

RESULTS AS OF 31 MARCH 2023 APPROVED

IMPROVEMENT ACROSS ALL FINANCIAL INDICATORS

GROWTH IN CAPEX, BENEFITTING ELECTRICITY SYSTEM AND THE COUNTRY, FOR THE ELEVENTH CONSECUTIVE QUARTER

- **Revenues** €712.5 million (€644.4 million in Q1 2022, +10.6%)
- **EBITDA** €500.0 million (€461.3 million in Q1 2022, +8.4%)
- **Group net profit for the period** €200.2 million (€191.8 million in Q1 2022, +4.4%)
- **Capex** €314.9 million (€293.3 million in Q1 2022, +7.4%)
- **Net debt** €8,847.2 million (€8,576.3 million at 31 December 2022)

Rome, 5 May 2023 – Today’s meeting of the Board of Directors of Terna S.p.A. (“Terna”), chaired by Valentina Bosetti, has examined and approved the results for the three months ended 31 March 2023 (“Q1 2023”).

Following on from 2022, the first three months of the year have continued to be affected by a difficult scenario, with commodity prices remaining high due to international tensions.

Despite the challenging and very volatile environment, Terna has achieved significant improvements across all its financial indicators, continuing to increase capex, consistent with its role in driving the energy transition. To guarantee a more sustainable, efficient national transmission grid, capable of maximising the integration of energy produced from renewable sources, **Terna’s total capital expenditure in the first three months of 2023 amounted to €314.9 million, an increase of 7.4%** compared to the first quarter of 2022, which had already seen growth of over 20% compared to the previous year.

“The performance for the first quarter of 2023, achieved against a highly demanding backdrop, shows the validity of our strategy and the actions taken over the last three years. Thanks to continued

growth in capex, benefitting the energy transition and the Italian economy, which rose again in the first three months of the year, Terna has been able to further strengthen its role in driving Italy's electricity system," said Stefano Donnarumma.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR Q1 2023

€m	Q1 2023*	Q1 2022*	% change
Revenues	712.5	644.4	+10.6%
EBITDA (gross operating profit)	500.0	461.3	+8.4%
EBIT (operating profit)	313.4	293.7	+6.7%
Group net profit for the period	200.2	191.8	+4.4%
Capital expenditure	314.9	293.3	+7.4%

* Given that the requirements of IFRS 5 have been met, the total results for the first quarter of 2023 and 2022 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) from discontinued operations and assets held for sale" in the Group's reclassified income statement.

Revenues for the first quarter of 2023 amount to €712.5 million, with an increase of €68.1 million (10.6%) compared to the same period of 2022. The result primarily reflects an improvement in revenues from Regulated Activities thanks to the increase in the RAB and output-based incentives, combined with an improved contribution from Non-regulated Activities.

EBITDA (gross operating profit) for the period amounts to €500.0 million, with an increase of €38.7 million compared to the €461.3 million of the first three months of 2022 (up 8.4%), due to the improved performance of Regulated Activities.

EBIT (operating profit) for the period, after amortisation, depreciation and impairments of €186.6 million, amounts to €313.4 million, compared to the €293.7 million of the first three months of 2022 (up 6.7%).

Net financial expenses for the period amount to €32.1 million, with an increase of €7.7 million versus the €24.4 million of the first three months of 2022, due primarily to inflation and rising interest rates, partially offset by capitalised financial expenses and increased income from liquidity investments.

Profit before tax of €281.3 million is up €12 million compared to the same period of 2022 (up 4.5%).

Income tax expense for the period amounts to €81.3 million, with an increase of €5.1 million compared to the first three months of 2022, essentially due to the growth in pre-tax profit. The tax rate amounts to 28.9%, versus the rate of 28.3% of the first three months of 2022.

Group net profit for the period amounts to €200.2 million, with an increase of €8.4 million (4.4%) on the €191.8 million of the first quarter of 2022.

The **consolidated statement of financial position** shows **equity attributable to owners of the Parent** of €6,331.4 million, compared to €6,142.0 million as of 31 December 2022.

Net debt of €8,847.2 million compares with €8,576.3 million at the end of 2022, reflecting growth in capital expenditure during the period.

The Terna Group's **total capital expenditure** during the period amounts to €314.9 million, with an increase of 7.4% compared to the €293.3 million of the same period of 2022. The main projects carried out during the period include continued preparations for the start-up of work on the "East" section and on the authorisation process for the "West" section of the Tyrrhenian Link, works designed to boost exchange capacity between different areas of the electricity market in Sicily, construction of the 'Elba-Mainland' and 'Colunga-Calenzano' (between Emilia Romagna and Tuscany) connections and of the substations at Magenta (MI) and Cerignola (FG), in addition to continued work on the plan to install synchronous compensators.

The Group's **workforce** at the end of March 2023 totals 5,601, with an increase of 104 employees compared to 31 December 2022. The increase is primarily linked to the requirements relating to delivery of the challenging investment programme provided for in the "Driving Energy" 2021-2025 Industrial Plan, and to the need to strengthen the Group's distinctive competencies.

KEY EVENTS IN Q1 2023

Business

Terna's Development Plan of the national transmission grid for the period 2023-2032 was presented on 15 March 2023. The Plan envisages investments of over €21 billion in the next 10 years, serving the energy transition.

Work on the renewal of overhead lines and substation equipment also continued in the first three months of 2023, resulting in the replacement of approximately 311 km of lines and two transformers.

Terna rolled out “Econnexion” during the period. This is the first digital platform in Italy about the requests for the connection from renewable plants to the grid, providing an important, innovative form of consultation for all operators in the electricity sector. The platform enables operators to view information on the geographic location of new onshore and offshore photovoltaic and wind initiatives across Italy and the status of the related authorisation processes.

Sustainable finance

On 30 March, Terna and the European Investment Bank (EIB) signed the agreements for the second and third tranches of the €1.9 billion loan funding the Tyrrhenian Link. After the initial € 500 million tranche, agreed on 8 November 2022, these two further tranches, amounting to €900 million, will be used to fund the construction and commissioning of the East and West Sections of the submarine electricity cable that will connect the Italian peninsula with Sicily and then to Sardinia. The loans, which duration is, respectively, of approximately 22 years from the date of the relevant utilisation, have a longer maturity and more favourable costs than those generally available on the market, in line with Terna's policy to optimise its financial structure. The transaction brings total EIB financing for Terna to € 3.4 billion, in addition to the remaining € 500 million for the further tranches of the loan for the Tyrrhenian Link already approved by the Bank.

The senior green bonds issued by Terna on 31 March 2023, under its €9,000,000,000 Euro Medium Term Notes (EMTN) programme amount to €2.6 billion, in addition to the perpetual, subordinated green bonds issued on a standalone basis in February 2022, for a nominal amount of € 1 billion.

Sustainability and ESG

The first quarter also saw Terna strengthen its commitment to decarbonisation by adopting a new Science Based Target (SBT). The Company has committed to cutting by 2030 its direct (Scope 1) and indirect (Scope 2) CO₂ emissions by 46% compared to 2019. Terna has also introduced a target to reduce Scope 3 indirect emissions, such as those relating to employee mobility or the supply chain.

Terna has been included for the fifth consecutive year in the Bloomberg's Gender Equality Index (GEI). This is an international index that measures companies' performance regarding gender equality issues and the quality and transparency of their public reporting.

In addition, with a score of 91 out of 100, Terna has been ranked the best company out of the 250 global electricity utilities rated as part of S&P Global's Corporate Sustainability Assessment 2022. In addition, for the eighth time in 14 years of inclusion in the Dow Jones Sustainability index, the Company is among the Top 1%, the highest ranking in the latest Sustainability Yearbook, published in February.

OUTLOOK

2023 will see the Group continue to focus on delivering on the updated "Driving Energy" 2021-2025 Industrial Plan. This will be done despite the highly volatile macroeconomic environment, marked by high global inflation and a tightening of monetary policies by central banks, resulting in rapidly rising interest rates, in addition to the geopolitical problems resulting from the prolonged conflict between Russia and Ukraine and continued tensions in the commodity markets, which are having a negative impact on the outlook for global economic growth.

The acceleration in capital expenditure on **Regulated Activities** is confirmed with the goal of enabling the energy transition, facilitating the development and integration of renewable sources and making a major contribution to achieving the ambitious goals set out in the Green Deal, which aims to transform the European Union into a carbon-free economy by 2050, with an intermediate target of cutting emissions by approximately 55% by 2030 compared to 1990 levels.

In terms of the Group's most important investment projects, work is progressing on the Tyrrhenian Link, with authorisation for the East branch, due to connect Campania with Sicily, already received in 2022 and the authorisation process for the West branch, connecting Sicily and Sardinia, formally initiated. This latter authorisation is expected to be received by the end of 2023. At the end of 2022, the authorisation process for the Adriatic Link, the new submarine cable that will connect the Abruzzo and Marche regions, was launched. The main assets of the national transmission grid due to enter into operation in 2023 include the interconnection with France and the submarine connection between Elba and the mainland.

Work on the reorganisation of electricity grids in metropolitan areas will also continue during the year, primarily involving the renewal of existing infrastructure with new technologically advanced connections meeting the highest standards in terms of environmental sustainability.

In terms of the Defence Plan, work will continue on the planned installation of grid components supporting the regulation of short-circuit voltage and power in areas of the Country characterised by a high level of production from renewable sources and a significant reduction in traditional production.

Finally, the Group will continue to make progress towards achieving the objectives foreseen by output-based incentive mechanisms introduced by ARERA, especially related to the increase of transport capacity between market zones (interzonal incentives) and the reduction of dispatching costs (DSM incentives).

With regard to **Non-regulated Activities**, the Terna Group will continue to consolidate its role as a provider of both connectivity, through the offer of housing and hosting services for fibre infrastructure, also in partnerships, and energy solutions, developing high value-added services for corporate customers and exploiting market opportunities for traditional and renewable customers. This will include exploitation of the LT Group's know-how.

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

In terms of **International Activities**, the strategic assessment of further opportunities in overseas markets, focusing above all on the US market, will continue. This may take the form of partnerships and will involve the careful selection of projects with a view to ensuring a low risk profile and limited capital absorption. In addition, as regards the assets held for sale, the process of selling the Peruvian assets will continue, with a sale expected to be completed in the first half of 2023, whilst work on the completion of the Linha Verde I power line in Brazil will continue.

In line with the approach carried out in 2022, the Group will focus on stepping up investment in innovation and digital solutions as part of the transformation that will enable it to manage the growing

complexity of the electricity system. In addition, significant attention will also be paid to people development and the insourcing of strategic competencies, to the strengthening of departments, and to optimising the working environment for everyone within the Group.

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

Also thanks to the above initiatives, including those designed to further increase the efficiency of the electric system, is confirmed that Terna expects for 2023 revenues of €3.11 billion, an EBITDA of €2.12 billion and an EPS of €0.43. Regarding Capex, due to a total of €10 billion over the five years from 2021 to 2025, Terna expects a figure of about €2.2 billion in 2023. The above objectives will be pursued whilst maintaining a commitment to maximising the cash generation, necessary to ensure a sound and balanced financial structure.

ALTERNATIVE PERFORMANCE MEASURES

This release includes a number of "alternative performance measures" (EBITDA, the tax rate and net debt) not required by IAS/IFRS. A description of these measures is provided below in accordance with the ESMA/2015/1415 guidelines published on 3 December 2015:

- EBITDA (Gross Operating Profit): an indicator of operating performance, representing "Profit for the period" before "Income tax expense for the period", "Net financial income/(expenses)" and "Amortisation, depreciation and impairment losses";
- Tax rate: the amount of tax paid as a proportion of pre-tax profit, based on the ratio of "Income tax expense" to "Profit/(Loss) before tax";
- Net debt: an indicator of the financial structure, calculated by deducting "Cash and cash equivalents", "Current financial assets" and "Non-current financial assets", as they relate to the value of the derivatives hedging bank borrowings, from short-term financial liabilities ("Short-term borrowings", the "Current portion of long-term borrowings" and "Current financial liabilities") and long-term financial liabilities ("Long-term borrowings") and the related derivative instruments ("Non-current financial liabilities"). The net debt of the Terna Group complies with the requirements of ESMA Recommendation 32-382-1138 of 2021 with regard to the definition of net debt or funds.

The following changes in the structure of the Terna Group have taken place with respect to 31 December 2022:

- On 7 February 2023, Terna completed the acquisition of shares in SEleNe CC S.A. following the withdrawal of the Romanian TSO, National Power Grid Company Transelectrica S.A., from the company's shareholder base. The Company's stake has thus increased from 25% to 33.33%.
- On 29 March 2023, through its subsidiary LT S.r.l., Terna completed the acquisition of a 100% stake in Omnia S.r.l., a company providing O&M services for photovoltaic plants. The acquisition helps to consolidate the LT S.r.l. Group's position as an Italian market leader in the construction and operation of photovoltaic plants.

A meeting will be held at 4.00pm today to present the results for the three months ended 31 March 2023 to financial analysts and investors. Back-up material for the event will be made available in the Investors section of the Company's website (www.terna.it) as the meeting starts. The presentation will also be made available via "eMarket SDIR", on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it) and through the authorised storage service "1Info" (www.1info.it). Journalists will have the opportunity to follow the meeting by telephone without any right to speak. It will also be possible to follow the presentation by connecting to the audio webcast on the Company's website (www.terna.it): following the live broadcast, the file will be available in the Investors section of the website.

The Manager Responsible for Financial Reporting, Agostino Scornajenchi, declares that, pursuant to section two of article 154-bis of the Consolidated Law on Finance, the information contained in this release is consistent with the underlying accounting records.

The Terna Group's consolidated interim financial report for the three months ended 31 March 2023 has not been audited and was prepared voluntarily, pursuant to art. 82-ter of CONSOB Issuer Regulations (as amended by CONSOB Resolution 19770 of 26 October 2016). As in the past, the compliance and correctness of the financial information provided to the public and the comparability of the related information with the corresponding data in previously published interim reports is ensured. The document containing the Terna Group's consolidated interim financial report for the three months ended 31 March 2023 will be made available to the public by 15 May 2023 at the Company's registered office, published on the Company's website (www.terna.it) and on the website of the authorised storage service "1Info" (www.1info.it), and filed at the stock exchange management company Borsa Italiana S.p.A. (www.borsaitaliana.it). The required announcement of the filing will also be published.

The Terna Group's reclassified income statement and statement of financial position and statement of cash flows, prepared on the basis of the classifications used by management in order to more effectively assess the Terna Group's operating and financial performance, are attached. Pursuant to Communication DME/9081707 of 16 September 2009, the above reclassified financial statements are those included in the Terna Group's consolidated interim financial report for the three months ended 31 March 2023, prepared in accordance with usual market practices.

The Group's reclassified income statement

(€m)

	Q1 2023*	Q1 2022*	Change	% change
TOTAL REVENUES	712.5	644.4	68.1	10.6%
- Regulated revenues	613.9	562.0	51.9	9.2%
<i>of which revenues from construction services performed under concession</i>	10.2	9.8	0.4	4.1%
- Non-Regulated revenues	98.6	82.4	16.2	19.7%
TOTAL OPERATING COSTS	212.5	183.1	29.4	16.1%
- Personnel expenses	88.9	81.3	7.6	9.3%
- Cost of services, leases and rentals	52.7	42.2	10.5	24.9%
- Materials	49.4	41.1	8.3	20.2%
- Other costs	7.9	7.7	0.2	2.6%
- Quality of service	3.4	1.0	2.4	-
- Cost of construction services performed under concession	10.2	9.8	0.4	4.1%
GROSS OPERATING PROFIT (EBITDA)	500.0	461.3	38.7	8.4%
- Amortisation, depreciation and impairment losses	186.6	167.6	19.0	11.3%
OPERATING PROFIT (EBIT)	313.4	293.7	19.7	6.7%
- Net financial income/(expenses)	(32.1)	(24.4)	(7.7)	31.6%
PROFIT/(LOSS) BEFORE TAX	281.3	269.3	12.0	4.5%
- Income tax expense for the period	81.3	76.2	5.1	6.7%
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	200.0	193.1	6.9	3.6%
- Profit/(Loss) for the period from discontinued operations and assets held for sale	(0.5)	(1.1)	0.6	(54.5%)
PROFIT FOR THE PERIOD	199.5	192.0	7.5	3.9%
- Profit/(Loss) attributable to non-controlling interests	(0.7)	0.2	(0.9)	-
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	200.2	191.8	8.4	4.4%

* Given that the requirements of IFRS 5 have been met, the total results for the first quarter of 2023 and 2022 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) from discontinued operations and assets held for sale" in the Group's reclassified income statement.

The Group's reclassified statement of financial position

(€m)

	at 31 March 2023	at 31 December 2022	Change
Total net non-current assets	17,592.6	17,485.3	107.3
- Intangible assets and goodwill	776.8	775.8	1.0
- Property, plant and equipment	16,298.9	16,200.9	98.0
- Financial assets	516.9	508.6	8.3
Total net working capital	(2,398.8)	(2,732.8)	334.0
- Net energy-related pass-through payables	(1,228.3)	(1,332.6)	104.3
- Net receivables resulting from Regulated Activities	853.5	778.7	74.8
- Net trade payables	(598.4)	(775.5)	177.1
- Net tax liabilities	(160.9)	(50.5)	(110.4)
- Other net liabilities	(1,264.7)	(1,352.9)	88.2
Gross invested capital	15,193.8	14,752.5	441.3
Sundry provisions	(54.4)	(68.2)	13.8
Net invested capital	15,139.4	14,684.3	455.1
Net assets held for sale	65.1	61.1	4.0
TOTAL NET INVESTED CAPITAL	15,204.5	14,745.4	459.1
Equity attributable to owners of the Parent	6,331.4	6,142.0	189.4
Equity attributable to non-controlling interests	25.9	27.1	(1.2)
Net debt	8,847.2	8,576.3	270.9
TOTAL	15,204.5	14,745.4	459.1

The Terna Group's cash flow

(€m)

	Cash flow Q1 2023	Cash flow Q1 2022
- Profit for the period	199.5	192.0
- Amortisation, depreciation and impairment losses	186.6	167.6
- Net change in provisions	(13.8)	11.8
- Net losses/(gains) on sale of assets	(4.0)	(0.2)
Operating cash flow	368.3	371.2
- Change in net working capital	(333.8)	195.4
- Other changes in property, plant and equipment and intangible assets	33.1	7.9
- Change in investments	(1.5)	-
- Change in financial assets	(6.8)	(52.8)
Cash flow from operating activities	59.3	521.7
- Total capital expenditure	(314.9)	(293.3)
Free cash flow	(255.6)	228.4
Net assets held for sale	(4.0)	(16.2)
- Cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	(10.8)	1,107.1
- Other movements in equity attributable to non-controlling interests	(0.5)	0.1
Change in net debt	(270.9)	1,319.4