

RESULTS AS OF 31 DECEMBER 2022 APPROVED

- SIGNIFICANT IMPROVEMENT ACROSS ALL FINANCIAL INDICATORS

- FURTHER GROWTH IN CAPEX (+15.5%)

- RECORD NUMBER OF PROJECTS AUTHORISED IN 2022

- **Revenues** €2,964.5 million (€2,604.8 million in 2021, +13.8%)
- **EBITDA** €2,059.2 million (€1,854.8 million in 2021, +11.0%)
- **Group net profit for the year** €857.0 million (€789.4 million in 2021, +8.6%)
- **Capex** €1,756.8 million (€1,520.7 million in 2021, +15.5%)
- **Net debt** €8,576.3 million (€10,002.5 million at 31 December 2021)
- **Proposed dividend for 2022** of 31.44 euro cents per share, up 8% on 2021, in line with dividend policy
- **Thanks to initiatives aimed at increasing benefits for the system and designed to further boost efficiency, EBITDA for 2023 is expected to reach €2.12 billion with an EPS of €0.43**

Rome, 22 March 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 year ended 31 December 2022.

2022 proved to be an extremely challenging year.

The tragic events in Ukraine caused a further rise in commodity prices, fuelling inflation and, for the first time in decades, raising doubts about the very concept of energy security in Italy.

The war in Ukraine and the resulting global energy crisis have thus meant that Italy was faced with the inescapable need to commit to reducing as far as possible the Country's dependence on fossil fuels and increasing national energy security, in line with the European Union's decarbonisation targets. Terna has thus stepped up its commitment to the Country and its people, consistent with its role in driving the energy transition, in order to guarantee a more sustainable, efficient national

transmission grid, capable of maximising the integration of energy produced from renewable sources such as sun and wind, both of which Italy has in abundance.

Despite this extremely challenging backdrop, Terna recorded improvements across all its financial indicators, including a major increase in investment in the core business of electricity infrastructure. Furthermore, 2022 saw Terna obtain authorisations for 29 development projects for the national transmission grid with a value of over €2.5 billion: more than doubled the record amount of 2021 and increased of almost ten times the amount of 2020. In total, **Terna invested €1,756.8 million in 2022, an increase of 15.5%**.

“In a particularly difficult scenario, Terna has delivered an excellent performance, stepping up investment for the tenth consecutive quarter for the benefit of both the electricity system and Italy,” said Stefano Donnarumma, Terna’s CEO and General Manager. *“2022 saw us strengthening Terna’s role in driving the energy transition, boosting our ability to enable the development and growth of renewable sources. We have made significant progress on the most important projects in our Plan, such as the Tyrrhenian Link and the Adriatic Link. We have put down the foundations for Italy to become the energy hub for the Mediterranean, with the start of the authorisation process for the Tunisia-Italy interconnection that has received major funding from the European Union. This is the first time that EU funds have been allocated to an infrastructure project developed by a member state and by a state that does not belong to the European Union”,* added Mr Donnarumma.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR 2022

€m	2022*	2021*	% change
Revenues	2,964.5	2,604.8	+13.8%
EBITDA (gross operating profit)	2,059.2	1,854.8	+11.0%
EBIT (operating profit)	1,333.5	1,200.4	+11.1%
Group net profit for the year	857.0	789.4	+8.6%
Capital expenditure	1,756.8	1,520.7	+15.5%

* Given that the requirements of IFRS 5 have been met, the total results for 2022 and 2021 attributable to the South American subsidiaries included in the planned sale of assets 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 2022 amounts to €2,964.5 million, with an increase of €359.7 million (+13.8%) compared to 2021. This result primarily reflects increased revenues from Regulated Activities, linked primarily to the greater effect of output-based incentive mechanisms and the increase in the

regulated assets base (RAB), after the impact of the reduction in the WACC recognised for 2022. Revenues from Non-regulated Activities also grew, reflecting in particular the LT Group's contribution to revenues from smart grids and increased contributions from the Tamini Group and the Brugg Cables Group.

EBITDA (gross operating profit) for 2022 is €2,059.2 million, with an increase of €204.4 million (+11.0%) compared to 2021, mainly due to the improved result from Regulated Activities.

EBIT (operating profit) for the year, after amortisation, depreciation and impairments equal to €725.7 million, amounts to €1,333.5 million, compared to €1,200.4 million in 2021 (+11.1%).

Net financial expenses for 2022 amount to €100.1 million, with an increase of €21.2 million compared to the €78.9 million of 2021. This primarily reflects the rise of inflation, partially offset by an increase in capitalised costs.

Profit before tax is €1,233.4 million, with an increase of €111.9 million (+10.0%) compared to 2021.

Income tax expense for the year amounts to €355.4 million, with an increase of €37.5 million compared to 2021 (+11.8%), essentially due to the increase in profit before tax and the greater amount of contingent tax assets recognised in the previous year. The tax rate amounts to 28.8% compared to the rate of 28.3% for 2021.

Group net profit for the year of €857.0 million is up €67.6 million (+8.6%) compared to the €789.4 million of 2021.

The **consolidated statement of financial position** shows **equity attributable to owners of the Parent** of €6,142.0 million, compared to €4,681.9 million at 31 December 2021.

The Terna Group's **total capital expenditure** during the year amounts to €1,756.8 million, with a 15.5% increase compared to the €1,520.7 million of 2021. The main projects carried out during the year include the progress made on the Tyrrhenian Link, the connection that will link Sardinia with Sicily and the latter with Campania, works designed to boost exchange capacity between different areas of the electricity market in Sicily (the Paternò-Pantano-Priolo line), the connection between

the island of Elba and Tuscany, and continued work on the plan to install Statcom devices, reactors and synchronous compensators to improve grid security.

Net debt amounts to €8,576.3 million, a significant improvement compared to the €10,002.5 million at 31 December 2021. The significant increase in equity attributable to owners of the Parent and the accompanying reduction in net debt primarily reflect the issue in February of a hybrid green bond worth €1 billion, which was in high demand and is accounted for as an equity instrument, and an improvement in working capital during the period.

The Group's **workforce** at the end of 2022 amounts to 5,497, with an increase of 361 compared to 31 December 2021. The growth is linked to the need to strengthen the pool of expertise and growth across all the Group's businesses.

OPERATING RESULTS OF REGULATED ACTIVITIES

Following significant investment and an increase in revenues due to output-based incentive mechanisms applied to dispatching activity, **revenues** from **Regulated Activities** rose to €2,542.3 million in 2022 (€2,253.5 million in 2021, +12.8%).

EBITDA thus amounts to €2,007.0 million, with an increase of €206.5 million compared to the previous year.

OPERATING RESULTS OF NON-REGULATED ACTIVITIES

Revenues from **Non-regulated Activities** in 2022 rose to €421.4 million, with an increase of 20.1% compared to the €350.9 million of 2021, thanks to increased contributions from the LT Group, the Tamini Group and the Brugg Group.

EBITDA from Non-regulated Activities in 2022, amounting to €57.5 million, is down €4.3 million compared to the previous year, primarily due to a reduced contribution from connectivity.

RESULTS OF THE PARENT COMPANY, TERNA S.p.A., FOR 2022

The Parent Company, Terna S.p.A., ended 2022 with revenues at €2,520.5 million (€2,224.1 million in 2021). EBITDA (gross operating profit) is €1,906.9 million (€1,706.8 million in 2021). EBIT (operating profit), after amortisation, depreciation and impairments of €650.3 million, amounts

to €1,256.6 million (€1,121.0 million in 2021). Net profit for the year thus totals €834.1 million (€735.2 million for 2021).

The statement of financial position shows equity of €5,746.1 million (compared to €4,329.5 million at 31 December 2021) and net debt of €8,446.0 million (compared to €9,893.8 million at 31 December 2021).

KEY EVENTS IN 2022

Terna continued with **development of the national grid** in 2022, making progress on all the major investment projects supporting the energy transition. Thanks to investment in the main projects referred to above, 192 km of new power lines and 5 new substations entered into service on the national transmission grid during the year.

New connections entered into service included, among others, those between Portoferraio and San Giuseppe (LI), Bisaccia (AV) and Deliceto (FG), Vaglio (PZ) and Oppido (RC), and Fiume Santo and Porto Torres, in Sardinia, as well as the Vizzini (CT) substation, which in December was visited by the Director General of Ener at the EU Commission, Ditte Juul Jørgensen.

The Ministry for the Ecological Transition (now the Ministry of the Environment and Energy Security) granted authorisation for the East branch of the Tyrrhenian Link, connecting Sicily and Campania, during the period and formally began the authorisation process for the West branch between Sicily and Sardinia.

The investment in Statcom devices, reactors and synchronous compensators that will benefit grid security amounts to €141 million. The renewal of overhead lines and substation equipment also continued, with the replacement of approximately 1,942 km of lines and 32 items of substation equipment.

In terms of financing for construction projects, the European Investment Bank (EIB) has made a total amount of € 1.9 billion available to fund the Tyrrhenian Link. On 8 November 2022, Terna signed the initial tranche of that overall amount equal to € 500 million, with a term to maturity of approximately 22 years. The loan will be directed to the construction and commissioning of the East section of the Tyrrhenian Link.

On 8 December 2022, the Ministry of the Environment and Energy Security began the authorisation process for Terna's new 600 MW direct current electricity interconnection linking Italy and Tunisia and connecting Europe with Africa. A total amount of approximately €850 million will be invested in this project, which has been included in the list of Projects of Common Interest under Regulation (EU) 347/2013. Of this amount, €307 million will be funded from the EU's Connecting Europe Facility ("CEF"), established to finance key projects upgrading energy infrastructure in the EU. This marks a historic decision, as it is the first time that funds from the CEF have been allocated to an infrastructure developed by a member state and by a state that does not belong to the European Union. Further proof of its strategic importance is reflected in the fact that the European Commission has allocated to this project over half of the available budget for projects that received funding in 2022.

In addition, in line with Terna's strategy, which aims to combine investment and sustainability to drive growth and value creation, Terna has continued to play a leading role in the sustainable finance market. This strategy was also confirmed in 2022. As regards bond issues, on 2 February 2022, Terna launched its first non-convertible, perpetual, subordinated hybrid green bond, amounting to a nominal value of €1 billion, for which there was strong demand among investors. Terna signed four three-year ESG-linked Credit Facilities Agreements, amounting to a total of €600 million, on 3 August, 22 September and 11 October 2022. The rate applied to the ESG-linked Credit Facilities is linked to Terna's performance in relation to specific environmental, social and governance ("ESG") indicators. The agreed facilities provide Terna with a level of liquidity appropriate to its current rating and confirms the Group's strong commitment to introducing a model that increasingly reinforces the role of sustainability as a strategic driver of value creation for all the stakeholders.

On 15 September 2022, Terna launched a euro-denominated fixed rate bond issue in the form of a private placement. The issue, amounting to €100 million, was carried out under the Company's Euro Medium Term Notes (EMTN) programme. The bond has a maturity of five years and pays annual coupon of 3.44%.

The senior green bonds issued by Terna as at 31 December 2022 amount to €2.6 billion, in addition to the perpetual, subordinated green bond issued on a standalone basis in February 2022, amounting to €1 billion. The net proceeds from the issues are used to finance the Company's eligible green projects, identified on the basis of Terna's 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.

OUTLOOK

2023 will see the Group continue to focus on delivering on the updated “Driving Energy” 2021-2025 Industrial Plan and in the 2023-2032 National Development Plan, presented recently, which envisages over 21 billion of investment over the next ten years. This will be done despite the highly volatile macroeconomic environment, marked by high global inflation, slowing economic growth, tightening monetary policies by central banks and 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 recovery from the Covid-19 pandemic.

The 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 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 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 exploiting market opportunities for traditional and renewable customers. This will include exploitation of the LT Group's know-how, following completion of its integration with Terna in 2022. In the industrial segment, the aim is to build on 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 construction of the Linha Verde I power line in Brazil will continue.

In line with the approach carried out in 2022, the Group will focus investment on innovation and digital solutions as part of the transformation that will enable it to manage the growing complexity of the electricity system. 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, for 2023 Terna expects revenues of €3.11 billion, an EBITDA of €2.12 billion and an EPS of €0.43.

Regarding **Capex**, for the next year 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.

INTEGRATED REPORT 2022

The Terna Group's Annual Report for 2022, approved by the Board of Directors, contains the Integrated Report to include in a single document the Report on Operations, the Sustainability Report and the Consolidated Non-financial Statement (prepared in accordance with the GRI standards and also meeting the non-financial disclosure requirements in Legislative Decree 254/2016, as amended), in addition to the consolidated financial statements, the Parent Company's separate financial statements and, finally, the Green Bond Report.

CORPORATE GOVERNANCE, ANNUAL GENERAL MEETING AND DIVIDEND

The Board of Directors has approved the Report on Corporate Governance and Ownership Structures for 2022, with the approval of the Audit, Risk, Corporate Governance and Sustainability Committee. The Report contains the results of the reviews conducted of the Board of Directors, Board Committees and the Board of Statutory Auditors, presented during the Board of Directors' meeting of 14 December 2022.

The Board of Directors also proceeded to assess its members' compliance with the independence requirements in the Articles of Association, art. 147-*ter*, paragraph 4 and art. 148, paragraph 3 of the Consolidated Law on Finance, and the new Corporate Governance Code (art. 2, Recommendation 7) reflected in the document, "*Criteria and procedure for assessing independence*".

In light of the new governance recommendations, the **Chairwoman, Valentina Bosetti**, was assessed as independent pursuant to both art. 147-*ter*, paragraph 4 and art. 148, paragraph 3 of the Consolidated Law on Finance ("CLF") and to art. 2, Recommendation 7 of the Corporate Governance Code.

The non-executive Directors **Paola Giannotti, Giuseppe Ferri, Fabio Corsico, Gabriella Porcelli, Marco Giorgino, Alessandra Faella and Jean-Michel Aubertin** were assessed as independent

pursuant to both art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the CLF and art. 2, Recommendation 7 of the Corporate Governance Code.

The Director **Valentina Canalini** was assessed as independent solely pursuant to art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the CLF and not pursuant to the Corporate Governance Code.

The Directors, **Antonella Baldino** and **Qinjing Shen** were assessed as not independent pursuant to either art. 147-ter, paragraph 4 and art. 148, paragraph 3 of the CLF or art. 2, Recommendation 7 of the Corporate Governance Code.

As recommended by the Corporate Governance Code, and in accordance with the role assigned to it by law, the Board of Statutory Auditors verified the correct application of the established assessment criteria and procedures adopted by the Board of Directors in assessing the independence of its non-executive members.

The Board of Statutory Auditors also reported during today's meeting that all the Statutory Auditors meet the relevant independence requirement, pursuant to art. 2, Recommendation 9 of the Corporate Governance Code, verified during the meeting held on 17 March 2023 in application of the Board of Statutory Auditors' Terms of Reference.

The Board of Directors has also called the Annual General Meeting of shareholders ("AGM"), which will be held, in accordance with the timing announced to the market on 30 January 2023, on 9 May 2023. The Meeting, to be held in single call, will be invited, during the ordinary session, to deliberate on the following agenda:

1. **Integrated Report for 2022: Approval of the financial statements for the year ended 31 December 2022. Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditor. Presentation of the consolidated financial statements for the year ended 31 December 2022. Presentation of the consolidated non-financial statement for the year ended 31 December 2022.**
2. **The proposed allocation of profit for the year**

The Board of Directors will propose that the AGM of shareholders approve a total dividend for 2022 of €631,941,484.80, equal to 31.44 euro cents per share, and payment - after taking into account the ordinary interim dividend for 2022 of 10.61 euro cents per share previously paid from 23 November 2022 - of a final dividend of 20.83 euro cents per share, before any withholdings required by law. The final dividend will be payable from 21 June 2023, with an ex-dividend date for

coupon 38 of 19 June 2023 (a record date, as defined by art.83-*terdecies* of Legislative Decree 58 of 24 February 1998, the Consolidated Law on Finance, of 20 June 2023). The treasury shares held as of the above record date will not participate in the distribution. The final dividend for 2022 attributable to the treasury shares held by the Company at the record date will be taken to retained earnings.

3. Re-election of the Board of Directors and the Board of Statutory Auditors following the expiry of their terms in office and decisions regarding the related compensation and remuneration
4. Adoption of a long-term incentive plan based on Performance Shares for the period 2023-2027 for the management of Terna S.p.A. and/or its subsidiaries, as defined by art. 2359 of the Italian Civil Code

This is an equity-based Plan, involving the grant of the right to receive a certain number of Terna S.p.A.'s shares (the Performance Shares) free of charge if, at the end of the vesting period, the performance targets to which the Plan is linked have been met.

The targets break down as follows:

Operating performance:

- cumulative EBITDA for the three-year period 2023-2025 (weighting 30%)
- cumulative regulated investment for the three-year period 2023-2025 (weighting 20%).

Market performance:

- relative Total Shareholder Return (weighting 20%).

Sustainability performance:

- Inclusion in the following indices: Bloomberg GEI, STOXX ESG, DJSI World and MIB ESG (weighting 15%)
- Over-generation: reduced use of modulated production from non-programmable renewable sources at Terna's request to meet the security needs of the national electricity system (weighting 15%).

At the end of the vesting period, 30% of the shares awarded will be subject to a further two-year lock-up period, during which time the shares are non-transferable (meaning that they cannot be transferred and/or sold for a period of 24 months).

Clawback provisions also apply to the Plan, as required by the Corporate Governance Code and best market practices.

The beneficiaries of the Plan are the General Manager, who is also the Chief Executive Officer, key management personnel and other senior and middle managers of the Company and/or its subsidiaries, pursuant to art. 2359 of the Italian Civil Code.

In consideration of its features, its structure, and the performance objectives identified, the Plan is designed to ensure the alignment of management's interests with the priority objective of creating value for shareholders over the medium to long term.

For a full description of the plan, please see the Information Document prepared pursuant to Article 114-*bis* of the Consolidated Law on Finance, which will be made accessible to the public within the deadline required by law.

5. [Approve the Report on the Remuneration Policy and Remuneration Paid](#)

The AGM will be invited to hold:

- a binding vote on the first section of the Report, which explains the policy on remuneration of the members of Terna S.p.A.'s Board of Directors and the Board of Statutory Auditors, the General Manager and key management personnel, as well as the procedures used in adopting and implementing the Policy;
- a non-binding vote on the second section of the Report, which explains the remuneration paid to the members of the Board of Directors and the Board of Statutory Auditors, the General Manager and, on an aggregate basis, key management personnel.

A detailed description of the Remuneration Policy and remuneration paid is provided in the relevant document, prepared in accordance with art. 123-*ter* of the Consolidated Law on Finance, which will be made available to the public within the deadline required by law.

6. [Authority to buy back and dispose of the Company's own shares, subject to withdrawal of the authorization granted by the Annual General Meeting of shareholders of 29 April 2022](#)

The Board of Directors has decided to request the ordinary session of the AGM of 9 May to approve the proposed authority to buy back and subsequently dispose of, in one or more

transactions, the Company's own shares at a total cost of up to €7 million and involving up to a maximum of 1.4 million ordinary shares, representing approximately 0.07% of Terna's share capital.

This request aims to grant the Board of Directors the option of purchasing and disposing of own shares, in compliance with the current regulations and procedures indicated below, to service the Performance Share Plan and/or any other share-based incentive plans for the Directors and/or employees of the Company and/or its subsidiaries and/or associates.

The authority to buy back own shares is requested for the maximum period permitted by art. 2357, paragraph 2 of the Italian Civil Code, and therefore for eighteen months from the date of the General Meeting granting the authority. There is no time limit for the subsequent disposal of the shares.

The request for the authority provides that purchases can be made at a price that must not be more than 10% higher or lower than the price of the shares on the Euronext Milan market organised and managed by Borsa Italiana S.p.A. as recorded during the previous day's session for each individual transaction. Additionally, market purchases of own shares shall be carried out in accordance with the terms, conditions and requirements established by current regulations and, where applicable, with the market practices from time to time prevailing.

The sale or other use of the resulting treasury shares will be made to service the Performance Share Plan and/or any other share-based incentive plans for the Directors and/or employees of the Company and/or its subsidiaries and/or associates, in accordance with the terms and conditions indicated in the applicable rules, without prejudice to current regulations, and, where applicable, the market practices from time to time prevailing. Buybacks will be carried out in compliance with the provisions of art. 132 of the Consolidated Law on Finance and art. 144-*bis* of the Regulations for Issuers and all other applicable regulations and, where applicable, with the market practices from time to time prevailing.

More specifically, pursuant to art. 132.1 of the Consolidated Law on Finance, share buybacks must be made in a way that ensures the equal treatment of all shareholders, according to the procedures established by the CONSOB. In this latter regard, among the procedures provided for in art. 144-*bis* of the Regulations for Issuers, Terna's share buybacks may also be carried out

under the conditions indicated in art. 5 of Regulation (EU) 596/2014, except for the procedures provided for in letters d and d-*bis* of art. 144-*bis*.

It should be noted that, in cases where the option referred to in art. 144-*bis*, section 1(c) of the CONSOB Regulations for Issuers is to be exercised, purchases and sales of derivative instruments must be carried out through authorised financial intermediaries, specially appointed for this purpose.

In conclusion, it should be noted that, in implementation of the share buyback programme launched on 27 May 2022, and concluded on 9 June 2022, to service the Performance Share Plan 2022-2026, Terna has purchased 1,280,717 own shares (equal to 0.064% of the share capital) at a total cost of €9,999,998.13. The total number of shares purchased is in addition to the 3,095,192 own shares already purchased by the Company in 2020 and 2021. To date, therefore, Terna holds a total of 4,375,909 treasury shares (equal to 0.218% of the share capital). The Company does not hold any additional treasury shares with respect to those purchased under the above programmes, including through subsidiaries.

With regard to the AGM, the Company intends to take advantage of the option provided for in art. 106, paragraph 4 of Law Decree 18/2020, converted into Law 27/2020, as amended (the "Decree") and as latterly modified by Law Decree 198 of 29 December 2022, converted in amended form into Law 14 of 24 February 2023. This means that attendance at the AGM may only take place through the representative designated by the Company pursuant to art. 135-*undecies* of Legislative Decree 58 of 24 February 1998 (the "CLF"). The Company has selected Computershare S.p.A., with its registered office at Via Lorenzo Mascheroni 19 in Milan (the "Designated Representative") for this purpose.

The notice of call will be published according to the procedures and the deadline required by law, as will the documentation relating to agenda items.

The Board of Directors' meeting that will approve the interim report for the three months ended 31 March 2023 will be held on **5 May 2023** and not on 10 May 2023, as originally announced with the publication of the Financial Calendar for 2023 on 30 January 2023.

BOND ISSUES AND BONDS FALLING DUE

Bond issued in 2022:

- on 2 February 2022, Terna successfully launched its first non-convertible, perpetual, subordinated hybrid green bond, for institutional investors, amounting to a nominal value of € 1 billion. The issue has been very successful in the market with a maximum demand of over € 4 billion, approximately 4 times the offered amount. The issue will pay an annual coupon of 2.375% until the first reset date scheduled on 9 February 2028 and will have an effective rate of 2.45%. From this date, if the bonds have not been called early, the hybrid bond will pay annual interests equal to the 5-year Euro Mid-Swap rate plus an initial spread of 212.1 basis points. This will be increased by a further spread of 25 basis points from 9 February 2033 and an additional 75 basis points from 9 February 2048. The bond has been rated "BBB-" by Standard and Poor's, "Ba1" by Moody's and "BBB" by Scope;
- on 15 September 2022, Terna launched a euro-denominated fixed rate bond issue in the form of a private placement. The issue, amounting to €100 million, was carried out under the Company's Euro Medium Term Notes (EMTN) programme, which has been rated "BBB+" by Standard and Poor's, "(P)Baa2" by Moody's and "A-" by Scope. The bond has a maturity of five years, pays an annual coupon of 3.44% and was issued at par, with a spread of 91 basis points over the midswap rate.

In the period between 1 January 2023 and 30 June 2024, the following bonds will reach maturity:

- €1 billion fixed rate green bond issued by Terna and maturing in July 2023;
- €500 million index-linked bond, linked to the Italian inflation and maturing in September 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:

- EBITDA (Gross Operating Profit): an indicator of operating performance, representing "Profit for the year" before "Income tax expense for the year", "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 bond issues and 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 and of Terna S.p.A. 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 2021:

- the US-registered company, Terna USA LLC., a wholly owned subsidiary of Terna Plus S.r.l., was established on 2 August 2022. The company is responsible for overseeing development of the business in North America;
- the US-registered company, BMT Energy Transmission Development LLC, 40% owned by the subsidiary, Terna USA LLC, with the remaining shares held by non-controlling shareholders, was established on 2 November 2022;
- Terna Forward S.r.l., engaged in the development of new technological solutions for use by the Terna Group and a wholly owned subsidiary of the parent Company, Terna S.p.A., was established on 11 November 2022;
- the voluntary liquidation of PI.SA. 2 S.r.l., which began on 10 December 2021, was completed on 27 January 2022;
- the first transaction closing for the sale to CDPQ 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. From this date, the companies are no longer a part of the Terna Group;
- the second transaction closing for the sale to CDPQ of Difebal S.A. was completed on 22 December 2022. From this date, the company is no longer a part of the Terna Group.

A meeting will be held at 5.00pm today to present the results for the year ended 31 December 2022 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 Annual Report for 2022, including Terna S.p.A.'s separate financial statements and the Terna Group's consolidated financial statements for the year ended 31 December 2022, accompanied by the report on operations on Terna S.p.A.'s separate financial statements and the consolidated financial statements, and by the attestation issued by the Manager Responsible for Financial Reporting and the Chief Executive Officer under the terms of paragraph 5 of art. 154-bis of the Consolidated Law on Finance, together with the additional documents required by the law, the Consolidated Non-Financial Statement and the Annual Report on Corporate Governance and Ownership Structures, will, by the deadline set out by law, be made available to the public at the Company's registered office, and published on the Company's website (www.terna.it) and on the website of the authorised storage service "1Info" (www.1info.it). The documents will also be filed at the stock exchange management company, Borsa Italiana S.p.A. (www.borsaitalian.it). The required announcement of the filing will also be published.

The Annual Report for 2022 has been submitted to the Board of Statutory Auditors and to the Independent Auditors to enable them to carry out the procedures they are responsible for. The report of the Board of Statutory Auditors and the report of the Independent Auditors will be made available to the public as soon as they are available according to the terms established by the law.

The reclassified income statement and statement of financial position and the statement of cash flows of the Terna Group and of Terna S.p.A. are attached. It should be noted that, pursuant to CONSOB Statement DME/9081707 of 16 September 2009, the reclassified statements presented below are those included in the Report on Operations (included in the Annual Report for 2022), for which the Independent Auditors, in compliance with art. 14 of Legislative Decree 39 dated 27 January 2010, will verify consistency with the financial statements.

The Terna Group's reclassified income statement

(€m)

	2022*	2021*	Change	% change
TOTAL REVENUE	2,964.5	2,604.8	359.7	13.8%
- Regulated revenue	2,542.3	2,253.5	288.8	12.8%
<i>of which Revenue from construction services performed under concession</i>	67.4	46.9	20.5	43.7%
- Non-Regulated revenue	421.4	350.9	70.5	20.1%
- International revenue	0.8	0.4	0.4	100.0%
TOTAL OPERATING COSTS	905.3	750.0	155.3	20.7%
- Personnel expenses	341.5	289.0	52.5	18.2%
- Cost of services, leases and rentals	222.6	187.6	35.0	18.7%
- Materials	241.3	195.5	45.8	23.4%
- Other costs	30.6	25.1	5.5	21.9%
- Quality of service	1.9	5.9	(4.0)	(67.8%)
- Cost of construction services performed under concession	67.4	46.9	20.5	43.7%
GROSS OPERATING PROFIT (EBITDA)	2,059.2	1,854.8	204.4	11.0%
- Amortisation, depreciation and impairment losses	725.7	654.4	71.3	10.9%
OPERATING PROFIT (EBIT)	1,333.5	1,200.4	133.1	11.1%
- Net financial income/(expenses)	(100.1)	(78.9)	(21.2)	26.9%
PROFIT/(LOSS) BEFORE TAX	1,233.4	1,121.5	111.9	10.0%
- Income tax expense for the year	355.4	317.9	37.5	11.8%
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	878.0	803.6	74.4	9.3%
- Profit/(Loss) for the year from discontinued operations and assets held for sale	(20.3)	(12.8)	(7.5)	58.6%
PROFIT FOR THE YEAR	857.7	790.8	66.9	8.5%
- Profit/(Loss) attributable to non-controlling interests	0.7	1.4	(0.7)	(50.0%)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	857.0	789.4	67.6	8.6%

* Given that the requirements of IFRS 5 have been met, the total results for 2022 and 2021 attributable to the South American subsidiaries included in the planned sale of assets have been classified in the item "Profit/(Loss) from discontinued operations and assets held for sale" in the Group's reclassified income statement.

The Terna Group's reclassified statement of financial position

(€m)

	at 31 December 2022	at 31 December 2021	Change
Total net non-current assets	17,485.3	16,352.9	1,132.4
- Intangible assets and goodwill	775.8	656.5	119.3
- Property, plant and equipment	16,200.9	15,316.6	884.3
- Financial assets	508.6	379.8	128.8
Total net working capital	(2,732.8)	(1,706.7)	(1,026.1)
- Net energy-related pass-through payables	(1,332.6)	(209.1)	(1,123.5)
- Net receivables resulting from Regulated Activities	778.7	448.4	330.3
- Net trade payables	(775.5)	(737.5)	(38.0)
- Net tax assets	(50.5)	(50.6)	0.1
- Other net liabilities	(1,352.9)	(1,157.9)	(195.0)
Gross invested capital	14,752.5	14,646.2	106.3
Sundry provisions	(68.2)	(48.4)	(19.8)
Net invested capital	14,684.3	14,597.8	86.5
Net assets held for sale	61.1	117.7	(56.6)
TOTAL NET INVESTED CAPITAL	14,745.4	14,715.5	29.9
Equity attributable to owners of the Parent	6,142.0	4,681.9	1,460.1
Equity attributable to non-controlling interests	27.1	31.1	(4.0)
Net debt	8,576.3	10,002.5	(1,426.2)
TOTAL	14,745.4	14,715.5	29.9

The Terna Group's cash flow

(€m)

	Cash flow 2022	Cash flow 2021
- Profit for the year	857.7	790.8
- Amortisation, depreciation and impairment losses	725.7	654.4
- Net change in provisions	19.8	(72.9)
- Net losses/(gains) on sale of assets	(6.9)	(13.7)
Operating cash flow	1,596.3	1,358.6
- Change in net working capital	1,024.8	(227.6)
- Other changes in property, plant and equipment and intangible assets	35.7	42.6
- Change in investments	2.4	(0.4)
- Change in financial assets	(131.2)	128.9
Cash flow from operating activities	2,528.0	1,302.1
- Total capital expenditure	(1,756.8)	(1,520.7)
Free cash flow	771.2	(218.6)
Net assets held for sale	56.6	(117.7)
- Dividends paid to the Parent Company's shareholders	(601.0)	(556.4)
- Cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	1,204.1	79.1
- Other movements in equity attributable to non-controlling interests	(4.7)	(16.3)
Change in net debt	1,426.2	(829.9)

Terna S.p.A.'s reclassified income statement

(€m)

	2022**	2021**	Change	% change
TOTAL REVENUE	2,520.5	2,224.1	296.4	13.3%
- Tariff revenue	2,273.8	2,006.2	267.6	13.3%
<i>of which transmission revenue</i>	1,823.8	1,892.4	(68.6)	(3.6%)
<i>of which dispatching, metering and other revenue</i>	450.0	113.8	336.2	295.4%
- Other operating income	179.3	171.0	8.3	4.9%
- Revenue from construction services performed under concession*	67.4	46.9	20.5	43.7%
TOTAL OPERATING COSTS	613.6	517.3	96.3	18.6%
- Personnel expenses	101.6	75.8	25.8	34.0%
- Cost of services, leases and rentals	421.0	371.3	49.7	13.4%
- Materials	1.7	0.8	0.9	112.5%
- Other costs	20.0	16.6	3.4	20.5%
- Quality of service	1.9	5.9	(4.0)	(67.8%)
- Cost of construction services performed under Concession*	67.4	46.9	20.5	43.7%
GROSS OPERATING PROFIT (EBITDA)	1,906.9	1,706.8	200.1	11.7%
- Amortisation, depreciation and impairment losses	650.3	585.8	64.5	11.0%
OPERATING PROFIT/(LOSS) (EBIT)	1,256.6	1,121.0	135.6	12.1%
- Net financial income/(expenses)	(87.1)	(78.4)	(8.7)	11.1%
PROFIT/(LOSS) BEFORE TAX	1,169.5	1,042.6	126.9	12.2%
- Income tax expense	334.8	297.7	37.1	12.5%
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	834.7	744.9	89.8	12.1%
- Profit/(Loss) for the year from discontinued operations and assets held for sale	(0.6)	(9.7)	9.1	93.8%
PROFIT FOR THE YEAR	834.1	735.2	98.9	13.5%

* Recognised in application of interpretation IFRIC 12 – Service Concession Arrangements.

** Given that the requirements of IFRS 5 have been met, the total results for 2021 and 2020 attributable to the South American subsidiaries included in the planned sale of assets have been classified in the item "Profit/(Loss) from discontinued operations and assets held for sale" in the reclassified income statement.

Terna S.p.A.'s reclassified statement of financial position

(€m)

	at 31 December 2022	at 31 December 2021	Change
Total net non-current assets	16,487.9	15,409.7	1,078.2
- Intangible assets and goodwill	668.7	543.8	124.9
- Property, plant and equipment	14,252.9	13,447.4	805.5
- Financial assets	1,566.3	1,418.5	147.8
Total net current liabilities	(2,258.0)	(1,201.8)	(1,056.2)
- Net energy-related pass-through payables	(1,356.4)	(234.3)	(1,122.1)
- Net receivables resulting from regulated activities	778.7	448.4	330.3
- Net trade payables	(758.8)	(671.7)	(87.1)
- Net tax liabilities	(103.3)	(110.1)	6.8
- Other liabilities net	(818.2)	(634.1)	(184.1)
Gross invested capital	14,229.9	14,207.9	22.0
Sundry provisions	(37.8)	(7.6)	(30.2)
NET INVESTED CAPITAL	14,192.1	14,200.3	(8.2)
Assets held for sale	-	23.0	(23.0)
TOTAL NET INVESTED CAPITAL	14,192.1	14,223.3	(31.2)
Equity	5,746.1	4,329.5	1,416.6
Net debt	8,446.0	9,893.8	(1,447.8)
TOTAL	14,192.1	14,223.3	(31.2)

Terna S.p.A.'s cash flow

(€m)

	Cash flow 2022	Cash flow 2021
- Profit for the year	834.1	735.2
- Amortisation, depreciation and impairment losses	650.3	585.8
- Net change in provisions	30.2	(37.9)
- Net losses/(gains) on sale of assets	(5.9)	(12.6)
Operating cash flow	1,508.7	1,270.5
- Change in net working capital	1,056.1	(162.0)
- Change in investments	6.5	3.1
- Other movements in property, plant and equipment and intangible assets	12.2	41.3
- Change in financial assets	(154.3)	(20.6)
Cash flow from operating activities	2,429.2	1,132.3
- Total capital expenditure	(1,586.9)	(1,376.6)
Free cash flow	842.3	(244.3)
Net assets held for sale	23.0	(23.0)
- Dividends paid to shareholders	(601.0)	(556.4)
- Cash flow hedge reserve after taxation and other movements in equity	1,183.5	67.1
Change in net debt	1,447.8	(756.6)