

# Acquisition of Italian Grid Portions: Edison Rete and AEM Trasmissione

Flavio Cattaneo – Chief Executive Officer

Fabio Todeschini – Chief Financial Officer

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# Acquisition of Italian Grid Portions

## Transactions Highlights



**Seller**

Edison SpA

AEM SpA

**Target**

100% Edison Rete SpA

99.99% AEM Trasmissione SpA<sup>(1)</sup>

**% of Grid<sup>(2)</sup>**

~4.2%

~1.5%

**Firm value<sup>(3)</sup>**

304 mn euro

116 mn euro

**Closing**

Subject to Antitrust Authority approval

# Acquisition of Italian Grid Portions

## New Assets

### Edison Rete



### AEM Trasmissione



<b>Lines (Km)</b>	<b>2,763</b>
- 220kW	1,433
≤ 150kW	1,330
<b>Substations</b>	<b>29</b>
- 220kW	22
≤ 150kW	7

<b>1,095</b>
794
301
<b>12</b>
9
3

# Acquisition of Italian Grid Portions

Delivering our Strategy: Unification of National Transmission Grid

## Benefits of the acquisitions:

### Strategic

- Key geographical position
- 65% of residual Grid portions

### Industrial

- Cost savings
- Capex growth platform

### Financial

- Entirely debt financed: improvement on WACC
- Improved economics

# Acquisition of Italian Grid Portions

## Industrial Rationale - Integration Benefits

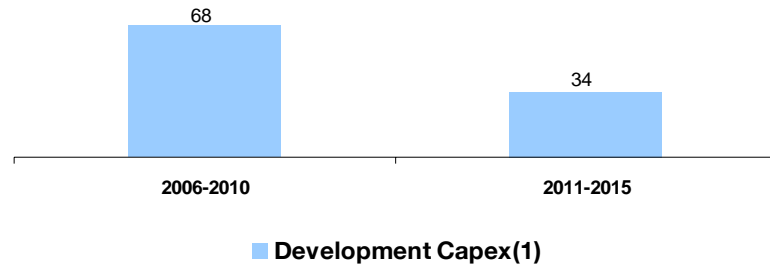
Margins enhancement via:

- Cost synergies
    - Rationalization of overheads and O&M costs
    - Integration of workforces
    - Cutting of G&A expenses
  - Higher revenues thanks to:
    - Coming on stream of new assets with pre-agreed revenue flows (impact of 1mn in 2007; 2.5mn in 2008; 5mn from 2009 onwards)
    - Additional capex
- Annual savings of 4mn euro**

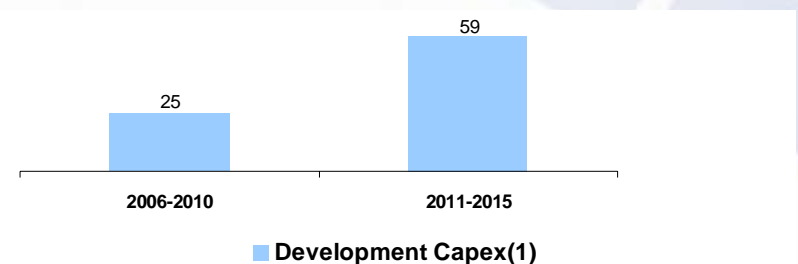
# Acquisition of Italian Grid Portions

## Industrial Rationale – Organic Growth

### Edison Rete



### AEM Trasmissione



Potential for:

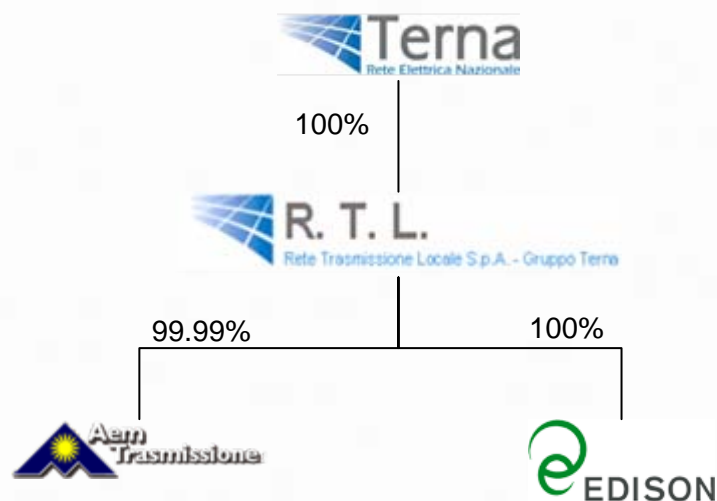
- Maintenance capex (operational efficiency; modifications, etc)
  - Average per year equal to 6mn euro
- Development capex (functional requirements; new projects)
  - Significant investments foreseen in the National Grid Development Plan

# Acquisition of Italian Grid Portions

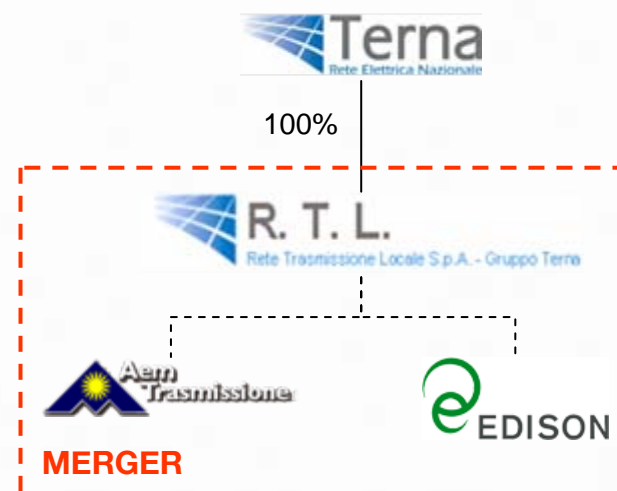
## Financial Rationale – Deal Structure

- Step 1: Acquisition
  - via Terna's 100% owned subsidiary RTL
  - entirely funded by new debt from Terna SpA
- Step 2: Merger
  - Edison Rete and AEM Trasmissione<sup>(1)</sup> will be merged into RTL

### Step 1: Acquisition



### Step 2: Merger



# Acquisition of Italian Grid Portions

## Valuation

(€ million)



	EDISON		Aem Trasmissione	
	304.3		115.6	
	2005A	2007E	2005A	2007E
<b>Enterprise Value</b>				
<b>EBITDA</b>	25.6	26.6	10	10.0
Expected cost savings		3.0		1.0
<b>EBITDA Adjusted</b>		29.6		11.0
<b>Implied Multiple</b>	11.9x	10.3x	11.6x	10.5x
<b>Accretion</b>	<ul style="list-style-type: none"> <li>• 2007-2008 ⇒ Slight earnings accretion</li> <li>• From 2009 ⇒ Significant earnings accretion</li> </ul>			



# Acquisition of Italian Grid Portions

## Closing Remarks

- Excellent strategic and operational fit
- Excellent growth prospects
- Earnings enhancing
- Confirming role as consolidator of the Italian Grid

**Well on TERNA's domestic growth path**

# Annexes

# Acquisition of Italian Grid Portions

## Assets



				<b>New Terna (Pro Forma)</b>	<b>Δ %</b>
<b>Lines [Km]</b>	<b>2,763</b>	<b>1,095</b>	<b>35,129</b>	<b>38,987</b>	<b>11%</b>
– 380 kV	0	0	9,538	9,538	
– 220 kV	1,433	794	8,053	10,280	28%
– =/<150 kV	1,330	301	17,538	19,169	9%
<b>Substations</b>	<b>29</b>	<b>12</b>	<b>302</b>	<b>343</b>	<b>14%</b>
– 380 kV	0	0	126	126	
– 220 kV	22	10	107	139	30%
– =/<150 kV	7	2	69	78	13%

# Acquisition of Italian Grid Portions

## 2005 Financials



<b>Operating Revenues</b>	<b>16</b>	<b>43</b>
<i>Grid Fee</i>	14	38
<i>Other Activities</i>	1	5
<b>Operating Expenses</b>	<b>6</b>	<b>17</b>
<b>EBITDA</b>	<b>10</b>	<b>26</b>
<i>EBITDA Margin (%)</i>	64%	60%
<b>EBIT</b>	<b>5</b>	<b>15</b>
<i>EBIT Margin (%)</i>	35%	35%
<b>Net Income</b>	<b>3</b>	<b>8</b>
<i>Net Income Margin (%)</i>	21%	19%
Total Fixed Assets	80	200
Net Debt	0	34
Shareholder's Equity	83	171

# Acquisition of Italian Grid Portions

## Grid Owners (% of the Grid)

TERNA + RTL	91.91%
EDISON RETE	4.24%
AEM TRASMISSIONE	1.47%
AEM Torino	0.66%
SELF (Railways)	0.58%
RETRASM (Brescia)	0.43%
AGSM TRASMISSIONE	0.24%
AEC BOLZANO	0.15%
ENIPOWER TRASMISSIONE	0.07%
SELEDISON NET	0.11%
SEASM	0.04%
BRULLI	0.10%

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# Contact Us

## Investor Relations Team:

Elisabetta Colacchia: +39 06 8313 8145

Antonio Russi: +39 06 8313 8328

Federica Perugini +39 06 8313 8127

Catherine Clara +39 06 8313 8106

[investor.relations@terna.it](mailto:investor.relations@terna.it)

Visit our website at:

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