

TERNA'S BOARD OF DIRECTORS APPROVED RESULTS AS OF 30 September 2017

Growth in all key economic indicators

- **Revenues** at € 1,627.4 million (€ 1,551 million in 9M16, +4.9%)
- **EBITDA** at € 1,207.1 million (€ 1,176.3 million in 9M16, +2.6%)
- **EBIT** at € 816.9 million (€ 773.1 million in 9M16, +5.7%)
- **Group net profit for the period** at € 528.8 million (€ 486.8 million in 9M16, +8.6%)
- **Net financial debt** at € 7,362.9 million, down by € 596 million compared to 31 December 2016
- 2017 **Interim dividends** of 7.4263 eurocents per share

Rome, 10 November 2017 – The Chief Executive Officer and General Manager Luigi Ferraris illustrated results of the first nine months and the third quarter of 2017, which were today examined and approved by the Board of Directors of Terna S.p.A. ("Terna"), chaired by Catia Bastioli.

"The positive results achieved in the period - said CEO and General Manager, Luigi Ferraris - confirm the company's solid growth, in line with the targets announced to the market for 2017. Robust cash generation will support the acceleration in domestic investments aimed at supporting the energy transition phase and, in particular, the integration of renewables and system security".

9 MONTHS 2017 CONSOLIDATED ECONOMIC AND FINANCIAL RESULTS

€ million	9M 2017	9M 2016	% change
Revenues	1,627.4	1,551	+4.9%
EBITDA (Gross Operating Margin)	1,207.1	1,176.3	+2.6%
EBIT (Operating Profit)	816.9	773.1	+5.7%
Group net profit for the period	528.8	486.8	+8.6%

Revenues in the first 9 months of 2017, of € 1,627.4 million, recorded an increase of € 76.4 million (+4.9%) compared to the same period in 2016.

EBITDA (Gross Operating Margin) of the period came out at € 1,207.1 million, up by € 30.8 million (+2.6%) compared to € 1,176.3 million in the first 9 months of 2016.

This increase was chiefly due to the increase in revenue from **Regulated Activities**, partly offset by higher personnel expenses, owing to an increase in the amounts for insourcing of the O&M activities previously entrusted to RFI which, on the contrary, entails a reduction in the costs of external resources.

Amortisation, depreciation and impairment of the period were € 390.2 million and fell by € 13 million compared to the corresponding period of 2016, owing mainly to lower depreciation due to a review of the useful life of the electricity lines, partially offset by the impact of the entry into operation of new plants.

EBIT (Operating Profit) came out at € 816.9 million, compared to the € 773.1 million of the first 9 months of 2016 (+5.7%).

Net financial expense was € 68.3 million, an increase of € 7.9 million compared to the € 60.4 million of the first 9 months of 2016, mainly because of the inflation trend in the period.

Income taxes amounted to € 221.6 million and fell by € 6.6 million compared to the corresponding period of 2016 (-2.9%) owing essentially to fiscal effects deriving from the applicable legislation.

The **Group net profit for the period** came out at € 528.8 million, up by € 42 million compared to the € 486.8 of the first 9 months of 2016 (+8.6%).

The **consolidated statement of financial position** at 30 September 2017 showed **equity attributable to shareholders of the parent** of € 3,794.5 million, compared to € 3,535.4 million at 31 December 2016.

Net financial debt came out at € 7,362.9 million, down by € 596 million compared to 31 December 2016 (€ 7,958.9 million), thanks mainly to the strong cash generation of the period.

Total investments made by the Terna Group in the first 9 months of 2017, of € 545 million, were in line with the 2017 Guidelines of the Strategic Plan, and compared with the € 530.2 million of the corresponding period of the previous year.

The main projects of the period included progress in the works for the *Italy-Montenegro* and *Italy-France* electrical interconnections, the commissioning of the *Capri-Italian mainland* power line (operational since the end of June) and the “**Udine Ovest-Redipuglia**” 380-kV power line, a critical project for ensuring the electrical security of the Friuli grids and meeting the energy demand of the area, which has more than doubled in recent years. Furthermore, in September 2017, the process began to realise the variant of the “**Ca’ Poia-Redipuglia**” 132-kV power line, which will allow for 4 km of old overhead power lines to be decommissioned, demolishing 15 pylons near houses.

The Group’s **employees**, at the end of September 2017, totalled 3,958, up by 89 compared to 31 December 2016. This increase is primarily attributable to the recruitment policy for the integration of assets purchased from FSI.

RELEVANT EVENTS RECORDED IN THE THIRD QUARTER

Appointment of CFO and Manager in charge of preparing the company’s accounting data

On 03 August 2017, Agostino Scornajenchi became part of the Terna Group, and from 01 September 2017 he assumed the role of Head of the Administration, Finance and Audit Control Department, as well as Executive in charge of preparing Terna S.p.A.’s accounting reports.

International Activities

On 08 September 2017, Terna – via its subsidiary Terna Plus – formalised the contract for the construction of the 138-kV line in the centre of **Peru**, which will extend for 132 km and connect the electricity substations of Aguaytía and Pucallpa. The concession, which Terna was awarded at the end of May following the tender called by Proinversion (the state agency for infrastructural investments controlled by the Peruvian Ministry of Energy and Mines) will last thirty years and is worth approximately 9 million USD.

Finance

On 14 July 2017, Terna signed the Project Finance agreement for 81 million USD for the construction of a 500-kV transmission line in **Uruguay**, to connect the cities of Melo and Tacuarembó. The funding

has been qualified as a “green loan” by Vigeo Eiris, an agency specialising in the assessment of sustainability aspects in the field of business strategy and management, due to the positive impact of the new transmission line on electricity generation from renewables in Uruguay.

On 19 July 2017 Terna launched successfully a **bond issue** at fixed rate for a total of € 1 billion as part of its Euro Medium Term Notes (EMTN) Programme of € 8,000,000,000, to which has been attributed a “BBB” rating by Standard and Poor’s, “(P)Baa1” by Moody’s and “BBB+” by Fitch. The operation is part of Terna’s financial optimisation programmes serving the Group’s investment plan, designed to modernise the electricity grid and create a transmission grid that is even more sustainable, efficient and interconnected at European level. The bonds, with a duration of 10 years and maturity on 26 July 2027, are subject to a coupon of 1.375%, and were issued at a price of 99.602%, with a spread of 50 basis points with respect to the midswap. The bonds are admitted to listing on the Luxembourg stock exchange.

Sustainability

On 07 September 2017, Terna was confirmed in the **Dow Jones Sustainability Index** for the 9th year running. Compared to last year, Terna has further improved its position in the Index, passing, by 89 points, from fifth to fourth position (among the 64 companies evaluated), confirming that it is the number one Italian company in the Electric Utilities sector, according to the evaluation of RobecoSAM (which selects the best world-leading companies in the sustainability fields for inclusion in the Index). On 20 September 2017, Terna was confirmed on the **Stoxx Global Leaders Index** for the 7th year running, and thanks to its outstanding performance in all areas analysed – environmental, social and governance – it was confirmed in all three indices that make up the ESG Leaders.

RELEVANT EVENTS RECORDED AFTER 30 SEPTEMBER

Finance

On 13 October 2017, Terna S.p.A. renewed its € 8,000,000,000 EMTN bond issue programme. Deutsche Bank and Citigroup were the joint arrangers of the programme, which was given a BBB rating by S&P, (P)Baa1 by Moody’s and BBB+ by Fitch.

On 30 October 2017, S&P Global Ratings raised Terna S.p.A.’s long-term rating from ‘BBB’ to ‘BBB+’, confirming its short-term rating at ‘A-2’ (the assigned outlook is stable). Terna’s upgrade follows that

of Italian Republic from 'BBB-' to 'BBB' and reflects the Company's stand-alone credit profile (SACP) which S&P judges to be level 'a-'.

2017 INTERIM DIVIDEND OF 7.4263 EUROCENTS PER SHARE

In view of the financial and equity position and income statement results achieved by Terna S.p.A. in the first semester of 2017 and the information regarding the economic prospects and business outlook for the current financial year, the Board of Directors of Terna S.p.A, having today received the opinion from the Auditing Company PricewaterhouseCoopers (PwC) required under Article 2433-bis of the Italian Civil Code, has resolved to pay the ordinary interim dividend for the year 2017 in the amount of 7.4263 eurocents per share, which, in the implementation of the 2017/2021 Strategic Plan, confirms an annual growth of 3% until 2021, aligned with the expected evolution of earnings and main capital parameters. The interim dividends, net of any withholdings required by law, will be payable from 22 November 2017 (record date pursuant to Article 83-*terdecies* of Legislative Decree no. 58 of 24 February 1998 known as the "Consolidated Law on Finance": 21 November 2017), with "ex-dividend" date of coupon no. 27 on 20 November 2017.

Today, at 14.30 (CET) a conference call will be held to illustrate the results of the first 9 months of 2017 to financial analysts and institutional investors, to which journalists may also connect in listening mode. The supporting material for the conference call will be available on the Company's website (www.terna.it) in the Investor Relations/Presentations section at the start time of the conference call. In the same section it will also be possible to follow the presentation via audio webcasting. The Presentations will also be made available, via eMarket SDIR, on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it) and through the authorised storage service "1Info" (www.1info.it).

The Manager in charge of preparing the company's accounting data, Agostino Scornajenchi, pursuant to paragraph 2 of Art. 154-bis of the Consolidated Law on Finance (TUF), declares that the accounting information included in this press release corresponds to the document results, books and accounts records.

The Consolidated Interim Financial Report of the Terna Group, dated 30 September 2017 has not been audited and was prepared voluntarily, pursuant to art. 82-ter of CONSOB Issuer Regulations (as amended by CONSOB Resolution no. 19770 of 26 October 2016). In concordance with the past, the compliance and correctness of the financial information provided to the public and the comparability of the relative information with the corresponding data in the interim reports previously disclosed to the public is ensured.

The document containing the Consolidated Interim Financial Report of the Terna Group, dated 30 September 2017, shall be made available to the public before 14 November 2017 at the Company's registered office, published on the Company's website (www.terna.it) and on the internet site of the authorised storage service "1Info" (www.1info.it), and filed at the stock exchange management company Borsa Italiana S.p.A. (www.borsaitaliana.it). The prescribed disclosure regarding the filing will be issued.

The reclassified Consolidated Income Statement, Statement of Financial Position and Statement of Cash Flows of the Terna Group are attached. These represent the classification of the results used by management for a more efficient evaluation of the Terna Group's economic and financial performance.

It is highlighted that, in compliance with Directive no. DME/9081707 of 16 September 2009, these reclassified statements are included in the Terna Group's Consolidated Interim Financial Report as of 30 September 2017, prepared in line with standard practices for the sector.

In this release, some "alternative performance measures" (EBITDA and Net Financial Debt) are used, whose meaning and contents are explained below pursuant to the ESMA/2015/1415 guideline published on 03 December 2015.

- EBITDA (Gross Operating Margin): this is a measure of operating performance; it is calculated by combining the operating profit (EBIT) with amortisation, depreciation and impairment.
- Net Financial Debt: this represents a measure of the company's financial structure; it is determined as the sum of the short- and long-term financial debts and the related derivative instruments, net of cash and cash equivalents and of financial assets (net of the "Financial Assets recorded in application of IFRIC 12" and "Other investments").

Terna Group reclassified income statement

III quarter					January 1 - September 30			
2017	2016	Δ	Δ %	€ million	2017	2016	Δ	Δ %
580.5	511.1	69.4	13.6	TOTAL REVENUES	1,627.4	1,551.0	76.4	4.9
490.2	474.0	16.2	3.4	- Revenues from Regulated Activities	1,457.7	1,423.5	34.2	2.4
452.5	435.0	17.5	4.0	<i>of which Transmission</i>	1,347.1	1,306.1	41.0	3.1
33.3	31.7	1.6	5.0	<i>of which Dispatching and Measurement</i>	94.5	93.6	0.9	1.0
4.4	7.3	(2.9)	(39.7)	<i>of which other revenues from Regulated Activities</i>	16.1	23.8	(7.7)	(32.4)
34.3	37.1	(2.8)	(7.5)	- Revenues from Non-Regulated Activities	112.6	125.3	(12.7)	(10.1)
56.0	-	56.0	-	- Revenues from International Activities	57.1	2.2	54.9	-
168.2	111.8	56.4	50.4	TOTAL OPERATING EXPENSES	420.3	374.7	45.6	12.2
55.6	53.5	2.1	3.9	- Personnel	181.8	168.8	13.0	7.7
31.3	38.7	(7.4)	(19.1)	- Services, leases and rentals	107.8	126.7	(18.9)	(14.9)
21.8	12.2	9.6	78.7	- Materials	54.5	50.4	4.1	8.1
(1.0)	5.9	(6.9)	(116.9)	- Other expenses	10.5	21.9	(11.4)	(52.1)
4.9	1.5	3.4	-	- Quality of service	8.7	5.1	3.6	70.6
55.6	-	55.6	-	- Costs of International Activities	57.0	1.8	55.2	-
412.3	399.3	13.0	3.3	EBITDA (GROSS OPERATING MARGIN)	1,207.1	1,176.3	30.8	2.6
129.4	136.0	(6.6)	(4.9)	- Amortisation, depreciation and impairment	390.2	403.2	(13.0)	(3.2)
282.9	263.3	19.6	7.4	EBIT (OPERATING PROFIT)	816.9	773.1	43.8	5.7
(28.7)	(24.2)	(4.5)	18.6	- Net financial income/(expense)	(68.3)	(60.4)	(7.9)	13.1
254.2	239.1	15.1	6.3	PROFIT BEFORE TAXES	748.6	712.7	35.9	5.0
77.7	77.5	0.2	0.3	- Income taxes for the period	221.6	228.2	(6.6)	(2.9)
176.5	161.6	14.9	9.2	NET PROFIT FOR THE PERIOD	527.0	484.5	42.5	8.8
(1.0)	(0.4)	(0.6)	150.0	- Profit attributable to Non-controlling interests	(1.8)	(2.3)	0.5	(21.7)
177.5	162.0	15.5	9.6	GROUP NET PROFIT FOR THE PERIOD	528.8	486.8	42.0	8.6

Terna Group reclassified statement of financial position

€ million	as of 30/09/2017	at 31.12.2016	Δ
Total Net Non-Current Assets	13,163.6	12,974.0	189.6
- Intangible assets and goodwill	496.8	516.0	(19.2)
- Property, plant and equipment	12,528.2	12,368.9	159.3
- Financial assets	138.6	89.1	49.5
Total net working capital	(1,641.4)	(1,075.3)	(566.1)
- Net Energy-related pass-through payables	(907.2)	(545.9)	(361.3)
- Net receivables from margin Energy items	320.9	342.0	(21.1)
- Net trade payables	(559.2)	(633.5)	74.3
- Net tax liabilities	(95.2)	52.0	(147.2)
- Other Net liabilities	(400.7)	(289.9)	(110.8)
Gross Invested Capital	11,522.2	11,898.7	(376.5)
Provisions	(346.8)	(384.6)	37.8
NET INVESTED CAPITAL	11,175.4	11,514.1	(338.7)
Equity attributable to shareholders of the parent	3,794.5	3,535.4	259.1
Non-controlling interests	18.0	19.8	(1.8)
Net financial debt	7,362.9	7,958.9	(596.0)
TOTAL	11,175.4	11,514.1	(338.7)

Terna Group Cash Flow

€ million	Cash flow 9M 2017	Cash flow 9M 2016
- Net Profit for the period	527.0	484.5
- Amortisation, depreciation and impairment	390.2	403.2
- Net change in provisions	(37.8)	(14.6)
- Net losses (gains) on asset disposals	(0.8)	(5.5)
Operating Cash Flow	878.6	867.6
- Change in net working capital*	565.0	147.2
- Other changes in Non-current assets	16.4	1.2
- Change in financial assets	(49.3)	(1.2)
Cash Flow from Operating Activities	1,410.7	1,014.8
- Total Capital expenditure	(545.0)	(530.2)
Free Cash Flow	865.7	484.6
- Dividends paid to the owners of the Parent	(269.1)	(261.3)
- Cash flow hedge reserve net of the tax effect and other changes in equity attributable to the owners of the Parent	(0.6)	(21.5)
Change in net financial debt	596.0	201.8

*Does not account for impairment of current assets (€ 1.1 million in the first nine months of 2017)