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Informazione Regolamentata n. 0542-16-2022	Data/Ora Ricezione 17 Marzo 2022 08:22:43	Euronext Milan
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Societa' : SNAM

Identificativo : 158624

Informazione
Regolamentata

Nome utilizzatore : SNAMN05 - Palladino

Tipologia : 1.1; 2.2

Data/Ora Ricezione : 17 Marzo 2022 08:22:43

Data/Ora Inizio : 17 Marzo 2022 08:22:44

Diffusione presunta

Oggetto : Snam: in 2021 investments in transport and storage infrastructure grow to around 1.3 billion euros. Net profit guidance exceeded

Testo del comunicato

Vedi allegato.



press release

Snam: in 2021 investments in transport and storage infrastructure grow to around 1.3 billion euros

Net profit guidance exceeded

- **Total revenues:** 2,986 million euros (+10.2% on FY 2020, net of energy costs), due to the implementation of planned investments in the regulated core business. Growth in the energy efficiency business;
- **Adjusted EBITDA:** 2,250 million euros (+2.4% on FY 2020 due to regulated core business development);
- **Group adjusted net profit:** 1,218 million euros (+4.6% on FY 2020) as a result of the operating performance, increase in contribution from associate companies and the continuous optimization in the financial structure with a gross cost of debt of 0.8%. Guidance of 1,170 million euros exceeded;
- **Proposed dividend:** 0.2620 euros per share (up 5% in line with 2021-2025 strategic plan outlook);
- **Guidance on adjusted net profit 2022:** confirmed at around 1.1 billion euros;
- **Technical investments:** 1,270 million euros (+6.8% on FY 2020);
- **Net financial debt:** 14,021 million euros (12,892 million euros as of December 31st, 2020), increase due to acquisitions, higher working capital for the energy efficiency business development as well as the temporary effects relating the balancing activity.

San Donato Milanese (Milan), March 17th, 2022 – The Board of Directors of Snam met yesterday under the chairmanship of Nicola Bedin and approved the consolidated financial statements, the draft statutory financial statements for 2021 and the 2021 Consolidated Non-Financial Statement (NFS) prepared in accordance with the Law Decree No. 254/2016. The Board also resolved to propose to the next Shareholders' Meeting the distribution of a dividend of 0.2620 euros per share, of which 0.1048 euros per share have already been distributed as an interim dividend in January 2022.

Marco Alverà, CEO of Snam, commented: *"The figures posted by Snam in 2021, which record a growth in all the main indicators and a net profit exceeding guidance, are the result of the work undertaken in recent years by the whole team to further strengthening the company's position as a European leader in natural gas transport and storage, coupling attention to security and to diversification in the supplies with our commitment in the energy transition and ESG factors. Since 2016 over 6 billion euros have been invested in our transport, storage and regassification infrastructure, thereby strengthening our year-on-year commitment and making it more modern and secure.*



We have completed all our projects on time and within budget starting with TAP, which is a particularly fundamental initiative, especially in recent times. Our infrastructure has also proven to be central in recent weeks, when we have been working together with the European and domestic institutions as well as with the regulatory authority to contribute to current efforts aimed at further implementing storage and regasification capacity. Thanks to the solidity of our core business, to our commitment to the energy transition, to the ongoing optimization of financial management and to the quality of its people, Snam is well positioned to successfully continue its path of long-term sustainable development, even within this geopolitical and macroeconomic backdrop”.

Summary of the results for the financial year 2021

Economic highlights

(million euros)	2020	2021	Change	% change
Regulated revenues	2,548	2,869	321	12.6
New business revenues	192	400	208	
Total revenues	2,770	3,297	527	19.0
Operating costs (a)	573	1,047	474	82.7
EBITDA (a)	2,197	2,250	53	2.4
EBIT (a)	1,424	1,430	6	0.4
Net profit (a) (b)	1,164	1,218	54	4.6

- (a) The values are stated in the adjusted configuration, net of the special items represented by: (i) the costs connected with the continuation of the COVID-19 pandemic, related to donations of medical supplies and costs of sanitization and cleaning services, amounting to a total of 7 million euros (5 million euros net of the relevant tax); (ii) the effects of the realignment of the civil and tax values (totalling 292 million euros), based on the provisions of article 110, paragraph 8, of Decree Law no. 104 of August 14th, 2020; (iii) the taxes (9 million euros) connected with the recognition, solely for tax purposes, of the gains associated with corporate restructuring operations within the Group. See the section "Non-GAAP measures" on page 18 of this press release for further details.
- (b) Attributable to shareholders in the Parent Company.

Financial highlights

(million euros)	2020	2021	Change	% change
Technical investments	1,189	1,270	81	6.8
Net invested capital as of December 31st	19,364	21,261	1,897	9.8
Net financial debt	12,892	14,021	1,129	8.8
Equity attributable to Snam shareholders	6,469	7,203	734	11.3



Total revenues

Snam's revenues from the core business are in line with its investments in the natural gas transport, storage and regasification infrastructure as well as services supplied to system users. There is therefore no correlation between Snam's revenues and the gas price trend.

Total revenues for the 2021 financial year amounted to 3,297 million euros, an increase of 527 million euros (+19.0% compared to the 2020 financial year) and include the variable charges to cover energy costs, equal to 311 million euros (60 million euros in 2020), an increase mainly due to the significant rise in gas prices recorded in the second half of 2021. Net of these effects, total revenues amounted to 2,986 million euros, posted an increase of 276 million euros (+10.2%), due to the higher regulated revenues and the higher new businesses revenues relating, more specifically, to energy efficiency. The release of previous financial items also resulted in an increase in revenues (+17 million euros).

Net of variable charges to cover energy costs, regulated revenues amounted to 2,558 million euros, 70 million euros up (+2.8% compared to FY 2020), determined by: (i) the increase in the RAB transport base (+48 million euros, including the effect of the minor "input based" incentives); (ii) the greater volumes of gas transported (+5 million euros) following the gradual recovery of production activities as well as higher consumption due to colder weather conditions recorded in April and May. With regards to revenues for "output based" services, the increase recorded in the storage sector due to the expansion of services offered, was offset by a reduction in the transport sector.

Revenues from new businesses amounted to 400 million euros, 208 million euros up compared to the 2020 financial year, due to the positive contribution from energy efficiency activities driven by the strong development in the residential sector as well as the contribution from Mieci and Evolve, two companies that entered Snam's scope of consolidation at the end of 2020. International activities of Snam Global Solutions recorded a slowdown compared to the same period of 2020 due to travel restrictions relating to COVID-19 pandemic and the strong contribution, in 2020, from an important contract for the entry into operations of TAP.

Adjusted EBITDA

The adjusted EBITDA for the 2021 financial year amounted to 2,250 million euros, up by 53 million euros, equal to 2.4%, compared to 2020, due to the positive performance of the core business (+65 million euros; +3.0%). On top of the abovementioned significant increase in regulated revenues, EBITDA also benefited from a positive impact on the performance of provisions for risks and charges, partly absorbed by the increase in employee costs owing to the development of the structure supporting the new businesses initiatives and the costs connected with the gradual return of staff to the offices, following the recovery of the pandemic. New businesses EBITDA, despite a growth in energy efficiency activities, was affected by COVID-19 pandemic effects,



particularly in the biomethane business, due to higher complexity of plant operations and permitting, as well as in Snam Global Solutions which, in 2020, benefited from the contribution of over 11 million euros from an important contract.

Adjusted EBIT

The adjusted EBIT for the 2021 financial year amounted to 1,430 million euros, an increase of 6 million euros, equal to +0.4%, compared with the corresponding figure posted in 2020. The abovementioned increase in EBITDA was partly absorbed by higher amortization and depreciation (-47 million euros, equal to 6.2%) resulting primarily from the entry into operation of new assets.

Net financial expenses

Net financial expenses amounted to 102 million euros, a reduction of 24 million euros (-19.0% compared to the adjusted net financial expenses for the 2020 financial year). This drop is mainly due to lower expenses related to net financial debt (-14 million euros; -9.7%) more specifically linked to a lower average cost of debt. The reduction in costs benefited from the measures taken to optimize the Group's financial structure implemented during the 2016-2021 period, particularly from the liability management operations, the actions to optimize cash management, as well as favourable market conditions which more than offset the increase in the net average debt.

Net income from equity investments

Net income from equity investments amounted to 294 million euros, an increase of 45 million euros, equal to 18.1%, compared to 2020.

The increase is attributable to the positive contribution from TAP (+43 million euros), which came into operation on November 15th, 2020, and by Industrie De Nora, a stake of which was acquired in January 2021 (+21 million euros), as well as by ADNOC Gas Pipelines (+5 million euros), which entered the Group's scope of operations from July 2020. Interconnector contribution is also growing, due to the increase in sales of short-term capacity contracts. These effects were partly offset by the lower contribution from TAG (-18 million euros), which had benefited from non-recurring items in 2020, and by DESFA (-5 million euros), mainly following the expected lower tariffs resulting from a WACC reduction as well as in other regulatory items.

Adjusted net profit

The positive contribution from the core business and associate companies, combined with the ongoing optimization of the financial structure, led to a Group's adjusted net profit of 1,218 million euros, up by 54 million euros, equal to 4.6%, compared to the corresponding figure posted in 2020. This result exceeded the guidance of 1,170 million euros previously announced to the market.

The higher profit before tax (+75 million euros, equal to 4.8%) was partly absorbed by the higher income tax (-17 million euros, equal to 4.4%), net of the special items mainly



represented by the effects of the tax realignment pursuant to the Law Decree No. 104 of August 14th, 2020.

Technical investments

Technical investments in 2021 amounted to 1,270 million euros, recording an increase on 2020 (+81 million euros; +6.8%). The investments essentially relate to the transport sector (1,004 million euros) and to the natural gas storage sector (160 million euros). With regards to the regulated core business, the level of the investment plan announced for 2021 is confirmed.

Cash flow and net financial debt

The positive cash flow from operations (1,338 million euros), which was affected by the temporary cash absorption generated by the gas balancing activities, also related to the marked increase in the gas price, made it possible to finance all the requirements connected with the net technical investments (-1,237 million euros, net of investment payables). Taking into account the net disbursements on equities and the repayments of the financial loan made to the associate company OLT, the free cash flow stood negative at 340 million euros. The net financial debt, following the equity cash flow essentially deriving from the payment to shareholders of the 2020 dividend (811 million euros, of which 326 million euros as an interim dividend and 485 million euros being the balance), increased by 1,129 million euros compared to December 31st, 2020, including the non-monetary items related to the financial debt (6 million euros).

On March 11th, the conversion period for the 400 million euros convertible bond due March 20th, 2022, expired. Around 384 million euros have been converted, corresponding to around 80 million shares, which have been transferred or will be transferred to investors in coming weeks. The remaining notional amount of the 2022 Convertible Bond, equal to approx. 16 million euros, will be redeemed in cash to investors on March 20th, 2022. Further to exercise of conversion requests, Snam will hold 9,111,340 shares in its portfolio, equal to 0.271% of the share capital.

In recent years, the role of sustainable finance and related instruments has assumed increasing importance in the global financial environment. Within this area, Snam has developed its positioning and commitment to ESG factors and to achieving the Sustainable Development Goals, guaranteeing for the company full access to the financial markets at competitive costs, with resulting positive effects on its economic, asset, financial and reputational position. In this respect, since 2018, the company has gradually aligned its financial strategy with the Group's sustainability goals, in order to reinforce its role in the energy transition, and to diversify its investor base as well as give visibility to its ESG initiatives and investments.



In 2021, Snam reconfirmed its commitment by issuing two Transition Bonds, based on the Transition Bond Framework published in June 2020, and maintained full use of the existing Euro Commercial Paper programme, linking it to environmental and social sustainability goals in line with the Sustainable Loan and obtaining an ESG rating for the instrument equal to EE assigned by the ESG rating company Standard Ethics.

Snam also signed a financing agreement with BEI for a total of 150 million euros to support energy efficiency projects and new bank term loans with the main Italian banks for a total of 600 million euros with the same ESG characteristics as the Sustainable Loan.

With regards to the Sustainable Loan, in 2021, for the third year running, Snam obtained a 2.5 bps reduction in the cost of this loan by means of achieving the goals connected with social and environmental sustainability criteria.

As of December 31st, 2021, the sources of sustainable financing, equal to around 11 billion euros, represent around 60% of Snam's committed funding. This percentage is in line with the company's ambition to grow the contribution relating to sustainable finance by an amount exceeding 80% of the funding available within the Plan's time horizon. In this respect, it is noted that, in January 2022, Snam issued its first dual-tranche Sustainability-Linked Bond for 1.5 billion euros, whose financial performances are linked to the achievement of several sustainability goals.

Dividend

The positive results achieved as well as solid business fundamentals allow the company to propose to the Shareholders' Meeting called for April 27th, 2022 the distribution of a dividend of 0.2620 euros per share, of which 0.1048 euros per share has already been distributed in the month of January 2022 as an interim dividend (345 million euros), 0.1572 euros per share being the balance, with an ex-dividend date of June 22nd, 2022 (record date June 21st, 2022), the dividend being registered on June 20th, 2022. The proposed dividend, up 5% on 2020, in line with the dividend policy provided for 2022, confirms Snam's commitment to ensure that shareholders receive an attractive, sustainable return over time.

Outlook and new guidance on net profit

The achievement of the global climate goals will give rise to significant investments in the decarbonization of the energy industry over the next 30 years. Numerous countries, which represent around 90% of global emissions, have set out measures to contain and, if possible, reverse the global warming process and the resulting impact on climate change.

Major prospects will relate to the energy transition, the main trends relating to achievement of the net zero goals being as follows: (i) the growth in renewables, mainly solar and wind energy, in order to decarbonize electricity generation and at the same



time allow an increase from around 20% to around 50% of the energy mix; (ii) the exponential growth in green hydrogen to arrive at a share of the energy mix in the range of 15% and 35%; (iii) the development of technologies for the capture and storage of carbon dioxide.

Snam has set itself the goal of being a global leader in green gas infrastructures and the first company in its sector in the EU to publish a Scope 3 emissions target by 2030 in order to achieve net zero by 2040. These goals are in line with the target to limit global warming to within 1.5°C as provided for by the Paris Climate Agreement and reinforced by the recent Glasgow Pact. Snam's infrastructure will be an enabling factor for energy transition and will allow the company to make an active contribution towards the general reduction in greenhouse gas emissions for the system. The vision is to transport fully decarbonized gas and to make Italy a renewable energies hub by 2050.

In addition, Snam is committed to building market positions along the value chain both of hydrogen and of biomethane and to contributing to the energy transition by providing energy efficiency services for the residential and industrial sectors and for the public administration, as well as by promoting sustainable mobility.

Consistently with this, in 2020 Snam's corporate purpose *"Energy to inspire the world"* was incorporated into the company's Bylaws, in order to reflect *"the company's commitment to favouring energy transition to forms of use of energy resources and sources compatible with environmental protection and progressive decarbonization"*.

The ESG (Environmental, Social, Governance) factors will continue to play a key role in the definition of the company strategies and management. For this purpose, Snam has updated to 2025 its "ESG scorecard" in line with the strategic plan on 14 areas with 23 material quantitative indicators, to provide stakeholders with a holistic view of the commitment and growing sensitivity to ESG issues, enabling them to monitor the results.

During the period 2021-2025, Snam has announced 8.1 billion euros in investments, an increase of 700 million euros over the 7.4 billion euros of the previous plan, with an acceleration in storage and investments in green projects.

The plan provides for the maintenance, modernization and development of Snam's infrastructure, net zero investments and a reinforced commitment to the energy transition.

The activities involved in optimization of the financial structure carried out in the last six years led to a reduction in the average cost of the gross debt from 2.4% in 2016 to an average value of 0.8% in 2021, through actions undertaken to crystallize favourable market conditions.

Expectations on the management of the COVID-19 pandemic in Italy confirm the progressive reduction in the restrictive measures, while remaining cautious to the circulation of variants which might give rise to a slowdown in the process of normalizing the domestic and international economic context.



Snam's attention continues to be focused on measures aimed to protect safety in the control rooms, in the plants and on the regional sites to guarantee ordinary operation and the energy security of the country.

To date, based on the information available, the company is anticipating a limited impact overall on the economic and financial results of the current year.

Possible future impacts on the Group's economic and financial performance and asset position and on the business development plans will be assessed in the light of the development and duration of the pandemic both in Italy and abroad. The same considerations may be made with regards to possible impacts on development initiatives and on suppliers or customers, and on the assets held by the Snam Group abroad.

The guidance on the group's 2022 net profit, in view of the positive results achieved in 2021 and the reduction in WACC for the new regulatory period, is confirmed at around 1.1 billion euros, assuming constant perimeter and the stability from the contribution by Austrian associates, a constant gas demand and output based incentives of 40 million euros.

Key events after the close of the financial year 2021. Russia – Ukraine crisis.

Snam stands by the Ukrainian population and has promptly offered its support for humanitarian initiatives taken in favour of the civilians. On March 7th, more specifically, the company launched a fund collection among its employees, who were given the possibility of donating the financial equivalent of their working hours to two organisations: Unicef Italy and the Italian Red Cross. Unicef is committed to providing aid for children, by creating 20 safe spaces ("blue dots") along transit corridors in six bordering nations, while the Italian Red Cross is working alongside the Ukrainian Red Cross in activities to support the civilian population affected by the conflict and in dealing with evacuees by providing food, medicines and blankets. The amounts collected will be doubled by the Snam Foundation.

Italy and Europe import a significant portion of their gas and, to a lesser extent, oil requirements from Russia. The gas transported from Russia to Italy amounts to around 30 billion standard cubic metres per annum, equal to around 38% of national demand. Despite the fact that gas transported from Russia is continuing uninterrupted at the moment, uncertainty and the fear of possible implications on the supply front have led to a significant increase in gas and oil prices.

A significant and prolonged interruption in imports from Russia would mean for the country the need to find other sources of supply and storage and, if not sufficient, the implementation of emergency measures.

Snam is not active on the Russian market and does not hold interests, even in joint ventures, with Russian companies. Snam's core business is based on the recognition of regulated revenues (transport, regasification and storage) tied to capacity contracts,



with negligible sensitivity to volumes. In order to access the relative services provided by Snam, commercial counterparts have to present suitable financial guarantees or, alternatively, hold a credit rating issued by the main rating agencies of at least BBB-.

With regards to the operating management of recurring activities and execution of the 2022 investment programme, there are currently no critical issues attributable to ongoing war.

TAG, GCA (jointly controlled companies) are the foreign associate companies with the greatest exposure to Russian gas supplies through transport contracts. As of today, no changes in regular flows have been recorded. The companies remain central to the role they play. However, possible prolonged interruptions in imports could result in a temporary reduction in the economic contribution made by the associate companies to the Group or impact on the valuation of the interests themselves.

With regards to tensions on the financial markets, Snam notes that it is only marginally exposed to the foreign exchange risk and in any event only in relation to the US dollar.

On the availability of sources of financing and the relative costs, it is noted that, as of December 31st, 2021: (i) more than 70% of Snam's financial debt is at fixed rate; (ii) the Snam Group has liquid assets deposited at leading credit institutions for an amount equal to 1,337 million euros and long-term committed lines not drawn, also considering the EIB loan arranged in July 2021 for energy efficiency projects for a total of 3,350 million euros.

It is noted that, in January 2022, Snam successfully issued a dual-tranche Sustainability-Linked Bond for a total of 1,500 million euros, associated with a Liability Management exercise ending with the repurchasing of 350 million euros of outstanding notes to proactively manage future liabilities.

Considering the liquid assets and the committed lines not drawn as of December 31st, 2021, together with the liquidity deriving from the bond issue in early 2022 net of the buyback of the Liability Management exercise notes, Snam is able to cover the instalments falling due on the bank and bond debt in the short, medium and long term, up to the end of 2023.

Since February 24th, 2022, Snam has been constantly monitoring the development of the situation and has offered its support for national institutions in preparation of possible energy scenarios. The company collaborates proactively with the regulatory authority (ARERA) and the national and European institutions, relying on its own transport and storage infrastructures to reinforce security and improve the diversification of sources of supply. Snam is at the institutions' disposal to assess infrastructure initiatives that may enable the country to further increase its capacity for receiving and diversifying supplies.

On March 8th, 2022, the European Commission presented the new policy document (RePower EU) which updates and incorporates the "Toolbox" to deal with the increase in energy prices of October 13th, 2021 and, in the light of the situation between Russia and Ukraine, anticipates further efforts to diversify the gas supplies to the European market



via pipelines and LNG and to further promote renewables, biomethane and hydrogen with the political goal of achieving independence from Russian gas by 2030. On gas storage, more specifically, the Commission has confirmed its intention to include in the EU legislation by April, with a further rapid review of the Gas Security of Supply Regulation, minimum obligations at national level to achieve a 90% replenishment at EU level by October 1st each year. The intention to go ahead with common purchasing mechanisms has also been confirmed, in the wake of that already proposed in December with regards to the reform of the gas market.

These indications support the strategic view adopted by Snam, which has for some time positioned itself as an enabler of energy transition thanks to the investments made to make its infrastructure "hydrogen ready", placing the transport and storage of energy and the development of new businesses such as hydrogen, biomethane, sustainable mobility and energy efficiency at the centre of its strategic plan.

The planned acceleration in the development of biomethane and hydrogen, also having recourse to imports from North Africa, confirms the strategic significance of Snam's infrastructure in the long term.

The Annual Financial Report 2021, which contains the 2021 Consolidated Non-Financial Statement, drawn up in the form of a specific section of the Management Report as provided for by article 5, paragraph 1 (a), of Law Decree no. 254/2016, has been made available to the Board of Statutory Auditors and the independent auditors and will be made available to the public at the registered office, on the Company's website www.snam.it, together with the reports of the Board of Statutory Auditors and the independent auditors, observing the periods provided for by Law Decree no. 58/98 (Consolidated Finance Act - TUF).

At 3.00 pm CET today, March 17th, 2022, a conference call will be held to illustrate to financial analysts and investors the consolidated results for the 2021 financial year. The presentation may be followed by audio webcasting on the company's website (www.snam.it). In conjunction with the conference call, the material supporting the presentation will also be made available in the Investor Relations/Presentations section of the website.



Key operating figures

		2020	2021	Change	% change
Natural gas injected into the national gas transport network (a) (b)	(billions of m ³)	69.97	75.77	5.80	8.3
Demand for gas (a)	(billions of m ³)	71.31	76.25	4.94	6.9
LNG regasification (a)	(billions of m ³)	2.55	1.05	(1.50)	(58.8)
Available storage capacity (a) (c)	(billions of m ³)	12.5	12.0	(0.50)	(4.0)
Natural gas moved through the storage system (a)	(billions of m ³)	19.60	18.85	(0.75)	(3.8)
Employees at end of period (d)	(number)	3,249	3,430	181	5.6

- (a) With regards to 2021, the volumes of gas are expressed in standard cubic metres (SCM) with an average Higher Heating Value (HHV) equal to 38.1 MJ/SCM (10.573 kWh/SCM) for transport and regasification activities, and 39.253 MJ/SCM (10.884 kWh/SCM) for the storage of natural gas for the thermal year 2021-2022.
- (b) The data relating to 2021 is updated to January 25th, 2022. The values for 2020 have been definitively updated.
- (c) Working gas capacity gas for modulation, mining and balancing services. The capacity available as of December 31st, 2021 is that declared to the Electrical Energy, Gas and Water System Authority at the beginning of the thermal year 2021-2022 (allocated in an amount equal to 89.60% as of December 31st, 2021).
- (d) Fully consolidated companies. The change reflects the entry of new resources following the new market assumptions, connected with the development of the new energy transition businesses, particularly in the biomethane and hydrogen fields.

Natural gas injected into the national transport network

The volumes of gas injected into the network in 2021 amounted to a total of 75.77 billion cubic metres, an increase of 5.80 billion cubic metres compared to 2020 (+8.3%), in line with the growth in the demand for natural gas, which in 2020 recorded a downturn due to the restrictive measures implemented to contain contagion by COVID-19, and with greater recourse to the provision of storage. The increase in the gas demand (76.25 billion cubic metres; +4.94 billion cubic metres, +6.9% compared with 2020), recorded in all sectors of use, is mainly attributable to the following: (i) the residential and tertiary sector (+2.03 billion cubic metres; +7.4%) due to temperatures which were harsher than in 2020 overall, and the recovery of consumption impacted by the lockdown measures implemented in 2020; (ii) the industrial sector (+1.70 billion cubic metres, of which around half was concentrated in the months of March and April; +10.4%) due to the recovery of industrial production following the marked fall sustained last year, following the lockdown measures in the months of March and April to contain contagion caused by COVID-19. During the period January-November 2021, the industrial production index recorded a 12.4% growth compared to the same period in



the previous year, completely recovering pre-COVID volumes; (iii) the thermoelectric sector (+1.53 billion cubic metres; +6.1%) due to an increase in the demand for electricity compared to 2020, as well as greater recourse to natural gas for electricity generation. These effects were partly offset by the increase in imports of electricity.

The demand for gas in terms normalized by temperature, estimated at 74.85 billion cubic metres, recorded an increase of 3.24 billion cubic metres (+4.5%) compared to the corresponding value in 2020 (71.61 billion cubic metres), due to a progressive recovery of consumption in the sector that offset the reduction due to the progressive increase in energy efficiency measures and the modernization of heating plant with more efficient boilers.

Regasification of liquefied natural gas (LNG)

The volumes of regasified LNG over the course of 2021 at the Panigaglia terminal amounted to 1.05 billion cubic metres (2.55 billion cubic metres in 2020; -58.8%), and 25 methane vessels were unloaded (compared to 60 in 2020; in line with the number allocated), compared to 30 allocated. The reduction in the volume of activity is attributable to price dynamics which have been significantly affected by a high demand for LNG from the Asian market with premium values compared to the European market, compared to 2020 which benefited from greater competitiveness in the cost of LNG compared to natural gas, as well as new mechanisms for the allocation of regasification capacity by means of appropriate bidding procedures.

The mechanisms for the capacity allocation on a bidding basis and the new business in the Small Scale LNG sector, combined, in particular, with possible future uses in heavy transport and in the maritime sector, lead to the assumption of further growth in LNG consumption over the next few years.

Natural gas storage

The overall storage capacity as of December 31st, 2021, including strategic storage, amounted to 16.5 billion cubic metres, the highest in Europe at this time of difficulty in procurement over the entire continent.

Analysis of the Reclassified Statement of Financial Position

Fixed capital

Fixed capital (21,296 million euros) increased by 1,031 million euros compared to December 31st, 2020 mainly due to the following: (i) the increase in investments valued by the equity method (+ 637 million euros) mainly due to the acquisition, on January 8th, 2021, of 37.47% (35.63% as of December 31st, 2021) of Industrie De Nora S.p.A., as well as the profits made over the course of 2021 by associate companies, partly absorbed by the dividends distributed; (ii) the increase in tangible and intangible assets (+431 million euros, including the net debt dynamics related to investment activities).



Net financial debt

(million euros)	31.12.2020	31.12.2021	Change
Financial and bond payables	15,937	15,358	(579)
Current financial payables (*)	5,599	4,975	(624)
Non-current financial payables	10,317	10,363	46
Financial payables on leased assets	21	20	(1)
Financial receivables and cash and cash equivalents	(3,045)	(1,337)	1,708
Cash and cash equivalents	(3,044)	(1,337)	1,707
Current securities held for sale	(1)		1
NET FINANCIAL DEBT	12,892	14,021	1,129

(*) Including the short-term portions of long-term financial payables.

The increase in the net financial debt of 1,129 million euros compared to December 31st, 2020 is attributable to the following: (i) reduced cash and cash equivalents (1,707 million euros); and (ii) higher bond loans (998 million euros) following the new bond issues for an overall nominal value equal to 1,250 million euros, partly offset by the repayment of a bond loan that had reached its natural maturity date, for a nominal amount equal to 259 million euros. These factors have been partly absorbed: (i) repayment of the Term Loan for an overall nominal value equal to 950 million euros, partly offset by the arrangement of new Term Loans for an incremental nominal value equal to 350 million euros and (ii) lower net utilization of uncommitted credit lines (890 million euros).

Pursuant to article 154 bis, paragraph 2, of the TUF the manager responsible for preparing the corporate accounting documents, Luca Ogliaro, declares that the accounting information included in this press release corresponds to the documents, accounting ledgers and other records.

Disclaimer

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



RECLASSIFIED INCOME STATEMENT

(million euros)	2020		2021		2021 adjusted vs 2020	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Var. ass.	Var. %
Core business revenues	2,578	2,578	2,897	2,897	319	12.4
Regulated revenues	2,548	2,548	2,869	2,869	321	12.6
- Transport	2,028	2,028	2,327	2,327	299	14.7
- Storage	499	499	523	523	24	4.8
- Regasification	21	21	19	19	(2)	(9.5)
Non-regulated revenues	30	30	28	28	(2)	(6.7)
New business revenues	192	192	400	400	208	
Total revenues	2,770	2,770	3,297	3,297	527	19.0
Core business costs	(437)	(393)	(654)	(647)	(254)	64.6
Fixed costs	(307)	(280)	(296)	(289)	(9)	3.2
Variable costs	(46)	(46)	(210)	(210)	(164)	
Other costs	(84)	(67)	(148)	(148)	(81)	
New business costs	(180)	(180)	(400)	(400)	(220)	
Total operating costs	(617)	(573)	(1,054)	(1,047)	(474)	82.7
EBITDA	2,153	2,197	2,243	2,250	53	2.4
Amortization, depreciation and impairment	(773)	(773)	(820)	(820)	(47)	6.1
EBIT	1,380	1,424	1,423	1,430	6	0.4
Net financial expenses	(158)	(126)	(102)	(102)	24	(19.0)
Net income from equity investments	249	249	294	294	45	18.1
Profit before tax	1,471	1,547	1,615	1,622	75	4.8
Income tax	(370)	(383)	(115)	(400)	(17)	4.4
Net profit	1,101	1,164	1,500	1,222	58	5.0
- Attributable to shareholders in the parent company	1,101	1,164	1,496	1,218	54	4.6
- Minority interests			4	4	4	

(a) The values exclude special items.

Reconciled summary of adjusted results

(million euros)	2020	2021	Var. ass.	Var. %
Special item of EBIT	44	7	(37)	(84.1)
Apportionment to provisions for risks and charges	17		(17)	(100.0)
Exclusion of special items for emerging COVID -19 costs:	27	7	(20)	(74.1)
- of which donations of goods	14	3	(11)	(78.6)
- of which cash donations	2		(2)	(100.0)
- of which medical supplies for internal use and services	11	4	(7)	(63.6)
Special item of net financial costs	32		(32)	(100.0)
- financial costs of liability management	32		(32)	(100.0)
Special item of income tax	(13)	(285)	(272)	
- Tax on special item of EBIT	(5)	(2)	3	(60.0)
- Tax on special item of net financial costs	(8)		8	(100.0)
- Tax realignment of the Snam Group pursuant to Decree Law 104/2020		(292)	(292)	
- Tax effect on corporate restructuring operations		9	9	
Total special items of EBIT	63	(278)	(341)	



Statement of comprehensive income

(million euros)	2020	2021
PROFIT FOR THE FINANCIAL YEAR	1,101	1,500
OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT		
Cash flow hedge – effective portion of fair value change	(6)	17
Investments valued by the equity method – portion of other comprehensive income components (*)	(38)	58
Tax effect	1	(4)
Total components that are or may be reclassified in the profit for the financial year, net of the tax effect	(43)	71
Revaluation of liabilities owing to defined employee benefits	(1)	(2)
Investments valued by the equity method – portion of other comprehensive income components	1	1
Investments valued at FVTOCI (“fair value through other comprehensive income”)	43	(16)
Total components that will not be reclassified in the profit for the financial year, net of the tax effect	43	(17)
TOTAL OTHER COMPREHENSIVE INCOME COMPONENTS, NET OF THE TAX EFFECT	0	54
TOTAL COMPREHENSIVE INCOME	1,101	1,554
Total comprehensive income attributable to:	1,101	1,554
- shareholders in the parent company	1,101	1,550
- minority interests		4

(*) These values essentially refer to the change in the fair value of derivative financial instruments hedging investments in related companies.



RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(million euros)	31.12.2020	31.12.2021	Change
Fixed assets	20,265	21,296	1,031
Property, plant and equipment	16,815	17,204	389
- of which right-of-use leased assets	21	20	(1)
Non-current inventories – Compulsory inventories	363	363	
Intangible assets and goodwill	1,125	1,167	42
Investments valued with the equity method	1,923	2,560	637
Other financial assets	426	403	(23)
Net payables relating to investment activities	(387)	(401)	(14)
Net working capital	(861)	1	862
Liabilities due to employee benefits	(40)	(36)	4
NET INVESTED CAPITAL	19,364	21,261	1,897
Equity	6,472	7,240	768
- Equity attributable to shareholders in the parent company	6,469	7,203	734
- Equity attributable to minority interests	3	37	34
Net financial debt (*)	12,892	14,021	1,129
- of which financial payables due to leased assets (**)	21	20	(1)
COVERAGE	19,364	21,261	1,897

(*) Determined in accordance with Consob Notice no. DEM/6064293 of 2006, as amended on May 5th, 2021. The relative value as of December 31st, 2020 has been redetermined accordingly, giving rise to an increase in net debt equal to 5 million euros following the exclusion of short-term financial receivables.

(**) Of which 14 million euros in the long term and 6 million euros of short-term instalments on long-term financial payables.



RECLASSIFIED STATEMENT OF CASH FLOWS

(million euros)	2020	2021
Net profit	1,101	1,500
<i>Corrected:</i>		
- Amortization and depreciation and other non-monetary components	525	527
- Net losses (gains) on asset sales and write-offs	13	13
- Dividends, interest and income taxes	502	206
Change in net working capital	(224)	(613)
Dividends, interest and income taxes collected (paid)	(320)	(295)
Cash flows from operations	1,597	1,338
Technical investments	(1,166)	(1,244)
Technical divestments	2	
Acquisition of subsidiary companies and business branches, net of liquidity acquired	(30)	
Investments	(193)	(453)
Change in short- and long-term financial receivables	(303)	12
Other changes relating to investment activities	53	7
Free cash flow	(40)	(340)
Repayments of financial payables on leased assets	(7)	(7)
Change in short- and long-term financial payables	1,133	(584)
Equity cash flow (a)	(893)	(775)
Change in the liquidity of companies that have left the basis of consolidation		(1)
Net cash flow for the financial year	193	(1,707)

CHANGE IN NET FINANCIAL DEBT

(million euros)	2020	2021
Free cash flow	(40)	(340)
Financial payables and receivables by companies included in the basis of consolidation	(25)	(1)
Change in financial payables on leased assets	(6)	(6)
Equity cash flow	(893)	(775)
Other changes	(5)	(7)
Change in net financial debt	(969)	(1,129)

(a) Includes cash flows deriving from payment of the dividend to shareholders.



Note on methodology

This press release, drawn up on a voluntary basis in lines with best market practice, illustrates the consolidated results for the 2021 financial year, subject to audit. The economic, asset and financial information has been drawn up in accordance with recognition and measurement criteria established by the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to 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 have remained unchanged in relation to those adopted to prepare the 2020 Annual Financial Report, to which reference is made for a description of these criteria.

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

Non-GAAP measures

In addition to the financial parameters required by the IFRS, as part of its Management Report, Snam is presenting some parameters resulting from the latter, not yet required by the IFRS or by other standard setters (non-GAAP measures). Snam's management team believes that these measures facilitate the analysis of the performance of the Group and its business segments, ensuring that it is easier to compare the results over a period of time. Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with Consob Notice DEM/6064293 of July 28th, 2006 and subsequent amendments and additions (Consob Notice no. 0092543 of December 3rd, 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), the following paragraphs provide information on the composition of the main alternative performance indicators used in this document, not directly deducible from reclassifications or algebraic sums of conventional indicators according to international accounting standards.

With regards to the impact of COVID-19 on the determination of the alternative performance indicators, ESMA recommends caution in the use of indicators of separate items in the income statement with regard to the impact of COVID-19 in order to ensure consistency in determining the alternative performance indicators and not to affect the intelligibility of a company's financial performance by introducing new indicators that are not adequately justified.

In accordance with these recommendations, taken from ESMA in the document "European common enforcement priorities for 2021 annual financial reports" of October 29th, 2021, due to the limited impact of COVID 19 on its results as well, Snam has not amended the Non-GAAP financial information previously provided, simply



isolating the emerging costs directly connected with the current pandemic, such as income components classified in the “special items” as indicated below.

EBITDA, EBIT and adjusted net profit

The EBITDA, EBIT and adjusted net profit are obtained by excluding the special items from EBIT profit and net profit reported (according to the legal scheme of the income statement), gross and net of the relevant tax respectively. The income components classified as special items for the financial year 2021 refer to the following:

- (i) The costs incurred owing to the prolonged state of emergency connected with the COVID-19 pandemic, mainly relating to donations of medical supplies, purchases of PPE for internal use and costs of sanitization and cleaning services, amounting to a total of 7 million euros (5 million euros net of the relevant tax);
- (ii) The effects of tax realignment pursuant to the Law Decree No. 104 of August 14th, 2020 (292 million euros in all) attributable to: (a) the substitute tax of 3%, to be paid in three years, amounting to an overall cost of 42 million euros; (b) the release of deferred tax liabilities entered in the financial statements in previous financial years totalling 334 million euros;
- (iii) The taxes (9 million euros) connected with the recognition, solely for tax purposes, of the gains associated with the contribution of the investment held by Snam S.p.A. in TAP to Snam International B.V. (100% subsidiary).

The income components classified as special items for the financial year 2020 mainly refer to the following: (i) the costs incurred owing to the state of emergency connected with the COVID-19 pandemic (22 million euros net of the relevant tax); (ii) the financial charges deriving from the buyback of bonds on the market (24 million euros net of the relative tax effect).

Special items

Income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from those transactions or events not frequently repeated in the normal course of business; (ii) they result from events or transactions not representative of normal business activities. The tax effect related to the components excluded from the calculation of the adjusted net profit is determined based on the nature of each income component excluded. Income components deriving from non-recurring transactions pursuant to Consob Decision no. 15519 of July 27th, 2006, if present, are shown separately in the IFRS financial information as well.

Net financial debt

Snam calculates net financial debt as the sum of the short- and long-term financial payables, including financial payables on 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 Notice DEM/6064293 del 2006, as finally amended on May 5th, 2021, the calculation of net financial debt excludes other current financial assets not constituting cash (e.g. short-term financial receivables falling due after more than 90 days).

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