

RESULTS AS OF 31 MARCH 2022 APPROVED

IN FIRST QUARTER FURTHER ACCELERATION IN CAPEX, BENEFITTING ELECTRICITY SYSTEM AND THE COUNTRY

IMPROVEMENT ACROSS ALL PERFORMANCE INDICATORS

- **Revenues** €644.4 million (€615.7 million in Q1 2021, +4.7%)
- **EBITDA** €461.3 million (€448.4 million in Q1 2021, +2.9%)
- **Group net profit for the period** €191.8 million (€190.4 million in Q1 2021, +0.7%)
- **Capex** €293.3 million (€241.5 million in Q1 2021, +21.4%)
- **Net debt** €8,683.1 million (€10,002.5 million at 31 December 2021)

Rome, 11 May 2022 – Today’s meeting of the Board of Directors of Terna S.p.A. (“Terna”), chaired by Valentina Bosetti, has examined and approved the results for the three months ended 31 March 2022 (“Q1 2022”).

During the first three months of the year, marked by the tragic events in Ukraine and continual changes in the operating environment, Terna recorded an improvement in its results and further accelerated investment, benefitting the electricity system and the Country’s security: **Terna’s total capital expenditure in the first three months of 2022 amounted to €293.3 million**, with a **21.4% increase** compared to the first quarter of 2021, which had already seen double-digit growth compared to the previous year.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR Q1 2022

€m	Q1 2022*	Q1 2021*	% change
Revenues	644.4	615.7	+4.7%
EBITDA (gross operating profit)	461.3	448.4	+2.9%
EBIT (operating profit)	293.7	285.6	+2.8%
Group net profit for the period	191.8	190.4	+0.7%
Capital expenditure	293.3	241.5	+21.4%

** Given that the requirements of IFRS 5 have been met, the total results for the first quarter of 2022 and 2021 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 assets held for sale" in the Group's reclassified income statement.*

Revenues for the first quarter of 2022, amounting to €644.4 million, are up €28.7 million (4.7%) compared to the same period of 2021. The result primarily reflects an improvement in revenues from Regulated Activities thanks to the increase in the RAB and output-based incentives, combined with the contribution from Non-regulated Activities.

EBITDA (gross operating profit) for the period amounts to €461.3 million, marking growth of €12.9 million (2.9%) compared to the €448.4 million of the first three months of 2021. This primarily reflects the improved performance of Regulated Activities.

EBIT (operating profit) for the period, after amortisation, depreciation and impairments of €167.6 million, amounts to €293.7 million, compared to the €285.6 million of the first three months of 2021 (up 2.8%).

Net financial expenses for the period amount to €24.4 million, an increase of €6.4 million compared to the €18.0 million of the first quarter of 2021, due primarily to inflation during the first quarter of 2022.

Profit before tax of €269.3 million is up €1.7 million compared to the same period of 2021 (up 0.6%).

Income tax expense for the period totals €76.2 million, a decrease of €1.5 million compared to the first three months of 2021. This is essentially due to the higher amount of tax-exempt expenses recognised in the same period of the previous year. The tax rate amounts to 28.3% versus the rate of 29% of the first three months of 2021.

Group net profit for the period amounts to €191.8 million, with an increase of €1.4 million (0.7%) on the €190.4 million of the first quarter of 2021.

The **consolidated statement of financial position** shows **equity attributable to owners of the Parent** of €5,980.8 million, compared to €4,681.9 million at 31 December 2021.

Net debt amounts to €8,683.1 million, compared to €10,002.5 million at the end of 2021 (down €1,319.4 million). The substantial increase in the Group's equity and the simultaneous decrease in

net debt are mainly determined by the green hybrid bond issued in February, worth €1 billion, that has been accounted as equity.

The Terna Group's **total capital expenditure** during the period, amounting to €293.3 million, is up 21.4% compared to the €241.5 million of the same period of 2021. The main projects carried out during the year include those designed to boost exchange capacity between different areas of the electricity market in Sicily, continuation of the authorization process for the Tyrrhenian Link and work on construction of the Magenta (Milan) and Vizzini (Catania) substations, in addition to continued work on the plan to install synchronous compensators.

The Group's **workforce** at the end of March 2022 totals 5,190, with an increase of 54 employees compared to 31 December 2021. The increase is primarily linked to the requirements relating to delivery of the challenging investment programme provided for in the 2021-2025 Industrial Plan, and to the need to strengthen the Group's distinctive competencies.

KEY EVENTS IN Q1 2022

Business

On 24 March 2022, Terna presented the update of the 2021-2025 Industrial Plan "Driving Energy", which envisages total investment of €10 billion over the five years, including €1.2 billion to be invested in innovation and digitization.

On 10 March 2022, Terna, Lazio Region and Municipality of Rome signed a Memorandum of Understanding for the deployment of fits "invisible" connections extending for a total of around 25 km, involving investment of over €60 million.

In the first three months of 2022, work continued on, among other things, construction of the 380kV Paternò-Pantano-Priolo power line in Sicily and on the installation of synchronous compensators, as well as work on the renewal of overhead lines and substation equipment, involving the replacement of approximately 150 km of conductors and 3 items of equipment insulated using mineral oil.

Sustainable finance

During the period, Terna became the first Italian company to successfully launch an issue of non-convertible, perpetual, subordinated hybrid bond for institutional investors, for a nominal amount of € 1 billion. Terna also signed a bilateral ESG-linked Term Loan for a total amount of €300 million.

In addition, S&P Global Rating (S&P), Moody's and Scope Ratings (Scope) confirmed their long-term ratings of Terna as BBB+, Baa2 and A-, respectively.

OUTLOOK

Against a backdrop marked by the geopolitical crisis caused by the war between Russia and Ukraine and continued commodity price pressures that are having a negative impact on the pace of the post-Covid economic recovery, 2022 will see the Group continue to focus on delivering on its updated 2021-2025 Industrial Plan "Driving Energy". The updated Plan confirms and strengthens Terna's central role in driving the Italian energy system and enabling the energy transition, with the Group planning to invest a total of €10 billion in the five years from 2021 to 2025, including approximately €1.7 billion in 2022.

In line with the 2021 National Transmission Grid Development Plan, which targets investment of €18.1 billion over the next ten years (up 25% on the previous plan), the strong acceleration of Regulated Activities is confirmed. Investment will focus on enabling the energy transition and facilitating the development and integration of renewable sources, making a major contribution to achieving the ambitious goals set out in the Green Deal and helping to drive the Country's economic recovery.

In terms of the Group's most important investment projects, work is progressing on the Tyrrhenian Link, with the authorization process for the West Link section expected to begin in the coming months, following the launch of the process for the East Link section in November 2021. The authorization process for the Adriatic Link project, the new submarine cable that will connect the Abruzzo and Marche regions, is also expected to begin during the year. The principal electricity infrastructure under construction includes the interconnection with France, expected to enter into operation in 2022. In addition, the main projects designed to increase exchange capacity between the various areas of the Italian electricity market include the Colunga-Calenzano power line between

Tuscany and Emilia-Romagna and the Paternò-Pantano-Priolo power line in Sicily, with work having started on the former in February and work on the latter due to continue during the year.

In terms of the Defence Plan, the planned installation of synchronous compensators will continue, with the aim of 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 conventional generation.

Work on the reorganisation of electricity grids in main 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 (e.g., Florence, Rome and Turin).

With regard to Non-regulated Activities, Terna will continue to consolidate its role as a provider of both connectivity, pursuing opportunities based on exploiting the Group's own fibre infrastructure, and energy solutions, developing high value-added services for corporate customers and exploiting market opportunities for traditional and renewable customers. This will include openings resulting from the acquisition of the LT Group.

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.

Following the completion of due diligence activities and the agreement signed with CDPQ on 29 April, International Activities will focus on closing the sale of the South American assets. This is planned to occur in multiple steps, for the most part in the second half of 2022, subject to the fulfillment of certain customary conditions. Within the scope of the assets being sold, work on the construction of the two Linha Verde II and Linha Verde I power lines in Brazil will continue, with the lines due to enter service in 2022 and 2023, respectively.

The strategic assessment of further opportunities in overseas markets 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 line with its approach in 2021, the Group will continue to focus on enhancing up investment in innovation and digital solutions in order to continue the transformation that will enable the Company to manage the growing complexity of the electricity system. Furthermore, increasingly central roles will be played by people development and the insourcing of strategic competencies, to the

strengthening of departments, and to optimise the working environment for its people through delivery of the NexTerna project, which has already achieved the first important milestones in the seven areas into which it is divided.

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

The above objectives will be pursued whilst maintaining its commitment to maximising the cash generation necessary ensure a sound, balanced financial structure.

ALTERNATIVE PERFORMANCE MEASURES

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

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

A meeting will be held at 4.00pm today to present the results for the three months ended 31 March 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 in listening-only mode. It will also be possible to follow the presentation by connecting to the audio webcast on the Company's website (www.terna.it): following the live broadcast, the file will be available in the Investors section of the website.

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

The Terna Group's consolidated interim financial report for the three months ended 31 March 2022 has not been audited and was prepared voluntarily, pursuant to art. 82-ter of CONSOB Issuer Regulations (as amended by CONSOB Resolution 19770 of 26 October 2016). As in the past, the compliance and correctness of the financial information provided to the public and the comparability of the related information with the corresponding data in previously published interim reports is ensured. The document containing the Terna Group's consolidated interim financial report for the three months ended 31 March 2022 will be made available to the public by 15 May 2022 at the Company's registered office, published on the Company's website (www.terna.it) and on the website of the authorised storage service "1Info" (www.1info.it), and filed at the stock exchange management company Borsa Italiana S.p.A. (www.borsaitaliana.it). The required announcement of the filing will also be published.

The Terna Group's reclassified income statement and statement of financial position and statement of cash flows, prepared on the basis of the classifications used by management in order to more effectively assess the Terna Group's operating and financial performance, are attached. Pursuant to Communication DME/9081707 of 16 September 2009, the above reclassified financial statements are those included in the Terna Group's consolidated interim financial report for the three months ended 31 March 2022, prepared in accordance with usual market practices.

The Group's reclassified income statement

(€m)

	Q1 2022*	Q1 2021*	Change	% change
TOTAL REVENUES	644.4	615.7	28.7	4.7%
- Regulated revenues	562.0	536.7	25.3	4.7%
<i>of which Revenues from construction services performed under concession</i>	9.8	6.5	3.3	50.8%
- Non-Regulated revenues	82.4	78.8	3.6	4.6%
- International revenues	-	0.2	(0.2)	(100.0%)
TOTAL OPERATING COSTS	183.1	167.3	15.8	9.4%
- Personnel expenses	81.3	72.4	8.9	12.3%
- Cost of services, leases and rentals	42.2	40.2	2.0	5.0%
- Materials	41.1	39.4	1.7	4.3%
- Other costs	7.7	7.5	0.2	2.7%
- Quality of service	1.0	1.3	(0.3)	(23.1%)
- Cost of construction services performed under concession	9.8	6.5	3.3	50.8%
GROSS OPERATING PROFIT (EBITDA)	461.3	448.4	12.9	2.9%
- Amortisation, depreciation and impairment losses	167.6	162.8	4.8	2.9%
OPERATING PROFIT (EBIT)	293.7	285.6	8.1	2.8%
- Net financial income/(expenses)	(24.4)	(18.0)	(6.4)	35.6%
PROFIT/(LOSS) BEFORE TAX	269.3	267.6	1.7	0.6%
- Income tax expense for the period	76.2	77.7	(1.5)	(1.9%)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	193.1	189.9	3.2	1.7%
- Profit/(Loss) for the period from assets held for sale	(1.1)	0.8	(1.9)	-
PROFIT FOR THE PERIOD	192.0	190.7	1.3	0.7%
- Profit/(Loss) attributable to non-controlling interests	0.2	0.3	(0.1)	(33.3%)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	191.8	190.4	1.4	0.7%

*Given that the requirements of IFRS 5 have been met, the total results for the first quarter of 2022 and 2021 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 assets held for sale" in the Group's reclassified income statement.

The Group's reclassified statement of financial position

(€m)

	at 31 March 2022	at 31 December 2021	Change
Total net non-current assets	16,524.0	16,352.9	171.1
- Intangible assets and goodwill	669.5	656.5	13.0
- Property, plant and equipment	15,421.9	15,316.6	105.3
- Financial assets	432.6	379.8	52.8
Total net working capital	(1,902.4)	(1,706.7)	(195.7)
- Net energy-related pass-through payables	(429.7)	(209.1)	(220.6)
- Net receivables resulting from Regulated Activities	472.3	448.4	23.9
- Net trade payables	(557.0)	(737.5)	180.5
- Net tax liabilities	(180.9)	(50.6)	(130.3)
- Other net liabilities	(1,207.1)	(1,157.9)	(49.2)
Gross invested capital	14,621.6	14,646.2	(24.6)
Sundry provisions	(60.2)	(48.4)	(11.8)
Net invested capital	14,561.4	14,597.8	(36.4)
Net assets held for sale	133.9	117.7	16.2
TOTAL NET INVESTED CAPITAL	14,695.3	14,715.5	(20.2)
Equity attributable to owners of the Parent	5,980.8	4,681.9	1,298.9
Equity attributable to non-controlling interests	31.4	31.1	0.3
Net debt	8,683.1	10,002.5	(1,319.4)
TOTAL	14,695.3	14,715.5	(20.2)

The Terna Group's cash flow

	(€m)	
	Cash flow Q1 2022	Cash flow Q1 2021
- Profit for the period	192.0	190.7
- Amortisation, depreciation and impairment losses	167.6	162.8
- Net change in provisions	11.8	(14.6)
- Net losses/(gains) on sale of assets	(0.2)	(6.2)
Operating cash flow	371.2	332.7
- Change in net working capital	195.4	(282.0)
- Other changes in property, plant and equipment and intangible assets	7.9	12.0
- Change in investments	-	1.9
- Change in financial assets	(52.8)	3.0
Cash flow from operating activities	521.7	67.6
- Total capital expenditure	(293.3)	(241.5)
Free cash flow	228.4	(173.9)
Net assets held for sale	(16.2)	-
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	1,107.1	33.0
- Other movements in equity attributable to non-controlling interests	0.1	(7.5)
Change in net debt	1,319.4	(148.4)