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TERNA: BOARD APPROVES THE 2006 RESULTS

- *Group net profit at 366.3 million euro (297.9 million in 2005 +23.0 %)*
- *Revenues at 1307.8 million euro (1081.8 million in 2005 +20.9 %)*
- *EBITDA at 899.9 million euro (716.6 million in 2005 +25.6 %)*
- *EBIT at 687.5 million euro (541.5 million in 2005, +27 %)*
- *Proposed 2006 full-year dividend of 14 eurocents per share, + 7.7% compared to 2005 (of which 5.3 eurocents previously distributed as interim dividend and 8.7 eurocents as final balance to be paid in June 2007)*
- *Appointment of a new board member*

Rome, March 21, 2007 – Today Chief Executive Officer Flavio Cattaneo presented the results for the 2006 financial year, which were examined and approved by TERNA S.p.A.'s Board of Directors at a meeting chaired by Luigi Roth.

CONSOLIDATED FINANCIAL RESULTS¹

€million	2006	2005	Change
Revenues	1307.8	1081.8	+20.9%
EBITDA (Gross Operating Margin)	899.9	716.6	+25.6%
EBIT (Operating Result)	687.5	541.5	+27%
Group Net profit	366.3	297.9	+23%

The Chief Executive Officer, Flavio Cattaneo, commented, "Terna closes 2006 on a very positive note: double figure growth, thanks to all-round improvement in economic performance indicators and to the Regulator's recognition of extraordinary items. The results achieved allow us to propose a dividend that is up by 7.7% on last year, thus confirming that the Terna share is one of the sector's most remunerative, with a dividend yield in excess of 5%. The Company is on target to fully achieve the objectives of the 2006-2010 Strategic Plan and in some cases ahead of schedule. We have consolidated our role in the Italian electricity sector with acquisition of the Edison and AEM Milan transmission grids, while also guaranteeing electricity system efficiency and security; we have expanded abroad, bringing the Brazilian stock exchange listing of our subsidiary Terna Participações to a successful conclusion; we have optimised the capital structure. In terms of service quality and cost efficiency we have even exceeded our targets. The whole Terna team

¹ In this release some "alternative performance indicators" are used (EDITBA and net financial debt), of which the meaning and content are illustrated below in line with the CESR/05-178b recommendations published on November 3, 2005

- EBITDA (gross operating margin): represents an operating performance indicator; it is calculated by summing the operating income (EBIT) and amortisation/depreciation;
- Net financial debt: represents an indicator of a company's financial structure; it is determined as the result of short and long term financial debt and of the related derivative instruments, net of the cash and cash equivalents and of financial assets.

intends to carry on in this direction so that we can continue to guarantee, with impartiality and independence, a service of general interest like electricity transmission, focusing attention on grid development, on results and on creation of value for the shareholders”.

CONSOLIDATED RESULTS 2006

Revenues for 2006, amounting to 1,307.8 million euro (1,108.1 million euro for the Parent Company, 12.2 million euro for the Italian subsidiaries and 187.5 million euro for the Brazilian subsidiaries), increased by 226.0 million euro (+20.9% compared to the 1,081.8 million euro in 2005). The sharp increase in revenues essentially derives from the higher fees for transmitting electricity on the Italian transmission grid equal to approximately 182 million euro, of which 58.9 million euro refer to the higher revenues deriving from consolidation of the TSO business unit and 47.6 million euro to a tariff supplement relating to 2005 as established by resolution 162/06 of the Italian Authority for Electricity and Gas. The revenues relating to dispatching and metering activities have also increased by 34.7 million euro.

The increase in revenues of the Italian subsidiaries is equal to approximately 10.7 million euro of which 5.0 million euro refer to RTL (present in 2005 for the last quarter of the year) and 5.7 million euro to RTM1 and RTM2 (former AEM Trasmissione and Edison Trasmissione) which only contribute for the month of December 2006.

For the Brazilian companies the increase in revenues equal to approximately 17.1 million euro is essentially attributable to the effect of appreciation of the average exchange rate in 2006 compared to 2005, in addition to consolidation of the revenues from the Munirah concession, commencing from April.

Operating costs amount to 407.9 million euro (369.1 million euro for the Parent Company, 3.5 million euro for the Italian subsidiaries and 35.3 million euro for the foreign subsidiaries) and have posted an 11.7% increase (42.7 million euro) compared to the 2005 figure (365.2 million euro). The increase essentially refers to the change in the scope of consolidation.

EBITDA (Gross Operating Margin) stands at 899.9 million euro, recording an increase of 183.3 million euro compared to the 716.6 million euro of 2005 (+25.6%). The contribution of the Brazilian subsidiaries is equal to 152.2 million euro, compared to the 128.2 million euro of 2005 (+18.7%).

EBIT (Operating Result) amounts to 687.5 million euro and is up by 146.0 million euro (+ 27%) compared to the 541.5 million euro in 2005. The benefit from the improved EBITDA is offset by the considerable increase (37.3 million euro) in the amortisation and depreciation charges chiefly attributable to the Parent Company and for the most part due to the change in the scope of consolidation.

Income taxes recorded in the year are equal to 249.1 million euro, of which 211.1 million euro refer to the Parent Company. The higher current taxes recorded compared to 2005 (+92.1 million euro), are essentially attributable to the considerable increase in profit before taxes.

Group net profit stands at 366.3 million euro (up by 23% compared to the 297.9 million euro of 2005), after having deducted net financial charges for approximately 68.6 million, income taxes for 249.1 million and minority interest for 3.5 million.

The consolidated financial position as at December 31, 2006 shows **shareholders' equity** of 2,158.9 million euro (against the 1,902.2 million euro recorded as at December 31, 2005) while **net financial debt** amounts to 2,282.8 million euro (compared to the 2,268.70 million euro recorded as at December 31, 2005). Hence, the **debt/equity** ratio as at December 31, 2006 is equal to **1.06**.

Capital expenditure is equal to 353 million euro, up 29% compared to the same period of the previous year, of which 319 million relates to investments in tangible fixed assets made in Italy (+21.8%), which confirms the effective implementation of the National Transmission Grid Development Plan.

Group **Headcount** at year end 2006 stands at 3,555 (3,475 in Italy and 80 in Brazil) rising by 113 people compared to December 31, 2005. The increase is due to acquisition of the companies Edison Rete (RTM1) and AEM Trasmissione (RTM2), and to consolidation of the organisational structure of the Brazilian companies to support the stock exchange listing and the development plan.

2006 RESULTS OF THE PARENT COMPANY – Terna S.p.A.

€million	2006	2005	% Change
Revenues	1,110.2	910.3	+22%
EBITDA (Gross Operating Margin)	740.9	587.5	+26.1%
EBIT (Operating Result)	550.8	430.5	+27.9%
Net profit	355.8	265.6	+34%

As at December 31, 2006 the Parent Company's income statement closed with a net profit of 355.8 million euro, posting an increase of approximately 90 million compared to 2005 (+34%).

Operating costs are equal to approximately 369 million euro, of which 237 million are personnel-related.

EBITDA stands at 740.9 million euro, recording a 153.4 million change compared to the same period of last year, rising by 26.1%.

EBIT amounts to 550.8 million euro, posting an increase of 120.3 million euro (+ 27.9%) compared to the same period of 2005.

The Balance Sheet shows Shareholders' Equity of 1901.7 million euro (against the 1797.9 in 2005), while net indebtedness amounts to 2,005.7 (with an increase of 140.2 million euro compared to 2005).

SIGNIFICANT EVENTS OCCURRING AFTER THE 2006 BALANCE SHEET DATE AND EXPECTED OUTLOOK FOR THE YEAR 2007

The first economic and environmental Sustainability Report was published, supplementing the information contained in the Financial Statements with further information on the initiatives undertaken by the TERNA Group in order to increase transparency in relations with its stakeholders.

TERN A adopted a new Ethical Code, approved on December 21, 2006 by the Board of Directors, and also implemented update and integration of the "Organisational and Management Model pursuant to Legislative Decree no. 231 of June 8, 2001", in order to take recently introduced legislation and integration of the National Transmission Grid management activities into account.

Today, the Board of Directors also approved the 2006 Corporate Governance Report which illustrates the adjustments that the Company has made to comply with the new Code of Conduct for Listed Companies published by the Italian Stock Exchange.

Furthermore, following Massimo Romano's resignation from the Board, in today's meeting the Board of Directors co-opted Mr. Claudio Machetti as new non-executive Director. In making this appointment the Board also assessed the independence of the new director, qualifying him as non-independent.

Mr. Machetti's curriculum vitae is available on the website www.terna.it

During 2007 implementation of the provisions of Prime Ministerial Decree 5/11/2004 will continue with particular regard for unification of the National Transmission Grid through acquisition of the remaining

portions of NTG. The Company will also continue to scout for foreign investment opportunities affording particular attention to profitability and limited risk profile.

CALL OF SHAREHOLDERS' MEETING AND DIVIDENDS

The Board of Directors will submit to the Shareholders' Meeting, to be convened on May 22 next (on first call) and on May 23 (on second call), approval of a 2006 full year dividend of 14 eurocents per share and the distribution – gross of any legal withholding tax – of the remaining 8.7 eurocents per share. The proposed 2006 full year dividend will amount to a total of 280 million euro, up by 20 million euro (+7.7%) compared to 2005.

It is worth noting that at the meeting held on September 6, 2006 the Board of Directors of TERNA approved distribution to the shareholders of an interim dividend for the year 2006 equal to 5.3 eurocents per share, gross of any legal withholding taxes, amounting to a total of 106 million euro, which was put up for payment from November 23, 2006.

As already disclosed to the market, the Board of Directors will propose June 18, 2007 as “coupon date” for coupon no. 6 and June 21, 2007 as the final dividend payment date.

The Shareholders' Meeting will also be called to approve appointment of two Board Members following their cooption on July 13, 2006 and on March 21, 2007

Furthermore, as the audit assignment entrusted to KPMG S.p.A. expires with the audit of the financial statements 2006, the Shareholders' Meeting will also be called to deliberate on the proposal submitted by the Board of Statutory Auditors with regard to assignment of the audit mandate.

At 5:30 pm, a conference call will be held to illustrate the 2006 results to financial analysts and institutional investors. Journalists will also be able to listen in on the call. Support material for the conference call will be available on the website www.terna.it in the Investor Relations section, upon commencement of the 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 Flow Statement of the TERNA Group and those of TERNA S.p.A. are attached. Please note that the aforesaid statements and the related Notes have been submitted to the Board of Statutory Auditors and to the Independent Auditing Firm for the relevant evaluations.

Reclassified Consolidated Income Statement (*)

€/million				
	2006	2005	Change	%
Revenues:				
- Network usage fees	1191.5	992.7	198.8	20.0%
- Other energy lots	41.9	6.9	35.0	507.2%
- Other sales and services	46.1	59.1	-13.0	-22.0%
- Other income and revenues	28.3	23.1	5.2	22.5%
Total revenues	1307.8	1081.8	226.0	20.9%
Operating costs:				
- Personnel costs	242.0	201.7	40.3	20.0%
- Services and use of third party assets	145.3	118.8	26.5	22.3%
- Materials	18.7	25.4	-6.7	-26.4%
- Other costs	38.7	45.8	-7.1	-15.5%
- Capitalised costs	-36.8	-26.5	-10.3	38.9%
Total operating costs	407.9	365.2	42.7	11.7%
EBITDA	899.9	716.6	183.3	25.6%
Amortisation/depreciation	212.4	175.1	37.3	21.3%
EBIT	687.5	541.5	146.0	27.0%
- Net financial income (charges)	-68.6	-80.2	11.6	-14.5%
INCOME BEFORE TAXES	618.9	461.3	157.6	34.2%
- Income taxes	249.1	163.4	85.7	52.4%
NET PROFIT FOR THE YEAR	369.8	297.9	71.9	24.1%
-MINORITY INTEREST	3.5	0	3.5	100.0%
-GROUP NET PROFIT	366.3	297.9	68.4	23.0%

(*) The reclassified statement is restored to the obligatory form in the Directors' Report to the Consolidated Financial Statements as at December 31, 2006

Reclassified Consolidated Balance Sheet (*)

€/million			
	at 12.31.2006	at 12.31.2005	Change
Net fixed assets			
-Intangible	299.1	306.2	-7.1
-Tangible	5,159.0	4,646.3	512.7
-Financial	12.8	13.4	-0.6
Total	5,470.9	4,965.9	505.0
Net current assets			
- Trade receivables	1,182.1	1,026.2	155.9
- Inventories	25.6	21.2	4.4
- Other assets	26.4	20.9	5.5
- Trade payables	1,280.6	975.0	305.6
- Net tax payables	115.5	16.9	98.6
-Other liabilities	249.6	255.4	-5.8
Total	-411.6	-179.0	-232.6
Gross capital employed	5,059.3	4,786.9	272.4
Sundry provisions	617.6	616.0	1.6
Net capital employed	4,441.7	4,170.9	270.8
Shareholders' equity	2,008.9	1,902.2	106.7
Minority interest	150.0	0.0	150.0
Net financial debt	2,282.8	2,268.7	14.1
Total	4,441.7	4,170.9	270.8

(*) The reclassified statement is restored to the obligatory form in the Directors' Report to the Consolidated Financial Statements as at December 31, 2006

Consolidated Cash Flow Statement

€/million			
	2006	2005	Change
INTERCOMPANY C/A AND OPENING BALANCE	76.6	231.8	-155.2
Net profit	369.8	297.9	71.9
Amortisation and depreciation	212.5	175.2	37.3
Net changes in funds	2.2	20.2	-18
Cash generated by operations	584.5	493.3	91.2
Change in net current assets:	232.6	-21.5	254.1
Cash Flow from operations	817.1	471.8	345.3
Capital expenditure			
- Tangible fixed assets	-326.0	-268.7	-57.3
- Intangible fixed assets	-26.5	-4.1	-22.4
- Net investments in financial assets	-386.5	-341.3	-45.2
Total cash flow from (to) investment activities	-739.0	-614.1	-124.9
Changes in loans	137.9	220.9	-83
Other changes in Group shareholders' equity	27.3	6.2	21.1
Dividends	-266.0	-240.0	-26
Listing Terna Participações	148.7	0.0	148.7
Other movements in minority interests	-2.2	0.0	-2.2
Total cash flow from (to) financial activities	45.7	-12.9	58.6
Total cash flow for the year	123.8	-155.2	279.0
INTERCOMPANY C/A AND CLOSING BALANCE	200.4	76.6	123.8

Reclassified Income Statement of Terna SpA (**)

€/million				
	2006	2005	Change	%
Revenues:				
- Network usage fees	994.3	821.6	172.7	21%
- Other energy lots	41.9	6.9	35.0	507.2%
- Other sales and services	47.3	59.3	-12.0	-20%
- Other income and revenues	26.7	22.5	4.2	18.7%
Total revenues	1,110.2	910.3	199.9	22.0%
Operating costs:				
- Personnel costs	237.0	198.6	38.4	19.3%
- Services and use of third party assets	123.7	106.7	17.0	15.9%
- Materials	18.1	23.9	-5.8	-24.3%
- Other costs	27.1	20.0	7.1	35.5%
- Capitalised costs	-36.6	-26.5	-10.1	38.1%
Total operating costs	369.3	322.8	46.5	14.4%
EBITDA	740.9	587.5	153.4	26.1%
Amortisation/depreciation	190.1	157.0	33.1	21.1%
EBIT	550.8	430.5	120.3	27.9%
- Net financial income (charges)	16.1	-10.7	26.8	-250.5%
INCOME BEFORE TAXES	566.9	419.8	147.1	35.0%
- Income taxes	211.1	154.2	56.9	36.9%
NET PROFIT FOR THE YEAR	355.8	265.6	90.2	34.0%

(**) The reclassified statement is restored to the obligatory form in the Directors' Report to the Financial Statements of Terna SpA as at December 31, 2006

Reclassified Balance Sheet of Terna SpA (**)

€/million	at 12.31.2006	at 12.31.2005	Change
Net fixed assets			
-Intangible	159.2	151.5	7.7
-Tangible	4,149.0	4,020.4	128.6
- Financial	670.0	299.0	371.0
Total	4,978.2	4,470.9	507.3
Net current assets			
- Trade receivables	1,163.7	985.7	178.0
- Inventories	7.7	7.2	0.5
- Other assets	16.3	45.0	-28.7
- Trade payables	1,282.9	959.7	323.2
- Net tax payables	114.4	16.7	97.7
-Other liabilities	246.3	252.8	-6.5
Total	-455.9	-191.3	-264.6
Gross capital employed	4,522.3	4,279.6	242.7
Sundry provisions	614.9	616.2	-1.3
Net capital employed	3,907.4	3,663.4	244.0
Shareholders' equity	1,901.7	1,797.9	103.8
Net financial debt	2,005.7	1,865.5	140.2
Total	3,907.4	3,663.4	244.0

(**) The reclassified statement is restored to the obligatory form in the Directors' Report to the Financial Statements of Terna SpA as at December 31, 2006

Cash Flow Statement of Terna SpA

€/million			
	2006	2005	Change
INTERCOMPANY C/A AND OPENING BALANCE	10.9	144.0	-133.1
Net profit	355.8	265.6	90.2
Amortisation and depreciation	190.1	157.0	33.1
Net change in funds	-1.2	22.4	-23.6
Cash generated by operations	544.7	445.0	99.7
Change in net current assets:	264.6	-8.3	272.9
Cash Flow from operations	809.3	436.7	372.6
Capital expenditure			
- Tangible fixed assets	-318.5	-259.4	-59.1
- Intangible fixed assets	-26.5	-4.1	-22.4
- Equity investments	-371.6	9.8	-381.4
- Other movements in fixed assets	19.1	-208.9	228.0
Total cash flow from (to) investment activities	-697.5	-462.6	-234.9
Changes in loans	144.4	131.9	12.5
Other changes in shareholders' equity	14.0	0.9	13.1
Dividends	-266.0	-240.0	-26.0
Total cash flow from (to) financial activities	-107.6	-107.2	-0.4
Total cash flow for the year	4.2	-133.1	137.3
INTERCOMPANY C/A AND CLOSING BALANCE	15.1	10.9	4.2