



2015 – 1H Results

27th August 2015

1H 2015: six months of constant development and innovation…

Starting from December 2014 the integration and streamlining process inside the company, outlined in the latest IREN's business plan, has accelerated through well defined and significant steps.

Organization streamlining

- Centralization at "Holding level" of the main corporate functions (H&R, Finance, Administration, Accounting management, Communication, etc.).
- Reinforcement of control over the Strategic Business Units with their transformation in centralized staff units.
- Unification of accounting procedures through the adoption of a single Accounting and Enterprise Performance Management software.

Business plan

After 3 years from its last business plan, IREN presented the new one.

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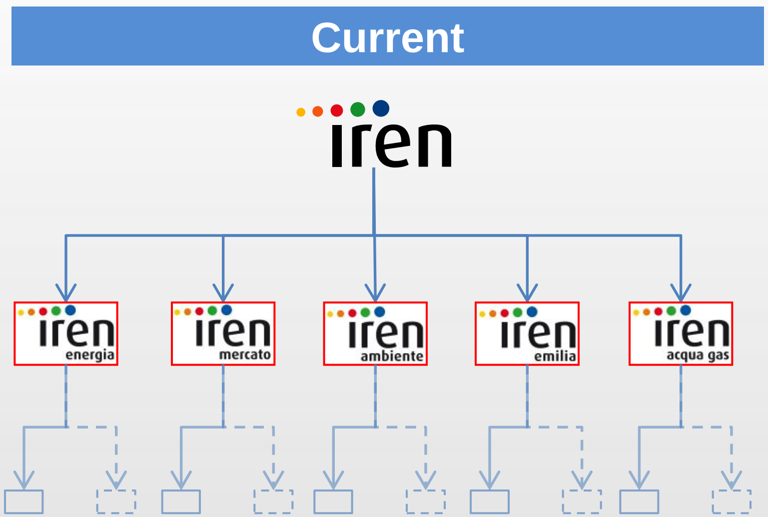
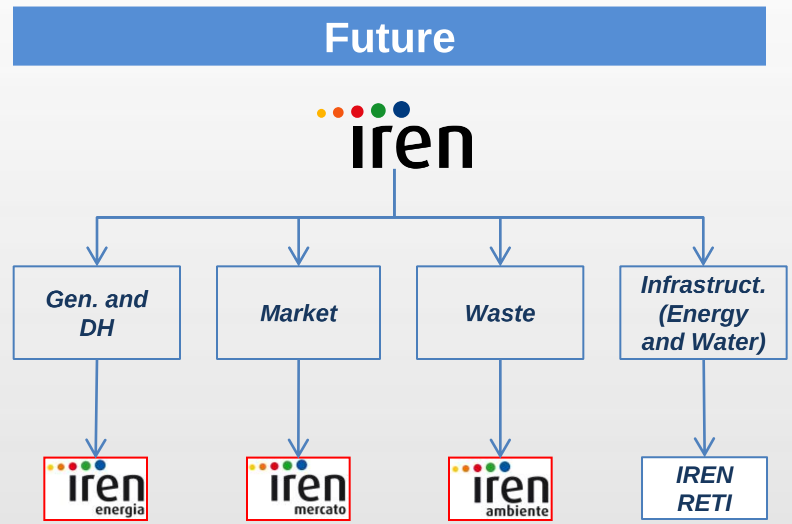
…which will continue in 2H 2015 as well.

- At the end of July IREN launched an **operating project, aimed at the rationalization of the Company’s structure**, which will be completed by the next December.
- The Group’s organization will be **based on four Business Units** and the operating activity will be carried out **by the four companies resulting from the re-organizational process** (involving the merger of approximately 15 companies).
- It is a **key element** in achieving the ambitious **synergies target** set out in the 2015-2020 Business plan. In 1H 2015 the Group achieved 8m€ synergies, in line with 2015 FY target of ~15m€



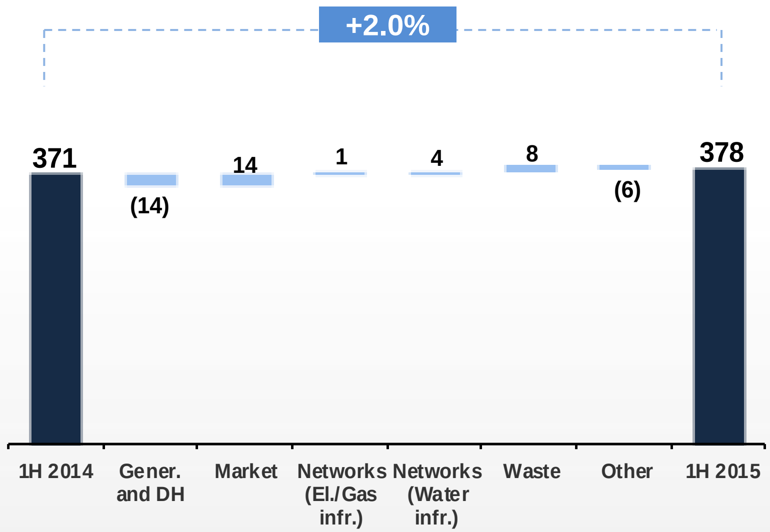


1H 2015: double digit growth in Net Profit.

Income statement

m€	1H '14[1]	1H '15	Δ	Δ%
Revenues	1.521	**1.579**	57,9	3,8%
Ebitda	371	**378**	7,6	2,0%
Ebit	229	**217**	-12,2	-5,3%
Net profit	77	**103**	25,6	33,3%

Ebitda Bridge



- **Revenues up by 3.8%:** Revenues benefitted from a substantially stable volumes/tariff dynamics together with a change in consolidation perimeter (AMIAT).
- **Ebitda +2.0%:** Slight growth in EBITDA linked mainly to the regulated activities (+13m€), thanks also to the achievement of important synergies, and to Market business unit (+14m€). These elements were partly offset by the expiry of Moncalieri plant's green certificates (approximately -12m€).
- **Ebit -5.3%:** The decrease is due to higher D&A (AMIAT full consolidation) and to the absence of the release of provisions reported in 1H 2014 (approximately -11m€).
- **Net profit +33.3%:** All the results under EBIT show a positive trend. Particularly significant is the decrease in tax-rate, thanks mainly to the deductibility of labor costs from IRAP and the cancellation of Robin Hood tax.

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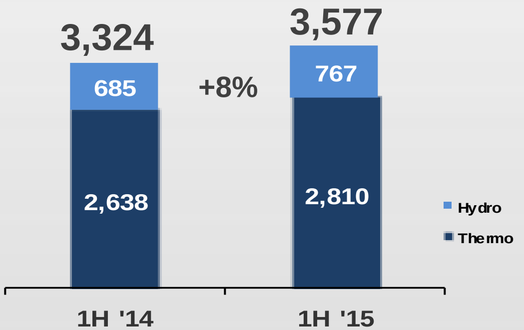
(1) Restated

GENERATION AND DH – Expiry of GCs and the absence of a positive 2014 one-off have impacted the sector's performance.

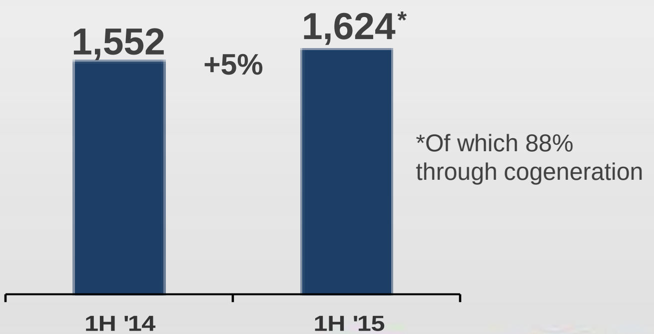
- **Cogeneration sector** hit by the absence of an approximately 10m€ non-recurrent item reported in 1H 2014. Net of this, 1H 2015 results would have been in line with the same period of the previous year.
- **Hydroelectric sector** continues to benefit from **higher production**, +12% (bucking the national trend, -13%) which more than offset the reduction in prices.
- **District heating sector** suffered from the **green certificates expiry** (worth approx. 12m€ in the first half of the year, 20m€ FY)**.**
- EBIT performances were impacted by the absence of the release of provisions (~11m€) reported in 1H 2014

m€	1H '14	**1H '15**	Δ	Δ%
Revenues	463	**398**	-65	-14%
Ebitda	117	**103**	-14	-12%
Ebit	72	**38**	-34	-48%
Gross Capex	30	**9**	-21	-70%

ELECTRICITY PRODUCTION (GWh)



HEAT PRODUCTION (GWht)

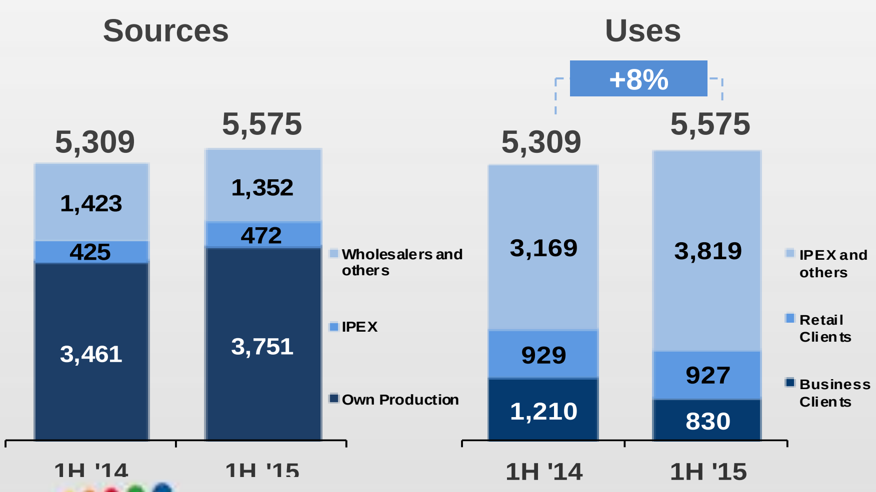


MARKET – Growth in all the sub-sectors.

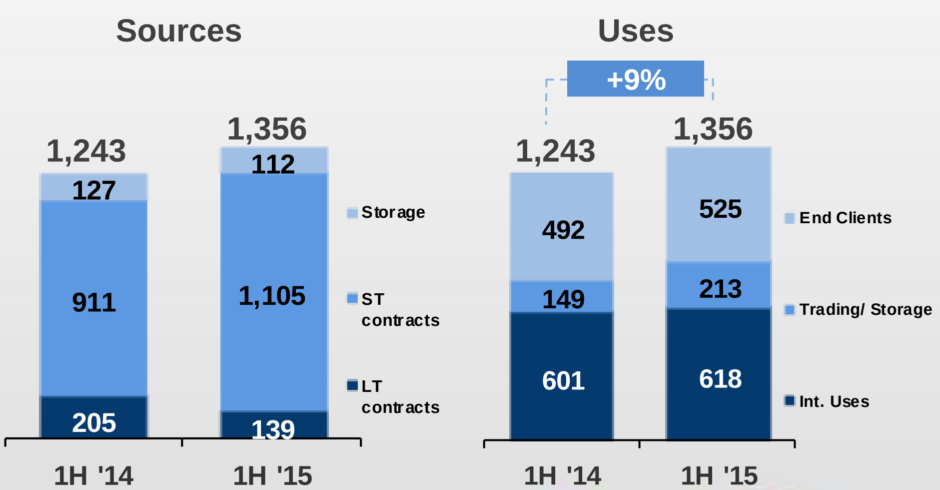
- The **Gas Sales** maintained the good performance already reported in the 1Q of the year, scoring a +36% increase, thanks to sound policies for both purchases and sales.
- **Electricity sales** benefitted from the good performance reported in the free market, thanks mainly to favorable procurement conditions.
- Significant improvement in EBITDA margin (5.2% vs. 3.7%).

m€	1H '14	**1H '15**	Δ	Δ%
Revenues	1,299	**1,199**	-100	-8%
Ebitda	48	**62**	14	29%
Electricity	*12*	***13***	*1*	*12%*
Gas&Heat	*36*	***49***	*13*	*36%*
Ebit	28	**46**	18	66%
Gross Capex	5	7	2	31%

ELECTRICITY PORTFOLIO* (GWh)



GAS PORTFOLIO (MCM)



*net of "pass-through Ipex volumes"

NETWORKS – Positive results both in energy and water sector.

ENERGY INFRASTRUCTURE

- **Electricity networks:** the same positive elements reported in 1Q 2015 drove the growth in the sector (equalization for previous year and higher white certificates).
- **Gas networks:** the temporary slowdown is due mainly to the absence of a positive one-off reported in 1H 2014 along with a number of non-recurrent minor negative elements.

m€	1H '14	**1H '15**	Δ	Δ%
Revenues	161	**197**	36	22%
Ebitda	70	**71**	1	1%
Electricity	*33*	***37***	*4*	*11%*
Gas	*37*	***34***	*-3*	*-9%*
Ebit	49	**49**	0	1%
Gross Capex	29	**28**	-1	-3%
El. distr. (GWh)	*1,915*	*1,887*		
Gas distr. (mcm)	*661*	*720*		

WATER INFRASTRUCTURES

- The **increase in margins** reflects the tariff trend, compliant with the regulatory framework established by AEEGSI along with the achievement of synergies.

m€	1H '14	**1H '15**	Δ	Δ%
Revenues	222	**223**	1	1%
Ebitda	84	**88**	4	5%
Ebit	49	**54**	5	11%
Gross Capex	25	**36**	11	42%
Volume sold (mcm)	*71,9*	*71,3*		

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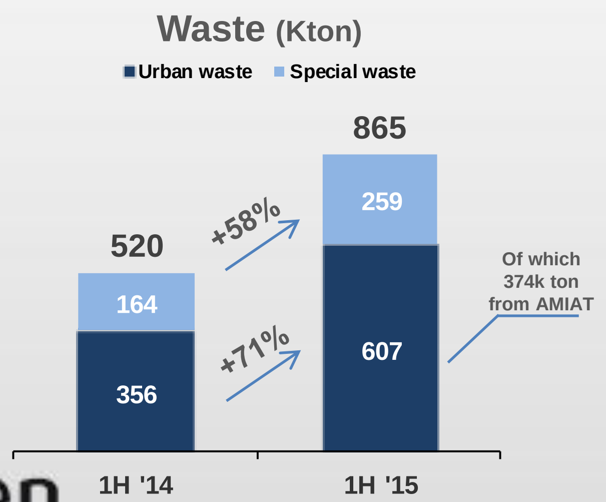
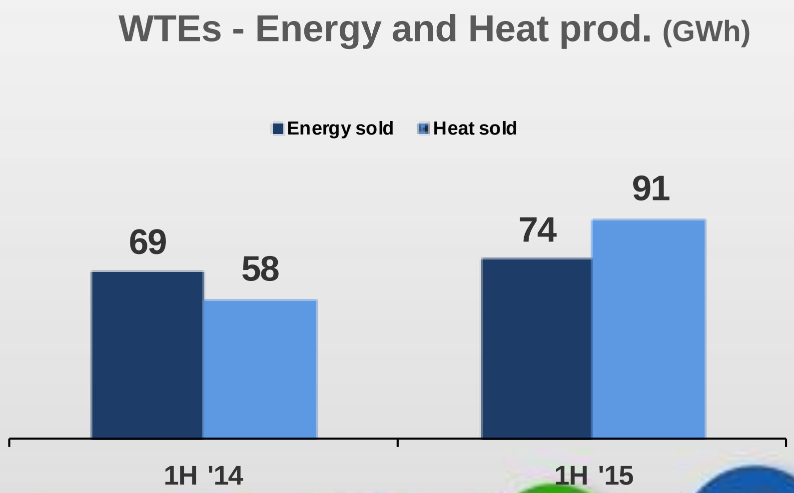
WASTE – One of the main EBITDA growth drivers.

- The positive effects resulting from **the full operation of Parma WTE**, the **strong increase in special waste** collection (~60% in volumes) and contribution of **AMIAT** more than offset the negative impact from the absence of some positive one-offs reported in 2014 and the shut-down of a landfill.
- **Sorted waste collection** percentage in Emilia area reached 67% (up from 63% reported in 1H 2014).
- **Lower capex** thanks to the completion of the WTE in Parma.

m€	1H '14	**1H '15**	Δ	Δ%
Revenues	115	**234**	119	102%
Ebitda	28	**36**	8	29%
Ebit	11	**12**	1	11%
Gross Capex	12	**6**	-6	-47%





From EBITDA to Net Profit.

	1H '14	**1H '15**	Δ	Δ%
EBITDA	370,5	378,1	7,6	2,0%
D&A	*-118,4*	***-130,9***		
Provisions	*-23,2*	***-30,5***		
EBIT	228,9	**216,7**	-12,2	-5,3%
Financial charges for loans	*-43,2*	***-37,1***		
Other financial charges	*-6,7*	***-1,6***		
Companies consolidated with e.m.	*-11,2*	***4,8***		
EBT	167,8	**182,8**	15,0	9,0%
Taxes	*-81,1*	***-67,9***		
Minorities	*-9,7*	***-12,3***		
Group net profit	77,0	**102,6**	25,6	33,3%

- **Higher D&A** related mainly the consolidation of AMIAT.
- **Higher provision** due to the absence of the ~11m€ risk-fund release reported in 1H 2014.

- **Lower FC** due to lower cost of debt.
- Lower actualization costs due to the interests rate trend.

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

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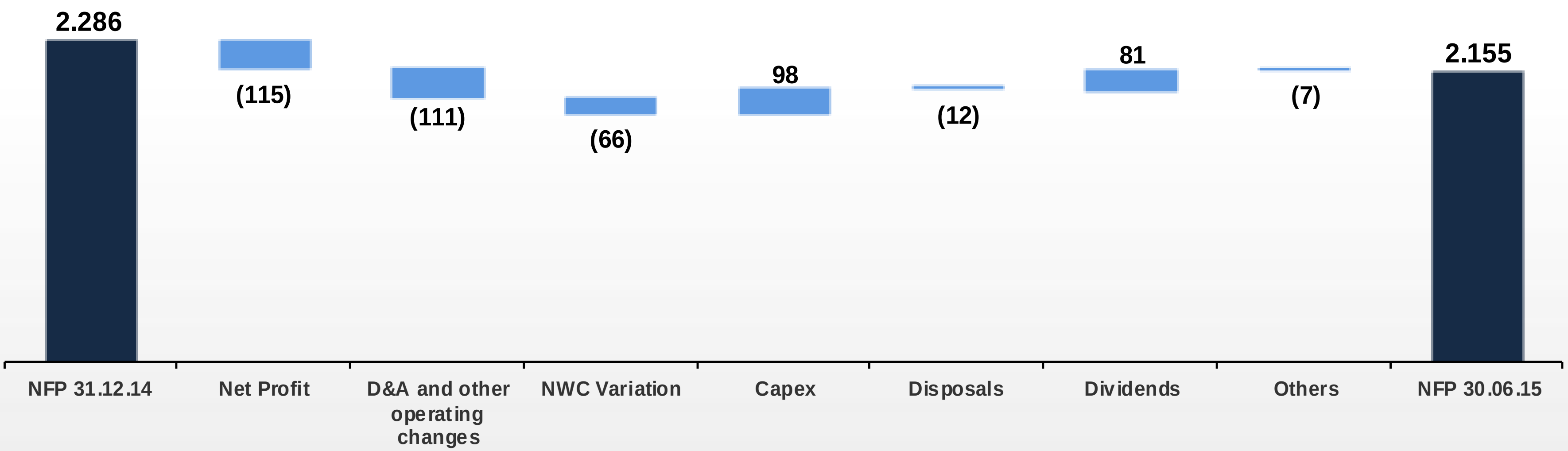
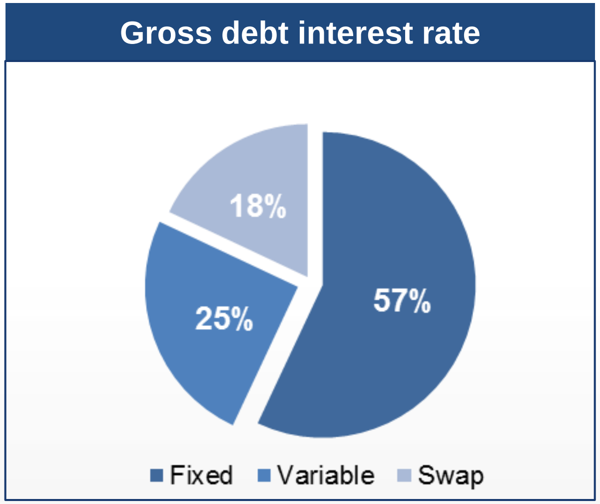
Cash-flow and NFP Bridge.

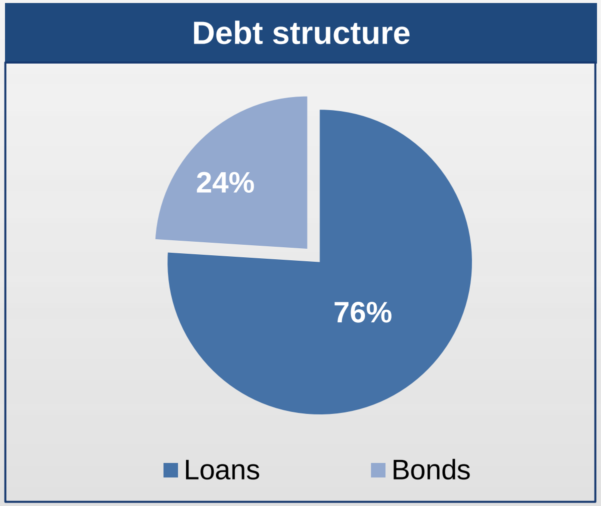


- The ~130m€ reduction in NFP is related to an operating cash flow generation of approximately 300m€ which easily covers the cash-out for capex and dividends.
- Capex totalled 98m€, 12% less compared to what reported in 1H 2014.

Interest rate and debt structure.

- 25% of gross debt at variable interest rate.
- Average long-term debt duration of about 4.8 years.
- Relevant reduction in cost of debt (3.4% compared to 3.8% in FY 2014).
- Well-balanced debt structure (one quarter of Iren's total debt is funded through bonds).





Annexes

Market Scenario.

	1H '14	**1H '15**	Δ%
Brent *USD/bbl*	108,9	**57,9**	-46,8%
€/USD	1,4	**1,1**	-18.6%
Brent *€/bbl*	79,5	**42,3**	-46,8%
Gas Demand *(bcm)*	33	**35**	+7,9%
PSV *€/000 scm*	245	**248**	+1,3%
Energy Demand *(Twh)*	153,7	**153,2**	-0,3%
PUN *(€/Mwh)*	49,5	**49,8**	+0,7%
CO_2 *€/Ton*	5,6	**7,2**	+28,6%
Green Cert. Hydro *(€/Mwh)*	90,6	**97,9**	+8,1%

- **The normalization of climate conditions, along with a recovery in Thermoelectric uses, led to a 7.9% growth in gas demand**
- **PUN level substantially aligned with 1H 2014.**

Balance Sheet.

	FY '14	1H '15
Net fixed assets	*4,619*	***4,582***
Net Working Capital	*238*	***173***
Funds	*-550*	***-540***
Other assets and liabilities	*-28*	***-23***
Net invested capital	4,279	**4,192**
Group Sharholders' equity	*1,994*	***2,037***
Net Financial Position	*2,285*	***2,155***
Total Funds	4,279	**4,192**

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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