



# FY10 Consolidated Results

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MARCH 31<sup>st</sup>, 2011



# Agenda

- STRATEGIC UPDATE 3
- FY10 RESULTS 6
- ANNEXES 11



# Strategic Update

## Highlights

### 2010 Results

- Strong growth and peak in capex
- Performance on incentives for dispatching activities about 160mn. Considering the incentive scheme lasts for 3 years, in 2010 P&L accounted only 77mn
- Net Profit from continuing operations (467mn) up by 32%

### M&A

- Successfully completed the disposal of Rete Rinnovabile S.r.l.
- Acquired 22.09% stake of Montenegrin TSO<sup>1</sup>

### Funding

- Recently issued 1.25bn euro bond, with 10 year maturity
- Available cash and credit lines to cover Plan's needs

1) CrnoGorski Elektroprenosni Sistem AD (CGES)



## Strategic Update

### Disposal of the first PV Portfolio (Rete Rinnovabile S.r.l.)

#### Transaction Details

- Transfer of 100% of the shares of Rete Rinnovabile S.r.l. (“RTR Srl”) to Terra Firma
- **Enterprise Value: 641mn euro** (equivalent to an average EV/MWp of 4.46mn)
- RTR owns **143.7MWp** (62 sites, located in 11 regions)
  - 101.6MWp benefitting from 2010 Feed-in tariff
  - 42.1MWp benefitting from early 2011 Feed-in tariff

#### Impacts of the Transaction

- **Overall net proceeds: 204mn euro**
- Impact on 2010 consolidated net income: 147mn (accounting treatment according to IAS 11<sup>1</sup>)
- Reduction in the effective net financial debt from continuing operations of the Group of over 200mn

1) Revenues and costs associated with plants' construction accounted for on the stage of completion of the contract activity at balance sheet date

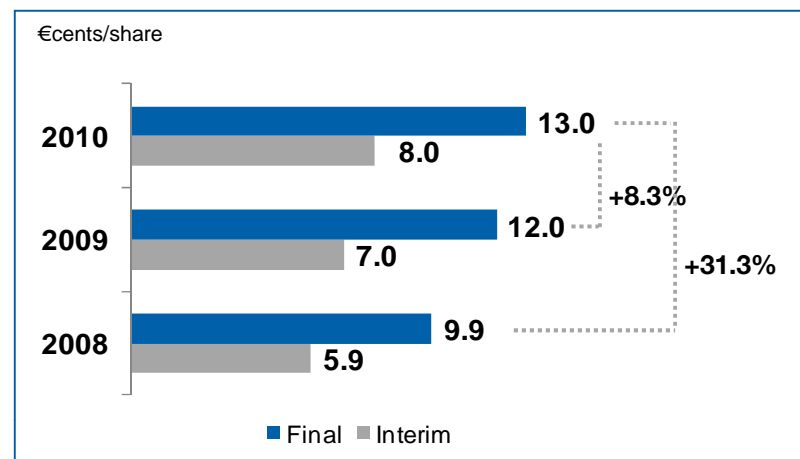


# Strategic Update

## Attractive Shareholder Returns

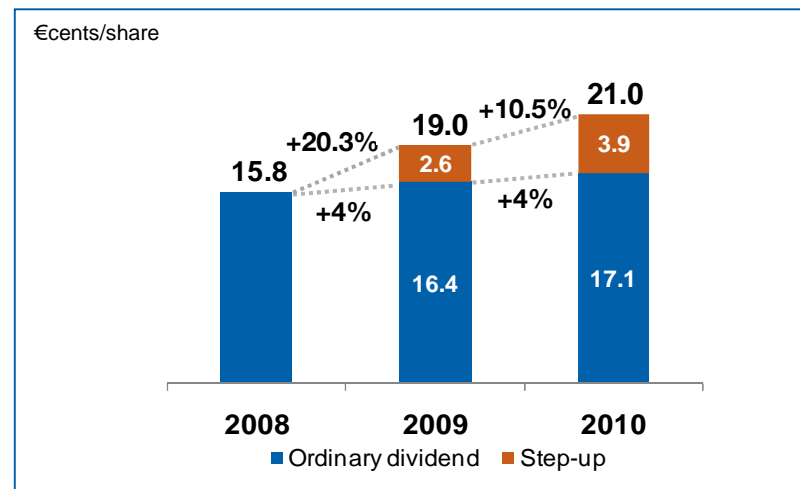
### 2010 DPS: 21€c

- 8€c Interim, paid on November 25<sup>th</sup>
- **13€c Final (+8.3% vs 2009 Final), payable from June 23<sup>rd</sup> (Ex date June 20<sup>th</sup>)**
- Top ranking yield: 6.5%<sup>1</sup>



### Double Digit Growth

- Ordinary Dividend +4%
- Additional distribution from value accretive M&A (nearly 20% of total DPS)



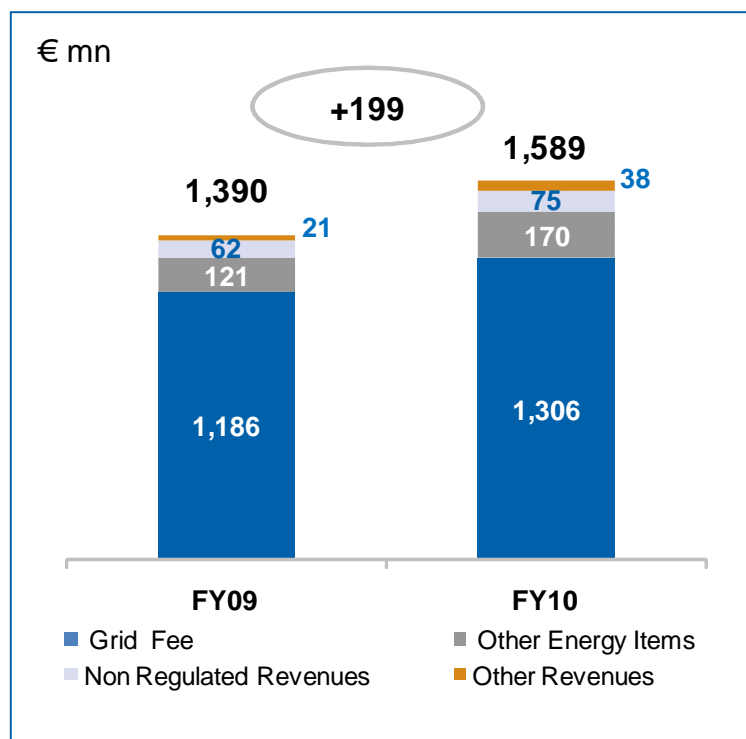
1) Calculated on the basis of Terna closing price as of December 30<sup>th</sup>, 2010 adjusted for the interim dividend (€3.16 + €0.08 = €3.24)



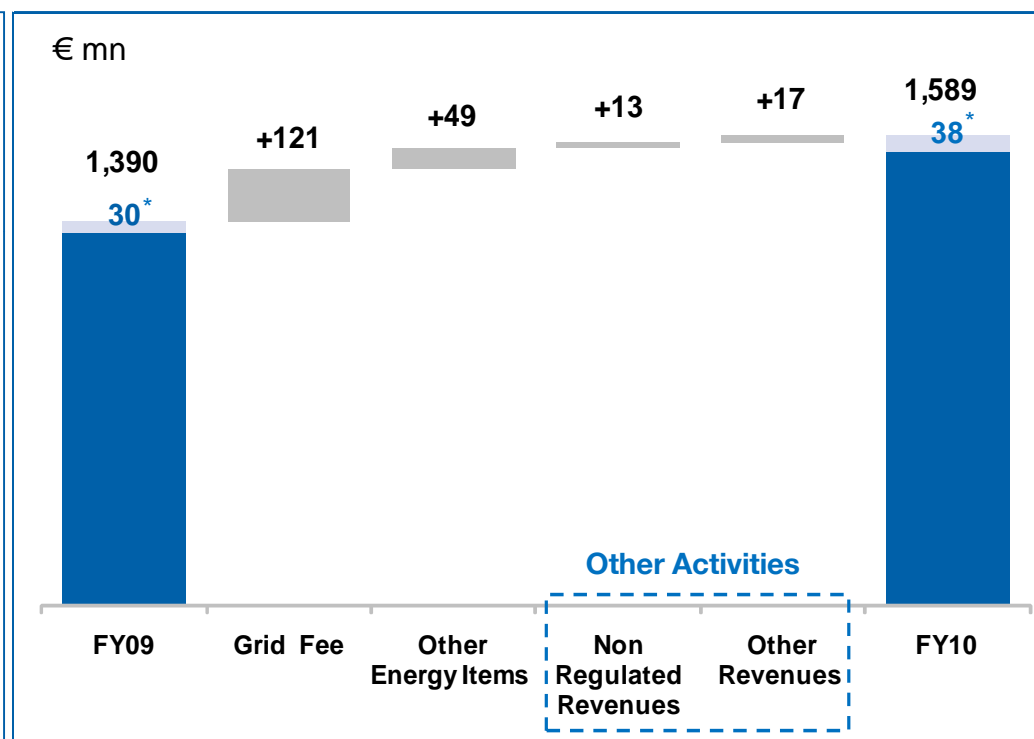
# FY10 Results

## Consolidated Revenues

### Revenues by Nature



### Revenues Breakdown



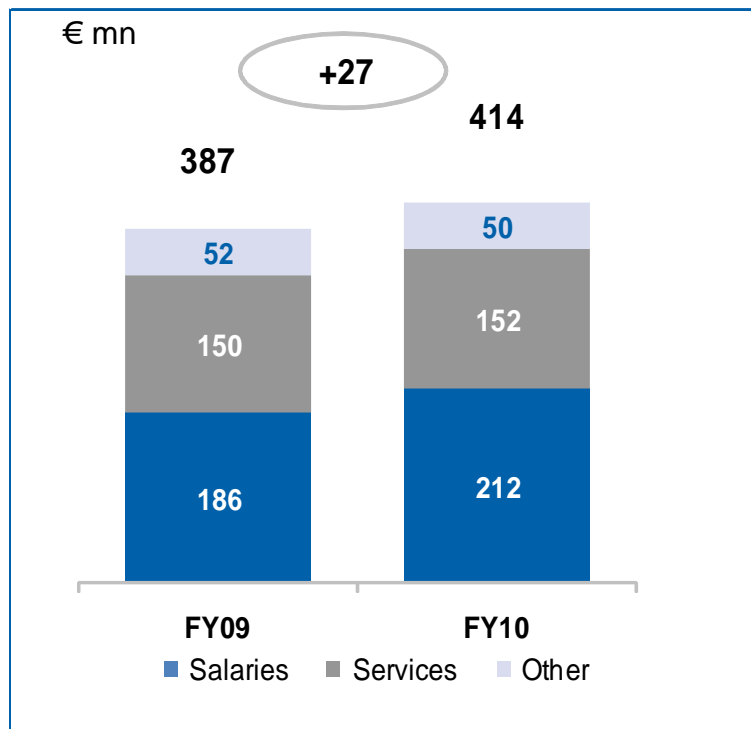
(\*) Impact from the application of IFRIC 12, reported in the Other Energy Items



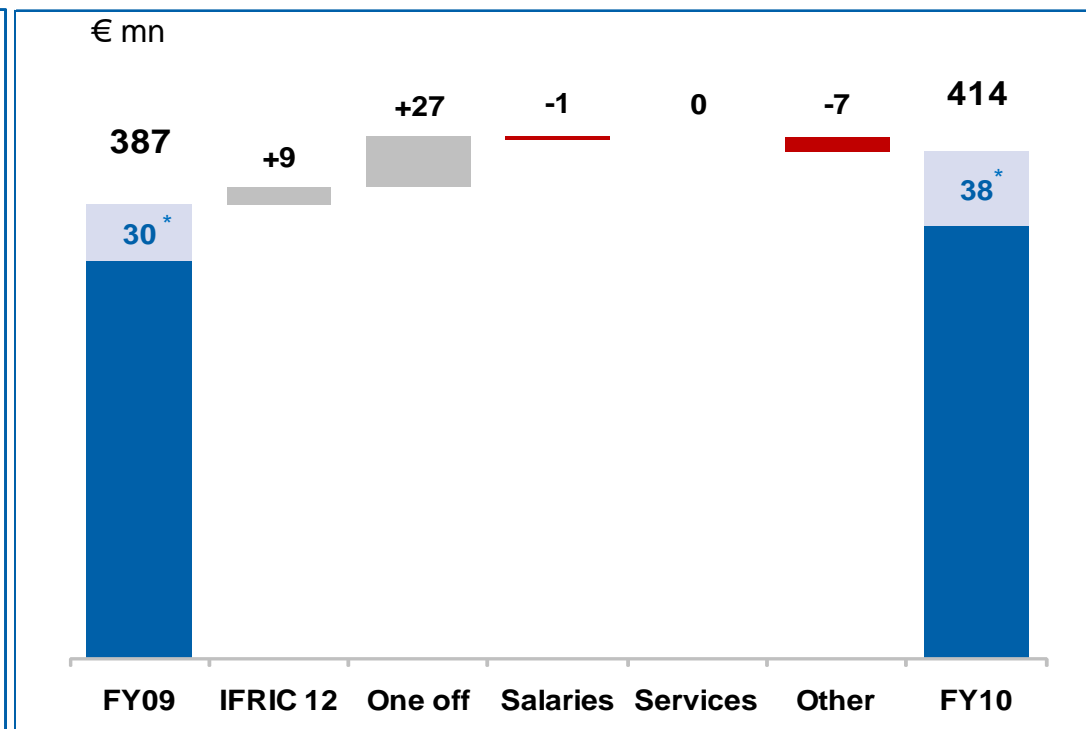
# FY10 Results

## Consolidated Costs

### Costs by Nature<sup>1</sup>



### Costs Breakdown



(1) Net of capitalized costs

(\*) Impact from the application of IFRIC 12 (see slide 15 for details)



# FY10 Results

## From EBITDA to Net Income

€ mn	Consolidated		Change	
	FY09 <sup>1</sup>	FY10	mn	Δ%
<b>EBITDA</b>	<b>1,003</b>	<b>1,175</b>	<b>172</b>	<b>17.1%</b>
<i>EBITDA Margin (%)</i>	<i>72.2%</i>	<i>73.9%</i>		
<b>EBITDA adjusted<sup>2</sup></b>	<b>976</b>	<b>1,175</b>	<b>199</b>	<b>20.3%</b>
<i>EBITDA Margin adjusted (%)<sup>2</sup></i>	<i>70.2%</i>	<i>73.9%</i>		
D&A	309	361	52	16.7%
<b>EBIT</b>	<b>694</b>	<b>814</b>	<b>120</b>	<b>17.3%</b>
Financial Charges	148	103	-46	-30.9%
Taxes	192	245	53	27.6%
<i>Tax rate (%)</i>	<i>35.2%</i>	<i>34.4%</i>		
<b>Net Income Continuing Operations</b>	<b>354</b>	<b>467</b>	<b>113</b>	<b>31.8%</b>
Net Income Discontinued Operations	417	147	-270	-64.8%
<b>Group Net Income</b>	<b>771<sup>3</sup></b>	<b>614<sup>4</sup></b>	<b>-157</b>	<b>-20.4%</b>

(1) Figures restated according to IFRIC 12 and net of Brazilian activities

(2) Excluding the partial release of "Energy Discount Fund" accounted in 2009 (26.8mn in 2Q09)

(3) Includes the net proceeds from the disposal of the Brazilian activities (417mn)

(4) Includes 147mn out of the 204mn overall net proceeds deriving from the disposal of RTR Srl and 77mn out of the 160mn of total operating performance of the incentive mechanism on dispatching

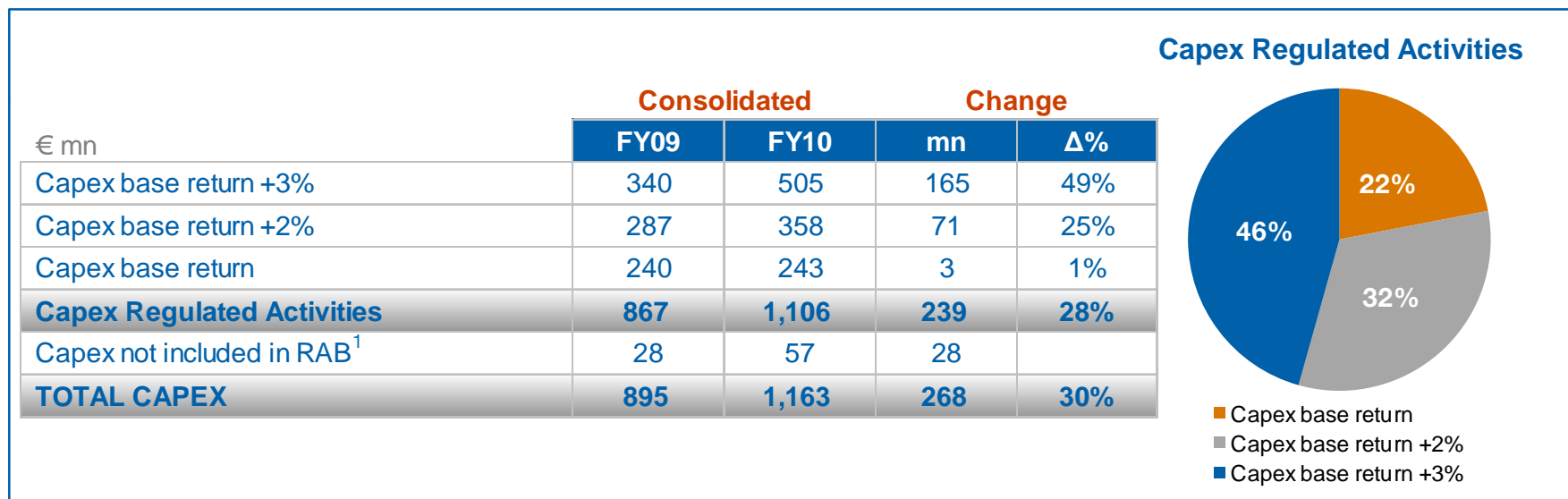




# FY10 Results

## Capex Breakdown

- Improving the mix
- SAPEI second cable operational
- +1,075km of circuit lines and +48 substations

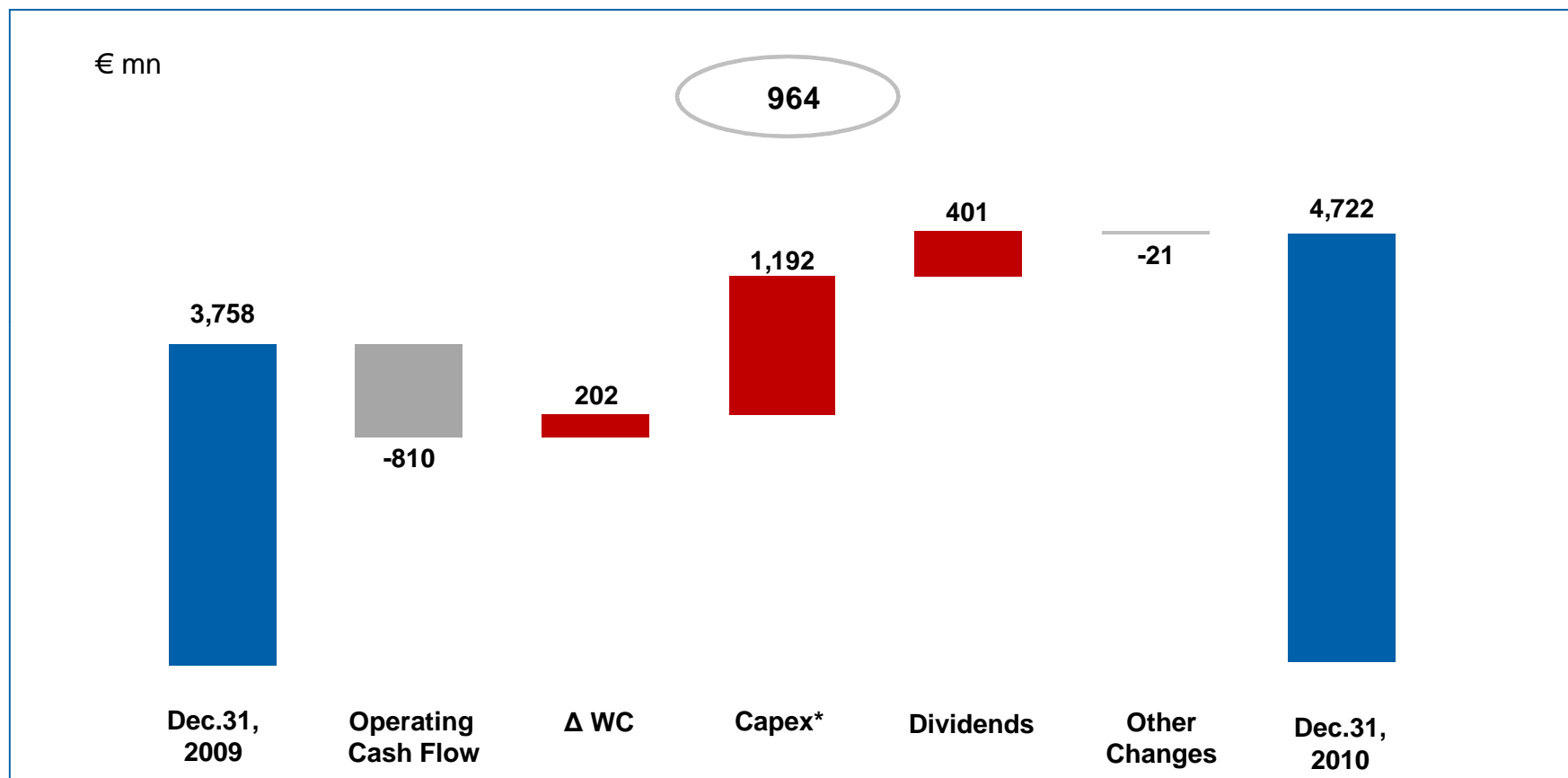


(1) Including Capitalized Financial Charges and Rete Solare S.r.l. and excluding Rete Rinnovabile Srl, accounted pursuant to IAS11 (costs related to construction contracts amount to 353mn)



# FY10 Results

## Cash Flow and Consolidated Net Debt



(\*) Including Other Fixed Assets Change



# ANNEXES



# FY10 Results

## Energy Items

### 2010

Demand up by 1.8% yoy (+2% normalized<sup>1</sup>)

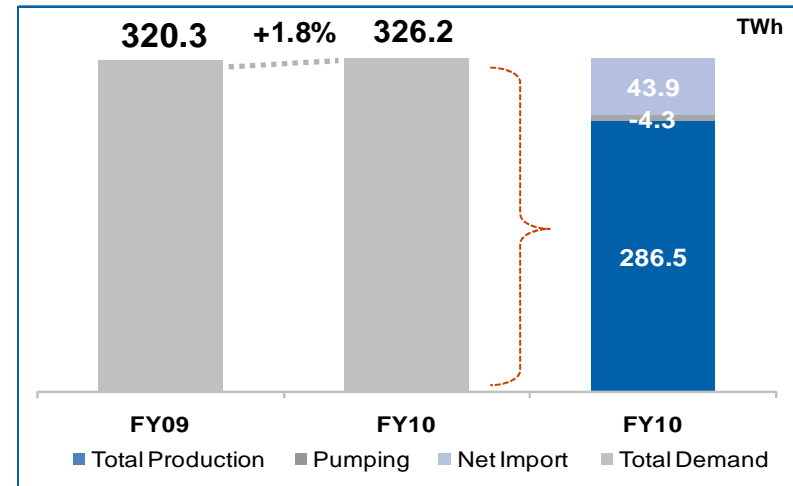
- Total Production +1.9%
- Pumping -25.7%
- Net Import -2.3%

### 2011

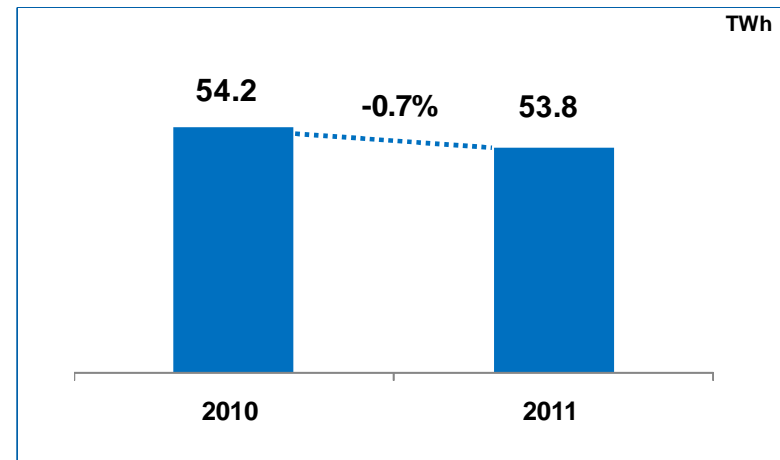
- Slight decrease in YTD demand (-0.7% yoy)

Source: 2010 and 2011 provisional figures  
 (1) Adjusted for temperature and working days

### ▪ Total Demand FY10



### ▪ Total Demand 2011 YTD

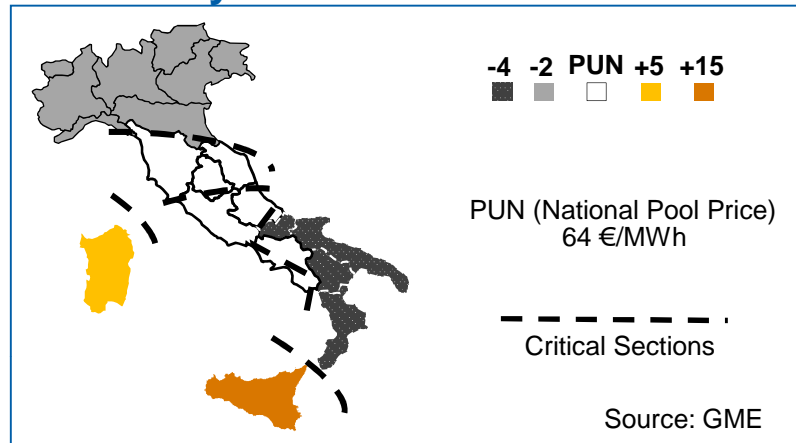




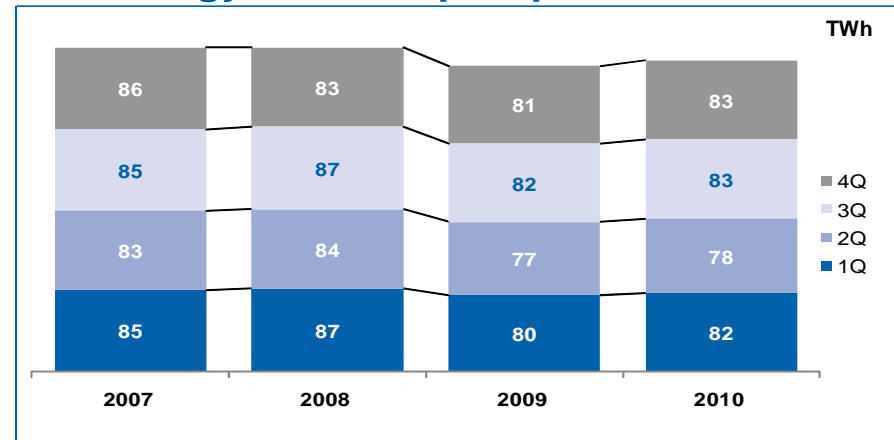
# Italian Electricity Market Evolution

## Energy Demand

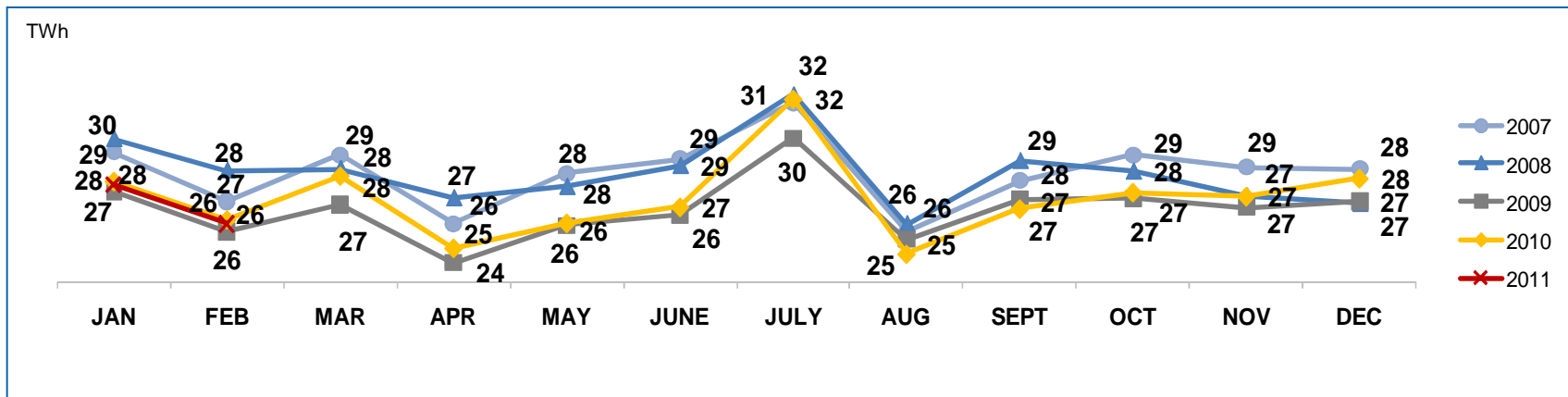
### Electricity Prices



### Energy Demand per quarter



### Monthly Trend



Source: Terna's monthly reports. 2010 and 2011 provisional figures



# FY10 Results

## Consolidated Income Statement

€ mn	Change FY10 vs FY09 <sup>1</sup>			
	FY09	FY10	mn	Δ%
<b>Operating Revenues</b>	<b>1,390</b>	<b>1,589</b>	<b>199</b>	<b>14.3%</b>
<i>Grid Fee</i>	1,186	1,306	121	10.2%
<i>Other Energy Items</i>	121	170	49	40.3%
<i>Other Activities</i>	84	113	30	35.3%
<b>Operating Expenses</b>	<b>387</b>	<b>414</b>	<b>27</b>	<b>7.1%</b>
<i>Salaries</i>	186	212	27	14.4%
<i>Services</i>	150	152	3	1.7%
<i>Other</i>	52	50	-2	-3.7%
<b>EBITDA</b>	<b>1,003</b>	<b>1,175</b>	<b>172</b>	<b>17.1%</b>
<i>EBITDA Margin (%)</i>	72.2%	73.9%		
<i>D&amp;A</i>	309	361	52	16.7%
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<i>Financial (Income) Charges</i>	148	103	-46	-30.9%
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<b>Group Net Income</b>	<b>771<sup>2</sup></b>	<b>614<sup>3</sup></b>	<b>-157</b>	<b>-20.4%</b>

(1) 2009 Figures have been restated according to IFRIC 12 and net of Brazilian activities

(2) Includes the net proceeds from the disposal of the Brazilian activities (417mn)

(3) Includes 147mn out of the 204mn overall net proceeds deriving from the disposal of RTR Srl and 77mn out of the 160mn of total operating performance of the incentive mechanism on dispatching



# FY10 Results

## Impacts of IFRIC 12

P&L	IFRIC 12		Change FY10 vs FY09 *		EXCLUDING IFRIC 12 EFFECT		Change FY10 vs FY09 *	
	FY09	FY10	mn	Δ%	FY09	FY10	mn	Δ%
<b>Operating Revenues</b>	<b>1,390</b>	<b>1,589</b>	<b>199</b>	<b>14.3%</b>	<b>1,361</b>	<b>1,551</b>	<b>190</b>	<b>14.0%</b>
Operating Expenses	387	414	27	7.1%	358	376	18	5.1%
<i>of which:</i>								
Salaries	186	212	27	14.4%	182	207	25	13.9%
Services	150	152	3	1.7%	128	128	0	0.2%
Other	52	50	-2	-3.7%	48	41	-7	-14.9%
<b>EBITDA</b>	<b>1,003</b>	<b>1,175</b>	<b>172</b>	<b>17.1%</b>	<b>1,003</b>	<b>1,175</b>	<b>172</b>	<b>17.1%</b>

(\*) Note: 2009 Figures have been restated net of Brazilian activities



# FY10 Results

## Quarterly Analysis

€ mn	Consolidated			Change			Consolidated			Change		
	1Q09	1Q10	mn	2Q09	2Q10	mn	3Q09	3Q10	mn	4Q09	4Q10	mn
<b>Operating Revenues</b>	313	365	52	355	396	41	346	405	60	377	423	46
<i>Grid Fee</i>	279	331	52	296	317	21	311	332	21	300	327	27
<i>Other Energy Items</i>	15	18	3	38	62	24	16	43	27	51	46	-5
<i>Other Activities</i>	20	16	-4	21	17	-3	18	30	12	26	50	24
<b>Operating Expenses</b>	84	91	7	77	101	24	89	85	-3	137	137	-1
<b>EBITDA</b>	230	274	44	277	295	17	257	320	63	239	286	47
D&A	65	84	19	79	89	10	79	88	8	85	101	15
<b>EBIT</b>	164	190	26	199	206	7	177	233	55	154	186	32
Financial (Income) Charges	38	24	-14	42	23	-19	29	24	-5	40	32	-8
Taxes	45	59	14	54	57	3	52	70	18	42	60	18
<b>Net Income Continuing Operations</b>	81	107	27	103	126	23	97	139	42	73	95	22
Net income discontinued operations	14	0	-14	22	0	-22	23	0	-23	358	147	-211
<b>Total Net Income</b>	94	107	13	126	127	1	120	139	18	431	241	-190
of which:												
<i>Minority Interest</i>	5	0	-5	7	0	-7	8	0	-8	0	0	0
<b>Group Net Income</b>	89	107	18	118	127	8	113	139	26	431	241	-190

(\*) Note: Figures restated according to IFRIC 12 and net of Brazilian activities

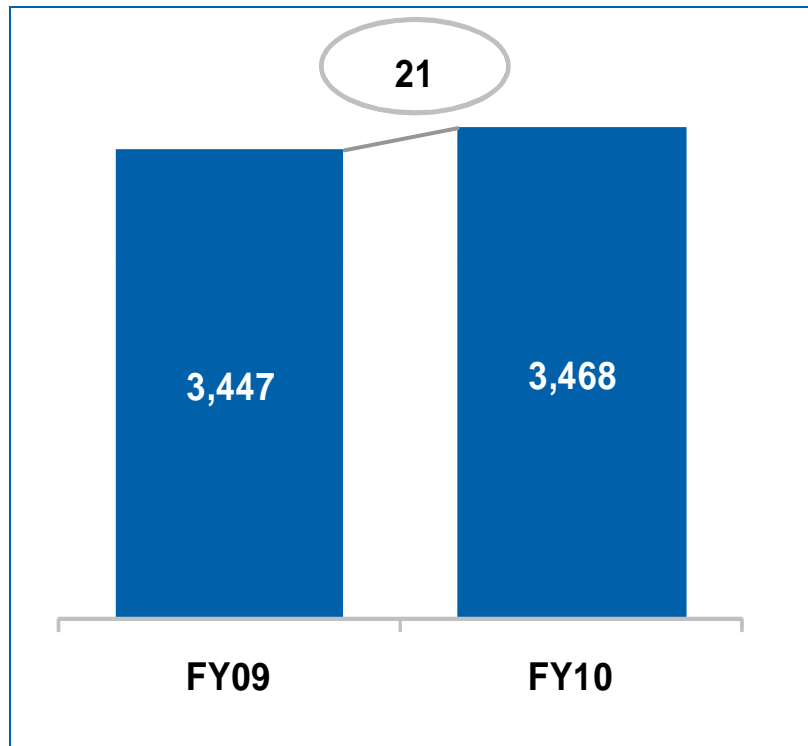




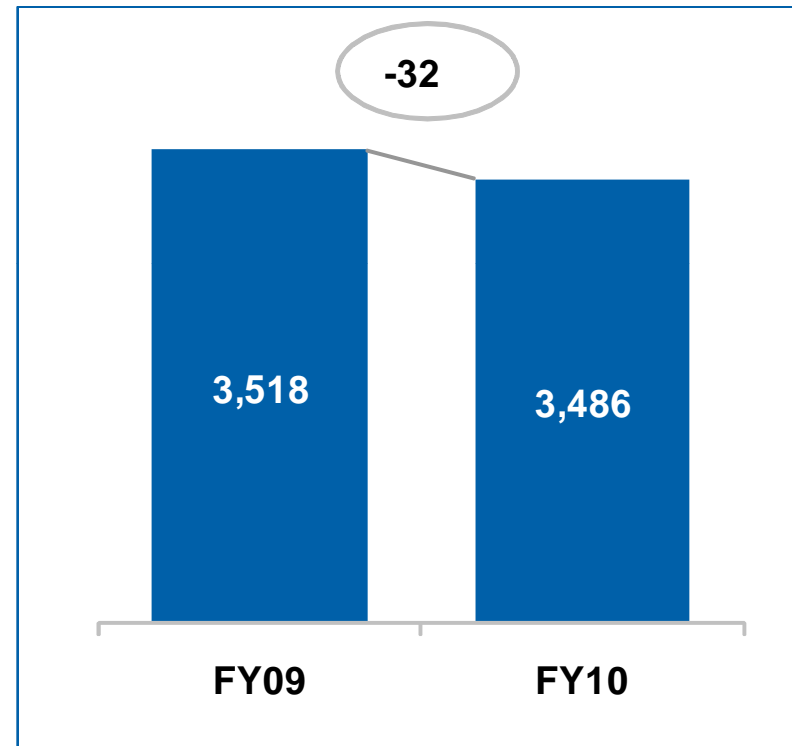
# FY10 Results

## Headcount Evolution

- Final Headcount



- Average Headcount





# FY10 Results

## Consolidated Balance Sheet

€ mn	FY09	FY10	mn
<b>Assets</b>			
PP&E	6,990	7,803	813
Intangible Asset, net	458	471	13
Financial Inv. and Other	21	30	9
<b>Total Fixed Assets</b>	<b>7,469</b>	<b>8,304</b>	<b>835</b>
Net WC	-571	-369	202
Funds	-638	-624	14
Net assets of discontinued operations	0	399	399
<b>Total Net Invested Capital</b>	<b>6,260</b>	<b>7,710</b>	<b>1,450</b>
Financed by:			
<b>Consolidated Net Debt</b>	<b>3,758</b>	<b>4,949</b>	<b>1,191</b>
<i>of which Net Debt Continuing Operations</i>	<i>3,758</i>	<i>4,722</i>	<i>964</i>
<b>Total Shareholder's Equity</b>	<b>2,502</b>	<b>2,761</b>	<b>259</b>
<b>D/E Ratio Continuing Operations</b>	<b>1.5</b>	<b>1.7</b>	
<b>Number of Shares</b>	<b>2,001</b>	<b>2,004</b>	



# FY10 Results

## Consolidated Cash Flows

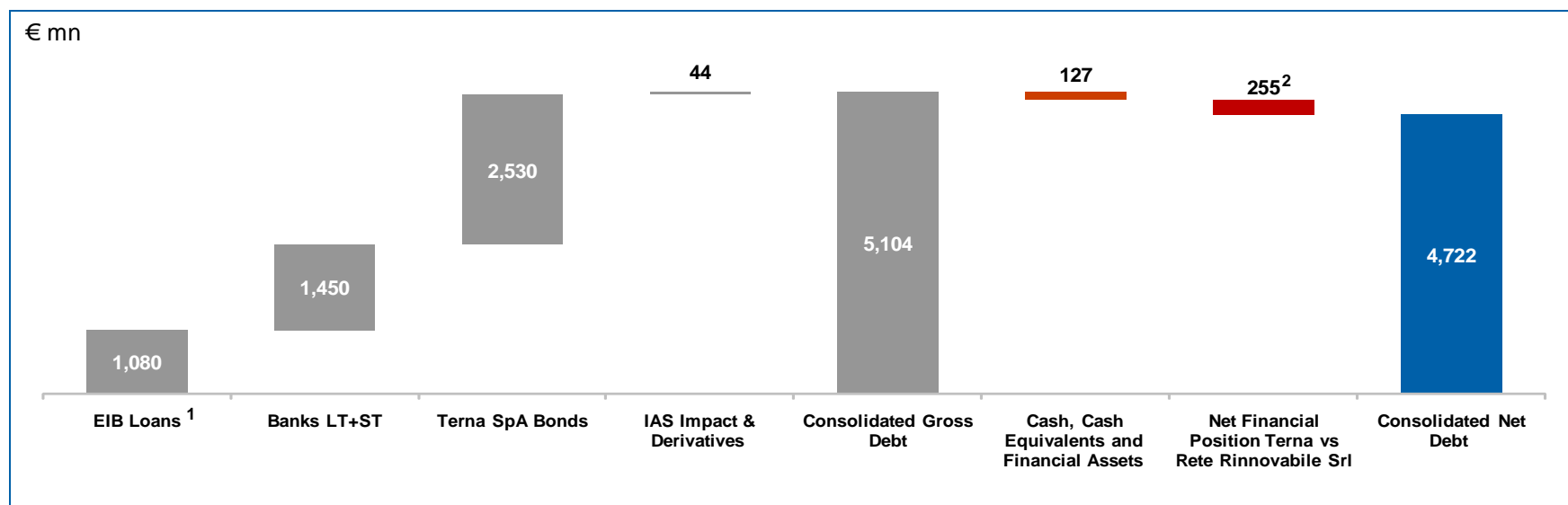
€ mn	FY09	FY09 Cont.Op.	FY10	FY10 Cont.Op.
Net Income	771	354	614	467
Depreciation <sup>1</sup>	309	309	358	358
Net Change in Funds	212	92	-14	-14
<b>Operating Cash Flows</b>	<b>1,292</b>	<b>755</b>	<b>957</b>	<b>810</b>
Change in WC	-38	207	-202	-202
<b>Cash Flow from Operating Activities</b>	<b>1,254</b>	<b>962</b>	<b>755</b>	<b>608</b>
Capital Expenditures	-900	-900	-1,163	-1,163
Other Fixed Asset Changes	-310	-1,188	-30	-30
<b>Free Cash Flow</b>	<b>44</b>	<b>-1,126</b>	<b>-437</b>	<b>-584</b>
Dividends	-338	-338	-401	-401
Change in Capital and Other	-99	-99	46	21
Cash related to Brazilian Assets and Liabilities		758		
Rete Rinnovabile Srl Invested Capital			-399	
<b>Change in Net Cash/(Debt)</b>	<b>-392</b>	<b>-805</b>	<b>-1,191</b>	<b>-964</b>

(1) Net of assets' disposal



# FY10 Results

## Consolidated Net Financial Position



### Change in Net Financial Position (mn€)

Net Debt 2009YE	3,758
<i>Δ Fair Value on Bonds</i>	76
<i>Change in Financial Position</i>	1,001
<i>Δ Fair Value on Derivatives</i>	-113
Net Debt 2010YE	4,722
<b>Change in Net Debt</b>	<b>+964</b>

(1) EIB (European Investment Bank) Loans

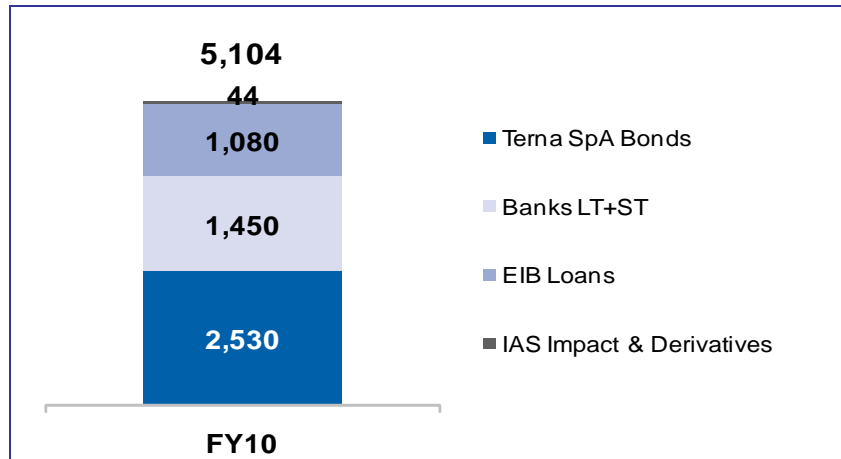
(2) Net Financial Position Discontinued Operations: 226mn



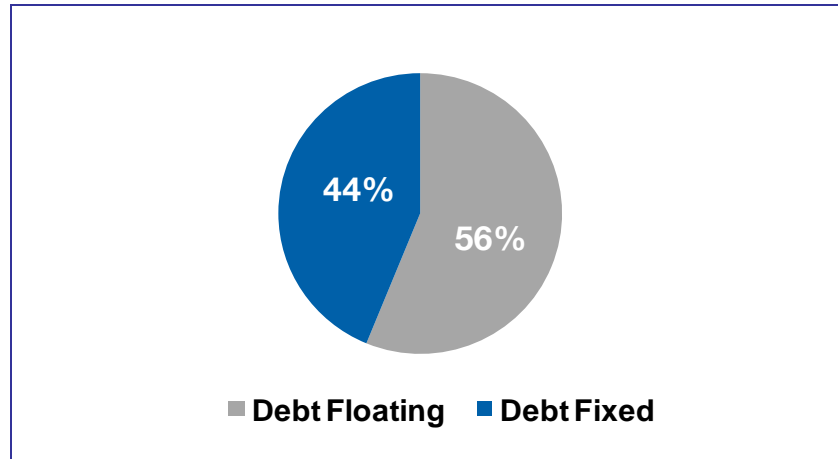
# FY10 Results

## Financial Structure

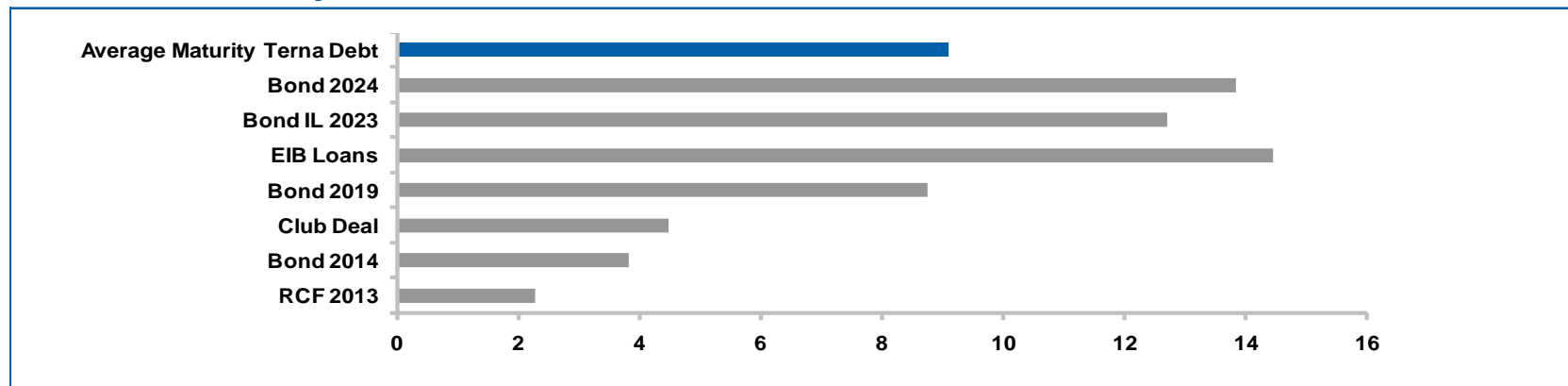
### ▪ Gross Debt by Instruments (€mn)



### ▪ Fixed/Floating Mix



### ▪ Debt Maturity





## Five Years - Five Indicators

	2005	2010	Delta	CAGR
Revenues	917	<b>1,589</b>	73.3%	11.6%
EBITDA	594	<b>1,175</b>	97.8%	14.6%
EBIT	437	<b>814</b>	86.3%	13.2%
Net Income	228	<b>467</b>	104.8%	15.4%
Capex	264	<b>1,163</b>	340.5%	34.5%

*Note: 2005 figures net of Brazilian activities*



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