



28th of March 2014

2013 – FY Results

2013 – Main achievements

Operating results

Very positive results both in regulated and unregulated activities, despite a persistently difficult economic scenario, **confirm Iren's well-balanced business portfolio**.

Industrial operations

- **2013 marks the end of IREN's strategic investments cycle**, with the completion of the OLT LNG terminal and the Integrated Environmental System in Parma (the Torino Nord – CCGT plant in Turin was completed in 2011).
- Completion of the **non-proportional de-merger of Edipower**.

Synergies

The favourable context created by the new governance scheme allowed the Group **to continue on the path outlined in the business plan, achieving synergies worth 15m€ in 2013** (in addition to 41m€ already achieved in 2010-2012).

NWC optim.

Net working capital discipline: Iren managed to **halve NWC** in the last year**, bringing it from approx. 235m€ to 121m€.**

Debt structure

IREN successfully issued its **first private placement (bond)** for an amount of 210 m€ (in two tranches), with **seven-year maturity and 4.37% per year coupon**, improving the debt profile in terms of sources and duration. Besides, part of the 2014 financial needs has been already covered for 280m€.

Debt/EBITDA ratio

Growth in EBITDA and a slight reduction in Debt brought the **Debt/EBITDA ratio below 4x,** in line with Group's targets.

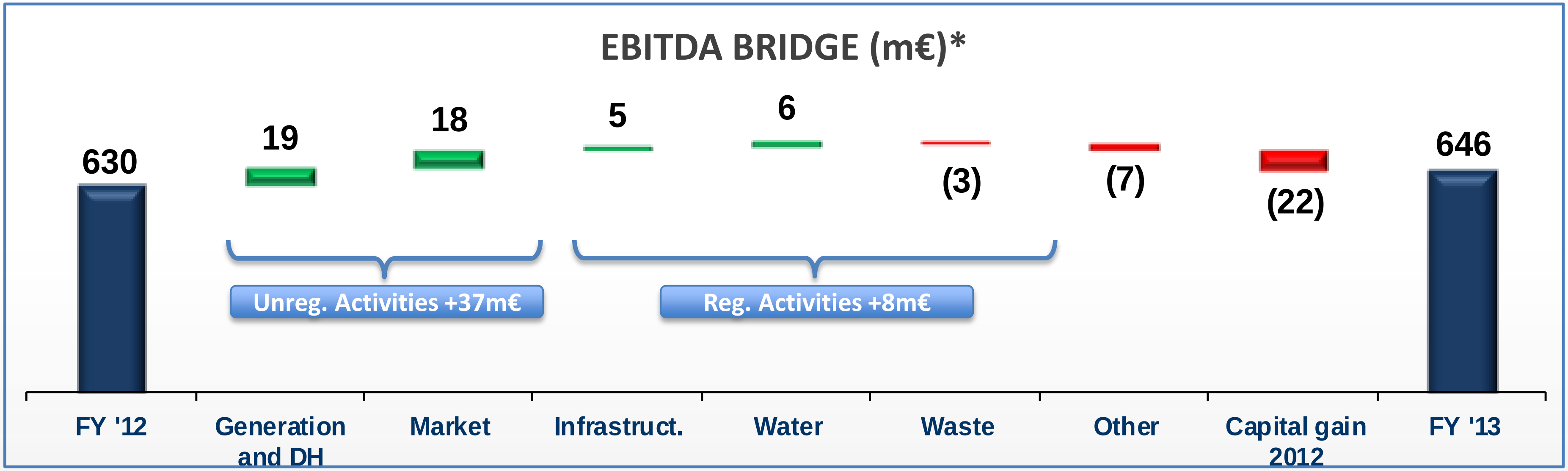
FY 2013 – Growing EBITDA and lower Net Debt

EURm	FY '12	FY '13	Δ	Δ %
REVENUES	4,328	3,448	*-879.9*	*-20.3%*
EBITDA	630	646	*+16.4*	*+2.6%*
EBITDA (margin)	*14.5%*	*18.7%*		
EBIT	334	313	*-21.1*	*-6.3%*
NET PROFIT	153	81	*-72.0*	*-47.2%*
NET PROFIT *(from operations)*	125	134	*+8.5*	*+6.8%*
GROSS CAPEX*	340	338	*-1.8*	*-1.0%*
NFP	2,555	2,525	*-30.2*	*-1.2%*

- **Revenues down by 20.3%:** As already pointed out, reduction in revenues reflects the lower volumes of electricity and gas sold due to the selective commercial policy of IREN (consisting in focusing on "SoHo/Retail Clients" and selecting its presence in the "Business/industrial Clients" sector), with a significant positive impact on Net Working Capital.
- **EBITDA +2.6%:** The growth in EBITDA is mainly driven by the very positive results in unregulated activities.
- **EBIT -6.3%:** Good results reported in EBITDA are not reflected in EBIT, because of extraordinary items (write downs and provisions).
- **Net profit from operations +6.8%:** the Net profit reports a growth close to 7% (excluding extraordinary items).
- **Gross Capex -1.0%:** The reported Gross Capex refers to:Capex for maintenance/operations (~200m€) and the residual amount for the completion of the strategic investments cycle.
- **NFP -1.2%:** The positive results of the sound financial management, combined with a higher EBITDA brought the NFP/EBITDA ratio below 4x.

**Net of cash-out for non recurrent items*

EBITDA BRIDGE – Confirming the positive trend both in unregulated and regulated activities.



- **EBITDA bridge - Key Elements:**
  - Higher hydroelectric production, together with the elements already reported in the first nine months of the year (optimization of gas procurement activities, increase in electricity and heat production, a positive performance in MSD market) drove the remarkable improvement in unregulated business, in spite of the 37m€ write down reported in Generation and DH SBU, related to the Edipower break-up.
  - Slight increase in energy distribution activities mainly thanks to equalization for previous years and lower costs.
  - The increase in the Water sector, already reported in the first nine months, is confirmed and it is linked 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).

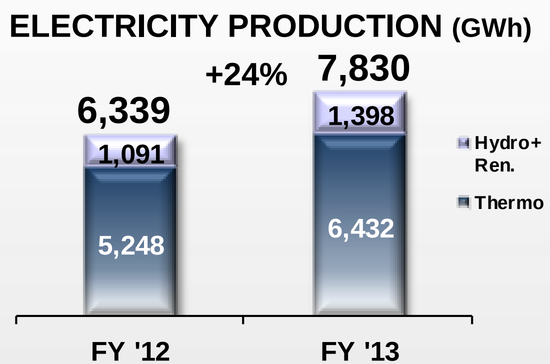
Positive and negative Extraordinary results of Edipower not included (net effect approx. 0)

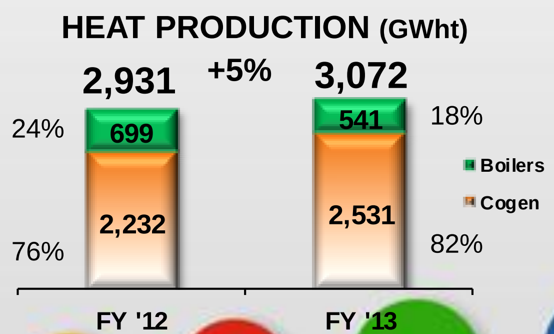
GENERATION AND DH – Growth in volumes and spark spread.

FY '13 vs. FY'12

- **Positive operating performances in Electr. Cogen.:** higher spark-spread arising from the optimization of the gas procurement policy and higher profitability in MSD market. Worth noting that in 2013, IREN's most important cogen. plants ran for more than 5,000h on average. This contribution together with Turbigo reached +24% volumes vs. -12% of thermoelec. production at national level.
- **The increase in Hydro,** in spite of the lack of the extraordinary item reported in 2012 (Telessio's stranded costs were worth 16m€), is due to higher volumes produced (+25%) which more than offset the reduction in prices.
- **Good results in Heat production and DH networks** thanks both to a growth in volumes, and an increase in spark-spread. In particular the development of heating networks generated a +2 mcm of volumes heated.
- One-off: Negative impact of a specific write down (Edipower)

	FY '12	FY '13	Δ€m	Δ%
Revenues	983	1,010	27	3%
EBITDA	210	193	(17)	-8%
EBIT	129	84	(45)	-35%
Gross CAPEX	69	41	(28)	-40%





MARKET – Gas sector and a strong improvement in electricity sales drove the outstanding performances.

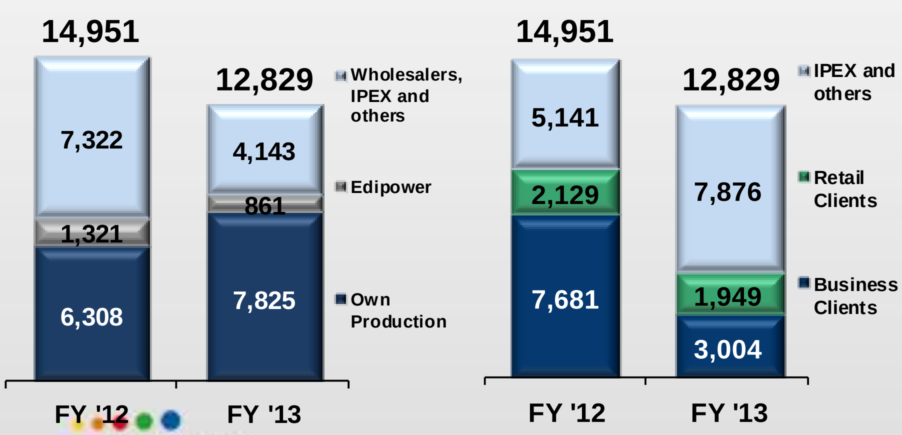
FY ’13 vs. FY’12

- **Gas and Heat Sales:** The significant results reported in the sectors derive mainly from an optimized procurement portfolio which more than offset the reduction in volumes.
- **Electricity sales:** The relevant growth in the sector, compared to the previous year, is mainly led by the release of the “onerous contract fund” linked to the end of Edipower tolling agreement (+37m€). The 2013 EBITDA is affected by 17 m€ loss from the same tolling (not-recurrent in the future)
- **EBIT growth** coming from the increase in EBITDA is only partially affected by the rise in provisions.

	FY '12	FY '13	Δ€m	Δ%
Revenues	**4,052**	**3,098**	**(954)**	**-24%**
EBITDA	**52**	**107**	**55**	**104%**
Electricity	*-28*	*14*	*42*	*n.r.*
Gas & Heat	*80*	*93*	*13*	*16%*
EBIT	**14**	**52**	**38**	**280%**
Gross CAPEX	**8**	**8**	**0**	**-3%**

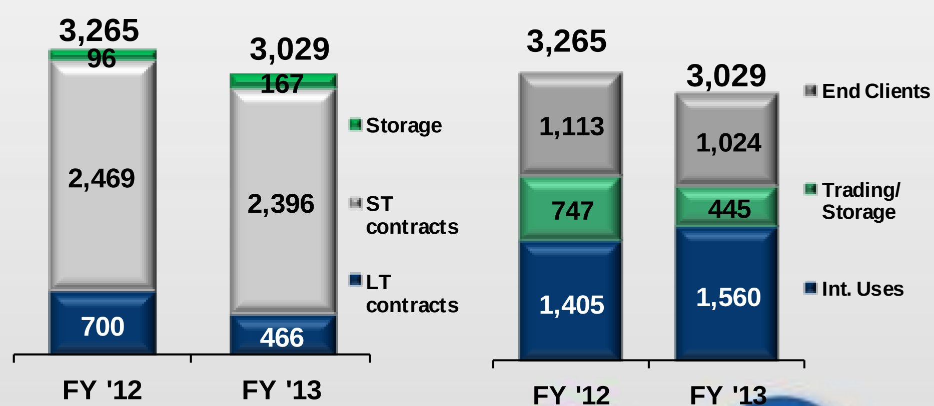
ELECTRICITY PORTFOLIO (GWh)

Sources* Uses*



GAS PORTFOLIO (MCM)

Sources Uses



*net of “pass-through Ipex volumes”

DISTRIBUTION – extraordinary items and changes in regulatory framework.

FY ’13 vs. FY’12

ENERGY INFRASTRUCTURE

- **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:** The reduction in margins are mainly linked to the absence of the contribution of GEA S.p.A, sold in the 4Q 2012.

	FY '12	FY '13	Δ€m	Δ%
Revenues	**385**	**388**	**3**	**1%**
EBITDA	**179**	**185**	**6**	**3%**
Electricity	*67*	80	*13*	*19%*
Gas/Regas.	*112*	*105*	*(7)*	*-6%*
EBIT	**126**	**125**	**(1)**	**-1%**
Gross CAPEX	**102**	**143**	**41**	**40%**

	FY '12	FY '13
Electr. distr. (Gwh)	**1,929**	**1,978**
Gas distrib. (mcm)	**4,241**	**4,136**

WATER

- **Slight increase in Revenues:** tariff increases, linked to the new Temporary Tariff Method (MTT) drove the growth in revenues.

- **Growth in EBITDA**: The increase in tariffs and synergies more than offset the impact of the contingency linked to expected loss deriving from the 2011 Referendum (-9m€).

	FY '12	FY '13	Δ€m	Δ%
Revenues	**432**	**450**	**18**	**4%**
EBITDA	**116**	**122**	**6**	**5%**
EBIT	**33**	**49**	**16**	**49%**
Gross CAPEX	**74**	**76**	**2**	**2%**

	FY '12	FY '13
Volume sold (mcm)	**179**	**171**

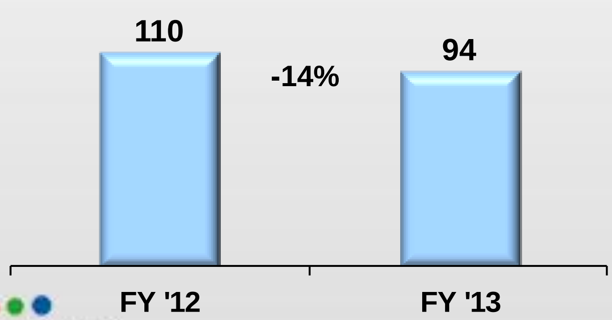
WASTE - Negative impact of the shutdown of the WTE in Reggio Emilia.

FY '13 vs. FY'12

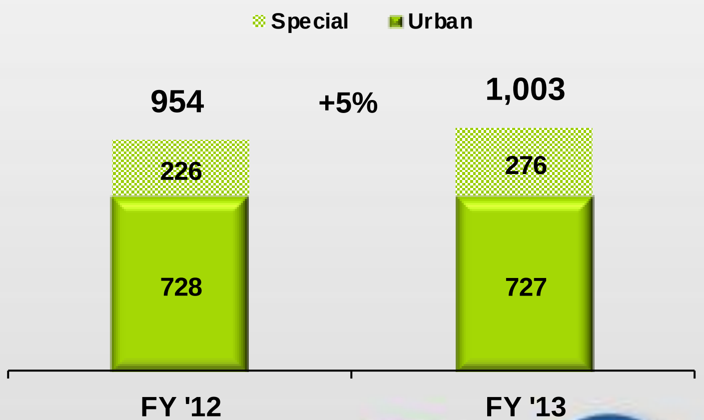
- **Stable revenues:** the tariffs increase offset the absence of revenues from heat production due to the shutdown of the Reggio Emila WTE.
- **Decrease in EBITDA** due to higher costs of waste disposal as the result of the dismantling of the WTE in Reggio Emilia.
- Sorted waste percentage higher than 60%.
- + 22% in special waste collection.

	FY '12	FY '13	Δ€m	Δ%
Revenues	211	214	3	2%
EBITDA	39	36	(3)	-7%
EBIT	16	6	(10)	-62%
Gross CAPEX	61	56	-5	-8%

Energy from Waste (Gwh)



Waste (Kton)



From EBITDA to Net Profit from operations .

	FY 2012	FY 2013	
EBITDA	**629.6**	**646.0**	**2.6%**
D&A	*(205.5)*	*(219.7)*	
Provisions	*(90.0)*	*(113.2)*	
EBIT	**334.1**	**313.1**	**-6.3%**
Financial Charges	*(98.8)*	*(89.4)*	
Companies cons. with E.M.	*(0.6)*	*10.4*	
Adj in particip.	*(0.1)*	*(20.1)*	
EBT	**234.7**	**214.0**	**-8.8%**
Taxes	*(85.3)*	*(122.0)*	
Profit from disc. Oper.	*12.7*	*-*	
Minorities	*(9.6)*	*(11.4)*	
GROUP NET PROFIT	**152.6**	**80.6**	**-47.2%**
Extraordinary items in EBIT (net of fiscal effects)	*(23.7)*	*37.4*	
Adj. In participation	*10.0*	*10.0*	
Extraordinary in financial charges	*(13.6)*	*5.9*	
GROUP NET PROFIT FROM OP.	**125.3**	**133.9**	**6.8%**

Non-recurrent growth in bad debt provision.

Lower Financial charges, due to the decrease in NFP.

2012 IRAP positive one-off (13.6m€).

In order to give a **clearer view on the Net Profit**, 2012-2013 extraordinary items has been excluded:

- **2013** impacted mainly by **write-downs on Edipower**.
- **2012** impacted mainly by capital gains.

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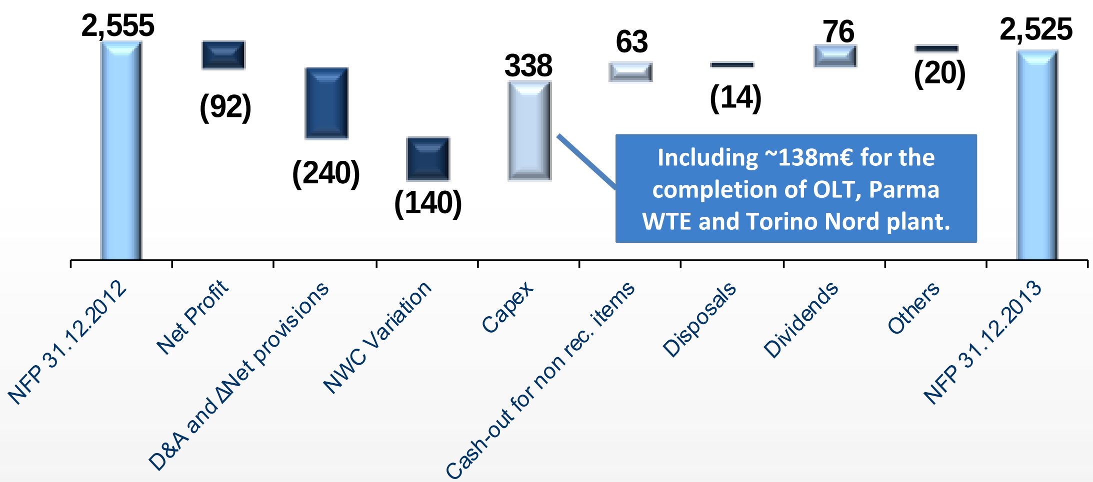
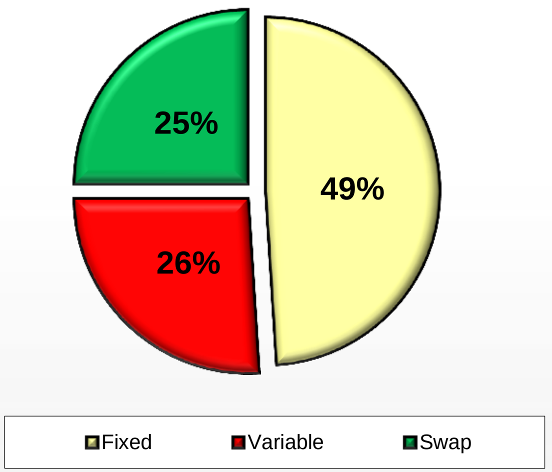
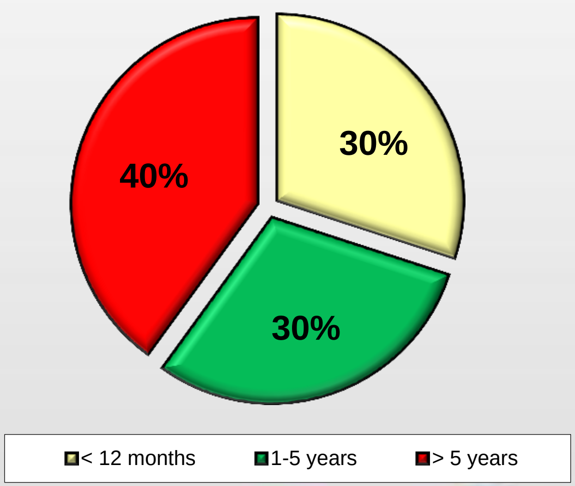
CASH-FLOW & DEBT STRUCTURE.

NFP Bridge 31.12.2013



Interest rate* and Debt Structure**





- A wise financial management allowed the Group to significantly improve its NWC which was approximately halved in the last year.
- Average long-term debt duration of about 4.5 years.
- 26% of net debt at variable interest rate.
- The average cost of debt in 2013 stood at 3.90%, substantially stable compared to 2012

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

Guidelines for the future

Through **stronger integration** of structures, processes, ICT systems and Opex/Capex discipline

Through **selective consolidation** and then a **growth** on **core areas** and on business fitting Group expertise

As an asset to be used **to improve relations** with territories, **to develop a new social role** of the Company, **to export abroad Iren's know how.**

NFP reduction and stabilization and consequently **getting a rating** from a rating agency.

Annexes

Market Scenario.

	FY '12	FY '13	Δ %
Brent USD / bbl	111.7	108.7	-2.7%
USD / €	1.28	1.33	3.8%
Brent € / bbl	86.9	81.8	-5.9%
Gas Demand (bcm)	74.3	69.5	-6.5%
PSV €/000 scm	304	296	-2.6%
Energy demand (Twh)	328.2	317.1	-3.4%
PUN (€ /MWh)	75.5	63.0	-16.6%
CO2 (€ /Ton.)	7.4	4.5	-39.6%
Green Cert. Hydro (€ /MWh)	80.3	83.9	4.5%

Balance Sheet.

€ m	31.12.2012	31.12.2013
Net fixed assets	4,735	4,871
Net Working Capital	235	121
Funds	(457)	(481)
Other assets and liabilities	(4)	3
Net invested Capital	4,509	4,514
Net Financial Position	2,555	2,525
Group shareholders' equity	1,954	1,989
Total Funds	4,509	4,514

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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