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## TERNA: BOARD APPROVES THE 2007 RESULTS

- ▶ *Group net profit at 413.9 million euro (389.1 million in 2006, +6.4%)*
- ▶ *Revenues at 1,348.2 million euro (1,276.5 million in 2006, +5.6%)*
- ▶ *Ebitda at 977.8 million euro (868.6 million in 2006, +12.6%)*
- ▶ *Ebit at 722.7 million euro (656.2 million in 2006, +10.1%)*
- ▶ *Proposed 2007 full-year dividend: 15.1 eurocents per share, + 7.86% compared to 2006 (5.6 eurocents of which already distributed as interim dividend and 9.5 eurocents as final balance to be paid in June 2008)*

**Rome, March 11 2008** – Chief Executive Officer Flavio Cattaneo presented the results for the 2007 financial year, which were examined and approved by TERNA SpA's Board of Directors that met today chaired by Luigi Roth.

### CONSOLIDATED FINANCIAL RESULTS <sup>1</sup>

| Million euro                           | 2007           | 2006 <sup>2</sup> | Change        |
|--|----------------|-------------------|---------------|
| <b>Revenues</b>                        | <b>1,348.2</b> | <b>1,276.5</b>    | <b>+5.6%</b>  |
| <b>Ebitda (Gross Operating Margin)</b> | <b>977.8</b>   | <b>868.6</b>      | <b>+12.6%</b> |
| <b>Ebit (Operating Result)</b>         | <b>722.7</b>   | <b>656.2</b>      | <b>+10.1%</b> |
| <b>Group net profit</b>                | <b>413.9</b>   | <b>389.1</b>      | <b>+6.4%</b>  |

The Chief Executive Officer, Flavio Cattaneo, commented “2007 was a year marked by important results both from the strategic and financial point of view, allowing us to offer a significant increase in the dividend versus the previous year, thus confirming Terna’s stock as best in class among the sector with a dividend yield over 5%. All of the Plan’s objectives were fully achieved. We are firmly convinced that the large electricity grids are a priority for Italy and for its economic development – added Cattaneo – and for this reason we have accelerated the development of infrastructures and pursued consolidating the national electricity grid. Terna’s team has tripled investments compared to the average of the past years confirming the implementation of the announced Development Plan. We are very optimistic for 2008: we wish to consolidate results and look with interest also to possible acquisitions”.

<sup>1</sup> In this release some “alternative performance indicators” are used (Ebitda and net financial debt), the meaning and content of which are illustrated below and are in line with CESR/05-178b recommendation published on November 3, 2005:

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

<sup>2</sup>With reference to 2006 some figures have been recalculated in compliance with the IAS 8 standard.

## CONSOLIDATED RESULTS 2007

**Revenues** for 2007, equal to 1,348.2 million euro (1,111.2 million for the Parent Company, 70.8 million euro for the Italian subsidiary RTL and 166.2 million euro for the Brazilian subsidiaries), increased by 71.7 million euro (+5.6% compared to 1,276.5 million euro in 2006). The increase in revenues essentially derives from the higher fees for the use of the grid, equal to approximately 65.4 million euro, of which 55.8 related to the Italian Transmission Grid and 9.6 million referring to the Brazilian companies.

The increase in revenues on the Italian Transmission Grid is essentially attributable to:

- The subsidiary RTL (+55.4 million euro) due to the full consolidation of RTM1 and RTM2;
- TERNA SpA (+0.3 million euro) deriving from the effect of lower revenues for previous net adjustments for 51.5 million euro (in the previous year, 47.3 million euro were registered deriving from the effects of Resolution 162/06 of the Authority for Energy and Gas regarding the tariff integration for 2005) and of the higher revenues equal to 51.8 million euro mainly relating to the tariff evolution.

For the Brazilian companies, the increase in revenues, equal to approximately 9.6 million euro, is partly attributable to the yearly adjustment of the concession fee and partly to the effect of the euro/reals exchange rate.

**Operating costs amount to** 370.4 million euro (322.8 million euro for the Parent Company, 11.4 million euro for the Italian subsidiary RTL and 36.2 million euro for the foreign subsidiaries) and result in a 9.2% reduction (-37.5 million euro) compared to the 2006 figure. The decrease is essentially attributable to the Parent Company (-46.3 million euro) and is offset by the higher costs of the Italian subsidiary RTL essentially referring to its expanded activity field.

The reduction of operating costs for the Parent Company is mainly identifiable in personnel costs for -20.3 million euro and in services costs for -10.1 million euro.

The decreased personnel costs were caused both by higher capitalized costs and by lower expenses for early retirement incentives, as well as for the differences regarding the actuarial calculation for the new severance fund regulations and lastly, for the release of provisions. On the other hand, greater costs were registered for the dynamic of wage cost as well as for the increase in the average number of personnel owing also to acquisitions made.

The reduction of costs for services can be traced mainly to the policy for rationalizing services acquired that has led to saving, with particular reference to IT services, to telecom expenses and to lease rentals.

**L'Ebitda** (Gross Operating Margin) stands at 977.8 million euro, increasing by 109.2 million compared to 868.6 million euro in 2006 (+12.6%). The contribution of the Brazilian subsidiaries is equal to 130 million euro and that of RTL is equal to 59.4 million euro.

The combined effect of the increased revenues and of cost reduction is reflected on the **Ebitda margin** that rose from 68% in 2006 to 72.5% in 2007.

**L'Ebit** (Operating Result) is equal to 722.7 million euro and increased by 66.5 million euro (+10.1%) compared to 656.2 million euro in 2006. The benefit of the improved Ebitda is offset by the considerable increase (42.7 million euro) of amortization and depreciation, mainly attributable to the Parent Company (18.5 million euro) for the new plants that entered into operation during the year, to the Italian subsidiary RTL (23.1 million euro) and to the Brazilian subsidiaries (1.1 million euro) for the effect of the acquisitions, for investments made during the course of the year and for the appreciation of the local currency.

**Net financial charges** were equal to 116.9 million euro, with an increase compared to the previous year of 87.5 million euro. This increase is largely attributable for recording in 2006 the capital gain for the listing of Terna Participações (70.6 million euro); the additional growth (16.9 million euro) is attributable to higher financial charges due both to the increased rates and to the higher financial debt referring to the Italian activities; this is partly offset by lower financial charges of the Brazilian business unit, attributable to increased income for interests on cash and cash equivalent and to the decreased interest rates of the Brazilian debt.

**Income Taxes** recorded in the year are equal to 173.0 million euro, of which 147 million euro refer to the Parent Company, 21 million euro to the Brazilian subsidiaries and 5 million euro to the Italian subsidiary RTL. The lower taxes registered compared to 2006 (-62.2 million euro), are essentially attributable to the effects of the adjustment of the deferred taxes fund of the Parent Company and of the Italian subsidiary RTL to the new tax rates introduced by the 2008 Budget Law.

**Group Net Profit** stands at 413.9 million euro (increased by 6.4% compared to 389.1 million euro in 2006), after having deducted net financial charges for 116.9 million euro, income taxes for 173.0 million euro and minority interests for 18.9 million euro.

The consolidated financial positions as of December 31, 2007 registered a **shareholders' equity** of 2,273 million euro, of which net shareholders' equity equal to 2,162 million euro (against 2,117 million euro as of December 31, 2006, 2,007 million euro of which made by the Group) while **net financial debt, following the increased investments rose** to 2,649.7 million euro compared to 2,282.8 million euro as of December 31, 2006. The **debt/equity** ratio as of December 31, 2007 is equal to 1.17.

**Capital Expenditure** was equal to 616 million euro, rising by 75% compared to the previous year, 322 million of which relative to investments in tangible fixed assets and 92 million for the Defence Plan, thus confirming the timely implementation of the National Transmission Grid Development Plan.

**Group headcount** at the end of 2007 was of 3,602 (3,495 in Italy and 107 in Brazil) rising by 47 employees compared to December 31, 2006. The increase was due to the higher amount of resources used in Brazil following the expanded perimeter and the policy of insourcing of certain activities.

## 2007 RESULTS OF THE PARENT COMPANY – TERNA SpA

| Million euro                           | 2007           | 2006           | % Change      |
|--|----------------|----------------|---------------|
| <b>Revenues</b>                        | <b>1,121.4</b> | <b>1,110.2</b> | <b>+1%</b>    |
| <b>Ebitda (Gross operating margin)</b> | <b>795.2</b>   | <b>740.9</b>   | <b>+7.3%</b>  |
| <b>Ebit (Operating results)</b>        | <b>586.6</b>   | <b>550.8</b>   | <b>+6.5%</b>  |
| <b>Net profit</b>                      | <b>406.7</b>   | <b>355.8</b>   | <b>+14.3%</b> |

As of December 31, 2007, the Parent Company's income statement closed with a net profit of 406.7 million euro and an increase of nearly 51 million euro compared to 2006 (+14.3%).

**Operating costs** are equal to approximately 326.2 million euro, 187.2 million of which are personnel related.

**Ebitda** stands at 795.2 million euro, with a change of 54.3 million compared to last year, increased by 7.3%.

The **Ebit** is equal to 586.6 million euro, with an increase of 35.8 million euro (+6.5%) compared to 2006.

The Balance Sheet shows Shareholders' Equity of 2,026.0 million euro (compared to 1,901.7 in 2006), while the net financial debt is equal to 2,308.7 million euro (with an increase of 303 million euro compared to 2006). As of December 31, 2007 no bonds were issued by the Company or by its subsidiaries expiring the eighteen months subsequent to the closing of the year.

On October 23, 2007, Terna SpA issued an Italian inflation linked bond for a total of 500 million euro, as part of its EMTN Program which was assigned an AA- rating by Standard and Poor's, a Aa3 by Moody's and AA by Fitch. The bond will expire on September 15, 2023 with a coupon equal to 2.731% indexed to the Italian inflation rate (reference index: FOI Index, equivalent to the consumer price index without tobacco products for families of Workers and Employees). The notes are listed in the Luxembourg Stock Exchange and pay an half-yearly coupon.

## **SIGNIFICANT EVENTS OCCURRING AFTER THE 2007 BALANCE SHEET DATE AND EXPECTED OUTLOOK FOR 2008**

During the month of January Terna obtained the ISO 14001 certification for environmental management and OHSAS 18001 for management of safety in the workplace and health protection.

Both certifications are to be added to the quality certification ISO 9001 that Terna received in 2001, creating a system of integrated management for quality-environment-safety, capable of increasing the effectiveness of company processes and of supporting a high level of social and environmental responsibility. The importance of this recognition is also increased by the fact that of the 40 companies of the S&P MIB, only 14 obtained the ISO 14001 environmental certification and only 5 have an integrated system.

On February 13, 2008 the agency Standard & Poor's confirmed the long term rating for Terna equal to "AA-" and the short term rating at "A-1+". The outlook changed from stable to negative. Following the presentation of the new industrial plan, the Agency highlighted the possible negative impact on the financial profile owed to the investment plan scheduled for the development of the National Transmission Grid and to the company's growth strategy.

2008 will be focused on implementing the objectives set in the 2008-2012 Strategic Plan. In particular, the company will be involved in the timely implementation of the investments established by the Development Plan and in achieving operational efficiency while maintaining the objective of the service's maximum quality.

Terna will continue to pursue the objective of unifying the National Transmission Grid by acquiring the remaining portions of the National Transmission Grid owned by other operators as well as pursue any investment opportunities in Italy and abroad with particular attention to profitability and limited risk profile.

During the meeting, the Board of Directors also approved the Report on 2007 Corporate Governance that will be published together with the Company's income statement.

## CALLING THE SHAREHOLDERS' MEETING AND DIVIDENDS

The Board of Directors will submit to the Shareholders' Meeting to be convened next April 27 (on first call) and next April 28 (on second call), the approval of a 2007 full year dividend of 15.1 eurocents per share and the distribution - gross of any legal withholding tax- of the remaining 9.5 eurocents per share as the final dividend relative to that year.

We remind that at the meeting held on September 12, 2007, TERNA's Board of Directors have already approved the distribution to the shareholders of an interim dividend for the year 2007 equal to 5.6 eurocents per share, gross of any legal withholding taxes, already paid on November 22, 2007.

Overall, the proposed dividend per share for 2007 will be increased by 7.86% compared to 2006. As already announced to the market, the Board of Directors will propose the date of June 23, 2008 as the "coupon date" for coupon no. 8 and June 26, 2008 as the final dividend payment date.

The Shareholder's Meeting will also be called to approve the renewal of the Board of Directors and of the Board of Statutory Auditors, scheduled to end their term of office during the approval of the 2007 budget.

*A conference call will be held at 5:30 p.m. to illustrate the results of the company activity for 2007 with financial analysts and institutional investors. Journalists can be connected also in the audio mode. The support material for the conference call will be available on Terna's website at [www.terna.it](http://www.terna.it), in the Investor Relation section concomitantly with the conference call itself. In the same section it will also be possible to follow the presentation through audio webcasting.*

*The manager responsible for preparing the company's financial reports, 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*

*The report on management, the budget project for 2007's activity, the 2007 consolidated budget, the Corporate Governance Report and the certification of the Designated Official and of the CEO in compliance with paragraph 5 of art. 154-bis of the the Consolidated Finance Act will be deposited and available to the public at the company's corporate offices and at the management company of the Borsa Italiana S.p.A. and can be consulted on the company's website at ([www.terna.it](http://www.terna.it)) according to the terms envisaged by the law. The report of the Board of Statutory Auditors and the report of the Independent Auditing Company will also be available to the public as soon as they are received.*

*The reclassified charts of the Consolidated Income Statement, Balance Sheet and Cash Flow Statement of the TERNA Group SpA. are attached. These statements and relative notes have been submitted to the Board of Statutory Auditors and to the Independent Auditing Company for the appropriate and relevant evaluations.*

*In compliance with announcements nr. DME/6064291 of July 28, 2006, it is noted that with regard to reclassified charts, such data are not subject to audit by the independent auditing company.*



## Reclassified Consolidated Income Statement

| euro million                             | 2007           | 2006*          | Change       | %            |
|--|----------------|----------------|--------------|--------------|
| <b>Revenues:</b>                         |                |                |              |              |
| - Grid usage fees (1)                    | 1,211.0        | 1,145.6        | 65.4         | 5.7%         |
| - Other energy lots (1)                  | 43.3           | 41.9           | 1.4          | 3.3%         |
| - Other sales and services (1)           | 41.9           | 41.2           | 0.7          | 1.7%         |
| - Other income and revenues              | 52.0           | 47.8           | 4.2          | 8.8%         |
| <b>Total revenues</b>                    | <b>1,348.2</b> | <b>1,276.5</b> | <b>71.7</b>  | <b>5.6%</b>  |
| <b>Operating costs:</b>                  |                |                |              |              |
| - Personnel costs (2)                    | 194.0          | 214.3          | -20.3        | -9.5%        |
| - Services and use of third party assets | 135.2          | 145.3          | -10.1        | -7.0%        |
| - Materials (2)                          | 10.1           | 9.6            | 0.5          | 5.2%         |
| - Other costs (3)                        | 31.1           | 38.7           | -7.6         | -19.6%       |
| <b>Total operating costs</b>             | <b>370.4</b>   | <b>407.9</b>   | <b>-37.5</b> | <b>-9.2%</b> |
| <b>EBITDA</b>                            | <b>977.8</b>   | <b>868.6</b>   | <b>109.2</b> | <b>12.6%</b> |
| <b>Amortization/Depreciation (4)</b>     | <b>255.1</b>   | <b>212.4</b>   | <b>42.7</b>  | <b>20.1%</b> |
| <b>EBIT</b>                              | <b>722.7</b>   | <b>656.2</b>   | <b>66.5</b>  | <b>10.1%</b> |
| - Net financial income (charges) (5)     | -116.9         | -29.4          | -87.5        | 297.6%       |
| <b>INCOME BEFORE TAXES</b>               | <b>605.8</b>   | <b>626.8</b>   | <b>-21.0</b> | <b>-3.4%</b> |
| - Income taxes                           | 173.0          | 235.2          | -62.2        | -26.4%       |
| <b>NET PROFIT FOR THE YEAR</b>           | <b>432.8</b>   | <b>391.6</b>   | <b>41.2</b>  | <b>10.5%</b> |
| - Group net profit                       | 413.9          | 389.1          | 24.8         | 6.4%         |
| -Minority interest                       | 18.9           | 2.5            | 16.4         | 656.0%       |

\* With reference to December 31, 2006, balances were recalculated on the basis of changes to be made according to the IAS 8 standard; for this purpose, please read comma "A. Accounting principles and calculation criteria" of the Illustrative Note.

## In consolidated accounting tables:

- (1) The balance is listed under item "Revenues from sales and services".
- (2) Including the capitalized cost item equal to euro 44.6 million under "Personnel cost" and euro 6.6 million under item "Materials".
- (3) It corresponds to the item "Other costs" and to the item "Amortizations and Depreciations" for the value of depreciations (euro 1.6 million) and to the allowance for the Credit Depreciation Fund (euro 0.6 million).
- (4) The balance corresponds to the item "Amortizations and Depreciations" net of depreciations and of the allowance to the Credit Depreciation Fund.
- (5) It corresponds to the balance of items under points 1, 2, 3 of "Net financial income and charges".

## Reclassified Consolidated Income Statement

| <i>Euro million</i>           | As of<br>31.12.2007 | As of<br>31.12.2006* | Change       |
|-------------------------------|---------------------|----------------------|--------------|
| <b>Net fixed assets</b>       |                     |                      |              |
| - Intangible (1)              | <b>384.7</b>        | 340.5                | 44.2         |
| - Tangible                    | 5,613.0             | 5,175.8              | 437.2        |
| - Financial (2)               | 36.9                | 12.8                 | 24.1         |
| <b>Total</b>                  | <b>6,034.6</b>      | <b>5,529.1</b>       | <b>505.5</b> |
| <b>Net current assets</b>     |                     |                      |              |
| - Trade receivables           | 1,541.1             | 1,182.1              | 359.0        |
| - Inventories                 | 12.6                | 9.0                  | 3.6          |
| - Other assets (3)            | 19.1                | 26.4                 | -7.3         |
| - Trade payables              | 1,772.0             | 1,280.6              | 491.4        |
| - Net tax payables (4)        | <b>4.1</b>          | 115.5                | -111.4       |
| - Other liabilities (5)       | 448.7               | 385.1                | 63.6         |
| <b>Total</b>                  | <b>-652.0</b>       | <b>-563.7</b>        | <b>-88.3</b> |
| <b>Gross capital employed</b> | <b>5,382.6</b>      | <b>4,965.4</b>       | <b>417.2</b> |
| Sundry provisions (6)         | <b>459.4</b>        | 565.9                | -106.5       |
| <b>Net capital employed</b>   | <b>4,923.2</b>      | <b>4,399.5</b>       | <b>523.7</b> |
| Group's shareholders equity   | <b>2,162.0</b>      | 2,006.9              | 155.1        |
| Minority interest             | 111.5               | 109.8                | 1.7          |
| Net financial debt (7)        | <b>2,649.7</b>      | 2,282.8              | 366.9        |
| <b>Total</b>                  | <b>4,923.2</b>      | <b>4,399.5</b>       | <b>523.7</b> |

\* With reference to December 31, 2006, balances were recalculated on the basis of changes to be made according to the IAS 8 standard; for this purpose, please read comma "A. Accounting principles and calculation criteria" of the Illustrative Note.

In consolidated accounting tables, they correspond to:

- (1) The items "Goodwill" and "Intangible Assets";
- (2) The items "Shareholding calculated on the basis of Net Assets", "Other non current assets" and "Other non current financial assets" only including the amount of the advance payment for purchasing a shareholding in ETEO (euro 0,1 million);
- (3) The item "Other current assets" net of Tax payables (euro 18.1 million) and the item "Current financial assets" for the accrued revenues on financial income (euro 0.9 million);
- (4) The items "Other current assets" for the amount of Tax payables (euro 18.1 million), "Other current liabilities" for the amount of tax payables that are different from debt for income taxes (euro 19.9 million) and "Debt for income taxes";
- (5) The items "Other non current assets", "Current financial liabilities" and "Other current liabilities", net of tax payables that are different from debt for income taxes (euro 69.9 million);
- (6) The items "Severance fund and other personnel funds", "Funds for future risks and charges", "Liabilities for deferred taxes" and "Assets for advanced taxes";
- (7) The items "Long term financing", "Current amount of long term financing", "Cash and cash equivalent", "Current financial assets" for the amount of the short term financing for ETAU (euro 1.6 million) and "Non current financial liabilities".

## Terna Group's Cash flow statement\*

| <i>Euro million</i>                                    | Cash flow<br>31.12.2007 | Cash flow<br>31.12.2006<br>(**) | Change        |
|--|-------------------------|---------------------------------|---------------|
| <b>Intercompany C/A and opening balance</b>            | <b>200.4</b>            | <b>76.6</b>                     | <b>123.8</b>  |
| - Net profit for the year                              | 432.8                   | 391.6                           | 41.2          |
| - Amortization and depreciation                        | 255.1                   | 212.4                           | 42.7          |
| - Net changes in funds                                 | <b>-106.5</b>           | 31.7                            | -138.2        |
| - Net losses (profits ) on sales of assets             | -0.6                    | 0.6                             | -1.2          |
| <b>Self-financing</b>                                  | <b>580.8</b>            | <b>636.3</b>                    | <b>-55.5</b>  |
| - Change in net current assets                         | <b>88.3</b>             | 291.5                           | -203.2        |
| <b>Cash Flow from operations</b>                       | <b>669.1</b>            | <b>927.8</b>                    | <b>-258.7</b> |
| <b>Capital expenditure</b>                             |                         |                                 |               |
| - Tangible fixed assets                                | -591.1                  | -326.0                          | -265.1        |
| - Intangible fixed assets                              | -24.9                   | -26.5                           | 1.6           |
| - Other changes in assets                              | -88.3                   | -447.1                          | 358.8         |
| - Changes in shareholding                              | -24.5                   | 0.0                             | -24.5         |
| <b>Total cash flow from (to) investment activities</b> | <b>-728.8</b>           | <b>-799.6</b>                   | <b>70.8</b>   |
| - Changes in loans                                     | 410.5                   | 137.9                           | 272.6         |
| - Other changes in Group shareholder's equity          | 4.0                     | 14.1                            | -10.1         |
| - Dividends  | -311.3                  | -266.0                          | -45.3         |
| - Listing Terna Participações                          | 0.0                     | 109.6                           | -109.6        |
| - Other changes in minority interests                  | 0.1                     | 0.0                             | 0.1           |
| <b>Total cash flow from (to) financial activities</b>  | <b>103.3</b>            | <b>-4.4</b>                     | <b>107.7</b>  |
| <b>Total cash flow for the year</b>                    | <b>43.6</b>             | <b>123.8</b>                    | <b>-80.2</b>  |
| <b>Intercompany C/A and closing balance</b>            | <b>244.0</b>            | <b>200.4</b>                    | <b>43.6</b>   |

\* With reference to the consolidated accounting tables, please read paragraph "Economic and Financial Management" of the Terna Group's 2007 report on yearly Financial Management.

\*\* With reference to December 31, 2006, balances were recalculated on the basis of changes to be made according to the IAS 8 standard; for this purpose, please read paragraph "A. Accounting principles and calculation criteria" of the Illustrative Note"



## Reclassified Income Statement of Terna SpA

| euro million                            | 2007           | 2006           | Change       | %             |
|---|----------------|----------------|--------------|---------------|
| <b>Revenues:</b>                        |                |                |              |               |
| Grid usage fees (1)                     | 994.6          | 994.3          | 0.3          | 0.0%          |
| Other energy lots (1)                   | 43.3           | 41.9           | 1.4          | 3.3%          |
| Other sales and services (1)            | 49.4           | 42.4           | 7.0          | 16.5%         |
| Other income and revenues               | 34.1           | 31.6           | 2.5          | 7.9%          |
| <b>Total revenues</b>                   | <b>1,121.4</b> | <b>1,110.2</b> | <b>11.2</b>  | <b>1.0%</b>   |
| <b>Operating costs:</b>                 |                |                |              |               |
| - Personnel costs (2)                   | <b>187.2</b>   | 209.5          | -22.3        | -10.6%        |
| - Services an use of third party assets | 112.0          | 123.7          | -11.7        | -9.5%         |
| - Materials (2)                         | 9.6            | 9.0            | 0.6          | 6.7%          |
| - Other costs (3)                       | 17.4           | 27.1           | -9.7         | -35.8%        |
| <b>Total operating costs</b>            | <b>326.2</b>   | <b>369.3</b>   | <b>-43.1</b> | <b>-11.7%</b> |
| <b>EBITDA</b>                           | <b>795.2</b>   | <b>740.9</b>   | <b>54.3</b>  | <b>7.3%</b>   |
| <b>Amortization/depreciation (4)</b>    | 208.6          | 190.1          | 18.5         | 9.7%          |
| <b>EBIT</b>                             | <b>586.6</b>   | <b>550.8</b>   | <b>35.8</b>  | <b>6.5%</b>   |
| - Net financial income (charges) (5)    | <b>-32.9</b>   | 16.1           | -49.0        | 304.3%        |
| <b>INCOME BEFORE TAXES</b>              | <b>553.7</b>   | <b>566.9</b>   | <b>-13.2</b> | <b>-2.3%</b>  |
| - Income taxes                          | <b>147.0</b>   | 211.1          | -64.1        | -30.4%        |
| <b>NET PROFIT FOR THE YEAR</b>          | <b>406.7</b>   | <b>355.8</b>   | <b>50.9</b>  | <b>14.3%</b>  |

In Terna SpA's consolidated accounting tables:

- (1) The balance is listed under item "Revenues from sales and services".
- (2) Including the capitalized cost item equal to euro 44.6 million under "Personnel cost" and euro 6.6 million under item "Materials".
- (3) It corresponds to the item "Other costs" and to the item "Amortization and Depreciation" for the value of depreciation (euro 1.6 million) and of the allowance for the Credit Depreciation Fund (euro 0.6 million).
- (4) The balance corresponds to the item "Amortization and Depreciation" net of depreciation and of the allowance to the Credit Depreciation Fund.
- (5) It corresponds to the balance of items under points 1, 2, 3 of "Financial income and charges".

## Reclassified Balance Sheet of Terna SpA

| euro million                  | As of<br>31.12.2007 | As of<br>31.12.2006 | Change       |
|-------------------------------|---------------------|---------------------|--------------|
| <b>Net fixed assets</b>       |                     |                     |              |
| - Intangible                  | 160.7               | 159.2               | 1.5          |
| - Tangible                    | 4,519.6             | 4,149.0             | 370.6        |
| - Financial (1)               | 669.6               | 670.0               | -0.4         |
| <b>Total</b>                  | <b>5,349.9</b>      | <b>4,978.2</b>      | <b>371.7</b> |
| <b>Net current assets</b>     |                     |                     |              |
| - Trade receivable            | 1,513.6             | 1,163.7             | 349.9        |
| - Inventories                 | 12.6                | 7.7                 | 4.9          |
| - Other assets (2)            | 18.1                | 16.3                | 1.8          |
| - Trade payables              | 1,779.2             | 1,282.9             | 496.3        |
| - Net tax payables (3)        | -7.1                | 114.4               | -121.5       |
| - Other liabilities (4)       | 241.2               | 246.3               | -5.1         |
| <b>Total</b>                  | <b>-469.0</b>       | <b>-455.9</b>       | <b>-13.1</b> |
| <b>Gross capital employed</b> | <b>4,880.9</b>      | <b>4,522.3</b>      | <b>358.6</b> |
| Sundry provisions (5)         | 546.2               | 614.9               | -68.7        |
| <b>Net capital employed</b>   | <b>4,334.7</b>      | <b>3,907.4</b>      | <b>427.3</b> |
| Net Shareholders' equity      | 2,026.0             | 1,901.7             | 124.3        |
| Net financial debt (6)        | 2,308.7             | 2,005.7             | 303.0        |
| <b>Total</b>                  | <b>4,334.7</b>      | <b>3,907.4</b>      | <b>427.3</b> |

In Terna SpA's accounting tables included in the Balance Sheet they correspond to:

- (1) The item "Other non current assets" and "Non current financial assets" which only includes the value of shareholding;
- (2) The item "Other current assets" net of tax receivables (euro 16.2 million) and the item "Current financial assets" which only includes the value of accrued income on the financial income (euro 0.9 million);
- (3) The items "Other current assets" for the amount of tax receivables (euro 16.2 million) and "Other current liabilities" for the amount of the other tax payables (euro 9.0million);
- (4) The items "Other non current liabilities", "Current financial liabilities" and "Other current liabilities" net of other tax payables (euro 65.3 million);
- (5) The items "Severance fund and other personnel funds", "Fund for future risks and charges", Liabilities for deferred taxes" and "Assets for advanced taxes";
- (6) The items "Cash and cash equivalent", "Long term financing", "Current amount of long term financing" and "Non current financial liabilities".

## Cash flow statement of Terna SpA\*

| <i>Euro million</i>                                    | Cash flow<br>2007 | Cash<br>flow<br>2006 | Change        |
|--|-------------------|----------------------|---------------|
| <b>Intercompany C/A and opening balance</b>            | <b>15.1</b>       | <b>10.9</b>          | <b>4.2</b>    |
| Net profit   | 406.7             | 355.8                | 50.9          |
| Amortization and depreciation                          | 208.6             | 190.1                | 18.5          |
| Net changes in funds                                   | -68.7             | -1.2                 | -67.5         |
| Losses (Profits ) on sales of assets                   | -0.5              | 1.1                  | -1.6          |
| <b>Self-financing</b>                                  | <b>546.1</b>      | <b>545.8</b>         | <b>0.3</b>    |
| Change in net current assets                           | 13.1              | 264.6                | -251.5        |
| <b>Cash Flow from operations</b>                       | <b>559.2</b>      | <b>810.4</b>         | <b>-251.2</b> |
| <b>Capital expenditure</b>                             |                   |                      |               |
| - Tangible fixed assets                                | -547.7            | -318.5               | -229.2        |
| - Intergroup acquisitions                              | -28.4             | 0.0                  | -28.4         |
| - Intangible fixed assets                              | -24.9             | -26.5                | 1.6           |
| - Equity investments                                   | -0.1              | -371.6               | 371.5         |
| - Other movements in fixed assets                      | 21.3              | 18.0                 | 3.3           |
| <b>Total cash flow from (to) investment activities</b> | <b>-579.8</b>     | <b>-698.6</b>        | <b>118.8</b>  |
| Changes in loans                                       | 418.5             | 144.4                | 274.1         |
| Other changes in shareholders' equity                  | 3.6               | 14.0                 | -10.4         |
| Dividends  | -286.0            | -266.0               | -20.0         |
| <b>Total cash flow from (to) financial activities</b>  | <b>136.1</b>      | <b>-107.6</b>        | <b>243.7</b>  |
| <b>Total cash flow for the year</b>                    | <b>115.5</b>      | <b>4.2</b>           | <b>111.3</b>  |
| <b>Intercompany C/A and closing balance</b>            | <b>130.6</b>      | <b>15.1</b>          | <b>115.5</b>  |

\* With reference to Terna SpA's accounting tables, please refer to paragraph "Economic and financial management" of Terna SpA's 2007 annual financial report.