

2021 Half-Year Financial Report



energy to inspire the world



Company profile

Snam is one of the world's leading energy infrastructure companies and one of the largest listed Italian companies in terms of market capitalisation. The company's sustainable and technologically advanced network guarantees security of supply in the areas in which it operates, while also contributing to promote the energy transition. As well as in Italy, it operates through partners in Albania (AGSCo), Austria (TAG, GCA), United Arab Emirates (ADNOC Gas Pipelines), France (Teréga), Greece (DESFA) and the United Kingdom (Interconnector Limited) and it has recently initiated activities in China and India. In addition, Snam is a major shareholder in TAP (Trans Adriatic Pipeline).

Snam has the most extensive transportation network among European peers (over 41,000 km, including international activities) and greatest natural gas storage capacity (approx. 20 billion cubic meters, including international activities). Moreover, it is also one of the main regasification operators in Europe, an activity it carries out through its Panigaglia terminal (GNL Italia) and its stakes in the Livorno (OLT) and Rovigo (Adriatic LNG) plants in Italy and in the Revithoussa (DESFA) plant in Greece. As part of the 2020-2024 Strategic Plan, Snam sets out greater investments totalling 7.4 billion euros as well as renewing its pledge to energy transition activities: biomethane (Snam4Environment), energy efficiency (Renovit), sustainable mobility (Snam4Mobility) and hydrogen. Moreover, Snam is active in forestation (Arbolia) and aims to reach carbon neutrality (Scope 1 and Scope 2) by 2040.

The company's business model is based on sustainable growth, transparency, leveraging our staff's talent and diversity, and the protection and social development of local communities, also through Fondazione Snam initiatives.

www.snam.it

2021 Half-Year Financial Report

Corporate bodies

BOARD OF DIRECTORS (*)

Chairman ()**

Nicola Bedin

Chief Executive Officer

Marco Alverà (1)

Directors

Laura Cavatorta (2) (3)

Francesco Gori (2) (3)

Yunpeng He (1)

Antonio Marano (1) (2)

Francesca Pace (1) (2)

Rita Rolli (2) (3)

Alessandro Tonetti (1)

CONTROL AND RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE

Francesco Gori - Chairman

Francesca Pace

Antonio Marano

REMUNERATION COMMITTEE

Francesca Pace - Chairwoman

Rita Rolli

Alessandro Tonetti

INDEPENDENT AUDITORS (**)**

Deloitte & Touche S.p.A.

BOARD OF STATUTORY AUDITORS (*)

Chairman

Stefano Gnocchi (5)

Standing auditors

Gianfranco Chinellato (4)

Donata Paola Patrini (4)

Alternate auditors

Federica Albizzati (5)

Maria Gimigliano (4)

APPOINTMENTS COMMITTEE

Antonio Marano - Chairman

Laura Cavatorta

Alessandro Tonetti

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE (*)**

Laura Cavatorta - Chairwoman

Rita Rolli

Yunpeng He

(*) Appointed by the Shareholders' Meeting of 2 April 2019 - in office until the date of the Shareholders' Meeting to be convened in 2022 to approve the financial statements for the year ending 31 December 2021.

(**) Appointed by the Shareholders' Meeting of 18 June 2020 on the proposal of the shareholder CDP Reti S.p.A. - in office until the date of the Shareholders' Meeting to be convened in 2022 for the approval of the financial statements at 31 December 2021. The Chair is independent within the meaning of the (Consolidate Finance Act) TUF.

(***) Established by the Board of Directors on 14 May 2019, in place of the Sustainability Committee.

(****) Appointed by the Shareholders' Meeting of 23 October 2019 for the period covering the years 2020 - 2028.

(1) Directors nominated in the list submitted by the shareholder CDP Reti S.p.A.

(2) Independent Directors pursuant to the TUF and the Code of Corporate Governance

(3) Directors nominated in the list submitted jointly by Institutional Investors.

(4) Auditors nominated in the list submitted by the shareholder CDP Reti S.p.A.

(5) Auditors nominated in the list presented jointly by Institutional Investors.

Group structure at 30 June 2021

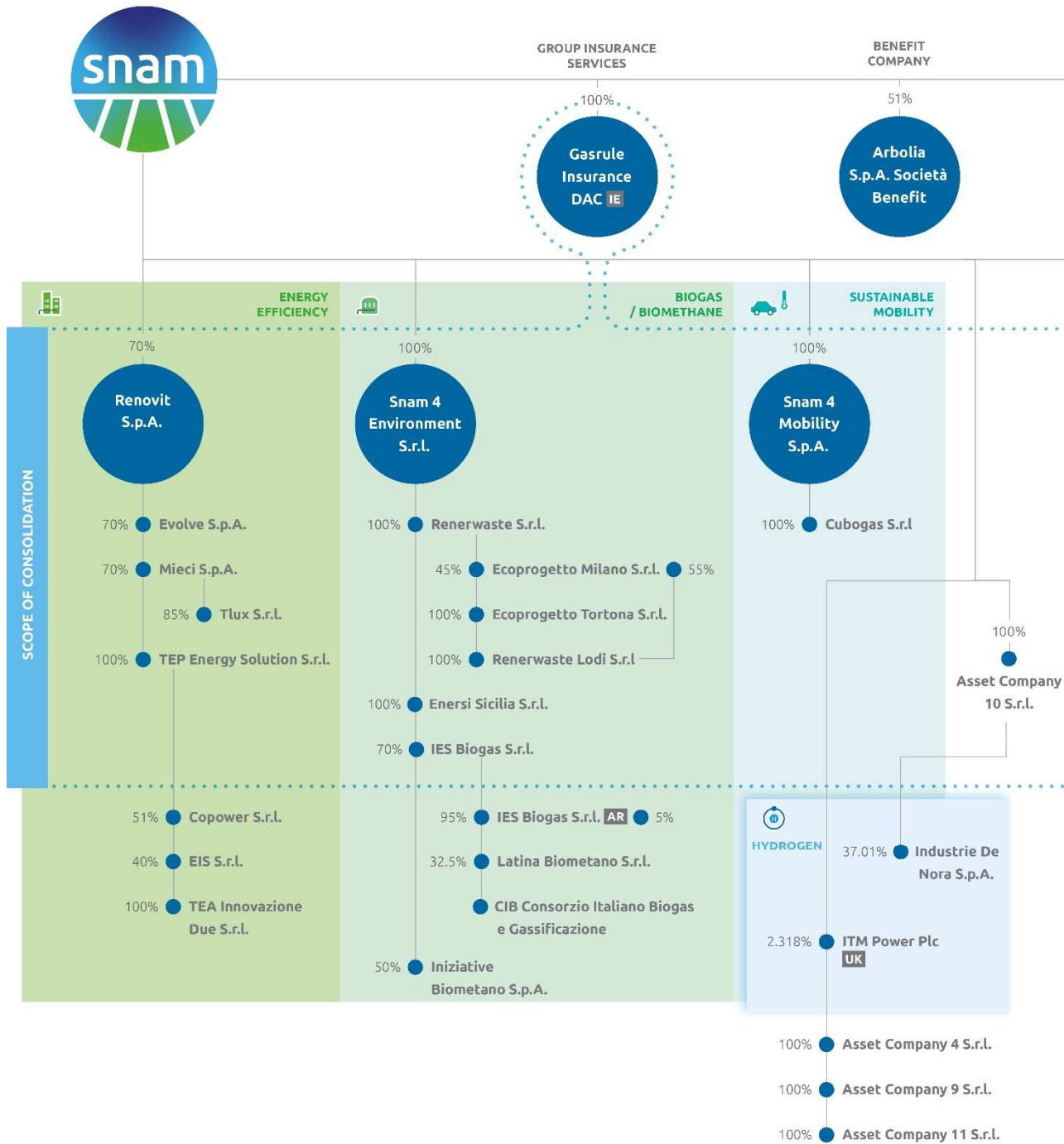
The changes in the scope of consolidation of the Snam Group at 30 June 2021¹ compared with that at 31 December 2020 relate to the entry into the scope of consolidation of Asset Company 10 S.r.l., a sub-holding 100% owned by Snam S.p.A., which acquired the investment in Industrie De Nora S.p.A. on 8 January 2021. This highly strategic partnership allows Snam to increase its exposure to the mega-trends of the energy transition, in particular for the production of green hydrogen and for water treatment, leveraging De Nora's leadership and technical expertise in alkaline electrodes, essential components for the production of alkaline electrolysers.

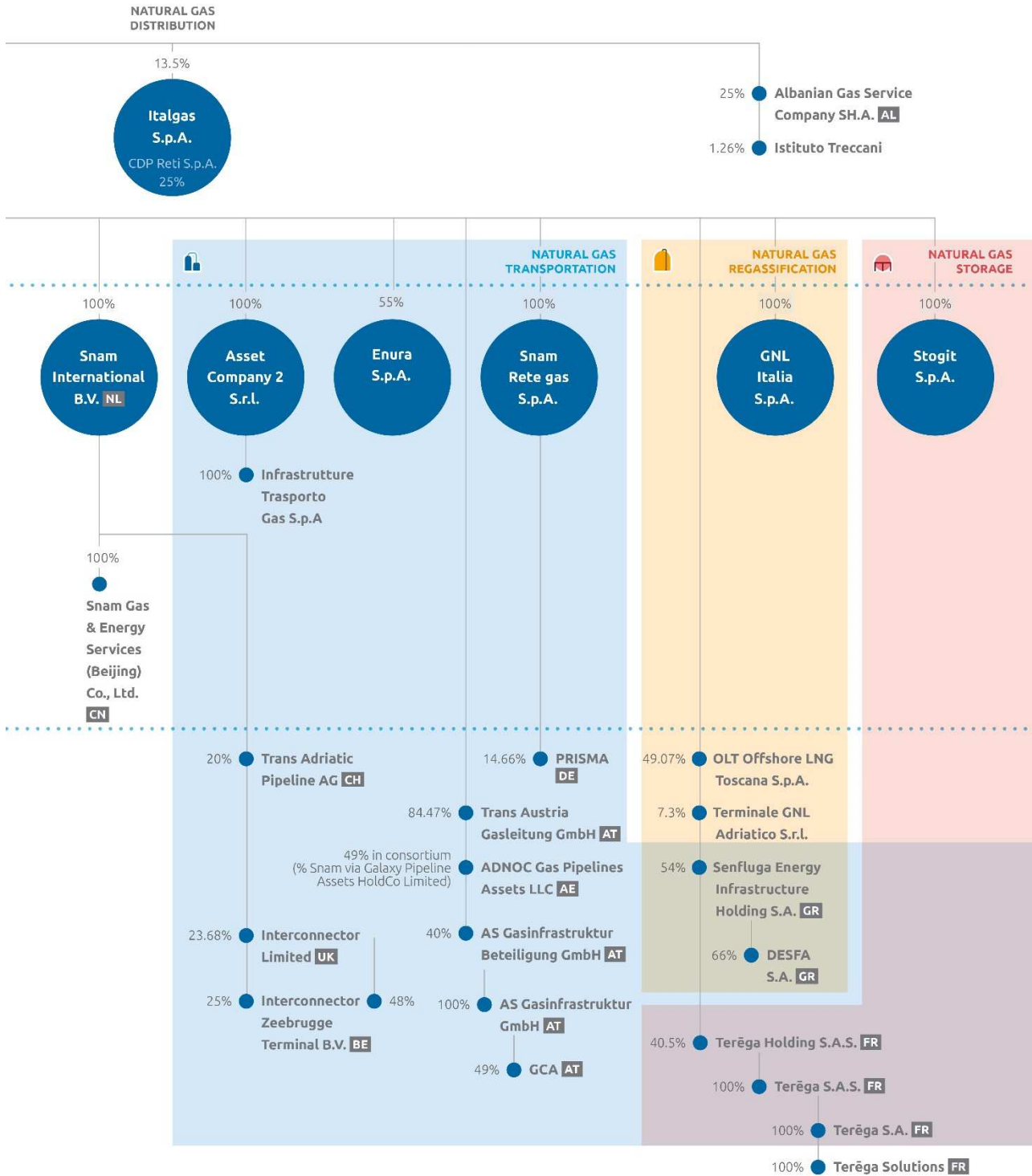
The changes in the scope of consolidation compared to the scope of consolidation at 30 June 2020 relate to the acquisition, on 5 October 2020, through the subsidiary Renovit S.p.A. (formerly Snam 4 Efficiency), of 70% of two companies operating in the energy efficiency business in Italy, Miecì S.p.A. and Evolve S.p.A.

The Group's structure at 30 June 2021 is shown below:

¹ More information is provided in the annex "Snam S.p.A. investments at 30 June 2021" to the notes to the condensed half-year consolidated financial statements.

Group structure at 30 June 2021





General Contents

General Contents

INTERIM MANAGEMENT REPORT	10
CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS	66

Disclaimer

This Report contains forward-looking statements, in particular in the "Outlook" section related to: developments in demand for natural gas, investment plans, future operating performance, execution of projects.

The forward-looking statements have by their nature a component of risk and uncertainty because they depend on the occurrence of future events and developments. The actual results may therefore differ from those announced in relation to different factors, including: developments in demand for natural gas, supply and prices of natural gas, actual operating performance, general macroeconomic conditions, geopolitical factors such as international tensions, the impact of energy and environmental regulations success in development and application of new technologies, changes in expectations of stakeholders and other changes in business conditions.

Snam, Snam Group, Group (or group) means Snam S.p.A. and the companies included in the consolidation area.

Interim Management Report



Interim Management Report Content Index

FIRST HALF OF 2021 PERFORMANCE	12
Results	13
Operating performance	17
Snam share price performance	19
Main events	20
OPERATING PERFORMANCE BY BUSINESS SEGMENT	21
Natural Gas Transportation.....	22
Regasification of Liquefied Natural Gas (LNG).....	25
Natural Gas Storage	26
FINANCIAL REVIEW AND OTHER INFORMATION	29
Financial review.....	30
Other information	50
RISK AND UNCERTAINTY FACTORS.....	52
OUTLOOK.....	64

First half of 2021 performance

Results

In order to allow for a better assessment of the economic and financial performance, this Report presents the reclassified financial statements and some alternative performance measures (non-GAAP measures), mainly represented by adjusted results. In particular, 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 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 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 realignment for tax purposes of statutory and fiscal values (255 million euros in total), carried out on the basis of the provisions of art. 110, paragraph 8 of Law-Decree of 14 August 2020 no. 104 on certain tangible and intangible assets². The effects are attributable to: (a) 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 of the equity investment held by Snam S.p.A. in TAP to Snam International B.V. (a100% owned subsidiary).

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).

ADJUSTED RESULTS^{3 4}

The **adjusted gross operating margin (EBITDA)** for the first half of 2021 amounted to 1,163 million euros, up by 56 million euros, or 5.1%, compared to the corresponding value in the first half of 2020. With reference to the core business (+51 million euros; +4.6%), the increase is due to higher regulated revenues (+85 million euros; +42 million euros net of fees to cover energy costs) deriving mainly from the increase in the RAB of the transportation business (+21 million euros, including the effect of lower input-based incentives) and higher volumes of gas transported (+9 million euros) following the gradual recovery of production activities as well as a more rigid climate recorded in April and May. The increase in EBITDA in the core business was also affected by the release of past balance sheet items (+17

Adjusted gross operating margin (EBITDA)

+56 million euros; +5.1%

² The assets for which Snam has decided to carry out the realignment relate to companies in the transportation (Snam Rete Gas), storage (Stogit) and regasification (GNL Italia) segments. However, with respect to Stogit and GNL Italia, the profit and loss effects of the realignment have been prudentially suspended in light of recent clarifications of practice provided by the Revenue Agency to taxpayers which also operate in businesses under the concession regime. Pending clarification on whether the Companies may benefit from the realignment legislation, the Companies paid the first of the three instalments of the 3% substitute tax due. For further information, please refer to Note 27 Income taxes in the Notes to the condensed consolidated half-year financial statements.

³ For the definition of these indicators and the reconciliation with the related reported results, in line with the guidelines of document 2015/ESMA1415 "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015 and subsequent additions, please refer to the section "Financial review - Non-GAAP measures".

⁴ An analysis of EBITDA and operating profit by business segment is provided in the section "Operating performance by business segment".

million euros) and the reduction in operating costs thanks to the continuation of the Efficiency Plan, the use of provisions set aside in previous years for disputes that have now come to an end and the distribution of operating costs more concentrated in the second half of the year. With regard to new business (+5 million euros), the positive contribution of energy efficiency activities, due, in particular, to the strong development of activities in the residential sector and the contribution of Miecì and Evolve, companies that entered the scope of consolidation at the end of 2020, was partly offset by a reduction in the contribution of Snam Global Solutions compared to a 2020 with a high concentration of projects and slower growth in the biomethane business and continuous investments for the development of hydrogen activities and sustainable mobility.

The **adjusted operating profit (EBIT)** for the first half of 2021 amounted to 762 million euros, up by 29 million euros, or 4.0%, compared to the corresponding value in the first half of 2020. The aforementioned increase in EBITDA was partly absorbed by higher depreciation amortisation and impairment losses (-27 million euros, or 7.2%), mainly due to new assets entering into operation.

Group adjusted net profit for the first half of 2021 amounted to 635 million euros, up by 57 million, or 9.9% compared to the adjusted net profit achieved in the first half of 2020 (578 million euros). In addition to higher operating profit, the increase was due to the positive contribution of investee companies (+29 million euros, or 26.4%), in particular TAP (+33 million euros), operational from 15 November 2020, and ADNOC Gas Pipelines (+13 million euros), which entered the Group's scope of operations in July 2020, as well as Industrie De Nora, a transaction completed in January 2021, partly offset by the lower contribution of TAG, which in the first half of 2020 benefited from non-recurring items and DESFA mainly as a result of the expected reduction in WACC. The increase in net profit was also affected by the reduction in net financial expenses (+17 million euros; equal to 25.4%), thanks to actions to optimise the financial structure, including liability management at the end of 2020, and from treasury management, despite the higher average net debt for the period due to the growth in investments and the acquisition of the investment in Industrie De Nora.

The positive net cash flow from operating activities (566 million euros), which was impacted by the effects on working capital related to the seasonality on balancing activities and the development of the deep renovation business, allowed the financing of part of the technical investments for the period (net of payables for investments), amounting to 594 million euros. After the disbursements related to equity investments and repayments of financial receivables from OLT, the **free cash flow** was negative by 467 million euros. Net financial debt, after non-monetary changes and after payment to shareholders of the 2020 dividend (795 million euros⁵, of which 325 million euros as advance and 470 million euros as balance), recorded an increase of 1,256 million euros compared to 31 December 2020.

Group adjusted net profit

+57 million euros; +9.9%

Free Cash Flow

-467 million euros

⁵ 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 at 30th June 2021 are attributable to the deferred collection as requested by some shareholders.

Technical investments

+109 million euros; + 23.9%

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. Despite 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.

During the first half of 2021, 6 **accidents** occurred involving Snam employees (3 accidents in the first half of 2020, of which 2 involving employees and 1 involving contractors), of which 2 related to employees belonging to companies in the regulated core business and 4 to companies operating in the new businesses. With regard to the **accident indices**, the frequency index is 0.98 and the severity index is 0.05, due to the small number of accidents recorded during the half-year.

Key performance figures (a)

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

(a) The values are reported in the adjusted configuration.

(b) Attributable to the Parent company shareholders.

Reported results

(Million euros)	First half-year		Change	Change %
	2020	2021		
EBIT	724	758	34	4.7
Net profit (a)	572	878	306	53.5

(a) Attributable to the Parent company shareholders.

Key equity and financial figures

(Million euros)	First half-year		Change	Change %
	2020	2021		
Technical Investments	457	566	109	23.9
Net invested capital at the end of the period	19,112	21,076	1,964	10.3
Equity (including non-controlling interests)	6,224	6,928	704	11.3
Equity attributable to Parent company shareholders	6,221	6,902	681	10.9
Net Financial Debt (a)	12,888	14,148	1,260	9.8
Free Cash Flow	(83)	(467)	(384)	

(a) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021 to implement ESMA Recommendations 32-232-1138 of 4 March 2021 on Net Financial Position.

Key share and income figures

		First half-year		Change	Change %
		2020	2021		
Number of shares in share capital	(millions)	3,394.8	3,360.9	(33.9)	(1.0)
Number of shares outstanding at period-end	(millions)	3,269.4	3,270.2	0.8	0.0
Average number of shares outstanding during the period	(millions)	3,292.1	3,270.2	(21.9)	(0.7)
Period-end official price per share	(€)	4.334	4.875	0.541	12.5
Operating profit per share (*)	(€)	0.220	0.232	0.012	5.4
Net profit per share (*)	(€)	0.174	0.268	0.094	54.3

(*) Calculated with reference to the average number of shares outstanding during the period.

Operating performance

In accordance with IFRS 8 Operating Segments, operating segments are defined on the basis of internal reporting used by management to allocate resources to the various segments and to analyse their performance. The reportable business segments are the regulated businesses of natural gas transportation, storage and regasification. Other segments, which are not reported separately, include activities relating to the new Energy Transition businesses (sustainable mobility, energy efficiency and biogas/biomethane) as well as the activities of Snam Global Solutions.

Key operating figures

	First half-year		Change	Change %
	2020	2021		
Natural gas transportation (a)				
Natural gas injected into the National Gas Pipeline Network (billions of cubic metres) (b)	35.72	38.51	2.79	7.8
Gas demand (b)	36.21	39.81	3.60	9.9
Regasification of Liquefied Natural Gas (LNG) (a)				
Regasified LNG volumes (billion cubic metres)	1.30	0.76	(0.54)	(41.5)
Natural gas storage (a)				
Total available storage capacity (billion cubic metres) (c)	12.5	12.0	(0.5)	(4.0)
Natural gas moved in storage (billions of cubic metres)	11.9	11.5	(0.5)	(3.8)
Employees in service at period-end (number) (d)				
	3,048	3,357	309	10.1
<i>of which:</i>				
- Transport segment	1,908	1,838	(70)	(3.7)
- Regasification segment	64	68	4	6.3
- Storage segment	62	63	1	1.6
- Other segment	207	436	229	
- Corporate and other	807	952	145	18.0
Accident indices - Employees and contractors				
Total number of accidents	3	6	3	100.0
Frequency index (e)	0.49	0.98	0.49	
Severity index (f)	1.25	0.05	(1.20)	

- (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 7th July 2021. The corresponding figure of 2020 has been definitively updated.
- (c) Working gas capacity for modulation, mining and balancing services.. The available capacity at 30th 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 at 30th June 2021).
- (d) Fully consolidated companies. The change includes resources coming from the entry of Mieci and Evolve into the Group's scope of consolidation, and new hires from the market, also for the strengthening of the new energy transition businesses, particularly in biomethane and hydrogen fields.
- (e) Frequency index: number of accidents at work resulting in absence of at least one day, per one million of hours worked.
- (f) Severity index: number of work days lost (calendar days), related to accidents at work resulting in absence of at least one day, per one thousand of hours worked. The figures are calculated including fatal accidents.

Natural gas transportation

In the first half of 2021, 38.51 billion cubic metres were injected into the National Transportation Network, an increase of 2.79 billion cubic metres, or 7.8%, compared with the corresponding figure for the first half of 2020 (35.72 billion cubic metres), in line with the increase 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 contagion. 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 of 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.

Natural gas storage

Natural gas moved through the storage system in the first half of 2021 amounted to 11.5 billion cubic metres, down from the volumes moved in the first half of 2020 (-0.5 billion cubic metres; -3.8%). The higher withdrawals, mainly due to weather conditions, were more than absorbed by lower releases to storage. Total storage capacity at 30 June 2021, including strategic storage, is 16.5 billion cubic metres, a reduction of 0.5 billion cubic metres compared to the 2020-2021 thermal year, due to less available capacity based on the same amount of strategic storage⁶. The reduction in available capacity, which stood at 12.0 billion cubic metres at 30 June 2021 (86% booked), is attributable to the temporary unavailability of some plants due to extraordinary maintenance work.

⁶ By Decree of 12 February 2021, the same Ministry confirmed for the thermal year 2021-2022 (1 April 2021-31 March 2022) the volume of strategic gas storage equal to 4.62 billion cubic metres, of which 4.5 billion cubic metres pertaining to Stogit.

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.

Snam share price performance

Snam shares ended the first half of 2021 with an official price of 4.875 euros, an increase of 5.96% compared to the price recorded at the end of 2020 of 4.601 euros.

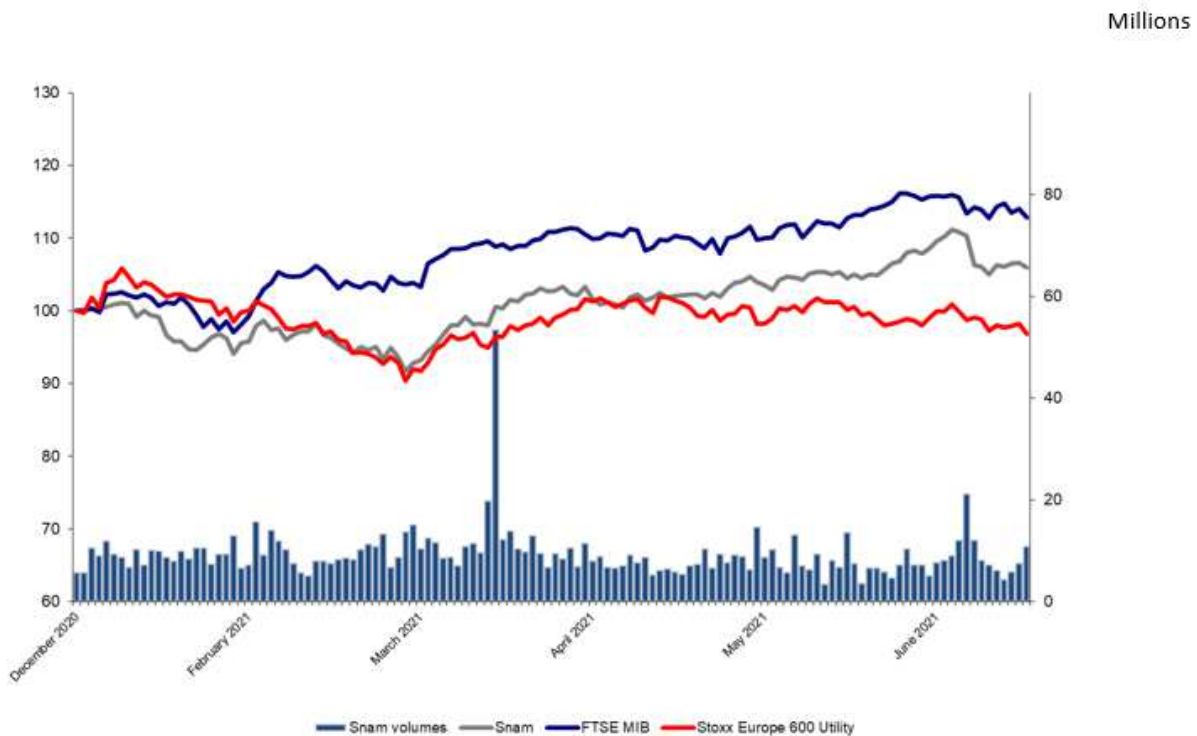
The average share price during the six-month period was 4.468 euros, peaking at 5.114 euros in the second half of June.

In the first few months of the year, Snam shares continued to benefit both from the growth prospects of all economic and financial indicators presented to the market with the end-2020 strategic plan and from the continued stability of the regulatory environment.

The favourable political situation in Italy, together with the expectations linked to the National Recovery and Resilience Plan (PNRR) and an expected increasing role for hydrogen in achieving climate neutrality targets, contributed to the good performance of the share.

The share price declined slightly at the end of June in connection with the payment of the balance of the dividend.

SNAM - Comparison of prices of Snam, FTSE MIB and STOXX Europe 600 Utility (1 January 2021 - 30 June 2021)



Main events

Sustainable finance

Transition Bond and Euro Commercial Paper ESG

On 24 June 2021, Snam S.p.A. concluded the issue of its fourth Transition Bond for a nominal value of 500 million euros, with an annual coupon of 0.625% and maturity 30 June 2031. Proceeds are intended to finance energy transition projects, the so-called Eligible Projects, as defined in the Transition Bond Framework published in June 2020.

The issue, the fourth in twelve months, follows the dual tranche **Transition Bond** for a total of 750 million euros issued in February 2021, confirming the commitment of Snam to sustainable finance as a key element of its strategy.

In addition, the **Euro Commercial Paper** programme was fully utilised at 30 June 2021 for 2.5 billion euros. All issues are Environmental, Social and Governance (ESG) in nature.

Finally, in March 2021, as part of the **Environmental Finance Bond Awards**, the Snam Transition Bond Framework published in June 2020 received the "Award for Innovation - use of proceeds (green bond)", demonstrating the market's recognition of the company's commitment to sustainable finance.

In addition, the reduction in the Sustainable Loan margin of 2.5 bps was maintained for the third consecutive year following the achievement of the contractually agreed environmental and social sustainability targets for 2020.

Finally, in July, Snam signed new ESG-linked term loans for a total amount of €350 million at a cost of approximately 0% per year.

150 million euros EIB loan for energy efficiency projects

On 15 June 2021, Snam signed a loan agreement with the European Investment Bank (EIB) for a total of 150 million euros to support the group's energy efficiency projects in the residential and industrial sectors.

The contract concerns initiatives totalling 200 million euros planned by the Renovit Group, the new energy

efficiency platform controlled by Snam and part-owned by CDP Equity. The financing takes the form of a framework loan, which can be used in several tranches over a period of three years. Each tranche will have a maximum total duration of 15 years. As of 30 June 2021, this loan has not yet been drawn down.

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.

Snam for the energy transition: agreements and partnerships

Snam and Woltank for hydrogen mobility

On 22 April 2021, Snam4Mobility, a company of the Snam Group active in sustainable mobility, and Woltank Hydrogen, a company of the Austrian Woltank-Adisa Group dedicated to hydrogen and renewable energy production and distribution plants, announced a collaboration aimed at boosting hydrogen mobility through the construction of refuelling stations for cars, buses and trucks.

Snam and Mubadala

On 22 March 2021, Snam and Mubadala Investment Company, an investor active in global energy transition, signed a Memorandum of Understanding (MoU) with the aim of collaborating on joint hydrogen investment and development initiatives.

Snam and Leonardo: MoU for energy industry innovation

On 8 July 2021, Leonardo and Snam have signed a Memorandum of Understanding (MoU) to develop their respective technological expertise to support innovation and sustainability in the energy industry. The partnership will particularly focus on digitalisation, monitoring, physical and cyber security of processes, networks and infrastructures in order to increase their resilience and operational efficiency. The agreement also focuses on developing the hydrogen economy, which will play a key role in achieving Europe's decarbonisation targets.

Operating performance by business segment



Natural Gas Transportation

The Transportation business segment includes the values of the legal entities that carry out, at Group level, the transportation and dispatching of natural gas in Italy (Snam Rete Gas, Infrastrutture Trasporto Gas and Enura).

Key performance indicators

(Million euros)	First half-year		Change	Change %
	2020	2021		
Regulated revenues (a) (b)	1,014	1,084	70	6.9
Other non-regulated revenues	30	23	(7)	(23.3)
Total revenues (a) (b)	1,044	1,107	63	6.0
EBITDA	888	919	31	3.5
Amortisation, depreciation and impairment losses	309	326	17	5.5
Operating profit	579	593	14	2.4
Technical Investments	388	458	70	18.0
- of which with higher remuneration	126	69	(57)	(45.2)
- of which with basic remuneration (c)	262	389	127	48.5
Natural gas injected into the National Gas Pipeline Network (billions of cubic metres) (d)	35.72	38.51	2.79	7.8
Pipelines network (kilometres in operation)	32,727	32,680	(47)	(0.1)
- of which National Network	9,728	9,649	(79)	(0.8)
- of which Regional Network	22,999	23,031	32	0.1
Employees in service at period end (number)	1,908	1,838	(70)	(3.7)

(a) Before consolidation elisions.

(b) Net of revenues which, in accordance with tariff regulations, are offset by costs (pass-through items) relating to the modulation service amounting to 27 million euros in the first half of 2021 (36 million euros in the first half of 2020).

(c) At a pre-tax real base WACC of 5.7% for 2020 and 2021 respectively.

(d) The figure for the first half of 2021 is updated as of 7th July 2021. The corresponding value for 2020 has been definitively updated and is aligned with that published by the Ministry of Economic Development. Gas volumes are expressed in Standard cubic metres (Smc) with an average Higher Heating Value (HHV) of 38.1 MJ/Smc (10.573 Kwh/Smc).

Results

Total revenues amounted to 1,107 million euros, an increase of 63 million euros, or 6.0%, compared to the first half of 2020 (1,044 million euros), mainly due to higher regulated revenues.

Regulated revenues amounted to 1,084 million euros, up by 70 million euros, or 6.9%, and include variable fees to cover the costs of purchasing fuel gas (energy costs), previously the subject of contributions in kind from users, up compared with the first half of 2020 (+43 million euros), mainly due to the higher volumes redelivered.

Net of variable fees related to energy costs, regulated revenue increased by 27 million euros, or 2.7%, due mainly to the increase in the RAB base (+25 million euros), thanks to the contribution of new investments and higher depreciation and amortisation recognised, and to higher redelivered volumes (+9 million euros) thanks to the gradual recovery of production activities after the sharp drop suffered in 2020 due to the COVID-19 pandemic, as well as to a milder climate than in the first half of 2020. These effects were partly absorbed by lower input-based incentives (-4 million euros) and lower output-based service revenues.

Other non-regulated revenues (23 million euros) decreased by 7 million euros, or 23.3%, compared to the first half of 2020 and mainly related to recharges for technical services (particularly engineering and project management activities for large-scale investments) provided to other group companies, which were matched by the costs incurred in providing the related services. The decrease is attributable to the transfer of certain services of a commercial nature to the parent company Snam following the corporate reorganisation.

EBITDA amounted to 919 million euros, up 31 million euros, or 3.5%, compared with the first half of 2020, mainly as a result of higher regulated revenues (+27 million euros, net of fees to cover energy costs) and a reduction in operating costs due to the release of provisions for disputes that have come to an end.

Operating profit amounted to 593 million euros, up by 14 million euros (2.4%) compared to the first half of 2020. The aforementioned EBITDA was partly offset by higher depreciation and amortisation mainly due to new assets entering into operation (-17 million euros; or 5.5%).

Technical Investments

Type of investment	First half-year 2020		First half-year 2021	
	Higher remuneration (%) (*)	Million €	Higher remuneration (%) (*)	Million €
Development	1.5%	126	1.5%	69
Replacement and other		262		389
		388		458

(*) Compared to a pre-tax real base WACC of 5.7% for both 2020 and 2021.

Technical investments in the first half of 2021 amounted to 458 million euros, an increase of 70 million euros (+18.0%) compared to the same period last year (388 million euros). The investments for the first half of 2020 and 2021 have been classified in accordance with Resolution 114/2019/R/gas by which the Regulatory Authority for Energy, Networks and the Environment (hereinafter also referred to as ARERA or the Authority) identifies different categories of projects to which a different level of remuneration is associated. The main investments in the **Development** of new transport capacity for which a higher remuneration of 1.5% (69 million euros) is expected concern:

- investments for the **development of new transport capacity on the national network functional to the import and export capacity** (43 million euros) mainly related to complementary works on the interconnection pipeline with TAP and projects to upgrade the transport network in Southern Italy for the continuation of construction works on the reconnection of the Massafra-Biccari pipeline;
- investments in the development of new **transport capacity on the regional and national networks** (26 million euros), including: the continuation of

construction and connection work related to the methane network in the Calabria region and the continuation of construction work for biomethane and CNG connections;

Replacement and other investments with basic remuneration (389 million euros), mainly relate to: (i) works aimed at maintaining the safety levels, also in terms of functionality and quality, of plants (143 million euros), including plant upgrades and improvements, hydrogeological interventions, revamping of compression plants; (ii) replacement of methane pipelines (148 million euros) (iii) projects relating to the development of information systems, as well as the implementation of existing ones (69 million euros), including strategic projects such as the development of Connected Field Platform and Data Platform Overall Design applications, and projects aimed at the evolution of security and remote control systems; (iv) real estate projects (24 million euros) for the start of works to upgrade the Headquarters.

Operating performance

Injections and withdrawals of gas in the transmission network

Gas volumes are expressed in standard cubic meters (Smc) with a Higher Heating Value (HHV) conventionally equal to 38.1 MJ/Smc (10.573 Kwh/Smc). The elementary datum is measured in energy (MJ) and is obtained by multiplying the physical cubic metres actually measured by their heating value.

The volumes of gas injected into the network in the first half of 2021 totalled 38.51 billion cubic meters, up from 2.79 billion cubic meters (+7.8%) compared to the first half of 2020, in line with the increase in demand for natural gas which, in the first half of 2020, had recorded a decline due to the restrictive measures implemented to contain the contagion from COVID-19 (+3.60 billion cubic meters, equal to 9.9%).

Volumes of gas injected at entry points interconnected with foreign countries and with LNG regasification terminals stood at 36.95 billion cubic metres, an increase compared with the first half of 2020 (+3.20

billion cubic metres; +9.5%), mainly due to the gradual economic recovery after the sharp drop suffered in 2020 as a result of the COVID-19 pandemic. There was an increase in the volumes injected at the Mazara del Vallo (+7.32 billion cubic metres) and Melendugno (+2.68 billion cubic metres) entry points, the new interconnection point with the TAP pipeline, which came into operation in November 2020, partly offset by a decrease in the volumes injected at Passo Gries (-5.46 billion cubic metres; -83%), Gela (-0.72 billion cubic metres; -30.5%) and at the entry points interconnected with the regasifiers (-0.83 billion cubic metres; -12.7%). Injections to the network from domestic production fields or their collection and treatment centres amounted to 1.56 billion cubic metres, down by 0.41 billion cubic metres (-20.8%) compared to the first half of 2020.

Gas injected into the network (*)

(billion m3)	First half-year		Change	Change %
	2020	2021		
National production	1.97	1.56	(0.41)	(20.8)
Entry points (**)	33.75	36.95	3.20	9.5
Tarvisio	14.43	14.63	0.20	1.4
Passo Gries	6.58	1.12	(5.46)	(83.0)
Mazara del Vallo	3.86	11.18	7.32	
Cavarzere (LNG)	3.46	3.77	0.31	9.0
Meledugno		2.68	2.68	
Gela	2.36	1.64	(0.72)	(30.5)
Livorno (LNG)	1.80	1.15	(0.65)	(36.1)
Panigaglia (GNL)	1.26	0.77	(0.49)	(38.9)
Gorizia		0.01	0.01	
	35.72	38.51	2.79	7.8

(*) The figure for the first half of 2021 is updated as of 7th July 2021. The corresponding figure of 2020 has been definitively updated.

(**) Points interconnected with foreign countries or LNG regasification terminals.

Regasification of Liquefied Natural Gas (LNG)

The Regasification business segment includes the values of the legal entity GNL Italia, which carries out the regasification service of Liquefied Natural Gas - LNG.

Key performance indicators

(Million euros)	First half-year		Change	Change %
	2020	2021		
Regulated revenues (a) (b)	11	9	(2)	(18.2)
Other non-regulated revenues	1	1		
Total revenues (a) (b)	12	10	(2)	(16.7)
EBITDA	4	4		
Amortisation, depreciation and impairment losses	3	4	1	33.3
Operating profit	1	0	(1)	(100.0)
Technical investments (c)	8	16	8	100.0
Regasified LNG volumes (billion cubic metres) (d)	1.30	0.76	(0.54)	(41.5)
Landfills of LNG carriers (number)	31	18	(13)	(41.9)
Employees in service at period end (number)	64	68	4	6.3

(a) Before consolidation elisions.

(b) Net of revenues which, in application of tariff regulations, are offset by costs (pass-through item) relating to the recharging of charges for the natural gas transportation service provided by Snam Rete Gas S.p.A. equal to 3 million euros in the first half of 2021 (4 million euros in the first half of 2020).

(c) Investments remunerated at the pre-tax real base WACC of 6.8% for both 2020 and 2021.

(d) Regasified volumes are shown gross of the share of self-consumption and losses (Qcp component), equal to 1.40% for the Panigaglia terminal. Gas volumes are expressed in Standard cubic metres (Smc) with an average Gross Heating Value (HHV) of 38.1 MJ/Smc (10.573 Kwh/Smc).

Results

Total revenues amounted to 10 million euros, down by 2 million euros, or 16.7%, compared with H1 2020, and related to regulated revenue relating to the regasification service (9 million euros; -18.2%) and other non-regulated revenue relating to gas sales on the balancing platform, which more than absorbed the increase in regulated revenue (1 million euros; unchanged compared with H1 2020).

Regulated revenues amounted to 9 million euros, down by 2 million euros compared to the first half of 2020. The reduction is mainly attributable to the cooling shutdown usually carried out in October, which was brought forward to June in 2021. This effect will be reabsorbed in the course of the year. Regulated revenues include variable fees (1 million euros; -1 million euros compared to the first half of 2020) applied to users to cover costs related to energy consumption (electricity and CO₂).

EBITDA amounted to 4 million euros, unchanged from the first half of 2020. Lower revenues were absorbed by lower operating costs due to higher capitalisation as investments gradually recovered.

Operating profit decreased by 1 million euros compared to the first half of 2020, due to higher depreciation and amortisation related to new capitalisations.

Technical Investments

Technical Investments in the first half of 2021 amounted to 16 million euros, up from the corresponding period in 2020 (+8 million euros; equal to 100%), which was affected by the lockdown of construction sites, and related to maintenance investments, aimed at ensuring the safety of the plant's systems, with particular reference to revamping of tanks.

Operating performance

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

The Storage business segment includes the values of the legal entity Stogit, which provides natural gas storage services in Italy.

Key performance indicators

(Million euros)	First half-year		Change	Change %
	2020	2021		
Regulated revenues (a) (b)	248	265	17	6.9
Other non-regulated income and revenues	1	4	3	
Total revenues (a) (b)	249	269	20	8.0
EBITDA	216	230	14	6.5
Amortisation, depreciation and impairment losses	53	59	6	11.3
Operating profit	163	171	8	4.9
Technical investments (c)	43	68	25	58.1
Concessions (number)	10	10		
- of which operational (d)	9	9		
Natural gas moved in storage (billions of cubic metres) (e)	11.9	11.5	(0.5)	(3.8)
- of which injection	5.9	5.0	(0.9)	(15.3)
- of which disbursement	6.0	6.5	0.5	7.5
Total storage capacity (billion cubic metres)	17.0	16.5	(0.5)	(2.9)
- of which available (f)	12.5	12.0	(0.5)	(4.0)
- of which strategic	4.5	4.5		
Employees in service at period end (number)	62	63	1	1.6

(a) Before consolidation elisions.

(b) Net of revenues which, in application of tariff regulations, are offset by costs (pass-through item) relating to the recharging of charges for the natural gas transportation service provided by Snam Rete Gas S.p.A. equal to 87 million euros in the first half of 2021 (93 million euros in the first half of 2020).

(c) Investments remunerated at the pre-tax real base WACC of 6.7% for both 2020 and 2021.

(d) With working gas capacity for modulation services.

(e) The volumes of gas are expressed in Standard cubic meters (Smc) with an average Gross Calorific Value (PCS) equal to about 39.253 MJ / Smc (10.892 Kwh/Smc) for the thermal year 2021-2022 (about 39.3 MJ / Smc, equal to 10.893 Kwh/Smc, for the thermal year 2020-2021). The corresponding figure of 2020 has been definitively updated.

(f) Working gas capacity for modulation, mining and balancing services. The value indicated represents the maximum available capacity and may not coincide with the maximum filling achieved.

Results

Total revenue amounted to 269 million euros, up compared to the first half of 2020 (+20 million euros; or 8.0%), due to the release of past balance sheet items.

Regulated revenues amounted to 265 million euros, up by 17 million euros (6.9%) compared to the first half of 2020. Regulated revenues include variable fees (2 million euros; -1 million euros compared to the first half of 2020) applied to users to cover costs related to energy consumption (purchase of CO₂ emission rights). Lower revenues due to the reduction in input-based incentives were offset by higher revenues for output-based services.

Other non-regulated revenue (4 million euros)

increased by 3 million euros compared to the first half of 2020, due to higher insurance reimbursements.

EBITDA amounted to 230 million euros, up 14 million euros, or 6.5%, compared with the first half of 2020, essentially as a result of higher regulated revenues, partly absorbed by an increase in operating costs mainly attributable to higher wastewater disposal costs associated with ongoing maintenance work on certain plants, and to changes in provisions for risks and charges.

Operating profit amounted to 171 million euros, up by 8 million euros (4.9%) compared to the first half of 2020. The increase in gross operating margin was partly

offset by higher depreciation and amortisation (-5 million euros; or 9.4%) following the entry into service of new infrastructure, and higher impairment losses (-1 million euros) on work over on certain wells.

Technical Investments

(Million euros)	First half-year		Change	Change %
	2020	2021		
Type of investment				
Development of new fields and capacity building	3	3		
Maintenance and other	40	65	25	62.5
	43	68	25	58.1

Technical investments in the first half of 2021 amounted to 68 million euros, up 25 million euros (+58.1%) compared with the first half of 2020 (43 million euros), and related to investments in **developing new fields and enhancing capacity** (3 million euros) and **maintenance and other** investments (65 million euros).

These are mainly related to: (i) work over on existing wells (22 million euros), in particular at Cortemaggiore,

to restore wells made unavailable due to loss of mechanical integrity; (ii) engineering work on the TC1 plant at Sergnano and on the compressor units (6 million euros); (iii) IT projects to purchase licences and renew existing licences (9 million euros).

Operating performance

Gas moved through the storage system

Natural gas moved through the storage system in the first half of 2021 amounted to 11.5 billion cubic metres, down from the volumes moved in the first half of 2020 (-0.5 billion cubic metres; -3.8%). The greater withdrawals, mainly due to weather conditions, were more than absorbed by lower injections into storage.

Total storage capacity at 30 June 2021, including strategic storage, is 16.5 billion cubic metres, a reduction of 0.5 billion cubic metres compared to the 2020-2021 thermal year, due to less available capacity based on the same amount of strategic storage⁷. The reduction in available capacity, which stood at 12.0 billion cubic metres at 30 June 2021 (86% booked), is attributable to the temporary unavailability of some plants for extraordinary maintenance work.

⁷ By Decree of 12 February 2021, the same Ministry confirmed for the thermal year 2021-2022 (1 April 2021-31 March 2022) the volume of

strategic gas storage equal to 4.62 billion cubic metres, of which 4.5 billion cubic metres pertaining to Stogit.

ARERA regulations

Approval of transport revenue 2022

Resolution 230/2021/R/Gas - Approval of allowed revenues and determination of fees for the natural gas transportation and measurement service for the year 2022

With Resolution 230/2021/R/gas, published on 3 June 2021, ARERA (the energy regulator) approved the allowed revenues and fees for the natural gas transportation, dispatching and metering service for the year 2022. The revenues allowed for the natural gas transportation service for the year 2021 amount to 2,174 million euros. The RAB used to calculate the 2022 revenue for transmission, dispatching and metering activities is 17.1 billion euros and includes the estimated investments for 2021.

Approval of regasification revenues 2022

Resolution 268/2021/R/Gas - Approval of tariff proposals for the LNG regasification service for 2022 and provisions relating to the revenue coverage factor for 2020

With Resolution 268/2021/R/gas "Approval of tariff proposals for the LNG regasification service for 2022 and provisions in relation to the revenue coverage factor for 2020", published on 30 June 2021, the Authority approved the revenue recognised for the regasification service for 2022 on the basis of the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 28.9 million euros and energy costs of about 8.1 million euros. The revenue coverage factor is 64% of the reference revenue. The RAB for LNG regasification activity is 147.3 million euros. At the same time, the Authority gave the go-ahead for the payment by CSEA of entitlements relating to the revenue coverage factor for the year 2020 in the amount of approximately 3.8 million euros.

Storage incentives

Resolution 202/2021/R/Gas - Amendments to the RAST and definition of the incentive parameters for 2021 for Stogit S.p.A.

With Resolution 202/2021/R/Gas, published on 24 May 2021, the Regulator confirmed the incentive scheme provided for in the Regulation of Access to Storage Services (RAST), until the end of 2021. ARERA also introduced further incentives for primary capacity offered on a daily basis, in addition to seasonal capacity, through the use of a linear function between 40% and 80% (80% in the case of capacity offered above 10MSmc/d).

Revision of the criteria for determining and updating the WACC

Consultation document 308/2021/R/com

On 16 July 2021, the 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 First January 2022. The deadline to submit comments is set on 12 September. By October, final guidance is expected with the adoption of the decision by the end of this year.

Financial review and other information



Financial review

INCOME STATEMENT

(Million euros)	First half 2020		First half of 2021		adjusted 2021 vs adjusted 2020	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Change	Change %
Regulated revenues	1,273	1,273	1,358	1,358	85	6.7
Non-regulated revenues	12	12	12	12	0	0.0
Core business revenues	1,285	1,285	1,370	1,370	85	6.6
New business revenues	61	61	157	157	96	157.4
TOTAL REVENUES	1,346	1,346	1,527	1,527	181	13.4
Core business operating costs	(186)	(177)	(215)	(211)	(34)	19.2
New business operating costs	(62)	(62)	(153)	(153)	(91)	
TOTAL OPERATING COSTS	(248)	(239)	(368)	(364)	(125)	52.3
EBITDA	1,098	1,107	1,159	1,163	56	5.1
Amortisation, depreciation and impairment losses	(374)	(374)	(401)	(401)	(27)	7.2
Operating profit	724	733	758	762	29	4.0
Net financial expenses	(67)	(67)	(50)	(50)	17	(25.4)
Net income from equity investments	110	110	139	139	29	26.4
Pre-tax profit	767	776	847	851	75	9.7
Income tax	(195)	(198)	33	(214)	(16)	8.1
Net profit	572	578	880	637	59	10.2
- Attributable to the Parent company shareholders	572	578	878	635	57	9.9
- Non-controlling interests			2	2	2	

(a) Values exclude special items.

Summary reconciliation of adjusted results (*)

(Million euros)	First half-year			
	2020	2021	Change	Change %
EBIT	724	758	34	4.7
Special item exclusion for Covid-19 emerging costs:	9	4	(5)	(55.6)
- of which donations of goods and cash	7	3	(4)	(57.1)
- of which sanitary equipment for internal use and services	2	1	(1)	(50.0)
Adjusted EBIT	733	762	29	4.0
Group net profit	572	878	306	53.5
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 L.D. 104/2020		(255)	(255)	
- Tax effect on reorganisation operations		9	9	
Group adjusted net profit	578	635	57	9.9
Non-controlling interests		2	2	
Adjusted Net Profit	578	637	59	10.2

(*) Further details are provided in the section "Alternative Performance Measures (Non-GAAP Measures)" of this Report.

Analysis of adjusted income statement items

In accordance with the international accounting standard IFRS 8 Operating Segments, operating segments are defined on the basis of internal reporting used by management to allocate resources to the various segments and to analyse their performance. The reportable business segments are the regulated businesses of natural gas transportation, storage and regasification. An analysis of the performance of the business segments is provided in the section "Operating performance by business segment".

In order to allow a better reconciliation with as represented for management purposes, "Other segments", which are not reported separately, include activities relating to the new Energy Transition businesses (sustainable mobility, energy efficiency and biogas/biomethane) as well as the activities of Snam Global Solutions. The additional unallocated amounts mainly relate to the parent company Snam and the activities carried out by the group's captive insurance company. The corresponding figures for the first half of 2020 have been restated.

Operating revenues and costs are also represented in the "core business" view, which includes the regulated activities of transportation, regasification and storage natural gas, which are subject to separate disclosure pursuant to IFRS 8, as well as residual head office activities carried out by the parent company Snam and insurance services, and the "new business" view, which includes activities related to the new Energy Transition businesses (sustainable mobility, energy efficiency and biogas/biomethane) and Snam Global Solutions.

Business segment

(Million euros)	First half-year			
	2020	2021	Change	Change %
Transport segment	1,044	1,107	63	6.0
Storage segment	249	269	20	8.0
Regasification segment	12	10	(2)	(16.7)
Other segments	61	157	96	
Amounts not allocated to segments	9	9		
Consolidation eliminations	(29)	(25)	4	(13.8)
Total revenues	1,346	1,527	181	13.4

Core and new business revenues

(Million euros)	First half-year			
	2020	2021	Change	Change %
Core business revenues	1,285	1,370	85	6.6
Regulated revenues	1,273	1,358	85	6.7
- Transportation	1,014	1,084	70	6.9
- Storage	248	265	17	6.9
- Regasification	11	9	(2)	(18.2)
Non-regulated revenues	12	12		
New business revenues	61	157	96	157.4
Total revenues	1,346	1,527	181	13.4

Total revenue achieved in the first half of 2021 amounted to 1,527 million euros, an increase of 181 million euros, or 13.4%, compared with the first half of 2020, due to higher revenue from the core business (+85 million euros; +6.6%), also following the release of past balance sheet items, and higher revenue from new businesses (+96 million euros).

Revenues from the core business (1,370 million euros) include variable fees to cover energy costs (purchases of gas, electricity and CO₂ emission rights) of 73 million euros, up by 43 million euros compared with the first half of 2020, mainly due to the higher volumes redelivered in the first half.

Net of these fees, which are offset by the related costs incurred, regulated revenues increased by 42 million euros compared to the first half of 2020 (+3.4%) due to the effect of: (i) the increase in the transportation RAB base (+21 million euros, including the effect of lower input-based incentives); (ii) higher volumes of gas transported (+9 million euros) as a result of the gradual recovery in production activities as well as more severe weather conditions in April and May. These effects were partly absorbed by lower revenues for "output based" services in the transportation segment.

Revenues from new businesses (157 million euros) increased by 96 million euros compared to the first half of 2020), due to the positive contribution of energy efficiency activities (+100 million euros) due, in particular, to strong development of activities in the residential sector, and the contribution from Miecì and Evolve, companies that entered the scope of consolidation at the end of 2020, offset by a reduction in in Snam Global Solutions' contribution compared to a 2020 with a higher concentration of projects.

Core and new business operating costs

(Million euros)	First half-year		Change	Change %
	2020	2021		
Core business costs	177	211	34	19.2
Fixed costs	140	138	(2)	(1.4)
Variable costs	21	57	36	171.4
Other costs (a)	16	16		
New business costs	62	153	91	
Total operating costs	239	364	125	52.3

(a) Excluding special items.

Operating costs in the first half of 2021 amounted to 364 million euros, up by 125 million euros (52.3%) compared to the first half of 2020.

Operating costs of the core business amounted to 211 million euros, up by 34 million euros, or 19.2%, compared to the first half of 2020. Net of energy costs, which are covered by the variable fees applied to users under the current regulatory framework for the fifth regulatory period, operating costs of the core business decreased by 5 million euros, or 3.4%, thanks to the continuation of the Efficiency Plan and the use of provisions set aside in previous years for disputes that have now come to an end.

The **operating costs of the new businesses** amounted to 153 million euros, an increase of 91 million euros compared to the first half of 2020. The increase is attributable to a growth in business volumes and costs resulting from the entry and integration of companies active in the energy efficiency business that entered the scope of consolidation at the end of 2020.

The number of employees in service at 30 June 2021 (3,357 persons) is analysed below by professional status.

	First half-year		Change	Change %
	2020	2021		
Professional status				
Executives	122	136	14	11.5
Middle Managers	505	572	67	13.3
Office workers	1,686	1,840	154	9.1
Manual workers	735	809	74	10.1
Total employees in service	3,048	3,357	309	10.1

The increase of 309 employees compared to the first half of 2020 is mainly due to the entry of new resources following the entry of Miec, Evolve into the consolidation scope at the end of 2020 (137 employees), and to new hires from the market, also for the strengthening of the new energy transition businesses, particularly in the biomethane and hydrogen areas, which more than absorbed the exits of the period.

EBITDA by segment

(Million euros)	First half-year		Change	Change %
	2020	2021		
Transport segment	888	919	31	3.5
Storage segment	216	230	14	6.5
Regasification segment	4	4		
Other segments	(1)	4	5	
Amounts not allocated to segments (*)		6	6	
Total EBITDA	1,107	1,163	56	5.1

(*) Excluding special items.

Depreciation, amortisation and impairment losses by business segment

(Million euros)	First half-year		Change	Change %
	2020	2021		
Depreciation/Amortisation	374	400	26	7.0
Transport segment	309	326	17	5.5
Storage segment	53	58	5	9.4
Regasification segment	3	4	1	33.3
Other segments	4	8	4	100.0
Amounts not allocated to segments	5	4	(1)	(20.0)
Impairment losses		1	1	
Storage segment		1	1	
Total depreciation and amortisation	374	401	27	7.2

Depreciation, amortisation and impairment losses (401 million euros) increased by 27 million euros, or 7.2%, compared to the first half of 2020, mainly due to new assets commissioned.

Operating profit by segment

(Million euros)	First half-year		Change	Change %
	2020	2021		
Transport segment	579	593	14	2.4
Storage segment	163	171	8	4.9
Regasification segment	1		(1)	(100.0)
Other segments	(5)	(4)	1	(20.0)
Amounts not allocated to segments (*)	(5)	2	7	
Total operating profit	733	762	29	4.0

(*) Excluding special items.

Net financial expenses

(Million euros)	First half-year		Change	Change %
	2020	2021		
Financial expenses related to net financial debt	72	64	(8)	(11.1)
- Interest and other expenses on short- and long-term debt	77	72	(5)	(6.5)
- Bank interest income	(5)	(8)	(3)	60.0
Other net financial expenses (income)		(6)	(6)	
- Financial expenses related to the lapse of time (accretion discount)	3	2	(1)	(33.3)
- Other net financial expenses (income)	(3)	(8)	(5)	166.7
Expenses from derivatives – ineffective portion	1		(1)	(100.0)
Financial expenses charged to assets	(6)	(8)	(2)	33.3
Total Net financial expenses	67	50	(17)	(25.4)

Net financial expenses amounted to 50 million euros, a decrease of 17 million euros (25.4%), compared to the first half of 2020. The reduction is mainly due

to lower charges related to net financial debt (-8 million euros; -11.1%) mainly related to the lower average cost of debt, for the benefits deriving from the optimisation of the financial structure including liability management at the end of 2020, and from treasury management, partly absorbed by 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 investee OLT, in addition to higher capitalisations (+2 million euros).

Net Income from equity investments

(Million euros)	First half-year		Change	Change %
	2020	2021		
Share of profit or loss of investments accounted for using the equity method	107	139	32	29.9
Other (expenses) and income from equity investments	3		(3)	(100.0)
Total net income from equity investments	110	139	29	26.4

Net income from equity investments (139 million euros) increased by 29 million euros, or 26.4%, compared to the first half of 2020 and related to the share of the net results for the period of companies accounted for using the equity method, mainly joint ventures and associates (+32 million euros).

The increase is mainly attributable to the positive contribution of the foreign associate company TAP (+33 million euros), in operation from 15 November 2020, and ADNOC Gas Pipelines (+13 million euros), which became part of the Group's perimeter from July 2020 - as well as Industrie De Nora (+7 million euros), transaction completed in January 2021, 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%.

Income tax

(Million euros)	First half-year		Change	Change %
	2020	2021		
Current taxes (*)	215	222	7	3.3
Deferred taxes (*)	(17)	(8)	9	(52.9)
Total income tax	198	214	16	8.1
Adjusted tax rate (%)	25.5	25.1	(0.4)	

(*) Excluding special items.

Income taxes for the first half of 2021 (214 million euros; net of special items mainly represented by the effects of the tax realignment pursuant to Law-Decree 104 of 14 August 2020) increased by 16 million euros, or 8.1%, compared to the corresponding period of the previous year, mainly attributable to higher pre-tax profit.

The adjusted tax rate stands at 25.1% (25.5% in the first half of 2020).

Non-GAAP measures

In addition to the financial parameters required by the IFRS, as part of its Report on Operations, Snam is presenting some measures 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 July 2006, as amended (and as most recently amended on 5 May 2021, in implementation of the new ESMA recommendations 32-232-1138 of 4 March 2021), the following paragraphs provide 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 indicators⁸ in accordance with international accounting standards⁹.

With regard to the impact of COVID-19 on the determination of alternative performance indicators, in accordance with the ESMA recommendations¹⁰ 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).

⁸ 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 Notes to the consolidated financial statements.

⁹ Please refer to the Glossary for the definition of these items.

¹⁰ For more information see ESMA Document 32-51-370 "ESMA Guidelines on Alternative Performance Measures (APMs)" of 17 April 2020, Q&A No 18.

The item 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 Law-Decree 104 of 14th 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 27th July 2006, if any, are also disclosed separately in the IFRS financial reporting.

Free cash flow

Free cash flow is the measure that enables the link between the statutory cash flow statement, which expresses the change in cash and cash equivalents between the beginning and end of the period, and the change in net debt between the beginning and end of the period in the reclassified cash flow statement. "Free cash flow" represents the cash surplus or deficit remaining after the financing of investments and closes alternatively: (i) on the change in cash and cash equivalents for the period, after adding/deducting cash flows relating to financial payables/receivables (loans/repayments of financial receivables/debts), equity (payment of dividends/net purchase of treasury shares/capital contributions), as well as the effects on cash and cash equivalents of changes in the scope of consolidation and of exchange rate differences; (ii) the change in net financial debt for the period, after adding/subtracting flows related to equity, as well as the effects on net financial debt of changes in the scope of consolidation and of exchange differences from translation.

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 5th 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.

The tables below show the reconciliation between the reported and adjusted income statements, as well as a table summarising the special items:

(Million euros)	First half 2020			First half 2021			adjusted 2021 vs adjusted 2020	
	Reported	SPECIAL ITEM	Adjusted	Reported	SPECIAL ITEM	Adjusted	Change	Change %
Regulated revenues	1,273		1,273	1,358		1,358	85	6.7
Non-regulated revenues	12		12	12		12	0	0.0
Core business revenues	1,285		1,285	1,370		1,370	85	6.6
New business revenues	61		61	157		157	96	157.4
TOTAL REVENUES	1,346		1,346	1,527		1,527	181	13.4
Core business operating costs	(186)	9	(177)	(215)	4	(211)	(34)	19.2
New business operating costs	(62)		(62)	(153)		(153)	(91)	146.8
TOTAL OPERATING COSTS	(248)	9	(239)	(368)	4	(364)	(125)	52.3
EBITDA	1,098	9	1,107	1,159	4	1,163	56	5.1
Amortisation, depreciation and impairment losses	(374)		(374)	(401)		(401)	(27)	7.2
Operating profit	724	9	733	758	4	762	29	4.0
Net financial expenses	(67)		(67)	(50)		(50)	17	(25.4)
Net income from equity investments	110		110	139		139	29	26.4
Pre-tax profit	767	9	776	847	4	851	75	9.7
Income tax	(195)	(3)	(198)	33	(247)	(214)	(16)	8.1
Net profit	572	6	578	880	(243)	637	59	10.2
- Attributable to the Parent company shareholders	572		578	878	(243)	635	57	9.9
- Non-controlling interests				2		2	2	

Special items in details

(Million euros)	First half-year			
	2020	2021	Change	Change %
Special items of operating profit	9	4	(5)	(55.6)
Special item exclusion for Covid-19 emerging costs:	9	4	(5)	(55.6)
- of which donations of goods	5	3	(2)	(40.0)
- of which cash donations	2		(2)	(100.0)
- of which sanitary equipment for internal uses	1		(1)	(100.0)
- of which services	1	1		
Special item Income tax	(3)	(247)	(244)	
- Taxation on special items operating profit	(3)	(1)	2	(66.7)
- Tax realignment pursuant to DL 104/2020		(255)	(255)	
- of which substitute tax		37	37	
- of which one-off adjustment deferred taxation		(292)	(292)	
- Tax effect on reorganisation operations		9	9	
Total special items of net profit	6	(243)	(249)	

Reclassified statement of financial position

The reclassified statement of financial position aggregates the assets and liabilities of the statutory statement published in the annual and half-year financial reports according to the criterion of functionality in the management of the company, conventionally divided into the three basic functions: investment, operation and financing. Management believes that the proposed schedule provides useful information for investors because it allows them to identify the sources of financial resources (equity and debt) and the use of financial resources in fixed assets and working capital.

The reclassified statement of financial position is used by management to calculate the main capital return ratios (ROI and ROE).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (*)

(Million euros)	31.12.2020	30.06.2021	Change
Fixed Capital	20,265	20,909	644
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
Net working capital	(861)	206	1,067
Liabilities for employee benefits	(40)	(39)	1
NET INVESTED CAPITAL	19,364	21,076	1,712
Equity	6,472	6,928	456
- attributable to Parent company shareholders	6,469	6,902	433
- non-controlling interests	3	26	23
Net Financial Debt (**)	12,892	14,148	1,256
- of which financial liabilities for leased assets (***)	21	22	1
COVERAGE	19,364	21,076	1,712

(*) For the reconciliation of the reclassified statement of financial position to the statutory financial statements, see "Reconciliation of the reclassified financial statements to the statutory financial statements" below.

(**) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021. Accordingly, the related value at 31st 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).

Fixed Capital (20,909 million euros) increased by 644 million euros with respect to 31 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%¹¹ of Industrie De Nora S.p.A. on 8 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 related to investment activities).

The analysis of changes in property, plant and equipment, intangible assets and goodwill is as follows:

(Million euros)	Property, plant and machinery	Intangible assets and goodwill	Total
Balance at 31 December 2020	16,815	1,125	17,940
Technical Investments	497	69	566
Amortisation, depreciation and impairment losses	(351)	(50)	(401)
Disposals, write-offs and derecognition	(3)		(3)
Other changes	(72)		(72)
Balance at 30 June 2021	16,886	1,144	18,030

Technical investments in the first half of 2021 amount to 566 million euros¹² (457 million euros in the first half of 2020) and relate mainly to the 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.

Other changes (-72 million euros) mainly relate to: (i) the effects arising from the adjustment of the present value of disbursements for site decommissioning and restoration costs (-60 million euros), following an increase in the expected discount rates; (ii) and contributions on works for interference with third parties (-10 million euros).

Equity investments

Investments accounted for using the equity method (2,447 million euros) mainly relate to the companies Trans Austria Gasleitung GmbH - TAG (524 million euros), Industrie De Nora (483 million euros), Terēga Holding S.A.S. (352 million euros), Trans Adriatic Pipeline AG - TAP (294 million euros), Italgas S.p.A. (228 million euros), Galaxy Pipeline Assets HoldCo Limited (216 million euros), Senfluga (147 million euros) and AS Gasinfrastruktur Beteiligung GmbH (118 million euros). Details of changes

¹¹ At 30 June 2021, the investment in Industrie De Nora was 37.01% following the subscription of a share capital increase, with the exclusion of pre-emptive rights, as part of a share incentive plan.

¹² An analysis of the technical investments made by each business segment is provided in the section "Operating performance by business segment" of this Report.

are provided in Note 12 "Investments accounted for using the equity method" of the Notes to the condensed half-year consolidated financial statements.

Other financial assets

Other financial assets (415 million euros), down 11 million euros, mainly relate to long-term financial receivables from OLT (304 million euros; -3 million euros) and the fair value through OCI of the minority equity investment in Terminale GNL Adriatico S.r.l. (35 million euros; -3 million euros) and ITM Power Plc (68 million euros; -6 million euros).

Net working capital

(Million euros)	31.12.2020	30.06.2021	Change
Trade receivables	1,551	1,524	(27)
Inventories	98	110	12
Tax receivables	93	159	66
Other activities	187	381	194
Provisions for risks and charges	(798)	(707)	91
- of which: Provision for decommissioning and site restoration	(710)	(643)	67
Trade payables	(639)	(470)	169
Accruals and deferrals from regulated activities	(111)	(57)	54
Net deferred tax liabilities	(90)	210	300
(Liabilities) Assets for hedging derivative instruments	(38)	(5)	33
Tax payables	(10)	(106)	(96)
Other liabilities	(1,104)	(833)	271
- of which: Payables to Cassa per i Servizi Energetici e Ambientali (CSEA)	(575)	(594)	(18)
- of which: Payable for interim dividend 2020	(326)	(1)	325
	(861)	206	1,067

Net working capital (206 million euros) improved by 1,067 million euros compared to 31 December 2020. The improvement is mainly attributable to: (i) the reduction in the payable to Snam shareholders for the payment, on 24 January 2021, of the 2020 interim dividend (+325 million euros); (ii) the release of deferred tax liabilities recognised in previous years for the tax realignment pursuant to Law-Decree 14 August 2020 no. 104 (+292 million euros); (iii) higher net assets for gas balancing (+249 million euros) due mainly to the effect of the large quantities of gas purchased in April and May to cover the imbalances in the reading of distribution meters, for which recovery is expected through the Cassa per i Servizi Energetici e Ambientali (CSEA) in July and August¹³; (iv) lower net liabilities for gas settlement (+105 million euros), mainly due to the settlement in the first months of 2021 of debt items outstanding at 31 December 2020; (v) a reduction in provisions for risks and charges (+91 million euros), mainly due to the adjustment of the present value of site decommissioning and restoration costs (+67 million euros) following an increase in expected discount rates; (vi) greater activities related to the development of the deep renovation business.

¹³ In accordance with the principle of neutrality and with reference to article 8 of the Consolidated Balancing Act (TIB), the Balancing Manager pays/receives to/from CSEA the difference between the sum of the balancing fees applied to the users and the sum of the balancing fees paid to the users themselves.

Comprehensive income statement

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

(*) The value essentially refers to the change in fair value of derivative financial instruments hedging investments in associates.

Shareholders' equity

(Million euros)	
Shareholders' equity at 31st December 2020	6,472
<i>Increase for:</i>	
- First half of 2021 Comprehensive income	913
- Other changes	33
	946
<i>Decrease for:</i>	
- 2020 Dividend balance	(490)
	(490)
Shareholders' equity at 30th June 2021	6,928
- Shareholders' equity attributable to Parent company shareholders	6,902
- Non-controlling interests	26

Information on the individual items of shareholders' equity as well as their changes compared to 31 December 2020 is provided in Note 18 "Shareholders' equity" of the Notes to the condensed half-year consolidated financial statements.

At 30 June 2021, Snam held 90,642,115 treasury shares (unchanged from 31 December 2020), equal to 2.70% of the share capital, for a total book value of 361 million euros. The market value of treasury shares at 30 June 2021

amounts to approximately 442 million euros¹⁴. For more information on treasury shares, please refer to the following section "Other information - Treasury shares".

Net Financial Debt (*)

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

(*) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021 to implement the new ESMA Recommendations 32-232-1138 of 4 March 2021 on Net Financial Position. For further details, please refer to Note 13 of the Notes to the condensed half-year consolidated financial statements.

(**) Includes the current portion of non-current financial liabilities.

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

Cash flow from operating activities (566 million euros), which was impacted by the effects on working capital related to the seasonality on balancing activities and the development of the deep renovation business, allowed the financing of part of the technical investments for the period (net of payables for investments), amounting to 594 million euros. After the 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 euros¹⁵, of which 325 million euros as advance and 470 million euros as balance), shows an increase of 1,256 million euros compared to 31 December 2020.

¹⁴ Calculated by multiplying the number of treasury shares by the official period-end price of 4.875 euros per share.

¹⁵ 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 at 30th June 2021 are attributable to the deferred collection as requested by some shareholders.

Financial liabilities and bonds at 30 June 2021 amounting to 15,773 million euros (15,937 million euros at 31 December 2020) can be broken down as follows:

(Million euros)	Total at 31.12.2020	Total at 30.06.2021	Change
Bonds	8,140	9,152	1,012
- of which short-term (*)	308	611	303
Bank loans	5,273	4,094	(1,179)
- of which short-term (*)	2,788	2,243	(545)
Euro Commercial Paper - ECP (**)	2,503	2,503	
Financial liabilities for leased assets	21	22	1
Other lenders		2	2
Total financial debts and bonds	15,937	15,773	(164)

(*) Includes the current portion of non-current financial liabilities.

(**) Entirely short-term.

Financial payables and bonds are denominated in euros and mainly relate to bonds (9,152 million euros, or 58%), bank loans (4,094 million euros, or 26%, of which 1,578 million euros is on European Investment Bank-EIB funding) and Euro Commercial Paper (2,503 million euros, or 16%)¹⁶.

Bonds (9,152 million euros) increased by 1,012 million euros compared to 31 December 2020 as a result of: (i) the issuance of the dual tranche Transition Bond, with a total nominal amount of 750 million euros at a fixed rate; (ii) the issuance of the fourth Transition Bond, with a nominal amount of 500 million euros at a fixed rate. These changes were partly offset by the repayment of a bond that had reached its natural maturity, with a nominal amount of 259 million euros at fixed rate.

Bank loans (4,094 million euros) recorded a reduction of 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).

Euro Commercial Paper (2,503 million euros) relates to short-term unsecured notes issued on the money market and placed with institutional investors and is unchanged from 31 December 2020.

Cash and cash equivalents (1,625 million euros) refer exclusively to current accounts and bank deposits in euros with financial institutions (1,542 million euros), which represent the use of liquidity held for the Group's financial needs, and to cash and cash equivalents at Snam International B.V. (47 million euros) and Gasrule Insurance DAC (29 million euros).

¹⁶ At the date of this Report, the Euro Commercial Paper programme had been used for the full amount of 2.5 billion euros.

At 30 June 2021, Snam had unused committed long-term credit lines of 3.35 billion euros.

Information on financial covenants is provided in Note 13 "Current and non-current financial liabilities" of the Notes to the condensed half-year consolidated financial statements.

Reclassified cash flow statement

The reclassified cash flow statement schedule below is a summary of the statutory cash flow statement schedule. The reclassified cash flow statement allows the link between the change in cash and cash equivalents between the beginning and end of the period and the change in net financial debt between the beginning and end of the period. The measure that allows the reconciliation of the two statements is the free cash flow, i.e. the cash surplus or deficit remaining after the financing of investments. Free cash flow closes alternately: (i) on the change in cash for the period, after adding/subtracting cash flows related to financial liabilities/assets (loans/repayments of loans/debts) and equity (payment of dividends/equity contributions); (ii) on the change in net financial debt for the period, after adding/subtracting debt flows related to equity (payment of dividends/equity contributions).

Reclassified cash flow statement

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

CHANGE IN NET FINANCIAL DEBT

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

(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 14th August 2020.

(b) Includes cash flows from dividend payments to shareholders.

Reconciliation of reclassified financial statements to statutory financial statements

Reclassified statement of financial position

(Million euros)

Reclassified Statement of Financial Position items (Where not explicitly stated, the component is obtained directly from the mandatory prospectus)	31.12.2020			30.06.2021	
	Reference to the notes to the consolidated financial statements	Partial values from mandatory prospectus	Values from reclassified balance sheet	Partial values from mandatory prospectus	Values from reclassified balance sheet
Fixed Capital					
Property, plant and equipment			16,815		16,886
Non-current inventories - Compulsory inventories			363		363
Intangible assets and goodwill			1,125		1,144
Investments accounted for using the equity method			1,923		2,447
<i>Other financial assets, consisting of:</i>			426		415
- Minority equity investments FVTOCI	(8)	112		104	
- Short-term financial receivables (*)	(8)	5		5	
- Long-term financial receivables - current portion	(8)	1		2	
- Long-term financial receivables - non-current portion	(8)	306		302	
- Other non-current financial assets	(8)	2		2	
<i>Net payables for investments, consisting of:</i>			(387)		(346)
- Trade payables for purchase of fixed assets	(14)	(394)		(355)	
- Receivables for contributions from individuals	(5)	7		9	
Total fixed assets			20,265		20,909
Net working capital					
Trade receivables	(5)		1,551		1,524
Current inventories			98		110
<i>Tax receivables, consisting of:</i>			93		159
- Current income tax assets		34		38	
- Other current tax assets	(9)	50		112	
- IRES receivables for domestic tax consolidation to former parent company	(5)	9		9	
Trade payables			(639)		(470)
<i>Tax payables, consisting of:</i>			(10)		(106)
- Current liabilities for income taxes		(2)		(85)	
- Non-current liabilities for income taxes				(14)	
- Liabilities for other current taxes	(15)	(8)		(7)	
<i>Net deferred tax liabilities, consisting of:</i>			(90)		210
- Deferred tax assets		23		248	
- Deferred tax liabilities		(113)		(38)	
Provisions for risks and charges			(798)		(707)
Market value derivative financial instruments	(15)		(38)		(5)
<i>Other assets, consisting of:</i>			187		381
- Other receivables from Cassa per i Servizi Energetici e Ambientali (CSEA)	(5)	79		295	
- Advances to suppliers	(5)	6		14	
- Other	(5)	24		6	
- Other assets	(9)	78		66	
<i>Assets and liabilities from regulated activities, consisting of:</i>			(111)		(57)
- Regulated activities	(9)	19		26	
- Liabilities from regulated activities	(15)	(130)		(83)	
<i>Other liabilities, consisting of:</i>			(1,104)		(833)
- Other payables	(14)	(996)		(686)	
- Other liabilities	(15)	(108)		(147)	
Total net working capital			(861)		206
Liabilities for employee benefits			(40)		(39)
NET INVESTED CAPITAL			19,364		21,076

Reclassified statement of financial position

(Million euros)

Reclassified Statement of Financial Position items (Where not explicitly stated, the component is obtained directly from the mandatory prospectus)	31.12.2020		30.06.2021		
	Reference to the notes to the consolidated financial statements	Partial values from mandatory prospectus	Values from reclassified statement	Partial values from mandatory prospectus	Values from reclassified statement
NET INVESTED CAPITAL			19,364		21,076
Shareholders' equity attributable to Parent company shareholders			6,469		6,902
Minorities' equity			3		26
Total shareholders' equity			6,472		6,928
Net Financial Debt (*)					
<i>Financial liabilities, consisting of:</i>			15,937		15,773
- Non-current financial liabilities			10,332		10,408
- Current financial liabilities			5,605		5,365
<i>Cash, consisting of:</i>			(3,045)		(1,625)
- Cash and cash equivalents			(3,044)		(1,625)
- Other current financial assets	(8)	(1)			
Total net financial debt			12,892		14,148
COVERAGE			19,364		21,076

(*) In accordance with the Consob changes in relation to the calculation of net financial debt, applicable as of 5 May 2021, short-term financial receivables (5 million euros at 30 June 2021; the same at 31 December 2020) were reclassified under financial assets in fixed assets, and no longer contribute to net financial debt.

Reclassified cash flow statement

(Million euros)	First half-year			
	2020		2021	
Reclassified statement items and reconciliation of statutory statement items	Partial values from mandatory prospectus	Values from reclassified statement	Partial values from mandatory prospectus	Values from reclassified statement
NET PROFIT FOR THE PERIOD		572		880
<i>Adjusted for:</i>				
Amortisation, depreciation and other non-monetary components:		265		265
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	374		401	
- Share of profit or loss of investments accounted for using the equity method	(107)		(139)	
- Other expenses from investments	(1)		0	
- Change in liabilities for employee benefits	(4)		(1)	
- Other changes	3		4	
Net losses (gains) on asset sales, write-offs and derecognition		1		2
Dividends, interest, income taxes:		247		6
- Dividends	(2)		0	
- Interest income	(10)		(16)	
- Interest expense	64		55	
- Income taxes (a)	195		(33)	
Change in net working capital:		(176)		(510)
- Inventories	(12)		(5)	
- Trade receivables	(50)		19	
- Trade payables	(175)		(169)	
- Change in provisions for risks and charges	(5)		(31)	
- Other assets and liabilities	66		(324)	
Dividends, interest and income taxes collected (paid):		(160)		(77)
- Dividends collected	89		115	
- interest collected	6		14	
- Interest paid	(64)		(35)	
- Income tax (paid) refunded	(191)		(171)	
CASH FLOW FROM OPERATING ACTIVITIES		749		566
Technical Investments:		(457)		(554)
- Property, plant and equipment	(381)		(485)	
- Intangible assets	(76)		(69)	
Technical disinvestments:				1
- Property, plant and equipment			1	
Equity investments		(5)		(450)
- Equity investments	(17)		(480)	
- Equity divestments	12		30	
Long-term financial receivables		(314)		11
- New long-term financial receivables	(332)			
- Repayment of long-term financial receivables	18		11	
Other changes relating to investment activities:		(56)		(41)
- Change in net payables relating to investment activities	(56)		(41)	
FREE CASH FLOW		(83)		(467)

(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 14th August 2020.

Reclassified cash flow statement

(Million euros)	First half-year			
	2020		2020	
	Partial values from mandatory prospectus	Values from reclassified statement	Partial values from mandatory prospectus	Values from reclassified statement
Reclassified statement items and reconciliation of statutory statement items				
FREE CASH FLOW		(83)		(467)
Change in financial payables:		1,217		(189)
- Assumption of long-term financial payables	1,147		1,250	
- Repayment of long-term financial payables	(972)		(1,002)	
- Increase (decrease) short-term financial payables	1,045		(433)	
- Repayment of financial payables for leased assets	(3)		(4)	
Equity cash flow		(881)		(763)
- Dividends paid	(770)		(795)	
- Purchases of treasury shares	(111)			
- Disposal of investments in subsidiaries not involving loss of control			32	
NET CASH FLOW FOR THE PERIOD		253		(1,419)

Other information

Transactions with related parties

Effective 1 August 2019, CDP S.p.A. requalified the shareholding relationship in Snam, which had already qualified as de facto control under IFRS 10 - Consolidated Financial Statements since 2014, as de facto control also pursuant to Article 2359, paragraph 1 of the Civil Code and Article 93 of the TUF. Given the existence of de facto control by CDP S.p.A. over Snam S.p.A., Snam related parties, based on the current group ownership structure, are represented not only by Snam associates and joint ventures, but also by the parent company CDP S.p.A. and its subsidiaries and associates, as well as by the subsidiaries, associates and joint ventures (directly or indirectly) controlled by the Ministry for the Economy and Finance (MEF).

Transactions with these entities mainly concern the exchange of goods and the provision of regulated services in the gas sector.

These transactions are part of the ordinary course of business and are generally settled on market terms, i.e. the terms that would be applied between two independent parties. All transactions were carried out in the interest of the companies in the Snam group.

Pursuant to the provisions of applicable legislation, the Company has adopted internal procedures to ensure

the transparency and substantive and procedural fairness of related party transactions carried out by the Company or its subsidiaries.

Directors and statutory auditors shall issue, on a half-yearly basis and/or in case of changes, a statement in which the potential interests of each one in relation to the company and the group are represented. In any case, they shall report in due time to the CEO (or to the Chair, in case of interests of the CEO), who shall inform the other directors and the Board of Statutory Auditors, of the single operations that the company intends to carry out, in which they have an interest.

CDP S.p.A. has neither formalised nor exercised any management and coordination activities.

Snam exercises management and coordination activities with respect to its Subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts of commercial, other and financial transactions with related parties, a description of the most significant transactions and their impact on the statement of financial position, results of operations and cash flows are shown in Note 30 "Transactions with related parties" of the Notes to the condensed half-year consolidated financial statements.

Treasury shares

At 30 June 2021, Snam held 90,642,115 treasury shares (the same at 31 December 2020), equal to 2.70% of the share capital, for a total book value of 361 million euros. The market value of treasury shares at 30 June 2021 amounts to approximately 442 million euros¹⁷.

The share capital at 30 June 2021 consisted of 3,360,857,809 shares (the same at 31 December 2020), with no nominal value, for a total value of 2,736 million euros.

Snam S.p.A. subsidiaries do not hold, nor have they been authorised by their respective Shareholders' Meetings to purchase, any Snam S.p.A. shares.

The Snam Ordinary Shareholders' Meeting, held on 28 April 2021, authorised, subject to revocation of the resolution to authorise a share buy-back by the Ordinary Shareholders' Meeting on 18 June 2020, for the part that remained non-executed, a share buy-back plan, to be carried out on one or more occasions through one or more primary intermediaries appointed by the Company, for a maximum duration of 18 months from the Shareholders' Meeting, with a maximum disbursement of 500 million euros and up to a maximum limit of shares in portfolio equal to 6.5% of subscribed and paid-up share capital.

Incentive plans for executives with Snam shares

2020-2022 Long-Term Share-Based Incentive Plan

With reference to the 2020-2022 Long-Term Share Incentive Plan, approved by the Snam Shareholders' Meeting of 18 June 2020, 1,277,996 shares were granted as of 30 June 2021, valid for 2020 (grant dates of 14 October 2020 for the CEO and 16 December 2020 for the other beneficiaries).

Expenses, referred to the first half of 2021, recognised as a component of labour costs against a corresponding equity reserve, amounted to approximately 1 million euros.

For more information on the terms and conditions of the Plan, see the "Information Document 2020-2022 Long-Term Share-Based Incentive Plan" prepared pursuant to article 84-bis of the Issuers' Regulation, available on the Snam website.

2017-2019 Long-Term Share-Based Incentive Plan

With reference to the 2017-2019 Long-Term Share Incentive Plan, approved by the Snam Shareholders' Meeting on 11 April 2017, a total of 5,385,372 shares were granted, of which 1,368,397 shares valid for the 2017 allocation (allocated for 1,511,461 shares in July 2020, against the completion of the vesting period), 2,324,413 shares valid for the 2018 allocation and 1,692,562 shares valid for the 2019 allocation.

With respect to the allocations still outstanding, relating to the 2018 and 2019 annuities, in the first half of 2021, the charges recognised as a component of labour costs, with a counter-entry to equity reserves, amounted to 3 million euros.

For more information on the terms and conditions of the Plan, see the "Information Document 2017-2019 Long-Term Share-Based Incentive Plan" prepared pursuant to article 84-bis of the Issuers' Regulation, available on the Snam website.

¹⁷ Calculated by multiplying the number of treasury shares by the official period-end price of 4.875 euros per share.

Risk and uncertainty factors

Introduction

This section illustrates the main factors of uncertainty that characterise the ordinary management of Snam activities.

The risks identified are divided into financial and non-financial risks. The latter are classified in the following categories:

- strategic
- legal and non-compliance
- operational
- emerging risks

The disclosure below also takes into account the impacts of Covid-19, which are set out in a specific paragraph in this section.

Financial risks are described in Note 20 "Financial risk management" in the notes to the condensed half-year consolidated financial statements.

RISKS AND UNCERTAINTIES ARISING FROM THE HEALTH EMERGENCY BY COVID-19

The evolving pandemic linked to the spread of the SARS-CoV-19 virus, if not adequately contained, may continue to have significant health, social and economic consequences worldwide.

Even with the lockdown measures in place, there are still considerable risks both from an economic and financial point of view and to people's health. In addition to the worsening global macroeconomic scenario and the risk of a deterioration in the credit profile of a considerable number of countries (including Italy), the risk of a slowdown in many business activities persists due to negative impacts on supply chains, commodity prices, capital flows and demand.

Significant uncertainty in the financial markets both at national and international level also persists, with potential impacts on the business environment.

Snam, which has been taking protective measures since February 2020, has equipped itself to take all necessary steps to protect the health and safety of its people, both in compliance with lockdown measures and by taking additional precautions. In particular, the company set up an inter-functional team to manage the situation, in constant contact with the Civil Protection, with two fundamental objectives: the health and safety of its own people and the continuity of the essential energy security service for the country.

As early as February 2020, Snam made precautionary arrangements for smart working for workers whose activities did not require physical presence in the workplace, without prejudice to the necessary supervision of operational activities in the area, those

relating to the dispatching of San Donato Milanese, the heart of the Snam infrastructure.

With the gradual resumption of Snam activities, in line with the indications and provisions of the competent authorities, criteria and measures have been defined with the priority aim of protecting the health and safety of workers in the workplace. These criteria and measures shall be updated according to the indications that are progressively communicated by the Institutions and Health Authorities, as well as according to the results of the monitoring of the measures adopted and the state of health of the workers carried out by the competent figures. As of today, the company is unable to reliably determine the impact of Covid-19 on the targets for 2021 and subsequent years.

However, based on the information available today, the Company expects a limited impact compared to its targets in 2021. 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.

The same considerations apply with reference to the possible effects on development initiatives and potential repercussions on suppliers or customers deriving from the slowdown in activities as well as the current macro-economic context following the development of the pandemic on an international scale. The same applies to the activities that the Snam Group holds outside of Italy, particularly in France, Austria, Greece, Albania and the United Kingdom.

STRATEGIC RISKS

Macroeconomic and geo-political risk

Due to the specific nature of the business in which Snam operates, risks related to political, social and

economic instability in the countries where natural gas is supplied are also relevant and are mainly attributable to the gas transportation segment. A large part of the natural gas transported in the Italian national transmission network is imported from, or transits through, countries in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, from a TANAP-TAP perspective, Turkey, together with the states bordering on the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia), national realities that are subject to political, social and economic instability, and which could evolve into potential future crisis scenarios.

In particular, the import and transit of natural gas from/through these countries are subject to a wide range of risks, including: terrorism and common crime, alteration of political-institutional balances; armed conflicts, socio-economic and ethno-sectarian tensions; unrest and riots; weak legislation on insolvency and creditor protection; restrictions on investment and on the import and export of goods and services; introduction and increases in taxes and excise duties; forced imposition of contract renegotiations; nationalisation of assets; changes in trade policies and monetary restrictions.

If the shippers who use the transportation service through Snam networks are unable to supply or transport natural gas from/through the aforementioned countries due to such adverse conditions, or are otherwise affected by such adverse conditions, or to such an extent as to cause or encourage a consequent inability to fulfil their contractual obligations to Snam, this could have an adverse effect on the business and on the Snam Group's assets and liabilities, income and financial position.

In addition, Snam is exposed to risks of a macroeconomic nature deriving from dislocation or tension on financial markets or situations arising from exogenous phenomena, which could affect liquidity and accessibility to financial markets.

Regulatory and legislative risk

The regulatory and legislative risk for Snam is related to the regulation of activities in the gas sector. Decisions made by the Regulatory Authority for Energy, Networks and the Environment (ARERA) and by the National Regulatory Authorities of the countries in which foreign subsidiaries operate, as well as European and national

regulations and, more generally, changes in the regulatory framework, may have a significant impact on the Company's operations, results of operations and financial position.

It is not possible to predict the effect that future changes in legislative and fiscal policies may have on the Snam business and the industrial sector in which it operates.

Considering the specific nature of the business and the context in which Snam operates, the evolution of the regulatory context concerning the criteria for determining reference tariffs is particularly important.

Climate change risk

Achieving global climate targets will require significant investment in decarbonisation of the energy sector over the next 30 years. In recent years, Snam has repositioned itself to benefit from the new megatrends of the energy transition, thanks to infrastructures that will be crucial to achieving decarbonisation targets, to its presence in energy transition businesses, to international growth and thanks to a disciplined approach to investments.

Snam is therefore committed to achieving carbon neutrality by 2040, with an intermediate target of reducing direct (Scope 1) and indirect (Scope 2) emissions by 50% by 2030 compared to 2018 values, in line with the target of containing global warming to within 1.5° C set out in the Paris Agreement adopted at the Climate Conference (COP 21). This objective is also consistent with the UNEP (UN Environment Programme) objectives of reducing CO2 emissions, with which a protocol has been signed.

With regard to the risks associated with the emissions market, in the field of application of the European Union directives on the trading of carbon dioxide emission permits and the rules for the control of emissions of certain atmospheric pollutants, with the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), the updating of the sector regulations has confirmed a constant reduction in the number of emission allowances issued free of charge. The quotas are allocated to each installation with progressively decreasing, rather than constant, allocations, and also depend on the actual functionality of the installations. The quotas allocated free of charge to the Group's plants are no longer sufficient to meet regulatory compliance obligations relating to ETS mechanisms, so Snam sources the missing quotas on the market.

With Resolution 114/209/R/gas of 28 March 2019, ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transportation and metering service, providing, among other things, for the recognition of costs relating to the Emission Trading System (ETS). Resolutions 419/2019/R/gas and 474/2019/R/gas introduced the recognition of costs relating to the ETS mechanism also for the storage service (regulatory period 2020-2025) and for the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of energy mixes in different European countries and in the behaviour of the population and could have an impact on the demand for natural gas (and the volumes transported). On the one hand, the latter could benefit from its greater sustainability compared to other fossil fuels in the short/medium term and represent a bridge towards the complete decarbonisation of some sectors; on the other hand, individual policies and choices could lead to a progressive decrease in consumption with a consequent impact on the use of infrastructure.

Recently, the tightening of decarbonisation targets and the publication of institutional documents (such as the EU 'fit for 55' package) or studies of major importance in the international energy landscape, such as the IEA roadmap to net zero, could accelerate the progressive reduction of fossil natural gas demand and supply. On the other hand, this could encourage a greater and earlier penetration of renewable and low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) into the energy mix, thereby promoting Snam new businesses.

Climate change could also increase the severity of extreme weather events (floods, droughts, extreme temperature fluctuations), causing a worsening of the natural and hydrogeological conditions of the territory with a possible impact on both the quality and continuity of the service provided by Snam, and on Italian and European gas demand. With reference to the effects of changes in gas demand on the Snam Group's equity, economic and financial situation, see the following paragraph "Market risk".

Lastly, Snam has signed the Methane Guiding Principles, the guidelines that commit the company to further reducing methane emissions from its activities in natural gas infrastructures. In adhering to these principles, Snam is also committed to encouraging other players in the entire gas supply chain - from

producer to end consumer - to pursue the same objective.

Lastly, in 2020, Snam joined the Oil & Gas Methane Partnership OGMP 2.0, a voluntary initiative launched by the UNEP (United Nations Environment Programme) to support Oil & Gas companies in reducing methane emissions. The company has participated, and is still actively involved, in the various UN forums that have enabled the development of the framework to provide governments and the public with the assurance that methane emissions are treated and managed responsibly, with progress against stated targets, offering transparency and collaboration including the implementation of best practices. The protocol suggests indications as to the objectives to be achieved: - 45% by 2025 compared to 2015. Snam has decided to adopt these targets, although not mandatory, and they have become a fundamental part of the Net Carbon Zero Strategy.

Commodity risk related to gas price changes

By way of Resolution no. 114/2019/R/gas, as part of the process of revising the criteria for determining the revenue recognised for the natural gas transportation and measurement service for the fifth regulatory period (2020-2023), the criteria for recognising Non-Compensated Gas (CNG) were also defined. On the basis of said criteria, from the year 2020 onwards, the recognition of gas quantities for own consumption, network losses and CNG will take place in monetary terms instead of recognition in kind by shippers. However, changes in the price of natural gas will continue not to represent a significant risk factor for Snam, since a mechanism is in place to hedge the risk associated with differences between the price recognised for gas volumes for own consumption, network losses and CNG and the actual procurement price. With reference to the recognised quantities, the above resolution confirmed the current criterion for gas for own consumption and losses, while for CNG the accepted level will be updated annually and will be equal to the average of the quantities recorded in the last four years available.

In July 2020, with Resolution no. 291/2020/R/gas, the Authority concluded its investigation, recognising an additional volume of CNG for the years 2018-2019 totalling 182 million cubic metres, equal to a total value of approximately 42 million euros, which will be recognised, net of the amount already received on account for the year 2018, by the CSEA. In addition, it

initiated a procedure, which was concluded at the end of 2020 with the publication on 22 December 2020 of Resolution 569/2020/R/gas, for the refinement of the criteria for the recognition of CNG for the fifth regulatory period (2020-2023), aimed at reinforcing the consistency of its operation and its relative stability, providing that the incentive force of the mechanism is in any case determined on the basis of predefined unit fees proportionate to the remuneration of the measurement service, rather than the price of gas. This change results in a substantial reduction in risk compared to the potential impacts of the original provision.

In particular, the Authority, while maintaining the current criterion for the recognition of the quantities of CNG for tariff purposes and the relative valorisation, as well as the operation of the neutrality mechanism referred to in the TIB (Testo Integrato del Bilanciamento) in terms of recognised value, has introduced an incentive mechanism relating to the difference between the CNG recognised and the actual CNG for the same year.

In general, the change in the regulatory framework concerning the recognition of quantities of natural gas to cover self-consumption, network losses and CNG could have an adverse effect on the Snam Group's business and financial position.

Market risk

With reference to the risk associated with gas demand, it should be noted that under the tariff system currently applied by ARERA to natural gas transportation activities, Snam revenues, through its directly controlled transportation companies, are partly related to the volumes withdrawn. However, by way of Resolution no. 114/2019/R/gas, ARERA confirmed for the fifth regulatory period (2020-2023) the guarantee mechanism with respect to the portion of revenue related to the volumes withdrawn already introduced in the fourth regulatory period on the volumes transported. This mechanism provides for the reconciliation of major or minor revenues, exceeding $\pm 4\%$ of the reference revenues related to the volumes withdrawn. Under this mechanism, approximately 99.5% of total revenues from transportation activities are guaranteed.

Under the tariff system currently applied by ARERA to natural gas storage activities, Snam revenues, through Stogit, are related to the use of the infrastructure. ARERA, however, has introduced a guarantee

mechanism with respect to the reference revenues that allows companies to cover a prevailing share of the recognised revenues. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenue was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution no. 419/2019/R/gas extended the level of guarantee to all recognised revenue (100%). The same resolution also introduced an enhanced incentive mechanism (defined in a subsequent resolution no. 232/2020/R/gas) for voluntary participation, which provides for an increase in the profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the share of recognised revenues subject to a hedging factor.

Finally, with reference to the tariff regulation criteria for the LNG regasification service for the fifth regulatory period (2020-2023), Resolution no. 474/2019/R/gas confirmed the reference revenue coverage mechanism at a guaranteed minimum level of 64%.

In general, changes to the current regulatory framework could have negative effects on the Snam Group's business and financial position.

Abroad, protection from market risk is offered by French (Teréga) and Greek (Desfa) regulation, by the long-term contracts of TAP and Austria (differentiated maturities for TAG and Gas Connect from 2023) and for Adnoc Gas Pipeline (20 years tariff-based). In Austria and the UK (Interconnector), regulation does not guarantee coverage of the volume risk.

LEGAL AND NON-COMPLIANCE RISK

The legal and non-compliance risk relates to failure to comply, in whole or in part, with the laws and regulations at European, national, regional and local level with which Snam must comply in relation to the activities it carries out. Violation of laws and regulations may result in criminal, civil, tax and/or administrative sanctions as well as financial, economic and/or reputational damage.

With reference to specific cases, inter alia, violation of the rules protecting the health and safety of workers and the environment and violation of the rules for combating corruption may also lead to sanctions, including significant ones, against the company under the administrative liability of entities (Legislative Decree no. 231/2001). 08 June 2001, no. 231). Snam has therefore adopted and is committed to promoting and maintaining an adequate internal control and risk

management system aimed at enabling the identification, measurement, management and monitoring of the main risks relating to the activities carried out. With reference to Fraud and Corruption Risk, Snam attributes essential value to ensuring conditions of fairness and transparency in the conduct of corporate activities and repudiates corruption in all its forms in the broader context of its commitment to compliance with ethical principles. Snam top management is strongly committed to pursuing an anti-corruption policy, seeking to identify potential vulnerabilities and providing for their removal, strengthening its controls and constantly working to increase employee awareness of how to identify and prevent corruption in various business contexts.

Reputational verification, as well as acceptance and signing of the Ethical Integrity Pact, are the pillars of the control system designed to prevent the risks associated with illegal behaviour and criminal infiltration concerning our suppliers and subcontractors, with the aim of guaranteeing transparent relations and professional morality requirements throughout the supply chain and for the duration of the relationship.

Snam is a member of the United Nations Global Compact and operates within the framework of the principles enshrined in this global initiative, which are an integral part of its strategies, policies and rules, including the tenth principle of "zero tolerance" towards all forms of corruption, which is the basis of a consolidated culture of integrity and business ethics.

Since 2014, Snam has collaborated with Transparency International Italy as a member of the Business Integrity Forum (BIF), and in 2018, Snam signed a Memorandum of Understanding with the Berlin Secretariat of Transparency International.

In 2017, Snam started working with the OECD, joining the Business at the OECD Committee (BIAC), and in October 2019 - as the first Italian Company - joined the Leadership as Vice-Chair of the Anti-corruption Committee.

In September 2019, Snam was also involved in the initiatives of Partnering Against Corruption (PACI) of the World Economic Forum. In addition, thanks to its commitment to business ethics and anti-corruption, Snam has been cited in the document presented at the B20 Summit under the Japanese Presidency held in Tokyo (2019) as a "Tangible example" of a company that, through concrete actions, has distinguished itself in the fight against corruption.

In 2020, in addition to the role of Vice Chair in the Anti-corruption Committee mentioned above, for the purposes of a progressive enhancement of ESG issues at a multilateral level as well, Snam was also selected as a permanent member of the Corporate Governance Committee of the BIAC and, in the same view, the effort made by the company in the tables promoted by the World Economic Forum in the area of "ESG and Corporate Governance" was increased.

Within the OECD, Snam took part in several events, among which it is worth mentioning the "Safeguards for a resilient COVID-19 response and recovery", the first event of the year organised by the Organisation since the start of the international health emergency and replacing the annual Global Integrity Forum.

Finally, during the B20 Saudi Presidency (2020), Snam was also one of the very few Italian companies to actively participate in the work of the Integrity & Compliance Taskforce, whose contributions flowed into the Policy Paper circulated to G20 members in view of the handover to the Italian Presidency (2021).

As part of multilateral collaboration, in the first half of 2021 Snam also participated in important events in the area of Business Integrity and Anti-Corruption, including the OECD Anti-Corruption and Integrity Forum 2021 where, as the sole representative of the business sector, it spoke on the panel "Maintaining checks and controls in international supply chains in times of COVID-19" and the OECD Global Forum on Responsible Business Conduct, held on 15-17 June. Moreover, in continuation of the commitment shown in the previous edition under the Saudi Presidency, Snam participated in all the consultation meetings of the B20 Integrity & Compliance Taskforce under the Italian Presidency, actively contributing to the preparation of the final paper of recommendations that will be brought to the attention of the G20.

Finally, as a mention of particular prestige, proving the successful and consolidated collaboration of the last 7 years, Snam was the opening guest of the second day of the Business Integrity Forum organised by Transparency International Italia held on 23 June, where the CEO of Snam sent a valuable video message on the importance of creating a corporate culture based on the principles of ethics, integrity and sustainability. During the same day, Snam also took part in the Technology & Integrity round table, talking about its recent experiences in the use of Artificial Intelligence in the service of Compliance, in a session

entitled "Intelligent Compliance: from Integrated Compliance to Supplier Compliance Monitoring".

It should also be noted that violation of data protection legislation may result in sanctions, including significant sanctions, against the company (Regulation (EU) 2016/679, "GDPR").

Snam has therefore structured a data protection management system that provides for the definition of the obligations to be implemented in relation to the protection of personal data at corporate level, including the definition of roles and related responsibilities at corporate level, the census of processing operations carried out, the implementation of organisational and technical measures for the protection of personal data processed, the management of any data breaches, the definition of tools and measures to ensure appropriate and timely feedback to interested parties who exercise their rights under the GDPR.

OPERATIONAL RISKS

Ownership of storage concessions

For Snam, the risk associated with maintaining ownership of storage concessions is attributable to the business in which the subsidiary Stogit operates, on the basis of concessions granted by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be extended no more than twice for a period of ten years each. With reference to these concessions, Stogit filed a request for extension with the Ministry of Economic Development within the legal deadline. The extensions of the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020. In the case of Alfonsine, Cortemaggiore and Minerbio, the relevant proceedings are still pending at the above-mentioned Ministry. For the extensions still pending, the Company's activities, as provided for by the reference regulations, shall continue to be carried out until the completion of the authorisation procedures underway, as provided for by the original authorisation, the expiry date of which shall be deemed to be automatically extended until the aforesaid completion. One concession (Fiume Treste) will expire in June 2022 and has already been the subject of the first 10-year extension during 2011 and an application has been submitted for the second 10-year extension on 18 May 2020. Finally, one concession (Bordolano) will expire in November 2031 and may be

extended for a further ten years. If Snam is unable to retain ownership of one or more of its concessions or, at the time of renewal, the conditions of the concessions are less favourable than they currently are, this could have a negative impact on its business and on its income statement, balance sheet and financial position.

Malfunction and unplanned service interruption

The risk of malfunction and unforeseen interruptions of service is determined by accidental events, including failures or malfunctions of equipment or control systems, reduced performance of plants and extraordinary events such as explosions, fires, landslides or other similar events, interference by third parties and corrosive phenomena beyond Snam control. Such events could cause a reduction in revenues and also cause significant damage to persons and property, with possible obligations to pay compensation. Although Snam has entered into specific insurance contracts to cover some of these risks, according to industry best practices, the related insurance coverage may be insufficient to cover all losses incurred, compensation obligations or increases in expenses.

Delays in the implementation of infrastructure programmes

In addition, there is the possibility that Snam may encounter delays in the progress of infrastructure construction programmes as a result of the numerous uncertainties linked to operational, economic, regulatory, authorisation, competitive and social factors, or to health emergencies beyond its control. Snam is therefore unable to guarantee that the planned extension, upgrading and maintenance projects will actually be undertaken or that, if undertaken, they will be completed successfully or allow the benefits provided for by the tariff system to be achieved. In addition, development projects could require higher investments or longer time frames than initially estimated, affecting Snam financial balance and economic results.

Investment projects may be halted or delayed because of difficulties in obtaining environmental and/or administrative permits, opposition from political forces or other organisations, or may be affected by changes in the price of equipment, materials and labour, or changes in the political or regulatory framework during construction, or the inability to obtain finance at an

acceptable interest rate. Such delays could have a negative impact on the Snam Group's business and financial position. In addition, changes in the price of goods, equipment, materials and labour could have an impact on Snam financial results.

Environmental risks

Snam and the sites where it operates are subject to laws and regulations on pollution, environmental protection, the use of hazardous substances and waste disposal. These laws and regulations expose Snam to potential costs and liabilities related to its operations and assets. The costs of possible environmental remediation obligations are subject to uncertainty regarding the extent of contamination, appropriate remedial action and shared responsibility and are therefore difficult to estimate.

Snam cannot predict whether and how environmental regulations and laws may become more binding over time, nor can it provide assurances that future costs for ensuring compliance with environmental legislation will not increase or that such costs may be recoverable within the applicable tariff mechanisms or regulation. Although Snam has also stipulated specific insurance contracts to cover some of the environmental risks, according to industry best practices, substantial increases in costs relating to environmental compliance and other related aspects and the costs of possible sanctions could have a negative impact on business, operating results and financial and reputational aspects.

Employees and staff in key roles

The ability of Snam to operate its business effectively depends on the skills and performance of its personnel. Loss of "key" personnel or inability to attract, train or retain qualified personnel (particularly for technical positions where the availability of appropriately qualified personnel may be limited) or situations where the ability to implement the long-term business strategy is adversely affected due to significant disputes with employees, could result in an adverse effect on the business, financial condition and operating results.

Events in this risk category may also refer to the theme of Diversity and Inclusion.

Risk associated with foreign shareholdings

The foreign companies in which Snam holds an interest may be subject to regulatory/legislative risks, to

conditions of political, social and economic instability, to market, cyber security, credit and financial risks and to the other risks typical of natural gas transportation and storage activities highlighted for Snam, such as to negatively affect their activities, results of operations and financial position. This may have a negative impact on Snam contribution to earnings generated by these investments.

Risks related to future acquisitions/equity investments

Any investments made as part of joint-venture agreements and any other future investments in Italian or foreign companies may involve an increase in complexity in the operations of the Snam Group and there may be no assurance that such investments will generate the profitability expected as part of the acquisition or investment decision and that they will be properly integrated in terms of quality standards, policies and procedures in a manner consistent with the rest of Snam operations. The integration process may require additional costs and investments. Inadequate management or supervision of the investment made may adversely affect the business, operating results and financial aspects.

EMERGING RISKS

Within the Group's Enterprise Risk Management model, particular attention is paid to identifying changes in the reference context in order to capture events or macro-trends coming from outside the organisation that may have a significant medium-long term impact (3-5 years and more) on Snam business or on the segment.

These changes may on the one hand give rise to new risks in the long term but may also start to have consequences for the company already today, changing the nature and extent of potential impacts and probabilities of occurrence of risks already identified.

The purpose of the process of identifying emerging risks is to be able to assess their impacts in time and put in place the necessary strategies and related mitigation actions both in terms of prevention and control of the same. In this area, some of the emerging risks identified by Snam are cyber security and risks related to energy transition.

Cyber security

Relevance and potential impact on Snam

Snam carries out its activities through a complex technological architecture, relying on an integrated model of processes and solutions capable of promoting the efficient management of the gas system for the entire country. The evolution of the business and the use of innovative solutions to improve it, however, requires constant attention and the ability to continuously adapt to the changing needs of business protection. The Group's new business plan envisages approximately 500 million euros in investments in digitalisation - from the control of activities from a remote location to the adoption of articulated infrastructures enabling the Internet of Things - through which Snam aims to become the most technologically advanced gas transmission operator in the world and to guarantee ever greater security and sustainability of business processes.

The projections of global experts and the company's own belief is that cybersecurity threats will evolve in the future in terms of both numbers and complexity. The digital channel is increasingly used illicitly by different types of players with different purposes and modes of action: cyber criminals, cyber hackers, state-sponsored action groups. Similarly, technological development has made increasingly sophisticated tools available to these groups, through which it is possible both to make established attack techniques more effective and to develop new ones. In addition to this, the increasing digitalisation of the network with the use of new technologies (e.g. Internet of Things) poses significant challenges to the Group in these respects, extending the potential attack surface exposed to internal and external threats.

In such a scenario, cybersecurity plays a very important role, since it has the task of preventing or coping with very heterogeneous events that can range from the compromise of individual workstations to the degradation of entire business processes in the field of transport, storage and regasification, with potential effects on the normal capacity of service provision.

A correct approach to cybersecurity management is also necessary to ensure full compliance with the increasingly stringent sector regulations, issued both at European and Italian level, in order to improve the management and control of companies that provide essential services for the country system. Snam carries out its activities through a complex technological

architecture, relying on an integrated model of processes and solutions capable of promoting the efficient management of the gas system for the entire country. The evolution of business and the use of innovative solutions to continuously improve it, however, requires increasing attention to cyber security aspects. For this reason, Snam has developed its own cyber security strategy based on a framework defined in accordance with the main standards on the subject and with constant attention to the evolution of Italian and European regulations, especially as regards the world of critical infrastructure and essential services. It is primarily part of this strategy to adapt its processes to the requirements of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems) and to formally certify the compliance of some of them with the listed standards. At the same time, and depending on technological developments, solutions to protect the company from the most common cyber threats and modern threat agents are evaluated and implemented where appropriate.

More specifically, Snam has defined a cyber security incident management model, aimed at preventing and, when necessary, guaranteeing timely remediation of events potentially capable of damaging the confidentiality, integrity and availability of the information processed and the information systems used. A Security Incident Response Team is at the base of the activity. Using technologies that allow the collection and correlation of all security events recorded on the entire perimeter of the company's IT infrastructure, it has the task of monitoring all abnormal situations that may have negative impacts on the company and of activating, where necessary, escalation plans that guarantee the involvement of the various operational structures.

With reference to the management of information to support business processes, it should be noted that the company owns the asset (fibre) used for data transmission to and from the territory; from this derives a greater intrinsic security thanks to the non-dependence on the service provided by third parties and the possibility of using the communication channel exclusively. Finally, in the context of cyber incident management activities (preventive and reactive), information sharing with national and European institutions and peers is also used to improve the capacity and speed of response to various possible negative events. A great deal of attention is also paid to awareness-raising and specialised training of staff, so

that it is easier to identify weak signals, and everyone is more aware of the cyber risks that can arise in the course of normal working activity.

Mitigation measures

Snam has developed its own cyber security strategy based on a framework defined in accordance with the main standards on the subject, and has set up for some years now a dedicated function which, in a holistic manner, is responsible for guiding and implementing what is envisaged at a strategic level, ranging from governance aspects to more purely technological aspects.

First of all, it is worth mentioning the adaptation of internal processes to the provisions of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems), as well as the formal certification of compliance of part of them with the listed standards by an independent third party. Secondly, on the basis of multiple activities, including Risk Analysis and Technical Verification, the protection needs arising from technological evolution, changes in business processes or the identification of previously unknown vulnerabilities are assessed and, where appropriate, solutions replacing or supplementing those already in place are implemented. In more detail, in order to adequately counter the most modern cyber threats, Snam has defined a cyber security incident management model, aimed at preventing, monitoring and, where necessary, directing timely remedial action against events potentially capable of damaging the confidentiality, integrity and availability of the information processed and the technologies implemented. A Security Incident Response Team is at the base of the activity. Using solutions that allow the collection and correlation of all security events recorded on the entire perimeter of the company's IT infrastructure, it has the task of monitoring all anomalous situations that may have negative impacts on the company and to activate, where necessary, the appropriate containment and remediation actions through the involvement of the technical and business structures concerned. Also, during 2020, the Security Incident Response Team was able to operate without interruption, providing support 24 hours a day, seven days a week.

The change required in the operational processes and in particular the massive use of remote working methods has not yet impacted the overall safety posture. This is mainly due to the fact that the adoption

of smartworking, which has taken place in recent years as an alternative solution for the provision of work services compared to being in the office, had already led to risk analysis activities and the adoption of security solutions suitable for preserving the company's interests even in the presence of a potential attack surface larger than in the past. Within the scope of cyber incident management activities (preventive and reactive) and in compliance with formal agreements signed between the parties, information sharing with national and European institutions and peers is also used in order to improve the capacity and speed of response to possible negative events to which one may be exposed. This will become increasingly necessary in the future, also in light of the cyber threat notification requirements that national security regulations impose and will impose.

With regard to technological development, as mentioned above, Snam is currently implementing an ambitious digitalisation programme that will radically change business processes in the years to come, and within which a strong focus on cybersecurity issues will always be guaranteed. During 2020, the foundations were laid for the safe development of all nascent Internet of Things initiatives. Firstly, a Security by Design process was defined, which imposes compliance with specific requirements and checks for each application and infrastructure development. In addition, the most suitable security technologies were defined to support the new capabilities that Snam will acquire in the years to come. Finally, the security processes to be evolved were identified in order to take due account of the new security requirements arising from a business context in which working methods, technologies adopted, and the surface area exposed to digitalisation will change significantly in the course of a few years.

A great deal of attention is also paid to awareness-raising and specialised training of staff, so that it is easier to identify weak signals, and everyone is more aware of the cyber risks that can arise in the course of normal working activity. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia, exercises and tests, newsletters, etc.

With reference to the management of information to support business processes, it should be noted that the company owns the asset used for data transmission to and from the territory (fibre); this results in greater

intrinsic security thanks to the fact that it does not depend on the service provided by third parties and the possibility of using the communication channel exclusively.

ENERGY TRANSITION AND DEVELOPMENT OF THE HYDROGEN MARKET AND TECHNOLOGIES

Relevance and potential impact on Snam

As climate change shows the concrete effects of rising temperatures, the energy world is facing a moment of momentous transformation. Without prejudice to the company's commitment to the core business of regulated activities of transportation, storage and regasification of natural gas, Snam is creating a broad and diversified platform of activities related to the energy transition (in particular, transport and management of renewable energies, such as biomethane and hydrogen, construction and management of plants related to sustainable mobility and energy efficiency) to seize the opportunity to represent a "system integrator", able to offer green solutions and contribute to the development of renewable gases.

Business diversification can strengthen the position of Snam as an enabler of the energy transition towards forms of resource use and energy sources compatible with environmental protection and progressive decarbonisation, with a long-term vision consistent with its own purpose and European objectives.

In addition, Snam has been working for some time to make its infrastructure suitable for transporting increasing amounts of renewable gas with the prospect of transporting fully decarbonised gas by 2050.

In this context, and with particular reference to the Group's strategy, the main risk factors include the risks posed by technological innovation in favour of switching to the use of electrical technologies, and/or delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs; the delay or non-implementation of investments (infrastructures, projects, new acquisitions) as a result of uncertainties related to operational, economic, regulatory, authorisation, competitive and social factors; the failure to develop the hydrogen market with reference to the value chain that should feed the infrastructure. Finally, the possibility of an evolution of the regulatory framework in favour of intermittent energy sources and at the same time

penalising the development of the renewable gas market should be considered.

These factors may in fact penalise the achievement of the development objectives of the aforementioned activities and, more generally, the opportunity for Snam to benefit from the new mega-trends of the energy transition.

Mitigation measures

The development and introduction of new technologies in order to achieve the development objectives of the energy transition activities pose a few challenges for the Group. In this context, specific initiatives have been identified and developed in order to respond to the urgency of tackling climate change. With reference to the hydrogen value chain, the study of the necessary technological developments related to the chemical and physical processes for its production requires special skills and knowledge in order to support research and development activities both at individual company and country system level. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500° C with production of CO₂ equivalent to the hydrocarbon used, and electrolysis of water (4-5%). In particular, the lack of expertise in alternative gas technologies to natural gas is a risk that can potentially be exacerbated by the rapidly changing external environment. For this reason, the Group has always been committed to the development of internal competencies, the internalisation of competencies through acquisitions and the participation and stimulation of institutional and associative working groups dedicated to hydrogen at national and international level. At European level, it is also a member of Hydrogen Europe, while in Italy it is represented in the H2IT trade association - the Italian Hydrogen and Fuel Cells Association.

The Group's facilities and assets will also have to be ready to seize the opportunities arising from the development of alternative gases to natural gas. In April 2019, first in Europe, Snam experimented with feeding a mix of 5% hydrogen by volume and natural gas into its transmission network, the experiment was repeated in December 2019, doubling the percentage of hydrogen by volume to 10%. The company is now engaged in verifying the full compatibility of its infrastructures with increasing quantities of hydrogen

blended with natural gas, as well as in supporting the development of the Italian supply chain to encourage the use of hydrogen in a variety of sectors, from industry to transport. Currently about 70% of Snam pipelines are hydrogen-compatible and standards have been defined for the purchase of only hydrogen-ready components for the network. The development of the Group's infrastructures is therefore aimed on the one hand at making the use of programmable, low-impact fossil fuels more efficient, while at the same time promoting the biomethane alternative and ensuring the necessary conditions to accommodate hydrogen as well.

Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural

gas supply chain: this is why it is essential to develop partnerships to foster the development of operators along the hydrogen value chain, also participating in working groups so that Snam takes the lead in advocacy and awareness-raising activities for the use of hydrogen as a key energy source for decarbonisation both in Italy and abroad.

To date, the Group has reached agreements with several companies to promote the growth of all phases of the hydrogen value chain, focusing on pilot projects to increase the production and use of hydrogen, through strategic partnerships in hard-to-abate industries (e.g. steel mills, refineries, other energy-intensive industries, mobility) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).

Outlook



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. 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.

Condensed half-year consolidated financial statements

Contents

FINANCIAL STATEMENTS	68
NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS	72
MANAGEMENT STATEMENT ON THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS	110
INDEPENDENT AUDITORS' REPORT.....	111

Financial statements

Statement of financial position

(Million euros)	Notes	31.12.2020		30.06.2021	
		Total	<i>of which with related parties</i>	Total	<i>of which with related parties</i>
ASSETS					
Cash and cash equivalents	(4)	3,044		1,625	
Trade and other receivables	(5)	1,676	301	1,857	254
Current inventories	(6)	98		110	
Current income tax assets	(7)	34		38	
Other current financial assets	(8)	7	5	7	5
Other current assets	(9)	99		152	
Total current assets		4,958		3,789	
Property, plant and equipment	(10)	16,815		16,886	
Investments accounted for using the equity method	(12)	1,923		2,447	
Intangible assets and goodwill	(11)	1,125		1,144	
Other non-current financial assets	(8)	420	303	408	295
Non-current inventories - Compulsory inventories	(6)	363		363	
Deferred tax assets	(17)	23		248	
Other non-current assets	(9)	48	2	52	1
Total non-current assets		20,717		21,548	
TOTAL ASSETS		25,675		25,337	
LIABILITIES AND EQUITY					
Current financial liabilities	(13)	5,605		5,365	2
Trade and other payables	(14)	2,029	209	1,511	85
Current liabilities for income taxes	(7)	2		85	
Other current liabilities	(15)	70	1	57	1
Total current liabilities		7,706		7,018	
Non-current financial liabilities	(13)	10,332		10,408	
Provisions for risks and charges	(16)	798		707	
Liabilities for employee benefits		40		39	
Non-current liabilities for income taxes	(7)			14	
Deferred tax liabilities	(17)	113		38	
Other non-current liabilities	(15)	214		185	
Total non-current liabilities		11,497		11,391	
TOTAL LIABILITIES		19,203		18,409	
EQUITY					
Share capital		2,736		2,736	
Treasury shares		(361)		(361)	
Share premium reserve		611		611	
Reserves		(116)		(79)	
Retained earnings		3,599		3,995	
Equity attributable to Parent company shareholders		6,469		6,902	
Non-controlling interests		3		26	
TOTAL EQUITY	(18)	6,472		6,928	
TOTAL LIABILITIES AND EQUITY		25,675		25,337	

Income statement

(Million euros)	Notes	First half 2020		First half 2021	
		Total	<i>of which with related parties</i>	Total	<i>of which with related parties</i>
Revenues		1,343	652	1,522	585
Other operating income		3		5	
Total revenues and other operating income	(22)	1,346		1,527	
Raw materials, supplies, consumables and goods		(60)	(1)	(149)	
Services		(59)	(10)	(92)	(15)
Personnel cost		(90)		(98)	
Other operating costs and expenses		(39)	(1)	(29)	
Total operating costs and expenses	(23)	(248)		(368)	
Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	(24)	(374)		(401)	
OPERATING PROFIT		724		758	
Financial income		10	4	17	8
Financial expenses		(76)		(67)	
Expenses from derivative financial instruments – ineffective portion		(1)			
Total net financial expenses	(25)	(67)		(50)	
Share of profit or loss of investments accounted for using the equity method		107		139	
Other income (expenses) from investments		3			
Total net income from equity investments	(26)	110		139	
PROFIT BEFORE TAXES		767		847	
Income tax	(27)	(195)		33	
PERIOD PROFIT		572		880	
Profit for the period attributable to:		572		880	
- shareholders of the parent company		572		878	
- non-controlling interests				2	
Earnings per share (amounts in € per share)	(28)				
- basic		0.174		0.268	
- diluted		0.170		0.262	

Comprehensive income statement

(Million euros)	Notes	First half-year	
		2020	2021
NET PROFIT FOR THE PERIOD		572	880
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT			
Cash flow hedge – effective portion of fair value change	(15)	(15)	9
Equity investments accounted for using the equity method - portion of other components of the comprehensive income statement (*)	(12)	(25)	35
Tax effect		4	(2)
Total components which are or could be reclassified in profit for the period, net of tax effect		(36)	42
Equity investments accounted at FVTOCI ("fair value through other comprehensive income")	(8)		(9)
Tax effect			
Total components which will not be reclassified in profit for the period, net of tax effect			(9)
TOTAL OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT, NET OF TAX EFFECT		(36)	33
TOTAL COMPREHENSIVE INCOME STATEMENT		536	913
Total comprehensive income statement attributable to:		536	913
- shareholders of the parent company		536	911
- non-controlling interests			2

(*) The value essentially refers to the change in fair value of derivative financial instruments hedging investments in associates.

Statement of changes in equity

	Notes	Equity attributable to Parent company shareholders											TOTAL NON-CONTROLLING INTEREST	TOTAL EQUITY		
		Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserves					Retained earnings					
						Cash flow hedge reserve	Reserve for defined benefit plans for employees	Fair value reserve for equity investments	Consolidation reserve	Other reserves	Profits from previous years	Interim dividend			Profit for the period	
(Million euros)																
BALANCE AT 31 DECEMBER 2019		2,736	(389)	746	547	(62)	(8)	5	(674)	64	2,513	(313)	1,090	6,255	3	6,258
- Net profit for the first half of 2020													572	572		572
- Other components of the comprehensive income statement						(11)			(25)					(36)		(36)
Total comprehensive income statement for the first half of 2020						(11)			(25)				572	536		536
- 2019 dividend (0.2376 euros per share), net of interim dividend (0.095 euros per share)												313	(779)	(466)		(466)
- Allocation of residual profit for 2019											311		(311)			
- Share-based payments (Share Incentive Plan)										3				3		3
- Purchase of treasury shares			(111)											(111)		(111)
Total transactions with shareholders			(111)							3	311	313	(1,090)	(574)		(574)
- Other changes										4				4		4
Total other changes										4				4		4
BALANCE AT 30 June 2020	(18)	2,736	(500)	746	547	(73)	(8)	5	(674)	46	2,824		572	6,221	3	6,224
- Net profit for the second half of 2020													529	529		529
- Other components of the comprehensive income statement						6	(1)	43	(12)					36		36
Total comprehensive income statement for the second half of 2020						6	(1)	43	(12)				529	565		565
- 2020 interim dividend (0.0998 euros per share)												(326)		(326)		(326)
- Share-based payments (Share Incentive Plan)										5				5		5
- Allocation of treasury shares			7							(7)				0		0
- Purchase of treasury shares			(3)											(3)		(3)
- Annulment treasury shares			135	(135)												
Total transactions with shareholders			139	(135)						(2)		(326)		(324)		(324)
- Other changes										7				7		7
Total other changes										7				7		7
BALANCE AT 31 DECEMBER 2020 (a)	(18)	2,736	(361)	611	547	(67)	(9)	48	(674)	39	2,824	(326)	1,101	6,469	3	6,472
- Net profit for the first half of 2021													878	878	2	880
- Other components of the comprehensive income statement						7		(9)	35					33		33
Total comprehensive income statement for the first half of 2021 (b)						7		(9)	35				878	911	2	913
- 2020 dividend (0.2495 euros per share), net of interim dividend (0.0998 euros per share)												326	(816)	(490)		(490)
- Allocation of residual profit for 2020											285		(285)			
- Share-based payments (Share Incentive Plan)										4				4		4
- Sale of interests in subsidiaries without loss of control											8			8	21	29
Total transactions with shareholders (c)										4	293	326	(1,101)	(478)	21	(457)
BALANCE AT 30 JUNE 2021 (e=a+b+c)	(18)	2,736	(361)	611	547	(60)	(9)	39	(674)	78	3,117		878	6,902	26	6,928

Cash flow statement

(Million euros)	Notes	First half 2020	First half 2021
PERIOD PROFIT		572	880
<i>Adjustments to reconcile profit for the period to cash flow from operating activities:</i>			
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	(24)	374	401
- Share of profit or loss of investments accounted for using the equity method	(26)	(107)	(139)
- Dividends		(2)	
- Other income from equity investments		(1)	
- Net losses (gains) on asset sales, write-offs and derecognition		1	2
- Interest income		(10)	(16)
- Interest expense		64	55
- Income taxes	(27)	195	(33)
- Other changes		3	4
<i>Changes in net working capital:</i>			
- Inventories		(12)	(5)
- Trade receivables		(50)	19
- Trade payables		(175)	(169)
- Provisions for risks and charges		(5)	(31)
- Other assets and liabilities		66	(324)
<i>Cash flow from net working capital</i>		<i>(176)</i>	<i>(510)</i>
Change in liabilities for employee benefits		(4)	(1)
Dividends collected		89	115
Interest collected		6	14
Interest paid		(64)	(35)
Income taxes paid net of tax receivables reimbursed		(191)	(171)
CASH FLOW FROM OPERATING ACTIVITIES		749	566
- of which with related parties	(30)	561	626
<i>Investments:</i>			
- Property, plant and equipment (*)	(10)	(381)	(485)
- Intangible assets	(11)	(76)	(69)
- Long-term financial receivables		(332)	
- Investments (including investments valued at FVTOCI, included in non-current financial assets)		(17)	(480)
- Change in payables and receivables related to investment activities		(56)	(41)
<i>Cash flow from investments</i>		<i>(862)</i>	<i>(1,075)</i>
<i>Divestments:</i>			
- Property, plant and equipment	(10)		1
- Investments (including investments valued at FVTOCI, included in non-current financial assets)		12	30
- Long-term financial receivables		18	11
<i>Cash flow from divestments</i>		<i>30</i>	<i>42</i>
CASH FLOW FROM INVESTMENT ACTIVITIES		(832)	(1,033)
- of which with related parties	(30)	(328)	(8)
Assumption of long-term financial payables		1,147	1,250
Repayment of long-term financial payables		(972)	(1,002)
Increase (decrease) short-term financial payables		1,045	(433)
Change in short-term financial receivables			
Repayment of financial liabilities for leased assets		(3)	(4)
Purchase of treasury shares		(111)	
Dividends distributed		(770)	(795)
Sale of interest in subsidiaries without loss of control			32
CASH FLOW FROM FINANCING ACTIVITIES		336	(952)
- of which with related parties	(30)		34
PERIOD NET CASH FLOW		253	(1,419)
Cash and cash equivalents at the beginning of the period	(4)	2,851	3,044
Cash and cash equivalents at the end of the period	(4)	3,104	1,625

(*) For the purposes of the Cash Flow Statement only, the flow includes: (i) the change in inventories of pipes and related ancillary materials used in plant construction activities, relating to the natural gas transportation segment (5 million euros and -2 million euros for the first half of 2020 and 2021, respectively); (ii) contributions on works for interference with third parties, so-called recharges (-5 million euros and -10 million euros for the first half of 2020 and 2021, respectively).

Notes to the condensed half-year consolidated financial statements

CORPORATE INFORMATION

The Snam Group, consisting of Snam S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as "Snam", "Snam Group" or "group"), is an integrated group that oversees regulated activities in the gas segment (transportation, regasification and storage) and is a major player in terms of regulatory invested capital (RAB) in its segment.

Through its international associates, it also operates in Albania, Austria, China, United Arab Emirates, France, Greece and the United Kingdom. Snam S.p.A. invests in innovation and the development of new energy transition businesses, from sustainable mobility to biomethane and energy efficiency, and also aims to enable and promote the development of hydrogen to encourage the decarbonisation of the energy sector and industry.

Snam S.p.A. is a joint-stock company organised according to the laws of the Italian Republic, listed on the Milan Stock Exchange and domiciled in San Donato Milanese (MI), Piazza Santa Barbara 7.

With a resolution of 1 August 2019, the Board of Directors of CDP S.p.A., which, through its subsidiary CDP Reti S.p.A., holds an equity investment in Snam S.p.A. equal to 31.4%, requalified the equity investment relationship in the same, which had already been qualified as de facto control pursuant to international accounting standard IFRS 10 - Consolidated Financial Statements since 2014, as de facto control pursuant to Article 2359, paragraph 1, no. 2) of the Civil Code and Article 93 of the Consolidated Finance Act.

CDP S.p.A. has neither formalised nor exercised management and coordination activities over Snam S.p.A.

1) Drafting and evaluation criteria

The condensed consolidated half-year financial statements at 30 June 2021 have been prepared on a going concern basis and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

and endorsed by the European Union (hereinafter defined as IFRS), as well as with the laws and regulations in force in Italy.

Considering the characteristics of the Snam core business, the uninterrupted continuation of operating activities, as well as the results of the analyses conducted on the impact of the COVID-19 outbreak, there are no elements that require further study regarding the validity of the going concern assumption.

The condensed half-year consolidated financial statements at 30 June 2021 have been prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting". As permitted by this standard, the condensed half-year consolidated financial statements do not include all the information required in an annual consolidated financial statement and, therefore, must be read together with the Snam Group's consolidated financial statements for the year ended 31 December 2020.

The financial statements are the same as those adopted in the Annual Financial Report. The same consolidation principles and accounting policies are applied in the condensed half-year consolidated financial statements as those described in the Annual Report, except for the international accounting standards effective from 1 January 2021, which are described in the 2020 Annual Report in note 7 "Accounting standards issued by the IASB but not yet effective". No impacts resulting from the application of these new provisions have been identified.

The notes to the financial statements are presented in summary form.

Current income taxes are calculated on the basis of taxable income existing at the end of the period. Tax payables and receivables for current income taxes are recognised at the amount expected to be paid/recovered to/from the tax authorities by applying the tax laws in force or as substantially enacted at the reporting date and the estimated tax rates on an annual basis. Consolidated companies, non-consolidated subsidiaries, companies controlled jointly with other shareholders, associated companies and other significant equity investments are listed separately in the annex "Snam S.p.A. investments at 30 June 2021",

which is an integral part of these notes. The condensed half-year consolidated financial statements at 30 June 2021, approved by the Board of Directors of Snam S.p.A. in its meeting of 29 July 2021, are subject to a limited audit by Deloitte & Touche S.p.A. The limited audit involves a significantly smaller scope of work than a full audit carried out in accordance with established auditing standards. The condensed half-year financial statements adopt the euro as the presentation currency. Given their size, items of the financial statements are expressed in millions of euros.

1.1 Effects of the COVID-19 pandemic on the presentation and measurement of items in the consolidated financial statements

Regulated Business

The Snam Group's core business is represented by transport, storage and regasification activities, carried out by companies operating under a regulated regime. The assessment of the effects related to the spread of the pandemic showed the limited exposure of these segments to the effects of COVID-19, allowing Snam not to recognise any impairment indicators at 30 June 2021. With regard to investment activities, Snam has implemented all necessary actions aimed at completing the investment programme in accordance with budget forecasts and, during the first half of 2021, despite the difficulties associated with the strict containment measures imposed to limit the spread of COVID-19, activities continued without delay.

Energy Transition

The businesses related to the energy transition, Biomethane, Energy Efficiency, and Sustainable Mobility, have not been significantly impacted by the effects of COVID-19; in particular:

- within the Biomethane business, the FORSU production plants did not have a substantial impact, as the activity of delivering and subsequently treating waste continued uninterrupted. The construction activities of IES Biogas have been indirectly impacted by COVID-19, mainly due to the authorisation delays that in some circumstances have prevented the start of the works according to the budget forecasts. Under these circumstances, while waiting to receive the necessary permits, the clients asked the company to postpone the start date of the construction sites, for which activities

resumed at full capacity from the second quarter of 2021. The actions put in place by the company, including the optimisation of timetables, will make it possible to limit the effects of the pandemic on 2021 results;

- within the Energy Efficiency business, the impacts due to the effects of COVID-19 were limited; in particular, there were no slowdowns in the execution of activities, related to the containment measures imposed due to the emergency. Limited indirect impact due to COVID-19 were recorded in the integrated management of thermal plants business, so-called Energy Service; in particular, the introduction of obligations to ensure frequent airing of rooms has led to greater heat loss with a consequent increase in energy carrier costs. However, the impact in the first half of the year is limited.
- Limited impacts related to the effects of COVID-19 were found in the Sustainable Mobility business. The emergency containment measures in place in the first half of 2021 did not affect the full operation of the Cubogas production site, which continued uninterrupted operations. With reference to the petrol station business, travel and mobility restrictions, and more generally the overall reduction in the consumption of automotive fuels compared to the pre-Covid-19 period, have led to a reduction in variable revenues linked to the volumes supplied by each station. However, the impact in the first half of the year is limited compared to the results achieved by Snam 4 Mobility.

The limited impact recognised with respect to the effects of COVID-19 on the Energy Transition businesses meant that Snam did not identify any impairment indicators at 30 June 2021 and for this reason the Company did not consider it necessary to perform an impairment test at 30 June 2021.

Foreign and Italian subsidiaries

The Snam Group's foreign and Italian subsidiaries operate mainly in the regulated segments of natural gas transportation, storage, regasification and distribution (Teréga, Desfa, GCA, TAG, OLT and Italgas), or operate under long-term and ship-or-pay contracts (TAP and Adnoc) and are therefore limitedly exposed to the effects of COVID-19.

With regard to Interconnector Limited, which, although operating under a regulated regime, derives its remuneration from the transport contracts signed with customers, the results for the first half of the year did not differ from the forecasts previously drawn up at budget level.

With reference to the most recent of the investments acquired by Snam, De Nora, a world leader in the production of electrodes for electrochemical industrial applications as well as in water treatment technologies, there are no significant impacts related to the COVID-19 emergency. The growing global interest in sustainable energies allows De Nora, as an innovator in this field, to forecast growing results for future periods.

All the investees did not see any significant changes in their 2021 budgets, thus confirming the validity of the assumptions previously presented.

The limited exposure of these segments to the effects of COVID-19 allowed Snam to not recognise any impairment indicators at 30 June 2021 and for this reason the Company did not consider it necessary to perform an impairment test at 30 June 2021.

Analysis of potential impacts as a result of the persistence of the COVID-19 pandemic and the increasing spread of variants

The gradual easing of the restrictive measures imposed by the pandemic from the second quarter of 2021, also due to the effective and rapid implementation of the vaccination campaign against COVID-19 in Italy and Europe, and the rest of the major economies, has fuelled growing expectations of a gradual and generalised return to normality.

However, despite the fact that the main countries globally had reached important milestones in terms of vaccinated populations by the end of the first half of 2021, the increasing spread of variants could lead to further slowdowns in the process of normalising the international economic context.

The return of any further containment measures imposed in the coming months to cope with the rapid spread of variants could lead to further disruptions of non-essential production activities and the temporary closure of construction sites. This could affect, to some extent, the ability of Snam to fully complete the 2021 investment programme relating to its core business; this could have an impact that cannot be quantified in detail at present, compared with the forward-looking assumptions made by Snam.

Similarly, the return of containment measures for prolonged periods could lead to further slowdowns in the authorisation process, as well as to the closure of plants and the blocking of construction sites, resulting in more significant impacts particularly on companies engaged in production (Cubogas), and activities in construction sites (IES Biogas, Snam 4 Mobility and TEP), slowing down the completion of works and the consequent recognition of the corresponding revenues.

2) Use of accounting estimates

With reference to the description of the use of estimates reference should be made to Note 6 "Assumptions and uncertainty in estimates" in the 2020 Annual Financial Report.

3) Recently issued accounting standards

In addition to the information provided in the last 2020 Annual Financial Report, to which reference should be made, the accounting standards recently issued by the IASB are listed below.

Accounting standards and interpretations issued by the IASB, endorsed by the European Commission during the first half of 2021, but not yet effective

By Regulation no. 2021/1080, issued by the European Commission on 28 June 2021, the regulatory provisions contained in the following documents were approved:

- **Improvements to IFRS (2018-2020 cycle):**
 - (i) amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", in relation to the measurement of cumulative translation differences;
 - (ii) amendments to IFRS 9 "Financial Instruments", which clarifies which fees are to be included when carrying out the "10 percent test", required by paragraph B3.3.6 of IFRS 9, specifying that only the following fees must be included, paid or received, between the entity and the provider;
 - (iii) deletion of Illustrative Example 13 of IFRS 16 "Leases" relating to the repayment of leasehold

improvements by the lessor in order to remove any doubt about the treatment of lease incentives; and (iv) amendments to IAS 41. The amendment removes the requirement in paragraph 22 of IAS 41 that entities when measuring a biological asset at fair value using present value techniques must exclude cash flows of a tax nature from the measurement. This will ensure consistency with the requirements of IFRS 13.

- **Amendments (i) to IFRS 3 Business Combinations; (ii) to IAS 16 Property, Plant and Equipment; (iii) to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** (i) Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework" is intended to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without resulting in any changes to the requirements of IFRS 3. (ii) "Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use" introduced some clarifications, specifying that it is not allowed to deduct from the cost of the fixed asset the amount received from the sale of goods produced before the asset was ready for use, as intended by management. These sales revenues and related costs should therefore be recognised in the income statement. (iii) "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - Cost of fulfilling a contract" clarified which cost items should be considered when assessing whether or not a contract will be loss-making.

Both documents were issued by the IASB on 14 May 2020 and their respective provisions are effective for annual periods beginning on or after 1 January 2022.

Snam is analysing the standards and interpretations indicated, where applicable, in order to assess the effects of their application on the financial statements. However, the directors do not expect a significant effect on the Group's consolidated financial statements resulting from their adoption.

Accounting standards and interpretations issued by the IASB during the first half of the year and not yet endorsed by the European Commission

- **Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021** issued by the IASB on 31 March 2021 extending by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted, due to Covid-19, to lessees. The amendments will apply as of 1 April 2021, subject to any subsequent postponements established during the approval process by the European Commission.
- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction** issued on 7 May 2021 by the IASB clarifies how deferred tax should be accounted for on certain transactions that may give rise to assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply as of 1 January 2023, subject to any subsequent postponements established during the approval process by the European Commission. Snam is analysing the standards and interpretations indicated, where applicable, in order to assess the effects of their application on the financial statements. However, the directors do not expect a significant effect on the Group's consolidated financial statements resulting from their adoption.

4) Cash and cash equivalents

Cash and cash equivalents of 1,625 million euros (3,044 million euros at 31 December 2020) consist mainly of cash at bank and in hand and bank deposit at call in euros with financial institutions (1,540 million euros), which represent the use of cash held for the Group's financial needs, and cash and cash equivalents mainly with Snam International B.V. (47 million euros) and Gasrule Insurance DAC (29 million euros).

The average yield on liquidity investments is about 0.12%.

The carrying amount of cash and cash equivalents approximates their fair value. They are not subject to any restrictions on their use.

For an overall analysis of the financial situation and the main uses of cash during the period, please refer to the cash flow statement.

5) Trade and other receivables

(Million euros)	31.12.2020	30.06.2021
Trade receivables, gross of allowance for doubtful accounts	1,653	1,623
Provision for bad debt	(102)	(99)
Total trade receivables	1,551	1,524
Other receivables from Cassa per i Servizi Energetici e Ambientali (CSEA)	79	295
Receivables for contributions from individuals	7	9
IRES receivables for domestic tax consolidation to former parent company	9	9
Advances to suppliers	6	14
Other	24	6
Total trade and other receivables	1,676	1,857

Trade receivables (1,524 million euros; 1,551 million euros at 31 December 2020) mainly relate to the transportation (1,045 million euros, of which 260 million euros from gas system balancing activities) and natural gas storage (189 million euros) segments.

Other receivables due from Cassa per i Servizi Energetici e Ambientali (CSEA) (295 million euros; 79 million euros at 31 December 2020) increased due mainly to the large quantities of gas purchased in April and May to cover imbalances in the reading of distribution meters, which are expected to be recovered through Cassa per i Servizi Energetici e Ambientali (CSEA) in July and August¹⁸.

The fair value measurement of trade and other receivables does not have a significant effect given the short period of time between the origination of the receivable and its maturity and the contractual terms.

There are no receivables in currencies other than the euro.

Receivables from related parties are disclosed in Note 30 "Transactions with related parties".

Trade receivables and other receivables refer, for the most part, to activities carried out by Snam in regulated businesses (transportation, storage and regasification) with customers of high credit standing. This exposes Snam to a very limited risk of expected losses on its receivables. In consideration of the assessments made, including in relation to the possible impact of COVID-19, no deterioration in the creditworthiness of the counterparties has been identified; for these reasons, Snam has not identified any issues regarding to the recoverability of trade and other receivables at 30 June 2021.

¹⁸ In accordance with the principle of neutrality and with reference to article 8 of the Consolidated Balancing Act (TIB), the Balancing Manager pays/receives to/from CSEA the difference between the sum of the balancing fees applied to the users and the sum of the balancing fees paid to the users themselves.

6) Inventories current and non-current

(Million euros)	31.12.2020			30.06.2021		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and finished goods	93	(13)	80	103	(12)	91
Finished products and goods	50	(32)	18	51	(32)	19
Total current inventories	143	(45)	98	154	(44)	110
Total non-current inventories - Compulsory inventories	363		363	363		363
Total current and non-current inventories	506	(45)	461	517	(44)	473

Inventories are shown net of the provision for impairment losses of 44 million euros (45 million euros at 31 December 2020). The provision essentially relates to the write-down (30 million euros), made in 2014, of 0.4 billion cubic metres of natural gas used in storage activities against strategic gas unduly withdrawn by some service users during 2010 and 2011¹⁹.

6.1) Third-party natural gas in storage

Risks for third-party assets in storage, amounting to 1,566 million euros (1,458 million euros at 31 December 2020), relate to approximately 6.7 billion cubic metres of natural gas deposited in storage facilities by customers benefiting from the service. The amount was determined by valuing the quantities of gas stored at the assumed unit repurchase cost²⁰, which is approximately 0.23 euros per standard cubic metre (0.18 euros per standard cubic metre at 31 December 2020).

7) Current and non-current income tax assets/liabilities

(Million euros)	31.12.2020	30.06.2021
IRES, corporation tax	17	9
IRAP, regional trade income tax	1	1
Other tax assets	16	28
Total current assets for income taxes	34	38
IRES, corporation tax	(1)	(77)
IRAP, regional trade income tax	(1)	(8)
Total current liabilities for income taxes	(2)	(85)
IRES, corporation tax		(14)
Total non-current liabilities for income taxes		(14)

Taxes for the period are explained in Note 27 "Income taxes", to which reference is made.

¹⁹ For more information on the development of ongoing legal proceedings, please refer to note no. 26.3 "Financial risk management - Credit risk - Recovery of receivables from storage system users" in the 2020 Annual Report.

²⁰ Value calculated on the basis of the CCI Tariff, i.e. the wholesale marketing price, set quarterly by ARERA.

8) Other current and non-current financial assets

(Million euros)	31.12.2020			30.06.2021		
	Current	Non-current	Total	Current	Non-current	Total
Long-term financial receivables	1	306	307	2	302	304
Minority equity investment accounted at FVTOCI		112	112		104	104
Short-term financial receivables	5		5	5		5
Other	1	2	3		2	2
Total other current and non-current financial assets	7	420	427	7	408	415

Long-term financial receivables amount to 304 million euros (307 million euros at 31 December 2020) and relate mainly to a shareholder loan in favour of OLT. No deterioration in the creditworthiness of the counterparty was identified with respect to these loans, also in relation to the possible impacts of COVID-19.

Minority equity investment accounted at FVTOCI (104 million euros; 112 million euros at 31 December 2020) essentially relate to the valuation of the shares held by Snam in the capital of ITM Power PLC (2.318% oh share) and in the capital of Terminale GNL Adriatico S.r.l. (7.3% of share), amounting to 68 million euros and 35 million euros respectively.

Changes during the period were as follows:

(Million euros)	
Value at 31.12.2020	112
Acquisitions and subscriptions	4
Change in fair value recognised in the other comprehensive income statement	(9)
Disposals and repayments	(3)
Value at 30.06.2021	104

9) Other current and non-current assets

(Million euros)	31.12.2020			30.06.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other current tax assets:	50		50	112		112
- VAT	46		46	106		106
- Other taxes	4		4	6		6
Regulated activities	1	18	19	7	19	26
Other assets:	48	30	78	33	33	66
- Deferred assets	7	13	20	7	11	18
- Security deposits		14	14		14	14
- Other	41	3	44	26	8	34
Total other current and non-current assets	99	48	147	152	52	204

Other current tax assets of 112 million euros (50 million euros at 31 December 2020) mainly relate to VAT credits (106 million euros).

The item "Other assets" (66 million euros; 78 million euros at 31 December 2020) includes:

- deferred assets (18 million euros), relating to Up-Front Fee and substitute tax on revolving credit lines (15 million euros) and insurance premiums (3 million euros);

- security deposits (14 million euros) issued in support of operating activities mainly in the natural gas transportation segment;
- other (34 million euros) mainly related to contract work on biogas plants.

10) Property, plant and equipment

(Million euros)	Property, plant and equipment
Cost at 31.12.2020	27,004
Investments	497
Divestments	(10)
Other changes	(72)
Cost at 30.06.2021	27,419
Accumulated depreciation at 31.12.2020	(10,081)
Depreciation/Amortisation	(350)
Divestments	7
Accumulated depreciation at 30.06.2021	(10,424)
Impairment provision at 31.12.2020	(108)
(Impairment)/Reversals of impairment	(1)
Impairment provision at 30.06.2021	(109)
Net balance at 31.12.2020	16,815
Net balance at 30.06.2021	16,886

Investments²¹ (497 million euros) mainly refer to the transport (405 million euros) and storage (60 million euros) segments.

Other changes (-72 million euros) relate to: (i) the effects arising from the adjustment of the present value of disbursements for site decommissioning and restoration costs (-60 million euros), following an increase in expected discount rates; (ii) contributions on works for interference with third parties (so-called recharges, -10 million euros); (iii) the change in inventories of pipes and related ancillary materials used in plant construction activities, referred to the natural gas transportation segment (-2 million euros).

With reference to the item Rights of use for leased assets, it should be noted that during the first half of 2021, no leasing contracts were renegotiated with the counterparties as a result of COVID-19.

The considerations set out in the 2020 Annual Financial Report, to which reference should be made, are therefore confirmed.

Contractual commitments for the acquisition of property, plant and equipment, as well as for the provision of services related to their construction, are set out in Note 19 "Guarantees and commitments".

²¹ Investments by business segment are shown in the section "Operating performance by business segment" in the Interim Report on Operations.

11) Intangible assets and goodwill

(Million euros)	Definite useful life	Indefinite useful life	Total
Cost at 31.12.2020	1,937	60	1,997
Investments	69		69
Cost at 30.06.2021	2,006	60	2,066
Accumulated depreciation at 31.12.2020	(872)		(872)
Depreciation/Amortisation	(50)		(50)
Accumulated depreciation at 30.06.2021	(922)		(922)
Net balance at 31.12.2020	1,065	60	1,125
Net balance at 30.06.2021	1,084	60	1,144

Intangible assets with definite useful life (1,084 million euros) mainly relate to: (i) concessions for natural gas storage activities (677 million euros); (ii) industrial patent rights and intellectual property rights (198 million euros).

Investments²² (69 million euros), mainly in the natural gas transmission segment (53 million euros), refer mainly to projects for the development of information systems.

Intangible assets with indefinite useful life (60 million euros) mainly refer to goodwill recognised at the time of acquisition: (i) by Edison of 100% of the share capital of Infrastrutture Trasporto Gas (27 million euros) on 13 October 2017; (ii) of a 70% stake in Miecì S.p.A. on 5 October 2020 (12 million euros); (iii) of 82.63% of Renerwaste on 20 November 2019 (5 million euros).

12) Investments accounted for using the equity method

(Million euros)	Total
Balance at 31.12.2020	1,923
Acquisitions and subscriptions	476
Disposals and refunds	(27)
Dividends received	(98)
Effect of valuation with the equity method	
- Portion recognised in income statement	139
- Portion recognised in comprehensive income statement	35
Other changes	(1)
Balance at 30.06.2021	2,447

Acquisitions and subscriptions (476 million euros) relate to the acquisition of 37.47%²³ of Industrie De Nora S.p.A. on 8 January 2021.

Disposals and reimbursements (27 million euros) mainly relate to the reduction in the cost of the TAP investment (26 million euros), following the share capital repayment. On 15 June 2021, Snam S.p.A. completed the contribution of its 20% stake in TAP to its subsidiary Snam International B.V..

Dividends received (98 million euros) mainly relate to the jointly controlled company TAG (31 million euros) and the associated companies Italgas (30 million euros) and Galaxy (€19 million).

The equity method valuation effect refers to: (i) the portion recognised in the income statement (139 million euros), mainly attributable to the share of the results of the jointly controlled companies TAG (34 million euros) and Teréga (20 million euros) and of the associated companies TAP (29 million euros), Italgas (23 million euros) and Galaxy Pipeline Assets

²² Investments by business segment are shown in the section "Operating performance by business segment" in the Interim Report on Operations.

²³ At 30 June 2021, the investment in Industrie De Nora was 37.01% following the subscription of a share capital increase, with the exclusion of preemptive rights, as part of a share incentive plan.

HoldCo Limited (13 million euros) (ii) the portion recognised in the statement of comprehensive income (35 million euros), mainly attributable to the change in fair value of hedging derivatives of the associate TAP (13 million euros) and Galaxy Pipeline Assets HoldCo Limited (9 million euros) and to exchange rate differences (EUR/USD) of the associate Galaxy Pipeline Assets HoldCo Limited (8 million euros).

There are no collateral guarantees on the investments, except as reported in Note 19.1 "Guarantees and commitments - associate TAP" of these notes.

Consolidated companies, non-consolidated subsidiaries, companies controlled jointly with other shareholders, associated companies and other significant equity investments are listed separately in the Annex "Snam S.p.A. investments at 30 June 2021", which is an integral part of these notes.

13) Current and non-current financial liabilities

	31.12.2020					Total debt	30.06.2021					Total debt
	Current financial liabilities		Non-current financial liabilities				Current financial liabilities		Non-current financial liabilities			
	Short-term liabilities	Short-term portion	Long-term portion due within 5 years	Long-term portion due after 5 years	Total long-term portion		Short-term liabilities	Short-term portion	Long-term portion due within 5 years	Long-term portion due after 5 years	Total long-term portion	
(Million euros)												
Bonds		308	4,012	3,820	7,832	8,140	611	3,968	4,573	8,541	9,152	
Bank loans	1,501	1,287	1,384	1,101	2,485	5,273	1,067	1,176	811	1,040	1,851	4,094
Euro Commercial Paper - ECP	2,503					2,503	2,503					2,503
Other lenders							2					2
Financial liabilities for leased assets		6	13	2	15	21	6	14	2	16	22	
Total financial liabilities	4,004	1,601	5,409	4,923	10,332	15,937	3,572	1,793	4,793	5,615	10,408	15,773

13.1 Short-term financial liabilities

Short-term financial liabilities, which amounted to 3,572 million euros (4,004 million euros at 31 December 2020), essentially relate to bank loans (1,067 million euros), mainly due to uncommitted variable rate bank credit lines (950 million euros), and Euro Commercial Paper (2,503 million euros²⁴).

²⁴ At the date of this report, the Euro Commercial Paper programme had been used for the full amount of 2.5 billion euros.

13.2 Long-term financial liabilities and short-term portion of long-term financial liabilities

Long-term financial liabilities, including the short-term portion of long-term liabilities, amounted to a total of 12,201 million euros (11,933 million euros at 31 December 2020), of which 1,793 million euros related to short-term portions and 10,408 million euros to long-term portions.

The following table provides an analysis of bonds (9,152 million euros), issued entirely by Snam S.p.A. and denominated in euros, indicating the year of issue, average interest rate and maturity:

(Million euros)						
	Nominal Value	Rate (%)	Issue (year)	Maturity (year)	Balance at 31.12.2020	Balance at 30.06.2021
Euro Medium Term Notes (EMTN)						
Bond 5.25	582	5.25	2012	2022	588	605
Bond 3.375 (a)	259	3.375	2013	2021	267	
Bond 3.25	385	3.25	2014	2024	395	388
Bond 1.50 (b)	190	1.50	2014	2023	193	191
Bond 1.375	167	1.375	2015	2023	156	160
Bond 0.875	1,250	0.875	2016	2026	1,246	1,252
Bond 1.250%	339	1.250	2017	2025	342	340
Floating Bond	151	0.6+eur3m	2017	2022	151	151
Floating Bond	106	0.836	2017	2024	106	106
Bond 1.375%	650	1.375	2017	2027	648	653
Bond 1.000% (c)	522	1.000	2018	2023	520	523
Bond 1.250% (Climate Action bond)	500	1.250	2019	2025	499	502
Bond 1.625%	250	1.625	2019	2030	252	250
Bond 0%	700	0	2019	2024	696	697
Bond 1%	600	1	2019	2034	590	593
Bond 0.75% (Transition bond)	500	0.75	2020	2030	500	498
Bond 0% (Transition bond)	600	0	2020	2028	596	596
Bond 0% (Transition bond)	500	0	2021	2025		500
Bond 0.75% (Transition bond)	250	0.75	2021	2030		258
Bond 0.625% (Transition bond)	500	0.625	2021	2031		492
Total Euro Medium Term Notes (EMTN)	9,001				7,745	8,755
Convertible bonds						
Convertible Bond	400	0	2017	2022	395	397
Total bonds	9,401				8,140	9,152

(a) Bond expired on 29/01/2021.

(b) Bond re-opened in January 2015 for an incremental amount of 250 million euros with an interest rate and maturity similar to the original placement.

(c) Bond re-opened in November 2018 for an incremental amount of 300 million euros with an interest rate and maturity similar to the original placement.

Bank loan payables (4,094 million euros) relate to term loans, of which 1,578 million euros to the European Investment Bank (EIB).

There are no long-term bank loans denominated in currencies other than the euro.

The weighted average interest rate on borrowings for bank loans used (excluding loans on EIB funding) is 0.27%.

There are no breaches of clauses related to the loan agreements.

Snam has unused committed credit lines amounting to 3.35 billion euros.

Financial covenants and negative pledge commitments

At 30 June 2021, Snam has bilateral and syndicated loan agreements in place with banks and other lenders that are not secured by collateral.

Some of these contracts provide, inter alia, for the fulfilment of commitments typical of international practice, some of which are subject to specific thresholds of significance, such as, for example: (i) negative pledge commitments under which Snam and its subsidiaries are subject to limitations on the creation of security interests or other restrictions on all or part of their respective assets, shares or goods; (ii) pari passu and change of control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, as well as the occurrence of other events, such as cross-default events, may result in default by Snam and, possibly, in the early repayment of the related loan. Limited to EIB financing, the lender may require additional guarantees if the Snam rating is lower than BBB (Standard & Poor's / Fitch Ratings Limited) or lower than Baa2 (Moody's) for at least two of the three rating agencies.

The occurrence of one or more of the above scenarios could have negative effects on the business and the Snam Group's balance sheet, income statement and financial position, resulting in additional costs and/or liquidity problems.

At 30 June 2021, the financial debts subject to these restrictive clauses amount to approximately 3 billion euros.

13.3 Analysis of financial debt

An analysis of net financial debt with evidence of any transactions with related parties is shown in the table below:

(Million euros)	31.12.2020	30.06.2021
A. Cash	514	85
B. Cash equivalents	2,530	1,540
C. Other current financial assets - Current securities held for sale	1	
D. Liquidity (A + B + C)	3,045	1,625
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	4,004	3,572
F. Current portion of non-current financial debt (*)	1,601	1,793
G. Current financial debt (E + F)	5,605	5,365
<i>of which with related parties</i>		
H. Net current financial debt (G - D)	2,560	3,740
I. Non-current financial debt (excluding current portion and debt instruments)	2,485	1,851
J. Debt instruments	7,832	8,541
K. Trade payables and other non-current payables (*)	15	16
L. Non-current financial debt (I + J + K)	10,332	10,408
<i>of which with related parties</i>		
M. Total financial debt (H + L) (**)	12,892	14,148

(*) They include financial liabilities for leased assets recognised in accordance with IFRS 16 "Leases", of which 16 million euros are long-term and 6 million euros are short-term portions of long-term financial liabilities.

(**) Presentation in accordance with ESMA Recommendation 32-232-1138 of 4 March 2021.

14) Trade and other payables

(Million euros)	31.12.2020	30.06.2021
Trade payables for the purchase of goods and services	639	470
Trade payables for purchase of fixed assets	394	355
Total trade payables	1,033	825
Payables to Cassa per i Servizi Energetici e Ambientali (CSEA)	575	594
Payables to personnel	38	25
Payables to shareholders for dividends		20
Payables to pension and social security institutions	21	18
Consultants and professionals	9	10
Interim dividend	326	1
Other	27	18
Total other payables	996	686
Total trade and other payables	2,029	1,511

Trade payables for the purchase of goods and services (470 million euros; 639 million euros at 31 December 2020) mainly relate to the transport segment (320 million euros, of which 229 million euros from balancing activities).

Trade payables for the purchase of fixed assets (355 million euros; 394 million euros at 31 December 2020) mainly relate to the segments of the transportation (268 million euros) and storage of natural gas (41 million euros).

Payables to the CSEA (594 million euros) mainly relate to ancillary tariff components applied to transport service users, to be repaid to the system.

Payables to related parties are shown in Note 30 "Transactions with related parties".

It should be noted that the carrying amount of trade and other payables approximates their fair value measurement, considering the limited time interval between the incurrence of the debt and its maturity.

15) Other current and non-current liabilities

(Million euros)	31.12.2020			30.06.2021		
	Current	Non-current	Total	Current	Non-current	Total
Liabilities from regulated activities	48	82	130	34	49	83
Market value derivative financial instruments	4	34	38	3	2	5
Other current tax liabilities:	8		8	7		7
- IRPEF withholdings on employees	7		7	7		7
- Other taxes	1		1			
Other liabilities	10	98	108	13	134	147
- Security deposits		92	92		121	121
- Liabilities for advance revenues and income	5	2	7	4	1	5
- Liabilities for connection fees		4	4		5	5
- Others	5		5	9	7	16
Total other current and non-current liabilities	70	214	284	57	185	242

Liabilities from regulated activities (83 million euros; 130 million euros at 31 December 2020) relate:

- to the transport segment (70 million euros) mainly for penalties charged to users who exceeded their committed capacity, to be returned to the system through tariff adjustments. The current and non-current portions amount to 34 and 36 million euros, respectively (49 and 52 million euros, respectively, at 31 December 2020).
- to the storage segment (13 million euros) for balancing and reintegration fees, to be paid back to service users in accordance with the provisions of Resolution no. 50/06 of the Authority, corresponding entirely to the non-current portion (29 million euros at 31 December 2020).

The market value of derivative financial instruments outstanding at 30 June 2021 is analysed below:

(Million euros)	31.12.2020			30.06.2021		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Market value derivative financial instruments	4	34	38	3	2	5
Cash flow hedge derivative financial instruments:						
- Fair value of interest rate hedging instruments	3	34	37	2	2	4
- Accrued expenses on derivatives	1		1	1		1

Liabilities arising from the valuation at market value of cash flow hedge derivatives (5 million euros) refer to four interest rate swap derivative contracts. Interest rate swaps are used to hedge the risk of interest rate fluctuations on bonds and bank loans at variable rates. Through derivative contracts, floating rate liabilities are converted into an equivalent fixed rate liability.

The main characteristics of the derivative instruments under review are summarised in the following tables:

Interest Rate Swap - Forward Start

(Million euros)

Type of derivative contract	Contract effective date	Contract expiry date	Early termination date	Remaining duration (years)	Snam pays	Snam receives	Nominal Value 31.12.2020	Nominal Value 30.06.2021	Market Value 31.12.2020	Market Value 30.06.2021
IRS - Forward start (*)	15/04/2021	15/04/2028	15/07/2021	6.8	1.3130%	Euribor 6 m	250		30	

(*) Derivative closed on 8 February 2021.

Interest Rate Swap

(Million euros)

Type of derivative contract	Contract effective date	Contract expiry date	Remaining duration (years)	Snam pays	Snam receives	Nominal Value 31.12.2020	Nominal Value 30.06.2021	Market Value 31.12.2020	Market Value 30.06.2021
Interest Rate Swap	02/08/2017	02/08/2024	3.1	0.4360%	Euribor 3 months	106	106	4	3
Interest Rate Swap	31/07/2018	31/07/2022	1.1	0.1250%	Euribor 3 months	150	150	2	1
Interest Rate Swap	30/07/2018	31/10/2021	0.3	0.0570%	Euribor 3 months	250	250	1	1
Interest Rate Swap	31/10/2018	31/10/2021	0.3	-0.0440%	Euribor 3 months	250	250	1	

The fair value of hedging derivatives, as well as the classification between current and non-current assets/liabilities, were determined on the basis of valuation models widely used in the financial sector and market parameters at the end of the financial year.

Information on risks hedged by derivative financial instruments and the Company's risk hedging policies is provided in Note 20 "Financial risk management".

Liabilities for other current taxes amounting to 7 million euros (8 million euros at 31 December 2020) refer to IRPEF withholdings on employees.

Other liabilities (147 million euros; 108 million euros at 31 December 2020) mainly include: (i) security deposits (121 million euros; 92 million euros at 31 December 2020) paid as guarantees by users of the balancing service, pursuant to Resolution ARC/gas 45/11; (ii) liabilities for advance revenues and income (5 million euros), mainly relating to the advance fee for the concession of the use of fibre optic cables to a telecommunications operator.

16) Provisions for risks and charges

	30.06.2021						Closing balance
	Opening balance	Additional provision	Increase due to the lapse of time	Reversal		Other changes	
				for used amounts	for unused amounts		
(Million euros)							
Provisione for decommissioning and site restoration	710		2	(10)		(59)	643
Risk provision for legal disputes	15	7				(4)	18
Risk provision for tax disputes	4						4
Other provisions	69			(19)	(8)		42
Total	798	7	2	(29)	(12)	(59)	707

The provision for site decommissioning and restoration (643 million euros) includes the estimated discounted costs that will be incurred to remove infrastructure and restore sites, mainly in the segments of the storage (506 million euros) and transportation of natural gas (131 million euros). Other changes (-59 million euros) relate to the change in estimate due to the increase in expected discount rates.

17) Deferred tax liabilities/assets

(Million euros)	31.12.2020	Uses	Other changes	30.06.2021
Gross deferred tax liabilities	568	(300)	(17)	251
Deferred tax assets available for offset	(455)		242	(213)
Deferred tax liabilities	113	(300)	225	38
Gross deferred tax assets	(478)		17	(461)
Deferred tax liabilities available for offset	455		(242)	213
Deferred tax assets	(23)		(225)	(248)

The utilisation of deferred tax liabilities (300 million euros) essentially refers to the effects of the tax realignment pursuant to Law-Decree 14 August 2020 no. 104 For further details, reference is made to note 27 "Income taxes".

18) Equity

(Million euros)	31.12.2020	30.06.2021
Share capital	2,736	2,736
Treasury shares	(361)	(361)
Share premium reserve	611	611
Legal reserve	547	547
Cash flow hedge reserve	(67)	(60)
Reserve for defined benefit plans for employees	(9)	(9)
Fair value reserve for equity investments	48	39
Consolidation reserve	(674)	(674)
Other reserves	39	78
Total reserves	(116)	(79)
Retained earnings	2,824	3,117
Interim dividend	(326)	
Net profit for the period	1,101	878
Total retained earnings	3,599	3,995
Equity attributable to Parent company shareholders	6,469	6,902
Non-controlling interest	3	26
TOTAL EQUITY	6,472	6,928

The main components of Snam equity at 30 June 2021 are analysed below.

18.1 Share capital

At 30 June 2021, the share capital consisted of 3,360,857,809 shares without nominal value (at 31 December 2020), against a total value of 2,735,670,475.56 euros (at 31 December 2020).

18.2 Treasury shares

The negative reserve includes the purchase cost of 90,642,115 treasury shares held at 30 June 2021 (also at 31 December 2020), amounting to approximately 361 million euros (also at 31 December 2020).

18.3 Share premium reserve

The share premium reserve at 30 June 2021 amounted to 611 million euros (the same at 31 December 2020).

18.4 Reserves

Legal reserve

The legal reserve at 30 June 2021 amounted to 547 million euros (the same at 31 December 2020) and has already reached one-fifth of the share capital as required by Article 2430 of the Civil Code.

Cash flow hedge reserve

The fair value reserve for cash flow hedge derivatives (-60 million euros, -67 million euros at 31 December 2020) includes the fair value measurement of derivative instruments, net of related tax effects, on four interest rate swap (IRS) contracts, which are described in Note 15 "Other current and non-current liabilities".

Reserve for defined benefit plans for employees

The reserve for remeasurement of employee benefit plans (-9 million euros; same at 31 December 2020) includes actuarial losses, net of the related tax effect, recognised in other comprehensive income, in accordance with IAS 19.

Fair value reserve for equity investments

The fair value reserve (39 million euros; 48 million euros at 31 December 2020) includes the change in fair value, net of tax effects, of non-controlling interests that were designated as FVTOCI at initial recognition (fair value through other comprehensive income). See Note 8 "Other current and non-current financial assets" for further details.

Consolidation reserve

The consolidation reserve (-674 million euros; the same at 31 December 2020) recognised in 2009 is related to the value arising from the difference between the purchase cost of the Stogit investment and the related group equity at the date of completion of the transaction, as part of a business combination under common control (BCUCC) carried out in 2009 with the former parent company Eni.

Other reserves

Other reserves of 78 million euros (39 million euros at 31 December 2020) mainly relate to the portions of other comprehensive income of investments accounted for using the equity method.

18.5 Retained earnings

Retained earnings include:

- profits relating to previous years, which amounted to 3,117 million euros (2,824 million euros at 31 December 2020); the increase of 293 million euros compared to 31 December is mainly due to the allocation of the residual profit for 2020, after the distribution of dividends (285 million euros);
- profit for the first half of 2021 of 878 million euros.

18.6 Dividends declared and distributed

On 28 April 2021, the Ordinary Shareholders' Meeting of Snam S.p.A. resolved on a dividend of 0.2495 euros per share, of which 0.0998 euros per share, amounting to 326 million euros, has already been distributed as an interim dividend. The final dividend of 0.1497 euros per share, amounting to 490 million euros, was paid from 23 June 2021 with an ex-dividend date of 21 June 2021 and a record date of 22 June 2021.

19) Guarantees and commitments

(Million euros)	31.12.2020	30.06.2021
Guarantees given and to be given to third parties on behalf of the associate TAP	1,129	1,129
Commitments to the associate TAP	113	
Guarantees and commitments - associate TAP	1,242	1,129
Guarantees given to third parties on behalf of subsidiaries	178	198
Group commitments for the purchase of goods and services	1,168	1,207

19.1 Guarantees and commitments - associate TAP

With the achievement of the Financial Completion Date on 31 March 2021, upon the verification of certain requirements agreed with the financing institutions, including, in particular, the completion of the verifications in relation to the commissioning of the plant, was the released on the same date, of the first-demand guarantee issued by the shareholders in favour of the financing institutions to support TAP financing during the construction of the project (the so-called "Debt Service Guarantee"; with a maximum pro-rata Snam amount of 1,129 million euros at 31 December 2020).

With reference to Snam commitments to finance the project as a shareholder, to the extent of the stake it holds (20%), it should also be noted that, following the Financial Completion Date and the completion of the disbursement of the last tranche of bank loans, Snam no longer has any commitments to finance the project (113 million euros at 31 December 2020).

It should be noted that, following the occurrence of the "Financial Completion Date" and for the duration of the loan, a mechanism is foreseen to support the repayment of the TAP outstanding financial debt (the so-called "Debt Payment Undertaking") which would be activated, unlike the guarantee on first demand, upon the occurrence of specific and determined conditions linked to exceptional events of an extraordinary nature. The maximum pro-rata Snam amount of the guarantee is 1,129 million euros.

The structure of the Project Financing concluded for TAP foresees, moreover, some limitations for the shareholders typical for operations of this type, including: (i) the restriction of the possibility to freely dispose of the shares in TAP according to certain time frames; (ii) the pledge of the shares held by Snam B.V. in TAP in favour of the lenders for the entire duration of the financing.

19.2 Guarantees given on behalf of subsidiaries

Guarantees granted on behalf of subsidiaries (198 million euros; 178 million euros at 31 December 2020) mainly relate to:

- (i) guarantees provided in favour of the Italian Revenue Agency mainly on behalf of the subsidiaries Stogit, GNL, Cubogas, Snam4Mobility and Enura (114 million euros);
- (ii) indemnities issued in favour of third parties as a guarantee of proper performance of the work (62 million euros);
- (iii) bank guarantees in favour of the INPS to guarantee the fulfilment of the obligations undertaken towards the INPS in relation to the benefits connected to pension advances, regulated by Article 4, paragraphs 1-7 of Law 92/2012-Fornero Law (21 million euros).

19.3 Group commitments for the purchase of goods and services

Commitments to purchase goods and services (1,207 million euros; 1,168 million euros at 31 December 2020) relate to commitments entered into with suppliers for the purchase of tangible assets and the provision of services related to investments in progress.

19.4 Other commitments and related risks not valued

Other commitments and related risks not accounted for essentially refer to commitments undertaken at the time of closing of transactions for the purchase of investments, which are expected to be effective also after the date of execution of the transactions.

At 30 June 2021, commitments remain in connection with the following agreements:

- the contract for the purchase of Stogit from Eni, for commitments connected to the occurrence of future events, such as (i) the possible different valuation of the gas owned by Stogit, compared to the valuation recognised by ARERA (Autorità di Regolazione per Energia Reti e Ambiente - Energy, Networks and Environment Regulatory Authority) that could emerge in certain contractually defined circumstances (ii) the possible transfer of storage capacity that becomes freely available on a negotiated basis and is no longer regulated, or the transfer of concessions, among those held by Stogit, at the time of the transfer of the shares that may be dedicated primarily to storage activities no longer subject to regulation;
- contract for the purchase from Edison of Terminale GNL Adriatico S.r.l., for commitments related to the benefits that could arise from the potential signing of new contracts for the use of the terminal capacity;
- purchase agreement of Renerwaste S.r.l.:
 - with Ecopartner, for commitments related to the occurrence of future events, including: (i) the expansion of the capacity of production facilities, or (ii) the future exceeding of certain contractually defined parameters;
 - with Ladurner, Ladurner Ambiente and AB Invest, for commitments related to the fulfilment of certain conditions, by 2022, for the purchase of two SPVs to which the authorisations for the construction of two additional plants for the production of Biogas/Biomethane will be conferred;
- purchase contract from Iren of OLT Offshore LNG Toscana S.p.A. for commitments related to the occurrence of future events, including the exceeding of certain contractually defined parameters;
- purchase contract from Femo Gas of Iniziative Biometano S.p.A., for commitments connected to the occurrence of future events, including (i) the exceeding in the future of certain contractually defined parameters and, (ii) the obtaining of a portion of the benefits.

20) FINANCIAL RISK MANAGEMENT

Introduction

In the area of business risks, the main financial risks identified, monitored and, to the extent specified below, managed by Snam are as follows:

- the risk arising from exposure to fluctuations in interest rates;
- the credit risk arising from the possibility of default by a counterparty;
- the liquidity risk arising from the lack of financial resources to meet short-term commitments.

With regard to the risk of exposure to changes in exchange rates, due to the circumstances currently in place, the Snam group's exposure is currently limited with regard to transaction risk, while there is still exposure to translation risk with regard to certain foreign subsidiaries that prepare their financial statements in currencies other than the euro. At this stage, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

With regard to other risks, including those related to the COVID-19 pandemic, please refer to the section "Risk and uncertainty factors" in the Report on Operations.

Snam policies and principles for the management and control of financial risks are described below, in accordance with the approach set out in IFRS 7 - Financial Instruments: Disclosures.

Risk of changes in interest rates

Interest rate risk is related to fluctuations in interest rates that affect the market value of the company's financial assets and liabilities and the level of net financial expenses.

Snam aims to optimise interest rate risk in pursuit of the objectives defined and approved in the financial plan.

The Snam Group adopts a centralised operating model. In accordance with this model, Snam structures ensure that needs are met, through access to financial markets, and that funds are used in accordance with approved objectives, guaranteeing that the risk profile is kept within defined limits.

At 30 June 2021, the Snam Group used external financial resources in the form of bonds and bilateral and syndicated loan agreements with banks and other lenders, in the form of short- and medium/long-term financial debt and bank credit lines at interest rates indexed to market reference rates, in particular the Europe Interbank Offered Rate (Euribor), and at fixed rates. The exposure to the risk of changes in interest rates at 30 June 2021, taking into account the hedging transactions put in place, is equal to approximately 30% of the group's total exposure (33% at 31 December 2020). At 30 June 2021, Snam had interest rate swap (IRS) derivative contracts in place for a notional total of 756 million euros, relating to hedges on a 106 million euros floating-rate bond maturing in 2024 and on bilateral floating-rate loans totalling 650 million euros maturing in 2021 and 2023. IRS derivative contracts are used to convert floating rate loans into fixed rate loans.

Although the Snam Group has an active risk management policy, an increase in interest rates on floating-rate debt that is not hedged against interest rate risk could have a negative impact on the Snam Group's business and financial position. Although the Snam Group's exposure to changes in interest rates is limited to 30% of the Group's total exposure and is fully attributable to the Euribor rate, a possible change in the method of calculating the Euribor rate and the related fallback clauses that may be formulated could entail the need for the Snam Group to adjust the financial contracts affected by the change and/or the management of prospective cash flows.

Credit risk

Credit risk represents the company's exposure to potential losses arising from the failure of counterparties to meet their obligations. Non-payment or delayed payment of the fees due could have a negative impact on Snam economic results and financial equilibrium. Regarding with the risk of counterparty default in commercial contracts, credit management is the responsibility of the business units and Snam centralised functions for activities related to credit recovery and any management of disputes. Regarding with regulated activities, which currently represent almost the entirety, Snam provides its business services to 225 operators in the gas sector, taking into account that the top 10 operators represent approximately 70% of the entire market (Eni, Edison and Enel Global Trading in the top three places). The rules for customer access to

the services offered are established by the Authority and are set out in the Network Codes, i.e. in documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in the process of selling and providing the services themselves, and dictate contractual clauses that significantly reduce the risks of non-compliance on the part of customers. The Codes provide for the granting of guarantees to cover the obligations undertaken. In certain cases, if the customer has a credit rating issued by leading international organisations, the issuance of such guarantees may be mitigated. The regulatory framework also provides for specific clauses in order to guarantee the neutrality of the party responsible for the Balancing activity, an activity carried out from 1 December 2011 by Snam Rete Gas as a major transportation company. In particular, the current balancing rules provide that Snam, on the basis of economic merit criteria, mainly trades on the GME balancing platform to guarantee the resources necessary for the safe and efficient movement of gas from the injection points to the withdrawal points, in order to ensure the constant balance of the network.

As regards non-regulated assets, which will become increasingly important over the plan period, the company, through its centralised functions, carries out a prior analysis of the financial soundness of counterparties in order to minimise this risk.

Snam maximum exposure to credit risk at 30 June 2021 is represented by the carrying amount of the financial assets shown in the financial statements commented in Note 5 "Trade and other receivables".

Liquidity risk

Liquidity risk represents the risk that due to the inability to raise new funds (funding liquidity risk), or to liquidate assets on the market (asset liquidity risk), the Company is unable to meet its payment obligations, causing an impact on the economic result in the event that the Company is forced to incur additional costs to meet its commitments or, as a last consequence, an insolvency situation that puts the company activities at risk.

The Snam Risk Management objective is to put in place, within the framework of the financial plan, a financial structure that, consistent with business objectives, guarantees an adequate level of liquidity for the Group, minimising the related opportunity cost and maintaining a balance in terms of duration and composition of debt.

The financial market is characterised by a steady growth in sources of finance for companies able to improve the

environmental impact of their investments. The interest of investors is linked and conditional on the ability of the companies themselves to achieve certain objectives in terms of environmental sustainability.

From the perspective of proper liquidity risk management, the diversification of funding sources, including through the use of sustainable finance instruments, is therefore crucial in order to ensure that companies have broad access to financial markets at competitive costs, with consequent positive effects on their economic, equity and financial situation.

Similarly, for Snam, the failure to achieve certain KPIs in the ESG area, within the Group's general objective of making its business more sustainable in the medium to long term, could tend to lead to higher financing costs or lack of access to certain sources of financing.

The mitigation of this risk passes through Snam extreme attention to ESG issues, traditionally a relevant and structured part of the company's strategy.

Consistent with this approach, during 2018 Snam finalised the transformation of its 3.2 billion syndicated euros credit lines into sustainable loans, the third largest sustainable loan signed in the world and the first by a gas utility. This financing provides for bonus/malus mechanisms depending on the achievement of certain KPIs in the ESG (Environment, Social, Governance) area. In addition, Snam issued i) in February 2019, its first 500 million euros Climate Action Bond (ii) in June 2020, its first Transition Bond, the second in Europe and the first by a gas transportation utility, for an additional 500 million euros (iii) in December 2020, a second Transition Bond for 600 million euros, the longest bond with a zero coupon issued by an Italian issuer, (iv) in February 2021, a dual-tranche Transition Bond for a total of 750 million euros and (v) in June 2021, the fourth Transition Bond for 500 million euros. These issues are aimed at financing investments in environmental sustainability and energy transition. In addition, in 2020, Snam renewed its Euro Commercial Paper programme, increased from 2 to 2.5 billion euros, linking it to environmental and social sustainability objectives in line with the sustainable loan and obtaining a rating for the instrument ESG equal to EE assigned by the ESG rating company Standard Ethics. Finally, in June 2021, Snam signed a loan agreement with the European Investment Bank (EIB) for a total of 150 million euros to support the group's energy efficiency projects in the residential and industrial sectors. Specifically, the agreement concerns initiatives totalling 200 million euros planned by the subsidiary TEP Energy Solutions, which consist mainly in

the energy upgrading of residential buildings and the implementation of energy efficiency and decarbonisation measures for industrial activities, including the installation of photovoltaic panels. The loan is characterised by a framework loan structure, which can be used in several tranches within a period of three years; each tranche will have a maximum total duration of 15 years.

As highlighted in paragraph 26.2 "Risk of interest rate fluctuations", the Company had access to a wide range of financing sources through the credit system and capital markets (bilateral contracts, pooled financing with leading national and international banks, financing contracts on European Investment Bank (EIB) funding, bonds and Commercial Paper).

Snam aims to maintain a balanced debt structure, in terms of the composition between bonds and bank credit and the availability of usable committed bank credit lines, in line with the business profile and regulatory framework in which Snam operates.

At 30 June 2021, Snam had unused committed long-term credit lines of approximately 3.35 billion euros, of which 150 million euros related to the framework loan signed with the EIB in June. In addition, at the same date, Snam had a Euro Medium Term Notes (EMTN) programme, for a maximum total nominal amount of 11 billion euros, of which approximately 8.7 billion euros had been drawn, and a Euro Commercial Paper Programme (ECP), for a maximum total nominal amount of 2.5 billion euros, fully drawn at 30 June 2021.

Snam cash and cash equivalents mainly relate to current accounts and bank deposits that are readily collectable.

The Group's main long-term financial debts contain covenants typical of international practice concerning, inter alia, negative pledge and pari passu clauses. Failure to comply with these clauses, as well as the occurrence of other events, such as cross-default events, may result in default by Snam and, possibly, in the early repayment of the related loan, causing additional costs and/or liquidity problems. The commitments do not include covenants requiring compliance with economic and/or financial ratios.

Among the factors that define the risk perceived by the market, the creditworthiness, assigned to Snam by the rating agencies, plays a decisive role since it influences its ability to access sources of financing and the related economic conditions. A worsening of this credit rating could, therefore, constitute a limitation to access to the capital market and/or an increase in the cost of financing

sources, with consequent negative effects on the Group's economic, equity and financial situation.

The Snam long-term rating is equal to: (i) Baa2 with stable outlook, confirmed on 27 July 2021 by Moody's Investor Services; (ii) BBB+ with stable outlook, confirmed on 22 February 2021 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 22 January 2021 by Fitch Ratings ("Fitch"). The Snam long-term rating for Moody's and Standard & Poor's is one notch above that of the Italian Republic, two notches above for Fitch. Based on the methodology adopted by Moody's, S&P and Fitch, a one notch downgrade of the Republic of Italy's current rating would trigger a likely corresponding downgrade of the Snam current rating. In this regard, it should be noted that the next reviews by the Rating Agencies for the Republic of Italy are scheduled for 22 October 2021 for S&P, 5 November 2021 for Moody's and 3 December 2021 for Fitch.

The company's short-term rating, used as part of the Snam commercial paper programme, is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Although the Snam Group has relationships with diversified counterparties with a high credit standing, based on a policy for managing and continuously monitoring their credit risk, the default of an active counterparty or the difficulty of liquidating assets on the market could have a negative impact on the Snam Group's business and financial position.

Market value of financial instruments

The classification of financial assets and liabilities measured at fair value in the statement of financial position according to the fair value hierarchy defined according to the significance of the inputs used in the valuation process is shown below. In particular, depending on the characteristics of the inputs used for the valuation, the fair value hierarchy envisages the following levels:

- a) level 1: listed prices (and not subject to change) in active markets for the same financial assets or liabilities;
- b) level 2: valuations made on the basis of inputs, different from the listed prices referred to in the previous point, which, for the assets/liabilities valued, are directly observable (prices) or indirectly (as derived from prices).
- c) level 3: inputs not based on observable market data.

In relation to the above, the classification of assets and liabilities measured at fair value in the statement of financial position according to the fair value hierarchy concerned: (i) derivative financial instruments at 31 December 2020 classified at level 2 and disclosed in note 15 "Other current and non-current liabilities" (5 million euros); (ii) minority equity investment in Adriatic LNG and Istituto Treccani, valued at FVTOCI, classified at level 3 a and disclosed in note 8 "Other current and non-current financial assets" (36 million euros in total); (iii) the minority equity investment in ITM Power, valued at FVTOCI, classified at level 1 and illustrated in note 8 "Other current and non-current financial assets" (68 million euros).

21) Penal and tax litigation and proceedings with the regulatory authority ARERA

Snam is a party in civil, administrative and criminal proceedings and in legal actions related to the normal course of its activities. Based on the information currently available, and taking into account the existing risks, Snam believes that these proceedings and actions will not have a material adverse effect on its condensed half-year financial statements. Below is a summary of the most significant proceedings for which there have been significant developments compared to those presented in the 2020 Annual Financial Report, including new proceedings and closed proceedings. Unless otherwise indicated, no provision has been made for the disputes described below because the Company believes that an unfavourable outcome of the proceedings is unlikely, or because the amount of the provision cannot be reliably estimated.

At 30 June 2021, risks for damages and claims related to litigation in progress but where the risk of losing the case is not considered probable amounted to 64 million euros (44 million euros at 31 December 2020).

21.1 Penal litigation

IES Biogas - Criminal Conviction Decree

On 2 November 2018, a criminal decree of conviction issued by the Court of Venice was served on a Manager

of IES Biogas, following the accident at work that occurred on 29 September 2016, to an employee of the company, during the maintenance of a silo agitator. On 16 November 2018, a notice of opposition to the conviction order was filed, requesting that the proceedings be concluded in the form of a conditional summary judgement. In 2020, the insurance process was concluded, and the injured party accepted the offer of damages made by the insurance company. In June 2021, a hearing was held before the judge who rejected the request to hear a witness in favour of the defence, as the content of the documents filed was already sufficient for the latter. During the discussion, the Public Prosecutor concluded by requesting the acquittal because the fact does not exist in favour of the defendant and the Judge adjourned the case to July for the reading of the sentence.

21.2 Other proceedings

Appeal by the Environmental Forum against the integrated environmental authorisation for the new Sulmona plant

On 2 June 2021, the Environmental Forum - which claims to be an environmental protection association - lodged an appeal with the Regional Administrative Court of Lazio for the annulment of Decree no. 000086 of 11 March 2021 of the Ministry for Ecological Transition concerning the issue of the integrated environmental authorisation (AIA) for the operation of the gas compression station of the company Snam Rete Gas located in Sulmona (AQ) - (ID 7015/9997) as well as all the prior, connected and consequential or in any case related deeds. The applicant claims that its reasons are based on: i) the seismic risk to which the works of Snam Rete Gas are allegedly subject; ii) failure to conduct a preliminary investigation into emissions and failure to take account of their effects on animals and plants in the area concerned; iii) failure to carry out a strategic environmental assessment (SEA) as a precondition for the issue of the AIA; iv) shortcomings in the preliminary investigation procedure leading to the issue of the AIA. No application for a precautionary measure has been submitted, and therefore we are waiting for the Regional Administrative Court (TAR) to set a hearing to discuss the merits of the case.

22) Revenues and other operating income

(Million euros)	First half-year	
	2020	2021
Revenues	1,343	1,522
Other operating income	3	5
Total revenues and other operating income	1,346	1,527

The reasons for the most significant changes are explained in the Interim Report on Operations in the section "Comments on the economic and financial results and other information", to which reference is made.

Revenues from related parties are shown in note 30 "Transactions with related parties".

Revenues

Below is a breakdown of revenues from contracts with customers, broken down by existing operating segments⁴⁰:

(Million euros)	First half-year	
	2020	2021
Transport Segment	1,014	1,084
Storage Segment	248	265
Regasification Segment	11	9
Other segments	61	157
Other revenues not allocated to segments	9	7
Total revenues	1,343	1,522

The group's revenues are mainly generated in Italy. An analysis of revenues by business segment, showing eliminations and consolidation adjustments, is provided in Note 29 "Information by business segment".

The activities carried out by Snam do not show seasonal phenomena capable of significantly influencing interim and annual financial results.

Revenues mainly relate to the segments of transportation (1,084 million euros), storage of natural gas (265 million euros) and LNG regasification (9 million euros).

Revenue from the transportation segment is shown net of items relating to tariff components for the transportation service, in addition to the tariff, destined to cover general charges of the gas system (526 million euros; 569 million euros in the first half of 2020). The amounts collected by Snam are paid, for the same amount, to the Cassa per i Servizi Energetici e Ambientali (CSEA).

Revenues related to other segments concern: (i) services related to energy efficiency projects (116 million euros); (ii) fees for the construction of biogas and biomethane plants (26 million euros); (iii) sales of automotive compressors - CNG (11 million euros); (iv) technical and specialist services provided by Snam Global Solutions to non-consolidated foreign companies (4 million euros).

⁴⁰ In accordance with IFRS 15 "Revenues from contracts with customers", paragraph 114, Snam has chosen to disaggregate revenues on the basis of existing operating segments. This presentation takes into account information that is subject to periodic review by the highest operating decision maker for the purpose of assessing the financial performance of operating segments and information used by the entity or the users of the entity's financial statements to assess the entity's financial performance.

Other operating income

Other operating income of 5 million euros (3 million euros in the first half of 2020) mainly relates to income from insurance reimbursements.

23) Operating costs and expenses

(Million euros)	First half-year	
	2020	2021
Raw materials, supplies, consumables and goods	60	149
Services	59	92
Other operating costs and expenses	39	29
Personnel cost	90	98
Total operating costs and expenses	248	368

The reasons for the most significant changes are explained in the Interim Report on Operations under "Comments on the economic and financial results and other information".

Operating costs for the first half of 2021 include costs incurred as a result of the state of emergency related to the COVID-19 pandemic for a total amount of 4 million euros, mainly related to donations of medical equipment (3 million euros) to the Italian healthcare system and the third segment, purchases of personal protective equipment for internal use and costs for services (1 million euros).

Purchases, service provisions and other costs

(Million euros)	First half-year	
	2020	2021
Purchase cost of raw and ancillary materials, consumables and goods	116	182
Change in inventories of raw and ancillary materials, consumables and goods	(10)	(5)
Total cost of raw materials and ancillary, consumables and goods incurred during the period	106	177
Costs for services	139	168
Cost of rents and leases	17	10
Net change in provisions for risks and charges	(1)	(4)
Other expenses	23	27
Total other operating costs and expenses incurred during the period	39	29
<i>To deduct:</i>		
Increases for internal work	(126)	(104)
- of which purchase cost of raw and ancillary materials, consumables and goods	(46)	(28)
- of which costs for services	(80)	(76)
Total costs recognised in the income statement	158	270

Personnel cost

(Million euros)	First half-year	
	2020	2021
Wages and salaries	81	91
Social charges (social security and welfare)	22	24
Expenses for employee benefit plans	7	7
Other expenses	5	6
Total personnel cost incurred during the period	115	128
Share of capitalised costs	(25)	(30)
Total personnel cost recognised in the income statement	90	98

Average number of employees

The average number of employees of the entities included in the scope of consolidation, broken down by professional status, is shown in the table below:

Professional status	30.06.2020	31.12.2020	30.06.2021
Executives	122	129	142
Middle Managers	510	525	572
Office workers	1,697	1,715	1,819
Manual workers	736	752	803
Average number of employees	3,065	3,121	3,336

The average number of employees is calculated as an average determined on the basis of the monthly results of employees by category.

Personnel in service at 30 June 2021 numbered 3,357 resources (3,048 and 3,249 resources at 30 June 2020 and 31 December 2020, respectively), with an increase of 309 resources compared to 30 June 2020, mainly due to the entry of new companies into the scope of consolidation (152 at 30 June 2021) and new hires from the market, also for the strengthening of the new energy transition businesses, particularly in the biomethane and hydrogen area, which more than absorbed outgoing resources for the period.

24) Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses

(Million euros)	First half-year	
	2020	2021
Property, plant and equipment	338	350
Intangible assets	36	50
Total depreciation and amortisation	374	400
Impairment losses of property, plant and equipment		1
Total impairment losses		1
Total depreciation, amortisation and impairment losses	374	401

For more details on depreciation and amortisation of tangible and intangible assets, please refer to the analyses in Note 10 "Property, plant and equipment" and Note 11 "Intangible assets and goodwill".

Details of depreciation, amortisation and impairment by business segment are shown in Note 29 "Information by business segment".

25) Net financial expenses

(Million euros)	First half-year	
	2020	2021
Financial expenses (income)	66	56
Financial expenses	71	64
Financial income	(5)	(8)
Other financial expenses (income)		(6)
Other financial expenses	5	3
Other financial income	(5)	(9)
Expenses (income) from derivatives – ineffective portion	1	
Expenses from derivatives	1	
	67	50

(Million euros)	First half-year	
	2020	2021
Financial expenses (income)	66	56
Expenses on financial payables:	77	72
- Interest expense and other expenses on bonds	69	64
- Fees payable on loans and bank credit lines	3	4
- Interest expense on credit lines and borrowings from banks and other lenders	5	4
Income on financial receivables	(5)	(8)
- Interest income and other income on short-term financial assets	(5)	(8)
Financial expenses charged to assets	(6)	(8)
Other financial expenses (income):	0	(6)
- Financial expenses related to the lapse of time (accretion discount) (*)	3	2
- Other expenses	2	1
- Interest income on long-term financial receivables	(4)	(7)
- Other income	(1)	(2)
Expenses (income) from derivatives - ineffective portion	1	
	67	50

The expenses on financial payables (72 million euros) mainly concern: (i) interest expense and other expenses on bonds (64 million euros) essentially related to interest on 21 bonds; (ii) interest expense to banks related to revolving credit lines and term loans totalling 4 million euros; (iii) fees for non-utilisation of credit lines (2 million euros) and the portion of the Up-Front Fee for the period on revolving credit lines (2 million euros).

Financial expenses charged to assets (8 million euros) relate to the portion of financial expenses capitalised in investment activities.

Other net financial income (6 million euros) mainly relates to income on long-term financial credits in favour of OLT for the acquisition of a 49.07% stake in the company's share capital (7 million euros).

26) Net Income from equity investments

(Million euros)	First half-year	
	2020	2021
Income from equity investments accounted for using the equity method	111	139
Expenses from investments accounted for using the equity method	(4)	
Share of profit or loss of investments accounted for using the equity method	107	139
Dividends from minority interests accounted at FVTOCI	2	
Other income from equity investments	1	
Other income/(expenses) from equity investments	3	
Total net income from equity investments	110	139

An analysis of the share of profit or loss of investments accounted for using the equity method is given in Note 12 "Investments accounted for using the equity method".

27) Income taxes

(Million euros)	First half-year					
	2020			2021		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes	181	31	212	235	32	267
Current taxes for the period	180	31	211	235	32	267
Adjustments for current taxes relating to prior years	1		1			
Deferred tax liabilities	(17)		(17)	(301)	1	(300)
Deferred tax liabilities	(8)		(8)	(298)		(298)
Deferred tax assets	(9)		(9)	(3)	1	(2)
Total income tax recognised in the income statement	164	31	195	(66)	33	(33)

Tax realignment pursuant to Law-Decree no. 104 of 14 August 2020

Article 110, paragraph 8 of Law-Decree no. 104 of 14 August 2020 (so-called "August Decree") reintroduced the option for entities that prepare their financial statements in accordance with IAS/IFRS to realign the civil and fiscal values of tangible and intangible assets (excluding those for the production or exchange of which the business activity is directed), as well as of investments constituting financial assets, resulting from the financial statements of the year in progress at 31.12.2019:

- with the payment of a 3% substitute tax applied to the realigned values, to be paid in a maximum of three equal annual instalments starting from 30 June 2021;
- and the obligation to restrict a tax suspension reserve for tax purposes⁴¹.

The Snam group has decided to avail itself of this option and to realign the civil and tax values of certain tangible and intangible assets belonging to the subsidiaries Snam Rete Gas, Stogit, GNL Italia and Renerwaste S.r.l., represented, respectively, primarily by pipelines, regasification plants, wells and treatment plants and by goodwill.

As a result of this realignment, the following economic and financial effects have been recognised⁴² at 30 June 2021:

- registration of the substitute tax, for a total charge of 37 million euros and payment, on 30 June 2021, of the first of three instalments for a total amount of 14 million euros;
- release to the income statement of deferred tax liabilities accrued in previous years for a total amount of 292 million euros, with a simultaneous reduction of the related provision recorded as a liability in the statement of financial position.

To this end, it should be noted that, with reference to Stogit and GNL Italia, the economic effects of the realignment have been prudentially suspended as a result of recent clarifications of practice, which have not been made public but which have nevertheless appeared in the main specialised press, provided to taxpayers who also operate in businesses subject to the concessionary regime. Pending clarification on whether the Companies may benefit from the realignment legislation, the Companies have however paid the first of the three instalments of the 3% substitute tax due.

As a result of the Company's decision not to opt for the release of restricted reserves through the payment of a 10% substitute tax, the respective Boards of Directors of the subsidiaries Snam Rete Gas and Renerwaste convened their respective Shareholders' Meetings in order to restrict the reserves in suspension of taxation for tax purposes.

The incidence of taxes for the period on the pre-tax result (tax rate) is affected by the effects of the tax realignment pursuant to DL Law-Decree 104 of 14 August 2020, which resulted in lower taxes totalling 255 million euros in the first half of 2021. Net of this effect, the tax rate was 26.2% (25.4% in the first half of 2020), compared to a theoretical rate of

⁴¹ The reserve may be released by the application of a 10% substitute tax on income tax, IRAP and any additional tax.

⁴² Excluding effects for Stogit and LNG with the exception of values relating to taxes paid.

27.5% (27.7% in the first half of 2020) resulting from applying the Italian tax rates of 24.0% (IRES) to pre-tax profit and 3.9% (IRAP) to net production value.

The reduction in the tax rate compared to the theoretical rate is mainly due to the valuation of investments using the equity method and the reintroduction of the ACE (Aid to Economic Growth) benefit⁴³, the effects of which were partially offset by the tax on dividends and the taxes associated with the recognition, for tax purposes only, of the gains associated with the contribution of the investment held by Snam S.p.A. in TAP to Snam International B.V.

28) Earnings per share

Earnings per share, equal to 0.268 euros per share (0.174 euros per share in the first half of 2020), are calculated by dividing the profit for the first half attributable to the shareholders of the parent company Snam (878 million euros; 572 million euros in the first half of 2020) by the weighted average number of Snam shares outstanding during the period, excluding treasury shares (3,270,215,694 shares; 3,292,086,269 shares in the first half of 2020).

Diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the parent company Snam, after deducting interest recognised in the period on the convertible bond, net of the tax effect, by the weighted average number of shares outstanding in the period, excluding treasury shares, and those potentially deriving from the long-term share incentive plans (2018, 2019 and 2020 grants) as well as from the conversion of the convertible bond.

The weighted average number of outstanding shares used for the calculation of diluted earnings per share is 3,357,291,776 and 3,378,547,365 in the first half of 2021 and 2020, respectively.

Reconciliation of basic and diluted earnings per share

The reconciliation of the weighted average number of shares outstanding used in the calculation of basic earnings per share and that used in the calculation of diluted earnings per share is shown below:

	First half-year	
	2020	2021
Weighted average number of outstanding shares used to calculate basic earnings	3,292,086,269	3,270,215,694
Number of potential shares for incentive plans	3,906,868	4,521,854
Number of potential shares for the convertible bond issue	82,554,228	82,554,228
Weighted average number of shares outstanding for diluted earnings	3,378,547,365	3,357,291,776
Profit for the period attributable to the Group (€ million) (a)	572	878
Dilutive effect from convertible bond loan	1	1
Group diluted earnings for the period (€ million) (a)	573	879
Basic earnings per share (amounts in euros per share) (a)	0.174	0.268
Diluted earnings per share (amounts in euros per share) (a)	0.170	0.262

⁴³ This measure, introduced by Decree-Law no. 201 of 6 December 2011 converted by Law no. 214 of 22 December 2011 and subsequent additions and amendments, was repealed by the 2019 Budget Law, and was reinstated by the 2020 Budget Law with a reduced rate from 1.5% to 1.3%.

29) Information by business segment

Segment reporting has been prepared in accordance with the provisions of IFRS 8 "Operating Segments", which requires reporting to be consistent with the manner in which management makes operating decisions. Therefore, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by the Company Management for the purposes of allocating resources to the various segments and for the analysis of the related performance.

In the first half of 2021, the reportable segments, which correspond to those in place at 31 December 2020, are as follows:

- Transportation segment, attributable to the legal entities that carry out, at Group level, the transportation and dispatching of natural gas in Italy (Snam Rete Gas, ITG and Enura);
- Storage segment, attributable to the legal entity that provides natural gas storage services in Italy (Stogit);
- Regasification segment, related to the legal entity that provides liquefied natural gas (LNG) regasification service, which is subject to separate disclosure as it is a business subject to specific regulation, although it does not meet the materiality thresholds set out in IFRS 8;
- Other segments: including the companies active in the Energy Transition business (sustainable mobility, energy efficiency and biogas/biomethane) as well as the activities of Snam Global Solutions, which are not subject to disclosure. These segments are not reported separately as they do not currently meet the materiality thresholds set out in IFRS 8, either individually or in aggregate.

Other unallocated amounts relate to head office activities of Snam corporate and insurance captives.

In order to assess the performance of the operating segments, Snam management mainly analyses adjusted EBITDA (net of any non-recurring costs or revenues, or costs or revenues resulting from events or transactions that are not representative of normal business activity) and adjusted EBIT, for which a reconciliation with the related reported values is provided.

In addition to the above measures, the Executive Board regularly analyses revenues and investments for each business.

In order to allow for a better reconciliation with what is represented for management purposes, the representation of revenues has been modified, distinguishing "Regulated revenues", relating to services subject to regulation by the ARERA authority, from "Other revenues" and "Other income" not subject to such regulation, instead of the distinction between "Revenues from ordinary operations" and "Other revenues and income". The corresponding figures for the first half of 2020 have been restated.

(Million euros)	Reporting segments				Amounts not allocated to segments	Reconciliation of adjusted values with reported values	Total
	Transport Segment	Storage Segment	Regasification Segment	Other segments			
FIRST HALF 2020							
Regulated revenues	1,014	248	11				1,273
Other non-regulated revenues	27		1	61	9		98
<i>to deduct: inter-segment revenues</i>	<i>(27)</i>		<i>(1)</i>				<i>(28)</i>
Total revenues from third parties	1,014	248	11	61	9		1,343
Other operating income	3	1					4
<i>to be deducted: other inter-segment operating income</i>		<i>(1)</i>					<i>(1)</i>
Total revenues and other operating income from third parties	1,017	248	11	61	9		1,346
EBITDA	888	216	4	(1)		(9)	1,098
Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	(309)	(53)	(3)	(4)	(5)		(374)
Operating profit	579	163	1	(5)	(5)	(9)	724
Investments in tangible and intangible assets	388	43	8	13	5		457
FIRST HALF 2021							
Regulated revenues	1,084	265	9				1,358
Other non-regulated revenues	16		1	157	7		181
<i>to deduct: inter-segment revenues</i>	<i>(16)</i>		<i>(1)</i>				<i>(17)</i>
Total revenues from third parties	1,084	265	9	157	7		1,522
Other operating income	7	4			2		13
<i>to be deducted: other inter-segment operating income</i>	<i>(4)</i>	<i>(4)</i>					<i>(8)</i>
Total revenues and other operating income from third parties	1,087	265	9	157	9		1,527
EBITDA	919	230	4	4	6	(4)	1,159
Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	(326)	(59)	(4)	(8)	(4)		(401)
Operating profit	593	171	0	(4)	2	(4)	758
Investments in tangible and intangible assets	458	68	16	21	3		566

Revenues are earned by applying regulated tariffs or market conditions. Revenues were mainly generated in Italy; costs were incurred almost entirely in Italy.

30) Transactions with related parties

Effective 1 August 2019, CDP S.p.A. requalified the shareholding relationship in Snam, which had already qualified as de facto control under IFRS 10 - Consolidated Financial Statements since 2014, as de facto control also pursuant to Article 2359, paragraph 1 of the Civil Code and Article 93 of the TUF.

Given the existence of de facto control by CDP S.p.A. over Snam S.p.A., Snam related parties, based on the current group ownership structure, are represented not only by Snam subsidiaries, associates and joint ventures, but also by the parent company CDP S.p.A. and its subsidiaries, including joint ventures, and associates, as well as by the subsidiaries, including joint ventures, and associates of the Ministry for the Economy and Finance (MEF). In addition, members of the Board of Directors, Statutory Auditors and executives with strategic responsibilities and their family members, of the Snam group and CDP are also considered related parties.

As explained in detail below, transactions with related parties mainly concern the exchange of goods and the provision of regulated services in the gas sector. Snam dealings with related parties are part of the company's ordinary business operations and are generally conducted on an arm's length basis, i.e. at the conditions that would be applied between two independent parties. All transactions were carried out in the interest of the companies in the Snam group.

Pursuant to the provisions of the applicable regulations, the Company has adopted internal guidelines to ensure the transparency and substantive and procedural fairness of transactions with related parties, carried out by the Company itself or by its subsidiaries.

Directors and statutory auditors shall issue, on a half-yearly basis and/or in case of changes, a statement in which the potential interests of each one in relation to the company and the group are represented. In any case, they shall report in due time to the CEO (or to the Chair, in case of interests of the CEO), who shall inform the other directors and the Board of Statutory Auditors, of the single operations that the company intends to carry out, in which they have an interest.

Snam is not subject to management and coordination activities. Snam exercises management and coordination activities with respect to its Subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

In the context of transactions with related parties, pursuant to the disclosure requirements set forth in Consob Regulation no. 17221 of 12 March 2010, we report the following:

- the stipulation between Snam Rete Gas S.p.A. and Eni S.p.A. of the natural gas transportation contract for the Thermal Year 2020-2021. On 8 February 2021, the value of the transportation contract exceeded the materiality threshold of 140 million euros identified in the Snam Guideline "Transactions with interests of directors and statutory auditors and transactions with related parties". The aforementioned contract is defined in accordance with the procedures provided for in the Network Code of Snam Rete Gas S.p.A., approved by the Regulatory Authority for Energy, Networks and Environment with Resolution no. 75/2003 and its subsequent updates.

This contract can be classified as an ordinary transaction concluded under market-equivalent or standard terms and conditions, since, according to paragraph 2 of the Guideline (published on www.snam.it): (i) they are part of the ordinary course of business and related financial activity; (ii) the terms and conditions applied are based on regulated tariffs.

- the approval by the Snam Board of Directors, on 11 May 2021, of the signing of a loan agreement for up to a total of 150 million euros with the subsidiary TEP Energy Solutions S.r.l. (TEP), subsequently signed on 15 June 2021, which took place in the context of a loan granted by the European Investment Bank ("EIB") to support the TEP programme of investments in energy efficiency activities. The above-mentioned loan was subscribed, as is customary, directly by Snam as borrower and then made available to TEP through the signing of the Intercompany Loan contract, under economic terms and conditions in line with those granted by the EIB. From this point of view, the transaction appears to be covered by the rationale of the exclusion for transactions at market or standard conditions as per Art. 3.2, no. 8 of the RPT Guidelines and Art. 13, paragraph 3, letter c) of the Consob RPT Rules, as it is the execution of agreements entered into with unrelated parties.

The above transactions were processed in accordance with the "*Guidelines for Transactions with Interests of Directors and Statutory Auditors and Related Party Transactions*" in force until 30 June 2021. As of 1 July 2021, the Company has adapted the aforementioned Guideline to the provisions of the Consob Regulation on related party transactions as amended by resolution no. 21624/2020.

The following table shows the balances of trade, other and financial transactions with related parties, as defined above, for the current period and the previous year of comparison. The nature of the most significant transactions is also indicated.

Trade and other transactions

Trade and other transactions are analysed in the table below:

	30 June 2020				First half 2020				
	Costs (a)		Revenues (b)		Costs (a)		Revenues (b)		
(Million euros)	Receivables	Other assets	Payables	Other liabilities	Goods	Services	Other	Goods	Services
Joint ventures, associates and subsidiaries not consolidated									
- Albanian Gas Service Company SH.A.	1								
- Interconnector Limited									1
- Senfluga Energy Infrastructure Holdings S.A.									
- TAG GmbH	1								1
- Asset Company 4 S.r.l.	1								
- Teréga S.A.S.	1								
- Trans Adriatic Pipeline AG (TAP)	2			13					9
	6			13					11
Snam Foundation	1						1		
Parent Company									
- Cassa Depositi e Prestiti S.p.A.			1						
			1						
Subsidiaries of the parent company Cassa Depositi e Prestiti									
- Italgas Group	1		2						
	1		2						
Joint ventures of the Parent Company Cassa Depositi e Prestiti									
- Saipem Group			13			7			
- Valvitalia Finanziaria S.p.A.			1		2				
			14		2	7			
State-owned or controlled enterprises									
- Gestore dei mercati energetici S.p.A.	1		7						
- Anas Group	1	1	3						
- Enel Group (c)	93		6			1			176
- Eni Group (c)	225		18			11			465
- Gruppo Ferrovie dello Stato (State Railways Group)	1		1						
- Finmeccanica Group			1			1			
	321	1	36			13			641
General total	329	1	53	13	2	20	1		652

(a) These include costs for goods and services used for investment purposes.

(b) Before tariff components that are offset in costs.

(c) Including balance sheet figures relating to balancing activities.

(Million euros)	30 June 2021					First half 2021				
						Costs (a)			Revenues (b)	
	Receivables	Other assets	Payables	Other liabilities		Goods	Services	Other	Goods	Services
Joint ventures, associates										
- Albanian Gas Service Company SH.A.	1									
- Interconnector Limited										
- Senfluga Energy Infrastructure Holdings S.A.										
- TAG GmbH										1
- Galaxy Pipeline Assets HoldCo Limited										
- Teréga S.A.S.	1									
- Trans Adriatic Pipeline AG (TAP)	1									3
	3									4
Snam Foundation								1		
Parent Company										
- Cassa Depositi e Prestiti S.p.A.			1							
Subsidiaries of the parent company Cassa Depositi e Prestiti										
- Italgas Group	1					1	2			
	1					1	2			
Joint ventures of the Parent Company Cassa Depositi e Prestiti										
- Saipem Group			18				13			
- Valvitalia Finanziaria S.p.A.			1			2				
			19			2	13			
Subsidiaries excluded from the scope of consolidation										
- Arbolia S.r.l. Benefit Company	1									
	1									
State-owned or controlled enterprises										
- Gestore dei mercati energetici S.p.A.	3		27						1	
- Anas Group	1	1	2							
- Enel Group (c)	78		9							168
- Eni Group (c)	161		25				8			411
- Gruppo Ferrovie dello Stato (State Railways Group)	6		2							
- Finmeccanica Group			1				1			
	249	1	66				9		1	579
General total	254	1	85			3	24	1	1	583

(a) These include costs for goods and services used for investment purposes.

(b) Before tariff components that are offset in costs.

(c) Including balance sheet figures relating to balancing activities.

Joint ventures and associates

The most significant trade transactions with joint ventures and associates concern:

- the provision to TAG of services for the construction of transport infrastructure governed by the Engineering, Procurement and Construction Management (EPCM) Agreement;

- the provision of transport infrastructure services to TAP under the Engineering and Project Management (EPMS) Agreement.

State-owned or controlled enterprises

The most significant business relationships with state-owned or state-controlled enterprises are:

- the provision to the Eni Group and the Enel Group of natural gas transportation, regasification and storage services, regulated on the basis of tariffs set by the Authority;
- the purchase from the Eni Group of electricity used to carry out activities.

In addition, at June 30, 2021, there are assets recognised in respect of transactions deriving from the National Consolidated Taxation System, in force until 31 July 2012, with Eni.

Financial transactions

Transactions of a financial nature are analysed in the table below:

(Million euros)	30 June 2020			First half 2020
	Receivables	Payables	Guarantees and commitments	Income
Joint ventures, associates				
- OLT Offshore LNG Toscana S.p.A.	315			4
- Trans Adriatic Pipeline AG (TAP)			1,300	
	315		1,300	4

(Million euros)	30 June 2021			First half 2021
	Receivables	Payables	Guarantees and commitments	Income
Joint ventures, associates				
- OLT Offshore LNG Toscana S.p.A.	295			7
- Trans Adriatic Pipeline AG (TAP)			1,129	
- EBS Società agricola a R.L.	5			
Subsidiaries of the parent company Cassa Depositi e Prestiti				
Subsidiaries excluded from the scope of consolidation				
- Arbolia S.r.l. Benefit Company		1		
- Asset Company 4 S.r.l.		1		
Others				
	300	2	1,129	7

Joint ventures and associates

Financial transactions with joint ventures and associates include:

- the so-called "Debt Payment Undertaking" guarantee in favour of TAP³⁷, i.e. a mechanism to support the repayment of TAP outstanding financial debt to be activated, unlike the guarantee on first demand, upon the occurrence of specific and determined conditions linked to exceptional events of an extraordinary nature;
- the long-term financial receivable in favour of OLT.

³⁷ For further information, please refer to note 19.1 "Guarantees and commitments - associate TAP".

Incidence of transactions or positions with related parties on the balance sheet, income statement and cash flows

The incidence of transactions or positions with related parties on the balance sheet and income statement is shown in the following summary table:

(Million euros)	31.12.2020			30.06.2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Trade and other current receivables	1,676	301	18.0	1,857	254	13.7
Other current and non-current assets	147	2	1.4	204	1	0.5
Other current and non-current financial assets	427	308	72.1	415	300	72.3
Other current financial liabilities	5,605			5,365	2	
Trade and other payables	2,029	209	10.3	1,511	85	5.6
Other current liabilities	70	1	1.4	57	1	1.8

The incidence of transactions with related parties on the income statement is indicated in the following summary table:

(Million euros)	First half-year 2020			First half-year 2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	1,343	652	48.5	1,522	585	38.4
Other operating income	3			5		
Purchases of goods and services and other operating costs	158	12	7.6	270	15	5.6
Personnel cost	90			98		
Financial income	10	4	40.0	17	7	41.2

Related party transactions are generally settled on an arm's length basis, i.e. on terms that would be applied between two independent parties.

Cash flows with related parties are shown in the table below:

(Million euros)	First half-year	
	2020	2021
Operating revenues and income	652	585
Operating costs and expenses	(12)	(15)
Change in trade and other current receivables	(38)	47
Change in trade and other current payables	(33)	4
Interest collected	1	5
Change in other current and non-current assets	(9)	
Cash flows from operating activities	561	626
Investments:		
- Tangible and intangible assets	(11)	(15)
- Long-term financial receivables	(332)	
- Change in payables and receivables related to investment activities	(3)	(4)
Cash flows from investment activities	(346)	(19)
Divestments:		
- Financial receivables (repayments)	18	11
Cash flow from divestment activities	18	11
Net cash flow from investment activities	(328)	(8)
Increase (decrease) short-term financial payables		2
Disposal of investments in subsidiaries not involving loss of control		32
Cash flows from financing activities		34
Total cash flows to related entities	233	652

The incidence of cash flows with related parties is shown in the table below:

(Million euros)	First half-year 2020			First half-year 2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	749	561	74.9	566	626	
Net cash flow from investment activities	(832)	(328)	39.4	(1,033)	(8)	0.8
Cash flows from financing activities	336		0.0	(952)	34	

31) Significant events after the end of the first half of the year

No significant events occurred after the end of the half-year.

Management statement on the condensed half-year financial statements pursuant to Article 154-bis, paragraph 5, of Legislative Decree no. 58/1998 (TUF)

1. The undersigned Marco Alverà and Luca Oglialoro, in their respective capacities as Chief Executive Officer and Financial Reporting Manager of Snam S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures for the preparation of the condensed half-year financial statements at 30 June 2021, during the first half of 2021.
2. The administrative and accounting procedures for the preparation of the condensed half-year financial statements at 30 June 2021 have been defined and the assessment of their adequacy has been carried out on the basis of the standards and methods defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at international level.
3. It is also certified that:
 - 3.1 The condensed half-year financial statements at 30 June 2021:
 - a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the information contained in the accounting ledgers and records;
 - c) provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation;
 - 3.2 The interim report on operations provides a reliable analysis of the performance related to the significant events occurred in the first six months of the year and their incidence on the condensed half-year financial statements, as well as a description of the principal risks and uncertainties for the remaining six months of the year. The Interim Report on Operations also includes a reliable analysis of the information regarding transactions with related parties.

29 July 2021

/Signature/ Marco Alverà

Marco Alverà

Chief Executive Officer

/Signature/Luca Oglialoro

Luca Oglialoro

Manager responsible for preparing
the Company's financial reports



Independent Auditors’ Report



Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Snam S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Snam S.p.A. and subsidiaries (the "Snam Group"), which comprise the statement of financial position as of June 30, 2021, the income statement, the comprehensive income statement, the statement of changes in equity and the cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Snam Group as of June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Marlateresa Rollì
Partner

Milan, Italy
August 5, 2021

This report has been translated into the English language solely for the convenience of international readers.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

© Deloitte & Touche S.p.A.

snam.it

