



2009 13 Strategic Plan

February, 3rd 2009

Luigi Roth – Chairman
Flavio Cattaneo – Chief Executive Officer





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Performance

Recent Achievements

- **Solid Regulatory Outlook**

- Mitigation of volume sensitivity

- Possible upsides from new remuneration schemes on work-in-progress

- Introduction of incentives on dispatching activities

- **Acquisition of Enel HV grid (“ELAT”)**

- Implicit discount to RAB

- Competitive funding

- EPS accretion

- **Funding (in Italy)**

- Average spread on existing lines completed below 50bps

- Extra 500mn from Cassa Depositi e Prestiti



Performance

2008 Pre-Closing Figures

- Revenues up by about 3%, notwithstanding 1st year of the new regulatory period
- EBITDA margin in line with target
- Significant boost in capex, mainly due to acceleration of projects

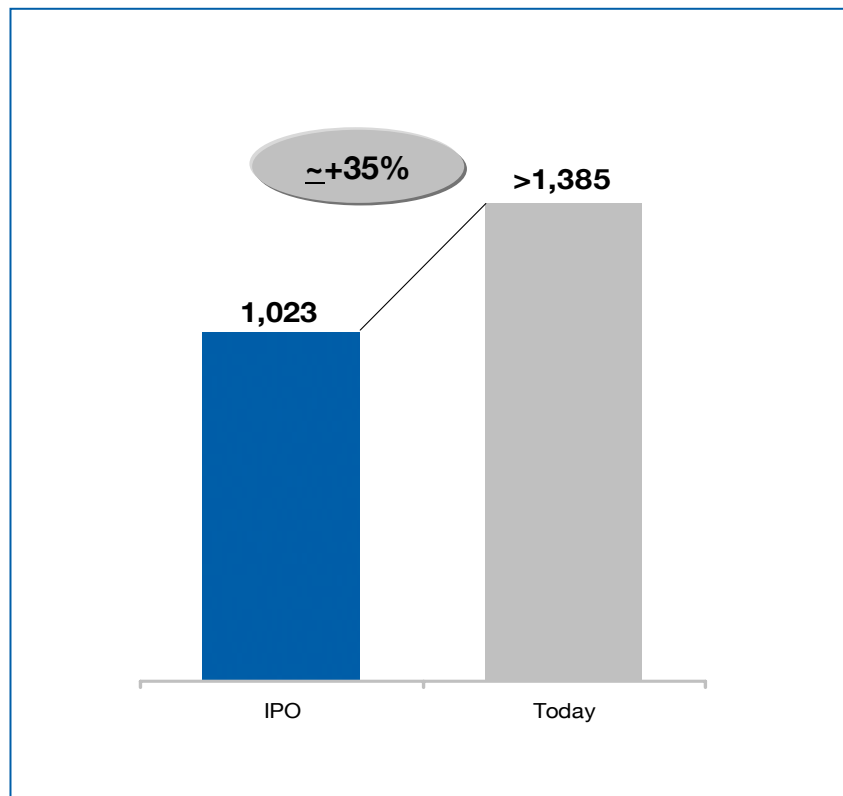
mn €	FY07	FY08
Operating Revenues	1,348	> 1,385
EBITDA	978	> 985
EBITDA Margin (%)	72.5%	~71%
Capex	616	> 760
Net Debt	2,650	3,365



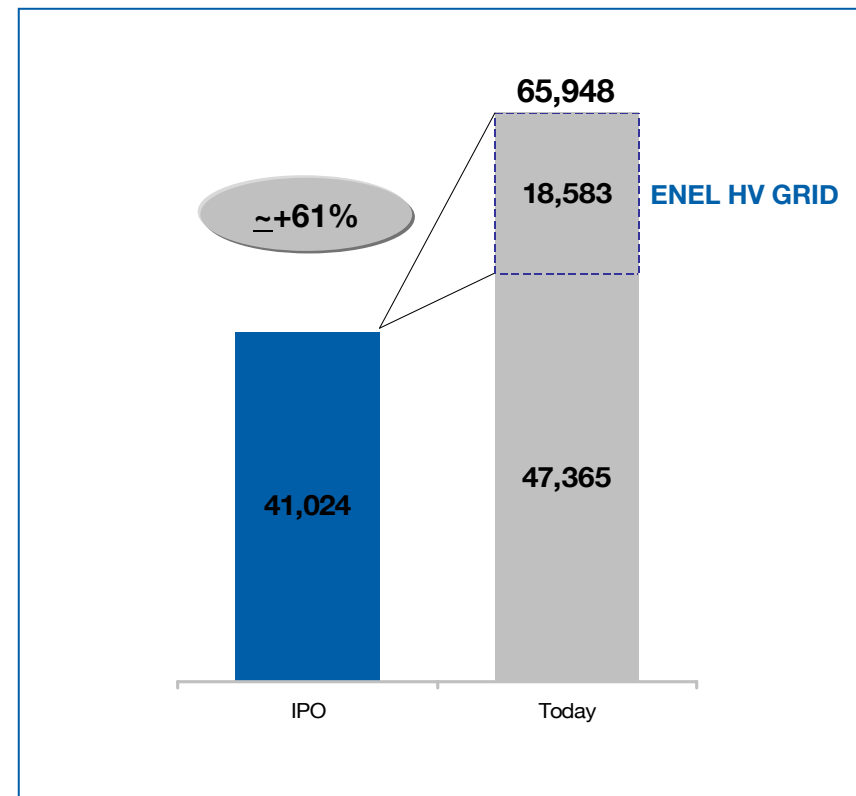
Performance

Last 4-Year Growth

▪ Revenues



▪ Network⁽¹⁾



(1) Group Circuit Lines. IPO figures as at Year-end 2004. Today figures as of June 30th, 2008



2009-2013 Strategic Targets

Main Targets

- **Sustainable Growth**

3.4bn capex (in Italy), of which 2.6bn Development Capex

RAB CAGR₂₀₀₉₋₂₀₁₄ +5%

Focus on interconnections

- **Margin Enhancement**

EBITDA Margin from 71% in 2008 to 77% in 2013

- **Balancing the Capital Structure**

Gearing (in Italy) up to 58%

- **Safety and Reliability**

Best practice quality targets

Potential upside from bonus/penalties schemes



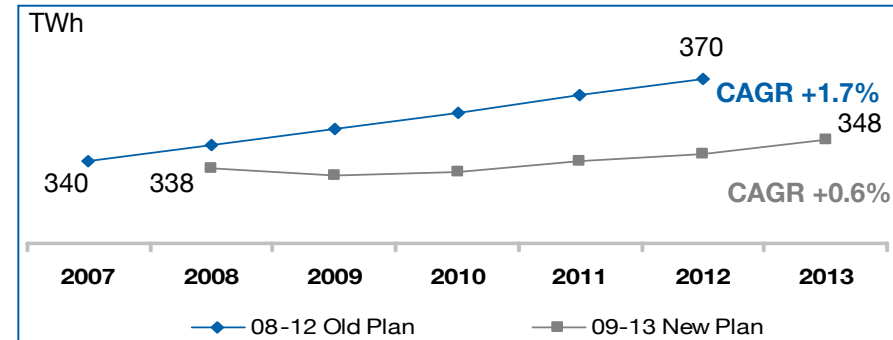
2009-2013 Strategic Targets

Electricity Market Trends

Electricity Demand

Lower pace expected

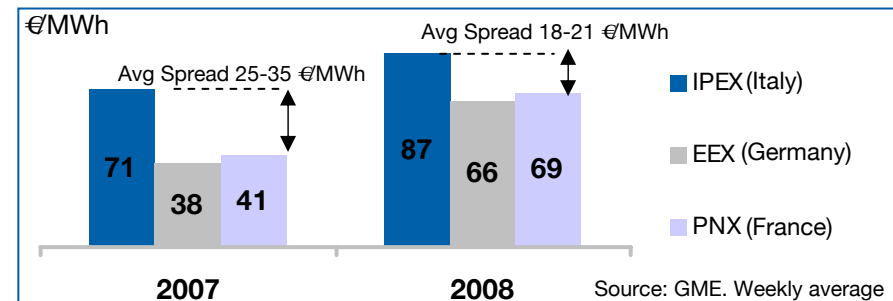
In 2008 and 2009 negative demand growth



Electricity Prices

Average pool price higher than 2007

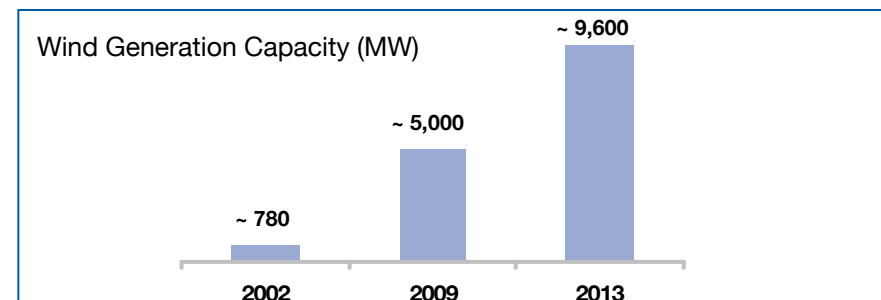
Reduced spread vs continental prices



Generation Capacity

New capacity mostly in the South

Boost in renewables, especially wind





2009-2013 Strategic Targets

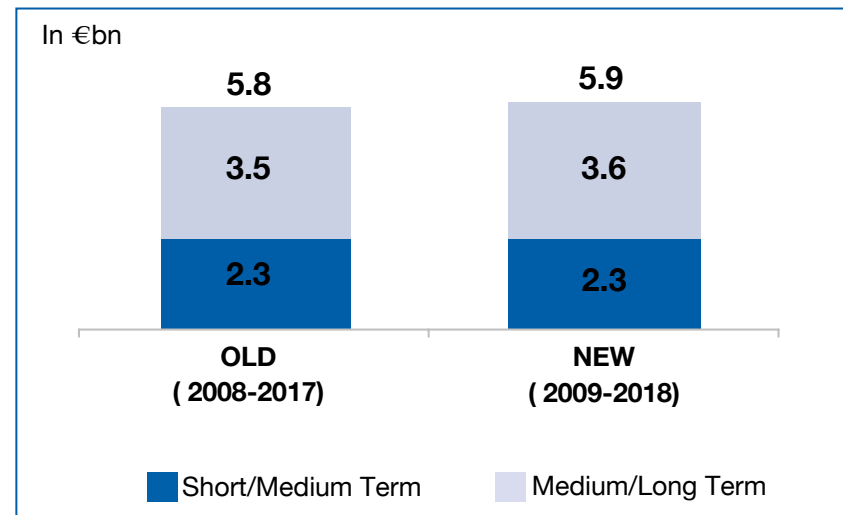
National Development Plan

Plan covers Country needs for the next 10 years, excluding Enel HV assets

Main priorities:

- Reduce/eliminate congestions between electric market zones and constraints caused by the increase in renewable generation
- Enhance reliability of the system

▪ 2009-2018 National Development Plan



▪ New Assets

- +111 substations
- +4,591 Km of circuit lines
- 22,458 MVA of Transforming Capacity

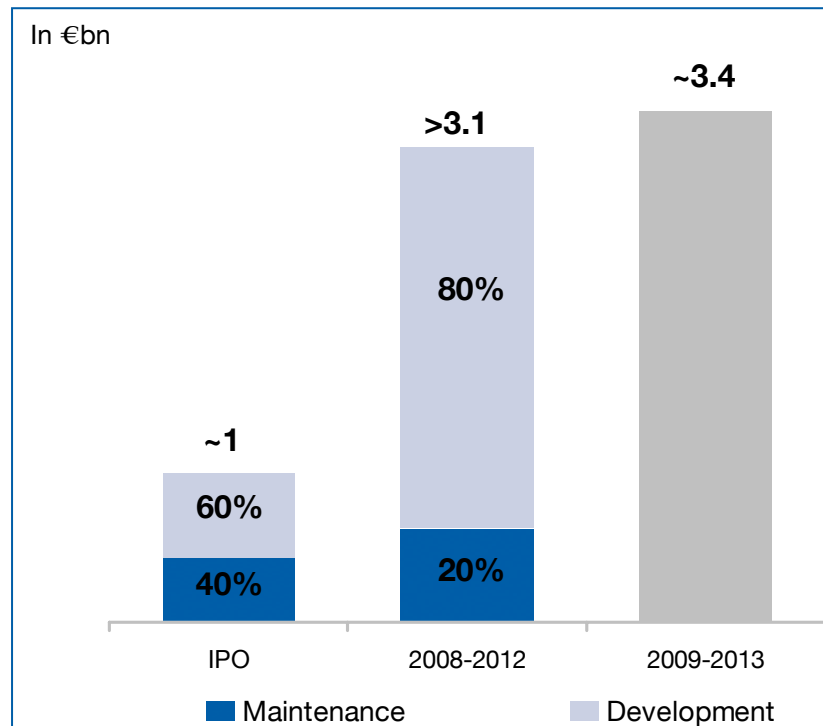


2009-2013 Strategic Targets

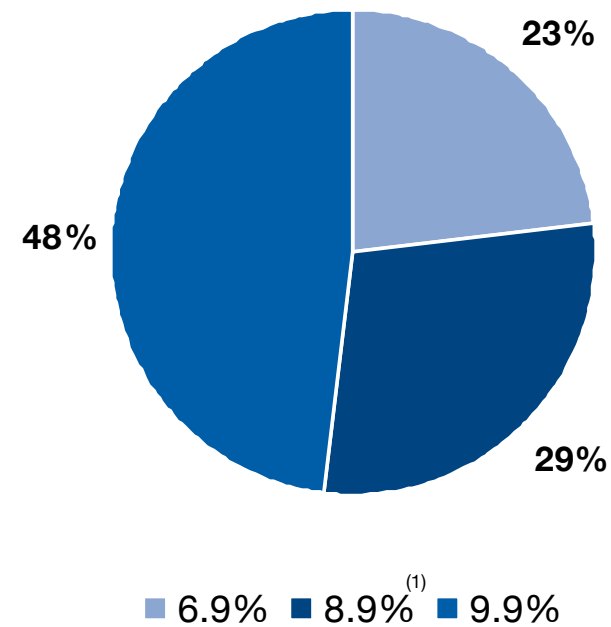
Sustainable Growth – Capex Plan

- Enel HV Grid enlarged capex potential
- Capex mix reflects new perimeter

▪ Capex Plan



▪ Capex Remuneration



(1) Including Defence Plan

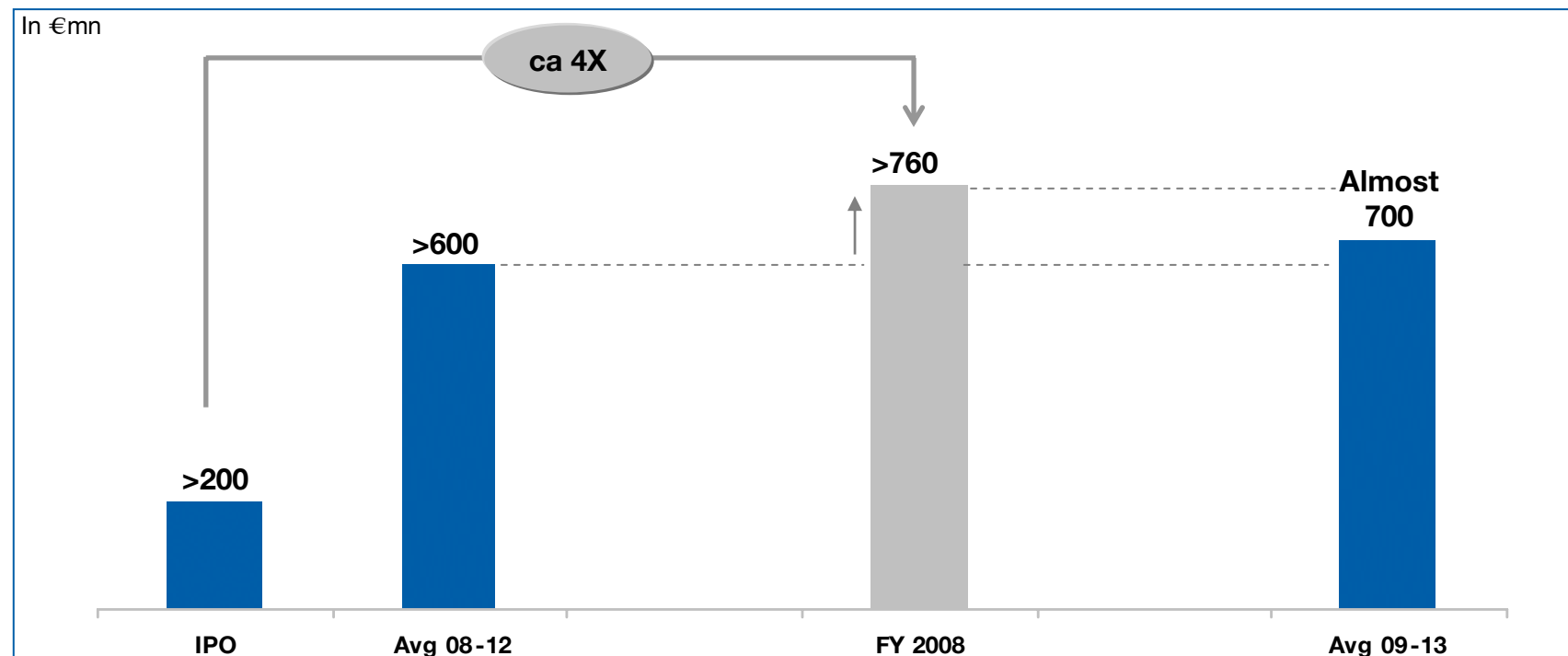


2009-2013 Strategic Targets

Sustainable Growth – Annual Spending

- Historical track record proved new target in annual spending as sustainable
- 2009-2010 peak years

▪ Capex Average Annual Spending

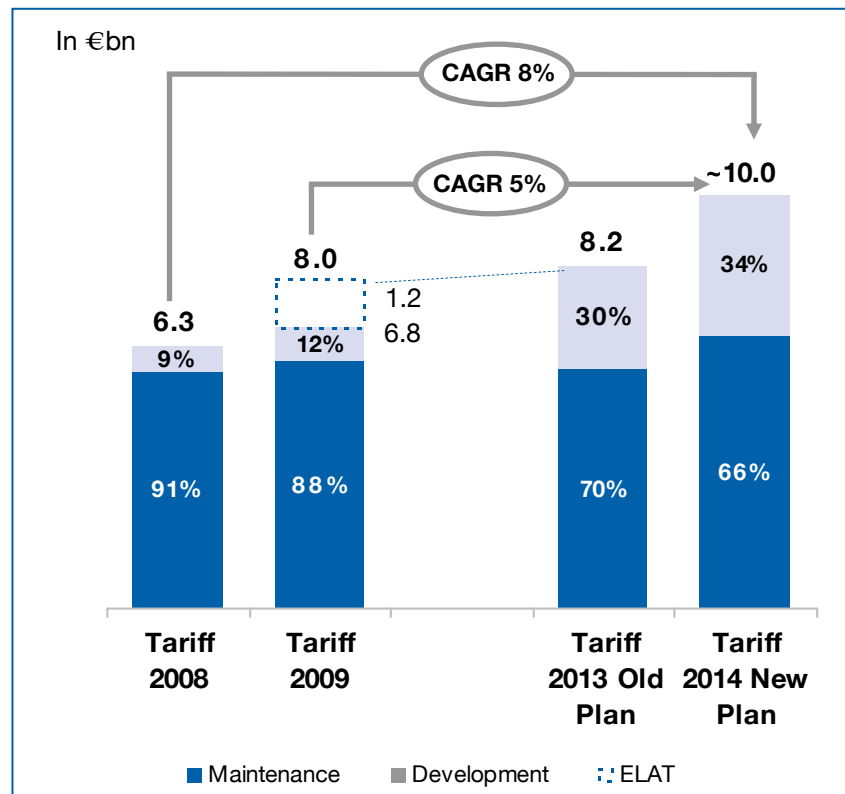




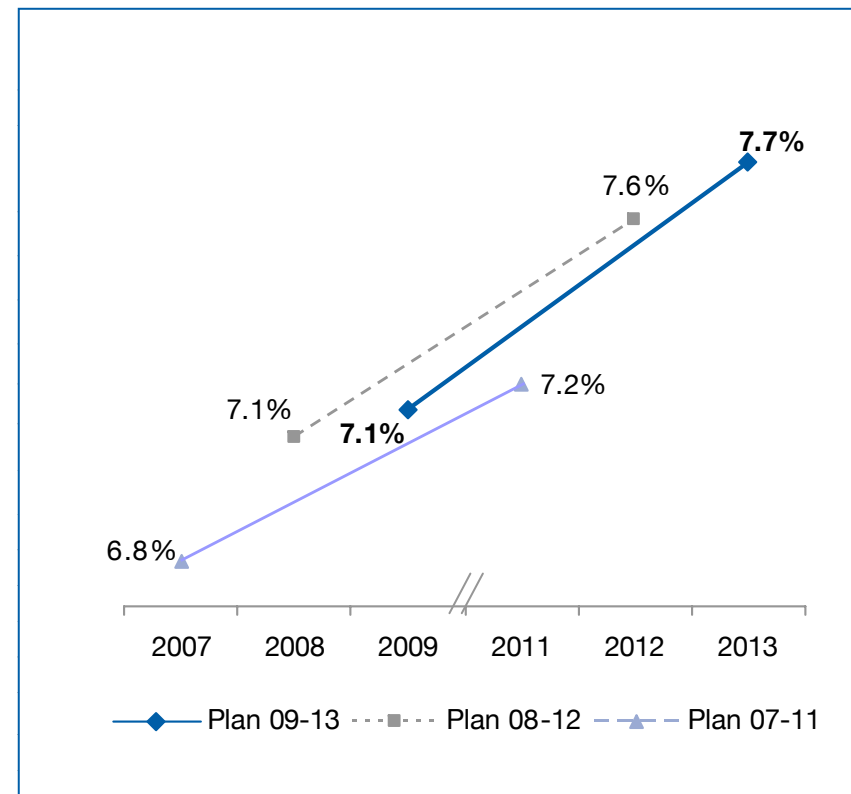
2009-2013 Strategic Targets

Sustainable Growth - Evolution of RAB

▪ RAB Evolution



▪ Improved Blended Returns (1)



(1) Returns calculated as weighted average of various regulatory WACC levels applied to related RAB portions



2009-2013 Strategic Targets

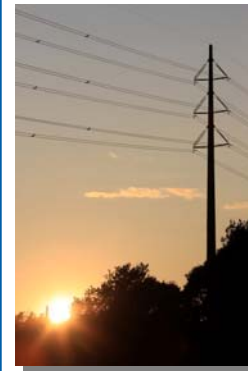
Sustainable Growth - Advanced Technologies, Security, Environment

▪ SAPEI



- 700mn capex (58% already spent)
- 1st link 440Km (submarine and terrestrial cables) installed and tested
- HVDC Substations (Fiumesanto and Latina) in progress

▪ Advanced Technologies



- Innovative Towers (steel poles)
- High temperature conductors
- Power flow regulation systems (Phase Shifting Transformers)

▪ Safety and Security



- SOC – *Security Operation Centre* (first integrated safety process)
- Fire detecting system on lines

▪ Environment



- Joint projects with major environmentalist associations
- Biodiversity protection



2009-2013 Strategic Targets

Sustainable Growth - External Growth Potential

- **National Transmission Grid**

Consolidation of the Grid still ongoing
Enlargement of the Grid under way

- **Interconnections**

Increase interconnection capacity on the Northern borders (France, Slovenia)
Interconnections with the Balkans and Northern Africa

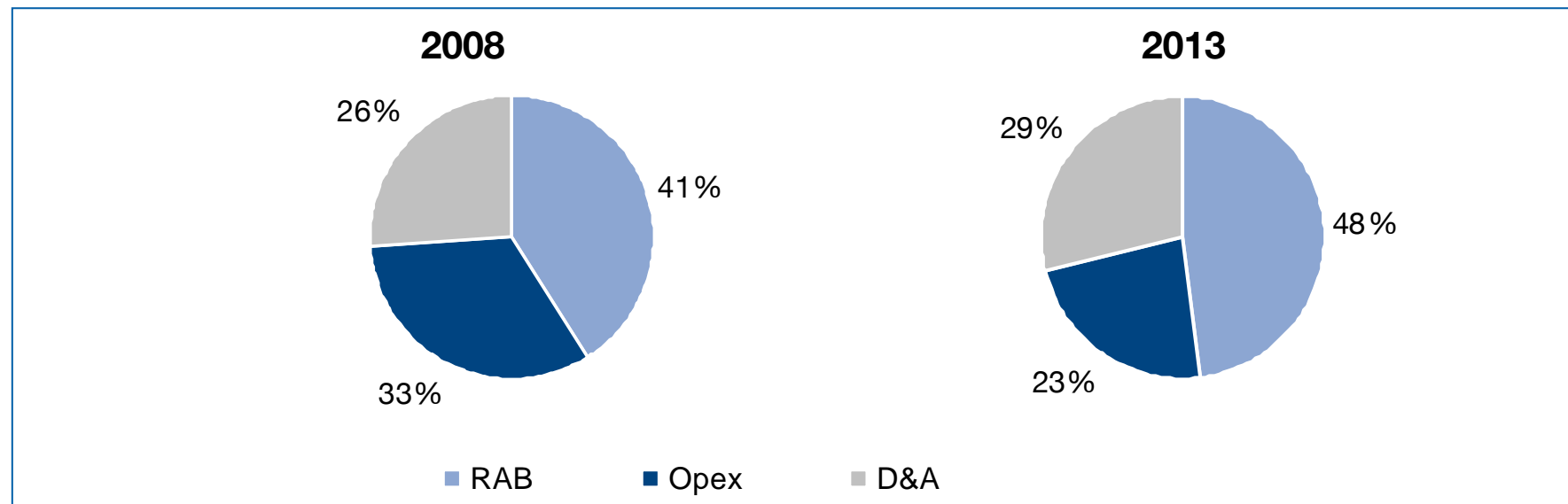
- Through *public projects* (Montenegro)
- Via *merchant lines* schemes (Tunisia, Albania)



2009-2013 Strategic Targets

Margin Enhancement - Revenues

- Improved Mix
 - Further mitigation of volume effect
 - Work-In-Progress* remuneration
- Breakdown evolution of Regulated Revenues⁽¹⁾



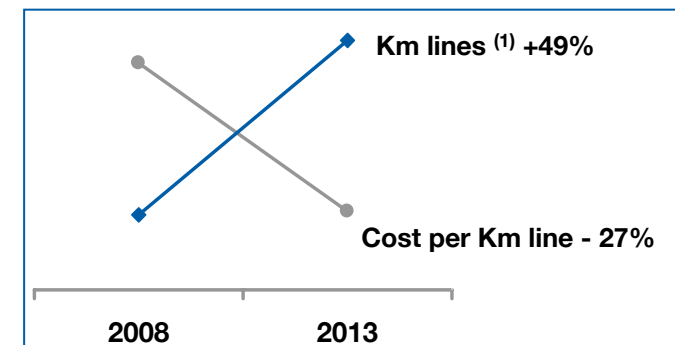
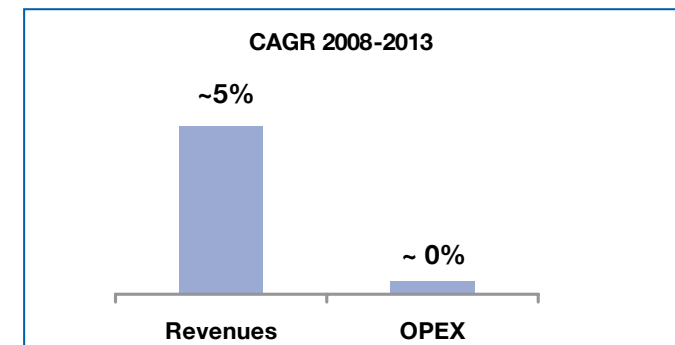
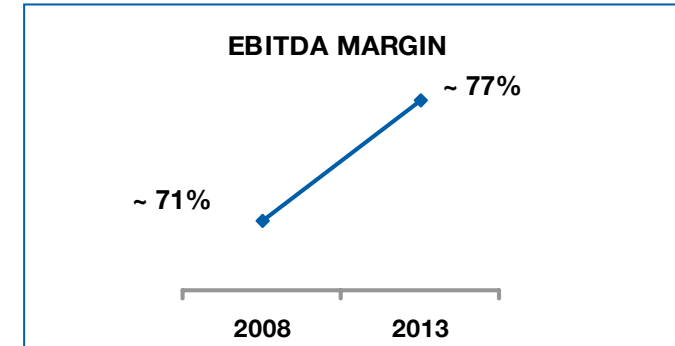
(1) Terna's estimates



2009-2013 Strategic Targets

Margin Enhancement - Costs

- **Group EBITDA margin from 71% to 77%**
- **Revenue drivers**
Capex and ELAT
Allowed D&A
Incentives
- **Opex flat**
Successful implementation of in-sourcing activities
Personnel costs under control
- **Efficiency (BU Italy – regulated activities)**
Km of lines ⁽¹⁾ +49%
Cost per Km of line -27%



(1) Circuit Lines BU Italy. 2008 figures as of June 30th



2009-2013 Strategic Targets

Safety and Reliability

- **Reliability**

- Capex for Defence Plan +40% vs Old Plan

- New investments to increase security and efficiency

- **Quality: upside from regulatory bonus/penalties schemes**

- Quality indicators in transmission

- New incentives scheme on dispatching



2009-2013 Strategic Targets

Brazil - Main Targets

▪ Organic Growth

Complete the construction of new lines and other reinforcement projects

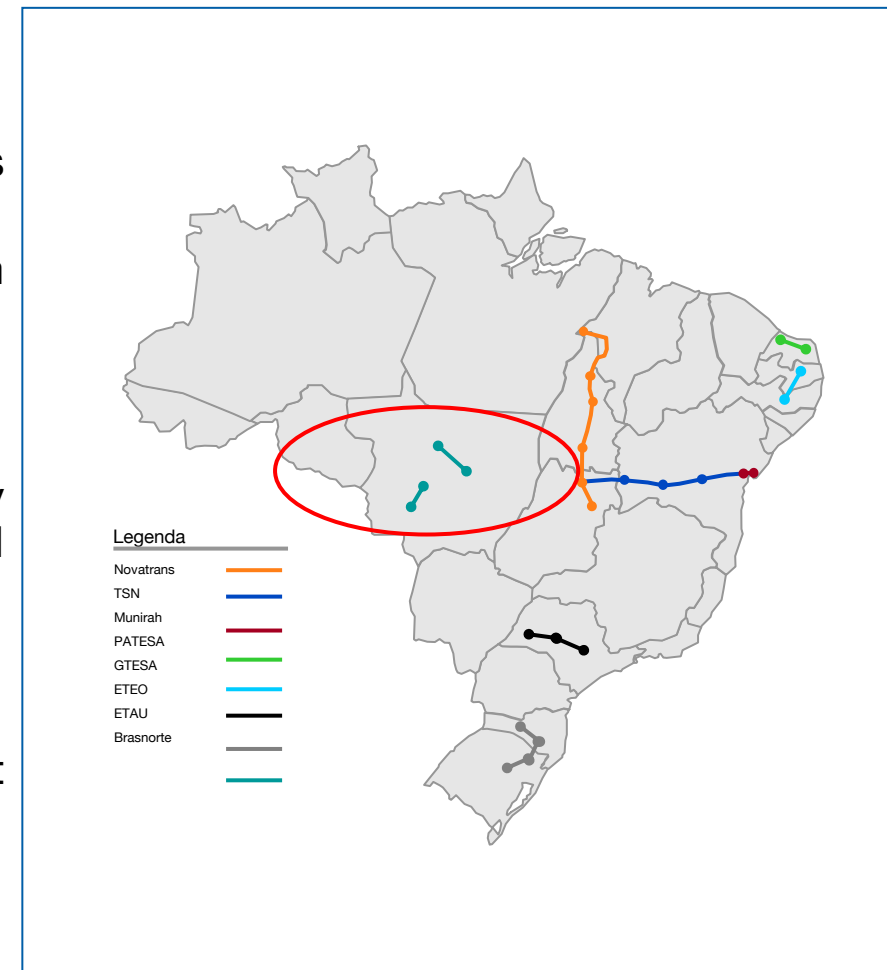
13mn R\$ additional revenues starting from Sept09

▪ Efficiency Targets

EBITDA margin's enhancement mainly coming from the completion of O&M insourcing programmes

▪ Financial Strategy

Reimbursement of short-term debt incurred for ETEO acquisition



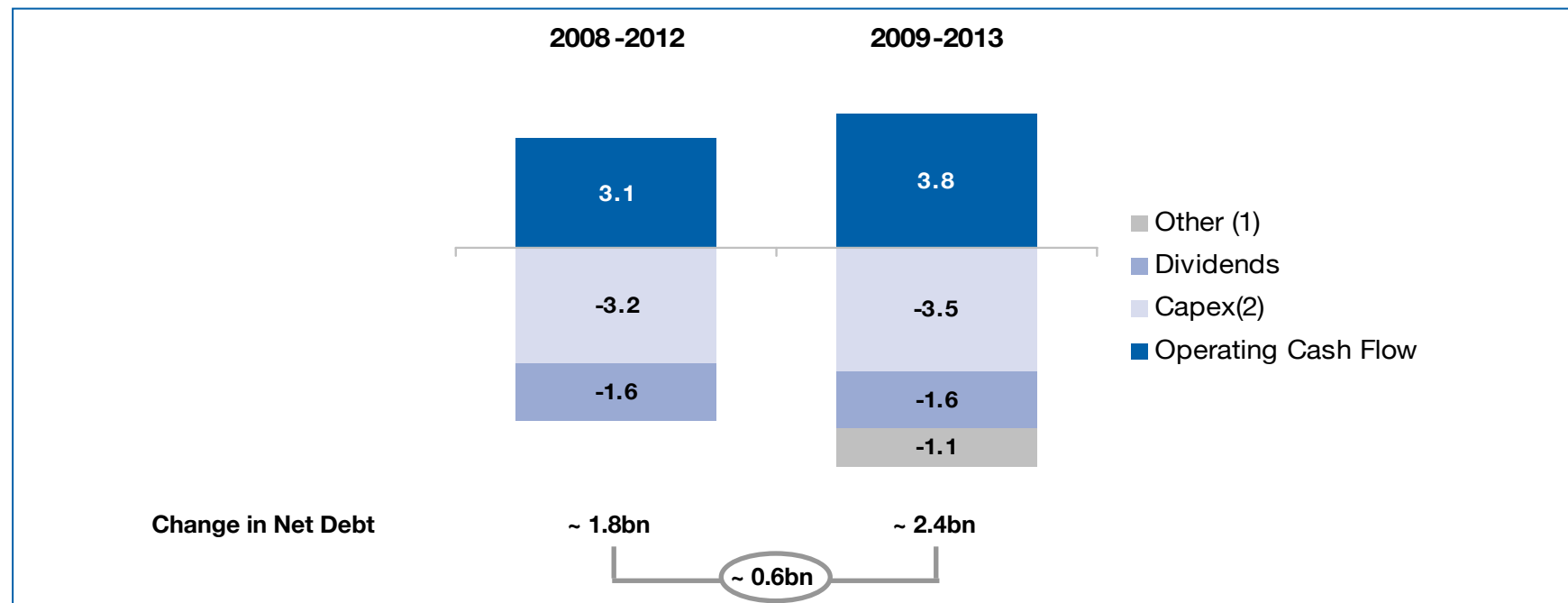


2009-2013 Strategic Targets

Financial Efficiency - Net Debt Evolution

- Net Debt to increase by ca. 2.4bn over the Plan period
- Organic and external growth partially covered by Operating Cash Flows

▪ Consolidated Cash Flow (€bn)



(1) Acquisition of ELAT

(2) Including Brazil



2009-2013 Strategic Targets

Financial Efficiency – Italian Regulated Business

■ Funding

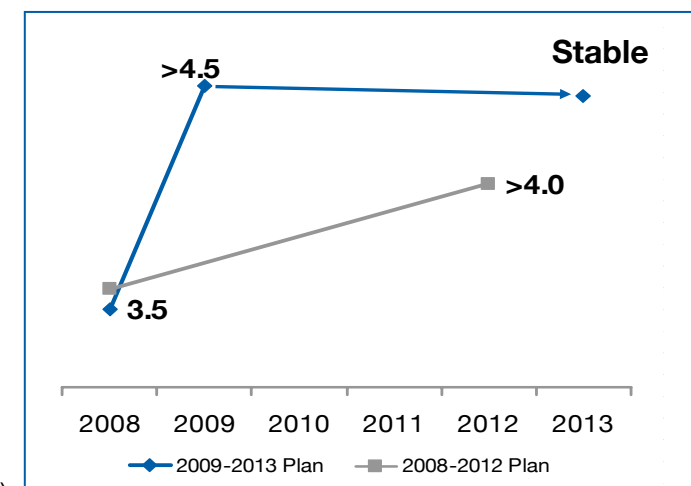
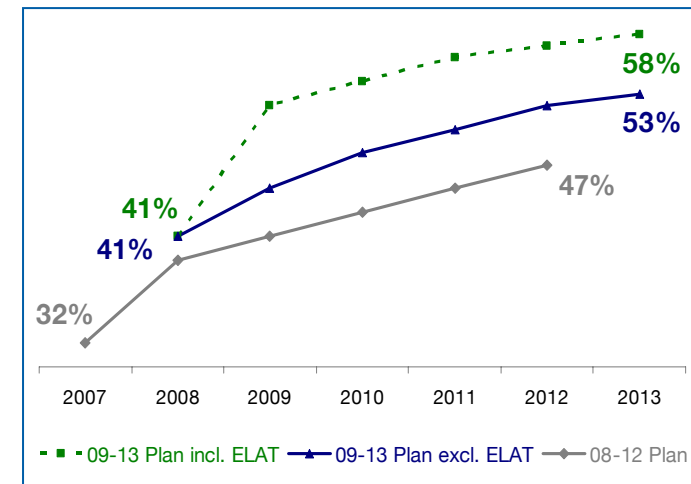
2.2bn already available in cash/credit lines
Signed 500mn line with Cassa Depositi e Prestiti,
10yr maturity

■ GEARING (D/D+Mkt Cap¹)

Impact of ELAT acquisition
Funding completed
Competitive Cost of Debt (in Italy): <5%

■ NET DEBT/EBITDA

Increase due to acquisition of ELAT
From 2009, ratio maintained constant thanks to
EBITDA increase



(1) Average last 30 days as of Jan 7 2009 (Terna Mkt Cap - 66% Terna Part Mkt Cap)



Closing Remarks

Dividend Policy

- **Dividend policy confirmed**
Minimum 4% annual growth, starting from DPS05
Confirmed Interim dividend practice
- **Best in class dividend player among peers**
- **Market friendly track record**



Closing Remarks

- **Still an appealing combination of *Predictability and Growth***
Regulatory stance improved visibility of future cash flows
Growth via organic capex, no M&A
- **Defensive profile**
- **High Total Shareholders Returns in any economic cycle**

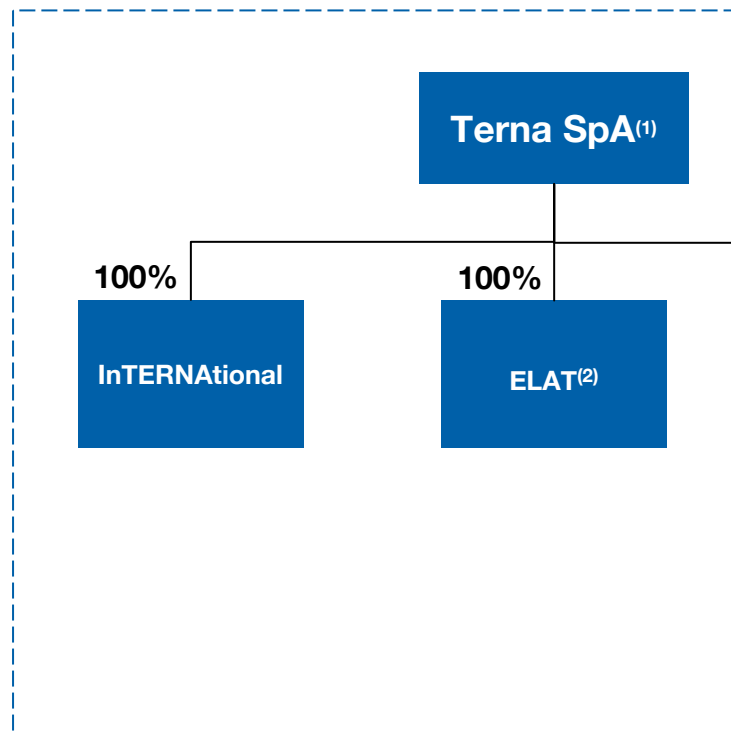


ANNEXES

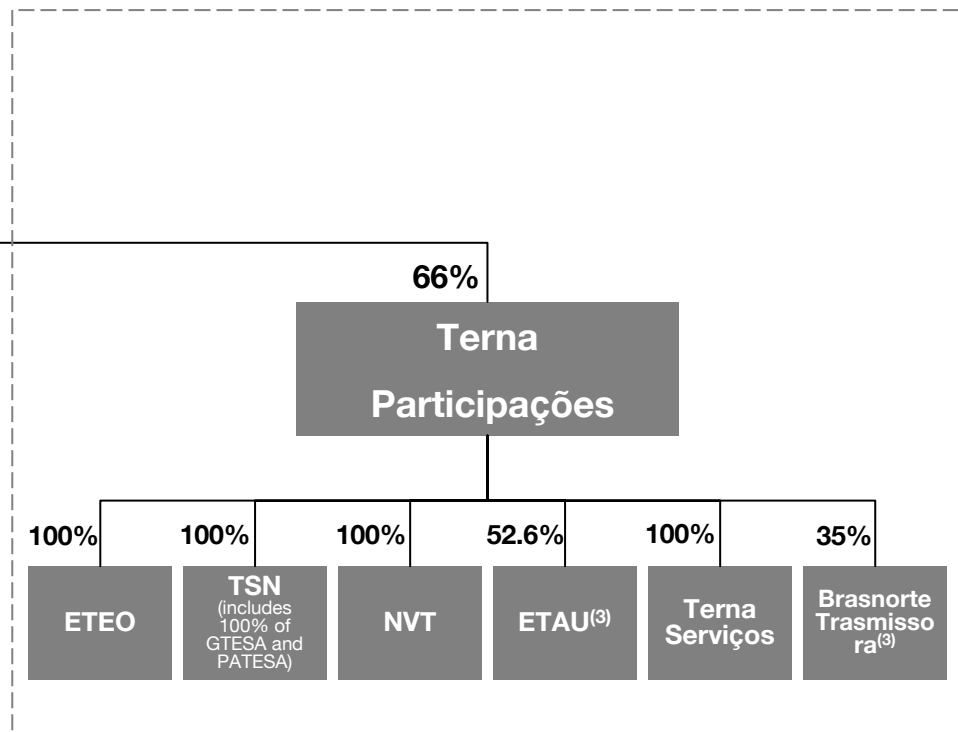


The Group

▪ Business Unit Italy



▪ Business Unit Brazil



(1) Including RTL from December 2008

(2) Closing subject to Antitrust Authority approval, inclusion of the assets into the National Transmission Grid by the appropriate Authorities and to the issuance of regulatory provisions by AEEG

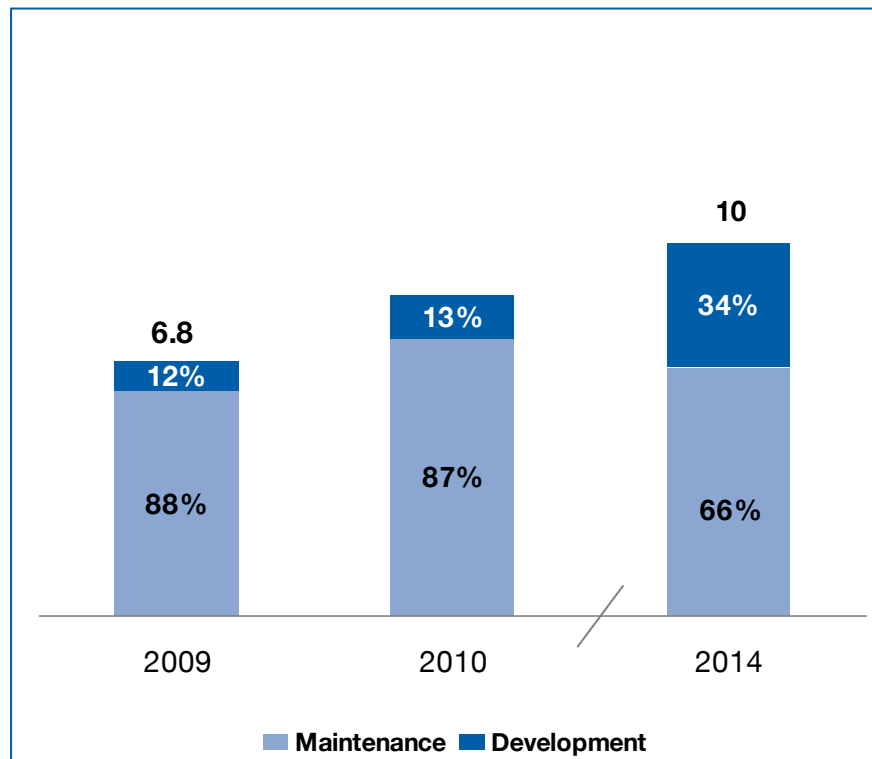
(3) Companies measured via the Equity Method



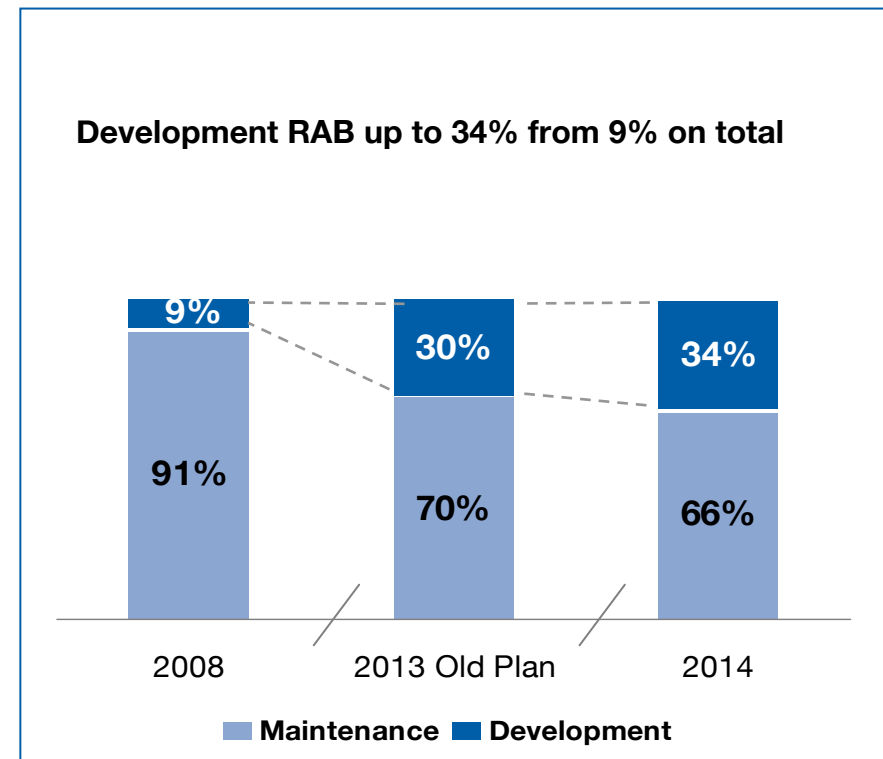
Sustainable Growth

RAB for Tariffs

▪ RAB for Tariffs



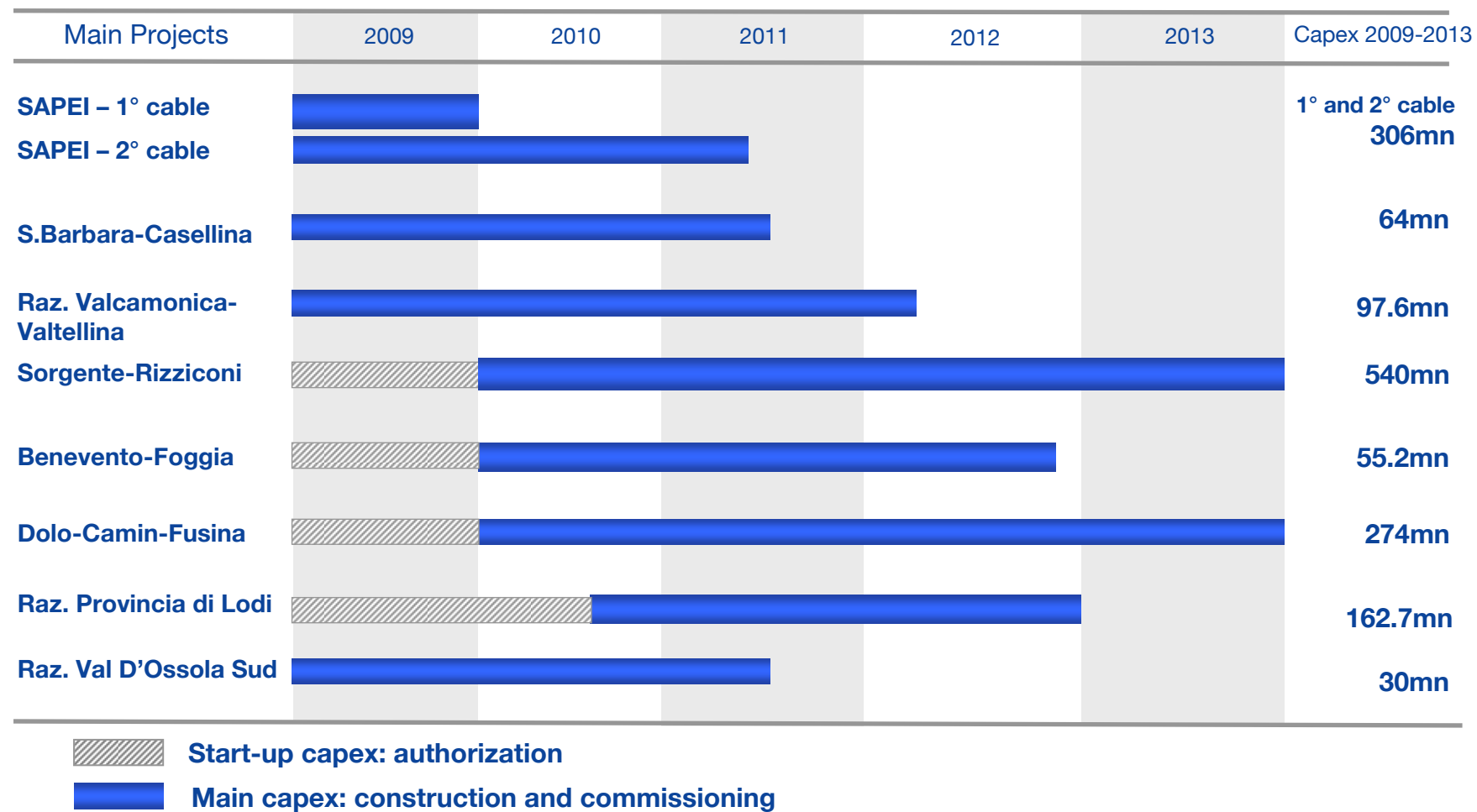
▪ Old Plan vs New Plan





Sustainable Growth

Pipeline of Main Projects: Capex to Be Spent





Sustainable Growth

Depreciation Rates

▪ Asset Category

▪ Depreciation Rates

Transmission Lines	2.50%
Substations	3.60%
Dispatching and Control Systems	9.00%
TLC Equipment	10.00%
Real Estate	2.50%
IT Systems	20.00%
Software	33.33%
Others	15.00%

Sustainable Growth

Existing Interconnections

- **16 Lines already in operation on the Northern borders:**

- 4 France

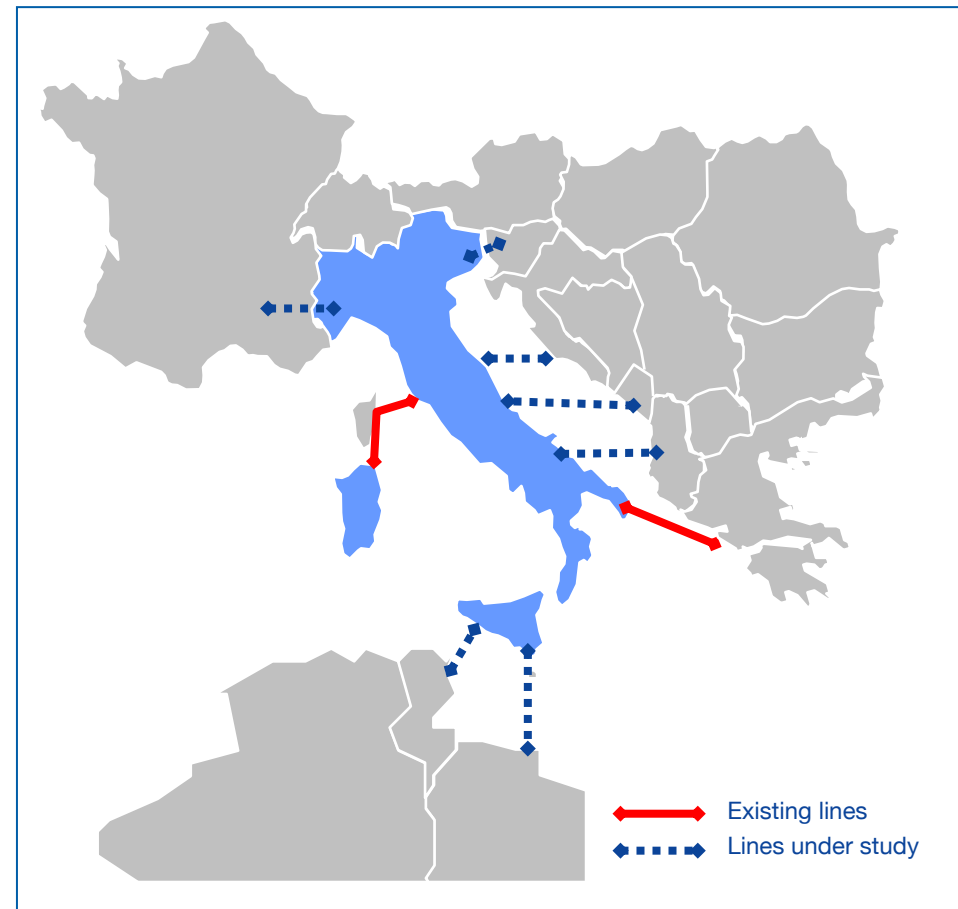
- 9 Switzerland

- 2 Slovenia

- 1 Austria

- **Under study:**

- Interconnection with the Balkans and Northern Africa





Sustainable Growth

Interconnections Projects

▪ TUNISIA

- Intergovernmental Agreement Process under way
- Preliminary structure Phase completed

▪ MONTENEGRO

- Feasibility study completed (May 2008)
- Signed the Agreement for the Interconnection between Terna and EPCG (October 2008)
- Signed the General Agreement for the Implementation between Terna and EPCG (December 2008)

▪ CROATIA

- Feasibility Study completed (2008)
- Regulatory, Technical and Economic Analysis under way

▪ ALBANIA

- Terna is evaluating the participation in the construction of the sub-marine merchant line

▪ FRANCE

- Terna and Transenergia (controlled by CIE and SITAF, concessionaire of the Frejus Tunnel) signed the binding agreement for the construction of 2 HV Cables (1 Cable Regulated + 1 Cable Merchant Line)

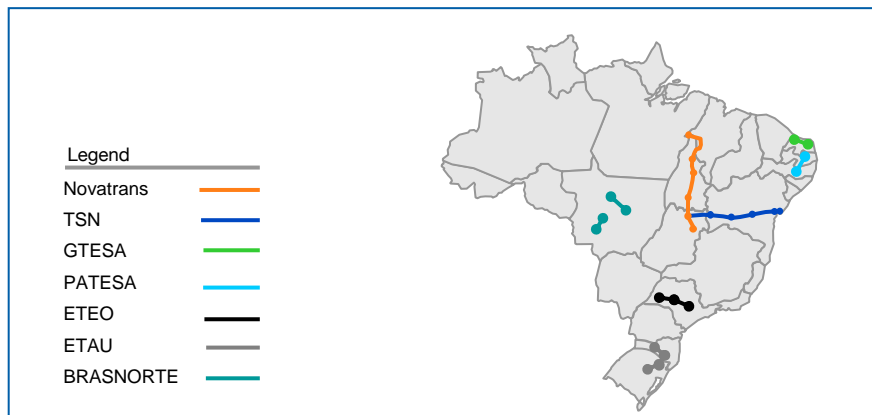


Brazil

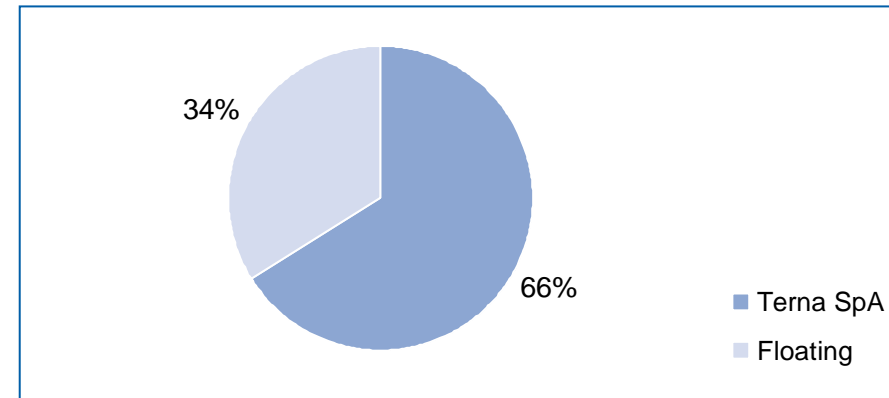
Terna Participações - Overview

- Second largest private transmission operator in Brazil
- 3,142 km of transmission lines and 19 substations ⁽¹⁾
- Listed in BOVESPA since October 2006
- 30-year concessions, expiring between 2030-38

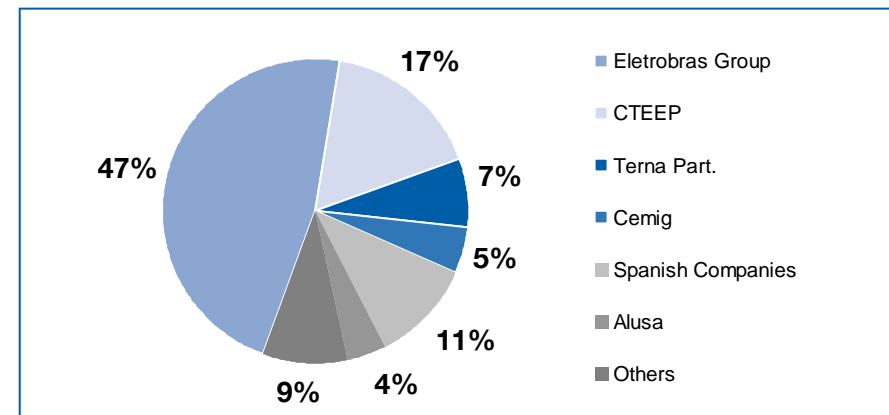
Transmission Lines



Ownership Structure



Market Share ⁽²⁾



(1) Excluding Brasnorte (386 km lines not yet built) and ETAU (188 km lines, consolidated with the Equity method)

(2) Percentage based on 2008/2009 Total Sector RAP (R\$ 10,4 billion)



Financial Efficiency

Funding Available - Terna S.p.A. as of 31/12/08

ITALY	Amount €Mn	Available amount €Mn
Bond 2014	600	
Bond 2024	800	
Bond IL 2023	500	
Revolving Credit Facility 2013	200	550
Revolving Credit Facility 2013	0	500
Term Loan 2015	650	
EIB	811	
CdP	0	500
Cash at 2008YE (forecast)		690
TOTAL	3,561	2,240



Corporate Social Responsibility

▪ Environmental

2008 Improvements

Cooperation agreements on biodiversity and grid development with:

- WWF
- LIPU (Birdlife International)

On the Agenda

Implement joint projects

▪ Social/HR

2008 Improvements

- Internal communication (prize-winner project) Employee satisfaction
- Cultural sponsorship (Terna premium for contemporary art)

On the Agenda

- Foster employee development through Global Performance System
- Improve stakeholder engagement process
- Corporate giving policy

▪ Economic

2008 Improvements

Sustainability rating

On the Agenda

Further improve sustainability rating



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investor.relations@terna.it

+39 06 8313 8106

www.terna.it

