

TERNA: BOARD APPROVES RESULTS AS OF JUNE 30, 2011

- **Revenues at 796.2 million euros (762.6 million euros in 1H10, +4.4%)**
 - **Ebitda at 608.4 million euros (569.5 million euros in 1H10, +6.8%)**
 - **Ebit at 415.7 million euros (397.1 million euros in 1H10, +4.7%)**
- **Net profit from continuing operations at 236.2 million euros (234.3 million euros in 1H10, +0.8%)**
- **Group Net Profit, including discontinuing operations, at 329.2 million euros**
 - **Investments in traditional activities at 543.1 million euros (467.7 million euros in 1H10, +16.1%)**
 - **New Director appointed**

Rome, July 29, 2011 – Chief Executive Officer Flavio Cattaneo presented the results for the first half of 2011, which were examined and approved by TERN A SpA's Board of Directors that met today chaired by Luigi Roth.

Chief Executive Officer Flavio Cattaneo, remarked: *"The first half of the year closed with excellent results that were higher than expectations. We are continuing to focus on investments for the development of the infrastructures, that will create more safety, efficiency and lower costs for both companies and families. The commitment will continue in the next few months and also 2011 will be a record-breaking year for investments on the national electricity grid".*

FOREWORD

The Group's Financial Report as of June 30, 2011 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 "Transparency Decree").

CONSOLIDATED FINANCIAL RESULTS – FIRST HALF OF 2011

Million euros	1H 2011	1H 2010*	Change %
Revenues	796.2	762.6	+4.4%
Ebitda (Gross Operating Margin)	608.4	569.5	+6.8%
Ebit (Operating income)	415.7	397.1	+4.7%
Net Profit from continuing operations	236.2	234.3	+0.8%
Group Net Profit	329.2	233.6	+40.9%

*Expense and revenue balances related to Rete Rinnovabile S.r.l. were reclassified for comparative purposes under item "Net income for the period from discontinued operations" following its sale¹

Revenues for the first half of 2011, equal to 796.2 million euros (720.7 million euros for the Parent Company), registered an increase of 33.6 million euros, equal to 4.4%, compared to 762.6 million euros in the same period in 2010. The change mainly related to higher Grid Fees for the Parent Company, equal to +37.5 million euros. In the first half of 2011, energy revenues attributable to the incentive mechanism linked to the reduction of volumes supplied on the Dispatching Services Market, as established by AEEG resolution no. 213/09, were equal to 35 million euros (-3.5 million euros compared to the same period last year).

¹ Reference should be made to the paragraph "Significant events occurred after year-end" in the Consolidated Financial Statement of Terna's and the Terna Group's 2010 Annual Report

Operating Costs, equal to 187.8 million euros in the first half of 2011 (182.3 million euros for the Parent Company), registered a reduction of 5.3 million euros compared to the same period last year (-2.7%) mainly attributable to the costs of services (-5.4 million euros, -3.8 million euros of which attributable to dispatching infrastructures registered for the application of IFRIC 12) and to greater costs for outages in the first half of 2010 (-4.3 million euros), partly offset by the trend of personnel expenses (+3.7 million euros).

Ebitda (Gross Operating Margin) stood at 608.4 million euros, with an increase of nearly 39 million euros compared to 569.5 million euros in the first half of 2010 (+6.8%).

Ebitda margin increased from 74.7% in the first half of 2010 to 76.4% in the same period in 2011.

Depreciation rose by 20.3 million euros compared to the first half of 2010, mainly due to the entrance into operation of new plants (+17.6 million euros attributable to the Parent company)

Ebit (Operating Income) was equal to 415.7 million euros, rising by 18.6 million euros (+4.7%) compared to the same period in 2010.

Net financial charges for the period, equal to 58.1 million euros, were entirely attributable to the Parent Company and registered an increase of 10.9 million euros compared to 47.2 million euros in the first half of 2010, mainly due to a rise in the market interest rate curve and in debt, partly offset by greater liquidity invested in the period.

Income taxes for the period were equal to 121.4 million euros (-18.6 million euros of which for net deferred taxes), rising compared to the first half of 2010 (+5.8 million euros) mainly due to higher results. The tax rate of the first six months stood at 34.5% without taking into account the adjustments to previous years and was aligned to the first half of 2010.

Net profit from continuing operations stood at 236.2 million euros, rising compared to 234.3 million euros in the first six months of 2010 (1.9 million euros, equal to 0.8%).

Group Net Profit, including the results from discontinued operations (equal to 93 million euros, 59.2 million euros of which already reported in the first quarter, regarding the sale of Rete Rinnovabile S.r.l. and 33.8 million euros for the release, in the second quarter, of the provisions for contractual obligations linked to the sale of Terna Participações) stood at 329.2 million euros, rising by 95.6 million euros (equal to 40.9%) compared to the first half of the previous year.

The consolidated balance sheet as of June 30, 2011 registered a **Net Shareholder's Equity** equal to 2,835.7 million euros (2,760.8 million euros as of December 31, 2010).

Net Financial Debt was equal to 4,972.6 million euros and registered an increase of 250.2 million euros compared to data as of December 31, 2010, equal to 4,722.4 million euros, that included Terna SpA's positive financial position toward Rete Rinnovabile Srl.

The **debt/equity** ratio, as of June 30, 2011, therefore stood at 1.75.

Total **Investments** of the Group in **traditional activities** in the first half of 2011 were equal to 543.1 million euros, rising by 16.1% compared to 467.7 million euros in the first half of 2010.

Headcount of the Group, at the end of June 2011, totaled 3,527, increasing by 59 employees compared to December 31, 2010.

FOCUS ON THE ENERGY SYSTEM

GWh (Gigawatt/hour)	1 H 11	1 H 10	%
Net production	143,841	142,442	1%
Intended for pumping	1,181	2,648	- 55.4%
Import/export balance	22,744	22,985	- 1%
Demand in Italy	165,404	162,779	1.6%

*preliminary data

Highest peak of electricity consumption: January 25, 2011 with a 52,010 Megawatt demand, decreased by 0.3% compared to the peak demand in the first half of 2010.

TREND OF THE NATIONAL TRANSMISSION GRID DEVELOPMENT PLAN

The main projects implemented in this period were:

- **380 kV “Chignolo Po – Maleo” power line:** works nearly completed
- **380 kV “Sorgente-Rizziconi” power line²:** work in progress
- **380 kV “Sa.Pe.I” power line:** fully operating system
- **380 kV “Tavarnuzze – Santa Barbara” power line:** works completed
- **Power stations in Troia and Deliceto:** works completed

In the first six months of 2011, 11 authorization procedures were completed, 9 of which for projects included in the Development Plan. During the same period, 14 authorization procedures were submitted, 13 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. In particular, various Agreements and Memorandum of Understandings were signed for the following projects:

- **380kV Colunga – Calenzano power line**
- **220kV upgrading of the city of Milan**

SIGNIFICANT EVENTS OCCURRED AFTER JUNE 30, 2011

Publication of the consulting document DCO 29/11 “Criteria for defining tariffs for supplying electricity transmission, distribution and metering services for the 2012-2015 period”.

On July 21, 2011, the Authority for Electricity and Gas published the consulting document DCO 29/11 “Criteria for defining tariffs for supplying electricity transmission, distribution and metering services for the 2012 – 2015 period”, that proposes the first guidelines for determining the costs recognized for electricity transmission, distribution and metering services.

Relative remarks must be forwarded to the AEEG within September 30, 2011.

Moreover, subsequent consulting documents will deal with, among other topics, issues regarding the incentives aimed at promoting investments, regulations for economic conditions for the connection service and the regulations for system charges.

Loan from the European Investment Bank (EIB) to finance a four year investment plan for 2011-2014

On July 25, 2011, TERNA SpA signed an agreement with the European Investment Bank (EIB) for a 325 million euro loan aiming at strengthening the Italian electricity transmission system to guarantee the safety and efficiency standards required from a transmission service.

The loan will mature in 2030 and will be repaid in six-month installments starting from the sixth year.

The annual cost for the loan is equal to the Euribor 6-month rate, increased by a margin of 50 basis points.

Financing for Nuova Rete Solare

On July 28, 2011 Nuova Rete Solare S.r.l. (NRTS), Terna S.p.A.'s 100% indirectly controlled company, signed a financing agreement with a duration of 18 years. The maximum total amount of the transaction is equal to 252 million euros (of which 220 million euro in cash and 32 million in endorsement) and is intended to refinance – based on non-recourse project financing - investments sustained for the construction of a portfolio of photovoltaic plants owned by NRTS.

OUTLOOK

On the basis of the results achieved in the first half of 2011 and of the current business outlook, it is expected that at year end Terna will meet the goals set in the 2011-2015 Strategic Plan, approved by the Company Board of Directors.

With regard to the external context, recovery signals for energy demand already registered in 2010 and during the first half of 2011 are expected to remain stable.

Investments included in the National Development Plan will be aimed at increasing interconnections with foreign countries, reducing grid congestions and removing restrictions caused by the increased production from renewable sources. The Company's objectives always tend to achieve operational efficiency, ensuring the maximum quality of the transmission service and a more efficient and safe management of the electricity system's energy flow.

With regard to non-regulated activities, during the second half of 2011 the Company will be involved in implementing the second portfolio of photovoltaic projects aimed at further enhancing the Group's assets.

With regard to the cost of debt, an increase in the net financial charges is expected during the second half of the year due to an increase in interest rates and in the net financial debt, mainly due to a significant investment activity.

In 2011, the consultation process with the AEEG will be completed aimed at ensuring continuity and stability in the basic principles for determining tariffs also in the 4th regulatory period (2012-2015).

PAYMENT OF 2011 INTERIM DIVIDEND

The amount of the 2011 interim dividend that, gross of any withholdings in compliance with the law, will be paid as of November 24, 2011, following "registration date" of coupon no. 15 on November 21, 2011, will be announced to the market in the next few months.

NEW INDEPENDENT DIRECTOR

In the meeting held today, TERNA S.p.A.'s Board of Directors co-opted Attorney Francesco Pensato as new non-executive Director, replacing Mr. Andrea Camporese who resigned.

Att. Pensato is in possession of the independence requirements for Directors established by the Consolidated Finance Act, by TERN A S.p.A.' s Bylaws and by the Governance Code of companies listed by Borsa Italiana, on the basis of the assessments carried out by the Board of Directors with reference to the statements made by the appointed Director and having taken into account all the assessment criteria established by the Governance Code. Att. Francesco Pensato's CV is available on the website www.terna.it.

At 12:30 a conference call will be held to present the results of the first half of 2011 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) and in the Company's website (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 TERN A 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, 2011. These are not subject to auditing on the part of the auditing company.

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, 2011, 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 the market management company Borsa Italiana S.p.A. (www.borsaitaliana.it) and will be published in the website www.terna.it according to the law.

In this release, some "alternative performance indicators" (Ebitda, Ebit 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): 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.
- Net Financial Debt: represents an indicator of the company's financial structure: it is calculated as a result of the short term and long term financial debt and relative derivatives, net of cash and cash equivalents and of financial assets.

Terna Group's Reclassified Income Statement

<i>Million euros</i>	First half year			
	2011	2010	Change	%
Revenues:				
- Grid transmission fee (1)	688.0	647.2	40.8	6.3%
- Other energy items (1)	75.4	80.4	-5.0	-6.2%
- Other revenues from sales and services (1)	14.6	16.0	-1.4	-8.8%
- Other revenues and income	18.2	19.0	-0.8	-4.2%
Total revenues	796.2	762.6	33.6	4.4%
Operating expenses:				
- Personnel expenses	103.7	100.0	3.7	3.7%
- Services and use of third party assets	64.0	69.4	-5.4	-7.8%
- Materials	10.5	10.7	-0.2	-1.9%
- Other expenses (2)	9.6	13.0	-3.4	-26.2%
Total operating expenses	187.8	193.1	-5.3	-2.7%
GROSS OPERATING PROFIT	608.4	569.5	38.9	6.8%
Amortization and Depreciation (3)	192.7	172.4	20.3	11.8%
OPERATING PROFIT	415.7	397.1	18.6	4.7%
- Net financial income (charges) (4)	-58.1	-47.2	-10.9	231%
PROFIT BEFORE TAXES	357.6	349.9	7.7	2.2%
- Income taxes for the period	121.4	115.6	5.8	5.0%
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	236.2	234.3	1.9	08%
Profit for the period from Discontinued Operations	93.0	-0.7	93.7	
PROFIT FOR THE PERIOD	329.2	233.6	95.6	40.9%

In the Consolidated Statement:

- (1) The balance is included in "Revenues from sales and services";
- (2) Corresponds to the item "Other operating expenses" and to the item "Amortization and Depreciation" for the value of depreciation of fixed assets (0.2 million euros);
- (3) Corresponds to the item "Amortization and Depreciation" net of the value of depreciation of fixed assets (0.2 million euros);
- (4) Corresponds to the balance of the items described under points 1, 2 and 3 of letter C-"Financial income/charges".

Terna Group's Reclassified Statement of financial position

<i>Million euros</i>	As of 30.06.2011	As of 31.12.2010	Change
Net fixed assets			
- Intangible assets and goodwill	466.9	470.6	-3.7
- Property, plants and equipment	8,153.0	7,802.6	350.4
- Financial assets (1)	68.9	30.4	38.5
Total	8,688.8	8,303.6	385.2
Net working capital			
- Trade receivables (2)	553.0	511.5	41.5
- Inventories	99.2	11.4	87.8
- Other assets (3)	24.5	16.2	8.3
- Trade payables (4)	447.6	480.6	-33.0
- Net liabilities from energy pass-through expenses (5)	198.8	77.3	121.5
- Net tax liabilities (6)	28.1	55.7	-27.6
- Other liabilities (7)	303.1	294.2	8.9
Total	-300.9	-368.7	67.8
Gross capital employed	8,387.9	7,934.9	453.0
Sundry provisions (8)	579.6	624.2	-44.6
Net capital employed from continuing operations	7,808.3	7,310.7	497.6
Net capital employed from discontinued operations	0.0	398.8	-398.8
TOTAL NET CAPITAL EMPLOYED	7,808.3	7,709.5	98.8
Group's net assets	2,835.7	2,760.6	75.1
Third Parties' net assets	0.0	0.2	-0.2
Actual net financial debt* from continuing operations (9)	4,972.6	4,722.4*	250.2
Net financial debt from continuing operations	4,972.6	4,977.0	-4.4
Net financial debt from discontinued operations	0.0	-28.3	28.3
TOTAL NET FINANCIAL DEBT	4,972.6	4,948.7	23.9
Total	7,808.3	7,709.5	98.8

*includes the net positive financial position toward RTR as of December 31, 2010 (254.6 million euros)

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 (0.5 million euros);
- (2) The item "Trade receivables" net of the value of receivables from energy pass-through revenues (822.7 million euros);
- (3) The item "Other current assets" net of other tax receivables (8.2 million euros) and the item "Current financial assets" for the value of deferred operations (2.3 million euros);
- (4) The item "Trade payables" net of the value of liabilities from energy pass-through expenses (1,021.5 million euros);
- (5) The items "Trade receivables" for the value of receivables from energy pass-through revenues (822.7 million euros) and "Trade payables" for the value of liabilities from energy pass-through expenses (1,021.5 million euros);
- (6) The items "Tax assets", "Other current assets" for the value of other tax receivables (8.2 million euros), "Other current liabilities" for the value of other tax payables (23.8 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 (124.4 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", "Non-current financial liabilities", "Cash and cash equivalents", "Non-current financial assets" for the value of FVH derivatives (195.1 million euros) and "Current financial assets" for the value of short-term securities (750.0 million euros).

Terna Group's Cash Flow*

	Cash flow 30.06.2011	Cash flow 30.06.2010
<i>Million euros</i>		
Opening cash and cash equivalents	156.3	0.1
<i>Of which Opening cash and cash equivalents included in Discontinued Operations</i>	6.2	0.0
- Net profit for the period	329.2	233.6
- Amortization and Depreciation	192.7	172.5
- Net change in provisions	-44.6	-16.0
- Net losses (Profits) on asset disposal	-0.9	0.3
Self-financing	476.4	390.4
- Change in net working capital	-67.8	-177.9
Cash Flow from operating activities	408.6	212.5
Investments		
- Property, plants and equipment	-521.9	-461.7
- Intangible assets	-21.2	-24.2
- Other changes in intangible assets	4.5	-0.1
- Changes in shareholding	-38.4	-1.8
Total cash flow from (to) investing activities	-577.0	-487.8
NET INVESTED CAPITAL from discontinued operations	398.8	0.0
- Change in loans	146.6	503.6
- Other changes in the Group's net assets	7.2	12.1
- Dividends to shareholders of the Parent Company	-261.3	-240.4
- Net assets of minority interests from discontinued operations	-0.2	0.0
Total cash flow from (to) financial activities	-107.7	275.3
Total cash flow for the period	122.7	0.0
Closing cash and cash equivalents	279.0	0.1

*For the reconciliation with the consolidated accounting statements, reference is made to the paragraph "Economic and Financial Management of the Group" included in the Interim Report on Management of the Terna Group's Half Year Report as of June 30, 2011