

RESULTS AS OF 30 SEPTEMBER 2023 APPROVED

IMPROVEMENTS IN KEY FINANCIAL INDICATORS: NINE-MONTH EBITDA EXCEEDS €1.5 BILLION FOR THE FIRST TIME

NEW RECORD SET FOR CAPITAL EXPENDITURE: OVER €1.4 BILLION, UP 38.8% ON THE SAME PERIOD IN 2022

CAPEX TOTALS MORE THAN €600 MILLION IN THE THIRD QUARTER

- **Revenues** €2,247.1 million (€1,992.4 million in 9M 2022, +12.8%)
- **EBITDA** €1,556.2 million (€1,412.2 million in 9M 2022, +10.2%)
- **Group net profit for the period** €641.7 million (€586.9 million in 9M 2022, +9.3%)
- **Capex** €1,433.6 million (€1,033.1 million in 9M 2022, +38.8%)
- **Net debt** €9,486.2 million (€8,576.3 million at 31 December 2022)
- **Interim dividend** for 2023 of 11.46 euro cents per share, up 8% on interim dividend for 2022, in line with Group's current Dividend Policy

Rome, 8 November 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 nine months ended 30 September 2023 ("9M 2023"), presented by the Chief Executive Officer and General Manager, Giuseppina Di Foggia.

The first nine months of the year continued to be affected by a difficult and very volatile scenario, with commodity prices remaining high due to international tensions, which worsened following conflict in the Middle East in October 2023. Electricity demand in Italy fell by 4% during the period compared to the first nine months of 2022.

Despite this challenging scenario, Terna increased investment for the benefit of the country's energy security and recorded significant improvements across all its financial indicators.

Capital expenditure in the third quarter exceeded €600 million, marking a new record for the

period: €1,433.6 million, with an increase of 38.8% compared to the first nine months in 2022. The Nine-month EBITDA exceeded €1.5 billion for the first time in the Group's history.

"In line with our role in driving the energy transition, we have further accelerated investment in the delivery of an increasingly efficient and reliable electricity system: over €600 million in the third quarter and €1.4 billion since the beginning of 2023. This investment, combined with digitalisation of the grid, is key to our ability to integrate renewable sources, achieve decarbonisation targets and increase Italy's energy security. The figure for EBITDA, which exceeded €1.5 billion for the first time, also confirms Terna's ability to achieve its financial objectives and the excellence work of our people," said Giuseppina Di Foggia, Terna's Chief Executive Officer and General Manager.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR 9M 2023

€m	9M 2023*	9M 2022*	% change
Revenues	2,247.1	1,992.4	+12.8%
EBITDA (gross operating profit)	1,556.2	1,412.2	+10.2%
EBIT (operating profit)	979.7	896.3	+9.3%
Group net profit for the period	641.7	586.9	+9.3%
Capital expenditure	1,433.6	1,033.1	+38.8%

* Given that the requirements of IFRS 5 have been met, the total results for the first nine months 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 nine months of 2023, amounting to €2,247.1 million, are up €254.7 million (+12.8%) compared to the same period of 2022. The result primarily reflects an improvement in revenues from Regulated Activities, mainly thanks to the increase in the regulatory asset base (RAB) and output-based incentives, in addition to an improved contribution from Non-regulated Activities that primarily reflects increased revenues from the industrial segment, including the Brugg Cables Group and the Tamini Group and from the Energy Solutions segment, including the LT Group. Revenues rose 15.1% to €761.8 million in the third quarter of the year (€661.6 million in the same period of the previous year).

EBITDA (gross operating profit) for the first nine months in 2023 amounts to €1,556.2 million, with an increase of €144.0 million (+10.2%) compared to €1,412.2 million for the first nine months in 2022. The increase reflects the improved result from Regulated Activities. The EBITDA for the third quarter of 2023 is up 15.4% to €537 million (€465.3 million in the same period in 2022).

EBIT (operating profit) for the period, after amortisation, depreciation and impairment losses, amounts to €979.7 million compared to €896.3 million for the first nine months in 2022 (up 9.3%).

Net financial expenses for the period amount to €81.2 million, an increase of €24.9 million compared to the €56.3 million of the first nine months in 2022. This is due essentially to the agreement of new loans and rising interest rates, partially offset by falling inflation in the period, an increase in capitalised expenses and greater income from the investment of liquidity, reflecting an improvement in market conditions.

Profit before tax of €898.5 million is up €58.5 million compared to the first nine months in 2022 (up 7.0%).

Income tax expense for the period totals €261.6 million, an increase of €24.8 million compared to the same period in 2022 (up 10.5%). This primarily reflects the increase in pre-tax profit and the greater amount of contingent tax assets recognised during the same period in 2022. The resulting tax rate of 29.1% thus marks an increase compared to the figure for the first nine months in 2022 (28.2%).

Group net profit for the period of €641.7 million is up €54.8 million compared to the €586.9 million of the first nine months in 2022 (+9.3%). Net profit for the third quarter is up 22.0% to €230.3 million (€188.8 million for the same period in 2022).

The **consolidated statement of financial position** at 30 September 2023 showed **equity attributable to owners of the Parent** of €6,337.3 million, compared to €6,142 million as of 31 December 2022.

Net debt of €9,486.2 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 €1,433.6 million, with an increase of 38.8% compared to the €1,033.1 million of the same period in 2022.

The Group's **workforce** at the end of September 2023 totals 5,762, up 265 compared to 31 December 2022. The increase is linked to the need to strengthen the pool of expertise and the growth of the business, in line with the "Driving Energy" 2021-2025 Industrial Plan.

KEY EVENTS IN THE PERIOD

Business

Key events in the third quarter of 2023 included, on 5 September, the issue by the Ministry of the Environment and Energy Security of the decree authorising the final project for the “West” section of the Tyrrhenian Link between Sicily and Sardinia. On 28 September, the Ministry also authorized the final project for Sa.Co.I.3, the submarine power line that will connect Sardinia, Corsica and Tuscany. The link will involve the renewal and upgrade of the current connection, known as Sa.Co.I.2, which dates back to the early 1990s.

On 7 September, Terna awarded Prysmian, a leading supplier in the energy and telecom cable systems industry, the contract for the supply and laying of submarine and underground power cables of the Adriatic Link, the HVDC (high-voltage direct current) connection between the Abruzzo and Marche regions, for which Terna has planned an overall investment of €1.3 billion.

The submarine cable power line linking the island of Elba with Piombino (Livorno) also entered into service during the period. The project, in which Terna has invested €90 million, has significantly improved the safety and reliability of the island's electricity grid.

On 8 August, Terna, STEG, the Tunisian electricity and gas operator, and the European Commission signed the Grant Agreement authorising the provision of €307 million to support “Elmed”, the interconnection between Italy and Tunisia which will form the invisible electricity bridge between Europe and North Africa. The project, for which the authorisation process was launched by the Ministry of the Environment and Energy Security at the end of 2022, will entail total investment of approximately €850 million. This includes the above €307 million provided by the European Commission through the Connecting Europe Facility (“CEF”), the European Union fund established to support key projects that aim to optimise energy infrastructure in the EU. This is the first time that CEF funds have been allocated to an infrastructure project developed by a Member State and a Third Country.

Work continued during the period on preparations for the start-up of work on the “East Section” of the Tyrrhenian Link, as did work on increasing exchange capacity between different areas of the electricity market in Sicily (the ‘Paternò-Pantano-Priolo’ connection) and between Sicily and

Calabria (the 'Sorgente-Rizziconi' connection), as well as work on construction of the 'Colunga-Calenzano' connection (between Emilia Romagna and Tuscany) and of the electricity substations at Cerignola (FG) and Magenta (MI).

Investment in statcom devices, reactors and synchronous compensators, amounting to €158.3 million in the first nine months of 2023, also continued with the aim of improving grid security. Renewal work on overhead power lines and substation machinery also continued during the period, with the replacement of 879 km of conductors and 11 pieces of equipment, including five transformers and six reactors, at a total cost of €316.4 million.

On 1 September, Francesco Beccali, previously Group Finance Director, took on the role of Group Chief Financial Officer and Executive in Charge of Preparing the Company's Accounting Documents under the terms of Article 154-bis of Italian Legislative Decree no. 58 of 1998.

Sustainable finance

In line with Terna's strategy, which aims to combine investment and sustainability to drive growth and value creation, Terna intends to play a leading role in the sustainable finance market. This strategy was also followed in the first nine months of 2023. 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. From 31 July, the bond was listed on the Euronext Group's ExtraMOT PRO market organised and managed by the Italian Stock Exchange, part of the Euronext Group. This market has been established to provide opportunities for investors alike to identify solutions for which the proceeds are used to finance projects with specific environmental and social benefits or effects.

The senior green bonds issued by Terna as of 30 September 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.

Sustainability and ESG

During the period, Terna confirmed its inclusion in the STOXX "Global ESG Leaders" index and in the "Environmental Leaders", "Social Leaders" and "Governance Leaders" sub-indices, managed

by the company Qontigo, part of the Deutsche Börse Group. These indices select the world's best STOXX Global 1800-listed companies based on their ESG best practices.

OUTLOOK

During the final 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 to the potential outbreak of new conflicts in other parts of the world (e.g., the Middle East), as well as significant rise in the price of oil, which could drive renewed increases in commodity prices. All of the above 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 preliminary activities prior to the start-up of work on the East branch under way and installation of the terrestrial cables due to begin by the end of the year. In addition, the principal assets of the national transmission grid due to enter service by the end of the year include the Paternò-Pantano power line 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 last quarter of 2023 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.

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 three new items of equipment due to enter into service by the end of the year (a STATCOM and two compensators).

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 transmission capacity between market zones (interzonal incentives) and the reduction of dispatching costs (DSM incentives). The Group will also be engaged in the consultation process in

preparation for ARERA's definition of application criteria for the Totex/Output-based approach and updates to Infrastructure Regulation and incentives for the next regulatory period from 2024 to 2027.

With regard to **Non-regulated Activities**, in the last part 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, using 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 will continue, involving 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 the last part of 2023, 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, the Group's activities will focus on people development and the insourcing of strategic competencies, 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 the 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 electricity system, Terna confirms expected 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.

INTERIM DIVIDEND FOR 2023 OF 11.46 EURO CENTS PER SHARE

In consideration of the operating and financial performance and the guidance and outlook for the rest of the current year, the Board of Directors of Terna S.p.A. has decided to pay an **ordinary interim dividend for 2023 of 11.46 cents per share, an increase of 8%** compared to the previous year. This is in line with the policy set out in the updated 2021-2025 Industrial Plan. In this regard, the independent auditors, Deloitte & Touche S.p.A., have today issued the relevant opinion required by art. 2433-*bis* of the Italian Civil Code.

As required by art. 2357-*ter*, paragraph 2 of the Italian Civil Code, the treasury shares purchased to service the 2020-2023, 2021-2025 and 2022-2026 Share Performance Plans may not participate in the distribution of the interim dividend.

The total distribution of €230,345,083.20 has been calculated on the basis of the 2,009,992,000 ordinary shares representing the Company's share capital. Treasury shares held at the record date shown below will not participate in the distribution. The interim dividend for 2023 payable on the treasury shares held by the Company at the record date, currently totalling 4,213,660 (equal to 0.210% of the share capital), will thus be taken to the "Retained earnings" reserve.

The interim dividend, before any withholdings required by law, will be payable from 22 November 2023 (the record date, as defined by art. 83-*terdecies* of Legislative Decree 58/1998, the "CLF", is 21 November 2023), with an ex-dividend date for coupon 39 of 20 November 2023.

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:

- EBIT (Operating Profit): an indicator of operating performance, representing the sum of "Profit/(Loss) before tax" and "Net financial income/(expenses)";
- EBITDA (Gross Operating Profit): an indicator of operating performance, representing the sum of Operating Profit (EBIT) 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.

A meeting will be held at 4.00pm today to present the results for the nine months ended 30 September 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, Francesco Beccali, 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 nine months ended 30 September 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 nine months ended 30 September 2023 will be made available to the public 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 consolidated 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 nine months ended 30 September 2023, prepared in accordance with usual market practices.

The Terna Group's reclassified income statement

(€m)

Q3									
2023	2022	Change	% change		9M 2023	9M 2022	Change	% change	
761.8	661.6	100.2	15.1%	TOTAL REVENUES	2,247.1	1,992.4	254.7	12.8%	
641.2	566.6	74.6	13.2%	- Regulated Revenues	1,904.4	1,720.2	184.2	10.7%	
18.1	13.9	4.2	30.2%	<i>of which Revenues from construction services performed under concession</i>	45.1	36.4	8.7	23.9%	
120.6	94.4	26.2	27.8%	- Non-Regulated Revenues	342.6	271.6	71.0	26.1%	
-	0.6	(0.6)	(100.0%)	- International Revenues	0.1	0.6	(0.5)	(83.3%)	
224.8	196.3	28.5	14.5%	TOTAL OPERATING COSTS	690.9	580.2	110.7	19.1%	
81.2	72.7	8.5	11.7%	- Personnel expenses	262.5	236.4	26.1	11.0%	
49.9	44.6	5.3	11.9%	- Cost of services, leases and rentals	164.4	135.3	29.1	21.5%	
65.9	55.5	10.4	18.7%	- Materials	187.1	149.2	37.9	25.4%	
8.6	8.9	(0.3)	(3.4%)	- Other costs	25.6	20.9	4.7	22.5%	
1.1	0.7	0.4	57.1%	- Quality of service	6.2	2.0	4.2	210.0%	
18.1	13.9	4.2	30.2%	- Cost of construction services performed under concession	45.1	36.4	8.7	23.9%	
537.0	465.3	71.7	15.4%	GROSS OPERATING PROFIT (EBITDA)	1,556.2	1,412.2	144.0	10.2%	
196.3	176.4	19.9	11.3%	- Amortisation, depreciation and impairment losses	576.5	515.9	60.6	11.7%	
340.7	288.9	51.8	17.9%	OPERATING PROFIT (EBIT)	979.7	896.3	83.4	9.3%	
(22.1)	(20.1)	(2.0)	10.0%	- Net financial income/(expenses)	(81.2)	(56.3)	(24.9)	44.2%	
318.6	268.8	49.8	18.5%	PROFIT/(LOSS) BEFORE TAX	898.5	840.0	58.5	7.0%	
93.1	76.3	16.8	22.0%	- Income tax expense for the period	261.6	236.8	24.8	10.5%	
225.5	192.5	33.0	17.1%	PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	636.9	603.2	33.7	5.6%	
4.3	(4.6)	8.9	193.5%	- Profit/(Loss) for the period from discontinued operations and assets held for sale	0.8	(14.7)	15.5	105.4%	
229.8	187.9	41.9	22.3%	PROFIT FOR THE PERIOD	637.7	588.5	49.2	8.4%	
(0.5)	(0.9)	0.4	44.4%	- Profit/(Loss) attributable to non-controlling interests	(4.0)	1.6	(5.6)	(350.0%)	
230.3	188.8	41.5	22.0%	PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	641.7	586.9	54.8	9.3%	

The Terna Group's reclassified statement of financial position

(€m)

	at 30 September 2023	at 31 December 2022	Change
Total net non-current assets	18,322.8	17,485.3	837.5
- Intangible assets and goodwill	807.1	775.8	31.3
- Property, plant and equipment	17,012.2	16,200.9	811.3
- Financial assets	503.5	508.6	(5.1)
Total net working capital	(2,528.5)	(2,732.8)	204.3
- Net energy-related pass-through payables	(1,236.8)	(1,332.6)	95.8
- Net receivables resulting from Regulated Activities	992.4	778.7	213.7
- Net trade payables	(821.6)	(775.5)	(46.1)
- Net tax liabilities	(178.6)	(50.5)	(128.1)
- Other net liabilities	(1,283.9)	(1,352.9)	69.0
Gross invested capital	15,794.3	14,752.5	1,041.8
Sundry provisions	(34.0)	(68.2)	34.2
Net invested capital	15,760.3	14,684.3	1,076.0
Net assets held for sale	80.5	61.1	19.4
TOTAL NET INVESTED CAPITAL	15,840.8	14,745.4	1,095.4
Equity attributable to owners of the Parent	6,337.3	6,142.0	195.3
Equity attributable to non-controlling interests	17.3	27.1	(9.8)
Net debt	9,486.2	8,576.3	909.9
TOTAL	15,840.8	14,745.4	1,095.4

The Terna Group's cash flow

(€m)

	Cash flow 9M 2023	Cash flow 9M 2022
- Profit for the period	637.7	588.5
- Amortisation, depreciation and impairment losses	576.5	515.9
- Net change in provisions	(34.2)	5.6
- Net losses/(gains) on sale of assets	(12.4)	(2.3)
Operating cash flow	1,167.6	1,107.7
- Change in net working capital	(204.1)	646.9
- Other changes in property, plant and equipment and intangible assets	26.7	45.8
- Change in investments	(2.7)	1.0
- Change in financial assets	7.8	(152.3)
Cash flow from operating activities	995.3	1,649.1
- Total capital expenditure	(1,433.6)	(1,033.1)
Free cash flow	(438.3)	616.0
Net assets held for sale	(19.4)	(91.4)
- Dividends paid to the Parent Company's shareholders	(418.7)	(387.7)
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	(27.7)	1,213.8
- Other movements in equity attributable to non-controlling interests	(5.8)	0.4
Change in net debt	(909.9)	1,351.1