

Rating object	Rating information	
<b>Terna – Rete Elettrica Nazionale S.p.A.</b>  Creditreform ID: 400989004 Incorporation: 1999 Based in: Rome, Italy Main (Industry): Transmission System Operator CEO: Giuseppina Di Foggia  <u>Rating objects:</u> Long-and short-term Corporate Issuer Rating: Terna Rete Elettrica Nazionale S.p.A. Long-term Local Currency (LT LC) Senior Unsecured Issues, issued by Terna Rete Elettrica Nazionale S.p.A.	SME / Corporate Issuer Rating: <b>BBB / stable</b>	Type: Update Unsolicited Public rating
	LT LC Senior Unsecured Issues: <b>BBB / stable</b>	Short-term rating: <b>L3</b>
	Rating date: 09 November 2023 Monitoring until: withdrawal of the rating Rating methodology: CRA “Corporate Ratings” CRA “Non-Financial Corporate Issue Ratings” CRA “Corporate Short-Term Ratings” CRA “Government Related Companies” CRA “Rating Criteria and Definitions”	
	Rating history: <a href="http://www.creditreform-rating.de">www.creditreform-rating.de</a>	

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## Summary

### Company

Terna – Rete Elettrica Nazionale S.p.A. (“Terna” or “the Group”) is an important player in Italy in realizing the coming transition to sustainable energy. The Group’s main activity is the transmission of electricity in Italy. Terna performs its activities in its role as the Italian transmission system operator (TSO) under a natural monopoly arrangement and a government concession. Terna is responsible for managing the flow of electricity through the transmission grid in Italy and ensuring a constant balance between the quantity of energy injected into the grid and the demand. Thus, Terna bears great responsibility for guaranteeing the continuity and accessibility of services for the population and enterprises, which rely on the electricity. Terna’s main areas of business are the electricity transmission and dispatching in Italy (regulated activities), and new business opportunities, as well as international activities (non-regulated activities). In its regulated segment, Terna owns virtually all of the National Transmission Grid (NTG), which is one of the largest grids in Europe. Non-regulated activities are concentrated on developing opportunities beyond the Group’s core operations, and Terna’s international activities comprise continued work on its four large-scale projects for transmission lines in South America (Uruguay, Brazil and Peru).

During the business year 2022 Terna generated revenues of EUR 2,898 million (2021: EUR 2,373 million), EBITDA of EUR 2,042 million (2021: EUR 1,849 million), EBIT of EUR 1,324 million (2021: EUR 1,193 million and EAT of EUR 858 million (2021: EUR 791 million).

### Rating result

The current unsolicited corporate issuer rating of Terna attests a good level of creditworthiness, representing a low to medium default risk. Positive factors contributing to the rating are the Group’s high degree of regulated activities and its high systemic relevance for Italy as it virtually owns the entire national transmission grid. The Group’s regulated activities lead to relatively predictable cash-flows and cover more than 85% of the Group’s income. Due to its high concentration in Italy, its significant systemic relevance and the participation of the Italian republic in Terna, its rating ranks one notch above the sovereign rating of the Italian Republic (**BBB- / stable** as of 17 January 2023) given the Company’s above-average profitability compared to peers, and

overall satisfactory key financial indicators. According to CRA's methodology, the unsolicited corporate issuer rating of Terna cannot exceed the unsolicited sovereign rating of the Italian republic by more than two notches due to its close linkages with the Government.

These factors are slightly offset by the Group's increasing investment pressure, which over the medium to long-term could lead to a deterioration in its credit metrics, as the renewal of the development plan foresees a 17% increase in investments over the period up to 2032. Terna managed to improve leverage during the 2022 business year through the issuance of a hybrid bond, which was fully allocated to equity.

### Outlook

The outlook for the rating is **stable** based on our expectation that credit metrics will remain at healthy levels over the coming 12 months. This assessment is based on the Group's stable and relatively predictable operating cash flows resulting from its regulatory activities, prudent financial management and good liquidity position.

### Relevant rating factors

#### Reference:

The relevant rating factors (key drivers) mentioned in this section are predominantly based on internal analyses, evaluations from the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used are specified in the sections "Regulatory requirements" and "Rules on the presentation of credit ratings and rating outlooks".

#### Excerpts from the financial key figures analysis 2022:

+ EBITDA, EBIT, EAT

+ Equity Ratio

+ Net total debt / EBITDA adj

- Ratio of interest expenses to total debt

**General rating factors** summarize the key issues which – according to the analysts as of the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

Table 1: Financials I Source: Terna S.p.A. Annual Report 2022 standardized by CRA

Terna S.p.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, etc.)	CRA standardized figures <sup>1</sup>	
	2021	2022
Sales (million EUR)	2,535	2,898
EBITDA (million EUR)	1,849	2,042
EBIT (million EUR)	1,193	1,324
EAT (million EUR)	791	858
EAT after transfer (million EUR)	789	857
Total assets (million EUR)	22,098	22,349
Equity ratio (%)	20.48	25.88
Capital lock-up period (days)	471.73	464.45
Short-term capital lock-up (%)	168.90	102.47
Net total debt / EBITDA adj. (Factor)	8.26	6.92
Ratio of interest expenses to total debt (%)	0.55	0.74
Return on investment (%)	3.95	4.29

### General rating factors

- + Nationwide presence in Italy
- + Low sensitivity to economic cycles
- + Good access to financial markets
- + Generally stable and relatively predictable cash-flows from regulated activities
- + High entry barriers
  
- High ongoing investments required
- High level of national regulation
- High exposure to the Italian market
- Country risk (Italy)

<sup>1</sup> For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

**Current rating factors**

- + Increasing revenues and (operating) profit, partially driven by a growing RAB
- + Strong performance during the first three quarters in 2023
- + Issuance of a hybrid bond
- Increasing investments put pressure on credit metrics
- Expect an increase from 1.7% to the cost of debt to slightly below 2% at the end of the year
- Relatively high dividend distributions
- Negative Free Cash Flow at 9M 2023

**Prospective rating factors**

- + Increasing RAB without a deterioration in credit metrics
- + Positive revisions in the regulatory framework
- Uncertainties associated with future development of macroeconomic trends amid intensification of geopolitical tensions globally
- Decline of economic activity (contingency risk)
- Increasingly strict regulatory framework

**ESG-factors**

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Terna – Rete Elettrica Nazionale S.p.A. we have not identified any ESG factors with significant influence.

As a transmission system operator active in Italy, with 99% of the national power grid, Terna plays a central role in the energy transition in Europe. The electricity sector faces increasing pressure to expand investments in renewables, being subject to regulatory changes and increasingly rigid climate action goals. The development plan, which Terna presented in March 2023, is in line with the European “Fit-for-55” package, which aims to achieve a 55% reduction in CO2 emissions by 2030 compared to 1990 levels. This will require Terna to integrate approximately 70 GW of new renewable capacity by 2030, which will eventually lead to a reduction of 4,100 kilotons of CO2 emissions per year. The development plan envisions investments of approximately EUR 21 billion over the period up to 2032, and EUR 30 billion for the plan in total. The main emphases of the plan are the integration of renewables, the increase in transport capacity, developing cross-border connections, and improving grid security.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

**Current rating factors** are the key factors which, in addition to the underlying rating factors, have an impact on the current rating.

**Prospective rating factors** are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+), or a weakening or negative effect (-) on future ratings if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors, whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

**ESG factors** are factors related to environment, social issues and governance. For more information, please see the section “Regulatory requirements”. CRA generally takes ESG relevant factors into account when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

**Best-case scenario: BBB**

In our best-case scenario, we assume a rating of BBB. In this scenario, Terna's operating performance remains at healthy levels over the next 12 months, backed by resilient energy demand and by the execution of its investment plans without a significant increase in debt levels. It is also expected that Terna will continue to have ample access to capital markets and maintain an adequate liquidity position, thus refinancing debt maturities ahead of time. Given the Group's strong links with the government of Italy, more stable economic performance would also have a positive impact on Terna's ratings.

**Worst-case scenario: BBB-**

In our worst-case scenario, we assume a rating of BBB-. In this scenario, we consider that Terna will face more severe economic recession, with energy demand receding significantly in 2023 and operating results deteriorating. We also incorporate a more pronounced increase in financial debt levels, resulting in the worsening of financial key indicators. In this case, Terna's liquidity position would be further pressured by weaker internal cash flow generation, increasing financial risk.

**Business development and outlook**

During the 2022 business year, despite a very volatile macro environment, Terna has shown stable performance as it was largely protected from recent market shocks due to its regulatory framework. Revenues during the business year increased to EUR 2,898 million (2021: EUR 2,373 million) and were predominantly driven by regulated activities (EUR 2,542 million), resulting from a growing regulatory asset base and a bigger effect from the output-based incentive mechanisms. This was partially offset by a reduction of the WACC to 5.0% (2021: 5.6%). The non-regulated activities (EUR 421 million) also increased, albeit to a smaller extent, but still continue to represent a relatively small portion of total revenues. EBITDA and EBIT have increased to EUR 2,042 million (2021: EUR 1,849 million) and EUR 1,324 million (2021: EUR 1,193 million) respectively. This was driven by the higher revenues and was partially offset by the increase in operating costs, reflecting higher prices of procuring raw materials and semi-finished goods, higher personnel expenses and an increase in service costs. Depreciation also increased largely driven by a growing (regulatory) asset base. The net result for the year increased to EUR 858 million (EUR 2021: EUR 804 million) despite the higher financial expense and higher taxes during the year.

The first 9 months of the year showed strong performance with revenues of EUR 2,247 million (9M 2022: EUR 1,992 million), EBITDA and EBIT of 1,556 million (9M 2022: EUR 1,412 million) and EUR 980 million (9M 2022: EUR 896 million) respectively. Both the regulatory segment and non-regulated segment have shown increases against the same period in the prior year. The regulated segment reported revenues of EUR 1,904 million (9M 2022: EUR 1,720 million) and EBITDA of EUR 1,508 million (9M 2022: EUR 1,376 million). The higher revenues and operating profit were predominantly driven by a growing regulated asset base, higher incentives for dispatching activities and an increased contribution from the unregulated segment driven by the Brugg Group and to a lesser extent the Tamini Group.

In 2021 Terna presented an investment plan for the period 2021 – 2025, which was updated and approved by the board of directors on 24 March 2022. The plan provides for capital expenditure of EUR 10 billion with a key driver of sustainable investment. Terna's capital expenditure, of which 99% is compliant with EU Taxonomy, predominantly targets the development and integration of renewable sources. Of the EUR 10 billion, approximately EUR 9.5 billion is to be invested in developing, modernizing and strengthening the national transmission grid. This will

increase Terna's regulatory asset base to approximately EUR 22.7 billion, from EUR 18.1 billion at the end of 2022, which in turn will lead to higher revenues.

In addition, on 15 March 2023 Terna presented its 2023 development plan for the national electricity grid, which foresees over EUR 21 billion in investments between 2023 and 2032 and will amount to over EUR 2 billion investments per year. The targets of the 2023 development plan are aligned with the "Fit for 55" package and emphasize the integration of renewable sources, develop international interconnections, increasing the security and resilience of the electricity system and further investments in grid digitalization. The plan foresees a 17% increase in investments in comparison to the previous plan in order to accelerate the energy transition and increase the environmental sustainability of the Italian electricity system. The projects involved have a life-span that goes well beyond the 10-year life-span of the program and amount to investments of more than EUR 30 billion.

Beginning with the COVID-19 pandemic and followed by the outbreak of the war in Ukraine the global macro-economic environment, particularly the European and Italian economies have seen significant changes in inflation, interest rates and other macro-economic variables in a relatively short time-span. We believe that the Group has developed itself well over the recent years and maintaining stable performance despite a challenging market environment. This is mainly because Terna's regulatory activities, which cover most of its revenue streams, are protected under a regulatory framework which indexes allowed operating costs and the weighted average cost of capital, which are parameters that have seen significant changes over recent years. Despite the fact that these indexed costs are reflected with a time lag, we do not believe that there will be a material negative effect on the Group, as it is well-positioned in terms of liquidity, capital market access and general governance factors.

### Structural risk

The Terna Group is active in three areas: regulatory activities, non-regulatory activities, and international activities, with the regulatory segment being the largest segment (85.8% of the Group's revenues). The Group's parent Company Terna S.p.A. holds the predominant share of the Group's regulatory activities. It owns the national transmission grid and is responsible for overseeing its management, maintenance and development. The subsidiaries of the Group either support the operations of Terna S.p.A or hold their own regulatory assets. As the Group owns more than 99% of the electricity transmission infrastructure in Italy it holds a monopoly position and is part of the market that is regulated by the Italian authority for energy (ARERA). The non-regulatory segment represents a less significant share of the Group, with approximately 14.2% of the Group's revenues, and its activities are not subject to regulation. The activities mostly support the ecological transition and are in keeping with its core business. The main areas of business in this segment are industrial, connectivity, energy solutions and private interconnectors. The area of international activities is where Terna wants to leverage its know-how and expertise in the energy sector by offering service activities. This segment is relatively small with only EUR 0.8 million of revenues

The largest shareholder of the Group is CDP Reti, with 29.851%. CDP Reti is in turn controlled by Cassa Depositi e Prestiti S.p.A, which is an Italian financial institution that specializes in investments in infrastructure networks and is majority owned (82,77%) by the Italian ministry of economy and finance. The rest of the shareholdings are predominantly held by institutional investors (54.7%) and retail investors (15.4%). Furthermore, the influence from CDP Reti is under protection due to its articles of association, which put a cap on shareholdings, with no shareholder permitted to hold a direct and/or indirect interest in Terna's shares of more than 5% unless they are the Italian government, a public body, or an entity under control by such entities.

The Group's corporate governance is in compliance with the provisions of the Italian legislation and in keeping with international best practices. At the head of the corporate governance system is the shareholders' meeting, which votes on issues over which the board of directors does not have authority, and appoints the members of the board of directors. The board of directors currently consists of 13 members and is in charge of the company management, and is responsible for the strategic and organizational policies of the Group. The board of statutory auditors is responsible for ensuring compliance with the law and the bylaws of the company as well as verifying the adequacy of the organizational structure of the internal auditing system. The CEO and its management team are responsible for the day-to-day management of the Group.

We believe the Group's structural risk profile to be low. We have not identified any core-risks within the Group's shareholder structure, corporate governance or operating model. Given the high exposure to the Italian economy, the fact that it owns more than 99% of the Italian national transmission grid, and the fact that most of its revenues are regulated and because of its shareholder structure we do see a strong relationship between Terna and the Italian government. Due to its high exposure to the Italian republic the unsolicited corporate issuer rating of Terna cannot exceed the unsolicited sovereign rating of the Italian republic (BBB- / stable as of 17 January 2023) by more than two notches.

### Business risk

The Italian regulatory activities of the Group have by far the largest impact on Terna as this represents approximately 85% of its consolidated EBITDA. These activities predominantly entail the transmission and dispatching of electricity, as well as the maintenance and development of the national electricity transmission grid. As Terna manages virtually all of the country's high voltage transmission grid they benefit from a natural monopoly position. Due to its monopoly position and the high systemic importance of the activities for Italy, all of these activities are regulated by ARERA, the Italian regulatory authority for energy. Terna generates revenues by charging a transmission fee (approximately 90% of regulated revenues) and a dispatching service charge. The transmission and dispatching charges are based on a tariff system devised by ARERA, which takes Terna's cost structure into account. Terna submits its revenue requirements and cost structure (including operating costs, capital expenditure and other financial considerations in relation to the operation, development and maintenance of the grid) and ARERA then devises a tariff methodology taking into account the following; mainly the regulatory asset base (RAB) remuneration, allowed depreciation, allowed operating costs and output based incentives. The methods of revising these costs and parameters such as the WACC are established by the regulator. Some of the parameters are adjusted annually and some are set for a complete regulatory period (typically 5 years). Any change to any of these parameters could have a significant impact on Terna's operating and financial performance.

The RAB remuneration is calculated by applying the weighted average cost of capital (WACC) to the value of the regulatory asset base. The WACC is set by ARERA for the period 2022- 2027 and foresees a mid-period review of the WACC at the end of the first three years, but also includes the possibility for a yearly update during these years with a so called trigger mechanism. For the year 2023 the WACC was set at 5.0% (2022: 5.0%, 2021: 5.6%).

A decrease in the WACC will have negative consequences for Terna's revenue generation as the income linked to its regulatory asset base will decrease. The allowed depreciation and allowed operating expenditure are also set by ARERA. The operating expenditure is set for the period but is adjusted through an inflation index and reduced by an efficiency factor. Additionally the output-based incentives are linked to certain achievements of specific targets. Over the past two

years the economic environment has been characterized by strong fluctuations in certain parameters (such as the inflation, interest rates, yield of Italian government bonds and European debt). The current regulatory framework indexes the allowed operating costs and the WACC, hence the Group does not expect a significant economic impact, despite the fact that these parameters are adjusted with a time lag of approximately one year.

Terna, as the national transmission system operator for Italy, plays a central role in the decarbonization of the Italian energy sector. The Group is required to comply with European and national decarbonization goals, with its targets of net zero by 2050 and cutting CO<sub>2</sub> emissions by at least 55% by 2030. This will make it necessary to integrate approximately 70 GW of additional renewable capacity into the grid by 2030. Terna has received application for connections to the national transmission grid for over 311 GW of renewable capacity. In order to realize these plans, Terna is obligated to present a 10 year development plan for the national transmission grid every 2 years to the Italian Ministry of the Environment and Energy and the authority for Energy, Networks and Environment (ARERA). With the need for approval by the Italian ministry the plan is subject to political goals. As these political targets, both at the national and a European levels, could be changed due to political targets, the Group is exposed to further significant increases to their investments, as evidenced by the increase of the current 10 year development plan which has shown a 17% increase in comparison to the prior ten-year development plan in order to accelerate the ecological transition and guarantee Italy's energy security.

We believe the Group's business risk profile to be low. This is based on the high degree of regulated revenues based on a regulatory framework, reflecting the Group's cost base, including capital expenditure and future investments. The regulatory framework consists of multi-year periods and not all parameters in the methodology are adjusted annually, which could result in temporary revenue and cost mismatching caused by sudden market shocks. However, as the Group is well positioned and the regulator ARERA oversees these developments we believe these risks to be manageable.

### Financial risk

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from equity only by 50%, suggesting a certain recoverability of goodwill. The following descriptions and indicators are based primarily on these adjustments.

The basis of Terna's consolidated financial profile is its adjusted equity ratio of 25.88% (2021: 20.48%). At the end of 2022 Terna's equity stood at EUR 5,785 million (2021: EUR 4,526 million). The increase against the prior year was mostly caused by the retention of comprehensive income after distribution of dividends, and the issuance of a subordinated perpetual hybrid bond of EUR 989 million, which was allocated to equity. The issuance of the perpetual bond was used for the repayment of bonds, which drove the reduction in debt without deteriorating Terna's liquidity position. At the end of 2022 indebtedness stood at EUR 10,978 million (2021: EUR 12,528 million).

During the 2022 business year, Terna recorded an operating cash flow before working capital changes of EUR 1,596 million (2021: EUR 1,359 million), which was fully allocated towards the Group's capital expenditure of EUR 1,756 (2021: EUR 1,521 million). Due to a strong operating cash flow and positive working capital changes, Terna reported a free cash flow of EUR 771 million (2021: EUR -219 million). This was sufficient to both cover investments as well as dividend payouts of EUR 596 million. It is worth noting, however, that operating cash-flows often fall short to pay capital expenditure and dividend payouts, which puts cash-flows under pressure. Over the business year of 2022 the Group paid a dividend per share of EUR 0.3144, corresponding to

a pay-out ratio of 73%. Additionally, we believe that indebtedness might increase over the middle term as the Group also published its new development plan indicating a further increase in capital expenditure. Despite the fact that the RAB will increase as well, which will result in increasing revenues, we believe that these effects will come with a time lag and that the Group will have to source further capital on the capital markets.

During the first 9 months of the year, the Group recorded a significant increase in capital expenditure of 38% to EUR 1,434 million (9M 2022: EUR 1,033 million), and we believe that it will continue to grow over the next years based on the newly presented development plan. As of 9M 2023, Terna generated operating cash flow before working capital changes of EUR 1,168 million (9M 2022: EUR 1,108 million). Negative working capital changes reduced the cash flow from operating activities. The FFO of the Group was significantly negative with EUR -438 million (9M 2022: EUR 616 million), as also the increasing investments continue to exert downward pressure on the cash-flows. Driven by higher investments and distributed dividends, Terna increased its borrowings and recorded net debt of EUR 9,486 million (9M 2022: EUR 8,576 million). At the end of 9M 2023 the average term to maturity is approximately 6 years and the maturity structure is well distributed. Additionally, approximately 87% of the Group's borrowings are fixed rate.

The liquidity of the Group is strong. At the end of 9M 2023 the Group had cash and cash equivalents of EUR 912 million (2022: EUR 2,155 million) at its disposal, as well as two revolving credit facilities of EUR 3,500 million in total. Terna's policy is that its liquidity position, together with its cash flow generation will enable it to meet all short-term financial obligations within 18 to 24 months and respond to any capital market tensions in a timely order.

We believe the financial risk to be low. With its high degree of regulated activities Terna is able to generate relatively predictable cash-flows, which aids the Group in its operating business as well as investment planning. However, due to the fact that it is tasked with the maintenance and expansion of the national transmission grid, Terna is obligated to align its investment plan with national and European targets with respect to the energy transition. This results in increasing investments, which could exert upward pressure on debt levels and a deterioration of credit metrics altogether.

### Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the initial short-term rating of Terna Rete Elettrica Nazionale S.p.A. was set at **L3** (standard mapping), which corresponds to an adequate liquidity assessment for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by Terna - Rete Elettrica Nazionale S.p.A., which are included in the list of ECB-eligible marketable assets.

We have provided the long-term local currency senior unsecured notes issued by Terna - Rete Elettrica Nazionale S.p.A. with an unsolicited rating of **BBB / stable**. The rating is based on the corporate issuer rating.

Long-term local currency senior unsecured notes issued by Terna - Rete Elettrica Nazionale S.p.A., which have similar conditions to the current EMTN programme, denominated in Euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.



Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Test AG	09.11.2023	BBB / stable / L3
Long-term Local Currency (LC) Senior Unsecured Issues issued by Acciona Financiación Filiales S.A. Unipersonal	09.11.2023	BBB/ stable
Other	--	n.r.

## Financial ratio analysis

Table 3: Financial key ratios | Source: Terna S.p.A. report 2022, structured by CRA

Asset Structure	2019	2020	2021	2022
Fixed asset intensity (%)	82.34	75.55	72.77	77.38
Asset turnover	0.13	0.12	0.12	0.13
Asset coverage ratio (%)	46.26	51.68	50.13	46.46
Liquid funds to total assets (%)	8.79	16.10	11.43	10.75
Capital Structure				
Equity ratio (%)	23.37	21.31	20.48	25.88
Short-term-debt ratio (%)	16.92	24.53	34.61	30.47
Long-term-debt ratio (%)	14.72	17.73	16.00	10.06
Capital lock-up period (in days)	390.09	340.41	471.73	464.45
Trade-accounts-payable ratio (%)	13.69	10.81	14.82	16.50
Short-term capital lock-up (%)	22.27	115.82	168.90	102.47
Gearing	2.90	2.94	3.32	2.45
Leverage	4.33	4.49	4.79	4.31
Financial Stability				
Cash flow margin (%)	56.56	57.70	54.03	53.89
Cash flow ROI (%)	7.25	6.69	6.20	6.99
Total debt / EBITDA adj.	7.96	9.00	9.65	8.09
Net total debt / EBITDA adj.	7.05	7.16	8.26	6.92
ROCE (%)	9.22	9.45	9.34	9.09
Total debt repayment period	9.57	8.10	11.52	7.03
Profitability				
Gross profit margin (%)	85.57	85.28	83.24	81.90
EBIT interest coverage	13.31	13.47	12.45	10.87
EBITDA interest coverage	20.07	20.59	19.30	16.76
Ratio of personnel costs to total costs (%)	11.22	12.07	11.65	12.01
Ratio of material costs to total costs (%)	14.43	14.72	16.76	18.10
Cost income ratio (%)	50.91	52.50	54.38	55.37
Ratio of interest expenses to total debt (%)	0.63	0.54	0.55	0.74
Return on investment (%)	4.70	4.26	3.95	4.29
Return on equity (%)	19.00	18.61	17.78	16.64
Net profit margin (%)	33.39	33.45	31.20	29.60
Operating margin (%)	50.33	49.81	47.05	45.69
Liquidity				
Cash ratio (%)	34.99	53.45	20.49	31.65
Quick ratio (%)	101.83	97.49	77.39	72.66
Current ratio (%)	104.38	99.67	78.68	74.25

## Appendix

### Rating history

The rating history is available under <https://www.creditreform-rating.de/en/ratings/published-ratings.html>.

Table 4: Corporate Issuer Rating of Terna Rete Elettrica Nazionale S.p.A

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	14.12.2018	18.12.2018	Withdrawal of the rating	BBB / stable

Table 5: Corporate Issuer Rating of Terna Rete Elettrica Nazionale S.p.A

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	14.12.2018	18.12.2018	Withdrawal of the rating	BBB / stable

### Regulatory requirements

The rating<sup>2</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating, that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	July 2022
<a href="#">Corporate Short-Term Ratings</a>	1.0	June 2023
<a href="#">Government-related Companies</a>	1.1	May 2023
<a href="#">Non-financial Corporate Issue Ratings</a>	1.0	October 2016
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

<sup>2</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
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Rudger van Mook	Analyst	R.vanMook@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 9 November 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 10 November 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

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A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

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1. Annual report
2. Website
3. Internet research

#### Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

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