

TERNA: BOARD APPROVES RESULTS AS OF SEPTEMBER 30, 2011

- **Revenues at 1,214.6 million euros**
- **Ebitda at 939.3 million euros**
- **Ebit at 650.3 million euros**
- **Adjusted Group Net Income¹ at 396 million euros**
- **Net income from continuing operations at 220.2 million euros, due to the negative effects of the Robin Hood Tax**
- **Capex for Traditional Activities standing at 844 million euros**
- **2011 Dividends: interim dividend at 8 euro cents (in line with last year)**

Rome, November 9, 2011 – The CEO, Flavio Cattaneo presented the results of the first nine months and of the third quarter of 2011, which were examined and approved by TERNA SpA's ("Terna"), Board of Directors at the meeting held today and chaired by Luigi Roth.

SUMMARY OF THE FIRST NINE MONTHS OF 2011

- All main economic indicators of the company management rising, with Revenues at 1,214.6 million euros (+3.8%), Ebitda at 939.3 million euros (+5,6%) and Ebit at 650.3 million euros (+3.2%).
- 63 million euros accounted for incentives linked to the reduction of volumes provided in the Market for Dispatching Services (in line compared to the first nine months of 2010).
- Operating efficiency standing at 77.3% (rising compared to 76% of the first nine months of 2010) thanks to increased revenues and a careful cost control.
- Earnings Before Taxes slightly increased compared to the first nine months of 2010 (+0.7% at 562.7 million euros).
- The Adjusted Group Net Income¹ at 396 million euros, registering a growth of 6.3% thanks to the contribution from discontinued operations (95 million euros).
- Capex for traditional activities up by over 10%, reaching 844 million euros, over 75% of which for grid development.
- Completion of the SAPEI submarine connection, with the laying of the second cable; work is in progress for the power lines Chignolo Po-Maleo in Lombardy, Casellina-Tavarnuzze-Santa Barbara in Tuscany, Sorgente-Rizziconi between Sicily and Calabria² and for upgrading the grid in Val d'Ossola; building yards were opened for the Trino- Lacchiarella connection; as of today over 400 building yards were opened throughout Italy that presently employ over 200 companies and 10,000 people.

"The nine months results – commented Flavio Cattaneo, Terna's CEO – highlight the operating efficiency reached by the Group that, together with the contribution from Non Traditional Activities, will enable us to propose the 2011 dividend in line with the previous year, notwithstanding the burdensome effects of the Robin Hood Tax on our accounts".

CONSOLIDATED FINANCIAL RESULTS³

Million euros	First 9 months 2011	First 9 months 2010	Change %
Revenues	1,214.6	1,170	3.8%
Ebitda (Gross Operating Margin)	939.3	889.7	5.6%
Ebit (Operating Income)	650.3	629.9	3.2%
Earnings Before Taxes	562.7	558.9	0.7%
Adjusted Group Net Income	395.7	372.3	6.3%

Revenues for the first nine months of 2011, equal to 1,214.6 million euros, registered an increase of 3.8% (+44.6 million euros) compared to 1,170 million euros of the same period in 2010. This increase was mainly due to higher grid usage fees (equal to +60.7 million euros), partially offset by lower revenues for third party engineering services (-8 million euros) and by an increase in one-off proceeds for the same period in 2010 (-11.2 million euros).

Operating costs equal to 275.3 million euros as of September 30, 2011 (268 million euros for the Parent Company), registered a reduction of 5 million euros (-1.8%), mainly attributable to lower costs referred to engineering services (-3 million euro) and other costs registered in the first nine months of 2010.

Ebitda (Gross Operating Margin) stood at 939.3 million euros, with an increase of 49.6 million euros compared to the first nine months in 2010 (+5.6%). The **Ebitda margin** rose from 76% of the first nine months of 2010 to 77.3% of the same period in 2011.

Total Depreciation for the period increased by 29.2 million euros compared to the first nine months of 2010, attributable to the Parent Company for 25.5 million euros, mainly due to the entrance into operation of new plants, and to the subsidiary TELAT for 3.7 million euros.

Ebit (Operating Income) was equal to 650.3 million euros, a 3.2% rise compared to 629.9 million euros of the same period in 2010.

Net Financial Charges for the period equaled 87.6 million euros (+16.6 million euros compared to the same period in 2010). This increase was mainly attributable to the increase in the financial charges regarding medium/short term financial debt and relative coverage, net of the effects of higher invested cash.

Income taxes for the period equaled 342.5 million euros, a 156.9 million euro rise compared to the first nine months of 2010 (+84.5%). Compared to earnings before taxes which were slightly rising compared to the first nine months of 2010 (+0.7%), the increase was mainly attributable to the effects of the Robin Hood Tax equal to 142.6 million euros. Without considering the adjustments of the deferred net tax funds related to Robin Hood Tax and IRAP increase, the tax rate for the period (equal to 60.9%) therefore stood at 46.5%.

The net income from continuing operations for the period, consequent to this tax system, stood at 220.2 million euros (373.3 million euros as of September 30, 2010, -41.0%). The Group Net Income, thanks to the results from discontinued operations (equal to 94.9 million euros), stood at 315.1 million euros, reducing the drop in this result to -57.2 million euros (equal to -15.4%) compared to the same period last year. **The Adjusted Group Net Income**, net of the adjustment of

the fund for deferred net taxes related to the Italian government budget law, stood at 395.7 million euros, at 6.3% increase compared to 372.3 million euros of the first nine months in 2010.

The consolidated balance sheet as of September 30, 2011 registered a **Net Shareholder's Equity** equal to 2,769.1 million euros (compared to 2,760.6 million euros as of December 31, 2010).

The actual **Net Financial Debt⁴ from continuing operations** was equal to 4,887.6 million euros and registered a growth of 165.2 million euros compared to December 31, 2010, mainly attributable to Capex.

The **debt/equity ratio** (actual net financial debt from continuing operations/net equity) as of September 30, 2011, was equal to 1.77.

Total **Capex** in traditional activities made by the Group in the first nine months of 2011 equaled 844 million euros, a 10.1% rise compared to 766.9 million euros of the same period in 2010. Investments for grid development stood at 637 million euros, rising by 7.7%.

Headcount of the Group, at the end of September 2011, totaled 3,517 employees, an increase of 49 people compared to December 31, 2010.

CONSOLIDATED FINANCIAL RESULTS OF THE THIRD QUARTER OF 2011

Million euros	3rd quarter 2011	3rd quarter 2010	Change
Revenues	420.5	407.4	+3.2%
Ebitda (Gross Operating Margin)	332.8	320.2	+3.9%
Ebit (Operating Income)	236.5	232.8	+1.6%
Earnings Before Taxes	207	209	-1.0%

During the third quarter of 2011, the Group **revenues** amounted to 420.5 million euros, increasing by approximately 13.1 million euros (+3.2%) compared to the same period in 2010, mainly due to the effect of higher revenues from energy transmission on the Grid and other energy lots, net of revenues from above-mentioned performances and proceeds.

Operating costs equaled 87.7 million euros, most likely in line with the same period last year.

Ebitda stood at 332.8 million euros with a 12.6 million euro variation (+3.9%) compared to the same period last year (320.2 million euros).

Ebit was equal to 236.5 million euros, a 1.6% increase compared to the third quarter of 2010, after having allocated 96.3 million euro for amortizations and depreciations, an 8.9 million euro increase compared to 87.4 million euros of the same period in 2010.

2011 Interim dividend at 8 euro cents per share

Based on the results obtained in the first six months of 2011, and also in view of the expected business outlook for the year, TERNA S.p.A.'s Board of Directors, having obtained today the opinion from the external auditors, PricewaterhouseCoopers (PwC) as envisaged by article 2433bis of the Civil Code, also resolved the distribution of the 2011 interim dividend in the amount of 8 euro cents per share, in line with Company dividend policy. The interim dividend, gross of any

legal withholding taxes, will be paid as of November 24, 2011 - following the registration date of coupon no. 15 - on November 21, 2011.

Furthermore, today, Terna S.p.A.'s Board of Directors, unanimously approved the beginning of the project for the Terna Group's new organizational structure aiming at, within the necessary technical timeframe, the operational implementation of the provisions included in the Company's industrial Plan and at maximizing efficiency in managing the Group's activities, thus implementing the company strategy as already announced to the market and to the press on February 14, 2011.

The project⁵ also includes renting to Telat S.r.l., Terna's fully owned subsidiary, a company branch mainly formed by assets and employees presently used by Terna for maintenance activity on the National Transmission Grid (NTG), as well as for other support activities; furthermore, intergroup contracts are expected to be entered into based on which each company shall provide technical and/or administrative services in favor of the other. Terna will continue to be the owner of RTN's assets belonging to the Company and to be responsible for the activities it manages based on its concession. The project also includes establishing a specific company for managing nontraditional activities also abroad (Balkans/Mediterranean) to meet market and efficiency needs. In order to implement the above mentioned resolutions, Terna's Board of Directors entrusted its CEO with the assignment of implementing, within the necessary technical timeframe, all activities and procedures aimed at fully enforcing the project, including the consultation procedure with trade unions as established by the law.

At 2:30 pm a conference call will be held to present the results of the first nine months and of the third quarter of 2011 to financial analysts and institutional investors. Journalists are also invited to listen to the call. The support material for the conference call will be available on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it) and on the Company's website (www.terna.it) in the Investor Relations section at the beginning of the conference call. In the same section, it will be possible to follow the presentation through audio webcasting.

TERN A drew up the Consolidated Interim Management Report as of September 30, 2011 in compliance with the provisions of art. 154-ter of Legislative Decree 58/98, included in Consob announcement no. DEM/8041082 of April 30, 2008.

The Consolidated Interim Management Report as of September 30, 2011 will be deposited and made available to the public at the company's registered office and at the market management company, Borsa Italiana S.p.A.'s office (www.borsaitaliana.it) as well as on the Company's website at (www.terna.it) within the terms established by the law. The informative announcement regarding the deposit will also be submitted.

The reclassified consolidated income statement, balance sheet and statement of cash flows of the TERN A Group have also been attached. It should be noted that in compliance with memorandum no. DME/9081707 of September 16, 2009, these statements have been included in the Consolidated Interim Management Report as of September 30, 2011 which is not subject to auditing by the auditors.

The manager in charge of drawing up the company's accounting documents, Mr. Luciano di Bacco, declares pursuant to paragraph 2 of art. 154-bis of the Consolidated Finance Act that the accounting information included in this press release corresponds to the financial statement, books and accounting records

¹ without the adjustment related to the Italian government budget law (Robin Hood Tax and IRAP) for the deferred net tax fund at 30 September 2011



² 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"

³ 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 Income (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.

⁴ includes as of September 30, 2011 the Group's total funding in favor of Nuova Rete Solare S.r.l. (233 million euros as capital accounts and the net negative financial position of 43.3 million euros) and as of December 31, 2010 the net positive financial position towards Rete Rinnovabile S.r.l. (254.6 million euros).

⁵ Even though the above-mentioned restructuring project represents a related-party transaction, the procedure regarding related-party transactions approved by Terna's Board of Directors on November 12, 2010 (the "Procedure") cannot be applied, being a transaction between Terna and one of its subsidiaries, in which no significant interests are represented of other related parties.

Terna Group's reclassified consolidated income statement

<i>In millions of euro</i>	First nine months			
	2011	2010	Δ	%
Revenue:				
- Grid transmission fees (1)	1,039.9	979.2	60.7	6.2%
- Other energy items (1)	125.5	123.6	1.9	1.5%
- Other revenue from sales and services (1)	24.6	31.4	-6.8	-21.7%
- Other revenue and income	24.6	35.8	-11.2	-31.3%
Total revenue	1,214.6	1,170.0	44.6	3.8%
Operating expenses:				
- Personnel expense	146.7	145.3	1.4	1.0%
- Services and use of third-party assets	99.9	101.6	-1.7	-1.7%
- Materials	15.5	16.8	-1.3	-7.7%
- Other costs (2)	13.2	16.6	-3.4	-20.5%
Total operating expenses	275.3	280.3	-5.0	-1.8%
EBITDA (Gross Operating Profit)	939.3	889.7	49.6	5.6%
Amortisation and depreciation (3)	289.0	259.8	29.2	11.2%
EBIT (Operating Profit)	650.3	629.9	20.4	3.2%
- Net financial income (expense) (4)	-87.6	-71.0	-16.6	23.4%
PROFIT BEFORE TAXES	562.7	558.9	3.8	0.7%
- Income taxes for the period	342.5	185.6	156.9	84.5%
NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	220.2	373.3	-153.1	-41.0%
Net profit for the period from discontinued operations held for sale	94.9	-1.0	95.9	
NET PROFIT FOR THE PERIOD	315.1	372.3	-57.2	-15.4%
- <i>Attributable to owners of the Parent</i>	<i>315.1</i>	<i>372.3</i>	<i>-57.2</i>	<i>-15.4%</i>

In the consolidated income statement (Annex II to consolidated interim financial report of the Terna Group at 30 September 2011):

- (1) this amount is included in the "Revenue from sales and services" caption;
- (2) it corresponds to the item "Other operating expenses" and "Amortisation, depreciation and impairment losses" for the value of the asset impairment (€0.3 million);
- (3) it corresponds to "Amortisation, depreciation and impairment losses" net of the impairment of the assets (€0.3 million);
- (4) total of the captions presented in points 1, 2 and 3 of letter C-"Financial income/expense".
- (5)

Terna Group's reclassified consolidated statement of financial position

In millions of euro	At 30 September, 2011	At 31 December, 2010	Δ
Net non-current assets			
- Intangible assets and goodwill	467.5	470.6	-3.1
- Property, plant and equipment	8,356.7	7,802.6	554.1
- Financial assets (1)	71.1	30.4	40.7
Total	8,895.3	8,303.6	591.7
Net working capital			
- Trade receivables (2)	588.2	511.5	76.7
- Inventories	16.8	11.4	5.4
- Other assets (3)	22.4	16.2	6.2
- Trade payables (4)	503.7	480.6	23.1
- Payables for pass-through energy items, net (5)	273.1	77.3	195.8
- Net tax liabilities (6)	169.7	55.7	114.0
- Other liabilities (7)	290.2	294.2	-4.0
Total	-609.3	-368.7	-240.6
Gross invested capital	8,286.0	7,934.9	351.1
Sundry provisions (8)	618.2	624.2	-6.0
Net invested capital in continuing operations	7,667.8	7,310.7	357.1
Net invested capital for discontinued operations held for sale	196.6	398.8	-202.2
TOTAL NET INVESTED CAPITAL	7,864.4	7,709.5	154.9
Equity attributable to owners of the Parent Company	2,769.1	2,760.6	8.5
Equity attributable to non-controlling interests	0.0	0.2	-0.2
Actual net financial debt of continuing operations* (9)	4,887.6	4,722.4	165.2
Net financial debt of continuing operations	5,077.3	4,977.0	100.3
Net financial debt of discontinued operations held for sale	18.0	-28.3	46.3
TOTAL NET FINANCIAL DEBT	5,095.3	4,948.7	146.6
Total	7,864.4	7,709.5	154.9

*includes as of 30.09.2011, the total Group financing to NRTS (€233 million as capital reserve and the net passive financial position of €43.3 million) and as of 31.12.2010, the net positive financial position to RTR (€254.6 million)

In the consolidated statement of financial position (Annex II to consolidated interim financial report of the Terna Group at 30 September 2011):

- (1) "Equity-accounted investees", "Other non-current assets" and "Non-current financial assets" for the carrying amount of the other interests (€0.5 million);
- (2) "Trade receivables" net of energy-related pass-through revenue receivable (€885.9 million);
- (3) "Other current assets" net of other tax assets (€7.6 million) and prepayments included in "Current financial assets" (€4.8 million);
- (4) "Trade payables" net of the energy-related pass-through costs payable (€1,159 million);
- (5) Energy-related pass-through revenue receivable (€885.9 million) under "Trade receivables" and energy-related pass-through costs payable (€1,159.5 million) under "Trade payables";
- (6) "Tax assets", the other tax assets item (€7.6 million) recognised under "Other current assets", the other tax liabilities item (€16.1 million) recognised under "Other current liabilities" and "Tax liabilities";
- (7) "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax liabilities (€104.5 million);
- (8) "Employee benefits", "Provisions for risks and charges" and "Deferred tax liabilities";
- (9) "Long-term loans", "Current portion of long-term loans", "Non-current financial liabilities", "Cash and cash equivalents", "Non-current financial assets" for the value of FVH derivatives (€480 million) and short-term investments (€600.0 million) of "Current financial assets" for the value of the deposit certificates.

Terna Group's Cash Flow*

<i>In millions of euro</i>	Cash flow 30 September 2011	Cash flow 30 September 2010
Opening cash and cash equivalents	156.3	0.1
<i>of which Cash and cash equivalents of discontinued operations</i>	6.2	0.0
- Net profit for the period	315.1	372.3
<i>of which Net profit for the period from continuing operations</i>	220.2	373.3
- Amortisation and depreciation	289.0	260.0
- Net change in provisions	-6.0	-22.8
- Net losses (gains) on asset disposals	-1.4	-0.7
Self-financing	596.7	608.8
- Change in net working capital	240.6	42.7
Cash flows from operating activities	837.3	651.5
Investments		
- Property, plant and equipment	-817.5	-844.2
<i>of which continuing operations - core business investments</i>	-810.0	-731.8
- Intangible assets	-34.0	-35.1
- Other changes in non-current assets	12.8	-45.8
- Change in equity investments	-40.6	-2.7
Total cash flows generated by/(used in) investing activities	-879.3	-927.8
CIN Discontinued operations held for sale	202.2	0.0
- Change in loans	703.6	686.4
<i>of which continuing operations</i>	728.4*	686.4
- Other changes in equity attributable to the shareholders of the Parent Company	-45.3	21.1
<i>of which continuing operations</i>	-16.3	21.1
- Dividends paid to the shareholders of the Parent Company	-261.3	-240.4
- Minority interests in discontinued operations	-0.2	0.0
Total cash flows generated by/(used in) financing activities	396.8	467.1
Total cash flows for the period	557.0	190.8
<i>of which continuing operations</i>	563.2	190.8
Closing cash and cash equivalents	713.3	190.9

*includes at 30.09.2011, the total Group financing to NRTS (€233 million as capital reserve and the net passive financial position of €43.3 million) and at 31.12.2010, the net positive financial position to RTR (€254.6 million)

*For reconstruction to the Interim Consolidated financial statements, refer to the paragraph "Terna Group performance and financial position" of the consolidated interim financial report of the Terna Group at 30 September 2011.