



29th of August 2014

2014 – 1H Results

Key facts of the period.



Extremely mild winter season.



Extraordinary operations:

- AES Torino de-merger;
- Voluntary public take-over offer on Società Acque Potabili;
- Acquisition of further stakes in TRM (Turin WTE) and Tecnoborgo (Piacenza WTE).



Regulatory framework changes:

- **Integrated water service** - 2014-2015 new tariff method;
- **Integrated waste cycle** - moving from tariff to tax;
- **Gas distribution** - new regulatory period (2014-2019).



Application of the New IFRS 11: OLT, Società Acque Potabili, AES Torino, Iren Rinnovabili consolidated using the equity method.

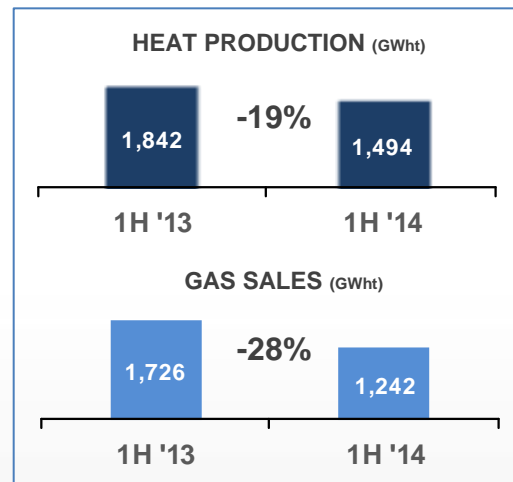
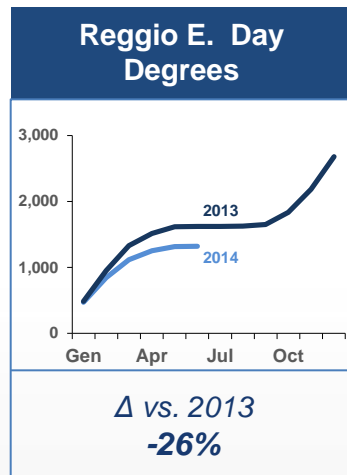
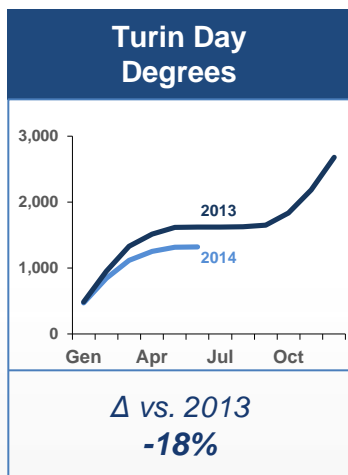


Partial expiry of green certificates subsidy on the co-generative district heating production.



Impact of external items on EBITDA.

C
L
I
M
A
T
E



**Total impact
~30m€**

G
A
S

T
A
R
I
F
F

- Since October 2013 first full effects of the revision of tariffs.
- The main change in the calculation of CCI is the alignment of the gas price for eligible end clients to the gas spot price.
- The impact of the reform is on both the gas and the DH sector, as the latter's tariff is based on the gas sale's one.

Impact on gas sales margins
~15m€

Impact on DH sales margins
~5m€

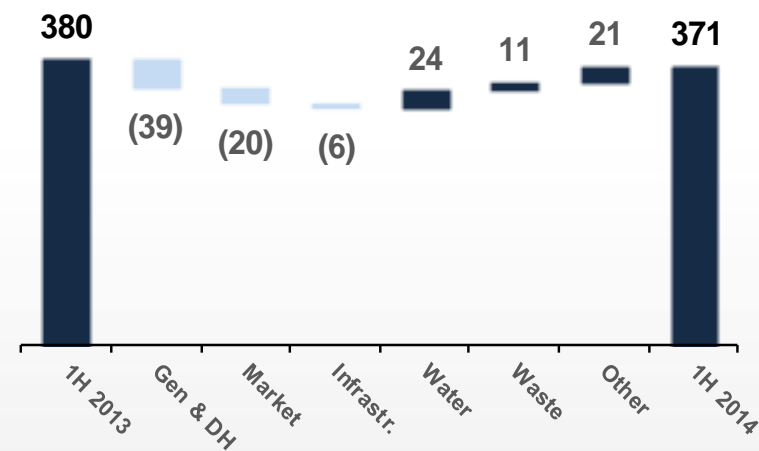
**Total impact
~20m€**

Strong recovery in operating performances compared to 1Q 2014.

Income statement

	m€	1H '13 ¹	1H '14 ¹	Δ	Δ%
Revenues		1,788	1,521	-266.6	-14.9%
Ebitda		380	371	-9.0	-2.4%
<i>Ebitda margin</i>		21.2%	24.4%		
Ebit		252	229	-23.1	-9.2%
Net profit		112	77	-35.4	-31.5%

Ebitda Bridge



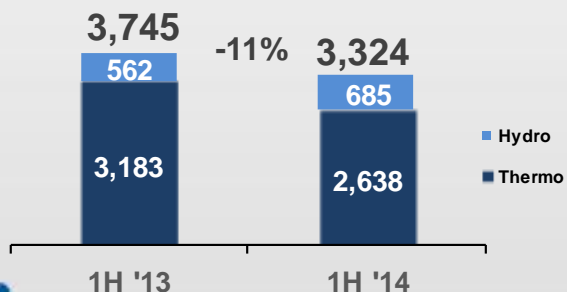
- **Revenues down by 14.9%:** extraordinary climate conditions and persistent economic slowdown.
- **Ebitda -2.4%:** significant improvement on the 1Q 2014. Positive performances in Water/Waste sectors and sale of the residual Real estate funds quota.
- **Ebit -9.2%:** negative impact from the operating performance plus a slight increase in depreciation.
- **Net profit -31.5%:** affected by the EBIT decrease and the result of the companies consolidated with the equity method as per IFRS 11.

GENERATION AND DH – Negative external variables.

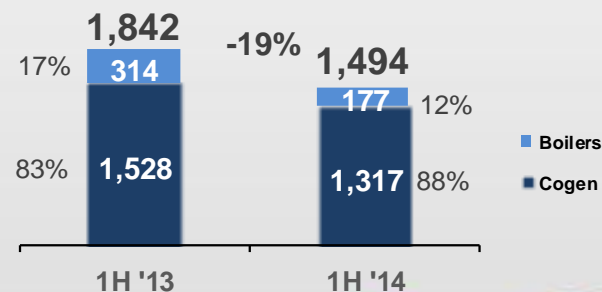
- **Cogen/Thermoelectric production sector: lower volumes (-17%) and prices (PUN -18%),** partially offset by **ETS certificates allocation** and sale to end clients.
- **Hydroelectric sector:** significant contribution from the Tusciano hydroelectric plant. Basin levels in line compared to 30th June 2013.
- Negative **external items** (mild winter season, partial expiry of DH green certificates and new CCI regulatory framework) affected the DH sector's margins.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		540	463	-77	-14%
Ebitda		156	118	-38	-25%
Ebit		122	72	-50	-41%
Gross Capex		14	30	16	119%

ELECTRICITY PRODUCTION (GWh)



HEAT PRODUCTION (GWht)



MARKET – Partial recovery compared to the first three months of the year.

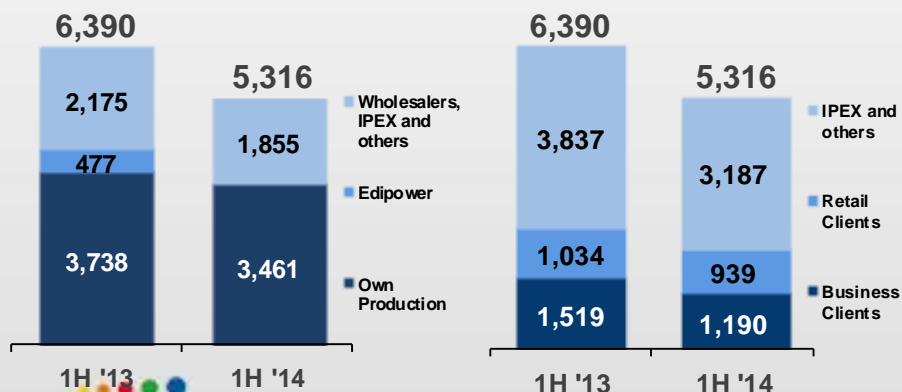
- **Gas Sales** affected by the **CCI recalculation mechanism** and the **decrease in volumes sold** (mild winter season).
- **Electricity sales:** absence of the negative effect reported in 1H 2013 (Edipower tolling -22m€).
- 1Q 2014 negative trend partly inverted.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		1,681	1,299	-382	-23%
Ebitda		68	48	-20	-29%
	<i>Electricity</i>	-5	12	17	<i>n.r.</i>
	<i>Gas&Heat</i>	73	36	-37	-51%
Ebit		44	28	-16	-37%
Gross Capex		4	5	1	28%

ELECTRICITY PORTFOLIO (GWh)

Sources*

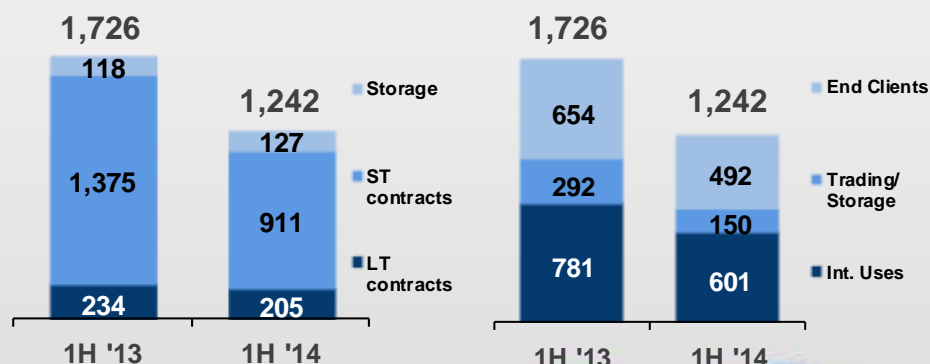
Uses*



GAS PORTFOLIO (MCM)

Sources

Uses



iren

*net of "pass-through IpeX volumes"

DISTRIBUTION – Extraordinary items affect both sectors.

ENERGY INFRASTRUCTURE

- **Electricity networks:** absence of the extraordinary items accounted for in the previous years and lower margins from services to end clients.
- **Gas networks:** Positive results linked to reduction in expenses.
- **Gross Capex** largely devoted to network improvements.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		160	161	1	1%
Ebitda		76	70	-6	-8%
	<i>Electricity</i>	40	33	-7	-18%
	<i>Gas</i>	36	37	1	3%
Ebit		53	49	-4	-7%
Gross Capex		21	29	8	41%
<i>El. distr. (GWh)</i>		2,036	1,915		
<i>Gas distr. (mcm)</i>		844	661		

WATER

- **Strong increase in Revenues and Ebitda:** Tariff growth in compliance with the new Tariff Method, 2012-2013 balance (+15m€) and cost savings.

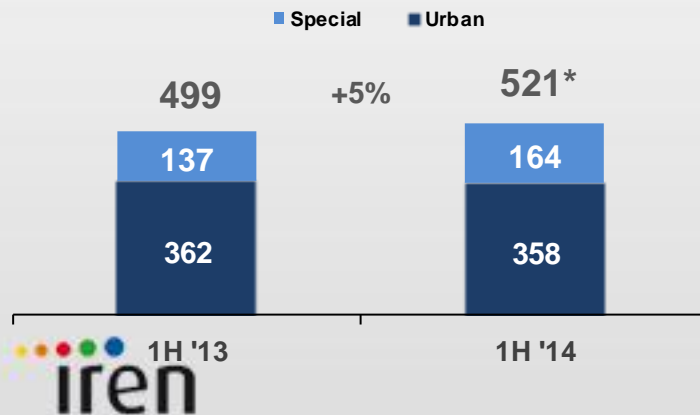
	m€	1H '13	1H '14	Δ	Δ%
Revenues		204	222	18	9%
Ebitda		60	84	24	39%
Ebit		28	49	21	76%
Gross Capex		25	25	1	3%
<i>Volume sold (mcm)</i>		75	72		

WASTE – Strong improvement compared both to 1Q 2014 and 1H 2013.

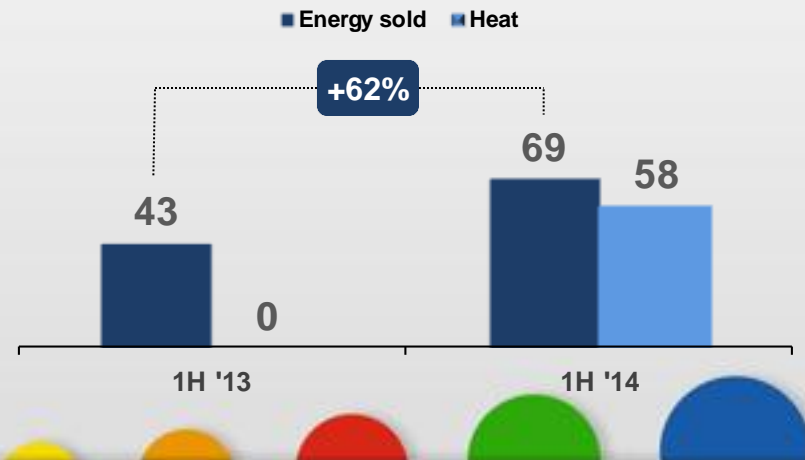
- **Higher revenues and EBITDA linked to an** increase in electricity and heat production, in the tariff for waste collection and disposal, together with an improvement in special waste management.
- Sorted waste percentage higher than 63% (up from 61% reported in 1H 2013).
- + 20% in special waste collection.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		106	116	10	9%
Ebitda		17	28	11	62%
Ebit		6	11	5	81%
Gross Capex		30	12	-18	-60%

Waste (Kton)



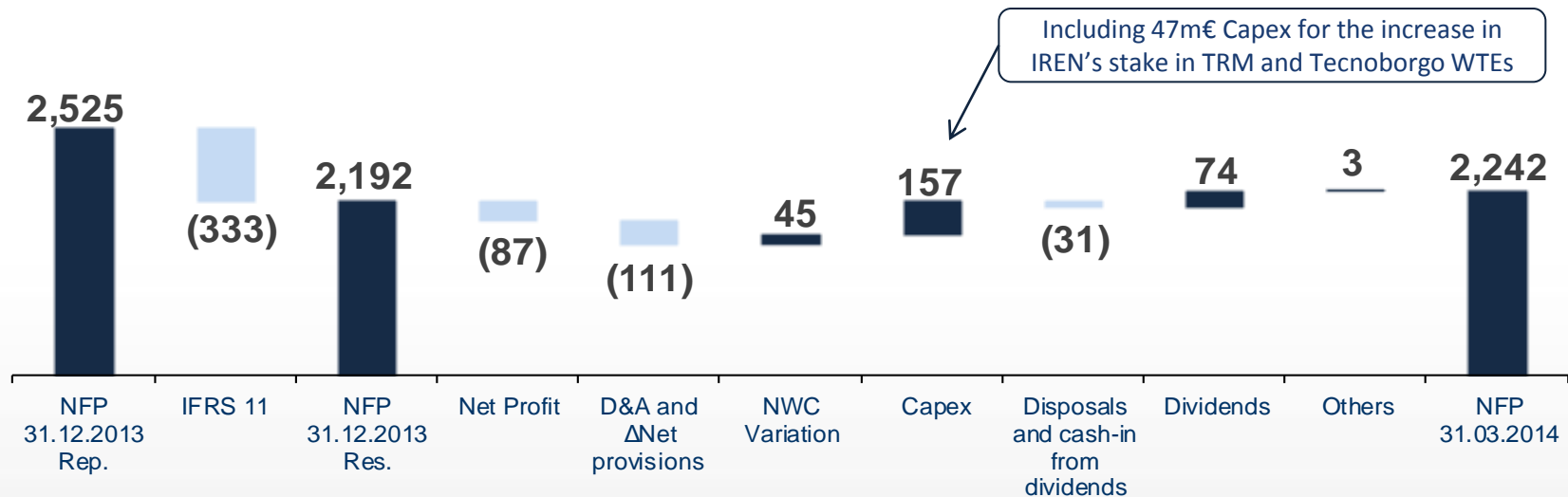
WTE - Energy and Heat production (GWh-GWht)



From EBITDA to Net Profit.

	1H '13	1H '14	Δ%	
EBITDA	379.6	370.5	-2.4%	
	<i>D&A</i>	<i>-101.2</i>	<i>-118.4</i>	Higher D&A related mainly to the Tusciano and Turbigio plants.
	<i>Provisions</i>	<i>-26.4</i>	<i>-23.2</i>	
EBIT	252.0	228.9	-9.2%	
	<i>Financial charges</i>	<i>-47.0</i>	<i>-49.9</i>	
	<i>Companies consolidated with e.m.</i>	<i>10.0</i>	<i>-11.2</i>	The negative results in C.C.E.M. is attributable mainly to OLT.
EBT	215.0	167.8	-22.0%	
	<i>Taxes</i>	<i>-96.9</i>	<i>-81.1</i>	Lower Taxes, due to the decrease in EBT.
	<i>Minorities</i>	<i>-5.8</i>	<i>-9.8</i>	
Group net profit	112.3	76.9	-31.5%	

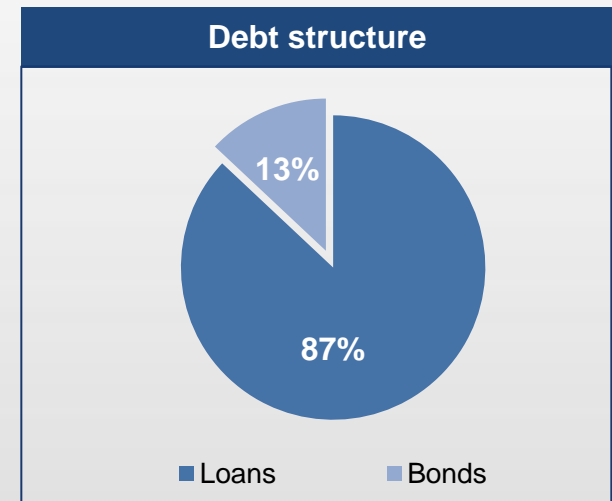
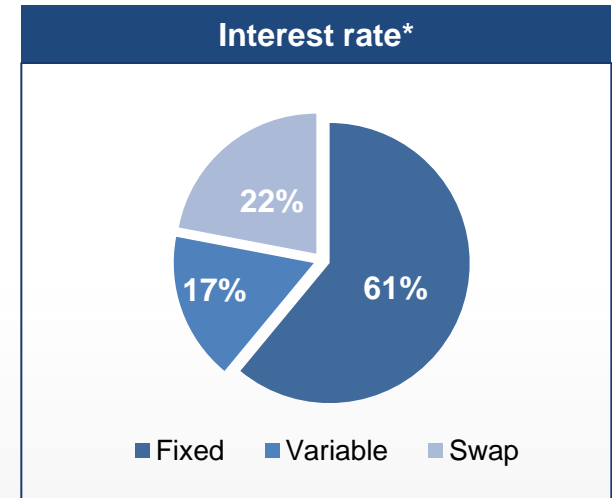
Cash-flow and NFP Bridge.



- Significant reduction compared to the FY 2013 reported NFP (2,525m€) mainly as a result of IFRS 11.
- The difference between 2013 FY Res. And 2014 1H NFP (approximately +50m€), is equal to the non-operating capex.
- Capex includes the cash-out for the acquisition of further stake in TRM and Tecnoborgo S.p.A., (companies managing respectively Turin and Piacenza's WTEs)

Interest rate and debt structure.

- 17% of net debt at variable interest rate.
- Average long-term debt duration of about 4.6 years.
- Stable cost of debt at 3.9%.
- Exploitation of the credit market opportunities: bonds account for 13% of IREN's Debt. Percentage rises to 24% taking into account the July 2014 new bonds issue.





Annexes



Market Scenario.

	1H '13	1H '14	Δ%
Brent <i>USD/bbl</i>	107.5	108.9	1.3%
USD/€	1.31	1.37	+4.3%
Brent <i>€/bbl</i>	81.9	79.5	-2.9%
Gas Demand (<i>bcm</i>)	38.1	32.6	-14.4%
PSV <i>€/000 scm</i>	294	245	-16.6%
Energy Demand (<i>Twh</i>)	157.6	152.9	-3.0%
PUN (<i>€/Mwh</i>)	60.6	49.5	-18,4%
CO ² <i>€/Ton</i>	4.3	5.5	+29.5%
Green Cert. Hydro (<i>€/Mwh</i>)	79.5	98.2	+23.5%

- The exceptional climatic conditions experienced in the last six months strongly affected gas demand (-14%)
 - PUN reached its lowest level ever.

Balance Sheet*

	FY '13	1H '14
<i>Net fixed assets</i>	4,526	4,527
<i>Net Working Capital</i>	151	197
<i>Funds</i>	-474	-475
<i>Other assets and liabilities</i>	-12	-21
Net invested capital	4,191	4,228
<i>Group Shareholders' equity</i>	1,999	1,986
<i>Net Financial Position</i>	2,192	2,242
Total Funds	4,191	4,228

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.

This document was prepared by IREN mainly for use during meetings with investors and financial analysts. This document does not constitute an offer to sell or a solicitation to buy or subscribe shares and neither this entire document or any portion of it may constitute a basis or provide a reference for any contract or commitment.

Some of the information contained in this document may contain projected data or estimates that are based on current expectations and on opinions developed by IREN and are based on current plans, estimates, projections and projects. Consequently, it is recommended that they be viewed as indicative only.

Projected data and estimates entail risks and uncertainties. There are a number of factors that could produce significant differences between projected results and actual results. In addition, results may be affected by trends that are often difficult to anticipate, are generally beyond IREN's control and could produce results and developments that are substantially different from those explicitly or implicitly described or computed in the abovementioned projected data and estimates. The non-exhaustive list that follows being provided merely by way of example, these risks include: significant changes in the global business scenario, fluctuations in the prices of certain commodities, changes in the market's competitive conditions and changes in the general regulatory framework.

Notice is also given that projected data are valid only on the date they are produced. Except for those cases in which the applicable statutes require otherwise, IREN assumes no obligation to provide updates of the abovementioned estimates and projected data.