

RESULTS AS OF 30 JUNE 2022 APPROVED

ACCELERATION OF CAPEX IN FIRST HALF: UP BY 10.2% COMPARED TO THE SAME PERIOD OF 2021. CAPEX AMOUNTED TO OVER €367 MILLION IN SECOND QUARTER OF 2022

IMPROVEMENT ACROSS ALL PERFORMANCE INDICATORS

- **Revenues** €1,330.8 million (€1,256.3 million in H1 2021, +5.9%)
- **EBITDA** €946.9 million (€909.9 million in H1 2021, +4.1%)
- **Group net profit for the period** €398.1 million (€384.6 million in H1 2021, +3.5%)
- **Capex** €660.5 million (€599.6 million in H1 2021, +10.2%)
- **Net debt** €8,994.0 million (€10,002.5 million at 31 December 2021)

Rome, 28 July 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 six months ended 30 June 2022 ("H1 2022").

The first six months of the year were marked by the terrible conflict in Ukraine, which has resulted in a sharp rise in commodity prices and energy price tensions that could last for several years to come. In addition, extreme climate events have led, among other things, hydroelectric production to record its lowest level in the last 60 years. Against this complex backdrop, Terna continued to boost investments, which in the second quarter exceeded €367 million.

"The tragic events in Ukraine, and the resulting international energy crisis, have led to the essential need for our Country, in line with the objectives foreseen by the European Union, to continue to work towards reducing as far as possible the dependence on fossil-fuel," said Stefano Donnarumma, Terna's CEO and General Manager. *"This goal can be met primarily by accelerating the development of renewable sources. In this perspective, the grid has a key role to play in*

enabling the necessary shift and therefore Terna is continuing to step up its investments.”

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR H1 2022

€m	H1 2022*	H1 2021*	% change
Revenues	1,330.8	1,256.3	+5.9%
EBITDA (gross operating profit)	946.9	909.9	+4.1%
EBIT (operating profit)	607.4	584.4	+3.9%
Group net profit for the period	398.1	384.6	+3.5%
Capital expenditure	660.5	599.6	+10.2%

* Given that the requirements of IFRS 5 have been met, the total results for the first half 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) for the period from assets held for sale" in the Group's reclassified income statement.

Revenues for the first half of 2022, amounting to €1,330.8 million, are up €74.5 million (+ 5.9%) compared to the same period of 2021. The result primarily reflects an improvement in revenues from Regulated Activities, thanks to the effect of the output-based incentive mechanisms, after the impact of the reduction in the WACC recognised for 2022, combined with the contribution from Non-regulated Activities, which reflect, above all, the contribution from the LT Group. Revenues rose 7.1% to €686.4 million in the second quarter of the year (€640.6 million in the same period of the previous year).

EBITDA (gross operating profit) for the first half of 2022 amounts to €946.9 million, an increase of €37.0 million (+ 4.1%) compared to the €909.9 million of the first half of 2021. The increase reflects the improved result from Regulated Activities. EBITDA for the second quarter of 2022 is up 5.2% to €485.6 million (€461.5 million in the same period of 2021).

EBIT (operating profit) for the period, after amortisation, depreciation and impairments, amounts to €607.4 million, compared to €584.4 million for the first six months of 2021 (an increase of 3.9%).

Net financial expenses for the period amount to €36.2 million, a slight increase on the €34.1 million of the first half of 2021. This essentially reflects inflation during the period, partially offset by an increase in capitalised charges and the positive impact of exchange rate movements on foreign currency exposures.

Profit before tax amounts to €571.2 million, an increase of €20.9 million (+ 3.8%) compared to the same period of 2021.

Income tax expense for the period totals €160.5 million, an increase of €4.0 million (+ 2.6%) compared to the first half of 2021. This reflects the increase in pre-tax profit after the greater amount of contingent tax assets recognised during the previous year. The resulting tax rate of 28.1% thus marking a physiologic decrease compared to the figure for the first half of 2021 (28.4%).

Group net profit for the period of €398.1 million is up €13.5 million (+ 3.5%) compared to the €384.6 million of the first half of 2021. Net profit for the second quarter is up 6.2% to €206.3 million (€194.2 million for the same period of 2021).

The **consolidated statement of financial position** shows **equity attributable to owners of the Parent** of €5,848.3 million, compared to €4,681.9 million at 31 December 2021.

Net debt of €8,994.0 million compares with the €10,002.5 million of 31 December 2021. The significant increase in equity attributable to owners of the parent and the accompanying reduction in net debt primarily reflect the issuance made in February of a hybrid green bond worth €1 billion, accounted for as an equity instrument.

The Terna Group's **total capital expenditure** during the period amounts to €660.5 million, with an increase of 10.2% compared to the €599.6 million of the same period of 2021.

The Group's **workforce** at the end of June 2022 totals 5,315, up 179 compared to 31 December 2021. The increase is linked to the need to strengthen the pool of expertise and the growth of the business, in line with the updated "Driving Energy" 2021-2025 Industrial Plan.

KEY EVENTS IN H1 2022

The delivery of Terna's construction projects continued and intensified in the first six months of the year.

In particular, the new connections between Bisaccia (AV) and Deliceto (FG), Vaglio (PZ) and Oppido (RC), Lesegno and Ceva in the province of Cuneo and between Udine South and Udine FS entered into operation.

Construction of the new power lines included in the updated 2021-2025 Industrial Plan continued, including the Paternò-Pantano-Priolo line (in Sicily) and the Colunga-Calenzano line between the provinces of Bologna and Florence. The authorization process for both sections of the Tyrrhenian Link also got underway (the Campania-Sicily East Link and the Sicily-Sardinia West Link). The Services Conference for the East Link has concluded and the Campania Regional Agreement issued, whilst the Sicily Agreement is in the process of being issued.

Investment of €34 million in statcom devices and synchronous compensators will benefit grid security. The renewal of overhead lines and substation equipment also continued, with the replacement of approximately 875 km of lines and 10 items of equipment.

As regards financial matters, during the period, Terna renewed the Euro Medium Term Note (EMTN) Programme, which has a maximum value of €9,000,000,000. At 30 June 2022, the senior green bonds issued by Terna amount to €2.6 billion.

In February, Terna agreed a bilateral ESG-linked Term Loan amounting to €300 million and successfully launched the first hybrid green bond to be issued by an Italian corporate issuer, with a nominal amount of €1 billion.

Finally, the ESG-linked share buyback programme to service the Performance Share Plan 2022-2026 was completed on 13 June 2022. Under the programme, Terna has purchased no. 1,280,717 own shares (equal to 0.064% of its share capital) at a total cost of approximately €9,999,993.13. In line with Terna's commitment to sustainability and social and environmental responsibility, the programme includes a mechanism based on bonuses and penalties linked to the Company's achievement of specific environmental, social and governance objectives. The total shares purchased under the above programme are in addition to the further 3,095,192 own shares already purchased by the Company in 2020 and 2021. As a result, Terna S.p.A. now holds a total of 4,375,909 treasury shares (equal to 0.218% of the share capital). Subsidiaries do not hold shares in the Parent Company, Terna.

OUTLOOK

Despite the worsening geopolitical situation caused by the prolonged conflict between Russia and Ukraine and continued commodity price pressures, the second half of the year will see the Group continue to focus on delivering on the updated “Driving Energy” 2021-2025 Industrial Plan. 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 Development Plan, which targets investments of €18.1 billion over a 10-year period (up 25% on the previous plan), capex acceleration on 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 Italy’s economic recovery.

In terms of the Group’s most important investment projects, work is progressing on the Tyrrhenian Link, for which Terna recently submitted to the Ministry for the Ecological Transition the authorization request for construction and operation of the West Link section, following on from the launch of the authorization 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 in the second half of 2022. Among the main infrastructures under construction, it is worth mentioning the interconnection with France, expected to enter into operation in the second part of 2022.

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 traditional generation.

Work on the rationalization of electricity grids in metropolitan areas will also continue during the second half of 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 and Rome).

During the second half of the year, the Group will continue to make progress towards meeting the requirements resulting from output-based incentive mechanisms introduced by ARERA. These regard work designed to: provide additional transmission capacity between market zones (interzonal incentives), resolve grid congestions due to voltage regulation and improve conditions for essential service provision (intrazonal incentives) and reduce dispatching costs (DSM incentives).

With regard to Non-regulated Activities, Terna 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, also 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 completion of the due diligence and the signing of the agreement with CDPQ on 29 April, International Activities will focus on closing the sale of the South American assets, which is due to take place in multiple steps, for the most part in the second half of 2022, following the fulfillment of certain customary conditions. Within the scope of the assets being sold, work on the construction of Linha Verde I and Linha Verde II power lines in Brazil will continue, with the lines foreseen to enter into operation in 2023 and in the second half of 2022, 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 the approach in the first half, the Group will focus on stepping 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. In addition, increasingly central roles will be played by people development and the insourcing of strategic competencies, to the strengthening of departments, and to optimising the working environment for the Terna people through delivery of the NexTerna cultural transformation programme.

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.

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

BOND ISSUES AND BONDS NEARING MATURITY

Issues in 2022:

- On 2 February 2022, Terna successfully launched the first hybrid green bond to be issued by an Italian corporate issuer. The bonds have a nominal value of €1 billion. The issue, aimed at institutional investors, saw extremely high demand, with applications topping €4 billion and the issue being four times oversubscribed. The bonds will pay coupon interest of 2.375% until the first reset date of 9 February 2028 and will pay an effective rate of 2.45%. After this date, if early repayment has not taken place, the bonds will pay annual interest equal to the 5-year Euro Mid-Swap rate plus a spread of 212.1 basis points. This will be increased by a further spread of 25 basis points from 9 February 2033 and by an additional 75 basis points from 9 February 2048.

In the period between 1 July 2022 and 31 December 2023, the following bonds will reach maturity:

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

ALTERNATIVE PERFORMANCE INDICATORS

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

- EBITDA (Gross Operating Profit): an indicator of operating performance, representing "Profit for the period" before "Income tax expense for the period", "Net financial income/(expenses)" and "Amortisation, depreciation and impairment losses";
- Tax rate: the amount of tax paid as a proportion of pre-tax profit, based on the ratio of "Income tax expense" to "Profit/(Loss) before tax";
- Net debt: an indicator of the financial structure, calculated by deducting "Cash and cash equivalents", "Current financial assets" and "Non-current financial assets", as they relate to the value of the derivatives hedging bond issues and of bank loans, from short-term financial liabilities

(“Short-term borrowings”, the “Current portion of long-term borrowings” and “Current financial liabilities”) and long-term financial liabilities (“Long-term borrowings”) and the related derivative instruments (“Non-current financial liabilities”). The net debt of the Terna Group complies with the requirements of ESMA Recommendation 32-382-1138 of 2021 with regard to the definition of net debt or funds.

It should be noted that, compared to 31 December 2021, the voluntary liquidation of PI.SA. 2 S.r.l., which began on 10 December 2021, was completed on 27 January 2022.

A meeting will be held at 4.00pm today to present the results for the six months ended 30 June 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 Half-year Report for the six months ended 30 June 2022, accompanied by the attestation required by art.154-bis, paragraph 5 of Legislative Decree 58/98 (the Consolidated Law on Finance) and the report containing the opinion issued by the Independent Auditors, will, by the deadline set out by law, be made available at the Company’s registered office, published on the Company’s website, (www.terna.it) and on the website of the authorised storage service “1Info” (www.1info.it), and filed at the stock exchange management company Borsa Italiana S.p.A. (www.borsaitaliana.it). The required announcement of the filing will also be published.

The Terna Group’s reclassified income statement and statement of financial position and statement of cash flows, prepared on the basis of the classifications used by management in order to more effectively assess the Terna Group’s operating and financial performance, are attached.

Pursuant to Communication DME/9081707 of 16 September 2009, the above reclassified financial statements are those included in the Terna Group’s interim report on operations for the six months ended 30 June 2022, included in the Terna Group’s Half-year Report for the six months ended 30 June 2022, and for which the Independent Auditors, in compliance with art. 14 of Legislative Decree 39 dated 27 January 2010, will verify consistency with the condensed consolidated interim financial statements.

The Terna Group's reclassified income statement

Q2					(€m)			
2022	2021	Change	% change		H1 2022*	H1 2021*	Change	% change
686.4	640.6	45.8	7.1%	TOTAL REVENUES	1,330.8	1,256.3	74.5	5.9%
591.6	556.7	34.9	6.3%	- Regulated revenues	1,153.6	1,093.4	60.2	5.5%
12.7	8.7	4.0	46.0%	of which Revenues from construction services performed under concession	22.5	15.2	7.3	48.0%
94.8	83.8	11.0	13.1%	- Non-Regulated revenues	177.2	162.6	14.6	9.0%
-	0.1	(0.1)	(100.0%)	- International revenues	-	0.3	(0.3)	(100.0%)
200.8	179.1	21.7	12.1%	TOTAL OPERATING COSTS	383.9	346.4	37.5	10.8%
82.4	72.0	10.4	14.4%	- Personnel expenses	163.7	144.4	19.3	13.4%
48.5	44.0	4.5	10.2%	- Cost of services, leases and rentals	90.7	84.2	6.5	7.7%
52.6	46.7	5.9	12.6%	- Materials	93.7	86.1	7.6	8.8%
4.3	5.7	(1.4)	(24.6%)	- Other costs	12.0	13.2	(1.2)	(9.1%)
0.3	2.0	(1.7)	(85.0%)	- Quality of service	1.3	3.3	(2.0)	(60.6%)
12.7	8.7	4.0	46.0%	- Cost of construction services performed under concession	22.5	15.2	7.3	48.0%
485.6	461.5	24.1	5.2%	GROSS OPERATING PROFIT (EBITDA)	946.9	909.9	37.0	4.1%
171.9	162.7	9.2	5.7%	- Amortisation, depreciation and impairment losses	339.5	325.5	14.0	4.3%
313.7	298.8	14.9	5.0%	OPERATING PROFIT (EBIT)	607.4	584.4	23.0	3.9%
(11.8)	(16.1)	4.3	(26.7%)	- Net financial income/(expenses)	(36.2)	(34.1)	(2.1)	6.2%
301.9	282.7	19.2	6.8%	PROFIT/(LOSS) BEFORE TAX	571.2	550.3	20.9	3.8%
84.3	78.8	5.5	7.0%	- Income tax expense for the period	160.5	156.5	4.0	2.6%
217.6	203.9	13.7	6.7%	PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	410.7	393.8	16.9	4.3%
(9.0)	(8.6)	(0.4)	4.7%	- Profit/(Loss) for the period from assets held for sale	(10.1)	(7.8)	(2.3)	29.5%
208.6	195.3	13.3	6.8%	PROFIT FOR THE PERIOD	400.6	386.0	14.6	3.8%
2.3	1.1	1.2	109.1%	- Profit/(Loss) attributable to non-controlling interests	2.5	1.4	1.1	78.6%
206.3	194.2	12.1	6.2%	PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	398.1	384.6	13.5	3.5%

*Given that the requirements of IFRS 5 have been met, the total results for the first half 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 Terna Group's reclassified statement of financial position

(€m)

	at 30 June 2022	at 31 December 2021	Change
Total net non-current assets	16,687.3	16,352.9	334.4
- Intangible assets and goodwill	700.9	656.5	44.4
- Property, plant and equipment	15,553.2	15,316.6	236.6
- Financial assets	433.2	379.8	53.4
Total net working capital	(1,966.8)	(1,706.7)	(260.1)
- Net energy-related pass-through payables	(592.3)	(209.1)	(383.2)
- Net receivables resulting from Regulated Activities	531.8	448.4	83.4
- Net trade payables	(575.3)	(737.5)	162.2
- Net tax assets	(88.3)	(50.6)	(37.7)
- Other net liabilities	(1,242.7)	(1,157.9)	(84.8)
Gross invested capital	14,720.5	14,646.2	74.3
Sundry provisions	(50.4)	(48.4)	(2.0)
Net invested capital	14,670.1	14,597.8	72.3
Net assets held for sale	206.0	117.7	88.3
TOTAL NET INVESTED CAPITAL	14,876.1	14,715.5	160.6
Equity attributable to owners of the Parent	5,848.3	4,681.9	1,166.4
Equity attributable to non-controlling interests	33.8	31.1	2.7
Net debt	8,994.0	10,002.5	(1,008.5)
TOTAL	14,876.1	14,715.5	160.6

The Terna Group's cash flow

(€m)

	Cash flow H1 2022	Cash flow H1 2021*
- Profit for the period	400.6	386.0
- Amortisation, depreciation and impairment losses	339.5	325.7
- Net change in provisions	2.0	(30.8)
- Net losses/(gains) on sale of assets	(2.0)	(8.8)
Operating cash flow	740.1	672.1
- Change in net working capital	260.0	(296.6)
- Other changes in property, plant and equipment and intangible assets	42.1	15.0
- Change in investments	1.2	0.4
- Change in financial assets	(54.6)	(25.0)
Cash flow from operating activities	988.8	365.9
- Total capital expenditure	(660.5)	(601.9)
Free cash flow	328.3	(236.0)
Net assets held for sale	(88.3)	-
- Dividends paid to the Parent Company's shareholders	(387.7)	(359.0)
- Cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	1,156.0	40.2
- Other movements in equity attributable to non-controlling interests	0.2	(7.2)
Change in net debt	1,008.5	(562.0)

*Figures published in the Half-year Report for 2021.