

TERNA: RESULTS AS OF JUNE 30, 2014 APPROVED

- **Revenues** at 950.4 million euros (918.8 million euros in 1H 2013, +3.4%)
- **EBITDA** at 753 million euros (732.2 million euros in 1H 2013, +2.8%)
- **Net profit** at 274.5 million euros (263.7 million euros in 1H 2013, +4.1%)

Rome, July 24, 2014 – CEO Matteo Del Fante presented the results of the first half of 2014, which were examined and approved by TERNA S.p.A.'s Board of Directors that met today, chaired by Catia Bastioli.

"Thanks to Terna's people work, we present good results in a period that remains difficult for Italy and Europe - Terna's CEO Matteo Del Fante says.

These results prove that investments in infrastructures create development and employment and generate savings for the electricity system, with important results also from an economic perspective. The priority for me, the Chairwoman Catia Bastioli and the entire Board of Directors will be to contribute to create value for shareholders and to the Country's growth."

CONSOLIDATED ECONOMIC RESULTS

<i>Figures in million euros</i>	1st half 2014	1st half 2013	% Change
Revenues	950.4	918.8	+3.4%
EBITDA (Gross Operating Margin)	753	732.2	+2.8%
EBIT (Operating Profit)	517.9	518.5	-0.1%
Profit before tax	453.6	475.8	-4.7%
Net profit for the period	274.5	263.7	+4.1%

SUMMARY OF THE FIRST HALF 2014 CONSOLIDATED RESULTS

Compared to December 31, 2013, the scope of consolidation of the Terna Group also includes the companies belonging to the Tamini Group, which was acquired in the first half of 2014. Therefore, the Income Statement of the first half reflects the results of the Tamini Group economic performance, starting from 2014 May 20th, the acquisition date.

Revenues for the first half of 2014 amounted to 950.4 million euros, with an increase of 31.6 million euros compared to the same period of last year (+3.4%). This increase was mainly related to Non-Traditional Activities, such as the consolidation of revenues of the Tamini Group (16.4 million euros), activities in engineering, construction and maintenance for third parties' assets.

Operating costs amounted to 197.4 million euros, up by 10.8 million euros (+5.8%), despite of the operating costs recorded by the Tamini Group operation (14.3 million euros).

EBITDA (Gross Operating Margin), at 753 million euros, reported a 20.8 million euros growth (+2.8%) compared to 732.2 million euros in the first half of 2013. This increase is mainly due to Non Traditional Activities. **EBITDA margin** stands at 79.2%, compared to 79.7% for the same period in 2013, mainly due to the acquisition of the Tamini Group.

Depreciation and Amortization for the period of 235.1 million euros increased by 21.4 million euros compared to the same period in 2013, mainly due new assets becoming operational in the last 12 months.

EBIT (Operating Profit) amounted to 517.9 million euros, in line with the first six months of 2013 (-0.1%).

Net financial charges for the period, equal to 64.3 million euros, were up 21.6 million euros compared to 42.7 million euros in the same period of 2013, which benefited from higher financial income due to higher liquidity invested and more favorable interest rates.

After the impact of net financial charges, **profit before taxes**, stood at 453.6 million euros, decreasing by 22.2 million euros compared to the same period of last year (-4.7%).

Income taxes for the period amounted to 179.1 million euros, 33 million euros less (-15.6%) compared to the same period of last year. This is mainly due to the reduction in the additional IRES amount, foreseen in the Law Decree no. 138 of 13/08/2011 (so-called Robin Hood Tax), which has decreased from 10.5% to 6.5%, with the IRES rate at 34% (versus 38% in 2013); therefore, the effective tax rate for the period stands at 40% compared to 45% of the first six months of 2013.

Net profit for the period reached 274.5 million euros, up 10.8 million euros (+4.1%) compared to 263.7 million euros for the first half of 2013.

Total Group **capex** during the period, in line with the Strategic Plan, amounted to 386 million compared to the 503.9 million euros of the same period in 2013.

The **consolidated statement of financial position** as of June 30, 2014 posted equity at 2,960.3 million euros (2,940.6 million euros as of December 31, 2013). **Net financial debt** stood at 7,083.2 million euros, recording growth of 458.1 million euros compared to the figure as of December 31, 2013 (6,625.1 million euros), essentially due to the financing of investments and the payment of the 2013 final dividend.

Group **Headcount** at the end of June 2014 equaled 3,837. This figure includes the employees of the Tamini Group (374).

TERNA: 10 YEARS OF VALUE FOR SHAREHOLDERS AND FOR THE COUNTRY'S GROWTH

In its first 10 years of listing (from June 23, 2004 to June 23, 2014), Terna share price rose by 131%, bucking the market trend (FTSE MIB -22%) and performing better than its sector (DJ Stoxx Utilities +32%). The Total Shareholder Return reached 328%, outperforming both the market (FTSE MIB +15%) and the sector (DJ Stoxx Utilities +134%). During these years, Terna has become an infrastructure company, investing about 8 billion euros, leading to 2,500 Km of new High Voltage lines and 89 new substations; we also disposed 800 km of old power lines.

Currently, 4,000 people work every day in the about 200 construction sites across Italy, involving 750 companies. Terna's commitment, both towards dispatching and towards the grid, generated a total of **5.5 billion euros of savings for Italian consumers and businesses, which will reach 19 billion euros thanks to our future investments.**

SIGNIFICANT EVENTS AFTER JUNE 30, 2014

As of the reporting date, there were no significant events occurring after June 30, 2014.

OUTLOOK

In the second half of the year, the Terna Group will implement the 2014-2018 Strategic Plan approved by the Board of Directors on March 25, 2014.

With reference to Traditional Activities, the Group will focus on capital expenditure for National Transmission Grid upgrade and development and for storage systems.

In line with the previous years, the Company will continue to pursue the processes rationalization and operating cost efficiency, as well as paying attention to service quality indicators.

Non-traditional activities will continue to focus on value creation through contracts for third parties in the engineering, construction and maintenance services mainly for the electricity sector and telecommunications business housing.

In the second half of 2014, the Group will continue focusing on the scouting and development of new opportunities in Italy and abroad. In particular, in the second half, the company will negotiate the agreements for implementing the Italy-France interconnection and will integrate the recently acquired Tamini's operations.

The goal is to repeat the consolidated Terna Group's efficiency models, in order to fully exploit the value of a great historical industrial company, recognised for its excellence in the electricity sector both in Italy and abroad.

Furthermore, among the possible development opportunities, we are now participating to the privatisation of the Greek TSO. The selling process started in the second quarter 2014. This is an option that Terna will carefully evaluate.

PAYMENT OF 2014 INTERIM DIVIDEND

The amount of the 2014 interim dividend will be announced to the financial market in the coming months. With reference to the dates currently provided for the 2014 interim dividend related to TERNIA S.p.A. shares – announced to the financial market in the press release of 2014 January 27th – that indicate as “ex-date” 2014 November 24th, the related payment date and record date (pursuant to Article 83 terdecies of Italian Legislative Decree 58 of February 24, 1998 known as the “TUF”) will be defined according to Borsa Italiana market rules in force.

At 4:00 pm a conference call will be held to present the results of the first half of 2014 to financial analysts and institutional investors. Journalists are also invited to listen to the call. The support material for the conference call will be available on the Company's website (www.terna.it) in the Investor Relations/Presentations section, at the beginning of the conference call. In the same section, it will be possible to follow the presentation via audio webcasting. The Presentations will also be made available via the SDIR-NIS system, on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it) through the authorized storage service "1Info" (www.1info.it).

The reclassified Income Statement, Statement of Financial Position and Consolidated Statement of Cash Flows of the Terna Group are hereby attached.

In compliance with Directive no. DME/9081707 dated September 16, 2009, the above reclassified statements have been included in the Half-Year Report as of June 30, 2014, which is part of the Half-Year Report of the Terna Group as of June 30, 2014, and have not been audited yet by the auditing company.

The Executive Manager in Charge of preparing the company's financial reports, Luciano Di Bacco, pursuant to paragraph 2 of Article 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 accounting records.

The Half-Year Report as of June 30, 2014, 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 auditing company, will be made available to the public in the Company's registered office, published on the Company's website (www.terna.it) and on the internet site 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), by the deadline set out by law. The required disclosure will be provided in relation to the filing.

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 CESR/05-178b recommendation published on November 3, 2005:

- EBITDA (Gross Operating Margin): is an indicator of operating performance; it is calculated by adding Amortization and Depreciation to the Operating Profit (EBIT);
- EBITDA Margin; is an indicator of operating performance; it derives from the ratio between the Gross Operating Margin (EBITDA) and the revenues;
- Net financial debt: represents an indicator of the company's own financial structure; it is calculated according to the short and long term financial debt and relative derivatives, net of cash and cash equivalents and of financial assets.

Terna Group's Reclassified Income Statement

Million euros	First half			
	2014	2013	Change	%
Revenues:				
- Grid Transmission Fees (1)	816.6	819.8	-3.2	-0.4%
- Other energy items (1)	75.6	67.0	8.6	12.8%
- Other revenues and income (2)	58.2	32.0	26.2	81.9%
Total revenues	950.4	918.8	31.6	3.4%
Operating costs:				
- Personnel expenses	107.1	103.6	3.5	3.4%
- Services, leases and rentals	66.6	64.7	1.9	2.9%
- Materials	15.3	5.6	9.7	173.2%
- Other expenses	8.4	12.7	-4.3	-33.9%
Total operating costs	197.4	186.6	10.8	5.8%
GROSS OPERATING MARGIN	753.0	732.2	20.8	2.8%
Amortization and Depreciation	235.1	213.7	21.4	10.0%
OPERATING PROFIT	517.9	518.5	-0.6	-0.1%
- Net financial income (expense) (3)	-64.3	-42.7	-21.6	50.6%
PROFIT BEFORE TAX	453.6	475.8	-22.2	-4.7%
- Income taxes for the period	179.1	212.1	-33.0	-15.6%
NET PROFIT FOR THE PERIOD	274.5	263.7	10.8	4.1%
- Attributable to the Shareholders of the Group	274.5	263.7	10.8	4.1%

In the Income Statement of the Half-Year Consolidated Financial Statements at June 30, 2014:

- (1) the balance is included in "Revenues from sales and services";
- (2) it corresponds to the item "Revenues from sales and services" for the value of "Other sales and services" (30.6 million euros) and to the item "Other revenues and income" (27.6 million euros);
- (3) it corresponds to the balance of items under points 1, 2 and 3 letter C - "Financial income and expenses".

Terna Group's Reclassified Statement of Financial Position

	At 30/06/2014	At 31/12/2013	Change
<i>Million euros</i>			
Net non-current assets			
- Intangible assets and goodwill	454.6	461.8	-7.2
- Property, plant and equipment	10,287.1	10,119.9	167.2
- Financial assets (1)	86.2	82.8	3.4
Total	10,827.9	10,664.5	163.4
Net working capital			
- Trade receivables (2)	643.8	846.1	-202.3
- Inventories	18.0	8.0	10.0
- Other assets (3)	121.8	95.5	26.3
- Trade payables (4)	534.3	780.0	-245.7
- Net liabilities let-through lots (5)	130.7	407.3	-276.6
- Net tax liabilities (6)	36.2	-32.9	69.1
- Other liabilities (7)	416.8	441.3	-24.5
Total	-334.4	-646.1	311.7
Gross invested capital	10,493.5	10,018.4	475.1
Sundry provisions (8)	450.0	452.7	-2.7
NET INVESTED CAPITAL	10,043.5	9,565.7	477.8
Group's Net Equity	2,960.3	2,940.6	19.7
Net financial debt (9)	7,083.2	6,625.1	458.1
TOTAL	10,043.5	9,565.7	477.8

In the Statement of Financial Position of the Half-Year Consolidated Financial Statements at June 30, 2014, they correspond to:

- (1) the items "Equity accounted investees", "Other non-current assets" and "Non-current financial assets" for the carrying amount of the other investments (1.0 million euros);
- (2) The item "Trade receivables" net of the value of receivables from energy pass-through revenues (1,238.7 million euros);
- (3) the item "Other current assets" net of other tax receivables (18.3 million euros) and the item "Current financial assets" net of the value of FVH derivatives (6.7 million euros);
- (4) the item "Trade payables" net of the value of payables for energy pass-through expenses (1,369.4 million euros);
- (5) the items "Trade receivables" for the value of receivables from energy pass-through revenues (1,238.7 million euros) and "Trade payables" for the value of liabilities from energy pass-through expenses (1,369.4 million euros);
- (6) the items "Tax assets", "Other current assets" for the value of other tax receivables (18.3 million euros), "Other current liabilities" for the value of other tax payables (47.2 million euros) and "Income tax liabilities";
- (7) the items "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (47.2 million euros);
- (8) the items "Employee benefits", "Provisions for risks and charges" and "Deferred tax liabilities";
- (9) the items "Long-term loans", "Current portions of long-term loans", "Non-current financial liabilities", "Cash and cash equivalents", "Non-current financial assets" and "Current financial assets" for the value of FVH derivatives (690.0 million euros and 6.7 million euros, respectively).

Terna Group's Cash Flow*

<i>Million euros</i>	<i>Cash flow 1st half 2014</i>	<i>Cash flow 1st half 2013</i>
Opening cash and cash equivalents	1,617.1	2,510.1
- Net profit for the period	274.5	263.7
- Amortization and Depreciation	235.1	213.7
- Net change in provisions	-2.7	-28.9
- Net losses (gains) on asset disposals	-0.5	-0.6
Self-financing	506.4	447.9
- Change in net working capital	-311.7	-422.3
Cash Flow from operating activities	194.7	25.6
Investments		
- Total investments	-386.0	-503.9
- Other changes in non-current assets	-9.7	-10.3
- Change in equity investments	-2.3	-0.9
Total cash flow from (to) investing activities	-398.0	-515.1
- Change in loans	515.6	-62.7
- Other changes in equity attributable to owners of the Parent	6.5	31.0
- Dividends to shareholders of the Parent Company	-261.3	-261.3
Total cash flow from (to) financial activities	260.8	-293.0
Total cash flow for the period	57.5	-782.5
Closing cash and cash equivalents	1,674.6	1,727.6

* For a reconciliation with the consolidated financial statements, reference is made to the paragraph "Terna Group Performance and Financial Position" in the section "Performance" of the Interim Report on Management of the Half-Year Report at June 30, 2014 of the Terna Group.