



15th of May 2014

2014 – 1Q Results

Market Scenario.

	1Q '13	1Q '14	Δ %
Brent USD / bbl	112.6	108.2	-3.9%
USD / €	1.30	1.37	+3.7%
Brent € / bbl	85.2	79.0	-7.3%
Gas Demand (bcm)	26.2	21.4	-18.3%
PSV €/000 scm	288	269	-6.5%
Energy demand (Twh)	81.2	78.1	-3.7%
PUN (€ /MWh)	63.8	52.5	-17.8%
CO_2 (€ /Ton.)	4.7	5.8	+23.1%
Green Cert. Hydro (€ /MWh)	80.2	88.3	+10.0%

The last winter season was the second warmest in the last century.
Such exceptional mildness led to an extraordinary drop
in gas (and heat) demand (-18.3%)

Opening remarks

1 RESULTS

The results achieved in the first quarter 2014 are in line with our expectations.

The predictable items, already communicated to the market, such as the negative impact of a number of changes in regulatory framework, were in fact already included in our expectations.

The effects of unpredictable items, in particular the drop in gas and DH volumes sold, due to the exceptional mild winter season, were offset by other positive operating factors.

2 DECONSOLIDATION

From 1st of January 2014, IFRS 11 entered into force, excluding the proportional consolidation of IREN's JVs. It implies a consolidation method change, from proportional to equity, for the following companies

- OLT
- SAP
- AES*
- IREN Rinnovabili

**AES: deconsolidation of the Company and full consolidation of Turin DH networks*

1Q 2014 – Performances impacted by the negative scenario and exceptional climate conditions

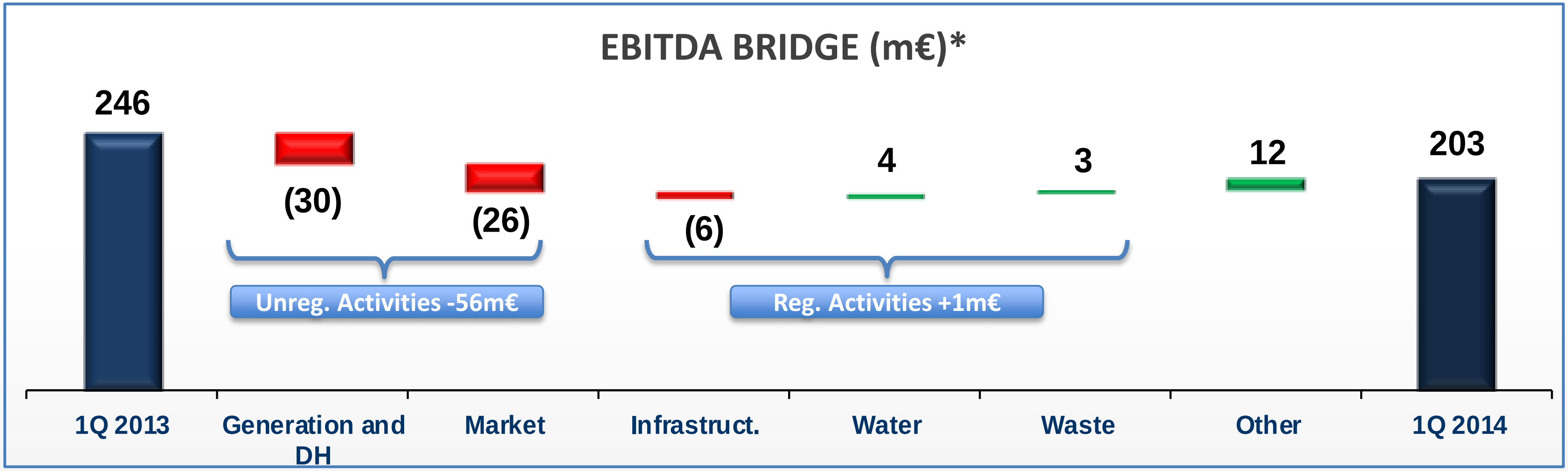
EURm	1Q '13(1)	1Q '14(1)	Δ	Δ %
REVENUES	1,106	903	-202.5	-18.3%
EBITDA	246	203	-42.4	-17.3%
EBITDA (margin)	*22,2%*	*22.5%*		
EBIT	176	129	-47.2	-26.8%
NET PROFIT	83	51	-31.4	-38.0%
GROSS CAPEX	37	43	+6.5	+17.3%
NFP	2,192(2)	2,175	-17.6	-0.8%

- **Revenues down by 18.3%:** Reduction in revenues caused mainly by lower volumes of electricity, heat and gas sold due to the combined effects of the particularly mild winter season and the unfavorable macro-economic scenario.
- **EBITDA -17.3%:** The significant decrease in EBITDA is composed of: - the anticipated reduction in unregulated activities linked chiefly to CCI revision (approx -20m€); - the expiry of part of the green certificates on heat production (-5m€); - and the reduction in gas volumes (- 25%) and heat volumes (-18%) (approximately -20m€)*.
- **EBIT -26.8%:** EBIT is negatively impacted by the operating performance and a slight increase in depreciation.
- **Net profit -38.0%:** Lower net profit derives from the income statement's top-line.
- **Gross Capex :** The growth is mainly linked to different seasonal planning in investments (cogeneration and district heating, modernization of gas/electricity networks)
- **NFP -0.8%:** Significant reduction compared to the FY 2013 reported NFP (2,525m€), equal to 351m€, mainly as a result of IFRS 11 (333m€) . Related improvement in the Debt/Ebitda ratio.

*Note: *This effect is due to anticipated reduction in volumes and to specific additional negative effects on volumes sold (temperature). The latter was compensated by positive operating elements, so bringing EBITDA to the expected value.*

(1) Restated; (2) at 31/12/2013;

EBITDA BRIDGE – Lower volumes and prices affecting unreg. activities



- **EBITDA bridge - Key Elements:**
  - In spite of a positive contribution of the hydroelectric sector, unregulated activities reported a slowdown due mainly to the gloomy scenario in terms of demand and prices, recent changes in regulatory framework, a particularly warm winter season and the expiry of the part of the green certificates deriving from heat generation.
  - The decrease in the energy infrastructures sector came principally from the absence of the positive one-offs reported in 2013.
  - The positive trend in the Water sector reported in the last quarters is confirmed and it is linked to tariff increase in compliance with the regulatory framework outlined by the AEEG for 2014-15 and operating cost-savings
  - The Waste sector's margins are positively impacted by the commissioning of the new WTE in Parma and an improvement in commercial activities in special waste
  - Other: Proceeds from disposal in Real Estate Fund

*Restated

GENERATION AND DH – External variables impacted margins.

1Q '14 vs. 1Q '13

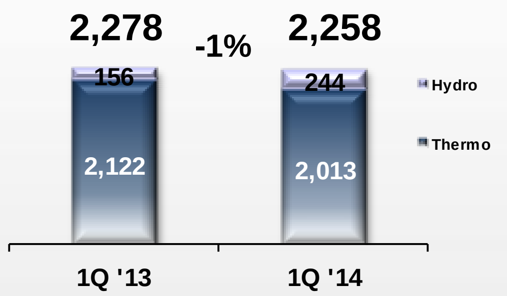
Electr. generation affected by lower volumes and prices: the drop in national thermo-electric production, broadly reflected also in Iren's figures, and a lower spark-spread (PUN – 18% QoQ, mitigated by positive performances in MSD) drove the decrease in the electricity margins.

Excellent performance in Hydro sector, mainly thanks to a strong recovery in basin levels and higher volumes (+56%) from the Tusciano hydroelectric plant which more than offset the reduction in prices.

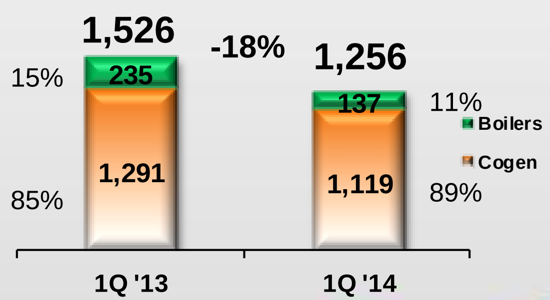
Lower heat volumes sold and environmental certificates due to the mild winter season, along with the expiry of part of DH green certificates and a lower margin caused by the new CCI regulatory framework are the main reasons of the decrease in the sector, despite a further 2mcm of volumes heated compared to 1Q 2013.

	1Q '13	1Q '14	Δ€m	Δ%
Revenues	338	302	(36)	-11%
EBITDA	100	70	(30)	-30%
EBIT	73	42	(31)	-42%
Gross CAPEX	5	5	0	8%

ELECTRICITY PRODUCTION (GWh)



HEAT PRODUCTION (GWht)



MARKET – Lower volumes and changes in CCI calculation drove the decrease in the sector

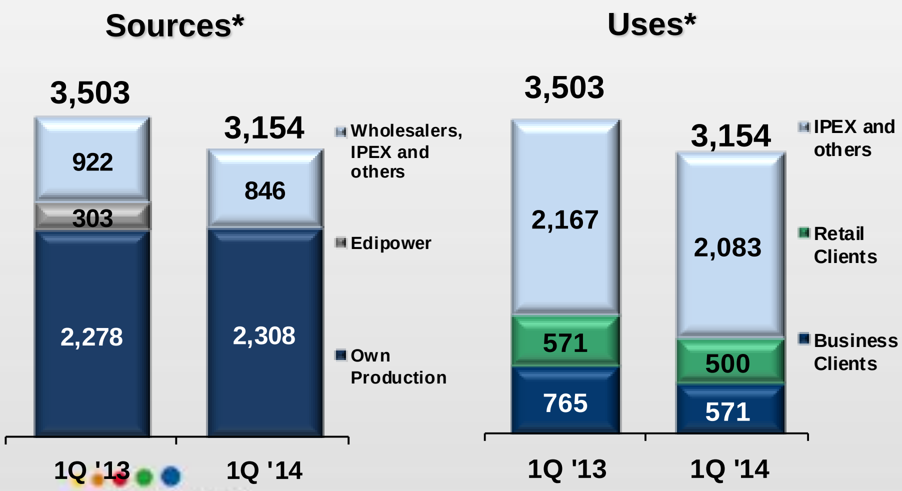
1Q ’14 vs. 1Q ’13

Gas and Heat Sales: The key elements that impacted most the performances are the recalculation of the CCI outlined by the AEEG (effective from 2H 2013) and the decrease in volumes sold, due mainly to an unfavorable winter season.

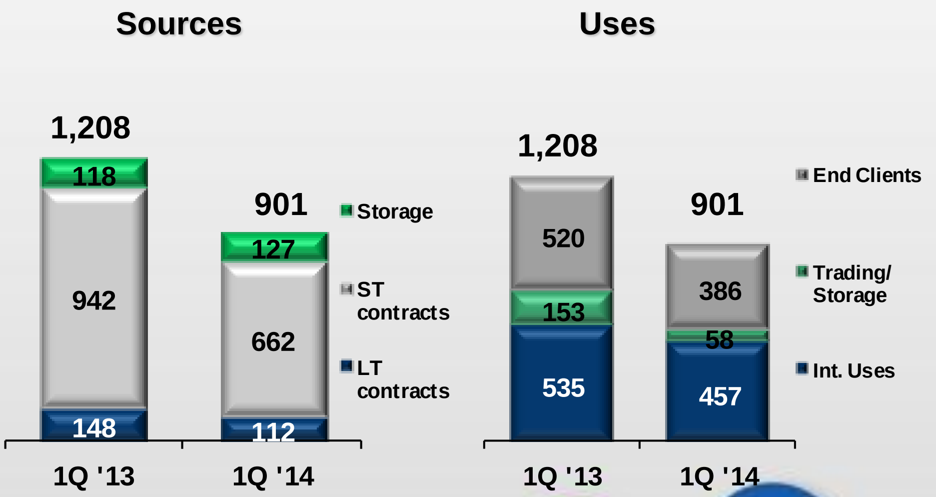
Electricity sales: the good result in electricity sales derives mainly by the absence of the negative effect reported in 1Q 2013 linked to Edipower tolling (-4m€)

	1Q '13	1Q '14	Δ€m	Δ%
Revenues	**1,105**	**873**	**(232)**	**-21%**
EBITDA	**67**	**41**	**(26)**	**-39%**
Electricity	*6*	*9*	*3*	*47%*
Gas & Heat	*61*	*32*	*(29)*	*-48%*
EBIT	**56**	**29**	**(27)**	**-48%**
Gross CAPEX	**2**	**2**	**1**	**35%**

ELECTRICITY PORTFOLIO (GWh)



GAS PORTFOLIO (MCM)



*net of “pass-through Ipex volumes”

DISTRIBUTION – Increase in tariff and absence of positive extraordinary items reported in 1Q 2013.

1Q ’14 vs. 1Q ’13

ENERGY INFRASTRUCTURE

- **Electricity networks:** Extraordinary items accounted for in the previous years explain the reported results.
- **Gas networks:** The reduction in margins are linked both to the effects of the new regulatory period (2014-2019) and to positive extraordinary items reported last year.

	1Q '13	1Q '14	Δ€m	Δ%
Revenues	**79**	**77**	**(2)**	**-2%**
EBITDA	**38**	**33**	**(5)**	**-14%**
Electricity	*20*	17	*(3)*	*-19%*
Gas/Regas.	*18*	*16*	*(2)*	*-9%*
EBIT	**28**	**22**	**(6)**	**-20%**
Gross CAPEX	**9**	**14**	**5**	**59%**
Electr. distr. (Gwh)	**1,067**	**996**		
Gas distrib. (mcm)	**672**	**548**		

WATER

- **Slight increase in Revenues:** tariff increases, linked to the new 2014-2015 Tariff Method, drove the growth in revenues.
- **Growth in EBITDA**: Increase from tariff and decrease in operating costs.

	1Q '13	1Q '14	Δ€m	Δ%
Revenues	**95**	**99**	**4**	**4%**
EBITDA	**31**	**35**	**4**	**12%**
EBIT	**13**	**17**	**4**	**27%**
Gross CAPEX	**9**	**11**	**2**	**16%**
Volume sold (mcm)	**37**	**38**		

iren

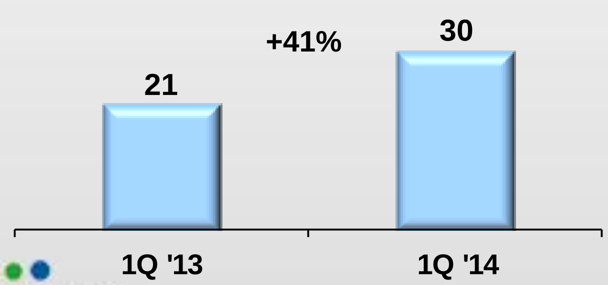
WASTE – Positive results from the new WTE in Parma

1Q ’14 vs. 1Q ’13

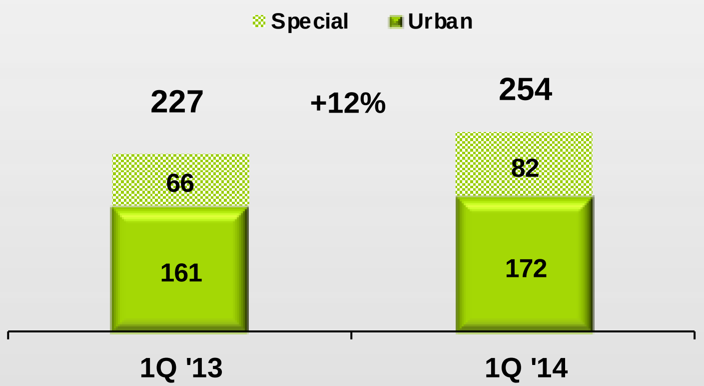
- **Higher revenues:** The strong increase in electricity and heat production, deriving from the new WTE in Parma, drove the increase in revenues.
- **Relevant growth in EBITDA** reflects the positive performance in revenues.
- Sorted waste percentage at 62% (from 59% reported in 1Q 2013).
- + 25% in special waste collection.

	1Q '13	1Q '14	Δ€m	Δ%
Revenues	53	56	3	7%
EBITDA	10	13	3	28%
EBIT	6	6	0	7%
Gross CAPEX	11	8	-2	-22%

Energy from Waste (Gwh)



Waste (Kton)



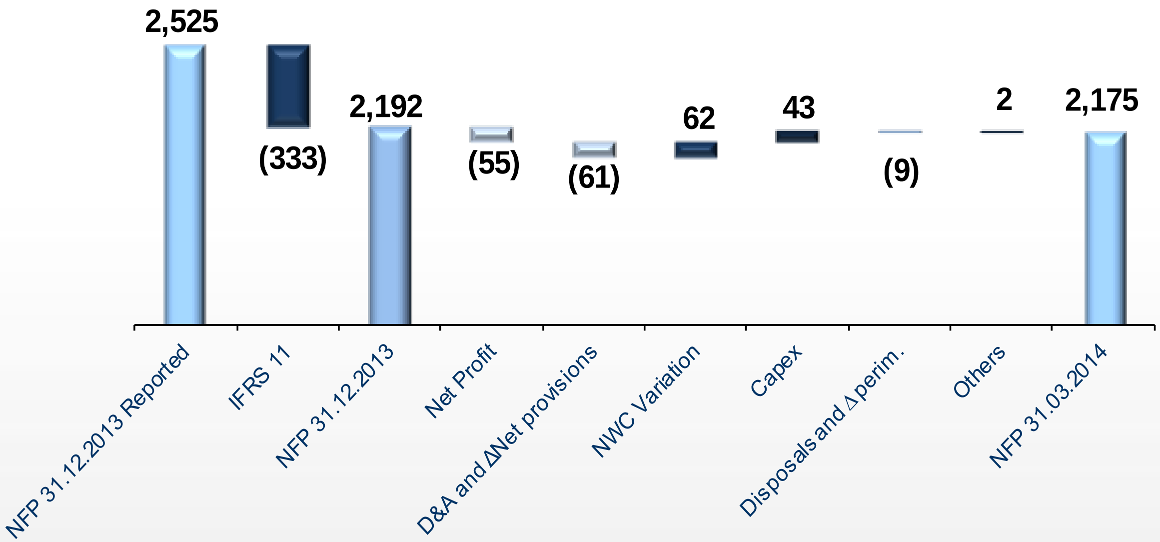
From EBIT to Net Profit.

	1Q '13	1Q '14	Δ%
EBIT	**175.9**	**128.7**	**-26.8%**
Financial charges	*(25.2)*	*(25.7)*	
Companies consolidated with E.M.	*(0.3)*	*(2.8)*	
Adj. in participations	-	-	
EBT	**150.4**	**100.2**	**-33.4%**
Taxes	*(65.0)*	*(45.4)*	
Profit from discontinued oper.	-	-	
Minorities	*(2.7)*	*(3.5)*	
Group net profit	**82.7**	**51.3**	**-38.0%**

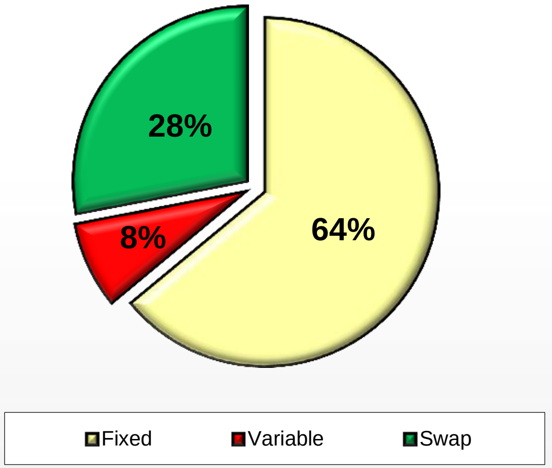
- **Financial Charges** in line with 1Q 2013
- **Lower Taxes,** due to the decrease in EBT

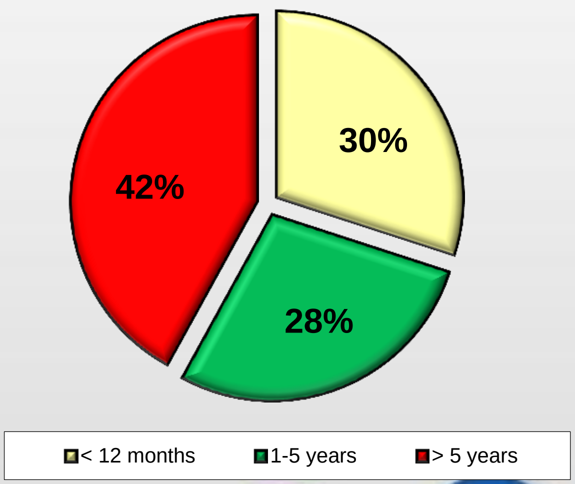
CASH-FLOW & DEBT STRUCTURE.

NFP Bridge 31.03.2014



Interest rate* and Debt Structure**





- Significant reduction compared to the FY 2013 reported NFP (2,525m€), equal to 351m€, mainly coming from t IFRS 11 (333m€). It led to a 2013 restated Debt/EBITDA ratio of approx. 3.5x
- Average long-term debt duration of about 4.3 years.
- 8% of net debt at variable interest rate.
- The average cost of debt in the 1Q 2014 stood at 3.94%, substantially stable compared to FY 2013.

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

Annexes

Balance Sheet*.

€ m	31.12.2013	31.03.2014
Net fixed assets	4,527	4,513
Net Working Capital	151	213
Funds	(474)	(486)
Other assets and liabilities	(13)	(18)
Net invested Capital	4,191	4,222
Group shareholders' equity	1,999	2,048
Net Financial Position	2,192	2,174
Total Funds	4,191	4,222

*Restated.

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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