

# 1H12 Consolidated Results

Flavio Cattaneo Chief Executive Officer

Giuseppe Saponaro Chief Financial Officer

JULY 24<sup>th</sup>, 2012

# Agenda

**Highlights**

**3**

**1H12 Results**

**6**

**Annexes**

**13**

# Highlights

## Strategic Overview

### 2012 on Track

- Sound results
- Good underlying financial and operating performance
- 1H Capex in line with record breaking levels

### Good Strategic Progress

- Strong focus on pending regulatory issues
  - So far, issued the regulation for pilot projects on batteries
- EMTN programme updated (up to 5€bn)

### Risk Adverse Attitude

- Hedged on volatility factors
  - Energy Demand
  - Inflation
  - Sovereign

# Highlights

## Risk Adverse Attitude

### VOLATILITY ON

Energy Demand

**-2.1%** <sub>yoy\*</sub>  
at 162<sub>GWh</sub>

Price Dynamics

**Inflation**

Sovereign

**10** <sub>yrs</sub> **Bond Yield**

### TERNA'S HEDGING FACTORS

**Mitigation on Volumes**

Till 2012  
confirmation of  
previous  
mechanism

From 2013  
binomial tariff

**Regulatory Period**

Full recognition

end **2013**

Risk Free  
Interim Review

\* 1H12 vs. 1H11, based on 2011 final figures and 2012 provisional figures

# Highlights

2012 on Track

## P&L RESULTS

Total Revenues

**+7.9%** yoy

at 857 €mn



EBITDA

**+10.3%** yoy

at 669 €mn



Net Income Cont.Op.

**222** €mn

+ 13.2%\* yoy



## BALANCE SHEET

Net Debt

**5,887** €mn

+764 €mn vs. FY11

Refinancing

**No Needs**

till 2015

## CAPEX

Total Group Capex

**551** €mn

+8 €mn vs. 1H11

\* applying Robin Hood Tax in 1H11, -4.9% as reported

# 1H12 Results

## Consolidated Revenues

**Total Revenues**

**+7.9%** yoy

at 857 €mn



**Grid Fee**

**+8.5%** yoy

at 746 €mn



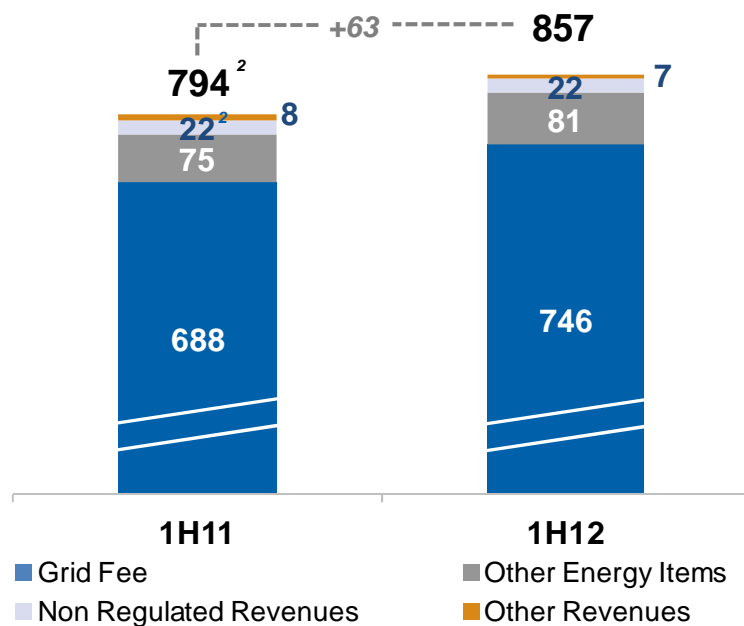
**Other Activities**

**-2mn** yoy

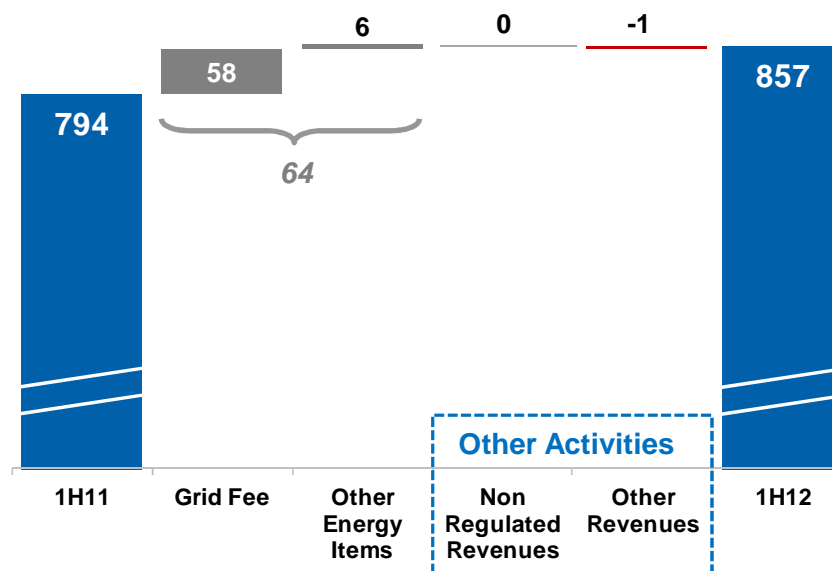
at 29 €mn



Revenues Breakdown<sup>1</sup>



Revenues Evolution<sup>1</sup>



In € mn

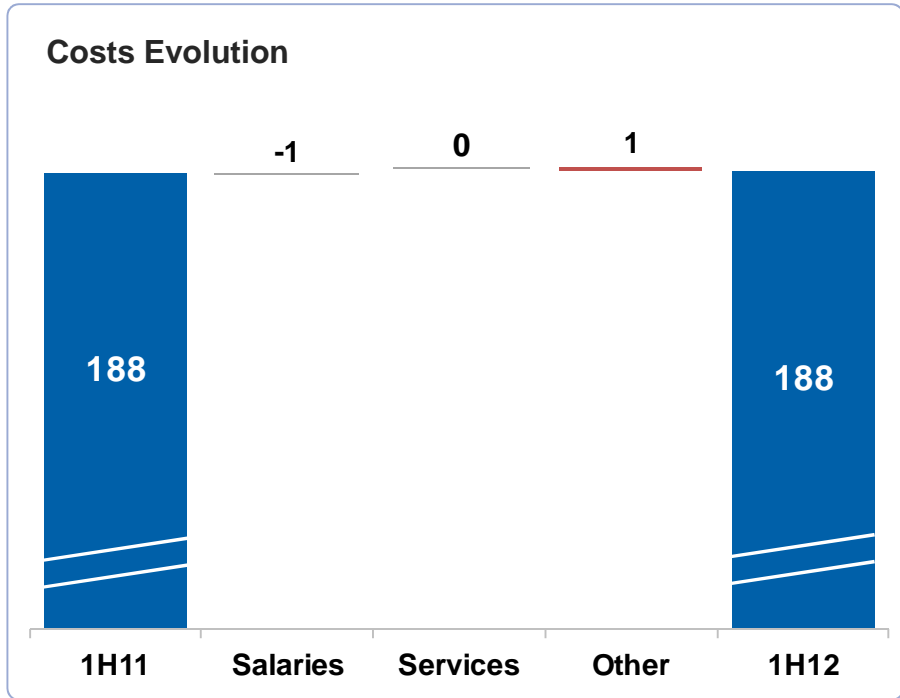
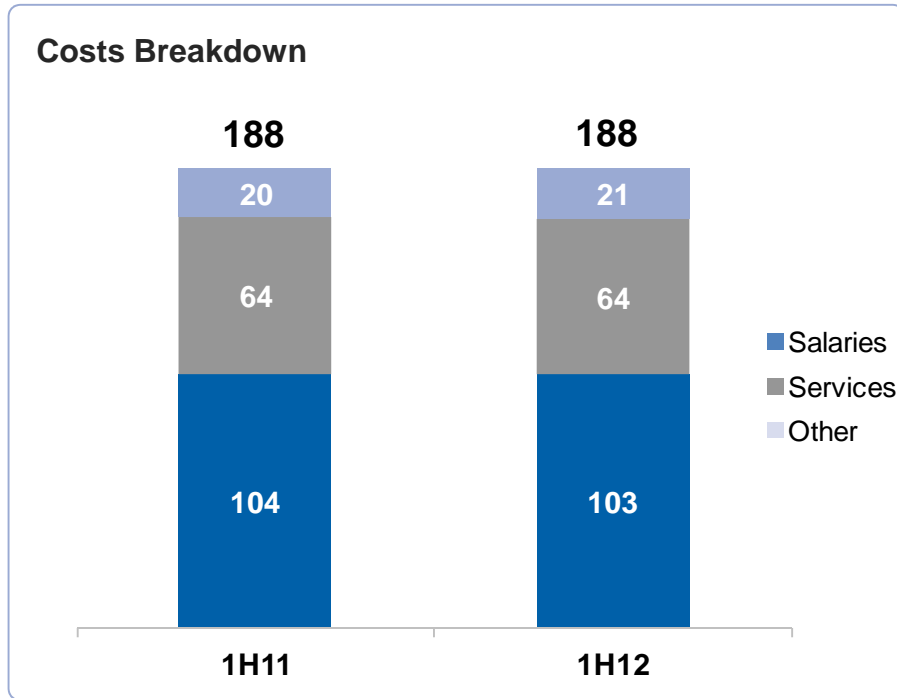


1. In resolution n° 11/07 the Regulator redefined the perimeter of Terna's activities for the Fourth Regulatory Period, moving the Energy Operation Activities from Transmission to Dispatching  
 2. 2011 figures restated according to IFRS5

# 1H12 Results

## Consolidated Costs & EBITDA

|  |   |   |
|--|---|---|
| <p>Total Operating Costs</p> <p><b>Stable</b> yoy</p> <p>at 188€mn</p> | <p>EBITDA</p> <p><b>+10.3%</b> yoy</p> <p>at 669€mn</p> | <p>EBITDA %</p> <p><b>78.1%</b></p> <p>+ 1.7 pp yoy</p> |
|--|---|---|



In € mn

# 1H12 Results

From EBIT to Net Income

EBIT

**+12.2%** yoy  
at 464<sub>€mn</sub>



| € mn        | 1H11       | 1H12       | Δ         | Δ %          |
|-------------|------------|------------|-----------|--------------|
| D&A         | 193        | 205        | 12        | 6.1%         |
| <b>EBIT</b> | <b>414</b> | <b>464</b> | <b>51</b> | <b>12.2%</b> |

Profit Before Taxes

**+13.1%** yoy  
at 402<sub>€mn</sub>



|                        |            |            |           |              |
|------------------------|------------|------------|-----------|--------------|
| Net Financial Expenses | 58         | 62         | 4         | 6.9%         |
| <b>PBT</b>             | <b>356</b> | <b>402</b> | <b>47</b> | <b>13.1%</b> |

Tax Rate Impacted by  
**Robin Hood Tax**

|          |                    |       |          |       |
|----------|--------------------|-------|----------|-------|
| Tax Rate | 34.4% <sup>1</sup> | 44.8% | +10.4 pp |       |
| Taxes    | 122 <sup>1</sup>   | 180   | 58       | 47.4% |

Net Income Cont. Op.

**+13.2%** yoy<sup>2</sup>  
at 222<sub>€mn</sub>



|   |                 |            |             |                           |
|---|-----------------|------------|-------------|---------------------------|
| Net Income <small>Continuing Operations</small>             | 233             | 222        | -11         | -4.9%                     |
| <b>Net Income Adj. <small>Continuing Operations</small></b> | <b>196</b>      | <b>222</b> | <b>26</b>   | <b>13.2%</b> <sup>2</sup> |
| Net Income <small>Discontinued Operations</small>           | 95 <sup>3</sup> | 0          | -95         |                           |
| <b>Group Net Income</b>                                     | <b>328</b>      | <b>222</b> | <b>-106</b> | <b>-32.4%</b>             |



# 1H12 Results

## Capex Breakdown

Total Group Capex

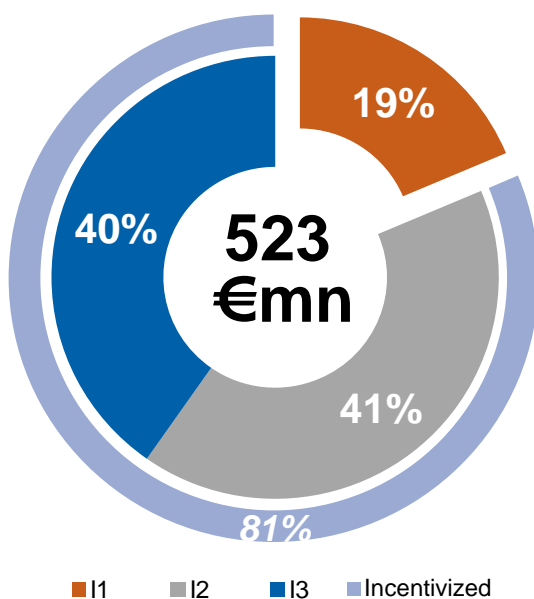
**+2%**

at 551 €mn

Incentivized Capex

**81%** of Reg. Capex  
at 426 €mn

Total Regulated Capex



Capex Breakdown €mn

|                              | 1H11       | 1H12       | Δ <sub>yoy</sub> | Δ % <sub>yoy</sub> |
|------------------------------|------------|------------|------------------|--------------------|
| I3                           | 246        | 211        | -36              | -15%               |
| I2                           | 160        | 215        | 55               | 34%                |
| I1                           | 85         | 98         | 12               | 14%                |
| <b>Total Regulated Capex</b> | <b>492</b> | <b>523</b> | <b>31</b>        | <b>6%</b>          |
| Other*                       | 51         | 28         | -23              |                    |
| <b>Total Group Capex</b>     | <b>543</b> | <b>551</b> | <b>8</b>         | <b>2%</b>          |

\* Not included in RAB + Capitalized Financial Charges + Non Traditional Capex

# 1H12 Results

## Net Debt Evolution & Financial Structure

Net Debt

**5,887** €mn

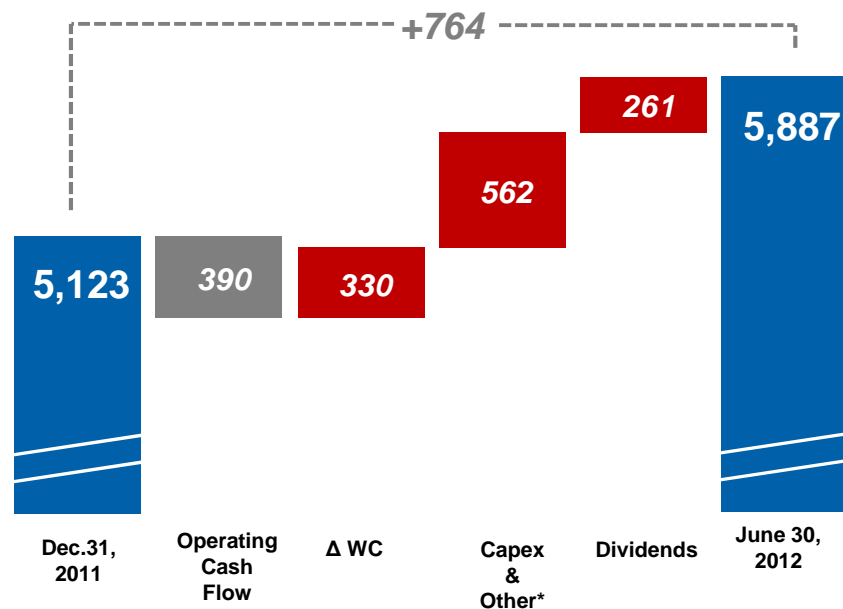
Fix/Floating Ratio

**48/52%**

Avg. Maturity

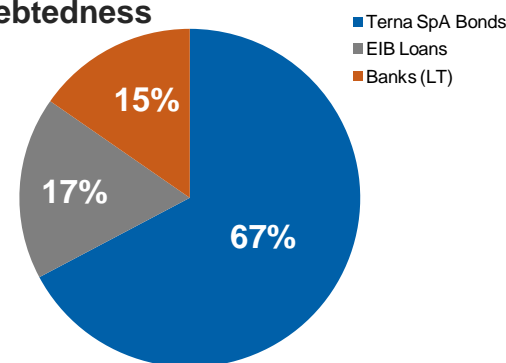
**8** years

Net Debt Evolution €mn



\* Including Other Fixed Assets Changes, Change in Capital & Other

Financial Indebtedness



| Rating         | M/L Term |           | Outlook  |           |
|----------------|----------|-----------|----------|-----------|
|                | Terna*   | Sovereign | Terna*   | Sovereign |
| <b>S&amp;P</b> | A-       | BBB+      | Negative | Negative  |
| <b>Moody's</b> | Baa1     | Baa2      | Negative | Negative  |
| <b>Fitch</b>   | A        | A-        | Negative | Negative  |

\* Government Related Entity

# 1H12 Results

## Closing Remarks

### FY12 Outlook

- Solid 1H12 results supporting FY estimates
- Regulated capex expected in line with 2011

### What's Next...

- Sustain focus on:
  - Securing appropriate regulatory outcomes
  - Developing Non Traditional Activities

# THANK YOU. QUESTIONS?

**Flavio Cattaneo** Chief Executive Officer

**Giuseppe Saponaro** Chief Financial Officer

1H12 Consolidated Results  
JULY 24<sup>th</sup>, 2012



# ANNEXES

# Annexes

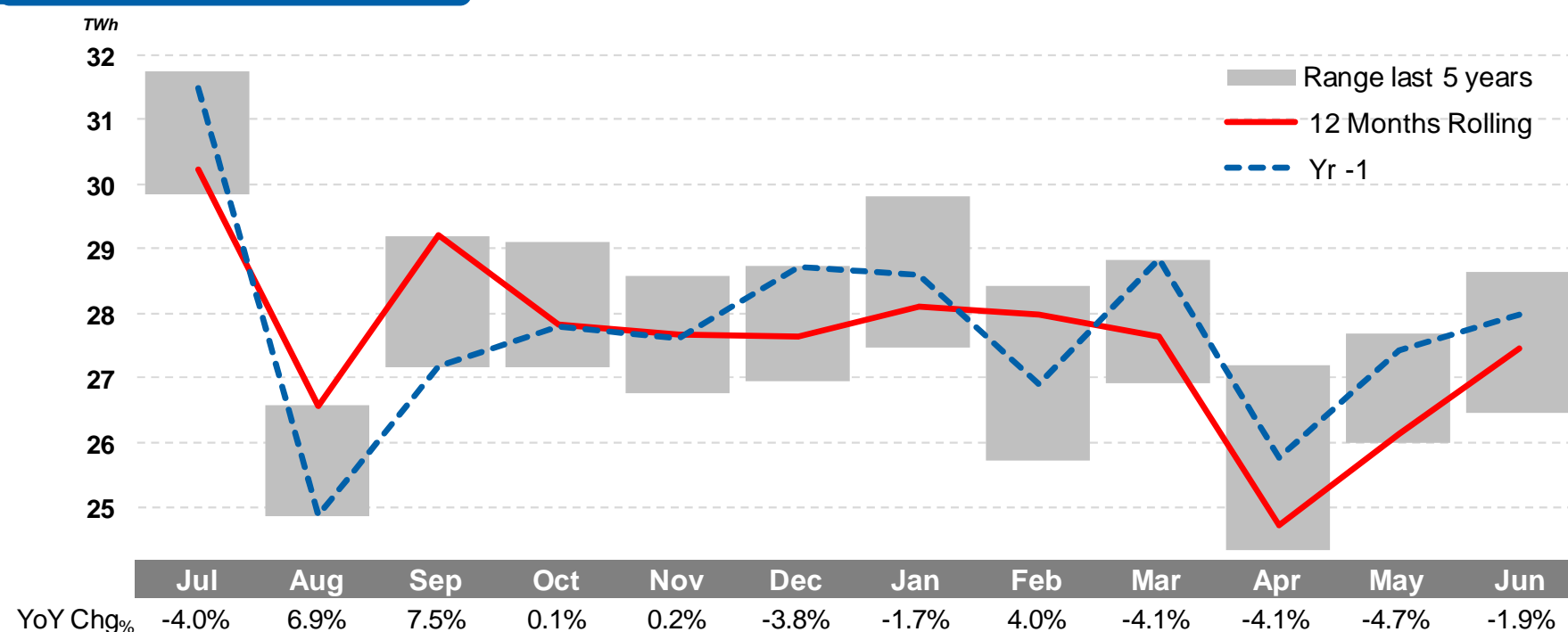
## Electricity Market Trends

### 1H12 Energy Demand

**-2.1% yoy**

**-0.6%** 12 months rolling

|                       | 1H11  | 1H12  | Δ %   |
|-----------------------|-------|-------|-------|
| Demand <sub>TWh</sub> | 165.5 | 162.0 | -2.1% |



2011 final figures, 2012 provisional figures

# Annexes

## Consolidated Income Statement

| € mn                                    | 1H11               | 1H12  | Δmn  | Δ%     |
|---|--------------------|-------|------|--------|
| <b>Operating Revenues</b>               | 794 <sup>1</sup>   | 857   | 63   | 7.9%   |
| <i>of which</i>                         |                    |       |      |        |
| Grid Fee                                | 688                | 746   | 58   | 8.5%   |
| Other Energy Items                      | 75                 | 81    | 6    | 8.0%   |
| Other Activities <sup>2</sup>           | 31 <sup>1</sup>    | 29    | -2   | -5.5%  |
| <b>Operating Expenses</b>               | 188                | 188   | 0    | 0.1%   |
| <i>of which</i>                         |                    |       |      |        |
| Salaries                                | 104                | 103   | -1   | -0.6%  |
| Services                                | 64                 | 64    | 0    | -0.5%  |
| Other                                   | 20                 | 21    | 1    | 5.0%   |
| <b>EBITDA</b>                           | 606                | 669   | 62   | 10.3%  |
| D&A                                     | 193                | 205   | 12   | 6.1%   |
| <b>EBIT</b>                             | 414                | 464   | 51   | 12.2%  |
| Financial Income & Equity Inv.          | 19                 | 36    | 17   | 88.9%  |
| Financial Charges                       | 77                 | 98    | 21   | 27.1%  |
| <b>Pre Tax Profit</b>                   | 356                | 402   | 47   | 13.1%  |
| Taxes                                   | 122 <sup>3</sup>   | 180   | 58   | 47.4%  |
| Tax Rate (%)                            | 34.4% <sup>3</sup> | 44.8% |      |        |
| <b>Net Income Continuing Operations</b> | 233                | 222   | -11  | -4.9%  |
| Net Income Discontinued Operations      | 95 <sup>1</sup>    | 0     |      |        |
| <b>Total Net Income</b>                 | 328                | 222   | -106 | -32.4% |

# Annexes

## IFRIC 12

| € mn                          | 1H11                   | 1H12       | Δ         |
|-------------------------------|------------------------|------------|-----------|
| <b>Operating Revenues</b>     | <b>794<sup>1</sup></b> | <b>857</b> | <b>63</b> |
| <i>of which</i>               |                        |            |           |
| Grid Fee                      | 688                    | 746        | 58        |
| Other Energy Items            | 61                     | 67         | 7         |
| Other Activities <sup>2</sup> | 31 <sup>1</sup>        | 29         | -2        |
| IFRIC 12                      | 15                     | 14         | -1        |
| <b>Operating Expenses</b>     | <b>188</b>             | <b>188</b> | <b>0</b>  |
| <i>of which</i>               |                        |            |           |
| Salaries                      | 101                    | 102        | 1         |
| Services                      | 57                     | 54         | -3        |
| Other                         | 15                     | 18         | 3         |
| IFRIC 12                      | 15                     | 14         | -1        |

1. 2011 figures restated according to IFRS5

2. Other Revenues + Non Regulated Revenues



# Annexes

## Quarterly Analysis

| € mn                                    | 1Q11       | 1Q12       | Δ          | 2Q11                   | 2Q12       | Δ          |
|---|------------|------------|------------|------------------------|------------|------------|
| <b>Operating Revenues</b>               | <b>385</b> | <b>432</b> | <b>47</b>  | <b>409<sup>1</sup></b> | <b>425</b> | <b>16</b>  |
| <i>of which</i>                         |            |            |            |                        |            |            |
| Grid Fee                                | 352        | 384        | 33         | 337                    | 362        | 25         |
| Other Energy Items                      | 13         | 27         | 14         | 47                     | 40         | -7         |
| Other Activities <sup>2</sup>           | 14         | 15         | 1          | 17 <sup>1</sup>        | 15         | -2         |
| IFRIC 12                                | 6          | 5          | -1         | 9                      | 9          | 0          |
| Operating Expenses                      | 90         | 92         | 2          | 98                     | 96         | -2         |
| <b>EBITDA</b>                           | <b>295</b> | <b>340</b> | <b>45</b>  | <b>312</b>             | <b>329</b> | <b>17</b>  |
| D&A                                     | 95         | 101        | 6          | 98                     | 103        | 6          |
| <b>EBIT</b>                             | <b>200</b> | <b>239</b> | <b>39</b>  | <b>214</b>             | <b>226</b> | <b>12</b>  |
| Financial Income & Equity Inv.          | 11         | 16         | 6          | 8                      | 20         | 11         |
| Financial Charges                       | 36         | 47         | 12         | 41                     | 51         | 9          |
| <b>Pre Tax Profit</b>                   | <b>174</b> | <b>208</b> | <b>33</b>  | <b>181</b>             | <b>195</b> | <b>13</b>  |
| Taxes <sup>3</sup>                      | 60         | 93         | 33         | 62                     | 87         | 25         |
| <b>Net Income Continuing Operations</b> | <b>114</b> | <b>114</b> | <b>0</b>   | <b>119</b>             | <b>108</b> | <b>-12</b> |
| Net Income Discontinued Operations      | 59         | 0          | -59        | 36                     | 0          | -36        |
| <b>Group Net Income</b>                 | <b>173</b> | <b>114</b> | <b>-59</b> | <b>155</b>             | <b>108</b> | <b>-47</b> |

# Annexes

## Consolidated Balance Sheet

| € mn                                   | FY11         | 1H12         | Δmn        |
|--|--------------|--------------|------------|
| <b>Assets</b>                          |              |              |            |
| <i>PP&amp;E</i>                        | 8,618        | 8,965        | 347        |
| <i>Intangible Asset, net</i>           | 471          | 464          | -7         |
| <i>Financial Inv. And Other</i>        | 74           | 77           | 3          |
| <b>Total Fixed Assets</b>              | <b>9,163</b> | <b>9,506</b> | <b>343</b> |
| <i>Net WC</i>                          | -724         | -394         | 330        |
| <i>Funds</i>                           | -565         | -530         | 35         |
| <b>Total Net Invested Capital</b>      | <b>7,874</b> | <b>8,582</b> | <b>708</b> |
| <i>Financed by</i>                     |              |              |            |
| <b>Consolidated Net Debt</b>           | <b>5,123</b> | <b>5,887</b> | <b>764</b> |
| <b>Total Shareholder's Equity</b>      | <b>2,751</b> | <b>2,695</b> | <b>-56</b> |
| <b>D/E Ratio Continuing Operations</b> | <b>1.9</b>   | <b>2.2</b>   |            |
| <b>Number of Shares ('000)</b>         | <b>2,010</b> | <b>2,010</b> |            |

# Annexes

## Consolidated Cash Flows

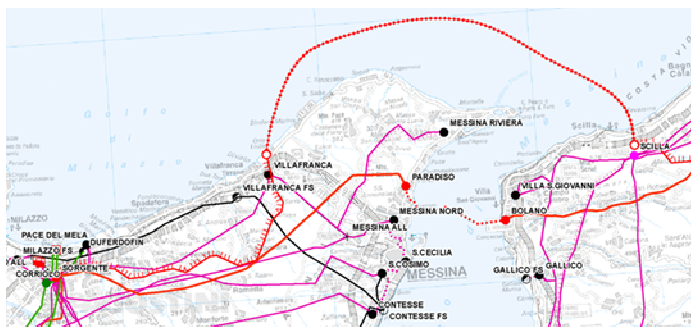
| € mn                                       | 1H11        | 1H12        |
|--|-------------|-------------|
| <i>Net Income</i>                          | 233         | 222         |
| <i>Depreciation*</i>                       | 192         | 203         |
| <i>Net Change in Funds</i>                 | -10         | -35         |
| <b>Operating Cash Flow</b>                 | <b>415</b>  | <b>390</b>  |
| <i>Change in Working Capital</i>           | -43         | -330        |
| <b>Cash Flow from Operating Activities</b> | <b>373</b>  | <b>59</b>   |
| <i>Capital Expenditures</i>                | -543        | -551        |
| <i>Other Fixed Asset Changes</i>           | -29         | 6           |
| <b>Free Cash Flow</b>                      | <b>-200</b> | <b>-486</b> |
| <i>Dividends</i>                           | -261        | -261        |
| <i>Change in Capital and Other</i>         | 2           | -16         |
| <i>PV Disposal</i>                         | 209         | 0           |
| <b>Change in Net Cash (Debt)</b>           | <b>-250</b> | <b>-764</b> |

\* Net of assets' disposal

# Annexes

## Focus on Sorgente-Rizziconi\*

### Technical Information



- Capex expected: over 700mn€
- 2x3 submarine cables (380kV): 38 km below the Strait of Messina
- 5Km underground cables and 60Km overhead lines, 4 power substations

### Work in Progress - Update



- Total Capex spent in 1H: 120mn€
- Main Activities:
  - 3 Cables already laid below the Strait
  - Excavation activity started
  - Power substations and overhead lines building on-going

# Disclaimer

THIS DOCUMENT HAS BEEN PREPARED BY TERNA S.P.A. (THE "COMPANY") FOR THE SOLE PURPOSE DESCRIBED HEREIN. IN NO CASE MAY IT BE INTERPRETED AS AN OFFER OR INVITATION TO SELL OR PURCHASE ANY SECURITY ISSUED BY THE COMPANY OR ITS SUBSIDIARIES.

THE CONTENT OF THIS DOCUMENT HAS A MERELY INFORMATIVE AND PROVISIONAL NATURE AND THE STATEMENTS CONTAINED HEREIN HAVE NOT BEEN INDEPENDENTLY VERIFIED. NEITHER THE COMPANY NOR ANY OF ITS REPRESENTATIVES SHALL ACCEPT ANY LIABILITY WHATSOEVER (WHETHER IN NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY FROM THE USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT OR ANY MATERIAL DISCUSSED DURING THE PRESENTATION.

THIS DOCUMENT MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. THE INFORMATION CONTAINED HEREIN AND OTHER MATERIAL DISCUSSED AT THE CONFERENCE CALL MAY INCLUDE FORWARD-LOOKING STATEMENTS THAT ARE NOT HISTORICAL FACTS, INCLUDING STATEMENTS ABOUT THE COMPANY'S BELIEFS AND EXPECTATIONS. THESE STATEMENTS ARE BASED ON CURRENT PLANS, ESTIMATES, PROJECTIONS AND PROJECTS, AND CANNOT BE INTERPRETED AS A PROMISE OR GUARANTEE OF WHATSOEVER NATURE.

HOWEVER, FORWARD-LOOKING STATEMENTS INVOLVE INHERENT RISKS AND UNCERTAINTIES AND ARE CURRENT ONLY AT THE DATE THEY ARE MADE. WE CAUTION YOU THAT A NUMBER OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND PROVISIONS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENT. SUCH FACTORS INCLUDE, BUT ARE NOT LIMITED TO: TRENDS IN COMPANY'S BUSINESS, ITS ABILITY TO IMPLEMENT COST-CUTTING PLANS, CHANGES IN THE REGULATORY ENVIRONMENT, DIFFERENT INTERPRETATION OF THE LAW AND REGULATION, ITS ABILITY TO SUCCESSFULLY DIVERSIFY AND THE EXPECTED LEVEL OF FUTURE CAPITAL EXPENDITURES. THEREFORE, YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. TERNA DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN TERNA'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGES IN EVENTS.

EXECUTIVE IN CHARGE OF THE PREPARATION OF ACCOUNTING DOCUMENTS "LUCIANO DI BACCO" DECLARES, PURSUANT TO PARAGRAPH 2 OF ARTICLE 154-BIS OF THE CONSOLIDATED LAW ON FINANCE, THAT THE ACCOUNTING INFORMATION CONTAINED IN THIS PRESENTATION, FOR WHAT CONCERNS THE ACTUAL FIGURES, CORRESPONDS TO THE DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.

[investor.relations@terna.it](mailto:investor.relations@terna.it) | +39 06 8313 8106 | [www.terna.it](http://www.terna.it)

|  |  |   |  |
|--|--|---|--|
|  <p>Dow Jones<br/>Sustainability Indexes<br/>Member 2011/12</p> |  <p>FTSE4Good</p>  |  <p>MEMBER OF<br/>THE INVESTMENT REGISTER<br/>ETHIBEL<br/>EXCELLENCE</p>               |  <p>SPI<br/>SUSTAINABLE PERFORMANCE INDICES</p>                                       |
|  <p>sam 2012<br/>gold class</p>                                 |  <p>Member 2011/2012<br/>STOXX<br/>ESG LEADERS INDICES</p> |  <p>INCLUDED IN<br/>ETHIBEL<br/>SUSTAINABILITY<br/>INDEX<br/>EXCELLENCE<br/>EUROPE</p> |  <p>BEST IN CLASS<br/>environmental and<br/>social performance<br/>STOREBRAND SRI</p> |
|  <p>sam 2011<br/>silver class</p>                               |  <p>Axia<br/>Ethical Index</p>                             |  <p>MSCI<br/>Indices</p>   |  <p>Corporate<br/>Responsibility<br/>Prime<br/>rated by<br/>ekom research</p>        |
|  <p>sam 2010<br/>bronze class</p>                              |  <p>Axia<br/>CSR Index</p>                               |  <p>ECPI</p>   |  |
|  <p>sam 2009<br/>sector mover</p>                             |  |   |  |