

**TerniEnergia S.p.A.**

**Registered Office: Strada dello Stabilimento n.1, 05035, fraz. di Nera Montoro, Narni (TR)**

**VAT no.: 01339010553**

**Share Capital: 50,529,680.00 (fully paid-in)**

**EXPLANATORY MEMORANDUM RELATING TO THE BONDHOLDERS' MEETING**

**of**

**"TERNIENERGIA 6.875% FE19 EUR"**

**ISIN code: IT0004991573**

**CONVENED FOR OCTOBER 10, 2014 ON FIRST CALL AND, IF NECESSARY, ON OCTOBER 11, 2014  
ON SECOND CALL**

**Terni, September 10, 2014**

This explanatory memorandum has been prepared by TerniEnergia for the purpose of the meeting of the holders ("Bondholders") of the note convened at TerniEnergia's office in Strada dello Stabilimento 1, fraz. di Nera Montoro, Narni (TR) – Italy, on October 10, 2014, at 11:00 a.m. (CET), on the first call, and, if necessary, on October 11, 2014 at the same time and location on the second call (the "Meeting").

The notice of Meeting ("Notice of Meeting") was published in 10 September 2014 on Italian newspaper, MF and in TerniEnergia's web site [www.ternienergia.com](http://www.ternienergia.com).

**Background and reason for Meeting**

The scope of the Meeting is to vote upon:

**Agenda**

1. (...)
2. **Approval required by the Company to amend the financial covenants pursuant to article 8(vii) of the Terms and Conditions of the Notes as follows:**
  - from 6 February 2016, in every semi-annual and annual balance sheet:
    - (i) **Interest Coverage Ratio equal to or greater than 2.0X;**
    - (ii) **Net financial debt / EBITDA: equal to or less than 7.0X;**
    - (iii) **Net financial debt corporate / EBITDA : equal to or less than 4.0X;**
  - from 6 February 2017, in every semi-annual and annual balance sheet:
    - (i) **Interest Coverage Ratio equal to or greater than 2.25X;**
    - (ii) **Net financial debt / EBITDA: equal to or less than 6.0X;**
    - (iii) **Net financial debt corporate / EBITDA : equal to or less than 3.50X;**
  - from 6 February 2018, in every semi-annual and annual balance sheet:
    - (i) **Interest Coverage Ratio equal or greater than 2.50X;**
    - (ii) **Net financial debt / EBITDA: equal to or less than 5.0X;**

**(iii) Net financial debt corporate / EBITDA : equal to or less than 3.25X.**

**2 Approval required by the Company to amend the financial covenants pursuant to article 8(vii) of the Terms and Conditions of the Notes as follows:**

- from 6 February 2016, in every semi-annual and annual balance sheet:
  - (i) Interest Coverage Ratio equal to or greater than 2.0X;**
  - (ii) Net financial debt / EBITDA: equal to or less than 7.0X;**
  - (iii) Net financial debt corporate / EBITDA : equal to or less than 4.0X;**
- from 6 February 2017, in every semi-annual and annual balance sheet:
  - (i) Interest Coverage Ratio equal to or greater than 2.25X;**
  - (ii) Net financial debt / EBITDA: equal to or less than 6.0X;**
  - (iii) Net financial debt corporate / EBITDA : equal to or less than 3.50X;**
- from 6 February 2018, in every semi-annual and annual balance sheet:
  - (i) Interest Coverage Ratio equal or greater than 2.50X;**
  - (ii) Net financial debt / EBITDA: equal to or less than 5.0X;**
  - (iii) Net financial debt corporate / EBITDA : equal to or less than 3.25X.**

The evolution of the strategic decisions of TerniEnergia, through the acquisition of Free Energy SpA, aims to achieve the following objectives:

- The implementation of financial and operational synergies to plan a growth strategy, focused on developing business highly complementary to those of existing TerniEnergia;
- A significant increase and diversification of the Group's turnover;
- The expansion of the scope of core activities, with the integration in the value-chain of services technologically innovative;
- the enhancement of the portfolio with a strong brand, which grew more than the market average, in a very competitive category;
- The development of strong cross-selling business opportunities in the fields of energy efficiency and energy sales;
- The maximization of economic returns associated with the integrated activities of production, management and sale of energy, thanks to the strong expansion of the sales network for services in energy savings;
- Entry into the promising market of the management and sale of services to certified vegetable oil burning power plants, a sector in which Free Energia aims to achieve a national leadership.

In view of this repositioning of the Group's business, TerniEnergia has consented to the amendment of the financial covenants provided pursuant to Article 8 (vii) of the Loan Regulations, as follows:

**- from 6 February 2016:**

- (a) Interest Coverage Ratio: equal to or greater than 2.0X (two times);
- (b) Net Financial Debt/EBITDA: equal to or less than 7.0X (seven times);
- (c) Net Financial Debt Corporate/EBITDA: equal to or less than 4.0X (four times);

**- from 6 February 2017:**

- (a) Interest Coverage Ratio: equal to or greater than 2.25X (two point two five times);

- (b) Net Financial Debt/EBITDA: equal to or less than 6.0X (six times);
- (c) Net Financial Debt Corporate/EBITDA: equal to or less than 3.5X (three point five times);

**- from 6 February 2018:**

- (a) Interest Coverage Ratio: equal to or greater than 2.5X (two point five times);
- (b) Net Financial Debt/EBITDA: equal to or less than 5.0X (five times);
- (c) Net Financial Debt Corporate/EBITDA: equal to or less than 3.25X (three point two five times).

TerniEnergia S.p.A.

Chairman and C.E.O.

(Stefano Neri)