

## **ITALEAF: STRATEGIC GUIDELINES FOR 2018-2020 OF TERNIENERGIA**

- **THE PLAN AIMS TO DEFINE THE GROUP'S NEW IDENTITY AS A "GLOBAL SMART TECHNOLOGY ENABLER" FOR ENERGY AND ENVIRONMENTAL EFFICIENCY**
- **REVENUES FOR CIRCA 226 MILLION EUROS AND EBITDA MARGIN OF 16% IN 2020**
- **FOCUS ON DIGITAL TRASFORMATION, GRID BALANCING AND DEMAND RESPONSE MARKET ENTRY, SMART MICROGRID DEVELOPMENT, THE RELAUNCH OF ACTIVITIES IN ENERGY TRADING, THE DEVELOPMENT OF THE SMART MOBILITY SECTOR, EXPONENTIAL GROWTH IN SERVICE ACTIVITIES, DEBT REDUCTION, BALANCE SHEET REINFORCEMENT AND EFFICIENCY IN THE MANAGEMENT OF FIXED COSTS**
- **DELEGATED POWERS TO THE VICE PRESIDENT MR. GIULIO GALLAZZI AND TO THE EXECUTIVE DIRECTOR MS. LAURA BIZZARRI**
- **MAIN PLAN OBJECTIVES:**
  - **EXPECTED REVENUES IN 2020: CIRCA 226 MILLION EUROS, WITH REPOSITIONING IN THE "SMART SOLUTIONS AND SERVICES" SECTOR BEING CRUCIAL IN CONTRIBUTING TO REVENUES**
  - **EXPECTED EBITDA MARGIN: 16% IN 2020**
  - **EXPECTED EBIT IN 2020: CIRCA 26 MILLION EUROS**
  - **FURTHER SIMPLIFICATION OF THE GROUP'S ORGANISATIONAL STRUCTURE TO INCREASE VALUE CREATION**
  - **TRANSITIONAL PHASE FOR THE COMPLETION OF THE UTILITY SCALE PHOTOVOLTAIC PROJECTS IN TUNISIA AND ZAMBIA**

The Board of Directors of **TerniEnergia**, the smart energy company which is part of Italeaf Group and is listed on the Star segment of Borsa Italiana, has approved the guidelines of the new **strategic three year plan for the 2018-2020 period**.

The **Vice President Mr Giulio Gallazzi**, with powers for the financial aspects and the formulation of proposal for extraordinary transactions, stated:

*"The approved Plan is based on criteria of credibility and prudence, with regard to industrial and economic-financial aspects. The Board of Directors decided to proceed with a prudent and rational management of the transition, despite the fact that significant strategic changes have been planned and started towards a company with an increasingly higher technological content. The guidelines outlined above highlight clear and high potential prospects, which have already led to the identification of important development opportunities in Italy and abroad".*

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**The plan is focused on the Group's strategic repositioning**, which thanks to the integration of digital companies Softeco Sismat and Selesoft, will complete the transformation from leader in the photovoltaic

sector to smart energy company acting as a “**technology enabler**” for the efficient use of energy and resources.

The main objective of the plan is to reposition the Group towards providing services and solutions with greater added value and high technology content. Such activities allow for resource efficiency by developing and implementing solutions in the fields of power generation, energy saving, energy trading and sustainable mobility. Further to this the Group will continue to innovate and develop activities in renewable energy asset management as well as in energy efficiency and resource recovery in the environmental and cleantech sectors. There is therefore a clear prevalence of activities related to services and solutions with a high technological content over the activities that have characterised the Group in the past.

The strategic guidelines were drawn up before the natural expiry of the previous business plan, as a result of the acceleration of the transformation process of the core-business. This led to significant non-recurring writedowns, mainly related to international projects in the photovoltaic EPC sector, which affected the results of the half-year financial statements.

Expected growth is supported by an exponential increase in service activities (Consulting, Solutions, Management, On-site engineering and operations, Smart trading), including the relaunch of energy trading, which will account for over 90% of total revenues in 2020 (the consolidated revenues target for 2020 is circa 226 million euros) as well as for 75% of Ebitda in the next three years (Ebitda target in 2020 is circa 35 million euros, with Ebitda margin above 16%).

Foreseen Ebitda growth will be achieved thanks to the quality of the client portfolio and the consequent increase in turnover.

In terms of Ebit, the objective is to reach circa 26 million euros by 2020.

Forecasts were made considering medium and long term macroeconomic scenarios, the evolution of the energy sector and the expected digitalisation of electricity services and sustainable mobility. Activities will therefore principally be focused on emerging sectors which have high growth potential due to digital transformation and high demand for dedicated technologies. In view of this the following objectives have been set:

- grid balancing and *demand response* (consumer and supply-side aggregator) market entry;
- development of *smart microgrids*;
- relaunch of *energy trading* activities;
- development of the *smart mobility* sector;
- significant increase in service and consultancy activities with high technology content.

Objectives will be reached also by reducing the impact of both general costs and capital intensive investments on turnover. Cost efficiencies will continue to be pursued through activities which aim to improve internal processes in relation to working capital, procurement, human resources and plant management.

The first step towards the simplification of Group structure, operational efficiency and reduced complexity is a reduction of the number of **SBU**s (**Strategic Business Units**) from four to two: **(1) Assets** (which includes power generation activities and the management of environmental sector plants for resource recovery and recycling) and **(2) Smart Solutions and Services** (organised according the

the following LOBs: Consulting, Solutions, Management, On-site engineering and operations, Smart trading).

The Board of Directors has delegated to the Vice President, Mr. Giulio Gallazzi the power to take care of the financial matters and formulate proposals for extraordinary transactions relating to them. The powers of the Executive Director, Laura Bizzarri, have also been extended with the conferral of ordinary administration powers with a limit of Euro 2 million per transaction.

These measures, together with further actions such as the withdrawal – as per the decision of the Board of Directors - of the collective layoffs announced in August, the definition of a personnel management plan supported by the “Cassa Integrazione straordinaria” redundancy fund and the completion of the utility scale photovoltaic plants in Tunisia and Zambia, will give greater flexibility to the Group and a more rationalised allocation of costs, therefore adding value to the project backlog. Expansion of the Group’s presence in Milan is also planned in order to improve access to the growing worldwide market for smart technologies.

Central to the new plan will be maintaining a solid financial structure in order to improve the net financial position and reduce financial expenses. TerniEnergia has begun a deleveraging process in order to strengthen its balance sheet. This process, which has the objective of guaranteeing the financial resources necessary to support development over the next three years, may involve current shareholders as well as potential investors and/or industrial partners.

*The Plan was finalised and prepared with the advice of **Pirola Corporate Finance**.*

*This press release is also available on the Company’s website: [www.ternienergia.com](http://www.ternienergia.com).*

**TERNIENERGIA (TER.MI)**, established in September 2005, and part of Italeaf Group, is the first Italian smart energy company, committed to bring worldwide integrated and sustainable energy solutions. Organized into four business lines (Technical services, Energy management, Energy efficiency and Cleantech), with about 400 employees and a geographic presence in almost the continents, with operational and sales offices, TerniEnergia develops solutions, innovative products and services based on digital and industrial technologies for the energy sector.

TerniEnergia, also through its subsidiaries (Softeco Sismat, Selesoft, Greenled Industry, GreenAsm, Wisave, Ant Energy), shall pursue the objectives of increasing energy production from renewable sources, energy efficiency and emissions reduction, as laid down by European environmental policy, and participates actively in the distributed power generation revolution and energy smart grids.

TerniEnergia is the ideal partner for large utilities, distributors and grid operators, power producers, public authorities, industrial customers and investors who intends to carry out large projects for the production of renewable energy plants and modern systems with high energy efficiency, solutions for the management and maintenance of the infrastructure and the electrical systems. TerniEnergia, through a complete technological and commercial offer, develops and provides technologies, turn-key services and solutions for energy consumers in the public and private sectors. The company is listed on the STAR segment of the Italian Stock Exchange.

*This press release is also available on the Company website: [www.italeaf.com](http://www.italeaf.com) and [www.ternienergia.com](http://www.ternienergia.com)*

**Certified Adviser**

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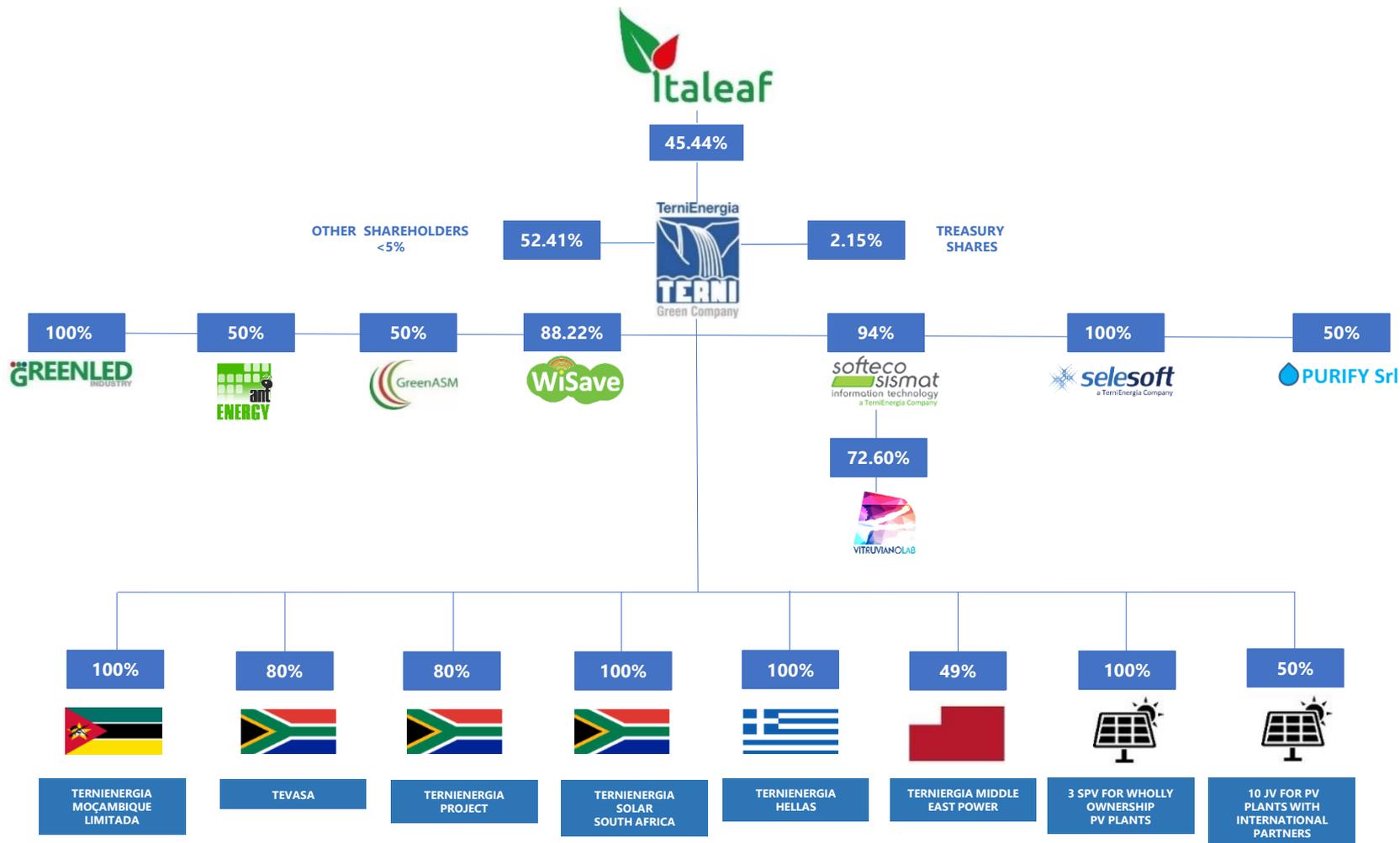
***Italeaf SpA**, established in December 2010, is a holding company and a business accelerator for companies and startups in the areas of innovation and cleantech. Italeaf operates as a company builder, promoting the creation and development of industrial startups in the fields of cleantech, smart energy and technological innovation. Italeaf has headquarters and plants in Italy at Nera Montoro (Narni), Terni, Milano and Lecce; has international offices in London and Hong Kong and a research and development centre in the Hong Kong Science and Technology Park. The company controls TerniEnergia, listed on the STAR segment of the Italian Stock Exchange and active in the fields of renewable energy, energy efficiency and waste management, and Skyrobotic, in the business development and manufacture of civil and commercial drones in mini and micro classes for the professional market, Numanova, operating in the field of innovative metallurgy and additive manufacturing, and Italeaf RE, a real estate company. Italeaf holds a minority stake in Vitruviano LAB, a research center active in the R&D sector for special materials, green chemistry, digital transformation and cleantech.*



# A global smart technology enabler for energy and environmental efficiency

Strategic guidelines 2018-2020  
Change as an opportunity

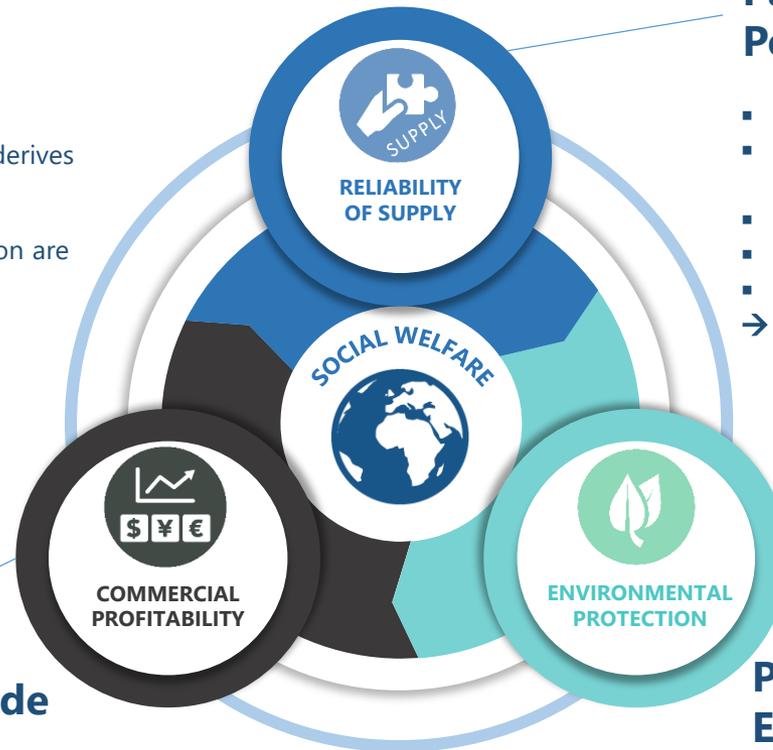
# TerniEnergia simplified Group chart



# Resource efficiency needs in a changing world

## Global megatrends

- 6 Billion people in 2000
- 3 Billion people more in 2050
- 60% of N<sub>2</sub>O and CO<sub>2</sub> pollution derives from agriculture
- 40% soil degradation
- Climate change and desertification are the main reason for migration
- Increasing logistical problems
- Deregulation, liberalization and privatization taking place



## Parameters in worldwide Power Generation scenario

- Growing world population
  - Increase per capita food/energy consumption
  - Accelerating technological change
  - Development of prices
  - Structural change in industry
- **Increasing demand and new requirements on energy generation and saving**

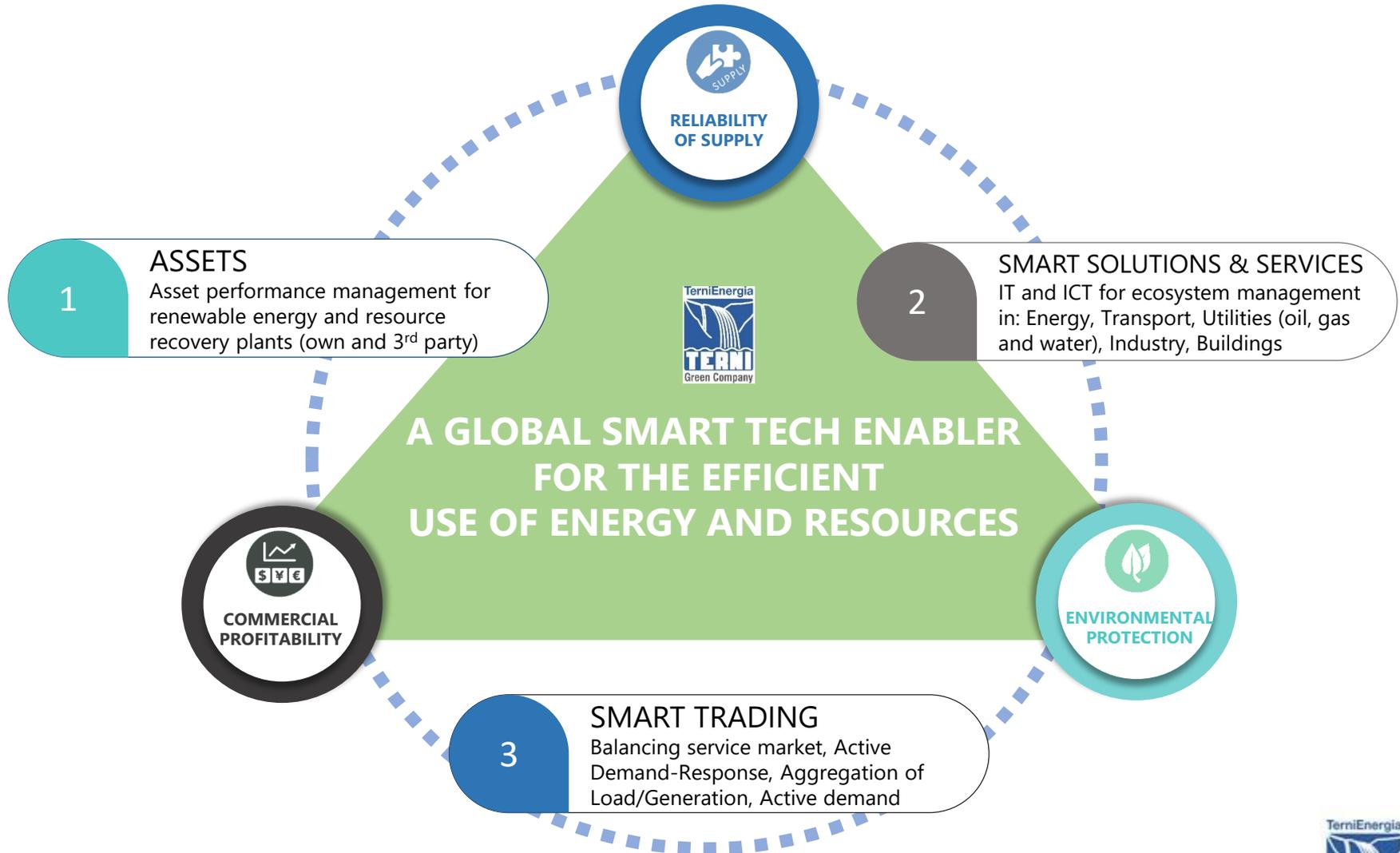
## Parameters in worldwide economic scenario

- New "smart market" based on data economy
  - Convergence of Competition (technology, customer, ecosystem drivers)
  - Intensified global competition for resources
  - Improving productivity and efficiency
- **Digitalization impact on earnings**

## Parameters in worldwide Environmental scenario

- Growing pressures on ecosystems
  - Increasingly severe consequences of climate change
  - Increasing environmental pollution
  - Towards a more urban world
- **Green replaced by smart**

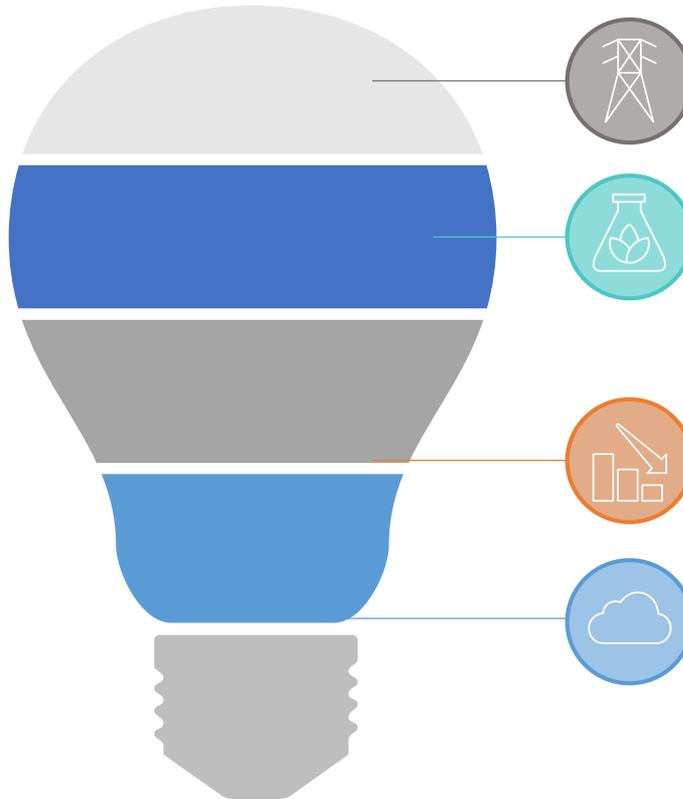
# Repositioning into a new playing field



# The results of Softeco and Selesoft integration

In November 2016 TerniEnergia acquired Softeco Sismat and Selesoft consulting. The digital companies provide consultancy, solutions, services and products for energy, transport and industry. These include Energy Efficiency, Building Management Systems, ERP for electricity and gas, Interruptibility, Smart Cities and Smart mobility for public and private transport

An ecosystem becomes "smart" and "sustainable" through strategic deployment of ICT solutions and services to achieve objectives on some key areas: energy efficiency, smart grids, transportation, utilities (oil, gas and water) and buildings (areas where IT intersects industry). "Exponential improvement in core digital technologies is fueling exponential innovation across industrial sectors".



## ENERGY AND RESOURCE EFFICIENCY

ICT deployed to increase energy efficiency in industry, commercial, transport, buildings and beyond, including urban planning; Digital optimized water and waste management, oil & gas, etc.

## CARBON NEUTRALITY

ICT deployed to decrease carbon footprint of private and public real estate, to feed distributed renewables into the grid, to optimize traffic management, to manage public lighting, etc.

## COST-EFFECTIVENESS

ICT deployed to achieve savings through reduced peak energy demand, to turn consumers into prosumers, to optimize logistics; to reduce technical complexity in services, etc.

## FURTHER EMERGING OBJECTIVES

such as cybersecurity, open data, interoperability, simulation, gamification, prediction, hybridization, etc.

# A flexible approach to drive strategic change

## WHAT WE WERE



ENERGY EFFICIENCY



ENERGY MANAGEMENT



TECHNICAL SERVICES



CLEANTECH

Research and innovation have a critical role to play in making TerniEnergia a smart technology enabler capable of shaping the digital energy market and setting trends in circular economy

## WHAT WE ARE BECOMING

### STRATEGIC BUSINESS UNITS



#### ASSETS



#### SMART SOLUTIONS AND SERVICES

#### LOB

- Power generation
- Waste treatment and recycling

#### LOB

- Consulting
- Solutions
- Management
- On-site engineering and operations
- Smart trading

- 2 new strategic business units
- Transitioning from EPC player to provider of on-site engineering and operations services
- Leveraging on O&M expertise (in PV and Cleantech) to become a leading asset performance manager
- Making technology central to the energy market
- Implementation of truly innovative smart energy concepts ranging from microgrids, demand respond and capacity aggregation to virtual power plants (VPPs)
- Strengthening smart energy trading activities
- Giving industry access to the latest technologies for energy efficiency (advanced BMS, software development, hardware supply, IoT)
- Providing consultancy services to allow our international partners to develop innovative solutions across industrial sectors
- Contributing to the development of smart mobility with digital, ITS and EV solutions which are the forefront of market innovation

# TerniEnergia Group's References





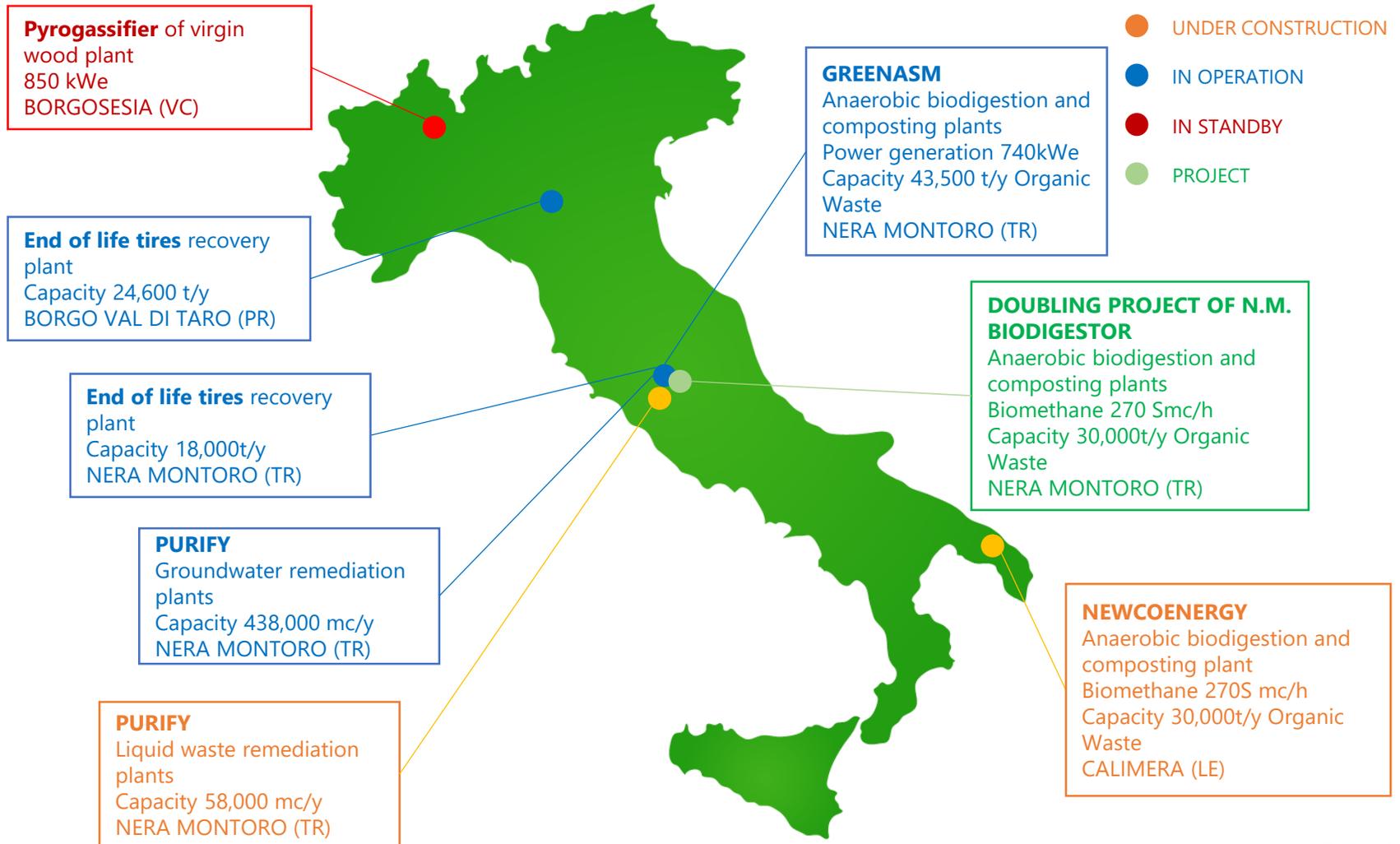
# STRATEGIC BUSINESS UNIT: ASSETS

# PV power generation assets



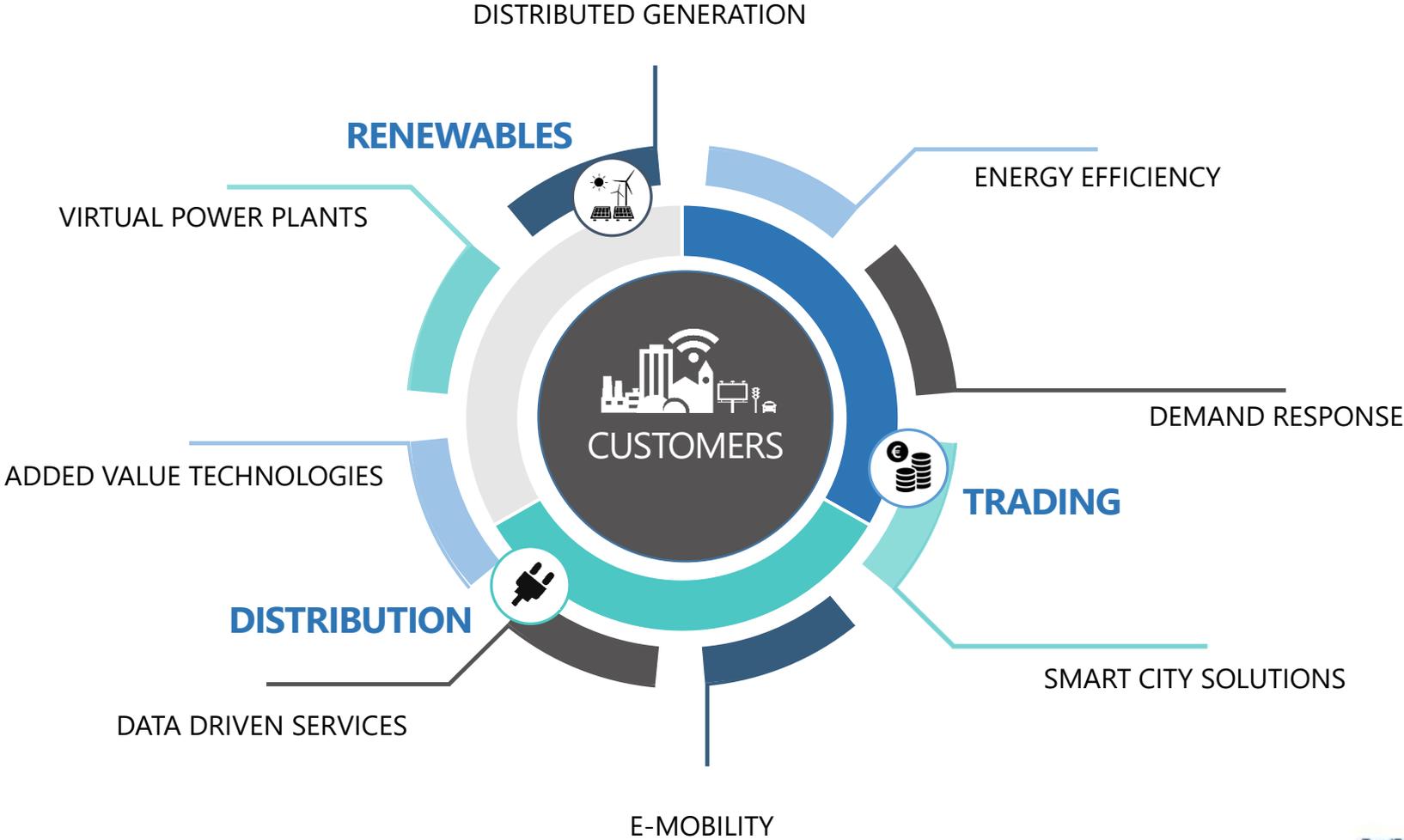
- 45 PV plants in Italy
- All the plants entirely built and operated by TerniEnergia
- 42 MW of total capacity
- 12 MW in full ownership
- 30 MWp in JV with funds, investors and industrial partners
- The total power generation is equal to around 60.4 million kWh/year
- The energy produced is sold to trading companies and to the national energy services management company (GSE)

# Circular economy assets



# STRATEGIC BUSINESS UNIT: SMART SOLUTIONS AND SERVICES

# Our evolution: the central role of customers



# On-site engineering and operations



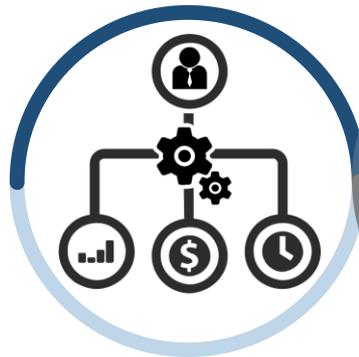
As an EPC contractor and a system integrator TerniEnergia has built over 420 MW of solar PV globally.

Two further PV plants are currently being completed:

- 10 MW PV plant in Tunisia in Tozeur, Tunisia
- 34 MW PV plant in Lusaka, Zambia

Solar PV remains an area of activity in this transitional phase from EPC player to provider of on-site engineering and operations services. These services ensure maximized energy production, minimal downtime, reduced O&M costs and, ultimately, highly performing assets.

## Asset performance management



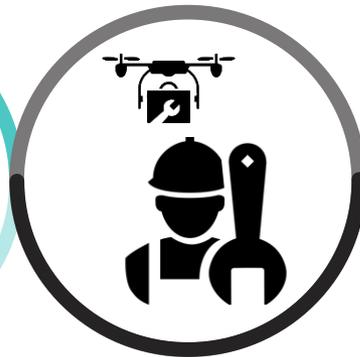
**1** ASSET SUPERVISION



**2** ENGINEERING



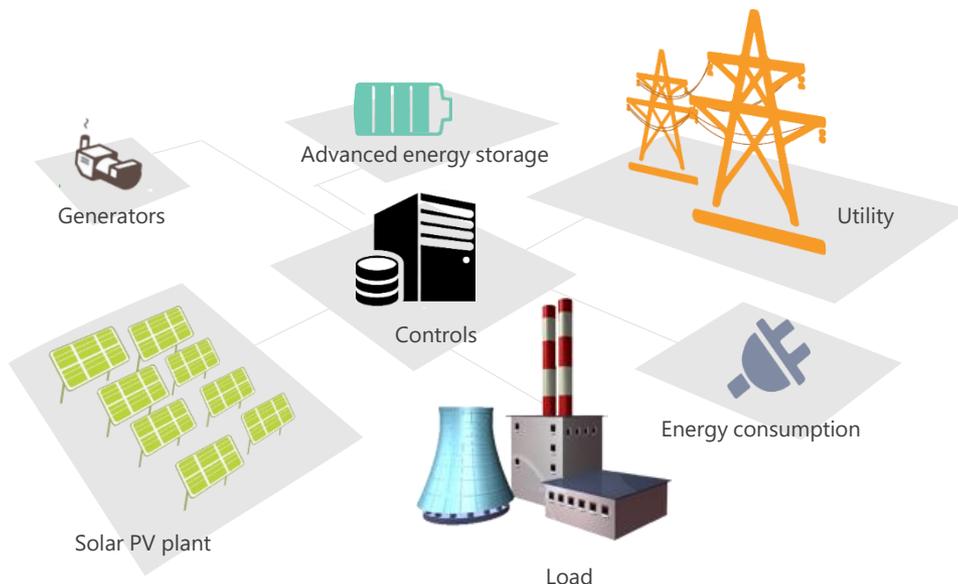
**3** OPERATION MANAGEMENT



**4** MAINTENANCE

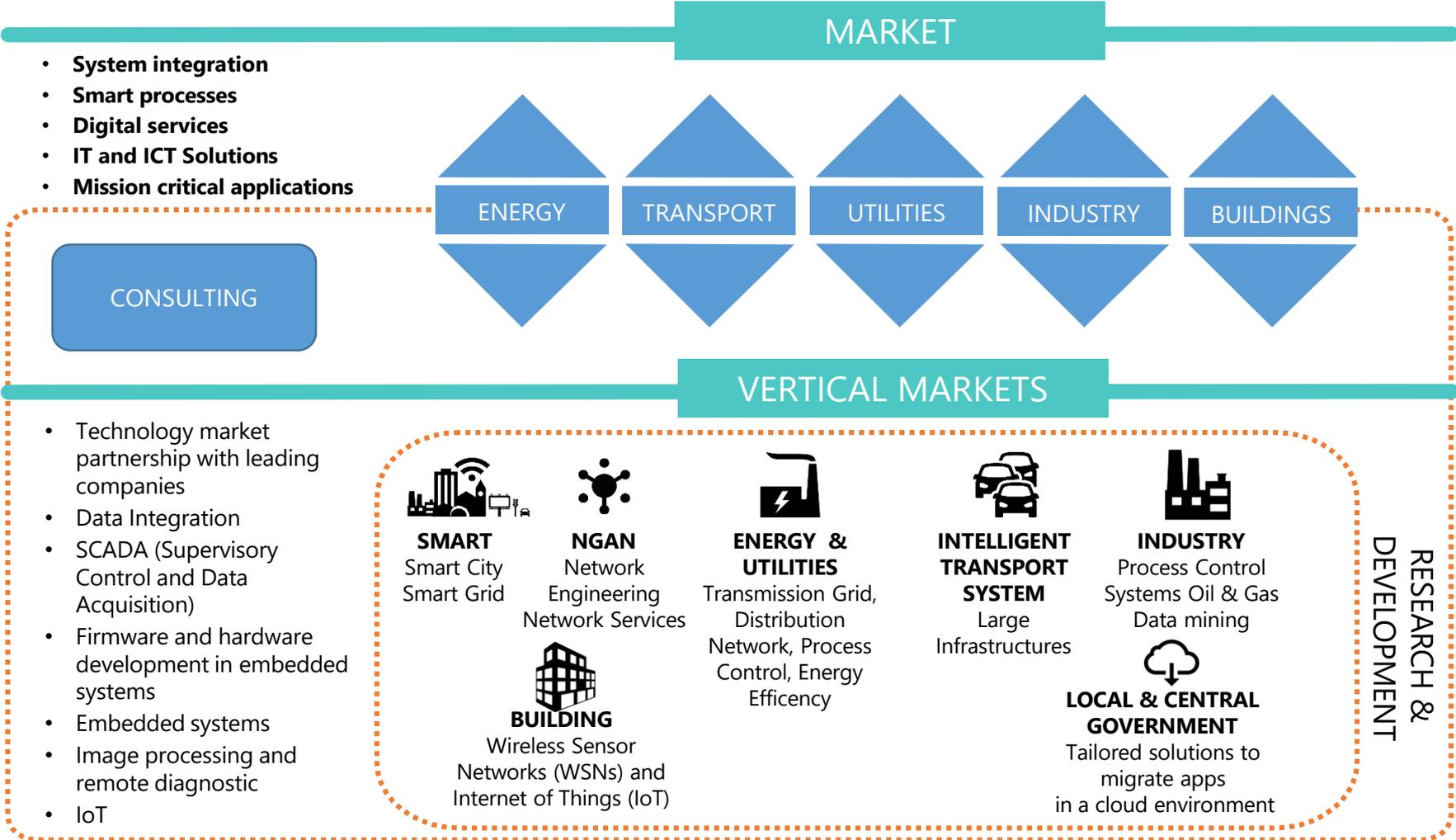
# Microgrids, a future TerniEnergia is ready for

As a pioneer in digital energy solutions, TerniEnergia is increasingly focusing on activities with a highly innovative technological content. By combining its considerable track record as a system integrator and the proven world class expertise of Softeco and Selesoft, TerniEnergia is perfectly prepared for the emerging microgrid market

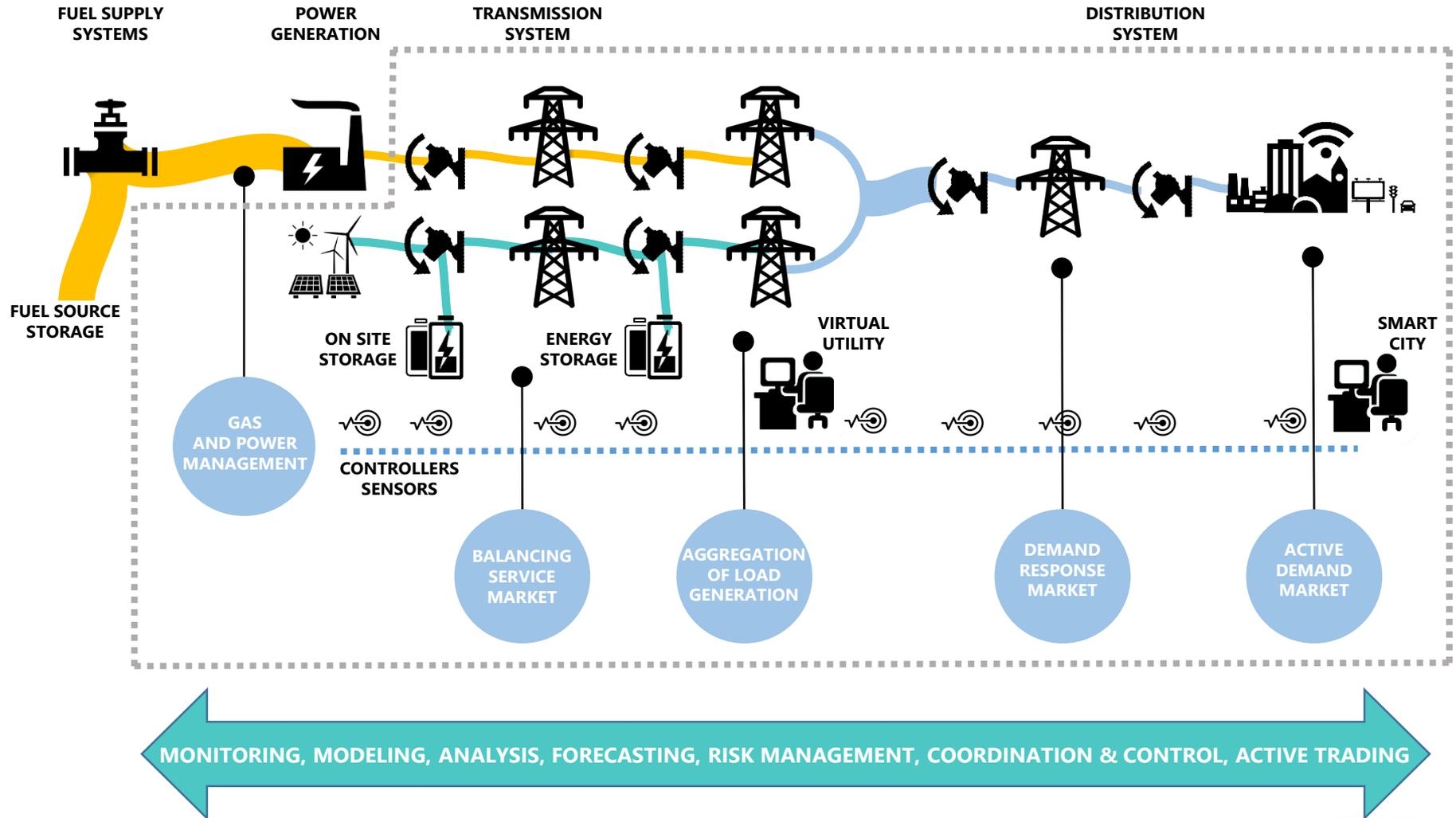


- Intelligent energy storage, based on special weather-related or process needs;
- Full optimization of combined heating and power (CHP);
- DER functionality without a dedicated generator control system, because the EMS will dispatch only voltage and power;
- Microgrid operation based on the energy market predictions for both gas and electricity;
- Optimization of heating, ventilation and air conditioning (HVAC) through advanced control strategies;
- Minimized pollution based on sophisticated algorithms that consider CHP and displaced emissions;
- Enhanced power quality where, for example, a loss of grid power causes a seamless transfer to standalone power involving only a loss of non-critical loads within the microgrid;
- Support of the future grid through an array of ancillary services, such as voltage regulation and reserve power.

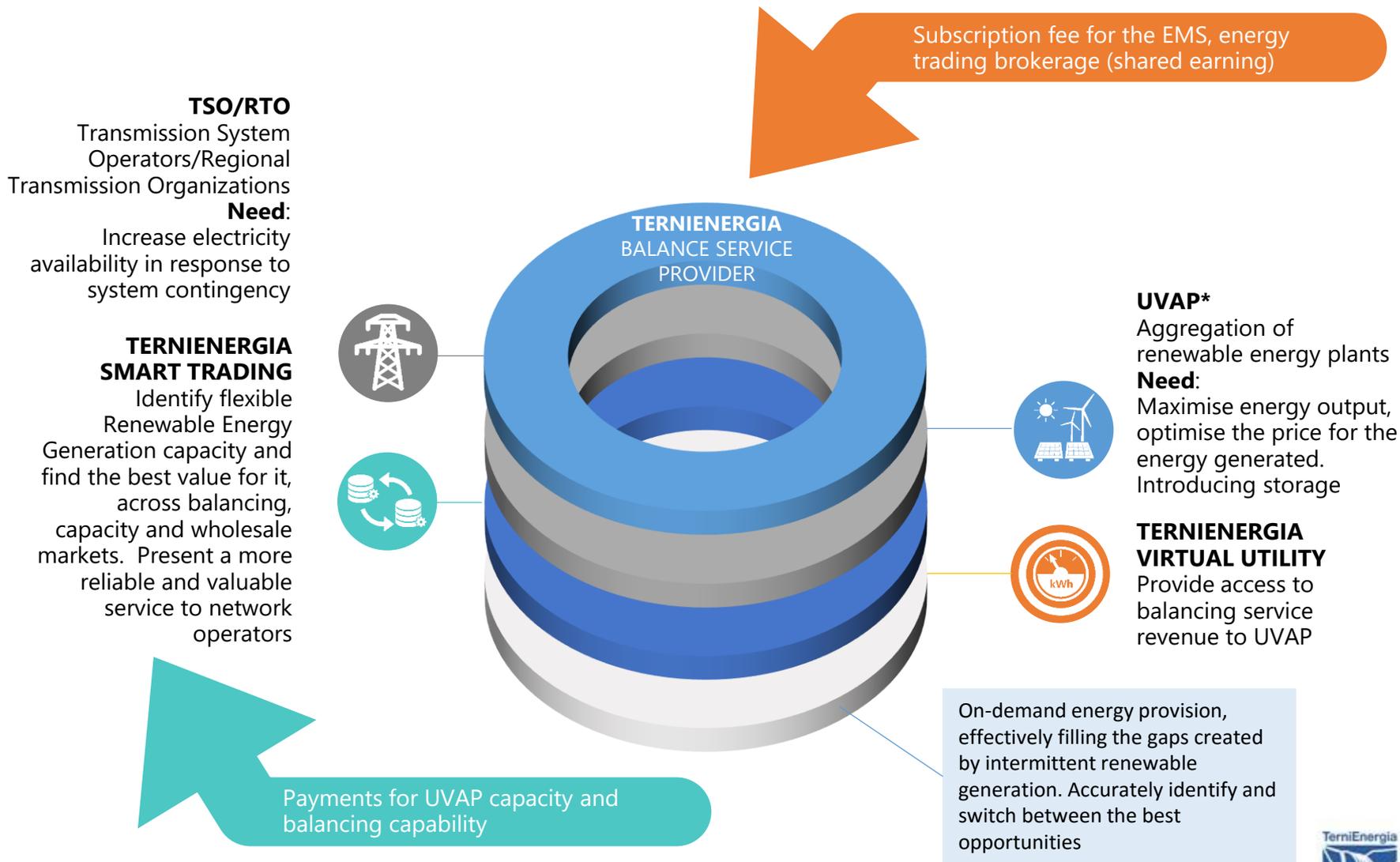
# Softeco and Selesoft: the smart side of the Group



# A first mover in Italian smart energy trading

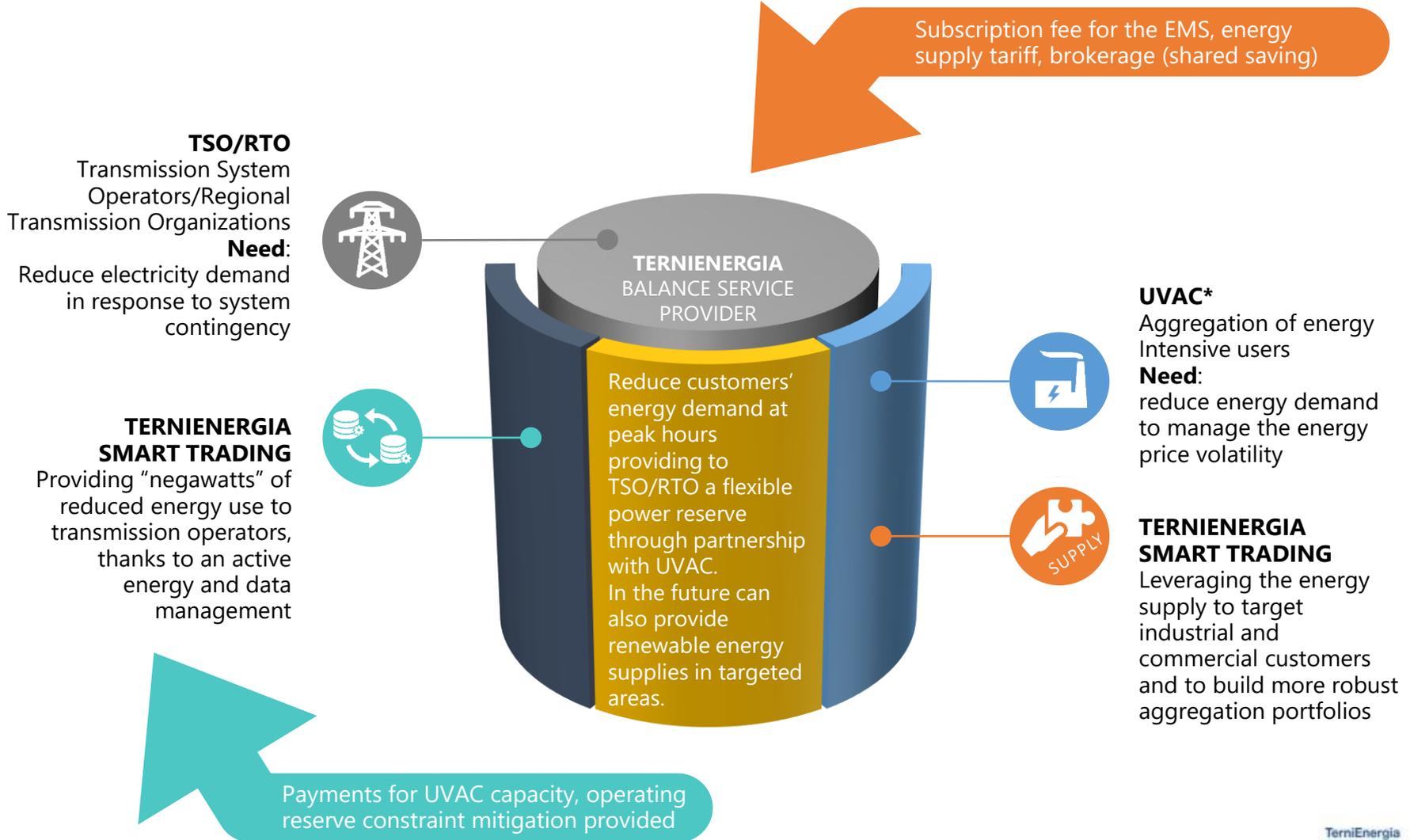


# Distributed energy management on balancing



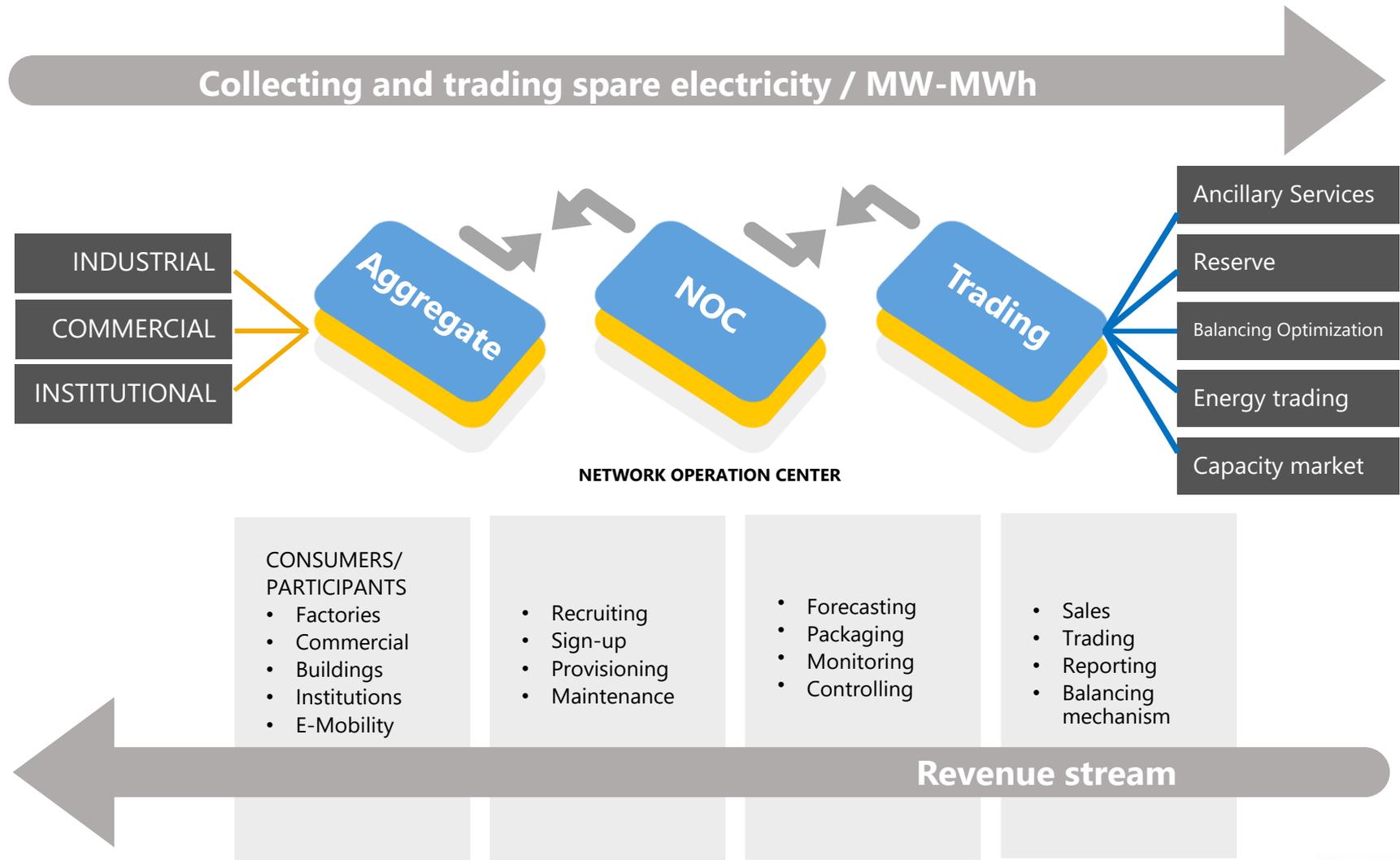
\*UVAP: Unità Virtuali Abilitate di Produzione.

# Aggregated electricity management on balancing



\*UVAC: Unità Virtuali Abilitate di Consumo.

# Demand Response and Active Demand



# SOLID FINANCIAL FOUNDATIONS ON WHICH TO BUILD

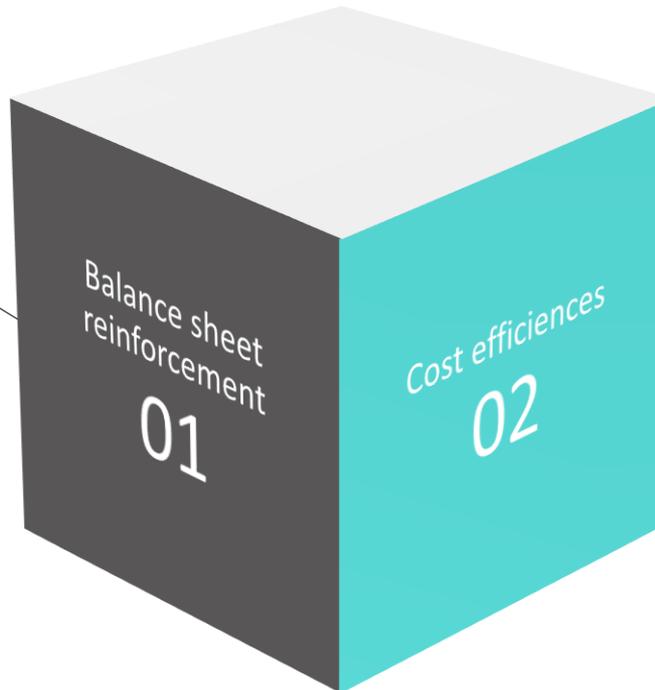


# Deleveraging and cost efficiencies



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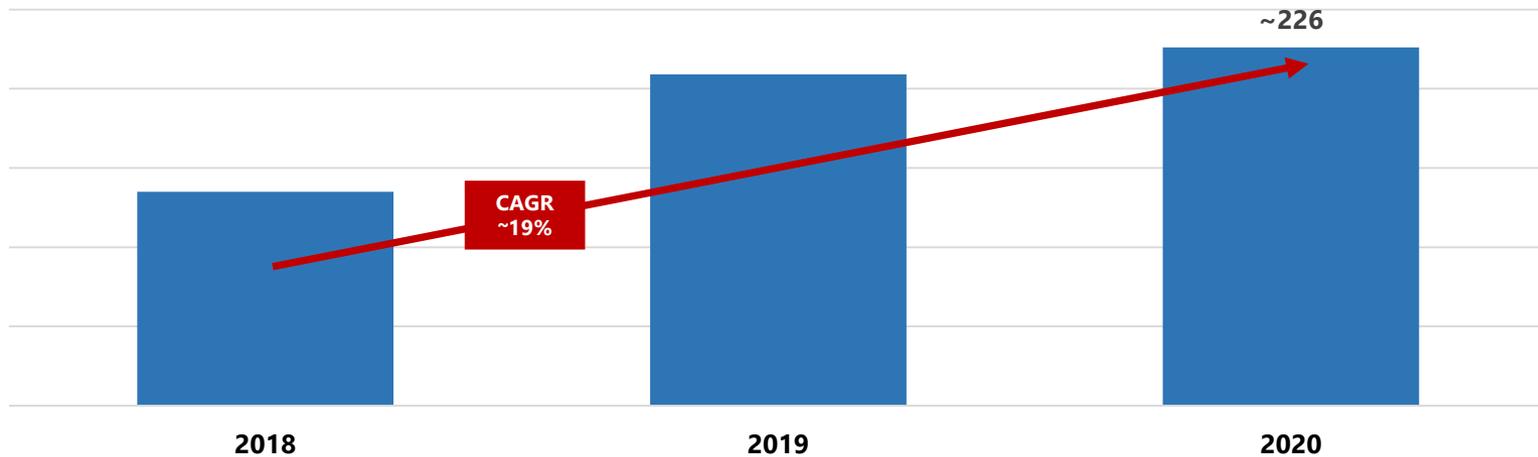


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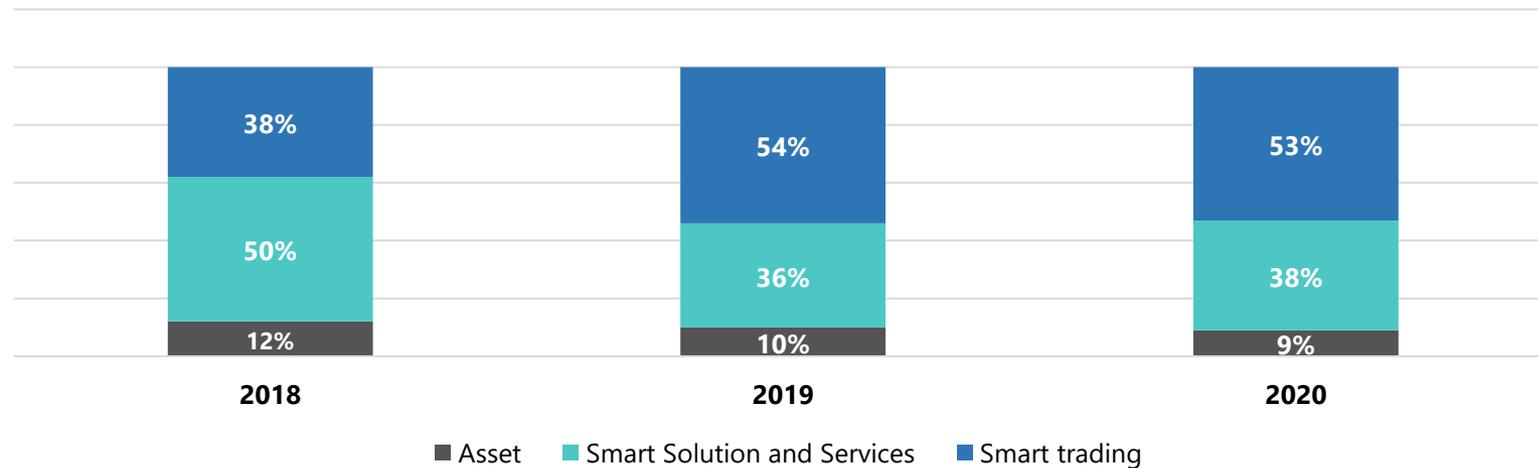
Cost efficiencies will be pursued through activities which aim to improve internal processes in relation to working capital, procurement, human resources and plant management. TerniEnergia is undergoing corporate repositioning to focus on service activities which do not require significant investments.

# Revenue growth and breakdown

## Revenue trend (€ Mio)

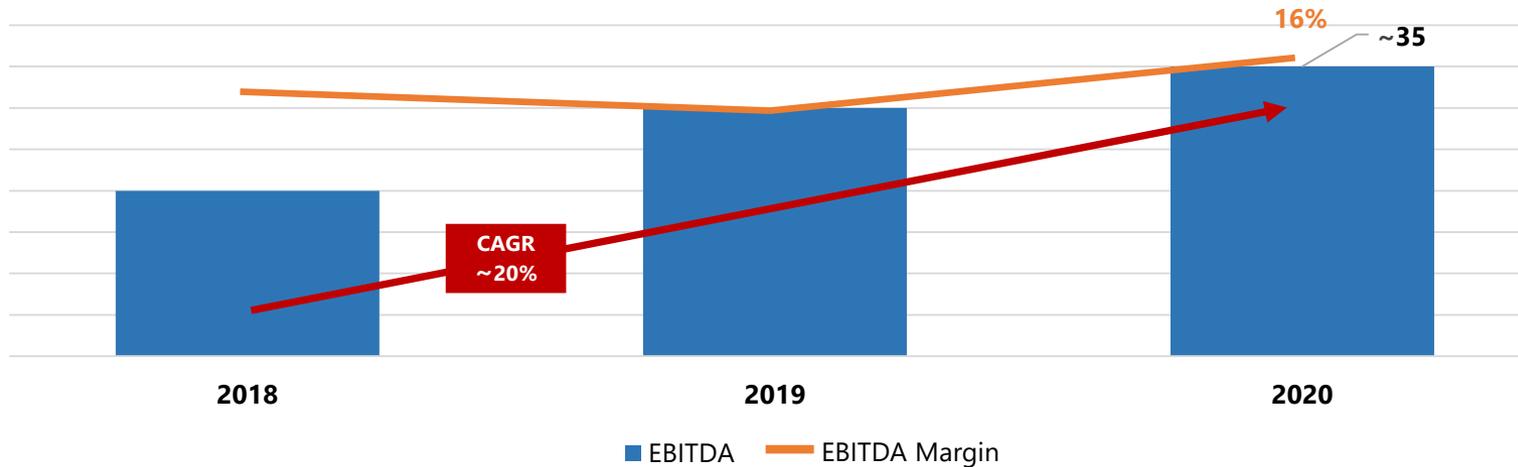


## Revenue breakdown

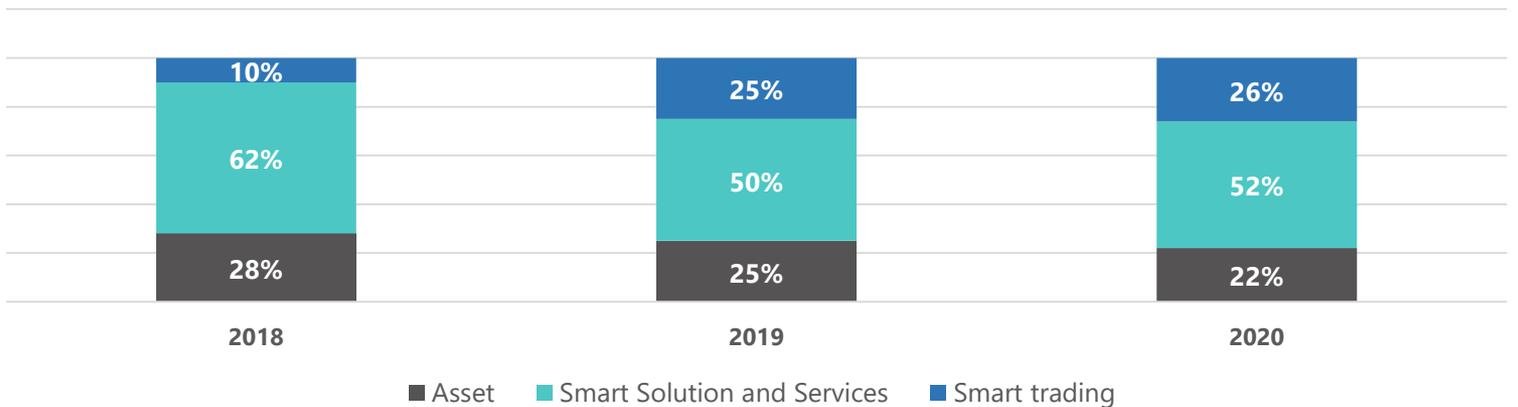


# Ebitda and breakdown

## EBITDA evolution (€ Mio)

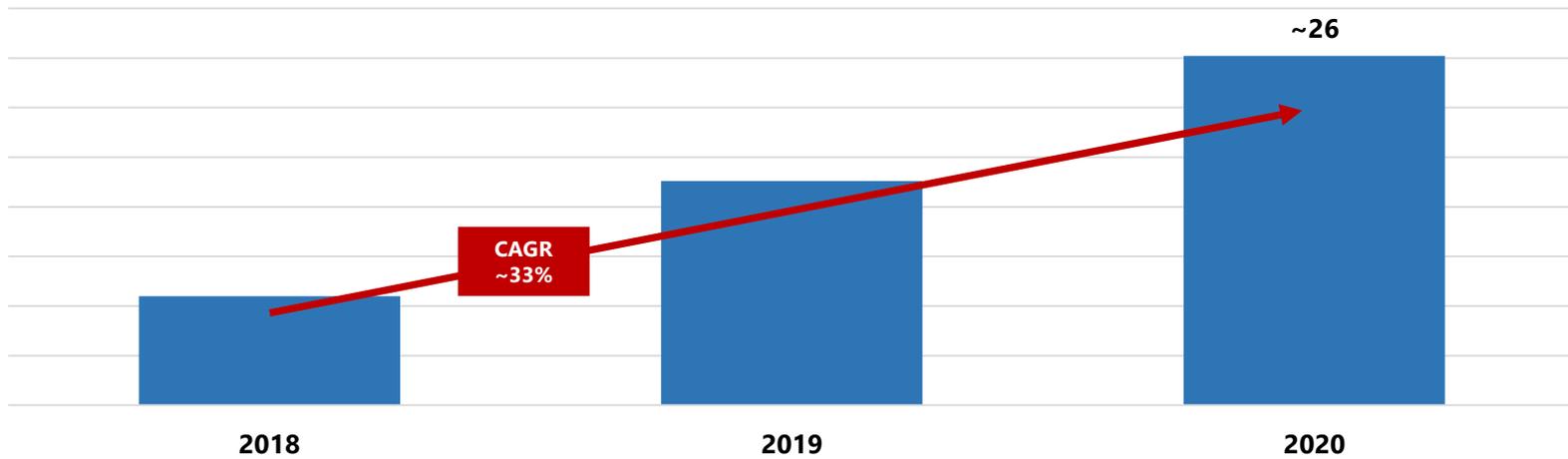


## Ebitda breakdown



# Ebit trend

EBIT (€ Mio)



# Disclaimer

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Some information contained here in and other material discussed at the meetings may include forward-looking information based on TerniEnergia's current beliefs and expectations. These statements are based on current plans, estimates, projections, and projects and therefore you should not place undue reliance on them.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to: changes in global economic business, changes in the price of certain commodities including electricity and gas, the competitive market and regulatory factors.

Moreover, forward-looking statements are current only at the date they are made.

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