



Terna 9M16

Consolidated Results

November 4th, 2016

MATTEO DEL FANTE

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Strategic Update

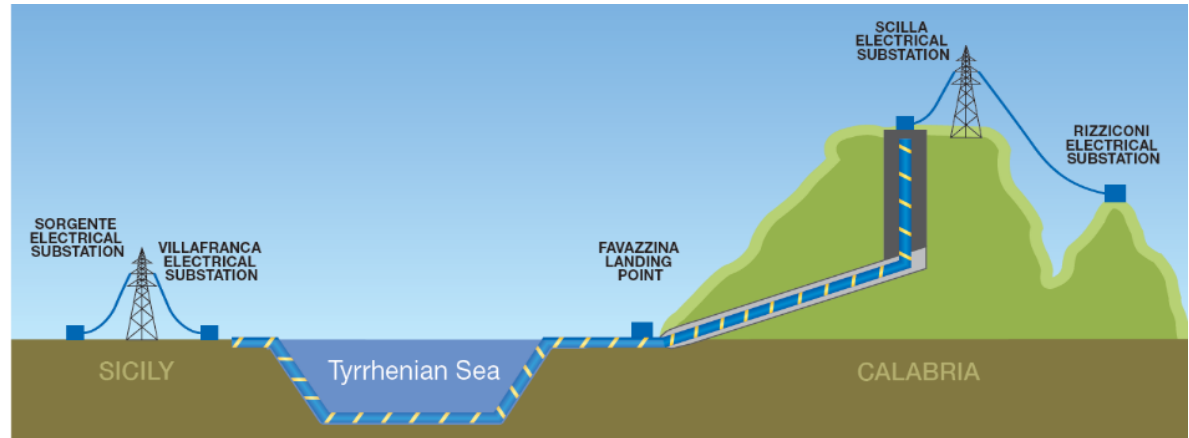
Sicily-Mainland Power Line

KEY HIGHLIGHTS

The **longest** 380 kV AC undersea power line in the world

› Capacity of up to **1,100 MW**

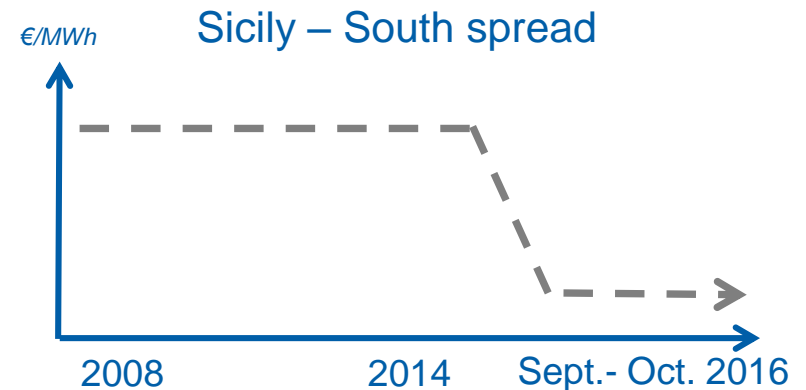
› Total length **105 km**
o/w **38 km undersea**



BENEFITS & POTENTIAL DEVELOPMENTS

› **Prices alignment**
Spread Sicily-Mainland reduced

› **-700,000 tons** of CO₂ each year, **114 km** of old power lines dismantled



Strategic Update

RHV Grid Integration

○ READY TO DEPLOY THE EXPECTED SYNERGIES...

		CAPEX	OPEX
Activities		Investments for integration and renewal (~300€mn)	Integration capex will allow to internalize O&M
Targets	2016 YE	100% lines and ~20% substations	~100 Terna headcounts
	Following years	100% substations	<200 Terna headcounts vs ~400

Phase out of the Railways O&M contract
Terna **standards** and **scale**

Strategic Update

Efficiency

ACTIVITIES

ACHIEVEMENTS

CORPORATE SIMPLIFICATION

Merger of **two subsidiaries**¹
into Terna S.p.A.

Increase the **management efficiency**
and
reduce **administrative costs**

FINANCIAL OPTIMIZATION

New 12yr bond issued in
October
750_{€mn} at **1.00%** fixed rate

Increase average **debt maturity**
and
cover **2017 refinancing needs**

9M16 Results

Highlights

SOLID GROWTH TREND ACROSS ALL THE P&L...



1,551 €mn
Revenues
+2.3% vs 9M15



1,176 €mn
EBITDA
+1.3% vs 9M15



487 €mn
Group Net Income¹
+7.0% vs 9M15



530 €mn
Total Capex



7,801 €mn
Net Debt

...SUPPORTS DIVIDEND GROWTH

7.21 €cents/share
2016 Interim Dividend²

+3% vs 2015

9M16 Results

Revenues

KEY FIGURES

Total Revenues

1,551 €mn
+2.3%_{yoy}

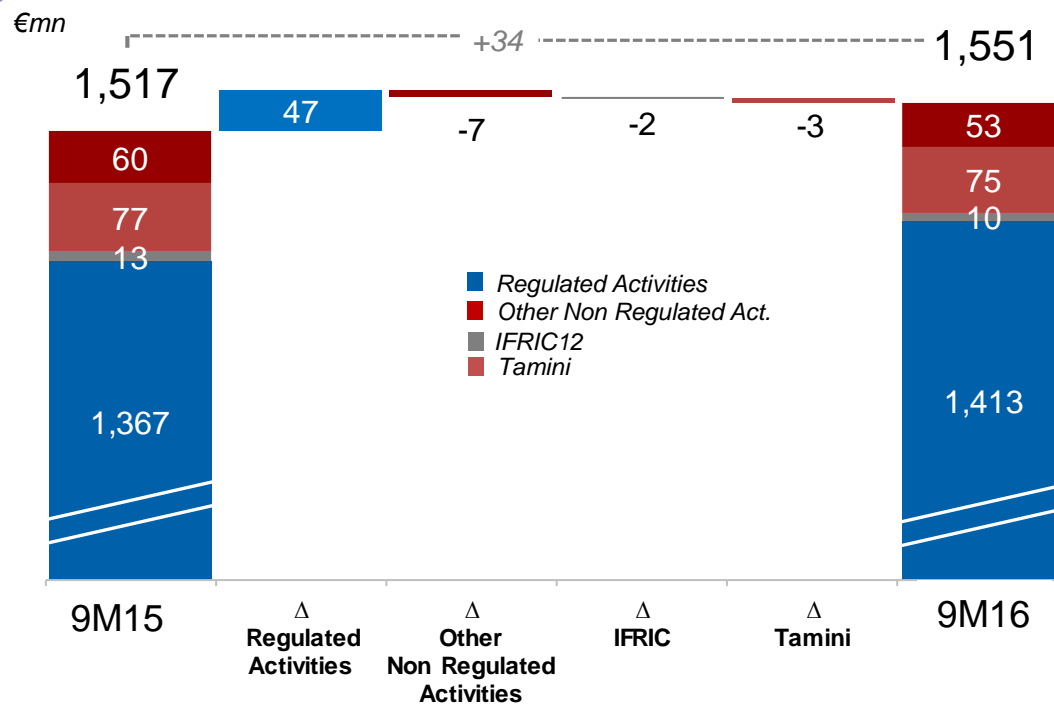
Regulated Activities

1,413 €mn
+3.4%_{yoy}

Non Regulated Activities

128 €mn

TOTAL REVENUES EVOLUTION



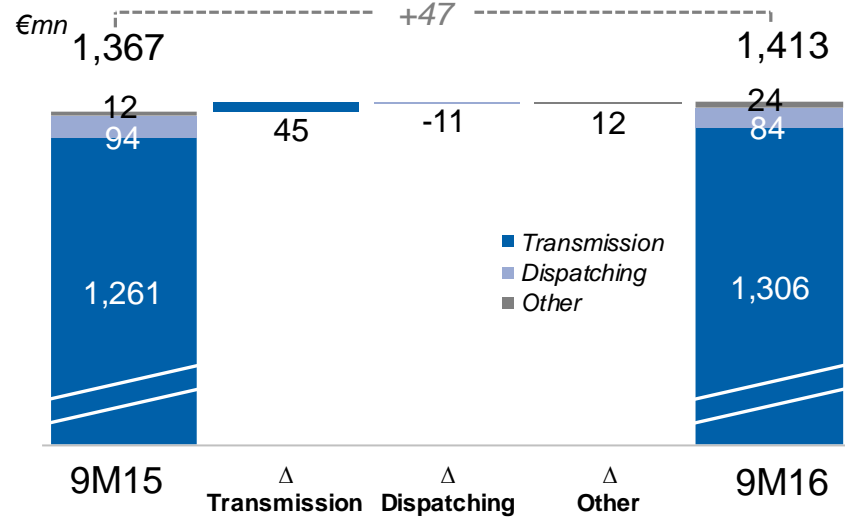
€ mn	9M15	9M16	Δ _{yoy}	Δ % _{yoy}
Regulated Activities	1,367	1,413	47	3.4%
Non Regulated Act. o/w Tamini	138	128	-10	-7.3%
Other Non Regulated Act.	60	53	-7	-12%
IFRIC12	13	10	-2	-20%
Total	1,517	1,551	34	2.3%

9M16 Results

Revenues Analysis

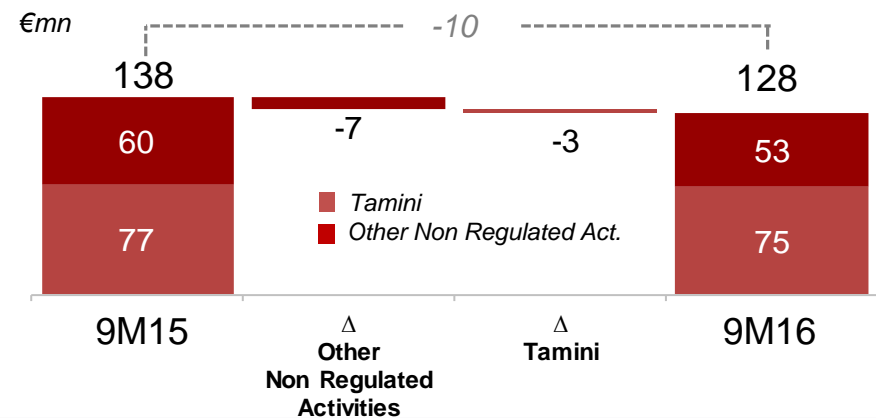
REGULATED ACTIVITIES

Grid Fee
RHV Grid contribution



NON REGULATED ACTIVITIES

EPC
International Activities



NOTE: figures net of IFRIC12 – Managerial Accounting

9M16 Results

Opex

KEY FIGURES

Total Costs

375 €mn

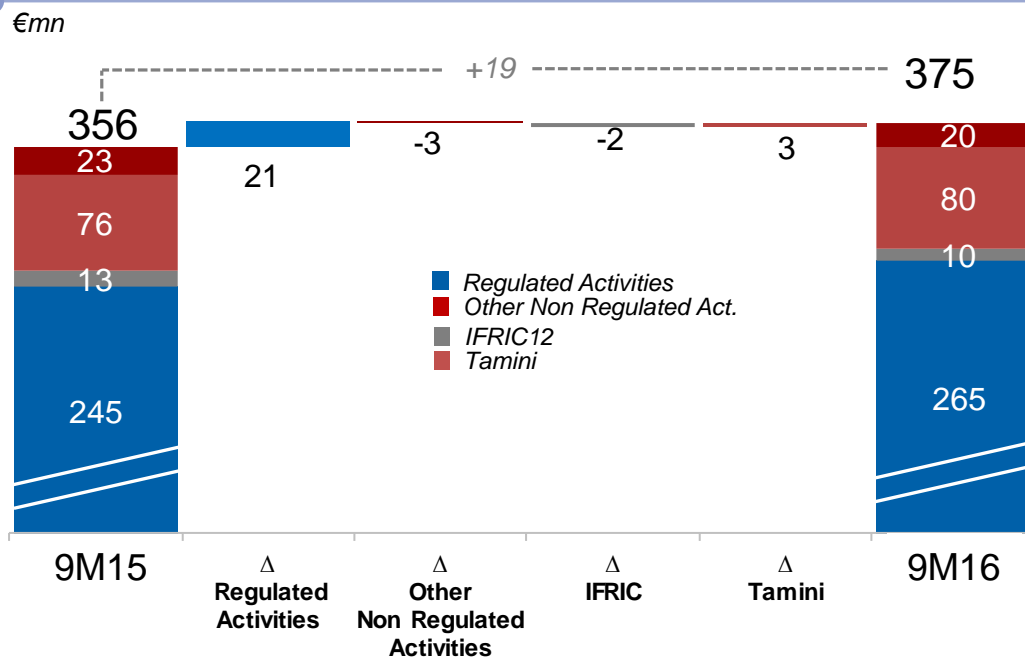
Regulated Activities

265 €mn

Non Regulated Activities

99 €mn

TOTAL COSTS EVOLUTION



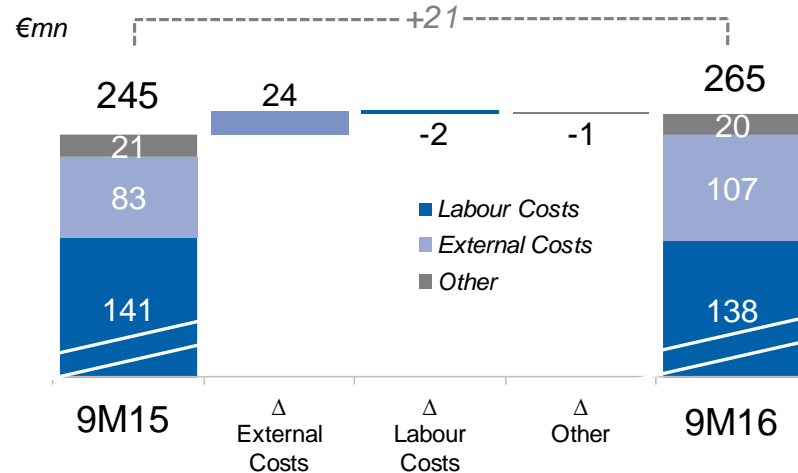
€ mn	9M15	9M16	Δ _{yoy}	Δ % _{yoy}
Regulated Activities	245	265	21	8.5%
Non Regulated Act.	99	99	1	0.5%
o/w Tamini	76	80	3	4.3%
Other Non Regulated Act.	23	20	-3	-12%
IFRIC12	13	10	-2	-20%
Total	356	375	19	5.3%

9M16 Results

Opex Analysis

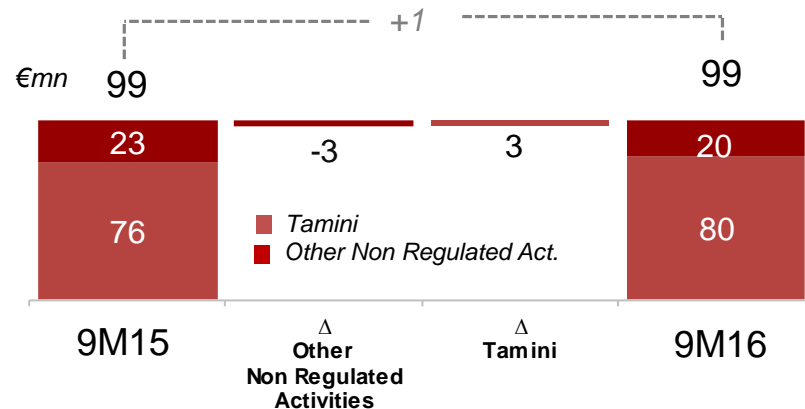
REGULATED ACTIVITIES

Efficiencies
Excluding RHV Grid service contract



NON REGULATED ACTIVITIES

Services¹
Opex dynamics driven by activities evolution



9M16 Results

From EBITDA to Net Income

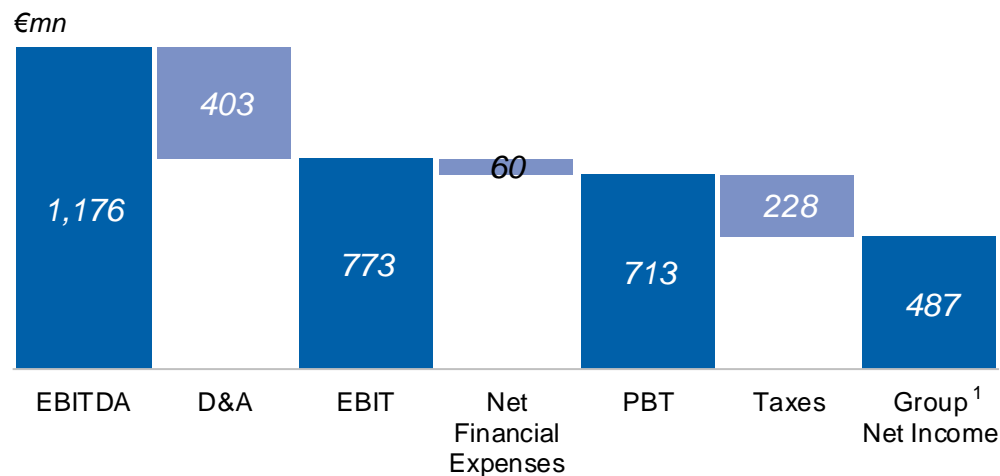
KEY FIGURES

Group EBITDA
1,176 €mn
 +1.3%_{yoy}

Group EBITDA Margin
75.8%

Group Net Income¹
487 €mn
 +7.0%_{yoy}

PROFIT & LOSS



€ mn	9M15	9M16	Δ	Δ %
EBITDA	1,161	1,176	15	1.3%
Ebitda %	76.5%	75.8%		
D&A	362	403	41	11%
EBIT	799	773	-26	-3.2%
Net Financial Expenses	117	60	-57	-48%
PBT	682	713	31	4.5%
Tax Rate	33%	32%		
Taxes	227	228	1	0.6%
Group Net Income¹	455	487	32	7.0%

9M16 Results

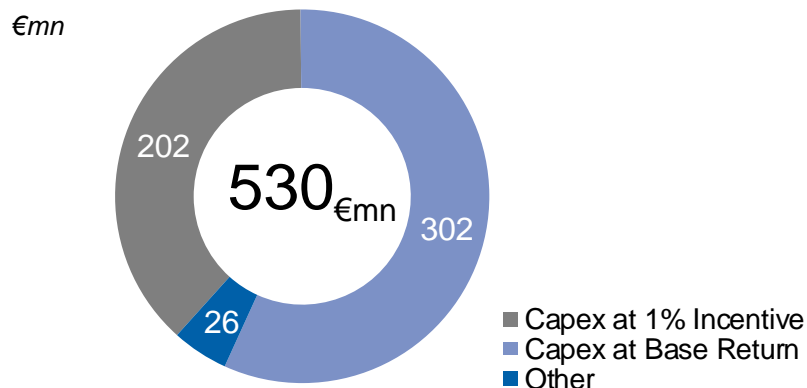
Capex

KEY FIGURES

Total Capex
530 €mn

Regulated Capex
504 €mn

BREAKDOWN



Category (€mn)	9M15	9M16	Δ_{YOY}	$\Delta \%_{\text{YOY}}$
Capex at 1% Incentive		202		
Capex at Base Return		302		
Regulated Capex	666	504	-162	-24%
Other	36	26 ¹	-10	-28%
Total Group Capex	702	530	-172	-24%

9M16 Results

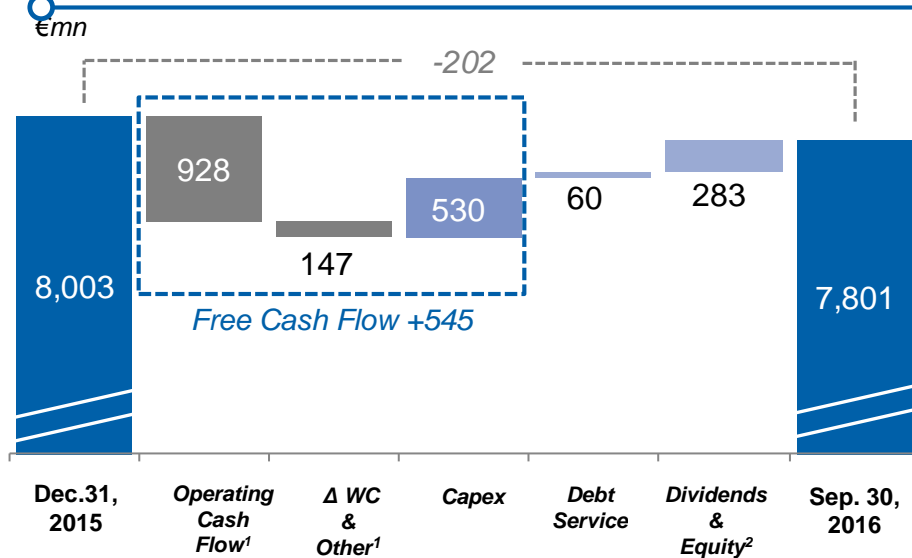
Net Debt Evolution & Financial Structure

KEY FIGURES

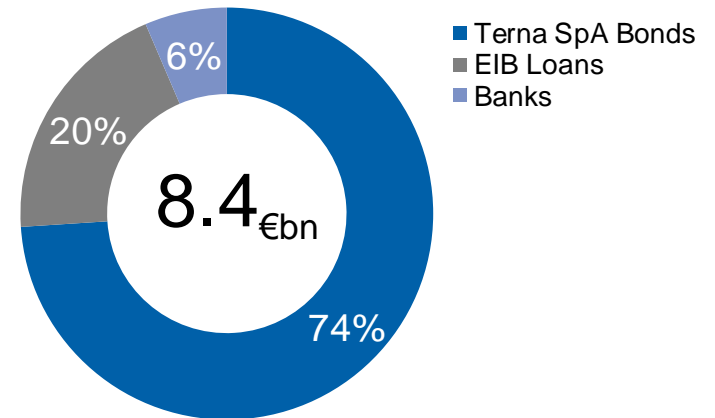
Net Debt
7,801 €mn

Fixed/floating ratio
85/15
Calculated on Net Debt

FCF AND NET DEBT EVOLUTION



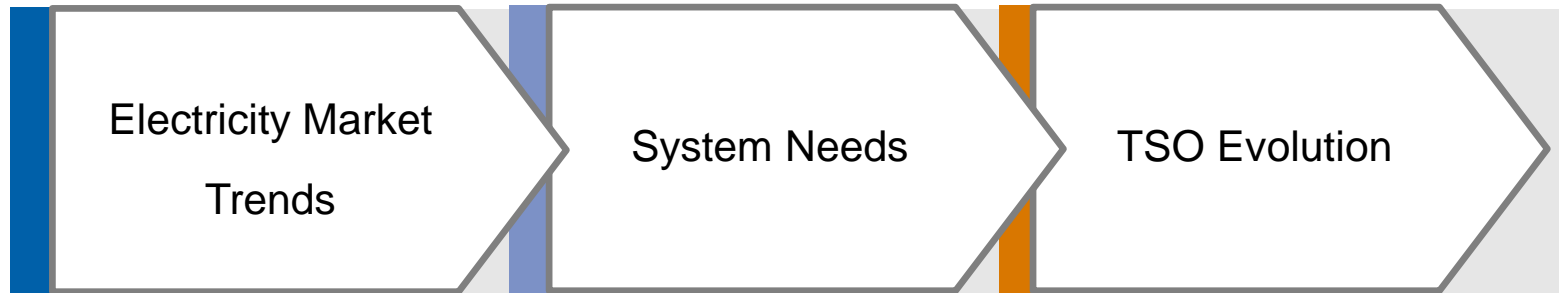
GROSS DEBT BREAKDOWN³



Next Catalysts for 1Q17

NEW 2017-2021 STRATEGIC PLAN

> In the heart of the Electricity System



FY2016 RESULTS

> Positive 9M results to support guidance

> THANK YOU. QUESTIONS?

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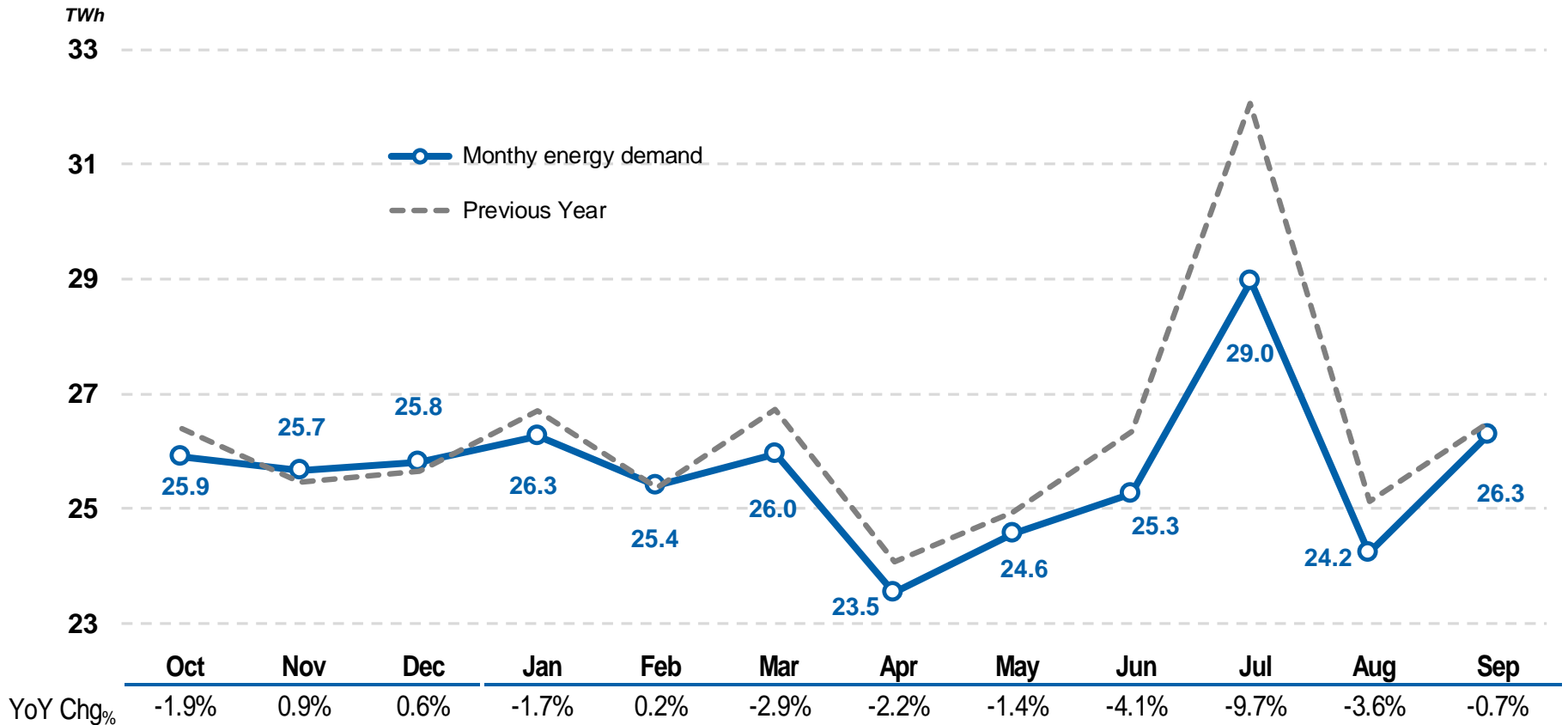
> Annexes

Annex

Electricity Market Trends – Last 12 Months

DEMAND AS REPORTED (TWh)

9M15	9M16	Δ %
237.8	230.5	-3.1%



Annex

Consolidated Income Statement¹

€ mn	9M15	9M16	Δmn	Δ%
<i>Transmission</i>	1,261	1,306	45	3.6%
<i>Dispatching</i>	94	84	-11	-11%
<i>Other²</i>	12	24	12	105%
Regulated Activities	1,367	1,413	47	3.4%
Non Regulated Act.	138	128	-10	-7.3%
IFRIC12	13	10	-2	-20%
Total Revenues	1,517	1,551	34	2.3%
<i>Labour Costs</i>	141	138	-2	-1.7%
<i>External Costs</i>	83	107	24	29%
<i>Other</i>	21	20	-1	-4.2%
Regulated Activities	245	265	21	8.5%
Non Regulated Act.	99	99	1	0.5%
IFRIC12	13	10	-2	-20%
Total Costs	356	375	19	5.3%
EBITDA	1,161	1,176	15	1.3%
<i>D&A</i>	362	403	41	11%
EBIT	799	773	-26	-3.2%
<i>Net Financial Charges</i>	117	60	-57	-48%
Pre Tax Profit	682	713	31	4.5%
<i>Taxes</i>	227	228	1	0.6%
<i>Tax Rate (%)</i>	33%	32%		
Total Net Income	455	485	30	6.5%
<i>Minority Interest</i>	0	-2	-2	
Group Net Income	455	487	32	7.0%

Annex

Group Costs Breakdown

€ mn	9M15	9M16	Δmn	Δ%
<i>Labour Costs</i>	163	166	2	1.5%
<i>Services</i>	97	121	24	25%
<i>Materials</i>	56	51	-6	-10%
<i>Other</i>	27	27	0	1.5%
IFRIC12	13	10	-2	-20%
Total Costs	356	375	19	5.3%

Annex

P&L Quarterly Analysis

€ mn	1Q15	1Q16	Δ	2Q15	2Q16	Δ	3Q15	3Q16	Δ
<i>Regulated Activities</i>	479	471	-7	432	471	39	456	471	15
<i>Non Regulated Act.</i>	32	43	12	52	47	-4	54	37	-17
<i>IFRIC 12</i>	3	3	0	5	4	0	5	3	-2
Operating Revenues	513	517	4	489	523	34	515	511	-4
<i>Regulated Activities</i>	86	84	-2	83	98	15	76	83	7
<i>Non Regulated Act.</i>	23	36	12	36	38	2	40	25	-14
<i>IFRIC 12</i>	3	3	0	5	4	0	5	3	-2
Operating Expenses	112	122	10	124	141	17	121	112	-9
EBITDA	402	395	-7	365	382	17	394	399	5
<i>D&A</i>	120	131	11	123	136	13	119	136	17
EBIT	281	264	-17	242	246	4	275	263	-12
<i>Net Financial Charges</i>	31	19	-12	33	17	-16	53	24	-29
Pre Tax Profit	250	245	-6	210	229	19	222	239	17
<i>Taxes</i>	85	83	-2	65	67	2	77	78	1
Total Net Income	165	161	-4	145	161	17	145	162	17
<i>Minority Interest</i>		-1	-1		-1	-1		-0.4	-0.4
Group Net Income	165	162	-3	145	163	18	145	162	17
Total Group Capex	177	158	-19	262	189	-73	263	183	-80
Net Debt (end of period)	6,518	7,687		6,876	8,172		6,561	7,801	

Annex

Consolidated Balance Sheet

€ mn	Dec. 31,2015	Sep. 30,2016	Δmn
PP&E	12,079	12,225	146
Intangible Asset	530	514	-16
Financial Inv. and Other	90	93	4
Total Fixed Assets	12,698	12,832	134
Net WC	-977	-1,125	-149
Funds	-373	-359	15
Total Net Invested Capital	11,349	11,348	0
<i>Financed by</i>			
Consolidated Net Debt	8,003	7,801	-202
Total Shareholder's Equity	3,346	3,547	202
Total	11,349	11,348	0
D/E Ratio	2.4	2.2	
D/D+E Ratio	0.7	0.7	
Number of Shares ('000)	2,010	2,010	

Annex

Consolidated Cash Flow

€ mn	9M15	9M16	Δmn
<i>Total Net Income</i>	455	485	30
<i>D&A¹</i>	361	398	37
<i>Debt Service</i>	117	60	-57
<i>Net Change in Funds</i>	-42	-15	28
Operating Cash Flow	890	928	37
<i>Δ Working Capital & Other²</i>	570	147	-422
Cash Flow from Operating Activities	1,460	1,075	-385
<i>Capital Expenditures</i>	-702	-530	172
Free Cash Flow	758	545	-213
<i>Dividends & Equity³</i>	-236	-283	-47
<i>Debt Service</i>	-117	-60	57
Change in Net Cash (Debt)	405	202	-203

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