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Oggetto : Snam: Net Profit 10% up in the first half of  
2021, full-year guidance confirmed

*Testo del comunicato*

Vedi allegato.



press release

## Snam: Net Profit 10% up in the first half of 2021, full-year guidance confirmed

- **Total Revenues:** 1,527 million euros (+13.4% compared with the first half of 2020), mainly attributable to contributions from investments and growth in the energy transition business;
- **Adjusted EBITDA:** 1,163 million euros (+5.1%), due to positive contribution from the core business and to a continued focus on operating costs;
- **Adjusted Net Profit:** 635 million euros (+9.9%), as a result of positive operating performance, contribution from associate companies and the continuous optimization in the financial structure with an average cost of debt below 1%;
- **Technical Investments:** 566 million euros (+23.9%; of which +22.5% related to the core business);
- **Net Financial Debt:** 14,148 million euros (12,892 million euros as of 31st December 2020; +1,256 million euros), due to the disbursement for the acquisition of the stake in Industrie De Nora, the increase in the investment plan, the working capital for business development as well as the seasonal effect relating the balancing activity;
- **Guidance on 2021 Net Profit:** confirmed at around 1,170 million euros;
- **Opening of Snam's TechHub in Bologna:** the first district of the future for digital transformation, supporting energy transition and security;
- **Sustainable finance:** new "ESG-linked" 3 year-term loans signed for a total amount of 350 million euros at ca. 0% cost per annum; Snam's fourth 500 million euros *Transition Bond* issued in June; 150 million euros loan obtained from the European Investment Bank (EIB) to support energy efficiency projects.

San Donato Milanese (Milan), 29<sup>th</sup> July 2021 - The Board of Directors of Snam met today under the chairmanship of Nicola Bedin and approved the consolidated half-year Financial Report as of 30<sup>th</sup> June 2021 (subject to limited review).

Marco Alverà, Snam's CEO, commented: *"The first-half year results confirm the soundness of our core business, which continues to grow to the benefit of security of supply and energy transition in the territories in which we operate. More specifically, in the first six months of the year, we increased investments in Italy by more than 20% to modernise our network, reduce emissions to achieve our 2040 carbon neutrality target and become the most technologically advanced operator in our sector worldwide. The half-year figures also benefited from the positive performance of our equity investments, a strong growth in energy efficiency activities as well as a reduction in financial expenses."*



*Our projects to promote the development of renewable gases such as hydrogen and biomethane and their use in existing infrastructures continue, as do our initiatives in sustainable finance, with the issuance of bonds linked to the energy transition amounting to over 1.2 billion euros in the first half of the year alone.”*

## Summary of results for the first quarter of 2021

### Economic Highlights (a)

(Million euros)	First half-year			
	2020	2021	Change	% Change
<b>Regulated revenues</b>	1,273	<b>1,358</b>	85	6.7
<b>New business revenues</b>	61	<b>157</b>	96	157.4
<b>Total Revenues</b>	1,346	<b>1,527</b>	181	13.4
<b>Operating costs</b>	239	<b>364</b>	125	52.3
<b>EBITDA</b>	1,107	<b>1,163</b>	56	5.1
<b>EBIT</b>	733	<b>762</b>	29	4.0
<b>Net profit (b)</b>	578	<b>635</b>	57	9.9

- (a) The values are shown in the adjusted configuration, net of the special items represented by: (i) costs related to the continuation of the Covid-19 pandemic, referring to donations of medical supplies and costs for sanitation and cleaning services, totalling 4 million euros (3 million euros, net of related taxation); (ii) the effects of realignment between fiscal and book values of assets (255 million euros in total), carried out under the provisions of Art. 110, paragraph 8 of Law-Decree No. 104 of 14<sup>th</sup> August 2020; (iii) taxes (9 million euros) related to the recognition, for tax purposes only, of capital gains associated with corporate reorganisation transactions within the Group. For further details, see the section "Non-GAAP measures" at page 16 of this press release.
- (b) Attributable to the Parent company shareholders.

### Key financial figures

(Million euros)	First half-year			
	2020	2021	Change	% Change
<b>Technical Investments</b>	457	<b>566</b>	109	23.9
<b>Net invested capital</b>	19,112	<b>21,076</b>	1,964	10.3
<b>Net Financial Debt (a)</b>	12,888	<b>14,148</b>	1,260	9.8
<b>Equity attributable to Parent company shareholders</b>	6,221	<b>6,902</b>	681	10.9
<b>Market capitalisation</b>	14,169	<b>15,942</b>	1,773	12.5

- (a) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5<sup>th</sup> May 2021.

### Total Revenues

Total Revenues amounted to 1,527 million euros, an increase of 181 million euros (+13.4%) compared with the first half of 2020, due to growth in regulated revenues and



energy transition new businesses. The increase in revenues was also affected by the release of past balance sheet items (+17 million euros).

Regulated revenues amounted to 1,358 million euros, up by 85 million euros (+6.7%). Net of variable charges to cover energy costs (73 million euros; +43 million euros compared with the first half of 2020), regulated revenues amounted to 1,285 million euros, up by 42 million euros (+3.4%), as a result of the increase in the transport RAB base (+21 million euros, including the effect of lower *input-based* incentives) and higher volumes of transported gas (+9million euros) following the gradual recovery of production activities as well as colder weather conditions recorded in April and May.

Revenues from new businesses amounted to 157 million euros, up 96 million euros compared with the first half of 2020 due the positive contribution from energy efficiency activities (+100 million euros), particularly due to strong development in the residential sector, and the contribution from Mieci and Evolve, two companies that entered the Group's scope of consolidation at the end of 2020. The result was partly offset by a reduction in Snam Global Solutions' contribution compared to the same period in 2020, which was characterised by a higher concentration of projects.

#### **Adjusted EBITDA**

Adjusted EBITDA for the first half of 2021 amounted to 1,163 million euros, an increase of 56 million euros (+5.1%) compared with the corresponding figure posted in the first half of 2020, due to the positive performance of the core business (+51 million euros; +4.6%), as a result of higher regulated revenues, to the continuation of the Efficiency Plan and the utilisation of provisions set aside in previous years for disputes that have come to an end as well as by a distribution in operational costs mostly concentrated in the second half of the year. EBITDA from new businesses increased (+5 million euros) due to the positive contribution from energy efficiency activities, partly offset by the slower growth in the biomethane business, as well as by continuous investments for the development of activities in hydrogen and sustainable mobility.

#### **Adjusted EBIT**

Adjusted Operating income, in the first half of 2021, amounted to 762 million euros, up by 29 million euros (+4.0%) compared with the corresponding figure registered in first half of the 2020, due to greater amortisation, depreciation and impairment losses (-27 million euros, 7.2%) resulting primarily from the entry into operation of new assets.

#### **Net financial expenses**

Net financial expenses amounted to 50 million euros, a decrease of 17 million euros (-25.4%) compared with the first half of 2020 due to the benefits arising from the optimisation of the financial structure, among which the liability management operation, carried out in December 2020, as well as treasury management, partly absorbed by a greater average net debt for the period. The reduction in net financial expenses was also affected by higher financial income related to interest income on the long-term financial credit in favour of the associate company OLT.



### **Net Income from equity investments**

Net Income from equity investments amounted to 139 million euros, up by 29 million euros (+26.4%) compared with the first half of 2020, mainly as a result of the positive contribution from foreign associate companies, particularly TAP (+33 million euros) in operation as from 15<sup>th</sup> November 2020, and the ADNOC Gas Pipelines (+13 million euros) which became part of the Group's perimeter from July 2020, as well as from Industrie De Nora (+7 million euros), a transaction completed in January 2021. These effects were partly offset by the lower contribution of TAG (-10 million euros), which benefited in the first half of 2020 from non-recurring items, and DESFA (-10 million euros), mainly as a result of the expected reduction in the WACC from 7.84% to 7.52%.

### **Adjusted Net Profit**

The Group's *adjusted* net profit in the first half of 2021 amounted to 635 million euros, an increase of 57 million euros (+9.9%) compared to the corresponding figure from the same period of 2020 (578 million euros). The higher pre-tax profit (+75 million euros, or 9.7%) was partly absorbed by higher income taxes (16 million euros, or 8.1%, net of special items mainly represented by the effects of tax realignment pursuant to Law Decree 104 of 14<sup>th</sup> August 2020).

### **Technical Investments**

Technical investments in the first half of 2021 amounted to 566 million euros, an increase of 109 million euros (+23.9%) compared with a slowdown recorded in the first half of 2020 due to the Covid-19 pandemic. Investments relate mainly to natural gas transportation (458 million euros; 388 million euros in the first half of 2020) and storage (68 million euros; 43 million euros in the first half of 2020) segments. Notwithstanding the continuing uncertainty regarding the evolution of the pandemic, with reference to the regulated core business, the level of the investment plan announced for 2021 is confirmed.

### **Cash Flow**

The positive net Cash Flow from operating activities (566 million euros) was impacted by the temporary cash absorption generated by the gas balancing activity as a result of higher gas purchases in April and May following the colder weather conditions recorded in the period. This cash flow allowed the financing of part of the technical investments for the period (net of payables for investments) for a total of 594 million euros. Further to disbursements related to equity investments and repayments of financial receivables from OLT, free cash flow stood 467 million euros negative. Net financial debt, after non-monetary changes and after payment to shareholders of the 2020 dividend (795 million



euros<sup>1</sup>), stood at 14,148 million euros, an increase of 1,256 million euros compared to 31<sup>st</sup> December 2020.

### **Outlook**

Expectations regarding the management of the COVID-19 pandemic in Italy confirm a progressive easing of restrictive measures linked to the acceleration of the vaccination campaign against the virus, albeit accompanied by growing concerns about the spread of variants, which could result in further slowdowns in the process of normalisation of the domestic and international economic backdrop.

Snam continues to focus on measures that will ensure safety in its control rooms, plants and local offices so as to guarantee regular operations and energy security in the country.

At present, the company cannot determine the exact impact of COVID-19 on the targets at the end of 2021 and subsequent years. However, based on the information available today, the impact is expected to be limited overall with respect to its 2021 targets, thus confirming the guidance on net profit of 1,170 million euros, including the contribution from the investment in De Nora. Any additional further impacts on the Group's economic/financial performance and on its equity situation, as well as on business development plans, will be evaluated in light of the evolution and duration of the pandemic, both in Italy and abroad. The same remarks also apply to possible impacts on development initiatives and on suppliers and clients, as well as on the assets held by the Snam Group abroad.

The most recent estimates on the evolution of natural gas demand in Italy for the current year show a growth over the previous year, as a result, in particular, of the recovery of the industrial production index and of the colder weather conditions recorded in the early months of 2021.

With particular reference to the core business, the level of investment announced in the plan is confirmed.

In the current scenario, the company continues to implement its efficiency programme, which has already resulted in savings of 65 million euros compared to the 2016 cost base.

Optimisation of the financial structure implemented over the last five years led to a reduction in the average cost of the gross debt from 2.4% in 2016 to an expected average of 1.2% over the plan time horizon (2020-2024), as a result of actions implemented to take full advantage of current favourable market conditions and improve the interest rate and credit spread scenario with respect to the previous plan.

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<sup>1</sup> The total dividend from 2020 profits amounted to 816 million euros, of which 326 million euros as an interim payment and 490 million euros as the balance. The amounts still to be paid as of 30<sup>th</sup> June 2021 are attributable to the deferred collection as requested by some shareholders.



Further possible savings could result from treasury optimisation, as well as from the additional diversification of the sources and a greater use of sustainable finance instruments.

### *Key events*

- **TechHub:** On 12<sup>th</sup> July, in Bologna, the first future district was inaugurated. It is entirely managed with the aid of digital technologies that help reduce emissions, improve the safety and resilience of infrastructure and increase operational efficiency in the region. The TechHub is part of an overall plan to digitalise Snam's activities, which envisages 500 million euros in investments by 2024.
- **Sustainable finance:** In July, Snam signed new "ESG-linked" 3 year-term loans for a total amount of 350 million euros at ca. 0% cost per annum. On 24<sup>th</sup> June 2021, the fourth *Transition Bond* with a nominal value of 500 million euros was issued, with an annual coupon of 0.625% and maturity on 30<sup>th</sup> June 2031. Proceeds are intended to finance energy transition projects, the so-called Eligible Projects, as set out in the Transition Bond Framework published in June 2020. On 15<sup>th</sup> June 2021, a loan agreement was signed with the European Investment Bank (EIB) for a total amount of 150 million euros to support energy efficiency related projects. The contract concerns initiatives totalling 200 million euros of the Renovit Group, the new energy efficiency platform controlled by Snam and part-owned by CDP Equity. The funded activities mainly consist of energy requalification of residential buildings and energy efficiency and decarbonisation measures for industrial activities, including the installation of solar panels. Finally, for the third year in a row the reduction of the spread by 2,5 bps on the Sustainable Loan has been maintained, following the achievement of environmental and social sustainability targets also for 2020.
- **WACC Second regulatory period:** On 16<sup>th</sup> July 2021, ARERA (the energy regulator) published a consultation document, DCO 308/2021/R/com, relating to the criteria to set out and update WACC for the second regulatory period starting on 1<sup>st</sup> January, 2022. The deadline to submit comments is set on 12<sup>th</sup> September. By October, final guidance is expected with the adoption of the decision by the end of this year.
- **Engagement policies:** policy for managing dialogue with shareholders and other stakeholders approved, to regulate the standard procedures for dialogue, as well as the dialogue between the Board of Directors and Stakeholders, in line with the recommendations of the New Corporate Governance Code, with the engagement policies adopted by institutional investors, proxy advisors and active managers, and with international best practices.



At 3:30 p.m. CEST today, 29<sup>th</sup> July 2021, a conference call will be held to present the consolidated results for the first half of 2021 to financial analysts and investors. It will be possible to follow the event via conference call and all supporting materials will be available at [www.snam.it](http://www.snam.it) in the Investor Relations section, concurrently with the start of the conference call. In the same section it will also be possible to follow the presentation via video webcasting.

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### Key operating figures

		First half-year			
		2020	2021	Change	% Change
<b>Natural gas injected into the National Gas Transportation Network (a) (b)</b>	(billions of m <sup>3</sup> )	35.72	<b>38.51</b>	2.79	7.8
<b>Gas demand (a)</b>	(billions of m <sup>3</sup> )	36.21	<b>39.81</b>	3.60	9.9
<b>LNG regasification (a)</b>	(billions of m <sup>3</sup> )	1.30	<b>0.76</b>	(0.54)	(41.5)
<b>Available storage capacity (a) (c)</b>	(billions of m <sup>3</sup> )	12.5	<b>12.0</b>	(0.5)	(4.0)
<b>Natural gas moved through the storage system (a)</b>	(billions of m <sup>3</sup> )	11.90	<b>11.45</b>	(0.5)	(3.8)
<b>Employees in service at the period end (d)</b>	(number)	3,048	<b>3,357</b>	309	10.1

- (a) With regards to the first half of 2021, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.573 kWh/SCM) for transportation and regasification activities and 39.253 MJ/SCM (10.892 kWh/SCM) natural gas storage for the 2021-2022 thermal year.
- (b) The figure for the first half of 2021 is updated as of 7<sup>th</sup> July 2021. The corresponding figure of 2020 has been definitively updated.
- (c) Working gas capacity for modulation, mining and balancing services. The available capacity as of 30<sup>th</sup> June 2021 is the capacity declared to the Authority for Electricity, Gas and the Water System at the beginning of thermal year 2021-2022 (86% allocated as of 30<sup>th</sup> June 2021).
- (d) Fully consolidated companies.

### Natural gas injected into the National Gas Transportation Network

In the first half of 2021, 38.51 billion cubic metres of natural gas were injected into the National Transportation Network, an increase of 2.79 billion cubic metres, or 7.8%, compared with the corresponding figure of the first half of 2020 (35.72 billion cubic metres). This increase is in line with the growth in demand for natural gas which had fallen in the first half of 2020 due to the restrictive measures put in place to contain the COVID-19 infection. The increase in gas demand (39.81 billion cubic metres; +3.60 billion cubic metres, or 9.9%), recorded in all consumption sectors, is mainly attributable to: (i) residential and tertiary sector (+1.54 billion cubic metres; +9.7%) due to colder weather conditions posted in the period January-May 2021, characterised by an average daily temperature that was around 1°C lower than in the corresponding period of the previous year; (ii) industrial sector (+1.21 billion cubic metres, of which 0.7 billion cubic metres were concentrated in March and April; +15.0%) due to a recovery in industrial





production after the sharp drop of last year, as a result of the lockdown measures adopted in March and April to contain COVID-19 infections. In fact, in the period January-May 2021, the industrial production index grew by 21.3% compared to the same period of the previous year, completely recovering pre-Covid volumes; (iii) thermoelectric sector (+1.01 billion cubic metres; +9.0%) resulting from an increase in electricity demand compared to the first half of 2020 impacted by lockdown measures, as well as by the greater use of natural gas in electricity generation. These effects were partly offset by the increase in electricity import flows.

Net from the climate effect, gas demand in temperature-normalised terms was 38.74 billion cubic metres, up by 2.20 billion cubic metres, or 6.0%, compared with the corresponding figure of the first half of 2020 (36.54 billion cubic metres), as a result of a gradual recovery in the tertiary sector and substantial stability in residential demand, which was still affected by the Covid-19 containment measures, such as the closure of schools and offices in particular.

#### **Regasification of Liquefied Natural Gas (LNG)**

In the first half of 2021, 0.76 billion cubic metres of LNG were regasified (1.30 billion cubic metres in the first half of 2020) and 18 methane tankers were unloaded (31 tankers unloaded in the first half of 2020, equal to the number allocated) compared with 20 allocated.

#### **Natural gas storage**

Total storage capacity as of 30<sup>th</sup> June 2021, including strategic storage, is 16.5 billion cubic metres, a reduction of 0.5 billion cubic metres compared with the 2020-2021 thermal year, due to less available capacity based on the same amount of strategic storage. The reduction in available capacity, which stood at 12.0 billion cubic metres as of 30<sup>th</sup> June 2021 (86% booked), is attributable to the temporary unavailability of some plants for extraordinary maintenance work.



## *Analysis of the Reclassified Statement of Financial Position*

### **Fixed Capital**

Fixed Capital (20.909 million euros) recorded a 644 million euros increase with respect to 31<sup>st</sup> December 2020, essentially due to: (i) the increase in investments accounted for using the equity method (+524 million euros) mainly resulting from the acquisition of 37.47% of Industrie De Nora S.p.A. on 8<sup>th</sup> January 2021, as well as from the profits earned in the first half of 2021 by associate companies, partly absorbed by dividends distributed; (ii) the increase in tangible and intangible assets (+131 million euros, including the change in net payables for investments).

### **Financial Debt**

(Million euros)	<b>31.12.2020</b>	<b>30.06.2021</b>	<b>Change</b>
<b>Financial debts and bonds</b>	<b>15,937</b>	<b>15,773</b>	<b>(164)</b>
Current financial liabilities (a)	5,599	5,359	(240)
Non-current financial liabilities	10,317	10,392	75
Financial liabilities for leased assets (b)	21	22	1
<b>Liquidity</b>	<b>(3,045)</b>	<b>(1,625)</b>	<b>1,420</b>
Cash and cash equivalents	(3,044)	(1,625)	1,419
Short-term securities held for sale	(1)		1
<b>Net financial debt</b>	<b>12,892</b>	<b>14,148</b>	<b>1,256</b>

(a) Includes the current portion of long-term financial liabilities.

(b) Including long-term lease liabilities (16 million euros) and the current portion of long-term lease liabilities (6 million euros).

The increase in Net Financial Debt by 1,256 million euros is due to: (i) an increase in bonds (+1,012 million euros), following the issuance of two Transition Bonds with a total nominal value of 1,250 million euros, partly offset by the redemption of a bond that reached its natural maturity with a nominal value of 259 million euros; (ii) lower cash and cash equivalents (+1,419 million euros). This effect was partially offset by the reduction in bank loans (-1,179 million euros) mainly as a result of the repayment of Term Loans for a total nominal value of 700 million euros and the net less usage of uncommitted credit lines (433 million euros).

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This press release, prepared on a voluntary basis in line with market best practices, sets out the consolidated results for the first half of 2021 (subject to limited review). The results for the half-year, together with the main business *trends*, represent a summary of the Half-Year Financial Report prepared pursuant to Article 154-ter of the Consolidated Finance Act (TUF), approved by the Board of Directors of Snam on 29<sup>th</sup> July 2021, which will be published in accordance with the terms of the law.

*Pursuant to Article 154-bis, paragraph 2 of the TUF, the Officer responsible for the preparation of financial reports, Luca Oglialoro, declares that the accounting information included in this press release corresponds to the documents, accounting ledgers and other records.*

**Disclaimer**

*This press release contains forward-looking statements, in particular regarding: evolution in natural gas demand, investment plans and future operating performance. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. Actual results could therefore differ from those announced due to various factors, including: foreseeable trends in natural gas demand, supply and prices, general macroeconomic conditions, the impact of energy and environmental legislation, success in the development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.*



## INCOME STATEMENT

(Million euros)	First half 2020		First half of 2021		adjusted 2021 vs	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Change	Change
<b>Core business revenues</b>	<b>1,285</b>	<b>1,285</b>	<b>1,370</b>	<b>1,370</b>	<b>85</b>	<b>6.6</b>
<b>Regulated revenues</b>	<b>1,273</b>	<b>1,273</b>	<b>1,358</b>	<b>1,358</b>	<b>85</b>	<b>6.7</b>
- Transportation	1,014	1,014	1,084	1,084	70	6.9
- Storage	248	248	265	265	17	6.9
- Regasification	11	11	9	9	(2)	(18.2)
<b>Non-regulated revenues</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>		
<b>New business revenues</b>	<b>61</b>	<b>61</b>	<b>157</b>	<b>157</b>	<b>96</b>	<b>157.4</b>
<b>Total Revenues</b>	<b>1,346</b>	<b>1,346</b>	<b>1,527</b>	<b>1,527</b>	<b>181</b>	<b>13.4</b>
<b>Core business costs</b>	<b>(186)</b>	<b>(177)</b>	<b>(215)</b>	<b>(211)</b>	<b>(34)</b>	<b>19.2</b>
Fixed costs	(149)	(140)	(142)	(138)	2	(1.4)
Variable costs	(21)	(21)	(57)	(57)	(36)	
Other costs	(16)	(16)	(16)	(16)		
<b>New business costs</b>	<b>(62)</b>	<b>(62)</b>	<b>(153)</b>	<b>(153)</b>	<b>(91)</b>	
<b>Total operating costs</b>	<b>(248)</b>	<b>(239)</b>	<b>(368)</b>	<b>(364)</b>	<b>(125)</b>	<b>52.3</b>
<b>EBITDA</b>	<b>1,098</b>	<b>1,107</b>	<b>1,159</b>	<b>1,163</b>	<b>56</b>	<b>5.1</b>
Amortisation, depreciation and	(374)	(374)	(401)	(401)	(27)	7.2
<b>EBIT</b>	<b>724</b>	<b>733</b>	<b>758</b>	<b>762</b>	<b>29</b>	<b>4.0</b>
Net financial expenses	(67)	(67)	(50)	(50)	17	(25.4)
Net income from equity	110	110	139	139	29	26.4
<b>Pre-tax profit</b>	<b>767</b>	<b>776</b>	<b>847</b>	<b>851</b>	<b>75</b>	<b>9.7</b>
Income tax	(195)	(198)	33	(214)	(16)	8.1
<b>Net profit</b>	<b>572</b>	<b>578</b>	<b>880</b>	<b>637</b>	<b>59</b>	<b>10.2</b>
- Attributable to the Parent company	572	578	878	635	57	9.9
- Third party interests			2	2	2	

(a) Values exclude special items.

## Summary reconciliation of adjusted results

(Million euros)	First half-year			
	2020	2021	Change	% Change
<b>EBIT</b>	<b>724</b>	<b>758</b>	<b>34</b>	<b>4.7</b>
Special item exclusion for Covid-19 emerging costs:	9	4	(5)	(55.6)
- of which donations of goods and money	7	3	(4)	(57.1)
- of which sanitary equipment for internal use and services	2	1	(1)	(50.0)
<b>Adjusted EBIT</b>	<b>733</b>	<b>762</b>	<b>29</b>	<b>4.0</b>
<b>Group Net Profit</b>	<b>572</b>	<b>878</b>	<b>306</b>	<b>53.5</b>
Exclusion of special items:	6	(243)	(249)	
- Special items of operating profit, net of related taxes	6	3	(3)	(50.0)
- Tax realignment pursuant to Law-Decree 104/2020		(255)	(255)	
- Tax effect on reorganisation operations		9	9	
<b>Group adjusted Net Profit</b>	<b>578</b>	<b>635</b>	<b>57</b>	<b>9.9</b>
Third party interests		2	2	
<b>Adjusted Net Profit</b>	<b>578</b>	<b>637</b>	<b>59</b>	<b>10.2</b>



## Statement of comprehensive income

(Million euros)	First half-year	
	2020	2021
<b>NET PROFIT (*)</b>	<b>572</b>	<b>880</b>
<b>OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT</b>		
Cash flow hedge – effective portion of fair value change	(15)	9
Equity investments accounted for using the equity method - portion of other components of comprehensive income	(25)	35
Tax effect	4	(2)
<b>Total components which are or could be reclassified in profit for the year, net of tax effect</b>	<b>(36)</b>	<b>42</b>
Equity investments accounted for at FVTOCI (“fair value through other comprehensive income”)		(9)
Tax effect		
<b>Total components which will not be reclassified in profit for the year, net of tax effect</b>		<b>(9)</b>
<b>TOTAL OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT, NET OF TAX EFFECT</b>	<b>(36)</b>	<b>33</b>
<b>TOTAL COMPREHENSIVE INCOME STATEMENT (*)</b>	<b>536</b>	<b>913</b>
<i>. attributable to:</i>		
- Parent company shareholders	536	911
- third party interests		2



## Reclassified statement of financial position

(Million euros)	31.12.2020	30.06.2021	Change
<b>Fixed Capital</b>	<b>20,265</b>	<b>20,909</b>	<b>644</b>
Property, plant and equipment	16,815	16,886	71
- of which right-of-use leased assets	21	22	1
Non-current inventories - Compulsory inventories	363	363	
Intangible assets and goodwill	1,125	1,144	19
Investments accounted for using the equity method	1,923	2,447	524
Other financial assets	426	415	(11)
Net payables for investments	(387)	(346)	41
<b>Net working capital</b>	<b>(861)</b>	<b>206</b>	<b>1,067</b>
<b>Liabilities for employee benefits</b>	<b>(40)</b>	<b>(39)</b>	<b>1</b>
<b>NET INVESTED CAPITAL</b>	<b>19,364</b>	<b>21,076</b>	<b>1,712</b>
<b>Shareholders' equity</b>	<b>6,472</b>	<b>6,928</b>	<b>456</b>
- Attributable to Parent company shareholders	6,469	6,902	433
- Minority interests	3	26	23
<b>Net Financial Debt (*)</b>	<b>12,892</b>	<b>14,148</b>	<b>1,256</b>
- of which financial liabilities for leased assets (**)	21	22	1
<b>COVERAGE</b>	<b>19,364</b>	<b>21,076</b>	<b>1,712</b>

(\*) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5<sup>th</sup> May 2021. Accordingly, the related value as of 31<sup>st</sup> December 2020 was restated, generating an increase in net debt of 5 million euros due to the exclusion of short-term financial receivables.

(\*\*) Including non-current lease liabilities (16 million euros) and the current portion of non-current lease liabilities (6 million euros).

## Shareholders' equity

(Million euros)	
<b>Shareholders' equity as of 31<sup>st</sup> December 2020</b>	<b>6,472</b>
- First half of 2021 Comprehensive income	+ 913
- Other changes	+ 33
- Dividend balance 2020	- (490)
<b>Shareholders' equity as of 30<sup>th</sup> June 2021</b>	<b>6,928</b>
- Attributable to Parent company shareholders	6,902
- Third party interests	26



## RECLASSIFIED CASH FLOWS STATEMENT

(Million euros)	First half-year	
	2020	2021
<b>Net profit</b>	<b>572</b>	<b>880</b>
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	265	<b>265</b>
- Net capital losses (capital gains) on asset sales and write-offs	1	<b>2</b>
- Dividends, interest and income taxes (a)	247	<b>6</b>
Change in net working capital	(176)	<b>(510)</b>
Dividends, interest and income taxes collected (paid)	(160)	<b>(77)</b>
<b>Cash flows from operating activities</b>	<b>749</b>	<b>566</b>
Technical Investments	(457)	<b>(554)</b>
Technical disinvestments	0	<b>1</b>
Equity investments	(5)	<b>(450)</b>
Change in long-term financial receivables	(314)	<b>11</b>
Other changes relating to investment activities	(56)	<b>(41)</b>
<b>Free cash flow</b>	<b>(83)</b>	<b>(467)</b>
Repayment of financial liabilities for leased assets	(3)	<b>(4)</b>
Change in current and non-current financial liabilities	1,220	<b>(185)</b>
Equity cash flow (b)	(881)	<b>(763)</b>
<b>Net cash flow for the year</b>	<b>253</b>	<b>(1,419)</b>

## CHANGE IN NET FINANCIAL DEBT

(Million euros)	First half-year	
	2020	2021
<b>Free cash flow</b>	<b>(83)</b>	<b>(467)</b>
Equity cash flow (b)	(881)	<b>(763)</b>
Change in financial liabilities for leased assets	(1)	<b>(4)</b>
Other changes		<b>(22)</b>
<b>Change in net financial debt</b>	<b>(965)</b>	<b>(1,256)</b>

- (a) The value for the first half of 2021 includes the effects of the release of deferred tax liabilities in respect of the tax realignment pursuant to Legislative Decree of 14<sup>th</sup> August 2020.
- (b) Includes cash flows from dividend payments to shareholders.



## Methodological note

The economic, equity and financial information has been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure referred to in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19<sup>th</sup> July 2002. The recognition and measurement criteria adopted in the preparation of the results of the first half of 2021 are unchanged from those adopted for the preparation of the 2020 Annual Report, where their description is available for reference.

The main changes in the scope of consolidation of the Snam Group as of 30<sup>th</sup> June 2021 compared to the scope of consolidation as of 30<sup>th</sup> June 2020 relate to the acquisition, on 5<sup>th</sup> October 2020, through the subsidiary Renovit S.p.A. (formerly Snam 4 Efficiency), of 70% of two companies active in the energy efficiency sector in Italy, Miecì S.p.A. and Evolve S.p.A.

When preparing the Half-Year Financial Report as of 30<sup>th</sup> June 2021, Snam and the Group associates have considered the impacts associated with the current economic context characterised by the effects of the Covid-19 pandemic, the related accounting implications associated with the valuation of assets and liabilities, the disclosure and assessment of business continuity, also taking into account the recommendations published by ESMA<sup>2</sup> and Consob<sup>3</sup>.

## Non-GAAP measures

In addition to the financial parameters required by the IFRS, as part of its Management Report, Snam is presenting some parameters resulting from the latter, not yet required by the IFRS or by other standard setters (non-GAAP measures).

Snam's management team believes that these measures facilitate the analysis of the performance of the Group and its business segments, ensuring that it is easier to compare the results over a period of time.

Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with Consob Communication DEM/6064293 of 28<sup>th</sup> July 2006, as amended (and as most recently amended on 5<sup>th</sup> May 2021, in implementation of the new ESMA recommendations 32-232-1138 of 4<sup>th</sup> March 2021), the following paragraphs provide

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<sup>2</sup> ESMA 32-63-1041 of October 2020 "European common enforcement priorities for 2020 annual financial reports".

<sup>3</sup> Consob Recommendation No. 1/21 of 16<sup>th</sup> February 2021 "COVID 19 - Measures to support the economy - Reminder of the need to provide financial reporting.





information on the composition of the main alternative performance indicators used in this document, which cannot be directly derived from reclassifications or algebraic sums of conventional indicators<sup>4</sup> in accordance with international accounting standards.

With regard to the impact of Covid-19 on the determination of alternative performance indicators, in accordance with the ESMA recommendations on "Alternative Performance Measures - APMs", and also due to the limited impact of Covid-19 on its results, Snam has not changed the non-GAAP financial reporting provided previously, limiting itself to isolating emerging costs directly related to the ongoing pandemic situation as income components classified under "special items", as described below.

#### *Adjusted EBITDA, EBIT and net profit*

Adjusted EBITDA, EBIT and net profit are obtained by excluding special items, gross and net of related taxes, respectively, from reported EBIT and net profit (as per the statutory income statement format). The income components classified as special items in the first half of 2021 relate to: (i) costs incurred following the continuation of the state of emergency related to the Covid-19 pandemic, mainly concerning the donations of medical equipment, purchases of personal protective equipment for internal use and costs for sanitation and cleaning services, for a total amount of 4 million euros (3 million euros net of related taxes); (ii) the effects of the tax realignment pursuant to Decree-Law 104 of 14<sup>th</sup> August 2020 (255 million euros in total) due to: (a) the 3% substitute tax, to be paid in 3 annual instalments, for a total charge of 37 million euros; (b) the release of deferred tax liabilities recognised in previous years for a total income of 292 million euros; (iii) taxes (9 million euros) related to the recognition, solely for tax purposes, of the capital gains associated with the contribution from the equity investment held by Snam S.p.A. in TAP to Snam International B.V. (100% controlled).

Income items classified as special items in the first half of 2020 relate to costs incurred as a result of the state of emergency due to the Covid-19 pandemic ( 9 million euros; 6 million euros net of related taxation).

#### *Special items*

Income components are classified under special items, if material, when they: (i) arise from events or transactions that are non-recurring or from transactions or events that do not recur frequently in the ordinary course of business; (ii) arise from events or transactions that are not representative of normal business activities. The tax effect of items excluded from the calculation of adjusted net income is determined based on the nature of each excluded income component. Income components arising from non-recurring transactions pursuant to Consob Resolution No. 15519 of 27<sup>th</sup> July 2006, if any, are also disclosed separately in the IFRS financial reporting.

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<sup>4</sup> Conventional indicators are all the data included in the certified financial statements drafted in compliance with IFRS or within the Balance Sheet, Income Statement, Statement of changes in shareholders' equity, Cash Flows Statement and commentary notes.



*Net financial debt*

Snam calculates net financial debt as the sum of short- and long-term financial debt, including financial debt for lease agreements pursuant to IFRS 16, net of cash and cash equivalents and current financial assets, such as securities held for trading, which are not cash and cash equivalents or derivative instruments used for hedging purposes.

In accordance with Consob Communication DEM/6064293 of 2006, as last amended on 5<sup>th</sup> May 2021, other current financial assets that do not constitute liquidity (e.g. short-term financial receivables) are excluded from the calculation of net debt.

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