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Oggetto : Snam: net profit over 7% up in the first nine
months of 2021

Testo del comunicato

Vedi allegato.



Snam: net profit over 7% up in the first nine months of 2021

- **Total Revenues:** 2,334 million euros (+14.9% compared with the first nine months of 2020), due to increased investments in the regulated core business. Growth in energy efficiency business;
- **Adjusted EBITDA:** 1,716 million euros (+2.8%), due to regulated core business development;
- **Group adjusted Net Profit¹:** 938 million euros (+7.4%), as a result of positive operating performance, contribution from associate companies and the continuous optimisation in the financial structure with an average cost of debt below 1%;
- **Technical Investments:** 866 million euros (+13.6%; of which +11.8% related to the core business);
- **Net Financial Debt:** 13,806 million euros (12,892 million euros as of 31st December 2020; +7.1%), due to the disbursement for the acquisition of the equity investment in De Nora, the increase in the investment plan, the working capital for the energy efficiency business development as well as the seasonal effect relating the balancing activity;
- **2021 interim dividend:** 0.1048 euros per share;

- **New target set in methane emission reduction:** -55% by 2025 on a 2015 basis (vs -45% of the previous target), a more ambitious target than the one recommended by the Oil and Gas Methane Partnership (OGMP) 2.0. Snam awarded with the Gold Standard from the UN Environment Programme on methane emissions reporting.

San Donato Milanese (Milan), 4th November 2021 – The Board of Directors of Snam met yesterday under the chairmanship of Nicola Bedin and approved the consolidated results for the first nine months of 2021 (unaudited). The Board also resolved to distribute an interim dividend for 2021 of 0.1048 euros per share, to be paid from 26th January 2022.

¹ Excluding non-controlling interests.



Marco Alverà, CEO of Snam, commented: “Results in the first nine months show the solidity of our core business, the growth in new associate companies such as De Nora and the continuous attention to optimising the company’s financial structure. In a moment of high spike and volatility in gas prices and of strain in supplies globally, Snam is increasing its investments to contribute to Italy’s energy security which today is in a better shape than other European peers thanks to its storage capacity and the entry into service of TAP.

New businesses development from energy transition continues through investment and projects in hydrogen, biomethane, energy efficiency and in sustainable mobility. Our ESG commitment towards local communities and territory as well as the environment, grows stronger through a new target set in methane emission reduction in view of direct and indirect net zero emissions by 2040”.

Summary of results for the first nine months of 2021

Key economic figures

(Million euros)	First nine months			
	2020	2021	Change	% Change
Regulated revenues	1,910	2,069	159	8.3
New business revenues	102	245	143	
Total Revenues	2,032	2,334	302	14.9
Operating costs (a)	362	618	256	70.7
EBITDA (a)	1,670	1,716	46	2.8
EBIT (a)	1,105	1,115	10	0.9
Net profit (a) (b)	873	938	65	7.4

(a) The values are shown in the adjusted configuration, net of the special items represented by: (i) costs related to the continuation of the Covid-19 pandemic, referring to donations of medical supplies and costs for sanitation and cleaning services, totalling 6 million euros (4 million euros, net of related taxation); (ii) the effects of realignment between fiscal and book values of assets (292 million euros in total), carried out under the provisions of Art. 110, paragraph 8 of Law-Decree No. 104 of 14th August 2020; (iii) taxes (9 million euros) related to the recognition, for tax purposes only, of capital gains associated with corporate reorganisation transactions within the Group. For further details, see the section “Non-GAAP measures” at page 15 of this press release.

(b) Attributable to the Parent company shareholders.

Key financial figures

(Million euros)	First nine months			
	2020	2021	Change	% Change
Technical investments	762	866	104	13.6
Net invested capital at the end of the period	19,315	21,079	1,764	9.1
Net Financial Debt	12,805	13,806	1,001	7.8
Shareholders’ equity pertaining to Parent company shareholders	6,507	7,247	740	11.4



Total Revenues

Total Revenues amounted to 2,334 million euros, an increase of 302 million euros (+14.9%) compared with the first nine months of 2020, due to growth in regulated revenues and in the energy transition new businesses, more specifically in respect of energy efficiency. The increase in revenues was also affected by the release of past balance sheet items (+17 million euros).

Regulated revenues amounted to 2,069 million euros, up by 159 million euros (+8.3%). Net of variable charges to cover energy costs (158 million euros; +106 million euros compared with the first nine months of 2020), regulated revenues amounted to 1,911 million euros, up by 53 million euros (+2.9%), mainly as a result of the increase in the transport RAB base (+34 million euros, including the effect of lower input-based incentives) and higher volumes of transported gas (+4 million euros) following the gradual recovery of production activities as well as colder weather conditions recorded in April and May.

Revenues from new businesses amounted to 245 million euros, up 143 million euros compared with the first nine months of 2020 due the strong development of energy efficiency activities (+153 million euros), in the residential sector more specifically, and the contribution from Mieci and Evolve, two companies that entered the scope of consolidation at the end of 2020. Snam Global Solutions posted a slowdown compared with the same period in 2020 due to COVID-19 pandemic.

Adjusted EBITDA

Adjusted EBITDA for the first nine months of 2021 amounted to 1,716 million euros, an increase of 46 million euros (+2.8%) compared to the corresponding figure for the first nine months of 2020, due to the positive performance of the regulated business (+48 million euros; +2.9%). The first nine months of 2021 also register a positive impact on the performance of provisions for risks and charges. By contrast personnel costs increase due to the strengthening of the structure to support new business initiatives and to the costs associated with the gradual return of staff to the offices. New business EBITDA decreased (-2 million euros): the positive contribution from energy efficiency activities was offset by a lower contribution in the biomethane business and Snam Global Solutions both posting a slowdown in growth due to COVID-19 pandemic effects.

Adjusted EBIT

Adjusted EBIT, in the first nine months of 2021, amounted to 1,115 million euros, up by 10 million euros (+0.9%) compared with the corresponding first nine months of the 2020 figure, due to the specified increase in EBITDA, partly absorbed by greater amortisation, depreciation and impairment losses (-36 million euros, 6.4%) resulting primarily from the entry into operation of new assets.

Net financial expenses

Net financial expenses amounted to 76 million euros, down by 24 million euros (-24%) compared with the first nine months of 2020, mainly due to the benefits arising from



the optimisation of the financial structure, as well as treasury management, partly absorbed by a greater average net debt for the period.

Net Income from equity investments

Net income from equity investments amounted to 212 million euros, up by 49 million euros (+30.1%) compared with the first nine months of 2020, mainly due to the positive contribution of foreign associate companies, in particular TAP (+49 million euros), in operation from 15th November 2020, and ADNOC Gas Pipelines (+17 million euros), which entered the Group's scope of operations from July 2020, as well as Industrie De Nora (+11 million euros), a transaction completed in January 2021. These effects were partly offset by the lower contribution of TAG (-15 million euros), which benefited from non-recurring items in 2020, and DESFA (-7 million euros), mainly due to the expected reduction in WACC.

Adjusted Net Profit

The growth in operating performance and the contribution from associate companies, combined with the continued optimisation of the financial structure, resulted in an increase in Group adjusted net profit for the first nine months of 2021 to 938 million euros (+65 million euros; +7.4%) compared to the corresponding figure posted in the first nine months of 2020 (873 million euros). The higher profit before taxes (+83 million euros, or 7.1%) was partly absorbed by higher income taxes (-16 million euros, or 5.4%), net of special items mainly represented by the effects of tax realignment pursuant to Law-Decree 104 of 14th August 2020².

Technical Investments

Technical investments for the first nine months of 2021 amounted to 866 million euros, up 104 million euros (+13.6%), compared to the first nine months of 2020, which were affected by the slowdowns caused by the COVID-19 pandemic. Investments relate essentially to the sectors of natural gas transportation (697 million euros; 634 million euros in the first nine months of 2020) and storage (104 million euros; 91 million euros in the first nine months of 2020). With reference to the regulated core business, the level of the investment plan announced for 2021 is confirmed.

² Special items related to the impact on the income statement of the realignment of values assigned for reporting and tax purposes (a total of 292 million euros), carried out in accordance with the provisions of Art. 110, paragraph 8 of Law-Decree no. 104 of 14th August 2020, include, in addition to the values of Snam Rete Gas, those relating to Stogit and GNL (37 million euro in total), following clarifications provided by the Revenue Agency during September 2021, in relation to the concessionary regime under which the aforementioned companies operate.



Cash Flow

The positive net Cash Flow from operations (1,181 million euros) was impacted by the cash absorption generated by the gas balancing activity as a result of higher gas purchases in April and May following the colder weather conditions recorded in the period. This cash flow allowed the financing of all technical investments for the period (net of payables for investments) for a total of 901 million euros. Further to disbursements related to equity investments and repayments of financial receivables from OLT, free cash flow stood 134 million euros negative. Net financial debt, net of non-cash changes and after payment to shareholders of the 2020 dividend (797 million euros³), stood at 13,806 million euros, an increase of 914 million euros compared to 31st December 2020.

Interim dividend

Based on the results of the first nine months and forecasts for the full year 2021, Snam's Board of Directors has resolved to distribute to shareholders an interim dividend for 2021, equal to 0.1048 euros per share, to be paid from 26th January 2022, with ex-dividend date on 24th January and record date on 25th January.

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 concerns about the spread of variants, which could result in 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.

Based on the information available today, the impact on the economic and financial results is expected to be limited overall at the end of 2021 by the company. 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, more specifically, of the

³ The total dividend from 2020 profits amounted to 816 million euros, of which 326 million euros as an interim payment and 490 million euros as the balance. The amounts still to be paid as of 30th September 2021 are attributable to the deferred collection as requested by some shareholders.



recovery of the industrial production index and of the colder weather conditions recorded in the early months of 2021.

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

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.

New targets for reducing methane emissions

In line with its ongoing commitment to limiting polluting and climate-changing emissions and with a view to achieving the announced “net zero” (Scope 1 and 2) target by 2040, Snam has set new targets for reducing its methane emissions compared with those previously communicated.

The company’s goal, thanks to continued investment in new LDAR (Leak Detection and Repair) technologies, is to reduce methane emissions by 55% by 2025 on a 2015 basis (compared to the previous target of -45%). With the latter target more ambitious than the one recommended by the Oil and Gas Methane Partnership (OGMP) 2.0 for 2025.

Moreover, Snam was also awarded with the Gold Standard by UNEP (United Nations Environment Programme) within the OGMP 2.0 framework for the thoroughness of its reporting on the company’s methane emissions as well as reduction targets. The standard provides governments and the public opinion with the guarantee that methane emissions are managed responsibly, thereby showing the company uses a credible and open path, by registering progress over its stated objectives of emission reduction through transparency, flexibility, collaboration and sharing of the best practices.

On top of this highest recognition, the company received a special mention for its commitment to get its associates to achieving the highest reporting standards, by collaborating in setting detailed plans aimed at these companies to also obtaining the Gold Standard certification.

Key events

- **HyAccelerator:** on 11th October 2021 Snam launched HyAccelerator, the first global-scale acceleration programme for start-ups focused on hydrogen and managed by a company, with the aim of enhancing the most innovative companies in the sector, giving rise to high-potential projects. Selected start-ups will receive support on research and development and testing of technologies. The application and selection process of the start-ups will be carried out consistently with the Snaminnova Open Innovation platform.
- **Annual renewal of the EMTN Programme:** on 11th October 2021, the Board of Directors of Snam resolved to renew the EMTN Programme, launched in 2012, on an



annual basis, increasing the maximum total value to 12 billion euros from 11 billion euros in the previous programme, partly in order to provide the company with greater flexibility in favourable market conditions. The securities issued may be listed on one or more regulated markets. Moreover, in view of recent market developments in the areas of sustainable finance and energy transition, the amounts collected from bond issues could be used from time to time both for general corporate activities and to finance specific projects that could be aligned with the Taxonomy-aligned Use of Proceeds issued by the European Commission. Finally, the renewed EMTN Programme may be associated with appropriate sustainability indicators (KPIs) for the issue of so-called “Sustainability-Linked Bonds”.

As of the date of this document, approximately 8.7 billion euros in bonds have been issued under the EMTN Program.

- **Credit rating:** on October 29th 2021, S&P Global confirmed Snam’s long-term credit rating at BBB+ and raised the outlook to positive from stable.

At 3:30 pm CEST today, 4th November 2021, a conference call will be held to present the consolidated results for the first nine months of 2021 to financial analysts and investors. It will be possible to follow the event via conference call and the supporting material will be made available on www.snam.it in the Investor Relations section, concurrently with the start of the conference call. In the same section it will also be possible to follow the presentation via video webcasting.

Key operating figures

		First nine months			
		2020	2021	Change	% Change
Natural gas injected into the National Gas Transportation Network (a) (b)	(billions of m ³)	53.13	55.90	2.77	5.2
Gas demand (a)	(billions of m ³)	50.07	53.14	3.07	6.1
LNG regasification (a)	(billions of m ³)	2.14	1.26	(0.88)	(41.1)
Available storage capacity (a) (c)	(billions of m ³)	12.5	12.0	(0.5)	(3.8)
Natural gas moved through the storage system (a)	(billions of m ³)	15.3	14.5	(0.8)	(5.2)
Employees in service at the period end (d)	(number)	3,080	3,388	308	10.0

- (a) With regards to the first nine months 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 nine months of 2021 is updated as at 14th October 2021. The corresponding 2020 value has been definitively updated.
- (c) Working gas capacity for modulation, mining and balancing services. The available capacity as of 30th September 2021 is the capacity declared to the Authority for Electricity, Gas and the Water System at the beginning of thermal year 2021-2022 (89.6% allocated as of 30th September 2021).
- (d) Fully consolidated companies.

Natural gas injected into the National Gas Transportation Network

In the first nine months of 2021, 55.90 billion cubic metres of natural gas were injected into the National Transportation Network, an increase of 2.77 billion cubic metres, or 5.2%, compared with the corresponding figure of the first nine months of 2020 (53.13 billion cubic metres). This increase is in line with the growth in demand for natural gas, which had declined in the first nine months of 2020 due to restrictive measures put in place to contain COVID-19 contagion. The increase in demand for gas (53.14 billion cubic metres; +3.07 billion cubic metres, or 6.1%), recorded in all consumption sectors, is mainly attributable to: (i) to the residential and tertiary sector (+1.49 billion cubic metres; +8.5%) due to the colder temperatures in the period January-May 2021, characterised by an average daily temperature of approximately 1°C lower than the corresponding period of the previous year; (ii) the industrial sector (+1.20 billion cubic metres, of which approximately 0.7 billion cubic metres concentrated in March and April; +11.3%) by virtue of a recovery in industrial production after the sharp drop suffered last year, following the lockdown measures in March and April to contain COVID-19 contagions. In the period from January to August 2021, the industrial production index grew by 16.1% compared with the same period last year, fully recovering pre-COVID volumes; (iii) the thermoelectric sector (+0.35 billion cubic metres; +1.9%), due to an increase in demand for electric power compared with the first nine months of 2020, affected by the lockdown measures, as well as the increased use of natural gas in electric power generation. These effects were partly offset by the increase in electricity import flows.

Net of the climate effect, gas demand in temperature-normalised terms was 52.06 billion cubic metres, up by 1.66 billion cubic metres, or 3.3%, compared with the corresponding figure of the first nine months of 2020 (50.40 billion cubic metres), as a result of a gradual recovery in the tertiary sector and substantial stability in residential demand, which was still affected by the COVID-19 containment measures, such as the closure of schools and offices in particular.

Regasification of Liquefied Natural Gas (LNG)

In the first nine months of 2021, 1.26 billion cubic metres of LNG were regasified (2.14 billion cubic metres in the first nine months of 2020) and 28 methane tankers were unloaded (51 tankers unloaded in the first nine months of 2020, equal to the number allocated) compared with 30 allocated.

Natural gas storage

Total storage capacity at 30th September 2021, including strategic storage, is 16.5 billion cubic metres, among the highest in Europe during this period of supply difficulties across the continent.



Analysis of the Reclassified Statement of Financial Position

Fixed Capital

Fixed capital (20,999 million euros) recorded a 734 million euros increase with respect to 31st December 2020, essentially due to: (i) the increase in equity investments (+532 million euros) mainly resulting from the acquisition of 37.47% of Industrie De Nora S.p.A. on 8th January 2021 (35.63% at 30th September 2021) as well as from the profits earned in the first nine months of 2021 by associate companies, partly absorbed by dividends distributed; (ii) the increase in tangible and intangible assets (+226 million euros, including the change in net payables for investments). These effects were partly absorbed by the reduction in other financial assets (-24 million euros), mainly due to the repayment of the financial receivable due from the investee OLT and the change in minority equity investments valued at FVTOCI (ITM Power and ALNG).

Net Financial debt

(Million euros)	31.12.2020	30.09.2021	Change
Financial debts and bonds	15,937	15,721	(216)
<i>Current financial liabilities (a)</i>	5,599	5,553	(46)
<i>Non-current financial liabilities</i>	10,317	10,147	(170)
<i>Financial liabilities for leased assets (b)</i>	21	21	
Liquidity	(3,045)	(1,915)	1,130
Cash and cash equivalents	(3,044)	(1,915)	1,129
Short-term securities held for sale	(1)		1
Net financial debt	12,892	13,806	914

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

(b) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).

The increase in Net Financial Debt by 914 million euros is due to: (i) an increase in bonds (+994 million euros), following the issuance of two Transition Bonds with a total nominal value of 1,250 million euros, partly offset by the redemption of a bond that reached its natural maturity with a nominal value of 259 million euros; (ii) lower cash and cash equivalents (+1,129 million euros). This effect was partially offset by the reduction in bank loans (-1,211 million euros) mainly as a result of the repayment of Term Loans for a total nominal value of 950 million euros and the net less usage of uncommitted credit lines (550 million euros), partially offset by the stipulation of two new term loans for a total nominal amount of 350 million euros.

This press release on consolidated results for the first nine months of 2021, not audited, is prepared on a voluntary basis in accordance with the methods set out in Article 82-ter



“Additional periodic financial information” of Consob Issuers’ Regulation No. 11971 of 14th March 1999 and subsequent amendments and additions, in continuity with the quarterly information provided by Snam in the past and consistent with the minimum contents and timing provided for in the Group Financial Calendar.

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

Disclaimer

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



INCOME STATEMENT

(Million euros)	First nine months 2020		First nine months 2021		adjusted 2021 vs adjusted 2020	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Change	% Change
Core business revenues	1,930	1,930	2,089	2,089	159	8.2
Regulated revenues	1,910	1,910	2,069	2,069	159	8.3
- Transportation	1,519	1,519	1,657	1,657	138	9.1
- Storage	374	374	397	397	23	6.1
- Regasification	17	17	15	15	(2)	(11.8)
Non-regulated revenues	20	20	20	20		
New business revenues	102	102	245	245	143	
Total Revenues	2,032	2,032	2,334	2,334	302	14.9
Core business costs	(273)	(262)	(379)	(373)	(111)	42.4
Fixed costs	(202)	(200)	(207)	(207)	(7)	3.5
Variable costs	(32)	(32)	(94)	(94)	(62)	
Other costs	(39)	(30)	(78)	(72)	(42)	
New business costs	(100)	(100)	(245)	(245)	(145)	
Total operating costs	(373)	(362)	(624)	(618)	(256)	70.7
EBITDA	1,659	1,670	1,710	1,716	46	2.8
Amortisation, depreciation and impairment losses	(565)	(565)	(601)	(601)	(36)	6.4
EBIT	1,094	1,105	1,109	1,115	10	0.9
Net financial expenses	(100)	(100)	(76)	(76)	24	(24.0)
Net income from equity investments	163	163	212	212	49	30.1
Pre-tax profit	1,157	1,168	1,245	1,251	83	7.1
Income tax	(292)	(295)	(26)	(311)	(16)	5.4
Net profit	865	873	1,219	940	67	7.7
- Attributable to the Parent company shareholders	865	873	1,217	938	65	7.4
- Non-controlling interests			2	2	2	

(a) Excluding special items.



Summary reconciliation of adjusted results

(Million euros)	First nine months			
	2020	2021	Change	% Change
EBIT	1,094	1,109	15	1.4
Special item exclusion for Covid-19 emerging costs:	11	6	(5)	(45.5)
- of which donations of goods and money	7	3	(4)	(57.1)
- of which sanitary equipment for internal use and services	4	3	(1)	(25.0)
Adjusted EBIT	1,105	1,115	10	0.9
Group net profit	865	1,217	352	40.7
Exclusion of special items:	8	(279)	(287)	
- Special items of operating profit, net of related taxes	8	4	(4)	(50.0)
- Tax realignment pursuant to L.D. 104/2020		(292)	(292)	
- Tax effect on reorganisation operations		9	9	
Group adjusted net profit	873	938	65	7.4
Non-controlling interests		2	2	
Adjusted net profit	873	940	67	7.7

STATEMENT OF COMPREHENSIVE INCOME

(million euros)	First nine months	
	2020	2021
NET PROFIT	865	1,219
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT		
Cash flow hedge – effective portion of fair value change	(17)	13
Equity investments accounted for using the equity method - portion of other components of comprehensive income	(31)	40
Tax effect	4	(3)
Total components which are or could be reclassified in profit for the year, net of tax effect	(44)	50
Equity investments accounted for at FVTOCI (“fair value through other comprehensive income”)		(13)
Tax effect		
Total components which will not be reclassified in profit for the year, net of tax effect		(13)
TOTAL OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT, NET OF TAX EFFECT	(44)	37
TOTAL COMPREHENSIVE INCOME STATEMENT	821	1,256
<i>attributable to:</i>		
- Parent company shareholders	821	1,254
- Non-controlling interests		2



Shareholders' equity

(Million euros)		
Shareholders' equity as of 31st December 2020		6,472
- First nine months of 2021 Comprehensive income	+	1,256
- Dividend balance 2020	-	(490)
- Other changes	+	35
Shareholders' equity as of 30th September 2021		7,273
- Attributable to Parent company shareholders		7,247
- Non-controlling interests		26

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(Million euros)	31.12.2020	30.09.2021	Change
Fixed Capital	20,265	20,999	734
Property, plant and equipment	16,815	16,949	134
<i>-of which right-of-use leased assets</i>	21	21	
Non-current inventories - Compulsory inventories	363	363	
Intangible assets and goodwill	1,125	1,151	26
Equity investments	1,923	2,455	532
Other financial assets	426	402	(24)
Net payables for investments	(387)	(321)	66
Net working capital	(861)	119	980
Liabilities for employee benefits	(40)	(39)	1
NET INVESTED CAPITAL	19,364	21,079	1,715
Shareholders' equity	6,472	7,273	801
- Attributable to Parent company shareholders	6,469	7,247	778
- Non-controlling interests	3	26	23
Net Financial Debt (*)	12,892	13,806	914
<i>- of which financial liabilities for leased assets (**)</i>	21	21	
COVERAGE	19,364	21,079	1,715

(*) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5th May 2021. Accordingly, the corresponding amount at 31st December 2020 was restated, generating an increase in net borrowings of 5 million euros, due to the exclusion of short-term financial receivables due in more than 90 days.

(**) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).



RECLASSIFIED CASH FLOWS STATEMENT

(Million euros)	First nine months	
	2020	2021
Net profit	865	1,219
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	403	394
- Net capital losses (capital gains) on asset sales and write-offs	1	5
- Dividends, interest and income taxes (a)	372	84
Change in net working capital	(123)	(462)
Dividends, interest and income taxes collected (paid)	(183)	(59)
Cash flows from operating activities	1,335	1,181
Technical investments	(761)	(835)
Technical divestments	1	1
Equity investments	(235)	(432)
Change in long-term financial receivables	(304)	18
Other changes relating to investment activities	(26)	(67)
Free cash flow	10	(134)
Repayment of financial liabilities for leased assets	(5)	(6)
Change in current and non-current financial liabilities	1,194	(218)
Equity cash flow (b)	(893)	(771)
Net cash flow for the period	306	(1,129)

CHANGE IN NET FINANCIAL DEBT

(Million euros)	First nine months	
	2020	2021
Free cash flow	10	(134)
Equity cash flow (b)	(893)	(771)
Change in financial liabilities for leased assets	(4)	(6)
Other changes	5	(3)
Change in net financial debt	(882)	(914)

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



Methodological note

The economic, equity and financial information has been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure referred to in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19th July 2002. The recognition and measurement criteria adopted in the preparation of the results for the first nine months of 2021 are unchanged from those adopted in the preparation of the 2020 Annual Report and the 2021 Half-Year Financial Report, a description of which is provided below.

The main changes in the scope of consolidation of the Snam Group at 30th September 2021 compared with that at 30th September 2020 related to the acquisition, on 5th October 2020, through the subsidiary Renovit S.p.A. (formerly Snam4Efficiency), of 70% of two companies active in the energy efficiency business in Italy, Miecì S.p.A. and Evolve S.p.A. The changes in the scope of consolidation at 30th September 2021 compared with that at 31st December 2020 concerned the entry into the scope of consolidation of Asset Company 10 S.r.l., a sub-holding company, 100% owned subsidiary by Snam S.p.A., which acquired the equity investment in Industrie De Nora S.p.A.

Non-GAAP measures

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

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

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

In accordance with Consob Communication DEM/6064293 of 28th July 2006, as amended (and as most recently amended on 5th May 2021, in implementation of the new ESMA recommendations 32-232-1138 of 4th 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 indicators⁴ in accordance with international accounting standards.

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



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

Adjusted EBITDA, EBIT and net profit

Adjusted EBITDA, EBIT and net profit are obtained by excluding special items, gross and net of related taxes, respectively, from reported EBIT and net profit (as per the statutory income statement format). The income components classified as special items in the first nine months 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 6 million euros (4 million euros net of related taxes); (ii) the effects of the tax realignment pursuant to Law-Decree 104 of 14th August 2020 (292 million euros in total)⁵ due to: (a) the 3% substitute tax, to be paid in 3 annual instalments, for a total charge of 42 million euros; (b) the release of deferred tax liabilities recognised in previous years for a total income of 334 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% owned subsidiary).

Income items classified as special items in the first nine months of 2020 relate to costs incurred as a result of the state of emergency due to the Covid-19 pandemic (11 million euros; 8 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 profit 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.

⁵ The amount includes the economic effects relating to the realignment carried out by Stogit and GNL (37 million euros in total), following clarifications provided by the tax authorities in September 2021, in relation to the concessionary regime under which the above companies operate.



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 maturing beyond 90 days) are excluded from the calculation of net financial debt.

Fine Comunicato n.0542-77

Numero di Pagine: 19