Terna Driving Energy

PRESS RELEASE

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RESULTS APPROVED

FURTHER BOOST TO CAPEX IN FIRST HALF: UP 40.6% COMPARED WITH THE SAME PERIOD OF 2020

ALONE IN THE SECOND QUARTER OF 2021 ONLY, CAPEX AMOUNTED TO OVER €360 MILLION (€210.5 MILLION IN Q2 2020, THAT ALREADY REFLECTED POST-LOCKDOWN RESTART OF CONSTRUCTION SITES): THE HIGHEST LEVEL IN TERNA'S HISTORY FOR THIS PERIOD OF THE YEAR

ALL ECONOMIC AND FINANCIAL INDICATORS IMPROVED

- **Revenues** at €1,258.7 million (€1,183.1 million in H1 2020, +6.4%)
- **EBITDA** at €910.5 million (€876.0 million in H1 2020, +3.9%)
- **Group net profit for the period** at €384.6 million (€377.5 million in H1 2020, +1.9%)
- **Capex** at €601.9 million (€428.0 million in H1 2020, +40.6%)
- **Net debt** at €9,734.6 million (€9,172.6 million at 31 December 2020)

Rome, 29 July 2021 – 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 2021 ("H1 2021").

Italy's economic recovery continued in the first half of the year, with Terna making a significant contribution by further accelerating investments which, in the second quarter only, reached €360 million, the highest level in Terna's history for this period of the year.

"*Terna is the director of the energy transition and it is therefore in our DNA to commit ourselves daily to serve Italy and the community. This is why, also in the second quarter of 2021, we continued the strong acceleration of our investments which, in addition to being natively sustainable, play a key role in enabling the decarbonisation of our country and allowing Italy to* *achieve its targets in terms of reduction of emissions and development of renewable sources,*" said Stefano Donnarumma, Terna's CEO and General Manager.

CONSOLIDATED FINANCIAL HIGHLIGHTS FOR H1 2021

€m	H1 2021	H1 2020*	% change
Revenues	1,258.7	1,183.1	+6.4%
EBITDA (gross operating profit)	910.5	876.0	+3.9%
EBIT (operating profit)	584.8	573.7	+1.9%
Group net profit for the period	384.6	377.5	+1.9%
Capital expenditure	601.9	428.0	+40.6%

* Amounts are the same as those published in the Half-year Report for 2020, excluding the impact of the restatement required by IFRS 3.

Revenues for the first half of 2021, amount to €1,258.7 million, an increase of €75.6 million (+6.4%) compared with the same period of 2020. The result mainly reflects an improvement in revenues from Regulated Activities*,* combined with the contribution from Non-regulated Activities, mainly related to the Tamini group and to the full integration of the Brugg group. Revenues in the second quarter of the year are up by 3.5% to €636.9 million (€615.6 million in the same period of the previous year).

EBITDA (gross operating profit) for the period amounts to €910.5 million, an increase of €34.5 million (+3.9%) compared with the €876.0 million of the first half of 2020. This mainly reflects an improvement in EBITDA from Regulated Activities due the increase of the National Transmission Grid asset-base. EBITDA for the second quarter of 2020 is up 3.4% to €456.9 million (€441.8 million for the same period of 2020).

EBIT (operating profit) for the period, after amortisation, depreciation and impairments, amounts to €584.8 million, compared with €573.7 million of the first six months of 2020 (an increase of 1.9%).

Net financial expenses for the period amount to €41.1 million, a slight increase on the €39.1 million of the previous year, primarily due to the adjustment of the value of the equity investments of associated companies.

Profit before taxes is €543.7 million, an increase of €9.1 million (+1.7%) compared with the first half of 2020.

Income tax expenses for the period amount to €157.7 million, an increase of €2.7 million (+1.7%) compared with the same period of 2020. The tax rate of 29% is in line with the first half of 2020.

Group net profit for the period of €384.6 million is up by €7.1 million (+1.9%) on the €377.5 million of the first half of 2020. Net profit for the second quarter is up by 1.7% to €194.2 million (€190.9 million in the same period of 2020).

The **consolidated statement of financial position** shows **equity attributable to owners of the Parent** of €4,435.6 million, compared with €4,369.8 million at 31 December 2020.

Terna Group's **total capital expenditure** of the period amounts to €601.9 million, an increase of 40.6% compared with the €428 million of the same period of 2020.

Net debt amounts to €9,734.6 million compared to the €9,172.6 million of December 31st ,2020 to support the investment activities of the period.

The Group's **employees** at the end of June 2021 are 4,923, an increase of 188 compared with the amount of 31 December 2020. The increase is linked to the planned strengthening of the Group's distinctive competences and to the growth of the business, in line with the 2021-2025 "Driving Energy" Industrial Plan.

KEY EVENTS IN H1 2021

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

In particular, among other projects, it is worth mentioning the entry into operation of the new power lines Melilli - Priolo (Syracuse); Modena North - Modena East, Figline - Pirelli (Florence) and Rivoli - Paracca (Asti).

Moreover, construction of the new power lines foreseen by the 2021-2025 Industrial Plan continued, including the Paternò-Pantano-Priolo line (Sicily) and the rationalization of the Upper Bellunese area and of the Turin and Naples metropolitan areas.

Finally, it is worth mentioning the investments for the renewal of overhead lines and substation equipment. In the first half of 2021, 1,324 km of conductors and 10 machines were replaced: among these, 3 "green machines" insulated using vegetable esters were installed, thus confirming our constant commitment to environmental sustainability.

Regarding finance, a number of transactions were completed in order to support the 2021-2025 “Driving Energy” Industrial Plan. On 8 June 2021, Terna renewed its Euro Medium Term Note (EMTN) Programme. In the context of the update, the maximum amount of the programme has also been increased to Euro 9,000,000,000.
On 13 July 2021, Terna obtained a new loan of €300 million from the European Investment Bank. The loan has a tenor of approximately 22 years.
On 16 July 2021, Terna launched a three-year Euro Commercial Paper (ECP) programme worth €1 billion. The commercial papers can be designated “ESG Notes”, provided that Terna achieves and maintains a ranking equal to or above Bronze Class in the S&P Sustainability Yearbook for the Electric Utilities sector.
Finally, the ESG-linked share buyback programme to serve the Performance Share Plan 2021-2025 was completed on 23 June 2021. Under the programme, Terna has purchased 1,569,292 own shares (equal to 0.078% of its share capital) at a total cost of approximately €10 million. 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.

OUTLOOK

In the second part of the year, with the pandemic scenario expected to improve, compared to the first half, the Group will be even more focused on delivering the 2021-2025 Industrial Plan, which aims to confirm and strengthen Terna’s central role in driving and enabling the Italian energy system and transition. Of the €9.2 billion to be invested in the Plan period, approximately €1.4 billion are expected to be invested in the current year.

In line with the recently presented new 2021 National Transmission Grid Development Plan, which foresees investment of €18.1 billion over the next ten years (up by 25% compared to the previous plan), a strong acceleration in Regulated Activities is confirmed to enable the energy transition and facilitate the development and integration of renewable sources. This will contribute to the achievement of the ambitious targets set by the European Green Deal and will support the country's economic recovery.

Among the main infrastructures under construction there are the interconnection with France and the planned strengthening of the connection between Sardinia, Corsica and the Italian mainland (SA.CO.I.3). In addition, the preliminary marine surveys for the Tyrrhenian Link will continue in the coming months, as well as the engagement with the different stakeholders involved, aimed at starting the authorization process.

Works are also progressing on the main projects that will increase exchange capacity between the various areas of the Italian electricity market, including the "Bisaccia (Avellino) Deliceto (Foggia)" and the already mentioned "Paternò-Pantano-Priolo" (Sicily) power lines.

Regarding the Defence Plan, the planned installation of synchronous compensators will continue, with the aim of enhancing grid stability in areas of the country characterised by a high level of production from renewable sources and a significant reduction in traditional generation.

In the second half of 2021, projects for the rationalization of main metropolitan areas will also continue, primarily involving the renewal of existing infrastructures with more technologically advanced connections that meet the highest standards in terms of environmental sustainability.

Finally, the regulator, ARERA, has begun the process for the review of the allowed WACC for the electricity and gas sectors from 2022.

With regard to Non-regulated Activities, Terna will continue to consolidate its role both in the *Energy Solutions* business, developing high value-added services for corporate customers, including energy efficiency solutions, and catching market opportunities for traditional and renewable customers, and in *Connectivity* services, pursuing opportunities based on exploiting the Group's optical fiber infrastructure.

Regarding the *Industrial* area, Terna foresees the consolidation of Tamini's performance and the full integration of Brugg. Brugg's new corporate structure, a process started in the first half and which should be completed in the second half of the year, will allow to take full advantage of the Group's distinctive expertise in the underground cable sector and of the synergies with Terna Group's other businesses.

International Activities will continue to focus on managing and maintaining the power lines in operation in South America, as well as on the continuation of the ongoing projects in Brazil. The existing project in Peru was completed in May.
The process of scouting for further opportunities abroad will continue. This may take the form of partnerships and will involve the careful selection of projects, aimed at maintaining a low risk profile and a limited capital absorption.

In line with the first half, the second part of the year will see the Group intensify investment in innovation and digital solutions as part of the transformation that will enable us to manage the growing complexity of the electricity system. Significant attention will also be paid to the development and insourcing of strategic competencies, to the strengthening of corporate structures, and to optimising the working environment for our people through the delivery of the NexTerna project which, early in the year, resulted in the achievement of the first important milestones.

The management of Terna's business will continue to be based on a sustainable approach and in compliance with ESG targets, ensuring the minimization of environmental impact, the involvement of local stakeholders and meeting the principles of integrity, responsibility and transparency.

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

BOND ISSUES AND BONDS REACHING MATURITY

Issues in 2021:

- On 16 June 2021, Terna launched a green bond issue for institutional investors, with a nominal value of €600 million. The issuance has been very successful in the market with an orderbook at peak of over €2.2 billion, approximately 4 times the offered amount. The green bond has a tenor of eight years, will mature on 23 June 2029 and pays coupon interest of 0.375%. Terna has now issued green bonds for a total amount of €2.6 billion.

In the period between 1 July 2021 and 31 December 2022, the following bonds are due to reach maturity:

- €1 billion regarding a fixed-rate bond issued by Terna and maturing in February 2022.

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 bond issues, 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 319 of 2013 with regard to the definition of net debt or funds, which does not include “Non-current financial assets”.

Comparative amounts in the Group’s reclassified income statement for the first half of 2020 are the same as those published in the Half-year Report for 2020, without taking into account the impact of completion of the process of accounting for the business combination involving the Brugg group at 31 December 2020. Further details are provided in the Half-year Report for 2021.

On 26 January 2021, Terna, acting through its subsidiary, Terna Energy Solutions S.r.l., completed the acquisition of the remaining 30% of Avvenia the Energy Innovator S.r.l. from the minority shareholder, Avvenia S.r.l.. Avvenia the Energy Innovator S.r.l. has thus become a "sole shareholder" company wholly owned by Terna.

On 1 February 2021, after APG (the Austrian TSO) became the fifth European transmission system operator to enter into partnership with Equigy, Terna S.p.A.'s interest in Equigy decreased from 25% to 20%.

The reorganisation of the Brugg group, designed to take full advantage of the group's distinctive expertise in underground cable sector and of synergies with the Terna Group's businesses, was completed on 31 March 2021. As a result, Terna S.p.A.'s interest in the Brugg group has increased from 90% to 92.6%.

On 10 June 2021, Terna, acting through its subsidiaries, Terna Plus S.r.l. and Terna Chile S.p.A., completed the acquisition of the remaining 25% interest in the Brazilian-registered company, SPE Transmissora de Energia Linha Verde II S.A., held by the minority shareholder, Construtora Quebec. SPE Transmissora de Energia Linha Verde II S.A. is now 99.9999994% owned by Terna Plus S.r.l., with the remaining shares held by Terna Chile S.p.A..

A meeting will be held at 4.30pm today to present the results for the six months ended 30 June 2021 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 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 Interim Financial Report at 30 June 2021, 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 2021, included in the Terna Group's Half-year Report for the six months ended 30 June 2021, 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

(€m)

Q2 2021	Q2 2020	Q2 Change	Q2 % change		H1 2021	H1 2020*	Change	% change
636.9	**615.6**	**21.3**	**3.5%**	**TOTAL REVENUE**	**1,258.7**	**1,183.1**	**75.6**	**6.4%**
556.7	508.6	48.1	9.5%	- Regulated revenue	1,093.4	1,025.2	68.2	6.7%
8.7	*4.1*	*4.6*	*112.2%*	*of which Revenue from construction services performed under concession*	*15.2*	*8.3*	*6.9*	*83.1%*
83.8	101.7	(17.9)	*(17.6%)*	- Non-Regulated revenue	162.6	145.6	17.0	11.7%
(3.6)	5.3	(8.9)	(167.9%)	- International revenue	2.7	12.3	(9.6)	(78.0%)
180.0	**173.8**	**6.2**	**3.6%**	**TOTAL OPERATING COSTS**	**348.2**	**307.1**	**41.1**	**13.4%**
72.4	76.8	(4.4)	(5.7%)	- Personnel expenses	145.1	143.4	1.7	1.2%
44.5	39.6	4.9	12.4%	- Cost of services, leases and rentals	85.2	76.1	9.1	12.0%
46.7	44.3	2.4	5.4%	- Materials	86.1	65.3	20.8	31.9%
5.7	8.8	(3.1)	(35.2%)	- Other costs	13.3	14.5	(1.2)	(8.3%)
2.0	0.2	1.8	-	- Quality of service	3.3	(0.5)	3.8	-
8.7	4.1	4.6	112.2%	- Cost of construction services performed under concession	15.2	8.3	6.9	83.1%
456.9	**441.8**	**15.1**	**3.4%**	**GROSS OPERATING PROFIT (EBITDA)**	**910.5**	**876.0**	**34.5**	**3.9%**
162.9	150.1	12.8	8.5%	- Amortisation, depreciation and impairment losses	325.7	302.3	23.4	7.7%
294.0	**291.7**	**2.3**	**0.8%**	**OPERATING PROFIT (EBIT)**	**584.8**	**573.7**	**11.1**	**1.9%**
(19.3)	(19.8)	0.5	(2.5%)	- Net financial income/(expenses)	(41.1)	(39.1)	(2.0)	5.1%
274.7	**271.9**	**2.8**	**1.0%**	**PROFIT/(LOSS) BEFORE TAX**	**543.7**	**534.6**	**9.1**	**1.7%**
79.4	78.6	0.8	1.0%	- Income tax expense for the period	157.7	155.0	2.7	1.7%
195.3	**193.3**	**2.0**	**1.0%**	**PROFIT FOR THE PERIOD**	**386.0**	**379.6**	**6.4**	**1.7%**
1.1	2.4	(1.3)	(54.2%)	- Profit/(Loss) attributable to non-controlling interests	1.4	2.1	(0.7)	(33.3%)
194.2	**190.9**	**3.3**	**1.7%**	**PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT**	**384.6**	**377.5**	**7.1**	**1.9%**

*Amounts are the same as those published in the Half-year Report for 2020, excluding the impact of the restatement required by IFRS 3.

Terna Driving Energy

PRESS RELEASE

The Terna Group's reclassified statement of financial position

(€m)

	at 30 June 2021	at 31 December 2020	Change
Total net non-current assets	**15,939.9**	**15,645.9**	**294.0**
- Intangible assets and goodwill	582.4	577.9	4.5
- Property, plant and equipment	14,824.6	14,559.7	264.9
- Financial assets	532.9	508.3	24.6
Total net working capital	**(1,639.0)**	**(1,936.2)**	**297.2**
- Net energy-related pass-through payables	(331.0)	(385.0)	54.0
- Net receivables resulting from Regulated Activities	308.0	230.9	77.1
- Net trade payables	(532.2)	(818.0)	285.8
- Net tax liabilities	(82.0)	40.5	(122.5)
- Other net liabilities	(1.001.8)	(1,004.6)	2.8
Gross invested capital	**14,300.9**	**13,709.7**	**591.2**
Sundry provisions	(90.5)	(121.3)	30.8
NET INVESTED CAPITAL	**14,210.4**	**13,588.4**	**622.0**
Equity attributable to owners of the Parent	**4,435.6**	**4,369.8**	**65.8**
Equity attributable to non-controlling interests	**40.2**	**46.0**	**(5.8)**
Net debt	**9,734.6**	**9,172.6**	**562.0**
TOTAL	**14,210.4**	**13,588.4**	**622.0**

The Terna Group's cash flow

(€m)

	Cash flow H1 2021	Cash flow H1 2020*
- Profit for the period	386.0	379.6
- Amortisation, depreciation and impairment losses	325.7	302.3
- Net change in provisions	(30.8)	(48.1)
- Net losses/(gains) on sale of assets	(8.8)	(3.1)
Operating cash flow	**672.1**	**630.7**
- Change in net working capital	(296.6)	(405.5)
- Other changes in property, plant and equipment and intangible assets	15.0	(9.1)
- Change in investments	0.4	(2.5)
- Change in financial assets	(25.0)	30.2
Cash flow from operating activities	**365.9**	**243.8**
- Total capital expenditure	(601.9)	(428.0)
Free cash flow	**(236.0)**	**(184.2)**
- Dividends paid to the Parent Company's shareholders	(359.0)	(332.3)
- Cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	40.2	(69.5)
- Other movements in equity attributable to non-controlling interests	(7.2)	(1.8)
Change in net debt	**(562.0)**	**(587.8)**

*Amounts are the same as those published in the Half-year Report for 2020, excluding the impact of the restatement required by IFRS 3.