

**PRESS RELEASE**

**CIR: UPDATE OF THE FINANCIAL SITUATION AND  
DEBT RESTRUCTURING OF SORGENIA**

Milan, February 17 2014 - CIR S.p.A is releasing, at the request of Consob, some updated information on the financial situation of its subsidiary Sorgenia and on the negotiations in progress to restructure the debt of that company, partly also in response to unconfirmed reports that have been circulating in the press in recent weeks.

- Debt of the Sorgenia Group. At January 31 2014 the Sorgenia group had a gross level of cash debt of € 1,863 million and endorsement debt (guarantees issued) of € 304 million. The overall amount at January 31 2014 of the payments suspended by Sorgenia with the banks (including the December and January maturities) was € 60.7 million inclusive of capital, interest and commissions. Apart from this amount, there are no other debt positions in the Sorgenia group that have fallen due.
- Guarantees or commitments in favour of Sorgenia. The CIR group has not issued any guarantees in favour of Sorgenia or companies controlled by Sorgenia, except for the “take or pay” natural gas supply contract entered into by Sorgenia, in relation to which, as stated in the consolidated financial statements of the group, the two main shareholders have given a specific guarantee pro rata with their respective interests.
- Contractual clauses in CIR loans. The rules of the CIR S.p.A 2004-2024 bond contain a cross default clause which could lead to a request for early repayment of the bond (amounting to a total of € 259 million) in the event of failure to comply with the financial covenants or of default by subsidiaries, including Sorgenia and its subsidiaries. On January 2 2014, following the suspension by Sorgenia of payment of its financial payables, CIR sent a notification to the Trustee of the bond, acknowledging that an event of default had occurred. According to the rules of the bond, the Trustee must require early repayment if 20% of the bond holders request it and may require it, even in the absence of such a request, if he thinks that the event could prejudice the interests of the bondholders. The Trustee therefore contacted CIR to obtain further information about the event and about the situation of the subsidiary Sorgenia, at the same time notifying the bondholders of the event so that they could express their views. The Trustee’s consultation process with the bondholders is still in progress. CIR S.p.A. has sufficient liquidity to repay the bond promptly.
- Contractual clauses of cross default in loans of other companies of the CIR group. There are no contractual clauses in the loan agreements of other companies of the CIR group which could give rise to requests for early repayment of the same loans for reasons relating to the Sorgenia group or Tirreno Power.
- Update on Sorgenia’s request for a moratorium and a standstill. As previously disclosed, on December 3 2013 Sorgenia sent its lending banks a proposal for a standstill and a moratorium on its payments of interest, commissions and capital instalments until July 1 2014. At present, discussions are in progress with these banks and their advisors during which, among other things, negotiations are taking place of the text of a possible standstill agreement. The objective of the Sorgenia group is to reach an agreement in a reasonably short time in order to be able to focus the discussion with its interlocutors on its business plan and on the related financial measures to restructure its debt. According to evaluations made by the management of Sorgenia, if the loans are not restored – given the restrictions and cancellations that have occurred in the last few months - Sorgenia could have a financial autonomy of about one month.

- Restrictions and cancellation of credit lines for Sorgenia. In the last few months numerous initiatives have been taken by many of the banks to cancel, suspend or freeze the cash and endorsement credit facilities. As a result of these initiatives, today there is only one cash facility available while there is no availability at all under the endorsement facilities. This situation is naturally causing considerable financial stress which, should it continue over time, could prejudice the Sorgenia group's ability to conduct its business activity.
- Considerations on the "ongoing concern" status of the Sorgenia group. Despite the above and even in the light of the negotiations in progress, Sorgenia hopes to be able to sign the standstill agreement fairly soon and thus to resume normal business operations for all of the period necessary to decide on the financial measures needed and the overall debt restructuring operation. Given the content of the standstill agreement currently being negotiated and the expectation of a favourable outcome of the negotiation of the same, the Board of Directors of Sorgenia is of the opinion that the group can continue to operate as a going concern. Sorgenia's Board is, however, continuing to monitor the situation carefully in order to be able to intervene taking prompt action needed should the expectation of continuity change or should it be necessary to adopt any further measures to safeguard the interests of all its stakeholders.
- Reports about Sorgenia's excess debt. The reports in the press that negotiations are in progress with Sorgenia's lending banks to agree on financial measures able to reduce the company's debt by around € 600 million are confirmed.
- The role of CIR in the financial restructuring. CIR S.p.A has expressed its availability to take part in the financial restructuring action needed for Sorgenia to recover – taking into account the need to preserve its own patrimonial solidity, the overall interests of the group, and without increasing the percentage of its ownership – on the condition that a restructuring agreement is reached with the banks that is consistent and compatible with the need to re-equilibrate Sorgenia's capital and asset structure and to re-launch it and that is functional to the implementation of its Business Plan and provided that, in the meantime, normal business operations are preserved through the signing of a moratorium and standstill agreement that is compatible with the needs of the company.
- Financial situation of Tirreno Power. Sorgenia indirectly holds 39% of the capital of Tirreno Power S.p.A. (through its subsidiary Energia Italiana S.p.A., of which Sorgenia holds 78%, and which in turn holds 50% of the capital of Tirreno Power). The gross level of Tirreno Power's cash debt at January 31 2014 was approximately € 875 million, while its endorsement debt amounted to approximately € 50 million. To date Sorgenia has no commitment to support the financial and capital restructuring of Tirreno Power except that it has granted a temporary suspension (standstill) of some payments for supplies of natural gas for a total of € 17.5 million. This commitment is subject to Tirreno Power reaching the further agreements that are currently being negotiated. This commitment was taken into due consideration by Sorgenia in the preparation of its own financial projections in the short term. It should also be remembered that the CIR group, in its interim financial report as of September 30 2013, totally wrote off the interest held indirectly by Sorgenia in Tirreno Power. According to information given by the management of Sorgenia, Tirreno Power is currently negotiating with the banks to restructure the loans maturing at the end of June. Within this time frame the company expects to be able to meet all its obligations.

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<http://www.cirgroup.it/sala-stampa/comunicati-stampa.html>