



Terna 1H17

Consolidated Results

July 27th, 2017

Agenda

○ Highlights	3
○ 1H17 Results	6
○ Closing Remarks	15
○ Annexes	17

Highlights (1/3)

Italian Electricity Market Outlook

Thermal generation **decommissioning trend** ongoing

Adequacy issues both in winter and summer time

Extreme weather conditions call for further investments in **Resiliency**

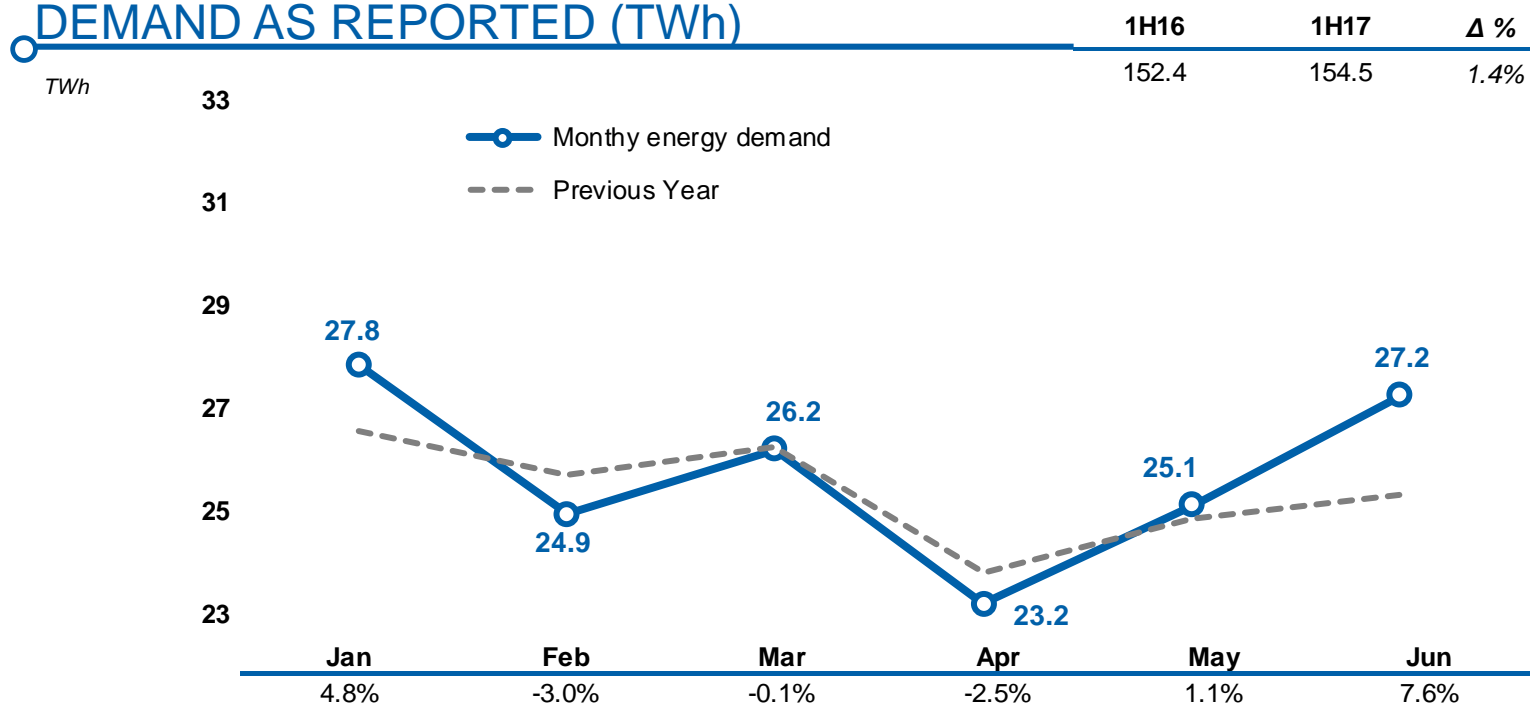
New challenges from expected **new RES targets** and **coal phase out**

Investments as enabler of energy transition

Highlights (2/3)

Demand Evolution

DEMAND AS REPORTED (TWh)



1H17 energy demand at 154 TWh

Highlights (3/3)

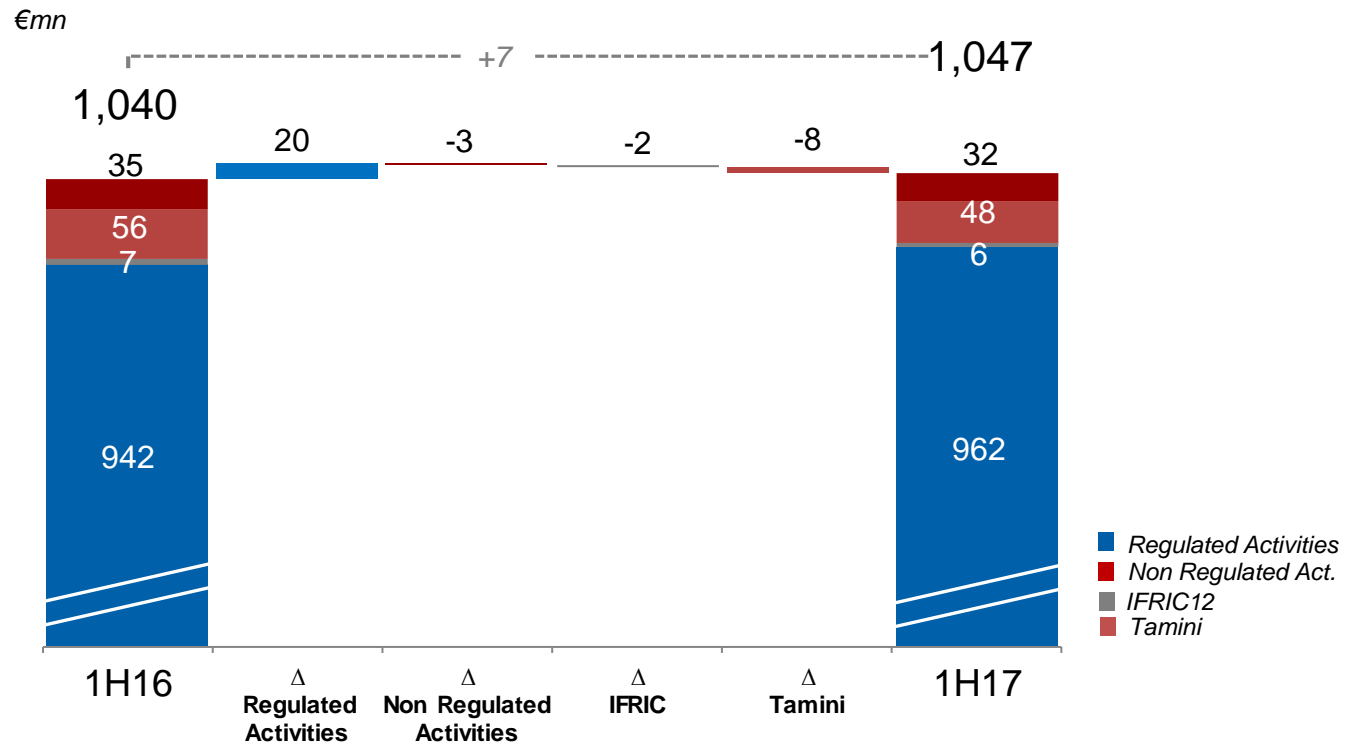
1H17 Key Numbers

€mn	1H 2016	1H 2017	Δ vs 1H2016
<i>Revenues</i>	1,040	1,047	+0.7%
<i>EBITDA</i>	777	795	+2.3%
<i>Group Net Income</i>	325	351	+8.2%
<i>Capex</i>	347	326	
	FY 2016	1H 2017	
<i>Net Debt</i>	7,959	7,942	

Solid numbers support positive cash flow generation

1H17 Results

Revenues

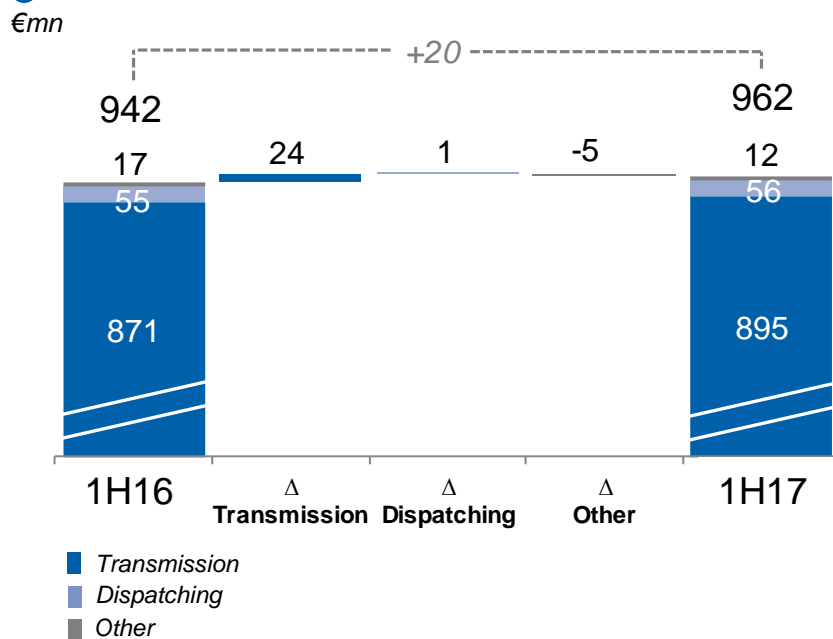


Revenues increase driven by regulated activities

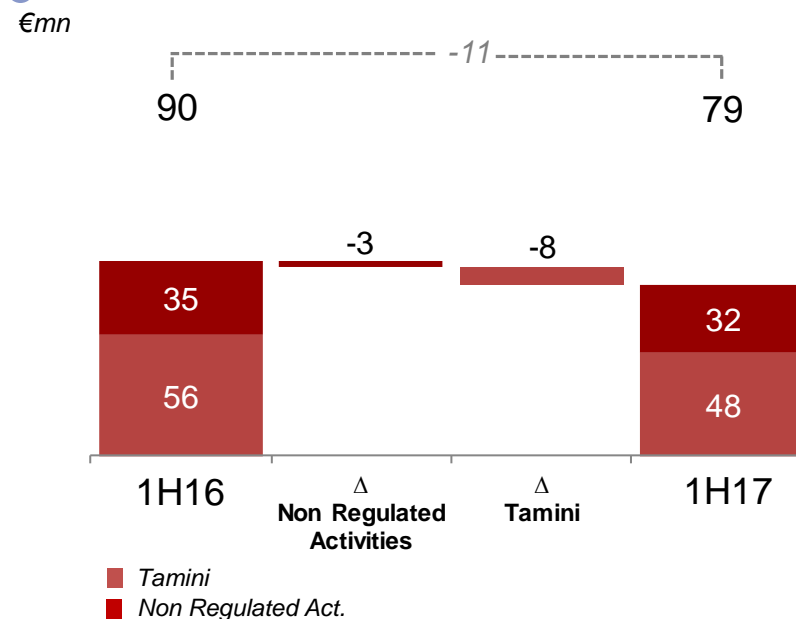
1H17 Results

Revenues Analysis

REGULATED ACTIVITIES



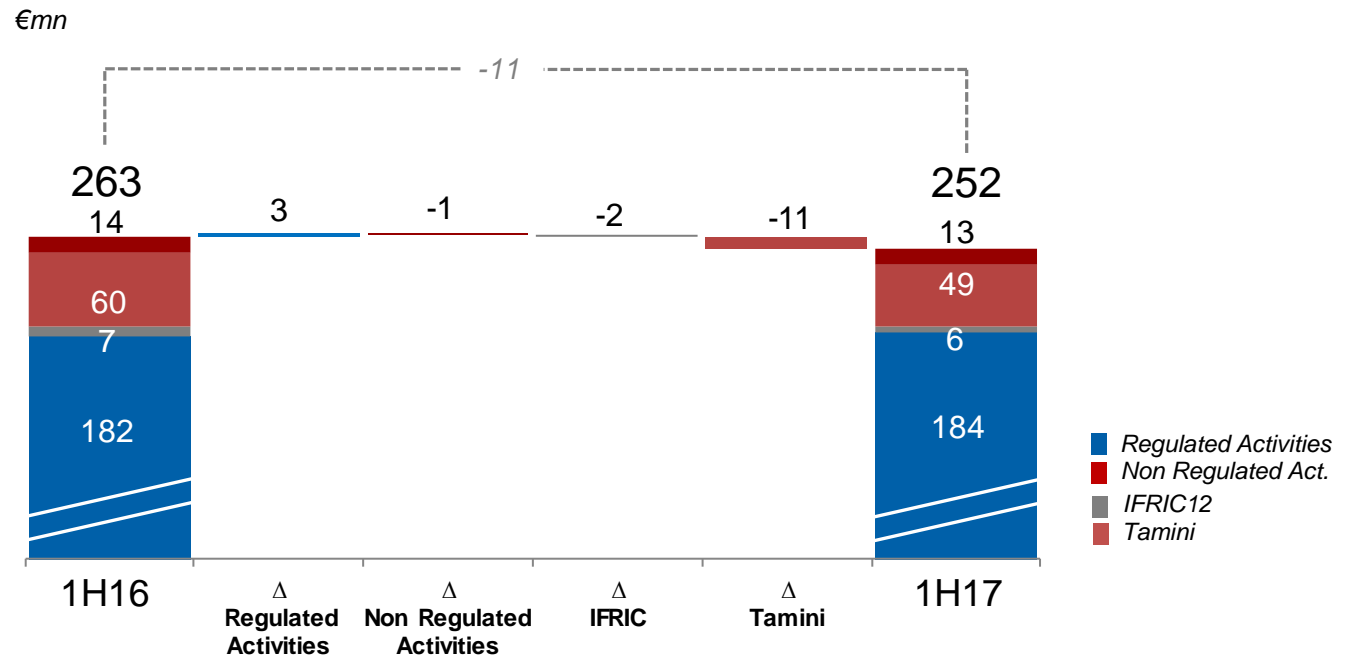
NON REGULATED ACTIVITIES



Full recognition of RHV Grid Regulated Revenues

1H17 Results

Opex



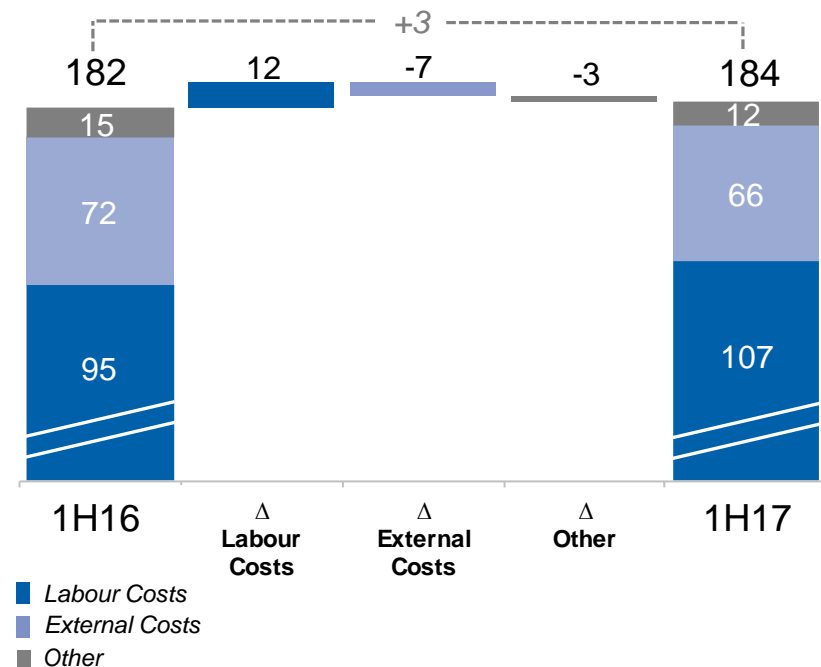
Maintaining a strict cost control

1H17 Results

Opex Analysis

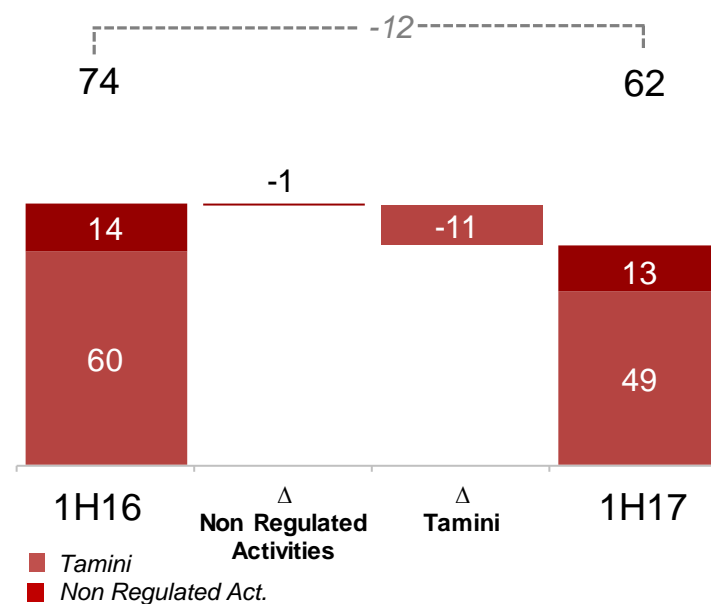
REGULATED ACTIVITIES

€mn



NON REGULATED ACTIVITIES

€mn



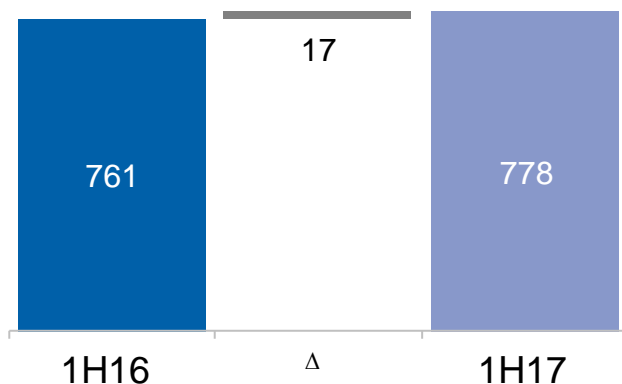
RHV Grid O&M activities insourcing

1H17 Results

EBITDA

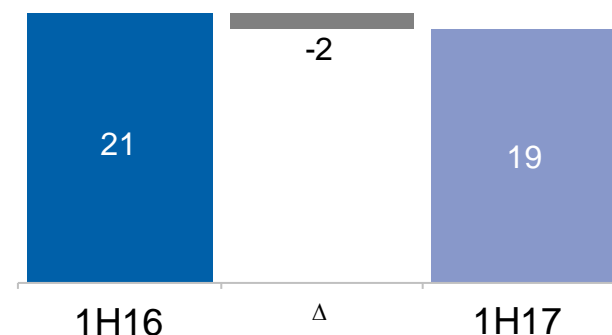
REGULATED ACTIVITIES

€mn



NON REGULATED ACTIVITIES¹

€mn

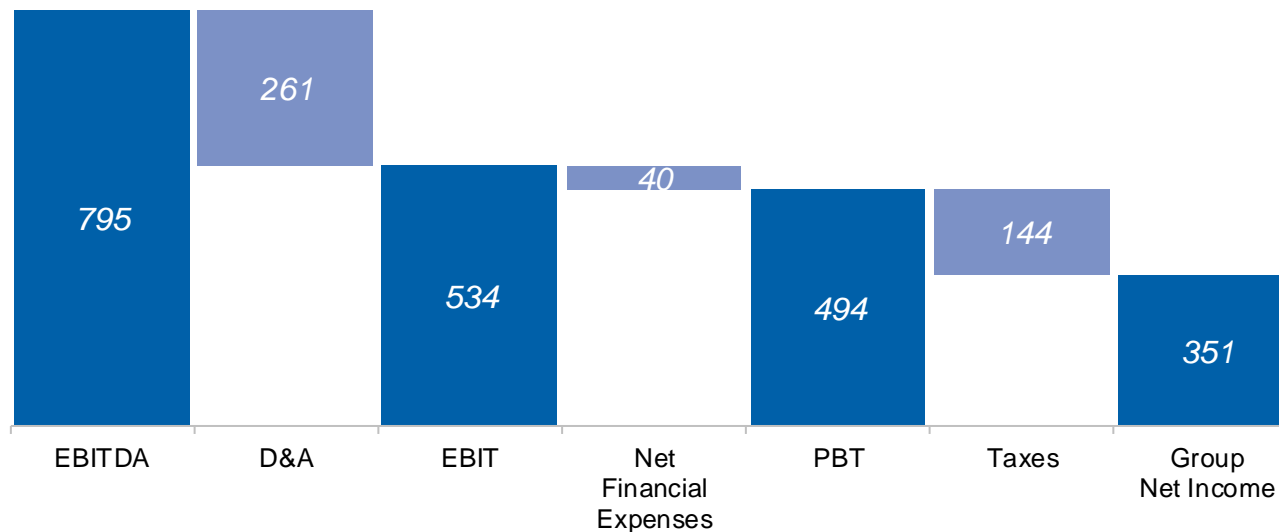


Solid profitability margin

1H17 Results

From EBITDA to Net Income

€mn



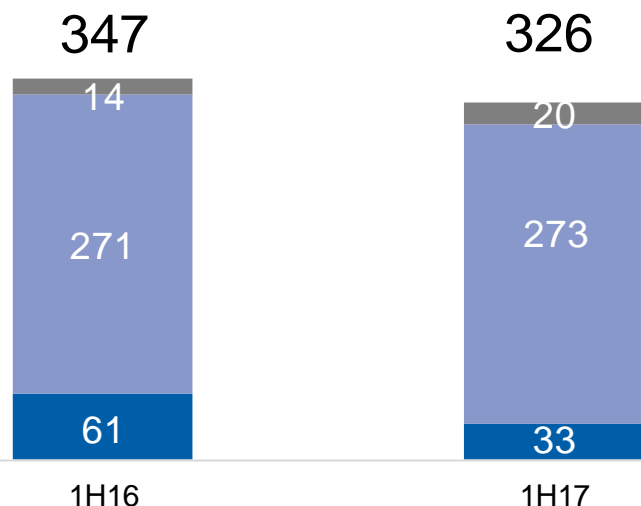
8% growth YoY at net income level

1H17 Results

Capex

TOTAL CAPEX

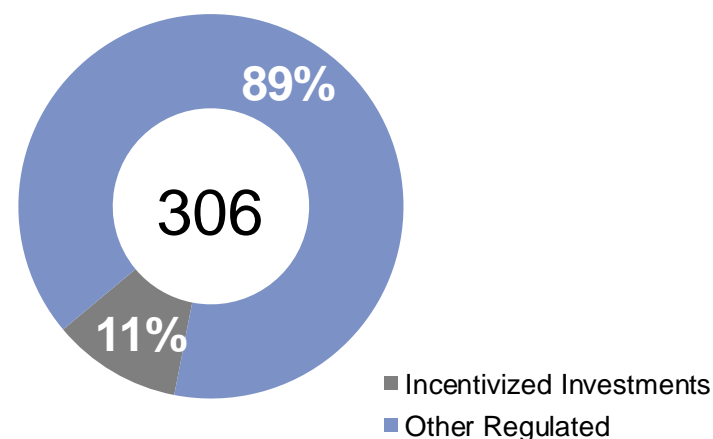
€mn



■ Incentivized Investments¹ ■ Other Regulated ■ Other²

REGULATED CAPEX

€mn

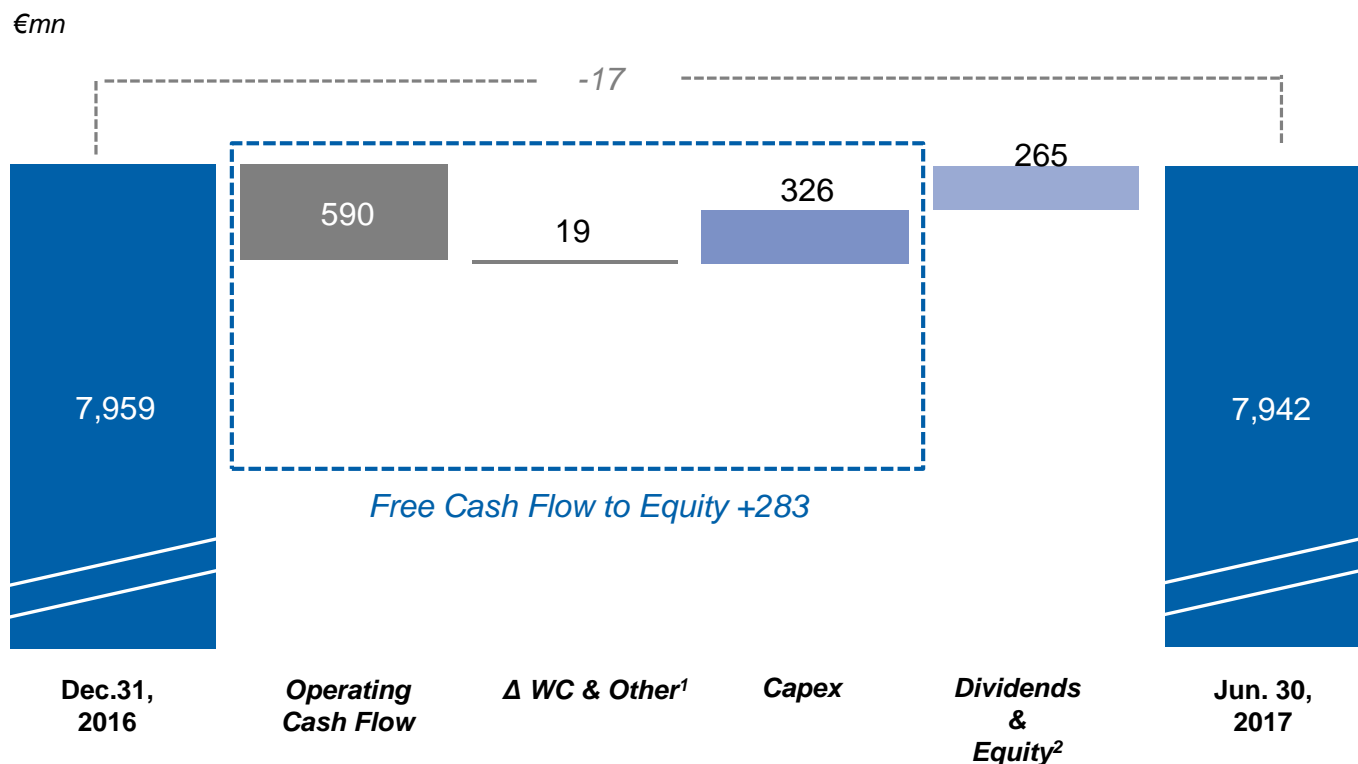


■ Incentivized Investments
■ Other Regulated

Projects execution in line with Strategic Plan

1H17 Results

Cash Flow & Net Debt Evolution

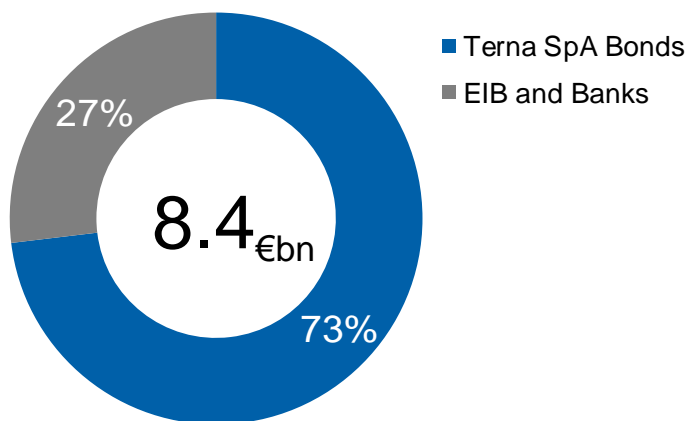


Positive cash flow generation covers dividends and capex

1H17 Results

Net Debt Evolution & Financial Structure

GROSS DEBT BREAKDOWN¹



KEY RATIOS

Fixed/floating ratio

83/17

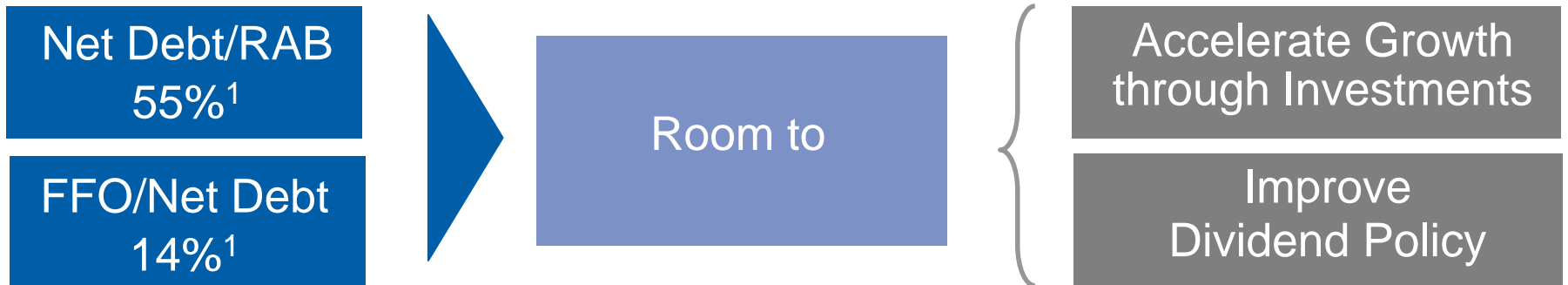
Calculated on Gross Debt

Maturity

5.3 years

Maintaining a solid balance sheet

Closing Remarks (1/2)



Further value creation for our stakeholders

Closing Remarks (2/2)

Optimizing our financial structure preserving a rock solid balance sheet

Maintaining a strict **low risk profile**

Enhancing **efforts on sustainable investments** to unlock value in particular in Italy

Combining yield and growth as a key
value creation opportunity

○ Annexes

Annex

Consolidated Income Statement¹

€ mn	1H16	1H17	Δmn	Δ%
<i>Transmission</i>	871	895	24	2.7%
<i>Dispatching</i>	55	56	1	1.5%
<i>Other ²</i>	17	12	-5	-29%
Regulated Activities	942	962	20	2.1%
Non Regulated Act.	90	79	-11	-12%
IFRIC12	7	6	-2	-21%
Total Revenues	1,040	1,047	7	0.7%
<i>Labour Costs</i>	95	107	12	13%
<i>External Costs</i>	72	66	-7	-9.1%
<i>Other</i>	15	12	-3	-19%
Regulated Activities	182	184	3	1.4%
Non Regulated Act.	74	62	-12	-16%
IFRIC12	7	6	-2	-21%
Total Costs	263	252	-11	-4.1%
EBITDA	777	795	18	2.3%
<i>D&A</i>	267	261	-6	-2.4%
EBIT	510	534	24	4.7%
<i>Net Financial Charges</i>	36	40	3	9.4%
Pre Tax Profit	474	494	21	4.4%
<i>Taxes</i>	151	144	-7	-4.5%
<i>Tax Rate (%)</i>	32%	29%		
Total Net Income	323	351	28	8.5%
<i>Minority Interest</i>	-2	-1	1	
Group Net Income	325	351	27	8.2%

Annex

P&L Quarterly Analysis

€ mn	1Q16	1Q17	Δ	2Q16	2Q17	Δ
<i>Regulated Activities</i>	471	488	16	471	474	3
<i>Non Regulated Act.</i>	43	34	-9	47	46	-2
<i>IFRIC 12</i>	3	2	0	4	3	-1
Operating Revenues	517	524	7	523	523	0
<i>Regulated Activities</i>	84	91	7	98	94	-4
<i>Non Regulated Act.</i>	36	28	-7	38	34	-4
<i>IFRIC 12</i>	3	2	0	4	3	-1
Operating Expenses	122	121	-1	141	131	-10
EBITDA	395	403	8	382	392	10
<i>D&A</i>	131	130	-1	136	131	-5
EBIT	264	273	9	246	261	15
<i>Net Financial Charges</i>	19	21	1	17	19	2
Pre Tax Profit	245	252	8	229	242	13
<i>Taxes</i>	83	74	-10	67	70	3
Total Net Income	161	179	17	161	172	10
<i>Minority Interest</i>	-1	-1	0	-1	0	1
Group Net Income	162	179	17	163	172	9
Total Group Capex	158	100	-58	189	226	37
Net Debt (end of period)	7,687	7,445		8,172	7,942	

Annex

Consolidated Balance Sheet

€ mn	Dec. 31,2016	Jun. 30,2017	Δmn
<i>PP&E</i>	12,386	12,459	73
<i>Intangible Asset</i>	516	505	-12
<i>Financial Inv. and Other</i>	89	92	2
Total Fixed Assets	12,991	13,055	63
Net WC	-1,093	-1,109	-17
Funds	-385	-363	21
Total Net Invested Capital	11,514	11,582	68
<i>Financed by</i>			
Consolidated Net Debt	7,959	7,942	-17
Total Shareholder's Equity	3,555	3,640	85
Total	11,514	11,582	68
D/E Ratio	2.2	2.2	
D/D+E Ratio	0.7	0.7	
Number of Shares ('000)	2,010	2,010	

Annex

Consolidated Cash Flow

€ mn	1H16	1H17	Δmn
<i>Total Net Income</i>	323	351	28
<i>D&A¹</i>	265	261	-5
<i>Net Change in Funds</i>	4	-21	-26
Operating Cash Flow	592	590	-3
<i>Δ Working Capital & Other²</i>	-135	19	153
Cash Flow from Operating Activities	458	608	151
<i>Capital Expenditures</i>	-347	-326	21
Free Cash Flow to Equity	111	283	172
<i>Dividends & Equity³</i>	-280	-265	15
Change in Net Cash (Debt)	-170	17	187

Disclaimer

THIS DOCUMENT HAS BEEN PREPARED BY TERNA S.P.A. (THE "COMPANY") FOR THE SOLE PURPOSE DESCRIBED HEREIN. IN NO CASE MAY IT BE INTERPRETED AS AN OFFER OR INVITATION TO SELL OR PURCHASE ANY SECURITY ISSUED BY THE COMPANY OR ITS SUBSIDIARIES.

THE CONTENT OF THIS DOCUMENT HAS A MERELY INFORMATIVE AND PROVISIONAL NATURE AND THE STATEMENTS CONTAINED HEREIN HAVE BEEN INDEPENDENTLY VERIFIED. NEITHER THE COMPANY NOR ANY OF ITS REPRESENTATIVES SHALL ACCEPT ANY LIABILITY WHATSOEVER (WHETHER IN NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY FROM THE USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT OR ANY MATERIAL DISCUSSED DURING THE PRESENTATION.

THIS DOCUMENT MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. THE INFORMATION CONTAINED HEREIN AND OTHER MATERIAL DISCUSSED AT THE CONFERENCE CALL MAY INCLUDE FORWARD-LOOKING STATEMENTS THAT ARE NOT HISTORICAL FACTS, INCLUDING STATEMENTS ABOUT THE COMPANY'S BELIEFS AND EXPECTATIONS. THESE STATEMENTS ARE BASED ON CURRENT PLANS, ESTIMATES, PROJECTIONS AND PROJECTS, AND CANNOT BE INTERPRETED AS A PROMISE OR GUARANTEE OF WHATSOEVER NATURE.

HOWEVER, FORWARD-LOOKING STATEMENTS INVOLVE INHERENT RISKS AND UNCERTAINTIES AND ARE CURRENT ONLY AT THE DATE THEY ARE MADE. WE CAUTION YOU THAT A NUMBER OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND PROVISIONS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENT. SUCH FACTORS INCLUDE, BUT ARE NOT LIMITED TO: TRENDS IN COMPANY'S BUSINESS, ITS ABILITY TO IMPLEMENT COST-CUTTING PLANS, CHANGES IN THE REGULATORY ENVIRONMENT, DIFFERENT INTERPRETATION OF THE LAW AND REGULATION, ITS ABILITY TO SUCCESSFULLY DIVERSIFY AND THE EXPECTED LEVEL OF FUTURE CAPITAL EXPENDITURES. THEREFORE, YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. TERNA DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN TERNA'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGES IN EVENTS.

EXECUTIVE IN CHARGE OF THE PREPARATION OF ACCOUNTING DOCUMENTS "TIZIANO CECCARANI" DECLARES, PURSUANT TO PARAGRAPH 2 OF ARTICLE 154-BIS OF THE CONSOLIDATED LAW ON FINANCE, THAT THE ACCOUNTING INFORMATION CONTAINED IN THIS PRESENTATION, FOR WHAT CONCERNS THE ACTUAL FIGURES, CORRESPONDS TO THE DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.

THE SORGENTE-RIZZICONI PROJECT INTERCONNECTION IS CO-FINANCED BY THE EUROPEAN UNION'S EUROPEAN ENERGY PROGRAMME FOR RECOVERY PROGRAMME. THE SOLE RESPONSIBILITY OF THIS PUBLICATION LIES WITH THE AUTHOR. THE EUROPEAN UNION IS NOT RESPONSIBLE FOR ANY USE THAT MAY BE MADE OF THE INFORMATION CONTAINED THEREIN.

Notes

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

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

 **ROBECOSAM**
Sustainability Award
Silver Class 2017


FTSE4Good

Member 2016/2017
STOXX
ESG LEADERS INDICES

MSCI  2017 Constituent
MSCI Global
Sustainability Indexes

ECPI  Sense in
sustainability


Included in
ETHIBEL
SUSTAINABILITY
INDEX
EXCELLENCE Europe


member of the
INVESTMENT
REGISTER
ETHIBEL
PIONEER &
EXCELLENCE

 **EURONEXT**
vigeo  **eiris**
INDICES

Corporate
Responsibility
rated by
ekom research
Prime

BEST IN CLASS
environmental and
social performance
STOREBRAND SRI 

 **100**
Sustainability Stock Index
powered by Sustainability