

9M04 Consolidated Results

Fulvio Conti - Chairman

Fabio Todeschini - Chief Financial Officer

November 8th, 2004

9M04 Results

Income Statement

Consolidated				Consolidated		
3Q04	3Q03 Proforma(*)	Change (%)		9M04	9M03 Proforma(*)	Change (%)
268	186	43.8%	Operating Revenues	787	638	23.3%
217	150	44.5%	Grid Utilisation Fee	645	544	18.8%
32	18	80.9%	Regulated Activities in Brazil	84	38	119.0%
19	19	2.7%	Other Activities/Income in Italy	58	56	1.8%
77	68	13.5%	Operating Expenses	249	212	17.4%
191	118	61.2%	EBITDA	538	426	26.2%
169	105	61.4%	Italy	479	401	19.4%
22	14	59.6%	Brazil	59	25	135.7%
71.2%	63.5%		EBITDA Margin (%)	68.4%	66.8%	

In Euro mn

(*) Economic effect of acquisition of TSN and Novatrans and capital reduction as if carried out on January 1, 2003

9M04 Results

Income Statement

Consolidated				Consolidated		
3Q04	3Q03 Proforma(*)	Change (%)		9M04	9M03 Proforma(*)	Change (%)
191	118	61.2%	EBITDA	538	426	26.2%
40	62	-34.8%	D&A	119	191	-37.5%
6	1	nm	Allowances and Write-downs	21	3	mn
145	56	160.0%	EBIT	398	233	70.8%
14	24	-40.5%	Net Interest Expense	63	80	-21.4%
1	1	-11.1%	Net Extraordinary Expense	15	2	nm
51	15	nm	Taxes	139	75	85.8%
79	17	377.7%	Net Income	182	76	139.1%

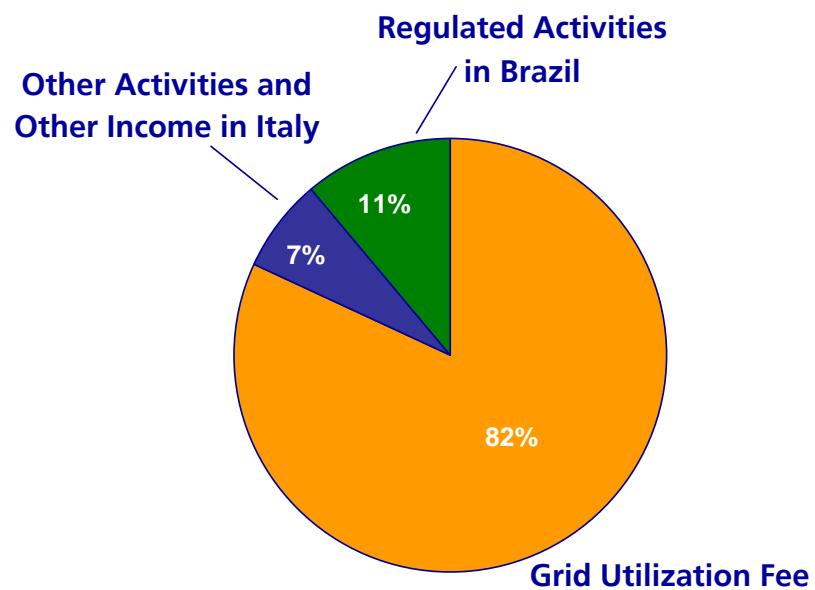
In Euro mn

(*) Economic effect of acquisition of TSN and Novatrans and capital reduction as if carried out on January 1, 2003

9M04 Results

Operating Revenues Breakdown

9M04 Revenue Composition



9M04: € 787mn
(9M03 proforma: € 638 mn)

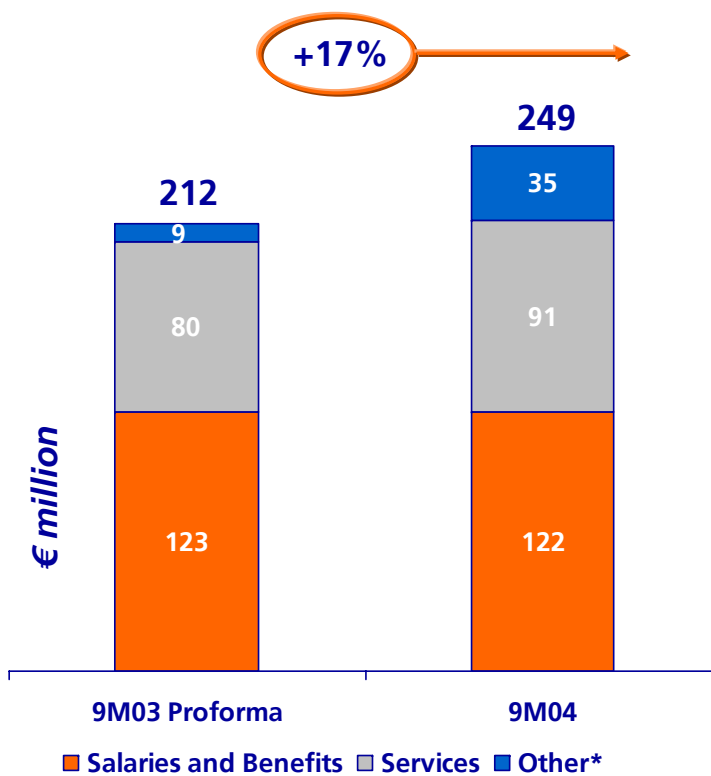


Italy: 89%
Brazil: 11%

Regulated: 93%
Non Regulated: 7%

9M04 Results

Operating Costs



+17%

Mainly impacted by:

- net one-off reversal of grid revenues due to a revision of energy volumes for 2002 and 2003 (ca. 15mn)
- full operations of the Brazilian subsidiaries (ca. 12mn)
- non recurring costs related to IPO (ca. 10mn)

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

9M04 Results

Key Balance Sheet Items

	Consolidated		
	30Sept04	30Jun04	31Dec03
Assets			
PP&E	4,299	4,235	4,196
Intangible assets, net	112	113	115
Financial Investments and Other	10	11	13
Total	4,422	4,360	4,324
Net WC	(339)	(181)	(189)
Funds	(493)	(479)	(504)
Other Liabilities	(71)	(69)	(60)
Net Invested Capital	3,519	3,631	3,572
<i>Financed by:</i>			
Net Debt	1,750	1,862	605
Shareholders' Equity	1,769	1,769	2,966
D/E	0.99	1.05	0.20

9M04 Results

Cash Flow

<i>(€ million)</i>	9M04 Consolidated	9M04 Terna SpA	9M03 Terna SpA
Operating Cash flow	301	289	318
Change in Funds and Working Capital	150	165	39
Cash Flow from Operating Activities	451	454	357
Capital Expenditures	(213)	(183)	(160)
Financial Investments and Other	(13)	(99)	0
Free Cash Flow	226	173	196
Dividends	(170)	(170)	(44)
Capital Reduction	(1,200)	(1,200)	-
Change in Financial Position	(1,145)	(1,198)	152

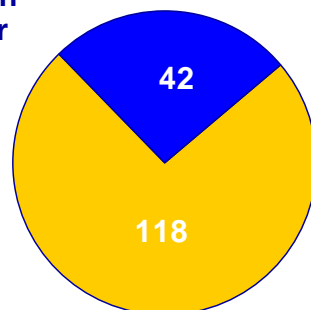
9M04 Results

Capex

9M03 Capex

Terna SpA

Renovation
and Other



Development

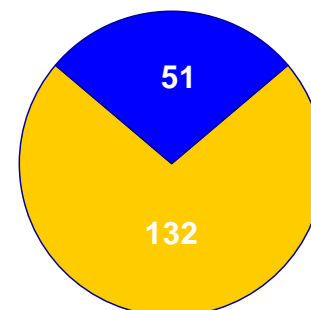
Total: € 160mn

9M04 Capex

Terna SpA

Consolidated

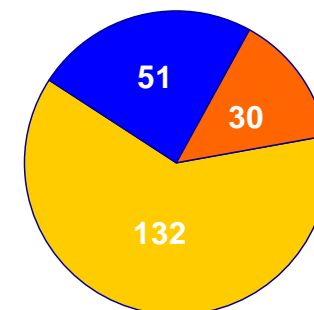
Renovation
and Other



Development

Total: € 213mn

Brazil



9M04 Results

Italy: Main Development Investments



380kV S. Fiorano-Robbia line

380kV Laino-Feroletto-Rizziconi line

Altomonte Substation

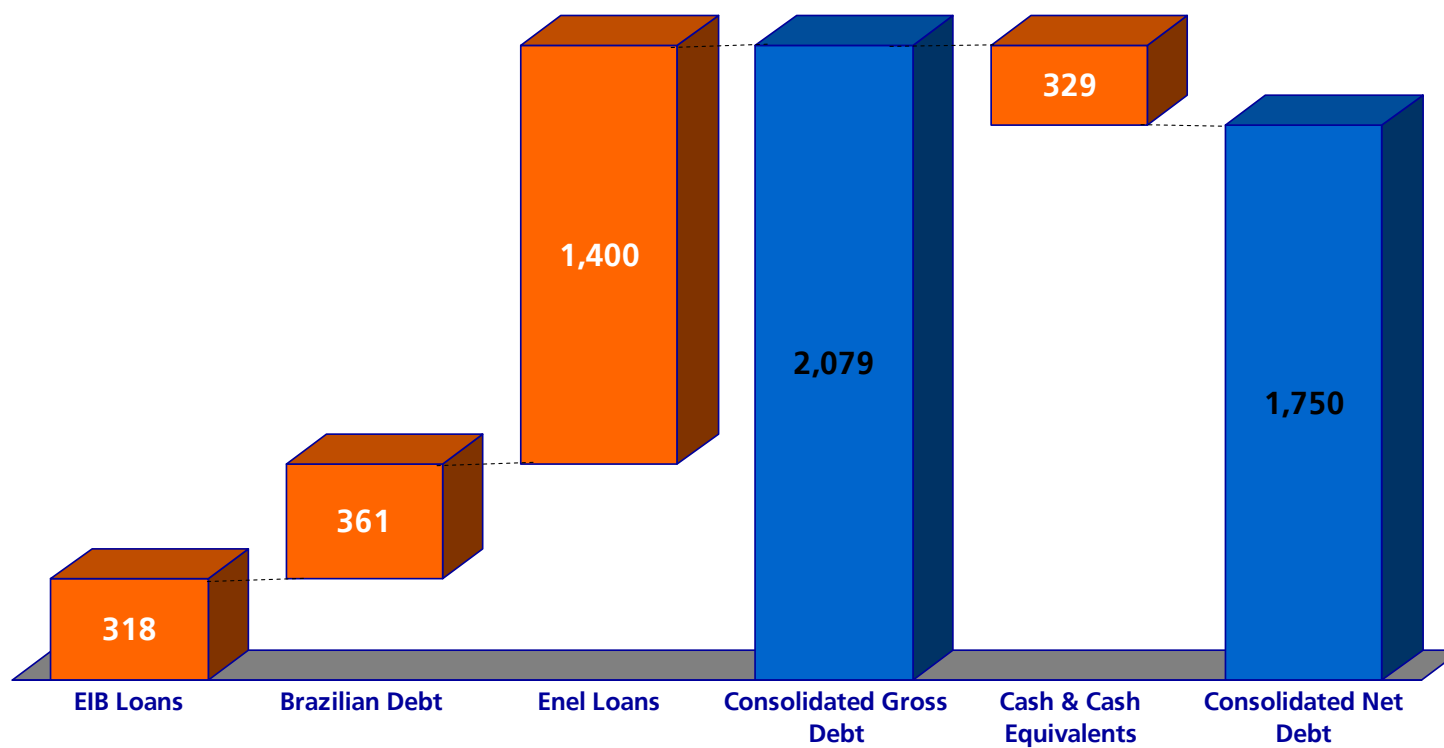
380kV Candela-Foggia line

9M04 Capex: Euro 83.5mn



9M04 Results

Consolidated Net Financial Position



Note: EIB= European Investment Bank

9M04 Results

Debt Structure – Terna SpA

- **Long Term Rating:**
 - S&P's: AA-/A1+ stable
 - Moody's: Aa3/P1 stable
- **Average debt maturity** (after bond issuance): 14,8 years
- **Target Hedging structure for Terna SpA debt:**
 - $(\text{Fixed} + \text{Hedged}) / \text{Total Net Debt} = 65\text{-}70\%$

Recent Events

Corporate Governance

- **September 16** - Ordinary Shareholders' Meeting
 - defined the number of Board members (10)
 - appointed 3 new Board members designated by minority shareholders
- **September 29** - Board of Directors
 - designated the members of the Internal Control Committee and the Compensation Committee

Integration with GRTN

- Ongoing talks with GRTN to define perimeter and values
- Grid code:
 - expected to be issued by GRTN by year end
 - consultation process just started
- Commitment to finalise the Integration ahead of the deadline envisaged by the law (31 October 2005)

2004 Outlook

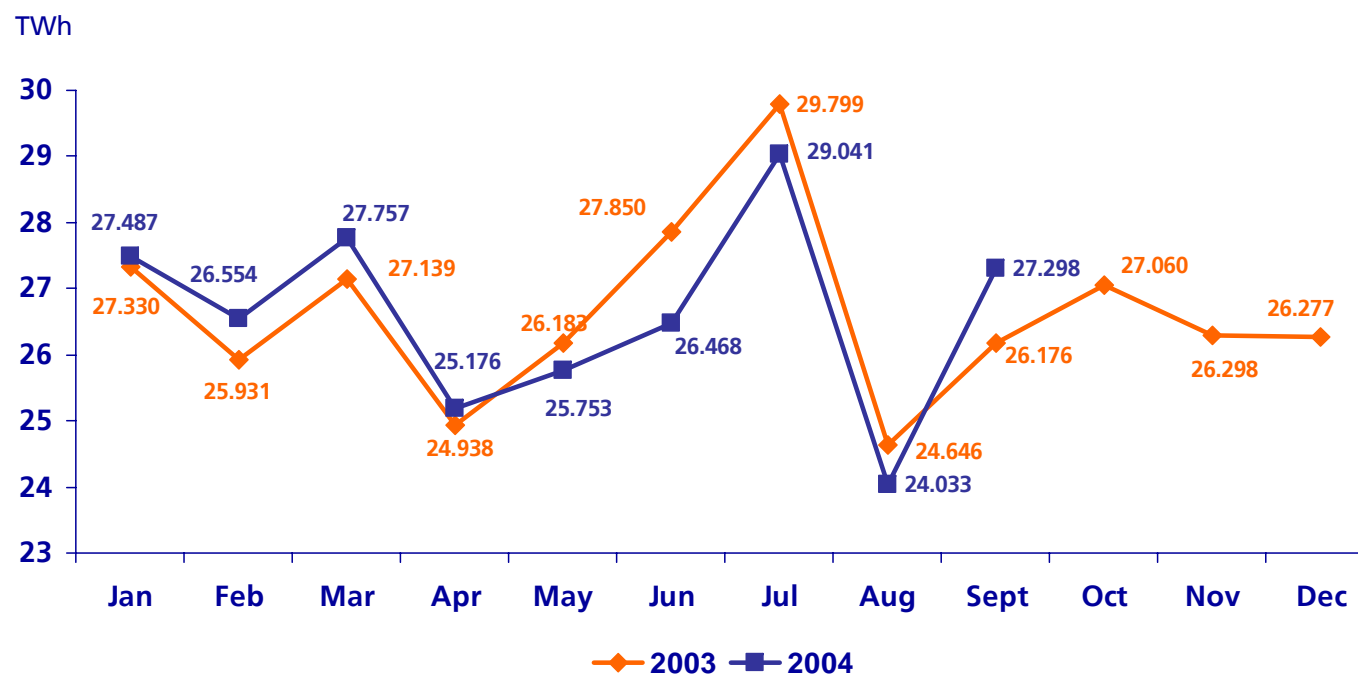
	2003 Consolidated Pro-forma (€m)	2004 Outlook
Revenues	919	↑
EBITDA	623	↑
Net Income	173	↑
Net Financial Position	1,805	↑
Capex ^(*)	241	↑

(*) Referring to statutory accounts of Terna SpA

Annexes

Italian Electricity Market Evolution

Energy Demand: Monthly Trend

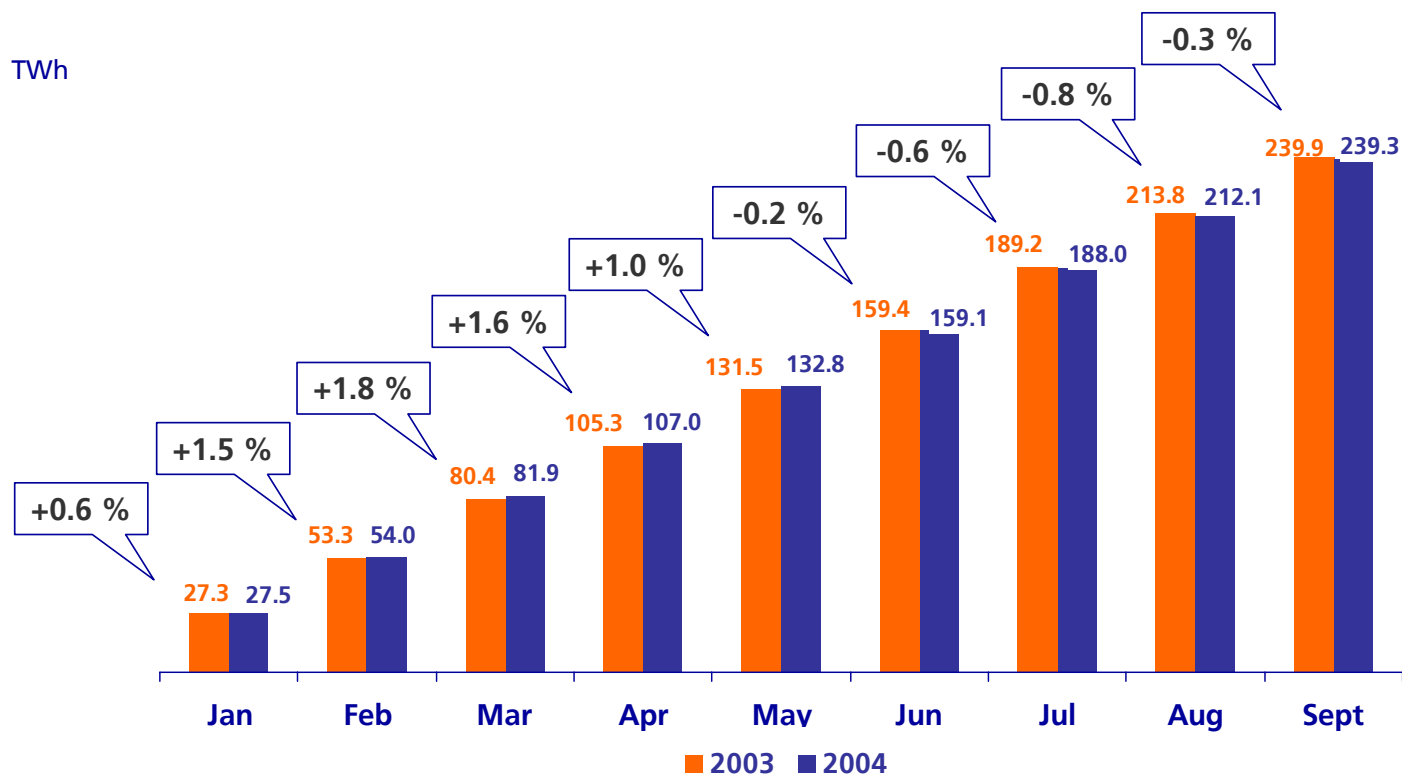


Source: GRTN – monthly reports

Italian Electricity Market Evolution

Energy Demand: Cumulated Trend



TWh



Source: GRTN – monthly reports

Business Development

Brazil: Project Finance Debt as of September 2004

	Amount	Maturity	Rates
<div>  Euro186mn </div>			
BNDES – Local Currency	R\$ 498mn	12 years	TJLP+3.5%
BNDES – Currency Basket	R\$ 158mn	12 years	Currency Basket Cost+3.5%
<div>  Euro 175mn </div>			
BNDES – Local Currency	R\$ 429mn	12 years	TJLP+4.5%
IDB loan - A	US\$ 36mn	12 years	4.54%+spread step up (from 212.5bps to 537.5bps)
IDB loan - B	US\$ 30mn	11 years	4.59%+spread step up (from 200bps to 525bps)

Bond Issue: Key Transaction Terms

- Issuer: Terna S.p.A.
- Rating: Aa3 (stable) / AA- (stable)
- Use of Proceeds: Refinancing of Enel loans
- Documentation: Standalone
- Listing: Luxembourg Stock Exchange
- Governing Law: English

10-year bond

20-year bond

- | | | |
|-----------------------|-----------------|-----------------|
| • Amount: | 600mn | 800mn |
| • Maturity: | 28 October 2014 | 28 October 2024 |
| • Coupon | 4,25% | 4,90% |
| • Spread vs. mid-swap | +22bps | +38bps |

Bond Issue: Key Transaction Terms

- The Bond documentation includes standard negative pledge and cross-default provisions subject to customary limitations

Negative Pledge

- restricted definition of indebtedness limited to listed debt securities
- all Terna SpA debt is currently unsecured

Cross Default

- standard definition of Indebtedness
- cross-default clause excludes project financing debt for the Brazilian subsidiaries

9M04 Results

Terna SpA - Quarterly Analysis

	1Q04	2Q04	3Q04
Operating Revenues	280	238	268
<i>Grid Utilisation Fee</i>	237	192	217
<i>Regulated Activities in Brazil</i>	23	29	32
<i>Other Activities/Income in Italy</i>	21	17	19
Operating Expenses	70	101	77
EBITDA	210	137	191
<i>Italy</i>	194	116	169
<i>Brazil</i>	16	21	22
D&A	39	40	40
Allowances and Write-downs	6	10	6
EBIT	165	88	145
Net Interest Expense	24	25	14
Net Extraordinary Expense	3	11	1
Taxes	57	31	51
Net Income	82	20	79

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Visit our website at:

<http://www.enel.it/it/terna/03Investor/0310/default.asp> (English version)

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