

# 9M07 Consolidated Results

Flavio Cattaneo – Chief Executive Officer

Fabio Todeschini – Chief Financial Officer

November 12<sup>th</sup>, 2007

# Agenda

## Highlights & Recent Developments

9M07 Results

Closing Remarks

Annexes

# Highlights

## Results

- Growth in Revenues (+6.7%) and EBITDA (+10.9%), net of 2006 one off revenue recovery
- Margins enhanced: 74.1% EBITDA margin (vs. 72.7% 9M06)
- Total Net Income up by 2.5%

## Capex

- Development of the Grid on schedule
- Spent 342mn, +69% vs 9M06

## Growth

- Built up scale in Brazil
- Consistent progresses in the Balkans

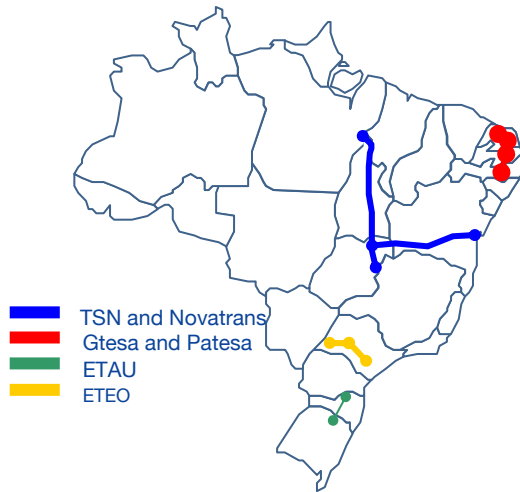
# Recent Developments

## Brazil – Recent M&A

### Strategic Rationale

- Terna Part continues to pursue its growth strategy
- Slight increase in market share
- Operational and fiscal synergies

### Building Scale



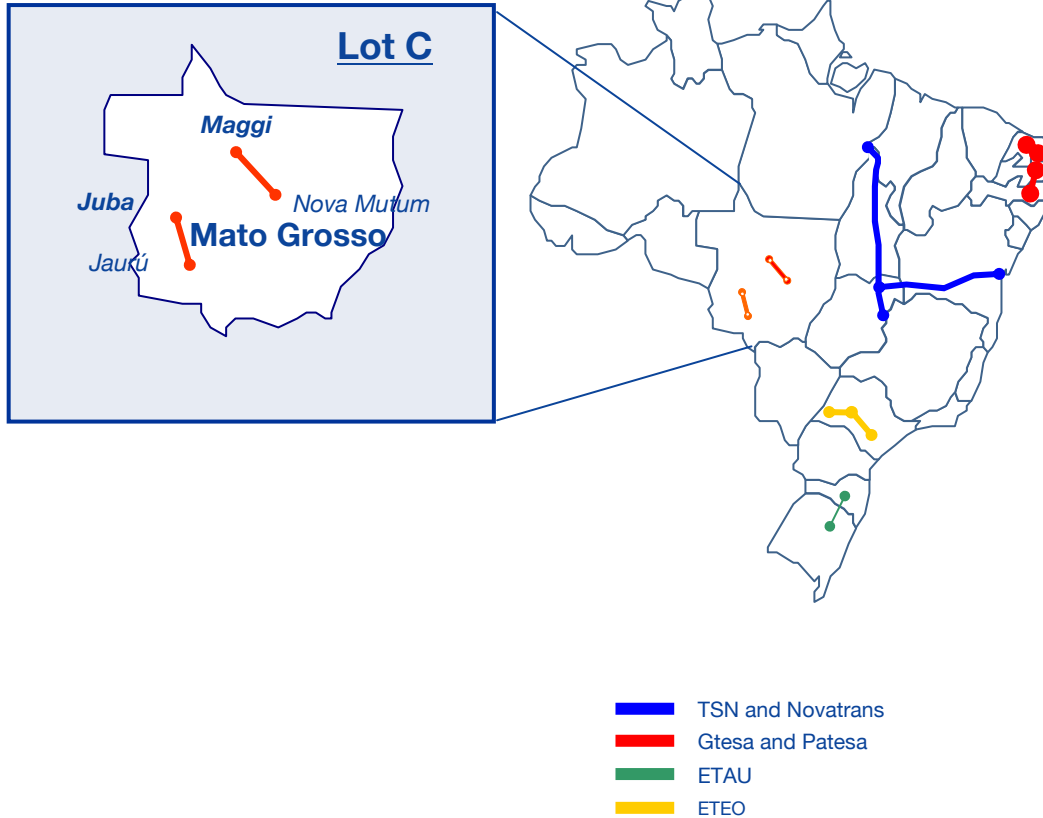
- Announced acquisitions of GTESA, PATESA, ETEO, ETAU<sup>(1)</sup>
  - +36% of km of lines; +26% of revenues
  - Total EV<sup>(2)</sup>: 857mn R\$ (ca. 331mn€)
- Waiting for customary approvals (ANEEL and BNDES)

(1) 52.58% stake

(2) Taking into account 100% of ETAU

# Recent Developments

## Brazil – Auctions for New Transmission Lines



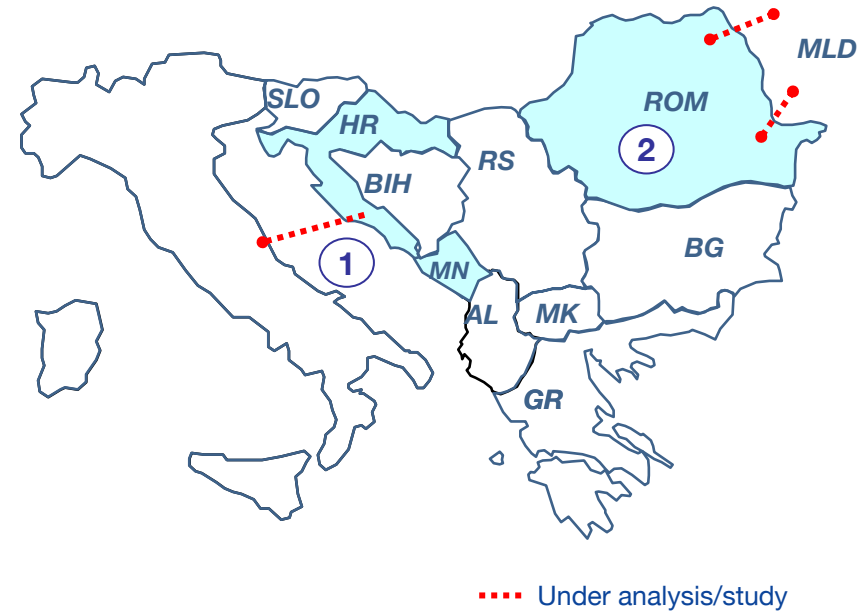
- **30-year concession**
  - **Bidder:** Consortium *Jaurú*
    - Eletronorte 45% (Main Partner)
    - Terna Participações 35%
    - Bimetal Indústria 20%
  - **State involved:** Mato Grosso
  - **Km Lines (230KV):** 402
  - **Substations:** 2 (Juba + Maggi)
- Annual Revenues (RAP):**  
~15mn R\$ (ca. 6mn-€, adjusted annually for inflation)

Note: Euro/BRL exchange rate 2.56, as of 7 November, 2007

# Recent Developments

## Balkans – Agreements with Croatia and Romania

- 1 Croatia**
  - Signed agreement<sup>(1)</sup> with HEP-OPS (TSO) for the engineering and construction of a submarine cable
  - Feasibility study already under way
  
- 2 Romania**
  - MoU<sup>(1)</sup> with Transelectrica (TSO) for studying the feasibility of an interconnection between Romania and Moldavia



## Building the Italian Electricity Hub

(1) Non-Binding Agreement

# Recent Developments

## Inflation-Linked Bond

### Offering Details

Issuer	Terna S.p.A.
Rating	AA- (S&P)/Aa3 (Moody's)/AA (Fitch)
Amount	500mn€
Maturity	September 15, 2023
Indexation	Italian inflation (FOI excluding tobacco)
Pricing	BTPei 2023 bond + 36 bps
Coupon	2.731%, on notional accrued with inflation (paid semi-annually)
Documentation	EMTN Programme
Listing	Luxembourg Stock Exchange

### Use of Proceeds

- Secure funding for the capex set forth in the National Development Plan

# Agenda

Highlights & Recent Developments

**9M07 Results**

Closing Remarks

Annexes

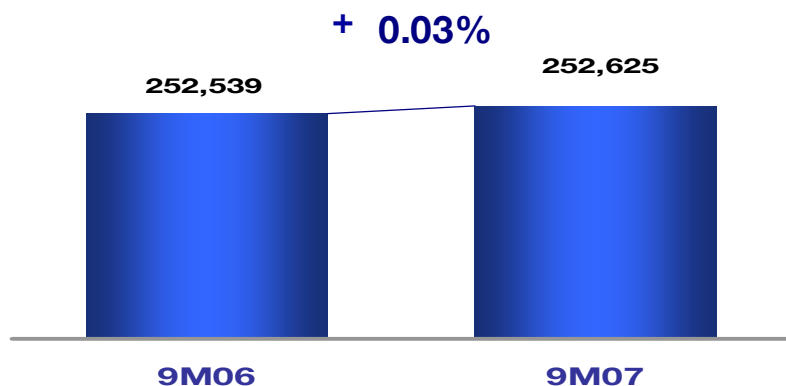


# 9M2007 Results

## Energy Items

### Electricity Demand

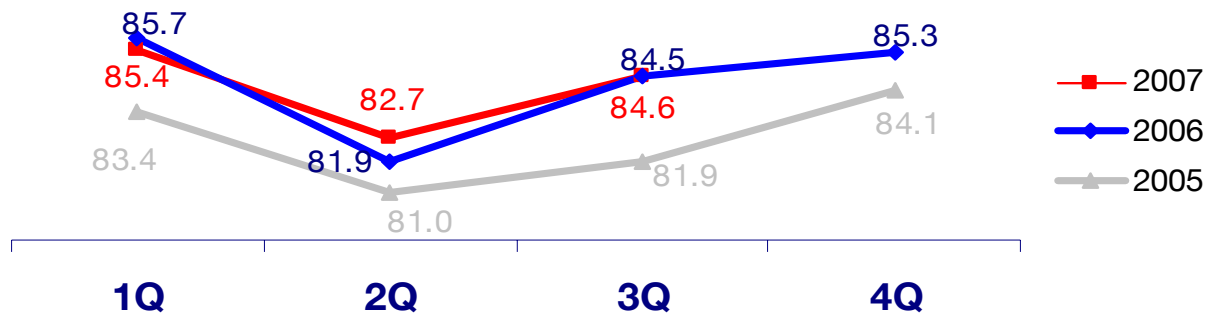
GWh



**Total Net Production: 222,406 (-2.4%)**  
Pumping: 5,505 (-15.0%)  
Net Import: 35,724 (+14.5%)

### Quarterly Analysis

GWh



Note: 2007 provisional figures

# 9M2007 Results

## Financial Highlights

In mn Euro

	<b>9M06</b>	<b>9M07</b>	<b>Δ%</b>	<b>Δ% adjusted <sup>(1)</sup></b>
<b>Operating Revenues</b>	<b>971</b>	<b>986</b>	<b>1.5%</b>	<b>6.7%</b>
Operating Expenses	265	256	-3.6%	
<b>EBITDA</b>	<b>706</b>	<b>730</b>	<b>3.4%</b>	<b>10.9%</b>
<b><i>EBITDA Margin (%)</i></b>	<b>72.7%</b>	<b>74.1%</b>		
<b>Total Net Income</b>	<b>285</b>	<b>292</b>	<b>2.5%</b>	
<b>Group Net Income</b>	<b>285</b>	<b>278</b>	<b>-2.5%</b>	
<b>Capex</b>	<b>203</b>	<b>342</b>	<b>69.0%</b>	

Note: 9M06 figures restated according to new interpretation of IAS

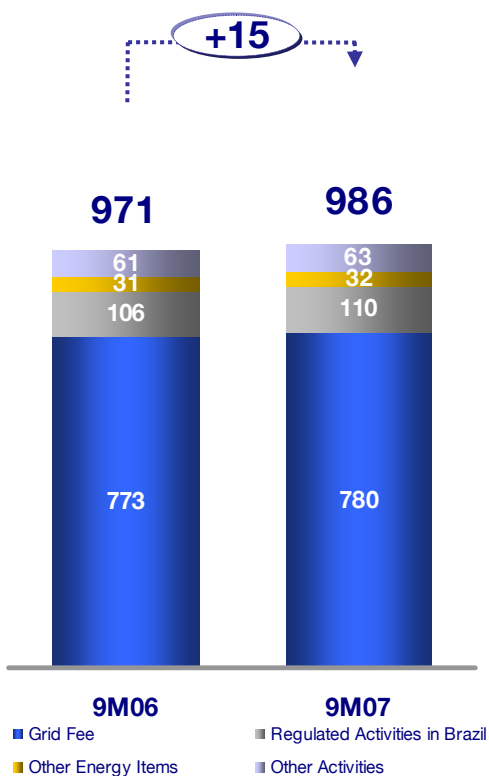
(1) Net of 2006 one -off item

# 9M2007 Results

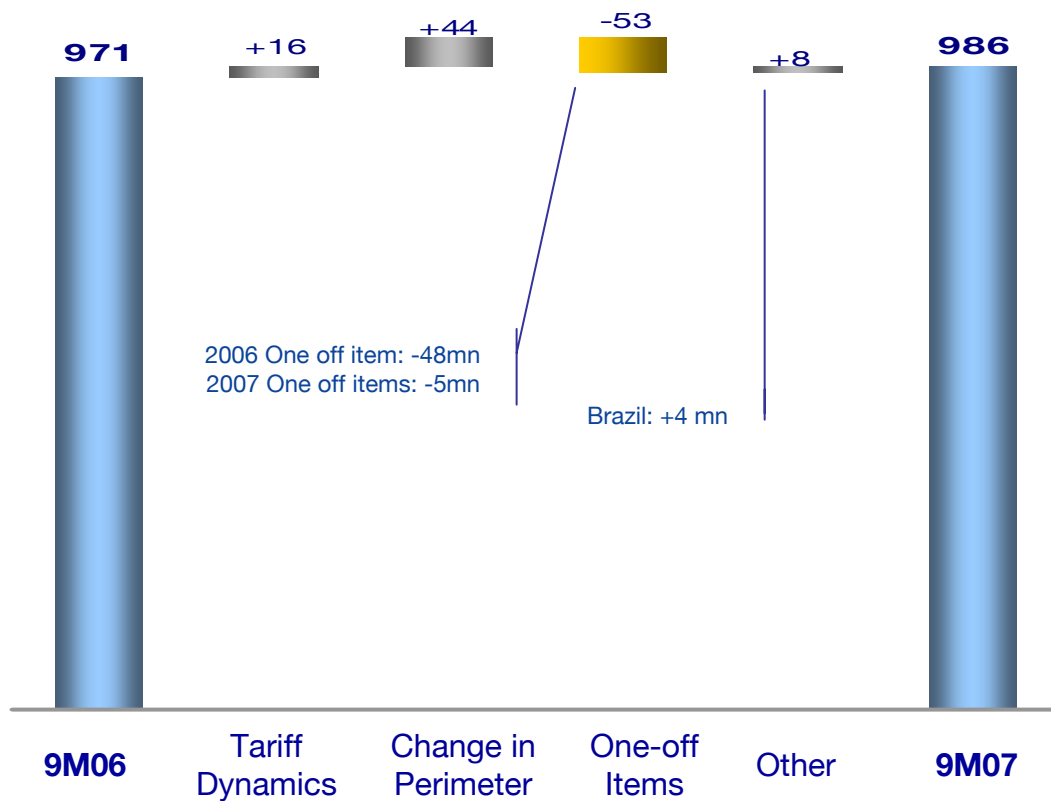
## Consolidated Revenues

In mn Euro

### Revenues by Nature



### Revenues Breakdown

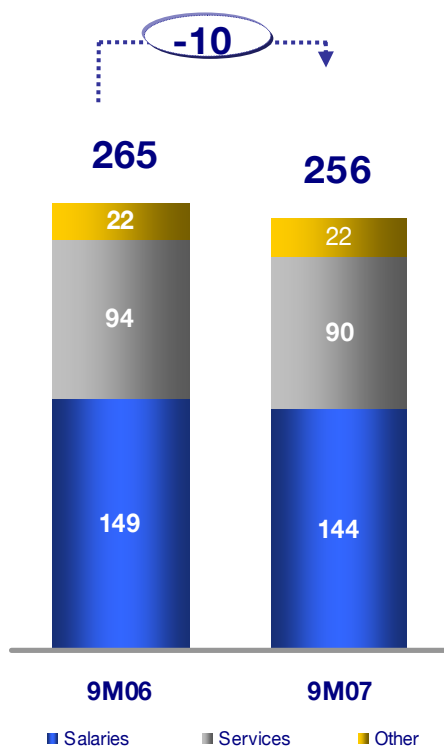


# 9M2007 Results

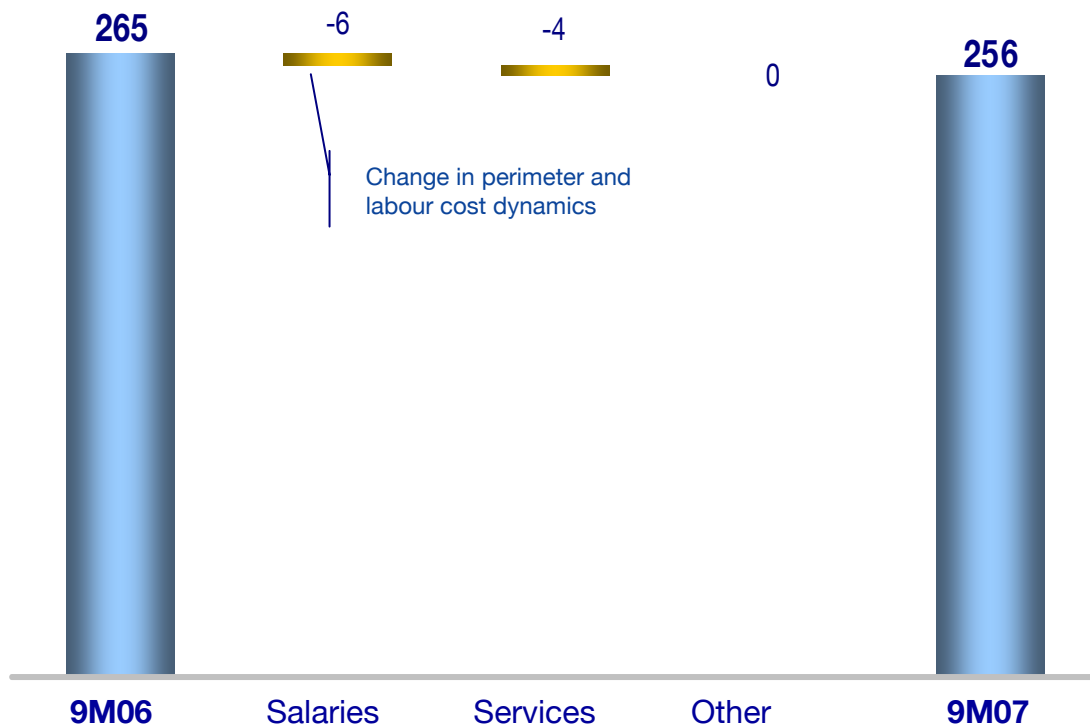
## Consolidated Costs

In mn Euro

### Costs by Nature <sup>(1)</sup>



### Costs Breakdown



(1) Net of capitalized costs

# 9M2007 Results

## From EBITDA to Net Income

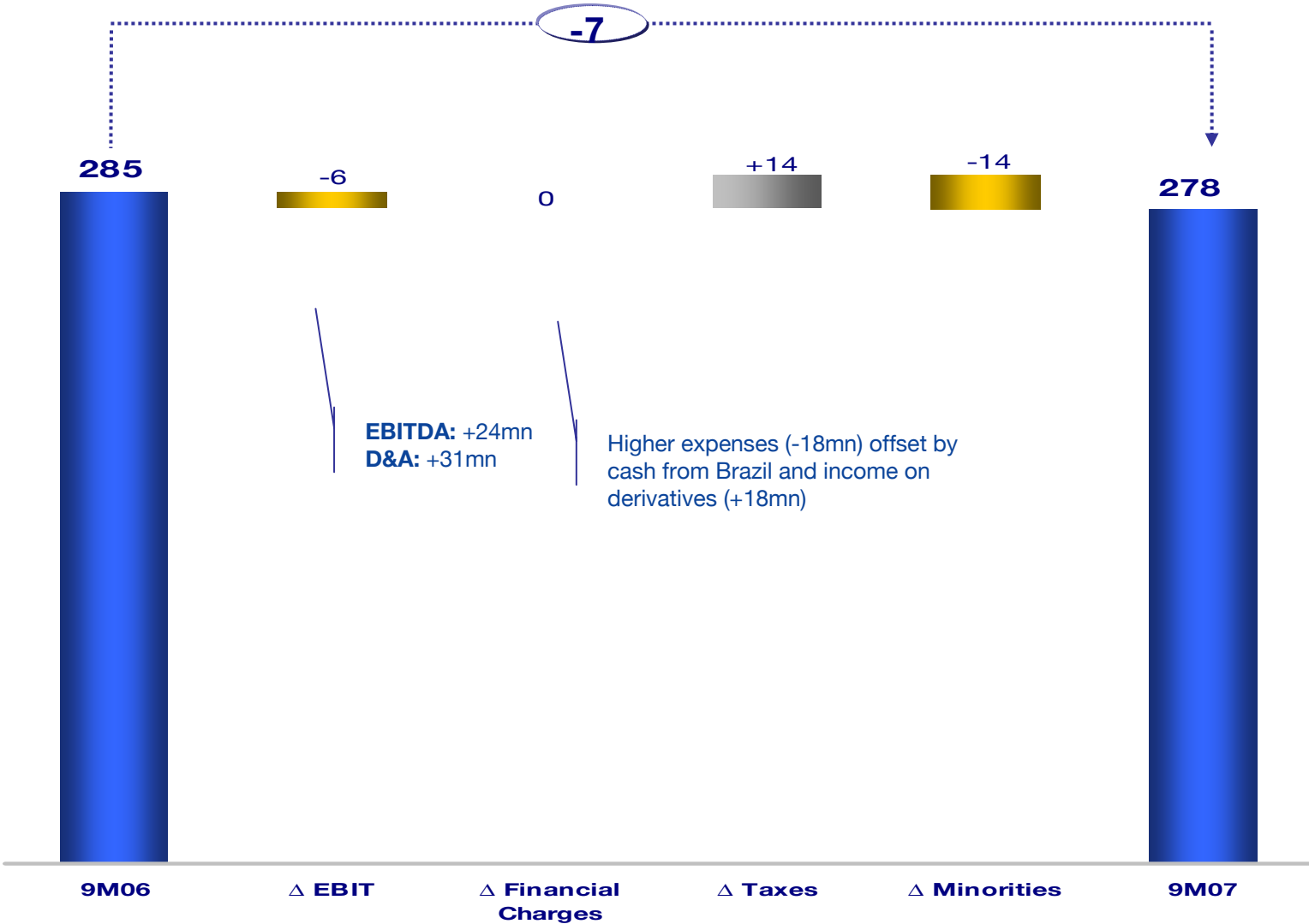
In mn Euro

	Consolidated		Change	
	9M06	9M07	mn	Δ%
<b>EBITDA</b>	<b>706</b>	<b>730</b>	<b>24</b>	<b>3.4%</b>
<b>EBITDA Margin (%)</b>	<b>73%</b>	<b>74%</b>		
D&A	148	179	31	20.7%
<b>EBIT</b>	<b>558</b>	<b>551</b>	<b>-6</b>	<b>-1.1%</b>
Financial (Income) Charge	74	74	0	0.1%
Taxes	200	186	-14	-6.9%
<i>Tax rate (%)</i>	<i>41.2%</i>	<i>38.9%</i>		
<b>Total Net Income</b>	<b>285</b>	<b>292</b>	<b>7</b>	<b>2.5%</b>
Minority Interest	0	14	14	
<b>Group Net Income</b>	<b>285</b>	<b>278</b>	<b>-7</b>	<b>-2.5%</b>

# 9M2007 Results

## Consolidated Net Income Evolution

In mn Euro



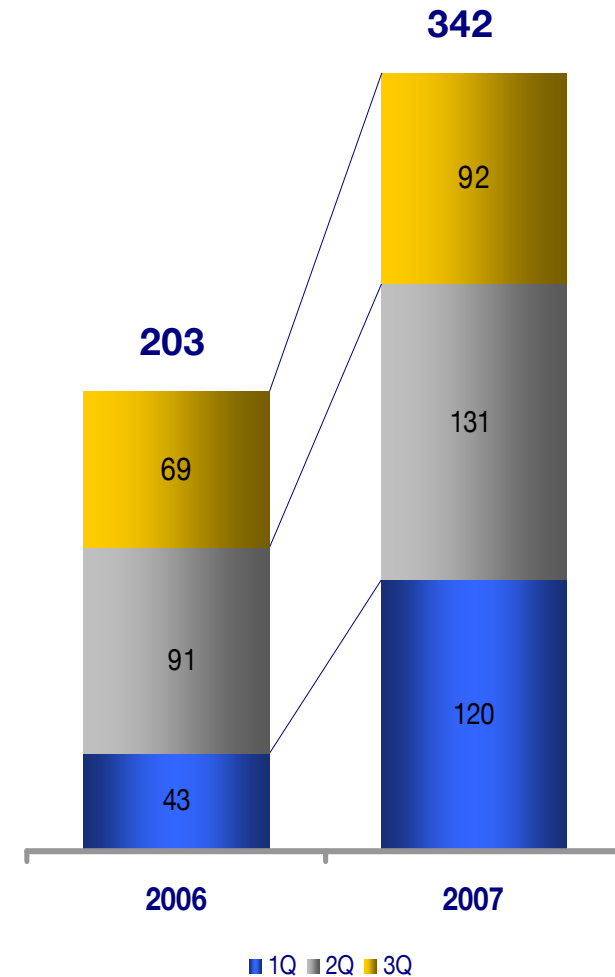
# 9M2007 Results

## Capex Breakdown

In mn Euro

	9M06	9M07	Change
<b>8.7% Remuneration- Development</b>	<b>128</b>	<b>250</b>	<b>122</b>
<b>6.7% Remuneration</b>	<b>70</b>	<b>88</b>	<b>19</b>
- Maintenance	43	47	4
- Other	26	41	15
<b>TOTAL ITALY</b>	<b>197</b>	<b>338</b>	<b>141</b>
<b>TOTAL BRAZIL</b>	<b>5</b>	<b>4</b>	<b>-1</b>
<b>TOTAL CAPEX</b>	<b>203</b>	<b>342</b>	<b>140</b>

**+69% 9M07 vs. 9M06**

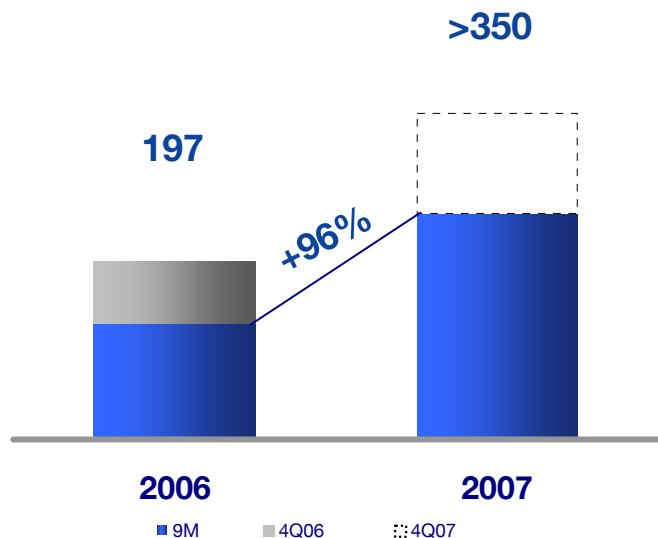


# 9M2007 Results

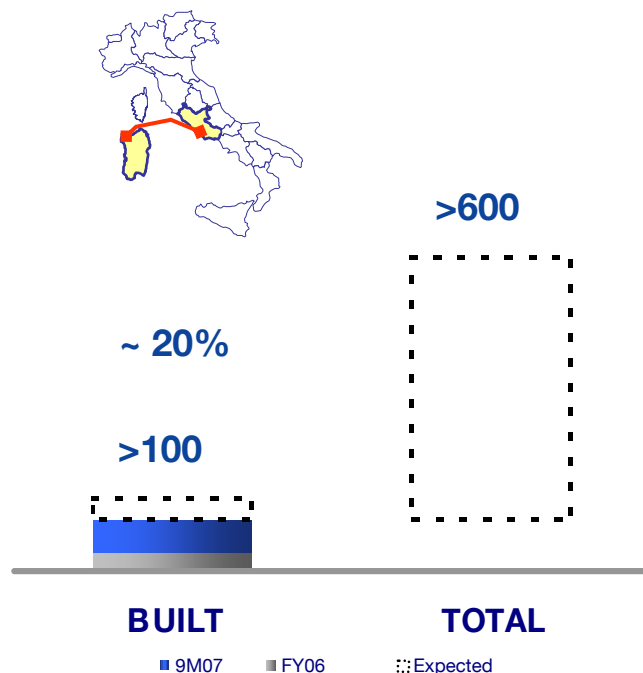
## Capex Details

In mn Euro

### Total Development Capex



### SAPEI



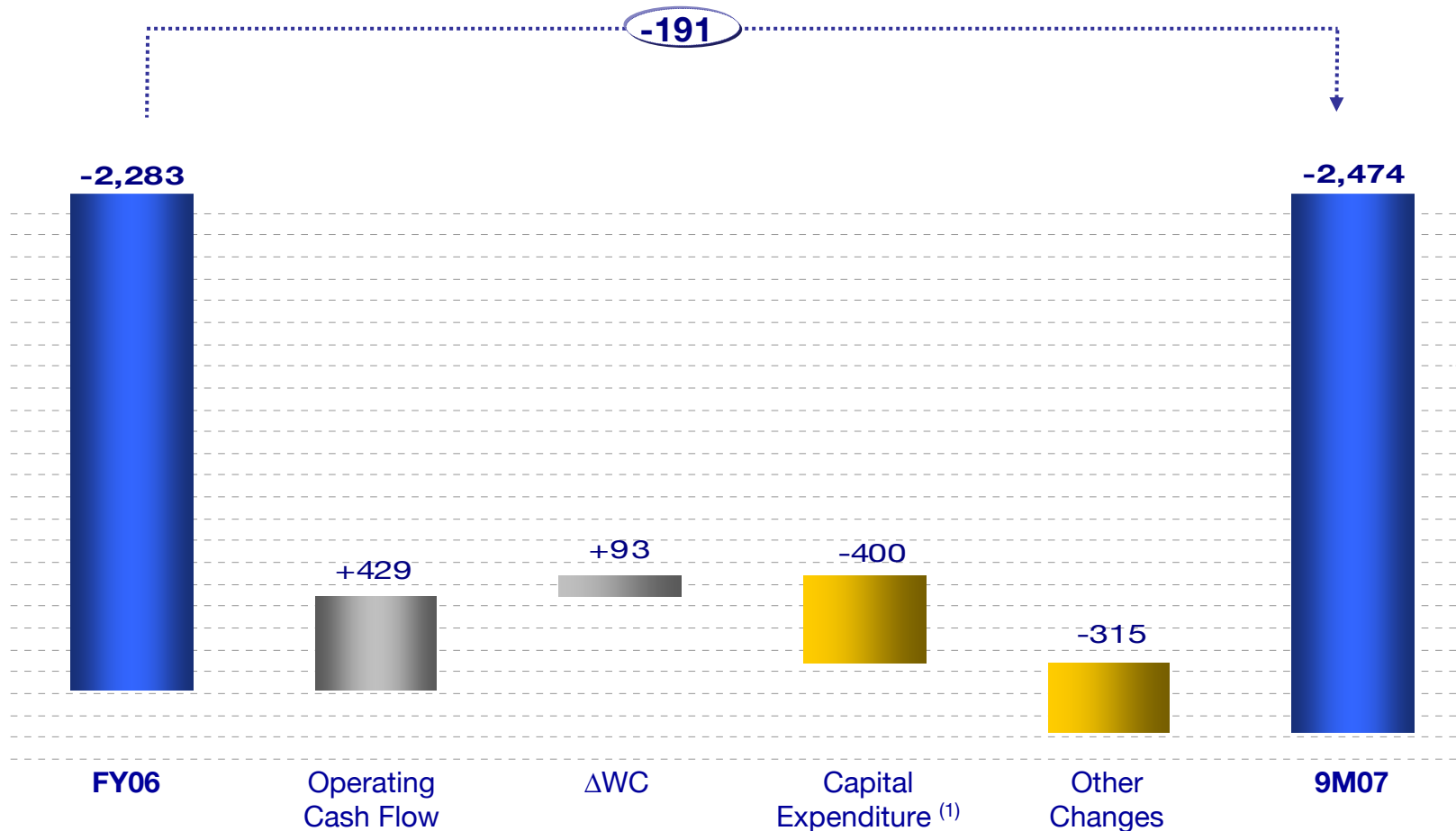


# 9M2007 Results

## Consolidated Net Debt

In mn Euro

### Net Debt Evolution



<sup>(1)</sup> Includes Capex and Other Fixed Asset Change

# 9M2007 Results

## TERNA Participações (BRL\$)

In mn BRL\$

	IAS			Brazilian GAAP		
	9M06	9M07	Δ%	9M06	9M07	Δ%
<b>Operating Revenues</b>	<b>314</b>	<b>328</b>	<b>4%</b>	<b>373</b>	<b>381</b>	<b>2%</b>
Operating Expenses <sup>(1)</sup>	60	69	15%	47	50	6%
<b>EBITDA</b>	<b>254</b>	<b>259</b>	<b>2%</b>	<b>325</b>	<b>331</b>	<b>2%</b>
D&A	38	40	4%	49	51	4%
<b>EBIT</b>	<b>216</b>	<b>219</b>	<b>2%</b>	<b>277</b>	<b>280</b>	<b>1%</b>
Net Interest Expenses	83	64	-23%	86	68 <sup>(2)</sup>	-21%
Taxes	47	42	-10%	75	72	-4%
<b>Net Income</b>	<b>86</b>	<b>113</b>	<b>31%</b>	<b>115</b>	<b>140</b>	<b>21%</b>
<b>Net Debt</b>	<b>1,174</b>	<b>824</b>	<b>-30%</b>	<b>1,183</b>	<b>829</b>	<b>-30%</b>

(1) Net of capitalized costs

(2) Net Income 9M07 net of Interest on Equity 15.34mnBRL\$

# Agenda

Highlights & Recent Developments

9M07 Results

**Closing Remarks**

Annexes

# Closing Remarks

## Next ...

- Regulatory Review
  - Second Consultation Document by November
  - Final by December
- Development of the Grid
  - Delivery of projects
  - Update of the National Development Plan Ongoing
- Finalize and close the acquisitions announced in Brazil

# Agenda

Highlights & Recent Developments

9M07 Results

Closing Remarks

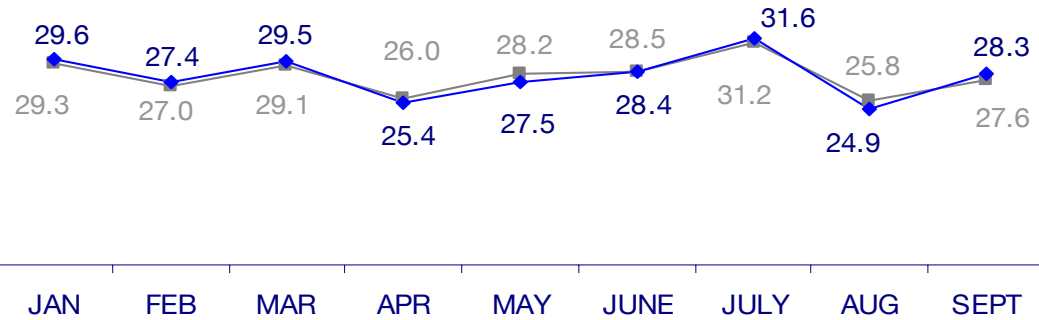
**Annexes**

# Italian Electricity Market Evolution

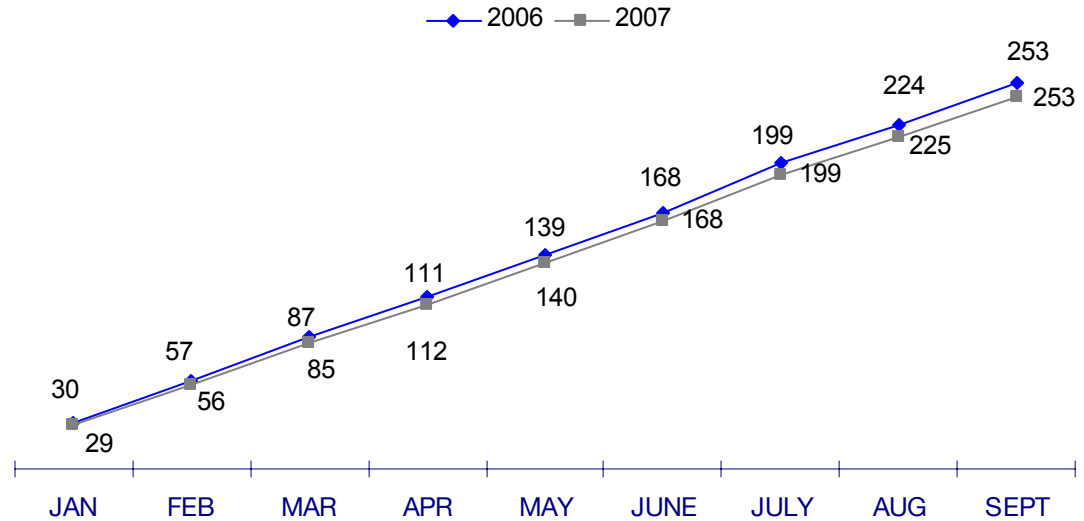
TWh

## Energy Demand

### Monthly Trend



### Cumulated Trend



Source: 2006, 2007 Terna monthly reports

# 9M2007 Results

In mn Euro

## Consolidated - Income Statement

Consolidated			Change	Consolidated			Change
3Q06	3Q07	Δ%		9M06	9M07	Δ%	
<b>330</b>	<b>343</b>	<b>4.1%</b>	<b>Operating Revenues</b>	<b>971</b>	<b>986</b>	<b>1.5%</b>	
264	270	2.5%	Grid Fee	773	780	0.9%	
10	11	4.8%	Other Energy Items	31	32	3.5%	
37	40	7.9%	Regulated Activities in Brazil	106	110	4.0%	
19	22	18.5%	Other Activities	61	63	3.8%	
<b>84</b>	<b>85</b>	<b>0.4%</b>	<b>Operating Expenses</b>	<b>265</b>	<b>256</b>	<b>-3.6%</b>	
49	47	-4.1%	Salaries	149	144	-3.7%	
29	29	-1.0%	Services	94	90	-4.6%	
6	9	41.9%	Other	22	22	0.9%	
<b>246</b>	<b>259</b>	<b>5.3%</b>	<b>EBITDA</b>	<b>706</b>	<b>730</b>	<b>3.4%</b>	
212	226	6.9%	Italy	613	634	3.4%	
34	33	-4.4%	Brazil	93	96	3.2%	
49	60	22.1%	D&A	148	179	20.7%	
<b>196</b>	<b>199</b>	<b>1.1%</b>	<b>EBIT</b>	<b>558</b>	<b>551</b>	<b>-1.1%</b>	
27	45	66.9%	Financial (Income) Charge	74	74	0.1%	
65	65	0.9%	Taxes	200	186	-6.9%	
38.1%	42.4%		Tax rate (%)	41.2%	38.9%		
<b>105</b>	<b>88</b>	<b>-15.6%</b>	<b>Total Net Income</b>	<b>285</b>	<b>292</b>	<b>2.5%</b>	
0	5		Minority Interest	0	14		
<b>105</b>	<b>84</b>	<b>-20.3%</b>	<b>Group Net Income</b>	<b>285</b>	<b>278</b>	<b>-2.5%</b>	

Note: 9M06 figures restated according to new interpretation of IAS

# 9M2007 Results

## Consolidated - Income Statement

In mn Euro

Consolidated			Change Δmn	Consolidated			Change Δmn
3Q06 OLD	3Q06 NEW			9M06 OLD	9M06 NEW		
<b>338</b>	<b>330</b>	<b>-8</b>	<b>Operating Revenues</b>	<b>996</b>	<b>971</b>	<b>-25</b>	
264	264	0	Grid Fee	773	773	0	
10	10	0	Other Energy Items	31	31	0	
48	37	-11	Regulated Activities in Brazil	140	106	-35	
16	19	3	Other Activities	52	61	9	
<b>84</b>	<b>84</b>	<b>0</b>	<b>Operating Expenses</b>	<b>265</b>	<b>265</b>	<b>0</b>	
49	49	0	Salaries	149	149	0	
29	29	0	Services	94	94	0	
6	6	0	Other	22	22	0	
<b>254</b>	<b>246</b>	<b>-8</b>	<b>EBITDA</b>	<b>731</b>	<b>706</b>	<b>-25</b>	
212	212	0	Italy	613	613	0	
42	34	-8	Brazil	119	93	-25	
49	49	0	D&A	148	148	0	
<b>204</b>	<b>196</b>	<b>-8</b>	<b>EBIT</b>	<b>583</b>	<b>558</b>	<b>-25</b>	
27	27	0	Financial (Income) Charge	74	74	0	
68	65	-3	Taxes	210	200	-11	
38.2%	38.1%		Tax rate (%)	41.1%	41.2%		
<b>109</b>	<b>105</b>	<b>-5</b>	<b>Total Net Income</b>	<b>299</b>	<b>285</b>	<b>-15</b>	
0	0	0	Minority Interest	0	0	0	
<b>109</b>	<b>105</b>	<b>-5</b>	<b>Group Net Income</b>	<b>299</b>	<b>285</b>	<b>-15</b>	

Note: 9M06 figures restated according to new interpretation of IAS



# 9M2007 Results

In mn Euro

## Consolidated - Income Statement Quarterly Analysis

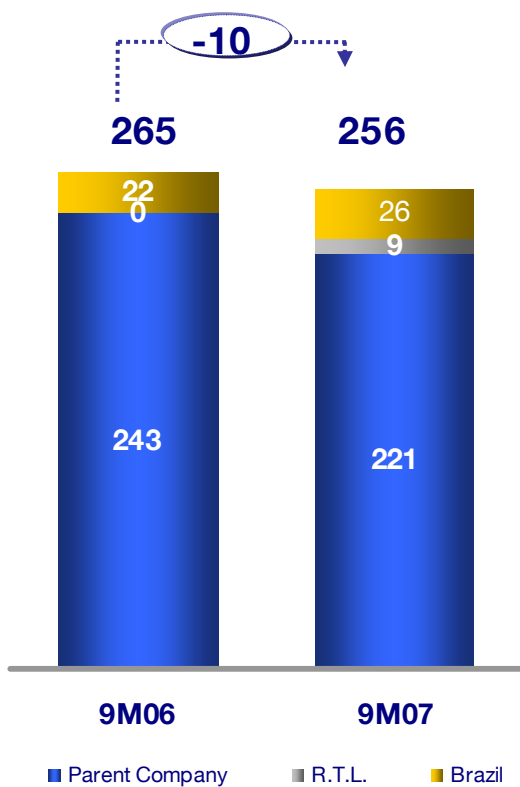
	1Q06	1Q07	Change	2Q06	2Q07	Change	3Q06	3Q07	Change
<b>Operating Revenues</b>	<b>298</b>	<b>325</b>	<b>27</b>	<b>343</b>	<b>318</b>	<b>-26</b>	<b>330</b>	<b>343</b>	<b>13</b>
<i>Grid Fee</i>	230	260	30	280	250	-30	264	270	6
<i>Other Energy Items</i>	10	11	0	10	11	0	10	11	1
<i>Regulated Activities in Brazil</i>	37	36	-1	32	35	3	37	40	3
<i>Other Activities</i>	21	18	-3	21	23	1	19	22	4
<b>Operating Expenses</b>	<b>89</b>	<b>85</b>	<b>-4</b>	<b>92</b>	<b>86</b>	<b>-6</b>	<b>84</b>	<b>85</b>	<b>0</b>
<b>EBITDA</b>	<b>209</b>	<b>240</b>	<b>31</b>	<b>252</b>	<b>232</b>	<b>-20</b>	<b>246</b>	<b>259</b>	<b>13</b>
<i>Italy</i>	180	207	27	221	200	-21	212	226	15
<i>Brazil</i>	29	32	4	30	31	1	34	33	-1
<i>D&amp;A</i>	49	58	10	50	61	10	49	60	11
<b>EBIT</b>	<b>160</b>	<b>181</b>	<b>21</b>	<b>201</b>	<b>171</b>	<b>-30</b>	<b>196</b>	<b>199</b>	<b>2</b>
<i>Financial (Income) Charge</i>	19	25	6	28	4	-24	27	45	18
<i>Taxes</i>	56	63	7	79	58	-21	65	65	1
<b>Net Income (Group and minority interests)</b>	<b>85</b>	<b>94</b>	<b>9</b>	<b>95</b>	<b>109</b>	<b>15</b>	<b>105</b>	<b>88</b>	<b>-16</b>
<i>Minority Interest</i>	-	5	5	-	4	4	-	5	5
<b>Group Net Income</b>	<b>85</b>	<b>89</b>	<b>4</b>	<b>95</b>	<b>105</b>	<b>10</b>	<b>105</b>	<b>84</b>	<b>-21</b>

# 9M2007 Results

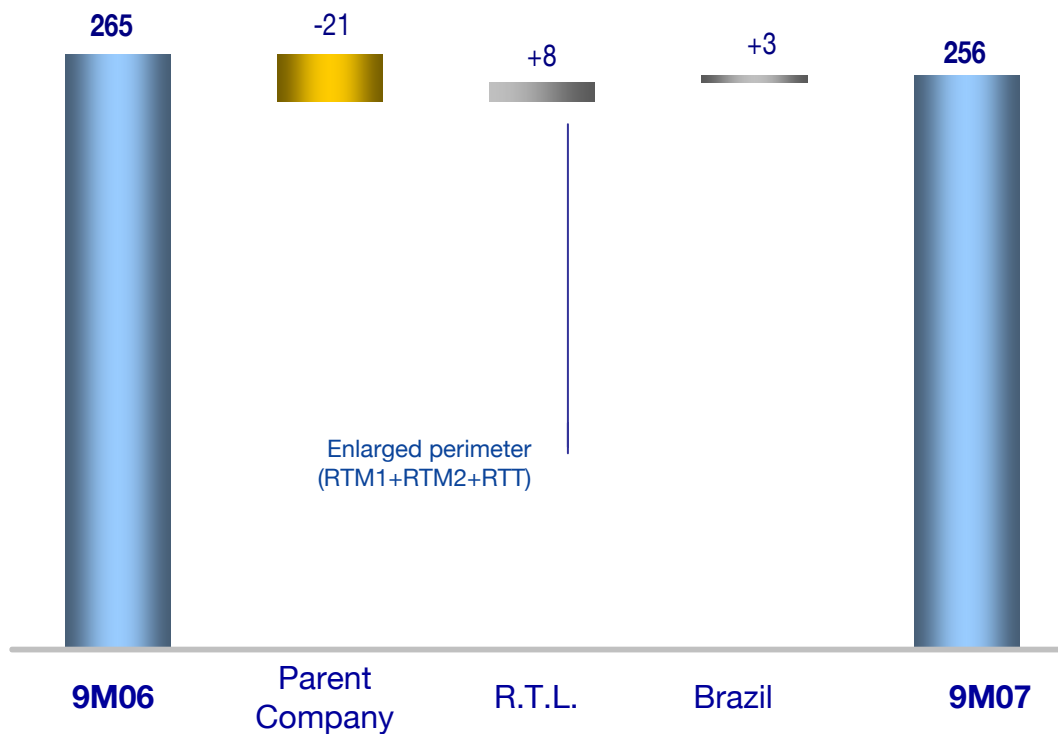
## Consolidated Costs

In mn Euro

### Costs by Entity <sup>(1)</sup>



### Costs Breakdown

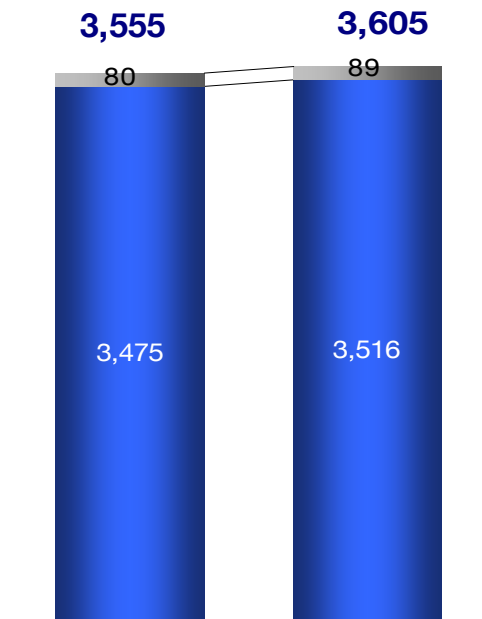


(1) Net of capitalized costs

# 9M2007 Results

## Headcount Evolution

### Final Headcount

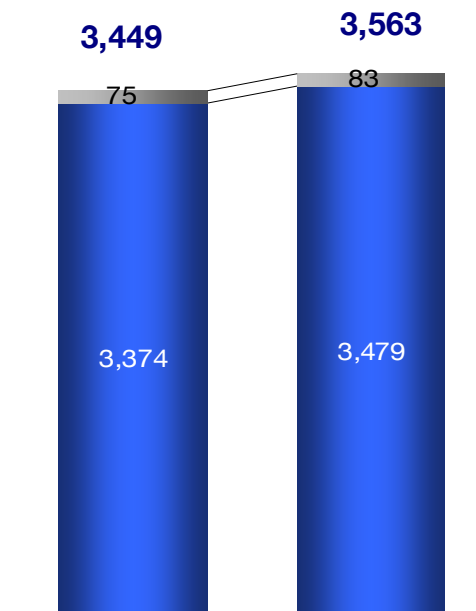


**FY06**

**9M07**

- Italy: +41
- Brazil: +9

### Average Headcount



**9M06**

**9M07**

- Italy: +105
- Brazil: +8

 Italy

 Brazil

# 9M2007 Results

## Consolidated – Balance Sheet

In mn Euro

	<b>FY06 *</b>	<b>9M07</b>	<b>Δ%</b>
<b>Assets</b>			
PP&E	5,159	5,378	4.2%
Intangible Asset, net	341	362	6.2%
Financial Inv. and Other	13	32	150.8%
<b>Total Fixed Assets</b>	<b>5,513</b>	<b>5,772</b>	<b>4.7%</b>
Net WC	-547	-641	17.1%
<i>of which related to energy items</i>	<i>-140</i>	<i>-124</i>	<i>-11.1%</i>
Funds	-566	-525	-7.3%
<b>Net Invested Capital</b>	<b>4,399</b>	<b>4,606</b>	<b>4.7%</b>
Financed by:			
Net Debt	2,283	2,474	8.4%
<b>Total Shareholder's Equity</b>	<b>2,117</b>	<b>2,133</b>	<b>0.8%</b>
<i>Terna Group</i>	<i>2,007</i>	<i>2,026</i>	<i>0.9%</i>
<i>Minorities</i>	<i>110</i>	<i>107</i>	<i>-2.6%</i>
<b>D/E ratio</b>	<b>1.08</b>	<b>1.16</b>	<b>7.6%</b>

\* FY06 has been restated for IAS PPA (Purchase price allocation) and for IAS 8

# 9M2007 Results

## Consolidated – Cash Flows

In mn Euro

	9M06	9M07
Net Income	285	292
Depreciation <sup>(1)</sup>	148	179
Net Change in Funds	1	-41
<b>Operating Cash Flows</b>	<b>434</b>	<b>429</b>
Change in WC	310	93
<i>of which related to energy items</i>	<i>-114</i>	<i>15</i>
<b>Cash Flow from Operating Activities</b>	<b>745</b>	<b>523</b>
Capital Expenditures	-203	-342
Other Fixed Asset Changes	-37	-57
<b>Free Cash Flow <sup>(2)</sup></b>	<b>505</b>	<b>123</b>
Dividends	-160	-199
Change in Capital	-106	-110
<b>Change in Financial Position <sup>(2)</sup></b>	<b>239</b>	<b>-186</b>

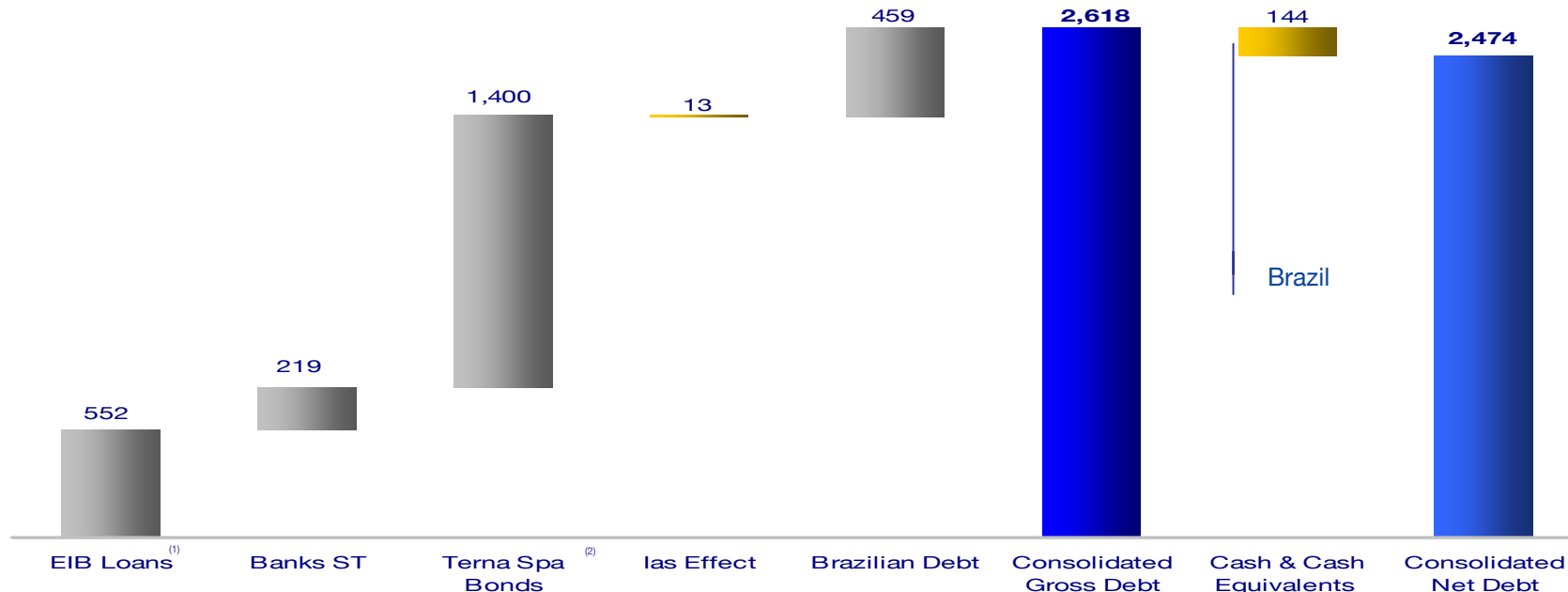
(1) Net of assets disposals

(2) Not including  $\Delta$  €/SR exchange rates and  $\Delta$  fair value on Bonds

# 9M2007 Results

## Consolidated Net Financial Position

In mn Euro



### Change in Net Financial Position

<b>Net Debt 31/12/06</b>	<b>2,283</b>
Δ Fair value on Bonds and Derivatives	(13)
Change in Financial Position	186
Δ Exchange Rates + Int. Cap.	18
<b>Net Debt 30/09/07</b>	<b>2,474</b>
<b>Change in Net Debt</b>	<b>+191</b>

(1) EIB (European Investment Bank) Loans

(2) No recourse project finance debt

# 9M2007 Results

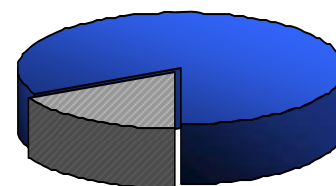
## Financial Structure

### Financial Ratios

	FY06	9M07
<b>Net Debt (€mn)</b>	<b>2,283</b>	<b>2,474</b>
Avg. Maturity (yrs)	12.1	11.5
<b>LT Debt Ratings</b>		
S&P's	AA-	AA-
Moody's	Aa3	Aa3
Fitch	AA	AA

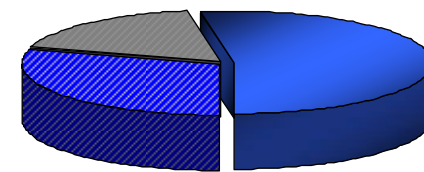
### Debt Breakdown

#### Currency



■ Euro ■ Real

#### Fixed/Floating mix



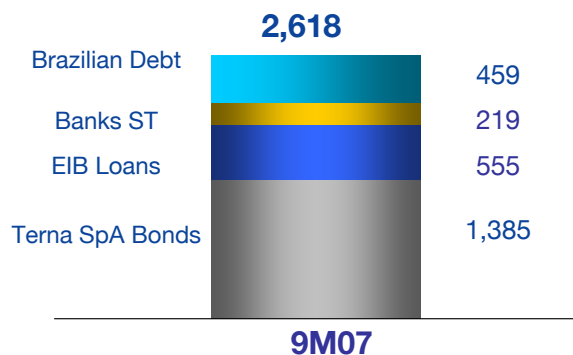
▨ Floating □ Fixed

Italian Group

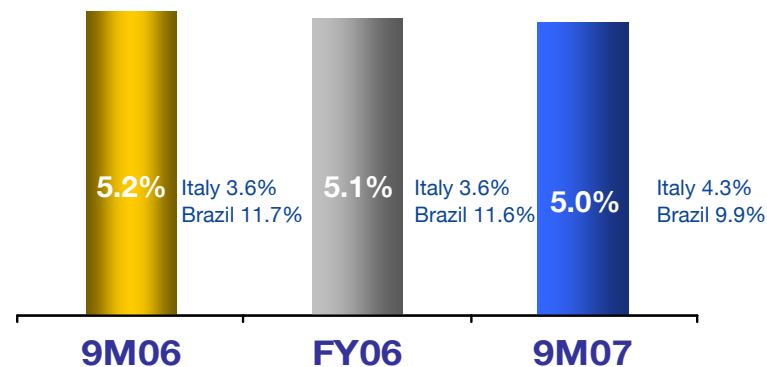
36%  
47%

64%  
53%

### Gross Debt by Instrument (€mn)



### Average Cost of Debt



# 9M2007 Results

## TERNA Participações (IAS)

In mn Euro

	9M06	9M07	Δ%
<b>Operating Revenues</b>	<b>115</b>	<b>122</b>	<b>6%</b>
Operating Expenses <sup>(1)</sup>	22	26	16%
<b>EBITDA</b>	<b>93</b>	<b>96</b>	<b>3%</b>
D&A	14	15	5%
<b>EBIT</b>	<b>79</b>	<b>82</b>	<b>3%</b>
Net Interest Expenses	31	24	-22%
Taxes	17	16	-9%
<b>Net Income</b>	<b>32</b>	<b>42</b>	<b>33%</b>
<b>Net Invested Capital</b>	<b>614</b>	<b>630</b>	<b>3%</b>
Financed by			
<b>Net Debt</b>	<b>428</b>	<b>315</b>	<b>-26%</b>
<b>Shareholders' Equity</b>	<b>186</b>	<b>314</b>	<b>69%</b>

(1) Net of capitalized costs



# 9M2007 Results

## TERNA Participações New Perimeter

In mn Euro

		ACQUISITIONS		
		GTESA/PATESA	ETEO	ETAU
<b>ASSETS</b>				
Km Lines <sup>(1)</sup>	2,461	186	502	188
<b>FINANCIALS<sup>(2)</sup></b>				
<b>(€mn)</b>				
Revenues	183	6	35	9
EBITDA	160	3	27	6
Net Income	53	1	18	1

<sup>(1)</sup> As of 2006 Terna annual report

<sup>(2)</sup> Financials as of FY2006 in BRL GAAP, Average rate Euro/BRL\$ 2.73

# 9M2007 Results

## Exchange Rates

	9M06	9M07	FY06
Closing Rate Euro/BRL\$	2.74	2.61	2.81
Average Rate for the Period	2.72	2.69	2.73
IGPM	2.27%	4.06%	3.85%

### Impacts on: (€mn)

### 9M07

Revenues	+1.3
EBITDA	+1.1
EBIT	+0.9
Net Financial Interests	+0.4
Net Income	-1.1

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