

1Q08 Consolidated Results

Flavio Cattaneo – Chief Executive Officer

Fabio Todeschini – Chief Financial Officer

May 12th, 2008

Agenda

Highlights

1Q08 Results

Closing Remarks

Annexes

Highlights

1Q08 at a Glance

Trends

- First year of new regulatory period
- Higher capex spending, in line with 2008-2012 Capex Plan

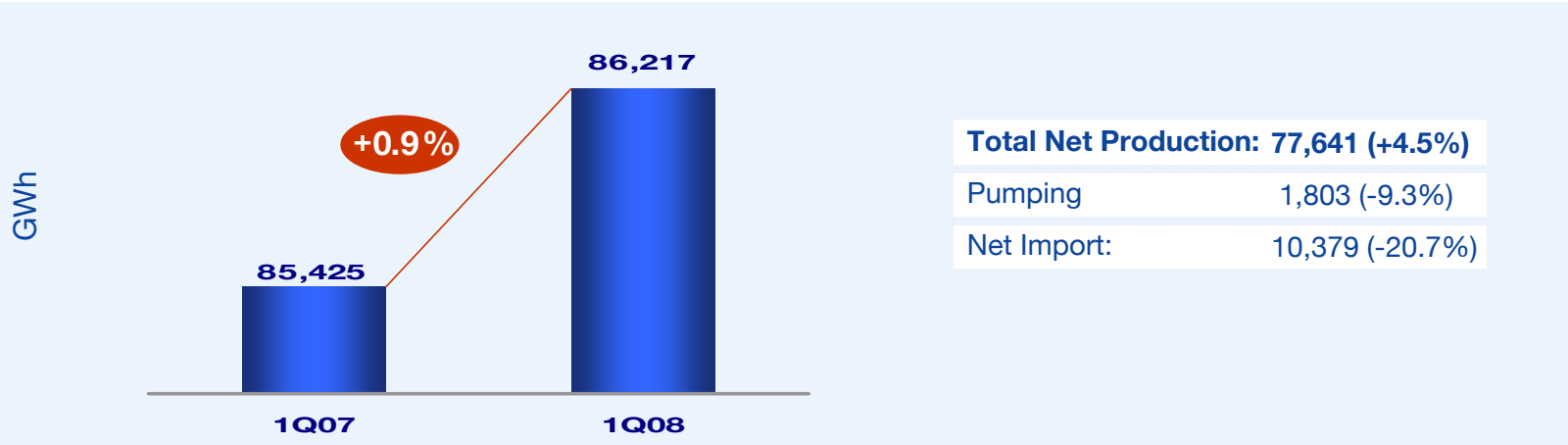
Results

- Revenue growth mitigated by profit sharing (+12mn)
- +6mn in EBITDA, margins on sales preserved (73%)
- Higher D&A and Financial Charges, consistent with business evolution

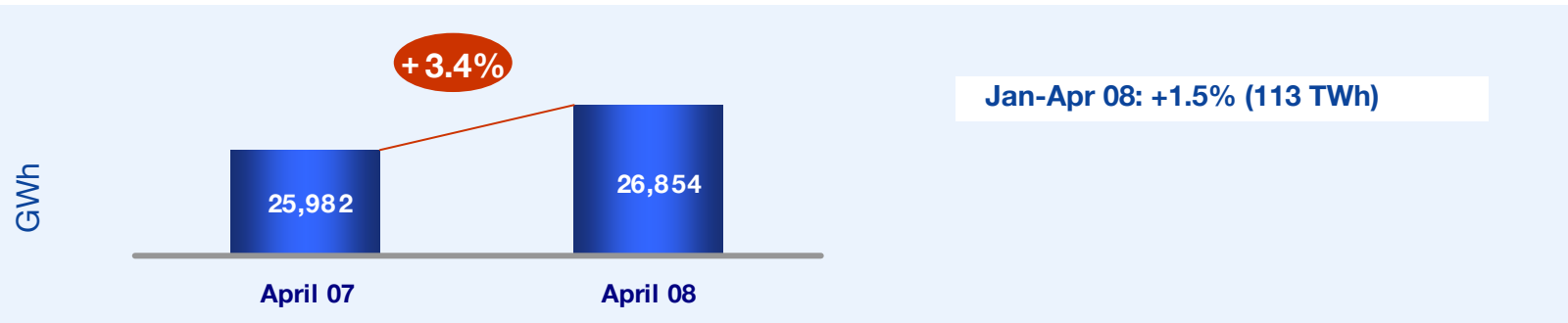
Highlights

Energy Items

Electricity Demand



Demand Evolution



Demand trend confirmed

Note: 2008, 2007 provisional figures

Highlights

Financials

In mn Euro

	Consolidated		Change	
	1Q07	1Q08	mn	Δ%
Operating Revenues	325	337	12	3.8%
EBITDA	240	246	6	2.7%
<i>EBITDA Margin (%)</i>	<i>73.8%</i>	<i>73.0%</i>		
Group Net Income	89	84	-4	-5.1%
Capex	120	143	24	20%

Positive operating results despite the impact of the new regulation

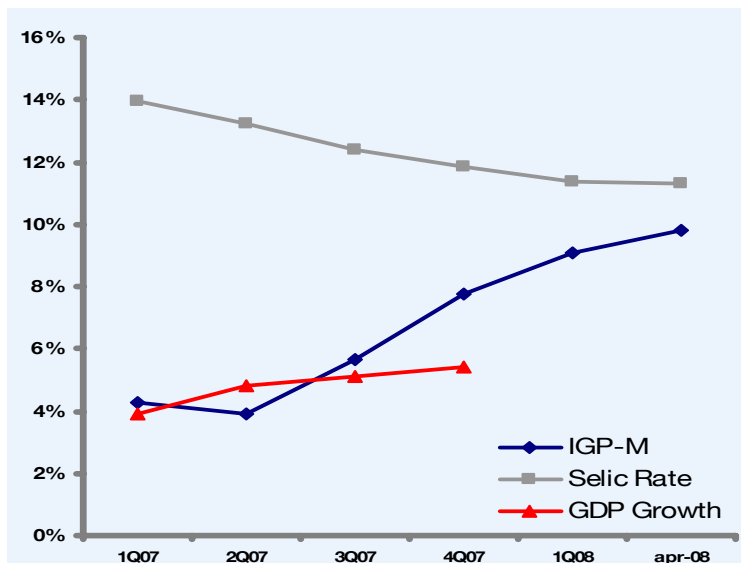
Highlights

Brazil: Macro Trends

Brazil

- Improved macro-economic scenario led to an upgrade of the Brazil Sovereign Rating to **Investment Grade** by S&P
- Increased Inflation and Long-Term Interest Rates

Macro-Economic Indicators



Notes:

IGP-M: General Index of Market Prices. Source Economática

Selic Rate: Special Settlement and Custody System, in annual terms, used as reference by the monetary policy. Source www.ipea.gov.br

GDP: Gross Domestic Product. Source www.ibge.gov.br

Highlights

Brazil: Terna Participações

Operations

- In-sourcing Process:
 - Reduction of external costs
 - Internalization of strategic O&M activities
 - Leverage on internal technical skills

Greenfields

- Auction won in November 2007:
 - Incorporation of **Brasnorte**, in partnership with local players⁽¹⁾
 - Signed Concession Contract with ANEEL
- New Auctions:
 - Bidding Documents published on March 31st
 - Scheduled for June 27th

(1) Brasnorte ownership structure: Eletronorte 45%, Terna Part 35%, Bimetal Industria 20%

Agenda

Highlights

1Q08 Results

Closing Remarks

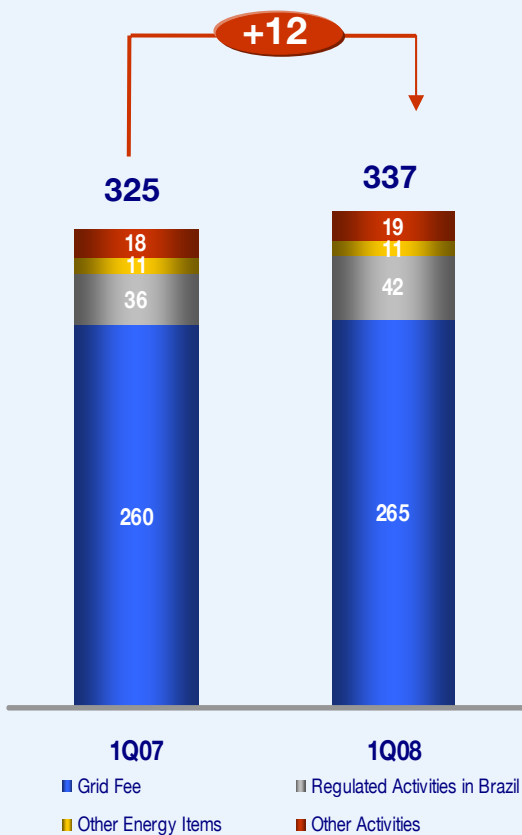
Annexes

1Q 2008 Results

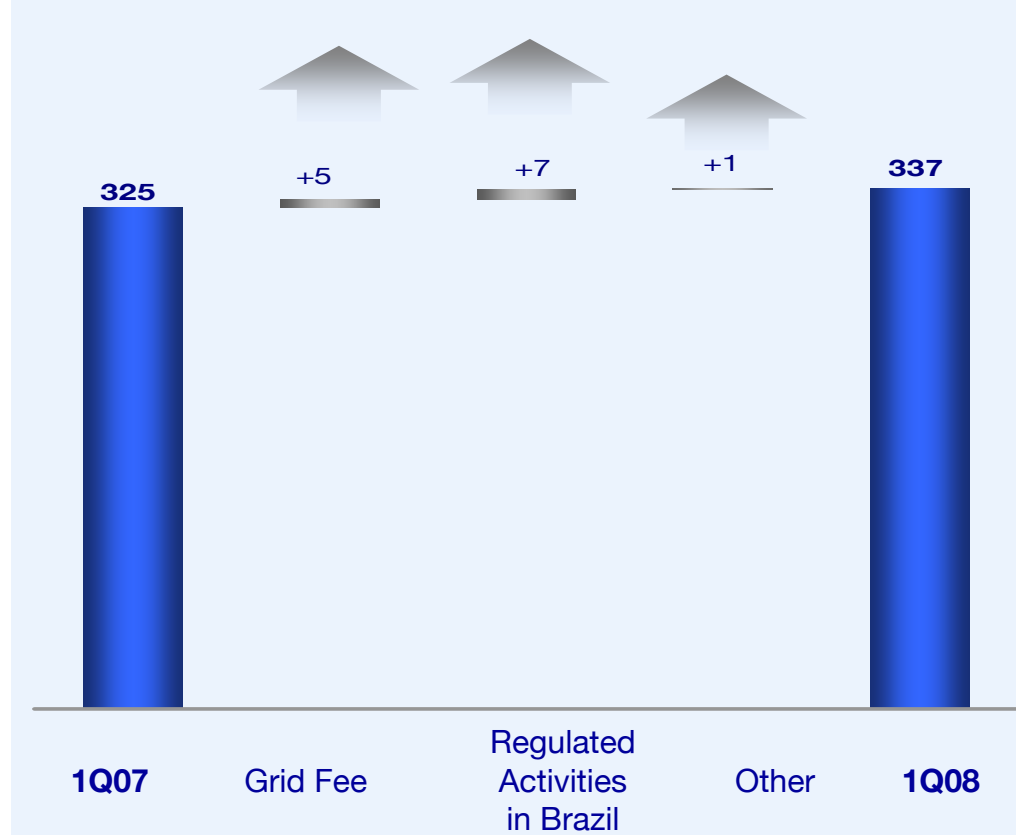
Consolidated Revenues

In mn Euro

Revenues by Nature



Revenues Breakdown

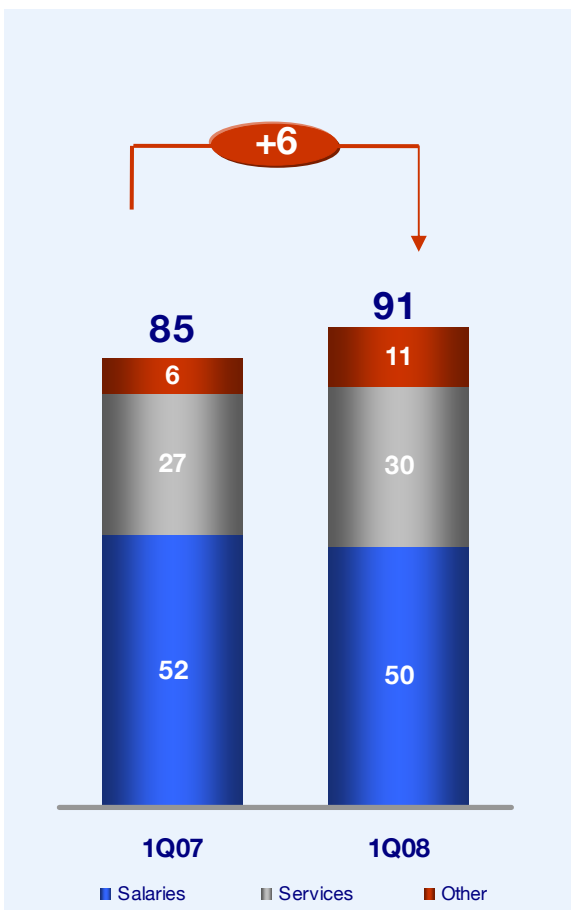


1Q 2008 Results

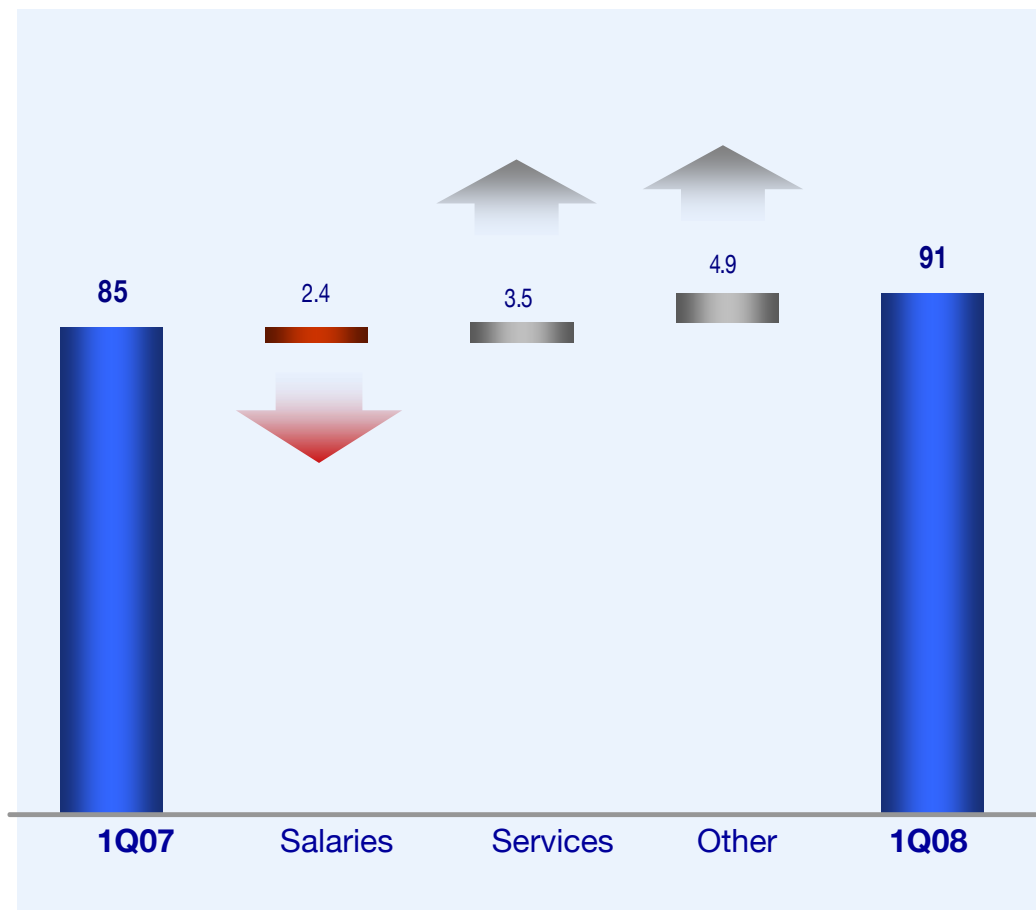
Consolidated Costs

In mn Euro

Costs by Nature⁽¹⁾



Costs Breakdown



(1) Net of capitalized costs

1Q 2008 Results

From EBITDA to Net Income

In mn Euro

	Consolidated		Change	
	1Q07	1Q08	mn	Δ%
EBITDA	240	246	6	2.7%
EBITDA Margin (%)	73.8%	73.0%		
D&A	58	65	7	11.2%
EBIT	182	182	0	-0.1%
Financial (Income) Charge	25	42	-17	70.6%
Taxes	63	50	-13	-20.9%
<i>Tax rate (%)</i>	<i>40.3%</i>	<i>35.9%</i>		
Total Net Income	94	90	-4	-4.5%
Minority Interest	5	5	0	6.1%
Group Net Income	89	84	-4	-5.1%

Net Income lower due to higher D&A and Financial Charge

1Q 2008 Results

Capex Breakdown

In mn Euro

	1Q07	1Q08	Change
Incentivized remuneration⁽¹⁾	88	113	24
Ordinary remuneration⁽²⁾	28	25	-3
- <i>Maintenance</i>	10	16	6
- <i>Other</i>	18	8	-9
Non regulated activities	2	3	2
TOTAL ITALY	118	141	23
TOTAL BRAZIL	2	3	1
TOTAL CAPEX	120	143	24

+20% 1Q08 vs 1Q07

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

(2) Category I1: WACC at 6.9%

1Q 2008 Results

Consolidated Net Debt

In mn Euro

Net Debt Evolution



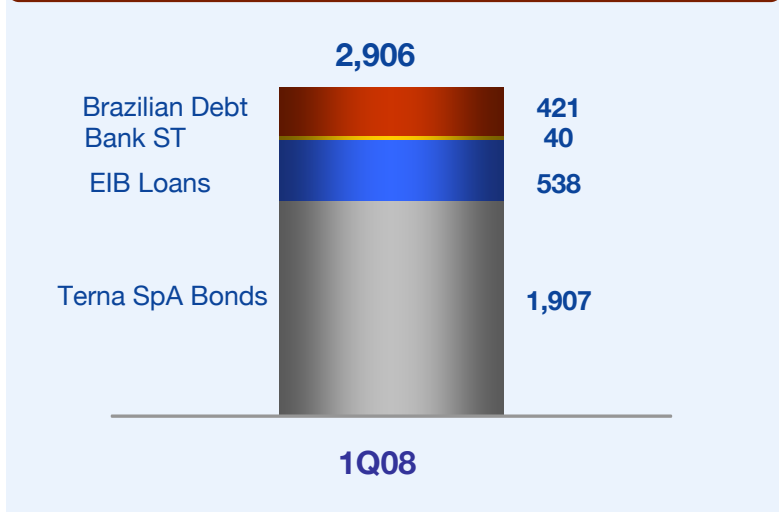
⁽¹⁾ Includes Capex and Other Fixed Asset Change

1Q 2008 Results

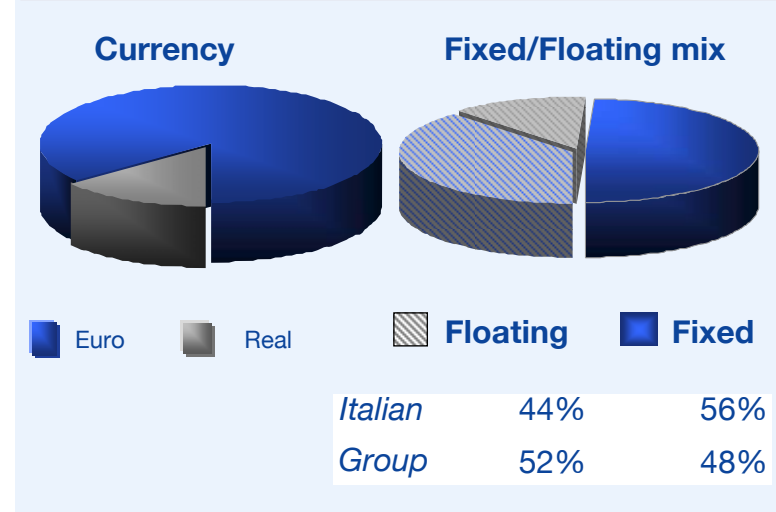
Financial Structure

In mn Euro

Gross Debt by Instrument (€mn)



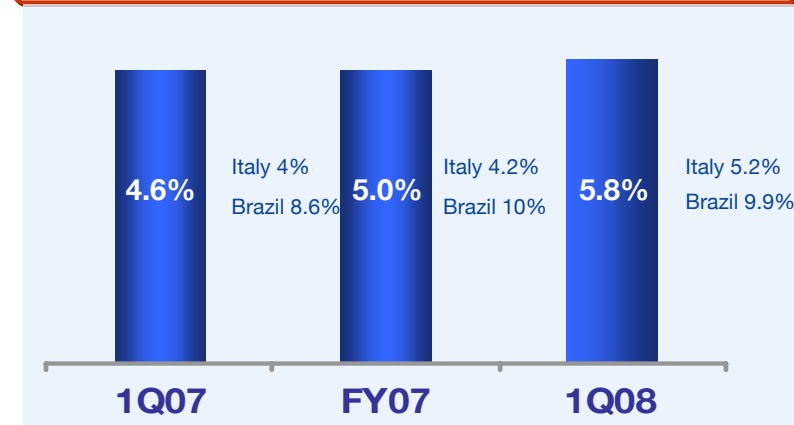
Debt Breakdown



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



Agenda

Highlights

1Q08 Results

Closing Remarks

Annexes

Closing Remarks

Governance

- Board of Directors and Board of Statutory Auditors recently renewed
- BoD: 9 members (vs. previous 10), of which 4 independent

External Growth

- BU Italy: talks ongoing on potential HV lines acquisition
- BU Brazil: new green-fields

Agenda

Highlights

1Q08 Results

Closing Remarks

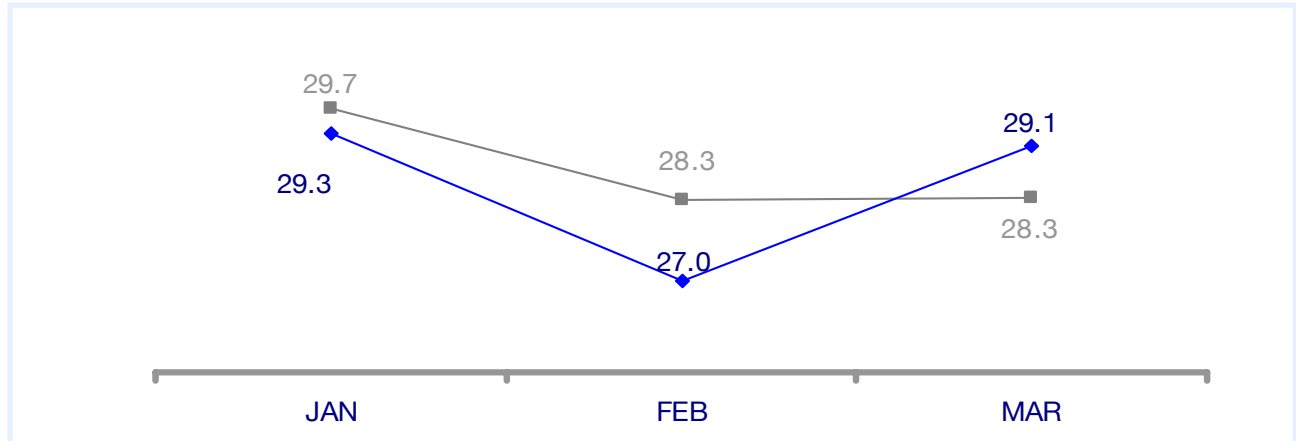
Annexes

Italian Electricity Market Evolution

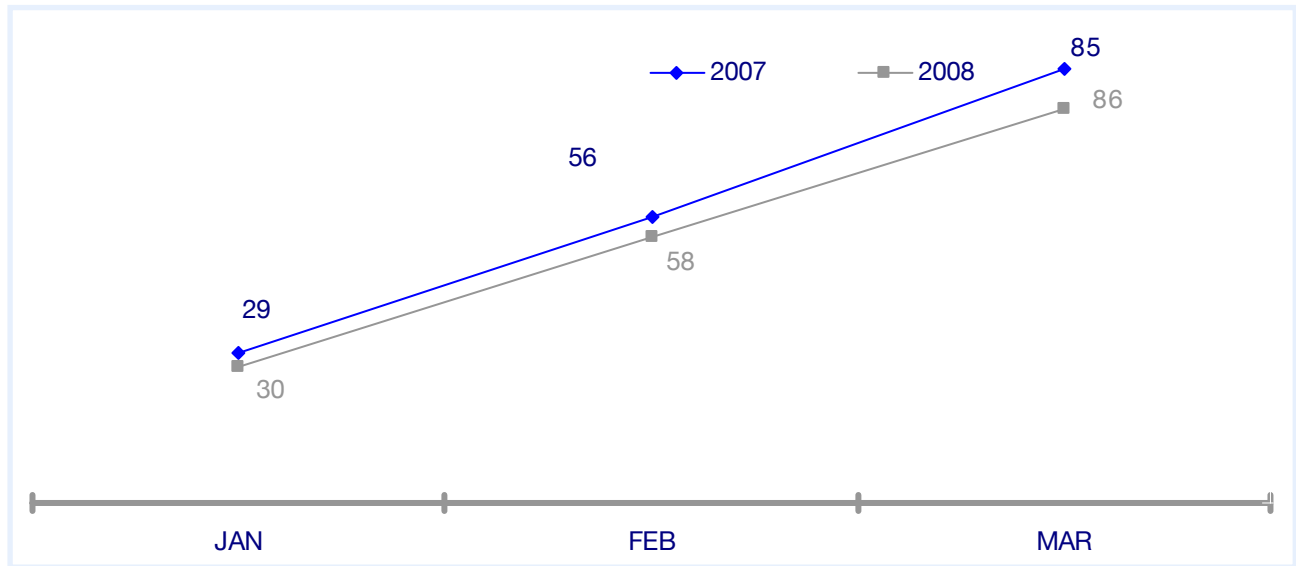
Energy Demand

TWh

Monthly Trend



Cumulated Trend



1Q 2008 Results

Consolidated Income Statement

In mn Euro

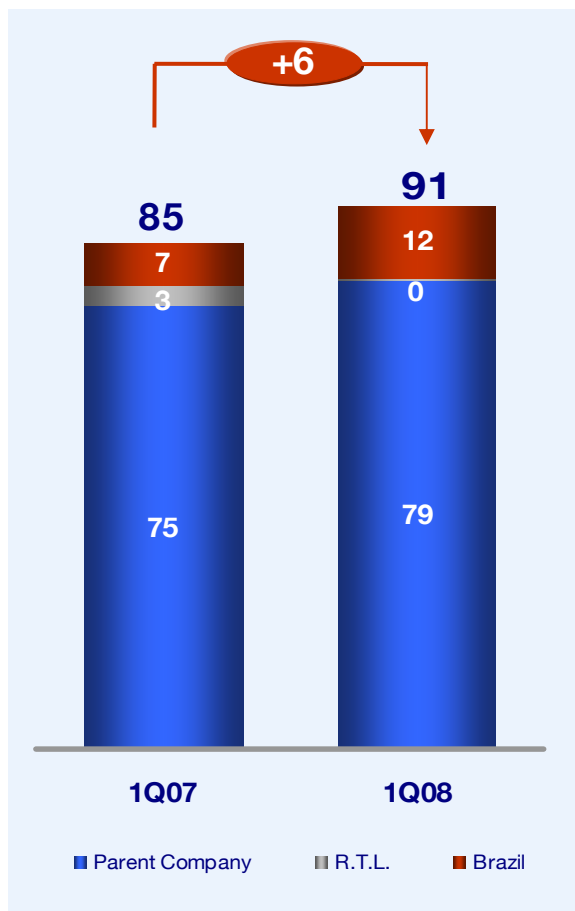
	Consolidated		Change	
	1Q07	1Q08	mn	Δ%
Operating Revenues	325	337	12	3.8%
<i>Grid Fee</i>	260	265	5	1.9%
<i>Other Energy Items</i>	11	11	0	1.9%
<i>Regulated Activities in Brazil</i>	36	42	7	18.8%
<i>Other Activities</i>	18	19	1	3.3%
Operating Expenses	85	91	6	7.1%
<i>Salaries</i>	52	50	-2	-4.6%
<i>Services</i>	27	30	4	13.0%
<i>Other</i>	6	11	5	77.8%
EBITDA	240	246	6	2.7%
<i>Italy</i>	207	211	4	2.0%
<i>Brazil</i>	33	35	2	6.7%
D&A	58	65	7	11.2%
EBIT	182	182	0	-0.1%
Financial (Income) Charge	25	42	17	70.6%
Taxes	63	50	-13	-20.9%
<i>Tax rate (%)</i>	40.3%	35.9%		
Total Net Income	94	90	-4	-4.5%
Minority Interest	5	5	0	6.1%
Group Net Income	89	84	-4	-5.1%

1Q 2008 Results

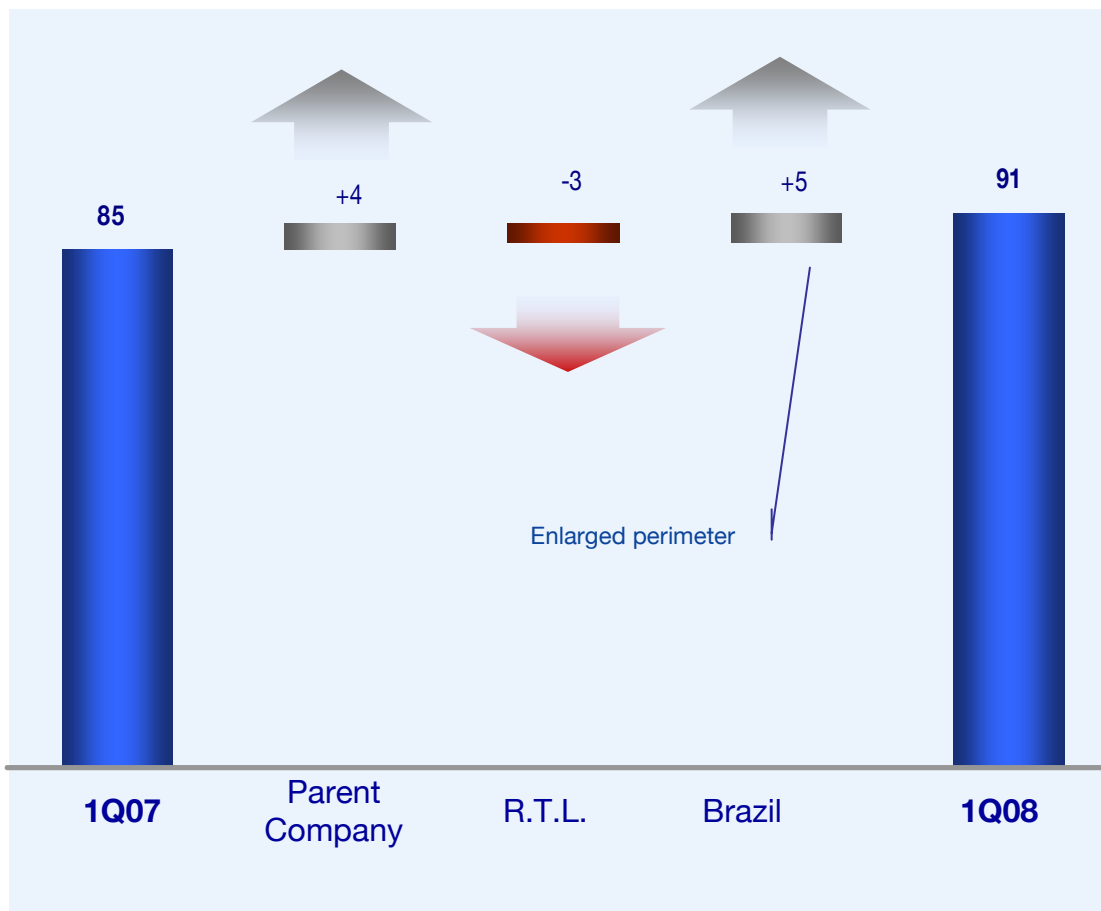
Consolidated Costs

In mn Euro

Costs by Entity⁽¹⁾



Costs Breakdown

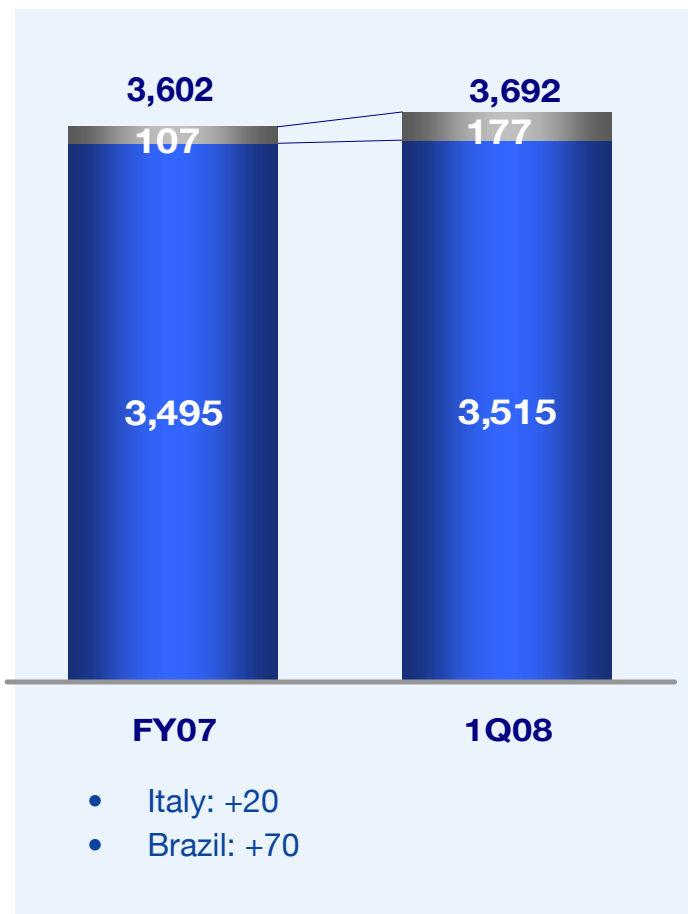


(1) Net of capitalized costs

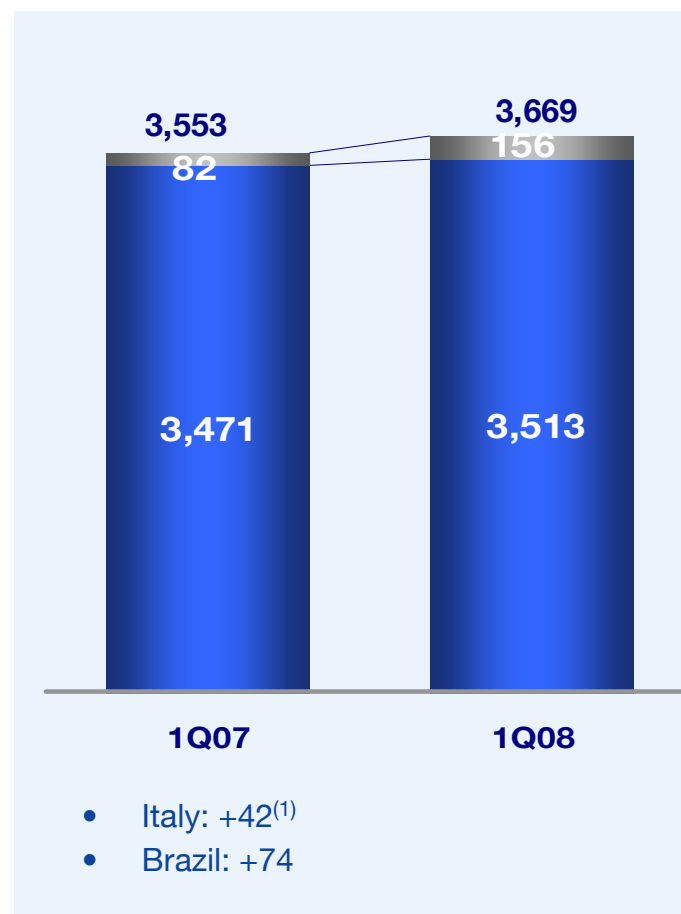
1Q 2008 Results

Headcount Evolution

Final Headcount



Average Headcount



(1) In 2007 RTT was consolidated starting from 1st July

■ Italy

■ Brazil

1Q 2008 Results

Consolidate Balance Sheet

In mn Euro

	Consolidated		Change
	FY07	1Q08	Δ%
Assets			
PP&E	5,613	5,654	0.7%
Intangible Asset, net	385	376	-2.2%
Financial Inv. and Other	37	37	1.1%
Total Fixed Assets	6,035	6,067	0.5%
Net WC	-652	-700	7.4%
Funds	-459	-460	0.1%
Net Invested Capital	4,923	4,907	-0.3%
Financed by:			
Net Debt	2,650	2,573	-2.9%
Total Shareholder's Equity	2,273	2,334	2.7%
<i>Terna Group</i>	2,162	2,230	3.2%
<i>Minorities</i>	112	104	-6.7%
D/E ratio	1.17	1.10	-5.4%

1Q 2008 Results

Consolidated Cash Flows

In mn Euro

	FY07	1Q08
Net Income	433	90
Depreciation ⁽¹⁾	254	65
Net Change in Funds	-107	0
Operating Cash Flows	581	155
Change in WC	88	48
Cash Flow from Operating Activities	669	203
Capital Expenditures	-616	-143
Other Fixed Asset Changes	-98	9
Free Cash Flow	-45	69
Dividends	-311	-7
Change in Capital	2	1
Change in Financial Position⁽²⁾	-354	63

Note: 1Q07 figures has been restated according to new interpretation of IAS

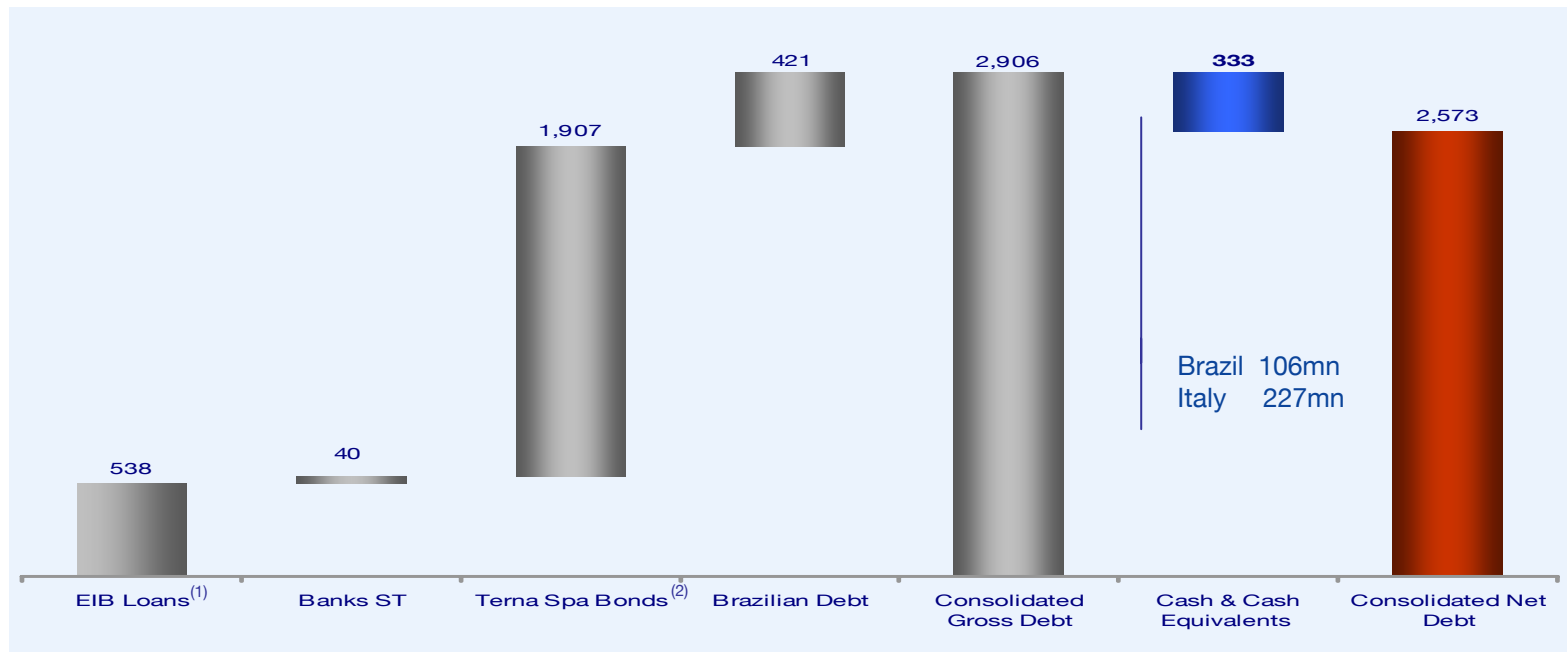
(1) Net of assets disposals

(2) Not including Δ €/R exchange rates and Δ fair value on Bonds and derivatives

1Q 2008 Results

Consolidated Net Financial Position

In mn Euro



Change in Net Financial Position

Net Debt 31/12/07

2,650

Δ Fair value on Bonds and Derivatives

4

Change in Financial Position

(63)

Δ Exchange Rates + Int. Cap.

(18)

Net Debt 31/03/08

2,573

Change in Net Debt

(77)

(1) EIB (European Investment Bank) Loans

(2) No recourse project finance debt

1Q 2008 Results

TERNA Participações (IAS)

In mn Euro

	1Q07	1Q08	Δ%
Operating Revenues	40	47	17%
Operating Expenses	7	12	64%
EBITDA	33	35	7%
EBITDA Margin (%)	82%	75%	
D&A	5	5	10%
EBIT	28	29	6%
Net Interest Expenses	9	9	1%
Taxes	5	5	8%
Net Income before IOE Reversal	14	15	8%
IOE Reversal	-	-	0%
Net Income	14	15	8%
Net Invested Capital	606	621	2%
Financed by			
Net Debt	291	315	8%
Shareholders' Equity	314	306	-3%

In mn BRL\$

	1Q07	1Q08	Δ%
Operating Revenues	110	121	10%
Operating Expenses	20	31	55%
EBITDA	90	90	0%
EBITDA Margin (%)	82%	75%	
D&A	13	14	4%
EBIT	77	77	0%
Net Interest Expenses	24	23	-5%
Taxes	14	14	2%
Net Income before IOE Reversal	39	40	1%
IOE Reversal	0	0	0%
Net Income	39	40	1%
Net Invested Capital	1,645	1,711	4%
Financed by			
Net Debt	791	868	10%
Shareholders' Equity	854	843	-1%

1Q 2008 Results

Exchange Rates

	1Q07	1Q08	FY07
Closing Rate Euro/BRL\$	2.72	2.76	2.61
Average Rate for the Period	2.76	2.60	2.66
IGPM	1.11%	2.38%	7.75%

Impacts on: (€mn)

	1Q08
Revenues	+2.7
EBITDA	+2.0
EBIT	+1.7
Net Financial Interests	+0.5
Net Income	+0.9

Disclaimer

THIS DOCUMENT HAS BEEN PREPARED BY TERNA S.P.A. (THE “COMPANY”) FOR THE SOLE PURPOSE DESCRIBED HEREIN. IN NO CASE MAY IT BE INTERPRETED AS AN OFFER OR INVITATION TO SELL OR PURCHASE ANY SECURITY ISSUED BY THE COMPANY OR ITS SUBSIDIARIES.

THE CONTENT OF THIS DOCUMENT HAS A MERELY INFORMATIVE AND PROVISIONAL NATURE AND THE STATEMENTS CONTAINED HEREIN HAVE NOT BEEN INDEPENDENTLY VERIFIED. NEITHER THE COMPANY NOR ANY OF ITS REPRESENTATIVES SHALL ACCEPT ANY LIABILITY WHATSOEVER (WHETHER IN NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY FROM THE USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT OR ANY MATERIAL DISCUSSED DURING THE PRESENTATION.

THIS DOCUMENT MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. THE INFORMATION CONTAINED HEREIN AND OTHER MATERIAL DISCUSSED AT THE CONFERENCE CALL MAY INCLUDE FORWARD-LOOKING STATEMENTS THAT ARE NOT HISTORICAL FACTS, INCLUDING STATEMENTS ABOUT THE COMPANY’S BELIEFS AND EXPECTATIONS. THESE STATEMENTS ARE BASED ON CURRENT PLANS, ESTIMATES, PROJECTIONS AND PROJECTS, AND CANNOT BE INTERPRETED AS A PROMISE OR GUARANTEE OF WHATSOEVER NATURE.

HOWEVER, FORWARD-LOOKING STATEMENTS INVOLVE INHERENT RISKS AND UNCERTAINTIES AND ARE CURRENT ONLY AT THE DATE THEY ARE MADE. WE CAUTION YOU THAT A NUMBER OF FACTORS COULD CAUSE THE COMPANY’S ACTUAL RESULTS AND PROVISIONS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENT. SUCH FACTORS INCLUDE, BUT ARE NOT LIMITED TO: TRENDS IN COMPANY’S BUSINESS, ITS ABILITY TO IMPLEMENT COST-CUTTING PLANS, CHANGES IN THE REGULATORY ENVIRONMENT, DIFFERENT INTERPRETATION OF THE LAW AND REGULATION, ITS ABILITY TO SUCCESSFULLY DIVERSIFY AND THE EXPECTED LEVEL OF FUTURE CAPITAL EXPENDITURES. THEREFORE, YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. TERNA DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN TERNA’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGES IN EVENTS.

EXECUTIVE IN CHARGE OF THE PREPARATION OF ACCOUNTING DOCUMENTS “LUCIANO DI BACCO” DECLARES, PURSUANT TO PARAGRAPH 2 OF ARTICLE 154-BIS OF THE CONSOLIDATED LAW ON FINANCE, THAT THE ACCOUNTING INFORMATION CONTAINED IN THIS PRESENTATION CORRESPONDS TO THE DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.

investor.relations@terna.it

+39 06 8313 8106

www.terna.it



Terna
Rete Elettrica Nazionale