



Snam: all targets revised upwards New initiatives for energy transition in Business Plan to 2022

*Continual improvement in core business, new green economy activities,
focus on sustainability and innovation to drive growth
in results and shareholder remuneration*

- **Net profit growth: over 4% on average per year**
- **Earnings per share growth: over 5% on average per year**
- **Dividend growth: 5% per year to 2022**

- **Increased focus on sustainability, energy transition and innovation: €850 mn of investments in TEC (Tomorrow's Energy Company), with minimum €200 mn in new green business lines**
- **ESG values: methane emission reduction target -25% to 2025 (vs -10% in prior plan), Snam Foundation (social) and Snam Institute (training) launched, agreement with Transparency International**
- **Green finance: €3.2 bn of syndicated credit lines converted into sustainable loans and the reference framework for bonds to fund sustainable projects published**

- **2018-2022 investments: €5.7 bn (approx. +10% vs prior plan)**
- **Average annual RAB growth for 2017-2022 approx. 2.5% (vs 2% in prior plan)**
- **Increase in core business efficiency: costs to be reduced by over €60 mn by end of plan period (vs €50 mn in prior plan)**
- **Increasing contribution to net profit of subsidiaries, regulated services and new businesses: from approx. 15% in 2016 to over 25% at end of plan period**
- **Net debt/consolidated RAB ratio broadly flat over the plan period**

San Donato Milanese, 7 November 2018 – Today at the Snam headquarters in San Donato Milanese CEO Marco Alverà will be presenting the strategic plan through 2022, as approved yesterday by the Board of Directors chaired by Carlo Malacarne.



Snam CEO Marco Alverà said: *“In the new plan we have raised all our targets, as our financial results have exceeded expectations and the market environment has improved.*

Indeed, in an energy sector that is undergoing profound change, gas infrastructure will continue to have a central role, given the trend for growth in imports in Europe and new uses of natural gas and renewable gas in various sectors, including its supporting role in the development of solar and wind energy.

Based on these solid foundations, the new plan forges a path that will allow Snam to continue to grow and create value for shareholders, seizing and anticipating market developments and contributing to the reduction of CO₂ emissions, the improvement of air quality and the containment of energy costs. Further, we also aim to play a leading role in the energy transition, through the development of biomethane and other solutions, in Italy and abroad.

Through its new investments, the focus on new technologies, the development of new businesses and sustainable finance initiatives, the Snam of 2022 will be more innovative, more efficient and a leading player in the energy transition in Italy and Europe.”

Market environment and target updates for 2022

The national and international market environment during the plan and over the long term confirms the relevance of Snam’s business activities. Globally, a significant increase is expected in gas demand over the next few years, particularly in the Americas and China. In Europe, there is growing awareness of the role of natural gas as an immediate and affordable solution to increase energy efficiency in cities and to replace coal and diesel, in electricity production and transport respectively.

In Europe and in Italy, there has been a recovery in demand over the last two years, associated with a growing need for imports from diversified routes in light of the decline in domestic production and in view of the gradual exit of various countries from coal production. In Europe, the demand for imports has increased by 30% since 2014 and is expected to increase further in the medium term.



In the long term, moreover, gas is no longer just seen as a transition source, but as a pillar of a decarbonized world thanks to the rapid development of renewable gas, as demonstrated by over 800 expressions of interest in connection to the grid for biomethane plants in Italy and new power-to-gas projects in Northern Europe.

For Snam, the continual improvement in results from the core business, the greater exposure to the energy transition with new initiatives, the solid performance of international activities, the focus on technological innovation and value creation through its financial structure will enable the company to achieve sustainable growth in its key indicators throughout the plan period.

Compared to 2017, Snam expects to see an increase:

- in EBITDA of an average of 3.5% per annum over the plan period;
- in net profit of over 4% per annum over the plan period;
- in earnings per share (EPS) of over 5% on average per year over the plan period, benefiting from the effect of the share buyback programme carried out during 2018.

The contribution to net profit of the Italian and international subsidiaries, of the new energy transition businesses and new output-based services will amount to over 25% of the total in 2022 compared to approx. 15% in 2016. The debt/RAB ratio is expected to be substantially stable over the plan period.

For 2019, Snam is expecting a net profit growth by approx. 4% compared to 2018 and a debt level of approx. €11.7 billion at the end of the year, with a cost of debt in line with current levels.

The RAB for 2019 revenues is expected to be around €20.4 billion. The average annual growth (CAGR) of the 2017-2022 consolidated RAB is expected to be around 2.5% compared to 2% in the previous plan using the same calculation methodology.



€5.7 billion for the development of the Italian gas system and new energy transition activities

Snam has forecast an increase in investments for the period 2018-2022 of approximately 10% to €5.7 billion, versus €5.2 billion in the 2017-2021 plan.

The increase compared to the previous plan is due to both investments in new businesses and an increase in investments in maintenance and replacement activities. With regard to the latter, Snam performs a detailed analysis of the performance and resilience of its infrastructure on an ongoing basis. This approach together with the 2018-2022 time horizon requires an increase of €500 million in maintenance and replacement investment.

The €5.7 billion investment can be broken down into €4.8 billion of planned investment for the transportation network, €0.7 billion for storage and regasification and €0.2 billion for new businesses linked to the energy transition.

Approximately a quarter of the plan's investments concerns development initiatives, including the TAP interconnection, connections in the North-West to service the local market and cross-border flows, the network in Sardinia and upgrading of the Fiume Treste storage facility.

The expected increase in storage capacity confirms its increasingly strategic role for the security of the system, as evidenced by the trend in flows and prices at the PSV in the times of stress experienced by the system last winter. The peaks in demand in the winter months due to adverse weather conditions have shown the considerable flexibility of the infrastructure managed by Snam, which is able to guarantee the continuity of the service even with consumption levels four times higher than the summer average.



New investments for the energy transition: biomethane, sustainable mobility and energy efficiency

In parallel with the growth in the regulated core business, the new Snam plan also envisages investments of at least €200 million for the development of new businesses in the field of energy transition.

The biomethane sector in Italy is already showing promising development, as demonstrated by the three plants already connected to the national transport network and the more than 800 expressions of interest for new connections.

In recent months, through its subsidiary Snam4Mobility, Snam acquired control of IES Biogas, an Italian company that is a leader in the construction of biogas and biomethane plants.

The company plans to invest at least €100 million directly, even in partnership with other operators, in the construction of facilities to produce biomethane from refuse or agricultural waste, given the essential role of biomethane in the Italian decarbonisation strategy.

Snam's investment in the biomethane sector complements its investment in sustainable mobility. The plan includes €50 million of investment in the construction of methane and biomethane filling stations for cars and buses through Cubogas, a company controlled by Snam4Mobility, and another €50 million for the construction of at least four small scale liquefaction plants (SSLNG) for use by the heavy transport, industrial and residential sectors.

Investments for the future: the Tomorrow's Energy Company (TEC) project

As part of the investment plan, €850 million is allocated to the TEC (Tomorrow's Energy Company) project, the objective of which is to accelerate the innovative capability of Snam and its assets in order to benefit from the opportunities offered by the evolution of the energy system. The TEC project will focus in particular on four areas:

- Greater operational effectiveness ("smart gas" project for network maintenance with new technologies, the use of drones and satellites for monitoring assets, real-time measurement of the geological characteristics of the areas, energy efficiency);



- Reduction of methane emissions (campaign for measuring and eliminating emissions, adoption of the best available technologies, the use of new equipment with little or no environmental impact);
- Investments for the energy transition (the aforementioned investments in biomethane, sustainable mobility and energy efficiency, the analysis of the impact of hydrogen and hydrogen-natural gas mix on the network, the study of power-to-gas initiatives).
- And, in general, a growing focus on innovation and strengthening Snam's distinctive skills.

Sustainability and ESG values

Environmental, economic and social sustainability is an integral part of Snam's growth strategy.

Regarding the environment, the new plan, assisted by the TEC project, includes a 25% reduction in methane emissions to 2025 (-15% to 2022), compared to the previous target of 10% to 2021.

As far as the social dimension is concerned, Snam has launched a new program for the safety of employees and suppliers, Snam4Safety. Furthermore, last year Snam launched a Foundation for the realization of social projects in Italy and founded the Snam Institute, which provides around 90,000 hours of training per year for the company's employees. Snam's commitment to gender equality has also led to a 10% increase in the number of women in the company in the last two years.

The ESG values (environment, social, governance) are fully integrated into Snam's corporate governance, and Snam is one of only four companies to have a global partnership with Transparency International in the fight against corruption. Snam also signs an "ethical and integrity pact" with all its suppliers: approximately 1,700 reputational checks were carried out in 2018.

New output-based services and Snam Global Solutions

As confirmed by the final consultation document, the fifth regulatory period introduces additional performance-based incentives aimed at measuring Snam's



performance with regard to the conditions of its infrastructure, the functioning of the market, the environment and sustainability, and the quality of service. Therefore Snam believes it can count on an increasing contribution to its revenues compared to prior periods, also taking into account the performance achieved in its balancing activities.

In particular, the services linked to the balancing regime introduced at the end of 2016 led to an increase in liquidity, aided by improvements in the forecasting of the next day's demand through an innovative proprietary forecasting model.

With regard to services dedicated to international operators in the gas sector, Snam Global Solutions is gradually expanding its contract portfolio and supporting the company's development strategy, both in relation to the integrated management of transport and storage network needs and in relation to technologically advanced skills in infrastructure management services.

Overall, the output-based incentives and Snam Global Solutions will generate approx. €250 million of cumulative revenues over the period 2018-2022.

Strengthening of the efficiency plan

As a result of the efficiency plan launched in the second half of 2016, Snam has simplified its processes and made organizational changes, for example the integration of transport and storage maintenance activities. This plan made it possible to reduce costs and improve quality and time to market. In addition, a series of initiatives were launched aimed at the structural reduction of some external costs and the renegotiation of supply contracts.

In light of the positive results achieved in 2017, the further acceleration of 2018 (over €30 million of savings expected by the end of the year) and the new opportunities envisaged also by the TEC project, the 2022 efficiency target has been increased to over €60 million, compared to the €50 million contained in the previous plan to 2021.



International strategy and affiliates

The contribution of Snam's international subsidiaries (TAG and GCA in Austria, Téréga in France, TAP, Interconnector in the UK and DESFA in Greece) will exceed €160 million in 2022 consolidating Snam's European leadership (including Italgas the contribution will be above €220 million, compared to the previous target of €200 million).

The closing of the acquisition of 66% of DESFA by the Snam-led consortium is expected by the end of 2018. It should be noted that, net of the loan obtained, Snam's equity commitment will amount to €119 million.

In relation to TAP, in which Snam is a 20% shareholder, the project is more than 80% completed and the works on the Italian section have recently been resumed after the summer break. The expected completion of the work is confirmed for 2020.

Optimization of the debt structure and sustainable finance

The optimization of the financial structure carried out in the last two years has led to a reduction in the average cost of debt to around 1.5% in the first nine months of 2018 (2.4% in 2016), compared to guidance of 1.8% and the update to 1.6% last July.

The actions implemented also make it possible to reduce the risk associated with a potential change in the global macroeconomic scenario. This includes:

- a financial structure characterized by 3/4 of the debt with a fixed rate and an average life of medium to long-term debt in excess of 5 years;
- a pre-hedge strategy that blocked rates for about 40% of the emissions forecast in the next three years;
- three liability management exercises (for over €4 billion) performed in the period 2015-2017 and continued pre-funding efforts;
- €3.2 billion of unused syndicated credit lines at 30 September 2018 maturing between 2022 and 2023.



In the plan period, Snam expects:

- to maintain a ratio of net debt to RAB well below 60% and below Snam's own self-imposed limit of 57.5%, which will remain the internal reference despite the company's official ratings permitting less stringent thresholds as a consequence of recent updates made by the rating agencies to the Italian sovereign rating;
- an adjusted Fund From Operation ratio on net debt (FFO/Net Debt) significantly above 13% and therefore consistent with an individual A credit rating as defined by S&P;
- the maintenance of a mix between fixed and variable debt of 3/4, consistent with the previous plan;
- a cost of debt for 2019 substantially in line with the levels reached in 2018, this is expected to rise in the second part of the plan as a consequence of the assumptions deriving from the forward curves both in terms of rates and credit spreads (which today are discounting current volatility and are expected to remain substantially unchanged).

In order to ensure that the financing strategy is fully aligned with the sustainability objectives and the expanding investor base, Snam has:

- finalized the conversion of €3.2 billion of syndicated credit lines into a sustainable loan: it is the third biggest sustainable loan ever signed worldwide and the first arranged by a gas utility company;
- today published the framework fixing the rules for the future emission of bonds aimed at financing green investments and those in the sphere of environmental sustainability (for more information: <http://www.snam.it/en/climateactionbond>).

Attractive and sustainable dividend policy

Snam confirms its commitment to guaranteeing shareholders attractive and sustainable remuneration and to the payment of an interim dividend. Dividend growth over the plan period is expected to be 5% per annum.

Snam forecasts that for 2018 a total dividend of € 0.2263 per share will be distributed in 2019 (of which 40% will be through an advance payment in January 2019, as approved by the Board of Directors on 6 November 2018, and



the remaining 60% to be paid in June 2019, subsequent to approval at the Shareholder Meeting which will approve the financial statements for 2018).

Potential value creation opportunities in Italy and abroad not included in the new plan

In addition to the new plan, Snam will continue to monitor any other investment opportunities that should arise, leveraging on the flexibility of its financial structure, whilst adhering to its investment criteria. In particular, Snam will continue to look for possible new opportunities offered by the energy transition, in Italy and abroad.

Presentation, conference call and webcast

The presentation of the plan to financial analysts and institutional investors will take place at 11:30 am CET (10:30 GMT). The event can be followed by conference call; the support material will be made available online at www.snam.it, in the Investor Relations section, at the beginning of the conference call. The video webcast of the presentation will also be available in the same section of the website.

Pursuant to paragraph 2, article 154-bis of the TUF, the manager in charge of preparing the company's financial reports, Franco Pruzzi, states that the accounting information included in this press release corresponds to documents, accounting ledgers and other records.

Disclaimer

This press release includes forward-looking statements, particularly regarding the evolution of natural gas demand, investment plans and future management performances. Such statements by their very nature are subject to risk and uncertainty as they depend on the fact that certain events and developments will take place. The actual results may therefore differ from those communicated for different reasons, such as foreseeable trends in demand, offer and prices of natural gas, general macro-economic conditions, the effect of new energy and environment legislation, the successful development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.