

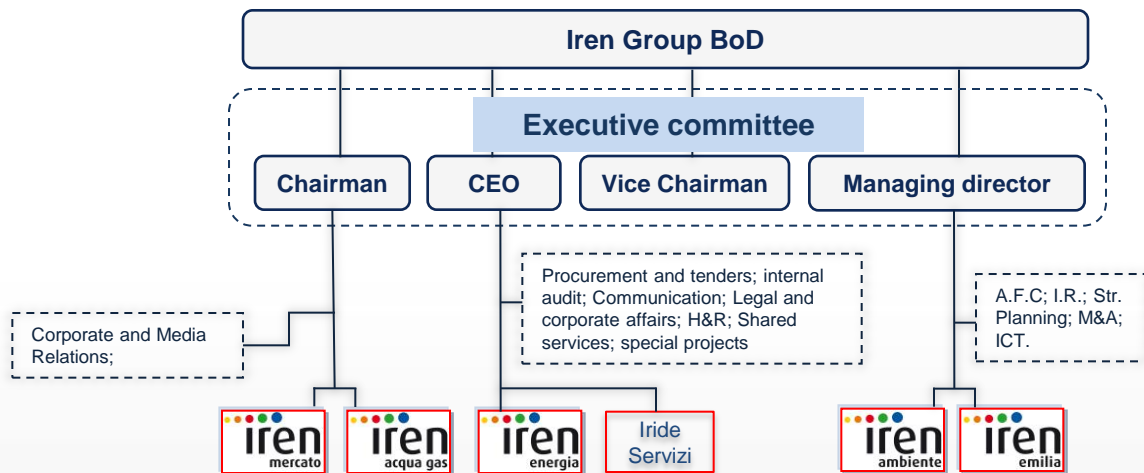


29th of August 2013

# 2013 – 1H Results

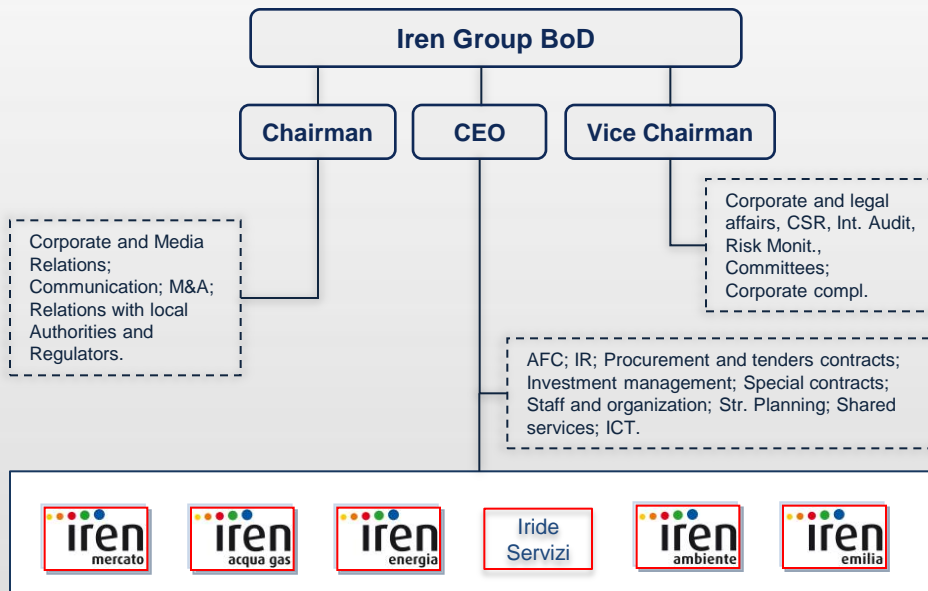
# IREN'S new Corporate Governance structure.

Former Governance



Pushing towards integration

New Governance

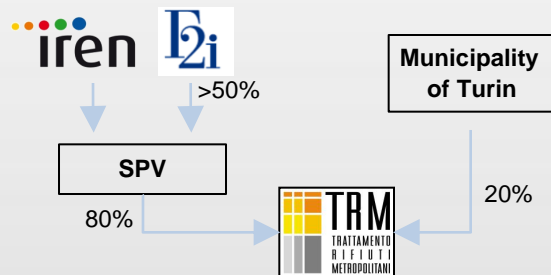


# Completed operations (2012): WASTE.



Acquisition of 80% of TRM with F2i.

TRM is the Company which is building the new WTE in Turin (420kton/yr).

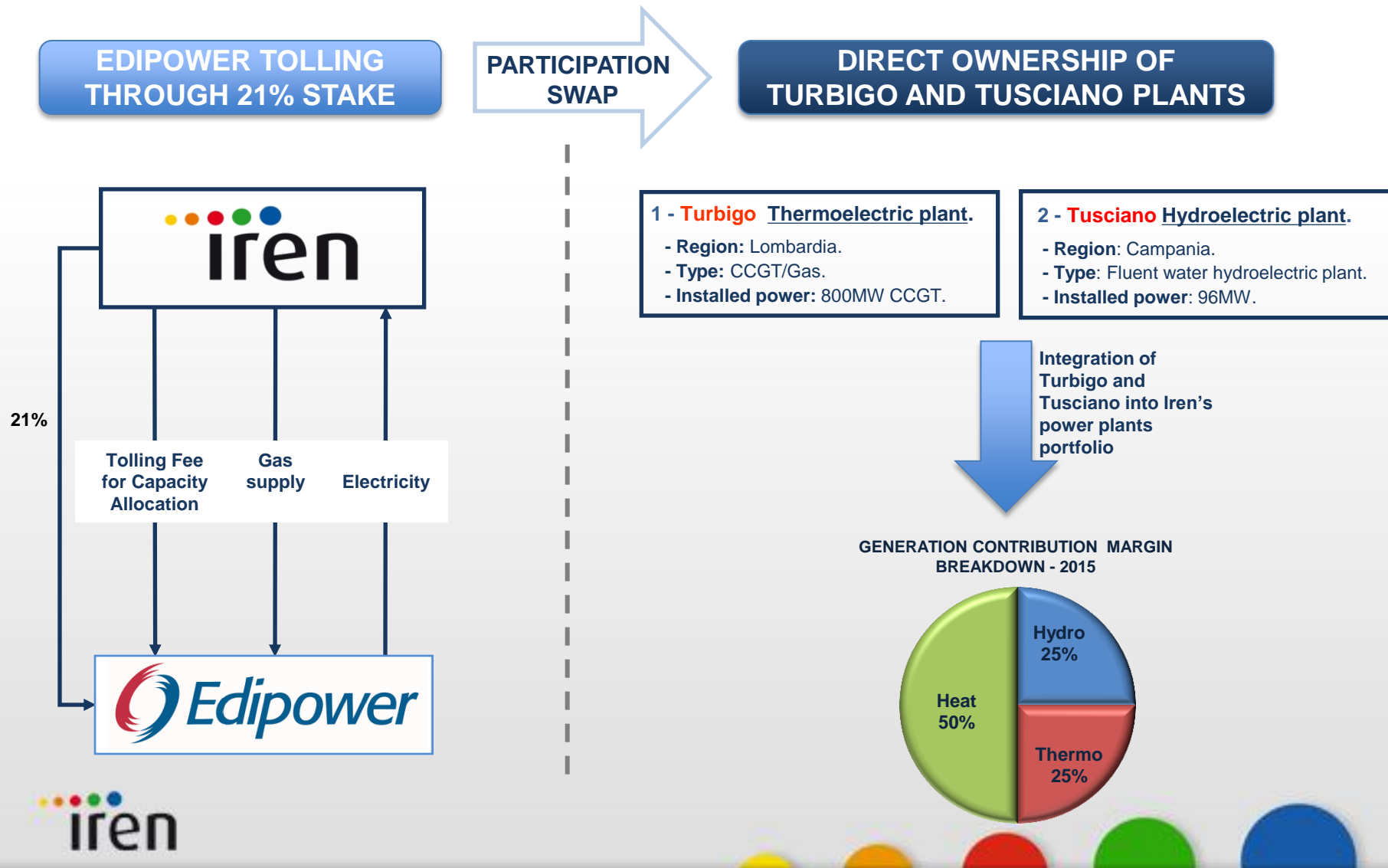


Acquisition of 49% of AMIAT.

AMIAT is the Company which manages urban waste collection in Turin.



# Completed operations (2013): Edipower swap-option.



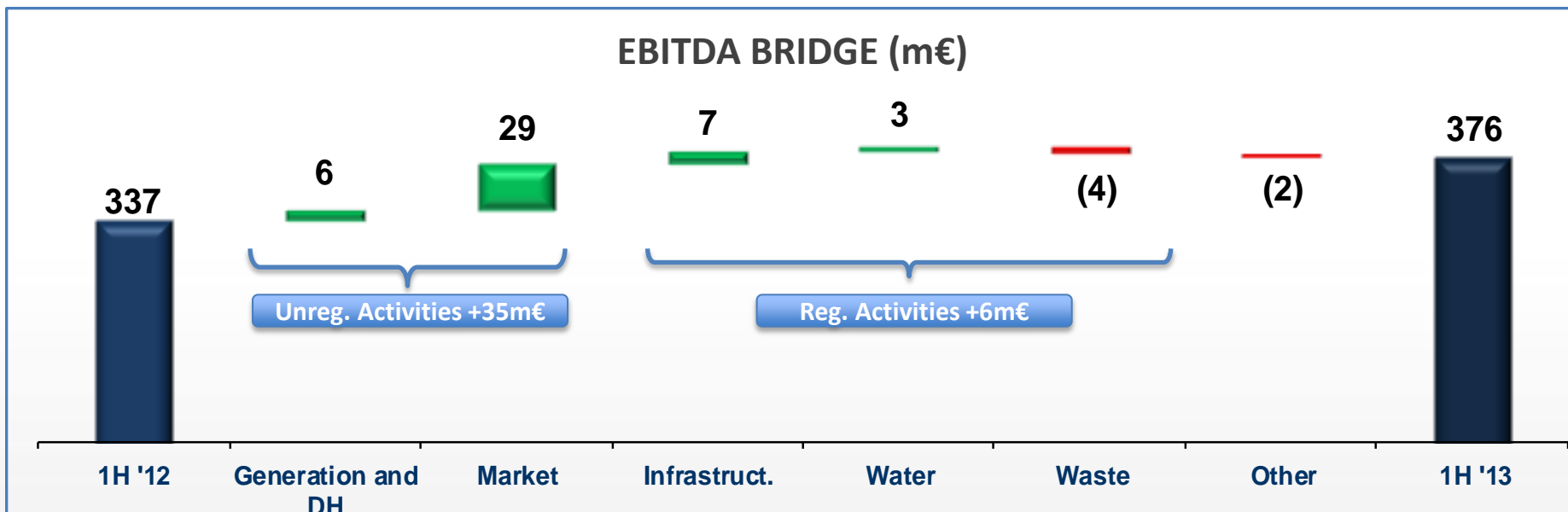
# 1H 2013 – Positive trend confirmed.

	<i>EURm</i>	1H '12	1H '13	Δ	Δ %
REVENUES		2,267	1,823	-444.6	-19.6%
EBITDA		337	376	+39.4	+11.7%
<i>EBITDA (margin)</i>		14.8%	20.6%		
EBIT		196	240	+44.2	+22.6%
NET PROFIT		75	111	+35.5	+47.1%
GROSS CAPEX		146	119	-27.0	-18.5%
NFP		2,555*	2,467	-87.8	-3.4%

- **Revenues down by 19.6%:** Lower revenues derive mainly from the commercial policy of the Gruppo IREN consisting in focusing on “SoHo/Retail Clients” and reducing its presence in the “Business/industrial Clients” sector, with a significant positive impact on Net Working Capital.
- **EBITDA +11.7%:** The excellent performance in unregulated activities, in spite of a persistent negative macroeconomic scenario, drove the increase in EBITDA.
- **EBIT +22.6%:** The positive results in EBITDA are reflected and amplified in EBIT growth.
- **Net profit +47.1%:** Operational results and an improvement in the financial management boosted the Net profit.
- **Gross Investments down by 18.5%:** The steady decrease is in line with the planned cut in capex, and it underlines the end of Gruppo IREN’s current strategic investment cycle.
- **NFP -3.4%:** The fifth consecutive quarter reporting a significant decrease in NFP confirms the efforts of the Group in keeping working capital and debt under control.



# EBITDA BRIDGE – Positive results both in unregulated and regulated business, with a strong increase in Market SBU.



## EBITDA bridge - Key Elements:

- The optimization of gas procurement activity, together with the increase in electricity and heat production and a positive performance in MSD market drove the remarkable growth in unregulated business, offsetting the absence of the positive extraordinary item reported in 1H 2012 (Telessio's stranded costs, 16€m)
- Significant growth in distribution activities mainly thanks to equalization for previous years.
- The increase in Water sector is due mainly to tariff increases in compliance with the new regulatory framework outlined by the AEEG at the end of 2012.
- The Waste sector's margins are negatively impacted by the shutdown of the WTE in Reggio (May 2012).

# GENERATION AND DH – Growth driven by higher volumes and spark-spread.

## 1H '13 vs. 1H '12

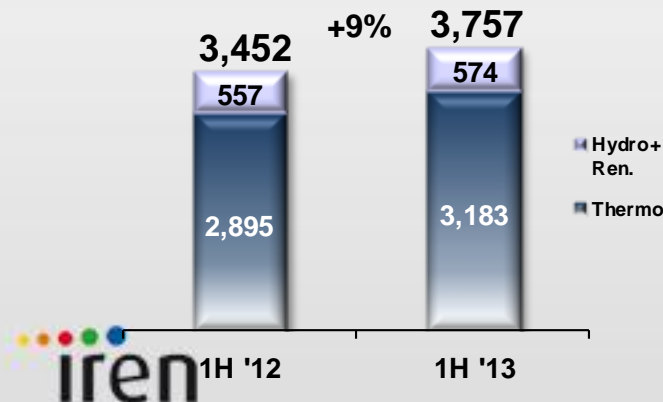
↑ **Strong improvements in Cogen confirmed.** The higher spark-spread, arising from a sound management of the gas procurement policy and higher profitability in MSD market drove the growth. Worth noting: the thermoelectric production rose by 10%, unlike the trend of national production, dropped by 23% (gas fuelled).

↑ **Positive results in DH** thanks both to a growth in volumes, (driven by higher volumes heated and a favorable winter season) and an increase in spark-spread (higher percentage of cogenerated heat vs. boiler production)

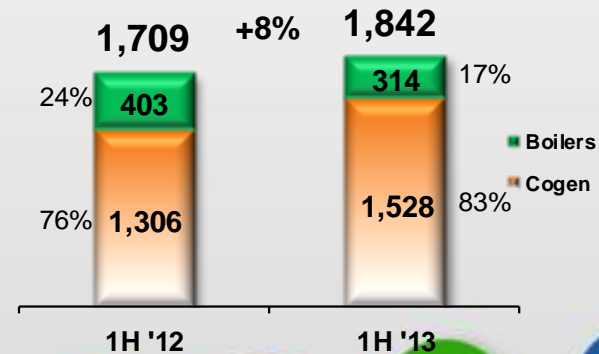
↓ **The decrease in Hydro** is linked mainly to the positive one-off reported in 1H 2012 (Telessio's stranded costs were worth 16m€). At the end of June 2013 the power in basins were 11% higher compared to the same date in 2012.

	1H '12	1H '13	Δ€m	Δ%
<b>Revenues</b>	550	521	(29)	-5%
<b>EBITDA</b>	130	136	6	5%
<b>EBIT</b>	80	105	25	31%
<b>Gross CAPEX</b>	25	13	(12)	-47%

**ELECTRICITY PRODUCTION (GWh)**



**HEAT PRODUCTION (GWht)**



# MARKET – Outstanding results in gas sector.

## 1H '13 vs. 1H '12

**Gas and Heat Sales:** The significant results reported in the last quarters are confirmed, thanks to an optimized procurement portfolio which exploited market liquidity.

**Electricity sales:** The results were hit mainly by the Edipower tolling agreement continuation.

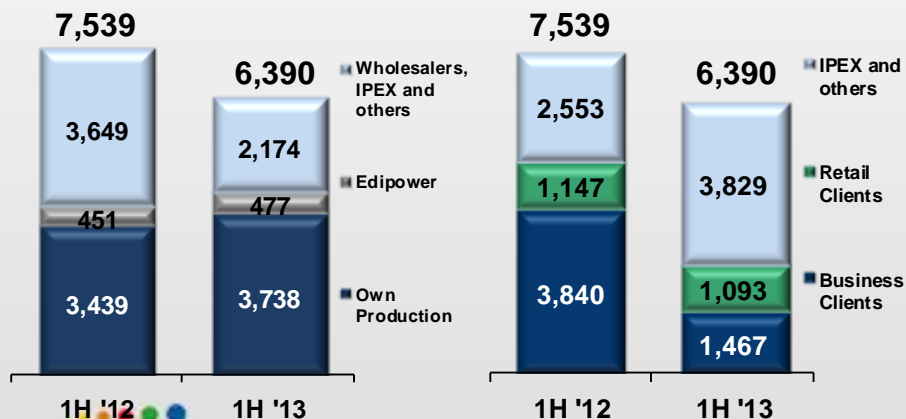
**Client-base:** The commercial policy of the Group led to a 3% increase in retail electricity Clients and a drop in business/industrial Clients which positively affected the NWC (and it explains the decrease in revenues).

	1H '12	1H '13	Δ€m	Δ%
<b>Revenues</b>	<b>2,195</b>	<b>1,681</b>	<b>(514)</b>	<b>-23%</b>
<b>EBITDA</b>	<b>39</b>	<b>68</b>	<b>29</b>	<b>74%</b>
<i>Electricity</i>	-3	-5	-2	-77%
<i>Gas &amp; Heat</i>	42	73	31	74%
<b>EBIT</b>	<b>26</b>	<b>44</b>	<b>18</b>	<b>69%</b>
<b>Gross CAPEX</b>	<b>5</b>	<b>4</b>	<b>-1</b>	<b>-17%</b>

## ELECTRICITY PORTFOLIO (GWh)

### Sources\*

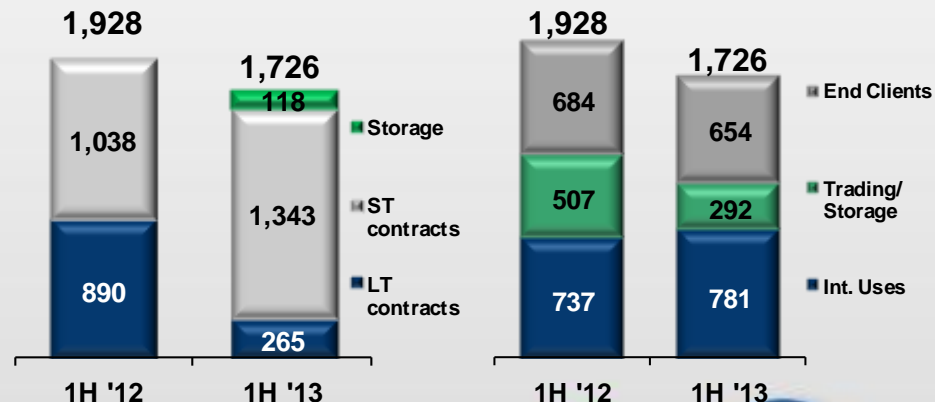
### Uses\*



## GAS PORTFOLIO (MCM)

### Sources

### Uses



**iren**

\*net of "pass-through IpeX volumes"



# ENERGY INFR. – Positive performances both in gas and electricity networks.

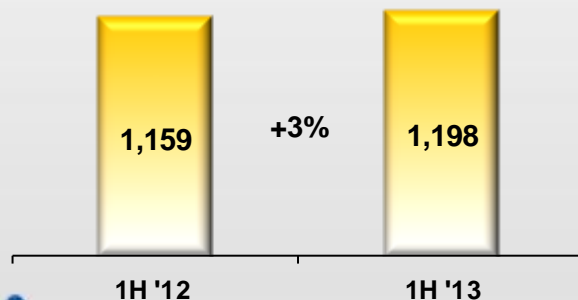
## 1H '13 vs. 1H '12

↑ **Electricity networks:** The results are positively impacted mainly by cost savings and a number of extraordinary items, reported in the Parma and Turin areas.

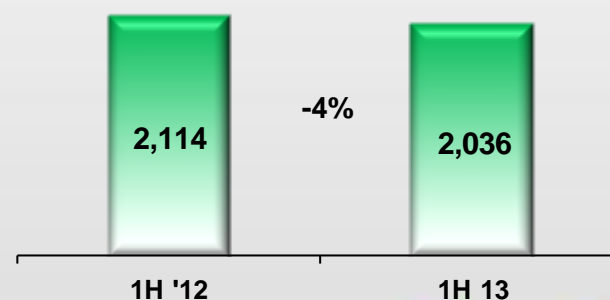
↑ **Gas networks:** Savings and tariff balance for previous years are the main drivers of the growth in the sector.

	1H '12	1H '13	Δ€m	Δ%
<b>Revenues</b>	<b>183</b>	<b>183</b>	<b>0</b>	<b>-</b>
<b>EBITDA</b>	<b>83</b>	<b>90</b>	<b>7</b>	<b>9%</b>
<i>Electricity</i>	36	40	4	12%
<i>Gas/Regas.</i>	47	50	3	6%
<b>EBIT</b>	<b>58</b>	<b>64</b>	<b>6</b>	<b>9%</b>
<b>Gross CAPEX</b>	<b>43</b>	<b>41</b>	<b>-2</b>	<b>-5%</b>

GAS DISTRIBUTED (MCM)



ELECTRICITY DISTRIBUTED (GWh)



# WATER – Good results in spite of a negative one-off.

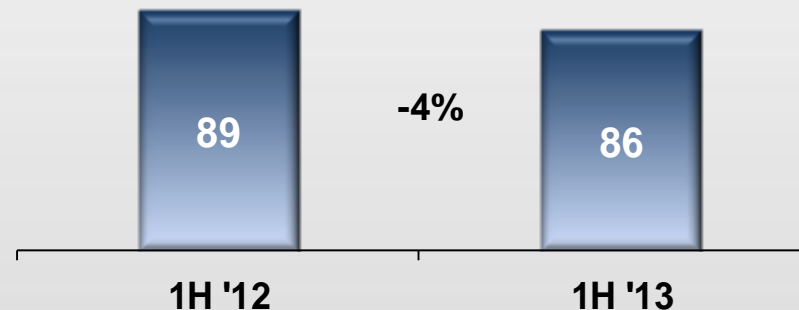
## 1H '13 vs. 1H '12

↑ **Slight increase in Revenues:** This is the combined result of the positive effect of tariff increase, linked to the new Temporary Tariff Method (MTT) and the negative effect of IFRIC 12 (-10m€).

↑ **Growth in EBITDA:** The increase in tariff and synergies more than offset the impact of the contingency linked to expected loss due to the 2011 Referendum (-4m€). The latter negatively hit the EBIT also, through the related provision.

	1H '12	1H '13	Δ€m	Δ%
<b>Revenues</b>	213	216	3	1%
<b>EBITDA</b>	59	62	3	6%
<b>EBIT</b>	22	21	(1)	-4%
<b>Gross CAPEX</b>	36	26	-10	-27%

## WATER SOLD (MCM)



# WASTE: The shutdown of the WTE in Reggio Emilia negatively affected sector's performances.

1H '13 vs. 1H '12

↔ **Stable revenues:** Tariffs increase offset the lack of revenues for heat production due to the shutdown of Reggio Emilia WTE.

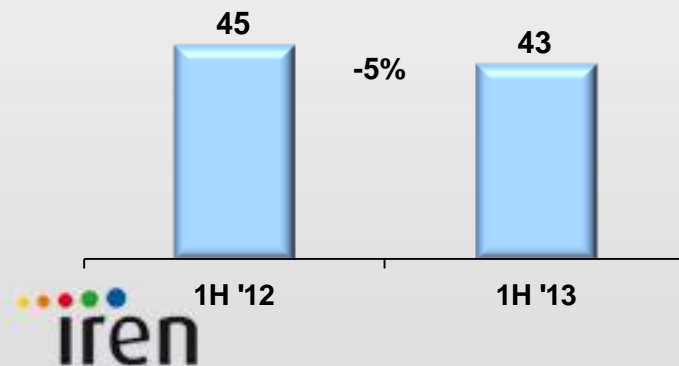
↓ **Decrease in EBITDA** is mainly attributable to higher costs of waste disposal as the result of the dismantling of WTE in Reggio Emilia.

↑ Sorted waste percentage higher than 60%.

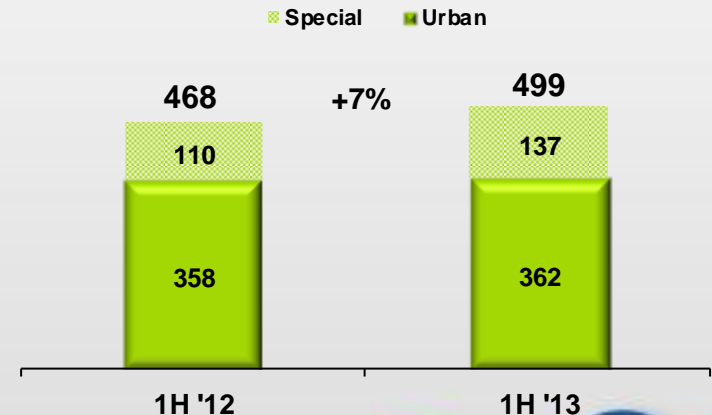
↑ + 25% in special waste collection.

	1H '12	1H '13	Δ€m	Δ%
<b>Revenues</b>	106	106	0	0%
<b>EBITDA</b>	21	17	(4)	-17%
<b>EBIT</b>	7	6	(1)	-10%
<b>Gross CAPEX</b>	28	30	2	8%

Energy from Waste (Gwh)



Waste (Kton)

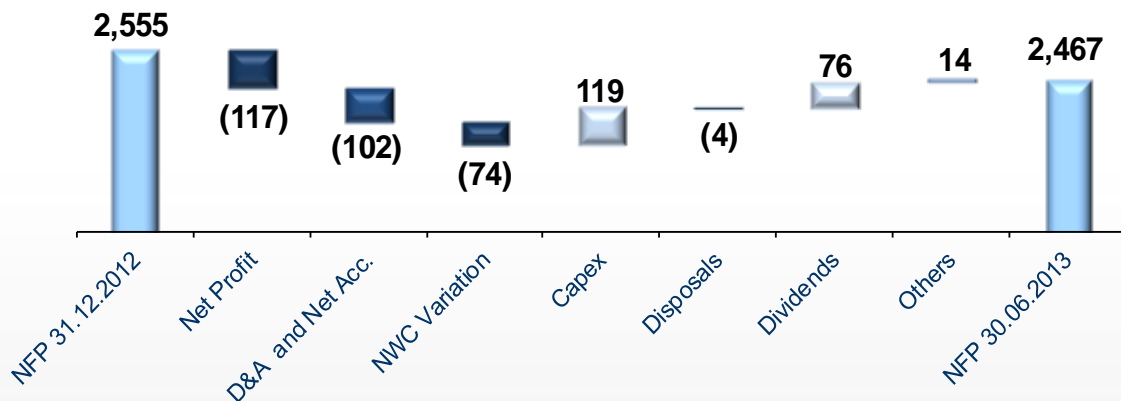


# From EBIT to Net Profit.

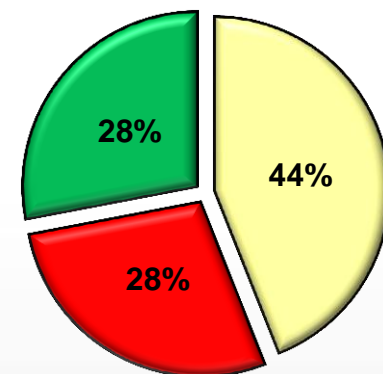
	1H '12	1H '13	Δ%
<b>EBIT</b>	195.9	240.2	+22.6%
<i>Financial charges</i>	(46.9)	(38.0)	<ul style="list-style-type: none"> <li>• <b>Financial charges</b> benefit of the decrease in NFP.</li> </ul>
<i>Companies consolidated with E.M.</i>	5.4	10.9	
<i>Adj. in participations</i>	(10.2)	-	
<b>EBT</b>	144.2	213.1	+47.8%
<i>Taxes</i>	(73.5)	(96.5)	
<i>Profit from discontinued oper.</i>	9.2	-	
<i>Minorities</i>	(4.6)	(5.9)	
<b>Group net profit</b>	75.3	110.7	+47.1%

# CASH-FLOW & DEBT STRUCTURE.

NFP Bridge 30.06.2013

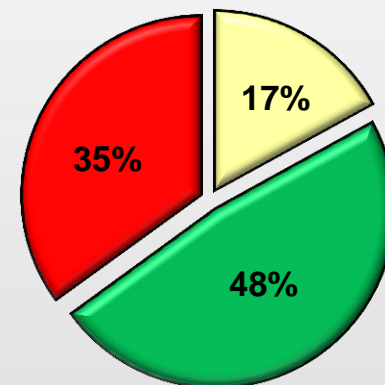


Interest rate\* and Debt Structure\*\*



■ Fixed ■ Variable ■ Swap

- The steady reduction in NFP, already reported in the last 5 quarters is the combined effect of better operating results, an improved NWC management and capex control, in line with budget/business plan.
- Average long-term debt duration of about 4.5 years.
- 28% of net debt at variable interest rate.
- The average cost of debt in the 1H 2013 stood at 3.91%, stable compared to the same period in 2012, but slightly lower compared to 1Q 2013 (3,99%).

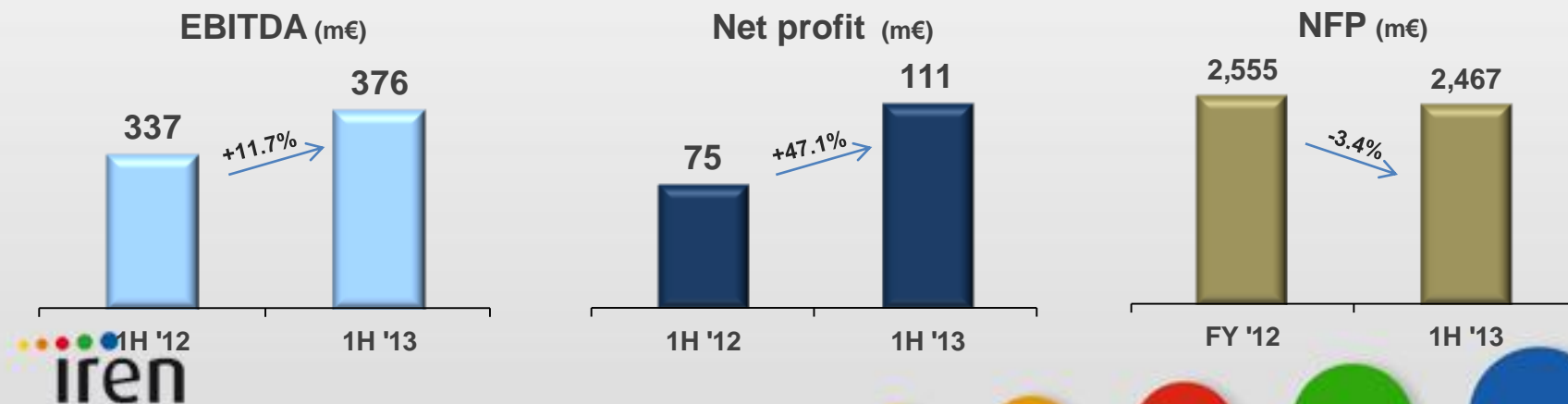


■ < 12 months ■ 1-5 years ■ > 5 years



# CLOSING REMARKS.

- The positive 1H results (**Ebitda + 11.7% at 376 €m. and Net Profit + 47% at 111€m.**), despite the persistent adverse scenario, confirm the resilience of Iren Group's business portfolio and the effectiveness of the financial deleveraging process (**Nfp -3.4% lower than 2.5 €b**);
- **Completion of the major industrial projects:** PAI, OLT, AMIAT-TRM deal, Edipower deal;
- **Positive medium/long term expectations:** the push to integration, fostered by the new governance structure, gives a clearer visibility on the implementation of synergies and cost cutting measures.





# Annexes



# Market Scenario.

- **In the 1H 2013 Brent average price** stood at 107.5 \$/bbl, marking a 5% decrease vs. 1H 2012.

	1H '12	1H '13	Δ %
Brent USD / bbl	113.6	107.5	-5%
USD / €	1.30	1.31	1%
Brent € / bbl	87.6	81.9	-7%

- **USD/€ exchange rate** was substantially stable.

- **Gas demand fell by 7%**, mainly because of the drop in thermoelectric usage (approx -22%).

Gas Demand (bcm)	41.0	38.1	-7%
PSV €/000 scm	319	294	-8%
CCI, €/000 mc	389	400	3%

- **Energy demand negative trend continues, with a 4% decrease.** (far lower compared to the pre-crisis level -8.5%).

Energy demand (Twh)	162.1	155.7	-4%
PUN (€ /MWh)	77.4	60.6	-22%
CO2 (€ /Ton.)	7.0	4.3	-40%
Green Cert. Hydro (€ /MWh)	78.4	80.9	3.1%

- **The 1H 2012 PUN-price** stood at 60.6 €/MWh with fall in the region of 20%.

# Balance Sheet.

€ m	31.12.2012	30.06.2013
Net fixed assets	4,735	4,444
Net Working Capital	235	161
Funds	(457)	(427)
Other assets and liabilities	(4)	296
<b>Net invested Capital</b>	<b>4,509</b>	<b>4,474</b>
<b>Net Financial Position</b>	<b>2,555</b>	<b>2,467</b>
<b>Group shareholders' equity</b>	<b>1,954</b>	<b>2,007</b>
<b>Total Funds</b>	<b>4,509</b>	<b>4,474</b>

# DISCLAIMER

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**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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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.