



10th November 2016

# 2016 – 9M Results

# 2016 9M – Achievements

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## ORGANIC GROWTH

**Organic growth of approximately 24m€** driven mainly by the energy sector (Generation and Market).

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## SYNERGIES

**23m€ of synergies already achieved**, 75% of the expected synergies for this year in the new business plan.

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## CONSOLIDATION

**More than 40m€ from consolidation.** The process is still ongoing (“Recos - La Spezia” in September, “Salerno Energia Vendite” in October) and IREN is committed in further strengthening its role of consolidator.

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## FINANCIAL OPTIMIZATION

Net of TRM transaction, **the NFP has been decreasing for 3 consecutive quarters this year.**

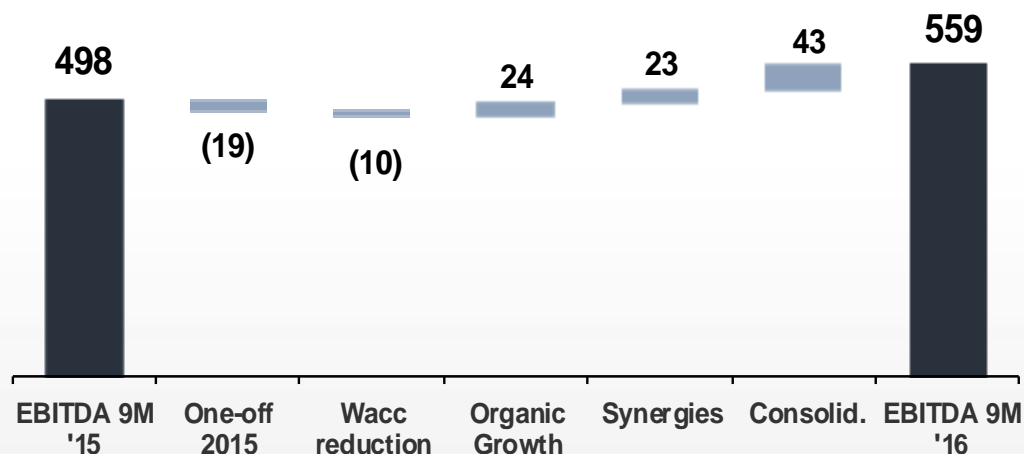


# 9M 2016: double digit growth from EBITDA to Net profit.

## Income statement

	m€	9M '15	9M '16	Δ	Δ%
Revenues		2,219	2,228	9	0.4%
Ebitda		498	559	61	12.3%
Ebit		253	285	32	12.9%
Net profit		99	125	26	26.3%

## Ebitda Bridge

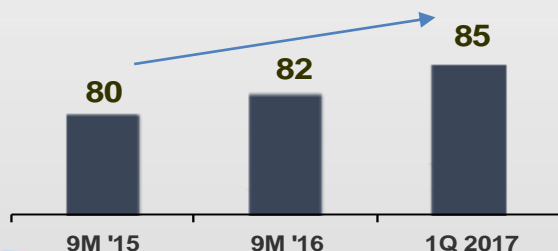


- **Revenues +0.4%:** Revenues substantially stable YoY
- **Ebitda +12.3%:** positive performance equally driven by organic growth and synergies (overall +47m€) and the change in the perimeter (+43m€) thanks to the consolidation process carried out by the company.
- **Ebit +12.9%:** reflecting good operating results which more than offset D&A growth linked to TRM and higher provisions.
- **Net profit +26.3%:** benefitting from the growth in EBIT and an adjustment in participations which offset higher financial charges (TRM effect).

# GENERATION AND DH – Positive trend confirmed.

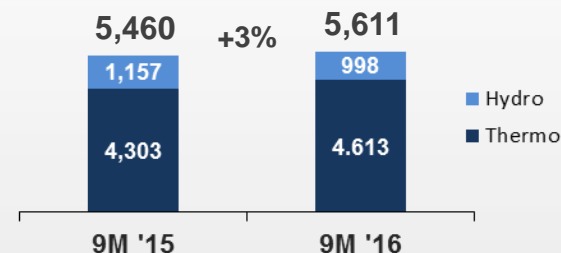
- The excellent performance in thermo/cogen sector, already reported in 1H 2016, more than offset the volume/price drop in hydro sector due to commodity scenario and climate conditions.
- **Generation sector** keeps driving the growth mainly thanks to the combined trend in gas and electricity price together with the exploitation of ancillary services through flexibility and an active management of IREN's generation fleet.
- **Hydroelectric sector's** margins (-20%) hit by both a fall in electricity price and lower electricity and green cert. production.
- **DH sector's** margins are stable but, starting from 2017, they will fully benefit from approximately 3 mcm of further volumes heated already contracted.
- **EBIT doubled (+108%)** thanks to the positive operating results plus the release of a number of provisions.

DH VOLUMES HEATED (MCM)

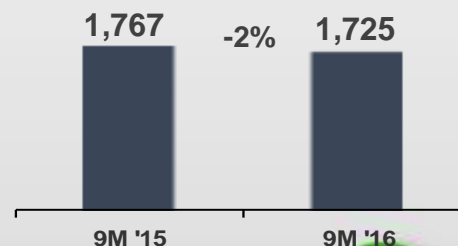


	m€	9M '15	9M '16	Δ	Δ%
Revenues		557	547	-10	-2%
Ebitda		120	140	20	16%
Ebit		25	52	27	108%
Gross Capex		21	25	4	18%

ELECTRICITY PRODUCTION (GWh)



HEAT PRODUCTION (GWht)

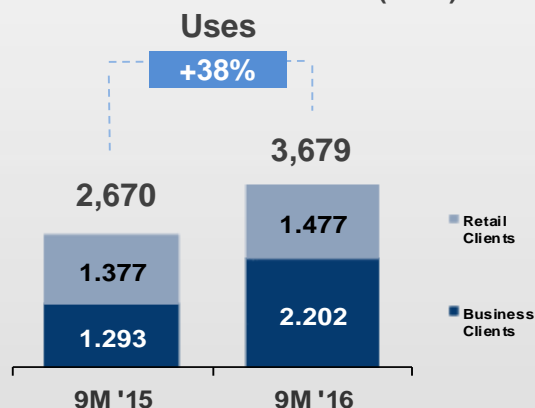


# MARKET – Improved commercial approach and hedging operations drive the growth.

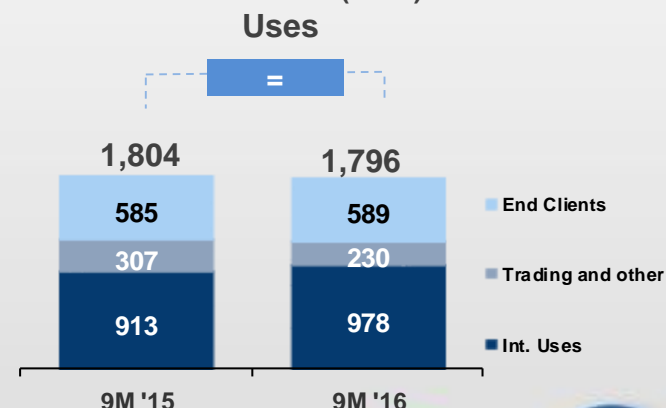
- The steady increase in profitability and EBITDA compared to the same period in 2015 is due to the ability of the Group in exploiting positive scenario conditions, together with the deployment of the strategy outlined in the BP, which already led to:
  - **+38% electricity volumes sold to end Clients** (vs. lower volumes sold on IPEX).
  - **+85k additional Clients** in the last 9 months (of which 54K from Atena consolidation).
  - Strong improvement in shipping and logistics policy (gas), together with a sound hedging procedure.

	m€	9M '15	9M '16	Δ	Δ%
Revenues		1.646	<b>1.467</b>	-179	-11%
Ebitda		66	<b>97</b>	31	47%
	<i>Electricity</i>	13	<b>43</b>	30	231%
	<i>Gas&amp;Heat</i>	53	<b>54</b>	1	2%
Ebit		37	<b>53</b>	16	45%
Gross Capex		10	<b>12</b>	2	21%

ELECTRICITY PORTFOLIO\* (GWh)



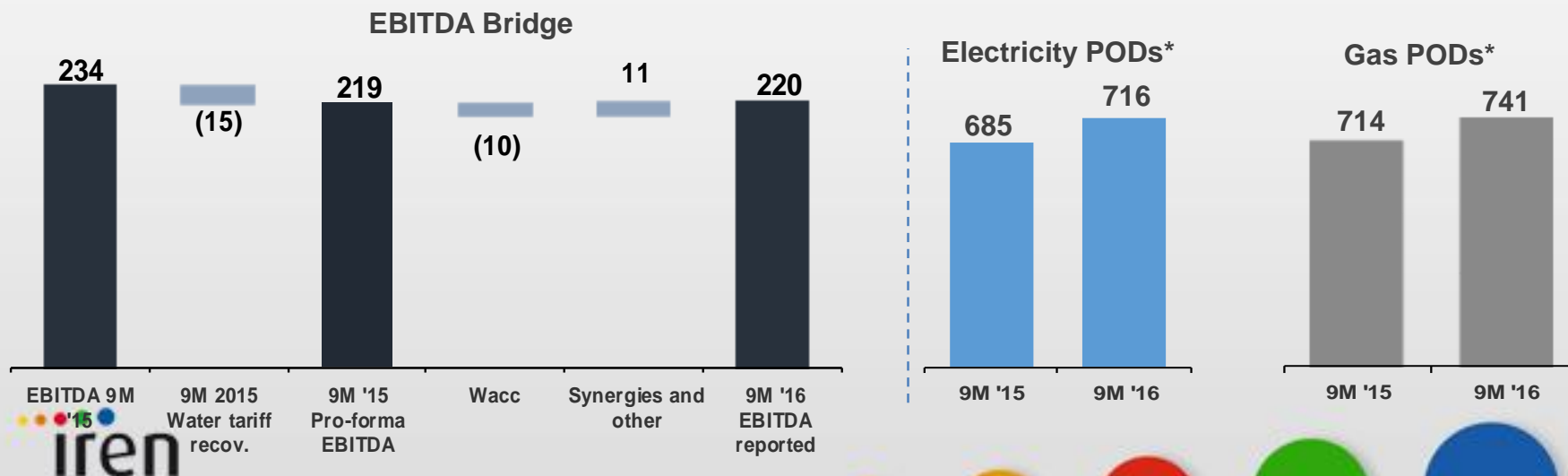
GAS PORTFOLIO (MCM)



# NETWORKS – Synergies offsetting wacc reduction.

- **Energy networks:** the absence of a positive equalization reported in 1H 2015 and wacc reduction was substantially offset by synergies. Higher POD's both in electricity and gas thanks to the consolidation of Atena
- **Water networks:** The fall in EBITDA is linked to the absence of approximately 15m€ tariff recovery for previous years reported in 2015.

	m€	9M '15	9M '16	Δ	Δ%
Revenues		632	591	-41	-6%
Ebitda		234	220	-14	-6%
	<i>Electricity</i>	54	51	-3	-6%
	<i>Gas</i>	55	56	1	2%
	<i>Water</i>	125	113	-12	-10%
Ebit		148	125	-23	-16%
Gross Capex		101	97	-4	-4%



# WASTE – Positive results thanks both to external and internal growth.

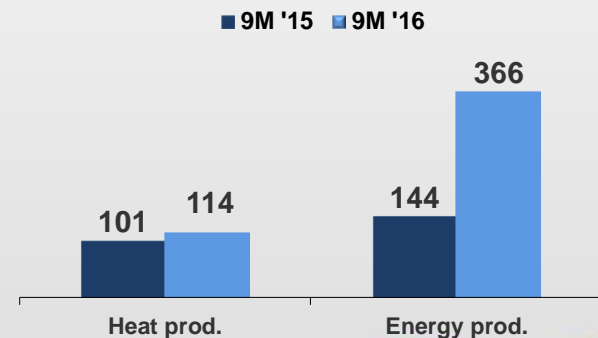
- **External Growth:** thanks to the **territorial consolidation process** (~35m€) through the acquisition of a controlling stake in **TRM**.
- **Internal Growth:** Synergies exploitation together with the full saturation of PAI (and the reduction in the usage of external disposal plant) thanks to its use for disposal of **Reggio Emilia urban waste**.
- **The growth in EBITDA led to a doubling in EBIT**

	m€	9M '15	9M '16	Δ	Δ%
Revenues		348	<b>382</b>	34	10%
Ebitda		57	<b>95</b>	38	68%
Ebit		24	<b>50</b>	26	106%
Gross Capex		12	<b>13</b>	1	5%

Waste (Kton)



WTEs - Energy and Heat sold (GWh)



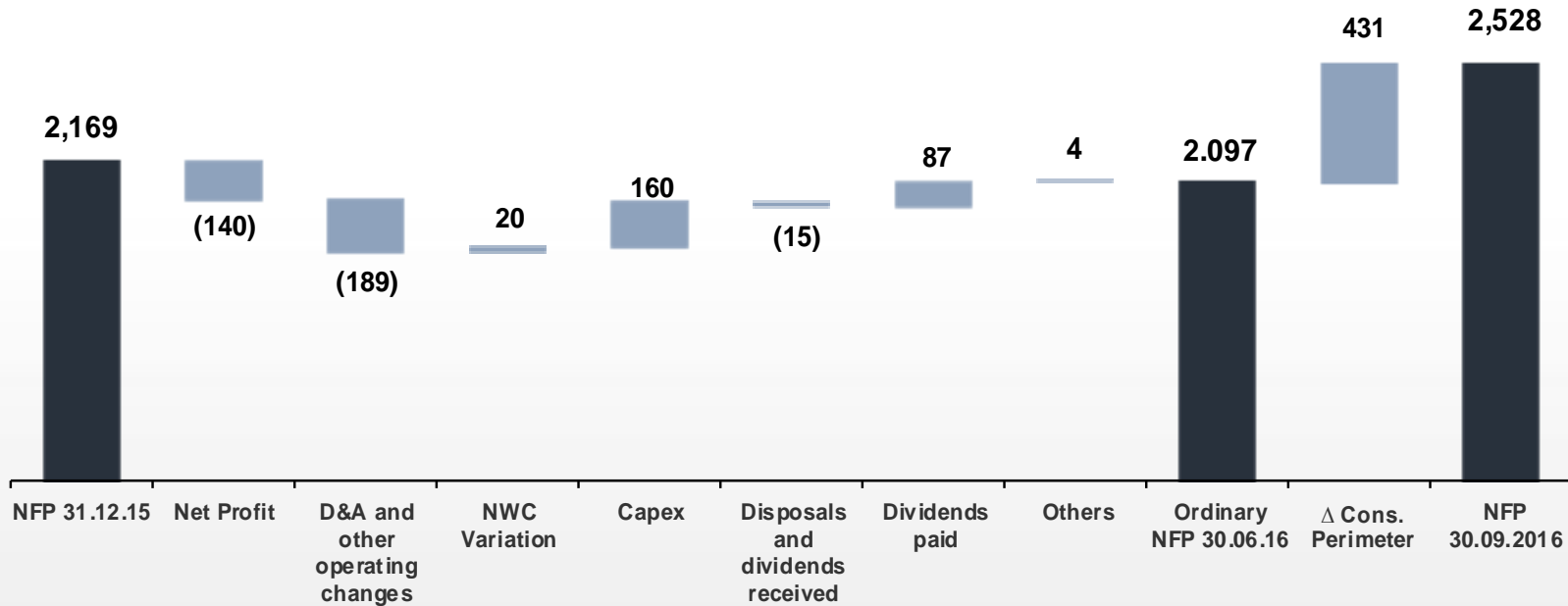
# From EBITDA to Net Profit.

	9M '15	9M '16	Δ	Δ%
EBITDA	497,6	558,9	61,3	12,3%
<i>D&amp;A</i>	-198,1	<b>-215,9</b>		
<i>Provisions</i>	-46,7	<b>-57,6</b>		
EBIT	252,8	<b>285,4</b>	32,6	12.9%
<i>Financial charges for loans</i>	-63,3	<b>-69,7</b>		
<i>Other financial charges</i>	-4,4	<b>-8,8</b>		
<i>Companies cons with e.m.and adj.</i>	0,4	<b>11,9</b>		
EBT	185,5	<b>218,9</b>	33,4	18.0%
<i>Taxes</i>	-69,8	<b>-78,7</b>		
<i>Minorities</i>	-16,9	<b>-15,3</b>		
Group net profit	98,8	<b>124,9</b>	26,1	26,3%

- **Higher D&A** linked mainly to TRM consolidation.
- Higher provisions mainly linked to non-recurring provision on industrial plants for 7m€.
- **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 (**9M 2016 tax-rate 35.9%**).



# Cash-flow and NFP Bridge.

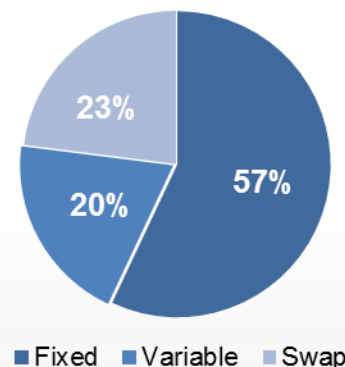


- Third consecutive quarter in the year experiencing a decrease in NFP (net of the TRM and Atena consolidation effect)
- NWC broadly in line with 1H 2016.

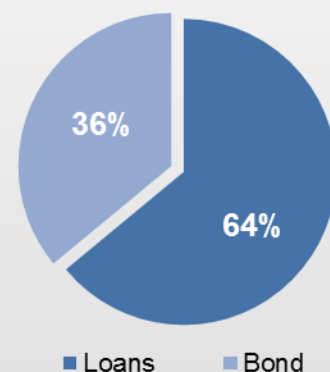
# Interest rate and debt structure\*.

- 20% of gross debt at variable interest rate.
- Average long-term debt duration of about 4.7 years (5.0 years expected taking into account the recent bond emission and tender offer).
- Further slight reduction in cost of debt (3.4%) compared to 1H 2016 (3.5%).
- IREN's debt is formed of:
  - 36% bonds (47% taking into account the recent bond emission and tender offer).
  - 33% EIB loans.
  - 31% other loans

## Gross debt interest rate



## Debt structure



# Further steps.

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## ORGANIC GROWTH AND SYNERGIES

- Significant **optimization in the integrated energy value chain** coupled with an active management of the generation assets and a strong focus on Clients which led to approximately +85k Clients in 9M 2016: **20% of the BP expected growth by 2021 already achieved.**
- Completion of the company rationalization process by the end of the year: starting from 2017 **6 subsidiaries will generate ~95% of the total Group's EBITDA**

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## FINANCIAL OPTIMIZATION

- **Issue of a 500m€, 8-year maturity bond** with the aim of exploiting the particularly favourable interest rate scenario and lengthening the average debt life.
- **Successful concurrent liability management** operation through a tender offer on IREN's seasoned bonds.

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## CONSOLIDATION

- Exploitation of a number of opportunities, **in particular in the waste sector**, has already strengthened the role of the company as aggregator in its reference areas:
  - acquisition of **25,5% of Recos La Spezia**, the newly created company owning and managing a municipal waste treatment plant (authorized for 105k ton/y) serving La Spezia Province;
  - exclusive right to negotiate with **Unieco** for the disposal a number of assets of its "Waste" branch;
  - signing of the term-sheet related to the acquisition of a 59,000 square meters **landfill** close to Turin (special waste);
  - single participant in **AMIU pre-tender**.
- Upcoming **full consolidation of Salerno Energia Vendite** leading to a further 90k Clients increase in the near future.





## Annexes



# Market Scenario.

	9M '15	9M '16	Δ%
Gas Demand ( <i>bcm</i> )	47,2	<b>48</b>	2%
TTF <i>€/000 scm</i>	219	<b>141</b>	-36%
PSV <i>€/000 scm</i>	244	<b>160</b>	-34%
Energy Demand ( <i>Twh</i> )	237,4	<b>230,5</b>	-3%
PUN ( <i>€/Mwh</i> )	52,1	<b>38,3</b>	-26%
CO2 <i>€/Ton</i>	7,4	<b>5,3</b>	-28%
Green Cert. Hydro ( <i>€/Mwh</i> )	99,9	<b>100,1</b>	=

# Balance Sheet.

	9M '16	FY '15
<i>Net fixed assets</i>	5,102	4,648
<i>Net Working Capital</i>	174	154
<i>Funds</i>	-523	-526
<i>Other assets and liabilities</i>	-49	-46
<b>Net invested capital</b>	<b>4,704</b>	<b>4,231</b>
<i>Group Shareholders' equity</i>	2,176	2,062
<i>Net Financial Position</i>	2,528	2,169
<b>Total Funds</b>	<b>4,704</b>	<b>4,231</b>

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