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## **TERNA MANAGEMENT MEETS WITH THE BANKS OF THE INSTITUTIONAL IPO CONSORTIUM**

*Presents consolidated financial results, pro-forma consolidated results, and Company strategy*

*The pro-forma results take into account the effects of the optimization of Terna's financial structure, achieved through the reduction of its capital, and the economic effects of the Brazilian acquisition.*

*Consolidated pro-forma 2003 results: revenues 919 million euro; Ebitda 623 million euro, equal to 68% of revenues; net profit 173 million euro, 19% of revenues.*

*Consolidated pro-forma Q1 2004 results: revenues 281 million euro (+11%); Ebitda 210 million euro (+13%); net profit 77 million euro, an increase of 30% compared with the first quarter 2003.*

**Rome, 30 April 2004** – The Terna management team, led by Chairman Fulvio Conti and Chief Executive Sergio Mobili, today met with the analysts of the underwriting consortium mandated for the proposed initial offering of the company's ordinary shares with Italian and foreign institutional investors.

Terna is Italy's main operator in electricity transmission and owns over 94%\* of the national high voltage and very high voltage transmission network, comprising of more than 38.000 kilometres. The company has also operated in Brazil since December 31, 2003, through its subsidiaries TSN and Novatrans, which have more than 2,300 kilometres of very high voltage lines.

During the meeting, the Terna management team presented the following:

- The activities carried out by Terna in Italy and by its subsidiaries TSN and Novatrans in Brazil - their respective markets, their regulatory environment, their historic operating and financial results;

- Consolidated results for 2003, also presented on a pro-forma basis taking into account the enhancement of Terna's financial structure through the reduction of Terna's share capital, as well as the acquisition of the Brazilian companies mentioned above;
- Consolidated results for the first quarter of 2004 presented on a pro-forma basis, taking into account the enhancement of Terna's financial structure;
- the key elements of the global offer, which calls for a public offering in Italy and an offering to institutional investors in Italy and abroad; and
- the group strategic guidelines.

\*according to AEEG's letter of January 11, 2001

### Consolidated and consolidated pro-forma 2003 results

(euro millions)	Consolidated pro-forma	% of revenues	Consolidated	% of revenues
REVENUES	919	-	872	-
EBITDA	623	68%	590	68%
EBIT	436	47%	414	47%
NET PROFIT	173	19%	220	25%

In 2003, Terna had consolidated pro-forma **revenues** of 919 million euro, of which 807 million euro stemmed from its regulated business in Italy, 65 million euro from other activities in Italy and 47 million euro from regulated activities in Brazil. Consolidated revenues generated in Italy, therefore, totalled 872 million euro.

**EBITDA** (gross operating margin), on a consolidated pro-forma basis, amounted to 623 million euro (approximately 68% of pro-forma revenues), while consolidated EBITDA was 590 million euro (also approximately 68% of consolidated revenues).

**EBIT** (operating result), on a consolidated pro-forma basis, totalled 436 million euro (approximately 47% of pro-forma revenues), while consolidated EBIT totalled 414 million euro (approximately 47% of consolidated revenues).

**Net profit**, on a pro-forma basis, was 173 million euro (approximately 19% of pro-forma revenues), 47 million euro lower than the comparable consolidated figure because of higher financial charges linked to the enhancement of Terna's financial structure and the inclusion of data from the Brazilian subsidiaries.

Regarding the operating and financial performance:

- **Net invested capital**, both consolidated and consolidated pro-forma, stood at 3,572 million euro, while pro-forma net financial debt was 1,805 million euro (compared with the 605 million euro consolidated figure);
- **Cash-flow from activities**, on a pro-forma basis was more than 400 million euro, approximately 37 million lower than the consolidated figure, mainly due to higher interest charges from the inclusion of the Brazilian assets and the effects of the capital reduction.

#### Consolidated pro-forma first quarter 2004 results

(euro millions)	Consolidated pro-forma		
	1Q04	1Q03	Variation %
REVENUES	281	253	11
EBITDA	210	186	13
EBIT	166	122	36
NET PROFIT	77	59	30

On a consolidated pro-forma basis, Terna posted the following first quarter results:

- **revenues** were 281 million euro, an increase of 11% compared with the first quarter of 2003, in part because nearly all the Brazilian lines entered into operation;
- **EBITDA** totalled 210 million euro, an increase of 13% compared with the same period a year earlier. This was due to increased revenues partially offset by slightly higher operating expenses;
- **EBIT** amounted to 166 million euro, an increase of 36% compared with the same period a year earlier, due to lower depreciation as a consequence of an extension of the useful life of the assets;
- **Net profit** was 77 million euro (28% of pro-forma revenues), an increase of 30% compared with the same period a year earlier.

On a pro-forma basis, net invested capital on 31 March, 2004, stood at 3,531 million euro with a net financial position of 1,773 million euro.

## Strategic guidelines

The guidelines aim to maximize shareholder value by:

- optimizing management of the Italian and Brazilian transmission systems through increased efficiency and rationalization of investments, simultaneously guaranteeing a quality of service in line with, or better than, the level required by national authorities;
- pursuit of growth opportunities selected with strict financial and technical discipline, both in the development of transmission infrastructure and in the management sector, in Italy and abroad, with particular focus on countries of the Balkan region, the Mediterranean basin and Brazil;
- efficient management of the financial structure in terms of the ratio of debt to equity;
- dividend policy in line with that of its Italian and European peers.

*This announcement includes forward-looking statements, including statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance, and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. In addition, even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in future periods.*