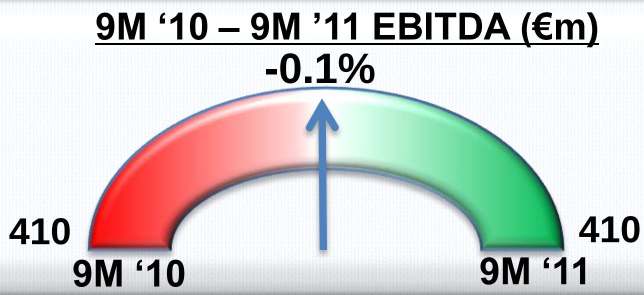
# 9M 2011 - Results

**15th of November 2011**

# 9M 2011 – Stable EBITDA and growth in operating income.

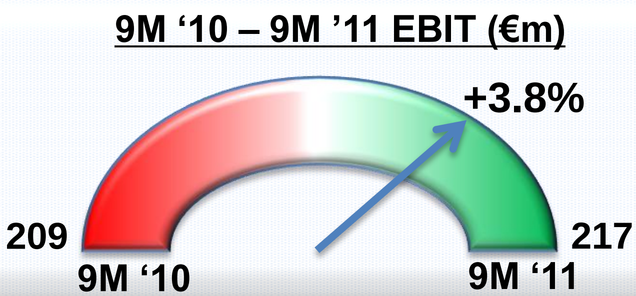
**EBITDA -0.1%**

Stable EBITDA despite the tough market scenario.



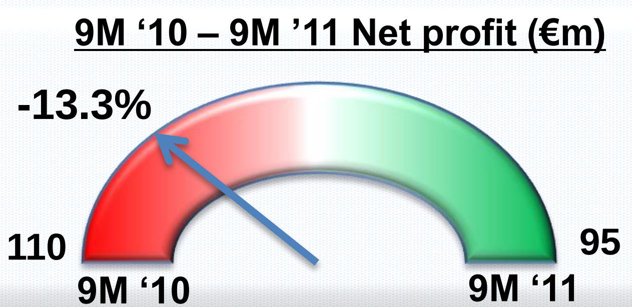

**EBIT +3.8%**

The higher growth, compared to EBITDA, derives from the decrease in provisions as funds reached an adequate size.
D&A in line with 9M 2010.




**NET PROFIT -13.3%**

The absence of the positive fiscal one-offs reported in 2010 (mainly Tremonti-ter) together with the negative effects of Robin Hood-Tax are behind the decrease in net profit.

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# 9M 2011 – Net profit affected by one-off and Robin-tax.

| EURm (1) | 9M '10 | 9M '11 | Δ | Δ % |
|---|---|---|---|---|
| REVENUES | 2,398 | 2,364 | -34.2 | -1.4% |
| EBITDA | 410(2) | 410 | -0.4 | -0.1% |
| EBIT | 209 | 217 | +8.0 | +3.8% |
| NET PROFIT | 110 | 95 | -14.6 | -13.3% |
| NET PROFIT adj. | 100(4) | 100(5) | +0.3 | +0,3% |
| CAPEX | 352 | 324 | -28.6 | -8.1% |
| NFP | 2,260(3) | 2,668 | +408,0 | +18.0% |

- **Revenues down by -1.4%:** the decrease in power exchanged on IPEX didn't completely offset the impact of the rise in commodities prices on revenues.
- **Stable EBITDA** underpinned mainly by good results in Market Business Unit. IREN keeps results on track for achieving announced synergies; in 9M 2011 they amount to ~12€m.
- **EBIT up by +3.8%** thanks to the decrease in provisions, whereas the D&A are in line with the figures reported in 9M 2010.
- **Decrease in net profit by -13.3%** due to the combined impact of some non-recurrent positive fiscal one-offs reported in 2010 (mainly Tremonti-ter) and the Robin hood-tax. Net of these factors, the net-profit performance would have been substantially stable (9M 2011 vs. 9M 2010).
- **Investments** stood at 324€m, in line with budget and marking a -8.1% decrease compared to 9M 2010

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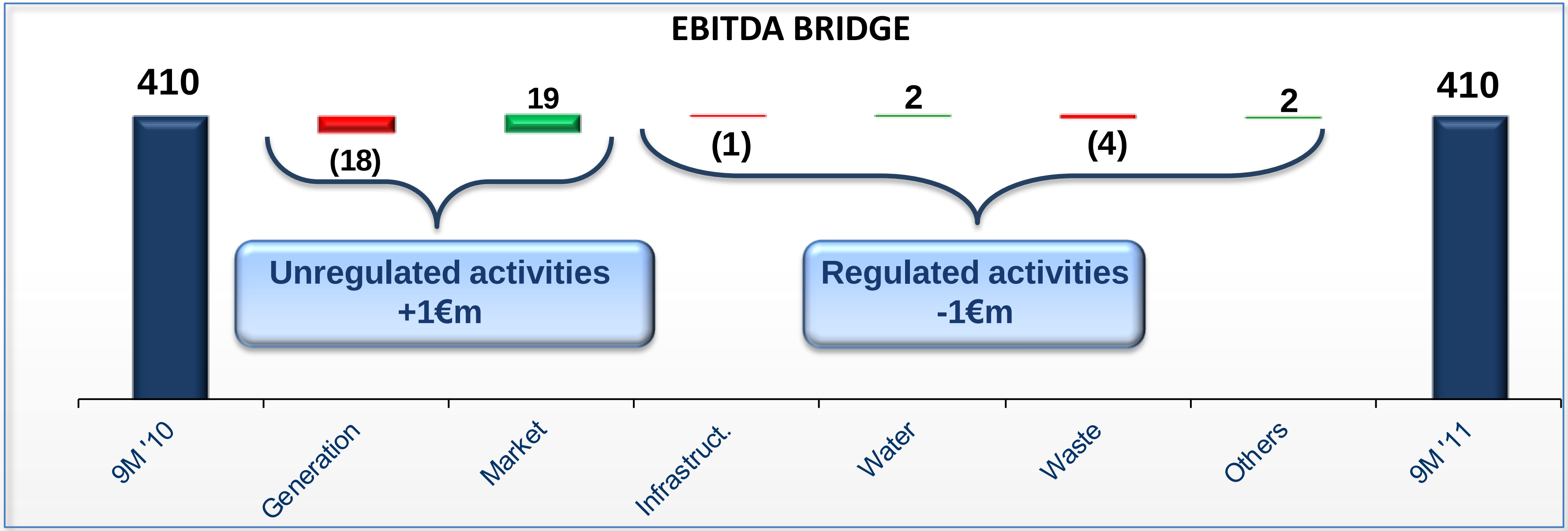
*(1) All 2010 data are pro-forma (2) Pro-forma: Deconsolidation of Aquamet -4€m*
*(3) as if 31/12/2010 (4) net of positive non-recurrent fiscal effects*
*(5)net of negative impact of Robin-tax*

# EBITDA BRIDGE: well-balanced business portfolio.




- **Stable EBITDA - Key Elements:**
  - Weak results in Generation (significantly improved compared to 1H 2011) are more than offset by outstanding results in Market.
  - Optimization of gas procurement policy explains the strong results in the Market Business Unit. The effects will persist until the end of 2011.
  - A slight decrease in regulated activities derives mainly from the negative impact of 2004-2008 equalization in energy networks and from the expiry of CIP6 in Piacenza WTE.

# GENERATION OF ELECTRICITY AND HEAT: significant growth in Hydro didn't offset completely drop in Cogen.

## 9M '11 vs. 9M '10

**Strong recovery in Hydro production**: stable volumes compared to 9M 2010 (vs. -8% National production, vs. -10% Iren 1H 2011) at higher prices.
The energy stored in basins at the end of 9M 2011 is in line with 9M 2010.

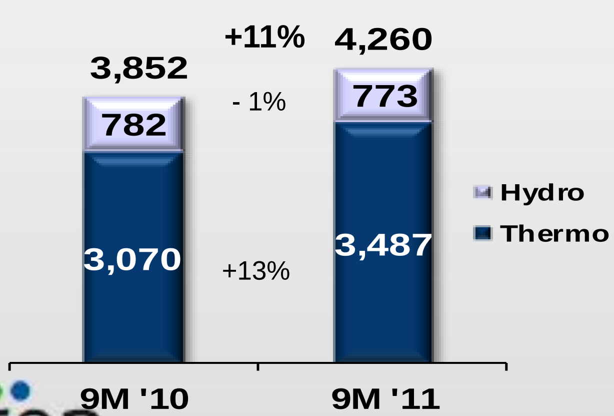
**Drop in Cogen** Strong growth in electricity volumes didn't counterbalance the 8% decrease in heat sold (and related GCs). Lower profitability on MSD market.

**Completion of Turin North** CCGT Plant: 400 MWe; 220 MWt

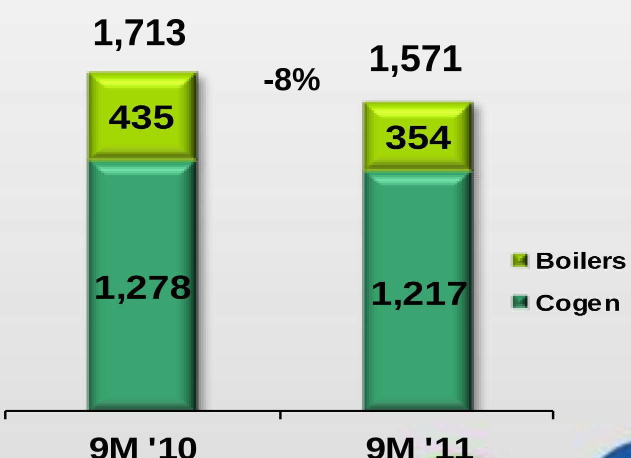
The majority of Capex are linked to the completion of Turin North.

| | 9M '10 | 9M '11 | Δ€m | Δ% |
|---|---|---|---|---|
| Revenues | 457 | 485 | 28 | 6% |
| EBITDA | 103 | 85 | (18) | -17% |
| EBIT | 44 | 26 | (18) | -41% |
| CAPEX | 135 | 87 | (48) | -36% |

ELECTRICITY PRODUCTION (GWh)




HEAT PRODUCTION (GWht)



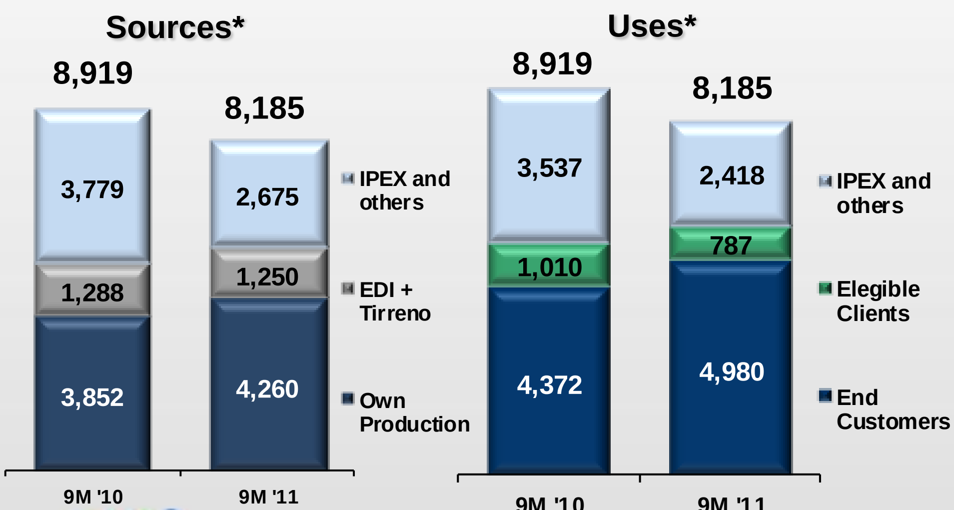
# MARKET: strong increase in Gas margin confirmed.

## 9M ’11 vs. 9M ’10

- **Gas and Heat Sales:** The positive effects of the successful renegotiation of gas contracts experienced in the last 3 quarters continue to apply.
- **The decrease in electricity sales** is driven mainly by a reduction in profitability in elegible clients sector
- **Market expansion of the Company continues** thanks mainly to cross-selling activities : ~1% in gas clients and more than 3% in electricity clients.

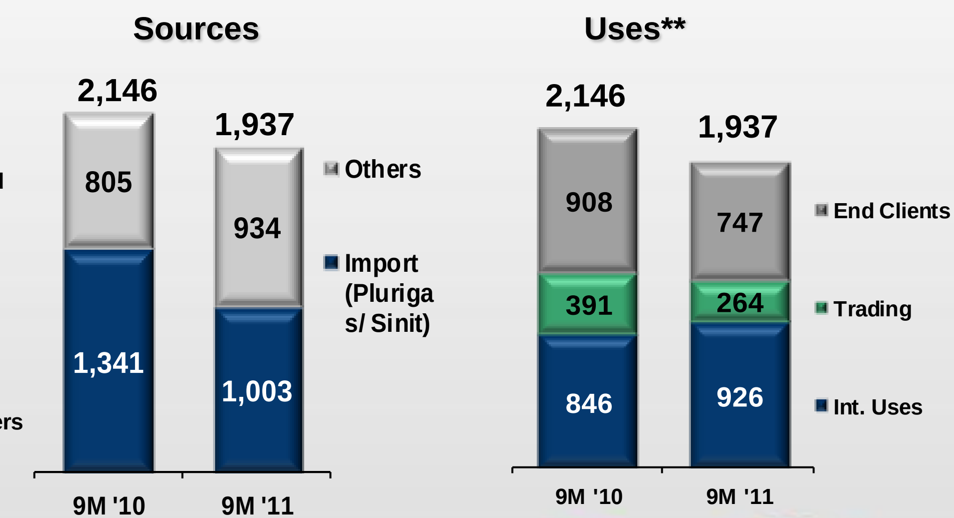
| | 9M '10 | 9M '11 | Δ€m | Δ% |
|---|---|---|---|---|
| **Revenues** | **2.016** | **2.030** | **14** | **1%** |
| **EBITDA** | **18** | **37** | **19** | **107%** |
| *Electricity* | *2* | *0* | *(2)* | *-104%* |
| *Gas & Heat* | *16* | *37* | *21* | *137%* |
| **EBIT** | **7** | **24** | **17** | **242%** |
| **CAPEX** | **4** | **4** | **0** | **-15%** |

### ELECTRICITY PORTFOLIO (GWh)




*net of “pass-through traded Ipex quantities”

### GAS PORTFOLIO (MCM)




**Net of Plurigas and Sinit trading activities

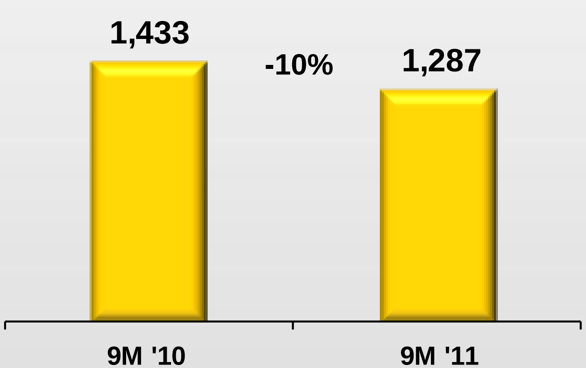
# ENERGY INFR.: stable results in spite of negative one-off.

## 9M ’11 vs. 9M ’10

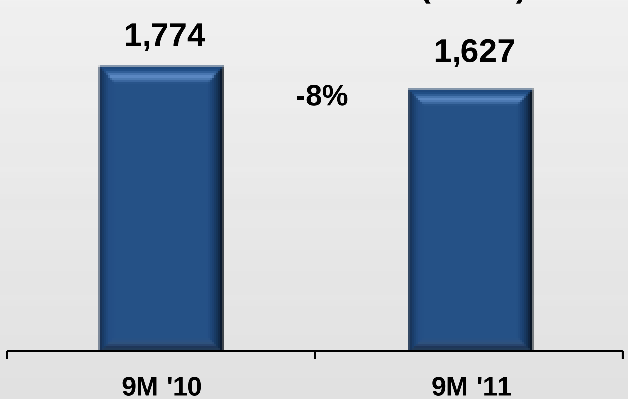
- **Gas networks:** Positive trend maintained thanks mainly to higher revenues (AEEG 206/09) and synergies.
- **Electricity networks:** the negative effect of the 2004-2008 equalization is the main reason for the decrease in EBITDA.
- **DH Networks:** EBITDA up by 6% because of the development of the DH network, which reached more than 67 mcm of volumes heated (+4mcm vs. 9M 2010 , +1mcm vs. 1H 2011).

| | 9M '10 | 9M '11 | Δ€m | Δ% |
|---|---|---|---|---|
| **Revenues** | **311** | **311** | **0** | **0%** |
| **EBITDA** | **159** | **158** | **(1)** | **-1%** |
| *Electricity* | *64* | 57 | *(7)* | *-11%* |
| *Gas* | *68* | 72 | *4* | *6%* |
| *Heat* | *27* | 29 | *2* | *6%* |
| **EBIT** | **101** | **112** | **11** | **10%** |
| **CAPEX** | **109** | **112** | **3** | **2%** |

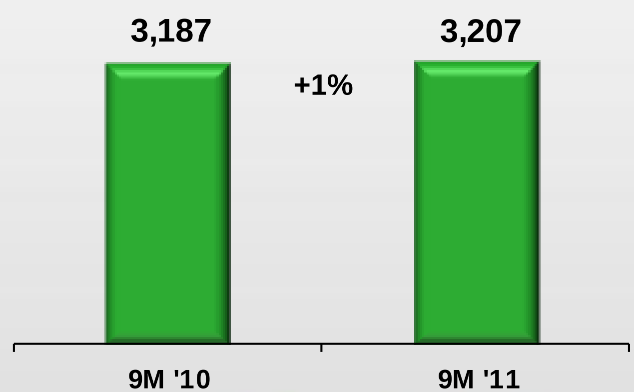
**GAS DISTRIBUTED (MCM)**




**HEAT DISTRIBUTED (GWht)**




**ELECTRICITY DISTRIBUTED (GWh)**

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# WATER: Positive performance thanks to tariff increase agreed with AATO's.

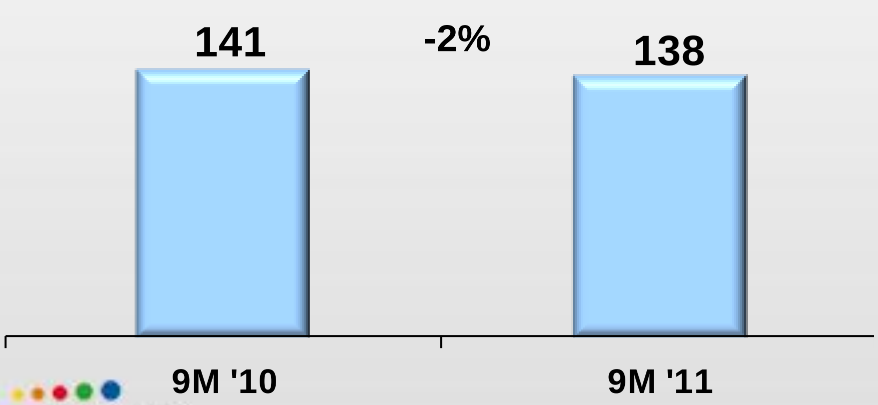
## 9M '11 vs. 9M '10

- **Revenues up by 4%** thanks to tariff increase in all the ATOs, which more than offset lower volumes distributed.
- **Ebitda up by 2%** due to tariff growth and synergies.

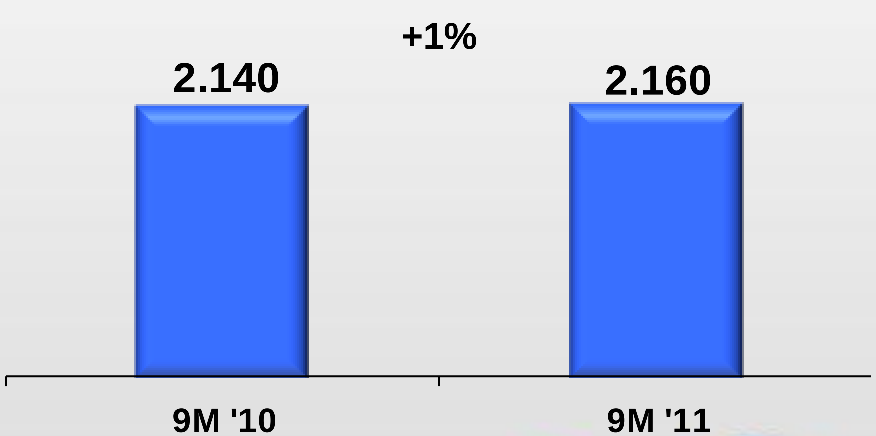
Capex in line with budget.

| | 9M '10 | 9M '11 | Δ€m | Δ% |
|---|---|---|---|---|
| Revenues | 312 | 323 | 11 | 4% |
| EBITDA | 83 | 85 | 2 | 2% |
| EBIT | 33 | 35 | 2 | 5% |
| CAPEX | 65 | 61 | -4 | -6% |

**WATER SOLD (MCM)**




**INHABITANTS SERVED ('000)**

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# WASTE: CIP6 expiration partially offset by synergies

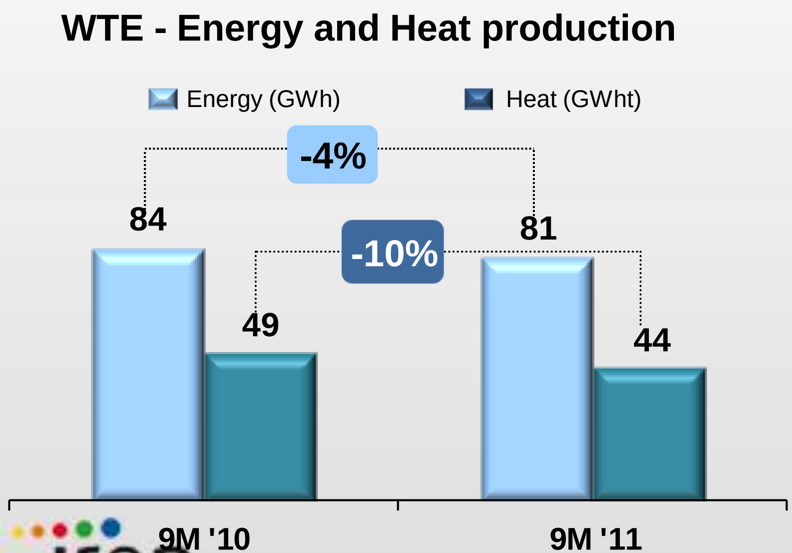
## 9M ’11 vs. 9M ’10

**EBITDA down by 5%:** The increase in tariffs and efficiencies didn’t completely offset the negative impact of CIP 6 expiry.
Positive trend in special waste continues (+29%).

**Steady Increase** in extension of the door-to-door collection system, bringing the sorted waste percentage very close to 60% (from 54,5% in 9M ‘10 to 58.3% in 9M ’11).

The Capex increase is linked mainly to the building of the new WTE in Parma.

| | 9M '10 | 9M '11 | Δ€m | Δ% |
|---|---|---|---|---|
| Revenues | 171 | 161 | (10) | -5% |
| EBITDA | 38 | 34 | (4) | -9% |
| EBIT | 19 | 15 | (4) | -22% |
| CAPEX | 22 | 46 | 24 | n.a. |



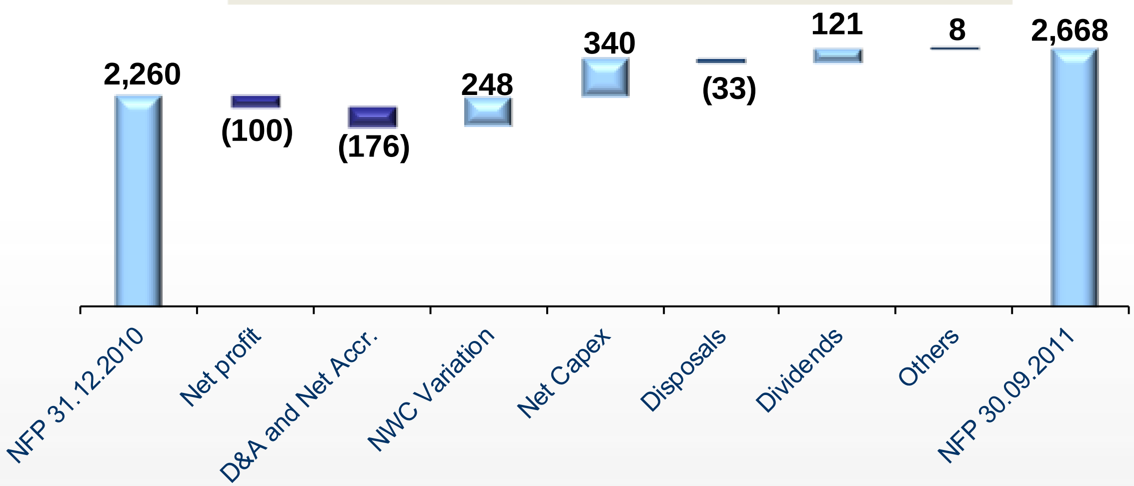

# From EBIT to Net Profit.

| | 9M ‘10 | 9M ‘11 | Δ % |
|---|---|---|---|
| EBIT | 209 | 217 | +3,8% |
| *Financial charges* | *-51* | *-50* | *-2%* |
| *Companies consolidated with E.M.* | *+11* | *+14* | *+17%* |
| *Dividends from financial particip.* | *+7* | *+1* | - |
| EBT | 176 | 182 | +3.4% |
| Taxes | -62 | -82 | *+32%* |
| Net profit from ceased activities | +2 | +1 | *-29%* |
| Minorities | -6 | -6 | *0%* |
| Group net profit | 110 | 95 | -13.3% |

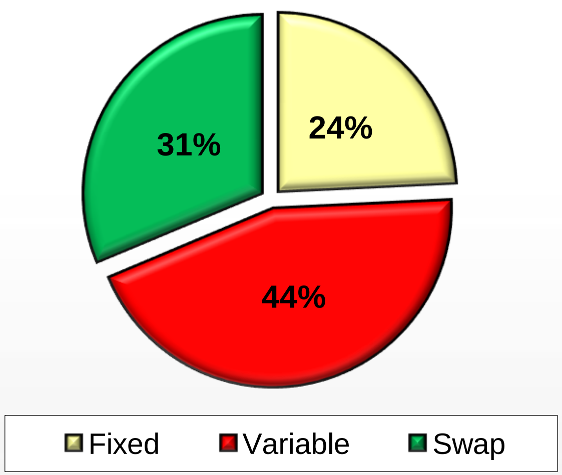
- Substantial stability in financial charges.
- The lack of Delmi dividends accounts approx. -6 €m in the first 9 months of 2011
- The -13.3% drop in net profit, in spite of a growing EBT derives from the combined effect of the absence of the positive one-off (Tremonti-ter) reported in 2010 and of the negative impact of the new Robin-hood tax formula, which together are worth ~15€m.

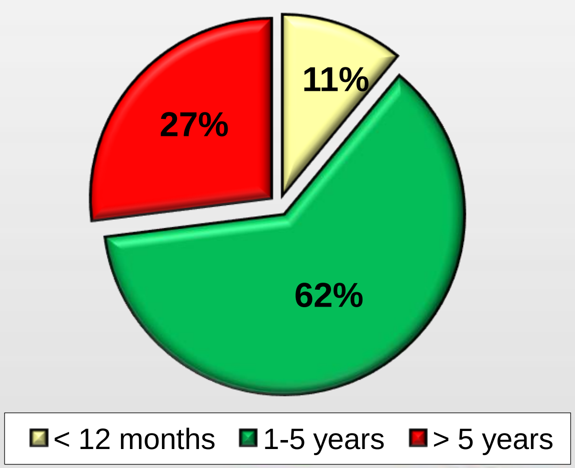
# CASH-FLOW & DEBT STRUCTURE

## NFP Bridge 30.09.2011




## Debt Structure* and Interest rate**




- Rise in NFP caused mainly by the seasonal working capital trend.
- Solid financial structure: average long-term debt duration of about 4.1 years.
- 44% of net debt at variable interest rate.
- 9M 2011 average cost of debt stood at 3.07%, slightly above the 9M 2010 level (2,66%).
- The financial requirements arising from the <12 month-expiration LT debt has been already covered by 350 €m of new loans, taken out in July; these new funds have a 3-year duration and they have been obtained at current market conditions.

iren *(*)related to LT Debt (**)related to nef financial Position*

# MAIN ACHIEVEMENTS

# Opportunities from Delmi/Edipower reorganization

- Delmi will benefit of a **Put option significantly improved** in respect to the previous March hypothesis
- Possibility of an i**ndustrial development of Delmi** with 250MW of wind assets that could be transferred from Edison
- **Better industrial prospect** for Edison

- The agreement on Edipower demerger will allow to set up an SPV that will constitute a significant **player in the renewable sector**, participated for 1/3 by Iren and for 2/3 by A2A
- The agreement is **relevantly improved** for Iren in respect to the previous March hypothesis
- Iren will **increase its strategic role in the SPV** in respect to the past governance of Edipower
- The transaction will increase the capacity of Iren Group in the hydroelectric sector, strengthening its eco-friendly vocation
- Mese & Udine plants:
    - **640 MW** installed capacity, mainly basin
    - Concessions expiring in **2030**
    - Electricity withdrawn by Iren ~ **650 GWh**

# IREN/ERG agreements highlights

- **Strategic alliance** with one of the most active Italian operators in the energy sector.

- 2 TWh/y for six years supply agreement at **competitive conditions** plus last-call option on ERG gas supply.

- Acquisition of ERG POWER&GAS **client portfolio equals to 1,2 TWh** of which 0,8 TWh of business clients and 0,4 TWh of mid-business with a total of approximately 15.000 points of delivery.
  This will allow IREN, starting from the 1st of January 2012 **to develop its presence in complementary areas.**

# TURIN NORTH commissioning

| Capacità Elettrica | 400 MWe | Capacità Termica | 220 MWt | Operatività | Ott. 2011 |
|---|---|---|---|---|---|

- CCGT with three back-up and integration boilers and a heat storage system.
- The project will allow to serve an additional urban area for further 15 mcm of volumes heated reaching 55% of urban Turin population.
- Heat produced will also be used for further development in DH in Turin.
- Investments in line with budget and commissioning perfectly on schedule.

# Annexes

# Market Scenario

- **Brent 9M 2011 average price** stood at 112 $/bbl, up by 45% compared to 9M 2010.
- **USD/€ exchange rate** was 1.41, +7% YoY.

- **Gas demand dropped by** 4%, mainly because of the mild winter season.
- **The gap between purchase and sale formulas decreased,** but still affected the margins on gas.

- **Energy demand increased** by 2% YoY even though it remains 3.4% lower compared to the pre-crisis level
- **The 9M average pool-price** stood at 70.0€/MWh with a significant growth in the region of 9%. This growth, however, is lower compared to the average gas purchase formula for fuelling CCGTs

| | 9M '10 | 9M '11 | Δ % |
|---|---|---|---|
| Brent USD / bbl | 77.1 | 111.9 | 45% |
| USD / € | 1.32 | 1.41 | 7% |
| Brent € / bbl | 58.6 | 79.6 | 36% |
| Gas Demand (bcm) | 57.9 | 55.5 | -4% |
| Gas Release 2*, € / 000 scm | 294 | 338 | 15% |
| CCI, €/ 000 mc** | 269 | 314 | 17% |
| Energy demand (Twh) | 246.3 | 250.5 | 2% |
| PUN (€ /MWh) | 64.1 | 70.0 | 9% |
| $CO_2$ (€ /Ton.) | 14.2 | 14.4 | 1% |
| Green Cert. Hydro (€ /MWh) | 86.3 | 83.3 | -4% |
| Green Cert. DH (€ /MWh) | 84.1 | 81.8 | -3% |

# Balance Sheet

| € m | 31.12.2010 | 30.09.2011 |
|---|---|---|
| Net fixed assets | 4,566 | 4,749 |
| Net Working Capital | 137 | 385 |
| Funds | (325) | (349) |
| Other assets and liabilities | (36) | (72) |
| Net invested Capital | 4,342 | 4,713 |
| Net Financial Position | 2,260 | 2,668 |
| Group shareholders' equity | 2,082 | 2,045 |
| Total Funds | 4,342 | 4,713 |

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# DISCLAIMER

**The Manager in charge of drawing up the corporate accounting documents and the Chief Financial Officer of IREN S.p.A., Mr. Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act (Legislative Decree No 58/1998), that the accounting information contained in this presentation is consistent with the accounting documents, records and books.**

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