Terna FY16 Consolidated Results

March 15^{th}, 2017

Agenda

Highlights

	FY 2015	FY 2016 Reported	FY 2016 Δ % vs 2015	FY 2016 Guidance
Revenues	2,082€mn	2,103€mn	+1.0%	~ 2.1€bn ✓
EBITDA	1,539€mn	1,545€mn	+0.4%	~ 1.53€bn ✓
Group Net Income	596€mn	633€mn	+6.3%	
Capex	1,103€mn	854€mn	-23%	~ 0.9€bn ✓
Net Debt	8,003€mn	7,959€mn	-0.5%	
EPS	29.6€cents	31.5€cents		~ 29€cents ✓
DPS	20€cents	20.6€cents [1]	+3.0%	

1. BoD proposal, subject to AGM approval. 13.39€cents final dividend to be paid in June (ex date June 19th 2017, Payment date June 21st 2017)

FY16 Results

Revenues

KEY FIGURES

Total Revenues

2,103€mn

+1.0% yoy

of which

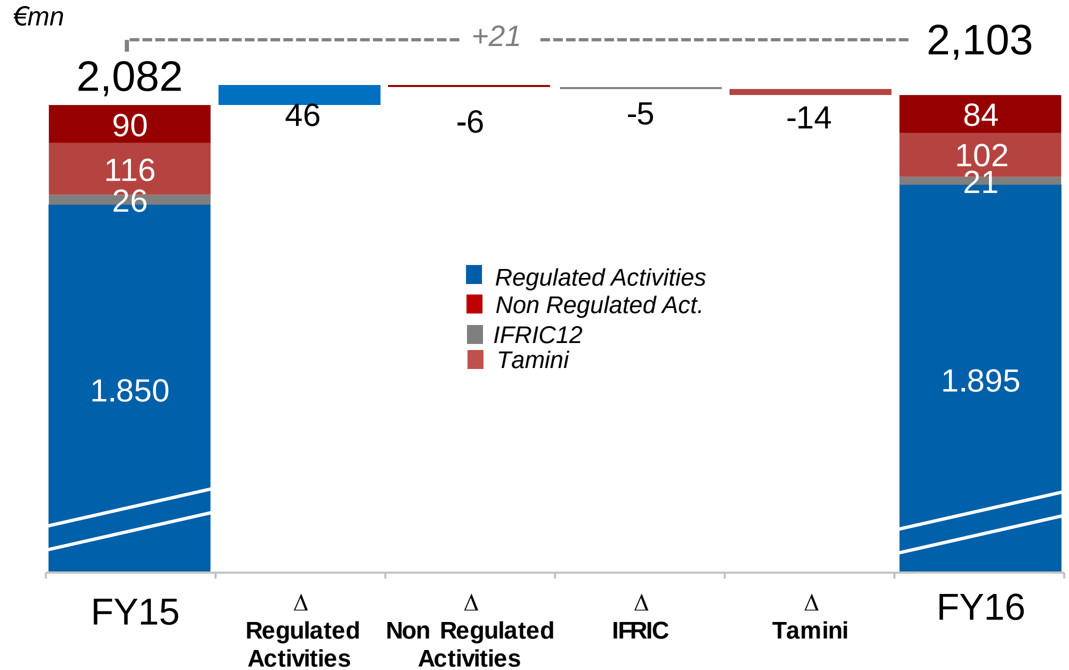
Regulated Activities

1,895€mn

Non Regulated Activities

187€mn

TOTAL REVENUES EVOLUTION



€ mn	FY15	FY16	Δ yoy	Δ % yoy
Regulated Activities	1,850	1,895	46	2.5%
Non Regulated Act.	206	187	-20	-9.5%
o/w Tamini	*116*	*102*	*-14*	*-12%*
Other Non Regulated Act.	*90*	*84*	*-6*	*-6.7%*
IFRIC12	26	21	-5	-19%
Total	**2,082**	**2,103**	**21**	**1.0%**

FY16 Results

Revenues Analysis

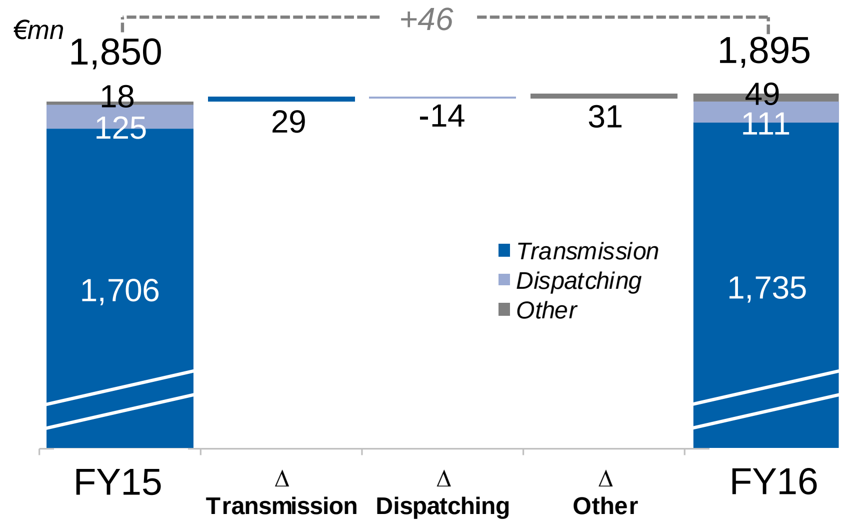
REGULATED ACTIVITIES

Transmission

RHV Grid acquisition offsets regulatory review

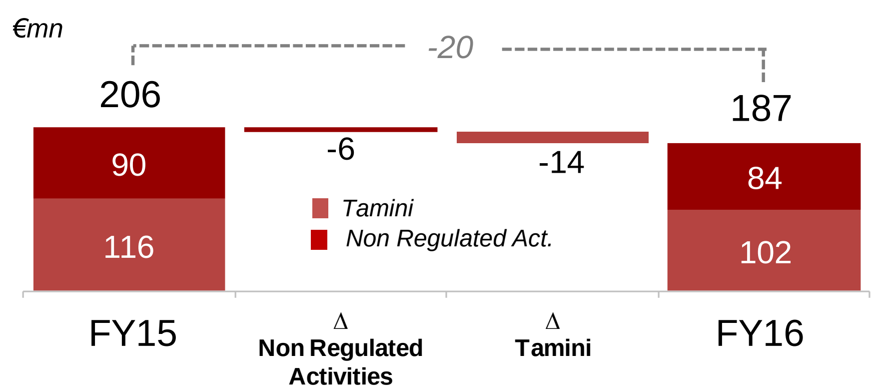
Other

Quality of Service



NON REGULATED ACTIVITIES

Higher TLC, lower EPC



FY16 Results
Opex Analysis

KEY FIGURES

Total Costs[1]
559€mn

Regulated Activities
400€mn

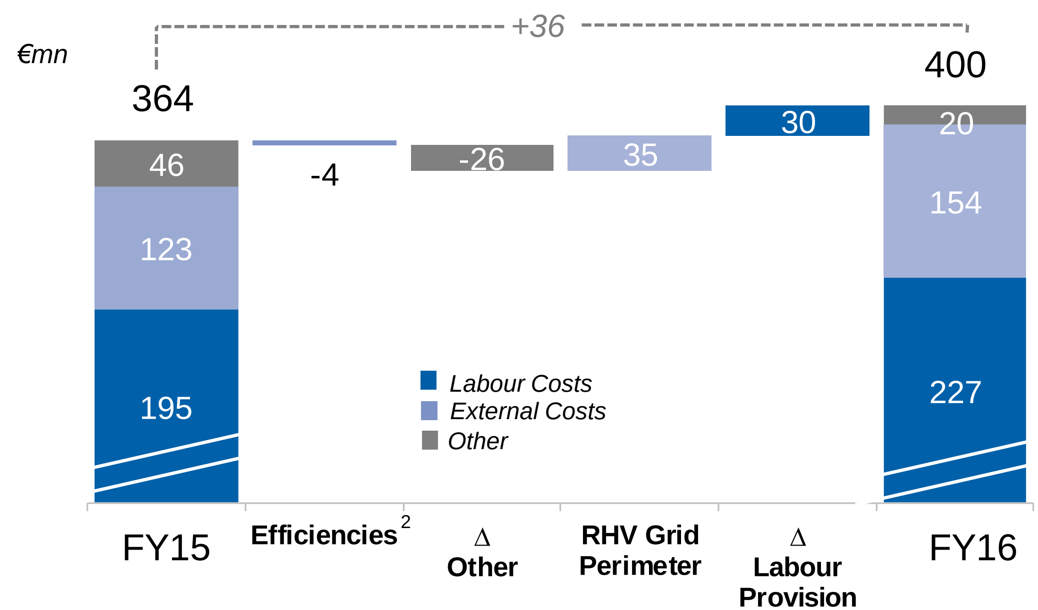
Non Regulated Activities
137€mn

REGULATED ACTIVITIES

Other
Quality of Service

Labour
Provision for Voluntary Turnover

External
RHV Grid Service Contract



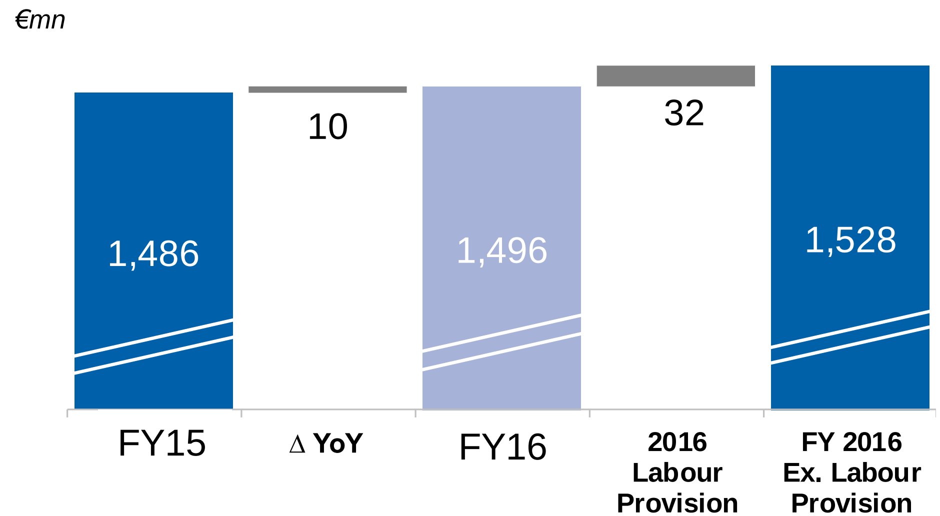
1. Including IFRIC 12
2. Labour and external costs net of Δ labour provision and RHV Grid perimeter

FY16 Results
EBITDA Analysis

REGULATED ACTIVITIES

78.9% Margin

80.6% Margin
Net of Labour Provision

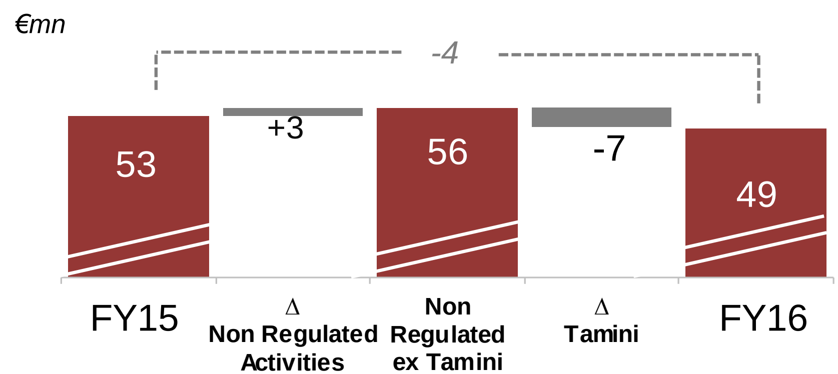


NON REGULATED ACTIVITIES

Non Regulated ex Tamini

56€mn
EBITDA

66.5%
EBITDA Margin



FY16 Results
From EBITDA to Net Income

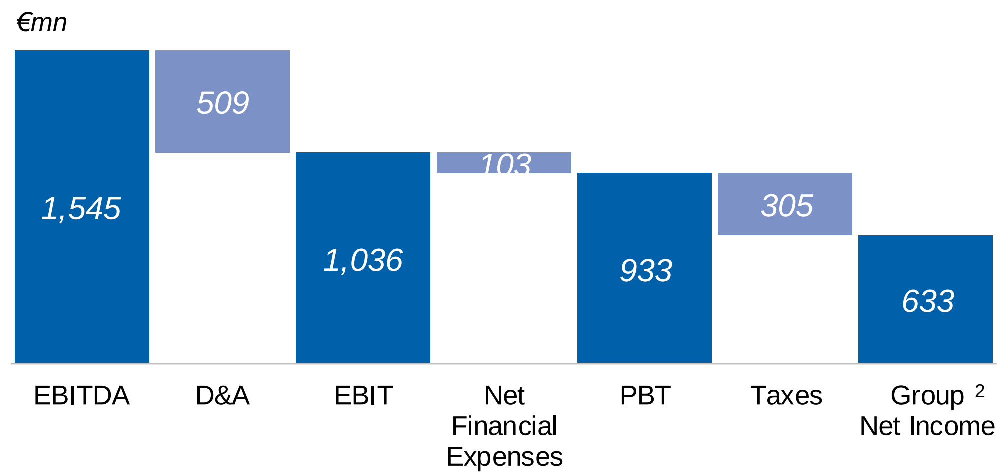
KEY FIGURES

Group EBITDA
1,545€mn
+0.4% yoy

Group EBITDA Margin
73.4%[1]

Group Net Income[2]
633€mn
+6.3% yoy

PROFIT & LOSS



€ mn	FY15	FY16	Δ	Δ %
EBITDA	**1,539**	**1,545**	6	0.4%
Ebitda %	*73.9%*	*73.4%*		
D&A	517	509	-8	-1.6%
EBIT	**1,022**	**1,036**	14	1.3%
Net Financial Expenses	141	103	-38	-27%
PBT	**881**	**933**	52	5.9%
Tax Rate	32%	33%		
Taxes	286	305	19	6.7%
Group Net Income[2]	**596**	**633**	38	6.3%

1. 75% net of provision on labour costs
2. Attributable to Terna

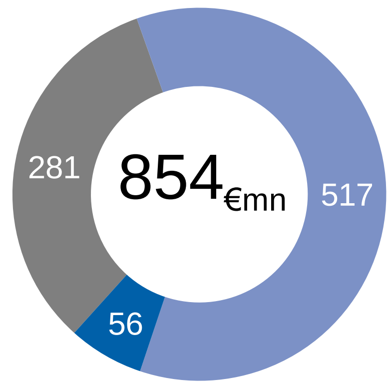
FY16 Results
Capex

KEY FIGURES

Regulated Capex
799€mn

BREAKDOWN

€mn



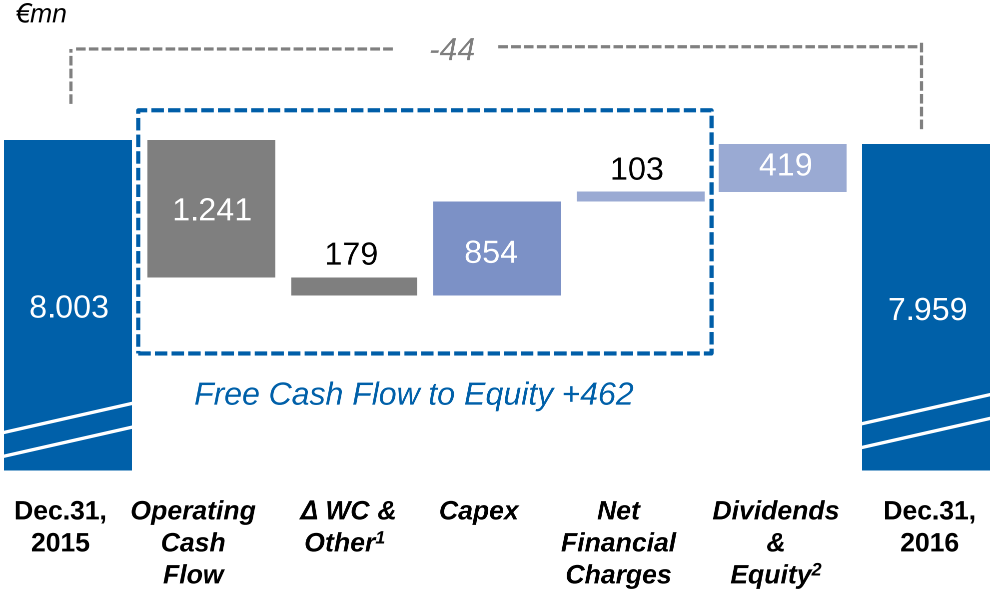
Category (€mn)	**FY15**	**FY16**	*Δ yoy*	*Δ % yoy*
Capex at 1% Incentive		281		
Capex at Base Return		517		
Regulated Capex	**1,035**	**799**	*-236*	*-23%*
Other	68	56 [1]	*-12*	*-18%*
Total Group Capex	**1,103**	**854**	*-249*	*-23%*

NOTE: Terna's estimates, subject to AEEGSI approval

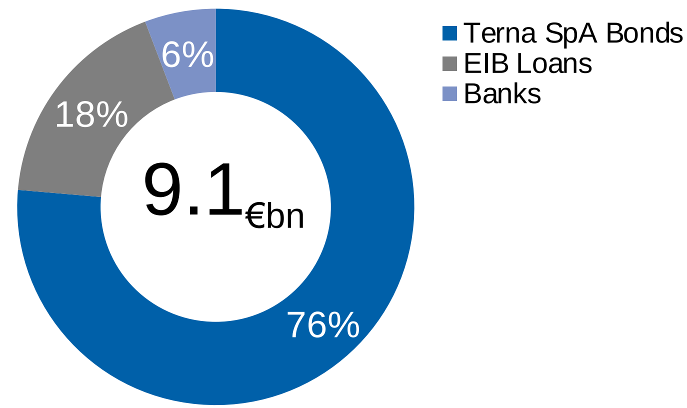
1. *Of which 16 €mn of Capitalized Financial Charges*

FY16 Results
Net Debt Evolution & Financial Structure

FCF AND NET DEBT EVOLUTION



GROSS DEBT BREAKDOWN[3]



Rating confirmed after new Plan[4]

1. Including Other Fixed Assets Changes, Change in Capital & Other
2. Including Cash Flow Hedge accruals and other
3. IAS accounting
4. By Fitch and Moody's

THANK YOU.
QUESTIONS?

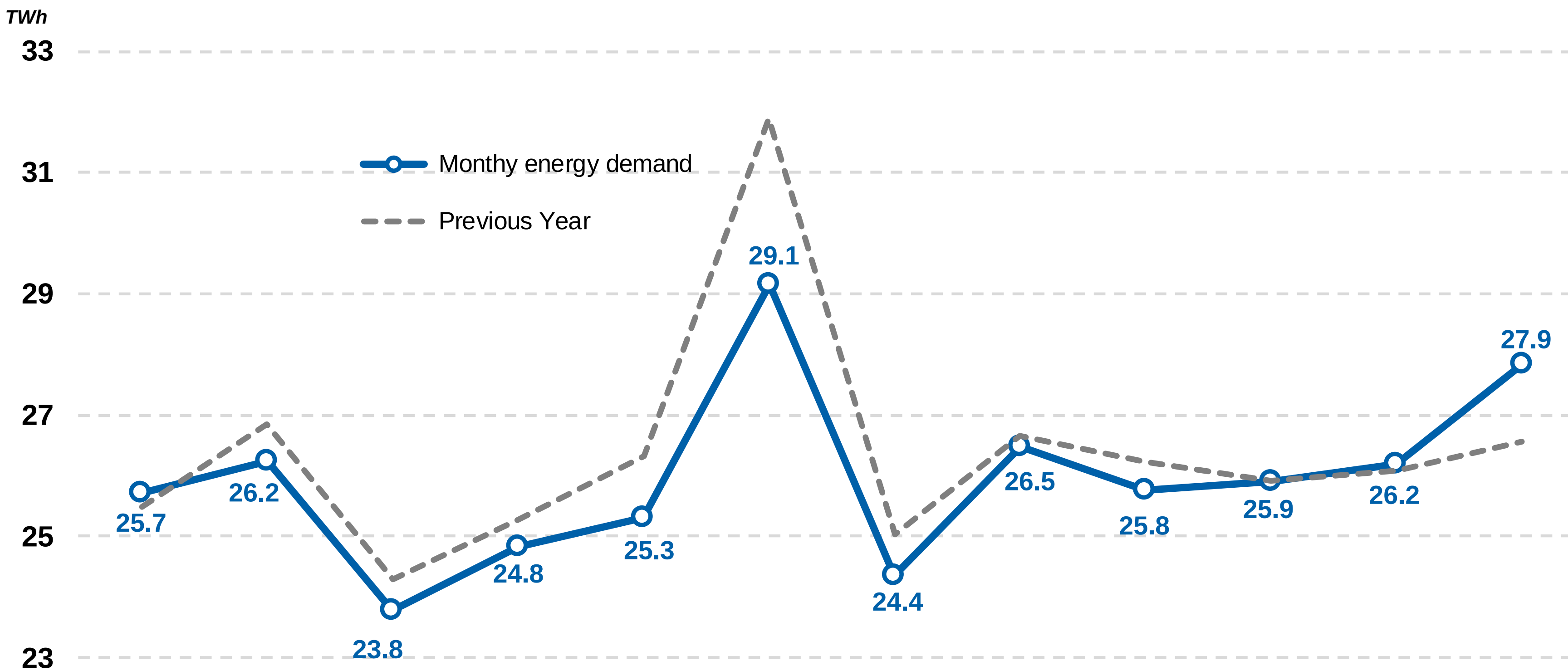
Annexes

Annex

Electricity Market Trends – Last 12 Months

DEMAND AS REPORTED (TWh)

FY 2016	FY 2015	Δ %	Jan16	Jan17	Δ %
310.3	316.9	*-2.1%*	26.6	27.9	*4.9%*



	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dic	Jan
YoY Chg%	0.9%	-2.3%	-2.2%	-1.7%	-3.8%	-8.6%	-2.7%	-0.6%	-1.7%	-0.1%	0.4%	4.9%

NOTE: 2015 final figures. 2016 and 2017 provisional figures (as of January 2017)

Annex
Consolidated Income Statement[1]

€ mn	FY15	FY16	Δmn	Δ%
Transmission	*1,706*	*1,735*	*29*	*1.7%*
Dispatching	*125*	*111*	*-14*	*-11%*
Other [2]	*18*	*49*	*31*	*171%*
Regulated Activities	1,850	1,895	*46*	*2.5%*
Non Regulated Act.	206	187	*-20*	*-9.5%*
IFRIC12	26	21	*-5*	*-19%*
Total Revenues	**2,082**	**2,103**	***21***	***1.0%***
Labour Costs	*195*	*227*	*32*	*16%*
External Costs	*123*	*154*	*30*	*25%*
Other	*46*	*20*	*-26*	*-57%*
Regulated Activities	364	400	*36*	*9.9%*
Non Regulated Act.	153	137	*-15*	*-10%*
IFRIC12	26	21	*-5*	*-19%*
Total Costs	**543**	**559**	***16***	***2.9%***
EBITDA	**1,539**	**1,545**	***6***	***0.4%***
D&A	*517*	*509*	*-8*	*-1.6%*
EBIT	**1,022**	**1,036**	***14***	***1.3%***
Net Financial Charges	*141*	*103*	*-38*	*-27%*
Pre Tax Profit	**881**	**933**	***52***	***5.9%***
Taxes	*286*	*305*	*19*	*6.7%*
Tax Rate (%)	*32%*	*33%*		
Total Net Income	**595**	**628**	***33***	***5.5%***
Minority Interest	*0*	*-5*	*-5*	
Group Net Income	**596**	**633**	***38***	***6.3%***

1. *Managerial Accounting*
2. *Quality of Service + Other Revenues*

Annex

P&L Quarterly Analysis

€ mn	1Q15	1Q16	Δ	2Q15	2Q16	Δ	3Q15	3Q16	Δ	4Q15	4Q16	Δ
Regulated Activities	*479*	*471*	*-7*	*432*	*471*	*39*	*456*	*471*	*15*	*483*	*482*	*-1*
Non Regulated Act.	*32*	*43*	*12*	*52*	*47*	*-4*	*54*	*37*	*-17*	*69*	*59*	*-10*
IFRIC 12	*3*	*3*	*0*	*5*	*4*	*0*	*5*	*3*	*-2*	*14*	*11*	*-3*
Operating Revenues	**513**	**517**	***4***	**489**	**523**	***34***	**515**	**511**	***-4***	**565**	**552**	***-13***
Regulated Activities	*86*	*84*	*-2*	*83*	*98*	*15*	*76*	*83*	*7*	*119*	*135*	*15*
Non Regulated Act.	*23*	*36*	*12*	*36*	*38*	*2*	*40*	*25*	*-14*	*54*	*38*	*-16*
IFRIC 12	*3*	*3*	*0*	*5*	*4*	*0*	*5*	*3*	*-2*	*14*	*11*	*-3*
Operating Expenses	**112**	**122**	***10***	**124**	**141**	***17***	**121**	**112**	***-9***	**187**	**184**	***-3***
EBITDA	**402**	**395**	***-7***	**365**	**382**	***17***	**394**	**399**	***5***	**378**	**368**	***-10***
D&A	*120*	*131*	*11*	*123*	*136*	*13*	*119*	*136*	*17*	*155*	*106*	*-49*
EBIT	**281**	**264**	***-17***	**242**	**246**	***4***	**275**	**263**	***-12***	**224**	**263**	***39***
Net Financial Charges	*31*	*19*	*-12*	*33*	*17*	*-16*	*53*	*24*	*-29*	*24*	*42*	*18*
Pre Tax Profit	**250**	**245**	***-6***	**210**	**229**	***19***	**222**	**239**	***17***	**200**	**221**	***21***
Taxes	85	83	*-2*	65	67	*2*	77	78	*1*	59	77	*18*
Total Net Income	**165**	**161**	***-4***	**145**	**161**	***17***	**145**	**162**	***17***	**140**	**143**	***3***
Minority Interest		*-1*	*-1*		-1	*-1*		-0.4	*-0.4*	-0.2	-2.9	
Group Net Income	**165**	**162**	***-3***	**145**	**163**	***18***	**145**	**162**	***17***	**141**	**146**	***6***
Total Group Capex	**177**	**158**	**-19**	**262**	**189**	**-73**	**263**	**183**	**-80**	**401**	**324**	**-77**
Net Debt (end of period)	**6,518**	**7,687**		**6,876**	**8,172**		**6,561**	**7,801**		**8,003**	**7,959**	

Annex
Consolidated Balance Sheet

€ mn	Dec. 31,2015	Dec. 31,2016	Δmn
PP&E	*12,079*	*12,386*	*307*
Intangible Asset	*530*	*516*	*-14*
Financial Inv. and Other	*90*	*89*	*0*
Total Fixed Assets	12,698	12,991	294
Net WC	-976	-1,093	-117
Funds	-374	-385	-11
Total Net Invested Capital	**11,349**	**11,514**	**166**
Financed by			
Consolidated Net Debt	8,003	7,959	-44
Total Shareholder's Equity	3,346	3,555	209
Total	**11,349**	**11,514**	**166**
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	FY15	FY16	Δmn
Total Net Income	*595*	*628*	*33*
D&A [1]	*517*	*509*	*-8*
Net Financial Charges	*141*	*103*	*-38*
Net Change in Funds	*-65*	*1*	*66*
Operating Cash Flow	**1,189**	**1,241**	**52**
Δ Working Capital & Other [2]	*-639*	*179*	**818**
Cash Flow from Operating Activities	**550**	**1,419**	**870**
Capital Expenditures	*-1,103*	*-854*	**249**
Net Financial Charges	*-141*	*-103*	*38*
Free Cash Flow to Equity	**-695**	**462**	**1,157**
Dividends & Equity [3]	*-342*	*-419*	*-76*
Change in Net Cash (Debt)	**-1,037**	**44**	**1,081**

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

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