



# 2021 - 2025 INDUSTRIAL PLAN

---

# DRIVING ENERGY

November 19<sup>th</sup>, 2020

# Agenda

○ Scenario	3
○ Strategy	8
○ 2021 – 2025 Group Financial Targets and Dividend Policy	16
○ Final Remarks	20
○ Annexes	23

## Scenario

---

# Scenario

## Terna and the Sustainable Development Goals

<p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p> <ul style="list-style-type: none"> <li>Increasing energy efficiency</li> <li>Research in non regulated activities</li> <li>Active role in International associations</li> </ul>	<p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p> <ul style="list-style-type: none"> <li>Realization of <b>Development and Resiliency Plans</b></li> <li>Realization of <b>cross-borders interconnections</b></li> <li>Development of <b>International activities</b></li> </ul>	<p><b>13 CLIMATE ACTION</b></p> <ul style="list-style-type: none"> <li>Implementation of <b>Resiliency Plan</b></li> <li><b>Research, Development and Innovation</b></li> <li><b>Innovation</b> focused on <b>grid resiliency</b></li> </ul>
---	--	--

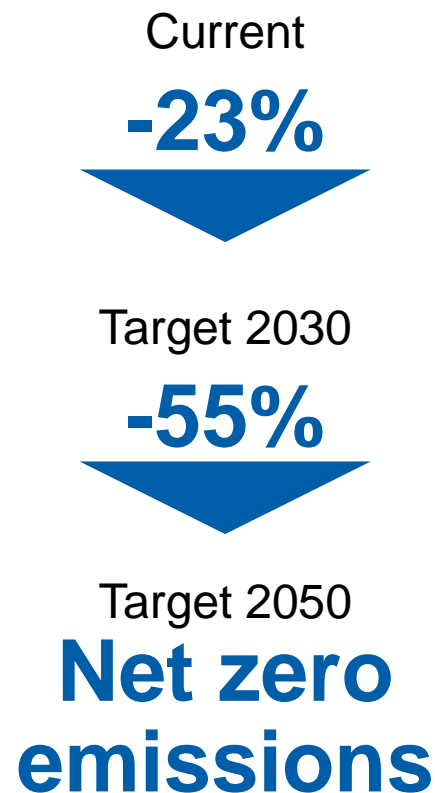
- Terna is committed to supporting sustainable development by contributing to some of the objectives identified by the United Nations

<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p>Incentivize <b>lasting, inclusive and sustainable economic growth</b></p>	<p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> <p>Guarantee <b>sustainable models of production and consumption</b></p>	<p><b>15 LIFE ON LAND</b></p> <p>Protect, restore and promote a <b>sustainable use of the ecosystem</b></p>	<p><b>16 PEACE AND JUSTICE STRONG INSTITUTIONS</b></p> <p>Promote a <b>peaceful and inclusive society</b> for sustainable development</p>	<p><b>17 PARTNERSHIPS FOR THE GOALS</b></p> <p>Strengthen the means of implementation and <b>renew partnerships</b> for sustainable development</p>
--	--	---	---	---






- In the current pandemic crisis scenario, Terna recently renewed its commitment to the 10 Principles of the Global Compact and the 17 SDGs

# Scenario

## TARGET EMISSIONS\*



## KEY ACTIONS

-  *80%-90% of RES in the power generation by 2050*
-  *Grids development to improve interconnections and digitalization*
-  *Energy efficiency and electrification of the heating sector*
-  *Batteries*
-  *Electric Vehicles and low-emission transport*

## INVESTMENTS

### Green New Deal



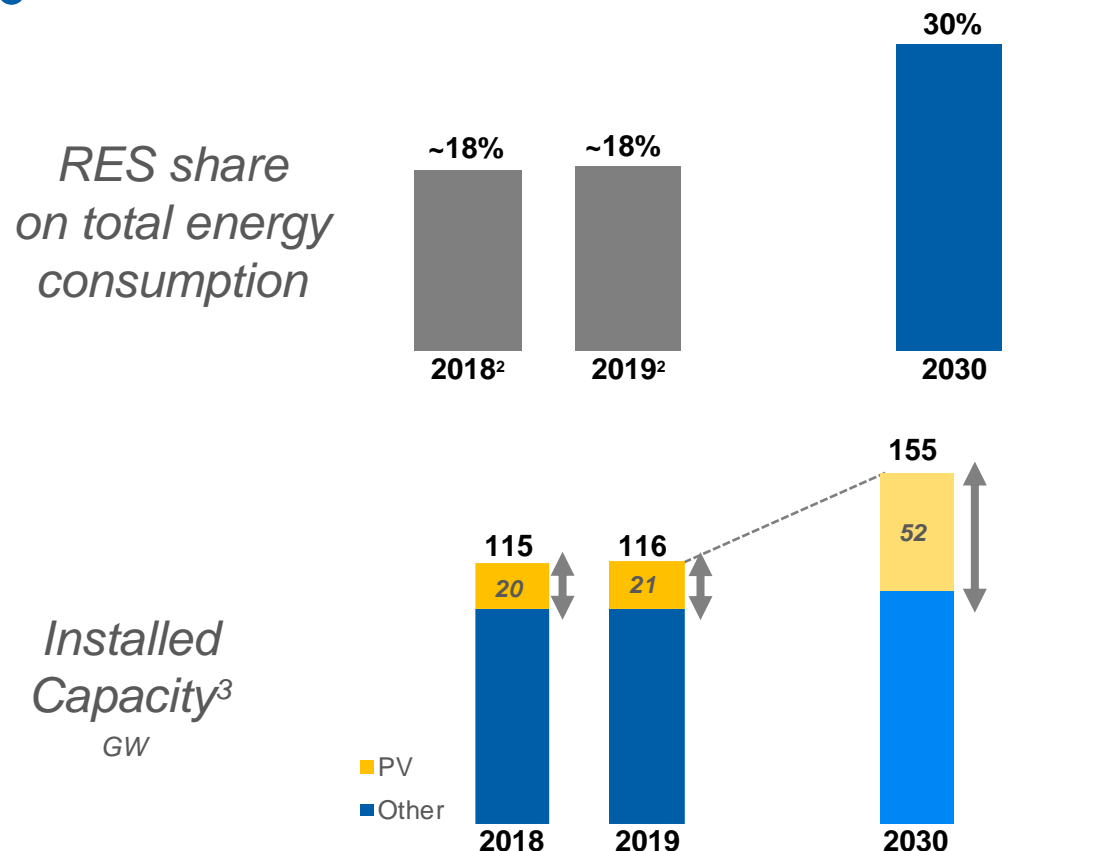
At least **€1 trillion** of sustainable investments over the next 10 years

A new European strategy heading to “Net Zero”

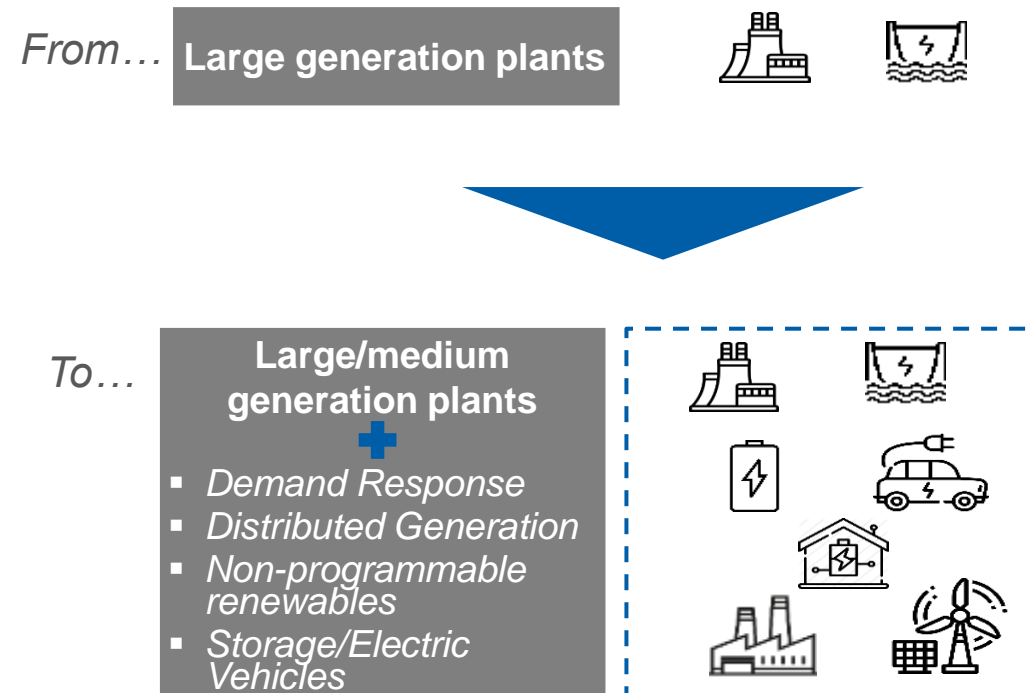
# Scenario

## Italian electricity system evolution

### CHALLENGING RES 2030 TARGETS<sup>1</sup>



### SYSTEM EVOLUTION AND IMPACTS




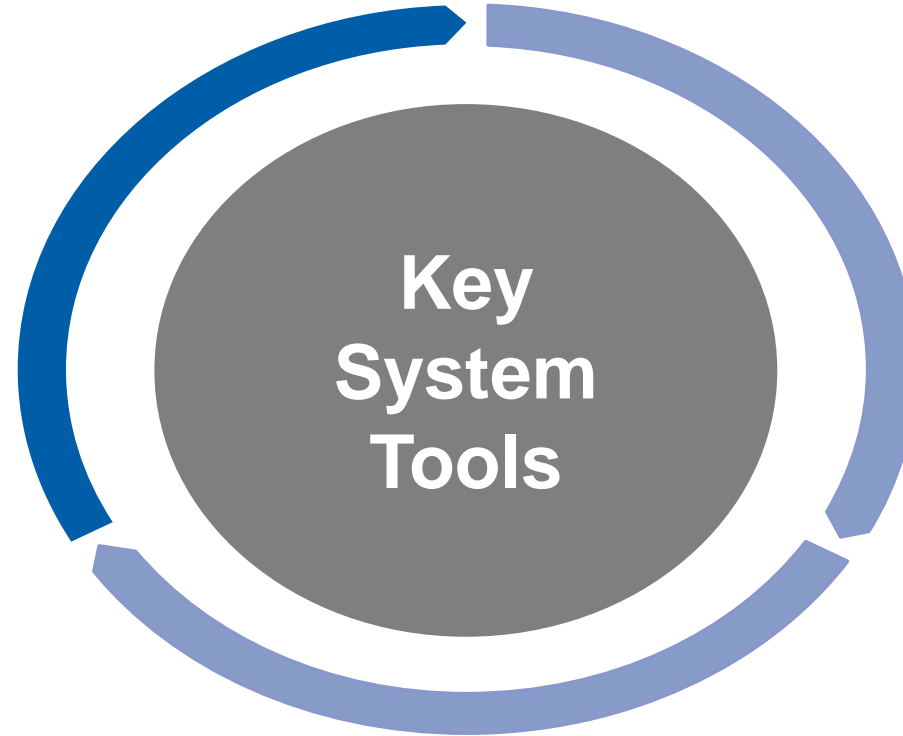
**From system operator to system enabler**

# Scenario

The key system tools to support the Energy Transition



**Grid's investments**  
*To enable security, resiliency and the integration of non-programmable renewables*



**New storage capacity**



**RES Integration**

Terna Plan enables future RES development and supports the Energy Transition

## ○ Strategy

---



# Strategy

Terna's strategic approach



**Boosting Investments**

*Further acceleration on grid investments*



**Energy Transition**

*Enabling the Energy Transition*



**Sustainability**

*Sustainable approach to support stakeholders and local communities*

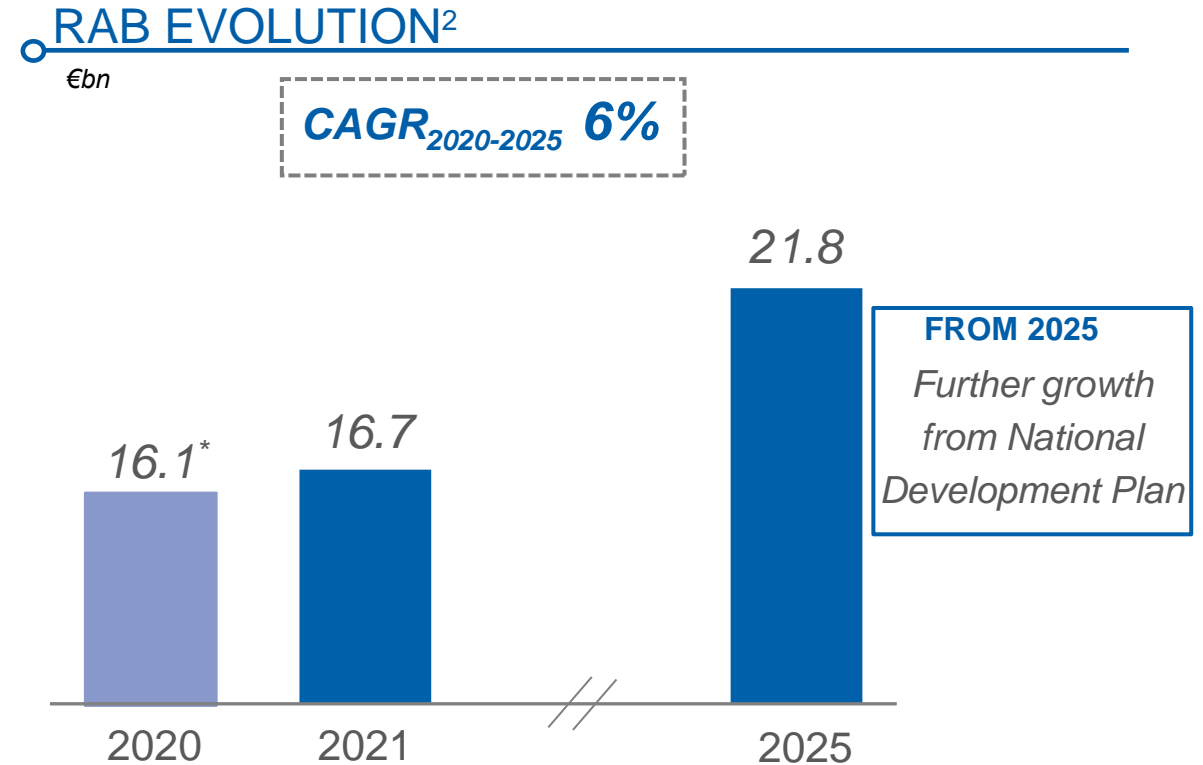
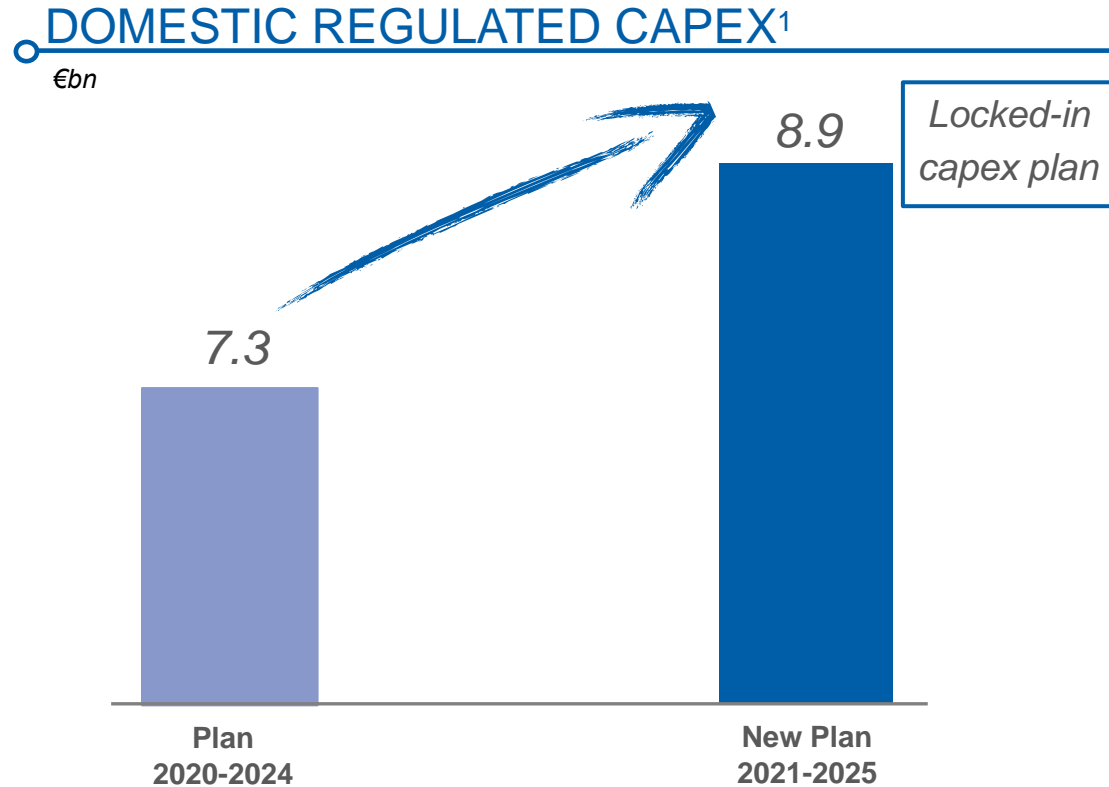


**Transformation**

*Development of a deep transformation process*

# Strategy

## Domestic Regulated Activities (1/2)



Maximizing benefits for the system

# Strategy

## Domestic Regulated Activities (2/2)

CATEGORY	CUMULATED CAPEX	MAIN PROJECTS
Development	5.4€bn <div style="border: 1px dashed green; padding: 2px; display: inline-block;"> <p style="color: green; font-weight: bold;">~70%</p> <p>To support NECP* targets</p> </div>	<ul style="list-style-type: none"> <li>▪ Tyrrhenian Link</li> <li>▪ SA.CO.I 3</li> <li>▪ Solving grid congestions</li> <li>▪ RES integration</li> </ul>
Asset Renewal and Efficiency	2.4€bn	<ul style="list-style-type: none"> <li>▪ Quality of Service</li> <li>▪ Quality of Processes</li> <li>▪ Quality of the Environment</li> </ul>
Defence	1.2€bn	<ul style="list-style-type: none"> <li>▪ Voltage regulation</li> <li>▪ New control and defence system</li> <li>▪ Security of infrastructures</li> <li>▪ <b>Resiliency 2.0</b></li> </ul>

Strong focus on quality, resiliency, technologies/capital light investments and sustainability

# Strategy

Non Regulated Activities

## SOLUTIONS PORTFOLIO

## MAIN ACTIONS



### High Voltage

- Grid Infrastructure



### Smart Grid

- Avvenia
- Services



*Reinforce Energy Solutions to support the Energy Transition*



### Connectivity and Computing

- Hosting / Housing
- Optical Fiber



### New Services



*TLC assets value maximization*



### Cables and Transformers

- Tamini
- Brugg



*Tamini performance consolidation*

*Brugg integration*

INTERCONNECTORS

**EBITDA ~450€<sub>mn</sub> cumulated in 5 years**

# Strategy

## International Activities

### PROJECTS IN OPERATION



Brazil

- 230 kV, 158 km
- Commissioned in October 2018
- 30-year concession



Brazil

- 500 kV, 355 km
- Commissioned in April 2019
- 30-year concession



Uruguay

- 500 kV, 214 km
- Commissioned in October 2019
- 30-year concession

### PROJECTS IN EXECUTION



Brazil

- 500 kV, ~300 km
- Commissioning expected by 1Q23
- Two 30-year concessions



Perù

- 138 kV, 132 km
- Commissioning expected in 1H21
- 30-year concession

### POTENTIAL NEW PROJECTS

2021-2025 Cumulated Capex

*lower than 300* €mn

**EBITDA cumulated in 5 years\* >200** €mn

# Strategy

## New Ways of Working

### IMPACTS

*Real Estate optimization*

*Flexibility increase*

*Logistics benefits and quality of life*

*Carbon footprint improvement*

### MAIN ACTIONS

*Ensure adequate infrastructures*

*Promote sociality and corporate culture*

*Review training methods*

*Redesign performance measurement systems*

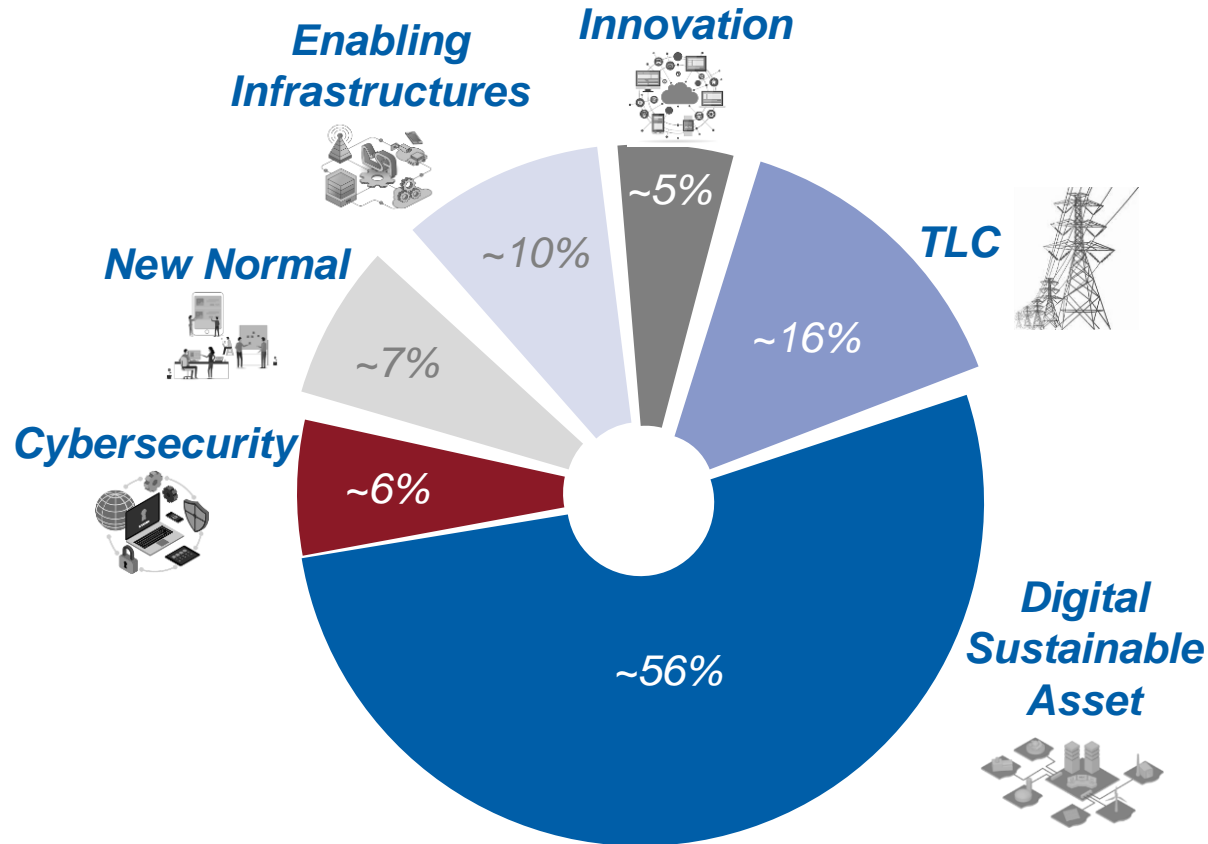
**New  
Ways of  
Working**

Leveraging on Covid constraints to define New Ways of Working

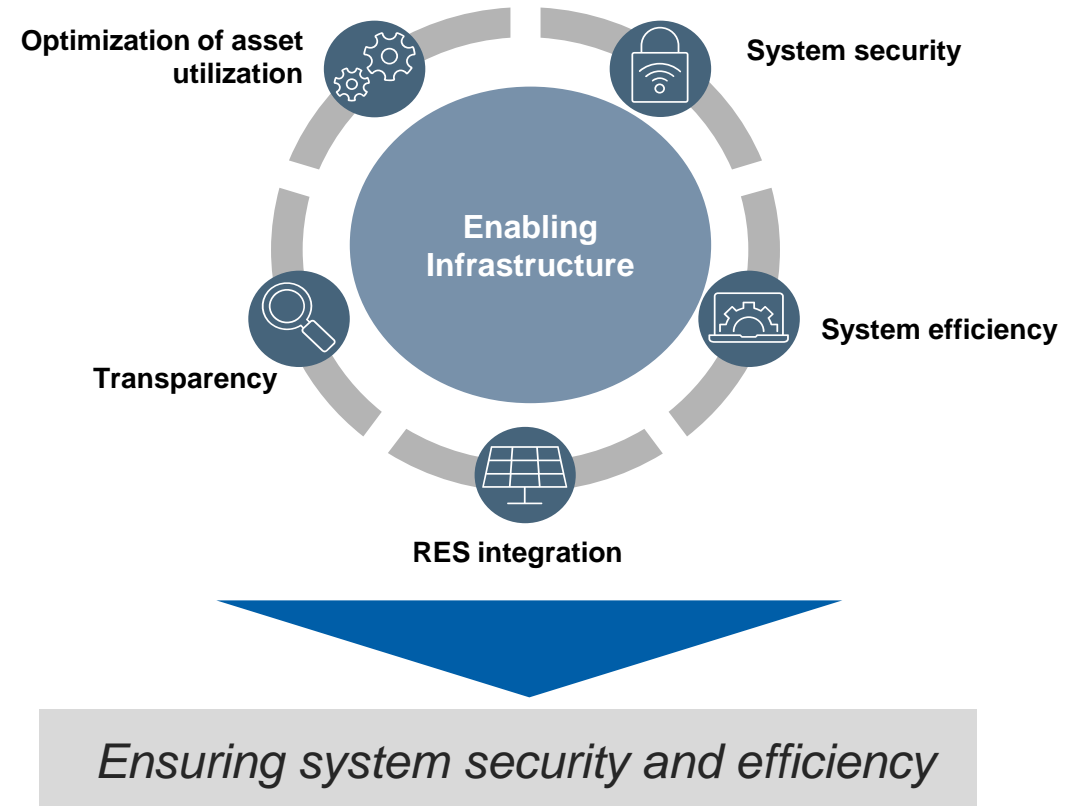
# Strategy

Innovation & Digitization

## INVESTMENTS



## TECHNOLOGICAL ENABLERS



2021-2025 cumulated capex\* ~900€mn

## 2021 – 2025 Group Financial Targets and Dividend Policy



# 2021 – 2025 Group Financial Targets and Dividend Policy

Guidance 2021 and 2025

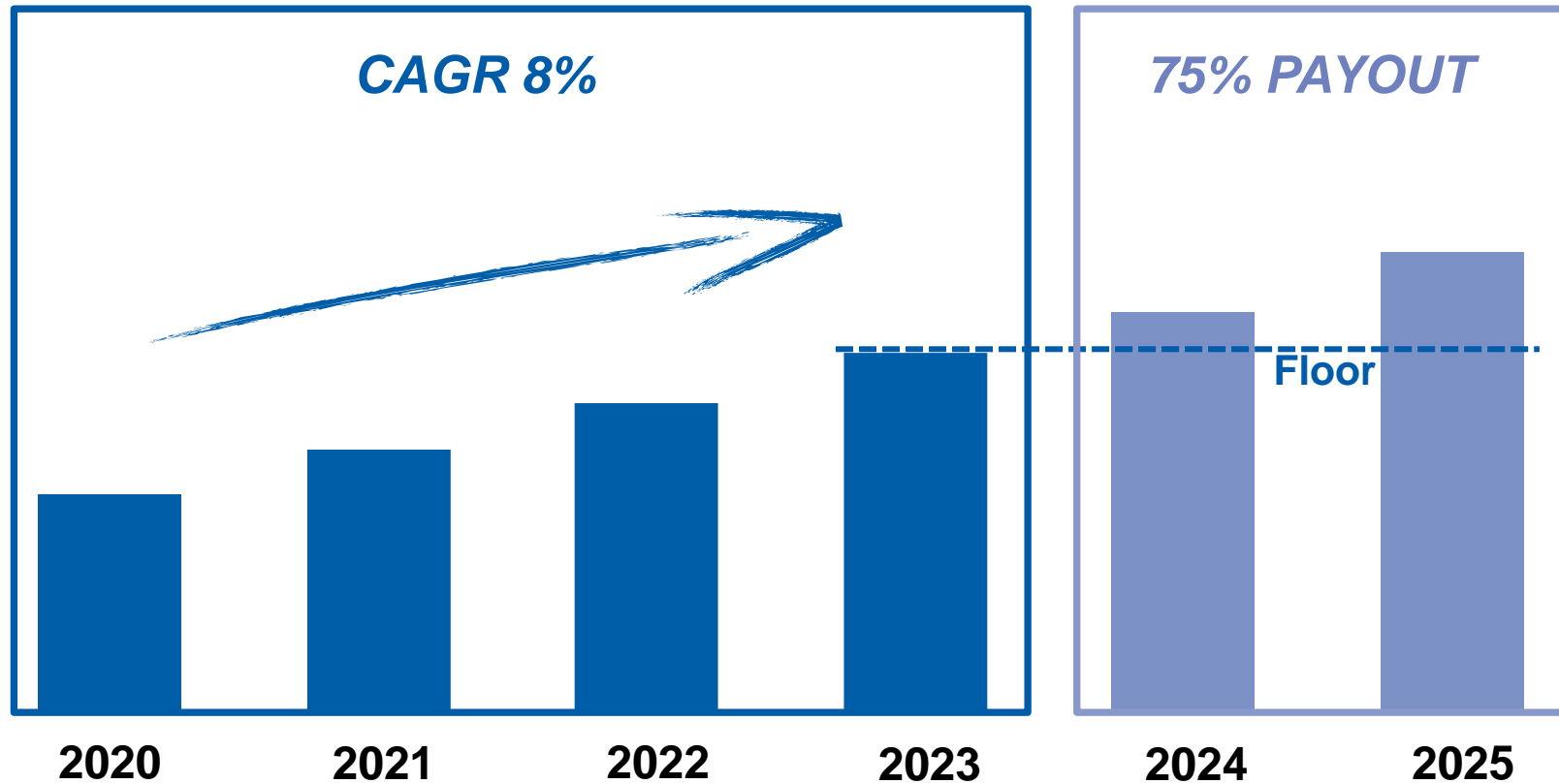
	FY 2020*	FY 2021*	FY 2025*
	Guidance €bn	Guidance €bn	Guidance €bn
	<i>Confirmed 2020 guidance</i>		
Revenues	2.49	2.57	3.04
EBITDA	1.79	1.84	2.21
Capex <sup>1</sup>	1.3	1.4	9.2 Cumulated 2021-2025
EPS <sub>€cents</sub>	38	39	49

Increasing visibility and growth

# 2021 – 2025 Group Financial Targets and Dividend Policy

## Dividend Policy

€ cents



Enhancing shareholders value

# 2021 – 2025 Group Financial Targets and Dividend Policy

## Financial Efficiency and Financial Structure

- Gross Debt @ **84% Fix rate**<sup>1</sup>
- Average duration of **~5 years**<sup>1</sup>
- Net Debt / RAB<sup>2</sup> **<60%** over the Plan
- Average Cost of Net Debt 2021-2025 @ **1.3%**
- Strong commitment to maintain current rating level

### RATING

	Terna		Sovereign	
	Rating	Outlook	Rating	Outlook
<b>S&amp;P</b>	BBB+	<i>Stable</i>	BBB	<i>Stable</i>
<b>Moody's</b>	Baa2	<i>Stable</i>	Baa3	<i>Stable</i>
<b>Fitch</b>	BBB+	<i>Stable</i>	BBB-	<i>Stable</i>
<b>Scope</b>	A-	<i>Stable</i>	BBB+	<i>Negative</i>

**Solid financial structure to support investments acceleration**

## ○ Final Remarks

---

# Final Remarks

*Further acceleration on domestic core activities to allow the transition towards sustainable energy*

*Maintaining a low risk profile and limited capital absorption in non regulated and international*

*Guarantee financial stability*

*Ready for new strategic opportunities in line with TSO role evolution to support decarbonization targets*



**Enhancing TSO central role in the energy transition**

# Final Remarks

Further potential developments: other 10-year horizon strategic opportunities not included in the Plan



***Technical TSO assets  
perimeter expansion***



*Potential additional opportunities*



***Hydro Pumping Storage***



*Development of potential new projects in  
market failure situations*



***RES development***



*Active role to reach NECP\* targets  
Development of turn-key projects in  
energy solutions business*

**Opportunities enabling system evolution**

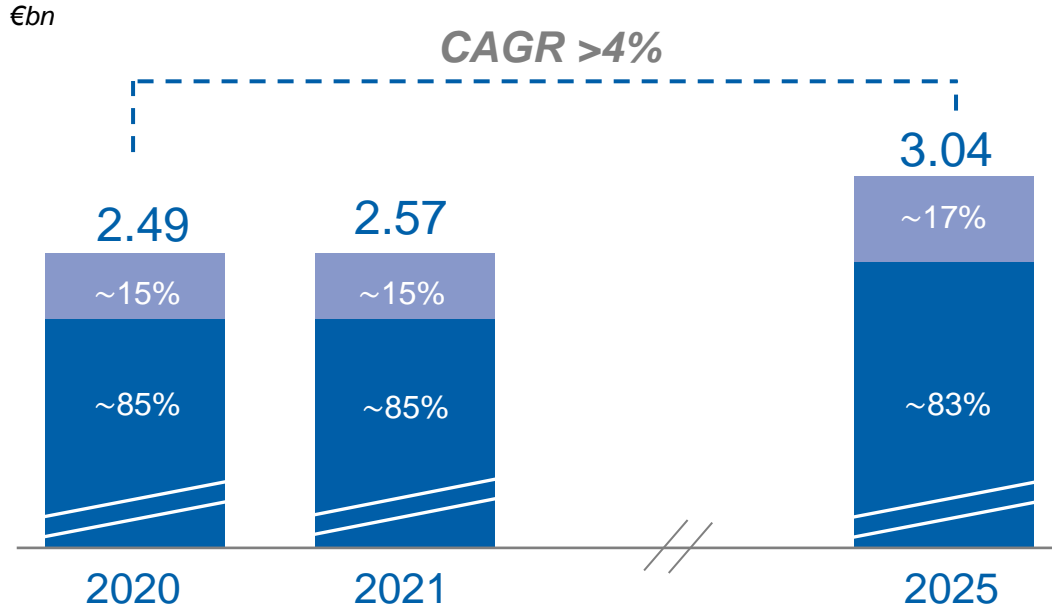
## ○ Annexes

---

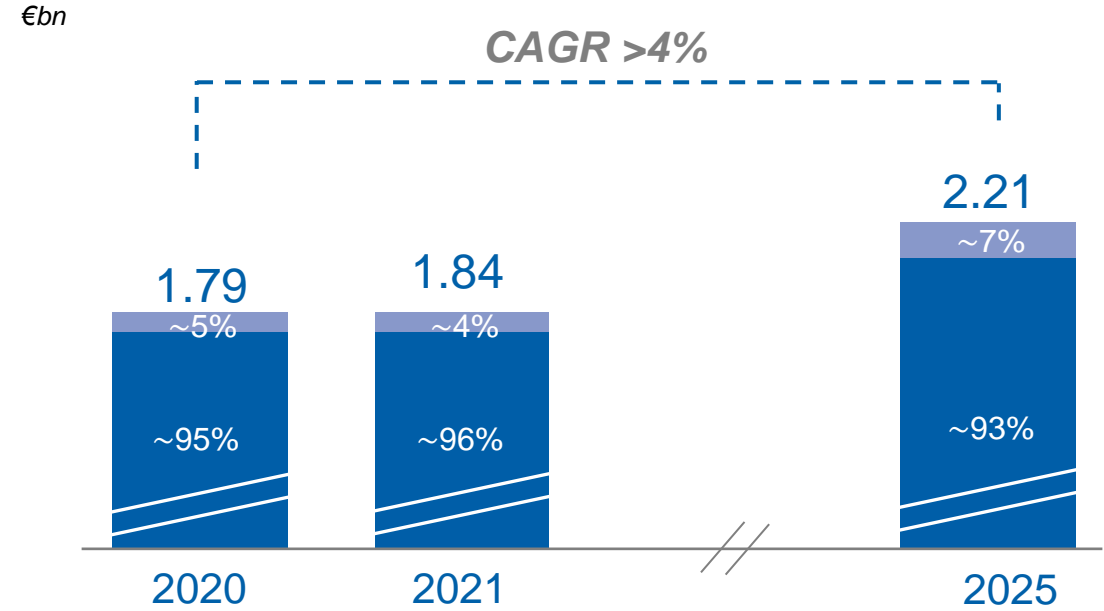
# Annexes

## P&L Targets

### REVENUES



### EBITDA



■ Regulated  
■ Other\*

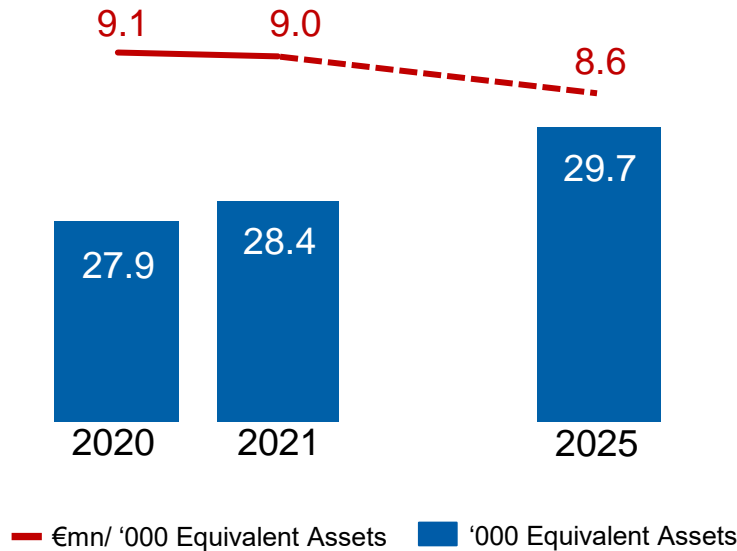
EPS CAGR >5%



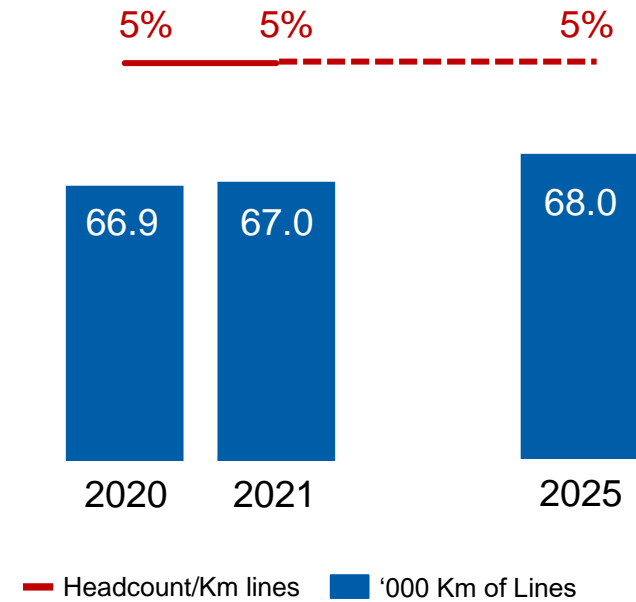
# Annexes

## Operational Efficiency

### OPEX / EQUIVALENT ASSETS\*



### HEADCOUNT / ASSETS



Continuous effort in operational efficiency

# Annexes

## Terna's Sustainable Management Approach (1/2)

**Terna's main goal is to create the necessary conditions to reach the NECP target of 55% RES share on electricity consumption by 2030, compared to the current 35%**

**Terna already top performer in sustainability...**

**...takes on another challenge by adopting science-based targets**

**1° Terna top performer in ESG** according to the most important rating agencies (DJSI, S&P ESG, MSCI, Ethibel, Bloomberg GEI, FTSE4GOOD, etc.)<sup>1</sup>



**<2°** Commitment to reach the levels of decarbonization that limit **global warming «well below 2°** », as established in the Paris agreement

**1° First in Italy to obtain certifications** ISO37001 (anti-corruption) and ISO55001 (Asset Management)



**0.5 Mtons of CO<sub>2</sub> reduction** by 2030 compared to 2019, thanks to the modernization of the electricity system<sup>3</sup>

**~95%** Of **regulated investments** can be classified as **«green»** according to the criteria currently being defined by the **European Taxonomy**







**0** Challenging objective **to set to zero** the **carbon footprint**: more energy efficiency, less emissions, **environmental projects in Italy**

# Annexes

## Terna's Sustainable Management Approach (2/2)

Since 2005, Terna has been monitoring sustainability KPIs

	2019	Target
 <b>Safety Index<sup>1</sup></b>	≤1	≤1
 <b>km of overhead lines removed<sup>2</sup></b>	180	488
 <b>km of new underground and undersea lines<sup>2</sup></b>	46	608
 <b>Green capex</b> In line with 2018 Green Bond Principles	203€mn	>600€mn <sup>3</sup>

## Disclaimer

*THIS DOCUMENT HAS BEEN PREPARED BY TERNA S.P.A. (THE “COMPANY”) FOR THE SOLE PURPOSE DESCRIBED HEREIN. IN NO CASE MAY IT BE INTERPRETED AS AN OFFER OR INVITATION TO SELL OR PURCHASE ANY SECURITY ISSUED BY THE COMPANY OR ITS SUBSIDIARIES.*

*THE CONTENT OF THIS DOCUMENT HAS A MERELY INFORMATIVE AND PROVISIONAL NATURE AND THE STATEMENTS CONTAINED HEREIN HAVE NOT BEEN INDEPENDENTLY VERIFIED. NEITHER THE COMPANY NOR ANY OF ITS REPRESENTATIVES SHALL ACCEPT ANY LIABILITY WHATSOEVER (WHETHER IN NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY FROM THE USE OF THIS DOCUMENT OR ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION WITH THIS DOCUMENT OR ANY MATERIAL DISCUSSED DURING THE PRESENTATION.*

*THIS DOCUMENT MAY NOT BE REPRODUCED OR REDISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON. THE INFORMATION CONTAINED HEREIN AND OTHER MATERIAL DISCUSSED AT THE CONFERENCE CALL MAY INCLUDE FORWARD-LOOKING STATEMENTS THAT ARE NOT HISTORICAL FACTS, INCLUDING STATEMENTS ABOUT THE COMPANY’S BELIEFS AND EXPECTATIONS. THESE STATEMENTS ARE BASED ON CURRENT PLANS, ESTIMATES, PROJECTIONS AND PROJECTS, AND CANNOT BE INTERPRETED AS A PROMISE OR GUARANTEE OF WHATSOEVER NATURE.*

*HOWEVER, FORWARD-LOOKING STATEMENTS INVOLVE INHERENT RISKS AND UNCERTAINTIES AND ARE CURRENT ONLY AT THE DATE THEY ARE MADE. WE CAUTION YOU THAT A NUMBER OF FACTORS COULD CAUSE THE COMPANY’S ACTUAL RESULTS AND PROVISIONS TO DIFFER MATERIALLY FROM THOSE CONTAINED IN ANY FORWARD-LOOKING STATEMENT. SUCH FACTORS INCLUDE, BUT ARE NOT LIMITED TO: TRENDS IN COMPANY’S BUSINESS, ITS ABILITY TO IMPLEMENT COST-CUTTING PLANS, CHANGES IN THE REGULATORY ENVIRONMENT, DIFFERENT INTERPRETATION OF THE LAW AND REGULATION, ITS ABILITY TO SUCCESSFULLY DIVERSIFY AND THE EXPECTED LEVEL OF FUTURE CAPITAL EXPENDITURES. THEREFORE, YOU SHOULD NOT PLACE UNDUE RELIANCE ON SUCH FORWARD-LOOKING STATEMENTS. TERNA DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT ANY CHANGES IN TERNA’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGES IN EVENTS.*

*EXECUTIVE IN CHARGE OF THE PREPARATION OF ACCOUNTING DOCUMENTS “AGOSTINO SCORNAJENCHI” DECLARES, PURSUANT TO PARAGRAPH 2 OF ARTICLE 154-BIS OF THE CONSOLIDATED LAW ON FINANCE, THAT THE ACCOUNTING INFORMATION CONTAINED IN THIS PRESENTATION, FOR WHAT CONCERNS THE ACTUAL FIGURES, CORRESPONDS TO THE DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.*









[investor.relations@terna.it](mailto:investor.relations@terna.it) | +39 06 8313 8282 | [www.terna.it](http://www.terna.it)