Iren Company presentation

Polytems Conference Wien

8th June 2022



Iren at a glance





~0.6M inhabitants served in district heating

	Energy Infrastructure	Water Service	Urban Waste Collection
REGULATED ACTIVITIES (46% of Ebitda)	 RAB Electricity distribution: 480m€ RAB Gas distribution: 723m€ 2.75% electricity network leaks (vs. national avg. 6.4%) 	 RAB water cycle management: 1,199m€ 32.6% water network leaks (vs. national avg. 42%) 	 ~1.7m tons of waste collected 70.3% of sorted waste collection (vs. national avg. 63%)
	Hydroelectric Green Certificates	District Heating	Urban Waste Disposal
QUASI REGULATED ACTIVITIES (24% of Ebitda)	 225 GWh GCs produced through hydro 560K tons CO2 emission avoided from hydro 	 99.0 mcm of district heated volumes 750K tons CO2 emission avoided from cogeneration 	 3 Waste To Energy plants (total capacity ~800Kton/y, 95MW of capacity) 100% energy or material recovery from waste managed
	Generation	Energy Market	Special Waste
UNREGULATED ACTIVITIES (30% of Ebitda) 2021 Data	 2,800 MW of generation capacity 76% of electricity produced by environmentally friendly sources 	 ~6.0 TWh electricity sold to end clients ~1.0 bcm gas sold to end clients 92% customer satisfaction 	 ~881K tons of special waste managed 223.9K tons special waste to energy recovery

FY 2021 Results: Robust growth despite unexpected challenges

(m	€)	FY '20	FY '21	Δ	∆%
	Revenues	3,726	4,956	1,230	33.0%
	Ebitda	927	1,016	89	9.6%
	Ebit	415	454	39	9.3%
	Group net profit	239	303	64	26.7%
	Gross investments	913	955	42	4.6%
	NFP	2,948	2,906	-42	-1.4%



EBITDA BRIDGE





2021 – 2030 Strategic plan ambitions



Business Plan@2030: Strong growth led by the most ambitious Investment Plan ever







Regulated Quasi regulated Merchant

Regulated activities ('21-'30): +12%



Sustainable investments: 80%

EU Taxonomy eligible investments: 70%

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Strong cash flow generation underpinning sound capital structure profile & metrics





Sustainability



Sustainable Financing Framework at a Glance



Framework Components

Green Financing Component					
Category 🔍	Eligible Projects/Activities	SDG			
Renewable Energy	 Hydroelectric power electricity generation Solar PV electricity generation Wind power electricity generation 	7 stimular 9 state state 11 stimular 13 state 11 stimular 13 state			
Energy Efficiency	 Energy network development Electricity storage Thermal storage capacity Cogeneration facilities District heating networks Gas network hydrogenation Buildings energy efficiency Waste to Energy facilities Waste-to-chemical facilities 	7 entered 11 entered 13 ort 13 ort 13 ort 10 entered 10 ort 10 or			
Circular Economy	Waste urban collectionWaste urban recyclingWaste urban treatment	11 LECONDUCTOR			
Sustainable Water and Wastewater Management	Wastewater treatment plant upgradesWater distribution network efficiency	6 memory 12 synamic 13 set 13 set 14 sh nen 14 sh nen 15 set 16 set 16 set 17 synamic 18 set 19 set 19 set 10 set			
Clean Transportation	Electric VehiclesE-mobility				



Sustainability-Linked Rationale and Strategy

	KPI#1 Scope 1 GHG Emissions Intensity (gC02eq/kWh)	KPI#2 Scope 3 GHG Emissions (kt of CO2eq)	KPI#3 Water Leaks (%)	Waste treated in Material Recovery Plants (kt)
Rationale	 The target is coherent with the overall IREN's strategy to achieve net carbon neutrality in scope 1 emissions by 2040 Scope 1 emissions account for about 50% of the total Group emissions as of 2020 (baseline year) The 2030 target is validated by the Science Based Target Initiative (SBTi) - Well-below 2°C scenario 	 The target is coherent with the overall IREN's decarbonization strategy Scope 3 emissions account for about 46% of the total Group emissions as of 2020 (baseline year) The 2030 target is validated by the SBTi - Well-below 2°C scenario 	The percentage of total water leaks in Italy was 42% in 2018. The Istituto Nazionale di Statistica (ISTAT) reports that for every 100 litres introduced into the distribution network in 2018, over 42 do not reach the taps of the houses and it estimates that recovering these leaks could guarantee the water needs of about 44 million people in one year, more than two thirds of Italians ¹	 Circular Economy is embedded in the IREN's sustainability strategy IREN will contribute to the achievement of the target of Waste Framework Directive² The largest potential to improve circularity is in plastics, where recycling rates today are low³, and CO2 gains would be substantial The recovery of organic waste contributes to CO2 reduction. Plastic, organic and wood waste recovery is part of the PNRR⁴
Strategy to Achieve the Target	 Development of new RES assets, focused mainly on photovoltaic and wind power (+2.2 GW installed capacity) Renewal of hydro concessions, through revamping Divestment of thermoelectric assets (not functional to district heating) planned in the 2026-30 period Increase in the use of low carbon gases for energy production 	 Purchase of 100% renewable electricity Biomethane from waste used for mobility and to feed the gas networks Gas networks hydrogenation Push towards electrification compensating for gas consumption reduction 	 Renovation of water supply networks Grid compartmentation Smart solutions for the early identification of leakages 	IREN has acquired in 2020 I.Blu, which operates in the selection of plastic waste to be sent to recovery and recycling. The Company plans to increase the existing plant's capacity and build a new plant to treat heterogeneous plastics (plasmix) that currently have no outlet in the recycling market Furthermore, IREN plans to improve its capacity of recycling organic waste, with the production of compost and biomethane, and wood, building new and increasing existing plants



Q1 2022 Results



Sound Q1 2022 performance despite a very challenging energy & market scenario





EBITDA EVOLUTION



* Q1 '21 affected by a €12M pre-tax positive one-off effect linked to Unieco debt optimization; Q1 '22 impacted by "Contributo di solidarietà - ex art. 37 DL Taglia Prezzi" decree for estimated €24M (including impact of new measures announced and approved by Government on May 2)

**FY 2021

+€18M



* Slightly impacted by seasonality

Main takeaways from Q1 Results



Our strategic growth path sustained by the sound Q1 performance



Strengthening of the integrated energy value chain strategy to tackle the scenario volatility



FY 2022 guidance confirmed

ANNEXES







56

GROSS CAPEX

+14%

+25%

64

13

- Allowed revenues growth, mainly in water business, supported by previous years' investments (RAB), more than offsetting regulatory revision of WACC (€-3M overall impact)
- RAB increased by 7% in line with the development plan outlined in our 2030 Strategic Plan for water and electricity; gas RAB yoy evolution consistent with our strategy of maintaining stable RAB over time
- Investments increased by 14%
- Districtization activities on water cycle continued, reaching 60%+ of the grid

(۵) 17 51 (3) (3) Q1 '21 Treatment & Collection Q1 '22 -6% 842 791 241 -23% 186 601 606 +1% (ктоп) Q1 '21 Q1 '22 Urban waste Other waste

- WTEs saturation underpinning increase in heat volumes produced, combined with favourable prices evolution
- Profitability growth in **recoverable waste**
- Full contribution of biomethane new plants phased in during 2021
- Higher waste volumes delivered to landfills
- Higher operational costs on **collection activities** to improve service quality



Strong Thermoelectric and Heat performance along with new RES capacity







ELECTRICITY PRODUCED



- Heat margin normalization to recover last 2 years contraction (~€25M) along with a positive scenario impact
- Effective management of our thermo facilities, leveraging robust clean spark spread, sound ancillary services and the Capacity Market kick-off (€17M)
- Lower Hydro profitability led by severe drought (volumes down by 60%, worth €-20M)
- Photovoltaic assets acquisition contributing for €6M (Puglia Holding)
- Growth in Iren Smart Solutions activities (energy efficiency) in the wake of incentives

ENERGY

Lower supply profitability driven by natural hedging management





- Gas profitability impacted by a spike in volumes due to climate conditions, combined with exceptionally high prices in the quarter
- Strong customer base growth vs end of 2021, with +50k retail & SMEs clients
- Iren Plus positive results highlighted by the increase in penetration rate



IREN PLUS - Penetration rate



MARKET

EBITDA to Group Net Profit reconciliation



(€M)				
	Q1 '21	Q1 '22	Δ	∆%
EBITDA	312.3	362.8	50.5	16.2%
D&A	-112.0	-121.2		
Provisions to bad debt	-2.0	-1.6		
Other provisions and write-downs	-14.6	-14.3		
EBIT	183.7	225.8	42.1	22.9%
Financial charges	-16.3	-16.5		
Companies consolidated at equity method	-0.2	2.9		
Others	12.3	1.4		
EBT	179.5	213.5	34.0	19.0%
Taxes	-52.1	-86.4		
Minorities	-7.0	-8.8		
Group net profit	120.4	118.3	-2.1	-1.7%
Group net profit adjusted	111.9	142.3	30.4	27.2%

Higher depreciations linked to increased investments

- Decrease in average cost of debt (1.7% in Q1 2022 vs 1.8% in Q1 2021)
- 2021 affected by extraordinary element worth €12M (pre-tax)
- €24M estimated impact of "Contributo di solidarietà" decree (ex art. 37 DL Taglia Prezzi)
- Ordinary tax rate at 29.2%

Net Financial Position Evolution (Q1 2022 vs FY2021)





- Investments increase largely offset by the strong cash generation in the quarter
- Effective working capital management allows to overcome the increase in trade receivables linked to doubling in revenues, seasonality and the impact of government measures (bill instalment payments)
- Positive contribution from derivatives mainly related to commodities

Regulatory Framework



	Gas distribution	Sector Electricity distribution	Water service	Integrated waste collection service & regulated plants ¹
Regulatory period	6 years (2020 – 2025)	8 years (2016 – 2023)	4 years (2020 – 2023)	4 years (2022-2025)
WACC methodology update	6 years (2022 – 2027)	6 years (2022 – 2027)	4 years (2020 – 2023)	6 years (2022-2027)
WACC parameters update	Every three years for general parameters (2025); specific parameters ² in 2023	Every three years for general parameters (2025); specific parameters ² in 2024	Every two years (2024)	General and specific parameters every three years (2025)
WACC	5.6%	5.2%	4.8%	5.6%

1. Regulated Plants: methodology applied from 2022

2. Specific Parameters: Beta and Gearing

Dividend policy



Having closed 2021 ahead of our Plan, we are proposing to pull-ahead the dividend per share growth initially forecasted for the next year

DPS IMPROVED +10.5%



IREN reported solid 2021 results despite a very challenging market environment, thanks to the resilience of its business model & integrated energy value-chain and to the effectiveness of the measures taken during the year to counter the unexpected volatility of the energy scenario

Our 2021 achievements combined with the actions executed in the first few months of 2022, confirm the validity of our strategic framework and its consistency vis-à-vis the current sector mainstreams

Continuous organic development combined with the planned additional consolidations / acquisitions will be the main catalysts of our growth in the next year, further sustained by an acceleration in our target renewable investments

Debt Structure





- 99% of gross debt at fixed interest rate
- Average long-term debt **duration** of about **5.4 years** vs 5..9 years in Q1 2021
- Reduction in the average cost of debt (1.7% vs. 1.8% in Q1 '21)
- 64% of the Iren total debt is composed of green and assimilated instruments
- € 1,328 MIn liquidity position, of which:
 - € 553 Mln cash
 - € 775 MIn committed bank facilities

- New Sustainability Financing Framework published
- New credit rating from S&P and confirmed of rating Fitch

Outstanding Bonds

Issuer	Cpn (%)	Issue Date	Maturity	Amount (EUR)
IREN SPA	2.750	11/2/2015	11/2/2022	359,634,000
IREN SPA	0.875	11/2/2016	11/4/2024	500,000,000
IREN SPA	1.950	9/19/2018	9/19/2025	500,000,000
IREN SPA	1.500	10/24/2017	10/24/2027	500,000,000
IREN SPA	0.875	10/14/2019	10/14/2029	500,000,000
IREN SPA	1.000	7/1/2020	7/1/2030	500,000,000
IREN SPA	0.250	12/17/2020	1/17/2031	500,000,000

Green bond in green

Overview of Iren Rating Positioning



Standard & Poor's (BBB- / Positive Outlook)

S&P Global

Ratings

- Iren's credit quality reflects its solid position in Italy as one of the largest multi-utilities and its high share of regulated activities
- The positive outlook on Iren reflects our expectation that it will continue to strengthen its position in the regulated segment, thanks to its ambitious capex plan, while improving its credit metrics
- If Iren successfully executes its plan, we believe it can maintain adjusted FFO to debt of about 20% over 2021-2023, with debt to EBITDA not increasing substantially above 4.0x

Factors that could lead to a positive Rating Action/ Upgrade:

- Adjusted FFO to debt increase above 20%
- Adjusted debt to EBITDA trends below 4.0x

Factors that could lead to a negative Rating Action/ Downgrade:

- Adjusted FFO to debt remains below 20%
- Adjusted debt to EBITDA does not decline below 4.0x

Fitch (BBB / Stable Outlook)

CONFIRMED

FitchRatings

- The affirmation of Iren S.p.A.'s Issuer Default Rating (IDR) reflects the company's updated business plan up to 2026-2030 that is broadly in line with its historical strategic pattern and has a focus on regulated and quasi-regulated activities
- Overall, the business plan's financial targets renew Iren's commitment towards a capital structure that is consistent with the current rating. Fitch Ratings deems Iren fairly placed for a 'BBB' rating, as Fitch expects funds from operations (FFO) net leverage to remain at 4.5x on average until 2026

Factors that could lead to a positive Rating Action/ Upgrade:

- FFO net leverage declining below 4.3x
- FFO interest coverage sustained above 5.0x

Factors that could lead to a negative Rating Action/ Downgrade:

- FFO net leverage above 5.0x
- FFO interest coverage below 4.0x over a sustained period
- Growing exposure to unregulated activities

Key Rating Agencies Messages

NEW

Rating Sensitivities

Disclaimer



The Manager in charge of drawing up the corporate accounting documents and the Chief Financial Officer of IREN S.p.A., Ms. Anna Tanganelli, 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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