

External Relations and  
 Communications  
 Tel. +39 06 83138120  
 Fax +39 06 83138372  
 e-mail: ufficio.stampa@terna.it

 Investor Relations  
 Tel. +39 06 83138145  
 Fax +39 06 83138389  
 e-mail: investor.relations@terna.it

[www.terna.it](http://www.terna.it)

## TERNA: BOARD APPROVES THE RESULTS AS AT MARCH 31, 2007

**Revenues at 333 million euro (307 million in the 1Q06, +8.6%)**  
**Ebitda at 248 million euro (217 million in the 1Q06, +14.1%)**  
**Ebit at 190 million euro (169 million in the 1Q06, +12.4%)**  
**Net Group income at 92 million euro (90 million euro in the 1Q06, +1.7%)**  
**Investments at 120 million euro (43 million in the 1Q06, +180.1%)**

**Rome, May 9, 2007** – Today Chief Executive officer Flavio Cattaneo presented the results for the first quarter 2007, which were examined and approved by TERNA SpA's Board of Directors at a meeting chaired by Luigi Roth.

The CEO, Flavio Cattaneo, commended: "Creating value, ensuring security, and controlling costs: these are the defining elements of the first quarter 2007. TERNA's positive performance in this first quarter reflects the company's strategy for growth through full consolidation of the assets of the Edison and AEM Milano transmission grids. In addition, the achievement of operating synergies has resulted in a reduction in costs for TERNA, even in the face of a larger grid perimeter. Investments have almost tripled compared with the first quarter of last year, especially as regards development of the national transmission grid, which recorded an increase of +74% in investments aimed at increasing the security and reliability of the system. The demand for energy, which was falling until March, recovered in April and demonstrated a growth trend."

### CONSOLIDATED FINANCIAL RESULTS

Millions of euro	1Q 2007	1Q 2006	Change
<b>Revenues</b>	333	307	+8.6%
<b>EBITDA (Gross Operating Margin):</b>	248	217	+14.1%
<b>EBIT (Operating Income)</b>	190	169	+12.4%
<b>Net Group Income</b>	92	90	+1.7%

### FIRST QUARTER 2007 CONSOLIDATED RESULTS

In the first quarter 2007, **Revenues**, equal to 333 million euro (268 million euro referring to the Parent Company, 48 million euro to the Brazilian subsidiaries and 17 million euro to the RTL Group) record an increase of 26 million euro (+8.6% compared to the 307 million euro of the first quarter 2006).

This increase is due to higher revenues for the transport of electricity on the Italian national transmission grid for 30 million euro, including the expansion of the grid perimeter, with the full consolidation of the assets of RTM1 and RTM2 (formerly Edison Rete and AEM Trasmissione) for 14 million euro. In the same period Other Income and Revenues have decreased by 4 million euro

due to increased contributions from third parties recorded in the first quarter of 2006 for connection to the NTG. The revenues of the Brazilian subsidiaries, equal to 48 million euro, dropped slightly, by 1 million euro due to depreciation of the Brazilian currency against the Euro.

**Operating costs**, equal to 85.1 million euro (74 million euro relating to the Parent Company and 11 million euro to the subsidiaries) decreased by 4 million euro (- 4.7%) compared to the same period of 2006. This drop, in the face of increased personnel costs for 1.5 million euro essentially resulting from the expansion of the grid perimeter, is due to a reduction in costs for services and the benefits deriving from lesser local taxes and duties levied on the Brazilian subsidiaries.

**EBITDA** (Gross Operating Margin) stand at 248 million euro, equal to 74% of consolidated revenues, an increase of 31 million euro (+14.1%) compared to the first quarter 2006 figure. The contribution of the Brazilian subsidiaries amounts to 41 million euro, compared to the 37.5 million euro of the same period of 2006 (+9.0%).

**EBIT** (Operating Income), which reflects 10 million euro in amortisation and depreciation, is equal to 190 million euro, an increase of 21 million euro (+12.4%) compared to the 169 million euro of the same period of 2006, of which approximately 36 million euro refer to the Brazilian subsidiaries.

**Group Net Income** for the period, after subtracting the share referring to minority shareholders, stands at 92 million euro, an increase of 1.7% compared to the 90 million euro of the first quarter 2006.

The consolidated balance sheet as at March 31 records **Shareholders' Equity** equal to 2,267 million euro, of which **Group Shareholders' equity** equal to 2,116 million euro (against the 2,159 million euro as at December 31, 2006, of which 2,009 million euro attributable to the Group) while **Net Financial Debt** is equal to 2,327 million euro (compared to the 2,283 million euro as at December 31, 2006). Hence, the **debt/equity** ratio as at March 31, 2007 is equal to 1.03.

**Investments** in the first quarter 2007 are equal to 120 million euro, up by an increase of 77 million euro (+ 180.1%) compared to the same period of the previous year. Of these, more than 98% regard Italy. Investments for the development of the national transmission grid amount to 46 million euro, up by 74%. Other investments, equal to 61 million euro, include TERNA's purchase, from the Wind Group of 20 years' exclusive use of a pair of optic fibres for plant management and monitoring and defence of the National Electricity System, for a total of 43.5 million euro. This investment falls within the strategy of optimising operating costs and strengthening the security and reliability of the service, announced in January in the Strategic Plan 2007-2011.

**Headcount** of the Group at the end of March 2007 stands at 3,556, up by 1 employee compared to year end 2006.

## **SIGNIFICANT EVENTS AFTER MARCH 31, 2007**

On April 12, 2007, the Ministry of Productive Activities approved TERNA's Development Plan of the National Transmission Grid.

On April 20, 2007 TERNA, through its subsidiary R.T.L, signed with Iride Energia S.p.A. the agreement for acquisition of the entire share capital of AEM Trasporto Energia S.r.l. of Turin, and of the Moncalieri 220 kV electrical substation, forming part of the National Transmission Grid, for 49.4 million euro. This deal falls within TERNA's strategy for consolidating the National Transmission Grid, and allows the company to further expand its grid perimeter, reaching a share of 98.3% of the NTG. Finalisation of the deal is subject to authorisation of the Italian Antitrust Authority.

## BUSINESS OUTLOOK

During the rest of the year, revenues are expected to remain substantially stable. Cost dynamics, on the other hand, are expected to reflect the season increase in operating activity that is typical of the last months of the year, and this should lead to a slight decrease in margins.

During the rest of the year, the provisions of Prime Ministerial Decree of May 11, 2004 will continue to be implemented, with specific reference to the unification of the National Transmission Grid through acquisition of the portions of the NTG owned by other operators.

Moreover, the company's scouting for investment opportunities abroad will continue, with specific focus on profitability and limited risk profile.

*The quarterly report as at March 31, 2007, not subject to accounting audit, will be available on the Terna internet site at [www.terna.it](http://www.terna.it) within the limits established by the law.*

*In compliance with current Brazilian law in force, the first quarter 2007 results of Terna Participações and its subsidiaries (TSN Transmissora Sudeste Nordeste S.A. and Novatrans Energia S.A.), drafted according to Brazilian BR GAAP account principles (and presented in the local currency), published on today's date, are available on the internet sites of the Brazilian Securities Commission (at [www.cvm.gov.br](http://www.cvm.gov.br)) and the site of Terna's Brazilian subsidiary, Terna Participações (at [www.terna.com.br](http://www.terna.com.br))*

**At 4.30 p.m. a conference call will be held to illustrate the 2007 First Quarter results to financial analysts and institutional investors. Journalists are also invited to listen to the call. Support material for the conference call will be available on the website [www.terna.it](http://www.terna.it), in the Investor Relations section, from commencement of the conference call. In the same section, it will also be possible to listen to the presentation through audio webcasting.**

*The reclassified Consolidated Income Statement, Balance Sheet and Statement of Cash Flows of the Terna Group are attached.*

In this release some "alternative performance indicators" are used (EBITDA and net financial debt), of which the meaning and content are illustrated

below in line with the CESR/05-178b recommendation published on November 3, 2005:

- Ebitda (Gross Operating Margin): represents an operating performance indicator; it is calculated by summing the Operating Income (EBIT) and 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.

## Reclassified Consolidated Income Statement

Millions of euro	January 1 - March 31			
	2007	2006	Change	%
<b>Revenues</b>				
- Network usage fees	307,9	278,5	29,4	10,6%
- Other energy revenues (1)	10,7	10,4	0,3	2,9%
- Other sales and services (1)	8,4	7,5	0,9	12,0%
- Other income and revenues	6,0	10,2	-4,2	-41,2%
<b>Total revenues</b>	<b>333,0</b>	<b>306,6</b>	<b>26,4</b>	<b>8,6%</b>
<b>Operating costs:</b>				
- Labour cost (2)	51,9	50,4	1,5	3,0%
- Services and use of third party assets	26,9	28,5	-1,6	-5,6%
- Materials (2)	1,8	2,1	-0,3	-5,6%
- Other costs	4,5	8,3	-3,8	-14,3%
<b>Total operating costs</b>	<b>85,1</b>	<b>89,3</b>	<b>-4,2</b>	<b>-4,7%</b>
<b>EBITDA</b>	<b>247,9</b>	<b>217,3</b>	<b>30,6</b>	<b>14,1%</b>
<b>Amortisation, depreciation</b>	<b>58,2</b>	<b>48,6</b>	<b>9,6</b>	<b>19,8%</b>
<b>EBIT</b>	<b>189,7</b>	<b>168,7</b>	<b>21,0</b>	<b>12,4%</b>
- Net financial income (charges) (3)	-24,5	-18,6	-5,9	31,7%
<b>PRE-TAX PROFIT</b>	<b>165,2</b>	<b>150,1</b>	<b>15,1</b>	<b>10,1%</b>
- Income tax	66,9	59,7	7,2	12,1%
<b>NET INCOME</b>	<b>98,3</b>	<b>90,4</b>	<b>7,9</b>	<b>8,7%</b>
- NET INCOME PERTAINING TO MINORITY INTERESTS	6,4	0	6,4	100,0%
-NET INCOME PERTAINING TO THE GROUP	91,9	90,4	1,5	1,7%

In the consolidated statements:

(1) the balance is included in the item "Revenues from sales and services"

(2) including the item capitalised costs

(3) corresponds to the items detailed in points 1, 2, and 3 of "Financial income and charges".

## Consolidated Reclassified Balance Sheet

Millions of euro			
	as at 03.31.2007	as at 12.31.2006	Change
<b>Net fixed assets</b>			
- Intangible assets (1)	302.0	299.1	2.9
- Properties, plants and machinery	5,242.6	5,159.0	83.6
- Other (2)	12.4	12.8	-0.4
<b>Total</b>	<b>5,557.0</b>	<b>5,470.9</b>	<b>86.1</b>
<b>Net working capital</b>			
- Trade receivables	1,348.0	1,182.1	165.9
- Inventories	28.3	25.6	2.7
- Other assets (3)	28.7	26.4	3.3
- Trade payables	1,318.4	1,280.6	37.8
- Net taxes payable (4)	167.8	115.5	52.3
- Other liabilities (5)	266.6	249.6	17.0
<b>Total</b>	<b>-346.8</b>	<b>-411.6</b>	<b>64.8</b>
<b>Gross capital employed</b>	<b>5,210.2</b>	<b>5,059.3</b>	<b>150.9</b>
Sundry provisions (6)	616.5	617.6	-1.1
<b>Net capital employed</b>	<b>4,593.7</b>	<b>4,441.7</b>	<b>152.0</b>
Shareholders' equity	2,116.3	2,008.9	107.4
Minority interests	150.4	150.0	0.4
Net financial debt (7)	2,327.0	2,282.8	44.2
<b>Total</b>	<b>4,593.7</b>	<b>4,441.7</b>	<b>152.0</b>

In the consolidated statements, these correspond to:

(1) the items "Goodwill" and "Intangible assets";

(2) the items "Equity investments valued at net equity" and "Other non-current assets"

(3) the item "Other current assets", net of tax credits (7.6 million euro) and the item "Current financial assets" for the value of accrued income on financial income (0.2 million euro);

(4) the items "Other current assets" for the value of tax credits (7.6 million), "Income tax payables" and "Other current liabilities" for the amount of tax payables different from income tax payables (37.7 million), "Tax liabilities, including deferred taxes" for the value of the Deferred tax liabilities (62.4 euro);

(5) the items "Current financial assets" for the value of accrued income on derivatives contracts on the Bond loan (3.2 million euro), "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of tax payables different from taxes for the period (37.7 million euro);

(6) the items "Staff severance fund and other provisions related to personnel", "Provisions for future risks and charges", "Tax liabilities, including deferred taxes", net of the Deferred tax liabilities (62.4 million euro), and "Prepaid tax assets".

(7) the items "Long-term borrowings", "Current quotas of long-term borrowings", "Short-term borrowings", "Cash and cash equivalents", "Non-current financial assets", "Non-current financial liabilities".

## Consolidated Statement of Cash Flows

<i>Millions of euro</i>			
	03.31.2007	03.31.2006	Change
<b>INTERCOMPANY C/A AND OPENING CASH BALANCE</b>	<b>200.4</b>	<b>76.6</b>	<b>123.8</b>
Net income	98.3	90.4	7.9
Amortisation, depreciation	58.2	48.6	9.6
Net changes in provisions	-1.5	11.9	-13.4
<b>Self-financing</b>	<b>155.0</b>	<b>150.9</b>	<b>4.1</b>
Change in net working capital:	-64.8	7.5	-72.3
<b>Operating cash flow</b>	<b>90.2</b>	<b>158.4</b>	<b>-68.2</b>
<b>Investments</b>			
- Tangible assets	-116.4	-41.8	-74.6
- Intangible assets	-3.2	-0.9	-2.3
- Other changes in fixed assets	-7.5	-49.3	41.8
<b>Total monetary flow from (to) investment activity</b>	<b>-127.1</b>	<b>-92.0</b>	<b>-35.1</b>
Change in loans	19.5	-8.9	28.4
Other movements in Group Shareholders' Equity	3.3	8.1	-4.8
Dividends	-11.8*	-	-11.8
Other movements in Minority interests	1.2	-	1.2
<b>Total monetary flow from (to) financial activity</b>	<b>12.2</b>	<b>-0.8</b>	<b>13.0</b>
<b>Total monetary flow</b>	<b>-24.7</b>	<b>65.6</b>	<b>-90.3</b>
<b>INTERCOMPANY C/A AND CLOSING CASH BALANCE</b>	<b>175.7</b>	<b>142.2</b>	<b>33.5</b>

\* Dividend distributed by subsidiary Terna Participacoes

(a) the attached statement summarises the sources and uses for the period, using the data reported in the quarterly financial statements as at March 31, 2007 and the related explanatory notes. For the Statement of cash flows pursuant to IAS 7, refer to p. 24 of said statements.