



FY10 Consolidated Results

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Agenda

- STRATEGIC UPDATE 3
- FY10 RESULTS 6
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Strategic Update

Highlights

2010 Results

- Strong growth and peak in capex
- Performance on incentives for dispatching activities about 160mn. Considering the incentive scheme lasts for 3 years, in 2010 P&L accounted only 77mn
- Net Profit from continuing operations (467mn) up by 32%

M&A

- Successfully completed the disposal of Rete Rinnovabile S.r.l.
- Acquired 22.09% stake of Montenegrin TSO¹

Funding

- Recently issued 1.25bn euro bond, with 10 year maturity
- Available cash and credit lines to cover Plan's needs

1) CrnoGorski Elektroprenosni Sistem AD (CGES)



Strategic Update

Disposal of the first PV Portfolio (Rete Rinnovabile S.r.l.)

Transaction Details

- Transfer of 100% of the shares of Rete Rinnovabile S.r.l. (“RTR Srl”) to Terra Firma
- **Enterprise Value: 641mn euro** (equivalent to an average EV/MWp of 4.46mn)
- RTR owns **143.7MWp** (62 sites, located in 11 regions)
 - 101.6MWp benefitting from 2010 Feed-in tariff
 - 42.1MWp benefitting from early 2011 Feed-in tariff

Impacts of the Transaction

- **Overall net proceeds: 204mn euro**
- Impact on 2010 consolidated net income: 147mn (accounting treatment according to IAS 11¹)
- Reduction in the effective net financial debt from continuing operations of the Group of over 200mn

1) Revenues and costs associated with plants' construction accounted for on the stage of completion of the contract activity at balance sheet date

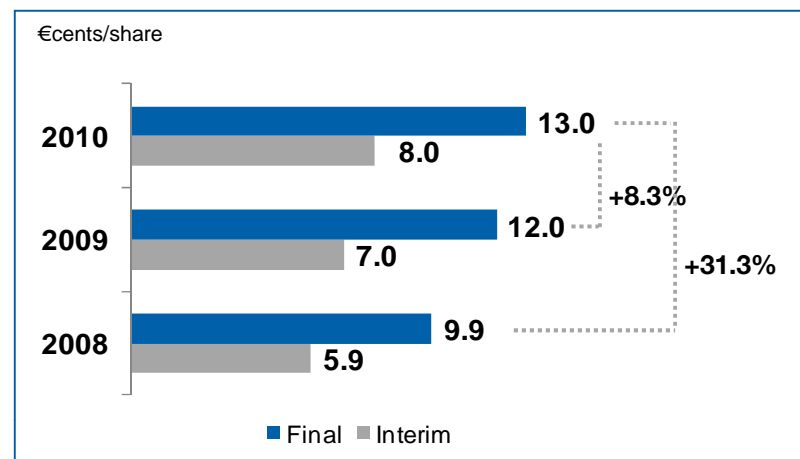


Strategic Update

Attractive Shareholder Returns

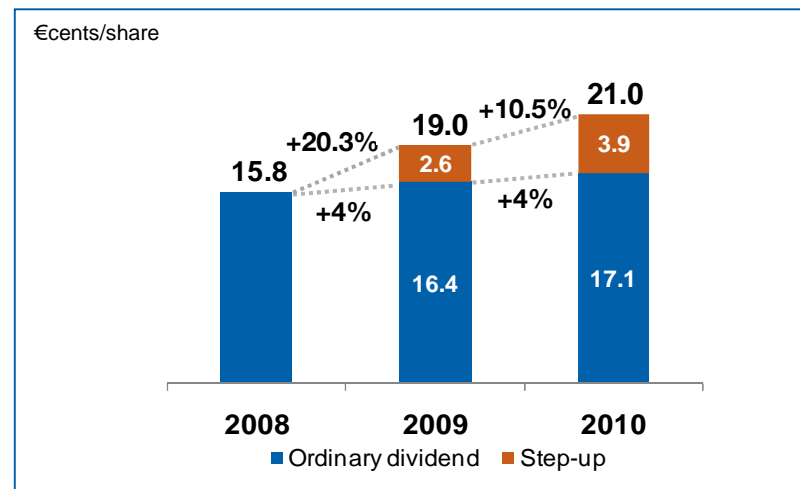
2010 DPS: 21€c

- 8€c Interim, paid on November 25th
- **13€c Final (+8.3% vs 2009 Final), payable from June 23rd (Ex date June 20th)**
- Top ranking yield: 6.5%¹



Double Digit Growth

- Ordinary Dividend +4%
- Additional distribution from value accretive M&A (nearly 20% of total DPS)



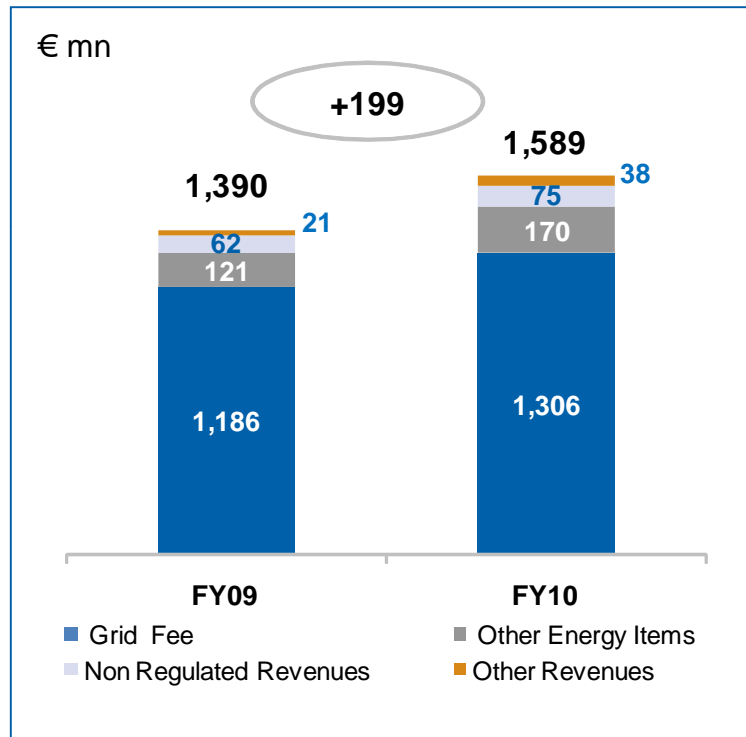
1) Calculated on the basis of Terna closing price as of December 30th, 2010 adjusted for the interim dividend (€3.16 + €0.08 = €3.24)



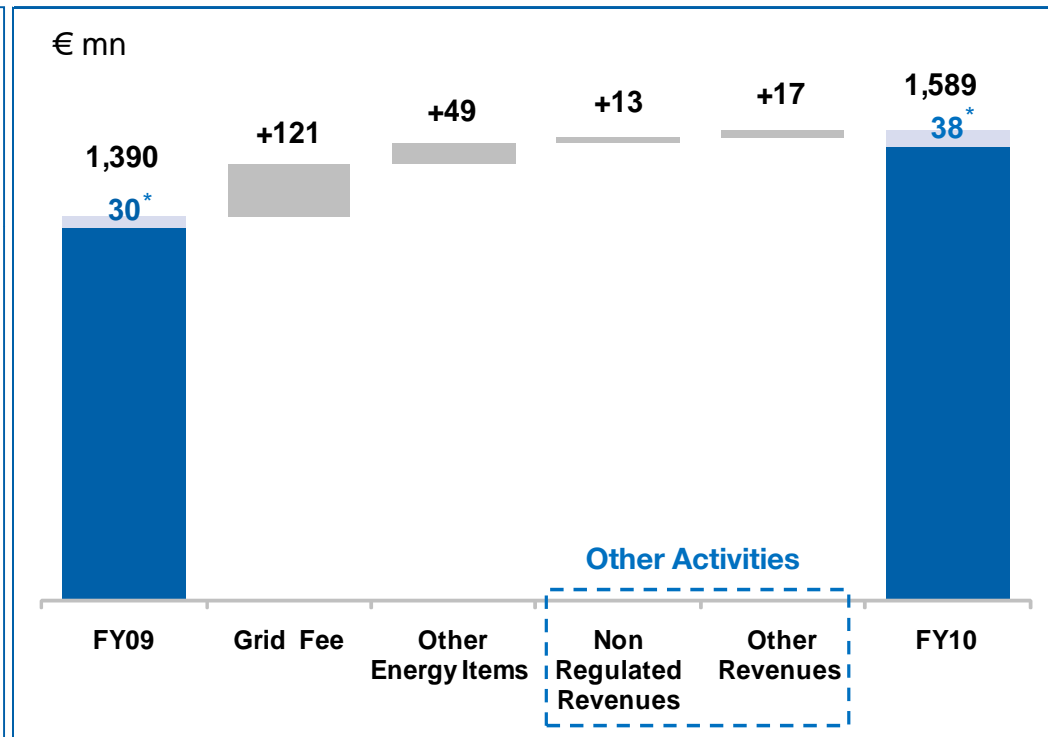
FY10 Results

Consolidated Revenues

Revenues by Nature



Revenues Breakdown



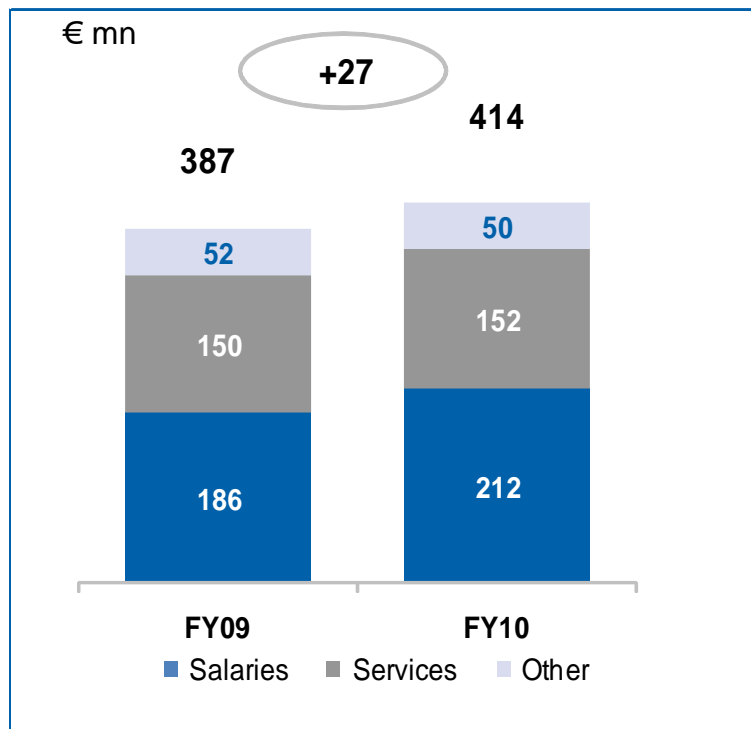
(*) Impact from the application of IFRIC 12, reported in the Other Energy Items



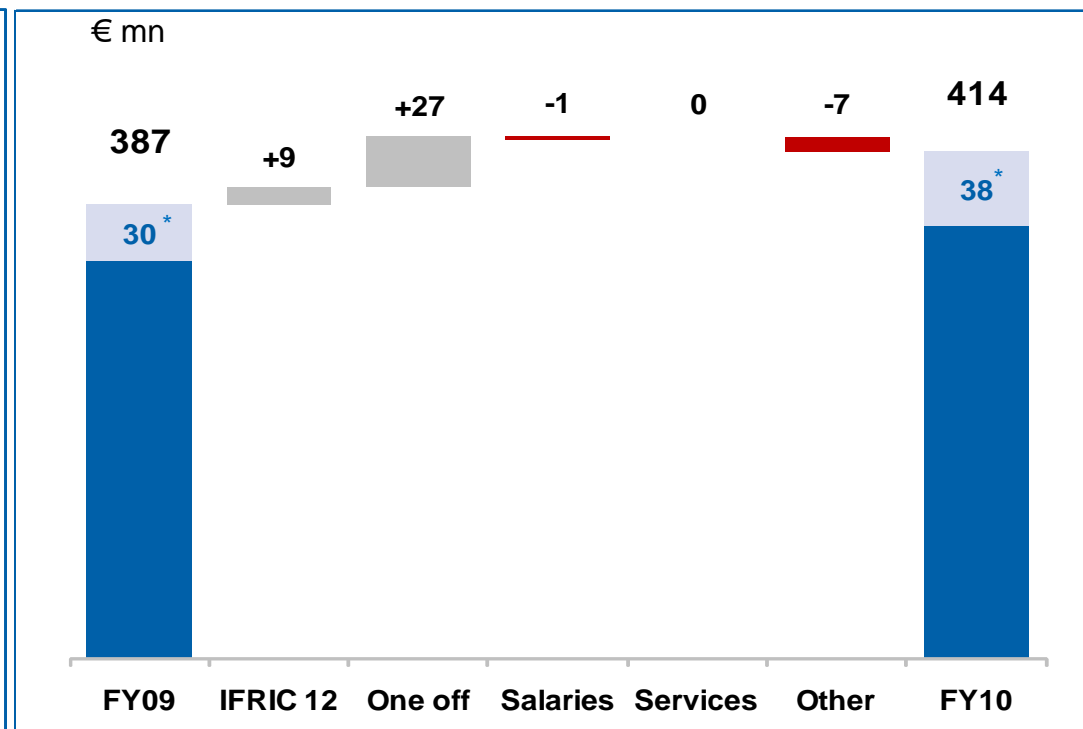
FY10 Results

Consolidated Costs

Costs by Nature¹



Costs Breakdown



(1) Net of capitalized costs

(*) Impact from the application of IFRIC 12 (see slide 15 for details)



FY10 Results

From EBITDA to Net Income

€ mn	Consolidated		Change	
	FY09 ¹	FY10	mn	Δ%
EBITDA	1,003	1,175	172	17.1%
<i>EBITDA Margin (%)</i>	<i>72.2%</i>	<i>73.9%</i>		
EBITDA adjusted²	976	1,175	199	20.3%
<i>EBITDA Margin adjusted (%)²</i>	<i>70.2%</i>	<i>73.9%</i>		
D&A	309	361	52	16.7%
EBIT	694	814	120	17.3%
Financial Charges	148	103	-46	-30.9%
Taxes	192	245	53	27.6%
<i>Tax rate (%)</i>	<i>35.2%</i>	<i>34.4%</i>		
Net Income Continuing Operations	354	467	113	31.8%
Net Income Discontinued Operations	417	147	-270	-64.8%
Group Net Income	771³	614⁴	-157	-20.4%

(1) Figures restated according to IFRIC 12 and net of Brazilian activities

(2) Excluding the partial release of "Energy Discount Fund" accounted in 2009 (26.8mn in 2Q09)

(3) Includes the net proceeds from the disposal of the Brazilian activities (417mn)

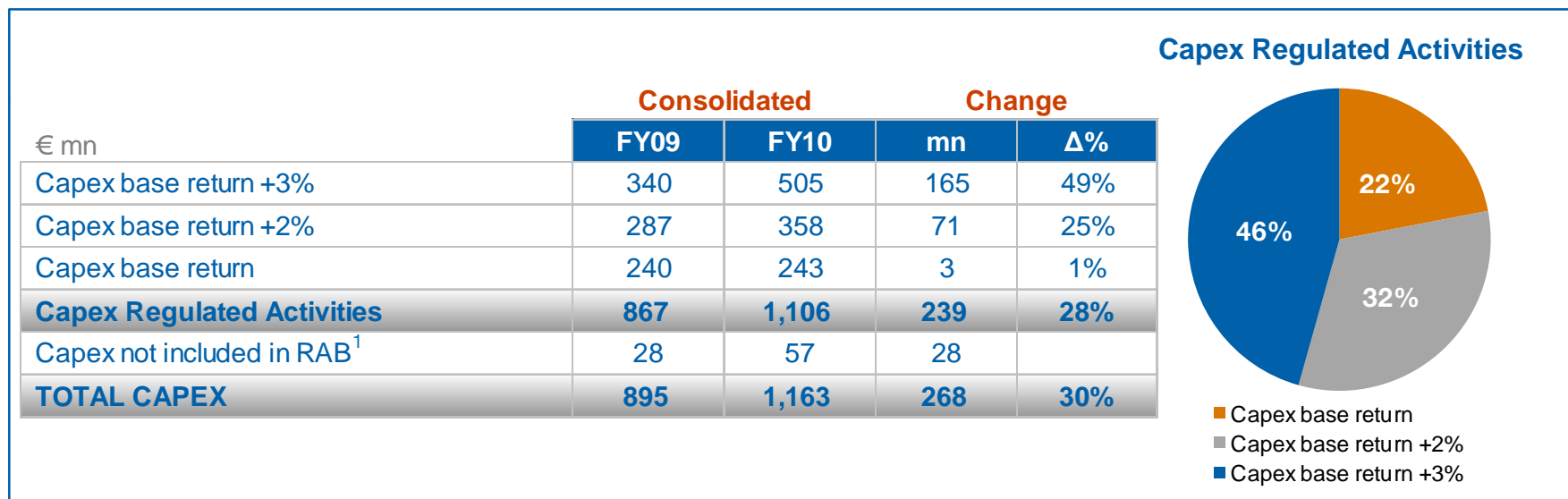
(4) Includes 147mn out of the 204mn overall net proceeds deriving from the disposal of RTR Srl and 77mn out of the 160mn of total operating performance of the incentive mechanism on dispatching



FY10 Results

Capex Breakdown

- Improving the mix
- SAPEI second cable operational
- +1,075km of circuit lines and +48 substations

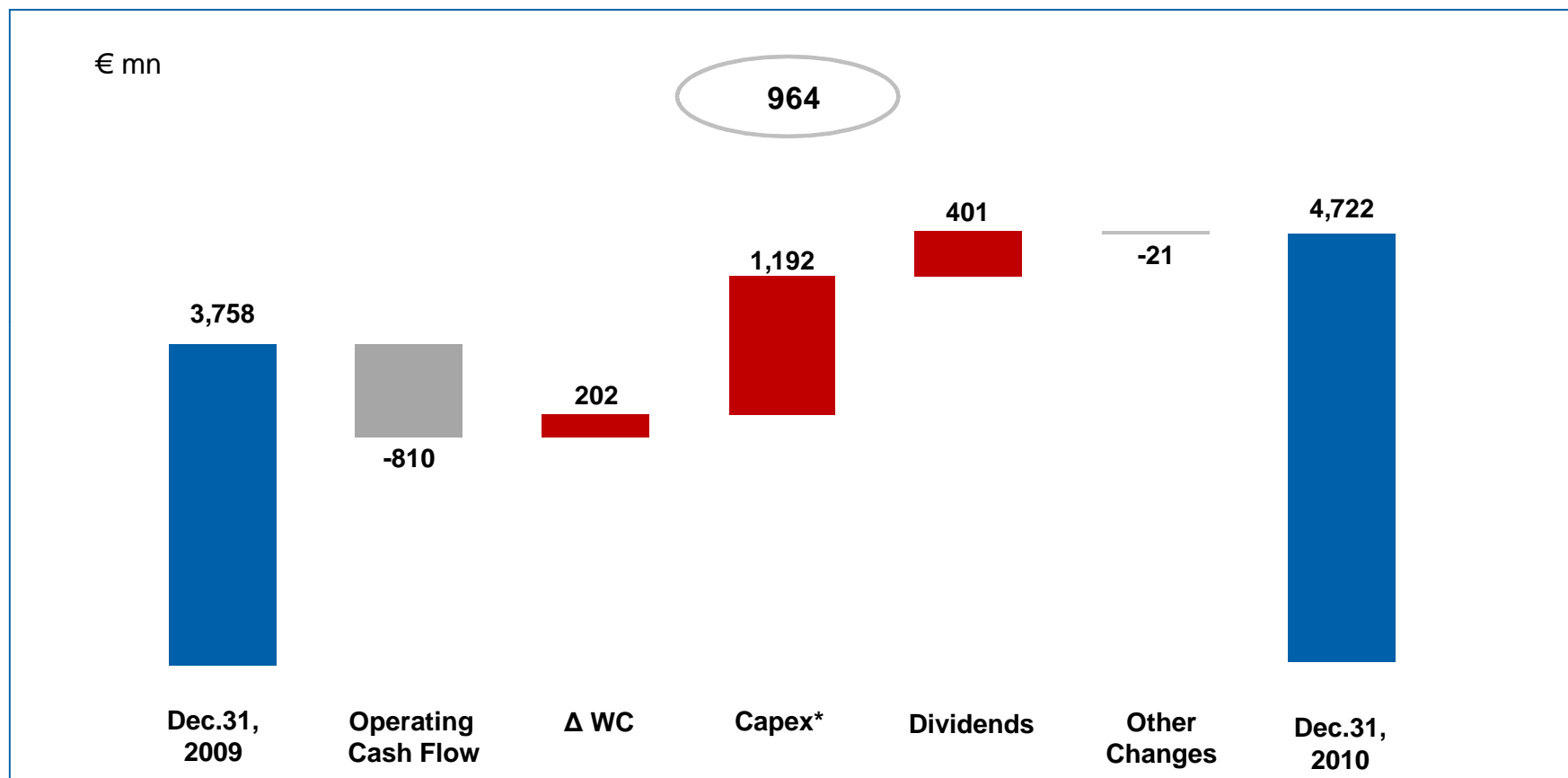


(1) Including Capitalized Financial Charges and Rete Solare S.r.l. and excluding Rete Rinnovabile Srl, accounted pursuant to IAS11 (costs related to construction contracts amount to 353mn)



FY10 Results

Cash Flow and Consolidated Net Debt



(*) Including Other Fixed Assets Change



ANNEXES



FY10 Results

Energy Items

2010

Demand up by 1.8% yoy (+2% normalized¹)

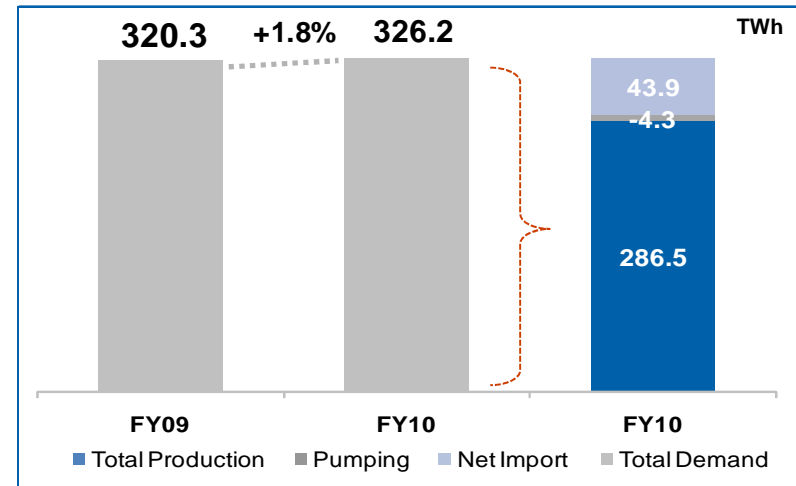
- Total Production +1.9%
- Pumping -25.7%
- Net Import -2.3%

2011

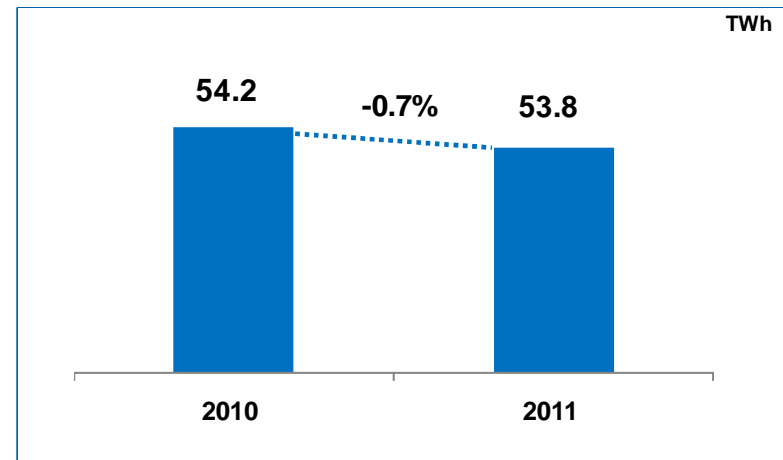
- Slight decrease in YTD demand (-0.7% yoy)

Source: 2010 and 2011 provisional figures
 (1) Adjusted for temperature and working days

▪ Total Demand FY10



▪ Total Demand 2011 YTD

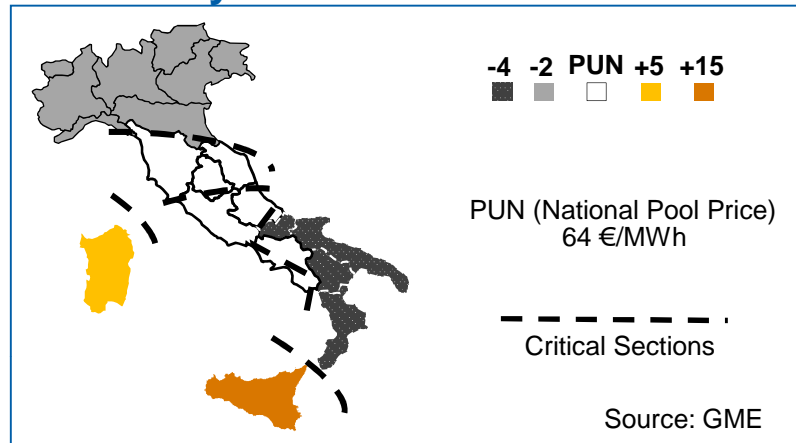




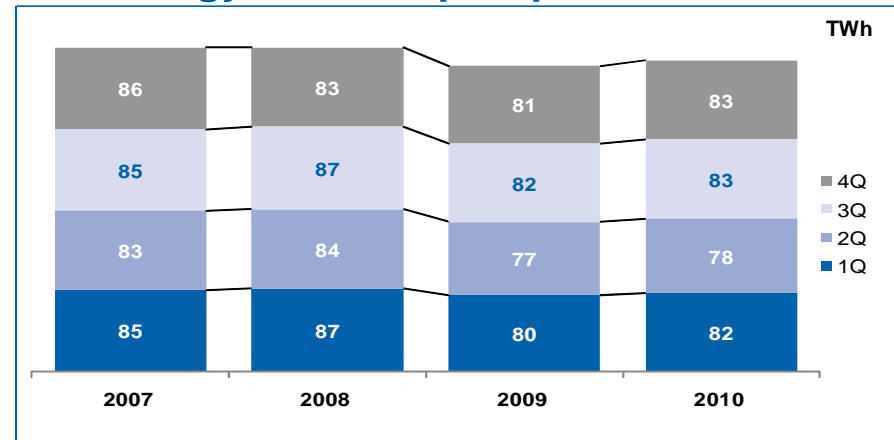
Italian Electricity Market Evolution

Energy Demand

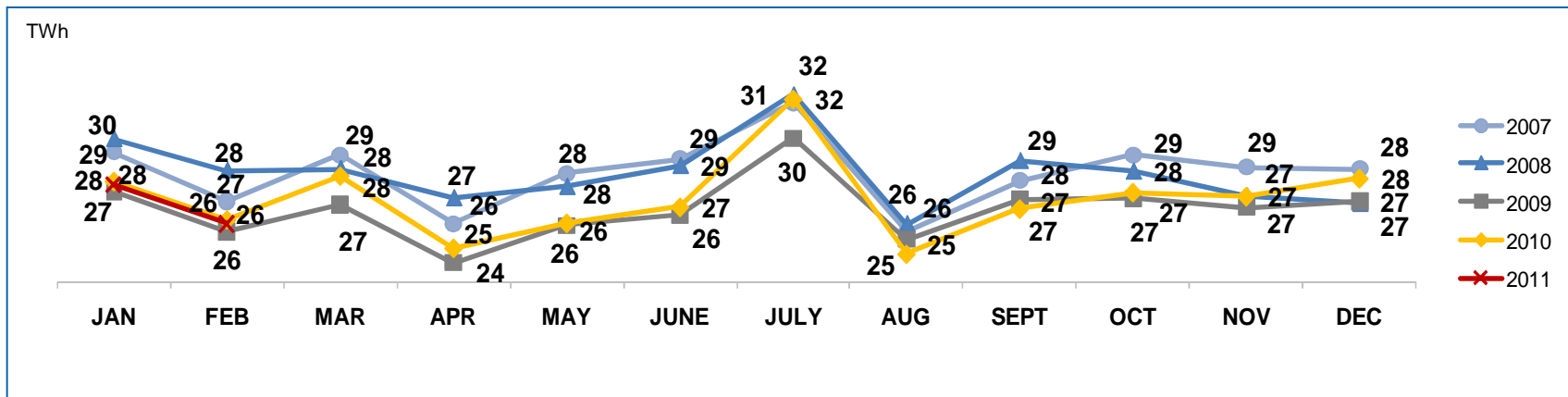
Electricity Prices



Energy Demand per quarter



Monthly Trend



Source: Terna's monthly reports. 2010 and 2011 provisional figures



FY10 Results

Consolidated Income Statement

€ mn	Change FY10 vs FY09 ¹			
	FY09	FY10	mn	Δ%
Operating Revenues	1,390	1,589	199	14.3%
<i>Grid Fee</i>	1,186	1,306	121	10.2%
<i>Other Energy Items</i>	121	170	49	40.3%
<i>Other Activities</i>	84	113	30	35.3%
Operating Expenses	387	414	27	7.1%
<i>Salaries</i>	186	212	27	14.4%
<i>Services</i>	150	152	3	1.7%
<i>Other</i>	52	50	-2	-3.7%
EBITDA	1,003	1,175	172	17.1%
<i>EBITDA Margin (%)</i>	72.2%	73.9%		
<i>D&A</i>	309	361	52	16.7%
EBIT	694	814	120	17.3%
<i>Financial (Income) Charges</i>	148	103	-46	-30.9%
<i>Taxes</i>	192	245	53	27.6%
<i>Tax rate (%)</i>	35.2%	34.4%		
Net income continuing operations	354	467	113	31.8%
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(1) 2009 Figures have been restated according to IFRIC 12 and net of Brazilian activities

(2) Includes the net proceeds from the disposal of the Brazilian activities (417mn)

(3) Includes 147mn out of the 204mn overall net proceeds deriving from the disposal of RTR Srl and 77mn out of the 160mn of total operating performance of the incentive mechanism on dispatching



FY10 Results

Impacts of IFRIC 12

P&L	IFRIC 12		Change FY10 vs FY09 *		EXCLUDING IFRIC 12 EFFECT		Change FY10 vs FY09 *	
	FY09	FY10	mn	Δ%	FY09	FY10	mn	Δ%
Operating Revenues	1,390	1,589	199	14.3%	1,361	1,551	190	14.0%
Operating Expenses	387	414	27	7.1%	358	376	18	5.1%
<i>of which:</i>								
Salaries	186	212	27	14.4%	182	207	25	13.9%
Services	150	152	3	1.7%	128	128	0	0.2%
Other	52	50	-2	-3.7%	48	41	-7	-14.9%
EBITDA	1,003	1,175	172	17.1%	1,003	1,175	172	17.1%

(*) Note: 2009 Figures have been restated net of Brazilian activities



FY10 Results

Quarterly Analysis

€ mn	Consolidated			Change			Consolidated			Change		
	1Q09	1Q10	mn	2Q09	2Q10	mn	3Q09	3Q10	mn	4Q09	4Q10	mn
Operating Revenues	313	365	52	355	396	41	346	405	60	377	423	46
<i>Grid Fee</i>	279	331	52	296	317	21	311	332	21	300	327	27
<i>Other Energy Items</i>	15	18	3	38	62	24	16	43	27	51	46	-5
<i>Other Activities</i>	20	16	-4	21	17	-3	18	30	12	26	50	24
Operating Expenses	84	91	7	77	101	24	89	85	-3	137	137	-1
EBITDA	230	274	44	277	295	17	257	320	63	239	286	47
D&A	65	84	19	79	89	10	79	88	8	85	101	15
EBIT	164	190	26	199	206	7	177	233	55	154	186	32
Financial (Income) Charges	38	24	-14	42	23	-19	29	24	-5	40	32	-8
Taxes	45	59	14	54	57	3	52	70	18	42	60	18
Net Income Continuing Operations	81	107	27	103	126	23	97	139	42	73	95	22
Net income discontinued operations	14	0	-14	22	0	-22	23	0	-23	358	147	-211
Total Net Income	94	107	13	126	127	1	120	139	18	431	241	-190
of which:												
<i>Minority Interest</i>	5	0	-5	7	0	-7	8	0	-8	0	0	0
Group Net Income	89	107	18	118	127	8	113	139	26	431	241	-190

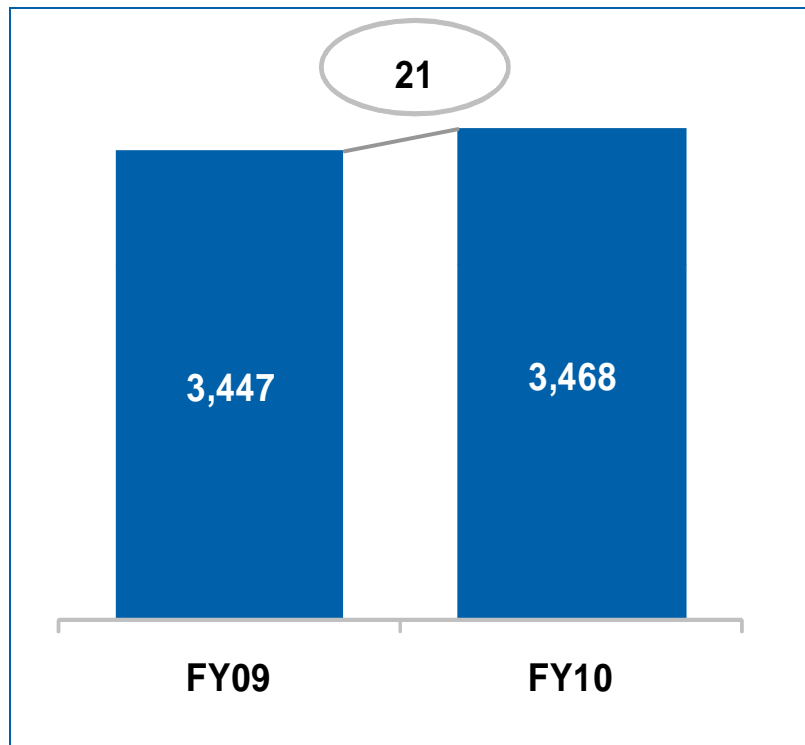
(*) Note: Figures restated according to IFRIC 12 and net of Brazilian activities



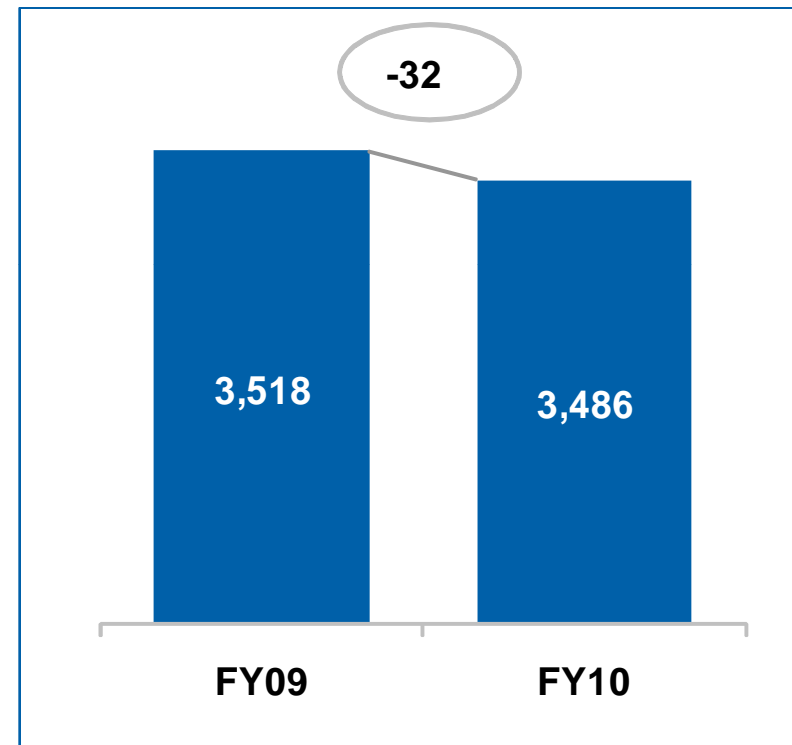
FY10 Results

Headcount Evolution

- Final Headcount



- Average Headcount





FY10 Results

Consolidated Balance Sheet

€ mn	FY09	FY10	mn
Assets			
PP&E	6,990	7,803	813
Intangible Asset, net	458	471	13
Financial Inv. and Other	21	30	9
Total Fixed Assets	7,469	8,304	835
Net WC	-571	-369	202
Funds	-638	-624	14
Net assets of discontinued operations	0	399	399
Total Net Invested Capital	6,260	7,710	1,450

Financed by:

Consolidated Net Debt	3,758	4,949	1,191
<i>of which Net Debt Continuing Operations</i>	<i>3,758</i>	<i>4,722</i>	<i>964</i>
Total Shareholder's Equity	2,502	2,761	259
D/E Ratio Continuing Operations	1.5	1.7	
Number of Shares	2,001	2,004	



FY10 Results

Consolidated Cash Flows

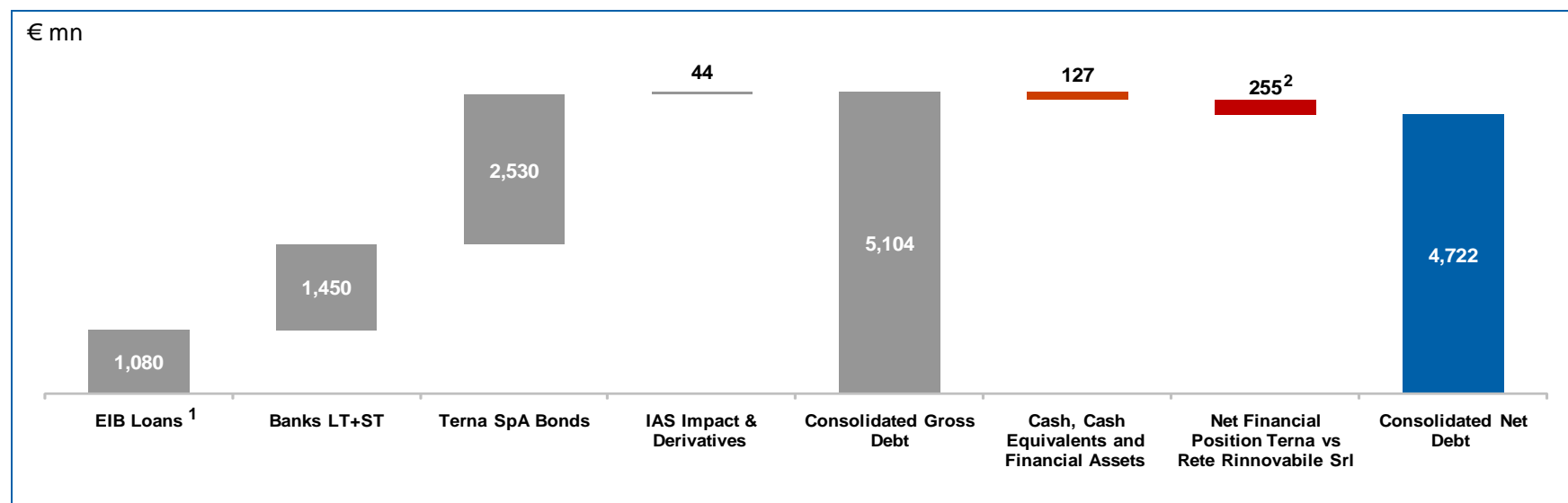
€ mn	FY09	FY09 Cont.Op.	FY10	FY10 Cont.Op.
Net Income	771	354	614	467
Depreciation ¹	309	309	358	358
Net Change in Funds	212	92	-14	-14
Operating Cash Flows	1,292	755	957	810
Change in WC	-38	207	-202	-202
Cash Flow from Operating Activities	1,254	962	755	608
Capital Expenditures	-900	-900	-1,163	-1,163
Other Fixed Asset Changes	-310	-1,188	-30	-30
Free Cash Flow	44	-1,126	-437	-584
Dividends	-338	-338	-401	-401
Change in Capital and Other	-99	-99	46	21
Cash related to Brazilian Assets and Liabilities		758		
Rete Rinnovabile Srl Invested Capital			-399	
Change in Net Cash/(Debt)	-392	-805	-1,191	-964

(1) Net of assets' disposal



FY10 Results

Consolidated Net Financial Position



Change in Net Financial Position (mn€)	
Net Debt 2009YE	3,758
<i>Δ Fair Value on Bonds</i>	76
<i>Change in Financial Position</i>	1,001
<i>Δ Fair Value on Derivatives</i>	-113
Net Debt 2010YE	4,722
Change in Net Debt	+964

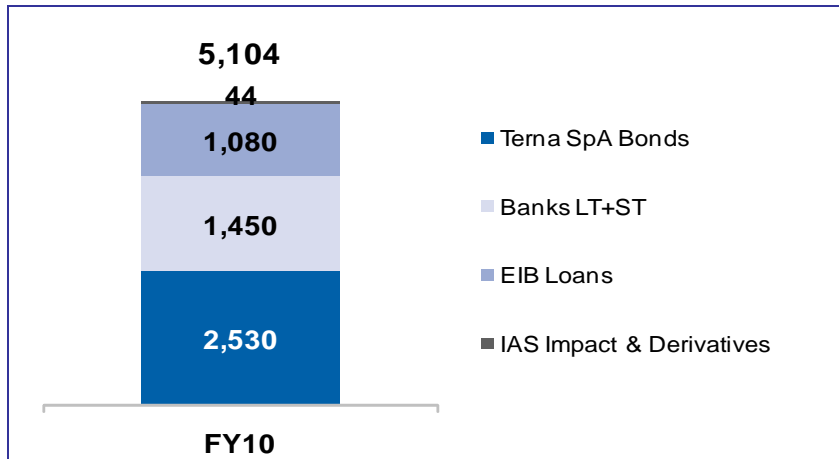
(1) EIB (European Investment Bank) Loans
 (2) Net Financial Position Discontinued Operations: 226mn



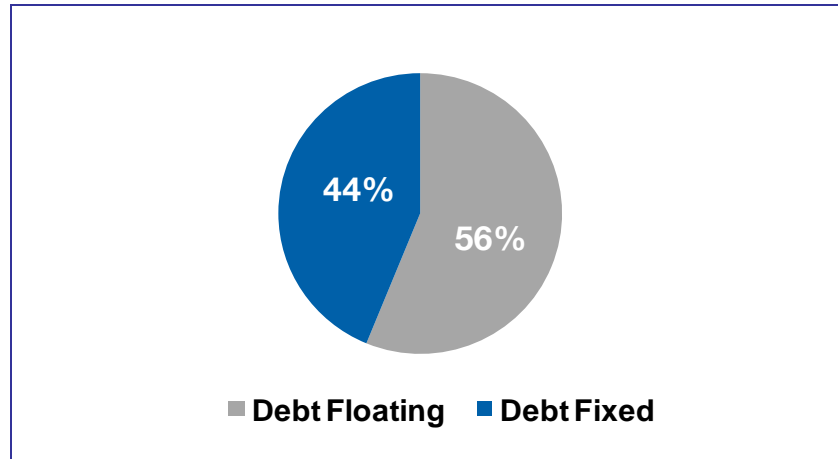
FY10 Results

Financial Structure

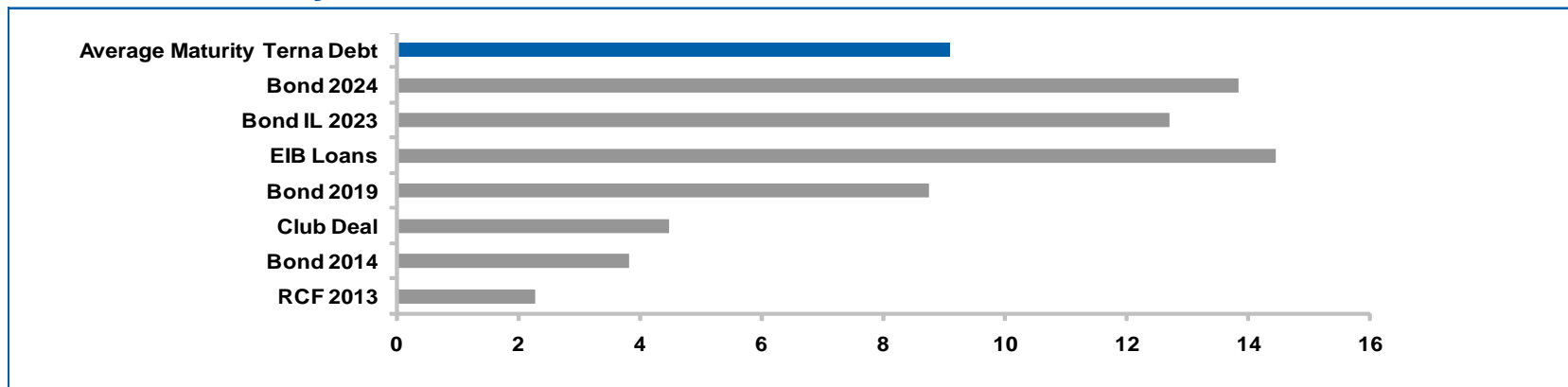
Gross Debt by Instruments (€mn)



Fixed/Floating Mix



Debt Maturity





Five Years - Five Indicators

	2005	2010	Delta	CAGR
Revenues	917	1,589	73.3%	11.6%
EBITDA	594	1,175	97.8%	14.6%
EBIT	437	814	86.3%	13.2%
Net Income	228	467	104.8%	15.4%
Capex	264	1,163	340.5%	34.5%

Note: 2005 figures net of Brazilian activities



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