

TERNA'S BOARD OF DIRECTORS: 2013 RESULTS APPROVED

- **Revenues at 1,896 million euros (+5%)**
 - **Ebitda at 1,481 million euros (+6.5%)**
 - **Ebit at 1,038 million euros (+7%)**
 - **Group Net Income at 514 million euro (+10.8%)**
- **Dividend proposed for 2013: 20 eurocents per share, in line with the dividend policy**
(of which 7 cents already paid as interim dividend and 13 cents as final dividend payable next June 2014)

Rome, March 25, 2014 – CEO Flavio Cattaneo presented the 2013 results, which were examined and approved by TERNA S.p.A.'s Board of Directors that met today chaired by Luigi Roth.

CONSOLIDATED ECONOMIC AND FINANCIAL RESULTS

Million euros	2013	2012	Change %
Revenues	1,896	1,806	+5%
Ebitda (Gross Operating Margin)	1,481	1,390	+6.5%
Ebit (Operating Profit)	1,038	969	+7%
Profit before taxes	938	876	+7%
Group Net income	514	464	+10.8%

2013 Consolidated **Revenues** stood at 1,896.4 million euros with an increase of 90.5 million euros compared to 2012 (+5%).

Operating expenses, equal to 415.3 million euros, were substantially flat compared to the previous year (-0.5 million euros, -0.1%), but with a different costs distribution.

EBITDA (Gross Operating Margin) stood at 1,481.1 million euros, with an increase of 91 million euros compared to 1,390.1 million in 2012 (+6.5%).

Revenues increase and stable opex led to an **EBITDA margin** growth from 77% in 2012 to 78.1% in 2013.

Amortization and Depreciation for the year rose by 22.8 million euros compared to 2012, mainly due to the new plants coming into operation.

Therefore, **EBIT** (Operating Profit) was equal to 1,037.7 million euro, increasing by 68.2 million euros (+7%) compared to 2012.

Net financial charges amounting to 100.2 million euro, increased by 7 million euros compared to 93.2 million euros in 2012.

Taking into account the impacts of the Net financial charges, the **Profit before taxes** stood at 937.5 million euros, growing by 61.2 million euros compared to previous year (+7%).

Income taxes for the year came to 423.9 million euros, rising by 11.2 million euro compared to 2012 (+2.7%).

The **tax rate**, equal to 45.2%, down from 47.1% registered in the previous year, which was affected by non recurring items.

Consequently, the **Group Net income** stood at 513.6 million euros, rising by 50 million euros compared to 463.6 million euros in 2012 (+10.8%).

The **consolidated statement of financial position** at December 31, 2013 recorded an increase in Shareholders' Equity, which came to 2,940.6 million euros (2,788.3 million euros at December 31, 2012).

Group **Net Debt** as of December 31, 2013 (6,625.1 million euros) was up by 770.1 million euros, mainly owing to the investments in the National Transmission Grid made during the year.

The **debt/equity** ratio as of December 31, 2013 was equal to 2.25.

The Group's **Total investments** in 2013 were equal to 1,212.3 million euros compared to 1,235.2 million euros in 2012. The slightly decrease (-1.9%) was attributable to the works' interruption at the Dolo-Camin, following the Council of State ruling, partially offset by the storage capex.

Group Headcount at the end of 2013 totaled 3,445, rising by 9 units compared to December 31 2012.

2013 RESULTS OF THE PARENT COMPANY – TERNA SpA

The Parent Company closed 2013 with **Revenues** at 1,767.9 million euros, registering a 6.5% increase (108.1 million euros) compared to 2012.

Operating Expenses amounted to 460.5 million euros, substantially flat compared to the previous year (+0.4 million euros, +0.1%).

EBITDA stood at 1,307.4 million euros, equal to 74% of revenues (72.3% in 2012), with a 107.7 million euros increase compared to 1,199.7 million euros in the previous year (+9%).

Depreciation, equal to 394.4 million euros, rose by 22 million euros compared to 2012 (+6.4%) mainly due to the new plants coming into operation.

EBIT (Operating Profit) was equal to 913 million euros, up by 83.9 million euros (equal to +10.1%) compared to 2012.

Net income for the year stood at 454.8 million euros, down by 8.4 million euros compared to 2012 (-1.8%), that was positively affected by non recurring items.

The **consolidated statement of financial position** registered a **Shareholders' Equity** equal to 2,688.1 million euros (compared to 2,598.5 million euros as of December 31, 2012), while the **Net Debt** was equal to 6,403.7 million euros (+783.3 million euros compared to December 31, 2012).

SIGNIFICANT EVENTS OCCURRED AFTER YEAR-END

Rating Terna

On **February 18, 2014** Moody's Investors Services (Moody's) has improved from negative to stable the outlook assigned to Terna's rating. The Issuer Rating and the Senior Unsecured Debt Rating have been affirmed at Baa1 as well as the EMTN programme at (P) Baa1. Terna's short-term Prime-2 rating is unchanged. The outlook change from negative to stable reflects the close link between Terna's credit quality and that of the Italian Republic.

On **March 12, 2014** Fitch Ratings has downgraded Terna S.p.A.'s Long-Term Issuer Default Rating (IDR) and Senior Unsecured Rating to 'BBB+' from 'A-', the same level of the other rating agencies. The Outlook has changed from Negative to Stable. The Short-Term IDR has been affirmed at 'F2'.

Non Regulated Activities ("Non Traditional Activities – NTAs") Agreement signed for the acquisition of Tamini Trasformatori

On **February 25, 2014**, as part of the implementation of Terna Group Non Traditional Activities, Terna Plus S.r.l., a fully-owned subsidiary of TERNA S.p.A., signed an agreement to acquire the entire capital of Tamini Trasformatori S.r.l. and some of its subsidiaries.

The agreement, subject to certain condition precedents, provides for a transaction value for the sole manufacturing facilities equal to 23.9 million euros. At the closing date, the purchase price will be adjusted for the working capital (including other items) and for the net financial position audited at that date. The closing of the transaction is expected during the first half of 2014.

The acquisition of Tamini - despite Terna's limited direct financial exposure and the typical perspective of Non Traditional Activities within the Group (always considered "non-continuous") - represents an opportunity to increase the value of a long-running Italian manufacturer, recognized for its excellence in the electrical sector in Italy and internationally.

In 2012 Tamini registered Revenues of 119.5 million euros and an EBITDA of 7.7 million euros.

OUTLOOK

In 2014, the Company will implement the 2014-2018 Strategic Plan approved by the Board of Directors on March 25, 2014.

In line with the strategy of the previous Strategic Plan and with reference to Traditional Activities, the Group will be focused on the development and maintenance of the National Transmission Grid and on the development of storage systems projects. In particular, the coming into operation of Trino-Lacchiarella 380kV double circuit line is expected during the year. This will improve the usage of north-west generation and import capacity towards the Milan area, whilst the new Foggia-Benevento 380kV line will allow an increase of the transfer capacity at the service of the generation plants located in Puglia, Molise and Campania. For what concerns storage systems, the activities will continue at the sites foreseen by the National Development Plan.

With reference to Non Traditional Activities, Terna confirms the focus on value creation through activities for third parties in the engineering, development and maintenance services mainly for the electric sector, and the housing for TLC; furthermore, the Group is scouting and developing new opportunities in Italy and abroad with its subsidiary Terna Plus. In particular, the negotiation of the

agreements for the development of Italy-France interconnection and the closing for the acquisition of Tamini Trasformatori S.r.l. are expected in 2014.

In line with the previous years, the Company will continue to focus on the rationalization of processes, operating costs efficiency as well as quality of service indicators.

Finally, the focus on a strong financial and capital structure is confirmed; in 2014 the Group will finance its investments and dividends through the generation of cash and cash equivalents, with no need to refinance its debt before 2015.

In the period between January 1, 2014 and June 30, 2015 a fixed-rate bond for an amount of 600 million euros issued by Terna S.p.A. is due to mature (October 2014).

SHAREHOLDERS' MEETING AND DIVIDENDS

In line with the dividend policy, The Board of Directors will submit to the Shareholders' Meeting the approval of a total ordinary dividend for the entire 2013 equal to 20 eurocents per share and the distribution of the remaining 13 eurocents per share gross of any legal withholdings.

It should be noted that on November 13, 2013, TERNA's Board of Directors had already resolved the distribution to shareholders of an ordinary interim dividend for 2013 equal to 7 eurocents per share gross of any legal withholdings, paid as of November 21, 2013.

The Board of Directors will propose June 23, 2014 as the "ex-dividend date" for coupon no.20 (record date pursuant to Article 83 *terdecies* of Italian Legislative Decree no. 58 dated February 24, 1998, so-called "TUF": June 25, 2014) and June 26, 2014 for the relative payment.

As an addition to the annual calendar of corporate events announced on January 27 this year, please note that the Ordinary Shareholders' Meeting, called to approve TERNA S.p.A.'s financial statement at December 31, 2013 and the allocation of income, will be convened on May 27, 2014, on single call.

The Ordinary Shareholders' Meeting will also be called to resolve on the renewal of the Board of Directors and the Board of Statutory Auditors, whose term of office ends upon the approval of the 2013 financial statements. In view of the renewal of the administrative body, resolutions will be submitted to the Shareholders' Meeting regarding the limits to the remuneration of executive directors foreseen by the provisions for companies directly or indirectly controlled by public administrations that issue shares listed on regulated markets, as established in article 23 bis of Law Decree 201 of December 6, 2011, converted with amendments into Law 214 of December 22, 2011. The section of "Terna's Annual Report on Remuneration" that – with reference to the members of administrative bodies, general directors and other managers holding strategic responsibilities – includes information on the Remuneration Policy and the procedures used for the adoption and implementation of this Policy, will be submitted to the Ordinary Shareholders' Meeting in its consultative session with non-binding vote.

The documentation relative to the items on the agenda of the Shareholders' Meeting, as established by the existing regulations, will be made available to the public in compliance with law provisions.

At 12.00 noon a meeting with the financial community and the media will be held to present the corporate strategy and results for 2013. The support material for the meeting will be available on Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) and on the Company's website (www.terna.it in the Investor Relations section), at the beginning of the meeting. In the same section the presentation can be followed via video web streaming.

The manager responsible for preparing the company's financial reports, 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 2013 Annual Financial Report including TERN A S.p.A.'s draft financial statements and the TERN A Group's consolidated financial statements as of December 31, 2013, together with TERN A S.p.A.'s Directors' Report, the Consolidated Financial Statements and the certification of the Executive in Charge of preparing the company's financial reports and of the CEO in compliance with paragraph 5 of article 154 bis of the Consolidated Law on Finance, with additional documents as established by the law and with the Annual Report on Corporate Governance and ownership structure, will be filed at the company's head office and at the market management company Borsa Italiana S.p.A. and will be available to the public on Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) and on the Company's website (www.terna.it), in compliance with the terms established by the law. The information required on filing shall be provided.

The 2013 Annual Financial Report has been submitted to the Board of Statutory Auditors and to the Independent Auditing Company for their relevant evaluation. 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 flow of the TERN A Group and of Terna SpA are attached. It should be noted that the Terna Group has applied the new IAS 19 - Employee benefits, mandatory as of January 1, 2013, which excludes the possibility of deferring the recognition of actuarial gains and losses using the corridor approach. As a result, certain comparative balances for 2012 have been adjusted reporting higher liabilities for employee benefits at December 31, 2012 of around 9 million euros, higher deferred tax assets for approximately 3 million euros and a decrease of shareholders' equity of around 6 million euros.

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 Directors' Report (included in the 2013 Annual Financial Report), for which the Independent Auditing Company, in compliance with Article 14 of Italian Legislative Decree no. 39 dated January 27, 2010 shall verify consistency with the Financial Statements.

In this release some "alternative performance indicators" are used (EBITDA and Net financial debt), the meaning and content of which are illustrated below in line with CESR /05-178b recommendation published on November 3, 2005:

- EBITDA (Gross Operating Margin): is an indicator of the operating performance; it is calculated by adding Amortization and depreciation to the Operating Profit (EBIT);
- EBITDA margin: is an indicator of the operating performance; it derives from the ratio between the Gross Operating Margin (EBITDA) and 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	2013	2012	Change	%
Revenues:				
- Grid Transmission Fees (1)	1,644.4	1,531.3	113.1	7.4%
- Other energy items (1)	169.8	161.3	8.5	5.3%
- Other revenues and income (2)	82.2	113.3	-31.1	-27.4%
Total revenues	1,896.4	1,805.9	90.5	5.0%
Operating costs:				
- Personnel expenses	206.3	196.7	9.6	4.9%
- Services, leases and rentals	140.9	139.5	1.4	1.0%
- Materials	14.7	29.7	-15.0	-50.5%
- Other expenses (3)	53.4	49.9	3.5	7.0%
Total operating costs	415.3	415.8	-0.5	-0.1%
GROSS OPERATING MARGIN	1,481.1	1,390.1	91.0	6.5%
Amortization/Depreciation (4)	443.4	420.6	22.8	5.4%
OPERATING PROFIT	1,037.7	969.5	68.2	7.0%
- Net financial income (expense) (5)	-100.2	-93.2	-7.0	7.5%
PROFIT BEFORE TAX	937.5	876.3	61.2	7.0%
- Income taxes for the year	423.9	412.7	11.2	2.7%
NET PROFIT FOR THE YEAR	513.6	463.6	50.0	10.8%
- Attributable to the Shareholders of the Group	513.6	463.6	50.0	10.8%

In the Income Statement of the Consolidated Financial Statements at December 31, 2013:

- (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" (30.4 million euros) and to the item "Other revenues and income" (51.8 million euros);
- (3) it corresponds to the item "Other operating expenses" and to the item "Amortization and Depreciation" for the impairment of trade receivables (7.0 million euros);
- (4) it corresponds to the item "Amortization and Depreciation" net of the impairment of trade receivables (7.0 million euros);
- (5) 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

Million euros	At 12/31/2013	At 12/31/2012	Change
Net non-current assets			
- Intangible assets and goodwill	461.8	470.4	-8.6
- Property, plant and equipment	10,119.9	9,342.0	777.9
- Financial assets (1)	82.8	81.4	1.4
Total	10,664.5	9,893.8	770.7
Net working capital			
- Trade receivables (2)	846.1	866.0	-19.9
- Inventories	8.0	6.6	1.4
- Other assets (3)	95.5	94.2	1.3
- Trade payables (4)	780.0	730.1	49.9
- Net payables for pass-through energy items (5)	407.3	562.0	-154.7
- Net tax liabilities (6)	-32.9	35.9	-68.8
- Other liabilities (7)	441.3	409.2	32.1
Total	-646.1	-770.4	124.3
Gross invested capital	10,018.4	9,123.4	895.0
Sundry provisions (8)	452.7	480.1	-27.4
NET INVESTED CAPITAL	9,565.7	8,643.3	922.4
Group's Net Equity	2,940.6	2,788.3	152.3
Net financial debt (9)	6,625.1	5,855.0	770.1
TOTAL	9,565.7	8,643.3	922.4

In the Statement of Financial Position of the Consolidated Financial Statements at December 31, 2013, 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 (875.0 million euros);
- (3) the item "Other current assets" net of other tax receivables (62.6 million euros) and the item "Current financial assets" net of the value of FVH derivatives (18.4 million euros);
- (4) the item "Trade payables" net of the value of payables for energy pass-through expenses (1,282.3 million euros);
- (5) the items "Trade receivables" for the value of receivables from energy pass-through revenues (875.0 million euros) and "Trade payables" for the value of payables for energy pass-through expenses (1,282.3 million euros);
- (6) the items "Income tax assets", "Other current assets" for the value of other tax receivables (62.6 million euros), "Other current liabilities" for the value of other tax payables (19.0 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 (113.9 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 (527.1 million euros and 18.4 million euros, respectively).

Terna Group's Cash Flow*

<i>Million euros</i>	<i>Cash flow 12/31/2013</i>	<i>Cash flow 12/31/2012</i>
Opening cash and cash equivalents	2,510.1	1,114.9
- Net profit for the year	513.6	463.6
- Amortization and Depreciation	443.4	420.6
- Net change in provisions	-27.4	-75.2
- Net losses (gains) on asset disposals	-1.7	-5.9
Self-financing	927.9	803.1
- Change in net working capital	-124.3	46.2
Cash Flow from operating activities	803.6	849.3
Investments		
- Total investments	-1,212.3	-1,235.2
- Other changes in non-current assets	0.6	96.7
- Change in equity investments	-0.7	-6.9
Total cash flow from (to) investing activities	-1,212.4	-1,145.4
- Change in loans	-122.9	2,127.1
- Other changes in equity attributable to owners of the Parent	40.7	-33.8
- Dividends to shareholders of the Parent Company	-402.0	-402.0
Total cash flow from (to) financial activities	-484.2	1,691.3
Total cash flow for the period	-893.0	1,395.2
Closing cash and cash equivalents	1,617.1	2,510.1

* For a reconciliation with Terna Group's consolidated financial statements, reference is made to the paragraph "Terna Group Performance and Financial Position" in the section "Performance" of the 2013 Directors' Report of Terna S.p.A. and the Terna Group Annual Financial Report.

Terna S.p.A. Reclassified Income Statement

Million euros	2013	2012	Change	%
Revenues:				
Grid transmission fees (1)	1,467.8	1,343.8	124.0	9.2%
Other energy items (1)	181.8	161.3	20.5	12.7%
Other revenues and income (2)	118.3	154.7	-36.4	-23.5%
Total revenues	1,767.9	1,659.8	108.1	6.5%
Operating costs:				
- Personnel expenses	47.1	81.9	-34.8	-42.5%
- Services, leases and rentals	357.3	314.7	42.6	13.5%
- Materials	5.3	19.1	-13.8	-72.3%
- Other expenses (3)	50.8	44.4	6.4	14.4%
Total operating costs	460.5	460.1	0.4	0.1%
GROSS OPERATING MARGIN	1,307.4	1,199.7	107.7	9.0%
Amortization/Depreciation (4)	394.4	370.6	23.8	6.4%
OPERATING PROFIT	913.0	829.1	83.9	10.1%
- Net financial income (expense) (5)	-88.5	-19.3	-69.2	358.5%
PROFIT BEFORE TAX	824.5	809.8	14.7	1.8%
- Income taxes for the year	369.7	346.6	23.1	6.7%
NET PROFIT FOR THE YEAR	454.8	463.2	-8.4	-1.8%

In the Income Statement of the Financial Statements at December 31, 2013:

- (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" (50.5 million euros) and to the item "Other revenues and income" (67.8 million euros);
- (3) it corresponds to the item "Other operating expenses" and to the item "Amortization and Depreciation" for the impairment of trade receivables (5.8 million euros);
- (4) it corresponds to the item "Amortization and Depreciation" net of the impairment of trade receivables (5.8 million euros);
- (5) it corresponds to the balance of items under points 1 and 2 letter "C. Financial income and expenses".

Terna S.p.A. Reclassified Statement of Financial Position

Million euros	At 12/31/2013	At 12/31/2012	Change
Net non-current assets			
- Intangible assets and goodwill	356.1	363.6	-7.5
- Property, plant and equipment	8,972.6	8,202.8	769.8
- Financial assets (1)	683.3	681.1	2.2
Total	10,012.0	9,247.5	764.5
Net working capital			
- Trade receivables (2)	833.5	844.2	-10.7
- Inventories	0.7	0.0	0.7
- Other assets (3)	88.7	92.6	-3.9
- Trade payables (4)	733.8	667.6	66.2
- Net payables for pass-through energy items (5)	449.4	603.0	-153.6
- Net tax liabilities (6)	-40.6	-13.4	-27.2
- Other liabilities (7)	453.3	436.0	17.3
Total	-673.0	-756.4	83.4
Gross invested capital	9,339.0	8,491.1	847.9
Sundry provisions (8)	247.2	272.2	-25.0
NET INVESTED CAPITAL	9,091.8	8,218.9	872.9
Net equity	2,688.1	2,598.5	89.6
Net financial debt	6,403.7	5,620.4	783.3
TOTAL	9,091.8	8,218.9	872.9

In the Statement of Financial Position of the Financial Statements at December 31, 2013, they correspond to:

- (1) the items "Other non-current assets" and "Non-current financial assets" for the carrying amount of the other investments (681.1 million euros);
- (2) the item "Trade receivables" net of the value of receivables from energy pass-through revenues (875.0 million euros);
- (3) the item "Other current assets" net of other tax receivables (58.7 million euros) and the item "Current financial assets" net of the value of FVH derivatives (18.4 million euros);
- (4) The item "Trade payables" net of the value of payables for energy pass-through expenses (1,324.4 million euros);
- (5) the items "Trade receivables" for the value of receivables from energy pass-through revenues (875.0 million euros) and "Trade payables" for the value of payable for energy pass-through expenses (1,324.4 million euros);
- (6) the items "Income tax assets", "Other current assets" for the value of other tax receivables (58.7 million euros), "Other current liabilities" for the value of other tax payables (1.3 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 (112.1 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", "Short-term loans", "Cash and cash equivalents", "Non-current financial assets" for the value of the loan to Terna Rete Italia S.r.l. and of FVH derivatives (500.0 million euros and 527.1 million euros, respectively) and "Current financial assets" for the value of FVH derivatives (18.4 million euros).

Terna S.p.A.'s Cash flow*

<i>Million euros</i>	Cash flow at 12/31/2013	Cash flow at 12/31/2012
Opening cash and cash equivalents and intercompany account	2,494.4	1,114.3
- Net profit for the year	454.8	463.2
- Amortization and Depreciation	394.4	370.6
- Net change in provisions	-25.0	-148.9
- Net losses (gains) on asset disposals	-1.7	-5.9
Self-financing	822.5	679.0
- Change in net working capital	-83.4	41.3
Cash Flow from operating activities	739.1	720.3
Investments		
- Total investments	-1,119.5	-1,166.8
- Change in equity investments	-2.2	-56.1
- Other changes in fixed assets	-35.5	116.7
Total cash flow from (to) investment activities	-1,157.2	-1,106.2
- Change in loans	-103.1	2,195.5
- Other transactions in the net equity	36.8	-27.5
- Dividends paid to shareholders	-402.0	-402.0
Total cash flow from (to) financial activities	-468.3	1,766.0
Total cash flow for the period	-886.4	1,380.1
Closing cash and cash equivalents and intercompany account	1,608.0	2,494.4

* For a reconciliation with Terna S.p.A. financial statements, reference is made to the paragraph "Terna S.p.A. Performance and Financial Position" in the section "Performance" of the 2013 Directors' Report of Terna S.p.A. and the Terna Group Annual Financial Report.