

**IREN Group: the Board of Directors approves the results as at 31 December 2018 - Gross Operating Profit (EBITDA) at 967 million euro (+18%), net profit at 242 million euro (+1.8%) and proposed dividend up to 8.4 euro cents (+20%). Investments at 447 million euro (+25%), consistent with the strategies outlined in the business plan.**

*The results obtained in 2018 confirm the growth trend of the last four years, with Gross Operating Profit (EBITDA) at 967 million euro (+17.8%), also thanks to the organic growth, synergies and extraordinary transactions that made it possible to significantly increase the consolidation scope. The dividend proposed at 8.4 euro cents (+20% over last year and +60.6% over 2014) shows the Group's capacity to create value and share it with Shareholders.*

### **Main financial and economic indicators**

- **Revenues totalling 4,041 million euro** (+9.3% vs 3,697 million euro at 31/12/2017).
- **Gross Operating Profit (EBITDA) of 967 million euro** (+17.8% vs 820 million euro at 31/12/2017).
- **Operating Profit (EBIT) of 530 million euro** (+26.2% vs 420 million euro at 31/12/2017).
- **Group Net Profit of 242 million euro** (+1.8% vs 238 million euro at 31/12/2017).
- **Net financial debt at 2,453 million euro.** Net of consolidations, net financial debt would be down by 78 million euro.
- **Proposed dividend per share of 8.4 euro cents**, up 20%.

### **Business highlights**

- Consolidation with effect on EBITDA for approximately 32 million, linked to the inclusion of ACAM La Spezia and other minor companies in the business scope.
- Synergies totalling 15 million.
- Organic growth of around 13 million.
- Investments of 447 million euro (+25.2%), mainly allocated to regulated sectors.
- Solid customer base in the energy sectors (approximately 1.78 million customers), up by over 65,000 with respect to 31/12/2017.

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Reggio Emilia, 12 April 2019 - Today the Board of Directors of IREN S.p.A. approved the consolidated results at 31 December 2018.

**The Group's Chairperson Paolo Peveraro** declared: *“The 2018 results are the best ever in the history of Iren and mark another step forward in the Group’s strategy, which has always featured close attention to customers, shareholders, company workers and, more generally, the reference territories. 2018 was marked by a significant increase in EBITDA (+18%), a significant increase in dividends (+20%) and considerable growth in investments (+25%), almost entirely intended for territorial development, generating considerable social and economic impact. This trend will also continue into the future, consistent with the business plan presented in September 2018, which includes renewed focus on matters of sustainability and a strong drive towards innovation. Over the next few years, the Group will continue its growth by external lines too, through an aggregation process on the reference territories that has already yielded important results in the last three years (+120 million in EBITDA increase). These results prove that it is possible to grow as a company whilst considering well-being of citizens of, and returning resources to the territories with a strong pact between the public and private sectors”.*

*“The performance recorded in 2018 reinforces the results of previous years and shows the Group’s capacity to achieve the objectives set out in the Business Plan”,* **Massimiliano Bianco, the Group’s Chief Executive Officer** commented, then adding, *“2018 can be viewed as a real turning point in Iren’s growth plans, as we prepare to face up to the new challenges of the coming years. More specifically, the organisational adjustment in response to an increasingly extensive and complex business dimension (+51% of EBITDA on 2014) will enable us to make the most of opportunities arising from the investments projected in the Business Plan”.*

### **IREN GROUP: CONSOLIDATED RESULTS AT 31 December 2018**

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2018 consolidated revenue stands at 4,041 million euro, up 9.3% on last year’s 3,697 million euro. This growth is mainly linked to the increased price of energy commodities and the extension of the consolidation scope: Salerno Energia Vendite (SEV) and the Iren Rinnovabili Group, respectively consolidated starting 1 May 2017 and 1 January 2018; Maira and Spezia Energia Trading (SET), consolidated starting October 2018; and, in particular, the ACAM La Spezia Group companies, consolidated since 1 April 2018. Additionally, significant contingencies have contributed towards the rise in revenue, connected with energy efficiency certificates and the revised estimate of receivables due for Market SBU invoices to be issued.

**Gross Operating Profit (EBITDA)** came to 967 million euro, +17.8% with respect to the 820 million euro recorded last year. FY 2018 benefited from approximately 100 million in extraordinary items: 60 million euro of revenues related to previous years of White certificates and 41 million euro from the revised estimate of receivables due for invoices to be issued of the Market SBU. Net of these extraordinary items, recurrent EBITDA would have been 866 million euro.

The improvement seen in the Group's recurrent EBITDA is due to the contribution made by the changes in scope, mainly connected with the consolidation of the ACAM La Spezia Group, operative synergies and organic growth.

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**Operating Profit (EBIT)** amounts to 530 million euro, a significant increase of +26.2% with respect to the 420 million euro seen at 31 December 2017. Higher depreciation and amortisation of approximately 33 million euro was recorded, of which approximately 12 million for euro attributable to the aforementioned expansion of the consolidation scope, in addition to greater provisions and impairment losses of approximately 11 million euro.

**Group Net Profit** came to 242 million euro (+1.8%) with respect to the 238 million euro recorded in 2017. It is stressed that net profit has been impacted by both positive extraordinary elements on revenues (White certificates and onset Market SBU) and negative post-operating profit (greater liability management expenses for 30 million euro and adjustment of consolidated equity investment to equity for 35 million euro, of which 28 million euro refers to OLT) with an essentially negligible impact net of the tax effect on the individual extraordinary items.

As at 31 December 2018, **net financial debt** is 2,453 million euro, up approximately 81 million euro on 31 December 2017. In total, net financial debt is up 3.4%, including 182 million euro due to corporate consolidation transactions, partly offset by the sale of equity investments for 23 million euro. Net of effects linked to extraordinary assets, the debt is down by 78 million euro, benefiting from the generation of cash, which covered investments showing strong growth and the payment of dividends relative to 2017, of around 113 million euro.

**Gross technical investments** made during the period amounted to 447 million euro, a significant increase (+25.2%) with respect to 2017.

### IREN GROUP: MAIN RESULTS BY BUSINESS AREA

in millions of euro	31/12/2018	31/12/2017	Change %
<b>Revenue</b>	<b>4,041</b>	<b>3,697</b>	<b>9.3</b>
Networks (water and energy infrastructures)	947	936	1.2
Waste	610	551	10.7
Energy (generation, DH, en. efficiency)	1,345	1,104	21.9
Market	2,602	2,418	7.6
Services and other	83	127	-34.4
Netting and adjustments	-1,546	-1,439	7.4
<b>Gross Operating Profit (EBITDA)</b>	<b>967</b>	<b>820</b>	<b>17.8</b>
Networks (water and energy infrastructures)	342	336	1.6
<i>Electrical networks</i>	74	76	-2.9
<i>Gas networks</i>	80	87	-7.6
<i>Water networks</i>	188	173	8.3
Waste	155	149	4.5
Energy (generation, DH, en. efficiency)	325	255	27.2
Market	139	111	25.4
<i>Electricity</i>	21	20	6.2
<i>Gas and other services</i>	118	91	29.7
Services and other	6	-31	(*)
<b>Operating profit (EBIT)</b>	<b>530</b>	<b>420</b>	<b>26.2</b>
Networks (water and energy infrastructures)	176	179	-1.4
Waste	75	67	11.1
Energy (generation, DH, en. efficiency)	188	138	36.0
Market	86	69	25.2
Services and other	5	-33	(*)

(\*) Change of more than 100%

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4

### **NETWORKS (WATER AND ENERGY INFRASTRUCTURES)**

**Revenue** for the segment amounted to 947 million euro, up 1.2% from the 936 million euro booked in 2017. Revenues contributed by the consolidation of ACAM Acque were part of the increase.

**Gross Operating Profit (EBITDA)** came to 342 million euro, up by 1.6% with respect to the 336 million euro seen at 31 December 2017. Operating margins were mainly impacted by the absence of positive unrepeatable balances and factors that had characterised FY 2017, of around 25 million euro. Despite this, results were positive, thanks to the consolidation of ACAM (+19 million euro), synergies achieved and organic growth linked to the return on investments.

During the reference period, the Group distributed 3,836 GWh of **electricity**, 1,303 million cubic metres of **gas** and 187 million cubic metres of **water**.

As at 31 December 2018, **gross investments** in the segment come to 268 million euro (+29%) allocated to the modernisation of the gas and electricity networks and the development of the infrastructures envisaged by the integrated water cycle scope plans.

### **WASTE MANAGEMENT**

In the Waste Management segment, **revenues** totalled 610 million euro, up by 10.7% with respect to the figure recorded in 2017, of 551 million euro. This increase is due for approximately 39 million euro to the expansion of the consolidation scope related to ACAM Ambiente and ReCos, to higher revenue from collection and intermediation of special waste, to higher energy revenue and to revenue related to an increase in volumes disposed of.

The **Gross Operating Profit (EBITDA)** of 155 million euro, is up (+4.5%) on the 149 million euro recorded as at 31 December 2017, mainly thanks to the organic growth driven by a better saturation of the Group's disposal plants, the increase in the price of disposal of special waste and electricity produced, partially absorbed by the lack of certain extraordinary positive factors, linked to disposal tariffs, which had instead characterised FY 2017, lesser revenues from the collection service and accessory services.

During the year, waste managed came to approximately 2,269,000 tonnes.

As at 31 December 2018, **gross investments** in the segment amounted to 31 million euro (+15.4%) and mainly refer to the maintenance of the various plants and equipment and vehicles supporting waste collection based on the door-to-door and separation method.

### **ENERGY (GENERATION, DISTRICT HEATING AND ENERGY EFFICIENCY)**

**Revenue** for the Energy segment amounted to 1,345 million euro, as compared with the 1,104 million euro booked in 2017 (+21.9%). Starting 1 January 2018, the Energy SBU includes the economic results of the Iren Rinnovabili Group companies (mainly mini hydro and photovoltaic).

**Gross Operating Profit (EBITDA)** for the sector came to 325 million euro, up significantly (+27.2%) with respect to the figure seen at 31 December 2017. This result is positively impacted in a non-recurring manner by the recognition and sale of previous white certificates

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(approximately 60 million euro). Net of this extraordinary element and the contingency deriving from the 2017 turbine sale, the increase in recurrent EBITDA (+24 million euro) is mainly due to particularly favourable hydraulic levels, benefiting hydroelectric production (approximately +20 million euro). Influenced by the exceptional scenario of 2018, the considerable production from renewable sources involved a need for flexibility that was satisfied by thermoelectric production, helping increase the value from MSD, reaching a total of 80 million euro.

In 2018, the volumes produced were aligned with those of last year, with a strong increase of volumes from renewable sources (approximately +35%) and a decline in thermoelectric and cogeneration. The reduction of the clean spark spread caused by the increased cost of gas and CO<sub>2</sub>, only partially offset by the rise in the SNP, absorbed the positive effect seen on ancillary services connected with electricity dispatching.

In 2018, total **electricity** produced came to 8,371 GWh, consistent with last year (8,398 GWh), thanks to the major contribution made by the hydroelectric segment, which over the year recorded production of 1,496 (+34.7%), whilst volumes produced in the thermoelectric/cogeneration segment came to 6,875 GWh, down on 2017 (-6%).

Production of **heat** for district heating came to 2,755 Gwh, down (-2.1%) on 2017, despite the volumes serviced are 89 million cubic metres (+2%).

At 31 December 2018, **gross investments** made for 80 million euro (+42.6%), mainly dedicated to the cogeneration and district heating production segment.

### **MARKET**

**Revenue** for the Market segment came to 2,602 million euro, up approximately 7.6% on the 2,418 million euro booked in 2017. This growth mainly derives from the increased price of energy commodities and the extension of the consolidation scope (Salerno Energia Vendite and Spezia Energia Trading).

**Gross Operating Profit** (EBITDA) for the sector came to 139 million euro, up by 25.4% with respect to the 111 million euro seen at 31 December 2017.

The improvement is mainly attributable to a contingent asset for approximately 41 million euro, booked in the fourth quarter, due to the revision of the estimate of receivables for previous invoices to be issued, of which the most part relates to gas sales.

Net of the above contingency, the profit would be 98 million euro, down (-11.8%) mainly due to the worsening of the gas sales margin (-14.1%), brought about by the absence of favourable procurement conditions, in particular linked to the use of storage, which had characterised FY 2017.

**Electricity** marketed directly in 2018 is 8,931 GWh, down (-8.3%) on the 9,741 GWh recorded in 2017. The downturn to sales on the free market is due to the wholesale segment (-50%) and the protected market (-8.8%), offset by sales to end customers in both the business (+14.3%) and retail (+5.8%) segments.

In addition, 2,845 million cubic metres of **gas** were acquired, in line with respect to the 2,860 million cubic metres the previous year.

At 31 December 2018, **gross investments** made totalled 31 million euro (+51%).

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6

### **BUSINESS OUTLOOK**

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For 2019, growth of the Italian GDP is expected to be positive, but at a lower rate than recent years, mainly due to the slowing of the global economy and downturn to consumptions and public and private investments in Italy. In this context, also thanks to the greater investments planned and realised in the regulated segments to improve distribution network efficiency, Iren is expected to maintain stable, anti-cyclical cash flows.

Investments will grow, above all, in the integrated water cycle, with the aim of supplying higher quality services and reducing network losses, with a view to assuring a sustainable use of the resource. In remaining on the topic of sustainability matters, the door-to-door waste collection service will be further expanded so as to increase the percentage of separate waste collection, which already today exceeds the national average. Given the lack of waste treatment and disposal infrastructures affecting much of the Italian system, over the next few months, the Group will be developing important waste treatment plants, so as to more decisively continue the concept of the circular economy.

Increased volatility in electricity, gas and CO<sub>2</sub> prices will make it difficult to forecast the performance of margins in the energy, generation and sales business areas for 2019. The Iren Group has implemented hedges to limit this volatility as well as improve the flexibility of its production plants and make the most of new opportunities in the energy market.

As regards ESG matters, the Iren Group will continue to expand its district heating network, offering solutions for improving the energy efficiency of buildings and increased high added value services for end customers, including, and which will become increasingly important, electric mobility projects, New Downstream and new digital services.

In addition to the investments presented in the Business Plan, the Group is constantly on the lookout for new investment opportunities in both internal and external lines. These latter confirm Iren's role as an aggregating multi-utility company in the north-west of Italy.

### **DIVIDEND**

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The Board of Directors has resolved to propose payment of a dividend of 8.4 euro cents per share to the Shareholders' Meeting, up 20% on last year and which will be assigned for payment on 26 June 2019 (ex-dividend date 24 June 2019 - record date 25 June 2019).

### **CONFERENCE CALL**

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The results at 31 December 2018 will be presented today, 12 April, at 3:30 pm (CET) as part of a conference call with the financial community, also offered as a webcast in "listen only" mode, at [www.gruppoiren.it](http://www.gruppoiren.it) in the *Investors* section.

### **APPROVAL OF THE 2018 SUSTAINABILITY REPORT**

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The Iren Board of Directors has today approved the 2018 Sustainability Report, at the same time as approving the financial statements; this also acts as Consolidated Non-Financial Declaration (NFD) in accordance with Italian Legislative Decree no. 254/2016.

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This document, which reports on the Group's economic, environmental and social performance, offers a tool by which to monitor the objectives of the Business Plan through to 2023, which integrates sustainability amongst the strategic development pillars. It also offers an opportunity for discussion with the territory and all stakeholders.

### **ALTERNATIVE PERFORMANCE INDICATORS**

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A number of alternative performance indicators (API) are used in this press release, not provided for by the international accounting principles 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 (as a whole and at the individual Business Unit level), also through comparison between the operating profit 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 intangible assets, property, plant and equipment and investment property 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 December 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](http://www.gruppoiren.it).*

*Below are the accounting schedules of the IREN S.p.A. Group, currently being audited.*

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### CONSOLIDATED INCOME STATEMENT AT 31/12/2018

Thousands of euro

	Financial year 2018	Financial year 2017	Change %
<b>Revenue</b>			
Revenue from goods and services	3,764,386	3,448,664	9.2
Change in work in progress	(84)	(22,792)	(99.6)
Other income	276,387	271,263	1.9
<b>Total revenue</b>	<b>4,040,689</b>	<b>3,697,135</b>	<b>9.3</b>
<b>Operating expenses</b>			
Raw materials, consumables, supplies and goods	(1,377,066)	(1,248,639)	10.3
Services and use of third-party assets	(1,271,959)	(1,166,638)	9.0
Other operating expenses	(64,653)	(99,814)	(35.2)
Capitalised expenses for internal work	33,198	27,724	19.7
Personnel expense	(393,618)	(389,552)	1.0
<b>Total operating expenses</b>	<b>(3,074,098)</b>	<b>(2,876,919)</b>	<b>6.9</b>
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>966,591</b>	<b>820,216</b>	<b>17.8</b>
<b>Depreciation, amortisation, provisions and impairment losses</b>			
Depreciation and amortisation	(354,947)	(321,865)	10.3
Provisions set aside for impairment of receivables	(52,217)	(46,660)	11.9
Other provisions and impairment losses	(28,933)	(31,342)	(7.7)
<b>Total depreciation, amortisation, provisions and impairment losses</b>	<b>(436,097)</b>	<b>(399,867)</b>	<b>9.1</b>
<b>OPERATING PROFIT (EBIT)</b>	<b>530,494</b>	<b>420,349</b>	<b>26.2</b>
<b>Financial management</b>			
Financial income	42,844	46,246	(7.4)
Financial expense	(148,976)	(128,678)	15.8
<b>Total financial income and expense</b>	<b>(106,132)</b>	<b>(82,432)</b>	<b>28.8</b>
Share of profit (loss) of associates accounted for using the equity method	776	22,532	(96.6)
Value adjustments on equity investments	(35,614)	8,670	(*)
<b>Profit (loss) before tax</b>	<b>389,524</b>	<b>369,119</b>	<b>5.5</b>
Income tax expense	(116,287)	(104,359)	11.4
<b>Net profit (loss) from continuing operations</b>	<b>273,237</b>	<b>264,760</b>	<b>3.2</b>
Net profit (loss) from discontinued operations	-	-	-
<b>Net profit (loss) for the period</b>	<b>273,237</b>	<b>264,760</b>	<b>3.2</b>
attributable to:			
- Profit (loss) for the period attributable to shareholders	242,116	237,720	1.8
- Profit (loss) for the period attributable to non-controlling interests	31,121	27,040	15.1

(\*) Change of more than 100%

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## RECLASSIFIED STATEMENT OF FINANCIAL POSITION AT 31/12/2018

Thousands of euro	31.12.2018	31.12.2017	Change %
Non-current assets	5,786,294	5,412,159	6.9
Other non-current assets (liabilities)	(431,648)	(177,981)	(*)
Net Working Capital	132,325	181,869	(27.2)
Deferred tax assets (liabilities)	148,745	64,011	(*)
Provisions for risks and employee benefits	(621,063)	(618,194)	0.5
Assets (Liabilities) held for sale	524	8,724	(94.0)
<b>Net invested capital</b>	<b>5,015,177</b>	<b>4,870,588</b>	<b>3.0</b>
Shareholders' equity	2,562,371	2,498,803	2.5
<i>Non-current financial assets</i>	<i>(147,867)</i>	<i>(165,767)</i>	<i>(10.8)</i>
<i>Non-current financial debt</i>	<i>3,013,303</i>	<i>3,023,888</i>	<i>(0.4)</i>
Non-current net financial debt	2,865,436	2,858,121	0.3
<i>Current financial assets</i>	<i>(849,993)</i>	<i>(675,468)</i>	<i>25.8</i>
<i>Current financial debt</i>	<i>437,363</i>	<i>189,132</i>	<i>(*)</i>
Current net financial debt	(412,630)	(486,336)	(15.2)
Net financial debt	2,452,806	2,371,785	3.4
<b>Own funds and net financial debt</b>	<b>5,015,177</b>	<b>4,870,588</b>	<b>3.0</b>

(\*) Change of more than 100%



### CONSOLIDATED STATEMENT OF CASH FLOWS AT 31/12/2018

Thousands of euro

10

	Financial year 2018	Financial year 2017	Change %
<b>A. Opening Net financial (debt)</b>	<b>(2,371,785)</b>	<b>(2,457,107)</b>	<b>(3.5)</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period	273,237	264,760	3.2
Adjustments for non-financial movements	738,824	611,342	20.9
Utilisations of employee benefits	(16,764)	(5,675)	(*)
Utilisations of provisions for risks and other charges	(40,272)	(26,625)	51.3
Change in other non-current assets and liabilities	13,450	22,721	(40.8)
Other changes in capital	(58,329)	(17,586)	(*)
Taxes paid	(128,947)	(123,338)	4.5
<b>B. Cash flows from operating activities before changes in NWC</b>	<b>781,199</b>	<b>725,599</b>	<b>7.7</b>
<b>C. Cash flows from changes in NWC</b>	<b>(3,302)</b>	<b>(65,705)</b>	<b>(95.0)</b>
<b>D. Cash flows from/(used in) operating activities (B+C)</b>	<b>777,897</b>	<b>659,894</b>	<b>17.9</b>
<b>Cash flows from /(used in) investing activities</b>			
Investments in property, plant and equipment and intangible assets	(446,984)	(357,299)	25.1
Investments in financial assets	(800)	(17,486)	(95.4)
Proceeds from the sale of investments and changes in assets held for sale	22,780	7,164	(*)
Changes in consolidation scope	(231,324)	(66,575)	(*)
Dividends received	3,339	4,143	(19.4)
<b>E. Total cash flows from /(used in) investing activities</b>	<b>(652,989)</b>	<b>(430,053)</b>	<b>51.8</b>
<b>F. Free cash flow (D+E)</b>	<b>124,908</b>	<b>229,841</b>	<b>(45.7)</b>
<b>Cash flows from /(used in) financing activities</b>			
Capital increase	52,622	-	-
Dividends paid	(113,080)	(89,965)	25.7
Interest paid	(113,539)	(157,866)	(28.1)
Interest received	14,595	15,589	(6.4)
Change in fair value of hedging derivatives	(15,945)	24,000	(*)
Other changes	(30,582)	63,723	(*)
<b>G. Total cash flows from /(used in) financing activities</b>	<b>(205,929)</b>	<b>(144,519)</b>	<b>42.5</b>
<b>H. Change in net financial (debt) (F+G)</b>	<b>(81,021)</b>	<b>85,322</b>	<b>(*)</b>
<b>I. Closing Net financial (debt) (A+H)</b>	<b>(2,452,806)</b>	<b>(2,371,785)</b>	<b>3.4</b>

(\*) Change of more than 100%

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