

9M 2005 Consolidated Results

Fulvio Conti – Chief Executive Officer
Fabio Todeschini – Chief Financial Officer

October 31st, 2005

Agenda

Highlights

9M 2005 Results

Update on Business Dynamics

Annexes

Highlights

Operational data

- 9M05 Electricity demand: +1.1% (245TWh)
- Availability of the Italian grid: 99.4%

Key Results

- Further improvement in margins:
 - EBITDA +7.7%
 - EBIT +8.0%
 - Net Income +26.6%

New Perimeter

Consolidation of:

- RTL SpA from October 1st
- TSO activities from November 1st

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9M 2005 Results

In Euro mn

Income Statement

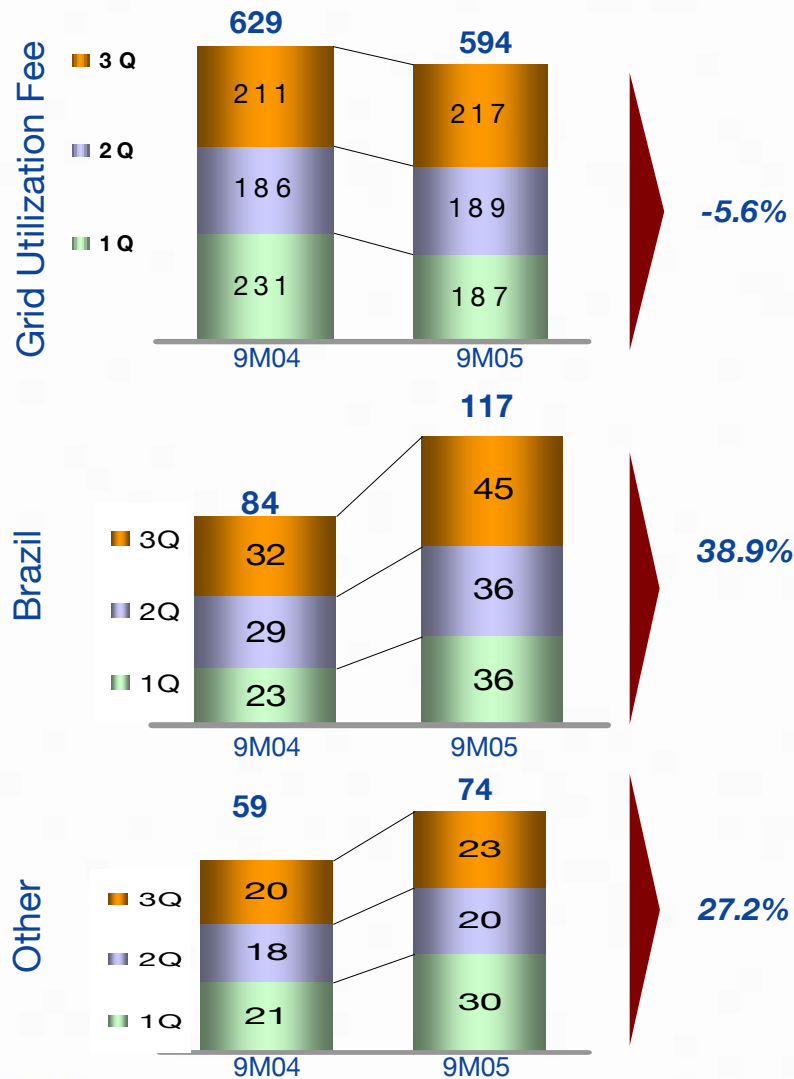
Consolidated		Change			Consolidated		Change	
3Q05	3Q04	mm	%		9M05	9M04	mm	%
285	263	22	8.5%	Operating Revenues	784	771	13	1.7%
217	211	5	2.5%	<i>Grid Utilisation Fee</i>	594	629	-35	-5.6%
45	32	13	39.2%	<i>Regulated Activities in Brazil</i>	117	84	33	38.9%
23	20	4	22.8%	<i>Other Activities/Income in Italy</i>	74	59	16	27.2%
80	79	1	1.5%	Operating Expenses ⁽¹⁾	232	258	-26	-10.2%
205	184	21	11.5%	EBITDA	553	513	39	7.7%
169	163	6	3.8%	<i>Italy</i>	458	455	3	0.7%
36	21	15	71.8%	<i>Brazil</i>	95	59	36	61.4%
72%	70%			<i>EBITDA Margin (%)</i>	70%	67%		

(1) Net of Capitalized Costs

9M 2005 Results

Operating Revenues Breakdown

In Euro mn



Main Drivers

- Time bands effect on 1Q: -50mn euro
- Volume and tariff effect: +15mn euro

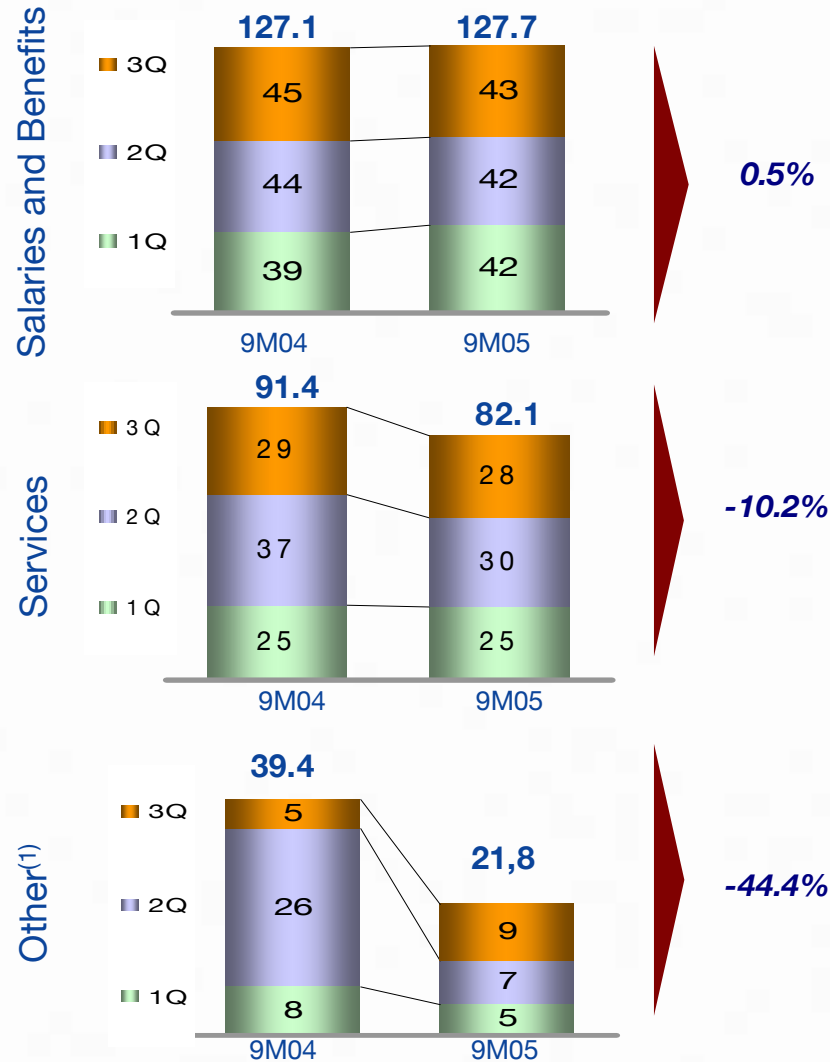
- Business dynamics (+17mn euro)
- Exchange rate effect (+16mn euro)

- One-off reversal of 2004 revenues withheld by GRTN (+19mn euro)

9M 2005 Results

In Euro mn

Operating Costs Breakdown



Main Drivers

- Higher early retirement costs for 2.2mn euro
- Headcount:
 - Average (Terna SpA): - 2,869 9M05 vs 2,878 9M04
 - Final (Terna Group): - 2,888 vs 2,929 as of 31/12/04
- Non recurring costs related to IPO (ca. - 9mn euro)
- 3Q: provision for social security - INPS (ca. +2mn euro)
- 2Q: one-off reversal of grid revenues (ca. -15mn euro)
- Tax amnesty referred to 2002 (ca. -2mn euro)

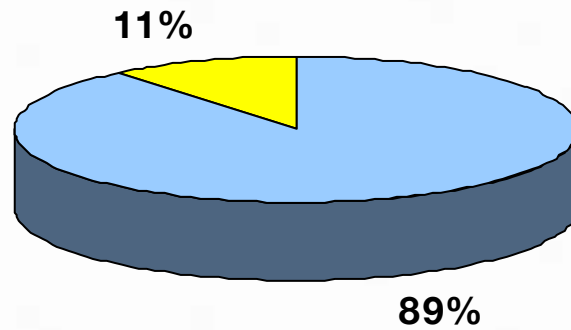
(1) Includes Raw Materials, Rental and Lease Expenses and Miscellaneous, net of Capitalized Costs

9M 2005 Results

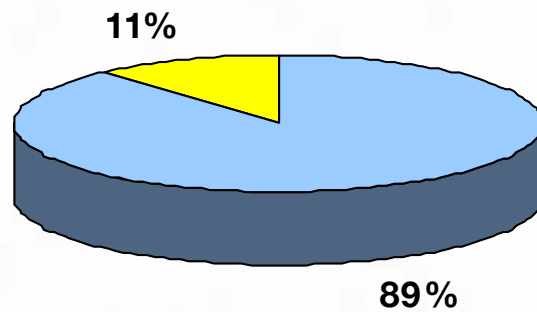
Geographical Breakdown

9M2004

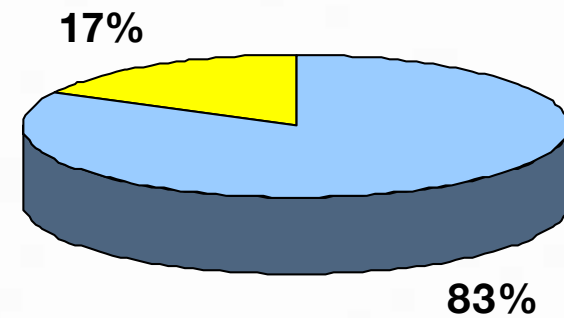
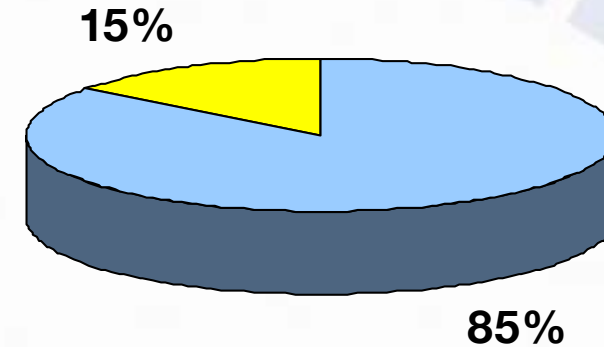
Revenues



EBITDA



9M2005



Italy

Brazil

9M 2005 Results

In Euro mn

Income Statement

Consolidated		Change			Consolidated		Change		
3Q05	3Q04	mm	%		9M05	9M04	mm	%	
205	184	21	11.5%	EBITDA	553	513	39	7.7%	
41	39	2	5.8%	D&A	123	116	7	6.4%	
163	144	19	13.1%	EBIT	430	398	32	8.0%	
14	26	-11	-44.3%	Net Interest Expense	57	77	-20	-25.9%	
54	48	7	14.1%	Taxes	138	135	3	1.9%	
36.4%	40.1%			Tax rate (%)	36.9%	42.1%			
95	71	24	33.1%	Net Income	235	186	49	26.6%	

9M 2005 Results

Key Balance Sheet Items

In Euro mn

	9M05	31/12/2004	Change
Assets			
PP&E	4,503	4,323	180
Intangible asset, net	159	117	42
Financial Inv. And Other	126	17	109
Total Fixed Assets	4,787	4,457	330
Net WC	(199)	(202)	3
Funds	(635)	(596)	(39)
Net Invested Capital	3,954	3,659	295
Financed by:			
Net Debt	2,005	1,900	105
Shareholder's Equity	1,949	1,759	189
D/E ratio	1.03	1.08	-0.05

9M 2005 Results

In Euro mn

Cash Flow

Consolidated

	9M05	9M04	31/12/2004
Net Income	235	186	231
Depreciation ⁽¹⁾	124	116	158
Net Change in Funds	39	39	29
Operating Cash Flows	398	340	419
Change in WC	(3)	116	(17)
Cash Flow from Operating Activities	394	456	402
Capital expenditures	(144)	(213)	(303)
Other fixed asset changes ⁽²⁾	(20)	(29)	(2)
Free Cash Flow	230	214	97
Dividends	(140)	(170)	(170)
Capital Reduction	-	(1,200)	(1,200)
Change in Financial Position ⁽²⁾	90	(1,156)	(1,274)

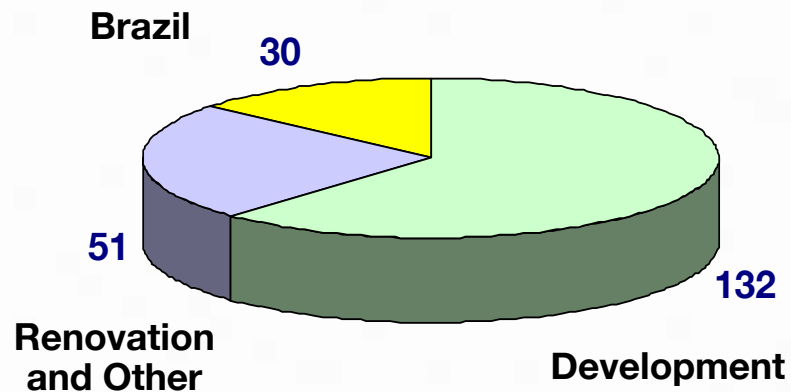
(1) Net of assets disposals

(2) Not including Δ €/R exchange rates and Δ fair value on Bonds

Update on Business Dynamics

Capex Breakdown

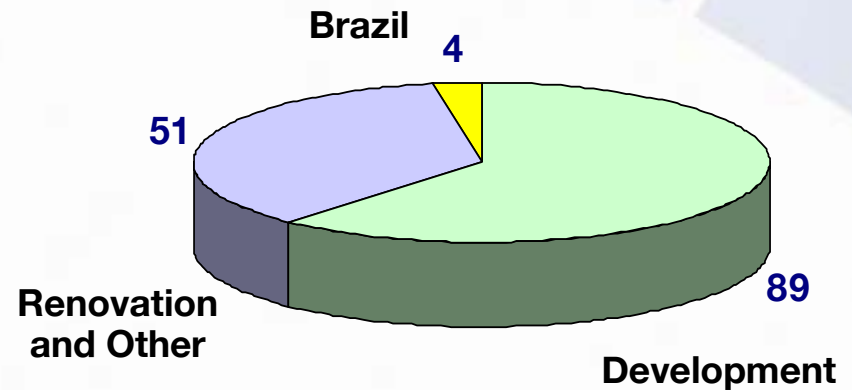
9M04 Capex



Total: € 213 mn

- Development: San Fiorano Robbia (36mn euro)
- Brazil: completion of Novatrans lines (28mn euro)

9M05 Capex



Total: € 144mn

- Development: delays in Turbigio-Rho line and Santa Barbara substation

Full year Italian capex expected to be at ca. 260mn euro

9M 2005 Results

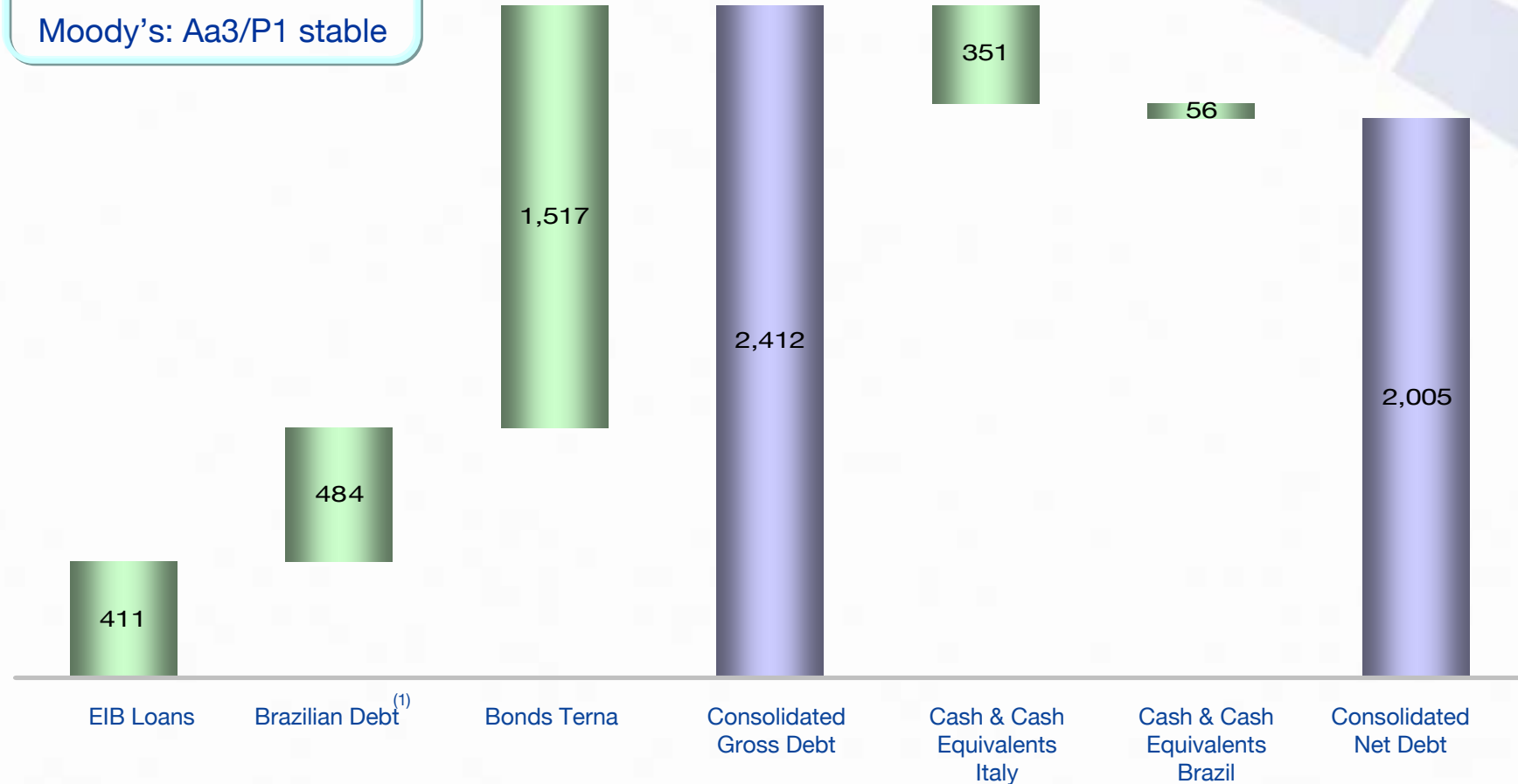
Consolidated Net Financial Position

In Euro mn

Rating Terna SpA

S&P's: AA-/A1+ stable

Moody's: Aa3/P1 stable



Note: EIB= European Investment Bank

(1) No recourse project finance debt

1H 2005 Results

In Euro mn

Consolidated Net Financial Position - drivers

ITA GAAP

IAS

Net Debt 31/12/04

1,865

Net Debt 31/12/04

1,900

Δ Fair value on Bonds

82

Change in Financial Position (90)

Change in Financial Position (90)

Δ Exchange Rates 113

Δ Exchange Rates 113

Net Debt 30/09/05

1,888

Net Debt 30/09/05

2,005

+ 23

+ 105

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1H 2005 Results

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Update on Business Dynamics

Regulatory Issues

Tariff Evolution

- **2006 transmission tariffs: ~ +7-9%**
(AEEG resolution 202/05, Sept. 2005).
- Parameters:
 - Inflation:
 - CPI: 1.8%
 - RAB deflator: 3.9%
 - Expected volume growth: 1.5%

RAB

- RAB for 2006 tariffs: ca. 5.1bn
- 2005 end of year RAB: ca. 5.2bn

Update on Business Dynamics

New Perimeter – 2004 Financials

R.T.L

Revenues	7.1
EBITDA	3.3
EBIT	0.5
Net Income	0.2

RAB	Ca. 31
Employees (no.)	35

TSO⁽¹⁾

Revenues	111
EBITDA	39
EBIT	14
Net Income	7

RAB	Ca.60
Employees (no.)	586

2006 revenues substantially in line with previous years

In euro million



(1) *Source: Gestore della Rete di Trasmissione Nazionale SpA (GRTN)*

Update on Business Dynamics

Outlook for FY2005

Change in Perimeter

- 4Q05 will reflect the consolidation of:
 - RTL SpA, 3 months
 - TSO, 2 months
- 621 additional headcount
- TSO pass-through items will impact P&L but not bottom line
- Costs affected by one-offs charges linked to the transactions (i.e. registration tax, logistics and IT costs)

Results

- ↓ Cash flow (effective tax rate = cash tax rate)
- ↑ Capex
- ↑ Net Debt (interim dividends, capex and acquisitions)

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1H 2005 Results

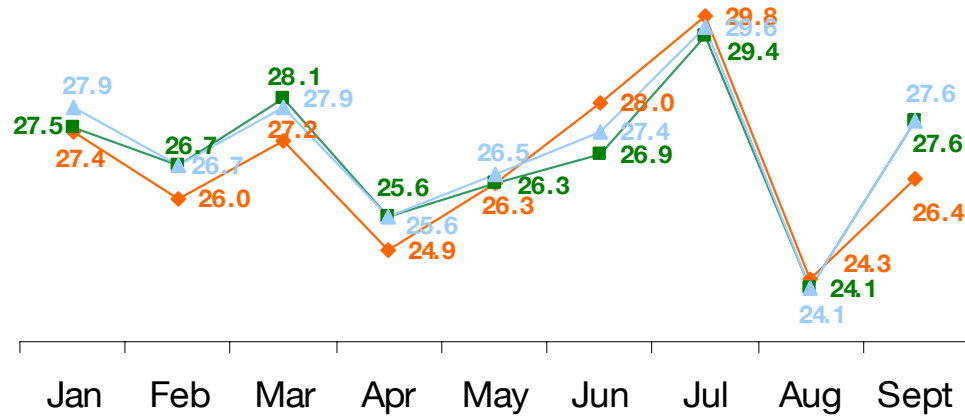
Update on Business Dynamics

Annexes

Italian Electricity Market Evolution

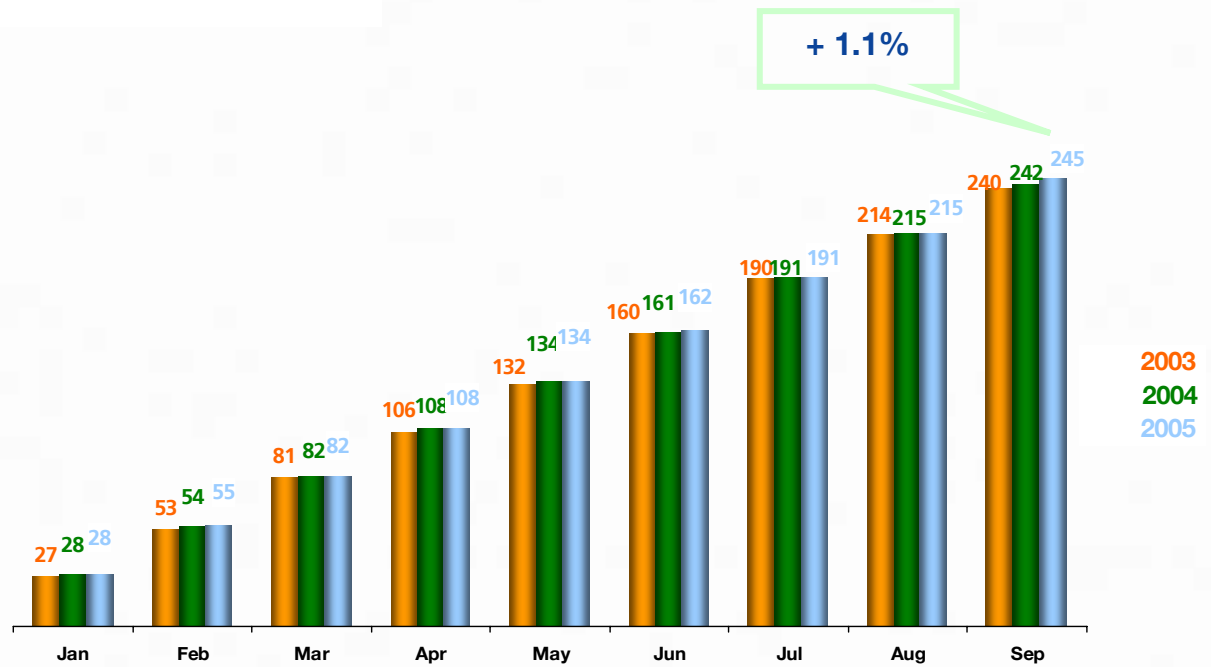
Energy Demand

TWh



Monthly Trend

Cumulated Trend



Source: GRTN – monthly reports

1H 2005 Results

Consolidated – Quarterly Analysis (IAS)

In Euro mn

	1Q05	1Q04	Change	2Q05	2Q04	Change	3Q05	3Q04	Change
Operating Revenues	254	275	(21)	246	234	12	285	263	22
<i>Grid Utilisation Fee</i>	187	231	(44)	189	186	3	217	211	5
<i>Regulated Activities in Brazil</i>	36	23	13	36	29	7	45	32	13
<i>Other Activities/Income in Italy</i>	30	21	9	20	18	2	23	20	4
Operating Expenses	72	72	0	80	107	(28)	80	79	1
EBITDA	182	203	(22)	166	126	40	205	184	21
<i>Italy</i>	154	187	(33)	136	105	31	169	163	6
<i>Brazil</i>	28	16	11	30	21	10	36	21	15
D&A	40	38	2	41	39	3	41	39	2
EBIT	141	166	(24)	125	87	37	163	144	19
Net Interest Expense	25	31	(7)	18	20	(2)	14	26	(11)
Taxes	46	57	(11)	37	30	7	54	48	7
Net Income	70	77	(7)	70	37	33	95	71	24

(1) Net of capitalized costs

1H 2005 Results

Consolidated – Italian GAAP

In Euro mn

	9M2005	9M2004	Change
Operating Revenues	781	787	- 6
<i>Grid Utilisation Fee</i>	594	645	- 52
<i>Regulated Activities in Brazil</i>	117	84	+ 33
<i>Other Activities/Income in Italy</i>	71	57	+ 13
Operating Expenses⁽¹⁾	225	249	- 23
EBITDA	556	538	+18
<i>Italy</i>	462	480	- 18
<i>Brazil</i>	94	58	+ 36
D&A	133	140	-7
EBIT	422	398	+ 24
Net Interest Expense	51	78	- 26
Taxes	138	139	- 1
Net Income	233	181	+ 52

(1) Net of capitalized costs

Brazilian Subsidiaries

9M 2005 Main Results

In Euro mn



	9M2005	9M2004	Change	9M2005	9M2004	Change	Total 9M 2005
Revenues	56	44	+12	62	40	+ 22	117
Operating Expenses ⁽¹⁾	10	10	-	13	16	- 3	23
EBITDA	46	34	+ 12	49	24	+ 25	95
EBIT	41	29	+ 11	41	19	+ 22	81
Net Interest Expense	15	9	+6	22	35	- 13	37 ²⁾
Taxes	11	6	+ 6	5	1	+ 4	16
Net Income	15	14	+ 12	14	-17	+ 30	28
Net Invested Capital	273	210	+ 63	354	279	+ 75	627
<i>Financed by⁽³⁾:</i>							
Net Debt	206	119	+ 87	221	232	-11	427
Shareholders' Equity	66	91	- 24	133	48	+ 85	199



(1) Net of capitalized costs

(2) Of which Interest on Equity 21 euro mn

(3) 2004 figures as of December 21, 2004

Brazilian Subsidiaries

Project Finance Debt as of September 2005

	Outstanding amount	Maturity	Rates
 Euro 228mn			
BNDES – Local Currency	R\$ 489mn	2016	TJLP +3.5%
BNDES – Currency Basket	R\$ 119mn	2016	Currency Basket Cost +3.5%
 Euro 255mn			
BNDES – Local Currency	R\$ 545mn	2016	TJLP +4.5%
IDB loan – A	US\$ 28.0mn	2016	4.54% + spread step up (from 212.5bps to 537.5bps)
IDB loan - B	US\$ 33.3mn	2015	4.59% + spread step up (from 200bps to 525bps)

Corporate Governance

2 November

Lists of Candidates

Ordinary Shareholders' Meeting to renew the Board of Directors

Cassa Depositi e Prestiti

1. Luigi Roth Chairman
2. Flavio Cattaneo
3. Luigi De Paoli
4. Mario Garraffo
5. Carmine Machì
6. Piero G. Maranesi
7. Franco Smurro

Enel

1. Massimo Romano already Board member

Generali

1. Massimo Ponzellini

Italian Institutional Investors

1. Salvatore Machì already Board member

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