

Summary data and information



Results

In order to allow for a better assessment of the performance of economic-financial operations, this Report includes the reclassified financial statements and some alternative performance indicators (non-GAAP measures), mainly represented by the results in the adjusted configuration. More specifically, Gross operating profit (EBITDA), Operating profit (EBIT) and adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the operating profit and the reported net profit, as per the scheme of the Income Statement.

Income components classified as special items in the first half of 2020 refer to costs incurred as a result of the COVID-19 pandemic-related emergency, mainly related to donations of medical supplies and cash to the Italian health system and the third sector, purchases of personal protective equipment for internal use and costs for services, for a total of Euro 9 million (Euro 6 million net of related taxes).

No special items were recognised in the first half of 2019.

ADJUSTED RESULTS³

Adjusted EBITDA for the first half of 2020 amounted to Euro 1,107 million, substantially in line with the corresponding figure reported for the first half of 2019 (Euro -4 million or 0.4%). The higher regulated revenues deriving from the increase in the RAB base (Euro +6 million), together with the cost reduction actions activated as a result of the lock-down measures, were absorbed by the effects of the reduction in volumes of gas transported as a result of the COVID-19 health emergency and milder weather during the winter months (Euro -15 million compared with the same period of the previous year).

Adjusted EBIT⁴ for the first half of 2020 amounted to Euro 733 million, down Euro 23 million, or 3.0%, compared with the corresponding figure reported for the first half of 2019 following the above-mentioned reduction in EBITDA together with the physiological increase in amortisation and depreciation (Euro -19 million, or 5.4%), resulting from the entry into service of new assets.

Adjusted EBIT

Euro **733** million; -3.0%

³ For the definition of these indicators and the reconciliation of the economic ones with the related reported results, in line with the guidelines of the 2015/ESMA1415 document "ESMA Guidelines on Alternative Performance Measures" of 05 October 2015 as subsequently amended, please refer to the chapter "Financial review and other information - Non-GAAP measures".

⁴ An analysis of EBIT by business segment is provided in the "Business segment operating performance" section. In conformity with IFRS 8 "Operating segments", the operating business segments were defined on the basis of the internal reporting used by the Company's management for allocating resources to the different segments and for analysing the respective performances. To this end, it is noted that the "Corporate and other activities" segment, not operating under the terms of IFRS 8, includes the new companies acquired in FYs 2018 and 2019, which head activities relating to the energy transition. The operating business segment of Natural gas transportation includes the values of the companies Snam Rete Gas, Infrastrutture Trasporto Gas and Enura.

Adjusted net profit

Euro **578** million; -0.5%

Adjusted net profit in the first half of 2020 amounted to Euro 578 million, substantively in line (Euro -3 million or 0.5%) compared with the reported net profit achieved in the first half of 2019 (Euro 581 million). The above-mentioned reduction in EBIT was partly absorbed by the improvement in net financial expense (Euro +18 million; equal to 21.2%), mainly due to the optimisation of the financial structure and treasury management, despite the higher average indebtedness for the period influenced by the outlay for the acquisition of the jointly controlled interest in OLT, as well as temporary effects on working capital, which are expected to be partly reabsorbed in the second half of the year. The reduction in net profit was also affected by lower income from equity investments (Euro -8 million; -6.8%) due to the lower contribution of the investee company Teréga, which in the first half of 2019 had benefited from non-recurring income, and Interconnector UK which, in line with forecasts, had lower capacity commitments in the first half of the year compared with the same period last year, more than absorbed by lower income taxes (Euro -10 million; equal to 4.8%) essentially due to lower pre-tax profit.

Net cash flow from operations (Euro 749 million) allowed us to cover entirely the net technical investments for the period of Euro 513 million. Including the disbursement related to the acquisition of the jointly controlled interest in OLT (Euro 334 million, including ancillary charges; Euro 316 million net of redemptions for the period), **Free Cash Flow** was negative by Euro 83 million. Net financial debt, after the cash flow of shareholders' equity (Euro 881 million), deriving primarily from payment to shareholders of the 2019 dividend (Euro 770 million, of which Euro 313 million as an advance and Euro 457 million as the balance⁵) and from purchase of treasury shares (Euro 111 million), recorded an increase of Euro 965 million on 31 December 2019.

Technical investments

Euro **+49** million

Technical investments in the first half of 2020 totalled Euro 457 million (Euro 408 million in the first half of 2019), Euro 49 million or 12.0% more than in the same period last year, despite the slowdown caused by the COVID-19 pandemic. The investments related mainly to the transportation (Euro 388 million; Euro 340 million in the first half of 2019) and storage (Euro 43 million; Euro 60 million in the first half of 2019) segments. On the basis of the information available to date, it is expected that by the end of the year there will be a substantial recovery of the delays compared to the investments planned for 2020.

During the first half of 2020, there were 3 **accidents** involving Snam employees and contractors, similarly in the first half of 2019, despite the expansion of the group's perimeter, thanks to Snam's constant commitment to developing and promoting health and safety protection in the workplace, not only within the company but also towards suppliers. With regard to **accident indices**, there was a decrease in frequency (0.49; 0.54 in the first half of 2019), but an increase in severity compared with the first half of 2019 (1.25; 0.04 in the first half of 2019), following an accident with fatal outcome that occurred to a contracting supplier.

⁵ The total dividend from 2019 earnings amounted to Euro 779 million, including Euro 313 million as an advance (paid in full) and Euro 466 million as the balance (including Euro 457 million paid at 30 June 2020 and Euro 9 million to be paid upon deferral of collection requested by certain shareholders).

Main events

Financing

Transition Bond

On 10 June 2020, Snam S.p.A. concluded issue of its first Transition Bond for a nominal amount of Euro 500 million, with annual coupon of 0.75% and maturity on 17 June 2030.

By issuing its first Transition Bond, which follows the issue of the Climate Action Bond in February 2019, Snam intends to ensure full alignment of the company's financial strategy with the energy transition through its sustainability objectives, as well as further expanding its investor base.

International business development

Snam - in consortium with five international funds - signs agreement with ADNOC to join the networks of the Arab Emirates

On 15 July 2020, the consortium consisting of Snam and the investment funds Global Infrastructure Partners (GIP), Brookfield Asset Management, GIC (the Singapore sovereign fund), Ontario Teachers' Pension Plan and NH Investment & Securities, following the fulfilment of all conditions precedent, completed the acquisition of 49% of ADNOC Gas Pipeline Assets LLC (ADNOC Gas Pipelines) from The Abu Dhabi National Oil Company (ADNOC), as had been announced on 23 June.

The transaction values 49% of ADNOC Gas Pipelines, a company that holds for 20 years the management rights to 38 pipelines in the United Arab Emirates, at about 10.1 billion dollars.

The consortium has obtained approximately 8 billion dollars in funding from a pool of international banks. The equity contribution is distributed proportionally among the consortium members, all of whom hold equal shares with the exception of the GIP leader. For Snam, in particular, the disbursement from own resources amounted to approximately 250 million dollars.

The transaction represents for Snam, the consortium's only industrial operator, an important investment opportunity in a strategic infrastructure, also in the framework of possible future collaborations in the energy transition in the Gulf area.

Biomethane

Entry into the agricultural biomethane segment: agreement signed for the acquisition of 50% of Biomethane Initiatives

Snam, through its subsidiary Snam 4 Environment and following the stipulation of a binding letter of intent communicated on 21 November 2019 when the strategic plan was presented, signed an agreement with Femogas S.p.A. for the acquisition of a 50% stake in the share capital with joint control rights of Iniziativa Biometano, a company operating in Italy in the management of biogas and biomethane plants fed with biomass of agricultural origin. The value of the transaction is approximately Euro 10 million.

The acquisition will allow Snam to enter and increase its expertise in the field of biomethane for agricultural production, whose development is crucial for the affirmation of biomethane in Italy as a structuring element of the energy transition. Iniziativa Biometano, through its subsidiaries, owns five biogas plants already in operation, for which conversion to biomethane is planned, and is also developing further projects throughout Italy. The plants acquired through the acquisition of Iniziativa Biometano will have a total production potential of about 31 megawatts when fully operational.

The transaction, which is expected to be closed by the end of the year, will generate further synergies for the Snam Group as the plant conversion and construction activities will be carried out through the subsidiary IES Biogas, leader in the construction of biogas and biomethane plants in Italy and abroad. In its plan for 2023, Snam looks to invest Euro 250 million in the biomethane segment as part of its comprehensive growth programme in the most important sectors of energy transition and decarbonisation.

Energy efficiency

Snam strengthens itself in energy efficiency: agreement to acquire 70% of Miei and Evolve

On 10 June 2020 Snam, through its subsidiary Snam4Efficiency, signed contracts with Gemma S.r.l. and Fen Energia S.p.A. to acquire, in cash, 70% of two companies active in the energy efficiency sector in Italy, Miei S.p.A. and Evolve S.r.l., for a total value of approximately Euro 50 million.

The transaction enables Snam to achieve structural development of its portfolio of activities and a consequent substantial improvement in its competitive

positioning in this business by acquiring, through its partnership with Gemma and Fen Energia, one of the leading national operators in energy and technology services for public bodies and private customers, new skills in energy efficiency in the public and residential sectors. In particular, in the residential sector, the synergies between Evolve and the ESCo (Energy Service Company) TEP Energy Solution, already controlled, will allow Snam to increase its market position and play a leading role in the spread of energy efficiency in Italian condominiums, also in the context of the new ecobonus.

As part of the transaction, options are envisaged to allow Snam 4 Efficiency to acquire 100% of both companies in the long term and, for the seller, to invest in Snam 4 Efficiency. The transaction, subject to antitrust clearance, is expected to be completed by the end of October.

Sustainable mobility

Awarded third order for public transport in Paris

Cubogas, controlled by Snam4Mobility and specialized in technological solutions for CNG (compressed natural gas) refueling stations, was awarded the tender for the construction of a new natural gas distributor for buses launched by RATP, the Parisian public transport company active in the entire Île-de-France region.

The order, worth approximately 1.4 million euros, provides for the supply of three compressors, two additional storages of 45 cylinders each and further accessories for the new Nanterre refueling station, which will be able to supply CNG to about 200 buses that run in the Paris metropolitan area. The Nanterre site, which is already set to supply an increasing number of buses in the future, follows the orders assigned by RATP to Cubogas over the past months for two other locations close to the French capital.

These tenders will allow Snam to contribute to the decarbonisation of Paris' public transport through a greater diffusion of natural gas to replace traditional fuels; as well as helping to demonstrate the international breadth of Cubogas' activities.

Hydrogen

Alstom and Snam: agreement for the development of hydrogen trains in Italy

Snam and Alstom, a global leader in integrated solutions for sustainable mobility, have signed a five-year agreement to develop hydrogen trains in Italy.

The aim of the agreement is to implement, as early as the start of 2021, rail mobility projects including both hydrogen-powered trains and the technological infrastructure necessary for the supply, as well as vehicle management and maintenance services.

Under the agreement, Alstom will be responsible for the supply and maintenance of hydrogen trains, whether newly built or converted, while Snam will work on developing the infrastructure for production, transport and refuelling.

The collaboration stems from the common commitment of the two companies on hydrogen: Alstom launched the Coradia iLint in Germany, the world's first fuel cell train, already in service for a year and a half on a regional route, while Snam was among the first companies in the world to experiment with the injection of 10% hydrogen into the natural gas transport network.

Memorandum of Understanding (MoU) between Snam and Rina for the launch of a collaboration in the hydrogen sector

Snam and Rina, a leading global player active in the field of testing, inspection, certification and engineering consulting services, have signed an MoU to start a collaboration in the hydrogen sector, in order to realise its wide potential as a key energy carrier for the fight against climate change and the decarbonisation of industries.

Other

COVID-19 health emergency

Snam, also through the Snam Foundation, has decided to donate Euro 20 million to support the Italian health system and the third sector in the fight against the COVID-19 emergency. To date, 600 ventilators and 600,000 masks have been donated and over 60 non-profit organisations and associations have been supported. The donation will also be allocated to new initiatives to support the restart of the country after the acute phase of the health emergency. In addition, the "Diamo forma al futuro" ("Let's shape the future") fund-raising campaign, promoted by Snam employees, was launched, ending on 11 May. As part of this initiative, to which the Chief Executive Officer Marco Alverà also contributed, over 10% of managers decided to reduce their GAC by percentages ranging from 5% to 25%. The total amount collected will be doubled by Snam, for a total amount of over Euro 800 thousand, and will then be donated to parties involved in the health emergency and identified together with the Snam Foundation. Transfers of over Euro 60 thousand

were also made to external entities, doubled by the company. In addition, more than 250 days of vacation were donated to third parties and employees in difficulty and 4,000 hours of work, thanks to the generosity of over 1,200 employees.

New share buyback and cancellation plan treasury shares without reduction of share capital

On 18 June 2020, the Snam Ordinary Shareholders' Meeting, after revoking the resolution of the Ordinary Shareholders' Meeting of 2 April 2019 to authorise the purchase of treasury shares, for the part that remained unexecuted, authorised the purchase of treasury shares, to be carried out on one or more occasions through one or more top-level intermediaries appointed by the Company, for a maximum duration of 18 months from the date of the resolution, with a maximum disbursement of Euro 500 million, and in any case up to the maximum limit of shares in portfolio equal to 6.50% of the subscribed and paid-up share capital (taking into account treasury shares already held by the Company).

The shareholders' resolution also specifies the terms and conditions of the price for the purchase of treasury

shares and provides that acts of disposal may be carried out on one or more occasions, without time limits and even before the purchases have been exhausted, in relation to all or part of the Company's treasury shares purchased on the basis of the same resolution, as well as those already held. The Extraordinary Shareholder's Meeting held on the same date also approved the cancellation of 33,983,107 treasury shares with no nominal value with no change to the share capital and the resulting amendment of art. 5.1 of the Articles of Association. The shares were cancelled on 06 July 2020 following the deposit with Companies House of the amended Articles of Association.

As a result of this transaction, the share capital consists of 3,360,857,809 shares with no nominal value for a total value of Euro 2,736 million (as at 31 December 2019). At the date of this report, Snam has 91,500,000 shares in its portfolio, equal to 2.72% of the share capital.

Key figures

Main income statement data

(€ million)	First half		Change	Change %
	2019	2020		
Regulated revenues (a)	1,252	1,273	21	1.7
Total revenue (a)	1,303	1,346	43	3.3
Operating costs (a) (b)	192	239	47	24.5
EBITDA (b)	1,111	1,107	(4)	(0.4)
(EBIT) (b)	756	733	(23)	(3.0)
Net profit (b) (c)	581	578	(3)	(0.5)

(a) Starting 01 January 2020, the cost components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction of the corresponding revenue (Euro 25 million in the first half of 2020). Consistently, the corresponding figures for the first half of 2019 (Euro 29 million) have been restated.

(b) The 2020 values are shown in the adjusted configuration.

(c) Entirely held by Snam shareholders.

Reported results

(€ million)	First half		Change	Change %
	2019	2020		
EBIT	756	724	(32)	(4.2)
Net profit (a)	581	572	(9)	(1.5)

(a) Entirely held by Snam shareholders.

Key balance sheet and cash flow figures

(€ million)	First half		Change	Change %
	2019	2020		
Technical investments	408	457	49	12.0
Net invested capital at period end	17,588	19,112	1,524	8.7
Shareholders' equity at end of period (including minority interests)	6,065	6,224	159	2.6
Shareholders' equity attributable to Snam at period end	6,062	6,221	159	2.6
Net financial debt at period end	11,523	12,888	1,365	11.8
Free cash flow	794	(83)	(877)	

Key share and income figures

		First half		Change	Change %
		2019	2020		
Number of shares of share capital	(million)	3,394.8	3,394.8		
Number of shares outstanding at year end	(million)	3,300.8	3,269.4	(31.4)	(1.0)
Average number of shares outstanding during the period	(million)	3,300.8	3,292.1	(8.7)	(0.3)
Period end official share price	(€)	4.388	4.334	(0.054)	(1.2)
EBIT per share (*)	(€)	0.229	0.220	(0.009)	(4.0)
Net profit per share held by Snam shareholders (*)	(€)	0.176	0.174	(0.002)	(1.3)

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

Key operating figures

	First half		Change	Change %
	2019	2020		
Natural gas transportation (a)				
Natural gas injected into the National Gas Transportation Network (billions of cubic metres) (b)	39.82	35.71	(4.11)	(10.3)
Gas demand (b)	40.44	36.06	(4.38)	(10.8)
Liquefied Natural Gas (LNG) regasification (a)				
LNG regasification (billions of cubic metres)	1.39	1.30	(0.09)	(6.5)
Natural gas storage (a)				
Total available storage capacity (billions of cubic metres) (c)	12.5	12.5		
Natural gas moved through the storage system (billions of cubic metres)	11.8	11.9	0.10	0.8
Employees in service at period end (number) (d)				
	3,014	3,048	34	1.1
<i>of which business segment:</i>				
- Transportation	1,894	1,908	14	0.7
- Regasification	64	64		
- Storage	63	62	(1)	(1.6)
- Corporate and other activities (e)	993	1,014	21	2.1
Employees and contract workers accident indices				
Total number of injuries	3	3		
Frequency index (f)	0.54	0.49	(0.05)	
Severity index (g)	0.04	1.25	1.21	

(a) With regard to the first half of 2020, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.575 kWh/SCM) for transportation and regasification activities and approximately 39.3 MJ/SCM (10.893 kWh/SCM) natural gas storage for the 2020-2021 thermal year.

(b) The data for the first half of 2020 is current as at 09 July 2020. The corresponding figure for 2019 has been updated definitively and is consistent with that published by the Ministry of Economic Development.

(c) (e) Working gas capacity for modulation, mining and balancing services. The available capacity at 30 June 2020 is that declared to the Electricity, Gas and Water Authority at the start of the 2020-2021 thermal year, almost entirely conferred as at 30 June 2020.

(d) Fully consolidated companies.

(e) The figures for the first half of 2020 include the resources coming from the companies of the Renerwaste group (41 resources, as at 30 June 2020) and from TEA Servizi (5 resources, as at 30 June 2020).

(f) Frequency index: number of accidents at work resulting in absence of at least one day, per million hours worked.

(g) Severity index: number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Natural gas transportation

During the first half of 2020, the volumes of gas injected into the network totalled 35.71 billion cubic metres, down by 4.11 billion cubic metres, or 10.3%, compared to the corresponding figure for the first half of 2019 (39.82 billion cubic metres), essentially as a result of the significant drop in demand for natural gas in Italy (36.06 billion cubic metres; -4.38 billion cubic metres; -10.8%) recorded in all consumption sectors. In particular, the contraction in gas demand is attributable: (i) to the lesser consumption in the thermoelectric sector (-1.66 billion cubic metres; -13.0%), recorded almost entirely in March-June as a result of the reduction in demand for electricity caused by lock-down measures to contain the COVID-19, as well as the increase in production from hydroelectric and photovoltaic plants, partly offset by a substantial drop in electricity import flows; (ii) to the lesser consumption in the residential and tertiary sector (-1.55 billion cubic metres; -8.9%) compared to milder temperatures in the first half of 2019.

The reduction in demand for natural gas was also affected by lesser consumption in the industrial sector (-1.03 billion cubic metres; -11.4%), affected by a 20% reduction in the industrial production index in the first five months of 2020, intensified by the closure of various production activities following the lock-down (March-April) and then by the slow recovery of industrial production (May-June).

Adjusted for the weather effect, gas demand was estimated at 36.39 billion cubic metres, down by 3.32 billion cubic metres (8.4%) compared with the first half of 2019 (39.71 billion cubic metres), also following the greater use of energy efficiency enhancing measures by the residential and tertiary sector.

Natural gas storage

The natural gas moved through the storage system in the first half of 2020 totalled 11.9 billion cubic metres, a slight rise compared with volumes in the first half of 2019 (+0.1 billion cubic metres; +0.8%). The higher injections were partly compensated by lower storage supply, mainly due to weather conditions. Total storage capacity at 30 June 2020, including strategic storage, was 17.0 billion cubic metres (unchanged from 30 June 2019 and 31 December 2019). Total capacity includes 12.5 billion cubic metres of available storage capacity, fully booked as at 30 June 2020, and 4.5 billion cubic metres of strategic⁶ storage capacity (unchanged from the thermal year 2019-2020).

⁶ With a press release dated 17 January 2020, the same Ministry confirmed for the thermal year 2020-2021 (01 April 2020-31 March 2021) the volume of strategic gas storage equal to 4.62 billion cubic metres, of which 4.5 billion are attributable to Stogit.

Liquefied Natural Gas (LNG) regasification

During the first half of 2020, 1.30 billion cubic metres of LNG (1.39 billion cubic metres in the first half of 2019) were regasified and 31 methane tankers were unloaded (33 in the first half of 2019), in line with the number of unloadings conferred.

Snam share performance

The Snam share price ended the first half 2020 at an official price of Euro 4.334, down 7.51% from the Euro 4.686 recorded at the end of 2019.

The average value of the share during the half year was Euro 4.358, peaking at Euro 5.1 in the second half of February.

In the first few months of the year, Snam shares benefited from the perceived greater stability of the regulatory environment compared to other sectors.

Since the beginning of March, concerns about the effects of the COVID-19 pandemic and lock-down measures have triggered strong tensions and volatility in financial markets and global equity indices have fallen sharply. The Snam share also fell in relation to the intensification of restrictive measures and the widening of the yield differential between Italian and German government bonds. Despite the restrictions imposed by the authorities on production activities and the mobility of people, the company has worked with great commitment and extraordinary measures to guarantee its essential energy security service. Despite the difficult context, Snam has confirmed its 2019 - 2023 investment plan. On the basis of the most up-to-date information available, also due to the nature of Snam's activities, limited impacts are expected on the economy and the investment programme, proportionately to the speed of recovery of business.

The growing results in the first quarter, the success of the issue of the first Transition Bond, whose funds will be used to finance projects in the energy transition, the agreement with ADNOC to join the networks of the Arab Emirates, and the continued commitment to energy transition activities, are elements that contributed to a gradual recovery of the share in the last months of the first half of the year.

SNAM - Comparison of prices of Snam, FTSE MIB and STOXX Europe 600 Utility
(1 January 2020 - 30 June 2020)

