2016 – 1H Results

4th August 2016

2016 1H – Results in line with BP targets.

ORGANIC GROWTH

Organic growth of approximately 21m€ (12m€ in 1Q 2016), coming mainly from the energy value chain.

SYNERGIES

16m€ of synergies already achieved (7m€ in 1Q 2016) representing more than 50% of 2016 target

CONSOLIDATION

After the closing of TRM deal in January, the company continued its **territorial consolidation process, obtaining a controlling stake in Atena (May 2016)**, further strengthening the Group's role as aggregator in the Piedmont region.

FINANCIAL OPTIMIZATION

Sound financial management which:

- partially offset the increase in the cost of debt (due to the TRM consolidation)
- managed to reduce NWC by approx. 40m€ compared to 1Q 2016.

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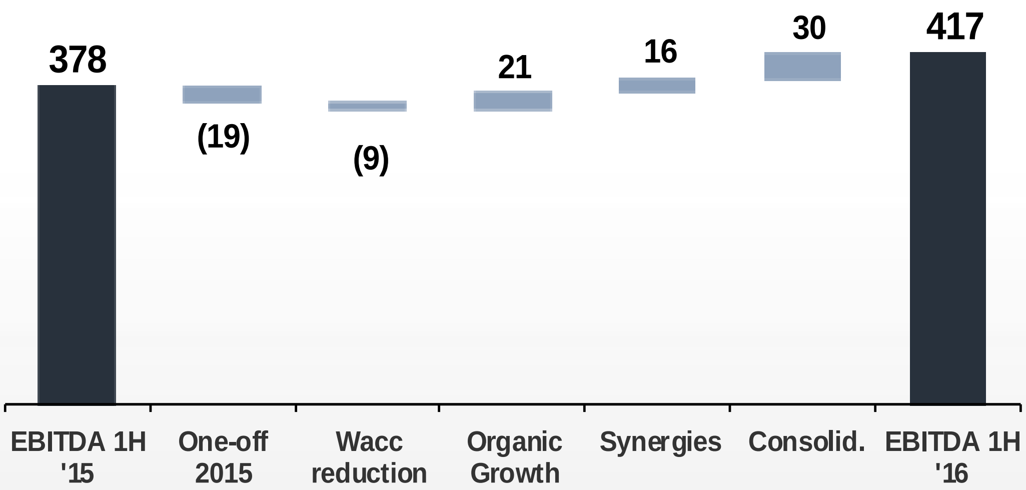
1H 2016: All the Business Plan growth drivers confirmed.

Income statement

m€	1H '15	**1H '16**	Δ	Δ%
Revenues	1,579	**1,555**	-24	-1.5%
Ebitda	378	**417**	39	10.3%
Ebit	217	**242**	25	11.7%
Net profit	103	**119**	16	16.1%

Ebitda Bridge



- **Revenues -1.5%:** weak commodity prices scenario (PUN price at its lowest ever)
- **Ebitda +10.3%:** thanks both to organic growth and synergies (37m€ - almost doubled compared to 1Q 2016). The change in consolidation perimeter is worth 30m€ and its mainly linked to TRM.
- **Ebit +11.7%:** reflecting good operating results which more than offset D&A growth linked to TRM.
- **Net profit +16.1%:** benefitting from the growth in EBIT and an adjustment in participations (TRM effect) which offset higher financial charges and taxes

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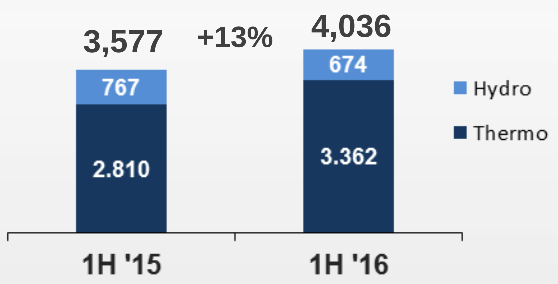
GENERATION AND DH – Higher margins from cogen/thermo production.

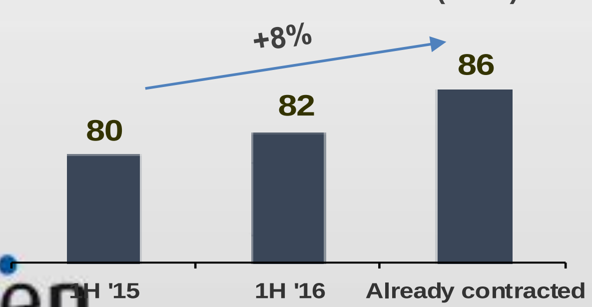
- The positive trend in margins, already reported in 1Q 2016, continues thanks to a persistent positive difference between gas and electricity prices.
- **Generation sector** drove the growth in EBITDA, benefitting from higher spark-spreads and volumes in combination with an increased contribution from MSD market thanks to the improved flexibility of IREN's generation fleet.
- **Hydroelectric sector** hit by both a fall in electricity price and lower electricity and green cert. production.
- **DH sector's** margin stable in spite of a slight reduction in volumes (mild winter season effect). 3.6mcm of further volumes heated have been already contracted (positive effects starting from the next winter season).
- **EBIT performances (+58%)** thanks to the positive operating results plus the release of a number of provisions.

m€	1H '15	**1H '16**	Δ	Δ%
Revenues	398	**403**	5	1%
Ebitda	103	**119**	16	15%
Ebit	38	**60**	22	58%
Gross Capex	9	**15**	6	67%

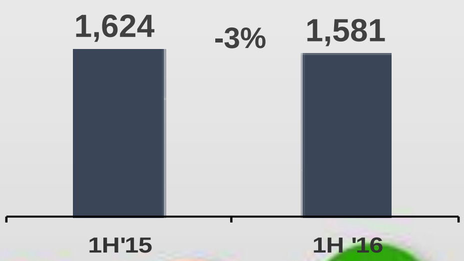
ELECTRICITY PRODUCTION (GWh)



DH VOLUMES HEATED (MCM)



HEAT PRODUCTION (GWht)

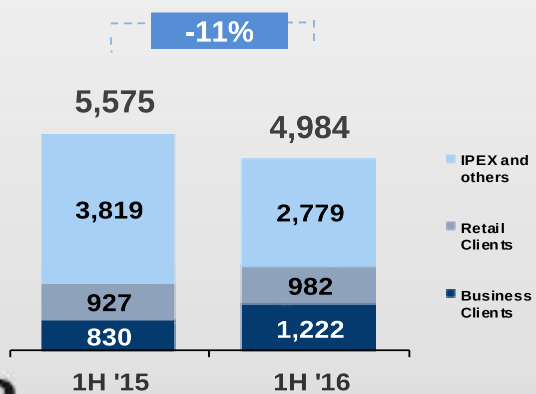


MARKET – Increase in customer-base and profitability confirmed.

- The **strong growth in EBITDA** derived from:
  - **Scenario -** change in regulation both in regulated and free market (PCV)
  - **Company strategy –** higher effectiveness of re-pricing strategy together with a winning shipping and logistics policy (gas sector) and a sound hedging procedure (electricity sector).
  - **Portfolio review -** strong focus on end clients (+25% electricity volumes sold) vs. lower volumes sold on IPEX.
- The positive trend already reported in 1Q 2016 in commercial and marketing activity continued also in 2Q with **+21k energy clients** compared to FY 2015, to which are added approx. **54K energy clients coming from the consolidation of Atena** (multi-utility in Vercelli)

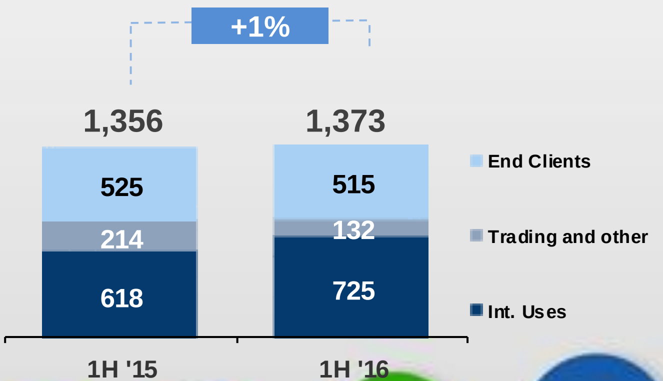
m€	1H '15	**1H '16**	Δ	Δ%
Revenues	1,199	**1,084**	-115	-10%
Ebitda	62	**83**	21	34%
Electricity	*13*	***32***	*19*	*146%*
Gas&Heat	*49*	***51***	*2*	*4%*
Ebit	46	**59**	13	29%
Gross Capex	7	**9**	2	35%

ELECTRICITY PORTFOLIO* (GWh)
Uses



*net of "pass-through Ipex volumes"

GAS PORTFOLIO (MCM)
Uses

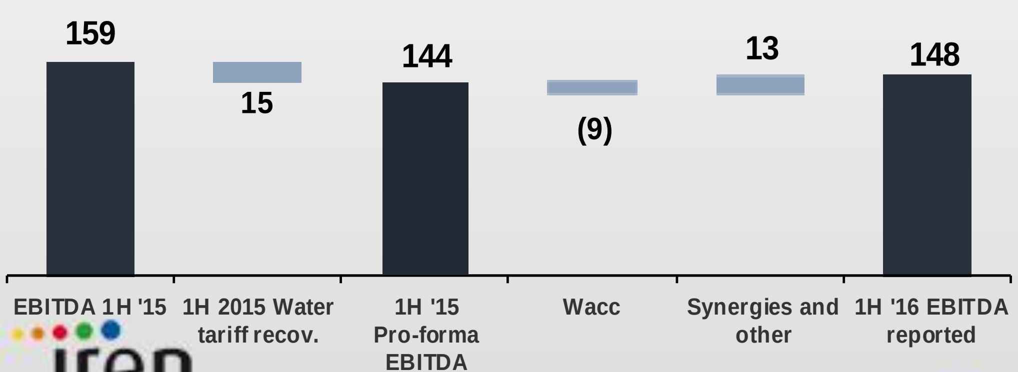


NETWORKS – Positive results net of 2015 water tariff recovery.

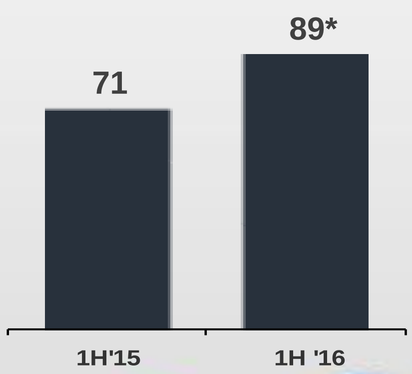
- **Electricity networks:** The slight decrease in EBITDA is mainly linked to the absence of a positive equalization reported in 1H 2015 and wacc reduction, partially offset by synergies.
- **Gas networks:** Higher efficiency more than offset the reduction in wacc.
- **Water networks:** The fall in EBITDA is linked to the absence of approximately 15m€ tariff recovery for previous years reported in 1H 2015.
- **+80m€ RAB** deriving from Atena consolidation.

m€	1H '15	**1H '16**	Δ	Δ%
Revenues	392	**400**	8	2%
Ebitda	159	**148**	-11	-7%
Electricity	*37*	***35***	*-2*	*-5%*
Gas	*34*	***36***	*2*	*7%*
Water	*88*	***77***	*-11*	*-12%*
Ebit	104	**88**	-16	-15%
Gross Capex	64	**60**	-4	-7%

EBITDA Bridge



WATER DISTRIB. (MCM)

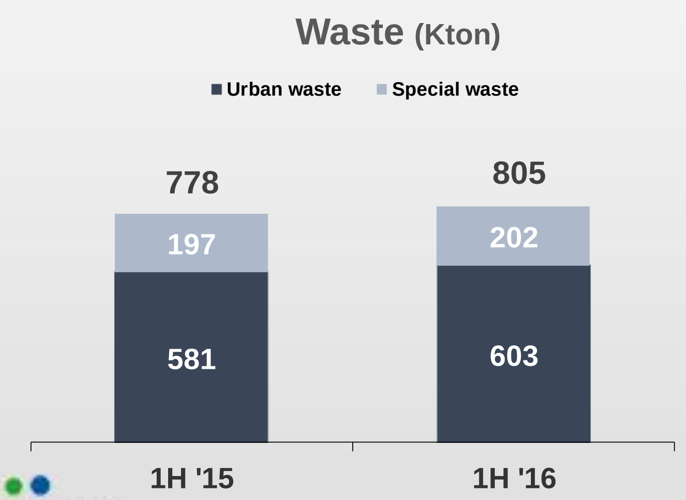


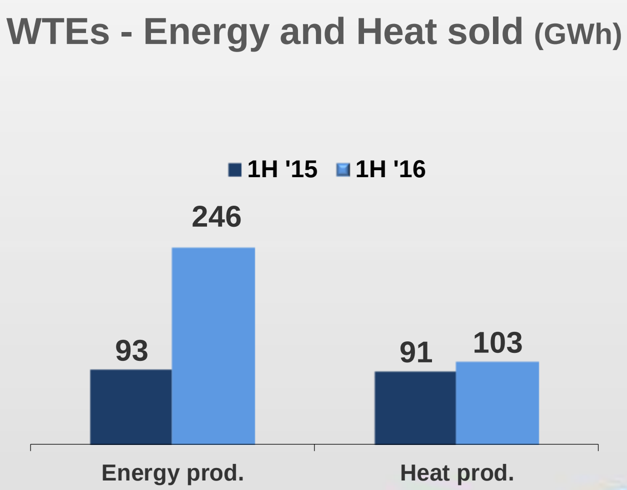
* Due mainly to change in consolidation Perimeter (ex. SAP concessions)

WASTE – 76% growth thanks to changes in perimeter and in urban waste flow.

- The strong increase in the BU's margins, in spite of the drop in electricity price, is linked principally to:
  - the **territorial consolidation process (**~25m€) through the acquisition of a controlling stake in **TRM.**
  - The **reduction in the utilization of external disposal plants.**
- The regional plan regulating waste flow in Emilia Romagna has given IREN the possibility of disposing **Reggio Emilia urban waste in IREN's WTE** in Parma (PAI). This will guarantee the full saturation of the plant in the next years.

m€	1H '15	**1H '16**	Δ	Δ%
Revenues	234	**254**	20	9%
Ebitda	36	**63**	27	76%
Ebit	12	**32**	20	173%
Gross Capex	6	**7**	1	10%





From EBITDA to Net Profit.

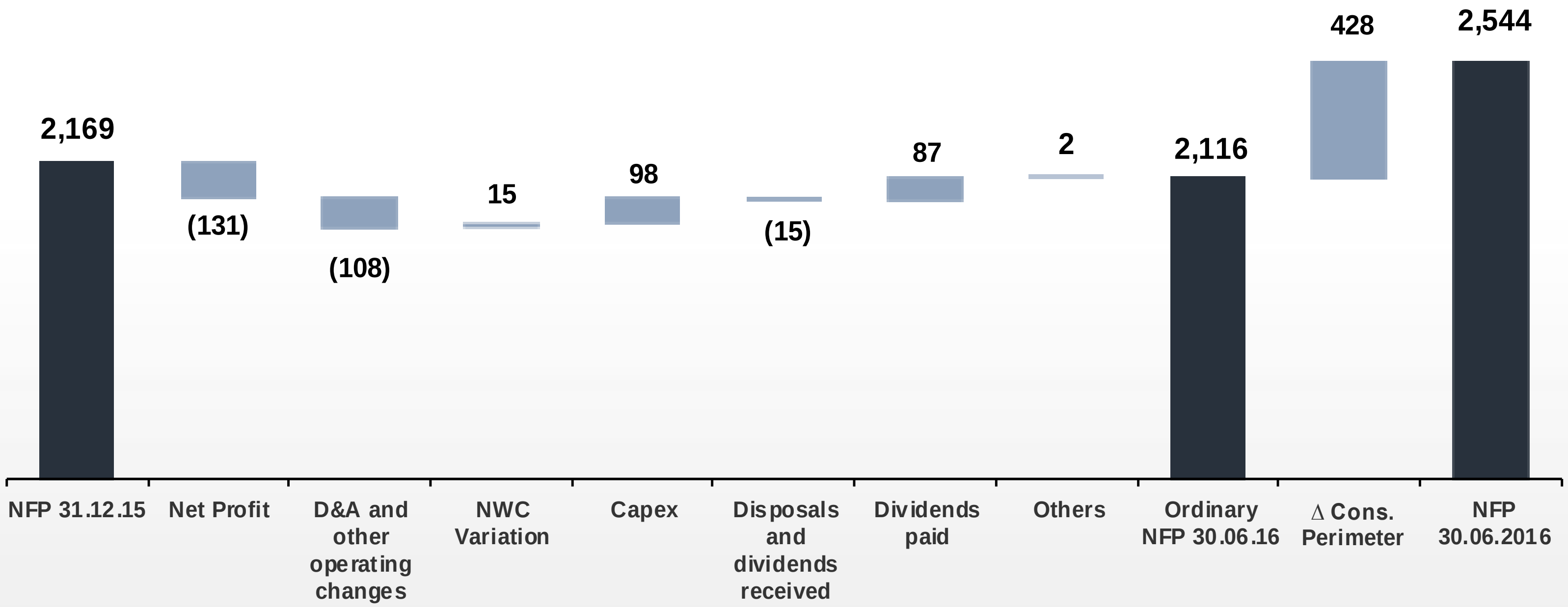
	1H '15	**1H '16**	Δ	Δ%
EBITDA	378.1	417.1	39.0	10.3%
D&A	*-130.9*	***-143.0***		
Provisions	*-30.5*	***-32.1***		
EBIT	216.7	**242.0**	25.3	11.7%
Financial charges for loans	*-41.0*	***-46.9***		
Other financial charges	*2.3*	***-5.9***		
Companies cons with e.m.and adj.	*4.8*	***13.2***		
EBT	182.8	**202.4**	19.6	10.7%
Taxes	*-68.0*	***-71.3***		
Minorities	*-12.3*	***-12.0***		
Group net profit	102.6	**119.1**	16.5	16.1%

- **Higher D&A** linked mainly to TRM consolidation.

- **Higher Financial charges for loans** due to TRM consolidation.
- Higher "Other financial charges" due to **actualization of expenses.**
- Adj. in TRM participation value.

- Higher tax linked to the increase in EBT **(1H 2016 tax-rate approximately 35%).**

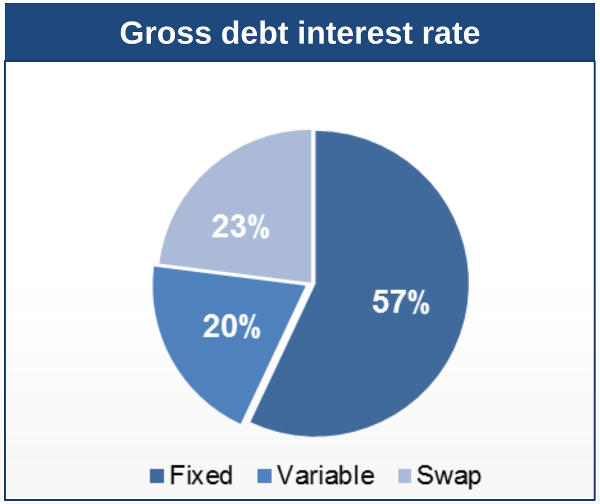
Cash-flow and NFP Bridge.

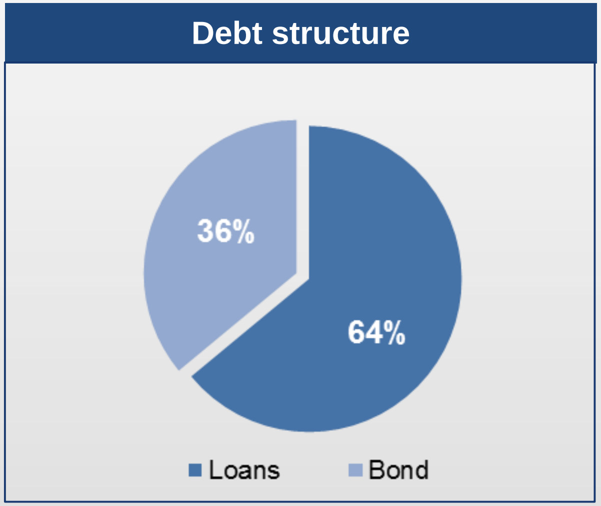


- Net of the TRM and Atena consolidation effect, the NFP would have been 53m€ lower compared to FY 2015 and in line with 1Q 2016 level.
- 40m€ NWC reduction compared to 1Q 2016.

Interest rate and debt structure.

- 20% of gross debt at variable interest rate.
- Average long-term debt duration of about 5.0 years.
- Slight reduction in cost of debt (3.5%) compared to 1Q 2016 (3.6%).
- IREN's debt is formed of:
  - 36% bonds
  - 33% EIB loans
  - 31% other loans





Annexes

Market Scenario.

	1H '15	**1H '16**	Δ%
Brent *USD/bbl*	57.9	**39.7**	-31%
€/USD	1.1	**1.1**	=
Brent *€/bbl*	51.9	**35.6**	-31%
Gas Demand *(bcm)*	35.2	**35.7**	1%
PSV *€/000 scm*	248	**182**	-36%
Energy Demand *(Twh)*	153.2	**151.5**	-1%
PUN *(€/Mwh)*	49.8	**37.0**	-26%
CO_2 *€/Ton*	7.2	**5.7**	-21%
Green Cert. Hydro *(€/Mwh)*	99.9	**100.1**	=

- **PUN hit in the first 6 months of the year the lowest level ever reported.**

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Balance Sheet.

	1H '16	FY '15
Net fixed assets	***5,114***	*4,648*
Net Working Capital	***168***	*154*
Funds	***-521***	*-526*
Other assets and liabilities	***-48***	*-46*
Net invested capital	**4,713**	4,231
Group Sharholders' equity	***2,169***	*2,062*
Net Financial Position	***2,544***	*2,169*
Total Funds	**4,713**	4,231

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