision releases for around 2.5 million euro.

The investments made in the period amounted to 4 million euro and refer to investments for maintenance of the various plants and investments in equipment and vehicles supporting waste collection based on the door-to-door and separation method.

Services and other

At 31 March 2018 revenue was 23 million euro, down compared to the Euro 28 million euro recorded in the corresponding period of 2017. The activities performed are related to public lighting, traffic lights, heating system and heat management and other activities.

		First 3 months 2018	First 3 months 2017	Δ %
Revenue	€/mln	23	28	-16.2%
Gross Operating Profit (EBITDA)	€/mln	2	-1	(*)
EBITDA Margin		*7.5%*	*-2.9%*	
Operating Profit (EBIT)	€/mln	1	-1	(*)
Investments	€/mln	6	4	73.0%

(*) Change of more than 100%

The gross operating profit amounted to 2 million euro, up compared to a negative margin (-1 million euro) in the first quarter of 2017.

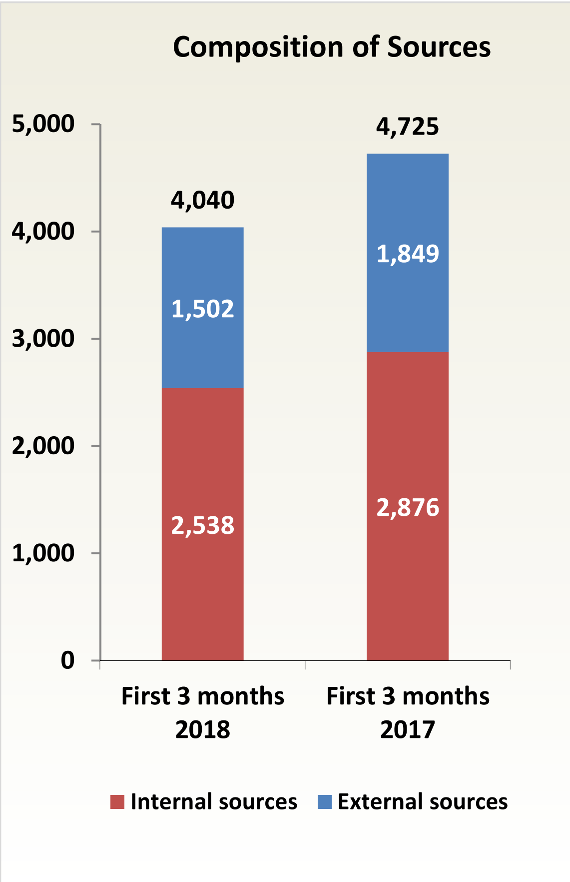
The improvement in the margin is predominantly attributable to a reorganisation of the group's activities, which transferred the heat management activity, previously recognised under the heat sales, to other services within the group.

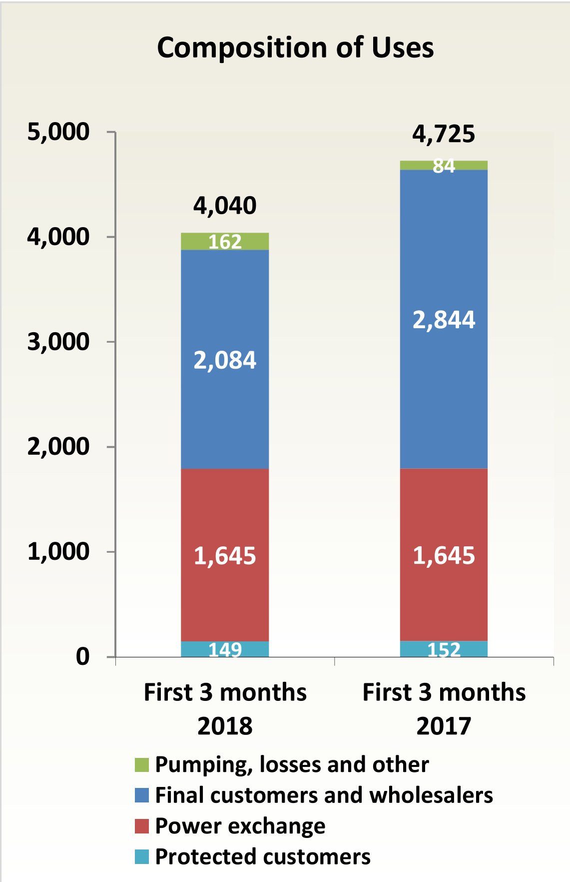
Investments in the period amounted to 6 million euro and related largely to information technology, vehicles and property services.

ENERGY BALANCES

Electricity balance sheet

GWh	First 3 months 2018	First 3 months 2017	Changes %
SOURCES			
The Group's gross production	2,538	2,876	(11.8)
a) Hydroelectric and other renewables	*235*	208	13.0
b) Cogeneration	*1,858*	2,058	*(9.7)*
c) Thermoelectric	*315*	483	(34.8)
d) Production from WTE plants and landfills	*130*	127	2.4
Purchases from Acquirente Unico [Single Buyer]	165	160	3.1
Energy purchased on the Power Exchange	751	1,159	(35.2)
Energy purchased from wholesalers and imports	586	530	10.6
Total Sources	**4,040**	**4,725**	**(14.5)**
USES			
Sales to protected customers	149	152	(2.0)
Sales on the Power Exchange	1,645	1,645	-
Sales to eligible final customers and wholesalers	2,084	2,844	(26.7)
Pumping, distribution losses and other	162	84	92.9
Total Uses	**4,040**	**4,725**	**(14.5)**

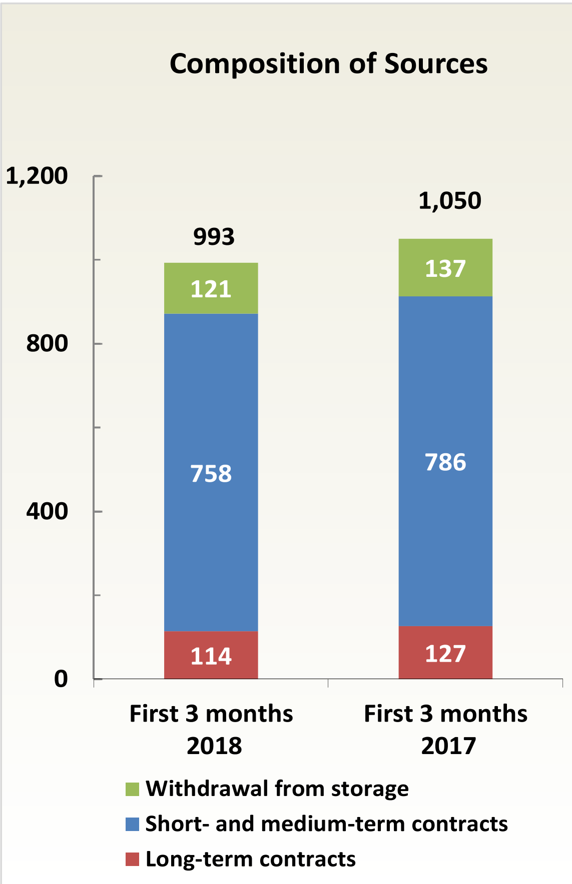


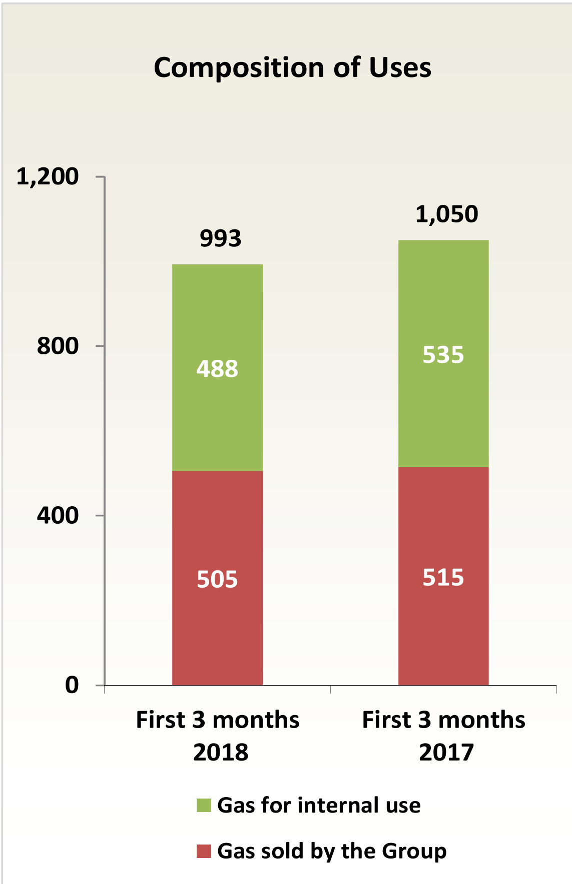


Gas balance sheet

Millions of m³	First 3 months 2018	First 3 months 2017	Changes %
SOURCES			
Long-term contracts	114	127	(10.2)
Short- and medium-term contracts	758	786	(3.6)
Withdrawals from storage	121	137	(11.7)
Total Sources	**993**	**1,050**	**(5.4)**
USES			
Gas sold by the Group	505	515	(1.9)
Gas for internal use (1)	488	535	(8.8)
Total Uses	**993**	**1,050**	**(5.4)**

(1) Internal use involves thermoelectric plants and use for heat services and internal consumption





FINANCIAL MANAGEMENT

General framework
During the first quarter of 2018, the short-term part of the rate curve remained substantially stable, while the medium/long-term part saw a certain degree of volatility in a scenario that has been improving. The last intervention by the European Central Bank was the cut in interest rates in March 2016. The current rate is 0%. Examining the trend in the six-month Euribor rate we can note that the parameter, which has been in negative territory since November 2015, remained stable and is currently -0.27%. The quotation of fixed rates, reflected in the 5- and 10-year IRS figures, since the end of 2017, has shown a rising trend, albeit with some phases of decline.

Activities performed
During the first quarter of 2018, 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 all Group companies, provides for Iren's centralisation of treasury management, medium/long-term loans management and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of locating the types of loans best suited to its needs, and the best market conditions.

It is evident that no new loans were activated during the period, and that direct loans with the European Investment Bank (EIB), with a duration of up to 15 years, remaining unused and available still total 235 million euro.

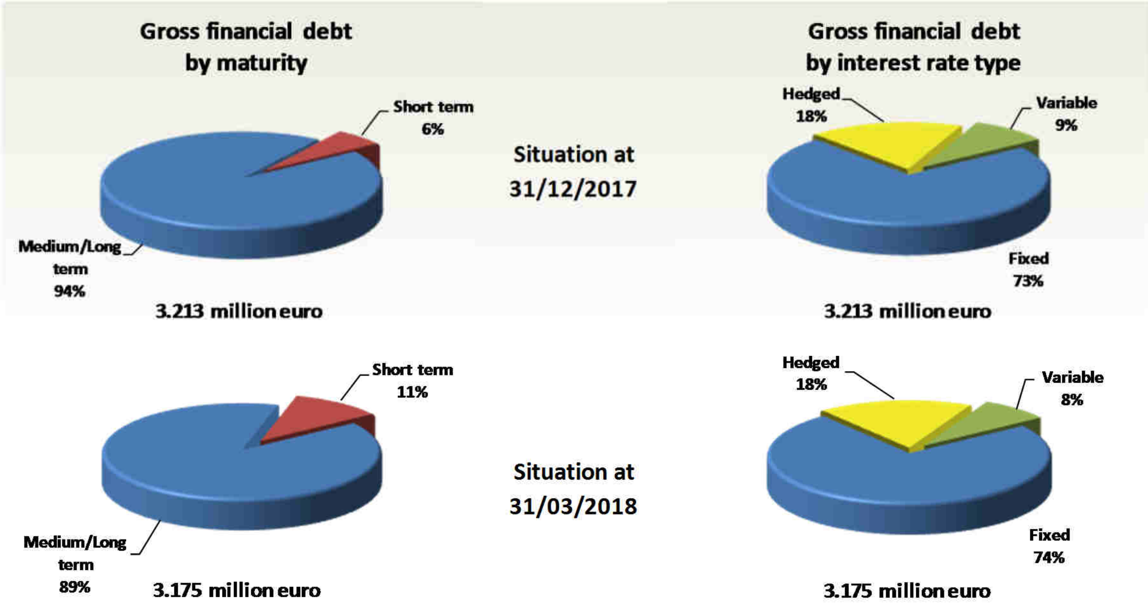
In the Group context and with the aim of optimising its financial structure, the debt positions of Iren Rinnovabili and its subsidiaries were settled early for a total of 28 million euro, including a derivative hedge position relating to a debt that has been repaid.

Financial debt at the end of the period is made up 43% of loans and 57% of bonds.

The Iren Group is exposed to various types of financial risks, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit risk of fluctuations in the interest rate. In the period, no new Interest Rate Swap contracts were entered into.
At 31 March 2018, the portion of variable rate debt not hedged by exchange rate derivatives was 8% of gross financial debt, in line with the objective of the Iren Group which is to maintain 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 gross financial debt by maturity and rate type, compared with the situation at 31 December 2017, is shown below.



Rating

In December 2017 the Fitch agency increased Iren's rating by a notch, taking it to BBB with stable outlook. Fitch also confirmed the BBB rating on the *senior unsecured* issues. The reasons that led to the improvement of the rating, already "Investment Grade", are, among others, the structural growth of the Group's profitability, the achievement, over the last few years, of significant synergies with better results than the market expectations, the full integration of a number of medium-sized companies, the reduction of the cost of the debt together with early achievement of the financial flexibility target.

In support of the liquidity risk indicators, in addition to the available lines of funding with the EIB detailed above, which have still not been used and offer a total of 235 million euro, *committed* credit lines were formalised, amounting to 70 million euro at the end of the period.

SIGNIFICANT SUBSEQUENT EVENTS

Closing of the business combination between Iren and the ACAM Group

On 11 April 2018 the merger was completed between Iren and the ACAM Group, which operates in integrated water service management, environmental service management and, to a lesser extent, energy services in the province of La Spezia.

The aforementioned operation had been launched in May 2017 with the bid made by Iren in the context of the transparent procedure promoted by ACAM to identify an economic operator with which to implement a corporate and industrial business combination, and it continued on 29 December 2017 with the signing of an investment agreement, subject to suspensive conditions, between Iren, ACAM S.p.A. and 31 public entity shareholders of ACAM, with the simultaneous resolution from Iren's Board of Directors to increase the share capital for payment, divisible, reserved for ACAM shareholders who had taken on the commitment to sell to the Company their entire shareholding held in ACAM.

Following the fulfilment of all of the conditions precedent specified in the investment agreement, including the necessary approval by the "Autorità Garante della Concorrenza e del Mercato" [Italian Antitrust Authority], the operation was carried out through:

- the acquisition by Iren of the ACAM shares held by 31 public entities, essentially equal to the entirety of its share capital, against total consideration of 59,000,274.29 euro; and
- the simultaneous subscription, by 27 ACAM shareholders, of a total of 24,705,700 new ordinary shares in Iren S.p.A., in the context of the capital increase reserved for them, representing 1.90% of Iren's share capital after the increase, for an equivalent value of 52,623,141.00 euro (including share premium).

The subscription price for each newly-issued Iren S.p.A. ordinary share is 2.13 euro, of which 1.00 euro is to be attributed to share capital and 1.13 euro is a premium. The Company offset the subscription price for the newly-issued shares payable by the subscribing ACAM shareholders with the selling price of the ACAM share capital payable by Iren, while the residual price payable by the Company to the selling and non-subscribing shareholders, totalling 6,377,133.29 euro, was paid in cash.

The ACAM shareholders that subscribed the reserved capital increase simultaneously signed the existing shareholders' agreement between the Iren public shareholders, bringing to the blocking and voting syndicate, governed by it, all the newly-issued shares subscribed by them in the context of the capital increase (with the exception of a single shareholder, which assumed a distinct commitment not to transfer the shares subscribed). The shareholders' agreement will expire in May 2019 and will be renewed tacitly for a further two years, unless terminated.

On the same date, ACAM, ACAM Acque and ACAM Ambiente fully repaid the existing debt exposures to the relevant financial institutions, equal to around 130 million euro.

Following that repayment, the debt restructuring agreement under Article 182 bis et seq. of the "Legge Finanziaria" [Budget Law], signed by the companies in the ACAM Group and approved by the Court of La Spezia, and the appended restructuring plan, were terminated, as they had become ineffective due to the obtaining of the objectives specified therein.

For more information regarding the terms and conditions of the operation and capital increase, including all of the relative conditions, please refer to the contents of the section "Significant events of the period" in the Directors' Report at 31 December 2017.

The business combination with the ACAM Group will enable the expansion of the Iren Group's concession portfolio, with the possibility, among other things, to aim to become the Ligurian regional operator of reference in water services, and to consolidate the current positioning in waste management services.

Shareholders' Meeting of IREN S.p.A.

The IREN S.p.A. Ordinary Shareholders' Meeting held on 19 April 2018 approved the Company's Separate Financial Statements in relation to financial year 2017, the 2017 Directors' Report and the first section of the 2017 Remuneration Report, and resolved to distribute a dividend of 0.07 euro for each of the 1,300,931,377 eligible ordinary shares, including the 24,705,700 ordinary shares subscribed by the shareholders of ACAM S.p.A. by virtue of the increase of the share capital reserved for them, resolved by the Iren Board of Directors on 29 December 2017. The dividend will be paid starting from 20 June 2018 (ex-dividend date 18 June 2018 and record date 19 June 2018).

With approval of the financial statements at 31 December 2017 the term of office of the Board of Statutory Auditors expired. For the three years 2018-2020 the Shareholders' Meeting therefore appointed, on the basis of the lists presented: three Standing Auditors in the persons of Cristina Chiantia, Simone Caprari and Michele Rutigliano, electing the latter as Chairperson of the Board of Statutory Auditors; two Supplementary Auditors in the persons of Marco Rossi and Donatella Busso. The Board of Statutory Auditors will remain in office up to the date of approval of the financial statements for the year ending 31 December 2020.

Iren S.p.A.
Via Nubi di Magellano, 30 - 42123 Reggio Emilia - Italy
Share Capital, fully paid up Euro 1,276,225,677.00
Companies' Register of Reggio Emilia No. 07129470014
Tax ID Code and VAT no. 07129470014

Consolidated Financial Statements

at 31 March **2018**

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. The "IFRSs" also include all the revised international accounting standards ("IASs/IFRSs") 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 standards were applied as those adopted for the previous year's statements, to which you are referred for an ampler discussion, with the exception of the following standards, applicable from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers. This standard, adopted by the European Union on 22 September 2016 and subsequently amended with EU Regulation 1987/2017 of 31 October 2017, applies to all contracts with customers, with the exception of leasing contracts, insurance contracts and financial instruments.
IFRS 15 defines a model for recognising revenue based on 5 steps:

i. identify the contract with the customer. By contract is meant a commercial agreement approved by two or more parties that creates enforceable rights and obligations. The standard contains specific rules for assessing whether two or more contracts must be combined together and for identifying the accounting implications of a contractual amendment;
ii. identify the "Performance Obligations" contained in the contract;
iii. determine the "Transaction Price". In order to determine the transaction price, it is necessary to consider, among other things, the following elements: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
iv. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price";
v. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The principle expressed by IAS 18, for which the revenue must be recognised looking at the benefits obtainable from the asset and assessing the probability of collecting the related receivable, is replaced. Control may be transferred at a certain moment (*point in time*) or in a period of time (*over time*).

The standard obligatorily requires retroactive application, but the transition can take place using two different methods: retroactively at each previous financial year presented according to IAS 8 (full retrospective approach) or retroactively by recognising the cumulative effect from the date of initial application (modified retrospective approach) in the opening Shareholders' Equity at 1 January 2018 (IFRS 15, para. C3 b). If the second approach is chosen, IFRS 15 is only applied retrospectively to contracts that have not been concluded at the initial application date (1 January 2018). The Iren group has chosen to apply IFRS 15 using the second approach.

In application of the aforementioned principle, it has emerged that there is a need to implement a different accounting treatment for connection contributions invoiced by companies performing the distribution service, by way of reimbursement of the costs incurred for the connection/installation of the meter. The relative revenue cannot be considered part of the fee for the distribution service, since control of the asset is not transferred, pursuant to IFRS 15, and so they must be deferred and released along the life of the relevant asset in line with what is envisaged for tariff purposes.
The cumulative effect as at 1 January 2018 represented an increase in the Other payables and other non-current/current liabilities item for 186,571 thousand euro relative to Deferrals for connection contributions which, net of the corresponding deferred tax Assets equal to 52,613 thousand euro, has brought about a reduction of the opening balance of Retained earnings for 133,958 thousand euro.

The new accounting treatment has brought about a reduction in the Other income item, at the economic level, for 16 thousand euro which, net of the relative tax effect, has generated lower Profit for the period, equal to 12 thousand euro.
As regards the application of the standard to other types of contract/contractual circumstances in place with customers, the checks carried out have not shown significant impacts; since the start of 2018, in relation to relationship with customers, specific procedures have been implemented in order to correctly report income from contracts and identify any critical aspects in future commercial bids in good time.

IFRS 9 – Financial Instruments. The new standard was approved on 22 November 2016 with EU Regulation no. 2067/2016. In brief the rules of IFRS 9 regard:

I. <u>the criteria for classification and measurement of financial assets and liabilities</u>. As regards financial assets, the new standard uses a single approach based on management models of financial instruments and characteristics of contractual cash flows of financial assets, with the aim of determining the measurement criteria, replacing the various rules set forth in IAS 39. In particular, the standard provides for the following three categories for the classification of financial assets: a) financial assets carried at *amortised cost*; b) financial assets carried at *fair value through other comprehensive income (FVOCI)*; c) financial assets carried at *fair value through profit and loss (FVTPL)*. Therefore, the categories of “loans and receivables”, financial assets held for sale and financial assets “held to maturity” disappear. Classification within the aforementioned categories takes place on the basis of the company’s business model and in relation to the characteristics of the cash flows generated by the same assets: a) a financial asset is valued at amortised cost if the company’s business model provides for the financial asset being held to collect the relative cash flows (and therefore not to make a profit from the sale of the instrument too) and the characteristics of the cash flows from the asset only correspond to the payment of capital and interest; b) a financial asset is measured at Fair Value with a counter-entry in Other comprehensive income if it is held in order to both collect the contractual cash flows and be sold (Hold to Collect and Sell model); c) finally, if it is a financial asset held to be traded and therefore does not fall within the cases outlined in the previous points a) and b), it must be recognised at fair value with value variations entered in the income statement. The rules on accounting for embedded derivatives have been simplified: it is no longer required to recognise the embedded derivative and the financial asset that “hosts” it separately.
   All instruments representing equity that fall within the scope of application of the standard - both listed and non-listed - must be valued at the fair value reported in the income statement (*FVTPL – fair value through profit and loss*). In fact, IAS 39 established that, if the fair value cannot be determined reliably, non-listed financial instruments representing equity are measured at cost. The company has the option of presenting changes to the fair value of instruments representing shareholders' equity that are not held for trading, for which that option is prohibited, in Equity (*FVOCI – fair value through other comprehensive income*). This designation is admitted at the time of the initial recognition, it can be adopted per individual security, and is irrevocable. If this option is used, the variations in the fair value of such instruments should never be reserved in the Income Statement. Dividends, however, continue to be reported in the Income Statement.
   IFRS 9 does not permit reclassification between categories of financial assets except in the rare cases in which the company’s business model changes. In this case, the effects of the reclassification are applied on a prospective basis.
   As regards financial liabilities, the main amendment relates to accounting for fair value changes of a financial liability designated as carried at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself. According to the new standard, these changes must be recognised under other comprehensive income;

II. <u>impairment of financial assets</u>. The standard replaces the current “incurred loss” model introducing a new impairment model based on expected losses, where “loss” means the present value of all future lost revenue, opportunely integrated to take into account future expectations (“forward-looking information”). The estimate must be made initially on the expected losses in the next 12 months; in consideration of any gradual deterioration of the receivable the estimate must be sufficient to cover the expected losses along the whole life of the receivable;

III. hedging operations (hedge accounting). IFRS 9 introduces a number of significant changes that mainly regard the effectiveness test, as the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged instrument and the hedging instrument, accounting only for the cost of the hedge, and extending the hedged elements and the disclosure required.

With reference to point I), there are no significant impacts on the balance deriving from the application of the requirements for the classification and valuation of financial assets provided for by IFRS 9. The Group has analysed the characteristics of the contractual cash flows from loans and receivables, considering them to meet the requirements for valuation at amortised cost. As regards Other equity investments, these are minority shareholdings in unlisted companies, hitherto classified as Available for sale and valued at fair value with a counter-entry in Other comprehensive income pursuant to IAS 39, which the group intends to keep in the portfolio for the near future: as of 1 January 2018, in accordance with IFRS 9, those shareholdings will be valued at fair value in the income statement (FVTPL).
As regards point II), provisions for impairment of receivables in relation to trade receivables has been recalculated by applying the simplified method provided for by IFRS 9 and, more specifically, the *provision matrix* model: this model involves identifying the default rates, grouped by due date, observed historically, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements. The application of the new principle is retroactive, so the Group has re-estimated the provision for impairment of receivables at 31 December 2017 using the new methodology. Due to the new estimation, the Trade Receivables item has decreased by 5,308 thousand euro which, net of the corresponding deferred tax Assets equal to 1,274 thousand euro, has brought about a reduction of the opening balance of Retained earnings for 4,034 thousand euro at 1 January 2018.
Finally, in relation to point III) the Group deems that the hedging contracts that currently meet the definition of effective hedges will not be impacted by the new hedge accounting criteria in IFRS 9.

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 2017.
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 year end. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following year end.
The Income Statement is classified on the basis of the nature of 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 bank current accounts.

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 valuation processes, particularly the more complex ones, such as the determination of any impairment losses on non-current assets, are generally carried out in full only on 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. In the same way, the actuarial valuations necessary to determine employee benefit funds 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 INDICATORS

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 indicators are different from the financial indicators explicitly required by the IAS/IFRA 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 indicators 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 indicators 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 API 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 API is used by the Group in the context of documents both internal to the Group and external 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 API 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 between the operating results 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 API 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 (equity investments), 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 API 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 on revenue determined making a proportion, in percentage terms, between gross operating profit and value of revenue.
This API 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 API 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

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

RESTATEMENT OF AMOUNTS AT 31 MARCH 2017

In May 2016, the Iren Group acquired control of the companies ATENA (now ASM Vercelli) and ATENA Trading.
The definitive fair value of the identifiable assets purchased and identifiable liabilities assumed through that transaction was determined at the end of the first half of 2017, taking effect as of the purchase date, completing the process of allocating the relative purchase price to them (*Purchase Price Allocation*). Therefore, in the Consolidated Quarterly Report at 31 March 2017, assets and liabilities acquired were still entered on a provisional basis, as permitted by IFRS 3.
To take account of the above, the economic balances and representation of the financial flows for the first three months of 2017 were restated, and shown as a comparative period. The restating has meant that greater amortisation and depreciation has been reported, for 67 thousand euro, with a positive tax effect of 19 thousand euro.

CONSOLIDATION POLICIES

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 minorities 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.

It should be noted that during the first quarter of 2018, a merger took place which saw the subsidiaries TRM V. S.p.A. and TRM Holding S.p.A. incorporated into Iren Ambiente S.p.A. Although it had an effect on the structure of the Group, these operations did not entail a change in consolidation scope.
The operations occurred as part of the Group's "overall" Corporate Rationalisation and Organisational Project, aimed at simplifying the equity investment structure and reducing the number of business Companies wholly held, directly or indirectly, by the Parent Company and at integrating/optimising the business processes/activities with uniform operating characteristics.

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

thousands of euro

	31.03.2018	31.12.2017
BUSINESS		
Property, plant and equipment	3,409,407	3,449,344
Investment property	13,050	13,137
Intangible assets with a finite useful life	1,685,704	1,653,977
Goodwill	127,320	127,320
Investments accounted for using the equity method	159,969	161,255
Other equity investments	7,126	7,126
Non-current trade receivables	59,010	69,801
Non-current financial assets	166,597	165,767
Other non-current assets	44,523	44,614
Deferred tax assets	330,825	277,771
Total non-current assets	**6,003,531**	**5,970,112**
Inventories	40,097	61,984
Trade receivables	1,040,147	895,788
Current tax assets	7,911	7,365
Other receivables and other current assets	307,145	276,347
Current financial assets	511,414	506,382
Cash and cash equivalents	182,314	169,086
Total current assets	**2,089,028**	**1,916,952**
Assets held for sale	524	8,724
TOTAL ASSETS	**8,093,083**	**7,895,788**

thousands of euro

	31.03.2018	31.12.2017
EQUITY		
Equity attributable to shareholders		
Share capital	1,276,226	1,276,226
Reserves and retained earnings (losses)	710,668	608,184
Net profit (loss) for the period	103,215	237,720
Total equity attributable to shareholders	**2,090,109**	**2,122,130**
Equity attributable to minorities	378,216	376,673
TOTAL EQUITY	**2,468,325**	**2,498,803**
LIABILITIES		
Non-current financial liabilities	2,874,465	3,023,888
Employee benefits	115,469	116,483
Provisions for risks and charges	442,209	430,133
Deferred tax liabilities	211,914	213,760
Other payables and other non-current liabilities	405,699	222,595
Total non-current liabilities	**4,049,756**	**4,006,859**
Current financial liabilities	300,696	189,132
Trade payables	777,045	827,477
Other payables and other current liabilities	346,009	269,720
Current tax liabilities	64,604	15,295
Provisions for risks and charges - current portion	86,648	88,502
Total current liabilities	**1,575,002**	**1,390,126**
Liabilities related to assets held for sale		-
TOTAL LIABILITIES	**5,624,758**	**5,396,985**
TOTAL EQUITY AND LIABILITIES	**8,093,083**	**7,895,788**

CONSOLIDATED INCOME STATEMENT

thousands of euro

	First three months 2018	First three months 2017 Restated (*)
Revenue		
Revenue from goods and services	1,006,125	1,011,993
Change in work in progress	-	1,479
Other income	59,377	33,276
Total revenue	**1,065,502**	**1,046,748**
Operating expenses		
Raw materials, consumables, supplies and goods	(389,778)	(383,667)
Services and use of third-party assets	(304,049)	(294,762)
Other operating expenses	(17,019)	(17,476)
Capitalised expenses for internal work	7,249	6,276
Personnel expense	(92,720)	(92,077)
Total operating expenses	**(796,317)**	**(781,706)**
GROSS OPERATING PROFIT (EBITDA)	**269,185**	**265,042**
Depreciation, amortisation, provisions and impairment losses		
Depreciation and amortisation	(82,519)	(76,436)
Provisions and impairment losses	(9,332)	(14,232)
Total depreciation, amortisation, provisions and impairment losses	**(91,851)**	**(90,668)**
OPERATING PROFIT (EBIT)	**177,334**	**174,374**
Financial income and expense		
Financial income	5,878	7,996
Financial expense	(24,564)	(28,542)
Total financial income and expense	**(18,686)**	**(20,546)**
Share of profit (loss) of associates accounted for using the equity method	(636)	4,884
Value adjustments on equity investments	-	-
Profit (loss) before tax	**158,012**	**158,712**
Income tax expense	(48,211)	(50,928)
Net profit (loss) from continuing operations	**109,801**	**107,784**
Net profit (loss) from discontinued operations	-	-
Net profit (loss) for the period	**109,801**	**107,784**
attributable to:		
- Profit (loss) for the period attributable to shareholders	103,215	100,609
- Profit (loss) for the period attributable to minorities	6,586	7,175

(*) As provided for in IFRS 3, the economic balances of the first three months of 2017 were restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (*Purchase Price Allocation*) of ASM Vercelli and ATENA Trading.
For further information please see the paragraph entitled “Restatement of amounts at 31 March 2017” in the section “Basis of preparation”.

STATEMENT OF OTHER COMPREHENSIVE INCOME

thousands of euro

	First three months 2018	First three months 2017 Restated (*)
Profit/(loss) for the period - Owners of the parent and non-controlling interests (A)	**109,801**	**107,784**
Other comprehensive income that will not be subsequently reclassified to the Income Statement		
- effective portion of changes in fair value of cash flow hedges	(644)	(9,508)
- changes in fair value of available-for-sale financial assets	-	-
- share of other profits/(losses) of companies accounted for using the equity method	-	62
Tax effect of other comprehensive income	201	2,926
Total other comprehensive income to be subsequently reclassified to the Income Statement, net of tax effect (B1)	**(443)**	**(6,520)**
Other comprehensive income that will not be subsequently 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 not be subsequently reclassified to the Income Statement, net of tax effect (B2)	**-**	**-**
Total comprehensive income/(expense) (A)+(B1)+(B2)	**109,358**	**101,264**
attributable to:		
- Profit/(loss) for the period attributable to shareholders	102,759	93,885
- Profit/(loss) for the period attributable to minorities	6,599	7,379

(*) As provided for in IFRS 3, the economic balances of the first three months of 2017 were restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (*Purchase Price Allocation*) of ASM Vercelli and ATENA Trading.
For further information please see the paragraph entitled “Restatement of amounts at 31 March 2017” in the section “Basis of preparation”.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium reserve	Legal reserve
31/12/2016 Restated (*)	**1,276,226**	**105,102**	**45,585**
Retained earnings			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/03/2017 Restated (*)	**1,276,226**	**105,102**	**45,585**
31/12/2017	**1,276,226**	**105,102**	**49,998**
First application of IFRS 9 and IFRS 15			
Retained earnings			
01/01/2018	**1,276,226**	**105,102**	**49,998**
Dividends to shareholders			
Changes in consolidation scope			
Change in business combinations			
Other changes			
Comprehensive income for the period			
of which:			
- Net profit for the period			
- Other comprehensive income			
31/03/2018	**1,276,226**	**105,102**	**49,998**

(*) As provided for in IFRS 3, the economic balances at 31 March 2017 were restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (*Purchase Price Allocation*) of ASM Vercelli and ATENA Trading.
For further information please see the paragraph entitled "Restatement of amounts at 31 March 2017" in the section "Basis of preparation".

thousands of euro

Cash flow hedging reserve	Other reserves and retained earnings (losses)	Total reserves and retained earnings (losses)	Profit (loss) for the period	Equity attributable to shareholders	Equity attributable to minorities	Total equity
(8,421)	**365,048**	**507,314**	**179,844**	**1,963,384**	**333,892**	**2,297,276**
	179,844	179,844	(179,844)	-		-
	1,136	1,136		1,136		1,136
	(525)	(525)		(525)	(47)	(572)
(6,724)		(6,724)	100,609	93,885	7,379	101,264
			100,609	100,609	7,175	107,784
(6,724)	-	(6,724)		(6,724)	204	(6,520)
(15,145)	**545,503**	**681,045**	**100,609**	**2,057,880**	**341,224**	**2,399,104**
(1,729)	**454,813**	**608,184**	**237,720**	**2,122,130**	**376,673**	**2,498,803**
	(133,719)	(133,719)		(133,719)	(4,273)	(137,992)
	237,720	237,720	(237,720)	-		-
(1,729)	**558,814**	**712,185**	**-**	**1,988,411**	**372,400**	**2,360,811**
		-		-	(879)	(879)
	-	-		-	-	-
	-	-		-		-
	(1,061)	(1,061)		(1,061)	96	(965)
(456)		(456)	103,215	102,759	6,599	109,358
			103,215	103,215	6,586	109,801
(456)	-	(456)		(456)	13	(443)
(2,185)	**557,753**	**710,668**	**103,215**	**2,090,109**	**378,216**	**2,468,325**

CONSOLIDATED STATEMENT OF CASH FLOWS

thousands of euro

	First three months 2018	First three months 2017 Restated (*)
A. Opening cash and cash equivalents	**169,086**	**253,684**
Cash flows from operating activities		
Profit (loss) for the period	109,801	107,784
Adjustments:		
Income tax expense for the period	48,211	50,928
Share of profit (loss) of associates and joint ventures	636	(4,884)
Net financial expense (income)	18,686	20,546
Amortisation of intangible assets and depreciation of property, plant and equipment and investment property	82,519	76,436
Net impairment losses (reversals of impairment losses) on assets	470	-
Net provisions for risks and other charges	19,765	20,703
Capital (gains) losses	35	263
Utilisations of employee benefits	(1,746)	(1,914)
Utilisations of provisions for risks and other charges	(5,460)	(6,639)
Change in other non-current assets and liabilities	(1,762)	4,714
Other financial changes	(8,151)	(4,515)
Taxes paid	-	-
B. Cash flows from operating activities before changes in NWC	**263,004**	**263,422**
Change in inventories	21,715	19,986
Change in trade receivables	(143,878)	(66,946)
Change in tax assets and other current assets	(30,798)	(13,201)
Change in trade payables	(50,390)	(94,866)
Change in tax liabilities and other current liabilities	73,899	30,526
C. Cash flows from changes in NWC	**(129,452)**	**(124,501)**
D. Cash flows from/(used in) operating activities (B+C)	**133,552**	**138,921**
Cash flows from /(used in) investing activities		
Investments in intangible assets, property, plant and equipment and investment property	(67,531)	(46,554)
Investments in financial assets	-	(15,145)
Proceeds from the sale of investments and changes in assets held for sale	8,754	486
Changes in consolidation scope	-	(13,064)
Dividends received	338	599
E. Total cash flows from /(used in) investing activities	**(58,439)**	**(73,678)**
F. Free cash flow (D+E)	**75,113**	**65,243**
Cash flows from /(used in) financing activities		
Dividends paid	(879)	-
New non-current loans	-	-
Repayment of non-current loans	(25,902)	(25,366)
Change in financial liabilities	(31,526)	(13,713)
Change in financial assets	(4,440)	10,876
Interest paid	(2,935)	(7,619)
Interest received	3,797	3,854
G. Total cash flows from /(used in) financing activities	**(61,885)**	**(31,968)**
H. Cash flows for the period (F+G)	**13,228**	**33,275**
I. Closing cash and cash equivalents (A+H)	**182,314**	**286,959**

(*) As provided for in IFRS 3, the representation of the financial flows of the first three months of 2017 was restated to take into account the effects deriving from the completion of the allocation, in the 2017 financial year, of the purchase price at the definitive fair value of the acquired assets and liabilities (*Purchase Price Allocation*) of ASM Vercelli and ATENA Trading.
For further information please see the paragraph entitled “Restatement of amounts at 31 March 2017” in the section “Basis of preparation”.

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.	Tortona (Alessandria)	Euro	196,832,103	100.00	Iren
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	59.96	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	51.00	Studio Alfa
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	IRETI
Enia Solaris S.r.l.	Reggio Emilia	Euro	100,000	100.00	Greensource
Greensource S.p.A.	Reggio Emilia	Euro	1,000,000	100.00	Iren Rinnovabili
Immobiliare delle Fabbriche S.r.l.	Genoa	Euro	90,000	100.00	Iren Acqua
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 Rinnovabili S.p.A.	Reggio Emilia	Euro	285,721	100.00	Iren Ambiente
Monte Querce S.c.a.r.l.	Reggio Emilia	Euro	100,000	60.00	Iren Ambiente
R.E.I. S.r.l.	Pianezza (Turin)	Euro	50,000	100.00	Iren Ambiente
Salerno Energia Vendite S.p.A.	Salerno	Euro	3,312,060	50.00	Iren Mercato
Studio Alfa S.p.A.	Reggio Emilia	Euro	100,000	86.00	Iren Rinnovabili
TRM S.p.A.	Turin	Euro	86,794,220	80.00	Iren Ambiente
Varsi Fotovoltaico S.r.l.	Reggio Emilia	Euro	100,000	100.00	Greensource

LIST OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

Joint ventures

Company	Registered office	Currency	Share capital	% interest	Shareholder company
Acque Potabili S.p.A.	Turin	Euro	7,633,096	44.92	IRETI
Olt Offshore Toscana LNG S.p.A.	Milan	Euro	40,489,544	46.79	Iren Mercato

Associates

Company	Registered office	Currency	Share capital	% interest	Shareholder company
A2A Alfa S.r.l.	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	46.00	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 Rinnovabili
CSP Innovazione nelle ICT S.c.r.l.	Turin	Euro	600,000	25.00	Iren Energia
Domus Acqua S.r.l.	Domusnovas	Euro	96,000	29.00	IRETI
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
G.A.I.A. S.p.A.	Asti	Euro	5,539,700	45.00	Iren Ambiente
Global Service Parma S.c.a.r.l.	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
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
Recos S.p.A.	La Spezia	Euro	3,516,000	25.50	Iren Ambiente
Rio Riazzone S.p.A. (1)	Castellarano (Reggio Emilia)	Euro	103,292	44.00	Iren Ambiente
Sinergie Italiane S.r.l. (1)	Milan	Euro	1,000,000	30.94	Iren Mercato
So. Sel. S.p.A.	Modena	Euro	240,240	24.00	IRETI
STU Reggiane S.p.A.	Reggio Emilia	Euro	20,444,000	30.00	Iren Rinnovabili
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

(3) Company classified among assets held for sale

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 2018 corresponds to the documentary records, books and accounting entries.

10 May 2018

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

Massimo Levrino

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