



1H10 Consolidated Results

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Agenda

- RECENT DEVELOPMENTS 3
- STRATEGIC UPDATE 4
- 1H10 RESULTS 6
- ANNEXES 14



Recent Developments

Regulatory

- Published resolution 87/10, regulating the remuneration of the *Work-In-Progress* (WIP)
 - Development capex eligible to the 3% incentive will get extra remuneration even during the construction phase
 - Submitted a list of pluriannual development projects, on which the achievement of intermediate milestones is required
 - Potential extra revenues already in 2010, linked to 2008 work-in-progress' stock

Authorizations

- Sorgente-Rizziconi project now fully authorized

Balkans

- Montenegrin parliament ratified intergovernmental agreement



Strategic Update

Photovoltaic Project - Update

- **Constantly upgrading our target, to maximize the “opportunistic” project**

July 2009

Capacity:	70-100MWp
Capex:	€250-350mn
Sites:	~ 70
Operational by Dec. 2010	

Initial Recognition

February 2010

Capacity:	100MWp
Capex:	>€300mn
Sites:	~ 70
Operational by Dec. 2010	

Start up and Implementation

July 2010

Capacity:	150MWp
Capex:	~€450mn
Sites:	~75
STEP 1	
> 100MWp	
Operational by Dec. 2010	
STEP 2	
Remaining capacity	
Operational in early 2011	

Doubling-up



Strategic Update

Photovoltaic Project – STEP 1

Status

- 2 plants already connected to the Grid
- 26 projects under construction
- Remaining projects will start construction by September





1H10 Results

Highlights

- Main drivers for top-line growth: full consolidation of Telat, transmission tariff evolution, and higher dispatching premia (38.5mn)
- 18.5% underlying EBITDA growth and 2.9pp margin improvement
- Outstanding Capex acceleration (+30%)

€mn	Change			
	1H09⁽¹⁾	1H10	mn	Δ%
Operating Revenues	668	761	93	13.9%
EBITDA	507	569	62	12.2%
EBITDA Margin (%)	75.9%	74.8%		
EBITDA Adjusted	480⁽²⁾	569	89	18.5%
EBITDA Margin (%) adjusted	71.9%	74.8%		
Net Income Continuing Operations	184	234	50	26.9%
Capex	375	486	111	29.7%

(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)



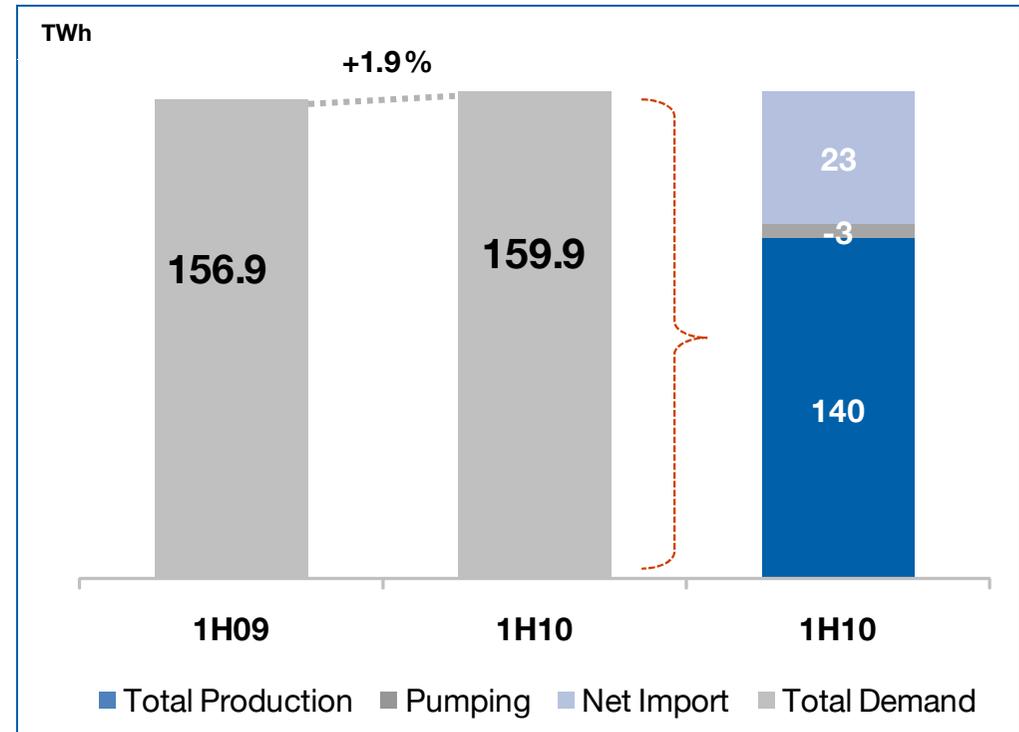
1H10 Results

Energy Items

Demand recovery trend consolidating:

- YTD demand up by 1.9% (+2% normalized)
 - Total Production +2.8%
 - Pumping -13.4%
 - Net Import -5.1%
- Peak Demand at 56,476 MW (July 16th)

▪ Total Demand 1H10



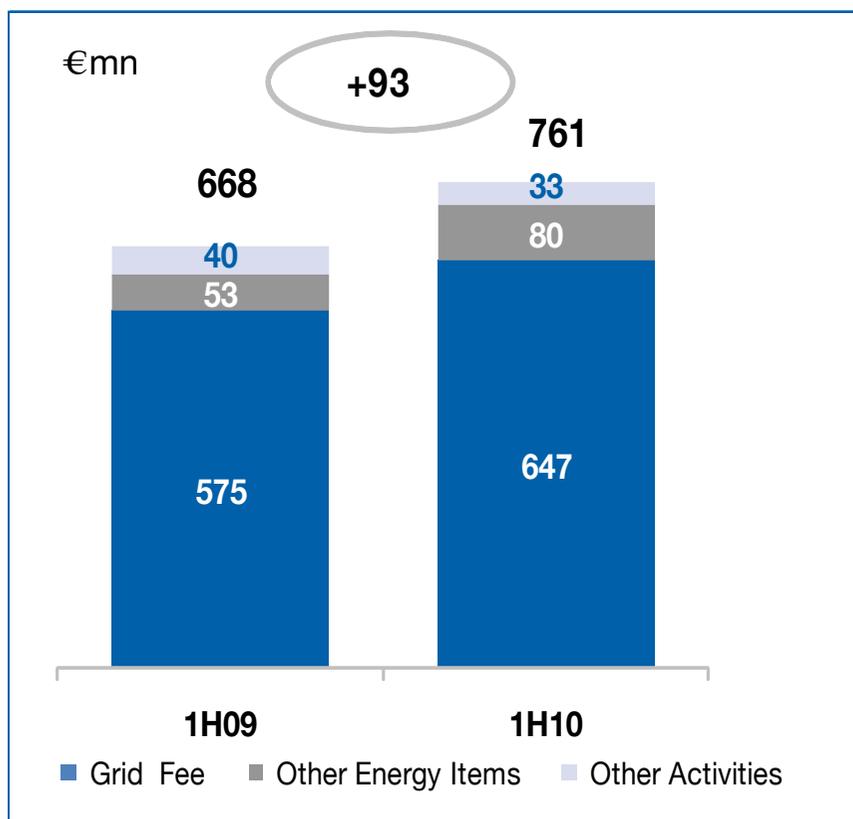
Source: 2009 final figures; 2010 provisional figures (as of July 19th)



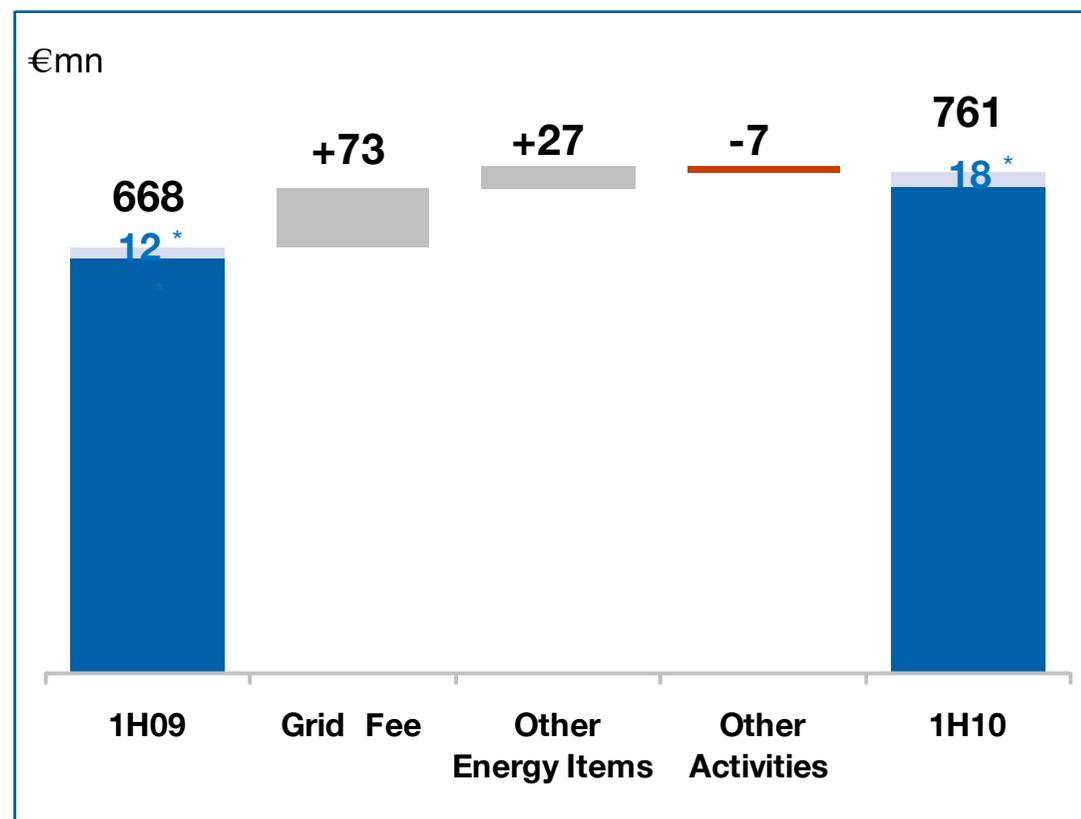
1H10 Results

Consolidated Revenues

Revenues by Nature



Revenues Breakdown



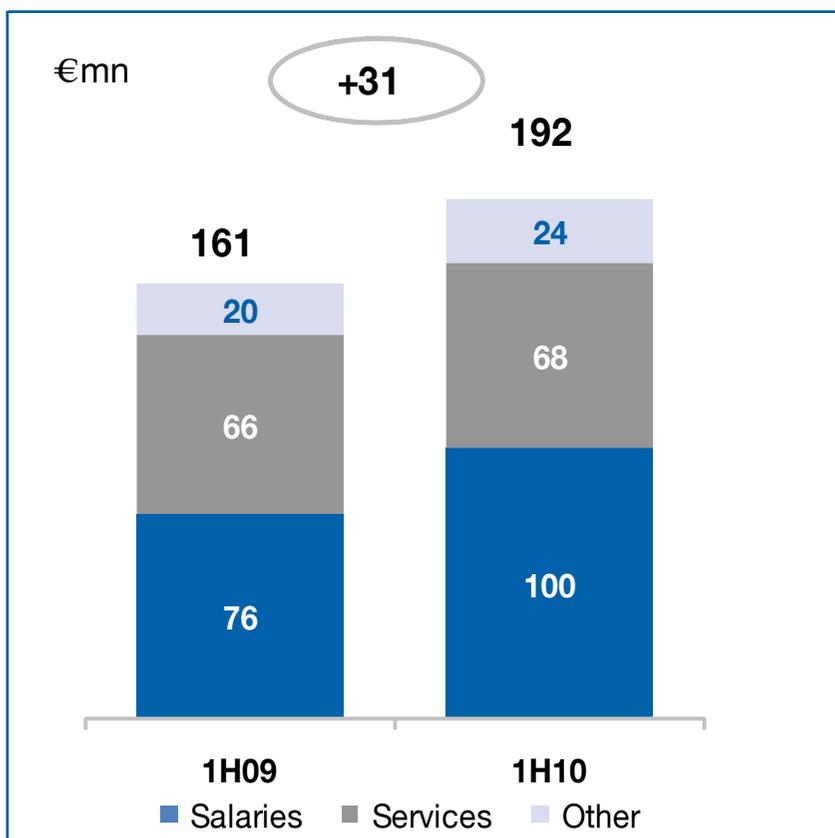
(*) Impact from the application of IFRIC 12, reported in the Other Energy Items



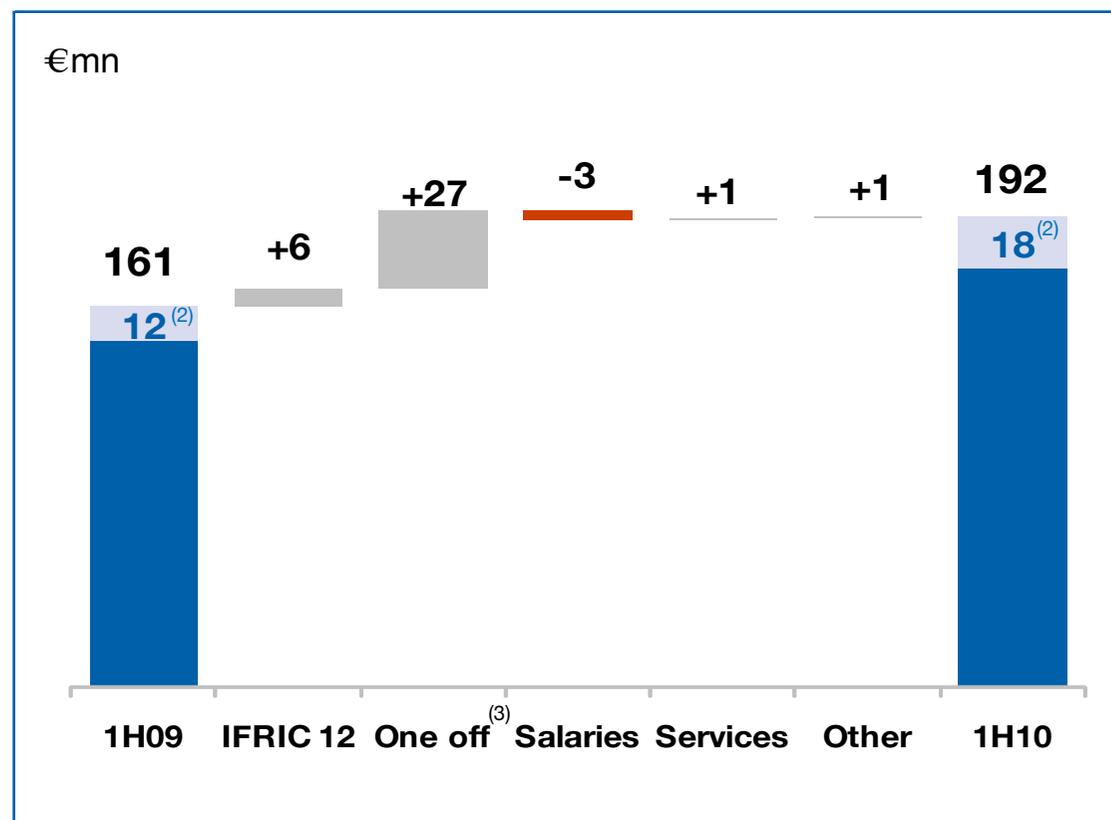
1H10 Results

Consolidated Costs

Costs by Nature¹



Costs Breakdown



(1) Net of capitalized costs

(2) Impact from the application of IFRIC 12 (see slide 17 for details)

(3) Release of "Energy Discount Fund" accounted in 2Q09



1H10 Results

From EBITDA to Net Income

€ mn	Consolidated		Change	
	1H09 ^(*)	1H10	mn	Δ%
EBITDA	507	569	62	12.2%
<i>EBITDA Margin (%)</i>	75.9%	74.8%		
<i>EBITDA Margin (%) excluding IFRIC 12 effect</i>	77.2%	76.5%		
D&A	144	173	29	19.8%
EBIT	363	396	33	9.2%
Financial Charges	80	47	-33	-41.2%
Taxes	99	116	17	17.1%
<i>Tax rate (%)</i>	34.9%	33.1%		
Net Income Continuing Operations	184	234	50	26.9%

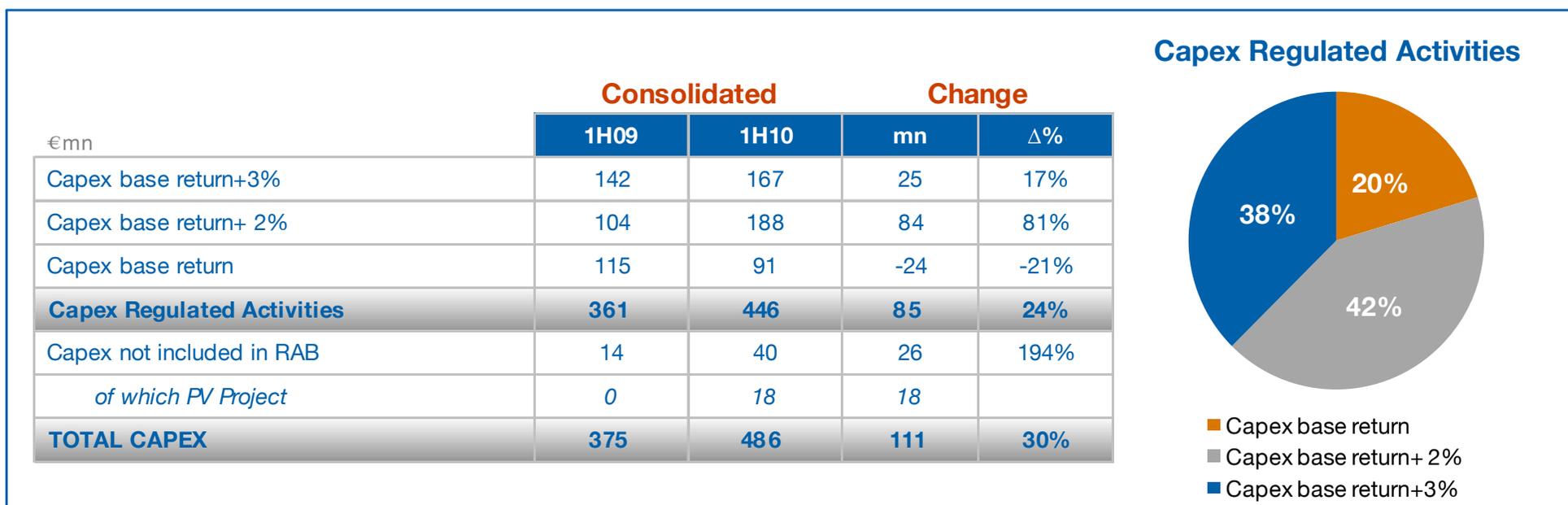
(*) Note: Figures restated according to IFRIC 12 and net of Brazilian activities



1H10 Results

Capex Breakdown

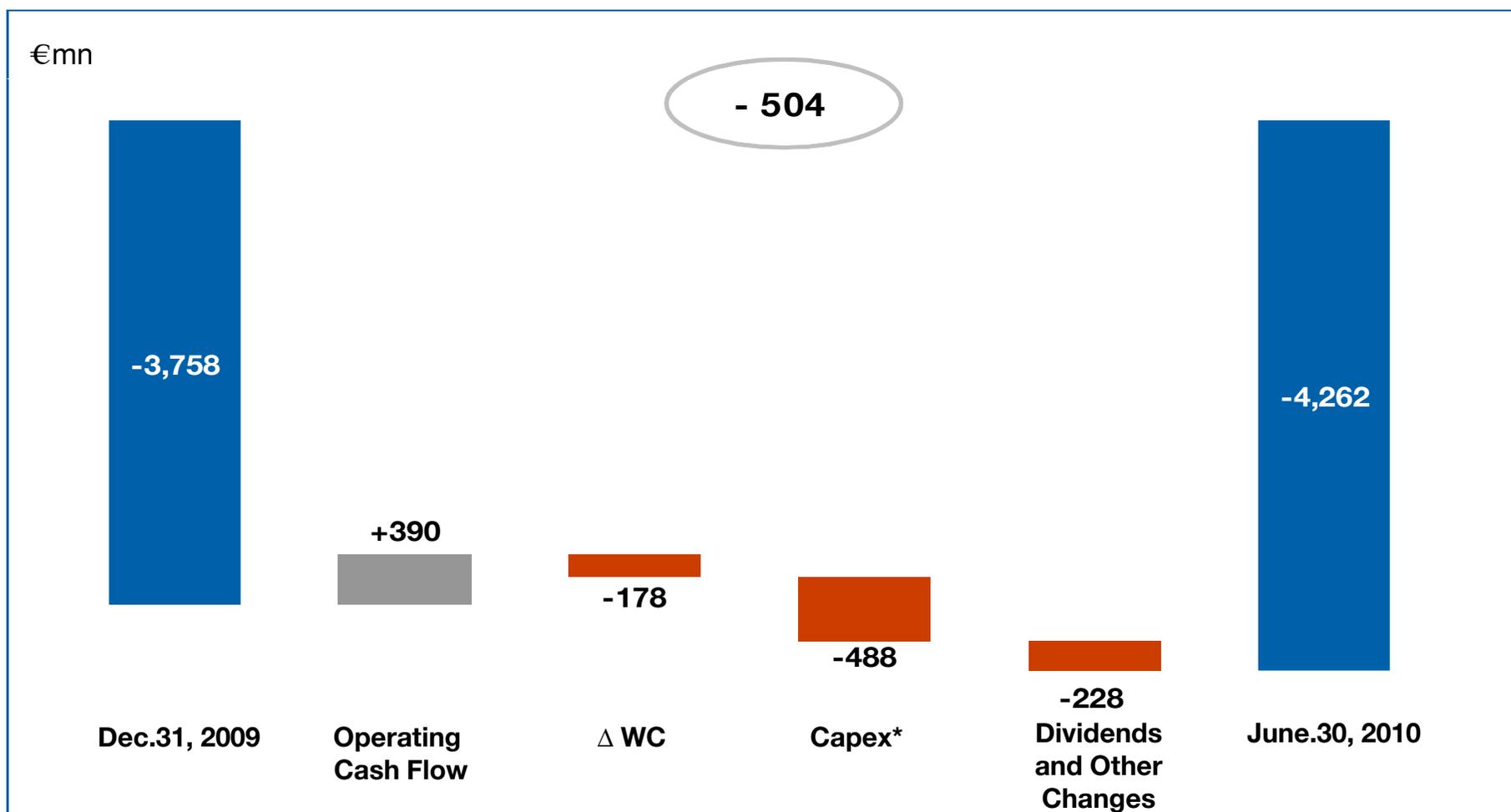
- Outstanding capex acceleration (+30%)
- Incentivized capex represent 80% of Capex in Regulated Activities





1H10 Results

Cash Flow and Consolidated Net Debt



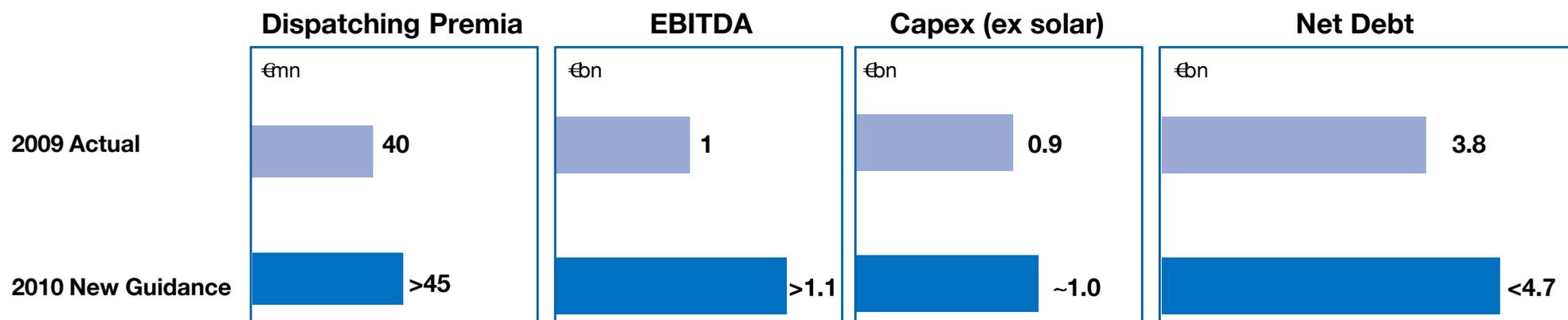
(*) Note: Including Other Fixed Assets Change



1H10 Results

Closing Remarks

▪ FY10 Outlook



▪ PV Project

Market informed on a quarterly basis

Next update due in November 2010



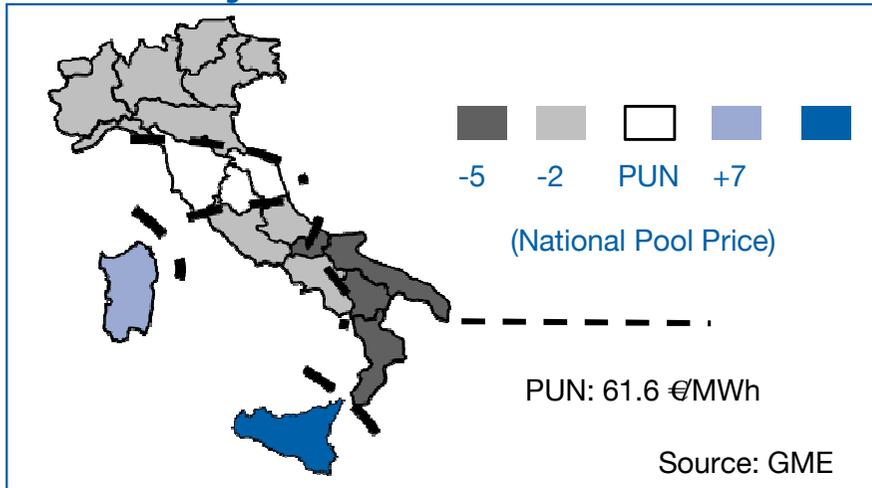
ANNEXES



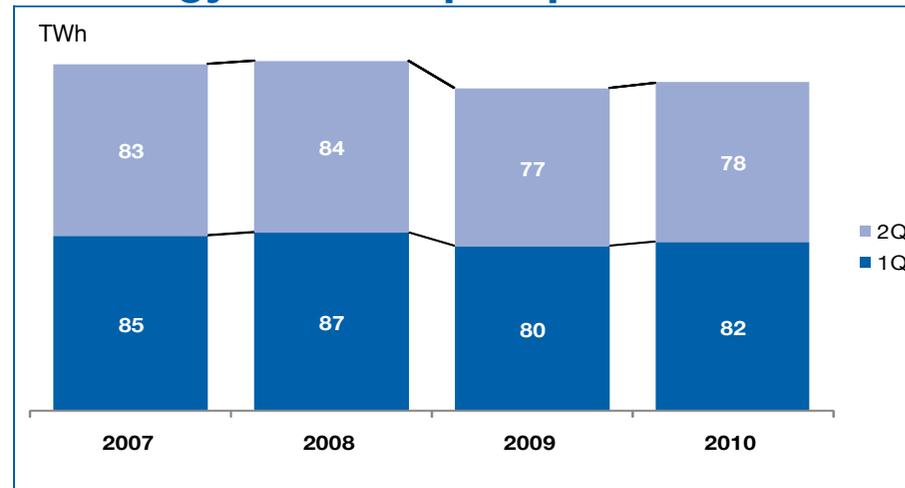
Italian Electricity Market Evolution

Energy Demand

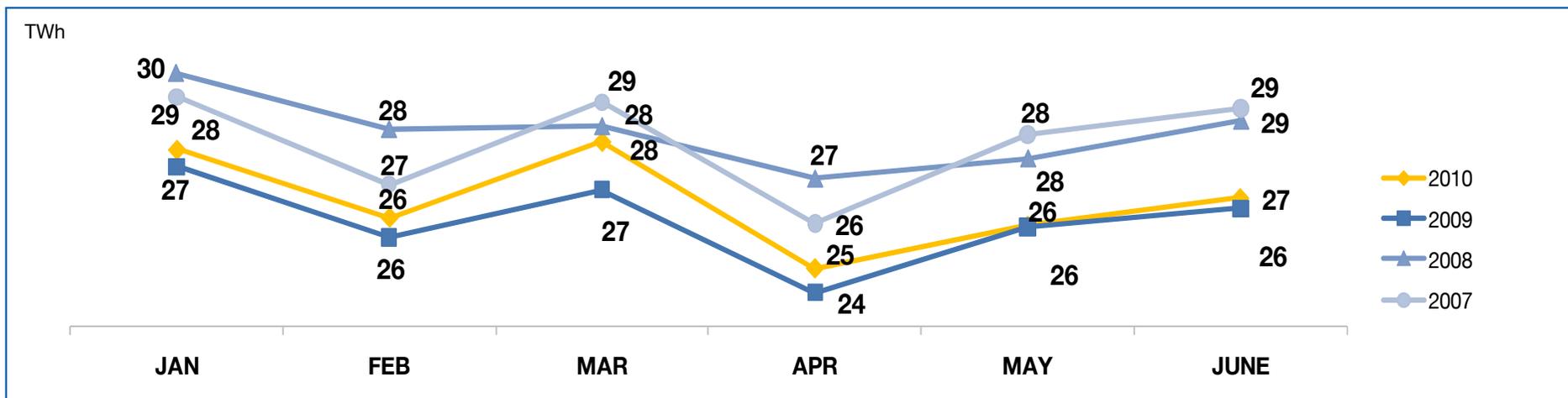
Electricity Prices



Energy Demand per quarter



Monthly Trend



Source: Terna's monthly reports. 2010 Provisional figures updated as of July 19, 2010



1H10 Results

Consolidated Income Statement

€mn	Change 1H10 vs 1H09 (*)			
	1H09	1H10	mn	Δ%
Operating Revenues	668	761	93	13.9%
<i>Grid Fee</i>	575	647	73	12.7%
<i>Other Energy Items</i>	53	80	27	50.8%
<i>Other Activities</i>	40	33	-7	-17.2%
Operating Expenses	161	192	31	19.3%
<i>Salaries</i>	76	100	24	32.1%
<i>Services</i>	66	68	3	3.8%
<i>Other</i>	20	24	4	22.1%
EBITDA	507	569	62	12.2%
<i>EBITDA Margin (%)</i>	75.9%	74.8%		
<i>EBITDA Margin (%) excluding IFRIC 12 effect</i>	77.2%	76.5%		
<i>D&A</i>	144	173	29	19.8%
EBIT	363	396	33	9.2%
<i>Financial (Income) Charges</i>	80	47	-33	-41.2%
<i>Taxes</i>	99	116	17	17.1%
<i>Tax rate (%)</i>	34.9%	33.1%		
Net income continuing operations	184	234	50	26.9%
<i>Net income discontinued operations</i>	36	0	-36	-99.7%
Total Net Income	220	234	14	6.3%
of which:				
<i>Minority Interest</i>	12	0	-12	-100.0%
Group Net Income	208	234	26	12.6%

(*) Note: 1H09 Figures have been restated according to IFRIC 12 and net of Brazilian activities



1H10 Results

Impacts of IFRIC 12

P&L	IFRIC 12		Change 1H10 vs 1H09		EXCLUDING IFRIC 12 EFFECT		Change 1H10 vs 1H09	
	1H09 (*)	1H10	mn	Δ%	1H09 (*)	1H10	mn	Δ%
Operating Revenues	668	761	93	13.9%	656	743	87	13.2%
Operating Expenses	161	192	31	19.3%	149	174	25	16.7%
<i>of which:</i>								
Salaries	76	100	24	32.1%	74	97	23	31.6%
Services	66	68	3	3.8%	56	57	1	1.1%
Other	20	24	4	22.1%	19	20	1	5.3%
EBITDA	507	569	62	12.2%	507	569	62	12.2%
EBITDA Margin (%)	75.9%	74.8%			77.2%	76.5%		

(*) Note: 1H09 Figures have been restated net of Brazilian activities



1H10 Results

Quarterly analysis

€mn	Consolidated		Change	Consolidated		Change
	1Q09 ^(*)	1Q10	mn	2Q09 ^(*)	2Q10	mn
Operating Revenues	313	365	52	355	396	41
<i>Grid Fee</i>	279	331	52	296	317	21
<i>Other Energy Items</i>	15	18	3	38	62	24
<i>Other Activities</i>	20	16	-4	21	17	-3
Operating Expenses	84	91	7	77	101	24
EBITDA	230	274	44	277	295	17
D&A	65	84	19	79	89	10
EBIT	164	190	26	199	206	7
Financial (Income) Charges	38	24	-14	42	23	-19
Taxes	45	59	14	54	57	3
Net Income Continuing Operations	81	107	27	103	126	23
Net income discontinued operations	14	0	-14	22	0	-22
Total Net Income	94	107	13	126	127	1
of which:						
<i>Minority Interest</i>	5	0	-5	7	0	-7
Group Net Income	89	107	18	118	127	8

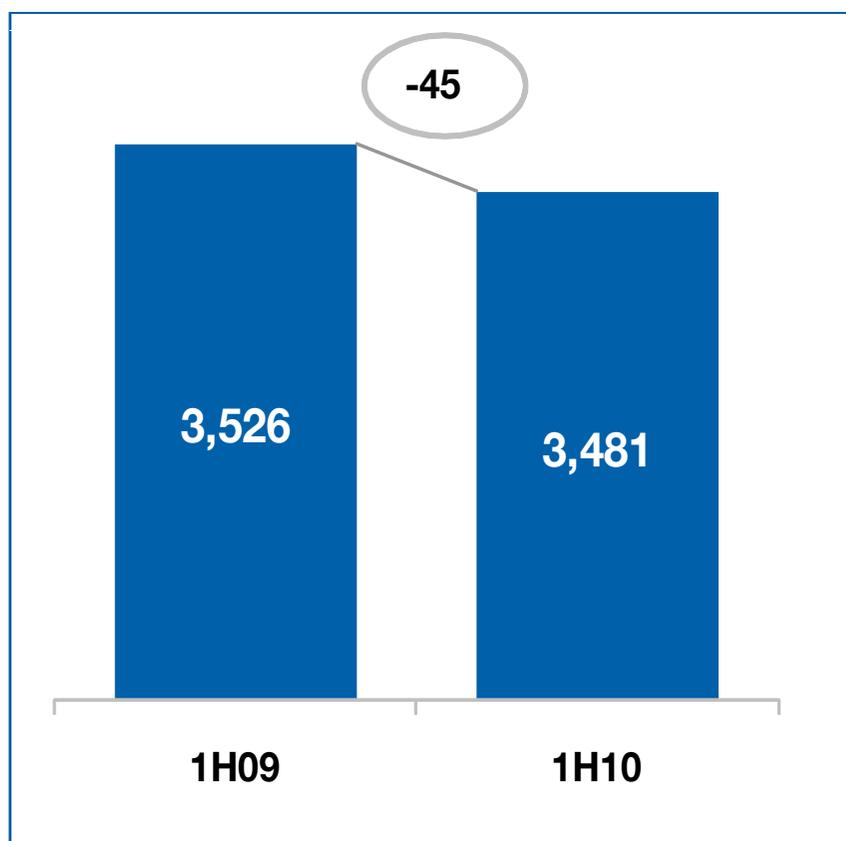
(*) Note: Figures restated according to IFRIC 12 and net of Brazilian activities



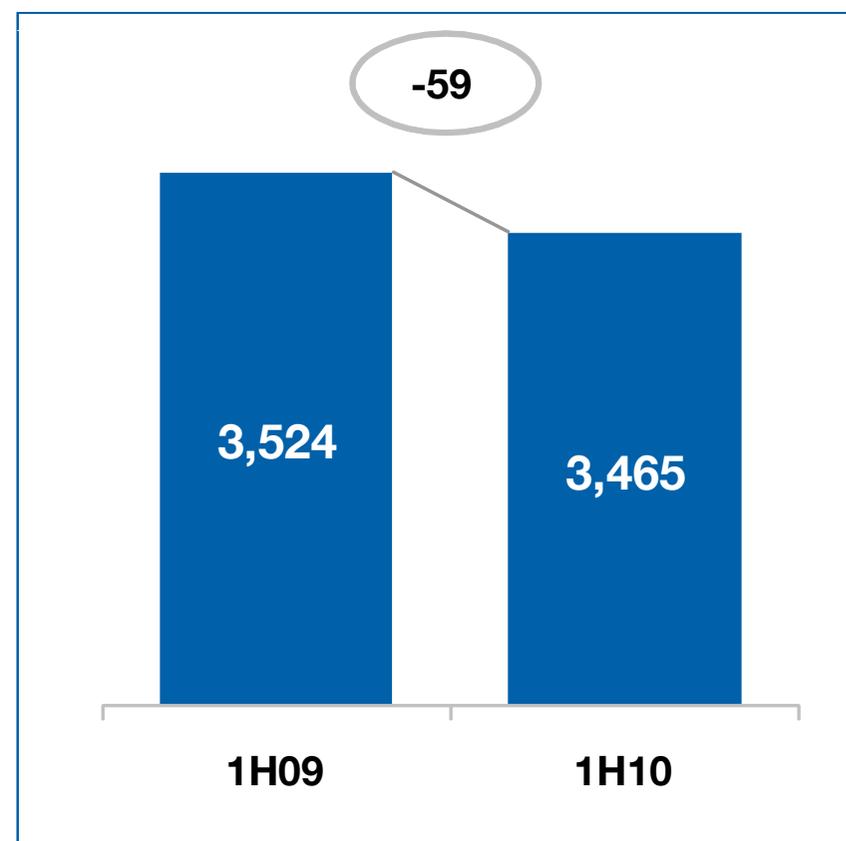
1H10 Results

Headcount Evolution

Final Headcount



Average Headcount





1H10 Results

Consolidated Balance Sheet

€mn	FY09 (*)	1H10	mn
Assets			
PP&E	6,990	7,299	309
Intangible Asset, net	458	461	3
Financial Inv. and Other	21	24	3
Total Fixed Assets	7,469	7,784	315
Net WC	-571	-393	178
Funds	-638	-622	16
Net assets of discontinued operations	0.1	0.0	0
Total Net Invested Capital	6,260	6,769	509
Financed by:			
Net Debt	3,758	4,262	504
Total Shareholder's Equity	2,502	2,507	5
D/E ratio	1.5	1.7	
Number of Shares	2,001	2,004	

(*) Note: Figures restated according to IFRIC 12



1H10 Results

Consolidated Cash Flows

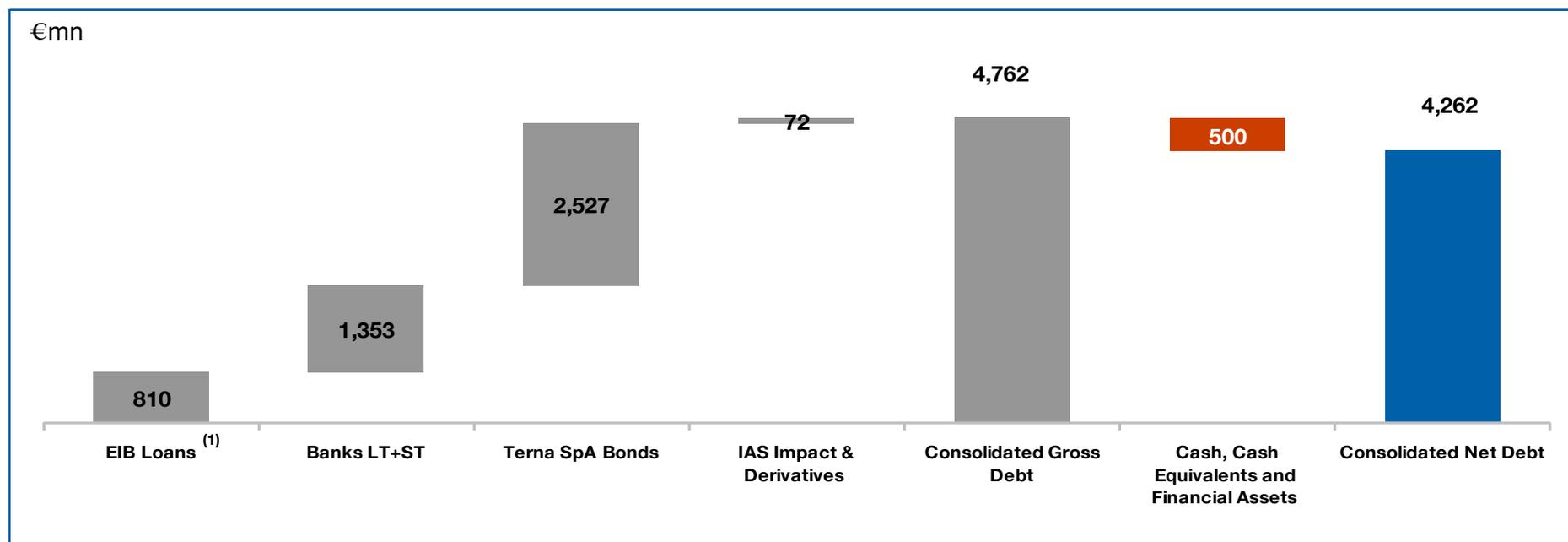
€mn	1H09	1H10
Net Income	220	234
Depreciation ⁽¹⁾	152	173
Net Change in Funds	29	-16
Operating Cash Flows	401	390
Change in WC	445	-178
Cash Flow from Operating Activities	846	213
Capital Expenditures	-375	-486
Other Fixed Asset Changes	-1,371	-2
Free Cash Flow	-900	-275
Dividends	-199	-240
Change in Capital	-51	12

(1) Net of assets' disposal



1H10 Results

Consolidated Net Financial Position



Change in Net Financial Position (mn €)

Net Debt 2009YE	3,758
<i>Δ Fair Value on Bonds</i>	168
<i>Change in Financial Position</i>	+512
<i>Δ Fair Value on Derivatives</i>	-176
Net Debt 1H10	4,262
Change in Net Debt	+504

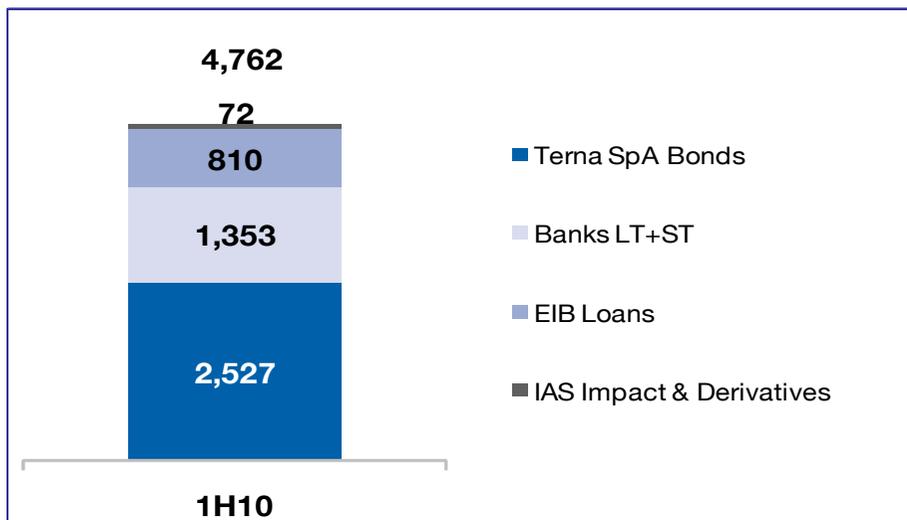
(1) EIB (European Investment Bank) Loans



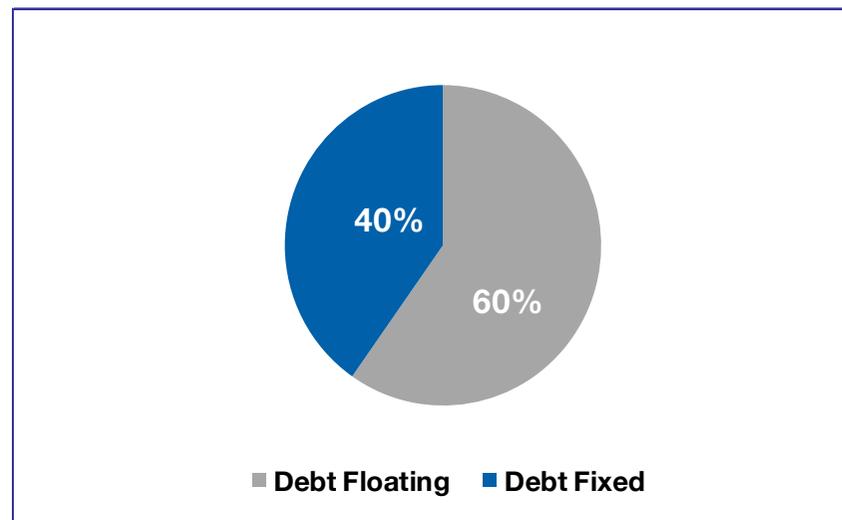
1H10 Results

Financial Structure

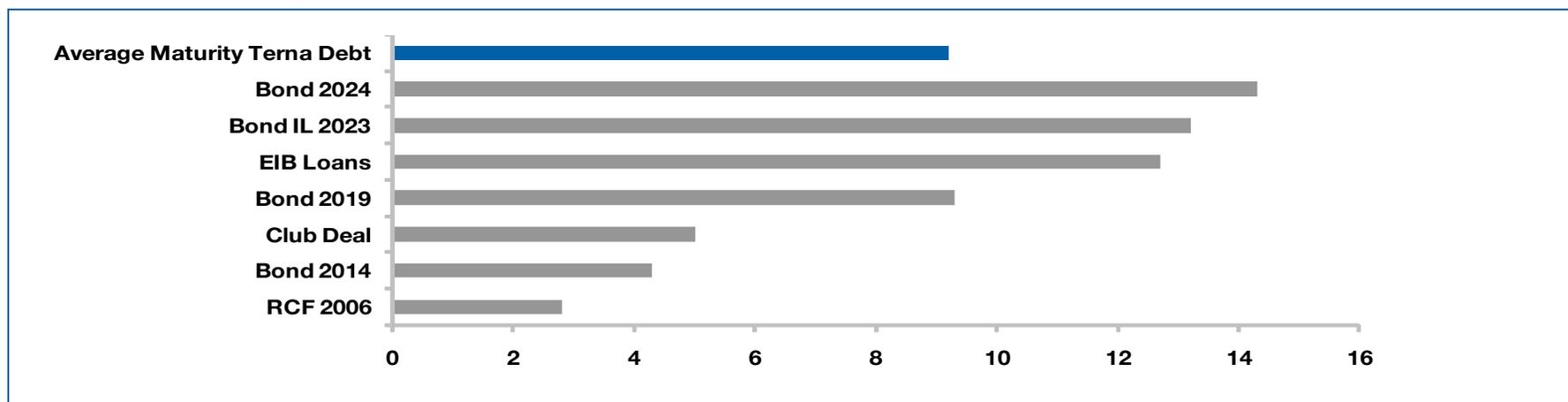
▪ Gross Debt by Instruments (€mn)



▪ Fixed/Floating Mix



▪ Debt Maturity





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