

FY07 Consolidated Results

Flavio Cattaneo – Chief Executive Officer

Fabio Todeschini – Chief Financial Officer

March 11th, 2008

Agenda

Highlights

FY07 Results

Dividends and Closing Remarks

Annexes

Highlights

2007 at a Glance

Results

- EBITDA margin up to 72.5% (vs. 68.0% in FY06)
- Significant Total Net Income growth (+10.5%)
- Delivered first year of substantial capex programme (616mn, +75%)
- Attractive returns for investors: 7.86% DPS growth

Strategy

- BU Italy – New regulation paved the way for significant future profitability
- BU Brazil: Growth strategy supported by 4 acquisitions and 1 auction

Agenda

Highlights

FY07 Results

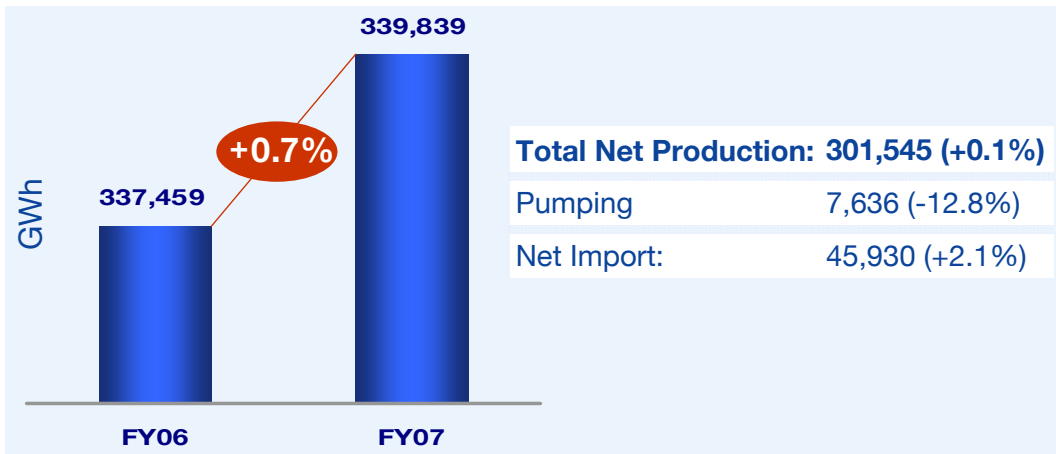
Dividends and Closing Remarks

Annexes

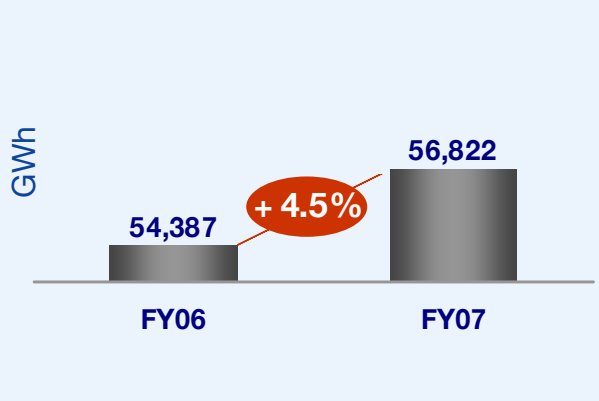
FY 2007 Results

Energy Items

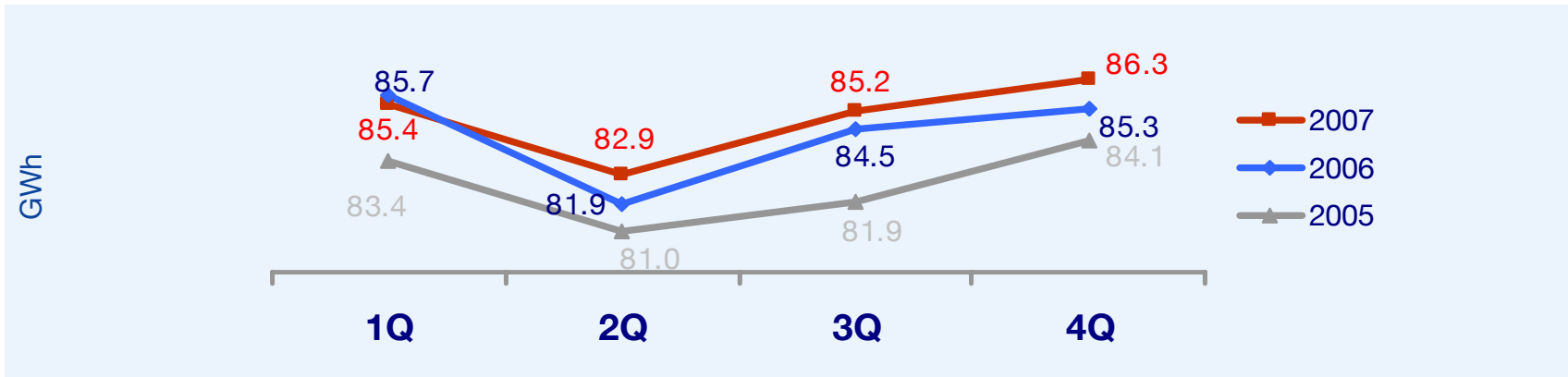
Electricity Demand



Winter Peak Demand



Quarterly Analysis



Note: 2007 provisional figures

FY 2007 Results

Financial Highlights

In mn Euro

	Consolidated		Change	
	FY06	FY07	mn	Δ%
Operating Revenues	1,277	1,348	72	5.6%
Operating Expenses	408	370	-37	-9.2%
EBITDA	869	978	109	12.6%
EBITDA Margin (%)	68.0%	72.5%		
Total Net Income	392	433	41	10.5%
Group Net Income	389	414	25	6.4%
Capex	353	616	264	74.8%

Note: FY06 figures restated according to new interpretation of IAS

FY 2007 Results

Mind the Changes

Main One-Offs

- 2006
 - Integration of 2005 revenues (+47.6mn)
 - Net capital gain on IPO of Terna Part. (70.6mn)⁽¹⁾
- 2007
 - Partial release of Deferred Tax Fund (68mn)

Perimeter

- 2006
 - 1 month contribution of RTM1 and RTM2 + 9 months contribution of Munirah
- 2007
 - 6 months contribution of RTT + 1 month contribution of GTESA/PATESA

4Q07 Exceptionals

- Costs:
 - Staff benefit provisions recalculation
 - Lower contingent liabilities

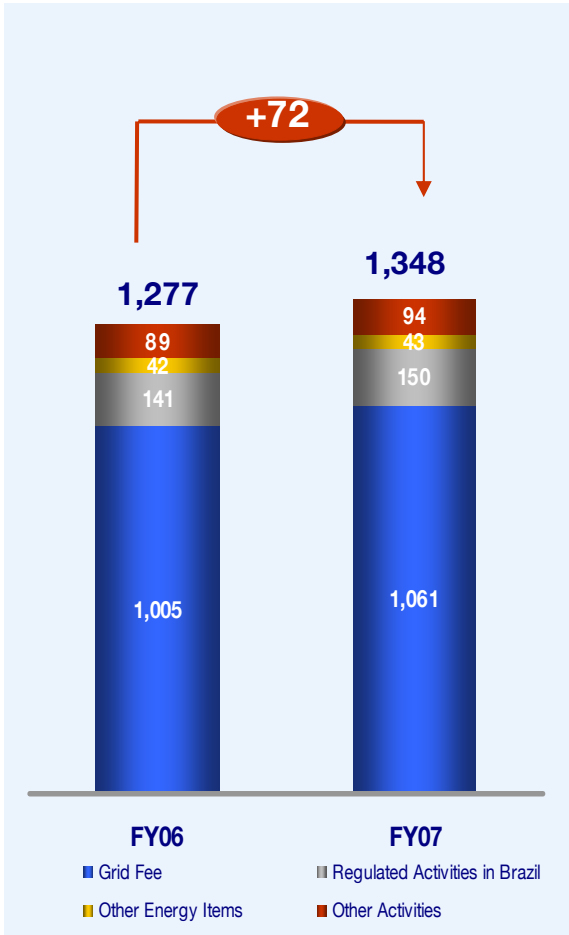
(1) Figure restated according to new interpretation of IAS

FY 2007 Results

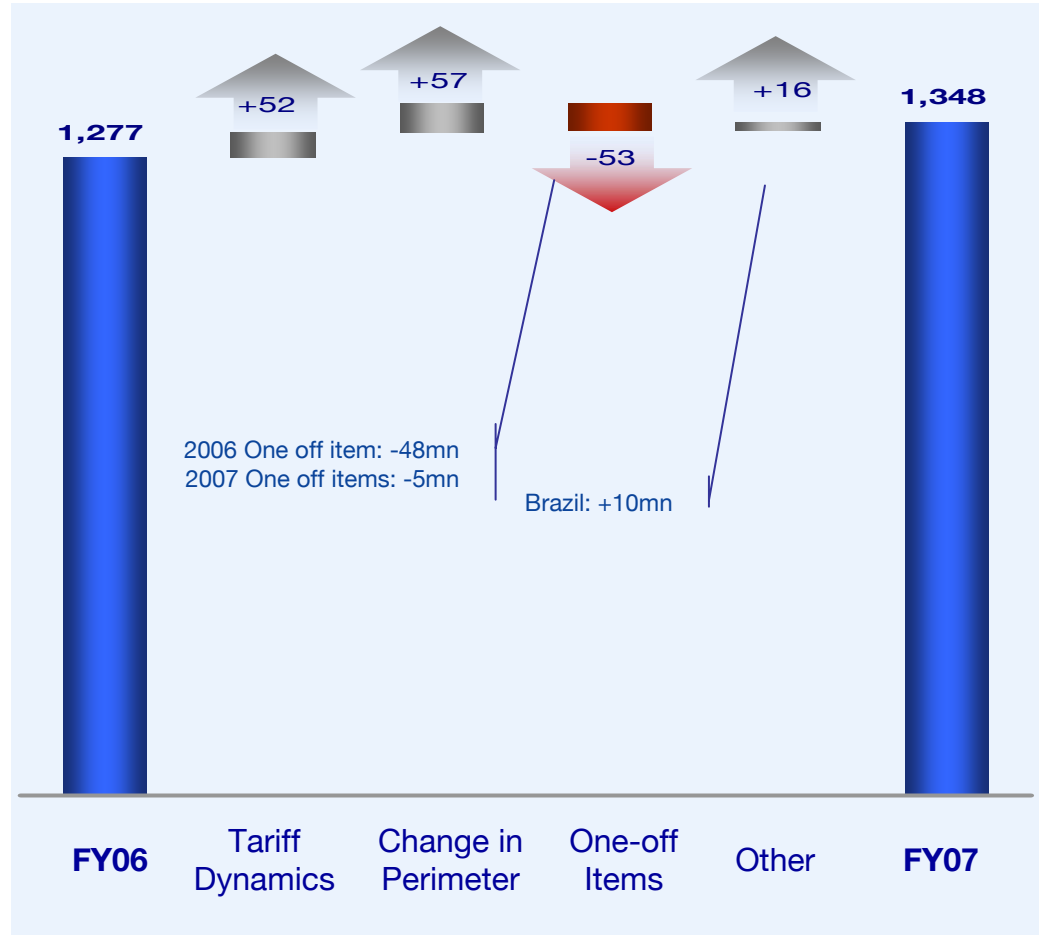
Consolidated Revenues

In mn Euro

Revenues by Nature



Revenues Breakdown

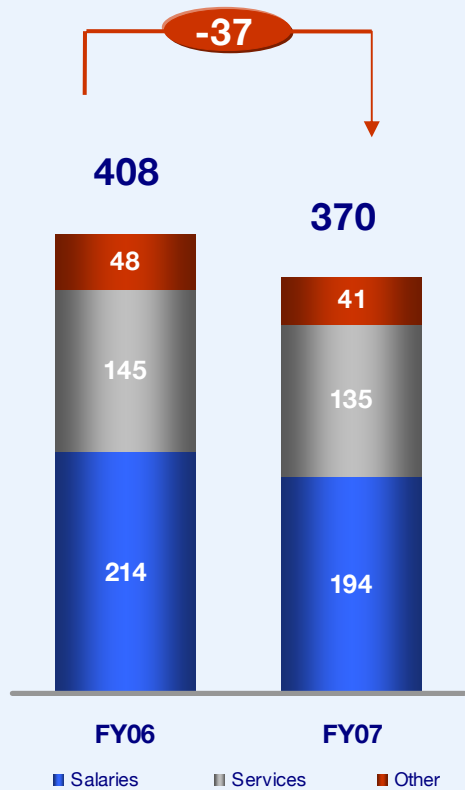


FY 2007 Results

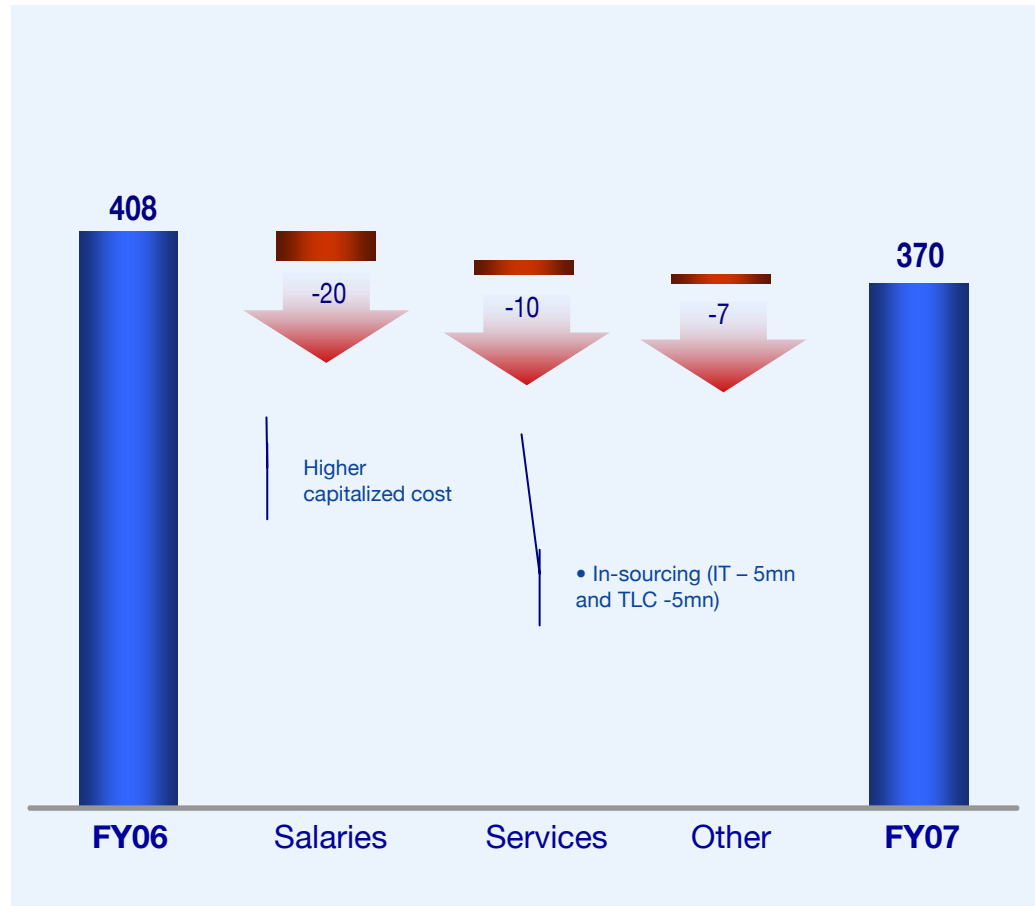
Consolidated Costs

In mn Euro

Costs by Nature ⁽¹⁾



Costs Breakdown

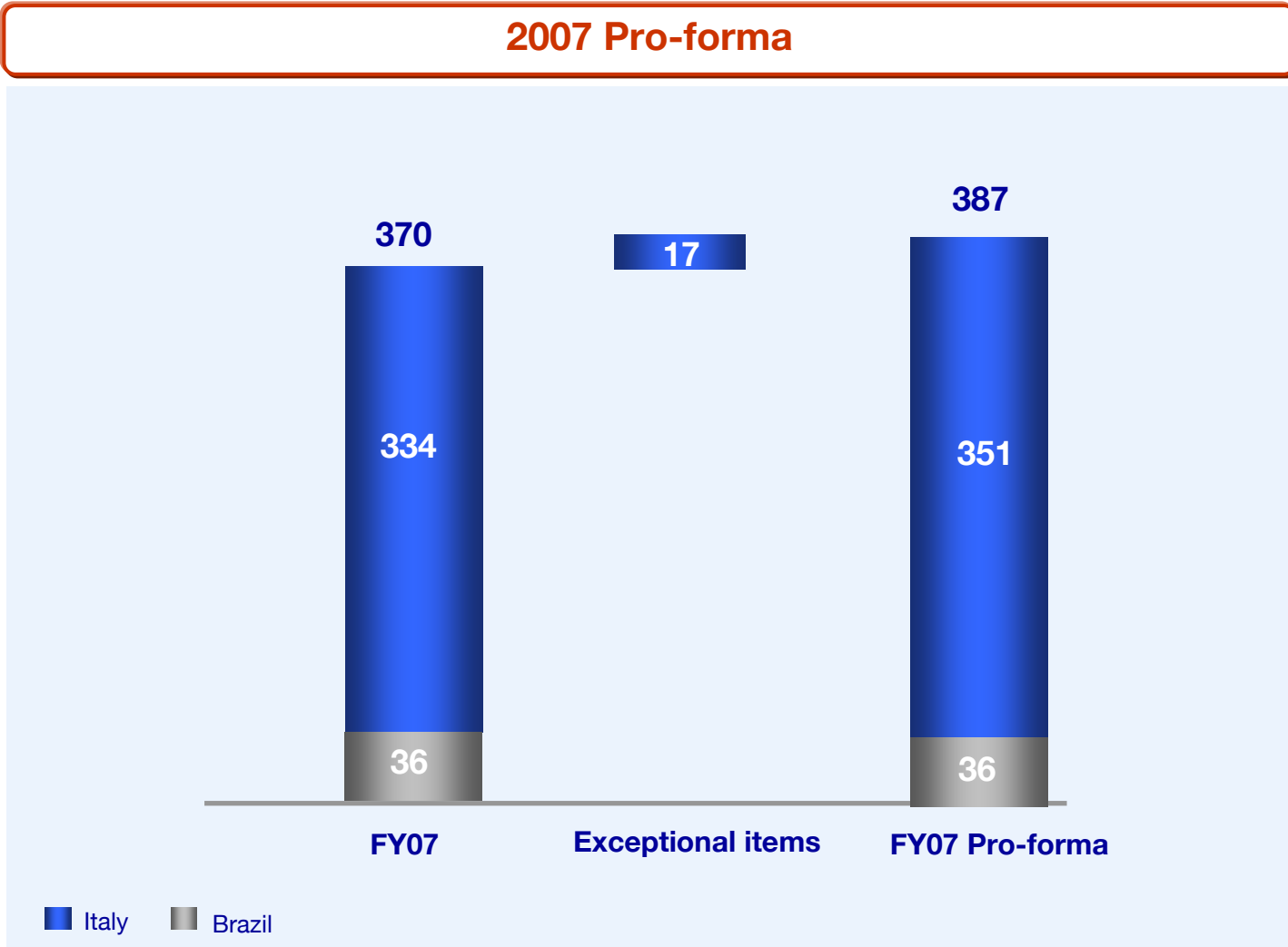


(1) Net of capitalized costs

FY 2007 Results

Consolidated Costs: Exceptional Items

In mn Euro



FY 2007 Results

From EBITDA to Net Income

In mn Euro

	Consolidated		Change	
	FY06	FY07	mn	Δ%
EBITDA	869	978	109	12.6%
EBITDA Margin (%)	68.0%	72.5%		
D&A	212	255	43	20.1%
EBIT	656	723	66	10.1%
Financial (Income) Charge	29	117	-88	297.6%
Taxes	235	173	-62	-26.4%
<i>Tax rate (%)</i>	<i>37.5%</i>	<i>28.6%</i>		
Total Net Income	392	433	41	10.5%
Minority Interest	3	19	16	656.0%
Group Net Income	389	414	25	6.4%

Note: FY06 figures restated according to new interpretation of IAS

FY 2007 Results

Net Interest Expenses

In mn Euro

	Consolidated		Change	
	FY06	FY07	mn	Δ%
Financial Income	22	29	7	31%
Exchange Rate Difference	5	7	2	32%
Total Income	28	36	9	32%
Interest due on M/L Term Loans	116	140	24	20%
Other	11	13	2	16%
Total Charges	128	153	26	20%
Net Interest Expenses before Extraordinary Items	100	117	17	17%
Net Effect From Brazilian IPO	31	0	-31	
Restatement for IAS (IPO) ⁽¹⁾	39	0	-39	
Net Interest Expenses	29	117	88	297.6%

(1) Restatement occurred in 2007

FY 2007 Results

Capex Breakdown

In mn Euro

	FY06	FY07	Change
Incentivized remuneration ⁽¹⁾	197	414	217
Ordinary remuneration ⁽²⁾	148	192	44
- <i>Maintenance</i>	65	75	10
- <i>Other</i>	83	117	34
TOTAL ITALY	346	606	261
TOTAL BRAZIL	7	10	3
TOTAL CAPEX	353	616	264

+75% FY07 vs FY06

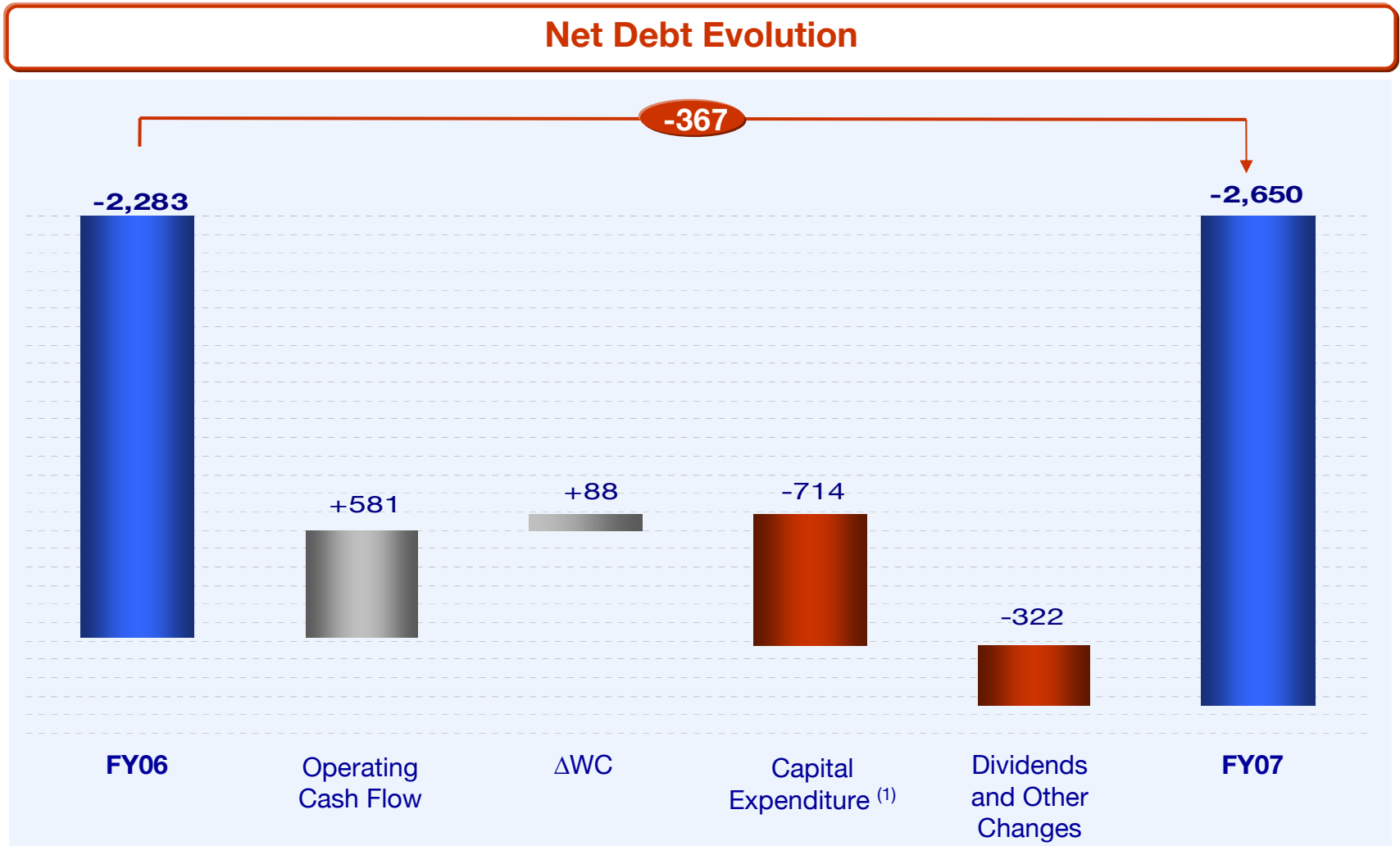
(1) Category I3: WACC at 9.9% Category I2: WACC at 8.9%

(2) Category I1: WACC at 6.9%

FY 2007 Results

Consolidated Net Debt

In mn Euro



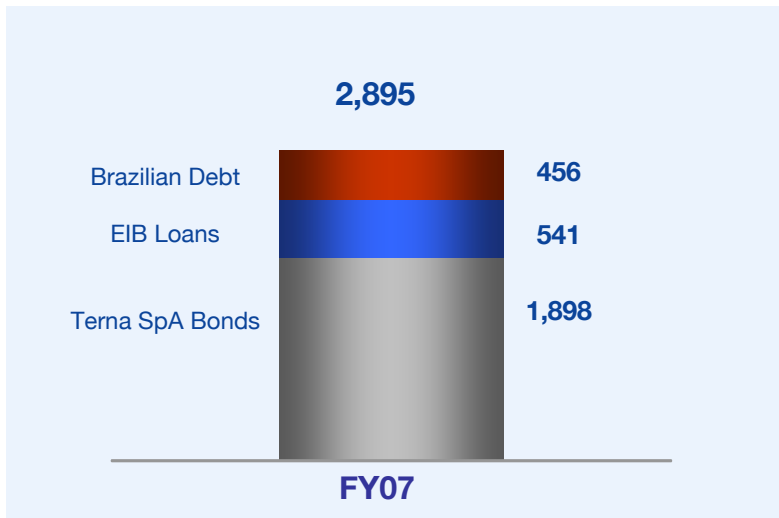
⁽¹⁾ Includes Capex and Other Fixed Asset Change

FY2007 Results

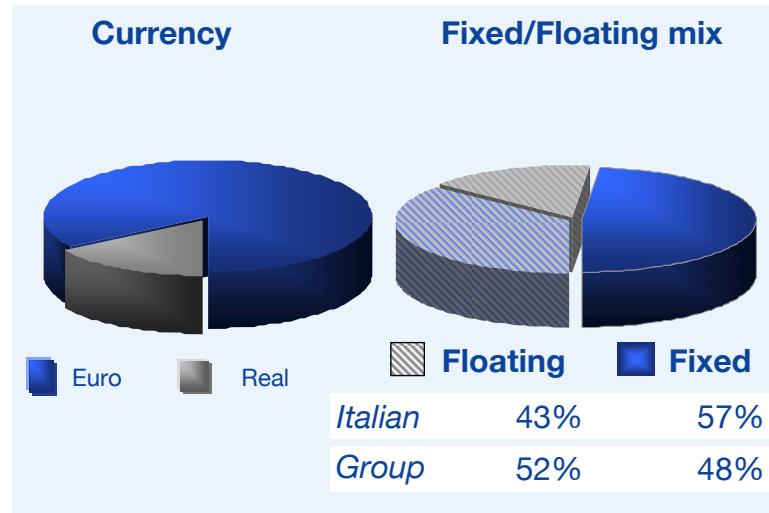
Financial Structure

In mn Euro

Gross Debt by Instrument (€mn)



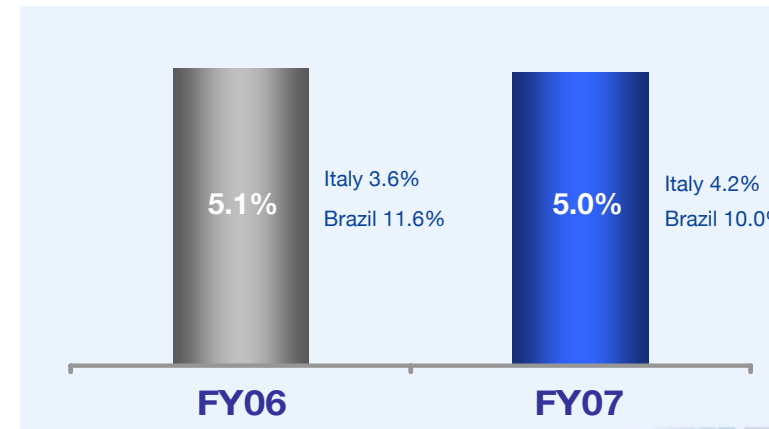
Debt Breakdown



Ratings

		Rating	Outlook
S&P's	M/L Term	AA-	Negative
	Short Term	A-1+	
Moody's	M/L Term	Aa3	Stable
	Short Term	Prime -1	
Fitch	Issuer Default	AA-	Negative
	Short Term	F1+	

Average Cost of Debt



FY 2007 Results

TERNA Participações (BRL\$)

In mn BRL\$

IAS

Brazilian GAAP

	IAS			Brazilian GAAP		
	FY06	FY07	Δ%	FY06	FY07	Δ%
Operating Revenues	427	443	4%	500	509	2%
EBITDA	331	346	5%	436	442	1%
<i>EBITDA Margin (%)</i>	77%	78%		87%	87%	
Net Income	113	148	31%	146	214	47%
Net Debt	780	871	12%	786	914	16%

Agenda

Highlights

FY07 Results

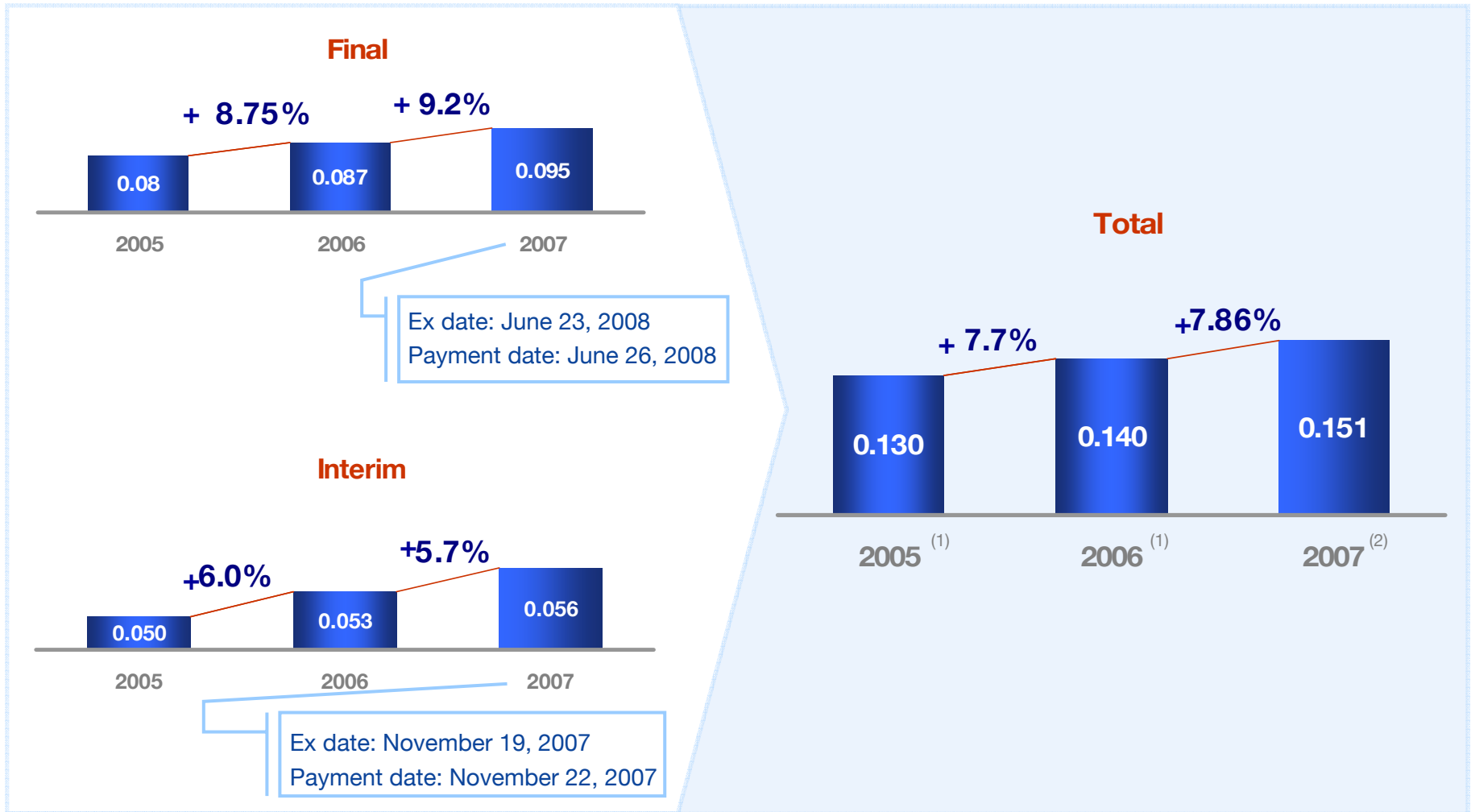
Dividends and Closing Remarks

Annexes

Dividends and Closing Remarks

Dividends

€/share



(1) Number of shares: 2.000.000.000

(2) Number of shares: 2.000.632.200

Dividends and Closing Remarks

2008 Guidance

Revenues	first year of Third Regulatory Period - growth mitigated by profit sharing
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Costs	-BU Italy: controllable costs optimization via in-sourcing (actions ongoing) -BU Brazil: margins impacted by recent acquisitions
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Capex	peak year
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Financial Charges	consistent with Net Debt evolution
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Talks ongoing for the potential enlargement of the National Transmission Grid

Agenda

Highlights

FY07 Results

Dividends and Closing Remarks

Annexes

Highlights

Evolution of Assets

	31 Dec. 2006	Growth		31 Dec. 2007	Change	
		Organic	External ⁽¹⁾			
Circuit Lines ⁽²⁾	46,237	212	399	46,848	+611	+1.3%
Substations ⁽³⁾	369	4	5	378	+9	+2.4%
Bays	4,358	80	44	4,482	+124	+2.8%

(1) RTT,GTESA/PATESA

(2) 380kV, 220kV, <150kV

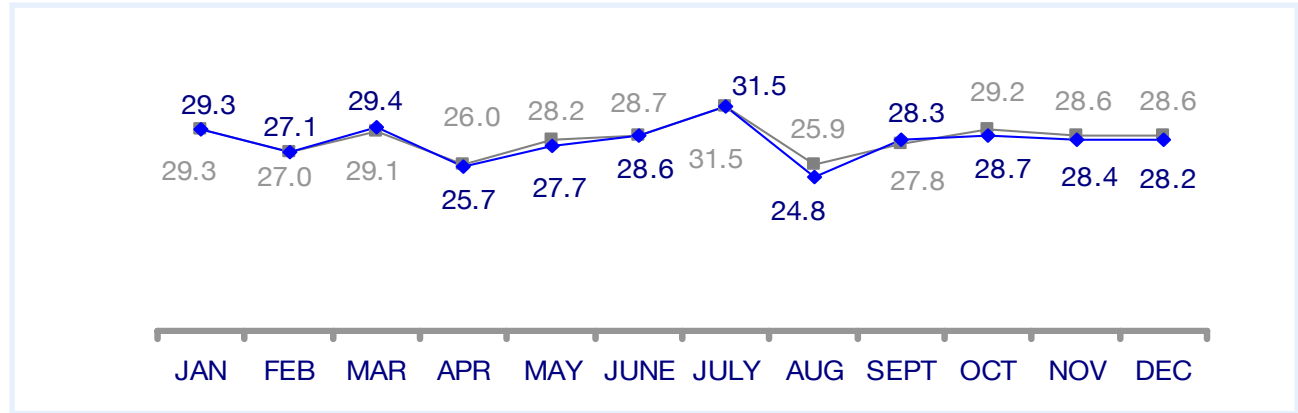
(3) Including 5 substations not owned but managed by Novatrans

Italian Electricity Market Evolution

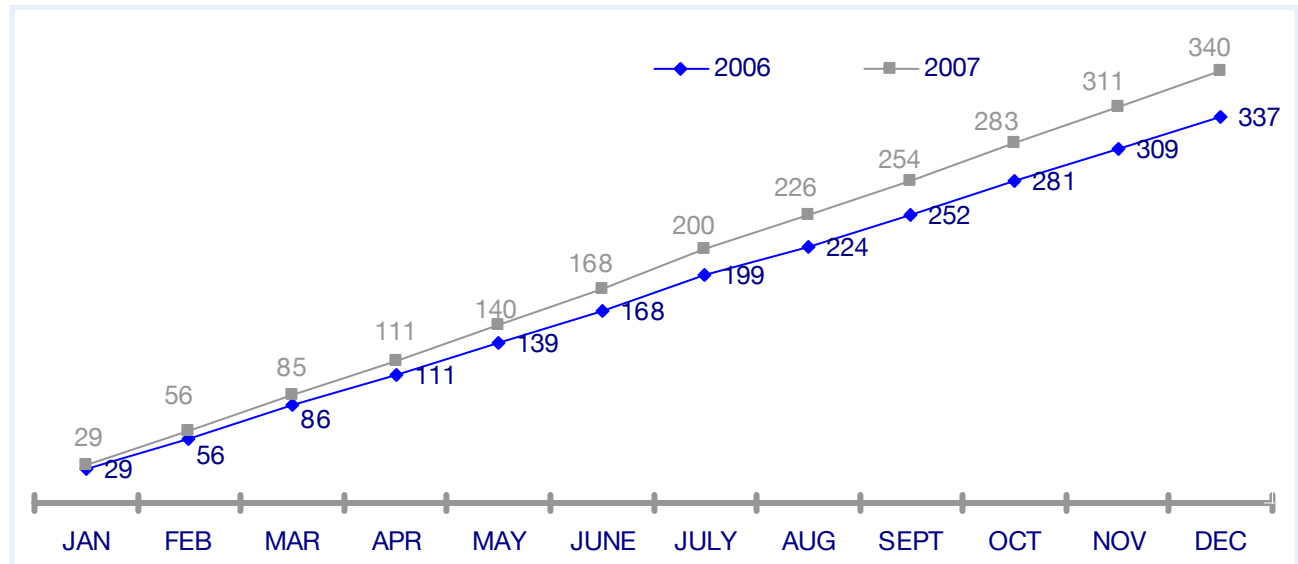
Energy Demand

TWh

Monthly Trend



Cumulated Trend



FY2007 Results

Consolidated Income Statement

In mn Euro

Consolidated			Change	Consolidated			Change
4Q06	4Q07	Δ%		FY06	FY07	Δ%	
306	363	18.6%	Operating Revenues	1,277	1,348	5.6%	
232	280	21.0%	Grid Fee	1,005	1,061	5.6%	
11	11	2.8%	Other Energy Items	42	43	3.3%	
35	40	15.5%	Regulated Activities in Brazil	141	150	6.8%	
28	31	9.3%	Other Activities	89	94	5.5%	
143	115	-19.4%	Operating Expenses	408	370	-9.2%	
65	50	-22.7%	Salaries	214	194	-9.5%	
51	45	-11.3%	Services	145	135	-7.0%	
26	19	-27.8%	Other	48	41	-14.7%	
163	248	51.9%	EBITDA	869	978	12.6%	
135	214	58.4%	Italy	748	848	13.4%	
28	34	21.7%	Brazil	121	130	7.5%	
64	76	18.5%	D&A	212	255	20.1%	
99	172	73.6%	EBIT	656	723	10.1%	
-44	43	-198.2%	Financial (Income) Charge	29	117	297.6%	
36	-13	-135.9%	Taxes	235	173	-26.4%	
25.0%	-10.0%		Tax rate (%)	37.5%	28.6%		
107	141	31.6%	Total Net Income	392	433	10.5%	
3	5	84.0%	Minority Interest	3	19	656.0%	
105	136	30.4%	Group Net Income	389	414	6.4%	

Note: FY06 figures restated according to new interpretation of IAS

FY2007 Results

Consolidated Income Statement

In mn Euro

Consolidated			Consolidated	
4Q06 OLD	4Q06 NEW		FY06 OLD	FY06 NEW
312	306	Operating Revenues	1,308	1,277
232	232	Grid Fee	1,005	1,005
11	11	Other Energy Items	42	42
46	35	Regulated Activities in Brazil	186	141
23	28	Other Activities	74	89
143	143	Operating Expenses	408	408
65	65	Salaries	214	214
51	51	Services	145	145
26	26	Other	48	48
169	163	EBITDA	900	869
135	135	Italy	748	748
34	28	Brazil	152	121
64	64	D&A	212	212
105	99	EBIT	688	656
-5	-44	Financial (Income) Charge	69	29
39	36	Taxes	249	235
35.7%	25.0%	Tax rate (%)	40.2%	37.5%
70	107	Total Net Income	370	392
4	3	Minority Interest	4	3
67	105	Group Net Income	366	389

Note: FY06 figures restated according to new interpretation of IAS

FY2007 Results

Consolidated Income Statement - Quarterly Analysis

In mn Euro

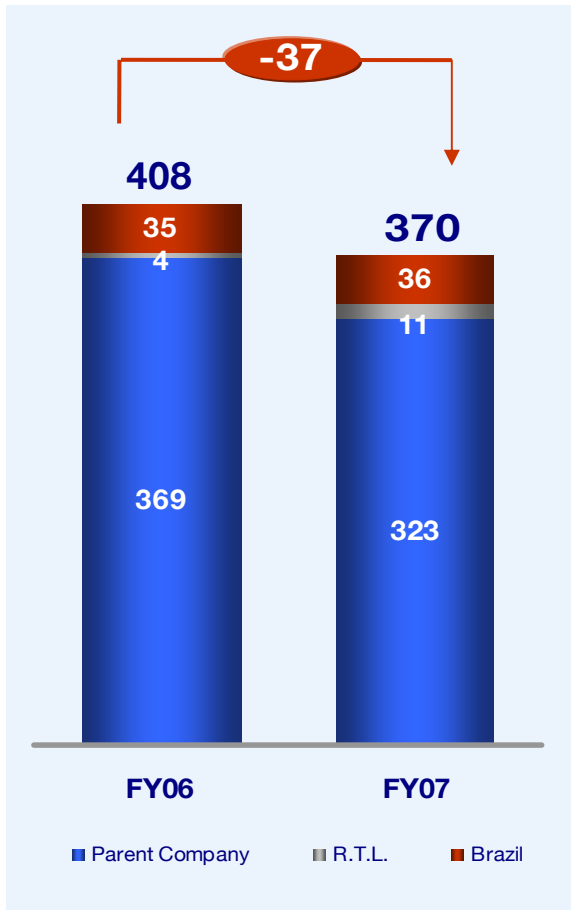
	1Q06	1Q07	Change	2Q06	2Q07	Change	3Q06	3Q07	Change	4Q06	4Q07	Change
Operating Revenues	298	325	27	343	318	-26	330	343	13	306	363	57
<i>Grid Fee</i>	230	260	30	280	250	-30	264	270	6	232	280	49
<i>Other Energy Items</i>	10	11	0	10	11	0	10	11	1	11	11	0
<i>Regulated Activities in Brazil</i>	37	36	-1	32	35	3	37	40	3	35	40	5
<i>Other Activities</i>	21	18	-3	21	23	1	19	22	4	28	31	3
Operating Expenses	89	85	-4	92	86	-6	84	85	0	143	115	-28
EBITDA	209	240	31	252	232	-20	246	259	13	163	248	85
<i>Italy</i>	180	207	27	221	200	-21	212	226	15	135	214	79
<i>Brazil</i>	29	32	4	30	31	1	34	33	-1	28	34	6
<i>D&A</i>	49	58	10	50	61	10	49	60	11	64	76	12
EBIT	160	181	21	201	171	-30	196	199	2	99	172	73
Financial (Income) Charge	19	25	6	28	4	-24	27	45	18	-44	43	87
Taxes	56	63	7	79	58	-21	65	65	1	36	-13	-49
Net Income (Group and minority interests)	85	94	9	95	109	15	105	88	-16	107	141	34
Minority Interest	-	5	5	-	4	4	-	5	5	3	5	2
Group Net Income	85	89	4	95	105	10	105	84	-21	105	136	32

FY2007 Results

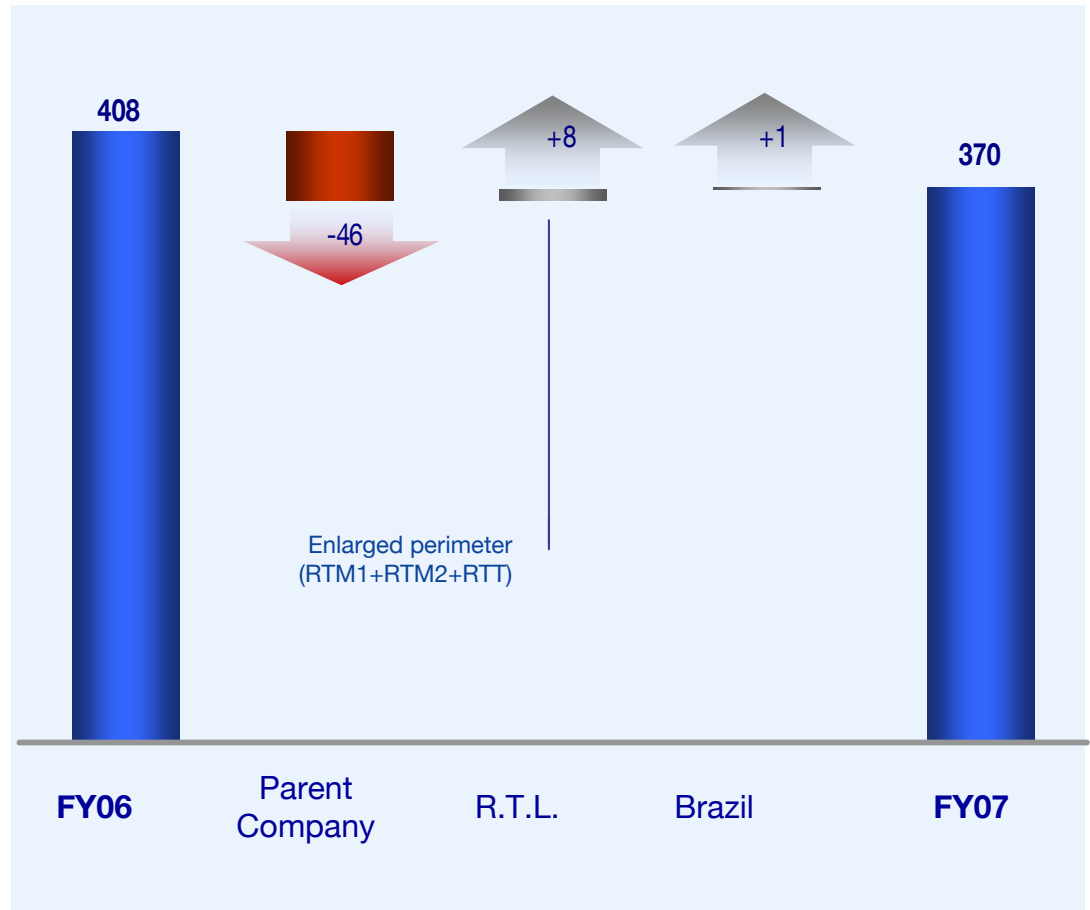
Consolidated Costs

In mn Euro

Costs by Entity (1)



Costs Breakdown

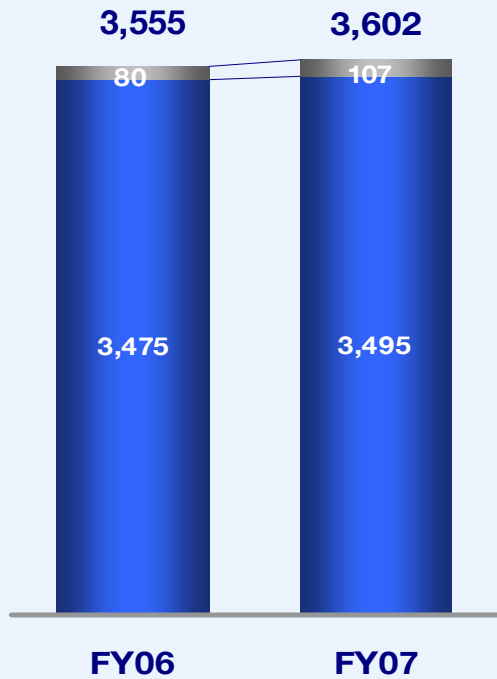


(1) Net of capitalized costs

FY2007 Results

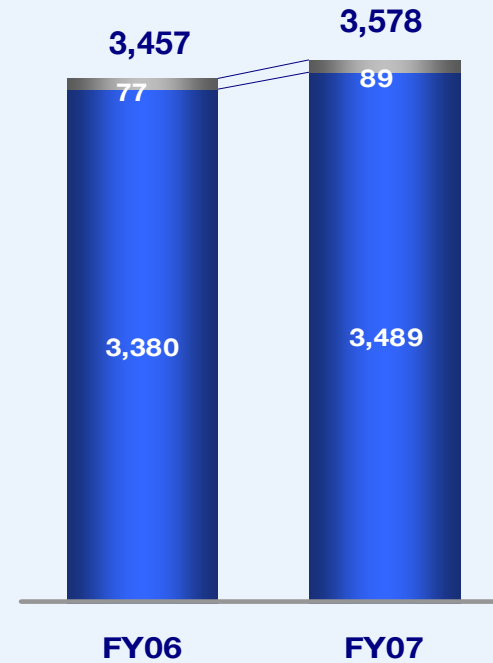
Headcount Evolution

Final Headcount



- Italy: +20
- Brazil: +27

Average Headcount



- Italy: +109⁽¹⁾
- Brazil: +12

(1) In 2006 RTM1+RTM2 were consolidated starting from 1st December

■ Italy ■ Brazil

FY 2007 Results

Taxes

In mn Euro

	Consolidated		Change	
	FY06	FY07	mn	Δ%
PBT	627	606	-21	-3%
Current Taxes	268	277	8	3%
<i>Italian</i>	236	240	4	2%
<i>Brazil</i>	32	36	4	12%
Deferred Taxes	-12	-17	-5	42%
Prepaid Taxes	-21	-15	7	-31%
One off	0	-72	-72	
<i>Effects of 2008 Italian Budget Law</i>	0	-68	-68	
<i>Previous Years corrections</i>	0	-4	-4	
Total Consolidated taxes	235	173	-62	-26%
Implied Tax Rate	37.5%	28.6%		
Normalized Tax Rate	37.5%	40.4%		

FY2007 Results

Consolidate Balance Sheet

In mn Euro

	Consolidated		Change
	FY06	FY07	Δ%
Assets			
PP&E	5,176	5,613	8.4%
Intangible Asset, net	341	385	13.0%
Financial Inv. and Other	13	37	188.3%
Total Fixed Assets	5,529	6,035	9.1%
Net WC	-564	-652	15.7%
<i>of which related to energy items</i>	<i>-140</i>	<i>-224</i>	<i>59.8%</i>
Funds	-566	-459	-18.9%
Net Invested Capital	4,400	4,923	11.9%
Financed by:			
Net Debt	2,283	2,650	16.1%
Total Shareholder's Equity	2,117	2,273	7.4%
<i>Terna Group</i>	<i>2,007</i>	<i>2,162</i>	<i>7.7%</i>
<i>Minorities</i>	<i>110</i>	<i>112</i>	<i>1.5%</i>
D/E ratio	1.08	1.17	8.1%

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

FY2007 Results

Consolidated Cash Flows

In mn Euro

	FY06	FY07
Net Income ⁽¹⁾	392	433
Depreciation	213	254
Net Change in Funds ⁽²⁾	32	-107
Operating Cash Flows	636	581
Change in WC	292	88
<i>of which related to energy items</i>	<i>146</i>	<i>85</i>
Cash Flow from Operating Activities	928	669
Capital Expenditures	-353	-616
Other Fixed Asset Changes ⁽³⁾	-470	-98
Free Cash Flow	105	-45
Dividends	-266	-311
Change in Capital	115	2
Change in Financial Position ⁽³⁾	-45	-354

(1) Net of assets disposals

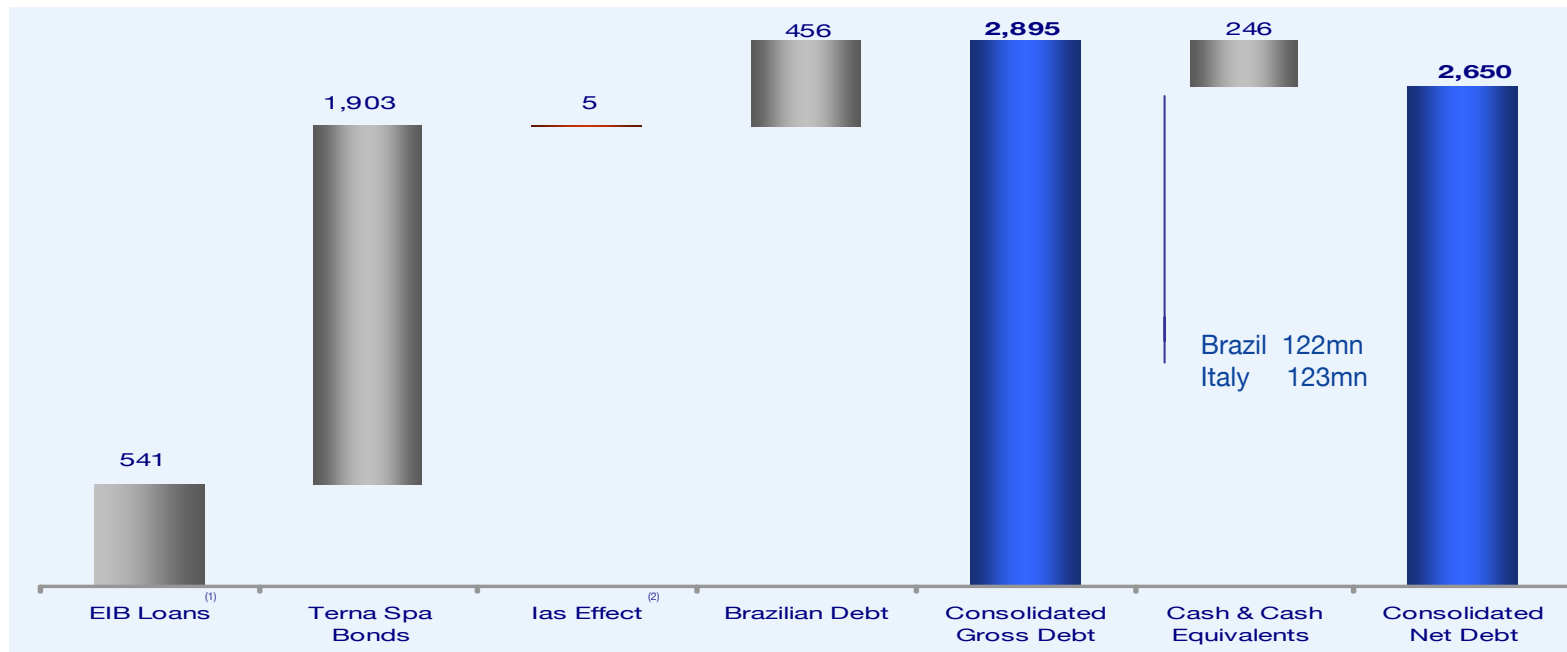
(2) Including devaluation/revaluation

(3) Not including Δ €/\$/R exchange rates and Δ fair value on Bonds

FY2007 Results

Consolidated Net Financial Position

In mn Euro



Change in Net Financial Position

Net Debt 31/12/06	2,283
<i>Δ Fair value on Bonds and Derivatives</i>	(5)
<i>Change in Financial Position</i>	354
<i>Δ Exchange Rates + Int. Cap.</i>	18
Net Debt 31/12/07	2,650
Change in Net Debt	+367

(1) EIB (European Investment Bank) Loans

(2) No recourse project finance debt

FY2007 Results

TERNA Partecipações (IAS)

In mn Euro

	FY06	FY07	Δ%
Operating Revenues	156	166	6%
Operating Expenses	35	36	2%
EBITDA	121	130	7%
EBITDA Margin (%)	77%	78%	
D&A	19	20	6%
EBIT	102	110	8%
Net Interest Expenses	38	33	-13%
Taxes	22	21	-6%
Net Income before IOE Reversal	41	55	35%
IOE Reversal	-	-	0%
Net Income	41	55	35%
Net Invested Capital	600	662	10%
Financed by			
Net Debt	277	334	20%
Shareholders' Equity	323	328	2%

FY 2007 Results

TERNA Participações (BRL\$)

In mn BRL\$

	IAS			Brazilian GAAP		
	FY06	FY07	Δ%	FY06	FY07	Δ%
Operating Revenues	427	443	4%	500	509	2%
Operating Expenses	96	96	0%	64	66	4%
EBITDA	331	346	5%	436	442	1%
EBITDA Margin (%)	77%	78%		87%	87%	
D&A	52	53	3%	66	68	3%
EBIT	279	293	5%	371	374	1%
Net Interest Expenses	105	89	-15%	126	94	-25%
Taxes	61	56	-8%	99	96	-3%
Net Income before IOE Reversal	113	148	31%	146	184	26%
IOE Reversal	0	0	0%	0	30	100%
Net Income	113	148	31%	146	214	47%
Net Debt	780	871	12%	786	914	16%

FY2007 Results

Exchange Rates

	FY06	FY07
Closing Rate Euro/BRL\$	2.81	2.61
Average Rate for the Period	2.73	2.66
IGPM	3.85%	7.75%

Impacts on: (€mn)

	FY07
Revenues	+4.2
EBITDA	+3.3
EBIT	+2.8
Net Financial Interests	+0.7
Net Income	+1.5

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