Terna 9M17

Consolidated Results

November 10th, 2017

Agenda

Highlights (1/3)

Key Achievements

Regulated Activities

MoU for the realization of SACOI 3

- Supporting the transition to renewables

- Contribution to the completion of a single European energy market

Udine Ovest-Redipuglia

- Increased security of supply in the area

- Relevant environmental and social benefits:

- *Decommissioning of 110 km of old power lines*
- *Removal of 400 pylons*

Non Regulated Activities

ESCO Avvenia

Signed an agreement for the acquisition of 70% stake

International Activities

Perù project

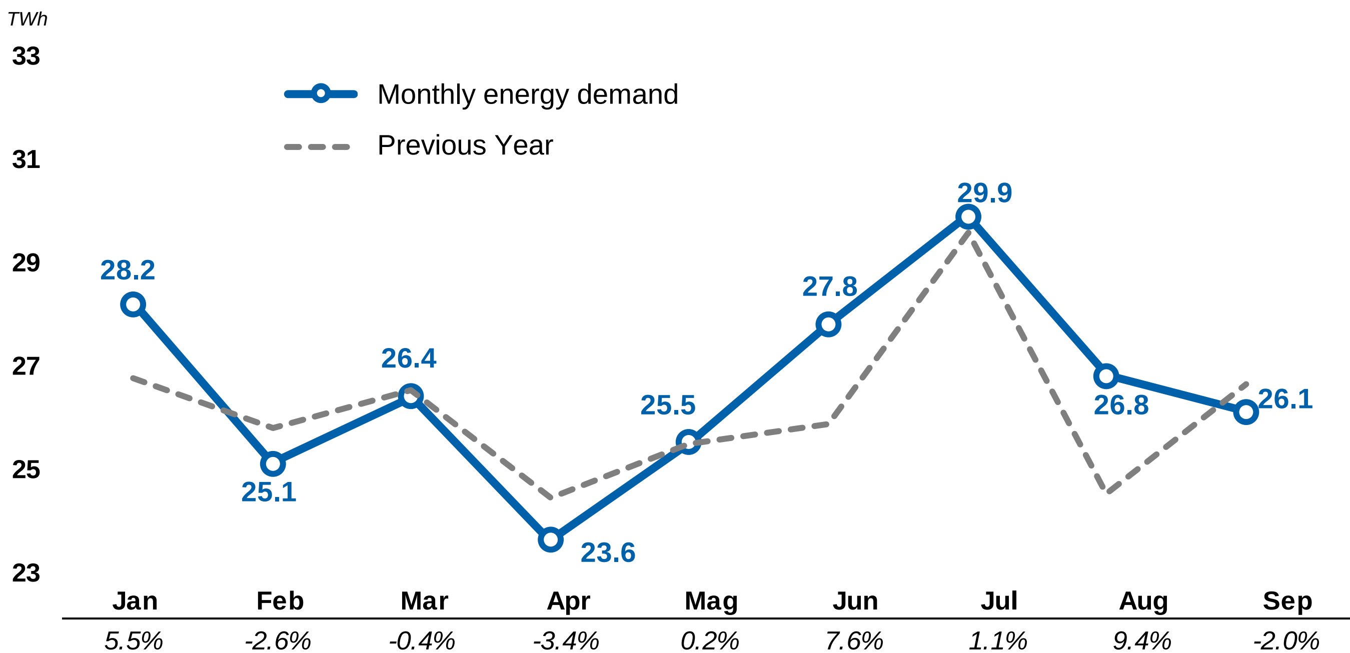
Contract signed for the construction of about 132 km lines

Execution well on track: continued focus on Italy

Highlights (2/3)
Demand Evolution

DEMAND AS REPORTED (TWh)

9M16	9M17	Δ %
235.5	239.5	*1.7%*



Demand 239 TWh
9M17

~34% demand covered by renewables

Highlights (3/3)

9M17 Key Numbers

€mn	9M 2017	9M 2016	Δ vs 9M 16
Revenues	*1,627*	*1,551*	***+5%***
EBITDA	*1,207*	*1,176*	***+3%***
Group Net Income[1]	*529*	*487*	***+9%***
Capex	*545*	*530*	***+3%***

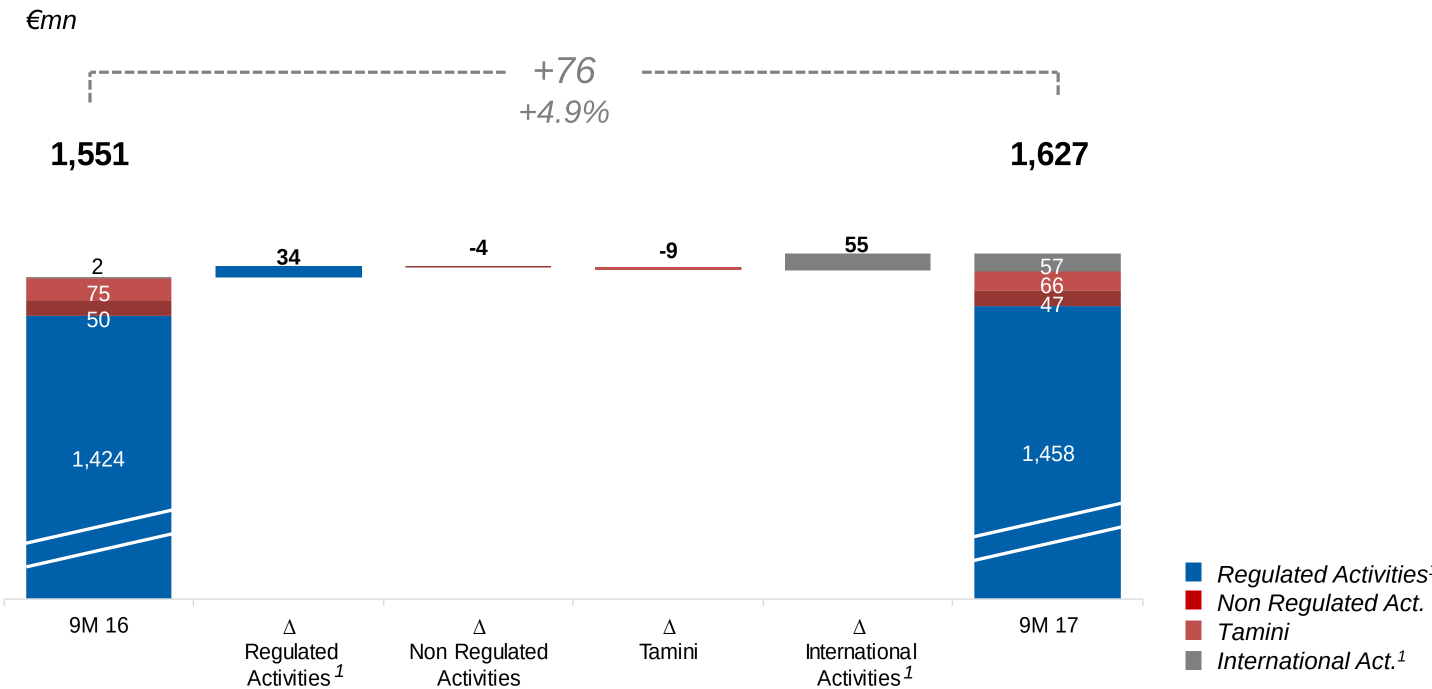
	9M 2017	FY 2016
Net Debt	7,363	7,959

2017 Interim Dividend	7.43 ***€cents/share[2]***	+3% ***vs 2016***

Growth in all P&L lines

1. *Attributable to Terna*
2. *Dividend per Share equal to 7.4263 €/cents. Ex Dividend Date: November 20th 2017, Payment Date: November 22nd 2017*

9M17 Results
Revenues

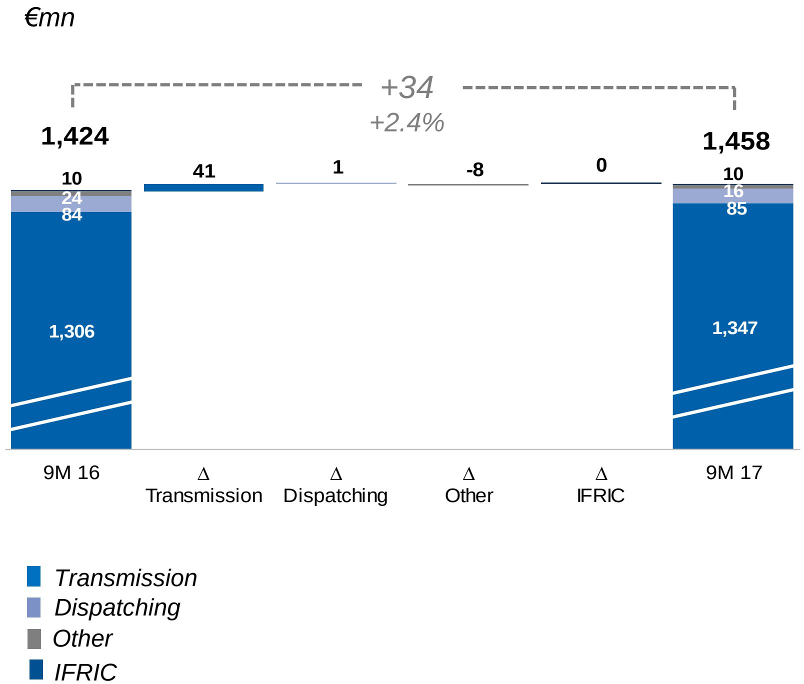


Revenues increase driven by regulated and international activities

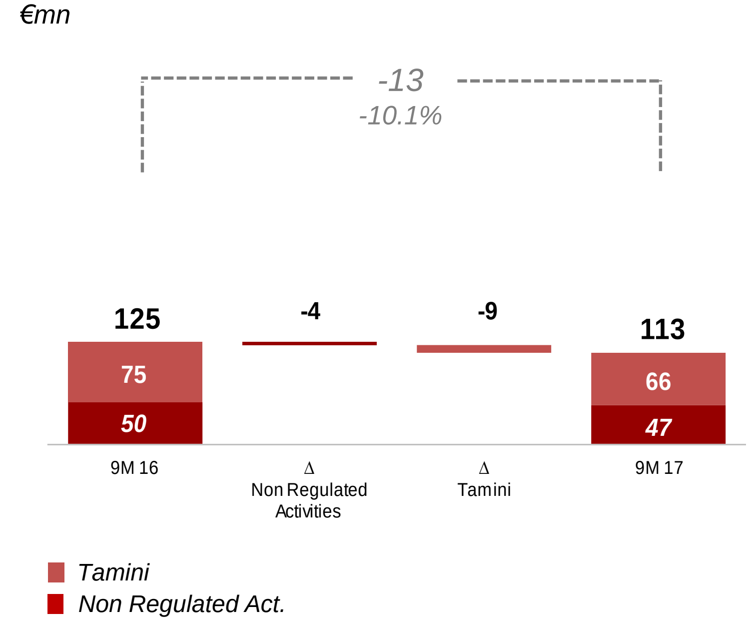
1. *Including IFRIC 12*

9M17 Results
Revenues Analysis

REGULATED ACTIVITIES

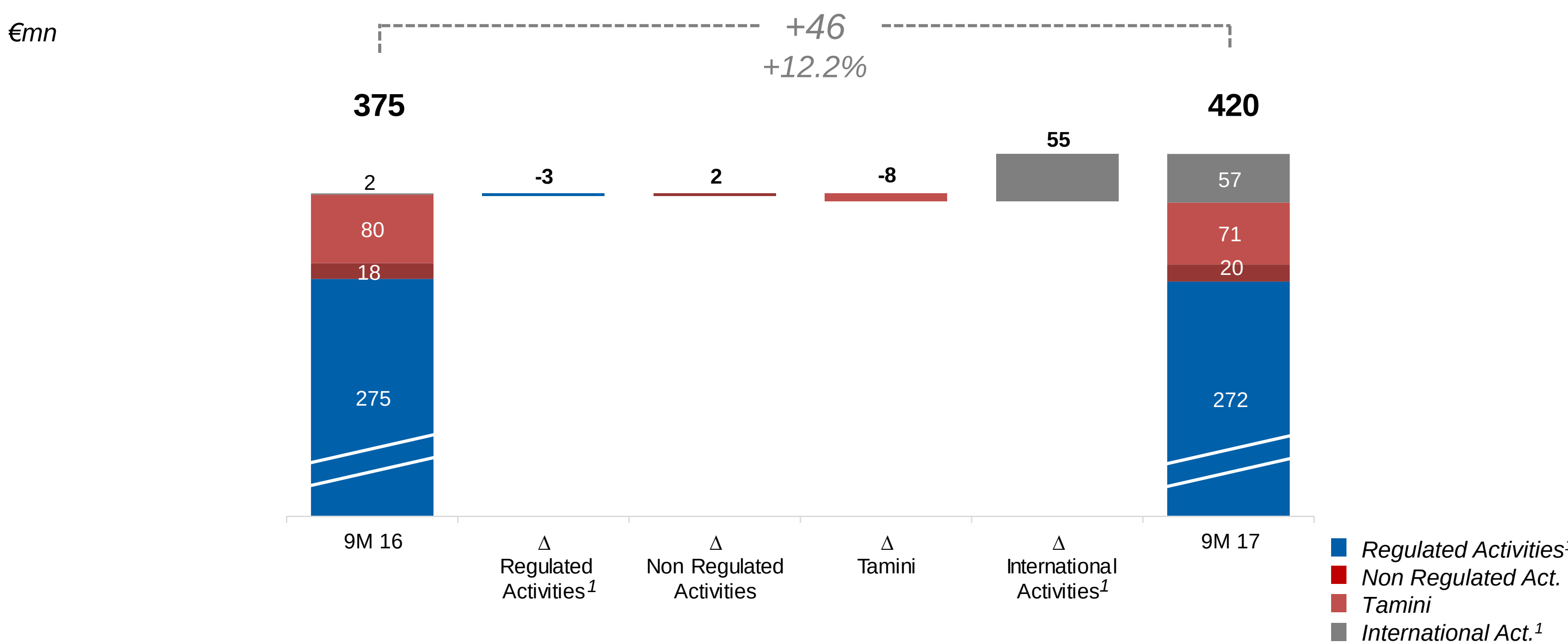


NON REGULATED ACTIVITIES



Full recognition of RHV Grid Regulated Revenues

9M17 Results
Opex



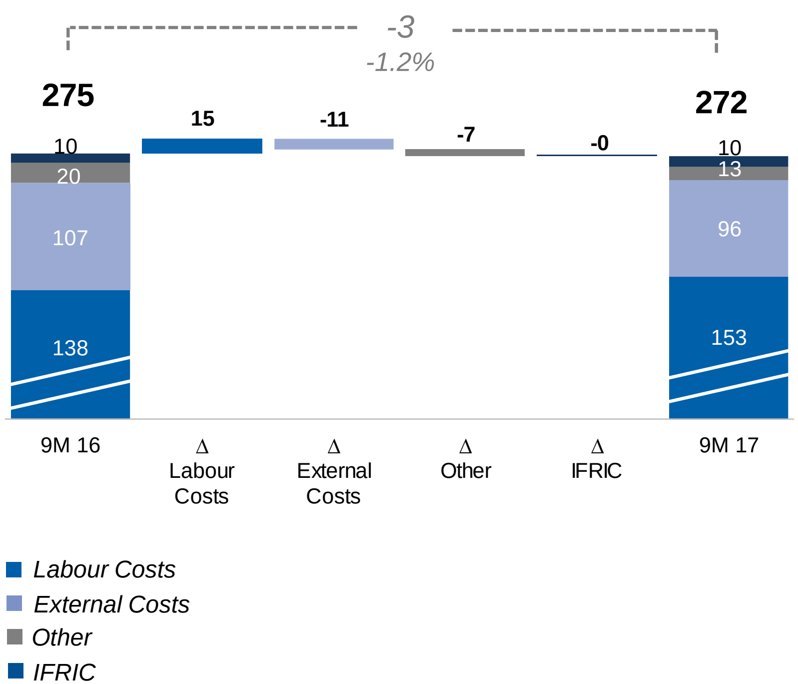
Cost increase driven by international activities as expected

1. Including IFRIC 12

9M17 Results
Opex Analysis

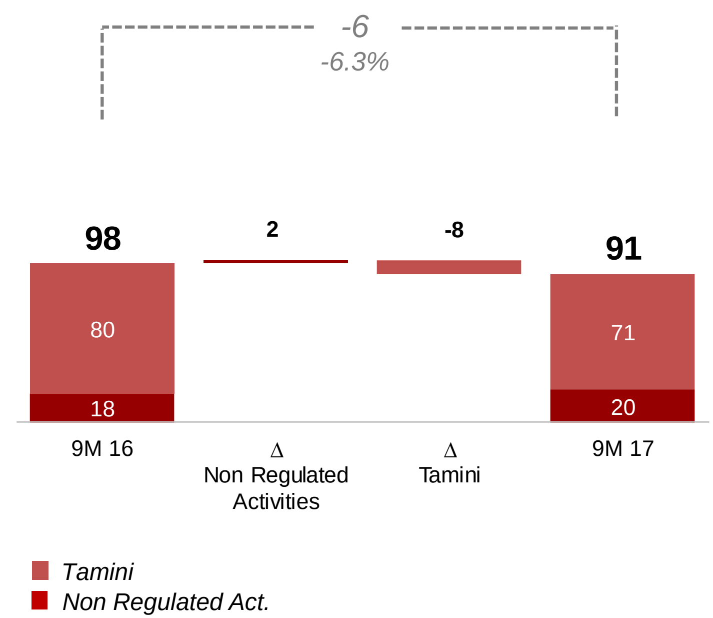
REGULATED ACTIVITIES

€mn



NON REGULATED ACTIVITIES

€mn

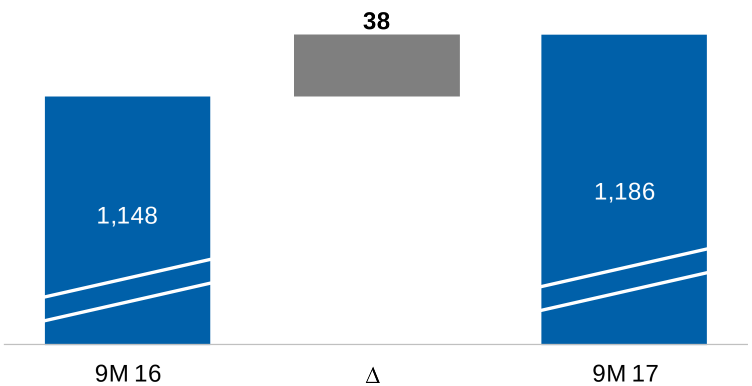


Ongoing reduction of Group's Opex

9M17 Results
EBITDA

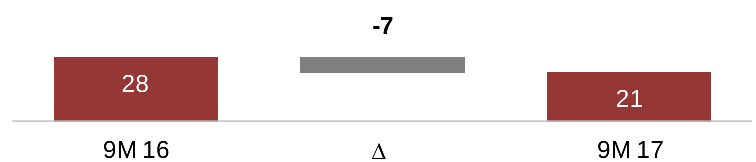
REGULATED ACTIVITIES

€mn



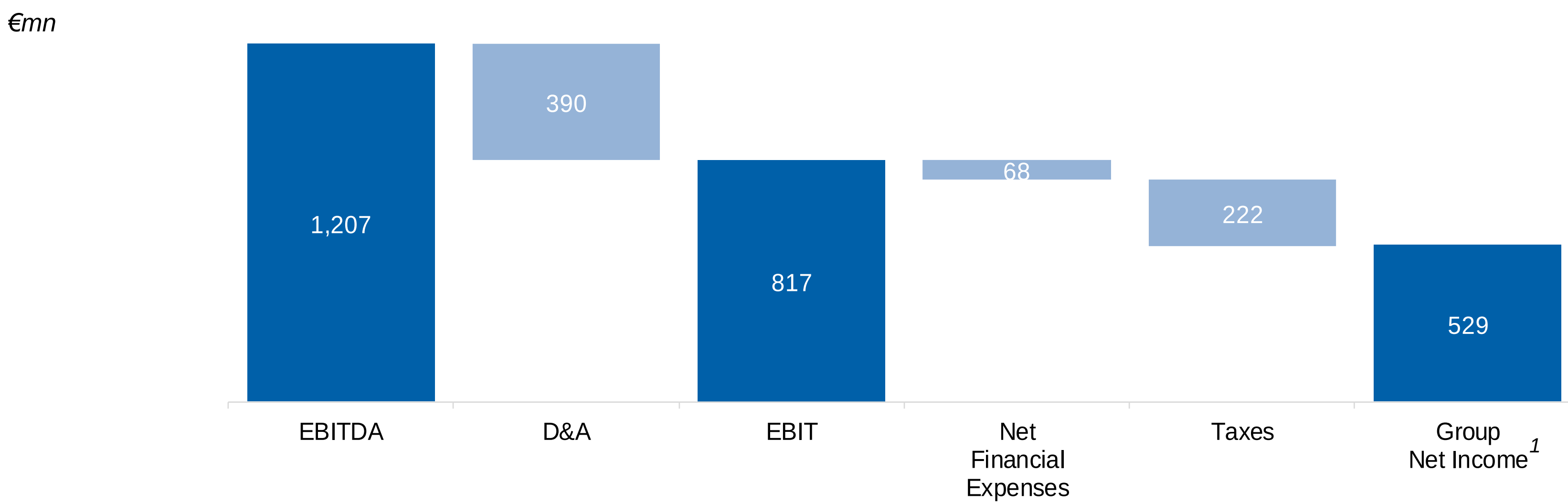
NON REGULATED ACTIVITIES

€mn



Solid EBITDA driven by domestic regulated activities

9M17 Results
From EBITDA to Net Income



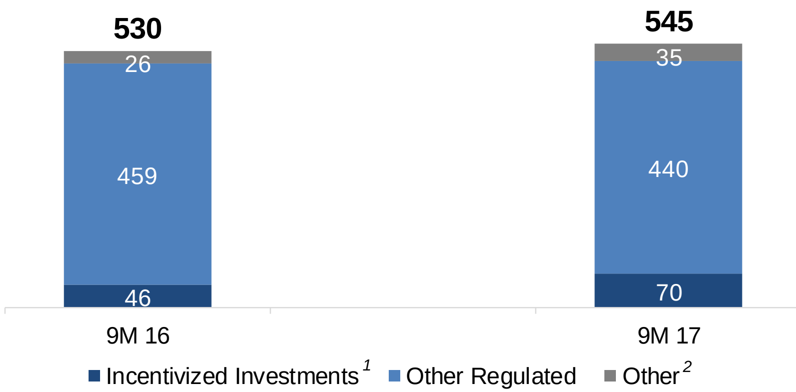
9% growth YoY at net income level

1. *Attributable to Terna*

9M17 Results
Capex

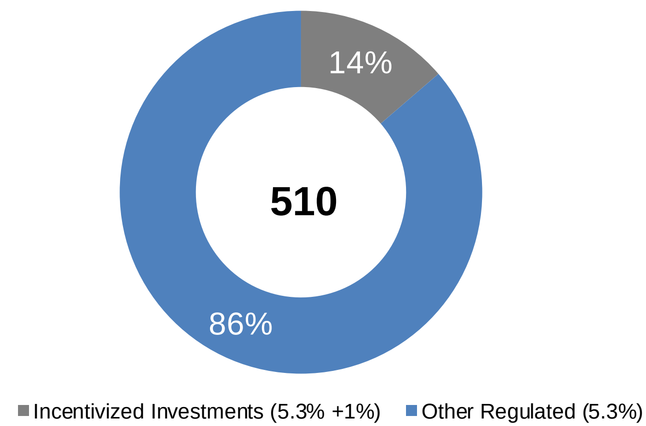
TOTAL CAPEX

€mn



REGULATED CAPEX

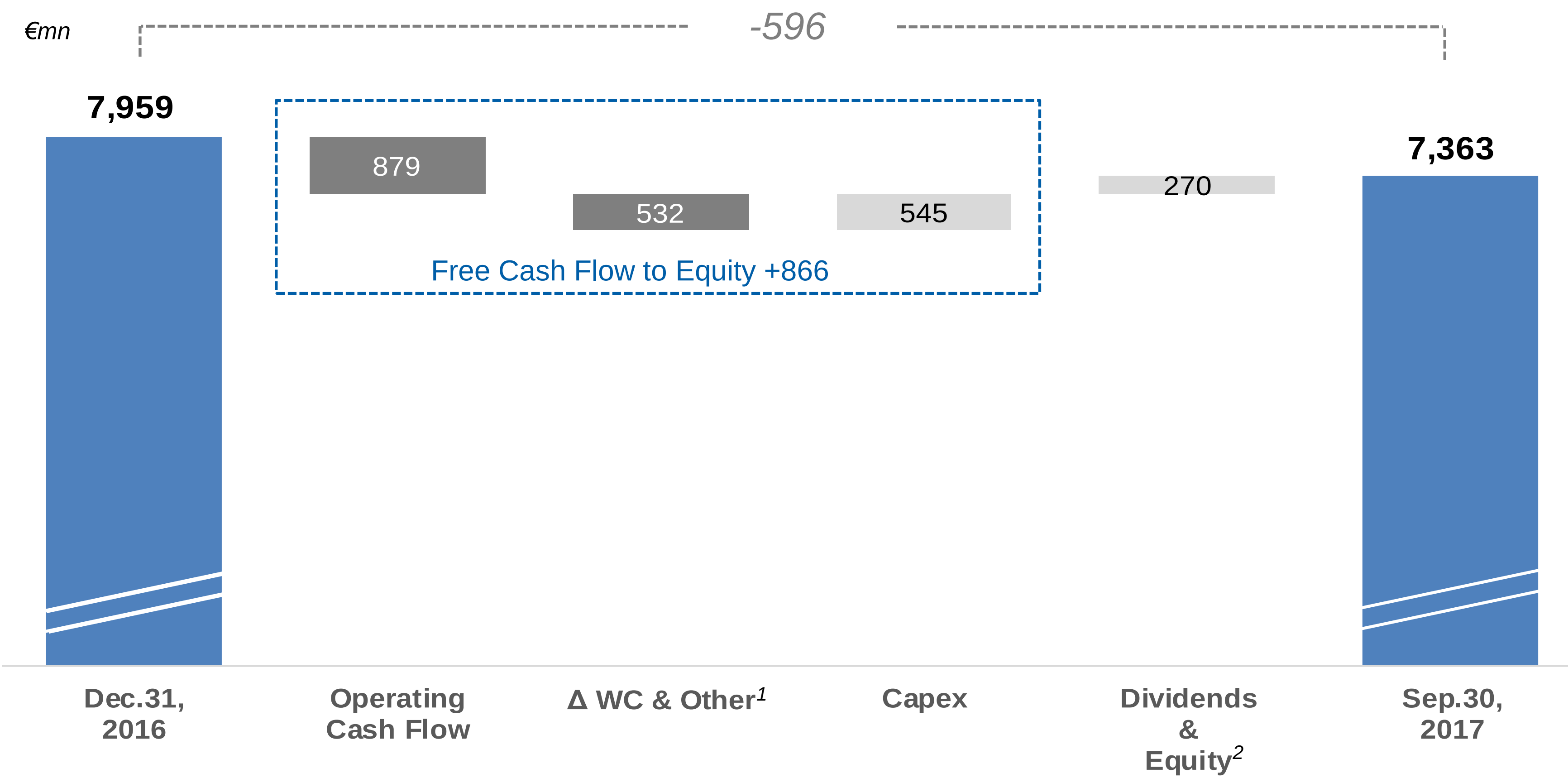
€mn



Capex guidance for the full year confirmed

1. *I-NPR1+O-NPR1 in line with AEEGSI Resolution n. 579/17*
2. *Of which about 10 €mn of Capitalized Financial Charges*

9M17 Results
Cash Flow & Net Debt Evolution



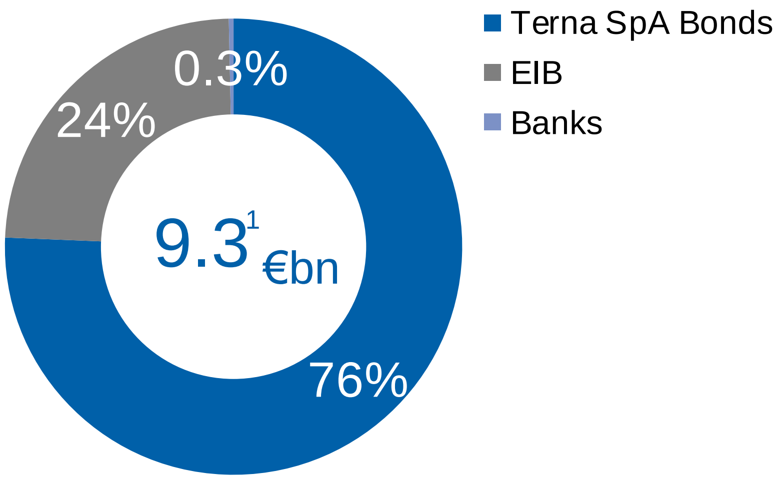
Positive cash flow generation covers dividend and capex

1. *Including Other Fixed Assets Changes*
2. *Including Cash Flow Hedge accruals and other*

9M17 Results

Net Debt Evolution & Financial Structure

GROSS DEBT BREAKDOWN[2]



KEY RATIOS[2]

Fixed/floating ratio
85/15
Calculated on Gross Debt

Maturity
5.6 years

Maintaining a solid balance sheet

1. *IAS value*
2. *Percentages and key ratios calculated on Gross Debt nominal value*

Closing Remarks

What's next…

New Management appointed

Early statements

Room to:

- Accelerate growth through investments mainly in Italy
- Improve dividend policy

First steps

Ongoing actions

- Reshaping Group's organization
- Building-up a new management team of adaptable leaders
- Strong focus on people and team working

Working on a new Strategy to lead the Energy Transition mainly through Sustainability and Innovation

Annexes

Annex
Consolidated Income Statement[1]

€ mn	9M17	9M16	Δmn	Δ%
Total Revenue	**1,627**	**1,551**	**76**	**4.9%**
Regulated Activities	*1,458*	*1,424*	*34*	*2.4%*
Transmission	*1,347*	*1,306*	*41*	*3.1%*
Dispatching	*85*	*84*	*1*	*1.3%*
Other[2]	*16*	*24*	*-8*	*-32.4%*
IFRIC12	*10*	*10*	*0*	*-2.0%*
Non Regulated Activities	*113*	*125*	*-13*	*-10.1%*
International Activities[3]	*57*	*2*	*55*	-
Total Costs	**420**	**375**	**46**	**12.2%**
Regulated Activities	*272*	*275*	*-3*	*-1.2%*
Labour Costs	*153*	*138*	*15*	*10.5%*
External Costs	*96*	*107*	*-11*	*-10.1%*
Other[2]	*13*	*20*	*-7*	*-34.0%*
IFRIC12	*10*	*10*	*0*	*-2.0%*
Non Regulated Activities	*91*	*98*	*-6*	*-6.3%*
International Activities[3]	*57*	*2*	*55*	-
EBITDA	**1,207**	**1,176**	**31**	**2.6%**
D&A	*390*	*403*	*-13*	*-3.2%*
EBIT	**817**	**773**	**44**	**5.7%**
Net Financial Charges	*68*	*60*	*8*	*13.1%*
Pre Tax Profit	**749**	**713**	**36**	**5.0%**
Taxes	*222*	*228*	*-7*	*-2.9%*
Tax Rate (%)	*29.6%*	*32.0%*	*-2.4%*	
Total Net Income	**527**	**485**	**42**	**8.8%**
Minority Interest	*-2*	*-2*	*1*	*-21.7%*
Group Net Income	**529**	**487**	**42**	**8.6%**

1. *Managerial Accounting*
2. *Including Quality of Service*
3. *Of which about 49€mln of IFRIC 12*

Annex
P&L Quarterly Analysis

€ mn	1Q16	1Q17	Δ	2Q16	2Q17	Δ	3Q16	3Q17	Δ
Total Revenue	**517**	**524**	***7***	**523**	**523**	***0***	**511**	**581**	***69***
Regulated Activities	*474*	*490*	*16*	*475*	*477*	*2*	*474*	*490*	*16*
Transmission	*431*	*451*	*20*	*440*	*444*	*4*	*435*	*453*	*18*
Dispatching	*28*	*29*	*1*	*27*	*27*	*0*	*29*	*29*	*0*
Other[1]	*12*	*8*	*-4*	*4*	*4*	*-1*	*7*	*4*	*-3*
IFRIC12	*3*	*2*	*0*	*4*	*3*	*-1*	*3*	*4*	*1*
Non Regulated Act.	*41*	*34*	*-7*	*47*	*44*	*-3*	*37*	*34*	*-3*
International Activities	*2*	*0*	*-2*	*0*	*1*	*1*	*0*	*56*	*56*
Total Costs	**122**	**121**	***-1***	**141**	**131**	***-10***	**112**	**168**	***56***
Regulated Activities	*86*	*93*	*7*	*102*	*97*	*-5*	*87*	*82*	*-4*
Labour Costs	*45*	*53*	*8*	*49*	*54*	*4*	*44*	*46*	*3*
External Costs	*35*	*31*	*-4*	*37*	*35*	*-2*	*34*	*30*	*-4*
Other[1]	*3*	*7*	*4*	*12*	*5*	*-6*	*5*	*1*	*-4*
IFRIC12	*3*	*2*	*0*	*4*	*3*	*-1*	*3*	*4*	*1*
Non Regulated Act.	*34*	*28*	*-6*	*38*	*33*	*-6*	*25*	*30*	*5*
International Activities	*2*	*0*	*-2*	*0*	*1*	*1*	*0*	*56*	*56*
EBITDA	**395**	**403**	**8**	**382**	**392**	**10**	**399**	**412**	**13**
D&A	*131*	*130*	*-1*	*136*	*131*	*-5*	*136*	*129*	*-7*
EBIT	**264**	**273**	***9***	**246**	**261**	***15***	**263**	**283**	***20***
Net Financial Charges	*19*	*21*	*1*	*17*	*19*	*2*	*24*	*29*	*5*
Pre Tax Profit	**245**	**252**	***8***	**229**	**242**	***13***	**239**	**254**	***15***
Taxes	*83*	*74*	*-10*	*67*	*70*	*3*	*78*	*78*	*0*
Tax Rate (%)	*34.0%*	*29.2%*	*-4.8%*	*29.4%*	*29.0%*	*-0.4%*	*32.4%*	*30.6%*	*-1.9%*
Total Net Income	**161**	**179**	***17***	**161**	**172**	***10***	**162**	**177**	***15***
Minority Interest	**-1**	**-1**	***0***	**-1**	**0**	***1***	**0**	**-1**	***-1***
Group Net Income	**162**	**179**	***17***	**163**	**172**	***9***	**162**	**178**	***15***
Total Group Capex	**158**	**100**	**-58**	**189**	**226**	**37**	**183**	**219**	**36**
Net Debt (end of period)	**7,687**	**7,445**		**8,172**	**7,942**		**7,801**	**7,363**	

1. *Including Quality of Service*

Annex
Consolidated Balance Sheet

€ mn	**Dec. 31,2016**	**Sep.30,2017**	**Δmn**
PP&E	*12,369*	*12,528*	*159*
Intangible Asset	*516*	*497*	*-19*
Financial Inv. and Other	*89*	*139*	*50*
Total Fixed Assets	12,974	13,164	190
Net WC	-1,075	-1,641	-566
Funds	-385	-347	38
Net Capital Invested	**11,514**	**11,176**	**-339**
Financed by:			
Consolidated Net Debt	7,959	7,363	-596
Total Shareholder's Equity	3,555	3,813	258
Total	**11,514**	**11,176**	**-339**
D/E Ratio	**2.2**	**1.9**	
D/D+E Ratio	**0.7**	**0.7**	
Number of Shares ('000)	**2,010**	**2,010**	

Annex

Consolidated Cash Flow

€ mn	**9M16**	**9M17**	**Δ mn**
Total Net Income	*485*	*527*	*42*
D&A[1]	*398*	*389*	*-8*
Net Change in Funds	*-15*	*-38*	*-23*
Operating Cash Flow	**868**	**879**	**11**
Δ Working Capital & Other[2]	*147*	*532*	*385*
Cash Flow from Operating Activities	**1,015**	**1,411**	**396**
Capital Expenditures	*-530*	*-545*	*-15*
Free Cash Flow to Equity	**485**	**866**	**381**
Dividends & Equity[3]	*-283*	*-270*	*13*
Change in Net Cash (Debt)	***202***	***596***	***394***

1. *Net of assets' disposal*
2. *Including Other Fixed Assets Changes*
3. *Including Cash Flow Hedge accruals and other*

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investor.relations@terna.it | *+39 06 8313 8282* | *www.terna.it*

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