

Business Plan @2020



Milan

17 June 2015







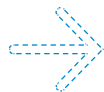
MARKET SCENARIO

Upstream overcapacity & higher competition in market activities

New regulatory framework

Upcoming tender season and government support for the consolidation process

Supportive financial market



IREN'S ACTION PLAN

Development of the distinctive characteristics of Iren's plant (Hydro, DH) and Client-base

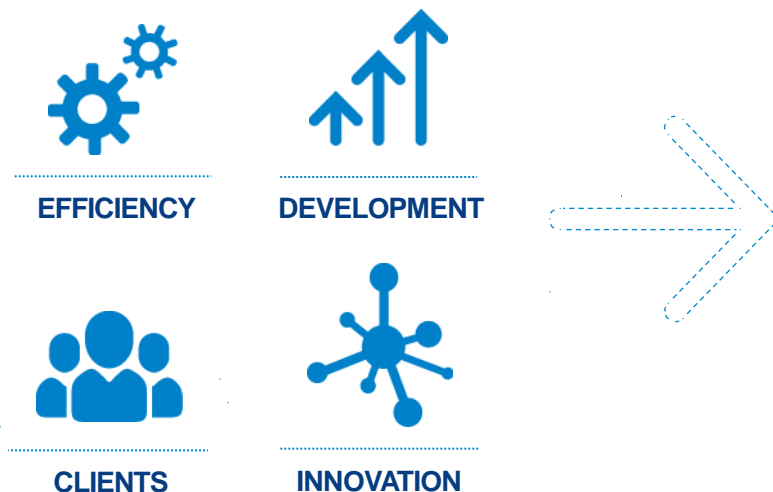
Significant growth in regulated activities (Waste and Water) and new governance pushing full integration and the achievement of synergies

Leader in the consolidation process in reference territories, with the possibility of exploiting significant opportunities

Focus on combining growth with capital strengthening and dividend sustainability

EXCELLENT IREN POSITIONING IN A CHALLENGING BUT FAVOURABLE SCENARIO

In the next 6 years IREN will pursue a new path, starting a revolution inside the Group which will enable it to reach its 2020 objectives



IREN@2020

- A more streamlined Company
- Focused on innovation
- Top-level service provider
- Leader in the consolidation process in reference areas

More flexible, integrated, client-oriented

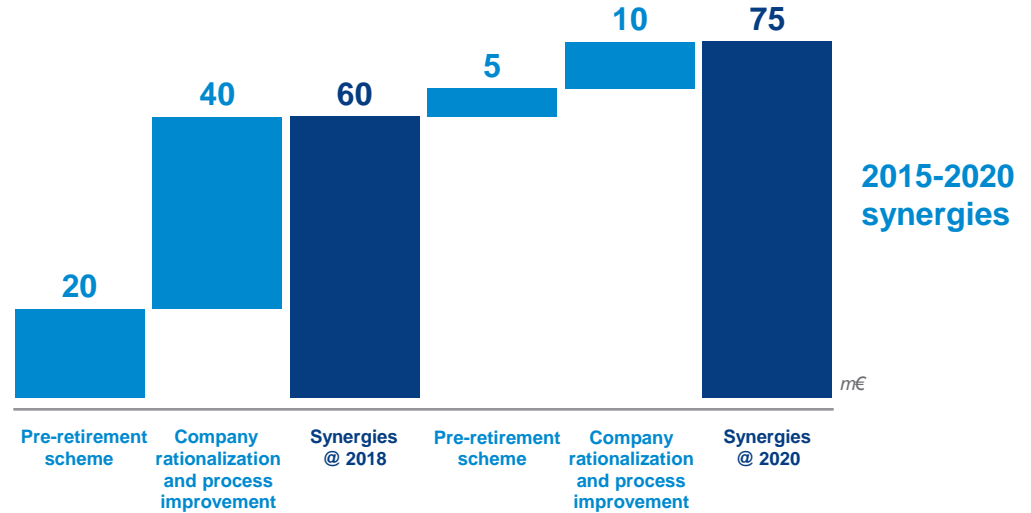
75 million Euro of synergies in the next 6 years

Operating structure focused on SBUs

Extensive pre-retirement plan focusing on rationalization and the acquisition of young talented employees

Efficiency improvement

Group rationalization



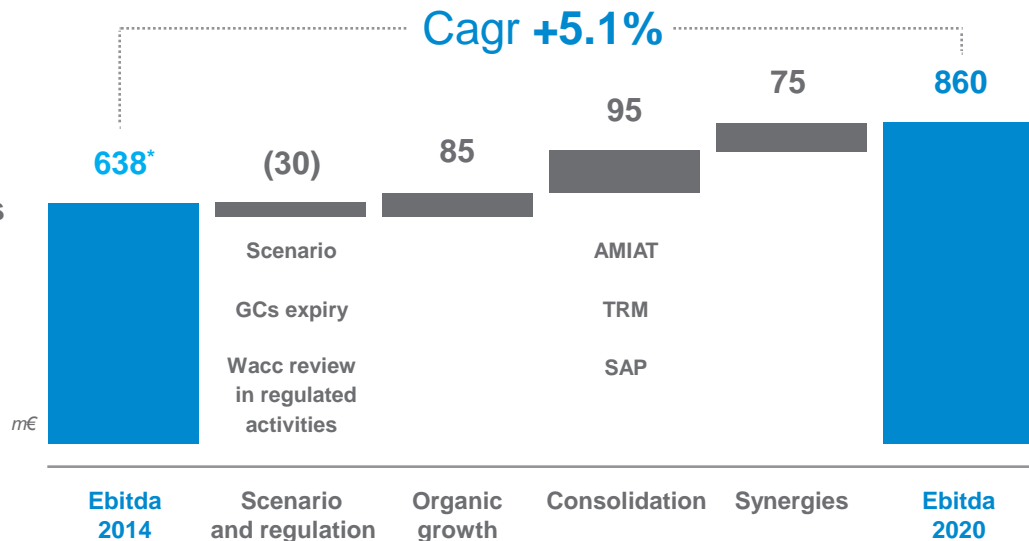
Stronger in our territories to create value synergies

Realistic growth expectations based on prudent assumptions regarding both the energy scenario and regulation

Capex for development of around 600 million euros

Development in our reference areas through consolidation

Organic growth mainly in regulated activities



- 830m€ (85% of total EBITDA growth) will be reached by 2018
- 2014-2018 CAGR +6.8%

Simplification, customer participation and enhancement of customer experience to strengthen one of Iren's most valuable asset: its Clients

+370,000 Clients

through consolidation and development

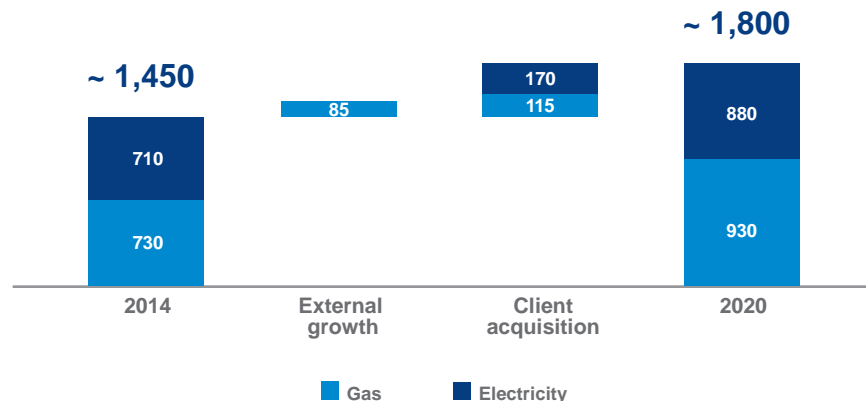
Consolidation in Iren's reference areas and development mainly in metropolitan areas

High added value services to increase loyalty.

Growth through both external and internal lines

Strengthening internal sources (90% of the electricity sold will be generated by the Group)

Client base development 2014-2020



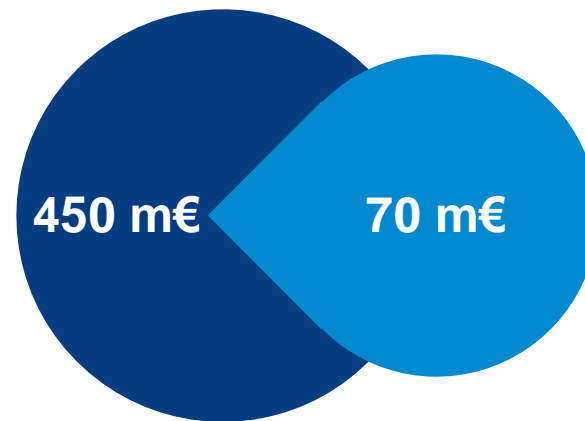
More focused on the future to meet the new needs of sustainable development

~ **450** million Euro invested in innovative capex

Widening the range of services offered thanks to new technology (led lighting, smart metering)

Energy efficiency and innovative solutions for final Clients (Public Administration, business, retail) focused on: Led in public and domestic lighting, efficient conditioning control, home automation, energy auditing, Chp, distributed generation

New integrated ITC solutions supporting more effective processes

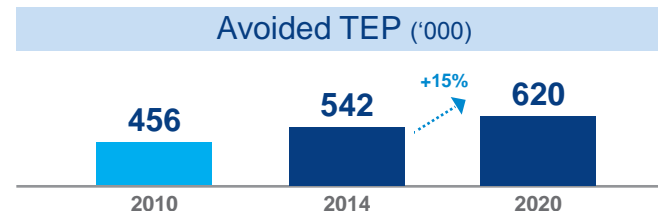
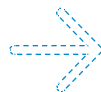


25% of Iren's total operating capex will be devoted to innovative features (approximately 3% of cumulated turnover)

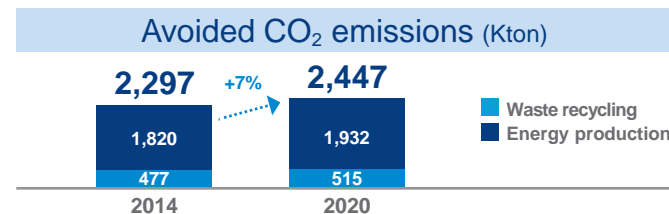
70 million € capex in energy efficiency

Environmental sustainability is a guiding factor in Iren's strategy for the future

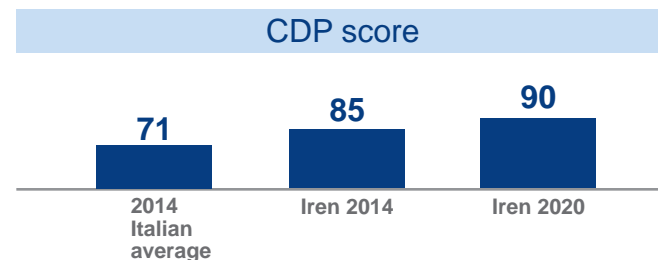
The increase in avoided TEPs, experienced already in 2010-2014, will continue throughout the business plan period, thanks to the Iren's environmentally sustainable generation plants and business portfolio



The Group's growing commitment to exploiting waste as a raw material and to generating electricity from eco-compatible sources will lead to a further reduction in CO₂ emissions in the coming years

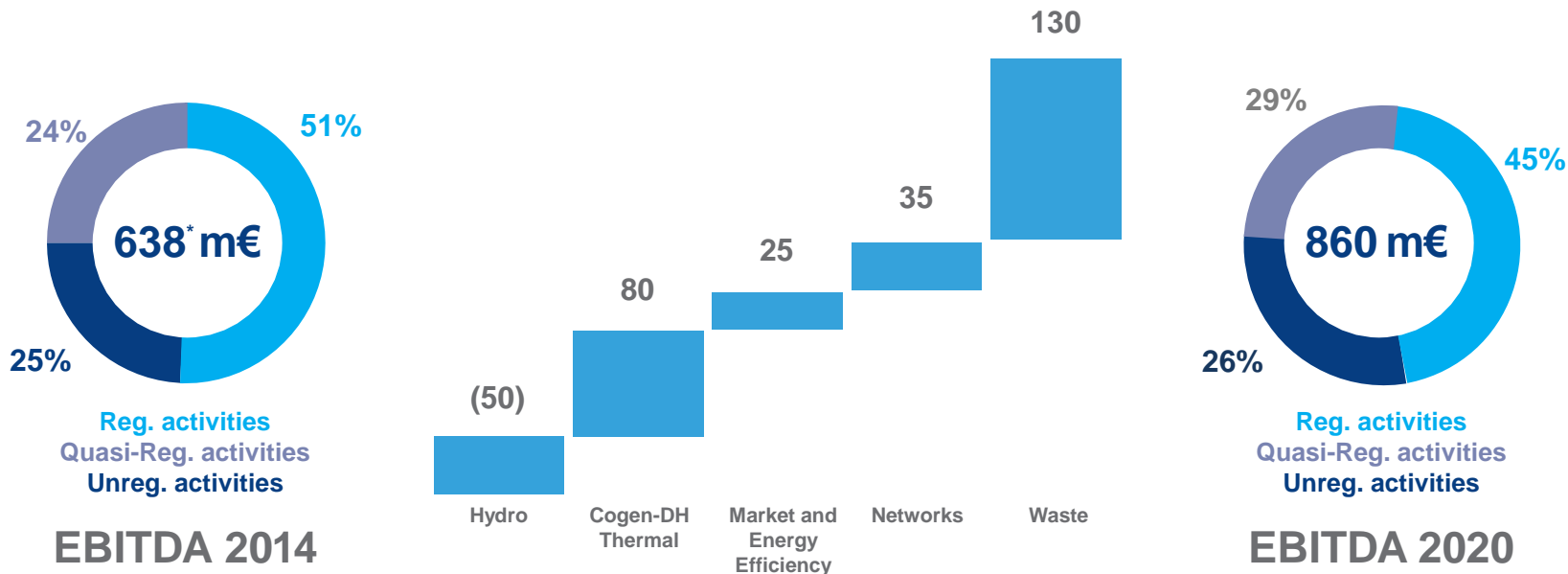


Iren Group participates on an ongoing basis on the "CDP Italy 100 Climate Change Report" Carbon Disclosure Project . In 2014 it achieved a 85 score in relation to quality, disclosure and completeness of data, exceeding the average of the top 100 Italian companies (71 points). The Group's objective for 2020 is to further improve the score





- High visibility in cash flow generation thanks to the significant percentage (~75%) of regulated and quasi-regulated activities on the Group EBITDA
- Growth in all business units in spite of the expiry of Green Certificates worth more than 60 million euros affecting the hydroelectric sector (and, to a lesser extent, the Cogen-DH sector)



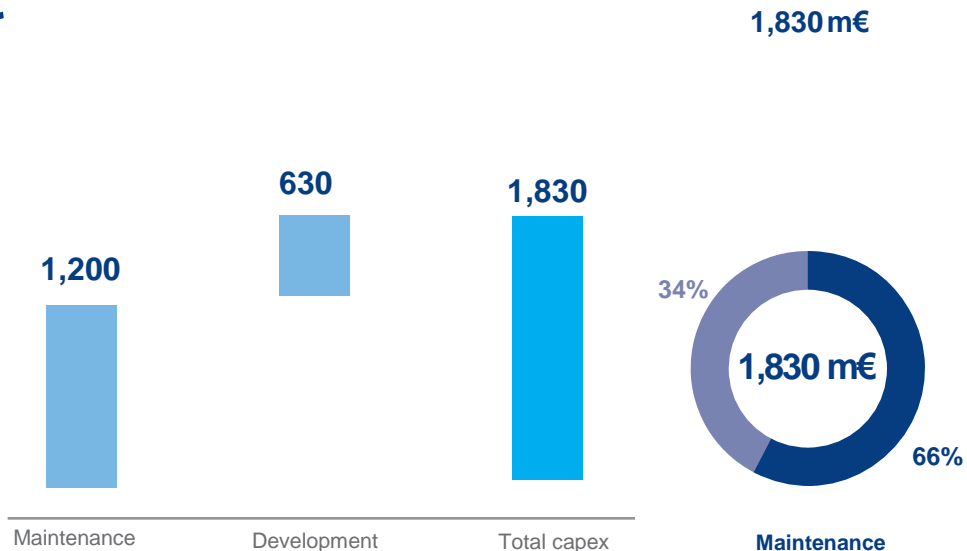
More selective and sustainable capex to strengthen development

~1.8 billion Euro capex in the next 6 years

Improvement in waste treatment plant-portfolio, DH networks and client base

Improving financial ratios thanks to projects with higher and predictable returns

Significant increase in RAB

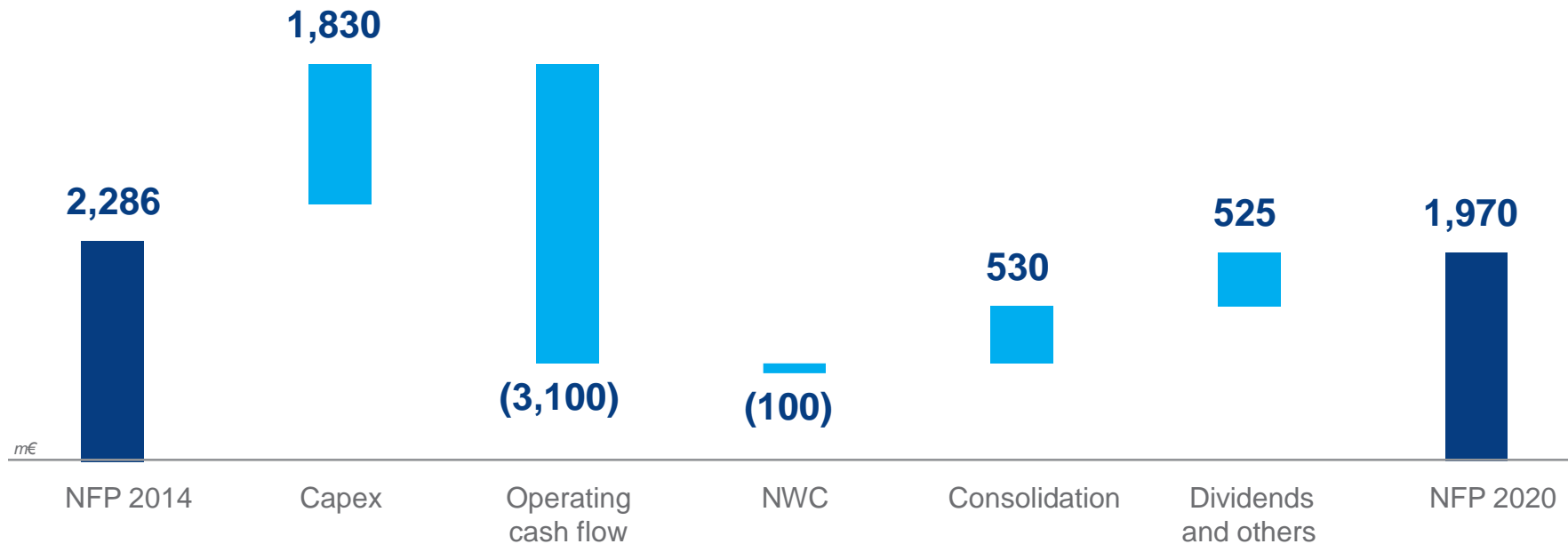


- Investments in development focused on regulated and quasi-regulated activities, ensuring highly visible returns

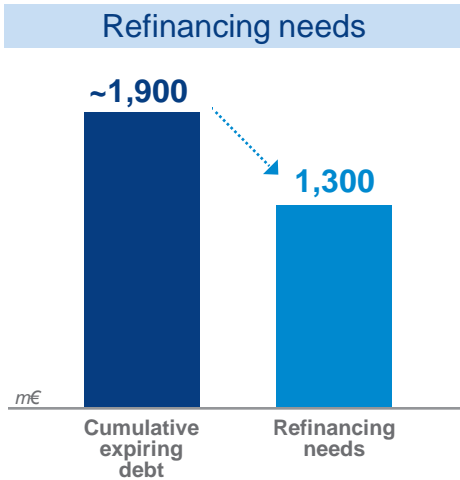
- Tight control on maintenance capex

2014-2020 NFP BRIDGE

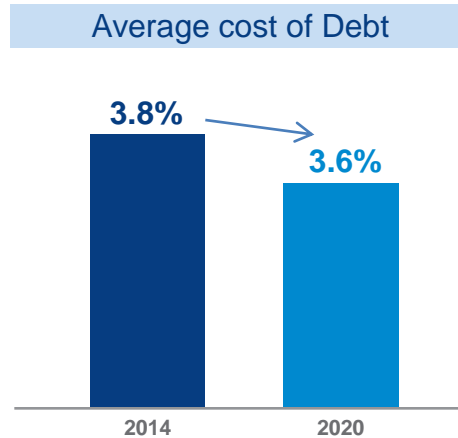
- Operating cash-flow is 70% higher than the cumulated capex, thanks mainly to improvement in business performances
- Tight control of NWC leading to a 100m€ decrease in spite of a significant growth in revenues
- Consolidation mainly linked to TRM
- <3.0x Debt EBITDA ratio by 2018
- Positive free cash-flow generation



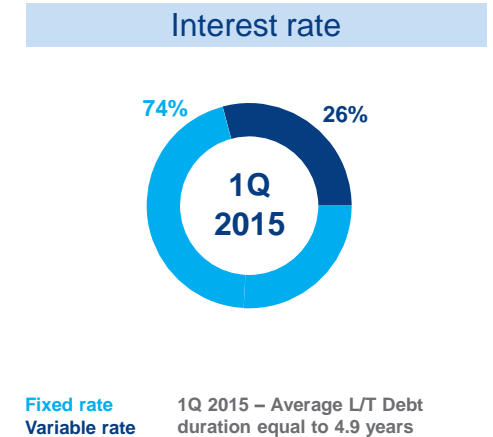
- Only 68% of expiring debt is going to be refinanced mainly because of debt reduction



- Slight reduction in cost of debt



- Mix optimization between fixed and variable interest rate

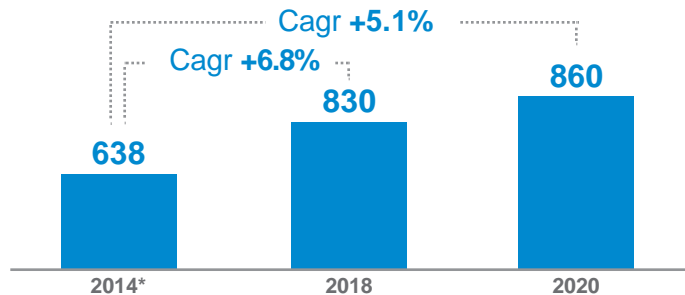


ECONOMIC AND FINANCIAL INDICATORS

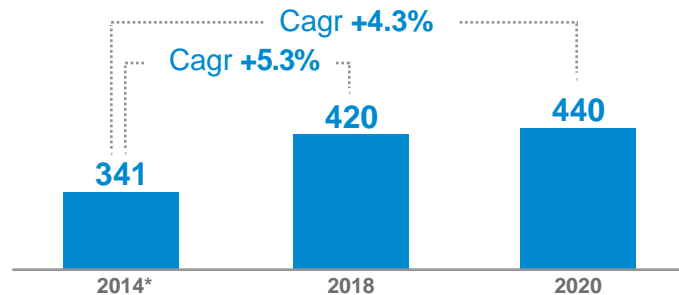
○○●○○ ECONOMIC AND FINANCIAL KPIs

m€

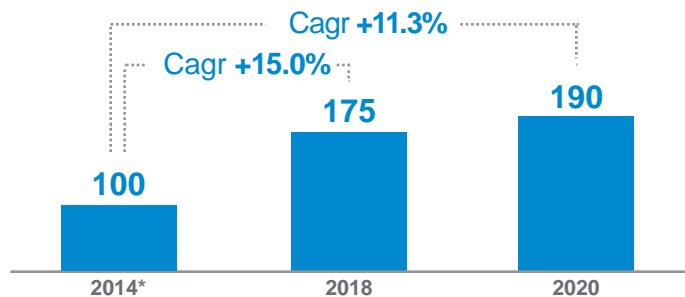
EBITDA



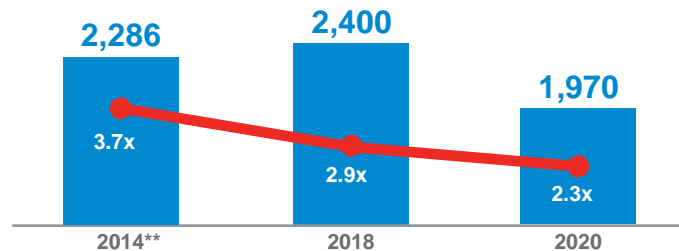
EBIT



Net Profit



NFP and NFP/EBITDA ratio



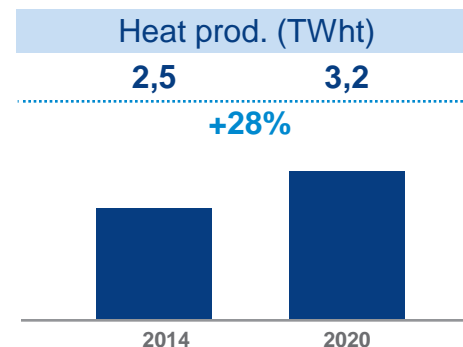
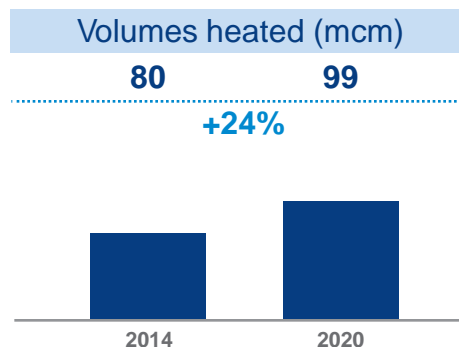
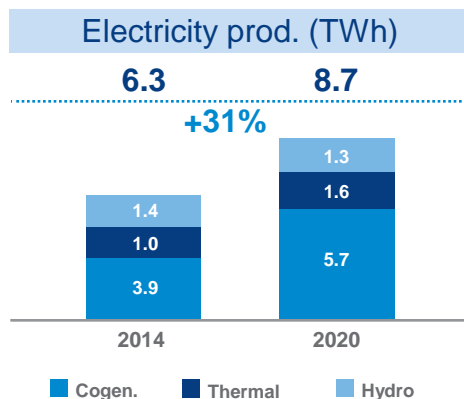
* adjusted ** reported



GENERATION AND DH: HIGHLIGHTS

- Recovery in scenario partially offsets GCs expiry: ~20 million€ in the DH sector in 2015 and ~45 million€ in the Hydroelectric sector in 2019
- Significant Increase in volumes heated (+19mmc) allowing the Group to fully utilize its heat production sources (Cogen plants / WTEs)
- More than 80% of the electricity generated by the Group derives from eco-compatible sources (hydroelectric and cogeneration)

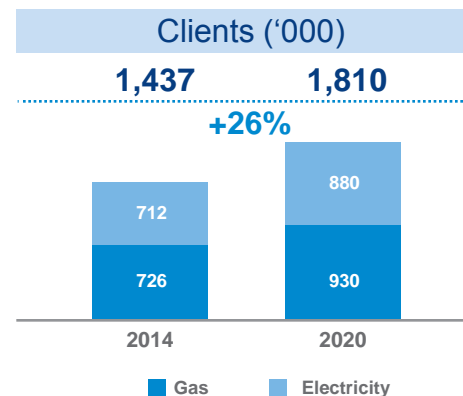
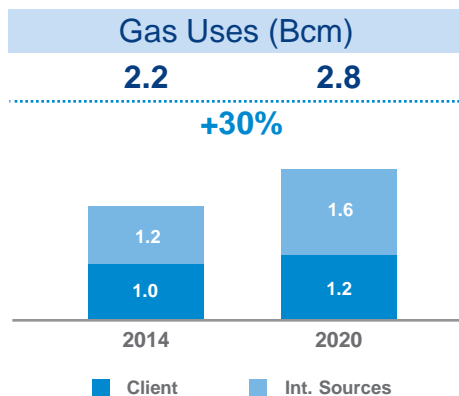
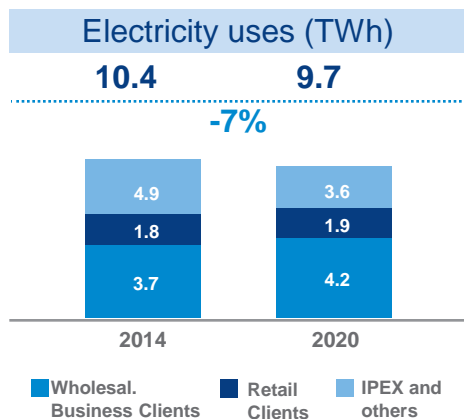
	m€	2014	2018	2020
Revenues		827	1,030	1,090
EBITDA		199	230	230
Cagr. '14-'20		2.5%		
Cumulated Capex		460		



MARKET AND ENERGY EFFICIENCY: HIGHLIGHTS

- Client development plan: + 200.000 in gas and 170.000 in electricity through organic and external growth. It will lead to higher volumes sold to final customers and lower volumes sold in IPEX
- Approximately 90% of total electricity sources will come, in 2020, from internal production.
- Energy efficiency and innovative solutions for final customers (public administration, business, retail) focused on: Led lightening, efficient conditioning control, home automation, energy auditing, Chp and distributed generation.

	m€	2014	2018	2020
Revenues		2,388	2,460	2,710
EBITDA		89	110	115
Cagr. '14-'20		4.4%		
Cumulated Capex		190		

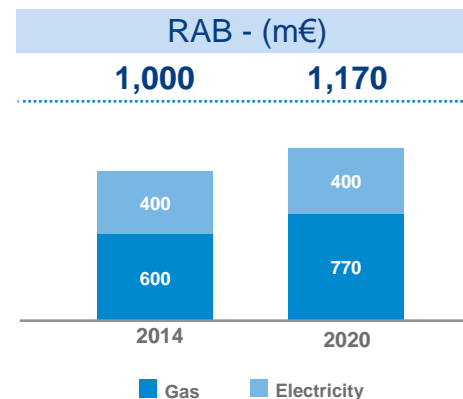
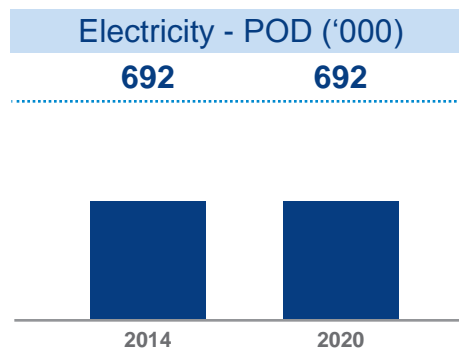
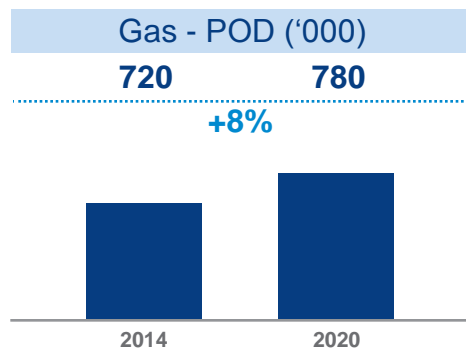


NETWORKS (ELECTRICITY AND GAS): HIGHLIGHTS

○○○●○ FOCUS ON BUSINESS

- The expected reduction in Wacc offset by the achievement of significant operating synergies
- Significant increase in gas POD thanks to the growth in the Parma area, following the tender expected in 2017
- Substantial stability in electricity POD
- Updating of the distribution networks, electronic meters installation plan and smart grid

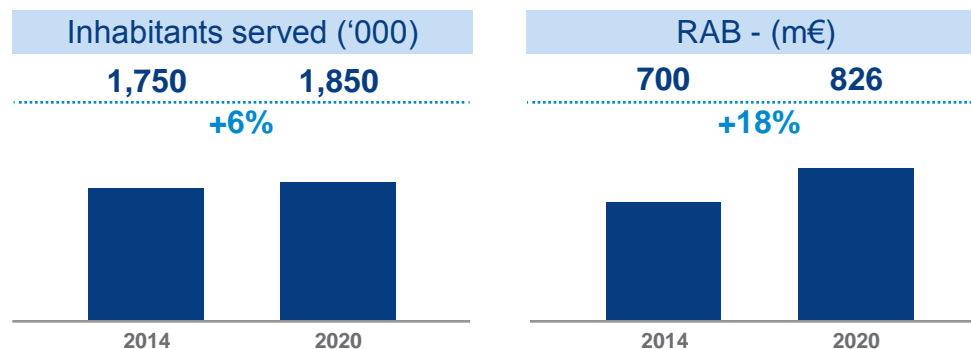
	2014	2018	2020
<i>m€</i>			
Revenues	341	330	340
EBITDA	152	155	160
Cagr. '14-'20	0.9%		
Cumulated Capex	440		



NETWORKS (WATER CYCLE): HIGHLIGHTS

- Considerable growth in margins due to significant operating synergies deriving from process improvement and corporate rationalization
- Stable regulatory framework with an expected reduction in Wacc.

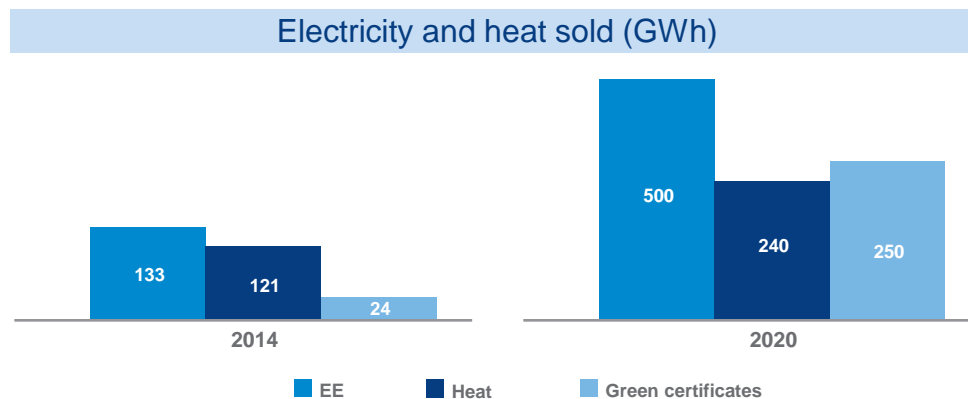
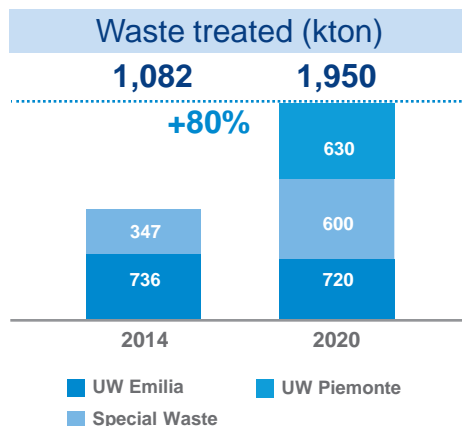
	m€	2014	2018	2020
Revenues		464	480	490
EBITDA		150	170	175
Cagr. '14-'20		2.6%		
Cumulated Capex		480		



WASTE: HIGHLIGHTS

- Full consolidation of Amiat and TRM
- Significant increase in special waste collection and trading
- Development of sorted waste treatment plants, in particular in plastic/paper sorting and organic waste following a further increase in sorted waste collection

	m€	2014	2018	2020
Revenues		238	620	670
EBITDA		48	165	180
Cagr. '14-'20		24.7%		
Cumulated Capex		180		



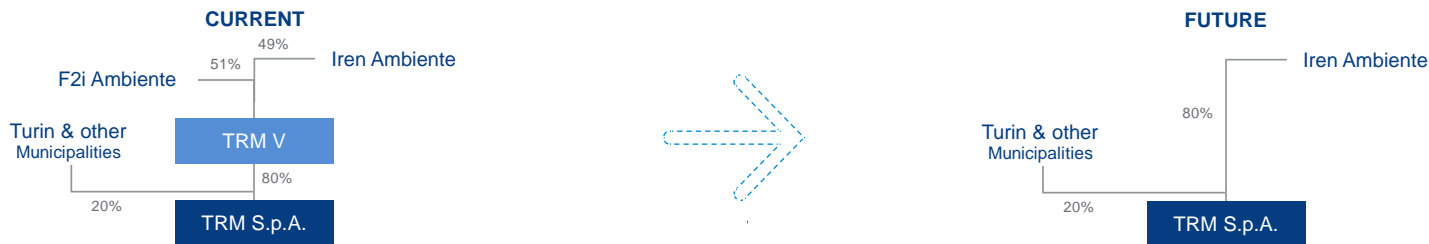
TRM consolidation will complete IREN's business portfolio in Turin and consolidate its presence in reference areas.

- **Fitting** - The plant is a perfect strategic and industrial fit in IREN's business portfolio
- **Development** - The WTE will soon be connected to the DH Network (the sector in which IREN is ranked 1° in Italy)
- **Value Chain** - IREN already manages the upstream waste cycle in Turin. TRM will complete the whole value chain

TRM KPIs

- Waste disposal designed capacity: ~500,000 tons/year
- Electricity production: 350 GWh per year
- Thermal energy production: theoretically 170 GWh per year
- EBITDA 2014 = 45m€ (average 55m€/y)
- NFP 2014 = 250m€

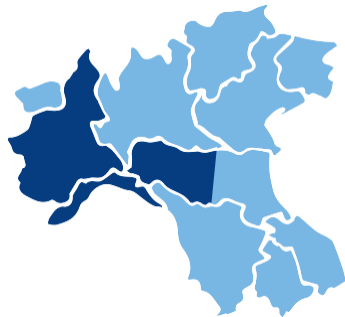
Shareholding structure



IREN will take advantage of the upcoming consolidation season pursuing a dual strategy

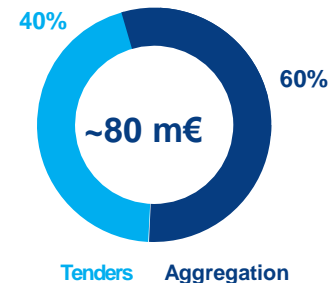


Playing a leading role as an aggregation pole in its reference areas



Strengthening its business portfolio, focusing on regulated activities

Potential ebitda from M&A

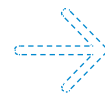


CLOSING REMARKS





Strengthening its position as a **LEADING OPERATOR IN ITS REFERENCE AREAS** through consolidations and investments mainly in regulated activities

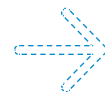


Iren will become a **MORE STREAMLINED COMPANY** with new processes and skills supporting growth thanks to a management oriented towards change and a project for generational turnover



A STRONG AND EFFECTIVE BUSINESS PLAN:

- Based on realistic assumptions and actions mainly under company control
- Upside potential from M&A operations not included in the current targets



VALUE GENERATION AND A WIDE VISIBILITY IN DIVIDENDS:

- 50% average PAYOUT during business plan period
- DPS floor at 5.2€/c.
10% growth expected starting from 2018



Innovative

IREN implements a culture of innovation and develops new opportunities aiming at the day-by-day growth of the company for itself and all the stakeholders.

Refocused

IREN intends to be a perfectly integrated group, with an organizational structure able to anticipate the changing needs in Society, the Regulatory System and the Market.

efficient

IREN pursues and promotes the continuous revision of all company processes aiming at improving efficiency and attaining synergies for the achievement of quality, efficiency and growth objects.

network

IREN is a catalyst in the territorial consolidation process, for the development of innovation and the efficiency of services, in order to meet the new needs of clients and citizens and to extract maximum value from its assets.



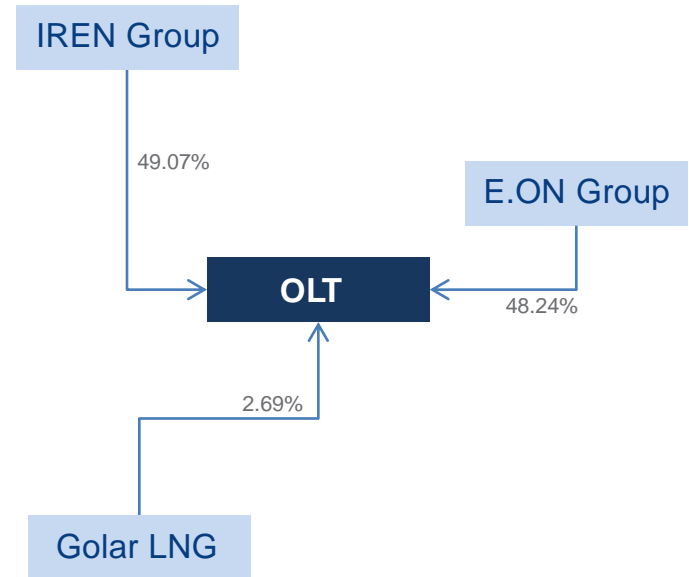
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ANNEXES

- The OLT Terminal has been recognised by the Italian Government as a national strategic asset; as a result, part of its revenues are granted
- Nonetheless IREN has taken a prudent approach:
 - Expecting no contribution from merchant activity before 2017
 - Including no positive contribution from the OLT to the bottom line of the income statement during the business plan period

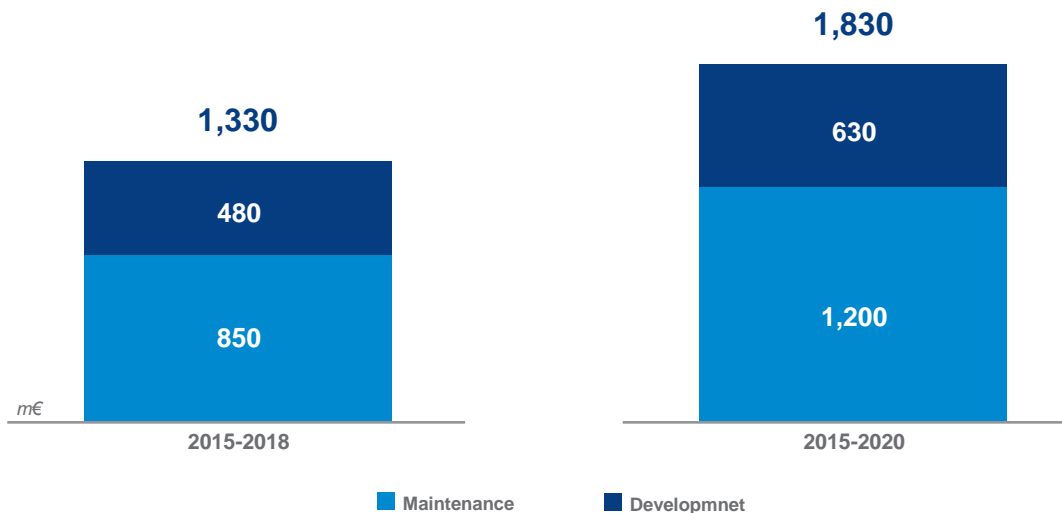
OLT SHAREHOLDING STRUCTURE



● Average Capex per year = ~300m€

● Average development capex per year = ~100m€

● Stronger investment cycle in the first for years



	2014	2018	2020
Brent (\$/bbl)	99.0	64.5	84.4
Exchange ratio (\$/€)	1.3	1.2	1.2
Brent (€/bbl)	74.4	55.1	70.7
PUN (€/MWh)	52.1	57.0	58.2
Clean spark spread – PSV (€/MWh)	-2.1	3.3	4.0
Hydro Green Certificates (€/MWh)	97.4	94.4	93.5
ETS (€/Ton)	6.0	8.0	9.0

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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