

TERNA's BOARD OF DIRECTORS: RESULTS APPROVED AS OF SEPTEMBER 30, 2010

- **Revenues at 1,166.2 million euros (1,013.4 million euros in 9M09, +15.1%)**
- **Ebitda at 888.8 million euros (763.8 million euros in 9M09, +16.4%)**
- **Ebit at 628.8 million euros (540.4 million euros in 9M09, +16.4%)**
- **Net income from continuing operations at 372.2 million euros (281.1 million euros in 9M09, +32.4%)**
- **Total investments at 879.3 million euros (570.8 million euros in 9M09, +54%), of which investments for grid development at 766.9 million euros (+34.4%)**

Rome, November 12, 2010 – Terna's CEO Flavio Cattaneo presented the results of the first nine months and of the third quarter of 2010, which were examined and approved by TERNA SpA's ("Terna"), Board of Directors at a meeting held today and chaired by Luigi Roth.

SUMMARY OF THE FIRST NINE MONTHS OF 2010

- Double digit growth of the economic indicators with Revenues at 1,166.2 million euros, rising by over 15% compared to the first nine months of 2009, the Gross Operating Margin at 888.8 million euros with an increase of over 16% and the Net Income at 372 million euros, increasing by over 32% (net of discontinued Brazilian activities)
- Investments for grid development increased by nearly 35%, reaching 766.9 million euros. Over 300 building yards open as of today with over 5,000 workers engaged. Work is in progress for the SAPEI submarine connection with the placement of the second cable, for the 'Casellina-Tavarnuzze-Santa Barbara' power line in Tuscany and for upgrading the Val d'Ossola grid; building yards are starting to operate for the "Sorgente-Rizziconi" connection between Sicily and Calabria¹ and for the Chignolo Po- Maleo power line.

Ceo Flavio Cattaneo commented, *"The excellent results obtained in the third quarter and during the first nine months allow us to be confident that 2010 will close with positive results. We had stated that this year would have been the year of great works: in 2010 we will exceed one billion euros invested to strengthen and modernize the Italian electricity grid in addition to over 400 million from the photovoltaic solar project Rete Rinnovabile. Terna's team confirms that is keeping up with its promises"*.

CONSOLIDATED FINANCIAL RESULTS²

Million euros	First 9 months 2010	First 9 months 2009	Change %
Revenues	1,166.2	1,013.4	+15.1%
Ebitda (Gross operating margin)	888.8	763.8	+16.4%
Ebit (operating income)	628.8	540.4	+16.4%
Net income from continuing operations	372.2	281.1	+32.4%

Revenues for the first nine months of 2010, equal to 1,166.2 million euros, registered an increase of 15.1% (+152.8 million euros) compared to 1,013.4 million euros of the same period in 2009. This increase was principally due to higher grid usage fees (equal to +93.5 million euros) and linked to the incentive mechanism for reducing supply volumes on the Dispatching Services Market (resolution AEEG 213/09) equal to 63 million euros (+43 million euros).

Operating Costs equaled 277.4 million euros as of September 30, 2010 (269.6 million euros for the Parent Company) registering an increase, compared to the same period in the previous year, of 27.8 million euros (+11.1%) mainly due to the partial release of the Energy Discount Fund (of 26.8 million euros) which occurred during the first nine months of 2009.

The **Ebitda** (Gross Operating Margin) stood at 888.8 million euros, increasing by 125 million euros compared to the figures of the first nine months of 2009 (+16.4%). The **ebitda margin** rose from 72.7% in the first nine months of 2009 (without considering the effects of the release of the Energy Discount Fund) to 76.2% for the same period in 2010.

Depreciation for the period increased by 36.6 million euros compared to the first nine months of 2009, attributable to the Parent Company for +27.6 million euros, principally for the entrance into operation of new plants and to the subsidiary TELAT for +8.4 million euros.

The **Ebit** (Operating Income) equaled 628.8 million euros, increasing by 16.4% compared to 540.4 million for the same period in 2009.

Net financial charges for the period equaled 71 million euros, entirely attributable to the Parent Company and revealed a significant decrease compared to 108.8 million euros in the same period in 2009. This decrease, equal to 37.8 million euros, was affected primarily by the reduction of the interest rate curve and by the absence of negative exchange effects registered in 2009 for the Brazilian subsidiaries.

Income taxes for the period equaled 185.6 million euros increasing compared to the first nine months of 2009 (+35.1 million euros) essentially owing to greater operating income. The tax rate for the period stood at 34.5% without considering the adjustments for the previous years and the one-off effect of the proceeds deriving from the acquisition of Rete di Trasmissione Brescia.

The **net income from continuing activities for the period** stood at 372.2 million euros (281.1 million euros as of September 30, 2009, +32.4%)

The Group's Total Net Income stood at 372.3 million euros, increasing compared to 320 million euros in the same period in 2009 (+16.3%), including the results of the Brazilian subsidiaries.

Total **Investments made** by the Group in the first nine months of 2010 equaled 879.3 million euros, increasing by 54% compared to the same period in 2009. Investments in the core business totaled 766.9 million euros (731.8 million of which for property, plants and equipment), rising by +34.4% compared to the same period in 2009. Investments in property, plants and equipment for the "Photovoltaic Solar Project" totaled 112.4 million euros.

The consolidated balance sheet as of September 30, 2010 registered a **Net Shareholders' Equity** equal to 2,654.4 million euros (compared to 2,501.5 million euros as of December 31, 2009)

The **Net Financial Debt** stood at 4,253.8 million euros as of September 30, 2010 compared to 3,758,2 million euros as of December 31, 2009. This debt trend takes into account the investments

made for the photovoltaic solar project and does not include the positive effects from the sale of Rete Rinnovabile that was announced to the market after the closing of the third quarter 2010 and is being finalized.

The **debt/equity ratio** (net financial debt/Group's net equity) as of September 30, 2010 was equal to 1.60.

Headcount of the Group, at the end of September 2010, totaled 3,509 employees increasing by 62 people compared to December 31, 2009.

CONSOLIDATED FINANCIAL RESULTS AS OF THE THIRD QUARTER OF 2010

Million euros	3rd quarter 2010	3rd quarter 2009	Change %
Revenues	405.4	345.5	+17.3%
Ebitda (Gross Operating Margin)	320	256.8	+24.6%
Ebit (Operating Income)	232.5	177.4	+31.1%
Net Income from continuing activities	138.7	97.1	+42.8%

During the third quarter of 2010 the Group's **revenues** amounted to 405.4 million euros increasing by approximately 59.9 million euros (+17.3%) compared to the same period last year essentially for the effect of higher revenues from electricity transmission on the Grid and by the enhancement system linked to the incentive mechanism for reducing supply volumes on the Dispatching Services Market (resolution AEEG 213/09).

Operating costs equaled 85.4 million euros, decreasing by approximately 3.3 million euros.

The **Ebitda** stood at 320 million euros with a change of +63.2 million euros (+24.6%) compared to the same period last year (256.8 million euros).

The **Ebit** stood at 232.5 million euros, increasing by 31.1% compared to the third quarter of 2009, after having allocated amortizations for 87.5 million euros, increasing by 8.1 million euros compared to 79.4 million euros of the same period in 2009.

The **net income from continuing activities in the period** stood at 138.7 million euros (97.1 million during the third quarter of 2009, +42.8%). The **Group's net income** stood at 138.7 million euros, increasing by 23.3% compared to 112.5 million in the third quarter of 2009.

APPROVAL OF THE PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

In compliance with the provisions envisaged by Consob resolution no.17221, the Board of Directors adopted the "Regulations regarding provisions for transactions with related parties" and established the "Committee for transactions with related parties". The Committee will be entirely formed by independent board members.

At 12:30 pm a conference call will be held to present the results of the first nine months and of the third quarter 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 on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it) and on Terna's website (www.terna.it) in the Investor Relations section at the beginning of the conference call. In the same section, it will be possible to follow the presentation through audio webcasting.

TERNA drew up the Interim consolidated financial report as of September 30, 2010 in compliance with the provisions of art. 154-ter of Legislative Decree 58/98 included in the Consob announcement n. DEM/8041082 dated April 30, 2008 and of the IAS 34 Interim Financial Statement³.

It should be highlighted that with respect to the application of the IFRIC 12 – Agreements for concession services - as of January 1, 2010 property, plants and equipment and intangible assets identified within the IFRIC 12's application field regarding dispatching activity, were classified under a specific heading "Infrastructural rights" within the intangible assets. Moreover, costs and revenues relating to investment activity of the Dispatching sector were identified as building costs and revenues. Consequently, the comparative asset balance sheet as of December 31, 2009 and the comparative financial statement of the first nine months of 2009 were similarly reclassified.

The Interim consolidated financial report as of September 30, 2010 will be deposited and made available to the public at the company's registered office and at the Borsa Italiana S.p.A.'s office (www.borsaitaliana.it) and will also be available on Terna's website at (www.terna.it) within the terms envisaged by the law. The informative announcement regarding the deposit will be submitted.

The reclassified consolidated income statement, balance sheet and statement of cash flows of the Terna Group are attached. It should be noted that in compliance with memorandum n. DME/9081707 dated September 16, 2009, these statements are included in Terna's Interim report on operation which is not subject to auditing by the auditing company and which is included in the Terna Group's Interim consolidated financial report as of September 30, 2010. These report also includes the consolidated interim Financial Statement as of September 30, 2010 presently under audit by the auditing company.

The executive 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 statement, books and accounting records.

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European Energy Programme for Recovery

1 Terna SpA is the sole responsible for the information herein reported. The European Union is not responsible for any use that may be made of the information contained therein."

2 In this release, some "alternative performance indicators" (Ebitda and Net financial debt) were used, whose meaning and contents are explained here 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 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.

3. Applied to the consolidated Interim consolidated Financial Report as of September 30, 2010 for the purpose of limited auditing for possible bond issuance.

Terna Group's Reclassified Income Statement

Million euros	January 1 – September 30			
	2010	2009	Δ	%
Revenues:				
- Grid transmission fees (1)	979.2	885.7	93.5	10.6%
- Other energy items (1)	123.6	69.7	53.9	77.3%
- Other revenues from sales and services (1)	27.4	26.6	0.8	3.0%
- Other revenues and income	36.0	31.4	4.6	14.6%
Total revenues	1,166.2	1,013.4	152.8	15.1%
Operating expenses:				
- Personnel expenses	145.3	124.2	21.1	17.0%
- Services and use of third party assets	98.5	96.7	1.8	1.9%
- Materials	16.8	12.4	4.4	35.5%
- Other expenses	16.8	16.3	0.5	3.1%
Total operating expenses	277.4	249.6	27.8	11.1%
GROSS OPERATING PROFIT (EBITDA)	888.8	763.8	125.0	16.4%
Amortization and depreciation	260.0	223.4	36.6	16.4%
OPERATING PROFIT (EBIT)	628.8	540.4	88.4	16.4%
- Net financial income (expenses) (2)	-71.0	-108.8	37.8	-34.7%
PRE-TAX PROFIT	557.8	431.6	126.2	29.2%
- Income taxes for the period	185.6	150.5	35.1	23.3%
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	372.2	281.1	91.1	32.4%
Profit for the period from discontinued assets or assets intended for sale	0.1	59.0	-58.9	-99.8%
NET PROFIT FOR THE PERIOD	372.3	340.1	32.2	9.5%
-Attributable to the shareholders of the Group	372.3	320.0	52.3	16.3%
-Attributable to minority interests	0.0	20.1	-20.1	-100.0%

In the Consolidated statement:

(1) This figure is included under item "Revenues from sales and services";

(2) It corresponds to the balance of the items described under points 1, 2 and 3, letter C-"Financial income/expenses".

Terna Group's Reclassified Statement of Financial Position

<i>Million euros</i>	As of 30.09.2010	As of 31.12.2009	Change
Net fixed assets			
- Intangible assets and goodwill	462.0	457.6	4.4
- Property, plants and equipment	7,650.2	6,989.9	660.3
- Financial assets (1)	24.8	21.0	3.8
Total	8,137.0	7,468.5	668.5
Net working capital			
- Trade receivables (2)	497.5	371.8	125.7
- Inventories	11.1	11.7	-0.6
- Other assets (3)	17.9	10.7	7.2
- Trade payables (4)	465.7	381.3	84.4
- Net liabilities from let-through energy lots (5)	270.1	303.4	-33.3
- Net tax liabilities (6)	117.6	14.8	102.8
- Other liabilities (7)	286.4	265.3	21.1
Total	-613.3	-570.6	-42.7
Gross invested capital	7,523.7	6,897.9	625.8
Sundry provisions (8)	615.5	638.3	-22.8
Net invested capital from continuing operations	6,908.2	6,259.6	648.6
Net invested capital from discontinued operations	0.0	0.1	-0.1
TOTAL NET INVESTED CAPITAL	6,908.2	6,259.7	648.5
Net Group's equity	2,654.4	2,501.5	152.9
Net financial debt (9)	4,253.8	3,758.2	495.6
Total	6,908.2	6,259.7	648.5

In the consolidated statements these correspond to:

- (1) The items "Net equity-accounted investees", "Other non-current assets" and "Non-current financial assets" for the value of shareholding in the Desertec Project (0.1 million euros);
- (2) The item "Trade receivables" net of the value of receivables for revenues from let-through energy lots (958.2 million euros);
- (3) The items "Other current assets" net of other tax receivables (26.0 million euros) and "Current financial assets" for the value of deferred operations (0.9 million euros);
- (4) The item "Trade payables" net of the value of payables from let-through energy costs (1,228.3 million euros);
- (5) The items "Trade receivables" for the value of receivables from let-through energy lots (958.2 million euros) and "Trade payables" for the value of payables from let-through energy costs (1,228.3 million euros);
- (6) The items "Receivables from income taxes", "Other current assets" for the value of other tax receivables (26.0 million euros), "Other current payables" for the amount of other tax payables (33.7 million euros) and "Debt for income taxes";
- (7) The items "Other non current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (107.0 million euros);
- (8) The items "Benefits for employees", "Provisions for future contingencies 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" for the value of FVH derivatives (361.7 million euros) and "Current financial assets" for the value of short-term shares (350.0 million euros).

Terna Group's Cash Flow*

<i>Million euros</i>	Cash flow 30.09.2010	Cash flow 30.09.2009
Opening cash and cash equivalents	0.1	779.7
<i>Of which cash and cash equivalents attributable to discontinued assets</i>	<i>0.0</i>	<i>90.5</i>
- Profit for the period	372.3	340.1
- Amortization and depreciation	260.0	233.1
- Net change in provisions	-22.8	-16.7
- Net losses (profits) on asset disposal	-0.7	-1.7
Self-financing	608.8	554.8
- Change in net working capital	42.7	357.1
Cash Flows from operating activities	651.5	911.9
Investments		
- Property, plant and equipment	-844.2	-553.8
- Intangible assets	-35.1	-30.4
<i>Of which contribution from newly acquired companies</i>	<i>0.0</i>	<i>-5.6</i>
- Other changes in intangible assets	-45.8	-1.376.2
<i>Of which contribution from newly acquired companies</i>	<i>-52.1</i>	<i>-1.175.4</i>
- Change in equity investments	-2.7	-23.1
Total cash flow generated by (used in) investing activities	-927.8	-1.983.5
- Change in loans	686.4	1.162.2
- Other changes attributable to the shareholders of the Group	21.1	-93.8
- Dividends to the shareholders to the Parent company	-240.4	-197.7
- Dividends to minority shareholders of foreign subsidiaries	0.0	-1.0
- Other changes in equity attributable to minority interests	0.0	0.1
Total cash flows generated by (used in) financial activities	467.1	869.8
Total cash flows for the period	190.8	-201.8
Closing cash and cash equivalents	190.9	577.9
<i>Of which cash and cash equivalents attributable to discontinued operating assets</i>	<i>0.0</i>	<i>153.0</i>

*For reconciliation with the consolidated accounting statements, please refer to the paragraph "Terna Group performance and financial position" of the Terna Group's interim report on operation on the Interim consolidated financial report as of September 30, 2010.