

CAPITAL MARKETS DAY

Milano • 19 marzo 2024

A Wider Vision



Agenda

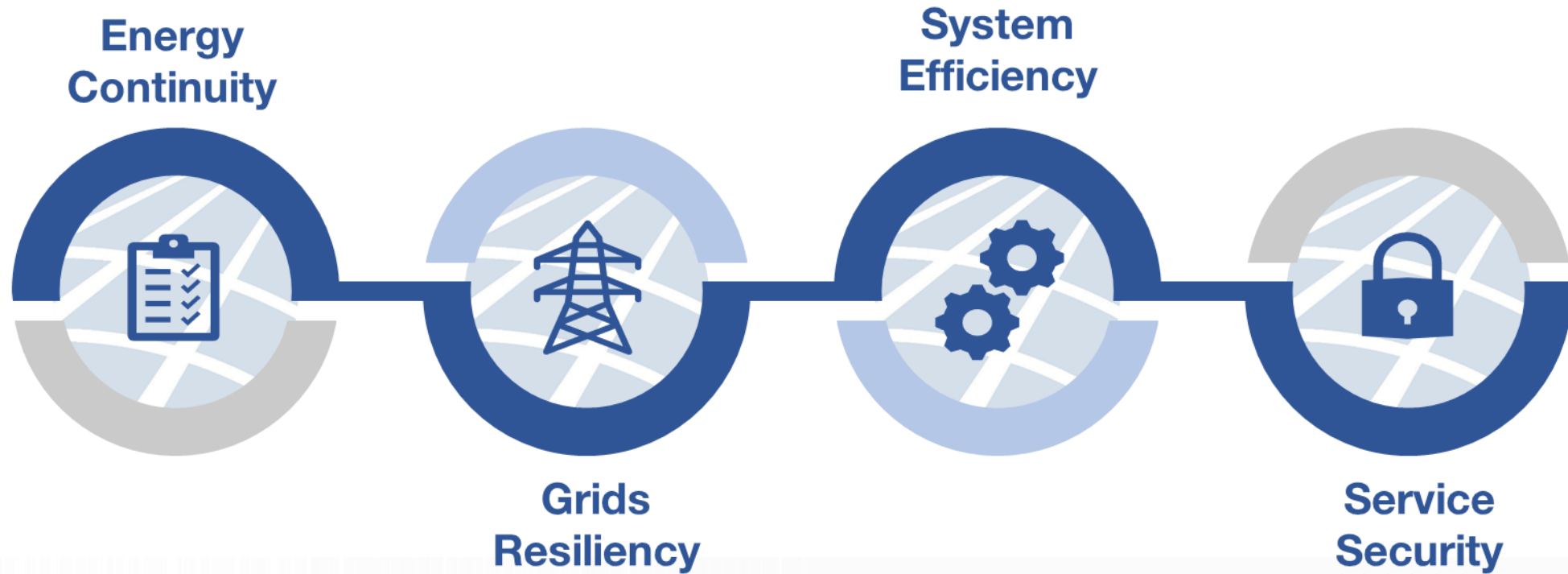
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Evolution of Terna's Role



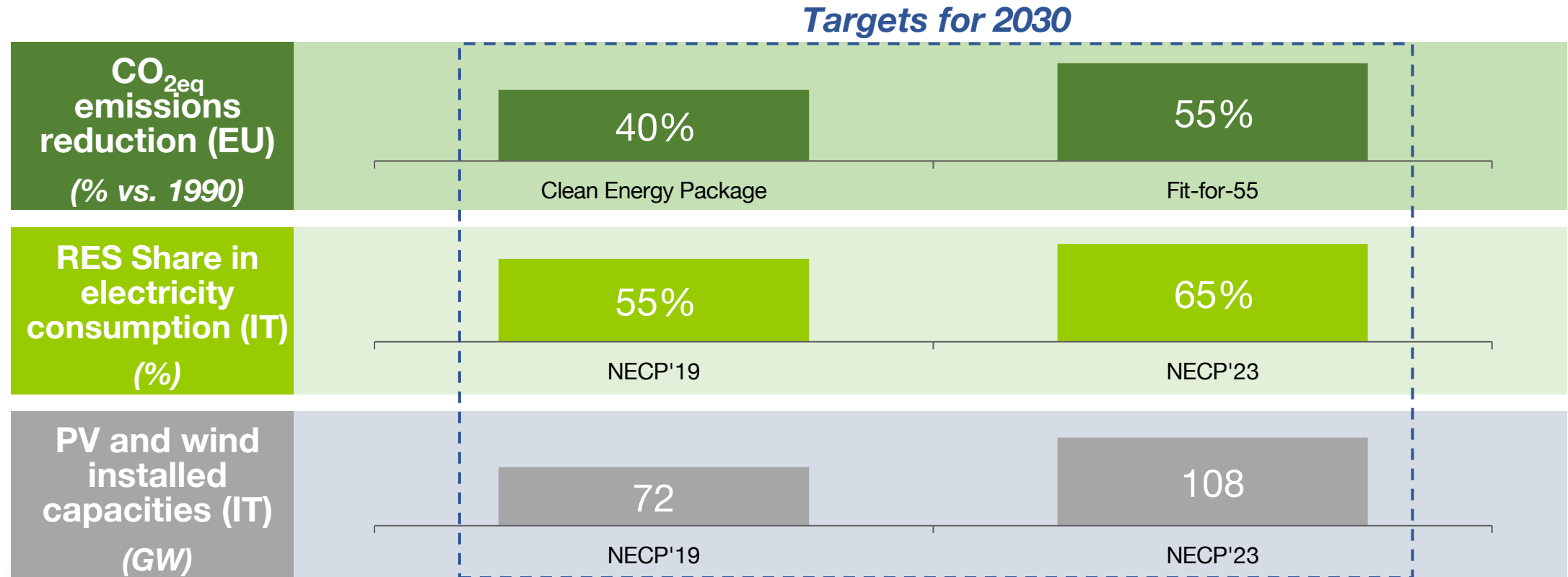
Evolution of Terna's Role

The Role of Terna as a TSO



Evolution of Terna's Role

EU and Italian decarbonization targets

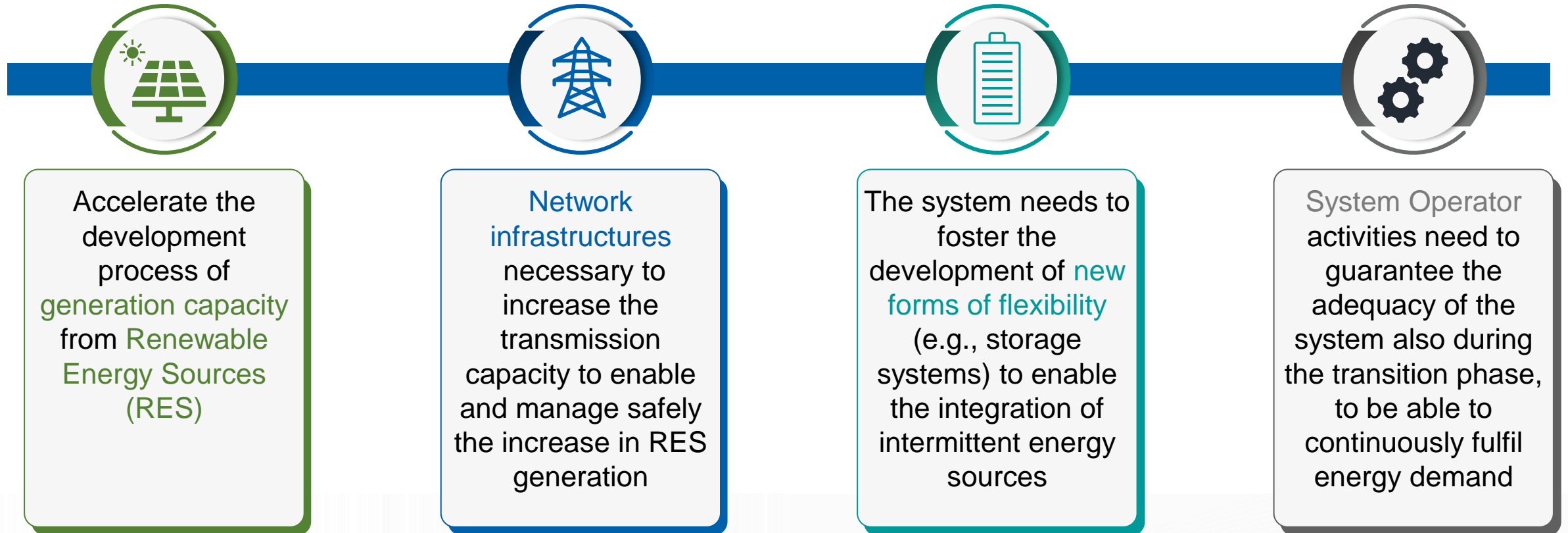


Italy aligned with EU goals, increasing RES development targets with NECP¹ '23

Notes: 1) National Energy and Climate Plan

Evolution of Terna's Role

Key Factors for Italian decarbonization targets achievement



Evolution of Terna's Role

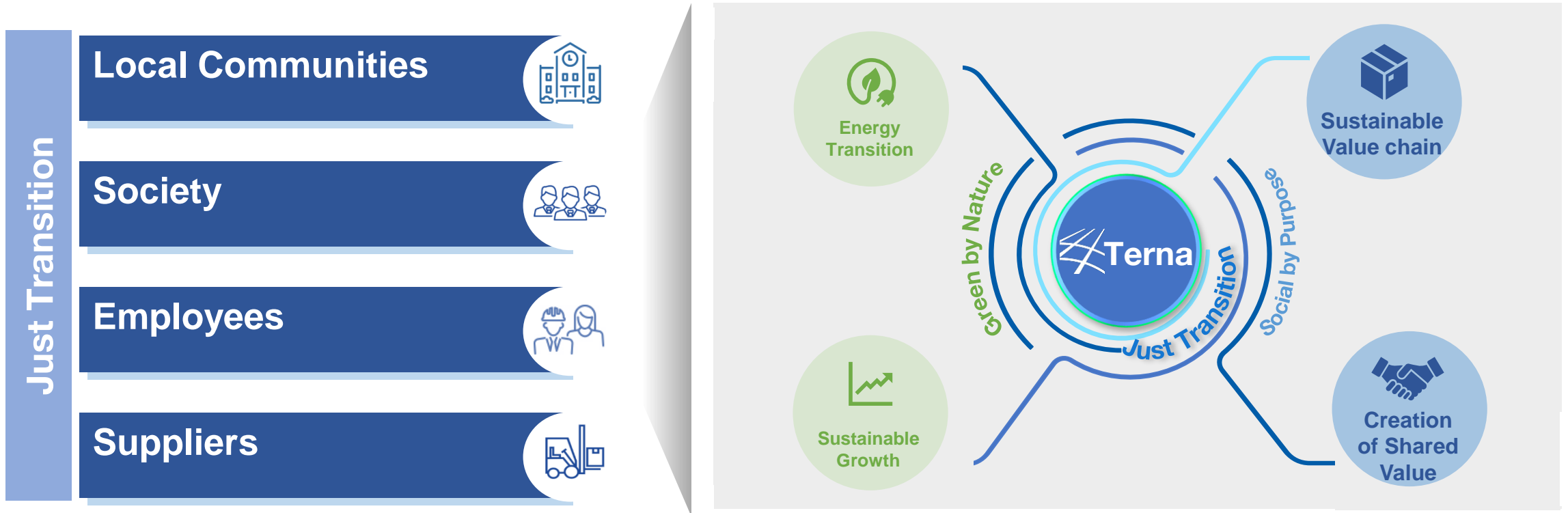
Terna's leadership in the Twin Transition



A Twin Transition for a Just Transition

Evolution of Terna's Role

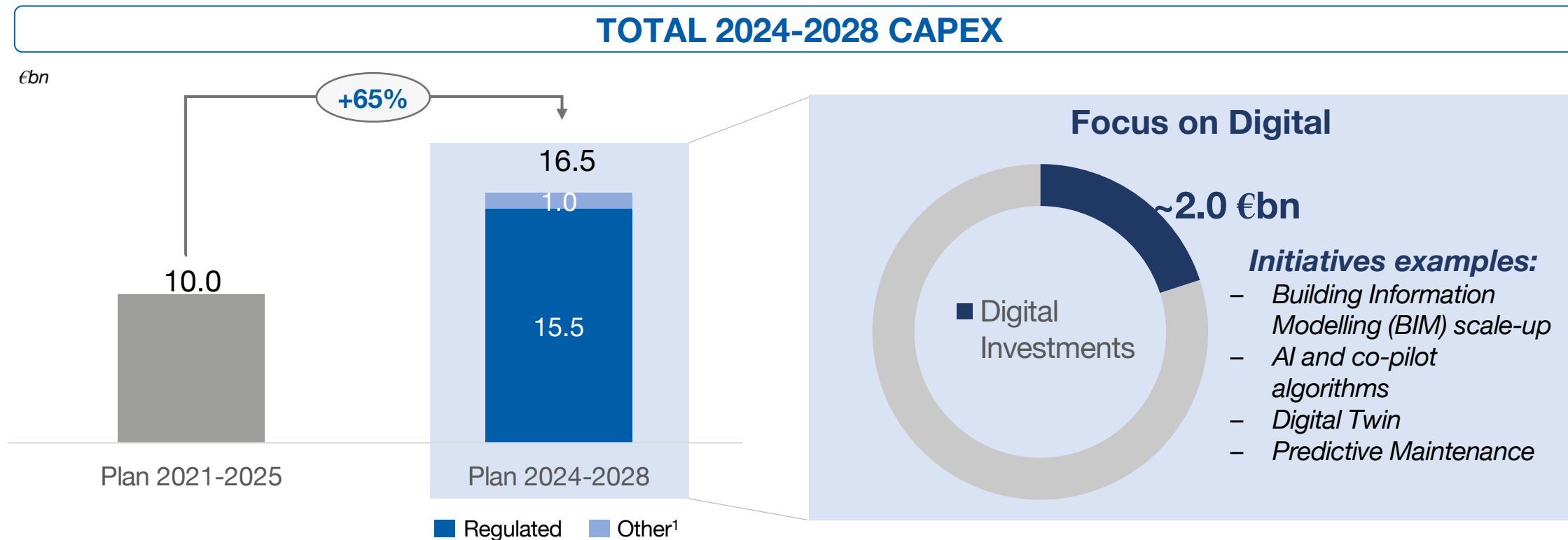
Green by Nature, Social by Purpose



A Just Transition as a strategic objective

Strategy

2024-2028 Investment Plan



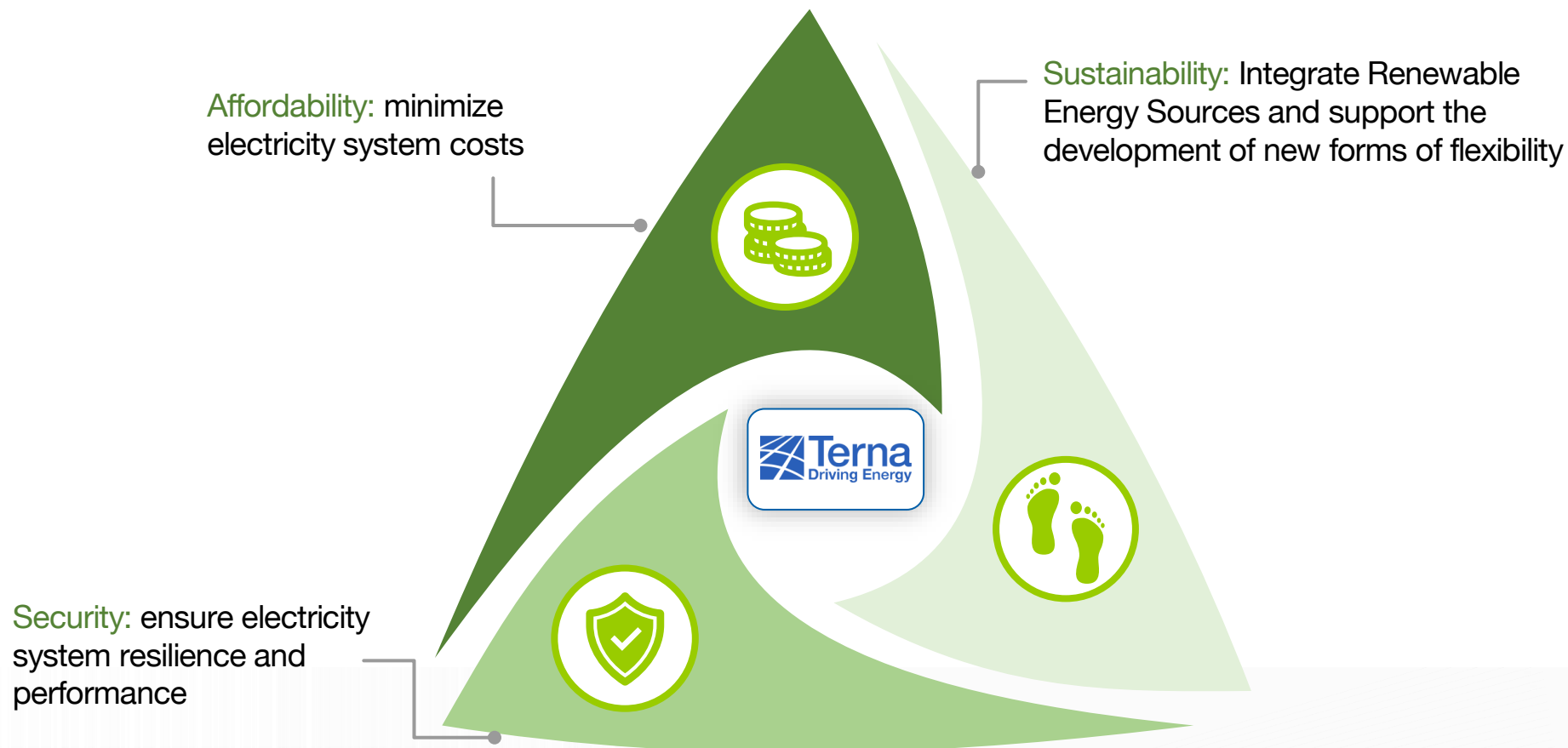
Fostering investments to enable the Twin Transition

Notes: 1) Includes: non regulated capex and capitalized financial charges

Terna's main development projects in the 2024-2028 Plan



Benefits for the system



Digital Transition & Innovation

Network Engineering

Guarantee the progress and execution of projects through project management optimization and digitalization of construction sites

Corporate

Ensure the **identification and pro-active management of the Plan's risks**, through ad-hoc platforms, integrated with employee equipment



Transmission Operator

Optimize costs and guarantee the service level of the assets, working on the adoption of new systems and generating value from data

System Operator

Increase transmission capacity for the transition to RES, with co-pilot projects and "human-controlled AI"

Investments and scale-up of digital tools to support decisions and risk management

ESG Ambitions

Green by Nature



Science Based Target: alignment with 1.5 C° ambition, entailing the reduction of its absolute scope 1 and 2 GHG emissions 46% by 2030 (vs. 2019)



Nature: commitment to be “Science-based Target for Nature - ready” in line with the developments of the Science-based Targets Network (SBTN)



Circular Economy: full integration of circular economy principles in the business model, by adopting circular criteria at all stages of the value chain, from procurement to disposal of assets

Social by Purpose



Safety: commitment to maximize safety in the workplace during the daily operations within the timeframe of the plan and beyond



Inclusion: enhancement of hiring programs that guarantee equal opportunities and the effective inclusion of every kind of diversity



Stakeholder engagement: open dialogue and participation of local communities. Extend initiatives of listening to stakeholders on all significant projects

Terna's TSO role vital for achieving the energy transition and safeguarding stakeholders

FY 2023 Results



FY 2023 Results

Key Figures

	FY 2023		FY 2022	Δ vs FY 2022
	Actual €mn	Guidance €bn	Actual €mn	
Revenues	3,187	3.11 ✓	2,964	+7%
EBITDA	2,169	2.12 ✓	2,059	+5%
Group Net Income ¹	885		857	+3%
EPS ² €cents	44.0	43 ✓	42.6	
Capex	2,290	2.2 ✓	1,757	+30%
Net Debt	10,494		8,576	

Growth in all P&L metrics, with 30% Capex acceleration YoY

Notes: 1) Attributable to Terna 2) €/cents per share

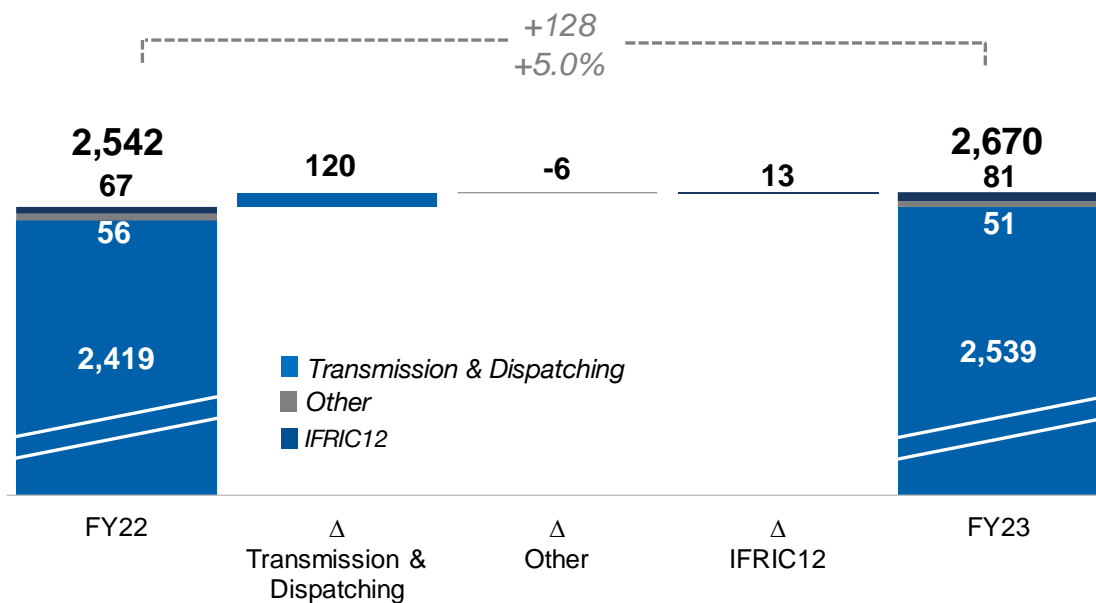
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FY 2023 Results

Revenues

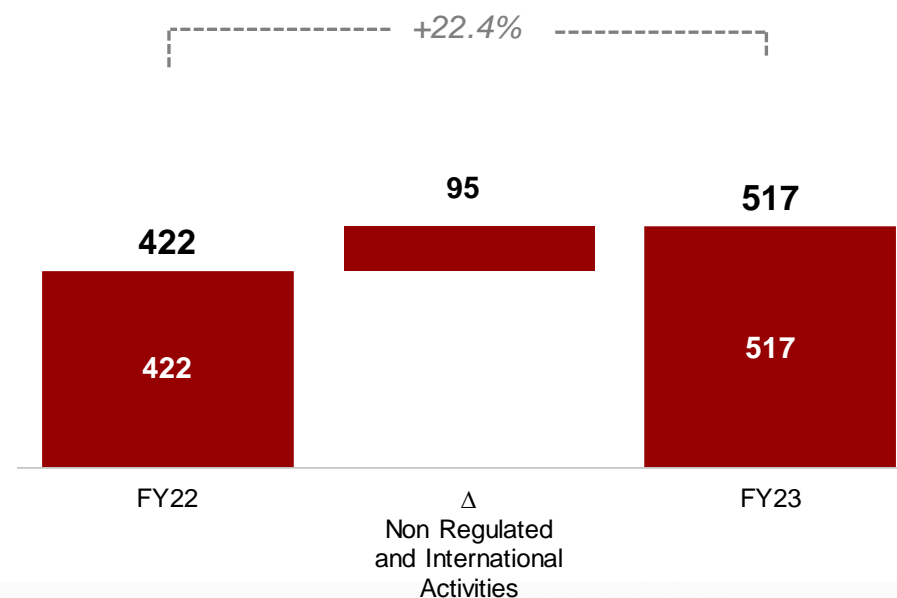
REGULATED ACTIVITIES

€mn



NON-REGULATED ACTIVITIES

€mn



Growth driven by both regulated and non regulated activities

Notes: figures may not add up due to rounding off

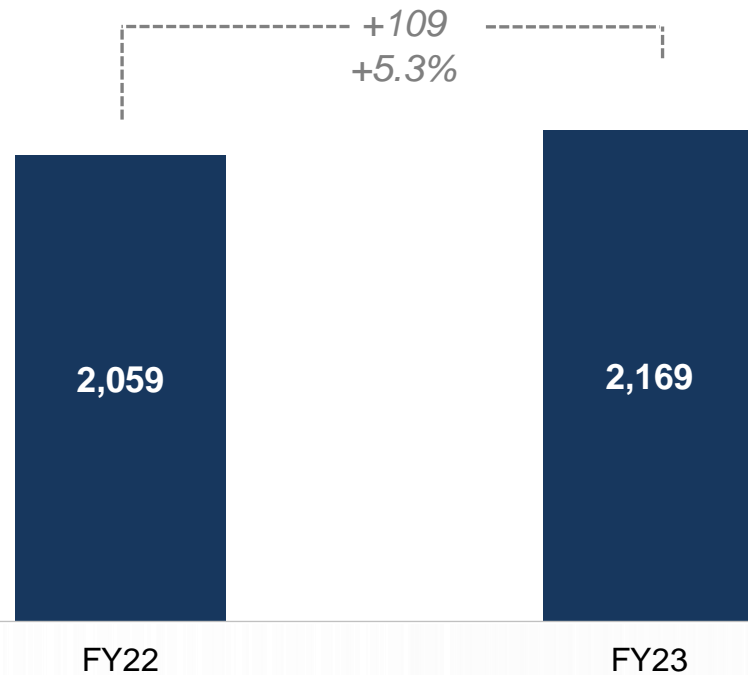
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FY 2023 Results

EBITDA

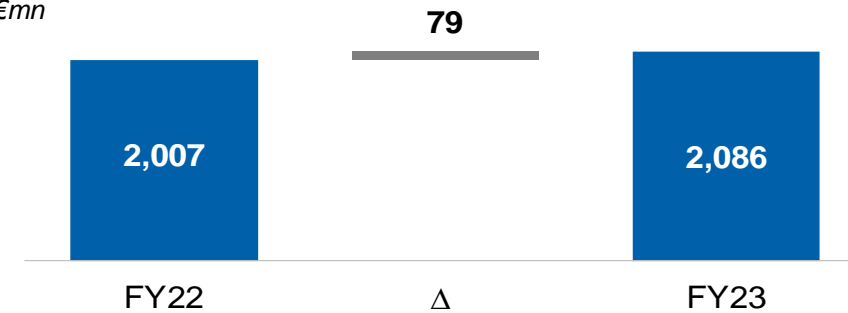
TOTAL EBITDA

€mn



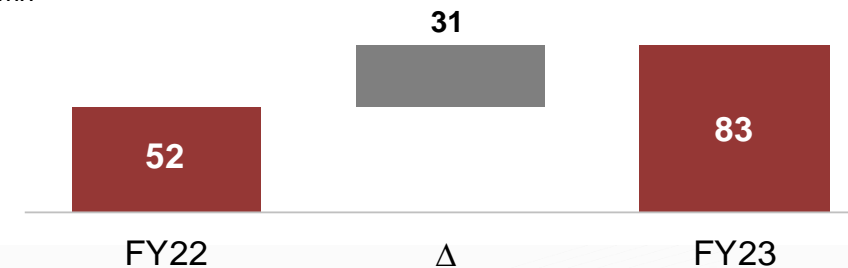
REGULATED ACTIVITIES

€mn



NON-REGULATED ACTIVITIES¹

€mn



EBITDA increase driven by all activities

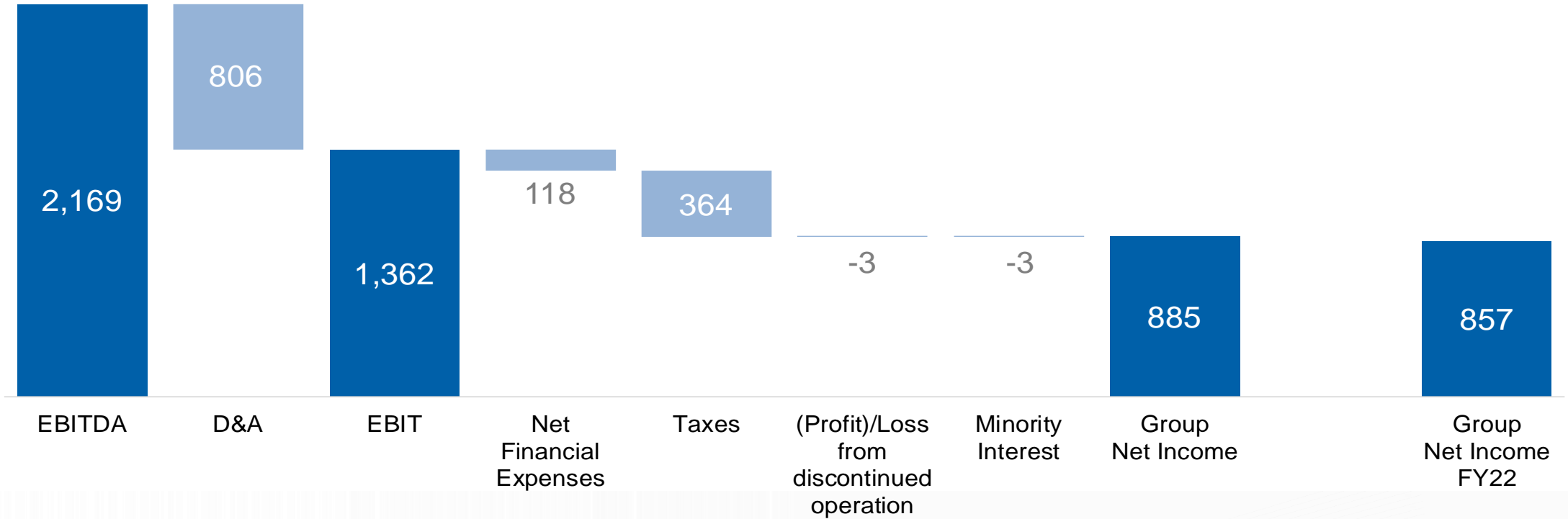
Notes: figures may not add up due to rounding off 1) including also International Activities

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FY 2023 Results

From EBITDA to Net Income

€mn



>3% Group Net Income increase vs. 2022

Notes: figures may not add up due to rounding off

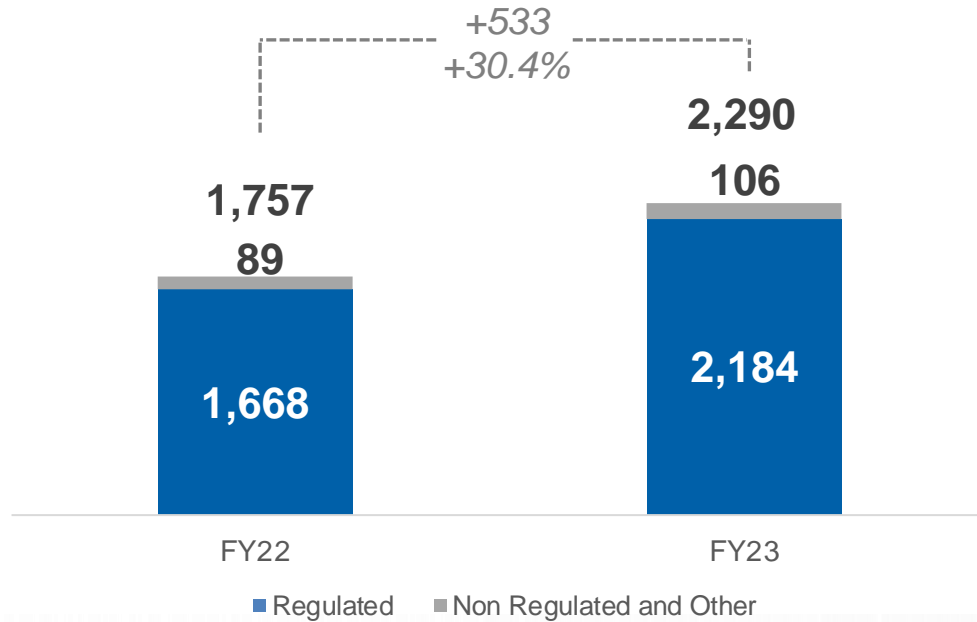
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FY 2023 Results

Capex

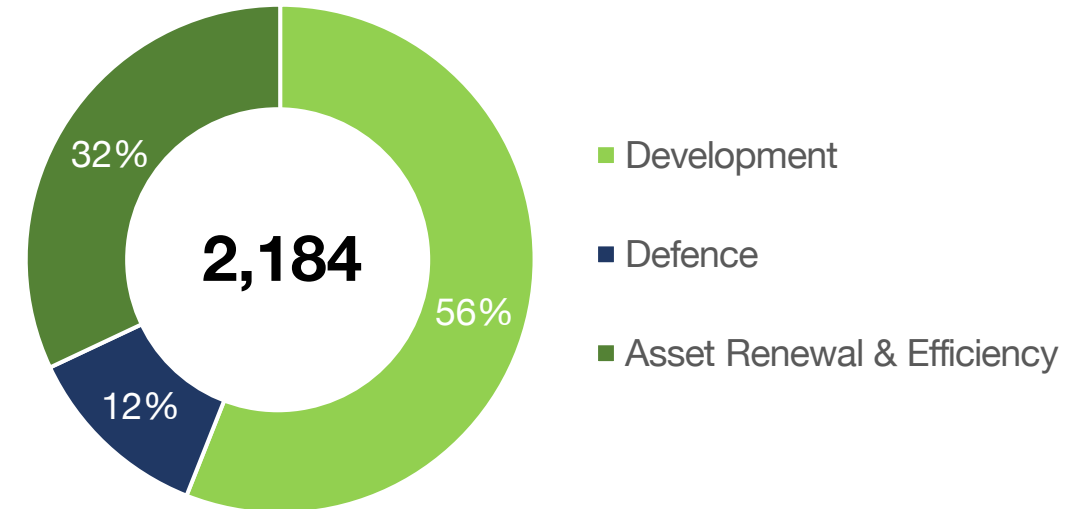
TOTAL CAPEX

€mn



REGULATED CAPEX

€mn



30% increase in Capex

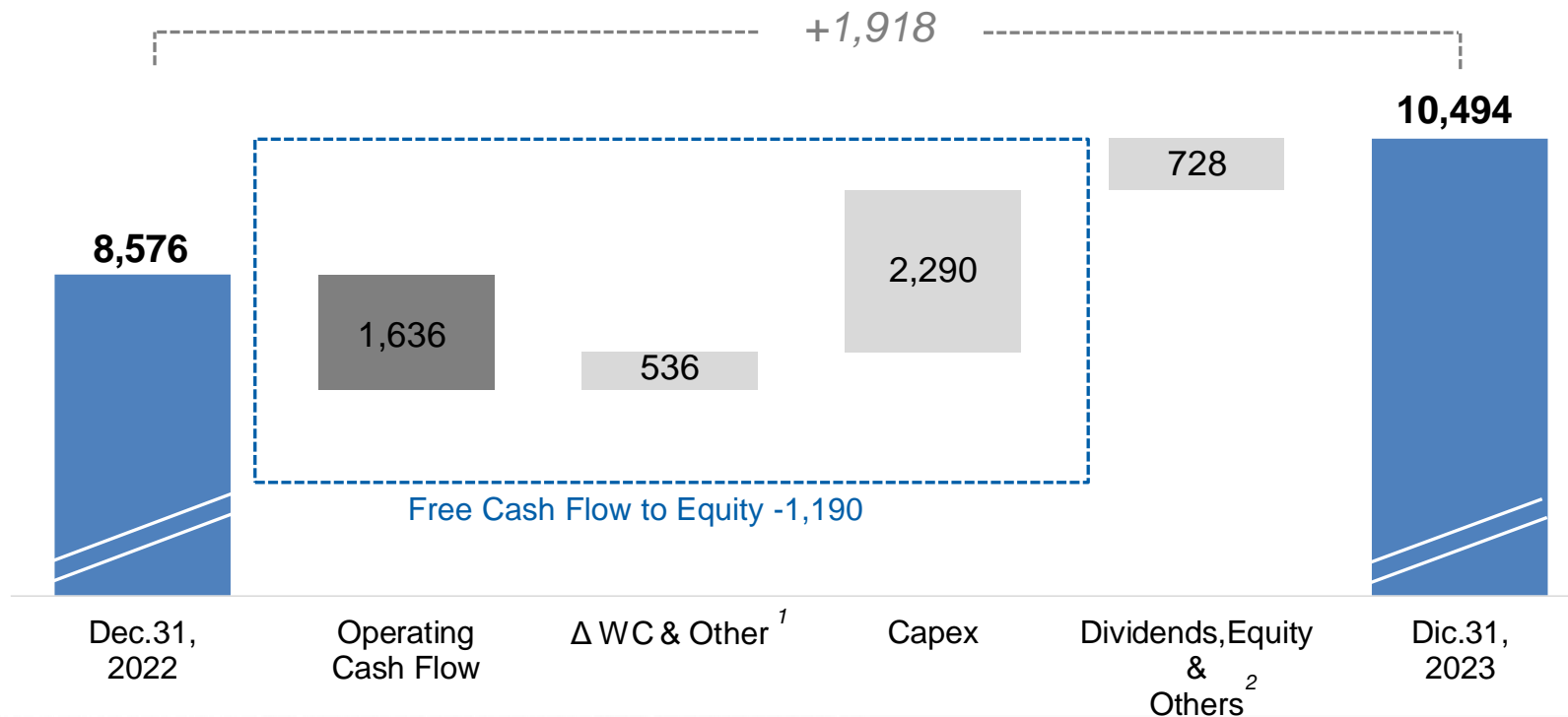
Notes: figures may not add up due to rounding off

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FY 2023 Results

Cash Flow & Net Debt Evolution

€mn



Strong Operating cash flow generation

Notes: figures may not add up due to rounding off; 1) Including Other Fixed Assets Changes 2) Including Cash Flow Hedge accruals and other

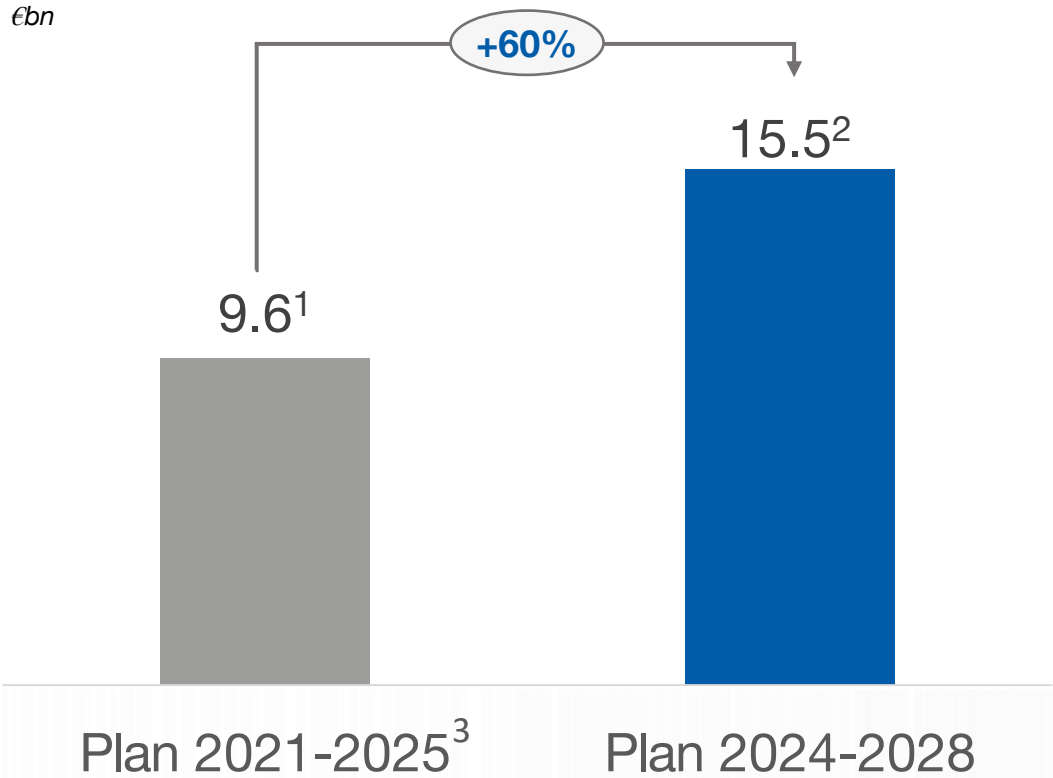
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2024 – 2028 Group Financial Targets and Dividend Policy

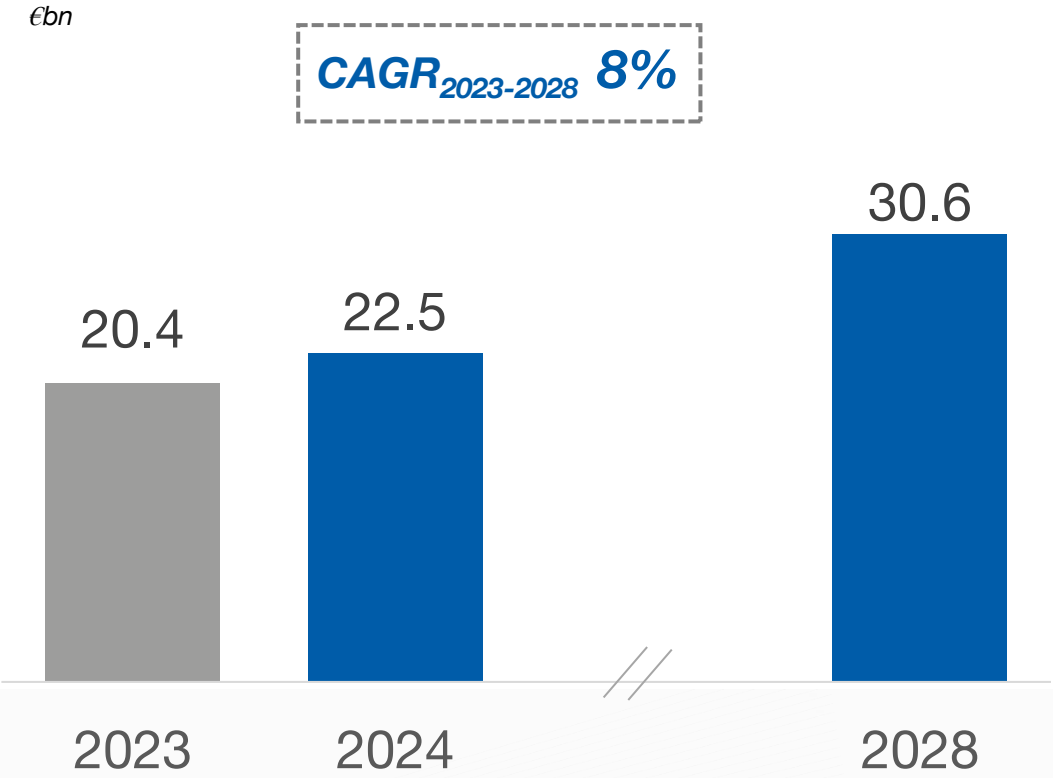
2024 – 2028 Group Financial Targets and Dividend Policy

Domestic Regulated Activities

DOMESTIC REGULATED CAPEX



RAB EVOLUTION⁴



Notes: 1) Gross of 0.1 €bn of EU Contributions 2) Gross of 1.1 €bn of EU Contributions 3) Updated 2021-2025 Plan in 2022 4) Calendar RAB including WIP. RAB inflation at 2.7% on average during the plan period.

2024 – 2028 Group Financial Targets and Dividend Policy

Domestic Regulated Activities

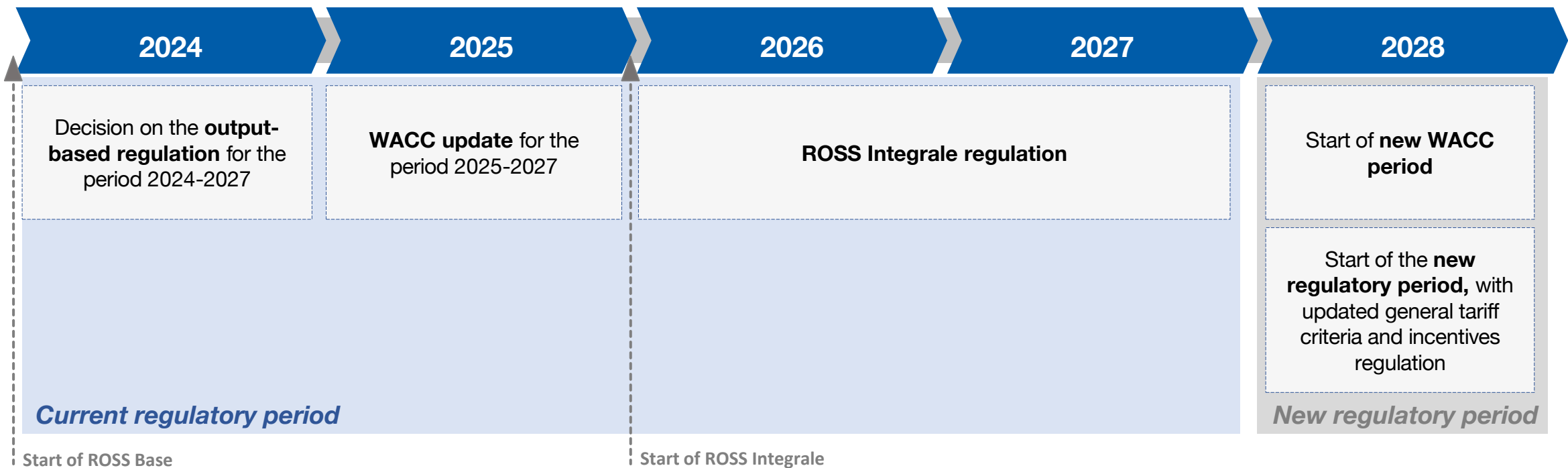
CATEGORY	CUMULATED CAPEX	MAIN PROJECTS
Development	10.8 €bn	<ul style="list-style-type: none">– Tyrrhenian Link– Adriatic Link– Central Link– SA.CO.I 3– Solving grid congestions– RES integration
Asset Renewal and Efficiency	2.9 €bn	<ul style="list-style-type: none">– Quality of Service– Quality of Processes– Quality of the environment
Defence and Other	1.7 €bn	<ul style="list-style-type: none">– Digitalization and Network Management– Electric Machines– Resilience– Physical and Cyber Security

~15.5 €bn of regulated Capex in the Plan period

Notes: Including EU contributions; figures may not add up due to rounding

2024 – 2028 Group Financial Targets and Dividend Policy

Regulatory milestones



Regulatory updates expected in next years, with the start of ROSS Integrale (2026) and the new regulatory period (2028)

2024 – 2028 Group Financial Targets and Dividend Policy

Non-Regulated Activities

Opportunity selection criteria



Margin Optimization



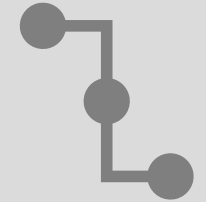



Synergy Maximization



Portfolio scale-up



<i>Equipment</i> 	<i>Energy Services</i> 
<i>Interconnector</i> 	<i>Connectivity</i> 

EBITDA ~600€mIn cumulated in 5 years

2024 – 2028 Group Financial Targets and Dividend Policy

Guidance 2024 and 2028

	FY 2023	FY 2024	FY 2028
	Actual €bn	Guidance €bn	Guidance €bn
Revenues	3.19	3.55	4.60
EBITDA	2.17	2.42	3.25
Capex ¹	2.29	2.6	16.5 <i>Cumulated 2024-2028</i>
EPS _{€cents}	44	49	55

Increasing growth and value creation

Notes: P&L values restated for International deconsolidation; 1) Including Regulated, Non Regulated, capitalized financial charges and EU contributions;

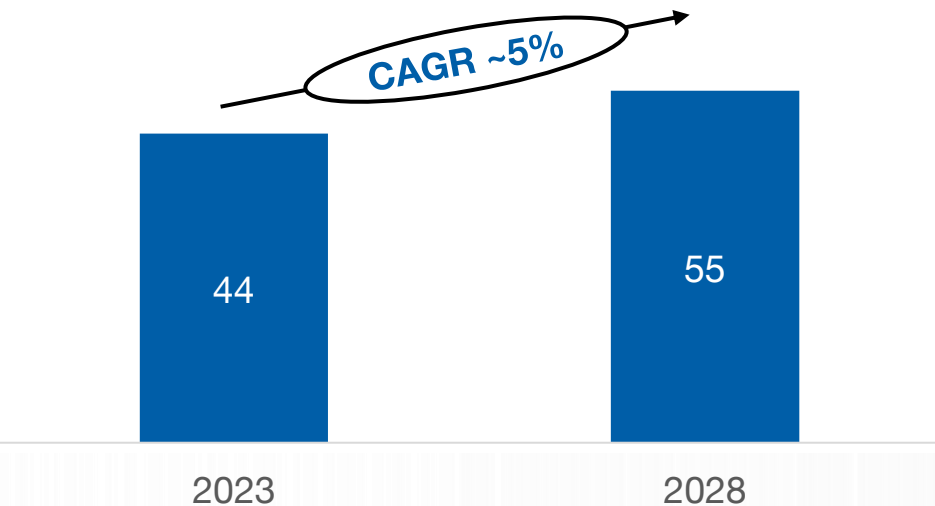
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2024 – 2028 Group Financial Targets and Dividend Policy

Yield & Growth

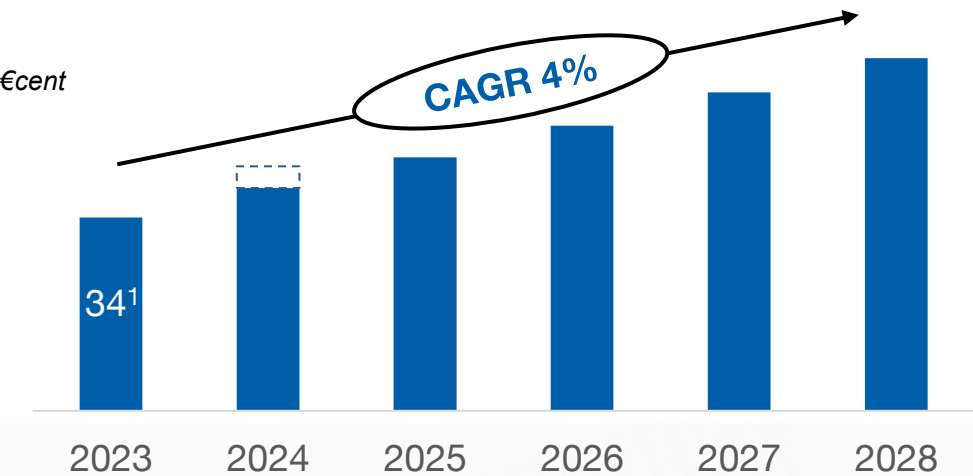
EPS

€cent



DIVIDEND POLICY

- **DPS for the Plan period: 4% minimum annual growth, taking 2023 as the reference year.**
- **For 2024, DPS equal to the higher of 4% growth vs. 2023, and 75% payout ratio.**



Ensuring a balanced mix of yield and growth

Notes: 1) 33.96 €cents, of which 11.46 €cent paid on 22nd November 2023

2024 – 2028 Group Financial Targets and Dividend Policy

Financial Efficiency and Financial Structure

- Gross Debt @ **~87% Fix rate**¹
- Average duration of **~6 years**¹

FINANCIAL RATING

	Terna		Sovereign	
	Rating	Outlook	Rating	Outlook
S&P	BBB+	<i>Stable</i>	BBB	<i>Stable</i>
Moody's	Baa2	<i>Stable</i>	Baa3	<i>Stable</i>

- FFO/Net Debt @ **~11%** in 2028
- Strong commitment to maintain current rating level
- Average Cost of Net Debt 2024-2028 @ **3.3%**

ESG RATING

- **Moody's ESG:** Advance
- **Sustainalytics:** Negligible risk
- **S&P Global CSA** (Corporate Sustainability Assessment) score: 87/100
- **CDP** (former Carbon Disclosure Project): A-
- **ISS ESG:** Prime

Maintaining financial stability and low-risk profile

Notes: 1) As of FY2023. Calculated on medium-long term debt

Closing Remarks: A Wider Vision

Closing Remarks: A Wider Vision

1 *Fostering investments to enable the Twin Transition*

2 *Ensuring a balanced mix of yield and growth*

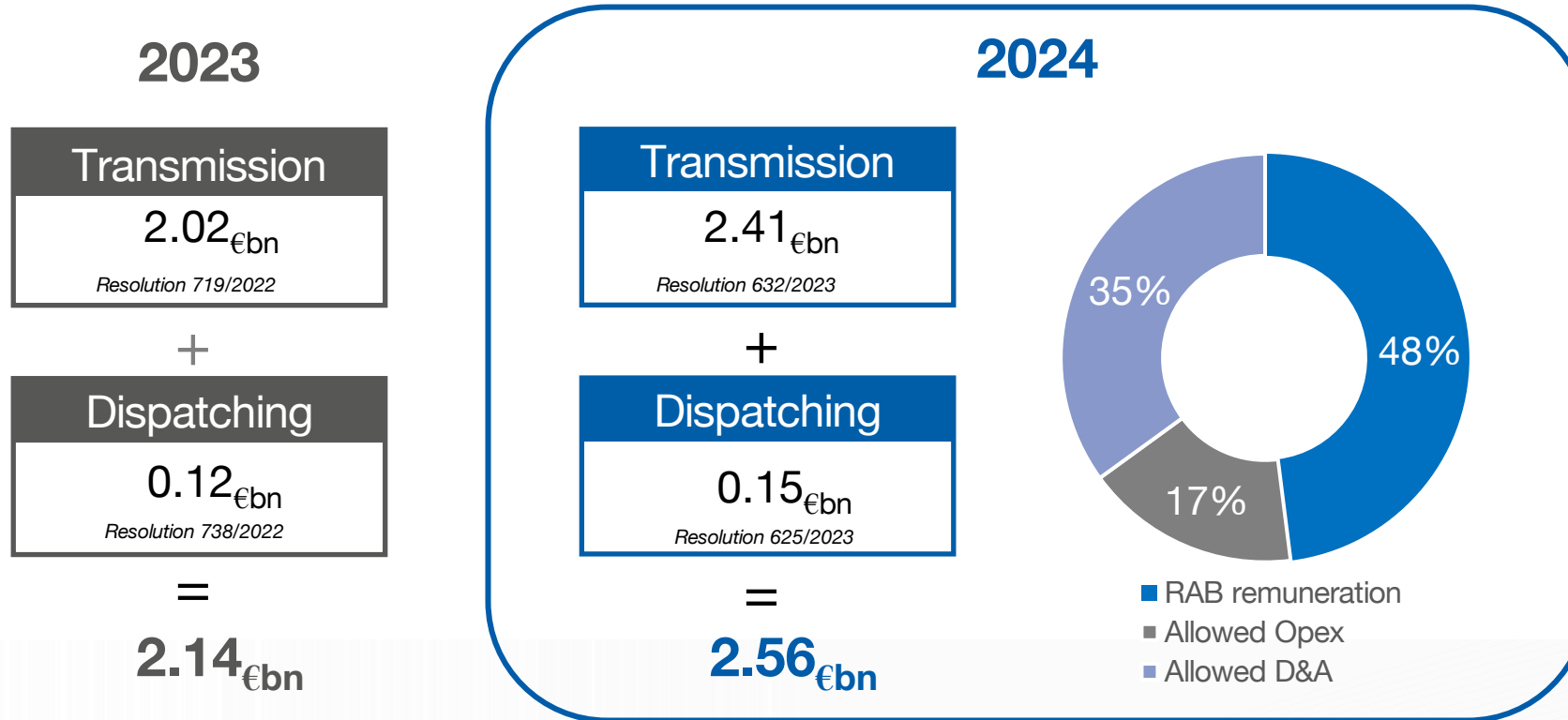
3 *Maintaining financial stability and low-risk profile*

A Wider Vision

A Twin Transition for a Just Transition

Annexes

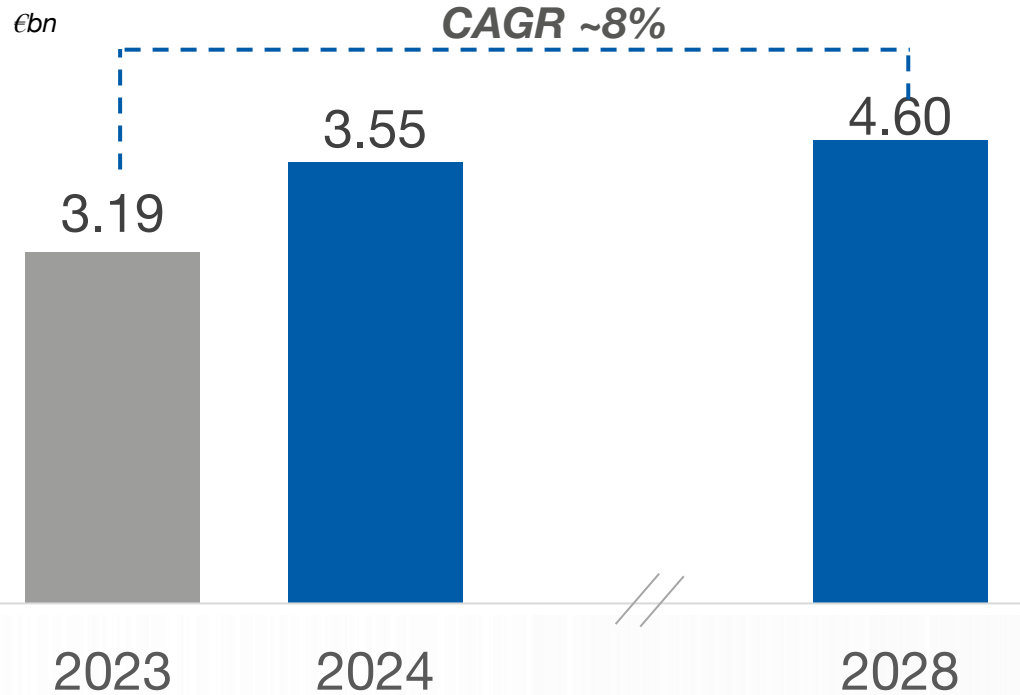
2024 Total Grid Fee update¹



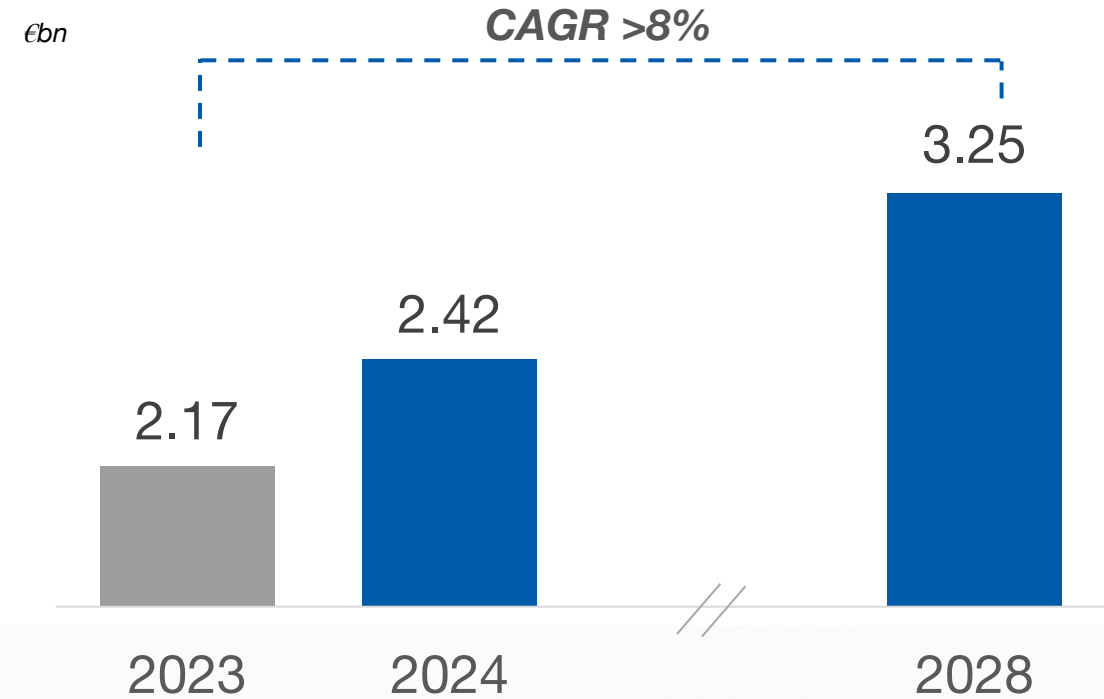
Notes: 1) ARERA Resolutions and Terna's preliminary estimates, net of pass-through items

P&L Targets

REVENUES



EBITDA



Notes: P&L values restated for International deconsolidation

Consolidated Income Statement¹

€ mn	FY23	FY22	Δmn	Δ%
Total Revenue	3,187	2,964	222	7.5%
<i>Regulated Activities</i>	2,670	2,542	128	5.0%
Transmission	2,108	1,969	139	7.1%
Dispatching	431	450	-19	-4.2%
Other ²	51	56	-6	-9.9%
IFRIC 12	81	67	13	19.6%
<i>Non Regulated and International Activities</i>	517	422	95	22.4%
Total Costs	1,018	905	113	12.5%
<i>Regulated Activities</i>	584	535	49	9.1%
Labour Costs	285	266	19	7.1%
External Costs	187	177	10	5.9%
Other ²	31	25	6	25.3%
IFRIC 12	81	67	13	19.6%
<i>Non Regulated Activities</i>	430	364	66	18.1%
<i>International Activities</i>	4	6	-2	-34.4%
EBITDA	2,169	2,059	109	5.3%
D&A	806	726	81	11.1%
EBIT	1,362	1,333	29	2.2%
<i>Net Financial Charges</i>	118	100	18	17.6%
Pre Tax Profit	1,245	1,233	11	0.9%
Taxes	364	355	9	2.5%
Tax Rate (%)	29.3%	28.8%	-	0.5 pp
Net Income	880	878	2	0.3%
<i>Profit/(Loss) From Discontinued Operations</i>	3	-20	23	112.3%
Total Net Income	883	858	25	2.9%
Minority Interest	-3	1	-3	-
Group Net Income	885	857	28	3.3%

Notes: figures may not add up due to rounding; 1) Managerial Accounting 2) Including Quality of Service

Consolidated Balance Sheet

€ mn	Dec. 31,2023	Dec. 31,2022	Δmn
<i>PP&E</i>	17,597	16,201	1,396
<i>Intangible Asset</i>	867	776	91
<i>Financial Inv. and Other</i>	501	509	-8
Total Fixed Assets	18,965	17,485	1,479
Net WC	-2,175	-2,733	558
Funds	-33	-68	35
Net Capital Invested	16,757	14,684	2,073
<i>Net Assets Held for Sale</i>	80	61	19
Total Net Capital Invested	16,838	14,745	2,092
<i>Financed by:</i>			
Consolidated Net Debt	10,494	8,576	1,918
Total Shareholder's Equity	6,343	6,169	174
Total	16,838	14,745	2,092

Consolidated Cash Flow

€ mn	FY23	FY22
<i>Total Net Income</i>	883	858
<i>D&A¹</i>	788	719
<i>Net Change in Funds</i>	-35	20
Operating Cash Flow	1,636	1,596
<i>Δ Working Capital & Other²</i>	-536	932
Cash Flow from Operating Activities	1,100	2,528
<i>Capital Expenditures</i>	-2,290	-1,757
Free Cash Flow to Equity	-1,190	771
<i>Net Assets Held for Sale</i>	-19	57
<i>Dividends & Equity³</i>	-709	598
Change in Net Cash (Debt)	-1,918	1,426

Notes: figures may not add up due to rounding; 1) Net of assets' disposal 2) Including Other Fixed Assets Changes 3) Including Cash Flow Hedge accruals, Hybrid Green Bond and other

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