

IREN Group - the Board of Directors has approved the Business Plan to 2022: development and efficiency within a strategy focused on Client/Citizen, with a strong increase in investments supporting profitability and quality in services. To this must be added an expected growth in dividend per share equal at least to 10% per year.

The business plan to 2022 is based on the results obtained over the last 30 months and looks towards the future anticipating the trends in the sector over the next 10 years. It places the role of the Client/Citizen in the centre of a Circular Vision, with a strong focus on the themes of sustainability alongside the pillars that characterize the solidity of the Group: people, efficiency and continuous development, as well as ever greater attention on satisfying the Shareholders and meeting the needs of the reference territories.

IREN@2030 circular vision – An all-round vision of the Group’s strategic objectives.

In order to make the strategic guidelines even more effective, able to anticipate new needs and innovative solutions, a careful study has been completed into the most important **global macro-trends to 2030**: those trends in society and in the sectors in which the Group operates, which will be of crucial importance in the coming years for the achievement of the growth objectives underlying the business plan.

Strategic guidelines

- **Client/Citizen – the two elements merge and become essential in the study of new innovative offers.**

The Client is not and will no longer be only a passive consumer but takes on an active role in their acquisition choices. Thanks to the **technological and digital revolution** in progress, the client can acquire information, can make comparisons and decide immediately and independently on the basis of the product’s intrinsic characteristics, taking into consideration also the **effects on the environment where they live and work**.

- **Development and efficiency – to guarantee greater profitability, profits and dividends.**

The strategic pillars that have guided the Group over the last 3 years are confirmed. The continuous search for **maximum integration, the optimisation of processes, agility and effectiveness in decision-making and a uniformity of vision** are once more fundamental elements for achieving the challenging development targets that improve on those set out in the previous plan.

- **Sustainability and the care of human resources – A renewed attention towards two themes that are increasingly fundamental.**

Environmental sustainability has always characterised the Group’s choices, which already today produces around 78% of its energy through renewable and assimilated sources and this element will be even more important in the future through IREN’s contribution to achieving the **sustainable development targets indicated by the United Nations**. The same attention is paid by the Group towards the management of its human capital with the launch of a series of initiatives aimed at increasing **satisfaction, motivation and the awarding of merit**.



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Economic and financial indicators

- **EBITDA at 2022 of approximately 950 million euro**, up by approximately 170 million euro compared to 2016, with an annual growth rate of 3.3%. 70% of this result will be achieved already in 2020 (CAGR 3.6%). More than 70% of the Group's entire EBITDA will derive from regulated and quasi-regulated activities.
- **Synergies of 80 million euros**, added to the 50 million already obtained between 2015 and 2016.
- **Net profit up by 50% and equal to around 260 million euros**.
- **Cumulative investments for approximately 2.5 billion euros**, up by 15% compared to the previous plan, a significant part of which devoted to development initiatives.
- **Debt at 2022 down by approximately 300 million euros** to approximately 2.16 billion euros, despite the significant increase in investments.
- **Financial flexibility area linked to a Debt/EBITDA Ratio less than 3.0x**, substantially already achieved.
- **Dividend policy further improved, with annual growth of dividend per share moving from 8% in the previous business plan to 10%**.

Reggio Emilia, 13 November 2017 - The Board of Directors of IREN S.p.A. has today approved the business plan to 2022.

IREN's new business plan is, first of all, based on the **important results achieved over the last 30 months** with all the economic indicators showing constant growth in double figures, thanks to a strong process of integration and development. It looks, however, to the future, making reference to **long-term macro-trends** to establish the strategic guidelines through which the Groups activity will be driven over the coming years. The macro-trends identified start from a **redefinition of the role of the Client/Citizen** who is no longer exclusively a consumer user, but enters into the process of the definition and personalisation of the service or product acquired. This new way of acting is intrinsically linked to and enabled by the **technological and digital revolution** of the last decades, destined to intensify, changing the way to communicate and make comparisons and decisions. In addition there is a renewed **environmental awareness**, particularly attentive to the concepts of the circular economy, energy efficiency and sustainable development. These elements oblige all operators in the public services sector to redefine themselves and to be ever more rapid, closer to the client and sustainable in order to meet the challenges of the future.

In this scenario, the new business plan identifies **5 strategic pillars**, confirming some and introducing others. The **focus towards the Client/Citizen** is, first of all confirmed through a series of projects that merge business and environmental considerations: firstly, there is the full development of the "**New Downstream**", the new Group's new commercial concept,

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launched around a year ago, with the objective of transforming the energy commodity into a high value-added service. Many initiatives have already been proposed, enjoying noticeable success (from LED lamps to advanced domotics, from insurance products to the “IREN with you” club) and many others will be launched in the coming years in order to create loyalty in, innovate and grow the client base. In addition to this, there are a series of projects linked to **energy efficiency**, aimed both at the retail world and to the SME world, and the introduction of IREN into the **E-mobility sector**, destined to change the rules of urban mobility with considerable advantages for the environment. The same attention dedicated to the Client will be given towards continuing the efficiency programme that has already made it possible to obtain around **50 million Euros of synergies in two years** and which will make it possible to extract further 80 by 2022. The key to this path is the so-called “**Performance improvement**” which, through the re-engineering and optimisation of processes, both specific to single business units and across business units, has already permitted and will permit the unlocking of that part of potential not already expressed by the Group. Today the projects under way thanks to performance improvement have been around 100 and a number of them have already generated significant results.

Efficiency and integration have therefore been fundamental elements in the achievement of a financial flexibility that allows us today to take advantage of significant development options. **Development** is, in fact, the third strategic pillar confirmed in the business plan approved today.

The main growth drivers identified in the new business plan are linked above all to the regulated and quasi-regulated businesses. From this point of view **the expansion of the district heating networks**, which will enable better saturation of the already-existing generation and waste-to-energy plants, **and the development of the network business through significant investments in organic growth**, and specifically in the gas sector, through completion of the ATEMs in which IREN already holds a significant stake, are particularly important. To this must be added the growth of the Waste sector deriving from a strengthening in the “**waste-to-material**” sector mainly linked to the development of plants devoted to the processing of paper, plastic and organic waste.

The operating targets outlined above will enable robust cash generation, so as to easily cover the challenging **investment plan, of more than 2.5 billion euros** and will make it possible to keep the Group in the financial flexibility area identified which has, as its upper limit a net debt to EBITDA ratio equal to 3. This will guarantee for the coming years the possibility to exploit interesting investment and M&A opportunities and to further remunerate the shareholders.

The last two pillars that characterized the new business plan are “**environmental sustainability**” and “**care of human resources**”. IREN has always put sustainability at the centre of its decisions, and today it once again expresses its strategic value, also linked to the **UN's 2030 Sustainable Development Goals. Resilient cities, decarbonisation, circular economy and water resources** will be at the heart of the Group's agenda, which will invest about one billion euros in sustainability over the next few years. This will enable the achievement of important goals, including an increase in CO2 emission savings of 14%, an increase in water purification capacity of 15% and a reduction in the water taken from the

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environment for drinking use of 9%. This is a tangible commitment that confirms the intention to combine **the Group's development with that of communities, territories and the Environment.**

In relation to the growth of its **human capital**, the Group's strategy is based primarily on a strong focus on skills, which will start from their mapping by integrating selection, training and development systems. Particular attention will be given to young people, in fact it is expected that the workers under the age of 30 will double by 2020, with about 180 new talents hired by the company. They will bring innovative ideas to be prepared to face the challenges and changes of the coming years. Finally, the performance management system will be extended to more than half the IREN's overall employees in order to increase and promote meritocracy.

On the basis of these strategic lines the IREN Group aims for:

- **EBITDA growth of approximately 170 million euros**, which will take the Group's gross operating profit to 950 million euro at 2022 (CAGR 3.3%). **This result excludes a series of potential opportunities on which the Group is working, but for which there is not complete visibility regarding the result**
- **Group net-profit of around 260 million euros**, up 50%
- **a clear and further improved dividend policy**, with a dividend per share that will move from 6.25€/c paid in 2016 (+14% compared to the previous year) to more than 10€/c in 2022, recording **annual growth of 10% (up compared to the figure shown in the previous plan, of 8%)**. This will make IREN one of the securities with the best dividend policy of the sector
- **improvement of the net financial debt/EBITDA ratio**, always less than 3x
- its confirmation in the **role of aggregator hub and development driver in the reference territories**. In continuity with what has been done previously, a prudent approach has been adopted and **no M&A operations have been included in the plan.**

The details for each business area are provided below.

GENERATION AND DISTRICT HEATING

This Business Unit will benefit, first of all, the increased margin linked to the expansion of district heating for around 12 million additional cubic metres of district heated volumes (**97 million** cubic metres of district heated volumes at 2022). Around 250 million euros of development investment will be allocate to this project allowing for **greater saturation of the existing cogeneration plants** and will permit the use of the heat produced by waste-to-energy plants to heat many houses in Turin, Parma and Piacenza. In this way IREN will confirm its leading position in the sector.

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The **hydroelectric** sector will be positively affected by a favourable energy scenario, which will offset only in part the negative impact due to expiry of the production incentives for an amount of more than 40 million euros.

Finally, the **cogenerative/thermoelectrical** sector will benefit both from the **improvement of the energy scenario** expected in the coming years and from the work on making the power plants more flexible, which will make it possible to maintain competitiveness on the ancillary services markets.

The contribution of the business area to the Group's EBITDA 2022 will be 26%, against **cumulative technical investments of approximately 483 million euros**. The latter will contribute to maintaining a profile of **pre-eminent eco-compatibility** of the plant assets, **whose electricity production from renewable or assimilated sources today exceeds 78% of the total**.

MARKET

The strategic guidelines fixed for the coming years confirm the Client as a central element of the Group's development. This role is highlighted by "**New Downstream**", an innovative and ambitious project, aimed at the retail and microbusiness sector, which redefines the role of the supplier of the energy commodity, assigning them a role of **expert in high value added services**. The project was launched at the end of 2016 and immediately had huge success: more than 300,000 Led lamps sold, the launch of a bouquet of insurances for the home, domotics products and other services that have permitted a penetration of around **2% of the Client base**, destined to rise to 14% by 2022. This increase will be linked to the study of new offers with a multi-channel vision, with a strong focus on digitalisation. The latter will be the main driver in the expected **reduction in the management cost per Client**.

In absolute terms, the Group's Client base, today **1.7 million**, is expected to undergo a net increase of around 200,000 units to 2022 which are in addition to the more than 250,000 new clients acquired over the last 30 months. This will have a positive impact on visibility and the stability of margins.

In relation to **gas**, the **Group will maintain a large component of short-term procurement** while that deriving from long-term contracts will remain less than 15% of total sources.

The contribution of the business area to the Group's EBITDA 2022 will be 15%, against cumulative investments over the period of the plan of approximately 191 million euros.

NETWORKS

The distribution networks sector (energy and water) has been rationalised since January 2016 into a single business unit and this has guaranteed a unitary and integrated vision of all the network businesses, making it possible to achieve significant efficiencies. Over the plan, this sector is the one that will achieve the greatest increase in terms of margin, thanks to

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various elements including, first of all, the greater investments, intended to develop the quality of the service and the safety of the networks and increase invested capital/RAB by 30% by 2022. In addition there are the further synergies linked to the implementation of a number of important work-force management projects and the extension of the scope of consolidation due to the forthcoming gas tenders.

In detail, as regards **electricity grids**, the business plan to 2022 envisages **substantial continuity** of management in terms of perimeter and the launch of several renewal and expansion projects connected with the increase in the demand of power installed to support uses on the part of mobility and heating.

In relation to tenders related to **gas grids**, the objective is to **consolidate as a priority the management in all areas in which the IREN Group is incumbent or has a significant stake** and to assess in a flexible way differentiated strategies in ATEMs with minority involvement stakes or in ATEMs of the North West area of reference.

Finally, in relation to **water networks**, a particularly significant investment plan is envisaged, which will take into account the visibility of the margins in the sector and the reconfirmation of the Group as licensee in all the licenses that will be up for tender over the period of the plan.

The contribution of the Networks business area to the Group's EBITDA 2022 will be 39%, against cumulative investments of approximately 1,243 million euros. Part of these will be devoted to implementing **initiatives linked to smart-metering**, capable of making consumption more efficient and providing new business opportunities.

WASTE

The circular economy is one of the macro-trends destined to change society's patterns of consumption. The Waste sector of the Group has incorporated this concept into its approach for several years, through the implementation of highly evolved differentiated collection systems linked increasingly to "door-to-door" with accurate pricing. Over the period of the plan, a further acceleration in the adoption of such systems, and an important development in plant assets in line with the "**waste-to-material**" philosophy, an approach aimed at the selection, recovery and recycling of waste in which IREN wishes to play a leading role. An increase in the treatment capacity of plastic of 70,000 tonnes, of the organic fraction of around 100,000 tonnes and of paper/cardboard of around 200,000 tonnes is, in fact, expected.

Particularly important in the achievement of these objectives will be the development of the "**Just IREN**" project: the synergic application of a new management, operating and information model able to improve interaction with the Client/Citizen, simplifying the company processes and enabling immediate responses and solutions.

The contribution of the business area to the Group's EBITDA 2022 will be 18% against cumulative technical investments of around 326 million euros.

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ENERGY EFFICIENCY

The concept of energy efficiency is inextricably linked to the **objectives of sustainable development to 2030** announced by the United Nations. The Group will put together into this new line of business a series of **initiatives that have energy saving as a common thread**: from the restructuring of blocks of flats with energy redevelopment to the partnership with small and medium enterprises in an “ESCO” perspective. In addition to this IREN will enter the world of **electric mobility**, through the modification of a part of its car fleet and waste collection vehicles, leadership in recharging stations in its reference territories, e-scooter sharing and e-bikes. All this will benefit the environment in which the Group operates and for the clients/citizens that live there.

The expected EBITDA from the new strategic Business Unit at 2022 is around **15 million euros**, against cumulative investments of around 115 million euros.

IREN GROUP – ECONOMIC AND FINANCIAL TARGETS OF THE PLAN

		2016	2020	2022	Cagr '16-'20	Cagr '16-'22
Revenues	m€	3,283	3,480	3,800	1.5%	2.5%
EBITDA	m€	780*	900	950	3.6%	3.3%
EBIT	m€	427	460	490	1.9%	2.3%
Group Net Profit	m€	174	240	260	8.4%	6.9%
Net Financial Position	bn€	2.46	2.48	2.16		
Net Financial Position/EBITDA	m€	3.0x	2.8x	2.3x		

*Net of non-recurring elements: 15m€ time-lag effect; 20m€ 2016 extraordinary energy scenario.

Paolo Peveraro, Chairman of the Group declared: *“Innovating the way of seeing the business anticipating its likely evolutions represents the real challenge IREN intends to face and it is part of the new Industrial Plan.*

Important investments for sustainable development in the reference territories, strong focus on innovation, maximum attention to all the stakeholders, and in particular to the Client/Citizen with the aim of improving the quality of life of people and looking at the growth of the territories with the eyes of change as indicated in our new Vision.

Elements that allow us to look with confidence to our future and that of our children.

Finally, thanks to the positive cash flow generation and to the initiatives put in place in recent years, the Group will benefit from “financial flexibility” in order to exploit new consolidation opportunities through M&A transactions, from which we expect an incremental EBITDA growth of approximately 130 million euros, not included in the business plan figures. ”

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*“With the business plan presented today IREN is ready to face the transitions and changes that are redefining the energy and multi-utility market” – **said Massimiliano Bianco CEO of the Group** - The Group's strategy leverages historical strengths such as the strong relationships with customers and with the reference territories by developing a distinctive value proposition based on the integration of the offer, digital channels and focus on customer. We are ready for the challenge of the circular economy, contributing to sustainable development and responsible resources use and playing an important role in achieving local, National and European environmental sustainability goals. Finally, the Group will play a major role both as a provider of energy flexibility and as a network infrastructure operator in a system that will increasingly be dominated by distributed generation.*

These will be the main development drivers that, thanks to a massive investment plan of about 2.5 billion euros (+15%), and an improved synergies target, will allow to reach EBITDA of approximately 950 million euros in 2022, up by more than 20% compared to the 2016 results. Particular attention will also be paid to Shareholders through the commitment to propose a clear dividend policy with an annual increase in dividend per share of at least 10% (further improvement compared to the previous plan).

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