



# 2011-2015 Strategic Plan



water



waste



power



gas



district heating

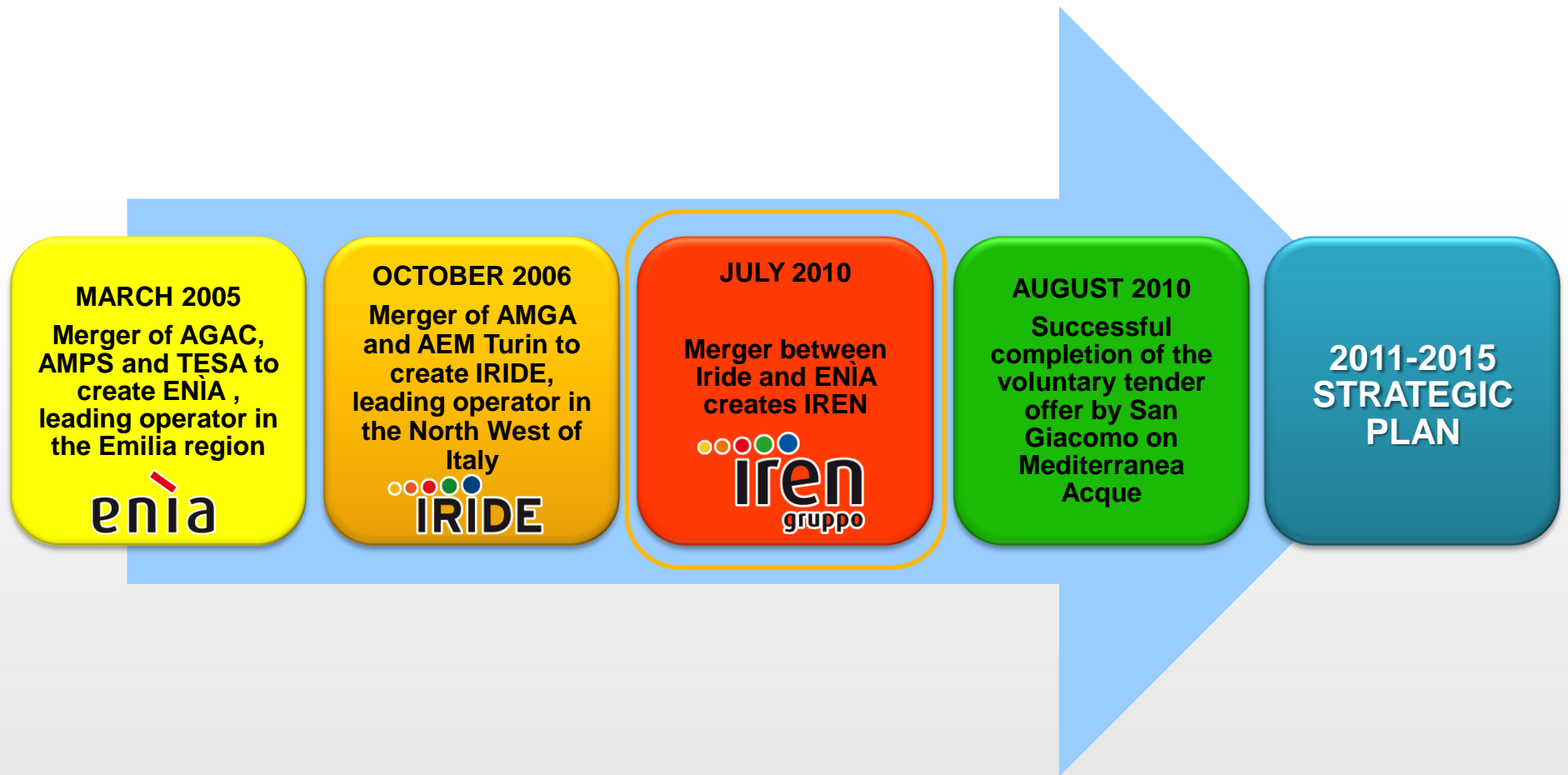
## The way forward

# Agenda

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- **Section I: Positioning, key market trends and strategy**
- **Section II: Completion of main projects**
- **Section III: Projections and main targets by SBU**
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- **Closing remarks**

# Strategic route



# Geographical presence and key data

## STRONG GEOGRAPHICAL FOOTPRINT

Present in regions (Piemonte, Liguria and Emilia), representing ca 13% of the Italian GDP



## KEY 2009 DATA\*

Revenues: 3,200 EUR million  
EBITDA: 566 EUR million  
60% from regulated activities

5,000 employees

## FULL COVERAGE OF THE VALUE CHAIN

- Upstream (electricity production and gas import), distribution, loyal customer base
- Waste collection to WTE management
- Integrated water cycle

## COMPLETE AND WELL BALANCED BUSINESS PORTFOLIO

Supply of all services: energy distribution and sales (heat, gas, electricity, water and waste management)

# Market positioning and ranking



## DISTRICT HEATING

- Heat energy sold (GWht)
- DH volumes (mln cm)

2,430  
63

1st



## GAS

- Volumes sold (mln cm)
- Distributed volumes (mln cm)
- Customers (000)
- Network (km)

3,466  
2,000  
1,200  
8,700

5th



## ELECTRICITY

- Volumes sold (GWh)
- Volumes produced (GWh) incl. Edipower
- Customers (000)
- Network (km)

15,000  
7,400  
700  
7,200

6th



## WATER

- Volumes sold (mln cm)
- Inhabitants served (000)
- Network (km)

192  
2,000  
14,000

3rd



## WASTE

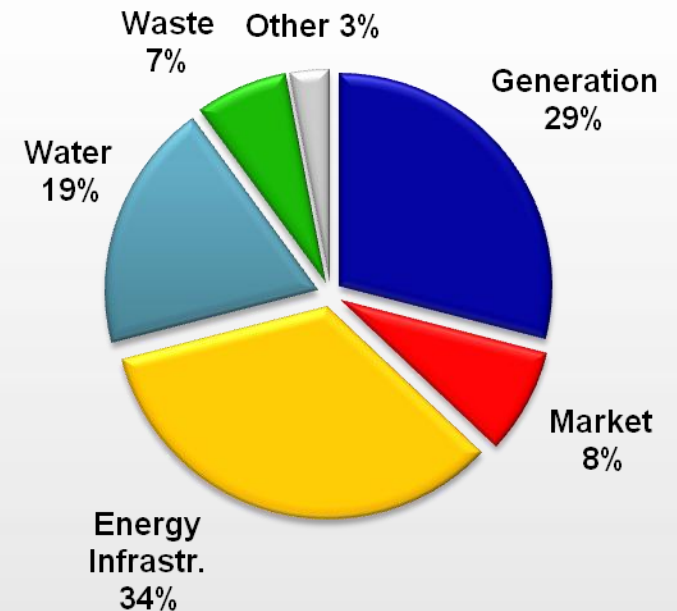
- Waste processed (Kton)
- Inhabitants served (000)
- Plants (no.)

935  
1,200  
16

3rd

## 2009A EBITDA Breakdown by SBU

Unregulated Activities: ~40%

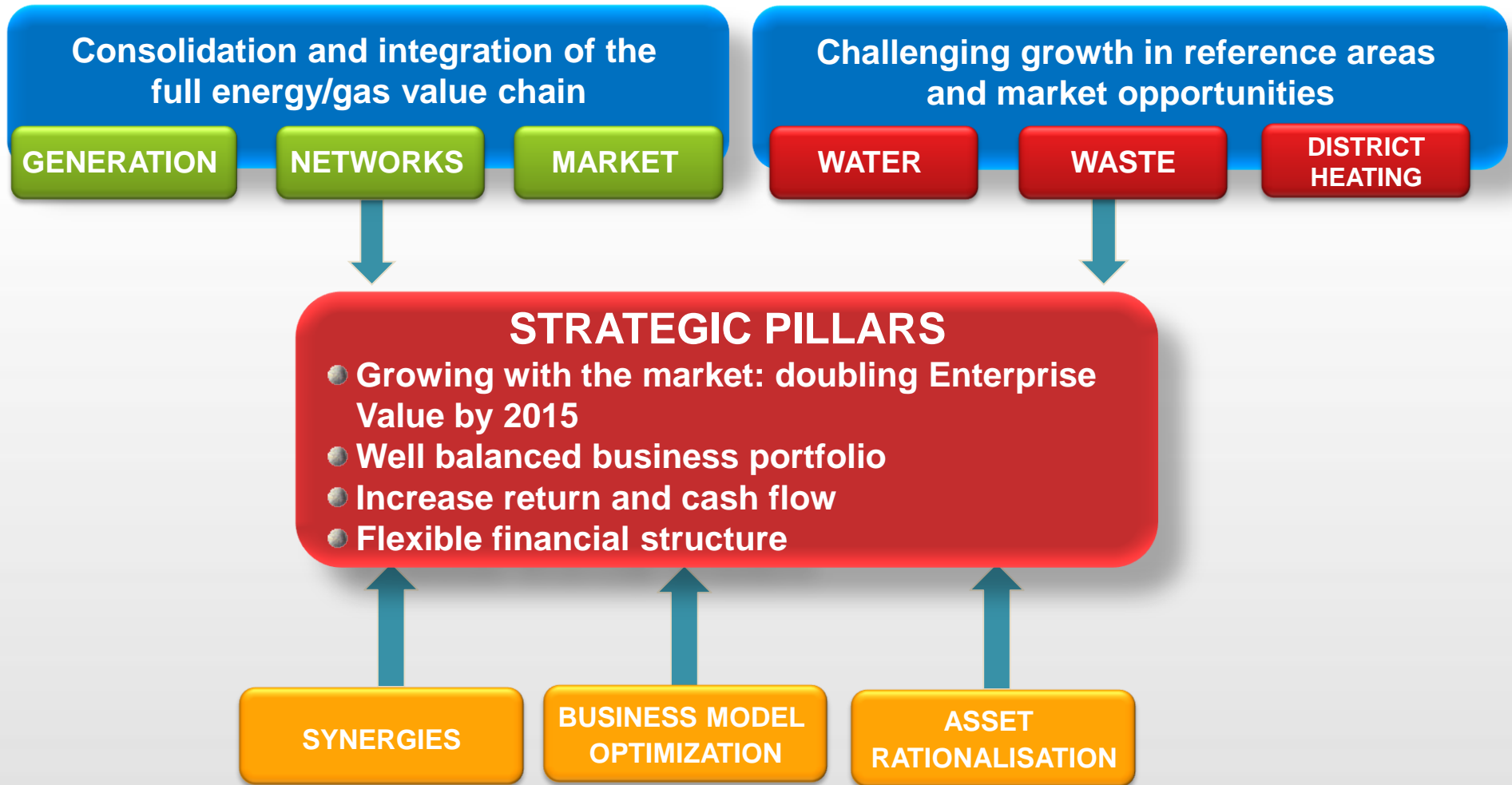


Regulated Activities: ~60%

# 2011-2015 Strategic Plan: priorities and drivers

	IREN POSITIONING	MARKET SCENARIO
WATER	<ul style="list-style-type: none"> <li>• 3rd position at national level</li> <li>• Top level expertise</li> <li>• Flexible and reactive business model (San Giacomo)</li> </ul>	<ul style="list-style-type: none"> <li>• 23 bis Ronchi Decree enhances competition</li> <li>• ~60% of total concessions to be re-assigned</li> <li>• High visibility, stability and interesting profitability of the business</li> </ul>
WASTE	<ul style="list-style-type: none"> <li>• 3rd position at national level</li> <li>• Top level expertise in the whole value chain with renowned environmental sustainability approach</li> <li>• Opportunities in business/financial model to be exploited</li> </ul>	<ul style="list-style-type: none"> <li>• 23 bis Ronchi Decree enhances competition</li> <li>• Shifting from landfill disposal to WTE system (40-50% increase of treatment capacity)</li> </ul>
DISTRICT HEATING	<ul style="list-style-type: none"> <li>• 1st position at national level</li> <li>• Top level expertise with higher efficiency plant portfolio</li> <li>• Optimal geographical position (climate, potential volumes)</li> </ul>	<ul style="list-style-type: none"> <li>• Strongly appreciated and promoted at local and national level</li> <li>• High stability, visibility and profitability of the business</li> <li>• Ideal fitting with generation and WTE technologies</li> </ul>

# 2011-2015 Strategic Plan: the pillars



# 2011-2015 Strategic Plan: overview

CONSOLIDATION ----- EXPANSION

## CONSOLIDATION

## STRENGTHENING GROWTH IN REFERENCE AREAS

## BITING THE MARKET

ACTIONS

- Completion of OLT, PAI and Turin North
- Consolidation of existing portfolio on reference territories (existing concessions)
- TLC disposal, decrease OLT share

- Focus on reference areas, and West Piemonte, where synergies could be important opportunities
- Acquisitions of commercial companies
- Partnerships and valorisation in energy assets

- Competing for selected opportunities of the market in water, waste and DH sectors, focusing on those where a multi business approach is possible

STRATEGY

- Completion of main projects
- Focus on synergies and optimization of organizational/business model
- Increase returns and cash flows
- Preserve and enhance existing customer base through cross selling
- Disposals

- Covering the full range of services (DH, Waste, Water, E/G) in the reference areas
- Further expand downstream in areas where the group has already a significant market share
- Asset valorisation

- Optimisation Debt/EBITDA ratio
- Capital structure flexibility
- Take advantage of size, expertise, market competitiveness

MKT SCENARIO

Market turbulence both in the energy and in the financial markets  
Risk aversion

Impact of market liberalisation/competition

Liberalised market

2010

2011

2012

2013

2014

2015



# 2011-2015 Strategic Plan: macroeconomic scenario

## Gas

- Recovery of pre-crisis gas consumption volumes expected in 2014
- Excess of imports (capacity & contracts) may put further pressure on gas margins in the domestic market

ECONOMIC VARIABLES	2009	2013E	2015E
BRENT (\$/bbl)	60.7	82.6	85.0
FOREX (€/€)	1.39	1.35	1.35
BRENT (€/bbl)	43.7	61.2	63.0
CCI (c€/mc) – ex ARG89/10 at the border -	28.2	31.3	31.9

## Electricity

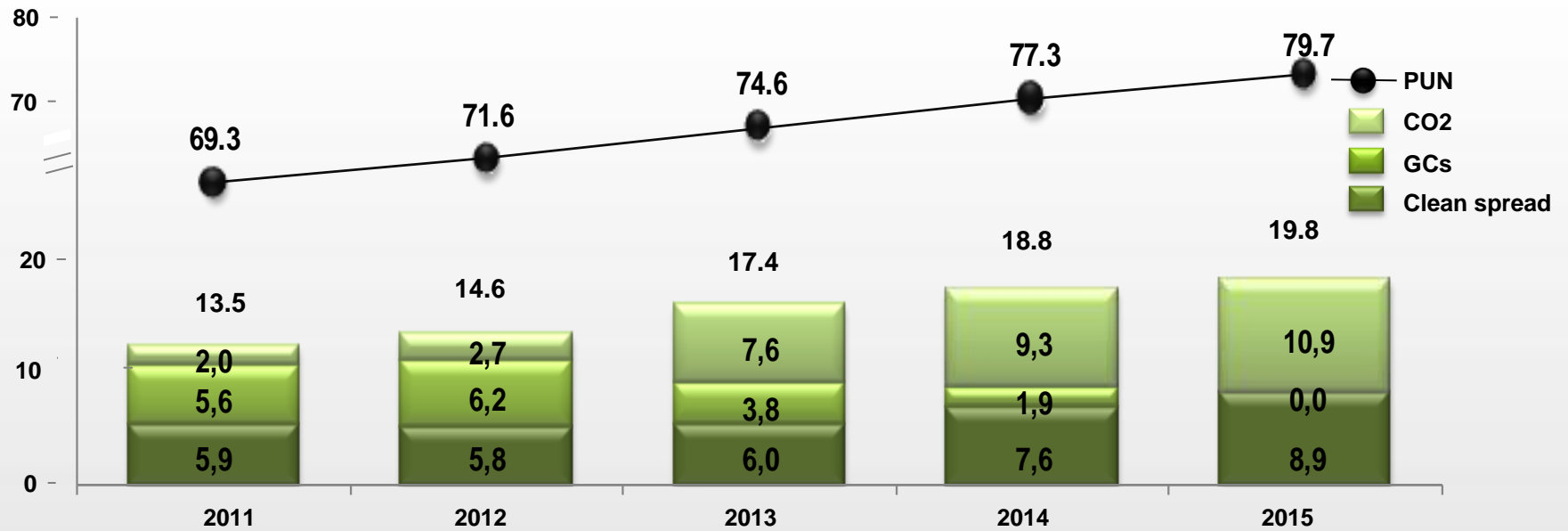
- Recovery of pre-crisis demand expected in 2015
- The price of GCs is estimated to decrease, while the price of CO2 is expected to increase (from 16 €/ton in 2011 up to 20-30 €/ton in 2015), especially after the start of Phase III in 2013

PUN Nord (€/MWh)	60.8	74.6	79.7
GREEN CERTIFICATES(€/MWh)	88.1	75.6	71.9
ET PRICE (€/ton)	13.0	21.0	30.0

# 2011-2015 Strategic Plan: Electricity market scenario

CO<sub>2</sub> price scenario 2015:  
• 30€/tonz

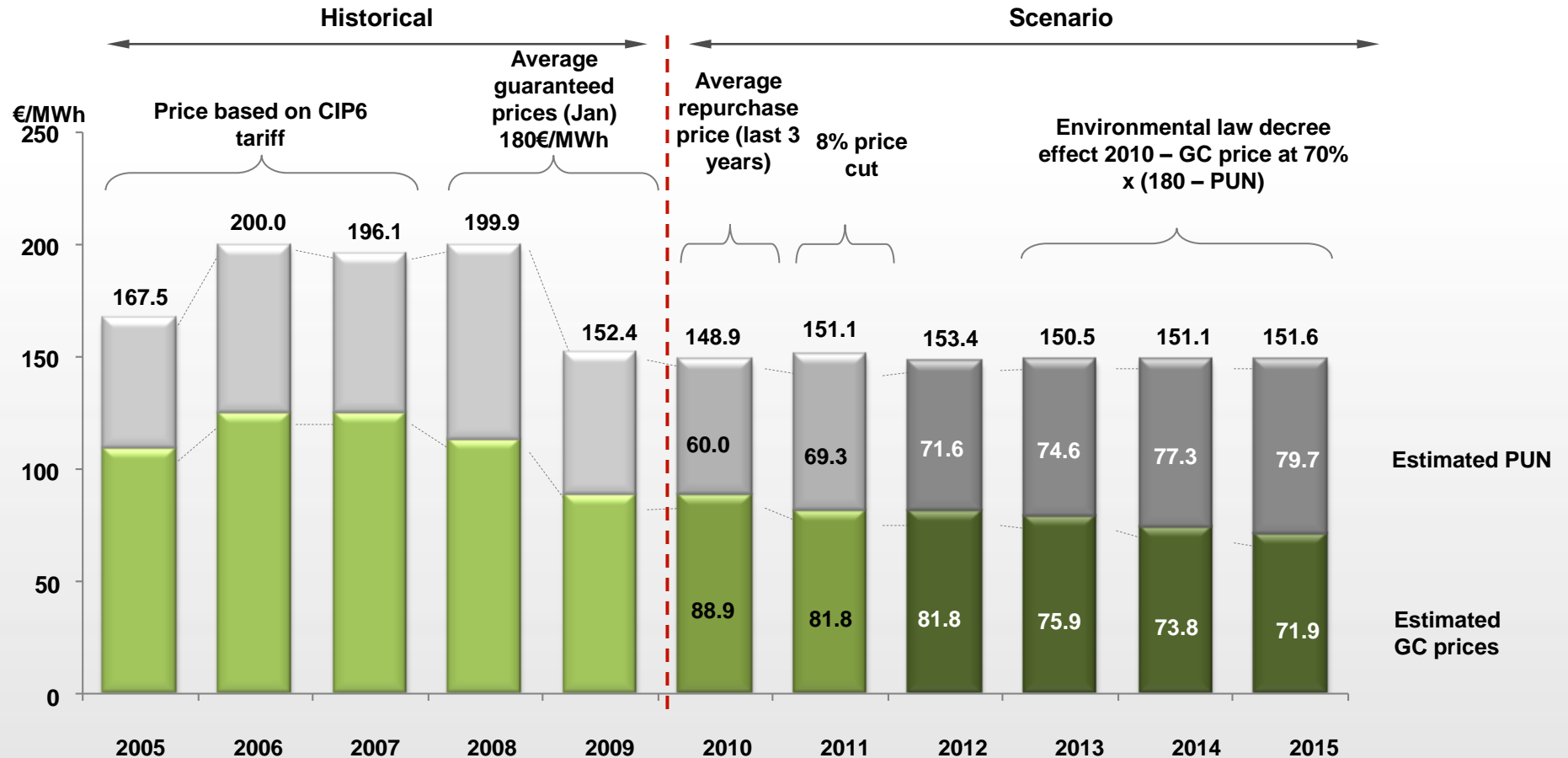
Spark Spread  
[€/MWh]



3rd ETS regulatory phase

Average 2015 CCGT hours (incl. cogen): ~3,500

# 2011-2015 Strategic Plan: Green Certificates scenario



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# Development of Turin North project

Electric capacity

400 MWe

Thermal capacity

220 MWt

Start up

Oct. 2011

- The Turin North project envisages the building of a CCGT plant (400 MWe, 220 MWt) gas fueled, with three back up and integration boilers and a heat storage system.
- The project is well advanced (almost 60% of activities completed and confirmed start in Autumn 2011) and will allow to serve additional urban areas for 15 mcm of volumes heated, thus reaching 55% of the urban Turin population.
- The heat produced will also be utilized for further development phase of DH in Turin area.
- 120 €million of capex in 2011 on a total amount of 300 €million.

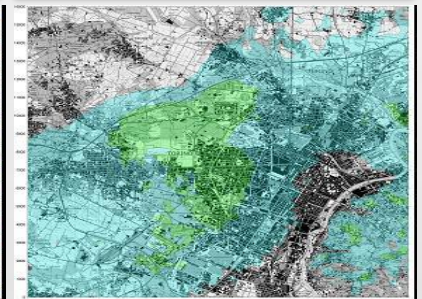
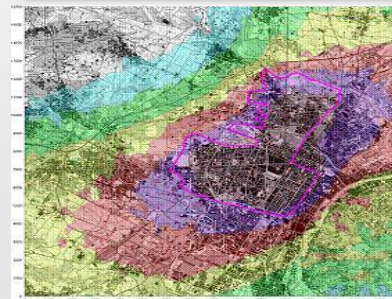
Work completion 60% (1/12/2010)



Environmental impact

Without Turin North

With Turin North



# Development of OLT project

Capacity

3.75 bcm/y

Third Part Access

0%

Start up

Jan. 2012

**Main strategic targets** of the ongoing negotiations with E.ON that innovate MoU signed in 2009:

- Balance the stake in OLT with the regas capacity of IREN (20% vs actual 41.7%).
- Take up to 1Bcm of LNG with flexible long term contract.
- E.ON will enter in a TOP contract with OLT for 80% of the remaining capacity at a tariff in line with 92/08 AEEG resolution.

## Effects on IREN

- Deconsolidation of the participation in OLT with benefic impact on Group NFP.
- Profit of the competitive prices of LNG market with a limited risk.





# Development of Parma WTE project

Capacity

130 Kton

Electric capacity

18 MW

Start up

Jul. 2012

## Project's description

- The new WTE in Parma area has been included in the “Provincial management waste planning”.
- The WTE is expected to start by 2H 2012 and will allow the Parma area to achieve self sufficiency in waste disposal.
- The new plant will enhance the district heating development in the urban area (+30,000 inhabitants eq.) through a new dorsal grid that will be connected to the current district heating system.



## Main data

- Electricity: power of 18 MW and annual production of 127 Gwhe.
- Thermal energy: power of 40 MW and annual production of 138 GWht.
- Waste disposed: 130 kton/year, of which about 40% special waste.

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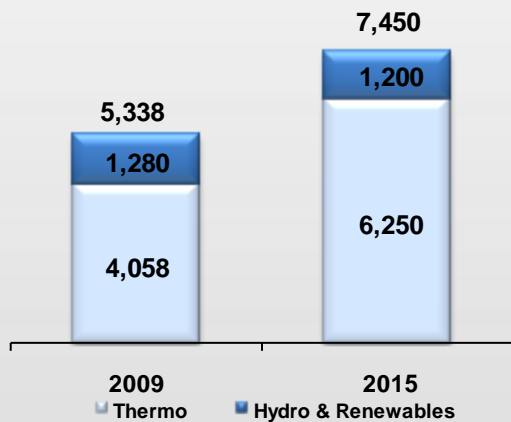
# Generation



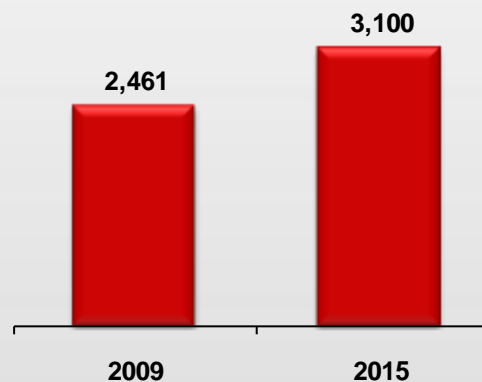
- Completion of Turin North
- Completion of repowering Valle Orco
- Maximisation of production efficiency
- Average green certificates 1,000 GWh per year
- Development of renewable energy production

**+40% Energy production**  
**+25% Heat production**

**ENERGY PRODUCTION (GWh)**



**HEAT PRODUCTION (GWh)**



€m	2009A	2015E
Revenues	662	950
EBITDA	166	232
<b>CUMULATED CAPEX</b> 256 €m		
<b>EBITDA CAGR</b> 5.7%		

# Market



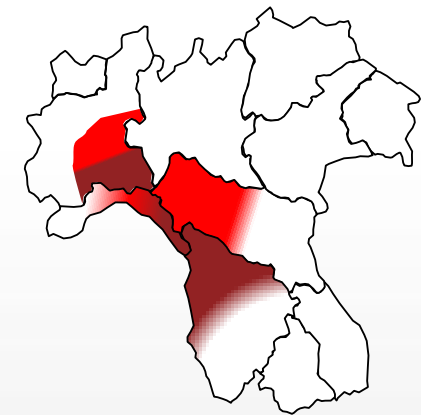
Consolidation and increase of customer base both on reference areas and through the acquisitions of commercial companies





**+33% Gas clients**  
**+23% Energy clients**

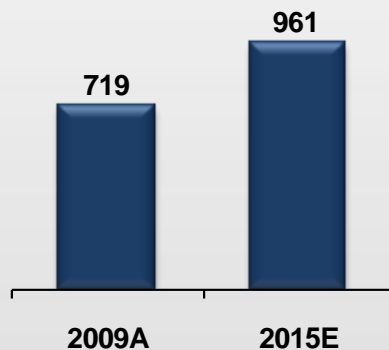
**2010**

**2015**

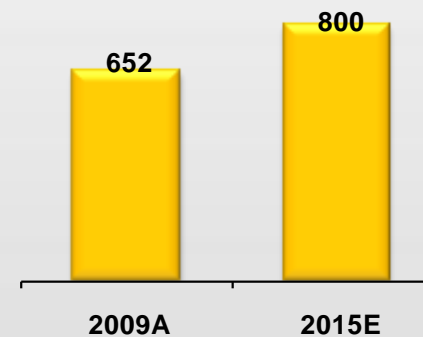


 cross selling  
 M&A

**CLIENTS - GAS ('000)**



**CLIENTS - ELECTRICITY ('000)**



# Market

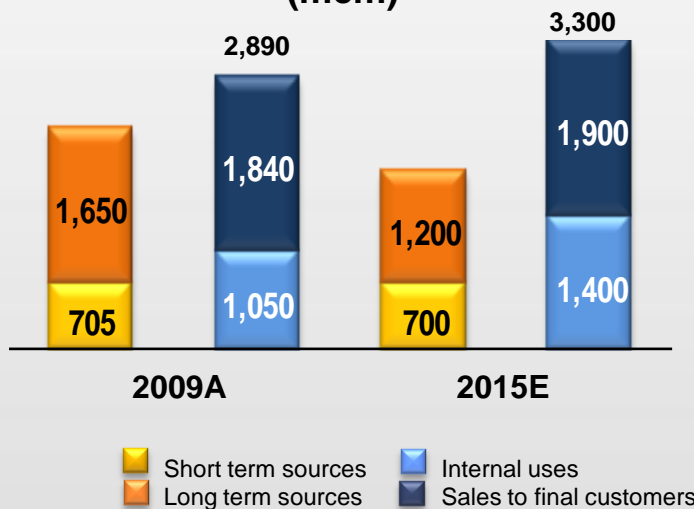


- Consolidation of gas purchase platform (Plurigas, Sinit, Olt)
- Taking advantage of the present high flexible short/long term portfolio according to the market conditions

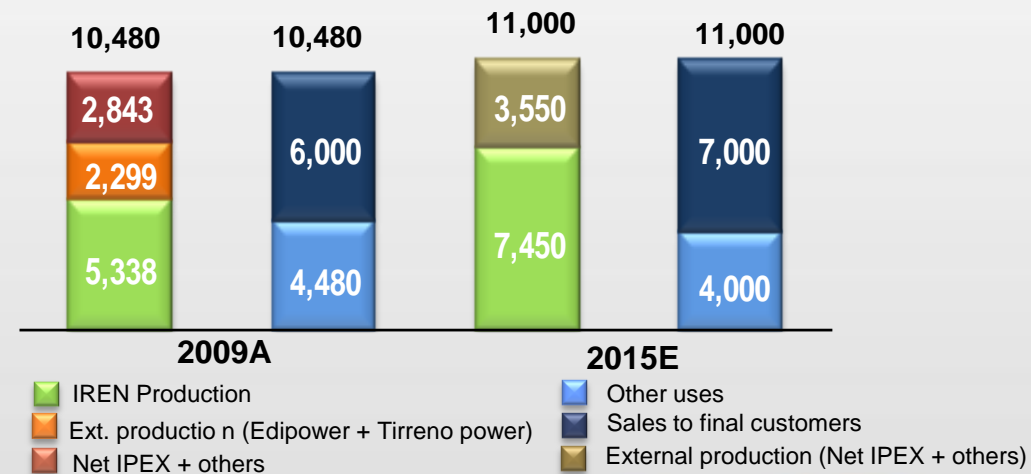


€m	2009A	2015E
Revenues	2,808	3,050
EBITDA	43	67
<b>CUMULATED CAPEX</b>		
57 €m		
<b>EBITDA CAGR</b>		
7.6%		

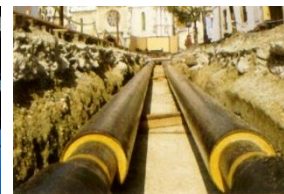
### GAS SOURCING AND USAGES (mcm)



### ELECTRICITY SOURCING AND USAGES (GWh)



# Energy infrastructures



- Completion of DH network in Turin North and development in reference areas
- Maximisation of cash flow from gas
- Potential disposals of gas networks in areas with lower market share
- Reduction of stake in OLT



**+27% Volumes heated**

## RAB Gas Distribution:

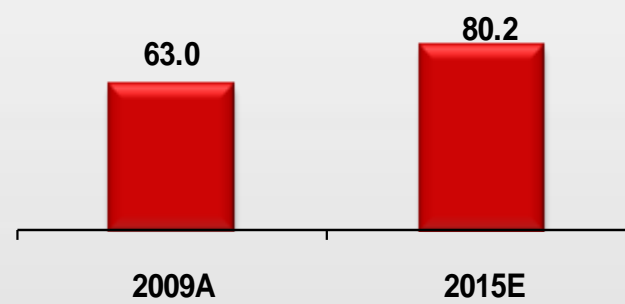
750 m€ 2009 → 940 m€ 2015E

## RAB Electricity:

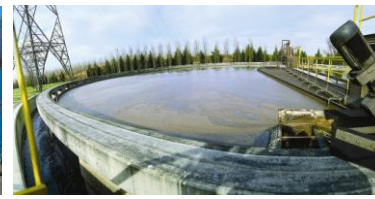
640 m€ 2009 → 680 m€ 2015E

€m	2009A	2015E
Revenues	378	428
EBITDA	195	240
<b>CUMULATED CAPEX</b> 601 €m		
<b>EBITDA CAGR</b> 3.5%		

## VOLUMES HEATED (mcm)



# Water



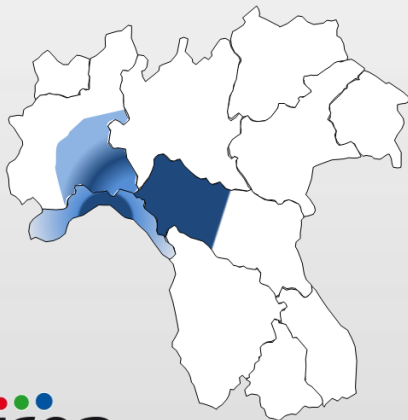
- Consolidation and development in reference areas
- Full development of San Giacomo potential
- Maximization of profitability trough synergies coming from doubling of activities



**+100% Volumes distributed  
1<sup>st</sup> National operator in water**

€m	2009A	2015E
Revenues	303	796
EBITDA	105	303
<b>CUMULATED CAPEX 1.063 €m</b>		
<b>EBITDA CAGR 19.3%</b>		

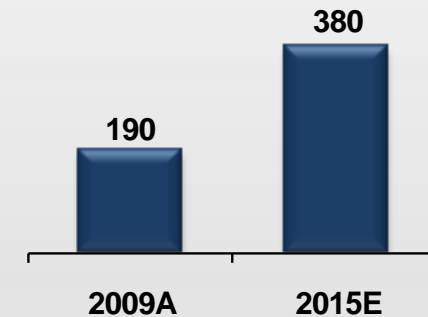
**2010**



**2015**



**VOLUMES DISTRIBUTED (mcm)**



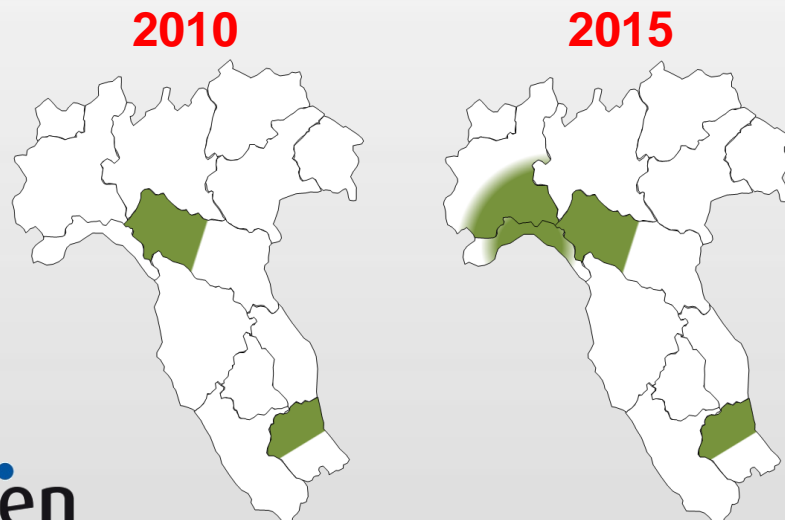
# Waste



- Completion of Parma WTE
- Significant growth in special waste disposal capacity with a target of 30% of captive market share
- Focus on reference areas with priority where the range of services can be completed



**+98% Waste treated**  
**+200% Special waste treated**  
**Sorted waste at 60%**

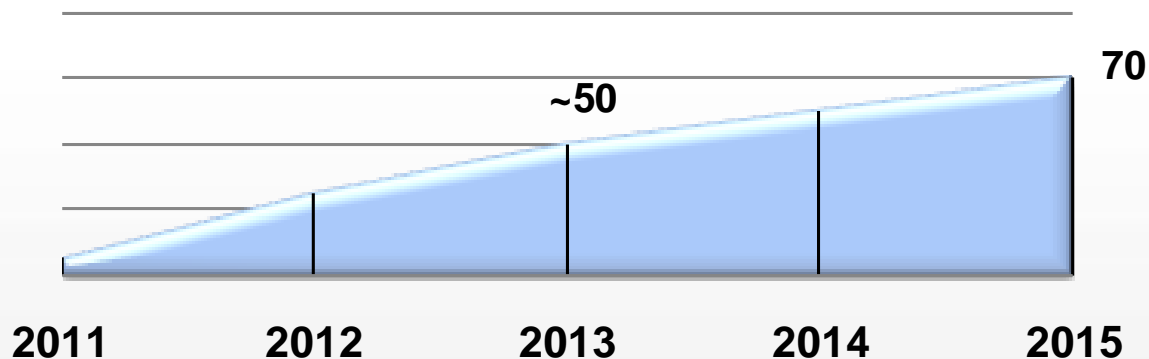


€m	2009A	2015E
Revenues	212	437
EBITDA	37	115
<b>CUMULATED CAPEX</b> 394 €m		
<b>EBITDA CAGR</b> 20.6%		



# Synergies' overview

CUMULATED SYNERGIES €ml



**70% of synergies in the first 3 years**

## Key synergies

### Purchases:

- Benefit from increased volumes
- Extension of e-procurement platform

### Market:

- Optimization of procurement and cost-to-serve
- Enlargement of energy trading base
- Cross selling and completion of portfolio of services

### Personnel:

- Rationalization
- Insourcing/outourcing

### Overheads:

- Information services: economies of scale
- Rationalization of external consultancies
- Rationalization of corporate and central structures

# Agenda

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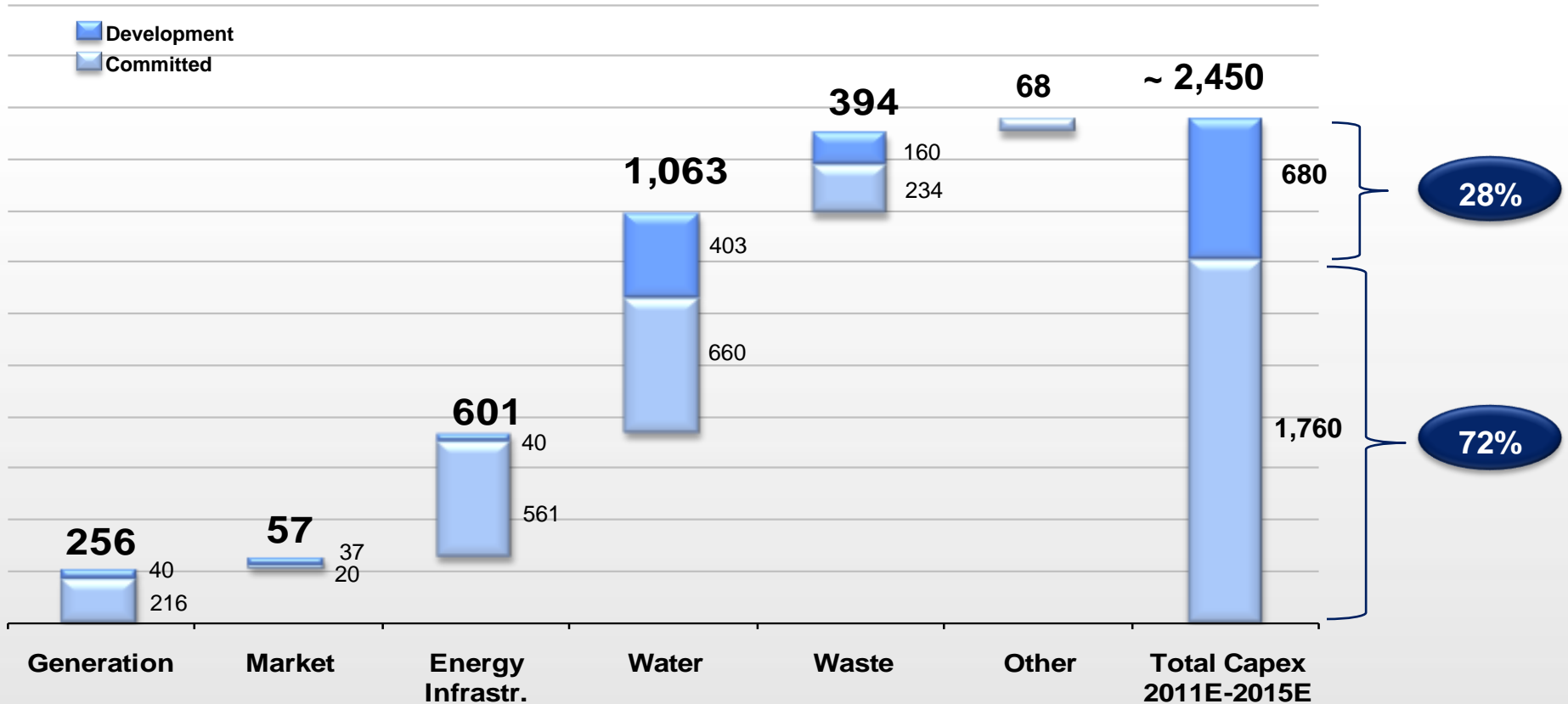
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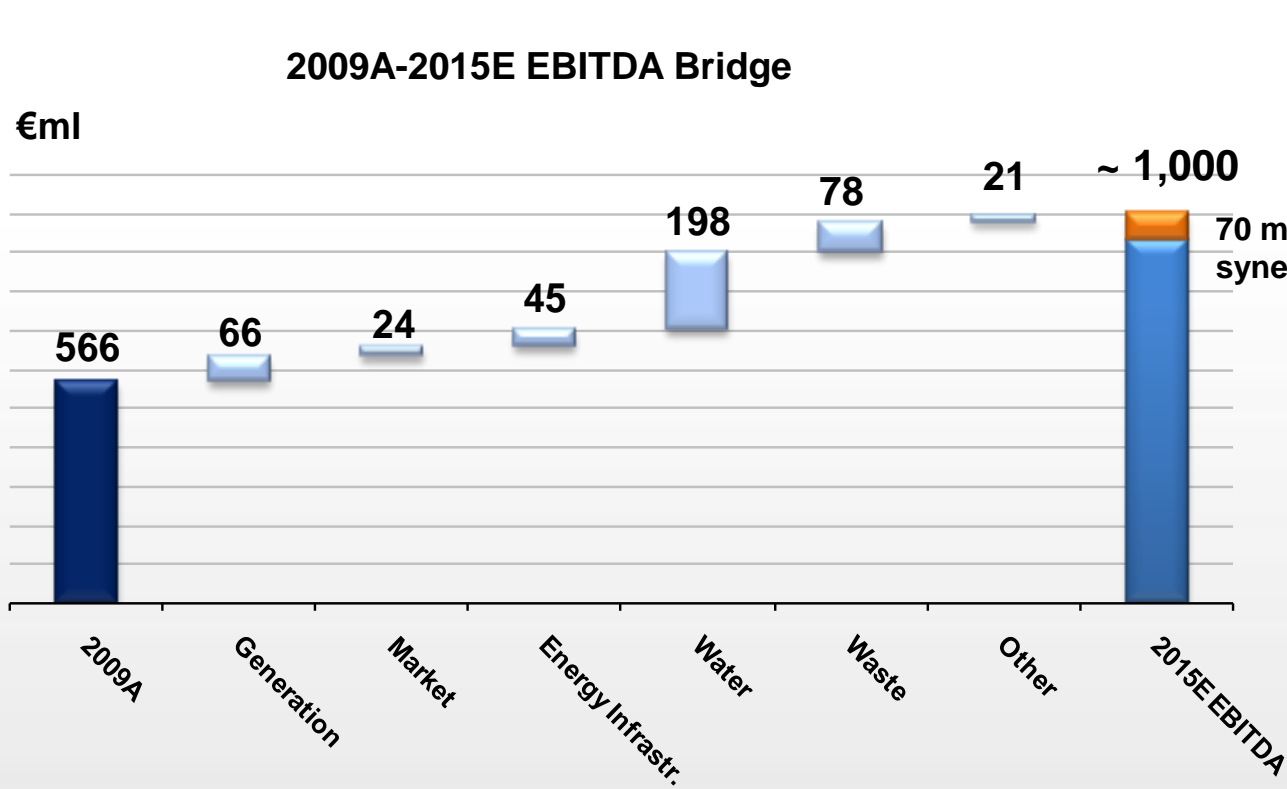
# Capex 2011E - 2015E

€ml

2011E-2015E CUMULATED CAPEX BY SBU

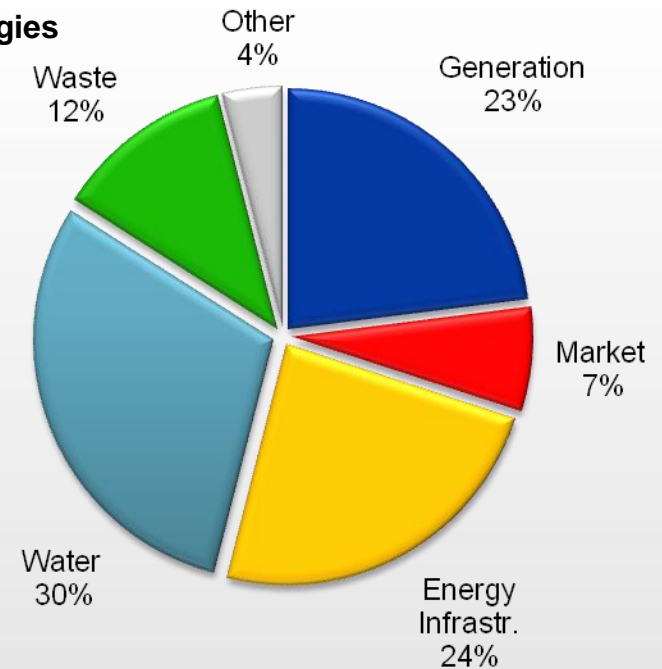


# 2009A - 2015E EBITDA bridge



**2015E  
EBITDA Breakdown by SBU**

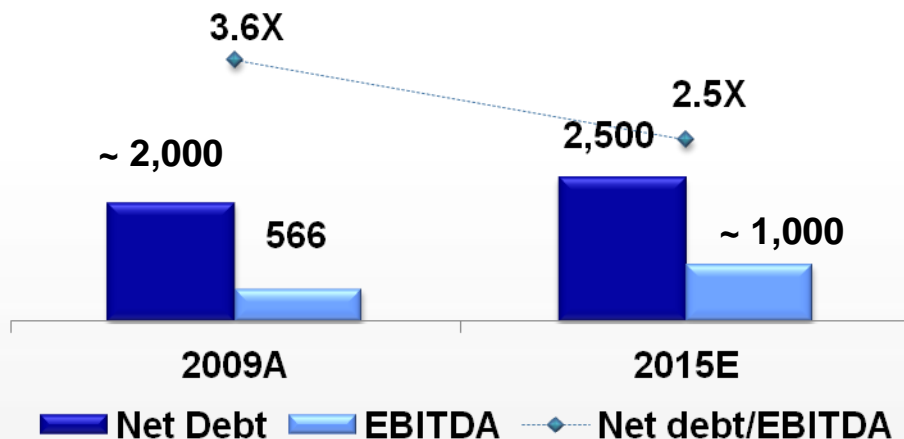
**Unregulated Activities: ~34%**



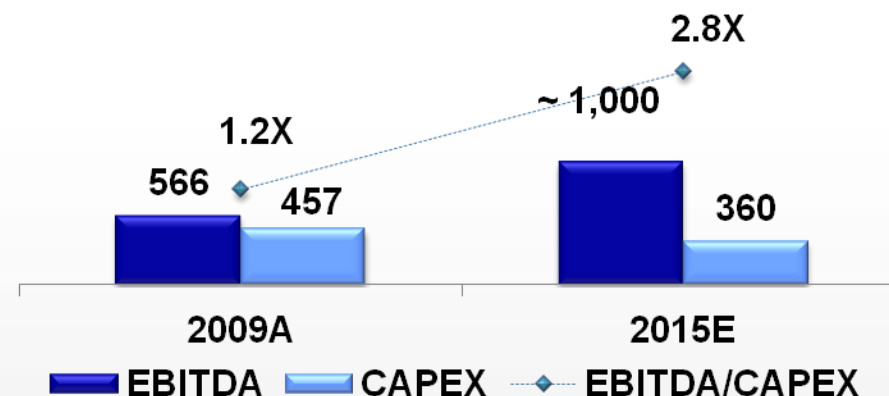
**Regulated Activities: ~66%**

# Financial structure

## Evolution of Net Debt/ EBITDA



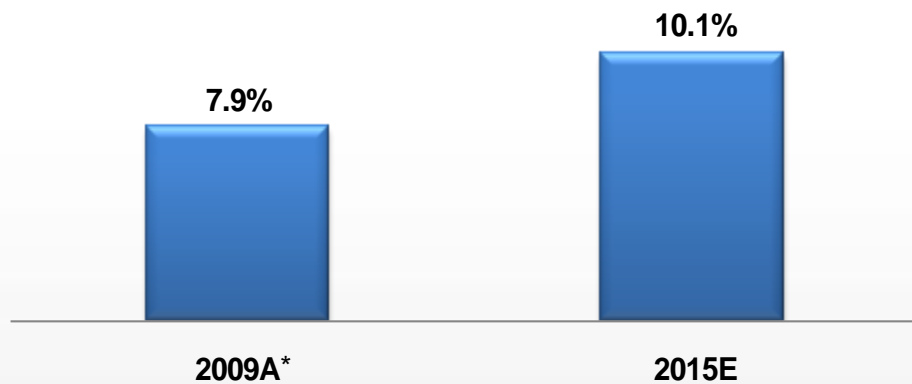
## Evolution of EBITDA/CAPEX



- **Improving financial structure: significant deleveraging to 2.5X in 2015**
- **Free cash flow positive from 2013, cumulated free cash flow 2011-2015 over 400 €m**
- **Targets:**
  - Increase of average debt duration exploiting potential refinancing opportunities
  - Maintain a balanced structure between fix and variable rate debt
- **Dividend policy: expected payout >60%**

# Balance sheet structure

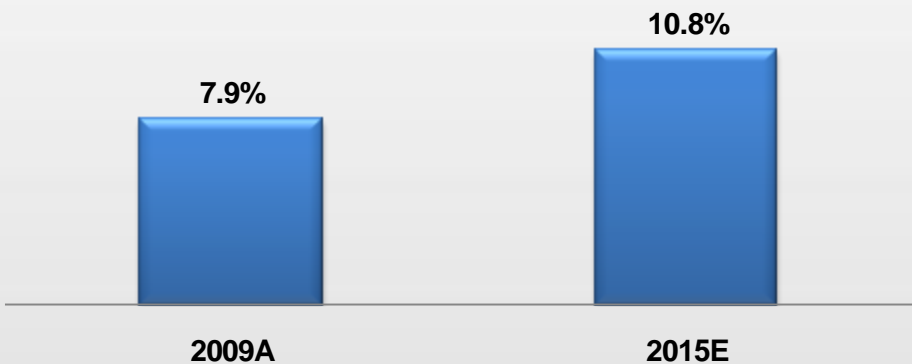
ROE



Debt/Equity



ROI



- Significant increase of returns on Equity and Invested Capital
- Well balanced Debt/Equity ratio

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# Closing remarks

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**Based on the market scenario, and the competitive positioning of the IREN Group, the 2010-2015 strategic plan seeks to:**

- **Strengthen the Group's** position in water, waste and district heating
- **Preserve and enhance** the existing customer base in the supply of gas and electricity by optimizing the presence on the territories
- **Manage and optimize** the portfolio of gas supply and power generation (including renewable sources)
- **Target expansion** in reference areas, thanks to enhanced financial flexibility and size
- Continue **extracting and maximizing** the merger synergies
- **Focus on balance sheet and FCF generation to ensure adequate shareholders' return**

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**Moreover, forward looking statements are current only at the date they are made.**

**All data related to 2009 are pro forma.**