



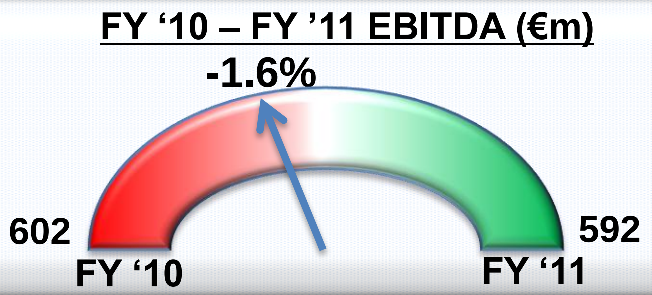
2011 – FY Results

4th of April 2012

FY 2011 – A difficult year underpinned by a gloomy scenario and M&A activity.

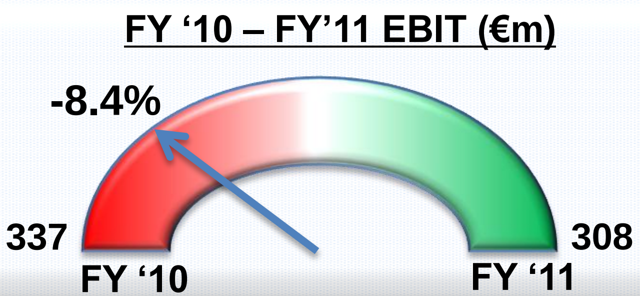
EBITDA -1.6%

In spite of a very difficult scenario, the Group experienced only a slight decrease in EBITDA driven by a decline in Generation.



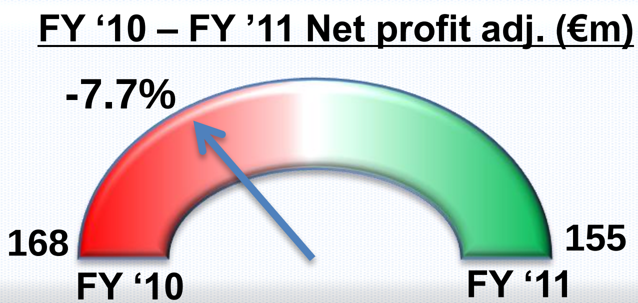
EBIT -8.4%

The drop in EBIT is mainly due to a significant growth in provisions.



NET PROFIT Adj. -7.7%

The 2011 loss is caused by the write-downs further to the Delmi/Edipower deal amounting to -217 €m. Excluding the 2010/2011 of non-recurring elements, the difference between the two years would have been -7.7%



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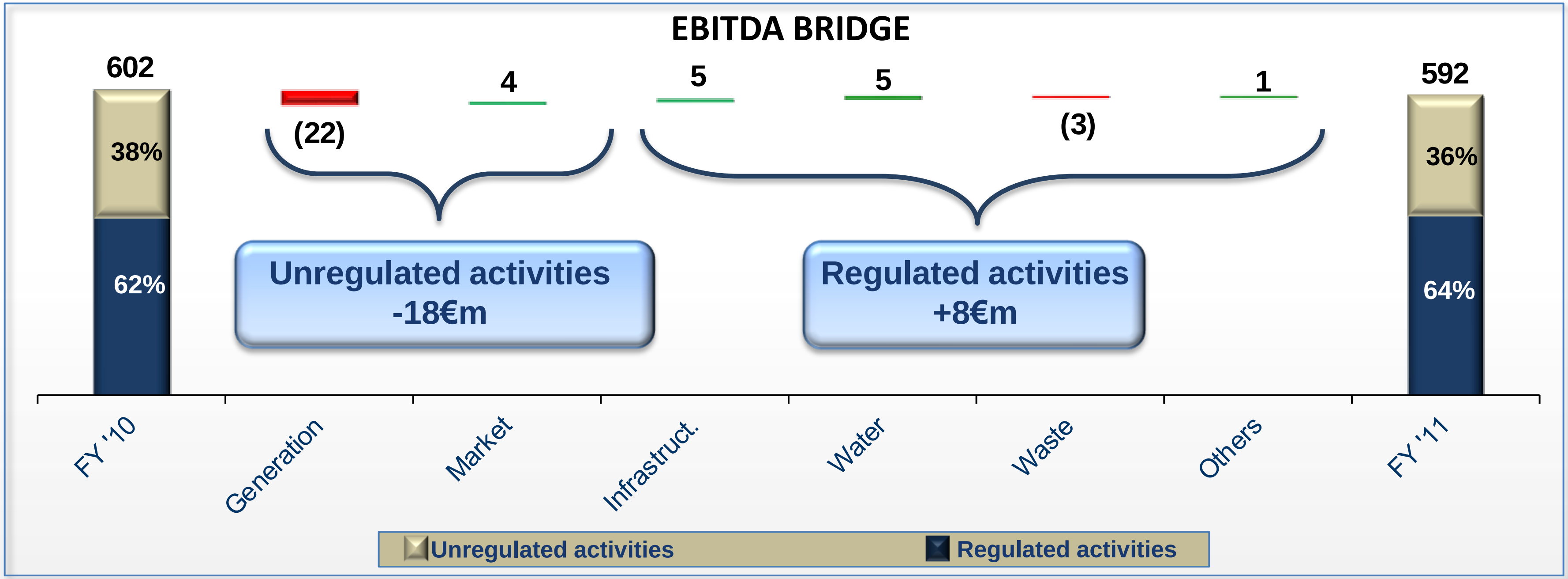
FY 2011 – Significant impact of non-recurrent elements.

EURm (1)	FY '10	FY '11	Δ	Δ %
REVENUES	3,391	3,520	129.2	+3.8%
EBITDA	602[2]	592	-9.8	-1.6%
EBIT	337	308	-28.4	-8.4%
NET PROFIT	177	-108	-285.0	n.a.
NET PROFIT ADJ.[3]	168	155	-12.9	-7.7%
CAPEX	536	472	-63.5	-11.8%
NFP	2,260	2,653	+392.7	+17.4%

- **Revenues up by 3.8%:** the increase in commodity prices more than offset the decrease in volumes sold.
- **Slight decrease in EBITDA** due to poor performance in the Generation Business Unit, caused by the combined effects of commodity high prices and flat electricity demand. As far as synergies are concerned, IREN exceeded its target for the year achieving savings of 18€m vs. 15€m forecast.
- **EBIT down by 8.4%.** The drop in EBIT reflects the operating performances together with the combined effects of growth in D&A and provisions.
- **Loss of 108 €m .**The loss is mainly the result of the Delmi/Edipower deal which caused write-downs for 217€m and of the loss coming from Sinit (25,8€m). Net of the previous exceptional effects and other minor non-recurrent elements the net profit would have been 155€m.
- **Investments** stood at 472€m, in line with budget and equivalent to a -11.8% decrease compared to FY 2010.

(1) All 2010 data are pro-forma (2) Pro-forma: Deconsolidation of Aquamet .
(3) Net of Tremonti-Ter (2010) Net of Delmi/Edipower , other minor write-downs and new Robin-tax formula (2011).

EBITDA BRIDGE: A positive performance in regulated activities did not offset completely a fall in Cogen.



- **Slight decrease in EBITDA - Key Elements:**
  - Poorer results reported in Generation driven mainly by weak energy scenario and milder winter season.
  - The improvements in the Market Business Unit are due to the effectiveness of the gas procurement policy which allowed the company to counterbalance the decrease in gas volumes sold.
  - Growth in regulated activities (+1,9%) in spite of the expiry of CIP6 in Piacenza WTE

GENERATION OF ELECTRICITY AND HEAT: growth in electricity volumes despite overcapacity.

FY ’11 vs. FY ’10

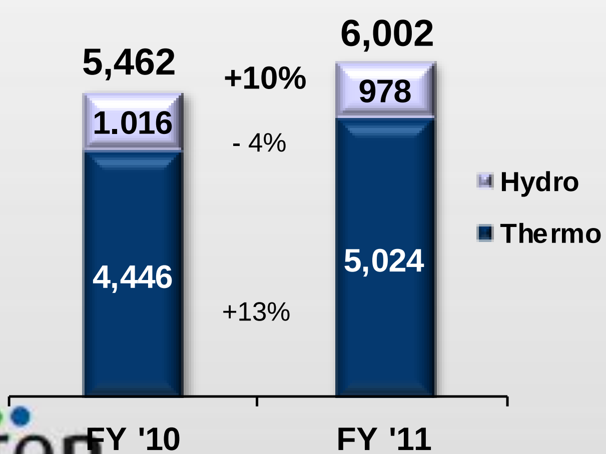
- **Higher profitability in Hydro** in spite of a decrease in volumes (-4% IREN vs -11% at national level).
  The improvement is underpinned by the increase in GC thanks mainly to the completion of Valle Orco’s repowering process.
  The energy stored in basins at the end of 2011 was 35% more than that stored at the end of 2010.

- **Drop in Cogen:** the strong growth in electricity volumes, thanks also to the commissioning of Turin North, did not fully offset the 7% decrease in heat sold (and related GCs).
  Lower profitability on MSD market and lower spark-spread.

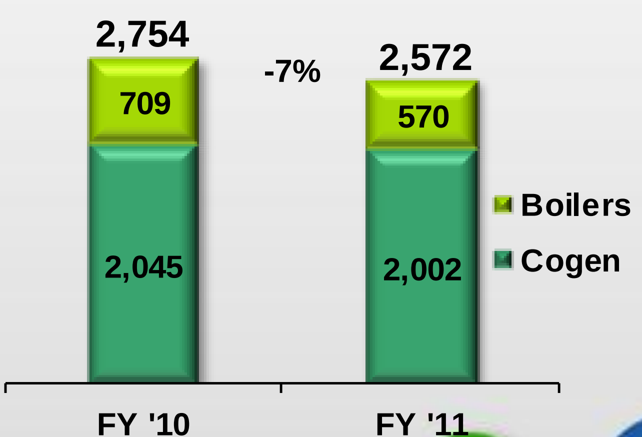
- **Completion of Turin North** CCGT Plant: 400 MWe; 220 MWt

	FY '10	FY '11	Δ€m	Δ%
Revenues	697	785	88	13%
EBITDA	180	158	(22)	-12%
EBIT	106	67	(39)	-37%
CAPEX	181	132	(49)	-27%

ELECTRICITY PRODUCTION (GWh)



HEAT PRODUCTION (GWht)



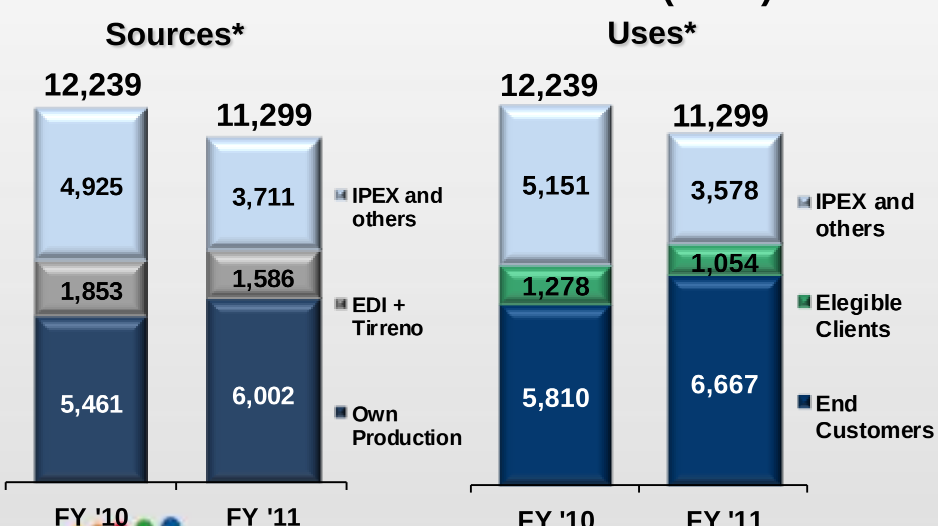
MARKET: strong increase in Gas margin confirmed.

FY ’11 vs. FY ’10

- **Gas and Heat Sales:** The strong growth in gas and heat margins offset the lower volumes sold to end clients (due to milder winter season) and it is the result of the successful renegotiation of gas contracts closed in 4Q 2010.
- **The decrease in electricity sales** is driven mainly by the squeeze in margins due to the rise of commodity prices and the negative impact of Edipower tolling (-10€m)
- **Market expansion of the Company continues** thanks mainly to cross-selling activities: +3% in the electricity clients market.

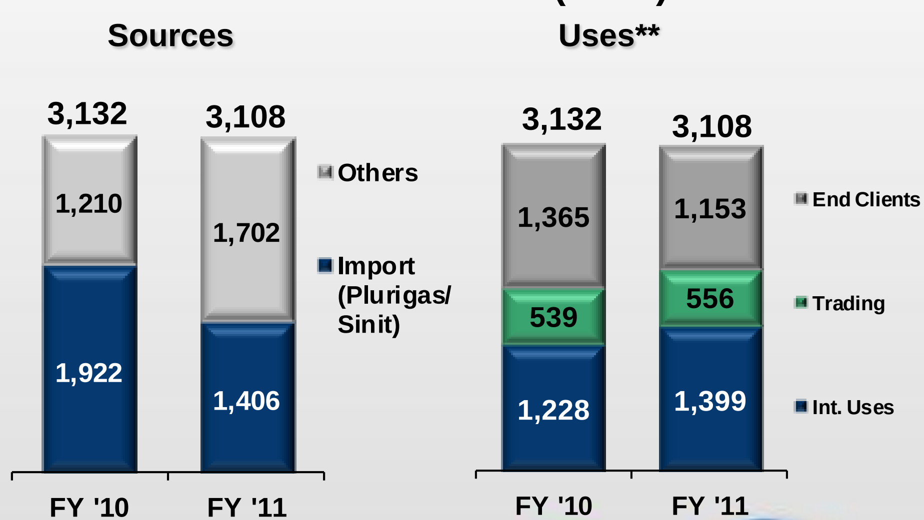
	FY '10	FY '11	Δ€m	Δ%
Revenues	**2.866**	**3.072**	**206**	**7%**
EBITDA	**49**	**53**	**4**	**7%**
Electricity	*10*	*-4*	*-14*	*-145%*
Gas & Heat	*39*	*57*	*18*	*45%*
EBIT	**31**	**35**	**4**	**12%**
CAPEX	**0**	**5**	**-**	**-**

ELECTRICITY PORTFOLIO (GWh)



*net of “pass-through traded Ipex quantities”

GAS PORTFOLIO (MCM)



**Net of Plurigas and Sinit trading activities

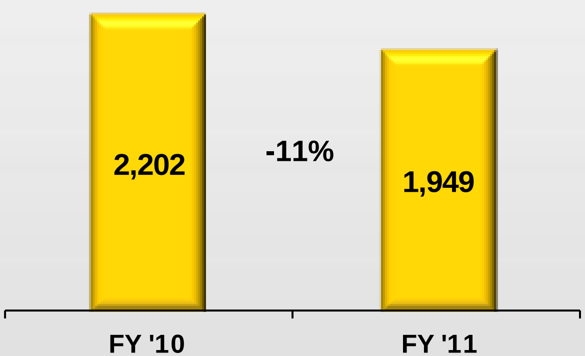
ENERGY INFR.: slight growth in spite of negative one-off.

FY ’11 vs. FY ’10

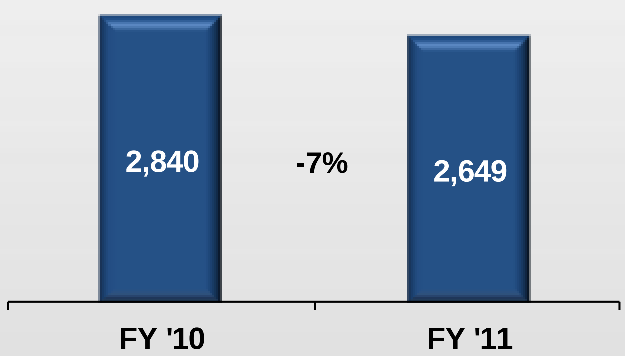
- **Gas networks:** Positive trend maintained thanks mainly to higher revenues (AEEG 206/09) and synergies.
- **Electricity networks:** the higher costs for improving energy efficiency is the main reason for the decrease in EBITDA.
- **DH Networks:** EBITDA up by 10% because of the development of the DH network, which reached more than 72 mcm of heated volumes (+7mcm vs. FY 2010 , +5mcm vs. 9M 2011).
- **EBIT up by 9%** due to lower provisions.

	FY '10	FY '11	Δ€m	Δ%
Revenues	**419**	**437**	**18**	**4%**
EBITDA	**206**	**211**	**5**	**2%**
Electricity	*79*	76	*(3)*	*-4%*
Gas	*91*	95	*4*	*5%*
Heat	*36*	40	*4*	*10%*
EBIT	**135**	**146**	**11**	**9%**
CAPEX	**171**	**155**	**-16**	**-9%**

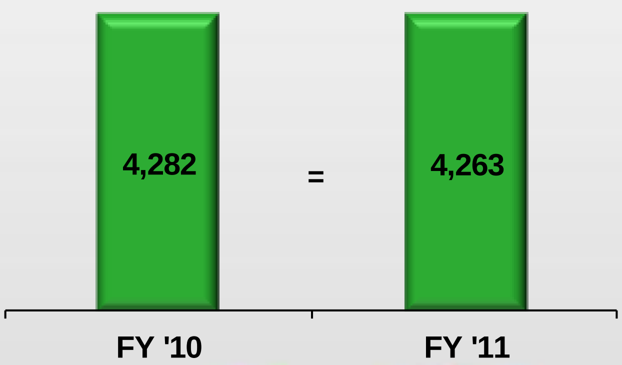
GAS DISTRIBUTED (MCM)



HEAT DISTRIBUTED (GWht)



ELECTRICITY DISTRIBUTED (GWh)



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

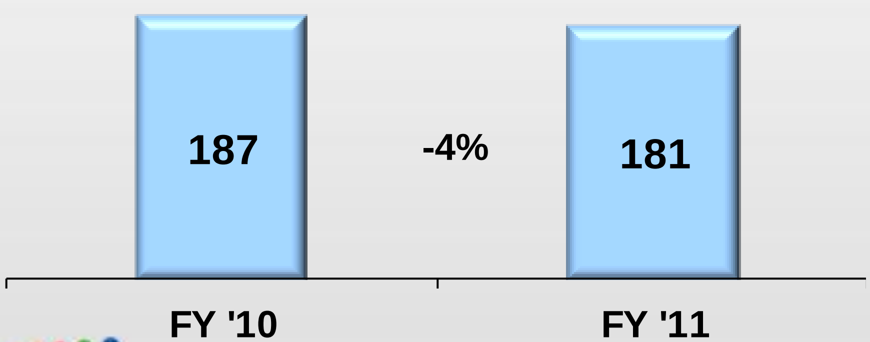
FY '11 vs. FY '10

- **Revenues down by 2%:** tariff increase in all the ATOs did not completely offset the decrease in volumes caused by a change in consolidation perimeter (-4mcm).
- **Ebitda up by 4%** the tariff growth and synergies more than offset the higher electricity costs for pumping.

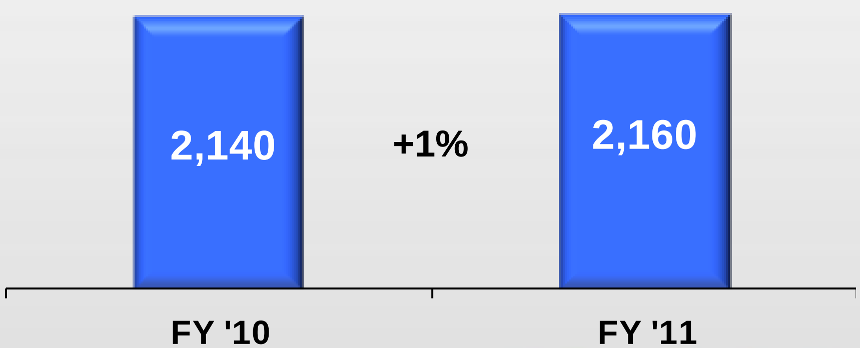
Capex in line with ATO's plan and budget.

	FY '10	FY '11	Δ€m	Δ%
Revenues	447	438	(9)	-2%
EBITDA	108	113	5	4%
EBIT	38	36	(2)	-6%
CAPEX	105	89	-16	-15%

WATER SOLD (MCM)



INHABITANTS SERVED ('000)



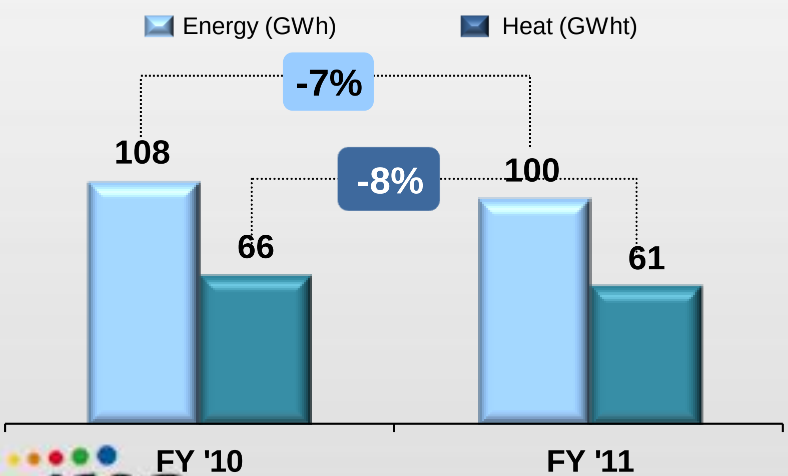
WASTE: CIP6 expiration partially offset by synergies

FY ’11 vs. FY ’10

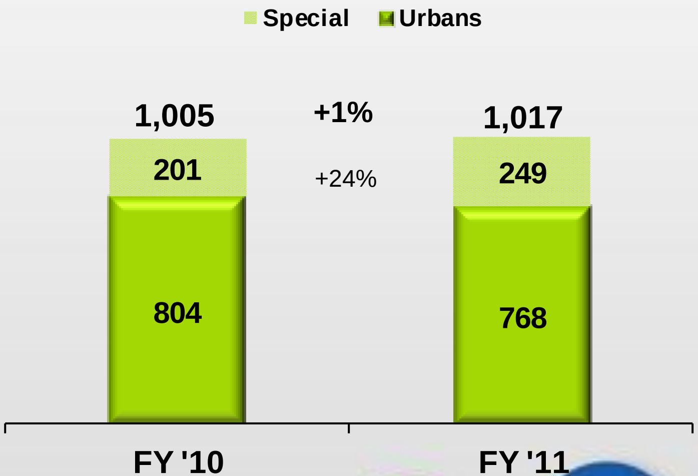
- **EBITDA down by 6%:** The increase in tariffs and efficiencies didn’t completely offset the negative impact of CIP 6 expiry.
  Positive trend in special waste continues (+24%).
- **Steady Increase** in extension of the door-to-door collection system, bringing the sorted waste percentage very close to 60% (from 55.4% in FY 2011).
- In Jan. 2012 the Administrative Court judged in favor of IREN, making way for the completion of the WTE by the end of 2012.

	FY '10	FY '11	Δ€m	Δ%
Revenues	222	217	(5)	-2%
EBITDA	45	42	(3)	-6%
EBIT	18	15	(3)	-18%
CAPEX	47	67	20	43%

WTE - Energy and Heat production



Waste (Kton)



From EBIT to Net Profit and adjustments

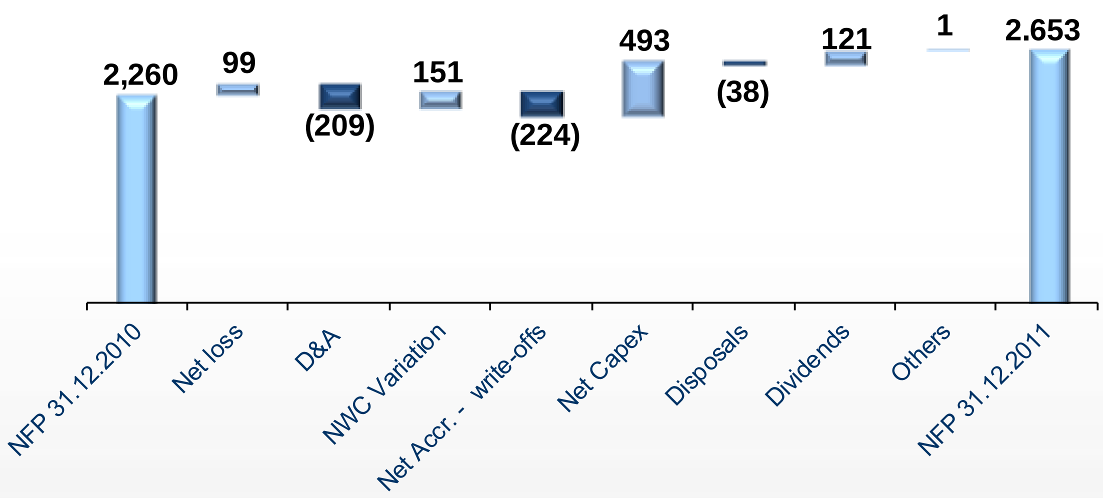
	FY '10	FY '11	Δ
EBIT	336.7	308.3	(28.4)
Financial charges	*(60.8)*	*(67.0)*	
Companies consolidated with E.M.	*13.1*	*(3.8)*	
Adjustment to participations.	*(0.4)*	*(223.3)*	
EBT	288.6	14.2	(274.4)
Taxes	*(104.7)*	*(114.5)*	
Net profit from ceased activities	*1.8*	*1.0*	
Minorities	*(8.4)*	*(8.6)*	
Group net profit	177.1	(107.9)	(285.0)

Adjustments

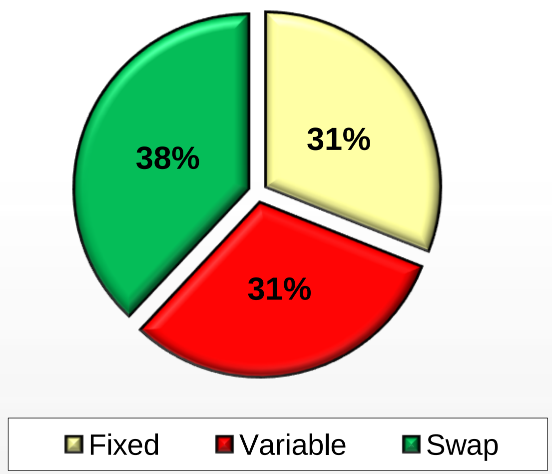
	FY '10	FY '11	Δ
Delmi adj.	-	*136.1*	
Edipower adj.	-	*81.3*	
Sinit and other adj.	*0.5*	*31.7*	
GNP adj. before tax adjustment	177.6	141.2	(36.4)
Tremonti-ter adj.	*(9.7)*	-	
Robin-tax adj.	-	*13.8*	
Group net profit adjusted	167.9	155.0	(12.9)

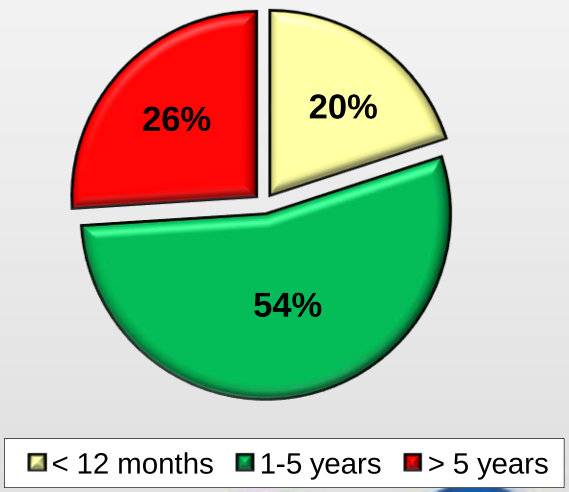
CASH-FLOW & DEBT STRUCTURE

NFP Bridge 31.12.2011



Interest rate* and Debt Structure**





- Only 50% of the 151€m growth in NWC is attributable to payables/receivables trend. The rest is a temporary effect linked mainly to GC and tax credits.
- Capex include 180 €m for the three IREN's three main projects (OLT, Turin North and PAI).
- Average long-term debt duration of about 4.2 years thanks also to 425 €m of new loans, taken out between July and September and the 440€m new loan contracts signed with EBI in December.
- 31% of net debt at variable interest rate.
- FY 2011 average cost of debt stood at 3.36%, vs. 2.73% in 2010.

(*)related to net financial position (**)related to LT Debt

Annexes

Market Scenario

- **Brent 2011 FY average price** stood at 111.3 $/bbl, up by 40% compared to FY 2010.
- **USD/€ exchange rate** was 1.39, +5% YoY.

- **Gas demand dropped by** 6%, mainly because of the mild winter season.
- **The gap between purchase and sale formulas is about to be closed,** but still affected the margins on gas.

- **Energy demand is flat** (1% YoY) even though it remains 2.2% lower compared to the pre-crisis level
- **The FY average pool-price** stood at 70.0€/MWh with a significant growth in the region of 13%. This growth, however, is lower compared to the average gas purchase formula for fuelling CCGTs

	FY '10	FY '11	Δ %
Brent USD / bbl	79.5	111.3	40%
USD / €	1.33	1.39	5%
Brent € / bbl	60.0	80.0	33%
Gas Demand (bcm)	82.7	77.4	-6%
Gas Release 2*, € / 000 scm	295	358	21%
CCI, €/ 000 mc**	270	327	21%
Energy demand (Twh)	330.5	332.3	1%
PUN (€ /MWh)	64.0	72.2	13%
CO2 (€ /Ton.)	14.2	6.5	-54%
Green Cert. Hydro (€ /MWh)	82.8	80.5	-3%
Green Cert. DH (€ /MWh)	78.7	78.7	-1%

Balance Sheet

€ m	31.12.2010	31.12.2011
Net fixed assets	4,566	4,653
Net Working Capital	137	288
Funds	(325)	(417)
Other assets and liabilities	(36)	(27)
Net invested Capital	4,342	4,497
Net Financial Position	2,260	2,653
Group shareholders' equity	2,082	1,844
Total Funds	4,342	4,497

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