



29th of August 2014

# 2014 – 1H Results

# Key facts of the period.

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**Extremely mild winter season.**



**Extraordinary operations:**

- AES Torino de-merger;
- Voluntary public take-over offer on Società Acque Potabili;
- Acquisition of further stakes in TRM (Turin WTE) and Tecnoborgo (Piacenza WTE).



**Regulatory framework changes:**

- **Integrated water service** - 2014-2015 new tariff method;
- **Integrated waste cycle** - moving from tariff to tax;
- **Gas distribution** - new regulatory period (2014-2019).



**Application of the New IFRS 11:** OLT, Società Acque Potabili, AES Torino, Iren Rinnovabili consolidated using the equity method.

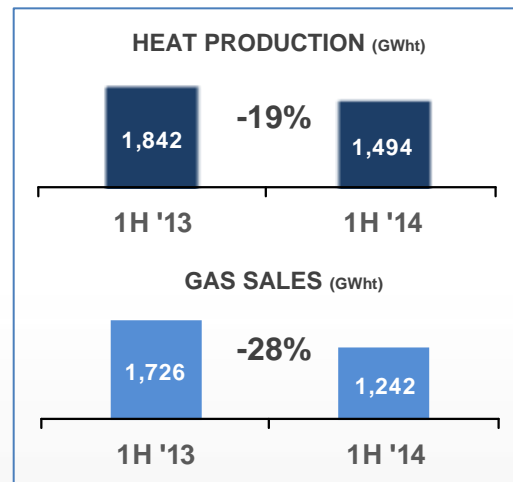
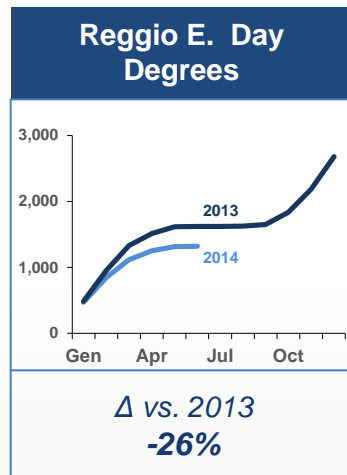
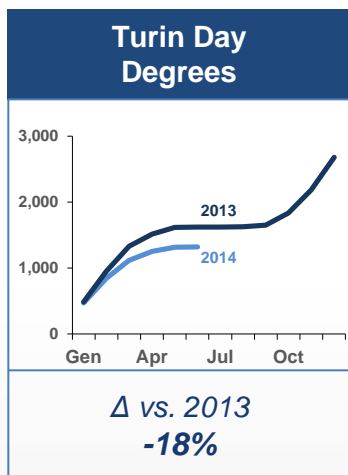


**Partial expiry of green certificates** subsidy on the co-generative district heating production.



# Impact of external items on EBITDA.

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**Total impact  
~30m€**

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- Since October 2013 first full effects of the revision of tariffs.
- The main change in the calculation of CCI is the alignment of the gas price for eligible end clients to the gas spot price.
- The impact of the reform is on both the gas and the DH sector, as the latter's tariff is based on the gas sale's one.

Impact on gas sales margins  
~15m€

Impact on DH sales margins  
~5m€

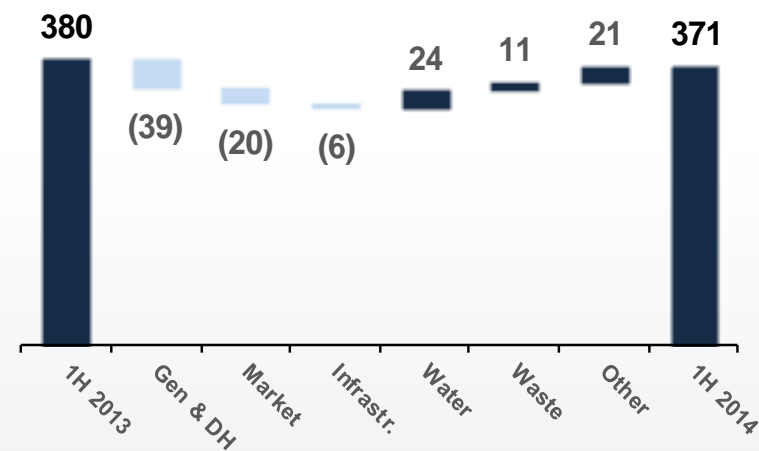
**Total impact  
~20m€**

# Strong recovery in operating performances compared to 1Q 2014.

## Income statement

	m€	1H '13 <sup>1</sup>	1H '14 <sup>1</sup>	Δ	Δ%
Revenues		1,788	1,521	-266.6	-14.9%
Ebitda		380	371	-9.0	-2.4%
<i>Ebitda margin</i>		21.2%	24.4%		
Ebit		252	229	-23.1	-9.2%
Net profit		112	77	-35.4	-31.5%

## Ebitda Bridge



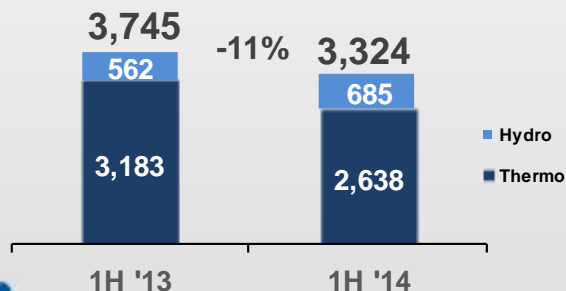
- **Revenues down by 14.9%:** extraordinary climate conditions and persistent economic slowdown.
- **Ebitda -2.4%:** significant improvement on the 1Q 2014. Positive performances in Water/Waste sectors and sale of the residual Real estate funds quota.
- **Ebit -9.2%:** negative impact from the operating performance plus a slight increase in depreciation.
- **Net profit -31.5%:** affected by the EBIT decrease and the result of the companies consolidated with the equity method as per IFRS 11.

# GENERATION AND DH – Negative external variables.

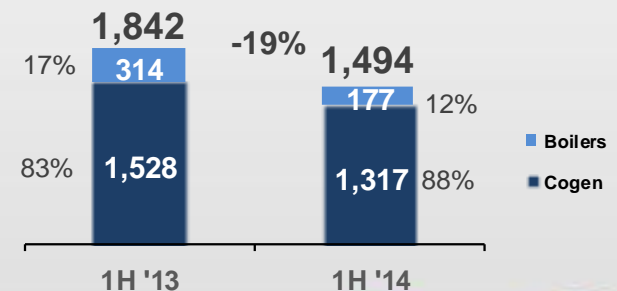
- **Cogen/Thermoelectric production sector: lower volumes (-17%) and prices (PUN -18%),** partially offset by **ETS certificates allocation** and sale to end clients.
- **Hydroelectric sector:** significant contribution from the Tusciano hydroelectric plant. Basin levels in line compared to 30<sup>th</sup> June 2013.
- Negative **external items** (mild winter season, partial expiry of DH green certificates and new CCI regulatory framework) affected the DH sector's margins.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		540	463	-77	-14%
Ebitda		156	118	-38	-25%
Ebit		122	72	-50	-41%
Gross Capex		14	30	16	119%

ELECTRICITY PRODUCTION (GWh)



HEAT PRODUCTION (GWht)



# MARKET – Partial recovery compared to the first three months of the year.

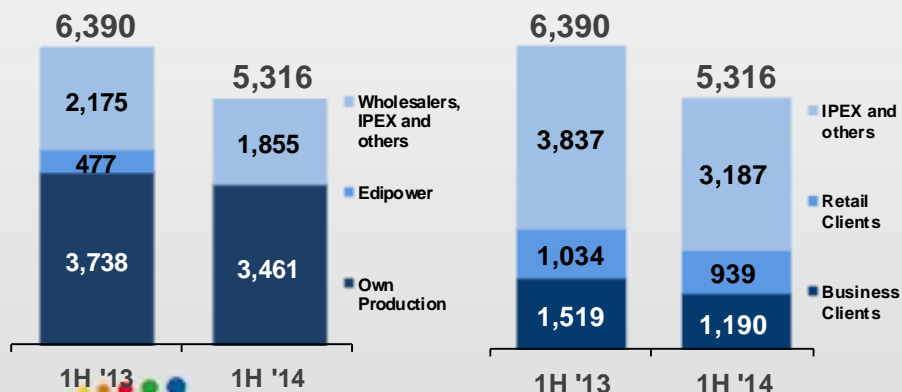
- **Gas Sales** affected by the **CCI recalculation mechanism** and the **decrease in volumes sold** (mild winter season).
- **Electricity sales:** absence of the negative effect reported in 1H 2013 (Edipower tolling -22m€).
- 1Q 2014 negative trend partly inverted.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		1,681	<b>1,299</b>	-382	-23%
Ebitda		68	<b>48</b>	-20	-29%
	<i>Electricity</i>	-5	<b>12</b>	17	<i>n.r.</i>
	<i>Gas&amp;Heat</i>	73	<b>36</b>	-37	-51%
Ebit		44	<b>28</b>	-16	-37%
Gross Capex		4	<b>5</b>	1	28%

## ELECTRICITY PORTFOLIO (GWh)

Sources\*

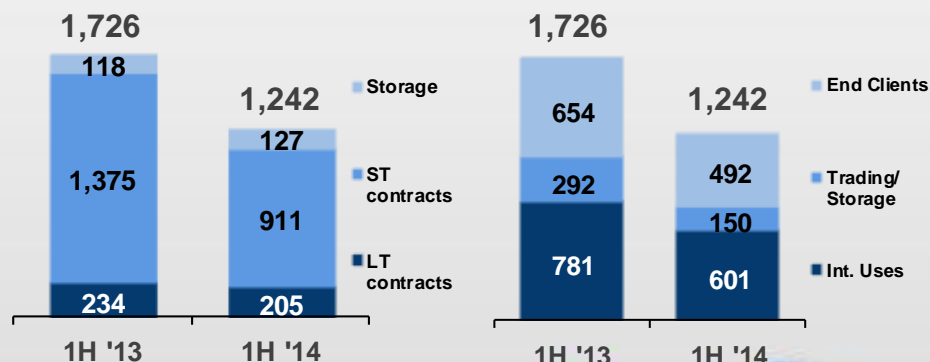
Uses\*



## GAS PORTFOLIO (MCM)

Sources

Uses



iren

\*net of "pass-through IpeX volumes"

# DISTRIBUTION – Extraordinary items affect both sectors.

## ENERGY INFRASTRUCTURE

- **Electricity networks:** absence of the extraordinary items accounted for in the previous years and lower margins from services to end clients.
- **Gas networks:** Positive results linked to reduction in expenses.
- **Gross Capex** largely devoted to network improvements.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		160	<b>161</b>	1	1%
Ebitda		76	<b>70</b>	-6	-8%
	<i>Electricity</i>	40	<b>33</b>	-7	-18%
	<i>Gas</i>	36	<b>37</b>	1	3%
Ebit		53	<b>49</b>	-4	-7%
Gross Capex		21	<b>29</b>	8	41%
<i>El. distr. (GWh)</i>		2,036	1,915		
<i>Gas distr. (mcm)</i>		844	661		

## WATER

- **Strong increase in Revenues and Ebitda:** Tariff growth in compliance with the new Tariff Method, 2012-2013 balance (+15m€) and cost savings.

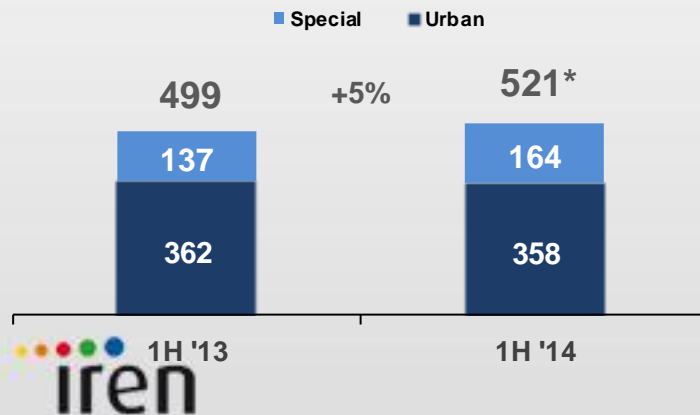
	m€	1H '13	1H '14	Δ	Δ%
Revenues		204	<b>222</b>	18	9%
Ebitda		60	<b>84</b>	24	39%
Ebit		28	<b>49</b>	21	76%
Gross Capex		25	<b>25</b>	1	3%
<i>Volume sold (mcm)</i>		75	72		

# WASTE – Strong improvement compared both to 1Q 2014 and 1H 2013.

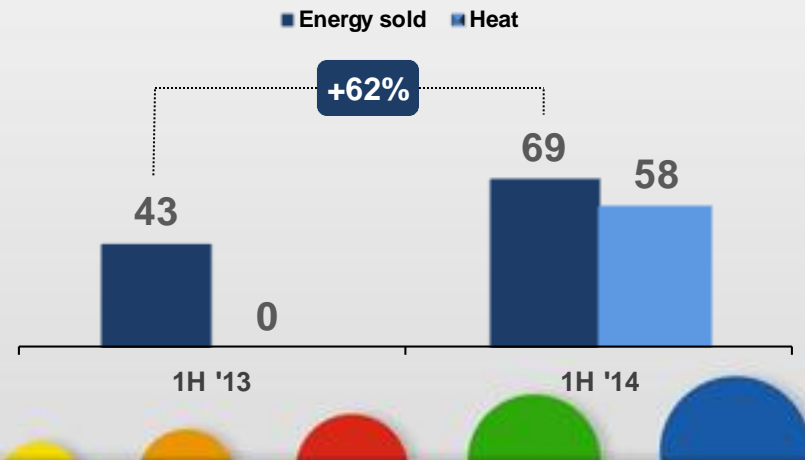
- **Higher revenues and EBITDA linked to an** increase in electricity and heat production, in the tariff for waste collection and disposal, together with an improvement in special waste management.
- Sorted waste percentage higher than 63% (up from 61% reported in 1H 2013).
- + 20% in special waste collection.

	m€	1H '13	1H '14	Δ	Δ%
Revenues		106	<b>116</b>	10	9%
Ebitda		17	<b>28</b>	11	62%
Ebit		6	<b>11</b>	5	81%
Gross Capex		30	<b>12</b>	-18	-60%

Waste (Kton)



WTE - Energy and Heat production (GWh-GWht)

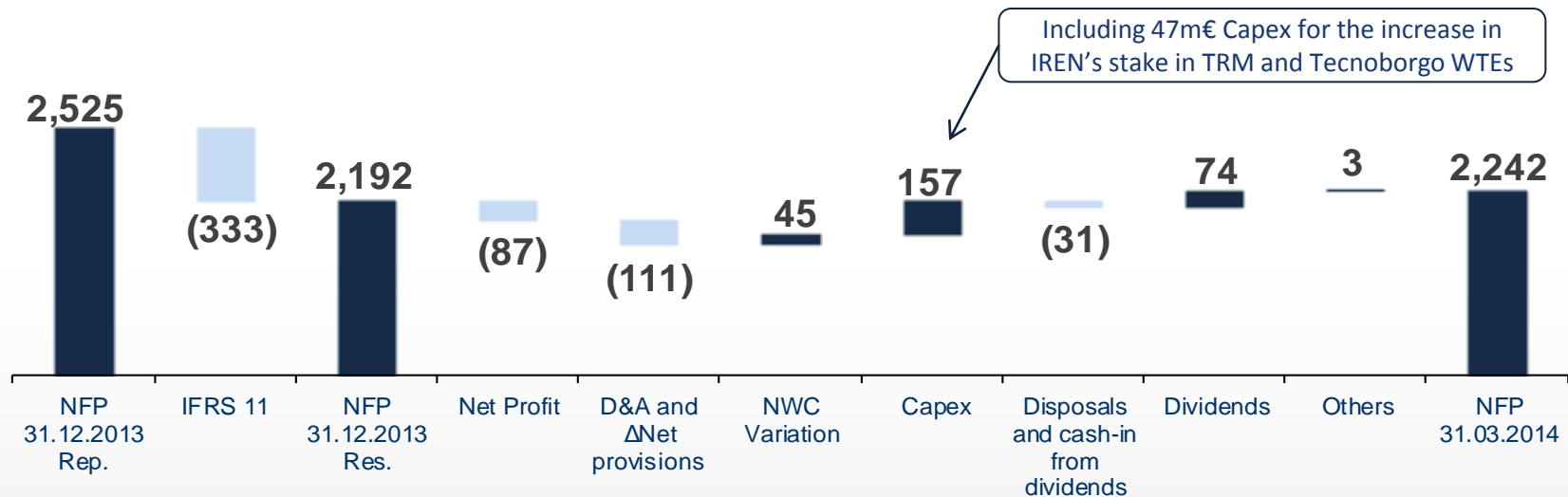




# From EBITDA to Net Profit.

	1H '13	1H '14	Δ%	
EBITDA	379.6	<b>370.5</b>	-2.4%	
	<i>D&amp;A</i>	<i>-101.2</i>	<i>-118.4</i>	Higher D&A related mainly to the Tusciano and Turbigio plants.
	<i>Provisions</i>	<i>-26.4</i>	<i>-23.2</i>	
EBIT	252.0	<b>228.9</b>	-9.2%	
	<i>Financial charges</i>	<i>-47.0</i>	<i>-49.9</i>	
	<i>Companies consolidated with e.m.</i>	<i>10.0</i>	<i>-11.2</i>	The negative results in C.C.E.M. is attributable mainly to OLT.
EBT	215.0	<b>167.8</b>	-22.0%	
	<i>Taxes</i>	<i>-96.9</i>	<i>-81.1</i>	Lower Taxes, due to the decrease in EBT.
	<i>Minorities</i>	<i>-5.8</i>	<i>-9.8</i>	
Group net profit	112.3	<b>76.9</b>	-31.5%	

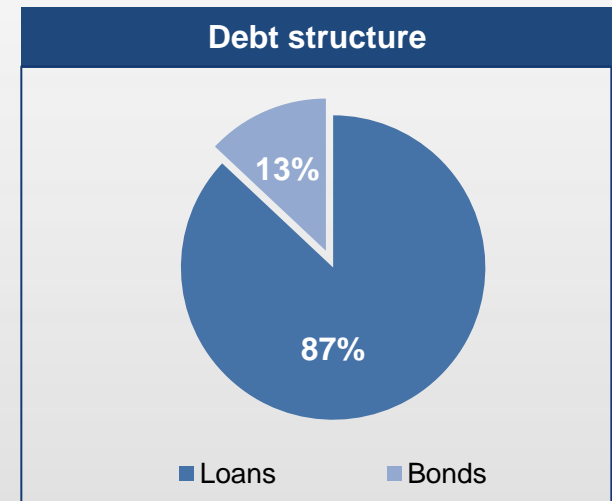
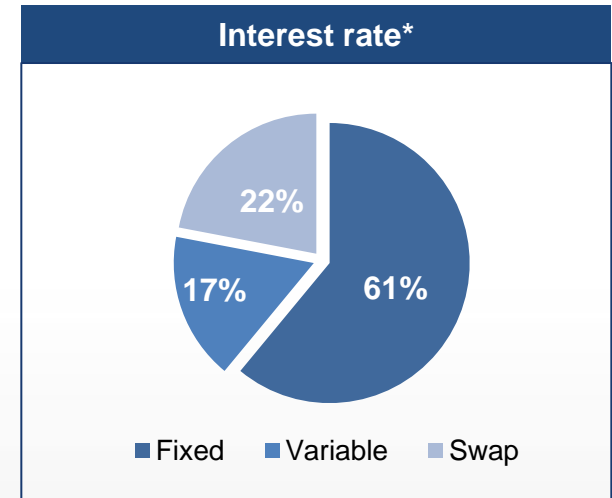
# Cash-flow and NFP Bridge.



- Significant reduction compared to the FY 2013 reported NFP (2,525m€) mainly as a result of IFRS 11.
- The difference between 2013 FY Res. And 2014 1H NFP (approximately +50m€), is equal to the non-operating capex.
- Capex includes the cash-out for the acquisition of further stake in TRM and Tecnoborgo S.p.A., (companies managing respectively Turin and Piacenza's WTEs)

# Interest rate and debt structure.

- 17% of net debt at variable interest rate.
- Average long-term debt duration of about 4.6 years.
- Stable cost of debt at 3.9%.
- Exploitation of the credit market opportunities: bonds account for 13% of IREN's Debt. Percentage rises to 24% taking into account the July 2014 new bonds issue.





## Annexes



# Market Scenario.

	1H '13	1H '14	Δ%
Brent <i>USD/bbl</i>	107.5	<b>108.9</b>	1.3%
USD/€	1.31	<b>1.37</b>	+4.3%
Brent <i>€/bbl</i>	81.9	<b>79.5</b>	-2.9%
Gas Demand ( <i>bcm</i> )	38.1	<b>32.6</b>	-14.4%
PSV <i>€/000 scm</i>	294	<b>245</b>	-16.6%
Energy Demand ( <i>Twh</i> )	157.6	<b>152.9</b>	-3.0%
PUN ( <i>€/Mwh</i> )	60.6	<b>49.5</b>	-18,4%
CO <sup>2</sup> <i>€/Ton</i>	4.3	<b>5.5</b>	+29.5%
Green Cert. Hydro ( <i>€/Mwh</i> )	79.5	<b>98.2</b>	+23.5%

- The exceptional climatic conditions experienced in the last six months strongly affected gas demand (-14%)
  - PUN reached its lowest level ever.

## Balance Sheet\*

	FY '13	1H '14
<i>Net fixed assets</i>	4,526	<b>4,527</b>
<i>Net Working Capital</i>	151	<b>197</b>
<i>Funds</i>	-474	<b>-475</b>
<i>Other assets and liabilities</i>	-12	<b>-21</b>
<b>Net invested capital</b>	<b>4,191</b>	<b>4,228</b>
<i>Group Shareholders' equity</i>	1,999	<b>1,986</b>
<i>Net Financial Position</i>	2,192	<b>2,242</b>
<b>Total Funds</b>	<b>4,191</b>	<b>4,228</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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