



Terna 1H14




Consolidated Results

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July 24th, 2014

Agenda

 Highlights	3
 1H14 Results	6
 Annexes	12

Highlights

Country Overview



Macro **Environment**

- Reduced **Sovereign Risk**
- Weak **Economic Scenario**



Italian Electricity market

- **Demand** negative trend
- **Prices** significantly reduced
- **Capacity Market** system approved

Highlights

Newsflow and Strategic Update

➤ Terna **Group**

- New **BoD** appointed
- **Managing** the operations in continuity

➤ **Traditional** Activities

- **Capex** plan in execution
- **Projects** update
 - *Trino-Lacchiarella* ✓
 - *Foggia-Benevento* ✓
 - *Sorgente-Rizziconi (Sicily-Mainland)*¹
- **Extra remuneration** on 2013 Strategic Investments WIP recognized²

➤ **Non Traditional** Activities

- Italy-France **Interconnection**
- **Tamini** acquisition ➤ *New CEO appointed*
- **Greek IPTO** tender participation

Highlights

1H14 at a Glance

Perimeter

**Consolidation of
Tamini Group¹**

P&L

Total Revenues
+3.4%_{yoy}
at 950€mn

EBITDA
+2.8%_{yoy}
at 753€mn

Group Net Income
+4.1%_{yoy}
at 275€mn

NET DEBT & CAPEX

Net Debt
7,083€mn

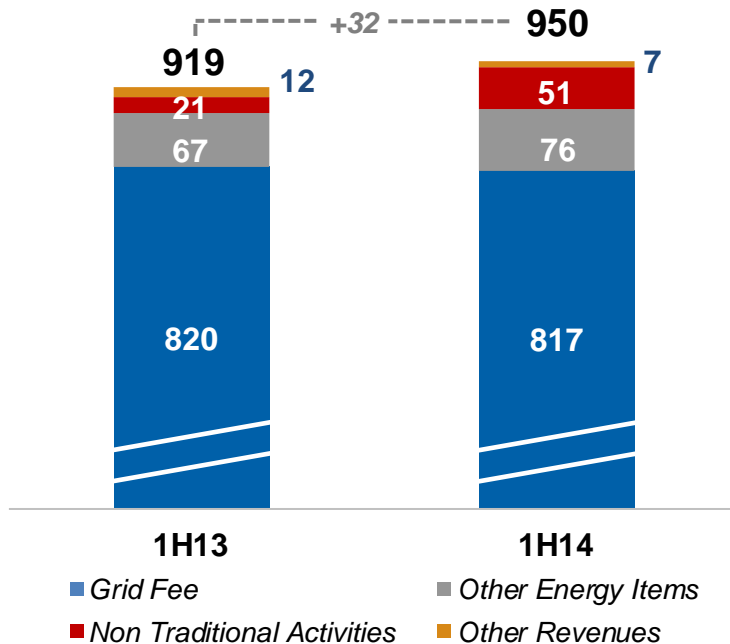
Total Group Capex
386€mn

1H14 Results

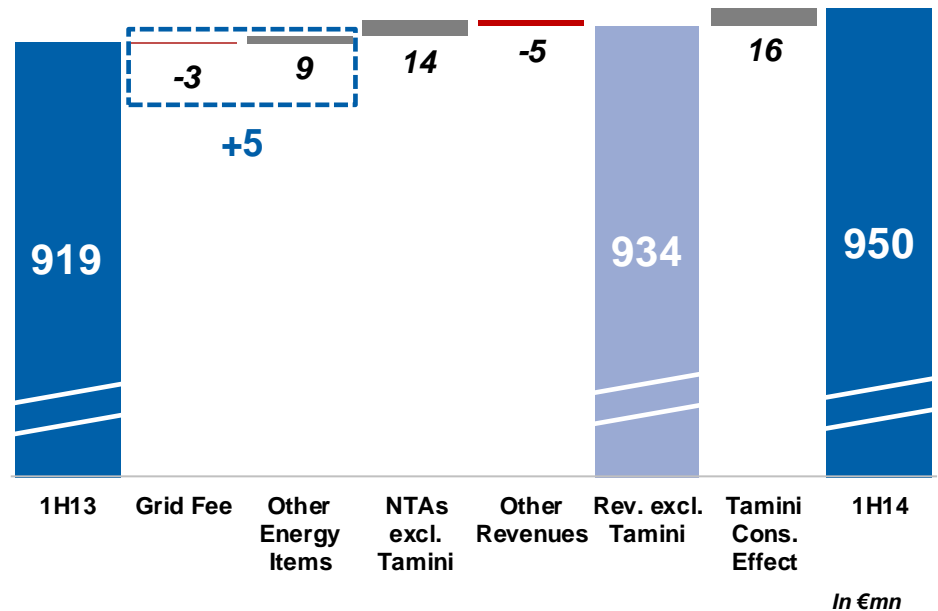
Consolidated Revenues



Revenues Breakdown

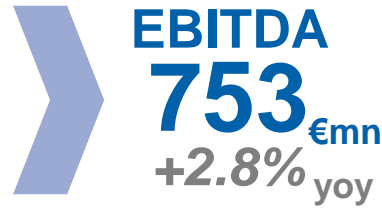


Revenues Evolution

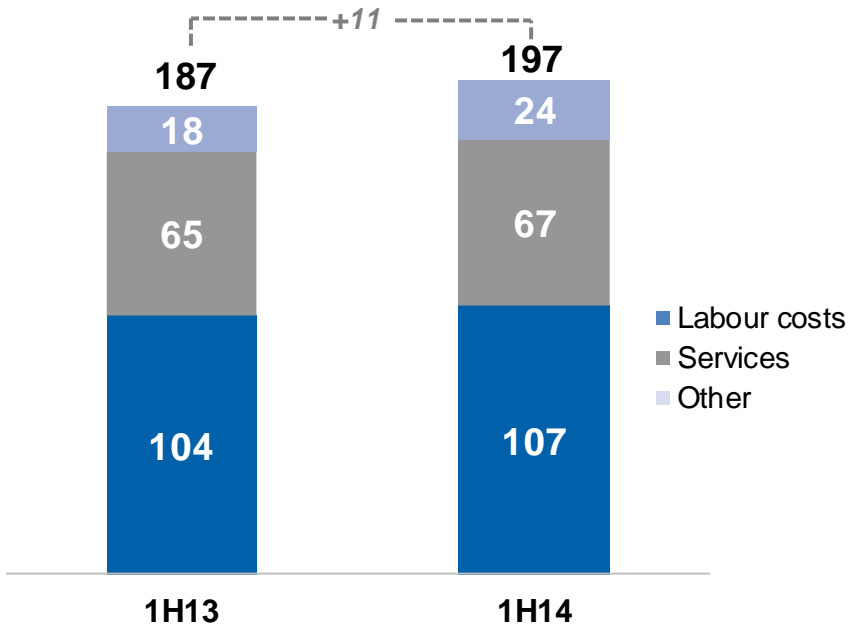


1H14 Results

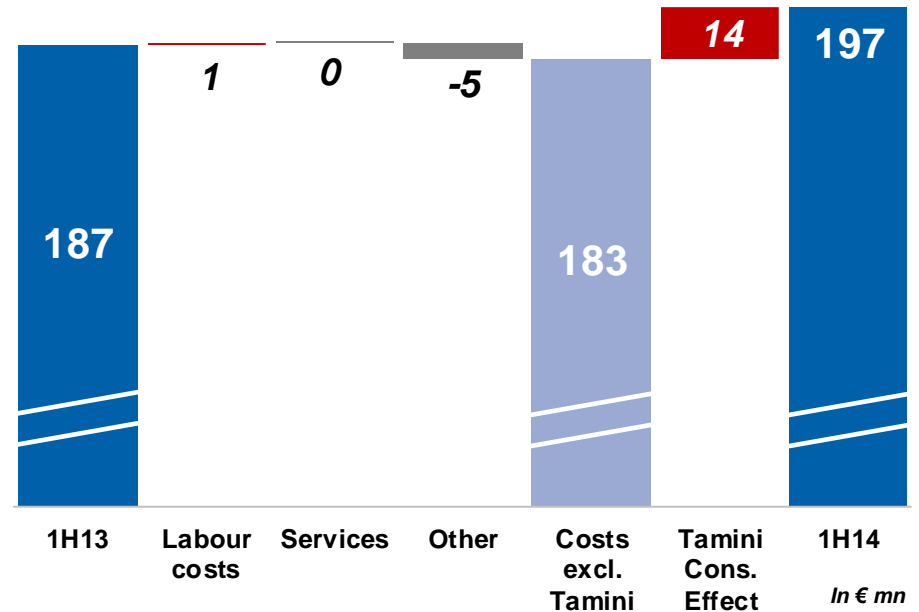
Consolidated Costs & EBITDA



Costs Breakdown:



Costs Evolution:



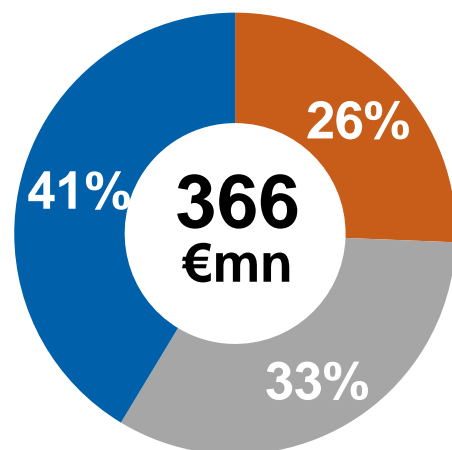
1H14 Results

Capex Breakdown

Traditional Activities
366 €mn

Incentivized Capex
74%

Traditional Activities



■ Base Return ■ +1.5% ■ +2%

Capex Breakdown €mn

Category	1H13	1H14	Δ _{yoy}	Δ % _{yoy}
+2%	233	151	-82	-35%
+1.5%	144	121	-24	-16%
Incentivized Capex	377	272	-105	-28%
Base Return	105	94	-11	-10%
Traditional Activities	482	366	-116	-24%
Other ¹	22	20	-2	
Total Group Capex	504	386	-118	-23%

1H14 Results

From EBITDA to Net Income

€ mn	1H13	1H14	Δ	Δ %
EBITDA	732	753	21	2.8%
<i>Ebitda %</i>	79.7%	79.2%	-0.5pp	
D&A	214	235	21	10.0%
EBIT	519	518	-1	-0.1%
Net Financial Expenses	43	64	22	50.6%
PBT	476	454	-22	-4.7%

EBIT
518 €mn
-0.1% yoy

Group Net Income
275 €mn
+4.1% yoy

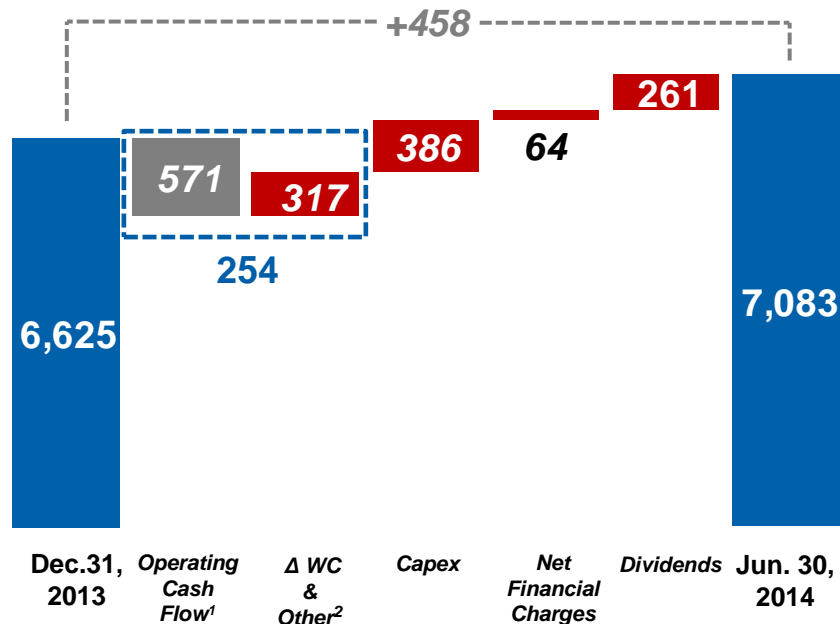
Tax Rate	44.6%	39.5%	-5.1pp	
Taxes	212	179	-33	-15.6%
Group Net Income	264	275	11	4.1%

1H14 Results

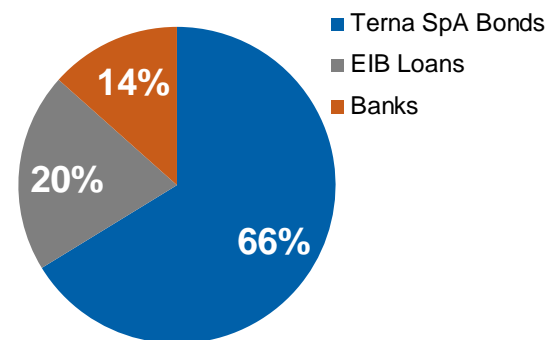
Net Debt Evolution & Financial Structure

Net Debt
7,083 €mn

Net Debt Evolution €mn



Financial Indebtedness



Rating	M/L Term		Delta	Outlook	
	Terna ³	Sovereign		Terna ³	Sovereign
S&P	BBB+	BBB	+1 notch	Negative	Negative
Moody's	Baa1	Baa2	+1 notch	Stable	Stable
Fitch	BBB+	BBB+		Stable	Stable

as of July, 24th 2014



THANK YOU. QUESTIONS?

Matteo Del Fante Chief Executive Officer

Andrea Crenna Head of Administration, Finance and Control



Annexes

Annex

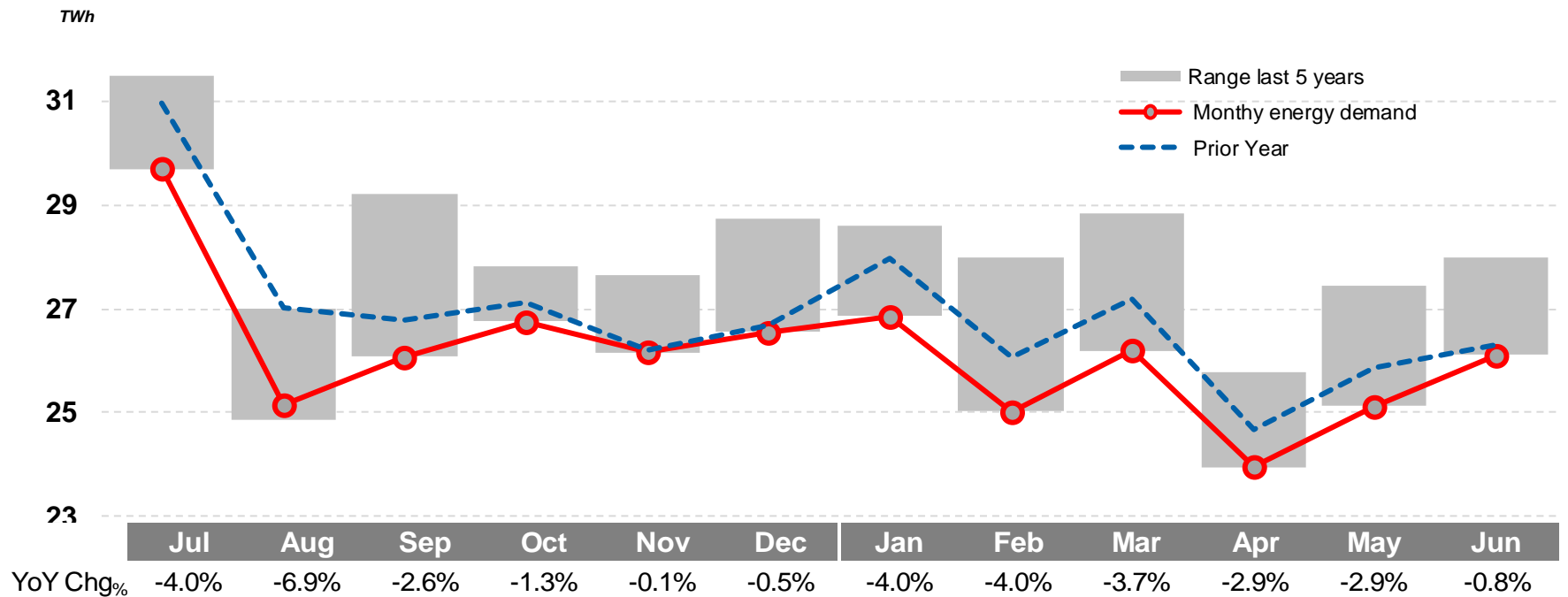
Electricity Market Trends – Last 12 Months

1H14 Energy Demand

-3.1% yoy

-2.8% 12 months rolling

	1H13	1H14	Δ %
Demand _{TWh}	158	153	-3.1%



Annex

Consolidated Income Statement

€ mn	1H13	1H14	Δmn	Δ%
Operating Revenues	919	950	32	3.4%
<i>of which</i>				
Grid Fee	820	817	-3	-0.4%
Other Energy Items	67	76	9	12.8%
Other Activities ¹	32	58	26	81.9%
Operating Expenses	187	197	11	5.8%
<i>of which</i>				
Labour Costs	104	107	4	3.4%
Services	65	67	2	2.9%
Other	18	24	5	29.5%
EBITDA	732	753	21	2.8%
D&A	214	235	21	10.0%
EBIT	519	518	-1	-0.1%
Net Financial Charges	43	64	22	50.6%
Pre Tax Profit	476	454	-22	-4.7%
Taxes	212	179	-33	-15.6%
Tax Rate (%)	44.6%	39.5%		
Group Net Income	264	275	11	4.1%

Annex

Quarterly Analysis

€ mn	1Q13	1Q14	Δ	2Q13	2Q14	Δ
Operating Revenues	470	478	8	449	472	23
<i>of which</i>						
Grid Fee	423	417	-5	397	399	2
Other Energy Items ¹	29	37	7	26	27	1
Other Activities ²	13	20	7	19	38	19
IFRIC 12	5	4	0	7	8	1
Operating Expenses	89	88	-1	98	110	12
EBITDA	381	390	9	351	363	11
D&A	106	113	7	108	122	14
EBIT	275	277	3	244	241	-3
Net Financial Charges	18	31	14	25	33	8
Pre Tax Profit	257	246	-11	219	208	-11
Taxes	116	101	-15	96	78	-18
Group Net Income	142	145	4	122	129	7
Total Group Capex	206	164	-42	298	222	-76
Net Debt (end of period)	5,924	6,629		6,575	7,083	

Annex

Consolidated Balance Sheet

€ mn	Dec. 31,2013	Jun. 30,2014	Δmn
Assets			
<i>PP&E</i>	10,120	10,287	167
<i>Intangible Asset, net</i>	462	455	-7
<i>Financial Inv. And Other</i>	83	86	3
Total Fixed Assets	10,665	10,828	163
<i>Net WC</i>	-646	-334	312
<i>Funds</i>	-453	-450	3
Total Net Invested Capital	9,566	10,044	478
<i>Financed by</i>			
Consolidated Net Debt	6,625	7,083	458
Total Shareholder's Equity	2,941	2,960	20
D/E Ratio	2.3	2.4	
D/D+E Ratio	0.69	0.71	
Number of Shares ('000)	2,010	2,010	

Annex

Consolidated Cash Flow

€ mn	1H13	1H14
<i>Net Income</i>	264	275
<i>D&A¹</i>	214	235
<i>Net Financial Charges</i>	43	64
<i>Net Change in Funds</i>	-30	-3
Operating Cash Flow	491	571
<i>Change in Working Capital</i>	-422	-312
Cash Flow from Operating Activities	68	259
<i>Capital Expenditures</i>	-504	-386
<i>Other Fixed Asset Changes</i>	-11	-12
Free Cash Flow	-447	-139
<i>Dividends</i>	-261	-261
<i>Net Financial Charges</i>	-43	-64
<i>Change in Capital and Other</i>	31	7
Change in Net Cash (Debt)	-720	-458

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