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TERNA PRESENTS THE 2007 – 2011 STRATEGIC PLAN

- ***Total capex of 2.7 billion euro in the Plan period (+35% compared to previous Plan)***
- ***Greater efficiency: operating costs per MWh down by 25%***
- ***Quality and reliability of service: interruption time less than 1 minute a year***
- ***Matera-Santa Sofia, the longest 380 kV line in Italy, now operational***
- ***Gradual optimisation of capital structure: gearing increasing from 31% to over 44%***
- ***Dividend policy: confirmed annual growth of at least 3%***

Milan, 31 January 2007 - The CEO Flavio Cattaneo has illustrated today in a meeting with both the financial community and the media, the Strategic Plan for the 2007-2011 period, approved by the Company's Board of Directors chaired by Luigi Roth, also present at the meeting.

MAIN STRATEGIC GUIDELINES

The 2007 – 2011 Strategic Plan of the TERNA Group follows three main guidelines:

- Development of the National Transmission Grid (NTG): a total capex plan of 2.7 billion euro for 2007-2011, a 35% increase compared to the previous plan. Development capex represents 80% of total capex, up from 1.4 bn euro to 2.2 bn euro.
- Cost efficiency and margin enhancement, in particular through the rationalisation of costs for regulated activities in Italy. During the Plan period, total costs of the TERNA Group, on a like-for-like basis, will reduce by approximately 60 million euro.
- Guaranteeing first rate performance in electricity system security and National Transmission Grid reliability, with an average interruption time below 1 minute/year and System availability over 99%

BUSINESS UNIT ITALY

1. Capex

During the five-year period, TERNA will invest 2.7 billion euro for development and other capex in relevant infrastructural works, with a 35% increase compared to what announced last year (i.e. over 2 billion euro). The increase in the capex plan is mainly related to development projects, which represent 80% of the total, up by to 2.2 billion euro from the 1.4 billion euro announced last year.

The capex programme affects the Regulated Asset Base (RAB) which, including the recently acquired Grid portions, will increase from 5.8 billion euro for 2006 to 7.7 billion euro for 2011, a 6% compound annual growth throughout the length of the Plan.

There will also be a significant growth in the RAB portion linked to development capex, for which differential and additional remuneration is foreseen (from 6% of total RAB in 2006 to 28% in 2011).

The main project is:

The 500 kV submarine cable connection between Sardinia and the Italian mainland (SA.PE.I.) started up in October 2006. SA.PE.I. consists of two 420 km submarine cables, each with a 500 MW capacity that will be connected to the Fiumesanto (SS) and Latina stations. The SA.PE.I. project involves record-breaking figures: 1,600 metres in depth, the greatest depth ever reached for cable laying; and the second longest connection in the world after the NorNed connection between the Netherlands and Norway (about 160 km longer).

The plan also foresees:

- ⇒ The Foggia - Benevento power line (Puglia/Campania)
- ⇒ The Sorgente – Rizziconi connection (Sicily/Calabria)
- ⇒ The Santa Barbara – Casellina power line (Tuscany)
- ⇒ The start-up of the connection with the Balkans via submarine cables across the Adriatic Sea

These scheduled projects will bring a reduction in local congestion, by eliminating Grid “bottlenecks”, and favour the use of new generation capacity “released” above all to the benefit of the most industrialised or high energy density areas. These projects will also be combined with numerous rationalisation works which will involve the removal of obsolete pylons, thus reducing the environmental impact of electricity infrastructures.

2006 saw the completion of the following projects:

- ⇒ The 380 kV “Matera – S. Sofia” power line, 218 km long and with a 1,000 MW max capacity, the greatest infrastructure made in the last ten years in Southern Italy, the region with the highest expected energy demand for the years to come.
- ⇒ The 150 kV connection between Sardinia and Corsica (SAR.CO.)
- ⇒ The 380 kV “Turbigo-Rho” power line, in Lombardy
- ⇒ The 380/220 kV station at S.Maria Capua Vetere, in Campania
- ⇒ The 380/132 kV station at Carpi, in Emilia Romagna
- ⇒ The 380/220/132 kV station at S. Barbara, in Tuscany
- ⇒ Over 50 operations on power lines and stations

As far as cooperation with the local institutions is concerned, the Plan provides that Strategic Environmental Assessment Protocols will be entered into with Friuli Venezia Giulia, Liguria, Lazio, Abruzzo and with the Autonomous Province of Bolzano, in addition to the other protocols that have already been signed with other twelve regional authorities.

One of the most note-worthy elements of the new Plan is the 450,000 tons/year reduction in CO₂ emitted into the atmosphere. The increased efficiency ensuing from the development programme also led to a reduction in grid energy loss and therefore reduced the impact of CO₂ emissions related to the use of combustibles for thermo-electricity generation.

Environmental sustainability has a strong strategic relevance. TERNAs attention to the environment in the planning and construction of new power lines is mainly expressed through an on-going preventive dialogue with local authorities in order to ensure the requirements of electricity grid development do not contrast with the requests for environmental protection made by the Italian community.

2. Operating Efficiency

Taking into account the 2005 pro-forma operating costs, inclusive of all assets acquired during 2005 and 2006, TERNAs foresees the Group operating costs should reduce by 15%, i.e. about 60 million euro, from 2005 to 2011

Operating efficiency will be mainly pursued through:

- Cost savings linked to the recently acquired Grid portions
- Optimisation of in-sourcing policies and reduction of external resources

Cost reduction and the parallel expansion of the perimeter of the NTG will allow significant improvements in efficiency parameters. In particular, the operating costs per transported MWh will decreased from 1.25 to 0.94 euro, a 25% reduction, while the number of km of lines and bays per employee will increase by 13% and 20%, respectively.

3. Quality and Reliability of the Grid

Despite the increased grid perimeter, the quality targets set by the Plan are in line with those foreseen in the previous Plan, i.e. at least 99% System Availability and an Average Interruption Time (AIT) below 1 minute/year. (Calculated as ratio between electricity not supplied in a year and the average power absorbed by the electrical system in the year)

TERNAs guarantees electricity demand coverage and top quality transmission service, in line with the levels set forth in the Grid Code and with international best practices. Taking into account the connection requirements of new power stations and the growth in electricity demand in Italy, grid development planning provides for a reserve margin, appropriate for fulfilling the demand for the entire Plan. In line with the provisions of Law no. 290/03, annual programmes have been scheduled for adapting and improving the defence system made for protecting the Grid. During the period of the plan, a total of approximately 100 million euro will be spent on the Defence Plan.

4. Growth Opportunities

The TERNAs Group will continue to pursue foreign growth opportunities in the transmission sector through strategic and/or opportunistic initiatives.

Strategic initiatives are those located in areas representing the natural extension of current activities. For TERNAs this means Eastern Europe - in particular the Balkans - and Brazil; the former to exploit any opportunities created by the opening up of electricity transmission to private investment and favour interconnections via submarine cables in the Adriatic Sea; the latter, as a follow-up of the strategy that led to the listing of Terna Partecipacoes.

Opportunistic initiatives are those related to investment opportunities with an adequate risk/return profile and limited amount of direct equity from Terna, in countries with a stable regulatory and social-economic scenario.

Preliminary steps have been taken in both directions:

- In strategic terms, with the signing of a MoU with Croatia – to favour the interconnection via submarine cable - and a technical assistance contract with Albania;

- In opportunistic terms, we have been short-listed in the tender for the privatisation of the Philippines transmission operator.

BUSINESS UNIT BRAZIL

Terna Participações - the Group's Brazilian sub-holding - was listed last October. This gave the company the financial resources necessary to sustain its growth.

Brazil is a country with a positive macroeconomic scenario, with an expected growth in energy infrastructures. The growth opportunities for Terna Participações, also in other Latin-American countries, are linked to:

- its solid financial position
- cash generation derived from its concessions
- the industrial experience achieved in the country
- and the institutional and technical credibility of its main shareholder.

Terna Participações wants to continue operating with prime-rate service quality standards. It also aims at becoming one of Brazil's leading electricity transmission companies and continuing to create value for its own shareholders and employees.

CAPITAL STRUCTURE

The absorption of cash for investments, dividends and acquisitions of further portions of NTG will gradually increase the gearing from 31% to over 44%, thus allowing for improvement in the efficiency of the capital structure. The net financial position during the period of the plan will rise from 2.3 to 3.9 billion euro with a forecasted increase of 1.6 billion euro.

DIVIDEND POLICY

TERNNA offers an attractive dividend policy to investors. The management has confirmed the previously announced dividend policy, which provides for an annual growth of at least 3%, starting from the 2005 dividend. The 2006 final dividend will be announced on March 21st as foreseen by the Corporate Calendar.

“Accelerated investments and reduced costs associated to the implementation of our growth strategy for creating value to our shareholders make the transmission service – i.e. a relevant service for the country – more reliable, modern and efficient. The three strategic guidelines announced on 31st January 2006 – commented the CEO Flavio Cattaneo – proved to be effective and gave the expected results, sometimes even before schedule. The new Development Plan confirms the strategic lines and speeds up on investments and cost control. We are even more committed in improving one of the main strategic infrastructures for the development of the country to the benefit of the competitiveness of our economic system and the advantage of the entire community “



Grid Development Plan

As part of its institutional functions, Terna has drawn up the 2007 – 2016 Development Plan (DP) for the entire NTG. The new Plan, submitted to the Ministry of Economic Development for approval, schedules interventions in the 2007 – 2011 period corresponding to approximately 2.1 billion euro (+31% compared to the 2006 development plan). The Plan also provides a further 2.8 billion will be invested after 2011. Compared to the previous plan, the new Development Plan schedules a total of approximately 75 new interventions, mainly for priority works in Italy and new cross-border interconnection capacity.

Completion of all interventions is expected to lead to an increase of approximately 40% in high voltage lines (380 kV) and the construction of 72 new stations that will improve the NTG's transforming power by 20%, i.e. about 21,000 MegaVoltAmpere (MVA) in value.

The new Development Plan will bring to the Italian electricity system:

- 4,570 km of new power lines and 72 new power stations;
- A 1,000 km reduction of old lines out of 1,700 km of previously scheduled works for a greater environmental protection
- An increase in reserve margins ranging from 5% to 15% of the 2006 peak demand (June 27, '06, 55,600 MW);
- The reduction in grid congestion, for a corresponding value of over 8,000 MW in further generation capacity (+40%);
- Increase in the cross-border interconnection capacity for a value ranging between 3,000 MW (+40%) and 6,000 MW (+85%)

Further opportunities are linked to submarine cable interconnections with some countries in the Balkans area in order to allow further increases in the import capacity. Interconnections also improve the reliability and efficiency of electricity procurement coming from a region characterised by conditions of overcapacity in the medium-long term and with production prices lower than Italy.

Outlook for the energy system

The demand for electricity in Italy has been estimated to rise by 2% per year, a figure slightly above the forecast increase in GDP. In the last twelve months, the increase in consumption has been recorded mainly in the services and household sectors. The peak demand – the real indicator of the need for new Grid investments - has instead been estimated at an annual rate of 3% for 2007-2011. Most of the electricity demand in Italy comes from the southern regions, where we will focus our new development interventions.

The Analyst Presentation support material for the event will be available on line in the Investor Relations section of www.terna.it, the moment in which the Analyst Presentation begins. In the same section it will also be possible to follow the presentation through video webstreaming. A Press Conference is also scheduled to be held at the end of the presentation.