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Oggetto : Snam: strong performance in the first half of 2023. Energy system stronger with startup of Piombino regasifier and gas storage filling

Testo del comunicato

Vedi allegato.



Snam: strong performance in the first half of 2023. Energy system stronger with startup of Piombino regasifier and gas storage filling

- Total revenues and EBITDA increase
- Financial targets for 2023 confirmed
- FSRU Golar Tundra begins operations at start of July
- Storage filling levels at around 87%
- Methane emissions decline by 32%. Snam in the “A List” of CDP (formerly Carbon Disclosure Project)
- Sustainable finance’s share in total rises to 75%

Main highlights

- **Total revenues:** 1,889 million euros¹ (+18.4% compared with the first half of 2022), with the increase reflecting the growth in regulated revenues connected with the implementation of investments and with output-based incentives granted as well as the significant contribution of the energy efficiency business
- **Adjusted EBITDA:** 1,221 million euros (+5.7%), with the improvement reflecting the increase in regulated revenues and the contribution of the energy transition businesses
- **Group adjusted net income²:** 621 million euros (-3.9%). The growth in adjusted EBITDA was offset by an increase in depreciation and amortisation connected with the entry into service of investments, an increase in financial expense attributable to the rise in interest rates as well as the decrease in the contribution from foreign associates
- **Total investments:** 734 million euros (955 million in the first half of 2022, including the acquisition of the FRSU Golar Tundra), of which 714 million euros in capital expenditure (+4.7%). Out of the overall figure for total investments, 56% is aligned with the Sustainable Developments Goals and 37% with the EU Taxonomy. An additional 409 million euros for the acquisition of 49.9% of SeaCorridor also formed part of total investments
- **Net financial debt:** 14,609 million euros (+2,686 million euros compared with December 31st, 2022), with the increase mainly due to the expected evolution of working capital related to balancing activities, to financial investments as well as the payment of dividends
- **Guidance FY 2023:** the targets for 2023 have been confirmed

San Donato Milanese (MILAN), July 27th, 2023 - The Board of Directors of Snam, meeting today under the chairmanship of Monica de Virgiliis, approved the consolidated Half-Year Financial Report as of June 30th, 2023 (which underwent a limited audit).

Stefano Venier, CEO of Snam, remarked: *“In the first half of 2023 we achieved solid results in a complex environment of geopolitical uncertainty, volatile commodity prices and rising interest rates. In early July, FSRU Golar Tundra entered service at Piombino and around 87% of storage is in use. Furthermore, significant progress has been made in the implementation of the energy*

¹ Net of fees to cover energy costs (cost of gas needed for network operation).

² Excluding non-controlling interests.



security and transition projects in our strategic plan and in the reduction of methane gas emissions, which declined by 32% compared with the same period in 2022. This enables us to confirm our full-year financial targets and look ahead to next winter with greater confidence, while remaining focused on medium-long term objectives.”

Summary of results in the first half of 2023

Performance highlights

(million euros)	First half		Change	% change
	2022	2023		
Total revenues (a)	1,595	1,889	294	18.4
Gas infrastructure business revenues (a) (b)	1,319	1,368	49	3.7
- of which regulated revenues (a)	1,253	1,324	71	5.7
Energy transition business revenues(b)	276	521	245	88.8
Adjusted EBITDA	1,155	1,221	66	5.7
Adjusted EBIT	728	766	38	5.2
Adjusted net income (c)	646	621	(25)	(3.9)
Special items (d)	40	77	37	92.5
Reported net income (c)	686	698	12	1.7

- (a) Net of fees to cover energy costs (205 million euros; 85 million euros in first half of 2022).
- (b) In line with the 2022-2026 Strategic Plan, as of December 31st, 2022, the values for Greenture (SSLNG and Mobility) were reclassified from the energy transition businesses to gas infrastructure, following the repositioning of the business, which is now focused on the construction of mid-stream infrastructure. The corresponding values for the first half of 2022 have been adjusted accordingly.
- (c) Attributable to Snam shareholders.
- (d) The special items in the first half of 2023 are represented: (i) by the normalisation of the interest rates used to discount the contractual rates of the associate ADNOC; (ii) by the capital gain realised on the sale of shares in Industrie De Nora S.p.A.; and (iii) by the write-off of assets under development.

Total revenues

Total revenues net of energy costs amounted to 1,889 million euros, up 294 million euros (+18.4%) on the first half of 2022. Energy transition business revenues increased significantly (+245 million euros or +88.8%), mainly due to the development of energy efficiency operations, especially in the residential sector. The gas infrastructure business registered an increase in regulated revenues (+71 million euros or +5.7%) and a decrease in non-regulated revenues (-22 million euros or -33.3%), reflecting a decline in positive one-off effects compared with the first half of 2022.

More specifically, the increase in regulated revenues is mainly attributable to: (i) a rise in revenues related to RAB growth (+37 million euros, including the effect of lower input-based



incentives); (ii) output-based incentives granted for the continued operation of transport assets that have been fully depreciated for rate purposes and flexibility services provided to users (+25 million euros); and (iii) the recognition of revenues connected with an increase in regasification volumes in 2022 compared with the revenues determined by the regulatory authority for that year, and with the increase in volumes regasified in the first half of 2023 (a total of +20 million euros). These effects were offset by a decline in volumes of transported gas (-11 million euros) as a result of significantly milder weather conditions overall compared with the first half of 2022, and the implementation of gas demand containment actions.

Adjusted EBITDA

Adjusted EBITDA the first half of 2023 amounted to 1,221 million euros, an increase of 66 million euros (+5.7%) on the first half of 2022. The increase is attributable to the growth of the gas infrastructure business (+40 million euros or +3.5%), reflecting the expansion of regulated revenues, only partially offset by a decline in positive one-off effects, and to the growth of the energy transition business (+26 million euros).

Adjusted EBIT

Adjusted EBIT for the first half of 2023 amounted to 766 million euros, up 38 million euros (+5.2%) compared with the corresponding figure for the first half of 2022. The increase in adjusted EBITDA was partially offset by an increase of 28 million euros in depreciation, amortisation and impairment losses (6.6%), mainly reflecting the effect of new assets entering service.

Net financial expense

Net financial expense amounted to 87 million euros, up 36 million euros compared with the first half of 2022. The increase was due, in particular, to a rise in expense connected with financial debt, mainly a consequence of the higher average cost of gross debt, which was equal to about 1.7% in the first half of 2023 compared with around 1% in the corresponding period of 2022. The increase in the average cost of debt is mainly attributable to the evolution of interest rates between the two periods being compared.

Net income from equity investments

Net income from equity investments amounted to 159 million euros, down 17 million euros (-9.7%) compared with the first half of 2022. The decrease is attributable, in particular, to the Austrian associate TAG as a result of the expiry of most long-term contracts and the substantial decline - in line with expectations - in gas volumes imported into Italy at the Tarvisio entry point, and to Interconnector Limited as a result of the company exceeding the regulatory cap in 2023, which unlike 2022 does not benefit from the recovery of underperformance in previous years versus a solid operational performance expected in 2023. These effects were partly offset by the increased contribution from the Greek associate DESFA, as a result of increased flows from the LNG terminal at Revithoussa and exports to Bulgaria, as well as the inclusion in the perimeter of the joint venture SeaCorridor.



Adjusted net income

Group adjusted net income for the first half of 2023 amounted to 621 million euros, down 25 million euros (-3.9%) compared with adjusted net income for the first half of 2022, mainly reflecting the increase in financial expense and lower contribution in the performance of associates.

Total investments

In the first half of 2023, total investments amounted to 734 million euros (955 million euros in the first half of 2022, including the acquisition of FSRU Golar Tundra), of which 56% are aligned with the Sustainable Development Goals and 37% with the European Taxonomy. Of these, 714 million euros regarded capital expenditure, an increase of 177 million euros on the first half of 2022 (+33%) in reflection of increased expenditure in the gas infrastructure business, in particular upgrading work at the Piombino terminal. Capital expenditure involved the transport segment (466 million euros), regasification (100 million euros) and storage (91 million euros), while the investments of the energy transition businesses amounted to 49 million euros. An additional 409 million euros for the acquisition of 49.9% of SeaCorridor also formed part of total investments.

Cash flow

Cash flow from operating activities (-719 million euros) was significantly impacted by the cash absorption connected with the expected developments in working capital associated with balancing activities. Considering cash requirements for investments (-1,024 million euros, of which -780 million euros in capital expenditure and -265 million euros connected with equity investments, net of the cash in from a 4.2% disposal in Industrie De Nora S.p.A share capital), free cash flow was a negative 1,743 million euros. Net financial debt, including the equity cash flow (-919 million euros) deriving from the payment of the 2022 dividend to shareholders and non-monetary changes, increased by 2,686 million euros compared with December 31st, 2022, reaching 14,609 million euros.

With regard to sustainable finance, in May 2023, the reduction of 2.5 bps on the spread applied to the 3.2 billion euros Sustainable Loan was confirmed for the fifth consecutive year. During the first half of 2023, Snam made extensive use of the Euro Commercial Paper programme to issue ESG notes in the total amount of around 2.3 billion euros at the end of the period. In addition, in April Snam signed medium/long-term ESG-linked loan agreements totalling 2.1 billion euros, including Revolving Credit Facility (RCF) pool financing of up to a maximum of 1.8 billion euros secured by a SupportItalia guarantee issued by SACE. As of June 30th, 2023, Snam's sustainable finance accounted for about 75% of the total, up from 70% at the end of 2022 and in line with the target of 80% by 2026.

Sustainability

Efforts to reduce emissions continue: more specifically, methane emissions decreased by 32% compared with the first half of 2022. Snam has also obtained UNI ISO 37001:2016 certification for its anti-bribery management system and UNI/PdR 125:2022 certification for gender equality. The ESG ratings confirm the company's commitment to sustainability. Snam was named Best Performer in the gas and utilities sector by Sustainalytics and was included in the "A List" of CDP (formerly the Carbon Disclosure Project), which brings together companies that stand out for their commitment and transparency in the fight against climate change. Snam has published its



first Tax Transparency Report, which illustrates its tax strategy and highlights the relationship between taxes paid and their role in sustainable development.

Outlook

The most recent estimates for the evolution of natural gas demand in Italy for 2023 point to a decline compared with 2022, influenced by the milder weather conditions overall, demand containment measures and the decline in thermal generation, mainly in reflection of an increase in electricity imports and hydroelectric generation.

For this year, we expect that our performance will continue to benefit from the increase in revenues related to the growth of the RAB thanks to the investments undertaken and from the expansion of our assets with the commissioning of the new FSRU, from an increase in revenues connected with fully depreciated assets and from the contribution of the energy transition businesses.

In 2023, interest rates have registered a further increase compared with 2022, with an incremental impact on financial expense, which is being managed by increasing the diversification of our sources and finance instruments and through the use of more flexible debt instruments. In the medium to long term, it is believed that the Italian regulatory framework will allow to recoup these increased costs by means of periodic reviews of the recognised cost of capital.

In the second half of the year, we expect a further decrease in gas flows from Russia to Europe from the contraction already recorded in 2022, with a consequent impact on our foreign equity investments, TAG (joint control) and GCA (associate).

Financial targets for 2023 as a whole are confirmed:

- investments of 2.1 billion euros (of which 1.9 billion euros in gas infrastructure and 0.2 billion euros in the energy transition), up by 10% compared with 2022
- a tariff RAB of about 22.4 billion euros, up 5% from 2022
- an adjusted net income of at least 1.1 billion euros
- net debt of between 15.0 billion and 15.5 billion euros, depending on developments in working capital connected with regulated activities.

Events after June 30th, 2023

With regard to the Piombino terminal, the testing of FSRU Golar Tundra has been completed successfully. On July 4th, commercial operations officially began, with the arrival of the first Eni shipment on July 7th.

In July, the results of the first auction for access to the incentives provided for under the new Biomethane Decree (DM 15/9/2022) were published. The three plants that Snam plans to convert from electricity to biomethane that participated in the auction were ranked sufficiently high to qualify in GSE (energy management operator) ranking.



At 3:00 p.m. CEST today, July 27th, 2023, a conference call will be held to present the consolidated results for the first half of 2023 to financial analysts and investors. It will be possible to follow the event via conference call and all supporting documentation will be available at www.snam.it in the Investor Relations section from the beginning of the call. The presentation can also be followed through a video webcast in the same section.



Key operational highlights

		First half		Change	% change
		2022	2023		
Natural gas injected into the National Gas Transportation Network (a) (b)	(billions of m ³)	39.14	33.69	(5.45)	(13.9)
Gas demand (a)	(billions of m ³)	39.16	32.72	(6.44)	(16.4)
LNG regasification (a)	(billions of m ³)	0.88	1.85	0.97	
Available storage capacity (a) (c)	(billions of m ³)	12.0	12.0		
Natural gas moved through storage system (a)(b)	(billions of m ³)	10.5	7.5	(3.0)	(28.6)
Employees in service at period end (d)	(number)	3,526	3,681	155	4.4

- (a) With regard to the first half of 2023, 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 transport and regasification activities and 39.3 MJ/SCM (10.919 kWh/SCM) for natural gas storage activity for the 2023-2024 thermal year.
- (b) The figure for the first half of 2023 has been updated to July 10th, 2023. The corresponding figure for 2022 has been definitively updated.
- (c) Working gas capacity for modulation, mineral and balancing services. Available storage capacity as of June 30th, 2023 is that reported to the Authority for the Electricity, Gas and Water System at the start of the 2023-2024 thermal year. Following allocation procedures for storage services offered for the 2023-2024 thermal year, all available capacity had been fully allocated.
- (d) Fully consolidated companies. The increase compared with the first half of 2022 is attributable to the strengthening of the organisational structure to support the growth of the Investment Plan for both the gas infrastructure and energy transition businesses.

Natural gas injected into the national gas transport network

Gas demand in the first half of 2023 amounted to 32.72 billion cubic metres, down 6.44 billion cubic metres or 16.4% compared with the first half of 2022, reflecting lower consumption in all the sectors in which Snam operates. More specifically, the contraction in gas demand is attributable to the decline in consumption in: (i) the thermal generation sector (-2.97 billion cubic metres or -19.2%) as a result of a decline in electricity demand, partly reflecting actions to contain energy consumption, and an increase in power imports; (ii) the residential and services sector (-2.72 billion cubic meters or -16.5%), essentially reflecting milder temperatures overall compared with the first half of 2022, especially during the winter months, and the effects of demand containment measures in response to the reduction in imports from Russia; and (iii) the industrial sector (-0.83 billion cubic metres or -12.8%) as a result of higher commodity prices and the unstable macroeconomic situation, which led to a drop in industrial production in certain energy-intensive sectors.

Net of the climate impact, gas demand amounted to 33.19 billion cubic metres, a decrease of 5.53 billion cubic metres (-14.3%) from the first half of 2022 (38.72 billion cubic metres), in line with the progressive expansion of energy efficiency measures and the modernisation of heating systems with more efficient boilers, together with the actions to curb demand for natural gas in order to manage the risk posed by the reduction in imports from Russia for the winter.

In the first half of 2023, 33.69 billion cubic metres were injected into the national transport network, a decrease of 5.45 billion cubic metres or 13.9% compared with the first half of 2022,



the result of falling gas demand and less use of gas in storage.

Regasification of Liquefied Natural Gas (LNG)

In the first half of 2023, 1.85 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (La Spezia), (0.88 billion cubic metres in the first half of 2022) with 44 methane tankers unloaded (21 in the first half of 2022), substantially in line with the number of vessels arriving for unloading. Starting in April 2022, there was an increase in the volume of LNG regasified by GNL Italia and a consequent increase in the number of vessels unloaded, mainly due to the impact of the war between Russia and Ukraine on the gas market, which drove an increase in the demand for LNG to meet domestic demand.

With regard to the FSRU terminal at Piombino, at the end of the procedure for the first allocation of regasification capacity for the 20-year period between the 2023-2024 and 2043-2044 thermal years, to date more than 95% of the capacity offered has been allocated for multi-year periods (of which 86% for the entire 20-year period). The excellent result achieved will enable more natural gas to be injected into the national transport network, making a substantial contribution to the diversification of supply and the security of the national energysystem. On May 31st, 2023, following commissioning, FSRU Golar Tundra was made available for use. On July 7th, the plant received its first shipment of about 93 million cubic metres of natural gas from Eni (equal to 155,000 cubic meters of LNG).

Natural gas storage

Overall storage capacity managed by the Snam Group as of June 30th, 2023, including strategic storage, amounted to 16.5 billion cubic metres, the largest capacity in Europe. As of June 30th, 2023, the available capacity for the 2023-2024 thermal year was 100% allocated (57.6% as of June 30th, 2022; 94.1% for the entire 2022-2023 thermal year).

The significant actions undertaken during 2022, including those taken in response to Decree Law 17 of March 1st, 2022, ratified with amendments with Law 34 of April 27th, 2022, containing urgent measures for the containment of the costs of electricity and natural gas, for the development of renewable energy and for the revival of industrial policy made it possible to fill storage facilities, by the end of the supply campaign (March 31st, 2023), to about 60% of maximum capacity. With the subsequent start of the injection campaign, as of June 30th, 2023, storage capacity was filled to more than 80%, well above the levels registered at the same date in 2022 (about 60%).

This press release, prepared on a voluntary basis in line with market best practice, discusses the consolidated results for the first half of 2023 (which underwent a limited audit). The results for the half-year, together with the main business trends, represent a summary of the Half-Year Financial Report prepared pursuant to Article 154-ter of the Consolidated Law on Financial Intermediation, approved by the Board of Directors of Snam on July 27th, 2023, which will be published in accordance with statutory time limits.



The officer responsible for the preparation of the Company's financial reports, Luca Oglialoro, hereby certifies, pursuant to Article 154-bis, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in this press release corresponds with that contained in the accounting documentation, books and records.

Disclaimer

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



Reclassified Income Statement

(million euros)	First half 2022		First half 2023		2023 adjusted vs 2022 adjusted	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Change	% change
Gas infrastructure business revenues		1,404		1,573	169	12.0
Regulated revenues		1,338		1,529	191	14.3
- Transport		1,076		1,239	163	15.1
- Storage		249		253	4	1.6
- Regasification		13		37	24	
Non-regulated revenues	66	66	44	44	(22)	(33.3)
Energy transition business revenues	276	276	521	521	245	88.8
Total revenues	1,680	1,680	2,094	2,094	414	24.6
Gas infrastructure business costs	(284)	(268)	(405)	(397)	(129)	48.1
Fixed costs	(148)	(146)	(148)	(148)	(2)	1.4
Variable costs	(64)	(64)	(133)	(133)	(69)	
Other costs	(72)	(58)	(124)	(116)	(58)	100.0
Energy transition business costs	(257)	(257)	(476)	(476)	(219)	85.2
Total operating costs	(541)	(525)	(881)	(873)	(348)	66.3
EBITDA	1,139	1,155	1,213	1,221	66	5.7
Amortization, depreciation and impairment losses	(432)	(427)	(455)	(455)	(28)	6.6
EBIT	707	728	758	766	38	5.2
Net financial expenses	(68)	(51)	(87)	(87)	(36)	70.6
Share of income (loss) of equity-accounted investments	249	176	242	159	(17)	(9.7)
Income before tax	888	853	913	838	(15)	(1.8)
Income tax	(199)	(204)	(203)	(205)	(1)	0.5
Net income	689	649	710	633	(16)	(2.5)
- Attributable to Snam's shareholders	686	646	698	621	(25)	(3.9)
- Non-controlling interests	3	3	12	12	9	

(a) Excluding special items.



Reconciled summary of adjusted results

(million euros)	First half		Change	% change
	2022	2023		
Gross operating margin (EBITDA)	1,139	1,213	74	6.5
Excluding special item:	16	8	(8)	(50.0)
- Capital loss from write-off of assets under development	0	8	8	
- Write-down of current assets	8		(8)	(100.0)
- Severance indemnity	6		(6)	(100.0)
- Other	2		(2)	(100.0)
Adjusted gross operating margin (adjusted EBITDA)	1,155	1,221	66	5.7
EBIT	707	758	51	7.2
Excluding special item:	21	8	(13)	(61.9)
- Special item of EBITDA	16	8	(8)	(50.0)
- Write-down of non-current assets	5		(5)	(100.0)
Adjusted EBIT	728	766	38	5.2
Net income	689	710	21	3.0
Excluding special item:	(40)	(77)	(37)	92.5
- Special items of operating income	21	8	(13)	(61.9)
- Change in discount rate effect (ADNOC)		(7)	(7)	
- Gain on sale of Industrie De Nora S.p.A. shares	(73)	(76)	(3)	4.1
- Liability management finance charges	17		(17)	(100.0)
- Income taxes on special items	(5)	(2)	3	(60.0)
Adjusted net income	649	633	(16)	(2.5)
Non-controlling interests	3	12	9	
Group adjusted net income	646	621	(25)	(3.9)

Reclassified statement of financial position

(million euros)	31.12.2022	31.06.2023	Change
Non-current assets	21,562	22,257	695
Property, plant and equipment	17,859	18,120	261
- of which right-of-use leased assets	33	43	10
Non-current inventories – Compulsory inventories	363	363	
Intangible assets and goodwill	1,321	1,356	35
Equity-accounted investments	2,313	2,953	640
Other financial assets	175	162	(13)
Net payables relating to investment activities	(469)	(697)	(228)
Net working capital	(2,155)	(26)	2,129
Liabilities due to employee benefits	(27)	(27)	
Assets held for sale and directly associated liabilities	67	85	18
NET INVESTED CAPITAL	19,447	22,289	2,842
Equity	7,524	7,680	156
- Attributable to Snam's shareholders	7,468	7,614	146
- Non-controlling interests	56	66	10
Net financial debt	11,923	14,609	2,686
- of which financial liabilities on leased assets	33	40	7
COVERAGE	19,447	22,289	2,842



RECLASSIFIED STATEMENT OF CASH FLOWS

(million euros)	First half	
	2022	2023
Net income	689	710
<i>Adjusted for:</i>		
- Amortization and depreciation and other non-cash components	187	219
- Net losses (gains) on asset sales and write-offs	4	8
- Dividends, interest and income taxes	258	258
Change in net working capital	1,395	(1,887)
Dividends, interest and income taxes collected (paid)	(215)	(27)
Cash flows from operating activities	2,318	(719)
Capital expenditure	(515)	(735)
Disposals	1	4
Investments in consolidated subsidiaries and businesses net of cash and cash equivalent acquired	(360)	(10)
Net investments in associates	141	(255)
Change in long-term financial assets	196	21
Other changes relating to investment activities	(32)	(49)
Free cash flow	1,749	(1,743)
Repayment of financial liabilities for leased assets	(4)	(8)
Change in short- and long-term financial liabilities	(367)	1,558
Equity cash flow	(844)	(919)
Change in cash and cash equivalents relating to assets held for sale and directly associated liabilities		4
Net cash flow for the period	534	(1,108)

CHANGE IN NET FINANCIAL DEBT

(million euros)	First half	
	2022	2023
Free cash flow	1,749	(1,743)
Equity cash flow	(844)	(919)
Financial liabilities and assets from subsidiaries entered in the basis of consolidation	(58)	(7)
Change in financial liabilities for leased assets	(4)	(15)
Convertible Bond	381	
Change in cash and cash equivalents relating to assets held for sale and directly associated liabilities		4
Other changes	(25)	(6)
Change in net financial debt	1,199	(2,686)



Methodological note

This press release was prepared on a voluntary basis in line with market best practice and shows the audited consolidated results for the first half of 2023, which underwent a limited audit. The performance and financial information has been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission in accordance with the procedure referred to in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19th, 2002. The measurement and recognition criteria used are unchanged from those adopted to prepare the 2022 Annual Financial Report. Please refer to that report for a description of the criteria.

In view of their scale, amounts are reported in millions of euros.

The changes in the scope of consolidation of the Snam Group at June 30th, 2023 compared with that at December 31st, 2022, concerned the acquisition by the subsidiary Bioenerys Agri S.r.l. (formerly Ies Biogas S.r.l.) in January 2023 of 100% of the capital of Agriwatt Castel Goffredo S.a.r.l., a company active in the generation of electricity using agricultural waste and biomass; (ii) the acquisition on April 13th by the subsidiary Bioenerys Agri S.r.l. (formerly Ies Biogas S.r.l.) of two companies, Soragna Agroenergie Società Agricola S.r.l. and Zibello Agroenergie Società Agricola S.r.l., each of which owns a biogas plant and is active in the generation of electricity through the use of agricultural waste and biomass; (iii) the exit from the scope of consolidation of the company Golar LNG NB13 Corporation, which was merged into Snam FSRU Italia S.r.l. (with accounting and tax effect from January 1st, 2023), the owner of the vessel (FSRU) Golar Tundra.

The changes in the scope of consolidation of the Snam Group at June 30th, 2023 compared with June 30th, 2022 also involved: (i) the acquisition by Snam FSRU Italia S.r.l. of Ravenna LNG Terminal S.r.l., owner of the sea terminal off the port of Ravenna and holder of the state concession, relinquished in favour of Snam FSRU Italia, necessary for the commissioning of the BW Singapore vessel, which will be available to Snam at the end of 2023; (ii) the acquisition from the subsidiaries Bioenerys Ambiente S.r.l. (formerly Renerwaste S.r.l.) and Bioenerys Agri S.r.l., of 2 and 19 companies, respectively, specialising in the construction and operation of plants and the promotion of circular economy projects for the energy conversion of the organic fraction of waste - OFMSW, and of agricultural waste; (iii) the acquisition of control, from the previous situation of joint control, of Iniziativa Biometano S.p.A. by way of an increase in the shareholding from 50% to 51% of share capital following the exercise of a call option provided for in the contractual agreements between the shareholders.

Non-GAAP measures

In addition to the financial measures required under the IFRS, Snam uses certain measures in its report on operations that are derived from the latter although they are not required under the IFRS or by other standard setters (non-GAAP measures).

Snam's management team believes that these measures facilitate the analysis of the Group's performance and business segments, improving the comparability of performance over time.

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

In accordance with Consob Communication DEM/6064293 of July 28th, 2006, as amended (most recently amended on May 5th, 2021 to transpose the new recommendations contained in ESMA 32-232-1138 of March 4th, 2021), the following sections provide information on the composition of the main alternative performance measures used in this document, which cannot be directly derived from reclassifications or algebraic summing of conventional measures³ compliant with international accounting standards.

³ Conventional measures include all information reported in audited IFRS financial statements, either on the face of the balance sheet, income statement, statement of changes in equity, cash flow statement or in the notes.



Adjusted net income

Adjusted net income is obtained by excluding special items from reported net income (as reported in the statutory income statement format), gross and net of the related taxation respectively. The income components classified as special items in the first half of 2023 regard: (i) the capital gain on the sale of shares of Industrie De Nora S.p.A. (75 million euros, net of additional charges and related taxes), following which Snam holds 21.59% of that company's share capital (25.79% pre-sale); (ii) the write-off of assets under development (8 million euros); and (iii) the effects of the fair value measurement of contractual rates through 2040 of the associate ADNOC Gas Pipeline Assets as a result of the changes in market interest rates (7 million euros).

Special items

Income components are classified under special items, if material, when they: (i) derive from events or transactions whose occurrence is non-recurring or such transactions or events that are not repeated frequently in the normal course of business; (ii) derive from events or transactions that are not representative of normal business operations. The tax effects associated with the components excluded from the calculation of adjusted net income are determined on the basis of the nature of each excluded income component. The income components deriving from non-recurring transactions pursuant to Consob Resolution no. 15519 of July 27th, 2006, where present, are also reported separately in IFRS financial reporting.

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