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TERNA: BOARD APPROVES RESULTS FOR THE FIRST QUARTER ENDING MARCH 31 2005

- *1Q05 results:*
  - *Revenues at 253.7 million euro (275.1 million euro in 1Q04, -7.8%)*
  - *Ebitda at 181.8 million euro (203.4 million euro in 1Q04, -10.6%)*
  - *Ebit at 141.4 million euro (165.6 million euro in 1Q04, -14.5%)*
  - *Net income at 70.3 million euro (77.1 million euro in 1Q04, -8.8%)*
- *2005 Stock Option Plan reserved for executives of the Company*
- *Corporate Bylaws amendments in accordance with current legislation*

Rome, May 9 2005 – The Board of Terna SpA, chaired by Fulvio Conti, today approved the results for the first quarter of 2005.

The Terna Group – pursuant to Consob Regulation no. 11971/1999 (Article 82-*bis* - Annex 3D), as amended by resolution no. 14990 of April 14, 2005 – has released 2005 first quarter results in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB) currently in force. 2004 first quarter results have also been restated according to the IFRS.

CONSOLIDATED FINANCIAL RESULTS (IFRS)

Euro Millions	1Q04	1Q05	Change
Revenues	253.7	275.1	- 7.8%
EBITDA	181.8	203.4	- 10.6%
EBIT	141.4	165.6	- 14.5%
Net income	70.3	77.1	- 8.8%

The Chairman **Fulvio Conti** commented: "Terna's operating margins for the full year will be in line with those of last year, notwithstanding the fact that first quarter figures have been impacted by the application of time bands implemented by the regulator in April 2004."

FIRST QUARTER 2005 CONSOLIDATED RESULTS

In the first quarter 2005 **Revenues** stood at 253.7 million euro (217.6 million euro for the Parent Company and 36.1 million euro for the Brazilian subsidiaries), down by 21.4 million euro (- 7.8% versus 275.1 million euro in the first quarter 2004). The reduction in revenues is essentially due to lower revenues for the transport of electricity on the Italian grid (-43.9 millions of euro) resulting from the application of new time bands introduced by AEEG resolution no. 05/04. The Brazilian subsidiaries recorded an increase in revenues equal to 13.2 million euro (+60.4%), reflecting the Novatrans line becoming fully operational. Other Activities and Income in Italy showed an increase of approximately 10 million euro, mainly due to a one-off reversal of 2004 revenues withheld by GRTN (15.3 million euro).

Operating Costs were equal to 71.9 million euro (63.6 million euro for the Parent Company and 8.3 million euro for the subsidiaries), showing an increase of 0.3% compared to the same period of last year. These primarily reflect the increase in personnel costs (ca. 3.5 million euro), mainly linked to higher average headcount both in Italy and in Brazil, partially compensated by other lower costs (- 2.8 million euro).

Ebitda amounted to 181.8 million euro, featuring a 21.6 million euro decline versus 1Q04 (-10.6%). The contribution from Brazil amounted to 27.8 million euro versus 15.7 million euro of the same period of 2004 (+77%).

Ebit was equal to 141.4 million euro, down by 24 million euro (-14.5%) compared to the 165.6 million euro of the same period of 2004.

Net Income amounted to 70.3 million euro in the quarter (down by 8.8% compared to the 77.1 million euro of the first quarter 2004) after having reported net financial charges of 24.7 million euro and income taxes for 46.4 million euro, of which 42.2 million relating to the Parent Company (13 million euro due to deferred taxes).

The consolidated balance sheet as of March 31, 2005 registered **Shareholders' Equity** at 1,833.2 million euro (versus 1,753.3 million euro as of December 31, 2004) and **Net Financial Debt** at 1,858 million euro (compared to 1,900 million euro as at December 31, 2004). The **debt/equity** ratio as of March 31, 2005 is therefore equal to 1.01.

Investments during 1Q05 totalled approximately 28 million euro, down by 50.6 % versus same period last year, mainly due to the completion of the Novatrans line in Brazil.

Headcount of the Group at the end of March stood at 2,942, up by 13 employees compared to 2004 year end (+0.5%).

APPLICATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS/IFRS)

The Terna Group has adopted the International Financial Reporting Standards (IFRS) starting from 2005, with transition period starting from January 1, 2004. Therefore, Terna Group restated figures as of January 1, 2004 and December 31, 2004 under IFRS 1 (First Time Adoption).

The following main changes versus Italian GAAP figures as of December 31, 2004 should be noted:

- PP&E: +10 million euro, mainly due to restatement of the value of land;
- Equity: -67 million euro, mainly due to actuarial valuation of the Severance funds and indemnities for personnel;
- Net Debt: +35 million euro, mainly due to fair value of bonds.

Taking advantage of the exceptions allowed by Consob notice no. 5025723 (April 15, 2005), restated figures as of January 1, 2004 and December 31, 2004 have not been yet audited. They shall be audited – in line with Consob recommendations – together with the 2005 half-year report.

2005 STOCK OPTION PLAN APPROVED

The Board of Directors - which was granted the power to increase Terna's share capital in connection with future stock option plans at the Ordinary Shareholders' Meeting held on April 1, 2005 – has also approved today the 2005 stock option plan as well as the regulations for its implementation.
According to the present plan, beneficiaries selected by the Chief Executive Officer among executives with relevant positions in the Company, are assigned options regarding the subscription of a corresponding number of newly issued Terna ordinary shares. The plan will be extended, with the same criteria and conditions, to executives coming from the TSO branch to be transferred to Terna from GRTN, once the reunification is finalized.
In particular, the Board of Directors resolved today the allotment of an overall number of 9,950,000 options for the benefit of approximately 20 executives of the Group.
The exercise of the options is subject to the achievement of the performance targets set by the Board of Directors.
More specifically, the plans specify that all the allotted options become exercisable if, in 2005, the consolidated Ebitda exceeds the target indicated by the budget and the performance of Terna shares on the Italian stock market is higher – according to calculation criteria indicated by the plan's regulations – than that of a specific reference index (50% MIBTEL and 50% FTSE 300 Electricity). In the event that even one of these objectives is not met, all the allotted options automatically expire.
The plan states that the options – if the above conditions are met – may be exercised as follows: up to 30% from the date of the communication of the achievement of the conditions; up to 60% from the first year after such communication and up to 100% from the second year after the communication. The options cannot be exercised after March 31, 2010.
The strike price has been set as the arithmetical average of the reference prices of Terna shares on the Italian stock market for the period from the date of the assignation and the same calendar day of the month before, in compliance with the relevant tax regulations.

The Board of Directors has also approved a long term incentive plan reserved to executives who do not benefit from the 2005 stock option plan. According to the present plan, beneficiaries are assigned incentives if, in the medium term, performance targets are met and the performance of Terna shares exceeds specific thresholds.

AMENDMENTS TO CORPORATE BYLAWS

The Board of Directors has also approved amendments to the corporate bylaws, in particular the latter were conformed to the new provisions for the "special powers" ("golden share") of the Italian government as stated in the Decree approved by the Minister of Economy and Finance on April 1, 2005. The adopted amendments (Articles 6.3, 15.1, 18.1, 21.1 and 22.2) are merely formal, since Terna already incorporated in its bylaws, during the extraordinary Shareholders' Meeting held on March 3, 2004, the outstanding new provisions concerning the "special powers" as stated in Law no. 350 (2004 Budget Law), in Article 2, sub-section 1, of Law 474/1994.

Further amendments were introduced in compliance with provisions of current legislation and they relate to the term for approval of the financial statements and notices for intervention in Shareholders' Meetings.

At 6.00 pm. a conference call will be held to illustrate 2005 First Quarter results to financial analysts and institutional investors. Journalists are also invited to listen into the call.
Support material for the conference call will be available on the web site www.terna.it. in the Investor Relations section, from the commencement of the call.

The reclassified Consolidated Income Statement and Balance Sheet of the Terna Group are attached.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

In millions of euro

	2005	2004	Change	
				%
Revenues:				
- Network usage fees	223.2	253.9	-30.7	-12.1
- Other sales and services	12.4	13.3	-0.9	-6.8
- Other income and revenues	18.1	7.9	10.2	229.1
Total revenues	**253.7**	**275.1**	**-21.4**	**-7.8**
Operating Costs:				
- Personnel costs	42.1	38.6	3.5	9.0
- Services and use of third party assets	24.6	24.9	-0.3	-1.1
- Materials	3.0	3.3	-0.3	-8.2
- Other costs	6.0	8.8	-2.8	-31.8
- Capitalized costs	-3.8	-3.9	0.1	-2.4
Total Operating Costs	71.9	71.7	0.2	0.3
GROSS OPERATING INCOME	**181.8**	**203.4**	**-21.6**	**-10.6**
- Amortization and depreciation	**40.4**	**37.9**	**2.5**	**6.6**
OPERATING INCOME	**141.4**	**165.6**	**-24.0**	**-14.5**
- Net financial expenses	-24.7	-31.3	6.6	-21.0
INCOME BEFORE TAXES	**116.7**	**134.2**	**-17.5**	**-13.0**
Income taxes	46.4	57.1	-10.7	-18.7
NET INCOME	**70.3**	**77.1**	**-6.8**	**-8.8**

RECLASSIFIED CONSOLIDATED BALANCE SHEET

In millions f euro

	As of 31.03.2005	As of 31.12.2004	change	%
Net Fixed Assets				
- Tangible and Intangible	4,445.2	4,438.8	6.4	0.1
- LT financial assets	26.1	16.8	9.2	54.8
Total	**4,471.3**	**4,455.6**	**15.7**	0.4
Net Current Assets				
- Trade receivables	202.6	158.0	44.6	28.2
- Inventories	19.6	19.6	0.0	0.0
- Other assets	45.0	28.2	16.8	59.5
- Taxes payables net	47.9	8.5	39.4	463.5
- Trade payables	131.9	183.6	-51.7	-28.2
- Other liabilities	254.1	215.5	38.6	17.9
Total	**-166.7**	**-201.8**	**35.1**	-17.4
GROSS CAPITAL EMPLOYED	**4,304.6**	**4,253.8**	**50.8**	1.2
Provisions	613.4	600.5	12.9	2.1
NET CAPITAL EMPLOYED	**3,691.2**	**3,653.2**	**37.9**	1.0
Shareholders' equity	1,833.2	1,753.3	79.9	4.6
Total indebtedness	1,858.0	1,900.0	-42.0	-2.2
Total	**3,691.2**	**3,653.2**	**37.9**	1.0