

## TERNA: BOARD APPROVES THE RESULTS AS OF SEPTEMBER 30, 2008

- **Revenues at 1,040 million euro (985.7 million in 9M07, +5.5%)**
- **Ebitda at 759.3 million euro (730.1 million in 9M07, +4.0%)**
  - **Ebit at 558.1 million euro (551.2 million in 9M07, +1.3%)**
- **Net income at 298.8 million euro (291.8 million in 9M07, +2.4%)**
- **Investments at 484.5 million euro (345.6 million in 9M07, +40.2%)**

Rome, October 28, 2008 – Terna's CEO Flavio Cattaneo presented the results of the first nine months and of the third quarter of 2008, which were examined and approved by TERNA SpA'S Board of Directors at a meeting held today and chaired by Luigi Roth.

### CONSOLIDATED FINANCIAL RESULTS<sup>1</sup>

Million euro	First 9 months 2008	First 9 months 2007	Variation
<b>Revenues</b>	1,040.0	985.7	+5.5%
<b>Ebitda (Gross operating margin)</b>	759.3	730.1	+4.0%
<b>Ebit (Operating income)</b>	558.1	551.2	+1.3%
<b>Net income</b>	298.8	291.8	+2.4%

CEO Flavio Cattaneo, commented: *"These are positive results that reflect our expectations despite the market turmoil. The year is expected to end according to the growth forecast. For all other areas, Terna confirms its targets."*

### FOREWORD

The interim report of the Group as of September 30, 2008 was drafted in compliance with the terms of art.154-ter of Legislative Decree 58/98 which was introduced by Legislative Decree n.195 dated November 6, 2007, (so called "Transparency Decree").

### CONSOLIDATED FINANCIAL RESULTS

**Revenues** for the first nine months of 2008 were equal to 1,040 million euro (830.1 million euro for the Parent Company, 153.5 million euro for the Brazilian subsidiaries and 56.4 million euro for the RTL subsidiary) and registered an increase of 54.3 million euro (+5.5%) compared to 985.7 million in the first nine months of 2007, mainly attributable to the higher grid usage fees both in Italy and Brazil. Higher revenues from transporting electricity on the Italian national transmission grid, equal to 23.4 million euro, are attributable to a greater quantity of electricity being transported, to the positive impact of the consolidation of RTT and to higher positive net adjustments, despite the reduction in unit costs. Revenues from

<sup>1</sup> This press release uses several "alternative performance indicators" (Ebitda and Net Financial Debt). These indicators are defined below and are in line with the CESR Recommendation 05-178b published on November 3, 2005:

- Ebitda (gross operating margin): is an indicator of operating performance; it is calculated by adding the operating income (EBIT) to amortization and depreciation;
- Net financial debt: is an indicator of the company's financial structure; it is calculated as the result of short-term and long-term financial debt and related derivative instruments, net of cash and cash equivalents and financial assets.

grid usage fees for the Brazilian companies increased by 28.3 million euro, owing to the annual adjustment of the concession fee (inclusive also of offsetting for higher PIS/Cofins taxes), to the extension of their structures and to the average appreciation of the local currency.

**Operating costs** equaled 280.7 million euro (238 million euro for the Parent Company, 40.1 million euro for the Brazilian subsidiaries and 2.6 million euro for the RTL subsidiary), registering an increase of 25.1 million euro (+9.8%) compared to the same period in 2007. This growth is mainly attributable to higher labor costs, to the extension of the structures of the Brazilian subsidiaries and to higher capital losses deriving from the divestment of parts of the system. Moreover, during the first nine months of 2008, the Brazilian subsidiaries were affected by higher PIS/Cofins taxes compared to the same period in 2007, for nearly 5 million euro.

**Ebitda** (Gross Operating Margin) reached 759.3 million euro, equal to 73% of consolidated revenues, increasing by 29.2 million euro compared to the same period last year (+4%).

**Ebit** (Operating Income) reached 558.1 million euro, increasing by approximately 7 million euro (+1.3%) compared to the first nine months of 2007 and was affected by a significant increase (22.3 million euro) in amortizations and depreciations, mainly attributable to the Parent Company (18.9 million euro) for the new plants that entered into operation during the period.

**Net financial charges** for the period reached 102.8 million euro, increasing by 29.2 million euro compared to the first nine months of 2007, mainly owing to the effect of a higher financial debt and increased interest rates.

**Income before taxes** stood at 455.3 million euro, decreasing by 22.3 million euro (-4.7%) compared to the same period last year.

**Income taxes** for the period were equal to 156.5 million euro, decreasing by 29.3 million euro compared to the first nine months of 2007, essentially attributable to the Parent Company as an effect of the new IRES and IRAP rates introduced by the 2008 Finance Act, and to ETEO that benefited from tax deductions for goodwill amortization based on a specific Brazilian law.

**Net Income** stood at 298.8 million euro (291.8 million in the first nine months of 2007, +2.4%). The **Group's net income**, after minority shareholders, stood at 282.9 million euro, increasing by 1.9% compared to the same period in 2007 (277.5 million euro).

The consolidated balance sheet as of September 30, 2008 registered a **net Shareholder Equity** equal to 2,223.7 million euro, 2,120 million euro of which as **Net Group Shareholders' Equity** (compared to 2,273.5 million euro as of December 31, 2007, 2,162 million euro of which by the Group), while the **Net Financial Debt** was equal to 3,100.3 million euro (compared to 2,649.7 million euro as of December 31, 2007). The **debt/equity ratio** as of September 30, 2008 was equal to 1.39, increasing compared to 1.17 as of December 31, 2007.

**Investments** in the first nine months of 2008 reached 484.5 million euro, increasing by 138.9 million euro (+40.2%) compared to the same period last year.

**Headcount** for the Group, as of the end of September 2008, was equal to 3,723, increasing by 121 employees compared to the end of 2007, mainly due to the co-sourcing of the operation and maintenance activities of the Brazilian subsidiaries aiming at greater efficiency.

## CONSOLIDATED FINANCIAL RESULTS IN THE THIRD QUARTER OF 2008

Million euro	3rd quarter 2008	3rd quarter 2007	% Variation
<b>Revenues</b>	<b>372.1</b>	<b>343.3</b>	<b>+8.4%</b>
<b>Ebitda (Gross operating margin)</b>	<b>280.1</b>	<b>258.7</b>	<b>+8.3%</b>
<b>Ebit (Operating income)</b>	<b>210.7</b>	<b>198.5</b>	<b>+6.1%</b>
<b>Net income</b>	<b>82.7</b>	<b>88.4</b>	<b>-6.4%</b>

In the third quarter of 2008, **Group revenues** amounted to 372.1 million euro, with a variation of 28.8 million euro (+8.4%) compared to the same period in 2007. This is attributable to the combined effect of higher revenues from transporting electricity on the Grid in Italy (+14.4 million euro) and in Brazil (+16.1 million euro), and of a 1.6 million euro decrease in the "Other Sales and Services" figure.

**Operating costs** amounted to 92 million euro, 52.2 million of which related to personnel.

**Ebitda** stood at 280.1 million euro, with a variation of 21.4 million euro (+8.3%) compared to the same period last year (258.7 million euro).

**Ebit** was equal to 210.7 million euro, increasing by 6.1% compared to the third quarter of 2007. During the period, amortizations were allocated for 69.4 million euro, increasing compared to 60.2 million of the same period in 2007.

**Net income** stood at 82.7 million euro (88.4 million during the third quarter of 2007, -6.4%). **The Group's Net income**, after minority shareholders equal to 3.7 million euro, amounted to 79 million euro, with a 5.4% decrease compared to 83.5 million euro in the third quarter of 2007. The slight drop is based on the combined effect of higher financial charges and on the above mentioned tax reduction.

## BUSINESS OUTLOOK

On the basis of the results obtained during the period being examined and of the current outlook for the next quarter, the Group should reach positive results for the entire year.

With regard to the economic management of the next few months, 2008 is expected to end with higher revenues compared to the past year, mainly owing to the positive impact of the Brazilian subsidiary based on the annual review of revenues and on the consolidation of the ETEO subsidiary.

The last quarter of the year will register increased costs mainly linked to operation and maintenance activities for the systems, mostly concentrated in the final part of the year, and

to personnel expenses which will be affected by a rise in unit costs and in the average number of employees.

Amortizations are also expected to increase, based on new plants and systems that will enter into operation.

With regard to financial management, the latter part of the year will present a significant increase in net financial charges mainly due to the gradual increase of the Group's financial debt.

*At 3:30 pm a conference call will be held to present the results of the first nine months and of the third quarter of 2008 to financial analysts and institutional investors. Journalists may also connect to the conference call in the audio mode. Support material for the conference call will be available in the website [www.terna.it](http://www.terna.it), in the Investor Relations section, at the opening of the conference call. In the same section it will also be possible to follow the presentation through audio webcasting.*

*The reclassified Consolidated Income Statement, Balance Sheet and Statement of Cash flow of the TERNA Group are attached.*

*The Interim Report as of September 30, 2008, not subject to accounting audit, which complies with the conditions pursuant to art. 36 and 37 of the Consob Market Regulations n. 16191/2007, will be available in Terna's website [www.terna.it](http://www.terna.it) within the terms established by the law.*

*In compliance with the existing Brazilian law, the results will be available and published on today's date in the websites of the Securities and Exchange Commission of Brazil (at the address [www.cvm.gov.br](http://www.cvm.gov.br)) and of Terna's Brazilian subsidiary, Terna Participações ([www.terna.com.br](http://www.terna.com.br)), regarding the third quarter of 2008 of Terna Participações itself and of its subsidiaries; these will be drafted according to the Brazilian accounting principles BR GAAP (and presented in the local currency).*

*The manager in charge of drawing up the company's accounting documents, 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.*

## Terna Group's Reclassified Income Statement

million euro	January 1 – September 30			
	2008	2007*	Variations	%
<b>Revenues:</b>				
- Network usage fees (1)	942.1	890.4	51.7	5.8%
- Other energy revenues (1)	32.6	32.1	0.5	1.6%
- Other sales and services (1)	28.8	27.7	1.1	4.0%
- Other income and revenues	36.5	35.5	1.0	2.8%
<b>Total revenues</b>	<b>1,040.0</b>	<b>985.7</b>	<b>54.3</b>	<b>5.5%</b>
<b>Operating costs:</b>				
- Labor cost (2)	153.3	143.6	9.7	6.8%
- Services and use of third party assets	90.9	89.8	1.1	1.2%
- Materials (2)	8.4	6.4	2.0	31.3%
- Other costs	28.1	15.8	12.3	77.8%
<b>Total operating costs</b>	<b>280.7</b>	<b>255.6</b>	<b>25.1</b>	<b>9.8%</b>
<b>GROSS OPERATING MARGIN</b>	<b>759.3</b>	<b>730.1</b>	<b>29.2</b>	<b>4.0%</b>
<b>Amortization and depreciation</b>	<b>201.2</b>	<b>178.9</b>	<b>22.3</b>	<b>12.5%</b>
<b>OPERATING COSTS</b>	<b>558.1</b>	<b>551.2</b>	<b>6.9</b>	<b>1.3%</b>
- Net financial income (Charges) (3)	-102.8	-73.6	-29.2	39.7%
<b>PRE-TAX PROFIT</b>	<b>455.3</b>	<b>477.6</b>	<b>-22.3</b>	<b>-4.7%</b>
- Income tax	156.5	185.8	-29.3	-15.8%
<b>NET INCOME</b>	<b>298.8</b>	<b>291.8</b>	<b>7.0</b>	<b>2.4%</b>
-Net income pertaining to the Group	282.9	277.5	5.4	1.9%
-Net income pertaining to Minorities	15,9	14,3	1,6	11,2%

\*With regard to data reconciliation as of September 30, 2007, please refer to the Consolidated Interim Report as of September 30, 2007 of the Terna Group.

In the consolidated statements:

- (1) The balance is included in the item "Revenues from sales and services".
- (2) Inclusive of capitalized costs equal to approximately 38.1 million euro under "Personnel costs" and approximately 11.5 euro under "Materials".
- (3) Corresponds to the balance of items detailed in points 1, 2, 3 of "Financial income and charges".



## Terna Group's Reclassified Balance Sheet

<i>million euro</i>	As of 30.09.2008	As of 31.12.2007*	Variation
<b>Net fixed assets</b>			
- Intangible assets and goodwill	553.5	384.7	168.8
- Properties, plants and machinery	5,909.5	5,613.0	296.5
- Financial assets (1)	46.2	36.9	9.3
<b>Total</b>	<b>6,509.2</b>	<b>6,034.6</b>	<b>474.6</b>
<b>Net Working Capital</b>			
- Trade receivables	1,603.3	1,541.1	62.2
- Inventories	19.2	12,6	6.6
- Other assets (2)	32.1	19,1	13.0
- Trade payables	1,651.1	1,772.0	-120.9
- Net taxes payable (3)	103.3	4.1	99.2
- Other liabilities (4)	665.1	448.7	216.4
<b>Total</b>	<b>-764.9</b>	<b>-652.0</b>	<b>-112.9</b>
<b>Gross capital invested</b>	<b>5.744,3</b>	<b>5.382,6</b>	<b>361,7</b>
Sundry provisions (5)	420,3	459,4	-39,1
<b>Net capital invested</b>	<b>5.324,0</b>	<b>4.923,2</b>	<b>400,8</b>
Group Shareholders' Equity	2.120,0	2.162,0	-42,0
Minority interest	103,7	111,5	-7,8
Net financial debt (6)	3.100,3	2.649,7	450,6
<b>Total</b>	<b>5.324,0</b>	<b>4.923,2</b>	<b>400,8</b>

\* For data reconciliation as of December 31, 2007 please refer to the Report on the Terna Group of the Terna Group's 2007 Financial Statement.

In the consolidated statements, these correspond to:

- (1) The items "Equity investments valued at net equity" and "Other non current assets".
- (2) The items "Other current assets" net of tax receivables (103.0 million euro) and to the item "Current financial assets" for the value of accrued income on financial income" (2.4 million euro);
- (3) The items "Other current assets" for the value of tax receivables (103.0 million euro), "Other current liabilities" for the amount of other tax payables (49.8 million euro) and "Income tax payables";
- (4) The items "Current financial assets" for the value of accrued income on derivative contracts (27.9 million euro), "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (184.6 million euro);
- (5) The items "Benefits for employees", "Provisions for future risks and charges", "Tax liabilities for deferred taxes" and "Prepaid tax assets";
- (6) The items "Long term borrowings", "Current quotas on long term borrowings", "Short term borrowings", "Cash and cash equivalents", "Non current financial assets", "Current financial assets" for the amount of the short term borrowing for Etau (1.6 million euro) and "Non current financial liabilities".

## Terna Group's Cash Flow\*

<i>million euro</i>	Cash flow 30.09.2008	Cash flow 30.09.2007	Variation
<b>Cash and cash equivalents – Opening balance</b>	<b>244.0</b>	<b>200.4</b>	<b>43.6</b>
- Net income for the period	298.8	291.8	7.0
- Amortization and depreciation	201.2	178.9	22.3
- Net changes in provisions	-39.1	-41.3	2.2
- Net losses (gains) on disposal of tangible fixed assets	1.1	-0.7	1.8
<b>Self-financing</b>	<b>462.0</b>	<b>428.7</b>	<b>33.3</b>
- Variations in net working capital	112.9	98.0	14.9
<b>Operating Cash Flow</b>	<b>574.9</b>	<b>526.7</b>	<b>48.2</b>
<b>Investments</b>			
- Tangible assets	-466.7	-330.3	-136.4
- Intangible assets	-17.8	-15.3	-2.5
- Other variations in fixed assets	-203.7	-64.5	-139.2
- Variation in shareholding	-9.4	-0.6	-8.8
<b>Total cash flow from (to) investment activity</b>	<b>-697.6</b>	<b>-410.7</b>	<b>-286.9</b>
- Variation in loans	431.2	134.6	296.6
- Other transactions in Group Shareholders' Equity	-0.6	4.3	-4.9
- Dividends	-327.5	-311.3	-16.2
- Other transactions in minority assets	0.2	0.1	0.1
<b>Total cash flow from (to) financial activity</b>	<b>103.3</b>	<b>-172.3</b>	<b>275.6</b>
<b>Total cash flow for the period</b>	<b>-19.4</b>	<b>-56.3</b>	<b>36.9</b>
<b>Cash and cash equivalents - Closing balance</b>	<b>224.6</b>	<b>144.1</b>	<b>80.5</b>

\* For the reconciliation with the consolidated accounting statements, please refer to the paragraph "Reconciliation of alternative performance indicators pursuant to the CESR 05-178b recommendation" of the Interim Report of the Terna Group as of September 30, 2008.