PRESS
RELEASE

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TERNA GROUP 2014-2018 STRATEGIC PLAN

5 BILLION COMMITMENT IN 5 YEARS

- ✓ *Planned 3.6 billion euros of grid investments*
- ✓ *Up to 1.3 billion euros on Non Traditional Activities*
- ✓ *Dividend policy confirmed*

The infrastructural gap between Italy and the rest of Europe has now been overcome. 5.4 billion savings generated for Italian families and companies, which will rise to 15 billion including future benefits.
Terna continues pursuing the grid development and increases its commitment on Non Traditional Activities. A dual strategy with a single goal: creating value for Italy, the Company and the shareholders.

- **Traditional Activities:** 3.6 billion euros of investments have been planned for grid maintenance and development.
- **Non Traditional Activities** commitment increases up to 1.3 billion euros over the plan period (confirmed the potential of 900 million euros, , plus the value of activities already announced).
- **Improved margins:** EBITDA Margin will exceed 79% in 2018.
- **Strong financial structure:** no refinancing needs until the end of 2015 and Net Debt/RAB ratio below 60% during the Plan period.
- **Dividend policy:** Confirmed the dividend policy, with interim and final dividend practice. A base dividend of 19 eurocents per share from Traditional Activities, on top of which the contribution from Non Traditional Activities will be added (60% pay out on results).

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Rome, March 25, 2014 - Today, CEO Flavio Cattaneo presented Terna Group's Strategic Plan for the period 2014-2018, approved by the Board of Directors of Terna S.p.A., chaired by Luigi Roth.

2014-2018 STRATEGIC PLAN

Traditional Activities

Priority to grid development for the safety of the electricity system and for the development of the industrial sector and renewable energies

In the next 5 years, the Terna Group will invest **3.6 billion euros** in regulated activities **for the safety and modernization of the Electricity Grid**, 81% of which for Grid development.

Of the 3.6 billion euros of expected grid investments, about **200 million** euros will be allocated to the development of storage systems. Terna is a pioneer in this field and the sites it is currently building in Southern Italy are at **the best European level** in terms of capacity and **among the first in the world**. The two sites already under construction in Campania will indeed have a capacity of 12 MW each; a third one will be added (for which authorization is pending) that will complete the projects envisaged by the **Development Plan**, for a total capacity of approximately 35 MW in so-called "**Energy Intensive**" technology.
In addition, the **Defense Plan** envisages the construction of two additional "**Power Intensive**" sites, which have already been authorized and are currently being tested, for a total additional capacity of 40 MW.

The **2014 National Development Plan** foresees **investments for 8.1 billion euros, 5.6 billion of which in the next ten years. These will be used to reduce** inter-zonal **congestion**, promoting the full integration of energy from renewable sources into the electricity system and to ensure the security and quality of service.

Since 2005, approximately **8 billion euros** have been invested in the grid for the construction of 2,500 km of new lines and 89 new substations. With reference to the major projects, this effort has already produced **5.4 billion euros of lower costs for citizens and companies** - 3.4 of which due to improved efficiency in "dispatching" activities - to which 9.7 billion euros of savings will be added from future works, for a total of **over 15 billion euros of savings**.

The Terna Group currently has **over 200 construction sites open** across Italy, in which about 4000 people work on a daily basis, involving 750 enterprises and a total of **2.7 billion euros in value**. At present, there is an overall of **1,200 km of new sustainable and technological grid** being built and **60 new substations**. Once completed, the projects will allow the **removal of 850 km of old lines**.

The **main projects being implemented** include: the 380 kV "Foggia-Benevento" power line, between Puglia and Campania; the doubling of the connection between Sicily and Calabria, "Sorgente-Rizziconi*", two new interconnections with foreign countries, namely "Piossasco-Grand'Ile*", between Italy and France and "Villanova-Tivat", between Italy and Montenegro.

The future infrastructures will be built using leading edge technology in which environmental and sustainability aspects will play an increasingly relevant role, leading to a 1 million ton reduction in CO_2 emissions. In particular, 70% of the overall length of our main development projects (i.e. over 1,000 km) will be made using submarine and underground cables, whilst last generation pylons (i.e. single pole pylons and "Germoglio" supports) will cover 60% of overhead segments.

The tariff RAB (Regulatory Asset Base or invested capital for regulatory purposes), which doubled its value since 2005 , will increase from 10.8 billion in 2013 to 13.5 billion euros in 2018, with a CAGR of approximately 5%. Despite the WACC interim review , which took place at the end of 2013, the blended return on RAB will increase from 7.3% in 2014 to 7.7% in 2018.

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Non Traditional Activities

Terna Group's strategy allows to **confirm,** over the plan period, **a pipeline of about 400 million euros activities,** in the field of engineering, O&M and housing of fiber optic.

During the plan period, there will also be an additional commitment of about 1.3 billion euros, of which **900 million euros** in potential opportunities in the development of renewables and electricity infrastructures for third parties, in Italy and abroad, in addition to the potential interest in LatAm or in other **opportunities arising** from the enhancement of grids. **Over 400 million euros** refer to the recently announced deals (the Italy-France interconnection, that Terna will implement for the so-called "energy-intensive" users, and the acquisition of the Tamini Group).

Improved margins

Ninth year of growth - since 2005 the EBITDA margin has increased by 12 percentage points

The increase in revenues and cost control will strengthen **profitability**. The EBITDA margin at the end of the Plan will exceed 79%.

Strong financial structure

Further commitment to strengthen credit metrics

The 2014-2018 Plan reduced the increase of Net Debt by 400 million euros compared to the previous plan (600 million euros compared to 1 billion euros). As a result, the capital structure remains strong and the **Net Debt/RAB ratio will be lower than 60%** throughout the Plan.

Confirmed the dividend policy, with interim and final dividend practice

The 2014-2018 Plan confirms the dividend policy announced last year: in the Plan period is expected a base dividend from Traditional Activities of 19 eurocents per share, on top of which the contribution from Non Traditional Activities will be added (60% pay out on results).

At 12.00 a meeting with the financial community and the media will be held to present the corporate strategy and the 2013 Consolidated Results. The support material for the meeting will be available on Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) and on the Company's website (www.terna.it in the Investor Relations section), at the beginning of the meeting. The presentation can be followed via video web streaming in the same section.

In this press release, some "alternative performance indicators" (EBITDA, EBITDA Margin and Net financial debt) have been used, whose meaning and contents are explained below pursuant to CESR/05-178b recommendation published on November 3, 2005:

- EBITDA (Gross Operating Margin): is an indicator of the operating performance; it is calculated by adding Amortization and depreciation to the Operating Profit (EBIT);
- EBITDA margin: is an indicator of the operating performance; it derives from the ratio between the Gross Operating Margin (EBITDA) and revenues;
- Net financial debt: represents an indicator of the company's own financial structure; it is calculated according to the short and long term financial debt and relative derivatives, net of cash and cash equivalents and of financial assets.