

## TERNA: RESULTS AS OF 30 JUNE 2016 APPROVED

- **REVENUE** at € 1,039.9 million (€ 1,002 million in 1H 2015, +3.8%)
- **EBITDA** at € 777 million (€ 766.6 million in 1H 2015, +1.4%)
- **NET PROFIT OF THE GROUP** at € 324.8 million (€ 309.9 million in 1H 2015, +4.8%)

**Rome, 27 July 2016** – The CEO Matteo Del Fante presented the results of the first half of 2016, previously examined and approved by Terna S.p.A.'s Board of Directors that met today, chaired by Catia Bastioli. In today's meeting, the Board of Directors also examined the adjustments to be made to the corporate procedures in the light of the new market abuse legislation and gave mandate to the Chief Executive Officer for the consequent activities.

*"We ended the first half of 2016 with positive results on the main economic indicators - said the CEO, Matteo Del Fante - confirming the solidity of Terna's accounts. We are continuing our work for the development and security of the Italian electricity system and confirm our commitment in the interconnection projects that we have launched, in order to give our contribution to the integration of the electricity markets and make our country a renewable-driven electrical hub in the Mediterranean area".*

### CONSOLIDATED ECONOMIC RESULTS

Data in € million	H1 2016	H1 2015	% change
<b>Revenue</b>	1,039.9	1,002	+3.8%
<b>EBITDA (Gross Operating Margin)</b>	777	766.6	+1.4%
<b>EBIT (Operating Profit)</b>	509.8	523.6	-2.6%
<b>Profit before taxes</b>	473.6	459.9	+3%
<b>Net profit for the period</b>	324.8	309.9	+4.8%

### SUMMARY OF THE 1ST HALF 2016 CONSOLIDATED RESULTS

**Revenue** for the first half of 2016 amounted to € 1,039.9 million, with an increase of € 37.9 million compared to the same period of the previous year (+3.8%). This change is attributable to Regulated Activities for € +31.3 million and to Non-Regulated Activities for € +7.2 million.

Regarding Regulated Activities, the revenues include the fee for transmission and dispatching linked to the introduction of the new 2016–2023 regulatory period, the recognition of the investments related to the 2015 incentivised work in progress and the contribution of the inclusion in the first half of 2016 of the National Transmission Grid acquired at the end of 2015 from Gruppo Ferrovie dello Stato.

For what concerns Non-Regulated Activities, we can see the effects of the Group's wider perimeter linked to the acquisition of TES – Transformer Electro Services (controlled by Tamini) - and to new contracts for the use of infrastructures by TLC operators.

**Operating expenses** in the first half of 2016 amounted to € 262.9 million, up by 27.5 million compared to the same period of 2015, mainly as a result of the costs related to the inclusion in the perimeter of the electricity grid acquired from Ferrovie dello Stato and of TES.

Therefore, **EBITDA** (Gross Operating Margin) stood at € 777 million, a € 10.4 million improvement compared to the € 766.6 million of the first half of 2015 (+1.4%).

**Depreciation and Amortisation** of the period, corresponding to € 267.2 million, increased by € 24.2 million compared to the same period of financial year 2015, due to the entry into operation of new plants and the depreciation and amortisation related to the subsidiary Rete Srl.

**EBIT** (Operating Profit) amounted to € 509.8 million, compared to the € 523.6 million of the first six months of 2015 (-2.6%) due to the increase in depreciation and amortisation.

**Net financial expense** for the period amounted to € 36.2 million, a reduction of € 27.5 million compared to the figure for the same period of 2015, mainly due to the reduction in market interest rates.

**Profit before taxes** amounted to € 473.6 million, up by 3% compared to the same period of the previous year.

**Income taxes** for the period amounted to € 150.7 million, in line with the same period of the previous year (+0.5%).

**Net profit of the Group** for the period was € 324.8 million, a € 14.9 million (+4.8%) increase compared to the € 309.9 million of the first half of 2015.

Total **investments** made by the Group in the period, of € 346.9 million – vs € 438.9 million of the first half of 2015 - are in line with what announced in the 2016-2019 Strategic Plan. The main projects of the period refer to the progress of the construction sites of the Italy-Montenegro and Italy-France electrical interconnections and of “Villanova-Gissi” and “Sorgente-Rizziconi”<sup>1</sup> power lines, the latter two already into operation in the first half of 2016.

The consolidated **statement of financial position** as of 30 June 2016 shows **Equity attributable to the owners of the Parent** of € 3,365.3 million (€ 3,320.8 million as of 31 December 2015).

**Net financial debt** totalled € 8,172.3 million, compared to € 8,002.7 million as of 31 December 2015.

As of 30 June 2016, Group **Employees** were 3,781, an increase of 14 compared to 31 December 2015. This increase was mainly due to completion of the generational turnover project announced and implemented in 2015. The project allowed to launch the process aimed at integrating the High Voltage assets acquired from the FS Group – which led implementing the policy for recruiting

resources dedicated to the future management of the plants - as well as the entry into the Terna Group of over 300 new young professionals.

## SIGNIFICANT EVENTS IN THE FIRST HALF OF 2016

### Management and development of the NTG

The main works that came into operation in the first half of 2016 include:

On 31 January 2016, the 380 kV "**Villanova-Gissi**" power line. The work was aimed at finding a solution to most of Abruzzo's electrical deficit by solving its electrical infrastructural shortcomings, eliminating notable limitations on operations and, thus, reducing considerably the risks of blackouts. The power line also allows inputting into the grid greater quantities of electricity produced by renewable sources in Italy.

On 28 May 2016 the 380 kV "**Sorgente-Rizziconi**". This is a strategic work for Calabria and Sicily and more generally for Italy. Indeed, it allows the most efficient use of Southern Italy's production plants, increases competition and thus enables lower energy prices to the benefit of Italian businesses and families. The estimated savings for the system with the new power line are around € 600 million each year, added to the more than € 7 billion of savings generated since 2005 thanks to the improvements Terna brought to the Italian electricity system through investments, which brought to reduced grid congestions. In the last 5 years, Terna invested over € 700 million in the project, one of the most significant investments in the Group's history.

### Interconnections abroad

In February 2016, for the **Italy-France** Interconnector, Terna took advantage of the discussions held in 2015 with the institutions and communities involved in the project, obtaining from the Ministry of Economic Development the opening of the authorisation procedure for the location variant of the Interconnection. The work will increase the security of the grid, reduce the congestions of the continental electricity grid and reduce the cost of electricity for households and businesses. We can note that on 16 May 2016 the Authority, via Resolution 228/2016/I/eel, approved the document "Opinion on the Piemonte Savoia Exemption Application" aimed at the issue of the exemption decree for this activity by the Ministry of Economic Development.

In June, the **Intraday Market Coupling** process officially began on the border with Slovenia. The mechanism was implemented thanks to the collaboration of Italy and Slovenia's TSOs and Energy Exchanges: the creation of this project is a further step towards the integration of the markets promoted by the European Commission and will enable a more efficient allocation of the interconnection capacity between Italy and Slovenia. In June, Terna and the bordering TSOs at the Northern-Italy border (RTE, Swissgrid, APG and ELES) recalculated every day in a coordinated manner the NTC (Net Transfer Capacity) on the interconnections based on the best forecasting information they had. The results of the testing stage showed that this process generates further efficiencies for the electricity market, which make available an average capacity of 200 MW on the Northern border.

## Other Non-Regulated Activity projects

In May 2016, a **Memorandum of Understanding was signed by the Municipality of Pantelleria, S.Med.E.**, the company that produces and distributes electricity on the island, and **Terna Plus S.r.l.** to continue a project for the integration of clean energies and storage systems. This will be achieved through plants for the production of electricity from renewable sources, batteries for energy storage, the implementation of a new system for electric mobility, actions for greater energy efficiency and reduced CO<sub>2</sub> emissions into the atmosphere to make the island an example of sustainability and leading-edge technology capable of generating evident economic and environmental benefits.

On 20 May 2016, **Terna and Tesla Motors** - world leader in the manufacturing of lithium batteries and electric cars - signed a three-year strategic agreement. The agreement, besides applications in the world of network services, provides for the implementation of the pilot projects Grid to Vehicle and Green Islands. For what concerns the Grid to Vehicle project, Terna would like to assess the potential use of Tesla's electric cars in terms of providing grid services, which will bring benefit both to electricity customers and motorists, allowing for a more intelligent use of renewable energy. The Green Islands project, instead, regards the combination of energy-storage systems with renewable energy generators - which will be installed on Italy's minor islands - and intelligent energy solutions such as the use of electric vehicles. The strategic partnership with Tesla Motors leverages the great experience gained by Terna over these years in the Storage sector and is part of the company's commitment in the field of innovation, research and development.

A **plant in Chile** came into operation in March, connecting to the grid the 80 MW "Pampa Norte" photovoltaic plant owned by Enel Green Power that had ordered the work. Terna Chile's Team successfully completed a project of great importance for the Chilean electricity grid in record time. In fact, two substations and a 220 kV line, situated in the Atacama desert in northern Chile, came into service.

## Sustainability

Following the recognition as Industry Leader in the Electric Utilities sector of the **Dow Jones Sustainability Index** (September 2015), Terna is now the only Italian company included in the Gold Class of the 2016 RobecoSAM Sustainability Yearbook published in January 2016. In June, Terna was reconfirmed among the leading companies in the world for sustainability performance in the **FTSE4Good** indices of the London Stock Exchange.

In February 2016 - as part of its commitment to the development of an increasingly sustainable grid for territories and communities - Terna began the **demolition** in the city of Florence of 3 km of an old power line dating back to the 1950s. The 17 pylons cross the hills of **Pian dei Giullari, Arcetri and Monte alle Croci**: one of Italy's best landscape and an area of cultural prestige.

On 7 June 2016, Terna signed agreements with **Legambiente, WWF Italia** and **Greenpeace Italia**, to promote all initiatives needed to expand awareness and spread a culture of sustainability in the energy field. The objective of these agreements is close cooperation aimed at progressively improving the environmental sustainability of the NTG Development Plan.

## **SIGNIFICANT EVENTS AFTER 30 JUNE 2016**

### **Terna wins the Safety Prize awarded by Confindustria and INAIL**

Terna won the Safety Prize awarded by Confindustria and INAIL with the support of the President of the Republic, presented on 20/07/2016 before the Chairman of Confindustria.

The 4th edition of the "Companies Safety Prize", awarded by Confindustria and INAIL with the technical collaboration of APQI (Associazione Premio Qualità Italia - Italy Quality Prize Association) and Accredia (the Italian Accreditation Body) aims at rewarding companies that have distinguished themselves for their commitment in the field of health and safety management. This is an example to highlight and share experiences in order to raise awareness among other companies and workers on legislative, cultural, organisational and behavioural aspects.

The purpose of the initiative was to create a true corporate culture for what concerns health and safety, reward the best companies that have distinguished themselves for their excellence in management processes and, in particular, for a their true commitment and results achieved in the field of health and safety.

This recognition is evidence of Terna's leadership in the use of increasingly innovative solutions to protect the health and safety of workers. One of the most significant assessment parameters analysed was the degree of maturity reached by the company in adopting the most effective best practices at international level for what concerns safety.

### **€ 500 million revolving credit facility agreed**

On 26 July 2016 Terna agreed a back-up revolving credit facility, in the form of a "committed" line (the "Revolving Credit Facility" or "Facility"), for a total amount of € 500 million, with a pool of banks including Banca IMI, BNP Paribas, Bank of Tokyo – Mitsubishi, Caixa Bank and UniCredit serving as Joint Mandated Lead Arrangers and Bookrunners. The Revolving Credit Facility will have a duration of 5 years and the amount available will be usable throughout the duration of the loan with prior notification. The interest rate is linked to EURIBOR, plus an additional margin between 0.70% and 1.10% (depending on the amount used).

## **BUSINESS OUTLOOK**

In the second half of the year, the Terna Group will be engaged in implementing the 2016–2019 Strategic Plan approved by the Board of Directors and presented to the Financial community on 17 February 2016.

In particular, the company will continue to pursue the strategic objectives focused at completing the investments envisaged in the Development Plan and in the Defence Plan, and on renewing existing assets, developing Non-Regulated Activities and rationalising processes and operating expenses.

With reference to non-regulated activities, the focus on value creation is confirmed, through activities for third parties in the areas of engineering, implementation and maintenance services mainly for the electricity sector and telecommunications business.

In line with the targets of the 2016–2019 Strategic Plan, which provides for a maximum amount of € 200 million, Terna is exploring business opportunities in the area of international activities. In



particular, Terna is participating to a tender for the construction of an power line in Uruguay. In Europe, Terna has expressed its interest to participate to an international tender for the privatisation of 24% of the Greek TSO.

In the light of the results of the first half of 2016, Terna estimates a turnover of around € 2.1 Billion in 2016 (previous estimate 2.09 billion), an EBITDA of around 1.53 billion (previous estimate 1.52 billion), earnings per share of around 29 € cent (previous estimate 28 € cent) and investments of around € 900 million (in line with the previous estimate).

As in the previous years, Terna will maintain its focus on cost-excellence programmes, continuing to improve its operational processes and rationalising costs, also for what concerns the integration of the FS grid.

## **PAYMENT OF 2016 INTERIM DIVIDEND**

The amount of the 2016 interim dividend will be announced to the Market in the coming months. The current expected dates for the 2016 "interim" dividend on shares in Terna S.p.A. – notified to the market in a press release of 29 January 2016 – set the payment date as of 23 November, with "ex-dividend date" at 21 November 2016 (pursuant to Article 83 terdecies of Italian Legislative Decree no. 58 of 24 February 1998 "Consolidated Law on Finance": 22 November 2016)

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*At 3.00 p.m. a conference call will be held to illustrate the results of the first half of 2016 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](http://www.terna.it)) in the Investor Relations/Presentations section at the beginning 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 SDIR-NIS, on the website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and of the authorised storage service "1Info" ([www.1info.it](http://www.1info.it)).*

*The Executive in Charge of the Preparation of the Company's Accounting Documents, Pierpaolo Cristofori, in accordance with paragraph 2 of Art. 154-bis of the Consolidated Law on Finance, declares that the accounting disclosure provided in this communication is consistent with the documents, books and accounts.*

*The Interim Financial Report as of 30 June 2016, with the certification required by Article 154 bis, paragraph 5 of Italian Legislative Decree 58/98 (Consolidated Law on Finance) and the report by the audit company, will be made available to the public in the Company's registered office and will be published on the Company's website ([www.terna.it](http://www.terna.it)) and on the internet site of the authorized storage service "1Info" ([www.1info.it](http://www.1info.it)), as well as filed with the stock exchange management company Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)). The prescribed disclosure regarding the filing will also be issued.*

*Please find attached the reclassified Consolidated Income Statement, Statement of Financial Position and Statement of Cash Flows of the Terna Group.*

*It should be noted that, pursuant to Communication No. DME/9081707 of 16 September 2009, the reclassified statements submitted here below are those included in the Interim Report on Operations as of 30 June 2016, included in the 2015 interim financial report of the Terna Group as of 30 June 2016, for which the Independent Auditing Company, in compliance with Article 14 of Italian Legislative Decree No. 39 dated 27 January 2010 will verify consistency with the Condensed Consolidated Financial Statements.*

In this release, some "alternative performance indicators" (EBITDA, EBIT, EBITDA Margin and Net Financial Debt) are used, whose meaning and contents are explained below pursuant to ESMA/2015/1415 recommendation published on 3 December 2015:

- EBITDA (Gross Operating Margin): this is an indicator of operating performance; it is calculated by combining the operating profit (EBIT) with amortisation, depreciation and impairment.
- EBITDA Margin: this represents an indicator of operating performance; it derives from the ratio between Gross Operating Margin (EBITDA) and revenue;
- Net Financial Debt: this represents an indicator 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.

## Terna Group reclassified income statement

€ million	1H2016	1H2015	Δ	Δ %
<b>REVENUE</b>				
- Transmission fee (1)	871.1	839.3	31.8	3.8%
- Dispatching fees (1)	54.8	62.0	(7.2)	(11.6%)
- Other revenues and income	106.9	93.0	13.9	14.9%
of which other revenue from Regulated Activities(1)	16.5	9.8	6.7	68.4%
of which other revenue from Non-Regulated Activities	90.4	83.2	7.2	8.7%
- Revenue from construction of licensed activities (2)	7.1	7.7	(0.6)	(7.8%)
<b>TOTAL REVENUE</b>	<b>1,039.9</b>	<b>1,002.0</b>	<b>37.9</b>	<b>3.8%</b>
<b>OPERATING EXPENSES</b>				
- Personnel expenses	113.2	111.8	1.4	1.3%
- Services, leases and rentals	84.1	65.8	18.3	27.8%
- Materials	38.9	32.2	6.7	20.8%
- Other expenses	16.0	14.6	1.4	9.6%
- Service quality	3.6	3.3	0.3	9.1%
Costs of construction of licensed activities (2)	7.1	7.7	(0.6)	(7.8%)
<b>TOTAL OPERATING EXPENSES</b>	<b>262.9</b>	<b>235.4</b>	<b>27.5</b>	<b>11.7%</b>
<b>GROSS OPERATING MARGIN</b>	<b>777.0</b>	<b>766.6</b>	<b>10.4</b>	<b>1.4%</b>
Amortisation, depreciation and impairment	267.2	243.0	24.2	10.0%
<b>OPERATING PROFIT (EBIT)</b>	<b>509.8</b>	<b>523.6</b>	<b>(13.8)</b>	<b>(2.6%)</b>
- Net financial income (expense)	(36.2)	(63.7)	27.5	(43.2%)
<b>PROFIT BEFORE TAX</b>	<b>473.6</b>	<b>459.9</b>	<b>13.7</b>	<b>3.0%</b>
- Income taxes for the period	150.7	150.0	0.7	0.5%
<b>NET PROFIT FOR THE PERIOD</b>	<b>322.9</b>	<b>309.9</b>	<b>13.0</b>	<b>4.2%</b>
-Share attributable to non-controlling interests	(1.9)	-	(1.9)	0.0%
<b>GROUP NET PROFIT FOR THE PERIOD</b>	<b>324.8</b>	<b>309.9</b>	<b>14.9</b>	<b>4.8%</b>

(1) Revenue from Regulated Activities (totalling € 942.4 million).

(2) Recognised pursuant to IFRIC 12 – “Service Concession Arrangements”.



***Terna Group reclassified statement of financial position***

€ million	at 30.06.2016	at 31.12.2015	Δ
<b>Net non-current assets</b>			
- Intangible assets and goodwill	518.9	530.1	(11.2)
- Property, plant and equipment	12,171.3	12,078.7	92.6
- Financial assets	89.8	89.5	0.3
<b>Total</b>	<b>12,780.0</b>	<b>12,698.3</b>	<b>81.7</b>
<b>Net working capital</b>			
- Trade receivables	447.5	568.3	(120.8)
- Inventories	13.0	12.4	0.6
- Other assets	58.8	40.0	18.8
- Trade payables	(556.2)	(747.1)	190.9
- Net energy-related pass-through payables	(369.2)	(617.9)	248.7
- Net tax liabilities	(57.0)	132.5	(189.5)
- Other liabilities	(378.8)	(364.9)	(13.9)
<b>Total</b>	<b>(841.9)</b>	<b>(976.7)</b>	<b>134.8</b>
<b>Gross invested capital</b>	<b>11,938.1</b>	<b>11,721.6</b>	<b>216.5</b>
Sundry provisions	(377.4)	(373.1)	(4.3)
<b>NET INVESTED CAPITAL</b>	<b>11,560.7</b>	<b>11,348.5</b>	<b>212.2</b>
<b>Equity attributable to the owners of the Parent</b>	<b>3,365.3</b>	<b>3,320.8</b>	<b>44.5</b>
<b>Equity attributable to non-controlling interests</b>	<b>23.1</b>	<b>25.0</b>	<b>(1.9)</b>
<b>Net financial debt</b>	<b>8,172.3</b>	<b>8,002.7</b>	<b>169.6</b>
<b>TOTAL</b>	<b>11,560.7</b>	<b>11,348.5</b>	<b>212.2</b>

### ***Terna Group Cash Flow***

<b>€ million</b>	<b>Cash flow H1 2016</b>	<b>Cash flow H1 2015</b>
- Net Profit for the period	322.9	309.9
- Amortisation, depreciation and impairment	267.2	243.0
- Net financial expense	36.2	63.7
- Net change in provisions	4.3	(28.1)
- Net Losses (Gains) on asset disposals	(2.0)	(1.1)
<b>Self-financing (Operating Cash Flow)</b>	<b>628.6</b>	<b>587.4</b>
- Change in net working capital*	(136.2)	235.1
- Other changes in non-current assets	1.8	8.8
- Change in equity investments	(0.4)	(0.2)
<b>Cash Flow from Operating Activities</b>	<b>493.8</b>	<b>831.1</b>
- Total investments	(346.9)	(438.9)
<b>Free Cash Flow</b>	<b>146.9</b>	<b>392.2</b>
- Dividends paid to the owners of the Parent	(261.3)	(261.3)
- Net financial expense	(36.2)	(63.7)
- Equity reserve cash flow hedges net of the tax effect and other changes in equity	(19.0)	22.6
<b>Change in net financial debt</b>	<b>(169.6)</b>	<b>89.8</b>

\* Does not take into account impairment of trade receivables accruing (€ 1.4 million in 1H2016).