First Half 2005 Group Results

Milan, 12 September 2005

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- Moreover, forward looking statements are valid only at the date are made

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Highlights

Highlights

Financial Results

(€'million)	1H04	1H05
• **Turnover**	150,1	148,3
• **EBITDA**	20,5	14,1
(% on turnover)	*(14%)*	*(10%)*
• **Net Financial Position**	152,8 [(1)]	198,9
• **Capex**	16,3 [(2)]	41,4 [(2)]
(of which Wind - %)	*(62%)*	*(85%)*

(1) - as at 31 December 2004

(2) - includes intangible assets

Strategy implementation

Wind: investment program on schedule

- Troia S. Vincenzo (38 MW) in operation in March 2005; in August 2005 additional 4 MW authorized (completion planned 1Q06)
- Troia S. Cireo (30 MW) construction on schedule (completion planned end 2005)
- Viticuso (installed 9 MW): new transmission line under construction (completion planned 1Q06) will allow full exploitation of installed capacity
- Increased number of projects nearing final authorization

WTE: **Maximise reliability and profitability of existing plants**

- EALL operating activity in line with design
- Terni ENA plant efficiency improvement successfully completed in 1H05

Waste treatment: **Rationalize operations**

- Following new Government Decree new tariff system definition delayed as well as application of the agreements for volumes increase

Water:

- Applied request for authorization of Melfi plant

Steel:

- Strengthening commercial efforts to mitigate declining market conditions

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Business Unit analysis

Wind

1H05 Operating and financial results

	1H04	1H05	Δ	FY04
• **Production (GWh)**	**2,3**	**30,2**	**27,9**	**5,8**
- Troia S. Vincenzo	*0*	*27,8*	*27,8*	*1,2*
- Viticuso	*2,3*	*2,4*	*0,1*	*4,6*
• **Turnover (€'million)**	**0,2**	**4,9**	**4,7**	**0,5**
• **EBITDA (€'million)**	**0,2**	**4,1**	**3,9**	**0,8**

➢ **Troia S. Vincenzo**

- 19 turbines (38 MW) gradually on stream during 1Q05
- operating availability lower than contractual 97% in 2Q05 due to test runs
- regime production since July 2005

➢ **Viticuso**

- 15 turbines (9 MW) gradually on stream
- operating availability curtailed by technical problems (solved)
- until new line completion (1Q06) production limited to 3,5 MW

Installed Capacity (MW)

Current capacity	**47**
Troia S. Vincenzo	38
Viticuso	9
On construction	
Troia S. Cireo	30
PLANNED CAPACITY END 2005	**77**
Additional capacity (already authorized)	***7***
Troia S. Vincenzo	4
Viticuso	3
TOTAL PLANNED CAPACITY 1Q06	**84**
Upgrade Troia S. Cireo (to be authorized and installed by 1H06)	10
TOTAL EXPECTED CAPACITY 1H06	**94**

Wind Farms: Current status of projects

Troia S. Vincenzo Wind Farm (EOS 1)

Troia S. Vincenzo

- Total capacity: 38 MW
  - 19 turbines Repower (2MW)
  - Full scale production
  - Capex € 48 million
  - Project Finance: MPS, Efibanca, BBVA
- Additional 4 MW authorised
  - Construction planned 1Q06

Troia S. Cireo Wind Farm (EOS 3)

Troia S. Cireo

- First step: 30 MW authorised
  - 15 turbines Vestas (2MW)
  - Under construction (completion planned by year end)
  - Capex € 39 million
  - Project Finance:
    - bridge financing signed in 1H05
    - closing expected by Sep 2005
- Second step: 10 MW waiting authorization
  - 5 turbines Vestas (2MW): completion planned 1H06

Viticuso Wind Farm (EOLO)

Viticuso

- Installed capacity: 9 MW
  - 15 turbines Enercon (0,6MW)
  - Technical problems solved
  - Transmission line limited to 3,5MW
- New line installation under construction
  - Completion planned 1Q06
- Capacity upgrade (to 12 MW)
  - Authorised
  - Completion planned 1H06

WTE

1H05 Operating and financial results

	1H04	1H05	Δ	FY04
• **Production sold (GWh)**	81,5	71,0	(10,5)	137,9
• **Turnover (€'million)**	17,5	15,4	(2,1)	25,8
• **EBITDA (€'million)**	5,8	6,2	0,4	7,7

- EALL plant production in 1H05 at design level (80.000MWh on a yearly basis)
- Terni ENA production lower than expected in 1H05 due to extraordinary maintenance shutdowns and combustion problems for fuel (paper pulper) quality
- 2H05 Terni Ena results are expected to benefit from new control systems in place (production in August – monthly: 6,8 GWH, cumulated: 44,1 GWh)
- At EBITDA level, higher operating efficiencies (better fuel mix with higher percentages of remunerated waste) and CIP6 prices compensated lower production level

Production results

PLANTS		1H04	1H05	Δ H05-H04	FY04
EALL					
Operating hours	hours	3.996	4.092	96	6.838
Production	MWh	39.788	39.776	(12)	65.970
Revenues (Power fee)	€/000	7.213	7.780	567	12.357
TERNI ENA					
Operating hours	hours	4.119	3.742	(377)	7.833
Production	MWh	41.682	31.226	(10.456)	71.888
Revenues (Power fee)	€/000	7.590	6.110	(1.480)	13.461

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Waste Treatment

1H05 Operating and financial results

	1H04	1H05	Δ	FY04
• **Volumes (tons'000)**				
- Waste disposed (Orvieto landfill - SAO)	**100,4**	**44,9**	**(55,5)**	**143,5**
- Waste treated (CDR plant),	**39,4**	**52,2**	**12,8**	**65,7**
of which special waste	*37%*	*39%*		*36%*
• **Turnover (€'million)**	**12,3**	**6,6**	**(5,7)**	**23,4**
• **EBITDA (€'million)**	**3,3**	**(2,1)**	**(5,4)**	**0,5**
-of which				
SAO	*4,0*	*(0,4)*	*(4,4)*	
CDR Plant	*(1,3)*	*(1,6)*	*(0,3)*	

- 1H04 exceptionally high revenues due to extraordinary waste from Campania region conferment to the Orvieto landfill
- Orvieto landfill: following the provisions contained in the Law Decree No. 115 of June 30, 2005, the agreement signed between the company SAO and the Municipalities concerned relating to the remodelling of the urban solid waste flows from the Municipalities of the ATO 2 to the Orvieto landfill was deferred. Therefore, the increase in the volumes expected for the landfill in the second half of 2005 will not be significant and as a consequence to a first implementation of this agreement, will only result in the conferment of waste from the Municipality of Todi that commenced in September 2005
- CDR plant: high volumes of urban waste (unfavourable supply contract still in place) negatively affected EBITDA, partially compensated by higher volumes of special waste

Water

1H05 Operating and financial results

	1H04	1H05	Δ	FY04
• **Volumes (mc'000)**				
- SODAI	82	179	97	254
• **Turnover (€'million)**	3,1	4,6	1,5	7,5
• **EBITDA (€'million)**	(0,4)	(0,2)	0,2	(0,7)

- Revenues increase due to the consolidation of SODAI, joint venture between Enertad (51%) and Trenitalia (49%)
- Positive EBITDA contribution of SODAI was compensated by lower levels of business of the other companies (DSI and Omnia)
- Activity of SODAI ongoing in order to obtain the authorisation of the platforms for the treatment of industrial liquid waste (applied in August 2005 for Melfi plant)
- DSI treatment plant has completed the required investments to renew authorization. Operations restarted at the beginning of 2H05
- Omnia restructuring under way

Steel

1H05 Operating and financial results

	1H04	1H05	Δ	FY04
• Volumes (tons'000)	42,8	40,6	(2,2)	81,0
• Turnover (€'million)	116,9	116,6	(0,3)	223,9
• EBITDA (€'million)	13,1	8,7	(4,4)	23,9
• Working Capital (€'million)	51,9	64,1	12,2	49,8

- 1H05 revenues have been characterised by higher selling prices compensated by lower volumes sold (except for US market where the increasing volumes have offset decreasing prices)
- EBITDA decreased from € 13,1 million to € 8,7 million due to declining selling margins in line with the overall sector trend
- Working capital:
  - exceptionally high at end of June 2005 due to lower demand, higher prices and normal stock cycle within the year
  - at August 2005 destocking actions have already led to a significant decrease
- Strengthening commercial efforts to mitigate decline market conditions. In August 2005 EnerTAD France purchased 100% of Fiminox operating in Paris area

Financial results

Profit & Loss Accounts

€'million	1H04	1H05
REVENUES	**150,1**	**148,3**
EBITDA	**20,5**	**14,1**
Depreciation & amortization	(10,6)	(12,8)
EBIT	**9,9**	**1,3**
Financial Interests	(5,8)	(6,0)
Extraordinary Items	(1,7)	(2,1)
EBT	**2,4**	**(6,8)**
Third party interest	0,6	0,2
Group EBT	**3,0**	**(6,6)**
Headcount (n.)	**807** *(1)*	**812**

(1) - as at 31 December 2004

Depreciation & amortization:

- 1H05 increase mainly related to investments in wind sector, to the consolidation of Sodai and to the amortization of costs for 2004 Share Capital Increase (August 2004)

Extraordinary items:

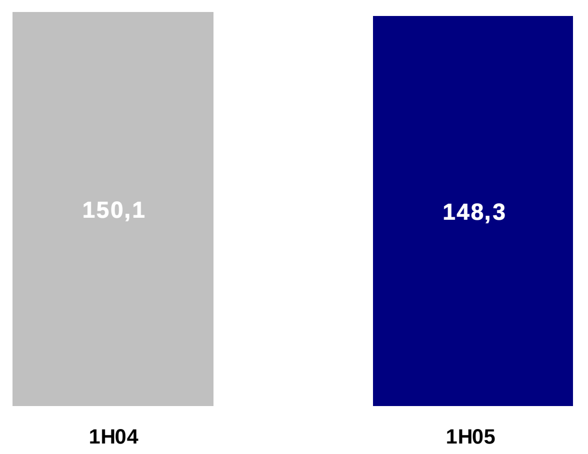
- Mainly due to provisions in Waste Treatment and water Treatment

IAS/IFRS effects:

Group EBT (Italian GAAP)	**(6,6)**
Goodwill amortization	2,5
Other	0,9
Group EBT (IAS/IFRS compliant)	**(3,2)**

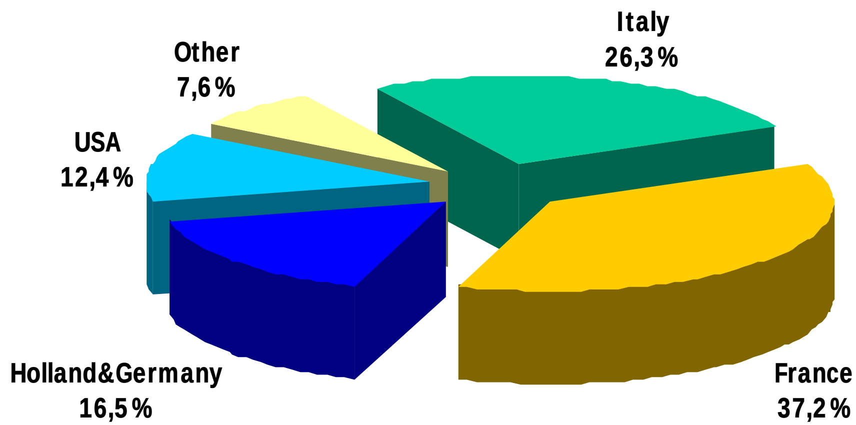
Consolidated Turnover

Business Unit breakdown



€'million	1H04	1H05
STEEL	116,9	116,6
WTE	17,5	15,4
WASTE TREATMENT	12,3	6,6
WATER TREATMENT	3,1	4,6
WIND	0,2	4,9
OTHER	0,1	0,2
TOTAL	150,1	148,3

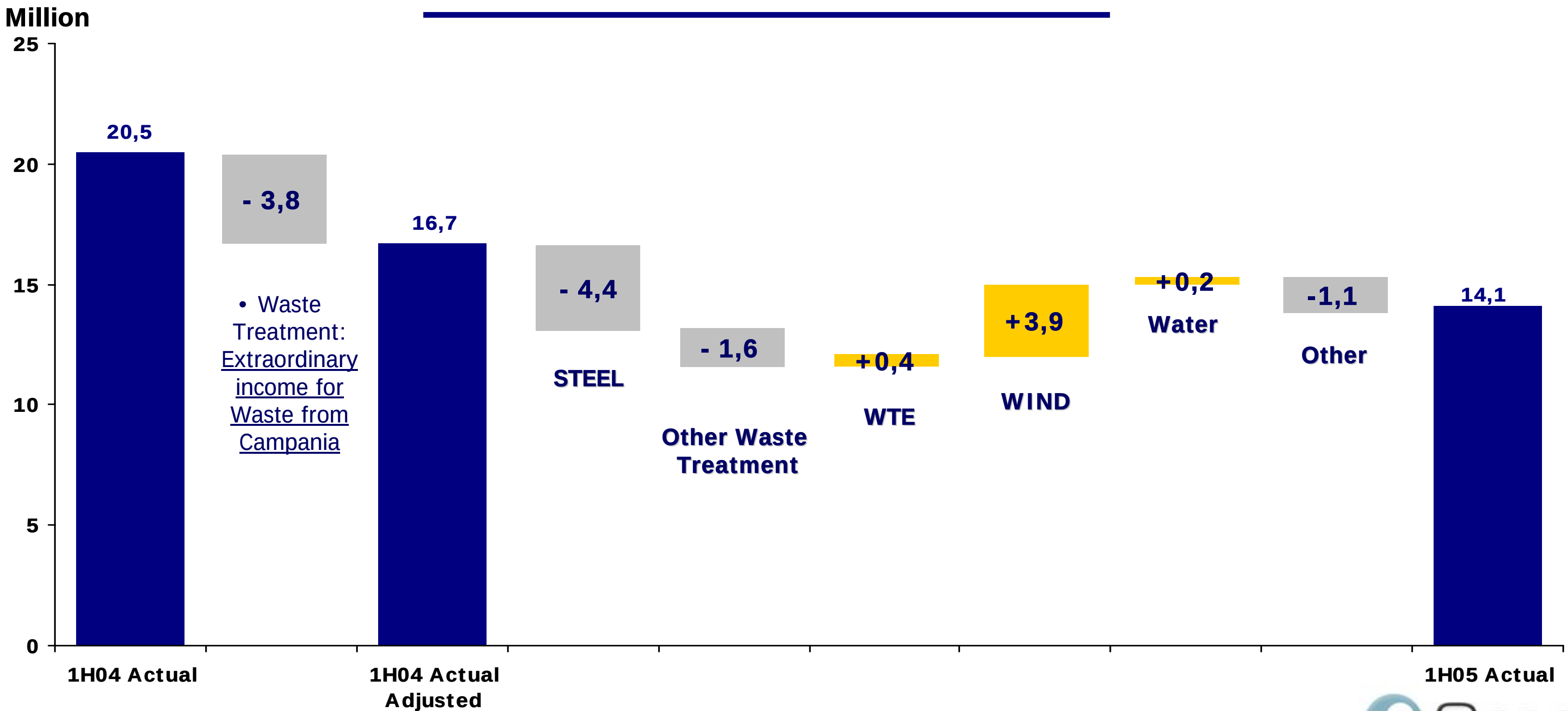
Geographical breakdown



€'million	BU: Steel	BU: Wind, WTE Waste, Water	Total
Italy	7,3	31,7	**39,0**
France	55,2		**55,2**
Holland/Germany	24,4		**24,4**
USA	18,4		**18,4**
Other	11,3		**11,3**
Total	**116,6**	**31,7**	**148,3**

EBITDA

EBITDA - €'million	1H04	1H05	Δ
STEEL	13,1	8,7	(4,4)
WTE	5,8	6,2	0,4
WASTE TREATMENT	3,3	(2,1)	(5,4)
WATER TREATMENT	(0,4)	(0,2)	0,2
WIND	0,2	4,1	3,9
OTHER	(1,5)	(2,6)	(1,1)
TOTAL	20,5	14,1	(6,4)



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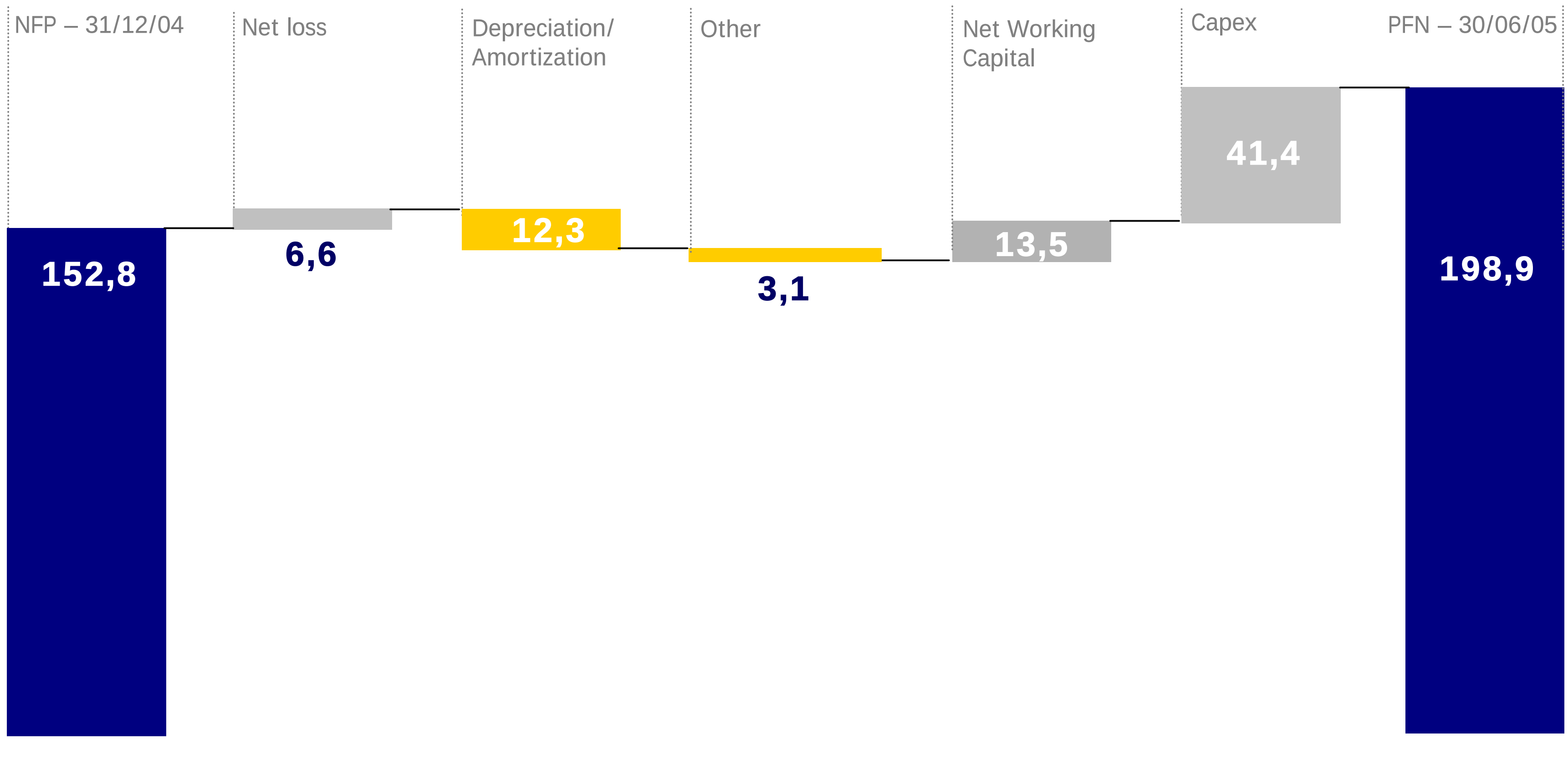
Balance Sheet

€'million	FY04	1H05
Fixed Asset	260,0	289,0
Funds for risks and charges	(6,7)	(7,0)
Staff Leaving Indemnities	(2,1)	(2,3)
Working Capital	70,1	82,2
Total Invested Capital	321,3	361,9
Group Equity	160,9	155,6
Third Party Interest	7,6	7,4
Net Financial Position	152,8	198,9
Total Financial Resources	321,3	361,9

Net Financial Position: Bridge analysis



NFP movements:
31/12/04 – 30/06/05

- 46,1

€'Million

Net Financial Position

€'million	FY04		1H05	
Financial assets	9,9		11,8	
Receivables from subsidiaries	1,0	91,3	1,0	74,3
Receivables from parent companies	37,2		38,3	
Cash and banks	43,2		23,2	
Convertible bonds	(76,9)		(76,9)	
Banks debts	(128,8)	(244,1)	(158,3)	(273,2)
Other financial payables	(38,4)		(38,0)	
Total	(152,8)		(198,9)	
Short term	(8,7)		(34,4)	
Long term	(144,1)		(164,5)	
Non recourse debt:	63,0		85,8	
% on NFP	*41%*		*43%*	