

2022 HALF-YEAR FINANCIAL REPORT

Energy to inspire the world



COMPANY PROFILE

Snam is Europe's leading operator in natural gas transport and storage, with an infrastructure enabling the energy transition. It ranks among the top ten Italian listed companies by market capitalization.

Snam operates a pipeline network of approximately 41,000 km spanning from Italy, Austria, France, Greece and the United Kingdom and the company manages 3.5% of the world's gas storage capacity. It is also one of the main operators in LNG (Liquified Natural Gas) regasification.

With its 80 years of experience in the management and development of networks and plants, Snam guarantees security of supply and promotes the energy transition across territories, through investments in green gases (biomethane, hydrogen) and energy efficiency.

Snam has set itself a net zero target on Scope 1 and 2 CO₂ equivalent emissions by 2040 as well as a target for indirect Scope 3 (subsidiaries, suppliers) emissions reduction by 2030.

www.snam.it

2022 Half-Year Financial Report

Corporate bodies

BOARD OF DIRECTORS (*)

Chairwoman

Monica De Virgiliis (1) (2) (3)

Chief Executive Officer

Stefano Venier (1)

Directors

Massimo Bergami (1) (3)

Laura Cavatorta (3) (4)

Augusta Iannini (1) (3)

Piero Manzoni (3) (4)

Rita Rolli (3) (4)

Qinjing Shen (1)

Alessandro Tonetti (1)

CONTROL, RISK AND RELATEDPARTIES TRANSACTIONS COMMITTEE (**)

Piero Manzoni - Chairman

Augusta Iannini

Laura Cavatorta

ENVIRONMENTAL, SOCIAL & GOVERNANCE AND ENERGY TRANSITION SCENARIOS COMMITTEE (**)

Laura Cavatorta - Chairwoman

Massimo Bergami

Qinjing Shen

Rita Rolli

BOARD OF STATUTORY AUDITORS (*)

Chairman

Stefano Gnocchi (6)

Standing auditors

Gianfranco Chinellato (5)

Ines Gandini (5)

Alternate auditors

Federica Albizzati (6)

Maria Gimigliano (5)

Federico Sambolino (5)

APPOINTMENTS AND COMPENSATION COMMITTEE (**)

Rita Rolli - Chairwoman

Massimo Bergami

Alessandro Tonetti

AUDITING FIRM (***)

Deloitte & Touche S.p.A.

(*) Appointed by the Shareholders' Meeting of 27 April 2022 - in office until the date of the Shareholders' Meeting to be convened in 2025 to approve the financial statements for the year ending 31 December 2024.

(**) Established by the Board of Directors on 27 April 2022.

(***) 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) Appointed Chair of the Board of Directors on the proposal of the Shareholder CDP Reti S.p.A.

(3) Independent Directors pursuant to the TUF and the Corporate Governance Code.

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

(5) Candidate standing auditors on the list presented by shareholder CDP Reti S.p.A.

(6) Directors that were candidates on a list submitted jointly by Institutional Investors.

Group structure at 30 June 2022

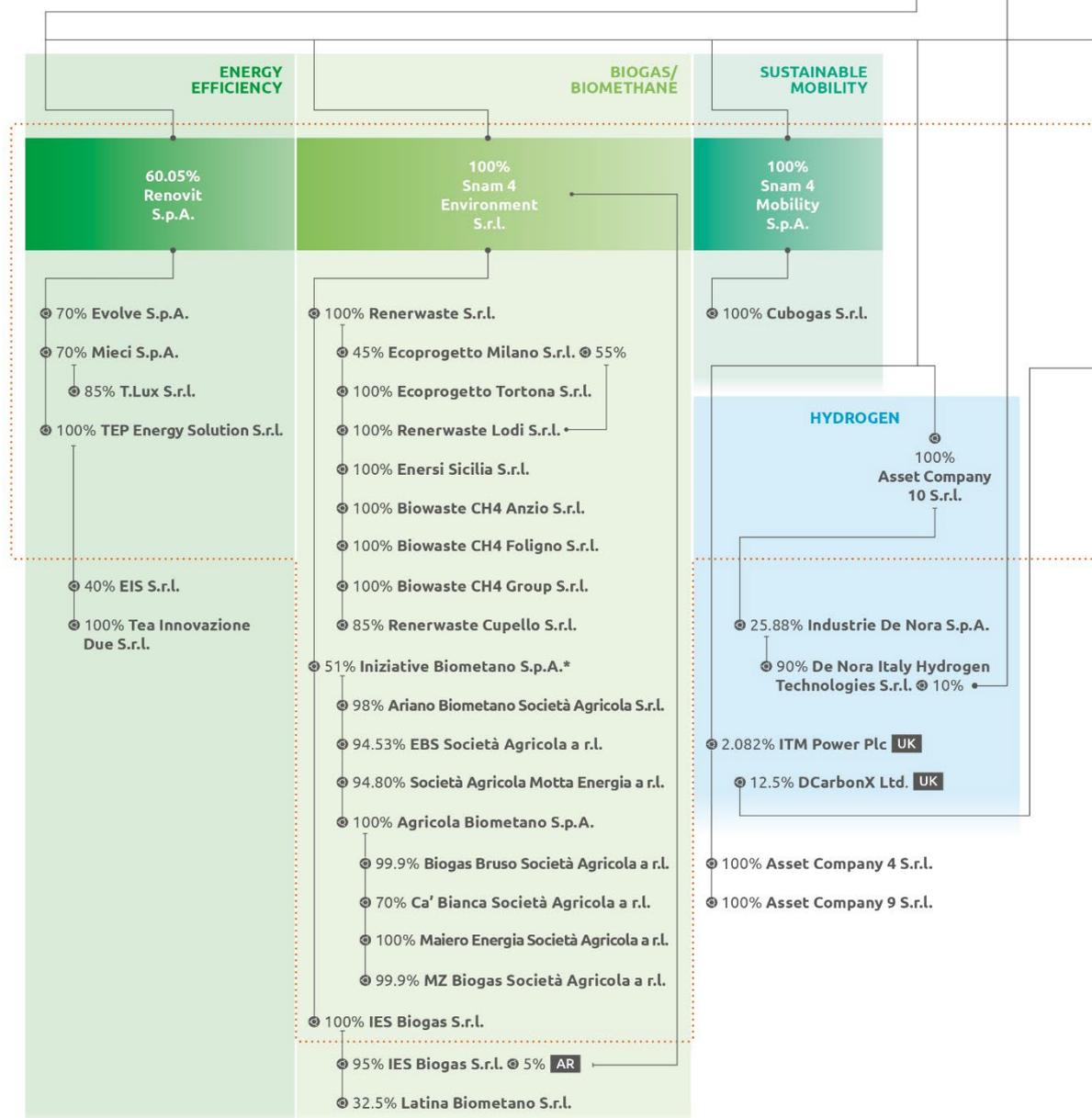
The changes in the consolidation area of the Snam Group at 30 June 2022¹ compared to 30 June and 31 December 2021 concerned:

- (i) the acquisition by Renerwaste S.r.l., on 28 February 2022, of 85% of Renerwaste Cupello S.r.l., a company active in the development and subsequent management of a plant for the production of biomethane from Organic Fraction of Municipal Solid Waste (OFMSW);
- (ii) the acquisition by Renerwaste S.r.l., on 3 March 2022, of 100% of three companies, respectively Biowaste CH4 Foligno S.r.l. and Biowaste CH4 Anzio S.r.l., owners of two plants for the production of biomethane from OFMSW, and Biowaste CH4 Group S.r.l., a company that provides services to the plants;
- (iii) the entry of Iniziative Biometano S.p.A. into the scope of consolidation, on 11 April 2022, due to the increase of its equity investment from 50% to 51% of the share capital following the exercise of a call option provided for within the contractual agreements between the shareholders, resulting in the acquisition of control instead of joint control;
- (iv) the acquisition by Snam FSRU Italia S.r.l. (previously Asset Company 11 S.r.l.), on 31 May 2022, of 100% of the share capital of Golar LNG NB 13 Corporation, a company that owns, as its sole asset, the storage and regasification vessel (FSRU) "Golar Tundra". With a storage capacity of about 170,000 cubic metres of liquefied natural gas and a continuous regasification capacity of 5 billion cubic metres per year, the new liquefied natural gas import terminal, which is expected to be operational in spring 2023, will contribute to Italy's energy security and diversification.

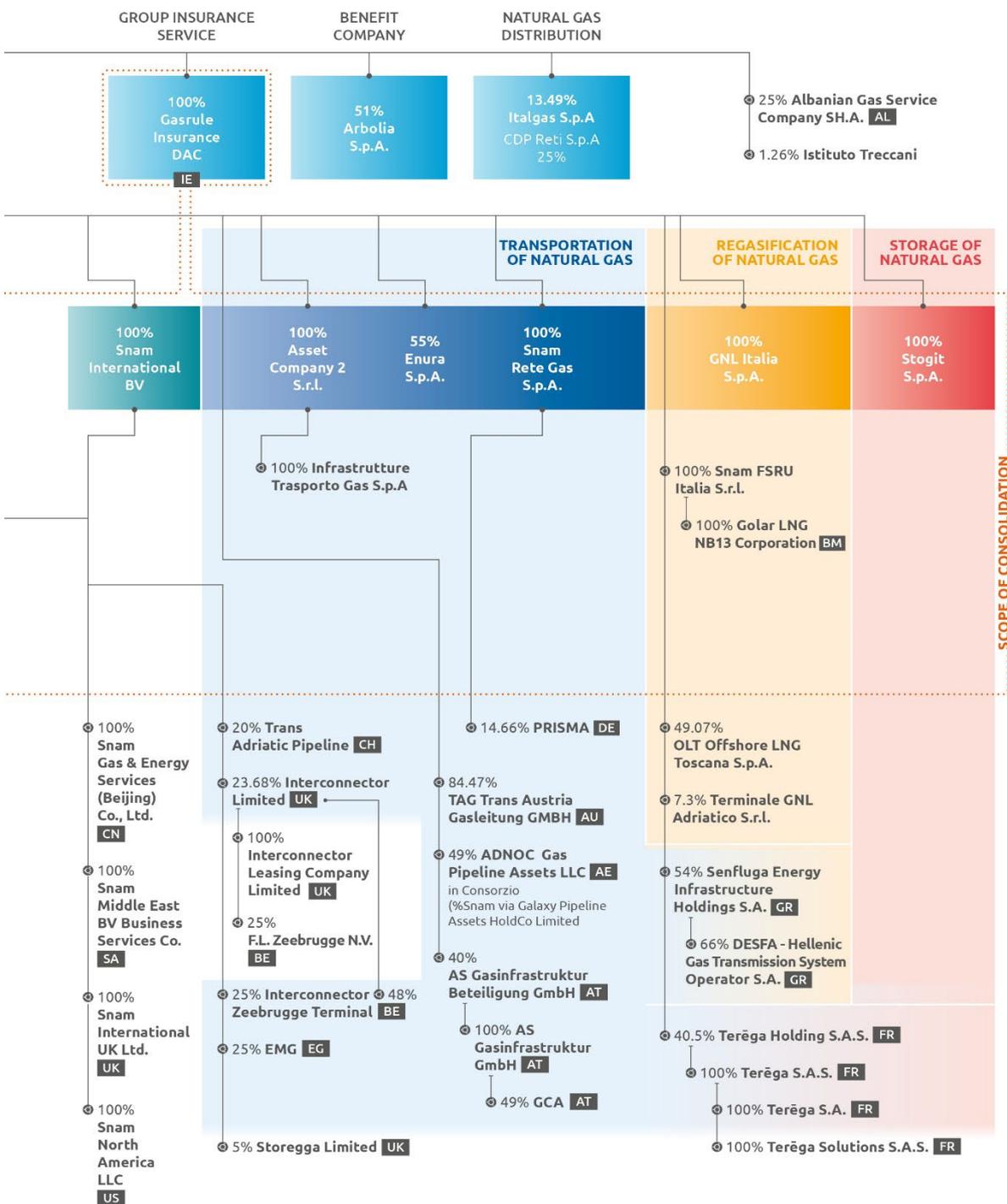
The Group structure at 30 June 2022 is shown below:

¹ More information is provided in the annex "Snam S.p.A. investments at 30 June 2022" to the notes to the condensed half-year consolidated financial statements (Italian version).

GROUP STRUCTURE AT 30 JUNE 2022



* For more information regarding other associate companies of Iniziative Biometano, please refer to Annex to the Notes to the Condensed Half-Year Consolidated Financial Statements.



General Contents

INTERIM MANAGEMENT REPORT	9
CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS.....	68

Disclaimer

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

The forward-looking statements have by their nature a component of riskiness 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: the evolution of demand, supply and prices of natural gas, actual operating performance, general macroeconomic conditions, geopolitical factors such as international tensions, the impact of regulations regarding energy and environmental issues, the 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



Contents of the Interim Management Report

Performance in the first half of 2022	11
<i>Results</i>	12
<i>Operating performance</i>	16
<i>Snam share performance</i>	18
<i>Main events</i>	19
Operating performance by business segment	21
<i>Natural gas transportation</i>	22
<i>Liquefied Natural Gas (LNG) regasification</i>	25
<i>Natural Gas Storage</i>	26
Financial review and other information	30
<i>Financial review</i>	31
<i>Other information</i>	53
Risk and uncertainty factors	54
Outlook	66

Performance in the first half of 2022

Results

In order to allow 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 the adjusted results. More specifically, EBITDA, EBIT and adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the operating profit and the reported net profit, as per the scheme of the Income Statement.

The income components classified as special items in the first half of 2022 relate to: (i) the gain from the sale of shares in Industrie De Nora S.p.A. for the purpose of listing the company on the stock exchange, and other income related to capital increases of the same company not subscribed by Snam (72 million euros in total, net of ancillary charges and related taxation), transactions downstream of which Snam holds 25.88% of the company's share capital (35.63% prior to the IPO); (ii) financial expense arising from the repurchase of bonds on the market as part of the liability management transaction completed in January 2022 (17 million euros; 13 million euros, net of the related tax effect); (iii) impairment of current and non-current assets (13 million euros in total); (iv) severance indemnity paid to the outgoing CEO, following the termination of employment as CEO and General Manager of Snam S.p.A. (6 million euros, net of related taxes); (v) costs incurred following the continuation of the state of emergency related to the Covid-19 pandemic, mainly concerning purchases of personal protective equipment for internal use and costs for sanitation and cleaning services, for a total amount of 2 million euros net of related taxes.

ADJUSTED RESULTS^{2 3}

The **adjusted gross operating margin (EBITDA)** for the first half of 2022 amounted to 1,155 million euros, substantially in line (-8 million euros; -0.7%) compared to the corresponding value in the first half of 2021. The expected reduction in WACC (-64 million euros, of which 50 million euros related to transportation) was absorbed by the effects of the increase in the RAB base (+24 million euros, including the effect of lower input-based incentives) and higher revenues from output-based services (+19 million euros) as well as the positive performance of the new energy transition business (+13 million euros) driven by the deep renovation sector. The EBITDA of the regulated businesses was also positively impacted by one-off effects, partly absorbed by the dynamics of the provisions for risks and charges, due to utilisations made in the first half of 2021 for disputes that had come to an end.

Adjusted EBITDA

1,155 million euros; -0.7%

² 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 chapter "Commentary on economic-financial results - Non GAAP measures".

³ An analysis of EBITDA and EBIT by business segment is provided in the chapter "Operating performance by business segment".

Adjusted Operating income (EBIT), in the first half of 2022, amounted to 728 million euros, down by 34 million euros (-4.5%) compared with the corresponding first half of the 2021 figure, due to the aforementioned change in EBITDA and greater amortisation, depreciation and impairment losses (-26 million euros, 6.5%) resulting primarily from the commissioning of new assets.

The **Group adjusted net profit** in the first half of 2022 amounted to 646 million euros, an increase of 11 million euros (+1.7%) compared to the corresponding figure from the first half of 2021 (635 million euros). The increase was mainly due to the positive contribution of the investee companies (+37 million euros; or 26.6%) and, in particular, of Interconnector Limited (+18 million euros) as a result of the increased capacity booking for export, favoured by the current market conditions and in particular by the strong availability of liquefied natural gas in the United Kingdom, which resulted in a more competitive price. This effect was partly absorbed by the aforementioned reduction in operating profit, against the backdrop of lower income taxes and net financial expenses substantially in line with the first half of 2021 (-1 million euros; -2%). The increase in the average cost of gross debt from 0.8% in the first half of 2021 to about 1% in 2022 was absorbed by the one-off proceeds related to the partial repayment of the Shareholders Loan by OLT.

The positive net cash flow from operating activities (2,318 million euros), mainly attributable to the dynamics of working capital related to balancing activities, together with the proceeds from the repayment of the financial receivable by the subsidiary OLT, against the simultaneous refinancing on the market, and from the divestment of an equity investment in Industrie De Nora to support the company's stock exchange listing, resulted in a **free cash flow** of 1,749 million euros. **Net financial debt**, including the equity cash flow (844 million euros), deriving essentially from the payment of the 2021 dividend to shareholders⁴, and non-monetary changes mainly related to the settlement of the convertible bond through the allocation of Snam shares in portfolio, decreased by 1,199 million euros compared to 31 December 2021, to 12,822 million euros (14,021 million euros at 31 December 2021).

Group adjusted Net Profit

646 million euros; +1.7%

Free Cash Flow

+1,749 million euros

⁴ The total dividend from 2021 profits amounted to 872 million euros, of which 345 million euros as an interim payment and 527 million euros as the balance. The amounts still to be paid at 30 June 2022 are attributable to the deferred collection as requested by some shareholders.

Technical investments

537 million euros

Technical investments in the first half of 2022 amount to 537 million euros, down 29 million euros (-5.1%) and relate essentially to the natural gas transportation (430 million euros; 458 million euros in the first half of 2021) and storage (60 million euros; 68 million euros in the first half of 2021) segments.

During the first half of 2022, 7 **accidents** were recorded (6 accidents in the first half of 2021), of which 2 occurred to Snam employees (1 in regulated core business and 1 in new business) and 5 accidents occurred to contract suppliers (1 in regulated core business and 4 in new business). With regard to the **accident indices**, the frequency index is 1.04, up compare to the first half of 2021, and the severity index is 0.03, due to the small number of accidents recorded during the half-year.

Key income statement figures

(million euros)	First half		Change	% change
	2021	2022		
Core business revenues	1,370	1,394	24	1.8
New business revenues	157	286	129	82.2
Total revenues	1,527	1,680	153	10.0
Total revenues net of energy costs	1,454	1,595	141	9.7
Operating costs (a)	364	525	161	44.2
Gross operating margin (EBITDA) (a)	1,163	1,155	(8)	(0.7)
Operating profit (EBIT) (a)	762	728	(34)	(4.5)
Net profit (a) (b)	635	646	11	1.7
Special items	243	40	(203)	(83.5)
Reported net profit (b)	878	686	(192)	(21.9)

(a) Figures are stated in the adjusted configuration.

(b) Attributable to Snam's shareholders

Key balance sheet and cash flow figures

(million euros)	First half		Change	% change
	2021	2022		
Technical investments	566	537	(29)	(5.1)
Net invested capital at period-end	21,076	20,682	(394)	(1.9)
Equity (including Non-controlling interests)	6,928	7,860	932	13.5
Snam Shareholders' equity	6,902	7,806	904	13.1
Net financial debt	14,148	12,822	(1,326)	(9.4)
Free Cash Flow	(467)	1,749	2,216	

Key share and income figures

		First half		Change	% change
		2021	2022		
Number of shares of share capital	(million)	3,360.9	3,360.9		
Number of shares outstanding at period-end	(million)	3,270.2	3,351.7	81.5	2.5
Average number of shares outstanding during the period	(million)	3,270.2	3,320.3	50.1	1.5
Period-end official price per share	(€)	4.875	4.999	0.124	2.5
Net profit per share (*)	(€)	0.268	0.207	(0.061)	(22.9)
Adjusted net profit per share (*)	(€)	0.194	0.195	0.001	0.3

(*) Calculated considering the average number of shares outstanding during the period.

Operating performance

In conformity with IFRS 8 "Operating segments", the operating business segments were defined on the basis of the internal reporting used by the Company's management for allocating resources to the different segments and for analysing the respective performances. The reportable business segments are the regulated activities of Transmission, 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		Change	% change
	2021	2022		
Natural gas transportation (a)				
Natural gas injected into the National Gas Transportation Network (billion cubic metres) (b)	38.51	39.11	0.60	1.6
Gas demand (b)	39.97	39.20	(0.77)	(1.9)
Liquefied Natural Gas (LNG) regasification (a)				
Regasified LNG volumes (billion cubic metres)	0.76	0.88	0.12	15.8
Natural gas storage (a)				
Available storage capacity (billion cubic metres) (c)	12.02	12.00	(0.02)	(0.2)
Natural gas moved through the storage system (billion cubic metres)	11.5	10.5	(1.0)	(8.7)
Employees in service at period-end (number) (d)	3,357	3,526	169	5.0
<i>of which:</i>				
- Transport Segment	1,838	1,845	7	0.4
- Regasification Segment	68	67	(1)	(1.5)
- Storage Segment	63	70	7	11.1
- Other segments	436	568	132	30.3
- Corporate and other	952	976	24	2.5
Accident indices - Employees and contractors				
Total number of injuries	6	7	1	16.7
Frequency index (e)	0.98	1.04	0.06	
Severity index (f)	0.05	0.03	(0.02)	

(a) With regard to the first half of 2022, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of about 38.1 MJ/SCM (10.573 kWh/SCM) for transportation and regasification activities and approximately 39.6 MJ/SCM (10.919 kWh/SCM) natural gas storage for the 2022-2023 thermal year.

(b) The data for the first half of 2022 is current as at 08 July 2022. The corresponding 2021 value has been definitively updated.

(c) Working gas capacity for modulation, mining and balancing services. The available capacity at 30 June 2020 is that declared to the Electricity, Gas and Water Authority at the start of the 2022- 2023 thermal year.

(d) Fully consolidated companies. The change reflects the entry of new resources due to the change in the scope of consolidation (77 resources) and the strengthening of the new energy transition business.

(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 hours worked.

Natural gas transportation

The **volume of gas injected into the network** in the first half of 2022 totalled 39.11 billion cubic metres, up from the first half of 2021 (+0.60 billion cubic metres; +1.6%) due to higher volumes that reflected an increase in gas injected for export, notably at the Tarvisio entry point. **Gas demand** in the first half of 2022, amounting to 39.20 billion cubic metres, recorded a decrease compared to the corresponding period of 2021 (-0.77 billion cubic metres; -1.9%), attributable to the contraction in consumption in the residential and tertiary sector (-1.06 billion cubic metres; -6.1%), mainly due to the milder temperatures compared to the first half of 2021, particularly in April and May, as well as the drop in consumption in the industrial sector (-0.32 billion cubic metres; -4.6%), due to high raw material prices and procurement difficulties. These effects were partly absorbed by the growth in consumption in the thermoelectric sector (+0.87 billion cubic metres; +6.0%), due to the drop in hydroelectric production caused by the extreme drought, and partly absorbed by the lower use of natural gas in electricity generation due to higher prices.

Adjusted for the climate impact, gas demand was 38.78 billion cubic metres, a decrease of 0.11 billion cubic metres (-0.3%), compared with the corresponding value for the first half of 2021 (38.89 billion cubic metres) in line with the trend of strengthening energy efficiency measures.

Natural gas storage

The **volumes of gas moved in the storage system** in the first half of 2022 amounted to 10.5 billion cubic metres, a decrease of 1.0 billion cubic metres, equal to 8.5%, compared with the first half of 2021. The reduction is attributable to lower injections into storage due to higher gas prices, as well as lower withdrawal from storage as a result of milder temperatures in the first half of the year compared to the corresponding period in 2021.

Total storage capacity at 30 June 2022, including strategic storage, was 16.5 billion cubic metres (unchanged from 30 June 2021), of which 4.5 billion cubic metres related to strategic storage (unchanged from the 2021-2022 thermal year)⁵ and 12.0 billion cubic metres relating to available capacity. At 30 June 2022, the available allocated capacity for the thermal year 2022-2023 was 57.6%. At 25 July 2022, Snam, in its role as purchaser of last resort to support the filling of storage, has purchased and injected into storage approximately 2 billion cubic metres of gas, of which approximately 760 million cubic metres for the operation of the infrastructure, bringing the filling percentage to approximately 71% of the total capacity, in line with the progressive achievement of the objective of filling at least 90% of the national storage capacity established by the Ministry of Ecological Transition with Decree no. 253 of 22 June 2022. Due to the current regulatory framework, the service of last resort does not generate any economic or financial impact for Snam.

⁵ With a press release dated 10 January 2022, the Ministry of Ecological Transition confirmed for the thermal year 2022-2023 (01 April 2020-31 March 2023) the volume of strategic gas storage equal to 4.62 billion cubic metres, of which 4.5 billion are attributable to Stogit.

Liquefied Natural Gas (LNG) regasification

In the first half of 2022, 0.88 billion cubic metres of LNG were regasified at the Panigaglia (La Spezia) LNG terminal (0.76 billion cubic metres in the first half of 2021; +15.8%) and 21 **methane tankers were unloaded**, in line with the tankers allocated (18 tankers unloaded in the first half of 2021, compared to the 20 tankers allocated). Starting in April 2022, there was an increase in the volumes regasified by LNG Italy and a consequent increase in tanker unloading compared to the first quarter of 2022, which had been affected by price dynamics and, in particular, by the greater inflow of Algerian liquefied gas to France and Spain compared to Italy.

Snam share performance

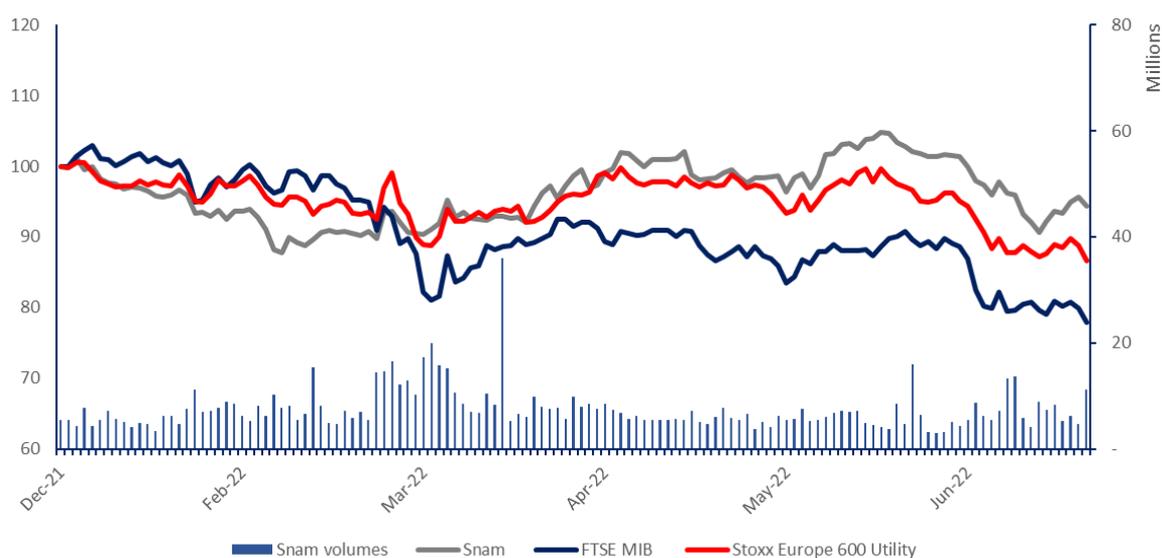
The Snam share price ended the first half 2022 at a price of 4.999 euros, down 5.68% from the 5.30 euros recorded at the end of 2021.

The average share price during the half-year was 5.103 euros, with a high of 5.558 euros at the end of May.

In the first half of the year, the stock market suffered from the volatility triggered by the conflict in Ukraine, which caused great uncertainty worldwide. In this context, accompanied by a growing inflationary drive and a consequent prospect of interest rate increases by central banks, the Snam stock showed greater resilience than the market, outperforming both the FTSE MIB and the Stoxx Europe 600 Utilities.

Significant volumes were traded in the second half of March in connection with the presentation of the FY 2021 results, accompanied by an upward trend in the stock. The decline in June was affected, among other things, by the payment of the balance of the dividend.

SNAM - Snam, FTSE MIB and STOXX Europe 600 Utility price comparison
(1 January 2022 - 30 June 2022)



Main events

Security of supply and energy diversification

Floating regasifiers - FSRU

In order to promote greater security and diversification of Italy's energy supplies, on 31 May 2022 Snam finalised the purchase from Golar LNG Limited of 100% of the share capital of Golar LNG NB 13 Corporation, a company that owns the Floating Storage and Regasification Unit (FSRU) "Golar Tundra" as its sole asset, for a consideration of 350 million dollars (approximately 329 million euros). Golar Tundra, with a storage capacity of 170,000 cubic metres and an annual regasification capacity of 5 billion cubic metres of gas, will be positioned in central-northern Italy, close to the points of greatest gas consumption, in order to ensure the maximisation of regasification capacity. The FSRU is expected to commence operations in the spring of 2023, following the conclusion of the authorization and regulatory process and the completion of the works required for connection to the transport network.

In addition, on 18 May 2022, Snam and Golar LNG Limited signed a contract for the sale by Golar to Snam of the LNG carrier "Golar Arctic", subject to conversion into an FSRU, to be installed in the port area of Portovesme, in Sardinia, as envisaged by the project for the energy supply of the island. The contract has a total value of 269 million euros and includes the purchase of the ship and the investment required for its conversion into an FSRU with a storage capacity of up to 140,000 cubic metres. Following full conversion, the FSRU will be sold to the Snam Group. The start of the ship conversion activities and the consequent fulfilments are subject to the issuance by Snam of a Notice-to-Proceed (NTP), after which the delivery of the FSRU can take place within about two years.

Lastly, on 06 July 2022, Snam and BW LNG signed a contract for the acquisition by Snam Group of 100% of the share capital of FSRU I Limited, which upon closing will own the floating storage and regasification unit "BW Singapore" as its sole asset. Built in 2015, BW Singapore has a maximum storage capacity of about 170,000 cubic metres of liquefied natural gas (LNG) and a nominal continuous regasification capacity of about 5 billion cubic metres per year.

The FSRU will be available to Snam on the date of the closing of the deal, which is expected by the end of

2023. The FSRU, which is currently bound by a charter agreement with a third party until November 2023, is expected to be located in the Upper Adriatic, near the coast of Ravenna and to commence operations in the third quarter of 2024, following the conclusion of the authorisation and regulatory process and the completion of the works required for mooring and connection to the transport network.

MoU with Enagás for a feasibility study for a Spain-Italy gas pipeline

On 11 May 2022, Snam signed a Memorandum of Understanding with Enagás to jointly commission a technical feasibility study for the possible construction of an offshore gas pipeline between Spain and Italy, to further diversify supplies to Italy and Europe.

Urgent provisions for the allocation of storage capacity and the role of Snam as system operator

Measures of the Ministry of Ecological Transition - MiTe and ARERA resolutions

As a result of the ongoing conflict situation between Russia and Ukraine and rising gas prices, the Ministry of Ecological Transition - MiTe issued Decree no. 18 of 14 March 2022 containing, among other things, provisions for the security of the national natural gas system and for the promotion of additional gas volumes in the national system, with the aim of "bringing storage filling to at least 90% of the available national storage capacity", in line with what was decided at European level.

With subsequent Decree no. 138 of 1 April 2022, the MiTe established that Snam Rete Gas shall procure and inject into storage in April 2022 the volumes of gas for the operation of the system for the period November 2022 - March 2023, as well as for the management of the technical consumption of the storage companies, in accordance with the procedures defined by the Regulatory Authority - ARERA, which ensure Snam Rete Gas the economic neutrality of the filling operations. These modalities were defined by the Authority with Resolution 165/2022/R/gas.

Subsequently, with Decree no. 253 of 22 June 2022, the MiTe issued further provisions on the security of the national natural gas system aimed at achieving the technical filling level of 5,400 million standard cubic

metres by the end of June necessary to not jeopardise the target of 90% filling at the end of the injection campaign. In particular, the Decree provided for Snam Rete Gas to offer a filling service of last resort by acquiring quantities of gas for injection at the storage infrastructure that are complementary to the quantities injected by market operators, in accordance with modalities defined by ARERA that provide for the recognition of the overall costs actually incurred, with the safeguarding of the Snam Rete Gas economic-financial balance.

These modalities have been defined by ARERA with Resolution 274/2022/R/Gas, published on 24 June 2022, which provides that (i) the difference between the cost of purchasing and selling (in the coming winter) gas will be settled and that the financial expenses actually incurred in relation to procurement costs will be recognised, and (ii) the Cassa will provide Snam Rete Gas with resources of up to 2 billion euros as a priority for the performance of the filling service.

At 25 July 2022, Snam, in its role as purchaser of last resort to support the filling of storage, has purchased and injected into storage approximately 2 billion cubic metres of gas, of which approximately 760 million cubic metres for the operation of the infrastructure, bringing the filling percentage to approximately 71% of the total capacity.

Snam for the energy transition

Main acquisitions in biomethane

Following agreements signed in December 2021 for the purchase from Asja Ambiente Italia S.p.A. of a portfolio of plants and development projects in the field of OFMSW (organic fraction of municipal solid waste) treatment and biomethane production, on 3 March 2022, Snam completed the acquisition of 100% of the capital of Biowaste CH4 Anzio S.r.l. and Biowaste CH4 Foligno S.r.l, owners of **plants for the production of biomethane from OFMSW** in Anzio and Foligno, as well as 100% of the share capital of Biowaste CH4 Group S.r.l., a company that provides services to the plants through its personnel.

Inauguration of the first biomethane plant from OFMSW in Sicily

On 17 May 2022, Snam inaugurated in **Caltanissetta the first biomethane plant** from OFMSW in Sicily, a circular economy project that aims to be the leader of other similar initiatives on the island, with the objective of contributing to the decarbonisation of the Region and the country.

The new plant will be able to recover about 36,000 tonnes/year of OFMSW from neighbouring municipalities, and will contribute to improving the efficiency of the waste system in the Province and the Region, favouring the reduction of the environmental impact, through a reduced recourse to landfills and the transport of waste outside the Region, and a consequent reduction of costs for the municipality and citizens.

Sustainable finance

In January 2022, Snam issued its first **dual-tranche Sustainability-Linked bond** for 1.5 billion euros, whose economic performance is linked to the achievement of certain sustainability targets. These issues are aimed at financing investments in environmental sustainability and energy transition.

It should be noted that the January 2022 issue was associated with a **Liability Management** exercise that led to the repurchase of Snam bonds for a nominal value of 350 million euros, in order to proactively manage future debt maturities and accelerate the shift towards instruments linked to sustainability issues.

In the first months of the year, the 400 million euros convertible bond, maturing in March 2022, was converted for about 96% of its nominal value into Snam shares, while the remainder was repaid in cash.

In addition, in the second quarter of 2022, Snam finalised **Revolving Credit Facilities (RCF)** with major relationship banks for a total of 900 million euros, **with environmental and social KPIs** in line with the existing **Sustainable Loan** for a total of 3.2 billion euros. Lastly, the Euro **Commercial Paper** programme was utilised at 30 June 2022 for about 2.5 billion euros. All issues are Environmental, Social and Governance (ESG) in nature. At 30 June 2022, the Snam sustainable finance weight was around 70%, up from 60% at the end of 2021 and in line with the target of exceeding 80% by 2025.

I.P.O. Industrie De Nora

The Industrie De Nora IPO was successfully completed on 30 June 2022, one of the most significant transactions of the year at European level, despite the difficult market context.

Snam accompanied the company in the listing process, maintaining a strategic share (25.88% of the capital) to support its future development.

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

No significant events occurred after 30 June 2022, other than those reported in the preceding paragraphs.

Operating performance by business segment

Natural gas transportation

The natural gas transportation segment information includes figures for Snam Rete Gas, Infrastruttura Trasporto Gas and Enura.

Key performance indicators

(million euros)	First half		Change	% change
	2021	2022		
Regulated revenues (a) (b)	1,084	1,076	(8)	(0.7)
Other non-regulated revenues	23	64	41	
Total revenues (a) (b)	1,107	1,140	33	3.0
EBITDA	919	923	4	0.4
Amortisation, depreciation and impairment losses	326	345	19	5.8
EBIT	593	578	(15)	(2.5)
Technical investments	458	430	(28)	(6.1)
- of which with a greater return	69	50	(19)	(27.5)
- of which with a basic return (c)	389	380	(9)	(2.3)
Natural gas injected in the National Gas Transportation Network (billions of cubic metres) (d)	38.51	39.11	0.60	1.6
Gas transportation network (kilometres in use)	32,680	32,763	83	0.3
- of which National Network	9,649	9,668	19	0.2
- of which regional network	23,031	23,095	64	0.3
Employees in service at the period end (number)	1,838	1,845	7	0.4

(a) Before consolidation adjustments.

(b) Net of revenues which, in accordance with tariff regulations, are offset by costs (pass-through item) relating to the modulation service amounting to 34 million euros in the first half of 2022 (27 million euros in the first half of 2021).

(c) At a pre-tax real base WACC of 5.1% for 2022 (5.7% in 2021).

(d) The data for the first half of 2022 is current as at 08 July 2022. The corresponding figure for 2021 has been updated definitively and is consistent with that published by the Ministry of Economic Development. 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).

Results

Total revenues amounted to 1,140 million euros, an increase of 33 million euros, or 3.0%, compared to the first half of 2021 (1,107 million euros), thanks to new investments and the development of output-based services, despite the reduction in WACC. The increase in revenues in the transportation segment was also affected by one-off proceeds from the sale of owned gas inventories.

Regulated revenues amounted to 1,076 million euros, down by 8 million euros, or 0.7%, 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 2021 (+9 million euros).

Net of variable fees related to energy costs, regulated revenues decreased by 17 million euros, or 1.7%, mainly due to the reduction in WACC (-50 million euros), which was partly offset: (i) by the increase in the RAB base (+20 million euros, including the effect of lower input-based incentives); (ii) from higher volumes of gas transported (+5 million euros) due to the recovery of domestic consumption and growth in exports; (iii) by higher revenues for output-based services (+8 million euros).

Other non-regulated revenue (64 million euros) increased by 41 million euros compared to the first half of 2021, due to the aforementioned one-off effects.

EBITDA amounted to 923 million euros, up by 4 million euros, equal to 0.4% compared to the first half of 2021. The positive effects of gas sales were partly absorbed

by the reduction in regulated revenues and by the dynamics of provisions for risks and charges, due to releases in the first half of 2021 for disputes that have been resolved.

Operating profit amounted to 578 million euros, down by 15 million euros, or 2.5%, compared to the first half of 2021, as a result of higher depreciation and amortisation mainly due to new assets entering into operation (+19 million euros; or 5.8%).

Technical investments

Type of investment	Higher return (%) (*)	First half	First half
		2021	2022
		Million euros	Million euros
Development	1.5%	69	50
Replacement and other		389	380
		458	430

(*) Compared to a real pre-tax base WACC of 5.1% for 2022, compared to 5.7% in 2021.

Technical investments in the first half of 2022 amounted to 430 million euros, a decrease of 28 million euros (-6.1%) compared to the same period last year (458 million euros). Investments have been classified consistently with resolution 114/2019/R/gas whereby the Autorità di Regolazione per Energia, Reti e Ambiente ("ARERA" or the "Authority") identified different categories of projects with 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% (50 million euros) is expected concern:

- investments for the **development of new transport capacity on the national network functional to the import and export capacity** (16 million euros) mainly related to 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** (34 million euros), including: the continuation of construction of biomethane and CNG connections (22 million in total), the upgrade of the hybrid power plants of Messina and Poggio Renatico.

Replacement and other investments with **basic remuneration** (380 million euros), mainly relate to: (i) works aimed at maintaining the safety levels, also in terms of functionality and quality, of plants (135 million euros), including plant upgrades and improvements, hydrogeological interventions, revamping of compression plants; (ii) replacement of methane pipelines (172 million euros) (iii) projects relating to the

development of information systems, as well as the implementation of existing ones (66 million euros), including strategic projects such as the development of advanced territorial cartography applications, Asset Digitalisation, and projects aimed at the evolution of security and remote control systems; (iv) purchase of vehicles and other (6 million euros).

Operating performance

Gas injections in the transmission network

Gas volumes are stated in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM (10.573 Kwh/SCM). The basic figure is measured in energy (MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.

The volumes of gas injected into the network in the first half of 2022 amounted to a total of 39.11 billion cubic metres, an increase of 0.60 billion cubic metres (+1.6%) compared to the first half of 2021, due to higher exports, in particular to the Tarvisio and Passo Gries entry points interconnected with Austria, despite a slight drop in domestic consumption.

Volumes of gas injected at entry points interconnected with foreign countries and with LNG regasification terminals stood at 37.58 billion cubic metres, an increase compared with the first half of 2021 (+0.63 billion cubic metres; +1.7%). There was an increase in the volumes injected at the entry points of Passo Gries (+2.66 billion cubic metres), Melendugno (+2.33 billion

cubic metres) and the entry points interconnected with the regasifiers (+1.08 billion cubic metres). These factors were partly offset by the decrease in volumes fed in from the Tarvisio entry point (-5.34 billion cubic metres), as a result of the geopolitical situation, and Gela (-0.45 billion cubic metres).

Injections into the network from domestic production fields or their collection and treatment centres amounted to 1.53 billion cubic metres, down slightly by 0.03 billion cubic metres (-1.9%) compared to the first half of 2021.

Gas injected into the network (*)

(billions of m3)	First half		Change	% change
	2021	2022		
Domestic output	1.56	1.53	(0.03)	(1.9)
Entry points (**)	36.95	37.58	0.63	1.7
Mazara del Vallo	11.18	11.53	0.35	3.1
Tarvisio	14.63	9.29	(5.34)	(36.5)
Meledugno	2.68	5.01	2.33	86.9
Cavarzere (LNG)	3.77	4.27	0.50	13.3
GriesPass	1.12	3.78	2.66	
Livorno (LNG)	1.15	1.71	0.56	48.7
Gela	1.64	1.19	(0.45)	(27.4)
Panigaglia (LNG)	0.77	0.79	0.02	2.6
Gorizia	0.01	0.01		
	38.51	39.11	0.60	1.6

(*) The data for the first half of 2022 is current as at 08 July 2022. The corresponding 2021 value has been definitively updated.

(**) Entry points connected with other countries or with LNG regasification plants.

Liquefied Natural Gas (LNG) regasification

The disclosure of the Liquefied Natural Gas - LNG regasification segment includes the values of the companies GNL Italia and Golar LNG, owner of the floating regasification plant (FSRU).

Key performance indicators

(million euros)	First half		Change	% change
	2021	2022		
Regulated revenues (a) (b)	9	13	4	44.4
Other non-regulated revenues	1	1		
Total revenues (a) (b)	10	14	4	40.0
EBITDA	4	9	5	
Amortisation, depreciation and impairment losses	4	5	1	25.0
EBIT	0	4	4	100.0
Technical investments (c)	16	10	(6)	(37.5)
Regasified LNG volumes (billion cubic metres) (d)	0.76	0.88	0.12	15.8
Tanker loads (number)	18	21	3	16.7
Employees in service at the period end (number)	68	67	(1)	(1.5)

(a) Before consolidation adjustments.

(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. (2 million euros; 3 million euros in the first half of 2021) and gas sales for the extraordinary system balancing carried out in June 2022 (17 million euros in total in the first half of 2022).

(c) Investments remunerated at the pre-tax real base WACC of 6.1% for 2022 (6.8% in 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 (Scm) with an average higher heating value (HHV) of 38.1 MJ/Scm (10.573 kWh/Scm).

Results

Total revenues amounted to 14 million euros, up by 4 million euros, or 40.0%, compared with the first half of 2021, and related to regulated revenue relating to the regasification service (13 million euros; +44.4%) and other income (1 million euros; unchanged compared with the first half of 2021).

Regulated revenues include variable fees (3 million euros; +2 million euros compared to the first half of 2021) applied to users to cover costs related to energy consumption (electricity and CO₂). Net of energy costs, regulated revenues increased by 2 million euros, attributable to the increase in the RAB base, which more than absorbed the effects of the WACC reduction.

EBITDA amounted to 9 million euros, an increase of 5 million euros compared to the first half of 2021, due to the aforementioned increase in regulated revenues and lower costs related to the change in inventories of gas delivered by shippers for internal consumption.

Operating profit increased by 4 million euros compared to the first half of 2021, due to higher depreciation and amortisation related to new capitalisations.

Technical investments

Technical Investments in the first half of 2022 amounted to 10 million euros, down from the corresponding period in 2021 (-6 million euros; equal to 37.5%), and related to maintenance investments, aimed at ensuring the safety of the plant systems, with particular reference to cool down of tanks.

Operating performance

In the first half of 2022, 0.88 billion cubic metres of LNG were regasified at the Panigaglia (La Spezia) LNG terminal (0.76 billion cubic metres in the first half of 2021; +15.8%) and 21 methane tankers were unloaded, in line with the tankers allocated (18 tankers unloaded in the first half of 2021, compared to the 20 tankers allocated).

Natural Gas Storage

The natural gas storage segment information includes the values of the company Stogit.

Key performance indicators

(million euros)	First half		Change	% change
	2021	2022		
Regulated revenues (a) (b)	265	249	(16)	(6.0)
Other non-regulated income and revenues	4	2	(2)	(50.0)
Total revenues (a) (b)	269	251	(18)	(6.7)
EBITDA	230	208	(22)	(9.6)
Amortisation, depreciation and impairment losses	59	60	1	1.7
EBIT	171	148	(23)	(13.5)
Technical investments (c)	68	60	(8)	(11.8)
Concessions (number)	10	10		
- of which operational (d)	9	9		
Natural gas moved in storage (billions of cubic metres) (e)	11.5	10.5	(1.0)	(8.7)
- of which injected	5.0	4.4	(0.6)	(12.0)
- of which withdrawn	6.5	6.1	(0.4)	(6.2)
Total storage capacity (billion cubic metres)	16.5	16.5		
- of which available (f)	12.0	12.0		
- of which strategic	4.5	4.5		
Employees in service at the period end (number)	63	70	7	11.1

(a) Before consolidation adjustments.

(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 78 million euros in the first half of 2022 (87 million euros in the first half of 2021).

(c) Investments remunerated at the pre-tax real base WACC of 6.0% for 2022 (6.7% in 2021).

(d) 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 39.6 MJ / Smc (10.919 kWh/Smc) for natural gas storage for the thermal year 2022-2023. The corresponding 2021 value 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 revenues amounted to 251 million euros, a decrease compared to the first half of 2021 (-18 million euros; or 6.7%), partly as a result of the positive one-off effect from which the first half of 2021 benefited from the release of prior balance sheet items.

Regulated revenues amounted to 249 million euros, down by 16 million euros (6.0%) compared to the first half of 2021. Regulated revenues include variable fees (4 million euros; +1 million euros compared to the first half of 2021) applied to users to cover costs related to energy consumption (purchase of CO₂ emission rights). The higher revenues for output-based services, due to the expansion of flexibility services on short-term auctions, were absorbed by the effects of the WACC reduction.

Other non-regulated revenue (2 million euros)

decreased by 2 million euros compared to the first half of 2021, due to lower income for insurance reimbursements.

EBITDA amounted to 208 million euros, a decrease of 22 million euros or 9.6% compared to the first half of 2021, mainly due to lower regulated revenues, together with higher service costs.

Operating profit amounted to 148 million euros, down by 23 million euros (13.5%) compared to the first half of 2021, against the aforementioned reduction in EBITDA.

Technical investments

(million euros)	First half		Change	% change
	2021	2022		
Type of investment				
Development of new fields and capacity building	3	12	9	
Maintenance and other	65	48	(17)	(26.2)
	68	60	(8)	(11.8)

Technical investments in the first half of 2022 amounted to 60 million euros, down 8 million euros (-11.8%) compared with the first half of 2021 (68 million euros), and related to investments in **developing new fields and enhancing capacity** (12 million euros) mainly related to engineering activities for the installation of three new electricity compressor plants - ELCO, and **maintenance and other** investments (48 million euros).

These latter mainly refer to: (i) engineering work on the TC1 plant at Sergnano and upgrading of regeneration systems on compression units; (ii) work over on existing wells, particularly at Sabbioncello, to restore to operation wells made unavailable due to loss of mechanical integrity; (iii) IT projects for the purchase of licences and renewals of existing licences.

Operating performance

Gas moved through the storage system

The **volumes of gas moved in the storage system** in the first half of 2022 amounted to 10.5 billion cubic metres, a decrease of 1.0 billion cubic metres, equal to 8.7%, compared with the first half of 2021. The reduction is attributable to lower injections into storage due to

higher gas prices, as well as lower withdrawal from storage as a result of milder temperatures in the first half of the year compared to the corresponding period in 2021.

ARERA regulations

Approval of transport revenue 2023

Resolution 233/2022/R/Gas - Approval of recognised revenues and determination of fees for the natural gas transportation and measurement service for the year 2023 and amendments to the RTTG

With Resolution 233/2022/R/gas, published on 1 June 2022, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2023. The revenues recognised for the natural gas transportation service for the year 2023 amount to 2,399 million euros. The RAB used to calculate the 2023 revenue for transmission, dispatching and metering activities is 17.6 billion euros and includes the estimated investments for 2022.

DCO 213/2022/R/Gas - Tariff adjustment criteria for the natural gas transportation and metering service for the sixth regulatory period (6PRT) - Initial guidance

With Consultation Document 213/2022/R/Gas, published on 19 May 2022, the Authority outlined the first guidelines on the revision of the tariff criteria for the new gas transportation regulatory period starting on 1 January 2024. The document outlines in particular the criteria for determining regulated revenues for the first year of the period (2024), with a view to the transition to the ROSS approach - Regulation by Expenditure and Service Objectives of tariff fees, as well as the economic items related to energy costs (self-consumption, losses and CNG). A further Consultation Document is expected by mid-October 2022 and the process will be concluded by the first quarter of 2023.

Approval of regasification revenues 2023

Resolution 278/2022/R/Gas - Approval of tariff proposals for the LNG regasification service for 2023 and provisions relating to the revenue coverage factor for 2021

By means of Resolution 278/2022/R/gas, published on 30 June 2022, the Authority approved the revenue recognised for the regasification service for 2023 on the basis of the proposal presented by GNL Italia. The tariffs were determined on the basis of reference revenues of 31.4 million euros and energy costs of approximately 6.4 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 164 million euros.

At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2021 for an amount of approximately 10.5 million euros.

Urgent provisions for the allocation of storage capacity

Resolution 165/2022/R/Gas - Urgent provisions for the allocation of storage capacity pursuant to the Decree of the Minister for Ecological Transition no. 138 of 1 April 2022

With Resolution 165/2022/R/Gas, published on 8 April 2022, the Authority issued provisions in relation to the allocation of storage capacity pursuant to the MiTE Decree of 1 April 2022. In particular, a premium is envisaged for storage as of 1 November 2022 and the procurement by Snam Rete Gas of volumes to cover system gas (consumption, losses, CNG, Delta In-Out) and gas for technical consumption of storage facilities for the coming winter (with related costs incurred recognised through CSEA).

Resolution 189/2022/R/Gas - Further urgent provisions for the allocation of storage capacity, pursuant to the Decree of the Minister for Ecological Transition no. 138 of 1 April 2022

With Resolution 189/2022/R/Gas, published on 27 April 2022, the Authority provided provisions for the allocation of storage capacity for the 2022-2023 Thermal Year together with the application of Two-Way Difference Contracts (CD2V), in line with the provisions of MiTE Decree no. 138 of 1 April 2022. In particular, the application of CD2V to the difference between the price of winter and summer gas is envisaged, providing for compensation to the User in the event that this differential is lower than a reference value and, vice versa, in the event that this differential is higher than the reference value, recognition by the User. Finally, the economic and financial neutrality of the Balancing Manager for the purpose of managing these amounts is guaranteed.

Resolution 261/2022/R/Gas - Additional criteria for the execution of the contract for two-way differences referred to in Authority Resolution 189/2022/R/gas

By Resolution no. 261/2022/R/Gas, published on 15 June 2022, in order to take into account the specificities of the Contract for two-way differences (CD2V) introduced by Resolution no. 189/2022/R/gas, the Authority defined a single interest rate to be applied for any delays in payments between the Balancing Manager and the Users in execution of the CD2V. In addition, the deadline for the subscription of CD2V for capacities allocated by May is postponed to 20 June 2022.

Resolution 274/2022/R/Gas - Further urgent measures for the allocation of natural gas storage service capacity pursuant to Decree no. 253 of the Minister for Ecological Transition of 22 June 2022

With Resolution no. 274/2022/R/Gas, published on 24 June 2022, the Authority laid down provisions concerning the filling service of last resort introduced by the MiTE decree of 22 June 2022. In particular, the Resolution provides that:

- a) the **Balancing Manager** procures the gas quantities at the AGS platform of the GME, consistent with the modalities of April 2022 (as per Resolution 165/2022/R/Gas), and that the relevant financial expenses actually incurred are recognised, within the limit of the debt rate implicit in the WACC defined pursuant to Resolution 614/2021/R/Gas;
- b) the difference between purchase and disposal costs is settled in the following winter (modalities to be defined in a subsequent provision);
- c) the **Balancing Manager** has priority recourse to CSEA for the functional amounts of gas procurement up to 2 billion euros (for the portion advanced by CSEA, the recognition of financial expenses as per point a does not apply);
- d) the storage premium is extended (as per Resolution 165/2022/R/Gas) to the implicit contributions of June, July, August and September.

With **Resolution 349/2022/R/Gas**, published on 21 July 2022, the Authority increased to 2.5 billion euros the amounts at CSEA, functional to the provision of the filling service of last resort of the Balancing Manager, previously set at 2 billion euros by Resolution 274/2022.

At 25 July 2022, Snam, in its role as purchaser of last resort to support the filling of storage, has purchased and injected into storage approximately 2 billion cubic metres of gas, of which approximately 760 million cubic metres for the operation of the infrastructure, bringing the filling percentage to approximately 71% of the total capacity, in line with the progressive achievement of the objective of filling at least 90% of the national storage capacity established by the Ministry of Ecological Transition with Decree no. 253 of 22 June 2022. Due to the current regulatory framework, the service of last resort does not generate any economic or financial impact for Snam.

Financial review and other information

Financial review

INCOME STATEMENT

(million euros)	First half 2021		First half 2022		2022 adjusted vs 2021 adjusted	
	Reported	Adjusted (*)	Reported	Adjusted (*)	Change	% change
Regulated revenues	1,358	1,358	1,338	1,338	(20)	(1.5)
Non-regulated revenues	12	12	56	56	44	
Core business revenues	1,370	1,370	1,394	1,394	24	1.8
New business revenues	157	157	286	286	129	82.2
TOTAL REVENUES	1,527	1,527	1,680	1,680	153	10.0
Core business operating costs	(215)	(211)	(264)	(256)	(45)	21.3
New business operating costs	(153)	(153)	(277)	(269)	(116)	75.8
TOTAL OPERATING COSTS	(368)	(364)	(541)	(525)	(161)	44.2
EBITDA	1,159	1,163	1,139	1,155	(8)	(0.7)
Amortisation, depreciation and impairment losses	(401)	(401)	(432)	(427)	(26)	6.5
EBIT	758	762	707	728	(34)	(4.5)
Net financial expenses	(50)	(50)	(68)	(51)	(1)	2.0
Net income from equity investments	139	139	249	176	37	26.6
Profit before taxes	847	851	888	853	2	0.2
Income taxes	33	(214)	(199)	(204)	10	(4.7)
Net profit	880	637	689	649	12	1.9
- Attributable to Snam's shareholders	878	635	686	646	11	1.7
- Non-controlling interests	2	2	3	3	1	50.0

(*) The values exclude special items.

Summary reconciliation of adjusted results (*)

(million euros)	First half		Change	% change
	2021	2022		
EBIT	758	707	(51)	(6.7)
Exclusion of special items	4	21	17	
Adjusted EBIT	762	728	(34)	(4.5)
Net profit	880	689	(191)	(21.7)
- Attributable to Snam's shareholders	878	686	(192)	(21.9)
- Non-controlling interests	2	3	1	50.0
Exclusion of special items	(243)	(40)	203	(83.5)
Adjusted net profit	637	649	12	1.9
- Attributable to Snam's shareholders	635	646	11	1.7
- Non-controlling interests	2	3	1	50.0

(*) For the nature and detailed reconciliation of the individual adjustments, read the paragraph: "Non-GAAP measures" of this Report.

Analysis of the entries on the adjusted financial statement

In conformity with IFRS 8 "Operating segments", the operating business segments were defined on the basis of the internal reporting used by the Company's management for allocating resources to the different segments and for analysing the respective performances. The reportable business segments are the regulated activities of Transmission, Storage and Regasification.

An analysis of the performance of the business segments is provided in the chapter "Operating performance by business segment". "Other segments", which are not reported separately, include activities relating to the new Energy Transition businesses (energy efficiency, biogas/biomethane and sustainable mobility) 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.

Operating revenues and costs are also represented in the "core business" view, which includes the regulated activities of transporting, regasification and storing 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 businesses of Energy Transition and Snam Global Solutions.

Revenues by segment

(million euros)	First half			
	2021	2022	Change	% change
Transport Segment	1,107	1,140	33	3.0
Storage Segment	269	251	(18)	(6.7)
Regasification Segment	10	14	4	40.0
Other segments	157	286	129	82.2
Amounts not allocated to segments	9	10	1	11.1
Consolidation eliminations	(25)	(21)	4	(16.0)
TOTAL REVENUES	1,527	1,680	153	10.0

Core and new business revenues

(million euros)	First half			
	2021	2022	Change	% change
Core business revenues	1,370	1,394	24	1.8
Regulated revenues	1,358	1,338	(20)	(1.5)
- Transportation	1,084	1,076	(8)	(0.7)
- Storage	265	249	(16)	(6.0)
- Regasification	9	13	4	44.4
Non-regulated revenues	12	56	44	
New business revenues	157	286	129	82.2
TOTAL REVENUES	1,527	1,680	153	10.0

Total revenues for the first half of 2022 amounted to 1,680 million euros, an increase of 153 million euros, or 10.0%, compared to the first half of 2021, including variable fees to cover energy costs (purchases of gas, electricity and CO₂ emission rights) of 85 million euros (73 million euros in the first half of 2021). Net of the fees to cover energy costs, total revenues amounted to 1,595 million euros, up by 141 million euros (+9.7%) compared to the first half of 2021.

The increase is mainly attributable to the growth in **new business revenues** (+129 million euros; 82.2%), mainly due to the development of energy efficiency, particularly in the residential sector. Core business revenues also increased (+12 million euros), despite the negative effect of the reduction in WACC (64 million euros), thanks to the realisation of planned investments and the offer of output-based services, as well as one-off income related to the sale of inventories of proprietary gas.

Regulated revenues, net of energy costs, amounted to 1,253 million euros, down by 32 million euros (-2.5%) compared to the first half of 2021. The aforementioned reduction in WACC (-64 million euros, of which 50 million euros related to transport) was partly offset: (i) by the increase in the RAB base (+24 million euros, including the effect of lower input-based incentives); (ii) from higher volumes of gas transported (+5 million euros) due to the recovery of domestic consumption and growth in exports; (iii) by higher revenues for output-based services (+19 million euros; +8 million euros related to transportation and +11 million euros related to storage, for flexibility services offered on short-term auctions). The first half of 2021 had also benefited from the release of prior balance sheet items for 17 million euros.

Core and new business operating costs

(million euros)	First half		Change	% change
	2021	2022		
Core business costs	211	256	45	21.3
Fixed costs	138	146	8	5.8
Variable costs	57	64	7	12.3
Other costs (a)	16	46	30	
New business costs	153	269	116	75.8
TOTAL OPERATING COSTS	364	525	161	44.2

(a) Net of special items.

Operating costs in the first half of 2022 amounted to 525 million euros, up by 161 million euros (44.2%) compared to the first half of 2021.

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 increased by 146 million euros, or 49.3%, mainly due to the growth in **new businesses** and, in particular, in business volumes in energy efficiency.

With reference to the **core business**, operating costs increased by 30 million euros, or 21.0%, compared to the first half of 2021. The increase is

attributable to the changes in the provisions for risks and charges, due to releases made in the first half of 2021 for disputes that have come to an end, and to withdrawals from stock against the sale of gas inventories owned.

The number of employees at 30 June 2022 (3,526 people) is analysed below by professional status.

	First half		Change	% change
	2021	2022		
Professional status				
Executives	136	136		
Middle Managers	572	622	50	8.7
Office workers	1,840	1,912	72	3.9
Manual workers	809	856	47	5.8
TOTAL EMPLOYEES IN SERVICE	3,357	3,526	169	5.0

The increase of 169 employees compared to the financial year 2021 is mainly due to the change in the scope of consolidation (77 resources) and the strengthening of the new energy transition business.

EBITDA by segment

(million euros)	First half		Change	% change
	2021	2022		
Transport Segment	919	923	4	0.4
Storage Segment	230	208	(22)	(9.6)
Regasification Segment	4	9	5	
Other segments	4	17	13	
Amounts not allocated to segments (*)	6	(2)	(8)	
TOTAL EBITDA	1,163	1,155	(8)	(0.7)

(*) Net of special items.

Depreciation, amortisation and impairment losses by segment

(million euros)	First half		Change	% change
	2021	2022		
Total amortisation and depreciation	400	427	27	6.8
Transport Segment	326	345	19	5.8
Storage Segment	58	60	2	3.4
Regasification Segment	4	5	1	25.0
Other segments	8	11	3	37.5
Amounts not allocated to segments	4	6	2	50.0
Impairment losses (*)	1		(1)	(100.0)
Storage Segment	1		(1)	(100.0)
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	401	427	26	6.5

(*) Net of special items.

Depreciation, amortisation and write-downs (427 million euros) increased by 26 million euros, or 6.5%, compared to the first half of 2021, mainly due to new infrastructure commissioned.

Operating profit by segment

(million euros)	First half		Change	% change
	2021	2022		
Transport Segment	593	578	(15)	(2.5)
Storage Segment	171	148	(23)	(13.5)
Regasification Segment		4	4	
Other segments	(4)	6	10	
Amounts not allocated to segments (*)	2	(8)	(10)	
TOTAL EBIT	762	728	(34)	(4.5)

(*) Net of special items.

Net financial expenses

(million euros)	First half		Change	% change
	2021	2022		
Financial expense related to net financial debt (*)	64	73	9	14.1
- Interest and other expenses on short- and long-term debt	72	78	6	8.3
- Bank interest income	(8)	(5)	3	(37.5)
Other net financial expense (income)	(6)	(12)	(6)	100.0
- Accretion discount	2	4	2	100.0
- Other net financial expense (income)	(8)	(16)	(8)	100.0
Financial expense capitalised	(8)	(10)	(2)	25.0
TOTAL NET FINANCIAL EXPENSES (*)	50	51	1	2.0

(*) Net of special items.

Net financial expenses (51 million euros) were substantially in line with the first half of 2021 (+1 million euros; +2%). The higher debt-related financial expenses, mainly due to the increase in the average cost of gross debt from 0.8% in the first half of 2021 to about 1% in 2022, were absorbed by the higher income related to the OLT Shareholders Loan. The increase in the average cost of debt in the first half of 2022 is mainly attributable to lower treasury optimisation and the Sustainability-Linked dual-tranche bond issue in January, at a weighted average rate of 1% for an average maturity of ten years, higher than the average cost in 2021, however well below the current mark-to-market, following the significant increase in rates and spreads since February.

Income from equity investments (*)

(million euros)	First half		Change	% change
	2021	2022		
Share of profit or loss of equity investments accounted for using the equity method	139	178	39	28.1
Other (expenses) and income from equity investments		(2)	(2)	
TOTAL INCOME FROM EQUITY INVESTMENTS	139	176	37	26.6

(*) Net of special items

Net income from equity investments (176 million euros, net of special items related to the gain on the sale of shares of Industrie De Nora S.p.A. for the company's IPO and other income related to capital increases of the same company not subscribed by Snam) increased by 37 million euros, or 26.6%, compared with the first half of 2021 and related to: (i) portions of the net results for the period of companies accounted for using the equity method referring mainly to joint ventures and associates; (ii) net expenses referring mainly to the price adjustment on OLT for contractual commitments undertaken at the time of the acquisition of the equity investment from Iren. As part of the positive performance of the investee companies, the positive contribution of Interconnector Limited (+18 million euros) should be noted, as a result of the increased capacity injections for export, favoured by the current market conditions and in particular by the strong availability of liquefied natural gas in the United Kingdom, with consequently greater price competitiveness.

Income taxes

(million euros)	First half		Change	% change
	2021	2022		
Current taxes (*)	222	221	(1)	(0.5)
Deferred taxes (*)	(8)	(17)	(9)	112.5
TOTAL INCOME TAXES	214	204	(10)	(4.7)
Adjusted tax rate (%)	25.1	23.9	(1.2)	

(*) Net of special items.

Income taxes for the first half of 2022 amounted to 204 million euros, a decrease of 10 million euros, or 4.7%, compared to the corresponding period of the previous year⁶, mainly due to lower pre-tax profit subject to taxation. The adjusted tax rate amounted to 23.9%, down from the corresponding figure for the first half of 2021 (25.1%), mainly due to the effects of valuation of equity investments accounted for using the equity method.

Non-GAAP measures

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

The Snam management team believes that these measures facilitate the analysis of the Group's performance and of the business segments, ensuring better comparability of results over 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 indicators⁷ in accordance with international accounting standards.

Adjusted EBITDA, EBIT and net profit

EBITDA, EBIT and adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the operating profit and the reported net profit, as per the legal scheme of the Income Statement.

⁶ The figures for the first half of 2021 exclude the effects of the tax realignment pursuant to Decree-Law 104 of 14 August 2020 (255 million euros in total).

⁷ 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.

The income components classified as special items in the first half of 2022 relate to: (i) the gain from the sale of shares in Industrie De Nora S.p.A. for the purpose of listing the company on the stock exchange, and other income related to capital increases of the same company not subscribed by Snam (72 million euros in total, net of ancillary charges and related taxation), transactions downstream of which Snam holds 25.88% of the company's share capital (35.63% prior to the IPO) (ii) financial expense arising from the repurchase of bonds on the market as part of the liability management transaction completed in January 2022 (17 million euros; 13 million euros, net of the related tax effect); (iii) impairment of current and non-current assets (13 million euros in total); (iv) severance indemnity paid to the outgoing CEO, following the termination of employment as CEO and General Manager of Snam S.p.A. (6 million euros, net of related taxes); (v) costs incurred following the continuation of the state of emergency related to the Covid-19 pandemic, mainly concerning purchases of personal protective equipment for internal use and costs for sanitation and cleaning services, for a total amount of 2 million euros net of related taxes.

Special items

The income components are classified under special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business. The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Any income components deriving from non-recurring transactions in accordance with Consob Resolution no. 15519 of 27 July 2006 are also shown separately in the IFRS financial report.

Free cash flow

Free cash flow is the measure that allows the connection between the obligatory financial statement, which expresses the change in liquidity between the beginning and end of the period, and the change in net financial debt between the beginning and end of the reclassified cash flow statement. The "free cash flow" represents the cash surplus or deficit left over after financing the investments and closes either: (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 5 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.

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

(million euros)	First half 2021			First half 2022			2022 adjusted vs 2021 adjusted	
	Reported	SPECIAL ITEM	Adjusted	Reported	SPECIAL ITEM	Adjusted	Change	% change
Regulated revenues	1,358		1,358	1,338		1,338	(20)	(1.5)
Non-regulated revenues	12		12	56		56	44	366.7
Core business revenues	1,370		1,370	1,394		1,394	24	1.8
New business revenues	157		157	286		286	129	82.2
TOTAL REVENUES	1,527		1,527	1,680		1,680	153	10.0
Core business operating costs	(215)	4	(211)	(264)	8	(256)	(45)	21.3
New business operating costs	(153)		(153)	(277)	8	(269)	(116)	75.8
TOTAL OPERATING COSTS	(368)	4	(364)	(541)	16	(525)	(161)	44.2
EBITDA	1,159	4	1,163	1,139	16	1,155	(8)	(0.7)
Amortisation, depreciation and impairment losses	(401)		(401)	(432)	5	(427)	(26)	6.5
EBIT	758	4	762	707	21	728	(34)	(4.5)
Net financial expenses	(50)		(50)	(68)	17	(51)	(1)	2.0
Net income from equity investments	139		139	249	(73)	176	37	26.6
Profit before taxes	847	4	851	888	(35)	853	2	0.2
Income taxes	33	(247)	(214)	(199)	(5)	(204)	10	(4.7)
Net profit	880	(243)	637	689	(40)	649	12	1.9
- Attributable to Snam's shareholders	878	(243)	635	686	(40)	646	11	1.7
- Non-controlling interests	2		2	3		3	1	50.0

Details of special items

(million euros)	First half		Change	% change
	2021	2022		
Special item of EBIT	4	21	17	
COVID-19 costs	4	2	(2)	(50.0)
Indemnities for termination of employment		6	6	
Write-down current and non-current assets		13	13	
Net financial expenses		17	17	
- Liability management finance charges		17	17	
Income from equity investments		(73)	(73)	
- Gain on disposal and other income from equity investments		(73)	(73)	
Income taxes	(247)	(5)	242	(98.0)
- Snam Group tax realignment pursuant to DL 104/2020	(255)		255	(100.0)
- Tax effect on corporate reorganisation operations	9		(9)	(100.0)
- Tax effect on special items	(1)	(5)	(4)	
Total special item of net profit	(243)	(40)	203	(83.5)

Reclassified statement of financial position

The reclassified statement of financial position aggregates the assets and liabilities of the statutory scheme 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 this format presents useful additional information for investors as it allows identification of the sources of financing (equity and third-party funds) and the application of such funds for fixed and working capital.

Management uses the reclassified balance sheet to calculate the key profitability ratios (ROI and ROE).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (*)

(million euros)	31.12.2021	30.06.2022	Change
Fixed capital	21,296	21,597	301
Property, plant and equipment	17,204	17,492	288
-of which right-of-use leased assets	20	20	
Non-current inventories - Compulsory inventories	363	363	
Intangible assets and goodwill	1,167	1,245	78
Equity investments accounted for using the equity method	2,560	2,683	123
Other financial assets	403	189	(214)
Net payables for investments	(401)	(375)	26
Net working capital	1	(878)	(879)
Liabilities for employee benefits	(36)	(37)	(1)
NET INVESTED CAPITAL	21,261	20,682	(579)
Shareholders' equity	7,240	7,860	620
- Snam shareholders' equity	7,203	7,806	603
- Non-controlling interests	37	54	17
Net financial debt	14,021	12,822	(1,199)
- of which financial payables for leased assets (**)	20	20	
COVERAGE	21,261	20,682	(579)

(*) For a reconciliation of the reclassified statement of financial position to the compulsory statement see the paragraph below "Reconciliation of the reclassified financial statement with the legally required statements".

(**) Of which 14 million euros long-term and 6 million euros short-term portions of non-current financial payables.

Fixed Capital (21,597 million euros) increased by 301 million euros with respect to 31 December 2021, essentially due to the increase in: (i) property, plant and equipment and intangible assets (+392 million euros, including the change in net payables related to investing activities) mainly due to the purchase of the FSRU ship Golar Tundra (329 million euros); (ii) equity investments (+123 million euros) mainly due to the profits earned in the first half of 2022 by investee companies, partly absorbed by the sale of an equity investment in the capital of Industrie De Nora S.p.A. aimed at listing the company on the stock exchange. These effects were partly offset by the reduction in other financial assets (-214 million euros), mainly as a result of the partial repayment of the Shareholders Loan by OLT.

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

(million euros)	Property, plant and equipment	Intangible assets and goodwill	Total
BALANCE AT 31 December 2021	17,204	1,167	18,371
Technical investments	468	69	537
Amortisation, depreciation and impairment losses	(371)	(61)	(432)
Transfers, write-offs and divestments	(5)		(5)
Change in consolidation area	411	68	479
Other changes	(215)	2	(213)
BALANCE AT 30 June 2022	17,492	1,245	18,737

Technical investments in the first half of 2022 amount to 537 million euros⁸ (566 million euros in the first half of 2021) and relate mainly to the natural gas transportation (430 million euros; 458 million euros in the first half of 2021) and storage (60 million euros; 68 million euros in the first half of 2021) segments.

The change in the consolidation area (479 million euros) refers to the assets recognised in connection with the acquisition: (i) of 100% of the capital of Golar LNG NB 13 Corporation, owner of the FSRU vessel Golar Tundra (327 million euros)⁹; (ii) 3 companies active in the development and/or management of plants for production of biomethane from OFMSW (85 million euros in total, including related goodwill); (iii) of control of Iniziative Biometano S.p.A. (9 companies consolidated on a line-by-line basis) instead of joint control (67 million euros in total). Greater information with regard to the impact of these business combination is illustrated in Note no. 20 "Business combinations" in the Notes to the condensed half-year consolidated financial statements.

⁸ An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.

⁹ The acquisition of the controlling interest in Golar LNG NB 13 Corporation, qualifies as an Asset Acquisition and therefore outside the scope of IFRS 3 Business Combinations, as the consideration paid is entirely attributable to a single asset, more specifically the ship Golar Tundra.

Other changes (-213 million euros) mainly refer to: (i) the effects arising from the adjustment of the present value of disbursements for site decommissioning and restoration costs (-196 million euros), following an increase in the expected discount rates, only partially absorbed by the increase in expected inflation rates; (ii) and contributions on works for interference with third parties (-18 million euros).

Equity investments

Investments accounted for using the equity method (2,683 million euros) mainly relate to joint ventures and associates. The increase compared to 31 December 2021 is analysed in detail in Note 7 "Investments accounted for using the equity method" of the Notes to the condensed half-year consolidated financial statements.

Other financial assets

Other financial assets (189 million euros) mainly relate to long-term financial receivables from OLT (99 million euros) and the minority equity investments at Fair Value Through OCI in the companies Terminale GNL Adriatico S.r.l. (31 million euros), ITM Power PLC (26 million euros) and Storegga (10 million euros).

Long-term financial receivables decreased by 183 million euros compared to 31 December 2021, mainly due to the partial repayment by OLT of the outstanding shareholder loan (197 million euros nominal value).

As part of the OLT refinancing, some limitations are envisaged for typical shareholders for transactions of this type, including: (i) the pledge of the shares held by Snam in OLT in favour of the lenders for the entire duration of the loan; (ii) the assignment of the remaining shareholders' credit as collateral.

Net working capital

(million euros)	31.12.2021	30.06.2022	Change
Trade receivables	2,729	2,137	(592)
Inventories	121	1,502	1,381
Tax receivables	255	447	192
Other assets	652	681	29
Provisions for risks and charges	(782)	(593)	189
- of which: Provision for decommissioning and site restoration	(713)	(523)	190
Trade payables	(1,348)	(1,308)	40
Accruals and deferrals from regulated activities	(4)	(58)	(54)
Net deferred tax liabilities	267	269	2
Derivative liabilities/(assets)	(3)	2	5
Tax liabilities	(76)	(69)	7
Other liabilities	(1,810)	(3,888)	(2,078)
- of which: Payables to the Energy and Environmental Services Fund (CSEA)	(677)	(1,924)	(1,247)
- of which: Payable for interim dividend	(343)		343
- of which: Security deposits	(641)	(1,004)	(363)
	1	(878)	(879)

Net working capital (negative for 878 million euros) decreased by 879 million euros compared to 31 December 2021. The decrease is mainly attributable: (i) to the increase in net liabilities for settlement and balancing of the gas transmission system (-1,212 million euros, including security deposits); (ii) to higher liabilities for tariff components of the transportation segment mainly as a result of the higher amounts billed in the first half of 2022 to users, compared with the constraint established by the Regulatory Authority (-32 million euros), as well as additional tariff components billed to users (-293 million euros) mainly due to the dynamics of fee billing and the related collection and repayment times to the system. These factors were partly offset by: (i) the reduction in the payable to Snam shareholders (+343 million euros) due to the payment, on 27 January 2022, of the 2021 interim dividend; (ii) the reduction in provisions for risks and charges (+189 million euros), mainly due to the adjustment of the present value of site decommissioning and restoration costs following an increase in expected discount rates; (iii) higher receivables for superecobonus.

The increase in inventories (+1,381 million euros) due to gas purchases made by Snam, in its role as purchaser of last resort to support the filling of storages and security of supply, is offset by items of equal amount recognised in other liabilities in the balance sheet.

Comprehensive income statement

(million euros)	First half	
	2021	2022
NET PROFIT	880	689
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT		
Cash flow hedge – effective portion of fair value change	9	11
Investments accounted for using the equity method - share of other components in the comprehensive income statement (*)	35	83
Tax effect	(2)	(3)
Total components which are or could be reclassified in profit for the year, net of tax effect	42	91
Reassessment of defined benefit liabilities for employees		
Investments accounted for using the equity method - portion of other components of the comprehensive income statement		1
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	(9)	(34)
Tax effect		
Total components which will not be reclassified in profit for the year, net of tax effect	(9)	(33)
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT, NET OF TAX	33	58
TOTAL COMPREHENSIVE INCOME	913	747
Total comprehensive income statement:	913	747
- Attributable to Snam's shareholders	911	744
- Non-controlling interests	2	3

(*) 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 31 December 2021		7,240
<i>Increases owing to:</i>		
- Comprehensive income	747	
- Convertible bond	381	
- Other changes	18	
		1,146
<i>Decreases owing to:</i>		
- 2021 dividend balance	(526)	
		(526)
Shareholders' equity at 30 June 2022		7,860
- Attributable to Snam's shareholders		7,806
- Non-controlling interests		54

Information on the individual items of shareholders' equity as well as their changes compared to 31 December 2021 is provided in Note 19 "Shareholders' equity" of the Notes to the condensed half-year consolidated financial statements.

At 30 June 2022, Snam held 9,111,340 treasury shares (88,556,228 at 31 December 2021), equal to 0.27% of the share capital, for a book value of about 36 million euros. The market value of treasury shares at 30 June 2021 amounts to approximately 46 million euros¹⁰. For more information on treasury shares, please refer to the section "Other information - Treasury shares" below.

Net financial debt

(million euros)	31.12.2021	30.06.2022	Change
Financial and bond debt	15,358	14,693	(665)
Current financial payables (*)	4,975	3,513	(1,462)
Non-current financial payables	10,363	11,160	797
Financial payables for leased assets (**)	20	20	
Financial receivables and cash and cash equivalents	(1,337)	(1,871)	(534)
Cash and cash equivalents	(1,337)	(1,871)	(534)
NET FINANCIAL DEBT	14,021	12,822	(1,199)

(*) Includes the short-term portion of non-current financial payables.

(**) Of which 14 million euros long-term and 6 million euros short-term portions of non-current financial payables.

The positive net cash flow from operating activities (2,318 million euros), mainly attributable to the dynamics of working capital related to balancing activities, together with the proceeds from the repayment of the financial receivable by OLT, and from the divestment of an equity investment in Industrie De Nora, resulted in a free cash flow of 1,749 million euros.

¹⁰ Calculated by multiplying the number of treasury shares by the period-end official price of 4.999 euros per share.

Net financial debt including the equity cash flow from the payment of the 2021 dividend to shareholders (844 million euros) ¹¹ and non-monetary changes mainly related to the settlement of the convertible bond through the allocation of Snam shares in portfolio, decreased by 1,199 million euros compared to 31 December 2021, to 12,822 million euros (14,021 million euros at 31 December 2021).

Financial liabilities and bonds at 30 June 2022 amounting to 14,693 million euros (15,358 million euros at 31 December 2021) can be broken down as follows:

(million euros)	Total at 31.12.2021	Total at 30.06.2022	Change
Bond loans	9,138	9,754	616
- of which short-term (*)	1,172	798	(374)
Bank loans	3,695	2,465	(1,230)
- of which short-term (*)	1,298	261	(1,037)
Euro Commercial Paper - ECP (**)	2,503	2,452	(51)
Financial payables for leased assets	20	20	-
Other lenders	2	2	-
TOTAL FINANCIAL DEBTS AND BONDS	15,358	14,693	(665)

(*) Includes the short-term portion of non-current financial payables.

(**) Of which 14 million euros long-term and 6 million euros short-term portions of non-current financial payables.

Financial payables and bonds are denominated in euros and mainly relate to bonds (9,754 million euros, or 66%), bank loans (2,465 million euros, or 17%, of which 1,496 million euros is on European Investment Bank-EIB funding) and Euro Commercial Paper (2,452 million euros, or 17%).

Bonds (9,754 million euros) increased by 616 million euros compared to 31 December 2021, mainly due to the issuance of a dual tranche Sustainability-Linked Bond with a total nominal value of 1,500 million euros, partly offset by the repayment of two bonds, with a total nominal value of 547 million euros, and the repurchase of bonds on the market, with a total nominal value of 350 million euros.

Bank loans (2,465 million euros) decreased by 1,230 million euros, due mainly to lower net utilisations of uncommitted credit lines (650 million euros) and the repayment of Term Loans for a total nominal value of 590 million euros.

The Euro Commercial Papers (2,452 million euros) involve unsecured short-term securities issued on the money market and placed with institutional investors.

¹¹ The total dividend from 2021 profits amounted to 872 million euros, of which 345 million euros as an interim payment and 527 million euros as the balance. The amounts still to be paid at 30 June 2022 are attributable to the deferred collection as requested by some shareholders.

Cash and cash equivalents, of 1,871 million euros (1,337 million euros as at 31 December 2021) refer mainly to current accounts and on-call bank deposits (1,781 million euros) and cash held at the subsidiaries (in all, 90 million euros).

At 30 June 2022, Snam had unused committed long-term credit lines worth 4.25 billion euros.

Information on financial covenants is provided in Note 14 "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 shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. The free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial payables/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

Reclassified cash flow statement

(million euros)	First half	
	2021	2022
Net profit	880	689
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	265	187
- Net capital losses (capital gains) on asset sales and write-offs	2	4
- Dividends, interest and income taxes	6	258
Change in net working capital	(510)	1,395
Dividends, interest and income taxes collected (paid)	(77)	(215)
Cash inflow from operating activities	566	2,318
Technical investments	(554)	(515)
Technical disinvestments	1	1
Acquisition of subsidiaries and businesses, net of liquidity acquired	0	(360)
Equity investments	(450)	141
Change in long- and short-term financial receivables	11	196
Other changes relating to investment activities	(41)	(32)
Free cash flow	(467)	1,749
Repayment of financial payables for leased assets	(4)	(4)
Change in current and non-current financial payables	(185)	(367)
Equity cash flow	(763)	(844)
Net cash flow for the year	(1,419)	534

CHANGE IN NET FINANCIAL DEBT

(million euros)	First half	
	2021	2022
Free cash flow	(467)	1,749
Convertible bond		381
Equity cash flow	(763)	(844)
Financial payables and receivables from companies entering the consolidation scope		(58)
Change in financial payables for leased assets	(4)	(4)
Other changes	(22)	(25)
Change in net financial debt	(1,256)	1,199

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)	31.12.2021			30.06.2022	
	Reference to notes to consolidated financial statements	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
Fixed capital					
Property, plant and equipment			17,204		17,492
Non-current inventories - Compulsory inventories			363		363
Intangible assets and goodwill			1,167		1,245
Equity investments accounted for using the equity method			2,560		2,683
<i>Other financial assets, consisting of:</i>			403		189
- <i>Financial assets obligatorily valued at FV</i>				0	
- Minority investment accounted at FVTOCI	(8)	94		68	
- Short-term financial receivables - beyond 90 days	(8)	5		1	
- Long-term financial receivables - current portion	(8)	1		2	
- Long-term financial receivables - non-current portion	(8)	301		117	
- Other financial assets	(8)	2		1	
<i>Net payables for investments, consisting of:</i>			(401)		(375)
- Payables for investment activities	(18)	(412)		(394)	
- Receivables for private contributions	(12)	11		19	
Total fixed capital			21,296		21,597
Net working capital					
Trade receivables			2,729		2,137
Current inventories			121		1,502
<i>Tax receivables, consisting of:</i>			255		447
- Current income tax assets	(13)	11		13	
- VAT credits	(10)	201		362	
- Other tax credits	(10)	33		62	
- IRES receivables for the National Tax Consolidation Scheme with former parent ENI	(12)	10		10	
Trade payables			(1,348)		(1,308)
<i>Tax payables, consisting of:</i>			(76)		(69)
- Current liabilities for income taxes	(13)	(50)		(58)	
- IRPEF withholdings for employees	(17)	(7)		(8)	
- Other taxes	(17)	(19)		(3)	
<i>Net deferred tax liabilities, made up of:</i>			267		269
- Deferred tax assets	(16)	302		315	
- Deferred tax liabilities	(16)	(35)		(46)	
Provisions for risks and charges			(782)		(593)
Market value of derivative financial instruments	(10 and 17)		(3)		2
<i>Other assets, consisting of:</i>			652		681
- Other receivables from the Energy and Environmental Services Fund (CSEA)	(12)	552		575	
- Advances to suppliers	(12)	24		44	
- Other receivables	(12)	5		12	
- Other assets	(10)	71		50	
<i>Assets and liabilities from regulated activities, consisting of:</i>			(4)		(58)
- Regulatory assets	(10)	57		75	
- Regulatory liabilities	(17)	(61)		(133)	
<i>Other liabilities, consisting of:</i>			(1,810)		(3,888)
- Other payables	(18)	(1,129)		(2,051)	
- Other liabilities	(17)	(681)		(1,837)	
Total Net working capital			1		(878)
Liabilities for employee benefits			(36)		(37)
NET INVESTED CAPITAL			21,261		20,682

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)	Reference to notes to consolidated financial statements	31.12.2021		30.06.2022	
		Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
NET INVESTED CAPITAL			21,261		20,682
Snam Shareholders' equity			7,203		7,806
Minority interests			37		54
Total equity			7,240		7,860
Net financial debt					
<i>Financial liabilities, consisting of:</i>			15,358		14,693
- Non-current financial liabilities			10,377		11,174
- Current financial liabilities			4,981		3,519
<i>Financial receivables and cash and cash equivalents, composed of:</i>			(1,337)		(1,871)
- Cash and cash equivalents			(1,337)		(1,871)
Total net financial debt			14,021		12,822
COVERAGE			21,261		20,682

Reclassified cash flow statement

(million euros)	First half			
	2021		2022	
	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
Items from the reclassified statement of cash flows and reconciliation with the Legally Required Statement				
PROFIT FOR THE PERIOD		880		689
<i>Adjusted for:</i>				
Amortisation, depreciation and other non-monetary components:		265		187
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	401		432	
- Share of profit or losses of equity investments accounted for using the equity method	(139)		(178)	
- Change in liabilities for employee benefits	(1)		1	
- Other changes	4		3	
Net losses (gains) on asset sales, write-offs and derecognition		2		4
Dividends, interest and income taxes:		6		258
- Interest income	(16)		(22)	
- Interest expense	55		81	
- Income taxes	(33)		199	
Change in net working capital:		(510)		1,395
- Inventories	(5)		(1,423)	
- Trade receivables	19		552	
- trade payables	(169)		(50)	
- Change in provisions for risks and charges	(31)		3	
- Other assets and liabilities	(324)		2,313	
Dividends, interest and income taxes collected (paid):		(77)		(215)
- Dividends collected	115		55	
- Interest collected	14		11	
- Interest paid	(35)		(58)	
- Income taxes (paid) received	(171)		(223)	
CASH FLOWS FROM OPERATING ACTIVITIES		566		2,318
Technical investments:		(554)		(515)
- Property, plant and equipment	(485)		(446)	
- Intangible assets	(69)		(69)	
Technical disinvestments:		1		1
- Property, plant and equipment	1		1	
Acquisition of subsidiaries and businesses, net of liquidity acquired				(360)
- Acquisition of subsidiaries, net of liquidity acquired			(360)	
Equity investments		(450)		141
- Equity investments	(480)		(11)	
- Divestments	30		152	
Short-term and long-term financial receivables		11		196
- Assumption of long-term financial receivables	0		(2)	
- Repayments of long-term financial receivables	11		198	
Other changes relating to investment activities:		(41)		(32)
- Change in net payables for investments	(41)		(32)	
FREE CASH FLOW		(467)		1,749

Reclassified cash flow statement

(million euros)	First half			
	2021		2022	
Items from the reclassified statement of cash flows and reconciliation with the Legally Required Statement	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
FREE CASH FLOW		(467)		1,749
Change in financial payables:		(189)		(371)
- Assumption of long-term financial payables	1,250		2,318	
- Repayment of long-term financial payables	(1,002)		(1,979)	
- Increase (decrease) short-term financial payables	(433)		(706)	
- Repayment of financial payables for leased assets	(4)		(4)	
Equity cash flow		(763)		(844)
- Dividends paid	(795)		(846)	
- Change in minority interests in subsidiaries that do not entail a change of control			2	
- Sale of interest in subsidiaries without loss of control	32			
PERIOD NET CASH FLOW		(1,419)		534

Other information

Transactions with related parties

For a description of the main transactions with related parties, please refer to Note 32 "Transactions with related parties" in the Notes to the condensed half-year consolidated financial statements.

Treasury shares

At 30 June 2022, Snam held 9,111,340 treasury shares, (88,556,228 treasury shares, equal to 2.63% of the share capital at 31 December 2021), equal to 0.27% of the share capital, with an overall book value of 36 million euros (354 million euros at 31 December 2021). The market value of treasury shares at 30 June 2022 amounts to approximately 46 million euros¹².

	No of shares	Average cost (euros)	Total cost (million euros)	Share capital (%) (**)
Treasury shares held by the Company at 31 December 2021	88,556,228	3.999	354	2.63
- Shares allocated for conversion of the Convertible Bond	79,444,888	3.999	318	
Treasury shares held by the Company at 30 June 2022	9,111,340	3.999	36	0.27

The reduction in the number of treasury shares compared to 31 December 2021 is attributable to the allocation of 79,444,888 shares to service the Snam Convertible Bond, against requests to convert bonds with a nominal value of 381 million euros. A total of 80,112,667 shares were allocated against the 400 million euros convertible bond maturing on 20 March 2022, for the conversion of bonds with a nominal value of 384 million euros. The portion of unconverted bonds, with a nominal value of approximately 16 million euros, was repaid in cash to the bond holders on 20 March 2022.

The share capital at 30 June 2022 consisted of 3,360,857,809 shares (the same at 31 December 2021), with no nominal value, for a total value of 2,736 million euros.

The subsidiaries of Snam S.p.A. do not hold, and have not been authorised by their Shareholders' Meetings to acquire, shares in Snam S.p.A.

The Snam Ordinary Shareholders' Meeting, held on 27 April 2022, authorised, subject to revocation of the resolution to authorise a purchase of treasury shares by the Ordinary Shareholders' Meeting on 28 April 2021, 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.

¹² Calculated by multiplying the number of treasury shares by the period-end official price of 4.999 euros per share.

Risk and uncertainty factors

Introduction

This chapter 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 Compliance
- Operational
- Financial
- Emerging

The disclosure below also takes into account the impacts of Covid-19 and the Russia-Ukraine conflict, set out in specific paragraphs, as well as climate change risks.

Financial risks are described in Note 22 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 state of health emergency in Italy, which ended on 31 March 2022, confirmed a first sign of a restart.

The latest available evidence shows that the Omicron variant, predominant in Italy and found in more than 99% of the infections, has a higher transmissibility than the previous variants but at the same time, leads to a reduced risk of hospitalisation compared to the latter.

Uncertainties related to the expected length of time for the completion of the vaccination campaign in the rest of the world could result in further delays in the normalisation of the international economic environment, as well as facilitate the spread of new variants.

Any further containment measures, should they be necessary in the coming months to cope with the spread of the variants, which are not foreseeable at present and in any case unlikely given the spread of the vaccination campaign, could also lead to further interruptions of non-essential production activities and the temporary closure of construction sites. This could influence, to some extent, Snam's ability to fully complete the 2022 investment programme related to its core business; this could have an impact that cannot be quantified at present, with respect to the forward-looking assumptions made by Snam.

In the same way, the return of containment measures for prolonged periods of time, with consequent closure of plants and blockage of construction sites, could have a more significant impact especially on the companies involved in the production of goods (Cubogas), and on

site activities (IES Biogas, Snam 4 Mobility and TEP), slowing down the completion of the works and the consequent recognition of the corresponding revenues.

The same considerations apply in respect of any potential effects on the development initiatives and suppliers or customers deriving from the slow-down to business and the current macroeconomic context consequent to the international reach of the pandemic, that cannot yet be assessed, as well as for the business that the Snam Group has abroad.

STRATEGIC RISKS

Regulatory and legislative risk

Regulatory and legislative risk for Snam is linked to the regulation of activities in the gas sector. The decisions of the Italian Regulatory Authority for Energy, Networks and the Environment (ARERA) and the National Regulatory Authorities of the countries in which the foreign subsidiaries operate, European and national regulations and, more generally, the change in the regulatory reference framework, could have a significant impact on the operations, results and financial stability of the Company.

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

Considering the specific nature of its business and the area in which Snam operates, changes to the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

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 transportation network is imported or moved through countries in the MENA area (Middle East and North Africa, particularly Algeria, Tunisia, Libya and, in terms of the TANAP-TAP, Turkey along with the states bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia), nations subject to political, social and economic instability which could evolve into potential crisis scenarios in the future, with particular reference to the consequences of the conflict between the Russian Federation and Ukraine, which began on 24 February 2022.

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 macro-economic risks deriving from relocation or tension on financial markets or situations deriving from exogenous phenomena, which could have an impact on liquidity and access to financial markets.

Risks related to the Russia-Ukraine conflict

With reference to the Russia-Ukraine conflict, which started following an attack on Ukrainian territory by the Russian Federation on 24 February 2022, it should be noted that Italy and Europe, more generally, import a significant part of their gas and, to a lesser extent, oil needs from Russia. The volume of gas imported to Italy from Russia in the last year (2021) amounted to more than 29 billion standard cubic metres, i.e. slightly more than 38% of total national consumption. Uncertainty and fears of possible supply implications have triggered a significant increase in oil and gas prices in recent months.

Snam is not active in the Russian market and does not hold investments in Russian companies, including joint ventures. Trans Austria Gasleitung GmbH (jointly controlled) and Gas Connect Austria GmbH (associated company) are the foreign subsidiaries of Snam with the largest exposure to the transportation of Russian gas supplies.

In the event of a prolonged interruption of imports and/or the cancellation of existing long-term transportation contracts (partly covered by bank guarantees), these foreign subsidiaries could reduce their economic contribution to the Snam Group with a consequent negative impact on the valuation of Snam's respective investments in these companies.

At the same time, in Italy as well as in Europe, a process is underway to break free from Russian gas with the consequent diversification of import sources and the identification of other routes for gas supply. In this context, Snam, at the request of the Italian government, is committed to increasing the national regasification capacity, as well as to guaranteeing the conditions for filling the storages for the next delivery campaign (1 November - 31 March) and preparing the appropriate emergency measures to be activated if necessary.

Market risk

With reference to the risk associated with gas demand, based on the tariff system currently applied by ARERA to natural gas transportation activities, Snam's revenue, via the directly controlled transport companies, is partly correlated to volumes withdrawn. The ARERA, however, confirmed for the fifth regulatory period (2020-2023), with resolution no. 114/2019/R/gas, the guarantee mechanism with respect to the share of

revenues related to volumes withdrawn already introduced in the fourth regulatory period on transported volumes. 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.

Based on the tariff system currently applied by the Authority to natural gas storage activities, Snam's revenue, via Stogit, correlates to infrastructure usage. However, the Authority has introduced a mechanism to guarantee reference revenue that allows companies to cover a significant portion of revenues recorded. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenues 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 revenues (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent resolution no. 232/2020/R/gas) with voluntary participation that provides for an increase in profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue 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 mechanism to cover reference revenues at a guaranteed minimum level of 64%.

In general, the change to the regulatory framework in force could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

Abroad, protection from market risk is offered by the French and Greek regulatory authorities (Teréga) and (DESFA), from the TAP and Austria long-term contracts (different expiry dates for TAG and Gas Connect from 2023), of France (with the gradual expiry of long-term contracts at the interconnection point with Spain starting 2023) and for the ADNOC Gas Pipeline (20 years tariff-based). In Austria, the UK (Interconnector) and Egypt, regulation does not guarantee coverage of the volume risk.

With reference to today's macroeconomic market framework, at the same time as the economic recovery in 2021 and consumption, there has been a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption

by end users (industrial players/private citizens) and switching to other energy carriers. This growth is due to a number of factors including: increased post-Covid consumption, structural reduction in continental gas production, reduction in potential additional imports from Russia, lower production from renewable electricity (wind, solar) especially in Northern Europe, increased gas consumption and LNG imports on a global scale in Asia, increased CO2 quotations on the ETS market. The contingent trend of commodity prices in Europe and the strong energy dependence on imports could represent elements of vulnerability for the Italian energy system. As far as gas is concerned, Snam has already mitigated this risk thanks to a series of countermeasures adopted in recent years, such as the diversification of supply sources (most recently, the commissioning of the TAP pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g. peak shaving through regasification terminals, interruptibility service for withdrawals from the transportation network). For some sectors, particularly private users, there may be a perception that high prices are structural, with the risk of reduced or interrupted gas supplies in favour of other energy carriers.

Risk of climate change

The achievement of global climate objectives will lead to significant investments in decarbonisation of the energy sector over the next thirty years. In recent years, Snam has repositioned itself to benefit from new megatrends of the energy transition, thanks to infrastructure that will be crucial for achieving decarbonisation targets, to its presence in energy transition business, 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 field of the application of the European Union directives concerning the sale of permits relating to carbon dioxide emissions and the rules on controlling 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 of the quotas on emissions released free of charge. The allowances will be assigned to each plant on a gradually decreasing basis, so they will no longer be constant, and will also depend on the actual functionality of the plants. The allowances assigned free of charge to Group plants no longer suffice to comply with the regulatory conformity obligations relative to ETS mechanisms, hence Snam Group companies will procure the additional allowances required on the market.

By Resolution 114/209/R/gas of 28 March 2019, the 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 related to the Emission Trading System (ETS). Resolutions No. 419/2019/R/gas and No. 474/2019/R/gas also introduced the recognition of ETS-related costs for the storage service (regulatory period 2020-2025) and 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 of natural gas with a consequent impact on the current use of infrastructure. The raising of decarbonisation targets across the European Community, including the new legislative proposals currently being issued on the energy transition (such as the Fit for 55 package, Repower EU and the EU Taxonomy) or studies of major importance in the international energy landscape (such as the IEA roadmap to net zero) could actually 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 worsening of the natural and hydrogeological conditions of the territory with a possible temporary impact both on the quality and continuity of the service provided by Snam, and on the demand for Italian and European gas. With reference to the effects of the change in the gas demand on the balance sheet, income statement and financial position of the Snam Group, see the paragraph "Market risk" of this chapter.

Lastly, Snam has signed the Methane Guiding Principles, which commit the company to further reducing methane emissions deriving from its activities in natural gas infrastructure. In adhering to these principles, Snam has also committed to encouraging other players across the entire gas supply chain – from the producer to end consumer – to pursue the same objective.

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. In 2021, Snam renewed its commitment by setting itself a 2025 methane emission reduction target of -55% compared to 2015, more stringent than that proposed by UNEP, becoming a fundamental part of the Net Carbon Zero Strategy.

LEGAL AND COMPLIANCE RISK

The legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local laws and regulations 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 of 08 June 2001). 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 checks as well as accepting and signing the Ethics and Integrity Agreement are pillars of the control system designed to prevent the risks associated with illegal behaviour and criminal infiltration of our suppliers and sub-contractors, with the goal of guaranteeing transparent relations and professional morality requirements throughout the supply chain and for the entire duration of the association.

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 its collaboration with the OECD, joining the Business at OECD Committee (BIAC), within which - in addition to its role as a member of the Corporate Governance Committee (from May 2020) - it currently holds two Vice-Chair positions within the Leadership of the Anti-corruption Committee (from October 2019) and the Investment and Responsible Business Conduct Committee (from June 2022).

Thanks to Snam's significant presence in the BIAC, within the OECD Snam frequently participates in various events throughout the year, including the Global Anti-Corruption & Integrity Forum, the Working Group on Bribery and public consultations on Corporate Governance and Responsible Business Conduct.

Since 2020, Snam has also been a full member of the Integrity & Compliance Taskforce of the B20 Forum and actively participates in the work on the development of its annual Policy Paper for G20 members.

As part of multilateral collaborations, in addition to the above, during the first half of 2022, Snam took part in the Business Integrity Forum Academy of Transparency International, Italian Chapter, where the ESG Officer's speech on the Sustainable Supply Chain was preceded by a video message from the Snam CEO, who recalled the importance of integrity as an essential value for a Sustainable Supply Chain, and recounted Snam's approach in interpreting the Just Transition, so that, in facilitating the ecological transition, actions are conducted in a balanced and inclusive manner and no one is left behind.

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

The risk linked to maintaining ownership of storage concessions is associated for Snam to the business in which the subsidiary Stogit operates on the basis of concessions provided by the Ministry of Ecological Transition (formally known as 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 renewed no more than twice for a duration of ten years each time. With regard to these concessions, Stogit has submitted – within the statutory terms – the extension request to the Ministry of Economic Development. The extensions for the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022. For the Alfonsine concession, the relevant proceedings are still pending at the Ministry of Ecological Transition (formally known as the Ministry of Economic Development). For the pending extension, the Company's activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures that are in progress, as envisaged by the original authorisation, which will be extended automatically on expiry until said 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 ten-year extension on 18 May 2020. Finally, one concession (Bordolano) will expire in November 2031 and may be extended for a further ten years¹³. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on the Company's operations, results, balance sheet and cash flow.

Malfunction and unplanned service interruption

The risk of malfunction and unplanned service interruption is determined by accidental events, including accidents or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, landslides or other similar events, third-party interference and corrosion, outside of Snam's control. Such events could result in a reduction in revenue and could also cause significant damage to people and property, with potential compensation obligations. 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 progress of infrastructure implementation programs

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 in absolute terms that the projects for upgrading, maintaining and extending its network will be started, be completed or lead to the expected benefits in terms of tariffs. Additionally, the development projects may require greater investments or longer time frames than those originally planned, affecting Snam's financial position and economic results. Investment projects may be stopped or delayed due to difficulties in obtaining environmental and/or administrative authorisations or to opposition from political forces or other organisations, or may be influenced by changes in the price of equipment, materials and workforce, by changes in the political or regulatory framework during construction, or by the inability to obtain financing at an acceptable interest rate. Such delays could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. In addition, changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results.

Environmental risks

Snam and the sites in which it operates are subject to laws and regulation relating to pollution, environmental protection, the use of hazardous substances and waste disposal. These laws and regulations expose Snam to potential costs and liabilities related to the operation and its assets. The costs of possible environmental remediation obligations are subject to uncertainty regarding the extent of contamination, appropriate corrective actions and shared responsibility are therefore difficult to estimate.

¹³ The Stogit concessions issued before the coming into force of Italian Legislative Decree no. 164/2000 can be extended by the Ministry of Ecological Transition (formally known as Ministry of Economic Development) up to twice for a term of ten years each time, in accordance with art. 1, paragraph 61 of Italian Law no. 239/2004. Pursuant to Article 34, paragraph 18 of Italian Decree-Law no. 179/2012, converted by Italian Law no. 221/2012, the duration of the only Stogit concession issued after the coming into force of Italian Legislative Decree no. 164/2000 (Bordolano) is thirty years with the possibility of an extension for another ten years.

Snam cannot predict if and how environmental regulations and laws may over time become more binding and cannot provide assurance that future costs to ensure compliance with environmental legislation will not increase or that these costs can be recovered within the mechanisms tariffs or the applicable regulation. Although Snam has also taken out 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 the business, operating results and financial and reputational aspects.

Employees and staff in key roles

Snam's ability to operate its business effectively depends on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train or retain qualified personnel (particularly for technical positions in which the availability of appropriately qualified personnel may be limited) or situations in which the capacity to implement the long-term business strategy is influenced negatively due to significant disputes with employees could trigger an adverse effect on the business, financial conditions and operating results. The events related to this risk category may also refer to the topic of Diversity and Inclusion.

Risk associated with foreign shareholdings

Snam's associate companies abroad may be subject to regulatory/legislative risk, conditions of political, social and economic instability, market risks, climate change and the cybersecurity, credit and financial and other risks typical of the natural gas transportation and storage segments identified for Snam such to negatively influence their operations, economic results, balance sheet and cash flows. For Snam, this could have negative impacts on the contribution to profit generated by such investments.

Risks connected with future acquisitions/equity investments

Each investment made as part of joint ventures and each future investment in Italian or foreign companies may entail an increase in the complexity of Snam Group operations and there can be no guarantee that such investments will generate the expected return in the acquisition or investment decisions and will correctly

integrate in terms of quality standards, policies and procedures, consistently with the rest of Snam's operations. The integration process can be costly and require additional investment. Improper 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 seize upon events or macro-trends coming from outside the organisation that could have a significant medium-long term impact (3-5 years and beyond) on Snam's business or on the sector.

These changes may, on the one hand, cause new risks to emerge in the long term, but also have consequences for the company today, changing the nature and extent of potential impacts and the probability of occurring of already identified risks.

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 cybersecurity and risks related to the energy transition.

Cyber security

Materiality and potential impacts 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 entire country's gas system. The development of the business and recourse to innovative solutions capable of continuous improvement, however, requires a constant focus and an ability to continuously adapt to the changing needs to protect cybersecurity. For some time, the company has been carrying out important investments in digitalisation - from the remote control of activities to the implementation of articulated infrastructures enabling the Internet of Things via which Snam aims to become the most technologically-advanced gas transportation operator in the world, as well as to guarantee increasingly greater security and sustainability in its business processes.

Global experts project and the company believes that cybersecurity threats will evolve in the future, in terms of both number 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. The radical changes in working methods and processes that have occurred as a result of the pandemic (including the widespread use of smartworking) have exacerbated some specific types of threat and have made it necessary to increase the level of attention to criminal phenomena that are destined to persist over time. Similarly, technological evolution makes increasingly sophisticated tools available to these wrongdoers, through which consolidated attack techniques can be made more effective and new ones can be developed. In addition to this, the increasing digitalisation of the network with the use of new technologies (e.g. Internet of Things) poses significant challenges for the Group in these regards, extending the potential attack surface exposed by both internal and external threats. Lastly, the geopolitical tensions that have increased in the recent years in various global spheres should not be underestimated, since the cyber terrain has become, and will increasingly become, an area of economic and political confrontation and conflict. The ongoing Russian-Ukrainian conflict has made this aspect very evident and has even exacerbated it by bringing tensions into the cyber world that on several occasions have had direct impacts on the operations of Western companies and public administrations.

In this scenario, cybersecurity plays an extremely important role as it deals with preventing or tackling very diverse events that can range from the compromise of individual workstations to the degradation of entire business processes in the field of transportation, storage and regasification, with potential effects on the normal capacity to provide the service.

A correct approach to cybersecurity management also makes it necessary to ensure full compliance with the increasingly stringent sector regulations issued at both European and national level, in order to improve the management and control oversight of companies that provide essential services to the country.

Mitigation measures

Snam has developed its own cybersecurity strategy based on a framework defined in accordance with

standard principles on the subject and has had a dedicated department for a few years now which, comprehensively, deals with addressing and implementing what has been planned at the strategic level, ranging from governance aspects to those that are more predominately technological.

First and foremost, we should note the adaptation of internal processes to the provisions of standards ISO/IEC 27001 (Information Security Management Systems) and ISO 22301 (Business Continuity Management Systems), as well as the formal certification of conformity to the listed standards of an independent third party. Secondly, on the basis of multiple activities, out of which Risk Analysis and Technical Verification activities stand out, the protection needs arising from technological evolution, from changing business processes or from the identification of previously unknown vulnerabilities, are assessed and, where appropriate, solutions to replace or integrate those already in place are implemented. More specifically, in order to adequately counter the most modern cyber threats, Snam has defined a cybersecurity incident management model intended to prevent, monitor and, when necessary, implement prompt remediation against events potentially capable of harming the confidentiality, integrity and availability of information processed and the IT systems used. At the basis of these activities is a Security Incident Response Team which, by relying on solutions that make it possible to collect and correlate all security events recorded throughout the company's IT infrastructure, has the task of monitoring all anomalous situations that could have negative impacts for the company and activate, when necessary, suitable containment and remediation actions via the involvement of the technical and business structures concerned. The Security Incident Response Team operates without interruption and guarantee its support activities 24 hours a day, seven days a week. The work of the Security Incident Response Team is complemented by that performed by a security intelligence team, whose task is to monitor the existence and evolution of cyber threats, also in function of geopolitical variables. From this point of view, the activity performed is particularly significant and, indeed, has been further strengthened in the face of the tensions that have been amplified in the cyber world following the outbreak of the Russia-Ukraine conflict.

The change that has become necessary in operational processes starting 2020 and, in particular, the massive

recourse to remote working methods has not had an impact on overall security posture to date; this is mainly due to the fact that the adoption of smartworking, which has occurred in recent years as an alternative solution to working in the office, had already led to risk analysis activities and the adoption of security solutions suitable to preserve the company's interests, even in the presence of a potential attack surface that is larger than in the past. As part of the cyber incident management activities (preventive and reactive) and in respect of formal agreements signed between the various parties, information-sharing with national and European institutions and peers is used in order to improve the capacity and speed of response when faced with the possible negative events for which exposure may be a reality. This practice is also necessary given the cyber threat notification requirements that national security regulations impose.

With regard to technological development, as mentioned previously, Snam has set in motion an ambitious digitalisation programme that will radically change business processes in the years to come and within which a strong focus on cybersecurity will always be guaranteed. In particular, starting 2020, the foundations were laid and the necessary processes implemented for the safe development of all the nascent application and infrastructure initiatives. Firstly, a precise Security by Design process has been introduced, which puts in place compliance for precise requirements and checks for each development. Additionally, more appropriate security technologies have been defined to support the new capabilities that Snam has acquired and will acquire in the years to come, especially but not only in the Internet of Things.

A great deal of attention is also paid to increasing awareness and specialist training of personnel, in order to facilitate the identification of weak signals and raising consciousness about risks of a cyber nature that could occur during the course of normal work activities. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia, newsletters, exercises and tests.

Precisely with reference to the topic of drills and extending the concept beyond just awareness and training aspects, the company is structuring increasingly broader and more articulated programmes to ensure that simulations are periodically conducted in the various areas of activity and with an interest not only in "technical" processes but also in business processes. In

this sense, the Russia-Ukraine conflict has led to an intensification in the planning of such activities by shifting the focus from the verification of cyber response capabilities to the broader verification of societal resilience capabilities

Lastly, with reference to the management of information supporting business processes, it is worth highlighting that the company owns assets used for data transmission to and from the country (fibre); this gives greater intrinsic security thanks to not being dependent on the service provided by third-parties and the possibility of using the communication channel exclusively.

ENERGY TRANSITION AND DEVELOPMENT OF THE HYDROGEN TECHNOLOGIES MARKET

Materiality and potential impacts on Snam

While the climate change demonstrates the real effects of rising temperatures, the energy sector is facing a momentous transformation. Without any change to the company's commitment to its core business of regulated activities for natural gas transportation, storage and regasification, Snam is building a wide-ranging and diversified platform of activities related to energy transportation (in particular, renewable energy transport and management and energy efficiency) to seize upon the opportunity of being a "system integrator" able to offer green solutions and contribute to the development of renewable gases.

The consolidated capacity to implement and manage projects in natural gas transport and storage, the new skills acquired in green gas and new trends in the energy transition, a growing international presence in relevant geographical areas also for integrated greenfield projects and the large number of partnerships with different types of investors in different countries, combined in a strategy that focuses on ESG factors, will be essential to help develop the energy system of the future, competitive, secure and with zero net emissions

The business diversification can reinforce Snam's position as an enabler of the energy transition towards forms of using resources and energy sources that are compatible with environmental protection and gradual decarbonisation, with a long-term vision that is in keeping with its purpose and European objectives. The

new Vision 2030 presented by the company in its latest Strategic Plan should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which a strong acceleration of the energy transition is expected in order to achieve the "net zero" targets with increasing investments, in particular, in energy transport and storage infrastructure, as well as in projects along the entire green gas value chain.

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 electric technologies, and/or delays in the development of new technologies for the production, transportation and storage of green hydrogen at competitive costs; the delay or failure to make 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 to the value chain that should fuel the infrastructure. Lastly, consideration must be given to the possible evolution of the regulatory framework in favour of the generation from electrical renewables and which would, at the same time, penalise the development of the renewable gas market.

Indeed, these factors may 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 in the energy transition. In this regard, a further risk factor is emerging in relation to the achievement, even partial, of the targets set out in the Recovery and Resilience Plan by 2026, with potential repercussions on the development of hydrogen and its value chain, as well as on the development of biomethane and LNG (particularly in the heavy transport segment).

Mitigation measures

The development and introduction of new technologies that would enable the achievement of the development objectives for energy transition activities pose a number of challenges for the Group. In this context, specific initiatives have been identified and developed, in order to respond to the urgent need to address climate change. With particular reference to the hydrogen value chain, the study of the necessary

technological developments connected to the chemical and physical processes for the relative production requires particular skills and expertise, in order to support research and development both within the company and the national system. 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. That is why the Group is always committed to the development of internal competencies, to bringing skills in-house via acquisitions and to the participation and encouragement of governmental and industry working groups dedicated to hydrogen at national and international level. At the 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 Cell Association.

The Group's structures and assets will also need to be ready to seize upon the opportunities arising from the development of alternative gases to natural gas. The company is currently committed to verifying the full compatibility of its infrastructure with increasing quantities of hydrogen mixed with natural gas, as well as to supporting the development of the Italian supply chain, in order to promote the use of hydrogen in many segments, from industry to transportation. Almost all of Snam's pipelines are capable of transporting up to 100% hydrogen according to ASME B31.12. Approximately 70% of pipelines can transport pure hydrogen with no or limited reductions from the maximum operating pressure, while about 30% need more significant reductions.

Particular attention is paid to the use of the machines in the operating thrust and compression plants. Collaboration with suppliers is testing theoretical conclusions on the readiness to transport the new energy carriers (biomethane and hydrogen in different volume percentages). Upgrades and replacement of obsolete machines are planned according to a philosophy of compatibility and readiness for new transport scenarios with New HYReady Units. The Group's infrastructure development is therefore aimed at the more efficient use of programmable and low-impact fossil fuels, while, at the same time, promoting

the biomethane alternative and guaranteeing the necessary conditions for accommodating hydrogen also.

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

The most recent estimates on the evolution of demand for natural gas in Italy for the current year show a decrease over 2021, in particular due to the effect of the increase in energy prices in the industrial sector and due to less rigid temperatures.

The optimisation of the financial structure conducted over the past six years has led to a reduction in the average cost of gross debt to below 1% in 2021 from 2.4% in 2016. It is expected that the current market conditions and the interest rate and credit spread scenario will have an impact in the remaining part of the year, albeit to a limited extent thanks to the funding actions on the capital market and the liability management exercise concluded at the beginning of 2022, as well as revolving credit lines stipulated during the second quarter of 2022. These actions made it possible to complete the funding planned for 2022, leaving the second half of the year for possible pre-funding exercises.

With reference to the Russia-Ukraine conflict, it should be noted that Snam is not active in the Russian market and does not hold interests, even in joint ventures, in Russian companies. At present, the flows from Russia to Europe have decreased and suffered some interruptions. Continuing uncertainty and fears of further possible supply implications continue to translate into a significant rise in gas prices.

TAG (jointly controlled company) and GCA (associate company) are the foreign associate companies with the largest exposure to Russian gas supplies through contracts for transportation. Impacts, however limited with respect to the Group's overall results, could emerge if there were prolonged import disruptions and/or the cancellation of existing multi-year contracts (generally to a certain extent covered by bank guarantees).

With regard to the operational management of recurring activities and the implementation of the 2022 investment programme, the level announced is confirmed, with particular reference to regulated businesses, to support Snam's industrial growth.

The guidance on net profit 2022, assuming the stability of the contribution of the Austrian subsidiaries, is expected to rise to around 1.13 billion euros, mainly due to the good results achieved by the investee companies.

Condensed half-year consolidated financial statements



Contents

FINANCIAL STATEMENTS	70
NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS.....	75
CERTIFICATION OF THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5, OF LEGISLATIVE DECREE NO. 58/1998 (TUF)	115
INDEPENDENT AUDITORS' REPORT	116

Financial statements

Statement of financial position

(million euros)	Notes	31.12.2021		30.06.2022	
		Total	of which with related parties	Total	of which with related parties
ASSETS					
Property, plant and equipment	(5)	17,204		17,492	
Equity investments accounted for using the equity method	(7)	2,560		2,683	
Intangible assets and goodwill	(6)	1,167		1,245	
Other non-current financial assets	(8)	397	294	186	110
Non-current inventories - Compulsory inventories	(9)	363		363	
Deferred tax assets	(16)	302		315	
Other non-current assets	(10)	89	1	113	1
Total non-current assets		22,082		22,397	
Cash and cash equivalents	(11)	1,337		1,871	
Trade and other receivables	(12)	3,331	556	2,797	267
Current inventories	(9)	121		1,502	
Current income tax assets	(13)	11		13	
Other current financial assets	(8)	6	5	3	
Other current assets	(10)	273		438	
Total current assets		5,079		6,624	
TOTAL ASSETS		27,161		29,021	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Non-current financial liabilities	(14)	10,377		11,174	
Provisions for risks and charges	(15)	782		593	
Deferred tax liabilities	(16)	35		46	
Liabilities for employee benefits		36		37	
Other non-current liabilities	(17)	718	1	1,184	
Total non-current liabilities		11,948		13,034	
Current financial liabilities	(14)	4,981	1	3,519	2
Trade and other payables	(18)	2,889	441	3,753	810
Current liabilities for income taxes	(13)	50		58	
Other current liabilities	(17)	53		797	1
Total current liabilities		7,973		8,127	
TOTAL LIABILITIES		19,921		21,161	
Share capital	(19.1)	2,736		2,736	
Treasury shares	(19.2)	(354)		(36)	
Share premium reserve	(19.3)	611		611	
Reserves	(19.4)	(60)		(15)	
Retained earnings	(19.5)	4,270		4,510	
Snam Shareholders' equity		7,203		7,806	
Non-controlling interests		37		54	
TOTAL EQUITY	(19)	7,240		7,860	
TOTAL LIABILITIES AND EQUITY		27,161		29,021	

Income statement

(million euros)	Notes	First half 2021		First half 2022	
		Total	of which with related parties	Total	of which with related parties
Revenue	(24.1)	1,522	585	1,673	717
Other operating income	(24.2)	5		7	1
Total operating revenues and income		1,527		1,680	
Costs for purchase of raw materials, consumables and finished goods	(25.1)	(149)		(275)	
Costs for services	(25.1)	(92)	(15)	(100)	(20)
Personnel costs	(25.2)	(98)		(111)	2
Other operating costs and expenses	(25.1)	(29)		(55)	(2)
Total operating costs and expenses		(368)		(541)	
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(26)	(401)		(432)	
OPERATING PROFIT		758		707	
Financial income		17	8	23	15
Financial expense		(67)		(91)	
Total Net financial expenses	(27)	(50)		(68)	
Share of profit or loss of equity investments accounted for using the equity method		139		178	
Other income (expense) from equity investments				71	
Net income from equity investments	(28)	139		249	
PROFIT BEFORE TAXES		847		888	
Income taxes	(29)	33		(199)	
NET PROFIT		880		689	
NET PROFIT		880		689	
- Attributable to Snam's shareholders		878		686	
- Non-controlling interests		2		3	
Earnings per share (amounts in euros per share)	(30)				
- base		0.268		0.207	
- diluted		0.262		0.207	

Comprehensive income statement

(million euros)	Notes	First half	
		2021	2022
NET PROFIT		880	689
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT			
Cash flow hedge – effective portion of fair value change	(10)	9	11
Investments accounted for using the equity method - share of other components in the comprehensive income statement (*)	(7)	35	83
Tax effect		(2)	(3)
Total components which are or could be reclassified in profit for the year, net of tax effect		42	91
Reassessment of defined benefit liabilities for employees			
Investments accounted for using the equity method - portion of other components of the comprehensive income statement	(7)		1
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	(8)	(9)	(34)
Tax effect			
Total components which will not be reclassified in profit for the year, net of tax effect		(9)	(33)
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT, NET OF TAX		33	58
TOTAL COMPREHENSIVE INCOME		913	747
Total comprehensive income statement:		913	747
- Attributable to Snam's shareholders		911	744
- Non-controlling interests		2	3

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

Statement of changes in shareholders' equity

	Notes	Shareholders' equity pertaining to parent company shareholders											TOTAL	NON-CONTROLLING INTERESTS' EQUITY	TOTAL EQUITY		
		Share capital	Treasury shares	Share premium reserve	Reserves						Retained earnings						
					Legal reserve	Reserve for cash flow hedges	Reserve for defined-benefit plans for	Fair value reserve for equity investments	Reserve for business combinations under common control	Other reserves	Profits from previous years	Interim dividend				Profit for the period	
(million euros)																	
BALANCE AT 31 DECEMBER 2020 (e=a+b+c+d)		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)	
- Appropriation of 2020 residual net profit											285		(285)				
- Share-based payments (Share Incentive Plan)									4					4		4	
- Sale of interest in subsidiaries without loss of control											8			8	21	29	
Total transactions with shareholders (c)									4	293	326	(1,101)	(478)	21	(457)		
Other changes (h)																	
BALANCE AT 30 JUNE 2021 (e=a+b+c)		2,736	(361)	611	547	(60)	(9)	39	(674)	78	3,117		878	6,902	26	6,928	
- Net profit for the second half of 2021													618	618	2	620	
- Other components of the comprehensive income statement						6	(2)	(7)	24					21		21	
Total comprehensive income statement for the second half of 2021						6	(2)	(7)	24				618	639		641	
- 2021 interim dividend (0.1048 euros per share)												(343)		(326)		(326)	
- Share-based payments (Share Incentive Plan)									8					8		8	
- Allocation of treasury shares for share incentive plan			9						(9)								
- Allocation of treasury shares for bond conversion			3											3		3	
- Purchase of treasury shares			(5)											(5)		(5)	
- Sale of interest in subsidiaries without loss of control											8			8	9	17	
Total transactions with shareholders			7						(1)		(343)		(337)	11	(326)		
- Other changes									(1)					(1)		(1)	
Total other changes									(1)					(1)		(1)	
BALANCE AT 31 DECEMBER 2021 (a)	(19)	2,736	(354)	611	547	(54)	(11)	32	(674)	100	3,117	(343)	1,496	7,203	37	7,240	
- Net profit for the first half of 2022													686	686	3	689	
- Other components of the comprehensive income statement						8	(34)		84					58		58	
Total comprehensive income statement for the first half of 2022 (b)						8	(34)		84				686	744	3	747	
- 2021 dividend (0.2620 euros per share), net of interim dividend (0.1048 euros per share)												343	(869)	(526)		(526)	
- Appropriation of 2021 residual net profit											627		(627)				
- Share-based payments (Share Incentive Plan)									3					3		3	
- Bond conversion			318						(17)		80			381		381	
Total transactions with shareholders (c)			318						(14)	707	343	(1,496)	(142)		(142)		
- Acquisition of equity investments with non-controlling interests														0	12	12	
- Other changes									1					1	2	3	
Total other changes (d)									1					1	14	15	
BALANCE AT 30 June 2022 (e=a+b+c)	(19)	2,736	(36)	611	547	(46)	(11)	(2)	(674)	171	3,824		686	7,806	54	7,860	

Cash flow statement

(million euros)	Notes	First half 2021	First half 2022
NET PROFIT		880	689
<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	(26)	401	432
- Share of profit or loss of investments accounted for using the equity method	(28)	(139)	(178)
- Dividends			
- Other gains (losses) on equity investments			(71)
- Net capital losses /(capital gains) on asset sales		2	4
- Interest income		(16)	(22)
- Interest expense		55	81
- Income taxes	(29)	(33)	199
- Other changes		4	3
<i>Change in net working capital:</i>			
- Inventories		(5)	(1,423)
- Trade receivables		19	552
- Trade payables		(169)	(50)
- Provisions for risks and charges		(31)	3
- Other assets and liabilities		(324)	2,313
<i>Cash flow from net working capital</i>		<i>(510)</i>	<i>1,395</i>
Change in liabilities for employee benefits		(1)	1
Dividends collected		115	55
Interest collected		14	11
Interest paid		(35)	(58)
Income taxes paid net of tax receivables reimbursed		(171)	(223)
CASH FLOWS FROM OPERATING ACTIVITIES		566	2,318
<i>- of which with related parties</i>	<i>(32)</i>	<i>626</i>	<i>70</i>
<i>Investments:</i>			
- Property, plant and equipment (*)	(5)	(485)	(446)
- Intangible assets	(6)	(69)	(69)
- Acquisition of subsidiaries and businesses, net of liquidity acquired			(360)
- Long-term financial receivables and other financial assets			(2)
- Investments (including investments valued at FVTOCI, included in non-current financial assets)		(480)	(11)
- Current financial assets			
- Change in payables and receivables relating to investments		(41)	(32)
<i>Cash flow from investments</i>		<i>(1,075)</i>	<i>(920)</i>
<i>Divestments:</i>			
- Property, plant and equipment	(5)	1	1
- Intangible assets			
- Investments (including investments valued at FVTOCI, included in non-current financial assets)		30	152
- Long-term financial receivables		11	198
<i>Cash flow from divestments</i>		<i>42</i>	<i>351</i>
CASH FLOW FROM INVESTMENT ACTIVITIES		(1,033)	(569)
<i>- of which with related parties</i>	<i>(32)</i>	<i>(8)</i>	<i>177</i>
Assumption of long-term financial payables		1,250	2,318
Repayment of long-term financial payables		(1,002)	(1,979)
Increase (decrease) short-term financial payables		(433)	(706)
Repayment of financial payables for leased assets		(4)	(4)
Purchase of treasury shares			0
Dividends distributed	(19)	(795)	(846)
Change in minority interests in subsidiaries not involving a change in control			2
Cash and cash equivalents of companies outside the scope of consolidation			
Disposal of investments in subsidiaries not involving loss of control		32	
CASH FLOWS FROM FINANCIAL ACTIVITIES		(952)	(1,215)
<i>- of which with related parties</i>	<i>(32)</i>	<i>34</i>	<i>1</i>
PERIOD NET CASH FLOW		(1,419)	534
Cash and cash equivalents at beginning of the period	(11)	3,044	1,871
Cash and cash equivalents at end of the period	(11)	1,625	2,405
CHANGE IN CASH AND CASH EQUIVALENTS		(1,419)	534

(*) For financial reporting purposes only, the flow includes: (i) the change in inventories of piping and related ancillary materials used in plant construction activities, referring to the natural gas transportation segment (2 million euros and 4 million euros, respectively, for 2021 and 2022); (ii) subsidies on works for interference with third parties, so called compensation (10 million euros and 18 million euros, respectively, for 2021 and 2022).

Notes to the condensed half-year consolidated financial statements

1) Corporate information

The Snam Group, consisting of Snam S.p.A., the Italian consolidating company, and its subsidiaries (hereafter referred to as "Snam", the "Snam Group" or the "Group"), is an integrated Group at the forefront of the regulated gas industry (transportation, regasification and storage) and a major player in terms of its regulatory asset base (RAB) in the sector.

In addition to Italy, through its international subsidiaries, Snam also manages infrastructures in Austria, Egypt, United Arab Emirates, France, Greece and the United Kingdom. Snam invests in innovation and in development of new energy transition businesses, from sustainable mobility to biomethane and energy efficiency. It also seeks to enable and promote the development of hydrogen to move forward the decarbonisation of the energy sector and industry.

Snam S.p.A. is a joint-stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices at 7, Piazza Santa Barbara, San Donato Milanese (MI) - Italy.

Through the resolution of 1 August 2019, the Board of Directors of CDP S.p.A. which, through the subsidiary CDP Reti S.p.A. owns a stake in Snam S.p.A. of 31.4%, reclassified its equity investment in the latter, already classified as de facto control pursuant to international accounting standard IFRS 10 - Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraphs 1 and 2 of the Italian Civil Code and Article 93 of the TUF.

No management or coordination activity of CDP S.p.A. has been formalised or exercised over Snam S.p.A.

2) Drafting criteria, effects of the COVID-19 pandemic and the Russia-Ukraine conflict, Climate change related matters

2.1 Basis of presentation

The condensed half-year consolidated financial statements at 30 June 2022 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 and the effects deriving from the Russia-Ukraine conflict, 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 2022 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 2021.

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 01 January 2022, which are described in note 4.1 "Accounting standards and interpretations applicable from 01 January 2022" of these notes.

No impacts resulting from the application of these new provisions have been identified.

Current income taxes are calculated on the basis of taxable income existing at the end of the period. Tax receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the applicable tax law or those essentially approved at the reporting date and the rates estimated 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 2022" to the notes to the condensed half-year consolidated financial statements (Italian version).

The condensed half-year consolidated financial statements at 30 June 2022, approved by the Board of Directors of Snam S.p.A. in its meeting of 27 July 2022, are subject to a limited audit by Deloitte & Touche S.p.A. The limited audit entails a

significantly smaller scope of work than that of a complete audit of the accounts carried out in accordance with the established auditing standards. The condensed interim financial statements are presented in euro.

Given their size, items of the financial statements are expressed in millions of euros.

2.2 Effects of the Covid-19 pandemic on the presentation and measurement of items in the consolidated financial statements

2.2.1 Regulated business

The Snam Group's core business is represented by transportation, regasification and storage activities carried out by companies operating under regulated regimes.

No impacts related to the effects of COVID-19 are reported in the first half of 2022.

2.2.2 Energy transition

The businesses related to energy transition, Energy Efficiency, Sustainable Mobility and Biomethane, have not suffered significant impacts related to the effects of COVID-19; in particular:

- within the Energy Efficiency business, the impacts due to the effects of COVID-19 were limited; 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, which has continued until the end of the winter season; however, the resulting impacts are limited. Finally, the easing of the pandemic containment measures provided great impetus and acceleration to the resolution processes for the residential sector; at the same time, it should be noted that the first half of 2022 was still impacted by slowdowns in public administration processes and activities mainly related to permitting phases. However, the companies implemented actions to mitigate the indirect impacts of COVID-19 on 2022 results. The forecasts for the year 2022 do not consider any impact related to COVID-19 to date;
- 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 2022 did not affect the full operation of the Cubogas production site, which continued uninterrupted operations. The actions taken by the company during 2022 partially reduced the indirect impacts of Covid-19 related to the increase in material prices, difficulties in finding materials and delays in deliveries. With regard to the refuelling stations business, in the first half of 2022, national vehicle circulation reached pre-Covid levels. This recovery was not fully reflected in the circulation of CNG vehicles, which was negatively affected by the significant increase in CNG prices. In the first half of 2022, therefore, there was little growth in the volumes delivered by each station, resulting in a limited positive impact on the variable revenues recorded;
- in the Biomethane business, there are no significant impacts related to the effects of COVID-19 in the first half of 2022.

2.2.3 Foreign and Italian subsidiaries

The Snam Group's main foreign and Italian subsidiaries mainly operate in the regulated segments of natural gas transportation, storage, regasification and distribution (Teréga, Desfa, GCA, TAG, OLT and Italgas) or operate under long-term, ship or pay (TAP and Adnoc) contracts. With regard to Interconnector UK, which, although operating under a regulated regime, derives its remuneration from the transport contracts signed with customers, the results for 2022, which benefited from the positive trend in the capacity demand, exceeded budget forecasts. With reference to Industrie 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, demonstrated by the market also in the IPO, allows De Nora, as an innovator in this field, to forecast growing results for future periods.

2.3 Effects of the Russia-Ukraine conflict on the presentation and measurement of items in the consolidated financial statements

2.3.1 Regulated business

At present, there are no direct impacts from the Russia-Ukraine conflict on the companies of the Regulated Core Business. With reference to indirect impacts, it should be noted that, pursuant to Decree-Law no. 17 of 1 March 2022, setting forth "Urgent measures for the containment of electricity and natural gas costs, for the development of renewable energies and for the relaunch of industrial policies", the group is engaged in a series of actions aimed at contributing to the achievement of the storage filling targets set by the MiTe, as well as allowing for greater diversification of supply sources. For more details, please refer to the section "First half of 2022 performance - Main events - Urgent provisions for the allocation of storage capacity and Snam's role as system operator" in the Interim Report on Operations.

2.3.2 Energy transition

- In the business of designing and building biomethane plants, the conflict is generating difficulties in the procurement of raw materials (especially construction-related materials for IES Biogas), with concomitant price increases and longer delivery times. Biomethane production plants, on the other hand, are not experiencing substantial impacts. Should the conflict continue in the coming months, however, further impacts may emerge that cannot be determined at present;
- in the Sustainable Mobility business, the production and marketing activities of compressors were impacted by the effects of the Russia-Ukraine conflict, where, in the first half of 2022, there were accentuated difficulties in procuring the main raw materials used in the production phase (mainly stainless steel and components for integrated boards) due to delays in the supply chain. In addition, with reference to the refuelling stations business, the significant increase in natural gas prices led to a lower growth in consumption and therefore in the supply by stations, for which volumes, although growing compared to 2021, were impacted by this phenomenon;
- with reference to the impact on the Energy Efficiency business due to the Russia-Ukraine conflict, the generalised increase in the cost of raw materials did not lead to significant economic effects since, in general, the contracts signed with customers include special indexation clauses that protect companies from price escalation. There is a slight slowdown in collection times due to the above, however with minimal impact. Should this phenomenon continue in the coming months, however, it could lead to more significant indirect effects on companies' working capital and cash flow.

2.3.3 Foreign and Italian subsidiaries

- With reference to foreign subsidiaries, TAG, GCA and Interconnector UK are the Snam-owned companies with greater exposure to Russian gas supplies through multi-year contracts for the transportation of gas. At this stage, no elements were found that could significantly influence the companies' results.

Impacts, however limited with respect to the Group's overall results, could emerge if there were prolonged import disruptions and/or the cancellation of existing multi-year contracts (generally to a certain extent covered by bank guarantees).

The company is actively cooperating with the competent authorities and is constantly monitoring the development of the situation.

2.4 Climate change related matters

With regard to climate change-related impacts, we confirm as reported in Note 2.3 Climate change related matters of the 2021 Annual Report, to which we refer.

3) Use of accounting estimates

With reference to the description of the use of accounting estimates, please refer to Note 6 "Assumptions and Uncertainty in Estimates" in the 2021 Annual Report.

4) Recently issued accounting standards

In addition to that indicated in the 2021 Annual Financial Report, to which reference is made, below is a list of the IFRS recently issued by the IASB.

4.1 Accounting standards and interpretations applicable from 01 January 2022

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

- **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: the document "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 shall therefore be recognised in the income statement. (iii) Amendments to IAS 37: the document "Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - Cost of fulfilling a contract" clarified which cost items are to be considered in determining whether or not a contract will be loss-making.
- **Improvements to IFRSs (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" clarifying which fees (commissions) are to be included when performing the "10 per cent" test required by paragraph B3.3.6 of IFRS 9, specifying that only fees, paid or received, between the entity and the lender; (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.

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 has analysed the principles and interpretations indicated, where applicable, in order to assess the effects deriving from their application on the financial statements. The adoption of these amendments did not have significant impacts on the Group's consolidated financial statements.

4.2 Accounting standards and interpretations issued by the IASB, endorsed by the European Commission during the first half of 2022, but not yet effective

By Regulation no. 2022/357, issued by the European Commission on 02 March 2022, the regulatory provisions contained in the following documents were approved:

- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The amendments are aimed at improving disclosure on accounting policies in order to provide more useful information to investors and other primary users of the financial statements and to help companies distinguish changes in accounting

estimates from changes in accounting policies. The amendments will apply from 1 January 2023. However, earlier application is permitted. At present, the directors are assessing the possible effects of introducing this amendment. For both documents, their respective provisions are effective for financial years beginning on or after 1 January 2023. 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.

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

With reference to the standards issued by the IASB and not yet endorsed by the European Commission, please refer to the latest 2021 Annual Report.

5) Property, plant and equipment

(million euros)	Property, plant and equipment
Cost at 31.12.2021	27,910
Investments	468
Change in the scope of consolidation	426
Disposals	(11)
Other changes	(220)
Rights of use for leased assets	4
Cost at 30.06.2022	28,577
Provisions for amortisation and depreciation at 31.12.2021	(10,588)
Total amortisation and depreciation	(368)
Change in the scope of consolidation	(15)
Disposals	6
Other changes	(1)
Provisions for amortisation and depreciation at 30.06.2022	(10,966)
Provision for impairment losses at 31.12.2021	(118)
(Impairment losses)/Recovery of value	(3)
Other changes	2
Provision for impairment losses at 30.06.2022	(119)
NET BOOK VALUE AT 31.12.2021	17,204
NET BOOK VALUE AT 30.06.2022	17,492

Investments¹⁴ (468 million euros) mainly refer to the transport (376 million euros) and storage (53 million euros) segments.

The change in the consolidation area mainly relates to: (i) the acquisition, on 31 May 2022, of 100% of the share capital of Golar LNG NB 13 Corporation (327 million euros), which owns the floating storage regasification unit (FSRU) called "Golar Tundra" as its only asset; (ii) the control of Iniziative Biometano S.p.A. (9 companies consolidated on a line-by-line basis) instead of joint control (37 million euros in total).

In light of the characteristics of the company's acquisition, considering that almost all of the assets relate to a single asset (the FSRU), the transaction was accounted for as an asset acquisition (and not as a business combination) because the definition of business as defined by IFRS 3 "Business Combinations" was not met.

¹⁴ Investments by business segment are shown in the chapter "Operating performance by business segment" in the Interim Report on Operations.

The other changes (-219 million euros) mainly concern: (i) the effects arising from the adjustment of the present value of disbursements for site decommissioning and restoration costs (-197 million euros), following a net increase in the expected discount rates; (ii) and contributions on works for interference with third parties (recharges; -18 million euros).

With reference to the item Rights of use for leased assets, it should be noted that during the first half of 2022, no leasing contracts were renegotiated with the counterparties as a result of COVID-19.

The considerations set out in the 2021 Annual Financial Report, to which reference should be made, are therefore confirmed.

Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in Note 21 "Guarantees and commitments".

6) Intangible assets and goodwill

(million euros)	Definite useful life	Indefinite useful life	Total
Cost at 31.12.2021	1,973	60	2,033
Investments	68	1	69
Change in the scope of consolidation	46	22	68
Other changes		2	2
Cost at 30.06.2022	2,087	85	2,172
Provisions for amortisation and depreciation at 31.12.2021	(866)		(866)
Total amortisation and depreciation	(59)		(59)
Change in the scope of consolidation			0
Provisions for amortisation and depreciation at 30.06.2022	(925)		(925)
Provision for impairment losses at 31.12.2021			0
(Impairment losses)/Recovery of value	(2)		(2)
Provision for impairment losses at 30.06.2022	(2)		(2)
NET BOOK VALUE AT 31.12.2021	1,107	60	1,167
NET BOOK VALUE AT 30.06.2022	1,160	85	1,245

Intangible assets with definite useful life mainly relate to: (i) concessions for natural gas storage activities (662 million euros); (ii) industrial patent rights and intellectual property rights (252 million euros).

Investments in intangible assets with definite useful life (68 million euros), mainly in the natural gas transmission segment (54 million euros), refer mainly to projects for the development of information systems.

The change in the consolidation area concerned the assets arising: (i) from the acquisition by Renerwaste S.r.l., on 3 March 2022, of 100% of three companies, respectively Biowaste CH4 Foligno S.r.l. and Biowaste CH4 Anzio S.r.l, owners of two plants for the production of biomethane from OFMSW, and Biowaste CH4 Group S.r.l, a company that provides services to the plants (28 million euros in total); (ii) the acquisition by Renerwaste S.r.l., on 28 February 2022, of 85% of Renerwaste Cupello S.r.l, a company active in the construction, development and subsequent management of a plant for the production of biomethane from OFMSW (9 million euros); (iii) the entry into the scope of consolidation, on 11 April 2022, of Iniziative Biometano S.p.A., due to the increase in the equity investment, which rises from 50% to 51% of the share capital following the exercise of a call option provided for within the contractual agreements between the shareholders, with the consequent acquisition of control instead of joint control (in total 30 million euros).

With regard to the considerations on the impairment test and the identified Cash Generating Units, the information reported in the 2021 Annual Financial Report, to which reference should be made, is confirmed, with the exception of the Mobility CGU grouping, consisting of Snam 4 Mobility and Cubogas.

In particular, in the second quarter of 2022, the Mobility and Liquefaction Business Unit, also in light of the changed macro-economic context, began a process of reorganising its service offering and updating its strategic guidelines, in light of which the elements that had led to the identification of the Mobility CGU grouping came to an end.

Consequently, in accordance with the provisions of IAS 36 "Impairment Test", two separate CGUs, Snam 4 Mobility and Cubogas, were identified in place of the grouping of Mobility CGUs. Goodwill pertaining to the CGU grouping, totalling 7 million euros, was reallocated between the two separate CGUs in proportion to their respective fair values. At the same time, a process of potential disposal of Cubogas was initiated, against which the conditions for classification according to IFRS 5 "Non-current assets held for sale and discontinued operations" did not exist at 30 June 2022. Based on the other applicable standards, asset write-downs totalling 13 million euros were made.

7) Equity investments accounted for using the equity method

(million euros)	Total
Balance at 31.12.2021	2,560
Assignments and reimbursements	(86)
Dividends received	(56)
<i>Effect of equity-accounting method</i>	
- Portion recognised in income statement	178
- Portion recognised in the comprehensive income statement	86
Other changes	1
Balance at 30.06.2022	2,683

Disposals and redemptions refer to the sale of shares of Industrie De Nora S.p.A. for the purpose of listing the company on the stock exchange, a transaction after which Snam holds 25.88% of the share capital (35.63% prior to the IPO), also taking into account capital increases of the same company that were not subscribed.

Dividends received (56 million euros) mainly related to the associated company Italgas (32 million euros).

The effect of the equity-accounting method refers: (i) to the share of the net results for the period of companies valued using the equity method, mainly referring to joint ventures and associates (178 million euros); (ii) to the share recognised in the statement of comprehensive income (86 million euros), mainly attributable to the change in the fair value of hedging derivative financial instruments of the associate TAP and to exchange rate differences (euros/dollars) of the associate Galaxy Pipeline Assets HoldCo Limited.

No collateral has been pledged on the equity investments, with the exception of as reported in note no. 21.1.1 "Collateral pledged in the interest of the associate TAP" and note no. 14.2 "Financial covenants and negative pledge contractual clauses" on collateral pledged on loans of companies of the Iniziative Biometano Group.

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 2022" to the notes to the condensed half-year consolidated financial statements (Italian version).

8) Other current and non-current financial assets

(million euros)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total
Long-term financial receivables	1	301	302	2	117	119
Minority equity investments FVTOCI		94	94		68	68
Short-term financial receivables						
- short-term over 90 days	5		5	1		1
Other		2	2		1	1
TOTAL OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS	6	397	403	3	186	189

Long-term financial receivables amounted to 119 million euros and decreased by 183 million euros compared to 31 December 2021, mainly due to the repayment by OLT of a principal portion of the outstanding shareholder loan, against the simultaneous refinancing of the company on the banking market.

Minority interests valued at FVTOCI essentially relate to the valuation of the shares held by Snam in the capital of ITM Power PLC (2.082% stake), in the capital of Terminale GNL Adriatico S.r.l. (7.3% stake) and in the capital of Storegga Limited (5% stake), respectively amounting to 26 million euros (59 million euros at 31 December 2021), 31 million euros (34 million euros at 31 December 2021) and 10 million euros.

Changes during the period were as follows:

(million euros)	
Value as at 31.12.2021	94
Acquisitions and subscriptions	10
Change in fair value through other comprehensive income	(34)
Assignments and reimbursements	(2)
Value as at 30.06.2022	68

9) Inventories current and non-current and third-party natural gas in storage

(million euros)	31.12.2021			30.06.2022		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and finished goods	102	(13)	89	942	(21)	921
Finished products and goods	64	(32)	32	613	(32)	581
Total current inventories	166	(45)	121	1,555	(53)	1,502
Total non-current inventories - Compulsory inventories	363		363	363		363
TOTAL INVENTORIES CURRENT AND NON-CURRENT	529	(45)	484	1,918	(53)	1,865

Current inventories, net of the provision for impairment losses, increased by 1,381 million euros, mainly due to purchases made to ensure the security of gas supplies in Italy for the coming winter. In particular, purchases were made in implementation of the following Authority Resolutions: (i) Resolution 165/2022/R/Gas, which provided for the procurement by Snam Rete Gas of volumes to cover system gas and gas for technical consumption of storage facilities (about 0.7 billion cubic metres for a total countervalue of 837 million euros); (ii) Resolution 274/2022/R/Gas, which defined the provisions for the filling service of last resort (about 0.4 billion cubic metres for a total countervalue of 563 million euros).

The value of the inventories of gas purchased against these resolutions is offset by the recognition, for the same amount, of balance sheet liabilities.

The provision for impairment losses 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 2011¹⁵.

9.1 Third-party natural gas in storage

Risks for third-party assets in storage, amounting to 3,710 million euros (3,653 million euros at 31 December 2021), relate to approximately 4 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 cost¹⁶, which is approximately 0.91 euros per standard cubic metre (0.54 euros per standard cubic metre at 31 December 2021).

¹⁵ For more information regarding the progress of the lawsuits under way, see Note 25.3.2 "Recovering receivables from users of the storage system" of the 2021 Annual Financial Report.

¹⁶ Value calculated on the basis of the CCI Tariff, or the wholesale price established by the ARERA every quarter.

10) Other current and non-current assets

(million euros)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total
VAT credits	201		201	362		362
Market value of derivative cash flow hedges						
- Fair value interest rate hedging derivatives			0		2	2
Prepaid expenses	9	14	23	22	11	33
Assets arising from contracts with customers	34		34			
Regulatory activities	17	40	57	35	40	75
Security deposits		13	13		14	14
Ecobonus/Sismabonus credits	12	21	33	13	43	56
Other tax credits			0	6		6
Other		1	1		3	3
TOTAL OTHER CURRENT AND NON-CURRENT ASSETS	273	89	362	438	113	551

VAT credits increased by 161 million euros mainly as a result of purchases made against Resolution 165/2022/R/Gas "Urgent provisions for the allocation of storage capacity pursuant to the Decree of the Ministry of Ecological Transition no. 138 of 1 April 2022" (approximately 184 million euros).

In relation to activities of a fiscal nature, it should be noted that, since the company constantly invests in Research and Development and Technological Innovation activities, subsequent to the end of the current financial year, the calculations relating to the tax credit accrued on an accrual basis pursuant to Law no. 160/2019, paragraphs 198-207, as amended by Law no. 178/2020 and Law no. 234/2021, will be finalised, and the preparation of the documentation supporting this credit (so-called documentary expenses) will be completed. An estimate of the amount of this tax credit is not available at the time of preparation of this document.

Assets arising from the valuation at market value of cash flow hedge derivatives (2 million euros in total) refer to two Interest Rate Swap (IRS) derivative contracts. IRS contracts are used to hedge the risk of interest rate fluctuations on a bond loan, with a nominal amount of 106 million euros, and a bank loan, with a nominal amount of 150 million euros. Through derivatives, floating rate liabilities are converted into fixed rate liabilities.

The main characteristics of the derivatives in question are summarised in the tables below:

Interest rate swap

(million euros)									
Type of derivative contract	Contract effective date	Maturity date	Residual term (years)	Snam pays	Snam receives	Nominal value 31.12.2021	Nominal value 30.06.2022	Market value 31.12.2021	Market value 30.06.2022
Interest rate swap	02/08/2017	02/08/2024	2.1	0.4360%	3 month Euribor	106	106	2	2
Interest rate swap	31/07/2018	31/07/2022	0.1	0.1250%	3 month Euribor (floor -58 bps)	150	150	1	

The fair value hedging derivatives and their classification as a current or non-current asset/liability have been determined using generally accepted financial measurement models and market parameters at the end of the period.

Information on the risks hedged by the derivatives and on policies adopted by the Company to hedge against these risks is provided in Note 22 - Financial risk management”.

Prepaid expenses (33 million euros) mainly refer to upfront fees and the substitute tax on revolving credit lines (11 million euros) and to insurance premiums (3 million euros).

Security deposits (14 million euros) provided to support operating activities, mainly related to the natural gas transportation operations.

11) Cash and cash equivalents

Cash and cash equivalents of 1,871 million euros (1,337 million euros at 31 December 2021) consist mainly of current accounts and bank deposits in euros with financial institutions (1,781 million euros), which represent the use of cash held for the Group's financial needs, and cash and cash equivalents from subsidiaries (in total 90 million euros).

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the cash flow statement.

12) Trade receivables and other receivables

(million euros)	31.12.2021	30.06.2022
Trade receivables, gross of provision for impairment losses	2,814	2,221
Provision for bad debt	(85)	(84)
Total trade receivables	2,729	2,137
Other receivables		
- Other receivables from the Energy and Environmental Services Fund (CSEA)	552	575
- Advances to suppliers	24	44
- Receivables for private contributions	11	19
- IRES receivables for domestic tax consolidation to former parent company	10	10
- Other	5	12
Total other receivables	602	660
TOTAL TRADE RECEIVABLES AND OTHER RECEIVABLES	3,331	2,797

Trade receivables, net of the provision for bad debts, mainly relate to the transportation segments (1,383 million euros, of which 638 million euros deriving from balancing the gas system), natural gas storage (207 million euros) and the energy efficiency business (532 million euros).

Trade receivables include receivables from customers related to energy efficiency projects (442 million euros) pending conversion into tax credits for superecobonus.

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.

Other receivables from CSEA mainly refer to amounts to be paid to the Balancing Manager for gas purchases made in June for the execution of the filling service of last resort in compliance with Resolution 274/2022/R/Gas (563 million euros).

All receivables are in euros.

Receivables from related parties are described in Note 32, “Related-party transactions”.

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

(million euros)	31.12.2021	30.06.2022
- Receivables from tax authorities for IRES	11	13
- Receivables from tax authorities for IRAP		
- Other tax assets		
TOTAL CURRENT INCOME TAX ASSETS	11	13
- Payables to tax authorities for IRES	(36)	(49)
- Payables to tax authorities for IRAP	(1)	(8)
- Other tax liabilities	(13)	(1)
TOTAL CURRENT LIABILITIES FOR INCOME TAXES	(50)	(58)

Taxes for the period are explained in Note 29 "Income taxes", to which reference is made.

14) Current and non-current financial liabilities

	31.12.2021					Total debt	30.06.2022					Total debt
	Current financial liabilities		Non-current financial liabilities				Current financial liabilities		Non-current financial liabilities			
(million euros)	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion		
Bond loans		1,172	4,638	3,328	7,966		798	4,235	4,721	8,956	9,754	
Bank loans	610	688	1,417	980	2,397	1	260	1,282	922	2,204	2,465	
Euro Commercial Paper - ECP	2,503					2,452					2,452	
Other lenders	2					2					2	
Financial payables for leased assets		6	12	2	14		6	12	2	14	20	
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	3,115	1,866	6,067	4,310	10,377	15,358	2,455	1,064	5,529	5,645	11,174	14,693

14.1 Short-term financial liabilities

Short-term financial liabilities, amounting to 2,455 million euros, essentially refer to the issue of short-term "unsecured" securities (Euro Commercial Paper) issued on the money market and placed with institutional investors.

14.2 Long-term financial liabilities and short-term portions of long-term financial liabilities

Long-term financial liabilities, including the short-term portion of long-term liabilities, amounted to a total of 12,238 million euros relate to bond loans (9,754 million euros), bank loans (2,465 million euros) and financial payables for leased assets (20 million euros).

The breakdown of bond loans, indicating the issuing company, the year of issue, the currency, the average interest rate and the maturity, is provided in the following table.

(million euros)							
	Nominal value 31.12.2021	Nominal value 30.06.2022	Rate (%)	Issued (year)	Maturity (year)	Balance at 31.12.2021	Balance at 30.06.2022
Euro Medium Term Notes (EMTN)							
Bond 5.25%	582	582	5.25	2012	2022	590	606
Bond 3.25% (a)	385	365	3.25	2014	2024	395	369
Bond 1.50% (a) (b)	190	155	1.50	2014	2023	193	156
Bond 1.375% (a)	167	140	1.375	2015	2023	160	136
Bond 0.875%	1,250	1,250	0.875	2016	2026	1,247	1,253
Bond 1.250% (a)	339	267	1.250	2017	2025	342	268
Floating Bond	151		0.6+eur3m	2017	2022	151	
Floating Bond	106	106	0.836	2017	2024	106	106
Bond 1.375% (a)	650	553	1.375	2017	2027	649	556
Bond 1.000% (a) (c)	522	423	1.000	2018	2023	520	425
Bond 1.250% (Climate Action bond)	500	500	1.250	2019	2025	500	503
Bond 1.625%	250	250	1.625	2019	2030	252	250
Bond 0%	700	700	0	2019	2024	697	698
Bond 1%	600	600	1	2019	2034	591	594
Bond 0.75% (Transition bond)	500	500	0.75	2020	2030	500	498
Bond 0% (Transition bond)	600	600	0	2020	2028	597	597
Bond 0% (Transition bond)	500	500	0	2021	2025	500	500
Bond 0.75% (Transition bond) - TAP	250	250	0.75	2021	2030	258	257
Bond 0.625% (Transition bond)	500	500	0.625	2021	2031	494	493
Bond 0.75% (Dual tranche Sustainability-Linked Bond)		850	0.75	2022	2029		846
Bond 1.25% (Dual tranche Sustainability-Linked Bond)		650	1.25	2022	2034		643
Total Euro Medium Term Notes (EMTN)	8,742	9,741				8,742	9,754
Convertible bonds							
Convertible Bond	397		0	2017	2022	396	
TOTAL BOND LOANS	9,139	9,741				9,138	9,754

(a) Bond loans subject to the 2022 liability management operation.

(b) Bond loan tapped in January 2015 for an incremental amount of 250 million euros, with the same interest rate and maturity as the original placement.

(c) Bond loan tapped in November 2018 for an incremental amount of 300 million euros, with the same interest rate and maturity as the original placement.

Bank loan payables (2,465 million euros) relate to term loans, of which 1,496 million euros to the European Investment Bank (EIB).

There are no other 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 0.13%.

There were no breaches of loan agreements as at the reporting date.

Snam has unused committed credit lines amounting to 4.25 billion euros.

Financial covenants and negative pledge commitments

At 30 June 2022, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other lending institutions, with the exception of bank loans (for a residual amount of 8.5 million euros) relating to subsidiaries that entered the scope of consolidation during the first half of 2022 active in the Biogas/Biomethane business). Part of such contracts envisages, inter alia, compliance with commitments typical of international practice, of which some are subject to specific materiality thresholds, such as: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries. Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender may request additional guarantees if Snam's rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or lower than Baa2 (Moody's) with at least two of the three rating agencies. The occurrence of one or more of the aforementioned scenarios could have negative effects on the Snam Group's business and economic, equity and financial position, resulting in additional costs and/or liquidity issues. At 30 June 2022, the financial debt subject to these restrictive clauses amounted to approximately 2.5 billion.

Bond loans issued by Snam as at 30 June 2022, with a nominal value of approximately 9.7 billion, referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

14.3 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)	31.12.2021	30.06.2022
A. + B. Cash and cash equivalents	1,337	1,871
C. Other current financial assets		
D. Liquidity (A + B + C)	1,337	1,871
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	3,115	2,455
F. Current portion of non-current financial debt (*)	1,866	1,064
G. Current financial debt (E + F)	4,981	3,519
<i>of which with related parties</i>	2	2
H. Net current financial debt (G - D)	3,644	1,648
I. Non-current financial debt (excluding current portion and debt instruments) (*)	2,411	2,218
J. Debt instruments	7,966	8,956
K. Trade payables and other non-current payables		
L. Non-current financial debt (I + J + K)	10,377	11,174
<i>of which with related parties</i>		
M. Total financial debt (H + L)	14,021	12,822

(*) They include financial payables for leased assets recognised in accordance with IFRS 16 "Leases", of which 14 million euros are long-term and 6 million euros are short-term portions of long-term financial liabilities.

15) Provisions for risks and charges

	30.06.2022							Final balance
	Opening balance	Provisions	Increases due to passing of time	Utilisations		Change in consolidation area	Other changes	
(million euros)				Against charges	for excess			
Provision for decommissioning and site restoration	713		4	(2)		4	(196)	523
Provision for litigation	16	3						19
Provision for tax litigation	4							4
Other provisions	49	1		(2)	(1)			47
TOTAL PROVISIONS FOR RISKS AND CHARGES	782	4	4	(4)	(1)		(196)	593

The provision for site decommissioning and restoration (523 million euros) includes the estimated discounted costs that will be incurred to remove infrastructure and restore sites, mainly in the segments of the storage (435 million euros) and transportation of natural gas (77 million euros). Other changes (-196 million euros) refer to the effects deriving from the increase in the expected discount rates.

16) Deferred tax liabilities/assets

(million euros)	30.06.2022				30.06.2022
	31.12.2021	Utilisations	Other changes	Change in consolidation area	
Gross deferred tax liabilities	230	(1)	(54)	11	186
Deferred tax assets available for offset	(195)		55		(140)
DEFERRED TAX LIABILITIES	35	(1)	1	11	46
Gross deferred tax assets	(497)	(16)	58		(455)
Deferred tax liabilities which can be offset	195		(55)		140
DEFERRED TAX ASSETS	(302)	(16)	3		(315)

17) Other current and non-current liabilities

(million euros)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total
Regulatory liabilities	19	42	61	61	72	133
Market value of derivative cash flow hedges						
- Fair value interest rate hedging derivatives	2	1	3			
IRPEF withholdings for employees	7		7	8		8
Other taxes	5	14	19	3		3
Security deposits		641	641		1,004	1,004
Liabilities for connection contributions		3	3		5	5
Other	20	17	37	725	103	828
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES	53	718	771	797	1,184	1,981

Regulatory liabilities essentially refer to the transportation segment (129 million euros) mainly made up of penalties charged to users that exceeded the capacity committed, to be repaid to the system through tariff adjustments. The current and non-current portions amount to 61 and 72 million euros respectively (19 and 42 million euros respectively at 31 December 2021).

The security deposits are paid as a guarantee mainly by the users of the balancing service, pursuant to Resolution ARG/gas 45/11.

Liabilities for advances from third parties mainly relate to the advance fee for the concession of the use of fibre optic cables to a telecommunications operator.

The item "Other", equal to 828 million euros, mainly attributable to the transportation segment (706 million euros), refers to the volumes of gas purchased in April by Snam Rete Gas for the operation of the system for the coming winter (in compliance with Resolution 165/2022/R/Gas) and not yet used.

18) Trade payables and other payables

(million euros)	31.12.2021	30.06.2022
Trade payables for the purchase of goods and services	1,348	1,308
Total trade payables	1,348	1,308
Other payables		
- Payables to the Energy and Environmental Services Fund (CSEA)	677	1,921
- Payables for investment activities	412	394
- Interim dividend	343	
- Payables to employees	42	24
- Payables to shareholders for dividends		30
- Payables to pension and social security institutions	22	19
- Other	45	57
Total other payables	1,541	2,445
TOTAL TRADE PAYABLES AND OTHER PAYABLES	2,889	3,753

Trade payables for the purchase of goods and services mainly relate to the transport segment (1,087 million euros, of which 563 million euros relating to the purchase of gas in compliance with Resolution 274/2022/R/gas).

Trade payables for investments mainly relate to the natural gas transportation (290 million euros), natural gas storage (46 million euros) and energy efficiency (30 million euros).

The increase in payables to the CSEA of 1,244 million euros is mainly attributable: (i) to the effects of Resolution 274/2022/R/Gas (+563 million euros) and Resolution 165/2022/R/Gas (+184 million euros); (ii) to the increase in balancing liabilities (+399 million euros) and additional components (+93 million euros).

Payables to related parties are shown in Note 32 "Transactions with related parties".

19) Shareholders' equity

(million euros)	31.12.2021	30.06.2022
Share capital	2,736	2,736
Treasury shares	(354)	(36)
Share premium reserve	611	611
Legal reserve	547	547
Reserve for cash flow hedges	(54)	(46)
Reserve for defined-benefit plans for employees	(11)	(11)
Fair value reserve for equity investments	32	(2)
Reserve for business combinations under common control	(674)	(674)
Other reserves	100	171
Total reserves	(60)	(15)
Retained earnings	3,117	3,824
Interim dividend	(343)	0
Profit for the year	1,496	686
Total retained earnings	4,270	4,510
Equity attributable to parent company shareholders	7,203	7,806
Non-controlling interests	37	54
TOTAL EQUITY	7,240	7,860

19.1 Share capital

At 30 June 2022, the share capital consisted of 3,360,857,809 shares without nominal value (at 31 December 2021), against a total value of 2,735,670,475.56 euros (at 31 December 2021).

19.2 Treasury shares

Negative reserve holds a purchase cost of 9,111,340 treasury shares at 30 June 2022 (88,556,228 at 31 December 2021), equal to 36 million euros (354 million euros at 31 December 2021). The reduction in the number of treasury shares compared to 31 December 2021 is attributable to the allocation of 79,444,888 shares to service the Snam Convertible Bond, against requests to convert bonds with a nominal value of 381 million euros.

19.3 Share premium reserve

The share premium reserve at 30 June 2022 amounted to 611 million euros (the same at 31 December 2021).

19.4 Reserves

Legal reserve

The legal reserve amounted to 547 million euros at 30 June 2022 (unchanged at 31 December 2021) and has already reached one-fifth of the share capital as required by Article 2430 of the Italian Civil Code.

Cash flow hedge reserve

The cash flow hedge reserve (-46 million euros, -54 million euros at 31 December 2021) includes the fair value measurement of derivative instruments, net of related tax effects, on interest rate swap (IRS) contracts, which are described in Note 10 "Other current and non-current assets".

Reserve for defined-benefit plans for employees

The reserve for employee benefit plans (-11 million euros; same at 31 December 2021) 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 (-2 million euros; 32 million euros at 31 December 2021) 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.

Reserve for business combinations under common control

The business combination under common control reserve (-674 million euros; unchanged from 31 December 2021) recognised in 2009, relates to the value arising from the difference between the purchase cost of the Stogit investment and the related shareholders' equity attributable to the group at the date of completion of the transaction, as part of a business combination under common control (BCUCC) transaction carried out in 2009 with the former parent company Eni.

Other reserves

Other reserves of 171 million euros (100 million euros as at 31 December 2021) mainly refer to the portion of the other elements of the comprehensive income statement of equity investments accounted for using the equity method.

19.5 Retained earnings

Retained earnings include:

- profits relating to previous years amounting to 3,824 million euros (3,117 million euros at 31 December 2021); the increase of 707 million euros compared to 31 December is due: (i) to the allocation of the residual profit for 2021, after the distribution of dividends (627 million euros); (ii) the effect related to the conversion of the Snam convertible bond (80 million euros);
- profit for the first half of 2022 of 686 million euros.

19.6 Dividends declared and distributed

On 27 April 2022, the Ordinary Shareholders' Meeting of Snam S.p.A. resolved on a dividend of 0.2620 euros per share, of which 0.1048 euros per share, amounting to 345 million euros, has already been distributed as an interim dividend. The final dividend of 0.1572 euros per share, amounting to 527 million euros, was paid from 22 June 2022 with an ex-dividend date of 20 June 2022 and a record date of 21 June 2022.

20) Business combinations

Information on business combinations carried out during the first half of 2022, recognised in accordance with the provisions of IFRS 3 "Business Combinations", is presented below.

Following agreements signed in December 2021 for the acquisition from Asja Ambiente Italia S.p.A. of a portfolio of plants and development projects in the sector of OFMSW (Organic Fraction of Municipal Solid Waste) treatment and biomethane production, on 3 March 2022, through the subsidiary Renerwaste S.r.l, the acquisition was completed of 100% of the share capital of Biowaste CH4 Foligno S.r.l. and Biowaste CH4 Anzio S.r.l., owners of two plants for the production of biomethane from OFMSW, as well as Biowaste CH4 Group S.r.l., engaged in offering services to the companies that own the plants.

The total consideration was approximately 27 million euros, of which 14 million euros related to Biowaste CH4 Foligno S.r.l. and 13 million euros related to Biowaste CH4 Anzio S.r.l.

The contractual agreements governing the acquisition, among other things, provide for earn-out clauses in favour of Asja Ambiente Italia S.p.A., and the estimate of the present value of the payments due under this title was included in the determination of the consideration for the business combination for a total of 3 million euros.

On 28 February 2022, Renerwaste S.r.l. finalised the acquisition of an 85% stake in Renerwaste Cupello S.r.l., a company active in the development and subsequent management of a plant for the production of biomethane from OFMSW. The consideration paid was approximately 8 million euros, and due to a symmetrical put and call option contractually in place, Snam considers the remaining 15% share already acquired by the Group, since the economic benefits and risks associated with the actual ownership of the shares are not held by third-party shareholders. Therefore, the corresponding debt (redemption liability) of approximately 1 million euros was recognised, while minority interests have not been recognised in the consolidated financial statements.

On 11 April 2022, following the exercise by Snam 4 Environment S.r.l. of a call option provided for in the contractual agreements with the shareholder Femo Gas S.p.A., the acquisition of an additional 1% stake in Iniziative Biometano S.p.A. was finalised, with the resulting acquisition of control instead of joint control. The consideration paid totalled approximately 0.3 million euros and increased the stake held by Snam 4 Environment S.r.l. from 50% to 51%.

All transactions were fully financed with equity and represent business combinations recognised in provisional accounting, in accordance with IFRS 3 "Business Combinations" pending the completion of Purchase Price Allocation activities. To this end, on the respective dates that control was acquired, the individual assets acquired and the liabilities assumed at fair value were recognized, separately from goodwill.

21) Guarantees and commitments

(million euros)	31.12.2021	30.06.2022
GUARANTEES GIVEN ON BEHALF OF COMPANIES UNDER JOINT CONTROL AND ASSOCIATES	1,129	1,241
of which:		
- associate TAP	1,129	1,129
- company under joint control TAG		100
- other associates		12
GUARANTEES GIVEN IN THE INTEREST OF SUBSIDIARIES	221	225
COMMITMENTS FOR THE PURCHASE OF GOODS AND SERVICES (*)	988	1,969
COMMITMENTS FOR THE SUBSCRIPTION OF INVESTMENT FUND UNITS	33	42

(*) The value includes legally binding orders at the reference date.

21.1 Guarantees given on behalf of companies under joint control and associates

21.1.1 Guarantee given on behalf of the associate TAP

At present, and until repayment 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, released upon reaching the "Financial Completion Date" on 31 March 2021, 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 financial documentation signed under the scope of the Project Financing concluded for TAP foresees, moreover, some limitations for the shareholders typical for operations of this type, including: (i) a restriction on the possibility of TAP shares being freely available according to certain time frames; (ii) the pledging of the shares owned by Snam in TOP in favour of the lenders for the entire duration of the loan.

21.1.2 Guarantee given on behalf of the company under joint control TAG

The contractual agreements (Shareholders' Agreements) stipulated between Snam and GCA provide, inter alia, that in the case of new investment projects, if TAG is not capable of self-financing, the other companies must finance it according to the equity investment held by each shareholder.

In addition, following the worsening of the economic scenario dominated by tensions and uncertainties generated by the recent Russia-Ukraine conflict, the shareholders Snam and GCA have guaranteed TAG on the coverage of any liquidity shortfalls should the company not be able to use the credit lines already at its disposal and/or in the process of being finalised, for a period equal to 12 months from the date of drafting the 2021 financial statements (i.e. starting from 30 June 2022) and for a maximum amount equal to 100 million euros in proportion to their respective stakes in the company's share capital (for Snam, a potential maximum outlay of approximately 89 million euros).

21.2 Guarantees given in the interest of subsidiaries

Guarantees given in the interest of subsidiaries (225 million euros; 221 million euros as at 31 December 2021) mainly relate to:

- (i) guarantees provided in favour of the Italian Revenue Agency mainly on behalf of the subsidiaries Stogit, GNL, Snam4Mobility and Enura (102 million euros);
- (ii) indemnities issued in favour of third-parties to guarantee the execution of works (72 million euros);
- (iii) surety guarantees issued by Iniziativa Biometano S.p.A. on behalf of companies controlled by the latter (17 million euros);
- (iv) bank sureties in favour of the INPS to guarantee fulfilment of the obligations undertaken under the scope of provisions connected with early retirement, regulated by article 4, paragraphs 1-7 of Law 92/2012-Fornero Law (21 million euros).

21.3 Group commitments for the purchase of goods and services

The commitments for the purchase of goods and services (1,969 million euros; 988 million as at 31 December 2021) mainly regard the commitments made with suppliers for the purchase of tangible fixed assets and the supply of services relative to the investments being made.

21.4 Commitments to subscribe to units in Investment Funds

Commitments to the Clean H2 Infra Fund (HY24), equal to 31.8 million euros, refer to Snam S.p.A.'s residual commitment, as part of the investment programme that the fund proposes to carry out over a total of 6 years. These funds may be called, even partially and in several tranches, upon identification by the Fund of potential eligible investments pursuant to the fund rules.

Commitments to the CDP Corporate Partners I – Comparto Energy Tech Fund, equal to 10 million euros, refer to Snam S.p.A.'s residual commitment, as part of the investment programme that the fund proposes to carry out over a total of 5 years. These funds may be called, even partially and in several tranches, upon identification by the Fund of potential eligible investments pursuant to the fund rules.

21.5 Other unevaluated commitments and risks

Other unrecognised commitments and risks refer mainly to commitments undertaken at the time of the closing of equity purchase transactions, which will continue to apply after the date of execution of those transactions.

As of 30 June 2022, commitments related to the following agreements remain in place:

- the contract through which Eni acquired Stogit, for commitments related 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) which may emerge in certain contractually defined circumstances; (ii) the possible transfer of the storage capacity which should be freely available on a negotiable basis rather than a regulated basis, or the transfer of concessions held by Stogit at the time of the share transfer that may become dedicated to mainly storage activities which are no longer regulated;
- Commitments arising from the contract through which Edison acquired Terminale GNL Adriatico S.r.l., for commitments related to the benefits that may result from the potential signing of new contracts to use the terminal's capacity;
- purchase contract of Renerwaste S.r.l. with Ladurner, Ladurner Ambiente and AB Invest, for commitments related to the fulfilment of certain conditions, by 2022, for the purchase of an SPV to which authorisations will be granted for the realisation and management of a further plant for the production of Biogas/Biomethane;
- the contract through which Femo Gas acquired Iniziativa Biometano S.p.A., for commitments connected with the occurrence of future events, including (i) the exceeding in the future of certain contractually defined income parameters and, (ii) the obtaining of part of the benefits connected to some contractually regulated cases.

22) FINANCIAL RISK MANAGEMENT

22.1 Introduction

The main corporate financial risks identified, monitored and, where specified below, managed by Snam are as follows:

- risk arising from exposure to fluctuations on interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments.

With regard to the exposure to exchange rate risk, due to the situations currently in place, 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 investees that prepare their financial statements in currencies other than the euro. At present, it has been decided not to adopt specific hedging policies for these exposures. For instance, it should be noted that the effects of exchange rate differences deriving from the difference in translation into currency presentation (euro) of the functional currencies of these companies are recognised in the comprehensive income statement.

With regard to other risks, including those related to the COVID-19 pandemic, please refer to the chapter "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.

22.2 Risk of changes in interest rates

Interest rate risk is associated with fluctuations in interest rates affecting the market value of the Company's financial assets and liabilities and its net financial expense.

Snam aims to optimise interest rate risk while pursuing its objectives, as defined and approved in the financial plan.

The Snam Group has adopted a centralised organisational model. In accordance with this model, Snam's various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile stays within defined limits.

At 30 June 2022, the Snam Group used external financial resources in the form of bond loans and bilateral and syndicated loans with banks and other financial institutions, in the form of medium/long-term financial payables and bank credit lines at interest rates indexed to the reference market 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 2022, taking into account the hedging transactions put in place, was approximately 23% of the total exposure of the Group (28% at 31 December 2021). At 30 June 2022, Snam had interest rate swap (IRS) derivative contracts in place for a notional total of 256 million euros, relating to hedges on a 106 million euros floating-rate bond maturing in 2024 and on bilateral floating-rate loans of 150 million euros maturing in 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, the rise in interest rates relating to variable rate debt not hedged against the interest rate risk, could negatively impact the Snam Group's business and financial position. Even considering the limited exposure to changes in interest rates, limited to 23% of the Group's total exposure and fully attributable to the Euribor rate, a possible change in the method of calculating the latter and the related fall-back clauses that may be formulated could result in the Snam Group having to adjust the financial contracts that may be affected by the aforementioned change and/or the management of prospective cash flows.

22.3 Credit risk

The credit risk is the company's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default on or delayed payment of fees may have a negative impact on Snam's economic results and financial balance. For the risk of counterparty breach of commercial contracts, debt collection and any possible disputes are handled by the relevant business units and the centralised Snam departments. Snam, as far as regulated activities are concerned, which currently represent almost all activities, provides its business services to 267 operators in the gas sector, with 10 operators representing approximately 80% of the entire market (Eni, Edison and Enel Global Trading hold the top three spots). The rules for customer access to the services offered are established by the Authorities and set out in the Codes. For each type of service, these documents explain the rules regulating the rights and obligations of the parties involved in selling and providing said services and contain contractual conditions, which significantly reduce the risk of customer default. The Codes require guarantees in coverage of the commitments assumed. In specific cases, if the customer has a credit rating issued by major international organizations, the issue of these guarantees may be mitigated. The regulations also contain specific clauses guaranteeing the neutrality of the entity in charge of balancing, an activity carried out from 01 December 2011 by Snam Rete Gas as major transmission company. In particular, the current balancing rules require that based on financial rating criteria, Snam shall make its purchases and sales on the GME balancing platform to ensure availability of the resources required for secure and efficient movement of the gas from the entry points to the withdrawal points and therefore constant balancing of the network.

As regards non-regulated activities, which will become increasingly important over the Plan time horizon, the company, through its centralised functions, performs a prior analysis of the financial soundness of counterparties in order to minimise this risk.

Snam maximum exposure to credit risk at 30 June 2022 is represented by the carrying amount of the financial assets shown in the financial statements commented in Note 12 "Trade and other receivables".

22.4 Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the Company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment

commitments. This may affect profit or loss should the Company be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern.

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 continuous growth of sources of financing for companies able to improve the environmental impact of their investments. The interest of investors is linked and subordinate to the ability of the companies themselves to achieve certain objectives in terms of environmental sustainability.

From a liquidity risk management perspective, the diversification of funding sources, also through the use of sustainable financial instruments, is therefore crucial to guarantee companies wide 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, as part of the Group's overall objective of making its business more sustainable in the medium to long term, could lead to higher financing costs or lack of access to certain sources of financing.

Mitigation of this risk is based on Snam's extreme attention to ESG issues, traditionally a significant and structured part of the company's strategy.

Consistent with this approach, during 2018 Snam finalised the transformation of its 3.2 billion euros syndicated credit lines into sustainable loans, the third largest sustainable loan signed in the world and the first by a gas utility. This loan envisages bonus/malus mechanisms according to the achievement of certain ESG (Environment, Social, Governance) KPIs. 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 and (vi) in January 2022, the inaugural dual-tranche sustainability-linked bond for 1.5 billion euros, whose economic performance is linked to the achievement of certain sustainability targets. These issues are aimed at financing investments in environmental sustainability and energy transition. It should be noted that the January 2022 issue was associated with a Liability Management exercise that led to the repurchase of 350 million euros to proactively manage future debt maturities and accelerate the transition from plain vanilla bonds to instruments linked to sustainability issues. In the second quarter of 2022, Snam finalised Revolving Credit Facilities (RCF) for a total of 900 million euros with major relationship banks. 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's objective is to maintain a debt structure that is balanced in composition between bond loans and bank credit, and the availability of usable committed bank credit lines, in line with its business profile and the regulatory environment in which Snam operates.

At 30 June 2022, Snam had unused committed long-term credit lines of approximately 4.25 billion euros, of which 150 million euros related to the framework loan signed with the EIB in June 2021. At 30 June 2022, Snam has a Euro Medium Term Notes (EMTN) programme in place for a maximum total nominal value of 12 billion, used for approximately 9.7

billion euros and a Euro Commercial Paper Programme (ECP) for a maximum total nominal value of 2.5 billion euro, used at 30 June 2022 for 2,452 million euros.

Snam's cash and cash equivalents mainly refer to current accounts and bank deposits readily collectable.

The Group's main long-term financial payables include covenants that are typical of international practice, such as negative pledge and pari passu clauses. Failure to meet these clauses, and the occurrence of other events, for example cross-default events, may result in Snam's failure to comply and could trigger the early repayment of the relative loan, resulting in additional costs and/or liquidity issues. There are no covenants among commitments that involve compliance with ratios of an economic and/or financial nature.

Among the factors that define the risk perceived by the market, creditworthiness, assigned to Snam by rating agencies, plays a decisive role because it influences their ability to access sources of financing and the related economic conditions. A worsening of this creditworthiness could therefore constitute a limitation on access to the capital market and/or an increase in the cost of sources of financing, with consequent negative effects on the Group's economic situation, equity and financial position.

Snam's long term rating is: (i) Baa2 with stable outlook, confirmed on 01 July 2022 by Moody's Investor Services; (ii) BBB+ with positive outlook, confirmed on 22 February 2022 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 11 February 2022 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's, Fitch and Standard & Poor's is a notch higher than that of Italian sovereign debt. Based on the methodology adopted by Moody's and S&P, the downgrade of one notch from the current rating of the Republic of Italy would lead to a corresponding reduction of Snam's current rating. In this regard, it should be noted that the next rating agency reviews for the Italian Republic are scheduled for 30 September 2022 for Moody's, 21 October for S&P and 18 November 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 relations with diverse counterparties with a high credit standing, based on the management policy and ongoing monitoring of their credit risk, the default of a counterparty or the difficulty to liquidate assets on the market could have negative effects on the Snam Group's operations, results balance sheet and cash flow.

22.5 Fair value of financial instruments

Below is the classification of financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- a) level 1: prices listed (and not amended) on active markets for the same financial assets or liabilities;
- b) level 2: measurements made on the basis of inputs differing from the listed prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- c) level 3: inputs not based on observable market data.

In relation to the foregoing, the classification of the assets and liabilities measured at fair value in the statement of financial position, according to the fair value hierarchy, regarded: (i) derivative financial instruments classified at level 2 and disclosed in note 10 "Other current and non-current assets" (2 million euros); (ii) minority shareholdings in Adriatic LNG, Istituto Treccani and Storegga Limited, valued at FVTOCI, classified at level 3 a and disclosed in note 8 "Other current and non-current financial assets" (42 million euros in total); (iii) the minority shareholding in ITM Power, valued at FVTOCI, classified at level 1 and illustrated in note 8 "Other current and non-current financial assets" (26 million euros).

23) Criminal and tax disputes and proceedings with the regulatory authority ARERA

Snam is involved in civil, administrative and criminal cases and legal actions related to its normal business 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.

With reference to the most significant criminal and tax disputes and proceedings with the regulatory authority ARERA, there were no significant developments in the first half of 2022 with respect to what was represented in the 2021 Annual Financial Report, to which reference should be made.

At 30 June 2022, risks concerning compensation and disputes related to litigation that is ongoing but where the risk of losing the case is not considered probable amounted to 41 million euros (43 million euros at 31 December 2021).

24) Revenues and other operating income

(million euros)	First half	
	2021	2022
Revenue	1,522	1,673
Other operating income	5	7
TOTAL REVENUES AND OTHER OPERATING INCOME	1,527	1,680

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

Revenues from related parties are shown in note 32 "Transactions with related parties".

24.1 Revenues

Below is a breakdown of revenues from contracts with customers, broken down by existing operating segments³²:

32 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.

(million euros)	First half	
	2021	2022
Transport Segment	1,084	1,117
Storage Segment	265	249
Regasification Segment	9	13
Other segments	157	286
Other revenues not allocated to segments	7	8
TOTAL REVENUES	1,522	1,673

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 31 "Information by business segment".

Revenues mainly refer to the transportation (1,117 million euros; 1,084 million euros in the first half of 2021), natural gas storage (249 million euros; 265 million euros in the first half of 2021) and LNG regasification (13 million euros; 9 million euros in the first half of 2021) segments.

Revenues 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 (651 million euros; 526 million euros in the first half of 2021). The amounts collected by Snam are paid, for the same amount, to the Cassa per i Servizi Energetici e Ambientali (CSEA).

Revenues from transportation, storage and regasification include fees to cover energy costs, which amount to 85 million euros (73 million euros in the first half of 2021). On the basis of the provisions of the regulatory framework in force for the fifth regulatory period, from 1 January 2020, the energy costs relating to the costs for the purchase of fuel gas, previously subject to contribution in kind by the shippers, the charges for the purchase of CO2 emission rights and electricity consumption, are covered in revenues through the variable fee.

Revenues related to other segments concern: (i) services related to energy efficiency projects (233 million euros; 116 million euros in the first half of 2021); (ii) fees for the construction of biogas and biomethane plants (43 million euros; 26 million euros in the first half of 2021); (iii) sales of automotive compressors - CNG (8 million euros; 11 million euros in the first half of 2021); (iv) technical and specialist services provided by Snam Global Solutions to non-consolidated foreign companies.

24.2 Other operating income

Other operating income of 7 million euros (5 million euros in the first half of 2021) mainly relates to income from insurance reimbursements.

25) Operating costs and expenses

(million euros)	First half	
	2021	2022
Raw materials, consumables and finished goods	149	275
Services	92	100
Other operating costs and expenses	29	55
Personnel cost	98	111
TOTAL OPERATING COSTS AND EXPENSES	368	541

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 2022 include costs related to the continuing COVID-19 pandemic totalling 2 million euros, mainly related to purchases of personal protective equipment for internal use and costs for sanitisation services.

25.1 Purchases, service provisions and other costs

(million euros)	First half	
	2021	2022
Costs for purchase of raw materials, consumables and finished goods	182	1,690
Change in inventories of raw and ancillary materials, consumables and goods	(5)	(1,387)
Total cost of raw materials and ancillary, consumables and goods incurred during the period	177	303
Costs for services	168	179
Cost of rents and leases	10	16
Net allocations (uses) to provisions for risks and charges	(4)	4
Allocations (uses) to the provision for bad debt	-	4
Other expenses	27	35
Total other operating costs and expenses incurred during the period	29	55
<i>To deduct:</i>		
Increases for internal work	(104)	(107)
- of which costs for purchase of raw materials, consumables, supplies and goods	(28)	(28)
- of which costs for services	(76)	(79)
TOTAL COSTS RECOGNISED IN THE INCOME STATEMENT	270	430

25.2 Personnel cost

(million euros)	First half	
	2021	2022
Wages and salaries	91	93
Social security contributions (pensions and healthcare assistance)	24	26
Employee benefits	7	8
Other expenses	6	10
TOTAL PERSONNEL COST INCURRED DURING THE PERIOD	128	137
Quota of capitalised costs	(30)	(26)
TOTAL PERSONNEL COST RECOGNISED IN THE INCOME STATEMENT	98	111

25.3 Average number of employees

The average number of payroll employees included in the scope of consolidation, broken down by status, is as follows:

Professional status	30.06.2021	31.12.2021	30.06.2022
Executives	142	146	147
Middle Managers	572	585	624
Office workers	1,819	1,842	1,907
Manual workers	803	806	828
AVERAGE NUMBER OF EMPLOYEES	3,336	3,379	3,506

The average number of employees is calculated on the basis of the monthly number of employees for each category.

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

(million euros)	First half	
	2021	2022
Property, plant and equipment	350	368
Intangible assets	50	59
TOTAL AMORTISATION/DEPRECIATION	400	427
Impairment losses on property, plant and equipment	1	3
Impairment losses of intangible assets		2
TOTAL IMPAIRMENT LOSSES	1	5
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	401	432

For more details about amortisation, depreciation and impairment losses relating to property, plant and equipment and intangible assets, please see Note 5 “Property, plant and equipment”, and Note 6 “Intangible assets and goodwill”.

An analysis of amortisation, depreciation and impairment losses by business segment can be found in Note 31 “Information by business segment”.

27) Net financial expenses

(million euros)	First half	
	2021	2022
- Interest income and other financial income on short-term financial assets	(8)	(5)
- Interest income on long-term financial receivables	(7)	(7)
- Other financial income	(2)	(11)
TOTAL FINANCIAL INCOME RECOGNISED IN THE INCOME STATEMENT	(17)	(23)
- Interest expense and other financial expenses on bond loans	64	86
- Fees on loans and bank credit lines	4	4
- Interest expense on credit facilities and loans due to banks and other lenders	4	5
Charges related to gross financial debt	72	95
- Financial charges related to derivative instruments		
- Accretion discount (*)	2	4
- Other financial expense	1	2
Total financial expenses incurred during the year	75	101
- Share of capitalised financial expenses	(8)	(10)
TOTAL FINANCIAL EXPENSES RECOGNISED IN THE INCOME STATEMENT	67	91
TOTAL NET FINANCIAL EXPENSES	50	68

Interest income on long-term financial receivables is related to the pro-rata contribution from the OLT Shareholder Loan (7 million euros). Other income refers to the effects of the restatement of future cash flows related to the partial repayment of the Shareholders Loan by OLT (8 million euros).

Expense related to gross financial debt (95 million euros) include the following: (i) interest expense and other expenses on bonds (86 million euros) essentially related to interest on 21 bonds; (ii) interest expense to banks related to revolving credit lines and term loans totalling 5 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 related to the passage of time mainly relate to the provisions for decommissioning and site restoration of the storage and transport segments.

Financial expense capitalised related to the portion of financial expense capitalised pursuant to investment activities.

28) Income from equity investments

(million euros)	First half	
	2021	2022
Income from investments accounted for using the equity method	139	178
Expenses from investments accounted for using the equity method		
Portion of profit or losses of investments accounted for using the equity method	139	178
Dividends from minority investments accounted for at FVTOCI		
Other income from equity investments		71
Other income (expense) from equity investments		71
TOTAL INCOME/(EXPENSES) FROM EQUITY INVESTMENTS	139	249

An analysis of the share of profit or loss of investments accounted for using the equity method is given in Note 7 "Investments accounted for using the equity method".

Other income from equity investments mainly relates to the gain from the sale of shares in Industrie De Nora S.p.A. for the purpose of listing the company on the stock exchange, and other income related to capital increases of the same

company not subscribed by Snam (73 million euros in total, net of ancillary charges), transactions after which Snam holds 25.88% of the company's share capital (35.63% prior to the IPO).

29) Income taxes

(million euros)	First half					
	2021			2022		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes	235	32	267	183	33	216
Current taxes for the period	235	32	267	182	33	215
Adjustments for current taxes relating to previous years				1		1
Deferred taxes	(301)	1	(300)	(17)		(17)
Deferred taxes	(298)		(298)	(1)		(1)
Deferred tax assets	(3)	1	(2)	(16)		(16)
TOTAL INCOME TAXES RECOGNISED IN THE INCOME STATEMENT	(66)	33	(33)	166	33	199

30) Earnings per share

Earnings per share, equal to 0.208 euros per share (0.268 euros per share in the first half of 2021), are calculated by dividing the profit for the period attributable to the shareholders of the parent company Snam (686 million euros; 878 million euros in the first half of 2021) by the weighted average number of Snam shares outstanding during the period, excluding treasury shares (3,319,876,716 shares; 3,270,215,694 shares in the first half of 2021).

Diluted earnings per share is calculated by dividing the profit for the period attributable to shareholders of the parent company Snam, 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 (2019, 2020 and 2021 grants).

The weighted average number of outstanding shares used for the calculation of diluted earnings per share is 3,324,099,233 and 3,357,291,776 in the first half of 2022 and 2021, respectively.

30.1 Reconciliation of basic and diluted earnings per share

The reconciliation of the weighted average number of outstanding shares used to determine basic and diluted earnings per share is set out below:

	First half	
	2021	2022
Weighted average number of outstanding shares used to calculate basic earnings	3,270,215,694	3,319,876,716
Number of potential shares for incentive plans	4,521,854	4,222,517
Number of potential shares for the convertible bond loans issue	82,554,228	
Weighted average number of outstanding shares used to calculate diluted	3,357,291,776	3,324,099,233
Profit for the period attributable to the Group (million euros) (a)	878	686
Dilution effect of the convertible bond loan	1	
Diluted profit for the period attributable to the Group (million euros) (a)	879	686
Basic earnings per share (amounts in euros per share) (a)	0.268	0.207
Diluted earnings per share (amounts in euros per share) (a)	0.262	0.207

31) Information by business segment

The information about business segments has been prepared in accordance with the provisions of IFRS 8 “Operating segments”, which requires the information to be presented in a manner consistent with the procedures adopted by the Company’s management when taking operational decisions. Consequently, the identification of the operating business segments and the information presented are defined on the basis of the internal reporting used by the Company’s management for allocating resources to the different segments and for analysing the respective performances.

In the first half of 2022, the reportable segments, which correspond to those in place at 31 December 2021, 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.

(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 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>	(16)		(1)				(17)
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>	(4)	(4)					(8)
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, amortisation and impairment losses on property, plant, equipment and intangible assets	(326)	(59)	(4)	(8)	(4)		(401)
EBIT	593	171		(4)	2	(4)	758
Investments in Property, plant and equipment and intangible assets	458	68	16	21	3		566
FIRST HALF 2022							
Regulated revenues	1,076	249	13				1,338
Other non-regulated revenues	59			286	8		353
<i>to deduct: inter-segment revenues</i>	(18)						(18)
Total revenues from third parties	1,117	249	13	286	8		1,673
Other operating income	5	2	1		2		10
<i>to be deducted: other inter-segment operating income</i>	(2)	(1)					(3)
Total revenues and other operating income from third parties	1,120	250	14	286	10		1,680
EBITDA	923	208	9	17	(2)	(16)	1,139
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(345)	(60)	(5)	(11)	(6)	(5)	(432)
EBIT	578	148	4	6	(8)	(21)	707
Investments in Property, plant and equipment and intangible assets	430	60	10	33	4		537

Revenue is generated by applying regulated tariffs or market conditions. The revenue was mainly generated in Italy; costs were incurred almost entirely in Italy.

32) Transactions with related parties

From 1 August 2019, CDP S.p.A. reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian 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) and in any case any other related parties in accordance with IAS 24, as in force over time. Members of the Board of Directors, Statutory Auditors and Key Managers, and their relatives and entities they control, including jointly with Snam, CDP and CDP Reti, are also regarded as related parties.

As explained in detail below, related-party transactions mainly concern the exchange of goods and the provision of regulated services in the gas sector. Transactions between Snam and related parties are part of ordinary business operations and are generally settled under market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of 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 auditors declare their interests affecting the Company and the Group every six months, and/or when changes in said interests occur; they also inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer), who in turns informs the other directors and the Board of Statutory Auditors, of individual transactions that the Company intends to carry out and in which they have an interest.

Snam is not subject to management and coordination. Snam carries out management and coordination activities with respect to its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code, with the exception of Renerwaste S.r.l. and Iniziative Biometano S.p.A. and companies controlled by them, as well as Golar LNG NB 13 Corporation.

In the context of transactions with related parties, pursuant to the disclosure requirements set forth in Consob Regulation no. 17221 of 12 March 2010, on 28 January 2022, Consob was notified of a transaction between related parties that falls within the "Exclusion Cases" referred to in article 13, paragraph 3, letter c) of the RPT Regulation and paragraph 3.2, item 8) of the RPT Guideline:

- the purpose of the transaction between related parties was to amend, effective as of 1 January 2022, certain terms and conditions of the agreement for the provision of centralised treasury services by Snam in favour of 24 companies controlled by Snam (respectively, the "Subsidiaries" and the "Treasury Agreement").

In particular, the expansion of the Snam group's activities has made it necessary to differentiate the risk profiles associated with the credit facilities granted to each Subsidiary according to the business it conducts. In this context, the amendments to the Treasury Agreement were therefore aimed at: (i) introducing a differentiated interest rate based on the risk profile (business and financial) of each Subsidiary, applying specific market spreads to remunerate the activity carried out by Snam and the related risks assumed by it in its capacity as treasury leader; and (ii) providing for the application of a commitment fee (a so-called "non-utilisation fee") to be paid to Snam on funds made available but not used by each Subsidiary.

With regard to the countervalue of the transaction amending the Treasury Agreement, it should be noted that, at present, it is not possible to precisely determine the quantitative impact of this amendment since, although the credit spreads, liquidity fee and commitment fees that will be applied are determined ex ante contractually, these spreads and fees will apply to an amount of debt that will also depend on the evolution of the business of each Subsidiary.

With reference to the approval of the amendments to the Treasury Agreement in place between Snam and 17 Subsidiaries, the cause of exclusion set forth in paragraph 3.2, item 9) of the RPT Guidelines and article 14, paragraph two of the Consob RPT Regulation, which allows transactions entered into by Snam with subsidiaries in the absence of "significant interests" of other related parties of Snam, to be exempt from the application of the related-party procedure.

On the other hand, with reference to the approval of the amendments to the Treasury Agreement in place between Snam and additional 7 Subsidiaries (namely, Renovit S.p.A., TEP Energy Solution S.r.l., Tea Innovazione Due S.r.l., Miecì S.p.A., T.Lux S.r.l., Evolve S.p.A. and Arbolia S.p.A. Benefit Companies), the exemption relating to transactions with subsidiaries was not applicable because CDP had "significant interests" (as identified on the basis of the criteria set out in Annex 1 to the RPT Guidelines and Consob Communication 10078683 of 24 September 2010). This is because: (i) CDP (either directly or indirectly) participates in the share capital of these Subsidiaries, and (ii) the actual weight of CD investment in these Subsidiaries exceeds the actual weight of the investment held indirectly by CDP in Snam (equal to about 18%).

The CONSOB RPT Regulation and the RPT Guidelines were not, in any case, applicable to the approval of the amendments to the Treasury Agreement between Snam and the additional 7 Subsidiaries identified above, since these

were "Ordinary Transactions with Related Parties concluded at Conditions Equivalent to Market or Standard Conditions" (paragraph 3.2, item 8), of the RPT Guidelines implementing the provisions of article 13, paragraph 3, letter c) of the RPT Regulation), in consideration of the following circumstances:

- 1) the activities referred to in the Treasury Agreement are part of Snam's operational activity, since: (i) Snam mainly acts as a holding company; (ii) treasury activities are expressly included among the activities permitted by the corporate purpose as set forth in Snam's articles of association;
- 2) the activities referred to in the Treasury Agreement fall within the ordinary course of business or the financial activity related thereto, in that (i) as indicated in Snam's articles of association, this activity is not extraneous to Snam's typical business (in its role as a holding company) nor to that of the Subsidiaries; (ii) the Treasury Agreement is a long-term contract aimed at supporting the operating needs of the Subsidiaries; (iii) a cash consideration is provided for the performance of the activities; and (iv) the counterparties do not have any abnormal characteristics with respect to the type of transaction performed;
- 3) the changes made to the Treasury Agreement are made on terms that can be considered "Market Equivalent or Standard Terms", as confirmed by the analysis of an external professional.

The aforementioned transactions were processed pursuant to the "*Guidelines for Transactions with interests of Directors and Statutory Auditors and Transactions with Related Parties*" adopted pursuant to the 2010 Consob Regulation, article 4, and most recently amended, effective 1 July 2021, following the amendments made by Consob with Resolution no. 21624/2020.

The amounts involved in commercial, financial and other transactions with the related parties, as defined above, are shown below, for the current year and the previous year by way of comparison. The nature of the most significant transactions is also stated.

32.1 Commercial and other transactions

Commercial and other transactions can be broken down as follows:

(million euros)	30 June 2021				First half 2021				
	Receivables	Other assets	Payables	Other liabilities	Costs (a)			Revenues (b)	
					Goods	Services	Other	Goods	Services
Joint ventures, associates									
- Albanian Gas Service Company SH.A.	1								
- 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						
Companies controlled by 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.p.A. Benefit Company	1								
	1								
Companies owned or controlled by the State									
- 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
- Ferrovie dello Stato group	6		2						
- Finmeccanica group			1			1			
	249	1	66			9		1	579
Total	254	1	85		3	24	1	1	583

- (a) Comprendono costi per beni e servizi destinati ad investimento.
 (b) Al lordo delle componenti tariffarie che trovano contropartita nei costi.
 (c) Comprensivi dei saldi patrimoniali relativi all'attività di bilanciamento.

	30 June 2022				First half 2022				
	Costs (a)		Revenues (b)						
(million euros)	Receivables	Other assets	Payables	Other liabilities	Goods	Services	Other	Goods	Services
Joint ventures, associates									
- TAG GmbH	9		7	1					1
- Galaxy Pipeline Assets HoldCo Limited									
- Teréga S.A.S.	1								
- Trans Adriatic Pipeline AG (TAP)	7								1
	17		7						2
Snam Foundation			1				2		
Companies controlled by the parent company Cassa Depositi e Prestiti									
- Sace Group			6						
- Italgas Group	1								1
	1		6						1
Joint ventures of the Parent Company Cassa Depositi e Prestiti									
- Saipem Group			17			15			
- Valvitalia Finanziaria S.p.A.			1		1				
			18		1	15			
Subsidiaries excluded from the scope of consolidation									
- Arbolia S.p.A. Benefit Company									
- Snam Middle East BV			4						
- Snam International (UK) Ltd			2						
- Snam Gas & Energy Services						1			
			6			1			
Companies owned or controlled by the State									
- Gestore dei mercati energetici S.p.A.	23	1	576		1,401			4	
- Anas group	2		1						
- Enel Group (c)	62		46			1			215
- Eni Group (c)	161		148			18		7	489
- Ferrovie dello Stato group	1		1						
- Finmeccanica group									
	249	1	772		1,401	19		11	704
Total	267	1	810	1	1,402	35	2	11	707

(a) Comprendono costi per beni e servizi destinati ad investimento.

(b) Al lordo delle componenti tariffarie che trovano contropartita nei costi.

(c) Comprensivi dei saldi patrimoniali relativi all'attività di bilanciamento.

32.1.1 Joint ventures and associates

The most significant commercial relations with companies under joint control and associates mainly concern the companies TAG and TAP in relation to the sale and purchase of gas in the context of balancing activities.

32.1.2 Companies owned or controlled by the State

The key transactions with State-owned or controlled companies relate to:

- purchases from the Gestore dei mercati energetici - GME made to guarantee the security of gas supplies in Italy for the coming winter, pursuant to ARERA Resolutions no. 165/2022/R/Gas and no. 274/2022/R/Gas;
- the provision to the Eni Group and the Enel Group of natural gas transport, regasification and storage services, which are settled on the basis of tariffs set by the Authority;
- purchase from the Eni Group of electricity used for operations.

32.2 Financial transactions

Financial transactions can be broken down as follows:

(million euros)	30 June 2021			First half
	Receivables	Payables	Guarantees and commitments	Income
Joint ventures, associates				
- OLT Offshore LNG Toscana S.p.A.	295			8
- Trans Adriatic Pipeline AG (TAP)			1,129	
-EBS società agricola a R.L.	5			
Companies controlled by the parent company Cassa Depositi e Presiti				
Subsidiaries excluded from the scope of consolidation				
- Arbolia S.p.A. Benefit Company		1		
- Asset Company 4 S.r.l.		1		
Others				
	300	2	1,129	8

(million euros)	30 June 2022			First half 2022
	Receivables	Payables	Guarantees and commitments	Income
Joint ventures, associates				
- OLT Offshore LNG Toscana S.p.A.	99			15
- Trans Adriatic Pipeline AG (TAP)			1,129	
- TAG GmbH			100	
- East Mediterranean Pipeline Co.	9			
- Società Agricola ASSORO BIOMETANO S.r.l.			12	
Companies controlled by the parent company Cassa Depositi e Presiti				
- CDP Corporate Partners			10	
Subsidiaries excluded from the scope of consolidation				
- Arbolia S.p.A. Benefit Company		2		
- CogenEst S.r.l.	2			
	110	2	1,251	15

32.2.1 Joint ventures and associates

Financial transactions with joint ventures and associates mainly include:

- the so-called "Debt Payment Undertaking" guarantee in favour of TAP²⁶, 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 guarantee provided in the interest of TAG²⁷ through which Snam guarantees to cover any liquidity shortfalls should the company be unable to use the credit lines already at its disposal and/or in the process of being finalised;
- the long-term financial receivable in favour of OLT and the related interest income.

²⁶ For further information, please refer to Note 21.1.1 "Guarantees and commitments - Associate TAP".

²⁷ For further information, please refer to Note 21.1.2 "Guarantee provided on behalf of the company under joint control TAG".

32.2.2 Impact of related-party transactions or positions on the balance sheet, income statement and statement of cash flows

The impact of related-party transactions or positions on the balance sheet and income statement is summarised in the following table:

(million euros)	31.12.2021			30.06.2022		
	Total	Related Entities	% Share	Total	Related Entities	% Share
Statement of financial position						
Other current and non-current financial assets	403	299	74.2	189	110	58.2
Trade receivables and other current receivables	3,331	556	16.7	2,797	267	9.5
Other current and non-current assets	361	2	0.6	551	1	
Other non-current liabilities	718	1	0.1	1,184		
Current financial liabilities	4,981	1		3,519	2	
Trade payables and other payables	2,889	441	15.3	3,753	810	21.6
Other current liabilities	53			797	1	0.1

The impact of related-party transactions on the income statement is summarised in the following table:

(million euros)	First half 2021			First half 2022		
	Total	Related Entities	% Share	Total	Related Entities	% Share
Income Statement						
Revenue	1,522	585	38.4	1,673	717	42.9
Other operating income	5			7	1	
Costs for purchase of raw materials, consumables and finished goods	270	15	5.6	275		
Costs for services				100	20	20.0
Personnel costs	98			111	(2)	
Other operating costs and expenses				55	2	3.6
Financial income	17	8	41.2	23	15	65.2

Related-party transactions are generally governed on the basis of market conditions, i.e. the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table.

(million euros)	First half	
	2021	2022
Operating revenues and income	585	718
Operating costs and expenses	(15)	(1,423)
Change in trade receivables and other current receivables	47	287
Change in trade payables and other current payables	4	483
Interest collected	5	5
Cash inflow from operating activities	626	70
Investments:		
- Tangible and intangible assets	(15)	(16)
- Change in payables and receivables related to investment activities	(4)	(4)
Cash flows from investment activities	(19)	(20)
- Financial receivables (repayments)	11	197
Cash flow from divestment activities	11	197
Net cash flow from investment activities	(8)	179
Increase (decrease) short-term financial payables	2	1
Disposal of investments in subsidiaries not involving loss of control	32	
Cash flows from financing activities	34	1
Total cash flows to related entities	652	248

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

(million euros)	First half 2021			First half 2022		
	Total	Related Entities	% Share	Total	Related Entities	% Share
Cash flow from operating activities	566	626		2,318	70	3.0
Net cash flow from investment activities	(1,033)	(8)	0.8	(569)	177	
Cash flows from financing activities	(952)	34		(1,215)	1	

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

There were no significant events after the end of the half-year, other than those reported in the section "First half of 2022 performance - Main events" of the Interim Report on Operations.

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

1. The undersigned Stefano Venier and Luca Oglialoro, in their respective capacities as Chief Executive Officer and Manager responsible for preparing the Company's financial reports 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 interim financial statements at 30 June 2022, during the first half of 2022.
2. The administrative and accounting procedures for the preparation of the condensed interim financial statements at 30 June 2022 have been defined and their adequacy assessed on the basis of the standards and methodologies defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at the international level.
3. The following is also certified:
 - 3.1 The condensed interim financial statements at 30 June 2022:
 - a) have been prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
 - b) correspond to the results in the books and accounting records;
 - c) are able to provide a true and fair view of the balance sheet, profit and loss account and financial position of the issuer and all the companies included in the consolidation.
 - 3.2 The Interim Management Report includes a reliable analysis of references to important events that occurred in the first six months of the year and their impact on the condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of information on significant transactions with related parties.

27 July 2022

/Signature/ Stefano Venier

Stefano Venier

Chief Executive Officer

/Signature/Luca Oglialoro

Luca Oglialoro

Manager responsible for preparing the Company's Financial Reports

Independent auditors' report

Deloitte.

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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, 2022, the income statement, the comprehensive income statement, the statement of changes in shareholders' 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 Snam Group as at June 30, 2022 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 Mariateresa Rolli
Partner

Milan, Italy
August 2, 2022

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

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