

The Board of Directors has approved the results at 30 September 2018: operating profits have risen thanks to progress relative to all the strategic pillars in the Business Plan (€+46 million overall in organic growth, synergies and consolidation).

The results achieved during the first nine months of the year show further growth in all operating indicators, with Gross Operating Profit at around € 706 million (+13.5% with respect to 30 September 2017) and profits of 236 million (+32.4%). Net financial debt amounts to around 2,395 million (+23 million), against investments of 286 million (+43.1%) and consolidation operations of 181 million.

Main financial/economic indicators

- **Revenues totalling €2,824 million** (+8.0% with respect to €2,614 million at 30 September 2017).
- **Gross Operating Profit (EBITDA) of €706 million** (+13.5% with respect to €622 million at 30 September 2017). This result was affected by non-recurring elements totalling around € 40 million.
- **Operating Profit (EBIT) of €411 million** (+21.2% with respect to €339 million at 30 September 2017).
- **Group Net Profit of €236 million** (+32.4% with respect to €179 million at 30 September 2017).
- **Net Financial Debt of €2,395 million** up by € 23 million with respect to €2,372 million at 31 December 2017 (including the consolidation of ACAM, ReCos, Maira and Spezia Energy Trading for approximately € 181 million).

Business highlights

- Strong contribution from hydroelectric generation (+13 million).
- Organic growth of around 11 million, supported by 286 million in investments (+43%).
- Synergies totalling 15 million.
- Positive effects on EBITDA of around 20 million deriving from the inclusion of ACAM, Salerno Energia Vendite (SEV) and the photovoltaic assets portfolio within the corporate perimeter.
- Solid customer base in the energy sectors (approximately 1.75 million customers), up by over 40,000 with respect to 31 December 2017.

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PRESS RELEASE

Reggio Emilia, 7 November 2018 - Today the Board of Directors of IREN S.p.A. approved the consolidated results at 30 September 2018.

The Group's Chairperson Paolo Peveraro declared, *The results of the first nine months highlight the health and dynamism of the Group, demonstrated by the integration of ACAM La Spezia, Iren Rinnovabili and SEV, which contributed around € 20 million to EBITDA during this period. This process of external growth, which will continue over the coming months and which, with regards to the recent operations, including Seta and San Germano, along with the significant investments made, confirms the Group's leadership in the consolidation process and the important contribution to development within its areas of reference.*

Group CEO Massimiliano Bianco stated, *"The Group has further confirmed not only the effectiveness of its operating management, with improved results in all of its strategic lines, but also in terms of financial management, which saw financial expenses reduced by 16%. Additionally, even in the presence of significant investments, both in staff and in supporting external growth, the net financial position increased by only 23 million. These trends were accompanied by constant attention to issues of environmental sustainability, one of the five strategic pillars underlying the most recent business plan, the importance of which is demonstrated by the issuing of the second Green Bond on 12 September 2018."*

IREN GROUP: CONSOLIDATED RESULTS AT 30 SEPTEMBER 2018

Consolidated **revenues** amount to €2,824 million at the end of the third quarter of 2018. The 8% increase with respect to the €2,614 million seen during the same period of the previous year is mainly due to the contribution provided by the Energy business unit and the consolidation of Salerno Energia Vendite (as of 1 May 2017), the Iren Rinnovabili group (as of 1 January 2018) and the companies in the ACAM La Spezia group (as of 1 April 2018).

Gross Operating Profit (EBITDA) came to €706 million, +13.5% with respect to the €622 million recorded during the first nine months of 2017.

EBITDA for the first nine months was affected by the positive contribution provided by the non-recurring sale of EEC for around €60 million, and by other negative non-recurring elements amounting to around 20 million. These latter are mainly associated with elements from 2017: tariff adjustments for the water cycle exceeding 10 million, accounting effects on energy distribution networks and other minor elements. Therefore, the net impact of non-recurring elements during the nine months is equal to around 40 million.

Even excluding the positive impact of these factors, an increase of around 7% of Ebitda is seen, mainly thanks to growth in the Energy (Generation, District Heating, Energy Efficiency) and Networks sectors.

In the Energy sector, growth is, in addition to the sale of white certificates, mainly linked to greater hydroelectric production volumes. In relation to the Networks business, the improvement in performance is essentially related to synergies achieved, the organic growth generated by the investments and the consolidation of ACAM La Spezia. The stable profits in the Waste Management sector suffered from greater start-up costs for door to door waste collection services.

Energy sales were affected by the temporarily unfavourable trends in the segment.

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Operating Profit (EBIT) amounts to €411 million, a significant increase of 21.2% with respect to the €339 million seen at 30 September 2017. This reflects improved operating profits, while greater amortisation/depreciation also associated with the change in the scope of consolidation was mainly counterbalanced by lower provisioning.

Group Net Profit came to €236 million +32.4% with respect to the €179 million recorded to 30 September 2017. This growth is above all linked to the operating results described above and to improved financial management, which made it possible to decrease in financial charges which, combined with a fall in the tax rate, partially offset the negative effect of the participations.

Net Financial Debt at 30 September 2018 totalled €2,395 million, up by €23 million with respect to 31 December 2017, following net financial outflows for investments totalling €467 million (which includes technical investments for the period of 286 million and the effects of the acquisition of the companies of the ACAM group, ReCos, Maira and Spezia Energy Trading for 181 million).

Gross technical investments made during the period amounted to €286 million, a significant increase with respect to 30 September 2017 (+43.1%).

IREN GROUP: MAIN RESULTS BY BUSINESS AREA

in millions of euro	30/09/2018	30/09/2017	Change %
Revenue	2,824.0	2,614.4	8.0%
Networks (electricity, gas and water infr.)	675.9	667.7	1.2%
Waste	456.0	408.3	11.7%
Energy (generation, DH, en. efficiency)	920.5	755.2	21.9%
Market	1,753.7	1,689.1	3.8%
Services and other	60.3	77.0	-21.7%
Netting and adjustments	-1,042.4	-982.9	6.1%
Gross Operating Profit (EBITDA)	706.1	622.2	13.5%
Networks (electricity, gas and water infr.)	246.0	241.9	1.7%
<i>Electrical networks</i>	52.3	53.5	-2.2%
<i>Gas networks</i>	60.1	59.5	1.1%
<i>Water networks</i>	133.6	128.8	3.7%
Waste	116.0	115.5	0.4%
Energy (generation, DH, en. efficiency)	255.6	177.7	43.8%
Market	82.8	84.9	-2.5%
<i>Electricity</i>	21.7	19.7	10.5%
<i>Gas and other services</i>	61.1	65.3	-6.4%
Services and other	5.8	2.1	(*)
Operating profit (EBIT)	410.6	338.9	21.2%
Networks (electricity, gas and water infr.)	136.1	142.2	-4.3%
Waste	60.6	60.6	-
Energy (generation, DH, en. efficiency)	166.2	88.1	88.6%
Market	41.3	46.7	-11.5%
Services and other	6.4	1.3	(*)

(*) Change of more than 100%

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PRESS RELEASE

NETWORKS (ELECTRICITY, GAS AND WATER INFRASTRUCTURES)

Revenues from the Networks sector amount to €676 million, with a slight growth of 1.2% with respect to the 668 million recorded at the end of the third quarter of 2017. Revenues contributed by the consolidation of ACAM Acque were part of the increase.

Gross Operating Profit (EBITDA) came to €246 million, up by 1.7% with respect to the 242 million seen at 30 September 2017. The significant synergies and efficiencies, the increase in regulated revenues due to the increase in investments (+45%), mainly in integrated water services, and the consolidation of ACAM supported the growth trend for the SBU, despite the fact that the result at 30 September the previous year benefited from over 10 million in tariff adjustments for integrated water services.

During the reference period, the Group distributed 2,880 GWh of **electricity**, 895 million cubic metres of **gas** and 138 million cubic metres of **water**.

At 30 September 2018 **gross investments** in the sector amounted to €174 million, in particular targeted at obtaining the infrastructure envisaged in the Plans relative to the integrated water cycle (105 million) and to modernising the gas and electrical networks (respectively 40 million and 29 million).

WASTE MANAGEMENT

In the Waste Management sector, **revenues** totalled €456 million, up by 11.7% with respect to the figure recorded at 30 September 2017, €408 million. This increase can mainly be associated to the consolidation of ACAM and ReCos (for around 30 million), to the greater revenues from special waste management and from the increase in quantities of waste disposed.

Gross Operating Profits (EBITDA) of €116 million were substantially stable (+0.4%) with respect to the €115 million recorded at 30 September 2017 due to a number of factors. The greater quantities of waste disposed (thanks to the positive contribution of the REI landfill, fully operational as of April 2017) and greater energy revenues were counteracted by some negative elements. These negative factors involve a temporary increase in costs to extend door to door services and the lack of certain positive elements which had affected the first nine months of 2017, associated with disposal rates and lower revenues from waste management accessory services.

At 30 September 2018 **gross investments** made in the sector totalled €18 million, mainly to implement and develop door to door waste collection services and for maintenance of various plants.

ENERGY (GENERATION, DISTRICT HEATING AND ENERGY EFFICIENCY)

Revenues from the Energy sector amounted to €920 million, a 21.9% increase with respect to the €755 million seen in the first nine months of 2017. This growth mainly derived from the positive trends in the market for energy efficiency certificates, the change in the scope of consolidation with the inclusion of photovoltaic assets and the positive effects of growth in the PUN.

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Gross Operating Profit (EBITDA) for the sector came to €256 million, up by 43.8% with respect to the 178 million seen at 30 September 2017. The energy scenario, which worsened with respect to the previous year, was more than counterbalanced by the appreciation of energy efficiency certificates (both those accruing and in the portfolio, relative to previous years), by greater hydroelectric production and the significant contribution made by ancillary services with respect to that recorded at 30 September the previous year.

During the first nine months of 2018, total **electricity** produced amounted to 6,082 GWh, -4.5% with respect to the 6,365 GWh recorded during the same period the previous year. This was mainly due to the thermoelectric and cogeneration sector, where production totalled 4,875 GWh (-10%) affected by an unfavourable scenario. On the other hand, the trend in the hydroelectric sector was positive, showing production of 1,190 GWh (+25.2%) at 30 September 2018, due to higher water levels in both the basin and flowing water plants.

Production of **heat** for district heating came to 1,725 Gwht, down by 2% due to lower cogeneration production, despite the 2.6% increase in district heating volumes, which rose from 85.4 to 87.6 million cubic metres.

At 30 September 2018, **gross investments** totalled €50 million, mainly dedicated to cogeneration plants and district heating development.

MARKET

Revenues from the Market sector amounted to €1,754 million, slightly up (+3.8%) with respect to the 1,689 million seen at the end of the third quarter of 2017, thanks in part to the consolidation of Salerno Energia Vendite (SEV).

Gross Operating Profit (EBITDA) for the sector came to €83 million, down by 2.5% with respect to the 85 million seen at 30 September 2017. The reduction in profits is mainly attributable to gas sales (-7.5%) which were not able to benefit from the use of storage which had characterised the corresponding period in 2017, as well as the transfer of the heat management business to another segment following an organisational rationalisation of the group. This decline was partially offset by the payment of previous cost items.

During the first nine months of 2018, directly sold **electricity** totalled 6,333 GWh, down by 8.5% with respect to the 6,920 GWh recorded during the same period the previous year, due to lower sales to wholesalers and enhanced protection market, while sales increased to final customers in both the business and free market.

In addition, 2,041 million cubic metres of **gas** were acquired, down by 2.1% with respect to the 2,084 million cubic metres the previous year, mainly due to lower internal usage and trading.

At 30 September 2018, **gross investments** made totalled €21 million, mainly dedicated to “New Downstream” Project development and e-mobility initiatives.

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CONFERENCE CALL

The results at 30 September 2018 will be presented today 7 November at 5:00 pm (CET) as part of a conference call with the financial community, also offered in web casting in "listen only" mode, at www.gruppoiren.it in the *Investors* section.

ALTERNATIVE PERFORMANCE INDICATORS

A number of alternative performance indicators (API) are used in this press release, not provided for by the international accounting standards adopted by the European Union (IFRS-EU), in order to permit a better understanding of the economic-financial performance of the IREN Group. In compliance with the recommendations of the Guidelines published in October 2015 by ESMA, the significance, content and basis of calculation of said indicators are shown below:

- **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:** determined subtracting from Gross Operating Profit (EBITDA) depreciation, amortisation, provisions and operating impairment losses.
- **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 and external to the Group and is a useful measure of the Group's financial structure, also through comparison between the period with which the report is concerned and previous periods or financial years.
- **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 both external and internal Group documents and represents a measurement of the financial resources absorbed by purchases of durable goods that during the period.

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 press release corresponds to the documentary records, books and accounting entries.

The financial report at 31 March 2018 will be filed in accordance with the law at the company headquarters (Via Nubi di Magellano, 30 – Reggio Emilia), and with Borsa Italiana S.p.A., available to anyone who makes such a request, and will also be available on the Group's website, www.gruppoiren.it.

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Below are the accounting schedules of the IREN S.p.A. Group, not subject to independent auditing.

CONSOLIDATED INCOME STATEMENT AT 30/9/2018

in thousands of euro

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	First nine months 2018	First nine months 2017 Redetermined (*)	Change %
Revenue			
Revenue from goods and services	2,611,335	2,428,060	7.5
Change in work in progress	1	(4,562)	(**)
Other income	212,723	190,903	11.4
Total revenue	2,824,059	2,614,401	8.0
Operating expenses			
Raw materials, consumables, supplies and goods	(924,150)	(841,203)	9.9
Services and use of third-party assets	(887,046)	(837,230)	6.0
Other operating expenses	(39,303)	(62,819)	(37.4)
Capitalised expenses for internal work	23,394	19,649	19.1
Personnel expense	(290,825)	(270,639)	7.5
Total operating expenses	(2,117,930)	(1,992,242)	6.3
GROSS OPERATING PROFIT (EBITDA)	706,129	622,159	13.5
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(257,883)	(235,243)	9.6
Provisions set aside for impairment of receivables	(34,275)	(37,882)	(9.5)
Other provisions and impairment losses	(3,339)	(10,100)	(66.9)
Total depreciation, amortisation, provisions and impairment losses	(295,497)	(283,225)	4.3
OPERATING PROFIT (EBIT)	410,632	338,934	21.2
Financial management			
Financial income	25,652	25,241	1.6
Financial expense	(71,382)	(84,698)	(15.7)
Total financial income and expense	(45,730)	(59,457)	(23.1)
Share of profit (loss) of associates accounted for using the equity method	(741)	4,450	(**)
Value adjustments on equity investments	2,061	8,579	(76.0)
Profit (loss) before tax	366,222	292,506	25.2
Income tax expense	(110,343)	(92,251)	19.6
Net profit (loss) from continuing operations	255,879	200,255	27.8
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	255,879	200,255	27.8
attributable to:			
- Profit (loss) for the period attributable to shareholders	236,493	178,684	32.4
- Profit (loss) for the period attributable to minorities	19,386	21,571	(10.1)

(*) As provided for in IFRS 3, the economic balances for the first nine months of 2017 were redetermined to take into account the effects deriving from the completion, at the end of financial year 2017, of the allocation of the purchase price, at the final fair value, of the assets and liabilities acquired (Purchase Price Allocation) relative to REI – Ricupero Ecologici Industriali and Salerno Energia Vendite.

(**) Change of more than 100%

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RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 30/9/2018

	in thousands of euro		
	30.09.2018	31.12.2017	Change %
Non-current assets	5,720,069	5,412,159	5.7
Other non-current assets (liabilities)	(420,376)	(177,981)	(*)
Net Working Capital	149,649	181,869	(17.7)
Deferred tax assets (liabilities)	124,193	64,011	94.0
Provisions for risks and employee benefits	(617,214)	(618,194)	(0.2)
Assets (Liabilities) held for sale	524	8,724	(94.0)
Net invested capital	4,956,845	4,870,588	1.8
Shareholders' equity	2,561,962	2,498,803	2.5
<i>Non-current financial assets</i>	<i>(130,356)</i>	<i>(165,767)</i>	<i>(21.4)</i>
<i>Non-current financial debt</i>	<i>3,287,345</i>	<i>3,023,888</i>	<i>8.7</i>
Non-current net financial debt	3,156,989	2,858,121	10.5
<i>Current financial assets</i>	<i>(1,049,880)</i>	<i>(675,468)</i>	<i>55.4</i>
<i>Current financial debt</i>	<i>287,774</i>	<i>189,132</i>	<i>52.2</i>
Current net financial debt	(762,106)	(486,336)	56.7
Net financial debt	2,394,883	2,371,785	1.0
Own funds and net financial debt	4,956,845	4,870,588	1.8

(*) Change of more than 100%

CONSOLIDATED STATEMENT OF CASH FLOWS AT 30/9/2018

	in thousands of euro		
	First nine months 2018	First nine months 2017 Redetermined (*)	Change %
A. Opening Net financial (debt)	(2,371,785)	(2,457,107)	(3.5)
Cash flows from operating activities			
Profit (loss) for the period	255,879	200,255	27.8
Adjustments for non-financial movements	482,383	438,343	10.0
Utilisations of employee benefits	(8,448)	(4,447)	90.0
Utilisations of provisions for risks and other charges	(20,826)	(19,536)	6.6
Change in other non-current assets and liabilities	5,134	17,480	(70.6)
Other changes in capital	(28,911)	(9,484)	(**)
Taxes paid	(54,099)	(61,777)	(12.4)
B. Cash flows from operating activities before changes in NWC	631,112	560,834	12.5
C. Cash flows from changes in NWC	(52,045)	(121,211)	(57.1)
D. Cash flows from/(used in) operating activities (B+C)	579,067	439,623	31.7
Cash flows from /(used in) investing activities			
Investments in property, plant and equipment and intangible assets	(286,483)	(200,248)	43.1
Investments in financial assets	(300)	(15,175)	(98.0)
Proceeds from the sale of investments and changes in assets held for sale	14,902	3,343	(**)
Changes in consolidation scope	(233,366)	(10,127)	(**)
Dividends received	1,698	3,929	(56.8)
E. Total cash flows from /(used in) investing activities	(503,549)	(218,278)	(**)
F. Free cash flow (D+E)	75,518	221,345	(65.9)
Cash flows from /(used in) financing activities			
Capital increase	52,622	-	-
Dividends paid	(112,973)	(89,364)	26.4
Interest paid	(39,932)	(48,024)	(16.8)
Interest received	10,480	11,589	(9.6)
Change in fair value of hedging derivatives	10,709	6,659	60.8
Other changes	(19,522)	(23,026)	(15.2)
G. Total cash flows from /(used in) financing activities	(98,616)	(142,166)	(30.6)
H. Change in net financial (debt) (F+G)	(23,098)	79,179	(**)
I. Closing Net financial (debt) (A+H)	(2,394,883)	(2,377,928)	0.7

(*) As provided for in IFRS 3, the cash flows for the first nine months of 2017 were redetermined to take into account the effects deriving from the completion, at the end of financial year 2017, of the allocation of the purchase price, at the final fair value, of the assets and liabilities acquired (Purchase Price Allocation) relative to REI – Ricupero Ecologici Industriali and Salerno Energia Vendite.

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