



# 1H09 Consolidated Results

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JULY 28<sup>TH</sup>, 2009



# Agenda

- RECENT DEVELOPMENTS 3
- STRATEGIC UPDATE 5
- 1H09 RESULTS 7
- CLOSING REMARKS 14
- ANNEXES 15



# Recent Developments

## Enhanced Legal Framework

### **New Energy Law (“Disegno Legge Energia”)**

- No authorization needed and/or simplified procedure to reconstruct/upgrade existing lines
- Further simplifications for under-ground cables
- Tender for 2,000MW of new interconnection rights Northbound

### **Decree n. 78//09 (“Decreto Anticrisi”)**

- “Commissioners”, to be named via Presidential Decree, empowered to authorize in place of local entities
- The appointment of commissioners expected to swift authorization procedures on major strategic projects for the Country



# Recent Developments

## Disposal of Terna Participações: Timeline

### Condition Precedents

✓ Ratification by Cemig's EGM (May 28<sup>th</sup>)

ANEEL approval: scrutiny on going

Closing expected in 4Q09

### Use of Proceeds

Market friendly approach

New capex opportunities

### Capex Opportunities

Partial use of proceeds for non-regulated activities, at double digit returns

- Short-Term: solar initiative, named "*Sungrid*"

Step-up of future capex Plan

- Medium-Long Term: new guidance with the new Strategic Plan



# Strategic Update

## *Sungrid* Project

### **Sungrid Project**

*Sungrid* is a fully owned legal entity, investing in photovoltaic plants

- 70-100MWp
- Estimate of €250-350mn capex by 2010
- EBITDA margin in line with Brazilian's discontinued operations (~85%)

### **Strategic Rationale**

Preservation and exploitation of existing ancillary assets (lands nearby substations), to maximize their profitability

### **Compatible Fit**

Legal unbundling guarantees Terna's mission

Energy injected in the Grid accounted by GSE via dedicated withdrawal regime

Coherent with the Company's sustainable approach

# Strategic Update

## Funding

### Credit Lines

ITALY	Available amount €Mn
Revolving Credit Facility (2013)	500
CdP (10yr Term Loan)	500
Private Placement (2019)	600
<b>TOTAL</b>	<b>1,600</b>

### Funding Available

- Capex Plan fully funded
- Competitive average credit spread (below 50bps)
- Capital structure to benefit from interest rate decrease
- Recent Private Placement driven by market opportunity

# 1H09 Results

## Energy Items

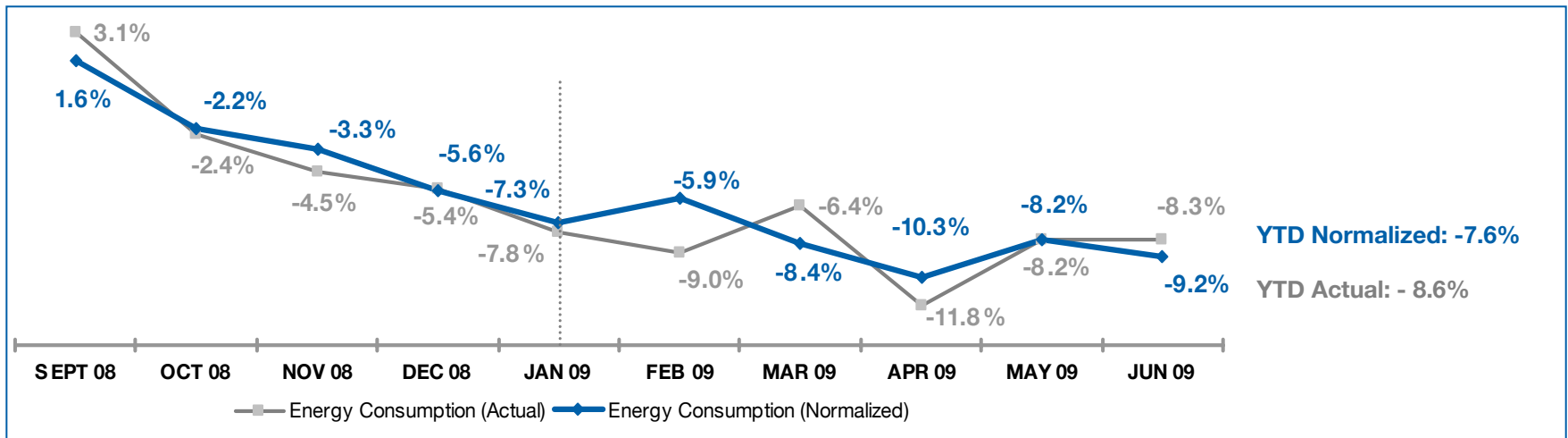
### 1H09

Demand down by 8.6% vs 1H08

- Total Gross Production -12% (140,103 GWh)
- Pumping and Auxiliary Services: -14.3% (8,338 GWh)
- Net Import: +15.1% (23,918 GWh)

### Forecast

Weak demand trend confirmed



Note: % change based on 2008 actual figures, published on July 16, 2009

# 1H09 Results

## Results at a Glance

- Revenues driven by consolidation of TELAT, tariff dynamics (thanks to mitigation on volumes) and incentives on Dispatching activities
- EBITDA up by 24%, also due to one-off item on Personnel Costs (27mn release of the “Energy Discount Fund”)
- Strong acceleration in Capex spending

€mn	Consolidated		Change	
	1H08 PF	1H09	mn	Δ%
<b>Operating Revenues</b>	574	656	82	14.3%
<b>Operating Expenses</b>	165	149	-16	-9.4%
<b>EBITDA</b>	409	507	98	23.8%
<b>EBITDA Margin (%)</b>	71.3%	77.2%		
<b>Group Net Income</b>	206	208	2	1.0%
<b>Capex</b>	332	375	43	13.0%

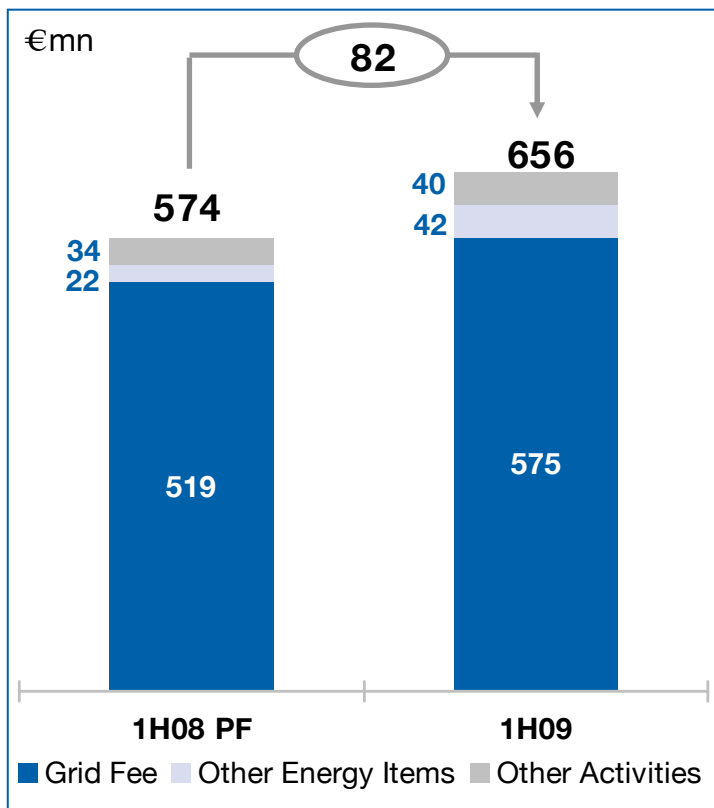
Note: 2008 Pro Forma excluding Terna Part, reported as Discontinued Operations



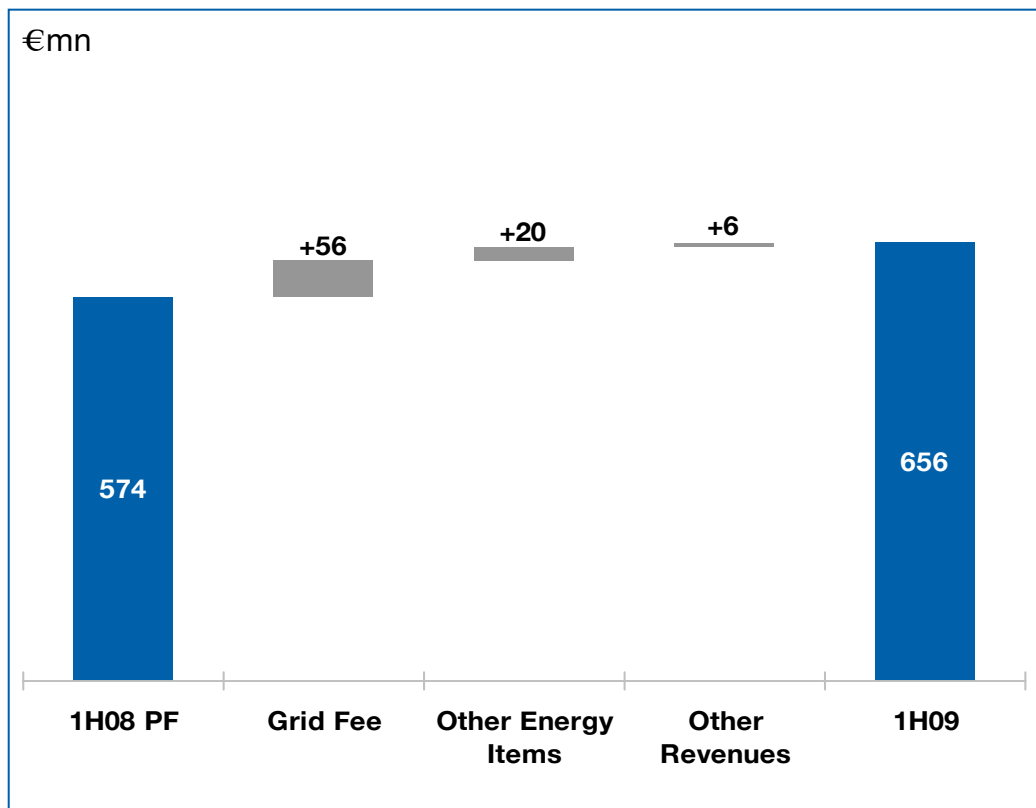
# 1H09 Results

## Consolidated Revenues

### Revenues by Nature



### Revenues Breakdown

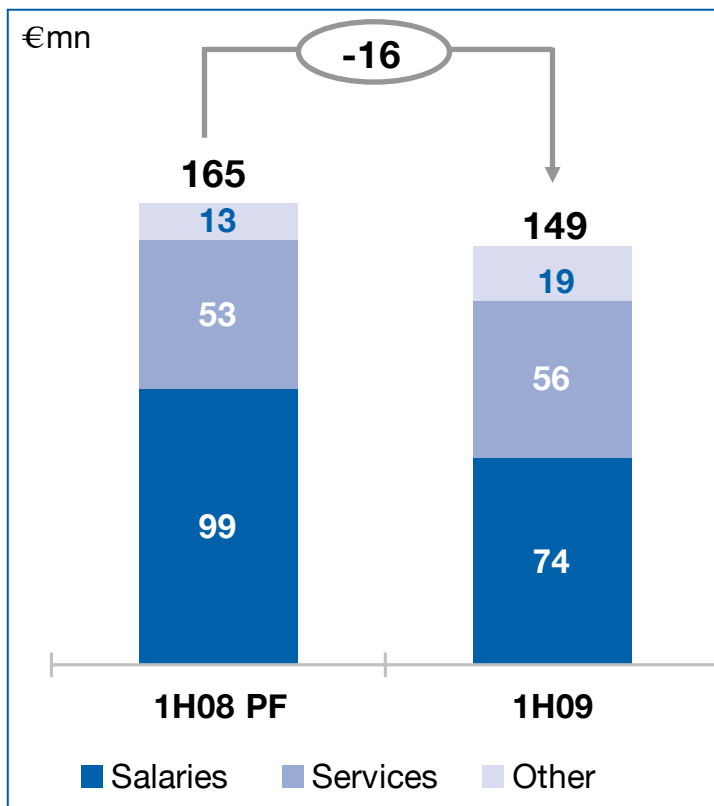


Note: 2008 Pro Forma excluding Terna Part, reported as Discontinued Operations

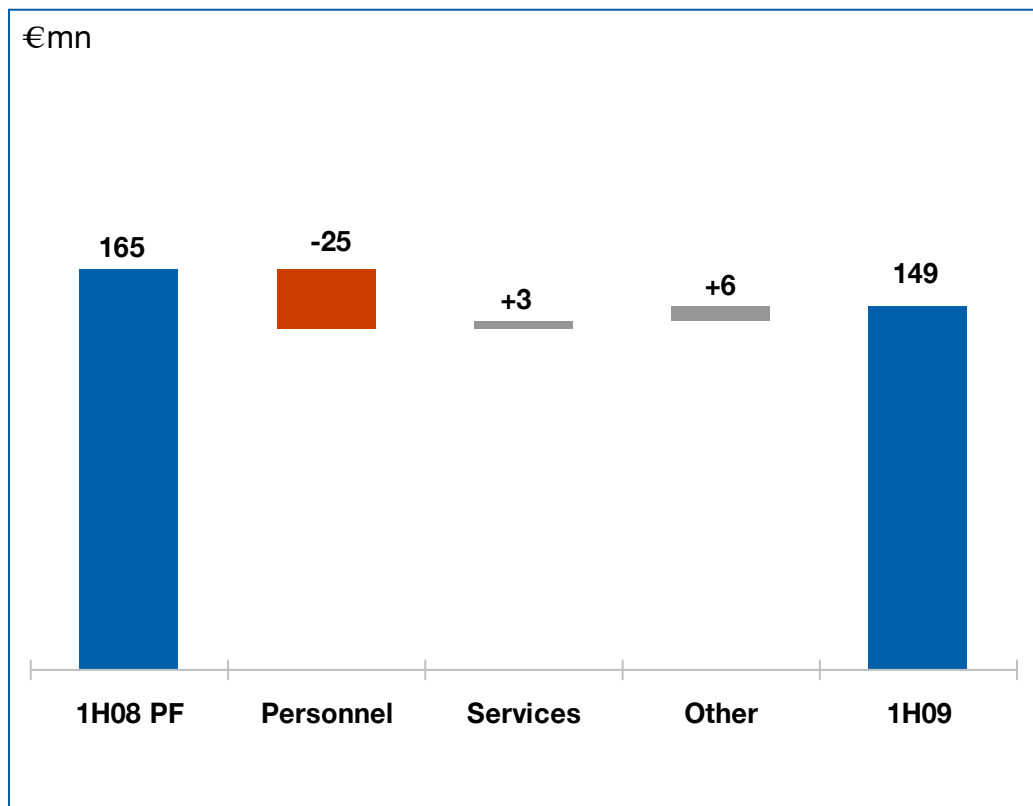
# 1H09 Results

## Consolidated Costs

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



### Costs Breakdown



Note: 2008 Pro Forma excluding Terna Part, reported as Discontinued Operations

(1) Net of capitalized costs

# 1H09 Results

From EBITDA to Net Income

€mn	Consolidated		Change	
	1H08 PF	1H09	mn	Δ%
<b>EBITDA</b>	<b>409</b>	<b>507</b>	<b>98</b>	<b>23.8%</b>
<i>EBITDA Margin (%)</i>	71.3%	77.2%		
D&A	121	144	23	19.1%
<b>EBIT</b>	<b>289</b>	<b>363</b>	<b>75</b>	<b>25.8%</b>
Financial Charges	5	87	82	1716.7%
Taxes	101	99	-2	-1.8%
<i>Tax rate (%)</i>	35.4%	35.8%		
<b>Net Income Continuing Operations</b>	<b>183</b>	<b>177</b>	<b>-6</b>	<b>-3.3%</b>
Net Income Discontinued Operations	34	43	9	25.7%
Minority Interest	12	12	1	5.2%
<b>Group Net Income</b>	<b>206</b>	<b>208</b>	<b>2</b>	<b>1.0%</b>

Note: 2008 Pro Forma excluding Terna Part, reported as Discontinued Operations

# 1H09 Results

## Capex Breakdown

### Capex Breakdown

Incentivized capex substantially in line  
Higher ordinary capex

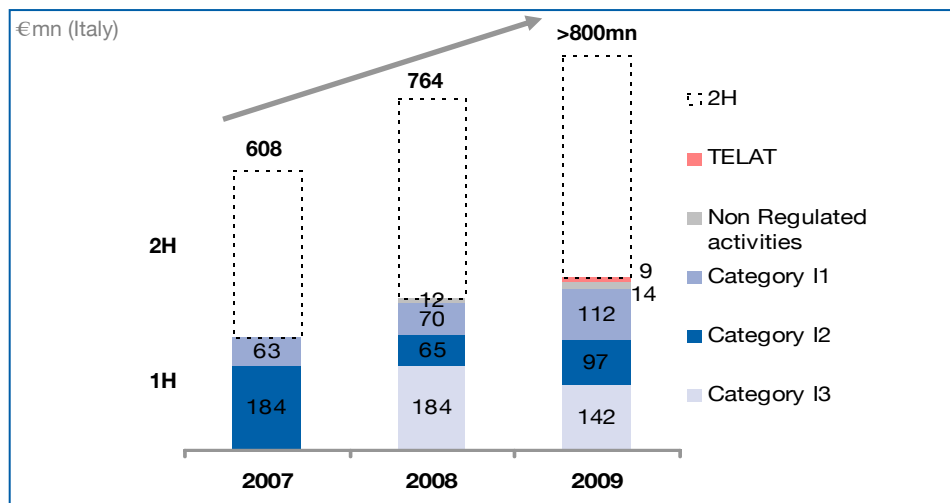
- Rationalization of premises
- Higher O&M
- TELAT

### Outlook

FY09 Capex to exceed 800mn

- Sungrid
- TELAT

€mn	Consolidated		Change	
	1H08 PF	1H09	mn	%
Incentivized remuneration	250	240	-10	-4%
Ordinary remuneration	70	112	42	60%
- Maintenance	42	50	8	19%
- Other	28	62	34	122%
TELAT	-	9	9	
Non regulated activities	12	14	2	16%
<b>TOTAL CAPEX</b>	<b>332</b>	<b>375</b>	<b>43</b>	<b>13%</b>



Note: 2008 Pro Forma excluding Terna Part, reported as Discontinued Operations. 1H08 accounts are restated in order to consider the earlier application of IAS23 accounting principle.

# 1H09 Results

## Consolidated Cash Flows

€mn	Consolidated	
	1H08 PF	1H09
Net Income	217	220
Depreciation <sup>(1)</sup>	135	152
Net Change in Funds	-28	29
<b>Operating Cash Flows</b>	<b>324</b>	<b>401</b>
Change in WC	144	445
<b>Cash Flow from Operating Activities</b>	<b>468</b>	<b>846</b>
Capital Expenditures	-337	-384
Other Fixed Asset Changes	-275	-1,362
<b>Free Cash Flow</b>	<b>-144</b>	<b>-900</b>
Dividends	-197	-199
Change in Capital	2	-51
<b>Change in Financial Position</b>	<b>-339</b>	<b>-1,150</b>

(1) Net of assets disposals



# Closing Remarks

## On track on targets

## Profitable growth

Ready to accelerate on development capex

Non-regulated initiatives justified on valorisation of assets and EPS enhancing

## Safe haven

Market friendly approach

- Announcement of 2009 Interim dividend in October
- Announcement of new dividend policy post closing

Focus on Total Shareholder Return

Strict financial discipline

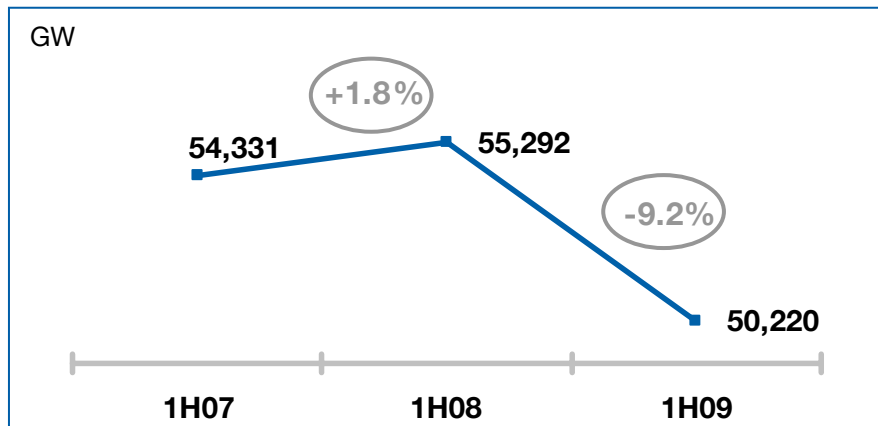


# ANNEXES

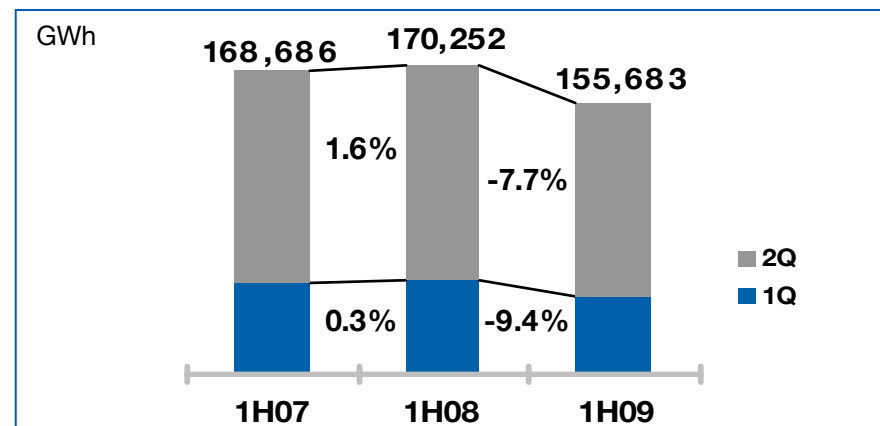
# Italian Electricity Market Evolution

## Energy Demand

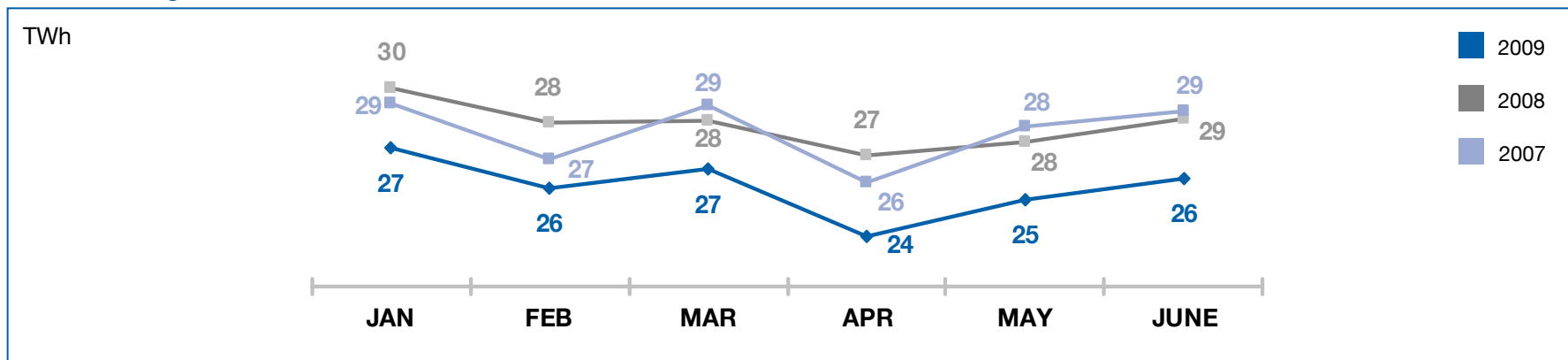
### ▪ Peak Demand in 1H



### ▪ Energy Demand in 1H



### ▪ Monthly Trend



Source: TERNA's monthly reports. Data 2008 and % change based on 2008 actual figures, published on July 16, 2009



# 1H09 Results

## Consolidated Income Statement

Change 1H09 vs 1H08 PF

€mn	1H08	1H08 PF	1H09	mn	Δ%
<b>Operating Revenues</b>	<b>668</b>	<b>574</b>	<b>656</b>	<b>82</b>	<b>14.3%</b>
<i>Grid Fee</i>	519	519	575	56	10.7%
<i>Other Energy Items</i>	22	22	42	20	94.4%
<i>Regulated Activities in Brazil</i>	83	0	0	0.0	0.0%
<i>Other Activities</i>	45	34	40	6	18.6%
<b>Operating Expenses</b>	<b>189</b>	<b>165</b>	<b>149</b>	<b>-16</b>	<b>-9.4%</b>
<i>Salaries</i>	103	99	74	-25	-25.1%
<i>Services</i>	62	53	56	3	6.0%
<i>Other</i>	23	13	19	6	45.5%
<b>EBITDA</b>	<b>479</b>	<b>409</b>	<b>507</b>	<b>98</b>	<b>23.8%</b>
<i>EBITDA Margin (%)</i>	71.7%	71.3%	77.2%		
<i>D&amp;A</i>	133	121	144	23	19.1%
<b>EBIT</b>	<b>346</b>	<b>289</b>	<b>363</b>	<b>75</b>	<b>25.8%</b>
<i>Financial (Income) Charges</i>	19	5	87	82	1716.7%
<i>Taxes</i>	110	101	99	-2	-1.8%
<i>Tax rate (%)</i>	33.7%	35.4%	35.8%		
<b>Net income continuing operations</b>	<b>217</b>	<b>183</b>	<b>177</b>	<b>-6</b>	<b>-3.3%</b>
<b>Net income discontinued operations</b>		<b>34</b>	<b>43</b>	<b>9</b>	<b>25.7%</b>
<b>Total Net Income</b>	<b>217</b>	<b>217</b>	<b>220</b>	<b>3</b>	<b>1.2%</b>
<i>Minority Interest</i>	12	12	12	1	5.2%
<b>Group Net Income</b>	<b>206</b>	<b>206</b>	<b>208</b>	<b>2</b>	<b>1.0%</b>

Note: 2008 restated in order to consider the earlier application of IAS23 accounting principle.  
2008 Pro Forma excluding Terna Part, reported as Discontinued Operations

# 1H09 Results

## Consolidated Income Statement – Quarterly Analysis

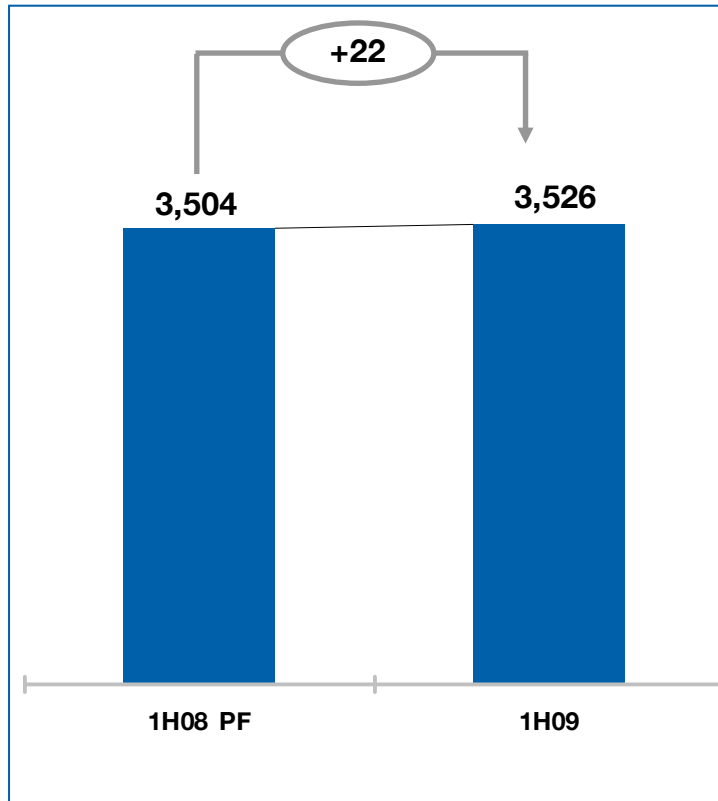
€mn	1Q08 PF	1Q09	mn	2Q08 PF	2Q09	mn
<b>Operating Revenues</b>	<b>291</b>	<b>309</b>	<b>19</b>	<b>284</b>	<b>347</b>	<b>63</b>
<i>Grid Fee</i>	265	279	13	254	296	42
<i>Other Energy Items</i>	11	11	0	11	31	20
<i>Regulated Activities in Brazil</i>	0	0	0	0	0	0
<i>Other Activities</i>	15	20	5	19	21	1
<b>Operating Expenses</b>	<b>79</b>	<b>80</b>	<b>1</b>	<b>86</b>	<b>70</b>	<b>-16</b>
<b>EBITDA</b>	<b>211</b>	<b>230</b>	<b>18</b>	<b>198</b>	<b>277</b>	<b>79</b>
D&A	59	65	6	62	79	17
<b>EBIT</b>	<b>152</b>	<b>164</b>	<b>12</b>	<b>136</b>	<b>199</b>	<b>62</b>
Financial (Income) Charges	32	40	8	-27	47	74
Taxes	45	45	0	55	54	-2
<b>Net income continuing operations</b>	<b>75</b>	<b>79</b>	<b>4</b>	<b>108</b>	<b>99</b>	<b>-10</b>
<b>Net income discontinued operations</b>	<b>16</b>	<b>16</b>	<b>0</b>	<b>18</b>	<b>27</b>	<b>9</b>
<b>Total Net Income</b>	<b>91</b>	<b>94</b>	<b>3</b>	<b>126</b>	<b>126</b>	<b>-1</b>
Minority Interest	5	5	0	6	7	1
<b>Group Net Income</b>	<b>86</b>	<b>89</b>	<b>4</b>	<b>120</b>	<b>118</b>	<b>-2</b>

Note: 2008 Pro Forma excluding Terna Part, reported as Discontinued Operations

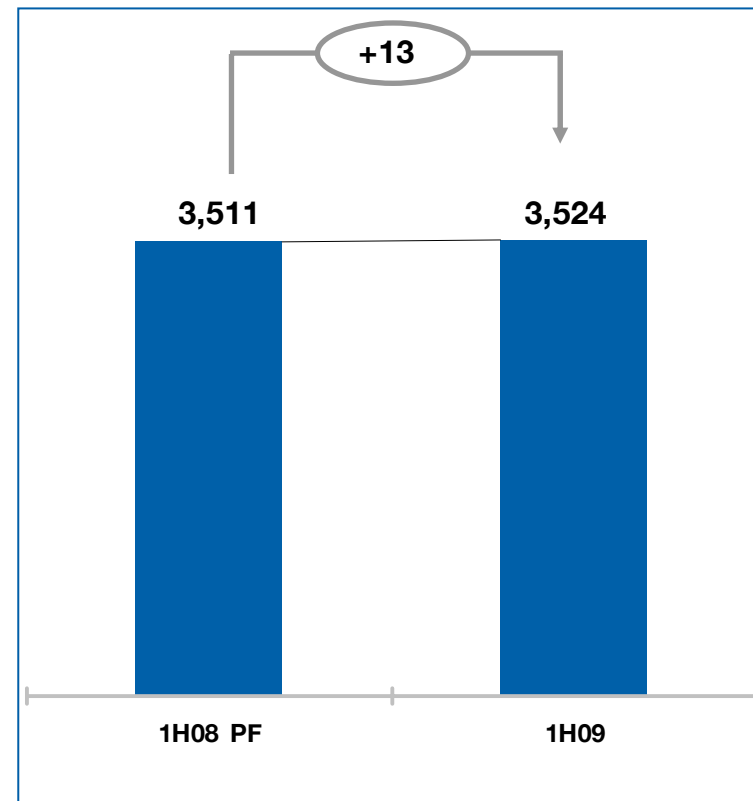
# 1H09 Results

## Headcount Evolution

### Final Headcount



### Average Headcount



Note: 2008 Pro Forma excluding Terna Part

# 1H09 Results

## Consolidated Balance Sheet

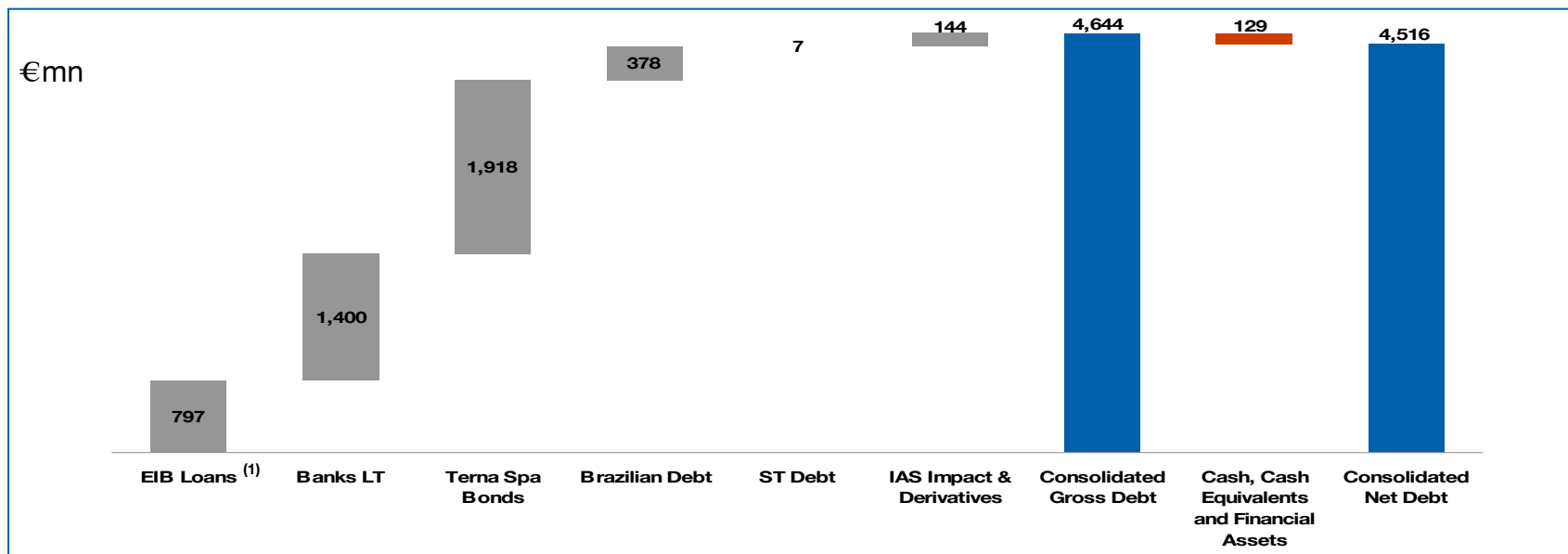
€mn	FY08	1H09	Δ%
<b>Assets</b>			
PP&E	6,036	6,805	12.7%
Intangible Asset, net	483	360	-25.6%
Financial Inv. and Other	44	16	-62.9%
<b>Total Fixed Assets</b>	<b>6,563</b>	<b>7,181</b>	<b>9.4%</b>
Net WC	-608	-729	19.8%
Funds	-425	-617	45.2%
Net assets of continuing operations	5,530	5,835	5.5%
Net assets of discontinued operations	-	877	
<b>Total Net Invested Capital</b>	<b>5,530</b>	<b>6,712</b>	<b>21.4%</b>

Financed by:

<b>Net Debt</b>	<b>3,366</b>	<b>4,516</b>	<b>34.2%</b>
<i>Net Debt continuing operations</i>	3,366	4,266	26.7%
<i>Intercompany Loan</i>	-	189	
<i>Effective Net Debt continuing operations</i>	-	4,077	
<i>Net Debt discontinued operations</i>	-	250	
<b>Total Shareholder's Equity</b>	<b>2,164</b>	<b>2,197</b>	<b>1.5%</b>
<i>Terna Group</i>	2,077	2,082	0.3%
<i>Minorities</i>	87	115	31.8%
<b>D/E ratio</b>		<b>1.96</b>	

# 1H09 Results

## Consolidated Net Financial Position



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

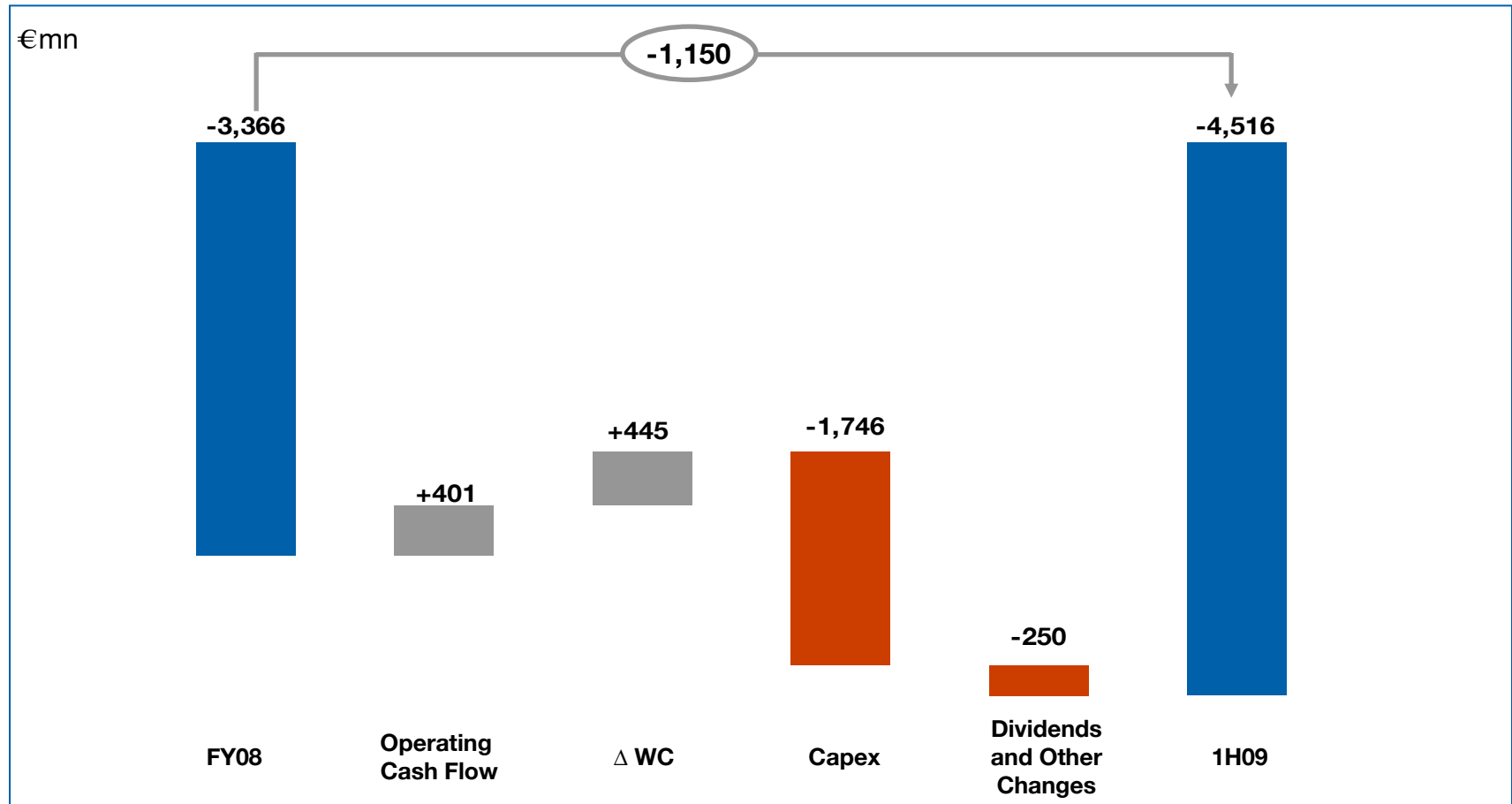
Net Debt 2008YE	3,366
Δ Fair Value on Bonds and Derivatives	82
Change in Financial Position	1,014
Δ Exchange Rates + Int. Cap.	53
<b>Net Debt 1H09</b>	<b>4,516</b>
<b>Change in Net Debt</b>	<b>1,150</b>

(1) EIB (European Investment Bank) Loans

# 1H09 Results

## Consolidated Net Debt

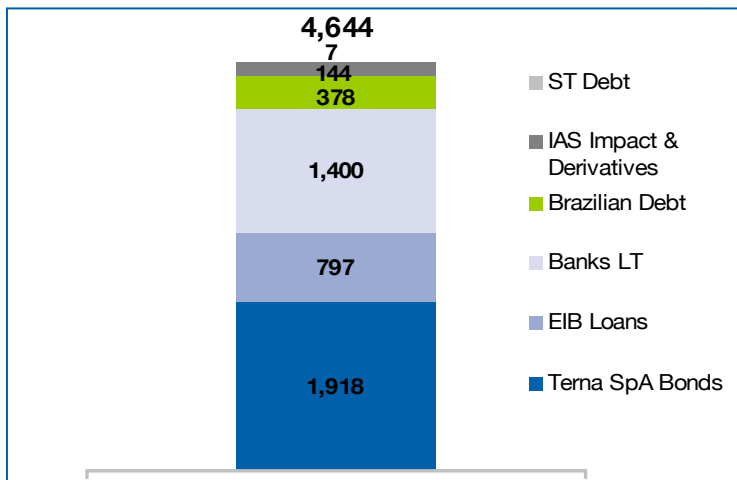
### ▪ Net Debt Evolution



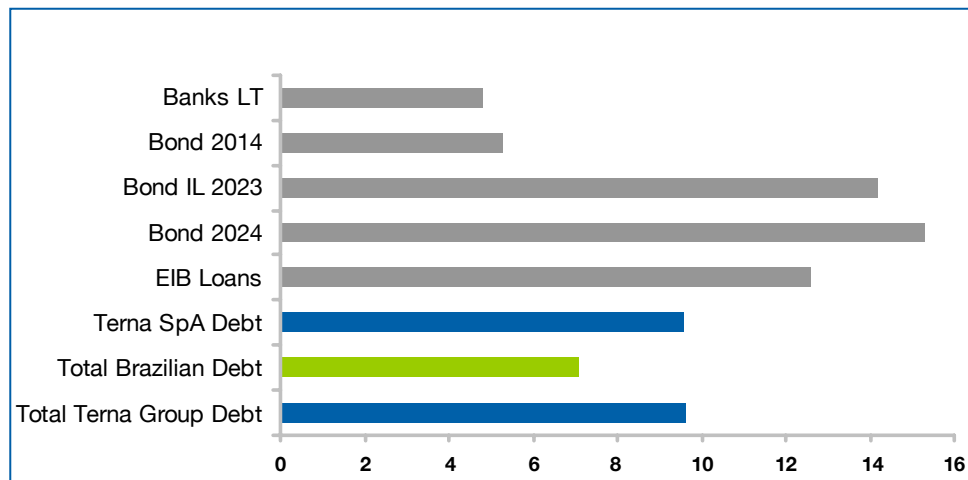
# 1H09 Results

## Financial Structure

### Gross Debt by Instruments (€mn)



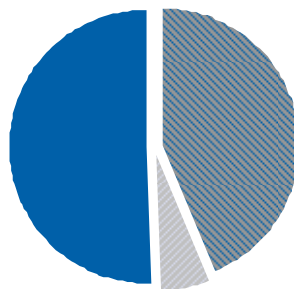
### Average Maturity



### Debt Breakdown

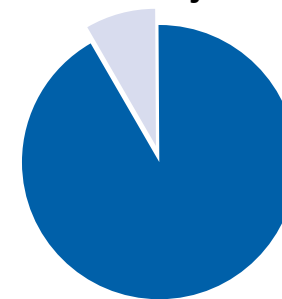
	Floating	Fixed
Italy	44%	56%
Group	49%	51%

Fixed/Floating Mix



■ Debt Italy Floating ■ Debt Brasil Floating ■ Debito Italy Fixed

Currency



■ Debt Euro ■ Debt Reais

# 1H09 Results

## TERNA Participações (IAS)

€mn

	1H08 PF <sup>(1)</sup>	1H09	Δ%
<b>Operating Revenues</b>	<b>94</b>	<b>113</b>	<b>21%</b>
Operating Expenses	24	36	50%
<b>EBITDA</b>	<b>70</b>	<b>78</b>	<b>11%</b>
<i>EBITDA Margin (%)</i>	75%	68%	
D&A	12	9	-21%
<b>EBIT</b>	<b>58</b>	<b>68</b>	<b>18%</b>
Net Interest Expenses	14	16	11%
Taxes	10	17	70%
<b>Net Income</b>	<b>34</b>	<b>36</b>	<b>6%</b>
<b>Net Invested Capital</b>	<b>898</b>	<b>776</b>	<b>-14%</b>
Financed by:			
Net Debt	542	439	-19%
<b>Shareholders' Equity</b>	<b>356</b>	<b>337</b>	<b>-6%</b>

BRLmn

	1H08 PF <sup>(1)</sup>	1H09	Δ%
<b>Operating Revenues</b>	<b>243</b>	<b>331</b>	<b>36%</b>
Operating Expenses	62	104	69%
<b>EBITDA</b>	<b>181</b>	<b>227</b>	<b>25%</b>
<i>EBITDA Margin (%)</i>	75%	68%	
D&A	31	27	-11%
<b>EBIT</b>	<b>150</b>	<b>199</b>	<b>33%</b>
Net Interest Expenses	37	46	25%
Taxes	26	49	92%
<b>Net Income</b>	<b>88</b>	<b>104</b>	<b>19%</b>
<b>Net Invested Capital</b>	<b>2,255</b>	<b>2,131</b>	<b>-6%</b>
Financed by:			
Net Debt	1,361	1,206	-11%
<b>Shareholders' Equity</b>	<b>895</b>	<b>925</b>	<b>3%</b>

Note: 1H09 Euro/BRL: Closing Rate 2.75 – Average for the period 2.92

(1) 1H08 accounts consider the restatement of PPA of ETEO, GTESA, PATESA





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