

IREN Group: the Board of Directors approves the results at 30 September 2015

The efficiency improvement process initiated at the start of the year and described in the business plan has generated significant results in the first nine months of 2015: in operating terms the Group closes the period with a net profit of around 100 million euros, an increase of more than 11%; in financial terms, besides the significant reduction in indebtedness, the investment-grade rating assigned to the Group by the Fitch Agency is particularly important, allowing for continued access to the financial markets.

- **Revenues of 2,219 million euros (up by 7.1% compared to 2,071 million euros at 30/09/2014)**
- **Gross operating profit (EBITDA) of 498 million euros (up by 2.7% compared to 484 million euros at 30/09/2014)**
- **Net profit amounted to 99 million euros (up by 11.4% compared to 89 million euro at 30/09/2014)**
- **Net financial debt amounted to 2,156 million euros, falling sharply (-129 million euros) compared to 31 December 2014.**

Reggio Emilia, 12 November 2015 - The Board of Directors of Iren S.p.A. has today approved the consolidated results at 30 September 2015.

“The quarter just ended substantially confirms the very positive economic and financial results already achieved in the first six months of 2015 – Chairman Francesco Profumo declared with satisfaction on behalf of the Board of Directors – In this year we have accelerated the integration of our companies in the Group and this has contributed to creating sound economic conditions. It is the first step towards achieving, over the period of the business plan, a more agile and dynamic Group, a provider of services at the highest levels of efficiency, with a strategy inspired by environmental sustainability and the aim of being active protagonists of innovation and of smart cities.”

“The acceleration impacted on the process for optimising the financial structure as well - added Massimiliano Bianco, CEO of the Group – allowing the Group to achieve a number of fundamental milestones. The most important one was obtaining an investment-grade rating by the Fitch Agency which has allowed the Group to gain access to the financial markets through a recent bond issue. The operation, aimed at a structural improvement of the cost of capital and an extension in the average length of debt, has been very successful (demand exceeded the offer by about seven times), demonstrating the trust the market has in the Company.”

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IREN GROUP: CONSOLIDATED RESULTS AT 30 SEPTEMBER 2015

Consolidated **revenues** in the first nine months of 2015 stand at 2,218.9 million euros, up (+7.1%) on 2,071.4 million euros in the same period of the previous year, confirming the positive trend already reported at 30 June.

Gross operating profit (EBITDA) stands at 497.6 million euros, up 2.7% compared to 484.3 million euros in the first nine months of 2014. This increase mainly derives from the regulated sectors, which contributed about 55% towards EBITDA and whose result is supported both by the operating results and by the achievement of significant synergies. These synergies have also resulted from the implementation of the efficiency initiatives set out in the business plan, including the rationalisation of the business units and equity interests. The confirmation of the decidedly positive trend in the Market area is also significant; the performance of this area does not totally offset the reduction in the margin, already reported in the half-year results, of the Generation and District Heating area due to the expiry of the production incentives of the Moncalieri plant and the absence of a number of non-recurring positive elements reported in the previous year.

Operating profit (EBIT) stands at 252.8 million euros, down 10.6% compared to 282.7 million euros at 30 September 2014, mainly due to the higher depreciation provisions and to the discontinuity of provisions for risks and charges that in the first nine months of 2014 were characterised by the release of a significant amount of provisions further to the disappearance of the relative risk. Net of this last element the variation in the operating result would have been positive.

Net Profit is 98.8 million euros, up +11.4% compared to 88.8 million euros reported in the first nine months of 2014. The following elements have had a positive influence on the result: more favourable financial management thanks mainly to the reduction in the cost of debt, better results of the companies consolidated with the equity method, the lower tax rate linked to the declaration that the Robin Hood tax is unconstitutional, and the deduction of employment cost from the IRAP (regional corporation tax) calculation.

Net Financial Debt at 30 September 2015 stands at 2,156 million euros, confirming the positive trend reported in the first two quarters of the year and marking a drop of around 130 million against the figure reported at the end of 2014. The results of the period and an improved management of net working capital have contributed to this result.

Gross investments during the period amount to 161.9 million euros.

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IREN GROUP: MAIN RESULTS BY BUSINESS AREA

(millions of euros)	9M 2015	9M 2014	Var. %
Revenues	2,218.9	2,071.4	7.1%
Electricity and district heating	557.2	571.7	-2.5%
Market	1,645.8	1,654.1	-0.5%
Networks (electricity, gas, and water infr.)	632.5	575.2	10.0%
Waste	347.7	169.4	105.3%
Services and other	67.3	75.6	-11.1%
Netting and adjustments	-1,031.5	-974.6	5.8%
Gross Operating Profit	497.6	484.3	2.7%
Electricity and district heating	120.2	140.9	-14.7%
Market	66.2	56.3	17.6%
<i>Electricity</i>	13.1	15.9	-17.4%
<i>Gas and Heat</i>	53.1	40.4	31.4%
Networks	233.2	225.2	3.6%
<i>Electricity networks</i>	53.8	51.6	4.3%
<i>Gas networks</i>	54.8	55.2	-0.7%
<i>Water networks</i>	124.6	118.4	5.2%
Waste	57.0	38.9	46.3%
Services and other	21.1	23.0	-8.0%
Operating Profit	252.8	282.7	-10.6%
Electricity and district heating	24.9	80.9	-69.2%
Market	36.8	27.5	33.5%
Networks (electricity, gas, and water infr.)	148.0	140.3	5.6%
Waste	24.3	14.9	62.8%
Services and other	18.8	19.1	-1.6%

ELECTRICITY AND DISTRICT HEATING

Revenues of the generation and district heating sector amount to 557.2 million euros compared to 571.7 million euros reported in the first nine months of 2014 (-2.5%), substantially in line, therefore, with the same period of the previous year but significantly increasing compared to the half-year figures. Higher production of electricity (+30%) and heat (+5%), mainly influenced by favourable climatic events, have counterbalanced the persisting situation of over-capacity that leads to strong pressure on sales prices.

Gross Operating Profit (EBITDA) for the sector amounts to 120.2 million euros compared to 140.9 million euros reported at 30 September 2014. The fall is mainly attributable to the expiry of incentives on co-generation production in the Moncalieri plant for around 13 million euros (20 million euros over the whole year) and to the absence of a number of non-recurring positive elements reported in the first nine months of 2014 (awarding of ETS certificates relating to previous years and insurance reimbursements).

During the first nine months of 2015 total **electricity** produced was 5,457 GWh, +30% compared to 4,197 GWh reported in the same period in 2014.

All sectors contributed to this result: both the thermoelectric/cogeneration sector, with production of 4,303 (+39.6%) which benefitted from particularly high summer temperatures,



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and the hydroelectric sector (1,153 Gwh), the growth of which is 3.5% and bucks the national trend (which is negative, -13%).

Heat production has also increased (+4.7%) and stands at 1,766 GWht. This is due to winter temperatures closer to historic averages compared to the exceptionally warm winter in 2014 and to an increase in volumes served by the district heating network that exceed 81 million cubic metres (+1.9%).

At 30 September 2015 **gross investments** for 21.6 million euros were made, mainly devoted to the cogeneration production sector.

MARKET

Revenues for the Market sector amount to 1,645.8 million euros, substantially in line with the 1,654.1 million euros in the first nine months of 2014: the higher volumes of gas and heat sold substantially counterbalanced the fall in the prices of energy commodities.

Gross Operating Profit (EBITDA) of the sector amounts to 66.2 million euros, a significant increase (+17.6%) compared to the same period reported for the same period of 2014 of 56.3 million euros, and confirms the positive trend that has characterised the business area this year. The result is mainly thanks to the gas sales sector which has benefitted from a significant increase in unit margins, besides a growth in volumes sold (+5% to final customers).

Electricity sold directly throughout the first nine months of the year stands at 8,950 GWh, a sharp increase (+13.5%) on 7,883 GWh in 2014.

1,804 million cubic metres of gas were sold, up (+22.0%) compared to 1,479 million cubic metres in the first nine months of last year, thanks mainly to the winter climate trend which was closer to historic averages compared to 2014 and to higher internal uses.

At 30 September 2015 **gross investments** amounted 10.1 million Euros.

NETWORKS (GAS AND POWER INFRASTRUCTURES)

Revenues in the energy infrastructure sector amount to 261.2 million euros, up from 241.3 million euros in the first nine months of 2014.

Gross Operating Profit (EBITDA) stands at 108.6 million euros, a slight increase (+1.7%) compared to 106.8 million euros reported at 30 September 2014. The increase in the sector is attributable to the positive performances in the electricity networks, thanks mainly to operating efficiency measures, together with adjustments relating to previous years. The gas networks branch closes substantially in line with the results of the same period of 2014, but

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improving compared to the first half-year thanks to an increase in savings of costs and higher revenues.

In the first half of the year, the Group distributed 2,977 GWh of electricity and 816 million cubic metres of gas, both figures up from 2014.

Gross investments in the sector amount to 41.5 million euros for the modernization of the gas network, in particular through the installation of cathodic protection systems and electronic meters, the replacement of grey cast iron pipes and the construction and updating of electricity substations.

NETWORKS (INTEGRATED WATER SERVICE)

The integrated water service in the first nine months of 2015 recorded **revenues** of 371.3 million euros, a significant increase compared to 333.9 million at 30 September 2014.

Gross Operating Profit (EBITDA) stands at 124.6 million euros, up (+5.2%) compared to 118.4 million euros in the first nine months of 2014, confirming the trend reported in the previous quarters. The performances reflect the positive trend of tariff revenues as well as the lower costs linked to the achievement of important operating synergies and the widening of the scope of activities to the Savona area.

At 30 September 2015 the Group sold 114,1 million cubic metres of **water**, up compared to the same period of 2014, mainly due to the above-mentioned change in scope.

Gross investments for the period amount to 59.6 million euros, for the construction of the infrastructures as provided for in the “Piani d’ambito” (Territorial plans), and to the development of distribution networks, sewerage networks and treatment systems.

WASTE

In the Waste sector, **revenues** totalled 347.7 million euros, practically double the figure (+105.3%) of 169.4 million euros at 30 September 2014. This increase, already noted in the first six months of 2015, comes from the full consolidation of AMIAT S.p.A. (the company managing waste collection in Turin) following the acquisition of a majority shareholding and subsequent control at the end of 2014.

This performance was boosted by the increase in waste collection tariffs, in revenues related to the full operation of the Integrated Environmental Hub in Parma and by the significant increase in special waste collected (+43.7% in volume terms).

The sector achieved a **Gross Operating Profit (EBITDA)** of 57.0 million euros, also strongly up (+46.3%) compared to 38.9 million euros in the first nine months substantially reflecting the same trend in revenues, partially offset by higher costs for the use of a number of

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disposal plants external to the Group and by the absence of a number of positive windfall gains reported in 2014.

Approximately 1,256,000 tons of waste were treated during the reference period, a significant increase (+58%) compared to 796,000 in the first nine months of 2014.

Thanks to the spread of new waste collection methods introduced, sorted waste collection continues to grow in the Emilia area, reaching 66%, up three percentage points from 30 September 2014.

Gross investments made in the area amounted to 12,2 million euros, mainly devoted to the maintenance of Group plant and to investments supporting the development of differentiated waste collection, mainly through the “door to door” sorted waste collection system.

BUSINESS OUTLOOK

The Iren Group, in line with the objectives of the new business plan presented in June, is focused on the achievement of important synergies deriving from the new organisational structure, from a corporate rationalisation plan and by a series of performance improvement projects aimed at operating efficiency.

The objectives of the Group, therefore, for 2015 are to maintain the levels of profitability at least in line with the previous year, and to adopt a selective approach to the choice of investments aimed at a rigorous management of financial stability.

CONFERENCE CALL

The results at 30 September 2015 will be illustrated tomorrow, 13 November at 11,00 (Italian time), during a conference call to the financial community, also broadcast through web casting in listen-only mode on the www.gruppoiren.it website in the investor relations section.

The Manager in charge of drawing up the corporate accounting documents, Mr, Massimo Levrino, hereby declares, pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Act, that the accounting information presented herein corresponds to the accounting documents, records and registers.

The Financial Report at 30 September 2015 will be made available to the public as provided for by the law, at the company's headquarters (Via Nubi di Magellano, 30 – Reggio Emilia) at Borsa Italiana S.p.A, and they will be published on the website www.gruppoiren.it

The financial statements of IREN Group S.p.A. (not subjected to audit) are set out below.

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IREN GROUP: CONSOLIDATED INCOME STATEMENT AT 30/09/2015

(Thousands Euro)

	First nine months 2015	First nine months 2014	Var. %
Revenues			
Revenues from goods and services	2,030,877	1,863,256	9.0
Change in contract work in progress	880	80	(*)
Other revenues and income	187,107	208,092	(10.1)
- Of which non-recurring	-	21,044	
Total Revenues	2,218,864	2,071,428	7.1
Operating expenses			
Costs for raw materials, consumables, supplies and goods	(718,765)	(720,818)	(0.3)
Services and use of third-party assets	(693,921)	(621,964)	11.6
Other operating expenses	(61,048)	(54,088)	12.9
Capitalized expenses for internal work	19,037	14,669	29.8
Personnel expenses	(266,573)	(204,934)	30.1
Total Operating Expenses	(1,721,270)	(1,587,135)	8.5
Gross Operating Profit (EBITDA)	497,594	484,293	2.7
Amortization, depreciation, impairment and provisions			
Amortization/depreciation	(198,103)	(179,700)	10.2
Provisions and impairment	(46,699)	(21,902)	(*)
Total amortization, depreciation impairment and provisions	(244,802)	(201,602)	21.4
Operation Profit (EBIT)	252,792	282,691	(10.6)
Financial Income			
Financial Income	19,987	20,205	(1.1)
Financial expense	(87,693)	(96,914)	(9.5)
Net Financial Income	(67,706)	(76,709)	(11.7)
Share of profit (loss) of associates accounted for using the equity method	388	(12,152)	(*)
Impairment losses on investments	-	(21)	(100.0)
Profit before tax	185,474	193,809	(4.3)
Income tax expenses	(69,766)	(91,652)	(23.9)
Profit for the period from continuing operations	115,708	102,157	13.3
Profit from discounted operations	-	-	-
Profit for the period	115,708	102,157	13.3
Attributable to:			
- owners of the Parent	98,847	88,758	11.4
- non-controlling interests	16,861	13,399	25.8

(*) Variation of more than 100%

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**IREN GROUP: RECLASSIFIED STATEMENT OF FINANCIAL POSITION
AT 30/09/2015**

(Thousands Euro)

	30.09.2015	31.12.2014	Var. %
Non-current assets	4,596,716	4,618,669	(0.5)
Other non-current assets (liabilities)	(154,845)	(153,619)	0.8
Net Working Capital	170,007	238,448	(28.7)
Deferred tax assets (liabilities)	120,308	115,336	4.3
Provisions and employee benefits	(546,546)	(550,363)	(0.7)
Assets (Liabilities) held for sale	5,443	10,762	(49.4)
Net invested capital	4,191,083	4,279,233	(2.1)
Equity	2,034,654	1,993,549	2.1
<i>Long-term financial assets</i>	<i>(68,504)</i>	<i>(66,439)</i>	<i>3.1</i>
<i>Medium and long-term financial indebtedness</i>	<i>2,367,617</i>	<i>2,210,821</i>	<i>7.1</i>
<i>Medium and long-term net financial indebtedness</i>	<i>2,299,113</i>	<i>2,144,382</i>	<i>7.2</i>
<i>Short-term financial assets</i>	<i>(581,329)</i>	<i>(522,902)</i>	<i>11.2</i>
<i>Short-term financial indebtedness</i>	<i>438,645</i>	<i>664,204</i>	<i>(34.0)</i>
<i>Short-term net financial indebtedness</i>	<i>(142,684)</i>	<i>141,302</i>	<i>(*)</i>
<i>Net financial indebtedness</i>	<i>2,156,429</i>	<i>2,285,684</i>	<i>(5.7)</i>
Own funds and net financial indebtedness	4,191,083	4,279,233	(2.1)

(*) Variation of more than 100%

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IREN GROUP: CONSOLIDATED STATEMENT OF CASH FLOWS AT 30/09/2015

(Thousands Euro)

	First nine months 2015	First nine months 2014	Var. %
A. Opening cash and cash equivalents	51,601	50,221	2.7
Cash flow generated by operating activities			
Profit for the period	115,708	102,157	13.3
Adjustments:			
Amortisation and depreciation of intangible and tangible assets	198,103	179,700	10.2
(Capital gains) capital losses and other changes in equity	7,538	(25,127)	(*)
Net variation in post-employment and other changes in equity	(7,021)	742	(*)
Net variation in provision for risk and other charges	(412)	(33,325)	(98.8)
Variation in deferred tax assets and liabilities	(5,747)	(7,749)	(25.8)
Variation in non-current assets (liabilities)	(2,239)	19,269	(*)
Dividends (net of elisions)	(1,316)	(1,030)	27.8
Portion of result of associates and joint ventures	(388)	12,152	(*)
Net impairment losses (reversals of impairment losses) on investments	-	837	(100.0)
B. Operating cash flow before NWC variations	304,226	247,626	22.9
Variation in inventories	(49,307)	10,971	(*)
Variation in trade receivables	176,920	193,490	(8.6)
Variation in tax assets and other current assets	28,792	(67,464)	(*)
Variation in trade payables	(154,778)	(300,664)	(48.5)
Variation in tax liabilities and other current liabilities	74,488	105,465	(29.4)
C. Cash flow generated by NWC variation	76,115	(58,202)	(*)
D. Operating cash flow (B+C)	380,341	189,424	(*)
Cash flows from (for) investing activities			
Investments in tangible and intangible assets	(160,557)	(175,490)	(8.5)
Investments in financial assets	(1,355)	(58,823)	(97.7)
Proceeds from the sale of investments and changes in assets held for sale	5,502	23,778	(76.9)
Change in consolidation perimeter	(25,679)	-	(*)!
Dividends received	7,368	7,061	4.3
E. Total cash flow from investing activities	(174,721)	(203,474)	(14.1)
F. Free cash flow (D+E)	205,620	(14,050)	(*)
Cash flow from financing activities			
Dividend payments	(81,417)	(73,642)	10.6
Net long term financing	250,000	525,000	(52.4)
Repayment of long term financing	(113,681)	(530,330)	(78.6)
Variation in financial receivables	(200,030)	161,259	(*)
Variation in financial Payables	(84,212)	(87,132)	(3.4)
G. Total cash flow from financing activities	(229,340)	(4,845)	(*)
H. Cash flow for the period (F+G)	(23,720)	(18,895)	25.5
I. Closing cash and cash equivalents (A+H)	27,881	31,326	(11.0)

(*) Variazione superiore al 100%

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