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**TERNA: BOARD APPROVES THE RESULTS AS AT JUNE 30, 2007  
AND AN INTERIM DIVIDEND FOR 2007 OF 0.056 EURO PER SHARE**

*Revenues at 642.4 million euro (641.1 million in the 1H06, +0.2%)*  
*Ebitda at 471.4 million euro (460.2 million in the 1H06, +2.4 %)*  
*Ebit at 352.7 million euro (361.3 million in the 1H06, -2.4 %)*  
*Group net income at 194 million euro (179.8 million euro in the 1H06, +7.9 %)*  
*Investments at 250.2 million euro (133.6 million in the 1H06, +87.3%)*  
*Payment of the 2007 interim dividend of 0.056 euro per share*  
*from November 22, 2007*

**Rome, September 12, 2007** – Today Chief Executive officer Flavio Cattaneo presented the results for the first half 2007, which were examined and approved by TERN A SpA’s Board of Directors at a meeting chaired by Luigi Roth.

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

Millions of euro	1H 2007	1H 2006*	Change %
<b>Revenues</b>	642.4	641.1	+0.2%
<b>EBITDA (Gross operating margin)</b>	471.4	460.2	+2.4%
<b>EBIT (Operating income)</b>	352.7	361.3	- 2.4%
<b>Group net income</b>	194	179.8	+7.9%

\* As regards 2006, the balances were recalculated based on the adjustments made in accordance with IAS 8; please refer to the related paragraph of the Note “A. Accounting principles and valuation criteria” of the Half Year Report at 30 June 2007

The CEO, Flavio Cattaneo, said: “TERN A continues to grow and accelerates on investments. Revenues net of last year’s one-off item were up by 8%. Net income increases by the same percentage enabling the distribution to the shareholders of an interim dividend that is approximately 6% greater than the one distributed in 2006. Investments in the development of the national transmission grid have more than doubled and, overall, Terna has already invested more than 71% of the total amount of investments made in 2006. We are still focused on cost reduction and operating efficiency. TERN A’s management has yet again achieved its targets: greater security and reliability of the Italian electricity system and value creation for our shareholders. We have also reached relevant agreements in North Africa and in the Balkans within a perspective of greater integration between European Grids and the Mediterranean area”.

<sup>1</sup> This press release uses several “alternative performance indicators” (EBITDA and **Net Financial Debt**). These indicators are defined below in line with CESR Recommendation 05-178b, published on November 3, 2005:

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

## CONSOLIDATED FINANCIAL RESULTS - FIRST HALF OF 2007

**Revenues** for the first half of 2007, equal to 642.4 million euro (530.9 million euro relating to the Parent Company, 78.6 million euro to the Brazilian subsidiaries and 32.9 million euro to the subsidiaries of the RTL Group) increased by 0.2% compared to the same period last year. After an offset of about 48 million euro – relating to the tariff deficit of the 2005 financial year – received by TERN A and RTL in the first half of 2006, the increase is equal to approximately 8.2%. The increase is mainly attributable to higher revenues from the transport of energy on the national transmission grid as well as to a wider consolidation area.

Other Regulated Energy Revenues, equal to 21.2 million euro, were registered which relate to fees due mainly for metering and dispatching activities.

Furthermore, higher revenues of 1.3 million euro derived from the transport of energy on the Brazilian network (from 69.1 to 70.4 million euro), mainly due to the annual adjustment of the concession fee (RAP) to the inflation rate (or IGPM rate - Indice Geral de Preços de Mercado) and the lower penalties imposed on grid outages registered in the period.

**Operating costs** equal to 171 million euro on June 30 (147.7 million euro relating to the Parent Company and 23.3 million euro to the subsidiaries) decreased by 9.9 million euro compared to the same period last year (-5.5%) despite the expansion of the grid perimeter, also as a result of major capitalizations of the Parent Company.

**Ebitda** (Gross Operating Margin) stands at 471.4 million euro, an increase of 11.2 million euro compared to the first half of 2006 (+2.4%).

**Ebit** (Operating Income), amounts to 352.7 million euro, a decrease of 8.6 million euro compared to the same period of 2006 (-2.4%), as a result of amortisation and depreciation as well as the commissioning of new plants, but also of the amortisation and depreciation charges attributable to the wider consolidation area.

**Group net income** for the period, after Minority interests, stands at 194 million euro, an increase of 7.9 % compared to 179.8 million euro of the first half of 2006.

The consolidated balance sheet as at June 30 records **Shareholders' Equity** equal to 2,172 million euro, of which **Group Shareholders' net equity** amounted to 2,056 million euro (against 2,117 million euro at December 31, 2006, of which 2,007 million euro pertaining to the Group) while **Net Financial Debt** is equal to 2,539 million euro (compared to the 2,283 million euro at December 31, 2006). Hence, the **debt/equity** ratio as at June 30, 2007 is equal to 1.17.

**Investments** in the first quarter 2007 are equal to 250.2 million euro, up by 116.6 million euro (+87.3%) compared to the same period last year. Of these, more than **99%** regard Italy. Investments **for the development and the safety of the national transmission grid** amount to 184 million euro, up by 127%.

**Headcount** of the Group at the end of June 2007 stood at 3,564, up by 9 employees compared to December 31, 2006 due to the growth combination of 8 human resource units in Italy (which include also the resources acquired through AEM Trasporto Energia S.r.l.Torino) and 1 in the Brazilian subsidiaries.

## FINANCIAL RESULTS OF THE PARENT COMPANY

Millions of euro	1H 2007	1H 2006	% Change
<b>Revenues</b>	533.1	563.3	-5.4%
<b>EBITDA (Gross operating margin)</b>	385.4	398.6	-3.3%
<b>EBIT (Operating income)</b>	287.2	309.9	-7.3%
<b>Net income</b>	192.8	190.3	+1.3%

The financial statements of the Parent Company, TERNA SpA, at June 30, 2007 close with a **net income** of 192.8 million euro, an increase of 2.5 million euro (+1.3%) compared to the same period of 2006.

In the first half of 2007 **revenues** amount to 533.1 million euro, of which 518.9 million euro relate to sales and services that are mainly attributable to fees due to the Company for the use of the National Transmission Grid. **Operating costs** amount to 147.7 million euro, of which 89.8 million euro relate to personnel.

**Ebitda** stands at 385.4 million euro, registering a change of -13.2 million euro compared to the same period last year, equal to a drop of 3.3%. After the offset of about 47 million euro received by TERNA in the first half of 2006 in relation to the tariff deficit of the entire 2005 financial year, the change is equal to +9.7%.

**Ebit** is equal to 287.2 million euro, -7.3% compared to the first half of 2006. In the six months under review amortisation and depreciation charges of 98.2 million euro were recorded.

## FOCUS ON THE ENERGY SYSTEM

GWh	1H07	1H06	%
<b>Net production</b>	<b>146,722</b>	<b>151,676</b>	<b>-3.3%</b>
of which intended for pumping	3,853	4,401	-12.5%
<b>Import/export balance</b>	<b>25,189</b>	<b>20,567</b>	<b>+22.5%</b>
<b>Italy's requirements</b>	<b>168,058</b>	<b>167,842</b>	<b>+0.1%</b>

**Maximum value of energy consumption:** June 26 with demand for 54,331 MW, -2.3% compared to the peak of the first six months of 2006.

## Evolution of the Development Plan of the National Transmission Grid

The 380 kV Matera-S.Sofia electricity lines (Puglia, Campania and Basilicata regions) as well as the 220 kV Acerra-Fibe (Campania) and the 150 kV Quartucciu- Quartu Sant' Elena (Sardinia) electricity lines were completed in the period under review. Moreover, the 380 kV La Casella power station (Emilia Romagna) was extended and the 220 kV power station in Somplago (Friuli Venezia Giulia) was further developed.

In the first 6 months of 2007, no. 11 authorisation procedures were attained for the projects included in the Development Plan, among which those relating to the construction of the new 380 kV Tavarnuzze - Casellina line (Tuscany), to the rationalisation of the 132 kV network of the Lucca area (Tuscany) and the reorganisation of the network in the Bussolengo area (Veneto). At the same time, no.14 new authorisation procedures were started.

TERNA's commitment continued by promoting the use of renewable energy sources through the development of network connections for new aeolic plants, in Sicily in particular, and for the reduction of the environmental impact caused by its plants, by starting the rationalisation of the electricity grid in Val D'Ossola Sud and Valcamonica; the decontamination of a large area of the polluted site of Porto Torres, which is of national

interest; the supply of the new Foster supports that will be used for the new 380 kV Tavarnuzze – Casellina power line.

TERNA continued its collaboration and involvement activity with local institutions to foster local acceptance of electricity grid development actions by signing the Memorandum of Intent (Agreement) with the Abruzzi region for the application of the SEA (Strategic Environmental Assessment).

## **ACQUISITIONS OF THE FIRST HALF OF 2007**

### **Acquisition of AEM Trasporto Energia S.r.L. Torino**

On June 28, 2007 the TERNA Group, through the subsidiary R.T.L., signed an agreement with Iride Energia for the purchase, with effect from June 30, 2007, of the entire share capital of AEM Trasporto Energia Srl and the 220 kV electricity substation based in Moncalieri (TO), which is part of the National Transmission Grid, according to the provisions of the contract signed on April 20, 2007 and following the approval of the operation by the Antitrust Authority. On the same date, the Shareholders' Meeting of AEM Trasporto Energia S.r.l. appointed the new Board of Directors and new Board of Statutory Auditors. The meeting also resolved on the change of the company name, which has become “Rete Trasmissione Torino” (in short form, RTT Srl).

### **Acquisition of Empresa de Transmissão do Alto Uruguai (ETAU)**

Terna Participações signed an agreement with two Brazilian industrial companies for the acquisition of 53% of the share capital of Empresa de Transmissão do Alto Uruguai S.A.- “ETAU”. The closing of the transaction is subject to certain suspensive conditions, such as the exercise of the pre-emptive right and the endorsement by ETAU's present minority shareholders and the approval of the transaction by the Local Regulatory Authority (ANEEL, Agência Nacional de Energia Elétrica) and the financing bank (BNDES, Banco Nacional de Desenvolvimento Econômico e Social). ETAU is concession holder of a 230KV 188 km-long power line with 4 substations which is located in the south of Brazil in the Santa Catarina and Rio Grande do Sul regions. The line became operational on April 1, 2005. The 30-year concession's revenues are about 22.4 million Reais per annum, about 8 million euro.

## **SIGNIFICANT EVENTS OCCURRED AFTER JUNE 30, 2007**

### **EMTN (European Medium Term Notes) Programme**

TERNA is currently renewing the “Euro Medium Term Notes” Programme of 2 billion euro, subscribed and announced to the market on July 12, 2006. As part of the programme, on July 18, 2007 TERNA's Board of Directors approved the issue of a bond of max. 500 million euro which will be placed considering the evolutions market conditions.

### **Absolute peak in energy consumption**

On July 20, at 11:45 a.m., Italy's energy requirement reached 56,589 megawatts, an all time peak. The figure, which represents, for the first time, the third absolute historical record in three consecutive days, exceeds the previous historic record registered in 2006 (June 27, 55,619 MW) by 1,000 MW.

### **GTESA S.A. and PATESA S.A.**

On August 21, 2007, TSN - Transmissora Sudeste Nordeste S.A (“TSN”), signed the agreement for the purchase of the entire share capital of the companies Goiana Transmissora de Energia S.A. (“GTESA”) and Paraíso-Açu Transmissora de Energia S.A. (“PATESA”), concession holders of transmission lines. The companies own a total of 186 km of 230 Kv of lines. The consideration paid for the transaction is 89.8 million Reais (approximately 34.9 million euro).

The closing of the transaction is subject to the approval by the Local Regulatory Authority (ANEEL, Agência Nacional de Energia Elétrica) and the financing bank (BNDES, Banco Nacional de Desenvolvimento Econômico e Social), expected for the last quarter.

## **BUSINESS OUTLOOK**

Based on the results achieved in the first half of the year and the current business outlook, a positive performance is also expected by the Group for the entire 2007 financial year, also considering that 2006 has been characterised by extraordinary events (capital gain on the quotation of Terna Participações and recognition of the 2005 tariff deficit).

More specifically, as regards the income statement of the next six months, higher operating costs are expected to be incurred in connection with the concentration of operation activities and plant maintenance that characterises the summer months as well as the growing cost of personnel due to a greater average headcount.

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

## **APPROVAL OF 2007 INTERIM DIVIDEND PAYMENT**

Moreover, the Board of Directors, having obtained the favourable opinion by the auditing company KPMG as prescribed by article no. 2433 bis of the Civil Code, passed a resolution to distribute an interim dividend for the 2007 financial year.

Considering that TERNA S.p.A. achieved a net income of 192.8 million euro in the first half of 2007, the Board of Directors, also in the light of the business outlook for the current financial year, resolved to distribute an interim dividend of 0.056 euro per share, a 5.7% increase on the interim dividend paid in 2006 and of 12% on the one paid in 2005.

The interim dividend will be paid gross from November 22, 2007 subject to "registration date" of coupon no. 7 on November 19, 2007.

*At 5.30 p.m. a conference call will be held to illustrate the 2007 First Half Year 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, upon 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.*

*The above statements were handed to the Board of Statutory Auditors and the Auditing company for all the necessary evaluations.*

*The First Half Year Report at June 30, 2007 will be deposited at the Company's registered office where it will be available to the public at large as well as at Borsa Italiana S.p.A. (the Italian Stock Exchange) and it will be published on the Website [www.terna.it](http://www.terna.it) by September 13, 2007.*

*The Report issued by the Auditing Company and any remarks made by the Board of Statutory Auditors, if any, will be deposited as soon as they become available.*

*The manager in charge of drawing up the company's accounting documents, Mr. Luciano di Bacco, declares pursuant to paragraph 2 of article no. 154-bis of the Consolidated Finance Act that the accounting information contained in this press release agrees with the financial statements, books and accounting records.*

### Terna Group Reclassified Income Statement

	Millions of euro		1 <sup>st</sup> half year	
	2007	2006*	Change	%
<b>Revenues</b>				
- Network usage fees (1)	580.4	578.5	1.9	0.3%
- Other energy revenues (1)	21.2	20.6	0.6	2.9%
- Other sales and services (1)	18.3	17.1	1.2	7.0%
- Other income and revenues	22.5	24.9	-2.4	-9.6%
<b>Total revenues</b>	<b>642.4</b>	<b>641.1</b>	<b>1.3</b>	<b>0.2%</b>
<b>Operating costs:</b>				
- Labour cost (2)	96.4	99.9	-3.5	-3.5%
- Services and use of third party assets	61.2	65.2	-4.0	-6.1%
- Materials (2)	4.0	4.4	-0.4	-9.1%
- Other costs	9.4	11.4	-2.0	-17.5%
<b>Total operating costs</b>	<b>171.0</b>	<b>180.9</b>	<b>-9.9</b>	<b>-5.5%</b>
<b>EBITDA</b>	<b>471.4</b>	<b>460.2</b>	<b>11.2</b>	<b>2.4%</b>
<b>Amortisation, depreciation</b>	<b>118.7</b>	<b>98.9</b>	<b>19.8</b>	<b>20.0%</b>
<b>EBIT</b>	<b>352.7</b>	<b>361.3</b>	<b>-8.6</b>	<b>-2.4%</b>
- Net financial income (charges) (3)	-28.7	-46.6	17.9	-38.4%
<b>PRE-TAX PROFIT</b>	<b>324.0</b>	<b>314.7</b>	<b>9.3</b>	<b>3.0%</b>
- Income tax	120.6	134.9	-14.3	-10.6%
<b>NET INCOME</b>	<b>203.4</b>	<b>179.8</b>	<b>23.6</b>	<b>13.1%</b>
- NET INCOME PERTAINING TO THE PARENT COMPANY'S SHAREHOLDERS	194.0	179.8	14.2	7.9%
- NET INCOME PERTAINING TO MINORITY INTEREST	9.4	0	9.4	100.0%

In the half-year consolidated statements:

<sup>(1)</sup> the balance is included in the item "Revenues from sales and services"

<sup>(2)</sup> inclusive of 'capitalised costs' equal to 18 million euro included under "Personnel costs" and euro 2 million under "Materials"

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

\* As regards 2006, the balances were recalculated based on the adjustments made in accordance with IAS 8; please refer to the related paragraph of the Note "A. Accounting principles and valuation criteria" of the Half Year Report at 30 June 2007.

## Terna Group Reclassified Balance Sheet

Millions of euro			
	as at 30.06.2007	as at 31.12.2006*	Change
<b>Net fixed assets</b>			
- Intangible assets (1)	362.4	340.5	21.9
- Properties, plants and machinery	5,352.3	5,159.2	193.1
- Financial assets (2)	12.9	12.8	0.1
<b>Total</b>	<b>5,727.6</b>	<b>5,512.5</b>	<b>215.1</b>
<b>Net working capital</b>			
- Trade receivables	1,401.6	1,182.1	219.5
- Inventories	33.4	25.6	7.8
- Other assets (3)	28.8	26.4	2.4
- Trade payables	1,452.2	1,280.6	171.6
- Net taxes payable (4)	66.3	115.5	-49.2
- Other liabilities (5)	420.5	385.1	35.4
<b>Total</b>	<b>-475.2</b>	<b>-547.1</b>	<b>71.9</b>
<b>Gross capital employed</b>	<b>5,252.4</b>	<b>4,965.4</b>	<b>287.0</b>
Sundry provisions (6)	540.9	565.9	-25.0
<b>Net capital employed</b>	<b>4,711.5</b>	<b>4,399.5</b>	<b>312.0</b>
Group Shareholders' Equity	2,055.8	2,006.9	48.9
Minority interest	116.6	109.8	6.8
Net financial debt (7)	2,539.1	2,282.8	256.3
<b>Total</b>	<b>4,711.5</b>	<b>4,399.5</b>	<b>312.0</b>

In the consolidated statements, these correspond to:

<sup>(1)</sup> the items "Goodwill" and "Intangible assets";

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

<sup>(3)</sup> the item "Other current assets", net of tax credits (104.2 million euro) and the item "Current financial assets" for the value of accrued income on financial income (0.4 million euro);

<sup>(4)</sup> the items "Other current assets" for the value of tax credits (104.2 million), "Other current liabilities" for the amount of tax payables other than income tax payables (51.4 million), "Tax liabilities, including deferred taxes" for the value of the Deferred tax liabilities (117.4 euro) and "Income tax payables";

<sup>(5)</sup> the items "Current financial assets" for the value of accrued income on derivative contracts on the Bond loan (32.8 million euro), "Other non-current liabilities", "Current financial liabilities" and "Other current liabilities" net of tax payables other than taxes for the period (51.4 million euro);

<sup>(6)</sup> 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 (117.4 million euro), and "Prepaid tax assets".

<sup>(7)</sup> 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".

\* As regards 2006, the balances were recalculated based on the adjustments made in accordance with IAS 8; please refer to the related paragraph of the Note "A. Accounting principles and valuation criteria" of the Half Year Report at 30 June 2007.

### *Terna Group Cash Flow<sup>4</sup>*

Millions of euro	Cash flow 30.06.2007	Cash flow 30.06.2006*	Change
<b>Cash and cash equivalents - Opening balance</b>	<b>200.4</b>	<b>76.6</b>	<b>123.8</b>
- Net income for the period	203.4	179.8	23.6
- Amortisation, depreciation	118.7	98.9	19.8
- Net changes in provisions	-25.1	5.4	-30.5
- Net losses (gains) on disposal of tangible fixed assets	-0.4	0.2	
<b>Self-financing</b>	<b>296.6</b>	<b>284.3</b>	<b>12.3</b>
- Change in net working capital:	-71.9	72.3	-144.2
<b>Operating cash flow</b>	<b>224.7</b>	<b>356.6</b>	<b>-131.9</b>
<b>Investments</b>			
- Tangible assets	-239.1	-127.4	-111.7
- Intangible assets	-11.1	-6.2	-4.9
- Other changes in fixed assets	-49.2	-23.5	-25.7
<b>Total monetary flow from (to) investment activity</b>	<b>-299.4</b>	<b>-157.1</b>	<b>-142.3</b>
- Change in loans	260.7	-66.7	327.4
- Other movements in Group Shareholders' Equity	3.8	7.6	-3.8
- Dividends	-185.4	-160.0	-25.4
<b>Total monetary flow from (to) financial activity</b>	<b>79.1</b>	<b>-219.1</b>	<b>298.2</b>
<b>Total monetary flow for the period</b>	<b>4.4</b>	<b>-19.6</b>	<b>24.0</b>
<b>Cash and cash equivalents – Closing balance</b>	<b>204.8</b>	<b>57.0</b>	<b>147.8</b>

<sup>4</sup> For the reconciliation with the consolidated accounting statements please refer to the paragraph "Net financial indebtedness" of the Directors' Report on the Half-Year report at June 30, 2007.

As regards 2006, the balances were recalculated based on the adjustments made in accordance with IAS 8; please refer to the related paragraph of the Note "A. Accounting principles and valuation criteria" of the Half Year Report at 30 June 2007