

# 1H2004 Consolidated Results

Fulvio Conti - Chairman

Fabio Todeschini - Chief Financial Officer

September 6<sup>th</sup>, 2004

# Strong First Half Performance

<i>(€ million)</i>	Consolidated		<i>Change (%)</i>
	1H04	1H03 Proforma <sup>(*)</sup>	
<b>Operating Revenues</b>	<b>519</b>	<b>452</b>	<b>14.9%</b>
<i>Grid Utilisation Fee</i>	429	394	8.7%
<i>Revenues from Regulated Activities in Brazil</i>	52	21	NM
<i>Revenues from Other Activities and Other Income in Italy</i>	38	37	1.6%
Operating Expenses	(171)	(144)	19.3%
<b>EBITDA</b>	<b>348</b>	<b>308</b>	<b>12.8%</b>
<i>of which: Brazil</i>	38	11	NM
<i>EBITDA Margin (%)</i>	67%	68%	

(\*) Full year consolidation of TSN and Novatrans as if acquired on January 1, 2003 and effects of the capital reduction as if carried out on January 1, 2003

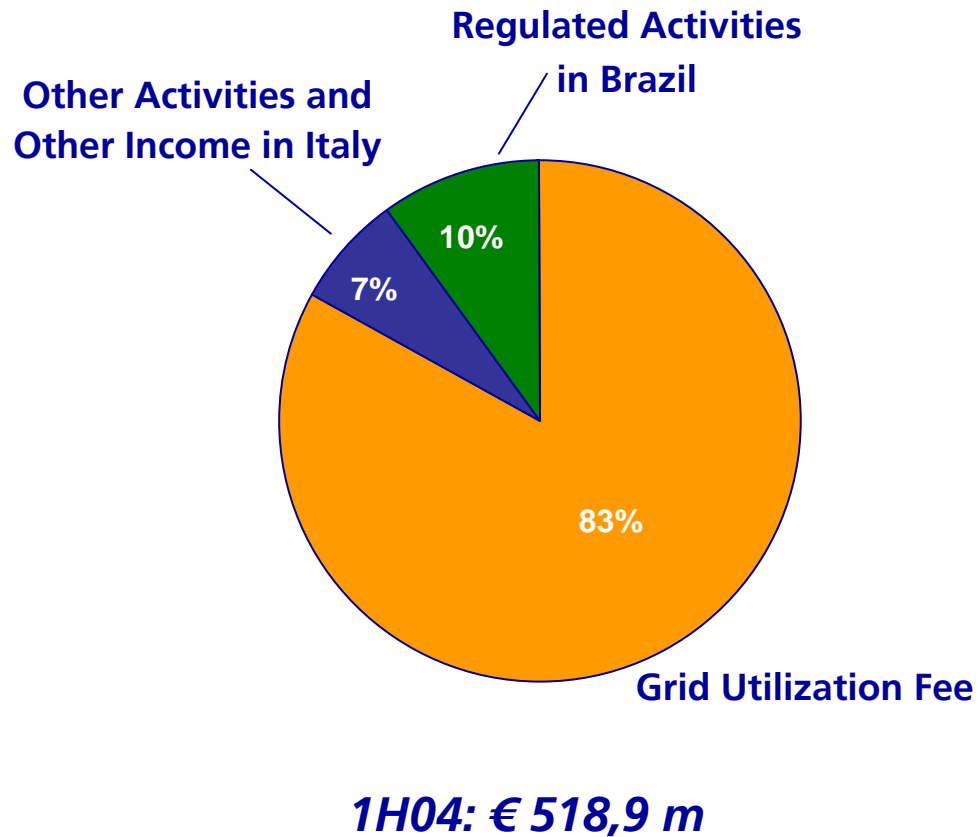
# Strong First Half Performance

<i>(€ million)</i>	Consolidated		<i>Change (%)</i>
	1H04	1H03 Proforma <sup>(*)</sup>	
<b>EBITDA</b>	<b>348</b>	<b>308</b>	<b>12.8%</b>
D&A	79	129	(38,7%)
Allowances and Write-downs	15	2	<i>NM</i>
<b>EBIT</b>	<b>253</b>	<b>177</b>	<b>42.8%</b>
Net Interest Expense	(49)	(57)	(13.5%)
Net Extraordinary Expense	(14)	(1)	<i>NM</i>
Taxes	(88)	(60)	46.6%
<b>Net Income</b>	<b>102</b>	<b>59</b>	<b>72.3%</b>

*(\*) Full year consolidation of TSN and Novatrans as if acquired on January 1, 2003 and effects of the capital reduction as if carried out on January 1, 2003*

# 1H04 Operating Revenues Breakdown

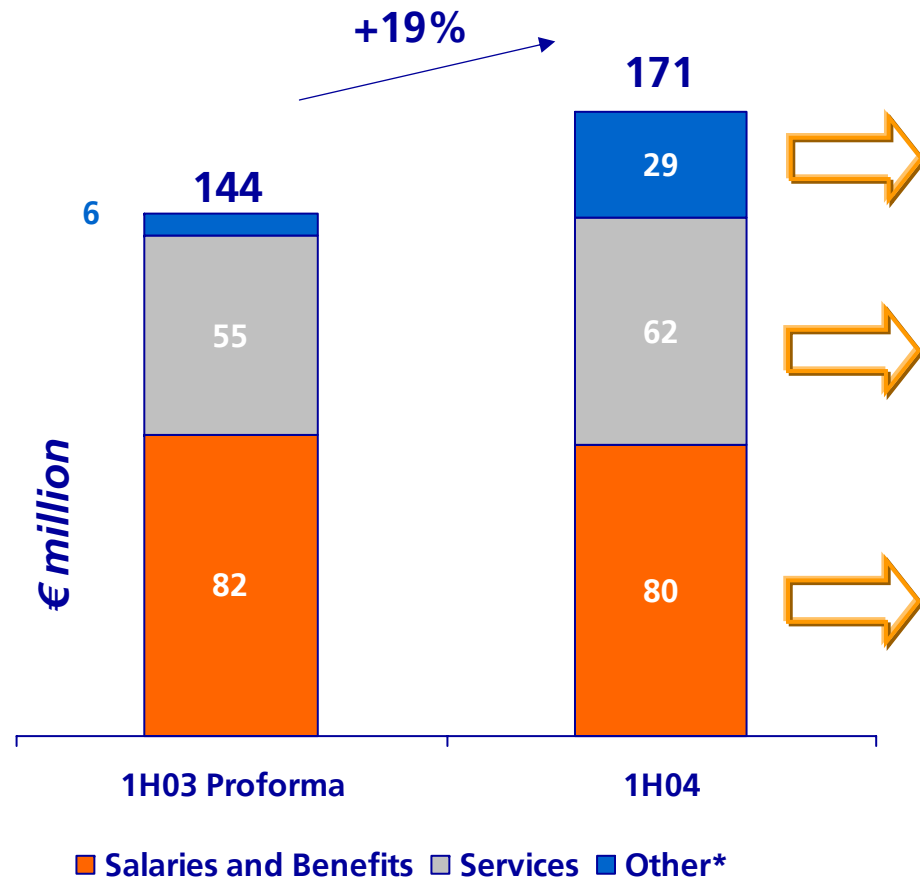
## 1H04 Revenue Composition



Italy: 90%  
Brazil: 10%

Regulated: 93%  
Non Regulated: 7%

# Operating Costs



Mainly impacted by ca. 17mn one-off reversal of grid revenues due to a revision of energy volumes for 2002 and 2003

- Non recurring costs related to IPO (9mn)
- Cost containment actions (-4mn)

Decrease due to reduction in average headcount

(\*) Includes Raw Materials, Rental and Lease Expenses and Miscellaneous

# Key Balance Sheet Items

Consolidated

	30Jun04	31Dec03
<b>Assets</b>		
PP&E	4,235	4,196
Intangible assets, net	113	115
Financial Investments	3	4
Other	(173)	(180)
<b>Total</b>	<b>4,179</b>	<b>4,135</b>
Funds	(479)	(504)
Other Liabilities	(69)	(60)
<b>Net Invested Capital</b>	<b>3,631</b>	<b>3,572</b>
<i>Financed by:</i>		
Net Debt	1,862	605
Shareholders' Equity	1,769	2,966
D/E	1,05	0,20

# Strong and Stable Cash Flow Generation

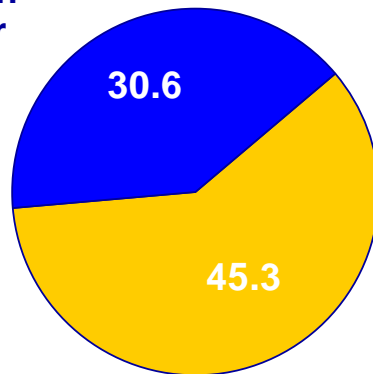
<i>(€ million)</i>	1H04 Consolidated	1H04 Terna SpA	1H03 Terna SpA
<b>Operating Cash flow</b>	<b>197</b>	<b>213</b>	<b>224</b>
Change in Funds and Working Capital	(39)	(44)	4
<b>Cash Flow from Operating Activities</b>	<b>157</b>	<b>170</b>	<b>227</b>
<b>Capital Expenditures</b>	<b>(137)</b>	<b>(109)</b>	<b>(76)</b>
Financial Investments and Other	3	(99)	6
<b>Free Cash Flow</b>	<b>23</b>	<b>(38)</b>	<b>157</b>
Dividends	(80)	(80)	(44)
Capital Reduction	(1,200)	(1,200)	-
<b>Change in Financial Position</b>	<b>(1,257)</b>	<b>(1,318)</b>	<b>113</b>

# Capex

## 1H03 Capex

Terna SpA

Renovation  
and Other



Development

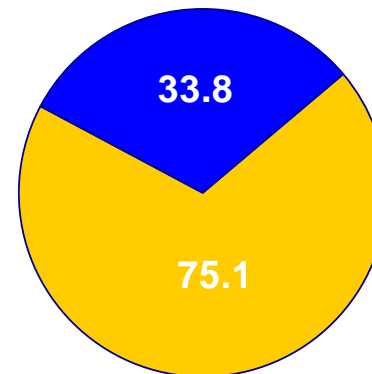
Total: € 75,9mn

## 1H04 Capex

Terna SpA

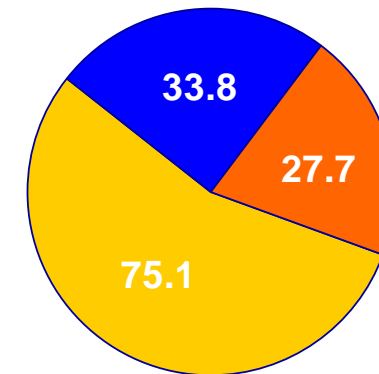
Consolidated

Renovation  
and Other



Development

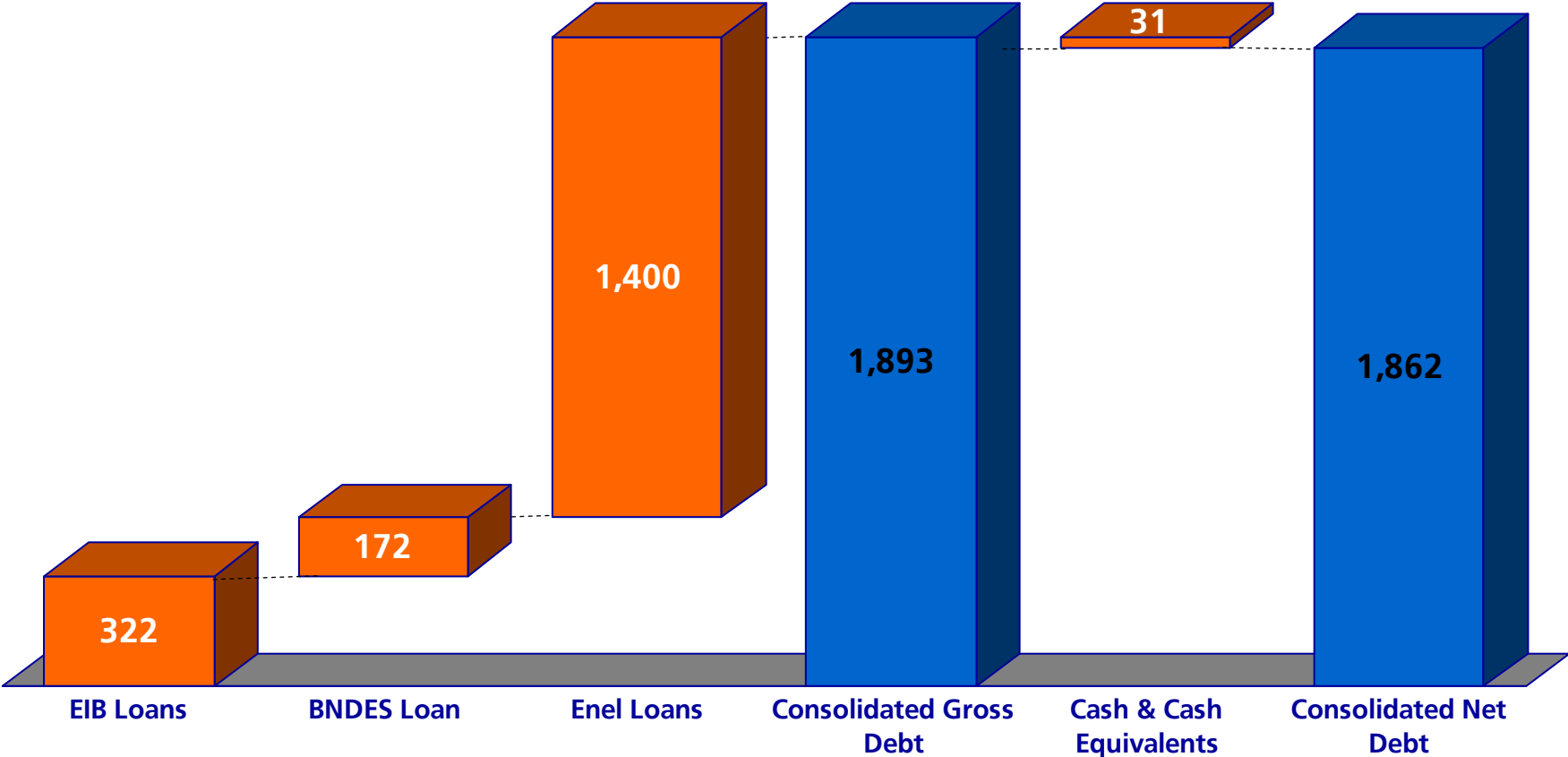
Brazil



Total: € 136,6mn



# 1H04 Consolidated Net Financial Position



Note: EIB= European Investment Bank; BNDES= Banco Nacional de Desenvolvimento Economico e Social.

# Obtained Rating

## Plan to Refinance Intercompany Debt

### Rating

	S&P's	Moody's
LT:	AA-	Aa3
ST:	A+	Prime 1
Outlook:	Stable	Stable

### Debt Refinancing

- Refinancing of debt to repay Enel loans and to reshape debt profile
- BoD approved:
  - issue of a bond up to Euro 1,4bn to be placed with institutional investors
  - back stop syndicated bank facility up to Euro 600mn

# Interim Dividend

- BoD approved an interim dividend of Euro 90mn equal to Euro 0.045 per share
- Coupon date: 18 October 2004
- Payment date: 21 October 2004

# Next steps

## Corporate Governance

- Ordinary Shareholders' Meeting scheduled for September 16 to:
  - define the number of Board members
  - subsequently appoint additional Board members designated by minority shareholders

## Integration with GRTN

- Ongoing talks with GRTN to define perimeter and values
- Grid code expected to be issued by the GRTN by year end
- Integration finalised at the latest by 31 October 2005