

## TERNA: RESULTS AS OF JUNE 30, 2013 APPROVED

- **Revenues** at 918.8 million euros (856.6 million euros in 1H 2012, +7.3%)
- **EBITDA** at 731.9 million euros (668.9 million euros in 1H 2012, +9.4%)
- **EBITDA Margin** of 79.7% (78.1% in 1H 2012)
- **EBIT** at 518.5 million euros (464.4 million euros in 1H 2012, +11.6%)
- **Net profit** at 263.7 million euros (221.9 million euros in 1H 2012, +18.8%)

**Rome, July 25, 2013** – CEO Flavio Cattaneo presented the results of the first half of 2013, which were examined and approved by TERNA SpA's Board of Directors that met today chaired by Luigi Roth.

*“Interim results once again reflect the quality of the work of Terna’s team”, stated Flavio Cattaneo, Terna’s CEO “and also how a company can pursue the general interest of the country whilst also achieving good results. We will continue our efforts to further improve the efficiency of the Italian electricity grid, making all areas of the country increasingly connected and developing more interconnections with other countries. Terna’s work to date has generated over 5 billion euros worth of benefits for the Italian electricity system” added Cattaneo “but the development of infrastructure also needs to be promoted at European level and each country needs to be supported in this commitment. It is a challenge that Europe has a duty to promote, in order to reduce the time for the construction of the grid and the establishment of the integrated electricity market. Italy can play a central role, due to its geographical position, the structure and extent of its high-voltage interconnections and the status of its energy production fleet. It is also a unique opportunity to create jobs and increase safety and efficiency for the benefit of businesses and people”.*

### CONSOLIDATED ECONOMIC RESULTS

<i>Figures in million euros</i>	<b>1H13</b>	<b>1H12</b>	<b>% Change</b>
<b>Revenues</b>	918.8	856.6	+7.3%
<b>EBITDA (Gross Operating Margin)</b>	731.9	668.9	+9.4%
<b>EBIT (Operating profit)</b>	518.5	464.4	+11.6%
<b>Profit before taxes</b>	475.8	402.3	+18.3%
<b>Net profit for the period</b>	263.7	221.9	+18.8%

### FOREWORD

The Group’s half-year report as of June 30, 2013 was prepared in accordance with the provisions of Article 154-ter of Italian Legislative Decree 58/98 introduced by Italian Legislative Decree no. 195 dated November 6, 2007 (known as the “Transparency Decree”) and subsequently amended by Italian Legislative Decree no. 27 dated January 27, 2010.

## SUMMARY OF THE FIRST HALF 2013 CONSOLIDATED RESULTS

**Revenues** for the first half of 2013 amounted to 918.8 million euros, with an increase of 62.2 million euros compared to the same period of the previous year (+7.3%). The increase in Grid Fees amounted to +73.6 million euros, partially offset by lower revenues from other energy items due to bonus and penalty mechanisms, mainly relating to the effects of the AEEG (Authority for Electricity and Gas) Resolution 213/09, compared to the first half of the previous year.

**Operating costs** amounted to 186.9 million euros and were slightly down versus 1H 2012 figure. Of these, 103.6 million euros related to personnel and 64.7 million euros to services, leases and rentals.

**EBITDA** (Gross Operating Margin) at 731.9 million euros increased by +63 million euros compared to 668.9 million euros for the first half of 2012 (+9.4%) and the **EBITDA margin** came to 79.7%, an improvement on the 78.1% recorded in the first half of 2012. Both increases were attributable to the rise in revenues and cost control.

**Amortization and Depreciation**, amounting to 213.4 million euros, was up 8.9 million euros compared to the first half of 2012, essentially due to the entry in operation of the new assets.

**EBIT** (Operating Profit) came to 518.5 million euros, up 54.1 million euros (+11.6%) compared to the same period in 2012

**Net financial charges** stood at 42.7 million euros, 19.4 million euros lower than in the first half of 2012, mainly due to the effects of the reduction in interest rates, which more than offset the net financial charges attributable to the higher net debt than in 2012.

**Profit before taxes** stood at 475.8 million euros, up 73.5 million euros compared to the same period of the previous year (+18.3%).

Income taxes for the period amounted to 212.1 million euros and resulted in a tax rate of 44.6%, essentially in line with the first half of 2012.

As a result, **net profit** for the period came to 263.7 million euros, up 41.8 million euros (+18.8%) compared to 221.9 million euros for the first half of 2012.

The **Consolidated Statement of Financial Position** at June 30, 2013 showed Equity of 2,821.7 million euros (2,788.3 million euros at December 31, 2012) whereas **net financial debt** stood at 6,574.8 million euros, up 719.8 million euros compared to the figure at December 31, 2012 (5,855 million euros), essentially due to the financing of investments for the period and the payment of the 2012 final dividend.

As a result, the **debt/equity ratio**, at June 30, 2013, was 2.33.

The total **investments** made by the Group in the period amounted to 504 million euros, compared to 551 million euros for the same period of 2012. The decrease (-8.6%) was attributable in particular to the activities carried out on the Sorgente-Rizziconi<sup>1</sup> power line in 2012. During the last quarter there was an acceleration in investments, which will also continue in the next half year, bringing the year end amount towards 2012 figure.

**Group Headcount** at the end of June 2013 totaled 3,478, an increase on the 3,436 employees at December 31, 2012.

### Progress in main projects

The **main projects** during the period January-June 2013 included:

- **work in progress** on the Sorgente-Rizziconi<sup>2</sup> power line: construction was started on the second 150 kV section of the Scilla station and the Sorgente station (Sicily) was connected to the electricity supply. The first and second set of submarine cables and the fiber optic cables were laid between Villafranca and Favazzina, and the work on the protection of marine cables was completed.
- **advanced state of progress** for the construction of the Trino-Lacchiarella power line, over 100 km in length; the installation of conductors was also completed in over half the route.
- continuation of the **new Foggia-Benevento power line**, of around 85 km in length, for which work is underway for the construction of the foundations and the assembly of the pylon bases.
- **continuation of work** on the construction of the new Dolo-Camin power line (7 million euros): executive planning activities and the procurement of materials are underway for the power stations in Fusina, Malcontenta and Romea and the acquiring of the areas in order to open the worksites within this year.
- **380 kV stations for the connection of renewable energy plants**: work is underway at the Erchie station for the building of the final structure; work is in progress for the construction of the Manfredonia station and the related 380 kV connections; preparations are underway for the opening of worksite for the Camerelle 150 kV station.

Also, in the first half of 2013, **the worksites were opened for:**

- the **installation of reactors** of 380 kV, 285 MVA<sub>r</sub> at the stations of Vignole (Piedmont), Marginone (Tuscany) and Udine (Friuli), in addition to the installation of 220 kV reactors of 185 MVA<sub>r</sub> at the Castelluccia station (Campania).
- the **construction of the Capri station** (Campania) for the interconnection of the island to the mainland; within this project the contract has been awarded for the supply and installation of the submarine cable.
- the **new Italy-Montenegro direct current submarine connection** of 1,000 MW and 415 km in length between Cepagatti (Pescara) and Tivat (Montenegro): a large part of the areas have been purchased and the design of the submarine cables and the two conversion stations are at the advanced stage.



## SIGNIFICANT EVENTS AFTER JUNE 30, 2013

### New loan of 570 million euros

On July 8, 2013 Terna signed an agreement with the European Investment Bank (EIB) to obtain a loan of 570 million euros to strengthen and enhance the Italian electricity transmission system. The loan will be repaid in half yearly installments starting from 2015, with final repayment date in 2030.

### Terna's Rating

On July 11, 2013 Standard and Poor's (S&P) reduced Terna's long term rating from 'A-' to 'BBB+', while also confirming the Company's short-term rating of 'A-2'. The outlook assigned to the rating is still negative. This action follows the recent downgrading of the Italian Republic by a notch, from BBB+ to BBB. Following this latest downgrade, Terna's rating is nevertheless still a notch higher than the Italian Republic.

### New Italy-France interconnection<sup>3</sup>

On July 15, 2013, the work was officially launched on the new Piosasco-Grand'Île interconnection that, together with the work to upgrade the existing lines by 600 MW, will make the electricity border with France the most important in Italy, increasing transmission capacity by over 60% (from 2,650 MW to 4,400 MW of capacity). This record breaking project is one of the longest underground lines in the world that, thanks to leading edge design and technology, will make 190 km of new power line invisible. An investment of over 400 million euros for Terna, on a total of 1.4 billion euros, and benefits of 150 million euros per year in terms of lower costs for the Italian electricity system, as soon as the interconnection comes on line.

## OUTLOOK

In the second half of 2013, the Terna Group will continue to work on implementing the provisions of the 2013-2017 Strategic Plan for the current year.

The Group will focus on making the investments envisaged in the National Development Plan primarily aimed at developing and building interconnections with other countries (Montenegro and France), at reducing grid congestions (Sorgente-Rizziconi<sup>4</sup> and Trino-Lacchiarella projects) and continuing the development of storage systems projects. With reference to Traditional Activities, and particularly to the development and renewal of the National Transmission Grid, for 2013 investments are expected to be substantially in line with the previous year.

In terms of revenues, again in the second half, regulated activities are expected to increase compared to 2012, thanks to investments made in 2011, which generate revenues with a two year delay.

In keeping with previous the years, the Company will continue to work on the streamlining of processes and improving efficiency in operating costs, whilst also ensuring the highest quality of transmission and dispatching services.

The investments will be funded through cash flow generated by the Group, which has access to over 1.7 billion euros of cash and the new EIB loan of 570 million euros recently taken out.

With reference to Non Traditional Activities, in the second half of 2013 the Group will continue the scouting and development of businesses through the subsidiary Terna Plus, a company focused on enhancing the Group's expertise in non traditional activities.

## **PAYMENT OF 2013 INTERIM DIVIDEND**

The amount of the 2013 interim dividend that, gross of any legally required withholdings, will be paid as of November 21, 2013, ("record date" pursuant to Article 83 terdecies Italian Legislative Decree 58 of February 24, 1998 known as the "TUF": November 20, 2013), following ex-dividend date of November 18, 2013 of coupon no. 19, will be announced to the market in the coming months.

*At 4.00 pm a conference call will be held to present the results of the first half of 2013 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 in the website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) as well as 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 through audio webcasting.*

*The reclassified Income Statement, Balance Sheet and Consolidated Statement of Cash Flows of the Terna Group are attached.*

*The Terna Group has applied the new IAS 19 – Employee benefits, which is compulsory from January 1, 2013, that no longer allows deferral of the recognition of actuarial gains and losses using the corridor approach. As a result, some comparative figures from the year 2012 have been adjusted by recognizing, as of December 31, 2012, additional liabilities for employee benefits of around 9 million euros, additional deferred tax assets of around 3 million euros and a reduction in equity of around 6 million euros.*

*In compliance with Directive no. DME/9081707 dated September 16, 2009, the above-mentioned reclassified statements are included in the Interim Management Report which is part of the Half-Year Report of the Terna Group as of June 30, 2013. These statements are not audited by the auditing company*

*The manager responsible for preparing the company's financial reports, Mr. Luciano Di Bacco, declares, pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance (TUF), 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, 2013, with the certification required by Article 154-bis, paragraph 5 of Italian Legislative Decree 58/98 (Consolidated Finance Act) and the report by the auditing company, will be made available to the public at the Company's registered office and at the stock exchange management company Borsa Italiana S.p.A. and will be available for consultation on website of Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and of the Company [www.terna.it](http://www.terna.it). 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 profit): 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: is an indicator of the company's financial structure; it is calculated as the result of the short-term and long-term financial debt and related derivatives, net of cash and cash equivalents and financial assets.

**Terna Group's Reclassified Income Statement**

<i>Million euros</i>	First half			
	2013	2012	Change	%
<b>Revenues:</b>				
- Grid Transmission Fees (1)	819.8	746.2	73.6	9.9%
- Other energy items (1)	67.0	81.4	-14.4	-17.7%
- Other revenues and income (2)	32.0	29.0	3.0	10.3%
<b>Total revenues</b>	<b>918.8</b>	<b>856.6</b>	<b>62.2</b>	<b>7.3%</b>
<b>Operating costs:</b>				
- Personnel expenses	103.6	103.1	0.5	0.5%
- Services, leases and rentals	64.7	63.6	1.1	1.7%
- Materials	5.6	7.5	-1.9	-25.3%
- Other expenses (3)	13.0	13.5	-0.5	-3.7%
<b>Total operating costs</b>	<b>186.9</b>	<b>187.7</b>	<b>-0.8</b>	<b>-0.4%</b>
<b>GROSS OPERATING MARGIN</b>	<b>731.9</b>	<b>668.9</b>	<b>63.0</b>	<b>9.4%</b>
<b>Amortization/Depreciation (4)</b>	<b>213.4</b>	<b>204.5</b>	<b>8.9</b>	<b>4.4%</b>
<b>OPERATING PROFIT</b>	<b>518.5</b>	<b>464.4</b>	<b>54.1</b>	<b>11.6%</b>
- Net financial income (expense) (5)	-42.7	-62.1	19.4	-31.2%
<b>PROFIT BEFORE TAXES</b>	<b>475.8</b>	<b>402.3</b>	<b>73.5</b>	<b>18.3%</b>
- Income taxes for the period	212.1	180.4	31.7	17.6%
<b>NET PROFIT FOR THE PERIOD</b>	<b>263.7</b>	<b>221.9</b>	<b>41.8</b>	<b>18.8%</b>
- <i>Attributable to the Shareholders of the Group</i>	263.7	221.9	41.8	18.8%

In the Consolidated Income Statement:

- (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" (12.0 million euros) and to the item "Other revenues and income" (20.0 million euros);
- (3) Corresponds to the item "Other operating expenses" and to the item "Amortization and Depreciation" for the value of depreciation of Trade receivables (0.3 million euros);
- (4) Corresponds to the item "Amortization and Depreciation" net of the value of depreciation of trade receivables (0.3 million euros);
- (5) Corresponds to the balance of items under points 1, 2 and 3 letter C-"Financial income (expense)".



**Terna Group's Reclassified Statement of Financial Position**

Million euros	As of 06/30/2013	As of 12/31/2012	Change
Net non-current assets			
- Intangible assets and goodwill	462.8	470.4	-7.6
- Property, plant and equipment	9,650.3	9,342.0	308.3
- Financial assets (1)	83.0	81.4	1.6
<b>Total</b>	<b>10,196.1</b>	<b>9,893.8</b>	<b>302.3</b>
Net working capital			
- Trade receivables (2)	682.6	744.0	-61.4
- Inventories	7.2	6.6	0.6
- Other assets (3)	62.4	32.4	30.0
- Trade payables (4)	493.1	712.0	-218.9
- Net payables for pass-through energy items (5)	158.4	440.0	-281.6
- Net tax liabilities (6)	78.9	35.9	43.0
- Other liabilities (7)	370.2	365.5	4.7
<b>Total</b>	<b>-348.4</b>	<b>-770.4</b>	<b>422.0</b>
<b>Gross invested capital</b>	<b>9,847.7</b>	<b>9,123.4</b>	<b>724.3</b>
Sundry provisions (8)	451.2	480.1	-28.9
<b>NET INVESTED CAPITAL</b>	<b>9,396.5</b>	<b>8,643.3</b>	<b>753.2</b>
<b>Equity attributable to owners of the Parent</b>	<b>2,821.7</b>	<b>2,788.3</b>	<b>33.4</b>
<b>Net financial debt</b>	<b>6,574.8</b>	<b>5,855.0</b>	<b>719.8</b>
<b>TOTAL</b>	<b>9,396.5</b>	<b>8,643.3</b>	<b>753.2</b>

In the Consolidated Statement of Financial Position, these correspond to:

- (1) the items "Equity accounted investees", "Other non-current assets" and "Non-current financial assets" for the value of other shareholdings (0.8 million euros);
- (2) The item "Trade receivables" net of the value of receivables from energy pass-through revenues (1,439.5 million euros);
- (3) The item "Other current assets" net of other tax receivables (8.8 million euros) and the item "Current financial assets";
- (4) the item "Trade payables" net of the value of liabilities from energy pass-through expenses (1,597.9 million euros);
- (5) the items "Trade receivables" for the value of receivables from energy pass-through revenues (1,493.5 million euros) and "Trade payables" for the value of liabilities from energy pass-through expenses (1,597.9 million euros);
- (6) the items "Tax assets", "Other current assets" for the value of other tax receivables (8.8 million euros), "Other current liabilities" for the value of other tax payables (40.4 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 (185.6 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" for the value of FVH derivatives (590.4 million euros).

**Terna Group's Cash Flow\***

<i>Million euros</i>	<i>Cash flow 1<sup>st</sup> half 2013</i>	<i>Cash flow 1<sup>st</sup> half 2012</i>
<b>Opening cash and cash equivalents</b>	<b>2,510.1</b>	<b>1,114.9</b>
- Net profit for the period	263.7	221.9
- Amortization and Depreciation	213.4	204.5
- Net change in provisions	-28.9	-27.3
- Net losses (gains) on asset disposals	-0.6	-1.6
<b>Operating cash flow</b>	<b>447.6</b>	<b>397.5</b>
- Change in net working capital	-422.0	-330.4
<b>Cash Flow from operating activities</b>	<b>25.6</b>	<b>67.1</b>
<b>Investments</b>		
- Total investments	-503.9	-551.4
- Other changes in net fixed assets	-10.3	8.9
- Change in equity investments	-0.9	-3.0
<b>Total cash flow from (to) investing activities</b>	<b>-515.1</b>	<b>-545.5</b>
- Change in loans	-62.7	361.7
- Other changes in equity attributable to owners of the Parent	31.0	-24.0
- Dividends to shareholders of the Parent Company	-261.3	-261.3
<b>Total cash flow from (to) financial activities</b>	<b>-293.0</b>	<b>76.4</b>
<b>Total cash flow for the period</b>	<b>-782.5</b>	<b>-402.0</b>
<b>Closing cash and cash equivalents</b>	<b>1,727.6</b>	<b>712.9</b>

\* For the reconciliation with the consolidated accounting statements, reference is made to the section "Economic and Financial Management of the Terna Group" included in the Interim Report on Management of the Terna Group's Half Year Report as of June 30, 2013.