



PRESS RELEASE
Milan, August 3, 2018

TERNIENERGIA: the Board of Directors approves half year financial report as at June 30, 2018

- **EPC and O&M business units, photovoltaic and Cleantech plants and energy efficiency financial assets were classified as "Assets held for sale" and sold for the purpose of supporting the industrial turnaround project.**
- **Revenues equal to Euro 10.5 million, -26.1% (Euro 14.2 million as at 30 June 2017)***
- **EBITDA equal to Euro 0.7 million (Euro -0.3 million as at 30 June 2017)* with Ebitda Margin at 6.65%.**
- **EBIT equal to Euro -1.5 million, +56.1% (Euro -3.4 million as at 30 June 2017)*, Result before taxes (EBT) equal to Euro -3.8 million, +32.8% (Euro -5.6 million as at 30 June 2017)***
- **Net result equal to Euro -3.5 million, +47% (Euro -6.5 million as at 30/6/2017)***
- **Net Financial Position of Euro 60 million, -33.15% (Euro 89.8 million at 31/12/2017)**
- **Net equity equal to Euro 17.4 million (Euro 21 million as at 31/12/2017)**
- **The board member Mr. Mario Marco Molteni appointed Lead Independent Director**
- **Defined the compensation for directors**

()The figures for the first half of 2018 have been restated in accordance with IFRS 5, taking into account the classification of the results of the assets held for sale - in accordance with the provisions of the recovery and relaunch plan referred to in the strategic guidelines communicated to the market on 27 April 2018 - as "held for sale" or "discontinued operations", in order to provide consistent information in relation to discontinued operations or operations in the process of being disposed.*

It should be noted that the aforementioned Plan provides for the disposal of the photovoltaic and Clean Tech activities currently present in the Group. In particular, the sale of a controlling interest in the EPC and O&M business units (aimed at the construction and maintenance of photovoltaic plants, with the exclusion of operating companies in South Africa), the sale of photovoltaic energy production plants (held directly and indirectly through SPV), the sale of the treatment and recovery plants for ELTs (end-of-life tyres), the remediation of liquid waste in Nera Montoro, the biodigester in Nera Montoro, the one under construction in Calimera and the virgin wood pyrogasification plant in Borgosesia, and the disposal of financial assets relating to energy efficiency.

As a result, the figures at 30 June 2017 have also been restated in accordance with IFRS 5, in order to provide uniform information in relation to discontinued operations or those in the process of being disposed of. Further informations are provided in the Notes.

The Board of Directors of TerniEnergia, a smart company listed on the Italian Stock Exchange (MTA) and part of the Italeaf Group, today approved the half-year financial report as at June 30, 2018.



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CONSOLIDATED RESULTS AS AT JUNE 30, 2018

Revenues, equal to Euro 10.5 million (Euro 14.2 million as of 30 June 2017; -26.1%). EBITDA amounted to Euro 0.7 million, with a significant improvement compared to 30 June 2017 (Euro -0.3 million), with Ebitda Margin at 6.65%.

The **Net Operating Result (EBIT)** is equal to Euro 1.5, with an improvement of 56.1% (Euro -3.4 million as at 30 June 2017), after amortisation, depreciation, provisions and write-downs of approximately Euro 2.2 million. **Profit before taxes (EBT)** also improved by 32.8% to Euro -3.8 million (Euro -5.6 million as of 30 June 2017).

The **Net result** amounted to Euro -3.5 million, compared to Euro -6.5 million as of June 30th , 2017 (+47%).

The **Net Financial Position** amounted to Euro 60 million (with a significant reduction compared to Euro 89.8 million at 31/12/2017) as a result of the application of IFRS 5, which resulted in the reclassification of a net financial debt of Euro 35.2 million. The non-current Net Financial Position is equal to Euro 0.2 million, while the short-term Net Financial Position is equal to Euro 59.8 million.

Shareholders' Equity amounted to Euro 17.4 million (Euro 21 million at 31/12/2017, --17.38%), and also takes into account the treasury shares held in portfolio, which amount to 1,012,998 (2.15% of the share capital).

Assets held for sale

The engineering, procurement, and construction of photovoltaic plants (EPC), core business of the Group until the decision to start the transition to the new configuration of smart company, O&M (operation and maintenance) of photovoltaic plants and renewable energy production, development and management of environmental plants (Cleantech) and Esco for the implementation of energy efficiency projects, were classified as "held for sale" or discontinued operations, in accordance with IFRS 5 for a total amount of Euro 167.6 million, together with corresponding liabilities of Euro 106.2 million.

The net result for the period for this item was a loss of Euro -0.5 million, due to personnel costs attributable to the EPC business branch being divested, as provided for in the Relaunch and Recovery Plan. In particular, the EPC branch remained substantially inactive during the period, with the exclusion of the activities relating to the contract in Tunisia, as a result of the strategic transformation of the company and pending the conclusion of the sale processes.

The disposals envisaged are operations aimed at supporting the industrial turnaround project, as provided for in the Recovery and Relaunch Plan.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE PERIOD



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Two energy efficiency projects sold to Estra Clima Srl as part of the Group's Recovery and Relaunch Plan

On July 23, 2018, TerniEnergia, announced that it has finalized and signed all the documents related to the sale of two branches of business related to energy efficiency measures to Estra Clima Srl, a company of the Estra Group. The company branches to be sold, with the relative financial and trade debts, refer to two energy efficiency lighting projects on behalf of two Tuscan municipalities, including the integrated management, ordinary and extraordinary maintenance of public lighting systems. The value of the two branches sold is equal to Euro 1.4 million gross of the debt relating to the financial lease on the plant of one of the two municipalities for Euro 0.45 million (inclusive of VAT) and trade payables for approximately Euro 0.25 million, as well as the value of some works to be carried out at the expense of Estra Clima for approximately Euro 0.17 million.

BUSINESS CONTINUITY AND BUSINESS OUTLOOK

Recovery and relaunch plan

During the coming months, the Group will be committed to implementing the recovery and relaunch plan, aimed at pursuing, in the medium term, the transformation of the Company into a smart company and the overcoming of the current situation of financial tension of the Group. The Plan is based on three pillars: divestments, rationalisation and strategic repositioning with a focus on the issues of the internet of energy, smart mobility and IT consulting.

- **Divestments.** The Plan provides for the disposal of the photovoltaic and Clean Tech activities currently present in the Group. In particular, the sale of a controlling stake in the EPC and O&M business units (for the construction and maintenance of photovoltaic plants), the sale of photovoltaic power generation plants (held directly and indirectly through SPV), the sale of treatment and recovery plants for ELTs (end-of-life tyres), the remediation plants of liquid waste in Nera Montoro, the biodigester in Nera Montoro, the one under construction in Calimera and the virgin wood pyrogasification plant in Borgosesia, and, finally, the financial assets relating to energy efficiency activities.
- **Streamlining.** The Plan provides for a reorganisation of the Group, which will be structured through the sale of the companies linked to the assets mentioned in the first point (divestments) and a rationalisation of the Group's structural costs as a result of the synergies deriving from the mergers and the disposal policy.
- **Strategic repositioning.** The plan provides for a decisive enhancement of the Group's technological strengths, through the development and strengthening of the consulting, industry, smart mobility and



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digital energy business lines with high technological content, mainly based on the activities currently carried out by Softeco. The Company's turnaround is based on the transformation of the energy sector towards models of distributed power generation, which involves an increasing weight in the smart components in the energy generation, transmission and distribution grids.

With regard to the three pillars of the Plan, the Company highlights the progress made to date in the implementation of the planned actions:

- **Divestments:**

- I. with reference to the sale of 10 photovoltaic plants for a total of 11 MW to Sonnedix San Giorgio Srl, the preparatory activities for the closing are proceeding rapidly, with the final date set for October 31, 2018;
- II. regarding the plants still available in the ownership of TerniEnergia, was awarded an advisory assignment to a leading specialized company and the Company received numerous expressions of interest from potential buyers, with the signing of confidentiality agreements (NDAs);
- III. in relation to the sale of Newcoenergy Srl, owner of the authorisations and properties of the biodigester of Calimera (LE) under construction, the Company received various expressions of interest for which the relative NDAs have been signed;
- IV. with regard to the objective of selling the EPC and O&M business units of an industrial player already active in the sector, in order to transform fixed costs into variable costs, negotiations are underway with leading operators in the respective sectors with whom the relative NDAs have been signed;
- V. the revision of the service contracts has been completed on the basis of the forecasts of the Recovery and relaunch plan with a significant reduction in costs for TerniEnergia;
- VI. VI. all the deeds relating to the sale of two business units relating to energy efficiency measures to Estra Clima Srl, a company of the Estra Group, have been signed.

- **Streamlining:**

- I. The procedures for the merger by incorporation of Selesoft Consulting and Consorzio Proteco, respectively, into Softeco were completed, with the aim of simplifying the Group's organization and making it more efficient;
- II. Following these merger procedures by incorporation, TerniEnergia holds 100% of Softeco's shares.

- **Strategic repositioning:**



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- I. Activities are underway to strengthen the commercial structure in support of the sectors with the highest technological content, in order to reinforce the Group positioning with customers and partners of high standing;
 - II. the presence in Italy was strengthened to enhance the proposition of products, solutions and services for the consulting, industry, smart mobility and digital energy sectors with the strengthening of the Catania office and the opening of new offices in Rome and Terni;
 - III. staff selections are underway for the implementation of the technical-operational structure to respond to the growing need for high professionalism. To this end, agreements and conventions have been signed with Universities and Research Centers.

For the preparation of the above mentioned Plan, TerniEnergia is assisted by KPMG Advisory SpA as financial advisor.

The Plan provides for the start of meetings with banks, bondholders and creditors in general to define a shared solution aimed at overcoming the current financial crisis.

It should be noted that the guidelines presented on 28 September 2017 have been superseded by the contents of the Recovery and relaunch plan launched, on the development of which the Company will provide timely information.

Additional Information Required by Consob Pursuant to Article 114 of Legislative Decree No. 58/98 (TUF)

Please refer to the press release issued on 31 July 2018.

The main changes in transactions with related parties of this company and its Group compared to the last annual or half-yearly financial report approved pursuant to Article 154-ter of the Consolidated Law on Finance.

There have been no significant changes in transactions with related parties of the Company and the Group since the last approved half-yearly report.

Any failure to comply with the covenants, negative pledges or any other clause of the Group's indebtedness that entails limits to the use of financial resources, with an indication at the updated date of the degree of compliance with said clauses.

Please note that, as of December 31, 2017, certain covenants of the bond issue had not been met. The financial covenants that were not met are as follows to be calculated on the consolidated financial statements:

- Interest Coverage Ratio: equal to or greater than 2.5;



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- Net Financial Position Corporate/EBITDA: equal to or less than 3.25;
 - Net Financial Position/EBITDA: equal to or less than 5.

The bond regulations also provide for other non-financial covenants, specifically the "Cross default of the Issuer", i.e. the non-payment by the Company of any bond for an amount exceeding Euro 3 million. Failure to comply with the abovementioned covenants represents an event of default, with the result that the absolute majority of bondholders may have the right to early repayment of the bond issue, which matures naturally in February 2019. However, the regulation provides for a 180-day grace period for the recovery of the parameters necessary to comply with the abovementioned covenants. For this reason, the above-mentioned bond for a residual debt of Euro 25.5 million (also including the accrued coupon as at June 30, 2018) was reclassified to the current Net financial position both in the financial statements as at December 31, 2017 and in those as at June 30, 2018.

It should be noted that the loan taken out with the Banca del Mezzogiorno includes a number of financial covenants that had not been met at the end of the 2107 financial year. The covenants to be calculated on the consolidated financial statements are set out below:

- NFP Corporate/Net Equity: less than or equal to 1.1;
- NFP/EBITDA: less than or equal to 6.5.

Lastly, for some medium term leases and loans, the bank or leasing company has the right to request early termination of the contract, since the Company has not paid any instalments during the last quarter of 2017 and the first half of 2018; in particular, these are medium term loans for a residual debt as at December 31, 2017 of Euro 19.9 million and finance lease payables for a residual debt as at December 31, 2017 of Euro 11.5 million.

It should be noted that none of the banks or leasing institutes has so far activated the right to terminate the contract early and request the early repayment of the loan. These loans and leasing were reclassified to the current NFP as at 31 December 2017 and as at 30 June 2018.

Other resolutions of the Board of Directors

Director Mario Marco Molteni has been appointed Lead Independent Director.

The gross annual remuneration of executive and non-executive directors has been defined within the maximum amount defined by the Shareholders' Meeting of 14 June 2018 (Euro 330,000), in addition to the reimbursement of expenses incurred in relation to the appointment, with the elimination, for the 2018 financial year, of the provision for the variable remuneration for executive directors and Executives with Strategic Responsibilities.



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Finally, the Board of Directors approved the update of the Organizational Model pursuant to Legislative Decree 231/01 and also approved the Internal Audit plan.

Declaration pursuant to Article 154-bis, paragraph two, of the Consolidated Finance Act

The Officer responsible for the preparation of the corporate accounting documents, Mr Filippo Calisti, declares, pursuant to paragraph 2, art. 154-bis of the Consolidated Financial Act, that the accounting information that is contained in this press release correspond to the documentary results, the accounting books and records.

Deposit of documents

We inform you that the Half-Yearly Financial Report as of June 30, 2018 of the TerniEnergia Group, approved by the Board of Directors of TerniEnergia S.p.A. today, will be made available to the public, together with the report of the independent auditors, in the manner and terms provided by current legislation.

This press release is also available on the Company's website: www.ternienergia.com.

TERNIENERGIA (TER. MI), established in September 2005 and part of the Italeaf Group, is the first Italian global technological enabler, committed to bringing energy solutions and efficient recovery of integrated and sustainable resources to the world. Organized into two strategic business lines (Assets and Smart solutions and services), with about 400 employees and a geographical presence worldwide, with operative and commercial offices, TerniEnergia develops innovative solutions, products and services based on digital and industrial technologies for the energy supply chain, grids, smart mobility, industrial automation and the recovery of marginal resources.

TerniEnergia, also through its subsidiaries (Softeco Sismat, Selesoft Consulting, Greenled Industry, GreenAsm, GreenAsm, Purify, Wisave, Ant Energy), pursues the objectives of increasing energy production from renewable sources, saving energy and reducing emissions and actively participates in the energy revolution of distributed power generation and smart grids, with innovative digital solutions.

TerniEnergia is the ideal partner for large utilities, distribution operators and network operators, energy producers, public administrations, industrial customers and investors who intend to realize large projects for the production of renewable energy, modern systems and plants with high energy efficiency, solutions for the management and maintenance of infrastructure and electrical installations.

TerniEnergia has completed its transformation from a leader in the international photovoltaic market into a smart energy company and technological enabler for the sustainable use of resources through a complete commercial offer of solutions, the development and supply of digital technologies and the creation of "intelligent" services and solutions aimed at public and private customers in emerging sectors. TerniEnergia is listed on the MTA of Borsa Italiana.

For further info:

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The following summary tables are attached:

- **Reclassified consolidated income statement as at 30/06/2018**
- **Consolidated Statement of Financial Position as at 30/06/2018**
- **Consolidated Net Financial Position as at 30/06/2018**



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Reclassified consolidated income statement as at 30/06/2018

<i>(in Euro)</i>	As at June, 30 2018	As at June, 30 2017	Change	Change %
Net revenues from sales and services	10,490,781	14,200,535	(3,709,755)	(26.1)%
Production costs	(2,996,785)	(6,184,644)	3,187,859	(51.5)%
Added value	7,493,995	8,015,891	(521,896)	(6.5)%
Personnel costs	(6,796,763)	(8,296,379)	1,499,616	(18.1)%
EBITDA	697,232	(280,488)	977,720	n.a.
Amortization, depreciation, provisions and write-downs	(2,193,605)	(3,127,417)	933,812	(29.9)%
EBIT	(1,496,373)	(3,407,905)	1,911,532	(56.1)%
Financial income and charges	(2,259,529)	(2,127,748)	(131,781)	6.2%
Portions of results attributable to the JV	(34,802)	(103,098)	68,296	(66.2)%
Pre-tax result	(3,790,704)	(5,638,750)	1,848,047	(32.8)%
Income taxes	800,085	3,849,401	(3,049,316)	(79.2)%
Result of ongoing activities	(2,990,619)	(1,789,350)	(1,201,269)	67.1%
Net result from assets held for sale	(473,151)	(4,749,041)	4,275,890	(90.0)%
Net profit for the period	(3,463,770)	(6,538,391)	3,074,621	(47.0)%



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Consolidated Statement of Financial Position as at 30/06/2018

<i>(in Euro)</i>	As at June, 30 2018	As at June, 30 2017	Change	Change %
Intangible assets	30,828,732	32,092,177	(1,263,444)	(3.9)%
Property, plant and equipment	1,655,968	59,590,962	(57,934,994)	(97.2)%
Financial fixed assets and other intangible assets	20,459,664	32,487,736	(12,028,072)	(37.0)%
Fixed Assets	52,944,364	124,170,875	(71,226,510)	(57.4)%
Inventories	10,773,728	13,843,569	(3,069,841)	(22.2)%
Trade receivables	14,444,654	35,289,654	(20,845,000)	(59.1)%
Other assets	4,002,395	16,076,441	(12,074,045)	(75.1)%
Trade payables	(29,271,218)	(54,098,698)	24,827,480	(45.9)%
Other liabilities	(22,887,395)	(19,524,624)	(3,362,771)	17.2%
Net working capital	(22,937,836)	(8,413,659)	(14,524,177)	n.a. 0.0%
Provisions and other non-trade liabilities	(14,462,305)	(19,374,854)	4,912,549	(25.4)%
Net Invested Capital	15,544,224	96,382,362	(80,838,138)	(83.9)%
Shareholders' Equity	17,377,403	21,034,123	(3,656,720)	(17.4)%
Current net financial position	59,832,839	64,654,119	(4,821,280)	(7.5)%
Non-current net financial position	195,232	25,135,665	(24,940,433)	(99.2)%
Total net financial position	60,028,071	89,789,784	(29,761,713)	(33.1)%
(Assets) Net liabilities held for sale	(61,861,250)	(14,441,545)	(47,419,705)	n.a.
Net Invested Capital	15,544,224	96,382,362	(80,838,138)	(83.9)%



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Consolidated Net Financial Position as at 30/06/2018

<i>(in Euro)</i>	As at June, 30 2018	As at June, 30 2017
Cash	(11,125)	(31,564)
Available bank current accounts	(2,995,901)	(5,284,599)
Liquidity	(3,007,026)	(5,316,163)
Bond debt	25,494,151	26,290,018
Current bank debt (current account overdraft)	12,110,071	11,147,638
Current bank debt (advance)	4,513,964	5,456,472
Financial payables to other lenders	1,904,885	2,289,082
Current financial debt (Leasing)		12,217,607
Current financial debt (other lenders)	20,482,285	21,746,366
Current financial receivables	(1,665,489)	(9,176,900)
Current financial debt	62,839,866	69,970,282
Current net financial position	59,832,839	64,654,119
Bond debt		
Non-current financial debt (other lenders)	195,231	14,288,436
Financial payables to other lenders		
Non-current financial debt (Leasing)		10,847,229
Non-current net financial position	195,232	25,135,665
Total net financial position	60,028,071	89,789,784