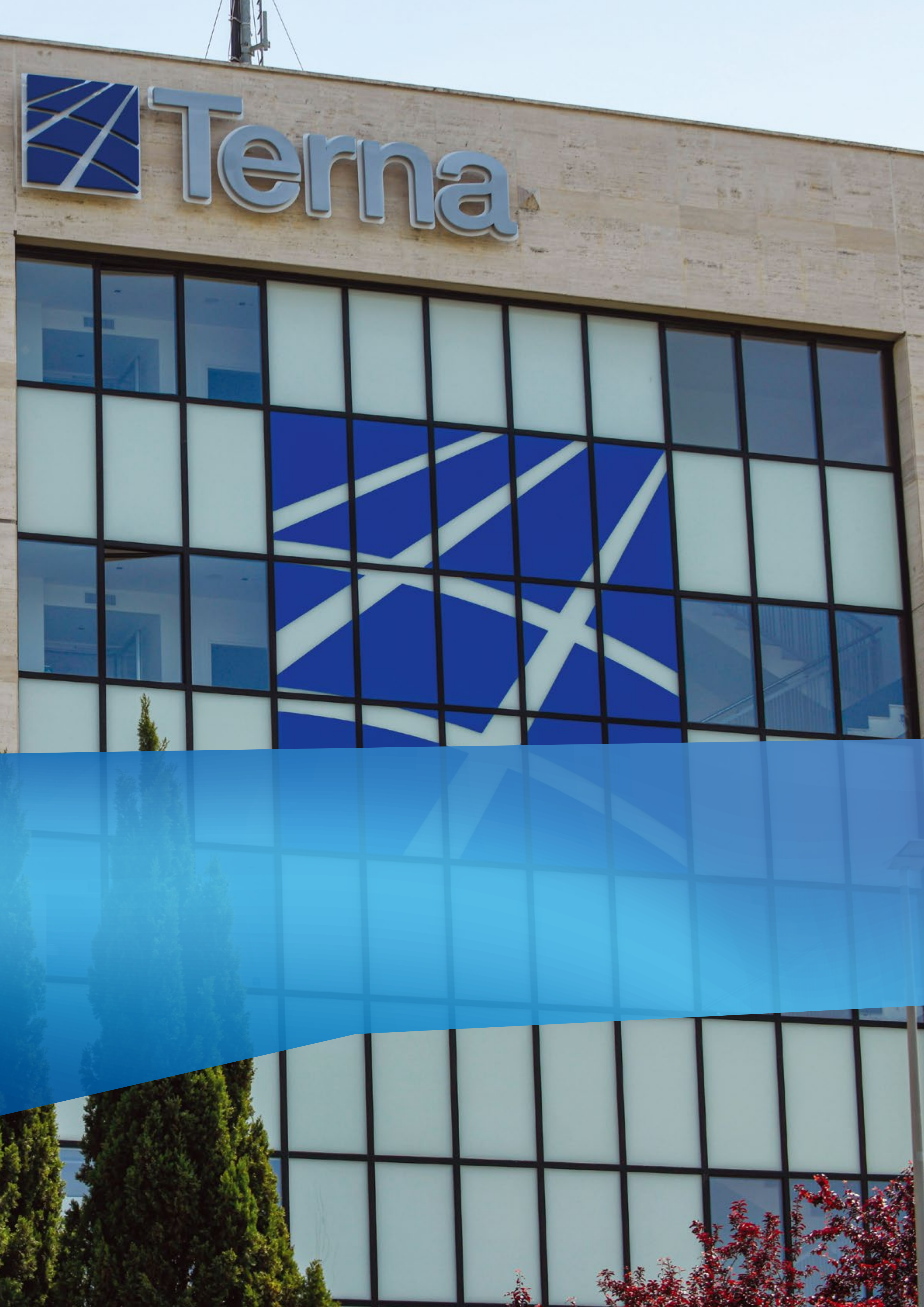
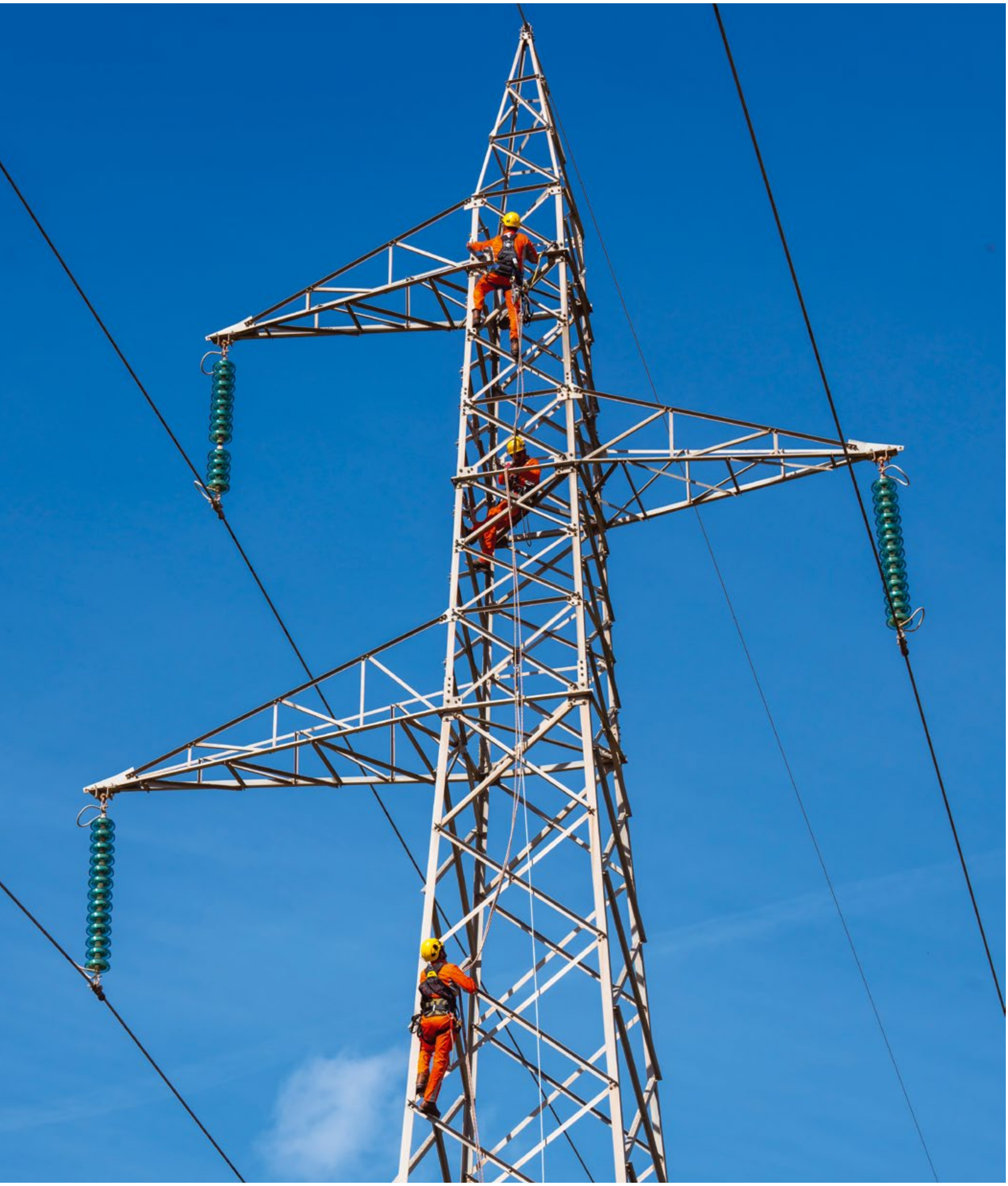
SEPARATE FINANCIAL STATEMENTS


Terna



Contents

Financial statements

Income statement

(€)

	NOTES	2024	2023
A - REVENUE			
1 Revenue from sales and services	1	2,960,604,537	2,567,295,537
of which: related parties		*2,196,900,000*	*1,787,600,000*
2 Other revenue and income	2	62,533,978	67,480,763
of which: related parties		*33,826,500*	*33,168,146*
Total revenue		**3,023,138,515**	**2,634,776,300**
B - OPERATING COSTS			
1 Raw and consumable materials used	3	10,636,717	7,240,844
of which: related parties		*198,119*	*80,014*
2 Services	4	546,347,943	498,441,079
of which: related parties		*452,272,187*	*398,584,781*
3 Personnel expenses	5	125,070,105	119,148,280
- gross personnel expenses		*148,254,979*	*138,252,288*
- capitalised personnel expenses		*(23,184,874)*	*(19,104,008)*
of which: related parties		*1,739,882*	*1,458,975*
4 Amortisation, depreciation and impairment losses	6	794,951,108	719,320,420
5 Other operating costs	7	27,697,184	29,688,540
of which: related parties		*2,407,906*	*144,779*
Total operating costs		**1,504,703,057**	**1,373,839,163**
A-B OPERATING PROFIT/(LOSS)		**1,518,435,458**	**1,260,937,137**
C - FINANCIAL INCOME/(EXPENSES)			
1 Financial income	8	165,258,772	142,007,633
of which: related parties		*10,630,158*	*27,385,018*
2 Financial expenses	8	(296,446,241)	(232,825,258)
of which: related parties		*8,193,645*	*7,119,867*
D - PROFIT/(LOSS) BEFORE TAX		**1,387,247,989**	**1,170,119,512**
E - INCOME TAX EXPENSE	9	**416,891,150**	**335,462,844**
F - PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**970,356,839**	**834,656,668**
G - PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE	10	**-**	**140,000**
H - PROFIT FOR THE YEAR		**970,356,839**	**834,796,668**
Earnings per share	**11**		
Basic earnings per share		0.478	0.404
Diluted earnings per share		0.478	0.404

Statement of comprehensive income*

(€)

	NOTES	2024	2023
PROFIT FOR THE YEAR		**970,356,839**	**834,796,668**
Other comprehensive income for the year reclassifiable to profit or loss			
- Cash flow hedge	21	(30,390,975)	(37,470,529)
- Financial assets at fair value through other comprehensive income	21	2,309,378	1,011,643
- Cost of hedges	21	91,927	246,085
Other comprehensive income for the year not reclassifiable to profit or loss			
- Actuarial gains/(losses) on provisions for employee benefits	21	169,733	(642,245)
COMPREHENSIVE INCOME FOR THE YEAR		**942,536,902**	**797,941,622**

** Amounts are shown net of tax, where applicable.*

Statement of financial position

(€)

	NOTES	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023
A – NON-CURRENT ASSETS			
1 Property, plant and equipment	12	17,275,611,907	15,612,445,163
of which: related parties		*177,238,638*	*145,758,709*
2 Goodwill	13	190,228,231	190,228,231
3 Intangible assets	14	692,471,050	573,282,035
4 Deferred tax assets	15	156,225,426	112,962,270
5 Non-current financial assets	16	1,534,323,658	1,587,322,763
6 Other non-current assets	17	7,751,230	7,926,548
of which: related parties		*2,647,428*	*2,773,538*
Total non-current assets		**19,856,611,502**	**18,084,167,010**
B – CURRENT ASSETS			
1 Trade receivables	18	2,936,121,097	1,928,810,157
of which: related parties		*273,457,205*	*355,583,234*
2 Current financial assets	16	447,019,478	368,573,965
3 Cash and cash equivalents	19	2,415,330,402	1,456,303,637
of which: related parties		*259,993,378*	*216,717,235*
4 Income tax assets	20	3,257,130	3,277,022
of which: related parties		-	*1,192,624*
5 Other current assets	17	60,428,521	61,518,479
of which: related parties		*350,000*	*350,000*
Total current assets		**5,862,156,628**	**3,818,483,260**
TOTAL ASSETS		**25,718,768,130**	**21,902,650,270**

(€)

	NOTES	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023
C - EQUITY			
1 Share capital		442,198,240	442,198,240
2 Other reserves		2,668,718,705	1,851,226,767
3 Retained earnings/(accumulated losses)		3,134,404,824	2,973,143,405
4 Interim dividend		(239,591,046)	(230,345,083)
5 Profit for the year		970,356,839	834,796,668
Total equity	21	**6,976,087,562**	**5,871,019,997**
D - NON-CURRENT LIABILITIES			
1 Long-term borrowings	22	11,378,181,589	9,369,221,337
2 Employee benefits	23	11,179,059	11,247,559
3 Provisions for risks and charges	24	120,429,770	108,368,153
4 Non-current financial liabilities	22	58,844,889	164,499,824
5 Other non-current liabilities	25	453,632,258	373,057,942
of which: related parties		*22,622,976*	*24,178,449*
Total non-current liabilities		**12,022,267,565**	**10,026,394,815**
E - CURRENT LIABILITIES			
1 Short-term borrowings	22	1,631,202,990	1,190,390,479
2 Current portion of long-term borrowings	22	665,192,742	1,368,961,833
3 Trade payables	26	3,565,568,625	2,669,674,313
of which: related parties		*1,257,392,789*	*940,637,485*
4 Tax liabilities	26	90,474,159	2,905,520
of which: related parties		*(39,677,869)*	-
5 Current financial liabilities	22	110,174,155	113,681,019
6 Other current liabilities	26	657,800,332	659,622,294
of which: related parties		*48,896,830*	*33,245,713*
Total current liabilities		**6,720,413,003**	**6,005,235,458**
TOTAL LIABILITIES AND EQUITY		**25,718,768,130**	**21,902,650,270**

Statement of changes in equity

31 December 2023 - 31 December 2024

(€m)

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	RESERVE FOR TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	INTERIM DIVIDEND	PROFIT FOR THE YEAR	EQUITY
EQUITY AT 31 DECEMBER 2023	**442.2**	**88.4**	**20.0**	**44.6**	**(29.8)**	**989.0**	**739.0**	**2,973.1**	**(230.3)**	**834.8**	**5,871.0**
Profit for the year										**970.4**	**970.4**
Other comprehensive income:											
- Change in fair value of cash flow hedges				(30.4)							(30.4)
- Financial assets at fair value through other comprehensive income							2.3				2.3
- Cost of hedges				0.1							0.1
- Actuarial gains/(losses) on employee benefits							0.2				0.2
Total other comprehensive income	**-**	**-**	**-**	**(30.3)**	**-**	**-**	**2.5**	**-**	**-**	**-**	**(27.8)**
Comprehensive income	**-**	**-**	**-**	**(30.3)**	**-**	**-**	**2.5**	**-**	**-**	**970.4**	**942.6**
Transactions with shareholders:											
- Appropriation of profit for 2023											
- *Retained earnings*								*152.2*		*(152.2)*	*-*
- *Dividends*									*230.3*	*(682.6)*	*(452.3)*
- Interim dividend 2024									(239.6)		(239.6)
- Purchase of treasury shares					(1.6)						(1.6)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**(1.6)**	**-**	**-**	**152.2**	**(9.3)**	**(834.8)**	**(693.5)**
Share option reserve							0.3				0.3
Equity instruments – Perpetual hybrid bonds						842.1					842.1
Coupons payable to holders of hybrid bonds								(2.6)			(2.6)
Other changes						4.5		11.7			16.2
Total other changes	**-**	**-**	**-**	**-**	**-**	**846.60**	**0.3**	**9.1**	**-**	**-**	**856.0**
EQUITY AT 31 DECEMBER 2024	**442.2**	**88.4**	**20.0**	**14.3**	**(31.4)**	**1,835.6**	**741.8**	**3,134.4**	**(239.6)**	**970.4**	**6,976.1**

31 December 2022 - 31 December 2023

(€m)

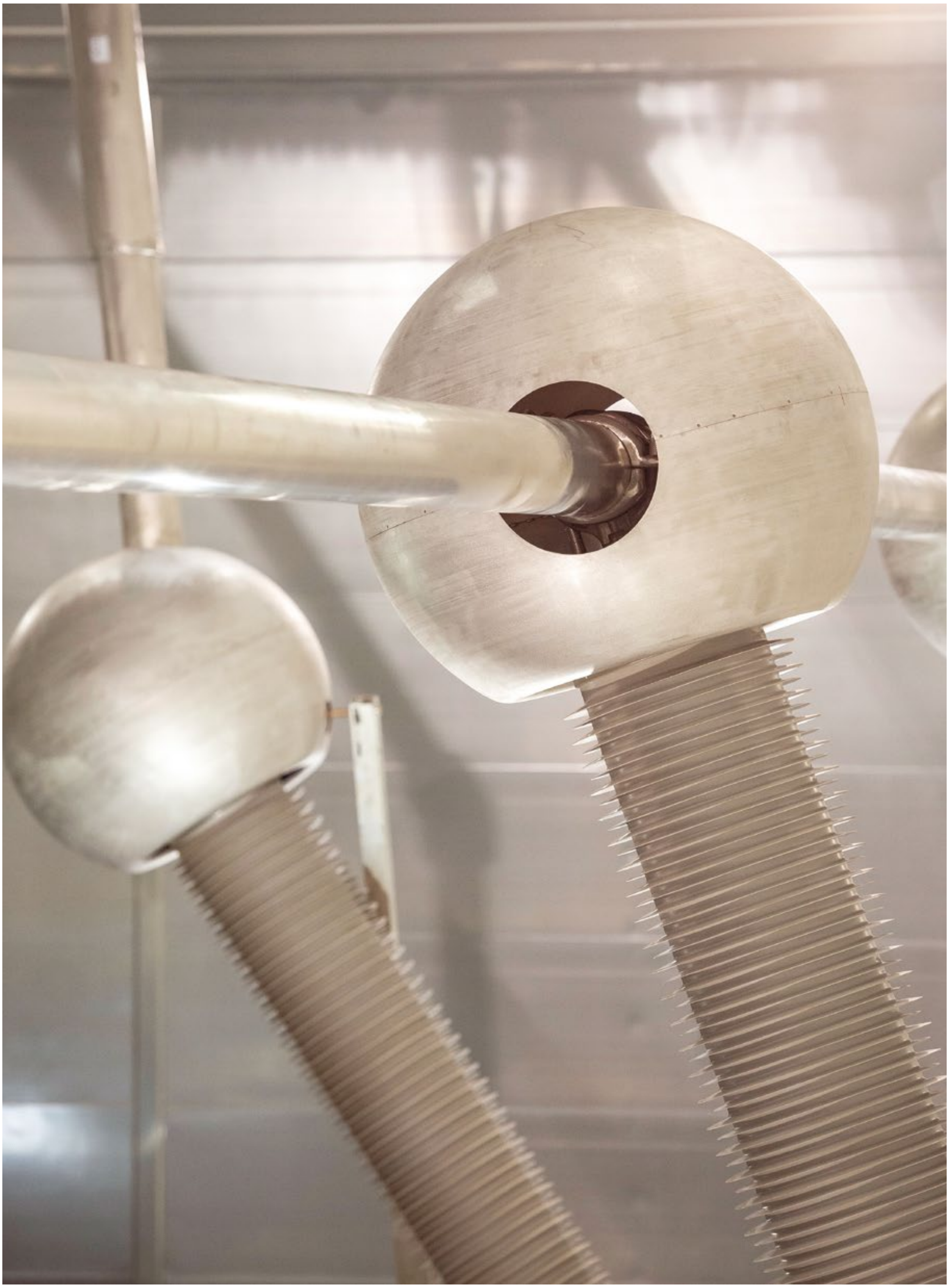
	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	RESERVE FOR TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	INTERIM DIVIDEND	PROFIT FOR THE YEAR	EQUITY
EQUITY AT 31 DECEMBER 2022	**442.2**	**88.4**	**20.0**	**81.9**	**(29.5)**	**989.0**	**738.4**	**2,794.9**	**(213.3)**	**834.1**	**5,746.1**
Profit for the year										**834.8**	**834.8**
Other comprehensive income:											
- Change in fair value of cash flow hedges				(37.5)							(37.5)
- Financial assets at fair value through other comprehensive income							1.0				1.0
- Cost of hedges				0.2							0.2
- Actuarial gains/(losses) on employee benefits							(0.6)				(0.6)
Total other comprehensive income	**-**	**-**	**-**	**(37.3)**	**-**	**-**	**0.4**	**-**	**-**	**-**	**(36.9)**
Comprehensive income	**-**	**-**	**-**	**(37.3)**	**-**	**-**	**0.4**	**-**	**-**	**834.8**	**797.9**
Transactions with shareholders:											
- Appropriation of profit for 2022											
- *Retained earnings*								*202.1*		*(202.1)*	-
- *Dividends*									*213.3*	*(632.0)*	*(418.7)*
- Interim dividend 2023									(230.3)		(230.3)
- Purchase of treasury shares					(0.3)			-			(0.3)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**(0.3)**	**-**	**-**	**202.1**	**(17.0)**	**(834.1)**	**(649.3)**
Share option reserve							0.2				0.2
Coupons payable to holders of hybrid bonds								(23.8)			(23.8)
Other changes								(0.1)			(0.1)
Total other changes	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**	**(23.9)**	**-**	**-**	**(23.7)**
EQUITY AT 31 DECEMBER 2023	**442.2**	**88.4**	**20.0**	**44.6**	**(29.8)**	**989.0**	**739.0**	**2,973.1**	**(230.3)**	**834.8**	**5,871.0**

Statement of cash flows

(€m)

	NOTES	2024	2023
PROFIT FOR THE PERIOD		**970.4**	**834.8**
ADJUSTED BY:			
Amortisation: depreciation and impairment losses / (reversals of impairment losses) on non-current property, plant and equipment and intangible assets*		787.0	710.7
Accruals to provisions (including provisions for employee benefits) and impairment losses		33.0	31.4
(Gains)/Losses on sale of property, plant and equipment		(11.3)	(15.7)
Financial (income)/expense	8	131.1	90.7
Income tax expense	9	416.8	335.4
Other non-cash movements	21	4.5	4.0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN NET WORKING CAPITAL		**2,331.5**	**1,991.3**
Increase/(decrease) in provisions (including provisions for employee benefits and taxation)		(21.4)	(20.6)
(Increase)/decrease in trade receivables and other current assets		(964.9)	247.5
Increase/(decrease) in trade payables and other current liabilities		835.7	(696.6)
(Increase)/decrease in other non-current assets		(85.2)	30.4
Increase/(decrease) in other non-current liabilities		(46.2)	(18.9)
Interest income and other financial income received		163.3	113.2
Dividends collected	8	2.2	18.3
Interest expense and other financial expenses paid		(360.1)	(264.9)
Income tax paid		(339.8)	(411.0)
CASH FLOW FROM OPERATING ACTIVITIES [A]		**1,515.1**	**988.7**
- of which: related parties		*331.3*	*197.1*
Capital expenditure in non-current property, plant and equipment after grants received	12	(2,346.3)	(1,951.6)
Revenue from sale of non-current property, plant and equipment and other changes in tangible and intangible assets		53.8	19.0
Capital expenditure in non-current intangible assets after grants received	14	(263.6)	(214.5)
Intercompany (additions)/sales of property, plant and equipment		(2.8)	(6.7)
Capitalised financial expenses		74.1	48.3
(Increase)/decrease in investments		(4.0)	(25.9)
Movements in short- and medium/long-term financial investments		55.8	(99.3)
CASH FLOW FOR INVESTING ACTIVITIES [B]		**(2,433.0)**	**(2,230.7)**
- of which: related parties		*(31.5)*	*(24.5)*
Movement in the reserve for treasury shares	21	(8.0)	(7.0)
Movement in the reserve for equity instruments	21	842.1	-
Dividends paid		(690.9)	(665.8)
Movements in short- and medium/long-term financial liabilities (including short-term portion)**		1,733.7	1,168.5
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES [C]		**1,876.9**	**495.7**
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS [A+B+C]		**959.0**	**(746.3)**
Cash and cash equivalents at beginning of year		1,456.3	2,202.6
Cash and cash equivalents at end of year		2,415.3	1,456.3

* *After grants related to assets recognised in the income statement for the year.*
** *After derivatives and impact of fair value adjustments, including cash movements in right-of-use assets.*



Notes

A. Material accounting policies and measurement criteria

Introduction

Terna S.p.A., which provides electricity transmission and dispatching services, is a joint-stock company and its registered office is at Viale Egidio Galbani 70, Rome, Italy.
These Separate Financial Statements were authorised for publication by the Board of Directors convened on 25 March 2025.

The separate financial statements at and for the year ended 31 December 2024 are available for inspection on request at Terna S.p.A.'s registered office at Viale Egidio Galbani 70, Rome, or on the Company's website at www.terna.it.
In addition, the Board of Directors authorised the Chairman and Chief Executive Officer to make any formal amendments to the Separate Financial Statements that may be necessary in the drafting of the final text to be submitted to the Annual General Meeting for approval, as well as additions and adjustments to the sections concerning significant events after the reporting date.

As of the financial statements for the year ended 31 December 2021, Terna has complied with the requirement introduce by the European Transparency Directive and publishes its Annual Report using the European single electronic format (ESEF), tagging all the numbers in the consolidated financial statements and the issuer's basic financial information using the iXBRL format. In addition, as of 31 December 2022, all the notes to the consolidated financial statements have been block tagged.

Compliance with IAS/IFRS

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission ("IFRS").

This document has also been prepared taking into account the provisions of Legislative Decree 38 of 28 February 2005, of the Italian Civil Code and CONSOB Resolutions 15519 ("Provisions governing financial statements in implementation of art. 9, paragraph 3 of Legislative Decree 38/2005") and 15520 ("Amendments and additions to the implementing rules for Legislative Decree 58/1998"), as well as CONSOB Communication DEM/6064293 ("Disclosure requirements for listed issuers and issuers of financial instruments that are widely held among the public pursuant to art. 116 of the Consolidated Law on Finance").

The separate financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments, and on a going concern basis.

Basis of presentation

The separate financial statements consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes thereto.
In the statement of financial position, assets and liabilities are classified on a "current/non-current" basis, with separate reporting of assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are those held for realisation, sale or consumption in the Company's normal operating cycle; current liabilities are those expected to be settled in the Company's normal operating cycle or within one year of the end of the financial year.
The income statement is classified based on the nature of costs. The income statement is presented as two statements, the first of which (the income statement) presents revenue and expense items for the year; the second (the statement of comprehensive income) starts with the result for the year and then presents the revenue and expense items that are recognised in equity rather than the income statement for the year.
The statement of cash flows has been prepared using the indirect method.

The financial statements are produced together with the Report on Operations for Terna S.p.A. and the Group. Since financial year 2008, it has been prepared as a single document, in accordance with the option granted under Legislative Decree 32 of 2 February 2007, which amended Article 40 (Report on Operations) of Legislative Decree 127 of 9 April 1991. From 2024, the Terna Group's Annual Report contains the Report on Operations, which by virtue of recent regulatory obligations in the area of reporting information of an ESG nature includes the Consolidated Sustainability Statement in a separate section, as well as the Consolidated Financial Statements, the Parent Company's separate financial statements. The Consolidated Sustainability Statement is prepared in accordance with the provisions of Legislative Decree No. 125 of 6 September 2024, which transposes into Italian law the provisions of the (EU) 2022/2464 Corporate Sustainability Reporting Directive ("CSRD"), replacing the previous non-financial reporting requirements. In 2023, the Terna Group prepared the Integrated Report, which coincided with the Report on Operations, the Sustainability Statement and the Consolidated Non-financial Statement.

The separate financial statements are presented in euros, whilst amounts in the statement of changes in equity, the statement of cash flows and these notes are presented in millions of euros to the first decimal place, unless otherwise stated.
The separate financial statements have been prepared on a historical cost basis, with the exception of certain items that, in accordance with IFRS, are recognised at fair value, as indicated in the measurement criteria for individual items.

Use of estimates

In application of IFRS, preparation of the statement of financial position and the income statement requires the Company to use estimates and assumptions that affect the carrying amounts of assets and liabilities and the related disclosures, in addition to contingent assets and liabilities at the reporting date. These estimates are based on the information available to management at the date of preparation of the financial statements. These estimates and the associated assumptions are based on previous experience and various factors that are believed to be reasonable under the circumstances. The resulting estimates form the basis for making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other objective sources Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed periodically and the effects of any changes are recognised in the income statement for the year, if they relate solely to that period. In the case that the revision affects both current and future years, the change is recorded in the year in which the estimate is reviewed as well as in the relevant future years.
The assets and liabilities subject to key estimates and assumptions used by the Company in applying the IFRS endorsed by the European Commission, and that could have a significant impact on the separate financial statements, or that could give rise to risks that would entail significant adjustments to the carrying amounts of assets and liabilities in subsequent years, are summarised below.
External and systemic aspects are assessed based on a group-wide integrated approach. As a result, an overview is provided below outlining the Terna Group's considerations on the conflict in Ukraine, the situation in the Middle East, the macroeconomic environment and climate change.

Revenue related to incentives

Recognition in the financial statements of output-based incentives requires management to use estimates and assumptions based on judgements made using actual data and estimates of the quantity and likelihood of future events. In the case of incentive mechanisms where the performance obligation is satisfied over a period of time, the Group estimates how to allocate the reward in the period, estimating the potential for the return of all or part of the accrued amounts. The amount recognised as revenue in the accounting period is the amount that is most likely not to be returned in the future. For the purpose of recognition, the Group also evaluates, for each incentive mechanism, whether or not the right (or obligation) is subject to confirmation or verification by the regulator, ARERA.
If the mechanism includes a significant financial component, the Group determines a discount rate that takes into account the credit risk associated with the asset which, given the way in which the mechanisms work and the guarantees provided to Terna under the regulatory framework, broadly coincides with the electricity system.
Certain incentive mechanisms may result in penalties for underperformance.

Impairment losses

Property, plant and equipment and intangible assets with finite useful lives are tested at least once a year to check for evidence of impairment. If there is evidence that an asset may be impaired, its recoverable amount is estimated.
The recoverable amount of goodwill is estimated at least annually. The recoverable amount is equal to the greater of the fair value less costs to sell and value in use. Value in use is measured by discounting estimated future cash flows considering information available at the time of estimate and on the basis of estimates of the performance of future variables, such as prices, costs, demand growth rates, production profiles, and discounted at a pre-tax rate that reflects current market assessments of the time value of money for the investment period and risks specific to the asset.
If the intangible asset does not generate cash inflows that are largely independent, the asset's recoverable amount is calculated as part of the Cash Generating Unit ("CGU") to which it belongs.
An impairment loss is recognised in the income statement when the asset's carrying amount, or the net invested capital of the CGU to which it belongs, is greater than its recoverable amount.
Impairment losses on CGUs are first taken as a reduction in the carrying amount of any allocated goodwill and then as a reduction in other assets allocated to the CGU on a pro rata basis. Except for goodwill, impairment losses may be reversed up to the recoverable amount or the original cost of the asset if there is an indication that the impairment loss no longer exists or when there is a change in the methods used to measure the recoverable amount.

Allowance for doubtful accounts

Trade receivables are initially recognised at fair value net of any losses relating to sums considered non-recoverable, for which specific provisions have been made in the allowance for doubtful accounts. Credit losses are determined in application of IFRS 9 (a model based on expected credit losses). This requires the Company to assess expected credit losses, and the related changes, at each reporting date.
Specifically, the Company has applied the simplified approach permitted by IFRS 9 to trade receivables, in order to measure the allowance for doubtful accounts based on expected losses over the life of the receivable. The Company has thus determined the amount of expected credit losses using a provisioning matrix, based on information regarding historical credit losses for similar past due exposures, adjusted to take into account current conditions and forward-looking elements.

Provisions for risks and charges

Provisions for risks and charges are allocated when a disbursement of cash, for an amount which can be reliably estimated, will be necessary to fulfil a legal or constructive obligation arising as a result of a past event. Where the time value of money is significant, provisions are discounted using a rate that the Company believes to be appropriate (a rate is used gross of taxes, which reflects current market conditions and the specific risks connected with the liability). After initial recognition, the value of the provisions for risks and charges is updated to reflect the passage of time and any changes in the

estimate changes in the estimate that result from alterations to the forecasted amounts, timing, and discount rates used. Any increase in provisions associated with the passage of time is recognised in the income statement under “Financial expenses”.
Liabilities that can be associated with legal and tax disputes, early retirement incentives, urban and environmental restoration projects and other sundry charges are estimated by the Company. The measurement of provisions for legal disputes is based on the probability of incurring an expense, including through the use of external legal advisors supporting the Company; the estimate of provisions to be set aside for urban and environmental restoration projects which are the offsets aimed at compensating for the environmental impact of the construction of new infrastructure, is based on an analysis of the agreements entered into with the local authorities concerned and the progress of work on construction of the new infrastructure.

Employee benefits

Post-employment benefits are defined on the basis of plans, even if not formalised, that are classified as either “defined benefit” plans or “defined contribution” plans depending on their nature.
The liability for employee benefits paid upon or following termination of employment in relation to defined benefit plans or other long-term benefits is recognised net of any plan assets and is measured on the basis of actuarial assumptions, estimating the amount of future benefits that employees have vested at the reporting date and is recognised on an accruals basis in line with the period of service necessary to obtain the benefit.
Changes in the value of the net liabilities (revaluations) deriving from actuarial gains or losses, resulting from changes in the actuarial assumptions used or adjustments based on experience, are recognised in other comprehensive income in the year in which they occur. If a plan is modified, curtailed or extinguished, the related effects are recognised in profit or loss.
Net financial expenses include the component of the return on plan assets and the interest cost to be recognised in profit or loss and are measured by multiplying the liabilities, net of any plan assets, by the discount rate applied to the liabilities; net interest on defined benefit plans is recognised in “Financial income/(expenses)”.
The actuarial valuations used to quantify employee benefits (of all plans except termination benefits or *TFR*) were based on “vested benefits”, applying the projected unit credit method. These valuations are based on the following economic and demographic assumptions: the discount rate (used to determine the present value of the obligation, determined considering returns on high quality bonds in line with the duration of the group of workers measured), the inflation rate, the rate at which future salary levels are expected to rise, the rate of increase for average health reimbursements, rate of increase for electricity prices and demographic factors, such as mortality and invalidity, retirement, resignation, advances and household composition. The method of calculation used for *TFR* consists of discounting to present value, at the measurement date, each estimated payment due to every employee, projected through to the estimated period in which the *TFR* will be paid.
The obligation under defined contribution plans, limited to the payment of contributions to the state or to a legally separate entity (a fund), is measured on the basis of the contributions payable. The cost of such plans is recognised in profit or loss based on the contribution paid during the period.

Macroeconomic environment

The Terna Group closely monitors the current macroeconomic environment and the recent international political events, particularly focusing on geopolitical developments, linked above all to the ongoing conflict in Ukraine and heightened tensions in the Middle East, and the relevant legislation.
The progressive fall in inflation and reduced commodity price volatility, compared with the peaks seen in 2022, brought a certain degree of stability to a macroeconomic backdrop that, however, remains uncertain. Moreover, economic growth slowed down, with the geopolitical situation and trade tensions making it more uncertain, as they could cause new inflationary pressure, potentially affecting the monetary policies of central banks. The main risks that could potentially increase financial market volatility in the coming months include the trade policies of the new US administration and the global extension of tariffs and duties. Against this backdrop, the Group continues to focus on capex delivery and implementing its Industrial Plan. To date, we are not aware of any circumstances requiring an in-depth assessment of the validity of application of the going concern basis.

This assumption is based on the fact that (i) revenue generated by our Regulated Activities in Italy accounts for the largest part of the Group's income and (ii) this revenue consists of remuneration to cover both operating and capital expenditure, with both components revised annually based on the indexing rates established by the regulator. In addition, the return on invested capital is based on a WACC that is periodically revised by ARERA to enable the parameters used in calculating the cost of equity and debt to be updated.
Assessment of the impact of the current macroeconomic environment and the ongoing conflicts did not result in such trigger events as to require the conduct of an impairment test of the value of the property, plant and equipment owned by the Group or of intangible assets with finite useful lives.
More specifically, with regard to the recoverable amount of property, plant and equipment and intangible assets with finite useful lives forming part of the RAB (Regulated Asset Base), the assessment of expected future cash flows generated by these assets showed that the macroeconomic effects, including those resulting from the above conflicts, did not give rise to impacts constituting trigger events requiring the conduct of an impairment test.
In addition, neither the impact of the changed macroeconomic environment, nor of the geopolitical crises, has resulted in an increase in credit risk and has not affected the outcome of the measurement of expected credit losses. The Group's trade receivables fall within the hold to collect business model, primarily fall due within 12 months and do not include a significant financial component. The effect of these events has not, therefore, had any impact, including with regard to the identified business model for financial instruments, thus avoiding any changes to the chosen classification.
In addition, fair value measurement of the financial assets and liabilities held by the Group has not undergone changes in terms of an increase in the related risks (market, liquidity and credit). Similarly, movements in the underlying assumptions have not altered the sensitivity analyses linked to their measurement.
In terms of recoverable amount, it should be noted that there has not been any deterioration in 2024 in the receivables due from the Group's main counterparties (dispatching customers for injections or for withdrawals and distributors), considered solvent by the market and therefore assigned high credit ratings.
As described in more detail in the section, "Credit risk", management of this risk is also driven by the provisions of ARERA Resolution 111/06, which introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. The assessment conducted has, moreover, not provided evidence of the need to modify the model used following an evaluation of the impact of the conflicts.
Terna is not exposed to any risk of greater contract expenses due to rising inflation or increased costs incurred as a result of rising commodity and energy prices and salaries, or to the possibility that, as an issuer of financial instruments, it is unable to pass such increases on by raising the prices of its own services or goods. This is because any price increases agreed by law are covered by tariff revisions, which envisage adjustments for inflation, and its capex is recognised in full in the RAB.
It should, moreover, be noted that Terna S.p.A. and its subsidiaries do not have offices or significant operations in the regions affected by the conflicts.

Climate change

Awareness of the progress of climate change and its effects has led to a growing need to provide disclosure in Report on Operations. Although there is no international accounting standard governing how the impact of climate change should be taken into account in the preparation of financial statements, the IASB has issued certain documents providing support for IFRS-adopters seeking to satisfy the demand for disclosure from interested parties. Similarly, in its European Common Enforcement Priorities of 24 October 2024, ESMA recalled that the priorities of previous years in relation to climate-related issues remain relevant for the 2024 financial statements, and emphasised the need for issuers to consider climate changes when preparing their IFRS financial statements to the extent that such risks are material, whether or not this is explicitly required by the relevant accounting policies.
The Terna Group describes its considerations regarding actions to mitigate the effects of climate change mainly in the Climate Change section as part of the Consolidated Sustainability Statement of the Report on Operations. In this context, as a TSO providing transmission and dispatching services, the Terna Group undoubtedly plays an active role in supporting the system in achieving the challenging targets linked to efforts to reduce CO_2 emissions. Indeed, in addition to the emissions connected with electricity consumption, the most significant component relating to Terna's indirect emissions is linked to grid losses, which can also be associated with the indirect impact of the need to produce

more energy. In themselves, a TSO's emissions (scopes 1 and 2 in the 'GHG emission protocol') are extremely modest when compared with the potential system-level reduction resulting from the integration of renewable sources and electrification.
The Group has chosen to report its considerations on climate change in a single note. The following is a summary of management's considerations on aspects deemed material.

IAS 1 – Presentation of Financial Statements

In the event of uncertainties, IAS 1 requires entities to analyse potential impacts in terms of the entity's ability to continue as a going concern and, with regard to the assumptions and estimates made in preparing the Annual Report. Entities are required to provide disclosure of the forward-looking estimates used and that have a significant risk of resulting in a material adjustment within the next financial year. As recommended by ESMA, which, as mentioned above, requires entities to take into account climate risks when preparing financial statements, disclosures are provided that, despite not being specifically required by IFRS, are relevant to an understanding of the financial statements.
In terms of the short term, management has not identified any specific effects of climate-related risks to be considered when applying the accounting policies.
With regard to the medium to long term, management has identified potential risks primarily linked to the Company's role as a TSO, deriving from the need to adapt the electricity grid in the form of work designed to boost resilience and allow it to handle the new profile and mix of the energy injected into the grid. However, as described in greater detail in the specific sections that follow, the steps planned with the aim of mitigating such risks do not require further consideration during application of the accounting policies used in preparation of these financial statements.
It should be noted, however, that assessment and, more specifically, quantification of climate-related risks generally requires the use of highly uncertain future-oriented assumptions, such as future technological and policy developments and Government measures.

IAS 16 – Property, Plant and Equipment

With specific regard to the grid and the related transmission service, the action plan requires a commitment to the planning, approval and delivery of investment projects related to work in response to current and future needs to integrate renewable sources, guarantee the reliability, security, adequacy and efficiency of the electricity system, such as, for example, cross-border interconnections and the development of infrastructure to enable the growing integration of renewable energy sources.
In addition, as described in the Group's Risk Framework, the Group is exposed to the risks linked to the increased intensity of weather events (tornados, heavy snowfall, ice, flooding) with a resulting impact on the continuity and quality of the service provided by Terna and/or damage to equipment, machinery, infrastructure and the grid. In response, the Group continues to carry out new investment designed to increase the grid resilience of the electricity grid and identify mitigation strategies.
In line with our role in driving the country's energy transition, Terna's strategic plans — as described in greater detail in the section covering the value creation strategy in the Report on Operations — include actions to be taken to tackle climate change, including:

- the works needed to develop and strengthen the electricity grid in the ten-year Development Plan, including overseas interconnections, to ensure the integration of renewable sources;
- tools to ensure the security and reliability of the electricity system in the Security Plan, in a scenario where renewable sources are increasingly more widespread and thermoelectric plants are decommissioned, resulting in issues relating to system inertia and voltage regulation;
- the works needed to improve the reliability of electricity assets in the Maintenance and Renewal Plan for electricity assets, which involves the preventive identification and resolution of initial signs of an issue that could lead to a malfunction.

Common to all these plans is the Resilience Plan, annexed to the Security Plan, which includes all the initiatives designed to increase grid resilience to enable it to withstand increasingly intense and frequent severe weather events, damaging infrastructure and resulting in outages at plants connected to the NTG. The Resilience Plan involves a preventive approach to managing infrastructure, using capital light technological solutions to mitigate the risks to which the grid is exposed and solutions for repairing and monitoring the electricity system.

This also involves the development of innovative technologies through structured collaborations with start-ups ("Open Innovation"), designed to monitor weather events and increase NTG resilience.

Mitigating climate-related risk also involves the need to plan maintenance of NTG infrastructure to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational.

In addition to initiatives falling within the scope of the Group's routine maintenance programmes, in this regard, Terna is increasingly required to carry out work on the grid that calls for the maintenance of specific components. Aside from renewing grid infrastructure, this enables the Company to mitigate the risk arising from the increased intensity and frequency of disruptive weather events. Management considers that this investment does not reduce or modify the expected economic benefits deriving from use of the existing grid accounted for in property, plant and equipment. In the light of the above, it has not been necessary to conduct a critical review of the useful lives of the fixed assets recognised in the financial statements.

The Group also considers that there may be a risk connected with the supply chain due to significant changes in the strategies of key suppliers. This risk is heightened by the (i) crisis in the global supply chain following the conflicts, duties, drop in supply and (ii) energy transition launched in many countries, with a potential impact on construction and maintenance projects, and a resulting impact on the continuity and quality of service and on the time needed to complete infrastructure. The Group constantly monitors developments in the supply chain and has not so far identified any critical issues.

IAS 38 – Intangible Assets

With regard to non-regulated activities, the Group is committed to developing innovative, digital technological solutions to support the ecological transition. These activities include the offerings of the Tamini Group and Brugg Cables Group, the subsidiaries that produce power transformers and terrestrial cables, respectively (Equipment activities), involving the development of expertise throughout the value chain, and the offer of Energy Services and Connectivity. In addition, the Group is also committed to investing in digitalisation and innovation, involving the development of solutions for the remote control of electricity substations and key infrastructure. This involves the installation of sensor, monitoring and diagnostic systems, including predictive solutions, improving the security of the grid and the surrounding area.

The Group has also developed tools for studying and planning new works designed to respond to issues relating to climate change. Through its Resilience Methodology, as set out in Annex A76 to the Grid Code, Terna has equipped itself with a tool that makes the Group a leader in the conduct of climate-change assessments in Italy and Europe. This innovative and probabilistic tool for planning work will increase the resilience of the NTG. This involves measuring the related benefit in terms of reducing expected energy not supplied, above all due to ice, snow and strong winds.

To promote the spread of a well-informed energy culture and facilitate broad awareness of the issues faced by the electricity sector, in 2021, the Group developed a new Development Plan application and the digital platform called Terna4Green with a view to monitoring the progress made towards Italy's decarbonisation. Via these two new initiatives, Terna continues and strengthens its commitment to ever greater transparency and the spread of information and data, specific expertise and in-depth knowledge of the national electricity system.

In response to the risk linked to the greater intensity and frequency of extreme weather events (tornados, heavy snowfall, ice, flooding), the Group could also benefit from the "Patentability" of the above innovative solutions, with resulting non-regulated business opportunities.

Investment in research is expensed as incurred, whilst development costs that meet certain requirements may be recognised as intangible assets. For more information regarding the criteria for recognising a non-current asset arising from development, please refer to the section 'Intangible Assets', while for more details on the possible impacts of the initiatives implemented, please refer to the section 'Climate Change' in the 'Environmental information' section of the Report on Operations.

IAS 36 – Impairment of Assets

As indicated above with regard to tangible and intangible assets, management did not identify factors requiring a critical review of useful lives. Similarly, with regard to the risk of impairment losses on property, plant and equipment, management considers that, whilst the steps taken to mitigate climate-related risk involve the need to plan maintenance work on NTG infrastructure, in keeping with the past, so as to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational, these activities do not, in any event, have a negative impact on the measurement of fair value less costs of disposal. This is because a market operator would take this investment into account as part of the fair value measurement process.

IFRS 9 – Financial Instruments

With regard to borrowings and bond issues, the Group has obtained certain bank borrowings containing ESG-linked conditions, entered into a commercial paper programme (short-term notes issued to qualified investors), enabling Terna to issue conventional short-term bonds as well as “ESG Notes”. In addition, a number of Green bonds were issued, as described in greater detail in “Sustainable finance”. The ESG-linked bank borrowings (different from the Green Bond issues) include a bonus/penalty mechanism, applicable to the payment of accrued interest, linked to the achievement of specific environmental, social and governance (ESG) objectives. As a result of the above, the Group believes that there may be a risk, albeit not significant, connected with the achievement of such objectives. Failure to achieve the objectives within a contractually agreed date would result in a slight increase in the cost of debt. Nevertheless, the impact of this risk on financial expenses is entirely negligible. The Group constantly monitors activities relating to climate change and has not so far identified any critical issues.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The legislation introduced in response to climate change may give rise to new obligations that did not previously exist. To this end, the Terna Group has adopted an Integrated Management System Policy following Terna S.p.A.’s Board of directors’ desire to rely on a tool that would help them define strategic objectives, in line with the principles of the Code of Ethics and the Sustainable Development Goals (“SDGs”) promoted by the United Nations, the requirements of the ISO Standards and the organisation’s context.

With reference to the issue of Climate Change, the Integrated Management System Policy also reflects Terna’s commitments with respect to UNI EN ISO 14001:2015 “Environmental Management Systems” and UNI CEI EN ISO 50001:2018 “Energy Management Systems” , describing its adherence to practices aimed at limiting and reducing environmental impact even beyond legal limits, without compromising the protection of other general interests set out in the concession. Full implementation of this policy, which also covers efforts to reduce greenhouse gas emissions, also involved energy efficiency initiatives and the adoption of measures designed to protect biodiversity. Terna also extends the issue of environmental protection to both its supply chain and local stakeholders directly affected by NTG development projects, through increasingly eco-sustainable offsets.

Finally, Terna has adopted a Circular Economy Strategy that has led to the definition of a Roadmap of actions to 2030 with a view to implementing a circular economy model.

Given the regulatory framework, management does not believe that such policies give rise to the need to recognise liabilities not previous accounted for. The same conclusion has also been reached with regard to the previously mentioned risk linked to the supply chain due to significant changes in the strategies of key suppliers. As a result, it has not been necessary to carry out a critical review of provisions in the financial statements.

IFRS 15 – Revenue from Contracts with Customers

In terms of Regulated Activities, part of the remuneration for transmission and dispatching services derives from regulatory incentive mechanisms linked to specific targets. The achievement of these targets may be influenced by climate change risks, as for example the intensification of extreme weather events could have an impact on the continuity and quality of the service offered by Terna. The Group monitors these risks, which did not have an impact on the accrued portion of these incentives during the year.

With regard to Non-regulated Activities, above all Energy Services, given the portfolio of products and services offered to promote the development of renewable energy in Italy, for example through the construction and operation of photovoltaic plants, infrastructure connecting the photovoltaic plants to the grid and services offered to industrial clients, and with regard to the production of cables and transformers, the Group is not exposed to new uncertainties having an impact on the current revenue recognition model. In addition, the Group did not deem it necessary to conduct a review of existing contracts.

Climate change and the subsequent adoption of policies designed to reduce CO_2 emissions and achieve Net Zero Emissions targets by most industrial clients could result in increased business opportunities.

IFRS 2 – Share-based Payments

The current long-term incentive plans, so called Performance Share Plans, are linked to a series of ESG indicators with a percentage weighting that rises over time.
The 2021-2025 plan consists of an indicator linked to Terna's annual inclusion and ranking in the *Dow Jones Sustainability Index (DJSI-World)* with a weighting of 20%.
The ESG indicators for the 2022-2026 plan, with a higher 25% weighting than in the previous plan, include KPIs referring to inclusion in a basket of ESG indexes selected to represent the Group's ability to guarantee an all-round sustainability performance, including the Dow Jones Sustainability Index World, Stoxx ESG Leaders and the MIB 40 ESG. An important part of these three assessments is explicitly linked to climate-related issues: specifically, to be included in the selected ESG indexes every year, and for the whole duration of the Performance Share Plan, performance and positioning in terms of, for example, climate strategy, the assessment and management of climate risks, cuts in greenhouse gas emissions and public disclosures on relevant metrics, are of great importance.
The Performance Share Plan 2023-2027 is linked to ESG indicators with an overall weighting of 30%, of which 15% relates to KPIs linked to inclusion in the above ESG basket and the remaining 15% to Overgeneration, representing the reduction in the modulation of generation from Non-Programmable Renewable Sources requested by Terna, due to the security requirements of the National Electricity System.
Finally, the Performance Share Plan 2024-2028 - includes, consistent with the 2023-2027 Plan, the Overgeneration indicator with a weight of 30%.
Bearing in mind the expected development of renewable generation capacity in the coming years, absent appropriate mitigation initiatives, overgeneration will become a growing issue, cancelling out (at least in part) the benefits of the energy transition.

Investments in subsidiaries and associates

Investments in subsidiaries are investments where Terna has the power to directly or indirectly govern the financial and operating policies of the investee so as to obtain benefits from its activities. Associates are investees over which Terna exercises significant influence.
In assessing whether or not Terna has control or significant influence, being the ability to participate in the determination of these companies' financial and operating policies, without having control or joint control, potential voting rights that are exercisable or convertible are also taken into account.
Investments in subsidiaries and associates are recognised at cost, written down in the event of an impairment loss. If the circumstances that gave rise to the impairment cease to exist, the value of the investments is restored to the extent of the impairment loss recognised and the reversal is recognised in the income statement.
In the event that the loss attributable to the Company exceeds the carrying amount of the equity interest, and the Company is required to meet the legal or constructive obligations of the investee or, in any case, to cover its losses, any excess is recognised in a specific provision.

Joint arrangements

Investments in joint arrangements, in which the Group exercises joint control with other entities, are recognised initially at cost and subsequently measured using the equity method. The Company recognises its share of the assets and liabilities attributable to joint arrangements in accordance with IFRS 11.
In assessing the existence of joint control, it is ascertained whether the parties are bound by a contractual agreement and whether this agreement attributes to the parties the joint control of the agreement itself. Joint control exists when an entity has control over an arrangement on a contractual basis, and only when decisions relating to the relevant activities require the unanimous consent of all parties that jointly control the arrangement.

Translation of foreign currency items

Terna's financial statements are prepared in euros, the Company's functional currency. In the financial statements, all transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are subsequently adjusted at the exchange rate prevailing at year end. Any translation differences are taken to the income statement.
Non-monetary assets and liabilities in foreign currency stated at historical cost are converted at the exchange rate prevailing when the transaction was initially recognised. Non-monetary assets and liabilities in foreign currency stated at fair value are converted at the exchange rate prevailing when fair value was measured.

Property, plant and equipment

Property, plant and equipment is recognised at historical cost, including costs directly attributable to preparing the asset for its intended use. In the event of legal or constructive obligations, cost also includes the present value of the estimated cost of dismantling or removing the asset. The corresponding liability is recognised in provisions for risks and charges.
Penalties receivable from suppliers relating to the purchase or construction of an asset are accounted for as a direct reduction in the cost of the asset, unless the penalty is accounted for as a refund, or when the refunded costs are clearly identifiable and have been incurred due to a delay incurred by the purchaser, the compensation is payable regardless of delivery or otherwise of the asset and the agreement expressly provides for settlement of the claim to compensate for the loss of earnings resulting from the contract delays.

Borrowing costs directly attributable to the purchase, construction or production of an asset that qualify for capitalisation pursuant to IAS 23 are capitalised as part of the cost of the asset. Costs incurred after purchase are recognised as an increase in the carrying amount of the asset to which they relate if it is probable that the future benefits of that cost will flow to the Company, and if the cost can be reliably measured. All other costs are expensed as incurred.
Each element of an item of property, plant and equipment of material value, with respect to the total value of the item to which it belongs, is recognised and depreciated separately.
Property, plant and equipment is shown net of accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful economic life of the asset, which is reviewed annually, with revisions applied on a prospective basis. Depreciation of an asset begins when the asset becomes available for use.
Liabilities associated with items of property, plant and equipment are taken to a specific provision as a contra account of the related asset. The amount is taken to the income statement through the depreciation of the asset.
Property, plant and equipment is written off either at the time of disposal or when no future economic benefit is expected from their use or disposal. Any profit or loss, recognised in the income statement, is determined as the difference between the net proceeds deriving from disposal and the net carrying amount of the assets eliminated.

The main rates of depreciation, calculated on the basis of the useful lives of the relevant assets, are as follows:

RATES OF DEPRECIATION

Buildings - Civil and industrial buildings	2.50%
Plant and equipment - Transmission lines	2.22%
Plant and equipment - Transformer substations:	
- Electrical machinery	2.38%
- Electrical devices and equipment	3.13%
- Automation and control systems	6.70%
Plant and equipment - Central systems for remote management and control:	
- Devices, electrical equipment and ancillary plant	5.00%
- Computers	10.00%

Land, regardless of whether it is free of constructions or related to civil and industrial buildings, is not depreciated, since it has an indefinite useful life.

This asset class also includes right-of-use assets, recognised under IFRS 16, arising from lease arrangements where the Company is lessee and relating to the use of property, plant and equipment. A lease arrangement is, or contains, a lease, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Applying this standard, the lessee recognises: (i) a right-of-use asset in its statement of financial position and a liability representing its obligation to make the payments provided for under the arrangement, for all leases with terms in excess of twelve months where the asset cannot be considered of low value (Terna has elected to apply the practical expedient provided for in the standard, recognising payments relating to arrangements that do not fall within the scope of this type of lease in the income statement); (ii) depreciation of the recognised assets and interest expense on the lease liability separately in the income statement.
In determining the lease term, the Company considers the non-cancellable period of the lease and the additional periods resulting from any options to extend the lease, or from the decision not to exercise the option to terminate the lease early (where there is reasonable certainty that such options will be exercised).
The lease liability is initially recognised at the present value of the remaining lease payments at the commencement date: (i) fixed payments; (ii) variable lease payments that depend on an index or a rate; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and finally (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The present value of the payments is determined using a discount rate equal to the Company's incremental borrowing rate, bearing in mind the frequency and duration of the payments provided for in the lease contract.

Following initial recognition, the lease liability is accounted for at amortised cost and remeasured, with a matching change in the value of the related right-of-use asset, when there is a change in future lease payments as a result of: (i) a renegotiation of the contract; (ii) changes in the index or rate; or (iii) changes in the assessment of whether or not the options contained in the contract will be exercised (e.g., the purchase of the leased asset, extension or termination of the lease). The right-of-use asset is initially recognised at cost, measured as the sun of the following components: (i) the amount of the initial measurement of the lease liability; (ii) any initial direct costs incurred by the lessee; (iii) any lease payments made at or before the commencement date, less any lease incentives received; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located (or restoring the underlying asset to the condition required by the terms and conditions of the lease). Following initial recognition, the right-of-use asset is adjusted to take into account (i) any accumulated depreciation, (ii) any accumulated impairment losses, and (iii) the effects of any remeasurement of the lease liability.

Intangible assets

Intangible assets, which all have finite useful lives, are recognised at cost, and shown net of accumulated amortisation and any impairment losses. Amortisation begins when the asset becomes available for use and is calculated on a straight-line basis over the estimated useful life of the related asset, which is reviewed annually. Any revisions to estimated figures are applied on a prospective basis.
Intangible assets essentially consist of the concession to exclusively provide electricity transmission and dispatching services, granted to the Parent Company Terna S.p.A., on 1 November 2005, with the acquisition of the TSO business unit. As established in the Decree issued by the Ministry of Productive Activities on 20 April 2005, this concession has a 25-year term, renewable for another 25 years, from the date of effective transfer of the activities, functions, assets and legal arrangements of the concession from GSE (formerly GRTN) to Terna S.p.A.. This intangible asset was initially recognised at cost, which reflected fair value.
Other intangible assets essentially refer to software developments and upgrades with a useful life of three years.
Development costs are capitalised by the Company only if they can be reliably estimated and there is the technical possibility and intention to complete the intangible asset so that it will be available for use, and the asset can be used and it is possible to demonstrate that it will generate probable future economic benefits.
Financial expenses directly attributable to the acquisition, design or production of a non-current asset which justifies capitalisation pursuant to IAS 23 are capitalised to the asset as part of its cost.
All other development costs and research expenses are recognised in the income statement when incurred. These intangible assets are amortised over their estimated residual useful life, which is normally three years, given their rapid obsolescence.

Infrastructure rights

Infrastructure includes the property, plant and equipment and intangible assets employed in dispatching activities in Italy. These activities are carried out under concession arrangements, which fall within the scope of application of IFRIC 12, since the services provided are regulated and control exists over the residual interest. More specifically, infrastructure rights have been recognised as an intangible assets, as valued on the basis of the Intangible Asset model, given the return generated by dispatching activities thanks to the charges paid by users. These assets have a useful life of three years.
The revenue and costs relating to investment in dispatching activities are recognised with reference to the contracts concerned on a stage-of-completion basis; revenue recognised during the construction phase is limited to the amount of the internal and external construction costs incurred, considering that the fair value of the construction services is equivalent to the construction cost paid to third-party contractors plus the internal cost of the technical personnel employed on such construction activities. The assets continue to be amortised and depreciated in accordance with the initial schedule.
By contrast, dispatching revenue continues to be recognised in accordance with IFRS 15 and financial expenses continue to be capitalised pursuant to IAS 23.
IFRIC 12, instead, is not applicable to the part of the Parent Company's concession arrangement relating to transmission activities, since neither the concession nor the related legislation envisages that ownership of the NTG is to be restored to the public grantor, even for a consideration.

Goodwill

Goodwill, deriving from the acquisition of subsidiaries, is allocated to each of the cash generating units (CGU) identified, corresponding with Terna S.p.A.'s regulated activities. Goodwill is not amortised after initial recognition but is adjusted to reflect impairment losses, measured as described above. Goodwill relating to investments in associates and joint arrangements is included in the carrying amount of those companies. Where negative goodwill arises, it is recognised in the income statement at the time of acquisition.

Financial instruments

Financial assets

The new standard, IFRS 9 – Financial Instruments, effective from 1 January 2018, is divided into the following phases: classification and measurement, derecognition, impairment and hedge accounting.

In order to classify and measure financial instruments, the Company recognises financial assets at fair value inclusive of transaction costs.

Financial assets represented by debt instruments and falling within the scope of application of the standard, may be measured at amortised cost, at fair value through other comprehensive income or at fair value through the income statement of comprehensive income, depending on the business model adopted to manage the financial assets and the characteristics of the contractual cash flows.

In accordance with the provisions of IFRS 9, the Company correctly classifies these assets based on the results of co-called SSPI ("solely payments of principal and interest") tests. Under this test, assets may be recognised at amortised cost or fair value through other comprehensive income if they generate cash flows that are solely payments of principal and interest on the principal amount outstanding. This measurement is applied at the level of each individual instrument.

Specifically, the Company measures financial assets:

- at amortised cost, if the financial asset is held with the aim of collecting the contractual cash flows that meet the SPPI test, as the cash flows represent solely payments of principal and interest;
- at fair value through other comprehensive income ("FVOCI"), if the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows and by selling the financial asset, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in fair value after initial recognition are recognised in other comprehensive income and recycled through profit or loss on derecognition. The government securities held by the Company are included in this category;
- at fair value through profit or loss ("FVTPL"), of the asset is not held in one of the above business models. This category primarily includes derivative financial instruments held for trading and debt instruments with contractual cash flows that are not solely payments of capital and interest.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. Receivables with due dates that reflect normal commercial terms are not discounted.
In accordance with the provisions of IFRS 9, the Company's trade receivables fall within the hold to collect business model, as these assets are held with the objective of collecting the cash flows primarily by collecting the contractual cash flows, the receivables primarily fall due within 12 months and do not include a significant financial component, and the Company does not intend to sell such receivables.

Trade receivables are recognised net of any losses recognised in a specific allowance for doubtful accounts (identified on the basis described in the paragraph, "Allowance for doubtful accounts"). The new standard, IFRS 9, has introduced application of a model based on expected credit losses. This requires the Company to assess expected credit losses, and the related changes, at each reporting date. Specifically, the Company has applied the simplified approach permitted by IFRS 9 to trade receivables, finance lease receivables and assets deriving from contracts with customers, in order to measure the allowance for doubtful accounts based on expected losses over the life of the receivable. The Company has thus determined the amount of expected credit losses using a provisioning matrix, based on information regarding historical credit losses for similar past due exposures, adjusted to take into account current conditions and forward-looking elements.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value and include amounts that are available on demand or can be readily converted into a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are initially recognised at fair value and subsequently stated at amortised cost. If their due dates reflect normal commercial terms, they are not discounted.

Financial liabilities

Financial liabilities are recognised at the settlement date and measured at fair value, net of directly related transaction costs. Subsequently, financial liabilities are measured at amortised cost, using the original effective interest method. If the liabilities are covered by fair value hedges, they are adjusted to reflect changes in fair value with respect to the hedged risk.
Subsequent measurement of financial liabilities depends on their classification as financial liabilities at amortised cost and at fair value through the income statement.

Derivative financial instruments

Derivatives are recognised at fair value at the trade date.

The qualifying criteria applied in classifying derivatives as eligible for hedge accounting are as follows:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio);
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of, and consistent with, the entity's documented risk management objective.

For hedge accounting purposes, there are three types of hedge:

- fair value hedges when the hedge regards the exposure to changes in the fair value of the recognised asset or liability or there is an unrecognised firm commitment;
- cash flow hedges when the hedge regards the exposure to variability in cash flows that is attributable to a particular risk associated with all of the recognised asset or liability or a highly probable forecast transaction or the exchange rate risk on an unrecognised firm commitment;
- the hedge of a net investment in a foreign operation.

When derivatives cover the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the portion of changes in the fair value qualifying as effective is initially recognised in "Other comprehensive income" (accumulated in equity) and subsequently in profit or loss, as the cash flows from the hedged item affects the income statement. The portion of the fair value of the hedging instrument that does not qualify as effective is recognised in profit or loss.
When hedging derivatives cover the risk of changes in the fair value of hedged instruments (fair value hedges), they are recognised at fair value in profit or loss. Accordingly, the hedged items are adjusted to reflect changes in the fair value associated with the hedged risk.
Changes in the fair value of derivatives that do not meet hedge accounting requirements in accordance with the IFRS are recognised in profit or loss.
Fair value is measured on the basis of official quotations for instruments traded in regulated markets. The fair value of instruments not traded in regulated markets is measured by discounting projected cash flows along a yield curve prevailing in the market at the reporting date, and by translating amounts in currencies other than the euro at closing exchange rates.
Financial and non- financial contracts (which are not already measured at fair value) are also analysed to identify any embedded derivatives, which must be separated and measured at fair value.
This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that produces a material change in the original associated cash flows.

Hybrid bonds

Issues of non-convertible, perpetual hybrid bonds are classified as equity instruments. These are in fact instruments that allow Terna to defer coupon payments over time and whose early redemption is permitted on the occurrence of certain events or at the reset date. These instruments cannot be converted into shares and, in the event of the Company's liquidation, winding up or insolvency, interest payments are subordinated to all the issuer's other payment obligations.
The proceeds received from the sale of the instruments and subsequent returns of capital are accounted for as an increase or a reduction in equity, respectively, in compliance with the requirements applicable to equity instruments in IAS 32. Interest expense, at the time the payment obligation arises, is recognised as a reduction in equity.

Employee benefits

The liability associated with employee benefits payable on or after termination of employment relate to defined benefit plans (deferred compensation benefits, additional months' pay[1], payment in lieu of notice[2], energy discounts, ASEM health cover and other benefits) or with other long-term employee benefits (loyalty bonuses) is recognised net of any plan assets. The liability is measured separately for each plan on the basis of actuarial calculations that estimate the amount of vested future benefits that employees have accrued at the reporting date. The liability is recognised on an accruals basis over the vesting period. The valuation of the liability is performed by independent actuaries.

Share-based payments

Given that they are substantially a form of remuneration, labour expenses include the cost of share-based incentive plans. The cost of the incentive is measured on the basis of the fair value of the equity instruments granted and the expected number of shares to be effectively awarded. The accrued amount for the period is determined on a straight-line basis over the vesting period, being the period between the grant date and the date of the award. The fair value of the shares underlying the incentive plan is measured at the grant date, based on the expected satisfaction of the performance conditions associated with market conditions and is not subject to adjustment in future periods. When receipt of the benefit is linked to non-market conditions, the estimate relating to these conditions is reflected and the accrual's number of shares expected to be awarded is adjusted over the vesting period. If, at the end of the vesting period, the plan does not result in the award of any shares to beneficiaries due to the failure to satisfy the performance conditions, the portion of the cost linked to market conditions is not reversed through the income statement.

Provisions for risks and charges

Provisions set aside for risks and charges are recognised when, at the reporting date, the Company has a legal or constructive obligation as the result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the disbursement. Where the effect is material, provisions are made by discounting estimated future cash flows using a discount rate that reflects current market rates and the specific risk applicable to the obligation, if any. Where discounting is used, the increase in the provisions due to the passage of time is recognised in the income statement as a financial expense. If it relates to property, plant and equipment (site disposal and restoration, for example), the provision is recognised as a contra entry to the asset to which it relates. The expense is recognised in the income statement through depreciation of the item of property, plant and equipment to which it relates.

Changes in the estimates are recognised in the income statement for the year in which the change occurs, except for the expected costs of dismantling, removal and restoration resulting from changes in the timing and use of the economic resources necessary to extinguish the obligation or are attributable to a material change in the discount rate. These costs are recognised as an increase or reduction in the related assets and recognised in the income statement through depreciation.

Government grants

Government grants are recognised when there is a reasonable certainty that they will be received and that the Company will comply with all the conditions required for disbursement. Grants received in relation to specific assets whose value is recognised under non-current assets are recognised, in the case of plant already in operation at 31 December 2002, among other liabilities and taken to the income statement over the depreciation period for the assets in question. As of the 2003 financial year, grants related to new plant entering service are recognised as a direct reduction in the non-current asset concerned.

Grants related to income are recognised in the income statement when the conditions for recognition are met.

[1] Additional months' pay.
[2] Payment in lieu of notice.

Revenue

The Company's revenue can be categorised as follows:

- **Revenue from sales and services**, including revenue from contracts with customers and therefore falling within the scope of IFRS 15.

  In accordance with the provisions of IFRS 15, revenue from contracts with customers is recognised when the performance obligations identified in the contract are satisfied and control over the goods or services is transferred to the customer for an amount that reflects the consideration that the Company expects to receive in exchange for the goods or services.

  The standard envisages two methods for identifying the correct time at which to recognise the revenue attributable to each performance obligation: at contract inception, the Company determines if the goods or services covered by the performance obligation will be transferred to the customer over a period of time or at a point in time:

  - Revenue from the sale of goods is recognised when control of the goods is transferred to the customer (at a point in time). The Company determines if there are other promises in the contract representing a performance obligation to which a part of the transaction consideration must be allocated. In determining the sale price, the Company takes into account the effects of a variable consideration, significant financial components, non-monetary components and amounts to be paid to the customer (if present);
  - Revenue from services is recognised with reference to the stage of completion of the activity, in accordance with the provisions of IFRS 15 (over a period of time).

  Revenue from sales and services also includes "pass-through" revenue and expenses originating from the purchase and sale of energy from and to electricity market operators. The regulatory framework requires that such expenses and revenue must always amount to zero, via a pro rata charge to each consumer for the net cost resulting from the measurement of imbalances and purchase and sale transactions, carried out by Terna on the Dispatching Services Market, through a specific fee known as an uplift payment. Terna receives compensation for this activity through specific revenue for providing the dispatching service. Given that Terna does not have the power to set the prices of DSM transactions, this revenue is presented net of the related costs.

  Revenue from sales and services also includes output-based incentives, as defined by ARERA, for both transmission and dispatching activities. The incentive mechanisms fall within the scope of application of IFRS 15. If the counterparties through which Terna collects an incentive are not active in the market in the year in which achievement of the targets underlying the incentive scheme is confirmed, IFRS 15 is applied in accordance with the analogy-based approach provided for in IAS 8, as confirmed with reference to the Conceptual Framework for Financial Reporting.

  If the mechanism includes a significant financial component, the amounts recognised in the financial statements are discounted to present value. Based on the specific nature of each mechanism, the Group assesses whether the performance obligation is satisfied over a period of time or at a point in time, also taking into account whether or not the right is subject to confirmation or verification by the regulator, ARERA.

- **Other revenue and income**, which includes revenue from lease arrangements and other residual forms of revenue, included within the scope of application of IFRS 15, deriving from sales of goods not forming part of the Group's core business.

Costs

Costs are recognised on an accruals basis. They are recognised in the accounting period when they relate to goods and services sold or consumed in the same period or are allocated in a systematic way when it is not possible to identify a future use for them.

Financial income and expenses

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The property, plant and equipment and intangible assets involved are those that require at least one year in order to prepare them for use. The directly attributable financial expenses are expenses that would not have been incurred had the expenditure for the asset not been incurred.
Where funds are borrowed specifically, the costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where loans are obtained for general purposes, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset equal to the weighted average of the financial expenses applicable to the borrowings outstanding for the year, excluding any specifically borrowed funds. The amount of capitalised financial expenses during a year will in any case not exceed the amount of financial expenses incurred during that year.
Capitalisation commences as from the date all the following conditions are first met: (a) expenditure has been incurred for the asset; (b) financial expenses have been incurred; and (c) the activities involved in preparing the asset for its intended use or sale are in progress.
Capitalisation ceases when the activities involved in preparing the asset for its intended use or sale are substantially complete.
The average capitalisation rate used for 2024 is approximately 2.6% (2.0% for 2023).
Financial income and expenses other than capitalised amounts are recognised on an accruals basis in respect of the interest on the net value of the related financial assets and liabilities, using the effective interest rate.

Treasury shares

Treasury shares, including those held to service share-based incentive plans, are recognised at cost and accounted for as a reduction in equity. Any gains or losses resulting from the later sale of such shares are recognised in equity.

Dividends

Dividends from investees are recognised when the shareholders' right to receive payment is established. Dividends and interim dividends payable to shareholders are shown as changes in equity at the date in which they are approved by the General Meeting of shareholders and the Board of Directors, respectively.

Income taxes

Current income taxes are recognised as "Tax liabilities", net of advances paid, or "Income tax assets" where the net balance of the items is positive. They are based on the estimated taxable income and in accordance with current legislation, taking account of applicable exemptions.
Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of assets and liabilities recognised in the separate financial statements and the corresponding amounts recognised for tax purposes, using current tax rates or the rates expected to be in effect when the temporary differences reverse, based on rates approved at the reporting date.
Deferred tax assets are recognised when their recovery is considered probable, i.e. when future taxable income will be available against which the asset can be used. The recoverability of deferred tax assets is reviewed at the end of each year.
Deferred tax liabilities are recognised in any case if they exist. Taxes relating to items recognised directly in the income statement are also allocated to the income statement.

Discontinued operations and non-current assets held for sale

Where the carrying amount of non-current assets (or disposal groups) is to be recovered primarily through sale rather than through continued use, these items are classified as held for sale and shown separately from other assets and liabilities in the statement of financial position. Non-current assets (or disposal groups) classified as held for sale are initially recognised under the specific IFRS/IAS applicable to each asset and liability and subsequently accounted for at the lower of the carrying amount and fair value less costs to sell. The carrying amounts of each asset and liability not falling within the scope of application of the measurement criteria provided for in IFRS 5, but that are held for sale, are remeasured in accordance with the applicable IFRS before remeasurement of the fair value less costs to sell. Any subsequent impairment losses are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale with a matching entry in profit or loss. The matching amounts for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, represents a major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or, finally, is an investment acquired exclusively with a view to resale.

New accounting policies

International accounting policies effective as of 1 January 2024

A number of new amendments to standards already applied, none of which have had a significant impact, came into effect from 1 January 2024. The relevant standards are as follows:

Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

The amendment, endorsed by Regulation 2024/1317 of the European Commission, adds new disclosure requirements and guidance within existing disclosure obligations, requiring entities to provide qualitative and quantitative information on supplier financing arrangements. The document requires an entity to provide additional disclosures on any reverse factoring agreements to enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk. The amendments are effective from 1 January 2024, although early adoption is permitted.
The changes have not had a significant impact on the Company's financial statements.

Amendment to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date e Non-current Liabilities with Covenants

The amendment, approved by Regulation 2023/2822 of the European Commission, aims to clarify how payables and other short- or long-term liabilities should be stated. In addition, the amendments also improve the disclosures that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with specified conditions (i.e., covenants). The amendments are effective from 1 January 2024, although early adoption is permitted.
The changes have not had a significant impact on the Company's financial statements.

Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendment, approved by Regulation 2023/2579 of the European Commission, requires the seller-lessee to measure the lease liability resulting from a sale and leaseback transaction so that any gain or loss relating to the right of use retained is not recognised.
The changes have not had a significant impact on the Company's financial statements.

International accounting policies, amendments and interpretations endorsed but yet to come into effect

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

On 15 August 2023, the IASB published an amendment entitled "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document clarifies when a currency is exchangeable, how to estimate the exchange rate and the disclosure to provide in the notes to financial statements. The document requires an entity to apply a method on a consistent basis to determine if a currency is exchangeable and, when this is not possible, specifies how to determine the exchange rate to use and the disclosure to provide in the notes to the financial statements. The amendment is effective from 1 January 2025, although early adoption is permitted. The Company is currently assessing the potential impact of the introduction of these amendments on the financial statements.

International accounting policies, amendments and interpretations awaiting endorsement

For newly issued amendments, standards and interpretations that have not yet been endorsed by the EU, but which address issues that affect or could affect the Group, assessments are currently being conducted of the possible impact of their application on the financial statements, taking into account the date on which they will take effect. In particular:

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The standard, published on 9 May 2024, aims to simplify the requirements in terms of disclosures in the notes to the financial statements for companies without public accountability controlled by groups applying international accounting policies. The amendment sets out simplifications designed to reduce the costs of preparing the financial statements of subsidiaries, while maintaining the usefulness of the information for users of financial statements.
The amendment is effective from 1 January 2027, although early adoption is permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

The standard, published on 9 April 2024, aims to improve the disclosure of corporate performance in terms of comparability, transparency and usefulness of the information published through the financial statements, and introduces significant changes in its structure, with special reference to the income statement.
The amendment is effective from 1 January 2027, although early adoption is permitted.

Annual Improvements Volume 11

On 18 July 2024, the IASB published Annual Improvements to IFRS Accounting Standards - Volume 11, which contains clarifications, simplifications, corrections and amendments to IFRS accounting policies aimed at improving their consistency. The accounting policies affected are: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statement of Cash Flows. The amendments will become effective from 1 January 2026, although early adoption is permitted.

Amendment to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

The amendment, published on 30 May 2024, clarifies a number of problematic issues arising from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (e.g. green bonds).
The amendments will apply to financial statements for financial years beginning on or after 1 January 2026.

Amendment to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity

This amendment, published on 18 December 2024, aims to help companies provide a better disclosure of the financial effects of contracts structured as Power Purchase Agreements (PPAs).
The amendments will apply to financial statements for financial years beginning on or after 1 January 2026, although early adoption is permitted.

B. Notes to the income statement

Revenue

1. Revenue from sales and services - €2,960.6 million

(€m)

	2024	2023	CHANGE
Transmission charges billed to grid users and incentives	2,242.2	1,955.6	286.6
Dispatching and metering fees and other energy-related revenue	153.8	127.1	26.7
Incentives for dispatching activities	345.9	303.8	42.1
Revenue from services performed under concession	112.9	80.6	32.3
Quality of service	20.5	11.2	9.3
Other sales and services	85.3	89.0	(3.7)
TOTAL	**2,960.6**	**2,567.3**	**393.3**

Transmission charges billed to grid users and incentives

This item, amounting to €2,242.2 million, includes revenue from the core business relating to the allowed return due to the Company for use of the National Transmission Grid.
The increase in this item (up €286.6 million) is mainly due to the increase in the WACC recognised for 2024 (pursuant to Resolution 556/2023, from 5% in 2023 to 5.8% in 2024), the expansion of the Regulated Asset Base (RAB) and the related depreciation recognised, in view of the new 2024-2027 Tariff Regulation criteria introduced by ARERA Resolution 615/2023 (up €353.4 million), net of the lower incentives related to the increase in transportation capacity between market zones as pursuant to Resolution 567/2019, totalling -€66.8 million.

Dispatching and metering fees and other energy-related revenue

This item regards fees received in return for providing dispatching and metering services (the dispatching component, amounting to €149.4 million, and the metering component, amounting to €2.6 million) and other energy-related revenue of €1.8 million.
The item is up €26.7 million compared with the previous year, broadly due to the increase in dispatching fees introduced by Resolution 632/2023.

Incentives for dispatching activities

This item represents the output-based incentives for dispatching activities, amounting to €345.9 million.
These incentives essentially consist of the mechanisms introduced by Resolutions 597/2021 and 132/2022, designed to cut DSM costs, the shortfall in wind production and essential plants (€345.9 million), representing the accrued present value of the incentive for the period 2022-2024, which takes into account the final figure of the 2024 performance and the adjustment of the estimated present value of the incentive in the three-year period carried out in the financial years 2022 and 2023 (amounting to €924.7 million before the effect of discounting given the timing of payment).
This item shows a year-over-year increase of €42.1 million, due to the recognition of the share pertaining to the period, recognised taking into account the final figure of the 2024 performance (the last year of the 2022-2024 period) and the adjustment of the estimated present value of the incentive in the three-year period carried out in the two previous financial years.

Revenue from services performed under concession

This item includes revenue from infrastructure construction and upgrade services performed under concession, recognised in application of IFRIC 12, amounting to €112.9 million.
The increase compared with the previous year, amounting to up €32.3 million, regards greater investment in dispatching infrastructure during the period.

Quality of service

This item, amounting to €20.5 million, regards the RENS (Regulated Energy Not Supplied) incentive mechanism introduced by Resolution 653/2015/r/eel, calculated on a pro rata basis taking into account the estimated overall results expected in the 2020-2025 regulatory period.
This item showed an increase of €9.3 million compared to the previous year, due to the 2024 performance (€6.8 million) and contingencies for the requalification of certain events that occurred in the FY2023 and identified as force majeure events (€2.5 million).

Other sales and services

The item, "Other sales and services", amounting to €85.3 million mainly regards revenue from administrative, support and consultancy services provided to subsidiaries (€25.8 million, including €20.6 million from services rendered to Terna Rete Italia S.p.A.), from connections to the NTG (€15.9 million) and from Non-regulated Activities (€58.0 million), primarily support and housing services for fibre networks (€23.2 million) and progress on construction of the private Italy-Austria interconnector (€3.4 million).
The year-over-year change (down €3.7 million) was mainly due to lower revenue from the completion of work on the private Italy-Austria Interconnector (down €7.7 million) and lower revenue from Connectivity activities in the Non-regulated Activities business (down €0.4 million), partially offset by higher revenue from NTG connection services (up €5.1 million).
Lower revenue was also posted in respect of (i) the SA.CO.I.3 project relating to O&M activities (down €0.1 million) and (ii) subsidiaries (down €0.6 million) mainly due to administrative services for scope adjustment, as well as other non-recurring effects.

Pass-through revenue/expenses

This item regards "pass-through" revenue and expenses (the balance of which amounts to zero). These items result from purchases and sales of electricity from electricity market operators carried out each day. Measurements for each point of injection and withdrawal are taken and the differences, with respect to energy market schedules are calculated. These differences, known as imbalances, are then measured using algorithms established by the regulatory framework. The net charge resulting from calculation of the imbalances and the purchases and sales, carried out by Terna, on the DSM, is billed on a pro rata basis to each end consumer via a specific uplift payment.
This item also reflects the portion of the transmission charge that Terna passes on to other grid owners.

The components of these transactions are shown in greater detail below.

(€m)

	2024	2023	CHANGE
Power Exchange-related revenue items	**4,914.1**	**5,244.2**	**(330.1)**
- Uplift	468.4	479.3	(10.9)
- Electricity sales	396.0	442.6	(46.6)
- Imbalances	1,573.0	1,673.9	(100.9)
- Congestion revenue	235.9	355.4	(119.5)
- Load Profiling for public lighting	324.0	348.0	(24.0)
- Charges for right to use transmission capacity and market coupling	1,384.3	1,209.8	174.5
- Interconnectors/shippers	50.5	57.6	(7.1)
- Other Power Exchange-related pass-through revenue items	482.0	677.6	(195.6)
Total over-the-counter revenue items	**3,828.3**	**3,742.9**	**85.4**
- Transmission and dispatching service Penalties from auxiliary service providers	-	0.1	(0.1)
- Capacity market	1,651.8	1,470.40	181.4
- Coverage of wind farm costs	22.1	20.6	1.5
- Transmission revenue passed on to other NTG owners	181.9	153.0	28.9
- Charge to cover cost of essential plants	1,176.2	1,019.6	156.6
- Consumption reduction service	2.00	-	2.0
- Charge to cover cost of interruptibility service	453.7	329.3	124.4
- Charge to cover cost of LV capacity and protection service	208.2	328.6	(120.4)
- Other pass-through revenue for over-the-counter trades	132.4	421.3	(288.9)
TOTAL PASS-THROUGH REVENUE	**8,742.4**	**8,987.1**	**(244.7)**
Total Power Exchange-related cost items	**4,914.1**	**5,244.2**	**(330.1)**
- Electricity purchases	1,147.9	1,185.1	(37.2)
- Imbalances	1,757.7	1,624.6	133.1
- Congestion revenue	136.0	170.1	(34.1)
- Load Profiling for public lighting	344.5	447.3	(102.8)
- Charges for right to use transmission capacity and market coupling	759.4	559.0	200.4
- Interconnectors/Shippers	305.7	599.7	(294.0)
- Other Power Exchange-related pass-through cost items	462.9	658.4	(195.5)
Total over-the-counter cost items	**3,828.3**	**3,742.9**	**85.4**
- Transmission and dispatching service Penalties from auxiliary service providers	-	0.1	(0.1)
- Capacity market	1,651.8	1,470.4	181.4
- Shortfall in wind production	22.1	20.6	1.5
- Transmission costs passed on to other NTG owners	181.9	153.0	28.9
- Fees paid for essential units	1,176.2	1,019.6	156.6
- Consumption reduction service	2.0	-	2.0
- Fees paid for interruptibility service	453.7	329.3	124.4
- Fees paid for LV capacity and protection service	208.2	328.6	(120.4)
- Other pass-through costs for over-the-counter trades	132.4	421.3	(288.9)
TOTAL PASS-THROUGH COSTS	**8,742.4**	**8,987.1**	**(244.7)**

In 2024, the uplift cost totalled approximately at €445 million (provisional data), showing a slight increase compared to on the previous year (€401 million). This increase is due to a reduction in revenue generated by congestion revenue within the Italian and foreign market zones[3], an increase in the countervalue associated with the cost of Start-up Fees and Set-up Change Fees[4] partly offset by the reduction in the cost for the Dispatching Services Market and the cost for the virtual interconnection service.

[3] Congestion Income is revenue and is generated when different equilibrium prices are formed in different market zones in Energy Markets.
[4] Start-up Fees and Set-up Change Fees are payments made to production plants who have the right to receive them when Terna requests them to fire up the plant or change their structure.

2. Other revenue and income – €62.5 million

(€m)

	2024	2023	CHANGE
Payment for lease of operations	22.6	22.7	(0.1)
Sundry grants	7.6	8.5	(0.9)
Revenue from IRU contracts for fibre	7.0	4.2	2.8
Gains on sale of infrastructure components	5.0	12.4	(7.4)
Rental income	3.4	2.9	0.5
Sales to third parties	3.0	1.5	1.5
Insurance proceeds as compensation for damages	2.6	4.9	(2.3)
Contingent assets	0.2	0.2	-
Other revenues	11.1	10.2	0.9
TOTAL	**62.5**	**67.5**	**(5.0)**

The most significant components of “Other revenue and income” primarily regard the revenue received from the subsidiary, Terna Rete Italia S.p.A., as payment for the year made under the agreement for the lease of certain operations (€22.6 million), gains on the sale of infrastructure components (€5.0 million), sundry grants (€7.6 million) primarily in relation to the re-routing of lines for third parties, the sale of IRU contracts for fibre (€7.0 million), in addition to other revenues and contingent assets totalling €11.3 million, including €9.7 million from subsidiaries for services rendered under existing intercompany contracts.
The decrease in this item of (down €5.0 million) compared to the previous year primarily reflects lower revenue from gains on the sale of infrastructure components (down €7.4 million, essentially scrap, transformers and motor vehicles), partially offset by increased revenue from Connectivity services linked to IRU contracts for fibre (up €2.8 million).

Operating costs

3. Raw and consumable materials used - €10.6 million

This item, amounting to €10.6 million, includes the value of the various materials and supplies, including fuel for the vehicle fleet. This item was up €3.3 million over the previous year, broadly due to an increase in equipment purchased for the Cyber Security infrastructure.

4. Services – €546.3 million

(€m)

	2024	2023	CHANGE
Intercompany services, including technical and administrative services	442.0	390.6	51.4
Maintenance and sundry services	55.0	61.5	(6.5)
Lease expense	19.1	14.5	4.6
Insurance	11.8	10.6	1.2
IT services	11.7	5.5	6.2
Tender costs for plant	5.8	14.9	(9.1)
Remote transmission and telecommunications	0.9	0.8	0.1
TOTAL	**546.3**	**498.4**	**47.9**

The item, “Intercompany services, including technical and administrative services” regards the accrued costs incurred under specific intercompany contracts (€442.0 million), largely regarding the subsidiary Terna Rete Italia S.p.A., which maintains and operates the infrastructure owned by the Company (€313.0 million), to investment in the development of the Company’s transmission and dispatching infrastructure (€96.5 million) and activities and services relating to plant owned by third parties (€3.6 million). This item also includes bonuses relating to the quality of the transmission service attributable to Terna Rete Italia S.p.A. (€10.0 million).
Fees payable to members of the Board of Statutory Auditors amount to €0.2 million, whilst those payable to members of the Supervisory Board set up in compliance with Legislative Decree 231/2001 amount to €0.1 million.

Net of the costs recognised in accordance with IFRIC 12 for dispatching infrastructure development activities (which increased by €27.2 million), the increase in “Services” stood at €47.9 million, mainly referring to higher costs incurred with respect to the subsidiary Terna Rete Italia S.p.A. (up €17.0 million), notably relating to increased maintenance activities and the operation of owned plants (up €18.7 million) as well as to the higher performance bonus related to the quality of the transmission service attributed to the Company (up €4.1 million), partially offset by a decrease in activities and services performed on third-party plants on behalf of the Company (down €7.5 million, essentially related to the completion of the private Italy-Austria Interconnector project). Costs for IT services also rose (up €6.2 million) due to provision for right-of-way fees (up €3.9 million), Terna’s investments in GRIT and CORESO (up €1.8 million) and insurance costs (up €1.2 million), net of lower costs for advertising expenses (down €8.3 million, mainly related to the “*noi siamo energia*” advertising campaign launched in the previous year).

Under the Terna Group’s current organisational structure, responsibility for the activities involved in investment in the development and upgrade of dispatching infrastructure lies with both Terna S.p.A. itself and the subsidiary Terna Rete Italia S.p.A.. The related cost is held entirely under “Services” as a service received from the subsidiary. The following table shows details of the costs recognised in application of IFRIC 12 and within the scope of the item under review.

(€m)

	2024	2023	CHANGE
IT services	6.3	0.8	5.5
Tender costs for plant	5.1	14.0	(8.9)
Maintenance and sundry services	3.3	3.4	(0.1)
Cost of services relating to investment in dispatching infrastructure (IFRIC 12)	***14.7***	***18.2***	***(3.5)***
Cost of services recognised in application of IFRIC 12 – Services from Terna Rete Italia S.p.A.	88.2	57.5	30.7
Total cost of services relating to investment in dispatching infrastructure (IFRIC 12)	**102.9**	**75.7**	**27.2**

5. Personnel expenses - €125.1 million

(€m)

	2024	2023	CHANGE
Salaries, wages and other short-term benefits	123.4	105.0	18.4
Directors’ remuneration	2.2	2.1	0.1
Termination benefits (*TFR*), energy discounts and other employee benefits	7.9	14.0	(6.1)
Early retirement incentives	14.8	17.2	(2.4)
Gross personnel expenses	***148.3***	***138.3***	***10.0***
Capitalised personnel expenses	(23.2)	(19.1)	(4.1)
TOTAL	**125.1**	**119.2**	**5.9**

Personnel expenses stood at €125.1 million in 2024. They essentially refer to costs for wages, salaries and other short-term benefits (€123.4 million), post-employment benefits (€7.9 million), leaving incentives (€14.8 million), directors' emoluments (€2.2 million) and capitalised personnel costs (down €23.2 million).
Personnel expenses showed an increase of €5.9 million, mainly due to the increase in the average value, higher accrued incentives, extraordinary incentives paid out in 2024, and higher capitalisations.

The following table shows the Company's workforce by category at the end of the year and as the average for the year.

(unità)

	AVERAGE WORKFORCE		WORKFORCE AT	
	2024	2023	31.12.2024	31.12.2023
Senior managers	57	56	58	54
Middle managers	365	342	387	347
Office staff	813	717	907	742
Total	**1,235**	**1,115**	**1,352**	**1,143**

The net increase in the average workforce compared with 2023 is up 120. This is essentially linked to the requirements relating to delivery of the investment programme included in the 2024-2028 Industrial Plan.

6. Amortisation, depreciation and impairment losses – €795.0 million

(€m)

	2024	2023	CHANGE
Amortisation of intangible assets	154.7	118.7	36.0
- of which rights on infrastructure	*45.7*	*34.8*	*10.9*
Depreciation of property, plant and equipment	625.3	591.8	33.5
Write-downs of property, plant and equipment	14.6	8.7	5.9
Impairment losses on trade receivables	0.4	0.1	0.3
TOTAL	**795.0**	**719.3**	**75.7**

Amortisation, depreciation and impairment losses for the period stood at €795.0 million, showing an increase of €75.7 million compared to 2023, essentially due to the commissioning of new plants.

7. Other operating costs - €27.7 million

(€m)

	2024	2023	CHANGE
Fees paid to regulators and membership dues	9.6	9.7	(0.1)
Indirect taxes and local taxes and levies	9.5	8.8	0.7
Quality of service costs	2.5	5.3	(2.8)
of which mitigation and sharing mechanisms	*4.3*	*2.3*	*2.0*
of which Fund for Exceptional Events	*(1.6)*	*2.8*	*(4.4)*
of which compensation mechanisms for HV users	*(0.2)*	*0.2*	*(0.4)*
Adjustment of provisions for litigation and disputes	(0.3)	(0.9)	0.6
Losses on sales/disposal of plant	0.7	0.8	(0.1)
Other operating costs	5.7	6.0	(0.3)
TOTAL	**27.7**	**29.7**	**(2.0)**

The most significant components of this item regard the costs incurred by the Company for membership dues and fees paid to trade bodies and associations relating to the Group's activities (€9.6 million), indirect taxes, local taxes and levies (€9.5 million, including €7.6 million in council tax), quality of service costs (€2.5 million), and other operating costs (€5.7 million), which include donations and other expenses.

This item dropped by €2.0 million essentially due to lower charges related to service quality (down €2.8 million, mainly related to higher charges incurred for outages that occurred in the first half of 2023), partially offset by the adjustment of provisions related to past provisions pursuant to the Land Registry's Circular 6/2012 and to disputes and litigation (up €0.6 million).

8. Financial income/(expenses) – (€131.2) million

(€m)

	2024	2023	CHANGE
FINANCIAL EXPENSES			
Financial expenses attributable to subsidiaries	(8.2)	(7.1)	(1.1)
Interest expense on medium/long-term borrowings and related hedges	(348.6)	(235.5)	(113.1)
Adjustments to bonds in issue and the related hedges	(0.4)	(2.8)	2.4
Discounting, employee benefits and operating leases	(0.8)	-	(0.8)
Foreign exchange losses	(0.1)	(0.1)	-
Capitalised financial expenses	74.1	48.3	25.8
Other financial expenses	(12.5)	(35.6)	23.1
Total expenses	**(296.5)**	**(232.8)**	**(63.7)**
FINANCIAL INCOME			
Dividends from subsidiaries	-	17.3	(17.3)
Dividends from associates	2.2	1.8	0.4
Financial income from subsidiaries	8.4	8.3	0.1
Implementation of output-based incentives	31.0	30.9	0.1
Discounting of receivables, termination benefits (*TFR*) and operating leases	-	0.7	(0.7)
Interest income and other financial income	123.7	83.0	40.7
Total income	**165.3**	**142.0**	**23.3**
TOTAL	**(131.2)**	**(90.8)**	**(40.4)**

Net financial expenses for the year stood at €131.2 million. The increase in net financial expenses compared with the previous year, amounting to €40.4 million, primarily reflects the following:

- higher financial expenses (€113.1 million) related to borrowings following the new debt incurred in the period and the increase in interest rates on these new transactions and on existing variable-rate loans, partially offset by lower inflation related to the inflation-linked bond (maturing in September 2023);
- a decrease of €23.1 million in other financial expenses, essentially related to the uplift component;
- an increase in capitalised financial expenses (up €25.8 million) due to increased investment during the period;
- dividends distributed by the subsidiaries Terna Interconnector (down €11.7 million) and Terna Gora (down €5.6 million) in the previous year;
- higher dividends distributed by the associate CGES A.D. (up €0.4 million);
- a €40.7 million increase in financial income on cash and other financial assets due to higher liquid assets invested under improved market conditions;

9. Income tax for the year – €416.8 million

(€m)

	2024	2023	CHANGE
Income tax for the year			
Current tax expense:			
- IRES (corporate income tax)	364.2	299.0	65.2
- IRAP (regional tax on productive activities)	85.9	67.3	18.6
Total current tax expense	**450.1**	**366.3**	**83.8**
New temporary differences:			
- deferred tax assets	(41.2)	(41.3)	0.1
Reversal of temporary differences:			
- deferred tax assets	6.8	9.9	(3.1)
Total deferred tax (income)/expense	**(34.4)**	**(31.4)**	**(3.0)**
Adjustments of taxes for previous years	1.1	0.5	0.6
TOTAL	**416.8**	**335.4**	**81.4**

,Current taxes for the year totalled €450.1 million, showing an increase compared to the previous year, essentially due to the higher pre-tax result and higher non-deductible expenses recognised in the year as a result of, among other things, the repeal of the benefits deriving from the Economic Growth Aid (ACE - Law Decree 50/2017) regulations as of the 2024 tax period.
Net deferred tax expense of €34.4 million was down €3.0 million, primarily due to higher net provisions for deferred taxes essentially connected with the impact of taxation on depreciation and amortisation.
Adjustments to taxes for previous years, amounting to €1.1 million, reflect the overpayment of current tax expense in previous years and increased by €0.6 million.

The effective tax charge for the year (€416.8 million) results in a tax rate of 30.0%, showing an increase compared to 2023 (28.7%), as highlighted earlier. For a clearer presentation of the differences between the theoretical and effective tax charges, the table below reconciles the theoretical and effective tax rates for the year.

(€m)

	TAXABLE INCOME	TAX	% CHANGE
Profit before tax	1,387.2		
IRES – Theoretical tax charge (rate of 24.0%)		332.9	
IRAP – theoretical tax charge (rate of 5.08% on the operating profit of €1,518.4 million)		77.1	
		410.0	
THEORETICAL TAX RATE			**29.6%**
Permanent differences in IRES			
Non-deductible remuneration		0.4	0.1%
Contingent assets and liabilities		0.4	0.1%
Membership fees		0.2	-
Other increases		1.8	0.1%
Accelerated depreciation		(3.3)	(0.2%)
Dividends		(0.3)	(0.1%)
Other decreases		(0.1)	-
IRAP at a rate of 10%		(1.7)	(0.1%)
Non-deductible remuneration		0.4	0.1%
Permanent differences in IRAP			
Capitalised financial expenses		3.8	0.3%
Personnel expenses		0.3	-
Other movements		4.2	0.4%
Effective tax rate after adjustments of taxes for previous years			**30.2%**
Income tax for previous years		1.1	(0.2%)
Total income tax expense for the year		**416.8**	
EFFECTIVE TAX RATE			**30.0%**

10. Profit/(loss) from discontinued operations and assets held for sale

Profit/(loss) from discontinued operations and assets held for sale was nil, and was substantially in line with the previous year.

11. Earnings per share

The amount of basic earnings per share, corresponding to diluted earnings per share, totalled €0.478 (numerator totalling €970.4 million — corresponding to the profit for the year, net of the effect of interest paid to the holders of perpetual subordinated hybrid bonds and the related tax effect (down €12.4 million) — and denominator being 2,006,064,004.0 shares, equal to the weighted average number of shares outstanding during the year).

C. Operating segments

In line with the requirements of "IFRS 8 – Operating segments", companies that publish a parent company's consolidated financial statements in a single document, together with the company's separate financial statements, only have to present segment information in the consolidated financial statements.

D. Notes to the statement of financial position

Assets

12. Property, plant and equipment – €17,275.6 Million

(€m)

	LAND	BUILDINGS	PLANT AND EQUIPMENT	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
COST AT 31 DECEMBER 2023	**146.2**	**2,368.1**	**20,717.7**	**146.0**	**232.3**	**2,511.4**	**26,121.7**
Investments	0.8	7.8	0.1	5.5	3.4	2,344.0	2,361.6
of which right-of-use assets	-	*2.0*	-	-	*2.0*	*2.7*	*6.7*
Assets entering service	6.5	125.1	934.9	5.8	33.5	(1,105.8)	-
of which right-of-use assets	-	-	-	-	*0.3*	*(0.3)*	-
Intercompany purchases	-	-	3.9	-	-	0.3	4.2
Intercompany sales	-	-	(1.1)	-	-	-	(1.1)
Disposals and impairments	-	(3.6)	(112.1)	(1.3)	(1.1)	(13.9)	(132.0)
of which right-of-use assets	-	*(3.4)*	-	-	*(1.1)*	-	*(4.5)*
Other movements	3.5	(8.0)	(28.5)	(0.2)	(15.7)	(13.8)	(62.7)
COST AT 31 DECEMBER 2024	**157.0**	**2,489.4**	**21,514.9**	**155.8**	**252.4**	**3,722.2**	**28,291.7**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2023	**(1.5)**	**(800.7)**	**(9,440.0)**	**(101.5)**	**(165.5)**	**-**	**(10,509.2)**
Depreciation	(0.3)	(59.4)	(537.9)	(7.4)	(20.3)	-	(625.3)
of which right-of-use assets	*(0.3)*	*(1.7)*	-	-	*(1.4)*	-	*(3.4)*
of which for financial lease	-	-	*(2.2)*	-	-	-	*(2.2)*
Intercompany purchases	-	-	(0.6)	-	-	-	(0.6)
Intercompany sales	-	-	0.3	-	-	-	0.3
Disposals	-	3.6	108.8	1.3	1.1	-	114.8
of which right-of-use assets	-	*3.4*	-	-	*1.1*	-	*4.5*
Other movements	-	-	(0.4)	-	4.3	-	3.9
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2024	**(1.8)**	**(856.5)**	**(9,869.8)**	**(107.6)**	**(180.4)**	**-**	**(11,016.1)**
Carrying amount							
AT 31 DECEMBER 2024	**155.2**	**1,632.9**	**11,645.1**	**48.2**	**72.0**	**3,722.2**	**17,275.6**
of which right-of-use assets	*4.1*	*4.7*	*13.8*	-	*3.0*	*2.5*	*28.1*
AT 31 DECEMBER 2023	**144.7**	**1,567.4**	**11,277.7**	**44.5**	**66.8**	**2,511.4**	**15,612.5**
of which right-of-use assets	*4.4*	*4.4*	*16.0*	-	*2.1*	*0.1*	*26.9*
CHANGE	**10.5**	**65.5**	**367.4**	**3.7**	**5.2**	**1,210.8**	**1,663.1**

The category, “Plant and equipment”, essentially includes the electricity transmission grid and transformer substations in Italy.

“Property, plant and equipment” is up €1,663.1 million, compared 31 December 2024, broadly due to the following movements:

- investment for the period (up €2,361.6 million), including €2,334.0 million in Regulated Activities;
- acquisition — from the subsidiary Rete S.r.l. on 10 October 2024 — of two 132 kV power lines “Roseto RT - Pescara Porta Nuova RT” and 06 kV “Avezzano RT - Carrito RT” for a consideration of €3.6 million;
- amortisation and depreciation for the year (down €625.3 million);
- other movements during the year in “Property, plant and equipment”, resulting in a reduction of €59.6 million. This includes grants related to assets (down €48.5 million, primarily for the re-routing of power lines at the request of third parties and projects financed by the Ministry of Enterprises and Made in Italy and the EU) and disposals and impairment losses resulting in a reduction of €17.2 million.

With reference to the main projects undertaken during the year in the area of Regulated Activities, those particularly worthy of note were the continuation of activities for the construction of the Tyrrhenian Link (€654.7 million), the commencement of executive design activities related to the construction of the Adriatic Link (€118.5 million) and to the construction of the SA.CO.I.3, (€83.4 million), the progress in the construction of the Paternò-Pantano-Priolo power line (€22.5 million), the Olympic Projects (€99.4 million), Colunga-Calenzano (€38.6 million), Bolano-Annunziata (€31.3 million), Cassano-Chiari (€27.3 million), the construction of the reactors and stabilising resistors (€16.2 million and €9.4 million, respectively), the installation of the synchronous compensators (€21.8 million) and the expansion of the "'Fiber for the Grid" project (€9.6 million).

13. Goodwill – €190.2 Million

Goodwill (€190.2 million) pertains to the goodwill resulting from the mergers with the subsidiaries RTL (€88.6 million, merged into the Company in 2008) and Terna Rete Italia S.r.l. (€101.6 million incorporated in 2017).
The balance is unchanged with respect to the previous year.

Impairment testing

Cash Generating Unit – Terna S.p.A.'s transmission activities

For impairment testing purposes, Terna S.p.A.'s Regulated Activities were considered to be a cash generating unit (CGU). Measurement of the recoverable amount of the goodwill allocated to the transmission activities was based on fair value less costs of disposal. Determination of the carrying amount of the CGU represented by the NTG was based on Terna S.p.A.'s net invested capital at 31 December 2024, appropriately adjusted for the assets and liabilities not falling within the scope of Transmission activities (e.g., Dispatching, Non-regulated and International activities). The recoverable amount was based on fair value after applying an EBITDA multiple to the operating profit of the CGU represented by the NTG. This multiple was calculated at the level of the Company, as the ratio between the enterprise value (the sum of the stock market capitalization and net debt) and the Company's EBITDA. The result obtained is significantly higher than the carrying amount recognised in the financial statements inclusive of goodwill.

14. Intangible assets – €692.5 Million

(€m)

	INFRASTRUCTURE RIGHTS	CONCESSIONS	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
Cost	665.1	135.4	634.0	129.8	1.564.3
Accumulated amortisation	(456.4)	(101.7)	(432.9)	-	(991.0)
BALANCE AT 31 DECEMBER 2023	**208.7**	**33.7**	**201.1**	**129.8**	**573.3**
Investments	-	-	0.2	264.1	264.3
Assets entering service	61.9	-	137.3	(199.2)	-
Disposals and impairments	-	-	-	(0.7)	(0.7)
Depreciation	(45.6)	(5.7)	(103.4)	-	(154.7)
Other movements	10.3	-	-	-	10.3
BALANCE AT 31 DECEMBER 2024	**235.3**	**28.0**	**235.2**	**194.0**	**692.5**
Cost	741.3	135.4	771.5	194.0	1.842.2
Accumulated amortisation	(506.0)	(107.4)	(536.3)	-	(1.149.7)
BALANCE AT 31 DECEMBER 2024	**235.3**	**28.0**	**235.2**	**194.0**	**692.5**
CHANGE	**26.6**	**(5.7)**	**34.1**	**64.2**	**119.2**

Intangible assets amount to €692.5 million and include:

- the infrastructure used in provision of the dispatching service in Italy accounted for in accordance with "IFRIC 12 – Service Concession Arrangements", with the carrying amount, at 31 December 2024 of infrastructure entering service during the year amounting to €235.3 million and of those under construction, included in the category "Assets under development and prepayments", amounting to €76.2 million (at 31 December 2023, the matching figures were €208.7 million and €41.7 million, respectively);
- the concession for electricity transmission and dispatching activities in Italy (with a carrying amount of €28.0 million at 31 December 2024). This 25-year concession was recognised in 2005, initially at fair value and subsequently at cost.

Other intangible assets primarily include software applications, either produced internally or purchased as part of systems development programmes. Investment in these assets during the year (€167.7 million) essentially regards internal development programmes.
The increase compared with the previous year (up €119.2 million) reflects the net effect of investment (up €264.3 million, including €96.4 million in infrastructure rights) and amortisation (down €154.7 million).
Investment in intangible assets during the year (€264.3 million, entirely within the scope of Regulated Activities) included expenditure on the development of software applications for the Remote Management System for Dispatching (€47.1 million), the Power Exchange (€15.3 million), the Metering System (€2.8 million) and for protection of the electricity system (€4.6 million), as well as software applications and generic licences (€154.9 million).

15. Deferred tax assets – €156.2 million

(€m)

	31.12.2023	PROVISIONS	USES AND OTHER MOVEMENTS	EFFECTS RECOGNISED IN COMPREHENSIVE INCOME	31.12.2024
DEFERRED TAX ASSETS					
Property, plant and equipment	89.2	32.9	-	-	122.1
Provisions for risks and charges	16.4	4.5	(1.7)	-	19.2
Amounts due to employees	1.3	3.8	(2.1)	-	3.0
Cash flow hedges and financial assets	(13.4)	-	-	8.8	(4.6)
Tax relief on goodwill	11.9	-	(3.0)	-	8.9
Other	10.7	-	-	-	10.7
Total deferred tax assets	**116.1**	**41.2**	**(6.8)**	**8.8**	**159.3**
DEFERRED TAX LIABILITIES					
Employee benefits and financial instruments	(3.1)	-	-	-	(3.1)
TOTAL DEFERRED TAX LIABILITIES	**(3.1)**	**-**	**-**	**-**	**(3.1)**
NET DEFERRED TAX ASSETS	**113.0**	**41.2**	**(6.8)**	**8.8**	**156.2**

The balance of this item, amounting to €156.2 million, includes the net impact of movements in the Company's deferred tax assets and liabilities.

Deferred tax assets (€159.3 million) are up by a net €43.2 million compared with the previous year, reflecting the following movements:

- provisions of €8.8 million, reflecting the tax effect on the statement of comprehensive income, primarily of movements in cash flow hedges;

- provisions of €32.9 million due to provisions for accelerated depreciation;
- net provisions totalling €2.8 million related to the changes during the period in provisions for risks and charges mainly due to the tax effect on right-of-use fees (€2.3 million);
- net provisions totalling €1.7 million relating to movements during the year in provisions for risks and charges linked to amounts payable to employees;
- release of deferred tax assets recognised in relation to tax relief on the goodwill resulting from the merger with Terna Rete Italia S.r.l. (€3.0 million).

Deferred tax liabilities of €3.1 million are in line with the figure for 31 December 2023.

16. Financial assets

(€m)

	MEASUREMENT	31.12.2024	31.12.2023	CHANGE
Investments in subsidiaries	at cost	1,115.1	1,119.0	(3.9)
Investments in associates	at cost	46.8	46.8	-
Guarantee deposits	Amortised cost	372.4	285.0	87.4
Government securities	FVTOCI	-	119.1	(119.1)
Cash flow hedges	FVTOCI	-	17.4	(17.4)
NON-CURRENT FINANCIAL ASSETS		**1,534.3**	**1,587.3**	**(53.0)**
Government securities	FVTOCI	121.9	96.8	25.1
Other securities	FVTPL-FVTOCI	104.6	100.4	4.2
Time deposits	Amortised cost	200.0	150.0	50.0
Deferred assets on cash flow hedges		1.2	7.3	(6.1)
Other current financial assets		19.3	14.1	5.2
CURRENT FINANCIAL ASSETS		**447.0**	**368.6**	**78.4**

“Non-current financial assets” includes the items described below.

“Investments in subsidiaries” (€1,115.1 million) relates to investments in subsidiaries held directly by Terna S.p.A.. They decreased by €3.9 million compared to the year ended 31 December 2023, due to the impairment loss recognised on the investment in Terna Plus following the adjustment of the investment to the company’s shareholders’ equity value at 31 December 2024.

The figure posted for “Investments in associates” (€46.8 million) mainly relates to the investments in associates CGES – CrnoGorski Elektroprenosni Sistem AD (€26.7 million), CESI S.p.A. (€17.5 million), CORESO S.A. (€0.2 million) and joint arrangements ELMED Etudes S.a.r.l. (€0.3 million) and Selene CC S.A. (€2.1 million). The figure is in line with the previous year.

The following table shows key information on investments in subsidiaries, associates and joint ventures owned directly by Terna S.p.A. at 31 December 2024. Amounts relate to the latest approved financial statements.

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	CARRYING AMOUNT (€)
SUBSIDIARIES CONTROLLED DIRECTLY BY TERNA S.P.A.					
Terna Rete Italia S.p.A.	Rome	Euro	300,000	100%	21,461,425
Assets	Design, construction, management, development, operation and maintenance of power lines and grid infrastructure and other grid-related infrastructure, plant and equipment used in the above electricity transmission and dispatching activities and in similar, related and connected sectors.				
Terna Crna Gora d.o.o.	Podgorica (Montenegro)	Euro	208,000,000	100%	208,000,000
Assets	Authorisation, construction and operation of the transmission infrastructure forming the Italy-Montenegro interconnector on Montenegrin territory.				
Terna Plus S.r.l.	Rome	Euro	16,050,000	100%	73,292,803
Assets	Design, construction, management, development, operation and maintenance of plant, equipment and infrastructure for grids and systems, including distributed storage and pumping and/or storage systems.				
Terna Interconnector S.r.l.	Rome	Euro	10,000	65%*	19,926
Assets	Responsible for construction and operation of the private section of the Italy-France interconnector and civil works on the public section.				
Rete S.r.l.	Rome	Euro	387,267,082	100%	790,178,808
Assets	Design, construction, management, development, operation and maintenance of high-voltage power lines.				
Terna Energy Solutions S.r.l.	Rome	Euro	2,000,000	100%	12,282,156
Assets	Design, construction, management, development, operation and maintenance of distributed energy storage systems, pumping and/or storage systems, plant, equipment and infrastructure, including grids; research, consultancy and assistance in matters relating to the core business; any other activity capable of improving the use and development of plant, resources and expertise.				
ESPERIA-CC S.r.l.	Rome	Euro	10,000	1%**	100
Assets	A technical centre owned by a number of transmission system operators, which acts as the regional security coordinator for the TSOs, with the aim of improving and upgrading the security and coordination of the electricity system in south-eastern Europe.				
Terna Forward S.r.l.	Rome	Euro	10,000	100%	9,810,000
Assets	Development of new technological solutions for the Terna Group, investing in start-ups and small, medium and large enterprises with high innovation and technological potential.				

* *5% is held by Terna Rete Italia S.p.A. and 30% by Transenergia S.r.l..*
** *99% is held by Selene CC S.A.*

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL*	% INTEREST	CARRYING AMOUNT (€)
ASSOCIATES					
Cesi S.p.A.	Milan	Euro	8,550,000	42.68%	17,563,381
Assets	Experimental research and provision of services related to electro-technology.				
Coreso S.A.	Brussels (Belgium)	Euro	1,000,000	15.84%	210,742
Assets	Technical centre owned by several electricity transmission operators, responsible for coordinating joint operations of TSOs, in order to improve and upgrade the security and coordination of the electricity system in central and western Europe.				
CGES A.D.	Podgorica (Montenegro)	Euro	155,108,283	22.08%	26,694,419
Assets	Provision of transmission and dispatching services in Montenegro.				
Equigy B.V.	Arnhem (Netherlands)	Euro	50,000	20.00%	10,000
Assets	Provision of support for electricity balancing by TSOs through the development and implementation of blockchain technology.				
JOINT ARRANGEMENTS					
ELMED Etudes S.a.r.l.	Tunis (Tunisia)	Tunisian dinar	2,016,120	50.00%	274,917
Assets	Conduct of preparatory studies for construction of the infrastructure required to connect the Tunisian and Italian electricity systems.				
SEleNe CC S.A.	Thessaloniki (Greece)	Euro	6,210,000	33.33%	2,071,219
Assets	A technical centre owned by a number of transmission system operators, which acts as the regional security coordinator for the TSOs, with the aim of improving and upgrading the security and coordination of the electricity system in south-eastern Europe.				

** Figures taken from the latest approved financial statements at the date of preparation of this document.*

This item also includes:

- security deposits (€372.4 million), including the Interconnector Guarantee Fund (€180.2 million) set up to fund investment in interconnections by Article 32 of Law 99/09 and up €19.1 million compared to the previous year.

Security deposits also include €192.2 million received from operators participating in the capacity market in accordance with Resolution Del.98/2011/R/eel[5], as amended, showing a year-over-year decrease of €68.3 million;

- a €17.4 million reduction in cash flow hedges hedging borrowings due to changes in the market interest rates and derivatives held. The balance was measured by discounting expected cash flows using market interest rates at the measurement date;
- a €119.1 million reduction in Government Securities following their restatements under current financial assets.

"Current financial assets" increased by €78.4 million compared to the previous year, primarily in view of an increase in short-term time deposits during the period (up €50.0 million, net), an increase in unpaid accrued interest on financial investments (up €5.2 million) and a change in Italian government securities and other securities holdings (up €29.3 million), partially offset by recognition of interest accrued but not yet paid on derivative contracts (down €6.1 million).

17. Other assets

(€m)

	31.12.2024	31.12.2023	CHANGE
Loans and advances to employees	3.7	3.8	(0.1)
Deposits with third parties	1.4	1.3	0.1
Non-current receivables due from subsidiaries	2.7	2.8	(0.1)
OTHER NON-CURRENT ASSETS	**7.8**	**7.9**	**(0.1)**
Current receivables due from subsidiaries	0.4	0.4	-
Other tax credits	40.4	42.4	(2.0)
Amounts due from partners selected for Interconnector projects	3.4	2.9	0.5
Prepayments to suppliers	2.6	1.8	0.8
Prepayments of operating expenses and accrued operating income	10.0	9.5	0.5
Amounts due from others	3.7	4.6	(0.9)
OTHER CURRENT ASSETS	**60.5**	**61.6**	**(1.1)**

"Other non-current assets" stood at €7.8 million are in line with the previous year and include essentially receivables due from subsidiaries in relation to incentive plans benefiting the Company's employees through share-based payments (the Performance Share Plans 2021-2025, 2022-2026 and 2024-2028[6]).

"Other current assets" (€60.5 million) were down €1.1 million year-over-year, essentially reflecting:

- a change in "other tax credits" (down €2.0 million) mainly due to a decrease in refundable VAT (down €13.0 million), offset by an increase in withholding tax paid on interest income (up €4.9 million) and an increase of amounts due from Inland Revenue for corporate income tax (IRES) (up €6.0 million);
- a decrease of €0.9 million in "Amounts due from others", broadly due to other items to be settled recognised during the year and collected in early 2024.

[5] The regulations regarding the system of remuneration for availability of production capacity was approved by a Ministerial Decree of 28 June 2019. The deposits were paid by the energy-intensive operators after the competition held by Terna on 6 and 28 November 2019. These provide a guarantee for the entire capacity market from 2022, with the aim of ensuring the achievement and maintenance of the adequacy of the national electricity system, in order to structurally fulfil expected electricity consumption and the power reserve margins needed to meet predetermined levels of safety and quality of service.

[6] On 16 June 2021, 15 June 2022, 14 June 2023 and 26 June 2024, Terna S.p.A.'s Board of Directors approved the Terms and Conditions of the Performance Share Plans for 2021-2025, 2022-2026, 2023-2027 and 2024-2028 in accordance with the terms established by the Annual General Meeting of shareholders held on 30 April 2021, 29 April 2022, 9 May 2023 and 10 May 2024, respectively. Under the four LTI Plans, the right to receive a number of Terna S.p.A. shares (Performance Shares) will be granted free of charge at the end of the performance period, provided that the performance targets to which the Plans are linked are achieved.

18. Trade receivables – €2,936.1 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Energy-related receivables	2,186.9	1,268.5	918.4
Transmission charges receivables	682.1	576.3	105.8
Other trade receivables	21.5	60.6	(39.1)
Amounts due from subsidiaries	45.6	23.4	22.2
TRADE RECEIVABLES	**2,936.1**	**1,928.8**	**1,007.3**

Trade receivables amounted to €2,936.1 million and were accounted for net of impairment losses pertaining to receivables deemed as uncollectable and, as such, held under allowance for doubtful accounts (€70.6 million for energy-related receivables, of which €73.6 million pertained to non-recoverable dispatching receivables in respect of which an application for compensation was submitted pursuant to ARERA Resolution No. 5/2024[7], and €8.3 million pertaining to other receivables related to 2024, compared to €13.3 million for energy-related receivables and €10.2 million for other receivables related to 2023). More details available in section "E". The carrying amount shown broadly approximates to fair value.

The measurement of expected credit losses is described in the section, "A. Accounting policies and measurement criteria".

Energy-related/regulated receivables – €2,186.9 million

This item includes so-called "pass-through items" relating to the Parent Company's activities (€1,415.9 million) and receivables from users of dispatching services forming part of Regulated Activities (€750.5 million). It also includes the amount due from the Fund for Energy and Environmental Services (Cassa per i Servizi Energetici e Ambientali - CSEA) (€20.5 million), relating to quality of service.

These receivables were up €918.4 million compared to 2023 year-end, primarily reflecting:

- an increase in receivables for the procurement of dispatching resources ("Power Exchange") to the extent of €718.2 million, essentially referring to the uplift fee, which was mainly affected by the recovery and ensuing transfer of the benefit to the users of the credit balances accrued as a result of the cost reduction in the DSM area;
- an increase of €91 million in Capacity Market-related items due to higher receivables relating to hedging fees compared to the reference cost at the end of 2024;
- an increase in receivables (€58.8 million) arising from incentive mechanisms aimed at reducing dispatching costs (DSM incentive, Resolutions 597/2021 and 132/2022) as a result of the recognition of the bonus accruing in 2024 (€374.1 million[8], gross of the effect of discounting) net of the collections for the year in accordance with the methods set forth in the applicable regulations (€315.3 million, of which €50 million referred to intra-zonal incentives pursuant to Resolution 699/2018);
- receivables recognised as a result of the compensation of stranded receivables resolved pursuant to ARERA Resolution No. 5/2024[9] (€36.3 million, net of collections for the period).

Transmission charges receivable – €682.1 million

Transmission charges receivable, amounting to €682.1 million, represent the amount due to the Parent Company and other grid owners from electricity distributors for use of the National Transmission Grid. This receivable is up €105.8 million compared with 31 December 2023, reflecting the revised tariff (Resolution 632/2023)[10], recognition of the accrued return on digital substation systems in accordance with ARERA Resolution 565/2020, and recognition of the amount due to cover the added costs incurred in 2024 that were not covered by the specific tariff component relating to the Inter-TSO Compensation (ITC) scheme[11], recognised from 2020 through the transmission charge.

7 With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA RESOLUTION NO. 179/09).

8 Includes discount income totalling €28.2 million.

9 With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA RESOLUTION NO. 179/09).

10 "Determination of the reference revenue from the transmission and dispatching service and of the electricity transmission tariffs for 2024" whereby the reference revenue from the transmission and dispatching service and the electricity transmission tariffs for 2024 are determined, reflecting the adjustment set out in ARERA Resolutions 556/2023 and 615/2023.

11 Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows. The related charges are allocated to "Energy-related non pass-through payables".

Other trade receivables – €21.5 million

Other trade receivables, totalling €21.5 million, are down €39.1 million compared with the previous year. This primarily reflects a decrease in receivables resulting from Non-regulated Activities in the final quarter of the year.

Amounts due from subsidiaries – €45.6 million

This item, standing at €45.6 million, essentially relates to services provided in the last period of the year in accordance with contracts entered into with subsidiaries Terna Rete Italia S.p.A. (€23.7 million), mainly pertaining to the business unit lease fee (€8.8 million) and administrative services (€7.2 million), and Terna Energy Solutions S.r.l. (€18.4 million).

This item increased compared to the previous year (up €22.2 million), essentially due to an increase in amounts due from subsidiaries Terna Energy Solutions S.r.l. (up €12.6 million, related to the sale of fibre optic) and Terna Rete Italia S.p.A. (up €8.9 million), recognised in the last quarter of the year.

19. Cash and cash equivalents – €2,415.3 million

Cash totalled €2,415.3 million at 31 December 2024, having decrease by €956.0 million compared with 31 December 2023. This item consists of €2,013.0 million invested short-term readily convertible deposits, €142.4 million deposited in bank current accounts and as cash in hand and €259.9 million representing the net amount receivable on intercompany current accounts held by the Company on behalf of its subsidiaries.

20. Income tax assets – €3.3 million

Income tax assets, amounting to €3.3 million, are in line with the figure for the previous year.

Equity and liabilities

21. Equity – €6,976.1 million

Share capital – €442.2 million

Terna's share capital consists of 2,009,992,000 ordinary shares with a par value of €0.22 per share.

Legal reserve – €88.4 million

The legal reserve accounts for 20% of the Company's share capital and is unchanged with respect to the previous year.

Reserve for treasury shares - (€31.4) million

In accordance with the purchase of treasury shares programme linked to the new Performance Share Plan 2024-2028, approved by the Annual General Meeting of shareholders held on 10 May 2024, in the period between 4 September 2024 and 4 October 2024, the Company purchased 998,428 treasury shares (equal to 0.050% of the share capital), at a total cost of approximately €8.0 million. These are in addition to those purchased in previous years to service the Performance Share Plan 2020-2023, the Performance Share Plan 2021-2025, the Performance Share Plan 2022-2026 and the Performance Share Plan 2023-2027.

In addition, in the period between 10 May 2024 and 4 June 2024, the Parent Company allotted 1,060,240 treasury shares to the beneficiaries of the Performance Share Plan 2021-2025, amounting to a total of approximately €6.4 million.

As a result, at 31 December 2024, Terna S.p.A. now holds a total of 4,151,848 treasury shares (equal to 0.207% of the share capital), purchased at a cost of €31.4 million, thereby reducing other reserves by this amount.

Reserve for equity instruments – €1,835.6 million

The value of this reserve reflects non-convertible hybrid perpetual subordinated green and fixed-rate bonds ("hybrid green bonds") issued by Terna S.p.A.:

- Bond issued on 2 February 2022, for a face amount of €1 billion (€989.0 million net of ancillary costs). This bond, which is non-callable for six years, will pay coupon interest of 2.375% until 9 February 2028, the first reset date. After this date, 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.
- Bond issued on 4 April 2024, for a total face amount of €850 million (€842.1 million net of related ancillary costs). This bond, which is non-callable for six years, has an issue price set at 99.745%, with a spread of 214.2 basis points over the Mid-Swap rate. It features a fixed annual coupon of 4.750%, which will be paid until the first reset date (not included) on 11 April 2030 and will have an effective rate of 4.800%. From this date, unless the bond has been redeemed early, the hybrid bond will pay interest at the 5-year Euro Mid-Swap rate, increased by an initial spread of 214.2 basis points, rising by a further 25 basis points from 11 April 2035 and by another 75 basis points from 11 April 2050.

The tax effect on the ancillary costs of the aforementioned bonds was held under this item for a total amount of up €4.5 million.

Share premium reserve, Cash flow hedge reserve and Other reserves – €776.1 million

The "Share premium reserve", "Cash flow hedge reserve" and "Other reserves" at 31 December 2024 amount to €776.1 million, having fallen €27.5 million compared with 31 December 2023, broadly as a result of other comprehensive income. This reflects:

- fair value adjustments to the Parent Company's cash flow hedges (down €30.3 million, including the related hedging costs of -€0.1 million, after the related taxation);
- fair value adjustments to the value of financial assets represented by securities (up €2.3 million, after the related taxation);
- the change in actuarial gains and losses on provisions for employee benefits (up €0.2 million, after the related taxation).

Retained earnings and accumulated losses – €3,134.4 million

The increase in “Retained earnings and accumulated losses”, amounting to €161.3 million, primarily regards the remaining portion of profit for 2023 (up €152.2 million), following the Company’s payment of the dividend for 2023 (totalling €682.6 million), recognition of the interest accruing on the hybrid green bonds (down €2.6 million) and the recognition of the tax effect on such interest relating to the hybrid bond issued on 2 February 2022 accrued up to 31 December 2024 (up €11.4 million).

Interim dividend for 2024 and final dividend for 2023

On 6 November 2024, the Company’s Board of Directors, having obtained the Independent Auditor’s opinion required by article 2433-*bis* of the Italian Civil Code, decided to pay an interim dividend of 11.92 euro cents per share. The dividend was payable from 20 November 2024, with an ex-dividend date for coupon 41 on 18 November 2024. The dividend was paid to the holders of each ordinary share outstanding, with the exception of the amount payable on treasury shares held at the record date of 19 November 2024.
The Annual General Meeting of shareholders held on 10 May 2024 approved payment of a dividend for full-year 2023 of 33.96 eurocents per share, and the payment – before any withholdings required by law – of a final dividend of 22.50 eurocents per share (payable from 26 June 2024, with an ex-dividend date for coupon 40 of 24 June 2024), of which 11.46 eurocents paid in the form of an interim dividend payable from 22 November 2023.

The individual components of equity at the end of the year are shown below, specifying their origin, availability and distributability.

(€m)

	31.12.2024	POTENTIAL USE	AVAILABLE AMOUNT
Share capital	442.2	-	-
Legal reserve:			
- equity instruments – Perpetual hybrid bonds	1,835.6	-	-
- other	416.1	A,B,C	416.1
Revenue reserves:			
- legal reserve	88.4	B	88.4
- actuarial gains (losses) on employee benefits, cash flow hedges and financial assets after taxation	15.0	-	-
- reserve for share-based payments (LTI Plan)	11.2	-	-
- negative reserve for treasury shares	(31.4)	-	-
- other	333.8	A,B,C	333.8
Retained earnings/(accumulated losses)	3,134.4	A,B,C	3,134.4
Interim dividend	(239.6)	A,B,C	-
TOTAL	**6,005.7**		

Key:
A – for capital increases
B – to cover losses
C – for distribution to shareholders

The available amount includes €493.2 million in untaxed revenue reserves.

22. Borrowings and financial liabilities

(€m)

	31.12.2024	31.12.2023	CHANGE
Bond issues	6,048.3	5,664.2	384.1
Bank borrowings	5,329.9	3,705.0	1,624.9
LONG-TERM BORROWINGS	**11,378.2**	**9,369.2**	**2,009.0**
Cash flow hedges	11.8	-	11.8
Fair value hedges	47.0	164.5	(117.5)
NON-CURRENT FINANCIAL LIABILITIES	**58.8**	**164.5**	**(105.7)**
SHORT-TERM BORROWINGS	**1,631.2**	**1,190.4**	**440.8**
Bond issues	499.5	826.4	(326.9)
Bank borrowings	165.7	542.6	(376.9)
CURRENT PORTION OF LONG-TERM BORROWINGS	**665.2**	**1,369.0**	**(703.8)**
CURRENT FINANCIAL LIABILITIES	**110.1**	**113.7**	**(3.6)**
TOTAL	**13,843.5**	**12,206.8**	**1,636.7**

Borrowings and financial liabilities have increased by €1,636.7 million compared with the previous year to €13,843.5 million. The change primarily reflects:

- an increase in bonds to the extent of €57.2 million, mainly as a result of the €850 million bond issue launched by Terna in January 2024 and the adjustment to amortised cost, partially offset by the repayment of an €800 million bond issue in October 2024. The change also reflects fair value adjustments of these financial instruments;
- an increase in bank borrowings, amounting to €1,248.0 million, following the drawdown of new EIB loans, totalling €2,400.0 million, after repayments of bank loans amounting to €1,000.0 million and repayments falling due on existing EIB loans. The change also reflects fair value adjustments of these financial instruments;
- a decrease in the fair value of derivative financial instruments (down €105.7 million) due to the change in the related portfolio and market interest rate curve;
- an increase in short-term borrowings (€440.8 million) due to the use of short-term facilities and the issue of commercial paper by the Company;

The latest official prices at 31 December 2024 and 31 December 2023 for the bonds listed on the Luxembourg Stock Exchange are detailed below:

(€m)

	ISIN	PRICE AT 31 DECEMBER 2024	PRICE AT 31 DECEMBER 2023
Bond maturity 2024:	XS0203712939	-	100.92
Bond maturity 2025:	XS2033351995	98.53	94.95
Bond maturity 2026:	XS1371569978	98.14	95.96
Bond maturity 2026:	XS1980270810	97.99	95.51
Bond maturity 2027:	XS1652866002	96.81	94.40
Bond maturity 2027:	XS2536846236	101.19	100.33
Bond maturity 2028:	XS1503131713	94.02	91.46
Bond maturity 2029:	XS2357205587	89.43	86.53
Bond maturity 2029:	XS2607193435	102.57	102.26
Bond maturity 2030:	XS2237901355	85.82	82.94
Bond maturity 2031:	XS2748847204	101.66	-
Bond maturity 2032:	XS2209023402	83.82	81.82
Bond maturity 2033:	XS2655852726	103.41	103.26

External sources from BNP Paribas, Bloomberg and Morgan Stanley.

Long-term borrowings

The table below shows movements in long-term debt during the year, including also the nominal amount:

(€m)

	31.12.2023			REPAYMENTS AND CAPITALISATIONS	DRAWDOWNS	OTHER	CHANGE CARRYING AMOUNT	31.12.2024		
	NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE					NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE
Bond maturing 2024	800.0	826.4	807.4	(800.0)	-	(26.4)	(826.4)	-	-	-
Bond maturing 2025	500.0	498.5	474.7	-	-	1.0	1.0	500.0	499.5	492.6
Private Placement 2026	80.0	79.7	76.8	-	-	0.1	0.1	80.0	79.8	78.5
Bond maturing 2026	500.0	499.2	477.6	-	-	0.3	0.3	500.0	499.5	489.9
Bond maturing 2027	100.0	99.8	100.3	-	-	0.1	0.1	100.0	99.9	101.2
Private Placement 2027	1,000.0	988.0	944.0	-	-	3.3	3.3	1,000.0	991.3	968.1
Bond maturing 2028	750.0	712.9	685.9	-	-	7.6	7.6	750.0	720.5	705.2
Bond maturing 750_2029	750.0	742.7	766.9	-	-	1.3	1.3	750.0	744.0	769.3
Bond maturing 2029	600.0	597.6	519.2	-	-	0.4	0.4	600.0	598.0	536.6
Bond maturing 2030	500.0	437.0	414.7	-	-	13.0	13.0	500.0	450.0	429.1
Bond maturing 2031	-	-	-	-	850.0	(7.4)	842.6	850.0	842.6	864.1
Bond maturing 2032	500.0	366.3	409.1	-	-	13.2	13.2	500.0	379.5	419.1
Bond maturing 2033	650.0	642.5	671.2	-	-	0.7	0.7	650.0	643.2	672.2
Total bond issues	**6,730.0**	**6,490.6**	**6,347.8**	**(800.0)**	**850.0**	**7.2**	**57.2**	**6,780.0**	**6,547.8**	**6,525.9**
Borrowings	3,799.4	4,237.6	4,237.6	(1,139.9)	2,400.0	(12.9)	1.247.2	5,609.5	5,484.8	5,484.8
Lease liabilities	10.0	10.0	10.0	(3.4)	-	4.2	0.8	10.8	10.8	10.8
Total borrowings	**3,809.4**	**4,247.6**	**4,247.6**	**(1,143.3)**	**2,400.0**	**(8.7)**	**1,248.0**	**5,620.3**	**5,495.6**	**5,495.6**
Total debt	**10,539.4**	**10,738.2**	**10,595.4**	**(1,943.3)**	**3,250.0**	**(1.5)**	**1,305.2**	**12,400.3**	**12,043.4**	**12,021.5**

At 31 December 2024, Terna had access to additional financing of €3,905.0 million consisting of two fully available revolving credit facilities.

In addition, as provided for in IFRS 7, the table shows the fair value of borrowings and bond issues. In the case of bond issues, this is market value based on prices at the reporting date, whilst variable rate loans are measured by discounting expected cash flows based on the market interest rate curve at the reporting date.

The following table shows an analysis of bond issues and other borrowings by maturity, showing the related short-term portions.

(€m)

	MATURITY	31.12.2023*	31.12.2024*	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS	2026	2027	2028	2029	2030	AFTER	OTHER**	AVERAGE INTEREST RATE AT 31 DECEMBER 2024	AVERAGE INTEREST AFTER HEDGES AT 31 DECEMBER 2024
Bonds	2024	826.4	-	-	-	-	-	-	-	-	-	-	4.90%	0.89%
	2025	498.5	499.5	500.0	-	-	-	-	-	-	-	(0.5)	0.13%	0.32%
	2026	499.2	499.5	-	500.0	500.0	-	-	-	-	-	(0.5)	1.00%	1.29%
	2026	79.7	79.8	-	80.0	80.0	-	-	-	-	-	(0.2)	1.60%	1.80%
	2027	988.0	991.3	-	1,000.0	-	1,000.0	-	-	-	-	(8.7)	1.38%	1.92%
	2027	99.8	99.9	-	100.0	-	100.0	-	-	-	-	(0.1)	3.44%	2.78%
	2028	712.9	720.5	-	750.0	-	-	750.0	-	-	-	(29.5)	1.00%	1.31%
	2029	597.6	598.0	-	600.0	-	-	-	600.0	-	-	(2.0)	0.38%	1.71%
	2029	742.7	744.0	-	750.0	-	-	-	750.0	-	-	(6.0)	3.63%	3.71%
	2030	437.0	450.0	-	500.0	-	-	-	-	500.0	-	(50.0)	0.38%	3.79%
	2031	-	842.6	-	850.0	-	-	-	-	-	850.0	(7.4)	3.50%	3.65%
	2032	366.3	379.5	-	500.0	-	-	-	-	-	500.0	(120.5)	0.75%	3.16%
	2033	642.5	643.2	-	650.0	-	-	-	-	-	650.0	(6.8)	3.88%	3.82%
EIB	2046	2,407.2	3,270.4	47.7	3,340.7	58.5	117.1	156.0	192.1	192.1	2,624.9	(118.0)	2.65%	2.63%
Terna's borrowing	2024	300.0	-	-	-	-	-	-	-	-	-	-	-	(1.25%)
Total fixed rate		**9,197.8**	**9,818.2**	**547.7**	**9,620.7**	**638.5**	**1,217.1**	**906.0**	**1,542.1**	**692.1**	**4,624.9**	**(350.2)**		
EIB	2041	836.3	721.0	115.3	605.7	115.3	115.3	115.3	96.0	103.3	60.5	-	4.31%	2.16%
Terna's borrowing	2029	699.4	1,498.5	-	1,500.0	-	-	-	1,500.0	-	-	(1.5)	4.36%	4.81%
Total variable rate		**1,535.7**	**2,219.5**	**115.3**	**2,105.7**	**115.3**	**115.3**	**115.3**	**1,596.0**	**103.3**	**60.5**	**- 1.5**		
TOTAL		**10,733.5**	**12,037.7**	**663.0**	**11,726.4**	**753.8**	**1,332.4**	**1,021.3**	**3,138.1**	**795.4**	**4,685.4**	**(351.7)**		

* *The balance does not include prepaid fees of €5.1 million at 31 December 2024 and of €5.3 million at 31 December 2023.*
** *Includes portions measured at amortised cost and fair value adjustments at 31 December 2024.*
*** *This is the average of the rates fixed in the sub-periods.*

(€m)

	31.12.2023	31.12.2024	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS
Operating leases	10.0	10.8	2.7	8.1
TOTAL	**10.0**	**10.8**	**2.7**	**8.1**

At 31 December 2024, payments on operating leases recognised in application of IFRS 16 amount to €3.4 million.

The total value of the Terna Group's borrowings at 31 December 2024 is €12,037.7 million (€663.0 million falling due within 12 months and €11,726.4 million falling due after 12 months net of portions measured at amortised cost and fair value adjustments), of which €4,685.4 million maturing after five years.

Non-current financial liabilities – €58.8 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Cash flow hedges	11.8	-	11.8
Fair value hedges	47.0	164.5	(117.5)
TOTAL	**58.8**	**164.5**	**(105.7)**

Non-current financial liabilities, amounting to €58.8 million at 31 December 2024, reflect the fair value of fair value hedges and cash flow hedges.

Fair value was measured by discounting the expected cash flows using the market yield curve at the reporting date. The decreases of €105.7 million, compared with 31 December 2023 reflects the change in the market interest rate curve.

Short-term borrowings – €1,631.2 million

"Short-term borrowings", amounting to €1,631.2 million at 31 December 2024, have increased €440.8 million compared with the previous year, essentially due to the use of short-term credit facilities and the issue of commercial paper by the Company.

Current financial liabilities – €110.1 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Other current financial liabilities	-	38.5	(38.5)
DEFERRED LIABILITIES ON:			
Hedging derivatives	-	1.3	(1.3)
Bond issues	75.1	53.5	21.6
Borrowings	35.0	20.4	14.6
TOTAL	**110.1**	**113.7**	**(3.6)**

Current financial liabilities at 31 December 2024, amounting to €110.1 million, showed a €3.6 million decrease compared to 31 December 2023 essentially due to the payment to the Tunisian operator STEG of the accrued portion of the advance on the Italy-Tunisia interconnection project (down €38.5 million), offset by the value of the net financial expenses accrued on bonds, loans and derivatives not yet settled (up €35.0 million).

Net debt

Pursuant to the CONSOB Communication of 28 July 2006 and in compliance with ESMA Recommendation no. 32-382-1138 of 2021, the Company's net debt is as follows:

(€m)

	31.12.2024
A. Cash	402.3
B. Cash and cash equivalents*	2,013.0
C. Other current financial assets**	445.8
D. Liquidity (A) + (B) + (C)	**2,861.1**
E. Current financial liabilities (including debt instruments, but excluding the current portion of non-current financial liabilities)	1,631.2
F. Current portion of non-current debt***	774.1
G. Current debt (D+E+F)	**2,405.3**
H. Net current debt (G) - (D)	**(455.8)**
I. Non-current financial liabilities (excluding the current portion and debt instruments)****	5,341.7
J. Debt instruments*****	6,095.3
K. Non-current net debt (I) + (J)	**11,437.0**
L. Net debt (H) + (K)	**10,981.2**

* *Corresponds with "Cash and cash equivalents" with regard to the value of deposits and short-term investments. **Corresponds to "Current financial assets'" with regard to the value of government securities (€226.5 million), time deposits (€200.0 million) and accrued interest income (€19.3 million).*

*** *Corresponds with "Current portion of long-term borrowings" relating to the short-term portion of long-term borrowings (€163.0 million), the short-term portion of bond issues (€499.5 million) the short-term portion of lease liabilities (€2.7 million) and " Current financial liabilities" relating to the value of accrued liabilities (€110.1 million) and "Current financial assets" relating to the value of derivative assets (down €1.2 million).*

**** *Corresponds with the item, "Long-term borrowings" relating to the value of borrowings (€5,321.8 million) and the long-term portion of lease liabilities (€8.1 million) and "Non-current financial liabilities" relating to the value of derivative liabilities (€11.8 million).*

***** *Corresponds with "Long-term borrowings" relating to the value of bond issues (€6,048.3 million) and "Non-current financial assets" relating to the value of derivative liabilities on bonds (€47.0 million).*

Information on the provisions in outstanding loan agreements at 31 December 2024 is provided in the notes to the consolidated financial statements.

23. Employee benefits – €11.2 million

Terna provides its employees with benefits during their period of employment (loyalty bonuses), on termination of employment (*TFR*, energy discounts, additional months' pay) and after termination in the form of post-employment benefits (ASEM health cover).

Loyalty bonuses are payable to the Company's employees and senior managers once certain requirements have been met regarding length of service (on completing 25 and 35 years of service).

Termination benefits (*TFR*) are payable to all employees, whilst employees hired by 30 June 1996 receive energy discounts, and employees (blue-collar workers, office staff and middle managers) employed prior to 24 July 2001 are due additional months' pay on termination.

Post-employment benefits consist of a form of supplementary health cover in addition to that provided by the Italian national health service, as provided for in the national collective contract for industrial managers (the ASEM health plan).

The following table shows the composition of provisions for *TFR* and other employee benefits and movements during the year ended 31 December 2024:

(€m)

	31.12.2023	PROVISIONS	INTEREST COST	USES AND OTHER MOVEMENTS	ACTUARIAL GAINS/ (LOSSES)	31.12.2024
Benefits during the period of employment						
Loyalty bonuses	0.9	0.1	-	(0.1)	-	0.9
Total	**0.9**	**0.1**	**-**	**(0.1)**	**-**	**0.9**
Termination benefits						
Deferred compensation benefits (*TFR*)	3.6	-	0.1	(0.1)	-	3.6
Energy discounts	0.2	-	-	(0.1)	-	0.1
Additional months' pay	0.5	-	-	(0.1)	-	0.4
Total	**4.3**	**-**	**0.1**	**(0.3)**	**-**	**4.1**
Post-employment benefits						
ASEM health plan	6.0	0.3	0.2	(0.2)	(0.2)	6.1
Total	**6.1**	**0.3**	**0.2**	**(0.2)**	**(0.2)**	**6.2**
Total	**11.3**	**0.4**	**0.3**	**(0.6)**	**(0.2)**	**11.2**

This item, amounting to €11.2 million, was down €0.1 million compared to 31 December 2023, due primarily to the change in actuarial gains and losses and provisions (up €0.2 million relating essentially to the ASEM health plan).

The following table shows the current service cost and interest income and expense.

(€m)

	LOYALTY BONUSES	*TFR*	ADDITIONAL MONTHS' PAY	ASEM HEALTH PLAN	TOTAL
Net impact recognised in profit or loss					
- current service cost	0.1	-	(0.1)	0.3	0.3
- curtailment (revenue) and other costs	-	-	0.1	-	0.1
- interest income and expense	-	0.1	-	0.2	0.3
TOTAL RECOGNISED IN PROFIT OR LOSS	**0.1**	**0.1**	**-**	**0.5**	**0.7**

Revaluation of the net liability for employee benefits is shown in the following table, which provides details of the type of actuarial gain or loss recognised in other comprehensive income.

(€m)

	ASEM HEALTH PLAN	TOTAL
Actuarial gains/(losses)		
- due to changes in discount rate	(0.2)	(0.2)
TOTAL IMPACT ON COMPREHENSIVE INCOME	**(0.2)**	**(0.2)**

Finally, the following tables show the main actuarial assumptions applied, a sensitivity analysis of movements in the assumptions and the payment schedule for the plan. In line with 2023, the interest rate used to determine the present value of the obligation was calculated on the basis of the yield on the Iboxx Eurozone Corporates AA index at 31 December 2024, matching the duration of the relevant group of plan participants.

(€m)

	LOYALTY BONUSES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN
Discount rate	3.17%	3.18%	2.93%	3.18%	3.38%
Inflation rate	2.00%	2.00%	-	-	2.70%
Duration (in years)	17.71	6.00	3.37	4.71	13.80

(€m)

	LOYALTY BONUSES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
Discount rate +0.25%	0.8	3.5	0.3	0.2	5.9	**10.8**
Discount rate -0.25%	0.8	3.6	0.3	0.3	6.3	**11.3**
Inflation rate +0.25%	0.1	3.6	-	-	-	**4.5**
Inflation rate -0.25%	0.8	3.5	-	-	-	**4.4**
Annual rate of increase in health costs +3%	-	-	-	-	6.2	**6.2**
Annual rate of increase in health costs -3%	-	-	-	-	6.0	**6.0**

(€m)

	LOYALTY BONUSES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
By the end of 2024	-	0.8	0.3	0.1	0.3	**1.5**
By the end of 2025	-	0.5	-	-	0.3	**0.9**
By the end of 2026	-	0.1	-	-	0.5	**0.6**
By the end of 2027	0.1	0.4	-	-	0.4	**0.9**
By the end of 2028	-	0.3	0.1	-	0.5	**0.9**
After 5 years	0.8	1.5	0.0	-	4.1	**6.4**
TOTAL	**0.9**	**3.6**	**0.4**	**0.1**	**6.1**	**11.2**

24. - Provisions for risks and charges – €120.4 million

(€m)

	PROVISIONS FOR LITIGATION AND DISPUTES	SUNDRY PROVISIONS FOR RISKS AND CHARGES	PROVISIONS FOR EARLY RETIREMENT INCENTIVES	TOTAL
Amount at 31 December 2023	**10.4**	**64.4**	**33.6**	**108.4**
Provisions	2.2	15.9	11.8	29.9
Uses and other movements	(2.9)	(8.9)	(6.1)	(17.9)
Amount at 31 December 2024	**9.7**	**71.4**	**39.3**	**120.4**

Provisions for litigation and disputes – €9.7 million

These provisions, set aside to cover outstanding liabilities that, at the end of the year, could result from court judgements and out-of-court settlements regarding the activities of Group companies, have been assessed partly on the basis of recommendations from internal and external legal advisors. The balance at 31 December 2024, totalling €9.7 million, primarily regards disputes involving the Company in relation to the payment of damages relating to operation and maintenance, requests for compensation for easements and labour and social security disputes. This is down by a net €0.7 million compared with the previous year as a result of lower net provisions during the year.

Provisions for sundry risks and charges – €71.4 million

These provisions amount to €71.4 million at 31 December 2024 and essentially regard liabilities associated with urban and environmental restoration projects, regulation of the quality of the electricity service, staff incentive plans, right-of-way fees and tax-related aspects.
Compared with the previous year, the provisions are up by a net €7.0 million, reflecting:

- net provisions referring to right-of-way fees (€7.5 million);
- net provisions totalling €1.3 million linked to regulation of the quality of the electricity service (the mitigation and sharing mechanism introduced by ARERA Resolution 653/2015/R/eel) which, after uses for estimated penalties linked to outages during the year, reflects payments to distribution companies and releases following final determination of the penalties due to previous years.
- net uses to the extent of €2.2 million for urban and environmental restoration schemes.

Provisions for early retirement incentives – €39.3 million

Provisions for early retirement incentives reflects the estimated extraordinary expenses to be incurred in relation to the cost of the scheme for the year, linked to the early retirement of the Company's employees who have reached pensionable age and where the Company has an obligation. This item has increased by a net €5.7 million, reflecting payments in coming years in relation to the existing plan for generational turnover.

25. Other non-current liabilities – €453.7 million

This item, amounting to €453.7 million at 31 December 2024, regards the amount payable to Terna Rete Italia S.p.A., resulting from the transfer of net liabilities included in the operations leased to this subsidiary (€22.6 million), accrued grants related to assets receivable (€59.1 million) and the Interconnector Guarantee Fund (€182.8 million) set up by the 2016 Stability Law, in order to fund investment in interconnections by art. 32 of Law 99/09. This item also includes guarantee deposits received from operators participating in the capacity market and electricity market operators guaranteeing their obligations assumed in dispatching and virtual interconnection agreements (€189.1 million).

The increase in this item compared to the previous year, amounting to €80.7 million, essentially reflects an increase in the security deposits received from operators and subsequent modifications and additions (up €68.4 million) and movements in Interconnector Guarantee Fund (up €18.9 million), after settlement of a part of the liabilities included in the leased business unit (down €1.6 million), with special reference to the termination benefits (*TFR*) payable to personnel participating in the generational turnover plan launched by the Company, and the release of portions of grants related to assets (down €5.2 million).

26. Current liabilities

(€m)

	31.12.2024	31.12.2023	CHANGE
Short-term borrowings*	1,631.2	1,190.4	440.8
Current portion of long-term borrowings*	665.2	1,369.0	(703.8)
Trade payables	3,565.6	2,669.7	895.9
Tax liabilities	90.5	2.9	87.6
Current financial liabilities*	110.1	113.7	(3.6)
Other current liabilities	657.8	659.6	(1.8)
TOTAL	**6,720.4**	**6,005.3**	**715.1**

(*) Information on these items is provided in note 25. Borrowings and financial liabilities

Trade payables – €3,565.5 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Trade payables:			
- Energy-related payables	2,199.5	1,675.6	523.9
- Non-energy-related payables	151.7	139.3	12.4
Non-energy-related payables due to subsidiaries	1,212.9	852.3	360.6
Amounts due to associates	0.7	1.7	(1.0)
Contract work in progress payables	0.7	0.8	(0.1)
TOTAL	**3,565.5**	**2,669.7**	**895.8**

Trade payables

Energy-related payables

The €523.9 million increase in this item compared to the year-end figure for 2023 was essentially due to payables for pass-through energy items (€529.7 million), such change reflecting mainly:

- an increase in payables relating to the Essential Units ensuring the security of the electricity system - UESS (€353.6 million) due to lower payments in 2024 to reimburse the costs decided by ARERA to the owners of the plants[12];
- higher payables related to the Interruptibility Service Fee (€96.9 million) as a result of charges related to adjustment transactions to be settled with service licensees;
- an increase in payables (€80.6 million) related to costs for procurement of dispatching resources.

Non-energy related payables

The exposure to suppliers regards invoices received and to be received for contract work, services and purchases of materials and equipment.
The increase compared with the previous year (down €12.4 million) is largely due to an increase in activity towards the end of the year.

Non-energy-related payables due to subsidiaries

This item, totalling €1,212.9 million, is up €360.6 million compared with the previous year, primarily due to the increased amount payable to Terna Rete Italia S.p.A. (up €356.6 million) as a result of the greater volume of capital expenditure carried out towards the end of the year, compared with the same period of 2023.

Amounts due to associates

This item, amounting to €0.7 million, is down €1.0 million compared with the previous year, primarily reflecting a reduction in amounts payable to the associate, CESI S.p.A., for services provided to the Company, relating to electro technical studies and research.

The commitments assumed by the Company towards suppliers amount to approximately €315.5 million and regard purchase commitments linked to the normal "operating cycle" projected for the period 2024-2028.

Tax liabilities – €90.5 million

This item stood at €90.5 million at 31 December 2023, showing a reduction of €87.6 million compared to 31 December 2023. This change reflects the net impact of income tax for the year, as highlighted earlier, the settlement of taxes relating to the previous year and an increase in payments on account made during the period.

[12] ARERA ordered payments to Essential Unit owners through Resolutions No. 32-44-65-166-293-308-399-440-460-461-469-470-471-485-486-487-502-503-519-520-537-541-542/2024.

Other current liabilities – €657.8 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Prepayments	327.2	259.2	68.0
Other tax liabilities	91.3	76.2	15.1
Social security payables	10.8	8.7	2.1
Amounts due to subsidiaries	6.0	1.1	4.9
Amounts due to personnel	24.3	16.8	7.5
Other payables due to third parties	198.2	297.6	(99.4)
TOTAL	**657.8**	**659.6**	**(1.8)**

Prepayments

This item (€327.2 million) regards grants related to assets collected by the Company to fund the construction of non-current assets in progress at 31 December 2024.
Compared with the balance at 31 December 2023 (€259.2 million), the balance is up €68.0 million, essentially due to the impact of grants deducted directly from the carrying amount of the related assets, totalling €50.8 million, and new prepayments from third parties.

Other tax liabilities

Other tax liabilities, amounting to €91.3 million, regard withholding tax payable on salaries paid at the end of the year, in addition to the balance of the Group's VAT at the end of the year.
This item was up €15.1 million, broadly due to an increase in VAT payable at 31 December 2024 (up €14.7 million).

Social security payables

Social security payables, essentially relating to employee contributions payable to INPS (the National Institute of Social Security), stood at €10.8 million. This item increased by €2.1 million over the previous year, mainly due to an increase in contributions regarding early retirement incentives (up €0.8 million).

Amounts due to personnel

Amounts due to personnel, amounting to €24.3 million, primarily regard:

- staff incentives and early retirement incentives payable in the subsequent year (€17.9 million);
- amounts due to employees in the form of accrued and unused annual leave and bank holiday entitlements (€4.8 million).

The increase of €7.5 million in this item compared to the previous year primarily reflects an increase in staff incentives (up €6.0 million).

Amounts due to subsidiaries

Amounts due to subsidiaries, totalling €6.0 million, mainly relate to amounts due to Terna Energy Solutions S.r.l. (€5.6 million, in relation to commercial activities concerning fibre optics), and Terna Interconnector S.r.l., mainly relating to compensation recognised in connection with the interconnection with France (€0.4 million).
This item showed an increase compared to the figure posted at 31 December 2023 (up €4.9 million), mainly due to an increase in amounts due to the subsidiary Terna Energy Solutions S.r.l.

Other payables due to third parties

Other payables due to third parties, totalling €198.2 million, essentially relate to security deposits (€180.8 million) received from electricity market operators to guarantee their contractual obligations under dispatching and virtual interconnection contracts. This item also includes deferred income (€10.2 million, primarily attributable to Non-regulated Activities) and coupon interest payable to the holders of hybrid instruments issued during the year 2022 (€21.1 million).
The change in this item (down €99.4 million) over the previous year was essentially due to a decrease in security deposits received during the year to the extent of €76.4 million and a decrease in coupon interest payable on hybrid securities issued (€21.1 million).

E. Commitments and risks

Risk management

In the course of its operations, Terna is exposed to different financial risks: market risk, liquidity risk and credit risk.
This section provides information regarding the Terna's exposure to all the above risks, along with a presentation of the objectives, policies and processes for managing those risks and the methods used to assess them, with further quantitative disclosures concerning the separate financial statements for 2024.
Terna's risk management policies are aimed at identifying and analysing the risks to which the Company is exposed, establishing appropriate limits and controls, and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis, in order to take account of any changes in market conditions or in the Company's operations.
As a part of the financial risk management policies approved by the Board of Directors, Terna S.p.A. has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits to apply in managing them.

The following table shows financial statement items exposed to the above risks.

(€m)

	31.12.2024			31.12.2023		
	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL
Assets						
Derivative financial instruments	-	-	-	-	17.4	17.4
Cash on hand, securities and deposits	2,615.3	226.5	2,841.8	1,606.3	316.3	1,922.6
Trade receivables	2,936.1	-	2,936.1	1,928.8	-	1,928.8
TOTAL	**5,551.4**	**226.5**	**5,777.9**	**3,535.1**	**333.7**	**3,868.8**

(€m)

	31.12.2024			31.12.2023		
	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL
Liabilities						
Long-term debt	13,674.6	-	13,674.6	11,928.6	-	11,928.6
Derivative financial instruments	-	58.8	58.8	-	164.5	164.5
Trade payables	3,565.6	-	3,565.6	2,669.7	-	2,669.7
TOTAL	**17,240.2**	**58.8**	**17,299.0**	**14,598.3**	**164.5**	**14,762.8**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk mainly includes interest rate risk and exchange rate risk.

Risk management must be performed with the objective of minimising the related risks by selecting counterparties and instruments compatible with the Company's Risk Management Policy. Speculative activity is not form part of the Company's activities.

The Terna Group seeks to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aimed at minimising risk through continuous monitoring of financial markets in order to obtain new financing and conclude hedging transactions in favourable market conditions. The dynamic approach enables the Group to intervene in order to improve existing hedges should there be a change in market conditions or changes in the hedged item, making the hedges inappropriate or excessively costly.

The fair value of financial instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (Level 2), by means of appropriate valuation techniques for each category of financial instrument, using market data at the closing date (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with interest rate fluctuations. This is the risk that a change in market interest rates may produce effects on the fair value or future cash flows of financial instruments.
In the course of its operations, Terna is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk is associated with its borrowings and the related hedges in the form of derivative instruments that generate financial expenses. Terna's borrowing strategy focuses on long-term borrowings, whose term reflects the useful life of the Company's assets. It pursues an interest rate risk hedging policy that aims to guarantee that the percentage of debt represented by fixed rate liabilities is at least 40%, as provided for in the relevant policies. Considering the low level of interest rates and the new regulatory review, all debt is now fixed rate.

At 31 December 2024, interest rate risk is hedged by cash flow hedges, which hedge the risk connected with movements in interest rates relating to long-term borrowings.

Below are the notional amounts and fair values of the derivative financial instruments entered into by Terna:

(€m)

	31.12.2024		31.12.2023		CHANGE	
	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE
Fair value hedges	950.0	(47.0)	1,853.0	(164.5)	(903.0)	117.5
Cash flow hedges	1,886.6	(11.8)	2,362.8	17.2	(476.2)	(29.0)

The notional amount of outstanding cash flow hedges at 31 December 2024, amounting to €1,886.6 million, breaks down as follows:

- €436.6 million (fair value loss of €0.3 million) maturing 2027;
- €650.0 million (fair value loss of €11.6 million) maturing 2029;
- €200.0 million (fair value loss of €0.1 million) maturing 2033;
- €300.0 million (fair value loss of €0.2 million) maturing 2035;
- €300.0 million (fair value loss of €0.2 million) maturing 2036.

The notional amount of fair value hedges at 31 December 2024, amounting to €950.0 million, breaks down as follows:

- €950.0 million (fair value loss of €47.0 million) maturing 2030.

Sensitivity to interest rate risk

Terna has floating-to-fixed interest rate swaps in place to manage the risk of movements in interest rates.

Since the hedging relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, as verified initially and periodically over its life, is high, the Company has elected to use hedge accounting to ensure a perfect match between the maturities of the hedge and the hedged item. The aim of hedge accounting is to recognise the effects of the hedges and the hedged items in profit or loss at the same time. As a result:

- in the case of fair value hedges, changes in the fair value of the hedged item, attributable to the hedged risk, must be accounted for in the income statement, where they are offset against changes in the fair value of the derivative;
- in the case of cash flow hedges, changes in the fair value of the derivative must be recognised in "Other comprehensive income" (in equity, recognising any ineffective portion immediately through the income statement) and then recycled through profit or loss in the same period in which the cash flows of the hedged instrument materialise.

The following table reports the amounts recognised through profit or loss and in "Other comprehensive income" for positions that are sensitive to changes in interest rates, in addition to the theoretical value of the positions following a positive or negative shift in the yield curve and the differential impact of such changes recognised through profit or loss and in "Other Comprehensive Income". A hypothetical 10% movement in interest rates with respect to market interest rates at the reporting date was assumed:

(€m)

	PROFIT OR LOSS			OCI		
	CURRENT RATES +10%	CURRENT VALUES	CURRENT RATES -10%	CURRENT RATES +10%	CURRENT VALUES	CURRENT RATES -10%
31.12.2024						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.2)	**(0.6)**	(1.0)	(4.8)	**(29.1)**	(53.8)
Hypothetical change	*0.4*	-	*(0.4)*	*24.3*	-	*(24.8)*
31.12.2023						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.7)	**(2.8)**	(4.9)	(48.5)	**(58.3)**	(68.2)
Hypothetical change	*2.1*	-	*(2.1)*	*9.8*	-	*(9.9)*

Regulators around the world have launched a reform of IBOR (Interbank Offered Rates), which are used as the benchmark for most financial instruments sold throughout the world, with the aim of restoring confidence in the benchmark. The transition from EONIA to ESTER took place in 2022 without any significant impact. The Group is continuing to closely monitor the market and the results produced by the various working groups overseeing the transition to the new benchmark rates for the other maturities (EURIBOR). Management is aware of the associated risks and, for this reason, the Group plans to complete the transition in step with the change in the related legislation. At the same time, all the new financial contracts contain fallback provisions governing the transition period.

Inflation risk

Regarding inflation risk, the rates established by the regulator to provide a return on Terna S.p.A.'s activities are determined so as to cover the allowed costs. Such cost components are updated on an annual basis to take into account the impact of inflation.

Exchange rate risk

The management of exchange rate risk must aim to protect a company's earnings from the risk of currency fluctuations by keeping a close eye on market movements and constantly monitoring the existing exposures. In managing this risk,

Terna from time to time selects hedging instruments with structures and durations matching the Company's exchange rate exposure. The instruments used by Terna are of limited complexity, highly liquid and easy to price, such as forwards and options. Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from a rise or fall in the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.
At 31 December 2024, the component of financial instruments associated with exchange rate risk is zero.

Liquidity risk

Liquidity risk is the risk that Terna might encounter difficulty in discharging its obligations in respect of its financial liabilities and operating cycle. Liquidity risk management seeks to ensure adequate coverage of borrowing requirements by obtaining adequate credit lines and appropriate management of any surplus liquidity.
At 31 December 2024, Terna's short-term credit facilities available totalled approximately €525.0 million (out of total facilities of approximately €991.5 million), while revolving credit facilities stood at €3,905 million (out of a total of €4,155.0 million). Finally, Terna S.p.A. has launched a Euro Commercial Paper Programme (ECP), amounting to up to €2,000 million, including €830 million still available at 31 December 2024.

Credit risk

Credit risk is the risk a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the Company's trade receivables and financial investments.

The credit risk originated by open positions on transactions in derivatives is considered to be marginal since the counterparties, in compliance with the financial risk management policies adopted, are leading international banks with high ratings.

Terna provides its services essentially to counterparties considered solvent by the market, and therefore with a high credit standing, and does not have high concentrations of credit risk.

Credit risk management is driven by the provisions of ARERA Resolution 111/06, which, in art. 49, introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover); the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees); and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be fixed by the regulator.

The following table summarises the exposure to such risk at the reporting date:

(€m)

	31.12.2024	31.12.2023	CHANGE
Derivative financial instruments	-	17.4	(17.4)
Cash on hand, securities and deposits	2,841.8	1,922.6	919.2
Trade receivables	2,936.1	1,928.8	1,007.3
TOTAL	**5,777.9**	**3,868.8**	**1,909.1**

The total value of the exposure to credit rate risk at 31 December 2024 is represented by the carrying amount of trade receivables, cash and cash equivalents, securities and deposits and cash flow hedges.

The following tables provide qualitative information on trade receivables regarding the geographical distribution and type of customer.

Geographical distribution

(€m)

	31.12.2024	31.12.2023
Italy	2,612.6	1,670.1
Euro-area countries	309.4	238.8
Other countries	14.1	19.9
Total	**2,936.1**	**1,928.8**

Customer type

(€m)

	31.12.2024	31.12.2023
Distributors	682.0	576.2
CSEA	34.5	72.2
Dispatching customers for injections	465.9	314.5
Dispatching customers for withdrawals	1,673.5	868.0
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	12.2	11.7
Sundry receivables	68.0	86.2
Total	**2,936.1**	**1,928.8**

The following table breaks down customer receivables by due date, reporting any potential impairment.

(€m)

	31.12.2024		31.12.2023	
	IMPAIRMENT	GROSS	IMPAIRMENT	GROSS
Current	(0.4)	2,855.9	(0.4)	1,738.8
0-30 days past due	(0.0)	3.1	-	17.3
31-120 days past due	(0.2)	6.3	(0.2)	3.2
Over 120 days past due	(78.3)	149.8	(22.9)	193.0
Total	**(78.9)**	**3,015.0**	**(23.5)**	**1,952.3**

Movements in the allowance for doubtful accounts in the course of the year were as follows.

(€m)

	31.12.2024	31.12.2023
Balance at 1st January	(23.5)	(29.7)
Release of provisions	18.9	6.3
Provisions pursuant to Resolution No. 5/2024	(73.6)	-
Impairments for the year	(0.7)	(0.1)
Balance at 31 December	**(78.9)**	**(23.5)**

During the period, an impairment loss of €73.6 million was recognised in respect of dispatching receivables that could not be recovered and in respect of which an application for compensation was submitted, as pursuant to ARERA Resolution No. 5/2024.

The value of guarantees received from eligible electricity market operators is illustrated below.

(€m)

	31.12.2024	31.12.2023
Dispatching - injections	230.1	240.4
Dispatching - withdrawals	1,735.8	1,893.0
Transmission charges due from distributors	426.8	351.0
Virtual imports	125.4	273.4
Capacity market (*)	197.1	175.3
Balance	**2,715.2**	**2,933.1**

(*) Guarantees relating to Capacity Market contracts to be executed from 2025.

Non-regulated Activities are exposed to "counterparty risk", in particular in relation to the entities with which sales contracts are entered into, in consideration of the credibility and solvency of the parties in question and the impact that their possible insolvency could have on the financial strength of the business. Counterparty risk is mitigated by implementing special procedures to assess counterparties, measuring operating, financial and reputational aspects of the counterparties in question.

Default risk and debt covenants

This risk is associated with the possibility that the loan agreements or bond terms and conditions to which the Company is a party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. More information on the aforesaid contract provisions set out in financial contracts in place at 31 December 2024, is provided under "Borrowings and financial liabilities" in the notes to Terna S.p.A.'s consolidated financial statements.

Parent company guarantees issued on behalf of subsidiaries

The Company issued parent company guarantees to third parties to guarantee the fulfilment of certain contractual and/or tax obligations assumed by its subsidiaries, with the Company's maximum exposure at 31 December 2024 amounting to €914.2 million, This breaks down as follows: €2.3 for Terna Interconnector S.r.l., €836.6 million for Terna Rete Italia S.p.A., €69.7 million for Rete S.r.l., €4.6 million for Terna energy solutions S.r.l, €1.0 million for Terna Plus S.r.l.

Bank guarantees

Bank guarantees issued to third parties on behalf of Group companies totalled €165.1 million at 31 December 2024, broken down as follows: €77.3 million on behalf of Terna S.p.A., €46.7 million on behalf of Terna Rete Italia S.p.A., €19.9 million on behalf of Terna Interconnector S.r.l., €15.8 million on behalf of Terna Energy Solutions S.r.l., €0.1 million on behalf of Terna Chile S.p.A., €0.5 million on behalf of Rete S.r.l, and €4.8 million on behalf of Terna Peru S.a.c..

Litigation

Below is a description of the main commitments and risks relating to the Company not disclosed in the statement of financial position at and for the year ended 31 December 2024, the outcome thereof being identified as possible.

Litigation regarding the legitimacy of construction permits and plant operations

Another aspect of litigation connected with the plant owned by the Company derives from legal actions brought before the competent administrative courts, aimed at obtaining the annulment of decisions granting consent for the construction and operation of infrastructure.

Litigation relating to activities carried out under concession

As the operator of transmission and dispatching activities since 1 November 2005, the Parent Company has been a party in several court cases, contesting determinations adopted by ARERA (Italy's Regulatory Authority for Energy, Networks and the Environment), and/or the Ministry of Enterprises and Made in Italy, and/or Terna itself, in relation to these activities. In cases in which the plaintiffs have, in addition to inherent defects in the contested determinations, alleged violation of the regulations laid down by the aforementioned authorities, or in cases in which the determination has had an impact on Terna, the Company has also taken action to defend its interests through the legal system. Within the scope of such litigation – even though some cases have been concluded, at first and/or second instance, with the annulment of ARERA's resolutions and, when applicable, of the consequent determinations adopted by Terna – any negative outcomes for the Company itself may be deemed unlikely, as these disputes normally relate to pass-through items.

F. Business combinations

There were no business combinations in 2024.

G. Related party transactions

Given that Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A. (registered office at Via Goito 4, 00185 Rome, Italy and consolidated financial statements available on the website at www.cdp.it), a situation ascertained in 2007, related party transactions entered into by Terna during the year include transactions with the subsidiaries, the associates (Cesi S.p.A., Coreso S.A. and CGES A.D.) and employee pension funds (Fondenel and Fopen), as well as transactions with Cassa Depositi e Prestiti itself, with CDP Reti S.p.A. and with the companies directly or indirectly controlled by the Ministry of the Economy and Finance ("MEF").
Given that Terna S.p.A. and the above companies meet the definition for classification as "government-related entities", in accordance with IAS 24 – *Related Party Disclosures*, the Company has elected to adopt the partial exemption – permitted by the standard – from the disclosure requirements in respect of other companies controlled, influenced or jointly controlled by the same government entity. The remainder of this section provides qualitative and quantitative disclosures on transactions with government-related entities having a significant impact on the Company's results. Amounts relating to pass-through items are not included in these disclosures.
Related party transactions in 2024 broadly regard the provision of services in the course of ordinary activities and conducted on an arm's length basis.
Under the Terna Group's current organisational structure, the subsidiary, Terna Rete Italia S.p.A., which has entered into an agreement with the Company covering the lease of certain operations and a number of related intercompany agreements. In accordance with these arrangements, the subsidiary is responsible for the traditional activities involved in operation and routine and extraordinary maintenance of the owned portion of the NTG, and for management and implementation of the grid development initiatives included in the related concession arrangement for transmission and dispatching operations, as set out in Terna's Development Plan.
Terna is responsible for managing the operations of all its subsidiaries under specific service agreements which, in addition to covering administrative and financial coordination and the coordination of relations with government bodies and other institutions, give the Company the right to act on behalf of its subsidiaries, or in their name and on their behalf.
The Company's Non-regulated Activities are conducted in Italy and overseas through the subsidiaries, Terna Energy Solutions S.r.l., Terna Plus S.r.l. and Terna Forward S.r.l. under existing intercompany service agreements.

From a financial viewpoint, Terna is responsible for subsidiaries' cash management in accordance with specific treasury management arrangements. These cover the conduct and coordination of all the transactions carried out from time to time, in order to manage financial resources and meet subsidiaries' cash and treasury requirements, and the execution of any other related transaction.

The following table shows the contractual terms and conditions governing financial relations with subsidiaries

	DEPOSITS*	WITHDRAWALS
Terna Rete Italia S.p.A.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Rete S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Terna Energy Solutions S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Terna Plus S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Avvenia the Energy Innovator S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%

** If the sum of the average "1-month Euribor" plus the spread of 0.30% is negative, the interest rate applied will be 0.01%.*

Existing intercompany agreements at 31 December 2024 are summarised below.

(€)

COUNTERPARTY	TYPE	ANNUAL FEE
Terna Rete Italia S.p.A.	**Service agreement:**	
	Operation & Maintenance	€312,968,649
	Upgrade and development	equal to costs in-curred + allowed margin on personnel expenses incurred
	Administrative, support and consultancy services	
	- from Terna S.p.A. to Terna Rete Italia S.p.A. (revenue-generating)	€20,597,428
	- from Terna Rete Italia S.p.A. to Terna S.p.A. (cost-generating)	€3,742,566
	Rental of workstations for staff	
	- from Terna S.p.A. to Terna Rete Italia S.p.A. (revenue-generating)	€652,944
	- from Terna Rete Italia S.p.A. to Terna S.p.A. (cost-generating)	€761,880
	Lease of operations	€22,600,000
Rete S.r.l.	**Service agreement:**	
	Upgrade and development	equal to costs in-curred up 6.15% of personnel expenses incurred
	Admin., support and consultancy service agreement (revenue-generating)	€801,073
Terna Plus S.r.l.	**Service agreement:**	
	Management fee (revenue-generating)	€362,312
	Rental of workstations for staff (revenue-generating)	€17,568
Terna Energy Solutions S.r.l.	**Service agreement:**	
	Terna's Non-regulated Activities (cost-generating)	€13,883,245
	Management fee (revenue-generating)	€1,013,154
	Rental of workstations for staff (revenue-generating)	€243,972
Tamini Group	**Service agreement**	
	Administrative service (revenue-generating)	€49,464
	Technical services	equal to costs in-curred up 6.15%
	Services provided by staff on secondment and on assignment (revenue-generating)	€697,133
Brugg Kabel AG	**Administrative Service agreement (revenue-generating)**	€100,717
	Services provided by staff on secondment and on assignment (revenue-generating)	€582,107
Terna Interconnector S.r.l.	**Administrative Service agreement (revenue-generating)**	€29,852
	Management and coordination of civil works for Italy-France Interconnector (cost-generating)	equal to costs in-curred up 6.15% of personnel expenses incurred
Esperia CC S.r.l.	**Administrative Service agreement (revenue-generating)**	€130,789
	Services provided by staff on secondment and on assignment (revenue-generating)	€296,177
	Rental of workstations for staff (revenue-generating)	€66,740
Terna Crna Gora d.o.o.	**Service agreement:**	
	Technical services	equal to costs in-curred up 6.15%
	Administrative services	€49,872
Avvenia The Energy Innovator S.r.l.	**Administrative Service agreement (revenue-generating)**	€35,469
Terna Forward S.r.l.	**Service agreement:**	
	Terna's Non-regulated Activities (cost-generating)	€569,996
	Management fee (revenue-generating)	€67,244
	Rental of workstations for staff (revenue-generating)	€7,863
	Services provided by staff on secondment and on assignment (revenue-generating)	€229,739

It should be noted that from a tax perspective, Terna S.p.A. is the consolidating company within the IRES (corporate income tax) tax consolidation scheme, in which the following subsidiaries participate: Terna Rete Italia S.p.A., Rete S.r.l., Terna Plus S.r.l., Terna Energy Solutions S.r.l., Tamini Trasformatori S.r.l., Avvenia The Energy Innovator S.r.l and Terna Forward S.r.l.. The nature of sales to and purchases from related parties[13] by the Company is shown in the tables below, followed by details of the revenue and costs resulting from such transactions during the year and the related assets and liabilities outstanding at 31 December 2024.

[13] The nature of the items related to centralised treasury management and the tax consolidation arrangement already described above are excluded from the table.

RELATED PARTY	REVENUE-GENERATING TRANSACTIONS	COST-GENERATING TRANSACTIONS
Parent		
Cassa Depositi e Prestiti S.p.A.		Credit facilities.
Related parties: subsidiaries operating in Regulated Activities		
Terna Rete Italia S.p.A.	Rental for leased operations, admin-istrative services, rental of work-stations and other services.	Maintenance and other technical services, grid upgrade and development, quality of service allowance, administrative services, rental of workstations for staff.
Rete S.r.l.	Provision of technical and adminis-trative services	Transmission charge.
Terna Crna Gora d.o.o.	Administrative services, services provided by seconded personnel and staff on temporary transfers.	Transmission charge.
Esperia CC S.r.l.	Administrative services, services provided by seconded personnel, rental of workstations.	
Related parties: subsidiaries operating in Non-regulated Activities		
Terna Energy Solutions S.r.l.	Technical, administrative and finan-cial services, rental of spaces and workstations.	Operation of Non-regulated Activities.
Terna Plus S.r.l.	Technical, administrative and finan-cial services, rental of spaces and workstations.	Operation of Non-regulated Activities.
Tamini Group	Administrative services, services provided by seconded personnel, other services.	
Terna Forward S.r.l.	Administrative services and other services, rental of spaces and work-stations, services provided by se-conded personnel.	Operation of Non-regulated Activities.
Brugg Kabel AG	Administrative services and other services, services provided by se-conded personnel.	
Terna Interconnector S.r.l.	Administrative and consultancy ser-vices, loan agreement.	Management and coordination of perfor-mance of civil works for Italy-France interconnector.
Avvenia The Energy Innovator S.r.l.	Administrative services and other services.	
LT Group	Administrative services and other services.	
Associates		
Cesi S.p.A.	Rental income on laboratories and other similar facilities for specific uses, dividends.	Technical studies and consultancy, re-search, design and experimentation.
CGES A.D.	Dividends	
CORESO S.A.		Technical coordination service for the TSO.
Other related parties		
GSE Group	Metering charge, dispatching charge.	Rental of spaces and workstations.
Enel Group	Transmission charge and aggrega-tion of meter readings, dispatching charge, leases and rentals, power line maintenance, movement/re-routing of power lines, housing of fibre cable and maintenance of communications carried over proprie-tary power lines.	Recovery of energy discount, building ser-vices, MV power to new substations, spe-cialist services for connection to Terna's control and protection systems.
Ferrovie Group	Dispatching charge, movement of power lines.	Right-of-way fees.
Open Fiber S.p.A.	IRU agreements for fibre.	Provision of services for the rental of fibre.
Webuild S.p.A.		Movement/re-routing of power lines.
ENI Group	Dispatching charge.	Contributions for NTG connections, sundry services.
ANAS S.p.A.	Movement/re-routing of power lines.	Right-of-way fees.
Snam Rete Gas S.p.A.		Sundry services.
Other related parties of the MEF		Sundry services.
Fondenel and Fopen		Pension contributions payable by the Terna Group.

Revenue and costs

(€m)

	REVENUE COMPONENTS			COST COMPONENTS
	TRANSMISSION CHARGE AND OTHER REVENUE FROM REGULATED ACTIVITIES	NON-ENERGY-RELATED ITEMS	DIVIDENDS	NON-ENERGY-RELATED ITEMS
Subsidiaries				
Terna Rete Italia S.p.A.	-	52.1	-	430.9
Terna Plus S.r.l.	-	1.0	-	4.2
Tamini Group	-	0.8	-	-
Terna Energy Solutions S.r.l.	-	9.4	-	13.9
Rete S.r.l.	-	1.7	-	0.5
Terna Interconnector S.r.l.	-	0.1	-	-
Esperia CC S.r.l.	-	0.5	-	-
Avvenia The Energy Innovator S.r.l.	-	0.2	-	-
Brugg Kabel AG	-	1.0	-	-
LT S.r.l.*	-	0.1	-	-
Terna Forward S.r.l.	-	0.3	-	0.6
Total subsidiaries	**-**	**67.2**	**-**	**450.1**
De facto parent				
Cassa Depositi e Prestiti S.p.A.	-	-	-	2.8
Total de facto parent	**-**	**-**	**-**	**2.8**
Associates:				
Cesi S.p.A.	-	0.4	-	0.2
CGES A.D.	-	-	2.2	-
CORESO S.A.	-	-	-	6.4
Total associates	**-**	**0.4**	**2.2**	**6.6**
Other related parties:				
GSE Group	7.0	-	-	-
Open Fiber S.p.A.	-	1.2	-	-
Enel Group	2,176.2	1.0	-	2.4
Eni Group	10.4	0.1	-	0.1
Ferrovie Group	3.3	0.1	-	0.3
ANAS S.p.A.	-	-	-	0.6
Other related parties of the MEF	-	0.1	-	0.3
Total other related parties	**2,196.9**	**2.5**	**-**	**3.7**
Pension funds:				
Fondenel	-	-	-	0.7
Fopen	-	-	-	0.9
Total pension funds	**-**	**-**	**-**	**1.6**
TOTAL	**2,196.9**	**70.1**	**2.2**	**464.8**

** On 24 February 2025, subsidiary LT S.r.l. changed its name to Altenia S.r.l.*

Assets and liabilities

(€m)

	PROPERTY, PLANT AND EQUIPMENT	RECEIVABLES AND OTHER ASSETS	PAYABLES AND OTHER LIABILITIES	BALANCE ON INTERCOMPANY TREASURY ACCOUNT AND CASH	GUARANTEES**
	CAPITALISED COSTS	OTHER	OTHER		
Subsidiaries					
Terna Rete Italia S.p.A.*	133.0	33.6	1,227.2	200.1	-
Terna Gora	-	-	3.0	-	-
Terna Plus S.r.l.*	-	1.3	0.9	(62.0)	-
Tamini Group*	35.4	8.0	-	-	-
Terna Energy Solutions S.r.l.*	-	18.5	13.9	153.2	-
Rete S.r.l.*	-	26.9	27.9	(35.1)	-
Terna Interconnector S.r.l.	-	0.1	-	-	-
Esperia CC S.r.l.	-	0.3	-	-	-
Avvenia The Energy Innovator S.r.l.*	-	0.2	-	0.9	-
Terna Forward S.r.l.	-	0.3	0.3	2.9	-
LT S.r.l.	-	0.1	-	-	-
Brugg Kabel AG	-	0.8	-	-	-
Total subsidiaries	**168.4**	**90.1**	**1,273.2**	**260.0**	**-**
De facto parent					
Cassa Depositi e Prestiti S.p.A.	-	-	2.0	-	(271.6)
Total de facto parent	**-**	**-**	**2.0**	**-**	**(271.6)**
Associates:					
Cesi S.p.A.	3.1	0.7	-	-	0.4
CORESO S.A.	-	-	0.7	-	-
Total associates	**3.1**	**0.7**	**0.7**	**-**	**0.4**
Other related parties:					
Open Fiber S.p.A.	-	0.1	0.2	-	-
Enel Group	1.0	218.7	13.0	-	951.0
Eni Group	-	0.4	15.1	-	86.5
Ferrovie Group	1.1	7.7	11.1	-	24.2
ANAS S.p.A.	0.1	0.6	1.4	-	-
Snam Rete Gas S.p.A.	-	-	1.8	-	-
Webuild S.p.A.	-	0.0	10.9	-	-
Other related parties of the MEF	3.5	0.2	0.4	-	0.6
Total other related parties	**5.7**	**227.7**	**53.9**	**-**	**1.062.3**
Pension funds:					
Fopen	-	-	0.8	-	-
Total pension funds	**-**	**-**	**0.8**	**-**	**-**
TOTAL	**177.2**	**318.5**	**1,330.6**	**260.0**	**791.1**

* *The balances for the item, "Other", include receivables and payables relating to the tax consolidation arrangement for IRES.*
** *Guarantees regard surety bonds received from contractors, with the exception of the amount relating to Cassa Depositi e Prestiti S.p.A. regarding a Revolving Credit Facility.*

The impact of related-party transactions or positions on the statement of financial position and the income statement is summarised below:

Statement of financial position

(€m)

	31.12.2024			31.12.2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Property, plant and equipment	17,276	177.2	1.0%	15,613	145.8	0.9%
Non-current financial assets	1,587.3	-	-	1,636.7	-	-
Other non-current assets	7.8	2.6	33.3%	7.9	2.8	35.4%
Trade receivables	2,936.1	273.5	9.3%	1,928.8	355.6	18.4%
Cash and cash equivalents	2,415.3	260.0	10.8%	1,456.3	216.7	14.9%
Tax assets*	3.3	-	-	3.2	1.2	37.5%
Other current assets	60.5	0.4	0.7%	61.6	0.4	0.6%
Other non-current liabilities	453.7	22.6	5.0%	373.0	24.2	6.5%
Trade payables	3,565.6	1,257.4	35.3%	2,669.7	940.6	35.2%
Tax liabilities*	90.5	(39.7)	(43.9%)	2.9	-	-
Other current liabilities	657.8	48.9	7.4%	659.6	33.2	5.0%

** The balances for the items include receivables and payables relating to the tax consolidation arrangement for the IRES.*

Income statement

(€m)

	2024			2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Revenue from sales and services	2,960.6	2,196.9	74.2%	2,567.3	1,787.6	69.6%
Other revenue and income	62.5	33.8	54.1%	67.5	33.1	49.0%
Raw and consumable materials used	10.6	0.2	1.9%	7.3	0.1	1.4%
Services	546.3	452.3	82.8%	498.4	398.6	80.0%
Personnel expenses	125.1	1.7	1.4%	119.2	1.5	1.3%
Other operating costs	27.7	2.4	8.7%	29.7	0.1	0.3%
Financial income	165.3	10.6	6.4%	142.0	27.4	19.3%
Financial expenses	(296.5)	8.2	(2.8%)	(232.8)	7.1	-3.0%

The impact of related party cash flows is shown below:

Statement of cash flows

(€m)

	2024			2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Cash flow from operating activities	1,515.1	331.3	21.9%	988.7	197.1	19.9%
Cash flow from investing activities	(2,433.0)	(31.5)	1.3%	(2,230.7)	(24.5)	1.1%
Cash flow from financing activities	1,876.9	-	-	495.7	-	-

H. Significant non-recurring, atypical or unusual events and transactions

No significant non-recurring, atypical or unusual events or transactions, involving either third or related parties, took place in 2024.

I. Notes to the statement of cash flows

Cash flow from **continuing operations** amounts to €1,515.1 million, with €2,331.5 million in operating cash flow and an outflow of €816.4 million generated by changes in net working capital.

The net cash outflow for investing activities totals approximately €2,433.0 million and regards €2,346.3 million relating to investment in property, plant and equipment (excluding right-of-use assets recognised in application of IFRS 16), €263.6 million invested in intangible assets and €55.8 million relating to the change in investments in securities, after capitalised financial expenses of €74.1 million.

The change in **equity** reflected an increase of €143.2 million, due primarily to the recognition of the reserve of the hybrid green bond to the extent of €842.1 million, partly offset by payment of the final dividend for 2023 and of the interim dividend for 2024 to the Parent Company's shareholders and of dividends paid to non-controlling shareholders (down €690.6 million). The reduction also reflects the purchase of treasury shares to service the new Performance Share Plan 2024-2028 (down €8.0 million). More details are provided in note "20. Equity".

As a result, net cash used in investing activities and to provide a return on equity during the year led to a total outflow of €2,289.8 million, covered in part by cash flow from continuing operations of €1,515.1 million and in part by an increase in net debt.

The following table shows the reconciliation of net changes deriving from financing activities in the statement of cash flows:

(€m)

	31.12.2023	CASH FLOW FROM FINANCING ACTIVITIES	CHANGE IN FV AND OTHER	31.12.2024
- Long-term borrowings (including current portion)	10,738.2	1,315.6	(10.4)	12,043.4
- Short-term borrowings	1,190.4	418.1	22.7	1,631.2
Net change deriving from financing activities	**11,928.6**	**1,733.7**	**12.3**	**13,674.6**

L. Government grants

Article 1, paragraphs 125 to 129, of Law 124 of 4 August 2017 (the annual markets and competition law) has introduced a number of measures designed to ensure the transparency of the government grants system. These measures, later amended by Law Decree 34 of 30 April 2019, include an obligation for companies to disclose amounts and information regarding assistance, subsidies, benefits, grants or aid, whether in cash or in kind, in the notes to the annual financial statements and, where applicable, in consolidated financial statements, where such amounts are not of a general nature and do not have the form of a fee, remuneration or compensation and have been received from a public body (paragraph 125-*bis*). The legislation also requires the disclosure of any grants disbursed (paragraph 126).

In accordance with Assonime circulars, Circular 5 of 22 February 2019 on "Transparency in the government grants system: an assessment of the regulations and interpretation guidance" and Circular 32 of 23 December 2019 on "Enterprise and competition", Terna S.p.A. uses the following criteria and basis of reporting for government grants:

- the regulations only apply to entities resident in Italy;
- grants have the nature of grants or donations, and represent incentives or subsidies designed to give beneficiaries a recognised economic advantage; the grants therefore take the form of donations or giving and public aid for specific purposes, and are not awarded under a general aid regime;
- the public resources used are exclusively "national";
- grants are reported on a cash basis and if the amount is not less than €10,000 (with reference to each individual beneficiary) in the reporting period.

In line with the above, the following table shows government grants collected/disbursed by Terna S.p.A. in 2024:

Grants received (paragraph 125-bis)

	GRANTOR				
BENEFICIARY EN-TITY	NAME	VAT NUMBER	TYPE OF TRANS-ACTION	AMOUNT (€)	NOTES
TERNA SPA	Ministry of Enterprises and Made in Italy	80230390587	State aid*	10,410,060	Grants collected on the basis of a report on the state of work in progress on projects carried out by Terna S.p.A. financed by government grants, with funding provided under the National Operational Programme (NOP) for Enterprises and Competitiveness 2014 - 2020 FESR - ASSE IV – Investment priority 4d - Action 4.3.1
TERNA SPA	Sicily Region	02711070827	State aid*	8,469,056	Contributions received in respect of the reporting of Terna S.p.A. projects financed through public funds from the resources of the Operational Programme (OP) ERDF Sicily 2014-2020 - Specific Objective 4 - Action 4.3.1
TOTAL				**18,879,116**	

** These grants are covered by the obligation to publish them in the national state aid register.*

GRANTS DISBURSED (PARAGRAPH 126)

GRANTOR	BENEFICIARY NAME	BENEFICIARY VAT NUMBER	TYPE OF TRANSACTION	AMOUNT (€)	NOTES
TERNA SPA	Fondazione Venezia Capitale Mondiale della Sostenibilità	94102820274	GIVING	33,000	Joining the foundation as cofounding member
TERNA SPA	Fondazione Accademia Naz. Santa Cecilia	05662271005	GIVING	160,000	Renewed participation as a founding partner
TERNA SPA	SUSAN G.KOMEN ITALIA ONLUS	06073831007	GIVING	15,000	Prevention day across the whole of Italy
TERNA SPA	Fond. Pol. Univ. A. GEMELLI IRCCS	13109681000	GIVING	65,000	Support for the purchase of equipment or for functional neurosurgery
TERNA SPA	Fondazione Accademica Musicale Chigiana	92035840526	GIVING	20,000	Summer Academy 2023
TERNA SPA	Sistech - Association loi 1901	FR83538232600022	GIVING	60,000	Funding for Programma Boost scholarships
TERNA SPA	ASSOCIAZIONE ITALIANA CONTRO LE LEUCEMIE	10823601009	GIVING	60,000	Support for a non-profit, public interest organisation
TERNA SPA	Fondazione Intercultura ETS	91016300526	GIVING	53,000	Protection and sustainability of the Marcigliana Park
TERNA SPA	Associazione FUKYO O.d.V.	97727100584	GIVING	36,000	Support for study trips abroad and multicultural exchange for sons/daughters
TERNA SPA	SOCIETÀ BOTANICA ITALIANA ONLUS	00464940485	GIVING	56,314	Tiny Forest project
TERNA SPA	Fondazione TERNA	96603750587	GIVING	200,000	Fondazione TERNA' initial funding for incorporation
Total				**758,314**	

M. Proposal for appropriation of profit for the year

Terna S.p.A.'s Board of Directors proposes to pay a total dividend of €796,358,830.40 for 2024, equal to €0.3962 per share, of which €0.1192 per share was declared in the form of an interim dividend on 6 November 2024.

The Board of Directors thus proposes to appropriate Terna S.p.A.'s profit for 2024, amounting to €970,356,839.31, as follows:

- €239,591,046.40 to cover payment of the interim dividend payable from 20 November 2024 to the holders of each of the ordinary shares outstanding after adjusting for the treasury shares held at the record date of 19 November 2024 (with the relevant amount of €494,900.28 taken to retained earnings);
- €556,767,784.00 as settlement of the dividend to be distributed to the extent of €0.2770 in relation to each of the 2,009,992,000 ordinary shares representing the share capital as at the date of this Board Meeting to be paid on 25 June 2025 with "ex-dividend date" of coupon No. 42 falling on 23 June 2025 (record date pursuant to Article 83-*terdecies* of Legislative Decree No. 58 of 24 February 1998 "CLF" (Consolidated Law on Finance): 24 June 2025). The treasury shares held as of the above record date will not participate in the distribution. The final dividend for 2024 attributable to the treasury shares held by the Company at the record date, will be taken to retained earnings;
- €173,998,008.91 to be taken to retained earnings.

N. Events after 31 December 2024

The project to modernise the 'Patria-Sant'Antimo' power line in the province of Naples has been authorised

On **13 January 2025**, a decree was issued by the Ministry of the Environment and Energy Security authorising **Terna's project to modernise the 220 kV "Patria - Sant'Antimo" power line in the province of Naples**. The project, in which the Company will invest over €20 million, involves the construction of a new 8.5 km line, of which 8 km will be underground. This endeavour will involve the municipalities of Naples, Marano di Napoli, Mugnano di Napoli, Melito di Napoli and Sant'Antimo. It will bring significant benefits: on the one hand, an increase in the quality and reliability of the local electricity service; on the other hand, a drastic reduction in the visual and landscape impact as the overhead infrastructure will be replaced with underground cables. Once completed, it will be possible to demolish over 6 km of existing lines and 18 pylons, clearing around 21 hectares of land in heavily urbanised areas. This project is part of a larger upgrading plan, which will also cover the 220 kV "Sant'Antimo - Fratta" power line. In this case, the new underground line, spanning about 8 km, will cross the municipalities of Sant'Antimo, Grumo Nevano, Frattamaggiore and Frattaminore (Province of Naples) and Sant'Arpino (Province of Caserta). Terna will invest around €18 million in this project, which will allow 5 km of overhead lines to be demolished and 17 pylons to be removed, clearing 17.5 hectares of land in the vicinity of built-up areas.

Terna ranked among the Top Employers 2025

On **16 January 2025**, the **Top Employers Institute** certification organisation, which rates companies based on their HR policies and strategies, **ranked Terna among the Top Employers 2025**. The survey confirmed Terna's high standards in 6 macro-areas in the area of Human Resources, examining 20 topics and best practices, including People Strategy, Work Environment, Talent Acquisition, Learning, Diversity, Equity & Inclusion and Well-being. The Best Employers certification bears the value of Terna's People Strategy, which was launched in 2024 with the aim of (i) consolidating an organisational culture focused on growth, change and performance while emphasising respect for people and diversity, and (ii) reviewing the company's HR processes with a view to enhancing people's value. The new model, focused on capacity and talent building, fosters individual and, therefore, organisation-wide performance, leveraging empowerment and merit to boost motivation, engagement and well-being.

2024: a record year in meeting demand from renewable sources

A note was published on **16 January 2025** informing that **in 2024 Italy's electricity consumption increased by 2.2% compared to 2023, while renewable sources recorded an all-time high in terms of demand coverage** (41.2% compared to 37.1% in 2023). The uptrend was driven mainly by the positive input from hydroelectric and photovoltaic production. Considering all renewable sources, the capacity increase in Italy in 2024 was 7,480 MW, up 29% compared to 2023. On the supply side, 2024 saw significant growth in renewable production (up 13.4%) and a slight decrease in the net foreign balance (down 0.5%), as a result of a strong increase in exports (up 47.9% compared to 2023) and a more moderate increase in imports (up 2.4%). In December, for the first time, Italian electricity exports exceeded 4,000 MW, bearing out the key role of interconnections.

Milan-Montalto connection: Terna's dialogue with the local area begins

A note was published on **20 January 2025** informing that Terna was launching **the public consultation process for the direct current connection between Milan and Montalto di Castro**. The new **Milan-Montalto** electricity backbone, spanning about 500 km, will optimise transit flows of electricity between central and northern Italy. This endeavour, which forms an integral part of the future **Hypergrid**, will use **HVDC** (High Voltage Direct Current) technology, enabling greater integration of renewable capacity. In addition to the **deployment of submarine cables** - up to 525 kV - between Montalto di Castro (Viterbo) and Avenza (Massa-Carrara), the existing **overhead lines** between Tuscany, Liguria, Emilia-Romagna and Lombardy will be to upgraded and converted into direct current.

Authorisation granted for the electricity grid rationalisation project in the provinces of Pescara and Chieti

A note was published on **23 January 2025** informing that the Ministry of the Environment and Energy Security had authorised Terna's project for the rationalisation of the electricity grid in the municipalities of Pescara and Cepagatti (Province of Pescara) and San Giovanni Teatino (Province of Chieti). The project, in which the Company will invest about €11 million, involves the partial burying of the 132 kV "FS Pescara-FS Roseto" power line. More specifically, a new underground cable connection of about 7 km will be built between Pescara and Cepagatti. This infrastructure will allow over 6 km of overhead lines to be demolished and 27 pylons, which currently run through densely populated areas, to be removed. The project will ensure a more efficient and safer operation of the local network and address existing interferences with the Pescara-Chieti railway line. This endeavour is part of the broader rationalisation plan associated with the commissioning of the Italy-Montenegro (Monita) submarine link. The close cooperation between Terna and the local authorities involved has made it possible to optimise the initial project to meet the needs of the local communities.

Terna inaugurates the Innovation Zone in Tunisia

On **29 January 2025**, the new **Terna Innovation Zone in Tunis**, the first innovation hub in Africa managed by our group, was inaugurated in the presence of CEO and President Giuseppina Di Foggia with a view to strengthening the strategic partnership between Italy and Tunisia. The Terna Innovation Zone, which qualifies as a corporate social responsibility project, **sets out to promote technological innovation and drive capacity building in Tunisia's energy sector**, further strengthening ties between the two countries while contributing to the achievement of the objectives outlined in the Mattei Plan for Africa.

Connection works authorised for the electrification of the port of La Spezia

On **4 February 2025**, the Regional Authorities of Liguria **authorised the connection works and the plants planned by Terna** - for a total capacity of 110 MW - for **the cold ironing of the port of La Spezia**, i.e. to reduce polluting emissions from ships while they are stationed. The investment, in the region of **€38 million**, includes the construction of a **new 132 kV "La Spezia Stagnoni" electricity substation** using compact armoured technology to reduce the impact on the local communities. The project also includes **two underground cable links**, spanning 2.5 km, which will connect the new infrastructure to the future "La Spezia - La Pianta" line and to the existing "La Spezia" electricity substation, from which the Port Authority (locally known as AdSP) facilities will be powered up to the docks.

Tyrrhenian Link: laying of submarine cable in Sicily got underway

On **7 February 2025**, work got underway in Fiumetorto, in the municipality of Termini Imerese (Palermo) for the laying of the submarine cable of the eastern branch of the Tyrrhenian Link, one of the country's major electricity infrastructures, which will connect Sicily and Campania. The project, which also includes the western branch between Sicily and Sardinia, requires a total investment in the region of €3.7 billion. The project plays a key role in the decarbonisation process set out in the National Integrated Energy and Climate Plan (locally known as PNIEC), increasing transport capacity and driving energy transition. It will also contribute to improving the security, adequacy and flexibility of the national electricity transmission grid. The Tyrrhenian Link involves the construction of two 500 kV direct current submarine power lines with a total of 970 km of cable and a transport capacity of 1,000 MW for each section.

Reorganisation of the electricity grid in the Novara area, work to begin by summer

A note was published on **10 February 2025** informing that, following the approval of the final project for the construction and operation of a 132 kV underground cable power line section of the existing "Mercallo - Cameri" line, Terna would publish a notice specifying the affected areas in the municipalities of Borgo Ticino, Varallo Pombia, Pombia, Marano Ticino, Oleggio, Bellinzago Novarese and Cameri, in the province of Novara. The project, in which the Company will invest around €50 million, will ensure a more efficient energy transmission service in the area, allowing the infrastructure to blend in the local area to a greater extent, while reducing its carbon footprint. Terna is completing the preliminary activities to enable the construction sites to get underway by the summer as planned. The work involves completing an underground cable bypass of about 22 km of the "Mercallo - Cameri" 132 kV overhead power line between Borgo Ticino and Cameri, followed by the demolition of an overhead section spanning about 21 km. In addition, a further 3 km of the 220 kV Magenta - Pallanzeno power line in the municipality of Borgo Ticino will be dismantled. In total, more than 100 electricity pylons will be decommissioned, including 28 within the Ticino Natural Park, where 5 km of overhead lines will be removed, clearing more than 60 hectares of land. The work will bring significant benefits in terms of security and reliability of the transmission grid, optimising the efficiency and sustainability of electricity supply in the area. In addition, upgrading the grid will make it possible to meet the growing demand for energy and support the transition of the national electricity system towards greater sustainability and resilience.

Successful launch of a new €750 million 7-year green bond

A note was published on **10 February 2025** informing that Terna S.p.A. had successfully launched a green, single tranche, fixed-rate bond issue in euros, intended for at institutional investors, for a face amount of €750 million. The issue, which saw extremely high demand, was almost 5 times oversubscribed and is characterised by high quality and broad geographical diversification of investors. The green bond was launched as part of Terna's €12,000,000,000 Euro Medium Term Notes (EMTN) Programme, which was rated "BBB+" by Standard and Poor's and "(P)Baa2" by Moody's. The green bond has a duration of 7 years and its maturity date was set on 17 January 2032. It will pay an annual coupon of 3.125% p.a. and was issued at a price of 99,975%, with a spread of 90 basis points over the Mid-Swap. The settlement date for the issue was set on 17 January 2025. It is expected that the net proceeds of the issue will be used to finance the Company's "eligible green projects", identified or to be identified on the basis of Terna's Green Bond Framework, which was drafted in compliance with the (i) "Green Bond Principles 2021" published by the International Capital Market Association, and (ii) European Union's Taxonomy with a view to encouraging sustainable investments. At the time of the issue, an application will be made for the bond to be listed on the Luxembourg Stock Exchange. The strategy of the Group led by Giuseppina Di Foggia thus confirms its focus on combining sustainability and growth, in order to foster the energy transition underway and generate ever greater benefits for the country and all its stakeholders. In this regard, Terna prepared and published a Green Bond Framework in order to facilitate the transparency and quality of the green bonds issued. This framework and the "second party opinion" were prepared by independent advisor Moody's. The transaction was supported by a syndicate of banks, under which the following banks acted as joint-bookrunners: Banca Akros, BNP Paribas, BofA Securities, Citi, Deutsche Bank, Goldman Sachs International, IMI-Intesa Sanpaolo, Mediobanca, Santander and UniCredit.

Terna, electricity consumption rose by 1% in January

A note was published on **17 February 2025** informing that the demand for electricity amounted to 26.9 billion kWh in January, showing a 1% increase compared to the same month in 2024. In detail, the previous month had one working day less (21 instead of 22) and an average monthly temperature almost unchanged compared to January 2024, albeit about 1.4°C higher than the average of the last ten years. Demand, seasonally adjusted for the combined effect of calendar and temperature, was up by 1.5%. The year-over-year change seen in January was on the upside across the board: up 0.9% in the North, up 0.8% in the Centre and up 1.3% in the South and Islands. The IMCEI index compiled by Terna, which examines the industrial consumption of "energy-intensive" companies, decreased by 2.4% compared to January 2024. More specifically, the mechanical engineering and foodstuffs sectors were up. Conversely, non-ferrous metals, transport equipment, chemicals, cement, lime and plaster, ceramics and glass, and papermaking were down. In cyclical terms, the value of demand for electricity, seasonally adjusted for calendar and temperature effects was virtually unchanged compared to December 2024 (up 0.2%).

Authorisation process underway for the Electricity Grid Resilience Plan in Fonzaso (Belluno)

On **20 February 2025**, Terna announced the start of the authorisation process, promoted by the Ministry of the Environment and Energy Security (MASE), for the plan of works to be carried out on the National Transmission Electricity Grid in the area of Fonzaso in the province of Belluno, and published a notice showing the parcels of land affected by such works. With an investment of approximately €6 million, the Company led by Giuseppina Di Foggia will bury a 2 km section of the 132 kV Moline-Arsiè power line, which powers the Pedesalto primary substation of the local distributor. Once completed, the new underground cable link will help to improve the reliability and operational safety of the electricity transmission service. In addition, it will be possible to demolish about 6 km of lines and remove 28 pylons, clearing about 18 hectares of land. The project also includes the construction of two overhead lines of approximately 400 metres each and the installation of two motorised switch-disconnectors, which can be controlled manually or remotely, to allow the network to be quickly re-powered in the event of a fault. Being part of Terna's "Resilience Plan" to mitigate the effects of climate change, the project will reduce the risk of local grid outages and damage caused by extreme weather events, such as strong winds, which are particularly frequent in the area due to the orographic conformation and dense vegetation.

Sa.Co.I.3: work gets underway for interconnection between Sardinia, Corsica and Tuscany

On **21 February 2025**, Terna started onshore works for the construction of the Sa.Co.I.3, the 200 kV direct current electricity interconnection that will connect Sardinia, Corsica and Tuscany, contributing to the strengthening of the European electricity market and fostering the integration of renewable sources. A total investment of approximately €1.35 billion is planned for the work pertaining to our Company. The project, which is expected to come on stream in 2029, was authorised by the Ministry of the Environment and Energy Security in 2023.

Elmed: work has begun on uprooting and replanting of over 1,700 olive trees in Partanna (Trapani)

On **24 February 2025**, Terna began work on the uprooting and replanting of over 1,700 olive trees in the municipality of Partanna, in the province of Trapani. The Group's activity is necessary to prepare the area that is to host Elmed converter station, the connection between Italy and Tunisia that is being built in cooperation with STEG, the Tunisian electricity grid operator. The infrastructure, spanning about 220 km, will be largely built using a submarine cable and will connect the Partanna electricity substation to the Capo Bon electricity substation in Tunisia via a 600 MW direct current power line. With the support of agricultural engineers, Terna has drawn up a two-year management plan to ensure constant care and monitoring of the plants, including specific actions intended to encourage their growth. Of the total investment for the electricity connection, €307 million was allocated by the European Commission through the Connecting Europe Facility ("CEF") programme. For the first time, the European Union has financed a project involving a non-member country, bearing out the significance of the interconnection project.

Change of subsidiary's company name: LT becomes Altenia

On **24 February 2025**, the notarial Shareholders' Meeting of the corporate vehicle formerly known as "LT S.r.l." resolved, *inter alia*, to amend its Articles of Association, changing the company name to "Altenia S.r.l." The effective date of the change of company name was set on 4 March 2025. Terna Energy Solutions, the Terna Group's market company, changed its organisational structure, becoming a sub-holding company that coordinates Altenia (formerly LT S.r.l.), Tamini Trasformatori S.r.l. and Brugg Cables, in addition to providing services and infrastructure for fibre optics. This reorganisation is part of the TernaPlan 2024-2028 strategy to accelerate the energy and digital transition, in synergy with Terna's core business, by integrating diversified expertise along the entire energy value chain. The goal is to multiply the value of market assets by 2028, reaching €600 million EBITDA over the plan period. With the production and sale of transformers and cables, a comprehensive portfolio of energy services, coupled with fibre-optic network enhancement, Terna Energy Solutions sets out to be the first Italian One Stop Shop (a single operator offering integrated solutions) for investors and companies operating in the energy and connectivity fields. Leading this corporate reorganisation is CEO Stefano Schiavoni.

Authorisation process underway for new works on the electricity grid in the Metropolitan City of Milan

A notice was published on **5 March 2025** informing that, following the start, by the Ministry of Environment and Energy Security, of the authorisation process for the completion of works on the National Transmission Grid in the area of Milan's Metropolitan City, Terna published a notice containing the list of cadastral parcels of land in the areas potentially affected by the project. To ensure a smoother and better coordinated management of the authorisation process, the individual works were submitted as part of a single procedure, since they both involve new infrastructure to be connected to Terna's existing "Novara RT - Rho RT" power line. The project, in which the Company will invest around €55 million, is designed to power the future data centres planned in the north-west of the region. The project plan was designed with the aim of preserving areas of natural and archaeological value and limiting the footprint of new installations in urbanised or expanding areas by encouraging solutions having a reduced environmental and landscape impact. In the municipality of Mesero, a new 132 kV electricity substation will be built. It will be connected to the "Novara RT - Rho RT" line and to the primary substation in Magenta, owned by the local distributor. To this end, new power lines will be used, one in underground cable 3.3 km long and one overhead of about 800 metres, which will also cross the municipality of Marcallo con Casone. The second infrastructure included in the project is the new Sedriano GIS electricity substation, built using compact armoured technology with reduced land use. It will be connected to the "CP Vittuone - CP Parabiago" and "Novara RT - Rho RT" lines via two cable connections, spanning 4 km, and an overhead connection. The project also includes the laying of an underground power line of about 1 km to connect the existing Terna electricity substation in Sedriano to the National Transmission Grid, which will also be upgraded to prepare it to accommodate the new connections. The municipalities involved will include Arluno and Vittuone. Upon completion of the project, 12 pylons will be removed, covering a total of about 3 km of overhead lines in the municipalities of Marcallo con Casone, Magenta, Arluno and Vittuone.

Terna: the new corporate structure of Terna Energy Solutions for non-regulated activities was presented

A note was published on **6 March 2025** informing that Terna Energy Solutions — the Terna Group company that manages non-regulated activities carried out in competitive markets — is undergoing a reorganising process by integrating diversified expertise along the entire energy value chain. Terna Energy Solutions sets out to act as a blueprint for businesses seeking strategic expertise in the field of energy and digital transition, providing them with technological, innovative and digital solutions in the energy and industrial sectors. This goal will be achieved through its network of subsidiaries: Tamini, the Italian leader in the transformer sector, Brugg, a reference company in the underground cable sector, and Altenia, formerly LT. Altenia brings together all system integrator activities with specialised and diversified expertise in the design, construction, maintenance and efficiency of medium- and high-voltage electrical systems, renewables and storage systems (BESS), which until now were provided separately by LT, Terna Energy Solutions and Avvenia. With the aim of further expanding Altenia's expertise and geographic footprint, a preliminary agreement was entered into for the acquisition of 100% of STE Energy, a company that has gained 30 years of experience in the design, construction and maintenance of renewable energy plants and electrical infrastructure, with an estimated turnover in 2024 of approximately €85 million. The agreement remains subject to the fulfilment of certain conditions, such as authorisation by the Antitrust Authority and certain notices typically required in similar transactions.

Terna's commitment to the "Strategic Plan for Gender Equality"

On **7 March 2025**, on the occasion of International Women's Rights Day, Terna confirmed its commitment to equal opportunities by defining the objectives and specific organisational actions set out in the **"Strategic Plan for Gender Equality"**. By planning an integrated policy based on a holistic approach, in 2024 the Group was able to obtain the IMQ (Istituto Italiano del Marchio di Qualità) Certification on Gender Equality according to the UNI/PDR 125:2022 practice: an acknowledgement that attests to the effectiveness of the specific actions undertaken to reduce differences in the workplace and create a fairer and more inclusive environment that rewards merit and where each person is listened to, respected and valued for their uniqueness. To achieve this goal, Terna has set up a "Steering Committee for Gender Equality", which is responsible for ensuring the implementation of the policy on this matter and defining the Strategic Plan with the objectives to be achieved and monitored by 2026. In line with the Gender Equality Certification, the actions included in the Plan result from the identification of 12 objectives grouped into 6 macro-areas: Culture and Awareness, Research and Selection, Opportunities and Growth Pathways, Salary Equity, Family Support and Work-Life Balance. The objectives therefore define an all-round strategy for the business processes involved, which include in particular: setting up listening systems to gain insights into inclusiveness; diversity and equality training; updating the selection process; collaboration with schools, universities and associations to attract candidates and promote careers in STEM (Science, Technology, Engineering and Mathematics); training staff on inclusive recruitment; organising leadership courses; monitoring and mitigating the gender pay gap; supporting shared parenting and caring, promoting the use of available leave and benefits, launching a programme to improve parenting skills; promoting inclusive working hours and monitoring structural remote working. For each objective, strengths and weaknesses will then be identified analytically by engaging in specific assessment, auditing and monitoring activities; actions to close any gaps will be defined; and implementation timeframes for achieving the objectives being pursued will be set out. By adopting this Strategic Plan, Terna therefore intends to enable a process of cultural transformation for the promotion of equal opportunities and the enhancement of diversity, with the ultimate goal of encouraging responsible growth that generates a positive impact and contributes to reducing the gender gap, not only within the Company, but also in society at large.

Work for the construction of the underground cable power line in the province of Caserta got underway

On **10 March 2025** Terna began construction work on the 150 kV underground cable connection between the “Saint Gobain” primary substation and the “Santa Sofia” electricity substation in the province of Caserta. Work is underway on Via Antonio De Curtis in coordination with the Municipality of Maddaloni. To ensure effective management of operations, the Company has defined a detailed operational plan, adopting solutions designed to minimise the impact on the urban road system and facilitate the smooth flow of traffic. Upon construction work reaching completion, Terna will restore the road surface by asphalting the sections affected by the work. As a whole, the infrastructure, in which the Group will invest €11 million, comprises a 7 km underground power line built using state-of-the-art cables with XLPE (extruded cross-linked polyethylene insulation), a most reliable and sustainable technology. The route was identified on the basis of in-depth technical studies, assessing compatibility with the existing infrastructure and the characteristics of the roadway. This project will involve the municipalities of Caserta and Maddaloni and is considered necessary to cope with the increased energy loads expected in the area. Once completed, it will help strengthen the electricity grid mesh, improving its reliability and resilience, with a positive impact on the local electricity service.

Terna: 2025 Development Plan for the national electricity grid presented

On **14 March 2025** Terna’s 2025 Development Plan was presented in Rome in the presence of Terna’s Chairman, Igor De Biasio, the Minister of the Environment and Energy Security, Gilberto Pichetto Fratin, and the Chairman of ARERA, the Italian Regulatory Authority for Energy, Networks and the Environment, Stefano Besseghini. Terna’s Development Plan 2025-2034, with over €23 billion in investments over the next ten years (up 10% compared to the previous Plan), consolidates Terna’s role at the service of the country for a sustainable and carbon-free future. The 2025 Development Plan is consistent with the targets set out in the 2024 National Integrated Energy and Climate Plan, as detailed in the Terna-Snam Scenarios Description Document 2024, which foresees an increase in installed solar and wind capacity of over 65 GW by 2030 and 94 GW by 2035, both with reference to the installed capacity in 2023. Terna’s interventions included in the Development Plan 2025 are aimed at fostering the integration of renewable sources and increasing the grid’s transmission capacity. By 2030, the main electricity infrastructures supporting the Italy’s energy transition will be operational, including the Tyrrhenian Link, the Adriatic Link, the connection between Sardinia, Corsica and Tuscany, as well as the Italy-Tunisia energy bridge. In addition, the Efficient Regional Planning model was adopted to resolve the issue of virtual grid saturation, optimising the management of connections and the implementation of the necessary infrastructure.

Terna, February electricity consumption up 0.6%

On **19 March 2025** it was announced that electricity demand in February amounted to 24.9 billion kWh, a 2.1% decrease compared to the same period in 2024. The figure for demand, compared to the month of February of the year prior, which was a leap year, and adjusted for the effect of one less working day (20 instead of 21) and a lower average monthly temperature of 1.5°C, changes sign and is up 0.6%. The IMSER index prepared by Terna on the monthly electricity consumption data provided by a number of distribution network operators (E-Distribuzione, UNARETI, A-Reti, Edyna and Deval), and presented two months later than the electricity and industrial consumption data, showed a positive change of 4.6% in December 2024 compared to December 2023. Overall, in 2024 the change compared to 2023 was a 4% increase. More specifically, net national production amounted to 21 billion kWh. Renewable sources covered 29.1% of the electricity demand. The photovoltaic (up 10.4%) and thermal (up 21.3%) sources increased. Hydro (down 7.5%), wind (down 44.4%) and geothermal (down 6.2%) decreased. In detail, the decline in coal-fired production continued: down 42.3% compared to the same period last year.

Terna: approval process underway for the works to power the Bologna Tecnopolo

On **19 March 2025** the Italian Ministry of the Environment and Energy Security launched the process to approve Terna's plan to connect the systems of the Bologna Tecnopolo to the National Transmission Grid. The project, in which the company will invest around €14 million, involves the construction of a new 132 kV Electricity Substation called 'Bologna Tecnopolo', using compact gas-insulated technology with a minimal footprint in terms of land consumption. The infrastructure will be connected to the existing 'Battiferro - S. Donato Bolognese' overhead power line, belonging to Terna, via two underground cables. The cable will be produced with insulation in XLPE (extruded cross-linked polyethylene insulation), a latest-generation technology which guarantees absolute reliability and sustainability. The works, whose planning solutions have been identified in collaboration with the Emilia-Romagna Region, the Municipality of Bologna and all stakeholders involved, will contribute to the full development of the Bologna Tecnopolo and will satisfy the demand for energy of the users who submitted the request for connection to the National Transmission Grid. Terna's 2025-2034 Development Plan involves an investment of €2.3 billion for Emilia-Romagna over the next 10 years. The main works will include the Colunga-Calenzano power line, currently under construction, the HVDC Milan-Montalto connection, and the Adriatic Backbone. These projects will make it possible to optimise energy transit and increase energy exchange capacity, strengthen the meshing of the electricity grid, and improve the integration of the renewable capacity expected over the coming years. Terna manages 5,200 km of high-voltage and extra-high-voltage power lines and 65 electricity substations in the Emilia-Romagna region.

Terna: authorisation received for the work required to power the 'Palermo-Catania' rail line in the province of Enna

On **21 March 2025** the Region of Sicily authorised Terna's plans to carry out the necessary interventions on the National Transmission Grid to power the "Palermo-Catania" rail line in the province of Enna. The project, in which the company will invest around €38 million in total, involves a new 150 kV electricity substation called "Villarosa", to be connected to the systems of the Italian Railway Network, and a new underground cable power line of around 13.5 km in length. The latter will be produced with XLPE (extruded cross-linked polyethylene) insulation, a latest-generation technology which guarantees absolute reliability and sustainability. With a designated €3.5 billion in Terna's 2025-2034 Development Plan, Sicily is Italy's leading region in terms of investments in the electricity grid. The main projects include the Tyrrhenian Link, which involves the construction of two DC submarine power lines connecting Sicily with Campania and Sardinia; ELMED, one of the Mattei Plan projects for Africa consisting of an electrical interconnection between Italy and Tunisia; the Bolano-Annunziata power line between Sicily and Calabria; and the Chiaramonte Gulfi-Ciminna between the eastern and western areas of Sicily. These interventions are essential to the pursuit of national and European targets in terms of energy transition and the independence, resilience and efficiency of the electricity system. Terna manages over 4,500 km of high-voltage and extra-high-voltage power lines and 78 electricity substations in the region.

Terna: refinancing of an ESG-linked €1.8 billion revolving credit facility

On **21 March 2025**, Terna signed an ESG-linked Revolving Credit Facility for a total amount of €1.8 billion, aimed at refinancing the ESG-linked revolving credit facility signed on 17 December 2021, for a total amount of €1.65 billion. The Revolving Credit Facility, which is structured in the form of a committed, revolving and ESG-linked facility, consists of the amendment to the previous revolving credit facility of 2021 in order to provide for the extension of its term for a further 5 years from today's date, an increase in the size of the amount and the amendment of the ESG indicators. The pool of banks taking part in the transaction consisted of the same credit institutions involved in the previous revolving facility as Joint Mandated Lead Arrangers: UniCredit, BNP Paribas, Banco BPM, Intesa San Paolo, Mediobanca, Banca Nazionale del Lavoro. Unicredit acted as agent bank, also acting as Sustainability Coordinator. The Revolving Credit Facility envisages the introduction of specific environmental, social and governance ("ESG") objectives, linked to a mechanism based on bonuses and penalties applied to the contractual provisions related to the so-called commitment fee and to the margin, further strengthening the integration of sustainability objectives into the Company's financial strategy. The transaction allows Terna to count on a liquidity appropriate to its current rating, further strengthening the Company's financial structure, and confirms the Group's strong commitment to the introduction of a model which aims to reinforce sustainability as a strategic lever for creating value for all its stakeholders.

Terna: 2024-2028 Industrial Plan update approved

On **25 March 2025** the meeting of the Board of Directors of Terna S.p.A. took place, chaired by Igor De Biasio, in which the Board examined and approved the Group's 2024-2028 Industrial Plan Update and the results for the year ended 31 December 2024, presented by the Chief Executive Officer and General Manager, Giuseppina Di Foggia. With a total of €17.7 billion of investments, Terna consolidates its role as a key enabler for the energy transition while providing significant momentum to the commitment to helping the country towards decarbonisation and reducing its dependence on foreign sources of supply. According to the update approved by the Board of Directors, in five years Terna will invest a total of €17.7 billion, with an increase of €1.2 billion (up 7%) over the same period of the previous Plan; at the heart of the strategy for energy transition and independence are: sustainable infrastructure development, integration of renewable sources and storage systems, interconnections with foreign countries; investments in regulated activities at the highest level in the Group's history: €16.6 billion (up 7% compared to the previous Plan) to make the national electricity grid more efficient, digital and resilient; progress in the execution of the Plan, with around 90% of the projects approved and around 80% covered by procurement contracts (compared to 79% and 70%, respectively, in the previous Plan); increased contribution from Non-regulated Activities and investments in digitalisation and innovation gain further momentum with a view to enabling the Twin Transition - Energy and Digital (over 20% more compared to approximately €2 billion of the previous Plan); all activities included in the Sustainability Plan are confirmed and a commitment made to a programme to reach the Net Zero Science Based target by 2050; new guidance: in 2028, EBITDA is expected to increase to €3.36 billion and Group net profit to €1.19 billion.

Moody's and S&P confirm Terna's rating: Baa2 and BBB+ respectively with stable outlooks

On **25 March 2025**, following the presentation of the 2024-2028 Industrial Plan Update, Moody's Investor Service (Moody's) and S&P Global Ratings (S&P) confirmed the long-term ratings assigned to Terna S.p.A. (Terna), Baa2 and BBB+ respectively, both with stable outlooks, with one notch above that of the Italian Republic. The Plan update calls for significant growth in investments, which set a new record for the Group (over the same period of time as the previous Plan), confirming Terna's increasingly central role as an enabler of the energy transition towards decarbonisation and the reduction of Italy's dependence on foreign sources of supply.

Disclosure

pursuant to art. 149-*duodecies* of the CONSOB Regulations for Issuers

The following table, prepared pursuant to art. 149-*duodecies* of the CONSOB Regulations for Issuers, shows the fees paid for audit and other services provided by Terna S.p.A.'s independent auditors in 2024.

(€)

	ENTITY PROVIDING SERVICE	FEES DUE FOR THE YEAR
Audit of the accounts and financial statements	Deloitte & Touche S.p.A.	238,902
Attestation and other services[15]	Deloitte & Touche S.p.A.	233,509
Total		**472,411**

[14] Attestation and other services include the services linked to the audit of the regulatory accounts, the opinion on the distribution of interim dividends, the limited review of the Consolidated Sustainability Statement and Comfort Letters for bonds.

Attestation

of the separate financial statements pursuant to art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

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Attestation of the separate financial statements pursuant to 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

"Terna SpA"

1. The undersigned, Giuseppina Di Foggia, as Chief Executive Officer, and Francesco Beccali, as Manager responsible for Terna SpA's financial reporting, having also taken account of the provisions of art.154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, attest to:

- the adequacy with regard to the nature of the Company, and
- the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the year ended 31 December 2024.

2. The administrative and accounting procedures adopted in preparation of the separate financial statements for the year ended 31 December 2024 were drawn up, and their adequacy assessed, on the basis of the regulations and methods adopted by Terna SpA in accordance with the Internal Control–Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission. This Commission has established a body of general principles providing a standard for internal control and risk management systems that is generally accepted at international level.

3. We also attest that:

3.1 the separate financial statements for the year ended 31 December 2024:

a. have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002 and the statutory requirements implementing the provisions of art. 9 of Legislative Decree 38/2005;
b. are consistent with the underlying accounting books and records;
c. provide a true and fair view of the financial position and results of operations of the issuer.

3.2 the Directors' report on operations includes a reliable analysis of the operating and financial performance and situation of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, 25 March 2025

Chief Executive Officer	Manager responsible for financial reporting
(original signed)	*(original signed)*

Report of the Board of Statutory Auditors

to the Annual General Meeting of Terna S.p.A.'s shareholders

BOARD OF STATUTORY AUDITORS' REPORT
TO THE ANNUAL GENERAL MEETING OF TERNA S.P.A.'s SHAREHOLDERS
under the terms of art. 153 of Italian Legislative Decree 58/1998 and art. 2429 of the Italian Civil Code

Dear Shareholders,

in this report, prepared under the terms of art. 153 of Legislative Decree 58/1998 (the "CLF") and art. 2429 of the Italian Civil Code, the Board of Statutory Auditors of Terna S.p.A. ("Terna" or also the "Company") details the activities carried out during the year ended 31 December 2024. The report has been prepared in compliance with the applicable legislation, as well as taking into account the "Standards of Conduct for the Boards of Statutory Auditors of Listed Companies" recommended by the Italian Association of Chartered Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), the requirements and communications of CONSOB (the *Commissione Nazionale per le Società e la Borsa*, Italy's Securities and Exchange Commission) regarding corporate controls, and the guidelines contained in the Corporate Governance Code published by Borsa Italiana.

In addition, given that Terna has adopted the traditional governance framework, the Board of Statutory Auditors also fulfils the role of "Internal Control and Audit Committee", which is responsible for carrying out further specific controls and oversight over financial reporting, Consolidated Sustainability Statement and statutory auditing, as detailed in art. 19 of Italian Legislative Decree 39/2010, as amended by Italian Legislative Decrees 135/2016 and 125/2024.

The current Board of Statutory Auditors was elected by the Annual General Meeting of Terna Shareholders held on 9 May 2023 and will remain in office until approval of the financial statements for the year ended 31 December 2025. During 2024, the Board of Statutory Auditors performed its responsibilities holding 26 meetings. During that same year, the Chairperson or members of the Board of Statutory Auditors attended 12 meetings of the Board of Directors; 10 meetings of the Audit & Risk and Sustainability Committee; 2 meetings of the Risk Control Committee, established as of 23 October 2024; 13 meetings of the Appointments, Governance and Scenarios Committee; 4 meetings of the Sustainability, Governance and Scenario Committee, established as of 23 October 2024; 9 meetings of the Remuneration Committee; 6 meetings of the Related-Party-Transactions Committee; and the Annual General Meeting of Shareholders held on 10 May 2024.

During the year, the Board of Statutory Auditors, together with the Audit and Risk Committee, met the Supervisory Board in order to exchange information.

The Board of Statutory Auditors has its own Regulations governing the Body's role, organisation and operating methods, in line with the main organisational profiles envisaged by Terna's governance framework, in light of the principles and rules established by the Corporate Governance Code and the Standards of Conduct for the Boards of Statutory Auditors of Listed Companies.

Pursuant to Italian Legislative Decree 39/2010 (as subsequently amended by Italian Legislative Decree 135/2016), the statutory auditing of the accounts is performed by the independent auditors Deloitte & Touche S.p.A. (the "Independent Auditors"), appointed by the Annual General Meeting of 8 May 2019 for the nine-year period 2020 to 2028. The same Independent Auditors, having previously been assigned to verify and issue an attestation regarding the non-financial statement pursuant to Italian Legislative Decree 254/2016, have also been assigned to issue an attestation regarding the compliance of the sustainability report pursuant to Italian Legislative Decree 125/2024, based on the transitional rule contained therein.

1. OVERSIGHT ACTIVITIES

1.1 Oversight of compliance with the law and regulatory and statutory requirements

The oversight tasks assigned to the Board of Statutory Auditors are governed by art. 2403 of the Italian Civil Code, Legislative Decree 58/1998 and Legislative Decree 39/2010. The Board took into account the amendments to Legislative Decree 39/2010 introduced by Legislative Decree 135/2016, in implementation of Directive 2014/56/EU and EU Regulation 537/2014, as well as the amendments also made to Legislative Decree 39/2010 by Legislative Decree 125/2024, in implementation of the CSR Directive.

Based on the indications contained in CONSOB communication DEM/1025564 of 2001, as amended by communication DEM/3021582 of 2003 and, later, by communication DEM/6031329 of 2006, the Board reports the following with regard to the oversight activities carried out during the year.

The Board of Statutory Auditors periodically obtained information from the Directors, including through our attendance of meetings of the Board of Directors and of Board Committees, on their activities and on the most significant transactions, in terms of their impact on the results of operations and financial position, approved and implemented by the Company, and, pursuant to art. 150, paragraph 1 of the CLF, on those carried out by subsidiaries. Based on the available information, the Board of Statutory Auditors is able to provide reasonable assurance that the above transactions were compliant with the law and the Articles of Association and were not manifestly imprudent, risky or in contrast with resolutions approved by the Annual General Meeting, or such as to compromise the value of the Company.

Furthermore, transactions involving a potential conflict of interest were managed and approved in compliance with the law, the relevant regulations, the Articles of Association and the Guidelines LG006 "*Approval of Significant Transactions and Management of Situations of Interest*".

During the year, the Board has monitored the correct application of the *Corporate Governance* Code and, specifically, confirms implementation of the recommendations announced by the Chairperson of the Corporate Governance Committee for 2024.

Due to their significance, the Board of Statutory Auditors notes the following key events during the year, referring readers to the Report on Operations for more detailed information:

- **Adriatic Link:** authorisation issued by the Italian Ministry of Environment and Energy Security (MASE) for the submarine connection between Marche and Abruzzo;
- **ESG-linked Revolving Credit Facility**: agreement signed with Intesa Sanpaolo, as the Original Lender and Sustainability Coordinator, to increase the amount of the **ESG-linked Revolving Credit Facility** to 2.255 billion euros;
- **Bond issues**: as part of the Euro Medium-Term Notes (EMTN) programme, a fixed-rate bond issue was carried out in euros in the form of a private placement totalling 850 million euros, with a duration of seven years, with the maximum amount for subscription increased to 12 billion euros;
- **European Bank Financing**: the European Investment Bank (EIB) made a total of 1.9 billion euros available to the Tyrrhenian Link. The last *tranche* of this, in the amount of 500 million euros and with a duration of 22 years, was signed in order to support the construction and commissioning of the Tyrrhenian Link;
- **ESG-Linked Term Loans**: two ESG-linked Term Loans have been signed, the first for a total of 200 million euros, the second for a total of 400 million euros, both with a duration of five years;
- **Electrical connections**: MASE has authorised the construction of two new electrical connections in the city of Milan, representing an investment of around 17 million euros, as part of the works planned to increase the reliability of the power supply to the locations where the Milan-Cortina 2026 Winter Olympics and Paralympics will be held;
- **Business Plan**: the 2024-2028 Business Plan has been presented, with total planned investments of 16.5 billion euros;

- **Ordinary Interim Dividend for 2024**: the Board of Directors resolved to pay an ordinary interim dividend for 2024 of €0.1192 per share, payable from 20 November 2024;
- **Latam**: the third closing transaction was completed for the sale of the company "SPE Transmissora de Energia Linha Verde I S.A." to CDPQ, a global investment group, with the transfer of around 150 km of power lines in Brazil, representing a value of approximately 79 million euros;

Among events occurring after the end of the reporting period, the Board of Statutory Auditors notes that:

- On *13 January 2025*, a decree by the Italian Ministry of the Environment and Energy Security authorised Terna's project to modernise the 220 kV "Patria - Sant'Antimo" power line in the province of Naples;
- On *16 January 2025*, the Top Employers Institute, a certification body that evaluates companies based on their HR policies and strategies, recognised Terna as a 2025 Top Employer;
- On *16 January 2025*, it was announced that Italian electricity consumption had increased by 2.2% in 2024 compared to 2023, while renewable sources had reached an all-time peak in terms of demand coverage at 41.2% (compared to 37.1% in 2023);
- On *20 January 2025*, it was announced that Terna would initiate the public consultation phase for the DC connection between Milan and Montalto di Castro. The new 500 km Milan-Montalto electric backbone will optimise energy transits between Central and Northern Italy. The project, an integral part of the future Hypergrid network, will make use of HVDC (High-Voltage Direct Current) technology to better integrate renewable capacity;
- On *23 January 2025*, it was announced that the Italian Ministry of the Environment and Energy Security had authorised Terna's project to streamline the electricity grid in the Municipalities of Pescara and Cepagatti (province of Pescara) and San Giovanni Teatino (province of Chieti);
- On *07 February 2025*, the first stage of installing the submarine cable for the eastern branch of the Tyrrhenian Link, which will connect Sicily and Campania as one of the most important pieces of electrical infrastructure in the country, began in Fiumetorto in the Municipality of Termini Imerese (PA). The project, which also includes a western branch between Sicily and Sardinia, will involve a total investment of around 3.7 billion euros. This intervention has a crucial role to play in the decarbonisation process required by Italy's Integrated National Energy and Climate Plan (INECP), by increasing transport capacity and facilitating the energy transition;
- On *10 February 2025*, the issuance of a new 7-year green bond in the amount of 750 million euros was successfully completed;

- On *19 February 2025*, the Board of Directors appointed a new Supervisory Board, chaired by an independent professional;
- On *25 March 2025*, the Board of Directors approved the "2024 Annual Financial Report", which includes a special section on the Sustainability Report, Consolidated Financial Statements and Annual Financial Statements of the Parent Company as at 31 December 2024, as well as the 2024 Green Bond Report.

Details of other transactions are provided in the notes to the financial statements in the section on events occurring after the end of the reporting period.

In relation to the Corporate Governance Code, it is also noted that the company has continued a process to verify company procedures with a view to continuous improvement.

In the context of participation in the meetings of corporate bodies, and in the context of its own activities in general, the Board of Statutory Auditors has verified compliance with the law and the by-laws, with no critical issues revealed.

1.2 Oversight of compliance with the principles of good governance and the adequacy of the organizational structure

The Board of Statutory Auditors has acquired information on and overseen, within the scope of its responsibilities, the adequacy of the organisational structure and compliance with the principles of good governance, by obtaining information from the Board of Directors, the Chief Executive Officer and the heads of the company departments.

With reference to Italian-registered subsidiaries, and by obtaining information from the Boards of Statutory Auditors, the heads of the relevant company departments and the Independent Auditors as part of the reciprocal exchange of material data and information, the Board of Statutory Auditors has acquired information on and overseen:

- the adequacy of the instructions issued by the Company to its subsidiaries, pursuant to art. 114 of the CLF;
- compliance with the principles of good governance;
- the adequacy of the organisational structure;
- the prompt communication of the information requested.

It should be noted that, starting from 2022, a report was drafted and approved for service subsidiaries, describing the administrative and accounting structure of the company and the methods and instruments adopted to ensure its correct operation, including in terms of the prompt detection of business crises and loss of the going-concern assumption, under the terms of Italian Legislative Decree 14/2019.

The annual reports prepared by the Boards of Statutory Auditors of the Italian-registered subsidiaries on the subsidiaries' financial statements have not identified any problems. Similarly, no concerns have been raised as a result of the information received from the Boards of Statutory Auditors of the main subsidiaries, including in the form of specific questionnaires completed and signed by their oversight bodies.

The Annual Financial Report, information received during Board of Directors' meetings and from the Chief Executive Officer, from senior managers, from the Boards of Statutory Auditors of subsidiaries and from the Independent Auditors has not provided evidence of transactions of an atypical and/or unusual nature with Group companies, or with third parties or related parties.

On the basis of this information, the Board of Statutory Auditors considers that the organisational structure of the Company, the procedures in place and the composition in terms of roles and responsibilities, are adequate for the size of the company and its type of business.

During the year, the Company took steps to implement or comply with the requirements established by Law, the Supervisory Authorities and the *Corporate Governance* Code.

1.3 Oversight of the internal control and risk management system

The Board of Statutory Auditors has overseen the adequacy of the internal control and risk management systems by taking part in all meetings of board committees and by:

- examining the report of the Audit and Risk Committee on its activities and on the adequacy of the internal control and risk management system;
- examining the Annual Report produced by the Head of Internal Audit on the internal control system;
- examining the reports produced by the Supervisory Board pursuant to Legislative Decree 231/2001;
- holding periodic meetings, including attendance at Audit and Risk Committee meetings with the Internal Audit and Legal and Compliance departments to assess the procedures for planning work, based on the identification and assessment of the main risks present in organizational processes and units;

- holding meetings with the risk management department in order to analyse the Group's strategic risks;
- holding meetings with senior management regarding the organisational and operational impacts of Terna's activities;
- examining the periodic reports prepared by the Audit department in coordination with the Company's Audit and Risk Committee;
- holding meetings with the Manager responsible for financial reporting;
- acquiring information from the oversight bodies of the Italian-registered subsidiaries, pursuant to the first and second paragraphs of art. 151 of the CLF, on material events involving Group companies and on the internal control system, through the completion of specific questionnaires;
- holding meetings with the Company's Supervisory Board;
- discussing the results of the work carried out by the Independent Auditors;
- participating regularly in meetings of the Company's Audit and Risk Committee, the Appointments Committee, the Remuneration Committee and the Related-Party-Transactions Committee;

- meeting with the Company's top management to discuss the adequacy of the administrative and accounting systems, in order to understand the current and potential risks to be managed;

- noting the results of the Board of Directors' assessment of the adequacy of Terna's organisational, administrative and accounting systems and those of its strategic subsidiaries.

The Company's Internal Audit department operates on the basis of a multi-year plan, which is reviewed annually. This defines the activities and processes to be audited using a risk-based approach. The plan was approved by the Board of Directors on 19 February 2025 having consulted the Audit and Risk Committee and the Board of Statutory Auditors.

The activities carried out by the Audit Department during the year covered the range of planned activities. The department's activities did not identify any major concerns, but did find areas for improvement, which are being closely monitored and will be addressed based on an established and verified schedule.

The Board of Statutory Auditors acknowledges that the annual report prepared by the Audit Department states that existing internal controls are reliable, and that the Audit and Risk Committee has concluded that the internal control and risk management system is adequate with respect to the size and nature of the company.

The Board of Statutory Auditors has acquired information on the adequacy of the organisational, administrative and accounting system of the Company and of its subsidiaries, bearing in mind the nature and size of the enterprise, including for the purposes of the provisions of the Crisis and Insolvency Code and particularly with regard to the instruments in place for risk management and tracking.

On the basis of the activity carried out, the information gathered, the content of the report produced by the Internal Audit Department, also considering the dynamic and evolving nature of the Company's internal audit and risk-management system, and considering the actions planned and implemented, the Board of Statutory Auditors concludes that overall this system can be considered adequate, effective and operational.

1.4 Oversight of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors has verified the adequacy of the administrative and accounting system and suitability of the latter for correct representation of management facts and actions, under the coordination of the Manager responsible for financial reporting, pursuant to Italian Law no. 262/2005, "Provisions for the protection of savings and the regulation of financial markets", as amended.

The Board of Statutory Auditors held periodic meetings with the Manager responsible for financial reporting in order to exchange information on the administrative and accounting system, and on the system's reliability in providing a true and fair view of operations.

The Board of Statutory Auditors also examined the attestation signed by the Chief Executive Officer and the Manager responsible for financial reporting, prepared in accordance with art. 154-bis of the CLF and presented to the Board of Directors on 25 March 2025, in line with the model established by Consob Regulation no. 11971 of 1999.

On 19 February 2025, the Board of Directors approved the Impairment Testing procedure drawn up in accordance with the requirements of IAS 36, with the aim of providing guidelines for the performance of tests on the recoverability of the Terna Group's assets, and on 25 March 2025 the outcome of application of this procedure to the relevant items in the 2024 financial statements.

The Board oversaw (i) the Board of Directors' adoption of the procedure and, subsequently, (ii) the outcomes of the tests carried out by management, which confirmed the recoverability of the assets tested for impairment.

The Manager responsible for financial reporting and the Independent Auditors gave the Board confirmation that the instructions provided by the European Securities and Markets Authority (ESMA) in its document of 24 October 2024 on European common enforcement priorities were taken into account in the performance of the impairment test, as was the Consob Notice of 20 December 2024 regarding the impact of climate-related issues.

For exchanges of information defined by law, the Board of Statutory Auditors held periodic meetings with the independent auditors Deloitte & Touche Spa, receiving updates on auditing of the accounts and the outcomes of checks performed. During these meetings, no critical issues or anomalies were identified regarding the proper keeping of company accounts, nor the proper recording of operations in the accounting records.

The Board of Statutory Auditors has therefore monitored observation of the procedural rules governing the financial disclosure process for financial statements and consolidated financial statements, and has not identified any shortcomings such as to invalidate its judgement of the adequacy and effective application of the administrative and accounting procedures.

1.5 Oversight of sustainability reporting

The Board of Statutory Auditors has examined the sustainability governance structure adopted by the company. The Board of Directors plays a key part in this regard within the scope of its role in providing strategic leadership, examining the medium- and long-term ESG goals set out in the Group's sustainability plan, and evaluating the Impacts, Risks and Opportunities (IROs) emerging from the double materiality analysis.

The Board of Directors also avails of the activities of the Sustainability, Governance and Scenario Committee, which is entrusted with carrying out research and making proposals in terms of ESG topics and processes, including those concerning sustainability reporting.

The Board of Statutory Auditors has verified that the sustainability reporting is structured in a manner consistent with the provisions of Italian Legislative Decree 125/2024 and with the strategic objectives and company policies indicated in the business plan, and that the report contains information both on the impact of the company's activities on the environment, people and governance (the inside-out approach), and on how the risks and opportunities arising from sustainability matters affect the economic-financial performance of the enterprise (outside-in)

The Board of Statutory Auditors has acquired information on the activities planned and then carried out by the Manager responsible for financial reporting for the purposes of attesting to compliance with the standards imposed by sustainability regulations. Terna has opted to have the same Manager responsible for financial reporting prepare this attestation.

The Board of Statutory Auditors has verified that the Consolidated Sustainability Statement was carried out by the directors in accordance with the reporting principles adopted by the European Commission pursuant to Directive 2013/34/EU (the European Sustainability Reporting Standard), and that the information contained in the "EU Taxonomy" paragraph was compiled in compliance with Regulation EU 852/2020 (the Taxonomy Regulation)

The Board of Statutory Auditors took into account the attestation issued by the Chief Executive Officer and by the Manager responsible for financial reporting regarding the compliance of the sustainability report with the standards applied pursuant to Directive 2013/34/EU and Italian Legislative Decree 125/2024, as well as in relation to its preparation following the specifications of EU Taxonomy Regulation 852/2020.

The Board of Statutory Auditors has therefore monitored observation of the procedural rules governing sustainability reporting, and has not identified any shortcomings such as to invalidate its judgement of the adequacy and effective application of the administrative and accounting procedures.

1.6 Oversight of related-party transactions

Intra-group or related-party transactions are shown in the notes to the financial statements for 2024, under "Related-party transactions", showing transactions with the parent, subsidiaries and associated companies.

Related parties of the Company are identified on the basis of the principles established by IAS 24 and are in principle represented by parent companies, companies connected to the Terna Group, subsidiaries that are not consolidated, associated companies or companies under joint control and other investee companies.

The Board of Statutory Auditors oversaw compliance of the Procedure adopted by TERNA S.p.A. regarding Related-party transactions (i.e. Guideline LG026 "*Related-Party Transactions Procedure*" and the corresponding Operating Instruction IO414CA), as last altered by the Board of Directors on 16/06/2021 as amended, and the correct application of the new regulatory provisions that came into force on 1 July 2021.

2. INTERNAL CONTROL AND AUDIT COMMITTEE

2.1 Oversight of annual and consolidated account auditing

Under the terms of art. 19 of Legislative Decree 39/2010 as amended by Legislative Decree 135/2016, the Board of Statutory Auditors is also assigned the role of Internal Control and Audit Committee and, in this role, conducted the required oversight of the statutory audit of the annual and consolidated accounts.

The Board of Statutory Auditors held periodic meetings with the Independent Auditors, Deloitte & Touche S.p.A., in part pursuant to art. 150, paragraph 3 of the CLF, in order to exchange information. During these meetings, the Independent Auditors did not report omissions, shortcomings or irregularities requiring specific disclosure pursuant to art. 155, paragraph 2 of the CLF.

In conducting oversight of the financial statements, the Board of Statutory Auditors held periodic meetings with the Independent Auditors to examine the results of their assessment of the regular nature of accounting systems, to examine the audit plan for Terna and the Group and progress in implementation of the plan.

The Board of Statutory Auditors and the Independent Auditors also engaged in continuous exchanges of information. In particular, the Board (i) noted an adequate level of professional scepticism; (ii) promoted effective and timely dialogue with the Auditors; (iii) oversaw, without identifying any concerns, the impact of remote working for the Independent Auditors' personnel, availing itself of the support provided by company departments.
The Board of Statutory Auditors (i) analysed the activities of the Independent Auditors and, in particular, the methods used, the audit approach applied to the various material components of the financial statements and to the planning of audit work, and (ii) discussed issues relating to the related business risks with the Independent Auditors, thereby enabling us to assess the adequacy of

the auditors' plans with respect to the structural and risk profiles of the Company and the Group; (iii) continued in-depth examination of the *Audit Quality Indicators*.

The financial statements for the year ended 31 December 2024, accompanied by the Directors' report on operations and the attestation signed by the Chief Executive Officer and the Manager responsible for financial reporting, approved by the Board of Directors at the meeting held on 25 March 2025, were at the same time made available to the Board of Statutory Auditors in view of the Annual General Meeting of shareholders called for 21 May 2025. On 25 March 2025, Terna's Board of Directors approved the consolidated financial statements, as prepared by the Manager responsible for financial reporting and, pursuant to art. 154-bis of the CLF, accompanied by the attestation signed by the Chief Executive Officer and the Manager responsible for financial reporting.

On 23 April 2025, pursuant to art. 14 of Legislative Decree 39/2010 as amended by Legislative Decree 139/2016 and art. 10 of Regulation (EU) 537/2014, the Independent Auditors issued their audit reports on the separate financial statements and the Terna Group's consolidated financial statements for the year ended 31 December 2024, prepared in compliance with the International Financial Reporting Standards – IFRS adopted by the European Union.

In terms of opinions and attestations, in their audit reports on the separate and consolidated financial statements the Independent Auditors have:

- issued an opinion stating that Terna's separate financial statements and the Terna Group's consolidated financial statements provide a true and fair view of the financial and equity situation of the Company and Group at 31 December 2024, and of the economic result and cash flows for the year ended on that date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with provisions issued in implementation of art. 9 of Legislative Decree 38/2005;
- issued an opinion on the consistency of the Report on Operations accompanying the separate and consolidated financial statements for the year ended 31 December 2024 and certain specific information in the "Report on Corporate Governance and Ownership Structures" indicated in art. 123-*bis*, paragraph 4 of the CLF, responsibility for which lies with the Directors of Terna, with the annual financial statements and the consolidated financial statements, as well as on the legal compliance of their preparation;
- declared that, with regard to potential material errors in the Report on Operations, based on the information obtained and their understanding of the Company and associated context acquired during audit activities, they had nothing to report;

- declared that the annual financial statements were prepared in XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815 and that the consolidated financial statements were compiled in all material ways in compliance with the provisions of the Delegated Regulation;

On 23 April 2025, the Independent Auditors also presented the Board of Statutory Auditors with the additional report required by art. 11 of Regulation (EU) 537/2014, in which the auditors do not identify any significant shortcomings relating to the system of internal controls over the financial reporting process to be brought to the attention of persons involved in the governance of the Company. The Board of Statutory Auditors will inform the Company's Board of Directors of the outcome of the statutory audit, providing the Directors with the Additional Report required by art. 11 of Regulation (EU) 537/2014, accompanied by any observations, pursuant to art. 19 of Legislative Decree 39/2010, as extended by Legislative Decree 135/2016 and Regulation (EU) 537/2014.

In the aforementioned Additional Report, the Independent Auditors presented the Board of Statutory Auditors with the declaration regarding their independence, as required by art. 6 of Regulation (EU) 537/2014, which does not contain evidence of any situations that might compromise such independence.

The Independent Auditors received attestation and other engagements during 2024, as described in the Annual Financial Report for 2024, prepared in accordance with art. 149-*duodecies* of the Regulations for Issuers.

The fees for these engagements amount to €233,509, broken down as follows:

- Unbundling audit for ARERA	€9,353
- Opinion on payment of interim dividends	€18,800
- Issue of EMTN comfort letters and other documents	€54,926
- Attestation regarding Consolidated Sustainability Statement	€118,430
- Gap analysis for CSRD update	€25,000
- Attestation regarding ARERA revenue	€7,000

2.2 Oversight of the Consolidated Sustainability Statement process and the abridged audit thereof by the independent auditors

In its role as the Internal Control and Audit Committee, pursuant to art. 19 of Italian Legislative Decree No. 39 of 27 January 2010, the Board of Statutory Auditors has examined the sustainability reporting process and the related procedures put in place by the company for the purposes of compliance with the standards of the European Commission, including the use of an electronic format; moreover, it has checked the effectiveness of the internal control, quality and risk management system as well as that of the internal audit in relation to the sustainability report.

Terna has:

- an Internal Control System on Sustainability Statement - SCIIS;
- a process for preparing the consolidated sustainability statement.

SCIIS has been prepared based on national and international Leading Practices (the COSO Report on sustainability declarations) and is an integral part of the Terna Group's Internal Control and Risk Management System.

SCIIS aims to ensure the reliability of the said sustainability report, and its compliance with the reporting standards set at European level (ESRS) as well as with the specifications adopted pursuant to article 8, paragraph 4, of EU Regulation 2020/852 (the so-called EU Taxonomy).

Terna has already overseen the process of drawing up sustainability information in previous years, setting out the roles and responsibilities of the parties involved in reporting in specific documentation and a description of the key indicators of sustainability in a special manual. These rules are constantly updated for compliance with the latest regulatory developments, particularly in accordance with Italian Legislative Decree No. 125/2024 implementing the new Directive 2022/2464/EU on corporate sustainability reporting.

The Manager responsible for financial reporting, pursuant to Legislative Decree No. 125/2024, which integrated art. 154 bis of the Consolidated Financial Law, provided an attestation of the Sustainability Report’s compliance with the reporting standards (European Sustainability Reporting Standard, ESRS) and art. 8 of EU Regulation 2020/852 (Taxonomy Regulation).

The Board of Statutory Auditors has acquired information regarding the structures responsible for the process of drawing up the sustainability report, and verified the existence of:

- an adequate organisational structure responsible for sustainability reporting;
- an adequate administrative and accounting system;

- directives, procedures and operating practices adopted in order to ensure that the Consolidated Sustainability Statement is both complete and reliable;
- adequate, regular flows of information, both in terms of quantity and quality, for the preparation of the sustainability report.

The Board of Statutory Auditors monitored the attestation of the consolidated sustainability statement, engaging in a regular exchange of information with the auditors of the sustainability report, and carried out an analysis of the methodological system which they adopted.

The Manager responsible for financial reporting and the Independent Auditors gave the Board of Statutory Auditors confirmation that their verifications took into consideration the instructions provided by the European Securities and Markets Authority (ESMA) in its document of 24 October 2024 on European common enforcement priorities, as well as the Consob Notice of 20 December 2024 regarding the climate information provided in the Sustainability Report.

On 23 April 2025, the Independent Auditors issued, pursuant to Legislative Decree 125/2024, the report on the limited review of the Consolidated Sustainability Statement , offering the following conclusions:

"On the basis of the work carried out, no matters have come to our attention that would cause us to conclude that:

- the Terna Group's consolidated sustainability statement for the year ended December 31, 2024 has not been prepared, in all material respects, in accordance with the reporting standards adopted by the European Commission pursuant to Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also referred to as the "ESRS");

- the information contained in the paragraph "The EU Taxonomy" of the consolidated sustainability statement has not been prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of 18 June 2020 (hereinafter also "Taxonomy Regulation")"

Based on the information acquired through the course of carrying out its oversight activities, the Board of Statutory Auditors has no observations to make in relation to the aspects of this matter which fall within its remit, including in its role as Internal Control and Audit Committee.

3. OTHER ACTIVITIES

3.1 Method for effective implementation of corporate governance rules

In carrying out its duties, as required by art. 2403 of the Italian Civil Code and art. 149 of the CLF, the Board of Statutory Auditors monitored effective implementation of the corporate governance rules provided for in the corporate governance codes Terna has stated that it has adopted. The Company adheres to the Corporate Governance Code drawn up by Borsa Italiana and has prepared, pursuant to art. 123-*bis* of the TUF, the annual "Report on Corporate Governance and Ownership Structures".

The report provides information on, among other things (i) ownership structures; (ii) the corporate governance rules adopted; (iii) the internal control and risk management system; (iv) procedures for General Meetings of shareholders; (v) shareholder rights and how they are exercised; (vi) composition and terms of reference of the management and oversight bodies and board committees.

The Board of Directors approved the "Report on Corporate Governance and Ownership Structures" on 25 March 2025.

The Board of Statutory Auditors has verified correct application of the criteria and procedures adopted by the Board of Directors for assessing the independence of its members in accordance with the procedure adopted by the Board of Directors.

The Board of Directors, with the assistance of an external consulting firm, has conducted a board review, whose findings were discussed at the meeting held on 25 March 2025 and described in Terna's Report on Corporate Governance.

With the support of the consulting firm, the Board of Statutory Auditors performed its annual board review, discussing the findings during the meeting on 20 March 2025.

3.2 Remuneration policies

The Board of Statutory Auditors has audited the processes involved in drawing up the Company's remuneration policies, with particular regard to the criteria used in determining the remuneration of the Chief Executive Officer and Senior Managers with strategic responsibilities, providing, where required by law, the related opinions.

Following the proposal of the Remuneration Committee, the Board of Directors' meeting of 25 March 2025 approved the "*Report on the Remuneration Policy and Remuneration Paid*", prepared pursuant to art. 123-*ter* of the TUF and in compliance with art. 5 of the Code of Corporate Governance.

The Board of Statutory Auditors has examined the Report on Remuneration indicated above, and has verified its compliance with legal and regulatory provisions, its clarity, and the completeness of its information with regard to the remuneration policy adopted by the Company.

3.3 Reports, complaints, omissions or shortcomings, opinions provided and initiatives undertaken

During the 2024 financial year, the Board of Statutory Auditors received no complaints pursuant to art. 2408 of the Italian Civil Code, and no reports from third parties. It also notes that the Company has not been notified of any appeal regarding complaints to the Courts pursuant to the first paragraph of art. 2409 of the Italian Civil Code; nor has the Company itself needed to make any complaints pursuant to the seventh paragraph of art. 2409 of the Italian Civil Code.

On the basis of our activities and the information obtained, the Board of Statutory Auditors is not aware of any omissions, shortcomings, irregularities or any other circumstances that require reporting to the supervisory authorities or mention in this report.

The Board of Statutory Auditors also expressed the opinions required by law.

The Board of Statutory Auditors, in the context and within the limits of its duties and functions, continues to monitor the ongoing procedure for assessment and improvement of the internal organisational structure initiated by the Company.

3.4 Review of the Board of Statutory Auditors

In accordance with Standard Q.1.1 in the Standards of Conduct for the Boards of Statutory Auditors of Listed Companies, the Board has, with the assistance of an external consulting firm, conducted a review of its composition, size and performance, presenting the outcome to the Board of Directors at the meeting held on 20 March 2025. With regard to the requirements and competencies of individual members and of the Board as a whole, the Review confirmed that:

- in addition to satisfying the related integrity and professional requirements, and there being no evidence of the grounds for disqualification provided for in the relevant legislation, all the Standing Auditors meet the independence requirements provided for in the *Corporate Governance* Code;
- the Board of Statutory Auditors guarantees the gender and age diversity of its members
- each Standing Auditor possesses ample knowledge and experience in several areas of expertise
- the Board of Statutory Auditors possesses an adequate level of expertise overall.

4. CONCLUSIONS

Based on the above, and considering the content of the reports issued by the Independent Auditors and the attestations released jointly by the Chief Executive Officer and the Manager responsible for financial reporting, the Board of Statutory Auditors, within the scope of its responsibilities, expresses a favourable opinion on the approval of Terna's financial statements for the year ended 31 December 2024 and on the appropriation of net profit for the year of € 970,356,839 as proposed by the Board of Directors.

Rome, 23 April 2025

The Board of Statutory Auditors

Mario M. Busso (Chairman)

Lorenzo Pozza (Standing Auditor)

Antonella Tomei (Standing Auditor)

This translation was prepared by TERNA exercising its best diligence. However, TERNA shall not be liable or otherwise responsible for its use and any damages or losses resulting out of its use in any individual case and in whatever jurisdiction. Moreover, it is recalled that the only official version of the Report is the Italian version signed by the members of the Board of Statutory Auditors.

Independent Auditor's Report

pursuant to articles 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014 - Separate financial statements for the year ended 31 December 2024

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Terna S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Terna S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2024, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments for the operation and development of the electricity transmission grid, relevant for the purposes of determining the transmission and dispatching activities charges	
Description of the key audit matter	As of 31 December 2024, the Company accounts in “Property, plant, and equipment” and “Intangible assets”, respectively equal to Euro 17,276 million and Euro 693 million, the amounts mainly related to investments made for operation and development of the Italian national transmission grid (NTG) for high and extra-high voltage power. Investments made in the financial year relating to these items totaled Euro 2,626 million. The Company operates as a natural monopoly and within a market regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, “ARERA”), which defines, among the others, the rules for the remuneration of the transmission and dispatching services. In particular, the regulated revenues for these services are determined annually by ARERA and provide for recognition of a predefined return on the regulatory net invested capital recognized (RAB – Regulated Asset Base), of the relative depreciation and of some operating expenses. The RAB value is determined by ARERA mainly through the revalued historical cost method. We believe that investments for the operation and development of the electricity transmission grid represent a key audit matter for the Company’s financial statements as of 31 December 2024 due to: i) the relevance of the tangible and intangible assets related to operation and development of the electricity transmission grid compared to the Company’s total assets, ii) the relevance of the investments made during the year, iii) their impact in determining the fees for the transmission and dispatching services. Notes “12. Property, plant, and equipment” and “14. Intangible assets” of the financial statements include the disclosure on the investments for the operation and development of the electricity transmission grid.
Audit procedures performed	With reference to investments for the operation and development of the electricity transmission grid, our audit procedures included, among the others, the following: • understand the processes for recognition of such investments in the financial statements; • understand the relevant controls implemented by the Company in relation to these processes and assessment of their operating effectiveness;

- comparative analysis of the items “Property, plant, and equipment” and “Intangible assets”, as well as critical analysis of the composition of investments made during the year related to these items, including the analysis of any unusual item;

- with reference to investments occurred during the year, selection of a sample of transactions and test of the compliance with the capitalization criteria provided by accounting standards;

- test the accurate start of depreciation when the asset is available for use for a sample of assets recorded within accounts in “Property, plant, and equipment” and “Intangible assets” entered into depreciation during the year, also through the analysis of their ageing;

- test the correct application of the depreciation rate with respect to the asset category and recalculation of the amortization and depreciation for the year.

Finally, we assessed the adequacy of the disclosure provided in the notes to the financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Terna S.p.A. has appointed us on 8 May 2019 as auditors of the Company for the years from 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Terna S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at 31 December 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2024 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinions and statement pursuant to art. 14, paragraph 2, sub-paragraphs e), e-bis) and e-ter), of Legislative Decree 39/10 [and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98]

The Directors of Terna S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Terna S.p.A. as at 31 December 2024, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements;

- express an opinion on the compliance with the law of the report on operations, excluding the section related to the consolidated sustainability statement, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;
- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Terna S.p.A. as at 31 December 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated sustainability statement, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Our opinion on the compliance with the law does not extend to the section related to the consolidated sustainability statement. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Maria Ginevra De Romanis
Partner

Rome, Italy
April 23, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.