

**TERNA: BOARD APPROVES RESULTS AS OF JUNE 30, 2010*****Saving for the system thanks to greater efficiency in dispatching services******Further acceleration of investments: +29.7%******Suntergrid Project: target enlarged to 150 MWp******Revenues at 760.8 million euros, +13.9%******Ebitda at 568.8 million euros, +12.2%******Ebit at 396,3 million euros, +9.2%******Group's net income\* at 233.5 million euros, +26.9%***

**Rome, July 26, 2010** –Chief Executive Officer Flavio Cattaneo presented the results for the first half of 2010, which were examined and approved by TERNA SpA's Board of Directors that met today chaired by Luigi Roth.

**SUMMARY OF THE FIRST HALF OF 2010**

- Double digit growth of economic indicators and revenues equal to 761 million euros, with a 14% increase compared to the first half of 2009; Gross Operating Margin equal to 569 million euros with a 12% increase; Net Income equal to 234 million euros, with a 27% increase (net of the Brazilian operations that were discontinued).
- Terna's greater efficiency in the supply of resources for dispatching services, with a 50% reduction of the same resources, led to an incentive of 38.5 million euros for the Company and to a saving for the electricity system that was 15 times higher.
- The acceleration of investments for the grid's development continued. Investments reached 486 million euros with an increase of nearly 30%. Works for the Casellina-Tavernuzze-Santa Barbara power line in Tuscany are in progress as well as for upgrading the grid in Val d'Ossola; building yards have been opened for the Sorgente-Rizziconi connection between Sicily and Calabria.
- The target of the "Suntergrid" project for the enhancement of land adjacent to electricity sub-stations has doubled to 150 MWp with respect to the initial target of the project. The planned investment increased from 300 million to 450 million euros.

Chief Executive Officer Flavio Cattaneo remarked: *"The results of the first half of the year are very positive. We estimate that 2010 will exceed expectations. Good regulations have a positive impact on the electricity bills of Italian consumers: thanks to greater efficiency in dispatching services, during the first half of the year, the electricity system registered a saving which was 15 times higher than the incentive of 38.5 million euros assigned to Terna. The acceleration of investments for the grid's development continued. However, efforts are needed on the part of both central and local authorities, to further expedite authorization procedures. The enlargement to 150 MWp of the Suntergrid project can be achieved between 2010 and early 2011."*

## FOREWORD

The Group's Financial Report as of June 30, 2010 was drawn up according to the provisions of Art.154-ter of Legislative Decree 58/98 introduced by Legislative Decree No. 195 dated November 6, 2007 (known as the "Transparency Decree").

## CONSOLIDATED FINANCIAL RESULTS <sup>1</sup> – FIRST HALF OF 2010

Million euros	1 H 2010	1 H 2009*	Change %
<b>Revenues</b>	<b>760.8</b>	<b>667.9</b>	<b>+13.9%</b>
<b>Ebitda (Gross Operating Margin)</b>	<b>568.8</b>	<b>507.0</b>	<b>+12.2%</b>
<b>Ebit (Operating income)</b>	<b>396.3</b>	<b>363.0</b>	<b>+9.2%</b>
<b>Group's Net income</b>	<b>233.5</b>	<b>184.0</b>	<b>+26.9%</b>

\*net of the Brazilian operations that were discontinued

**Revenues** for the first half of 2010, equal to 760.8 million euros, increased by 92.9 million euros, equal to 13.9% compared to 667.9 million during the same period in 2009. It should be noted that the application of the IFRIC 12 accounting principle ("Rules for concession services") produced greater revenues and relative greater costs equal to 17.7 million euros in the first half of 2010 (compared to 11.5 million euros in 2009) without any impact on the EBITDA.

The increase in revenues mainly derived from fees for energy transfer along the NTG (equal to +72.7 million euros) due to the tariff trend, attributable to the Parent Company for +33.7 million euros and to its subsidiary Telat for +39 million euros; furthermore, the increase in revenues from dispatching activity (+27.1 million euros) was mainly attributable to the rise in incentives pursuant to resolution No. 213/09 (+18.5 million euros).

**Operating Costs**, equal to 192 million euros in the first half of 2010 (186.5 million euros for the Parent Company), registered an increase of about 31 million euros, equal to 19.3%, mainly due to the partial release of the Energy Discount Fund (-26.8 million euros) carried out in the first half of 2009.

**Ebitda** (Gross Operating Margin) stood at 568.8 million euros, increasing by 61.8 million euros compared to 507 million euros in the first half of 2009 (+12.2%).

The **Ebitda margin** increased from 71.9% in the first six months of 2009 (without the effects of the partial release of the Energy Discount Fund) to 74.8 % in the same period in 2010.

**Depreciation** rose by 28.5 million euros, mainly attributable to the Parent Company for the entrance into operation of new plants.

**Ebit** (Operating Income) equaled 396,3 million euros, increasing by 9.2% compared to 363 million euros in the same period in 2009.

**Net financial charges** for the period equaled 47.2 million euros, entirely attributable to the Parent Company and registered a significant reduction compared to 80.3 million euros in the first six months of 2009. The decrease, equal to 33.1 million euros, was mainly due to a reduction in the interest rate curve and to the lack of negative exchange rates in 2009.

**Income taxes** for the period equaled 115.6 million euros (-15,9 million euros of which for net deferred taxes) and registered an increase compared to the first half of 2009 (+16.9 million euros) deriving from the growth of results. The tax rate of the first six months (equal to 33.1%), decreased compared to that in the first six months of 2009, also due to more adjustments on taxes referred to previous years.

The **Group's Net Income without considering results from discontinued Brazilian operations**, was equal to 233.5 million euros and increased by 49.5 million euros (+26.9%) compared to 184 million euros in the same period in 2009. The total **Group's Net Income** in the first half of 2010 stood at 233.6 million euros, rising by over 26 million euros (+12.6%) compared to the first half of 2009.

The consolidated balance sheet as of June 30, 2010 registered a **Net Shareholder's Equity** equal to 2,506.8 million euros (2,501.5 million euros as of December 31, 2009).

**Net financial debt** was equal to 4,261.8 million euros and registered a 503.6 million euro increase compared to 3,758.2 million euros as of December 31, 2009, mainly due to investments made, to changes in working capital and to the payment of dividends.

Total **Investments** for the Group in the first half of 2010, were equal to 485.9 million euros, rising by 29.7% compared to the first half of 2009. **Investments for the development and safety** of the National Transmission Grid were equal to 446 million euros.

**Headcount** of the Group, at the end of June 2010, totaled 3,481, increasing by 34 employees compared to December 31, 2009.

## FOCUS ON THE ENERGY SYSTEM

GWh (Gigawatt/hour)	1H10	1H09	%
<b>Net production</b>	<b>139,587</b>	<b>135,741</b>	<b>2.8%</b>
<b>Intended for pumping</b>	<b>2,595</b>	<b>2,996</b>	<b>- 13.4%</b>
<b>Import/export balance</b>	<b>22,915</b>	<b>24,152</b>	<b>- 5.1%</b>
<b>Demand in Italy</b>	<b>159,907</b>	<b>156,896</b>	<b>1.9%</b>

**Highest peak of electricity consumption:** January 26, 2010 with a 52,164 Megawatt demand, increased by 3.9% compared to the peak demand in the first half of 2009.

## Trend of the National Transmission Grid's Development Plan

The main projects implemented in this period were:

- **380 kV "Casellina – Tavarnuzze – S. Barbara" (FI) power line:** the planned works are progressing
- **Upgrading the Val D'Ossola (Piedmont) grid:** the building of the new power lines has been completed while the existing power lines are being removed
- **380 kV "Sorgente-Rizziconi" power line:** building sites have been opened for the cable and the two stations in Scilla and Villafranca.
- **Connecting stations for renewable source plants:** building sites have been opened for the stations located in the municipalities of Maida (CZ), Bisaccia (AV), Deliceto (FG) and Troia (FG)

In the first 6 months of 2010, 7 authorization procedures were completed, 4 of which for projects included in the Development Plan. During the same period, 18 procedures began, 12 of which for projects included in the Development Plan.

TERNA continued its coordination and information sharing activity with territorial authorities to favor local acceptance of the electricity grid's development by signing various National Agreements. These include the Memorandum of Understanding with the Autonomous Province of Trento for the sustainable development of the electricity grid in the Trentino region; the agreement with the Municipality of Rome for the renewal of Rome's electricity grid; the Memorandum of Understanding with Sicily's Regional Authorities for the feasibility area of the Paternò-Pantano-Priolo power line.

## **SIGNIFICANT EVENTS OCCURRED AFTER JUNE 30, 2010**

### **Green light for the new 'electricity bridge' across the Strait of Messina**

On July 7, 2010, the last segment of the 'Sorgente-Rizziconi' line between the Regions of Sicily and Calabria received the final approval from the Ministry for Economic Development. The planned investment for the "electricity bridge" across the Strait of Messina amounts to over 700 million euros. The new line will allow a saving for the electricity system equal to 800 million euros a year; it will strengthen the electricity connection between Sicily and Calabria, thus solving the existing congestion between the two regions; it will eliminate the risk of Sicily's electricity isolation, thus reducing the risk of blackouts; and it will improve the electricity system's reliability, safety and quality in Sicily. Also important are the environmental benefits: the new line will allow avoiding about 670 thousands tons of CO2 emissions a year and approximately 179 km of old and obsolete electricity lines will be removed.

### **Resolution by the Authority for Electricity and Gas No. ARG/elt 87/10**

With this measure, the Authority meant to strengthen the incentive mechanisms in connection with the entrance into operation of new transmission infrastructures, thereby assigning to all the works in progress, relative to the investments included in the so called category I3 of resolution 348/07, a 3% increase during the construction period, provided that the entrance into operation date is met for at least a part of these works.

## **BUSINESS OUTLOOK**

On the basis of the results achieved in the first half of 2010 and of the current business outlook, a positive Group performance is expected also for the next six months.

With regard to energy demand, the signs of a recovery versus 2009 are expected to continue. Revenues are assessed to increase thanks to the contribution of incentives in the second half of the year which are expected to be achieved on the dispatching services market.

In the second half of the year, the EBITDA is expected to make progress in line with the trend seen in the first six months.

With regard to the debt cost, an increase in the net financial charges is expected during the second half of the year due to a greater net financial debt.

Large investments for the grid's development and the photovoltaic project are also confirmed for the second half of the year.

## PAYMENT OF 2010 INTERIM DIVIDEND

The 2010 interim dividend will be paid as of November 25, 2010 gross of any withholdings in compliance with the law, following "registration date" of coupon No. 13 on November 22, 2010. The amount of the interim dividend will be announced to the market in the next few months.

*At 12:00 noon a conference call will be held to present the results of the first half of 2010 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)) and in the Company's website ([www.terna.it](http://www.terna.it)) in the Investor Relations 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.*

*It should be noted that, in compliance with Directive n. DME/9081707 dated September 16, 2009, such statements and sheets are included in the Interim Management Report which is part of the half-year financial statement of the Terna Group as of June 30, 2010. These are not subject to auditing on the part of the auditing company.*

*It should also be noted that following the application of IFRIC 12 – Service Concession Arrangements, starting from January 1, 2010, property, plants and equipment and the intangible assets included in the IFRIC 12 for the dispatching activities have been reclassified into a specific item "Rights on the infrastructure" within intangible assets. Furthermore, costs and revenues related to the investing activity of the Dispatching concession are calculated as construction costs and revenues. As a consequence, the comparative statement of financial position as of December 31, 2009, and the comparative statement of financial position of the first half of 2009, have been similarly reclassified.*

*As to the interpretation of "IFRIC18 – Transfers of Assets from Customers", approved by the European Commission on November 27, 2009, and effective as of January 1, 2010, regarding the accounting of the connection agreements, it should be noted that the same did not have a significant impact on the summary of half-year consolidated income statement as of June 30, 2010.*

*The manager in charge of drawing up the company's accounting documents, Mr. Luciano di Bacco, declares pursuant to paragraph 2 of art. 154-bis of the Consolidated Finance Act that the accounting information included in this press release corresponds to the financial statements, books and accounting records.*

*The Half-Year Report as of June 30, 2010, with the certification in compliance with art.154 bis paragraph 5 of 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 Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and will be published in the website [www.terna.it](http://www.terna.it) by August 29, 2010. The information regarding the Report's deposit will also be published.*

1 In this release, some "alternative performance indicators" (Ebitda, Ebit and Net financial debt) were used, whose meaning and contents are explained below pursuant to CESR/05-178b recommendation published on November 3, 2005:

- Ebitda (Gross operating margin): represents an indicator of the operating performance; it is calculated by adding amortization to the Operating result (EBIT);

- Ebitda Margin: represents an indicator of the operating performance; it is calculated from the ratio between the Gross Operating Margin (Ebitda) and revenues.

**Terna Group's Reclassified Income Statement**

Million euros	First half year			
	2010	2009	Change	%
<b>Revenues:</b>				
- Grid transmission fees (1)	647.2	574.5	72.7	12.7%
- Other energy items (1)	80.4	53.3	27.1	50.8%
- Other revenues from sales and services (1)	14.2	20.7	-6.5	-31.4%
- Other revenues and income	19.0	19.4	-0.4	-2.1%
<b>Total revenues</b>	<b>760.8</b>	<b>667.9</b>	<b>92.9</b>	<b>13.9%</b>
<b>Operating expenses:</b>				
- Personnel expenses	100.0	75.7	24.3	32.1%
- Services and use of third party assets	68.2	65.7	2.5	3.8%
- Materials	10.7	9.2	1.5	16.3%
- Other expenses	13.1	10.3	2.8	27.2%
<b>Total operating expenses</b>	<b>192.0</b>	<b>160.9</b>	<b>31.1</b>	<b>19.3%</b>
<b>GROSS OPERATING PROFIT</b>	<b>568.8</b>	<b>507.0</b>	<b>61.8</b>	<b>12.2%</b>
<b>Amortization and Depreciation</b>	<b>172.5</b>	<b>144.0</b>	<b>28.5</b>	<b>19.8%</b>
<b>OPERATING PROFIT</b>	<b>396.3</b>	<b>363.0</b>	<b>33.3</b>	<b>9.2%</b>
- Net financial income (charges) (2)	-47.2	-80.3	33.1	-41.2%
<b>PROFIT BEFORE TAXES</b>	<b>349.1</b>	<b>282.7</b>	<b>66.4</b>	<b>23.5%</b>
- Income taxes for the period	115.6	98.7	16.9	17.1%
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>233.5</b>	<b>184.0</b>	<b>49.5</b>	<b>26.9%</b>
Profit for the period from Discontinued Operations	0.1	35.7	-35.6	-99.7%
<b>PROFIT FOR THE PERIOD</b>	<b>233.6</b>	<b>219.7</b>	<b>13.9</b>	<b>6.3%</b>
-Attributable to the Shareholders of the Group	<b>233.6</b>	<b>207.5</b>	<b>26.1</b>	<b>12.6%</b>
-Attributable to minority interests	0.0	12.2	-12.2	-100.0%

In the Consolidated Statement:

(1) The balance is included in "Revenues from sales and services";

(2) Corresponds to the balance of the items described under points 1, 2 and 3 of C-"Financial income/charges".

## **Terna Group's Reclassified Statement of financial position**

<i>Million euros</i>	As of 30.06.2010	As of 31.12.2009	Change
<b>Net fixed assets</b>			
- Intangible assets and goodwill	460.7	457.6	3.1
- Property, plants and equipment	7,299.3	6,989.9	309.4
- Financial assets (1)	23.6	21.0	2.6
<b>Total</b>	<b>7,783.6</b>	<b>7,468.5</b>	<b>315.1</b>
<b>Net working capital</b>			
- Trade receivables (2)	455.7	371.8	83.9
- Inventories	10.9	11.7	-0.8
- Other assets (3)	19.0	10.7	8.3
- Trade payables (4)	396.5	381.3	15.2
- Net liabilities from energy pass-through expenses (5)	162.4	303.4	-141.0
- Net tax liabilities (6)	36.8	14.8	22.0
- Other liabilities (7)	282.6	265.3	17.3
<b>Total</b>	<b>-392.7</b>	<b>-570.6</b>	<b>177.9</b>
<b>Gross capital employed</b>	<b>7,390.9</b>	<b>6,897.9</b>	<b>493.0</b>
Sundry provisions (8)	622.3	638.3	-16.0
<b>Net capital employed from continuing operations</b>	<b>6,768.6</b>	<b>6,259.6</b>	<b>509.0</b>
<b>Net capital employed from discontinued operations</b>	<b>0.0</b>	<b>0.1</b>	<b>-0.1</b>
<b>TOTAL NET CAPITAL EMPLOYED</b>	<b>6,768.6</b>	<b>6,259.7</b>	<b>508.9</b>
<b>Group's net assets</b>	<b>2,506.8</b>	<b>2,501.5</b>	<b>5.3</b>
<b>Net financial debt (9)</b>	<b>4,261.8</b>	<b>3,758.2</b>	<b>503.6</b>
<b>Total</b>	<b>6,768.6</b>	<b>6,259.7</b>	<b>508.9</b>

In the consolidated statement, these correspond to:

- (1) The items "Equity-accounted investees" and "Other non-current assets";
- (2) The item "Trade receivables" net of the value of receivables from energy pass-through revenues (856.5 million euros);
- (3) The item "Other current assets" net of other tax receivables (15.1 million euros) and the item "Current financial assets" for the value of deferred operations (1.9 million euros);
- (4) The item "Trade payables" net of the value of liabilities from energy pass-through expenses (1,018.9 million euros);
- (5) The items "Trade receivables" for the value of receivables from energy pass-through revenues (856.5 million euros) and "Trade payables" for the value of liabilities from energy pass-through expenses (1,018.9 million euros);
- (6) The items "Tax assets", "Other current assets" for the value of other tax receivables (15.1 million euros), "Other current liabilities" for the value of other tax payables (24.8 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 (115.3 million euros);
- (8) The items "Employee benefits", "Provisions for future risks and charges" and "Deferred tax liabilities";
- (9) The items "Long-term loans", "Current portion of long-term loans", "Short-term loans", "Non current financial liabilities", "Cash and cash equivalents", "Non current financial assets" and "Current financial assets" for the value of short-term securities (500.0 million euros).

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

Million euros	Cash flow 30.06.2010	Cash flow 30.06.2009
<b>Opening cash and cash equivalents</b>	<b>0.1</b>	<b>779.7</b>
<i>Of which Opening cash and cash equivalents included in Discontinued Operations</i>	<i>0.0</i>	<i>90.5</i>
- Net profit for the period	233.6	219.7
- Amortization and Depreciation	172.5	153.4
- Net change in provisions	-16.0	29.4
- Net losses (Profits) on asset disposal	0.3	-1.4
<b>Self-financing</b>	<b>390.4</b>	<b>401.1</b>
- Change in net working capital	-177.9	445.1
<b>Cash Flow from operating activities</b>	<b>212.5</b>	<b>846.2</b>
<b>Investments</b>		
- Property, plants and equipment	-461.7	-361.8
- Intangible assets	-24.2	-22.0
- Other changes in intangible assets	-0.1	-1,360.8
- Changes in shareholding	-1.8	-1.3
<b>Total cash flow from (to) investing activities</b>	<b>-487.8</b>	<b>-1,745.9</b>
- Change in loans	503.6	485.9
- Other changes in equity attributable to the shareholders of the Group	12.1	-51.5
- Dividends to shareholders of the Parent Company	-240.4	-197.7
- Dividends to minority interests of the foreign subsidiaries	0.0	-1.0
- Other changes in equity attributable to minority interests	0.0	0.1
<b>Total cash flow from (to) financial activities</b>	<b>275.3</b>	<b>235.8</b>
<b>Total cash flow for the period</b>	<b>0.0</b>	<b>-663.9</b>
<b>Closing cash and cash equivalents</b>	<b>0.1</b>	<b>115.8</b>
<i>Of which Opening cash and cash equivalents included in Discontinued Operations</i>	<i>0.0</i>	<i>115.7</i>

\*For the reconciliation with the consolidated accounting statements, reference is made to the paragraph "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, 2010.