Terna

PRESS RELEASE

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TERNA: BOARD APPROVES RESULTS AS OF MARCH 31, 2010

- ***Revenues at 365.2 million euros (314.2 million in 1Q09, +16.2%)***
- ***Ebitda at 274.0 million euros (229.6 million in 1Q09, +19.3%)***
- ***Ebit at 190.1 million euros (164.2 million in 1Q09, +15.8%)***
- ***Group Net Income at 107.1 million euros (80.6 million in 1Q09, +32.9%, net of the Brazilian activities)***
- ***Investments at 193.3 million euros (144.6 million in 1Q09, +33.7%)***

Rome, May 11, 2010 – CEO Flavio Cattaneo presented the results of the first quarter of 2010, which were examined and approved by TERNA Spa's Board of directors that met today chaired by Luigi Roth.

CONSOLIDATED FINANCIAL RESULTS

Million euros	1° Q 2010	1° Q 2009[1]	Change
Revenues [2]	**365.2**	**314.2**	**+16.2%**
Ebitda (Gross Operating Margin)	**274.0**	**229.6**	**+ 19.3%**
Ebit (Operating Income)	**190.1**	**164.2**	**+ 15.8%**
Group Net Income	**107.1**	**80.6**	**+ 32.9%**

Consolidated results of the first quarter of 2010, compared to those registered during the first quarter of 2009, confirmed a solid growth and TERNA's ongoing commitment towards the National Transmission Grid development that is necessary to strengthen the entire electricity system, improving its safety and efficiency.

SUMMARY OF THE FIRST QUARTER 2010 CONSOLIDATED RESULTS

Revenues in the first quarter of 2010, equal to 365.2 million euros (329.4 million euros for the Parent Company) registered an increase of 51.0 million euros (+16.2% compared to 314.2 million euros of the first quarter of 2009). This increase was mainly due to the higher revenues for the transfer of electricity on the National Transmission Grid (NTG), equal to 52.1 million euros, principally due to the effect of the tariff review of the Parent Company (14.9 million euros), as well as to the expanded consolidated field of activity for the acquisition of Telat (35.1 million euros).

Operating costs, equal to 91.2 million euros (87.1 million euros for the Parent Company), registered an increase of 6.6 million euros (+7.8%) compared to the same period in 2009. This change is mainly attributable to services and to use of third party assets of the Parent Company (for +2.5 million euros) and other operating costs mainly attributable to core activities (for 4.6 million euros).

1 Financial data and investments for the first quarter of 2009, following the sale of Terna Participaçõès, carried out during the previous year, are presented net of the Brazilian activities.

2 Following the entrance into effect, as of January 1, 2010, of the IFRIC 12 "Service concession agreements" , investments in infrastructures for dispatching activities are calculated by separating **revenues and building costs** (respectively for approximately 5 million euros in the first quarter of 2009 and approximately 6 million in the first quarter of 2010), without any impact on the EBITDA.

Ebitda (Gross Operating Margin) stood at 274.0 million euros increasing by 44.4 million euros (+19.3%) compared to the first quarter of 2009.

Ebitda margin rose from 73,1% in the first quarter of 2009 (74.2% without the effects of the IFRIC 12) to 75% in the first quarter of 2010 (76.4% without the effects of the IFRIC 12).

Ebit (Operating Income), equaled 190.1 million euros, increasing by 25.9 million euros (+15.8%) compared to the first quarter of 2009, reflected a 18.5 million euro (+28.3%) increase in amortizations essentially owing to the acquisition of the subsidiary Telat and to the entrance into operation of new plants

Net financial charges for the period equaled 24.0 million euros (entirely relative to the Parent Company) and registered a decrease of 14.4 million euros compared to the first quarter of 2009. The decrease was mainly due to the reduction in the interest rate curve and to the lack of negative exchange effects in 2009.

Income taxes for this period equaled 59.0 million euros and registered an increase of 13.8 million euros compared to the first quarter in 2009. The tax rate equaled 35.5% in line with the same period last year.

Net income of continuing activities stood at 107.1 million euros, increasing by 32.9% compared to 80.6 million euros of the first quarter of 2009. **Group Net Income**, equal to 107.1 million euros, registered an increase of 20.2% compared to 89.1 million euros during the same period last year.

The consolidated balance sheet as of March 31, 2010 registered a **Net Shareholders' Equity** equal to 2,611.1 compared to 2,501.5 million euros as of December 31, 2009. **Net financial debt** was equal to 3,776.4 million euros, increasing by 18.2 million euros compared to 3,758.2 as of December 31, 2009.

Total **investments** in the first quarter of 2010 equaled 193.3 million euros, increasing by 33.7% compared to 144.6 million euros during the same period last year.

Headcount of the Group, as of the end of March 2010, equaled 3,460 increasing by 13 employees compared to the end of 2009.

A conference call will be held at 3:00 pm to illustrate the results of the first 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 also on Terna's website (www.terna.it), in the Investor Relations section, concomitantly with the beginninig 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 Cash flows Statement of the TERNA Group are attached. It should be noted that the comparative Balance Sheet as of December 31, 2009 and Income Statements for the first quarter of 2009 were reclassified based on the entrance into effect as of January 1, 2010 of the IFRIC 12 "Service Concession Agreements". Specifically, as of December 31, 2009, property, plants and dispatching equipment for Intangible assets were reclassified for an amount equal to approximately 191 million euros and in the results of the first quarter of 2009, greater costs and building revenues were registered for approximately 5 million euros, respectively.

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TERNA drafted the Interim Management Report as of March 31, 2010 in compliance with the provisions stated in art. 154-ter of Legislative Decree 58/98, of Consob Directive n. DEM/8041082 dated April 30, 2008 and in IAS 34 Interim Reports[3].
The Interim Management Report as of March 31, 2010, which was subject to limited accounting auditing, will be made available to the public at Terna's head office and at the market management company Borsa Italiana S.p.A. (www.borsaitaliana.it) and will be available on Terna's website at www.terna.it as envisaged by the law.
In compliance with Directive n. DME/9081707 dated September 16, 2009, which, with reference to reclassified consolidated Income Statements, Balance Sheets and Statement of Cash Flows of the TERNA Group presented below, these are not subject to auditing on the part of the auditing company.

The office responsible for preparing Terna's accounting documents, Mr. Luciano di Bacco, certifies that in compliance with paragraph 2 of article 154-bis of the Consolidated Finance Act, the financial information included herein reflects the accounting entries, records and the books.

In this release, some "alternative performance indicators" (Ebitda, Ebitda margin 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 amortizations to the Operating result (EBIT);
- Ebitda margin: represents an indicator of the operating performance; it is calculated based on 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 Interim Management Report as of March 31, 2010 for the limited accounting auditing for renewing and enlarging the EMTN Program as already announced to the market on February 17, 2010.

Terna Group's Reclassified Income Statement

million euros	January 1 - March 31 2010	2009	Change	%
Revenues:				
- Grid Transmission Fees (1)	330.7	278.6	52.1	18.7%
- Other energy items (1)	18.7	16.0	2.7	16.9%
- Other revenues from sales and services (1)	6.3	10.0	-3.7	-37.0%
- Other revenues and income	9.5	9.6	-0.1	-1.0%
Total revenues	**365.2**	**314.2**	**51.0**	**16.2%**
Operating expenses:				
- Personnel expenses	48.4	50.1	-1.7	-3.4%
- Services and use of third party assets	30.9	27.7	3.2	11.6%
- Materials	5.0	4.5	0.5	11.1%
- Other expenses	6.9	2.3	4.6	200.0%
Total operating expenses	**91.2**	**84.6**	**6.6**	**7.8%**
GROSS OPERATING PROFIT	**274.0**	**229.6**	**44.4**	**19.3%**
Amortization/Depreciation	**83.9**	**65.4**	**18.5**	**28,3%**
OPERATING INCOME	**190.1**	**164.2**	**25.9**	**15.8%**
- Net financial income (charges) (2)	-24.0	-38.4	14.4	-37.5%
PROFIT BEFORE TAXES	**166.1**	**125.8**	**40.3**	**32.0%**
- Income taxes for the period	59.0	45.2	13.8	30.5%
NET INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS	**107.1**	**80.6**	**26.5**	**32.9%**
Net income for the period from discontinued operations or intended for sale	**0.0**	**13.5**	**-13.5**	**-100.0%**
NET INCOME FOR THE PERIOD	**107.1**	**94.1**	**13.0**	**13.8%**
-Attributable to the shareholders of the Group	*107.1*	*89.1*	*18.0*	*20.2%*
-Attributable to minority interests	*0.0*	*5.0*	*-5.0*	*-100.0%*

In the Consolidated Income Statement chart:

(1) This figure is included under item "Revenues from sales and services";
(2) Corresponds to the balance of the items described under points 1, 2 and 3 of letter C-"Financial income/charges".

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Terna Groups' Reclassified Balance Sheet

Million euros	As of 31.03.2010	As of 31.12.2009	Change
Net fixed assets			
- Intangible assets and goodwill	559.3	563.6	-4.3
- Property, plants and equipment	6,996.9	6,883.9	113.0
- Financial assets (1)	21.6	21.0	0.6
Total	**7,577.8**	**7,468.5**	**109.3**
Net working capital			
- Trade receivables (2)	399.8	371.8	28.0
- Inventories	10.7	11.7	-1.0
- Other assets (3)	14.7	10.7	4.0
- Trade payables (4)	347.8	381.3	-33.5
- Net payables for let-through energy lots (5)	243.0	303.4	-60.4
- Net tax liabilities (6)	93.4	14.8	78.6
- Other liabilities (7)	298.8	265.3	33.5
Total	**-557.8**	**-570.6**	**12.8**
Gross invested capital	**7,020.0**	**6,897.9**	**122.1**
Sundry provisions (8)	632.6	638.3	-5.7
Net invested capital from continuing operations	**6.387.4**	**6,259.6**	**127.8**
Net invested capital from discontinued operations or intended for sale	**0.1**	**0.1**	**0.0**
TOTAL NET INVESTED CAPITAL	**6,387.5**	**6,259.7**	**127.8**
Equity attributable to the shareholders of the Group	2,611.1	2,501.5	109.6
Net financial debt (9)	3,776.4	3,758.2	18.2
Total	**6,387.5**	**6,259.7**	**127.8**

In the Consolidated balance sheet, these correspond to:

(1) The items "Equity-accounted investees" and "Other non-current assets";

(2) The item "Trade receivables" net of receivables for revenues from let-through energy (622.8 million euros);

(3) The item "Other current assets" net of other tax receivables (18.4 million euros) and the item "Current financial assets" for the value of deferred assets (1.4 million euros);

(4) The item "Trade payables" net of the value of payables for let-through energy costs (865.8 million euros);

(5) The items "Trade receivables" for the value of receivables for let-through energy revenues (622.8 million euros) and "Trade payables" for the value of payables for let-through energy costs (865.8 million euros);

(6) The items "Receivables for income taxes", "Other current assets" for the value of other tax receivables (18.4 million euros), "Other current liabilities" for the amount of other tax liabilities (16.6 million euros) and "Income tax liabilities";

(7) The items "Other noncurrent assets", "Current financial liabilities" and "Other current liabilities" (109.9 million euros net of other tax liabilities);

(8) The items "Employee benefits", "Provisions for contingencies and future charges" and "Deferred tax liabilities";

(9) The items "Long-term loans", "Current portion of long-term loans", "Short-term loans", "Noncurrent financial liabilities", "Cash and cash equivalents", "Noncurrent financial assets" and "Current financial assets" for the value of the short-term shares (500.0 million euros).

*Terna Group's Cash Flow **

Million euros	Cash flow as of 31.03.2010	Cash flow as of 31.03.2009
Opening cash and cash equivalents	**0.1**	**779.7**
of which Cash and cash equivalents from discontinued operations	***0.0***	***90.5***
- Profit for the period	107.1	94.1
- Amortization and depreciation	83.9	72.1
- Net change in provisions	-5.7	-33.2
- Losses (profits) on asset disposals	0.1	-1.7
Self-financing	**185.4**	**131.3**
- Change in net working capital	-12.8	152.3
Cash Flow from operating activities	**172.6**	**283.6**
Investments		
- Property, plants and equipment	-184.7	-143.3
- Intangible assets	-8.6	-6.2
- Other changes in non-current assets	0.3	-20.6
- Change in shareholding	-0.3	-1.2
Total cash flow from (to) investment activities	**-193.3**	**-171.3**
- Change in loans	28.8	-633.2
- Other transactions in the Group net equity	2.5	-24.4
- Dividends to minority interests of the foreign subsidiaries	0.0	-1.0
Total cash flow from (to) financial activities	**31.3**	**-658.6**
Total cash flow for the period	**10.6**	**-546.3**
Closing cash and cash equivalent	**10.7**	**233.4**
of which Cash and cash equivalent from discontinued operations	***0.0***	***91.1***

*For the reconciliation with the consolidated accounting statements, please refer to the paragraph "Terna Group's economic and financial management" of the Interim Report on Management of the Terna Group's Interim Management Report as of March 31, 2010.