

Business Plan @2021



19 October 2016

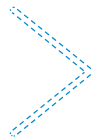


LEVERAGING ON BOTH A STRONG POSITIONING IN REFERENCE AREAS AND ON A SAFE BUSINESS PORTFOLIO

● ○ ○ ○ ○ ACHIEVEMENTS



>7 million
Inhabitants in IREN's reference areas



Customers:

- ~1.6M in the energy sector
- ~2.6M served inhabitants in the water service
- ~2.0M served inhabitants in the waste sector
- ~1.0M served inhabitants in district heating
- >3.5 services provided per clients

2015 data

REGULATED ACTIVITIES (52% OF EBITDA)

ENERGY INFRASTRUCTURE

- **Electricity distribution:** 7,500km covered
- **Gas distribution:** 7,600km covered

WATER SERVICE

- ~16,500km of water pipes
- 162 mcm distributed volumes

URBAN WASTE COLLECTION

- 123 municipalities covered
- 1.2m tons Municipal waste treated
- 66% of sorted waste collection (in Emilia area)

QUASI REGULATED ACTIVITIES (24% OF EBITDA)

HYDROELECTRIC GREEN CERT.

- 650 GWh GCs produced through hydro generation

DISTRICT HEATING

- 900km of pipes and 820,000 inhabitants covered
- 82mcm of district heated volumes
- 2.8 Twh volumes distributed

URBAN WASTE DISPOSAL

- 3 Waste To Energy plants (~800Kton/y)

UNREGULATED ACTIVITIES (24% OF EBITDA)

2,700 MW OF GENERATION CAPACITY

- 1,300 MW from cogen. plants connected to DH networks.
- 600 MW from hydroelectric plants.
- 800 MW from Turbigio plant (the only thermoelectric plant running on merchant base)

ENERGY MARKET

- ~12 TWh electricity uses; ~2.5 bcm gas uses;

SPECIAL WASTE

- ~480K tons of special waste collected (+40%)

Synergies

~50m€

'15-'16 expected synergies

ORGANIZATIONAL STREAMLINING THROUGH:

- 40 projects of performance improvement
- Centralization at corporate level of the main corporate functions
- Company rationalization and setting up of a single company, IRETI, managing all the networks businesses of the Group.

Consolidation

~75m€

Ebitda from M&A operations

Completion of several M&A operations (AMIAT, TRM, Atena, Recos La Spezia) strengthening IREN's positioning in Piedmont and Liguria regions

Organic growth

~65m€

Additional EBITDA

Thanks mainly to an active management of IREN's generation plant portfolio together with a new focus on end clients (~1,6M clients at 1H 2016)

More than 100 young employees (<31yo) joined the Company thanks to the generational turnover plan.



INNOVATION

>100 young employees

Constant innovation in processes, people and IT solutions has been and will remain the main key to unlock the future of the company.

INNOVATION

A continuous dialogue with the stakeholders to strengthen IREN's role as consolidator in its reference areas.

TERRITORY

18 months relentless commitment has allowed the company to reach and beat the previous BP objectives, preparing the ground for facing the next phase of challenges.

TRUST & COMMITMENT



IREN @ 2021

Top level service provider within an environmentally, socially and financially sustainable context.



SCENARIO

Improved visibility in regulated activities' regulations and returns

Transfer of waste tariff regulation to AEEGSI/ARERA

Fragmented market in reference areas and upcoming tender season

Steady recovery in energy scenario

Supply market ongoing liberalization

Supportive financial market



PILLARS

EFFICIENCY

Increasing the pace in synergies extraction through deep innovation.

DEVELOPMENT

Strong commitment in exploiting M&A opportunities confirming IREN's leading role in its reference areas.

CLIENTS

Significant Increase in client-base and loyalty thanks also to the "New Downstream" project.

KEEP GROWING STICKING TO OUR STRATEGY

Higher «Performance improvement» pace

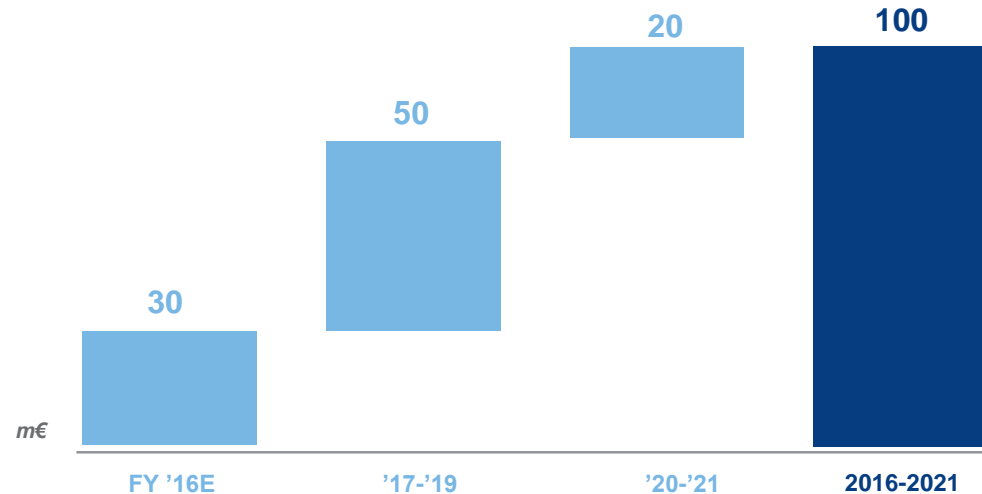
100 million Euro
synergies in 6 years

On-top of 22m€ synergies achieved in 2015.

Stronger integration through the adoption of a single EPM system.

Generational turnover process on schedule.

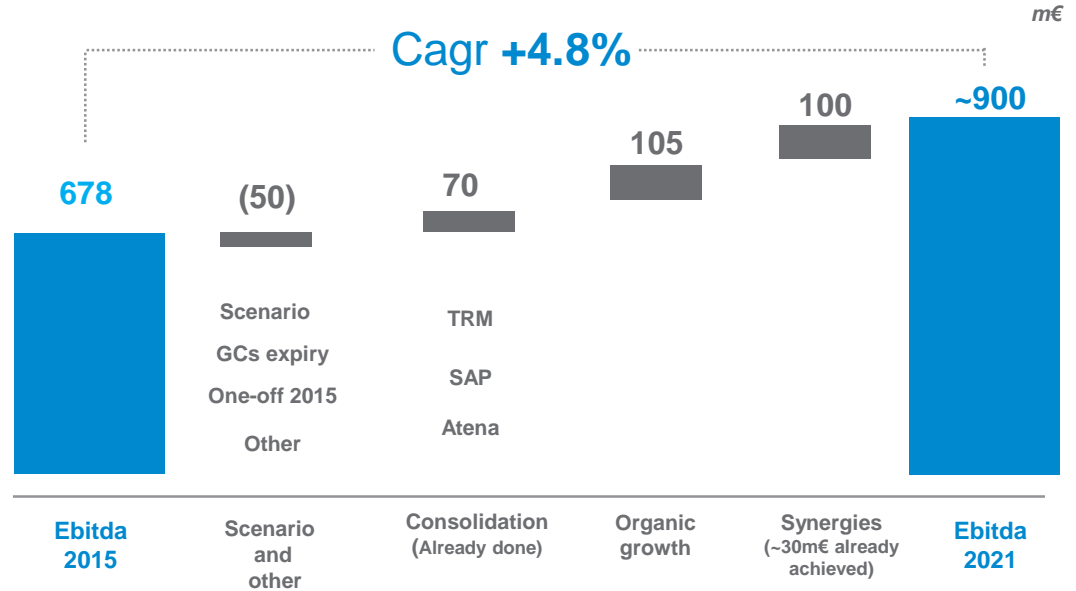
80% of the cumulated synergies will be achieved by 2019.



Improved contribution from organic growth and synergies

>50% of the organic growth driven by regulated and quasi-regulated activities.

75% of total EBITDA growth will be reached by 2019.



Maximum focus on end Clients gives IREN competitive edge.

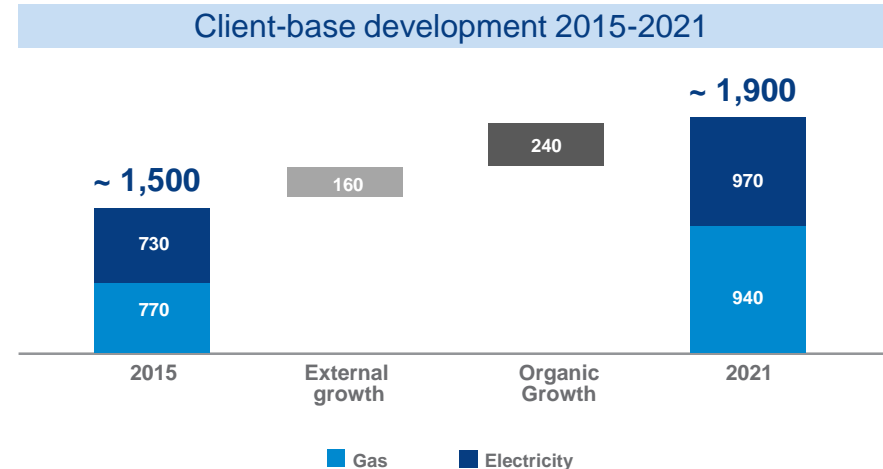
+400,000 Clients
through consolidation and development

75K clients already acquired.

Growth through both external and internal lines.

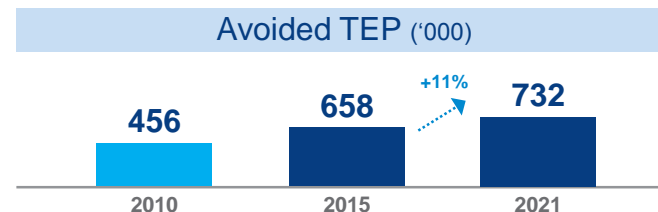
Increasing loyalty through innovative services (Vip club card, energy efficiency, V.A.S.).

Strong focus on both retail and business clients through “new downstream” program.

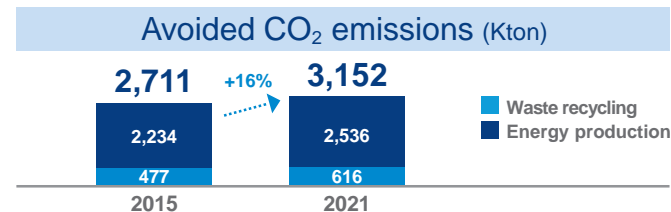


Environmental sustainability is a guiding factor in Iren's strategy for the future

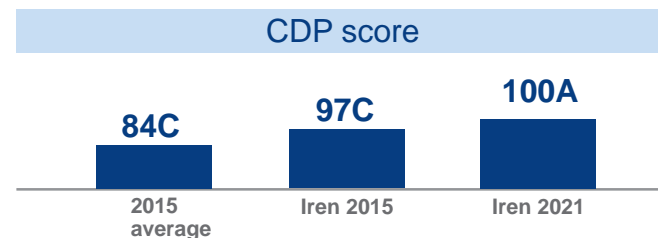
The increase in avoided TEPs, experienced already in 2010-2015, will continue throughout the business plan period, thanks to the Iren's environmentally sustainable generation plants and business portfolio



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



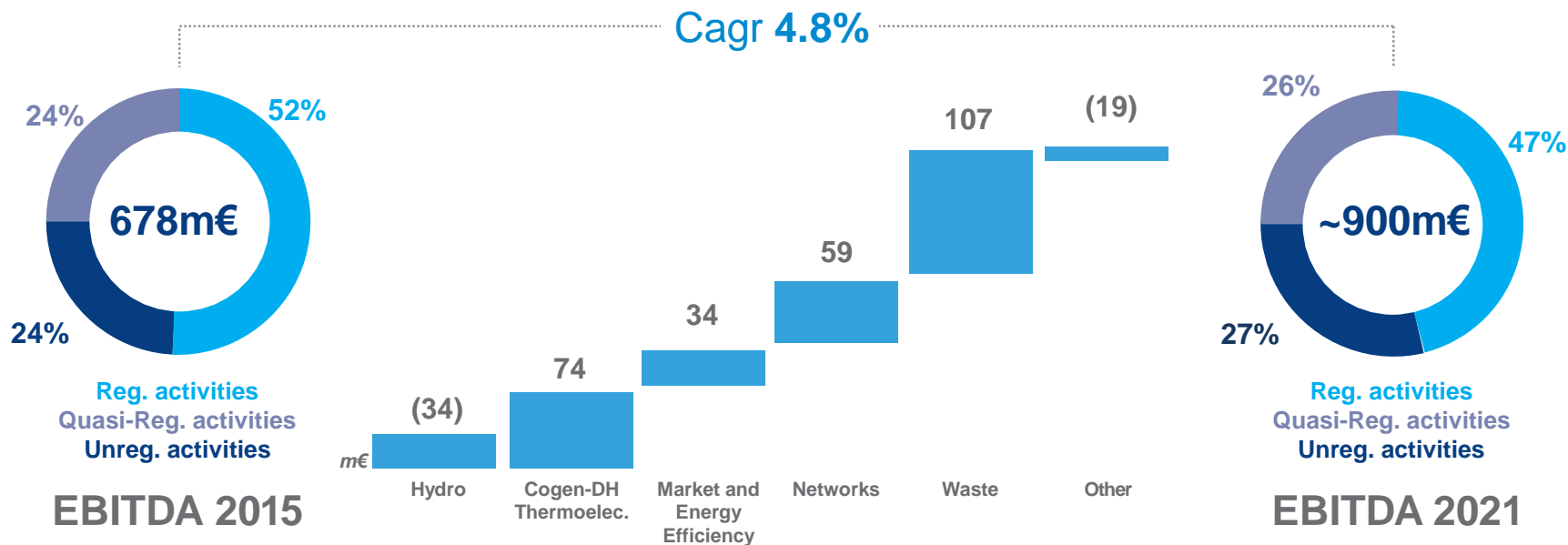
Iren Group participates on an ongoing basis on the "CDP Italy 100 Climate Change Report" Carbon Disclosure Project . In 2015 it achieved a 97 score in relation to quality, disclosure and completeness of data, exceeding the average of the top 100 Italian companies (85 points). The Group's objective for 2021 is to further improve the score to 100A, a "leadership score" in CDP scale.





EBITDA BRIDGE

- Strong growth in EBITDA (4.8% c.a.g.r) keeping its structure based on high visibility on margins and on cash-flows thanks to the significant percentage (~75%) of regulated and quasi-regulated activities.
- Growth in all business units in spite of the expiry of Green Certificates (~40 million euros by 2019) affecting the hydroelectric sector.



One third of the total capex devoted to development projects

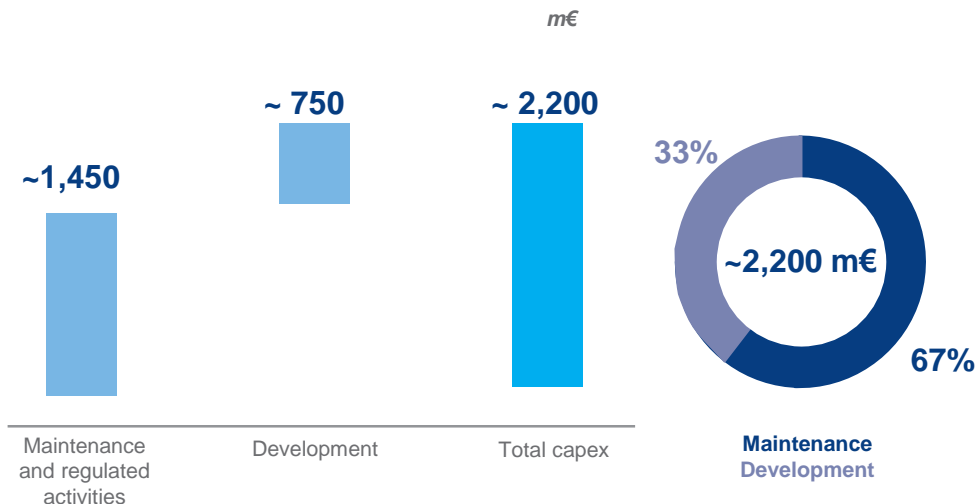
~2.2 billion Euro capex in 6 years

The majority of capex are devoted to regulated and quasi-regulated activities.

A significant share of maintenance capex will be used to implement technological improvement.

~70% Capex by 2019. Development investments and part of the maintenance capex are flexible and could be shifted over the years based on financial needs.

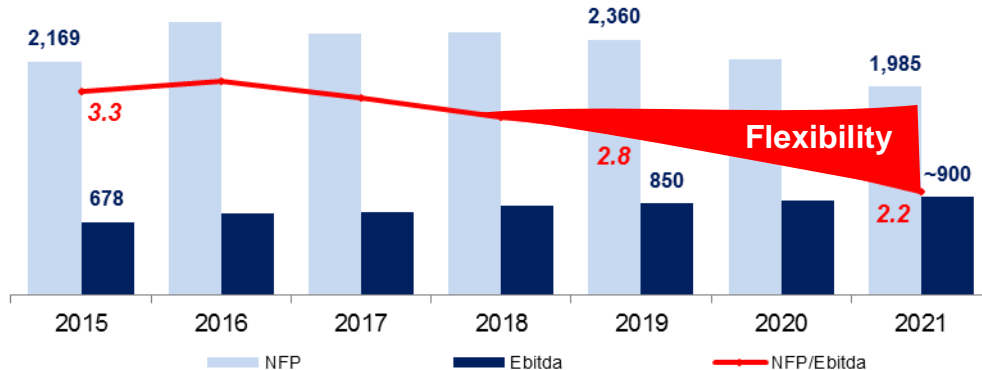
Significant increase in RAB (including the completion of Parma and Vercelli ATEM).



FitchRatings BBB- Outlook: Stable

Keeping the investment-grade rating will be one of the key elements driving the financial strategy of the Group.

NFP and NFP/EBITDA ratio



- 2018 NFP/EBITDA ratio is expected approximately at 3.0x, a safe ratio in light of IREN EBITDA structure (75% from regulated/quasi-regulated activities).
- '20-'21 ratio will significantly decrease thanks to robust cash-generation, leaving to the company enough financial flexibility. It will be used for further development / M&A investments or, otherwise, to improve the dividend policy.

DIVIDEND POLICY

~1,100m€*

Cumulated FCF

Significant positive cash-generation.

>500m€

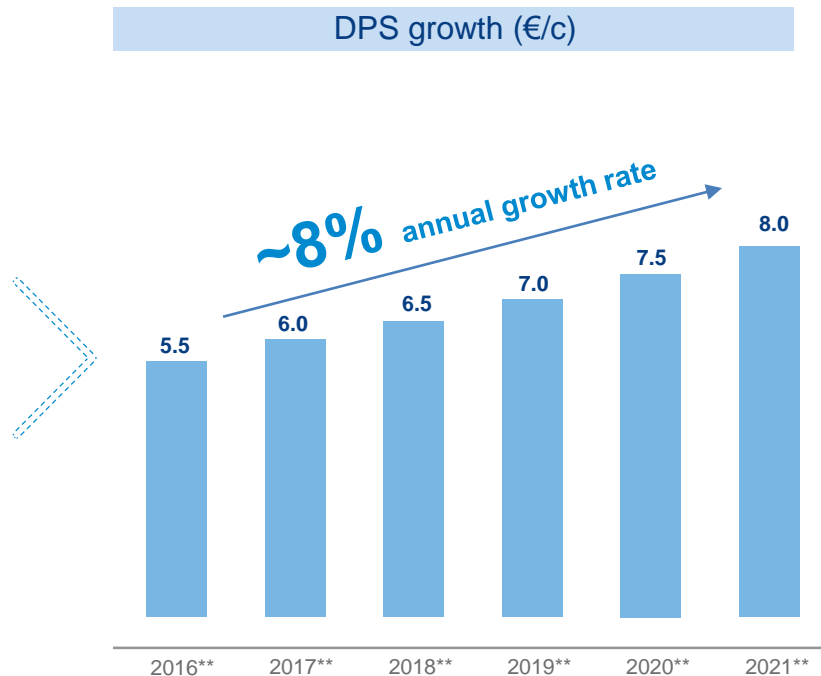
Cash out for dividends

Improved Dividend Policy.

~3.0x

NFP/EBITDA target

Prudent and sustainable leverage target.



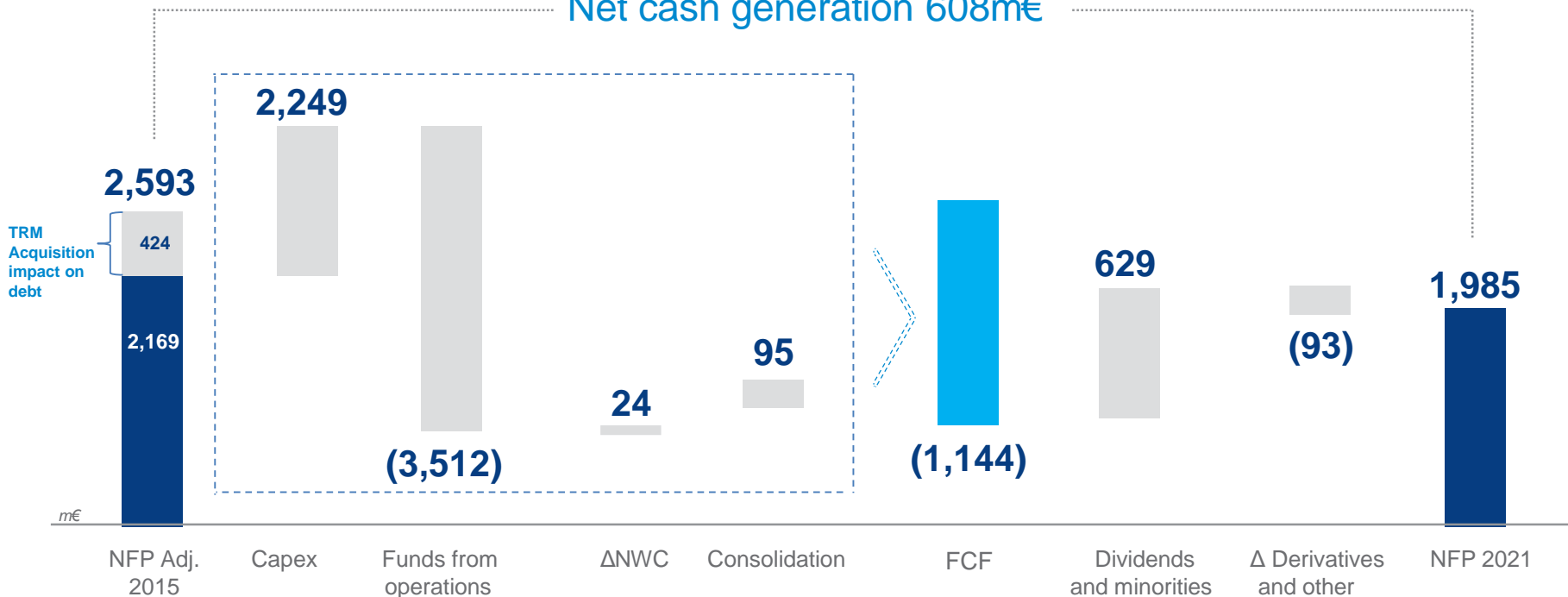
**Commitment in respecting DPS yearly target
consistent with the cash-generation and the leverage profile**

2015-2021 NFP BRIDGE

○○●○○ ECONOMIC AND FINANCIAL KPIs

- FFO covers capex more than 1.5 times.
- NWC substantially stable in spite of a 17% growth in revenues
- Consolidation linked to Atena, Ecoprogetto Tortona, Recos La Spezia and other.
- ~3.0x Net Debt /EBITDA ratio by 2018
- Robust FCF generation allowing for a satisfactory dividend policy

Net cash generation 608m€

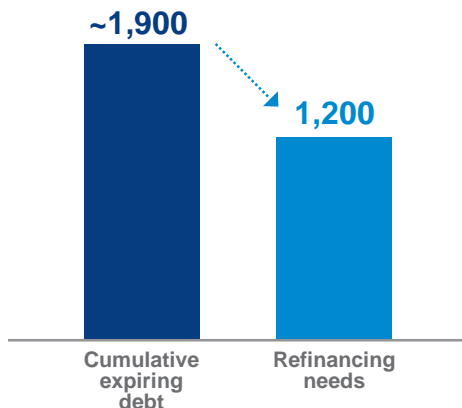


- Only 65% of expiring debt is going to be refinanced mainly because of debt reduction.
- The percentage of IREN's debt funded by bonds (36% in 1H 2016) is expected to grow in the next years.

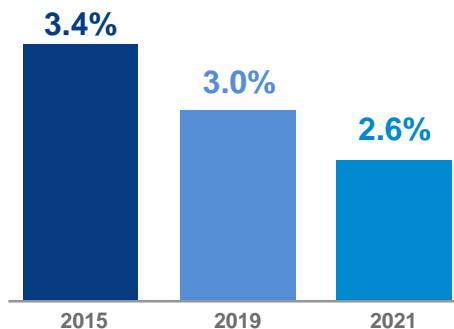
- Significant reduction in cost of debt thanks to liability management and current yield scenario.
- IREN is committed to lengthening its current average L/T debt maturity (~5.0y in 1H 2016).

- Approximately 600m€ of net-cash generation.

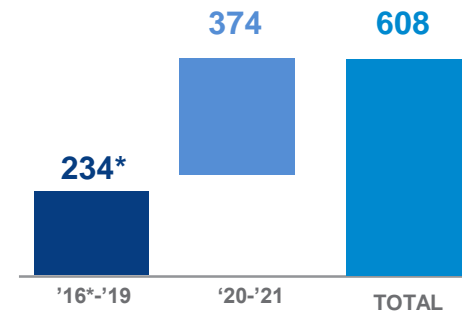
Refinancing needs (m€)



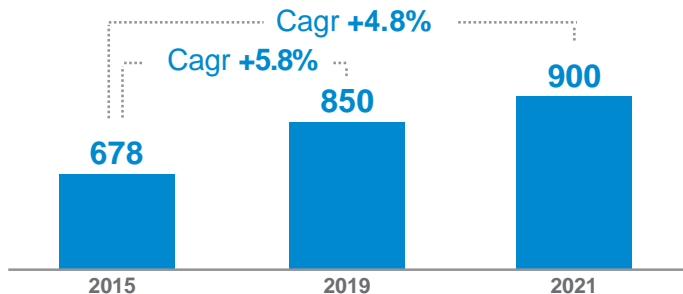
Average cost of Debt



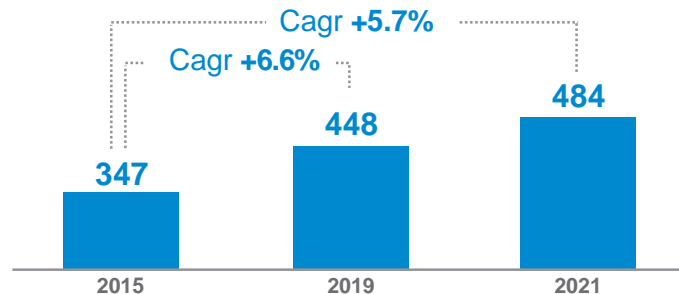
Net-cash generation (m€)



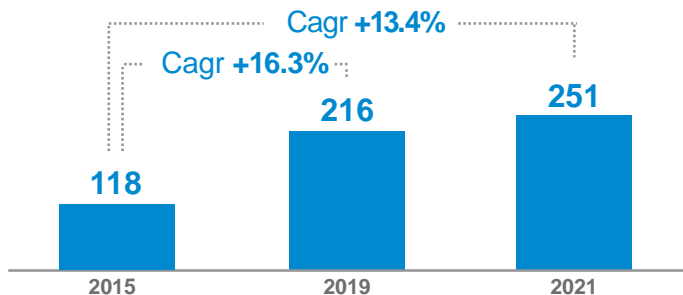
EBITDA (m€)



EBIT (m€)



Net Profit (m€)



- 2018 EBITDA at 830m€ confirmed.
- EBITDA growth broadly in line with the previous plan expectations.
- 100m€ incremental Net profit in 4 years, almost doubled compared to 2015, thanks mainly to:
 - a significant growth in operating results
 - lower financial charges
 - slightly lower tax rate

IREN will continue to develop its consolidation process through cherry-picking from a significant basket of opportunities

What?

- Small-medium size companies with a strong industrial, economic and financial fitting.

Where?

- Mainly in its reference areas (not necessarily incumbent).

How?

- 3% capital increase already resolved upon.
- Cash, thanks to a renewed financial flexibility.



Potential ebitda
from M&A

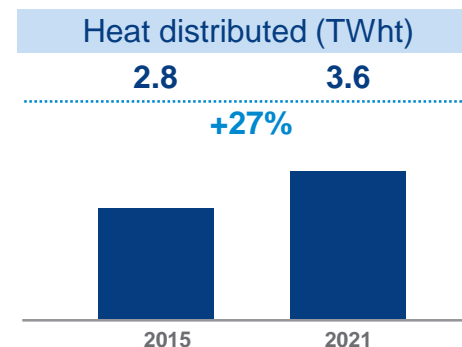
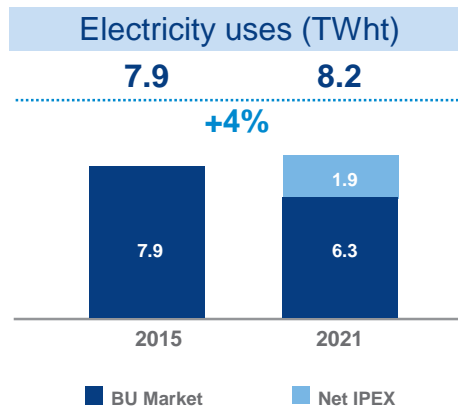
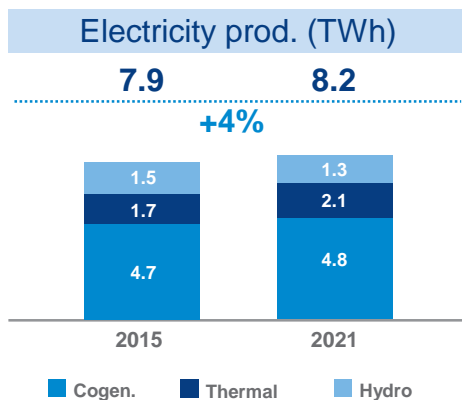
~100m€



GENERATION AND DH: HIGHLIGHTS

- Recovery in scenario partially offsets GCs expiry: ~40 million€ in the Hydroelectric sector in 2019.
- Full utilization of existing heat production sources (Plants/WTEs) thanks to the increase in volumes heated (+15mcm), which more than half of the BU cumulated capex are devoted to (no new generations plants).
- Maximization of the ancillary services profitability through a further flexibility and active management of IREN's plant assets (possible margins upside from capacity market, not taken into consideration in the Business plan figures).

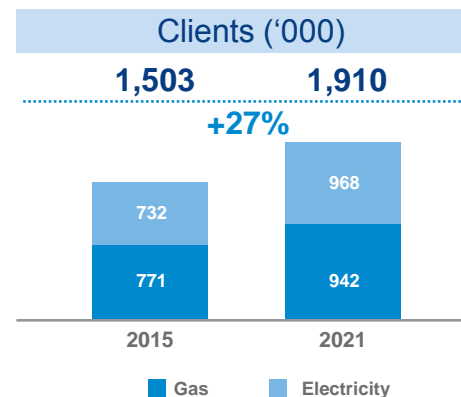
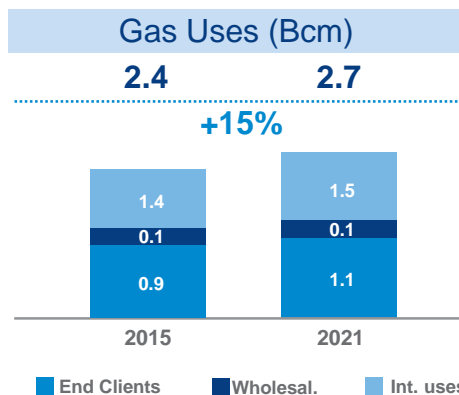
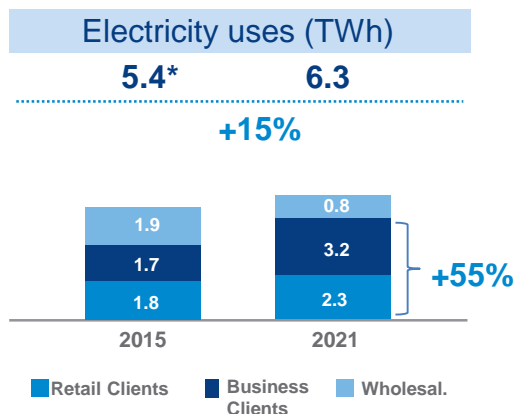
m€	2015	2019	2021
Revenues	813	915	993
EBITDA	199	226	239
Cagr. '15-'21	3.1%		
Cumulated Capex	575		



MARKET AND ENERGY EFFICIENCY: HIGHLIGHTS

- Downstream strategy focused on end Clients: almost doubling the electricity sold to business Clients and increasing by 25% volumes sold to retail Clients.
- Ending of the protected market (2018 exp.) could be a growth trigger for the company (which already moved to the free market approximately 60% of its Client-base).
- High value added services, home automation, innovative offerings, together with the ongoing consolidation process are the main driver of the expected 27% growth in client-base.
- IREN's own production will be higher than uses.

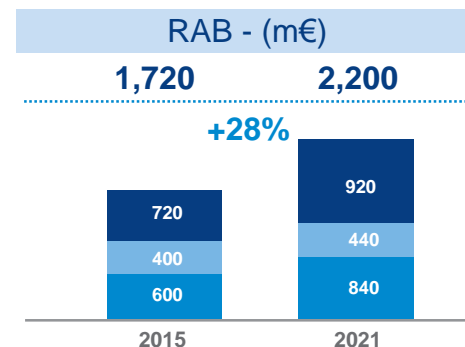
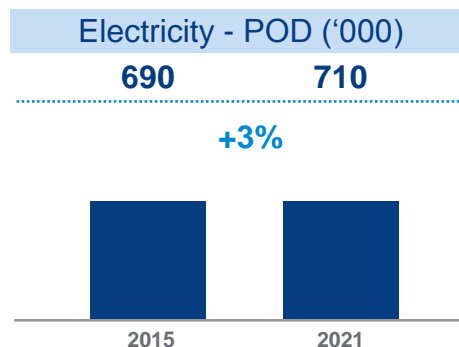
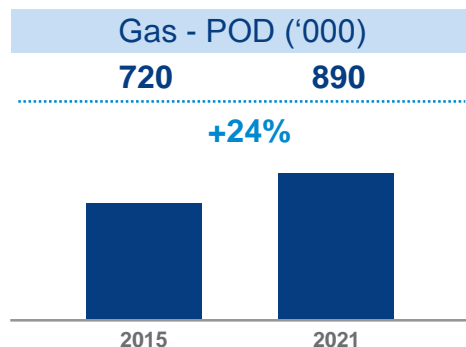
m€	2015	2019	2021
Revenues	2,377	2,231	2,424
EBITDA	87	114	121
Cagr. '15-'21	5.7%		
Cumulated Capex	140		



NETWORKS: HIGHLIGHTS

- Optimization of the tariff model and RAB return maximization.
- 500m€ increase in RAB thanks both to organic (+25% in water sector) and external growth (completion of Parma and Vercelli ATEM).
- Prudent assumptions in gas tenders. Possible participation in tenders within ATEMs in which IREN is not incumbent (not included in BP figures).
- The higher level of synergies will be reached in Networks BU offsetting the decrease in WACC.

m€	2015	2019	2021
Revenues	859	898	918
EBITDA	304	341	362
Cagr. '15-'21	3.0%		
Cumulated Capex	1,070		

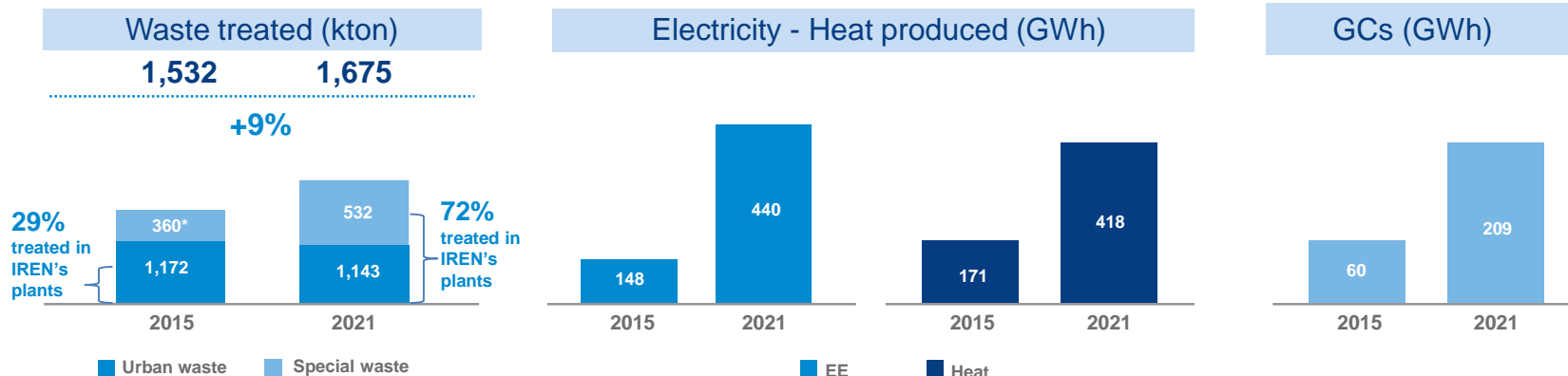


■ Gas ■ Electricity ■ Water

WASTE: HIGHLIGHTS

- Confirming all the concessions currently owned. Possible participation in tenders within areas in which IREN is not incumbent (not included in BP figures).
- Development of sorted waste treatment plants, in particular in plastic/paper sorting and organic waste.
- Significant increase (~50%) in special waste collection and trading.
- Full consolidation of TRM already achieved. Selective exploitation of M&A operations in the sector, not included in the BP figures, to accelerate development capex.

m€	2015	2019	2021
Revenues	463	584	618
EBITDA	65	161	172
Cagr. '15-'21	17.6%		
Cumulated Capex	258		



CLOSING REMARKS



**18 months
achievements**

- ~50m€ synergies
- ~75m€ EBITDA from M&A
- ~65m€ from organic growth
(~45m€ in 2015; ~20m€ in 1H 2016)

**Increased
cash-flow generation**

**IREN has improved its
effectiveness and has
created room for further
objectives**

- Speed-up on synergies
- Exploitation of further opportunities from both M&A transactions and organic growth
- Improved dividend policy providing for double digit Total Shareholders Return ver 5 years

**Strategy confirmed with
better performances**

ANNEXES

GAS TENDERS

ATEM	START*
Genova 1	4/2017
Parma	7/2016
Reggio Emilia	11/2016
Vercelli	10/2016
Piacenza 2 – Est	9/2017

WASTE CONCESSIONS

AREA	EXPIRY
Parma	Expired
Piacenza	Expired
Reggio Emilia	Expired
Torino	>2030
Vercelli	2028

WATER CONCESSIONS

AREA	EXPIRY
Piacenza	Expired
Reggio Emilia	Expired
Genova	>2030
Parma	2025
Vercelli	2023

ELECTR. CONCESSIONS

AREA	EXPIRY
Torino	2030
Parma	2030
Vercelli	2030

REGULATED BUSINESS - WACC ASSUMPTIONS

	Gas distrib.	Electricity distrib.	Water service
Regulatory period	6 years (2014 – 2019)	8 years (2016 – 2023)	4 years (2016 – 2019)
WACC methodology update	6 years (2016 – 2021)	6 years (2016 – 2021)	
WACC update	every three years (2019)	every three years (2019)	every two years (2018)

	2016– 2018	2019 – 2021	
Gas distribution	6.1%	6.1%	
Gas metering	6.6%	6.6%	
Electricity distrib. and metering	5.6%	5.6%	
	2016– 2017	2018 – 2019	2020 - 2021
Integrated water service	5.39%*	5.39%*	5.39%*



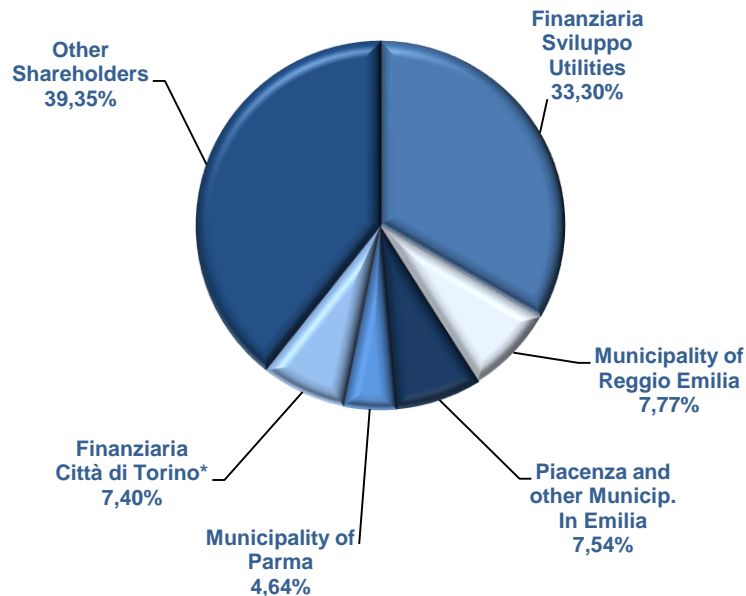
Already defined values



Assumptions

	2015	2019	2021
PUN (€/MWh)	52.3	51.8	54.7
PSV (€/MWh)	24.1	20.1	21.1
ETS (€/Ton)	7.7	7.7	9.6
Clean spark spread – PSV (€/MWh)	1.8	4.5	4.8
Hydro Green Certificates (€/MWh)	100.1	100.6	96.1

Shareholding structure** (on total share capital)



>50%
Public Shareholders

The majority of IREN's Shareholders are public entities: FSU (50% Turin Municipality and 50% Genoa Municipality) ~33%, Emilia Municipalities (Reggio Emilia, Parma, Piacenza and other minor Municipalities) ~20%.

2
Shareholders' Agreements

Two Shareholders' agreements (one between Emilia Shareholders and one between the latter and FSU) guarantee that all the most important decisions relating to Corporate Governance (appointment of CEO, Chairman and Vice-Chairman in particular) are by agreement of all the public Shareholders.

LSS
Loyalty Shares Scheme

The introduction of LSS in IREN's bylaws (May 2016) and the elimination of the obligation for Public shareholders to hold at least 51% of IREN's share capital, could have the effect of increasing the free-float of the Group.

3%
Capital Increase

In May 2016 the Shareholders' meeting authorized the Board of Director to proceed with a 3% possible capital increase devoted to M&A operations.

Shareholders' Agreement

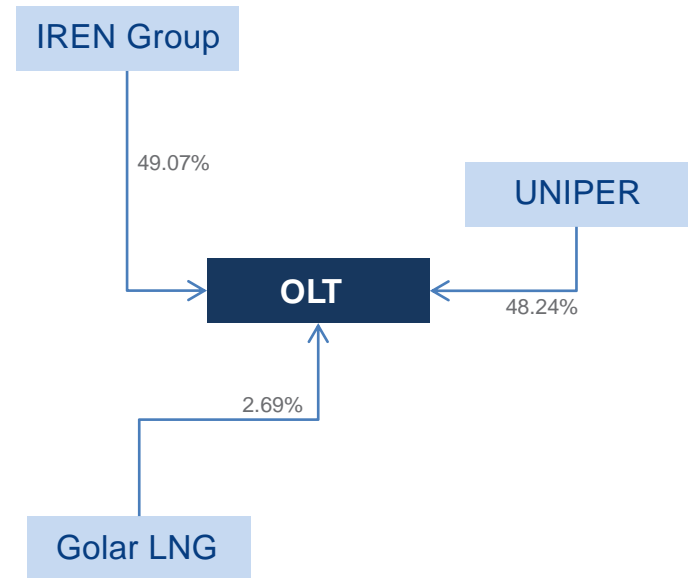
Top management	CEO, Chairman and Vice-Chairman have to be unanimously appointed by the Shareholders' Agreement members
Board of Directors	Board of Directors acts in autonomy in relation to management and operating choices linked to the business.
Sale of shares	The Municipalities have to follow a particular process to sell a number of shares (part of the Shareholders' agreement) exceeding a certain limit, hence avoiding any overhang risk .
Penalty fee	Once a decision is taken by the Shareholders' Agreement Committee, the Municipality voting differently in the Shareholders' meeting is subjected to a minimum 10m€ penalty fee .

Loyalty shares scheme

Key elements	Public Shareholders no longer have the obligation to hold at least 51% of IREN's share capital , it is sufficient for them to hold at least 50%+1 of voting rights. In any case, according to the Shareholders' agreement 40% of IREN's outstanding shares owned by public Shareholders cannot be sold. Double voting right will be guaranteed to those shares held at least for two years by the same shareholders.
Qualified topics	Double voting right has been introduced only for qualified topics which could affect the company long-term perspective.
Stock holding limit	The 5% stock holding limit already exists and it has been maintained, so the minority Shareholders will not suffer any change for the worse in this sense
Free-float	The introduction of the double voting right scheme together with the suppression of the obligation for public entities to hold at least 51% of share capital could increase the free-float, with a positive effect on stock liquidity .

- The OLT Terminal has been recognised by the Italian Government as a national strategic asset; as a result, part of its revenues are granted (64% guarantee factor).
- Thanks to a number of recent rulings by the Administrative court the regulatory framework is now clear in terms of recognized operating costs and RAB remuneration. It will allow the terminal to reach and keep the break-even during the BP time-frame
- RAB approximately 900m€. Remuneration on RAB equal to 6.6% plus an additional 3.0% (as a new LNG terminal).
- Merchant activity is assumed to start in 2017 with a significant growth from 2019 onwards.
- Terminal has already started operating thanks the awarding through a competitive bidding (in summer 2016) of 5 lots related to storage and regasification service for approximately 450mcm.

OLT SHAREHOLDING STRUCTURE



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.

This document was prepared by IREN mainly for use during meetings with investors and financial analysts.

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Notice is also given that projected data are valid only on the date they are produced. Except for those cases in which the applicable statutes require otherwise, IREN assumes no obligation to provide updates of the abovementioned estimates and projected data.