

2024

Consolidated Interim
Financial Report -
31 March





INTRODUCTION

The Terna Group's Consolidated Interim Financial Report for the three months ended 31 March 2024, has not been audited and was prepared voluntarily, pursuant to art. 82-ter of CONSOB Issuer Regulations (as amended by CONSOB Resolution 19770 of 26 October 2016).



“ Terna is investing in Italy's development

We guarantee energy security and balance electricity supply and demand 24 hours a day, ensuring that the system is reliable, efficient and accessible to all.

We invest and innovate every day in the development of an electricity grid capable of integrating the energy produced from renewable sources, improving links between the different areas of the country and strengthening cross-border interconnections, applying a sustainable approach that takes into account the needs of the communities and people we work with. ”

MISSION

“ We are behind the energy you use every day

We are responsible for guaranteeing the continuity of power supply, essential in making sure that electricity reaches Italian homes and businesses at all times.

We provide everyone with equal access to electricity and are working to provide clean energy for future generations. ”

PURPOSE

“ We care about the future of energy

We are committed to building a future powered by clean energy, enabling new forms of consumption and production increasingly based on renewable sources. This will allow us to achieve the goal of delivering an energy transition that is fair and inclusive, whilst also lowering costs.

Thanks to our overall vision of the electricity system and new digital technologies, we are leading the country's drive to get to net zero by 2050, in line with European climate goals. ”

VISION



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Q1 2024 overview

(€m)

Revenue

858.1

+20.4% change vs Q1 2023

Profit attributable to
owners of the Parent

268.2

+34.0% change vs Q1 2023

Net debt

10,587.0

EBITDA

627.9

+25.6% change vs Q1 2023

Capital expenditure

482.7

+53.3% change vs Q1 2023

**Terna's
share price**

€7.660 for share
at 31 March 2024



FINANCIAL
CAPITAL

Successful launch, in January,
of a **fixed-rate bond issue in a
single tranche, amounting to**

**€850 million and with a
seven-year term**, as part of the
**Euro Medium Term Notes (EMTN)
programme.**

In February, the **European
Investment Bank agreed the final**

€500 million tranche
of the €1.9 billion loan
for the **Tyrrhenian Link**
(the East and West sections).

Successful launch, in April, of a
**perpetual, subordinated, hybrid,
non-convertible, fixed-rate green
bond**, nominal value total of

€850 million.

In April, Terna agreed a

€2,255 billion increase in the
ESG-linked Revolving Credit Facility
initially obtained in May 2023.

Following the presentation of the 2024-2028 Industrial Plan in March, **Terna's long-term ratings**
have been reaffirmed as one **notch above Italy's sovereign rating** (BBB+ by Standard & Poor's and
Baa2 by Moody's).



In January, the Ministry of the Environment and Energy Security **gave the go-ahead for the Adriatic Link**, the submarine power line that will connect the Marche and Abruzzo regions.

The **2024-2028 Industrial Plan** was presented in March. The Plan provides for **investment totalling €16.5 billion, the highest level ever in the Group's history.**

ELECTRICITY SYSTEM

Demand

78* TWh

+0.7% change vs Q1 2023

Demand met from RES

36* %

+7% change vs Q1 2023

RENS quality

32* MWh

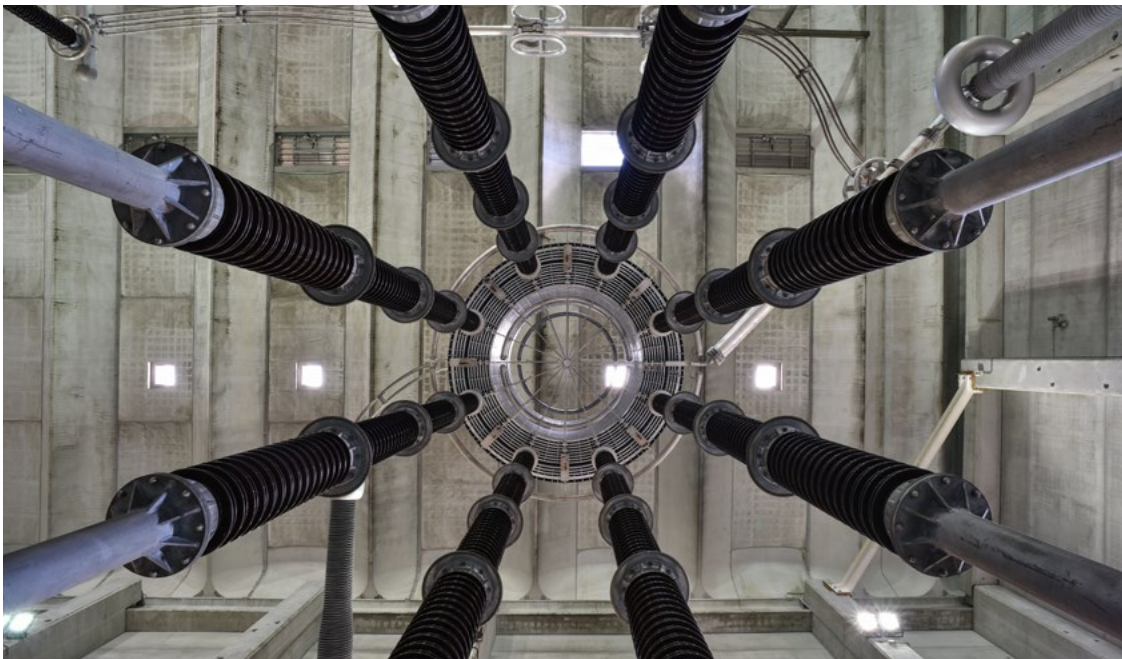
vs annual target 737 MWh for 2024

Cost of quality of service

€2.9m

-€0.5m change vs Q1 2023

* Provisional data.





Q1 2024 overview



HUMAN CAPITAL

+57 new personnel added in the first quarter of 2024, recruitment in line with the target in the 2024-2028 Industrial Plan.

+10,000 additional hours of training with respect to the first quarter of 2023: over 60,000 hours of training provided in the first quarter of 2024 (equal to 13 hours per capita) compared with over 50,000 hours of training in the first quarter of 2023 (equal to 11 hours per capita).

The 2024-2028 Industrial Plan is to be backed up with the **People Strategy**, which aims to develop people, improve the workplace experience, invest in skills and reward merit, measuring performance with a view to achieving continuous improvement, **Empowerment, Experience and Excellence** are the three pillars underpinning the Strategy.



INTELLECTUAL CAPITAL

In February, **Terna and RSE** – Ricerca sul Sistema Energetico, a leader in analysis and applied research in the energy sector - **signed a five-year partnership agreement** aimed at the development and application of processes and technologies in the field of energy and the environment.

In March, the Terna Group company, **Terna Forward**, acquired a stake of 33% in Wesii S.r.l., the leading Italian provider of inspection and remote-sensing services for the renewable energy sector. The investment marks Terna Forward's first direct investment in an innovative SME to accelerate the energy transition.

Terna's commitment to combatting inequality and creating an inclusive working environment was confirmed in March, when the Company received gender equality certification confirming the **compliance of its Gender Equality Management System with the UNI/PdR 125:2022 standard**.

The third edition of Terna Ideas - Corporate Entrepreneurship, the in-house entrepreneurship programme, in which Terna's people can put forward ideas and contribute to innovation, comes to a conclusion in April. The winning team presented "DTS – Dynamic Targeting Synchronization": a software system that uses a determinist algorithm for analysis aimed at improving the operation of synchronous compensators, with the goal of enhancing electricity system efficiency and stability.



SOCIAL AND RELATIONSHIP CAPITAL

As part of the voluntary consultation process that Terna undertakes with all the local authorities and communities affected by the electricity infrastructure to be built under its Development Plan, in January, the Company organised two **Terna Incontra** events, the first involving the citizens of Ferrara and the secondo (online) with people living in the seven municipalities in the province of Lecce affected by the future link between Italy and Greece (GR.ITA 2).

The new **“We are committed to the future of energy”** corporate advertising campaign is launched in March. The campaign is designed to draw the public’s attention to the four key strengths of the 2024-2028 Industrial Plan: a record level of **Investment; Sustainability**, for the first time embedded in the Industrial Plan; **Digitalisation** to create an innovative grid; and **Solidarity**, to deliver a just transition for all.

March also sees the launch of the **Driving Energy Award 2024 – Contemporary Photography** competition. This free competition, open to all professional and amateur photographers in Italy, aims to promote and develop culture in Italy and scout new talents in the field. The theme for this year’s award is **“The Invisible Way”**.



NATURAL CAPITAL

Terna’s commitment to tackling climate change receives **dual recognition from CDP (formerly the Carbon Disclosure Project)**, the global non-profit organisation specialising in environmental reporting and assessment of climate performance and strategies adopted by companies, in the first quarter. In February, Terna’s rating is upgraded from “B” to “A-” and CDP includes Terna in the “Leadership” category, above the average for the sector (“B”), the European average (“B”) and the global average (“C”). In March, CDP assigns Terna a Supplier Engagement Rating (SER) of “A” – the highest possible – and ranks the Company among the leading international companies engaging their suppliers in the fight against climate change.

Recognitions

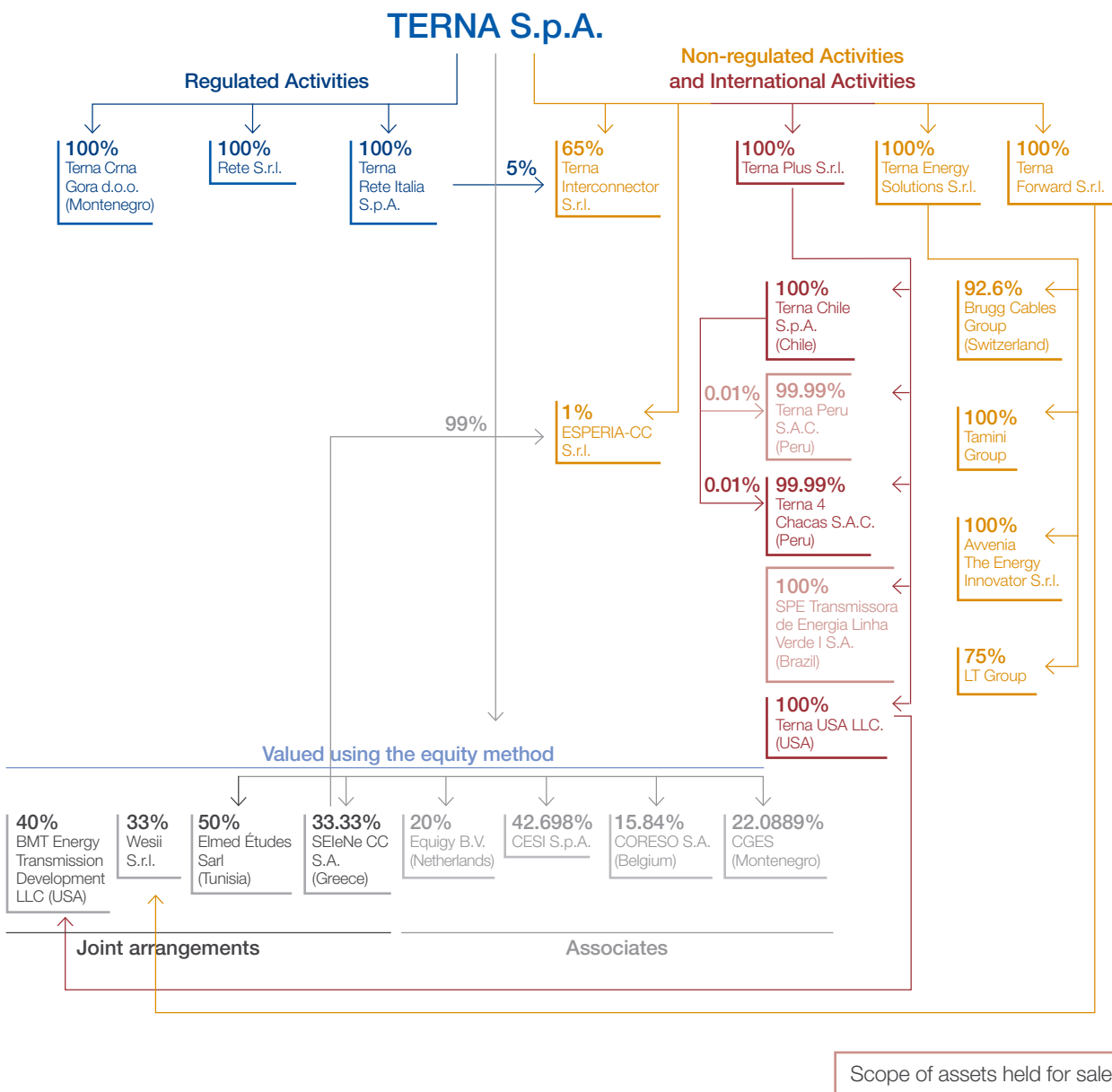
Terna’s position as a sustainability leader has received renewed confirmation: the Company has been **included in the new “LargeMidCap SDG Index” and “LargeMidCap Biodiversity Index”**, both launched by S&P Global for the first time in January and February. The indexes measure companies’ alignment with the United Nations Sustainable Development Goals and their ability to limit the impact of their businesses on ecosystems.

In April, **Terna** received the award for **Best Sustainability Report 2024** in the Large Companies category. The award was promoted by Corriere della Sera in collaboration with NeXt – Nuova Economia per Tutti.



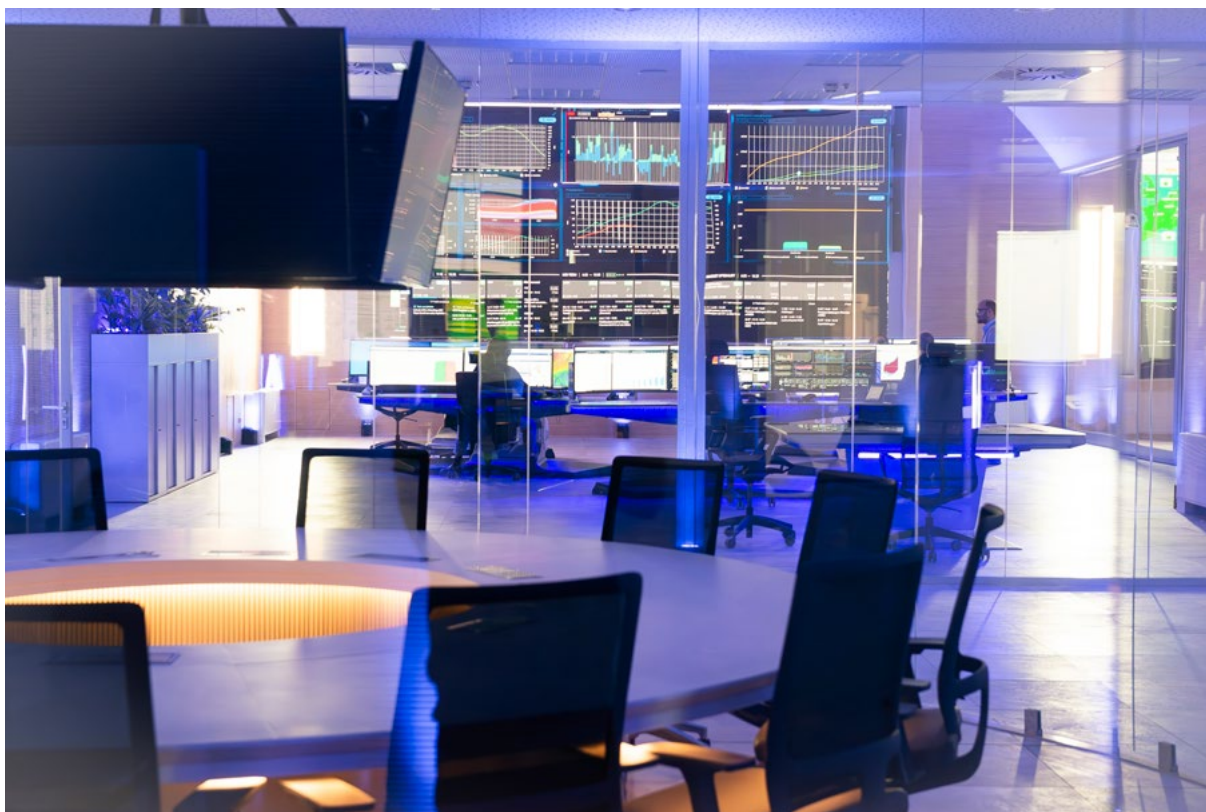
Structure of the Group

In line with the role of enabler of the current energy and digital transition, the structure of the Group reflects some changes at 31 March 2024.



Compared with 31 December 2023:

- on **7 February 2024**, the subsidiary, Terna Plus S.r.l., completed the acquisition of the remaining 25% non-controlling interest in the Brazilian company, “SPE Transmissora de energia Linha Verde I S.A.”, which is now a wholly owned subsidiary;
- on **7 March 2024**, the subsidiary, Terna Forward S.r.l., completed the acquisition of a 33% stake in Wesii S.r.l., a leading provider of inspection and remote-sensing services for the renewable energy sector, based in Chiavari (GE).







1

The energy sector





Electricity demand and production in Italy

Electricity demand

Demand for electricity in Italy amounted to 77,712 GWh in the first quarter of 2024, a **slight increase of 0.7% compared with the same period of 2023**.

ELECTRICITY BALANCE IN ITALY (GWH)*	Q1 2024**	Q1 2023**	CHANGE	% CHANGE
Net production	61,242	64,020	(2,778)	(4.3%)
From overseas suppliers (imports)	17,550	14,468	3,082	21.3%
Sold to overseas customers (exports)	(611)	(773)	162	(21.0%)
For use in pumping***	(469)	(581)	112	(19.3%)
Total demand in Italy	77,712	77,134	578	0.7%

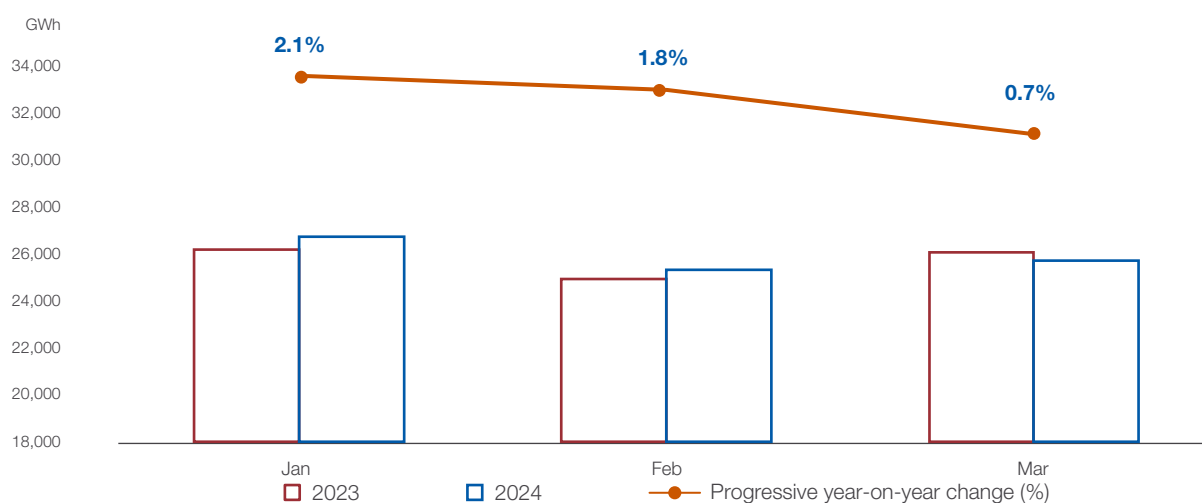
* Does not include demand for energy for ancillary services related to electricity production.

** Provisional data.

*** Electricity used for pumping water for subsequent use in the production of electricity or as a way of immediately balancing overproduction.

Monthly demand for electricity in Italy in the first three months of 2024 recorded an upward trend in the first two months of the year, partially offset by a reduction in March compared with the same period of the previous year, linked to the performance of industrial consumption.

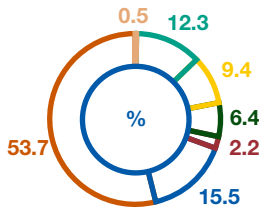
Monthly demand for electricity*



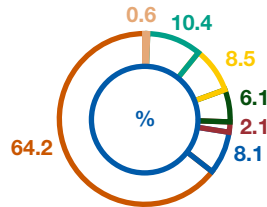
Meeting demand and energy production

Net electricity production by source

Q1 2024*
61.2 TWh



Q1 2023*
64.0 TWh



- Net wind production
- Net photovoltaic production
- Net biomass production
- Net geothermal production
- Net renewable hydro production
- Net thermoelectric production
- Net non-renewable hydro production

* Provisional data.

Electricity production in the first three months of 2024 is down 4.3% compared with the same period of 2023, primarily attributable to non-renewable sources.

In the first quarter of 2024, approximately **36%** (provisional data) of total energy demand was met from renewable energy sources, marking a slight increase compared with the same period of 2023 (29% based on provisional data). In terms of individual renewable sources: there was a significant increase in hydro production (up 83.1%), increases in production from wind (up 12.8%), solar (up 5.7%) and geothermal (up 2.7%) and a slight downturn in biomass production (down 0.2%).



A nighttime photograph of an industrial facility, possibly a refinery or power plant, with various structures and pipes illuminated by warm lights. In the background, a city skyline and mountains are visible under a dark blue sky. A large, semi-transparent blue geometric shape is overlaid on the bottom half of the image, serving as a background for the table of contents.

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2

The Group's business



Operating activities

The Terna Group's business model is divided into three areas of business. The main area is Regulated Activities (RA), accounting for over 85% of the Group's revenue and coinciding with the obligations deriving from the government concession. The other two areas are Non-regulated Activities (NRA) and International Activities.

Regulated Activities

The National Transmission Grid

Terna operates Italy's high and very-high-voltage national transmission grid ("NTG"), one of the most modern and technologically advanced in Europe. We are the largest independent electricity transmission network operator in Europe and one of the world's leading operators, with around 75 thousand kilometres of lines. The Group is responsible for managing the flow of electricity through the grid in every part of Italy, with the aim of ensuring that there is a constant balance between the quantity of energy injected into the grid and demand, whilst guaranteeing continuity and accessibility of service for the population as a whole. We are also responsible for planning, construction and maintenance of the grid.

The Group's capital expenditure

The Terna Group's **total capital expenditure** in the first quarter of 2024 amounts to **€482.7 million**, marking an increase compared with the €314.9 million of the same period of the previous year (**up 53.3%**).

(€m)

	Q1 2024	Q1 2023	CHANGE	% CHANGE
Development Plan	297.1	123.0	174.1	141.5%
Security Plan ⁽¹⁾	44.0	38.4	5.6	14.6%
Projects to renew electricity assets	89.5	89.8	(0.3)	(0.3%)
Other capital expenditure ⁽¹⁾	31.6	36.9	(5.3)	(14.4%)
Total regulated assets	462.2	288.1	174.1	60.4%
Non-regulated assets ⁽²⁾	6.2	12.6	(6.4)	(50.8%)
Capitalised financial expenses	14.3	14.2	0.1	0.7%
Total capital expenditure	482.7	314.9	167.8	53.3%

⁽¹⁾ The figures for Q1 2023 have been restated following changes to the purposes of investments, without modifying the overall value of investment in regulated assets.

⁽²⁾ Non-regulated assets primarily regard the re-routing of power lines for third parties and Group companies that operate outside of the core business.

The following main regulated assets **entered service** in the first quarter of 2024:

Power Lines and cables:

- 150kV Matera PS - Salandra PS power line (+10.3 km) (MT);
- T. L34 – Refurbishment of the OF Ziziola - XXV Aprile cable (+3.1 km) (BS);
- Rationalisation of the Lodi M23-M25 RFI – Melegnano - Casalpusterlengo line (+2.5 km) (LO, MI);
- 132kV links to the Collesalveti ES (+1.1 km) (LI).

Substations:

- Cerignola (+13 bays) (FG);
- Ciminna (+4 bays) (PA).

Main regulated works carried out during the period

> DEVELOPMENT PLAN – €297.1 million

East section

Cable connections: the detailed design for the terrestrial sections in Campania (the first lot) has been completed. Civil engineering works are in progress in Sicily.

Converter stations: civil engineering works are in progress at both the converter stations (Sicily and Campania), above all with regard to the underpinnings for the main buildings.

West section

Cable connections: the detailed design for the terrestrial sections, the detailed marine survey and sea trials are in progress. Production of the first components for the undersea cable is underway.

Converter stations: design of the converter stations is under way, as is relocation of the Cornelio Aqueduct (Sicily).

Tyrrhenian Link
(€96.6 million)

Following acknowledgement of regional agreements, consent was given in January. Work on the detailed design of the terrestrial cables has begun, with preliminary soil surveys along the relevant route in progress.

The contract for supply and construction of the converter stations was signed in February.

Adriatic Link
(€78.6 million)

380kV Colunga-Calenzano power line: work is proceeding on the 380kV power line at the Emilia-Romagna end; at the Tuscan end, contracts have been awarded for excavation work and cable laying between Calenzano and Vaiano and line modules for the Futa substation (FI) have been supplied.

Colunga-Calenzano
power line
(€10.2 million)

Livigno PS: work began in May 2023 and excavation of around 6 km out of a total of 23 km has been completed (30% of the total).

Laion PS – Corvara PS: the laying of 7.3 km of tubing out of a total of 23 km has been completed (32% of the total).

Brunico PS – Vandoies ES: work began in November 2023, with excavation work and the cable laying completed on a 3.6 km section out of a total of 21.4 km of tubing (17% of the total).

Moena ES – Campitello PS: the laying of 5.5 km of tubing out of a total of 19.5 km has been completed (28% of the total).

Olympics Project
(€6.6 million)

380kV Paternò-Pantano power line: the construction of 75 foundations and the assembly of 67 pylons out of a total of 115 have been completed, as has the stringing of approximately 21.5 km of line out of a total of around 45 km.

380/220/150kV Pantano Substation: the new 380kV section of line entered service in December, together with the 220kV section and the related transformer. Work is ongoing on the 150kV section and the transport of the remaining transformers to the site.

Paternò-Pantano-Priolo
(€6.1 million)

380kV Cassano d'Adda-Chiari power line: construction of 13 pylons for the first section has been completed and stringing of the conductors is to be carried out; the first foundations for the second section are close to completion.

Cassano-Chiari
power line
(€4.2 million)



> SECURITY PLAN¹ – €44.0 million

Synchronous compensators (€4.9 million)	Aurelia compensators: construction of the main foundations and the prefabricated building is nearing completion and production of the main components is in progress.
Stabilising resistors ² (€4.3 million)	Production by suppliers of the main components is in progress and civil engineering work at the Rizziconi site has begun.
Reactors (€3.7 million)	Sandriago reactor: the equipment is being manufactured. Nogarole reactor: the design has been completed and validated. Chiari reactor: the related sites have been handed over to the contractor and work has begun.
Fibre for the Grid (€2.7 million)	This project aims to boost the availability of data on the grid in order to make it easier to monitor and manage the security of the electricity system, by increasing and expanding the fibre optic network. In the first quarter of 2024, 2 substations were connected via proprietary fibre, making a total of 557 substations now remotely operated.

> PROJECTS TO RENEW ELECTRICITY ASSETS – €89.5 million

Renewal of electricity assets	Fulfilment of the commitment to carry out works to renew electricity assets to improve the reliability and resilience of the NTG has continued. In early 2024, following the renewal of overhead lines and substation equipment, approximately 49 km of circuits and 2 transformers were replaced.
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¹ Synchronous compensators, STATCOM devices and reactors are grid components that carry out reactive compensation.

² Stabilising resistors are devices able to ensure dynamic stability and reduce grid oscillations. They can be used in black start strategies, thus mitigating the disruption caused by renewable sources.

Consents processes in the first quarter of 2024



CONSULTATION

- 150kV Altamura North (BA) primary substation connection;
- New Italy-Greece HVDC³ link (GRITA2) (LE);
- New Termoli - Stellantis substation connection (CB);
- 150kV Accadia-Orsara- Foggia (FG) mixed overhead/cable power line;
- Undergrounding of the 150kV Matera PS – Matera North (MT) power line;
- Cross-Lucana line (re-routing of the 150kV Avigliano substation and links) (PZ);
- 150kV Manoppello ES and related links (connection to the railway network) (PE);
- 132kV Giustino-Monclassico (TN) cable connection (SET⁴ Distribuzione⁵);
- 132kV Malga Ciapela ES (BL) - Campitello PS (TN) connection and mixed overhead/cable links (SET Distribuzione);
- 132kV Malo (VI) - Phase 2 connection and mixed overhead/cable links;
- 132kV Torrita di Siena PS (SI) overhead connection;
- 132kV power line for the Trieste (TS) area;
- 380/150kV Paganico ES (GR) connection and mixed overhead/cable links;
- 132kV Bologna Tecnopolo ES and cable links (CINECA⁶ and ECMWF⁷);
- Restructuring mixed 380/132kV Ferrara North overhead/cable line;
- 380/150kV Larderello ES (PI) connection and mixed overhead/cable links;
- 132kV Conco ES (VI) - Asiago PS (VI) connection and mixed overhead/cable links (E-Distribuzione);
- 132kV Ribolla PS (GR) connection;
- 132kV Grigno (TN) - Arsiè (BL) cable connection (SET Distribuzione);
- 132kV Murazzi ES (TO) and overhead links (rail network);
- Rationalisation of Brianza East (MB);
- Connection to the new 132kV Avigliana (TO) substation;
- New Mesero (MI) and Sedriano ES (MI) connection using GIS⁸ and links;
- New 132kV Piadena (CR) - Cella Dati (CR) power line;
- New 132kV Mantova ES and links to the NTG;
- New connection to 220kV Vimercate ES (MB);
- 132kV Dongo ES (CO) connection and mixed overhead/cable links;
- Biella North - Cerreto Castello (BI) connection;
- New 220/132kV Pioltello (MI) connection;
- New 380kV Caracoli-Ciminna (PA) power line;
- Work on the 150kV NTG for the Carbone RFI electricity substation connection;
- Work on the 150kV NTG for the Fiumefreddo RFI (CT) electricity substation connection;
- Modernisation of the NTG in the Flegrea area (NA);
- New 220kV Napoli Levante ES – Ercolano PS (NA) power line.



PROCESSES INITIATED

- Work on the 150kV NTG for the Ferrandina RFI (MT) electricity substation connection;
- 150kV Noci (BA) - Martina Franca (TA) cable power line;
- 150kV S. Severino - Villa Potenza (MC) cable power line;
- Mixed overhead/cable 132kV Castilenti PS (e-Distribuzione) (TE) connection;
- 380kV Gissi (CH) – Foggia power line;
- 220/150kV Serre ES (SA) connection and overhead links (rail network);
- 220/132kV Mozzo ES (BG) and mixed overhead/cable links (E-Distribuzione);
- 150kV Ferrandina ES (MT) connection and overhead links (rail network);
- 132kV Dobbiaco – Sesto (BZ) cable connection;
- 150kV Alghero PS (SS) cable connection (E-Distribuzione);
- 150 kV Perdasdefogu ES (NU) connection and cable links;
- 220kV Arenella – Fuorigrotta (NA) cable power line;
- 132kV Lonato (BS) overhead connection (Feralpi Siderurgica);
- 150kV Bruca ES (TP) connection and overhead links (rail network);
- Refurbishment and upgrade of 150kV "Zipa - Vallemiano" (AN) underground cable connection;
- Vobarno PS (BS) Valsir connection;
- Sarca PS (MI) connection;
- "NRRP Luserna PS" – Undergrounding of 132 kV T.637 RFI Bricherasio - Luserna PS (TO);
- 380kV overhead links to the 380kV SANTA MARIA CAPUA VETERE ES (CE);
- Widening of the 220kV section Santa Sofia ES and restructuring of mixed 220kV overhead/cable lines (CE);
- Provisional Grigno PS (TN) connection;
- Rationalisation of the power grid in the province of Messina;
- Restructuring of the power grid in Maddaloni (CE) and Acerra (NA).



COMPLETED PROCESSES

- HVDC Adriatic Link (PE-PU);
- 150kV Messina Nord-Messina Riviera cable connection;
- 150kV Ragusa North-Ragusa 2 cable connection (E-DIS);
- Power line: re-routing of underground cable connection to 150kV "Flaminia PS – Nomentana PS" power line (RM);
- 220kV underground cable connection to Porta Romana PS (MI);
- Undergrounding of 220kV Fratta – Sant'Antimo power line (NA-CE);
- 132kV Violino PS (BS) underground cable connection;
- 220kV Mugello PS (MI) underground cable connection;
- Upgrade and undergrounding of 220kV Arenella – Colli Aminei (NA) power line.



WORK INITIATED

- 380kV Cassano-Chiari (BS) power line – lot 2;
- 380kV links between Eboli converter station and Eboli ES (SA);
- Caracoli ES (PA) – renewal of 220kV and 150kV sections;
- 380/150kV Vitorchiano ES (VT);
- Lonato ES (BS) - CEPV2⁹ connection.

³ High Voltage Direct Current.

⁴ Società Elettrica Trentina (Trentino Electric Company).

⁵ A part of the Dolomiti Energia Group, it manages electricity distribution in most of the province of Trento.

⁶ Consorzio inter-universitario del Nord-Est (North East Inter-university Consortium).

⁷ Data Center.

⁸ Gas Insulated Switchgear.

⁹ Consorzio per l'Alta Velocità (high-speed rail consortium).



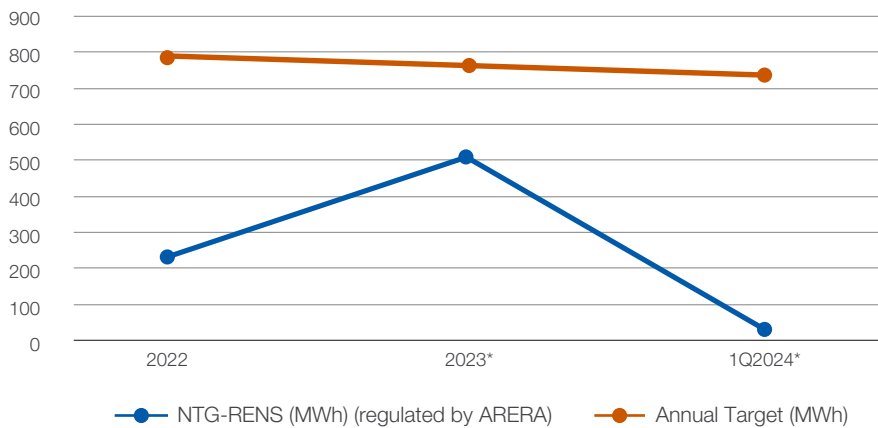
Continuity and quality of service

Each segment of the electricity system - generation, transmission and distribution - plays a role in ensuring the community has access to electricity, guaranteeing adequate quality standards and keeping the number of outages below pre-set thresholds.

Terna monitors service continuity through various indicators defined by ARERA (Resolution 567/19) and in the Grid Code.

These continuity indicators are significant for the system, as they monitor the frequency and impact of events that have occurred on the electricity grid as a result of faults or due to external factors, such as weather events. In all cases, the period of observation is three years, a period in which there have been no significant changes, testifying to the high quality of service achieved.

NTG RENS indicator¹⁰



* Provisional data.

The **NTG RENS** indicator for the period from January to March 2024, based on preliminary data, amounts to approximately 32 MWh (compared with an annual target of approximately 737 MWh set by ARERA).

As regards the **ASA** indicator, availability was 99.99977% (provisional figure) in the first quarter of 2024, compared with 99.99897% in the previous year (provisional figure). The operating performance shows that ASA has remained stable at a high level over the years (the higher the indicator, the better the performance). This indicator shows that the energy not supplied following a fault on the owned grid represents a minimal part of the total quantity of energy supplied to users of the grid.

Existing regulations (set out in Resolution 567/2019/R/eel) envisage a series of mechanisms designed to regulate and encourage improvements in the quality of service provided by Terna. The overall economic effects of these mechanisms are accounted for at year end (including RENS).

With regard to costs, which are determined periodically on the basis of events that have occurred, Terna recognised costs of €2.9 million in the first three months of 2024, compared with €3.4 million in the first quarter of 2023.

Continuity indicators used

RENS*

What it measures
Energy not supplied following events affecting the relevant grid **

How it is calculated
The sum of the energy not supplied to users connected to the NTG (following events affecting the relevant grid, as defined in the ARERA regulations governing quality of service).

* Regulated Energy Not Supplied.
** The "relevant grid" refers to all of the high-voltage and very high-voltage network.

ASA***

What it measures
Availability of the service provided by the NTG.

How it is calculated
Based on the ratio of the sum of energy not supplied to users connected to the NTG (ENS) and energy fed into the grid.

***Average Service Availability

¹⁰ The targets for 2016–2023 have been set as an average of the 2012–2015 RENS indicator, referred to in ARERA Resolution 567/19/R/eel, with a 3.5% improvement in performance required for each year compared with the previous one. Since 2016, Terna's NTG RENS indicator also takes into account the performance of the grid operated by Terna Rete Italia S.r.l. (merged with Terna S.p.A. on 31 March 2017).

Electricity cost trends

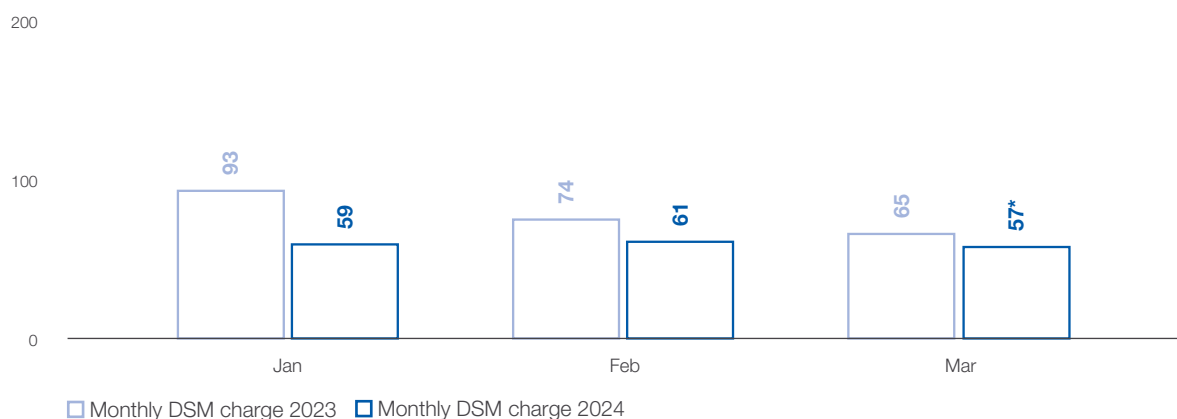
Terna uses the Dispatching Services Market (DSM) to procure dispatching resources to guarantee the security and adequacy of the electricity system.

Dispatching Services Market (DSM)

The net charge for using the DSM was €177 million in the first quarter of 2024 (provisional data), down 24% on the same period of the previous year (approximately €233 million).

This decrease primarily reflects a reduction in the cost of selections made on the DSM due to the volume effect and only partially offset by the impact of prices.

Monthly DSM costs (€m)

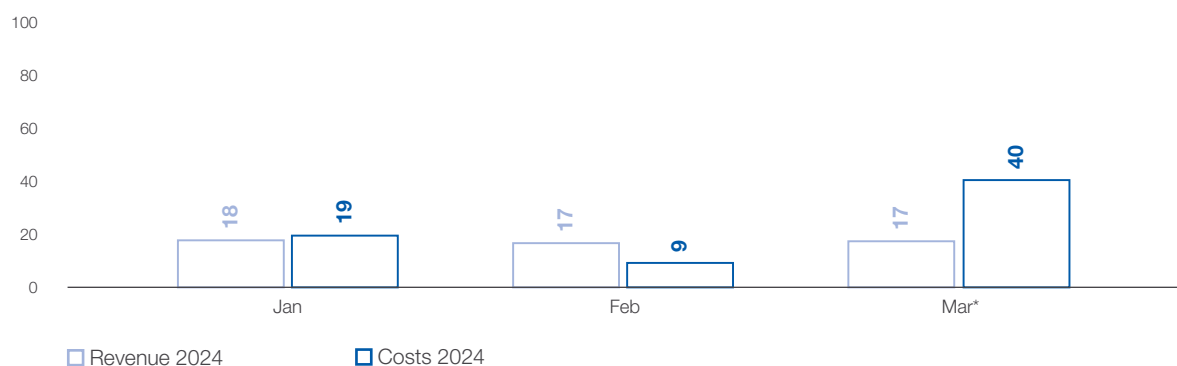


* Provisional data.

Cost of procuring resources on the Dispatching Services Market (Uplift)

The total uplift was approximately €69 million in the first quarter of 2024 (provisional data), down compared with the same period of the previous year (€125 million). This reflects the reduction in the cost of procuring resources on the Dispatching Services Market.

Monthly performance of revenue and Uplift costs (€m)



* Provisional data.



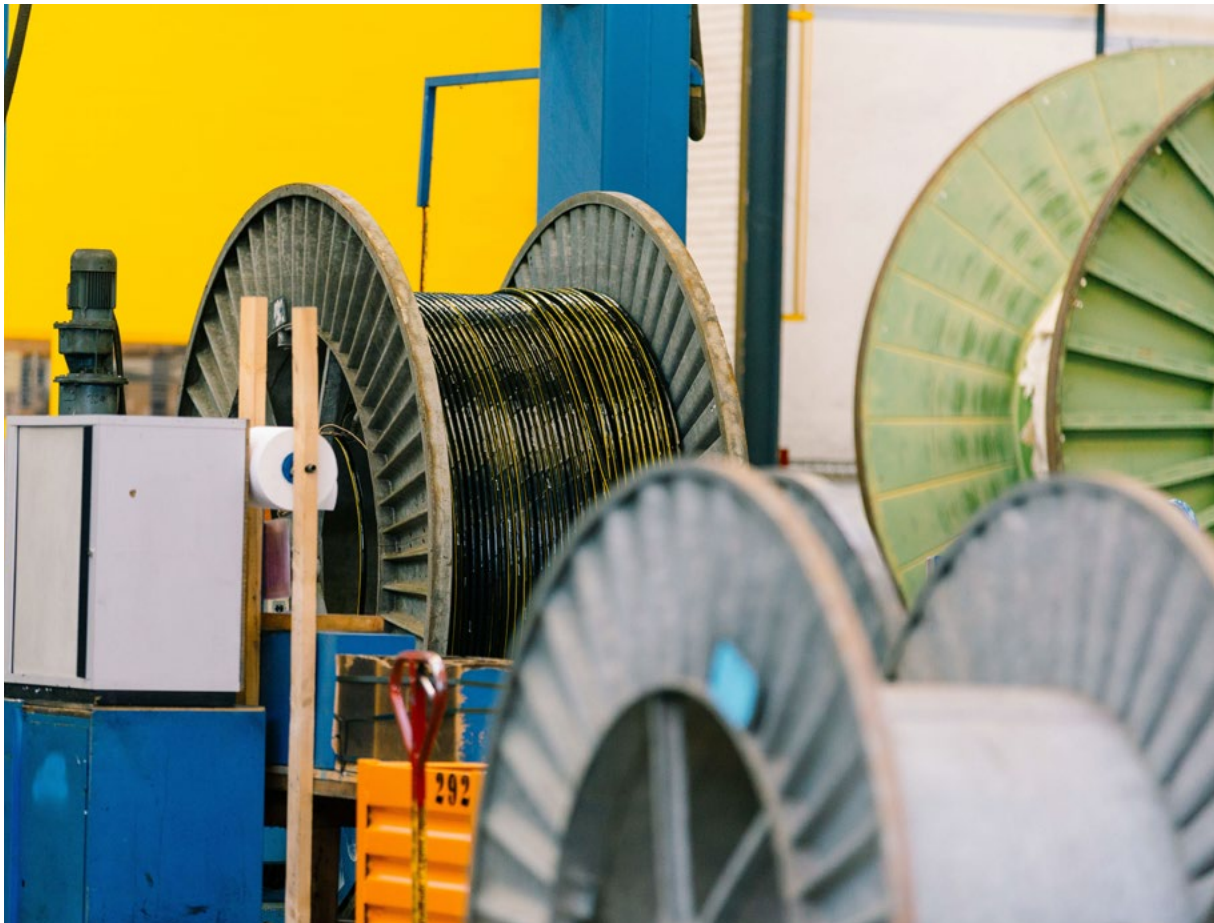
Non-regulated Activities

Energy market solutions

Non-regulated Activities are designed to support the ecological transition, in keeping with the core business. Terna uses its know-how in the design, engineering, operation and maintenance of complex solutions, including the integration of telecommunications networks, and proprietary systems and RES expertise in the production of cables and transformers. The aim is to serve commercial and industrial customers with the Group's expertise and experience across a wide range of solutions.

The main areas of business in this segment are:

- **Equipment**
- **Connectivity**
- **Energy Services**
- **Private interconnectors pursuant to Law 99/2009**



Equipment

Via two leading companies in their fields, Terna is able to control know-how and procurement in two key areas for grid development:

- **Transformers – Tamini Group:** a world leader in the production of industrial transformers and in after-sales service;
- **Terrestrial cables - Brugg Cables Group:** a centre of excellence for research, development and testing in the field of terrestrial cables, the Brugg Group is based in Switzerland but has several overseas subsidiaries.

Transformers – Tamini Group

Tamini received orders for transformers worth approximately €68 million, down 37.6% compared with the same period of the previous year and slightly up on the final quarter of 2023. [Order book](#)

Orders amounted to approximately €43 million in the Power sector and approximately €25 million in the Industrial sector.

Orders for services amounted to approximately €4 million.

The value of factory backlogs is approximately €330 million, 8% up on the end of 2023.

Revenue rose in the first three months of 2024 compared with the same period of 2023 (up 34.1%), due to the increased value of transformer production. [Results](#)

Several very important items of equipment were also tested, including a 200 MVA autotransformer for Spain and 2 145 MVA transformers for a major steel plant in the United States.

In recent years, the Tamini Group has specialised in planning and producing high-voltage green transformers, offering major advantages, such as: [Vegetable oil transformers](#)

- a significant increase in capacity at equal loads;
- extended life expectancy;
- reduced flammability;
- eco-compatibility.

Tamini continues to be committed to the production of vegetable oil transformers for the Power sector in 2024. A 50 MVA/118kV transformer for a wind farm in Finland was tested in the first quarter of 2024, whilst a 400 MVA/400kV autotransformer is being manufactured in Italy.



Terrestrial Cables – Brugg Cables Group

Order book Orders acquired in the first quarter of 2024 amount to approximately CHF80 million (down 4% on the first quarter of 2023). The High Voltage System segment made a major contribution (CHF54 million), whilst the Low Medium Voltage segment also made a significant contribution (CHF8 million), as did the High Voltage Accessories segment (CHF18 million).

Compared with the first quarter of 2023, production of high voltage cables is up 13%, whilst the volume of low and medium voltage cables produced is down 17%.

Results Revenue for the first quarter of 2024 amounts to approximately CHF50 million, up 7% compared with the same period of 2023. Margins have improved significantly compared with the first quarter of the previous year, thanks to cost efficiencies, the careful selection of orders and revamped pricing strategies.

Operating activities The High Voltage Accessories segment performed extremely well in terms of both volumes and margins.

The high and very high voltage systems segment saw strong growth in orders and the current backlog will enable the Group to achieve its targets.

The low and medium voltage segment, the process of renegotiating certain framework agreements that began last year has brought results, resulting in a stabilisation of margins. There will be a strong focus on the short-term delivery of inventory management efficiencies.

Connectivity

Fibre

Since 2017, indefeasible right of use (IRU) agreements have been concluded for approximately 36,700 km of fibre pairs, for which Terna provides maintenance and housing services for regeneration. A total of approximately 185 km of fibre pairs were delivered in the first quarter of 2024.

Energy services

Smart grid

Renewables – LT Group

The LT Group provides O&M services for photovoltaic plants, designs and implements revamping and repowering projects for existing plants and builds new photovoltaic plants for third parties. Turnover in the first quarter of 2024, amounting to approximately €26 million, is up approximately €17 million compared with the same period of the previous year, primarily due to EPC, revamping and repowering activities, which have seen growth of more than 150%.

On 29 March 2023, Terna, through its subsidiary, LT S.r.l., completed the acquisition of a 100% stake in Omnia S.r.l., a company providing O&M services for photovoltaic plants. The merger of this company with and into LT S.r.l. was completed on 5 October 2023. The acquisition has helped to consolidate the LT Group's position as an Italian market leader in the construction and operation of photovoltaic plants.

Other projects

Installation of a storage system on the island of Pantelleria was completed in the first quarter of 2024 as part of the Smart Island projects. The system is currently being commissioned.

With regard to revamping/repowering contracts for photovoltaic plants, work is in progress or is coming to an end at sites in the Emilia Romagna, Puglia and Sicily regions, whilst inverter revamps are also taking place at a number of sites in Italy belonging to a single customer.

High voltage

Work on design and procurement for an electricity substation in the Lazio region (to be used for a connection to a utility-scale photovoltaic plant¹¹) came to a conclusion in the first quarter of 2024, whilst work on similar infrastructure in Sardinia is in progress.

The activities related to the framework agreement with RFI, relating to the “Design, supply, installation, certification and commissioning of metering equipment”, are in progress. During the first quarter of 2024, 6 installations were carried out, making a total of 66 pieces of equipment installed, in line with existing application contracts.

Work on a provisional electricity substation (built using a compact substation for quick installation) in Sicily to enable the connection of a further utility-scale photovoltaic plant under construction is also in progress.

Work is under way on delivery of a turnkey construction project for an NTG connection (substation and HV cable¹²) for a major client operating in the data centre sector in the province of Milan.

Work on the revamp of an electricity substation for an important car manufacturer in the Emilia Romagna region is in progress.

A contract to revamp 220kV and 132kV metering set in Valle d'Aosta has been acquired and the process of procuring the necessary materials and services has begun. Work on the supply and laying of HV cable in Palermo metropolitan area has also begun.

The installation and commissioning of a transformer for a company that operates drinking water infrastructure in the Puglia region and in certain towns in Campania is also in progress.

There has been an increase in the revamping of HV substations, with the most important contracts with customers in the oil and gas and shipbuilding industries.

¹¹ Photovoltaic.

¹² High-voltage.



Private Interconnectors pursuant to Law 99/2009

Italy-Montenegro interconnector project Terna is responsible for managing routine and special maintenance activities and operating the interconnector that was completed on 28 December 2019 and is owned by Monita Interconnector S.r.l., which was sold to the private backers on 17 December 2019.

Italy-France interconnector project The Terna Group is responsible for managing routine and special maintenance activities and operating the interconnector. The infrastructure was completed on 7 November 2022 and is owned by Piemonte Savoia S.r.l., which was sold to the private backers on 4 July 2017, pursuant to Law 99/2009.

Italy-Austria interconnector project The Terna Group is responsible for managing routine and non-routine maintenance activities and operating the interconnector, which entered service on 15 December 2023 and is owned by Resia Interconnector S.r.l., sold by the Terna Group to private investors on 15 September 2021, in accordance with Law 99/2009.

Italy-Switzerland interconnector project The project involves the development of new transmission lines between Italy and Switzerland, with the aim of increasing interconnection capacity between Italy and Switzerland. The project is currently at the planning stage.

Italy-Slovenia interconnector project The creation of a direct current line is planned, partly in undersea cable, between the substations of Salgareda (IT) and Divača/Beričevno (SL), together with work on upgrading the domestic grids in Italy and in Slovenia. The project is currently awaiting the necessary consents on the Italian side. The expected increase in cross-border capacity of approximately 1 GW will raise the interconnection capacity to more than double the current level.

International Activities

South America – sale of the Latin American assets

As part of overseas initiatives, the plan to extract value from activities in South America is proceeding. Launched in the last part of 2021, the plan involves the **sale of up to 100% of the Group's Latin American assets**.

Transaction closing, due to take part in stages, for the most part took place in November and December 2022, with the sale to CDPQ of SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A. and Difebal S.A.

Construction of the **SPE Transmissora de Energia Linha Verde I S.A.** project in Brazil was completed in 2023. The project involved construction of a 150-km long 500kV power line dubbed the Governador Valadares-Mutum in the State of Minas Gerais. The line entered service in January 2024 and is due to be sold in 2024.

In **Peru**, the operation and maintenance of the 132-km 138kV power line between Aguaytia and Pucallpa continued, following the line's entry into commercial service on 16 May 2021.

North America

Scouting activities are continuing in North America through **Terna USA LLC** and **BMT Energy Transmission Development LLC**, with a view to identifying potential business opportunities relating to the acquisition, development and construction of large onshore and offshore electricity transmission infrastructure projects in the United States.



People

People are Terna's most important asset, one of the enabling factors in the 2024-2028 Industrial Plan. Each person brings skills and experience that can help to increase the value of the Company.

	(unit)		
THE WORKFORCE	AT 31 MARCH 2024	AT 31 DECEMBER 2023	CHANGE
Senior managers	102	102	-
Middle managers	901	896	5
Office staff	3,389	3,349	40
Blue-collar workers	1,592	1,580	12
Total	5,984	5,927	57

The increase of 57 in the workforce at 31 March 2024 compared with 31 December 2023 is primarily linked to the requirements relating to delivery of the challenging investment programme provided for in the 2024-2028 Industrial Plan, and to the need to strengthen the Group's distinctive competencies.



Financial review for Q1 2024

In order to report on the Terna Group's operating performance and analyse its financial position, this section includes management accounts prepared in line with industry best practice. These reclassified statements contain alternative performance measures (APMs, as defined in the guidance provided by ESMA/2015/1415) that management considers to be useful in assessing the performance of the Group and representative of the business's operating results and financial position.

The criteria used in constructing these indicators are the same as those used in the Annual Report. Details are provided in the Annex, "Alternative performance measures (APMs)".

Basis of presentation

The measurement and recognition criteria applied in this Interim Financial Report are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2023.

Therefore, given that the requirements of IFRS 5 have been met, the total results for the first quarter of 2024 and 2023 attributable to the South American subsidiaries included in the planned sale of assets, a process that began at the end of 2021, have been classified in the item "Profit/(Loss) for the period from assets held for sale" in the Group's reclassified income statement. Likewise, the attributable assets and liabilities at 31 March 2024 and 31 December 2023 have been reclassified to the item "Net assets held for sale" in the Group's reclassified statement of financial position.





The Group's reclassified income statement

The Terna Group's operating results for the first quarter of 2024, compared with those for the same period of the previous year, are summarised in the following reclassified income statement.

	(€m)			
	Q1 2024	Q1 2023	CHANGE	% CHANGE
TOTAL REVENUE	858.1	712.5	145.6	20.4%
- Regulated revenue	730.1	613.9	116.2	18.9%
<i>of which Revenue from construction services performed under concession</i>	10.4	10.2	0.2	2.0%
- Non-Regulated revenue	128.0	98.6	29.4	29.8%
TOTAL OPERATING COSTS	230.2	212.5	17.7	8.3%
- Personnel expenses	87.7	88.9	(1.2)	(1.3%)
- Cost of services, leases and rentals	56.8	52.7	4.1	7.8%
- Materials	64.2	49.4	14.8	30.0%
- Other costs	8.2	7.9	0.3	3.8%
- Quality of service	2.9	3.4	(0.5)	(14.7%)
- Cost of construction services performed under concession	10.4	10.2	0.2	2.0%
GROSS OPERATING PROFIT (EBITDA)	627.9	500.0	127.9	25.6%
- Amortisation, depreciation and impairment losses	209.2	186.6	22.6	12.1%
OPERATING PROFIT (EBIT)	418.7	313.4	105.3	33.6%
- Net financial income/(expenses)	(36.5)	(32.1)	(4.4)	13.7%
PROFIT/(LOSS) BEFORE TAX	382.2	281.3	100.9	35.9%
- Income tax expense for the period	111.6	81.3	30.3	37.3%
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	270.6	200.0	70.6	35.3%
- Profit/(Loss) for the period from assets held for sale	(3.0)	(0.5)	(2.5)	-
PROFIT FOR THE PERIOD	267.6	199.5	68.1	34.1%
- Profit/(Loss) attributable to non-controlling interests	(0.6)	(0.7)	0.1	(14.3%)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	268.2	200.2	68.0	34.0%

	(€m)		
EBITDA BY OPERATING SEGMENT	Q1 2024	Q1 2023	CHANGE
Regulated Activities	609.7	485.9	123.8
Non-regulated Activities	19.1	15.2	3.9
International Activities	(0.9)	(1.1)	0.2
EBITDA	627.9	500.0	127.9

Gross operating profit (EBITDA) for the first quarter of 2024 amounts to **€627.9 million**, up €127.9 million compared with the €500.0 million of the first quarter of 2023, reflecting an improvement in EBITDA from Regulated Activities.

Revenue

	(€m)		
REGULATED ACTIVITIES	Q1 2024	Q1 2023	CHANGE
Tariff revenue	708.4	588.3	120.1
- Transmission revenue	607.2	508.3	98.9
- Dispatching, metering and other revenue	101.2	80.0	21.2
Other regulated revenue	11.3	15.4	(4.1)
Revenue from construction services performed under concession in Italy	10.4	10.2	0.2
TOTAL	730.1	613.9	116.2

Revenue from **Regulated Activities** are up €116.2 million compared with the same period of the previous year. This primarily reflects:

- the impact on transmission revenue (up €98.9 million) of the increase in the WACC set for 2024 (Resolution 556/2023 raised the rate from 5% in 2023 to 5.8% in 2024), growth in the regulated asset base (RAB) and allowed depreciation, based on the new criteria for the regulatory period from 2024 to 2027 introduced by ARERA Resolution 615/2023;
- an increase in the accrued reward linked to the mechanism designed to incentivise cuts in dispatching market costs introduced by Resolutions 597/2021 and 132/2022 (up €12.1 million);
- higher dispatching revenue (up €9.1 million);
- reduced revenue in the form of the bonus for service quality receivable under the RENS incentive mechanism (down €3.0 million), due to the impact of the extension, at the end of 2023, of the regulatory period for the mechanism to 2025.

	(€m)		
NON-REGULATED ACTIVITIES	Q1 2024	Q1 2023	CHANGE
Equipment	78.4	63.6	14.8
- Brugg Cables Group	35.6	36.9	(1.3)
- Tamini Group	42.8	26.7	16.1
Services for third parties (Connectivity, Energy Services, other)	44.4	30.7	13.7
Private interconnectors	5.2	4.3	0.9
TOTAL	128.0	98.6	29.4

The increase in revenue from **Non-regulated Activities**, amounting to €29.4 million, primarily reflects the increased contributions from the Tamini Group's Equipment segment (up €16.1 million) and the LT Group's Energy Services (up €16.7 million), partially offset by reduced revenue from high voltage services (down €2.7 million).

Costs

Operating costs are up €17.7 million compared with the first quarter of the previous year. This broadly reflects the increased cost of materials (up €14.8 million), above all those used by the Equipment and Energy Services segments (increases of €10.7 million at the Tamini Group and €7.9 million at the LT Group and a reduction of €2.1 million at the Brugg Cables Group) and services (up €4.1 million), due essentially to increases at the LT Group (up €7.3 million), partially offset by reductions in the cost of O&M services and advertising expenses. Personnel expenses were also down, falling €1.2 million due to an increase in capitalised costs linked to growth in the Group's capital expenditure, after taking into account an increase in the average headcount.

Amortisation, depreciation and impairment losses for the period amount to €209.2 million, an increase of €22.6 million compared with the first quarter of 2023, primarily due to the entry into service of new infrastructure.

Operating profit (EBIT), after amortisation, depreciation and impairment losses, amounts to €418.7 million, an increase of €105.3 million (up 33.6%) compared with the first quarter of 2023.



Net financial expenses for the period total €36.5 million and primarily regard the Parent Company. The figure is up €4.4 million on the €32.1 million of the first three months of 2023. This broadly reflects new borrowings and higher interest rates on the new loans and on existing variable rate debt. The increase was partially offset by an increase in income from the investment of cash and from other financial assets, the impact of falling inflation in relation to inflation-linked bonds (maturing in September 2023) and a decline in costs relating to the Uplift mechanism.

After net financial expenses, **profit before tax** amounts to **€382.2 million**, compared with €281.3 million for the first quarter of 2023 (up €35.9%).

Income tax expense for the period totals €111.6 million, an increase of €30.3 million compared with the first quarter of the previous year. This is essentially due to the growth in pre-tax profit. The tax rate of 29.2% compares with the 28.9% of the same period of the previous year.

The **profit from continuing operations** amounts to **€270.6 million**, an increase of €70.6 million (up 35.3%) compared with the €200.0 million of the first quarter of 2023.

The **loss for the period from assets held for sale** amounts to €3.0 million, an increase of €2.5 million compared with the first quarter of 2023 due to higher operating losses.

Profit for the period amounts to **€267.6 million**, up €68.1 million (34.1%) compared with the €199.5 million of the first quarter of 2023.

Profit for the period attributable to owners of the Parent (after excluding the share attributable to non-controlling interests) amounts to **€268.2 million**, up €68.0 million (up 34%) compared with the €200.2 million of the first quarter of 2023.

Cash flow

Operating cash flow and the change in net debt covered the cash needs linked to capital expenditure during the period.

	(€m)	
	CASH FLOW Q1 2024	CASH FLOW Q1 2023
- Profit for the period	267.6	199.5
- Amortisation, depreciation and impairment losses	209.2	186.6
- Net change in provisions	(15.4)	(13.8)
- Net losses/(gains) on sale of assets	(0.6)	(4.0)
Operating cash flow	460.8	368.3
- Change in net working capital	(96.6)	(333.8)
- Other changes in property, plant and equipment and intangible assets	34.2	33.1
- Change in investments	(3.0)	(1.5)
- Change in financial assets	3.2	(6.8)
Cash flow from operating activities	398.6	59.3
- Total capital expenditure	(482.7)	(314.9)
Free cash flow	(84.1)	(255.6)
Net assets held for sale	3.1	(4.0)
- Cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	(16.5)	(10.8)
- Other movements in equity attributable to non-controlling interests	4.8	(0.5)
Change in net debt	(92.7)	(270.9)

The Group's reclassified statement of financial position

The Terna Group's financial position at 31 March 2024 and 31 December 2023 is summarised below in the reclassified statement of financial position.

	AT 31 MARCH 2024	AT 31 DECEMBER 2023	CHANGE
			(€m)
Total net non-current assets	19,204.6	18,964.7	239.9
- Intangible assets and goodwill	865.7	867.2	(1.5)
- Property, plant and equipment	17,838.3	17,596.7	241.6
- Financial assets	500.6	500.8	(0.2)
Total net working capital	(2,078.2)	(2,174.6)	96.4
- Net energy-related pass-through payables	(936.4)	(912.0)	(24.4)
- Net receivables resulting from Regulated Activities	1,192.6	1,107.6	85.0
- Net trade payables	(806.4)	(937.1)	130.7
- Net tax liabilities	(147.1)	25.7	(172.8)
- Other net liabilities	(1,380.9)	(1,458.8)	77.9
Gross invested capital	17,126.4	16,790.1	336.3
Sundry provisions	(17.5)	(32.9)	15.4
Net invested capital	17,108.9	16,757.2	351.7
Net assets held for sale	77.3	80.4	(3.1)
TOTAL NET INVESTED CAPITAL	17,186.2	16,837.6	348.6
Equity attributable to owners of the Parent	6,576.1	6,324.4	251.7
Equity attributable to non-controlling interests	23.1	18.9	4.2
Net debt	10,587.0	10,494.3	92.7
TOTAL	17,186.2	16,837.6	348.6

The €239.9 million increase in **net non-current assets** compared with 31 December 2023 primarily reflects a combination of the following:

- total capital expenditure of €482.7 million, as summarised below and described in detail in the section on "Regulated Activities";
- amortisation and depreciation for the period, totalling €207.9 million;
- other movements during the period in "Property, plant and equipment" and "Intangible assets", amounting to a reduction of €33.3 million, including grants related to assets received by the Parent Company (a reduction of €30.8 million, primarily in relation projects financed by the Ministry of Enterprises and Made in Italy) and disposals and impairment losses resulting in a reduction of €2.3 million;
- a reduction of €0.2 million in financial assets, broadly due to a decrease in guarantee deposits received from operators participating in the capacity market in accordance with Resolution 98/2011/R/eel, as amended (down €10.4 million), after an increase in the Interconnector Guarantee Fund, set up to fund investment in interconnections by art. 32 of Law 99/09 (up €7.4 million) and the acquisition, in March 2024, of a 33% stake in Wesii S.r.l., a joint arrangement (up €2.9 million).

The Terna Group's **total capital expenditure** during the first quarter of 2024, amounting to **€482.7 million**, is up **53.3%** compared with the €314.9 million of the same period of 2023.



Main investment in the NTG* (€m)



* Amounts include financial expenses.

Net working capital of €-2,078.2 million resulted in a cash outflow of €96.4 million compared with 31 December 2023. This reflects the combined effect of:

Cash outflows

- a reduction of €130.7 million in **net trade payables**, largely due to the increase in capital expenditure during the last part of the previous year;
- an increase in **net receivables resulting from Regulated Activities** of €85.0 million, primarily reflecting the higher value of transmission charges receivable due to the tariff increase introduced by ARERA Resolution 632/2023¹³;
- a reduction in **other net liabilities** of €77.9 million, primarily due to a reduction in guarantee deposits received from electricity market operators to guarantee the obligations undertaken regarding dispatching and virtual interconnection contracts (down €102.8 million), after an increase in grants related to assets received from third parties (up €7.1 million) and incentives payable to personnel (up €9.5 million).

Cash inflows

- an increase of €172.8 million in **net tax liabilities**, broadly due an increase in the net amount payable in taxation (€122.8 million) and an increase in net VAT payable (€53.7 million), in keeping with the reduction in trade payables;
- an increase in **net energy-related pass-through payables** of €24.4 million, primarily reflecting the combined effect of:
 - an increase in net payables relating to essential plants for the security of the electricity system - *UESS* (€156.4 million), reflecting items collected during the period after payments made in early 2024 to the owners of essential plants¹⁴;partially offset by
 - an increase in the amount of the Uplift component receivable (€85 million) due to the charges to be recovered primarily as a result of the greater volume of selections on the DSM in the first quarter of 2024;
 - a reduction in net payables linked to the virtual import service (€40.1 million), reflecting the reduced capacity assigned to selected providers for 2024 following the entry into service, at the end of 2023, of the new Italy-Austria interconnector.

Gross invested capital thus amounts to €17,126.4 million, an increase of €336.3 million compared with 31 December 2023.

¹³ "Determination of allowed revenue for the electricity transmission and dispatching service and of electricity transmission tariffs for 2024", reflecting the updates provided for in ARERA resolutions 556/2023 and 615/2023.

¹⁴ ARERA ordered payments to the owners of essential plants via resolutions 32-44-65/2024.

Sundry provisions are down €15.4 million, primarily due to:

- the net release of deferred tax assets (down €11.7 million), primarily due to the effect on taxation of movements in derivative financial instruments held by the Group, amortisation and depreciation and movements in provisions for risks and charges;
- net uses of provisions to fund early retirement incentives (down €1.6 million) and for urban and environmental redevelopment schemes (down €1.1 million).

Net assets held for sale, totalling €77.3 million as at 31 March 2024, are down €3.1 million compared with 31 December 2023, primarily due to an increase in trade payables after an increase in investment in the infrastructure operated under concession in Brazil.

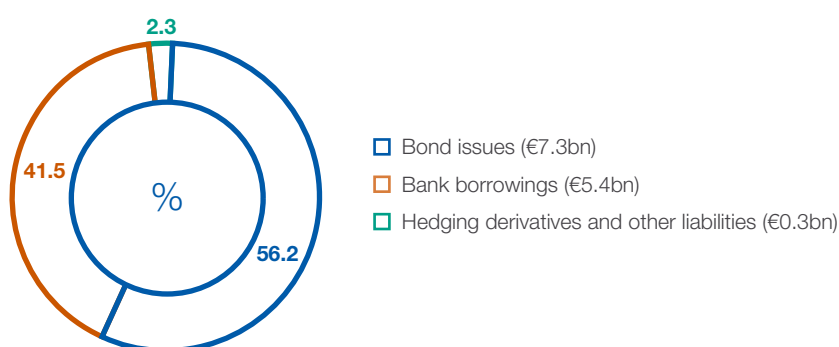
Total net invested capital, including net assets held for sale, amounts to €17,186.2 million, marking an increase of €348.6 million compared with 31 December 2023. This is financed by equity attributable to owners of the Parent, totalling €6,576.1 million (compared with €6,324.4 million at 31 December 2023), equity attributable to non-controlling interests of €23.1 million (€18.9 million at 31 December 2023) and net debt of €10,587.0 million (up €92.7 million compared with the €10,494.3 million of 31 December 2023).

Debt

The Terna Group's financial management is based on an approach that aims to maximise efficiency and achieve and maintain a solid financial structure, whilst adopting a highly prudent stance towards mitigation of the potential financial risks. The key aspects of the Group's financial policy are diversification of the sources of funding, a balance between short- and medium/long-term forms of debt and the proactive management of debt.

Gross debt at 31 March 2024 amounts to approximately **€13 billion**, consisting of approximately €7.3 billion in the form of bond issues and approximately €5.4 billion in bank borrowings.

The average term to maturity of debt, which is 89% fixed rate, is approximately 6 years.



Bonds have been issued in the form of both public and private placements under the €9 billion Euro Medium Term Notes (EMTN) Programme (in which a large number of Italian and overseas banks participate), in addition to a stand-alone issue of €800 million dating back to 2004. Focused specifically on qualified investors and listed on the Luxembourg Stock Exchange, Terna's bonds have a very diverse investor base, in terms of both sector and geographical profile.

The main provider of Terna's bank loans is the European Investment Bank (EIB). Total borrowings from the EIB at 31 March 2024 amount to approximately €3.8 billion.

Thanks to its strong credit ratings, Terna is able to obtain financing from banks on extremely good terms, as shown by the transactions described below.



Sustainable finance

Fully in line with Terna's strategy, which aims to combine investment and sustainability to drive growth and value creation, it is Terna's ambition to play a leading role in the sustainable finance market. This strategy was also followed in early 2024.

The **senior green bonds issued by Terna** at 31 March 2024, under its €9,000,000,000 Euro Medium Term Notes (EMTN) programme amount to €2.25 billion, in addition to the **perpetual, subordinated green bonds** issued on a standalone basis in February 2022, **amounting to €1 billion**.

With regard to bond issues, on 4 April 2024, Terna successfully launched a **perpetual, subordinated, hybrid, non-convertible, fixed-rate green bond**, amounting to a total of **€850 million**. The bonds are non-callable for 6 years. The issue price was 99.745%, with a spread of 214.2 basis points with respect to the Mid Swap rate. The issue will pay fixed annual coupon interest of 4.750%, payable until the first reset date (excluded) of 11 April 2030, and will have an effective interest rate of 4.800%. From this date, unless the bond has been redeemed early, the hybrid bond will pay interest at the 5-year Euro Mid Swap rate, increased by an initial spread of 214.2 basis points, rising by a further 25 basis points from 11 April 2035 and by another 75 basis points from 11 April 2050.

These green issues are used to finance or refinance **Eligible Green Projects**. These are projects producing environmental benefits that meet certain criteria listed in the **Green Bond Framework** published by Terna in compliance with the "Green Bond Principles" drawn up by the ICMA (International Capital Market Association) and the EU Taxonomy. Terna's Green Bond Framework is rated by a **Second Party Opinion provider, Moody's Investors Service**, which in October 2023 reaffirmed its assignment of an "SQS1 Sustainability Quality Score (Excellent)" in its Second Party Opinion. This is the highest score possible.

Specifically, the net proceeds from the issues will be used to finance:

- projects that aim to increase renewable energy production – for example, infrastructure enabling renewable energy plants to be connected to the national grid or that allow for a larger volume of renewable energy to be injected into the grid;
- projects designed to cut carbon emissions by reducing grid losses – for example, infrastructure designed to boost the efficiency of the electricity transmission grid;
- projects designed to ensure the quality, security and resilience of grid infrastructure;
- projects that aim to reduce land use and protect biodiversity.

As at 31 March 2024, Terna has also agreed a number of **ESG-linked Credit Facilities, two ESG-linked Revolving Credit Facilities and a Euro Commercial Paper (ECP) programme** for the issue of notes and ESG notes. The Company has also introduced a share buyback programme to service the Performance Share Plan, which also includes a penalty mechanism in the event of the Company's failure to achieve specific ESG objectives.

On 15 April 2024, the Company signed an **amendment and restatement agreement increasing the value of the ESG-linked Revolving Credit Facility**, agreed on 12 May 2023 and amounting to €1.8 billion, to **€2.255 billion**.

Terna's leadership in sustainable finance is widely recognised in the market which, since 2018, has shown a strong appetite for the green bonds issued. In addition to its inclusion in the main ESG indices, from January 2021, Terna is the first Italian electric utility to join the **Nasdaq Sustainable Bond Network**, the sustainable finance platform operated by Nasdaq that brings together investors, issuers, investment banks and specialist organisations.

Terna continues to be a member of the **CFO Coalition for the SDGs**, which is building on the work of the **CFO Taskforce for the SDGs**, the initiative launched by the UN Global Compact at the end of 2019 to develop sustainable finance and of which Terna was one of the founding members. The Coalition aims to continue to promote sustainability, scale up its global community and follow the example set by the CFOs that founded the Taskforce.

Further confirmation of the commitment to playing an active role in developing sustainable finance, Terna is taking part in the **Corporate Forum for Sustainable Finance**, a network of major European businesses committed to the development of sustainable finance as a means to promote a more sustainable and responsible society.

Finally, Terna, both individually and as a member of the above Corporate Forum on Sustainable Finance, will continuously monitor developments in European legislation, with particular regard to the impact on sustainable finance.

Further financial resources

With regard to bank debt, **Terna's total borrowing from the European Investment Bank (EIB)** amounts to approximately €3.8 billion as at 31 March 2024.

As regards the Tyrrhenian Link project, Terna has obtained financing for the project from the EIB amounting to €1.9 billion. On 7 February 2024, the agreement for the **last tranche of the financing for this project, amounting to €500 million, was signed**.

This last tranche, together with the first tranche of €500 million, agreed on 8 November 2022, and the second and third tranches of the loan, agreed on 30 March 2023 and amounting to €900 million, will be used to finance the construction and commissioning on the East and West sections of the Tyrrhenian Link.

The above four loans have terms of approximately 22 years from the date of disbursement, have durations that are longer and more competitive costs than those available in the market and form part of the policy for optimising Terna's financial structure.

Furthermore, on 10 January 2024, Terna successfully launched **a single tranche, fixed-rate bond issue**, as part of the Euro Medium Term Notes (EMTN) programme. The issue has a total nominal value of **€850 million, a term of 7 years** and matures on 17 January 2031. The bonds were issued at a price of 99.385%, with a spread of 100 basis points above the midswap rate. The bonds pay annual coupon interest of 3.50%.



Net debt

The Group's net debt at 31 March 2024 amounts to €10,587.0 million, marking an increase of €92.7 million compared with 31 December 2023.

	(€m)		
	AT 31 MARCH 2024	AT 31 DECEMBER 2023	CHANGE
NET DEBT (BY TERM TO MATURITY)			
Total medium/long-term debt	10,851.8	9,556.5	1,295.3
- Bond issues	6,510.0	5,664.2	845.8
- Borrowings	4,188.7	3,745.0	443.7
- Derivative financial instruments	153.1	147.3	5.8
Total short-term debt/ (funds)	(264.8)	937.8	(1,202.6)
- Bond issues (current portions)	818.4	826.4	(8.0)
- Short-term borrowings	1,043.2	1,201.7	(158.5)
- Borrowings (current portions)	155.3	558.2	(402.9)
- Other current financial liabilities net	151.0	106.4	44.6
- Derivative financial instruments	(0.1)	(0.3)	0.2
- Financial assets	(626.2)	(376.4)	(249.8)
- Cash and cash equivalents	(1,806.4)	(1,378.2)	(428.2)
Total net debt	10,587.0	10,494.3	92.7
NET DEBT (BY TYPE OF INSTRUMENT)			
- Bond issues	7,328.4	6,490.6	837.8
- Borrowings	4,344.0	4,303.2	40.8
- Short-term borrowings	1,043.2	1,201.7	(158.5)
- Derivative financial instruments	153.0	147.0	6.0
- Other financial liabilities, net	151.0	106.4	44.6
GROSS DEBT	13,019.6	12,248.9	770.7
- Financial assets	(626.2)	(376.4)	(249.8)
- Cash and cash equivalents	(1,806.4)	(1,378.2)	(428.2)
Total net debt	10,587.0	10,494.3	92.7
Net debt attributable to net assets held for sale	(10.4)	(10.8)	0.4

Changes in the **Group's net debt** are as follows:

- an increase in bond issues of €837.8 million, primarily due to the bond issue launched by Terna in January 2024, amounting to €850 million, and adjustment of the amortised cost of the bonds;
- an increase in borrowings of €40.8 million, primarily due to the drawdown of the new EIB loan of €500 million, after repayments of bank debt amounting to €400.0 million and repayments falling due on existing EIB loans;
- a reduction in short-term borrowings of €158.5 million, essentially due to the Parent Company's repayment of short-term credit facilities;

- an increase of €6.0 million in the fair value of derivative financial instruments, primarily due to changes in the derivatives held and movements in market interest rates;
- an increase in other net financial liabilities (up €44.6 million), essentially due to the recognition of accrued interest on financial products;
- an increase in financial assets (€249.8 million), following an increase in investments in view of the greater amount of available liquidity;
- an increase in cash and cash equivalents of €428.2 million. Cash amounts to €1,806.4 million at 31 March 2024, including €1,497.2 million invested in short-term, readily convertible deposits and €309.2 million held in bank current accounts and in the form of cash in hand.

Net debt attributable to assets held for sale, amounting to €-10.4 million as at 31 March 2024 is essentially in line with the figure of €-10.8 million as at 31 December 2023. This regards the short-term portion of investment in infrastructure operated under concession in Brazil, recognised in application of IFRIC 12, totalling approximately €7.3 million and cash and cash equivalents of approximately €3.1 million.



Share price performance

Terna S.p.A. has been listed on Borsa Italiana's screen-based trading system (*Mercato Telematico*) since 23 June 2004. **From the date of floatation to the end of March 2024, the share price has risen 351% (a capital gain)**, providing a Total Shareholder Return (TSR¹⁵) of 1,152%, ahead of both the Italian market (the FTSE MIB, up 154%) and the relevant European sector index (DJ Stoxx Utilities), which has risen 326%.

Europe's leading stock markets rose during the first quarter of 2024. Milan, the best performing European market, gained 14.5%, Paris and Frankfurt rose 8.8% and 10.0%, Madrid was up 9.6% and London was 2.8% higher.

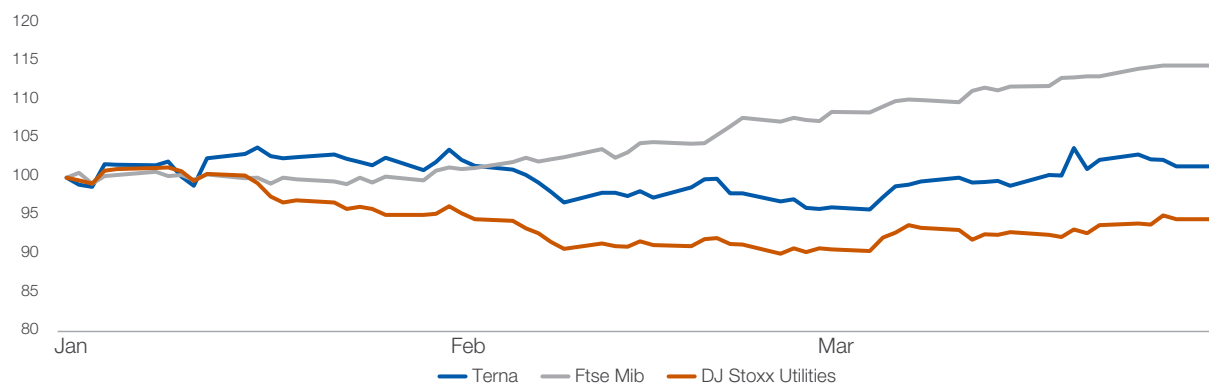
Terna's shares closed the quarter in positive territory at €7.660, having risen 1.4% compared with 31 December 2023. this was in contrast with the relevant European sector index (DJ Stoxx Utilities), which was down 5.4%. The daily average volume traded during the period amounted to approximately 4.0 million. The share price reached a high for the first quarter of €7.848 on 16 January 2024.

Performance of Terna's shares (Price from 1 January to 31 March 2024)



Source: Bloomberg.

Terna's shares, the FTSE MIB and DJ Stoxx Utilities (price from 1 January to 31 March 2024)



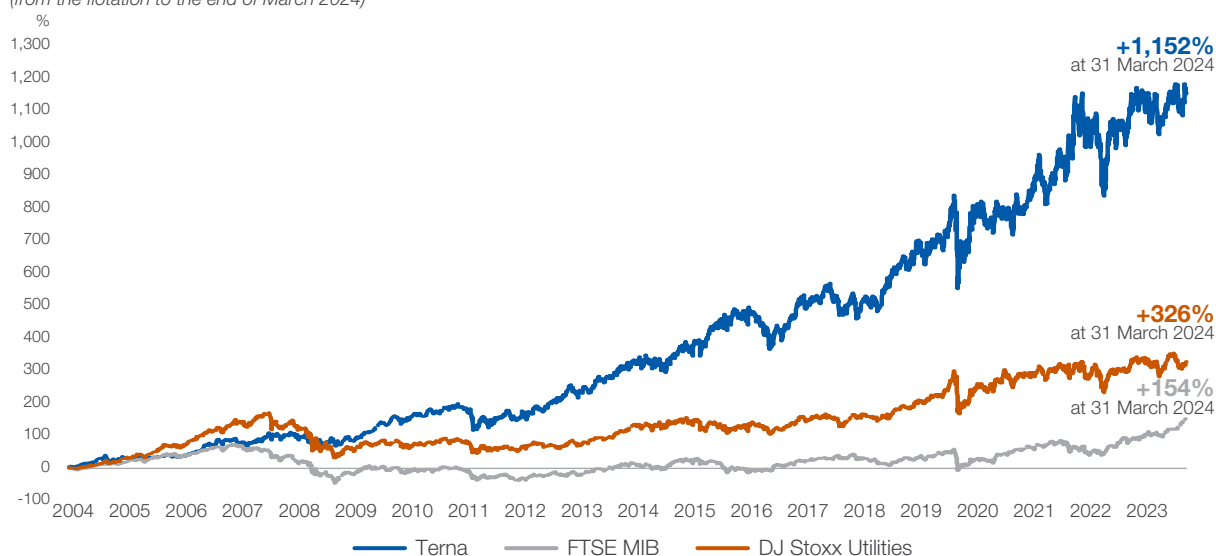
Source: Bloomberg.

¹⁵ Total Shareholder Return (TSR): total return on an equity investment, calculated as the sum of:

- I. capital gain: the change in the share price (difference between the price at the end and at the beginning of the relevant period) as a percentage of the price at the beginning of the period;
- II. reinvested dividends: the ratio between dividends per share paid out during the period and the share price at the beginning of the period. Dividends are assumed to have been reinvested in the shares.

Total shareholder return on Terna's shares and the FTSE MIB and DJ Stoxx Utilities

(from the flotation to the end of March 2024)



Source: Bloomberg.

Weighting of Terna's shares

	Q1 2024	Q1 2023
> on the FTSE MIB	2.1%	2.5%

Source: Bloomberg.

Ratings

	SHORT-TERM	MEDIUM/LONG-TERM	OUTLOOK
Terna S.p.A.			
Standard & Poor's	A-2	BBB+	Stable
Moody's	Prime-2	Baa2	Stable
Italian state			
Standard & Poor's	A-2	BBB	Stable
Moody's	Prime-3	Baa3	Stable

Following presentation of the 2024-2028 Industrial Plan, featuring the highest level of investment in Terna's history, in March the rating agencies (Standard & Poor's and Moody's) reaffirmed the Company's ratings.

Terna's long-term ratings are one notch above Italy's sovereign ratings.



Outlook

The Global economy is expected to record moderate growth in 2024, with ongoing trade tensions between the world's major economies and the risk of new protectionist measures. Geopolitical tensions may well persist or even worsen, with regional conflicts, rivalry between states and global security challenges all potentially having a negative effect on political and economic stability.

In this scenario, the Terna Group will continue to focus on delivering on the 2024-2028 Industrial Plan, recently presented to the financial community, which targets total investment of €16.5 billion and confirms and strengthens Terna's contribution to resolving Italy's energy trilemma: Affordability (minimising the cost of the electricity system), Security (ensuring the resilience performance of the electricity system) and Sustainability (integrating renewable sources and supporting the development of new forms of flexibility).

The sharp acceleration in expenditure on **Regulated Activities** will continue with the goal of achieving the targets set in the EU's Fit for 55 package. This will involve facilitating the integration of renewable sources, developing cross-border interconnections, boosting the level of security and resilience of the electricity system and investing in digitalisation of the grid.

In terms of the most important investment projects, work is progressing on the Tyrrhenian Link, with construction of the civil works for the converter stations on the "West Section" due to start, whilst the installation of terrestrial cables for the "East Section", where work began at the end of 2023, will also begin. As regards Sa.Co.I.3, the new three-terminal connection that will replace the existing link between Sardinia, Corsica and the Italian mainland, the related EPC contracts and the partnership with EDF are close to being finalised. Following the award of key contracts, work on the detailed design of the converter stations for the Adriatic Link, the new submarine connection that will link the Abruzzo and Marche regions, will also begin.

The principal National Transmission Grid assets due to enter service by the end of the year include the Monte Malo (VI) and Ponte Caffaro (BS) substations.

Work on the new electricity grid for the "Milan-Cortina 2026" Olympic and Paralympic Games will continue in 2024, with the aim of increasing the reliability of energy supply in the locations hosting the event, with infrastructure having a reduced impact on the landscape.

Finally, the Group will continue to make progress towards meeting the requirements resulting from output-based regulatory mechanisms introduced by ARERA, above all with regard to reducing dispatching costs (Dispatching Service Market incentives). The Group will also continue to be engaged during the year in the consultation process with ARERA regarding its update of the regulations underlying the WACC, valid for the period 2025-2027, and finalisation of the criteria for applying the Totex/Output-based approach to the transmission service.

With regard to **Non-regulated Activities**, the Terna Group will continue to consolidate its role as a provider of both Connectivity and Energy Services, developing high value-added services for corporate customers and exploiting market opportunities for traditional and renewable customers, using the LT Group's know-how and investing in the development of technical and digital skills.

In the Equipment segment, the aim is to build on the Tamini Group's performance and, with regard to the Brugg Cables Group, take full advantage of its distinctive expertise in terrestrial cables and of synergies with the Terna Group's other businesses.

In terms of **International activities**, the process of selling the assets in Peru and Linha Verde I in Brazil will continue, with the sales due to complete by the end of the year. The strategic assessment of further opportunities in overseas markets, involving the careful selection of projects with a view to ensuring a low risk profile and avoiding the need to tie up large amounts of capital, will also continue.

During the year, the Group will intensify its focus on improving operational efficiency and management of the transmission grid through the adoption of innovative technologies and the digitalisation of grid assets, in part thanks to the implementation of IoT technologies. This will include, by way of example, implementation of the latest mobile network technologies, the upgrade of monitoring systems and the development of advanced predictive algorithms designed to optimise infrastructure maintenance and boost grid resilience.

Management of the Terna Group's business will continue to be based on a sustainable approach and respect for the ESGs, ensuring that it is able to minimise the environmental impact, involve local stakeholders and meet the need for integrity, responsibility and transparency.

Partly thanks to the above initiatives, including those designed to further increase the efficiency of the electricity system, Terna expects revenue for 2024 to be €3.55 billion, EBITDA to be €2.42 billion and EPS to be €0.49. With specific reference to the Investment Plan, the Group has targeted capex of approximately €2.6 billion in 2024. The above objectives will be pursued whilst maintaining a commitment to maximising the cash generation necessary to ensure a sound, balanced financial structure.

Declaration

of the manager responsible for financial reporting in accordance with paragraph 2 of art. 154-*bis* of Legislative Decree 58/1998

The manager responsible for financial reporting, Francesco Beccali, declares, pursuant to paragraph 2 of article 154-*bis* of the Consolidated Law on Finance, that the accounting information contained in this Consolidated Interim Financial Report for the three months ended 31 March 2024 is consistent with the underlying accounting records.

A photograph of a modern building facade with a grid of glass and metal panels. A large, semi-transparent blue shape is overlaid on the bottom half of the image, containing white text.

Alternative performance measures (APMs)

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Other information

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Annexes



Alternative performance measures (APMs)

In accordance with the guidelines in ESMA/2015/1415, the alternative performance measures used in this Consolidated Interim Financial Report are described below.

MEASURE	DESCRIPTION
OPERATING RESULTS	
Operating profit/(loss) - EBIT	is an indicator of operating performance obtained by adding Net financial income/(expenses) to Profit/(Loss) before tax .
Gross operating profit/(loss) - EBITDA	is an indicator of operating performance obtained by adding Amortisation, depreciation and impairment losses to Operating profit/(loss) (EBIT) .
TAX RATE	is the amount of tax paid as a proportion of pre-tax profit and is based on the ratio of Income tax expense to Profit/(Loss) before tax .
FINANCIAL POSITION	
Net working capital	is an indicator of financial position, showing the Group's liquidity position; it is based on the difference between Current assets and Current liabilities of a non-financial nature, as presented in the statement of financial position.
Gross invested capital	is an indicator of financial position, showing the Group's total assets and is obtained by adding Net non-current assets and Net working capital .
Net invested capital	is calculated by deducting Sundry provisions from Gross invested capital .
CASH FLOW	
Net debt	is an indicator of the Group's financial structure and is obtained by deducting Cash and cash equivalents and financial assets from Short - and long-term financial liabilities and the related derivative instruments .
Free Cash flow	is the cash generated by operating activities less capital expenditure and is the difference between Cash flow from operating activities and Cash flow for investing activities .

Other information

Additional information is presented below in accordance with specific statutory or industry requirements.

Treasury shares

The Parent Company holds a total of 4,213,660 treasury shares (equal to 0.210% of the share capital).

The above total number of treasury shares held by the Company is the sum of the purchases made in implementation of four separate buyback programmes to service:

- (i) the Performance Share Plan 2020-2023, in the period between 29 June 2020 and 6 August 2020,
- (ii) the Performance Share Plan 2021-2025, in the period between 31 May 2021 and 23 June 2021,
- (iii) the Performance Share Plan 2022-2026, in the period between 27 May 2022 and 13 June 2022 and
- (iv) the Performance Share Plan 2023-2027, in the period between 22 June 2023 and 6 July 2023,

after the 1,079,860 treasury shares allotted by the Company, in the period between 9 May 2023 and 1 June 2023, to the beneficiaries of the Performance Share Plan 2020-2023.

The Company does not hold any additional treasury shares other than those purchased under the above programmes, including through subsidiaries¹⁶.

The Parent Company does not directly or indirectly hold any shares in CDP Reti S.p.A. or Cassa Depositi e Prestiti S.p.A., nor has it purchased or sold any such shares during the first three months of 2024.

Related party transactions

Information on related party transactions is provided in the Annual Report for the year ended 31 December 2023.

Participation in the regulatory simplification process introduced by CONSOB Resolution 18079 of 20 January 2012

Information on participation in the simplified process introduced by the CONSOB is provided in the Annual Report for the year ended 31 December 2023.

¹⁶ In this regard, see the press releases published on 10 August 2020, 28 June 2021, 13 June 2022 and 10 July 2023, available at the following links:
https://download.terna.it/terna/2020.08.10_CS%20TERNA%20operazioni%20su%20azioni%20proprie%20CHIUSURA%20ITA_8d83d42cfd43cb6.pdf
https://download.terna.it/terna/Terna_operazioni_su_azioni_proprie_conclusione_programma_8d93a651f5f9ffb.pdf
https://download.terna.it/terna/Terna_concluso_programma_acquisto_azioni_proprie_8da4d5856032b0b.pdf
https://download.terna.it/terna/Terna_concluso_programma_acquisto_azioni_proprie_8db81764c5a475a.pdf

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