

REPORT OF THE BOARD OF STATUTORY AUDITORS ON TERNA SPA'S CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2006

To the Shareholders' Meeting of TERNA SpA,

TERNA's consolidated financial statement as of December 31, 2006 was drawn up by the Parent Company TERNA SpA ("Company", "TERNA", "Parent Company"), according to the international accounting principles (IAS/IFRS) and comprises the Balance Sheet, the Income Statement, the Summary Statement, the Notes to the Financial Statement and the Statement of Cash Flows; it is also supplemented by the Director's Report. In particular, with reference to the Notes to the Financial Statement, the following is pointed out:

- the area of consolidation extends to the equity investments in which the Parent Company applies, directly or indirectly, financial and operational policies in order to obtain benefits deriving from its activities. This area, with respect to the previous year, shows a variation deriving from the acquisition of equity investment in RTM1 S.p.A. and RTM2 S.p.A. as well as a reduction of the shares held in the Brazilian companies TSN S.A. and Novatrans Energia S.A. following the listing of the holding Terna Participações in the domestic stock market;
- the criteria adopted for consolidation is the integral one and consolidation has determined a positive difference classified as Goodwill.

In particular, the impairment test gave rise to a recoverable value of the above-mentioned Goodwill which exceeded its book value.

Furthermore, the Notes to the Financial Statement, provide a clear account of the policies used in drawing up the financial statement, the accounting principles selected and applied, the nature and the economic and financial results of the transactions with related parties.

TERNA Group's consolidated financial statement indicates the balance-sheet format selected among those specified in the IAS 1.

Specifically, the Balance Sheet was drawn up according to the classification of assets and liabilities as current and non-current, the Income Statement was classified on the basis of the nature of costs, while

the Statement of Cash Flows was indicated using the indirect method.

Moreover, for each item of the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity and Statement of Cash Flows, the relative notes have been systematically prepared, as required by the IAS 1 international standard.

As a consequence of indications received and of the assessments carried out, the consolidated financial statement, as far as its formation and structure are concerned, appears to be in compliance with the international accounting standards which were correctly applied.

We would also like to point out the following:

- the correspondence of the Consolidated Financial Statement to facts and information that we are aware of, following the fulfilment of our duties;
- the Director's Report of the Terna Group is complete, pursuant to Article 2428 of the Civil Code.

To conclude, in view of the above and also considering the results of the activity carried out by the Independent Auditors KPMG S.p.A., no significant facts have emerged worthy to be mentioned in this Report.

Rome, May 7, 2007

THE BOARD OF STATUTORY AUDITORS

Avv. Giovanni Ferreri


Dott. Giancarlo Russo Corvace


Prof. Roberto Tasca

