



Snam: solid results in the first quarter of 2023. Investment grows: commissioning of the Piombino LNG floating terminal is under way.

Main highlights

- **Total revenues:** 912 million euros¹ (+12.9% compared to the first quarter of 2022), up due to the growth in regulated revenues for the implementation of the investment plan as well as the significant development of the energy efficiency business
- **Adjusted EBITDA:** 597 million euros (+1.5%), due to the contribution of the energy transition business and the increase in regulated revenues
- **Group adjusted net profit²:** 301 million euros (-7.4%), due to the absence of one-off revenues in the first quarter of 2022. The growth in adjusted EBITDA is offset by higher depreciation and amortisation related to the investments made and the increase in financial expenses, which are attributable to the rise in interest rates
- **Total investments:** 313 million euros (+4.7% in the first quarter of 2022), of which 308 million euros in technical investments (+38.1%). Of the total investments, 46% is aligned to Sustainable Development Goals and 30% to EU Taxonomy. Additional 409 million euros for the acquisition of SeaCorridor were part of the total investments
- **Net financial debt:** 12,872 million euros (+949 million euros compared to December 31st,2022), up mainly due to the cash absorption generated by the dynamics of working capital related to balancing activities, new investments in associates and the payment of the 2023 interim dividend.

San Donato Milanese (MILAN), May 11th 2023 - The Snam Board of Directors met yesterday under the chairmanship of Monica de Virgiliis and approved the consolidated results for the first quarter of 2023 (unaudited).

Stefano Venier, CEO of Snam, commented: *“In the first quarter of 2023 we achieved solid results even in the face of an environment that remains volatile with rising interest rates. We increased the level of investments during the period, also due to the intensification of work on site in view of the commissioning of the FSRU vessel Golar Tundra whose commissioning phase started on May 5th. We face the coming winter with a much stronger and more resilient energy system thanks to storage facilities that are still 65% full, and to security infrastructure measures under way. Our robust financial performance in the first quarter enables us to confirm year-end targets”.*

¹ Net of fees to cover energy costs (costs for the gas needed to operate the network).

² Excluding non-controlling interests.



Summary of the 2023 first quarter results

Performance highlights

(million euros)	First quarter		Change	% change
	2022	2023		
Total revenues (a)	808	912	104	12.9
Gas infrastructure business revenues (a) (b)	684	664	(20)	(2.9)
- of which Regulated revenues (a)	631	651	20	3.2
Energy transition business revenues(b)	124	248	124	100.0
Adjusted EBITDA	588	597	9	1.5
Adjusted EBIT	376	372	(4)	(1.1)
Adjusted net profit (c)	325	301	(24)	(7.4)
Special items (d)	(13)	3	16	
Reported net profit (c)	312	304	(8)	(2.6)

- (a) Net of fees to cover energy costs (67 million euros; 30 million euros in first quarter 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 now focused on the construction of mid-stream infrastructure. The corresponding values for the first quarter of 2022 have been restated accordingly.
- (c) Attributable to Snam shareholders.
- (d) The special items are represented respectively: (i) in the first quarter of 2023 by the normalisation of the interest rates used to discount the contractual rates of the associate ADNOC; (ii) in the first quarter of 2022 by the financial expenses related to the Liability management transaction finalised in January 2022.

Total revenues

Total revenues net of energy costs amounted to 912 million euros, up by 104 million euros (+12.9%). Energy transition business revenues increased significantly (+124 million euros; +100%), mainly due to the development of energy efficiency, particularly in the residential sector. With reference to the gas infrastructure business, there was an increase in regulated revenues (+20 million euros; +3.2%) and a decrease in non-regulated revenues (-40 million euros), due to the positive one-off effects from which the first quarter of 2022 had benefited. More specifically, the increase in regulated revenues is mainly attributable to: (i) higher revenues related to RAB growth (+18 million euros, including the effect of lower input-based incentives); (ii) higher revenues for flexibility services provided to the energy system (+12 million euros, related to transport and storage for short-term auctions). These effects were offset by lower volumes of transported gas (-12 million euros) as a result of significantly milder weather conditions compared to the first quarter of 2022, and the implementation of gas demand containment actions to cope with the reduction in imports from Russia.



Adjusted EBITDA

Adjusted EBITDA for the first quarter of 2023 amounted to 597 million euros, an increase of 9 million euros (+1.5%) compared to the corresponding figure for the first quarter of 2022. The growth in the energy transition business (+15 million euros), which is substantially linked to the positive contribution of energy efficiency, was partly absorbed by the reduction recorded by the gas infrastructure business (-6 million euros). Within this scope, the positive performance of regulated revenues related to RAB and flexibility services was offset by the absence of positive one-off effects in the first quarter of 2022.

Adjusted EBIT

Adjusted EBIT for the first quarter of 2023 amounted to 372 million euros, down by 4 million euros (-1.1%), compared to the corresponding figure in the first quarter of 2022. The increase in adjusted EBITDA was more than offset by higher depreciation and amortisation (-13 million euros or 6.1%), mainly due to new assets entering into operation.

Net financial expenses

Net financial expenses stood at 42 million euros, up by 13 million euros compared with the first quarter of 2022. The increase was particularly due to higher expenses related to net financial debt mainly relating to the higher average cost of debt, which was equal to approximately 1.5% in the first quarter of 2023 compared to 0.9% in the corresponding period of 2022. The increase in the average cost of debt can mostly be attributed to the changed interest rate scenario in the period between the two quarters being compared.

Net income from equity investments

Net income from equity investments amounted to 74 million euros, down by 5 million euros (-6.3%) compared to the first quarter of 2022. The decrease is particularly attributable to the Austrian associate TAG as a result of lower transported gas volumes in line with expectations, and to Interconnector Limited where a solid operating performance is expected in 2023, although the company's exceeding of the regulatory cap in 2023 does not benefit from the recovery of underperformance related to previous years. These effects were largely offset by the increased contribution from Greek associate DESFA, due to increased flows from the LNG terminal and exports to Bulgaria and by the entry into the scope of operations of the joint venture SeaCorridor. As of January 10th 2023, the acquisition of a 49.9% of the equity interest in SeaCorridor, relating to the TTPC and TMPC pipelines, was successfully finalised. The integration of this stake will help rebalance the asset portfolio in line with the changed situation of gas flows from Russia.

Adjusted net profit

Adjusted net profit for the first quarter of 2023 was 301 million euros, down by 24 million euros (-7.4%) compared to adjusted net profit for the first quarter of 2022, mainly due to the decrease in operating profit and the increase in net financial expenses.



Total investments

In the first quarter of 2023, total investments amounted to 313 million euros, with an increase of 4.7% from the first quarter of the previous year. Of these, 46% and 30% are aligned to Sustainable Developments Goals and the EU Taxonomy respectively. Of this amount, 308 million euros were related to technical investments, +85 million euros compared to the first quarter of 2022 (+38.1%) and they mainly related to the transportation (213 million euros), storage (41 million euros) and regasification (39 million euros) segments, while investments in the energy transition businesses reached 12 million euros.

Cash flow

Cash flow from operating activities (+224 million euros), which was significantly impacted by the cash absorption resulting from the dynamics of working capital related to balancing activities, partly financed net investments for 374 million euros and equity investments (SeaCorridor) for 409 million euros (-783 million euros, including the change in investment payables), generating a negative free cash flow of 559 million euros. Net financial debt, including the equity cash flow (-376 million euros) deriving from the payment of the 2022 dividend to shareholders and non-monetary changes (-14 million euros) increased by 949 million euros compared to December 31st, 2022, ending at 12,872 million euros.

Outlook

In a scenario still characterised by deep uncertainty and volatility, Snam is committed to implementing the investment programme defined in the Strategic Plan to ensure greater energy security and diversification of the country's energy supplies.

More specifically, in the first months of this year and following the acquisition concluded in 2022, operations are being completed for the commissioning of the FSRU in Piombino (Golar Tundra), which has a regasification capacity of 5 billion cubic metres of gas per year.

The most recent estimates on the evolution in natural gas demand in Italy for 2023 are in line with 2022, influenced by the mild weather conditions recorded in the recent winter and the continuation of an uncertain situation on the energy price with an effect on industrial consumption.

With regard to the current financial year, we expect that our economic results will benefit from the increase in revenues related to the growth of the RAB thanks to investments and the expansion of our infrastructure with the commissioning of the new FSRU, from higher revenues for flexibility services connected with incentives on fully depreciated assets and from the contribution of the energy transition businesses.

In 2023, the interest rate scenario is expected to be on the rise compared to 2022, with an incremental impact on financial expenses, which are already being managed in the first quarter of the year, and in continuity with what was done in the second part of 2022 by means of a greater diversification of finance sources and instruments and through the use of more flexible debt instruments.

In the medium to long term, it is believed that the Italian tariff system offers a form of natural hedging by means of periodic reviews of the recognised cost of capital.



With regard to the war between Russia and Ukraine, it should be noted that Snam does not operate in the Russian market nor does it hold equity interests in Russian companies, even in joint ventures.

In the course of the year, the assumption is confirmed of a further decrease in gas flows from Russia to Europe which was already recorded in 2022.

With regard to foreign associate companies, TAG (jointly controlled company) and GCA (associate company) are those with the largest exposure to Russian gas supplies. However, in 2023, following the expiry of most long-term contracts, TAG faces higher volatility in its results owing to the uncertainty of gas flows from the north towards Italy, which are expected to decrease compared to historical levels, although this will be partly offset by higher booked volumes of gas flowing from Italy to Austria.

However, these assets are considered strategic European assets supporting new gas flows from the South and the development of European hydrogen transport corridors.

On the ESG issue, the quarterly monitoring of Snam's performance on the ESG Scorecard KPIs continues and the company is well positioned to meet its year-end targets. To date, ESG investors account for more than 40% of institutional investors, well above the sector and Italian average. In addition, the assessment on ESG issues yielded excellent results and Snam was named Best Performer in the gas and utilities sector by Sustainalytics.

Financial targets for 2023 are confirmed:

- investments of 2.1 billion euros (of which 1.9 billion euros is in gas infrastructure and 0.2 billion euros is in the energy transition), up by 10% compared to 2022
- a tariff RAB of about 22.4 billion euros, up 5% from 2022
- an adjusted net profit of approximately 1.1 billion euros
- a net debt level between 15.0 billion and 15.5 billion euros, depending on the trend in working capital related to regulated activities.

Recent events

With regard to the FSRU in Piombino, on April 27th, the Conference of Services provided its go-ahead followed by the signing of the Ministerial Decree n. DM 145 on May 3rd 2023 by the Ministry for the Environment and the Energy Security to greenlight the Integrated Environmental Authorisation (AIA) to kick-off the commissioning of the LNG floating terminal in Piombino, thus marking a further step towards the start of commercial operations for the LNG floating terminal.

In April, Snam signed medium/long-term ESG-linked loan agreements for a total of 2.1 billion euros, including a Revolving Credit Facility (RCF) loan granted by a pool of banks for an amount up to 1.8 billion euros backed by the SupportItalia guarantee issued by SACE S.p.A. in favour of the banks pursuant to Decree-Law No. 50/2022, converted into law on July 15th 2022 by Law No. 91, as amended and supplemented. The loan may be utilised by Snam directly and/or through Snam Rete Gas S.p.A. and Stogit S.p.A. by granting intercompany loans to the latter.



In April, the Snam-Hera joint project "IdrogeMO" for the construction of a green hydrogen implementation hub in the municipality of Modena obtained 19.5 million euros in funding from the regional government of Emilia-Romagna allocated under the National Recovery and Resilience Plan (NRRP).

On May 8th Ministries of Energy from Italy, Austria and Germany announced the signing of a joint letter to provide their support to the SouthH2Corridor initiative, a consortium set up by Snam and other three European TSOs aimed at developing a hydrogen transport infrastructure from North Africa to Bavaria, which is expected to start operations by 2030.

At 10am CEST today, May 11th 2023, a conference call will be held to present the consolidated results for the first quarter of 2023 to financial analysts and investors. It will be possible to follow the event via conference call and the supporting material will be made available on www.snam.it in the Investor Relations section at the beginning of the conference call. In the same section it will also be possible to follow the presentation via video webcasting.

Key operational highlights

		First quarter			%
		2022	2023	Change	
Natural injected into the National Gas Transportation Network (a) (b)	(billions of m ³)	19.48	16.67	(2.81)	(14.4)
Gas demand (a)	(billions of m ³)	25.47	20.54	(4.93)	(19.4)
LNG regasification (a)	(billions of m ³)	0.13	0.88	0.75	
Available storage capacity (a) (c)	(billions of m ³)	16.5	16.5		
Natural gas moved through storage system (a) (b)	(billions of m ³)	6.10	4.21	(1.89)	(31.0)
Employees in service at period end (d)	(number)	3,468	3,639	171	4.9

- (a) With reference to the first quarter of 2023, gas volumes are expressed in Standard Cubic Metres (Scm) with an average Superior Calorific Value (HHV) equal to 38.1 MJ/Scm (10.573 Kwh/Scm) for the transportation and regasification activity and 39.3 MJ/Scm (10.919 Kwh/Scm) for the natural gas storage activity for the thermal year 2022-2023.
- (b) The figure for the first quarter of 2023 is updated as of April 14th 2023. The corresponding figure for the first quarter of 2022 has been definitively updated.
- (c) Of which 4.5 bcm related to strategic gas and 12.0 bcm related to capacity available for modulation, mining and balancing services (so-called working gas). The capacity allocated for the thermal year 2022-2023 is 94% of the available capacity and 68% of the total capacity as of March 31st 2023, respectively.
- (d) Fully consolidated companies. The increase compared to the first quarter 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 quarter of 2023 amounted to 20.54 billion cubic metres, down by 4.93 billion cubic metres or 19.4% compared to the first quarter of 2022 due to lower consumption in all the sectors that Snam operates in. More specifically, the drop in gas demand is attributable: (i) to the residential and tertiary sector (-2.53 billion cubic metres; -19.1%), due to significantly milder average weather conditions compared to the first quarter of 2022 and the effects of gas demand containment actions to cope with the reduction in imports from Russia; (ii) to the thermoelectric sector (-1.96 billion cubic metres -22.7%) due to the lower use of natural gas in electricity generation as a result of higher prices and increased production from renewable sources; (iii) to the industrial sector (-0.45 billion cubic metres; -13.8%) 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.

Excluding the climate impact, gas demand amounted to 21.15 billion cubic metres, with a decrease of 3.90 billion cubic metres (-15.6%) from the corresponding figure for the first quarter of 2022 (25.05 billion cubic metres), in line with the steady increase in energy efficiency measures and the modernisation of heating systems with more efficient boilers, together with the actions to curb demand for natural gas required to cope with the risk resulting from the reduction in imports from Russia, particularly for the winter months.

In the first quarter of 2023, 16.67 billion cubic metres were injected into the national transport network, a decrease of 2.81 billion cubic metres or 14.4% compared to the first quarter of 2022 as a result of falling gas demand and less use of gas in storage.

Regasification of Liquefied Natural Gas (LNG)

In the first quarter of 2023, 0.88 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (La Spezia), (0.13 billion cubic metres in the first quarter of 2022) with 21 methane tankers unloaded (3 tankers had been unloaded in the first quarter of 2022). Starting with April 2022, there was an increase in the volume of LNG regasified in Italy and a consequent increase in the number of ships unloaded, mainly due to the impact of the war between Russia and Ukraine on the gas market, which led to an increase in the demand for LNG to meet domestic demand.

With reference 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 thermal years 2023-2024 and 2043-2044, to date more than 95% of the capacity offered has been allocated for multi-year periods (of which 86% is for the entire 20-year period). The excellent result achieved will allow more natural gas to be fed into the national transport network, thereby contributing substantially to the diversification of supplies and the security of the national energy system.

Natural gas storage

Overall storage capacity managed by the Snam Group as of March 31st 2023, including strategic storage, amounted to 16.5 billion cubic metres, the highest level in Europe in this period marked by difficulties in supply. Natural gas storage as of March 31st 2023 in the Stogit subsidiary's storage facilities amounted to approximately 5.4 billion cubic metres, plus 4.5 billion cubic metres of strategic storage, with a fill rate at the end of March of approximately 60%.



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

Disclaimer

This press release contains forward-looking statements, particularly with regard to changes in demand for natural gas, capital expenditure plans and future operating performance. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. Actual results could therefore differ from those announced due to various factors, including: foreseeable trends 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)	First quarter 2022		First quarter 2023		2023 adjusted vs 2022 adjusted	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Change	% change
Gas infrastructure business revenues	714	714	731	731	17	2.4
Regulated revenues	661	661	718	718	57	8.6
- Transport	539	539	580	580	41	7.6
- Storage	116	116	127	127	11	9.5
- Regasification	6	6	11	11	5	83.3
Non-regulated revenues	53	53	13	13	(40)	(75.5)
Energy transition business revenues	124	124	248	248	124	100.0
Total revenues	838	838	979	979	141	16.8
Gas infrastructure business costs	(133)	(133)	(156)	(156)	(23)	17.3
Fixed costs	(78)	(78)	(79)	(79)	(1)	1.3
Variable costs	(32)	(32)	(47)	(47)	(15)	46.9
Other costs	(23)	(23)	(30)	(30)	(7)	30.4
Energy transition business costs	(117)	(117)	(226)	(226)	(109)	93.2
Total operating costs	(250)	(250)	(382)	(382)	(132)	52.8
EBITDA	588	588	597	597	9	1.5
Amortization, depreciation and impairment losses	(212)	(212)	(225)	(225)	(13)	6.1
EBIT	376	376	372	372	(4)	(1.1)
Net financial expenses	(46)	(29)	(42)	(42)	(13)	44.8
Net income from equity investments	79	79	77	74	(5)	(6.3)
Profit before tax	409	426	407	404	(22)	(5.2)
Income tax	(96)	(100)	(99)	(99)	1	(1.0)
Net profit	313	326	308	305	(21)	(6.4)
- Attributable to Snam's shareholders	312	325	304	301	(24)	(7.4)
- Non-controlling interests	1	1	4	4	3	

(a) Excluding special items.

Reconciled summary of adjusted net profit

(million euros)	First quarter			
	2022	2023	Change	% change
Net profit	313	308	(5)	(1.6)
Exclusion of special items:	13	(3)	(16)	
- Liability management financial expenses	17		(17)	(100.0)
- Change in discount rate effect (ADNOC)		(3)	(3)	
- Income taxes on special items	(4)		4	(100.0)
Adjusted net profit (group and non-controlling interests)	326	305	(21)	(6.5)
Non-controlling interests	1	4	3	
Adjusted Snam shareholders' net profit	325	301	(24)	(7.5)



Reclassified statement of financial position

(million euros)	31.12.2022	31.03.2023	Change
Non-current assets	21,562	22,180	618
Property, plant and equipment	17,859	17,931	72
- of which right-of-use leased assets	33	32	(1)
Non-current inventories – Compulsory inventories	363	363	
Intangible assets and goodwill	1,321	1,331	10
Equity-accounted investments	2,313	3,050	737
Other financial assets	175	175	
Net payables relating to investment activities	(469)	(670)	(201)
Net working capital	(2,155)	(1,517)	638
Liabilities due to employee benefits	(27)	(27)	
Assets held for sale and directly associated liabilities	67	71	4
NET INVESTED CAPITAL	19,447	20,707	1,260
Equity	7,524	7,835	311
- Attributable to Snam's shareholders	7,468	7,775	307
- Non-controlling interests	56	60	4
Net financial debt	11,923	12,872	949
- of which financial liabilities on leased assets	33	33	
COVERAGE	19,447	20,707	1,260



RECLASSIFIED STATEMENT OF CASH FLOWS

(million euros)	First quarter	
	2022	2023
Net profit	313	308
<i>Adjusted for:</i>		
- Amortization and depreciation and other non-cash components	136	150
- Net losses (gains) on asset sales and write-offs	1	
- Dividends, interest and income taxes	138	122
Change in net working capital	1,166	(357)
Dividends, interest and income taxes collected (paid)	(23)	1
Cash flows from operating activities	1,731	224
Capital expenditure	(215)	(295)
Investments in consolidated subsidiaries and businesses net of cash and cash equivalent acquired	(30)	(2)
Net investments in associates	(10)	(409)
Change in other long-term financial assets	(1)	1
Other changes relating to investment activities	(52)	(78)
Free cash flow	1,423	(559)
Repayment of financial liabilities for leased assets	(2)	(2)
Change in short- and long-term financial liabilities	(664)	(283)
Equity cash flow	(344)	(376)
Net cash flow for the period	413	(1,220)

CHANGE IN NET FINANCIAL DEBT

(million euros)	First quarter	
	2022	2023
Free cash flow	1,423	(559)
Equity cash flow	(344)	(376)
Financial liabilities and assets from subsidiaries entered in the basis of consolidation	(46)	(3)
Change in financial liabilities for leased assets	(1)	(2)
Convertible Bond	381	
Other changes	(12)	(9)
Change in net financial debt	1,401	(949)



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 quarter of 2023. The economic, equity and financial information has been prepared in accordance with the valuation and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure referred to in Article 6 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19th, 2002. The measurement and recognition criteria used have remained unchanged in relation to those adopted to prepare the 2022 Annual Financial Report. Please refer to that report for a description of the criteria.

Given their size, amounts are expressed in millions of euros.

The changes in the scope of consolidation of the Snam Group at 31st as of March 31st 2023 compared to that as of 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 production of electricity using agricultural waste and biomass.

The changes in the scope of consolidation of the Snam Group at 31st March 2023 compared to March 31st2022 also concerned: (i) the acquisition by Snam FSRU Italia S.r.l. of Golar LNG NB13 Corporation, owner of the Golar Tundra floating unit (FSRU) (merged by incorporation into Snam FSRU Italia S.r.l. effective for accounting and tax purposes as of January 1st, 2023), and of Ravenna LNG Terminal S.r.l., owner of the sea terminal off the port of Ravenna and 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, respectively, from the subsidiaries Bioenerys Ambiente S.r.l. (formerly Renerwaste S.r.l.) and Bioenerys Agri S.r.l., of no. 2 and no. 19 companies specialising in the construction and management of plants and the promotion of circular economy projects for the energy promotion of the organic fraction of waste - OFMSW, and of agricultural waste; (iii) the acquisition of control, instead of joint control, of Iniziativa Biometano S.p.A. for the increase of the shareholding, which rises from 50% to 51% of the 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 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 July 28th, 2006, as amended (and as most recently amended on May 5th, 2021, in implementation of the new ESMA recommendations 32-232-1138 of March 4th, 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 indicators³ in accordance with international accounting standards.

Adjusted net profit

The adjusted net profit is obtained by excluding special items from reported net profit (as per the statutory income statement format), respectively gross and net of related taxes. Income items classified as special items in the first quarter of 2023 refer to income arising from the fair value measurement of contractual tariffs of the associate ADNOC Gas Pipeline Assets until 2040 due to changes in market interest rates (3 million euros). In order to reflect the

³ 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.



substance of the transaction and the actual return for ADNOC's investors, this effect is normalised using a constant interest rate throughout the contractual term, made equal to the internal rate of return (IRR) for investors at the date of acquisition. Special items in the first quarter of 2022 related to financial expenses arising from the repurchase of bonds on the market as part of the liability management transaction finalised in January 2022 (17 million euros; 13 million euros, net of the related tax).

Special items

The income components are classified under special items, if significant, when: (i) they result from non-recurring events or operations or from operations or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or operations 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 operations in accordance with Consob Resolution no. 15519 of July 27th, 2006 are also shown separately in the IFRS financial report.