



2019 - 2023 STRATEGIC PLAN

GRIDS AND VALUES

ACCELERATING A SUSTAINABLE GROWTH

Milan, March 21st 2019

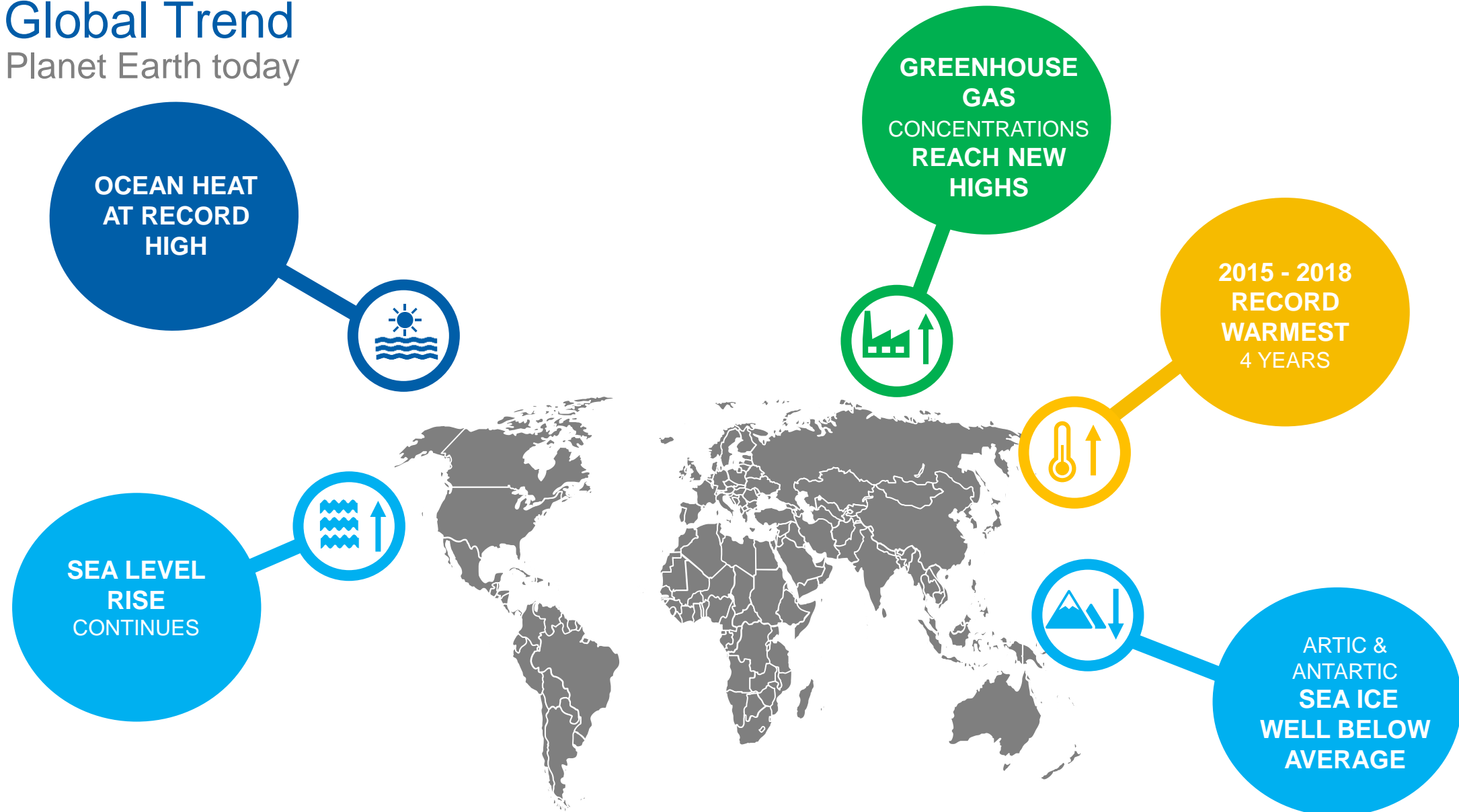
Agenda

○ Global Trend	3
○ Scenario	7
○ Strategy	13
○ FY 2018 Results	28
○ 2019 – 2023 Group Targets	35
○ Dividend Policy and Closing Remarks	40
○ Annexes	43

○ Global Trend

Global Trend

Planet Earth today



Global Trend

Major worldwide environmental problems



Greenhouse gases emissions are destroying the Earth's climate equilibrium

- CO2 concentrations are **145%** of pre-industrial levels
- Increasing global temperature could destroy ecosystems on around **13%** of the world's land area
- **2015 Paris Agreement** sets out a global action plan to avoid dangerous climate change
- Exceeding the **1.5° C** threshold will cause severe risks for our planet according to **2018 IPCC report**







Health of soils and waters increasingly at risk

- About **50%** of worldwide lubricants is left in the environment
- The use of herbicides has become unsustainable for ecosystems
- Every year around **300 million tons** of plastic are produced:
 - 12 million tons are thrown into the sea
 - 78 million tons are packaging
 - Less than 14% of plastic packaging is recycled

Global Trend

Terna's Sustainable Management Approach

Pillars		KPIs	
	Human Resources	▪ Safety Index	≤1 Plan period
		▪ Employees with performance valuation (%)	85% at 2020
		▪ Employees with digital competences (n.)	700 at 2020
		▪ Health & Safety training for operative employees (%)	100% at 2021
	Local and central stakeholders	▪ Local Stakeholders: change of sentiment (%)	+15% in 2019 (vs 2018)
	Integrity, responsibility, transparency	▪ Suppliers with ISO 14001 and OHSAS 18001 certifications (%)	100% from 2020
		▪ Green Capex (% of '19-'23 cumulated capex)	Over 20%
	Environment	▪ Incidence of SF6 leakages (%)	0.45% from 2020
		▪ Km of new underground and undersea lines (% on total '19-'23 new lines)	~60%

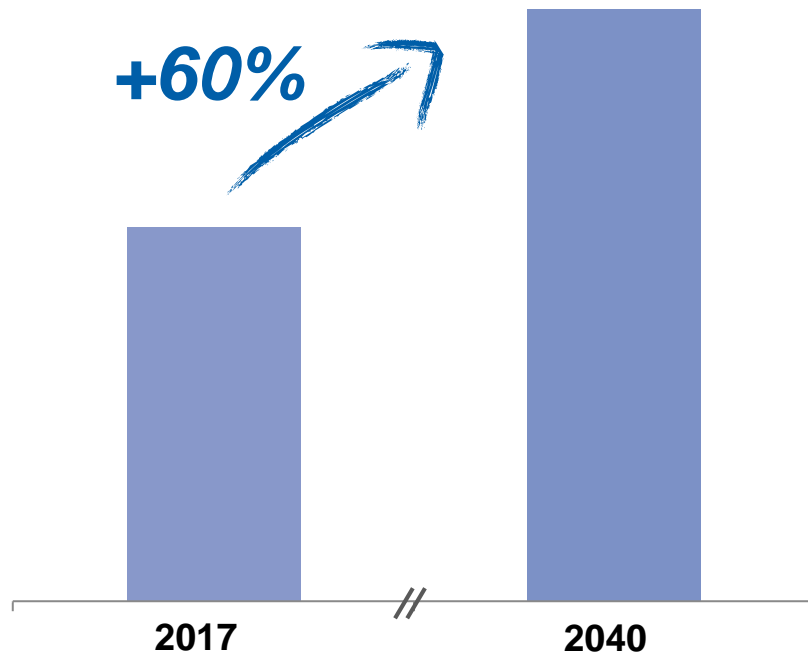
Environmental, Social and Governance risk mitigation

○ Scenario

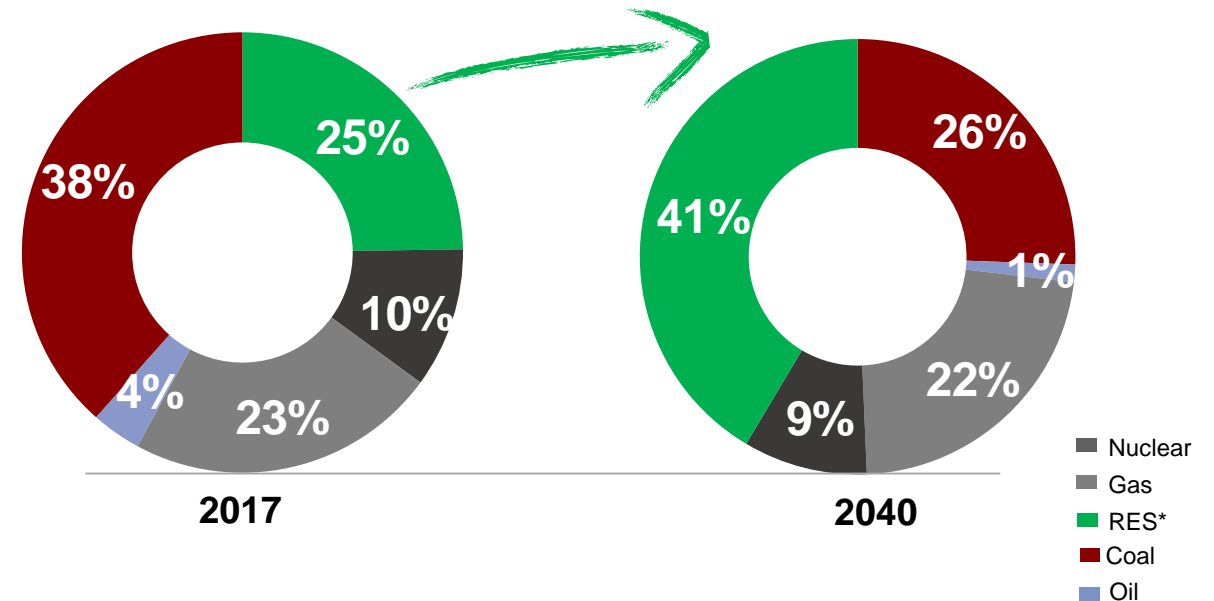
Scenario

Global Energy Trends – Demand and Generation evolution

ELECTRICITY DEMAND



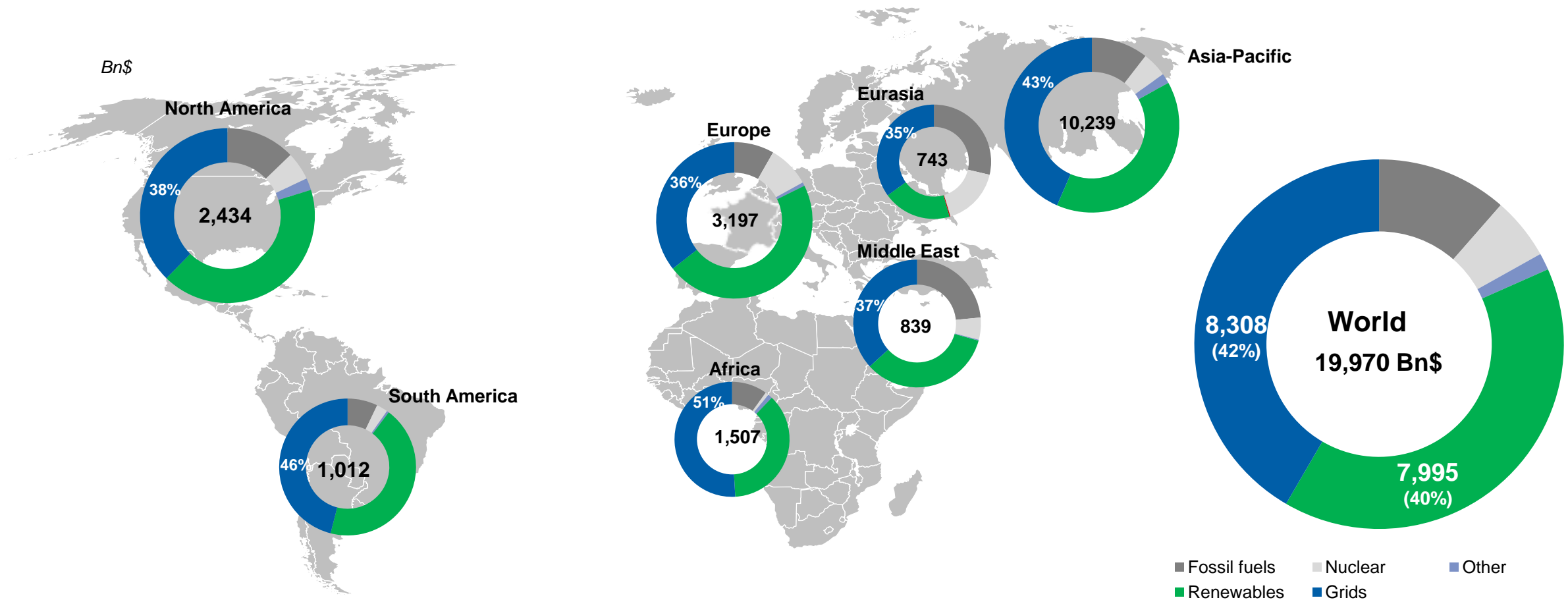
ELECTRICITY GENERATION MIX EVOLUTION



Increasing electricity demand and RES generation...

Scenario

Global Energy Trends – Power Sector Investments up until 2040

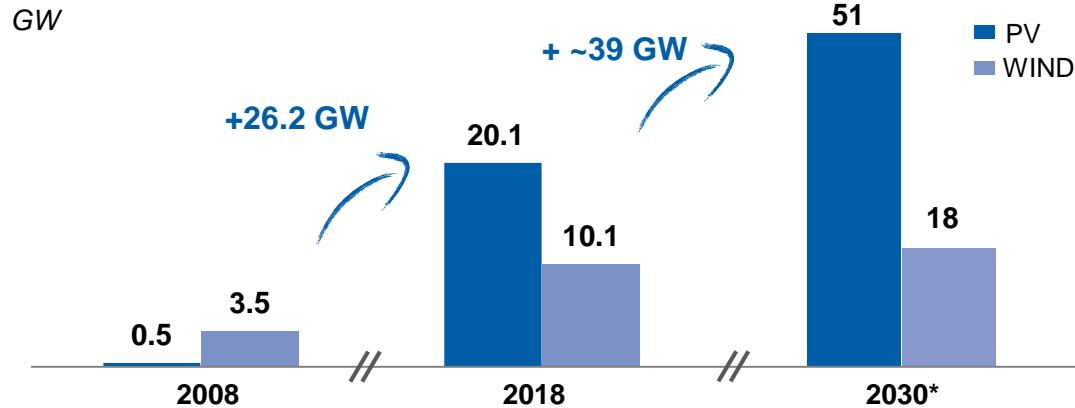
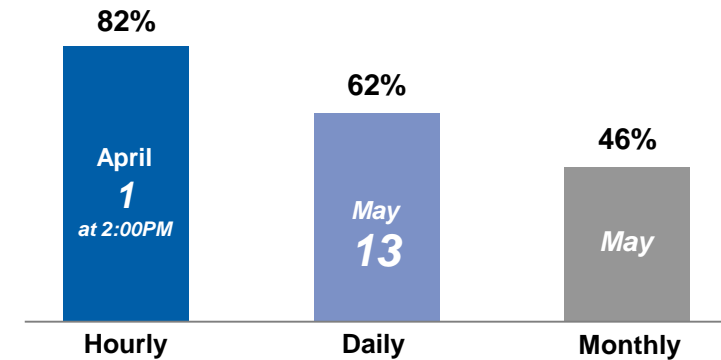
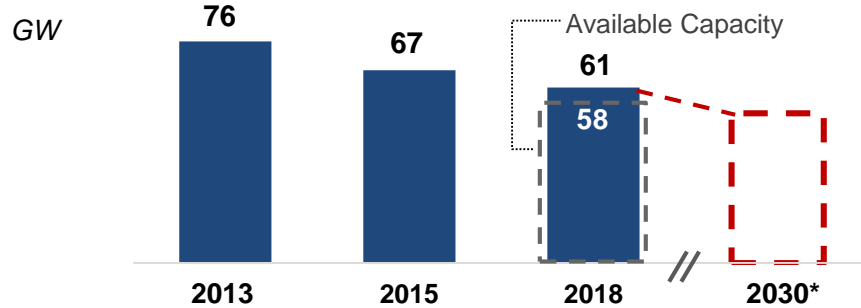
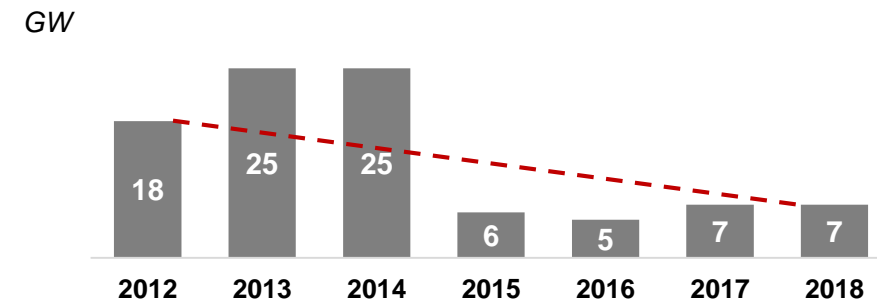


...imply higher capex on infrastructures

Scenario

Italy

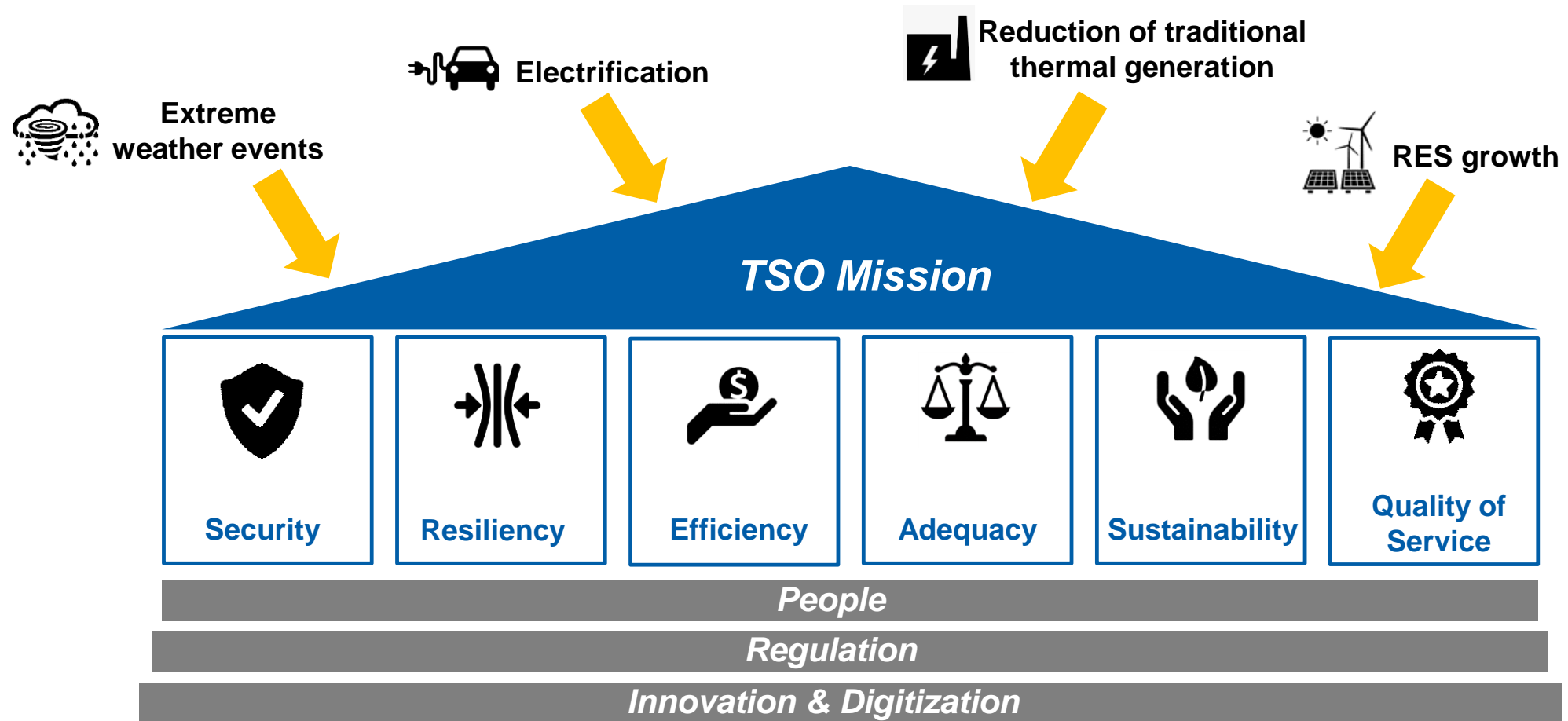
PV AND WIND INSTALLED CAPACITY

DEMAND COVERED BY RES¹CONVENTIONAL THERMAL INSTALLED CAPACITY²RESERVE MARGIN³

Increasing challenges for the system

Scenario

Key pillars for the system's management



Playing a leading role for a sustainable energy transition...

Scenario

Terna's Mission



○ Strategy

Strategy

Overview

STRATEGIC GUIDELINES



Domestic Regulated

Playing a leading role in energy transition



Domestic Non Regulated

Developing value-added solutions



International

Leveraging Terna's industrial know-how

ENABLING FACTORS



Innovation & Digitization

Enabling energy transition



People

Strengthening core competences and innovation openness

Strategy

Domestic Regulated: playing a leading role in energy transition (1/3)

STRATEGY

ACTIONS

Grid reinforcement

Further acceleration of investments driven by growing system needs

Manage system complexity

Play a proactive role in system design and roll-out

Enhance core competences

Optimize project control and guarantee process efficiency

Caring local communities

Establish proactive and effective relationships with local stakeholders

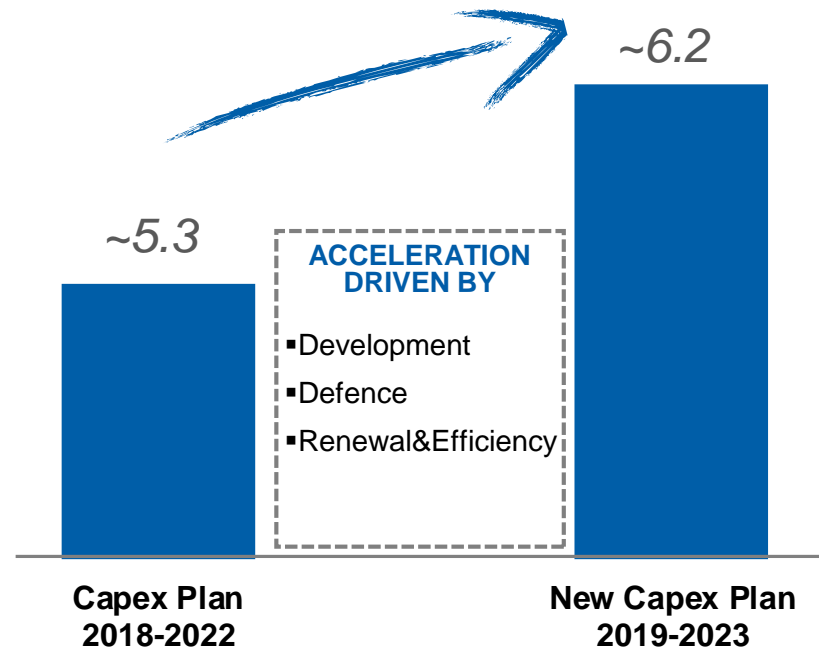
Focus on core business leveraging the interaction with local communities

Strategy

Domestic Regulated: playing a leading role in energy transition (2/3)

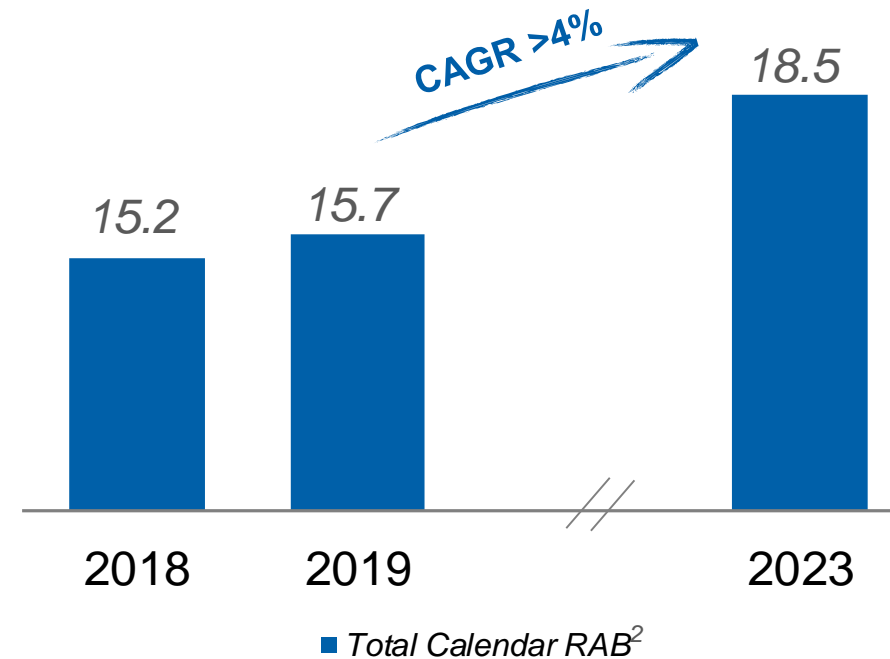
DOMESTIC REGULATED CAPEX¹

€bn



RAB EVOLUTION

€bn



Highest Capex Plan ever

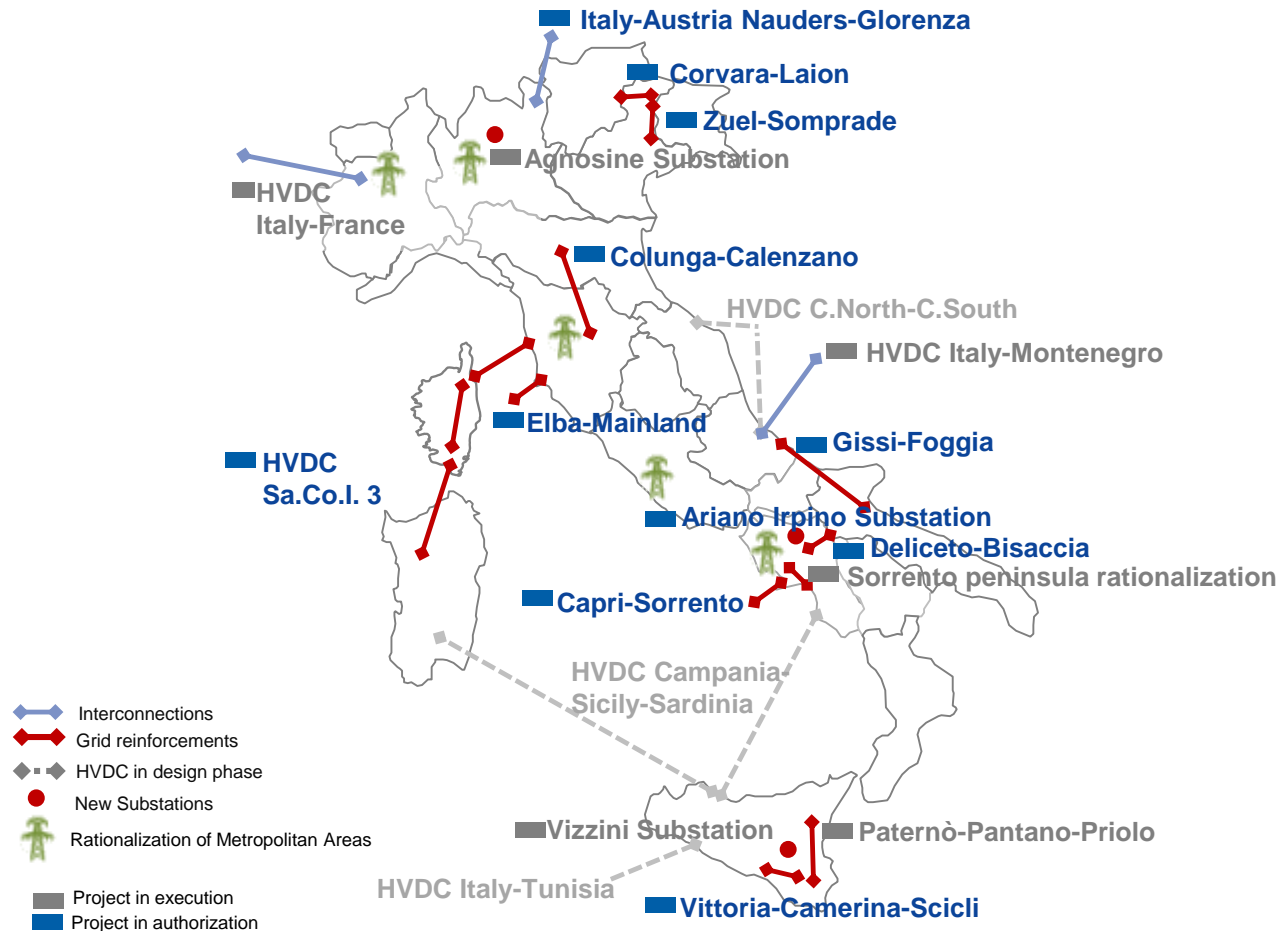
Strategy

Domestic Regulated: playing a leading role in energy transition (3/3)

CATEGORY	CUMULATED CAPEX	MAIN PROJECTS
Development	~3.3€bn	<ul style="list-style-type: none"> SA.CO.I 3 Critical areas debottlenecking Rationalization of major Metropolitan Areas
Asset Renewal and Efficiency	~2.2€bn	<ul style="list-style-type: none"> Quality of Service increase Digitization of the grid
Defence	~0.9€bn	<ul style="list-style-type: none"> Synchronous compensators Dispatching processes improvement Grid stabilization devices
Strong focus on security, resiliency and quality of service		

Strategy

Domestic Regulated: focus on Main Development Projects



Main focus:

- *Interconnection development*
- *Islands and internal back-bone reinforcements*
- *Resiliency increase*

2019-2023

Authorization and Procurement

Well on track

2023 onwards

Robust long-term strategy well tracked

Reliable Capex Plan

Strategy

Domestic Non Regulated: developing value added solutions (1/2)

STRATEGY

Energy Solutions Provider

Connectivity

Tamini

ACTIONS

Develop high value-added services leveraging digitization

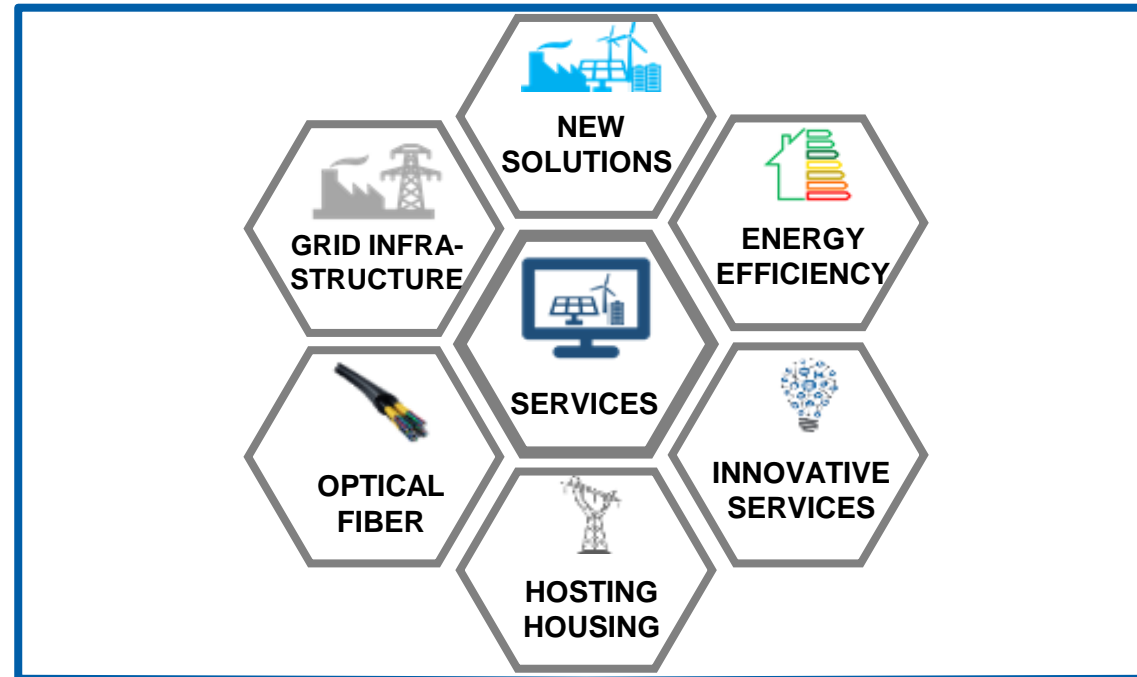
Pursue new business opportunities based on dark fiber infrastructure

Developing high value-added technologies and strengthening profitability

Innovative services to support core activities

Strategy

Domestic Non Regulated: developing value added solutions (2/2)



EBITDA ~400€mn
cumulated in 5 years

Robust EBITDA generation

Strategy

International: leveraging Terna's industrial know-how (1/3)

STRATEGY

ACTIONS

Europe

Active role on governance at EU level

LatAm

Completion of existing projects leveraging core skills

Other Geographies

Consulting services, technical assistance and Capital light activities with high value-added


Exploiting of core skills abroad

Strategy

International: leveraging Terna's industrial know-how (2/3)

IN OPERATION

Brazil





- October 2018: commissioning of the first of the two lines in Brazil (fully operational two months ahead of schedule)
- Line located in Rio Grande do Sul, in South-eastern Brazil: 230 kV line of 158 km
- Strategic for integrating renewable sources in the southern part of the Country 
- Further 500 kV 350 Km line to be completed by 2Q 2019

International: execution on track

Strategy

International: leveraging Terna's industrial know-how (3/3)

IN EXECUTION



Brazil

- Second line in Mato Grosso, in Central Brazil
- 500 kV, 350 km



Uruguay

- BOT concession
- > 200 km
- P&L full contribution from 2020 (on PBT)



Perù

- BOOT concession
- > 130 km
- P&L full contribution from 2021

TO BE IDENTIFIED

2019-2023 Cumulated Capex

Lower than 300€mn

EBITDA **150€mn**
*cumulated in 5 years**

Low capital absorption and low risk profile

Strategy

Enabling Factors – Innovation & Digitization

DIGITIZATION

Infrastructures



- Optical Fiber
- Distributed data collection to support grid management

TSO



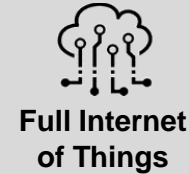
- Lines and substations digitization
- Construction and asset management processes evolution
- Digital projects for the System Operator

People & Processes



- Internal processes standardization and automation
- Collaborations and Smart Offices

INNOVATION



Full Internet of Things

Drones
Robots
Satellites



Distributed computing & Connectivity



Advanced Materials

Anti-icing



Carbon fiber conductors



Energy Tech

Storage lab



Enabling new solutions for the market (i.e. charging systems)

Capex ~700€mn
2019-2023 cumulated*

Leadership in Digitization and Innovation

Strategy

Enabling Factors – People

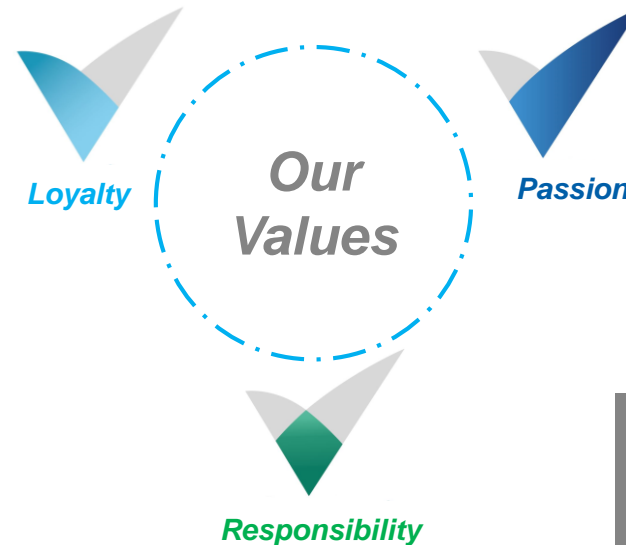
HR STRATEGIC PRIORITIES

*Learning & Recruiting to
close skills gap*

*Quantify Skills & Mobilize
Talents*

Engagement & Welfare

HR Digitization



MAIN PROJECTS

- *Focus on Safety*
- *Employer branding & Talent Attraction*

- *Skills mapping*
- *Excellence centers*

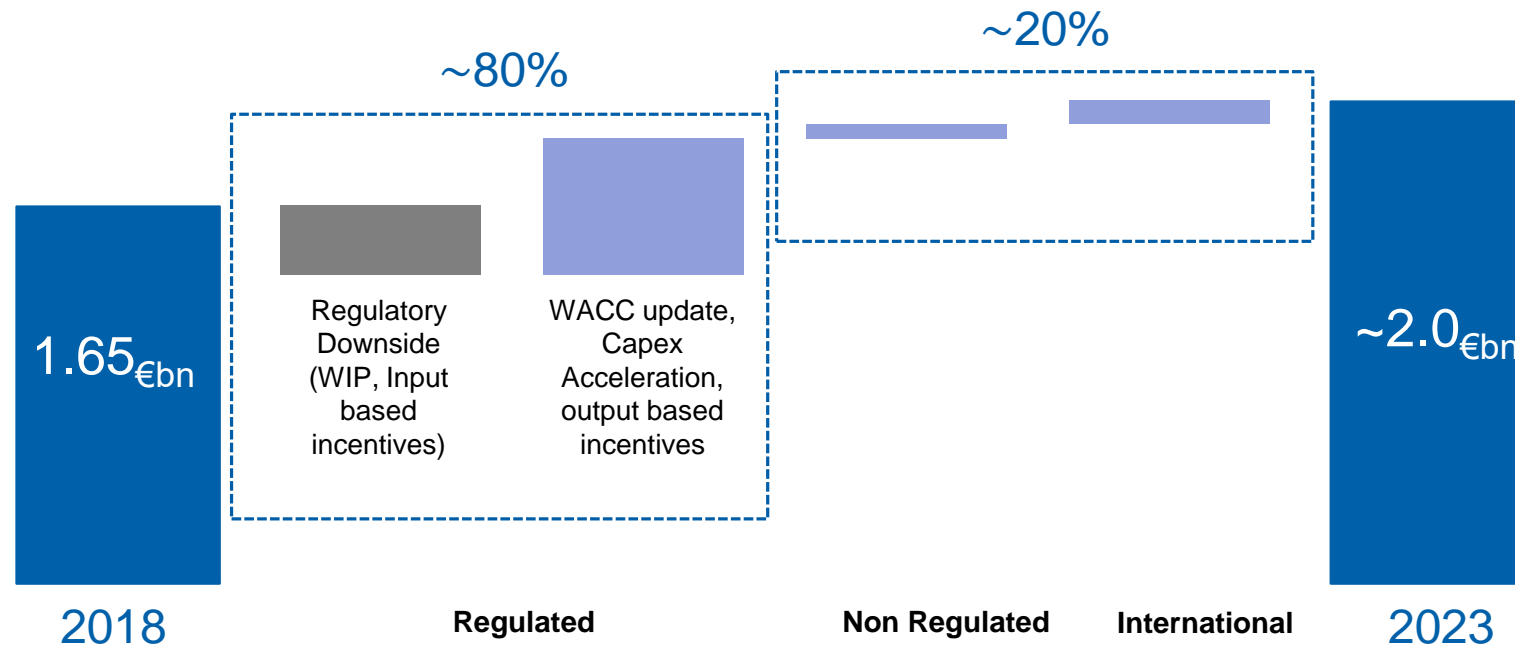
- *Smart working*
- *Welfare for our People*

- *Digital Academy*
- *Talent Management platform*

Coping with new scenarios: transforming Terna and upskilling people

Strategy

EBITDA Evolution



Projects execution as a key driver

Strategy

Guidance 2019 and 2023

	FY 2018	FY 2019	FY 2023	2023 vs 2018
	Actual	Guidance	Guidance	Δ%
€bn				
<i>Revenues</i>	~ 2.2	~ 2.3	~ 2.7	+ 23%
<i>EBITDA</i>	~ 1.65	~ 1.72	~ 2.0	+ 21%
<i>Capex¹</i>	~ 1.1	~ 1.2	~ 6.8 Cumulated 2019-2023	
<i>EPS</i> €cents	~ 35	~ 36	~ 42	

Solid growth during the Plan period

- FY 2018 results

FY 2018 results

Key Numbers

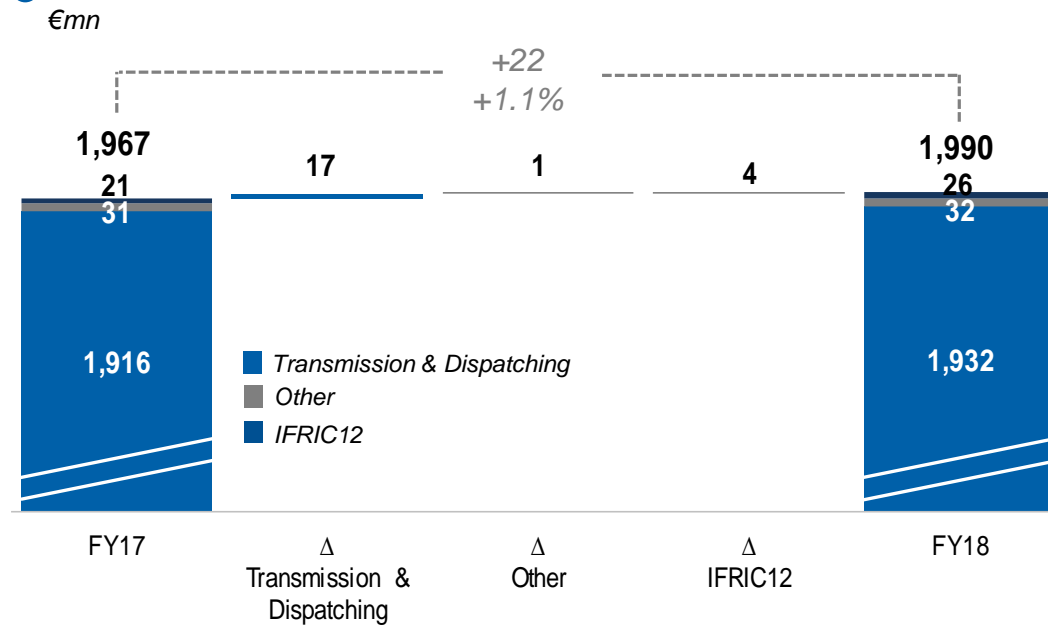
€mn	FY 2018		FY 2017	Δ vs FY17
	Actual	Guidance		
Revenues	2,197	~ 2.20 ✓	2,163	+2%
EBITDA	1,651	~ 1.61 ✓	1,604	+3%
Group Net Income ¹	707		688	+3%
EPS ²	35	~ 34 ✓	34	
Capex	1,091	~ 1.1 ✓	1,034	+6%
Net Debt	7,899		7,796	

Capex acceleration delivered and Net Debt under control

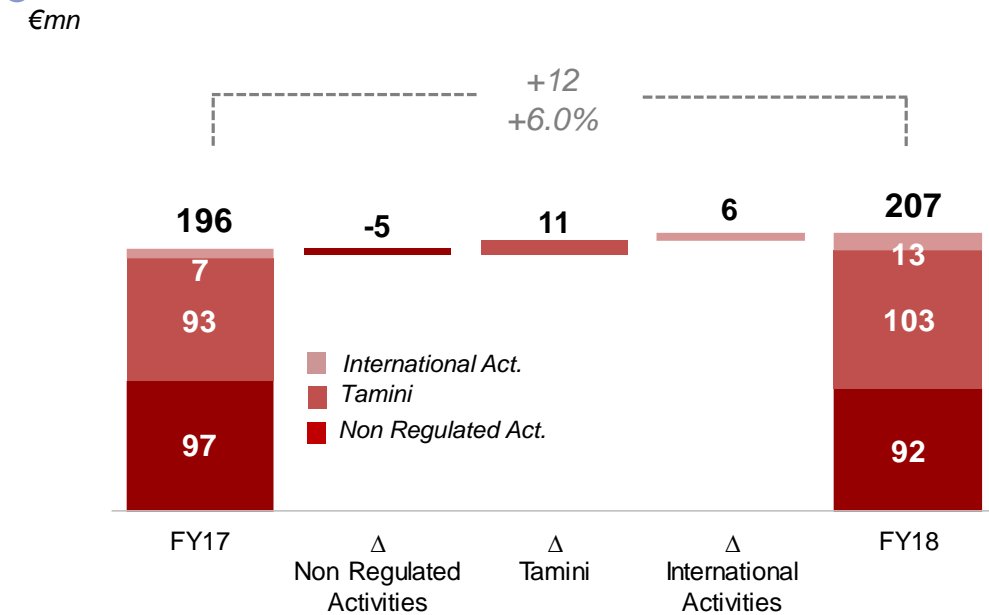
FY 2018 results

Revenues

REGULATED ACTIVITIES



NON REGULATED AND INTERNATIONAL

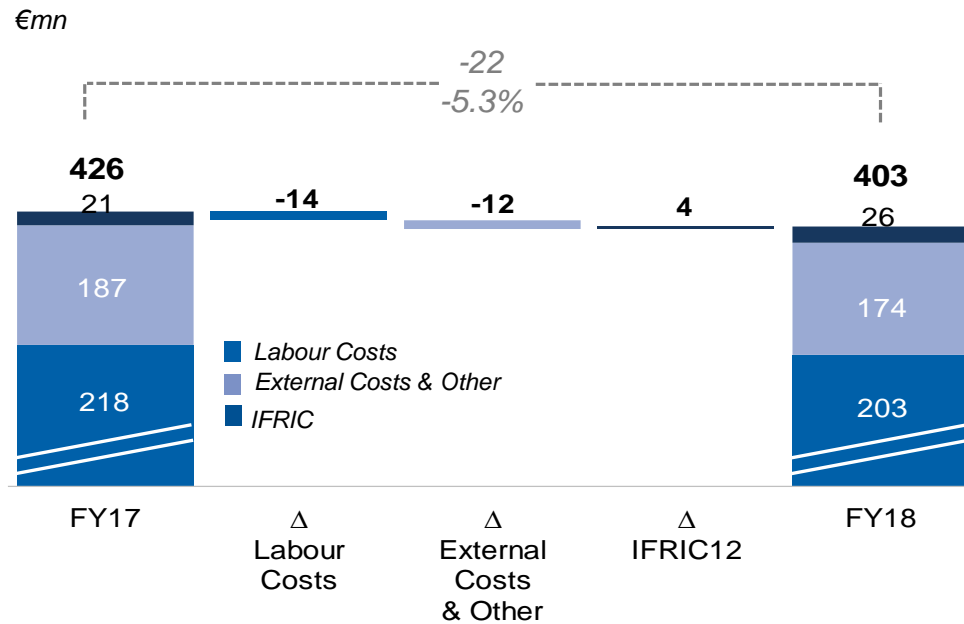


Higher contribution from Regulated, Tamini and International

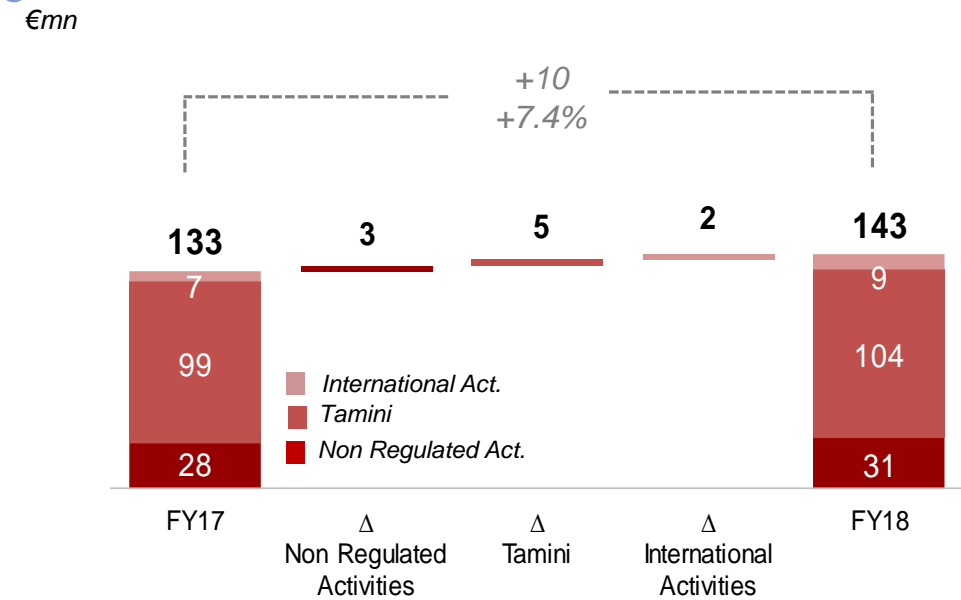
FY 2018 results

Costs

REGULATED ACTIVITIES



NON REGULATED AND INTERNATIONAL



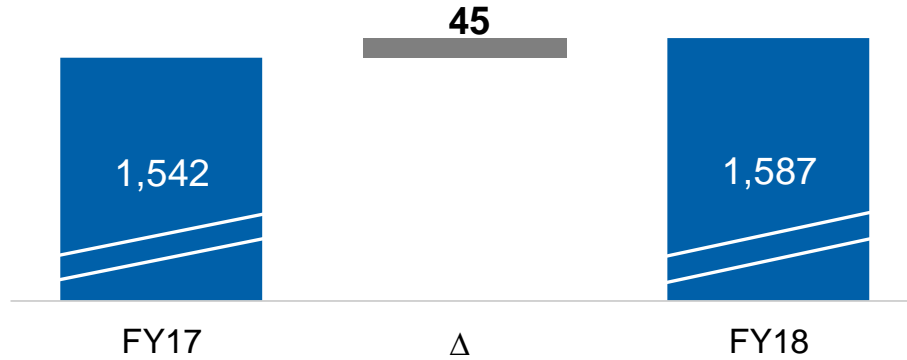
Keeping cost discipline

FY 2018 results

EBITDA

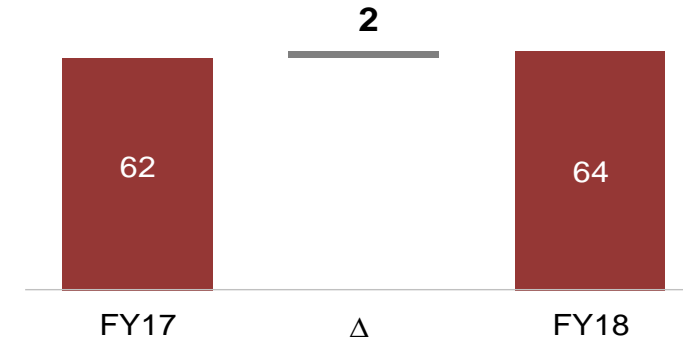
REGULATED ACTIVITIES

€mn



NON REGULATED AND INTERNATIONAL

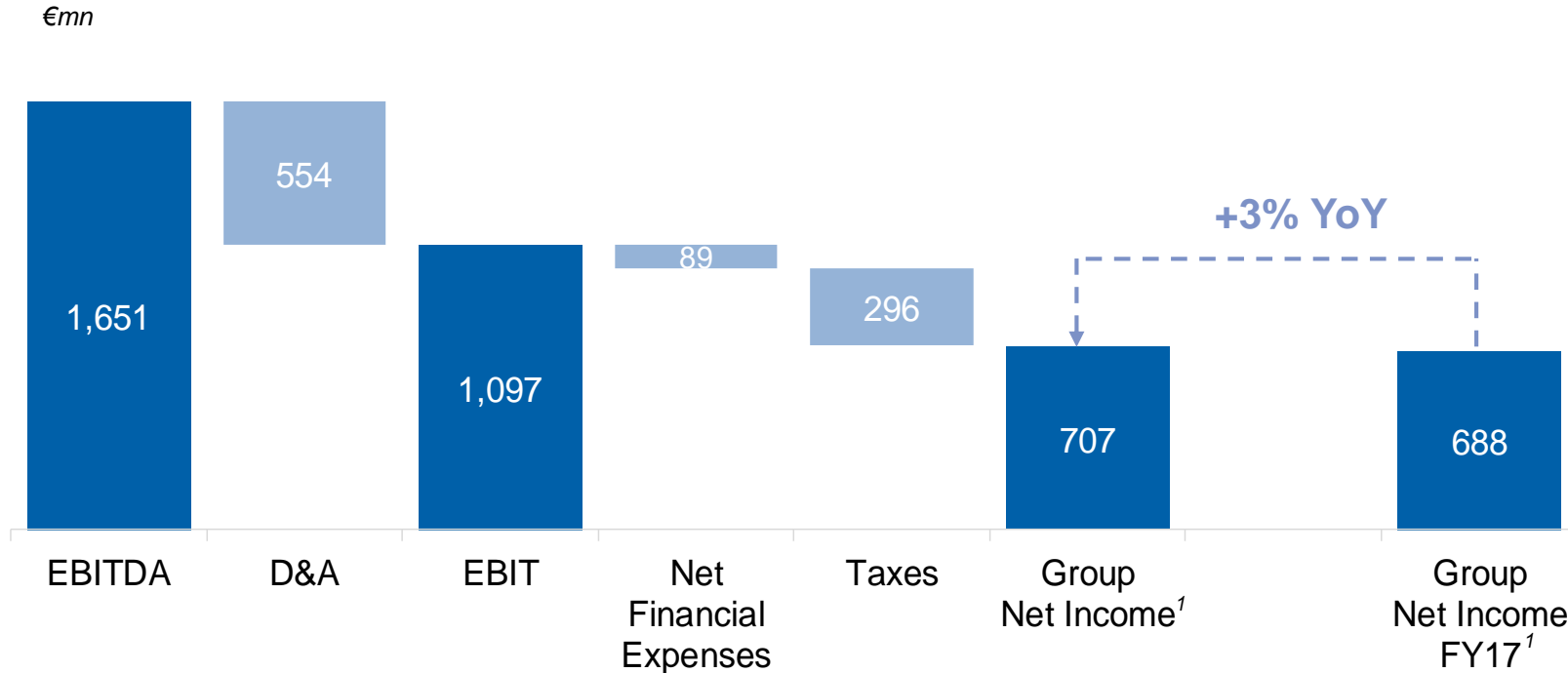
€mn



EBITDA increase driven by domestic regulated activities

FY 2018 results

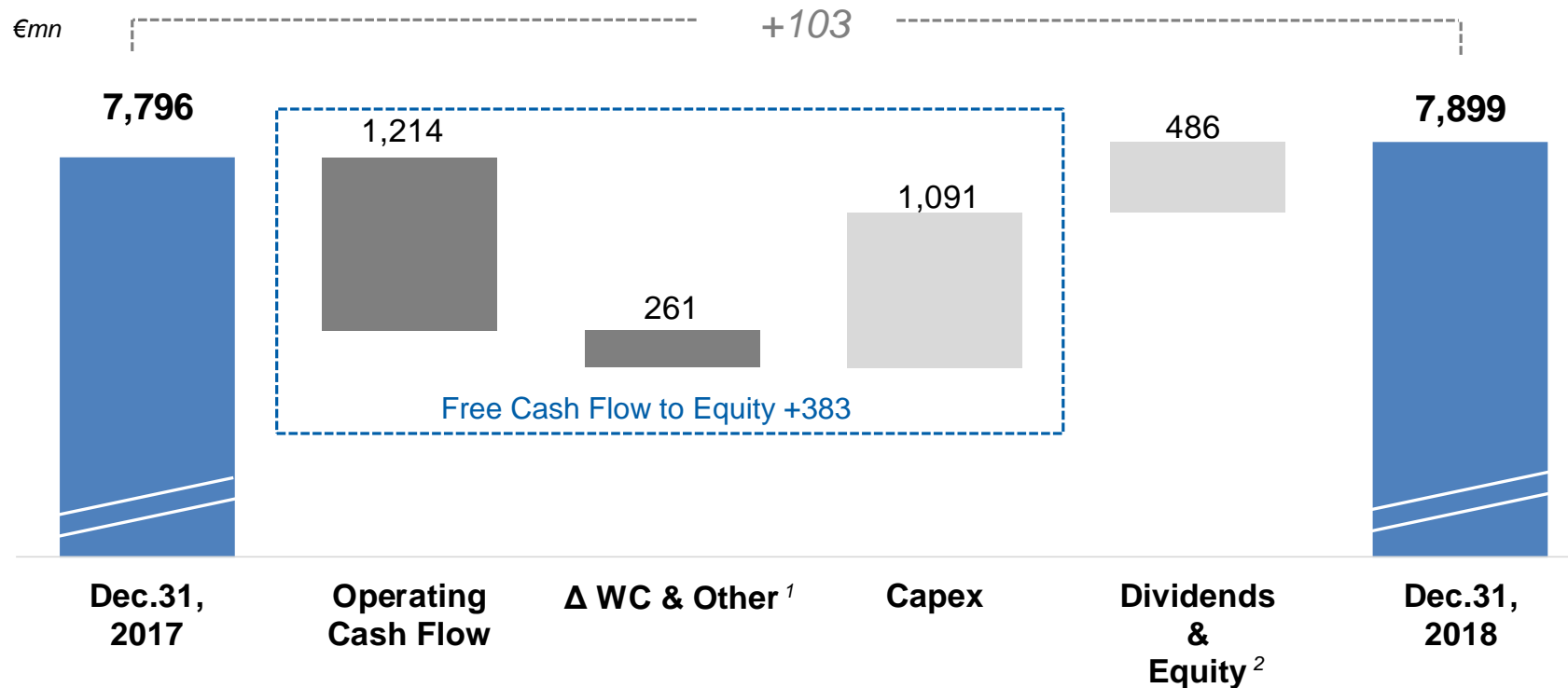
From EBITDA to Net Income



Robust shareholders value creation

FY 2018 results

Cash Flow & Net Debt Evolution

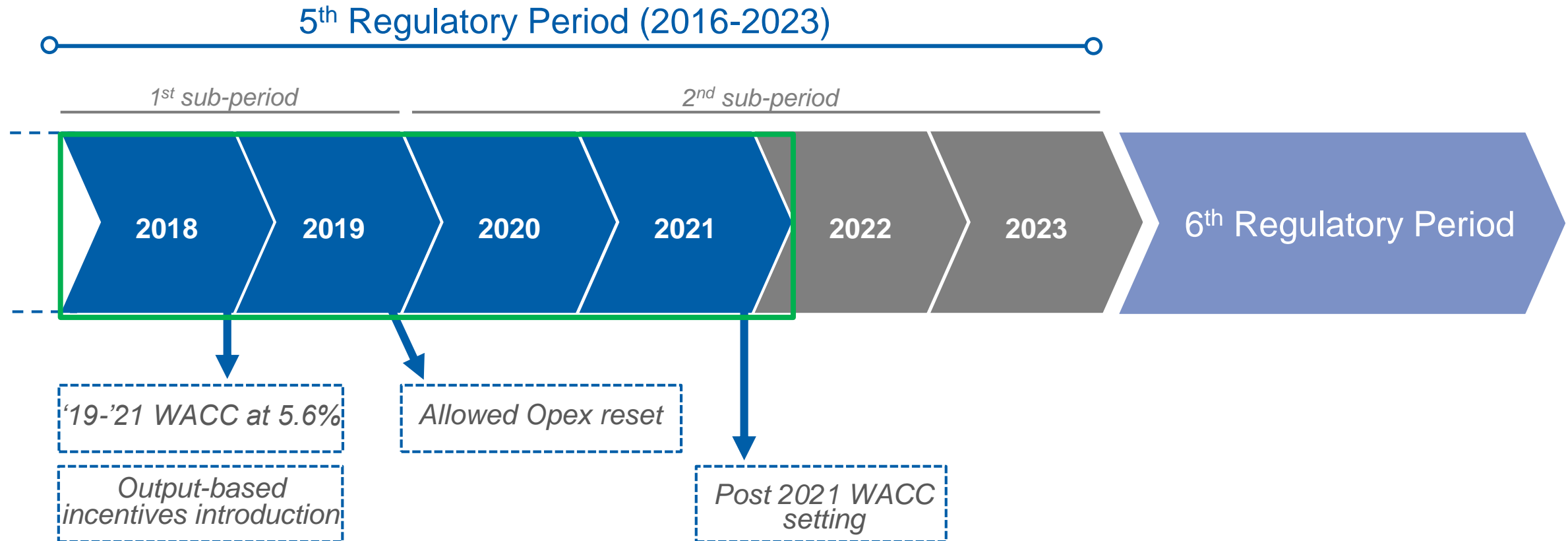


Strong cash flow generation to support Capex plan

○ 2019 – 2023 Group Targets

2019 – 2023 Group Targets

Regulatory Assumptions

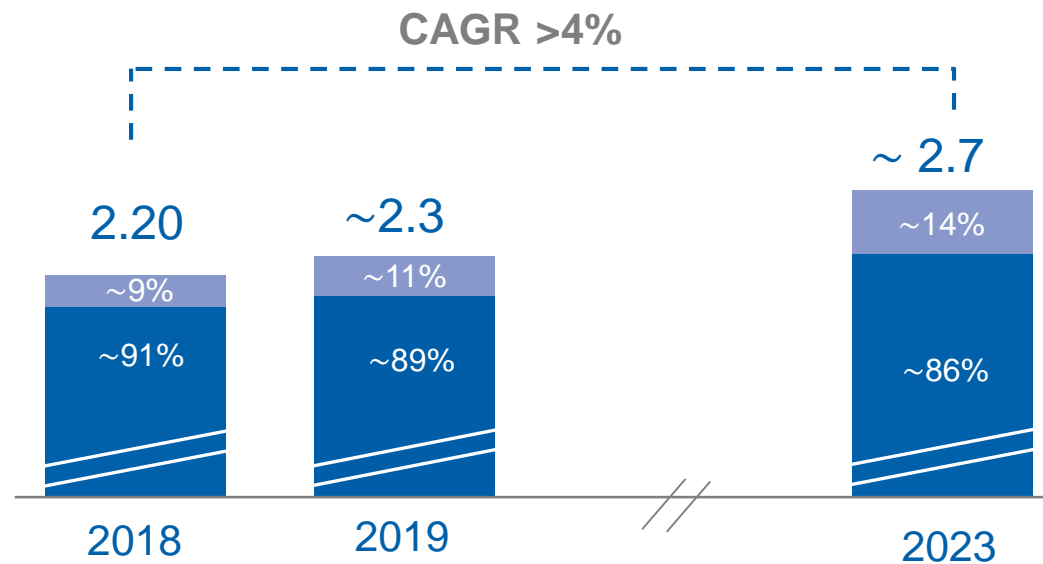


2019 – 2023 Group Targets

P&L

REVENUES

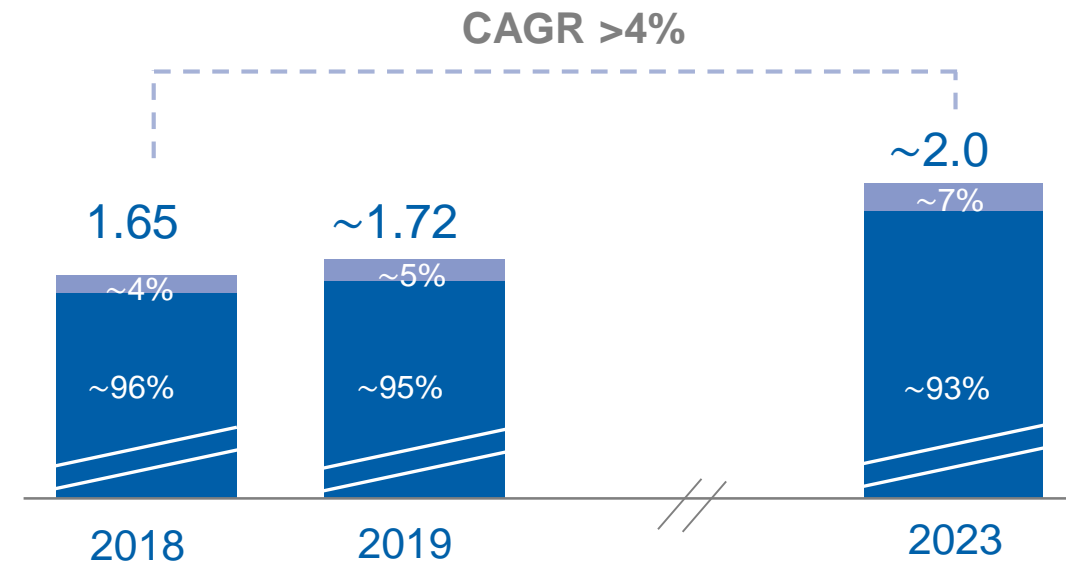
€bn



■ Regulated
■ Other*

EBITDA

€bn

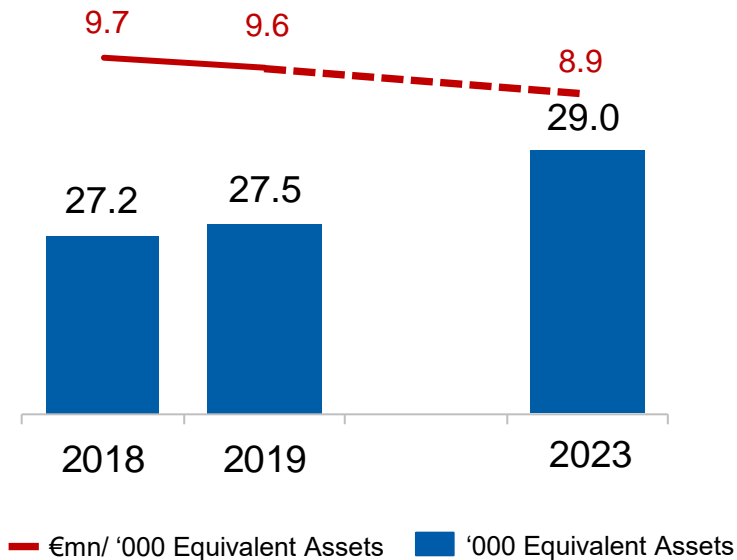


EPS CAGR >3%

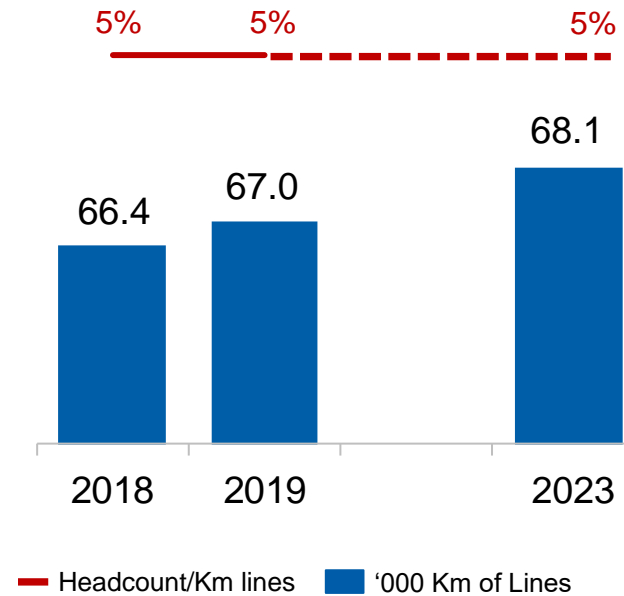
2019 – 2023 Group Targets

Operational Efficiency

OPEX / EQUIVALENT ASSETS*



HEADCOUNT / ASSETS

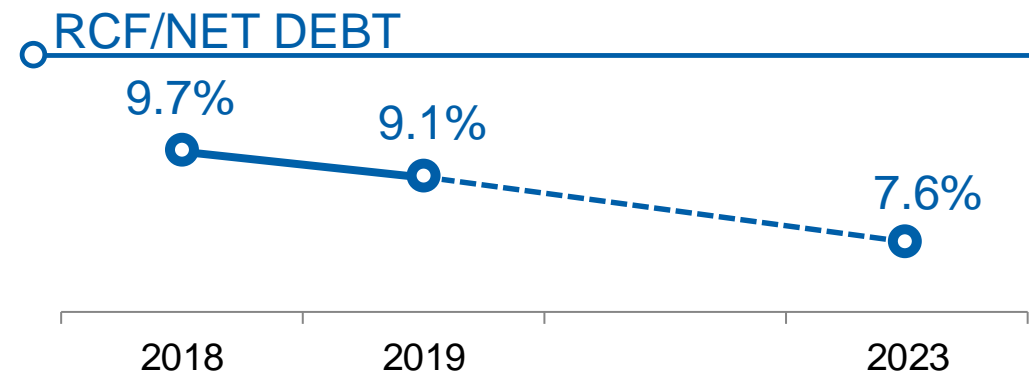


Increasing efficiency level

2019 – 2023 Group Targets

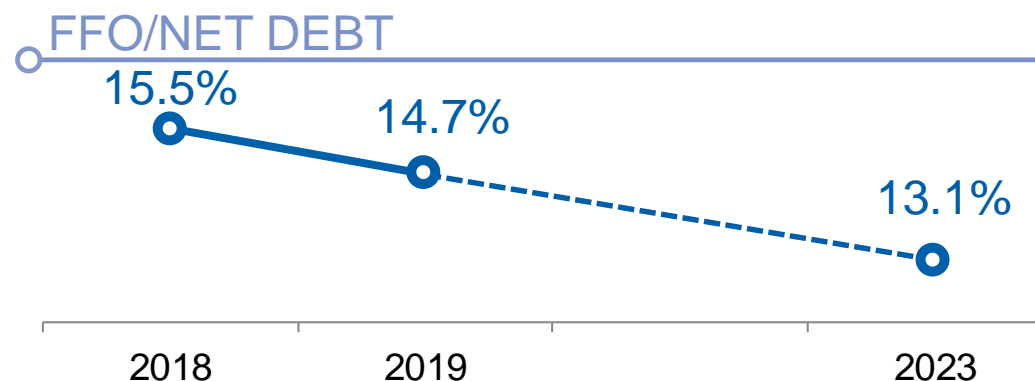
Financial Efficiency and Financial Structure

- Average Cost of Net Debt 2019-2023 @ **1.6%** back end loaded
- Gross Debt as of YE 2018 @ **100% Fix rate**
- Net Debt / RAB <**60%** over the Plan¹
- Average Duration in line with previous year



RATING

	Terna		Sovereign	
	Rating	Outlook	Rating	Outlook
S&P	BBB+	<i>Negative</i>	BBB	<i>Negative</i>
Moody's	Baa2	<i>Stable</i>	Baa3	<i>Stable</i>
Fitch	BBB+	<i>Stable</i>	BBB	<i>Negative</i>

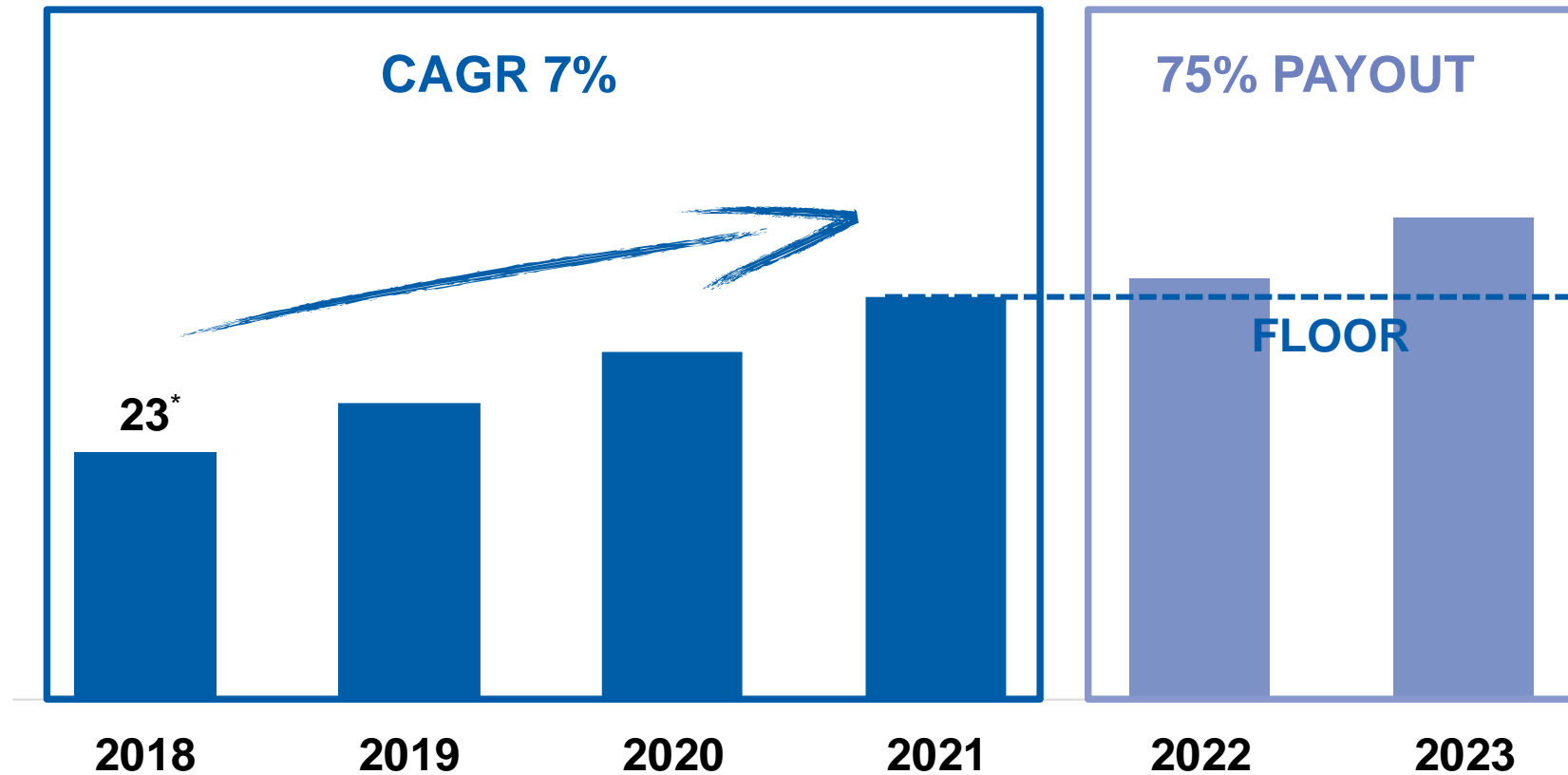


Robust financial structure

○ Dividend Policy and Closing Remarks

Dividend Policy

€ cents



Enhancing shareholders value

Closing Remarks

Domestic Regulated: focus on execution

Domestic Non Regulated: value added solutions

International: leveraging on Terna's core competences

Operational efficiencies: driven by digitization

Financial Structure: rock-solid structure with strong ratios

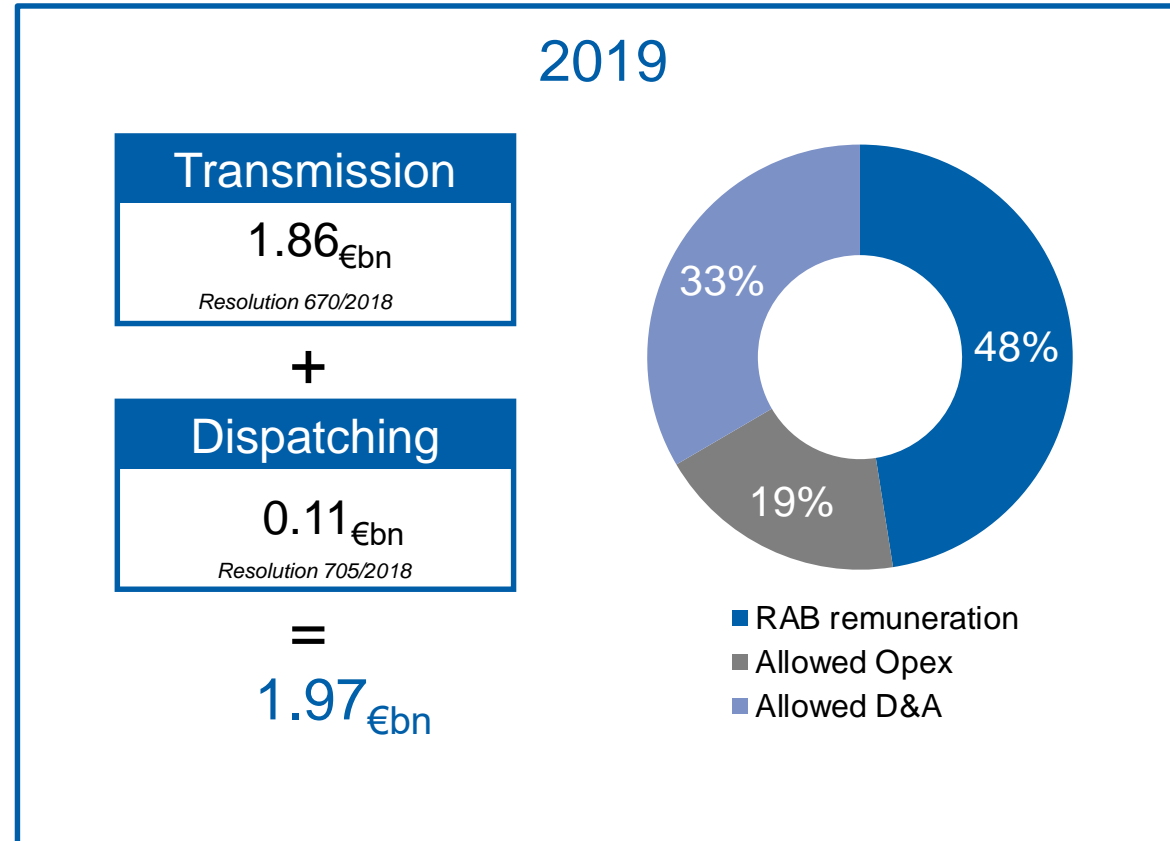
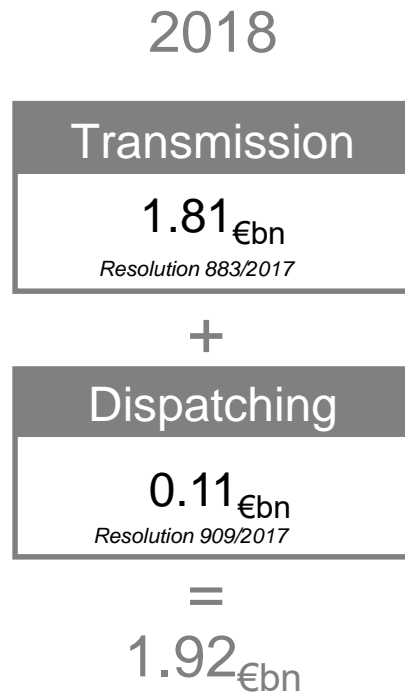
Dividend Policy: value creation for shareholders

Energizing a valuable future

○ Annexes

Strategic Annexes

2019 Total Grid Fee update*



Financial Annexes (1/5)

FY 2018 results - Consolidated Income Statement¹

€ mn	FY18	FY17 ³	Δmn	Δ%
Total Revenue	2,197	2,163	34	1.6%
<i>Regulated Activities</i>	1,990	1,967	22	1.1%
<i>Transmission</i>	1,789	1,804	-15	-0.8%
<i>Dispatching</i>	143	112	31	27.9%
<i>Other²</i>	32	31	1	4.2%
<i>IFRIC12</i>	26	21	4	20.9%
<i>Non Regulated Activities</i>	195	189	6	3.1%
<i>International Activities</i>	13	7	6	92.3%
Total Costs	546	559	-13	-2.2%
<i>Regulated Activities</i>	403	426	-22	-5.3%
<i>Labour Costs</i>	203	218	-14	-6.6%
<i>External Costs</i>	156	155	1	0.5%
<i>Other²</i>	19	32	-13	-41.4%
<i>IFRIC12</i>	26	21	4	20.9%
<i>Non Regulated Activities</i>	134	127	8	6.1%
<i>International Activities</i>	9	7	2	32.8%
EBITDA	1,651	1,604	47	2.9%
<i>D&A</i>	554	527	28	5.2%
EBIT	1,097	1,077	19	1.8%
<i>Net Financial Charges</i>	89	89	0	0.0%
Pre Tax Profit	1,008	989	19	1.9%
<i>Taxes</i>	296	294	2	0.6%
<i>Tax Rate (%)</i>	29.4%	29.8%	-0.4 pp	
Total Net Income	712	694	17	2.5%
<i>Minority Interest</i>	5	6	-1	-15.3%
Group Net Income	707	688	18	2.7%

Financial Annexes (2/5)

FY 2018 results - P&L Quarterly Analysis

€ mn	1Q18	1Q17 ¹	Δ	2Q18	2Q17 ¹	Δ	3Q18	3Q17 ¹	Δ	4Q18	4Q17 ¹
Total Revenue	538	524	14	542	522	20	546	525	21	572	592
<i>Regulated Activities</i>	488	490	-2	492	477	14	501	490	11	509	510
<i>Transmission</i>	451	451	1	447	444	3	450	453	-3	441	457
<i>Dispatching</i>	29	29	0	31	27	5	43	29	14	40	27
<i>Other²</i>	5	8	-4	10	4	7	3	4	-2	15	15
<i>IFRIC12</i>	3	2	1	3	3	0	6	4	1	14	11
<i>Non Regulated Act.</i>	47	34	13	47	44	3	44	34	10	57	77
<i>International Activities³</i>	3	0	3	2	0	2	1	1	0	7	5
Total Costs	129	121	7	137	130	7	129	113	17	152	196
<i>Regulated Activities</i>	95	93	2	99	97	2	94	82	12	115	154
<i>Labour Costs</i>	54	53	0	55	54	1	48	46	1	48	65
<i>External Costs</i>	34	31	3	37	35	2	34	30	4	50	59
<i>Other²</i>	4	7	-3	4	5	-1	6	1	5	4	19
<i>IFRIC12</i>	3	2	1	3	3	0	6	4	1	14	11
<i>Non Regulated Act.</i>	32	27	5	36	32	4	33	29	4	33	39
<i>International Activities</i>	2	1	1	2	1	1	2	2	1	3	3
EBITDA	409	403	7	405	392	13	416	412	4	421	397
<i>D&A</i>	133	130	2	135	131	4	133	129	3	154	137
EBIT	277	273	4	270	261	8	284	283	0	267	260
<i>Net Financial Charges</i>	25	21	4	17	19	-2	25	29	-4	22	21
Pre Tax Profit	252	252	0	253	242	10	258	254	4	245	240
<i>Taxes</i>	69	74	-5	74	70	4	76	78	-2	78	72
<i>Tax Rate (%)</i>	27.2%	29.2%	-2.0%	29.4%	29.0%	0.4%	29.2%	30.6%	-1.4%	31.9%	30.2%
Total Net Income	184	179	5	178	172	6	183	177	6	167	167
<i>Minority Interest</i>	1	-1	2	1	0	1	2	-1	3	2	8
Group Net Income	183	179	3	178	172	5	181	178	4	165	159

Financial Annexes (3/5)

FY 2018 results - Consolidated Balance Sheet

€ mn	Dec. 31,2018	Dec. 31,2017	Δmn
<i>PP&E</i>	13,244	12,753	492
<i>Intangible Asset</i>	519	506	14
<i>Financial Inv. and Other</i>	320	208	112
Total Fixed Assets	14,084	13,466	617
Net WC	-1,822	-1,485	-337
Funds	-308	-356	48
Net Capital Invested	11,954	11,625	328
<i>Financed by:</i>			
Consolidated Net Debt	7,899	7,796	103
Total Shareholder's Equity	4,054	3,829	225
Total	11,954	11,625	328
D/E Ratio	1.9	2.0	
D/D+E Ratio	0.7	0.7	
Number of Shares (mn)	2,010	2,010	

Financial Annexes (4/5)

FY 2018 results - Consolidated Cash Flow

€ mn	FY18
<i>Total Net Income</i>	712
<i>D&A¹</i>	551
<i>Net Change in Funds</i>	-48
Operating Cash Flow	1,214
<i>Δ Working Capital & Other²</i>	261
Cash Flow from Operating Activities	1,474
<i>Capital Expenditures</i>	-1,091
Free Cash Flow to Equity	383
<i>Dividends & Equity³</i>	-486
Change in Net Cash (Debt)	-103

Financial Annexes (5/5)

FY 2018 results - Capex

€ mn	FY17 ³	FY18	Δ mn	Δ%
Incentivized Investments¹	123	100	-23	-19%
<i>Other Regulated</i>	<i>840</i>	<i>889</i>	<i>49</i>	<i>6%</i>
Regulated Capex	963	989	25	3%
<i>Other²</i>	<i>71</i>	<i>103</i>	<i>32</i>	<i>45%</i>
Total Group Capex	1,034	1,091	57	6%

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 NOT 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 “AGOSTINO SCORNAJENCHI” 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.

Notes



FTSE4Good



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