

## TERNA: BOARD APPROVES RESULTS AS OF MARCH 31, 2011

- **Revenues at 384.7 million euros (364.7 million in 1Q10, +5.5%)**
- **Ebitda at 294.7 million euros (273.9 million in 1Q10, +7.6%)**
- **Ebit at 199.5 million euros (190 million in 1Q10, +5%)**
- **Net profit from continuing operations at 114.4 million euros, + 6.9% (with 59.2 out of 204 million euros from the sale of Rete Rinnovabile S.r.l., the Group Net Profit at 173.6 million euros)**
- **Investments at 257.4 million euros, (189 million in 1Q2010, +36.2%)**

**Rome, May 13, 2011** – CEO Flavio Cattaneo presented the results of the first quarter of 2011, which were examined and approved by TERNAs SpA's Board of Directors that met today chaired by Luigi Roth.

CEO Flavio Cattaneo commented: "The year is off to an excellent start confirming the growth trend. I would like to thank all those that contributed to this outstanding result. It is thanks to them that we have registered 22 quarters of continued growth".

### CONSOLIDATED FINANCIAL RESULTS

<i>Million euros</i>	<b>1<sup>st</sup> Q 2011</b>	<b>1<sup>st</sup> Q 2010</b>	<b>Change</b>
<b>Revenues</b>	384.7	364.7	+5.5%
<b>Ebitda (Gross Operating Profit)</b>	294.7	273.9	+7.6%
<b>Ebit (Operating Profit)</b>	199.5	190	+5%
<b>Net Profit from continuing operations</b>	114.4	107	+6.9%

Consolidated results in the first quarter of 2011, compared to those in the first quarter of 2010, confirmed TERNAs constant growth and ongoing commitment in developing the National Transmission Grid, which is necessary to strengthen the entire electricity system and increasing its safety and reliability.

### SUMMARY OF THE FIRST QUARTER 2011 CONSOLIDATED RESULTS

**Revenues** in the first quarter of 2011, equal to 384.7 million euros (347.9 million euros for the Parent Company) registered an increase of 20 million euros (+5.5% compared to 364.7 million euros in the first quarter of 2010). This increase was mainly due to higher Grid fees, equal to 20.8 million euros, mainly attributable to the Parent Company (19.1 million euros).

**Operating costs**, equal to 90 million euros (88.1 million euros for the Parent Company), were almost in line (-0.8 million euros) with the same period last year, mainly related to the combined effect of higher charges regarding ordinary grid management reported last year (-3 million euros and of lower consumption of materials (1.4 million euros) partially offset by the trend of personnel expenses (3.5 million euros).

**Ebitda** (Gross Operating Profit) stood at 294.7 million euros, with an increase of 20.8 million euros (+7.6%) compared to the results in the first quarter of 2010.

**Ebitda margin** rose from 75.1% in the first quarter of 2010 to 76.6% in the same period in 2011.

**Ebit** (Operating Profit) equal to 199.5 million euros, rising by 9.5 million euros (+5%) compared to the first three months in 2010, reflecting an increase in amortizations of 11.3 million euros (+13.5%) mainly due to the entrance into operation of new plants.

**Net financial charges** for the period, stood at 25.1 million euros (entirely attributable to the Parent Company), were for the most part in line (-1.1 million euros) with the first quarter of 2010.

**Income taxes** for the period equaled 60 million euros (+1 million euros compared to the first quarter of 2010). The tax rate was equal to 34.4% compared to 35.5% of the first three months of last year.

**Net profit from continuing operations** stood at 114.4 million euros, rising by 6.9% compared to 107 million euros in the first quarter of 2010. The **Group net profit** stood at 173.6 million euros, increasing by 66.5 million euros (equal to 62.1%) compared to the first quarter of last year and included 59.2 of nearly 204 million euros in total from the sale of Rete Rinnovabile S.r.l.

The consolidated economic and financial balance sheet as of March 31, 2011 registered a **Net Shareholders' Equity** equal to 2,941.1 million euros compared to 2,760.6 million euros as of December 31, 2010. The actual **Net financial debt from continuing operations** stood at 4,548.9 million euros, decreasing by 173.5 million euros compared to 4,722.4 (considering Terna's positive net financial position versus Rete Rinnovabile S.r.l.) as of December 31, 2010.

The debt/equity ratio as of March 31, 2011 stood at 1.55 reflecting the proceeds from the sale of Rete Rinnovabile S.r.l.

Total **investments in traditional activities** in the first quarter of 2011 were equal to 257.4 million euros, with an increase of 36.2% compared to 189 million euros in the same period of last year.

**Group Headcount**, as of the end of March 2011, equaled 3,524, increasing by 56 employees compared to the end of 2010.

*A conference call will be held at 12:00 noon (Italian time) to illustrate the results of the first quarter of 2011 to financial analysts and institutional investors. Journalists can also be connected in listen-only mode. The support material for the conference call 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 conference call itself. 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 flows of the TERNA Group are attached.*

*In compliance with Directive no. DME/9081707 dated September 16, 2009, it should be noted that these charts are included in the Terna Group's consolidated Interim Management Report as of March 31, 2011.*

*TERNA drafted the Interim Management Report as of March 31, 2011 in compliance with the provisions stated in art. 154-ter of Legislative Decree 58/98, of Consob Directive no. DEM/8041082 dated April 30, 2008.*

*Terna informs that the Interim Management Report as of March 31, 2011, not subject to auditing by the auditing company, was deposited and made available to the public at Terna's head office and at the market management company Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)) and can be found in Terna's website at [www.terna.it](http://www.terna.it).*

*The manager responsible for preparing the company's financial reports, Mr. 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.*

In this release some "alternative performance indicators" are used (Ebitda, Ebitda margin 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 profit (EBIT) to amortizations;
- Ebitda margin: represents an operating performance indicator: it derives from the ratio between the Gross Operating Margin (Ebitda) and 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

Million euros	1st quarter			
	2011	2010	Change	%
<b>Revenues:</b>				
- Grid Transmission Fees (1)	351.5	330.7	20.8	6.3%
- Other Energy items (1)	19.2	18.3	0.9	4.9%
- Other sales and services (1)	7.2	6.2	1.0	16.1%
- Other revenues and income	6.8	9.5	-2.7	-28.4%
<b>Total revenues</b>	<b>384.7</b>	<b>364.7</b>	<b>20.0</b>	<b>5.5%</b>
<b>Operating costs:</b>				
- Personnel expenses	51.7	48.2	3.5	7.3%
- Services and use of third party assets	30.8	30.7	0.1	0.3%
- Materials	3.6	5.0	-1.4	-28.0%
- Other costs (2)	3.9	6.9	-3.0	-43.5%
<b>Total operating costs</b>	<b>90.0</b>	<b>90.8</b>	<b>-0.8</b>	<b>-0.9%</b>
<b>GROSS OPERATING PROFIT</b>	<b>294.7</b>	<b>273.9</b>	<b>20.8</b>	<b>7.6%</b>
<b>Amortization/Depreciation (3)</b>	<b>95.2</b>	<b>83.9</b>	<b>11.3</b>	<b>13.5%</b>
<b>OPERATING PROFIT</b>	<b>199.5</b>	<b>190.0</b>	<b>9.5</b>	<b>5.0%</b>
-Net financial income (Charges) (4)	-25.1	-24.0	-1.1	4.6%
<b>PROFIT BEFORE TAXES</b>	<b>174.4</b>	<b>166.0</b>	<b>8.4</b>	<b>5.1%</b>
- Income taxes for the period	60.0	59.0	1.0	1.7%
<b>NET PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>114.4</b>	<b>107.0</b>	<b>7.4</b>	<b>6.9%</b>
Net profit for the period from discontinued operations	59.2	0.1	59.1	
<b>NET PROFIT FOR THE PERIOD</b>	<b>173.6</b>	<b>107.1</b>	<b>66.5</b>	<b>62.1%</b>

In the Consolidated Income Statement (Attachment II of the Interim Management Report as of March 31, 2011 of the Terna Group):

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

## Terna Group's Reclassified Balance Sheet

Million euros	As of 31.03.2011	As of 31.12.2010	Change
Net fixed assets			
- Intangible assets and goodwill	465.4	470.6	-5.2
- Property, plants and equipment	7,979.6	7,802.6	177.0
- Financial assets (1)	66.4	30.4	36.0
<b>Total</b>	<b>8,511.4</b>	<b>8,303.6</b>	<b>207.8</b>
Net working capital			
- Trade receivables (2)	509.2	511.5	-2.3
- Inventories	11.7	11.4	0.3
- Other assets (3)	17.9	16.2	1.7
- Trade payables (4)	431.0	480.6	-49.6
- Net payables for let-through lots (5)	25.0	77.3	-52.3
- Net tax liabilities (6)	175.4	55.7	119.7
- Other liabilities (7)	318.1	294.2	23.9
<b>Total</b>	<b>-410.7</b>	<b>-368.7</b>	<b>-42.0</b>
<b>Gross invested capital</b>	<b>8,100.7</b>	<b>7,934.9</b>	<b>165.8</b>
Sundry provisions (8)	610.7	624.2	-13.5
<b>Net invested capital from continuing operations</b>	<b>7,490.0</b>	<b>7,310.7</b>	<b>179.3</b>
<b>Net invested capital from discontinued operations</b>	<b>0.0</b>	<b>398.8</b>	<b>-398.8</b>
<b>TOTAL NET INVESTED CAPITAL</b>	<b>7,490.0</b>	<b>7,709.5</b>	<b>-219.5</b>
Net Equity attributable to the shareholders of the Group	2,941.1	2,760.6	180.5
Net Equity attributable to third party shareholders	0.0	0.2	-0.2
<b>Actual net financial debt from continuing operations (9)</b>	<b>4,548.9</b>	<b>4,722.4*</b>	<b>-173.5</b>
Net financial debt from continuing operations	4,548.9	4,977.0	-428.1
Net financial debt from discontinued operations	0.0	-28.3	28.3
<b>TOTAL NET FINANCIAL DEBT</b>	<b>4,548.9</b>	<b>4,948.7</b>	<b>-399.8</b>
<b>Totale</b>	<b>7,490,0</b>	<b>7,709,5</b>	<b>-219,5</b>

\*including Terna's net financial position versus RTR (254.6 million euros as of 31.12.2010)

In the Reclassified Balance Sheet (Attachment II of the Interim Management Report as of March 31, 2011 of the Terna Group), these correspond to:

- (1) The items "Equity accounted investees", "Other non-current assets" and "Non-current financial assets" for the value of other investees (0.5 million euros);
- (2) The item "Trade receivables", net of receivables for revenues from let-through energy (885.1 million euros);
- (3) The item "Other current assets" net of other tax receivables (5.6 million euros) and the item "Current financial assets";
- (4) The item "Trade payables" net of the value of payables for let-through energy costs (910.1 million euros);
- (5) The items "Trade receivables" for the value of receivables for revenues from let-through energy (885.1 million euros) and "Trade payables" for the value of payables for let-through energy costs (910.1 million euros);
- (6) The items "Receivables for income taxes", "Other current assets" for the value of other tax receivables (5.6 million euros), "Other current liabilities" for the amount of other tax liabilities (55.2 million euros) and "Income tax liabilities";
- (7) The items "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax liabilities (55.2 million euros);
- (8) The items "Employee benefits", "Provisions for contingencies and future charges" and "Deferred tax liabilities";
- (9) The items "Long-term loans", "Current portions of long-term loans", "Non-current financial liabilities", "Cash and cash equivalents", "Non-current financial assets" for the value of FVH derivatives (124.9 million euros).

## Terna Group's Cash Flow \*

Million euros	Cash flow 31.03.2011	Cash flow 31.03.2010
<b>Opening cash and cash equivalents</b>	<b>156.3</b>	<b>0.1</b>
<i>Of which Cash and cash equivalents from discontinued operations</i>	<i>6.2</i>	<i>0.0</i>
- Net profit for the period	173.6	107.1
<i>Of which Net profit for the period from continuing operations</i>	<i>114.4</i>	<i>107.0</i>
- Amortization and depreciation	95.2	83.9
- Net change in provisions	-13.5	-5.7
- Losses (Profits) on asset disposal	-0.8	0.1
<b>Self-financing</b>	<b>254.5</b>	<b>185.4</b>
- Change in net working capital	42.0	-12.8
<b>Cash Flow from operating activities</b>	<b>296.5</b>	<b>172.6</b>
<b>Investments</b>		
- Property, plants and equipment	-259.6	-184.7
<i>Of which attributable to continuing operations – investments in traditional activities</i>	<i>-249.8</i>	<i>-180.4</i>
- Intangible assets	-7.6	-8.6
- Other changes in net fixed assets	0.9	0.3
- Change in shareholding	-35.9	-0.3
<b>Total cash flow from (to) investment activities</b>	<b>-302.2</b>	<b>-193.3</b>
<b>Net Invested capital from discontinued operations</b>	<b>398.8</b>	<b>0.0</b>
- Change in loans	1,161.2	28.8
<i>Of which actual change attributable to continuing operations</i>	<i>1,393.7</i>	<i>28.8</i>
- Other transactions in the Group net equity	6.9	2.5
- Net equity of minority interests of discontinued operations	-0.2	0.0
<b>Total cash flow from (to) financial activities</b>	<b>1,167.9</b>	<b>31.3</b>
<b>Total cash flow for the year</b>	<b>1,561.0</b>	<b>10.6</b>
<i>Of which attributable to continuing operations</i>	<i>1,567.2</i>	<i>10.6</i>
<b>Closing cash and cash equivalents</b>	<b>1,717.3</b>	<b>10.7</b>

\*For reconstruction to the consolidated accounting statements, refer to the paragraph "Terna Group's economic and financial management" of the Interim Management report of the Terna Group as of March 31, 2011 .