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TERNA PRESENTS THE 2008 – 2012 STRATEGIC PLAN

- **Over 3.1 billion euro of capex during the Plan period (+400 million euro compared to the previous Plan, corresponding to +15%), 2.5 billion of which dedicated to grid development**
- **Ebitda margin increasing from 71 to 75% and operating costs reduced by 50 million euro in Italy**
- **Gradual optimization of capital structure: gearing from 32% to 47%**
- **Improved dividend policy: 3% to 4% increase in minimum annual growth**

Milan, January 31, 2008 - CEO Flavio Cattaneo has illustrated today in a meeting with the financial community and the media, the Strategic Plan for 2008-2012, approved by the Company's Board of Directors chaired by Luigi Roth, also present at the meeting.

MAIN STRATEGIC GUIDELINES

The 2008 – 2012 Strategic Plan of the TERNA Group follows four main guidelines:

- Developing the National Transmission Grid (NTG): over 3.1 billion euro total capex plan for 2008 – 2012 with a 400 million euro increase compared to the previous plan. Development capex represents 80% of total capex, up from 2.2 billion euro to 2.5 billion euro
- Cost efficiency and margin enhancement, in particular through cost rationalization for regulated activities in Italy. During the Plan period, the total costs for the Italian Business Unit on a pro-forma basis, will be reduced by about 50 million euro compared to 2006. The gross operating margin should grow from 71% to 75% at the end of the Plan period due to the gradual increase of revenues.
- Guaranteeing first rate performance for what concerns safety of the electricity system and reliability of the National Transmission Grid, in line with the provisions established by the regulatory Authority and with international *best practices*
- Brazil: creating value through additional operating efficiency also linked to recent acquisitions

BUSINESS UNIT ITALY

1. TERNA's Capex Plan

During the five year period, Terna will invest over 3.1 billion euro in development and other capex, with a 400 million euro growth compared to what announced last year (2.7 billion euro).

In line with the previous years, the increase in the capex plan is mainly related to development projects that represent 80% of the total, up to 2.5 billion euro, from the 2.2 billion euro announced last year.

The new incentive system set by the Authority for Electricity and Gas is based on awarding with different levels of extra remuneration the development capex necessary for solving the bottlenecks and other critical conditions of the transmission grid as well as for reinforcing interconnections. About 60% of total development capex is eligible to the 3% incentive, while the remaining 40% still gets a 2% incentive.

The capex plan affects the *Regulated Asset Base* (RAB) that will increase from 6.3 billion euro to 8.2 billion euro during the Plan period, with a total 30% growth and a 6% average annual increase.

Furthermore, with respect to the previous year, the RAB portion linked to development capex will also significantly grow, passing from 9% of the total RAB in 2008, to 30% in 2012.

The new Plan foresees an average capex higher than 600 million euro a year. This represents an important challenge for the company, now suitably structured even better than before for facing high capex levels.

The most important projects to be implemented include:

ITALY

- ⇒ Submarine cable connection between Sardinia and the Italian peninsula (SA.PE.I)
- ⇒ Santa Barbara – Casellina line (Tuscany)
- ⇒ Grid rationalization in Valcamonica and Valtellina (Lombardy)
- ⇒ Foggia – Benevento line (Apulia/Campania)
- ⇒ Sorgente – Rizziconi connection (Sicily/Calabria)
- ⇒ Dolo-Camin-Fusina line (Veneto)
- ⇒ Grid rationalization in the Lodi Province (Lombardy)
- ⇒ Grid rationalization in South Val d'Ossola (Piedmont)

INTERCONNECTIONS

- ⇒ Starting of the Udine Ovest – Okroglo line (Italy-Slovenia)
- ⇒ Reinforcement of the Italy-France interconnection
- ⇒ Starting of the connection with the Balkans via submarine cable in the Adriatic Sea

The projects planned will lead to a reduction of local congestions through the elimination of Grid “bottlenecks”, the reinforcement of the Grid by increasing the use of new generation capacity from renewable sources and the improvement of the transmission system and interconnections in northern Italy.

Environmental sustainability has a strong strategic relevance for TERNA. Developing the grid not only means building new lines in addition to the already existing ones. Indeed, new plants and systems are often accompanied by a significant rationalization activity that includes the removal of obsolete pylons, thus reducing the environmental impact of electricity infrastructures.

Within this framework, during the 2006-2007 two year period, the following important projects were either started or completed:

- ⇒ Milan area: 10 km of 220 kV power lines pulled down following the building of the new 380 kV "Turbigo-Rho" line
- ⇒ Cagliari: 12 km of power lines removed in the Molentargius-Saline Park by dismantling 28 pylons, 10 of which from the pond, to the advantage of the rich local birdlife. This project is also linked to the restructuring of the grid in the Cagliari area.
- ⇒ Valcamonica and Valtellina: started works for the rationalization of the electricity grid; the project includes the removal of 160 km of obsolete lines and pylons and the transformation into underground cables of the area's electricity infrastructures, for a total of 110 km of power lines. The work was possible thanks to the coming into operation of the San Fiorano – Robbia interconnection power line between Italy and Switzerland.

In addition to the above, 10 projects were launched for sustainable development. These had been included in the previous development plan and represent the most important environmental redevelopment work on the electricity grid to be carried out in Italy: 1,200 km of lines will be removed (4,800 pylons) and 450 km of new high technology power lines will be installed, with reduced grid losses of approximately 300 million kWh.

One of the most note-worthy elements of the new Plan is the 2,500,000 tons/year reduction of CO₂ emissions into the atmosphere. The increased efficiency deriving from the development program is matched with a reduced grid energy loss and - consequently - with lower CO₂ emissions related to the use of fuel used for thermoelectric generation.

2. Operating Efficiency

The new cost reduction target concerning the Italian Business Unit, foresees a decrease of about 50 million euro from the pro-forma 2006 level to 2012. This will lead to a 4% annual reduction in real terms against an efficiency gain planned by the Regulatory Authority - the so-called X-factor - equal to 2.3% for costs related to transmission activities and 1.1% for dispatching activities.

Operating efficiency is mainly pursued through the optimization of in-sourcing policies and the reduction of external resources following actions already taken during 2007. Expanding the grid will also result into a significant improvement of the efficiency parameters; in particular, the unitary cost per transported MWh will be reduced by 21%, decreasing from 1.18 euro in 2006 to 0.93 euro in 2012.

Taking into account the gradual increase of revenues, the gross operating margin is expected to grow from 71% to 75% at the end of the Plan period. In particular, the RAB growth and the annual updating of amortizations will significantly modify over time the influence of elements determining the unitary tariffs. TERN A estimated that, on the basis of preliminary indications for 2008, the single elements will be subdivided as follows: recognized costs 33%, amortizations 26% and return on invested capital 41%. We also expect that changes introduced by the recent tariff review will allow a significant growth in revenues over time also through the development of the single elements, which for 2012 are estimated as follows: recognized costs 26%, amortizations 29% and return on invested capital 45%.

3. Grid Quality and Reliability

TERN A must guarantee electricity demand coverage and top quality transmission service, in line with the levels established by the Grid Code and with international best practices.

Considering the connection requirements of new power stations and the growth in electricity demand in Italy, Grid development planning provides for a reserve margin suitable for satisfying the demand for the entire Plan period. Pursuant to the provisions of law 290/03, annual programs are envisaged for updating and improving the Defence System for Grid safety purposes. During the Plan period, a total of over 150 million euro will be spent for the Defence Plan (+50% compared to the previous Plan).

The Regulator has recently introduced new indicators regarding the quality of both transmission and dispatching services. For the former, the quality provided by TERN A will be measured on the basis of two annual indicators: Electricity Not Supplied at the national level and the Number of Interruptions per User per operating area.

For what concerns the latter, the Authority for Electricity and Gas introduced some specific tools for measuring TERN A's estimated performance quality. These will mainly regard the gap between estimates and final data for what concerns the daily electricity demand as well as the estimated capacity of wind power production.

3. Non-Regulated Activity

In addition to the operation and maintenance of electricity grids, TERN A intends to increase the offer for engineering services and the making of new connections as well as for the renewal and upgrading of systems. In this field, the most important data is represented by the development of new capacity, especially from renewable sources. The need for connecting new production units to the transmission grid has increased the demand for specialized services, thus increasing the market segment in which TERN A can compete thanks to its technical and engineering know-how and expertise.

4. Growth Abroad

The TERN A group will continue to pursue foreign growth opportunities in the electricity sector, focusing particularly on strategic initiatives in geographical areas that represent the natural extension of its current activities, namely the Balkans and North Africa. All of South-East Europe represents an area of interest for both new interconnection projects and direct investments.

Besides representing profitable low risk investment opportunities, electricity interconnections hold a primary role in the twofold objective of reinforcing the system's safety and differentiating supply sources. The interconnection with the Balkans also has the advantage of facilitating direct investments in the local countries. Such investments aim both at reinforcing the grid in neighboring countries and completing various "electricity corridors" whose development is also currently supported by the EU.

TERN A continues its cooperation with the main electricity companies in the countries of interest and has also reached various preliminary agreements with countries such as France, Croatia, Montenegro and Tunisia, in order to evaluate the feasibility of the interconnection projects.

BUSINESS UNIT BRAZIL

2007 represented a very important year for Terna Participações - the Group's sub-holding company in Brazil -, marked by a rapid growth rate. Through the use of resources derived from its listing, Terna Participações acquired 4 companies in few months, namely Gtesa, Patesa, ETAU and ETEO, with the latter still awaiting authorization from the Regulator. Moreover, together with two other Brazilian companies, Terna Participações was also awarded the tender for building a new 200 km line.

The acquisitions allowed TERNA to further consolidate its presence in Brazil and strategically increase Terna Participações' activities, a confirmation of the Company's development potentials at local infrastructural level. With regard to assets, once all operations and transactions have been completed, Terna Participações will grow by 38% in terms of km of lines and by 22% in terms of revenue perimeter.

Disbursements for acquisitions will make the Brazilian companies' net financial position reach a peak of over 1.3 billion Reais (about € 490). Cash flow from operations will allow for rapid debt recovery. Debt level at the end of 2012 is estimated at lower levels compared to the current ones, i.e. about 600 million Reais (about € 226 mln).

For the future, Terna Participações will be involved in the integration process of the acquired companies with the main objective of obtaining additional cost efficiency. It will also continue to explore growth opportunities in Brazil and in other selected countries in Latin America both through new bids as well as through external growth options.

CAPITAL STRUCTURE

The absorption of cash for investments and dividends will gradually increase the gearing of Italian regulated activities from 32% to 47%, thus allowing for improvement in the efficiency of the capital structure. The Group's net financial position during the Plan period will rise from 2.7 to 4.5 billion euro, with an expected increase of 1.8 billion euro.

The new Budget Law allows a reduction of the effective tax rate from 40% to 35-36% as of 2008. Moreover, the estimated adjustment on the above-mentioned variation on the differed tax fund at 2007 year-end is about 60 mln euro.

DIVIDEND POLICY

TERNA confirms its dividends policy which offers an extremely attractive return for investors, one of the best in the sector. In confirming this policy, based on an interim and on a final dividend, and considering achieved results and the objectives set in the industrial plan, the management expects a 4% minimum annual growth of dividends compared to the previous 3%, still maintaining 2005 as floor year.

The final dividend for 2007 will be announced to the market on March 11th following the approval of the 2007 results by the Board of Directors.

Social Responsibility

Focus on sustainability, in line with the renewed ethical code, increases TERNA Group's commitment towards a steady improvement with objectives aimed at supporting medium and long term growth. For what concerns environmental issues, in addition to the above-mentioned positive results – removal of lines within the grid's development plan and reduction of grid losses –

performance improvement will be based on the environmental management system that has just received the ISO14001 certification. At social level, the focus will be on employees with particular priority towards safety at work, training and company environment. More generally, further attention will be devoted to increase transparency in the communications with our stakeholders. 2007 saw the publication of the Sustainability Report, an important achievement made in compliance with GRI - G3 criteria and reviewed by external auditors.

“A growth plan for developing both the company and the country – stated Terna’s CEO- Investing in the Grid is our priority. Indeed, we are convinced that due to the new regulatory structure - now even clearer and more stable due to the recent review – investing in our core business creates value for both our country and our shareholders. The new development plan – underlined Flavio Cattaneo - accelerates investments, tripling them from our initial listing, and leads us to reinforce one of the fundamental strategic infrastructures for the development of our country. This will bring benefits to the competitiveness of the country’s economic system and advantages to the entire community. Within this field we should also include the interconnection, electricity hub and connection plans –especially for what concerns the Balkans- all functional for the safety and reliability of the system also abroad. Italy can play a primary role in the European electricity system. Our activities in Brazil – TERNA’s CEO concluded - have now become a stable and growing reality. The improved flexibility deriving from the company’s listing allows for an independent growth that – however – also guarantees high returns to the Group.”

The support material for the Analyst Presentation will be available on-line at www.terna.it, in the Investor Relations Sector, concomitantly with the beginning of the Analyst Presentation. In the same section it will be possible to follow the presentation through video webstreaming. A press conference is also scheduled at the end of the analyst presentation.

This presentation includes "alternative performance indicators" (gross operating margin, Ebitda and Net financial indebtedness) whose meaning and contents are explained as follows, in line with the CESR/05-178b recommendation published on November 3, 2005:

- Gross operating margin (Ebitda): an indicator of the operating performance calculated by adding amortizations to the operating result (EBIT);
- Net financial position: an indicator of the financial structure deriving from the result of the short and long term financial debt and relative derivatives, net of cash availability and equivalent means as well as of financial activities.