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Dividend boost

New dividend policy leads to c.7% dividend yield

Terna has announced its new dividend policy, following the disposal of its Brazilian subsidiary, completed at the beginning of November. The new policy is based on an annual 4% DPS growth and on the distribution of €150mn from the Brazilian capital gain over the next four years. In our estimates, this translates into a c.7% dividend yield for 2009, at the top end of the sector.

9m results confirm defensive qualities

The company reported a good set of 9m results on November 10, with EBITDA up 18% y-o-y and net income up 7% y-o-y. Growth at EBITDA level was mainly due to the acquisition of Enel's HV assets (TELAT), consolidated as of April 2009. More importantly, Terna continued to benefit from the volume mitigation mechanism introduced by Italy's Energy regulator in December 2008.

Reiterate Neutral rating

We have updated our valuation and estimates to reflect the disposal of the Brazilian assets. The reinvestment of the proceeds in the Italian network, with an 18-months lag between capex spend and revenues, is the main reason for the ca. 5% downgrade in our 2010E-2012E estimates. Our new €2.9 Price Objective (from €2.8) implies a 6% upside potential on the current share price and 14% total return. Among Europe's regulated utilities, we prefer Snam RG (SRG, EUR3.3, A-1-8) (16% total return), which we believe has a key positive catalyst with the business plan presentation at the end of November, and Red Electrica (RDEIF, EUR36.1, A-1-7), thanks to a more attractive growth profile. We maintain our NEUTRAL rating.

Estimates (Dec)

(EUR)	2007A	2008A	2009E	2010E	2011E
EPS (Reported)	0.17	0.16	0.37	0.17	0.18
EPS (Adjusted)	0.17	0.16	0.17	0.17	0.18
EPS Change (YoY)	8.8%	-5.8%	2.2%	3.4%	6.9%
Dividend / Share	0.15	0.16	0.19	0.19	0.20
EBITDA (Adjusted)	978	995	995	1,091	1,177
Free Cash Flow (Adjusted)	114.0	-208.8	-315.8	-409.5	-22.5

Valuation (Dec)

	2007A	2008A	2009E	2010E	2011E
P/E	15.8x	16.7x	16.4x	15.8x	14.8x
Dividend Yield	5.52%	5.77%	6.92%	7.06%	7.13%
EV / EBITDA*	9.72x	9.44x	9.54x	8.71x	8.07x
Free Cash Flow Yield*	2.08%	-3.81%	-5.77%	-7.48%	-0.41%
P/E (Reported)	15.8x	16.7x	16.4x	15.8x	14.8x
EV/EBITDA (Adjusted)	8.6x	9.1x	9.0x	8.7x	8.7x

* For full definitions of *iQmethod*SM measures, see page 8.

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Stock Data

Price	EUR2.74
Price Objective	EUR2.90
Date Established	17-Nov-2009
Investment Opinion	B-2-7
Volatility Risk	MEDIUM
52-Week Range	EUR2.08-EUR2.80
Mkt Val / Shares Out (mn)	EUR5,477 / 2,000.6
Average Daily Volume	12,463,420
BofAML Ticker / Exchange	TERRF / MIL
Bloomberg / Reuters	TRN IM / TRN.MI
ROE (2009E)	14.7%
Net Dbt to Eqty (Dec-2008A)	155.5%
Est. 5-Yr EPS / DPS Growth	4.8% / 2.1%
Free Float	59.0%

Key Changes

(EUR)	Previous	Current
Price Obj.	2.80	2.90
2009E EPS	0.16	0.17
2010E EPS	0.18	0.17
2011E EPS	0.21	0.18
2009E DPS	0.16	0.19

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Refer to important disclosures on page 9 to 12. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7.

iQprofileSM Terna

Key Income Statement Data (Dec)	2007A	2008A	2009E	2010E	2011E
(EUR Millions)					
Sales	1,348	1,395	1,344	1,461	1,555
EBITDA Adjusted	978	1,006	995	1,091	1,177
Depreciation & Amortization	(255)	(292)	(312)	(363)	(384)
EBIT Adjusted	723	714	683	728	793
Net Interest & Other Income	(115)	(180)	(160)	(187)	(214)
Tax Expense / Benefit	(242)	(193)	(283)	(196)	(209)
Net Income (Adjusted)	347	327	334	346	370
Average Fully Diluted Shares Outstanding	2,000	2,001	2,001	2,001	2,001

Key Cash Flow Statement Data

Net Income (Reported)	347	327	736	346	370
Depreciation & Amortization	255	292	312	363	384
Change in Working Capital	88.0	(44.0)	(17.9)	52.1	26.7
Deferred Taxation Charge	0	0	0	0	0
Other CFO	22.1	(35.6)	(496)	0	0
Cash Flow from Operations	712	539	534	761	781
Capital Expenditure	(598)	(748)	(850)	(1,170)	(803)
(Acquisition) / Disposal of Investments	(58.6)	(217)	84.0	0	0
Other CFI	0	0	0	0	0
Cash Flow from Investing	(657)	(965)	(766)	(1,170)	(803)
Share Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(286)	(308)	(338)	(384)	(393)
Increase (decrease) debt	411	572	569	794	416
Other CFF	(411)	(572)	(569)	(794)	(416)
Cash Flow from Financing	(286)	(308)	(338)	(384)	(393)
Total Cash Flow (CFO + CFI + CFF)	(231)	(734)	(569)	(794)	(415)
FX and other changes to cash	274	590	569	794	416
Change in Cash	43.6	(144)	0	0	1.00
Change in Net Debt	367	716	569	794	415
Net Debt	2,650	3,366	3,935	4,729	5,145

Key Balance Sheet Data

Property, Plant & Equipment	5,613	6,036	6,986	7,793	8,212
Goodwill	385	483	483	483	483
Other Intangibles	NA	NA	NA	NA	NA
Other Non-Current Assets	36.9	44.0	44.0	44.0	44.0
Trade Receivables	1,541	1,595	1,532	1,665	1,789
Cash & Equivalents	244	100	100	100	101
Other Current Assets	31.7	23.4	22.6	23.7	24.5
Total Assets	7,852	8,281	9,167	10,109	10,653
Long-Term Debt	2,822	2,762	2,699	2,629	2,559
Other Non-Current Liabilities	459	425	425	425	425
Short-Term Debt	71.8	704	1,336	2,200	2,686
Other Current Liabilities	2,225	2,226	2,145	2,331	2,482
Total Liabilities	5,578	6,117	6,605	7,585	8,153
Total Equity	2,274	2,164	2,562	2,523	2,500
Total Equity & Liabilities	7,852	8,281	9,167	10,109	10,653

Business Performance*

Return On Capital Employed	8.34%	8.34%	8.08%	6.68%	6.72%
Return On Equity	16.7%	15.4%	14.7%	14.1%	15.2%
Operating Margin	53.6%	51.2%	87.8%	49.8%	51.0%
Free Cash Flow (MM)	114	(209)	(316)	(409)	(22.5)

Quality of Earnings*

Cash Realization Ratio	2.05x	1.65x	1.60x	2.20x	2.11x
Asset Replacement Ratio	2.35x	2.56x	2.72x	3.22x	2.09x
Tax Rate	39.8%	36.1%	27.8%	36.1%	36.1%
Net Debt/Equity	117%	156%	154%	187%	206%
Interest Cover	5.93x	3.82x	4.09x	3.75x	3.58x

* For full definitions of *iQmethod*SM measures, see page 8.

Company Description

Terna owns and operates 98% of Italy's electricity transmission network. The company is also in charge of the electricity dispatching activity

Investment Thesis

Terna remains one of the most defensive names in the sector, given its mostly regulated cash flows. The company enjoys moderate growth, supported by a stable regulatory framework and strong management team. This translates into a sound dividend policy positioning Terna's dividend yield at the top-end of the sector. With the next regulatory review scheduled for 2011, we expect total regulatory stability in the short/medium term.

Stock Data

Price to Book Value 2.2x

New dividend policy

On November 10, Terna announced its new dividend policy, following the disposal of its Brazilian business. The new dividend policy will continue to be based on an annual DPS growth and on top the company is planning to distribute about one third of the Brazilian capital gain in the next four years.

In particular, as detailed in Table 1, the new dividends will be composed of

- A **base dividend**, growing at an annual 4% rate starting from the 2008 DPS;
- A **top-up dividend**, through the distribution of c.€150mn out of the over €400mn capital gain realised from the disposal of Terna's Brazilian business. €50mn are expected to be distributed with the 2009 DPS, while the remaining €100mn are due to be split over the 2010-2012 period.

Table 1: New dividend projections

	2009E	2010E	2011E	2012E
Base dividend (€)	0.164	0.171	0.178	0.185
Top-up dividend (€)	0.025	0.022	0.017	0.010
Total dividend (€)	0.189	0.193	0.195	0.195
Implied dividend yield	6.9%	7.0%	7.1%	7.1%

Source: BofA Merrill Lynch Global Research estimates

The new dividend policy leads to an estimated dividend yield of c.7% until 2012, based on current share prices.

The company also announced that this year's interim dividend will be €0.07, to be paid on November 26.

9m results

Terna's 9m 2009 results confirm the company's defensive qualities, posting an 18% growth at EBITDA level (8% in Q3) despite a 6.8% YTD contraction in electricity demand, as shown in Table 2. The demand destruction had a negligible impact on Terna's revenues; this is due to the mechanism, introduced by the Energy regulator in December 2008, which limits any volume effect on Terna's allowed revenues to +/-0.5%. The mechanism is expected to remain in place until 2011.

Table 2: Interim results

	9-month					Q3				
	2008A	2009A	Change (EURm)	Change (%)	2009E	2008A	2009A	Change (EURm)	Change (%)	2009E
Revenues	887	997	110	12%	995	313	340	27	9%	338
EBITDA	646	764	118	18%	764	237	257	20	8%	257
Depreciation	184	223	39	21%	227	63	79	16	26%	83
EBIT	462	540	78	17%	537	174	177	3	2%	174
Financials	68	121	53	79%	132	63	34	-29	-45%	45
Ord Profit	394	419	25	6%	405	111	143	32	29%	129
Extraordinaries	0	0	0	nm	0	0	0	0	nm	0
Tax	142	151	9	6%	145	41	52	11	26%	46
Net income	252	269	17	7%	260	70	92	22	31%	83
Discontinued operations	31	52	20	66%	40	9	21	12	139%	9
Net income after discontinued operations	283	320	37	13%	40	79	112	33	43%	9

Source: BofAML Global Research estimates

In particular, Terna's revenues grew by €110mn (or +12% y-o-y) in the first nine months of the year, mainly as a result of:

- The full consolidation of TELAT (HV assets acquired from Enel) as of April 2009, with a €61mn positive impact.
- Tariff increases for €20.5mn.
- Dispatching premium for c.€20mn.

Opex were €8mn lower compared to the first nine months of 2008, mainly thanks to a €27mn reversal of personnel provisions recorded in H1 2009.

Financial expenses rose to €121mn from €68mn in 9m 2008, however last year the company recorded a one-off €33mn derivative gain. On a like-for-like basis, financial expenses would be up 20% y-o-y, mainly due to higher net debt following the acquisition of TELAT (September net debt does not include the disposal of Brazil).

Bottom-line, the company reported a 7% y-o-y growth, before Brazilian operations that, as already in H1, were classified as discontinued.

Valuation

We have updated our SOP valuation of Terna, to reflect:

- The disposal of the Brazilian subsidiary and the relative debt deconsolidation (ca. €1.2bn total impact on net debt).
- The optional value from the solar generation project, based on an added value of €1,000/kW
- An acceleration in the capex plan for the Italian network, by ca. €100mn p.a.

Our new price objective is €2.9, from €2.8, as shown in Table 3.

Table 3: Terna's RAB-based Sum of Parts

	EURm	EURps	Methodology
Italy Transmission & Dispatching	9,012	4.50	2009 year-end RAB
Extra return on Development Capex	485	0.24	DCF to 2015, 6.3% WACC
Cost outperformance	56	0.03	DCF to 2015, 6.3% WACC
Italy Other	300	0.15	6x 2009E EBITDA
Sungrid optional value	100	0.05	€1,000/kW
Tax Liability	-96	-0.05	DCF, 6.3% WACC
EV	9,857	4.93	
Net Debt	-3,935	-1.97	Year end 2009
Provisions	-150	-0.07	Year end 2009
Equity Value	5,771	2.9	

Source: BofA Merrill Lynch Global Research estimates

New forecasts

We have updated our estimates following the disposal of Brazil. As detailed in Table 4, the new estimates imply a 4-5% dilution at EPS level over 2010E-2012E. This is mostly due to the reinvestment of the disposal proceeds in Italian network projects, where there is a c. 18 months time-lag between capex spend and related revenue contribution.

Table 4: Change of estimates

(EURm)	09E	10E	11E	12E	13E
EBITDA					
Old estimates	1,098	1,228	1,295	1,349	1,390
New estimates	995	1,091	1,177	1,233	1,311
% change	-9%	-11%	-9%	-9%	-6%
EBIT					
Old estimates	768	867	913	959	986
New estimates	683	728	793	836	895
% change	-11%	-16%	-13%	-13%	-9%
Recurrent EPS					
Old estimates	16.46	18.22	19.18	20.30	20.91
New estimates	16.70	17.27	18.47	19.31	20.67
% change	1%	-5%	-4%	-5%	-1%
DPS					
Old estimates	16.43	17.09	17.77	18.48	17.77
New estimates	18.93	19.34	19.52	19.48	17.57
% change	15%	13%	10%	5%	-1%

Source: BofA Merrill Lynch Global Research estimates

Moreover, our new estimates include:

- The new Sungrid project, with 100MW of solar installed capacity entering operation by the end of 2010, with a revenue contribution of c. €50mn; we account for €300mn in capex for Sungrid to be spent in 2010.
- The acceleration in the capex plan for Italy's transmission network, for c. €100mn per year.
- The new dividend policy.

Table 5: Profit and Loss

(EURm)	06A	07A	08A	09E	10E	11E	12E	13E	08A -13E CAGR
Total Sales	1,277	1,348	1,395	1,344	1,461	1,555	1,615	1,693	3.9%
Growth		5.6%	3.5%	-3.7%	8.7%	6.5%	3.8%	4.8%	
Total EBITDA	881	978	995	995	1,091	1,177	1,233	1,311	5.7%
Growth		10.9%	1.8%	0.0%	9.6%	7.9%	4.8%	6.3%	
Margin	69.0%	72.5%	71.3%	74.1%	74.7%	75.7%	76.4%	77.5%	
Total EBIT	657	723	714	683	728	793	836	895	4.6%
Growth		10.1%	-1.2%	-4.3%	6.6%	8.9%	5.4%	7.1%	
Margin	51.4%	53.6%	51.2%	50.8%	49.8%	51.0%	51.7%	52.9%	
Financial expenses	-100	-115	-180	-160	-187	-214	-231	-247	6.6%
Equity-accounted affiliates	0	0	0	0	0	0	0	0	
PBET	557	608	534	523	541	579	605	647	3.9%
Extraordinary items and non operating income	71	0	0	496	0	0	0	0	
PBT	627	608	534	1,019	541	579	605	647	3.9%
Tax Charge	-235	-242	-193	-283	-196	-209	-219	-234	
Deferred Taxes	0	0	0	0	0	0	0	0	
Minority interests	-3	-19	-14	0	0	0	0	0	
Net income, continuing	319	347	327	334	346	370	386	413	
Discontinuing items / other	71	0	0	496	0	0	0	0	
Group Net Income	390	347	327	736	346	370	386	413	4.8%
Growth		-10.9%	-5.8%	125.1%	-53.0%	6.9%	4.5%	7.0%	
Recurrent Group Net Income	319	347	327	334	346	370	386	413	4.8%
Growth		8.8%	-5.8%	2.2%	3.4%	6.9%	4.5%	7.0%	
Reported EPS (EUR p.s.)	19.48	17.36	16.34	36.79	17.27	18.47	19.31	20.67	4.8%
Recurrent EPS (EUR p.s.)	15.95	17.36	16.34	16.70	17.27	18.47	19.31	20.67	4.8%
DPS (EUR p.s.)	14.00	15.10	15.80	18.93	19.34	19.52	19.48	17.57	2.1%
Payout ratio (on reported earnings)	71.9%	87.0%	96.7%	51.5%	112.0%	105.7%	100.9%	85.0%	
Payout ratio (on recurrent earnings)	87.8%	87.0%	96.7%	113.3%	112.0%	105.7%	100.9%	85.0%	

Source: BofA Merrill Lynch Global Research estimates

Table 6: Cash Flow

(EURm)	06A	07A	08A	09E	10E	11E	12E	13E
Net income	392	366	341	736	346	370	386	413
Minority Interests	0	0	0	0	0	0	0	0
Equity-accounted affiliates	0	0	0	0	0	0	0	0
Depreciation, Amortisation, Impairments	225	255	292	312	363	384	398	417
Gains / Losses on Disposals	-71	0	0	-496	0	0	0	0
Change in provisions	0	0	0	0	0	0	0	0
Change in deferred taxes	0	0	0	0	0	0	0	0
Change in working capital	385	88	-44	-18	52	27	10	16
Other non-cash items	49	3	-50	0	0	0	0	0
Cash Flow from Operations	980	712	539	534	761	781	794	846
Disposals/Investments	-214	-59	-217	84	0	0	0	0
Capex	-356	-598	-748	-850	-1,170	-803	-803	-803
Other	0	0	0	0	0	0	0	0
Cash Flow from Investments	-570	-657	-965	-766	-1,170	-803	-803	-803
Free cash flow	410	55	-426	-232	-409	-22	-9	43
Net change in treasury stock	0	0	0	0	0	0	0	0
Payment of cash dividends	-266	-286	-308	-338	-384	-393	-397	-382
Other	0	0	0	0	0	0	0	0
Cash flow from Financing	-266	-286	-308	-338	-384	-393	-397	-382
Net cash income / outgoings	0	0	0	0	0	0	0	0
Forex impact on net cash	0	0	0	0	0	0	0	0
Cash from discontinued operations	0	0	0	0	0	0	0	0
Change net cash & equivalents	144	-231	-734	-569	-794	-415	-406	-339
Net debt at year end	2,283	2,650	3,366	3,935	4,729	5,145	5,550	5,889

Source: BofA Merrill Lynch Global Research estimates

Table 7: Balance Sheet

(EURm)	06A	07A	08A	09E	10E	11E	12E	13E
Goodwill	140	385	483	483	483	483	483	483
PPE & Intangibles	5,392	5,613	6,036	6,986	7,793	8,212	8,617	9,004
Investments	13	37	44	44	44	44	44	44
Fixed Assets	5,545	6,035	6,563	7,513	8,320	8,739	9,144	9,531
Inventories	9	13	13	13	14	15	15	16
Receivables	1,182	1,541	1,595	1,532	1,665	1,789	1,873	1,981
Liquid Funds, Non-Cash	26	19	10	10	10	10	10	10
Cash & Cash Equivalents	200	244	100	100	100	101	101	101
Non-Fixed Assets	1,418	1,817	1,718	1,655	1,789	1,914	1,999	2,108
Other	0	0	0	0	0	0	0	0
TOTAL ASSETS	6,963	7,852	8,281	9,167	10,109	10,653	11,144	11,638
Shareholders' Equity	2,007	2,162	2,077	2,475	2,436	2,413	2,403	2,434
Minority Interests	110	112	87	87	87	87	87	87
Provisions	238	50	16	16	16	16	16	16
Financial Liabilities	2,483	2,894	3,466	4,035	4,829	5,246	5,651	5,990
Operating Liabilities	1,281	1,772	1,758	1,693	1,840	1,960	2,035	2,133
Other	844	862	878	861	900	932	952	978
TOTAL EQUITY & LIABILITIES	6,963	7,852	8,281	9,167	10,109	10,653	11,144	11,638

Source: BofA Merrill Lynch Global Research estimates

Price objective basis & risk

Terna (TERRF)

Our SOP-based Price Objective is EUR 2.9ps. Our valuation methodology is an RAB-based DCF for the company's regulated activities in Italy. Our valuation is based on an RAB at the end of the current year. In addition, we use a DCF to value opex outperformance, extra-return on development capex, and the spread between cost of capital and allowed return. Our assumed discount rate is 6.3%, in line with the discount rate of other European regulated utilities. We value Terna's non-regulated activities in Italy at 6x 2009E EBITDA. With almost 100% of Terna's business mix focused on regulated activities in Italy, the key risks are mostly related to unfavourable regulatory reviews.

Analyst Certification

I, Stefano Bezzato, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Utilities Coverage Cluster

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	E.ON	EONGY	EONGY US	Simon Flowers
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	Hera SPA	HRASF	HER IM	Stefano Bezzato
	Iberdrola	IBDSF	IBE SM	Pablo Cuadrado
	National Grid	NGG	NGG US	Fraser McLaren
	National Grid	NGGTF	NG/LN	Fraser McLaren
	Red Electrica	RDEIF	REE SM	Pablo Cuadrado
	Scottish & Sthrn	SSEZF	SSE LN	Fraser McLaren
	Scottish & Sthrn	SSEZY	SSEZY US	Fraser McLaren
	SRG	SNMRF	SRG IM	Stefano Bezzato
	Veolia Environnement	VE	VE US	Eric Lopez
	Veolia Environnement	VEOEF	VIE FP	Eric Lopez
	Verbund	OEZVF	VER AV	Simon Flowers
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	Acciona	ACXIF	ANA SM	Pablo Cuadrado
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	EDP	ELCPF	EDP PL	Pablo Cuadrado
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	Public Power Cor	PUPOF	PPC GA	Stefano Bezzato
	RWE	RWEOY	RWEOY US	Simon Flowers
	RWE	RWNFF	RWE GR	Simon Flowers
	Severn Trent	SVTRF	SVT LN	Fraser McLaren
	Suez Environnement	SZEVF	SEV FP	Eric Lopez
	Terna	TERRF	TRN IM	Stefano Bezzato
	Vestas	VWSYF	VWS DC	Matthew Yates
UNDERPERFORM				
	EDF Energies	EDFEF	EEN FP	Matthew Yates

17 November 2009

EMEA - Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
	Fortum	FOJCF	FUM1V FH	Simon Flowers
	Gas Natural	GASNF	GAS SM	Pablo Cuadrado
	NWG	NWGP	NWG LN	Fraser McLaren
	Pennon	PEGRF	PNN LN	Fraser McLaren
	Q-Cells AG	QCLSF	OCE GR	Matthew Yates
	Renewable Energy	RNWEF	REC NO	Matthew Yates
	Solarworld AG	SRWRF	SWV GR	Matthew Yates
	United Utilities	UUGWF	UU/ LN	Fraser McLaren
RSTR				
	Centrica	CPYYF	CNA LN	Fraser McLaren
	Centrica	CPYYY	CPYYY US	Fraser McLaren
	Hansen Transmissions International	HSNTF	HSN LN	Bharat Parekh
RVW				
	Drax Group Ltd	DRXGF	DRX LN	Fraser McLaren
	Internat'l Power	IPR	IPRPY US	Fraser McLaren
	Internat'l Power	IPRWF	IPR LN	Fraser McLaren

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	$\text{Net Debt} = \text{Total Debt, Less Cash \& Equivalents}$	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	$\text{Market Cap.} = \text{Current Share Price} * \text{Current Basic Shares}$
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

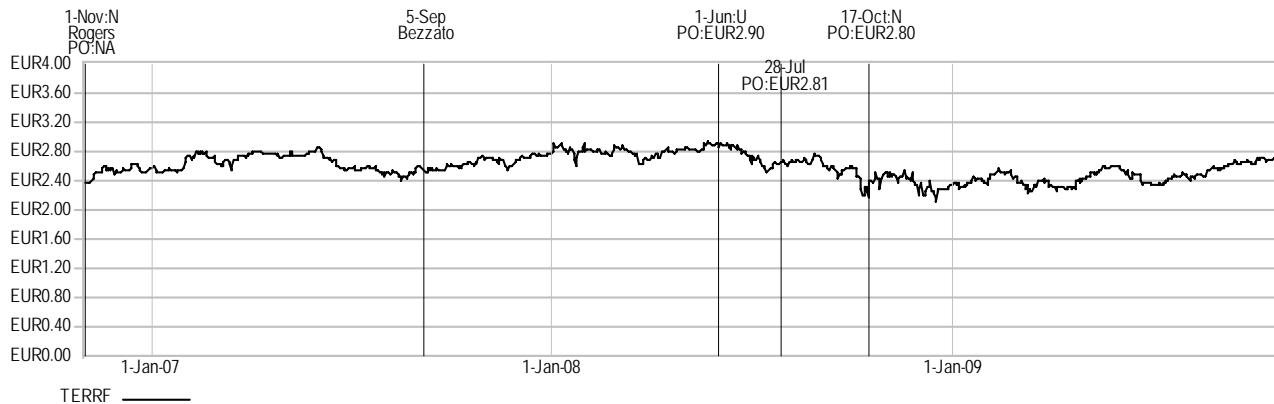
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TERRF Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of October 31, 2009 or such later date as indicated.

BofAML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of October 31, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

Investment Rating Distribution: Utilities Group (as of 12 Nov 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	59	42.14%	Buy	30	56.60%
Neutral	40	28.57%	Neutral	14	38.89%
Sell	41	29.29%	Sell	11	32.35%

Investment Rating Distribution: Global Group (as of 12 Nov 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1629	50.37%	Buy	842	57.51%
Neutral	821	25.39%	Neutral	455	62.33%
Sell	784	24.24%	Sell	357	49.31%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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