



FY08 Consolidated Results

Flavio Cattaneo - Chief Executive Officer

Fabio Todeschini - Chief Financial Officer

MARCH 11TH, 2009



Agenda

- HIGHLIGHTS 3
- FY08 RESULTS 6
- CLOSING REMARKS 14
- ANNEXES 16

Highlights

2008 at a Glance

- Revenues and EBITDA up, notwithstanding first year of new regulatory period
- Strong acceleration in capex spending

€mn	Reported		Change		Pre-closing
	FY07	FY08	mn	Δ%	FY08
Operating Revenues	1,348	1,395	47	3.5%	> 1,385
EBITDA	978	995	17	1.7%	> 985
<i>EBITDA Margin (%)</i>	<i>72.5%</i>	<i>71.3%</i>			<i>~71%</i>
Group Adj. Net Income	347 ⁽¹⁾	328	-20	-5.6%	
Capex	618	776	158	25.6%	> 760
Net Debt	2,650	3,366	716	27.0%	3,365

NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

(1) Adjusted for the partial release of Deferred Tax Fund (68mn)



Highlights

Recent Events

- **Acquisition of HV Grid from ENEL on track**

Antitrust approval: ✓ February 16th

Inclusion of the assets in the National Transmission Grid by the Ministry of Economic Development : ✓ February 27th

Awaiting for the AEEG resolution on tariff

- **Rating**

Modified Long Term ratings

- S&P A+, Moody's A2

- Fitch expected to go to A after completion of ENEL HV Grid acquisition

No impacts on financial costs

- **Trend in electricity demand worsening**

Terna protected against the drop of electricity consumption

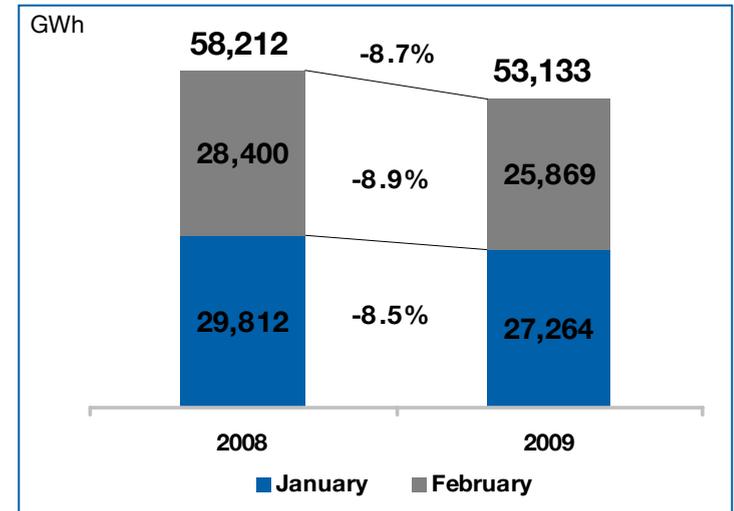
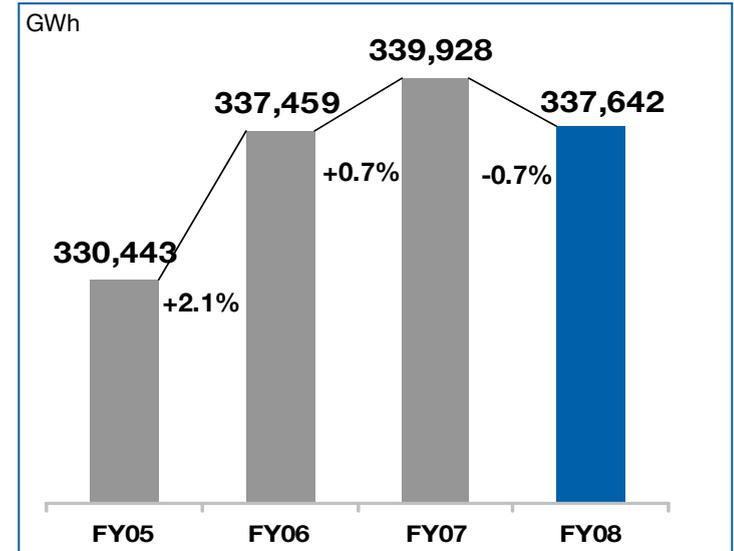
Exposure to electricity volumes limited to only +/- 0.5%

Highlights

Energy Items

- 2008
 - -0.7%, first drop since 1981
 - Key features:
 - Total Net Production: 305,540 (+1.4%)
 - Pumping: 19,818 (-2.1%)
 - Net Import: 39,566 (-14.5%)

- 2009
 - Negative trend confirmed
 - YTD: -8.7%

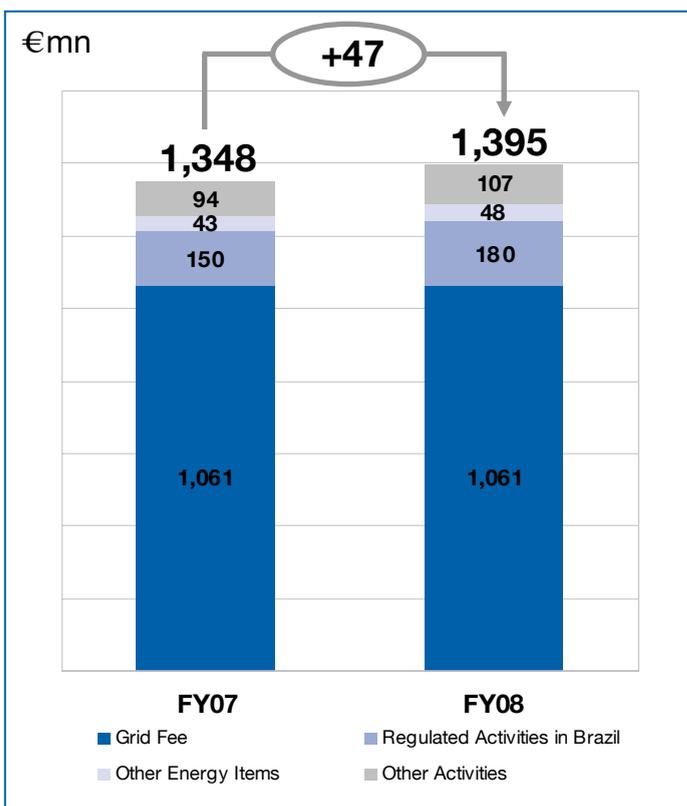


Note: 2008 provisional figures

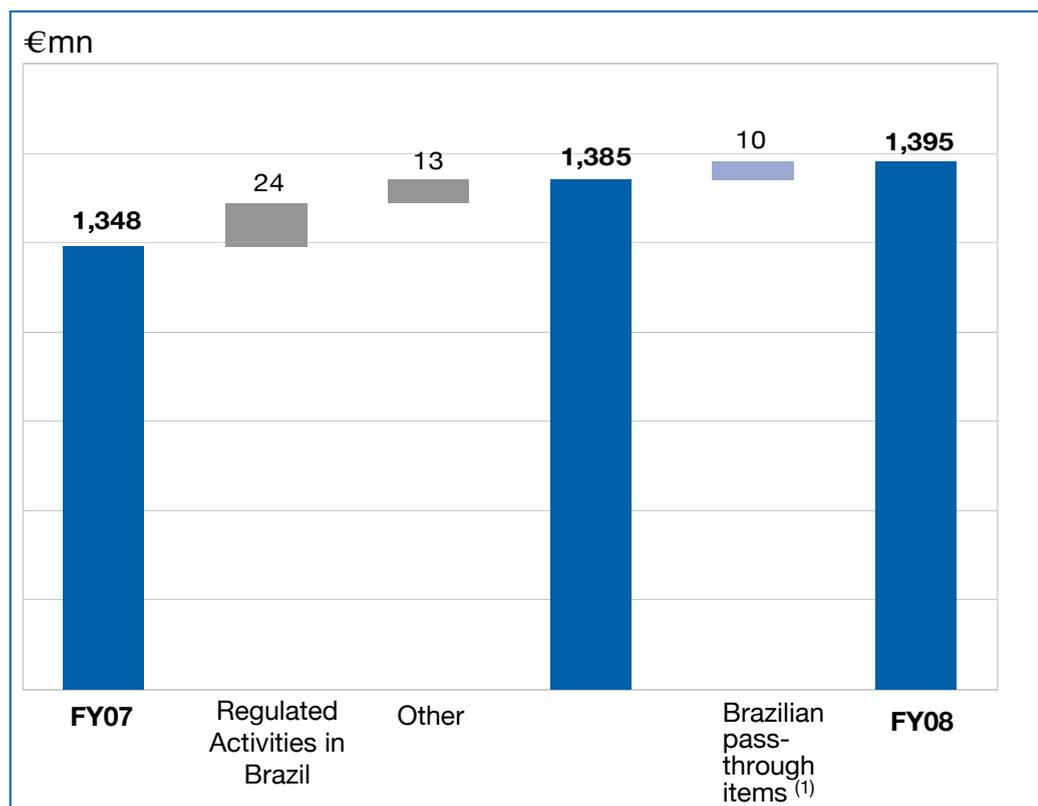
FY08 Results

Consolidated Revenues

Revenues by Nature



Revenues Breakdown

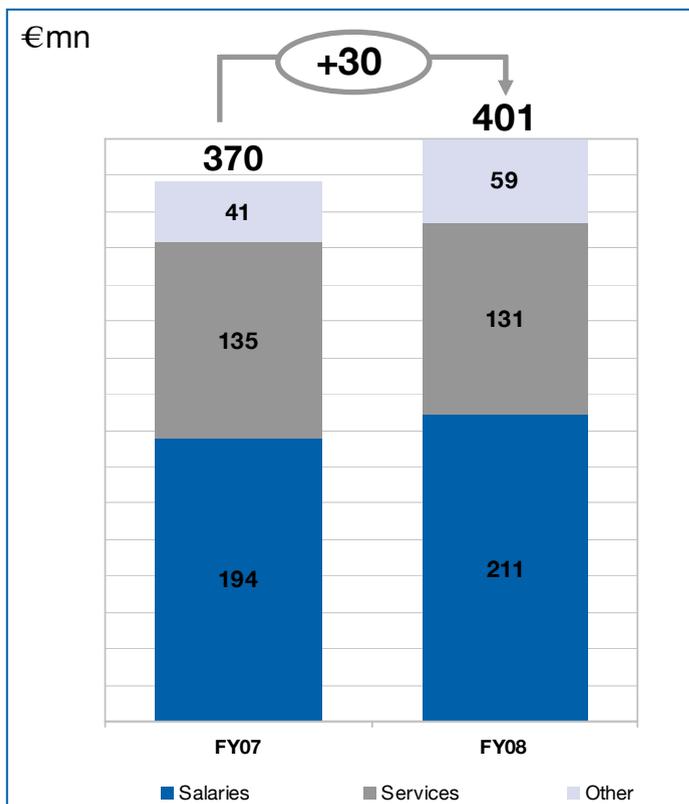


(1) PIS/COFINS (6mn) included in Regulated Activities in Brazil and EPC contract with Brasnorte (4mn) accounted in Other Revenues

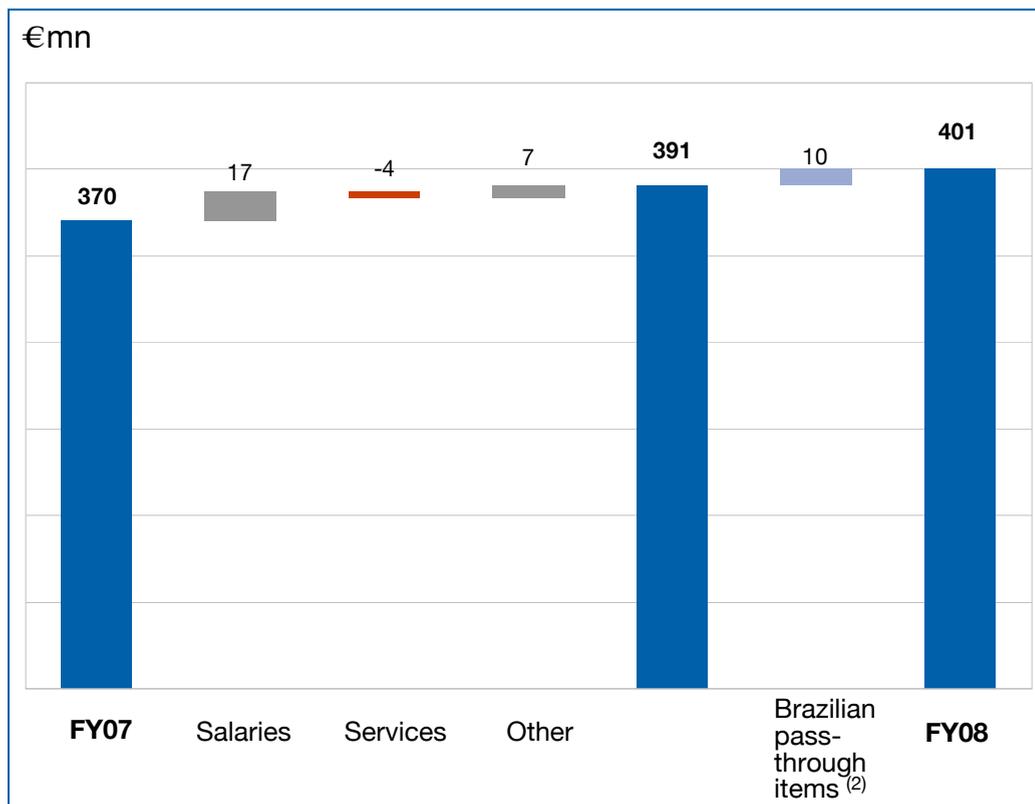
FY08 Results

Consolidated Costs

Costs by Nature⁽¹⁾



Costs Breakdown



(1) Net of capitalized costs

(2) PIS/COFINS (6mn) and EPC contract with Brasnorte (4mn)

FY08 Results

From EBITDA to Net Income

€mn	Consolidated		Change	
	FY07	FY08	mn	Δ%
EBITDA	978	995	17	1.7%
<i>EBITDA Margin (%)</i>	<i>72.5%</i>	<i>71.3%</i>		
D&A	-255	-280	-25	9.9%
EBIT	723	714	-8	-1.2%
Financial Charges	-115	-180	-65	56.6%
Taxes	-242	-193	49	-20.2%
Release of Deferred Tax Fund	68	-	-68	
<i>Tax rate (%) reported</i>	<i>28.6%</i>	<i>36.1%</i>		
<i>Tax rate (%) adjusted⁽¹⁾</i>	<i>39.8%</i>	<i>36.1%</i>		
Total Net Income	434	341	-93	-21.4%
Minority Interest	-19	-14	5	-26.5%
Group Adj. Net Income⁽¹⁾	347	328	-20	-5.6%
Group Net Income	415	328	-88	-21.1%

NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

(1) Adjusted for the Partial release of Deferred Tax Fund (68mn)

FY08 Results

Financial Charges

▪ Main trends

- Higher debt
- Capitalisations of Financial Charges related to work-in-progress (IAS 23)

€mn	FY07	FY08	Change
ITALY	89	122	33
Net Financial Charges	90	129	39
Fin. Charges Capitalized	-2	-8	-6
One off items	2	-1	-3
Delta Fair Value ⁽¹⁾	-1	1	2
BRAZIL	26	58	32
Net Financial Charges	33	47	14
Exchange Effects (unrealized)	-7	11	18
GROUP NET FINANCIAL CHARGES	115	180	65

NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

(1) Due to IAS accounting

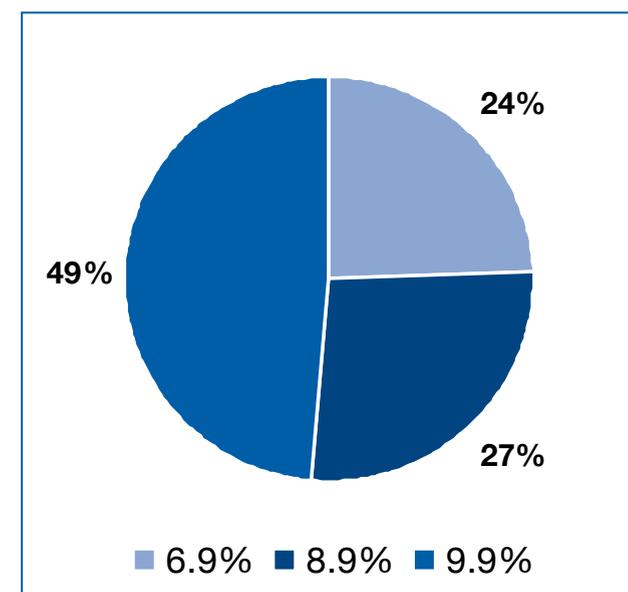
FY08 Results

Capex Breakdown

- Significant boost, due to acceleration of development capex
- Mix shifting towards incentivised capex.

€mn	FY07	FY08	Change (mn)	Change (%)
Incentivized remuneration	399	561	162	41%
Ordinary remuneration	192	182	-10	-5%
- <i>Maintenance</i>	75	97	22	30%
- <i>Other</i>	117	85	-32	-27%
Non regulated activities	17	22	5	29%
TOTAL ITALY	608	765	157	26%
TOTAL BRAZIL	10	11	1	10%
TOTAL CAPEX	618	776	158	26%

▪ Capex Remuneration⁽¹⁾



NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

(1) Italy, excluding Non regulated activities

FY08 Results

Consolidated Cash Flows

€mn	FY07	FY08
Net Income	434	341
Depreciation ⁽¹⁾	254	278
Net Change in Funds	-105	-36
Operating Cash Flows	583	583
Change in WC	88	-44
Cash Flow from Operating Activities	672	540
Capital Expenditures	-618	-776
Other Fixed Asset Changes	-113	-106
Free Cash Flow	-59	-343
Dividends	-311	-328
Change in Capital	4	-46
Change in Financial Position	-367	-716

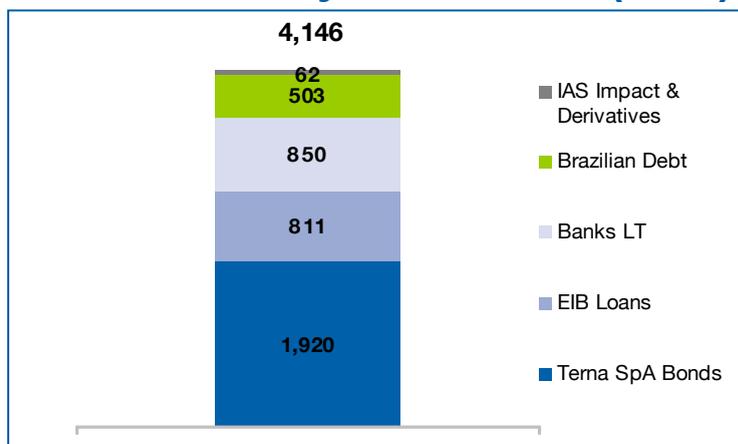
NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

(1) Net of assets disposals

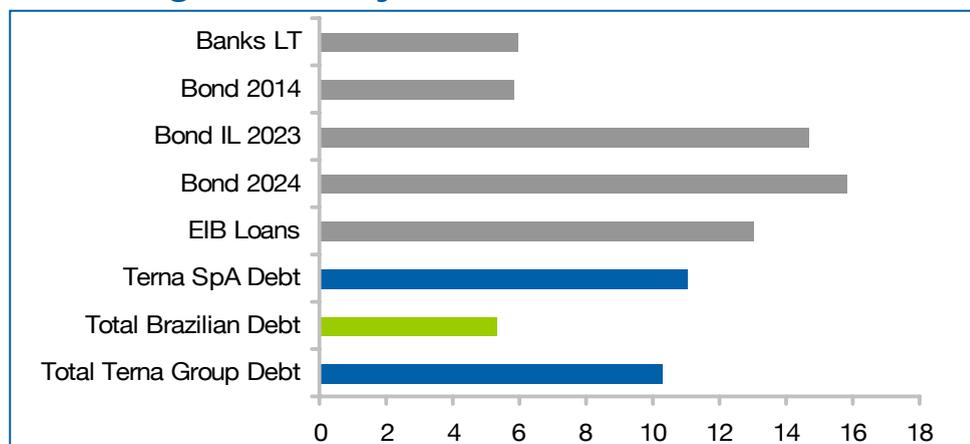
FY08 Results

Financial Structure

Gross Debt by Instruments (€mn)



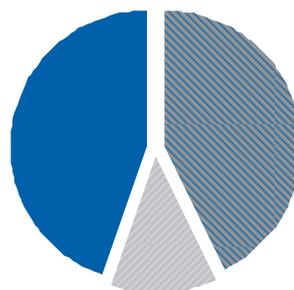
Average Maturity



Debt Breakdown

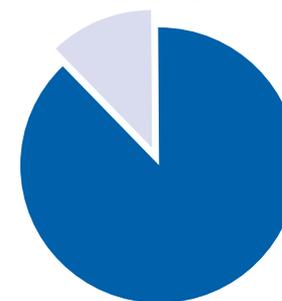
	Floating	Fixed
Italy	49%	51%
Group	55%	45%

Fixed/Floating Mix



■ Italy Floating ■ Brazil Floating ■ Italy Fixed

Currency



■ Euro ■ Real

Closing Remarks

Dividends

- **2008 Total Dividend: 15.8 €cents/share**

+ 4.6% yoy

- Final dividend 2008: 9.88 €cents/share

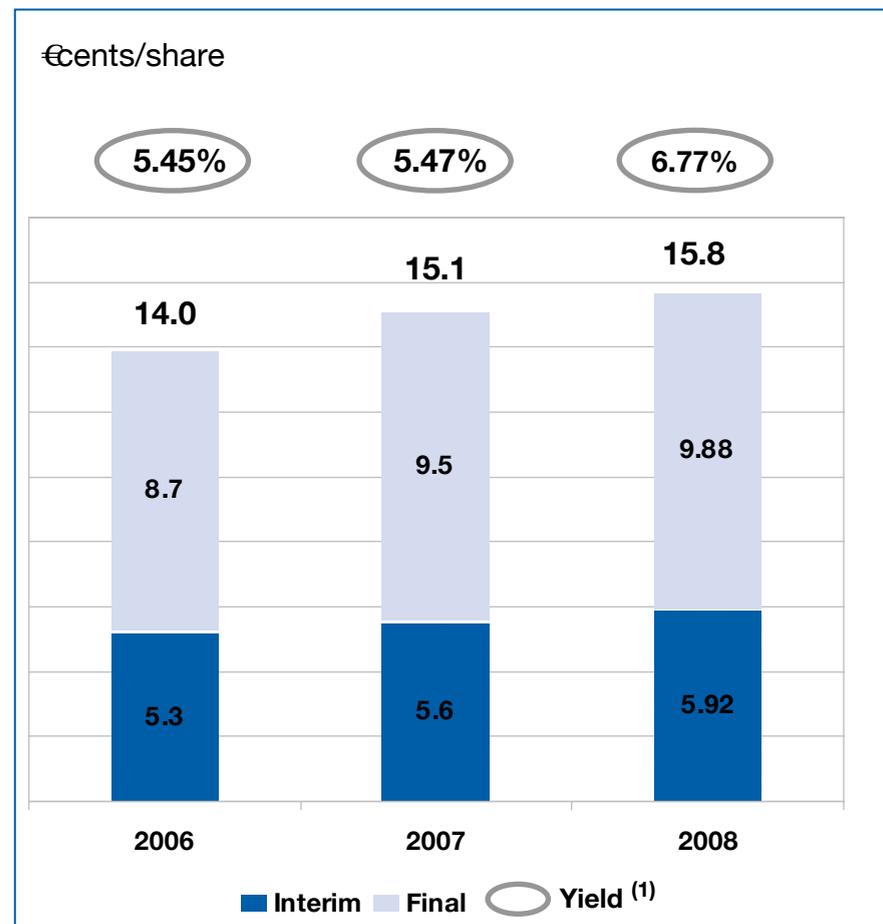
Ex date: June 22nd, 2009

Payment date: June 25th, 2009

- **Solid Shareholders' Return**

Top ranking yield

Growth exceeding minimum guaranteed



(1) Calculated as dividend for the reporting year divided by share price at year end



Closing Remarks

- **Appealing combination of *Predictability* and *Growth***
- **High Total Shareholders Returns**

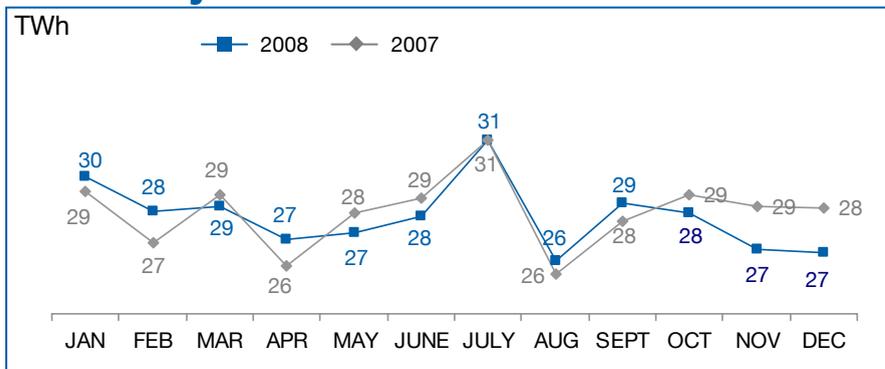


ANNEXES

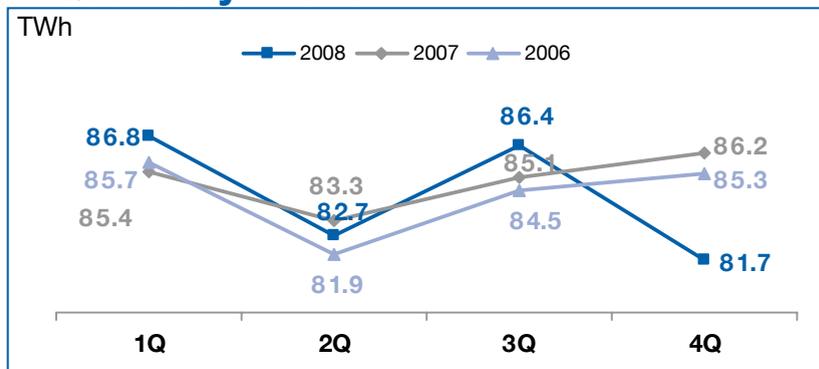
Italian Electricity Market Evolution

Energy Demand

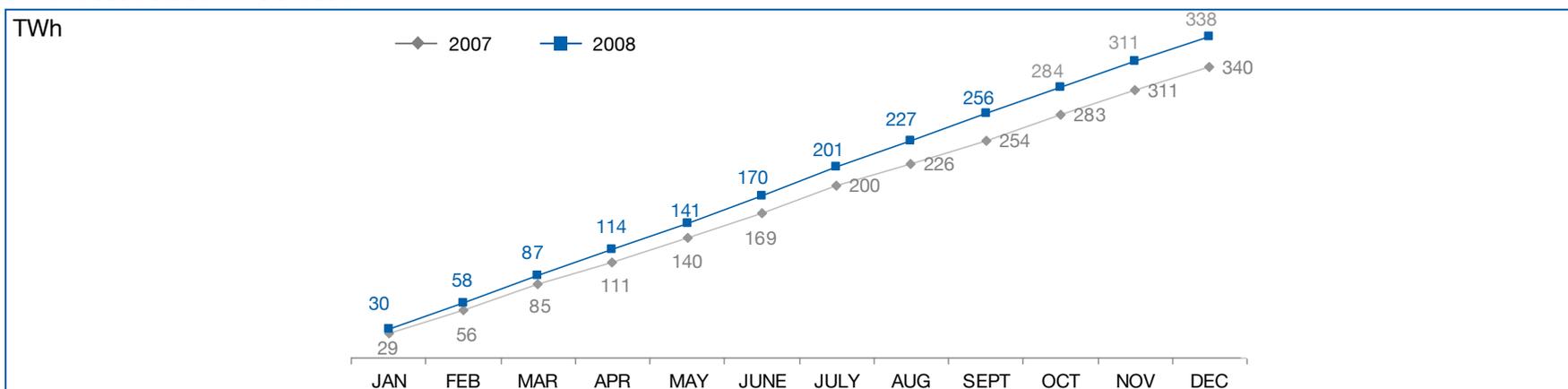
Monthly Trend



Quarterly Trend



Cumulated Trend



(1) Source: TERNA's monthly reports

FY08 Results

In mn Euro

Consolidated Income Statement

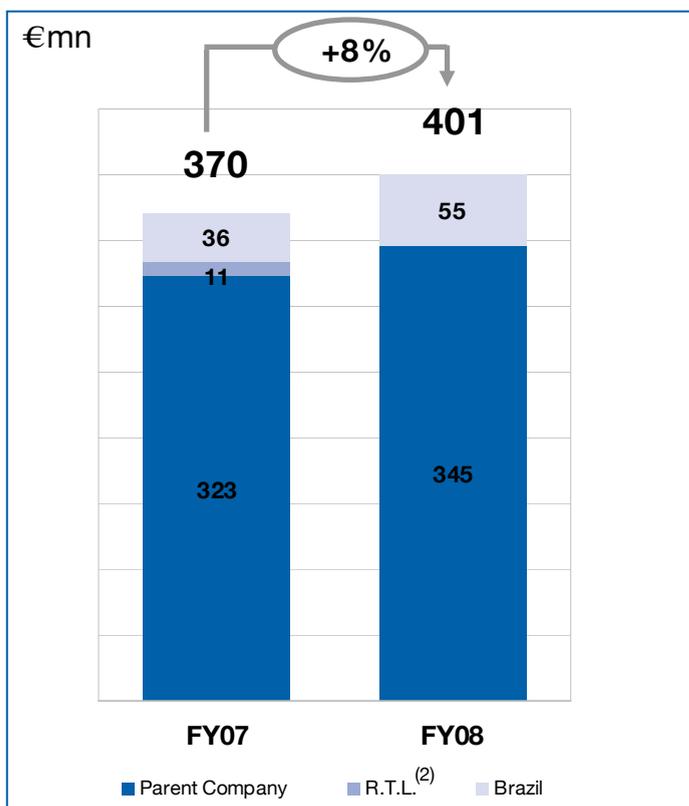
€mn	Consolidated		Change	
	FY07	FY08	mn	Δ%
Operating Revenues	1,348	1,395	47	3.5%
<i>Grid Fee</i>	1,061	1,061	0	0.0%
<i>Other Energy Items</i>	43	48	5	11.8%
<i>Regulated Activities in Brazil</i>	150	180	30	19.7%
<i>Other Activities</i>	94	107	13	13.4%
Operating Expenses	370	401	30	8.1%
<i>Salaries</i>	194	211	17	8.6%
<i>Services</i>	135	131	-4	-2.9%
<i>Other</i>	41	59	17	42.0%
EBITDA	978	995	17	1.7%
<i>Italy</i>	848	850	3	0.3%
<i>Brazil</i>	130	144	14	11.0%
<i>EBITDA Margin (%)</i>	73%	71%		
<i>D&A</i>	255	280	25	9.9%
EBIT	723	714	-8	-1.2%
<i>Financial (Income) Charges</i>	115	180	65	56.6%
<i>Taxes</i>	174	193	19	11.2%
<i>Tax rate (%)</i>	29%	36%		
Total Net Income	434	341	-93	-21.4%
<i>Minority Interest</i>	19	14	-5	-26.5%
Group Net Income	415	328	-88	-21.1%

NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

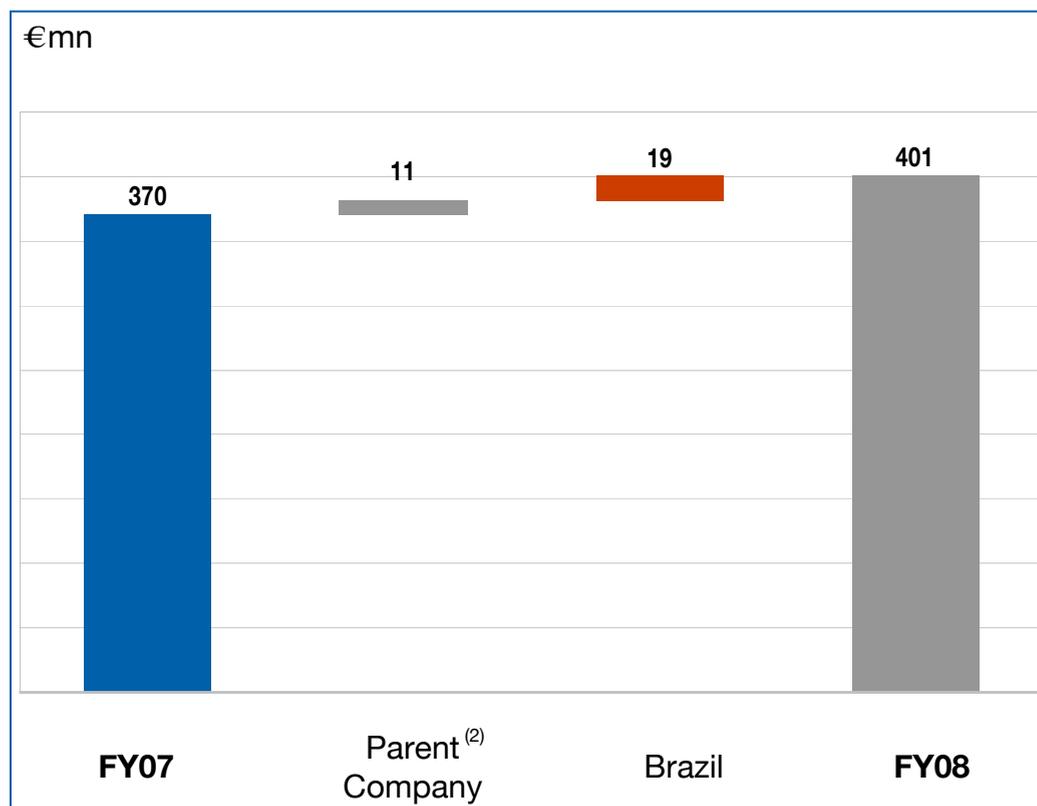
FY08 Results

Consolidated Costs

Costs by Entity⁽¹⁾



Costs Breakdown



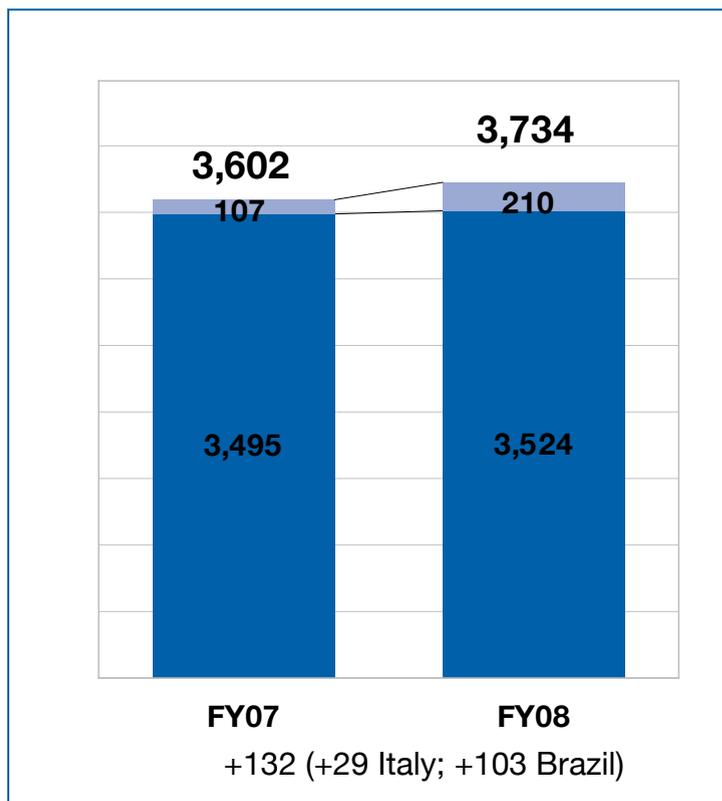
(1) Net of capitalized costs

(2) Include RTL incorporated in Terna SpA starting from January 1, 2008

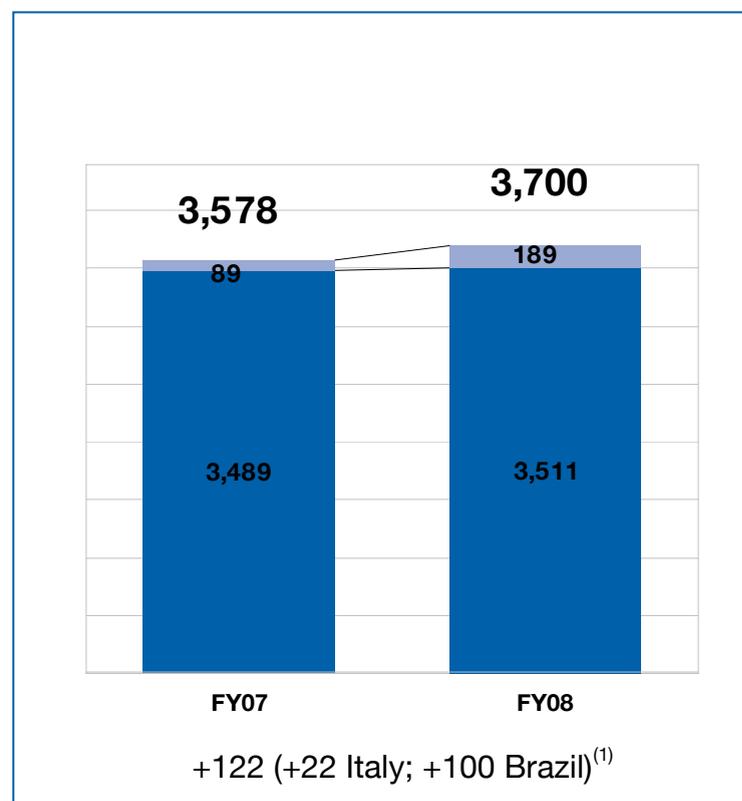
FY08 Results

Headcount Evolution

- Final Headcount



- Average Headcount



■ Italy ■ Brazil

(1) As effect of enlarged perimeter and in-sourcing actions

FY08 Results

Consolidated Income Statement – Quarterly Analysis

- 4Q results mainly driven by:
 - Lower electricity demand
 - Bonus on dispatching

€mn	1Q07	1Q08	Change	2Q07	2Q08	Change	3Q07	3Q08	Change	4Q07	4Q08	Change
Operating Revenues	325	337	12	318	331	13	343	372	29	362	355	-7
<i>Grid Fee</i>	260	265	5	250	254	4	270	285	14	280	257	-24
<i>Other Energy Items</i>	11	11	0	11	11	0	11	11	0	11	16	5
<i>Regulated Activities in Brazil</i>	36	42	7	35	40	5	40	56	16	40	42	1
<i>Other Activities</i>	18	19	1	23	26	3	22	21	-2	31	41	11
Operating Expenses	85	91	6	86	98	12	85	92	7	115	120	5
EBITDA	240	246	6	232	233	1	259	280	21	248	235	-12
<i>Italy</i>	207	211	4	200	198	-2	226	237	10	214	205	-10
<i>Brazil</i>	33	35	2	31	35	4	33	44	11	34	31	-3
<i>D&A</i>	58	65	7	61	67	7	60	69	9	76	79	3
EBIT	182	182	0	171	166	-5	199	211	12	171	156	-15
<i>Financial (Income) Charges</i>	25	42	17	4	-19	-23	45	80	35	41	77	36
<i>Taxes</i>	63	50	-13	57	59	1	65	48	-17	-12	37	49
Net Income (Group and minority interests)	94	90	-4	110	127	17	88	83	-6	142	43	-100
<i>Minority Interest</i>	5	5	0	5	7	2	5	4	-1	5	-2	-7
Group Net Income	89	84	-5	105	120	14	84	79	-5	138	45	-93

NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

FY08 Results

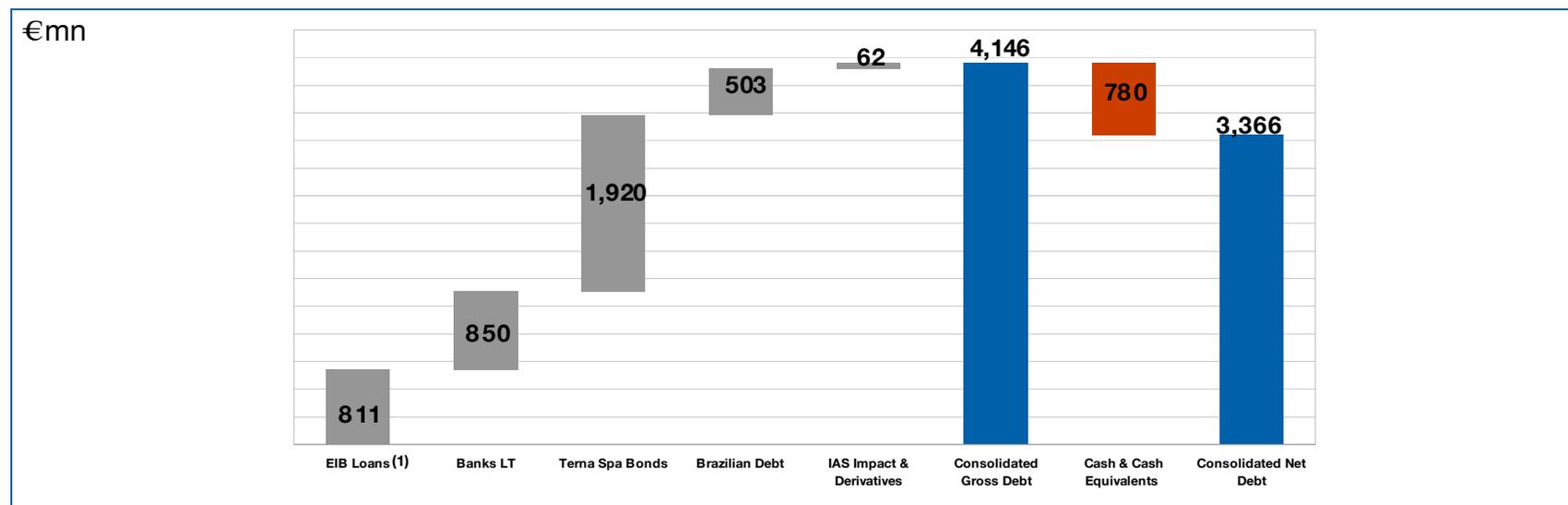
Consolidated Balance Sheet

€mn	Consolidated		Change
	31 Dec 2007	31 Dec 2008	Δ%
Assets			
PP&E	5,620	6,036	7.4%
Intangible Asset, net	380	483	27.0%
Financial Inv. and Other	37	44	18.4%
Total Fixed Assets	6,037	6,563	8.7%
Net WC	-652	-608	-6.7%
Funds	-461	-425	-7.7%
Net Invested Capital	4,925	5,530	12.3%
Financed by:			
Net Debt	2,650	3,366	27.0%
Total Shareholder's Equity	2,275	2,164	-4.9%
<i>Terna Group</i>	2,164	2,077	-4.0%
<i>Minorities</i>	112	87	-22.1%
D/E ratio	1.17	1.56	33.5%

NOTE: 2007 accounts are restated in order to consider the earlier application of IAS 23 accounting principle

FY08 Results

Consolidated Net Financial Position



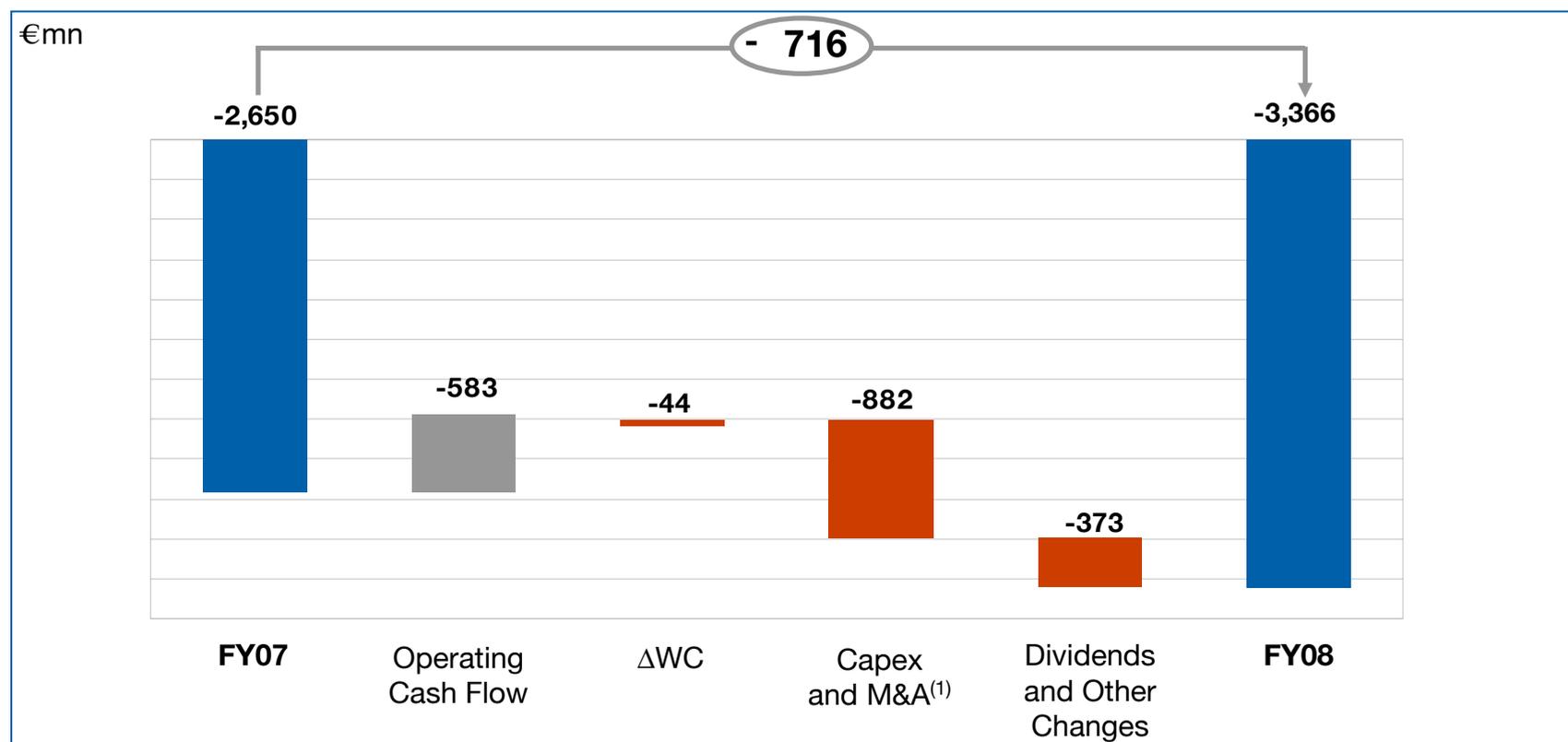
Change in Net Financial Position (mn €)	
Net Debt 2007YE	2,650
Δ Fair Value on Bonds and Derivatives	67
Change in Financial Position	743
Δ Exchange Rates + Int. Cap.	(93)
Net Debt 2008YE	3,366
Change in Net Debt	716

(1) EIB (European Investment Bank) Loans

FY08 Results

Consolidated Net Debt

▪ Net Debt Evolution



(1) Includes Capex, Other Fixed Asset Change and ETEO acquisition

FY08 Results

TERNA Participações (IAS)

€mn

	FY07	FY08	Δ%
Operating Revenues	166	199	20%
Operating Expenses	36	55	52%
EBITDA	130	144	11%
<i>EBITDA Margin (%)</i>	78%	72%	
D&A	20	27	35%
EBIT	110	117	7%
Net Interest Expenses	33	58	73%
Taxes	21	18	-13%
Net Income	55	41	-26%
Net Invested Capital	662	668	1%
Financed by:			
Net Debt	334	412	24%
Shareholders' Equity	328	256	-22%

BRL mn

	FY07	FY08	Δ%
Operating Revenues	443	531	20%
Operating Expenses	96	147	53%
EBITDA	346	385	11%
<i>EBITDA Margin (%)</i>	78%	72%	
D&A	53	72	35%
EBIT	293	313	7%
Net Interest Expenses	89	155	74%
Taxes	56	49	-13%
Net Income	148	109	-26%
Net Invested Capital	1,729	2,166	25%
Financed by:			
Net Debt	871	1,337	53%
Shareholders' Equity	857	829	-3%

FY08 Results

Exchange Rates

	1H07	FY07	1H08	FY08
Closing Rate Euro/BRL\$	2.60	2.61	2.51	3.24
Average Rate for the Period	2.72	2.66	2.59	2.67
IGPM (cumulated LTM)	3.9%	7.8%	13.4%	9.8%

Impacts on: (€ mn)	FY08
Revenues	-0.1
EBITDA	-0.1
EBIT	-0.1
Net Financial Interests	0.0
Net Income	0.0



FY08 Results

IAS 23

- **Accounting treatment for borrowing costs, starting from 2008 annual report**
- **Capitalisation of borrowing costs on work-in-progress**
- **Main impacts**
 - Reduction in financial charges, with a positive effect on Net Income
 - Increase in D&A in the long term (after completion of the projects)
 - Increase in capex
 - Increase in Fixed Assets
 - No effect on Net Debt
- **Adoption of the IAS 23 Principle led to 2007 restatement**



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 CORRESPONDS TO THE DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.

investor.relations@terna.it

+39 06 8313 8106

www.terna.it

