

**TERNA: BOARD OF DIRECTORS APPROVES 2012-2016 STRATEGIC PLAN  
AND 2011 RESULTS****4.1 BILLION EURO OF INVESTMENTS FOR THE FUTURE TRANSMISSION GRID  
AND 1.9 BILLION EUROS FOR NON TRADITIONAL ACTIVITIES**

- **Traditional Activities: 4.1 billion euros** for maintenance and development of the Transmission Grid.
- **Non Traditional Activities: up to a potential 1.9 billion euros**, of which up to 1 billion for the implementation of battery storage systems and up to 900 million for other projects in **Non-Regulated Activities**

**Improved margins:** Ebitda Margin in 2016 will exceed 80%, above the 78% target of the old Plan

**Stronger financial structure:** during the Plan period, Terna shall maintain a solid capital structure and improve financial *ratios*.

**New dividend policy:** starting from 2012, we expect a DPS floor of 19 euro cents from Traditional Activities, on top of which the contribution from Non Traditional Activities must be added (60% payout on earnings and/or gains).

**2011 RESULTS: SEVENTH CONSECUTIVE YEAR OF GROWTH  
Increased Revenues, Ebitda, Profits and Investments. DPS at 21 euro cents**

- **2011: negative impact of the Robin Hood Tax offset by proceeds from Non Traditional Activities; Adjusted Net Income from Continuing Operations<sup>1</sup> at 465.3 million euros (+1.1%)**
- **DPS at 21 euro cents**, thanks to the proceeds from Non-Traditional Activities, in line with the previous year
- **Record in Investments for the Grid** at 1,219.8 million euros (+5% compared to 2010)

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**Milan, March 20, 2012** – TERNA SpA's Board of Directors met today, chaired by Luigi Roth, and approved the 2012-2016 Strategic Plan and the 2011 results. The results and the Plan were illustrated by the CEO, Flavio Cattaneo, during a meeting with the financial community and the media.

*"We overcame a year of crisis in a very satisfying way" – commented the CEO, Flavio Cattaneo. "The negative financial situation and the Robin Hood Tax have weighed heavily, but for the seventh consecutive year our results were nonetheless positive thanks to a preventive strategy on Non Traditional and non-regulated business, innovation and technology. This strategy will grow also in the years to come. Efficiency, safety and reduced costs for the transmission system and*

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<sup>1</sup> Without the effects totally attributable to the so called "Robin Hood Tax" (153.8 million euros), the IRAP adjustment (8.7 million euros) and net of other exceptional items (-24.5 million euros). For 2010 extraordinary adjustments stood at -5 million euros.

*creating value for our shareholders are the drivers of our future actions. The new dividend policy is in line with the strategy to create value and will continue to satisfy our shareholders. 2012 started off well and I am sure that the commitment undertaken by all the Terna team will result in another year marked by growth”.*

## **2012-2016 STRATEGIC PLAN**

### **Focus on technology and innovation for grid safety; greater commitment toward Non Traditional Activities**

#### **A future Grid for a new transmission system**

In the next 5 years approximately 4.1 billion euros will be invested for the safety and modernisation of the Transmission Grid, 82% of which will be dedicated to development. If we consider also 1.2 billion already invested in 2011, the capex Plan reaches an overall 5.3 billion, an increase compared to the 5 billion of the previous Plan.

In addition to the 4.1 billion euros, there are about 1 billion euros for the development of 240 MW of batteries, currently still to be approved and subject to obtaining an adequate remuneration. Therefore, the development of the Grid is still the main priority even in the new Plan.

By leveraging on the Company's strong technical and engineering skills, in addition to one billion euros for batteries, up to further 900 million euros of investments could be included among **Non Traditional Activities**, for projects - both in Italy and abroad - for third parties, with expected returns higher than those from regulated activities. In this way, the total expected capex for Non Traditional Activities is double (up to 1.9 billion euros) compared to the one billion euros foreseen in the previous Plan.

Therefore, during the Plan, investments could reach an overall of up to 6 billion euros.

Once at full regime, Terna will have over **300 building sites open throughout Italy for a value of 2.9 billion euros**. Three sites for strategic works will be opened in 2012: the 380 kV Foggia-Benevento power line between Puglia and Campania; the 380 kV Trino – Lacchiarella power line between Lombardy and Piemonte; the 380 kV Dolo – Camin power line between Venice and Padova. All works that started in 2011 for the ‘Sorgente – Rizziconi’ electricity bridge between Sicily and Calabria for over 730 million euros of investments and the modernization and upgrading plan of the large metropolitan areas will continue and involve the cities of Rome, Milan, Naples, Turin, Palermo, Genoa for an overall investment of approximately 1 billion euros.

#### **Improved margins**

Increased revenues and cost control will result in approximately a 19% increase of the 2012-2016 cumulated Ebitda compared to the previous Plan. The average annual Ebitda growth will increase from 5% to 7.5%, with a significant improvement in the operating cash flow. The **Ebitda margin** at the end of the period will be higher than 80%, an increase compared to the 78% target of the old Plan.

#### **Stronger financial structure**

Efforts continue for improving the financial ratios. During the Plan period, the Net Debt should increase by 1.6 billion euros reaching 6.7 billion euros, a significant reduction of 1 billion euros compared to the previous Plan.

Capital structure remains solid: during the Plan period, the ratio between Net Financial Debt and RAB will continue to stand below 50% and the ratio between Net Financial Debt and the Ebitda will improve compared to the 4.2x at the end of 2011, remaining at a value below 4.

#### **New dividend policy**

Starting from 2012, we expect a DPS floor of 19 euro cents from Traditional Activities, on top of which the contribution from Non Traditional Activities must be added (60% payout on earnings and/or gains).

**Revised tariff system**

The new tariff system for 2012-2015 has revised the remuneration level of investments and also the type of capex eligible to the different categories.

The Authority for Energy and Gas has foreseen for the end of 2013 a review of the 'Risk Free' component for establishing the WACC, considering the annual average return of the 10-year BTP for the November 2012 - October 2013 period.

**Financial flexibility**

In order to improve its financial flexibility, Terna may examine the disposal of selected assets to reinvest the proceeds in new development capex, without putting at risk the stability of the capital structure in the long term.

**New organizational structure**

The distinction between Traditional and Non-Traditional Activities is reflected on the new organizational structure that will become operational as of April 1, 2012 with two companies under the Holding. The first one, **Terna Rete Italia S.p.A.**, will be responsible for transmission and dispatching activities. The second one, **Terna Plus Srl**, will be focused on new Non Traditional Activities, both in Italy and abroad, including batteries.

**2011 RESULTS**

**Revenues at 1,635.6 million euros (+2.9%); Ebitda at 1,229.7 million euros (+4.7%); Ebit at 835.6 million euros (+2.6%); Adjusted Net Income from Continuing Operations at 465.3 million euros, (+1.1%); Investments for the Grid at 1,219.8 million euros (+5%); DPS proposed for 2011: 21 euro cents, in line with the 2010 dividend.**

**Revenues** for 2011, equal to 1,635.6 million euros, are attributable to the Parent Company for nearly 1,484.5 million euros and to the subsidiary Terna Rete Italia S.p.A. for nearly 150.1 million euros and registered an increase of 46.4 million euros (+2.9% compared to the 1,589.2 million euros in 2010). This increase was mainly due to higher Grid fees, that rose by 74.6 million euros, partially offset by higher one-off proceeds registered during the same period in 2010 (-11.8 million euros) and lower engineering activities for third parties (-10 million euros).

**Operating costs** amount to 405.9 million euros (394.4 million euros of which for the Parent Company and 10.8 million euros for the subsidiary Terna Rete Italia), a decrease of nearly 8.4 million euros compared to the previous year (-2%) mainly due to lower costs for plant engineering materials and activities.

**Ebitda** (Gross Operating Margin) stood at 1,229.7 million euros, with an increase of 54.8 million euros compared to 1,174.9 million euros in 2010 (+4.7%). The **Ebitda margin** rose from 73.9% in 2010 to 75.2% in 2011.

Total **Depreciation** for the year increased by 33.6 million euros compared to 2010, attributable to the Parent Company for 30 million euros - mainly due to the coming into operation of new plants - and to the subsidiary Terna Rete Italia for +3.5 million euros.

**Ebit** (Operating Income) is equal to 835.6 million euros, increasing by 21.2 million euros (+2.6%) compared to 814.4 million euros in 2010.

**Net Financial Charges** for the year stood at 121 million euros and registered an increase (18.5 million euros) compared to the 102.5 million euros of 2010, mainly due to an increase in debt and interest rates.

**Income taxes** for the year were equal to 387.3 million euros, a 140.5 million euros (+56.9%) increase compared to 2010, mainly due to the “corrective measures” (the so called Robin Hood Tax), net of earnings before taxes and basically in line with 2010. The tax rate for the year stood at 54.2%; net of the “one off” tax effects it would have been 46%, about 11 points more compared to 2010, basically due to IRES (+10.7%) and IRAP (+ 0.5%) taxes on earnings before taxes.

Due to the Robin Hood Tax, the Net Income for the year from Continuing Operations stood at 327.3 million euros (465.1 million euros in 2010). Taxes also impacted the Group Net Profit that, thanks to the results from Discontinued Operations (equal to 112.7 million euros), stood at 440 million euros, a 172 million euros (equal to -28.1%) decrease compared to the previous year. **Adjusted Net Income from Continuing Operations<sup>2</sup>** was equal to 465.3 million euros, rising by 5.2 million euros (equal to +1.1%) compared to the previous year and also net of the ‘one off taxes’.

Total **Investments** made by the Group in Traditional Activities were equal to 1,219.8 million euros, a 5% rise compared to the previous year. In addition, there are 9.4 million euros in Non Traditional Activities, for a total of 1,229.2 euros.

The financial position as of December 31, 2011 registered a **Group Net Shareholders’ Equity** equal to 2,751 million euros (compared to 2,773.2 million euros as of December 31, 2010), while the **net financial debt** was equal to 5,123.1 million euros (compared to 4,722.4 million euros of actual net financial debt from continuing activities<sup>3</sup> as of December 31, 2010).

The **debt/equity ratio** (Net Debt from Continuing Operations/Net Shareholders’ Equity) as of December 31, 2011, equaled 1.86.

**Group Headcount** at the end of 2011 was equal to 3,495.

## 2011 RESULTS OF THE PARENT COMPANY – TERNA SpA

The Parent Company closed 2011 with **revenues** at 1,553.9 million euros, a 3.2% increase compared to the 1,505.1 million euros of the previous year.

**Operating Costs** amounted to 432.3 million euros, a 0.8% decrease compared to 2010.

**Ebitda** stood at 1,121.6 million euros, equal to 72.2% of revenues (+ 1.2 percentage points compared to 2010), with an increase of 52.3 million euros compared to last year’s 1,069.3 million euros (+4.9%).

**Depreciation**, equal to 348.8 million euros, rose by 30.0 million euros compared to 2010.

**Ebit** was equal to 772.8 million euros, rising by 3% (equal to +22.3 million euros) compared to 2010.

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<sup>2</sup> Without the effects totally attributable to the so called “Robin Hood Tax” (153.8 million euros), the IRAP adjustment (8.7 million euros) and net of other exceptional items (-24.5 million euros). For 2010 extraordinary adjustments stood at -5 million euros.

<sup>3</sup> The balance includes the net positive financial position toward RTR as of December 31, 2010 (254.6 million euros)

**Net financial charges**, equal to 8.8 million euros, registered a significant decrease compared to 87.7 million euros in 2010. This decrease is mainly due to the distribution of dividends made by the subsidiary Suntergrid during the year (100.0 million euros), which has largely offset the impact of the increased net financial debt and the trend of market interest rates during 2011.

**Income taxes** were equal to 344.2 million euros, increasing compared to the previous year by 112.1 million euros (+48.3%), mainly due to the effects of the above mentioned tax measures (the so called Robin Hood Tax) compared to earnings before taxes rising by 101.2 million euros with respect to 2010.

**Net Income from Continuing Operations** stood at 419.8 million euros, with a reduction of 10.9 million euros (-2.5%) compared to the 430.7 million euros in 2010. The **Net Income for the year**, including the result deriving from the assets held for sale (equal to 33.8 million euros for the release of the fund for contract obligations linked to the sale of Terna Participações), stood at 453.6 million euros, compared to last year's 432.1 million euros.

**Shareholders' Equity** equal to 2,555.3 million euros (compared to 2,546.9 million euros in 2010), while the **Net Debt** was 4,805 million euros (+601.2 million euros compared to December 31, 2010).

## SIGNIFICANT EVENTS OCCURRED AFTER YEAR-END

### The resolutions for the new 2012-2015 tariff regulatory period have come into force

On January 2, 2012 resolutions no. 199/11, 204/11 and 197/11 have come into force. Through these resolutions, the Authority for Electricity and Gas established the remuneration for supplying electricity transmission, distribution, measuring and dispatching services and the regulation of the transmission service quality for the new 2012-2015 regulatory period. Among the new issues introduced by resolution no.199/11, the AEEG raised the base remuneration rate of the regulated invested capital (WACC) from the previous 6.9% to 7.4%, and established its review by November 2013, to be applied from the second two-years of the regulatory period (2014-2015). As of 2012, the AEEG recognized an additional 1% lump sum on the WACC, aimed at offsetting the so-called "regulatory lag" effect, i.e. the delay with which the tariff remunerates investments made. Resolution no. 204/11 updated for 2012 the consideration for the electricity dispatching service, equal to 0.0526 €/kWh. Resolution no. 197/11 on regulating the service's quality, confirmed the conditions of the previous regulatory period based on a mechanism of rewards/penalties. The service quality will be monitored only by the indicator of the Non-Supplied Energy. Through this mechanism, the highest potential impact is estimated for the Terna Group within a -12/+30 million euro range per year.

### **Terna the only company in Sam's Gold Class (Sustainability Yearbook 2012)**

On **January 30, 2012** Terna, the only Italian electricity company and among the best in the world, was included in Sam's Gold Class – Sustainability Yearbook 2012, the yearbook of the international rating agency that conducts a screening of companies assessing the possibility of access, inclusion or exclusion from the prestigious Dow Jones indexes. If this result is compared with those obtained in the previous years (the Silver Class in 2011 and the Bronze Class in 2010), it is evident that Terna has confirmed and actually improved, its placement among the sector's global leaders, ranking above the best international operators.

### **Issuance of 5-year bonds for 1.25 billion euros**

On February 13, 2012 Terna launched the issuance of fixed rate bonds in euros with a 5 year maturity for a total of 1.25 billion euros as part of its Euro Medium Term Notes programme (EMTN) which received a rating of A- Credit Watch Negative by Standard and Poor's, A3 Outlook Negative by Moody's and A by Fitch.

The bond will expire on February 17, 2017, with a yearly coupon equal to 4.125 % and issuance price equal to 99.809%. It was priced with a spread of 257 basis points compared to the midswap. The bonds were listed at the Luxembourg Stock Exchange.

### **Confirmation of rating by S&P's**

On March 8, 2012 Standard & Poor's (S&P) confirmed the long and short term rating for Terna S.p.A., i.e. respectively 'A-' and A-2' and the non guaranteed senior debt rating at 'A-'. At the same time, the Agency removed both the Company's long term rating and the non guaranteed senior debt rating from the 'Credit Watch' status with negative implications, a status in which the ratings above had been placed on December 8, 2011.

### **OUTLOOK**

In 2012, the company will be involved in implementing the 2012-2016 Strategic Plan approved by the Board of Directors on March 20, 2012, with total investments in line with those of the previous year.

Particularly, the Group will be involved in completing the implementation of the new corporate and organizational structure that will focus more on Non Traditional Activities.

With regard to the Development Plan, the company will continue to develop and implement interconnections with foreign countries (Montenegro and France), to reduce grid congestion and to guarantee the connection of production plants from renewable sources.

Moreover, during 2012, the preliminary activities for the implementation of storage systems presented in the Development Plan will be initiated.

In terms of revenues, there will be an increase of the regulated activities attributable to investments made in 2010 and to the impacts of the recent tariff review.

In line with the previous years, the Company will pursue upgrading processes and efficiency in operating costs, while also ensuring the highest quality of the transmission and dispatching service.

Regarding financial management, the recent issuance of bonds has guaranteed resources available for corporate activities until 2015.

### **SHAREHOLDERS' MEETING CALL AND DIVIDENDS**

The Board of Directors will submit to the Shareholders' Meeting the approval of a total ordinary dividend for the entire 2011 equal to 21 eurocents per share and the distribution – gross of any

legal withholdings – of the remaining 13 eurocents per share. Overall, the 2011 dividend per share was the same as the 2010 one. It should be noted for this purpose that TERNA's Board of Directors held on November 9, 2011 had already resolved the distribution to shareholders of an interim dividend for 2011 equal to 8 eurocents per share gross of any legal withholdings, to be paid as of November 24, 2011.

The Board of Directors will propose June 18, 2012 as the "ex-dividend date" for coupon no. 16 and June 21, 2012 for the relative payment. The Ordinary Shareholders' Meeting called upon to approve TERNA S.p.A.'s financial statement as of December 31, 2011 and the allocation of income will be convened on May 15 and 16, respectively on first and second call.

The Ordinary Shareholders' Meeting will also be called to resolve on appointing a Director, following the co-opting of Att. Francesco Pensato on July 29, 2011 as indicated in the press release issued on the same date.

The section of the "Annual Report on Terna's Remuneration" that – with reference to the members of the administrative bodies, the 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.

Lastly, the Shareholders' Meeting will be called to resolve in its extraordinary session on various amendments to the Bylaws aimed at ensuring gender balance in the composition of the Board of Directors and of the Board of Statutory Auditors in order to implement the provisions introduced by art. 147 *ter*, paragraph 1 *ter*, and 148, paragraph 1 bis of Legislative Decree 58/98 (Consolidated Law on Finance - TUF) as amended by Law no. 120 dated July 12, 2011.

The Extraordinary Shareholders' Meeting will be convened on May 15, 16 and 17, 2012, respectively on first, second and third call.

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.

*A meeting will be held at 11:30 a.m. with the financial community and the media to illustrate the 2011 results and present corporate strategy. The support material for the meeting will be available on Borsa Italiana S.p.A.'s website ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on Terna's website ([www.terna.it](http://www.terna.it)), in the Investor Relations section concomitantly with the beginning of the meeting itself. In the same section it will also be possible to follow the presentation through video webcasting.*

*It should be noted that various comparative asset balances for 2010 were adjusted to consider the change in the accounting model of the impacts relative to goodwill exemption carried out by the Parent Company in 2009. In particular, the previous accounting model for the substitute tax (advance for current taxes) was updated consistent with the different accounting record (current and advanced taxes) of the substitute tax paid for goodwill exemption resulting from the consolidation of the subsidiary Terna Rete Italia.*

*In particular, this restatement, has resulted in entering as of December 31, 2010 increased figures for advanced taxes equal to 25.2 million euros and lower tax receivables for 12.6 million euros, with an impact of 14.2 million euros registered in retained earnings and 1.6 million euros as a lower result (greater current taxes) in the net equity as of December 31, 2010.*

*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 2011 Annual Financial Report including TERNA S.p.A.'s draft financial statement and the TERNA*

*Group's consolidated financial statement as of December 31, 2011, together with TERNA S.p.A.'s report on the management, the Consolidated Financial Statement and the certification of the manager responsible 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 Report on Corporate Governance, will be submitted and made available to the public at the company's headoffice and at the market management company Borsa Italiana S.p.A. and will be available on Borsa Italiana S.p.A.'s website ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and on the Company's website ([www.terna.it](http://www.terna.it)), in compliance with the terms established by the law, together with the report by the Board of Statutory Auditors and the reports by the Independent Auditing Company.*

*The 2011 Annual Financial Report has been submitted to the Board of Statutory Auditors and to the Independent Auditing Company for their relevant evaluation.*

*It should be noted that, according to communication no. DME/9081707 of September 16, 2009, the reclassified charts of the Income Statement, Balance Sheet and Cash Flow Statement of the TERNA Group and of TERNA S.p.A. attached herewith, are the ones included in the Report on the Management (included in the Annual Financial Report as of December 31, 2011), for which the Independent Auditing Company, in compliance with art. 14 of Legislative Decree no. 39 dated January 27, 2010 shall verify its consistency with the Financial Statement.*

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

- Ebitda (gross operating profit): represents an operating performance indicator; it is calculated by adding the operating income (EBIT) to the amortization;
- Ebitda margin: represents an operating performance indicator: it derives from the ratio between the Gross Operating Profit (Ebitda) and the revenues;
- Net financial debt: represents an indicator of the company's financial structure: it is determined as the result of short and long term financial debt and of related derivative instruments, net of cash and cash equivalents and of financial assets.



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Programma energetico europeo per la ripresa

Terna S.p.A. is the only responsible party for the information contained here above. The EU is not responsible of any use that could be made of the information here contained.

## Terna Group's Reclassified Income Statement

Million euros	2011	2010	Change	%
<b>Revenues:</b>				
- Grid Transmission Fees <sup>(1)</sup>	1,380.9	1.306,3	74.6	5.7%
- Other energy items <sup>(1)</sup>	163.4	169.8	-6.4	-3.8%
- Other revenues from sales and services <sup>(1)</sup>	47.0	57.0	-10.0	-17.5%
- Other revenues and income	44.3	56.	-11.8	-21.0%
<b>Total revenues</b>	<b>1,635.6</b>	<b>1,589,2</b>	<b>46.4</b>	<b>2.9%</b>
<b>Operating expenses:</b>				
- Personnel expenses	211.0	212.2	-1.2	-0.6%
- Services and use of third party assets	149.0	152.2	-3.2	-2.1%
- Materials	20.7	28.2	-7.5	-26.6%
- Other expenses <sup>(2)</sup>	25.2	21.7	3.5	16.1%
<b>Total operating expenses</b>	<b>405.9</b>	<b>414.3</b>	<b>-8.4</b>	<b>-2.0%</b>
<b>GROSS OPERATING PROFIT</b>	<b>1,229.7</b>	<b>1,174.9</b>	<b>54.8</b>	<b>4.7%</b>
<b>Amortization/Depreciation <sup>(3)</sup></b>	<b>394.1</b>	<b>360.5</b>	<b>33.6</b>	<b>9.3%</b>
<b>OPERATING PROFIT</b>	<b>835.6</b>	<b>814.4</b>	<b>21.2</b>	<b>2.6%</b>
- Net financial income (expense) <sup>(4)</sup>	-121.0	-102.5	-18.5	18.0%
<b>PROFIT BEFORE TAXES</b>	<b>714.6</b>	<b>711.9</b>	<b>2.7</b>	<b>0.4%</b>
- Income taxes for the year	387.3	246.8	140.5	56.9%
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>327.3</b>	<b>465.1</b>	<b>-137.8</b>	<b>-29.6%</b>
<b>Profit for the year from Discontinued Operations and assets held for sale</b>	<b>112.7</b>	<b>146.9</b>	<b>-34.2</b>	<b>-23.3%</b>
<b>NET PROFIT FOR THE YEAR</b>	<b>440.0</b>	<b>612.0</b>	<b>-172.0</b>	<b>-28.1%</b>
-Attributable to the Shareholders of the Parent	440.0	612.0	-172.0	-28.1%

In the Consolidated Income Statement:

- (1) The balance is included under item "Revenues from sales and services";
- (2) It corresponds to the item "Other operating expenses" and to the item "Amortization and depreciation" for the value of fixed assets (2.1 million euros) and of Trade receivables (0.1 million euros);
- (3) It corresponds to the item "Amortization and Depreciation" net of the value of fixed assets (2.1 million euros) and of trade receivables (0.1 million euros);
- (4) It corresponds to the balance of items 1, 2 and 3 of letter C-"Financial income and expenses".

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

Million euros	As of 31.12.2011	As of 31.12.2010	Change
Net fixed assets			
- Intangible assets and goodwill	470.9	470.6	0.3
- Property, plants and equipment	8,618.2	7,802.6	815.6
- Financial assets <sup>(1)</sup>	74.0	30.4	43.6
<b>Total</b>	<b>9,163.1</b>	<b>8,303.6</b>	<b>859.5</b>
Net working capital			
- Trade receivables <sup>(2)</sup>	612.4	511.5	100.9
- Inventories	16.3	11.4	4.9
- Other assets <sup>(3)</sup>	14.9	16.2	-1.3
- Trade payables <sup>(4)</sup>	705.0	480.6	224.4
- Net liabilities let-through lots <sup>(5)</sup>	247.0	77.3	169.7
- Net tax liabilities <sup>(6)</sup>	121.5	68.3	53.2
- Other liabilities <sup>(7)</sup>	294.3	294.2	0.1
<b>Total</b>	<b>-724.2</b>	<b>-381.3</b>	<b>-342.9</b>
<b>Gross invested capital</b>	<b>8,438.9</b>	<b>7,922.3</b>	<b>516.6</b>
Sundry provisions <sup>(8)</sup>	564.8	599.0	-34.2
<b>Net invested capital from continuing operations</b>	<b>7,874.1</b>	<b>7,323.3</b>	<b>550.8</b>
<b>Net invested capital from discontinued operations and assets held for sale</b>	<b>0.0</b>	<b>398.8</b>	<b>-398.8</b>
<b>TOTAL NET INVESTED CAPITAL</b>	<b>7,874.1</b>	<b>7,722.1</b>	<b>152.0</b>
Equity attributable to the shareholders of the Parent	2,751.0	2,773.2	-22.2
Equity attributable to minority interests	0.0	0.2	-0.2
Net financial debt from continuing operations	<b>5,123.1</b>	<b>4,722.4</b>	<b>400.7</b>
Net financial debt from discontinued operations and assets held for sale	5,123.1	4,977.0	146.1
<b>TOTAL NET FINANCIAL DEBT</b>	<b>0.0</b>	<b>-28.3</b>	<b>28.3</b>
<b>Total</b>	<b>5,123.1</b>	<b>4,948.7</b>	<b>174.4</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 (0.6 million euros);
- (2) The item "Trade receivables" net of the value of trade receivables for energy pass-through revenues (1,077.8 million euros);
- (3) The item "Other current assets" net of other receivables (11.1 million euros) and the item "Current financial assets" for the value of deferred financial assets (5.5 million euros);
- (4) The item "Trade payables" net of the value of payables for energy pass-through expenses (1,324.8 million euros);
- (5) The items "Trade receivables" for the value of receivables for energy pass-through revenues (1,077.8 million euros) and "Trade payables" for the value of payables for energy pass-through expenses (1,324.8 million euros);
- (6) The items "Tax receivables", "Other current assets" for the value of other tax receivables (11.1 million euros), "Other current liabilities" for the amount of the other tax payables (20.5 million euros) and "Tax liabilities";
- (7) The items "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (20.5 million euros);
- (8) The items "Employee benefits", "Provisions for contingencies 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 equivalent", "Non-current financial assets" for the value of FVH derivatives (521.8 million euros) and "Current financial assets" for the value of certificates of deposit (150.0 million euros).

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

Million euros	Cash flow 2011	Cash flow 2010
<b>Opening cash and cash equivalent</b>	<b>156.3</b>	<b>0.1</b>
<i>Of which cash and cash equivalent from Discontinued operations and assets held for sale</i>	<i>6.2</i>	<i>0.0</i>
- Net profit for the year	440.0	612.0
<i>Of which Net profit for the year from continuing operations</i>	<i>327.3</i>	<i>465.1</i>
- Amortization and depreciation	394.1	360.5
- Net change in provisions	-34.2	-10.9
- Net losses (profits) on asset disposal	-3.6	-3.1
<b>Self-financing</b>	<b>796.3</b>	<b>958.5</b>
- Change in net working capital	342.9	-203.5
<b>Cash Flow from operating activities</b>	<b>1,139.2</b>	<b>755.0</b>
<b>Investments</b>		
- Property, plants and equipment	-1,178.1	-1,104.4
<i>Of which attributable to continuing operations - investments in traditional activities</i>	<i>-1,168.7</i>	<i>-1,103.4</i>
- Intangible assets	-51.1	-58.3
- Other changes in non-current assets	22.5	-21.1
- Change in shareholdings	-43.3	-8.6
<b>Total cash flow generated by (used in) investment activities</b>	<b>-1,250.0</b>	<b>-1,192.4</b>
<b>NET INVESTED CAPITAL Discontinued operations and assets held for sale</b>	<b>398.8</b>	<b>-398.8</b>
- Changes in loans	1,133.0	1,346.7
<i>Of which attributable to continuing operations**</i>	<i>1,365.5</i>	<i>1,114.2</i>
- Other changes in equity attributable to the Group	-40.1	46.3
<i>Of which attributable to continuing operations</i>	<i>-24.1</i>	<i>30.3</i>
- Dividends to the Parent Company's shareholders	-422.1	-400.8
- Net equity of minority interests from Discontinued operations	-0.2	0.2
<b>Total cash flow generated by (used in) financial activities</b>	<b>670.6</b>	<b>992.4</b>
<b>Total cash flow for the year</b>	<b>958.6</b>	<b>156.2</b>
<i>Of which attributable to continuing operations</i>	<i>964.8</i>	<i>150.0</i>
<b>Closing cash and cash equivalent</b>	<b>1,114.9</b>	<b>156.3</b>
<i>Of which cash and cash equivalent from Discontinued operations</i>	<i>0.0</i>	<i>6.2</i>

\* For retracing to the Terna Group's consolidated financial statements, please refer to the paragraph "Terna Group economic and financial position" of the 2011 Report on Management of Terna SpA and the Terna Group.

\*\* The change also includes the net positive financial position towards RTR (254.6 million euros) as of 31.12.2010.

**Terna SpA's Reclassified Income Statement**

<i>Million euros</i> <sup>7</sup>	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>%</b>
<b>Revenues:</b>				
Grid transmission fees <sup>(1)</sup>	1,237.6	1,173.0	64.6	5.5%
Other energy items <sup>(1)</sup>	163.4	169.8	-6.4	-3.8%
Other revenues from sales and services <sup>(1)</sup>	115.0	116.3	-1.3	-1.1%
Other revenues and income	37.9	46.0	-8.1	-17.6%
<b>Total revenues</b>	<b>1,553.9</b>	<b>1,505.1</b>	<b>48.8</b>	<b>3.2%</b>
<b>Operating expenses:</b>				
- Personnel expenses	214.2	214.8	-0.6	-0.3%
- Services and use of third party assets	165.8	166.5	-0.7	-0.4%
- Materials	34.1	36.7	-2.6	-7.1%
- Other expenses <sup>(2)</sup>	18.2	17.8	0.4	2.2%
<b>Total operating expenses</b>	<b>432.3</b>	<b>435.8</b>	<b>-3.5</b>	<b>-0.8%</b>
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>1,121.6</b>	<b>1,069.3</b>	<b>52.3</b>	<b>4.9%</b>
<b>Amortization/Depreciation</b> <sup>(3)</sup>	<b>348.8</b>	<b>318.8</b>	<b>30.0</b>	<b>9.4%</b>
<b>OPERATING PROFIT (EBIT)</b>	<b>772.8</b>	<b>750.5</b>	<b>22.3</b>	<b>3.0%</b>
- Net financial income (expenses) <sup>(4)</sup>	-8.8	-87.7	78.9	-90.0%
<b>PROFIT BEFORE TAXES</b>	<b>764.0</b>	<b>662.8</b>	<b>101.2</b>	<b>15.3%</b>
- Income taxes for the year	344.2	232.1	112.1	48.3%
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>419.8</b>	<b>430.7</b>	<b>-10.9</b>	<b>-2.5%</b>
<b>Profit for the year from Discontinued operations and assets held for sale</b>	<b>33.8</b>	<b>1.4</b>	<b>32.4</b>	
<b>PROFIT FOR THE YEAR</b>	<b>453.6</b>	<b>432.1</b>	<b>21.5</b>	<b>5.0%</b>

In Terna SpA's income statement Terna SpA:

- (1) The balance is included under item "Revenues from sales and services";
- (2) It corresponds to the item "Other operating expenses" and to the item "Amortization and Depreciation" for the value of trade receivables depreciation (0.1 million euros);
- (3) It corresponds to the item "Amortization and depreciation" net of the value of trade receivables depreciation (0.1 million euros);
- (4) It corresponds to the balance of items 1 and 2 under letter C-"Financial income/expenses".

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

<i>Million euros</i>	As of 31.12.2011	As of 31.12.2010	Change
<b>Net fixed assets</b>			
- Intangible assets and goodwill	362.6	362.6	0.0
- Property, plants and equipment	7,514.0	6,687.7	826.3
- Financial assets <sup>(1)</sup>	629.4	590.0	39.4
<b>Total</b>	<b>8,506.0</b>	<b>7,640.3</b>	<b>865.7</b>
<b>Net working capital</b>			
- Trade receivables <sup>(2)</sup>	606.2	511.3	94.9
- Inventories	12.4	11.4	1.0
- Other assets <sup>(3)</sup>	17.4	17.6	-0.2
- Trade payables <sup>(4)</sup>	722.9	491.2	231.7
- Net liabilities let-through lots <sup>(5)</sup>	247.0	77.3	169.7
- Net tax liabilities <sup>(6)</sup>	96.5	67.0	29.5
- Other liabilities <sup>(7)</sup>	284.7	287.9	-3.2
<b>Total</b>	<b>-715.1</b>	<b>-383.1</b>	<b>-332.0</b>
<b>Gross invested capital</b>	<b>7,790.9</b>	<b>7,257.2</b>	<b>533.7</b>
Sundry provisions <sup>(8)</sup>	430.6	511.1	-80.5
<b>Net invested capital from continuing operations</b>	<b>7,360.3</b>	<b>6,746.1</b>	<b>614.2</b>
<b>Net invested capital from discontinued operations</b>	<b>0.0</b>	<b>4.6</b>	<b>-4.6</b>
<b>TOTAL NET INVESTED CAPITAL</b>	<b>7,360.3</b>	<b>6,750.7</b>	<b>609.6</b>
Net equity	2,555.3	2,546.9	8.4
<i>Net financial debt from continuing operations</i>	4,805.0	4,458.4	346.6
<i>Net financial debt from discontinued operations and assets held for sale</i>	0.0	-254.6	254.6
<b>TOTAL NET FINANCIAL DEBT <sup>(9)</sup></b>	<b>4,805.0</b>	<b>4,203.8</b>	<b>601.2</b>
<b>Total</b>	<b>7,360.3</b>	<b>6,750.7</b>	<b>609.6</b>

In Terna SpA's Statement of financial position, these correspond to:

- (1) The items "Other non-current assets" and "Non current financial assets" for the value of shareholdings (622.8 million euros);
- (2) The item "Trade receivables" net of the value of trade receivables for energy pass-through revenues (1,077.8 million euros);
- (3) ) The item "Other current assets" net of other tax receivables (7.9 million euros) and the item "Current financial assets" for the value of deferred financial assets (8.2 million euros);
- (4) The item "Trade payables" net of the value of payables for energy pass-through expenses (1,324.8 million euros);
- (5) The value of payables for energy pass-through expenses (1,324.8 million euros);
- (6) The items "Tax receivables", "Other current assets" for the value of other tax receivables (7.9 million euros), "Other current liabilities" for the amount of other tax payables (20.4 million euros) and "Tax liabilities";
- (7) The items "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (20.4 million euros);
- (8) The items "Employee benefits", "Provisions for contingencies 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 loan to Terna Rete Italia and of FVH derivatives (respectively 500.0 million euros and 521.8 million euros) and "Current financial assets" for the value of certificates of deposit (150.0 million euros).

**Terna SpA's Cash flow\***

Million euros	Cash flow 2011	Cash flow 2010
<b>Opening cash and cash equivalent and intercompany account</b>	<b>168.7</b>	<b>0.1</b>
- Profit for the year	453.6	432.1
<i>Of which attributable to Continuing operations</i>	<i>419.8</i>	<i>430.7</i>
- Amortization and depreciation	348.8	318.8
- Net change in provisions	-80.4	-9.8
- Net losses (profits) on asset disposal	-3.9	-3.1
<b>Self-financing</b>	<b>718.1</b>	<b>738.0</b>
- Change in net working capital	336.5	-179.6
<b>Cash Flow from operating activities</b>	<b>1,054.6</b>	<b>558.4</b>
<b>Investments</b>		
- Property, plants and equipment	-1,122.7	-1,063.4
- Intangible assets	-49.7	-57.0
- Equity investments	-39.0	-8.1
- Other changes in fixed assets **	0.8	-5.1
<b>Total cash flow generated by (used in) investment activities</b>	<b>-1,210.6</b>	<b>-1,133.6</b>
- Changes in loans	1,365.5	1,111.5
- Other changes in equity	-23.1	33.1
- Dividends	-422.1	-400.8
<b>Total cash flow generated by (used in) financial activities</b>	<b>920.3</b>	<b>743.8</b>
<b>Total cash flow for the year</b>	<b>764.3</b>	<b>168.6</b>
<b>Closing cash and cash equivalents and intercompany accounts</b>	<b>933.0</b>	<b>168.7</b>

\* For retracing to Terna SpA's financial statements, please refer to the paragraph "Terna SpA economic and financial position" of the 2011 Annual Report of Terna SpA and the Terna Group

\*\* In 2011 this item also includes the value of intergroup acquisitions for 18.0 million euros.