



**2007 First Half Results**

**14 September 2007**




## 1H 2007 RESULTS

- 1H 2007 Main figures
- EBITDA breakdown
- First post merger synergies
- Business analysis
- From EBITDA to Net Profit
- Finance

## Q&A

Remarkable growth confirming the Group's industrial development in spite of the mild weather

**1H07 market scenario:**

- electrical energy IPEX prices on average 11% lower due to lower demand and drop in Brent price and EUR/USD exchange rate (the average price of oil in Euro fell by 11%)
- mild winter affected national demand of gas and electricity (respectively -12% and -2%) and a lack of rainfalls that affected hydro production ( 11%)

**IRDE Group:**

- Ebitda grew from 157 to 176 milion (+12,7%), while EBIT grew from 99 to 117 €mIn (+18,7%) thanks mainly to electricity and water services
- Mild weather had a negative impact of about 10 €MIn on gas and heat services, lack of rainfall has been compensated by higher hydroelectric production from new plants.

	1H 07	1H 06 <sup>(1)</sup>	Δ %		1H 07	1H 06	Δ
Revenues	1,209	1,297	(6.8)%				
Ebitda	176	157	12.7%	Brent (\$/bbl)	63,5	65,9	-4%
Ebit	117	99	18.7%	Exchange rate (€/\$)	1,33	1,23	8%
Net Profit	69	51	34.9%	Brent (€/bbl)	47,7	53,5	-11%
Net Debt	1,083	1,095 <sup>(2)</sup>	(1.1)%	PUN <sub>TWA</sub> (€/MWh)	65,5	73,3	-11%

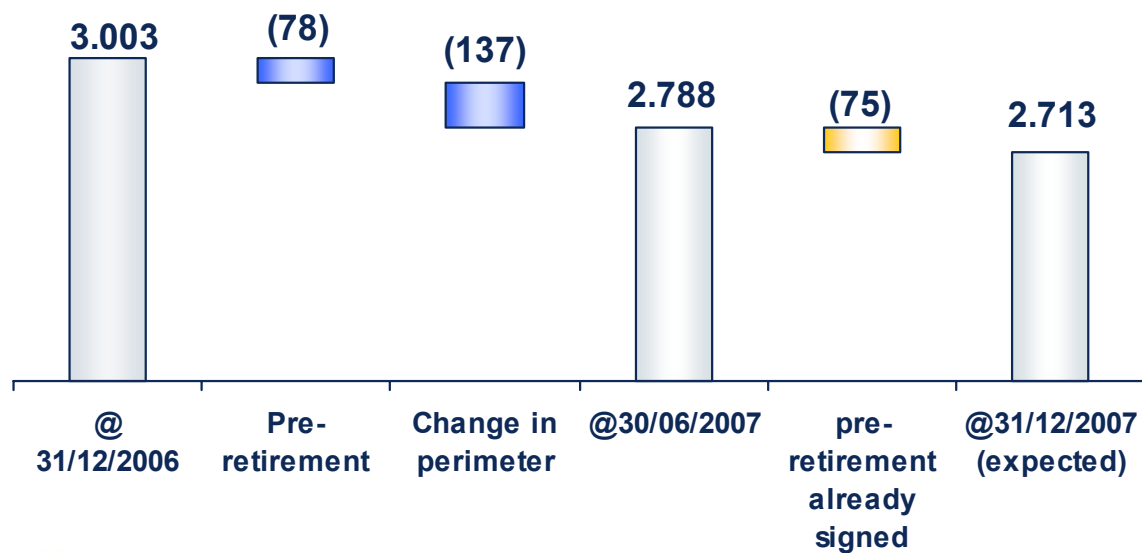
## Merger Plan update

IRIDE has already started activities to achieve 70% of Business Plan non-energy synergies.

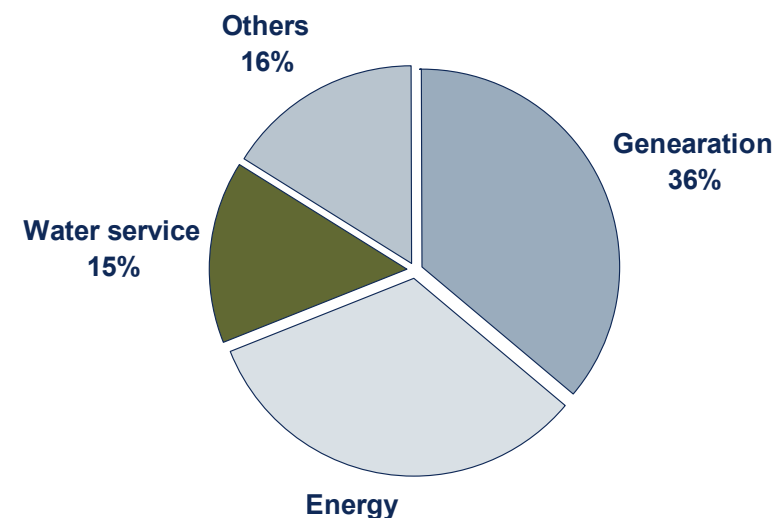
The actions already in place will enable IRIDE to achieve the 2009 target related to the personnel costs (€ 8 million per year). The 2009 target of 20 € million synergies disclosed in the Business Plan presentation will be achieved also through an action plan on external costs (savings, efficiencies and process review), with more than 40 actions.

Excluding pre-retirement incentives on personnel, FY 2007 will benefit from around 7 € million on synergies (30% already reported in 1H07).

## Number of employees



## 1H07 Capex 87 € mln



### Industry growth despite weather conditions and market scenario

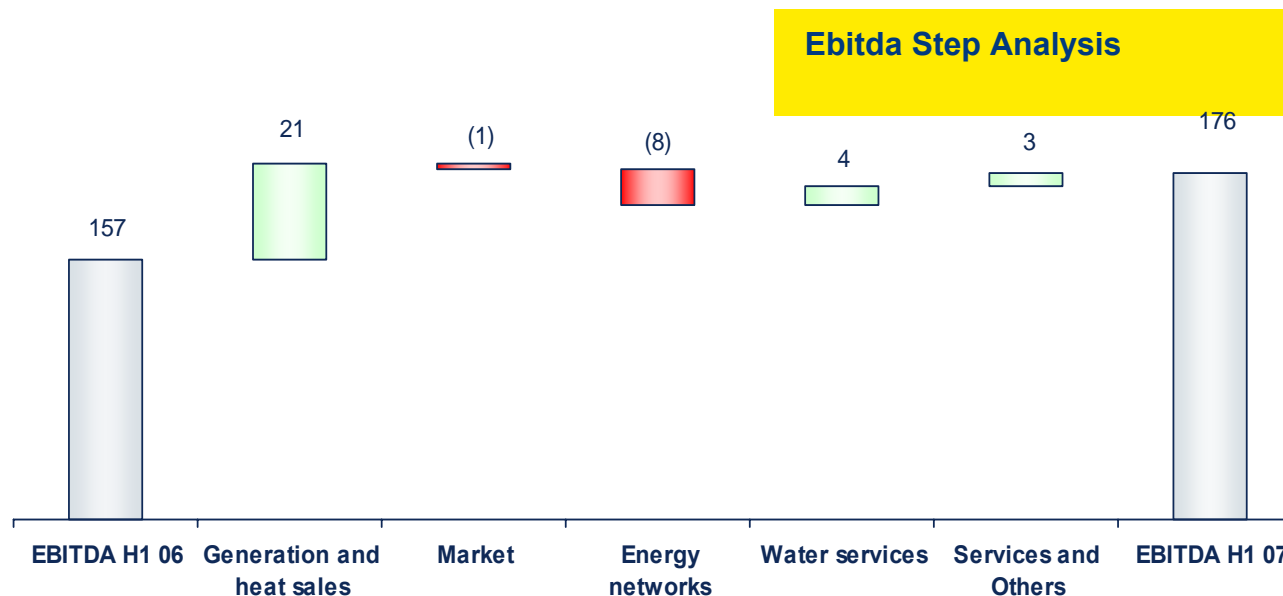
**Generation:** higher hydro productions (+9%), with green certificates reported on Pont Ventoux ("PV") and higher spark spreads.

**Market:** Plurigas growth compensated lower gas sales due to unfavorable climate conditions

**Networks:** affected by mild winter (Gas / District Heating).

**Water Services:** strong growth thanks to tariffs increase and synergies from the consolidation of Genova ATO.

	1H07	1H06 <sup>(1)</sup>	Δ %
Generation	59	38	53%
Market	27	28	(4)%
En. Networks	57	64	(12)%
Water Cycle	28	24	19%
Services	6	2	>100%
<b>EBITDA</b>	<b>176</b>	<b>157</b>	<b>13%</b>



### Higher hydro production, green certificates on PV and higher co-generation margins

Hydro Generation benefited from higher productions (+9%), additional 10 €mIn green certificates (mainly to PV) and better price mix (+4 €mIn), which more than compensated for lower market prices.

Extraordinary maintenance of some Valle Orco plants limited the growth of production, but preserved water in basins.

Despite the mild weather (-8% heat, -3% electricity) co-generation grew by 10 €mIn thanks to higher electricity and heat margins.

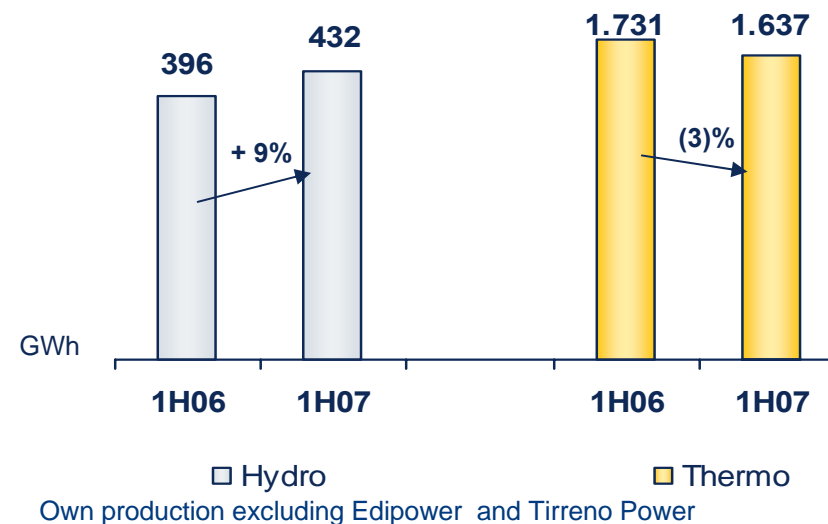
### Key Drivers 2007

Repowering of Moncalieri GT2 were at 24% of total works @ 30/06/07 (46% @ 31/07/2007)

Higher hydro production thanks to PV and higher levels in reservoir (+100 GWh of water in reservoirs @ 30/06/07).

Additional green certificates will be reported thanks to PV and, as soon as the operational decree on co-generation is issued to Moncalieri GT3.

	1H07	1H06 <sup>(1)</sup>	Δ %
Revenues	239	224	7%
Ebitda	59	38	53%
Ebit	45	26	71%
Electr. Gen <sub>GWhe</sub>	2,069	2,127	(3)%
Heat. Gen <sub>GWht</sub>	791	860	(8)%



**Market affected by mild climate and by application of 134/06 since 2H06**

**Gas:** decrease of sales (-30% to retail customers) and application of 134/06 were almost offset by both the increase of the market portfolio and Plurigas that increased gas trading and didn't suffer from costs related to the usage of strategic stocks.

**Electricity:** increase due to higher margins and volumes partially compensated by one off items in 1H06.

(1) Pro-Forma and Restated

	1H07	1H06 (1)	Δ %
Revenues	998	1000	0%
Ebitda	27	28	(4%)
Gas & H Mgmt.	17	19	
Electricity	10	9	
Ebit	22	22	0%
M CM gas sold	637	711	(10)%
M CM gas thermo	520	586	(11)%
GWhe sold	5,869	5,604	5%

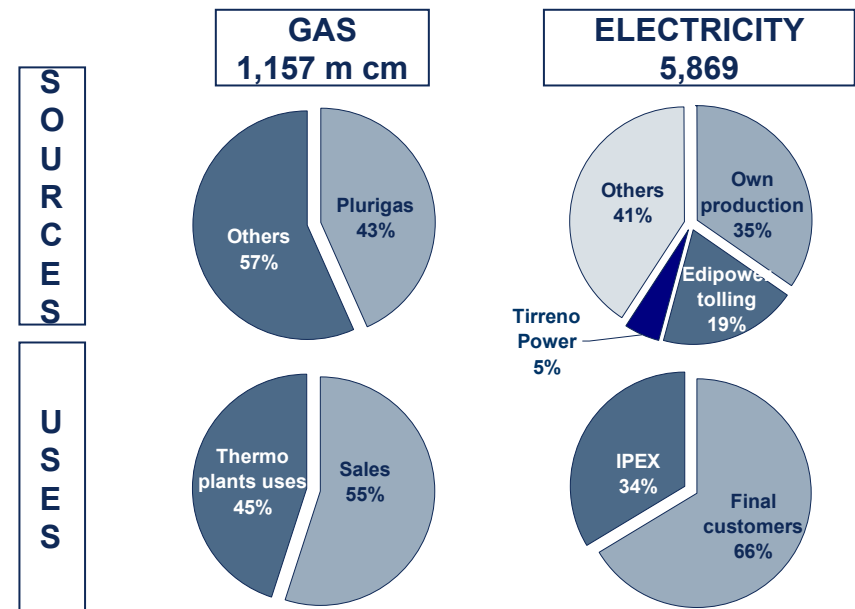
**Key Drivers 2007**

**Upstream:**

IRIDE, through Plurigas, signed a new contract to import from June 2007 300 mln cm of new gas (from Russia) during 18 months. A further 90 mln cm will come from the ENI Gas release for 2 years.

**Downstream:**

Since 1<sup>st</sup> July 2007 heat sales and retail electricity sales divisions have been transferred to IRIDE Mercato to support the market strategy. On 06/07/2007 IRIDE, through GEA Commerciale, increased its gas market, signing a contract for 40% stake in Salerno Energia Vendite (90 mln cm per year).



### Mild weather affected network margins

Gas affected by a reduction of gas volumes distributed (-24%).

District heating partially offset the effects of mild weather with 21% increase in volumes connected to the "Torino Centro" development.

Electricity distribution is almost steady with a slight decrease in volumes distributed.

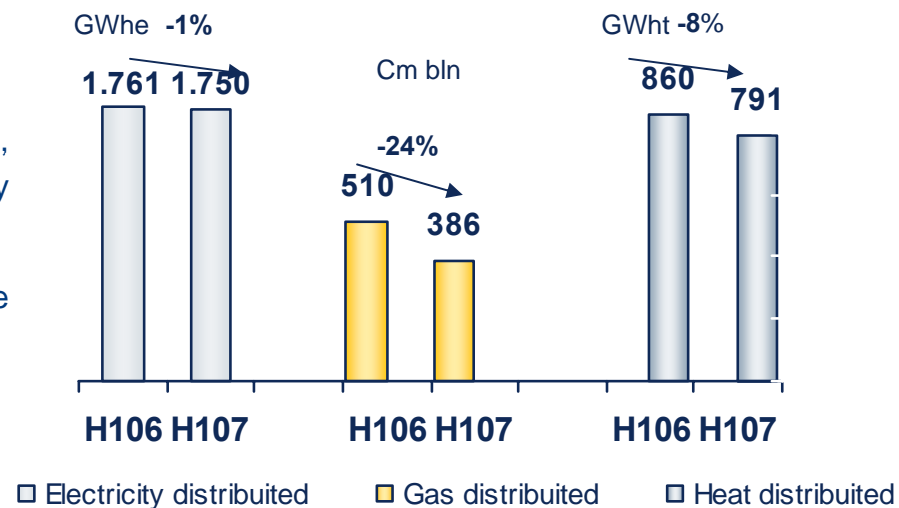
	1H07	1H06 (1)	Δ %
Revenues	194	224	(13)%
Ebitda	57	64	(12)%
Gas & DH	30	37	
Electricity	10	11	
Ebit	32	38	(17)%
Gas distr (MMC)	386	510	(24)%
Electr. Distr. (GWh)	1,750	1,761	(1)%
DH conn. (MMC)	36.7	30.3	21%

### Key Drivers 2007

On 28 June 2007, IRIDE sold its transmission assets to Terna, realising 46 million euro and accounting 16 million of extraordinary profit net of taxes and direct costs.

Gas: currently regulations allow a tariff increase to target the Revenue Cap with a time lag of 2 years, offsetting the effects of mild weather.

Electricity: 3<sup>rd</sup> regulation period expected to be issued by AEEG





### Strong growth in ATO Genova and Acque Potabili

Mediterranea delle Acque grew thanks to the tariff increase in ATO Genova, higher non regulated revenues (project management) and the reorganization process following the merger of the aqueducts held in 2006.

Acque Potabili, which operates mainly with concession reported an increase due to efficiency and higher non regulated revenues. Water tariffs are still linked to CIPE resolution 131/02.

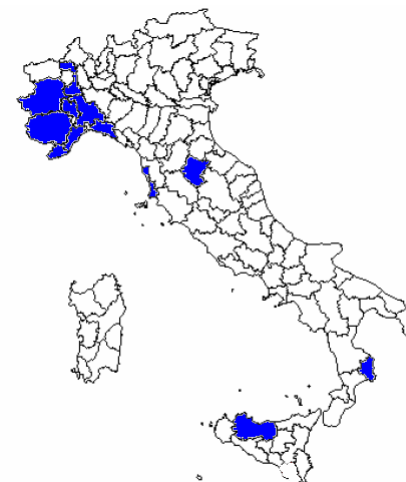
	1H07	1H06 <sup>(1)</sup>	Δ %
Revenues	80	76	5%
Ebitda	28	24	19%
Ebit	16	12	34%
MMC water sold	60	61	(2)%

### Key Drivers 2007

On 14th June, a 30 year contract to manage the water services in ATO Palermo has been signed by Acque Potabili.

The project is carried out by Acque Potabili Siciliane, an SPV held by Acque Potabili at 52%.

The project will be financed by public contributions, non-recourse debt and a capital increase of Acque Potabili that will be injected in the SPV.



### ATO Palermo

- 1,2 million inhabitants
- 850 €mln capex plan in 30 years (145 from public contributions)
- revenues from regulated business and project management on capex

### Services: margins supported by technical activities

The segment includes services to public clients, and non-core activities such as telecommunications provided by Sasternet and AEMNet.

The segment benefited from higher margins in technical activities.

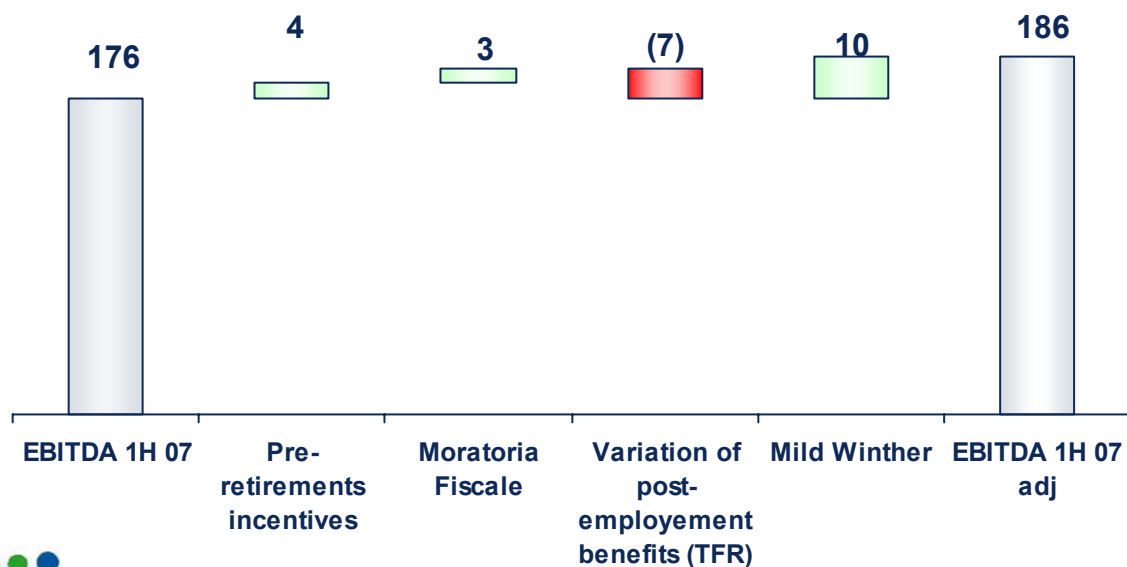
	1H07	1H06 <sup>(1)</sup>	Δ %
Revenues	47	47	(1%)
Ebitda	6	2	~
Ebit	3	1	~

<sup>(1)</sup> Pro-Forma and Restated

### One off items summary

In 1H 2007 Iride EBITDA benefited from 7 €m of variation of post-employment benefits (TFR), compensated by 4 €m of pre-retirement incentives and 3 €m of “moratoria fiscale”.

Net of this, EBITDA was affected by 10 €m of negative climate conditions excluding lack of rainfall effects.



### Ebitda Growth and Net Profit from disposals drive Net Profit Increase

**EBITDA** was affected by € 3 mln for extraordinary cost relating to “moratoria fiscale” and € 4 mln for “pre-retirement” incentives. Margins benefited from € 7 million for adjustment of employee liabilities (IAS 19).

**EBIT** benefited from industry growth, higher depreciations compensated by lower provisions.

**Financial expenses** include non-recurring expenses for “moratoria fiscale” of € 2 mln.

**Profit from Discontinued Operations** includes mainly the capital gain from the sale of AEMTE and its 1H06 net profit

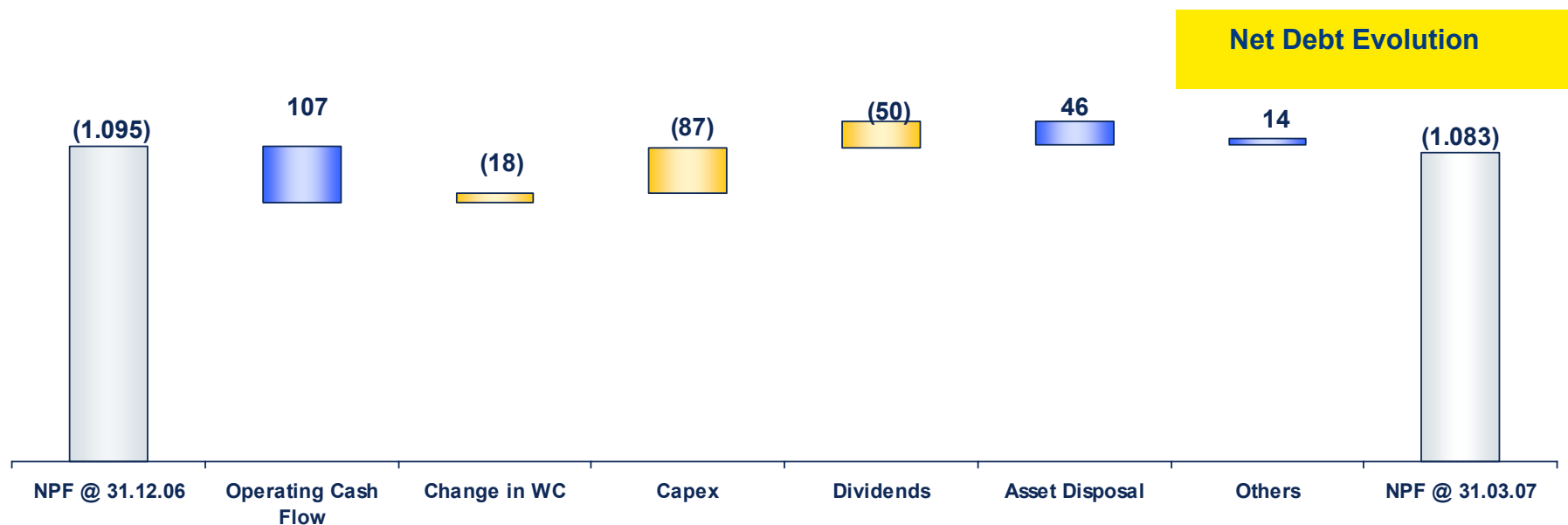
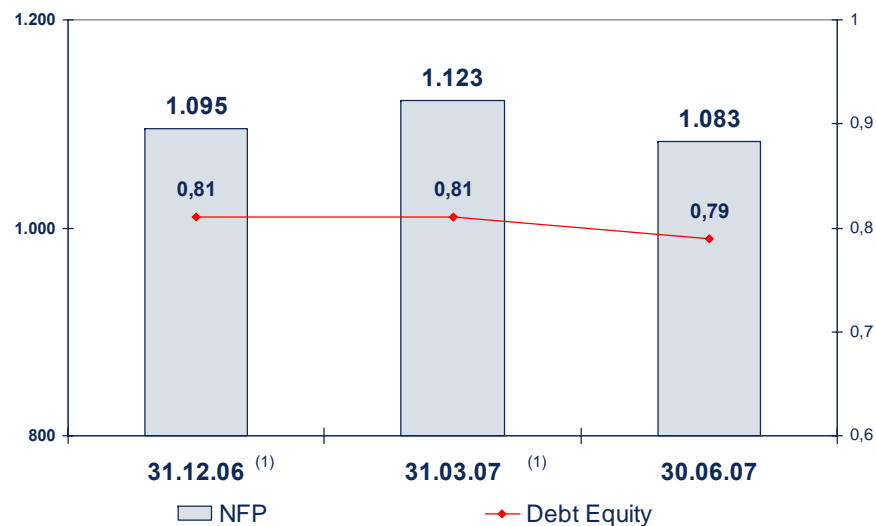
	1H 07	1H 06 <sup>(1)</sup>	Δ %
Ebitda	176	157	12.7%
D&A	59	58	2%
Ebit	117	99	18.7%
Fin. exp.	22	14	56%
P&L of associates (Equity Consolid)	(0.1)	2	n.a.
PBT	95	87	9.5%
Taxes	43	37	17.8%
Net Profit from ongoing operations	52	50	3.5%
Profit from Discontinued Op.	17	1	>100%
Net Profit	69	51	34.9%
Group Net Profit	67.4	49.2	36.9%

### Decrease of Net Debt thanks to operating cash flow and sale of AEMTE

Net Debt decreased thanks to operating cash flow and the sale of electricity transmission assets.

Hedged debt was 52% of total debt @ 30/06/2007

1H07 87 mln capex breakdown: Generation 36%, Energy Networks 33%, Water service 15%, Others 16%





**Q&A**



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