



13th November 2015

# 2015 – 9M Results

# Implementation of the business plan key strategic points.

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**Process Streamlining**

through the centralization at “Holding level” of the main corporate functions and through the standardization of the ICT systems.

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**Company rationalization**

through the merger of approximately 15 subsidiaries, 100% owned by the Group, substantially completed. All the AGMs of the involved companies have already resolved upon the mergers and the project will be effective starting from the 1<sup>st</sup> January 2016.

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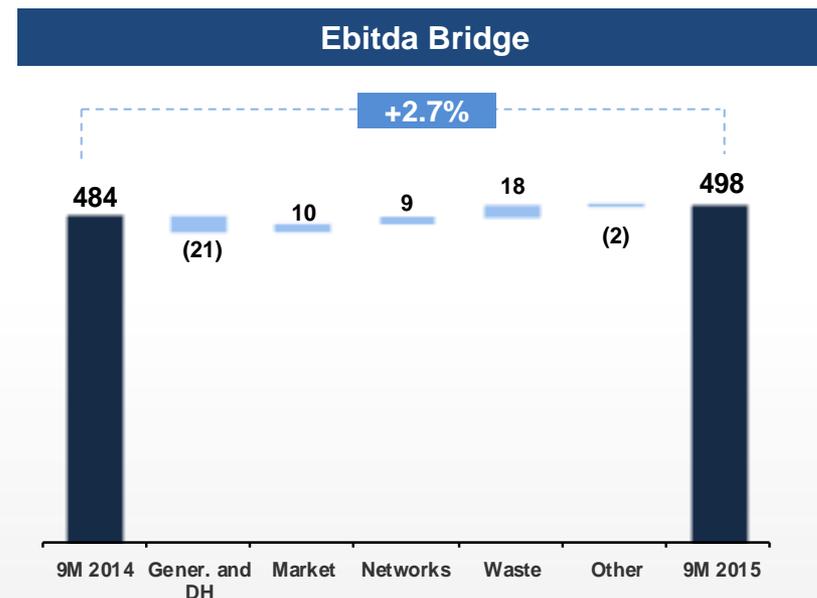


**Financial profile optimization**

- “Investment grade” rating by Fitch (BBB-)
- Issue of a 500m€ bond under the 1bn€ EMTN programme.

# 9M 2015: +11% growth in Net Profit.

Income statement					
	m€	9M '14 <sup>1</sup>	9M '15	Δ	Δ%
Revenues		2,071	2,219	148	7.1%
Ebitda		484	498	14	2,7%
Ebit		283	253	-30	-10.6%
Net profit		89	99	10	11.4%



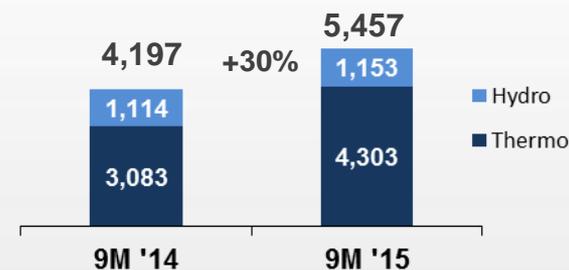
- **Revenues up by 7.1%:** The significant increase is mainly due to the change in the consolidation perimeter (AMIAT).
- **Ebitda +2.7%:** Regulated activities reported a significant growth (+27m€) driven also by the achievement of significant synergies (2015 target already reached). In the unregulated activities sector, the positive performance in Market BU (+10m€) was offset by the expiry of DH green certificates (approx. 13m€) and the absence of some 2014 positive one-offs (~19m€).
- **Ebit -10.6%:** The decrease is due to higher D&A (+18m€) mainly due to AMIAT full consolidation and to the absence of the release of provisions reported in 9M 2014 (approx. -25m€, the majority of which linked to Generation and DH BU).
- **Net profit +11.4%:** The lower financial charges, due to the lower cost of debt and lower debt itself, combined with an improvement in the results of Associates and tax-rate led to the significant growth in Net profit.

# GENERATION AND DH – SBU hit mainly by exogenous elements.

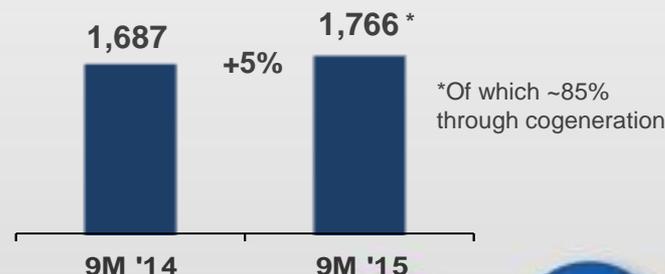
- The increase in MSD demand led the growth in the volumes of **Turbigo plant**, which was not mothballed.
- **Generation sector** benefitted from the growth in volumes sold and better MSD performance whose positive effect was more than offset by the absence of ~14m€ one-offs reported in 9M 2014.
- **Hydroelectric sector** continues to benefit from **higher production**, +3.5% (bucking the national trend, -13%). Nonetheless, the sector reported a slight decrease mainly because the absence of the 5m€ insurance reimbursement occurred in 2014.
- **DH sector** hit by the **green certificates expiry** (worth approx. 13m€ in the first 9 months of the year, 20m€ FY). Continuous network expansion trend (+1.9% in heated volumes)
- **EBIT performances** were impacted by the absence of the release of provisions (~30m€) reported in 9M 2014.

	m€	9M '14	9M '15	Δ	Δ%
Revenues		572	557	-15	-3%
Ebitda		141	120	-21	-15%
Ebit		81	25	-56	-69%
Gross Capex		52	22	-30	-58%

## ELECTRICITY PRODUCTION (GWh)



## HEAT PRODUCTION (GWht)



# MARKET – Significant results and prospects.

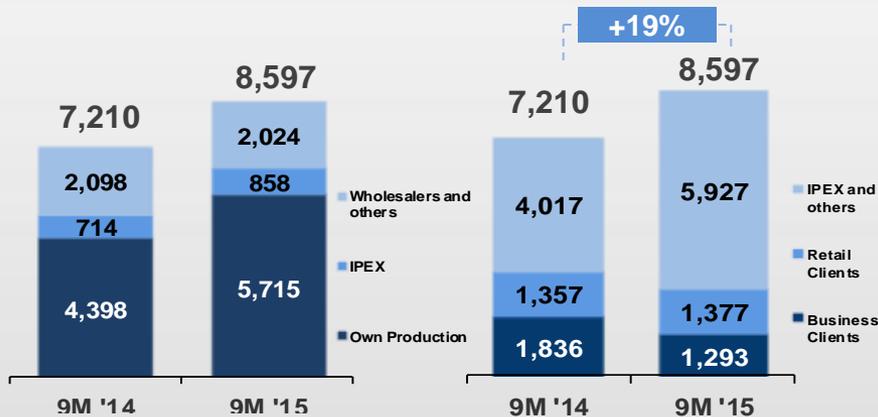
- Remarkable increase in EBITDA (+18%), supported by commercial activities and also by cost cutting, confirming the trend already reported in the last quarters.
- 1.484 mln Retail Client base (+1.2% vs 2014, of which >50% already in the free market) and a refocusing on 2016 sales to final industrial clients (+100% contracted on power thanks to Consip, +30% already contracted on gas) to reduce gross volume sold and risk of volatility

	m€	9M '14	9M '15	Δ	Δ%
Revenues		1,654	<b>1,646</b>	-8	0%
Ebitda		56	<b>66</b>	10	18%
<i>Electricity</i>		16	<b>13</b>	-3	-17%
<i>Gas&amp;Heat</i>		40	<b>53</b>	13	33%
Ebit		28	<b>37</b>	9	34%
Gross Capex		7	<b>10</b>	3	38%

## ELECTRICITY PORTFOLIO\* (GWh)

### Sources

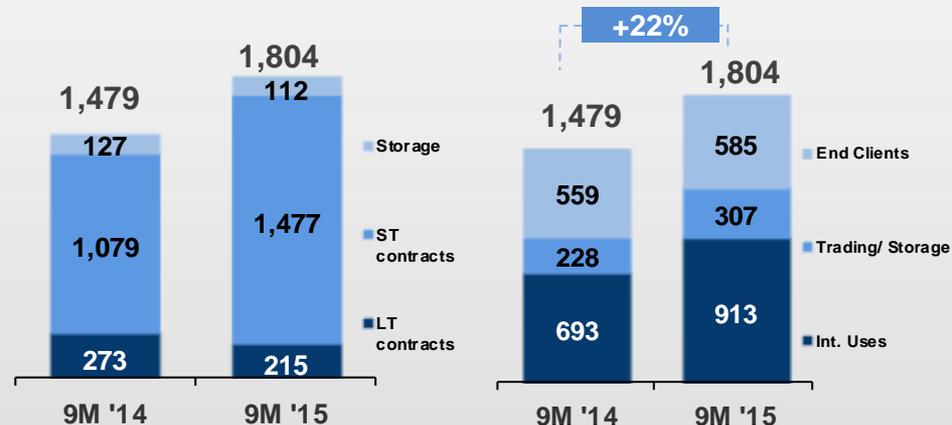
### Uses



## GAS PORTFOLIO (MCM)

### Sources

### Uses



\*net of "pass-through IpeX volumes"

# NETWORKS – Synergies extraction is one of the main drivers for the growth.

## ENERGY INFRASTRUCTURE

- **Electricity networks:** The positive results of the sector is linked to synergies achievement and the equalization for previous years.
- **Gas networks:** margin in line compared to the same period of 2014 in spite of a number of negative one-offs (-1m€) thanks to synergies extraction.

	m€	9M '14	9M '15	Δ	Δ%
Revenues		241	261	20	8%
Ebitda		107	109	2	2%
	<i>Electricity</i>	52	54	2	4%
	<i>Gas</i>	55	55	0	0%
Ebit		75	75	0	0%
Gross Capex		43	42	-1	-3%
<i>El. distr. (GWh)</i>		2,880	2,977		
<i>Gas distr. (mcm)</i>		760	816		

## WATER INFRASTRUCTURES

- The **increase in margins** reflects the positive tariff and synergy extraction trend together with the change in perimeter due to the transfer of the former SAP concessions (Savona province) to IREN, effective from the 1<sup>st</sup> of July of this year.

	m€	9M '14	9M '15	Δ	Δ%
Revenues		334	371	37	11%
Ebitda		118	125	7	5%
Ebit		66	73	7	11%
Gross Capex		48	60	12	24%
<i>Volume sold (mcm)</i>		108,9	114,1		

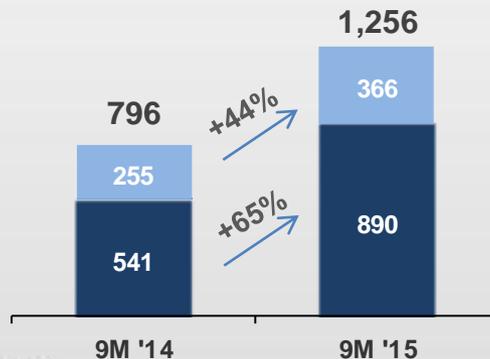
# WASTE – Doubled revenues and approx. +50% EBITDA

- The significant increase in all the SBU KPIs is related both to internal items (**the full operation of Parma WTE**, the **strong increase in special waste** collection, >40% in volumes) and to the contribution of AMIAT.
- **The punctual tariff system has been fully implemented in Parma area** involving more than 190k inhabitants. Iren's efforts in **innovating the sector** is one of the drivers of **the growth in sorted waste collection** both in the provincial (67%) and metropolitan areas (42%).

	m€	9M '14	9M '15	Δ	Δ%
Revenues		169	348	179	105%
Ebitda		39	57	18	46%
Ebit		15	24	9	63%
Gross Capex		14	12	-2	-15%

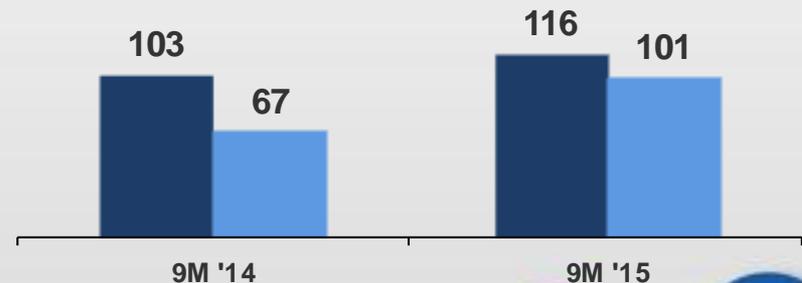
## Waste (Kton)

■ Urban waste ■ Special waste



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

■ Energy sold ■ Heat sold



# From EBITDA to Net Profit.

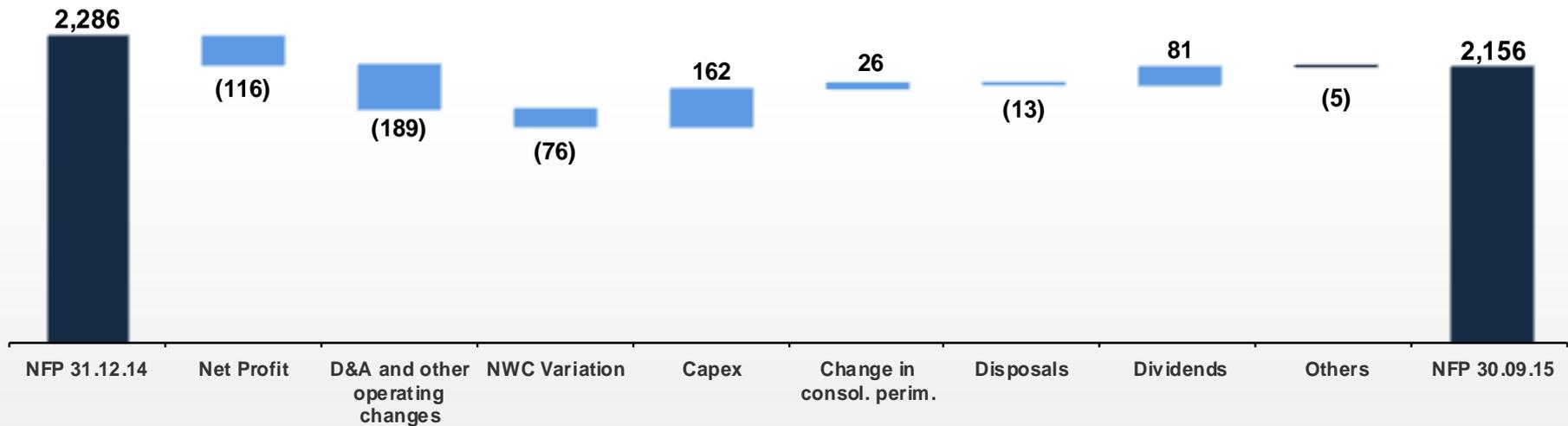
	9M '14	9M '15	Δ	Δ%
EBITDA	484.3	497.6	13.3	2,7%
<i>D&amp;A</i>	-179.7	<b>-198.1</b>		
<i>Provisions</i>	-21.9	<b>-46.7</b>		
EBIT	282.7	<b>252.8</b>	-29.9	-10,6%
<i>Financial charges for loans</i>	-69.1	<b>-63.3</b>		
<i>Other financial charges</i>	-7.6	<b>-4.4</b>		
<i>Companies consolidated with e.m.</i>	-12.2	<b>0.3</b>		
EBT	193.8	<b>185.5</b>	-8.3	-4.3%
<i>Taxes</i>	-91.7	<b>-69.8</b>		
<i>Minorities</i>	-13.4	<b>-16.9</b>		
Group net profit	88.7	<b>98.8</b>	10.1	11.4%

- **Higher D&A** related mainly to Generation&DH and Waste sectors.
- **Higher provision** due to the absence of the ~25m€ funds release reported in 9M 2014.

- **Lower FC** due to lower cost of debt and lower actualization costs

- **Lower tax-rate** linked to the **cancellation of RHT** and the **change in IRAP** regulatory framework.

# Cash-flow and NFP Bridge.



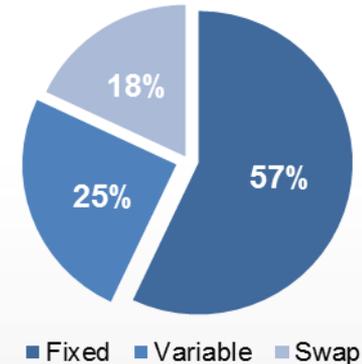
- The positive trend reported in the first half of the year is maintained (~130m€ reduction in NFP), thanks to a strong operating cash flow generation of approximately 400m€.



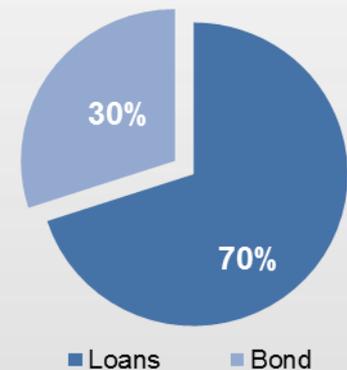
# Interest rate and debt structure\*

- 25% of gross debt at variable interest rate.
- Average long-term debt duration of about 4.5 years.
- Significant reduction in cost of debt (3.4% compared to 3.8% in FY 2014).
- Approximately one-third of Iren's total debt is funded through bonds.
- Assignment of an investment-grade rating by Fitch Agency

Gross debt interest rate



Debt structure





# Annexes



# Market Scenario.

	9M '14	9M '15	Δ%
Brent USD/bbl	106.5	<b>55.4</b>	-48.0%
€/USD	1.4	<b>1,1</b>	-17.8%
Brent €/bbl	78.6	<b>49.7</b>	-36.8%
Gas Demand (bcm)	44	<b>47</b>	+8.5%
PSV €/000 scm	237	<b>244</b>	+3.0%
Energy Demand (Twh)	233	<b>237</b>	1.9%
PUN (€/Mwh)	49.8	<b>52.1</b>	+4.7%
CO2 €/Ton	5.7	<b>7.4</b>	+29.5%
Green Cert. Hydro (€/Mwh)	98.2	<b>99.9</b>	+1.7%

- The normalization of climate conditions, along with a recovery in Thermolectric uses, led to a 8.5% growth in gas demand
  - PUN level marks a 4.7% growth thanks mainly to the exceptional hot weather during the summer season.

# Balance Sheet.

	FY '14	9M '15
<i>Net fixed assets</i>	4,619	<b>4,597</b>
<i>Net Working Capital</i>	238	<b>170</b>
<i>Funds</i>	-550	<b>-547</b>
<i>Other assets and liabilities</i>	-28	<b>-29</b>
<b>Net invested capital</b>	<b>4,279</b>	<b>4,191</b>
<i>Group Shareholders' equity</i>	1,993	<b>2,035</b>
<i>Net Financial Position</i>	2,286	<b>2,156</b>
<b>Total Funds</b>	<b>4,279</b>	<b>4,191</b>

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