

1H11 Consolidated Results

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JULY 29th, 2011



Agenda

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Highlights

Sale Agreement on PV Project 2

Details

- **Sale from 50MWp to 78MWp solar plants** to Terra Firma for about **180-260mn**
- EV determined on modular basis, considering plants' feed-in tariffs
- Terna to provide NRTS⁽¹⁾ with **plants' maintenance** and **surveillance services**
- **Closing expected by year end**

Strategic Value

- This project is another example showing our skills as “**developers**” in Non Traditional Activities
- **On Track on Capex** spent in Non Traditional Activities (Cumulated 2011-2015 Target 1bn)

⁽¹⁾ Nuova Rete Solare S.r.l.



Highlights

Recent Developments

Regulatory

Review

- **Review process started:** 1st consultation document confirmed current regulatory framework, with continuity in key methodologies
- **Key elements:**
 - **Wacc** _{real pt}: confirmed approach and formula
 - **Allowed Opex:** reference year 2010
 - **Clawback mechanism:** 50% of extra efficiency
 - **X-factor:** determined to transfer extra efficiency in 8 yrs and applied only to Opex
 - **Time lag:** possible reduction
 - Separate consultation paper on **incentives on development capex**
- Comments due by September 30, 2011

Legal Framework

Decree 93/11

Legislative decree (so called “Third Energy Package”) still **preserves** Terna’s **strategy on Non traditional Activities**

Terna is allowed to:

- Build and manage **batteries**
- Take part in auctions to build **pumping basins**

Terna “cannot” produce electricity: confirmation of the existing ban



Highlights

1H11 at a Glance

P&L RESULTS

Total Revenues

+4.4% yoy
at 796€mn



EBITDA

+6.8% yoy
at 608€mn



Net Income Continuing Operations

Stable yoy
at 236€mn

BALANCE SHEET

Total Traditional Capex

+16% yoy
at 543€mn



Net Debt

4,973€mn
+250€mn vs. FY10

DISCONTINUED OPERATIONS

Net Income Discontinued Operations

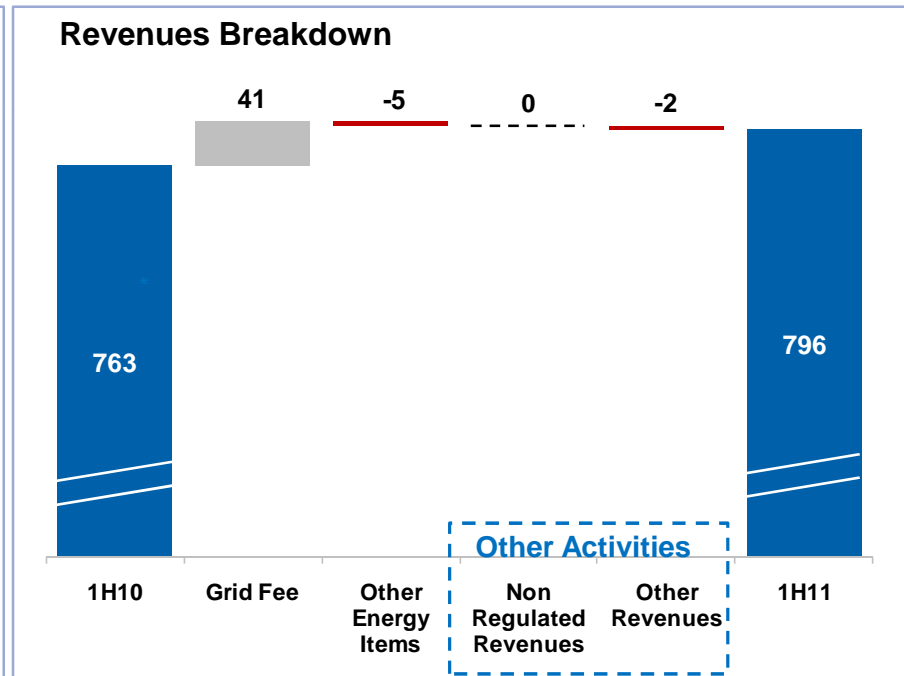
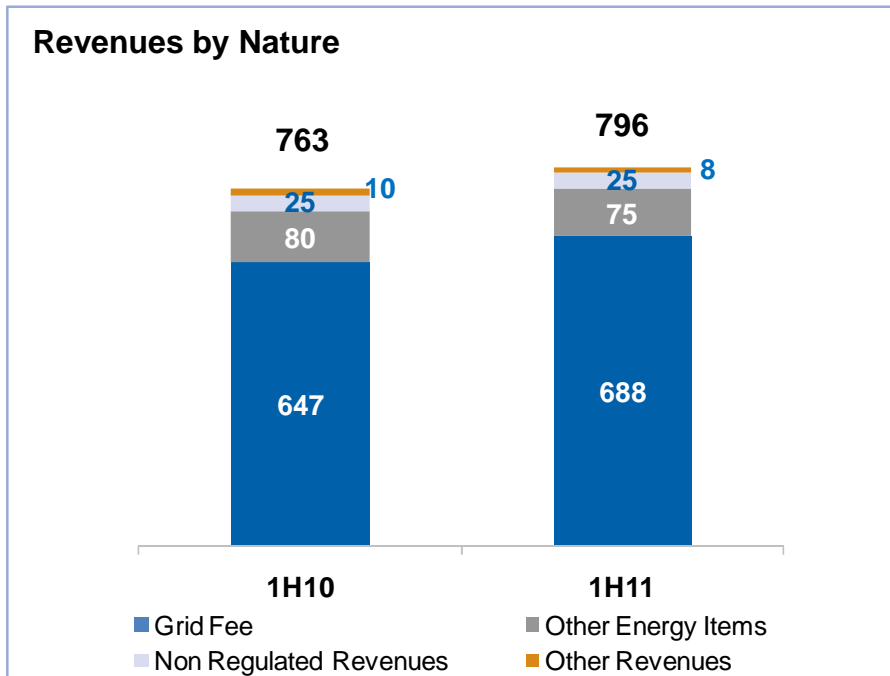
93€mn (59 in 1Q + 34 in 2Q)
Group Net Income 329€mn



1H11 Results

Consolidated Revenues

<p>Total Revenues</p> <p>+4.4% yoy</p> <p>at 796€mn</p>	<p>Grid Fee</p> <p>+6.3% yoy</p> <p>at 688€mn</p>	<p>Dispatching Premia</p> <p>35 €mn</p> <p>Fair Value</p>
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Note: 2010 figures restated according to IFRS 5

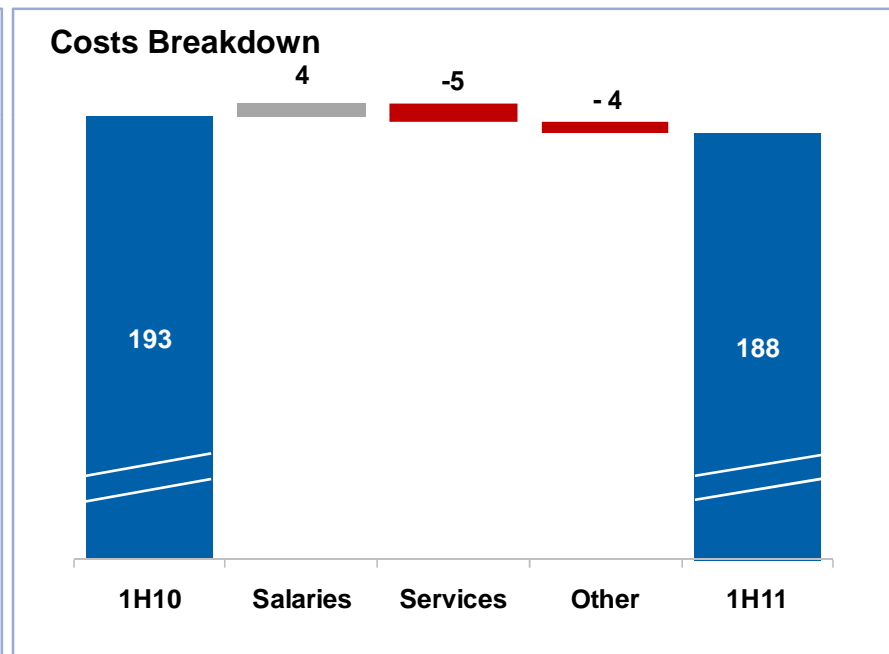
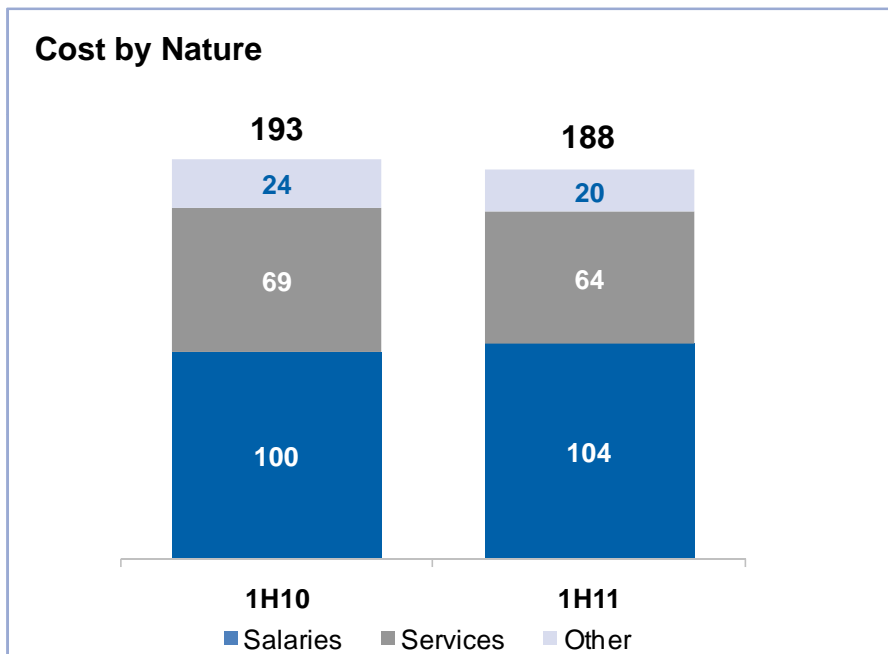
In € mn



1H11 Results

Consolidated Costs & EBITDA

<p>Total Operating Costs</p> <p>-5mn yoy at 188€mn</p>	<p>EBITDA</p> <p>+6.8% yoy at 608€mn</p>	<p>EBITDA Margin</p> <p>76.4% +1.7pp yoy</p>
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Note: 2010 figures restated according to IFRS 5

In € mn



1H11 Results

From EBIT to Net Income

EBIT +4.7% <small>yoy</small> at 416€mn	€ mn	1H10	1H11	Δ	Δ %
	D&A	172	193	20	11.8%
	EBIT	397	416	19	4.7%
Profit Before Taxes +2.2% <small>yoy</small> at 358€mn	Net Financial Expenses	47	58	11	23.1%
	PBT	350	358	8	2.2%
Effective Tax Rate 33.9% +0.9pp <small>yoy</small>	Tax Rate <small>Effective</small>	33.0%	33.9%	+0.9pp	
	Tax Rate <small>Adjusted</small>	34.5%	34.5%	-	
	Taxes	116	121	6	5.0%
Net Income <small>Continuing Operations</small> +0.8% <small>yoy</small> at 236€mn	Net Income <small>Continuing Operations</small>	234	236	2	0.8%
	Net Income <small>Discontinued Operations</small>	-1	93	94	
	Group Net Income	234	329	96	40.9%



1H11 Results

Capex Breakdown

Total Traditional Capex

+16% yoy

at 543€mn

Incentivized Capex

80% of Reg. Capex

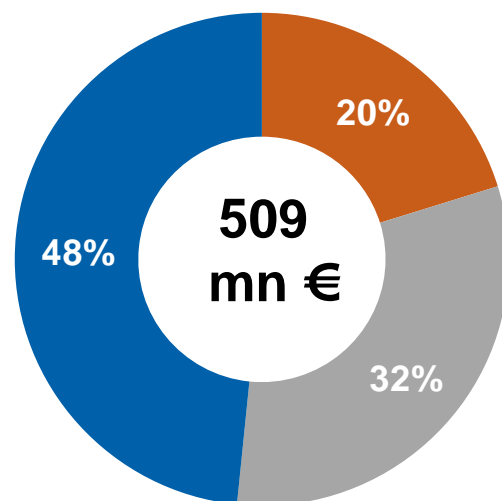
at 406€mn

New Authorizations

+700 €mn

of Incentivized Capex

Capex Regulated Activities



■ Base Return (6.9%) ■ +2% ■ +3%

€ mn	1H10	1H11	Δ yoy	Δ % yoy	% (A)
Base Return +3%	187	246	60	32%	48%
Base Return +2%	169	160	-10	-6%	31%
Base Return	90	103	13	15%	20%
Capex Regulated Act. (A)	446	509	63	14%	100%
Not Included in RAB	22	34	12		
Total Traditional Capex	468	543	75	16%	



1H11 Results

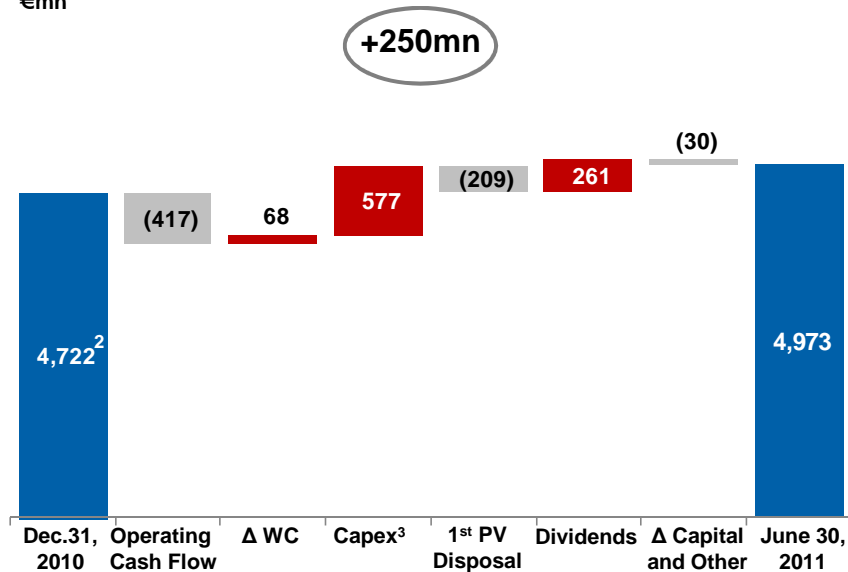
Net Debt Evolution & Financial Structure

Net Debt
4,973 €mn

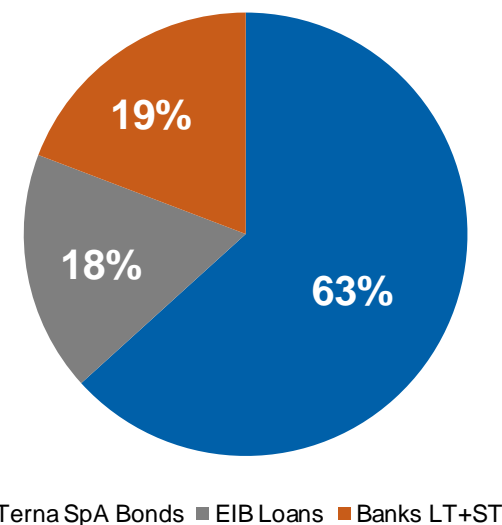
Fix/Floating Ratio
45/55%

Avg. Maturity
10 years

Net Debt Evolution
€mn



Gross Debt



- (1) Calendar RAB
- (2) Effective Net Debt from continuing operations
- (3) Including Other Fixed Assets Changes



1H11 Results

Closing Remarks

FY11 Outlook	€bn	FY11 Guidance	FY10 Actual
	EBITDA	~1.19	1.17
	Capex <small>Regulated</small>	~1.1	1.1
	Net Debt ¹	~5.3	4.7
Regulatory Review	Focus on consultation process and final review		
PV Project 2	August key month to complete plants' construction Closing expected by year end		

(1) Excluding any impact from the sale of PV Project 2



ANNEXES



1H11 Results

Macro Trends

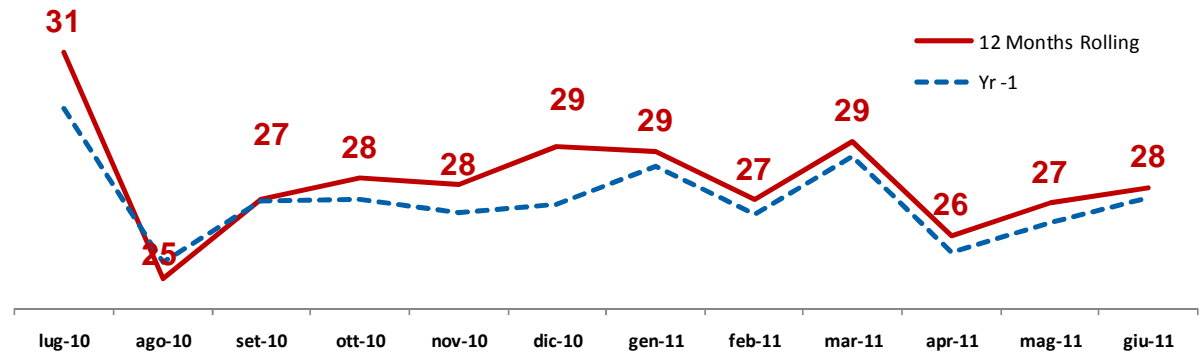
1H11 Energy Demand

+1.6% yoy
+2.1% 12 months rolling

	1H10	1H11	Δ %
Demand _{TWh}	162.8	165.4	1.6%

2010 final figures; 2011 provisional figures

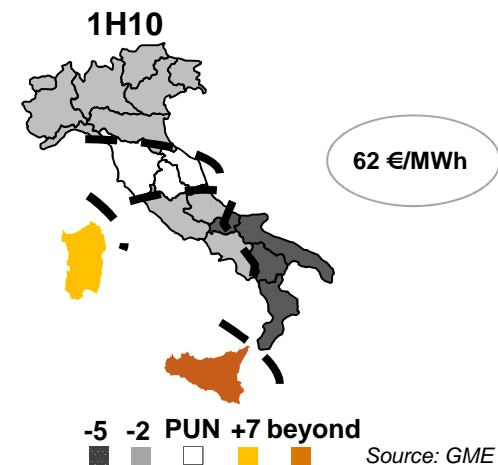
Energy Demand_{TWh}



Electricity Prices (PUN)

67 €/MWh

 Critical Sections



Source: GME



1H11 Results

Consolidated Income Statement

€ mn	1H10	1H11	Δmn	Δ%
Operating Revenues	763	796	34	4.4%
<i>of which</i>				
Grid Fee	647	688	41	6.3%
Other Energy Items	80	75	-5	-6.2%
Other Activities	35	33	-2	-6.3%
IFRIC 12	18	15	-3	-15.8%
Operating Expenses	193	188	-5	-2.7%
<i>of which</i>				
Salaries	100	104	4	3.7%
Services	69	64	-5	-7.8%
Other	24	20	-4	-15.2%
IFRIC 12	18	15	-3	-15.8%
EBITDA	570	608	39	6.8%
D&A	172	193	20	11.8%
EBIT	397	416	19	4.7%
Financial Income & Equity Inv.	8	19	11	143.6%
Financial Charges	55	77	22	40.2%
Pre Tax Profit	350	358	8	2.2%
Taxes	116	121	6	5.0%
Tax Rate (%)	33.0%	33.9%		
Net Income Continuing Operations	234	236	2	0.8%
Net income discontinued operations	-1	93		
Total Net Income	234	329	96	40.9%

Note: 2010 figures restated according to IFRS 5



1H11 Results

Quarterly Analysis

€ mn	1Q10	1Q11	Δ	2Q10	2Q11	Δ
Operating Revenues	365	385	20	397	412	14
<i>of which</i>						
<i>Grid Fee</i>	331	352	21	317	337	20
<i>Other Energy Items</i>	12	13	1	51	47	-3
<i>Other Activities</i>	16	14	-2	19	19	0
<i>IFRIC 12</i>	6	6		12	9	
Operating Expenses	91	90	-1	102	98	-4
EBITDA	274	295	21	295	314	19
D&A	84	95	11	89	98	9
EBIT	190	200	10	207	216	10
Financial Income & Equity Inv.	4	11	7	4	8	5
Financial Charges	28	36	8	27	41	14
Pre Tax Profit	166	174	8	183	183	0
Taxes	59	60	1	57	61	5
Net Income Continuing Operations	107	114	7	127	122	-5
Net income discontinued operations	0	59	59	0	34	34
Total Net Income	107	174	67	127	156	29
Minority Interest	0	0	0	0	0	0
Group Net Income	107	174	67	127	156	29

Note: 2010 figures restated according to IFRS 5



1H11 Results

Consolidated Balance Sheet

€ mn	FY10	1H11	Δmn
Assets			
<i>PP&E</i>	7,803	8,153	350
<i>Intangible Asset, net</i>	471	467	-4
<i>Financial Inv. And Other</i>	30	69	39
Total Fixed Assets	8,304	8,689	385
<i>Net WC</i>	-369	-301	68
<i>Funds</i>	-624	-580	45
<i>Net Assets of Disc. Operations</i>	399	0	-399
Total Net Invested Capital	7,710	7,808	99
<i>Financed by</i>			
Consolidated Net Debt	4,949	4,973	24
<i>of which Net Debt Continuing Operations</i>	<i>4,722</i>	<i>4,973</i>	<i>250</i>
Total Shareholder's Equity	2,761	2,836	75
D/E Ratio Continuing Operations	1.7	1.8	
Number of Shares ('000)	2,004	2,010	



1H11 Results

Consolidated Cash Flows

<i>€ mn</i>	1H10	1H11
<i>Net Income</i>	234	236
<i>Depreciation¹</i>	173	192
<i>Net Change in Funds</i>	-16	-11
Operating Cash Flow	390	417
<i>Change in Working Capital</i>	-178	-68
Cash Flow from Operating Activities	212	349
Capital Expenditures	-486	-543
Other Fixed Asset Changes	-2	-34
Free Cash Flow	-275	-228
Dividends	-240	-261
Change in Capital and Other	12	30
PV Disposal	0	209
Change in Net Cash (Debt)	-504	-250

1. Net of assets' disposal



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