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Good Q1 but fairly valued

Limited total return at current prices

Following the recent Q1 presentation, we have upgraded our earnings estimates for 2010 and 2011 by, respectively, 14% and 10% mostly reflecting lower cost of debt. Our new Price Objective is €3ps, from €2.9ps, implying a 4% total return on current share prices. We estimate that shares are trading at ca. 16% premium v. equity RAV, as opposed to Snam RG trading at 2% premium. NEUTRAL.

Q1 numbers above expectations

On May 11, Terna reported a strong set of Q1 results, driven by the consolidation of its new TELAT division, annual tariff increases and low interest expenses. Revenues came in at €365mn, up 19% y-o-y (v. BofAML estimates €356mn), EBITDA was €274mn, up 19% y-o-y (v. BofAML estimates €267mn) and net profit was €107mn, up 34% y-o-y (v. BofAML estimates €98mn).

Both organic and non-organic growth

The €55mn increase at revenue level was mostly due to the consolidation of TELAT (€35mn) and to tariff increases (€15mn). The EBITDA margin was 75%, marking an improvement from 72% reported in the same period last year. The average interest rate was ca. 3%, driving a €16mn reduction in financial expenses.

Estimates (Dec)

(EUR)	2007A	2008A	2009E	2010E	2011E
EPS (Reported)	0.17	0.16	0.39	0.20	0.20
EPS (Adjusted)	0.17	0.16	0.18	0.20	0.20
EPS Change (YoY)	8.8%	-5.8%	8.3%	11.6%	3.1%
Dividend / Share	0.15	0.16	0.19	0.19	0.20
EBITDA (Adjusted)	978	995	1,003	1,101	1,200
Free Cash Flow (Adjusted)	114.0	-208.8	-303.6	-467.8	-388.9

Valuation (Dec)

	2007A	2008A	2009E	2010E	2011E
P/E	17.8x	18.9x	17.5x	15.6x	15.2x
Dividend Yield	4.89%	5.11%	6.13%	6.26%	6.32%
EV / EBITDA*	10.2x	9.88x	9.91x	9.03x	8.29x
Free Cash Flow Yield*	1.84%	-3.38%	-4.91%	-7.57%	-6.29%
P/E (Reported)	17.8x	18.9x	17.5x	15.6x	15.2x
EV/EBITDA (Adjusted)	8.6x	8.9x	8.8x	8.7x	8.9x

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

Bank of America Merrill Lynch

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Stock Data

Price	EUR3.09
Price Objective	EUR3.00
Date Established	14-May-2010
Investment Opinion	B-2-7
Volatility Risk	MEDIUM
52-Week Range	EUR2.32-EUR3.24
Mrkt Val / Shares Out (mn)	EUR6,182 / 2,000.6
Average Daily Volume	14,002,830
BofAML Ticker / Exchange	TERRF / MIL
Bloomberg / Reuters	TRN IM / TRN.MI
ROE (2009E)	15.5%
Net Dbt to Eqty (Dec-2008A)	155.5%
Est. 5-Yr EPS / DPS Growth	5.1% / 2.4%
Free Float	59.0%

Key Changes

(EUR)	Previous	Current
Price Obj.	2.90	3.00
2009E EPS	0.17	0.18
2010E EPS	0.17	0.20
2011E EPS	0.18	0.20

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Refer to important disclosures on page 9 to 11. Analyst Certification on Page 7. Price Objective Basis/Risk on page 7. Link to Definitions on page 7. 10937560

iQprofileSM Terna

Key Income Statement Data (Dec)

(EUR Millions)	2007A	2008A	2009E	2010E	2011E
Sales	1,348	1,395	1,361	1,473	1,599
EBITDA Adjusted	978	1,006	1,003	1,101	1,200
Depreciation & Amortization	(255)	(292)	(309)	(362)	(396)
EBIT Adjusted	723	714	694	738	804
Net Interest & Other Income	(115)	(180)	(148)	(126)	(172)
Tax Expense / Benefit	(242)	(193)	(192)	(217)	(224)
Net Income (Adjusted)	347	327	354	395	407
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	771	395	407
Depreciation & Amortization	255	292	309	362	396
Change in Working Capital	88.0	(44.0)	(37.4)	(25.0)	(319)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	22.1	(35.6)	(496)	0	0
Cash Flow from Operations	712	539	546	732	484
Capital Expenditure	(598)	(748)	(850)	(1,200)	(873)
(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)	(1,200)	(873)
Share Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(286)	(308)	(338)	(384)	(393)
Increase (decrease) debt	411	572	392	852	783
Other CFF	(411)	(572)	(392)	(852)	(783)
Cash Flow from Financing	(286)	(308)	(338)	(384)	(393)
Total Cash Flow (CFO + CFI + CFF)	(231)	(734)	(557)	(852)	(782)
FX and other changes to cash	274	590	557	852	783
Change in Cash	43.6	(144)	0	0	1.00
Change in Net Debt	367	716	392	852	782
Net Debt	2,650	3,366	3,758	4,610	5,392

Key Balance Sheet Data

Property, Plant & Equipment	5,613	6,036	7,075	7,913	8,390
Goodwill	385	483	372	372	372
Other Intangibles	NA	NA	NA	NA	NA
Other Non-Current Assets	36.9	44.0	21.0	21.0	21.0
Trade Receivables	1,541	1,595	372	461	565
Cash & Equivalents	244	100	100	100	101
Other Current Assets	31.7	23.4	22.4	22.4	22.4
Total Assets	7,852	8,281	7,963	8,890	9,471
Long-Term Debt	2,822	2,762	2,699	2,629	2,559
Other Non-Current Liabilities	459	425	638	638	638
Short-Term Debt	71.8	704	1,159	2,081	2,934
Other Current Liabilities	2,225	2,226	965	1,029	813
Total Liabilities	5,578	6,117	5,461	6,378	6,945
Total Equity	2,274	2,164	2,502	2,512	2,527
Total Equity & Liabilities	7,852	8,281	7,963	8,890	9,471

Business Performance*

Return On Capital Employed	8.34%	8.34%	9.04%	6.71%	6.54%
Return On Equity	16.7%	15.4%	15.5%	15.8%	16.2%
Operating Margin	53.6%	51.2%	81.7%	50.1%	50.3%
Free Cash Flow (MM)	114	(209)	(304)	(468)	(389)

Quality of Earnings*

Cash Realization Ratio	2.05x	1.65x	1.54x	1.85x	1.19x
Asset Replacement Ratio	2.35x	2.56x	2.75x	3.31x	2.20x
Tax Rate	39.8%	36.1%	19.9%	35.5%	35.5%
Net Debt/Equity	117%	156%	150%	184%	213%
Interest Cover	5.93x	3.82x	4.47x	5.56x	4.49x

* For full definitions of iQmethodSM 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 2.5x

Strong quarter

Terna reported good Q1 results driven by both organic and non-organic factors as well as low interest rate levels. The results came in above BofAML estimates and Bloomberg consensus, as detailed in Table 1. In particular:

- **Revenues** increased by €55mn from the same period last year. This was due to the consolidation of TELAT (the HV grid acquired from Enel) for €35mn and the annual tariff increase for €15mn. The remaining gap is justified by the change in accounting for dispatching capex under IFRS, which however does not have an impact at EBITDA level.
- **EBITDA**: the EBITDA margin improved reaching 75% from 73% in the same period last year (or 76% from 74% when excluding the IFRS effect for dispatching capex).
- **Net financial expenses** were lower than expected and this was the key driver of the difference between forecasts and actuals at net income level. The average interest rate in Q1 was 3% and the company guided to a 3.2% average for the full year.
- As a result **net profit** grew by €27mn to €107mn or 34% y-o-y.

Table 1: Q1 performance

	Q1 2009A	Q1 2010A	Change (EURm)	Change (%)	BofAML	BBG consensus
Revenues	310	365	55	18%	356	357
Regulated	290	349	59	20%	340	
Non-reg	20	16	-4	-21%	16	
EBITDA	230	274	44	19%	267	271
Depreciation	-65	-84	-19	29%	-85	
EBIT	165	190	25	15%	182	184
Financials	-40	-24	16	-40%	-31	-32
Ord Profit	125	166	41	33%	151	152
Extraordinaries	0	0	0	nm	0	
Tax	-45	-59	-14	31%	-53	
Net income	80	107	27	34%	98	100

Source: BofA Merrill Lynch Global Research estimates

Valuation

We have updated our SOP valuation to reflect the new 2010-2014 business plan. Our new fair value is €3ps, which represents a 13% premium on equity RAV, mainly explained by the extra-returns on development capex, as highlighted in Table 2.

Table 2: Terna's RAB-based Sum of Parts

	EURm	EURps	Methodology
Italy Transmission & Dispatching	9,647	4.82	2010 year-end RAB
Extra return on Development Capex	526	0.26	DCF to 2015, 6.3% WACC
Cost outperformance	21	0.01	DCF to 2015, 6.3% WACC
Financial outperformance	34	0.02	DCF to 2011, 6.3% WACC
Italy Other	295	0.15	8x 2011E EBITDA
Sungrid	417	0.21	€4,169/kW
Dispatching incentive	56	0.03	DCF to 2012, 6.3% WACC
Tax Liability	-108	-0.05	DCF, 6.3% WACC
Working capital	-242	-0.12	DCF, 6.3% WACC
EV	10,646	5.32	
Net Debt	-4,610	-2.30	Year end 2010
Provisions	-125	-0.06	Year end 2010
Equity Value	5,910	3.0	

Source: BofA Merrill Lynch Global Research estimates

Financials

We have updated our forecasts to reflect lower cost of debt, as highlighted by the company both in the Q1 conference call and in the latest business plan presentation. Our new estimates assume a 3.2% cost of debt for 2010, rising to 3.5% in 2011 and 3.8% in 2012, considering the current debt structure (54% floating/46% fixed).

Table 3: Change of estimates

(EURm)	10E	11E	12E	13E	14E
EBITDA					
Old estimates	1,091	1,177	1,233	1,311	1,362
New estimates	1,101	1,200	1,234	1,313	1,391
% change	1%	2%	0%	0%	2%
EBIT					
Old estimates	728	793	836	895	935
New estimates	738	804	814	873	934
% change	1%	1%	-3%	-2%	0%
Recurrent EPS					
Old estimates	17.27	18.47	19.31	20.67	21.68
New estimates	19.75	20.36	19.64	20.93	22.44
% change	14%	10%	2%	1%	4%
DPS					
Old estimates	19.34	19.52	19.48	17.57	18.43
New estimates	19.34	19.52	19.48	17.79	19.08
% change	0%	0%	0%	1%	4%

Source: BofA Merrill Lynch Global Research estimates

14 May 2010

Table 4: Profit and Loss

(EURm)	07A	08A	09A	10E	11E	12E	13E	14E	09A -14E CAGR
Total Sales	1,348	1,395	1,361	1,473	1,599	1,637	1,706	1,790	5.6%
<i>Growth</i>		3.5%	-2.5%	8.3%	8.5%	2.4%	4.3%	4.9%	
Total EBITDA	978	995	1,003	1,101	1,200	1,234	1,313	1,391	6.8%
<i>Growth</i>		1.8%	0.8%	9.7%	9.0%	2.8%	6.4%	6.0%	
<i>Margin</i>	72.5%	71.3%	73.7%	74.7%	75.0%	75.4%	76.9%	77.7%	
Total EBIT	723	714	694	738	804	814	873	934	6.1%
<i>Growth</i>		-1.2%	-2.7%	6.3%	8.8%	1.3%	7.2%	7.1%	
<i>Margin</i>	53.6%	51.2%	51.0%	50.1%	50.3%	49.7%	51.1%	52.2%	
Financial expenses	-115	-180	-148	-126	-172	-205	-223	-238	9.9%
Equity-accounted affiliates	0	0	0	0	0	0	0	0	
PBET	608	534	546	613	632	609	649	696	5.0%
Extraordinary items and non operating income	0	0	417	0	0	0	0	0	
PBT	608	534	963	613	632	609	649	696	-6.3%
Tax Charge	-242	-193	-192	-217	-224	-216	-231	-247	
Deferred Taxes	0	0	0	0	0	0	0	0	
Minority interests	-19	-14	0	0	0	0	0	0	
Net income, continuing	347	327	354	395	407	393	419	449	4.9%
Discontinuing items / other	0	0	417	0	0	0	0	0	
Group Net Income	347	327	771	395	407	393	419	449	-10.2%
<i>Growth</i>		-5.8%	135.8%	-48.8%	3.1%	-3.5%	6.6%	7.2%	
Recurrent Group Net Income	347	327	354	395	407	393	419	449	4.9%
<i>Growth</i>		-5.8%	8.3%	11.6%	3.1%	-3.5%	6.6%	7.2%	
<i>Reported EPS (EUR p.s.)</i>	17.36	16.34	38.54	19.75	20.36	19.64	20.93	22.44	-10.2%
<i>Recurrent EPS (EUR p.s.)</i>	17.36	16.34	17.69	19.75	20.36	19.64	20.93	22.44	4.9%
<i>DPS (EUR p.s.)</i>	15.10	15.80	18.93	19.34	19.52	19.48	17.79	19.08	0.2%
<i>Payout ratio (on reported earnings)</i>	87.0%	96.7%	49.1%	97.9%	95.9%	99.2%	85.0%	85.0%	
<i>Payout ratio (on recurrent earnings)</i>	87.0%	96.7%	107.0%	97.9%	95.9%	99.2%	85.0%	85.0%	

Source: BofA Merrill Lynch Global Research estimates

Table 5: Balance Sheet

(EURm)	07A	08A	09A	10E	11E	12E	13E	14E
Goodwill	385	483	372	372	372	372	372	372
PPE & Intangibles	5,613	6,036	7,075	7,913	8,390	8,843	9,276	9,612
Investments	37	44	21	21	21	21	21	21
Fixed Assets	6,035	6,563	7,469	8,306	8,783	9,236	9,669	10,005
Inventories	13	13	12	12	12	12	12	12
Receivables	1,541	1,595	372	461	565	644	739	847
Liquid Funds, Non-Cash	19	10	11	11	11	11	11	11
Cash & Cash Equivalents	244	100	100	100	101	101	101	101
Non-Fixed Assets	1,817	1,718	494	584	688	767	863	971
Other	0	0	0	0	0	0	0	0
TOTAL ASSETS	7,852	8,281	7,963	8,890	9,471	10,003	10,532	10,976
Shareholders' Equity	2,162	2,077	2,502	2,512	2,527	2,523	2,558	2,640
Minority Interests	112	87	0	0	0	0	0	0
Provisions	50	16	229	229	229	229	229	229
Financial Liabilities	2,894	3,466	3,858	4,710	5,493	6,009	6,467	6,787
Operating Liabilities	1,772	1,758	381	398	432	442	461	483
Other	862	878	993	1,041	791	800	817	837
TOTAL EQUITY & LIABILITIES	7,852	8,281	7,963	8,890	9,471	10,003	10,532	10,976

Source: BofA Merrill Lynch Global Research estimates

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Table 6: Cash Flow

(EURm)	07A	08A	09A	10E	11E	12E	13E	14E
Net income	366	341	771	395	407	393	419	449
Minority Interests	0	0	0	0	0	0	0	0
Equity-accounted affiliates	0	0	0	0	0	0	0	0
Depreciation, Amortisation, Impairments	255	292	309	362	396	420	440	457
Gains / Losses on Disposals	0	0	-496	0	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	88	-44	-37	-25	-319	-60	-60	-65
Other non-cash items	3	-50	0	0	0	0	0	0
Cash Flow from Operations	712	539	546	732	484	753	799	841
Disposals/Investments	-59	-217	84	0	0	0	0	0
Capex	-598	-748	-850	-1,200	-873	-873	-873	-793
Other	0	0	0	0	0	0	0	0
Cash Flow from Investments	-657	-965	-766	-1,200	-873	-873	-873	-793
Free cash flow	55	-426	-220	-468	-389	-120	-74	48
Net change in treasury stock	0	0	0	0	0	0	0	0
Payment of cash dividends	-286	-308	-338	-384	-393	-397	-384	-367
Other	-231	-231	-231	-231	-231	-231	-231	-231
Cash flow from Financing	-517	-539	-568	-615	-623	-627	-615	-598
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	-461	-965	-788	-1,083	-1,012	-747	-689	-550
Net debt at year end	2,650	3,366	3,758	4,610	5,392	5,908	6,366	6,686

Source: BoFA Merrill Lynch Global Research estimates

Price objective basis & risk

Terna (TERRF)

Our SOP-based Price Objective is EUR 3ps. 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 8x 2011E 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.

Link to Definitions

Energy

Click [here](#) for definitions of commonly used terms.

Analyst Certification

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EMEA - Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Acciona	ACXIF	ANA SM	Pablo Cuadrado
	Acea	ACEJF	ACE IM	Stefano Bezzato
	E.ON	ENAKF	EOAN GR	Eric Lopez
	E.ON	EONGY	EONGY US	Eric Lopez
	EDF	ECIFF	EDF FP	Eric Lopez
	EDP Renovaveis	EDRVF	EDPR PL	Matthew Yates
	Enagas	ENGGF	ENG SM	Pablo Cuadrado
	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
	Suez Environnement	SZEVF	SEV FP	Eric Lopez
NEUTRAL				
	A2A	AEMMF	A2A IM	Stefano Bezzato
	EDP	EDPFY	EDPFY US	Pablo Cuadrado
	EDP	ELCPF	EDP PL	Pablo Cuadrado
	Endesa	ELEZF	ELE SM	Pablo Cuadrado
	Enel	ESOCF	ENEL IM	Stefano Bezzato
	Gamesa	GCTAF	GAM SM	Matthew Yates
	GDF SUEZ	GDSZF	GSZ FP	Eric Lopez
	RWE	RWNFF	RWE GR	Eric Lopez
	RWE	RWEOY	RWEOY US	Eric Lopez
	Severn Trent	SVTRF	SVT LN	Fraser McLaren
	Terna	TERRF	TRN IM	Stefano Bezzato
	Veolia Environnement	VEOEF	VIE FP	Eric Lopez
	Veolia Environnement	VE	VE US	Eric Lopez
	Verbund	OEZVF	VER AV	Eric Lopez

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EMEA - Utilities Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
UNDERPERFORM				
	CEZ AS	CZAVF	CEZ CP	Eric Lopez
	Drax Group Ltd	DRXGF	DRX LN	Fraser McLaren
	EDF Energies	EDFEF	EEN FP	Matthew Yates
	Fortum	FOJCF	FUM1V FH	Eric Lopez
	Gas Natural	GASNF	GAS SM	Pablo Cuadrado
	Hansen Transmissions	HSNTF	HSN LN	Matthew Yates
	Iberdrola Renovables	IRVSF	IBR SM	Matthew Yates
	NWG	NWGPF	NWG LN	Fraser McLaren
	Pennon	PEGRF	PNN LN	Fraser McLaren
	Public Power Cor	PUPOF	PPC GA	Stefano Bezzato
	Q-Cells AG	QCLSF	QCE GR	Matthew Yates
	Renewable Energy	RNWEF	REC NO	Matthew Yates
	Solarworld AG	SRWRF	SWV GR	Matthew Yates
	United Utilities	UUGWF	UU/ LN	Fraser McLaren
	Vestas	VWSYF	VWS DC	Matthew Yates
RVW				
	Centrica	CPYYF	CNA LN	Fraser McLaren
	Centrica	CPYYY	CPYYY US	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	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
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	Net Debt = 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	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

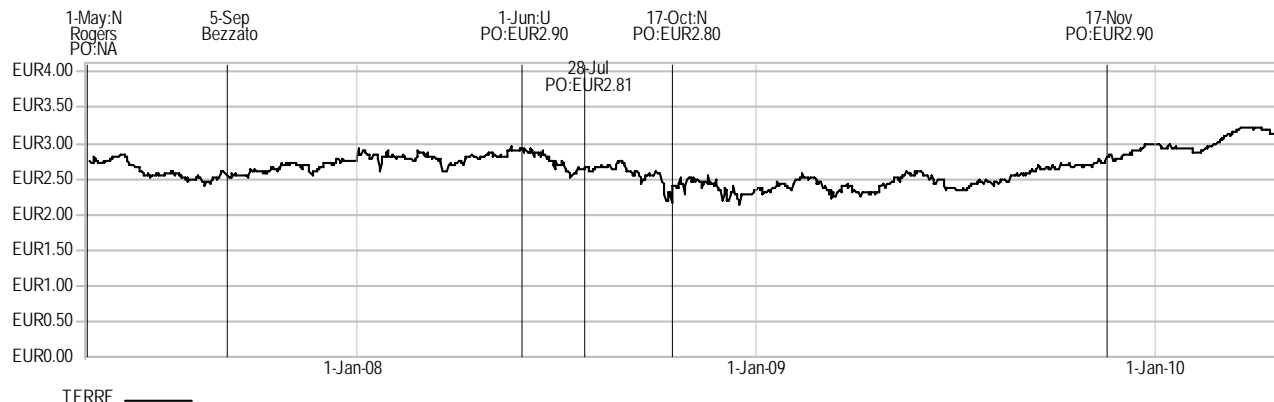
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TERRF Price Chart



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 April 30, 2010 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 December 31, 2008 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 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	68	38.64%	Buy	38	61.29%
Neutral	57	32.39%	Neutral	34	66.67%
Sell	51	28.98%	Sell	17	36.96%

Investment Rating Distribution: Global Group (as of 01 Apr 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1818	52.41%	Buy	952	58.01%
Neutral	873	25.17%	Neutral	490	61.95%
Sell	778	22.43%	Sell	355	49.72%

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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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