2019 9M RESULTS

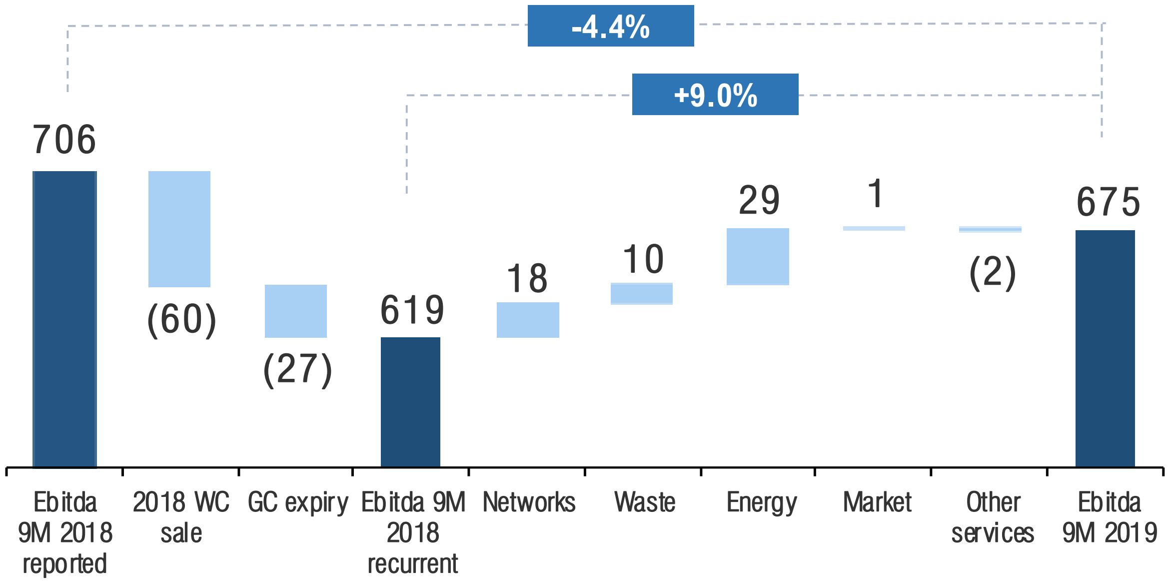
8th November 2019

Stripping out the extraordinary recognition of TEE and GC expiry, sound growth led by a positive performances in all the business units

KPIs

m€	9M '18 restated	**9M '19**	Δ	Δ%
Revenues	2,824	**3,190**	366	13.0%
Ebitda	706	**675**	-31	-4.4%
Ebit	410	**344**	-66	-16.1%
Net profit	234	**191**	-43	-18.2%
Tech. Capex	287	**324**	37	12.9%

EBITDA BRIDGE



- **Revenues +13.0%:** thanks to the higher revenues in the energy chain and the inclusion in the scope of consolidation of San Germano, SET and ACAM (only in the first quarter).
- **Ebitda -4.4%:** all the strategic pillars, the energy scenario and other elements positively contributed to the recurrent ebitda growth.
- **Ebit -16.1%:** higher D&A related to larger investments and consolidation process.
- **Net profit -18.2%:** reflecting the Ebit reduction.
- **Tech. Capex +12.9%:** capex increase to support the organic growth in line with business plan assumptions.

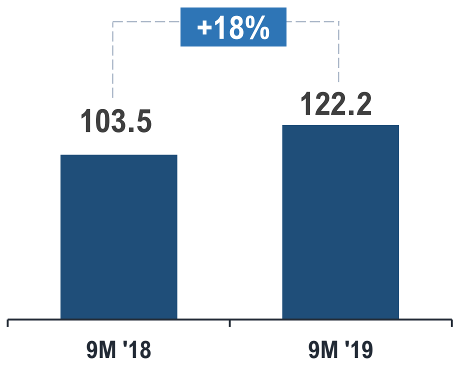
NETWORKS | Organic growth, consolidation and synergies confirmed as the main growth drivers

- **Energy and water networks:** RAB growth combined with synergies and the consolidation of ACAM led the 7% Ebitda increase.
- **Increase in Capex (+9%):** The investments' growth continues in the water business in line with the business plan assumptions leading to allowed revenues increase.

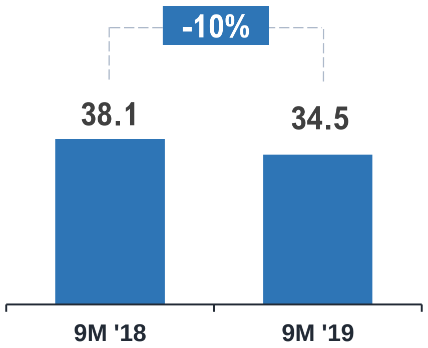
OUTLOOK: the growth drivers reported in 9M 2019 are expected to occur also in 4Q.

m€	9M '18	**9M '19**	Δ	Δ%
Revenues	676	**740**	64	9%
Ebitda	246	**264**	18	7%
Electricity	*52*	***55***	*3*	5%
Gas	*60*	***63***	*3*	5%
Water	*134*	***146***	*12*	9%
Ebit	136	**140**	4	3%
Gross Capex	169	**183**	14	9%

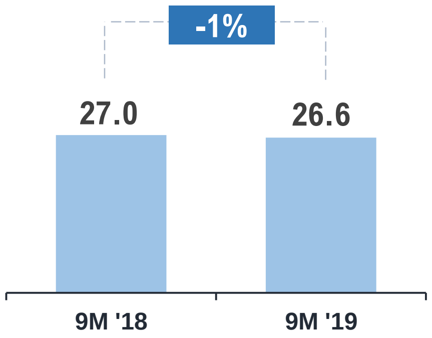
WATER CAPEX
(M€)



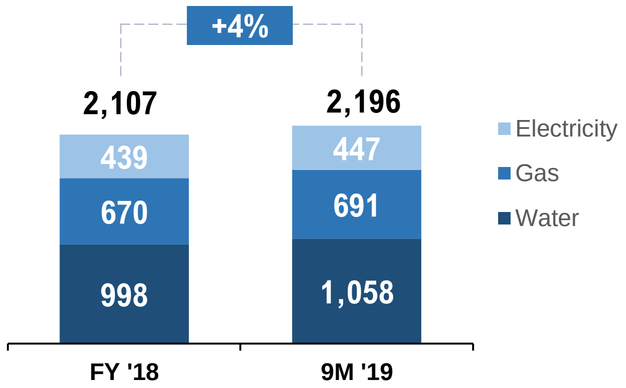
GAS CAPEX
(M€)



ELECTRICITY CAPEX
(M€)



RAB
(M€)



WASTE

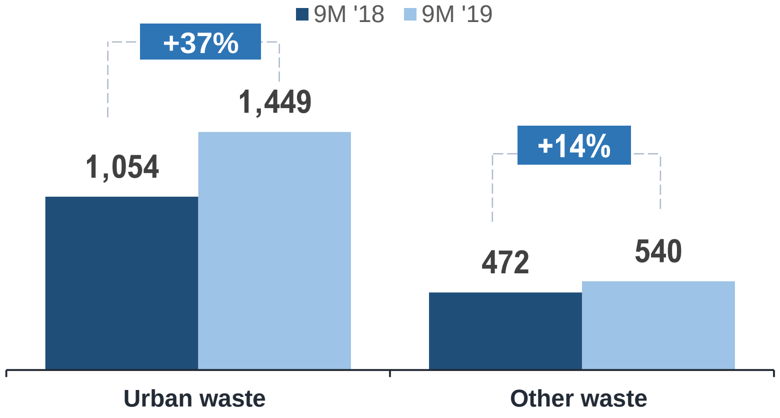
Higher volumes for both organic growth and consolidation

- The **Ebitda growth** is affected by different positive elements:
  - **Organic growth** related to disposal plants saturation (including REI landfill contribution), higher prices and the increase in collection margins. These aspects offset the WTEs maintenance.
  - **M&A** contribution (5m€) from ACAM and San Germano with 350kton of waste managed in the 9 months.
- **Increase in capex** is related primarily to enlarge the waste collection fleet.
- **Increase in waste volumes (+30%)** compared to 9M 2018 (+14% with the same perimeter). Sorted waste collection equal to 66.5%, +3% compared to FY2018.

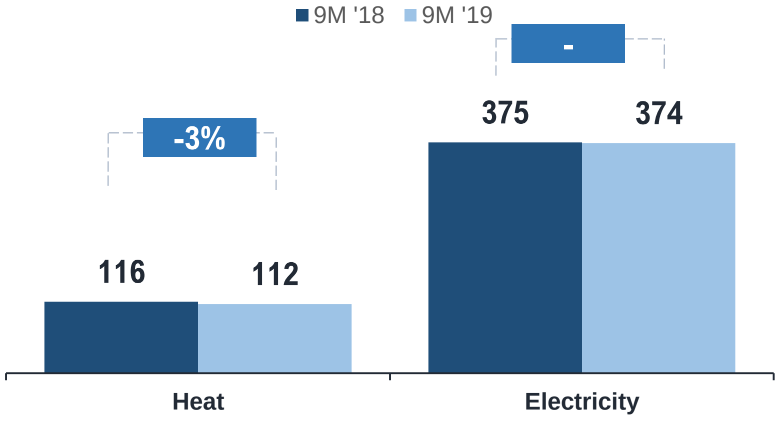
OUTLOOK: the results are expected slightly better than 2018, despite the unavailability of plants due to further maintenance activities in the last quarter.

m€	9M '18	**9M '19**	Δ	Δ%
Revenues	456	**531**	75	16%
Ebitda	116	**126**	10	8%
Ebit	61	**55**	-6	-10%
Gross Capex	18	**34**	16	88%

WASTE MANAGED (Kton)



WTEs - ELECTRICITY AND HEAT SOLD (GWh)



ENERGY

The overall positive energy scenario and other positive elements have been partially offset by the negative hydroelectric volumes trend

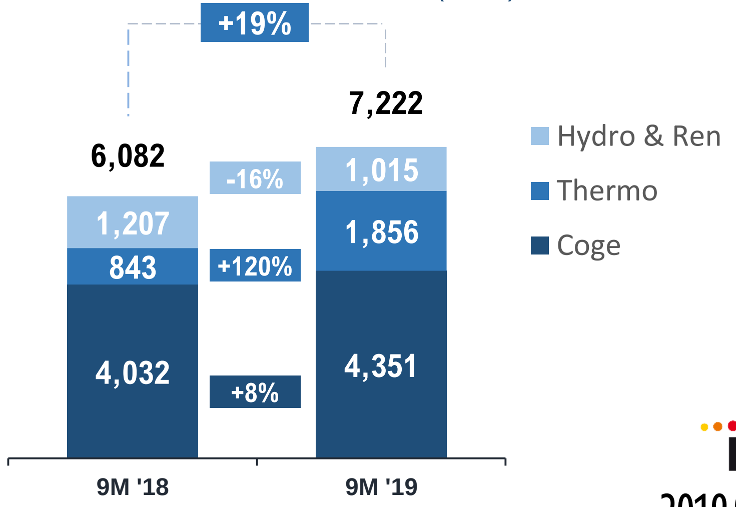
- The 9M '19 Ebitda of about 200m€ led to a 17% growth when compared to the underlying 9M '18 Ebitda of roughly 170m€ (excluding extraordinary energy certificates).
  - **Hydro sector:** stripping out the GC expiry for 27m€, the reduction is led by lower volumes and PUN.
  - **Thermo/Coge sector:** excluding extraordinary WC for 60m€, stronger contribution from thermo generation because of higher volumes and spark spread. Lower MSD profitability. 9M '19 positively impacted by the recognition of energy certificates related to previous year (15m€).
  - **District heating:** higher thermal spark spread

OUTLOOK: supportive scenario led by higher spark spread is expected to occur also in the last quarter.

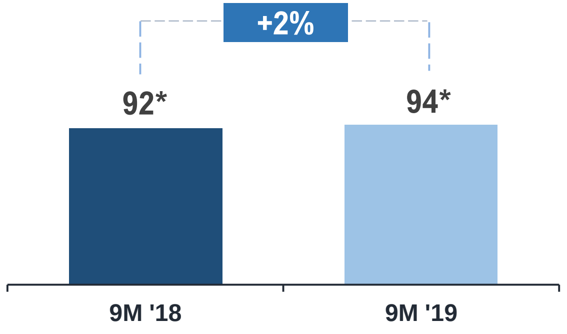
m€	9M '18	**9M '19**	Δ	Δ%
Revenues	954	**1,088**	134	14%
Ebitda	257	**199**	-58	-23%
Hydro&Renewables	*100**	***58***	*-42*	*-42%*
Thermo/Coge, DH	*157***	***141***	*-16*	*-10%*
Ebit	171	**101**	-70	-41%
Gross Capex	50	**43**	-7	-14%

** Including 27m€ of Green certificates expired*
*** Including 60m€ of White certificates*

ELECTRICITY PRODUCTION (GWh)

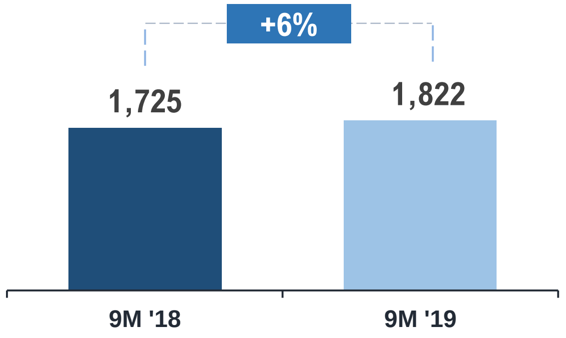


DH VOLUMES HEATED (mcm)



** Including 5mcm of SEI Energia's business branch rental*

HEAT PRODUCTION (GWht)



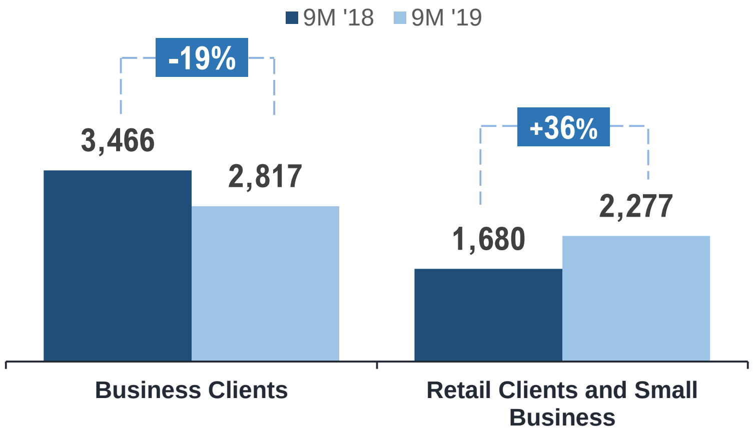
Margins recovery despite a negative gas climate trend

- Recovery in margins and a positive contribution from NDS projects combined with negative climate effect on gas sales:
  - **Electricity sector:** clients' growth combined with higher margins;
  - **Gas sector:** negative elements (mainly climate) overcame the positive ones (mostly repricing policy).
- **+27K clients** compared to FY2018 (now at 1,81m). Further acceleration mainly thanks to the digital strategy.

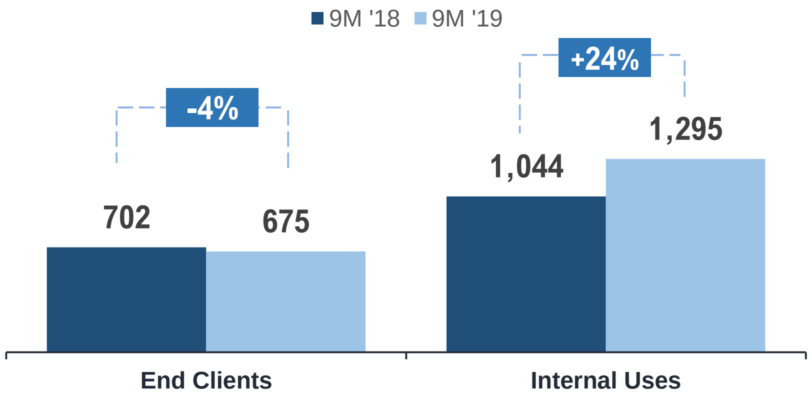
OUTLOOK: we expect a further recovery in electricity and gas margins enabling to reach an Ebitda higher than last year, net of extraordinary elements.

m€	9M '18	**9M '19**	Δ	Δ%
Revenues	1,754	**2,061**	307	18%
Ebitda	83	**84**	1	2%
Electricity	*22*	***27***	*5*	*25%*
Gas&Heat	*61*	***57***	*-4*	*-7%*
Ebit	41	**47**	6	15%
Gross Capex	21	**30**	9	38%

ELECTRICITY PORTFOLIO (GWh) - USES



GAS PORTFOLIO (mcm) - USES



From EBITDA to Net Profit

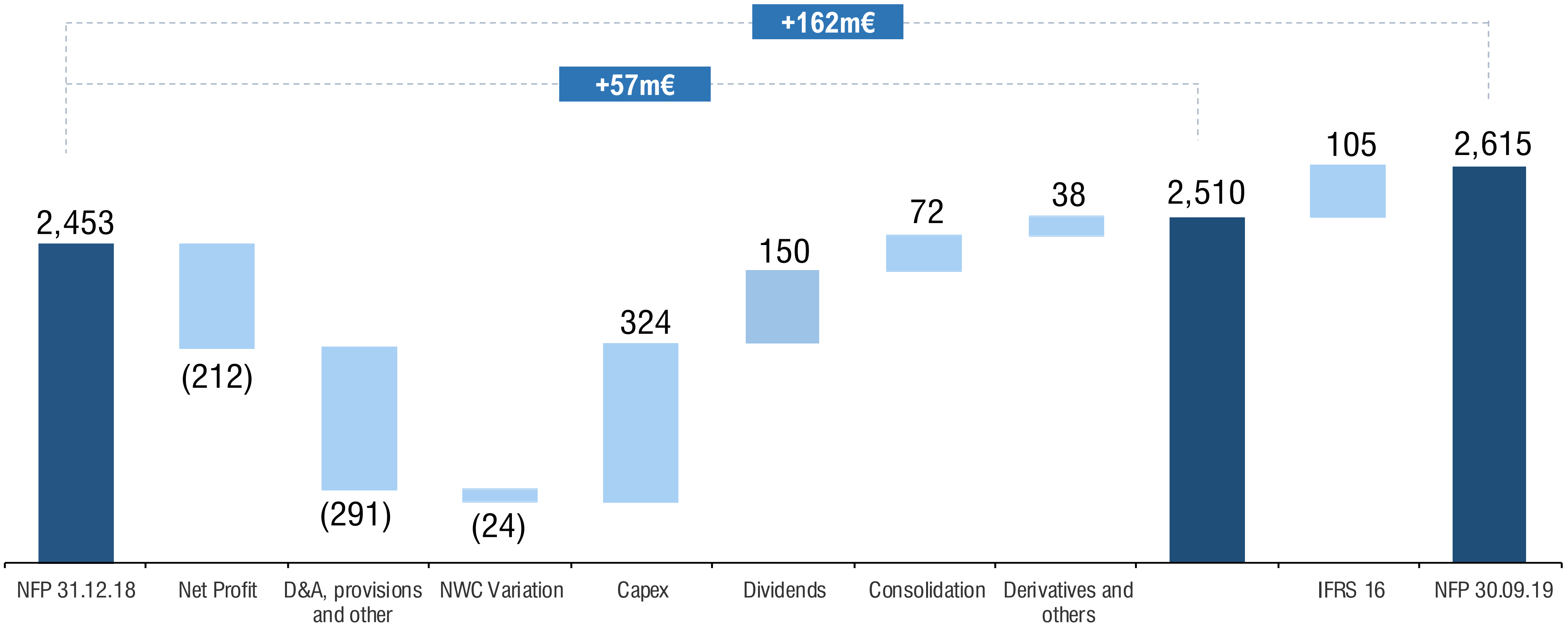
	9M '18	**9M '19**	Δ	Δ%
EBITDA	706.1	**675.1**	-31.0	-4.4%
D&A and others	*-261.7*	***-307.3***		
Provisions to bad debt	*-34.3*	***-23.7***		
EBIT	410.1	**344.1**	-66.0	-16.1%
Financial charges	*-52.3*	***-46.9***		
Other financial	*6.5*	***1.1***		
Companies cons with e.m.	*-0.7*	***4.7***		
Participations adjustment	*-0.3*	***-***		
EBT	363.3	**303.0**	-60.3	-16.6%
Taxes	*-110.2*	***-90.7***		
Minorities	*-19.4*	***-21.2***		
Group net profit	233.7	**191.1**	-42.6	-18.2%

- Increase in D&A related to capital intensive investments, consolidation process (ACAM and San Germano) and IFRS 16 application

- Lower **financial charges** mainly thanks to lower cost of debt despite the increase in debt
- Lower **other financial** mainly related to the absence of derivatives' positive contribution reported in 2018

- **Higher** contribution from companies consolidated with e.m.
- Stable **tax-rate** at **30%**

Cash-flow and NFP Bridge

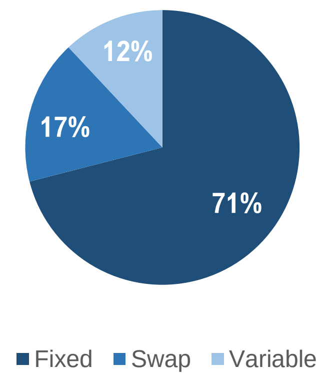


- Net of the **IFRS 16,** the **consolidation process** (San Germano and Ferrania) and derivatives, the NFP would have decreased by 53m€.
- Investments' growth according to business plan assumptions.
- **Derivatives**: negative impact on debt caused by rates and commodities derivatives.

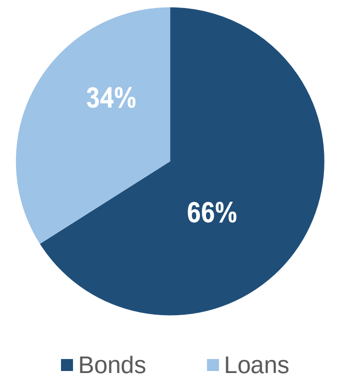
Interest rate and debt structure

- 88% of gross debt at fixed interest rate and 12% of gross debt at variable interest rate.
- Average long-term debt duration of about 5.1 years vs 5.5 years in 9M 2018 (5.9 years after the Green Bond emission in October).
- Reduction in the average cost of debt (2.5% vs. 2.8% in 9M 2018).
- IREN's debt is formed of:
  - 66% bonds
  - 20% EIB loans
  - 14% other loans
- Iren is the only Italian local multiutility to have issued 3 Green Bonds for a total size of 1.5b€

GROSS DEBT INTEREST RATE



DEBT STRUCTURE



Closing remarks

Organic growth, consolidation and synergies keep on contributing in line with our business plan assumptions, allowing for a further strong profitability growth

We are also carrying out the investments needed for enhancing organization and processes in light of a larger business scale

In light of the 9 months positive results we are confident that FY 2019 Ebitda will overcome 900m€

GUIDANCE ON FY 2019

Ebitda: 900 - 910m€

Group's net profit: ~250m€

NFP/Ebitda: ~2.9x

Capex: 530 - 550m€

Annexes

Scenario

	9M '18	**9M '19**	Δ%
Gas Demand *(bcm)*	51.5	**53.9**	4.7%
TTF *€/000 scm*	235	**147**	-37.4%
PSV *€/000 scm*	241	**175**	-27.4%
Energy Demand *(Twh)*	242.2	**241.9**	-0.1%
PUN *(€/Mwh)*	58.9	**53.8**	-8.7%
CO2 *€/Ton*	14.4	**24.9**	72.7%
Green Cert. Hydro *(€/Mwh)*	99.0	**92.1**	-7.0%
TEE (€/TEE)	253.1	**260.0**	2.7%

Balance Sheet

	FY '18	9M '19
Net fixed assets	5,786	**5,987**
Net Working Capital	132	**108**
Funds	-621	**-621**
Other assets and liabilities	-282	**-266**
Net invested capital	5,015	**5,208**
Group Shareholders' equity	2,562	**2,593**
Net Financial Position	2,453	**2,615**
Total Funds	5,015	**5,208**

a n n e x e s

Disclaimer

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