

# FY2019 results



Milan

March 19<sup>th</sup>, 2020

# COVID-19 impact on Snam

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- Prioritised the **safety of our people** since the beginning of the alert:
  - Essential personnel are adopting specific protocols (es. dispatching centre)
  - Non-essential personnel is working from home. Productivity has been maintained through smart-working (260k conference calls a week)
- **Possible impacts** will depend on duration and severity of the crisis:
  - Gas consumption may impact commodity element of our revenues (+/- €9m max)
  - Operating costs may reflect COVID containment measures
  - Financial charges may be impacted by higher perceived risk on Italian corporates
  - New businesses might temporarily slow down
  - Investments may suffer delays which may be non-recoverable during the year
- **Strong financial position:** 2020 refinancing needs are covered by 2019 prefunding and more than €700m 2-3 year funding at zero cost secured in the past 10 days; €3.2bn undrawn committed facilities available
- Snam, also through its Fondazione Snam, **has allocated € 20m for the purchase of medical equipment** and necessary goods for the Italian Health System

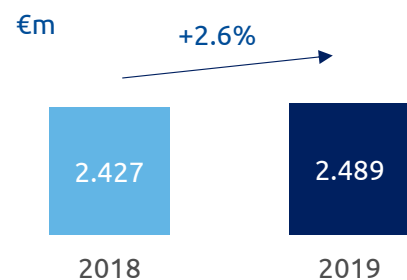
# 2019 results confirm growth trend



## Regulated revenues

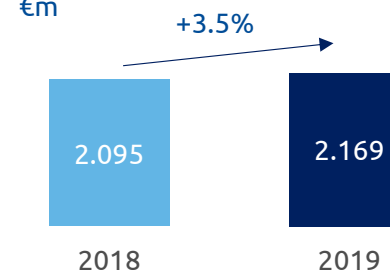
(excluding pass through)

€m



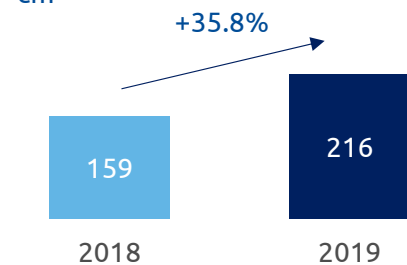
## EBITDA adj.

€m



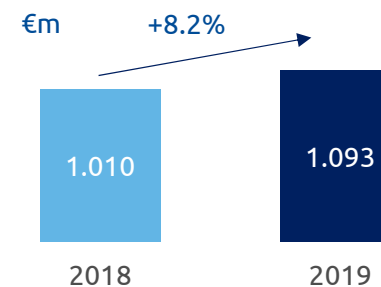
## Income from associates

€m



## Net income adj.

€m



+ 11% EPS\* growth thanks to the share buyback

\* Calculated on year end number of shares

# Fully committed to ESG agenda



## Environment



- **19%** natural gas emissions reduction in 2019 vs 2016
- Overall **419.380 t CO2 eq.** avoided 2017-2019
- First **Climate Action Bond** executed in Europe (€500m of funds raised, c. 50% of capex already executed)
- Significant investment in new businesses functional to a sustainable energy transition
- Launch of **Snam Plastic Less**

## Social



- Safety: employees accidents frequency index improved to **0.41** vs **0.84** in 2018
- Entered Forbes list of the best **150 companies in the world** to work for
- **+5.9%** hours training 2019 vs 2018
- Smart working: **122.762 hours** in 2019 vs 62.930 hours in 2018 (+95%)
- Included in the Bloomberg gender diversity index, new policy on inclusion and diversity issued

## Governance



- Among the very first companies worldwide to introduce an **ESG board committee**
- **Gender policy** for BoD enshrined in Bylaws
- **5.348** reputational checks in 2019 (of which 2.490 on suppliers and subcontractors vs 2.074 in 2018)
- ESG embedded in the organization: new hydrogen and Energy Transition BUs launched



Top ranked in all the main sustainable indexes  
>€5bn in sustainable financing

# Another year of delivery on our strategic pillars

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## Continuous improvement in our core business

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- 75.4bcm gas injected in the national network (+3.5%);
- 57 LNG ships (+36) arrived in Panigaglia
- Capex plan: invested € 963m in the year (in line with budget)
- 87 new connection to biomethane plants and cng stations signed in the year
- Output based incentives: revenues ca. € 18m in FY 2019 (vs €15m in 2018)

## Progress on international activities

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- TAP > 90% complete, on track for Q4 2020 completion (Snam's interconnection to TAP on track as well)
- Terega: issuance of € 400m bond, 8-yr tenor, with a 0.625% coupon

## Value creation from optimization of financial structure

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- Further reduction of cost of debt to 1.1% (gross); mainly thanks to bond rollover and treasury optimization
- Share buyback: €150m tranche completed, €889m bought back since start of the plan

## Enhanced exposure to the energy transition

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- Strong progress on our strategy
- Consultation document on innovation in natural gas transmission and distribution network

# Consolidated position to deliver the energy transition



## Biomethane

- Acquisition of **renerwaste** a snam 4 environment company  
Equity Value of ca. **50m€** to become the vehicle for investments in biomethane from urban waste
  - Capex for additional plants and upgrades of ca. **41.5m€** \*
  - Total organic waste treatment capacity over **200 ktons/a** at regime
- Construction of **Enersi Plant** on track, with a total capex of ca. **20 m€** and the production of > 3 mcm/year at regime
- Negotiation ongoing for the acquisition of 50% stake in **Iniziativa Biometano**, to become the base for investing in Biomethane from agricultural feedstock



## TEP – Energy efficiency

- **Residential sector**
  - **> 50** interventions already started for deep renovation of buildings
  - Strong pipeline thanks to strategic partnership with players in the residential business
- **Industrial sector**
  - Significant pipeline of Energy Performance Contracts for the development of CHP leveraging on TEP - TEA synergies
  - Consultancy: supporting our customers in developing a sustainable approach for their business



## Snam4mobility

- **7 CNG** and **3 LCNG** S4M stations already in operation, reached **107 CNG/LCNG** contractualized @march '20
- Ca. **45** refilling stations in operation by 2020 and ca. **130** contractualized
- Cubogas **cuboGas** target for the production of **110** compressors by 2020

## BUH2

## Hydrogen

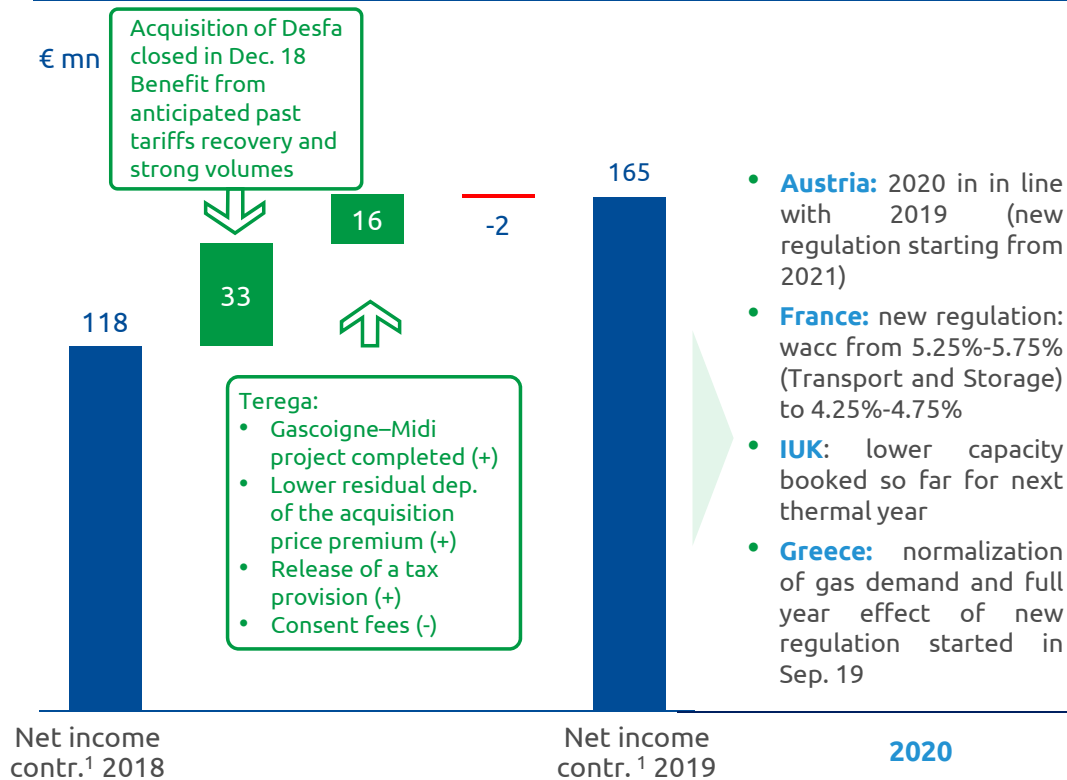
- Established new **Hydrogen business unit**
- **Proactive dialogue** with policymakers in Europe
- Contursi experiment: doubled to **10%** H2NG blend in transmission network
- Launched **Hydrogen readiness evaluation**
- New **Hy-ready procurement** standard
- **MOU signed with Alstom** for hydrogen in railway transport

\* Related to Snam's share

# Update on Snam's international portfolio



## Exceptionally strong results



- **Austria:** 2020 in line with 2019 (new regulation starting from 2021)
- **France:** new regulation: wacc from 5.25%-5.75% (Transport and Storage) to 4.25%-4.75%
- **IUK:** lower capacity booked so far for next thermal year
- **Greece:** normalization of gas demand and full year effect of new regulation started in Sep. 19

## Key operational achievements



- RAE approved '19-'22 allowed revenues and '19-'20 tariffs
- DESFA submitted '20-'29 TYDP with c.a. 2x capex vs '19-'28.
- Upgrade of Revithoussa terminal completed
- First reverse flow to Bulgaria
- Sale of 10% of Senfluga to DAMCO



- Regulation: '21-'24 tariff review ongoing. Resolution on allowed revenues expected in March '20
- MoU Snam – TAG – OMV on cooperation in sustainable LNG mobility
- TAG: Noxer 2 project completed (4 ElCos with 47mw of power installed)



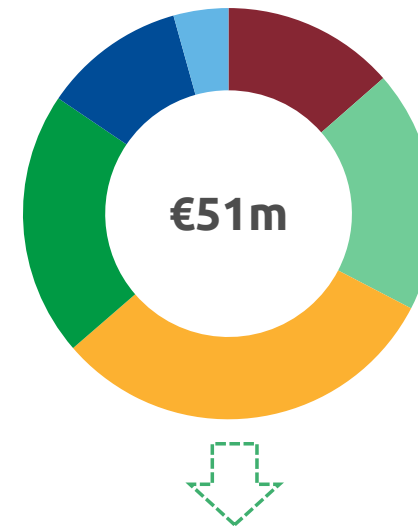
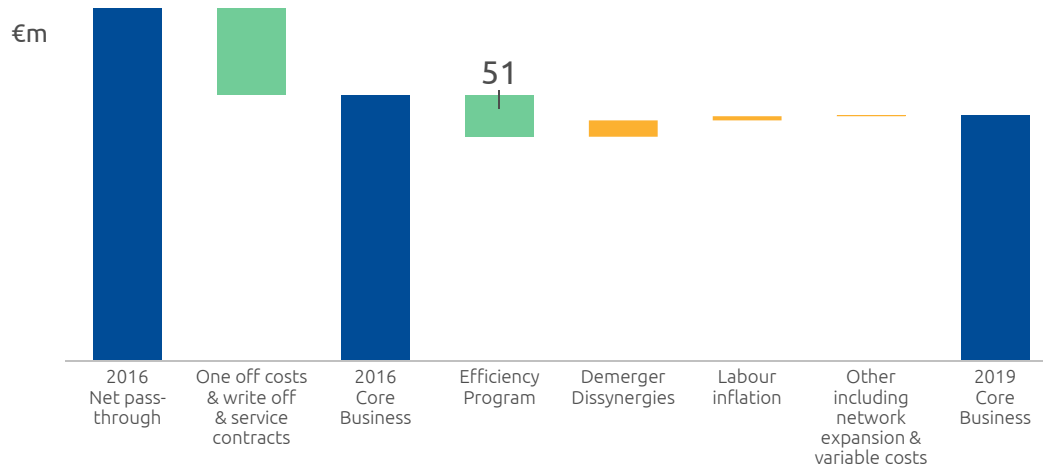
- Approval by CRE of '20-23 tariffs for Transport and Storage
- MoU Snam – Terega on new businesses and innovation
- Acquisition of a minority stake in biomethane player Dualmetha and launch of a pilot project
- In February: issue of a 8y - €400m - 0.625% coupon bond



- OFGEM approval for offering 75% of capacity through Implicit Allocation Mechanism and launch of new innovative products

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

# €51m of cost saving achieved up to 2019



- IT modeling review
- Make vs Buy
- Other
- Process Optimization
- Purchasing Cost Reduction
- Real Estate Saving

Savings @2019	Value (€m)	Description
Integrated management transport & storage	€ 6.6m	Automation of IT services for users
Reduction of reinsurance costs	€ 1.5m	Insourcing of maintenance activities
Lower maintenance from data center renewal	€ 0.4m	Surveillance services optimization
	€ 3.9m	
	€ 0.9m	
	€ 1.8m	

## ~ €60m expected by 2020

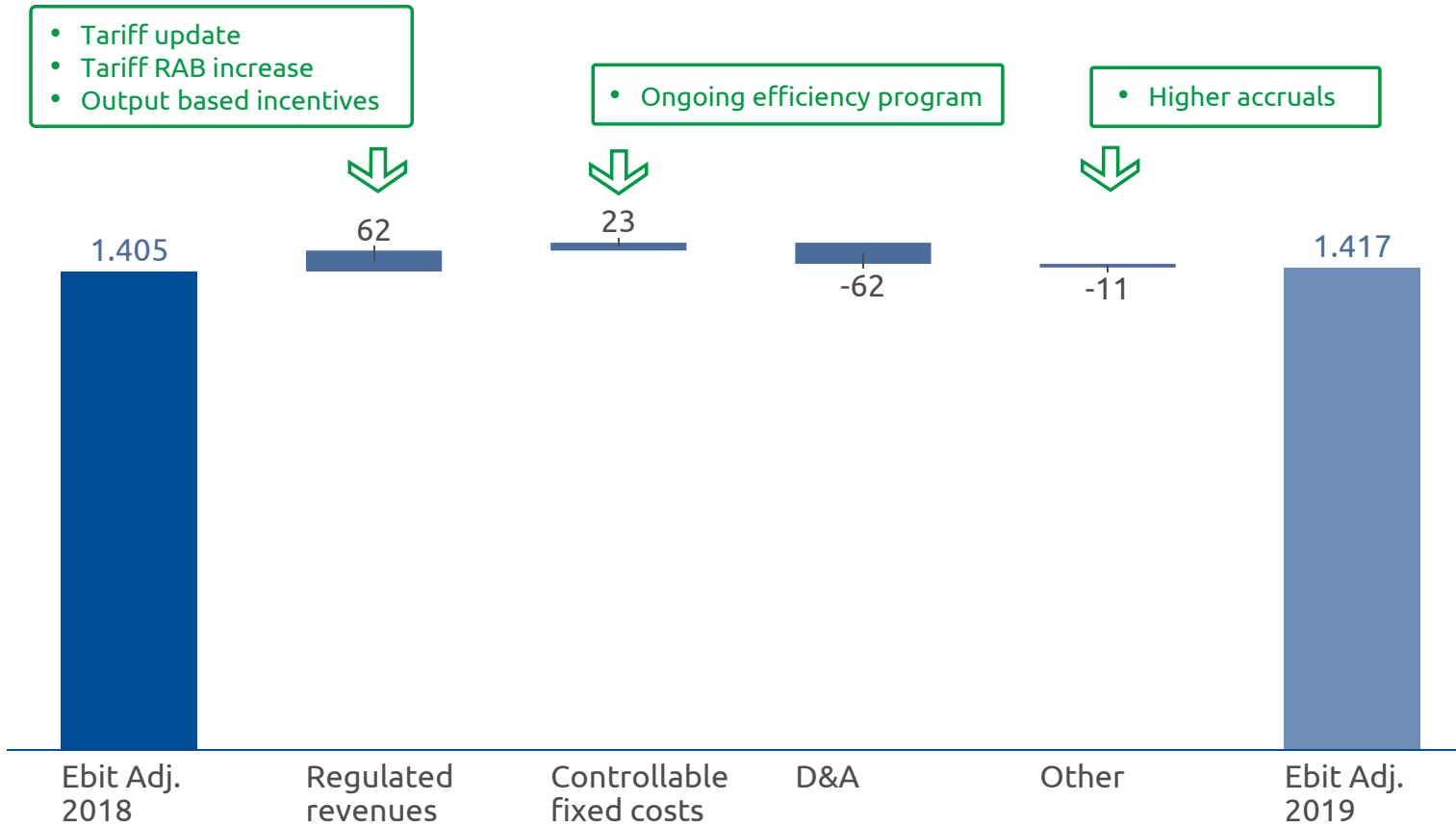
- ✓ More effort on reduction of external expenses, with insourcing of operations activities
- ✓ Process review on staff activities
- ✓ Additional savings from initiatives ongoing
- ✓ Further savings from contracts renegotiation
- ✓ Process optimization on operation activities



# Ebit FY 2019



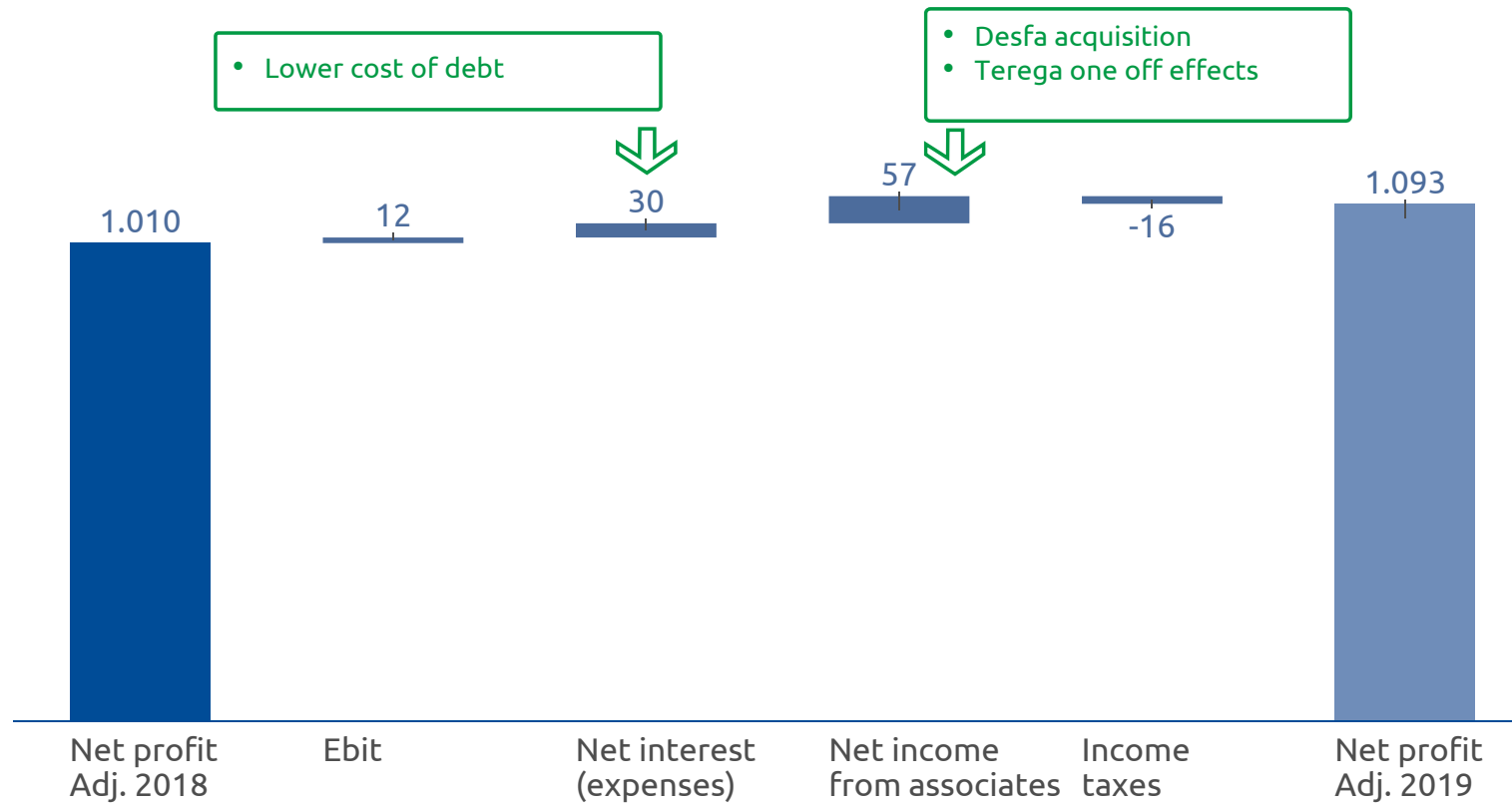
€ mn



# Net Income FY 2019



€ mn

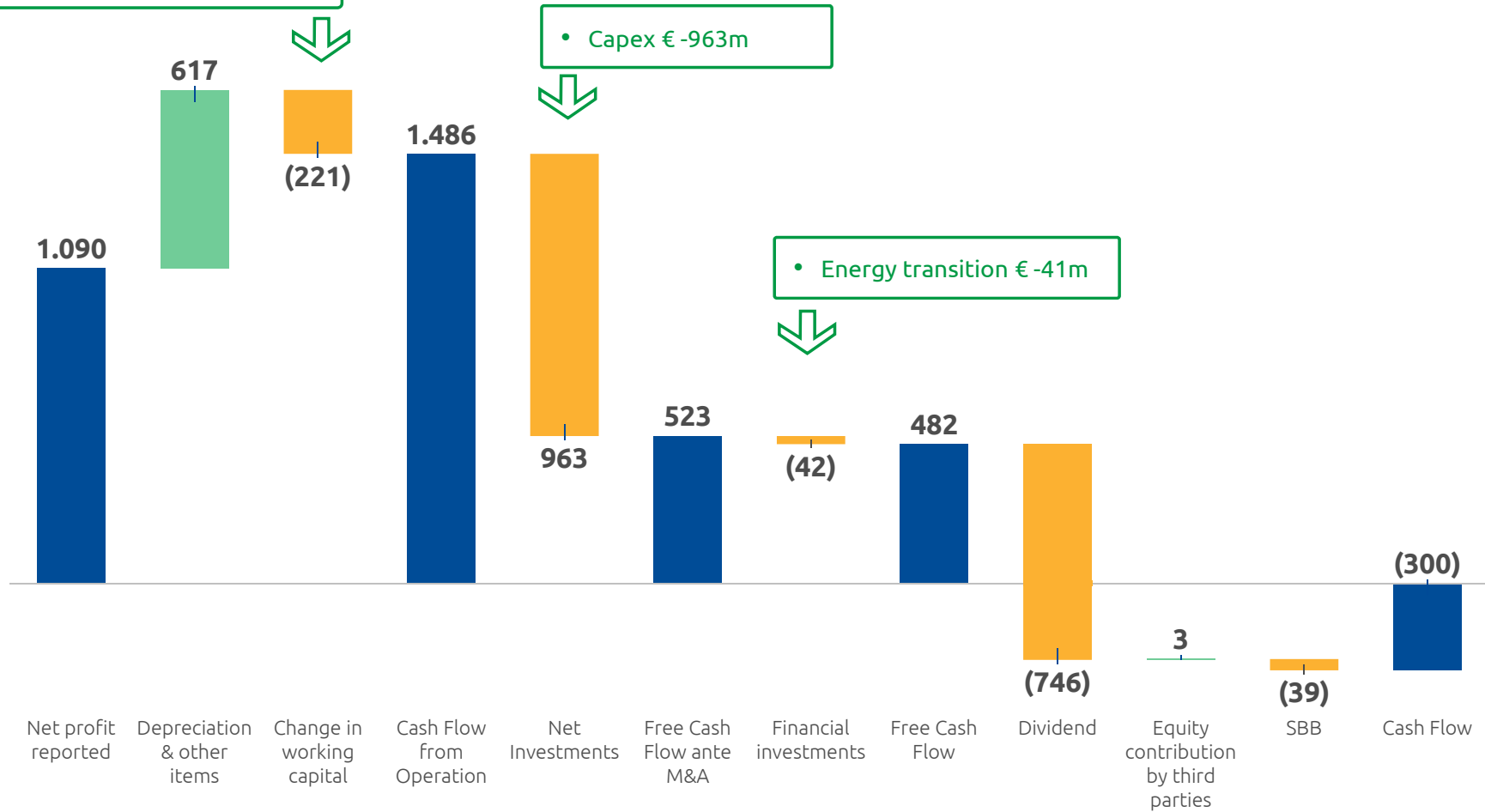


# Cash flow



€ mn

- Payment to CSEA € -180m
- Tariff related Items € -38m



# Snam Debt Structure

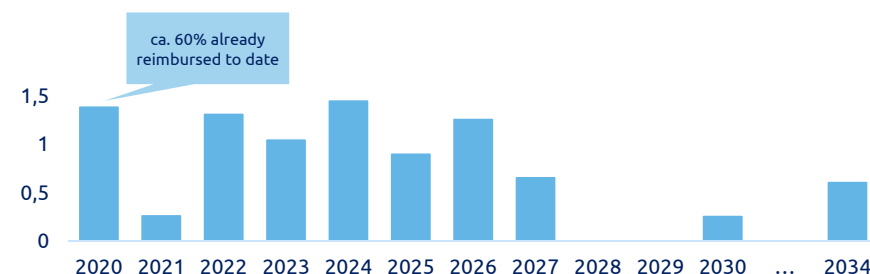


## Key Highlights

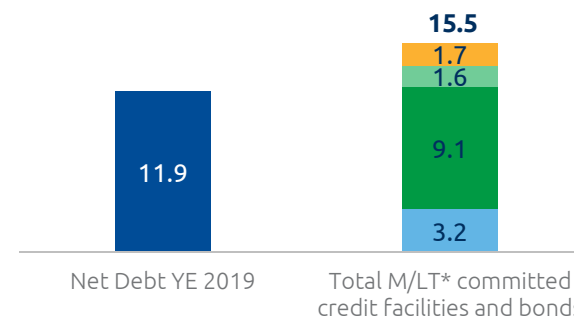
- ✓ **Total net financial charges: 165m€**
- ✓ **Funding** for 2.3bn€ at an average cost of 0.9% with a maturity of ca. 9Y o/w:
  - 0.5bn€ Climate action bond in 1Q2019 (first ever in Europe)
  - €1.1bn as pre-funding of 2020 needs
- ✓ **Treasury management optimization** exploiting supportive market conditions:
  - Commercial Paper Programme fully utilized for 2bn€ at the year end; average cost of the year ca. -25bps
  - Ample access to uncommitted credit lines market at negative yield
- ✓ **Proactive management of maturities:**
  - **ca. 600m€ bonds bought back in December** (avg. coupon and residual maturity of ca. 1.3% and 4 years respectively) mainly financed through cash
  - **Banking facilities:** : extension for one year of 3.2bn€ pool facility and term loans refinancing for 700m€
- ✓ **>5bn€ - 1/3 of total committed funding in sustainable financing**
- ✓ **M/L term debt maturity: ~ 5.6y and maturities well spread over time**
- ✓ **> ¾ Fix-Floating in line with our target**

Well positioned to cope with worsening market conditions leveraging on (i) more than €700m 2-3 year funding at zero cost secured in the past 10 days with core relationship banks, (ii) 3.2bn€ undrawn pool credit lines, (iii) significant cash on hand and (iv) supportive Commercial paper and uncommitted credit lines markets and (v) limited refinancing needs in 2020

## Bond maturity Profile (€ bn) as of 31 December 2019



## Total MLT committed credit facilities and bonds\*



- Pool banking facilities
- Debt capital market
- Bilateral banking facilities
- Institutional lenders financing

\* Excluding uncommitted lines and Commercial Paper



Q&A



# ANNEXES

# Income Statement



[ € mn ]	2018	2019	Change	Change %
Revenues	2,586	2,665	79	3.1%
Operating expenses	(491)	(496)	(5)	1.0%
<b>EBITDA</b>	<b>2,095</b>	<b>2,169</b>	<b>74</b>	<b>3.5%</b>
Depreciation & amortisation	(690)	(752)	(62)	9.0%
<b>EBIT</b>	<b>1,405</b>	<b>1,417</b>	<b>12</b>	<b>0.9%</b>
Net interest income (expenses)	(195)	(165)	30	(15.4)%
Net income from associates	159	216	57	35.8%
<b>EBT</b>	<b>1,369</b>	<b>1,468</b>	<b>99</b>	<b>7.2%</b>
Income taxes	(359)	(375)	(16)	4.5%
<b>NET PROFIT</b>	<b>1,010</b>	<b>1,093</b>	<b>83</b>	<b>8.2%</b>

# Revenues



[ € mn ]	2018	2019	Change	Change %
<b>Regulated revenues</b>	<b>2,485</b>	<b>2,550</b>	<b>65</b>	<b>2.6%</b>
Transport	1,907	1,969	62	3.3%
Storage	503	503	-	-
LNG	17	17	-	-
Pass-through revenues	58	61	3	5.2%
<b>Other revenues</b>	<b>101</b>	<b>115</b>	<b>14</b>	<b>13.9%</b>
<b>TOTAL REVENUES</b>	<b>2,586</b>	<b>2,665</b>	<b>79</b>	<b>3.1%</b>



# Operating Expenses



[ € mn ]	2018	2019	Change	Change %
<b>Regulated activities</b>	<b>397</b>	<b>352</b>	<b>(45)</b>	<b>(11.3)%</b>
Controllable fixed costs	274	251	(23)	(8.4)%
Variable costs	6	6	-	-
Other costs	59	34	(25)	(42.4)%
Pass-through costs	58	61	3	5.2%
<b>Non regulated activities</b>	<b>94</b>	<b>144</b>	<b>50</b>	<b>53.2%</b>
<b>TOTAL COSTS</b>	<b>491</b>	<b>496</b>	<b>5</b>	<b>1.0%</b>

# Balance Sheet



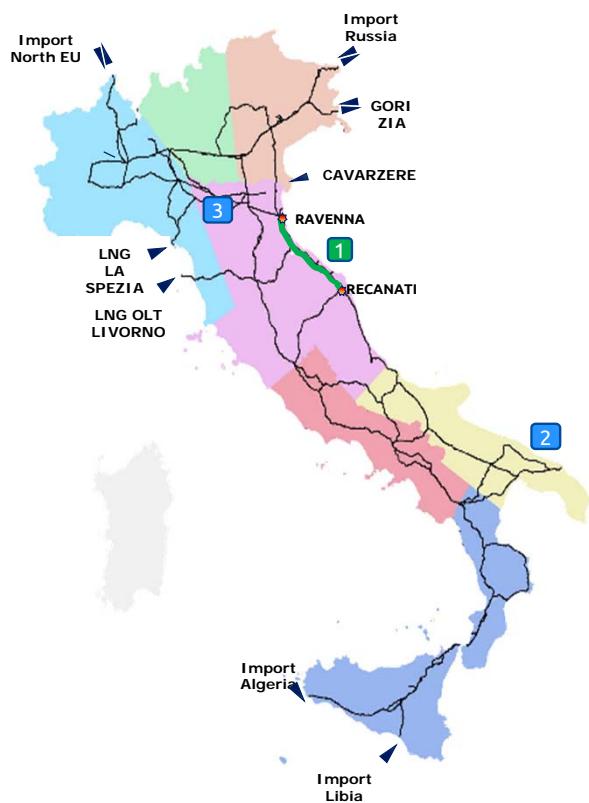
[ € mn ]	2018	2019	Change	Change %
<b>Net invested capital</b>	<b>17,533</b>	<b>18,181</b>	<b>648</b>	<b>3.7%</b>
Fixed capital	18,856	19,311	455	2.4%
Tangible fixed assets	16,516	16,802	286	1.7%
Intangible fixed assets	907	990	83	9.2%
Equity-accounted and other investments	1,750	1,828	78	4.5%
Financial receivables held for operating activities	11	3	(8)	(72.7)%
Net payables for investments	(328)	(312)	16	(4.9)%
<b>Net working capital</b>	<b>(1,259)</b>	<b>(1,094)</b>	<b>165</b>	<b>(13.1)%</b>
Receivables	1,487	1,549	62	4.2%
Liabilities	(2,746)	(2,643)	103	(3.8)%
Provisions for employee benefits	(64)	(46)	18	(28.1)%
Other	-	10	10	n.a.
<b>Net financial debt</b>	<b>11,548</b>	<b>11,923</b>	<b>375</b>	<b>3.2%</b>
<b>Shareholders' equity</b>	<b>5,985</b>	<b>6,258</b>	<b>273</b>	<b>4.6%</b>

# Share buyback recap



Outstanding shares at 31/12/2018	3,469,038,579
Shares held by Snam at 31/12/2018	168,197,663 (4.85% of Share Capital)
Shares to serve convertible and management incentives	94 million
Shares cancelled – A.G.M. April 2019	74,197,663
Outstanding shares after cancellation in April 2019	3,394,840,916
Outstanding shares after cancellation in April 2019 and excluding treasury shares	3,300,840,916
Shares bought by 31/12/2019	8,412,920
Shares held by Snam at 31/12/2019	102,412,920
Shares bought during the 2020	23,070,187
Shares held by Snam as of today	125,483,107
Shares to serve convertible and management incentives @ march '20	91.5 million
Available shares excluding those serving convertible and management incentives	33,983,107

# 2019 Italian business capex highlights



## Investments 2019

### Key replacement activities

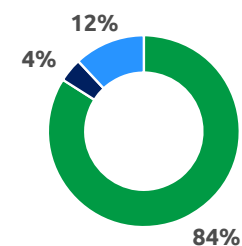
- 1 > 30 kms of pipes replaced and already in operation; around 970 kms of projects ongoing

### Key maintenance activities

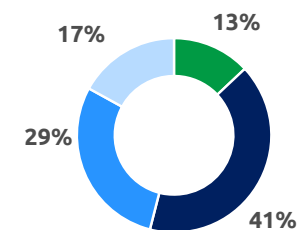
- More than 760 hydrogeological interventions

### Key development activities

- 2 55kms of interconnection with TAP – in line with construction plan (about 50% completed)
  - Biomethane connections – about 10€m of capex; with 12 connections realized
- 3 1 Turbo compressor in Minerbio already in operation



- Transport
- LNG & Other
- Storage



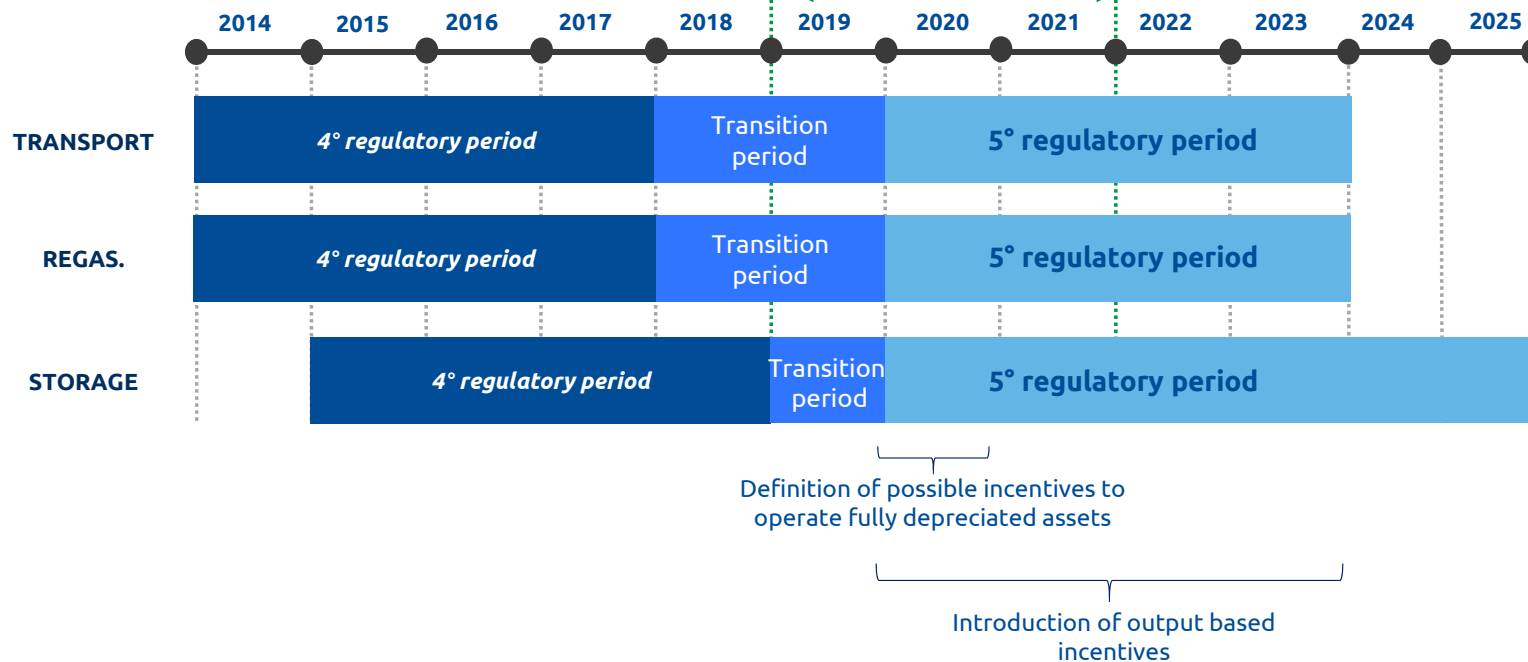
- Replacement
- Maintenance
- Development
- Other

# Visible and stable regulation



Wacc 2019-2021:

- 5.7% transport
- 6.7% storage
- 6.8% LNG



**Final resolution 114/2019/R/gas**

- 2019 Tariff RAB: Euro 16.366m
- WIP included in RAB
- Beta unlevered at 0.364 (unchanged)
- Incentives on new development capex 2020-22 (+1.5% for 10 years, if CBA > 1.5)

**Final resolution 474/2019/R/gas**

- Confirmed length of the period of 4 years
- Beta equal to 0.524
- Tariff RAB calculation methodology confirmed

**Final resolution 419/2019/R/gas**

- Length extension to 6 years
- Beta equal to 0.506
- Tariff RAB calculation methodology confirmed
- Opex to be calculated on the basis of last available certified year (2018)

## Transparent regulatory framework

# Disclaimer

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