



12th May 2016

# 2016 – 1Q Results

# 2016 1Q – Results on track with BP expectations

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## ORGANIC GROWTH

Organic growth of approximately 12m€, confirming the positive trend reported in the last quarters

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## SYNERGIES

7m€ of synergies already achieved thanks mainly to the effectiveness of the streamlining process

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## CONSOLIDATION

Coverage of the entire value chain in the waste collection and disposal process in the Turin province thanks to the **acquisition of a controlling stake in TRM (January 2016)**

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## FINANCIAL OPTIMIZATION

Net of TRM consolidation the **NFP would have been 50m€ less** than what was reported at the end of 2015

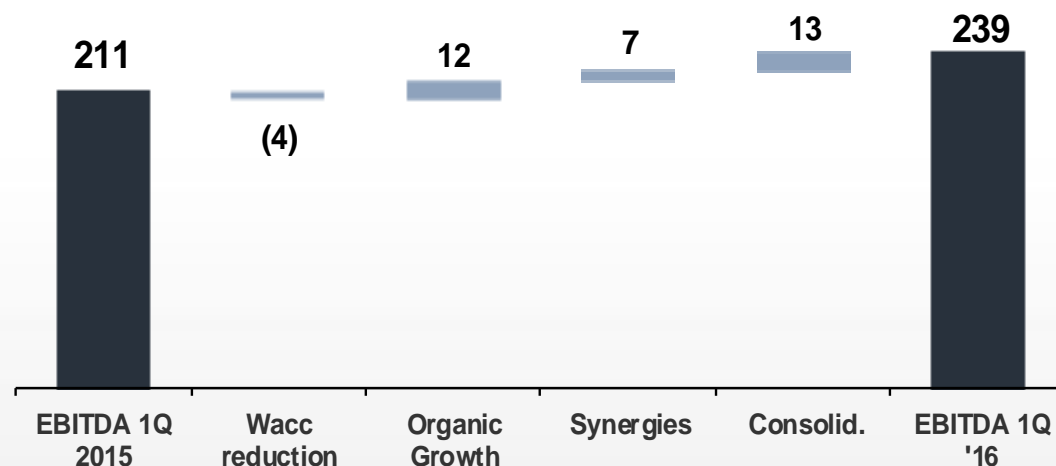


# 1Q 2016: Growing profitability in spite of a warm winter.

## Income statement

	m€	1Q '15	1Q '16	Δ	Δ%
Revenues		919	<b>886</b>	-33	-3.6%
Ebitda		211	<b>239</b>	28	13.1%
Ebit		133	<b>154</b>	21	15.8%
Net profit		59	<b>73</b>	14	24.5%

## Ebitda Bridge



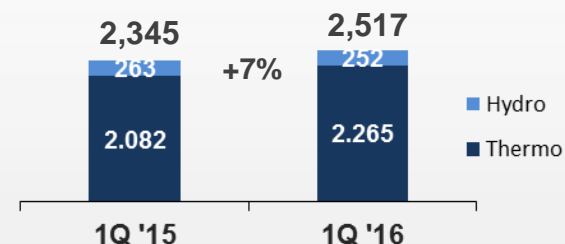
- **Revenues -3.6%:** due mainly to a sharp fall in commodity prices
- **Ebitda +13.1%:** benefitting both from organic growth (mainly in energy businesses and net of climate effect) and synergies (approx. 20m€). The contribution from the change in the consolidation perimeter amounts to 13m€ principally coming from TRM
- **Ebit +15.8%:** thanks to the gross operating margin's increase which more than offset D&A growth linked to TRM
- **Net profit +24.5%:** The significant growth comes after a +71% reported at the end of 2015 confirming the positive impact of the operating results down to the bottom line. The slight increase in financial charges derives from TRM consolidation

# GENERATION AND DH – Significant increase in margins

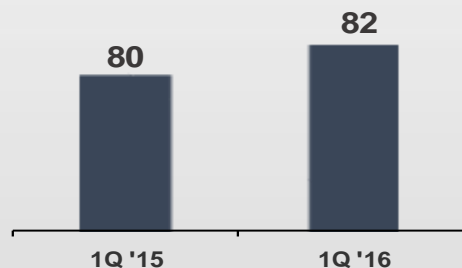
- Strong increase in EBITDA in spite of a reduction in revenues thanks mainly to a quick drop in gas prices compared to the PUN decreasing trend.
- **Generation sector** gained from higher spark-spreads, both in cogeneration and in thermoelectric production combined with an improved contribution from MSD market and a slight increase in production.
- **Hydroelectric sector** negatively impacted by both the fall in electricity price and a slightly lower production.
- **DH sector's** decrease in volumes linked to the warm winter season (-2% day-degrees) in spite of an additional 2mcm of volumes heated.
- **EBIT performances (+30%)** reflects the positive operating results plus the release of a number of provisions.

	m€	1Q '15	1Q '16	Δ	Δ%
Revenues		267	236	-31	-11%
Ebitda		70	80	10	15%
Ebit		39	51	12	32%
Gross Capex		4	7	3	76%

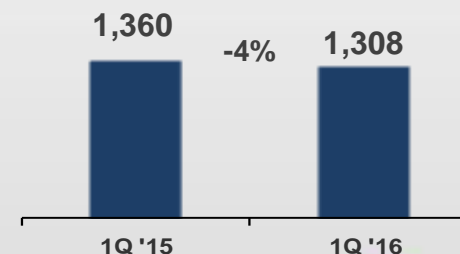
ELECTRICITY PRODUCTION (GWh)



DH VOLUMES HEATED (MCM)



HEAT PRODUCTION (GWht)

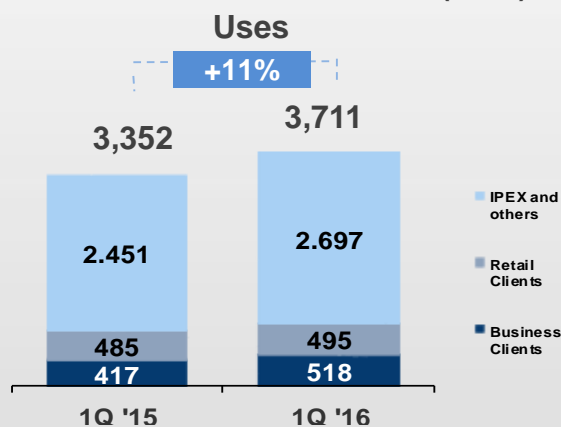


# MARKET – Procurement/sale optimization offset climate effect.

- The significant growth in margins is linked to a **sound procurement strategy** both in gas and electricity together with **effective hedging and pricing actions**. In addition, positive effects come from regulatory changes both in regulated and free markets. These elements offset the decrease in gas volumes sold to end clients due mainly to a warmer winter season.
- The new marketing strategies launched in the second part of 2015 and involving **innovative offers** allowed the Group to gain approximately **10K energy clients in the first three months of the year**, keeping the churn rate as one of the lowest of the sector.
- Higher volumes sold to Business clients (+24%) underpinned the renewed interest of the company in this sector.

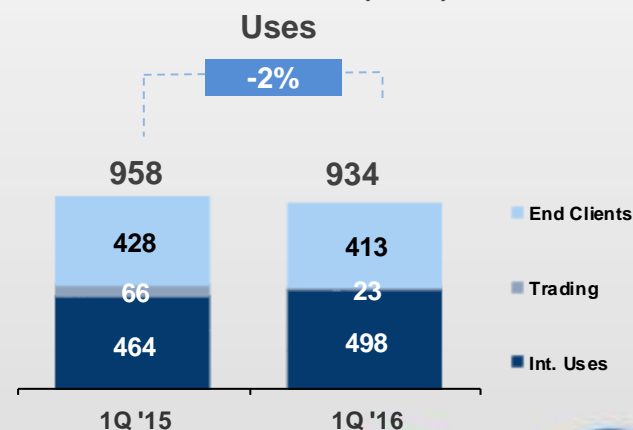
	m€	1Q '15	1Q '16	Δ	Δ%
Revenues		812	747	-65	-8%
Ebitda		49	53	4	8%
	<i>Electricity</i>	6	16	10	154%
	<i>Gas&amp;Heat</i>	43	37	-6	-14%
Ebit		39	43	4	9%
Gross Capex		3	5	2	41%

## ELECTRICITY PORTFOLIO\* (GWh)



\*net of "pass-through IpeX volumes"

## GAS PORTFOLIO (MCM)



# NETWORKS – Negative impact from wacc reduction offset by synergies

- **Electricity networks:** The decrease in EBITDA is mainly linked to 1Q 2015 extraordinary positive equalization, absent in the 1Q 2016.
- **Gas networks:** Synergies offset the reduction in Wacc, keeping operating results stable.
- **Water networks:** The change in consolidation perimeter (SAP concessions), and synergies more than offset the reduction in remunerations on invested capital.

	m€	1Q '15	1Q '16	Δ	Δ%
Revenues		197	<b>192</b>	-5	-3%
Ebitda		73	<b>72</b>	-1	-1%
	<i>Electricity</i>	20	<b>16</b>	-4	-18%
	<i>Gas</i>	17	<b>18</b>	1	1%
	<i>Water</i>	36	<b>38</b>	2	5%
Ebit		47	<b>44</b>	-3	-8%
Gross Capex		29	<b>25</b>	-4	-15%
<i>El. distr. (GWh)</i>		999	1,062		
<i>Gas distr. (mcm)</i>		575	548		
<i>Volume sold (mcm)</i>		34.9	40.2		

**From January 2016, IRETI entered into full operation.**

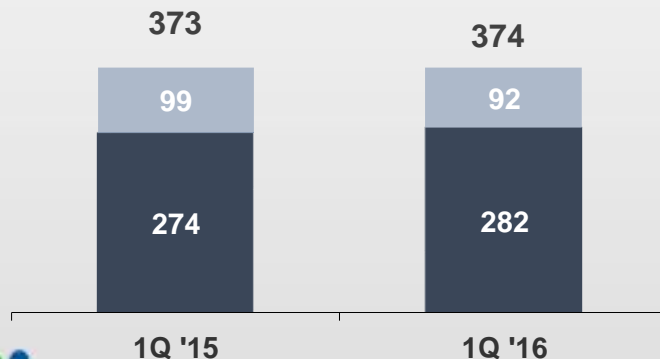
# WASTE – TRM consolidation drove the growth

- The strong increase in the BU's margins is linked principally to the **contribution of TRM** (>10m€) was partially offset by a decrease of the contribution from electricity sold (lower prices).

	m€	1Q '15	1Q '16	Δ	Δ%
Revenues		116	<b>127</b>	11	10%
Ebitda		20	<b>31</b>	11	56%
Ebit		11	<b>15</b>	4	44%
Gross Capex		3	<b>3</b>	0	2%

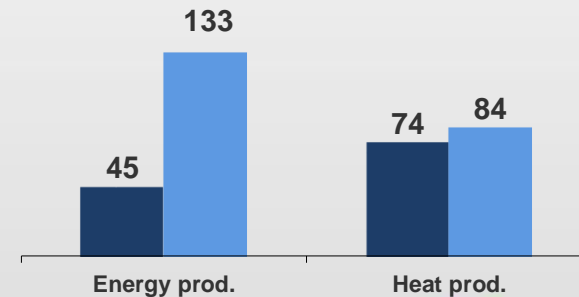
### Waste (Kton)

■ Urban waste ■ Special waste



### WTEs - Energy and Heat prod. (GWh)

■ 1Q '15 ■ 1Q '16

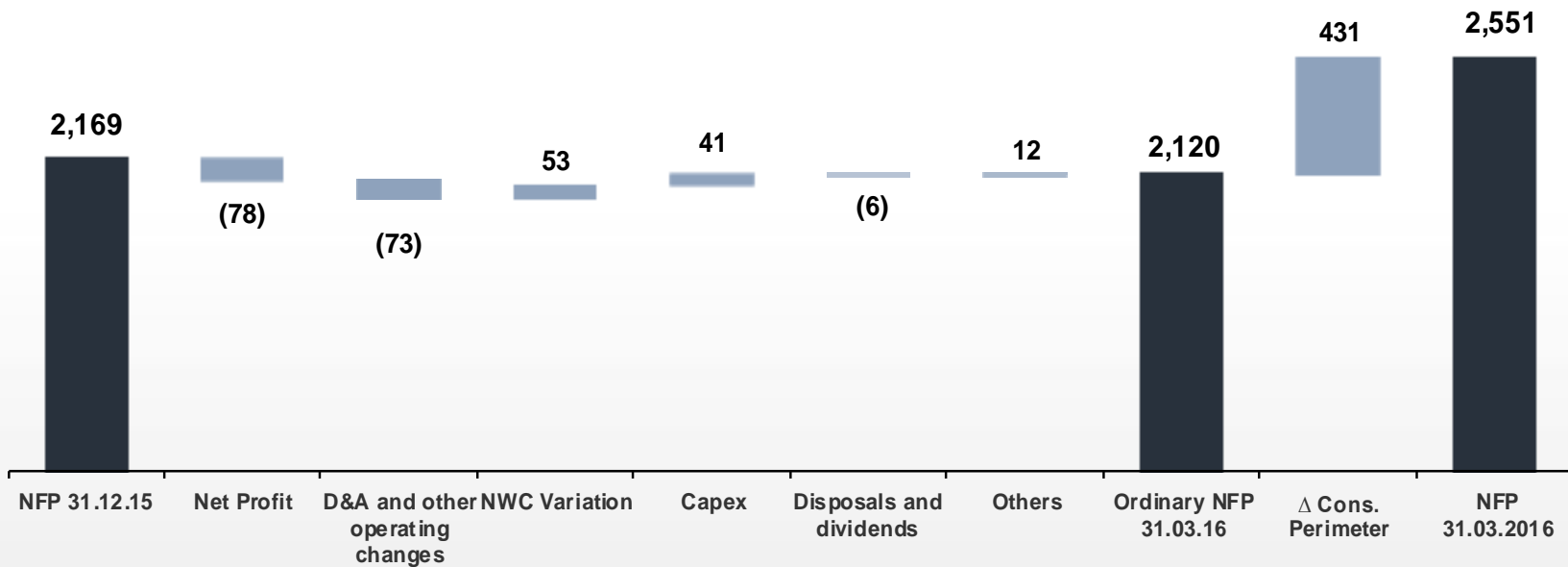


# From EBITDA to Net Profit.

	1Q '15	1Q '16	Δ	Δ%	
EBITDA	211.4	239.1	27.7	13.1%	
	<i>D&amp;A</i>	<i>-65.7</i>	<i>-70.6</i>		• <b>Higher D&amp;A</b> linked mainly to TRM consolidation
	<i>Provisions</i>	<i>-12.5</i>	<i>-14.3</i>		
EBIT	133.2	<b>154.3</b>	21.1	15.8%	
	<i>Financial charges for loans</i>	<i>-21.1</i>	<i>-23.6</i>		• <b>Higher FC</b> due to TRM consolidation
	<i>Other financial charges</i>	<i>-7.3</i>	<i>-6.7</i>		
	<i>Companies cons with e.m.and adj.</i>	<i>-2.9</i>	<i>-0.4</i>		
EBT	101.9	<b>123.6</b>	21.7	21.4%	
	<i>Taxes</i>	<i>-39.0</i>	<i>-45.9</i>		• Higher tax linked to the increase in EBT (1Q 2016 tax-rate approximately 38%)
	<i>Minorities</i>	<i>-4.2</i>	<i>-4.8</i>		
Group net profit	58.6	<b>72.9</b>	14.3	24.5%	



# Cash-flow and NFP Bridge.

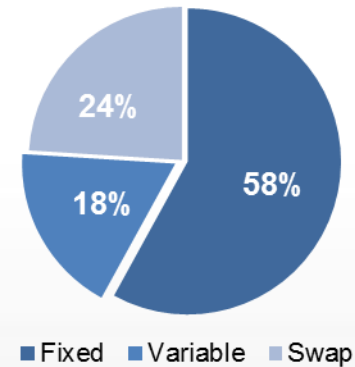


- NFP increase is completely ascribable to the change in the consolidation perimeter (TRM consolidation). Net of this the Net Debt would have experienced a further -50m€ decrease in respect to what was reported at the end of 2015.
- Seasonal NWC growth

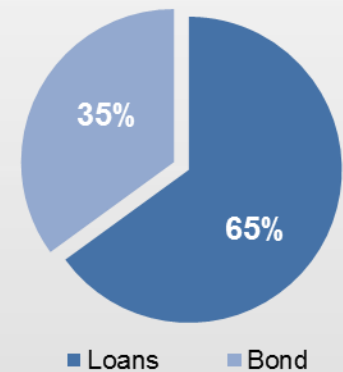
# Interest rate and debt structure.

- 18% of gross debt at variable interest rate.
- Average long-term debt duration of about 5.1 years.
- Expected slight increase in cost of debt (3.6%) due to TRM consolidation.

Gross debt interest rate



Debt structure





# Annexes



# Market Scenario.

	1Q '15	1Q '16	Δ%
Brent <i>USD/bbl</i>	54.0	<b>33.9</b>	-37%
€/USD	1.1	<b>1.1</b>	-2%
Brent <i>€/bbl</i>	47.9	<b>30.8</b>	-36%
Gas Demand ( <i>bcm</i> )	23.6	<b>23.6</b>	=
PSV <i>€/000 scm</i>	257	<b>215</b>	-34%
Energy Demand ( <i>Twh</i> )	78.1	<b>77.6</b>	-1.0%
PUN ( <i>€/Mwh</i> )	51.9	<b>39.6</b>	-24%
CO2 <i>€/Ton</i>	7.0	<b>5.7</b>	-19%
Green Cert. Hydro ( <i>€/Mwh</i> )	97.9	<b>100.1</b>	+2%

- A sharp decrease in gas price has been followed by a 24% drop in PUN

# Balance Sheet.

	<b>1Q '16</b>	<b>FY '15</b>
<i>Net fixed assets</i>	<b>5,063</b>	4,648
<i>Net Working Capital</i>	<b>214</b>	154
<i>Funds</i>	<b>-538</b>	-526
<i>Other assets and liabilities</i>	<b>-65</b>	-46
<b>Net invested capital</b>	<b>4,674</b>	4,231
<i>Group Shareholders' equity</i>	<b>2,123</b>	2,062
<i>Net Financial Position</i>	<b>2,551</b>	2,169
<b>Total Funds</b>	<b>4,674</b>	4,231

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