2024 Half-year report - 30 June







PREAMBLE

The Terna Group's half-year report for the six months ended 30 June 2024 has been prepared in accordance with the requirements of art. 154-ter of Legislative Decree 58/98 introduced by Legislative Decree 195 of 6 November 2007 (the "Transparency Decree"), as amended by Legislative Decree 254 of 30 December 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.

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.

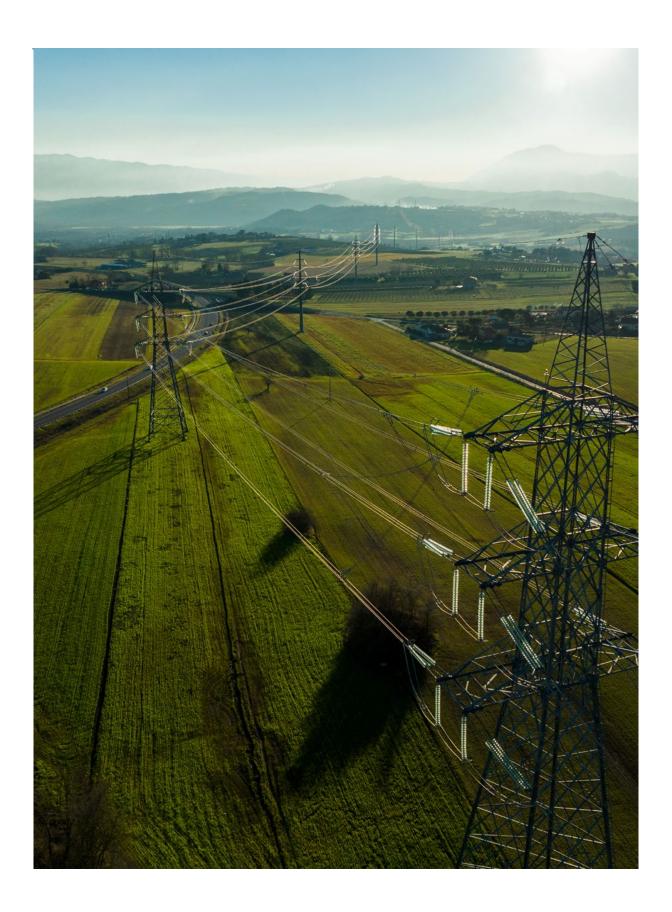
We provide everyone with equal access to electricity and are working to provide clean energy for future generations.

ff 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.





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Terna's role in the just transition

The electricity system is made up of several segments: production, transmission, distribution and the sale of electricity. Tasked with transmission and dispatching, Terna is responsible for the key transmission segment. This is a complex task, requiring an independent central coordinator capable of having an overall view of a high number of actors involved in both production and consumption.

In this scenario, Terna is driving the complex transition towards a new carbon-free model, aware of the fact that the task of meeting ambitious national and international targets over the coming years must be addressed by taking into account not only the environmental aspects, but also the social dimension, in order to deliver a just transition that is as fair and inclusive as possible. In this sense, it is of fundamental importance to involve all the players affected by the transition (including, for example, trade bodies, civil society and the authorities), through partnerships, public debate and engagement initiatives.

To be truly just, this transformation process must embrace not only energy-related and digital aspects, but also social considerations. This means achieving energy equality, under an approach that has the human dimension at its heart with a view to reducing inequalities and avoiding new forms of energy poverty. In this regard, for the first time in the Group's history the 2024-2028 Sustainability Plan has been fully integrated into the new Industrial Plan presented in March 2024. Sustainability is inherent in the very nature of Terna in view of its crucial role in delivering the energy transition, making it "Green by Nature". But the Group is also, and above all, sustainable in the way it chooses to conduct its business, making it "Social by Purpose". To pursue an inclusive transition, supporting this approach, one of the innovations introduced by the Sustainability Plan is the establishment of the Terna Foundation, which is currently in the process of being set up.

In managing the transmission grid and the system, new technologies and digitalisation thus play, and will continue to play, an ever more important role in enabling the energy transition. This will benefit the electricity system as a whole and further boost the security, resilience and flexibility of Italy's transmission infrastructure, supporting progressive decarbonisation and the growing integration of renewables.

The transition to a distributed production system based on green sources is, therefore, rapidly altering the electricity system, resulting in exponential growth in active resources connected to the grid. Managing requests for connection to the HV grid, coming from entities proposing renewable initiatives, enables Terna to have a systematic view of the current situation and future scenarios. As Transmission System Operator (TSO), Terna can monitor the system's ability to meet demand for electricity whilst satisfying security and quality of service requirements: in a word, ensuring the system's "adequacy".

The initiatives included in Terna's 2023 Development Plan for the national transmission grid will make a significant contribution to achieving the targets set at European level in the Fit for 55 package of measures, which aims to cut greenhouse gas emissions by at least 55% by 2030 compared with 1990 levels. In Italy, the energy produced from renewable sources will have to account for least 65% of final electricity consumption by 2030, requiring a total of 70 GW of additional (wind and solar) capacity compared with 2021 (approximately 65 GW compared with 2023). These greenhouse gas emission reduction targets have recently been joined by the need to become independent of fossil fuels from Russia, as described in the RepowerEU plan¹.

¹ Further information is provided in the section, "Energy", in the document.

Market operators are responding to the challenge with major investment programmes: the level of renewable plant development projects being put forward by private investors is extremely encouraging. At 30 June 2024 Terna had received applications for connection to the national transmission grid (NTG) for over 341 GW of new renewable capacity (onshore and offshore wind and photovoltaic), with 44.03% solar, 31.27% onshore wind and 24.70% offshore wind. It is possible to continuously monitor these initiatives through the new digital platform called **Econnextion**², launched by Terna in 2023 in collaboration with the Ministry of the Environment and Energy Security. The platform provides centralised information on requests for the connection of renewable energy sources to the HV grid in Italy. A dashboard enabling electricity system stakeholders and operators to view data on the geographical location of requests and the status of consents processes for new photovoltaic and onshore and offshore wind initiatives throughout the country.

The data on applications for the connection of new renewable plants to the electricity grid reveal that we are one right track: it would be sufficient to complete 20% of the currently proposed initiatives to reach the targets set. Taking all renewable sources into account, according to Terna's data for 2023, there were new activations for approximately 5.8 GW, a figure that is approximately 2.7 GW higher than in 2022. This points to an acceleration in the development of renewables, with new activations rising from 1 GW in 2021 to approximately 3 GW in 2022. At 30 June 2024, Italy has 72.84 GW of renewable capacity (up 10.4% compared with 65.97 GW at 30 June 2023), which breaks down as follows: solar 33.62 GW, renewable hydro 21.59 GW, wind 12.70 GW, biomass 3.98 GW and geothermal 0.95 GW3. In addition, according to Terna data updated to 30 June 2024, over 7 GW is qualified for the Final Minimum Technical Solution for connection to the national grid⁴.

Differences in the geographical distribution and technology mix compared with earlier forecasts make this a very tough challenge: from the point of view of transmission, to achieve this fresh injection of renewable energy into the grid will require a major effort to plan, approve and carry out investment projects on a scale not seen in recent decades in Italy. Terna plans to invest over €21 billion under the 2023-2032 Development Plan to accelerate the energy transition, enable the country's decarbonisation, cut the country's dependence on overseas energy supplies and make the Italian electricity system more environmentally sustainable. Introduction of the innovative Hypergrid, which will use HVDC transmission technologies, to meet the energy transition and security goals set in the Fit for 55 package will also boost interzonal transmission capacity by approximately 16 GW under plans for five new electricity "backbones".

The draft National Integrated Energy and Climate Plan ("PNIEC") for 2023 confirms the decarbonisation targets for the electricity system and the related steps needed, as set out in Terna's 2022 Scenario Description Document and in the 2023 Development Plan: to integrate growing volumes of non-programmable renewable energy production to replace generation using fossil fuels, it will be necessary to develop storage capacity and grid infrastructure, to be managed using increasingly digital and smart systems.

The energy transition process requires a shared commitment at national level to achieving the challenging decarbonisation goals set out in Italy's PNIEC: to this end, the Energia Decree assigned Terna responsibility for creating a new digital

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² https://www.terna.it/it/sistema-elettrico/rete/econnextion

³ https://www.terna.it/it/sistema-elettrico/dispacciamento/fonti-rinnovabili

⁴ https://www.terna.it/it/sistema-elettrico/rete/connessione-rete/procedura-connessione



portal, which has been online since 7 June 2024. The new platform, called TE.R.R.A., has been developed by Terna to enable and promote efficient local planning for the country's energy infrastructure. The platform is available to be consulted by national and local administrators, lawmakers and applicants seeking relevant, strategic information on local areas, grids, renewables and storage systems. This cutting-edge corporate communication tool has been created with the aim of ensuring the availability of fully transparent data and information, encouraging initiatives designed to streamline and optimise electricity infrastructure planning and, finally, of supporting the stakeholders involved through regular monitoring and progress reports from Terna on the grid and the electricity system. The platform contains a wealth of information on the status of applications for connection to the grid (around 6,600 for renewable plants, storage systems and consumption users with accepted connection solutions), and the geographical location of approximately 40,000 plants in operation. This reflects the Company's constant commitment to ensuring the quality of its data and to the digitalisation of processes and systems. Navigable multilayer maps also make it possible to observe the necessary development initiatives, planned and existing power lines, the register of plants already in operation, and the progress status of new connection initiatives.

Terna has, and will increasingly have, a key role to play in enabling the electricity system's transition towards renewable sources and in centrally coordinating this major energy and digital transformation. The electricity grid is in fact the main enabling factor in achieving the global goal of decarbonisation.

What does this mean? Achieving the ambitious European and international goals will obviously require the participation of all members of society, but the energy sector must take the lead, given that it is by a long way the biggest producer of emissions at global level.

Under the European Green Deal, the net zero emissions target is to be achieved in two main ways: by increasing use of renewables and through growing electrification of consumption. In this sense, an essential role in all the various scenarios designed to arrive at carbon neutrality is played by the key tool of energy efficiency.

Introducing the "energy efficiency first" principle, the European Commission invited member states to take energy efficiency into account in all their policy, planning and investment decisions. In this way, in keeping with the EU's



long-term strategy, final energy consumption in Europe is expected to fall by (at least) 35% by 2050 compared with 2019 levels.

The key consideration, in this sense, is represented by the fact that electricity will be the main energy carrier and the electricity grid will operate as the backbone for decarbonisation for all the other energy sectors. This reflects the carrier's intrinsic efficiency and the technological maturity of renewable energy sources (RES).

In its role as national electricity system operator, at the end of 2023, Terna launched a new corporate advertising campaign, "Let's think about the future of energy", inviting the public to reflect on the energy that plays such an important role in the daily life of every Italian. The new "We are committed to the future of energy" corporate advertising campaign was launched in the media in March 2024 with the aim of publicising the content of the new 2024-2028 Industrial Plan. 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.

Climate targets also play a key role in the United Nations 2030 Agenda for Sustainable Development, not only because SDG 13 - Climate Action focuses explicitly on the climate, but above all because dealing with the climate crisis and guaranteeing, therefore, a healthier planet for the future, is key to enabling the world to achieve all the other goals contained in the Agenda. This means delivering truly prosperous, long-lasting development as part of a just transition.

Awareness of the Company's key role in the current transition coincides with Terna's wish to further strengthen its environmental strategy. Adoption of a Science Based Target (SBT) with the aim of cutting its CO₂ emissions based on measurement of the existing situation and the planning of concrete actions, validated by a third-party entity, turns a good intention into a real, tangible contribution to containing the rise in the global temperature, in line with the Paris Climate Accords of 2015. Terna has thus committed to cutting its CO2 emissions by 46% by 2030 compared with 2019, improving on the earlier target of a reduction in greenhouse gas emissions of approximately 30%. In addition, with the aim of positioning the Company as among the global organisations most committed to protecting ecosystems and biodiversity, Terna has begun the process of adopting a new Science Based Target for Nature.





23 June 2024 marked 20 years since Terna's listing on Borsa Italiana's screen-based trading system (Mercato Telematico). The value of the shares has quadrupled and the company's capitalisation is one of the highest on the FTSE MIB after seeing constant, significant growth, in part due to strong interest from socially responsible investors.

(€m)

Revenue +18.1% change vs H1 2023

EBITDA +23.4% change vs H1 2023 Profit attributable to owners of the Parent +32.4% change vs H1 2023

Capex +25.5% change vs H1 2023 **Net debt 10,328**.8

Terna's share price €7.218 at 28 June 2024



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

amounting to €**ŏ5** million and with a seven-year term, as part of the **Euro Medium** Term Notes (EMTN) programme.

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

€**500** million tranche of the €1.9 billion loan for the Tyrrhenian Link (the East and West Link). A five-year ESG-linked **Revolving Credit Facility**, amounting to

U million, is agreed in May.

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

Successful launch, in April, of a perpetual, subordinated, hybrid, non-convertible. fixed-rate green bond, amounting to a total of

€850 million.

In April, Terna agrees a incréase in the **ESG-linked Revolving Credit Facility** initially obtained in May 2023.

Renewal, in June, of the **Euro Medium Term Note** (EMTN) Programme, **increasing** the maximum amount that may be subscribed to

2 billion.

An **ESG-linked Term Loan**, amounting to **€200** million and with a term of up to five years, is agreed in July.



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

The 2024-2028 Industrial **Plan** is presented in March. The Plan provides for

5 investment totalling €16.5 billion, the highest level ever in the **Group's history.**

The Elmed project, the interconnector that will link Italy and Tunisia to be built by Terna and STEG, the Tunisian grid operator, receives the green light in May.

ELECTRICITY SYSTEM

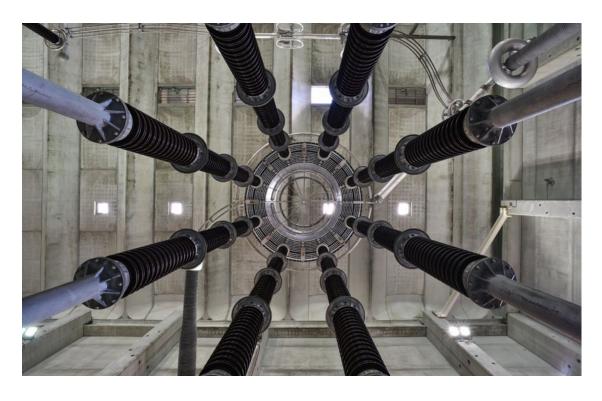
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RENS quality

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Cost of quality





H1 2024 overview



+189 new personnel added in the first half of 2024, with recruitment in line with the target in the 2024-2028 Industrial Plan.

19,000 additional hours of training with respect to the first half of 2023: over 133,000 hours of training provided in the first half of 2024 (equal to 27 hours per capita) compared with 114,000 hours of training in the first half of 2023 (equal to 23 hours per capita).

Consolidation of new Performance Management, Reward and Internal Mobility processes provided for in the new People Strategy and key to enabling implementation of the 2024-2028 Industrial Plan.

May sees Terna sign up to the **Self-regulatory Code for Responsible Businesses**, designed to support shared parenting and maternity, promoted by the Cabinet Office's Equal Opportunities Department.

Calls for applications for the third edition of the Master's course on Digitalisation of the Electricity System for the Energy Transition, organised by Terna in collaboration with the universities of Cagliari, Palermo and Salerno as part of the Tyrrhenian Lab project, were invited in May.



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

Terna Forward, acquires a stake of 33% in Wesii Srl, the leading Italian provider of inspection and remote-sensing services for the renewable energy sector. The investment marks Terna Group's first direct investment in an innovative SME to accelerate the energy transition.

In March, the Terna Group company,

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.

The new digital platform, TE.R.R.A., developed by Terna to enable and promote efficient local planning for the country's energy infrastructure, is online from June. The platform is available to be consulted by national and local administrators, lawmakers and applicants seeking relevant, strategic information on local areas, grids, renewables and storage systems.



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.

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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**.



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 half. 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.

International indices and ESG ratings

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 2024. The two indexes measure companies' alignment with the 17 United Nations Sustainable Development Goals (SDGs) and their ability to limit the impact of their businesses on ecosystems.

In April, Terna receives the award for Best Sustainability Report 2024 in the Large Companies category. The award is promoted by Corriere della Sera in collaboration with NeXt - Nuova Economia per Tutti. In May, Terna is included in the list of the 240 Italian sustainability leaders published by II Sole 24 Ore. The Company is also included in the list of the 500 most sustainable companies in the world in 2024, as announced by TIME in June.



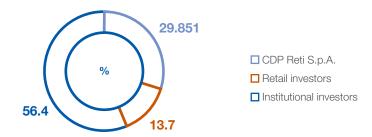
Dwnership structure

At the date of preparation of this report, Terna's share capital amounts to €442,198,240, comprising 2,009,992,000 fully paid-up ordinary shares with a par value of €0.22 each.

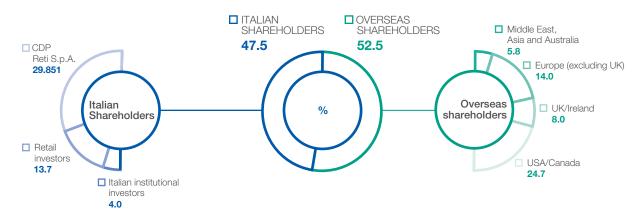
Based on periodic surveys carried out by the Company, it is estimated that 47.5% of Terna's shares are held by Italian shareholders, with the remaining 52.5% held by overseas institutional investors, primarily from the USA and Europe (excluding the UK).

Based on information from the shareholder register and other data collected at June 2024, Terna's shareholder structure breaks down as follows.

Shareholders by category



Shareholders by geographic area and category



Major shareholders⁵

CDP RETI S.p.A.6	29.851 ₉
CDP RETI S.p.A.º	23.03 19

(a company controlled by Cassa Depositi e Prestiti S.p.A.):

Information on the ownership structure, restrictions on the transfer of shares, securities that grant special rights, and restrictions on voting rights, as well as on shareholder agreements, is provided in the "Report on Corporate Governance and Ownership Structures" for 2023. This is published together with the 2023 Annual Report - Integrated Report of Terna and the Terna Group, available in the "Sistema di Corporate Governance - Governance Report" section of Terna's website.

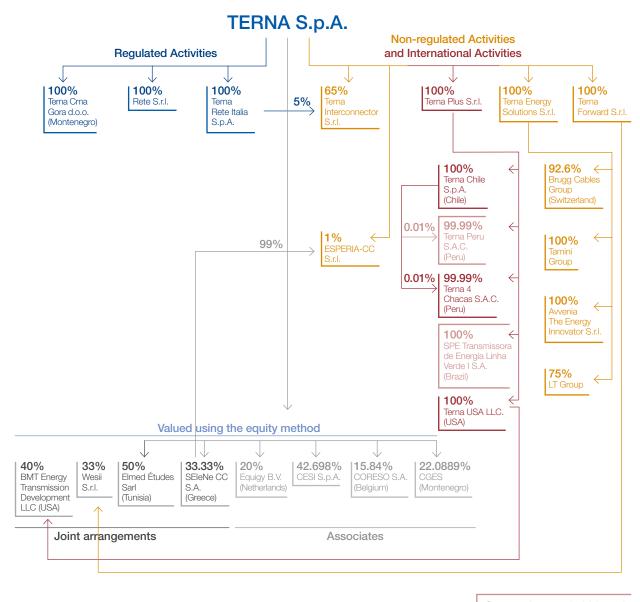
⁵ Shareholders who, based on the available information and notifications received from the CONSOB, own interests in Terna S.p.A. that are above the notifiable threshold established by CONSOB Resolution 11971/99 and Legislative Decree 58/98, as amended.

⁶ On 27 November 2014, a shareholder agreement was entered into by Cassa Depositi e Prestiti S.p.A. (CDP), on the one hand, and State Grid Europe Limited (SGEL) and State Grid International Development Limited (SGID), on the other, in relation to CDP Reti S.p.A., SNAM S.p.A. and Terna S.p.A.. This was later amended and supplemented to extend the scope of the agreement to include Italgas S.p.A.



Structure of the Group

In line with the role of enabler of the current energy and digital transition, the structure of the Group at 30 June 2024 is shown below.



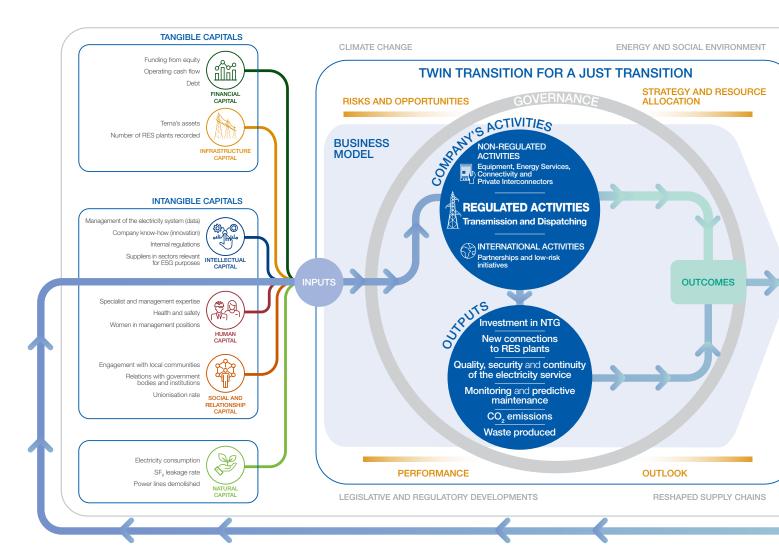
Compared with 31 December 2023:

- 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).





The value creation

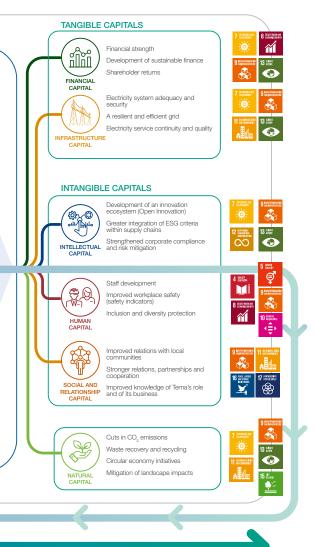


VALUE CREATION, PRESERVATION OR EROSION OVER TIME

This Report describes Terna's ability to create value over time through implementation of a sustainable business model based on the interaction between the capitals available to the organisation and whose correct functioning is monitored, measured and reported on, using specific financial, operational, social and environmental indicators.

Terna's process for creating value over time⁷ is shaped by a form of **governance** that targets sustainable success through the definition of a solid medium- to long-term strategy, based on the 2023 Development Plan and

⁷ Terna has adopted the principle-based framework proposed by the International Integrated Reporting Council ("IIRC"). The guiding principles are: (1) Strategic focus and future orientation, (2) Connectivity between information, (3) Stakeholder responsiveness, (4) Materiality, (5) Conciseness, (6) Reliability and completeness, (7) Consistency and comparability. These form the basis of the framework. Their almost total coincidence with the guiding principles in the GRI standard 101 - Foundation setting out the content of quality ESG reporting further strengthens the structure of this Report.



the 2024-2028 Industrial Plan, with the aim of delivering an energy and digital transition that takes into account the impact on society (a just transition). The other key elements that will contribute to fully achieving this strategic goal are the correct allocation of resources, which Terna manages by focusing its investment on the efficiency and resilience of the National Transmission Grid (NTG) and the assessment and management of the financial and ESG risks connected with the business and the related potential opportunities.

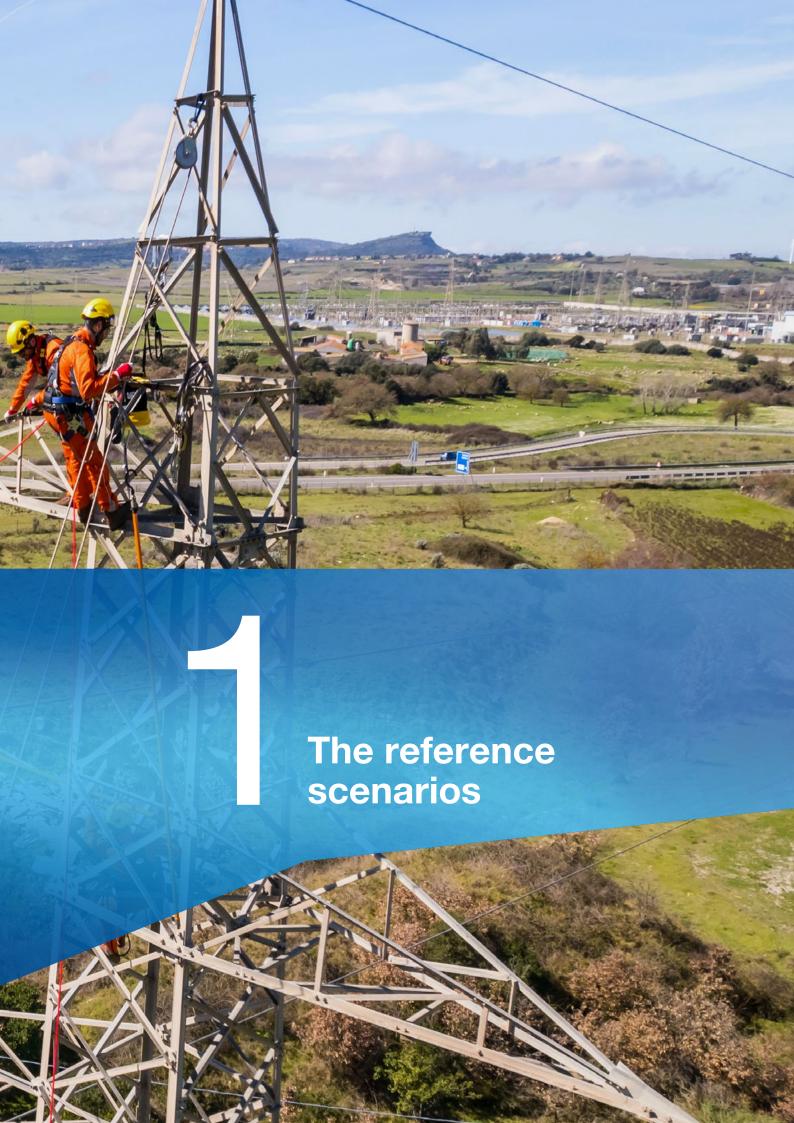
Terna's business model is divided into three separate lines of business (Regulated Activities, Non-regulated Activities and International Activities). These correspond with the core business (Electricity Transmission and Dispatching) and the two complementary deregulated areas of operation, consisting of the design, engineering, operation and maintenance of energy market solutions (Non-regulated Activities) and the development of partnerships and projects with a low risk profile (International Activities).

The capitals represent the key resources at Terna's disposal to create and preserve value over time through their continual combination and interaction, both within the Company and with the outside world, including in the latter the legitimate needs and expectations of stakeholders. The capitals thus play a key role in the value creation process, representing, at one and the same time, inputs that can be measured from one year to another (on the left side of the infographic), outputs representing the results in terms of the organisation's products, services, by-products and waste⁸ (at the centre of the infographic) and outcomes, representing their ability to grow or change or to contribute to the achievement of the objectives set by the Company in its strategic plans (on the right).

This representation is the most effective response to demand for reporting that is not just aimed at financial stakeholders, who are quite legitimately focused on making a return on their investment, but at all the other stakeholders, who are increasingly concerned by social and environmental issues. To further help readers of the Report, at the beginning of each section a table providing a summary of the inputs, outputs and outcomes relating to the main activities dealt with in each section, quantifying the content of the value creation process.

⁸ https://www.integratedreporting.org/wp-content/uploads/2021/09/IRFRAMEWORK ITALIANO.pdf







Macroeconomic environmer

Global GDP growth is expected to be 3.2% in 2024 (source: ISTAT), slightly up on the 3.1% growth recorded in 2023. Despite such positive projections, there continues to be significant uncertainty surrounding developments in the geopolitical tensions in Europe and the Middle East.

With specific regard to Italy, GDP growth for 2024 is expected to be 1.0% (source: Economic and Financial Planning Document, April 2024), compared with growth of 0.9% in 2023. Italy has returned to growth in the last three years, outperforming the average rate for the European Union. GDP growth has been driven mainly by domestic demand, with a major role played by investment. In this context, an important role was played by Terna's capital expenditure, which was stepped up significantly in 2023 (up 30.4% compared with 2022).

Initial data for countries in the euro area in 2024 confirms the progressive decline in inflation, which, after rising to a high of approximately 11% in October 2022, has fallen progressively to stand at 2.4% in April 2024 (source: ECB). Europe's tight monetary policy has helped to ease inflationary pressures. From July 2022, the European Central Bank raised interest rates significantly in an attempt to combat inflation, with the deposit facility rate rising from -0.5% in June 2022 to 4% in October 2023, marking a significant about-turn after a decade of interest rates close to 0%. Only in June 2024 did the deposit facility rate for commercial banks come down from 4% to 3.75%. Monetary policy remains tight therefore, with the aim of bringing inflation down to around 2%.

The Italian energy market has recorded a progressive fall in gas prices, even though they remain slightly above pre-crisis levels. The average price of gas recorded in the first six months of 2024 in the Title Transfer Facility (TTF), one of the largest wholesale natural gas markets in Europe, was approximately €30 per MWh, compared with a price of €46 per MWh in the same period of 2023. This remains higher than the average price registered between 2019 and 2021, when it stood at around €20 per MWh. The decline in prices reflects the diversification of imports, in addition to falling consumption. Based on the latest figures from the Ministry of the Environment and Energy Security, in the first four months of 2024 gross domestic natural gas consumption fell by 4.1% and imports by 7.3%, compared with the same period of the prior year. Despite this, forecasts for the next winter season remain uncertain. The forward price of gas, calculated at the beginning of July 2024 for the first quarter of 2025, is €40 per MWh, therefore higher than the €28 per MWh recorded in the first guarter of 2024.

The performance of fossil fuel prices, above all the price of gas, has a major impact on the electricity market due to the system marginal price, based on all the offer prices accepted at the system marginal price (normally determined by gas-powered plants). As a result, wholesale electricity prices have also fallen in the first six months of 2024 compared with the same period of the previous year. As a result, the SNP has seen an average spot price of €94 per MWh in the first six months of 2024 (€136 per MWh in the first six months of 2023).

Energy price pressures could, moreover, last for several years given the various factors at play, leaving Italy exposed to the risk that the resulting inflation will impact consumption. There is also a related issue with energy security and independence, given that most of the gas consumed in Italy is imported via pipeline from Algeria and Azerbaijan9.

⁹ Source: Terna's figures based on Snam data.

Energy sector

According to the IEA¹⁰, the energy sector is largely responsible for the greater part of emissions produced by human activity and its decarbonization is thus key to avoiding the potential effects of climate change. Under the netzero pathway developed by the IEA, by 2030 the global economy will have grown by 40%, but must use 7% less energy than today. Energy efficiency and the electrification of final consumption (given that, as an energy carrier, electricity is intrinsically efficient) will be the key drivers of the decarbonisation of our economies. A key enabler of this transformation is electricity as an energy carrier, given the high level of intrinsic efficiency of final uses based on this carrier (resulting from thermodynamic laws and thus independent of any effective technological development): an electric vehicle is from 3 to 5 times more efficient than any technology based on the use of liquid or gaseous fuels, whilst a heat pump is 5-6 times more efficient than any fuel-based alternative.

European and Italian response

The European Green Deal was published at the end of 2019. This aims to transform the European Union into a netzero economy by 2050 and achieve an intermediate goal of cutting greenhouse gas emissions (GHG) by at least 55% by 2030 compared with 1990 levels. A key part of the Green Deal is the European Climate Law (Regulation (EU) 2021/1119), formally adopted by the Council of the European Union on 28 June 2021 and that came into effect on 29 July 2021.

In July 2021, the European Commission also presented a package of legislative proposals named Fit for 55 (FF55), setting out how Europe intends to achieve the EU's decarbonisation targets, cutting greenhouse gas emissions by 55% by 2030 compared with 1990 levels and achieving climate neutrality by 2050.

In addition, following Russia's invasion of Ukraine, on 18 May 2022, the European Commission launched REPowerEU, an emergency plan that aims to strengthen the European Union's strategic independence by diversifying energy sources and boosting the Union's energy independence and security. The key targets set in REPowerEU include increasing the resilience, security and sustainability of Europe's energy system through an appropriate reduction in the continent's dependence on fossil fuels and by diversifying energy sources, increasing the use of renewable energy, energy efficiency and energy storage capacity.

As part of the FF55 package, the texts of two Directives has recently been adopted. These have raised the targets linked to the energy transition:

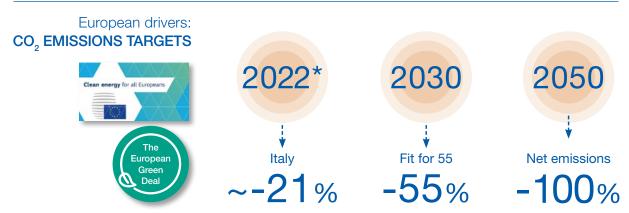
- a) the Renewable Energy Directive has raised the target for renewable sources from 32% to 42.5% by 203011. The Directive came into effect on 20 November 2023;
- b) the EU Energy Efficiency Directive has raised the energy saving target from 9% to 11.7% by 203012. The Directive came into effect on 10 October 2023.

¹⁰ IEA: International Energy Agency. "Net Zero by 2050" report.

¹¹ Source: https://www.consilium.europa.eu/it/infographics/fit-for-55-how-the-eu-plans-to-boost-renewable-energy/.

¹² Source: https://www.consilium.europa.eu/it/infographics/fit-for-55-how-the-eu-will-become-more-energy-efficient/.





* Actual reduction in all greenhouse gas emissions by 2022 versus 1990. Source: ISPRA, Emission trends: https://emissioni.sina.isprambiente.it/

At national level, to reflect the new targets set at European level, in July 2024, the Ministry of the Environment and Energy Security sent the European Commission the draft update of its National Integrated Energy and Climate Plan ("PNIEC"), which provides key policy guidelines for development of the country's energy system. The PNIEC sets out the national targets through to 2030 for energy efficiency, the use of renewable sources, cuts in CO₂ emissions, energy security, interconnections, the single energy market, competition, and the development and sustainability of mobility.



direct responsibility

Terna's

Enabling factors for the energy transition

Delivery of the infrastructure necessary to achieve the energy policy goals within the set timetable inevitably requires a significant acceleration of investment in the energy sector and, even more so, in the electricity sector. This investment must, to a large extent, be directed towards the development of new renewable energy capacity, storage systems and transmission and distribution networks, to be carried out in a coordinated manner to make the system more efficient as a whole. The energy transition is needed not only to combat climate change and boost environmental sustainability, but also to reduce the country's energy dependence, limit energy price pressures due to commodity costs (gas and CO₂), and to drive the country's economic growth and technological research and innovation.

What is needed

GRID

Strengthen the grid and cross-border interconnections.

DEVELOPMENT Investment to offset the loss of inertia and in voltage regulation and grid resilience.

Terna develops infrastructure to enable the integration

Terna engages with government institutions with the aim of speeding up consents processes that today represent the main obstacle to achieving decarbonisation targets.

MARKET **DFSIGN**

Identify a correct market design mix to achieve an optimal combination of forward markets (RES auctions, storage auctions, the Capacity Market) and spot markets, for both

Terna is opening up the dispatching services market (DSM) to resources that are currently not enabled.



energy and services markets Broaden the participation of new resources (RES, EVs, DSR)

in the provision of flexibility services.

OF RES

DEVELOPMENT Increase the pace of deployment

Ensure adequate security of supply, leveraging the range of technologies available.

Give priority at administrative level to the deployment of RES and run more effective campaigns to raise awareness and improve public acceptance.

Terna guides the correct choice of technology mix and location for plants, diversifying sources of supply.





Deploy new hydroelectric and electrochemical storage systems to manage overgeneration and residual load ramping events, and provide high-quality services to the system.

Terna identifies the need for new storage capacity, taking into account expected growth in RES plants.

Source: Terna data.

This represents an extremely challenging, long-term commitment, which will require a coordinated approach to timing and geographical location to channel the massive investment being undertaken by operators in a way that is in keeping with the related plans. Work is currently taking place on finalising the steps needed to guarantee the development of RES and of storage capacity. In terms of RES, the draft ministerial decree, "FER X"13, aims to finance the addition of 67.2 GW of renewable capacity in the period from 2024 to 2028. In addition, in June 2024, the Ministerial Decree on Eligible Areas was issued. This sets out the distribution of additional renewable capacity to be delivered by 2030 among the various regions and self-governing provinces, establishing consistent principles and criteria on which regional authorities are required to base their choice of surfaces and areas eligible for the installation of renewable energy plants. As regards storage capacity, in December 2023, the European Commission approved¹⁴ the mechanism for procuring new storage capacity. This mechanism will be crucial in procuring the storage capacity needed to ensure the integration of renewable energy into the electricity system.

¹³ Source: Ministry of the Environment and Energy Security.

¹⁴ Source: European Commission, State Aid SA. 104106 (2023/N).



This transformation is a major opportunity to boost Italy's competitiveness: the country's lack of energy resources has historically meant that energy costs were higher than the European average and that the country is highly dependent on imported energy. In this new scenario, Italy will see a reduction in its energy dependence.

The investment planned for the coming years will determine Italy's strategic position in the global economic system of the future. Terna is thus driving the transformation of the energy system as part of the country's ecological transition. This commitment also takes the shape of efforts to promote ever closer strategic cooperation with other players in the sector, including through the membership of various European bodies (e.g., ENTSO-E) and partnerships with other European TSOs (e.g., the Equigy initiative, whose partners, in addition to Terna, include the TSOs TenneT, TransnetBW, Swissgrid and APG).

Electricity demand and production in Italy **Electricity demand**

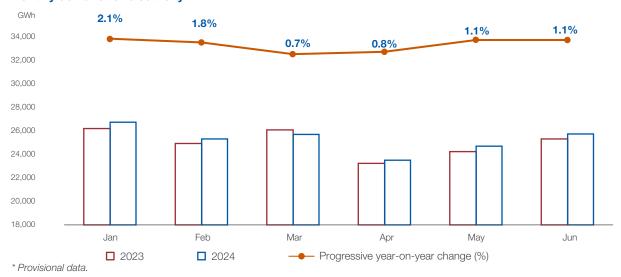
Demand for electricity in Italy amounted to 151,604 GWh in the first six months of 2024, an increase of 1.1% compared with the same period of 2023.

		1		
ELECTRICITY BALANCE IN ITALY (GWH)*	H1 2024**	H1 2023**	CHANGE	% CHANGE
Net production	125,697	124,950	747	0.6%
From overseas suppliers (imports)	29,108	27,635	1,473	5.3%
Sold to overseas customers (exports)	(1,997)	(1,532)	(465)	(30.4%)
For use in pumping***	(1,204)	(1,151)	(53)	(4.6%)
Total demand in Italy	151,604	149,902	1,702	1.1%

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

Monthly demand for electricity in Italy in the first six months of 2024 recorded an upward trend with respect to the same period of 2023, 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*

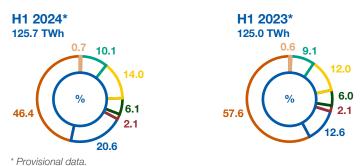


^{**} Provisional data.

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

Meeting demand and energy production

Net electricity production by source



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

Electricity production in the first six months of 2024 is up 0.6% compared with the same period of 2023, due primarily to renewable sources. During the period, renewable energy production (up 27.3% on the first half of 2023) exceeded fossil fuel production for the first time ever.

In the first half of 2024, approximately 44% (provisional data) of total energy demand was met from renewable energy sources, an increase compared with the same period of 2023 (35% based on provisional data). In terms of individual renewable sources: there was a significant increase in hydro production (up 64.8%), increases in production from wind (up 10.9%), solar (up 17.4%) and biomass (up 2.9%), whilst geothermal production was broadly in line with the same period of 2023.





egulatory framework

Terna operates as a natural monopoly and within a market regulated by the Regulatory Authority for Energy, Networks and the Environment (ARERA or the Autorità di Regolazione per Energia reti e Ambiente), which determines the level of regulated revenue for transmission and dispatching activities, currently representing approximately 83.9% of the Group's total revenue.

In Resolution 615/2023/R/eel, ARERA established the criteria for setting tariffs for the transmission and dispatching service for the fourth regulatory period (2024-2027). The new regime will reflect application of the new totex/outputbased regulation for the period 2024-2031 and introduced in Resolutions 163/2023/R/com and 497/2023/R/com, which envisage the gradual switch to an approach based on the recognition of costs based on total expenditure incurred (operating and capital expenditure) and that focuses more on outputs and the levels of service provided.

The cost recognition principles (rate of return and price cap and profit sharing) applied in the four-year period from 2020 to 2023 are broadly the same as those to be applied in the fourth period. The most significant difference relate to:

- the treatment of fixed assets in progress for which, unlike in the previous period, the revaluation for the purposes of calculating the related remuneration based on constant rates of remuneration, no longer differentiated on the basis of how long ago the expenditure was incurred (equal to a WACC calculated with a D/E ratio of 4), and extending the period of remuneration from 4 to 6 years for major projects (where expenditure exceeds €1 billion and construction times estimated ex ante of over four years);
- the introduction of a correction factor (the z-factor) for recognising, during the regulatory period, incremental operating expenses linked to investment relating to the energy transition or to changes in the scope of the activities carried out in providing regulated services;
- recognition, starting from new infrastructure entering service in 2024 and with effect from 2025, of depreciation from the year immediately following the entry into service, bringing forward the start by one year with respect to the current timing;
- the standard allocation of total expenditure (operating and capital expenditure) incurred from 2024 to the slow money component (increasing the regulatory asset base) and the fast money component (immediately recovered through the tariff) through the application of a standard rate - the capitalisation rate - determined ex-ante by ARERA based on historical data and projections aimed at ensuring that the investment plan is fully funded;
- the introduction of suitable correction mechanisms for effective revenue with respect to the level admitted ex-ante (tariff decoupling) with the aim of adjusting for new cost recognition components (such as, for example, slow and fast money) linked to completed expenditure;
- a reduction in the delay in updating the inflation index for revaluing recognised operating expenses (the national consumer price inflation rate for households, excluding tobacco products) and the cost of capital (ISTAT data on the change in the deflator for gross fixed investment) with a positive one-off correction to make up for earlier changes in the deflator for gross fixed investment recorded by ISTAT.

In Resolution 614/2021/R/com, ARERA set out the procedure for determining and revising the Weighted Average Cost of Capital (WACC) for the various regulated infrastructure services in the electricity and gas sectors in the 2022-2027 period, setting a WACC of 5.0% for the transmission service in 2022. In this Resolution, ARERA confirmed the adoption of a mechanism for revising key macroeconomic parameters at the end of the first three years (2022-2024) and also envisaged the possibility, in the same three-year period, of a further annual revision if the change observed in the key market parameters used in the calculation formula were to result in a change in WACC of at least 50 bps. In Resolution 654/2022/R/com, ARERA confirmed the levels of WACC for electricity and gas infrastructure services applied in 2022 for 2023, having taken into account the fact that the above mechanism had not been triggered. Resolution 556/2023/R/com, on the other hand, updated the WACC for 2024 - following activation of the trigger mechanism for that year - setting a level of WACC for the transmission service of 5.8%, up from the 5.0% applied in 2022 and 2023.

A number of key aspects of regulation in the sixth regulatory period are described below, with regard to allowed revenue for transmission and dispatching services.

Transmission revenue makes up the most significant portion of regulated revenue and is generated from application of the related transmission charge (TC), billed by Terna to distributors connected to the National Transmission Grid. This charge remunerates transmission services and is divided into two components: a capacity component (equal to 93% of revenue, expressed in euro cents/kW/year) and an energy component (7% of revenue, expressed in euro cents/kWh).

Transmission revenue makes up the most significant portion of regulated revenue

The dispatching service charge (DSC) aims to recompense Terna for carrying out the activities relating to the dispatching service and is billed by Terna to users of the dispatching service in proportion to the quantity of energy dispatched.

Allowed costs are attributable to the main categories summarised below.



The main types of allowed cost and key output-based incentive mechanisms

1. Return on capital (RAB)

Determined on the basis of the Regulated Asset Base (RAB) and the Weighted Average Cost of Capital (WACC). The RAB represents net invested capital for regulatory purposes. It is revalued annually on the basis of data from ISTAT (Italy's Office of National Statistics) on the change in the deflator applied to gross fixed investment and revised on the basis of the performance of investment and disposals. The WACC represents the weighted average cost of equity and debt.

The methods of determining and revising the WACC are established by the regulator.

2. Depreciation

Allowed depreciation (calculated on the basis of an asset's useful life for regulatory purposes) is revalued annually based on the change in the deflator applied to gross fixed investment.

3. Opex

Allowed costs are determined by the regulator at the beginning of each regulatory period, based on operating costs recognised during the relevant year, adjusted if necessary on the basis of the z-factor (to cover costs linked to the delivery of new investment for the energy transition or changes in the scope of operations) and the y-factor (to cover the costs resulting from unexpected and exceptional events and changes in the regulatory framework).

Allowed costs are revalued annually to take account of inflation (Italy's rate of consumer inflation for blue- and white-collar households, excluding tobacco products) and reduced by a percentage to transfer a share of the additional efficiencies achieved during the previous regulatory period to final users.

4. Output-based incentives

In addition to the above items, a portion of the remuneration of transmission and dispatching services derives from regulatory incentives linked to the achievement of specific objectives, as described below:

• an incentive system for the delivery of projects designed to increase interzonal transmission capacity, awarding bonuses in proportion to the ratio between capacity delivered and the target capacity, with additional bonuses available where capacity is expanded through the use of efficient solutions, including capital light projects. This mechanism, initially envisaged for the five-year period 2019-2023 (Resolution 567/2019/R/eel) was extended until 2024 by Resolution 55/2024/R/eel, which has raised the cap to €180 million from the previous €150 million. Recent regulatory determinations have confirmed the mechanism whereby the reward may be reduced by the regulator if the ratio between the average transmission capacity made available for the day-ahead market and winter peak transmission capacity is significantly below historical levels of this ratio, in one or more of the three years following the entry into service of the investment that made available the additional transmission capacity.

Resolution 55/2024/R/eel also provides for an update of the main parameters for setting the incentive for delivering additional capacity in the period 2025-2027, capping the reward at €90 million.

With regard to rewards linked to the efficiency of projects delivering new capacity, ARERA has extended the current incentive mechanism for the two-year period 2024-2025, setting a cap of €60 million and providing for the inclusion of this mechanism in the totex/ output-based regulatory framework from 2026.

In addition to the bonus of €143.6 million awarded by ARERA in Resolution 23/2022/R/eel for additional transmission capacity delivered in 2020, Resolution 473/2023/R/eel awarded a further bonus for Terna amounting to €36.5 million for work carried out in 2022. This bonus, paid by CSEA in November 2023 from the "Quality of electricity services" account, included €23.7 million for the deployment of additional interzonal transport capacity and €12.8 million for capex efficiencies in relation to this work.

The reference scenarios

The Group's strategy

The Group's business

Annexes

- An incentive mechanism, with a three-year duration (2022-2024), aimed at rewarding the efficiency of dispatching activities and, as a result, reducing DSM costs and the cost relating to the shortfall in wind production and essential plants (Resolution 597/2021/R/eel and Resolution 132/2022/R/eel). Terna's performance is assessed by comparing effective dispatching costs in the incentive year with costs in the year in question, suitably adjusted to take into account commodity price movements and other corrective factors. For each year of the relevant period, the incentive is calculated based on the performance achieved and, on a three-year basis, the reward due to Terna amounts to 12% of the total savings made in the three years. Rewards (penalties), calculated on an annual basis, are included in the uplift payment defined in article 44 of Annex A to Resolution 111/06 and paid from 2024 according to the procedure described in Resolution 132/2022. With regard to activities carried out in 2022 in order to reduce dispatching costs, in Resolution 367/2023/R/eel the regulator has awarded Terna a bonus of €795.6 million to be recovered through the Uplift payment, in equal quarterly tranches over three years from 2024.
- Improvements in quality of service in the 2016-2023 period through an incentive mechanism based on rewards/penalties calculated on the basis of the difference between the effective annual level of energy not supplied through the NTG (the NTG RENS indicator) and the target level set by ARERA, with the annual reward capped at €30 million and the annual penalty at €12 million (Resolution 653/2015/R/eel). Resolution 55/2024/R/eel then extended this mechanism for the 2024-2025 period with certain changes to provide for an annual bonus of up to €20 million and a penalty of up to €8 million, and to reduce the metric used to calculate the bonuses and penalties. With regard to 2022, in Resolution 555/2023/R/eel, the regulator awarded Terna a bonus of €22.28 million, recognised by CSEA at the end of December 2023 and payable from the "Quality of electricity services" account.







2024-2028 Industrial Plan

In recent years, the energy system has become increasingly complex, posing major new challenges for supply chain operators. Development of the National Transmission Grid is clearly necessary to support the energy transition, but on its own the risk is that this may not be sufficient unless accompanied by the progressive development of digital technologies. This opens the way to the concept of a Twin Transition: Energy and Digital. With the new Industrial Plan, approved by the Board of Directors on 19 March 2024, Terna is ready to meet the challenges posed by this twin transition, with the aim of ensuring a Just Transition that is fair and inclusive for all stakeholders.

The 2024-2028 Industrial Plan provides for total capital expenditure of €16.5 billion, through which Terna will accelerate its commitment to the country's ecological transition, energy independence and decarbonisation, in keeping with the challenging objectives set in the National Integrated Energy and Climate Plan ("PNIEC") and the targets in the EU's Green Deal, which aim to cut greenhouse gas emissions by at least 55% by 2030, compared with 1990 levels.

The key driver in the 2024-2028 Industrial Plan is sustainable investment, a concept embedded in the Company's value creation process and in the benefits for the system and the environment. Terna's capital expenditure, 99% of which is classified as sustainable based on the **EU Taxonomy**, targets the development of renewable sources. The transmission backbones that transport energy from points of production, which are increasingly located in Italy's southern regions, to where demand is highest in the north of the country, will be boosted by resolving existing issues caused by grid congestion and further development of cross-border interconnections. Thanks to its strategic geographical location, Italy will be able to reinforce its role as a European and Mediterranean electricity transmission hub, becoming a leading player at international level.

The Terna Group's development initiatives will focus on two strategic areas: Regulated Activities in Italy and Non-regulated Activities.

In terms of Regulated Activities in Italy, which continue to represent the Group's core business, Terna plans to invest €15.5 billion in developing, modernising and strengthening the National Transmission Grid, enabling the country to fulfil the series of key steps in its energy transition pathway and helping to address the energy trilemma:

- Affordability: increasing interzonal capacity by over 30% to 20 GW, thanks among other things to construction of the Tyrrhenian Link.
- Sustainability: investment will also enable the connection of over 20 GW of RES to the HV grid, contributing to the drive to cut the emissions produced by Italy's electricity generators.
- Security: almost doubling the system's reactive capacity to provide greater stability and resilience on the Italian national grid.

As a result of the planned investment, the value of the RAB will exceed €30 billion in 2028, with a CAGR of 8% over the life of the Plan. By the end of 2024, the value of the RAB will be €22.5 billion, compared with €20.4 billion at the end of 2023.

In the 2024-2028 Industrial Plan, Terna has targeted increased investment in development of the national transmission grid, which is due to total €10.8 billion. This is primarily linked to the construction of high-voltage direct current lines with the aim of resolving grid congestion, boosting transmission capacity between the various market areas, fully integrating renewable sources and improving quality of service. This type of investment will also involve the construction of undersea cable connections. The most important project is the Tyrrhenian Link, the power line that will connect Sardinia, Sicily and Campania and that will contribute to the development of renewable energy production and the phase-out of the most polluting coal- and oil-fired power stations. The other projects include: the Adriatic Link (the submarine connection between the Marche and Abruzzo regions), Sa.Co.I.3 (the interconnector linking Sardinia with Corsica and Tuscany), Elmed (the Italy-Tunisia interconnector), and the 380 kV Chiaramonte Gulfi-Ciminna power line in Sicily.

In terms of the Ordinary plan, the primary focus of which is renewing and improving the efficiency of assets, covering the reorganisation of existing infrastructure and the replacement of obsolete components, Terna will invest €2.9 billion.

Finally, Terna plans to invest a total of €1.7 billion in the Security Plan over the life of the Plan, with the aim of boosting the system's technical and technological capabilities to increase system functionality.

Non-regulated Activities will help to generate new business opportunities thanks to the development of innovative, digital solutions in keeping with Terna Group's public service role in supporting the energy transition.

The markets in which the non-regulated businesses operate are undergoing rapid expansion, driven for the most part by trends linked to the energy transition: increased demand for renewable generation plants, the renewal of grids and the growth of new industrial sub-sectors such as data centres and large power consumers.

The Group's Non-regulated Activities include:

- Equipment: businesses focused on guaranteeing supplies of essential components for development of the grid, such as transformers (Tamini Group) and cables (Brugg Cables Group).
- Energy Services: activities in markets complementary and adjacent to the core business, such as operation and development services for HV, MV and LV grids and electricity substations for third parties (Terna Energy Solutions and Terna Rete Italia), energy efficiency consulting services (Avvenia) and Operation & Maintenance services for photovoltaic plants (LT Group).
- Connectivity: connectivity offerings for telecommunications providers through the supply of dark fibre and housing services.
- Interconnectors: the installation and operation of interconnecting lines.

The Plan includes a series of initiatives designed to fully exploit the portfolio of businesses, introducing optimisation measures to strengthen financial performance and consolidate market leadership. These actions will aim to maintain the Group's competitiveness with respect to competitors in the Equipment sector and further reinforce its leadership in Energy Services. Terna expects Non-regulated Activities to contribute a cumulative total of approximately €600 million to the Group's EBITDA over the life of the Plan, in return for limited investment and risk exposure.

For Terna, digitalisation is a key pillar of the drive to achieve the country's energy transition goals. In line with this approach, Terna intends to spend almost €2 billion on digital technologies. This investment in digitalisation will account for around 13% of total planned capex, in line with the historical approach and in keeping with planned spending on digital technology by our main European competitors and with the International Energy Agency's global projections.



The digital plan aims to further consolidate the importance of digitalisation in supporting the development plan, with a series of ambitious initiatives throughout the value chain. These include:

- Grid engineering, introducing software to digitalise the planning of worksites (Building Information Modelling) and optimise the management of contracts, ensuring the on-time delivery of projects.
- Dispatching will increase the algorithmic capacity of the related systems, harnessing artificial intelligence to boost transmission capacity in line with the transition to renewable energy sources.
- Asset management will maintain the current quality standards despite the expected increase in complexity, harnessing digital technologies such as digital twins, the Internet of Things (IoT) and predictive tools.

In conclusion, advanced digital solutions will be used to constantly guarantee safety, drive innovation and improve worker efficiency.

Terna's people, with their world-leading technical expertise, are a key asset in enabling the Group to achieve the challenging goals the Group has set itself. The Company's people strategy is based on three key pillars: empowerment, experience and excellence. The Group aims to be people-centric, promoting the development and wellbeing of employees by giving them greater responsibility and through mutual engagement benefitting all parties. Working life will be improved by anticipating change, investing in emerging skills and enabling more effective ways of working, in part by harnessing technology. Finally, rewards will be provided for merit to accelerate the organisation's growth and achieve excellent results. The central importance of the Terna Group's people is confirmed by the major acceleration in job creation: over the life of the Plan, the number of employees is due to rise to over 7,000 by 2028.

Maintenance of a strong capital structure through robust cash generation will also help to support an attractive dividend policy.

2024-2028 Sustainability Plan

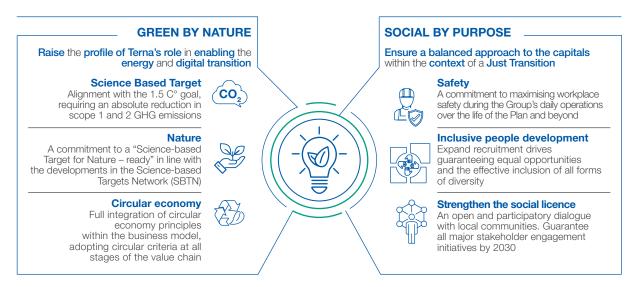
The Group's strategy for the five-year period from 2024 to 2028 is based on a unified vision of its role in serving the country and means that the Sustainability Plan is fully embedded in the new Industrial Plan.

What ties the Sustainability Plan and the Industrial Plan together are the two threads, Green by Nature and Social by Purpose, linked to the approach to environmental and social aspects and the related impacts, which relate to the Group's material topics.

The strategic objective of accelerating the shift to a new energy paradigm is based on the use of renewable sources and the decision to pursue this goal whilst safeguarding rights and taking into account the legitimate interests of stakeholders. In addition to forming part of the above Green by Nature and Social by Purpose threads, this indicates, with respect to the aim of achieving an energy and a digital transition (the Twin Transition), the need to also consider the social dimension in order to deliver a Just Transition.

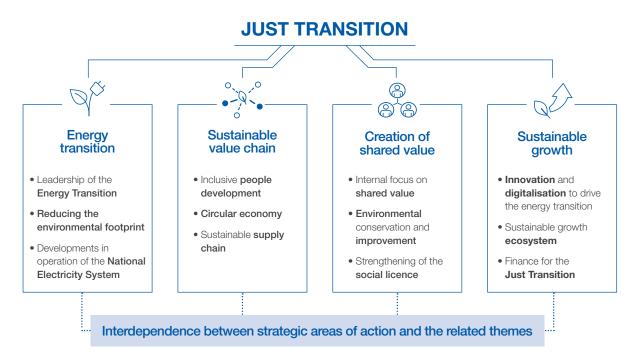
Achieving a just and inclusive transition is, therefore, the Sustainability Plan's priority objective, whilst also constituting its contribution to the Industrial Plan in terms of creating value over time and delivering sustainable success.

Connection with the 2024-2028 Industrial Plan: the Twin Transition for a Just Transition



The architecture of the new 2024-2028 Sustainability Plan, which also takes into account the results of the Materiality Analysis, organises the content into Pillars - Energy Transition, Sustainable Value Chain, Sustainable Value Creation, Creation of Shared Value and Sustainable Growth - and Strategic areas, to which the respective Themes, Areas of Action and Key Activities are connected.

2024-2028 Sustainability Plan: pillars and strategic areas





Risk governance

With a view to creating and protecting value of the medium to long term, the Terna Group has adopted a structured Risk Management System (the System) for the systematic, iterated identification, assessment, treatment and monitoring of business risks, highlighting, where present, the potential effects with regard to ESG aspects.

In line with the recommendations in the Corporate Governance Code for Listed Companies and international best practices, this System has the ultimate purpose of supporting decision-making processes and developing awareness across the organisation of the level of risk assumed and its compatibility with the Company's objectives. The System also aims to spread and reinforce the risk culture at all levels of the organisation.

The main role in enabling management to identify current and emerging risk events is played by the set of corporate objectives, divided into Strategic (linked to the Industrial Plan) and Recurring (continuous risks linked to the activities carried out under concession, the corporate mission and the codes of conduct adopted).



Physical Asset Management

Each risk event is assessed on the basis of the combination between Impact (divided into four types: financial, reputational, operational and HSE-Sustainability) and Probability of occurrence over the life of the Plan. The assessment also takes into account the Level of Maturity of existing risk management systems. Based on the outcomes, risk treatment priorities and appropriate responses are chosen through the selection of mitigation or corrective actions.

A business's risk profile is not static, but dynamic and may alter due to changes in the external environment and/or as a result of internal organisational and business decisions. Developments in the Group's risk profile are monitored, as is the state of progress in implementing chosen mitigation initiatives.

The above phases of the Risk Management process are regularly repeated (at least once a year). The updated Risk Assessment, conducted in early 2024 applying the above framework, involved a process of progressively integrating risk analysis with ESG issues.

Further details of the relevant framework, the risk management process and the main risks to which the Group is exposed are provided in the "Risk governance" section of the 2023 Annual Report - Integrated Report, published on the Company's website at www.terna.it.

Tax control framework

The Terna Group has continued to strengthen its Internal Risk Control System by implementing the Tax Control Framework, an organisational framework aimed at managing tax risk and included in the broader corporate governance and internal control system.

The framework was adopted in preparation for Terna S.p.A.'s admission to the Cooperative Compliance regime governed by Legislative Decree 128 of 5 August 2015 and subsequent provisions, to which Terna S.p.A. was admitted on 14 December 2023. The Cooperative Compliance regime aims to increase the degree of certainty regarding relevant tax issues through constant, prearranged discussions with the tax authorities on specific matters, with a view to jointly evaluating situations that are likely to generate tax risks.

To this end, on 14 December 2022, Terna S.p.A.'s Board of Directors approved the Group's Tax Strategy, setting out the objectives and principles forming the basis for managing relations with tax authorities, with a commitment to promoting a culture of tax compliance among employees.

In addition, from an operational viewpoint, Terna S.p.A. has adopted a Tax Compliance Model for managing and controlling tax risk, establishing a set of rules, procedures, organisational structures and processes designed to identify, measure, manage, control and monitor tax risk.

Opportunities and risks connected with climate change

Climate change brings a series of opportunities and risks for the Company that must be properly evaluated to ensure that they are effectively managed. To identify them, Terna applies the framework used by the Task Force on Climaterelated Financial Disclosures (TCFD), which divides climate-related risks into two main categories:

- Transition risks: transitioning to a lower-carbon economy may entail policy and legal risks, due to different regulatory requirements across different geographies, or to new impacts and/or uncertainties resulting from the policies adopted. The transition may also result in technology risk, due to uncertainties surrounding the role of emerging technologies, and market risk, linked to new dynamics, shifts in supply and demand and an increasingly complex market environment, which could expose businesses to reputational risks;
- Physical risks: these risks can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for businesses, such as direct damage to assets and indirect impacts from supply chain disruption.



The following is a description of the climate-related opportunities and risks identified by Terna.

Opportunities

The opportunities linked to climate change constitute a cornerstone of Terna's strategy, regarding both Regulated and Non-regulated Activities in Italy and International Activities.

Electrification of consumption and investment

In addition to the need to integrate large numbers of RES plants, another key element in the energy transition is the electrification of final consumption. Electricity as an energy carrier is an enabler of this transformation, as final consumption powered by this carrier is by its nature far more efficient than any fuelled by combustion.

The energy transition will thus be based on a series of indispensable actions. It will immediately be necessary to develop additional renewable generation capacity that will have to be connected to the electricity grid. At the same time, it will be necessary to invest in the development of the grid infrastructure needed to transport and distribute the electricity and in storage systems. Finally, we will also need to deploy mature technologies, such as electric mobility, heat pumps for heating and cooling and induction cooking. Under this scenario, Terna is engaged in driving the change. The main actions in the 2023 Development Plan include: (a) stepping up the energy exchange capacity between market areas through the development of enabling and innovative infrastructure; (b) exploitation of infrastructure synergies with previously planned national strategic projects, such as the Tyrrhenian Link and the Adriatic Link, and the use of existing infrastructure and disused sites to expand the grid, while reducing the environmental impact; (c) integration of expected renewable capacity via the planning and identification of urgent grid works to achieve the European 2030 targets; and (d) increasing grid resilience via a forward-looking approach aimed at measuring risk to the grid when extreme weather events occur.

This approach is also consistent with a form of regulation that is increasingly focused on outputbased solutions that will make it possible to raise Terna's returns in step with the ability to create benefits for the system.

Macroeconomic impacts

As an enabler of the energy transition, Terna has opted to further step up major investments in the electricity system via the ambitious Transmission Grid Development Plan. In 2023, having set aside more than €21 billion (up 17% on 2021) for investment over the ten-year period 2023-2032, the Company aims to significantly accelerate this transformation. The strategic linchpins of this plan are based on the Fit for 55 scenario, which is included in the 2022 Scenario Description Document. This scenario is in line with the latest national decarbonisation targets, and also with the draft of the new National Integrated Energy and Climate Plan ("PNIEC"), published in July 2024.

Energy dependency

The energy transition is also a major opportunity to boost Italy's competitiveness: the country's lack of energy resources has historically meant that energy costs were higher than the European average and that the country was highly dependent on imported energy. The share of net imports compared to available gross energy, which is an indicator of how much Italy depends on energy imported from other countries, rose from 73.5% in 2021 to 79.7% in 2022. As a result of the energy transition, Italy will see a sharp reduction in its energy dependence and could enjoy far more competitive energy costs thanks to the availability of sun and wind. The actions taken in the coming years will determine the country's strategic position in the global economic system of the future.

The energy transition and trends that encourage the development of new opportunities in Italy are of global significance, opening up new opportunities overseas. Within the scope of the non-regulated business, this situation will therefore also bring new potential linked above all to the identification and development of new energy solutions.

Transition risks

Terna is not currently subject to legal obligations regarding cuts in emissions and, there are therefore no specific risks with regard to the introduction of a carbon tax or rising carbon prices. An increase in reporting obligations would also not pose any problems for Terna, which has been providing full disclosure on its emissions for some time.

Political and legal

In terms of the regulation of quality of service, the Company is already subject to a series of rewards and penalties linked to continuity, which may be affected by extreme climate events. Terna's response to this risk is the Resilience Plan, which describes all the initiatives and measures taken to be able to respond with growing speed and effectiveness to any adverse events.

The growing use of renewable sources and the progressive electrification expected over coming years mean that investment in the transmission grid is of primary importance, given the role that the grid will play in helping to achieve decarbonisation targets. There are no specific risks linked to the replacement of technology.

Technological

Given the new complexities to be dealt with, the drive for constant innovation remains a priority, with continued attention to the most promising technology streams on which to focus both investment and R&D efforts. Terna identifies these technology streams in its Innovation Plan.

The Italian energy market has recorded a progressive fall in gas prices, even though they remain slightly above pre-crisis levels. The average price of gas recorded in the first six months of 2024 in the Title Transfer Facility (TTF) was approximately €30 per MWh, below the price of €46 per MWh recorded in the same period of 2023, but still higher than the average price of €20 per MWh registered in the three years between 2019 and 2021.

However, the use of natural gas as an energy carrier exposes Italy to geopolitical and economic supply risks, making the country significantly vulnerable to commodity price volatility linked to tensions in international markets. Energy price fluctuations could persist over the coming years due to several factors, leading to a risk of inflationary pressures in Italy that would impact consumption. Energy security and independence is also an issue, given that most of the gas consumed in Italy in the first six months of 2024 was imported via pipeline from Algeria and Azerbaijan.

The price of CO₂ in the first six months of 2024 stood at an average of approximately €64 per tonne, compared with €86 per tonne on the same period of 2023.

The Single National Price ("SNP") stood at an annual average of €94 per MWh in the first six months of 2024, compared with €136 per MWh in the same period of 2023. This is, however, higher than the average of approximately €70 per MWh in three years pre-crisis between 2019-2021.

Although high energy prices do not fall within the scope of the risks to which Terna is effectively exposed, this situation could have a negative impact on the Italian economy. The main solution to rising prices and energy dependence, with significant benefits for the country's economy, is to accelerate the energy transition. To achieve the policy objectives set for 2030, as described in the EU's Fit For 55 package, it will be necessary to install approximately 70 GW of new non-programmable renewable energy capacity, compared to the figures recorded in 2021. These new non-programmable renewable energy plants will be able to produce around 120-126 TWh of electricity, which will replace an equivalent quantity of energy produced by gas-fuelled thermoelectric plants. To ensure that these plants are built, it is essential to speed up consents processes and devise auction mechanisms with ambitious quotas, that will effectively enable achievement of the European targets. Terna will Market



play its part as operator of the transmission grid, in order to integrate renewable resources into the grid and to promote a proper location and technology mix. In this landscape, it is vital to implement an appropriate market design, which in addition to spot price signals can also provide the long-term price signals that enable investment in storage and renewables. Forward contracts are also essential to keep existing generation capacity up and running, preventing it from being taken out of service and thereby ensuring the system's medium-to long-term adequacy.

Reputational

The growing complexity of the electricity system and the increased frequency and seriousness of adverse climatic events requires constant monitoring of the system's adequacy and resilience. The occurrence of malfunctions, potentially of a widespread nature, could increase Terna's reputational exposure to public authorities and stakeholders in general.

Physical risks

Acute

In addition to affecting quality of service, extreme climate events can also have a major impact on physical grid infrastructure. Snow, for example, is capable, under certain weather conditions, of resulting in the formation of wet snow sleeves on power lines, causing the lines to fail due to their limited torsional rigidity. Terna has set out its climate strategy in the Resilience Plan, attached to the Security Plan.

Chronic

Rising temperatures interfere directly with operation of the grid, as high temperatures limit how much energy can flow through power lines. Other systemic events (such as rising sea levels) do not have a direct impact.

Macroeconomic scenario: the Terna Group's risk analysis and prevention activities

The Terna Group constantly monitors the possible risks linked to the continuing crisis involving Russia and Ukraine, which has been exacerbated by the Israeli-Palestinian conflict, in light of the constantly changing geopolitical scenarios and the related legislation regarding the international sanctions that have been in place since the outbreak of war between the two countries.

To this end, the new sanctions regime is constantly monitored, and due diligence and ordinary controls have been strengthened. The main potential areas of concern to be monitored continuously by the taskforces are: cybersecurity, economic and financial, the electricity system and the impact on procurement.

The ongoing conflict between Russia and Ukraine and the onset of the crisis in the Middle East, have led to an increase in cyberattacks on Italian government and corporate websites. These shows of force have not led to major upheaval or data breaches, with disruption being short-term in nature.

Thanks to the continuous sharing of information with government bodies and priority access to information from Cyber Threat Intelligence providers, a series of rules and digital signatures have been implemented as part of Terna's cyber protection systems with the aim of preventing any malicious acts. Checks confirmed that Terna does not use any cybersecurity products or services for its IT infrastructure that are linked to the Russian Federation. Analysis was also carried out to determine the presence of Israeli (or related) technologies on Terna's digital infrastructure, especially in the field of cyber security, in order to monitor risk exposure and proactively deploy any necessary measures to reduce the impacts on Terna.

On the economic and financial front, major shifts in the macroeconomic variables to which the Group is exposed (interest rates, inflation, the yield on Italian government bonds and European cost of debt indices) in the period from 2022 to 2023, in 2024 have resulted in a 0.8% increase in the allowed cost of capital, offsetting the impact of movements in the variables themselves. In this regard, it should be borne in mind that the regulator has provided a revision mechanism for the WACC if, following the update of certain parameters, the WACC rises or falls by more than 50bps. In addition, there will be an overall review of the parameters used to calculate the WACC in 2025, in accordance with the resolution published by ARERA at the end of 2021. In this case, the review process does not provide for thresholds for adjustments to the cost of capital.

In addition, greater stability in the macroeconomic environment in 2024, marked by lower inflation and less commodity price volatility, compared with the peaks seen in 2022, has led to a change in the monetary policy applied by the European Central Bank, which in June cut interest rates, for the first time since 2019, by 0.25%. In general, the ECB's decisions will gradually have an impact on Terna's cost of debt in the coming years, in view of the average term to maturity of existing debt and the high percentage of borrowing that is currently fixed rate (89%). The main sources of risk that could heighten financial market volatility in the coming months include the upcoming elections in the United States.

Based on Terna's current regulation, which envisages indexing of the operating costs recognised in the tariff and RAB (the latter is revalued in accordance with the investment deflator trend), no negative economic impact is expected from the increase in the price index, although the above recognition is reflected in the financial statements with a time lag of around one year.

Finally, it should be noted that the Terna Group currently has access to funding represented by liquidity and committed lines of credit (thus immediately available). This, together with the ability to generate cash, will enable the Group to meet its funding requirements for the next 18/24 months and respond to any further capital market tensions.

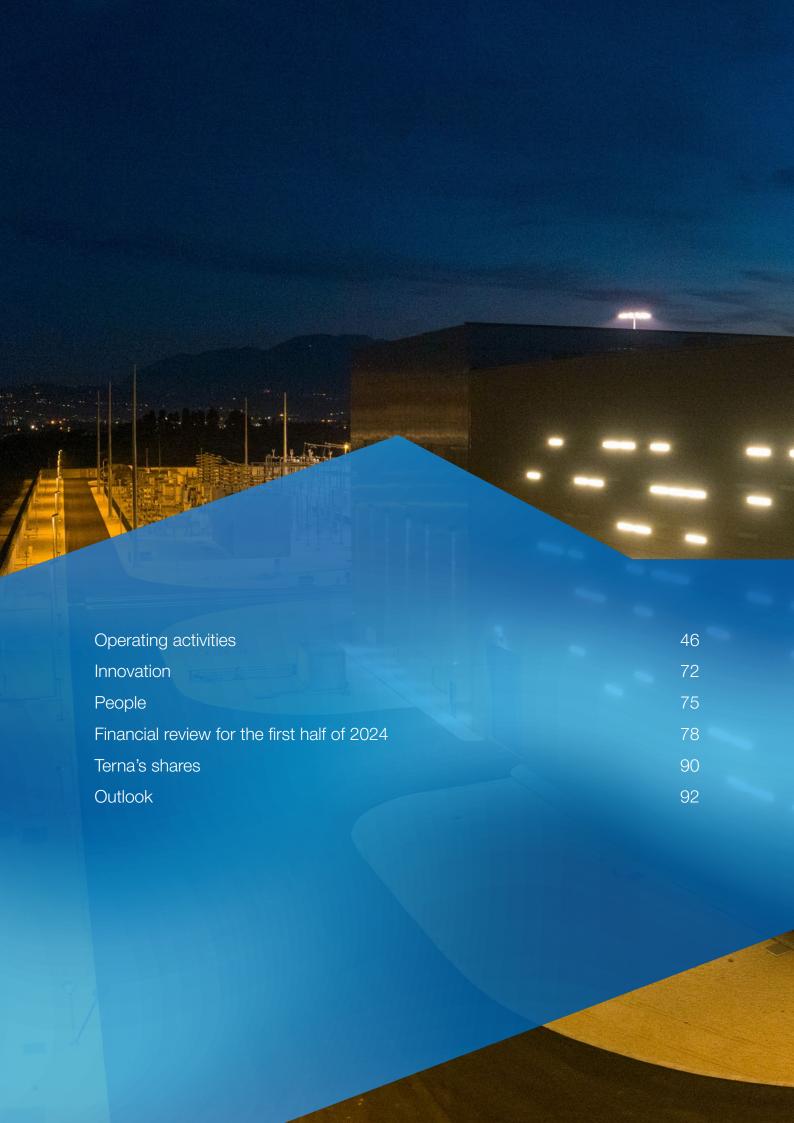
There has so far been little evidence of any impact on the adequacy of the electricity system. In 2023, the scenario improved compared to 2022, thanks to mild temperatures and diversification of natural gas imports, with Russian gas gradually being replaced by gas imported from other countries, including liquefied natural gas (LNG). However, commodity prices, especially with regard to gas, are still higher than before the outbreak of the war in Ukraine. Energy security and independence is also an issue, given that most of the gas consumed in Italy in 2023 was mainly imported from North Africa and Azerbaijan. In this landscape, electrification of consumption and decarbonisation of the electricity system will play a key role.

In terms of procurement, all qualified suppliers are subject to due diligence with regard to international sanctions, and Terna no longer uses any Russian qualified suppliers.

Despite ongoing supply-side disruptions (the availability of components and price hikes, longer supply times), any negative effects are mitigated by actively managing the equilibrium between supply and demand for key power line and substation components.

In terms of price variability, the legislation imposing price reviews is currently mitigated by the existing regulatory framework.

As regards major projects (e.g. the Tyrrhenian Link, Adriatic Link, Sa.Co.I.3 and Elmed), where substation supply contracts are out for tender, about to be awarded or being performed, it cannot be excluded that there may be an impact of potential cost pressures on suppliers may translate into requests for increases in previously agreed prices or, in the event that they are indexed, in increases linked to pre-set formulae. These risks are mitigated through management of the specific contracts entered into with suppliers.







perating activities

The Terna Group's business model is divided into three areas of business. The main area is Regulated Activities, which coincides with the obligations deriving from the government concession, together with Non-regulated Activities and International Activities.

Regulated Activities

Electricity transmission and dispatching: Terna's role for the country

The Italian electricity supply chain consists of four segments: production, transmission, distribution and the sale of electricity. With its transmission and dispatching activities, Terna occupies the key transmission segment.

Terna operates Italy's high and very-high-voltage national transmission grid ("NTG"), one of the most modern and technologically advanced in Europe. Planning for development of the NTG, the performance of construction services and the maintenance of electricity infrastructure are the three areas of responsibility covered by the regulated electricity transmission business.

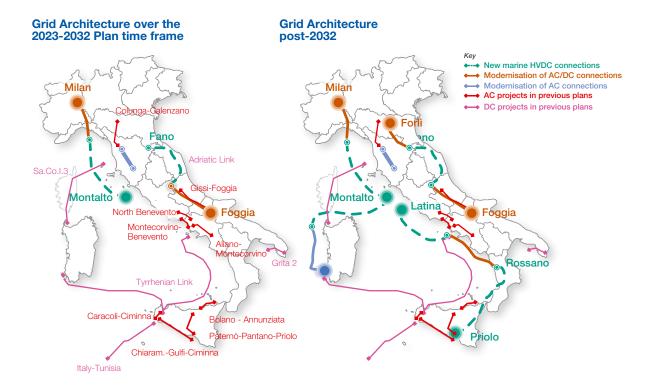
As a Transmission System Operator (TSO), Terna not only has to design a grid capable of dealing with the progressive decarbonisation and the ever-growing integration of renewable sources (transmission operator), but also ensure that, moment by moment, consumer demand for energy is constantly balanced with production, through dispatching (system operator). Terna has the key and delicate role of guaranteeing this balance through a high-technology system, using a specific market, in which it makes daily purchases of the services necessary to constantly ensure the continuity and security of electricity supply.

Development Plan

The identified needs relating to grid development are included in the 2023 Development Plan, which represents a structured and organic response to the challenges brought about by the energy transition and the current international geopolitical tensions, as described in the section, "Strategy".

Principal projects planned

The 2023 Development Plan envisages capital expenditure of over €21 billion in the next ten years.





INTERCONNECTORS AND LINES	3		STATUS		PURI	POSE	
Italy-France Interconnector				0		5	÷ģ÷
Italy-Austria interconnector				0	<u></u>		÷
Elba-Mainland 132 kV power	r line ✓			0		5	÷ķ
Sardinia-Corsica-Italy interco	onnector (Sa.Co.I.3)		0	0	@	5	÷
HVDC Centre South - Centre	e North		0	0	(i)	5	÷ķ
HVDC Italy- Tunisia			0	0	(i)	5	: ;;;
HVDC Mainland-Sicily-Sardir	nia (West Link/East Link)		0	0	(i)	5	÷
Chiaramonte-Gulfi-Ciminna 3	380 kV power line		0	0	<u></u>	5	* ķ *
Colunga- Calenzano 380 kV	power line ✓		0	0	<u></u>	5	
Cassano- Chiari (Milan-Breso	cia 380 kV power line)		0	0			
Paternò-Pantano-Priolo 380	kV power line		0	0	<u></u>	<i>5</i> v	 ***;-
Italy-Slovenia interconnector			0	0	<u></u>		
Upgrade in the Mid Piave Va	lley		0		<u></u>		
Gissi-Foggia (Foggia-Villanov	/a 380 kV power line)		0		<u></u>		 %:
Upgrade North- Calabria			0		<u></u>	5	 %;
HVDC Milan-Montalto							
Central Link				O	<u> </u>		
HVDC Fiumesanto – Montalt	o (Sapei 2) and Sardinian Link			0	<u></u>		
HVDC Priolo-Rossano-Mont	ecorvino-Latina and HVDC Ionian		•	0	(i)		
HVDC Foggia-Villanova-Fano	o-Forlì			0	<u></u>		
Restructuring metropolitan a	reas ¹⁵		•00			5	÷
Italy-Switzerland Interconnect	otor		0	0	<u></u>	5	÷
SUBSTATIONS							
Vizzini electricity substation					(CO)	F	
Pantano electricity substation	n		0	0	(i)	5	÷
Agnosine electricity substation	on		0		<u></u>	5	*
Cerignola electricity substation	on		0				
Ariano Irpino electricity subst	tation		0	0	(co)	5	÷
Torremaggiore electricity sub	ostation						
Legenda Resiliece and Status							
✓ Resilience plan	oleted Ounder construction OA	waiting consents OStudy	Consultation	Under o	design	Planr	ned
Legenda Driver							
De-carbonisation	Market efficiency	Security of supply		\$ \$ Systemic	c sustaina	ability	

 $^{^{\}rm 15}$ The overall project refers to the 404-P, 10-P,317-P works in the 2023 Development Plan.

Security Plan and Resilience Plan

The National Electricity System Security Protection Plan, also known as the Security Plan, is a four-year programme of interventions to protect the security of the electricity system. Prepared by Terna pursuant to Law 290 of 27 October 2003, the Plan is submitted to the Ministry of the Environment and Energy Security for approval by 31 May of each year.

The 2024 Security Plan is the 21st edition and updates the initiatives to protect the security of the electricity system envisaged for the four-year period 2024-2027, with capital expenditure of over €1.3 billion.

Terna's 2024 Security Plan reinforces the investment and initiatives designed to best fulfil the Company's role in enabling the energy transition, based on 3 strategic guidelines:

- the adoption of technological solutions key to responding to the need to regulate voltage and ensure the stability of the electricity system, including synchronous compensators, reactors and stabilising resistors;
- digital development of the electricity system, cutting across all areas of grid operation, from supervision, control to defence of the system through to infrastructure security to protect against physical risks and cybersecurity;
- an increase in grid resilience in terms of responding to ever more extreme weather events and taking preventive action, carrying out repairs and monitoring with the aim of delivering ever higher standards of electricity service continuity, in part with the aid of digitalisation.

Attached to the Security Plan is the Resilience Plan, a cross-cutting plan that establishes all the initiatives required to prevent and/or reduce damage to the electricity grid caused by increasingly severe and frequent weather events. The plan includes infrastructure protection, renewal and monitoring work, assessed using Resilience Methodology for snow and wind.

In addition to presenting the progress of work on developing and refining Resilience Methodology for modelling weather and climate-related events linked to hydrogeological instability, the 2024 edition of the Resilience Plan envisages new measures to boost the resilience of the NTG. This will involve harnessing digitalisation through the use of IoT technologies for the widespread gathering of information on Terna's assets which, together with complex algorithms, will ensure the optimal functionality and resilience of the electricity system.

PROJECTS			STATU	TUS DRIVER			
Fiber for the Grid			0	0		5	*‡;
Work on withstanding, snow	, wind and other w	veather events√	0		(CO)	5	***
Control devices			0	0	(i)	5	***
Cyber Security			0			5	***
Dispatching, control and protection of the NTG			0	0	<u></u>	Fr.	**
Legenda Resiliece and Status							
✓ Resilience plan	O Under construction	O Awaiting consents O Study	Consultation	Under	design	Plani	ned
Legenda Driver							
© De-carbonisation	Market efficiency	Security of sup	oply	System	nic sustair	nability	

Annexes



Infrastructure maintenance

Maintenance of electricity grid infrastructure is essential in order to guarantee quality of service, as well as the security of the assets managed (power lines and substations) and their performance during their lifecycle. These operations are carried out using a condition-based approach; a series of projects are in progress to drive operating activities towards a predictive, risk-based maintenance model.

The IT and digital tools used today to support maintenance activities are subject to continuous innovation, and primarily include:

- the MBI (Monitoring and Business Intelligence) decision-support system, which suggests maintenance activities to be carried out and indicates whether or not they can be postponed;
- the WFM (Work Force Management) software, which manages the workforce by planning and scheduling MBI maintenance activities.

At the same time, during a period of great change and digital transformation, since the beginning of the year, Terna is working on a new platform, Enterprise Asset Management, which will allow it to optimise the organisation's asset management throughout the assets' entire life cycle.

In addition, Terna has participated for many years in international benchmarking activities aimed at sharing O&M and renewal best practices, consistently ranking among the best TSOs in terms of asset management process efficiency and optimal service provision quality.

Monitoring the grid

Grid monitoring initiatives are designed to assess the condition of a specific high-voltage power line or substation component during its life cycle, by measuring, observing or testing its functionality. The monitoring of overhead lines and cables takes place via physical and helicopter inspections, whilst substations are assessed through technical checks and surveillance.

Routine maintenance

Repairs are carried out when signs of deterioration are identified as a result of the on-site monitoring process or through the analysis of on-line sensor data. These indications and any problems identified are processed by the asset engineering models included in MBI (Monitoring and Business Intelligence) and developed by the Asset Management department in agreement with other departments within the Company. The outcome of the engineering models is used to draw up the maintenance plan designed to ensure that assets continue to be fit for purpose over time.

Renewal Plan

The Renewal Plan is based on an analytical method that, starting from consistent, objective technical criteria, identifies and evaluates extraordinary maintenance works ("renewal"), assessing the state of repair and technical status of line components and substation equipment, compared with the effective operating conditions they have to deal with and prioritising components and infrastructure of greater importance for operation of the electricity grid.

Condition-based renewal of infrastructure aims to:

- · carry out condition-based and component-based work only on individual items of infrastructure that effectively require it;
- · maximise infrastructure use at the lowest cost, and thus keep each individual component operating efficiently for as long as possible;
- implement a plan of long-term prioritised works, as established through technical analysis.

To constantly improve and increase the efficiency of the asset management process, the Renewal Plan is divided into the following categories of benefit, which include the renewal objectives:

Sustainability:

- Environmental quality: introduction of more eco-friendly assets that are environmentally sustainable. These include, for example, investment in vegetable-oil transformers, fluid-oil cables and certain types of cable terminals, technical adjustments to lines/underground cables and the replacement of current and voltage transformers;
- Service quality: solutions to improve the reliability of assets, based on asset management analysis (designed to assess the asset's technical conditions). By improving their reliability, the works reduce the Health Index score and the risk of outages. These include, for example, investment in the renewal of lines, the RIGEL (Reduction of Power Line Failures) programme and substation renewal (equipment and machinery).

• Innovation and digitalisation:

- Quality of the O&M process: the introduction of new solutions and technologies to increase the effectiveness of the operating and maintenance process. These include, for example, investment in the new digital control system for substations, online diagnostics for substation equipment, cable monitoring and functional separations.

• Resilience:

Strengthening the grid's ability to withstand the effects of the snow risk, the exposure of lines to hydrogeological risk and substation exposure to seismic risk. These include, for example, investment in:

- snow line resilience: strengthening power lines, increasing the cutting of vegetation, etc.;
- snow substation resilience: substation work, the digitalisation of substations, etc;
- hydrogeological risk resilience for power lines: the instalment of hydrogeological monitoring devices, etc;
- substation resilience to exposure to seismic risk: the instalment of seismic dampers.

Asset digitalisation programmes

In order to improve and digitalise the Asset Management process (power lines and substations), the following digitalisation programmes were implemented:

- DigiS (substation digitalisation): Terna's substation digitalisation plan aims to upgrade the functions provided by the Substation Automation Systems (SAS or SPCC), facilitating Terna's process of transitioning towards an increasingly efficient, innovative and smart digital asset management approach. These activities are designed to optimise the performance of the Substation Automation Systems for the safety and reliability of the grid, and provide a monitoring system that is increasingly focused on the state of function/disrepair of the systems, equipment and substation machinery.
- DigiC (cable digitalisation): in 2018, Terna launched the DigiC plan, which provides for the installation of monitoring systems on existing connections already in service. In addition, the plan requires for all new cable connections to be planned and installed with an integrated monitoring system. The data collected, regarding the cable's technical condition, will be used to implement a predictive, preventive maintenance system, designed to establish the time remaining before a fault occurs and subsequently take preventive action.
- DigiL (power line digitalisation): the DigiL plan aims to create an integrated system to measure, collect and process data in real time, with regard to the operating parameters of overhead power lines. The spans involved in these initiatives are appropriately identified between the critical high-voltage lines, in order to optimise their operation.
- Private mobile network: the initiative promoted by Terna in collaboration with WindTre aims to create a monitoring platform for the national grid, a private network infrastructure with radiofrequency, which will allow Terna to improve the operating efficiency and increase the effectiveness of its infrastructure management through asset digitalisation. In particular, Terna will benefit from increased data from the sensors spready across its power lines, developing an increasingly digital, efficient and proactive management model. WindTre will develop mobile access solutions tailored to Terna's specific needs with 4G and 5G networks, and will provide the most advanced mobile technology to remotely and promptly manage a growing number of assets, collecting and processing data to support grid management and maintenance.



The Group's capital expenditure

The Terna Group's total capital expenditure in the first half of 2024 amounts to €1,042.4 million, marking an increase compared with the €830.5 million of the same period of the previous year (up 25.5%).

(€m)

	H1 2024	H1 2023	CHANGE	% CHANGE
Development Plan	612.9	390.7	222.2	56.9%
Security Plan	100.5	93.9	6.6	7.0%
Renewal of electricity assets	212.6	208.3	4.3	2.1%
Other capital expenditure	69.5	83.8	(14.3)	(17.1%)
Total regulated assets	995.5	776.7	218.8	28.2%
Non-regulated assets (1)	15.1	27.1	(12.0)	(44.3%)
Capitalised financial expenses	31.8	26.7	5.1	19.1%
Total capital expenditure	1,042.4	830.5	211.9	25.5%

⁽¹⁾ Non-regulated investment primarily regards 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 half of 2024:

Lines and cables:

- 150 kV Matera PS Salandra PS power line (MT) (adding 10.3 km);
- Efficiency improvements to 380 kV Avellino N.- Santa Sofia line (7.6 km) (AV, BN);
- Efficiency improvements to 380 kV Bisaccia Avellino N. line (5.5 km) (AV);
- T. L34 Refurbishment of the OF Ziziola XXV Aprile cable (BS) (adding 3.1 km);
- Università PS cable connection (3.1 km) (FI);
- Rationalisation of the Lodi M23-M25 RFI Melegnano Casalpusterlengo line (adding 2.5 km) (LO, MI);
- 150 kV Vittoria-Gela-der. Dirillo power line (adding 1.8 km) (RG);
- Casellina-San Luca a Greve cable connection (FI);
- 132 kV links to the Collesalvetti ES (adding 1.1 km) (Ll).

Substation:

- Expansion of the Melfi substation (adding 15 bays) (PZ);
- Cerignola (adding 13 bays) (FG);
- Ciminna (adding 4 bays) (PA);
- Gaudio (adding 3 bays) (MI);
- Magenta (adding 2 bays) (MI);
- Expansion of the Bisaccia substation (adding 1 bay) (AV);
- Belcastro (adding 1 bay) (CZ);
- Sandrigo (adding 1 bay) (VI).

Main regulated works carried out during the period

> DEVELOPMENT PLAN - €612.9 million

East Link

Cable connections: the detailed design for the terrestrial sections in Campania has been completed and production of the cable for lot one is nearing completion. Onshore and offshore drilling on the Sicilian side has been completed and the cable ducts are under construction in Sicily and Campania, with onshore and offshore drilling in Campania having begun.

Tyrrhenian Link (€212.5 million)

Converter stations: civil engineering works are in progress at both the converter stations (Termini Imerese and Eboli) above all with regard to the underpinnings and prefabrication for the main buildings. Production of the first transformer is under way.

West Link

Cable connections: the detailed design for the terrestrial sections is in progress. Production of the first unit for the first pole has been completed and work has started on production of the second unit. Terrestrial surveys for the cable ducts in Sicily and Sardinia have been completed, as has the marine survey for the first pole, with the survey for the second pole nearing completion.

Converter stations: design of the converter stations is under way and relocation of the Cornelio Aqueduct (Sicily) is nearing completion in readiness for the start of work. The sites have been handed over to the contractor in Sardinia.

Following acknowledgement of regional agreements, consent was given in January 2024. Work on the detailed design of the terrestrial cables has begun, with preliminary soil surveys along the relevant route in progress. Production of the cable prototypes has begun.

Adriatic Link (€88.8 million)

The contract for supply and construction of the converter stations was signed in February and design work has begun.

On 28 March 2024, Terna signed the procurement agreement for the supply of the converter stations and work on the detailed design has begun.

Sa.Co.I.3 (€30.6 million)

Detailed marine surveys are in progress for the cables and contracts are being drawn up with suppliers for cable laying and marine protections.

Livigno PS: excavation of around 6.9 km out of a total of 19.8 km has been completed (35% of the total).

Olympics Project (€29.8 million)

Laion PS - Corvara PS: excavation work on 13.0 km of tubing out of a total of 22.9 km has been completed (57% of the total).

Brunico PS - Vandoies ES: excavation work on 7.8 km section out of a total of 21.5 km of tubing (36% of the total).

Moena ES - Campitello PS: excavation work on 8.7 km of tubing out of a total of 19.5 km has been completed (45% of the total).

Re-routing of 380 kV Bolano-Annunziata cable: work in progress, with approximately 2.5 km of civil works out of a total of 3.4 km of connection completed and the contract for the civil works for the Annunziata substation about to be awarded.

Bolano-Annunziata (€26.0 million)

Doubling of the 380 kV Bolano-Annunziata: notification has been received from the Ministry of the Environment and Energy Security (MASE) that the services conference has ended, fulfilment of the necessary requirements (regional authority agreements, acceptance of the conditions imposed) prior to the issue of consent has begun, and contracts have been awarded for the supply of cables and construction of the marine section of the connection.



Colunga-Calenzano power line (€17.6 million)

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

Paternò-Pantano-Priolo (€11.8 million)

380 kV Pantano-Priolo power line: the construction of 84 foundations and the assembly of 74 pylons out of a total of 116 have been completed, as has the stringing of approximately 21.5 km of line out of a total of around 45 km.

380/220/150 kV Pantano Substation: the new 380kV section of line entered service in December 2023, together with the 220kV section and the related transformer. Work is ongoing on the 150kV section and assembly of the two transformers is under way.

Cassano-Chiari power line (€10.5 million)

380 kV Cassano-Chiari power line: the construction of 34 foundations and the assembly of 32 pylons out of a total of 69 have been completed, as has the stringing of approximately 7.3 km of line out of a total of around 35.3 km.

> SECURITY PLAN¹⁶ - €100.5 million

Synchronous compensators (€10.8 million)

Aurelia compensators: construction of the main foundations and the prefabricated building has been completed, as has production and factory testing of the main components.

Reactors (€8.7 million)

Sandrigo reactor: the equipment is being manufactured.

Nogarole reactor: the design has been completed and validated.

Chiari reactor: work on construction of the reactor foundation has begun.

Stabilising resistors¹⁷ (€5.2 million)

The foundations for the Rizziconi site are nearing completion and supplies are being delivered. At the other sites (Feroleto, Scandale, Melilli and Brindisi), work on the designs and production of the main components is proceeding.

Fiber for the Grid (€4.0 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 half of 2024, 7 substations were connected via proprietary fibre, making a total of 562 substations now remotely operated.

> RENEWAL OF ELECTRICITY ASSETS - €212.6 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 renewal of overhead lines and substation equipment, approximately 473 km of circuits and 7 items of equipment (3 transformers, 3 autotransformers and 1 reactor) were replaced.

¹⁶ Synchronous compensators and reactors are grid components that carry out reactive compensation.

¹⁷ 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 half of 2024

During the first half of 2024, the Ministry of the Environment and Energy Security and regional authorities issued consents for a total of 13 new national grid development projects. The most important in terms of expenditure is the Adriatic Link, the submarine connection that will link the Marche and Abruzzo regions, and Elmed, the power line between Italy and Tunisia that will connect the European and North African electricity systems.



CONSULTATIONS

- 150 kV Altamura North (BA) primary substation connection;
- New Italy-Greece HVDC¹⁸ link (GRITA2) (LE);
- New Termoli- Stellantis substation connection (CB);
- 150 kV Accadia-Orsara- Foggia (FG) mixed overhead/cable power line;
- Undergrounding of the 150 kV Matera PS Matera North (MT) power line;
- Cross-Lucana line (re-routing of the 150 kV Avigliano substation and links) (PZ);
- 150 kV Manoppello ES and related links (connection to the rail network) (PE):
- 132 kV Giustino-Monclassico (TN) cable connection (SET19 Distribuzione20);
- 132 kV Malga Ciapela ES (BL) Campitello PS (TN) connection and mixed overhead/cable links (SET Distribuzione);
- 132 kV Malo (VI) Phase 2 connection and mixed overhead/cable links;
- 132 kV Torrita di Siena PS (SI) overhead connection;
- 132 kV power line for the Trieste (TS) area:
- 380/150 kV Paganico ES (GR) connection and mixed overhead/cable links;
- \bullet 132 kV Bologna Tecnopolo ES and cable links (CINECA $^{\!21}$ and ECMWF $^{\!22}\!$);
- Restructuring mixed 380/132 kV Ferrara North overhead/cable line,
- 380/150 kV Larderello ES (PI) connection and mixed overhead/cable links;
- 132 kV Conco ES (VI) Asiago PS (VI) connection and mixed overhead/cable links (E-Distribuzione);
- 132 kV Ribolla PS (GR) connection;
- 132 kV Grigno (TN) Arsiè (BL) cable connection (SET Distribuzione);
- 132 kV Murazzi ES (TO) and overhead links (rail network);
- · Rationalisation of Brianza East (MB):
- Connection to the new 132 kV Avigliana (TO) substation;
- New Mesero (MI) and Sedriano ES (MI) connection using GIS²³ and links;
- New 132 kV Mantova ES and links to the NTG;
- 132 kV Dongo ES (CO) connection and mixed overhead/cable links;
- Biella North Cerreto Castello (BI) connection;
- New 220/132 kV Pioltello (MI) connection;
- New 380 kV Caracoli-Ciminna (PA) power line;
- Work on the 150 kV NTG for the Carbone electricity substation connection serving the rail network;
- Modernisation of the NTG in the Flegrea area (NA);
- New 220 kV Napoli Levante ES Ercolano PS (NA) power line.

¹⁸ High Voltage Direct Current.

¹⁹ Società Elettrica Trentina (Trentino Electric Company).

²⁰ A part of the Dolomiti Energia Group, it manages electricity distribution in most of the province of Trento.

²¹ Consorzio inter-universitario del Nord-Est (North East Inter-university Consortium).

²² Data Center.

²³ Gas Insulated Switchgear.





PROCESSES INITIATED

- Work on the 150 kV NTG for the Ferrandina rail network (MT) electricity substation connection;
- 150 kV Noci (BA) Martina Franca (TA) cable power line;
- 150 kV S. Severino Villa Potenza (MC) cable power line;
- Mixed overhead/cable 132 kV Castilenti PS (E-Distribuzione) (TE) connection;
- 380 kV Gissi (CH) Foggia power line;
- 220/150 kV Serre ES (SA) connection and overhead links (rail network);
- 220/132 kV Mozzo ES (BG) and mixed overhead/cable links (E-Distribuzione);
- 132 kV Dobbiaco Sesto (BZ) cable connection;
- 150 kV Alghero PS (SS) cable connection (E-Distribuzione);
- 150 kV Perdasdefogu ES (NU) connection and cable links;
- 220 kV Arenella Fuorigrotta (NA) cable power line;
- 132 kV Lonato (BS) overhead connection (Feralpi Siderurgica);
- Refurbishment and upgrade of 150 kV Zipa Vallemiano (AN) underground cable connection;
- Vobarno PS (BS) Valsir connection;
- Sarca PS (MI) connection;
- Rationalisation of the power grid in the province of Messina;
- "NRRP Luserna PS" Undergrounding of 132 kV T.637 RFI Bricherasio Luserna PS (TO);
- 380 kV overhead links to the 380 kV Santa Maria Capua Vetere ES (CE);
- Widening of the 220 kV section Santa Sofia ES and restructuring of mixed 220 kV overhead/cable lines (CE);
- Provisional Grigno PS (TN) connection;
- · Restructuring of the power grid in Maddaloni (CE) and Acerra (NA);
- Work on the 150 kV NTG for connection to the ES serving the rail network at Fiumefreddo (CT);
- 380/150 kV connection to Palazzolo Acreide ES and overhead lines (E-Distribuzione);
- 150 kV Bruca ES (TP) connection and overhead lines (rail network);
- Restructuring 380 kV Montecorvino (SA)-Laino (CO) lines;
- Rerouting of underground cable to the 132 kV Camin PS Conselve PS (PD) and Camin ES Rovigo P.A. PS (PD) power lines (Raccordi di Camin);
- · Work on the 132 kV NTG for the connection to the Murazzi electricity substation serving the rail network (TN);
- Francavilla Angitola PS second 150 kV overhead link (VV):
- 132 kV Borgaro PS (phase 2) connection using overhead lines (TO);
- 150 kV overhead lines to the Adelfia PS (BA);
- Construction of the new 220 kV/150 kV Leonessa ES and mixed 220 kV overhead/cable connection to the Leonessa PS (RI);
- 150 kV overhead connections to Salice PS (LE);
- 132 kV overhead connection to Baldaccini PC (MO);
- 132 kV Torriglia PS overhead connection (GE);
- 150 kV overhead connections to Armento 2 PS (PZ); • 150 kV overhead connections to Bernalda 2 PS (MT);
- 150 kV overhead connections to Castellaneta Nord PS (TA).



COMPLETED PROCESSES

- HVDC Adriatic Link (PE-PU):
- 150 kV Messina Nord-Messina Riviera cable connection;
- 150 kV Ragusa North-Ragusa 2 cable connection (E-Distribuzione):
- Power line: re-routing of underground cable connection to 150 kV Flaminia PS Nomentana PS power line (RM);
- 220 kV underground cable connection to Porta Romana PS (MI);
- Undergrounding of 220 kV Fratta Sant'Antimo power line (NA-CE);
- 132 kV Violino PS (BS) underground cable connection;
- 220 kV Mugello PS (MI) underground cable connection;
- Upgrade and undergrounding of 220 kV Arenella Colli Aminei (NA) power line;
- 132 kV Montecchio Maggiore ES (VI) and in-out connections to the NTG;
- 500 kV Tunita connection ("Elmed Project" Italy-Tunisia Interconnector) (TP);
- 132 kV San Martino Calenzano cable;
- 132 kV Vinadio ES (CN) connection and mixed overhead/cable connections (E-Distribuzione).



WORK INITIATED

- 380 kV Cassano-Chiari (BS) power line lot 2;
- 380 kV links between Eboli converter station and Eboli ES (SA);
- Caracoli ES (PA) renewal of 220 kV and 150 kV sections;
- 380/150 kV Vitorchiano ES (VT);
- Lonato ES (BS) CEPAV224 connection;
- Chiaramonte Gulfi ES Widening of the 380 kV section and new autotransformer;
- Fano ES Widening of the 380 kV section for the Adriatic Link;
- Relocation of the Teramo PS (TE):
- Lodi rationalisation partial undergrounding T.M25 Lodi RT Casalpusterlengo RT and T.M23 Melegnano RT Lodi RT (LO);
- · Restructuring Colunga Altedo PS Ferrara South (FE);
- Ferrara South PS Centro Energia connection (FE).

²⁴ Consorzio per l'Alta Velocità (high-speed rail consortium).

OR PROJECTS

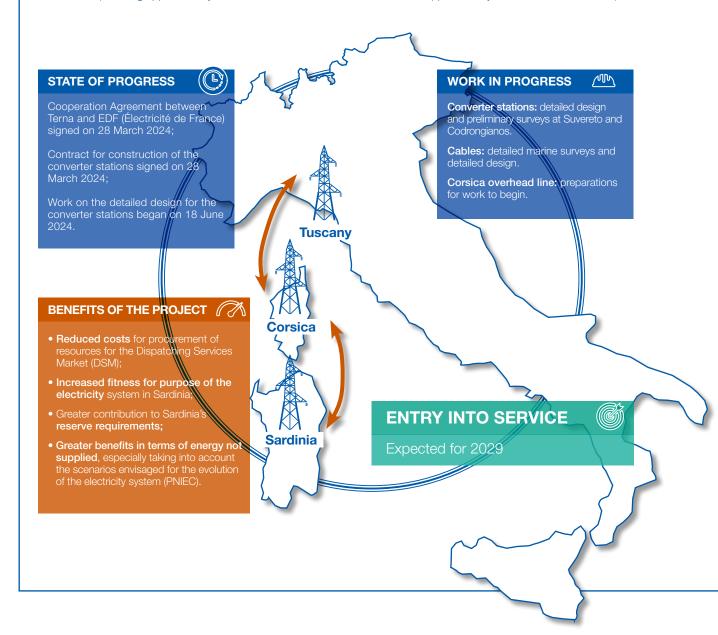


HVDC connection

Sardinia - Corsica - Italian mainland (SA.CO.I.3)

The new tri-terminal high-voltage direct current (HVDC) connection consists of renovation and modernisation of the existing electricity connection between Sardinia, Corsica and the Italian mainland. It will enable the use of total transport capacity of up to 400 MW.

The connection between Tuscany, Corsica and Sardinia will have a length of approximately 380 km per pole (including approximately 140 km of marine and terrestrial cables and approximately 240 km of overhead lines).





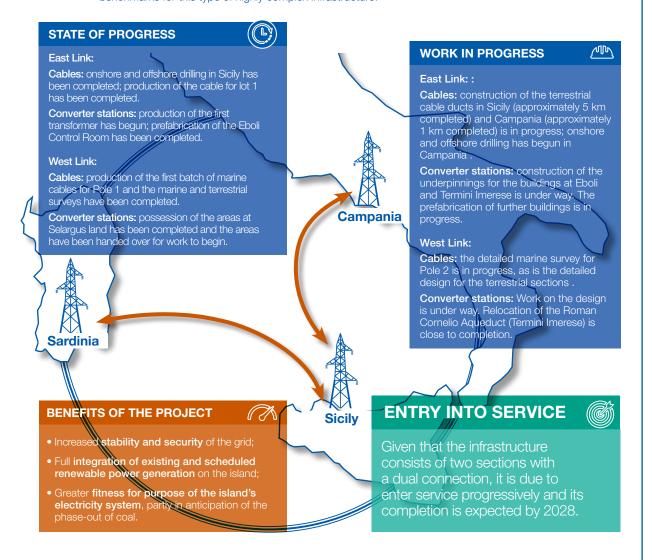
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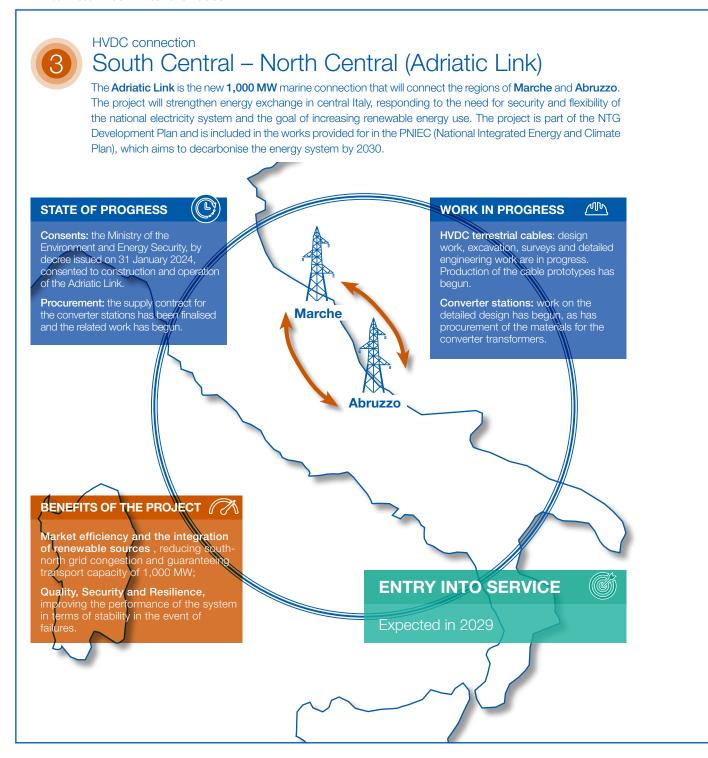
HVDC connection

Mainland-Sicilia-Sardinia (Tyrrhenian Link)

The new submarine interconnection is a state-of-the-art project that will connect Campania - Sicily -Sardinia via two submarine, 1,000 MW, direct current power lines. The project has been subdivided into an East Link (Campania - Sicily) and a West Link (Sicily- Sardinia). The connection has a submarine section that is approximately 1,000 km long, including in very deep waters, which means it is one of the new global benchmarks for this type of highly complex infrastructure.



>> continued MAJOR PROJECTS FOCUS





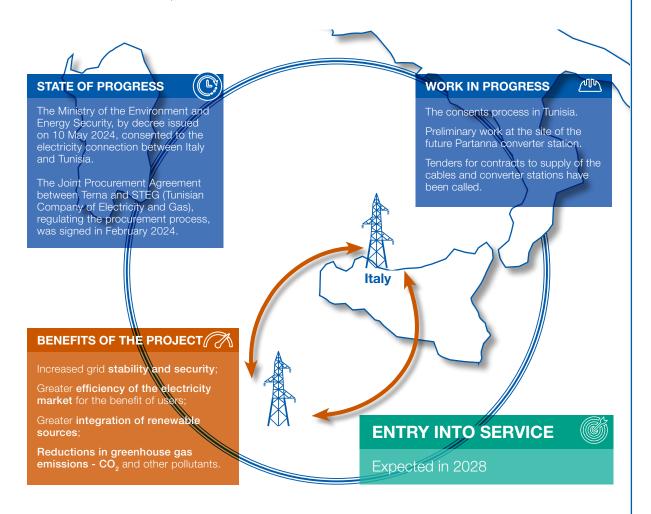
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HVDC connection

Italy - Tunisia (ELMED project)

The new 500kV direct current connection (HVDC) will connect Sicily with the Capo Bon peninsula in Tunisia, enabling the exchange of up to 600 MW of power. The project will be approximately 224km long (of which 200km in submarine cable).

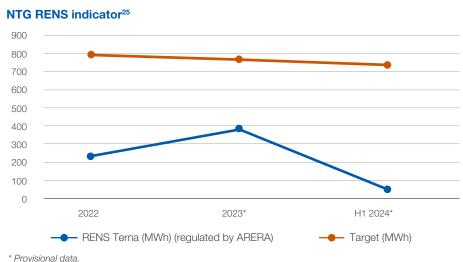


Continuity and quality of service

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

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.



The NTG RENS indicator for the period from January to June 2024, based on preliminary data, amounts to approximately 52 MWh (compared with an annual target of approximately 737 MWh set by ARERA).

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 highvoltage 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 eneray fed into the arid.

****Average Service Availability

As regards the ASA indicator, availability was 99.99965% (provisional figure) in the first half of 2024, compared with 99.99916% 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 €3.1 million in the first six months of 2024, compared with €5.1 million in the first half of 2023.

²⁵ The relevant targets for 2024–2025 (as set in ARERA Resolution 55/2024/R/eel) have been set in continuity with the targets for the 2016– 2023 regulatory period, 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.I. (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 €381 million in the first half of 2024 (provisional data), down 14% on the first half of 2023 (€441 million).

This decrease primarily reflects a reduction in the cost of selections²⁶ made on the DSM, primarily due to the volume effect.

Monthly DSM costs (€m)

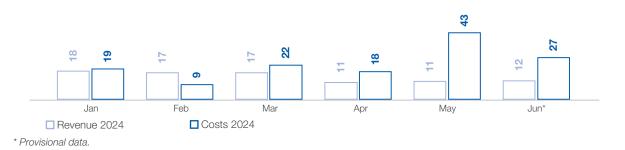


^{*} Provisional data

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

The total uplift was approximately €138 million in the first half of 2024 (provisional data), down compared with the same period of the previous year (€243 million). This reflects the reduction in the cost of procuring resources on the Dispatching Services Market, a decline in the cost of virtual interconnection services²⁷ and a reduction in congestion revenue in Italian and Overseas market areas²⁸.

Monthly performance of revenue and uplift costs (€m)



²⁶ The process by which Terna procures the necessary resources on the Dispatching Service Market (DSM) to enable the electricity system to function.

²⁷ Virtual interconnection is a net cost: Terna plans, builds and operates new cross-border interconnection infrastructure, the cost of which is partly covered by revenue from auctions in which third party finance providers take part and who will then have access to the available transport capacity.

²⁸ Congestion revenue is generated when there are differences in the balanced prices in the energy markets in the various market areas.

Local communities

Engagement with local communities promotes a social environment conducive to timely implementation of the investment envisaged in the Grid Development Plan. The local communities in areas where new electricity infrastructure projects will be built are stakeholders to whom Terna dedicates numerous engagement initiatives. The aim is to provide these communities with accurate and comprehensive information about the reasons for choosing their areas for such projects, and the subsequent systemic benefits expected from their implementation.

Terna voluntarily shares grid development requirements with local authorities and listens to local citizens in order to identify the best possible location for the new works, starting with the area's peculiarities applying the so-called "ERPA" (Exclusion, Repulsion, Problems and Attraction) criteria. The process is also based on the results obtained through the use of GIS (Geographic Information System) technology, which include all information relating to different types of land use and the related protection constraints (regional, naturalistic, cultural, landscape, etc.).

The guidelines for establishing, maintaining and enhancing quality relations are set out in the "Stakeholder Engagement Model", which identifies the tools and operating methods for engaging and monitoring opinions, with a view to increasing the Group's social and relationship capital.

Regarding relations with local communities, alongside the periodic meetings with government institutions that make up the lion's share of our engagement activities, for a number of years Terna has used another method, involving meetings with the public called Terna Incontra events. This is a method of engaging directly with the public as part of a participatory planning process. During these events, all the information needed to gain a better understanding of the proposed project is provided: from the advantages in terms of the quality and security of the electricity service, to the route (if construction of a new power line is involved) through to issues relating to the construction phase (e.g., the impact on road traffic). At the end of these meetings, participants are given a questionnaire to assess their level of satisfaction with the initiative and the degree of acceptance of the project. In the first half of 2024, Terna held a total of 2 "Terna Incontra" events, 1 held in person and 1 online.

Terna's focus on the legitimate concerns of local communities also extends to aspects relating to landscape, the environment and protecting biodiversity. Since 2009, this has led the Company to enter into partnerships with leading environmental organisations, with the aim of seeking shared solutions designed to boost the sustainability of the NTG. In February 2023, Terna renewed its three-year partnerships with Greenpeace Italia, further increasing the sustainability of the Development Plan, and with Legambiente and WWF Italia, with a view to agreeing on a NTG planning strategy that takes into account the need to integrate electricity infrastructure with local surroundings and consider its impact on biodiversity.



Operating results of Regulated Activities

The following table shows a breakdown of the results from the Terna Group's Regulated Activities in the first halves of 2024 and 2023²⁹.

(€m)

	H1 2024	H1 2023	CHANGE
Total regulated revenue	1,472.5	1,263.2	209.3
Tariff revenue and incentives	1,416.0	1,204.3	211.7
- Transmission revenue	1,214.1	1,042.8	171.3
- Dispatching, metering and other revenue	201.9	161.5	40.4
Other regulated revenue	22.7	31.9	(9.2)
Revenue from construction services performed under concession in Italy	33.8	27.0	6.8
Total cost of Regulated Activities	260.2	273.5	(13.3)
Personnel expenses	126.9	140.1	(13.2)
External resources	86.9	91.5	(4.6)
Other	12.6	14.9	(2.3)
Cost construction services performed under concession in Italy	33.8	27.0	6.8
EBITDA from Regulated Activities	1,212.3	989.7	222.6

EBITDA from Regulated Activities amounts to €1,212.3 million, an increase of €222.6 million compared with the first half of 2023. The primarily reflects the impact on tariff revenue and incentives (up €211.7 million) of the increase in the WACC set for 2024 and growth in the regulated asset base (RAB).

After excluding revenue from construction services performed under concession (up €6.8 million), revenue from Regulated Activities is up €202.5 million, primarily reflecting:

- the impact on transmission revenue 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 (up €197.9 million);
- an increase in dispatching revenue (up €16.5 million);
- a reduction in output-based incentives (down €2.7 million), essentially due to a decline in incentives relating to the delivery of additional interzonal transmission capacity provided for by Resolution 567/2019 (down €26.6 million), after 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 €24.5 million);
- reduced revenue in the form of the bonus for service quality receivable under the RENS incentive mechanism (down €6.0 million), due to the impact of the extension, at the end of 2023, of the measurement period for the mechanism to 2025;
- a decrease in gains on the sale of assets (down €6.4 million, essentially scrap, transformers and motor vehicles);
- increased revenue from connections to the NTG (up €2.9 million).

After excluding the cost of construction services performed under concession (up €6.8 million), the cost of Regulated **Activities** is down €20.1 million, primarily reflecting:

- the impact on personnel expenses (down €13.2 million) of an increase in capitalised costs and the higher amount of provisions for incentives made in the first half of 2023, which more than offset an increase in expenses deriving from a growth in the average workforce;
- a reduction in the cost of external resources (down €4.6 million), primarily due to a reduction in advertising costs;
- a decrease in the costs incurred for quality of service (down €2.0 million), primarily linked to the higher costs incurred in 2023 in relation to outages.

²⁹ The Terna Group's operating segments are consistent with the internal control system adopted by the Parent Company, in line with the 2024-2028 Industrial Plan.

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







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 Cables Group is based in Switzerland but has several overseas subsidiaries.

Transformers – Tamini Group

Order book Tamini received orders for transformers worth approximately €164 million, down approximately 12% compared with the same period of the previous year but an improvement on the target for 2024.

> Orders amounted to approximately €110 million in the Power sector, a decline of approximately 20% on the same period of the previous year, whilst orders in the Industrial sector totalled approximately €54 million, up approximately 11% on the first six months of 2023.

> Orders for services amounted to approximately €9.5 million, up approximately 21% on the first half of 2023.

> The value of factory backlogs is approximately €373 million, sharply up with respect to the end of 2023 (an increase of approximately 22%).

Results Revenue rose in the first six months of 2024 compared with the same period of 2023 (up 32%), due to the increased value of transformer production.

The testing of several important items of equipment was also completed:

- 1 400 MVA phase-shifting transformer for a TSO in northern Europe;
- 1 440 MVA transformer for a electricity power plant in Italy;
- 1 290 MVA step-up transformer for the connection of a synchronous compensator to the NTG.

Testing of the following items of equipment in the Industrial sector was also completed:

- 5 122.6 MVA rectifier transformers for a steel plant in the United States;
- 1 69.2 MVA rectifier transformer for a zinc production plant in northern Europe.

transformers

Vegetable oil In recent years, the Tamini Group has specialised in the design and production of high-voltage green transformers, offering major advantages, such as:

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

A 400 MVA/400kV autotransformer for use in Italy and a 50 MVA/118kV transformer for a wind farm in Finland were tested in the first half of 2024.

The reference The Group's The Group's scenarios business Annexes strategy

Terrestrial Cables - Brugg Cables Group

Orders acquired in the first half of 2024 amount to approximately CHF183 million (up 12% on the first half of 2023). The High Voltage System segment made a major contribution (CHF135 million), whilst the Low Medium Voltage segment also made a significant contribution (CHF20 million), as did the High Voltage Accessories segment (CHF28 million).

Order book

Compared with the first half of 2023, production of high voltage cables is down 4%, whilst the volume of low and medium voltage cables produced is down 14%.

Revenue for the first half of 2024 amounts to approximately CHF104 million, broadly in line with the same period of 2023. Margins have improved significantly compared with the first six months of the previous year, thanks to cost efficiencies, the careful selection of orders and revamped pricing strategies.

Results

The High Voltage Accessories segment, in the first half of 2024 performed extremely well in terms of both volumes and margins.

Operating activities

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

In 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. The Group will continue to focus on meeting the demand for high-quality products, consolidating its strong position in its home market in Switzerland.



Fibre

Since 2017, indefeasible right of use (IRU) agreements have been concluded for approximately 37,700 km of fibre pairs, for which Terna provides maintenance and housing services for regeneration. A total of approximately 987 km of fibre pairs were delivered in the first half of 2024.

Energy Services Energy Services **Smart Grids**

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 half of 2024, amounting to approximately €55 million, is up approximately €22 million compared with the same period of the previous year. This was primarily due to EPC activities, where turnover was up over 60%, and revamping and repowering activities, which recorded growth of approximately 200%.



Other projects

Installation and commissioning of a storage system on the island of Pantelleria was completed in the first half of 2024 as part of the Smart Island projects. The system is now in service and is undergoing a fine-tuning process to resolve a number of minor performance issues.

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. Inverter revamps are also taking place at a number of sites in Italy for 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 utilityscale photovoltaic plant) came to a conclusion in the first half 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 half of 2024, 13 installations were carried out, making a total of 73 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 cable³⁰) 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 220 kV and 132 kV metering sets in Valle d'Aosta was acquired in the first half and the process of procuring the necessary materials and services has begun. A contract for the revamp of a 132 kV transformer bay in Lombardy has also been agreed with a manufacturing client.

Work on the supply and laying of HV cable and the respective end terminals for a major distribution network in Palermo metropolitan area is also in progress.

The installation and commissioning of a HV/MV31 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, shipbuilding and manufacturing sectors.

³⁰ High-voltage.

³¹ Medium voltage.

Private interconnectors pursuant to Law 99/2009

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.I., which was sold to the private backers on 17 December 2019.

Italy-Montenegro 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.I., which was sold to the private backers on 4 July 2017, pursuant to Law 99/2009.

Italy-France 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.I., sold by the Terna Group to private investors on 15 September 2021, in accordance with Law 99/2009.

Italy-Austria 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-Switzerland interconnector project

The creation of a direct current line is planned, partly in undersea cable, between the substations of Salgareda (IT) and Divaça/Beričevo (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.

Italy-Slovenia interconnector project



Operating results of Non-regulated Activities

The following table shows a breakdown of the results from the Terna Group's results from its Non-regulated Activities for the first halves of 2024 and 2023³².

		7	(€m)
	H1 2024	H1 2023	CHANGE
Revenue from Non-regulated activities	281.8	222.0	59.8
Equipment	165.4	142.9	22.5
- Brugg Cables Group	78.6	79.8	(1.2)
- Tamini Group	86.8	63.1	23.7
Connectivity	18.9	18.2	0.7
Energy Services	85.2	49.7	35.5
- High voltage	25.8	12.8	13.0
- Smart Grids	59.4	36.9	22.5
Private interconnectors	10.3	9.2	1.1
Other	2.0	2.0	-
Cost of Non-regulated Activities	235.1	190.8	44.3
EBITDA from Non-regulated Activities	46.7	31.2	15.5

EBITDA from Non-regulated Activities in the first half of 2024 amounts to €46.7 million, an increase of €15.5 million compared with same period of the previous year. This essentially reflects increased contributions from the Equipment segment (up €5.1 million at the Tamini Group and up €2.3 million at the Brugg Cables Group), the Energy Services segment (up €6.5 million, essentially reflecting contracts in the high-voltage sector) and from private interconnectors (up €2.1 million).

³² The Terna Group's operating segments are consistent with the internal control system adopted by the Parent Company, in line with the 2024-2028 Industrial Plan.

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 Latina 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 500 kV 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 138 kV power line between Aguaytìa 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.

Operating results of International Activities³³

EBITDA from International Activities for the first half of 2024 and the comparative period does not include the results generated by the Latin American initiatives involved in the above sale process. As required by IFRS 5, these initiatives are classified under "Profit/(Loss) for the period from assets held for sale" in the reclassified income statement in the paragraph entitled "Financial review for the first half of 2024".

Negative EBITDA from International Activities, amounting to €1.8 million for the first half of 2024 essentially reflects the costs incurred by central departments to support overseas initiatives. The figure is in line with the same period of the previous year.

Assets held for sale report a net loss of €0.6 million, an improvement of €2.9 million compared with the first half of 2023, essentially due to reducing operating losses in the period, after the adjustment to the value of the assets in the comparative period.

³³ The Terna Group's operating segments are consistent with the internal control system adopted by the Parent Company, in line with the 2024-2028 Industrial Plan.



Innovation

In keeping with its role in driving and enabling the energy transition set out in the Company's strategy, for Terna, innovation has the purpose of developing new solutions to respond to the growing challenges connected with the achievement of European and national targets. Innovation and digitalisation are indeed the two pillars that underpin Terna's growth path.

Innovation serves the entire Company in the development of new solutions that can positively impact our business, with a view to constantly improving the service we provide. This fully integrated model gives a voice to Terna's people, who may then actively participate in the evolution of the Group.

Further details of the Group's innovation strategy are provided in the 2023 Annual Report - Integrated Report.

Corporate Venture Capital - Venture Building

Through Terna Forward, established by Terna on 11 November 2022, the Group carries out corporate venture capital investments. Terna Forward is a Limited Partner in the Energy Tech and Infra Tech segments of CDP Venture Capital SGR's Corporate Partners I Fund, in which until the first half of 2024 it has invested approximately €6 million out of a total planned investment of €30 million. The Energy Tech segment focuses on issues relating to the energy transition, such as form example energy efficiency, electric vehicles, the management and control of network infrastructure and exploration of the technologies used in integrating energy systems. The Infra Tech segment, on the other hand, specialises in research into technological solutions applicable to infrastructure, including the monitoring and maintenance of infrastructure using drones or IoT sensors and satellite images, new building materials, Al solutions, software and robotics for use in the sector.

In March 2024, Terna Forward invested approximately €3 million in a 33% stake in Wesii S.r.I., the leading Italian provider of inspection and remote-sensing services for the renewable energy sector. The investment marks the first direct investment in an innovative SME to accelerate the energy transition.

In June 2024, Terna Forward invested approximately €0.3 million in Unusual World S.L.. This marks the company's second direct investment and the first international start-up to join the portfolio managed by the Terna Forward Corporate Venture Capital (CVC) investment vehicle. The transaction involves two leading European TSOs, Terna and Spain's Red Eléctrica, through their CVC investment vehicles: Terna Forward and Elewit. Together, they have completed a €1 million investment round. The investment is part of Terna Forward's strategy of investing in start-ups offering solutions capable of responding to the challenges posed by digitalisation and decarbonisation, objectives that occupy Terna on a daily basis.

To support its investment activities and oversee the Venture and Corporate Venture Capital ecosystem, Terna Forward has become a member of leading associations in the sector: AIFI³⁴ and the Italian Tech Alliance³⁵.

³⁴ AIFI is the Italian Private Equity, Venture Capital and Private Debt Association, established in May 1986 and internationally recognised as a representative body and as a promoter of the above activities. The Association conducts research, above all using its own database, and draws up documents, promotes exit channels and conducts operational benchmarking, etc.. The AIFI has a corporate venture committee.

³⁵ Italian Tech Alliance is the industry association that brings together and represents the interests of investors, start-ups, businesses and innovation professionals, including through training (the VC academy) and the monitoring of legislation. The association's members include investors (venture capital funds, corporate venture capital firms, family offices and business angels); entrepreneurs (innovative start-ups and SMEs that have raised at least €500,000 in equity or had turnover of at least €500,000 in the year prior to joining); supporters (law, headhunting and consulting firms, and those that provide subsidised financing and fundraising).

Key projects during the period

The innovation process follows the Stage&Gate model (checking and validation sub-processes), from the screening of the idea to the adoption of the solution.

This model facilitates construction of an overview of innovation by accelerating high value-added projects. The results produced by the model then help to define planning, economic and strategic, and reporting activities.

Projects in progress during the period include:

Health Pod Lifestyle



Terna is committed on a daily basis to protecting the health of our employees and promoting a healthy and active lifestyle, thanks to the various initiatives undertaken within the WHP-Workplace Health Promotion Programme.

These include the Health Pod Lifestyle campaign, which envisages the installation of Capsula at our sites nationwide. Capsula is a cabin equipped with specific non-invasive sensors that people can enter to find out the state of their health by independently and anonymously measuring various biological parameters relating to general personal health (e.g. stress, ageing, physical fitness and blood pressure).

Automatic failure detection



This project aims to identify any anomalies in the visible field present on HV power lines, by processing data collected by special instruments installed on Terna helicopters. Detection will be achieved through the development of an artificial intelligence algorithm, which will enable identification of component failures/breakdowns via automatic image recognition.

To date, as part of an innovation partnership, flights have been made to train the algorithm on the first anomaly detection models, and tests are in progress to check the expected results.

Smart hooks



The initiative derived from the need to raise awareness among operating personnel who work in high locations about the potential risk of falling. The technological solution involves the development of a device that equips traditional anchorage connectors with special sensors that can warn operating personnel about any actions that do not comply with current operating procedures.

Given the absence of off-the-shelf solutions available on the market to meet the requirements, the Company is continuing to work with three different suppliers to develop new solutions.

ORION project



The aim of this project, which won the 2022 Terna Ideas competition, is to develop an artificial intelligence algorithm (developed entirely in-house) that can process medium-resolution optical satellite images and obtain an output that is similar to ones normally produced by higher resolution optical satellite images, thereby enabling a significant reduction in costs.

The ultimate goal of the image analysis is to identify, and in some cases prevent, potential building irregularities related to the failure of buildings and structures in general to respect buffer zones (e.g., unauthorised buildings standing too close to power lines). The system will be supplemented by the visual inspections that are regularly carried out by Terna personnel during periodic monitoring of power lines.



ESI programme



This programme is aimed at evaluating transparent and participatory integration into the electricity grid of high value resources, namely resources and solutions that are developing fast, through the launch of individual initiatives called ESI projects. The backdrop to the programme is the progressive electrification of consumption, which is becoming increasingly necessary to achieve national and

international decarbonisation targets.

The first ESI projects, dedicated to Distributed Energy Resources (electric vehicles, thermal comfort systems and distributed storage), involve experimental initiatives, carried out initially at the level of individual resources, to assess the potential and limitations of individual technologies in terms of performance, control systems and communication protocols, and, subsequently, at the level of aggregated resources, to assess the performance and reliability of aggregation of such distributed resources. The main findings of each project are set out in anonymised public reports that are shared with the whole system.

Site assistant suite



The "Site Assistant Suite" has been created to make it easier to monitor the status of construction sites, including remotely, through the deployment of suitable new digital tools.

The project involves trials of Al algorithms, customised on the basis of Terna's assets, to analyse images from construction sites and produce reports on the visible state of progress directly on a specially devised and customised dashboard.

The Proof of Concept was carried out on the 132 kV area of the site of the Monte Malo electricity substation (VI) and more extensive trials will now be undertaken.

In 2023, agreements were entered into with the Italian Consul General in San Francisco and INNOVIT (Italian Innovation and Culture Hub) to promote and develop the Italian innovation ecosystem overseas, backing the development of innovative start-ups and SMEs from Italy and enabling them to access the US market.

People are Terna Group'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.

		1	(unit)
THE WORKFORCE	AT 30 JUNE 2024	AT 31 DECEMBER 2023	CHANGE
Senior managers	104	102	2
Middle managers	912	896	16
Office staff	3,507	3,349	158
Blue-collar workers	1,593	1,580	13
Total	6,116	5,927	189

The increase of 189 in the workforce at 30 June 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.

Main initiatives during the period

Consolidation of new Performance Management, Reward and Internal Mobility processes People Strategy provided for in the new People Strategy took place in the first half of 2024. A number of these processes are designed to develop people, improve their work experience, invest in skills and reward merit, measuring performance with a view to continuous improvement; others have the aim of assisting with the selection of job applicants.

On 10 May 2024, the Annual General Meeting of the Company's shareholders approved the Compensation Long-term Incentive Plan based on the Company's shares and called the "Performance Share Plan 2024-2028". The terms and conditions are described in the relevant Information Circular published on the Company's website (www.terna.it).



Diversity, equity and inclusion

Terna has signed up to the Self-regulatory Code for Responsible Businesses, designed to support shared parenting and maternity, promoted by the Cabinet Office's Equal Opportunities Department.

In march 2024, Terna's commitment to gender equality resulted in award of **Gender Equality** Management System Certification in accordance with the UNI/PdR 125:2022 standard, granted to organisations that achieve specific inclusion targets.

In this regard, Terna has set up a Gender Equality Steering Committee, tasked with ensuring application of the gender equality policy, and has approved the Strategic Gender Equality Plan, setting measurable and realistic goals to be achieved in the three years covered by the Plan (2024-2026). Responsibility has been assigned for achieving the goals, with performance to be assessed over time through specific KPIs.

In May, Terna launched TernAbility, an inclusion programme for disabled people, enabling them to play a full part in working life and meeting the legal requirements for their employment. The programme focuses on four areas: Culture and Awareness, Recruiting and Employee Journey, Networking and Alliances and Internal and External Communication.

Training

Over 133,000 hours of training were provided in the first half (equal to 27 hours per capita) compared with 114,000 hours of training in the first half of 2023 (equal to 23 hours per capita). The hours were divided among topics relating to Sustainability, Compliance and HSE, Energy Transition and Technical Specialisation, New Ways of Working and Acceleration

In May, Terna announced the call for applications for the third edition of the Master's course on Digitalisation of the Electricity System for the Energy Transition, organised by Terna in collaboration with the universities of Cagliari, Palermo and Salerno as part of the Tyrrhenian Lab project.

At the end of the course, which aims to create new professionals equipped with management, engineering, IT and statistical skills, the selected students will be given a letter offering them permanent employment.

Engagement and wellbeing

In February, the third edition of the NextGenerationTerna (NGT24) induction programme for recent graduates got under way. This aims to speed up their induction into the Company, develop engagement and disseminate a culture based on new ways of working.

For the third year running, Terna has renewed the collaboration with Intercultura that aims to promote international student mobility, with the provision of scholarships for the children of employees leaving to study in Europe and beyond. The initiative offers students an opportunity to broaden their horizons, learn a new language and encounter new cultures, whilst developing a critical, open and inclusive outlook.

Terna has launched "People Experience Breaks", an innovative engagement initiative to encourage direct dialogue between the Company and employees through periodic meetings between the Head of People Organization and Change and people representing different groups within the Company in terms of age, experience, seniority, gender and origin. The initiative aims to strengthen interpersonal relations, facilitate networking across the business and improve mutual understanding between the individual and the organisation, helping to create a more cohesive, participatory working environment.

The Company took part in STEM-related events at 4 universities and 9 Career Days Talent acquisition with the aim of promoting its image as a best employer. As part of the Alternanza Scuola Lavoro work experience programme, 126 meetings were held with fourth- and fifth-year high school and technical institute students. The youngsters were involved in seminars, workshops and laboratories.

The Excellence in Safety programme has been created as part of the Terna for Health Health & Safety & Safety initiatives, aimed at developing and advancing issues relating to prevention and occupational health and safety. The programme has been fully adopted for work on the NTG and is being implemented in the procedures relating to infrastructure construction and technologies. The number of Safety Ambassadors, agents and accelerators of change, has been increased. The role involves raising awareness and engaging with other colleagues and contractors' personnel, observing and conveying feedback on safety routines and disseminating positive safety messages. As part of the Terna for Safety initiatives, the Safety Working Group set up by Terna and ANIE (the National Federation of Electrical and Electronic Businesses) has been relaunched with the aim of sharing occupational safety guidance, methods and good practices with other companies in the supply chain, above all with regard to operations involving overhead power lines and electric cables.



Financial review

for the first half of 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), which 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 Report are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2023.

Given that the requirements of IFRS 5 have been met, the total results for the first halves of 2024 and 2023 attributable to the South American subsidiaries included in the planned sale of assets, initiated 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 30 June 2024 have been reclassified to the item "Net assets held for sale" in the Group's reclassified statement of financial position, in line with the comparative amount.



The Group's reclassified income statement

The Terna Group's operating results for the first half of 2024, compared with those for the same period of the previous year, and for the second quarters of 2024 and 2023, are summarised in the following reclassified income statement, obtained by reclassifying amounts in the statutory consolidated income statement.

	Q	2				I		(€m)
2024	2023	CHANGE	% CHANGE		H1 2024	H1 2023	CHANGE	% CHANGE
896.3	772.8	123.5	16.0%	TOTAL REVENUE	1,754.4	1,485.3	269.1	18.1%
742.4	649.3	93.1	14.3%	- Regulated revenue	1,472.5	1,263.2	209.3	16.6%
23.4	16.8	6.6	39.3%	of which Revenue from construction services performed under concession	33.8	27.0	6.8	25.2%
153.8	123.4	30.4	24.6%	- Non-Regulated revenue	281.8	222.0	59.8	26.9%
0.1	0.1	-	-	- International revenue	0.1	0.1	-	-
267.0	253.6	13.4	5.3%	TOTAL OPERATING COSTS	497.2	466.1	31.1	6.7%
87.6	92.4	(4.8)	(5.2%)	- Personnel expenses	175.3	181.3	(6.0)	(3.3%)
80.0	61.8	18.2	29.4%	- Cost of services, leases and rentals	136.8	114.5	22.3	19.5%
66.5	71.8	(5.3)	(7.4%)	- Materials	130.7	121.2	9.5	7.8%
9.3	9.1	0.2	2.2%	- Other costs	17.5	17.0	0.5	2.9%
0.2	1.7	(1.5)	(88.2%)	- Quality of service	3.1	5.1	(2.0)	(39.2%)
23.4	16.8	6.6	39.3%	- Cost of construction services performed under concession	33.8	27.0	6.8	25.2%
629.3	519.2	110.1	21.2%	GROSS OPERATING PROFIT (EBITDA)	1,257.2	1,019.2	238.0	23.4%
211.9	193.6	18.3	9.5%	- Amortisation, depreciation and impairment losses	421.1	380.2	40.9	10.8%
417.4	325.6	91.8	28.2%	OPERATING PROFIT (EBIT)	836.1	639.0	197.1	30.8%
(26.9)	(27.0)	0.1	(0.4%)	- Net financial income/(expenses) (63.4		(59.1)	(4.3)	7.3%
390.5	298.6	91.9	30.8%	PROFIT/(LOSS) BEFORE TAX		579.9	192.8	33.2%
115.6	87.2	28.4	32.6%	- Income tax expense for the period	227.2	168.5	58.7	34.8%
274.9	211.4	63.5	30.0%	PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	545.5	411.4	134.1	32.6%
2.4	(3.0)	5.4	180.0%	- Profit/(Loss) for the period from assets held for sale	(0.6)	(3.5)	2.9	82.9%
277.3	208.4	68.9	33.1%	PROFIT FOR THE PERIOD	544.9	407.9	137.0	33.6%
0.7	(2.8)	3.5	125.0%	- Profit/(Loss) attributable to non-controlling interests	0.1	(3.5)	3.6	(102.9%)
276.6	211.2	65.4	31.0%	PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	544.8	411.4	133.4	32.4%
								(€m)
EBITDA BY	Y OPERATI	NG SEGN	MENT		H1 2024	H1	2023	CHANGE
Regulated	d Activitie	es			1,212.3	Ę.	189.7	222.6
Non-regu	lated Act	tivities			46.7		31.2	15.5
Internatio	nal Activi	ities			(1.8)		(1.7)	(0.1)
EBITDA					1,257.2	1,0	19.2	238.0

Gross operating profit (EBITDA) for the first half of 2024 amounts to €1,257.2 million, up €238.0 million compared with the €1,019.2 million of the first half of 2023. This reflects the improvement in EBITDA from Regulated Activities.



Revenue

(€m)

		1	
REGULATED ACTIVITIES	H1 2024	H1 2023	CHANGE
Tariff revenue and incentives	1,416.0	1,204.3	211.7
Other regulated revenue	22.7	31.9	(9.2)
Revenue from construction services performed under concession in Italy	33.8	27.0	6.8
TOTAL	1,472.5	1,263.2	209.3

Revenue from Regulated Activities is up €209.3 million, primarily due to the increase in the WACC set for 2024 and growth in the regulated asset base (RAB).

(€m)

NON-REGULATED ACTIVITIES	H1 2024	H1 2023	CHANGE
Equipment (Tamini Group and Brugg Cables Group)		142.9	22.5
Services for third parties (Connectivity, Energy Services, other)	106.1	69.9	36.2
Private interconnectors	10.3	9.2	1.1
TOTAL	281.8	222.0	59.8

The increase in revenue from Non-regulated Activities, amounting to €59.8 million, primarily reflects the increased contributions from the Tamini Group's Equipment segment (up €23.7 million), the LT Group's Energy Services (up €24.6 million) and from high voltage services (up €13.0 million).

Revenue from International Activities, relating above all to the Latin American assets in the process of being sold, is classified in "Profit/(Loss) for the period from assets held for sale", in application of IFRS 5.

Revenue was up €123.5 million in the second quarter of 2024 compared with the same period of the previous year, primarily due to the above factors.

Costs

Operating costs, excluding the cost of construction services performed under concession (up €6.8 million), are up €24.3 million compared with the first half of the previous year. This primarily reflects the increased cost of procuring materials and services linked to the growth of the Energy Services and Equipment businesses (up €19.9 million at the LT Group and €16.5 million at the Tamini Group, respectively), partially offset by a reduction in services costs and other expenses incurred by the regulated business (down €6.9 million, primarily due to a fall in advertising costs) and a decrease in personnel expenses (down €6.0 million, above all at the regulated business), reduced provisions for incentives and an increase in capitalised costs that more than offset the increase in the average workforce.

In the second quarter of 2024, costs were up €13.4 million on the same period of the previous year, in line with the performance described above.

Amortisation, depreciation and impairment losses for the period amount to €421.1 million, an increase of €40.9 million compared with the first half of 2023, primarily due to the entry into service of new infrastructure.

Operating profit (EBIT), after amortisation, depreciation and impairment losses, amounts to €836.1 million, compared with €639.0 million for the first half of 2023 (up 30.8%).

Net financial expenses for the period total €63.4 million and primarily regard the Parent Company (€63.0 million). The figure is up €4.3 million on the €59.1 million of the first six months of 2023. This broadly reflects new borrowings and a

general rise in interest rates. The increase was partially offset by an increase in income from the investment of cash and from other financial assets, a reduction in the expenses associated with the inflation-linked bonds maturing in September 2023, a decline in costs relating to the Uplift mechanism and an increase in capitalised financial expenses.

After net financial expenses, profit before tax amounts to €772.7 million, compared with €192.8 million for the same period of 2023 (up 33.2%).

Income tax expense for the period totals €227.2 million, an increase of €58.7 million compared with the first half of 2023 (up 34.8%). This reflects the growth in pre-tax profit. The tax rate of 29.4% is up compared with the 29.1% of the first half of 2023.

The profit from continuing operations amounts to €545.5 million, an increase of €134.1 million (32.6%) compared with the €411.4 million of the first half of 2023.

The loss for the period from assets held for sale amounts to €0.6 million, an improvement of €2.9 million compared with the same period of the previous year, essentially due to lower operating losses, after the adjustment to the value of the assets recognised in the comparative period in relation to initiatives in Latin America.

Profit for the period amounts to €544.9 million, up €137.0 million (33.6%) compared with the €407.9 million of the first half of 2023.

Profit for the period attributable to owners of the Parent (after excluding the share attributable to non-controlling interests) amounts to €544.8 million, up €133.4 million (32.4%) compared with the €411.4 million of the first half of 2023.

Cash flows

Operating cash flow and the change in net debt covered the cash needs linked to capital expenditure during the period and payment of the final dividend to shareholders.

CASH FLOW CASH FLOW H1 2024 H1 2023 - Profit for the period 544.9 407.9 - Amortisation, depreciation and impairment losses 421.1 380.2 - Net change in provisions (30.9)(28.6)- Net losses/(gains) on sale of assets (4.3)(9.7)Operating cash flow 930.8 749.8 - Change in net working capital (284.9)(375.3)- Other changes in property, plant and equipment and intangible assets 39.8 21.9 - Change in investments (3.8)(2.5)- Change in financial assets 120.5 4.5 Cash flow from operating activities 802.4 398.4 (1,042.4)(830.5)- Total capital expenditure Free cash flow (240.0)(432.1)Net assets held for sale 5.9 (15.0)- Dividends paid to the Parent Company's shareholders (452.3)(418.7)- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity 847.2 (10.6)attributable to owners of the Parent - Other movements in equity attributable to non-controlling interests 4.7 (5.7)165.5 Change in net debt (882.1)



The Group's reclassified statement of financial position

The Terna Group's financial position at 30 June 2024 and 31 December 2023 is summarised below in the reclassified statement of financial position, obtained by reclassifying amounts in the statutory consolidated statement of financial position.

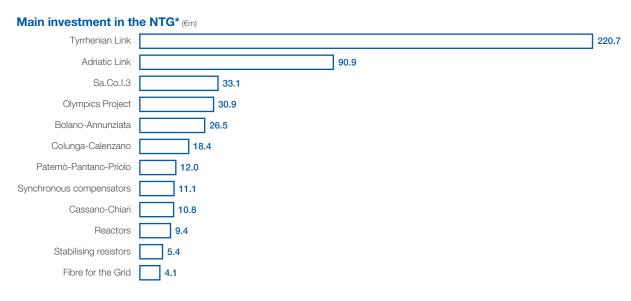
		1	(€m)
	AT 30 JUNE 2024	AT 31 DECEMBER 2023	CHANGE
Total net non-current assets	19,434.5	18,964.7	469.8
- Intangible assets and goodwill	889.8	867.2	22.6
- Property, plant and equipment	18,160.6	17,596.7	563.9
- Financial assets	384.1	500.8	(116.7)
Total net working capital	(1,890.4)	(2,174.6)	284.2
- Net energy-related pass-through payables	(811.2)	(912.0)	100.8
- Net receivables resulting from Regulated Activities	1,167.5	1,107.6	59.9
- Net trade payables	(778.3)	(937.1)	158.8
- Net tax liabilities	(101.3)	25.7	(127.0)
- Other net liabilities	(1,367.1)	(1,458.8)	91.7
Gross invested capital	17,544.1	16,790.1	754.0
Sundry provisions	(2.0)	(32.9)	30.9
Net invested capital	17,542.1	16,757.2	784.9
Net assets held for sale	74.5	80.4	(5.9)
TOTAL NET INVESTED CAPITAL	17,616.6	16,837.6	779.0
Equity attributable to owners of the Parent	7,264.1	6,324.4	939.7
Equity attributable to non-controlling interests	23.7	18.9	4.8
Net debt	10,328.8	10,494.3	(165.5)
TOTAL	17,616.6	16,837.6	779.0
		j	

The €469.8 million increase in net non-current assets compared with 31 December 2023 primarily reflects a combination of the following:

- total capital expenditure of €1,042.4 million, as summarised below and described in detail in the section on "Regulated Activities";
- amortisation and depreciation for the period, totalling €419.0 million;
- other movements during the period in "Property, plant and equipment" and "Intangible assets", amounting to a reduction of €35.6 million, including grants related to assets (down €31.9 million, primarily in relation projects financed by the Ministry for Economic Development and the EU) and disposals and impairment losses resulting in a reduction of €3.9 million;
- a reduction of €116.7 million in financial assets, broadly due to the reclassification to short-term, within debt, of Italian government bonds (down €119.1 million, with the bonds maturing in May 2025 and having an interest rate of 1.4%), a decrease in guarantee deposits received from operators participating in the capacity market in accordance with Resolution 98/2011/R/eel, as amended (down €14.1 million), after an increase in the Interconnector Guarantee Fund, set up to fund investment in interconnections by art. 32 of Law 99/09 (up €11.9 million), the acquisition, in March 2024, of a 33% stake in Wesii S.r.I., a joint arrangement (up €2.9 million) and the increase in the investment held by the subsidiary, Terna Forward S.r.I. (up €1.2 million) in the Infra Tech and Energy Tech segments of CDP Venture Capital's Corporate Partner I fund.

The Terna Group's total capital expenditure during the period, amounting to €1,042.4 million, is up 25.5% compared with the €830.5 million of the same period of 2023.

The reference The Group's The Group's strategy scenarios business Annexes



^{*} Amounts include financial expenses.

Net working capital (net current liabilities) of €1,890.4 million resulted in a cash outflow of €284.2 million compared with 31 December 2023. This reflects the combined effect of:

Cash outflows

- a reduction of €158.8 million in **net trade payables**, largely due to the increase in capital expenditure during the last part of the previous year;
- a reduction in **net energy-related pass-through payables** of €100.8 million, primarily reflecting the combined effect of:
 - a reduction in net payables linked to provision of the dispatching service (€373 million), above all with regard to the amount payable in relation to the Uplift component, reflecting recovery of the amounts receivable in previous years, accumulated following the reduction in DSM costs;
 - a reduction in payables linked to the capacity market (€108.3 million) due to the reduction in the cumulative amount collected during the period;
 - a reduction in amounts due in relation to the charges payable to the Fund for Energy and Environmental Services (Cassa per i Servizi Energetici e Ambientali - CSEA) (€8.9 million);

partially offset by

- an increase in net payables relating to essential plants for the security of the electricity system UESS (€264.1 million), reflecting items collected during the period after payments during the first half to the owners of essential plants³⁶;
- an increase in amounts payable in return for the interruptibility service (€54.7 million) following CSEA's payment of the remaining balance in the account for managing grants to cover the cost relating to this service (pursuant to Resolution 564/2023 ARERA) in preparation for application of the new mechanism for revising the tariff designed to cover such charge;
- recognition of provisions for doubtful account, amounting to €73.6 million, in relation to dispatching fees receivable that are no longer considered recoverable and for which compensation has been applied for under ARERA Resolution 5/2024³⁷;

 $^{^{\}mbox{\scriptsize 36}}$ ARERA ordered payments to the owners of essential plants via resolutions 32-44-65/2024.

³⁷ In Resolution 5/2024, ARERA set out the procedure by which Terna may recover amounts receivable that, despite attempts to recover the related amounts, are deemed not to be recoverable due to the insolvency of dispatching users and parties to virtual import contracts (entities financing interconnectors and shippers - ARERA Resolution 179/09).



- an increase in **net receivables resulting from Regulated Activities** of €59.9 million, primarily due to a combination
 - an increase in transmission charges receivable (€88.5 million) due to the tariff increase introduced by ARERA Resolution 632/2023³⁸;
 - a reduction in net payables (€36.5 million) in the form of charges deriving from the Inter-TSO Compensation (ITC) scheme³⁹, covered through the transmission charge from 2020;
 - recognition of the amount due from the system, amounting to €72.6 million, following the receipt of compensation for non-recoverable amounts receivable, as provided for in ARERA Resolution 5/2024;
 - partially offset by a reduction in receivables (€129.1 million) deriving from the three-year incentive scheme for reductions in dispatching costs (the DSM incentive, Resolutions 597/2021 and 132/2022) following collection of the annual portion of the bonus awarded for the performance in 2022 (€265.3 million) after recognition of the bonus for the first half of 2024 (€136.2 million);
- a reduction in other net liabilities of €91.7 million, primarily due to a reduction in guarantee deposits received from operators participating in the capacity market and from electricity market operators to guarantee the obligations undertaken regarding dispatching and virtual interconnection contracts (a total decrease of €132.4 million), after increases in grants related to assets received from third parties (up €24.9 million), in the Interconnector Guarantee Fund (up €11.1 million) and in staff incentives to be paid (up €5.4 million).

Cash inflows

• an increase of €127.0 million in net tax liabilities, broadly due an increase in the net amount payable in taxation (£83.6 million) following the recognition of income tax for the period after the settlement of tax due for the previous year and payments on account made in the first half, an increase in net VAT payable (up €31.8 million) and an increase in withholding tax payable on employee salaries (up €8.8 million).

Gross invested capital thus amounts to €17,544.1 million, an increase of €754.0 million compared with 31 December 2023.

Sundry provisions are down €30.9 million, primarily due to:

- the recognition of net deferred tax assets (down €18.6 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 €3.3 million), for litigation and disputes (down €2.1 million), for urban and environmental redevelopment schemes (down €1.6 million) and for personnel expenses (down €1.9 million).

Net assets held for sale, totalling €74.5 million at 30 June 2024, are down €5.9 million compared with 31 December 2023, primarily due to an increase in trade payables and a reduction in investment in the infrastructure operated under concession in Brazil.

Total net invested capital, including assets held for sale, amounts to €17,616.6 million, marking an increase of €779.0 million compared with 31 December 2023. This is financed by equity attributable to owners of the Parent, totalling €7,264.1 million (up €939.7 million compared with the €6,324.4 million of 31 December 2023, primarily due to recognition of the equity reserve for the hybrid green bonds, amounting to €842.0 million), equity attributable to non-controlling interests of €23.7 million (€18.9 million at 31 December 2023) and net debt of €10,328.8 million (down €165.5 million compared with the €10,494.3 million of 31 December 2023).

^{38 &}quot;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.

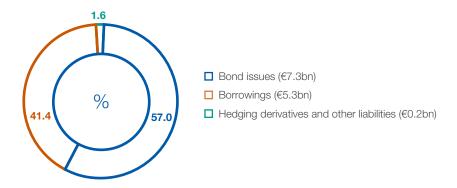
³⁹ Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows.

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 30 June 2024 amounts to approximately €13 billion, consisting of approximately €7.3 billion in the form of bond issues, approximately €4.4 billion in bank borrowings and €0.9 billion in short-term 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 Euro Medium Term Notes (EMTN) Programme, increased from €9 billion to €12 billion in June 2024, and in which a large number of Italian and overseas banks participate. This is 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 30 June 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 the first six months of 2024.

The senior green bonds issued by Terna at 30 June 2024, under its €12,000,000,000 Euro Medium Term Notes (EMTN) programme amount to €2.25 billion, in addition to the two issues of perpetual, subordinated green bonds, amounting to a total of €1.85 billion.

With regard to bond issues, on 4 April 2024, Terna successfully launched a perpetual, subordinated, hybrid, nonconvertible, 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
- 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.

The senior green bonds issued by Terna are listed in Borsa Italiana's ExtraMOT PRO segment, created to offer institutional and retail investors the opportunity to identify instruments where the proceeds are used to fund projects providing specific environmental and social benefits.

At 30 June 2024, Terna has also agreed a number of ESG linked Term Loans amounting to €500 million, three ESG linked Revolving Credit Facilities amounting to a total of approximately €4.2 billion and, a €1 billion Euro Commercial Paper (ECP) programme for the issue of notes and ESG notes. Confirmation of the Company's ongoing commitment to the achievement of sustainability goals, a Share Buyback Programme was again authorised. The shares will be used to service the new Performance Share Plan 2024-2028, which also includes a series of penalties for the Company's failure to achieve specific environmental, social and governance (ESG) objectives.

With regard to the ESG-linked Revolving Credit Facilities, on 15 April 2024, the Company signed an amendment and restatement agreement increasing the value of the Facility, agreed in May 2023 (amounting to €1.8 billion), to €2.255 billion. In addition, on 29 May 2024, the Company agreed a new ESG-linked Revolving Credit Facility with Intesa Sanpaolo, amounting to €250 million and having a term of five years.

In addition, on 4 July 2024, an ESG-linked Term Loan, amounting to €200 million and having a maximum term of five years, was agreed with Unicredit.

The reference The Group's The Group's scenarios business Annexes strateav

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 Nasdag 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 at 30 June 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 nominal value of €850 million, a term of seven 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%.

On 7 June 2024, Terna S.p.A. renewed its Euro Medium Term Note Programme (EMTN), raising the maximum amount for subscription to €12 billion. IMI - Intesa Sanpaolo and UniCredit acted as Joint Arrangers for the programme.



Net debt

The Group's net debt at 30 June 2024 amounts to €10,328.8 million, a reduction of €165.5 million compared with 31 December 2023.

			(€m)
	30 JUNE 2024	31 DECEMBER 2023	CHANGE
NET DEBT (BY TERM TO MATURITY)			
Total medium/long-term debt	10,845.2	9,556.5	1,288.7
- Bond issues	6,513.7	5,664.2	849.5
- Borrowings	4,290.4	3,745.0	545.4
- Derivative financial instruments	41.1	147.3	(106.2)
Total short-term debt/ (funds)	(516.4)	937.8	(1,454.2)
- Bond issues (current portions)	810.4	826.4	(16.0)
- Short-term borrowings	884.4	1,201.7	(317.3)
- Borrowings (current portions)	169.0	558.2	(389.2)
- Other current financial liabilities net	150.7	106.4	44.3
- Derivative financial instruments	1.2	(0.3)	1.5
- Financial assets	(787.5)	(376.4)	(411.1)
- Cash and cash equivalents	(1,744.6)	(1,378.2)	(366.4)
Total net debt	10,328.8	10,494.3	(165.5)
NET DEBT (BY TYPE OF INSTRUMENT)			
- Bond issues	7,324.1	6,490.6	833.5
- Borrowings	4,459.4	4,303.2	156.2
- Short-term borrowings	884.4	1,201.7	(317.3)
- Derivative financial instruments	42.3	147.0	(104.7)
- Other financial liabilities, net	150.7	106.4	44.3
GROSS DEBT	12,860.9	12,248.9	612.0
- Financial assets	(787.5)	(376.4)	(411.1)
- Cash and cash equivalents	(1,744.6)	(1,378.2)	(366.4)
Total net debt	10,328.8	10,494.3	(165.5)
Net debt attributable to net assets held for sale	(10.3)	(10.8)	0.5

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

- an increase in bond issues of €833.5 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 €156.2 million, primarily due to the net impact of two new loans totalling €750 million, and the repayment of bank borrowings totalling €500.0 million and repayments falling due on existing EIB loans;

- a reduction in short-term borrowings of €317.3 million, essentially due to the Parent Company's repayment of short-term credit facilities and commercial paper;
- a decline of €104.7 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 €44.3 million), essentially due to the recognition of accrued interest on financial products;
- an increase in financial assets (€411.1 million), following an increase in investments in view of the greater amount of available liquidity and the inclusion in debt of government securities reclassified to short-term (previously presented in non-current financial assets and amounting to €119.8 million);
- an increase in cash and cash equivalents of €366.4 million. Cash amounts to €1,744.6 million at 30 June 2024, including €1,573.1 million invested in short-term, readily convertible deposits and €171.5 million held in bank current accounts and as cash in hand.

Negative net debt attributable to assets held for sale, amounting to €10.3 million at 30 June 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 €6.8 million and cash and cash equivalents of approximately €3.5 million.

Reconciliation of the Group's profit for the period and equity with the corresponding amounts for the Parent Company

The reconciliation of consolidated equity and consolidated profit and the corresponding amounts for the Parent Company is shown below.

PROFIT FOR **EQUITY** AT 30 JUNE 2024 H₁ 2024 Financial statements of Terna S.p.A. 506.7 6.788.6 Difference between equity in the financial statements, including profit/(loss) for the period, and the 53.4 1,896.4 carrying amounts of investments in consolidated companies Consolidation adjustments: - Intragroup dividends: (227.2)(5.6)- Elimination of unrealised intragroup profits net of the related taxation and other minor adjustments (10.1)(1,204.7)4.5 - Foreign currency translation reserve - Measurement of companies using the equity method 30.2 7,287.8 Total consolidated financial statements 544.9 Non-controlling interests 23.7 Terna Group's consolidated financial statements 544.8 7,264.1

(€m)



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 June 2024, the share price has risen 325% (a capital gain), providing a Total Shareholder Return (TSR40) of 1,116%, ahead of both the Italian market (the FTSE MIB, up 150%) and the relevant European sector index (DJ Stoxx Utilities), which has risen 334%.

Europe's leading stock markets rose during the first half of 2024, except for Paris which closed down 0.8%. Milan, which continues to outperform all the other European markets, gained 9.2%, Madrid and Frankfurt rose 8.3% and 5.7% and London gained 5.6%.

Terna's shares closed the half at €7.218, having fallen 4.4% from 31 December 2023. This was better than the relevant European sector index (DJ Stoxx Utilities), which was down 6.1%. The daily average volume traded during the period amounted to approximately 4.4 million. It should be noted that the ex-dividend date for the final dividend for 2023, amounting to 22.50 euro cents per share, was 24 June. In addition, the share price reached a first half high of €7.938 on 16 May 2024.

Performance of Terna's shares (Price from 1 January to 28 June 2024)

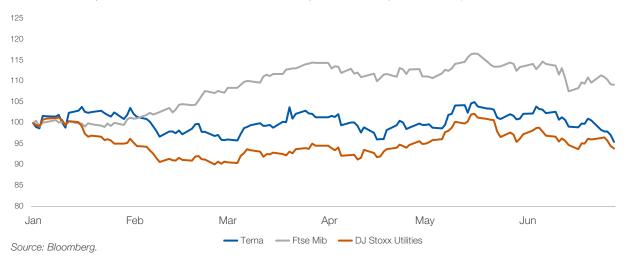


Total Shareholder Return (TSR): total return on an equity investment, calculated as the sum of:

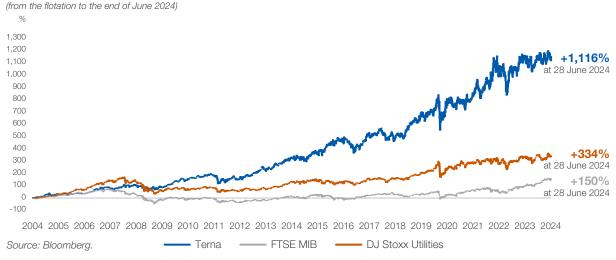
I. capital gain: the change in the share price (difference between the price at the end and at the beginning of the relevant period) as a percentage of the price at the beginning of the period;

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



Weighting of Terna's shares

	H1 2024	H1 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.



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. Continued geopolitical tensions and an escalation of current military conflicts are among the main risk factors that could 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.

The sharp acceleration in investment in 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. Work will continue on construction of the main converter station buildings and installation of the terrestrial cable ducts for the East Link. Work is also due to start on construction of the civil works for both the converter stations and on the terrestrial cable ducts for the West Link. In addition, following the award of key contracts earlier in the year, work on the detailed design for the cables and converter stations for the Adriatic Link has also begun. As regards Sa.Co.I.3, the final marine surveys for the cables have begun and preparations are under way for work to begin on construction of the overhead line in Corsica. Detailed design of the converter stations and preliminary surveys at Suvereto and Codrongianos are under way.

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 during the rest of the year, 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 the output-based regulatory mechanisms introduced by ARERA, above all with regard to reducing dispatching costs (Dispatching Service Market incentives) and delivering additional interzonal transmission capacity (interzonal incentives). The Group is committed to maintaining the performance levels achieved during the observation period. 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 (making use of the fibre network) and Energy Services, developing high value-added services for corporate customers and exploiting market opportunities, in part by reinforcing the LT Group's market leadership by 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. The strategic assessment of further opportunities, 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.

Establishment of the Terna Foundation, one of the main new initiatives included in the Sustainability Plan presented on 19 March 2024, is expected to take place by the end of the year.

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.







gulatory framework d other information

Summary of the principal legislative measures

A brief description is provided below of the principal legislation of interest to the Group issued during the first half of 2024 and up to the date of preparation of this Half-year Report.

Law Decree 161 of 15 November 2023, containing urgent measures on the «Mattei Plan» for the development of African states, converted into Law 2 of 11 January 2024, published in the Official Gazette of 13 January 2024 (the Piano Mattei Law Decree)

The Decree establishes a Steering Committee to coordinate, monitor and implement the Mattei Plan, in which the representatives of state-owned companies, industrial companies, universities and research centres, civil society, the third sector and other public and private bodies will take part. These include Terna, as indicated in the later Cabinet Office Decree of 6 March 2024. The Decree has also established a Mission Unit to support the Government initiatives, to be partly staffed by personnel from the state-owned companies taking part in the Plan.

Law Decree 181 of 9 December 2023, containing urgent measures on the country's energy security, promoting the use of renewable sources, support for energy-intensive businesses and the functioning of the retail electricity market, converted into Law 11 of 2 February 2024, published in the Official Gazette of 7 February 2024 (the Sicurezza energetica Law Decree)

The Decree contains measures regarding electricity grid infrastructure: efficient planning of the NTG through the establishment of a Digital Portal managed by Terna; joint consent for primary substations for distribution providers and the related connections to the NTG; extension beyond 30 June 2024 of the exemption from the EIA procedure for certain projects relating to renewable energy plants located in eligible areas and for electricity infrastructure projects involving the connection of renewable energy plants or development of the NTG, or for projects involving the storage of renewable energy produced in the areas included in the Development Plan and that have already undergone a successful strategic environmental assessment (SEA).

Legislative Decree 221 of 30 December 2023, containing provisions on cooperative compliance, published in the Official Gazette of 3 January 2024 (the Adempimento collaborativo Legislative Decree)

The Decree, implementing the Delegated Law for the Tax Reform, contains measures designed to strengthen the cooperative compliance scheme, revising the related requirements, duties, effects, responsibilities and procedures. Cooperative compliance consists of a new approach to relations between the tax authority and large taxpayers, through prearranged engagement designed to resolve issues that could give rise to tax risk prior to filing tax returns or fulfilling other tax obligations. The Decree provides for the issue of a second Decree containing a code of conduct for taxpayers participating in the cooperative compliance scheme (the Ministry of the Economy and Finance Decree of 7 June 2024).

Legislative Decree 1 of 8 January 2024, rationalising and simplifying the legislation on tax compliance, published in the Official Gazette of 12 January 2024 (the Adempimenti tributari Legislative Decree)

The legislation, implementing the Delegated Law for the Tax Reform, provides for: reorganisation of summary tax reliability indices and an increase in the systems designed to reduce the cost of compiling the forms for tax reliability indices; reform of the deadlines for filing tax returns; exclusion of the expiry of the benefit where a taxpayer fails to declare tax credits in their tax return when required to do so; an increase in the threshold for exemption from the need for an auditor's stamp when offsetting tax credits; simplification of the annual declaration to be filed by withholding agents.

The reference scenarios

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Law Decree 4 of 18 January 2024, containing urgent measures regarding extraordinary administration of strategic companies, converted into Law 28 of 15 March 2024, published in the Official Gazette of 18 March 2024 (the ex ILVA Law Decree)

The Decree provides for admission to the extraordinary administration procedure of companies of a strategic nature in the defence, national security and electronic communications sectors, and companies that own networks and plants of strategic importance in the energy, transport and telecommunications sectors, when they have had no less than 40 permanent employees for at least one year.

Law Decree 10 of 5 February 2024, containing urgent measures on governance and projects under the responsibility of the company, Infrastrutture Milano Cortina 2020-2026 S.p.A., converted into Law 42 of 27 March 2024, published in the Official Gazette of 5 April 2024 (the Infrastrutture Milano-Cortina Law Decree)

This Decree establishes that regional authorities, the self-governing provinces of Trento and Bolzano and the municipalities involved in hosting the Milan Cortina Winter Olympics in 2026 can authorise the temporary occupation of areas neighbouring those where sporting facilities and the related infrastructure are to be built, as defined in the Master Plan for the Olympic Works, if this is necessary to ensure the use and functionality of the facilities and infrastructure, and the running of the event.

Law 14 of 21 February 2024, delegating the Government to transpose European directives and implement other EU legislation, published in the Official Gazette of 24 February 2024 (Europe Delegated Law 2022-2023)

The Law introduces delegation principles and criteria for applying EU directives on cybersecurity; the resilience of critical entities; the protection of workers against the risks of exposure to carcinogens and mutagens at work; application of the equal pay principle for men and women; reducing greenhouse gas emissions; corporate sustainability reporting.

Law Decree 19 of 2 March 2024, containing further urgent measures on implementation of the national recovery and reliance plan (NRRP), converted into Law 56 of 29 April 2024, published in the Official Gazette of 30 April 2024 (the PNRR Law Decree)

The Decree contains measures regarding: application of provisions relating to equal opportunities, social inclusion and disability in contracts relating to projects funded by the NRRP; the validity of EIAs awaiting extension; extension of the validity of Single Consents awaiting formal extension and simplification of the consents procedures for previously consented work on connections to primary substations. It contains measures relating to governance of the NRRP, including the update of the REGIS information system by parties involved in implementing projects.

Law 21 of 5 March 2024, containing measures to support capital competitiveness and delegating the Government to carry out an organic reform of capital markets legislation contained in the consolidated law in Legislative Decree 58 of 24 February 1998 and provisions regarding joint-stock companies contained in the Civil Code and also applicable to issuers, published in the Official Gazette of 12 March 2024 (the Capitali Law) With regard to procedures for the conduct of shareholder meetings held by 31 December 2024, the Decree confirms application of the legislation on: electronic or postal voting; participation in meetings via telecommunications channels; appointment of the designated representative for listed companies. It introduces legislation simplifying access to and the regulation of capital markets.

Ministry of the Economy and Finance Decree of 3 May 2024, containing amendments to table A annexed to the Decree of 6 August 2021, containing "Allocation of the financial resources provided for implementation of the projects included in the NRRP and the time distribution of deadlines and objectives for compliance with half-yearly reporting requirements", as amended, published in the Official Gazette of 10 June 2024 (the MEF Risorse finanziarie PNRR Ministerial Decree)

The Decree confirms the amounts regarding projects covered by the NRRP and for which the Ministry of the Environment and Energy Security is responsible. These specifically regard include the Tyrrhenian Link (€500,000,000.00) and Sa.Co.I.3 (€200,000,000.00) projects and projects relating to the Intelligent Transmission Grid (€140,000,000.00).

Law Decree 60 of 7 May 2024, containing further urgent measures regarding cohesion policies, converted into Law 95 of 4 July 2024, published in the Official Gazette of 6 July 2024 (the Coesione Law Decree)

The Decree sets out Italy's legislative framework for implementing European cohesion policies in the planning period 2021-2027 in strategic sectors, including energy. Priority has been given to strategic projects and those of public utility that have been assessed and that are unfunded. Funding of €1,026 million has been provided for the regeneration of industrial sites in the Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily regions with the aim of also increasing the capacity of the distribution and transmission grid to handle growing quantities of renewable energy. Contribution holidays



are also available for companies hiring people under the age of 35 and women, resident in the regions included in the unified special economic zone covering southern Italy, between 1 September 2024 and 31 December 2025.

Ministry of the Environment and Energy Security Decree 180 of 9 May 2024, published in the Official Gazette of 18 May 2024

The Decree approves the regulations for the system for remunerating available electricity production capacity for auctions for delivery years 2025, 2026, 2027, 2028 and defines the target level for the adequacy indicator for the national electricity system.

Law Decree 63 of 15 May 2024, containing urgent measures for agricultural, fishing, and fish-farming businesses and for nationally strategic companies, converted into Law 10 of 12 July 2024, published in the Official Gazette of 13 July 2024 (the *Agricoltura* Law Decree)

The legislation has amended art. 20 of Legislative Decree 199/2021 regarding the identification of eligible areas and introduces restrictions on the installation of photovoltaic plants involving the location of solar panels on agricultural land. These restrictions do not apply to projects for which, at the date on which the Decree enters into effect, at least one administrative procedure, including an environmental assessment, needed to obtain consent for construction and operation of the plants and related works, has been initiated or at least one of the related consents has been obtained.

Legislative Decree 87 of 14 June 2024, containing a reform of tax penalties, pursuant to article 20 of Law 111 of 9 August 2023, published in the Official Gazette of 28 June 2024 (the Revisione sistema tributario Legislative Decree) The Decree, implementing the Law delegating the Government to reform the tax system, contains the criteria and guidelines for reforming tax penalties.

Law 86 of 26 June 2024, containing measures for granting differentiated autonomy to regions with ordinary constitutions pursuant to article 116, paragraph three of the Constitution, published in the Official Gazette of 28 June 2024 (the Autonomia Differenziata Law)

The law sets out the general principles for granting regions with ordinary constitutions further forms of autonomy under certain conditions, in implementation of article 116, paragraph 3 of the Constitution and the procedures for approving agreements between Central Government and regional authorities. It delegates the Government to determine essential levels for services (LEP), including those relating to manufacturing, transport and the national energy distribution.

Law 90 of 28 June 2024, containing measures regarding improvements to national cybersecurity and cybercrime, published in the Official Gazette of 2 July 2024 (the Cybersicurezza Law)

For persons included within the scope of national cybersecurity, the Law contains legislation regarding the reporting of incidents and the actions to be taken following a warning of vulnerabilities from the National Cybersecurity Agency. It identifies the essential elements of cybersecurity that the providers of public services included in the scope of national cybersecurity must take into account in the procurement of IT goods and services.

Ministry of the Environment and Energy Security Decree of 21 June 2024, containing measures governing the identification of eligible surfaces and areas for the installation of renewable energy plants, published in the Official Gazette of 2 July 2024 (the Aree Idonee Ministerial Decree)

The Decree allocates the additional 80 GW of renewable capacity with respect to 31 December 2020 among the various regions and self-governing provinces and establishes standard principles and criteria for identifying surfaces and areas eligible and ineligible for the installation of renewable energy plants. In identifying eligible areas, regional authorities must also take into account grid infrastructure and electricity demand, the location of demand, any grid restrictions and the potential for grid development.

Resolutions of the Italian Regulatory Authority for Energy, Networks and the Environment

A list is provided below of the principal resolutions adopted by Italy's Regulatory Authority for Energy, Networks and the Environment (ARERA) during 2024 and up to the date of preparation of this Half-year Report.

ARERA determinations on the remuneration of transmission and dispatching services

• Resolution 55/2024/R/eel - Approval of output-based regulation of the electricity transmission service for the period 2024-2027.

ARERA determinations on the provision of transmission and dispatching services

- Resolution 5/2024/R/eel Definition of the criteria and procedures for identifying and managing uncollected and otherwise non-recoverable receivables due to Terna.
- Resolution 60/2024/R/eel Closure of the preliminary investigation, launched by Resolution 475/2023/R/eel, into imbalance pricing, following the start-up of Terna's operation on the European "PICASSO" platform and further measures in this regard.
- Resolution 99/2024/R/eel Additions to the criteria, set out in Resolution 430/2022/R/eel, for the remuneration of major electricity production plants that use fuels other than natural gas, subject to maximisation obligation pursuant to article 5-bis of Law Decree 14 of 25 February 2022.
- Resolutions 145/2024/R/eel and 185/2024/R/eel Compliance review of Terna S.p.A.'s proposals for amendment of the capacity market regulations and the related technical operational requirements.
- Resolution 199/2024/R/eel Economic criteria for capacity market auctions for delivery years 2025, 2026, 2027 and 2028.
- Resolution 224/2024/R/eel Approval of the operational procedures for the Portal for the efficient programming of NTG infrastructure developed by Terna S.p.A. pursuant to article 9 of Law Decree 181/23.

Further details of the above resolutions, and information on further resolutions adopted by the regulator (ARERA), can be found on the regulator's website at www.arera.it.

Other information

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

Treasury shares

At the date of the Annual General Meeting held on 10 May 2024, the Parent Company held 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 202341;

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.

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

⁴¹ 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

https://download.terna.it/terna/2020.08.10_CS%20TERNA%20operazioni%20su%20azioni%20proprie%20CHIUSURA%20 ITA 8d83d42cfd43cb6.pdf



In the period between 10 May 2024 and 4 June 2024, the Parent Company allotted 1,060,240 treasury shares to the beneficiaries of the Performance Share Plan 2021-2025.

To date, Terna thus holds a total of 3,153,420 treasury shares (equal to 0.16% of the share capital). The Company does not hold any additional treasury shares, including through subsidiaries.

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 half.

Related party transactions

Given that Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A., a situation ascertained in 2007, related party transactions entered into by Terna during the first half of 2024 include transactions with associates and employee pension funds (Fondenel and Fopen), as well as transactions with Cassa Depositi e Prestiti itself, with CDP Reti S.p.A. and with the companies directly or indirectly controlled by the Ministry of the Economy and Finance ("MEF").

Related party transactions in the first half of 2024 primarily regard services forming part of its ordinary activities and provided under normal market conditions, as described in greater detail in the consolidated and separate financial statements for the year ended 31 December 2023⁴².

The Parent Company's corporate governance rules ensure that such transactions are conducted in accordance with the rules governing procedural and substantial correctness and on an arm's length basis, and in keeping with the regulations for transparent reporting to the market and in implementation of the regulations issued by the CONSOB43.

No material transactions⁴⁴ were carried out in the first half of 2024, nor were any transactions subject to the reporting requirements applicable in the event of exemptions applied in accordance with the relevant regulations⁴⁵.

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

Pursuant to art. 3 of CONSOB Resolution 18079 of 20 January 2012, Terna has elected to adopt the simplified regime provided for in articles 70, paragraph 8, and 71, paragraph 1-bis of CONSOB Regulation 11971 of 14 May 1999, as amended (the CONSOB Regulations for Issuers). As a result, Terna exercises the exemption from disclosure requirements provided for in the above Regulations in respect of transactions of a significant nature involving mergers, spin-offs, capital increases involving contributions in kind, acquisitions and disposals.

⁴² Relations with members of the Parent Company's Board of Statutory Auditors, with particular regard to their remuneration, are described in the notes to the item, "Services" in the notes to the consolidated and separate financial statements for the year ended 31 December 2023. In addition, in implementation of CONSOB Resolutions 18049 of 23 December 2011 and 21623 of 10 December 2020, disclosures regarding the remuneration of "members of management and supervisory bodies and general managers", and their shareholdings in the Company and those of the other persons referred to in the above article, are included in the annual Report on the Remuneration Policy and Remuneration Paid published in accordance with the law.

⁴³ The Regulation containing provisions regarding related party transactions adopted in CONSOB Resolution 17221 of 12 March 2010, as amended. The Regulation was last amended by Resolution 22144 of 22 December 2021, the provisions of which come into effect from 31 December 2021.

⁴⁴ These are related party transactions classified in compliance with Annex 3 to the "Regulations on related party transactions".

⁴⁵ As "transactions falling within the scope of the ordinary activities of the Company or its subsidiaries or associates or of financing activities related thereto, provided that the transactions are conducted on equivalent to market or standard terms and conditions".

Changes to the dimensions of the NTG

Details of electricity substations owned by the Terna Group*

			1		
	UNIT OF MEASUREMENT	AT 30 JUNE 2024	AT 31 DECEMBER 2023	CHANGE	% CHANGE
380 kV					
Substations	no.	171	171	-	-
Power transformed	MVA	129,647	128,447	1,200	0.93%
220 kV					
Substations	no.	151	152	(1)	(0.66%)
Power transformed	MVA	34,780	34,530	250	0.72%
Lower voltages (≤ 150 kV)					
Substations	no.	588	587	1	0.17%
Power transformed	MVA	4,633	4,573	60	1.31%
Total					
Substations	no.	910	910	-	-
Power transformed	MVA	169,060	167,550	1,510	0.90%

^{*} MVA calculated to the third decimal place and rounded to a whole number. Percentages calculated to the fifth decimal place and rounded to the second decimal place.



Details of power lines owned by the Terna Group*

	UNIT OF MEASUREMENT	AT 30 JUNE 2024	AT 31 DECEMBER 2023	CHANGE	% CHANGE
380 kV					
Length of circuits	km	13,068	13,029	39	0.30%
Length of lines	km	11,876	11,848	28	0.23%
220 kV					
Length of circuits	km	11,895	11,936	(41)	(0.34%)
Length of lines	km	9,493	9,525	(32)	(0.33%)
Lower voltages (≤ 150 kV)					
Length of circuits	km	50,167	50,176	(9)	(0.02%)
Length of lines	km	46,938	46,948	(10)	(0.02%)
Total					
Length of circuits	km	75,130	75,140	(11)	(0.01%)
overhead	km	70,825	70,865	(41)	(0.06%)
underground cables	km	2,509	2,479**	30	1.20%
submarine cables	km	1,796	1,796**	-	-
Length of lines	km	68,307	68,321	(14)	(0.02%)
overhead	km	64,002	64,046	(44)	(0.07%)
underground cables	km	2,509	2,479**	30	1.20%
submarine cables	km	1,796	1,796**	-	-
Incidence of direct current connections (200 - 380 - 500 kV)					
Circuits	km	2,573	2,535		
% of total		3.42%	3.37%		
Lines	km	2,253	2,215		
% of total		3.30%	3.24%		

Km calculated to the third decimal place and rounded to a whole number. Percentages calculated to the fifth decimal place. It should be noted that the figures only include assets that have entered service and for which a physical census has been completed.

Principal changes in the size of the Terna Group's infrastructure

Substations

New infrastructure:

The following substations have been commissioned:

- construction of the San Marco dei Cavoti switching station (7 150 kV bays).

Existing infrastructure:

- demolition of the Tavazzano East substation (4 220 kV bays available and 3 150 kV bays available).
- commissioning of 14 new line bays for the substations at Alessandria North (1 132 kV bay), Sesto San Giovanni (1 220 kV bay), Gadio (3 220 kV bays), Tavazzano (1 220 kV bay), Rotello 380 (1 150 kV bay), Erchie (1 150 kV bay), Cerignola (1 150 kV bay), Maida (1 150 kV bay), Pontelandolfo (1 150 kV bay) and San Marco dei Cavoti (3 150 kV bays).
- commissioning of 17 new machine bays for the substations at Alessandria North (1 132 kV bay), Magenta (2 380 kV bays), Auronzo (2 220 kV bays), Bisaccia 380 (1 380 kV bay), Melfi (2 380 kV bays and 2 150 kV bays), Cerignola (2 150 kV bays), Belcastro 380 (1 380 kV bay), Francoforte (1 150 kV bay), Carnate RT (1 150 kV bay), Milano Rogoredo RT (1 150 kV bay) and Verona Santa Lucia (1 150 kV bay).
- commissioning of 4 new parallel bays for the substations at Melfi (1 150 kV bay), Cerignola (1 150 kV bay), San Marco dei Cavoti (1 150 kV bay) and Arquata RT (1 132 kV bay).
- commissioning of 3 new coupling bays for the substations at Cerignola (1 150 kV bay) and Melfi (2 150 kV bays).
- commissioning of 1 new factor corrector bay for the substation at Collesalvetti (1 150 kV bay).
- demolition of 5 bays at the substations of Alessandria North (2 150 kV line bays), Ciminna (1 150 kV line bay and 1 150 kV machine bay due to updated amounts) and Milan Rogoredo RT (1 150 kV line bay).

The figures have been restated following an adjustment to the type of cable, without modifying the over figure for the assets.

Annexes

Transformers

The following transformers have been **commissioned**:

- commissioning of 2 380/132 kV and 380/220 kV autotransformers of 250 and 400 MVA at the Magenta substation.
- commissioning of 2 220/132 kV 250 MVA autotransformers, one at the Auronzo substation.
- commissioning of 1 132/MT 40 MVA transformer at the Udine North-East substation.
- commissioning of 1 380/150 kV 400 MVA autotransformer at the Bisaccia 380 substation.
- commissioning of 1 150/MT kV 16 MVA transformer at the Galatina substation.

and the following further changes occurred:

- replacement of 1 132/66 kV 25 MVA transformer with one of equal capacity at the Savona substation.
- replacement of 1 132/15 kV 25 MVA transformer with one with capacity of 40 MVA at the Alessandria North substation.
- retirement of 1 220/132 kV 250 MVA autotransformer at the Magenta substation.
- decommissioning of 1 132/MT kV 79 MVA transformer at the Villabona substation, recommissioned at the Udine North-East substation.
- decommissioning of 2 132/MT kV transformers of 40 and 50 MVA at the Udine North-East substation.
- replacement of 1 380/150 kV 250 MVA autotransformer with one with capacity of 400 MVA at the Deliceto substation.

Power lines

- construction of 2 new cable lines Lasa PS Lasa and Lasa Laces PS for the Lasa ES (2 x 0.2 km).
- construction of the new Canaro PS Ferrara RT line (7.985 km).
- construction of 20 new lines connecting to producers: Terna ES Cattolica Eraclea ES Cattolica Eraclea plant, Sambuca ES - Lago Arancio plant, Sambuca ES - Rocca Ficuzza plant, Villafrati ES - Eolica Maridiana plant, Castel di Lucio ES - Eolica Minerva plant, Marianapoli ES - Mimiamiwind plant, Cammarata ES - Aerorossa plant, Petralia ES - Petralia plant, Butera ES - Butera 1 plant, Butera ES - Butera 2 plant, Vizzini ES - Idas plant, Sortino ES - Eolica Carlentini 2 plant, Mineo ES - Callari plant, Vizzini ES - Trinacria Eolica plant, Patti ES - Minerva Messina plant, Licodia Eubea ES - Licodia Eubea plant, Mineo ES - IVPC Mineo Plant, Ucria ES - Nebrodi plant, Francavilla ES - Alcantara plant, Carlentini ES - IVPC Carlentini plant (total 0.171 km).
- construction of the new Fiumesanto Latina 2 line (SA.PE.I) (Fiumesanto Tramontana) (38.3 km).
- construction of the new Sulmona switching station Metaenergia line (0.01 km).
- construction of the new Termoli switching station Metaenergia line (0.01 km).
- construction of the new Fano ET Fano ZI 2 line (6.487 km).
- deployment of 2 in-out derivations with a total increase of 2 circuits and removal of 0.077 km of circuit.
- construction of variants, rigid derivations, re-routings and/or changes to grid distribution adding a total of 2 lines and a reduction of 14.866 km of circuits, including: +0 lines and -0.805 km at 220 kV, +2 lines and +2.893 km at 150 kV, -4 lines and -15.664 km at 132 kV, +0 lines and -1.290 km at 70 kV.
- demolition and/or retirement of 7 lines making 18.626 km of circuit: Belviso Teglio 1 (-0.1 km), Castelbello -Mezzocorona cd Bolzano, San Floriano (-1.915 km), Udine Rotonda - Udine South cd ABS (-1.406 km), Turbogas T1 - Carpi Fossoli (-1.1 km), Montebello SCRI - Montebello RFI (-0.15 km), Villavalle - San Dalmazio (-11.335 km), Strassoldo - Redipuglia RT (dt 015G) (-2.620 km).



Alternative performance measures (APMs)

In accordance with the guidelines in ESMA/2015/1415, the APMs used in this Half-year 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.		

Reconciliations

In accordance with the guidelines in ESMA/2015/1415, reconciliations of the reclassified income statement and statement of financial position and of net debt and cash flow of the Terna Group with the related statutory income statement and statement of financial position are shown below.

Reconciliation of the Terna Group's reclassified income statement and statement of financial position and net debt

THE GROUP'S RECLASSIFIED INCOME STATEMENT	€M	CONSOLIDATED INCOME STATEMENT
Regulated revenue	1,472.5	
Non-regulated revenue	281.8	"Revenue from sales and services", totalling €1,728.3 million, "Other revenue and income",
Revenue from International Activities	0.1	totalling €26.1 million
Personnel expenses	175.3	"Personnel expenses" after the cost of construction services performed under concessions in Italy in accordance with IFRIC 12 (€7.9 million)
Cost of services, leases and rentals	136.8	"Services" after the cost of construction services performed under concessions in Italy in accordance with IFRIC 12 (€18.6 million)
Materials	130.7	"Raw and consumable materials used" after the cost of construction services performed under concessions in Italy in accordance with IFRIC 12 (€7.3 million)
Other costs	17.5	"Other operating costs"
Quality of service	3.1	Other operating costs
	7.9	"Personnel expenses"
Cost of construction services performed under concession	18.6	"Services"
	7.3	"Raw and consumable materials used"
Net financial income/ (expenses)	(63.4)	Points 1, 2 and 3 of letter C-"Financial income and expenses"



€M	
· · · ·	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
384.1	"Investment accounted for using the equity method", "Other non-current assets" and "Non-current financial assets", after the value of cash flow hedges (€24.3 million)
(811.2)	"Trade receivables" relating to the value of energy-related pass-through receivables (€746.9 million) and "Trade payables" relating to the value of energy-related pass-through payables (€1,558.1 million)
1,167.5	"Trade receivables" relating to the value of receivables resulting from Regulated Activities (€1,241.4 million) and "Trade payables" relating to the value of payables resulting from Regulated Activities (€73.9 million)
(778.3)	"Trade payables" after the value of energy-related pass-through payables (€1,558.9 million) and payables resulting from Regulated Activities (€73.9 million) and "Trade receivables" after the value of energy-related pass-through receivables (€746.9 million) and the value of receivables resulting from Regulated Activities (€1,241.4 million)
(101.3)	"Tax assets", "Other current assets" relating to the value of other tax assets (€28.9 million), "Other current liabilities" relating to the value of other tax liabilities (€51.4 million) and "Tax liabilities"
(1,367.1)	"Other non-current liabilities", "Other current liabilities" after other tax liabilities (€51.4 million), "Inventories", "Other current assets" after other tax assets (€28.9 million)
(2.0)	"Employee benefits", "Provisions for risks and charges" and "Deferred tax assets"
74.5	"Assets held for sale" and "Liabilities related to assets held for sale"
10,328.8	"Long-term borrowings", "Current portion of long-term borrowings", "Non-current financial liabilities", "Short-term borrowings", "Cash and cash equivalents", "Current financial assets", "Current financial liabilities" and "Non-current financial assets" relating to the value of cash flow hedges (€24.3 million)
	(811.2) 1,167.5 (778.3) (101.3) (1,367.1) (2.0) 74.5

THE GROUP'S ANALYSIS OF NET DEBT	€M	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
"Bond issues" and "Borrowings"	11,783.5	Corresponds with "Long-term borrowings" and "Current portions of long-term borrowings"
"Derivative financial instruments" – short- and medium/long-term	42.3	Corresponds with "Non-current financial liabilities", "Non-current financial liabilities" relating to the value of cash flow hedges (€24.3 million), "Current financial assets" relating to the value of cash flow hedges (€0.2 million) and "Current financial liabilities relating to the value of cash flow hedges (€1.4 million)
Other financial liabilities, net	150.7	Corresponds with "Current financial assets" relating to the value of accrued financial income on derivatives (€6.0 million) and "Current financial liabilities" relating to the value of cash flow hedges (€1.4 million)
Financial assets	(787.5)	Corresponds with "Current financial assets" after the value of accrued financial income on derivatives (€6.0 million) and derivative assets (€0.2 million)
Net debt attributable to assets held for sale	(10.3)	Corresponds with "Assets held for sale", amounting to €10.3 million

Reconciliation of the Terna Group's cash flow

	CASH FLOW H1 2024	RECONCILIATION WITH FINANCIAL STATEMENTS	CASH FLOW H1 2023	RECONCILIATION WITH FINANCIAL STATEMENTS
- Profit for the period	544.9		407.9	
- Amortisation, depreciation and impairment losses	421.1		380.2	
- Net change in provisions	(30.9)		(28.6)	
Employee benefits		(1.6)		0.3
Provisions for risks and charges		(10.7)		(15.5)
Deferred tax assets		(18.6)		(13.4)
- Net losses/(gains) on sale of assets (1)	(4.3)		(9.7)	
Operating Cash Flow	930.8		749.8	
- Change in net working capital:	(284.9)		(375.3)	
Inventories		(48.7)		(19.1)
Trade receivables		(154.1)		860.7
Income tax assets		(1.7)		0.7
Other current assets		68.3		63.0
Discontinued operations and assets held for sale		(166.1)		(1,165.3)
Trade payables		85.3		(22.4)
Tax liabilities		(67.9)		(92.9)
- Other changes in non-current assets	156.5		23.9	
Goodwill		1.3		(0.8)
Intangible assets ⁽²⁾		(12.9)		(1.7)
Property, plant and equipment (3)		51.4		24.4
Non-current financial assets		120.1		4.9
Other non-current assets		0.2		(0.4)
Investments accounted for using the equity method		(3.6)		(2.5)
Cash Flow from Operating Activities	802.4		398.4	
Capital expenditure				
- Total Capital expenditure	(1,042.4)		(830.5)	
Property. plant and equipment (3)		(958.5)		(760.9)
Intangible assets ⁽²⁾		(83.9)		(69.6)
Total cash flow from (for) investing activities	(1,042.4)		(830.5)	
Free Cash Flow	(240.0)		(432.1)	
Net assets held for sale	5.9		(15.0)	
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent (4)	847.2		(10.6)	
- Other movements in equity attributable to non-controlling interests	4.7		(5.7)	
- Dividends paid to Parent Company's shareholders (4)	(452.3)		(418.7)	
Change in net debt	165.5		(882.1)	
- Change in borrowings	200.9		1,087.1	
Non-current financial assets		(7.1)		7.7
Current financial assets		(409.6)		17.5
Non-current financial liabilities		(99.1)		(22.3)
Long-term borrowings		1.394.9		742.0
Short-term borrowings		(317.3)		(129.9)
Current portion of long-term borrowings		(405.2)		426.5
Current financial liabilities		44.3		45.6
			205.0	

⁽¹⁾ included in "Other revenue and income" and "Other operating costs" in the consolidated financial statements.

⁽a) see note 13 to the financial statements.
(b) see note 13 to the financial statements.
(c) see the consolidated statement of changes in equity.









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Consolidated financial statements

Consolidated income statement

	_		
	NOTE	H1 2024	H1 2023
A – REVENUE			
1. Revenue from sales and services	1	1,728.3	1,454.6
of which: related parties		1,105.7	903.2
2. Other revenue and income	2	26.1	30.7
of which: related parties		0.2	0.2
Total revenue		1,754.4	1,485.3
B - OPERATING COSTS			
1. Raw and consumable materials used	3	138.0	124.3
2. Services	4	155.4	134.1
of which: related parties		6.5	4.2
3. Personnel expenses	5	183.2	185.6
- gross personnel expenses		259.5	249.8
- capitalised personnel expenses		(76.3)	(64.2)
of which: related parties		4.8	2.2
4. Amortisation, depreciation and impairment losses	6	421.1	380.2
5. Other operating costs	7	20.6	22.1
of which: related parties		2.4	0.1
Total operating costs		918.3	846.3
A-B OPERATING PROFIT/(LOSS)		836.1	639.0
C - FINANCIAL INCOME/(EXPENSES)			
1. Financial income	8	71.4	52.5
2. Financial expenses	8	(135.3)	(112.0)
3. Share of profit/(loss) of investees accounted for using the equity method	9	0.5	0.4
D – PROFIT/(LOSS) BEFORE TAX		772.7	579.9
E – INCOME TAX EXPENSE	10	227.2	168.5
F - PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		545.5	411.4
G - PROFIT/(LOSS) FOR THE PERIOD FROM ASSETS HELD FOR SALE	11	(0.6)	(3.5)
H - PROFIT FOR THE PERIOD		544.9	407.9
Profit attributable to owners of the Parent		544.8	411.4
Profit attributable to non-controlling interests		0.1	(3.5)
Earnings per share	12		
Basic earnings per share		0.272	0.205
Diluted earnings per share		0.272	0.205
Earnings per share from continuing operations			
Basic earnings per share	12	0.272	0.205
Diluted earnings per share		0.272	0.205

Consolidated statement of comprehensive income*

	_		_
	NOTE	H1 2024	H1 2023
PROFIT FOR THE PERIOD		544.9	407.9
Other comprehensive income for the period reclassifiable to profit or loss			
- Cash flow hedges	24	1.5	(4.1)
- Financial assets at fair value through other comprehensive income	24	0.8	0.5
- Gains/(Losses) from translation of financial statements in currencies other than the euro	24	(10.5)	5.0
- Cost of hedges	24	(0.2)	1.1
Other comprehensive income for the period not reclassifiable to profit or loss			
- Actuarial gains/(losses) on provisions for employee benefits	24	1.4	(0.1)
Total other comprehensive income for the period		(7.0)	2.4
COMPREHENSIVE INCOME FOR THE PERIOD		537.9	410.3
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Parent		538.1	413.7
Non-controlling interests		(0.2)	(3.4)

^{*} Amounts are shown net of tax, where applicable.



Consolidated statement of financial position

	NOTE	30 JUNE 2024	31 DECEMBER 2023
A – NON-CURRENT ASSETS			
1. Property, plant and equipment	13	18,160.6	17,596.7
of which: related parties		19.2	59.3
2. Goodwill	14	251.0	252.3
3. Intangible assets	15	638.8	614.9
4. Deferred tax assets	16	187.3	168.7
5. Investments accounted for using the equity method	17	80.3	76.7
6. Non-current financial assets	18	312.8	425.8
7. Other non-current assets	19	15.3	15.5
Total non-current assets		19,646.1	19,150.6
B – CURRENT ASSETS			
1. Inventories	20	155.1	106.4
2. Trade receivables	21	2,276.8	2,123.4
of which: related parties		425.4	344.4
3. Current financial assets	18	793.7	384.1
4. Cash and cash equivalents	22	1,744.6	1,378.2
of which: related parties		0.4	0.2
5. Income tax assets	23	6.5	4.8
6. Other current assets	19	145.1	213.4
Total current assets		5,121.8	4,210.3
C- Assets held for sale	30	82.5	85.0
OTAL ASSETS		24,850.4	23,445.9

			(€m)
	NOTE	30 JUNE 2024	31 DECEMBER 2023
D – EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
1. Share capital		442.2	442.2
2. Other reserves		2,693.6	1,836.6
3. Retained earnings/(accumulated losses)		3,583.5	3,390.5
4. Interim dividend		-	(230.3)
5. Profit for the period		544.8	885.4
Total equity attributable to owners of the Parent	24	7,264.1	6,324.4
E - EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	24	23.7	18.9
Total equity attributable to owners of the Parent and non-controlling interests		7,287.8	6,343.3
F - NON-CURRENT LIABILITIES			
1. Long-term borrowings	25	10,804.1	9,409.2
2. Employee benefits	26	48.2	49.8
3. Provisions for risks and charges	27	141.1	151.8
4. Non-current financial liabilities	25	65.4	164.5
5. Other non-current liabilities	28	984.9	948.3
Total non-current liabilities		12,043.7	10,723.6
G – CURRENT LIABILITIES			
1. Short-term borrowings	25	884.4	1,201.7
2. Current portion of long-term borrowings	25	979.4	1,384.6
3. Trade payables	29	2,698.8	2,864.9
of which: related parties		44.6	66.5
4. Tax liabilities	29	85.3	-
5. Current financial liabilities	25	158.1	113.8
of which: related parties		-	0.1
6. Other current liabilities	29	704.9	809.4
of which: related parties		41.2	34.3
Total current liabilities		5,510.9	6,374.4
H- Liabilities related to assets held for sale	30	8.0	4.6
TOTAL LIABILITIES AND EQUITY		24,850.4	23,445.9



Consolidated statement of changes in equity

31 December 2023 - 30 June 2024

The Group's share cap	ital a	nd re	eserve	es									(€m)
	SHARE CAPITAL I	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	INTERIM DIVIDEND	PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	TO NON-	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND NON- CONTROLLING INTERESTS
EQUITY AT 31 DECEMBER 2023	442.2	88.4	20.0	43.7	(29.8)	989.0	725.3	3,390.5	(230.3)	885.4	6,324.4	18.9	6,343.3
PROFIT FOR THE PERIOD										544.8	544.8	0.1	544.9
OTHER COMPREHENSIVE INCOME:													
- Change in fair value of cash flow hedges				1.5							1.5		1.5
 Actuarial gains/(losses) on employee benefits 							1.4				1.4		1.4
 Gains/(Losses) from translation of financial statements in currencies other than the euro 								(10.2)			(10.2)	(0.3)	(10.5)
 Financial assets at fair value through other comprehensive income 							0.8				0.8		0.8
- Cost of hedges				(0.2)							(0.2)		(0.2)
Total other comprehensive income	-	-	-	1.3	-		2.2	(10.2)	-	-	(6.7)	(0.3)	(7.0)
COMPREHENSIVE INCOME	-	-	-	1.3	-	-	2.2	(10.2)	-	544.8	538.1	(0.2)	537.9
TRANSACTIONS WITH SHAREHOLDERS:													-
 Appropriation of profit for 2023: 													-
Retained earnings								202.8		(202.8)	-		-
Dividends									230.3	(682.6)	(452.3)	(2.0)	(454.3)
- Purchase of treasury shares					6.4						6.4		6.4
Total transactions with shareholders	-	-	-	-	6.4	-	-	202.8	230.3	(885.4)	(445.9)	(2.0)	(447.9)
Change in scope of consolidation								(7.0)			(7.0)	7.0	-
Equity instruments – Perpetual hybrid bonds						842.0					842.0		842.0
Share option reserve							(2.1)				(2.1)		(2.1)
Coupon payable to holders of hybrid bonds								(2.6)			(2.6)		(2.6)
Other changes						4.6	2.6	10.0			17.2		17.2
Total other changes	-	-	-	-	-	846.6	0.5	0.4	-	-	847.5	7.0	854.5
EQUITY AT 30 JUNE 2024	442.2	88.4	20.0	45.0	(23.4)	1,835.6	728.0	3,583.5	-	544.8	7,264.1	23.7	7,287.8

31 December 2022 - 30 June 2023

The Group's share cap	ital aı	nd re	serve	S									(€m)
	SHARE CAPITAL F	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	INTERIM DIVIDEND	PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	TO OWNERS OF		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND NON- CONTROLLING INTERESTS
EQUITY AT 31 DECEMBER 2022	442.2	88.4	20.0	81.1	(29.5)	989.0	726.2	3,180.9	(213.3)	857.0	6.142.0	27.1	6,169.1
PROFIT FOR THE PERIOD										411.4	411.4	(3.5)	407.9
OTHER COMPREHENSIVE INCOME:													
- Change in fair value of cash flow hedges				(4.1)							(4.1)		(4.1)
 Actuarial gains/(losses) on employee benefits 							(0.1)				(0.1)		(0.1)
- Gains/(Losses) from translation of financial statements in currencies other than the euro								4.9			4.9	0.1	5.0
- Financial assets at fair value through other comprehensive income							0.5				0.5		0.5
- Cost of hedges				1.1							1.1		1.1
Total other comprehensive income	-	-	-	(3.0)	-		0.4	4.9	-	-	2.3	0.1	2.4
COMPREHENSIVE INCOME	-	-	-	(3.0)	-	-	0.4	4.9	-	411.4	413.7	(3.4)	410.3
TRANSACTIONS WITH SHAREHOLDERS: - Appropriation of profit for 2022:													
Retained earnings								225.0		(225.0)	-		-
Dividends									213.3	(632.0)	(418.7)	(5.8)	(424.5)
- Purchase of treasury shares					2.6			(0.9)			1.7		1.7
Total transactions with shareholders	-	-	-	-	2.6	-	-	224.1	213.3	(857.0)	(417.0)	(5.8)	(422.8)
Share option reserve							(2.1)				(2.1)		(2.1)
Coupon payable to holders of hybrid bonds								(11.8)			(11.8)		(11.8)
Other changes							1.4	(2.1)			(0.7)		(0.7)
Total other changes	-	-	-	-	-	-	(0.7)	(13.9)	-	-	(14.6)	-	(14.6)
EQUITY AT 30 JUNE 2023	442.2	88.4	20.0	78.1	(26.9)	989.0	725.9	3,396.0	-	411.4	6,124.1	17.9	6,142.0



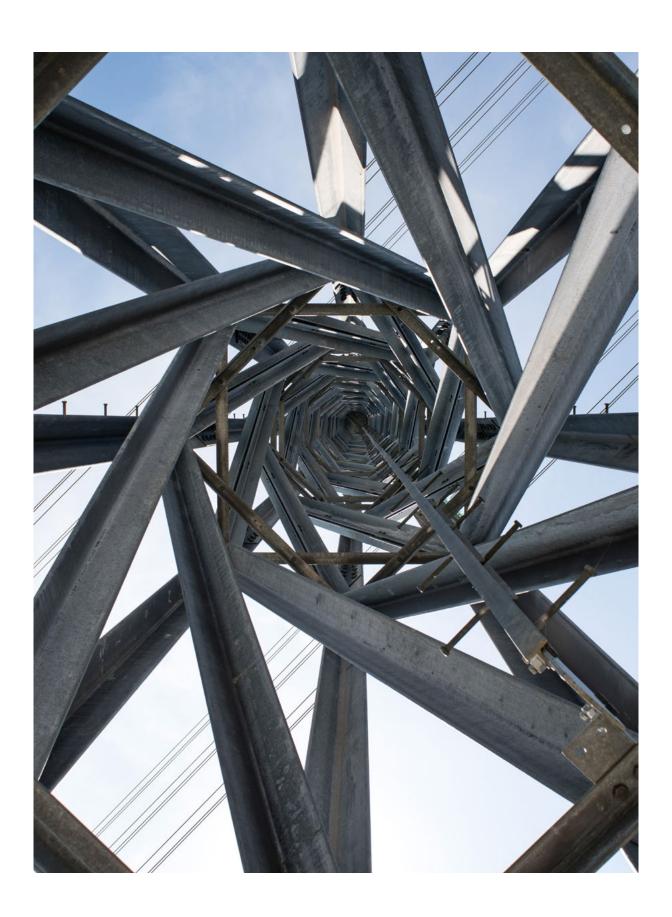
Consolidated statement of cash flows

	_		(€m)
	NOTE	H1 2024	H1 2023
PROFIT FOR THE PERIOD		544.9	407.9
ADJUSTED BY:			
Amortisation, depreciation and impairment losses /(reversals of impairment losses) on non- current property, plant and equipment and intangible assets*	6	416.4	366.8
Accruals to provisions (including provisions for employee benefits) and impairment losses		6.9	13.5
(Gains)/Losses on sale of property, plant and equipment		(4.3)	(9.7)
Financial (income)/expense	8	64.0	58.7
Income tax expense		227.7	169.4
Other non-cash movements		3.3	3.0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN NET WORKING CAPITAL		1,258.9	1,009.6
Increase/(decrease) in provisions (including provisions for employee benefits and taxation)		(17.9)	(28.4)
(Increase)/decrease in inventories		(48.7)	(4.0)
(Increase)/decrease in trade receivables and other current assets		(67.0)	930.0
Increase/(decrease) in trade payables and other current liabilities		(296.5)	(1,251.3)
Increase/(decrease) in other non-current liabilities		(89.7)	(15.2)
(Increase)/decrease in other non-current assets		3.9	(13.8)
Interest income and other financial income received		79.3	40.9
Interest expense and other financial expenses paid		(158.6)	(79.3)
Income tax paid		(135.7)	(198.4)
CASH FLOW FROM OPERATING ACTIVITIES [A]		528.0	390.1
- of which: related parties		(96.3)	(28.6)
Investments in non-current property, plant and equipment after grants received	13	(920.1)	(724.5)
Revenue from sale of non-current property, plant and equipment and intangible assets and other movements		7.4	10.0
Capitalised financial expenses		31.8	26.7
(Increase)/decrease in goodwill	14	-	0.5
Investments in non-current intangible assets after grants received	15	(83.9)	(69.6)
(Increase)/decrease in investments in associates and joint ventures and in other investments	17	(3.8)	(2.5)
Movements in short- and medium/long-term financial investments		(281.0)	32.7
Consideration paid for new acquisitions net of cash		-	(15.8)
CASH FLOW FOR INVESTING ACTIVITIES [B]		(1,249.6)	(742.5)
- of which: related parties		40.1	20.2
Movement in the reserve for treasury shares	24	-	(4.1)
Movement in the reserve for equity instruments	24	842.0	-
Dividends paid		(445.6)	(434.5)
Movements in short- and medium/long-term financial liabilities (including short-term portion)**		691.6	995.6
CASH FLOW FROM FINANCING ACTIVITIES [C]		1,088.0	557.0
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS [A+B+C]		366.4	204.6
Cash and cash equivalents at beginning of period		1,381.8	2,167.0
Cash and cash equivalents at end of period ***		1,748.2	2,371.6
of which cash and cash equivalents from acquisitions		-	0.3

After grants related to assets recognised in the income statement for the year.

^{**} After derivatives and impact of fair value adjustments, including cash movements in right-of-use assets.

^{***} Of which, at 30 June 2024, "Cash and cash equivalents" of €1.744.6 million and "Cash and cash equivalents attributable to assets held for sale" of €3.6 million and, at 31 December 2023, "Cash and cash equivalents" of €1.378.2 million and "Cash and cash equivalents attributable to assets held for sale" of €3.6 million





A. Material accounting policies and measurement criteria Introduction

The registered office of Terna S.p.A. (the "Parent Company") is at Viale Egidio Galbani 70, Rome, Italy. The condensed consolidated interim financial statements at and for the six months ended 30 June 2024 include the Company's financial statements and those of its subsidiaries (the "Group"), in addition to the Group's interests in associates and joint ventures. The subsidiaries included within the scope of consolidation are listed below.

The consolidated financial statements at and for the year ended 31 December 2023 are available for inspection on request at Terna S.p.A.'s registered office at Viale Egidio Galbani 70, Rome, or on the Company's website at www.terna.it.

Compliance with IAS/IFRS

The condensed consolidated interim financial statements at and for the six months ended 30 June 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). These standards and interpretations have been endorsed by the European Commission ("IFRS") at the above date and were used in the preparation of the consolidated financial statements at and for the year ended 31 December 2023, with the exception of new standards or amendments effective from 1 January 2024.

This document has also been prepared taking into account the provisions of Legislative Decree 38 of 28 February 2005, of the Italian Civil Code and CONSOB Resolutions 15519 ("Provisions governing financial statements in implementation of art. 9, paragraph 3 of Legislative Decree 38/2005") and 15520 ("Amendments to the implementing rules for Legislative Decree 58/1998"), as well as CONSOB Communication DEM/6064293 ("Disclosure requirements for listed issuers and issuers of financial instruments that are widely held among the public pursuant to art. 116 of the Consolidated Law on Finance").

In particular, the Group's condensed consolidated interim financial statements for the first half of 2024, prepared in compliance with IAS 34, do not include all the information required in the annual financial statements and should be read in conjunction with the consolidated financial statements at and for the year ended 31 December 2023.

These condensed consolidated interim financial statements contain selected disclosures, whilst the statements are consistent with those included in the annual financial statements.

Given that the requirements of IFRS 5 have been met, the total results for the first halves of 2024 and 2023 attributable to the South American subsidiaries included in the planned sale of assets, launched 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 30 June 2024 have been reclassified to the item "Assets held for sale" and "Liabilities held for sale" in the Group's reclassified statement of financial position, in line with the comparative amounts.

Use of estimates

Preparation of the condensed consolidated interim financial statements at and for the six months ended 30 June 2024 requires the Group to use estimates and assumptions that affect the carrying amounts of assets and liabilities and the related disclosures, in addition to contingent assets and liabilities at the reporting date. These estimates and the associated assumptions are based on the information available to management at the date of preparation of the financial statements and reflect previous experience and various factors that are believed to be reasonable under the circumstances. The resulting estimates form the basis for making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other objective sources. Actual results may differ from these estimates.

It should also be noted that certain measurement processes, above all those of a complex nature relating to the estimate of potential impairments of non-current assets, are generally only fully carried out during preparation of the annual financial statements, when all the necessary information is available, unless events or changes in circumstances indicate that there may be an impairment requiring the immediate measurement of a loss. In a similar manner, the actuarial valuations necessary in order to quantify employee benefits are normally carried out at the time of preparation of the annual financial statements.

The estimates and underlying assumptions are reviewed periodically and the effects of any changes are recognised in the income statement if the changes relate solely to that period. In the case that the revision affects both the period in which the revision takes place and future periods, the change is recognised from the reporting period in which the estimate is reviewed and in future periods.

Income taxes for the period

Legislative Decree 209 of 27 December 2023, "Implementation of the reform of international taxation", published in Official Gazette 301 of 28 December 2023, transposes EU Directive 2022/2523 of the Council dated 15 December 2022 into Italian law. This legislation aims to ensure the application of a Global Minimum Tax to multinational and largescale domestic groups within the EU, based on the global anti-base erosion rules (GloBE rules) drawn up by the OECD (Pillar II). The new Pillar II rules are applicable for tax years starting from 31 December 2023 (see art. 60 of Legislative Decree 209/2023). The Group has thus applied the rules in question from 1 January 2024. In cases where certain companies within a multinational group apply a tax rate below the rate of 15%, Pillar II requires the Parent Company to pay a top-up tax (under the Income Inclusion Rule or IIR). This top-up must be sufficient to raise the tax rate to the above threshold of 15%.

In agreement with the parent, Cassa Depositi e Prestiti S.p.A., The Terna Group has assessed the subgroup's potential exposure to this Global Minimum Tax, conducting a simulation based on the data for 2023.

Under Legislative Decree 209/2023, the Terna Group is classified as a "minority-owned subgroup"; given that it is considered a separate group for the purposes of calculating the applicable effective and top-up tax rates.

Given this, based on the assessments conducted for the jurisdictions in which the Group operates, in most cases it was concluded that the Group qualifies for the application of simplified rules provided for in art. 39 of Legislative Decree 209/2023 (referred to as "transitional safe harbours" in EU Directive 2022/2523).

It should be noted that, where applicable, under the simplified rules no top-up tax is payable by a group within a certain state if it has passed at least one of three tests (the de minimis test, the simplified effective tax rate test or the routine profit test) provided for in EU Directive 2022/2523. The simplified rules have been applied to the Group's overall data as recorded for each individual country in which the Group operates, applying the presentation criteria used for countryby-country reporting (CbCR). The use of aggregate data reflects the top-down approach on which the Pillar II rules are based. This uses the Ultimate Parent Entity as the focal point on which to base calculation of the effective tax rate.



The only jurisdiction to which the simplified rules are deemed to be not applicable, based on the data for the 2023 tax year, is China. In the case of this jurisdiction, a top-up tax was thus measured at 30 June 2024 via the application of the tax rate differential between 15% and the ETR (effective tax rate) for the 2023 tax year (in this case equal to 0.2%) to total profit before tax at 30 June 2024.

In the case of entities who do not pass at least one of the tests referred to in art. 39, as they fall outside the CbCR rules (because they are held for sale or stateless entities), no top-up tax was deemed payable in view of the accounting data for the 2023 tax year.

Macroeconomic environment

The Terna Group closely monitors the current macroeconomic environment and the recent international political events, particularly focusing on geopolitical developments, linked above all to the ongoing conflict in Ukraine and heightened tensions in the Middle East, and the relevant legislation.

In this respect, in its Public Statement of 25 October 2023, "European common enforcement priorities for 2023 financial reports", ESMA reinforced the message conveyed in its previous publications of 2021 and 2022, highlighting the need to ensure the correct degree of transparency in financial reporting in order to adequately reflect the current and, as fare as possible, foreseeable impact of the macroeconomic situation and of the conflicts on entities' financial position, financial performance and cash flows.

The fall in inflation and reduced commodity price volatility, compared with the peaks seen in 2022, have brought a certain degree of stability to a macroeconomic scenario that, however, remains uncertain. In addition, economic growth has slowed and has been made more uncertain by the geopolitical situation, with future developments also dependent on the outcome of the upcoming elections in the United States. Against this backdrop, the Group continues to focus on capex delivery and implementing its Industrial Plan. To date, we are not aware of any circumstances requiring an in-depth assessment of the validity of application of the going concern basis.

This assumption is based on the fact that the largest part of the Group's income is represented by revenue generated by our Regulated Activities in Italy and that this revenue consists of remuneration to cover both operating and capital expenditure, with both components revised annually based on the performance of inflation and a deflator. In addition, the return on invested capital is based on a WACC that is periodically revised by ARERA to enable the parameters used in calculating the cost of equity and debt to be updated.

Assessment of the impact of the current macroeconomic environment and the ongoing conflicts has not, moreover, resulted in trigger events requiring the conduct of an impairment test of the value of the property, plant and equipment owned by the Group or of intangible assets with finite useful lives.

With regard to the recoverable amount of property, plant and equipment and intangible assets with finite useful lives forming part of the RAB (regulated asset base), the assessment of expected future cash flows generated by these assets has shown that the macroeconomic effects, including those resulting from the above conflicts, have not given rise to impacts constituting trigger events requiring the Group to test for impairment.

In addition, neither the impact of the changed macroeconomic environment, nor of the geopolitical crises, has resulted in an increase in credit risk and has not affected the outcome of the measurement of expected credit losses. The Group's trade receivables fall within the hold to collect business model, primarily fall due within 12 months and do not include a significant financial component. The effect of these events has not, therefore, had any impact, including with regard to the identified business model for financial instruments, thus avoiding any changes to the chosen classification.

In addition, fair value measurement of the financial assets and liabilities held by the Group has not undergone changes in terms of an increase in the related risks (market, liquidity and credit). Similarly, movements in the underlying assumptions have not altered the sensitivity analyses linked to their measurement.

In terms of recoverable amount, it should be noted that there has not been any deterioration in the first half of 2024 in the receivables due from the Group's main counterparties (dispatching customers for injections or for withdrawals and distributors), considered solvent by the market and therefore assigned high credit ratings.

As described in more detail in the section, "Credit risk", management of this risk is also driven by the provisions of ARERA Resolution 111/06, which introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. The assessment conducted has, moreover, not provided evidence of the need to modify the model used following an evaluation of the impact of

Terna is not exposed to any risk of greater contract expenses due to rising inflation or increased costs incurred as a result of rising commodity and energy prices and salaries, or to the possibility that, as an issuer of financial instruments, it is unable to pass such increases on by raising the prices of its own services or goods. This is because any price increases agreed by law are covered by tariff revisions, which envisage adjustments for inflation, and its capex is recognised in full in the RAB.

It should, moreover, be noted that Terna S.p.A. and its subsidiaries do not have offices or significant operations in the regions affected by the conflicts.

Climate change

Awareness of the progress of climate change and its effects has led to a growing need to provide disclosure in the Interim Report on Operations. Although there is no international accounting standard governing how the impact of climate change should be taken into account in the preparation of financial statements, the IASB has issued certain documents providing support for IFRS-adopters seeking to satisfy the demand for disclosure from interested parties. Similarly, ESMA, in its European Common Enforcement Priorities dated 25 October 2023, highlighted the need for issuers to consider climate risks when preparing their IFRS financial statements to the extent that such risks are material, regardless of whether or not this is explicitly required by the relevant accounting standards.

The Terna Group describes its considerations on the actions linked to the need to mitigate the impact of climate change primarily in the sections "The reference scenario - The energy sector" and "Opportunities and risks for Terna connected with climate change" in the Interim Report on Operations. In this context, as a TSO providing transmission and dispatching services, the Terna Group undoubtedly plays an active role in supporting the system in achieving the challenging targets linked to efforts to reduce CO₂ emissions. In themselves, a TSO's emissions (scopes 1 and 2 in the 'GHG emission protocol') are extremely modest when compared with the potential system-level reduction resulting from the integration of renewable sources and electrification. In addition to the emissions linked to the leakage of SF_e and electricity consumption, the most significant component relating to Terna's scope 1 and 2 emissions is linked to grid losses, which can also be associated with the indirect impact of the need to produce more energy.

The Group has chosen to report its considerations on climate change in a single note. The following is a summary of management's considerations on aspects deemed material.



IAS 1 – Presentation of Financial Statements

In the event of uncertainties, IAS 1 requires entities to analyse potential impacts in terms of the entity's ability to continue as a going concern and, with regard to the assumptions and estimates made in preparing the interim report. Entities are required to provide disclosure of the forward-looking estimates used and that have a significant risk of resulting in a material adjustment within the next financial year. As recommended by ESMA, which, as mentioned above, requires entities to take into account climate risks when preparing financial statements, disclosures are provided that, despite not being specifically required by IFRS, are relevant to an understanding of the financial statements.

In terms of the short term, management has not identified any specific effects of climate-related risks to be considered when applying the accounting standards.

With regard to the medium to long term, management has identified potential risks primarily linked to the Company's role as a TSO, deriving from the need to adapt the electricity grid in the form of work designed to boost resilience and allow it to handle the new profile and mix of the energy injected into the grid. However, as described in greater detail in the specific sections that follow, the steps planned with the aim of mitigating such risks do not require further consideration during application of the accounting standards used in preparation of these financial statements.

It should be noted, however, that assessment and, more specifically, quantification of climate-related risks generally requires the use of highly uncertain future-oriented assumptions, such as future technological and policy developments and Government measures.

IAS 16 - Property, Plant and Equipment

With specific regard to the grid and the related transmission service, the action plan requires a commitment to the planning, approval and delivery of investment projects related to work in response to current and future needs to integrate renewable sources, guarantee the reliability, security, adequacy and efficiency of the electricity system, such as, for example, cross-border interconnections and the development of infrastructure to enable the growing integration of renewable energy sources.

In addition, as described in the Group's Risk Framework, the Group is exposed to the risks linked to the increased intensity of weather events (tornados, heavy snowfall, ice, flooding) with a resulting impact on the continuity and quality of the service provided by Terna and/or damage to equipment, machinery, infrastructure and the grid. In response, the Group continues to carry out new investment designed to increase the resilience of the electricity grid and identify

In line with our role in driving the country's energy transition, Terna's strategic plans, further described in the section, "The value creation strategy" in the Annual Report -Integrated Report 2023, include action to tackle climate change, identifying:

- the works needed to develop and strengthen the electricity grid in the ten-year Development Plan, including overseas interconnections, to ensure the integration of renewable sources;
- tools to ensure the security and reliability of the electricity system in the Security Plan, in a scenario where renewable sources are increasingly more widespread and thermoelectric plants are decommissioned, resulting in issues relating to system inertia and voltage regulation;
- all the works needed to improve the reliability of electricity assets and prolong their useful lives in the Maintenance and Renewal Plan for electricity assets, which is based on the related O&M policies. Corrective action regarding assets is also taken in response to operating events. These take the form of the monitoring, maintenance or replacement of specific asset families.

Common to all these plans is the Resilience Plan, annexed to the Security Plan, which includes all the initiatives designed to increase grid resilience to enable it to withstand increasingly intense and frequent severe weather events, damaging infrastructure and resulting in outages at plants connected to the NTG. The Resilience Plan involves a preventive approach to managing infrastructure, using capital light technological solutions to mitigate the risks to which the grid is exposed and solutions for repairing and monitoring the electricity system, which, in part thanks to the use of technological support, guarantees high standards of electricity service continuity.

Mitigating climate-related risk also is also reflected in the need to plan maintenance of NTG infrastructure to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational.

In addition to initiatives falling within the scope of the Group's routine maintenance programmes, in this regard, Terna is increasingly required to carry out work on the grid that calls for the replacement of specific components. Aside from renewing grid infrastructure, this enables the Company to mitigate the risk arising from the increased intensity and frequency of disruptive weather events. Management considers that this investment does not reduce or modify the expected economic benefits deriving from use of the existing grid accounted for in property, plant and equipment. In the light of the above, it has not been necessary to conduct a critical review of the useful lives of the fixed assets recognised in the financial statements.

The Group also considers that there may be a risk connected with the supply chain due to significant changes in the strategies of key suppliers. This risk is heightened by the crisis in the global supply chain following the pandemic and the above conflicts, the energy transition launched in many countries, with a potential impact on construction and maintenance projects, and a resulting impact on the continuity and quality of service and on the time needed to complete infrastructure. The Group constantly monitors developments in the supply chain and has not so far identified any critical issues.

IAS 38 – Intangible Assets

With regard to non-regulated activities, the Group is committed to developing innovative, digital technological solutions to support the ecological transition. These activities include the offerings of the Tamini Group and Brugg Cables Group, the subsidiaries that produce power transformers and terrestrial cables, respectively (Equiment activities), involving the development of expertise throughout the value chain, and the offer of Energy Services and Connectivity. In addition, the Group is also committed to investing in digitalisation and innovation, involving the development of solutions for the remote control of electricity substations and key infrastructure. This involves the installation of sensor, monitoring and diagnostic systems, including predictive solutions, improving the security of the grid and the surrounding area.

The Group is continuing with the development of tools for studying and planning new works designed to respond to issues relating to climate change. Through its Resilience Methodology, as set out in Annex A76 to the Grid Code, Terna has equipped itself with a tool that makes the Group a leader in the conduct of climate-change assessments in Italy and Europe. This innovative and probabilistic tool for planning work will increase the resilience of the NTG. It involves measuring the related benefit in terms of reducing expected energy not supplied, above all due to ice, snow and strong winds. To promote the spread of a well-informed energy culture and facilitate broad awareness of the issues faced by the electricity sector, in 2021, the Group developed a new Development Plan application and the digital platform called Terna4Green with a view to monitoring the progress made towards Italy's decarbonisation. Via these two new initiatives, Terna continues and strengthens its commitment to ever greater transparency and the spread of information and data, specific expertise and in-depth knowledge of the national electricity system.

Alongside these initiatives, the Group has also implemented the digital E-Connextion platform, which from 2023 makes information on applications for the connection of renewable plants to the grid throughout Italy to all electricity sector operators, and the TE.R.R.A. platform, which from June 2024, in accordance with the Energia Decree, publishes information on the state of progress of work on national grid development projects and on applications for the connection of new renewable production plants, on storage systems and consumption points.

In response to the risk linked to the greater intensity and frequency of extreme weather events (tornados, heavy snowfall, ice, flooding), the Group could also benefit from the "Patentability" of the above innovative solutions, with resulting nonregulated business opportunities.

Investment in research is expensed as incurred, whilst development costs that meet certain requirements may be recognised as intangible assets. Further information on the criteria used in the recognition of an intangible asset resulting from development work is provided in the paragraph "Intangible assets", in the section "Material accounting policies and measurement criteria" in the 2023 Annual Report - Integrated Report.



IAS 36 – Impairment of Assets

As indicated above with regard to property, plant and equipment, management has not identified factors requiring a critical review of useful lives. Similarly, with regard to the risk of impairment losses on property, plant and equipment, management considers that, whilst the steps taken to mitigate climate-related risk involve the need to plan maintenance work on NTG infrastructure, in keeping with the past, so as to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational, these activities do not, in any event, have a negative impact on the measurement of fair value less costs of disposal. This is because a market operator would take this investment into account as part of the fair value measurement process.

IFRS 9 – Borrowings and bond issues

With regard to borrowings and bond issues, the Group has obtained certain bank borrowings containing ESG-linked conditions, entered into a commercial paper programme (short-term notes issued to qualified investors), enabling Terna to issue "ESG Notes", and issued a number of Green bonds, as described in greater detail in the section "Sustainable finance" of the interim report. The ESG-linked bank borrowings (unlike the Green Bond issues) include a bonus/penalty mechanism (called a step-up and step-down mechanism), applicable to the payment of accrued interest, linked to the achievement of specific environmental, social and governance (ESG) objectives. As a result of the above, the Group believes that there may be a risk, albeit not significant, connected with the achievement of such objectives. Failure to achieve the objectives within a contractually agreed date would result in a slight increase in the cost of debt. Nevertheless, the impact of this risk on financial expenses is entirely negligible. The Group constantly monitors activities relating to climate change and has not so far identified any critical issues.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The legislation introduced in response to climate change may give rise to new obligations that did not previously exist. In this regard, the Terna Group has introduced an environmental policy setting out its commitment to containing and reducing its environmental impact, in some cases going beyond legal requirements when this does not compromise the protection of other general interests provided for under the concession. Full implementation of this policy, which also covers efforts to reduce CO₂ emissions, also involves measures designed to reduce the leakage of SF_{e1} energy efficiency initiatives and the adoption of mitigations aimed at protecting biodiversity. Terna also extends the issue of environmental protection to both its supply chain and local stakeholders directly affected by NTG development projects, through increasingly eco-sustainable offsets.

Finally, Terna has adopted a Circular Economy Strategy that has resulted in the definition of a Roadmap, setting out the steps on the road to implementing a circular economy model by 2030.

Given the regulatory framework, management does not believe that such policies give rise to the need to recognise liabilities not previous accounted for. The same conclusion has also been reached with regard to the previously mentioned risk linked to the supply chain due to significant changes in the strategies of key suppliers. As a result, it has not been necessary to carry out a critical review of provisions in the financial statements.

IFRS 15 – Revenue from Contracts with Customers

In terms of Regulated Activities, part of the remuneration for transmission and dispatching services derives from regulatory incentive mechanisms linked to specific targets. The achievement of these targets may be influenced by climate change risks, as for example the intensification of extreme weather events could have an impact on the continuity and quality of the service offered by Terna. The Group monitors these risks and, at this time, has not identified a need to revise the estimates relating to these incentives.

With regard to Non-regulated Activities, above all Energy Services, given the portfolio of products and services offered to promote the development of renewable energy in Italy, for example through the construction and operation of photovoltaic plants, infrastructure connecting the photovoltaic plants to the grid and services offered to industrial clients, and with regard to the production of cables and transformers, the Group is not exposed to new uncertainties having an impact on the current revenue recognition model. In addition, the Group did not deem it necessary to conduct a review of existing contracts.

Climate change and the subsequent adoption of policies designed to reduce CO2 emissions and achieve Net Zero Emissions targets by most industrial clients could result in increased business opportunities.

IFRS 2 – Share-based Payments

The current long-term incentive plans, so called Performance Share Plans, are linked to a series of ESG indicators with a percentage weighting that has risen over time before stabilising.

The 2021-2025 plan, the results of which were finalised in the first half of 2024, consists of an indicator linked to Terna's annual inclusion and ranking in the Dow Jones Sustainability Index (DJSI-World) with a weighting of 20%.

The ESG indicators for the 2022-2026 plan, with a higher 25% weighting than in the previous plan, include KPIs referring to inclusion in a basket of ESG indexes selected to represent the Group's ability to guarantee an all-round sustainability performance, including the Dow Jones Sustainability Index World, Stoxx ESG Leaders and the MIB 40 ESG. Inclusion is subject to the assessments conducted by the three rating agencies, S&P Global, Sustainalytics and Moody's ESG. An important part of these three assessments is explicitly linked to climate-related issues: specifically, to be included in the selected ESG indexes every year, and for the whole duration of the Performance Share Plan, performance and positioning in terms of, for example, climate strategy, the assessment and management of climate risks, cuts in greenhouse gas emissions and public disclosures on relevant metrics, are of great importance.

The Performance Share Plan 2023-2027 is linked to ESG indicators with an overall weighting of 30%, of which 15% relates to KPIs linked to inclusion in the above ESG basket and the remaining 15% to Overgeneration, representing the reduction in the modulation of generation from Non-Programmable Renewable Sources requested by Terna, due to the security requirements of the National Electricity System.

Bearing in mind the expected development of renewable generation capacity in the coming years, absent appropriate mitigation initiatives, overgeneration will become a growing issue, cancelling out (at least in part) the benefits of the energy transition.

The Performance Share Plan 2024-2028 is linked to ESG indicators with a weighting of 30%, having removed the goal of inclusion in a basket of ESG indexes and increased the weight given to Overgeneration in order to give priority to the key objective represented by the energy transition.

Subsidiaries and scope of consolidation

The scope of consolidation includes the Parent Company, Terna S.p.A., and the companies over which it has the power to directly or indirectly exercise control, as defined by IFRS 10. Control exists when the Parent Company has the power or the ability to influence the relevant activities (having a substantial impact on the Parent Company's results) and is exposed to or has the right to variable returns from its involvement with the investee, and the ability to use its power over the subsidiaries to affect the amount of the investor's returns. The financial statements of subsidiaries are consolidated on a line-by-line basis from the date when the Parent Company gains control until the date when such control ceases.



The companies included within the scope of consolidation are listed below:

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	METHOD OF CONSOLIDATION
SUBSIDIARIES CONTRO	OLLED DIRECTLY BY TERNA S.P.A.				
Terna Rete Italia S.p.A.	Rome	Euro	300,000	100%	Line-by-line
Business	Design, construction, management, development, opera and other grid-related infrastructure, plant and equipmen activities and in similar, related and connected sectors.			0	
Terna Crna Gora d.o.o.	Podgorica (Montenegro)	Euro	208,000,000	100%	Line-by-line
Business	Authorisation, construction and operation of the trainterconnector on Montenegrin territory.	ansmission inf	rastructure for	ming the Ita	ly-Montenegro
Terna Plus S.r.l.	Rome	Euro	16,050,000	100%	Line-by-line
Business	Design, construction, management, development, operation for grids and systems, including distributed storage and			1 1	d infrastructure
Terna Interconnector S.r.I	. Rome	Euro	10,000	65%*	Line-by-line
Business	Responsible for construction and operation of the private on the public section.	e section of the	e Italy-France ir	terconnector a	and civil works
Rete S.r.I.	Rome	Euro	387,267,082	100%	Line-by-line
Business	Design, construction, management, development, opera	ation and maint	enance of high-	-voltage power	r lines.
Terna Energy Solutions S.r.l.	Rome	Euro	2,000,000	100%	Line-by-line
Business	Design, construction, management, development, operate pumping and/or storage systems, plant, equipment and assistance in matters relating to the core business; any of plant, resources and expertise.	d infrastructure,	including grids	s; research, co	nsultancy and
ESPERIA-CC S.r.l.	Rome	Euro	10,000	1%**	Line-by-line
Business	A technical centre owned by a number of transmissic coordinator for the TSOs, with the aim of improving and system in south-eastern Europe.	, ,	,	,	,
Terna Forward S.r.l.	Rome	Euro	10,000	100%	Line-by-line
Business	Development of new technological solutions for the Terna enterprises with high innovation and technological poten	1 /	ng in start-ups	and small, med	dium and large

^{* 5%} is held by Terna Rete Italia S.p.A. and 30% by Transenergia S.r.l.

^{** 99%} is held by Selene CC S.A.

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	METHOD OF CONSOLIDATION		
SUBSIDIARIES CONTR	OLLED THROUGH TERNA PLUS S.R.L.						
Terna Chile S.p.A.	Santiago (Chile)	Chilean peso	2,658,540,500	100%	Line-by-line		
Business	Design, construction, administration, developme equipment and infrastructure, including intercor electrical and civil engineering work; research, conther activity capable of improving the use and design of the control of the contro	nnectors; provision o onsultancy and assist	f all types of produ ance in matters relat	ct and service ing to the core	e, construction,		
Terna Peru S.A.C.	Lima (Peru)	Sales	116,813,900	99.99%*	Line-by-line		
Business	Design, construction, administration, development, operation and maintenance of any type of electricity system, plant, equipment and infrastructure, including interconnectors; provision of all types of product and service, construction, electrical and civil engineering work; research, consultancy and assistance in matters relating to the core business; any other activity capable of improving the use and development of plant, resources and expertise.						
Terna 4 Chacas S.A.C.	Lima (Peru)	Sales	13,734,560	99.99%*	Line-by-line		
Business	Responsible for construction of a new 16 km p	ower line in Peru.					
SPE Transmissora de energia Linha Verde I S.A	Belo Horizonte (Brazil)	Real	506,999,313	100%	Line-by-line		
Business	Provision of public electricity transmission servi transmission infrastructure or any other activity				ce of electricity		
TERNA USA LLC.	New York (USA)	US dollar	10,001	100%	Line-by-line		
Business	Acquisition, development and construction of mansmission in the United States.	najor infrastructure pi	rojects regarding on	shore and offs	hore electricity		

^{* 0.01%} Terna Chile S.p.A.

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	METHOD OF CONSOLIDATION
SUBSIDIARIES CONTROLI	LED THROUGH TERNA ENERGY SOLUTIONS S.R.L.				
Tamini Trasformatori S.r.l.	Legnano (MI)	Euro	4,285,714	100%	Line-by-line
Business	Construction, repair and trading in electrical equipment				
Avvenia The Energy Innovator S.r.I.	Rome	Euro	10,000	100%	Line-by-line
Business	Provision of energy efficiency, energy consulting and pr private entities; the application of technology to increadevelopment and maintenance of plant, equipment and	ase energy e	nd-use efficier	ncy; the design	, construction,
Brugg Kabel Services AG	Brugg (Switzerland)	Swiss franc	1,000,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
LT S.r.I.	Rome	Euro	400,000	75%*	Line-by-line
Business	Design, construction and maintenance of renewable po	ower plants.			
SUBSIDIARIES CONTROLI	LED THROUGH TAMINI TRASFORMATORI S.R.L.				
Tamini Transformers USA LLC	Sewickley - Pennsylvania	US dollar	52,089	100%	Line-by-line
Business	Commercialisation of industrial-grade and high-power	electricity tran	sformers.		
Tamini Transformatori India Private Limited	Maharashtra (India)	Indian rupee	13,175,000	100%	Line-by-line
Business	Commercialisation of industrial-grade and high-power e	electricity tran	sformers.		
SUBSIDIARIES CONTROL	LED THROUGH BRUGG KABEL AG				
Brugg Kabel		Swiss		1000/	
Manufacturing AG	Brugg (Switzerland)	franc	7,000,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
Brugg Kabel AG	Brugg (Switzerland)	Swiss franc	22,000,000	90%**	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
SUBSIDIARIES CONTROLI	LED THROUGH BRUGG KABEL MANUFACTURING	AG			
Brugg Cables Italia S.r.l.	Milan	Euro	10,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
SUBSIDIARIES CONTROLI	LED THROUGH BRUGG KABEL AG				
Brugg Kabel GmbH	Schwieberdingen (Germany)	Euro	103,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
Brugg Cables (Shanghai) Co. Ltd	Shanghai	US dollar	1,600,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
Brugg Cables (India) Pvt. Ltd	Haryana (India)	Indian rupee	48,000,000	99.74%***	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	ion.		
Brugg Cables Middle East Contracting LLC	Dubai (UAE)	Dirham	200,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	city transmiss	sion.		
Brugg Cables Inc USA	Chicago (USA)	US dollar	1,000	100%	Line-by-line
Business	Commercialisation of terrestrial cables for use in electric	citv transmiss	-		,
Brugg Cables Company Saudi Arabia	Riyadh (Saudi Arabia)	Saudi Riyal	50,000	100%	Line-by-line
	Riyadh (Saudi Arabia) Commercialisation of terrestrial cables for use in electric	Riyal		100%	Line-by-line
Saudi Arabia Business	Commercialisation of terrestrial cables for use in electric	Riyal city transmiss		100%	Line-by-line
Saudi Arabia Business	,	Riyal city transmiss		100%	•
Saudi Arabia Business SUBSIDIARIES CONTROLL Brugg Cables (Suzhou)	Commercialisation of terrestrial cables for use in electric LED THROUGH BRUGG CABLES (SHANGHAI) CO. L	Riyal city transmiss _TD Chinese renminbi	32,000,000		•
Saudi Arabia Business SUBSIDIARIES CONTROLL Brugg Cables (Suzhou) Co. Ltd	Commercialisation of terrestrial cables for use in electric LED THROUGH BRUGG CABLES (SHANGHAI) CO. L Suzhou (China) Commercialisation of terrestrial cables for use in electric	Riyal city transmiss _TD Chinese renminbi	32,000,000		•
Saudi Arabia Business SUBSIDIARIES CONTROLI Brugg Cables (Suzhou) Co. Ltd Business	Commercialisation of terrestrial cables for use in electric LED THROUGH BRUGG CABLES (SHANGHAI) CO. L Suzhou (China) Commercialisation of terrestrial cables for use in electric LED THROUGH LT S.r.I.	Riyal city transmiss _TD Chinese renminbi	32,000,000		Line-by-line Line-by-line

^{* 25%} Solaris S.r.l.

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.

^{** 10%} BRUGG GROUP AG *** 0.26% Brugg Kabel GmbH

^{**** 30%} Vima Technologies S.r.l.



Associates

Associates are investees over which the Terna Group exercises significant influence, being the ability to participate in the determination of these companies' financial and operating policies, without having control or joint control. In assessing whether or not Terna has significant influence, potential voting rights that are exercisable or convertible are also taken into account.

These investments are initially recognised at cost and subsequently measured using the equity method. The profits or losses attributable to the Group are recognised in the consolidated financial statements when significant influence begins and until that influence ceases. Based on application of the equity method, if there is evidence that the investment has been impaired, the Group determines the amount of the impairment based on the difference between the recoverable amount and the carrying amount of the investment in question. In the event that the loss attributable to the Group exceeds the carrying amount of the equity interest, the latter is written off and any excess is recognised in a specific provision, if the Parent Company is required to meet the legal or constructive obligations of the investee or, in any case, to cover its losses.

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL*	PROFIT FOR THE PERIOD*	% INTEREST	METHOD OF CONSOLIDATION	CARRYING AMOUNT AT 30 JUNE 2024 (€M)
ASSOCIATES							
Cesi S.p.A.	Milan	Euro	8,550,000	(3,919,758)	42.698%	Equity Method	46.2
Business	Experimental research and provis	sion of services	s related to ele	ctro-technology.			
Coreso S.A.	Brussels (Belgium)	Euro	1,000,000	722,909	15.84%	Equity Method	1.1
Business	Technical centre owned by severa order to improve and upgrade the	,		, I		0, 1	,
CGES A.D.	Podgorica (Montenegro)	Euro	155,108,283	20,300,000	22.0889%	Equity Method	26.7
Business	Provision of transmission and dis	patching servi	ces in Montene	egro.			
Equigy B.V.	Arnhem (Netherlands)	Euro	50,000	59,000	20%	Equity Method	0.4
Business	Provision of support for electricity	balancing by 1	ΓSOs through t	the development a	nd implement	tation of blockchai	n technology.

^{*} Figures taken from the latest approved financial statements at the date of preparation of this document.

Joint arrangements

Investments in joint arrangements, in which the Group exercises joint control with other entities, are recognised initially at cost and subsequently measured using the equity method. The profits or losses attributable to the Group are recognised in the consolidated financial statements when joint control begins and until that control ceases. The Group recognises its share of the assets and liabilities attributable to joint arrangements in accordance with IFRS 11.

In assessing the existence of joint control, it is ascertained whether the parties are bound by a contractual agreement and whether this agreement attributes to the parties the joint control of the agreement itself. Joint control exists when an entity has control over an arrangement on a contractual basis, and only when decisions relating to the relevant activities require the unanimous consent of all parties that jointly control the arrangement.

The list of associates and joint ventures is shown below:

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL*	PROFIT FOR THE PERIOD*	% INTEREST	METHOD OF CONSOLIDATION	CARRYING AMOUNT AT 30 JUNE 2024 (€M)
JOINT VENTURES							
ELMED Etudes S.a.r.l.	Tunis (Tunisia)	Tunisian dinar	2,016,120	(184,817)	50%	Equity Method	0.2
Business	Conduct of preparatory studie electricity system.	es for the co	nstruction of	the infrastructure	e required to d	connect the Tunisi	an and Italian
SEIeNe CC S.A.	Thessaloniki (Greece)	Euro	200,000	20,136	33%	Equity Method	2.4
Business	A technical centre owned by coordinator for the TSOs, wit system in south-eastern Europe	h the aim c					
BMT Energy Transmission Development LLC	Wilmington (USA)	US Dollar	582,505	20,829	40%	Equity Method	0.4
Business	Acquisition, development and transmission in the United Sta		n of major in	frastructure proje	cts regarding	onshore and offs	hore electricity
Wesii S.r.I.	Chiavari	Euro	19,752	(518,713)	33%	Equity Method	2.9
Business	The provision of inspection an	d remote-se	ensing service	es for the renewa	ble energy se	ector.	

^{*} Figures taken from the latest approved financial statements at the date of preparation of this document.

Compared with 31 December 2023, on 7 March 2024, the subsidiary, Terna Forward S.r.l., completed the acquisition of a 33% stake in Wesii S.r.I., a leading Italian provider of inspection and remote-sensing services for the renewable energy sector, based in Chiavari (GE).

New accounting standards

International financial reporting standards effective as of 1 January 2024

A number of new amendments to standards already applied, none of which have had a significant impact, came into effect from 1 January 2024. The relevant standards are as follows:

Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

The amendment, endorsed by the European Commission with Regulation 2024/1317, adds disclosure requirements and sign-posts within existing disclosure requirements, requesting entities to provide qualitative and quantitative information about supplier finance arrangements. The document requires an entity to provide additional disclosures on any reverse factoring agreements to enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk. The changes have not had a significant impact on the Group's consolidated financial statements.

Amendment to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date e Non-current Liabilities with Covenants

The amendment, endorsed by the European Commission with Regulation 2023/2822, aims to clarify how to classify payables and other short- or long-term liabilities. In addition, the amendments also improve the disclosures that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with specified conditions (i.e., covenants). The changes have not had a significant impact on the Group's consolidated financial statements.



Amendment to IFRS 16: Lease Liability in a Sale and Leaseback

The amendment, endorsed by the European Commission with Regulation 2023/2579, requires the seller-lessee to measure the lease liability resulting from a sale and leaseback transaction in such a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The changes have not had a significant impact on the Group's consolidated financial statements.

International financial reporting standards, amendments and interpretations awaiting endorsement

For newly-issued amendments, standards and interpretations that have not yet been endorsed by the EU, but which address issues that affect or could affect the Terna Group, assessments are currently being conducted of the possible impact of their application on the financial statements, taking into account the date on which they will take effect. These include the following:

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

The amendment, published on 15 August 2023, clarifies when a currency is exchangeable, how to estimate the exchange rate and the disclosure to provide in the notes to financial statements. The document requires an entity to apply a method on a consistent basis to determine if a currency is exchangeable and, when this is not possible, specifies how to determine the exchange rate to use and the disclosure to provide in the notes to the financial statements. The amendment is effective from 1 January 2025, although early adoption is permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

The standard, published on 9 April 2024, aims to improve the disclosure of an entity's performance in terms of comparability, transparency and the usefulness of the information published in the financial statements, introducing substantial changes to their structure, above all with regard to the income statement. The amendment is effective from 1 January 2027, although early adoption is permitted.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The standard, published on 9 May 2024, aims to simplify the requirements in terms of the disclosures to be provided in the notes to financial statements, for companies without public accountability, controlled by groups that apply IFRS. The amendment introduces simplifications designed to reduce the cost of preparing the financial statements of subsidiaries, whilst at the same time ensuring that the information provided is of use to the users of financial statements. The amendment is effective from 1 January 2027, although early adoption is permitted.

Amendment to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

The amendment, published on 30 May 2024, clarifies certain problematic aspects that emerged during the postimplementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary based on the achievement of ESG goals (e.g., green bonds). The changes are effective for annual reporting periods beginning on or after 1 January 2026.

B. Notes to the consolidated income statement Revenue

1. Revenue from sales and services - €1,728.3 million

(€m)

	H1 2024	H1 2023	CHANGE
Transmission charges billed to grid users and incentives	1,214.1	1,042.8	171.3
Dispatching and metering fees and other energy-related revenue	77.7	61.2	16.5
Incentives for dispatching activities	124.2	100.3	23.9
Revenue from services performed under concession	33.8	27.0	6.8
Quality of service bonuses/(penalties)	5.6	11.6	(6.0)
Other sales and services	272.9	211.7	61.2
TOTAL	1,728.3	1,454.6	273.7

Transmission charges billed to grid users and incentives

Transmission charges billed to grid users regard revenue generated from ownership and operation of the national transmission grid or NTG and attributable to the Parent Company and the subsidiaries, Rete S.r.l. and Terna Crna Gora d.o.o., and have increased by €171.3 million. This is primarily relates to 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 (up €197.9 million), after a reduction of €26.6 million in incentives for additional interzonal transmission capacity, introduced by Resolution 567/2019.

Dispatching and metering fees and other energy-related revenue

This item regards fees received in return for providing dispatching and metering services (the dispatching and metering components) and other energy-related revenue. The item is up €16.5 million, broadly due to the increase in dispatching fees introduced by Resolution 632/2023.

Incentives for dispatching activities

This item, essentially represented by the mechanism introduced by Resolutions 597/2021 and 132/2022, designed to cut DSM costs, the shortfall in wind production and essential plants, is up €23.9 million on the same period of the previous year. This reflects recognition of the accrued amount for the period and the update in the overall performance estimates for the three-year period 2022-2024, carried out in 2023.

Revenue from services performed under concession

This item includes revenue from infrastructure construction and upgrade services performed under concession, recognised in application of IFRIC 12, amounting to €33.8 million. The increase compared with the previous year, amounting to €6.8 million, regards greater investment in dispatching infrastructure during the period.

Quality of service

This item regards the RENS (Regulated Energy Not Supplied) incentive mechanism introduced by Resolution 653/2015/r/eel and is down €6.0 million compared with the previous year. This reflects the extension, at the end of 2023, of the measurement period for the mechanism to 2025 (Resolution 55/2024).

Other energy-related items – pass-through revenue/expenses

This item regards "pass-through" revenue and expenses (the balance of which amounts to zero) attributable solely to the Parent Company. These items result from daily purchases and sales of electricity from electricity market operators. Measurements for each point of injection and withdrawal are taken and the differences, with respect to energy market schedules are calculated. These differences, known as imbalances, are then measured using algorithms established by the



regulatory framework. The net charge resulting from calculation of the imbalances and the purchases and sales, carried out by the Parent Company Terna on the DSM, is billed on a pro rata basis to each end consumer via a specific uplift payment. This item also reflects the portion of the transmission charge that the Parent Company passes on to other grid owners, not included in the scope of consolidation.

The components of these transactions are shown in greater detail below:

(€m)

	• • • • • • • • • • • • • • • • • • •		
	H1 2024	H1 2023	CHANGE
Power Exchange-related revenue items	1,601.1	2,245.9	(644.8)
Over-the-counter revenue items	1,773.3	1,604.7	168.6
TOTAL PASS-THROUGH REVENUE	3,374.4	3,850.6	(476.2)
Power Exchange-related cost items	1,601.1	2,245.9	(644.8)
Over-the-counter cost items	1,773.3	1,604.7	168.6
TOTAL PASS-THROUGH COSTS	3,374.4	3,850.6	(476.2)

Other sales and services

The item, "Other sales and services", amounting to €272.9 million, is up €61.2 compared with the first half of 2023. This primarily reflects the increased contribution from the LT Group (up €24.8 million), the Tamini Group (up €23.8 million) and Terna Energy Solutions S.r.I. (up €7.7 million), in addition to increased revenue from connections to the NTG (up €2.9 million).

2. Other revenue and income - €26.1 million

(€m)

	H1 2024	H1 2023	CHANGE
Sales to third parties	5.3	5.6	(0.3)
Private interconnectors	8.1	7.3	0.8
Sundry grants	4.0	4.7	(0.7)
Gains on sale of infrastructure components	3.2	9.7	(6.5)
Insurance proceeds as compensation for damages	1.7	0.4	1.3
Rental income	1.3	1.3	-
Revenue from IRU contracts for fibre	1.1	0.3	0.8
Other revenues	1.4	1.4	-
TOTAL	26.1	30.7	(4.6)

This item, amounting to €26.1 million, is down €4.6 million compared with the first half of the previous year, primarily due a combination of the following:

- a reduction in gains on the sale of assets (down €6.5 million, essentially scrap, transformers and motor vehicles);
- a reduction in the re-routing of lines for third parties (down €0.7 million);
- an increase in revenue from payments for damage to infrastructure (up €1.3 million, essentially attributable to the Parent Company);
- recognition, in the first half of 2024, of revenue from the Italy-Austria interconnector, following the entry into service of the infrastructure at the end of the previous year (up €0.8 million);
- increased revenue from Connectivity services linked to IRU contracts for fibre (up €0.8 million).

Operating costs

3. Raw and consumable materials used - €138.0 million

This item includes the value of the various materials and equipment used in the ordinary operation and maintenance of the plant belonging to the Group and third parties, and the materials consumed primarily in relation to the equipment and energy services businesses.

The increase of €13.7 million compared with the previous year primarily reflects the cost of materials incurred by the Tamini Group and the LT Group (up €15.1 million and €2.3 million, respectively), after a reduction in the cost of materials at the Brugg Cables Group (down €7.1 million).

4. Services - €155.4 million

(€m)

	H1 2024	H1 2023	CHANGE
Maintenance and sundry services	64.6	63.5	1.1
Tender costs for plant	49.0	32.1	16.9
IT services	21.2	16.1	5.1
Insurance	9.7	9.7	-
Lease expense	7.1	8.0	(0.9)
Remote transmission and telecommunications	3.8	4.7	(0.9)
TOTAL	155.4	134.1	21.3

This item, totalling €155.4 million, is up €21.3 million compared with the first half of 2023 (€134.1 million). This primarily reflects increased activity and new initiatives carried out by the Group, above all the LT Group (up 17.6 million), Terna Energy Solutions S.r.I. (up €4.6 million), the Brugg Group (up €2.2 million) and the Tamini Group (up €1.5 million), in addition to the increased costs linked to the construction and development of infrastructure under concession, recognised in application of IFRIC 12 (up €2.8 million, above all reflecting cost increases of €4.3 million in raw materials and of €4.0 million for IT services, partially offset by a cost reduction of €5.0 million for tenders for plant) and reduced costs linked to the "Noi siamo energia" advertising campaign during the first half of the previous year (down €7.2 million).

5. Personnel expenses - €183.2 million

(€m)

	H1 2024	H1 2023	CHANGE
Salaries, wages and other short-term benefits	245.4	229.3	16.1
Directors' remuneration	1.2	1.3	(0.1)
Termination benefits (TFR), energy discounts and other employee benefits	12.8	19.1	(6.3)
Early retirement benefits	0.1	0.1	-
Gross personnel expenses	259.5	249.8	9.7
Capitalised personnel expenses	(76.3)	(64.2)	(12.1)
TOTAL	183.2	185.6	(2.4)

Personnel expenses, amounting to €183.2 million in the first half of 2024, are down €2.4 million compared with the same period of the previous year (€185.6 million). This is due to a reduction in provisions for staff incentives and a higher amount of capitalised expenses, partly offset by the increase in the average workforce.

The following table shows the Group's average workforce by category for the first halves of 2024 and 2023.

(unit)

	AVER	AVERAGE WORKFORCE		
	H1 2024	H1 2023	CHANGE	
Senior managers	103	108	(5)	
Middle managers	904	876	28	
Office staff	3,421	3,149	272	
Blue-collar workers	1,592	1,492	100	
TOTAL	6,020	5,625	395	

The net increase in the Group's average workforce in the first six months of the year is 395, essentially linked to the requirements relating to delivery of the investment programme provided for in the 2024-2028 Industrial Plan.



6. Amortisation, depreciation and impairment losses - €421.1 million

(€m)

	H1 2024	H1 2023	CHANGE
Amortisation of intangible assets	72.9	56.7	16.2
- of which on infrastructure	21.2	15.7	5.5
Depreciation of property, plant and equipment	346.1	322.0	24.1
Impairment losses on property, plant and equipment and intangible assets	1.4	1.8	(0.4)
Impairment losses on trade receivables	0.7	(0.3)	1.0
TOTAL	421.1	380.2	40.9

This item, amounting to €421.1 million (including €10.3 million recognised in application of IFRS 16), are up €40,9 million compared with 2023. This reflects the entry into service of new infrastructure, primarily at the Parent Company (up €36.0 million) and at the subsidiary, Rete S.r.l. (up €2.6 million).

7. Other operating costs - €20.6 million

(€m)

	H1 2024	H1 2023	CHANGE
Indirect taxes and local taxes and levies	6.0	5.2	0.8
Fees paid to regulators and membership dues	6.0	4.9	1.1
Quality of service costs	3.1	5.1	(2.0)
of which mitigation and sharing mechanisms	3.1	1.6	1.5
of which the Fund for Exceptional Events	-	3.1	(3.1)
of which compensation mechanisms for HV users	-	0.4	(0.4)
Adjustment of provisions for litigation and disputes	(1.6)	(0.1)	(1.5)
Net contingent liabilities	0.8	0.9	(0.1)
Losses on sales/disposals of plant and net contingent liabilities	0.1	0.3	(0.2)
Other	6.2	5.8	0.4
TOTAL	20.6	22.1	(1.5)

This item, amounting to €20.6 million is down €1.5 million compared with the same period of the previous year, broadly due to a reduction in quality of service costs (down €2.0 million, primarily linked to the increased costs incurred due to the outages that occurred in the first half of 2023 and the reduction in provisions for litigation and disputes (down €1.5 million, due to an increase in the release of provisions during the year), and an increase in the fees paid to regulators and membership dues (up €1.1 million) and for indirect taxes and local taxes and levies (up €0.8 million).

8. Financial income/(expenses) - (€63.9) million

	111 0004	LI4 0000	CHANCE
	H1 2024	H1 2023	CHANGE
FINANCIAL EXPENSES			
Interest expense on medium/long-term borrowings and related hedges	(158.7)	(120.0)	(38.7)
Adjustment of borrowings and related hedges	-	(1.6)	1.6
Discounting of receivables, termination benefits (TFR), operating leases and other liabilities	(5.2)	(3.2)	(2.0)
Capitalised financial expenses	31.8	26.7	5.1
Foreign exchange losses	-	(0.1)	0.1
Other financial expenses	(3.2)	(13.8)	10.6
Total expenses	(135.3)	(112.0)	(23.3)
FINANCIAL INCOME			
Interest income and other financial income	57.3	39.8	17.5
Adjustment of borrowings and related hedges	0.2	-	0.2
Discounting of output-based incentives	13.6	12.7	0.9
Foreign exchange gains	0.3	-	0.3
Total income	71.4	52.5	18.9
TOTAL	(63.9)	(59.5)	(4.4)

Net financial expenses amount to €63.9 million, reflecting €135.3 million in financial expenses and €71.4 million in financial income. The increase in net financial expenses compared with the first half of 2023, amounting to €4.4 million, primarily reflects higher interest rates and regards:

- an increase of €38.7 million in the cost of debt following the new borrowings obtained during the period and the higher interest rates payable on such new transactions and on outstanding variable rate loans, partially offset by the impact of falling inflation in relation to the inflation-linked bonds (maturing in September 2023);
- a reduction of €10.6 million in other financial expenses, broadly due to the uplift component;
- an increase of €5.1 million in capitalised expenses due to increased investment during the period and rising interest rates;
- an increase of €17.5 million in interest income and other financial income on the investment of cash and other financial assets as a result of improved market conditions.

9. Share of profit/(loss) of investees accounted for using the equity method – €0.5 million

This item, amounting to €0.5 million, is broadly in line with the first half of 2023 (€0.4 million).

10. Income tax expense - €227.2 million

Income tax expense for the period totals €227.2 million, an increase of €58.7 million compared with the first half of 2023, reflecting the increase in pre-tax profit. The resulting tax rate of 29.4% thus marks an increase compared with the figure for the first half of 2023 (29.1%).

(€m)

		1	
	H1 2024	H1 2023	CHANGE
Income tax for the period			
Current tax expense:			
- IRES (corporate income tax)	198.7	149.4	49.3
- IRAP (regional tax on productive activities)	46.7	30.7	16.0
Total current expense	245.4	180.1	65.3
Temporary differences:			
- deferred tax assets	(18.4)	(11.1)	(7.3)
- deferred tax liabilities	(1.4)	(1.4)	-
Total deferred tax (income)/expense	(19.8)	(12.5)	(7.3)
Adjustments to taxes for previous years	1.6	0.9	0.7
TOTAL	227.2	168.5	58.7
		1	

Current income tax expense of €245.4 million is up €65.3 million compared with the first half of 2023, broadly due to the improvement in pre-tax profit.

Net deferred tax expense of €19.8 million is down €7.3 million, reflecting the impact of taxation on depreciation and amortisation, movements in provisions for risks and charges and for employee benefits recognized by the Group during the first half.

Adjustments to taxes for previous years, amounting to expense of €1.6 million primarily refers to the Parent Company and the subsidiary, Terna Rete Italia S.p.A., and include net contingent liabilities resulting from recognition of the effective amount payable when filing annual tax returns.

11. Profit/(Loss) for the period from assets held for sale – (€0.6) million

This item reflects the net result from the assets included in the agreement signed by the Terna Group and CDPQ, a global investment group, on 29 April 2022 for the sale of all the Group's power line assets in Brazil, Peru and Uruguay. The first transaction closing for the sale of the Brazilian companies, SPE Transmissora de Energia Linha Verde II S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Santa Maria Transmissora de Energia S.A., was completed on 7 November 2022. The transaction closing for the sale of Difebal S.A., which operates a power line in Uruguay, was completed on 22 December 2022. The sale of the other assets in Brazil and Peru is due to take place in phases, following fulfilment of the conditions provided for in the agreement.



Following the negative outcome of the buyer qualification process conducted by the relevant authority (MINEM), it was not possible to complete the sale of the Peruvian company to CDPQ. In light of this, the Group has entered talks with other operators in order to begin the sale process for the Peruvian project. The sale is expected to be completed within the next 12 months.

The revenue and cost items resulting in the net result for the period from assets held for sale, amounting to a loss of €0.6 million, are shown below:

	H1 2024	H1 2023	CHANGE
Total revenue	9.2	21.3	(12.1)
Total operating costs	9.4	33.7	(24.3)
OPERATING COSTS	(0.2)	(12.4)	12.2
Financial income/(expenses), net	0.1	0.8	(0.7)
Impairment loss recognised on remeasurement of the fair value less costs to sell	-	9.0	(9.0)
PROFIT/(LOSS) BEFORE TAX	(0.1)	(2.6)	2.5
Income tax expense for the period	0.5	0.9	(0.4)
Profit/(Loss) for the year from discontinued operations and assets held for sale	(0.6)	(3.5)	2.9

Revenue

This item broadly consists of revenue from construction and development of infrastructure operated under concession, above all the assets held for sale located in Brazil (€8.5 million) and Peru (€0.7 million).

Operating costs

Operating costs essentially regard the costs incurred in application of IFRIC 12 for the construction of the electricity infrastructure in Brazil, which entered service in February 2024 (€9.0 million), and operating costs incurred in Peru (€0.4 million).

The net loss from discontinued operations thus amounts to €0.6 million, up €2.9 million compared with the loss for the same period of the previous year. This essentially reflects the operating results of the companies (up €12.2 million), after the adjustment to the value of the assets recognised in accordance with IFRS 5, during the first half of 2023 (down €0.9 million).

The agreements entered into with CDPQ, regarding the sale of the Brazilian companies, grant the purchaser a put option for the return of SPE Transmissora de Energia Linha Verde II S.A. to Terna Plus. This may be exercised, under determinate conditions, no sooner than 31 December 2025. At the date of preparation of these financial statements, the option is not exercisable and provides protection for the counterparty, which does not have a significant economic incentive to exercise it. Moreover, at the date of preparation of this document, a number of disputes are in progress. The related outcomes have been classified as possible and therefore no provisions have been made in the financial statements:

- ongoing arbitration between SPE Santa Lucia Transmissora de Energia S.A. and Planova Planejamento e Construções S.A. and Krasis Participações S.A., regarding responsibility for postponement of the Commercial Operation Date ("COD"), as defined in the EPC contract;
- ongoing arbitration between SPE Transmissora de Energia Linha Verde I S.A. and Consórcio Construtor Linha Verde, regarding a review of the obligations provided for in the EPC contract.

12. Earnings per share

Basic earnings per share, which corresponds to diluted earnings per share, amounts to €0.272 (based on profit for the period attributable to owners of the Parent, totalling €544.8 million, divided by the number of shares outstanding, totalling 2,005,955,046.7 where this number is the weighted average number of shares outstanding during the period). Basic earnings per share from continuing operations, which corresponds to diluted earnings per share from continuing operations, is €0.272 (based on profit for the period from continuing operations, totalling €545.5 million, divided by the number of shares outstanding, totalling 2,005,955,046.7 where this number is the weighted average number of shares outstanding during the period).

C. Operating segments

In line with the 2024-2028 Industrial Plan, and in compliance with IFRS 8, the Terna Group's identified operating segments are described below:

- Regulated
- Non-Regulated
- International

The Regulated segment includes the development, operation and maintenance of the National Transmission Grid, in addition to dispatching and metering, and the activities involved in the construction of storage systems. These activities have been included in one operating segment, as they are all regulated by ARERA and have similar characteristics, in terms of the remuneration model and the method for setting the related tariffs.

The Non-regulated segment includes deregulated activities and specific business initiatives, above all relating to Equipment activities, which includes the operating results of the Tamini Group, relating essentially to the construction and commercialisation of electrical equipment, above all power transformers, and the Brugg Cables Group, which operates in the terrestrial cable sector, specialising in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high-voltage cables. The Non-regulated segment includes initiatives linked above all to the provision of services to third parties in the areas of Energy services (consisting of the development of technical solutions and the supply of innovative services, including EPC - Engineering, Procurement and Construction - services, operation and maintenance of high-voltage and very high-voltage infrastructure, and the supply of energy efficiency services, broadly attributable to the subsidiary, Avvenia The Energy Innovator S.r.I..). This segment also includes Connectivity (support and housing services for fibre networks and IRU contracts for fibre. This segment includes the activities carried out in relation to the private interconnectors launched by Law 99/2009, legislation that assigned Terna responsibility for selecting undertakings (the "selected undertakings"), on the basis of public tenders, willing to finance specific cross-border interconnectors in exchange for the benefits resulting from a decree granting a third-party access exemption with regard to the transmission capacity provided by the new infrastructure. The Non-regulated Activities segment also includes the results of the LT Group, acquired in October 2021 and a leading provider of O&M services for photovoltaic plants.

On the other hand, the International segment includes the results deriving from opportunities for international expansion, which the Group aims to exploit by leveraging its core competencies developed in Italy as a TSO, where such competencies are of significant importance in its home country. Overseas investment focuses on countries with stable political and regulatory regimes and a need to develop their electricity infrastructure. This segment includes the results of the subsidiary Terna Plus S.r.l., the Peruvian company, Terna 4 Chacas S.A.C. (a charitable project), the Chilean company, Terna Chile S.p.A. and the US subsidiary, Terna USA LLC.

The results of the Brazilian company, Linha Verde I S.A., and of the Peruvian company, Terna Peru S.A.C., have been reclassified to "Profit/(Loss) for the period from assets held for sale".

(€m)

	H1 2024	H1 2023	CHANGE	% CHANGE
REGULATED REVENUE	1,472.5	1,263.2	209.3	16.6%
NON-REGULATED REVENUE	281.8	222.0	59.8	26.9%
INTERNATIONAL REVENUE	0.1	0.1	-	100.0%
TOTAL REVENUE	1,754.4	1,485.3	269.1	18.1%
GROSS OPERATING PROFIT (EBITDA)*	1,257.2	1,019.2	238.0	23.4%
of which regulated EBITDA **	1,212.3	989.7	222.6	22.5%
of which non-regulated EBITDA	46.7	31.2	15.5	49.7%
of which International EBITDA	(1.8)	(1.7)	(0.1)	5.9%
Reconciliation of segment result with the Company's profit before tax				
GROSS OPERATING PROFIT (EBITDA)	1,257.2	1,019.2		
Amortisation, depreciation and impairment losses	421.1	380.2		
OPERATING PROFIT/(LOSS) (EBIT)	836.1	639.0		
Financial income/(expenses)	(63.9)	(59.5)		
Share of profit/(loss) of investees accounted for using the equity method	0.5	0.4		
Profit/(Loss) before tax	772.7	579.9		

Gross operating profit - EBITDA is an indicator of operating performance, obtained by adding "Amortisation, depreciation and impairment losses" to "Operating profit/(loss) (EBIT).

EBITDA including indirect costs.



The Group's revenue for the first half of 2024 amounts to €1,754.4 million, an increase of €269.1 million (up 18.1%) compared with 2023.

Gross operating profit (EBITDA) of €1,257.2 million is up €238.0 million (up 23.4%) on the €1,019.2 million of 2023.

EBITDA from Regulated Activities amounts to €1,212.3 million, an increase of €222.6 million compared with the first half of 2023. The primarily reflects the impact on tariff revenue and incentives (up €211.7 million) of the increase in the WACC set for 2024 and growth in the regulated asset base (RAB).

EBITDA from Non-regulated Activities in the first half of 2024 amounts to €46.7 million, an increase of €15.5 million compared with same period of the previous year. This essentially reflects increased contributions from the Equipment segment (up €5.1 million at the Tamini Group and up €2.3 million at the Brugg Cables Group), the Energy Services segment (up €6.5 million, essentially reflecting contracts in the high-voltage sector) and from private interconnectors (up €2.1 million).

Negative EBITDA from International Activities, amounting to €1,8 million in the first half of 2024, essentially reflects the costs incurred by central departments to support overseas initiatives. The figure is in line with the previous year.

Assets held for sale report a net loss of €0.6 million, an improvement of €2.9 million compared with the first half of 2023, essentially due to reducing operating losses in the period, after the adjustment to the value of the assets in the comparative period.

Information on the financial position periodically reported to senior management is not provided directly on the basis of each individual segment, but based on the measurement and presentation of gross invested capital as a whole, given that the contribution from Non-regulated and International Activities is not material. The following table shows this indicator at 30 June 2024 and 31 December 2023.

	30 JUNE 2024	31 DECEMBER 2023
Net non-current assets *	19,434.5	18,964.7
of which investments in associates and joint ventures	80.3	76.7
Net working capital **	(1,890.4)	(2,174.6)
Gross invested capital ***	17,544.1	16,790.1

Net non-current assets include the value of "Property, plant and equipment", "Goodwill", "Intangible assets", "Investments accounted for using the equity method", "Other non-current assets" and "Non-current financial assets", excluding the value of cash flow hedges (€24.3 million).

^{**} Net working capital is the difference between total current assets less cash and the items, "Current financial assets" and total current liabilities, less the short-term portion of long-term borrowings and the items "Short-term borrowings" and "Current financial liabilities", and the item "Other non-current liabilities".

^{***} Gross invested capital is the sum of net non-current assets and net working capital.

D. Notes to the consolidated statement of financial position

Assets

13. Property, plant and equipment – €18,160.6 million

	LAND	BUILDINGS	PLANT AND EQUIPMENT	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
COST AT 31 DECEMBER 2023	232.5	2,587.5	22,391.2	251.3	289.0	2,885.3	28,636.8
Investment	-	2.7	0.1	2.7	2.5	950.5	958.5
of which right-of-use assets	-	2.6	-	-	1.7	2.2	6.5
Assets entering service	1.7	26.2	246.3	0.7	5.7	(280.6)	-
of which right-of-use assets	-	-	-	-	0.1	(O. 1)	-
Translation differences	-	(1.7)	-	(3.2)	(0.3)	(0.1)	(5.3)
of which right-of-use assets	-	0.1	-	-	0.1	-	0.2
Disposals and impairments	-	(4.9)	(38.9)	(0.2)	(0.9)	(1.3)	(46.2)
of which right-of-use assets	-	(4.7)	-	-	(0.7)	-	(5.4)
Other movements	3.4	(3.4)	(8.5)	-	(15.9)	(23.1)	(47.5)
COST AT 30 JUNE 2024	237.6	2,606.4	22,590.2	251.3	280.1	3,530.7	29,496.3
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2023	(2.9)	(863.0)	(9,790.1)	(196.3)	(187.8)	-	(11,040.1)
Depreciation for the year	(0.3)	(34.4)	(292.6)	(5.1)	(13.7)	-	(346.1)
of which right-of-use assets	(0.3)	(3.5)	(1.1)	-	(5.4)	-	(10.3)
Translation differences	-	0.7	-	3.0	0.2	-	3.9
Disposals	-	4.9	36.3	0.2	0.9	-	42.3
of which right-of-use assets	-	4.7	-	-	0.6	-	5.3
Other movements	-	-	-	(0.2)	4.5	-	4.3
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 30 JUNE 2024	(3.2)	(891.8)	(10,046.4)	(198.4)	(195.9)	-	(11,335.7)
Carrying amount							
AT 30 JUNE 2024	234.4	1,714.6	12,543.8	52.9	84.2	3,530.7	18,160.6
of which right-of-use assets	4.6	31.8	18.3	-	32.9	3.0	90.6
AT 31 DECEMBER 2023	229.6	1,724.5	12,601.1	55.0	101.2	2,885.3	17,596.7
of which right-of-use assets	4.9	32.6	19.4	-	36.5	0.9	94.3
Change	4.8	(9.9)	(57.3)	(2.1)	(17.0)	645.4	563.9

The category "Plant and equipment" at 30 June 2024 includes the electricity transmission grid and transformer substations in Italy.

- Investment of €958.5 million, including €943.9 million in the Group's Regulated Activities and €14.6 million in Nonregulated Activities, primarily with regard to the re-routing of power lines at the request of third parties;
- depreciation for the year of €346.1 million;
- other changes during the year, resulting in a reduction of €44.6 million, including grants related to assets (primarily for projects financed by the Ministry for Economic Development and the EU) and a reduction of approximately €10.3 million due to the improved allocation to "Intangible assets";
- disposals and impairments (down €3.9 million).

[&]quot;Property, plant and equipment" is up €563.9 million compared with 31 December 2023, reflecting ordinary movements during the year as a result of:



A summary of movements in property, plant and equipment during the year is shown below

Investment	
- Power lines	566.4
- Transformer substations	325.1
- Other	67.0
Total Investment in property, plant and equipment	958.5
Depreciation	(346.1)
Other changes	(43.2)
Disposals and impairments	(3.9)
Translation differences	(1.4)
TOTAL	563.9

The following information regards work on the principal projects during the year in relation to Regulated Activities: the start of design work for the construction of the Tyrrhenian Link (€220.7 million), the start of work on the detailed designs for the construction of the Adriatic Link (€90.9 million) and SA.CO.I.3 (€33.1 million), progress on construction of the Olympics projects (€30.9 million) and the Bolano-Annunziata (€26.5 million), Colunga-Calenzano (€18.4 million), Paternò-Pantano-Priolo (€12.0 million) and Cassano-Chiari (€10.8 million) power lines, the installation of synchronous compensators (€11.1 million), the construction of reactors and stabilisers (€9.4 million and €5.5 million, respectively) extension of the fibre network as part of the "Fibre for the Grid" project (€4.1 million).

14. Goodwill - €251.0 million

Goodwill, amounting to €251.0 million at 30 June 2024, regards the Parent Company's acquisition of Terna Rete Italia S.r.I., accounted for in the financial statements at a carrying amount of €101.6 million, of RTL S.p.A. accounted for in the financial statements at a carrying amount of €88.6 million and of Rete S.r.I. amounting to €26.3 million, the acquisition of TES - Transformer Electro Services by the Tamini Group, with a carrying amount of €13.6 million and the acquisitions carried out by the parent Company through the subsidiary, Terna Energy Solutions S.r.I., a 75% interest in LT S.r.I. (LT Group), accounted for at a carrying amount of €19.4 million and through the Brugg Group, a 100% interest in Laser TLC S.r.l., accounted for at a carrying amount of €1.5 million.

The reduction of €1.3 million compared with 31 December 2023 reflects the final allocation of the amount resulting from the acquisition of Omnia S.r.I. through the LT Group in March 2023 and the acquired company's merger with and into LT S.r.l. on 5 October 2023.

15. Intangible assets - €638.8 million

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	INFRASTRUCTURE RIGHTS	CONCESSIONS	OTHER ASSETS	ASSETS UNDER DEVELOPMENT AND PREPAYMENTS	TOTAL
Cost	665.1	135.4	825.0	129.8	1,755.3
Accumulated amortisation	(456.4)	(101.7)	(582.3)	-	(1,140.4)
BALANCE AT 31 DECEMBER 2023	208.7	33.7	242.7	129.8	614.9
Investment	-	-	0.8	83.1	83.9
Assets entering service	7.9	-	22.0	(29.9)	-
Amortisation for the year	(21.2)	(2.8)	(48.9)	-	(72.9)
Other movements	10.3	-	1.4	1.2	12.9
BALANCE AT 30 JUNE 2024	205.7	30.9	218.0	184.2	638.8
Cost	687.3	135.4	849.1	184.2	1,856.0
Accumulated amortisation	(481.6)	(104.5)	(631.1)	-	(1,217.2)
BALANCE AT 30 JUNE 2024	205.7	30.9	218.0	184.2	638.8
Change	(3.0)	(2.8)	(24.7)	54.4	23.9

Intangible assets amount to €638.8 million (€614.9 million at 31 December 2023). The increase compared with 31 December 2023 (up €23.9 million) broadly reflects the net effect of investment (up €83.9 million, including €31.0 million in infrastructure rights), other movements (up €12.9 million, primarily reflecting the improved allocation of amounts from "Property, plant and equipment") and amortisation (down €72.9 million).

Investment in intangible assets during the year (€83.9 million, including €83.1 million attributable to the Parent Company's Regulated Activities), included expenditure on the development of software applications for the Remote Management System for Dispatching (€14.5 million), the Power Exchange (€6.2 million), the Metering System (€1.1 million) and for protection of the electricity system (€2.4 million), million), as well as software applications and generic licences (€46.7 million).

16. Deferred tax assets - €187.3 million

(€m)

	31 DECEMBER 2023	EFFECTS RECOGNISED IN THE INCOME STATEMENT AND OTHER CHANGES	EFFECTS RECOGNISED IN COMPREHENSIVE INCOME	30 JUNE 2024	CHANGE
Deferred tax assets	194.7	18.5	(1.2)	212.0	17.3
Deferred tax liabilities	(26.0)	1.3	-	(24.6)	1.3
NET DEFERRED TAX ASSETS	168.7	19.8	(1.2)	187.3	18.6

The balance of this item, amounting to €187.3 million, includes the net impact of movements in the Group's deferred tax assets and liabilities.

Deferred tax assets (€212.0 million) are up €17.3 million, net, compared with the amount at 31 December 2023 (€194.7 million), reflecting the following movements:

- net uses that do not impact profit or loss, totalling €1.2 million, reflecting the tax effect of movements in cash flow hedges and provisions for employee benefits;
- net uses related to changes in provisions for risks and charges and other changes (€17.7 million);
- use of the accrued portion recognised in relation to tax relief on the goodwill resulting from the merger of other companies who own portions of the NTG acquired and subsequently merged in previous years (€1.5 million);
- provisions recognised by Rete S.r.l. for the non-deductible portion of book depreciation recognised by the Company (€1.5 million).

Deferred tax liabilities (€24.6 million) are down €1.3 million, essentially due to net provisions and other movements of Group companies.

17. Investments accounted for using the equity method – €80.3 million

This item, amounting to €80.3 million, regards the Parent Company's investments in the associate CESI S.p.A. (€46.2 million), the associate CORESO S.A. (€1.0 million), the associate CGES - CrnoGorski Elektroprenosni Sistem AD (€26.7 million), the associate Equigy B.V. (€0.4 million) and in the joint ventures SEleNe CC S.A. (€2.4 million), BMT Energy Transmission Development LLC (€0.5 million), ELMED Etudes S.a.r.I. (€0.2 million) and Wesii S.r.I. (€2.9 million), an Italian company acquired on 7 March 2024 and 33% owned by the subsidiary, Terna Forward S.r.I., whilst the remaining interest is held by non-controlling interests.

The increase compared with 31 December 2023, totalling €3.6 million, essentially reflects recognition of the stake in the new joint venture, Wesii S.r.I. (up €2.9 million) and the increase in the stake in the joint venture, BMT Energy Transmission Development LLC (up €0.2 million). This also relates to the adjustment of the Group's share of equity at 30 June 2024 in the associates CESI S.p.A. (up €0.1 million) and CORESO S.A. (up €0.1 million) and the joint venture SEIeNe CC S.A. (up €0.3 million).



18. Financial assets

(€m)

	MEASUREMENT	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Deposit in the Interconnector Guarantee Fund	Amortised cost	282.8	285.0	(2.2)
Cash flow hedges	FVTOCI	24.3	17.4	6.9
Government securities	FVTOCI	-	119.1	(119.1)
Other non-current financial assets	FVPNL - Amortised cost	5.4	4.2	1.2
Other investments	FVTOCI	0.3	0.1	0.2
NON-CURRENT FINANCIAL ASSETS		312.8	425.8	(113.0)
Government securities	FVTOCI	216.2	96.8	119.4
Other securities	FVPNL - FVTOCI	102.4	100.4	2.0
Time Deposit	Amortised cost	447.1	165.0	282.1
Deferred assets on cash flow hedges		6.0	7.3	(1.3)
Currency derivatives	FVTOCI	0.2	0.4	(0.2)
Other current financial assets		21.8	14.2	7.6
CURRENT FINANCIAL ASSETS		793.7	384.1	409.6

"Non-current financial assets" are down €113.0 million, compared with 31 december 2023, reflecting:

- the reclassification of the value of Italian government securities, now short-term, to "current financial assets" (down €119.1 million, maturing in May 2025 with an interest rate of 1.4%);
- an increase of €6.9 million in cash flow hedges hedging debt, due to market interest rate movements and the change in the derivatives held; the balance was measured by discounting expected cash flows using market interest rates at the measurement date;
- a reduction in guarantee deposits made by operators who participate in the capacity market pursuant to Resolution 98/2011/R/eel, as amended (down €14.1 million) offset by an increase in the Interconnector Guarantee Fund, set up to fund investment in interconnections by art. 32 of Law 99/09 (up €11.9 million);
- an increase of €1.2 million reflecting investment costs incurred by Terna Forward in the Infra Tech and Energy Tech units of Cassa Depositi e Prestiti VC's Corporate Partners Fund I.

"Current financial assets" are up €409.6 million compared with the previous year, primarily due to an increase in short-term time deposits during the period (amounting to €282.1 million), the increase in unpaid accrued interest on financial investments (amounting to €7.6 million) and the reclassification of government securities previously accounted for in non-current financial assets (up €1.19.4 million), after the recognition of unpaid accrued interest on derivatives (down €1.3 million).

19. Other assets

(€m)

	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Loans and advances to employees	10.5	10.9	(0.4)
Deposits with third parties	4.8	4.6	0.2
OTHER NON-CURRENT ASSETS	15.3	15.5	(0.2)
Other tax credits	28.9	110.1	(81.2)
Prepayments to suppliers	8.5	11.1	(2.6)
Prepayments of operating expenses and accrued operating income	34.8	24.0	10.8
Amounts due from partners selected for Interconnector projects	3.2	2.9	0.3
Amounts due from others	69.7	65.3	4.4
OTHER CURRENT ASSETS	145.1	213.4	(68.3)

"Other non-current assets" amount to €15.3 million and are broadly in line with the figure at 31 December 2023 (down €0.2 million).

"Other current assets", totalling €145.1 million, are down €68.3 million compared with 31 December 2023, primarily

- other tax credits (down €81.2 million), mainly reflecting the reduction in the Group's refundable VAT (down €79.7 million);
- an increase in prepaid expenses accruing after 30 June 2024 (down €10.8 million), including €9.5 million attributable to amounts due to employees for deferred monthly wages.

20. Inventories - €155.1 million

This item, amounting to €155.1 million, is up €48.7 million compared with the previous year. This primarily reflects materials to be used in contract work by the Tamini Group (up €25.9 million) and the LT Group (up €14.3 million).

21. Trade receivables - €2,276.8 million

(€m)

	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Energy-related receivables	1,338.5	1,268.5	70.0
Transmission charges receivables	649.8	576.2	73.6
Other trade receivables	288.5	278.7	9.8
TOTAL	2,276.8	2,123.4	153.4

Trade receivables amount to €2,276.8 million at 30 June 2024 and are accounted for less any losses and recognised in the allowance for doubtful accounts (€82,9 million for energy-related receivables, of which €73.6 million regarding dispatching receivables that are not recoverable, and for which a request for compensation has been made, in accordance with ARERA Resolution 5/2024⁵⁰) and €21.9 million for other items in the first half of 2024, compared with €13.3 million for energy-related items and €20.9 million for other items in 2023, with further details provided in the section "E. Commitments and risks"). The carrying amount shown broadly approximates to fair value.

Energy-related/regulated receivables – €1,338.5 million

This item includes so-called "pass-through items" relating to the Parent Company's activities in accordance with Resolution 111/06 (€746.9 million) and receivables due from the users of dispatching services forming part of Regulated Activities (€574.8 million); It also includes the amount due from the Fund for Energy and Environmental Services (Cassa per i Servizi Energetici e Ambientali - CSEA (€16,8 million) relating to quality of service and output-based regulation.

These receivables are up €70.0 million compared with the end of 2023 primarily due to:

- an increase of €125.2 million in Power Exchange receivables, related to the Uplift fee, which primarily reflects the recovery of receivables from previous years, accumulated following the reduction in the DSM costs;
- an increase of €117 million in receivables related to the capacity market, which reflects the costs to be recovered from the system in the coming months through the specific tariff review mechanism;

partly offset by:

- a reduction in amounts receivable in the form of output-based incentives:
 - €129.1 million deriving from the three-year incentive scheme to reduce dispatching costs (DSM incentive, Resolutions 597/2021 and 132/2022) deriving from the three-year incentive scheme for reductions in dispatching costs (the DSM incentive, Resolutions 597/2021 and 132/2022) following collection of the annual portion of the bonus awarded for the performance in 2022 (€265.3 million) after recognition of the bonus for the first half of 2024
 - €26.2 million resulting from the collection of the bonus related to the incentive for work designed to resolve grid constraints due to voltage regulation and improve conditions for essential service provision (the intrazonal incentive introduced by Resolution 699/2018);
- a reduction of €23.8 million in receivables related to the remuneration of essential plants (UESS).

⁵⁰ In Resolution 5/2024, ARERA set out the procedure by which Terna may recover amounts receivable that, despite attempts to recover the related amounts, are deemed not to be recoverable due to the insolvency of dispatching users and parties to virtual import contracts (entities financing interconnectors and shippers - ARERA Resolution 179/09).



Transmission charges receivable – €649.8 million

Transmission charges receivable, amounting to €649.8 million, represent the amount due to the Parent Company and other grid owners from electricity distributors for use of the National Transmission Grid. The receivable is up €73.6 million compared with 31 December 2023 reflecting the revised tariff (Resolution 632/2023⁵¹), recognition of the accrued return on digital substation systems in accordance with ARERA Resolution 565/2020, and recognition of the amount due to cover the added costs incurred in 2023 that were not covered by the specific tariff component relating to the Inter-TSO Compensation (ITC) scheme⁵², recognised from 2020 through the transmission charge.

Other trade receivables - €288.5 million

Other trade receivables primarily regard amounts receivable from customers of the non-regulated business. These amounts derive from the provision of specialist services to third parties, primarily in relation to plant engineering services, the operation and maintenance of high-voltage and very high-voltage infrastructure, and the housing of telecommunications equipment and maintenance services for fibre networks, as well as in relation to contract work carried out by the Tamini Group, the subsidiary, Brugg Cables and the LT Group.

This item is up €9,8 million compared with the previous year, broadly due to increases in contract work at the Tamini Group (€18.5 million) and the Parent Company (up €8.4 million), partly offset by a reduction in receivables at the Brugg Group (down €11.6 million), Terna Energy Solutions (down €2.9 million) and the LT Group (down €1.3 million).

The following table shows receivables resulting from contract work in progress (€100.0 million), being carried out by the Group under multi-year contracts with third parties:

(€m)

	PRE- PAYMENTS	VALUE OF CONTRACT	BALANCE AT 30 JUNE 2024	PRE- PAYMENTS	VALUE OF CONTRACT	BALANCE AT 31 DECEMBER 2023
Receivables resulting from contract work in progress	(316.9)	416.9	100.0	(393.0)	511.1	118.1

The Group's receivables resulting from contract work in progress are down €18.1 million, primarily in relation to the reduction in contract work at the Brugg Cables Group (down €27.9 million), partially offset by an increase in contract work at the Tamini Group (up €7.7 million) and Terna Rete Italia S.p.A. (up €2.0 million).

22. Cash and cash equivalents – €1,744.6 million

Cash amounts to €1,744.6 million at 30 June 2024, including €1,573.1 million invested short-term readily convertible deposits and €171.5 million deposited in bank current accounts and cash in hand.

23. Income tax assets - €6.5 million

Income tax assets, amounting to €6.5 million, are up €1,7 compared with 31 December 2023, essentially reflecting the recognition of an IRES refund receivable by the subsidiary Terna Interconnector S.r.I. following the settlement of taxes relating to the previous year.

⁵¹ "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.

⁵² Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows. The related charges are allocated to "Energy-related non pass-through payables".

Equity and liabilities

24. Equity attributable to owners of the Parent and non-controlling interests Equity attributable to owners of the Parent - €7,264.1 million

Share capital – €442.2 million

The Parent Company's share capital consists of 2,009,992,000 ordinary shares with a par value of €0.22 per share.

Legal reserve – €88.4 million

The legal reserve accounts for 20% of the Parent Company's share capital.

Reserve for treasury shares - (€23.4) million

The reserve for treasury shares amounts to €23.4 million at 30 June 2024 (reducing other reserves) and is down €6.4 million compared with 31 December 2023 (€29.8 million). This reflects the award of 1,060,240 shares to the beneficiaries of the Performance Share Plan, 2021-2025 allotted during the period between 10 May 2024 and 4 June 2024.

As a result, at 30 June 2024, Terna S.p.A. now holds a total of 3,153,420 treasury shares (equal to 0.16% of the share capital).

Reserve for equity instruments – €1,835.6 million

The reserve includes the fixed rate, non-convertible, perpetual, subordinated green bonds ("hybrid green bond") issued by the Parent Company:

- on 2 February 2022, the Parent Company issued bonds with a nominal value of €1 billion (€989.0 million after incidental costs). These bonds are non-callable for six years and will pay coupon interest of 2.375% until 9 February 2028, the first reset date. After this date, the bonds will pay annual interest equal to the 5-year Euro Mid-Swap rate plus a spread of 212.1 basis points. This will be increased by a further spread of 25 basis points from 9 February 2033 and by an additional 75 basis points from 9 February 2048;
- on 4 April 2024, bonds were issued with a nominal value of €850 million (€842.0 million after incidental costs). These bonds are non-callable for six years and have an issue price set at 99.745%, with a spread of 214.2 basis points compared with the Euro Mid-Swap rate and will pay annual coupon interest of 4.750% up until the first reset date (excluded) on 11 April 2030, with an actual rate of 4.800%. Starting on this date, if the early repayment has not taken place, the hybrid bonds will accrue annual interest equal to the 5-year Euro Mid-Swap rate plus a spread of 214.2 basis points. This will be increased by a further spread of 25 basis points from 11 April 2035 and by an additional 75 basis points from 11 April 2050.

The reserve also includes the tax on incidental costs relating to the above bond issues, amounting to €4.6 million.

Share premium reserve, Cash flow hedge reserve and Other reserves – €793.0 million

The "Share premium reserve", "Cash flow hedge reserve" and "Other reserves" at 30 June 2024 amount to €793.0 million, an increase of €4 million compared with 31 December 2023, broadly as a result of other comprehensive income. This reflects:

- fair value adjustments to the Parent Company's cash flow hedges (up €1.3 million, after the related taxation);
- the change in actuarial gains and losses on provisions for employee benefits (up €1.4 million, after the related taxation);
- fair value adjustments to the value of financial assets represented by securities (up €0.8 million, after the related taxation).



Retained earnings and accumulated losses – €3,583.5 million

The increase in "Retained earnings and accumulated losses", amounting to €193.0 million, primarily regards the remaining portion of the Group's profit for 2023 (up €202.8 million), following the Parent Company's payment of the dividend for 2022 (totalling €682.6 million). This item includes the change in the scope of consolidation, due to the acquisition, through the subsidiary, Terna Plus S.r.I., of the remaining minority interest of 25% in the Brazilian company "SPE Transmissora de energia Linha Verde I S.A." in February 2024, now a wholly owned subsidiary of the company (down €7.0 million). It also includes the change in the interest accruing on the hybrid green bonds (down €2.6 million), the recognition of tax on interest accrued until 30 June 2024 on the hybrid bonds issued on 2 February 2022 (up €11.4 million), and the translation differences resulting from the conversion of financial statements in currencies other than the euro (down €10.2 million).

Payment of the final dividend

The Annual General Meeting of shareholders held on 10 May 2024 approved payment of a dividend for full-year 2023 of 33.96 euro cents per share - before any withholdings required by law - of which 22.50 euro cents per share as a final dividend (payable from 26 June 2024 with an ex-dividend date for coupon 40 of 24 June 2024) and 11.46 euro cents to be added to the interim dividend already paid on 22 November 2023.

Equity attributable to non-controlling interests – €23.7 million

Equity attributable to non-controlling interests, relating to the non-controlling shareholders of Terna Interconnector S.r.I., the Brugg Cables Group, the LT Group and ESPERIA-CC S.r.I., amounts to €23.7 million, an increase of €4.8 million compared with 31 December 2023.

This change primarily reflects the acquisition, through the subsidiary, Terna Plus S.r.I., of the remaining minority interest of 25% in the Brazilian company "SPE Transmissora de energia Linha Verde I S.A." in February 2024, making the company a wholly owned subsidiary of the company (up €7.0 million) The change also reflects payment of a dividend approved on 13 March 2024 by the General Meeting of shareholders of the subsidiary LT S.r.l.. The amount due to the non-controlling shareholder, Solaris S.r.I., was €1.9 million.

25. Borrowings and financial liabilities

	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Bond issues	6,513.7	5,664.2	849.5
Bank borrowings	4,290.4	3,745.0	545.4
LONG-TERM BORROWINGS	10,804.1	9,409.2	1,394.9
Fair value hedges	65.4	164.5	(99.1)
NON-CURRENT FINANCIAL LIABILITIES	65.4	164.5	(99.1)
SHORT-TERM BORROWINGS	884.4	1,201.7	317.3
Bond issues	810.4	826.4	(16.0)
Bank borrowings	169.0	558.2	(389.2)
CURRENT PORTION OF LONG-TERM BORROWINGS	979.4	1,384.6	(405.2)
CURRENT FINANCIAL LIABILITIES	158.1	113.8	44.3
TOTAL	12,891.4	12,273.8	617.6

Borrowings and financial liabilities at 30 June 2024 have increased by €617.6 million compared with the previous year to €12,891.4 million. The change primarily reflects:

- an increase in bond issues (€833.5 million), essentially reflecting the single tranche, euro denominated fixed rate bonds, totalling €850 million, issued on 10 January 2024. The change also reflects the adjustment of the fair value of these financial instruments;
- an increase in bank borrowings, amounting to €156.2 million, following the drawdown of a new EIB loan of €500 million and the use of a new revolving credit facility agreed with Intesa Sanpaolo, totalling €250 million, after repayments of bank loans amounting to €500.0 million and repayments falling due on existing EIB loans. The change also reflects fair value adjustments of these financial instruments;
- a reduction in short-term borrowings (€317.3 million) essentially due to the repayment of short-term facilities and the issue of commercial paper by the Parent Company;

- a reduction of €99.1 million, in fair value hedges, reflecting movements in market interest rates and the change in the fair value hedges held.

The latest official prices at 30 June 2024 and 31 December 2023 for the bonds listed on the Luxembourg Stock Exchange are detailed below:

			1
	ISIN	PRICE AT 30 JUNE 2024	PRICE AT 31 DECEMBER 2023
Bond maturity 2024: XS020371	12939	100.36	100.92
Bond maturity 2025: XS203338	51995	96.48	94.95
Bond maturity 2026: XS137156	69978	96.09	95.96
Bond maturity 2026: XS198027	70810	95.81	95.51
Bond maturity 2027: XS165286	66002	93.94	94.40
Bond maturity 2027: XS253684	46236	99.59	100.33
Bond maturity 2028: XS150313	31713	90.40	91.46
Bond maturity 2029: XS235720	05587	99.96	86.53
Bond maturity 2029: XS260719	93435	85.83	102.26
Bond maturity 2030: XS223790	01355	81.90	82.94
Bond maturity 2031: XS274884	47204	98.33	n.a.*
Bond maturity 2032: XS220902	23402	79.96	81.82
Bond maturity 2033: XS265588	52726	100.45	103.26

Sources: BNP Paribas, Bloomberg and Morgan Stanley.

Long-term borrowings

The table below shows movements in long-term debt during the year, including also the nominal amount:

(€m)

	31 DI	ECEMBER 2	023				CHANGE	30	JUNE 2024	JNE 2024	
	NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE	REPAYMENTS AND CAPITALI- SATIONS	DRAW- DOWNS	OTHER	IN THE CARRYING AMOUNT NOTIONAL DEBT	NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE	
Bond maturing 2024	800.0	826.4	807.4	-	-	(16.0)	(16.0)	800.0	810.4	802.8	
Bond maturing 2025	500.0	498.5	474.7	-	-	0.5	0.5	500.0	499.0	482.4	
Private Placement 2026	80.0	79.7	76.8	-	-	-	-	80.0	79.7	76.9	
Bond maturing 2026	500.0	499.2	477.6	-	-	0.2	0.2	500.0	499.4	479.1	
Private Placement 2027	100.0	99.8	100.3	-	-	-	-	100.0	99.8	99.6	
Bond maturing 2027	1,000.0	988.0	944.0	-	-	1.6	1.6	1,000.0	989.6	939.4	
Bond maturing 2028	750.0	712.9	685.9	-	-	3.8	3.8	750.0	716.7	678.0	
Bond maturing 750_2029	750.0	742.7	766.9	-	-	0.6	0.6	750.0	743.3	643.8	
Bond maturing 2029	600.0	597.6	519.2	-	-	0.2	0.2	600.0	597.8	599.7	
Bond maturing 2030	500.0	437.0	414.7	-	-	(6.3)	(6.3)	500.0	430.7	409.5	
Bond maturing 2031	-	-	-	-	850.0	(8.0)	842.0	850.0	842.0	835.8	
Bond maturing 2032	500.0	366.3	409.1	-	-	6.5	6.5	500.0	372.8	399.8	
Bond maturing 2033	650.0	642.5	671.2	-	-	0.4	0.4	650.0	642.9	652.9	
Total bond issues	6,730.0	6,490.6	6,347.8	-	850.0	(16.5)	833.5	7,580.0	7,324.1	7,099.7	
Borrowings	3,799.4	4,237.6	4,237.6	(567.9)	750.0	(18.9)	163.2	4,531.5	4,400.8	4,400.8	
Lease liabilities	65.6	65.6	65.6	(9.9)	-	2.9	(7.0)	58.6	58.6	58.6	
Total borrowings	3,865.0	4,303.2	4,303.2	(577.8)	750.0	(16.0)	156.2	4,590.1	4,459.4	4,459.4	
Total debt	10,595.0	10,793.8	10,651.0	(577.8)	1,600.0	(32.5)	989.7	12,170.1	11,783.5	11,559.1	

^{*}Not applicable.



At 30 June 2024, the Terna Group has access to additional financing of €3,905.0 million, represented by two revolving credit facilities.

In addition, as provided for in IFRS 7, the table shows the fair value of borrowings and bond issues. In the case of bond issues, this is market value based on prices at the reporting date, whilst variable rate loans are measured by discounting expected cash flows based on the market interest rate curve at the reporting date.

The following table shows an analysis of bond issues and other borrowings by maturity, showing the related short-term portions.

(€m)

	MATURITY	31 DECEMBER 2023*	30 JUNE 2024*	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS	H2 2025	2026	2027	2028	2029	AFTER		AVERAGE INTEREST RATE AT 30 JUNE 2024	AVERAGE INTEREST RATE AFTER HEDGES AT 30 JUNE 2024
	2024	826.4	810.4	800.0	-	-	-	-	-	-	-	10.4	4.90%	0.87%
	2025	498.5	499.0	-	500.0	500.0	-	-	-	-	-	(1.0)	0.13%	0.32%
	2026	499.2	499.4	-	500.0	-	500.0	-	-	-	-	(0.6)	1.00%	1.29%
	2026	79.7	79.7	-	80.0	-	80.0	-	-	-	-	(0.3)	1.60%	1.80%
	2027	988.0	989.6	-	1,000.0	-	-	1.000.0	-	-	-	(10.4)	1.38%	1.92%
	2027	99.8	99.8	-	100.0	-	-	100.0	-	-	-	(0.2)	3.44%	2.78%
Bonds	2028	712.9	716.7	-	750.0	-	-	-	750.0	-	-	(33.3)	1.00%	1.30%
	2029	597.6	597.8	-	600.0	-	-	-	-	600.0	-	(2.2)	0.38%	1.71%
	2029	742.7	743.3	-	750.0	-	-	-	-	750.0	-	(6.7)	3.63%	3.71%
	2030	437.0	430.7	-	500.0	-	-	-	-	-	500.0	(69.3)	0.38%	4.03%
	2031	-	842.0	-	850.0	-	-	-	-	-	850.0	(8.0)	3.50%	3.65%
	2032	366.3	372.8	-	500.0	-	-	-	-	-	500.0	(127.2)	0.75%	3.12%
	2033	642.5	642.9	-	650.0	-	-	-	-	-	650.0	(7.1)	3.88%	3.85%
EIB	2046	2,407.2	2,878.5	38.2	2,964.6	23.9	58.5	117.2	156.0	169.9	2,439.1	(124.3)	2.58%	2.23%
Terna's borrowing	2024	300.0	-	-	-	-	-	-	-	-	-	-	-	-
Total fixed rate		9,197.8	10,202.6	838.2	9,744.6	523.9	638.5	1,217.2	906.0	1,519.9	4,939.1	(380.2)		
EIB	2041	836.3	778.7	115.3	663.4	57.7	115.3	115.3	115.3	96.0	163.8	-	4.49%***	1.89%
Terna's borrowing	2029	699.4	749.7	-	750.0	500.0	-	-	-	250.0	-	(0.3)	4.55%***	4.30%
Total variable rate		1,535.7	1,528.4	115.3	1,413.4	557.7	115.3	115.3	115.3	346.0	163.8	(0.3)		
TOTAL		10,733.5	11,731.0	953.5	11,158.0	1,081.6	753.8	1,332.5	1,021.3	1,865.9	5,102.9	(380.5)		

The balance does not include prepaid fees of €6.1 million at 30 June 2024 and €5.3 million at 31 December 2023.

(€m)

	31 DECEMBER 2023	30 JUNE 2024	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS
Finance leases	1.0	-	-	-
Operating leases	64.6	58.6	15.5	43.1
TOTAL	65.6	58.6	15.5	43.1

At 30 June 2024, payments on operating leases recognised in application of IFRS 16 amount to €9.9 million.

The total value of the Terna Group's borrowings at 30 June 2024 is €11,731.0 million (€953.5 million falling due within 12 months and €11,158.0 million falling due after 12 months net of portions measured at amortised cost and fair value adjustments), of which €5,102.9 million maturing after five years.

Non-current financial liabilities – €65.4 million

Non-current financial liabilities, amounting to €65,4 million reflects the fair value of fair value hedges at 30 June 2024.

Includes portions measured at amortised cost and fair value adjustments at 30 June 2024.

^{***} This is the average of the rates fixed in the sub-periods.

Fair value was measured by discounting the expected cash flows using the market yield curve at the reporting date. The reduction of €99.1 million, compared with 31 December 2023, reflects movements in market interest rates and the change in the derivatives held.,

Short-term borrowings - €884.4 million

"Short-term borrowings", amounting to €884.4 million at 30 June 2024, are down €317.3 million compared with the previous year, essentially reflecting the repayment of short-term credit facilities and commercial paper by the Parent Company.

Current financial liabilities - €158.1 million

(€m)

		IUNE 2024	31 DECEMBER 2023	CHANGE
Foreign evaluations				1.3
Foreign exchange derivatives		1.4	0.1	1.3
Other current financial liabilities	;	38.5	38.5	-
<u>Deferred liabilities on:</u>				
Hedging derivatives		-	1.3	(1.3)
Bond issues	9	96.4	53.5	42.9
Borrowings		21.8	20.4	1.4
TOTAL	1:	58.1	113.8	44.3

Current financial liabilities amount to €158.1 million at 30 June 2024, an increase of €44.3 compared with 31 December 2023. This essentially reflects the value of net unpaid financial expenses accruing on financial instruments (primarily relating to bond issues and borrowings).

Pursuant to the CONSOB Communication of 28 July 2006 and in compliance with Recommendation ESMA n. 32-382-1138 of 2021, the Group's net debt is as follows:

	30 JUNE 2024
A. Cash	171.5
B. Cash equivalents*	1,573.1
C. Other current financial assets**	787.5
D. Liquidity (A) + (B) + (C)	2,532.1
E. Current financial liabilities (including debt instruments, but excluding the current portion of non-current financial liabilities)	884.4
F. Current portion of non-current debt***	1,131.3
G. Current debt (E+F)	2,015.7
H. Net current debt (G) - (D)	(516.4)
I. Non-current financial liabilities (excluding the current portion and debt instruments)****	4,266.1
J. Debt instruments****	6,579.1
K. Non-current net debt (I) + (J)	10,845.2
L. Net debt (H) + (K)	10,328.8

- Corresponds with the item, "Cash and can equivalents" relating to the value of short-term deposits.
- Corresponds with the item, "Current financial assets" relating to the value of government securities (€318.6 million) readily convertible time deposits (€447.1 million) and accrued interest income (€21.8 million).
- *** Corresponds with the item, "Current portion of long-term borrowings" relating to the short-term portion of long-term borrowings (€153.5 million), the short-term portion of bond issues (€810.4 million) and the short-term portion of lease liabilities (€15.5 million), financial liabilities" and "Current financial assets" relating to the value of derivative assets and accrued income on derivatives (down €6.2
- Corresponds with the item, "Long-term borrowings" relating to the value of borrowings (€4,247.3 million) and the long-term portion of lease liabilities (€43.1 million) and "Non-current financial assets" relating to derivative assets (down €24.3 million).
- ***** Corresponds with the item, "Long-term borrowings" relating to the value of bond issues (€6,513.7 million) and the item, "Non-current financial liabilities" relating to the value of derivative liabilities on bonds (€65.4 million).



Default risk and debt covenants

This risk is associated with the possibility that the loan agreements or bond terms and conditions to which the Group is a party may contain provisions that, if certain events occur, authorise counterparties to call in such loans immediately, thereby generating liquidity risk.

Certain long-term loans obtained by the Parent Company, Terna S.p.A., contain covenants that are typical of international practice. The principal covenants relate to:

- the Company's bond issues, which consist of an €800.0 million issued in 2004, two perpetual hybrid green bonds of €1,000,000,000 (issued in February 2022) and €850,000,000 (issued in April 2024) and twelve issues as part of its EMTN Programme ("€12,000,000,000 Euro Medium Term Notes Programme");
- bank borrowings, consisting of revolving lines of credit and bilateral term loans ("bank debt");
- a series of loans to the Company from the European Investment Bank (EIB), amounting to a total of approximately €3.8 billion.

The main covenants relating to bond issues and the EMTN Programme involve clauses regarding i) "negative pledges", on the basis of which the Issuer or its Relevant Subsidiaries undertake not to create or maintain mortgages, pledges or other encumbrances on their assets or revenue to guarantee specific financial debt, unless the encumbrances are extended on an equal or pro rata basis to the bond issues in question (with the exception of certain "permitted guarantees"); ii) "pari passu", on the basis of which the securities constitute a direct, unconditional and unsecured obligation by the Issuer, ranking equally among them and with at least the same level of seniority as other present and future unsecured and non-subordinated borrowings of the Issuer; iii) "event of default", on the basis of which if certain predetermined events occur (e.g., failure to make a repayment, the liquidation of the Issuer, the breach of contractual obligations, a cross-default, etc.) a situation of default is established and the loan is immediately called in.

The main covenants relating to bank borrowings involve clauses related to i) negative pledges, on the basis of which the Issuer or the Relevant Subsidiaries undertake not to create or maintain guarantees on their assets to secure borrowings, with the exception of "permitted guarantees"; ii) pari passu on the basis of which the Borrower's payment obligations in relation to the loan agreements in question are not subordinated to any obligation related to other unsecured and nonsubordinated creditors, without prejudice to privileges under the law; iii) "event of default", on the basis of which if certain predetermined events occur (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, business discontinuation, substantially prejudicial effects, the breach of contractual obligations, including pari passu conditions, a cross-default, etc.) a situation of default is established and the loan is immediately called in; iv) "ratings", which involve accelerated repayment should the rating fall below investment grade for the majority of rating agencies or should the Borrower cease to be rated by at least one agency.

The main covenants related to the EIB loans involve clauses related to i) negative pledges, on the basis of which the Company cannot create personal or real guarantees or, more generally, encumbrances, with the exception of encumbrances granted in relation to borrowings below given amounts and under contractually specified circumstances; ii) the provision to the Bank, at its request, of new guarantees should the ratings assigned by the rating agencies fall below the level indicated in the respective contracts agreed or should the Company cease to be rated by the rating agencies; iii) pari passu, on the basis of which the Company ensures that payment obligations rank equally with those related to all other unsecured, non-subordinated creditors, without prejudice to privileges under the law; iv) cases of contract termination/application of the call provision/withdrawal (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, events that have a negative impact on financial commitments made by the Company, extraordinary administration, liquidation, substantial prejudicial changes, the breach of contractual commitments, etc.); v) accelerated loan payment following the occurrence of given events (e.g. change of control over the Company, loss of the concession, extraordinary corporate events, etc.).

26. Employee benefits - €48.2 million

(€m)

	31 DECEMBER 2023	PROVISIONS	INTEREST COST	USES AND OTHER MOVEMENTS	ACTUARIAL GAINS/(LOSSES)	30 JUNE 2024
Benefits during the period of employment	nt					
Loyalty bonuses and other incentives	4.4	-	0.1	(0.2)	-	4.3
Total	4.4	-	0.1	(0.2)	-	4.3
Termination benefits						
Deferred compensation benefits (TFR)	28.4	0.2	0.4	(0.7)	(0.9)	27.4
Energy discounts	2.2	-	-	(0.1)	-	2.1
Additional months' pay	4.6	0.1	-	(0.1)	-	4.6
Other similar benefits	0.7	0.1	-	-	-	0.8
Total	35.9	0.4	0.4	(0.9)	(0.9)	34.9
Post-employment benefits						
ASEM health plan	9.5	0.2	0.1	(0.2)	(0.6)	9.0
Total	9.5	0.2	0.1	(0.2)	(0.6)	9.0
TOTAL	49.8	0.6	0.6	(1.3)	(1.5)	48.2
		·	4.0			

This item, amounting to €48.2 million at 30 June 2024, is broadly in line with the figure at 31 December 2023 (down €1.6 million). This is primarily due to actuarial losses due to the change in the discount rate used.

27. Provisions for risk and charges - €141.1 million

(€m)

	PROVISIONS FOR LITIGATION AND DISPUTES	PROVISIONS FOR SUNDRY RISKS AND CHARGES	PROVISIONS FOR EARLY RETIREMENT INCENTIVES	TOTAL
Amount at 31 December 2023	12.9	105.3	33.6	151.8
Provisions	1.1	4.5	-	5.6
Uses and other movements	(3.2)	(9.8)	(3.3)	(16.3)
Amount at 30 June 2024	10.8	100.0	30.3	141.1

Provisions for litigation and disputes – €10.8 million

These provisions, set aside to cover outstanding liabilities that, at the end of the year, could result from court judgements and out-of-court settlements regarding the activities of Group companies, have been assessed partly on the basis of recommendations from internal and external legal advisors. The balance at 30 June 2024, amounting to €10.8 million, primarily regards disputes involving the Parent Company in relation to the payment of damages relating to operation and maintenance, requests for compensation for easements and labour and social security disputes. This is down by a net €2.1 million compared with 31 December 2023, as a result of an increase in releases during the period.

Provisions for sundry risks and charges - €100.0 million

These provisions amount to €100.0 million at 30 June 2024 and essentially regard liabilities associated with urban and environmental restoration projects, regulation of the quality of the electricity service, staff incentive plans, right-of-way fees and tax-related aspects.

These provisions are down by a net €5.3 million compared with 31 December 2023, reflecting:

- net uses of €1.6 million for urban and environmental restoration schemes;
- net uses of €1.9 million related to other personnel expenses.



Provisions for early retirement incentives – €30.3 million

Provisions for early retirement incentives reflects the estimated extraordinary expenses to be incurred in relation to the cost of the scheme for the year, linked to the early retirement of Group employees who have reached pensionable age and where the Group has an obligation. This item has decreased by a net €3.3 million, reflecting payments during the period.

28. Other non-current liabilities - €984.9 million

This item, amounting to €984.9 million at 30 June 2024, regards accrued grants related to assets receivable by the Parent Company (€61.7 million), in addition to payments on account received in relation to construction of the private Italy-Montenegro, Italy-France and Italy-Austria Interconnectors (totalling €518.4 million).

This item also includes the guarantee deposits received from operators participating in the capacity market in accordance with Resolution 98/2011/R/eel (€110.1 million), in addition to the Interconnector Guarantee Fund set up by Terna S.p.A. following the issue of the 2016 Stability Law (€175.0 million), in order to fund investment in interconnections by art. 32 of Law 99/09.

The increase in this item compared with the previous year, amounting to €36.6 million, essentially reflects the increase in advances paid to repurchase the interconnectors (up €38.7 million) and an increase in the Interconnector Guarantee Fund (up €11.1 million), partially offset by a reduction in guarantee deposits received from operators participating in the capacity market in accordance with Resolution 98/2011/R/eel, as amended (down €10.1 million) and a reduction in deferred income relating to grants related to assets receivable by the Parent Company (down €2.6 million).

29. Current liabilities

(€m)

	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Short-term borrowings*	866.0	1,201.7	(335.7)
Current portion of long-term borrowings*	979.4	1,384.6	(405.2)
Trade payables	2,698.8	2,864.9	(166.1)
Tax liabilities	85.3	-	85.3
Current financial liabilities*	158.1	113.8	44.3
Other current liabilities	704.9	809.4	(104.5)
TOTAL	5,492.5	6,374.4	(881.9)

^{*} Information on these items is provided in note 25, "Borrowings and financial liabilities".

Trade payables - €2,698.8 million

(€m)

	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Suppliers:			
- Energy-related payables	1,632.0	1,649.1	(17.1)
- Non-energy-related payables	997.5	1,134.9	(137.4)
Amounts due to associates	3.4	6.7	(3.3)
Payables resulting from contract work in progress	65.9	74.2	(8.3)
TOTAL	2,698.8	2,864.9	(166.1)

Suppliers

Energy-related payables - €1,632.0 million

The decrease of €17.2 million in this item compared with 31 December 2023 primarily reflects:

• a reduction of €247.8 million in payables related to the cost of procuring resources on the DSM ("Power Exchange");

- a reduction of €51.5 million in payables associated with the costs arising from the Inter-TSO Compensation mechanism
- a reduction of €9.3 million in payables related to the quality of service and other output-based mechanisms; partly offset by:
- an increase in net payables relating to essential plants for the security of the electricity system UESS (€240.3 million) reflecting reduced payments during the first half of the year due to the reimbursement of the costs recognised by ARERA and due to the owners of essential plants⁵⁴;
- an increase in amounts payable in return for the interruptibility service (€55.7 million) following CSEA's payment of the remaining balance in the account for managing grants to cover the cost relating to this service (pursuant to Resolution 564/2023 ARERA) in preparation for application of the new mechanism for revising the tariff designed to cover such charge.

Non-energy related payables

The exposure to suppliers regards invoices received and to be received for contract work, services and purchases. The balance at 30 June 2024 (€997.5 million) is down €137.4 million from the previous year, largely due to increased capital expenditure towards the end of the previous year, primarily by the subsidiary, Terna Rete Italia S.p.A. (€104.8 million), the Parent Company, Terna S.p.A. (€23.6 million) and the LT Group (€13.0 million).

Amounts due to associates

This item, amounting to €3.4 million at 30 June 2024, is down €3.3 million compared with 31 December 2023. This primarily reflect amounts payable to the associate CESI S.p.A. (€2.7 million) for services provided, primarily to the subsidiary, Terna Rete Italia S.p.A. (€2.2 million), relating to electro technical studies and research.

Payables resulting from contract work in progress

Payables resulting from contract work in progress, amounting to €65.9 million at 30 June 2024, are down €8.3 million on the figure for 31 December 2023 (€74.2 million), essentially reflecting contract work in progress at the Brugg Cables Group (down €5.4 million) and Terna Energy Solutions S.r.I. (down €2.1 million).

This item breaks down as follows.

(€m)

		VALUE OF	BALANCE AT] 	VALUE OF	BALANCE AT
	PREPAYMENTS	CONTRACT	30 JUNE 2024	PREPAYMENTS	CONTRACT	31 DECEMBER 2023
Contract work in progress	150.1	(84.2)	65.9	131.1	(56.9)	74.2
						_

The carrying amount of trade payables broadly approximates to fair value.

The commitments assumed by the Group towards suppliers amount to approximately €7,830.9 million and regard purchase commitments linked to the normal "operating cycle" projected for the period 2024-2028.

Tax liabilities - €85.3 million

This item, amounting to €85.3 million at 30 June 2024, has increased compared with the zero balance at 31 December 2023, due to the recognition of income tax expense for the period, after payments on account and the settlement of taxes due for the previous year.

⁵³ Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows. The related costs are covered from 2020 by a specific component of the transmission charge. The related receivables are described in the note on "Trade receivables" in these notes.

⁵⁴ ARERA ordered payments to the owners of essential plants via resolutions 32-44-65-166/2024.



Other current liabilities - €704.9 million

(€m)

	00 11 10 15	O4 DEOEMBED	
	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Prepayments	291.4	266.5	24.9
Other tax liabilities	51.4	89.2	(37.8)
Social security payables	34.7	31.6	3.1
Amounts due to personnel	84.0	62.7	21.3
Other amounts due to third parties	243.4	359.4	(116.0)
TOTAL	704.9	809.4	(104.5)

Prepayments

This item amounts to €291.4 million and regards grants related to assets collected by the Group (of which €284.1 million attributable to the Parent Company, €4.3 million to Rete S.r.I. and €3.0 million to Terna Rete Italia S.p.A.) to fund the construction of non-current assets in progress at 31 June 2024.

Compared with the balance at 31 December 2023 (€266.5 million) this item is up €24.9 million, essentially due to new prepayments received from third parties after grants deducted directly from the carrying amount of the related assets, totalling €31.9 million

Other tax liabilities

Other tax liabilities, amounting to €51.4 million, are down €37.8 million compared with the previous year. This primarily reflects the decrease in VAT payable by the Group (down €48.0 million), offset by an increase in withholding tax payable on employee salaries (up €8.8 million).

Social security payables

Social security payables, essentially relating to contributions payable to INPS (the National Institute of Social Security) by the Parent Company and the subsidiary, Terna Rete Italia S.p.A., amount to €24.7 million. The figure is up €3.1 million compared with the previous year, due to an increase in social security contributions payable. This item also included the amount payable to the Fondo Previdenza Elettrici - F.P.E. (the Electricity Industry Pension Fund), amounting to €2.5 million (€2.2 million at 31 December 2023).

Amounts due to personnel

Amounts due to personnel, amounting to €84.0 million, are up €21.3 million compared with 31 December 2023, and essentially regard the Parent Company and the subsidiary Terna Rete Italia S.p.A.. They primarily relate to

- incentives payable in the subsequent year (€45.7 million);
- amounts due to employees in the form of accrued and unused annual leave and bank holiday entitlements (€20.5 million) and accrued deferred salaries (€10.2 million).

Other payables due to third parties

Other payables due to third parties, amounting to €243.4 million, are down €116.0 million compared with 31 December 2023. This reflects a reduction in guarantee deposits received from electricity market operators to guarantee their contractual obligations under dispatching and virtual interconnection contracts (€121.8 million), a reduction in coupon interest payable to the holders of hybrid instruments (down €21.1 million), and an increase in dividends payable (up €7.9 million) and for the purchase of a non-controlling interest in the subsidiary, LT S.r.I., accounted for in non-current liabilities at 31 December 2023 (up €7.2 million, estimated on the basis of the current best assessment available).

30. Assets and liabilities held for sale

The items, "Assets held for sale" and "Liabilities held for sale" included the assets and liabilities that make up the net assets attributable to the companies included in the agreement signed by the Terna Group and CDPQ, a global investment group, on 29 April 2022 for the sale of all the Group's power line assets in Brazil, Peru and Uruguay.

On 7 November 2022, the first transaction closing for the Brazilian companies, "SPE Santa Maria Transmissora de Energia S.A.", "SPE Santa Lucia Transmissora de Energia S.A." and "SPE Transmissora de Energia Linha Verde II S.A.", owners of three power lines in Brazil, totalling 670 km, was completed. On 22 December 2022, the transaction closing for Difebal S.A.,

the owner of a power line in Uruguay, totalling 214 km, was completed. The sale of the other assets in Brazil and Peru is due to take place in phases, following fulfilment of the conditions provided for in the agreement.

Following the negative outcome of the buyer qualification process conducted by the relevant authority (MINEM), it was not possible to complete the sale of the Peruvian company to CDPQ. In light of this, the Group has entered talks with other operators in order to begin the sale process for the Peruvian project. The sale is expected to be completed within the next 12 months.

The item includes the reclassification, as required by IFRS 5, of the net assets attributable to the Brazilian company, SPE Transmissora de Energia Linha Verde I S.A., and the Peruvian company, Terna Peru S.A.C..

(€m)

ASSETS	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Property, plant and equipment	1.4	1.4	-
Intangible assets	20.8	20.3	0.5
Deferred tax assets	2.5	2.4	0.1
Non-current financial assets	58.0	59.0	(1.0)
Other non-current assets	1.3	0.3	1.0
Inventories	0.4	0.4	-
Trade receivables	0.9	0.1	0.8
Current financial assets	6.8	7.3	(0.5)
Cash and cash equivalents	3.6	3.6	-
Income tax assets	0.5	0.6	(0.1)
Other current assets	2.2	5.5	(3.3)
Total assets	98.4	100.9	(2.5)
Accumulated impairment recognised on remeasurement of fair value less costs to sell	(15.9)	(15.9)	-
TOTAL ASSETS HELD FOR SALE	82.5	85.0	(2.5)
LIABILITIES			
Deferred tax liabilities	4.1	4.1	-
Trade payables	3.5	0.3	3.2
Tax liabilities	0.2	0.1	0.1
Other current liabilities	0.2	0.1	0.1
TOTAL LIABILITIES HELD FOR SALE	8.0	4.6	3.4
TOTAL NET ASSETS HELD FOR SALE	74.5	80.4	(5.9)
Amounts included in OCI:			
Foreign currency translation reserve	(1.6)	3.6	(5.2)
Total reserves related to assets classified as held for sale	(1.6)	3.6	(5.2)

Net assets held for sale, amounting to €74.5 million at 30 June 2024, primarily regard investment in the infrastructure operated under concession in Brazil, related to the subsidiary, SPE Transmissora de Energia Linha Verde I S.A. The item is down €5.2 million compared with 31 December 2023, essentially due to a reduction in the net assets of the subsidiary SPE Transmissora de Energia Linha Verde I S.A..

The following statement of cash flows shows cash flows attributable to the Latin American assets held for sale:

(€m)

	CASH FLOW H1 2024	CASH FLOW H1 2023
Operating cash flow	0.5	0.1
Cash flow for investing activities	(0.5)	(0.5)
Cash flow for the year attributable to discontinued operations and assets held for sale	-	(0.4)

The operating cash inflow attributable to the Latin American assets amounts to €0.5 million and is primarily linked to the collection of other current assets, fully offset by an outflow for investing activities of €0.5 million.



F. Commitments and risks

Risk management

In the course of its operations, the Terna Group is exposed to different financial risks: market risk (interest rate risk, exchange rate risk and inflation risk), liquidity risk and credit risk.

The Group's risk management policies seek to identify and analyse the risks that Group companies are exposed to, establishing appropriate limits and controls and monitoring the risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis, in order to take account of any changes in market conditions or in the Group's operations.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits to apply in managing them.

The Terna Group's exposure to the aforementioned risks is substantially represented by the exposure of the Parent Company. This section provides information on the Terna Group's exposure to each of the above risks, the objectives, policies and processes applied in managing these risks and the methods used in their assessment, including further quantitative disclosures of the Parent Company's exposures at 30 June 2024.

The fair value of financial instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (Level 2), by appropriate valuation techniques for each category of financial instrument, using market data at the end of the period and discounting projected cash flows on the basis of the market yield curve at the reporting date.

The financial assets and liabilities relating to the Terna Group's outstanding derivative instruments during the period consist of:

- cash flow hedges, hedging the risk of changes in cash flows associated with long-term variable rate borrowings;
- fair value hedges, hedging the risk of a change in the fair value of financial liabilities linked to movements in interest rates (fixed-rate bond issues).

The related reasons are described in the section, "The Group's financial risks", in the Notes to the Terna Group's Annual Report for 2023.

Updated information, at the date of this report, is provided below on interest rate, exchange rate, credit and liquidity risks; information on market and inflation risks is provided in the section, "Risk management", in the Notes to the Annual Report for 2023.

Sensitivity to interest rate risk

The following table reports the amounts recognised through "Other comprehensive income" for positions that are sensitive to changes in interest rates, in addition to the theoretical value of the positions following a positive or negative shift in the yield curve and the differential impact of such changes recognised through profit or loss and in other comprehensive income. A hypothetical 10% movement in interest rates with respect to market interest rates at 30 June 2024 was assumed:

(€m)

	PROFIT OR LOSS		COMPR	EHENSIVE INCOM	E	
	CURRENT RATES +10%	CURRENT AMOUNTS	CURRENT RATES -10%	CURRENT RATES +10%	CURRENT AMOUNTS	CURRENT RATES -10%
30 June 2024						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	0.7	0.2	(0.3)	28.5	7.1	(14.6)
Hypothetical change	0.5	-	(0.5)	21.3	-	(21.7)
31 December 2023						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.7)	(2.8)	(4.9)	(48.5)	58.3	(68.2)
Hypothetical change	2.1	=	(2.1)	9.8	-	(9.9)

Credit risk

Credit risk is the risk a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the Group's trade receivables and financial investments. The credit risk originated by open positions on transactions in derivatives is considered to be marginal since the counterparties, in compliance with the financial risk management policies adopted, are leading international banks with high ratings.

Terna provides its services essentially to counterparties considered solvent by the market, and therefore with a high credit standing, and does not have high concentrations of credit risk.

Credit risk management is driven by the provisions of ARERA Resolution 111/06, which, in art. 49, introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover); the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees); and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be fixed by ARERA.

The following table summarises the exposure to such risk at the reporting date:

(€m)

	30 JUNE 2024	31 DECEMBER 2023	CHANGE
Derivative financial instruments	24.5	17.8	6.7
Cash on hand, securities and deposits	2,510.3	1,859.5	650.8
Trade receivables	2,276.8	2,123.4	153.4
TOTAL	4,811.6	4,000.7	810.9

The following tables provide qualitative information on trade receivables regarding the geographical distribution and type of customer.



Geographical distribution

(€m)

	30 JUNE 2024	31 DECEMBER 2023
Italy	1,980.6	1,768.7
Euro-area countries	220.4	267.9
Other countries	75.8	86.8
Total	2,276.8	2,123.4

Customer type

(€m)

	30 JUNE 2024	31 DECEMBER 2023
Distributors	649.9	576.2
CSEA	74.0	72.2
Dispatching customers for injections	251.4	314.5
Dispatching customers for withdrawals (not distributors)	1,000.2	868.0
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	12.2	11.7
Sundry receivables	289.1	280.8
Total	2,276.8	2,123.4

The following table breaks down customer receivables by due date, showing any potential impairment.

(€m)

	20 IIINE	30 JUNE 2024		R 2023
				GROSS
	IMPAIRMENT	GROSS	IMPAIRMENT	
Current	(0.5)	2,116.5	(0.7)	1,871.4
0-30 days past due	(0.6)	25.9	(0.5)	31.0
31-120 days past due	(0.4)	32.5	(0.5)	18.8
Over 120 days past due	(103.3)	206.7	(32.5)	236.4
Total	(104.8)	2,381.6	(34.2)	2,157.6

Movements in the allowance for doubtful accounts in the course of the year were as follows.

(€m)

	30 JUNE 2024	31 DECEMBER 2023
Balance at 1 January	(34.2)	(37.0)
Release of provisions	3.7	6.4
Provisions pursuant to Resolution 5/2024	(73.6)	-
Impairments for the year	(0.7)	(3.6)
Balance	(104.8)	(34.2)

During the first half of the year there was an impairment loss of €73.6 million relating to non-recoverable dispatching receivables, for which a request for compensation was made in accordance with ARERA Resolution 5/202455.

The value of guarantees received from eligible electricity market operators is illustrated below.

(€m)

	30 JUNE 2024	31 DECEMBER 2023
Dispatching - injections	268.2	240.4
Dispatching - withdrawals	1,757.0	1,893.0
Transmission charges due from distributors	357.4	351.0
Virtual imports	181.7	273.4
Capacity market (*)	173.6	175.3
Balance	2,737.9	2,933.1

^(*) Guarantees relating to Capacity Market contracts to be executed from 2024

⁵⁵ In Resolution 5/2024, ARERA set out the procedure by which Terna may recover amounts receivable that, despite attempts to recover the related amounts, are deemed not to be recoverable due to the insolvency of dispatching users and parties to virtual import contracts (entities financing interconnectors and shippers - ARERA Resolution 179/09).

In addition, Non-regulated Activities are exposed to "counterparty risk", in particular in relation to the entities with which sales contracts are entered into, in consideration of the credibility and solvency of the parties in question and the impact that their possible insolvency could have on the financial strength of the business. Counterparty risk is mitigated by implementing special procedures to assess counterparties.

Default risk and debt covenants

This risk is associated with the possibility that the loan agreements or bond terms and conditions to which the Parent Company is a party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. More information on the contractual provisions of outstanding borrowings at 30 June 2024 is provided in the section, "Borrowings and financial liabilities" in the notes to the Terna Group's consolidated financial statements.

Bank guarantees

Banks have issued guarantees to third parties on behalf of Group companies which, at 30 June 2024, amount to €339.8 million. This amount breaks down as follows: €79 million on behalf of Terna S.p.A., €100,4 million on behalf of Tamini Trasformatori S.r.I., €55.5 million on behalf of Terna Rete Italia S.p.A., €19.9 million on behalf of Terna Interconnector S.r.I., €50.6 million on behalf of the Brugg Cables Group companies, €0.1 million on behalf of Terna Plus S.r.I., €4.7 million on behalf of Terna Perù SAC, €18.2 million on behalf of Terna Energy Solutions S.r.I. and €0.1 million on behalf of Terna Chile S.p.A., €0.5 million on behalf of Rete S.r.I. and €10.3 million on behalf of the LT S.r.I. Group.

Litigation

The main commitments and risks not disclosed in the statement of financial position at 30 June 2024, relating to the Parent Company, Terna S.p.A. ("Terna" or the "Parent Company" or the "Company") and its subsidiary Terna Rete Italia S.p.A., are described below. There are no significant commitments or risks for the other subsidiaries at that date.

Litigation regarding consents, construction and the operation of infrastructure owned by the Parent Company

One of the aspects of the pending litigation derives from legal actions aimed at obtaining the annulment of decisions granting consent for the construction and operation of infrastructure owned by the Parent Company, or compensation for damages caused by the infrastructure. Generally, this litigation necessarily involves the Parent Company, as owner of the infrastructure in question, but the parties concerned may also initiate legal proceedings against the subsidiary, Terna Rete Italia S.p.A., given the fact that the alleged damage can be attributed not only to the owner of the infrastructure, but also to whoever operates it, Terna Rete Italia S.p.A.

Potential unfavourable outcomes cannot be ruled out in a number of cases, and may result in expenses currently unknown for the Parent Company or for Terna Rete Italia S.p.A..

Litigation relating to activities carried out under concession

As the operator of transmission and dispatching activities since 1 November 2005, the Parent Company has been a party in several court cases, contesting determinations adopted by ARERA (Italy's Regulatory Authority for Energy, Networks and the Environment), and/or the Ministry for Economic Development, and/or Terna itself, in relation to these activities. In cases in which the plaintiffs have, in addition to inherent defects in the contested determinations, alleged violation of the regulations laid down by the aforementioned authorities, or in cases in which the determination has had an impact on Terna, the Company has also taken action to defend its interests through the legal system. Within the scope of such litigation - even though some cases have been concluded, at first and/or second instance, with the annulment of ARERA's resolutions and, when applicable, of the consequent determinations adopted by Terna - any negative outcomes for the Company itself may be deemed unlikely, as these disputes normally relate to pass-through items.

Litigation relating to discontinued operations and assets held for sale

Information on litigation relating to discontinued operations and assets held for sale is provided in note 11. "Profit/(loss) for the period from assets held for sale".



F. Business combinations

No business combinations were carried out during the first half of the year.

G. Related party transactions

Given that Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A. (registered office at Via Goito 4, 00185 Rome, Italy and consolidated financial statements available on the website at www.cdp.it), a situation ascertained in 2007, related party transactions entered into by Terna during the year include transactions with the associates (Cesi S.p.A., Coreso S.A. and CGES) and employee pension funds (Fondenel and Fopen), as well as transactions with Cassa Depositi e Prestiti itself, with CDP Reti S.p.A. and with the companies directly or indirectly controlled by the Ministry of the Economy and Finance ("MEF").

Given that Terna Group companies and the companies directly or indirectly controlled by the Ministry of the Economy and Finance meet the definition for classification as "government-related entities", in accordance with IAS 24 - Related Party Disclosures, the Group has elected to adopt the partial exemption – permitted by the standard – from the disclosure requirements in respect of other companies controlled, influenced or jointly controlled by the same government entity. The remainder of this section provides qualitative and quantitative disclosures on transactions with government-related entities having a significant impact on the Group's results. Amounts relating to pass-through items are not included in these disclosures.

Related party transactions in the first half of 2024 broadly regard the provision of services in the course of ordinary activities and conducted on an arm's length basis.

The nature of sales to and purchases from related parties by the Terna Group is shown below, followed by details of the revenue and costs resulting from such transactions during the year and the related assets and liabilities outstanding at 30 June 2024.

RELATED PARTY	REVENUE-GENERATING TRANSACTIONS	COST-GENERATING TRANSACTIONS
Parent		
Cassa Depositi e Prestiti S.p.A.		Credit facilities
Associates		
Cesi S.p.A.	Rental income on laboratories and other similar facilities for specific uses, dividends.	Technical studies and consultancy, research, design and experimentation.
CGES	Sundry services	
CORESO S.A.		Technical coordination service for the TSO.
Other related parties		
GSE Group	Metering charge, dispatching charge.	Rental of spaces and workstations.
Fincantieri Group	Infrastructure maintenance.	
Enel Group	Transmission charge and aggregation of meter readings, dispatching charge, leases and rentals, power line maintenance, movement /re-routing of power lines, housing of fibre cable and maintenance of communications carried over proprietary power lines.	Recovery of energy discount, building services, MV power to new substations, specialist services for connection to Terna's control and protection systems.
Ferrovie Group	Dispatching charge, movement of power lines.	Right-of-way fees.
ENI Group	Dispatching charge.	Contributions for NTG connections, sundry services.
Snam Rete Gas S.p.A.	Movement /re-routing of power lines.	
ANAS S.p.A.	Movement /re-routing of power lines.	Right-of-way fees.
Open Fiber S.p.A.	IRU agreements for fibre.	Provision of services for the rental of fibre.
Fondenel e Fopen		Pension contributions payable by the Terna Group.
Other related parties of the MEF	Sundry services	
Gestore dei Mercati Energetici S.p.A.	Purchase of Energy Efficiency Certificates.	
Ansaldo Energia S.p.A.	Infrastructure maintenance.	

Revenue and costs

(€m)

	REVENUE COM	MPONENTS	
	TRANSMISSION CHARGE AND OTHER REVENUE FROM REGULATED ACTIVITIES	NON-ENERGY- RELATED ITEMS	COST COMPONENTS
De facto parent			
Cassa Depositi e Prestiti S.p.A.	-	-	2.8
Total de facto parent	-	-	2.8
Associates:			
Cesi S.p.A.	-	0.1	0.1
CGES	-	0.1	-
CORESO SA	-	-	3.2
Total associates	-	0.2	3.3
Other related parties:			
GSE Group	4.6	0.2	-
Enel Group	1,084.6	3.2	4.8
ENI Group	5.1	5.0	0.4
Ferrovie Group	1.6	0.2	0.1
Webuild	-	0.2	-
Open Fiber S.p.A.	-	0.6	-
Total other related parties	1,095.9	9.8	5.3
Pension funds:			
Fondenel	-	-	0.5
Fopen	-	-	1.8
Total pension funds	-	-	2.3
TOTAL	1,095.9	10.0	13.7

Assets and liabilities

(€m)

	PROPERTY, PLANT RECEIVABLES AND PAYABLES AND AND EQUIPMENT OTHER ASSETS OTHER LIABILITIES				0111011175501
	CAPITALISED COSTS	OTHER	OTHER	CASH	GUARANTEES*
De facto parent					
Cassa Depositi e Prestiti S.p.A.	0.2	=	0.3	-	(275.0)
Total de facto parent	0.2	-	0.3	-	(275.0)
Associates:					
Cesi S.p.A.	2.8	0.5	2.7	=	4.8
CGES	-	0.1	-	-	-
CORESO SA	-	=	0.7	-	-
Total associates	2.8	0.6	3.4	-	4.8
Other related parties:					
GSE Group	-	1.2	0.1	=	-
Enel Group	14.5	413.4	50.1	=	897.1
ENI Group	-	4.4	3.3	-	103.6
Ferrovie Group	0.1	4.2	7.4	=	24.6
ANAS S.p.A.	-	0.2	2.0	-	-
Snam Rete Gas S.p.A.	0.1	=	2.1	-	-
Fincantieri S.p.A	-	0.7	=	-	-
Ansaldo Energia S.p.A.	-	-	2.2	-	22.6
Open Fiber S.p.A.	-	0.7	12.0	-	-
Other related parties of MEF	1.5	-	0.4	0.4	6.8
Total other related parties	16.2	424.8	79.6	0.4	1.054.7
Pension funds:					
Fopen	-	-	2.5	-	-
Total pension funds	-	-	2.5	-	-
TOTAL	19.2	425.4	85.8	0.4	784.5

^{*} Guarantees regard surety bonds received from contractors, with the exception of the amount relating to Cassa Depositi e Prestiti S.p.A. regarding a Revolving Credit Facility.



The impact of related-party transactions or positions on the statement of financial position and the income statement is summarised below:

Statement of financial position

		30 JUNE 2024			DECEMBER 2023	
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Property, plant and equipment	18,160.6	19.2	0.1%	17,596.7	59.3	0.3%
Trade receivables	2,276.8	425.4	18.7%	2,123.4	344.4	16.2%
Cash and cash equivalents	1,744.6	0.4	-	1,378.2	0.2	-
Trade payables	2,698.8	44.6	1.7%	2,864.9	66.5	2.3%
Other current liabilities	704.9	41.2	5.8%	809.4	34.3	4.2%

Income statement

(€m)

		H1 2024			H1 2023	
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Revenue from sales and services	1,728.3	1,105.7	64.0%	1,454.6	903.2	62.1%
Other revenue and income	26.1	0.2	0.8%	30.7	0.2	0.7%
Raw and consumable materials used	138.0	-	-	124.3	-	-
Services	155.4	6.5	4.2%	134.1	4.2	3.1%
Personnel expenses	183.2	4.8	2.6%	185.6	2.2	1.2%
Other operating costs	20.6	2.4	11.7%	22.1	0.1	0.5%
Financial expenses	(135.3)	=	-	(108.8)	-	_

The impact of related party cash flows is shown below:

Statement of cash flows

(€m)

		H1 2024			H1 2023	
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Cash flow from operating activities	528.0	(96.3)	(18.2%)	390.1	(28.6)	(7.3%)
Cash flow from investing activities	(1,249.6)	40.1	(3.2%)	(742.5)	20.2	(2.7%)
Cash flow from financing activities	1.088.0	-	-	557.0	-	_

H. Significant non-recurring, atypical or unusual events and transactions

With the exception of the instances described above, no significant non-recurring, atypical or unusual events or transactions, involving either third or related parties, took place in the first half of 2024.

I. Notes to the statement of cash flows

Cash flow from continuing operations amounts to €528.0 million, with approximately €1,258.9 million in operating cash flow (self-funding) and an outflow of approximately €730.9 million generated by changes in net working capital.

The cash outflow for investing activities totals €1,249.6 million and regards €920.1 relating to investment in property, plant and equipment, after grants collected (excluding right-of-use assets recognised in application of IFRS 16), €83.9 million invested in intangible assets, €281.0 million essentially relating to the change in investments in securities, after capitalised financial expenses of €31.8 million.

The net change in equity has resulted in an increase of €396.4 million due primarily to the recognition of the reserve regarding the hybrid green bond of €842.0 million, partly offset by payment of the final dividend for 2023 (€445.6 million). More details are provided in note 24. "Equity attributable to owners of the Parent and non-controlling interests".

As a result, net cash used in investing activities led to a total outflow of €1,249.6 million, covered in part by cash flow from continuing operations of €528.0 million and in part by an increase in net debt.

The following table shows the reconciliation of net changes deriving from financing activities in the statement of cash flows:

	31 DECEMBER 2023	CASH FLOW FROM FINANCING ACTIVITIES	CHANGE IN FV AND OTHER	30 JUNE 2024
- Long-term borrowings (including current portion)	10,793.8	1,022.2	(32.5)	11,783.5
- Short-term borrowings	(335.7)	330.6	1,532.3	884.4
Net change deriving from financing activities	10,458.1	691.6	1,499.8	12,667.9

L. Events after 30 June 2024

Terna and the University of Salerno launch the third edition of the Tyrrhenian lab

On 3 July 2024, the Biagio Agnes press room at the University of Salerno's Fisciano campus hosted an event held to present the third edition of the Master's course in "Digitalisation of the electricity system for the energy transition", organised by Terna as part of the Tyrrhenian Lab project, run in collaboration with the universities of Cagliari, Palermo and Salerno. Francesco Del Pizzo, the Head of Grid Development and Dispatching Strategies at Terna, and the Chairman and Scientific Coordinator of the Tyrrhenian Lab, along with Professor Vincenzo Loia, Rector magnificus of the University of Salerno, gave a presentation on the training offered, details about the topics covered and the objectives of the initiative to recent graduates interested in the course. The excellent results achieved in the previous two years, both in terms of applications received and student attendance in lectures, have confirmed the positive impact of the Tyrrhenian Lab project, as well as demonstrating the importance that the Company places on southern Italy, an area of immense potential for both the development of infrastructure and, above all, the development of skills. Students with a Master's Degree in a technical, scientific or IT subject are now able to apply for the course until 2 September. The course will begin in November and will consist of eleven modules offering the opportunity to obtain a total of 60 training credits. The course offers personalised pathways based on the previous academic experiences of participants, programming workshops and practical experience in the field. At the end of the course, which aims to create new professionals equipped with management, engineering, IT and statistical skills, the selected students will be given a letter offering them permanent employment at the Company's regional offices, working as experts in digital technologies to support management of the electricity system and to enable the energy transition.



Terna agrees new ESG-linked credit facility totalling €200 million

On 4 July 2024, Terna S.p.A. agreed an ESG-linked Credit Facility Agreement, amounting to a total of €200 million, with Unicredit S.p.A.. The facility will have a 5-year term, with the rate of interest linked to Terna's performance relating to specific environmental, social and governance ("ESG") indicators. This facility gives Terna access to sufficient liquidity to ensure its financial strength and confirms the Group's commitment to introducing a business model designed to increasingly establish sustainability as a strategic driver of value creation for all its stakeholders

Umbria Regional Authority and Terna sign a Memorandum of Understanding to monitor applications for the connection of renewable plants to the grid

On 8 July 2024, Umbria Regional Authority and Terna signed a Memorandum of Understanding setting out the operating procedures for a collaboration that aims to improve the planning and location of new electricity infrastructure in the related area and to provide coordinated planning of development of the assets needed to achieve the environmental and energy targets set in the Regional Energy and Environmental Plan. By sharing information and data, it will be possible to monitor applications for connection of renewable energy plants to the grid. Under the terms of the agreement, which has a duration of five years, a Steering Committee will be set up to oversee specific issues. Technical working groups will also be established to oversee the exchange of data, information sharing, the management of local needs and simplification of the related laws. In addition, thanks to TE.R.R.A., the new digital portal focusing on local areas, grids, renewables and storage systems, introduced by Law 11/2024 (the former "Energia Decree") and created and developed by Terna, an enormous quantity of information will be made available to national and local administrators, lawmakers and developers.

Terna and the Municipality of Messina: work begins on the underground power cable on Viale Annunziata that will link the site where the submarine cable will make landfall and the Annunziata substation

On 10 July 2024, Terna, in coordination with the Municipality of Messina, initiated the civil works involved in laying the underground cable that will link the site where the submarine cable will make landfall and the Annunziata electricity substation in the Annunziata district of Messina. The work, which began on Thursday, 11 July and will take around 40 days to complete, will affect a stretch of around 60 m of Viale Annunziata. The road will be closed to vehicles while work is being carried out, with traffic diverted along neighbouring roads. In total, the new link between the landfall site and the Annunziata electricity substation, authorised by the Ministry of the Environment and Energy Security, will be over 3 km in length. It will be constructed using latest-generation cables with insulation in XLPE (extruded cross-linked polyethylene), a particularly reliable and sustainable technology. The work falls within the scope of the larger project involving the re-routing of the "Sorgente-Rizziconi" power line. The work will not only increase the quality and efficiency of the regional electricity grid, but will also enable the demolition of around 3 km of overhead power lines, lessening the impact of infrastructure on the surrounding area.

Renewables overtake fossil fuel production for the first time ever in the first six months of 2024

According to data published by Terna on 18 July 2024, in the first six months of the year, renewable energy production (up 27.3% on the first half of 2023) exceeded fossil fuel production for the first time ever, after the latter recorded a drop of 19% compared with the same period of 2023. Coal-fired production saw an even greater fall of 77.3%. In addition, from January to June 2024, renewable hydroelectric production set a new record of 25.92 TWh, an increase of 64.8% compared with the 15.73 TWh of the period from January to June 2023. This was achieved thanks to the availability of water in the north of the country, compared with a shortage in the south. Renewables met 43.8% of energy demand in the first six months of 2024 (compared with 34.9% in the first six months of 2023), setting a new half-year record. During the period, operating renewable capacity rose by 3,691 MW (with 3,341 MW photovoltaic). This is 41% higher than the 1,074 MW of the same period of the previous year. In the first six months of the year, domestic demand rose 1.1% with respect to the same period of 2023 (up 0.5% on an adjusted basis), confirming a moderately positive trend but remaining at levels that remain below those of 2022. In June, 88.5% of Italy's demand for electricity was met by domestic production, whilst the remaining 11.5% was met by energy imported from abroad. The monthly quantity provided by foreign suppliers amounted to 2.9 TWh, 8.6% down on June 2023, reflecting the fact that imports were broadly in line with the previous year, whilst exports rose significantly. The period from January to June 2024 saw a progressive increase of 3.9% in the balance of imports and exports compared with the first six months of 2023. In detail, net domestic production amounted to 22.9 billion kWh. Renewable sources covered 52.5% of electricity demand (43.8% in June 2023). Hydro production rose (29.4%), thanks essentially to the contribution from plants in the north of Italy, as did wind (up 29.2%) and photovoltaic production (up 18.2%). The increase in photovoltaic production (up 638 GWh) is due to the increase in operating capacity (up 803 GWh), which offset a reduction in capacity linked to sunlight (down 165 GWh). Geothermal production fell 2.8% and thermal power was down 13.7%, as a direct result of the growth in renewables. Between one and two in the afternoon on 22 June, Italy registered the highest ever hourly level of production from renewable sources, amounting to 33.2 GW. Between June 2023 and June 2024, installed photovoltaic and wind capacity rose by 6,831 MW (17.3%) to a total of 46,321 MW.



Attestation

of the Group's Half-year Report pursuant to Art. 81-ter of CONSOB Regulation 11971 of 14 May 1999, as amended





Attestation of the Group's Half-year report pursuant to art. 81-ter of CONSOB Regulation 11971 of 14 May 1999, as amended

"Half-year attestation"

The undersigned, Giuseppina Di Foggia, as Chief Executive Officer, and Francesco Beccali, as Manager responsible for Terna SpA's financial reporting, having also taken account of the provisions of art.154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, attest to:

- the adequacy with regard to the nature of the Company, and
- the effective application of the administrative and accounting procedures adopted in preparation of the condensed consolidated interim financial statements during the six months ended 30 June 2024.

In this regard, no material aspects have emerged.

We also attest that the condensed consolidated interim financial statements:

- have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002;
- b. are consistent with the underlying accounting books and records;
- provide a true and fair view of the financial position and results of operations of the issuer and c. the companies included in the scope of consolidation.

The interim report on operations includes a reliable analysis of key events during the first six months of the year and of their impact on the condensed consolidated interim financial statements, as well as a description of the main risks and uncertainties to which the issuer is exposed in the remaining six months of the year.

The interim report on operations also includes a reliable analysis of related party disclosures.

Rome, 26 July 2024

Chief Executive Officer	Manager responsible for financial reporting
Giuseppina Di Foggia	Francesco Beccali
(original signed)	(original signed)
•••••	





Independent Auditor's

review report on the condensed consolidated interim financial statements at and for the six months ended 30 June 2024



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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Terna S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Terna S.p.A. and subsidiaries (the "Terna Group") as of June 30, 2024, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Terna Group as at June 30, 2024 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by **Domenico Falcone**Partner

Rome, Italy July 29, 2024

This report has been translated into the English language solely for the convenience of international readers.

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