

# 2019 Interim Results

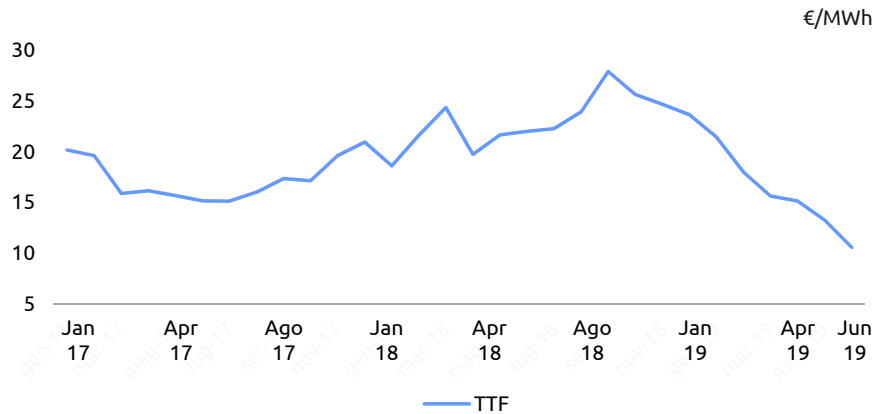


Milan  
August 1, 2019

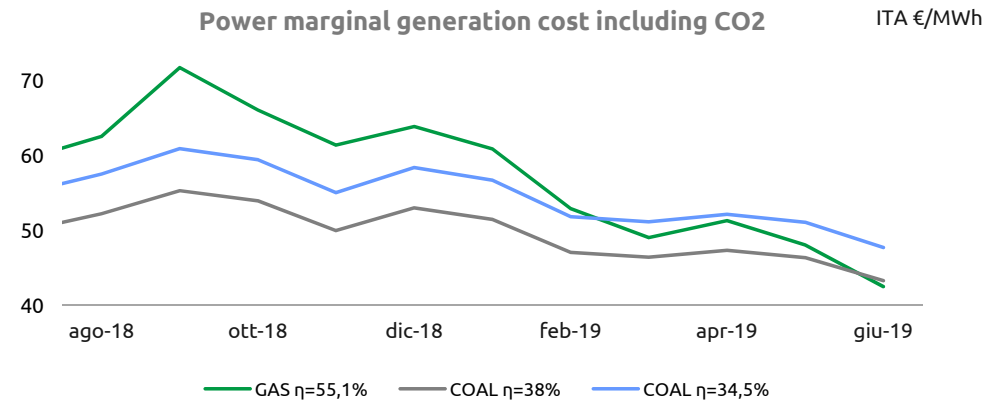
# H1 2019: a supportive gas market environment



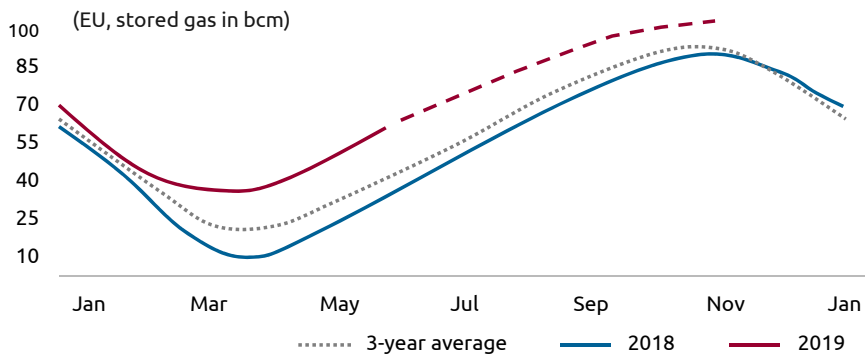
## Gas prices have fallen significantly



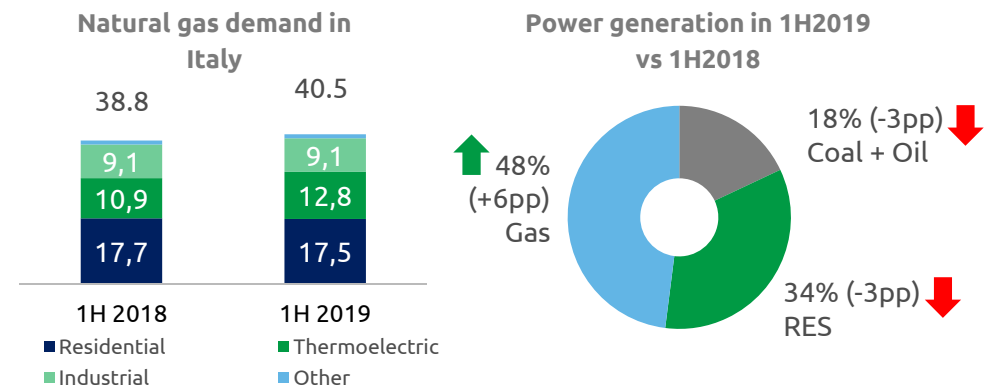
## Growing competitiveness of coal to gas switching



## Gas storage utilization is increasing



## Gas demand in Italy has risen



Sources: ICIS, GIE, system operators, Energy Aspects

# H1 highlights: delivery on the business plan



## Continuous improvement in our core business

---



- Capex plan on budget: €408m (+16% yoy)
- Additional visibility on regulatory environment, with ca. 5 years line of sight, upcoming consultation on output-based incentives
- Progress on regulated services: revenues ca. 9 €m in first half 2019
- Efficiency plan ongoing: additional € 5m efficiencies

## Enhanced exposure to the energy transition: progress on SnamTec

---



- Operational excellence: tested drones for asset monitoring,
- 73 contract signed for new CNG/LCNG stations
- >100 new connections of CNG stations and biomethane plants have been completed
- Delivered blend of hydrogen and natural gas in transmission network to industrial users

## Progress on international activities

---



- TAP >88% complete
- Desfa acquisition; new regulatory period improves risk adjusted returns

## Value creation from optimization of financial structure

---



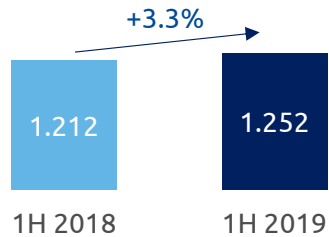
- Funding for c. €0.9bn with an average maturity of 9 years at c. 1.4%
- Treasury optimization: Euro Commercial Paper Program reaching ca. 1.4bn€ at the end of June 2019
- Sustainable finance: new EIB loan to fund sustainable mobility and first Climate Action Bond issuance in Europe

# H1 2019 results



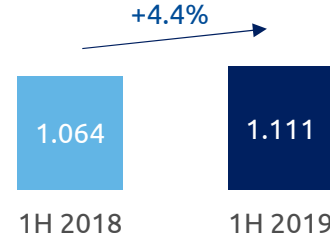
## Regulated revenues

(excluding pass through)



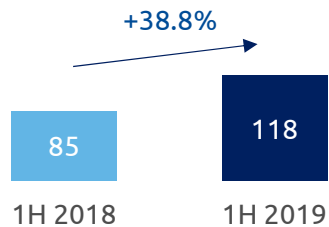
- Wacc increase
- Tariff RAB increase
- Increasing output based incentives

## EBITDA



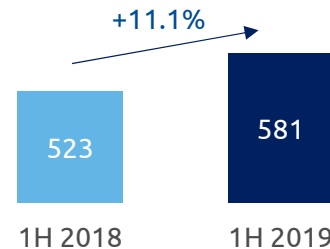
- Higher regulated revenues
- Ongoing efficiency program

## Income from associates



- Desfa acquisition
- Terega:
  - Higher RAB mainly due to the reinforcement of Gascoigne Midi
  - Release of a tax provision accrued in 2017

## Net income



- Strong operational results
- Solid income from associates
- Lower financial charges

# Progressing on our ESG guiding principles



## Environment



### Emissions reduction and efficiency in 1H2019:

- **-4% CO2** thanks to new heaters and energy efficiency in buildings
- **-17% NOX** thanks to new DLE turbines

### Reduction of CH4 emissions:

- **-13%** expected in 2019 vs 2016 thanks technology update and in line gas recompression
- On track to reach **-25%** in 2025

### Energy transition:

- first **hydrogen injection** in the network in Europe
- Evaluation of technical and economic feasibility of power to gas
- 73 contract signed for new CNG/LCNG stations up to now
- Second edition of "Gas for Climate" published with Navigant

## Social



**Snam4Safety:** training of all the operational managers on new safety tool completed

**Inclusion:** female hires **+15%** vs 1H 2018

**Performance management:** extended to **1600** employees, **100%** target confirmed by 2020

**Smart working** open to **800** employees +60% vs 2018YE

**Snam Foundation:** corporate volunteering week planned for 2019: **300** employees involved

**Supply chain program** of CDP (Carbon Disclosure Project) launched

**Young energy program:** 800 students and 9 high schools involved

## Governance



### Business integrity and anti-corruption

**~2500** reputational checks on suppliers in 1H2019

### Effective & integrated governance

**2/3** of BoD members are independent

New **ESG committee** appointed

**Snam for future** published, according to TCFD (Task Force on Climate Related Financial Disclosure) recommendations

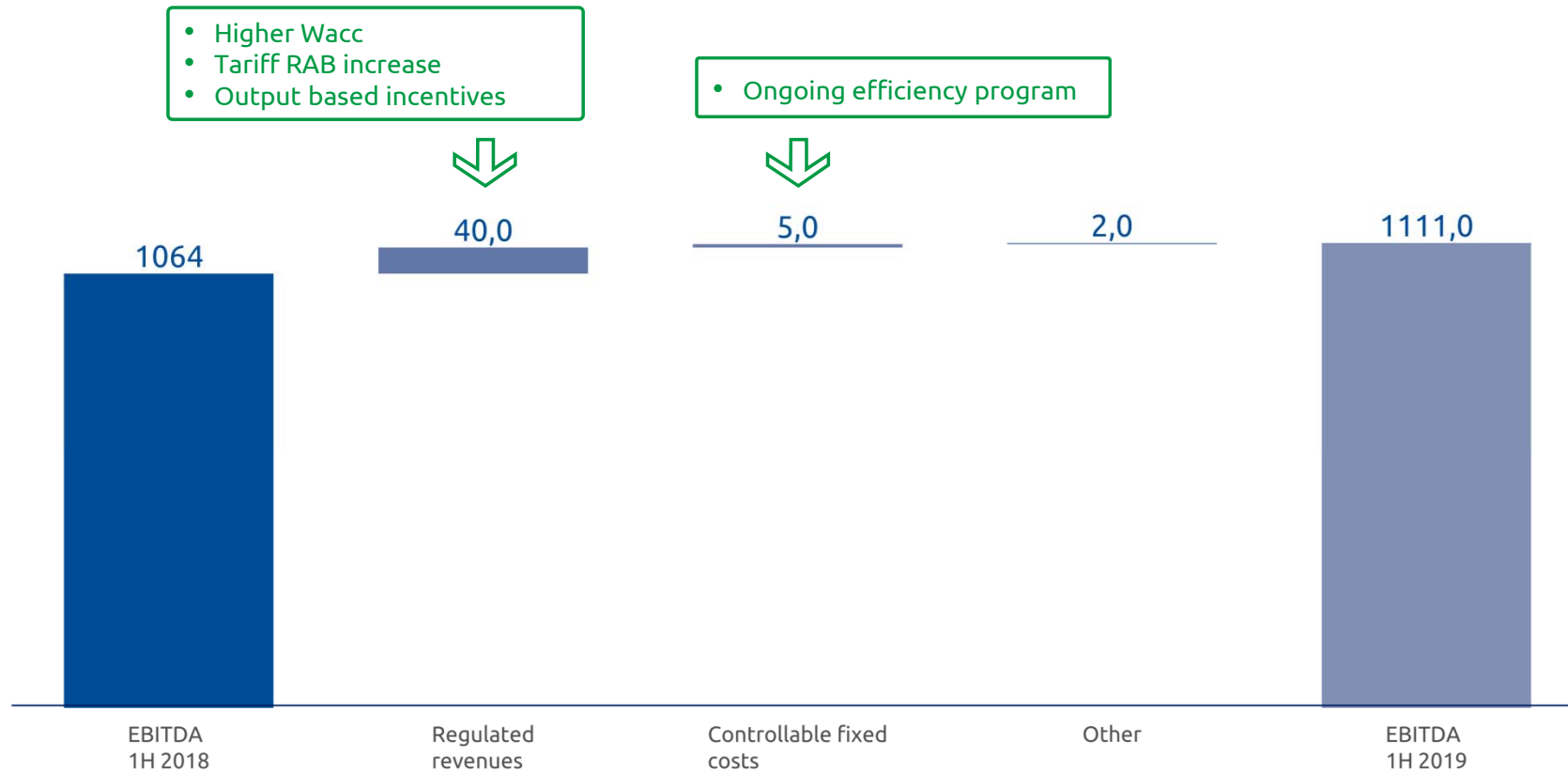


## 2019 1H consolidated results

# EBITDA 1H 2019



€ mn








# Portfolio main financials



€ Million

Net income contribution

EBITDA pro quota

	 TAG Trans Austria Gasleitung	 GAS CONNECT AUSTRIA	 TEREGA	 Interconnector	 DESFA <small>Hellenic Gas Transmission System Operator S.A.</small>	Total
1H 2019 <sup>1</sup>	39	5	29	7	15	95
1H2018 <sup>1</sup>	39	4	15	6	-	64
1H 2019						207
1H2018						175



- Higher RAB (commissioning of Gascoigne Midi, +€ 2m revenues)
- Release of a tax provision (+€ 6m)
- Lower residual depreciation of the acquisition price premium (+€ 7m)

strong demand for innovative capacity products

Acquisition closed in Dec 2018

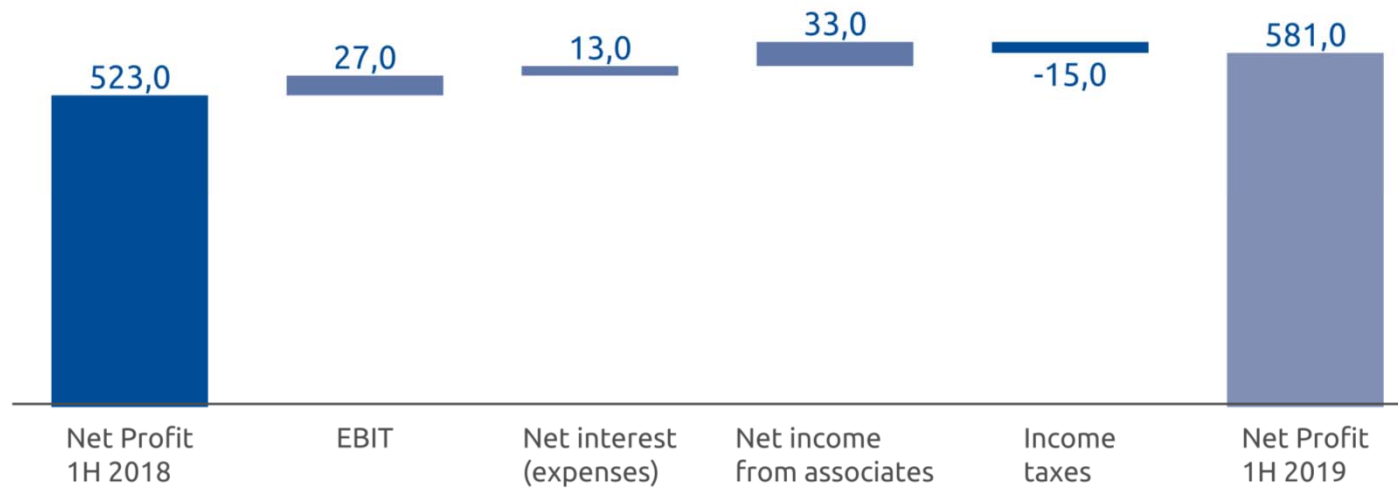
1) The reported financial figures: (i) refer to Snam Consolidated Financial Statements, (ii) take into consideration accounting adjustments (sub-consolidations; application of IFRS; alignment to Snam's accounting policies), (iii) take into account the economic impact of acquisition vehicles. For GCA 1H 2018 and 1H 2019 figures are consistent with the estimate of Snam Financial Statements. For IUK the average exchange rate of GBP/EUR Q1 and Q2 was applied



# Net Income 1H 2019



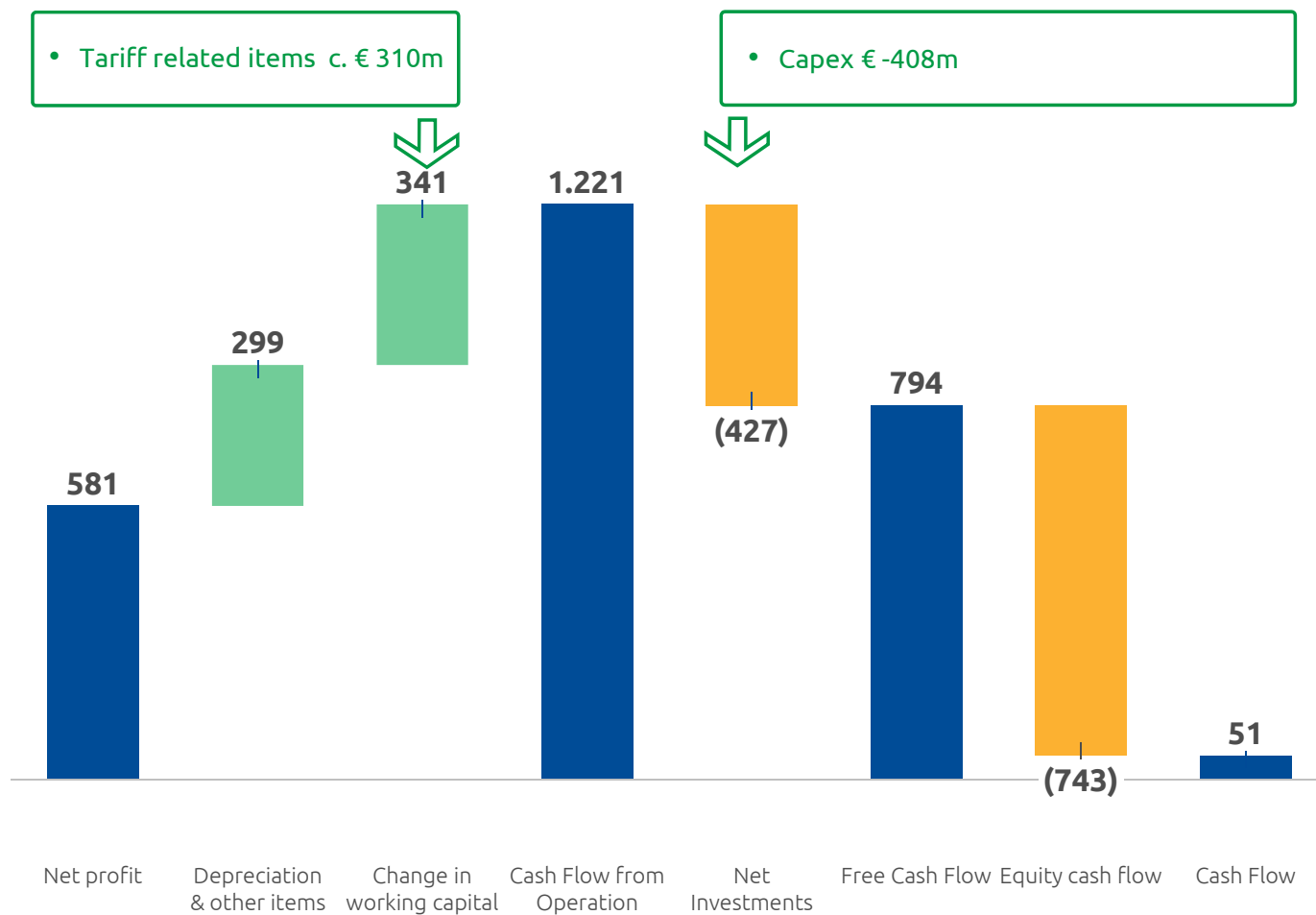
€ mn



# Cash flow



€ mn



# Snam Debt Structure

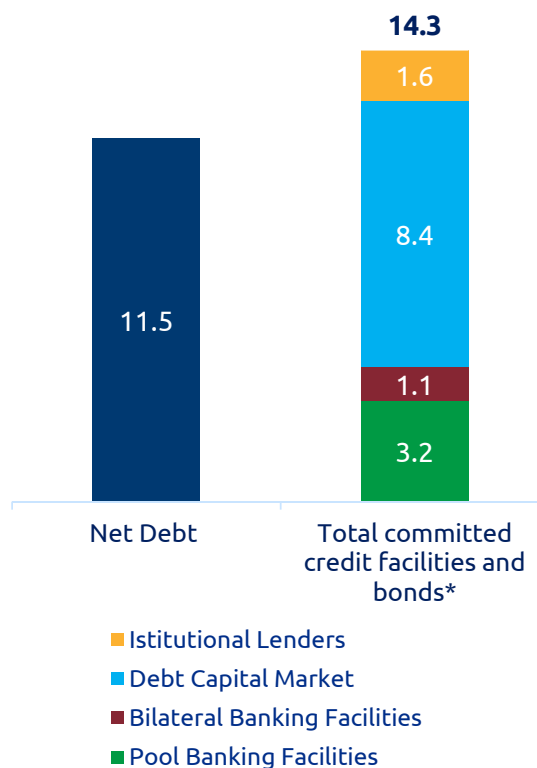


## Highlights

- **First Climate Action bond issuance in Europe** and target achieved for margin step-down of the **sustainable loan**
- **1H Funding for 0.9 € bn** – 9 years @ ca. 1.4%
- **Treasury Management Optimization:**
  - ✓ significant **utilization of uncommitted credit lines**
  - ✓ in 1H 2019 the **ECP Programme** has reached ca. € 1.4bn
- **Share Buyback Program**
  - ✓ ca. 74m treasury shares cancelled. Remaining treasury shares: 94m
  - ✓ new opportunistic SBB plan approved: 500m€ – 18 months – 6.5% of outstanding shares

## Net debt and funding sources as of

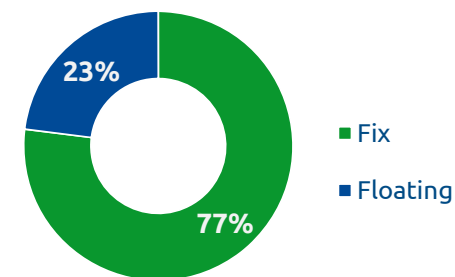
30 June 2019



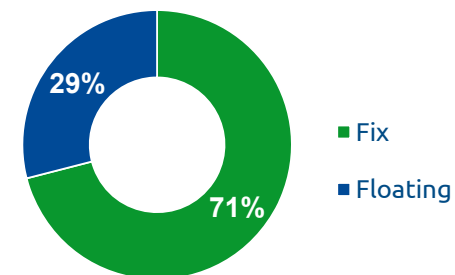
\* Not including ca. €1.4 billion Euro Commercial Paper

## Fixed – Floating gross debt breakdown

FY 2018



1H 2019



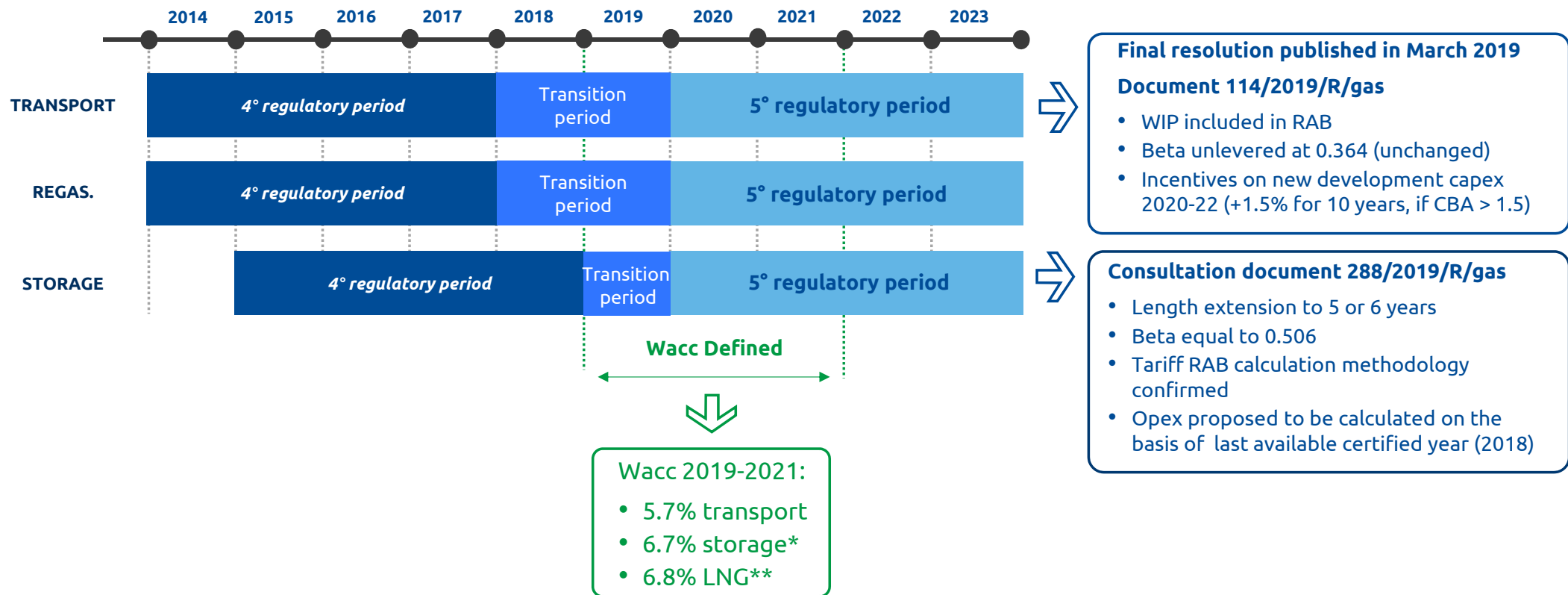
**Maturity of M/L term debt ~ 5 years**

Uncommitted credit lines and Commercial Papers are considered as floating rate debt, given their nature of short-term facilities used for treasury management optimization



**BACKUP**

# Storage consultation document: more regulatory visibility



## Transparent regulatory framework

\* Assuming flat beta as indicated in the last consultation document \*\* Assuming flat beta

# Regulation: update



## Transport



- Resolution on the 5<sup>th</sup> regulatory period
- ACB (Cost Benefit Analysis) criteria
- Definition of possible incentives to operate fully depreciated assets
- Output based incentives



**Final resolution in line with business plan assumptions: WIP included in RAB, Beta unlevered at 0.364 (unchanged)**



**Final resolution approves ACB criteria proposed by Snam**



Snam report on asset health by YE2019  
Consultation document expected in first half 2020



Consultation to review balancing activities targets by year end 2019  
Consultation on other output based incentives expected during the 5<sup>th</sup> regulatory period

## Storage



- Consultation on the 5<sup>th</sup> regulatory period



**Consultation in line with current criteria, final document expected in Q4**

## LNG



- Consultation on the 5<sup>th</sup> regulatory period



Expected in 3Q 2019, and final document in Q4 2019

# Income Statement



[ € mn ]	2018 1H	2019 1H	Change	Change %
Revenues	1,271	1,332	61	4.8%
Operating expenses	(207)	(221)	(14)	6.8%
<b>EBITDA</b>	<b>1,064</b>	<b>1,111</b>	<b>47</b>	<b>4.4%</b>
Depreciation & amortisation	(335)	(355)	(20)	6.0%
<b>EBIT</b>	<b>729</b>	<b>756</b>	<b>27</b>	<b>3.7%</b>
Net interest income (expenses)	(98)	(85)	13	(13.3)%
Net income from associates	85	118	33	38.8%
<b>EBT</b>	<b>716</b>	<b>789</b>	<b>73</b>	<b>10.2%</b>
Income taxes	(193)	(208)	(15)	7.8%
<b>NET PROFIT</b>	<b>523</b>	<b>581</b>	<b>58</b>	<b>11.1%</b>

# Revenues



[ € mn ]	2018 1H	2019 1H	Change	Change %
<b>Regulated revenues</b>	<b>1,241</b>	<b>1,281</b>	<b>40</b>	<b>3.2%</b>
Transport	952	992	40	4.2%
Storage	251	251	-	-
LNG	9	9	-	-
Pass-through revenues	29	29	-	-
<b>Other revenues</b>	<b>30</b>	<b>51</b>	<b>21</b>	<b>70.0%</b>
<b>TOTAL REVENUES</b>	<b>1,271</b>	<b>1,332</b>	<b>61</b>	<b>4.8%</b>



# Operating Expenses



[ € mn ]	2018 1H	2019 1H	Change	Change %
<b>Regulated activities</b>	<b>175</b>	<b>161</b>	<b>(14)</b>	<b>(8.0)%</b>
Controllable fixed costs	129	124	(5)	(3.9)%
Variable costs	3	8	5	166.7%
Other costs	14	-	(14)	(100.0)%
Pass-through costs	29	29	-	-
<b>Non regulated activities</b>	<b>32</b>	<b>60</b>	<b>28</b>	<b>87.5%</b>
<b>TOTAL COSTS</b>	<b>207</b>	<b>221</b>	<b>14</b>	<b>6.8%</b>

# Balance Sheet



[ € mn ]	2018	2019 1H	Change	Change %
<b>Net invested capital</b>	<b>17,533</b>	<b>17,588</b>	<b>55</b>	<b>0.3%</b>
Fixed capital	18,856	19,062	206	1.1%
Tangible fixed assets	16,516	16,663	147	0.9%
Intangible fixed assets	907	912	5	0.6%
Equity-accounted and other investments	1,750	1,783	33	1.9%
Financial receivables held for operating activities	11	1	(10)	(90.9)%
Net payables for investments	(328)	(297)	31	(9.5)%
<b>Net working capital</b>	<b>(1,259)</b>	<b>(1,414)</b>	<b>(155)</b>	<b>12.3%</b>
Receivables	1,487	1,134	(353)	(23.7)%
Liabilities	(2,746)	(2,548)	198	(7.2)%
Provisions for employee benefits	(64)	(60)	4	(6.3)%
<b>Net financial debt</b>	<b>11,548</b>	<b>11,523</b>	<b>(25)</b>	<b>(0.2)%</b>
<b>Shareholders' equity</b>	<b>5,985</b>	<b>6,065</b>	<b>80</b>	<b>1.3%</b>

# Disclaimer

---



Franco Pruzzi, in his position as manager responsible for the preparation of financial reports, certifies pursuant to paragraph 2, article 154-bis of the Legislative Decree n. 58/1998, that data and information disclosures herewith set forth correspond to the company's evidence and accounting books and entries.

This presentation contains forward-looking statements regarding future events and the future results of Snam that are based on current expectations, estimates, forecasts, and projections about the industries in which Snam operates and the beliefs and assumptions of the management of Snam.

In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management are forward-looking in nature.

Words such as 'expects', 'anticipates', 'targets', 'goals', 'projects', 'intends', 'plans', 'believes', 'seeks', 'estimates', variations of such words, and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future.

Therefore, Snam's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, political, economic and regulatory developments in Italy and internationally.

Any forward-looking statements made by or on behalf of Snam speak only as of the date they are made. Snam does not undertake to update forward-looking statements to reflect any changes in Snam's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The reader should, however, consult any further disclosures Snam may make in documents it files with the Italian Securities and Exchange Commission and with the Italian Stock Exchange.