



PRESS RELEASE
Terni, May 14th, 2014

**TERNIENERGIA: significant growth of revenues and margins at
March 31, 2014. Connected to the grid the first photovoltaic plant in
South Africa**

- Revenues of Euro 10.4 million (Euro 8.7 million at March 31, 2013)
- EBITDA of Euro 4.6 million (Euro 1.1 million at March 31, 2013) with EBITDA margin of 44% (13.1% at March 31, 2013)
- Net profit of Euro 0.7 million (Euro 1.6 million at March 31, 2013)
- NFP of Euro 144.6 million (Euro 135.2 million at December 31, 2013)
- Approved the EPC contracts, supply and sub-contract for two solar power plants in South Africa for a total of 148.5 MWp
- Completed and connected to the grid a plant of a total capacity of 10 MWp in Upington (South Africa) for utilities of international standing

Terni, May 14th, 2014

The Board of Directors of **TerniEnergia**, a company active in the renewable energy fields, energy efficiency and waste management, listed on Star Segment of Borsa Italiana, approved today the interim financial report as at March 31, 2014.

Stefano Neri, President and CEO of TerniEnergia, commented as follows:

“The first quarter of 2014 results represent a snapshot of the evolutive path of the Group, with a return to revenue and margins growth, reflecting the correctness of the strategic choices in the direction of business internationalization and diversification. This confirms the important contribution generated by the performance of the assets dedicated to power generation owned by the Group, which contributes to the results of the quarter together with the good performance of environmental and O&M activities. TerniEnergia, thanks to the scenarios opened by the agreement signed with Al Hamed Group in the Gulf



PRESS RELEASE

Terni, May 14th, 2014

countries and the one signed with Free Energy for the start of the negotiation for the acquisition, looks into the prospects for the medium term with growing optimism. In particular, the Company aims to strengthen its internationalization process and to restart a growth path in Italy, especially in the dynamic sectors of smart energy and energy efficiency. Alongside the strategic opportunities that will lead to the development of a new business plan, to be defined after the desirable successful conclusion of the transaction with Free Energia and the acquisition of 100% of the shares of Lucos Alternative Energies, high visibility for the Group's industrial activities is guaranteed by major orders at startup in South Africa and the planned construction of new environmental plants in Italy".

Consolidated results as at March 31, 2013

The **Net revenues** amounted to Euro 10.4 million, with an increase of 19.8% compared to March 31, 2013 (Euro 8.7 million), thanks to the internationalization of the EPC PV activities, and in particular to the remarkable state of advance of the first plant built in South Africa in the area of Uppington and the fees paid by the customer for the business of design and other preparatory activities carried out on two industrial sized photovoltaic plants that will be built in South Africa too. Also an increase in revenues is guaranteed by the management of the photovoltaic assets (power generation) and by the business lines of environmental activities (recovery of materials and energy from marginal resources) and the Operation and maintenance activities.

The **gross operating margin (EBITDA)** amounted to Euro 4.6 million (Euro 1.1 million at 31/03/2013), with an increase attributable mainly to the activity of power generation and the results of the activities of the environmental sector. The high margin includes the fees paid by the customer for the design activities and for further preparatory work carried out on the two industrial sized photovoltaic plants that will be built in South Africa. The EBITDA margin was 43.9%, with a significant improvement compared to 13.1% at March 31, 2013.

Net operating income (EBIT) amounted to Euro 2.8 million (Euro 0.2 million at March 31, 2013), after amortization of Euro 1.8 million (Euro 1 million in 2013), the increase of which is determined by the largest number plants held in full ownership by the Group.

Net profit amounted to € 0.7 million, compared to Euro 1.6 million at March 31, 2013.

The **Net Financial Position** amounted to Euro 144.6 million (Euro 135.2 million at 31/12/2013). The non-current net financial position is Euro 139.7 million, while the net financial position in the short amounted to



PRESS RELEASE

Terni, May 14th, 2014

EUR 4.8 million. The increase in the net financial position, partially offset by a decrease of the current financial debt, is closely related to the bond issue carried out in February 2014.

The **net equity** amounted to Euro 53.6 million (Euro 53.9 million at 31/12/2013), while the **Fixed Assets** amounted to Euro 184.7 million (182.4 million up to 31/12/2013 1.3%), of which € 159.7 million related to tangible fixed assets. The NFP short /net equity ratio, equal to 0.09x improves appreciably and constantly, consolidated in full security area (0.34 x at 31/12/2013).

FURTHER RESOLUTIONS OF THE BOARD OF DIRECTORS

The Board of Directors has reviewed and ratified the signing of the expression of interest for the acquisition of Free Energia SpA through a capital increase of TerniEnergia, reserved to shareholders of Free Energia, to be subscribed by the transfer of shares of Free Energia.

The Board has also approved the signing of the EPC contracts, supply contracts and sub-contractors agreement by the South African subsidiary TerniEnergia Project (Pty.) Ltd. for the construction of two solar power plants in South Africa named Tom Burke, with a total capacity of 66 MWp, and Paleisheuvel, for a total capacity of 82.5 MWp.

The Board of Directors also approved the amendment to the Procedure for Transactions with Related Parties, implementing Article 12 of Consob Regulation no. 17221 dated 12/03/2010 for Transactions with Related Parties, with the approval of the Committee for Transactions with Related Parties.

The Board finally approved a framework resolution concerning the issuance of bank guarantees by the parent company Italeaf SpA in the interest of TerniEnergia SpA in favor of lenders of the Company, for a cumulative maximum expected amount in one year amounted to Euro 4 million.

CONNECTED TO THE GRID A PHOTOVOLTAIC PLANT OF 10 MWp POWER

TerniEnergia has substantially finished and connected to the grid a photovoltaic plant of industrial size, for a total installed capacity of 10 MWp in Upington - South Africa, made on behalf of a third party customer, in particular for a utility of international concern and its special purpose vehicle.



PRESS RELEASE

Terni, May 14th, 2014

The total number of photovoltaic systems built by TerniEnergia from the beginning of its activity is equal to 273, with an aggregate capacity of approximately 284.1 MWp (34.3 MWp in full ownership and 4.1 MWp in joint venture for the Power Generation activity). Moreover, are connected to the grid biomass plants for a total of 1.5 MWe and 2 MWt.

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE PERIOD

April 23, 2014: The Shareholders' meeting of **TerniEnergia** approved unanimously the draft financial statements and noted the presentation of the consolidated financial statements as at December 31, 2013. Shareholders' meeting also approved the distribution of a dividend equal to Euro 0.06 per ordinary share gross with-holdings set forth by law. The dividend shall be paid on May 22, 2014 and the relevant coupon no. 5 shall be separated on May 19, 2014. The Shareholders' Meeting has finally approved the confirmation as a non-executive director of Atty. Francesca Ricci, co-opted to the Board of Directors on October 17, 2013 in observance of the provisions introduced by Law n. 120 July 12, 2011, in matter of gender balance in the composition of the Board of Directors and the Statutory Auditors.

April 24, 2014: TerniEnergia and Italeaf, a holding company and majority shareholder of TerniEnergia, signed a manifestation of interest for the acquisition of 100% of the share capital of Free Energia S.p.A. with the shareholders of the Company. Free Energia, a company that in 2013 had revenues of approximately Euro 100 million and that in the first quarter of 2014 and recorded a revenue growth of +100% compared to the previous financial year, as an innovative energy trader, providing energy to electricity-consumptive customers and/or consolidated re-seller but, more importantly, carrying out hedging and trading planning with innovative technologies. The structure of the transaction, if will occur the conditions for a final settlement, will consist of a capital increase of TerniEnergia, reserved to shareholders of Free Energia, to subscribe through the transfer of shares to Free Energia. There is no cash outlay. The estimated value of the transaction is approximately 15 million Euros.

April 29, 2014: TerniEnergia has signed a joint venture agreement in Abu Dhabi for the establishment of a NewCo with Khalid Al Hamed Group LLC Dubai, represented by the Chairman and CEO Sheikh Khalid Bin Ahmed Al Hamed. In particular, TerniEnergia has signed a binding and immediately operative agreement between the parties, that provides for the establishment of a company named TerniEnergia Gulf LLC, based in Abu Dhabi, which is 51% owned by Khalid Al Hamed Group LLC and 49% by TerniEnergia, which will operate in the Middle East and the Gulf Cooperation Council (GCC).



PRESS RELEASE

Terni, May 14th, 2014

BUSINESS OUTLOOK

The current market situation is characterized by strong global growth of investments in the photovoltaic industry and the environment, but there are critical issues arising from the ventilated modification of Italian regulatory system and incentives for renewable energy sources, the quota restrictions on access to capital, the growth of the size of the plants and the consequent need for a careful and prospective view of financial management of projects.

Because of this changing market, TerniEnergia has diversified its sources of access to capital through the bond issue, has revised its business model from which derives stability of cash flow and growth opportunities resulting from replicability, has diversified the risk country and the counterparty in B2B.

At the same time, precisely because of the rumors of the development of legal and regulatory framework, the Company has had to deal with a delay in fund raising for the projected closed real estate investment fund, taking the opportunity to consolidate the full ownership of the photovoltaic assets for the power generation activity, increasing its assets and maintaining a *bouquet* of assets, with very high margins, to be valued in the event of future opportunities resulting in a reduction of the NFP. TerniEnergia confirms, therefore, for the future, a strategy that combines the size of the business, growth and development policy of relations with capital markets and debt.

As a result, the Company expects the following lines of development :

- International Development - In the period 2014/2015 is planned the construction of the project in portfolio in South Africa for an amount of approximately Euro 140 million; in the short term it is planned to establish a company in partnership with Al Hamed Group, named TerniEnergia Gulf LLC, headquartered in Abu Dhabi, active in the fields of power generation, waste to energy and waste management. By 2014 it is expected to open the first sites and the construction of a plant for the recovery of end of life tires.
- Italian Development - Strengthening in the growing sectors of smart energy and energy efficiency. In particular, the beginning of negotiations for the acquisition of Free Energia SpA allow a completion of the value chain downstream for power generation plants owned by TerniEnergia, thanks to the sales network of Free Energia. The operation, thanks to the simultaneous acquisition of 100% of Lucos Alternative Energies, already contracted for next June, will allow strong potential synergies and opportunities for the integration of the business, which will be the basis for a strong growth in energy efficiency and enhancement of energy production from renewable sources.



PRESS RELEASE Terni, May 14th, 2014

• Strategic development - Focus on business lines with major development, consolidating investments without recourse to new lines of business with lower potential return and growth, where the recent development (EPC, O&M) was based. Concentration on the activity of power generation with the full technological independence and diversification of sources and technologies themselves, to enhance the opportunities for the short term and the coverage requirements of the demand curve.

TerniEnergia intends to have a balanced portfolio for each Country in the process of internationalization of PV EPC and environmental business. In particular, continues to conduct intensive scouting activities to promote development projects in the most attractive countries for the installation of large-scale plants.

The Company will also continue the process of strengthening the scope of the environmental asset, completing a new facility for the treatment and recovery of "secondary raw material" of life tires in Northern Italy and exploiting a new plant in South Italy for energy recovery through anaerobic biodigestion and composting. Finally, the new plant for the treatment of industrial waste fluids in Nera Montoro (TR), now in an advanced authorization phase, will be completed and will intercept a substantial demand in a market segment with high technological content and high growth prospects.

On the financial side, TerniEnergia intends to consolidate the excellent reputation with investors through its own presence on the Stock Exchange in order to candidate itself to be an investment platform for institutional investors, creating conditions, through the stability of cash flows, using the debt in a efficient manner with respect to changes in demand of the market.

The Officer appointed for the preparation of accounting and corporate documents, Dr. Paolo Allegretti, states, pursuant to paragraph 2 of art. 154-bis of the consolidated Financial Act, that the accounting information that is contained in this press release corresponds to the results contained in the documents, books, and accounting records.

This press release is available on the company's website www.ternienergia.com

TerniEnergia, a company incorporated in September of 2005 and part of Italeaf Group, operates in renewable energy sector and is active in the photovoltaic field. TerniEnergia operates as system integrator, with a turn-key offer of industrial sized photovoltaic plants, on behalf of third parties and on its own, for the Power Generation business, also through joint venture companies with leading national players. TerniEnergia operates in the waste management sector, recovery of the material and energy, development and production of technologies. In particular, the Company is active in the recovery of tires out of use, in the treatment of biodegradable waste through



PRESS RELEASE

Terni, May 14th, 2014

the implementation of biodigesters, management of plant for the biological depuration; decommissioning of industrial plants, recovery of demolition metals and cleaning of industrial sites; development and production of technological apparatus. TerniEnergia, through its controlled company Lucos Alternative Energies, operates in the development of energy efficient plants both through EPC scheme and FTT scheme (Financing Through Third Parties), pursuing the objectives of increasing energy production from renewable sources, of energy saving and reduction of emissions as set forth by environmental European policy. TerniEnergia is listed on STAR segment of Borsa Italiana S.p.A.

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In attach:

- Reclassified consolidated income statement as at 31/03/2014
- Consolidated statement of financial position as at 31/03/2014
- Consolidated net financial position as at 31/03/2014



PRESS RELEASE
Terni, May 14th, 2014

Reclassified consolidated income statement as at 31/03/2014

<i>(in Euro)</i>	Period ended at March, 31 2014	Period ended at March, 31 2013	Change	Change %
Net revenues from sales and services	10,384,088	8,667,200	1,716,888	19.8%
Production costs	(4,467,570)	(6,013,374)	1,545,804	(25.7)%
Added value	5,916,518	2,653,826	3,262,692	122.9%
Personnel costs	(1,355,267)	(1,522,905)	167,638	(11.0)%
EBITDA	4,561,251	1,130,921	3,430,330	n.a.
Amortization, depreciation, provisions and write-downs	(1,757,993)	(972,518)	(785,475)	80.8%
EBIT	2,803,258	158,403	2,644,855	n.a.
Financial income and charges	(2,317,572)	1,634,576	(3,952,148)	n.a.
Portions of results attributable to the JV	23,142	(146,721)	169,863	(115.8)%
Pre-tax result	508,828	1,646,258	(1,137,430)	(69.1)%
Income taxes	151,627	7,474	144,153	n.a.
Net profit for the period	660,455	1,653,732	(993,277)	(60.1)%

PRESS RELEASE
Terni, May 14th, 2014

Consolidated statement of financial position as at 31/03/2014

<i>(in Euro)</i>	As at March 31, 2014	As at December 31, 2013	Change	Change %
Intangible assets	4,294,972	4,337,960	(42,988)	(1.0)%
Property, plant and equipment	159,724,069	160,574,401	(850,332)	(0.5)%
Financial fixed assets and other intangible assets	20,757,205	17,493,201	3,264,004	18.7%
Fixed Assets	184,776,247	182,405,562	2,370,684	1.3%
Inventories	8,611,581	8,208,886	402,695	4.9%
Trade receivables	31,613,976	28,063,651	3,550,325	12.7%
Other assets	11,141,912	16,573,353	(5,431,441)	(32.8)%
Trade payables	(22,527,800)	(31,416,529)	8,888,729	(28.3)%
Other liabilities	(6,988,950)	(7,329,882)	340,932	(4.7)%
Net working capital	21,850,719	14,099,479	7,751,240	55.0%
Provisions and other non-trade liabilities	(8,468,018)	(7,444,424)	(1,023,594)	13.7%
Net Invested Capital	198,158,948	189,060,617	9,098,331	4.8%
Shareholders' Equity	53,560,013	53,887,823	(327,810)	(0.6)%
Current net financial position	4,821,435	18,161,094	(13,339,659)	(73.5)%
Non-current net financial position	139,777,499	117,011,700	22,765,799	19.5%
Total net financial position	144,598,935	135,172,794	9,426,141	7.0%
Net Invested Capital	198,158,948	189,060,617	9,098,331	4.8%

PRESS RELEASE
Terni, May 14th, 2014

Consolidated net financial position as at 31/03/2014

<i>(in Euro)</i>	As at March, 31 2014	As at December, 31 2013
Cash	(22,140)	(17,909)
Available bank current accounts	(17,669,393)	(13,038,001)
Liquidity	(17,691,533)	(13,055,910)
Bond debt	249,572	
Current bank debt (current account overdraft)	2,866,901	4,793,838
Current bank debt (advance)	6,720,255	11,945,016
Financial payables to other lenders	1,377,131	948,034
Current financial debt (other lenders)	3,779,357	3,734,434
Current financial debt (other lenders)	9,986,382	12,452,165
Current financial receivables	(2,466,630)	(2,656,483)
Current financial debt	22,512,968	31,217,004
Current net financial position	4,821,435	18,161,094
Bond debt	24,146,753	
Non-current financial debt (other lenders)	47,598,000	48,015,688
Financial payables to other lenders	35,430	35,430
Non-current financial debt (Leasing)	67,997,316	68,960,582
Non-current net financial position	139,777,499	117,011,700
Total net financial position	144,598,935	135,172,794