

TERNA: 2019-2023 STRATEGIC PLAN APPROVED

MORE THAN € 6 BILLION IN ITALY THE HIGHEST INVESTMENT PLAN EVER

Revenues and Operating Margin up by more than 4% on average per year in the Plan period

€ 6.2 billion of investments in the Italian electricity grid, Terna's highest financial commitment ever (an almost 20% increase compared with the € 5.3 billion of the previous Strategic Plan). The primary focus is on the development of the Italian Transmission Grid and cross-border interconnections, asset renewal activities and improvement of quality of service and efficiency.

Focus on sustainability and regional development requirements, also through the shared planning of infrastructures and the installation of underground and undersea cables with a lower environmental impact.

Growing attention to **security** of the grid and to **quality of service** also in the light of the climate change in progress.

Group revenues are expected to be approximately € 2.7 billion, with EBITDA of approximately € 2 billion in 2023, with a compound annual growth rate (CAGR) higher than 4% for both figures. Improvements are also expected in **Net Profit**, and **earnings per share** (EPS), which will reach approximately € 0.42 in 2023.

The Regulated Asset Base (RAB) will reach € 18.5 billion in 2023, with a CAGR of over 4%.

Dividend policy: from 2019 to 2021, the CAGR of the dividend per share (DPS) is expected at 7%, based on the 2018 dividend. For 2022 and 2023 a 75% payout is expected, with a minimum guaranteed dividend equal to the dividend pertaining to 2021.

Terna's **capital structure** will remain solid, also thanks to a robust cash generation, which will contribute substantially to the Investment Plan and will provide a return for shareholders.

RESULTS AS OF 31 DECEMBER 2018 APPROVED

- **Revenues** at € 2,197 million (+1.6%)
- **EBITDA** at € 1,650.6 million (+2.9%)
- Group **Net Profit** at € 706.6 million (+2.7%)
- **Proposed dividend for 2018** of € 0.2332 per share
(of which € 0.0787 already paid as interim dividend and € 0.1545 as final dividend payable in June 2019)
- **Capex** at € 1,091.1 million (+5.5%)
- **Net financial debt** at € 7,899.4 million (€ 7,796.4 million as of 31 December 2017)

Rome, 21 March 2019 - The Board of Directors of Terna S.p.A. at the meeting of 20 March, chaired by Catia Bastioli, which has been closed today, approved the 2019-2023 Strategic Plan and the consolidated results for 2018, presented by the CEO and General Manager, Luigi Ferraris.

Statement of Terna CEO and General Manager, **Luigi Ferraris**: *"I am very proud of the 2018 results, which show growth in line with all the economic and financial targets set. These results constitute the basis for our 2019-2023 Strategic Plan, which envisages robust cash generation in support of a strong acceleration on investment for the expansion of infrastructure in Italy. Over € 6 billion for the Italian electricity grid represent Terna's highest financial commitment ever, driving the electricity system towards complete decarbonisation and facilitating the full integration into the grid of energy from renewable sources. Sustainability and dialogue with local communities, innovation and digitization, people and industrial know-how are key to our future development. The expected growth in investment, together with the enhancement of our core competences, both in Italy and abroad, will enable us to improve operating results and generate value for our shareholders"*.

2019-2023 Strategic Plan

The Group's main strategic guidelines

Terna's Strategic Plan for the period 2019-2023 provides for an important contribution of the Group aimed at the further development and integration of renewable energy sources and the overall energy efficiency of the electricity system.

- **Domestic Regulated Activities:** *acceleration of investment and strengthening of the core business in Italy, through direct involvement of the territories and dialogue with all the stakeholders and the local communities, in order to play a leading role in the energy transition*
- **Domestic Non-Regulated Activities:** *development of new high value-added services, leveraging new opportunities coherent with Terna's core business*
- **International Activities:** *strengthening Terna's role at European level and scouting potential opportunities, leveraging the distinctive industrial know-how acquired*

DOMESTIC REGULATED ACTIVITIES: A LEADING ROLE IN THE ENERGY TRANSITION

In the 2019-2023 Strategic Plan, Terna will invest a total of € 6.2 billion in the Italian national electricity grid, an amount that represents the highest financial commitment ever to the development of the country. This will enable Terna to play an active role in the ongoing energy transition and Italy to securely, efficiently and sustainably cope with the challenges of the electricity sector, that is increasingly interconnected, decarbonised and renewable.

More than 60% of the new power lines that will enter into operation over the Plan period will be 'invisible', being underground or undersea cables, with low environmental impact.

Over **€ 3 billion will go towards investment in developing the national electricity grid**, with projects to strengthen the connections between market zones, rationalise the grids in the main metropolitan areas of the country and increase interconnections. The main projects to increase the interconnection capacity among the different zones of the Italian electricity market include the *Colunga-Calenzano* (between Tuscany and Emilia-Romagna) and *Gissi-Foggia* (between Abruzzo and Apulia) power cables. The rationalisation of the electricity grids in the main metropolitan areas such as Milan, Rome and Naples will mostly involve replacing old infrastructure with new sustainable, high-technology lines. With regard to interconnections, works will start on the new SA.CO.I.3 project (strengthening the connection between Sardinia, Corsica and the Italian Mainland).

Over **€ 2 billion are related to asset renewal and efficiency**, mainly to improve the quality of service and the digitization of the grid.

Approximately **€ 1 billion for the Defence Plan** mainly dedicated to creating and installing devices to increase grid security and stability, such as synchronous compensators, at the most critical points for managing energy flows.

In addition, over the Plan period, we expect the entry into operation of the two *Italy-Montenegro* and *Italy-France* interconnections.

Within the three categories of investment mentioned above, approximately € 700 million will be related to **digitization and innovation**, developing solutions and projects with high technological performance to cope with the growing complexity of the system. The variability of demand and ever-increasing production from non-programmable renewable sources, in fact, require investments in innovation and digitization, fundamental to ensure secure, efficient and reliable management of the electricity flows on the grid. In particular, Terna is planning to further develop its optical fibre network with a targeted new installation plan, new digital systems for both grid and surrounding environment control and diagnostics, as well as innovative solutions for monitoring lines and substations, including remote technologies.

The search for innovative solutions and technologies for the development and modernisation of the national transmission grid will be even more closely shared with all the main stakeholders in the territory, especially the local communities, the authorities and institutions involved in the projects. A proactive approach based on listening and dialogue, which foresees the active participation of local communities. For Terna, attention to the environment and sustainability are extraordinary strategic enablers in generating value for Italy and its communities.

The **Regulated Asset Base (RAB)** will reach € 18.5 billion by 2023, with a CAGR in the Plan period higher than 4%, compared with the € 15.7 billion envisaged for 2019. At the end of 2018, the RAB stood at € 15.2 billion.

DOMESTIC NON-REGULATED ACTIVITIES: NEW INNOVATIVE SERVICES

In continuity with previous years, also in the 2019-2023 Strategic Plan, Domestic Non-Regulated activities will be oriented to supporting the energy transition with innovative services. Specifically, Terna will consolidate its role as *Energy Solutions Provider*, developing high value-added services, leveraging market opportunities for energy players. The company will scout opportunities in the field of connectivity leveraging its dark-fibre infrastructure.

It is expected that Domestic Non-Regulated activities will contribute for approximately € 400 million cumulated to the Group's EBITDA in the period.

INTERNATIONAL ACTIVITIES: EXPLOITING CORE SKILLS ABROAD

International activities will be committed to strengthening Terna's role at European level and scouting new growth opportunities, leveraging the distinctive industrial know-how acquired.

Specifically, activities in South America will be focused on the completion and management of existing projects in Brazil and on the completion of ongoing activities in Uruguay and Peru.

Regarding projects to be identified, on top of the above-mentioned projects in execution, the 2019-2023 Strategic Plan foresees a maximum cumulated capital allocation lower than € 300 million for activities characterised by a low risk profile and limited capital absorption.

Overall, International activities will bring to the Group a total contribution in terms of **EBITDA** of € 150 million cumulated in the Plan period.

Main results expected in the 2019-2023 Strategic Plan

Group revenues are expected to be approximately € 2.7 billion and EBITDA will reach approximately € 2 billion in 2023, with a CAGR higher than 4% for both figures starting from 2018. The investment in the period, gross of EU contributions, amount to € 6.8 billion.

Net Profit is also expected to improve, leading to **Earnings Per Share** (EPS) of approximately € 0.42 in 2023, with a CAGR higher than 3% over the Plan period. As a result of the optimisation of financial efficiency, the 2019-2023 Strategic Plan average cost of net debt is expected to be 1.6%.

These results will guarantee an Operating Cash Flow, which will contribute to the necessary flexibility to support the planned investment, while at the same time offering an attractive dividend policy.

Terna's financial structure will remain solid, and the Net Debt/RAB ratio will remain below 60% in the five-year period.

Sustainability objectives and targets

A relevant part of the 2019-2023 Strategic Plan is dedicated to sustainability objectives, aimed at guaranteeing the sustainability of the business and value creation in the medium-long term. The set of targets is structured around four dimensions - *Human Resources*; *Stakeholders and the territory*; *Integrity, responsibility and transparency*; *Environment* - divided into 14 objectives associated with more than 120 activities distributed over the entire Plan period.

As regards *Human Resources*, the main objectives concern the culture of employees' health and safety (which will cover 100% of the personnel of the plant units by 2021), performance assessment (which will involve 85% of employees), and a training plan to develop digital skills and the implementation of agile working policies. As regards the category *Stakeholders and the territory*, targets have been set for the involvement of local communities and listening to

communities to ensure wide agreement on infrastructure and social responsibility initiatives. In the area of *Integrity, responsibility and transparency*, suppliers' certifications were considered (involving 100% of the "works" segments). Finally, in the *Environment* dimension, the most significant targets regard the impact of transmission infrastructure, and therefore the new underground and undersea lines, the removal of obsolete lines (more than 350 km in the period of the Plan) and the reduction of CO₂ emissions.

2019 Outlook

Total revenues are expected around € 2.3 billion, with EBITDA of around € 1.72 billion. Consequently, Earnings Per Share (EPS) are expected around € 0.36. Investments are expected in the range of about € 1.2 billion, gross of EU contributions.

Dividend Policy

From 2019 to 2021, the CAGR of the dividend per share (DPS) is expected at 7%, based on the 2018 dividend. For 2022 and 2023 a 75% payout is expected, with a minimum guaranteed dividend equal to the dividend pertaining to 2021.

CONSOLIDATED ECONOMIC AND FINANCIAL RESULTS 2018

€ million	2018	2017	% change
Revenues*	2,197.0	2,162.8	+1.6%
EBITDA (Gross Operating Margin)	1,650.6	1,603.9	+2.9%
EBIT (Operating Profit)	1,096.5	1,077.4	+1.8%
Group net profit	706.6	688.3	+2.7%
CAPEX	1,091.1	1,033.9	+5.5%

* Directly includes margins for concessionary activities carried out abroad

Revenues for 2018 stood at € 2,197 million, an increase of € 34.2 million (+1.6%) compared with the previous year figure. This result is mainly due to the increase in tariff revenues from Domestic Regulated activities, the contribution of Domestic Non-Regulated activities, in particular due to the rise in sales of the Tamini Group, and the results delivered by the implementation of projects in Brazil.

EBITDA (Gross Operating Margin) of the Group stood at € 1,650.6 million, with an increase of € 46.7 million (+2.9%) compared with € 1,603.9 million in 2017, owing mainly to the better result of Domestic Regulated activities.

EBIT (Operating Profit), after amortisation, depreciation and impairment of € 554.1 million, came in at € 1,096.5 million, compared with the € 1,077.4 million in 2017 (+1.8%).

Net financial expenses for the year were € 88.8 million, in line with 2017.

Profit before taxes stood at € 1,007.7 million, up by € 19.1 million compared with the previous financial year (+1.9%).

Taxes for the year were € 296.1 million, with an increase on the previous year of € 1.7 million (+0.6%) mainly due to higher profits before taxes. The **tax rate** for the year was 29.4% (29.8% for 2017).

Group **net profit** for the year came in at € 706.6 million, up by € 18.3 million compared with 2017 (+2.7%).

The **consolidated statement of financial position** at 31 December 2018 showed equity attributable to shareholders of the parent of € 4,019.2 million, compared with € 3,803.3 million at 31 December 2017.

Net financial debt at 31 December 2018 amounted to € 7,899.4 million compared with the € 7,796.4 million at 31 December 2017, driven by the investment activities of the period.

Group **CAPEX** in 2018 came in at € 1,091.1 million, up by 5.5% compared with the € 1,033.9 million of 2017. Significant projects included the ongoing development of the Italy-Montenegro and Italy-France cross-border interconnectors, the restructuring of the high-voltage grid in the metropolitan area of Naples and the implementation of undersea cables in the Venetian Lagoon, the Foggia-Benevento 2 power lines and the electricity connection between Capri and the Sorrento peninsula.

As of 31 December 2018, the Group had 4,252 **employees**, up by 355 compared with 31 December 2017 as a result of the current reorganizational and workforce strengthening initiatives.

2018 results of the parent company - TERNA S.p.A.

With regard to the 2018 results of the parent company, Terna S.p.A. closed the year with **revenues** of € 1,967.6 million, up compared with the € 1,951.5 of 2017.

EBITDA (Gross Operating Margin) came in € 1,515.6 million, with an increase of € 29 million compared with the € 1,486.6 million of 2017.

EBIT (Operating Profit), after amortisation, depreciation and impairment of € 517.9 million, therefore came in at € 997.7 million, up on the € 991.4 million in 2017.

Net profit for the year amounted to € 661.3 million, up by € 21.3 million compared with 2017.

The statement of financial position shows **shareholders' equity** of € 3,850.9 million (compared with € 3,675.3 million as of 31 December 2017) and **net financial debt** of € 8,101.8 million compared with € 8,046.5 million as of 31 December 2017.

Main events after year end

Regulatory

On 1 January 2019, the **new zoning structure** came into force, which foresees for the grouping of the limited production hubs of Brindisi, Foggia and Priolo into the surrounding zones (South and Sicily respectively), as well as the transfer of the Gissi hub from the South to the Centre-South. This modification was implemented in compliance with the CACM European Regulation which must be observed by all regulatory authorities and grid operators (TSO) of EU Member States. In particular, the changes aim to ensure the security of the grid, as well as to improve the efficiency and cost-effectiveness of the Electricity Market. ARERA Resolution 386/2018/R/eel approved the draft proposal for the zonal configuration presented by Terna following the audit process carried out in 2018 pursuant to the CACM European Regulation and ARERA Resolution 22/2018/R/eel.

Business Development

On 21 January 2019, the Governor of the Veneto Region, Luca Zaia, and Terna's Chief Executive Officer, Luigi Ferraris, signed a **programme agreement** for extraordinary works to improve the security of the electricity system and regional development, aimed at promoting sustainable development in the **Veneto** Region and the economic and social development of the areas affected by the extreme weather events of November 2018 through the reconstruction and development of regional electricity infrastructure.

On 18 February 2019, as part of the **rationalization of the electricity grid in the City of Genoa**, Terna completed the installation works for the *C.P. Fiera-C.P. Centro* and *Genova T.-C.P. Fiera* underground power lines. The works will support the increase in port activities, thanks to the modernisation of the local grid, and will stimulate the implementation of strategic projects for the development and urban renewal of Genoa.

On 21 February 2019, Terna brought the underground and undersea cable **C.P. Sacca Serenella-C.P. Cavallino** into operation and launched a number of other activities, such as the demolition of the *Fusina 2-Sacca Fisola* overhead line, aimed at the removal of a total of 6.5 km of lines and 24 pylons, most of which are currently located in the lagoon area, in order to increase the efficiency and security of the grid in the Venetian Lagoon area. Terna has also launched preliminary works for the demolition of a section of the *Villabona-Fusina 2* line in the area of Vallone Moranzani.

On 27 February 2019, the project to **restructure the grid in the area of Rimini** was launched, aimed at making the local electricity system more secure and efficient, particularly during the summer season, when electricity consumption rises considerably, with the consequent risk of service disruptions. The works include the demolition of 84 pylons and approximately 21 km of power lines.

On 1 March 2019, **Snam and Terna signed a memorandum of understanding** to define and implement common initiatives, in particular on research, development and innovation and on the possible synergies between the electricity and gas systems.

Finance

On 10 January 2019, Terna launched a **green bond issue** in euros, at a fixed rate, in the form of a private placement amounting to € 250 million, to which a “BBB+” rating has been assigned by Standard and Poor’s, “(P)Baa2” by Moody’s and “BBB+” by Fitch. The net proceeds from the issue will be used to finance Terna’s *eligible green projects*, thus consolidating the Group’s strategy oriented towards combining sustainability with growth, in order to promote the ongoing energy transition and generate ever increasing benefits for Italy and its stakeholders.

Sustainability

On 16 January 2019, Terna was selected for the first time for the **Bloomberg Gender Equality Index (GEI)**, an international index which measures corporate performance on gender equality issues and the quality and transparency of public reporting, a decisive aspect in the overall assessment. For 2019, Bloomberg analysed over 9,000 companies listed on the main global financial markets. Of those companies, 230 (with headquarters in 36 countries and representing 10 different sectors including energy, manufacturing, utilities and finance), were selected for the GEI, with only three Italian companies making the list.

International Activities

On 19 February 2019, Terna launched *Santa Maria 3-Santo Angelo 2* **power line in Brazil** that will enable the full integration of large quantities of energy produced by renewable sources, particularly wind, into the national grid.

On 27 February 2019, an Implementing Agreement was signed between the Peruvian parish of Chacas and Terna Plus for the construction of over 16 km of **electricity lines in Peru**, that will enable the connection of the Huallin hydroelectric power station to the national grid, leading to significant increases in the generation and transport of renewable energy, benefitting both the local community and all the other areas in need supported by *Operación Mato Grosso*.

New compositions of Board committees

Following the co-option of Paolo Calcagnini – communicated to the market on 15 February of this year – the Board of Directors today changed the composition of the Board committees, in order to continue to ensure compliance with the recommendations of the Governance Code and to be aligned with best governance practices. Gabriella Porcelli took on the chair of the Appointments Committee of which Fabio Corsico and Yunpeng He continue to be members. The members of the Audit and Risk, Corporate Governance and Sustainability Committee – the chair of which was entrusted to Luca Dal Fabbro from 9 November 2018 – continue to be Paola Giannotti and Elena Vasco. This last was instead appointed as a member of the Remuneration Committee, whose members continue to be Fabio Corsico (as Chair) and Gabriella Porcelli. Paola Giannotti, finally, was appointed Chair of the Related Party Transactions Committee, of which Luca Dal Fabbro and Gabriella Porcelli are members.

Business outlook

The electricity sector is evolving rapidly as a result of the ongoing energy transition, bringing with it challenging targets of sustainability, competitiveness and security. In particular, the expected increase in global electricity consumption within a context of progressive decarbonisation will require a significant increase in the use of renewable sources with consequent challenges for their integration into the electricity system. The pursuit of energy security through the optimisation of interconnections, the increase of grid resilience and a more competitive market will be determining factors in the management of the complex exchanges between TSOs and other system operators. With reference to financial year 2019, the Group is therefore committed to achieving the targets defined in the 2019-2023 Strategic Plan. With specific reference to the € 6.8 billion of total investments in the next 5 years, around € 1.2 billion are scheduled for investment in 2019.

The main electricity infrastructure projects currently being developed, include the cross-border interconnections with Montenegro and France, due to come into operation in 2019 and 2020 respectively, as well as the launch of works for the new SA.CO.I.3 project (strengthening of the connection between Sardinia, Corsica and the Italian mainland).

The contribution of investments in innovation and digital solutions will be crucial to manage the increase in the complexities of the System. Terna will also be focused on the development and insourcing of strategic skills, the organization evolution and the optimisation of project execution and project control skills.

The 2019-2023 Strategic Plan aims at ensuring the sustainability and observance of ESG objectives, minimising environmental impact, promoting stakeholder engagement and guaranteeing the respect of the principles of integrity, responsibility and transparency typical of Terna's business approach.

The objectives described above will be pursued mainly focusing on maximising generation of the cash flows required to guarantee a safe and stable financial structure.

2018 Sustainability Report - Consolidated Non-Financial Statement

The Board of Directors approved the 2018 Sustainability Report - drawn up according to the RGI standards - which also meets the reporting requirements on non-financial information, under the terms of art. 4 of Italian Legislative Decree 254/2016. Among the main results achieved in 2018, we can note the positioning of Terna as the top Italian company in the Electric Utilities segment of the Dow Jones Sustainability Index, 55 hours of training per capita, the reduction of emissions of the greenhouse gas SF6 (0.38% of installed power, much less than the target of 0.47%), ISO 55001 certification for asset management and the recycling of 87% of waste.

Corporate Governance, Shareholders' meeting and dividend

The Board of Directors also approved the 2018 Report on Corporate Governance and the 2018 Ownership Structure (which reports the outcome of the assessment of the continued independence requirements for Directors) and, on the proposal of the Remuneration Committee, the 2019 Annual Remuneration Report, which will be submitted for approval to the Shareholders' Meeting called to approve the Annual Report at 31 December 2018.

The Board of Directors will propose to the Shareholders' Meeting the approval of a total dividend for financial year 2018 of € 468,730,134.40, or € 0.2332 per share and the distribution - net of the ordinary interim dividend related to financial year 2018 of € 0.0787 per share already paid from 21 November 2018 - of the remaining € 0.1545 per share, before any legal withholdings, to be paid from 26 June 2019 and with "ex-dividend date" 24 June 2019 of coupon no. 30 (record date pursuant to Art. 83-*terdecies* of Italian Legislative Decree no. 58 of 24 February 1998, "Consolidated Law on Finance" - CLF - of 25 June 2019).

As disclosed to the market on 30 January 2019, the Shareholder's Meeting called to approve TERNA S.p.A.'s financial statements at 31 December 2018, as well as the income allocation, has been scheduled in the following time frame, in single call: 29 April 2019 – 27 May 2019.

As regards convening the Shareholders' Meeting, the Board of Directors resolved to delegate the Chairwoman to establish its place and date.

The appointment of the independent auditors for the nine year period 2020 – 2028 as well as the appointment for the replacement of the board members in compliance with art. 2386 of the Italian Civil Code will be submitted to the Ordinary Shareholders' Meeting. The section of the Remuneration Report that sets out the Remuneration Policy and the procedures used for the adoption and implementation of this Policy will also be submitted to the Shareholders' Meeting in consultative session and with a non-binding vote.

The call notice will be published in the manner and within the deadline required by law, as will the documentation relating to the matters on the agenda of the Shareholders' Meeting.

Alternative performance measures

In this release, some "alternative performance measures" (EBITDA, Tax Rate and Net Financial Debt) are used, which are not provided by the accounting standards IAS/IFRS, whose meaning and contents are explained below pursuant to the ESMA/2015/1415 guideline published on 3 December 2015:

- EBITDA (Gross Operating Margin): this is a measure of operating performance; it is calculated as net "profit for the year" before "Income taxes for the year", "Financial income/(expense)" and "Amortisation, depreciation and impairment".
- Tax Rate: this expresses the proportion of tax with respect to the profit/(loss) and derives from the ratio between "Income taxes for the year" and "Profit before taxes".
- Net Financial Debt: this is an indicator of the funding structure; it is determined as the result of short-term loans ("Short-term loans", "Current portion of long-term loans" and "Current financial liabilities") and long-term loans ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities") net of "Cash and cash equivalents" and "Current financial assets". It should be noted that the net financial debt of the Terna Group and of Terna S.p.A. is in compliance with the provisions of ESMA Recommendation no. 319 of 2013 regarding the definition of the net financial position, less the Parent Company's "Non-current financial assets" due from subsidiaries.

Today, at 10:00, a meeting is scheduled to present corporate strategy and the 2018 consolidated results to financial analysts, institutional investors and the media. The support material for the event will be made available on the Company's website (www.terna.it), in the Investor Relations/Presentations section, at the beginning of the meeting. In the same section it will be possible to follow the presentation through web-streaming. 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 financial reporting manager, Agostino Scornajenchi, pursuant to paragraph 2 of Art. 154-bis of the Consolidated Law on Finance, declares that the accounting information included in this press release corresponds to the evidence in the documents, books and accounting records.

The 2018 Annual Report including Terna S.p.A.'s draft separate financial statements and the Terna Group's consolidated financial statements at 31 December 2018, accompanied by the report on operations on the separate financial statements of Terna S.p.A. and on the consolidated financial statements and by the certification of the Financial Reporting Manager and of the Chief Executive Officer under the terms of paragraph 5 of Art. 154-bis of the Consolidated Law on Finance together with the additional documents as established by the law, the Consolidated Declaration of a Non-Financial Nature and the Annual Report on Corporate Governance and ownership structure, by the deadline set out by law, will be made available to the public at the Company's registered office, published on the Company's website (www.terna.it) and on the website of the authorized 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 2018 Annual Report and the 2018 Consolidated Declaration of a Non-Financial Nature have been submitted to the Board of Statutory Auditors and to the Independent Auditing Company for the assessments they are responsible for.

The report by the Board of Statutory Auditors and the reports by the Independent Auditing Company will be made available to the public as soon as they are available according to the terms established by the law.

The reclassified Income Statement, Statement of Financial Position and Statement of Cash Flows of the Terna Group and of Terna S.p.A. are attached.

It should be noted that, pursuant to Communication No. DME/9081707 of September 16, 2009, the reclassified statements presented below are those included in the Report on Operations (included in the 2018 Annual Report), for which the Independent Auditing Company, in compliance with Article 14 of Italian Legislative Decree No. 39 dated January 27, 2010 will verify consistency with the Financial Statements.

Terna Group reclassified income statement

(€/million)

	2018	2017	Δ	Δ %
TOTAL REVENUES	2,197.0	2,162.8	34.2	1.6
- Italian-Regulated Revenue	1,989.6	1967.2	22.4	1.1
<i>of which IFRIC 12 effects</i>	25.5	21.1	4.4	20.9
- Non-Regulated Revenue	194.9	189.1	5.8	3.1
- International Revenue*	12.5	6.5	6.0	92.3
TOTAL OPERATING EXPENSES	546.4	558.9	(12.5)	(2.2)
- Personnel	238.8	252.6	(13.8)	(5.5)
- Services, leases and rentals	176.5	170.4	6.1	3.6
- Materials	77.9	69.4	8.5	12.2
- Other expenses	22.6	34.9	(12.3)	(35.2)
- Quality of service	5.1	10.5	(5.4)	(51.4)
- Costs from construction of assets in concession	25.5	21.1	4.4	20.9
EBITDA (GROSS OPERATING MARGIN)	1,650.6	1,603.9	46.7	2.9
- Amortisation, depreciation and impairment	554.1	526.5	27.6	5.2
EBIT (OPERATING PROFIT)	1,096.5	1,077.4	19.1	1.8
- Net financial income/(expense)	(88.8)	(88.8)	-	-
PROFIT BEFORE TAXES	1,007.7	988.6	19.1	1.9
- Income tax for the year	296.1	294.4	1.7	0.6
NET PROFIT FOR THE YEAR	711.6	694.2	17.4	2.5
- Profit attributable to Non-controlling interests	5.0	5.9	(0.9)	(15.3)
GROUP NET PROFIT FOR THE YEAR	706.6	688.3	18.3	2.7

* Directly including the margin of the assets in concession implemented abroad.

The Group's reclassified statement of financial position
(€/million)

	at 31.12.2018	at 31/12/2017	Δ
Total Net Non-Current Assets	14,083.6	13,466.4	617.2
- Intangible assets and goodwill	519.4	505.7	13.7
- Property, plant and equipment	13,244.3	12,752.8	491.5
- Financial assets	319.9	207.9	112.0
Total net working capital	(1,822.5)	(1,485.2)	(337.3)
- Net Energy-related pass-through payables	(777.6)	(852.7)	75.1
- Net receivables from margin energy items	313.9	335.1	(21.2)
- Net trade payables	(860.7)	(714.4)	(146.3)
- Net tax assets	50.9	105.9	(55.0)
- Other net liabilities	(549.0)	(359.1)	(189.9)
Gross invested capital	12,261.1	11,981.2	279.9
Provisions	(307.5)	(355.8)	48.3
NET INVESTED CAPITAL	11,953.6	11,625.4	328.2
Equity attributable to shareholders of the parent	4,019.2	3,803.3	215.9
Non-controlling interests	35.0	25.7	9.3
Net financial debt	7,899.4	7,796.4	103.0
TOTAL	11,953.6	11,625.4	328.2

Terna Group Cash Flow Statement

(€/million)

	Cash flow 2018	Cash flow 2017
- Net profit for the year	711.6	694.2
- Amortisation, depreciation and impairment	554.1	526.5
- Net change in provisions	(48.3)	(28.8)
- Net losses (gains) on asset disposals	(3.5)	(2.1)
Operating Cash Flow	1,213.9	1,189.8
- Change in net working capital	336.6	408.3
- Other changes in tangible and intangible non-current assets	36.0	137.5
- Changes in Equity Investments	1.7	(2.7)
- Change in financial assets	(113.7)	(98.7)
Cash Flow from Operating Activities	1,474.5	1,634.2
- Total investments	(1,091.1)	(1,033.9)
Free Cash Flow	383.4	600.3
- Dividends paid to the owners of the Parent	(451.1)	(418.4)
Cash flow hedge reserve net of the tax effect and other changes in equity attributable to the owners of the Parent	(39.6)	(2.0)
- Other changes in equity attributable to non-controlling interests	4.3	-
Change in net financial debt	(103.0)	179.9

Reclassified income statement of Terna S.p.A.

(€/million)

	2018	2017	Δ
TOTAL REVENUES	1,967.6	1,951.5	16.1
- Tariff revenue	1,800.6	1,786.4	14.2
<i>of which Transmission</i>	1,657.5	1,674.5	(17.0)
<i>of which Dispatching, Measurement and other</i>	143.1	111.9	31.2
- Other operating revenue	141.5	144.0	(2.5)
- Revenue from construction of assets in concession	25.5	21.1	4.4
TOTAL OPERATING EXPENSES	452.0	464.9	(12.9)
- Personnel	63.6	65.7	(2.1)
- Services, leases and rentals	343.8	332.1	11.7
- Materials	0.9	7.0	(6.1)
- Other expenses	13.1	28.5	(15.4)
- Quality of service	5.1	10.5	(5.4)
- Costs from construction of assets in concession	25.5	21.1	4.4
EBITDA (GROSS OPERATING MARGIN)	1,515.6	1,486.6	29.0
- Amortisation, depreciation and impairment	517.9	495.2	22.7
EBIT (OPERATING PROFIT)	997.7	991.4	6.3
- Net financial income/(expense)	(78.5)	(89.8)	11.3
PROFIT BEFORE TAXES	919.2	901.6	17.6
- Taxes for the year	257.9	261.6	(3.7)
NET PROFIT FOR THE YEAR	661.3	640.0	21.3

Reclassified statement of financial position of Terna S.p.A.

	at 31.12.2018	at 31/12/2017	Δ
Total Net Non-Current Assets	13,548.1	13,139.6	408.5
- Intangible assets and goodwill	427.7	424.3	3.4
- Property, plant and equipment	12,035.0	11,705.2	329.8
- Financial assets	1,085.4	1,010.1	75.3
Total net working capital	(1,388.0)	(1,144.3)	(243.7)
- Net Energy-related pass-through payables	(799.7)	(874.4)	74.7
- Net receivables from margin energy items	313.9	335.1	(21.2)
- Net trade payables	(537.6)	(424.5)	(113.1)
- Net tax liabilities	(14.2)	106.8	(121.0)
- Other net liabilities	(350.4)	(287.3)	(63.1)
Gross invested capital	12,160.1	11,995.3	164.8
Provisions	(207.4)	(273.5)	66.1
NET INVESTED CAPITAL	11,952.7	11,721.8	230.9
Net Equity	3,850.9	3,675.3	175.6
Net financial debt	8,101.8	8,046.5	55.3
TOTAL	11,952.7	11,721.8	230.9

Terna S.p.A. Cash Flow

(€/million)

	Cash flow FY2018	Cash flow 2017 restated*
- Net profit for the year	661.3	640.0
- Amortisation, depreciation and impairment	517.9	495.2
- Net change in provisions	(66.1)	(18.5)
- Net losses (gains) on asset disposals	(3.0)	(1.7)
Operating Cash Flow	1,110.1	1,115.0
- Change in net working capital	243.0	287.3
- Changes in equity investments	(55.7)	(30.0)
- Other changes in tangible and intangible non-current assets	38.7	120.1
- Change in financial assets	(19.6)	(24.8)
Cash Flow from Operating Activities	1,316.5	1,467.6
- Total investments	(886.1)	(851.9)
Free Cash Flow	430.4	615.7
- Dividends paid to shareholders	(451.1)	(418.4)
- Cash flow hedge equity reserve net of the tax effect and other changes in Equity	(34.6)	5.9
Change in net financial debt	(55.3)	203.2

* Includes the impact of incorporation of Terna Rete Italia S.r.l. and Terna Storage S.r.l., the accounting and tax effects of which run from 1 January 2017.