

RESULTS AS OF 30 JUNE 2023 APPROVED

IMPROVEMENT ACROSS ALL FINANCIAL INDICATORS: FIRST-HALF EBITDA EXCEEDS €1 BILLION FOR THE FIRST TIME

PERIOD SEES RECORD INVESTMENT, UP 25.7% ON FIRST SIX MONTHS OF 2022

- **Revenues** €1,485.3 million (1,330.8 million in H1 2022, +11.6%)
- **EBITDA** €1,019.2 million (946.9 million in H1 2022, +7.6%)
- **Group net profit for the period** €411.4 million (€398.1 million H1 2022, +3.3%)
- **Capex** €830.5 million (€660.5 million in H1 2022, +25.7%)
- **Net debt** €9,458.4 million (€8,576.3 million at 31 December 2022)

Rome, 27 July 2023 – Today's meeting of the Board of Directors of Terna S.p.A. ("Terna"), chaired by Igor De Biasio, has examined and approved the results for the six months ended 30 June 2023, presented by the Chief Executive Officer and General Manager, Giuseppina Di Foggia.

The first six months of the year have continued to be affected by a difficult and very volatile scenario, with commodity prices remaining high due to international tensions and electricity demand in Italy falling by 5.3% compared to the same period of the previous year.

Despite the challenging environment, Terna has achieved significant improvements across all its financial performance indicators, including EBITDA which, for the first time in the Group's history, has exceeded €1 billion in the first half of the year. Capex growth continued as part of the Country's energy transition drive, marking a new record for the period: €830.5 million in the first six months of the year, an increase of 25.7% compared to the first half of 2022.

“The results approved by the Board of Directors today reaffirm Terna’s key role in achieving the Country’s decarbonisation and energy independence goals. The over €830 million invested during the first half represents a record amount for the period, confirming Terna’s ability to meet its economic and financial targets. We are determined to deliver investment in the grid on time with the industrial Plan, with the aim of facilitating the integration of renewables into the electricity system,” said Giuseppina Di Foggia, Terna’s Chief Executive Officer and General Manager.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR H1 2023

€m	H1 2023*	H1 2022*	% change
Revenues	1,485.3	1,330.8	+11.6%
EBITDA (gross operating profit)	1,019.2	946.9	+7.6%
EBIT (operating profit)	639.0	607.4	+5.2%
Group net profit for the period	411.4	398.1	+3.3%
Capital expenditure	830.5	660.5	+25.7%

* Given that the requirements of IFRS 5 have been met, the total results for the first half 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 half of 2023, amounting to €1,485.3 million, is up €154.5 million (+11.6%) 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, in addition to an improved contribution from Non-regulated Activities that primarily reflects increased revenues from the industrial segment from the Brugg Cables Group and the Tamini Group and, from the Energy Solutions segment, from the LT Group. Revenues rose 12.6% to €772.8 million in the second quarter of the year (€686.4 million in the same period of 2022).

EBITDA (gross operating profit) for the first half of 2023 amounts to €1,019.2 million, an increase of €72.3 million (+7.6%) compared to the €946.9 million of the first half of 2022. The increase reflects the improved result from Regulated Activities. The EBITDA for the second quarter of 2023 is up 6.9% to €519.2 million (€485.6 million in the same period of 2022).

EBIT (operating profit) for the period, after amortisation, depreciation and impairments, amounts to €639.0 million, compared to €607.4 million for the first six months of 2022 (an increase of 5.2%).

Net financial expenses for the period amount to €59.1 million, an increase of €22.9 million compared to the €36.2 million of first half 2022. This essentially reflects inflation during the period, the

agreement of new loans and rising interest rates. These factors were partially offset by an increase in capitalised costs and greater income from the investment of liquidity.

Profit before tax of €579.9 million is up €8.7 million compared to the same period of 2022 (up 1.5%).

Income tax expense for the period totals €168.5 million, an increase of €8.0 million (5.0%) compared to the first half of 2022. This reflects the increase in pre-tax profit and the greater amount of contingent tax assets recognised during the same period of 2022. The resulting tax rate of 29.1%, thus marks an increase compared to the figure for the first half of 2022 (28.1%).

Group net profit for the period of €411.4 million is up €13.3 million (+3.3%) compared to the €398.1 million of the first half of 2022. Net profit for the second quarter is up 2.4% to €211.2 million (€206.3 million for the same period of 2022).

The **consolidated statement of financial position** shows **equity attributable to owners of the Parent** of €6,124.1 million, compared to €6,142.0 million at 31 December 2022.

Net debt of €9,458.4 million compares with the €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 €830.5 million, an increase of 25.7% compared to the €660.5 million of the same period of 2022.

The Group's **workforce** at the end of June 2023, totals 5,696, up 199 compared to 31 December 2022. This primarily reflects the requirements relating to delivery of the challenging investment programme provided for in the "Driving Energy" 2021-2025 Industrial Plan, and the need to strengthen the Group's distinctive competencies.

KEY EVENTS IN H1 2023

Business

The main projects carried out during the period include continued preparations for the start-up of work on the "East" section and the authorisation process for the "West" section of the Tyrrhenian Link and for the Adriatic Link, works designed to boost exchange capacity between different areas

of the electricity market in Sicily and between Sicily and Calabria, construction of the 'Elba-Mainland' and 'Colunga-Calenzano' (between Emilia Romagna and Tuscany) connections and of the electricity substations at Magenta (MI) and Cerignola (FG), the beginning of work on the new 'Livigno-Premadio' underground cable connection (in the province of Sondrio) and a further stage of reorganisation of the grid serving the city of Palermo. Reorganisation of the grid in the southern part of Rome was also approved. Authorisation processes began for the modernisation projects for the Trapani-Palermo and Palermo-Catania railway lines and for the new substation in Volpago del Montello (TV).

Investment in statcom devices and synchronous compensators also continued, amounting to €32.8 million, for the benefit of the grid's safety. Renewal works on overhead power lines and substation machinery continued, with the replacement of 634km of lines and 7 pieces of equipment, including transformers and reactors.

During the second quarter of the year, various meetings were held across Italy to present the details of the 2023-2032 National Transmission Grid Development Plan to local authorities. Overall, the plan provides for total capital expenditure of over €21 billion over the next 10 years to service the energy transition.

On 12 June, Terna received the International Edison Award, the electric power industry's highest honour awarded each year by the Edison Electric Institute, the association that represents all US-investor owned electric companies. The Group won the award for the planned new power connection between Italy and France. This new connection will be the longest direct current power line in the world and will be completely invisible, given that it will be integrated into existing motorway infrastructure, thereby avoiding any impact on the surrounding environment.

On 26 June, Giuseppina Di Foggia, Terna's Chief Executive Officer and General Manager, assumed the role of Vice President of GO15, the global association bringing together very large power grid operators, representing approximately 50% of global electricity demand.

Sustainable Finance

The senior green bonds issued by Terna at 30 June 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, amounting to €1 billion.

On 17 July 2023, a single tranche, euro-denominated fixed rate green bond issue amounting to a total of €650 million was successfully launched, as part of Terna's Euro Medium Term Notes (EMTN) programme. The green bond has a duration of 10 years, will pay an annual coupon of 3.875% and was issued with a spread of 90 basis points over the midswap. The green bond issuance, which received a great market response with demand outstripping supply by almost four times the offered amount, is characterized by high quality and broadly geographically diversified investors.

On 14 April 2023, a single tranche, euro-denominated fixed rate bond issue amounting to a total of €750 million was successfully launched. The bond has a duration of 6 years and was issued as part of Terna's Euro Medium Term Notes (EMTN) programme (rated BBB+ / (P)Baa2), amounting to €9,000,000,000, being the maximum amount that may be subscribed (renewed on 8 June 2023). The bond saw extremely high demand, with the issue approximately four times oversubscribed.

On 12 May 2023, the ESG Revolving Credit Facility agreed in April 2019 was refinanced, extending it by a further 5 years and increasing the total amount to the current €1.8 billion. The ESG indicators linked to a bonus/penalty mechanism applied to contract terms regarding the commitment fee and the spread were also amended.

The ESG-linked share buyback programme to support the Performance Share Plan 2023-2027 was completed on 10 July 2023. In keeping with Terna's commitment to sustainability and social and environmental responsibility, the programme includes a mechanism based on bonuses and penalties linked to the Company's achievement of specific environmental, social and governance objectives. Under the programme, Terna has purchased 917,611 own shares (equal to 0.046% of its share capital) at a total cost of €6,999,997.07. The total shares purchased under the above programme are in addition to the further 3,296,049 own shares already held by the Company. As a result, Terna S.p.A. now holds a total of 4,213,660 treasury shares (equal to 0.210% of the share capital). Subsidiaries do not hold shares in the Parent Company, Terna.

Finally, 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 branches of the submarine electricity cable that will connect the Italian peninsula with Sicily and then to Sardinia. The loans, which duration is 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.

Sustainability and ESG

During the first half of the year, Terna confirmed its inclusion in four of the most prestigious international indices, which select the best companies based on their ESG practices: the Italian index MIB ESG and the international indices FTSE4Good, Euronext Vigeo and S&P Developed 100 Gender Equality & Inclusion.

OUTLOOK

During the second part of the year, the Group will 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 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 sharp acceleration in capital expenditure on **Regulated Activities** will continue 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 the award of the contract for supply of the converter stations and, with regard to the East branch, the beginning of all the preliminary activities prior to the start of work and the beginning of the process of supplying the terrestrial cables by the end of the year. Regarding the Adriatic Link, the new submarine cable that will connect the Abruzzo and Marche regions, the contract to supply and install the cables is expected to be awarded in the second half of the year. The principal assets of the national transmission grid due to enter service in the second half include the submarine connection between Elba and the mainland, the interconnection with France, the Paternò-Pantano link and the Pantano substation, in Sicily.

Work on the new electricity grid for the “Milan-Cortina 2026” Olympic and Paralympic Games will continue in the second half of 2023 with the aim of increasing the reliability of energy supply in the locations hosting the event, using infrastructure that will have a reduced impact on the landscape.

In terms of the Defence Plan, work will continue on the planned installation of synchronous compensators and STATCOMs supporting the regulation of short-circuit voltage and power, with four new items of equipment due to enter service by the end of the year.

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**, in the second half of the year the Terna Group will continue to consolidate its role as a provider of both connectivity 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 Group’s performance and, with regard to the Brugg Cables Group, 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 being sold, the process of selling the Peruvian assets will continue, whilst work will proceed on construction of the Linha Verde I power line in Brazil.

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 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 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, 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.

BOND ISSUES AND BONDS NEARING MATURITY

Issues in 2023:

- On 14 April 2023, a single tranche, euro-denominated fixed rate bond issue amounting to a total of €750 million was successfully launched, as part of Terna's Euro Medium Term Notes (EMTN) programme (rated BBB+ / (P)Baa2). The bond, issued at a price of 99.281%, with a spread of 70 basis points over the midswap, have a duration of 6 years and will mature on 21 April 2029. The bond will pay annual coupon of 3.625%.
- On 17 July 2023, a single tranche, euro-denominated fixed rate green bond issue amounting to a total of €650 million was successfully launched, as part of Terna's Euro Medium Term Notes (EMTN) programme (BBB+ / (P)Baa2). The green bond has a duration of 10 years and maturity date falling on 24 July 2033, will pay an annual coupon of 3.875% per annum and will be issued at a price of 99.107%, with a spread of 90 basis points over the midswap. The final cost of the issuance for Terna will be significantly lower than the issue cost, thanks to the previous subscription of interest rate hedges at lower values compared to current market conditions.

In the period between 1 July 2023 and 31 December 2024, the following bonds will reach maturity:

- €1 billion relating to a fixed-rate green bond issue maturing in July 2023;
- €500 million relating to a bond issue linked to Italian inflation maturing in September 2023;
- €800 million relating to a bond issue maturing in October 2024.

ALTERNATIVE PERFORMANCE INDICATORS

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 borrowing, 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.

It should be noted that, compared to 31 March 2023, on 22 June 2023, Terna completed the acquisition of a 100% stake in Edyna Transmission S.r.l., at the same time renamed Rete Nord S.r.l., a company that owns two electricity substations and approximately 70 km of power lines in Alto Adige already forming part of the National Transmission Grid. The transaction is part of the Group’s strategy of unifying Italy’s electricity transmission infrastructure with the aim of further boosting grid efficiency and reliability.

A meeting will be held at 5.00pm today to present the results for the six months ended 30 June 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 corresponds to the underlying accounting records.

The Half-year Report for the six months ended 30 June 2023, accompanied by the attestation required by art.154-bis, paragraph 5 of Legislative Decree 58/98 (the Consolidated Law on Finance) and the report containing the opinion issued by the Independent Auditors, will, by the deadline set out by law, be made available 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 interim report on operations for the six months ended 30 June 2023, included in the Terna Group's Half-year Report for the six months ended 30 June 2023, and for which the Independent Auditors, in compliance with art. 14 of Legislative Decree 39 dated 27 January 2010, will verify consistency with the condensed consolidated interim financial statements.

The Terna Group's reclassified income statement

Q2					(€m)			
2023	2022	Change	% change		H1 2023	H1 2022	Change	% change
772.8	686.4	86.4	12.6%	TOTAL REVENUE	1,485.3	1,330.8	154.5	11.6%
649.3	591.6	57.7	9.8%	- Regulated revenue	1,263.2	1,153.6	109.6	9.5%
16.8	12.7	4.1	32.3%	- of which Revenue from construction services performed under concession	27.0	22.5	4.5	20.0%
123.4	94.8	28.6	30.2%	- Non-Regulated revenue	222.0	177.2	44.8	25.3%
0.1	-	0.1	-	- International revenue	0.1	-	0.1	-
253.6	200.8	52.8	26.3%	TOTAL OPERATING COSTS	466.1	383.9	82.2	21.4%
92.4	82.4	10.0	12.1%	- Personnel expenses	181.3	163.7	17.6	10.8%
61.8	48.5	13.3	27.4%	- Cost of services, leases and rentals	114.5	90.7	23.8	26.2%
71.8	52.6	19.2	36.5%	- Materials	121.2	93.7	27.5	29.3%
9.1	4.3	4.8	111.6%	- Other costs	17.0	12.0	5.0	41.7%
1.7	0.3	1.4	-	- Quality of service	5.1	1.3	3.8	-
16.8	12.7	4.1	32.3%	- Cost of construction services performed under concession	27.0	22.5	4.5	20.0%
519.2	485.6	33.6	6.9%	GROSS OPERATING PROFIT (EBITDA)	1,019.2	946.9	72.3	7.6%
193.6	171.9	21.7	12.6%	- Amortisation, depreciation and impairment losses	380.2	339.5	40.7	12.0%
325.6	313.7	11.9	3.8%	OPERATING PROFIT (EBIT)	639.0	607.4	31.6	5.2%
(27.0)	(11.8)	(15.2)	128.8%	- Net financial income/(expenses)	(59.1)	(36.2)	(22.9)	63.3%
298.6	301.9	(3.3)	(1.1%)	PROFIT/(LOSS) BEFORE TAX	579.9	571.2	8.7	1.5%
87.2	84.3	2.9	3.4%	- Income tax expense for the period	168.5	160.5	8.0	5.0%
211.4	217.6	(6.2)	(2.8%)	PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	411.4	410.7	0.7	0.2%
(3.0)	(9.0)	6.0	66.7%	- Profit/(Loss) for the period from discontinued operations and assets held for sale	(3.5)	(10.1)	6.6	65.3%
208.4	208.6	(0.2)	(0.1%)	PROFIT FOR THE PERIOD	407.9	400.6	7.3	1.8%
(2.8)	2.3	(5.1)	-	- Profit/(Loss) attributable to non-controlling interests	(3.5)	2.5	(6.0)	-
211.2	206.3	4.9	2.4%	PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	411.4	398.1	13.3	3.3%

The Terna Group's reclassified statement of financial position

(€m)

	at 30 June 2023	at 31 December 2022	Change
Total net non-current assets	17,921.1	17,485.3	435.8
- Intangible assets and goodwill	791.2	775.8	15.4
- Property, plant and equipment	16,623.3	16,200.9	422.4
- Financial assets	506.6	508.6	(2.0)
Total net working capital	(2,357.2)	(2,732.8)	375.6
- Net energy-related pass-through payables	(1,312.5)	(1,332.6)	20.1
- Net receivables resulting from Regulated Activities	929.2	778.7	150.5
- Net trade payables	(641.2)	(775.5)	134.3
- Net tax assets	(57.8)	(50.5)	(7.3)
- Other net liabilities	(1,274.9)	(1,352.9)	78.0
Gross invested capital	15,563.9	14,752.5	811.4
Sundry provisions	(39.6)	(68.2)	28.6
Net invested capital	15,524.3	14,684.3	840.0
Net assets held for sale	76.1	61.1	15.0
TOTAL NET INVESTED CAPITAL	15,600.4	14,745.4	855.0
Equity attributable to owners of the Parent	6,124.1	6,142.0	(17.9)
Equity attributable to non-controlling interests	17.9	27.1	(9.2)
Net debt	9,458.4	8,576.3	882.1
TOTAL	15,600.4	14,745.4	855.0

The Terna Group's cash flow

	(€m)	
	Cash flow H1 2023	Cash flow H1 2022
- Profit for the period	407.9	400.6
- Amortisation, depreciation and impairment losses	380.2	339.5
- Net change in provisions	(28.6)	2.0
- Net losses/(gains) on sale of assets	(9.7)	(2.0)
Operating cash flow	749.8	740.1
- Change in net working capital	(375.3)	260.0
- Other changes in property, plant and equipment and intangible assets	21.9	42.1
- Change in investments	(2.5)	1.2
- Change in financial assets	4.5	(54.6)
Cash flow from operating activities	398.4	988.8
- Total capital expenditure	(830.5)	(660.5)
Free cash flow	(432.1)	328.3
Net assets held for sale	(15.0)	(88.3)
- Dividends paid to Parent Company's shareholders	(418.7)	(387.7)
- Cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	(10.6)	1.156.0
- Other movements in equity attributable to non-controlling interests	(5.7)	0.2
Change in net debt	(882.1)	1,008.5