

TERNA: THE BOARD APPROVES THE 2010 RESULTS

Dividend proposed for 2010: 21 eurocents per share, +10.5% compared to 2009 (8 cents of which already paid as interim dividend and 13 cents as the final dividend, payable next June)

Revenues at 1,589.2 million euros, +14.3%
Ebitda at 1,174.9 million euros, +17.1%
Ebit at 814.4 million euros, +17.3%
Profits at 466.7 million euros, +31.8%
Grid investments at 1,161.7 million euros, +29.8%

Rome, March 31, 2011 – CEO Flavio Cattaneo presented the 2010 results which were examined and approved by TERNA SpA's Board of Directors that met today chaired by Luigi Roth.

CEO Flavio Cattaneo commented: "2010 closed with important results that are rewarding for Terna's entire team. We demonstrated we can keep our promises without even one euro of public funding. Our action was twofold: core business and the opportunities outside of the traditional activities. With the sale of Rete Rinnovabile, we closed the third M&A operation in two years in record time, once again creating value to the advantage of the country, the electricity system and shareholders"

2010 OVERVIEW**Traditional Activities**

- Double digit growth of the economic indicators with Revenues at 1,589.2 million euros, increasing by over 14% compared to 2009, the Gross Operating Margin at 1,174.9 million euros increasing by over 17% and Profits at 466.7 million euros, increasing by approximately 32%.
- Investments for Grid development continued to increase and reached 1,161.7 million euros (+30%) for over 1,000 km of new power lines and 48 substations. Work completed for the SA.PE.I, submarine connection between Sardinia and the Italian mainland, for the 'Casellina-Tavarnuzze-Santa Barbara', power line in Tuscany, and upgrading the grid in Val d'Ossola; building sites have been opened for the "Sorgente-Rizziconi" connection between Sicily and Calabria and for the Chignolo Po- Maleo power line.

Non Traditional Activities

- The sale to Terra Firma Investments (GP) 3 Limited of Rete Rinnovabile S.r.l. ("RTR Srl") a company that operates in the photovoltaic (PV) business was finalized today. The sale of the shareholding in RTR Srl generated overall net proceeds of about 204 million euros. The impact on the 2010 net income, considering the margin on the construction contract based on the stage of completion of the contract activity at balance sheet date, stands at 147 million euros. The difference will be allocated in 2011.

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2010 CONSOLIDATED RESULTS

Revenues for 2010, equal to 1,589.2 million euros registered an increase of 199 million euros (+14.3% compared to 1,390.2 million euros in 2009). This increase derived from higher Grid fees (equal to +120.7 million euros) due to the Parent Company's usual tariff evolution as well as the full consolidation of Telat (including the acquisition of Retrasm); incentives for reducing supply volumes on the Dispatching Services Market equal to 77 million euros (+37 million euros) also contributed to this increase.

Operating costs amounted to 414.3 million euros (406.5 million euros of which for the Parent Company) and registered an increase of 7.1% (+27.3 million euros) compared to 387 million euros in 2009, mainly attributable to labor costs for the partial release that occurred in 2009 of the Energy discount fund (for 26.8 million euros). The increase in costs for materials, equal to 15.8 million euros, essentially attributable to investments in dispatching infrastructures and to the impacts deriving from the full consolidation of Telat acquired during 2009, was partially offset by lower allowances for bad debt provision.

Ebitda (Gross Operating Profit) stood at 1,174.9 million euros, increasing by 171.7 million euros compared to 1,003.2 million euros in 2009 (+17.1%). The **Ebitda margin** rose from 72.2% (70.2% excluding the effects of the release of the Energy discount fund) in 2009 to 73.9% in 2010.

Depreciation for the year increased by 51.7 million euros compared to 2009, attributable to the Parent Company for 39.4 million euros, principally for the entrance into operation of new plants and to the subsidiary TELAT for +12.3 million euros.

Ebit (Operating Profit) equaled 814.4 million euros, increasing by 120 million euros (+17.3%) compared to 694.4 million euros in 2009.

Net financial charges for the year stood at 102.5 million euros, essentially attributable to the medium/long term debt and relative hedging by the Parent Company and registered a significant decrease (-45.8 million euros) compared to 148.3 million euros in 2009, principally due to the reduction of the interest rate curve partially compensated by higher net debt (approximately -19 million euros), the exchange rate effects on Terna Participações repatriation of funds and relative hedging carried out in 2009 (nearly -6 million euros), for higher capitalizations on investment projects (-6 million euros) and for financial effects regarding energy items (-14 million euros).

Income taxes for the year equaled 245.2 million euros, increasing by 53.1 million euros compared to 2009, essentially attributable to the effect of higher PBT. The tax rate stood at 34.4% (35.1%, net of the effect of lower taxes paid in the previous year) compared to 35.2% of 2009.

Net profit from continuing operations stood at 466.7 million euros (+31.8% compared to 354 million in 2009). The **Group Net Profit** was equal to 613.6 million euros and included 146.9 million euros out of about 204 million euros overall net proceeds deriving from the sale of RTR Srl and 77 out of the 160 million euros of total operating performance of the incentive mechanism on dispatching. The Group net profit, adjusted considering the overall net proceeds from the sale of RTR Srl and the total operating performance on dispatching incentives, would have been equal to about 725 million euros. In the previous year, the net profit included the gain obtained with the sale of the Brazilian assets was included, equal to 417 million euros.

Grid **investments** referred to continuing operations reached 1,161.7 million euros, increasing by 30% compared to the previous year, 862.9 million euros of which for development capex confirming the timely implementation of the National Transmission Grid's Development Plan. With reference to the PV project, the capex - accounted as construction costs - amounted to approximately 353 million euros.

The consolidated financial position as of December 31, 2010 registered a **net shareholders' equity** equal to 2,760.8 million euros (compared to 2,501.5 million euros as of December 31, 2009) while the **net financial debt of continuing operations**, considering Terna's active financial position towards RTR Srl equaled 4,722.4 million euros (compared to 3,758.2 million euros as of December 31, 2009).

The **debt/equity ratio** (net financial debt of continuing operations/net shareholders' equity) as of December 31, 2010 equaled 1.71.

Group headcount at the end of 2010 was equal to 3,468.

2010 RESULTS OF THE PARENT COMPANY – TERNA SpA

The Parent Company closed 2010 with **revenues** at 1,505.1 million euros, increasing by 13.6% compared to 1,324.7 million euros of the previous year.

Operating costs amounted to 435.8 million euros increasing by 11.5%.

Ebitda stood at 1,069.3 million euros, equal to 71% of revenues (increasing by over 0.5 percentage points compared to 2009), rising by 135.5 million di euros compared to 933.8 million euros last year (+14.5%).

Depreciations, equal to 318.8 million euros, increased by 39.4 million euros compared to 2009.

Ebit was equal to 750.5 million euros, increased by 14.7% (equal to +96.1 million euros) compared to 2009.

Net profit from continuing operations stood at 432.3 million euros, increasing by 106.5 million euros (+32.7%) compared to 325.8 million euros in 2009. The **Net Profit**, including the result deriving from the assets held for sale, stood at 433.7 million euros, compared to 790 million euros of the previous year that included the gain for the sale of the Brazilian subsidiary Terna Participações (464.2 million euros).

Shareholders' Equity registered a net shareholders' equity equal to 2,534.3 million euros (compared to 2,468.3 million euros in 2009), while the **net financial debt** was equal to 4,203.8 million euros (+942.9 million euros compared to December 31, 2009).

SUBSEQUENT EVENTS

CONTINUING OPERATIONS

Acquisition of shares in CGES

On January 25, 2011 the agreement was finalized that was undersigned on November 23, 2010 between Terna S.p.A., Crnogorski Elektroprenosni Sistem AD (CGES), Montenegro's transmission operator, and the state of Montenegro as CGES's majority shareholder, for a strategic partnership between Terna and CGES. The finalization of the agreement occurred following the approval on the part of the CGES Shareholders' Meeting of a capital increase reserved for Terna and the adoption of new Corporate Bylaws. Terna became a CGES shareholder with 22.1% of the capital.

Issue 10-year bonds for 1.25 billion euros

On March 8, 2011 Terna launched a fixed rate bond issuance in euros, with fixed rate, with a 10 year maturity for a total of 1.25 billion euros, under the Euro Medium Term Notes (EMTN) Programme which was assigned a rating of A+ by Standard and Poor's, A2 by Moody's and A+ by Fitch. The bond issue, which will be used to finance investments for Grid development set forth in the Company's Industrial Plan, will expire on March 15, 2021, with a yearly coupon equal to 4.750% and issue price equal to 99.245. The bond was priced with a spread of 130 basis points compared to the midswap. The bond is listed at the Luxembourg Stock Exchange.

Postponement of the deadline for bond issue

The Board of Directors also resolved today to postpone, until December 31, 2011, the deadline for issuing bonds as already resolved by the Board of Directors on February 17, 2010

ASSETS HELD FOR SALE

RTR Loan agreement

On January 28, 2011 RTR Srl signed a refinancing contract with 18 year maturity. The maximum total amount for the refinancing transaction was equal to 593.8 million euros (521.3 of which as a cash loan and

72.5 as an endorsement loan) and aims at refinancing on a non recourse project financing basis the investments made for building PV plants held by RTR Srl.

MANAGEMENT OUTLOOK FOR 2011

2011 will be focused on implementing the 2011-2015 Strategic Plan approved by the Company's Board of Directors. In particular, investments included in the Development Plan will be aimed at increasing interconnections with other countries, reducing grid congestion and removing the constraints caused by the increased renewable sources production. The Company's target always aim to achieving operational efficiency, ensuring the highest quality in the transmission service and an increasingly efficient and safer management of the energy flow in the electricity system. During 2011, the usual debate with the Authority for Energy and Gas will take place aimed at ensuring continuity and stability of principles underlying the determination of the tariffs also in the 4th regulatory period. (2012-2015). As part of its non-regulated activities in 2011, the Company will also be involved in implementing a second tranche of PV projects, intended to further enhance the Group's assets.

CALLING THE SHAREHOLDER'S MEETING AND DIVIDENDS

The Board of Directors will submit to the Shareholders' Meeting the approval of a total ordinary dividend for the entire 2010 equal to 21 eurocents per share and the distribution – gross of any legal withholdings – of the remaining 13 eurocents per share. Overall, the 2010 dividend per share increased by 10.5% compared to 2009.

It should be noted for this purpose that TERNA's Board of Directors held on October 18, 2010 had already resolved the distribution to shareholders of an interim dividend for 2010 equal to 8 eurocents per share gross of any legal withholdings to be paid on November 25, 2010.

The Board of Directors will propose June 20, 2011 as the "ex-dividend date" for coupon no. 14 and June 23, 2011 for the relative payment.

The Shareholders' Meeting called upon in its ordinary session to approve TERNA S.p.A.'s 2010 financial statement as of December 31, 2010 and the allocation of income, partly modifying what was communicated to the market on last January 31, will be convened on May 12 and 13, 2011, respectively on first and second call. The ordinary meeting will also be called upon to resolve on the renewal of the Board of Directors and Board of Statutory Auditors, that will end their mandate with the approval of the 2010 financial statement and also to appoint the auditing company for the 2011-2019 period, since the 2010 financial auditing marks the end, without any possibility of further renewal, of the auditing assignment carried out by KPMG S.p.A. Lastly, a proposal will be submitted to the ordinary Shareholders' Meeting to amend the Shareholders' Meeting Regulations essentially following the adoption in the national law with Legislative Decree no. 27 dated January 27, 2010, of the so-called *Shareholders' Rights* Directive (regarding exercising various rights by Shareholders of listed companies).

The Shareholders' Meeting will also be called upon to resolve, in its extraordinary session, on various amendments to be applied to the Bylaws according to the above-mentioned provisions regarding various rights held by Shareholders of listed companies, specifically the provisions introduced by Article 1 of Legislative Decree no. 27 of January 27, 2010, as well as to implement the provisions of the Procedures on Related Party Transactions adopted by TERNA's Board of Directors. The latter amendments essentially refer to transactions of greater importance and urgent transactions.

The extraordinary Shareholders' Meeting will be convened on May 12, 13 and 14, 2011, respectively on first, second and third call.

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

A conference call will be held at 5:30 p.m. (Italian time) to illustrate the 2010 results to financial analysts and institutional investors. Journalists can also be connected in listen-only the audio mode. The support material for the

conference call will be available on Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) and on Terna's website (www.terna.it), in the Investor Relations section concomitantly with the beginning of the conference call itself. In the same section it will also be possible to follow the presentation through audio webcasting.

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.

It should be noted that with regard to the application of the interpretation of IFRIC 12 – Agreements for Services under Concession, as of January 1, 2010, the property, plants and machinery as well as intangible assets identified as being part of the field of activity of the application of the IFRIC 12 regarding dispatching activities have been classified in a specific item "Rights for Infrastructures" as part of intangible assets. Moreover, costs and revenues relative to investment activities for dispatching are indicated as building costs and revenues. Consequently, the comparative asset balances as of December 31, 2009 and 2009 comparative economic balances were similarly reclassified.

With regard to the interpretation of the "IFRIC18 – Sale of assets on the part of customers", approved by the European Commission on November 27, 2009 and applied as of January 1, 2010, relative to the calculation of connection agreements, it should be noted that this has not had any significant impact on the economic, asset and financial situation as of December 31, 2010.

The 2010 Annual Financial Report including TERNA S.p.A.'s draft financial statement and the TERNA Group's consolidated financial statement as of December 31, 2010, 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 deposited and made available to the public at the company's headoffice and at the market management company Borsa Italiana S.p.A. and can be consulted on Borsa Italiana S.p.A.'s website (www.borsaitaliana.it) and on the company's website (www.terna.it) in compliance with the terms envisaged by the law.

The 2010 Annual Financial Report has been submitted to the Board of Statutory Auditors and to the Independent Auditing Company for their appropriate and relevant evaluation.

As soon as the reports of the Board of Statutory Auditors and of the Independent Auditing Company are ready and in compliance with existing law provisions, they will be made available to the public.

It should be noted, according to the notice no. DME/9081707 dated September 16, 2009, that 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, 2010), for which the Independent Auditing Company, in compliance with art. 14 of Legislative Decree no. 39 dated January 27, 2010 will provide to the verification for consistency with the Consolidated 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 margin): 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 Margin (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.

Terna Group's Reclassified Income Statement

| <i>Million euros</i> | 2010 | 2009 | Change | % |
|---|----------------|----------------|---------------|---------------|
| Revenues: | | | | |
| - Grid transmission fees (1) | 1,306.3 | 1,185.6 | 120.7 | 10.2% |
| - Other energy items (1) | 169.8 | 121.0 | 48.8 | 40.3% |
| - Other revenues from sales and services (1) | 57.0 | 40.2 | 16.8 | 41.8% |
| - Other revenues and income | 56.1 | 43.4 | 12.7 | 29.3% |
| Total revenues | 1,589.2 | 1,390.2 | 199.0 | 14.3% |
| Operating expenses: | | | | |
| - Personnel expenses | 212.2 | 185.5 | 26.7 | 14.4% |
| - Services and use of third party assets | 152.2 | 149.7 | 2.5 | 1.7% |
| - Materials | 28.2 | 12.4 | 15.8 | 127.4% |
| - Other expenses (2) | 21.7 | 39.4 | -17.7 | -44.9% |
| Total operating expenses | 414.3 | 387.0 | 27.3 | 7.1% |
| GROSS OPERATING PROFIT (EBITDA) | 1,174.9 | 1,003.2 | 171.7 | 17.1% |
| Amortization/Depreciation (3) | 360.5 | 308.8 | 51.7 | 16.7% |
| OPERATING PROFIT | 814.4 | 694.4 | 120.0 | 17.3% |
| - Net financial income/(expense) (4) | -102.5 | -148.3 | 45.8 | -30.9% |
| PROFIT BEFORE TAXES | 711.9 | 546.1 | 165.8 | 30.4% |
| - Income taxes for the year | 245.2 | 192.1 | 53.1 | 27.6% |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | 466.7 | 354.0 | 112.7 | 31.8% |
| Profit for the year from Discontinued Operations and assets held for sale | 146.9 | 417.0 | -270.1 | -64.8% |
| NET PROFIT FOR THE YEAR | 613.6 | 771.0 | -157.4 | -20.4% |
| -Attributable to the shareholders of the Parent | 613.6 | 771.0 | -157.4 | -20.4% |
| -Attributable to minority interests | 0.0 | 0.0 | 0.0 | 0% |

* Includes 146.9 million euros out of the about 204 million euros overall net proceeds from the sale of RTR Srl and 77 of the total 160 million euros of total operating performance of the incentive mechanism on dispatching

** Includes the result net proceeds from the disposal of the Brazilian activities, equal to 417 million euros

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 depreciation (0.2 million euros);
- (3) It corresponds to the item "Amortization and depreciation" net of the value of fixed assets depreciation (0.2 million euros);
- (4) It corresponds to the balance of items 1, 2 and 3 of letter C-"Financial income/expenses".

Terna Group's Reclassified Statement of Financial Position

| | As of 31.12.2010 | As of 31.12.2009 | Change |
|---|---------------------|---------------------|----------------|
| <i>Million euros</i> | | | |
| Net fixed assets | | | |
| - Intangible assets and goodwill | 470.6 | 457.6 | 13.0 |
| - Property, plants and equipment | 7,802.6 | 6,989.9 | 812.7 |
| - Financial assets (1) | 30.4 | 21.0 | 9.4 |
| Total | 8,303.6 | 7,468.5 | 835.1 |
| Net working capital | | | |
| - Trade receivables (2) | 511.5 | 371.8 | 139.7 |
| - Inventories | 11.4 | 11.7 | -0.3 |
| - Other assets (3) | 16.2 | 10.7 | 5.5 |
| - Trade payables (4) | 480.6 | 381.3 | 99.3 |
| - Net liabilities let-through lots (5) | 77.3 | 303.4 | -226.1 |
| - Net tax liabilities (6) | 55.7 | 14.8 | 40.9 |
| - Other liabilities (7) | 294.2 | 265.3 | 28.9 |
| Total | -368.7 | -570.6 | 201.9 |
| Gross invested capital | 7,934.9 | 6,897.9 | 1,037.0 |
| Sundry provisions (8) | 624.2 | 638.3 | -14.1 |
| Net invested capital from continuing operations | 7,310.7 | 6,259.6 | 1,051.1 |
| Net invested capital from discontinued operations and assets held for sale (9) | 398.8 | 0.1 | 398.7 |
| TOTAL NET INVESTED CAPITAL | 7,709.5 | 6,259.7 | 1,449.8 |
| Equity attributable to the shareholders of the Parent | 2,760.6 | 2,501.5 | 259.1 |
| Equity attributable to minority interests | 0.2 | 0.0 | 0.2 |
| Net financial debt of continuing operations* (10) | 4,977.0 | 3,758.2 | 1,218.8 |
| Net financial debt of discontinued operations and assets held for sale (11) | -28.3 | 0.0 | -28.3 |
| TOTAL NET FINANCIAL DEBT | 4,948.7 | 3,758.2 | 1,190.5 |
| Total | 7,709.5 | 6,259.7 | 1,449.8 |

**The actual net financial debt of continuing operations, considering active loans and the net debit position of Terna SpA's treasury account towards RTR, is equal to 4,722.4 million euros.*

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 (0.5 million euros);
- (2) The item "Trade receivables" net of the value of trade receivables for energy pass-through revenues (984.3 million euros);
- (3) The item "Other current assets" net of the other tax receivables (4.6 million euros) and the item "Current financial assets";
- (4) The item "Trade payables" net of the value of payables for energy pass-through expenses (1,061.6 million euros);
- (5) The items "Trade receivables" for the value of receivables for energy pass-through revenues (984.3 million euros) and "Trade payables" for the value of payables for energy pass-through expenses (1,061.6 million euros);
- (6) The items "Tax receivables", "Other current assets" for the value of other tax receivables (4.6 million euros), "Other current liabilities" for the amount of the other tax payables (7.5 million euros) and "Tax liabilities";
- (7) The items "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (7.5 million euros);
- (8) The items "Employee benefits", "Provisions for contingencies and charges" and "Deferred tax liabilities";
- (9) The item "Discontinued operations and assets held for sale" for 547.5 million euros and the item "Discontinued operating liabilities and assets held for sale";
- (10) The items "Long-term loans", "Current portion of long-term loans", "Short-term loans", "Non current financial liabilities", "Cash and cash equivalent", "Non current financial assets" for the value of FVH derivatives (200.3 million euros);
- (11) The item "Discontinued operations and assets held for sale" for 28.3 million euros.

Terna Group's* Cash Flow

| <i>Million euros</i> | Cash flow 31.12.2010 | Cash flow 31.12.2009 |
|---|-------------------------|-------------------------|
| Opening cash and cash equivalents | 0.1 | 779.7 |
| <i>Of which cash and cash equivalents of Discontinued operations and assets held for sale</i> | <i>0.0</i> | <i>90.5</i> |
| - Net profit for the year | 613.6 | 771.0 |
| - Amortization and depreciation | 360.5 | 308.8 |
| - Net change in provisions | -14.1 | 213.3 |
| - Net losses (profits) on asset disposal | -3.1 | -1.3 |
| Self-financing | 956.9 | 1,291.8 |
| <i>Of which attributable to continuing operations</i> | <i>810.0</i> | <i>754.6</i> |
| - Change in net working capital | -201.9 | -37.6 |
| Cash Flow from operating activities | 755.0 | 1,254.2 |
| Investments | | |
| - Property, plants and equipment | -1,104.4 | -849.4 |
| - Intangible assets | -58.3 | -51.0 |
| - Other changes in non-current assets | -21.1 | -332.3 |
| - Change in shareholdings | -8.6 | 22.7 |
| Total cash flow generated by (used in) investment activities | -1,192.4 | -1,210.0 |
| NET INVESTED CAPITAL Assets held for sale | -398.8 | 0.0 |
| - Changes in loans | 1,346.7 | -387.2 |
| <i>Of which attributable to continuing operations</i> | <i>1,114.2</i> | <i>115.5</i> |
| - Other changes in equity attributable to the Group | 46.3 | -11.9 |
| - Dividends | -400.8 | -337.8 |
| - Equity of minority interests from Discontinued operations and assets held for sale | 0.2 | -86.9 |
| Total cash flow generated by (used in) financial activities | 992.4 | -823.8 |
| Total cash flow for the year | 156.2 | -779.6 |
| Closing cash and cash equivalents | 156.3 | 0.1 |
| <i>Of which cash and cash equivalents of Discontinued operations and assets held for sale</i> | <i>6.2</i> | <i>0.0</i> |

Terna SpA's Reclassified Income Statement

| <i>Million euros</i> | 2010 | 2009 | Change | % |
|--|----------------|----------------|---------------|---------------|
| Revenues: | | | | |
| Grid transmission fees (1) | 1,173.0 | 1,087.9 | 85.1 | 7.8% |
| Other energy items (1) | 169.8 | 121.0 | 48.8 | 40.3% |
| Other revenues from sales and services (1) | 116.3 | 73.8 | 42.5 | 57.6% |
| Other revenues and income | 46.0 | 42.0 | 4.0 | 9.5% |
| Total revenues | 1,505.1 | 1,324.7 | 180.4 | 13.6% |
| Operating expenses: | | | | |
| - Personnel expenses | 214.8 | 186.2 | 28.6 | 15.4% |
| - Services and use of third party assets | 166.5 | 148.0 | 18.5 | 12.5% |
| - Materials | 36.7 | 19.9 | 16.8 | 84.4% |
| - Other expenses | 17.8 | 36.8 | -19.0 | -51.6% |
| Total operating expenses | 435.8 | 390.9 | 44.9 | 11.5% |
| GROSS OPERATING PROFIT (EBITDA) | 1,069.3 | 933.8 | 135.5 | 14.5% |
| Amortization/Depreciation | 318.8 | 279.4 | 39.4 | 14.1% |
| OPERATING PROFIT (EBIT) | 750.5 | 654.4 | 96.1 | 14.7% |
| - Net financial income (expense) (2) | -87.7 | -149.1 | 61.4 | -41.2% |
| PROFIT BEFORE TAXES | 662.8 | 505.3 | 157.5 | 31.2% |
| - Income taxes for the year | 230.5 | 179.5 | 51.0 | 28.4% |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | 432.3 | 325.8 | 106.5 | 32.7% |
| Profit for the year from Discontinued operations and assets held for sale | 1.4 | 464.2 | -462.8 | -99.7% |
| PROFIT FOR THE YEAR | 433.7 | 790.0 | -356.3 | -45.1% |

In Terna SpA's income statement:

- (1) The balance is included under item "Revenues from sales and services";
- (2) It corresponds to the balance of items 1 and 2 of letter C-"Financial income/expenses".

Terna SpA's Reclassified Statement of Financial Position

| <i>Million euros</i> | As of 31.12.2010 | As of 31.12.2009 | Change |
|---|---------------------|---------------------|----------------|
| Net fixed assets | | | |
| - Intangible assets and goodwill | 362.6 | 350.2 | 12.4 |
| - Property, plants and equipment | 6,687.7 | 5,890.9 | 796.8 |
| - Financial assets (1) | 590.0 | 581.2 | 8.8 |
| Total | 7,640.3 | 6,822.3 | 818.0 |
| Net working capital | | | |
| - Trade receivables (2) | 511.3 | 379.8 | 131.5 |
| - Inventories | 11.4 | 11.7 | -0.3 |
| - Other assets (3) | 17.6 | 12.1 | 5.5 |
| - Trade payables (4) | 491.2 | 386.9 | 104.3 |
| - Net liabilities let-through lots (5) | 77.3 | 303.4 | -226.1 |
| - Net tax liabilities (6) | 54.4 | -8.2 | 62.6 |
| - Other liabilities (7) | 287.9 | 265.4 | 22.5 |
| Total | -370.5 | -543.9 | 173.4 |
| Gross invested capital | 7,269.8 | 6,278.4 | 991.4 |
| Sundry provisions (8) | 536.3 | 549.3 | -13.0 |
| Net invested capital from continuing operations | 6,733.5 | 5,729.1 | 1,004.4 |
| Net invested capital from discontinued operations and assets held for sale (9) | 4.6 | 0.1 | 4.5 |
| TOTAL NET INVESTED CAPITAL | 6,738.1 | 5,729.2 | 1,008.9 |
| Net Equity | 2,534.3 | 2,468.3 | 66.0 |
| <i>Net financial debt of continuing operations* (10)</i> | 4,458.4 | 3,260.9 | 1,197.5 |
| <i>Net financial debt of discontinued operations and assets held for sale (11)</i> | -254.6 | 0.0 | -254.6 |
| TOTAL NET FINANCIAL DEBT | 4,203.8 | 3,260.9 | 942.9 |
| Ttal | 6,738.1 | 5,729.2 | 1,008.9 |

*For retracing to the Terna Group's consolidated financial statements, please refer to the paragraph "Terna Group economic and financial position" of the Report on Management of 2010 Terna SpA and Terna Group Annual Report

In the Statement of financial position, these correspond to:

- (1) The items "Other non-current assets" and "Non current financial assets" for the value of shareholdings (583.8 million euros);
- (2) The item "Trade receivables" net of the value of trade receivables for energy pass-through revenues (984.3 million euros);
- (3) The item "Other current assets" net of other tax receivables (3.9 million euros) and the item "Current financial assets";
- (4) The item "Trade payables" net of the value of payables for energy pass-through expenses (1,061.6 million euros);
- (5) The items "Trade receivables" for the value of receivables for energy pass-through revenues (984.3 million euros) and "Trade payables" for the value of payables for energy pass-through expenses (1,061.6 million euros);
- (6) The items "Tax receivables", "Other current assets" for the value of other tax receivables (3.9 million euros), "Other current liabilities" for the amount of other tax payables (6.0 million euros) and "Tax liabilities";
- (7) The items "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (6.0 million euros);
- (8) The items "Employee benefits", "Provisions for contingencies and charges" and "Deferred tax liabilities";
- (9) The item "Discontinued operations and assets held for sale" for 4.6 million euros;
- (10) 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 loan to TELAT and of FVH derivatives (respectively 500.00 million euros and 200.30 million euros);
- (11) The item "Discontinued operations and assets held for sale" for 500 million euros and the item "Discontinued liabilities and assets held for sale" for 245.4 million euros.

Terna SpA's* Cash flow

| <i>Million euros</i> | Cash flow as of 31.12.2010 | Cash flow as of 31.12.2009 |
|---|----------------------------------|----------------------------------|
| Opening cash and cash equivalents and intercompany account | 0.1 | 689.2 |
| - Profit for the year | 433.7 | 790.0 |
| - Amortization/Depreciation | 318.8 | 279.4 |
| - Net change in provisions | -13.0 | 3.0 |
| - Net losses (profits) on asset disposals | -3.1 | -1.9 |
| Self-financing | 736.4 | 1,070.5 |
| - Change in net working capital | -178.0 | 180.2 |
| Cash Flow from operating activities | 558.4 | 1,250.7 |
| Investments | | |
| - Property, plants and equipment | -1,063.4 | -821.1 |
| - Intangible assets | -57.0 | -51.0 |
| - Equity investments | -8.1 | -359.6 |
| - Other changes in fixed assets** | -5.1 | 23.9 |
| Total cash flow generated by (used in) investment activities | -1,133.6 | -1,207.8 |
| - Changes in loans | 1,111.5 | -382.3 |
| - Other changes in equity | 33.1 | -11.9 |
| - Dividends | -400.8 | -337.8 |
| Total cash flow generated by /used in) financial activities | 743.8 | -732.0 |
| Total cash flow for the year | 168.6 | -689.1 |
| Closing cash and cash equivalents and intercompany accounts | 168.7 | 0.1 |

*For retracing to Terna SpA's financial statements, please refer to the paragraph "Terna SpA economic and financial position" of the Report on Management of 2010 Terna SpA and the Terna Group Annual Report.

**in 2010, this item also includes the value of intergroup acquisitions for 21.2 million euros.