

**IREN Group - the Board of Directors approves the Business Plan to 2021: growing margins and profit a target of annual increase in dividend per share of approximately 8% (or an additional 0.5 euro cents a year).**

*The business plan to 2021 is based on the excellent results obtained over the last 18 months and reconfirms the strategic guidelines outlined in the 2015-2020 plan, updated on the basis of the changes that have occurred in the scenario: efficiency, consolidation, focus on Clients and sustainability remain essential pillars to which is added a renewed attention to satisfying the Shareholders.*

### **Strategic guidelines**

- **A further drive to make the processes more efficient, to make the Group's action increasingly fast, incisive and effective.**

The plan of profound renewal launched in the second half of 2015, called “**performance improvement**”, has already brought important results and will constitute the basis for the revision and optimisation of the processes also for the near future with the activation of more than 100 projects. The Group has completed the revision of its business model and the consequent corporate rationalisation, important enabling factors for achieving the synergy targets

- **The Customer as a fundamental asset and linchpin on which to build a new corporate culture made up of reliability, inclusivity and innovation.**

The strategy which has the objective of transforming the **energy product from commodity to high-value-added service** will be at the base of the “**New Downstream**”, the Group's new commercial paradigm which aims to create a satisfying customer experience for the Customer, made up of **energy saving, efficiency and innovation**. All this will make it possible to support the important acquisition and loyalty objectives included in the business plan.

- **IREN protagonist of the consolidation process in its areas of reference.**

During the last two years **important operations** (AMIAT, TRM, Atena) were completed which made it possible to be present with greater strength in several areas included in the Group's core territories. In the next few years a further effort in this sense is planned and this will confirm IREN as the **main aggregator and development driver in North-West Italy**.

- **All the plan objectives will be developed in a framework of environmental, social and financial sustainability.**

The environmental sensitivity which has always characterised the Group's choices is confirmed also in this business plan which stresses **activities with low environmental impact** such as district heating networks and plant consolidation linked to the concept of “**Waste to Material**” as well as the implementation of **smart-metering** and **smart-grids**.

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## Economic and financial indicators

- **EBITDA at 2021 of approximately 900 million euro**, up by approximately 220 million euro compared to 2015, with an annual growth rate of 4.8%. 75% of this result will be reached already in 2019 (CAGR 5.8%). Approximately 75% of the Group's entire EBITDA will derive from regulated and quasi-regulated activities.
- **Synergies of 100 million euro**, 80% of which obtained by the end of 2019.
- **Net profit substantially doubled** already at 2019.
- **Cumulative investments of approximately 2.2 billion euro**, up by 23% compared to the previous plan, a third of which devoted to development initiatives.
- **Debt at 2021 down by approximately 180 million euro** to approximately 2 billion euro. The result is particularly significant if we take into account the fact that in 2016 the acquisition of TRM S.p.A. had a negative effect for an amount of more than 400 million euro.
- **Net Debt/EBITDA Ratio Target 3.0x**, achieved already in 2018.
- **Clear dividend policy with annual growth of dividend per share of approximately 8%**.

*Reggio Emilia, 19 October 2016* - The Board of Directors of IREN S.p.A. approved yesterday evening the business plan to 2021.

The business plan to 2021 lays out new and challenging objectives supplementing the medium- and long-term strategic pathway embarked on in 2015 and characterised above all by a particular focus on seeking maximum efficiency. Pursuance of the latter is based on a series of initiatives the fulcrum of which is the project entitled “**Performance Improvement**” which, through the re-engineering and optimisation of the processes, both specific to single business units and transversal, will make it possible to **unlock the part of potential not yet expressed by the Group**. **About forty initiatives** were launched thanks to “Performance Improvement” and some of them have already brought important results, such as the adoption of a **single software for measuring business performance** and in general a wider uniformity and integration of the IT systems used. To this must be added the centralisation of procurement under a single unit and the standardisation of the processes and systems of the Networks area. The remaining initiatives will be closed in the next few years, but new ones will be added to them (a total of more than 100 projects will be activated) putting in place a mechanism of constant improvement.

Besides “Performance Improvement”, the optimisation process has benefited and will benefit also in the future from two other particularly significant elements. The first consists of the **corporate rationalisation** plan, focused on reducing the number of subsidiaries, which has

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already led to the creation of IRETI, the company which from 1 January 2016 manages all the Group's network businesses in an integrated manner, guaranteeing important savings. The second element instead consists of the **generational turnover** plan aimed at bringing the Company new visions, professionalism and the ability to tackle the challenges of the future as effectively as possible. Thanks to this approach, more than 100 young people under 31 have joined the Group in the last 18 months.

The implementation and integration of all the above initiatives will make it possible to obtain approximately **100 million of synergies over the period of the plan** of which 30 expected by the end of 2016 and 80 already in 2019. The savings obtained in 2015, of approximately 22 million euro, must be added to this.

Also for the coming years, **efficiency and sustainability** will be the fundamental strategic levers to manoeuvre successfully the **growth drivers** identified in the new business plan, linked above all to developing the regulated and quasi-regulated businesses and to a strong focus on energy customers.

From the former point of view, of particular importance are both **the expansion of district heating networks** which will enable better saturation of the already-existing generation and waste-to-energy plants, **and the development of the natural gas distribution business**, as a priority through completion of the ATEMs in which IREN already holds a significant stake. To this must be added the growth of the Waste sector deriving both from consolidation operations, some of which already completed (TRM Torino, Atena Vercelli and Recos La Spezia), and through a strengthening in the “waste-to-material” sector mainly linked to the development of plants devoted to the processing of paper, plastic and organic waste.

Finally, in relation to the **expansion of the customer base**, the project entitled “**New Downstream**” is particularly important. It will act as a catalyst of commercial and marketing initiatives aimed at transforming energy from a commodity into a high-value-added service. This will enable IREN to oversee the entire energy value chain with even greater vigour, from procurement to sale and to seize the commercial opportunities connected with the transition from the protected electricity market.

The operating targets thus outlined will enable robust cash generation, such as to cover easily the challenging investment plan, of more than 2.2 billion euro and will make it possible to increase the balanced net debt to EBITDA ratio equal to 3.0x, already at the end of 2018. This will guarantee notable financial flexibility for subsequent years which can be used to seize interesting investment and M&A opportunities or, in the absence of the latter, to remunerate the shareholders further.

On the basis of these strategic lines the IREN Group aims at:

- **EBITDA growth of approximately 220 million euro**, which will take the Group's gross operating profit to 900 million euro at 2021 (CAGR 4.8%). It is necessary to stress that 75% of these results will be achieved by the end of 2019

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- **constantly increasing Group net-profit**, which already at 2019 will be substantially doubled compared to 2015
- **a clear dividend policy** which will stress the growth of the dividend per share, which will go up from 5.5€/c paid in 2016 to approximately 8.0€/c in 2021, recording **annual growth of 8%**. This will make IREN one of the stocks with the best dividend policy of the sector
- **improvement of the net financial debt/EBITDA ratio**, achieving the target of 3.0x already in 2018
- its development in the **role of aggregator hub and development driver in the reference territories**. In continuity with what has been done previously, a prudent approach has been adopted and **no M&A operations have been included in the plan**.

The details for each business area are provided below.

#### **GENERATION AND DISTRICT HEATING**

The segment that will most affect the growth of this Business Unit is **district heating** which will benefit from the expansion of approximately 15 million cubic metres of district heated volumes (**97 million** cubic metres of district heated volumes at 2021). Approximately 300 million euro of development investment will be destined to this project; this will enable **greater saturation of the existing cogeneration plants** and will permit the use of the heat produced by waste-to-energy plants to heat many houses in Turin, Parma and Piacenza.

The **hydroelectric** sector will benefit from the modernisation work on the Chiomonte/Susa connection and from the construction of a number of mini-hydroelectric plants which will offset only in part the negative impact due to expiry of the production incentives for an amount of more than 40 million euro.

Finally the **cogenerative/thermoelectrical** sector will benefit both from the **improvement of the energy scenario** expected in the coming years and from the work on making the Turbigio power station more flexible together with active management of all the Group's plants.

The contribution of the business area to the Group's EBITDA 2021 will be 27%, against **cumulative technical investments of approximately 575 million euro**. The latter will contribute to maintaining a profile of **pre-eminent eco-compatibility** of the plant assets, **the electricity production of which from renewable or assimilated sources exceeds 75% of the total**.

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### **MARKET AND ENERGY EFFICIENCY**

IREN places Customers at the centre of its strategic vision and makes them the fulcrum of its new development project called “**New Downstream**”. This last, expressly aimed at the retail and microbusiness sector, is based on the concept of the “**Smart House**”, an intelligent house and office where domotics, energy efficiency and innovation become available to all. The immediacy of the **web channel**, the engagement initiatives that aim to maintain the churn rate among the lowest on the market and the transformation of energy from a commodity into a **high-value-added service** are the distinctive features of the project and the levers on which the organic growth target of the customer base (+240,000) is founded.

The attention to the final Customer (retail and business) has already had a significant impact on the Group's electricity usage: in fact the volumes sold in this sector grew by 25% in the first half of 2016. For the next few years this increase will be even greater and will exceed 50%, having a positive impact on the visibility and stability of the margins.

In terms of procurement, internal **energy production** will be greater with respect to uses involving final Customers and wholesalers.

In relation to **gas**, the Group will maintain a large component of short-term procurement while that deriving from long-term contracts will remain less than 15% of total sources.

The contribution of the business area to the Group's EBITDA 2021 will be 13%, against cumulative investments over the period of the plan of approximately 140 million euro.

### **NETWORKS**

IRETI has been operational since 1 January 2016. This is the company originating from the merger of several subsidiaries that manages all the Group's network businesses in an integrated manner: distribution of electricity and natural gas, and the integrated water service. The unitary management of sectors that follow the same dynamics has already brought significant synergies and will continue to do so in future. Efficiencies and cost savings are in fact among the fundamental drivers of growth of this business unit, contributing more than 20 million over the period of the plan.

In order to complete this, the expected increase of approximately one third in the invested capital/RAB at 2021 is of particular importance, deriving both from higher investments and from external growth initiatives (gas tenders, ATENA operation, operation to complete the breakup of SAP).

In detail, as regards **electricity grids**, the business plan to 2021 envisages **substantial continuity** of management in terms of perimeter and the launch of several renewal and expansion projects.

In relation to tenders related to **gas grids**, the objective is to **consolidate as a priority the management in all areas in which the IREN Group is incumbent or has a significant**

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**stake** and to assess in a flexible way differentiated strategies in ATEMs with minority involvement stakes or in ATEMs of the North West area of reference.

Finally, in relation to **water networks**, besides the aforementioned completion of the SAP operation, a particularly significant investment plan is envisaged, which will take into account the visibility of the margins in the sector.

The contribution of the Networks business area to the Group's EBITDA 2021 will be 40%, against cumulative investments of approximately 1,070 million euro. Part of these will be devoted to implementing **initiatives linked to smart-metering** capable of making consumption more efficient and providing new business opportunities.

### **WASTE**

**The organic growth of the sector will follow two main lines.** First of all the development of plant assets for the processing of urban waste, mainly paper, plastic and organic, **in line with the philosophy of "Waste to Material"**, an approach oriented to the selection, recovery and recycling of waste within which IREN wants to play a leading role.

An increase in special waste collection will be added to this, which will abundantly exceed 500,000 tonnes at 2021, recording growth of approximately 47% in terms of volumes.

The Waste sector will, in addition, be the one which will obtain most benefit **from the expansion activity on its areas of reference** which IREN has already developed and intends to develop further over the next few years. In particular, the acquisition which occurred in January 2016 of a **majority stake in TRM** (the company that manages the waste-to-energy plant in the Piedmontese capital) is synergistic with the control that the Group already exercised over **AMIAT** (the company that manages the collection and sending for disposal of waste in the city of Turin) and enables an important presence in the whole integrated waste cycle in the metropolitan area of Turin. To this must be added a number of smaller operations completed in the provinces of **Vercelli, Tortona and La Spezia**. This constitutes an excellent launch ramp for consolidating IREN's role as an aggregator in the coming years in its territories of reference.

Lastly it is important to stress the Group's commitment to particularly effective forms of sorted waste collection. Emblematic is the case of Parma, where sorted waste collection has come fully into operation with "punctual tariff method" in the whole Municipality and which, involving more than 190,000 inhabitants, represents a best practice at the national level.

The contribution of the business area to the Group's EBITDA 2021 will go up from 10% in 2015 to 19% in 2021 against cumulative technical investments (excluding consolidations) of approximately 258 million euro.

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## IREN GROUP – ECONOMIC AND FINANCIAL TARGETS OF THE PLAN

		2015	2019	2021	CAGR '15-'19	CAGR '15-'21
Revenues	m€	3,094	3,420	3,634	2.5%	2.7%
EBITDA	m€	678	850	900	5.8%	4.8%
EBIT	m€	347	448	484	6.6%	5.7%
Group net profit	m€	118	216	251	16.3%	13.4%
Net fin. position	m€	2,169	2,359	1,985		
Net fin. position/EBITDA	m€	3.2x	2.8x	2.2x		

“The business plan presented today offers many points for reflection, which can be summarised in two concepts: “Continuity” and “Future”- said the **Chairperson Paolo Peveraro** speaking for the Board of Directors. He then added - “Continuity of action, in the strategic route marked out which has already brought significant results: the incorporation of IRETI, oversight of the entire integrated waste cycle in the metropolitan area of Turin, approximately 40 million of synergies achieved and 100,000 more energy customers. These results are even more significant if read with a view to the future. It is in fact this second element, the projection towards the challenges that await us in the next five years that has characterised the strategic choices at the base of the plan and its final forecasts: a continual improvement in terms of growth, efficiency, sustainability, attention to all stakeholders and territorial consolidation. The latter, thanks to the Group's strong roots in its areas of reference and to the dynamism already shown, could bring an additional margin of approximately 100 million euro, not included in the numbers of the plan. All this with the objective of making IREN an example of excellence and innovation in the sector of multi-utilities”.

“The route towards excellence rests on solid foundations” – said **Massimiliano Bianco, Chief Executive Officer of the Group** – “made up not only of the excellent results that the strategy outlined has already brought over the last twelve months, but also of the credibility of the assumptions of the business plan: an energy scenario that envisages moderate growth of the margins over the next few years and the exclusion of the contribution of any M&A operations from the plan targets. These are the two elements that make the challenging targets that the Group has set itself credible: a process of continually increasing efficiency with a target of 100 million of synergies, organic growth which will make full use of the 2.2 billion of investments (of which one third devoted to development), the territorial consolidation process and finally a renewed attention to the Shareholders through a clear dividend policy.”

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