

2020 Interim Results



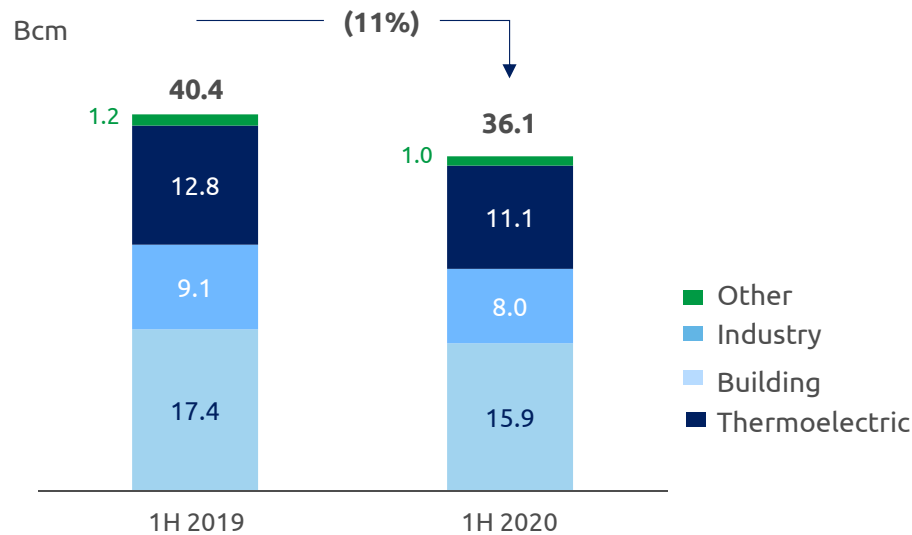
Milan

July 30, 2020

Gas scenario update



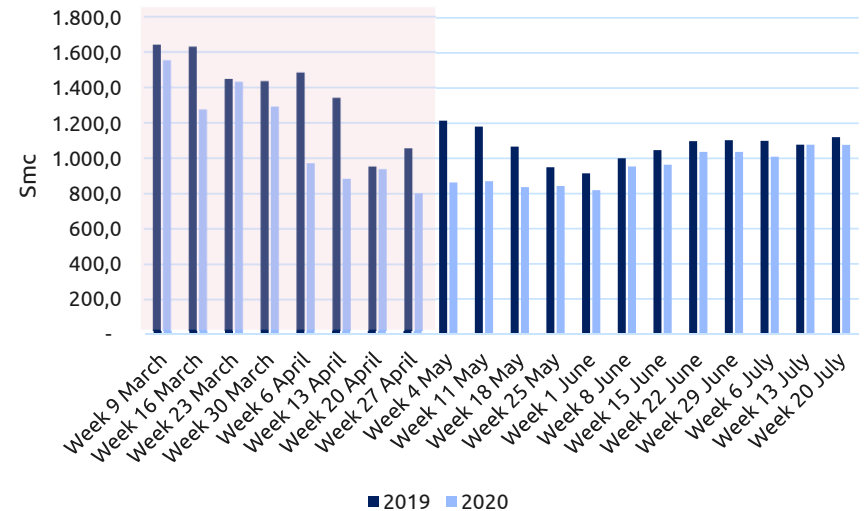
Gas consumption in Italy (Jan-June)



Reduction of gas demand of ca. 4.4bcm (-11% y-o-y)

- Weather impact: - 1.6bcm
- Power sector: - 1.6bcm mainly due to lower power demand (-9%); gas share in the power mix stable (48%)
- Industrial sector: -1.0 bcm owing to lockdown measures
- Gas demand: -7% y-o-y in Q1, -18% y-o-y in Q2 (-23% in Apr-May and -5% in June)

Weekly gas consumption



Progressive improvement in demand

- Industrial sector is progressively recovering from the end of the lockdown (May 4th, 2020)
- Gas demand from the power sector still suffers from lower power demand and higher renewables generation during the summer period
- Demand from households and commercial sector fully recovered in July compared to 2019

H1 highlights



Continuous improvement in our core business

- **€457m** of capex in H1. Large part of investments delay due to Covid to be recovered by year end
- Storage capacity for thermal year 2020-21 fully booked in April
- **31** LNG ships arrived in Panigaglia in line with a strong 2019 despite weak demand. Revamping of the second LNG tank started
- Efficiency plan ongoing: **€55m** cumulated achieved

Progress on international activities

- Closing of the \$250m deal with Adnoc to enter the UAE
- TAP **> 96%** complete at the end of June, COD confirmed for Q4 2020.
- Regulatory review in Austria completed, in line with expectations

Enhanced exposure to the energy transition

- Signing for a 50% stake in **Iniziativa Biometano**
- Signing for a 70% stake of **Mieci** and **Evolve**, a further step in the creation of a leading energy efficiency platform
- Other developments
 - Hydrogen: agreement with **Alstom** for the development of hydrogen trains in Italy, completed test on hybrid turbine with **Baker Hughes**
 - Founding of a benefit corporation with **CDP** for the reforestation and CO₂ absorption in Italy

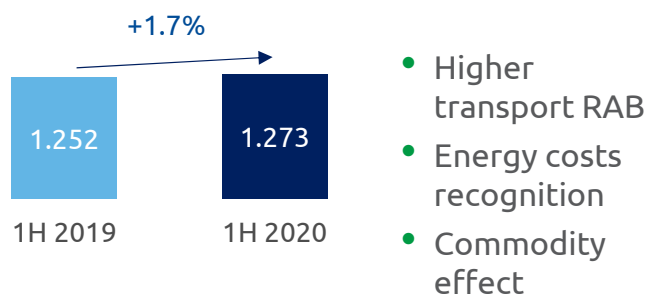
Value creation from optimization of financial structure

- Final dividend paid in June for **€457m**, dividend policy confirmed
- Launched the first Transition Bond for **€500** million
- Cancellation of **33.98m** of treasury shares
- **€500m** new SBB approved by last AGM

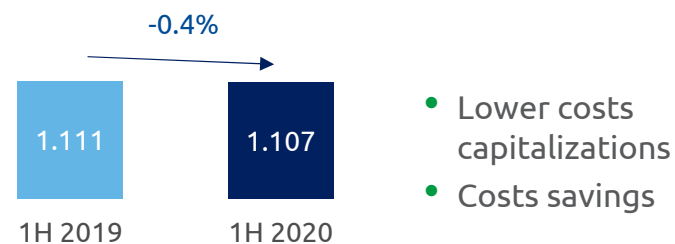
H1 2020 results



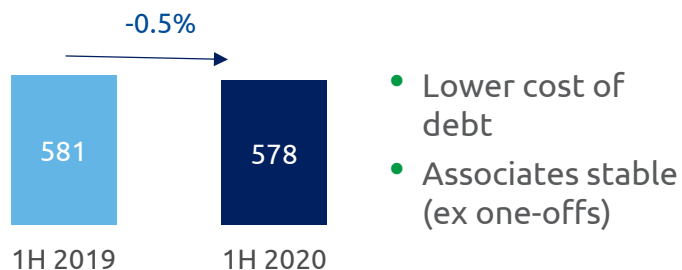
Regulated revenues (€bn)



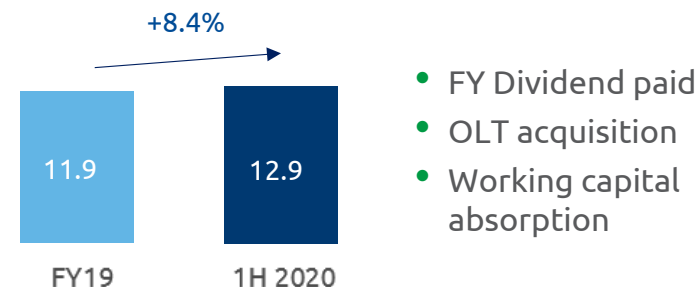
EBITDA (€bn)



Net profit (€bn)



Net debt (€bn)

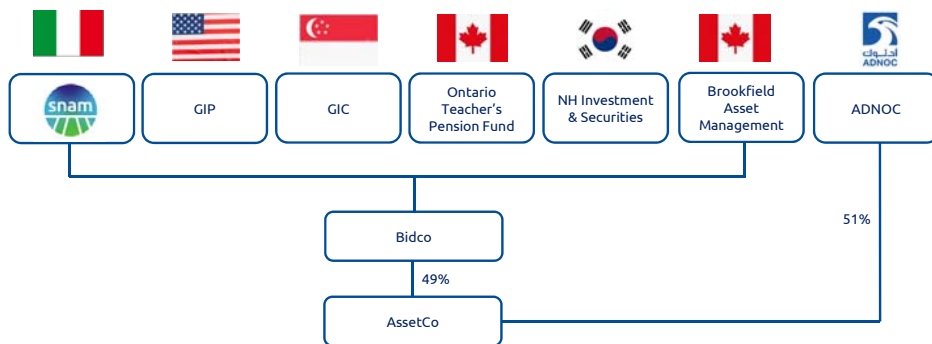


Back to pre-Covid net profit guidance

ADNOC: strategic asset in the UAE



Transaction structure



Strategic rationale

- Gas transportation infrastructure which connects ADNOC onshore and offshore gas fields to the UAE markets
- Attractive opportunity to gain exposure to UAE's gas market
- Potential to unlock additional opportunities in the energy transition sector

UAE market

- **Seventh-largest** world natural gas reserves
- Gas to play a key role in driving the country's economic activities
- Target to become **self-sufficient on gas within 2030** (replacing imports with domestic production), strong per-capita energy use and growing expected desalination demand, to support future national gas demand forecasts

Economic rationale

- Equity injection: **\$250m**
- **20** years take or pay contract dollarized with a guaranteed floor for volumes and a carry forward mechanism
- Stable cash flows
- Solid counterpart with AA credit rating

First acquisition outside Europe in a valuable energy infrastructure

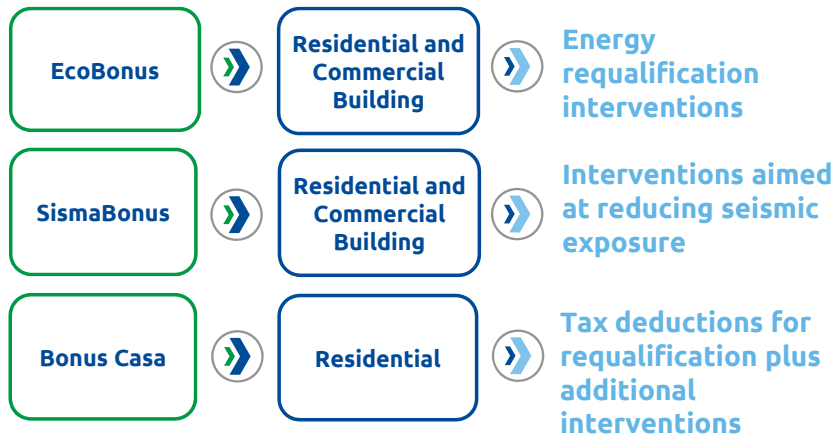
Creating a leading Italian Energy Efficiency player



Creating a platform in energy efficiency

- Snam is creating a leading national player in energy efficiency leveraging on its industrial expertise, local presence scale
- Recent acquisition of **70%** of Mieci and Evolve is a further step:
 - Main economics: Total value of the transaction: **ca. €50m**, FY-19 total revenues ca. **€61m** and EBITDA ca. **€12m**
 - Completing the range of services and clients. Great potential to pursue in public administration

Tax deductions scheme up to 110% in 5Y extended until 2021



Fiscal incentives support a solid commercial pipeline



Industrial

- **Energy Performance Contracts**
 - 5 – 10 years contract with granted performances
 - Direct investment



- Sustainable energy programme
- Asset management

Condominiums and Commercial Building

- **Energy management & deep renovation**
 - 7 – 10 years contract for HVAC * m/m
 - Building renovation exploiting tax benefit and incentives



- Deep renovation
- Development, installation, O&M, energy management

Public Administration (Hospitals, Schools, Public Offices)

- **Public Private Partnership and tenders**
 - 5 – 20 years contract
 - Direct investments



- Public lighting
- Deep renovation & HVAC

* Heating, ventilation air conditioning

Hydrogen policy and technology update



Policy support

H2 strategy launched at EU level

- By 2024: 1mtons production of renewable H2, 6 GW of electrolyzing capacity
- By 2030: 10mtons of renewable H2, 40 GW electrolyzing capacity
- By 2050: 1/3 of the electricity to be used for the production of renewable H2 by 2050

Sector coupling policy

- Leverage capacity of gas networks to integrate renewables
- By 2021 national and EU Ten Years Development Plans to be developed in parallel by gas and electricity TSOs

National plans

- EU countries starting to identify H2 targets (Germany, Portugal, Spain and the Netherlands)

Snam progressing on its hydrogen strategy

Scenarios and system design

- Launch of the new Snam-Terna scenario planning process
- Published vision of a 2040 H2 network of 23000km, spanning a number of European countries

Snam grid “Hy-readiness”

- New procurement standards set for hydrogen ready pipelines replacement
- New “hybrid” compressor station tested with Baker Hughes, suitable for blends up to 10% NG

Value chain development

- Clean Hydrogen Alliance
- Collaborations across the value chain to enable hydrogen adoption
- Potential opportunities/investments in pilot projects to scale up clean H2 production & use

H2 industry is taking shape and Snam is well positioned

Progressing on our ESG guiding principles



Environment



- **~25%E** natural gas emissions reduction in 2020 vs 2016
- **Talk to inspire the world:** podcast promoted by Snam to voice important issues on sustainability and energy transition

Social



- **Covid emergency management:** employees safety as an absolute priority, delay in 2020 capex nearly fully recovered
- **Smart working** for 2.300 employees out of a total of 3,000
- Safety: employees accidents gravity index improved to **0.01 vs 0.04** in 1H 2018
- **Diamo forma al futuro programme:** aimed at supporting solidarity gesture in the Covid crisis

Governance



- New remuneration plan: increase from 10% to 20% the ESG KPIs component on the short and long term incentives.
- **3,400** reputational checks; 6,000 expected in full year 2020
- New **ESG officer** position established, reporting directly to the CEO



Top ranked in all the main sustainable indexes
~€6bn in sustainable financing

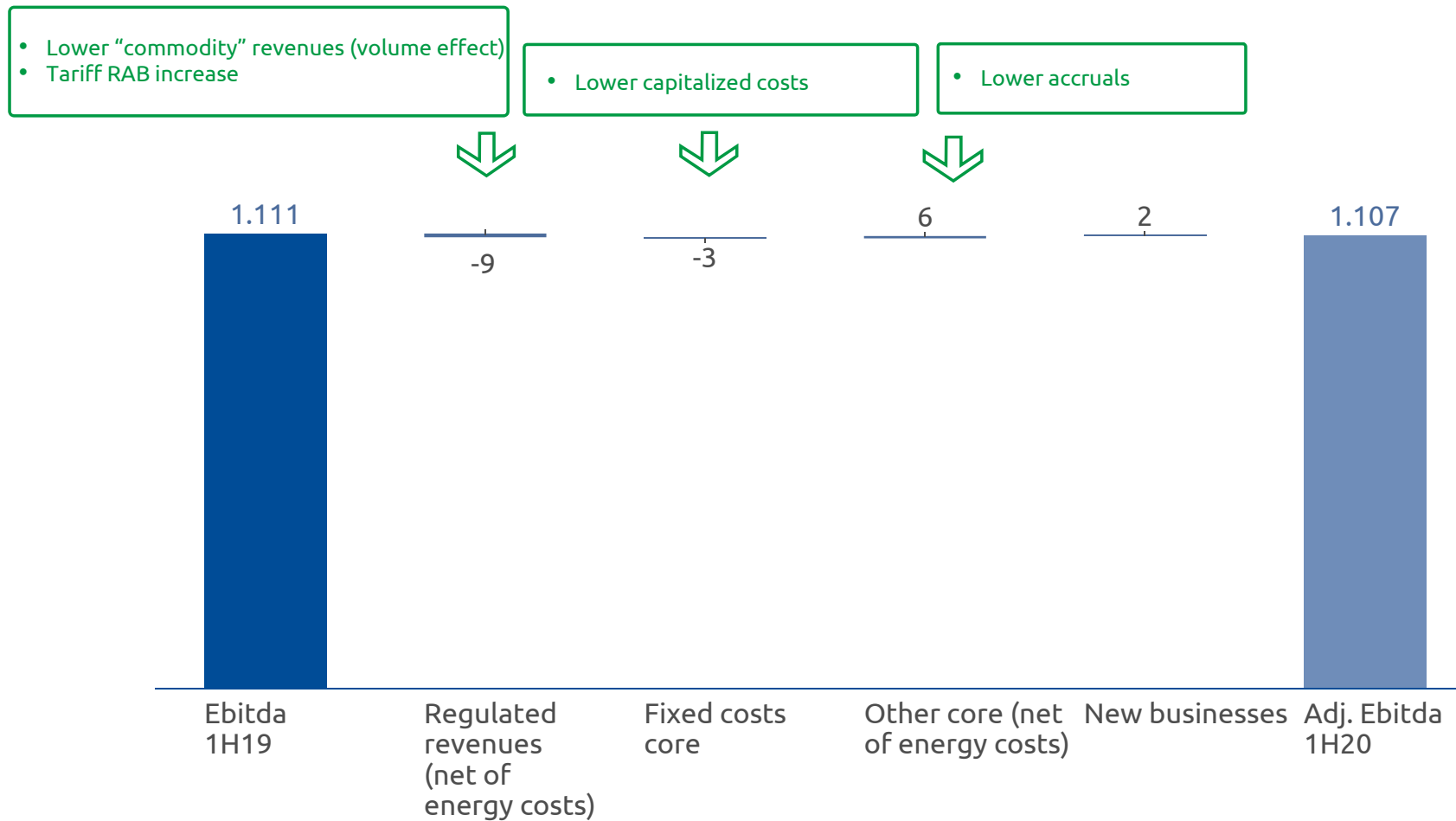


2020 1H consolidated results

2020 1H results: Ebitda analysis



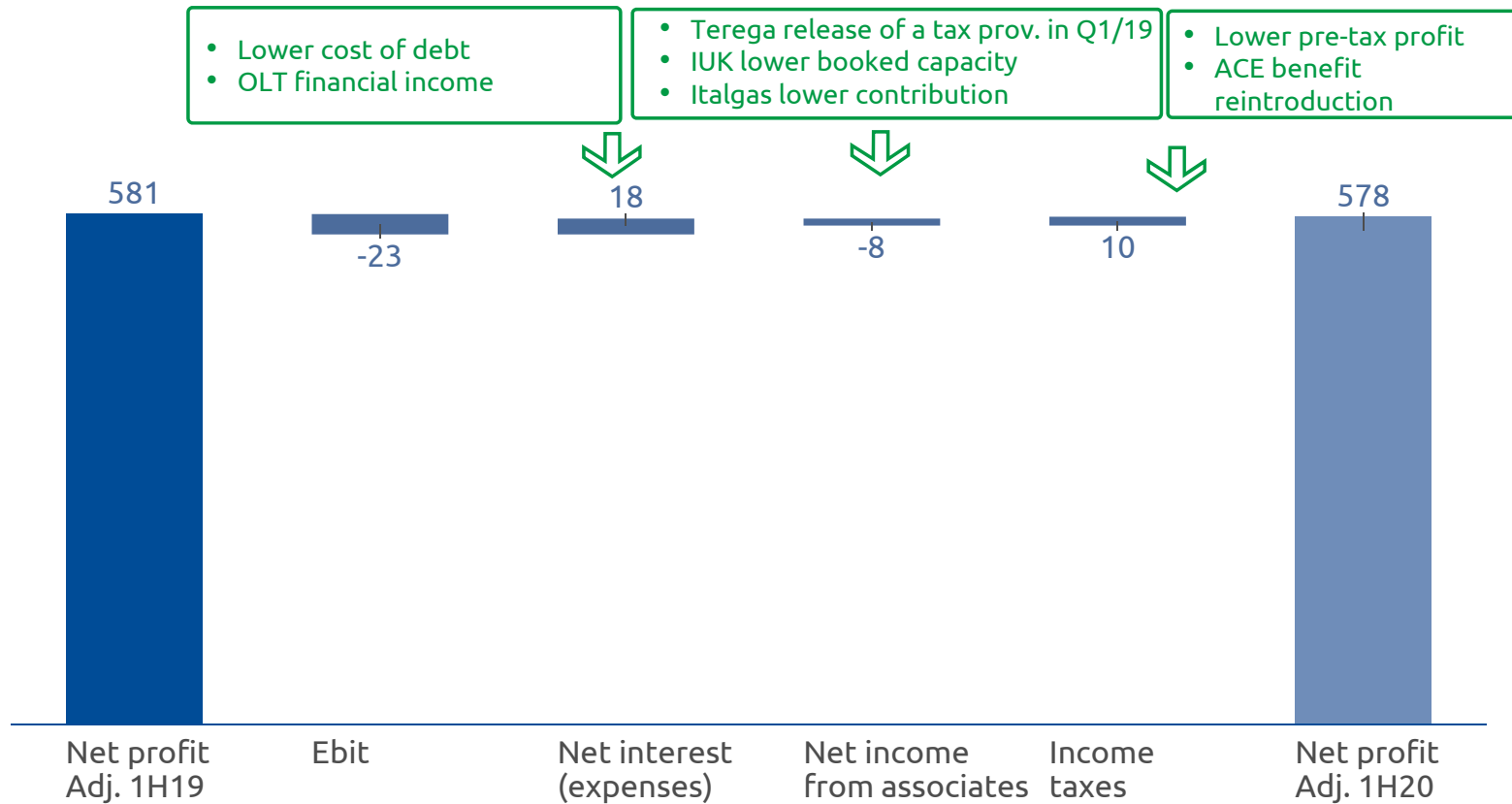
€ mn



Net Profit Adj. 1H 2020



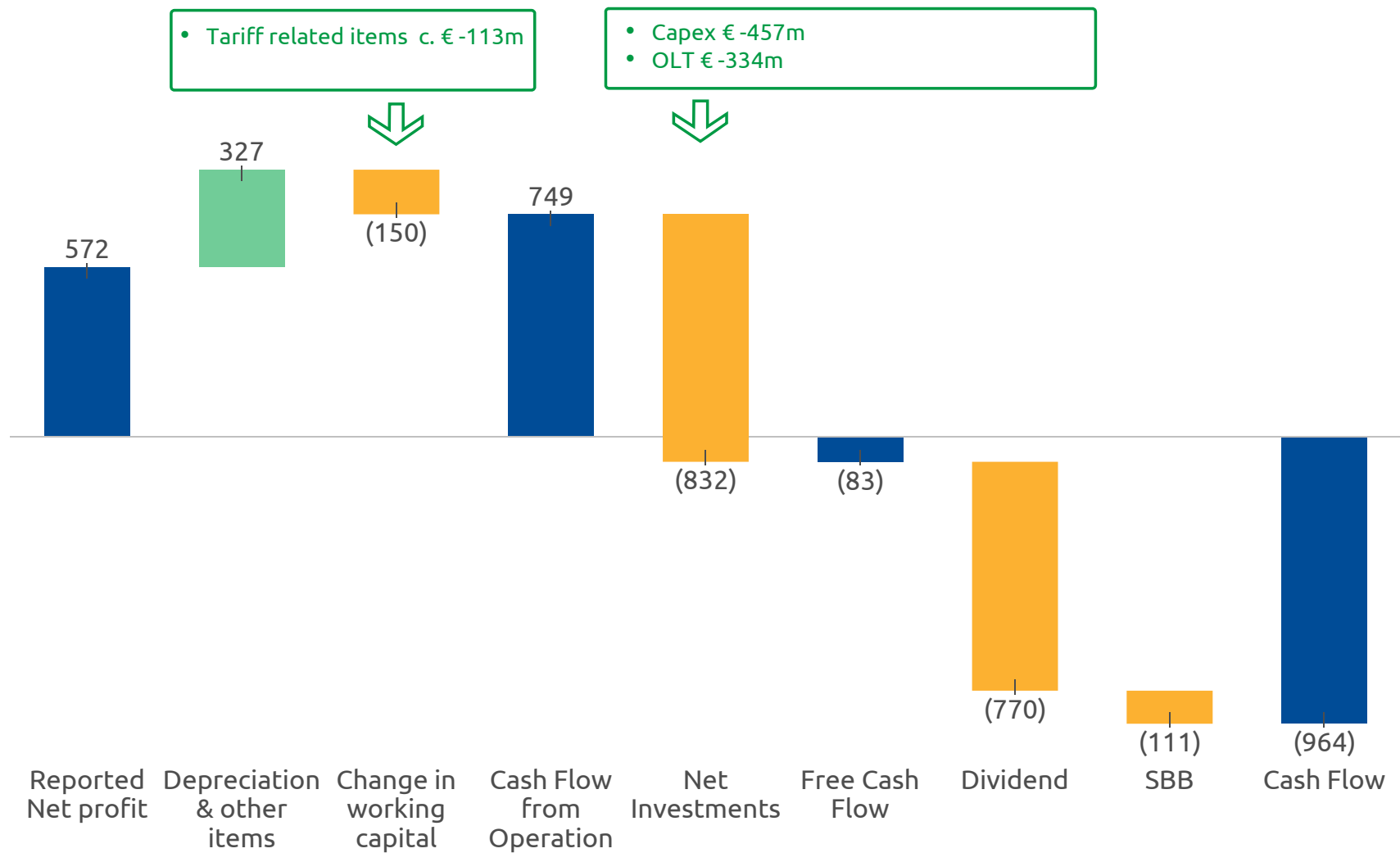
€ mn



Cash flow



€ mn



Snam Debt Structure



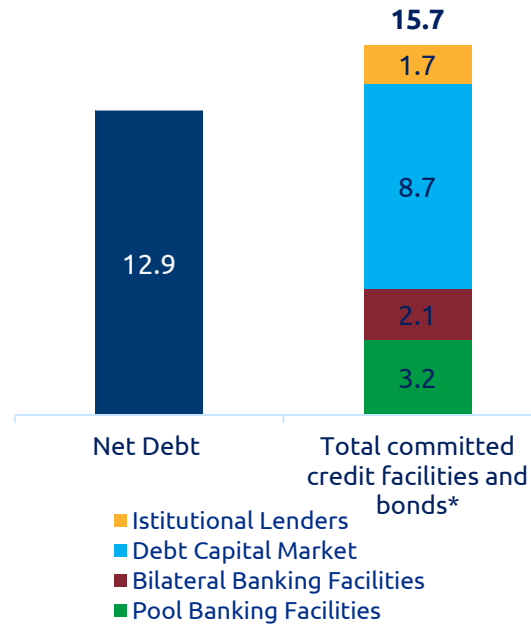
Highlights

- **First worldwide Transition bond issued in June by a Transmission system operator** 500m€ - 10 years - coupon 0.75%
- **Approx. 6bn€ in sustainable financing (ca. 40% of total funding)**
- **>700mln€ 0 cost new term loans secured in March with tenors of 2-3 years**
- **Further Treasury Management Optimization** leveraging on short term funding at negative yield
- **Share Buyback Program**
 - ✓ ca. 34m treasury shares cancelled by the AGM in June. Remaining treasury shares: 91.5m
 - ✓ new SBB plan approved: 500m€ – 18 months – 6.5% of outstanding shares

Strong liquidity profile leveraging on new financing executed in 1H2020, relevant cash on hand and the undrawn 3.2bn€ RCF credit line

Net debt and funding sources as of

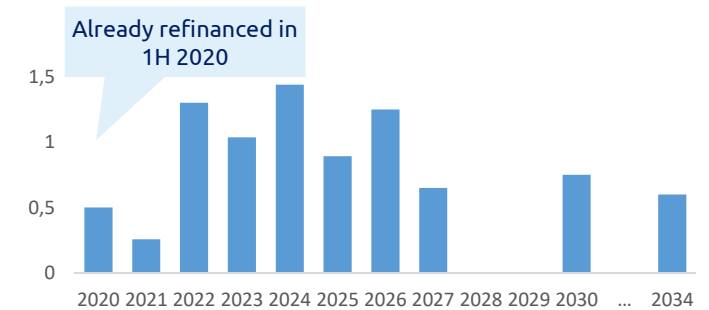
30 June 2020



* Not including ca. €2 billion Euro Commercial Paper

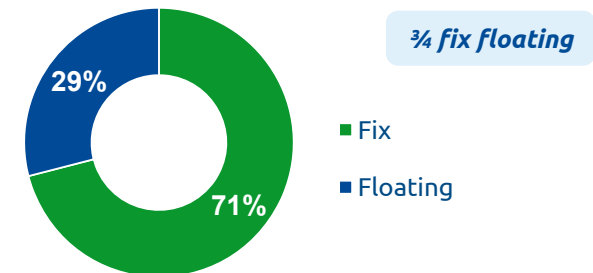
Bond maturity Profile as of

30 June 2020



Fixed – Floating gross debt breakdown

1H 2020



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

Income Statement adjusted



[€ mn]	1H 2019	1H 2020	Change	Change %
Revenues	1,303	1,346	43	3.3%
Operating expenses	(192)	(239)	(47)	24.5%
EBITDA	1,111	1,107	(4)	(0.4)%
Depreciation & amortisation	(355)	(374)	(19)	5.4%
EBIT	756	733	(23)	(3.0)%
Net interest income (expenses)	(85)	(67)	18	(21.2)%
Net income from associates	118	110	(8)	(6.8)%
EBT	789	776	(13)	(1.6)%
Income taxes	(208)	(198)	10	(4.8)%
NET PROFIT	581	578	(3)	(0.5)%

Revenues



[€ mn]	1H 2019	1H 2020	Change	Change %
Regulated revenues	1,252	1,273	21	1.7%
Transport	992	1,014	22	2.2%
Storage	251	248	(3)	(1.2)%
LNG	9	11	2	22.2%
Non regulated revenues	16	12	(4)	(25.0)%
Total core business revenues	1,268	1,285	17	1.3%
New business revenues	35	61	26	74.3%
TOTAL REVENUES	1,303	1,346	43	3.3%

Operating Expenses



[€ mn]	1H 2019	1H 2020	Change	Change %
Core business costs	156	179	23	14.7%
Variable costs	10	21	11	n/a
Fixed costs	139	142	3	2.2%
Other costs	7	16	9	n/a
New business costs	36	60	24	66.7%
TOTAL COSTS	192	239	47	24.5%

Balance Sheet



[€ mn]	2019	2020 1H	Change	Change %
Net invested capital	18,181	19,112	931	5.1%
Fixed capital	19,311	19,773	462	2.4%
Tangible fixed assets	16,802	16,832	30	0.2%
Intangible fixed assets	990	1,031	41	4.1%
Equity-accounted and other investments	1,828	1,844	16	0.9%
Financial receivables held for operating activities	3	318	315	n/a
Net payables for investments	(312)	(252)	60	(19.2)%
Net working capital	(1,094)	(618)	476	(43.5)%
Receivables	1,549	1,524	(25)	(1.6)%
Liabilities	(2,643)	(2,142)	501	(19.0)%
Provisions for employee benefits	(46)	(43)	3	(6.5)%
Non current assets held for sale	10	-	(10)	n.a.
Net financial debt	11,923	12,888	965	8.1%
Shareholders' equity	6,258	6,224	(34)	(0.5)%

Share buyback recap



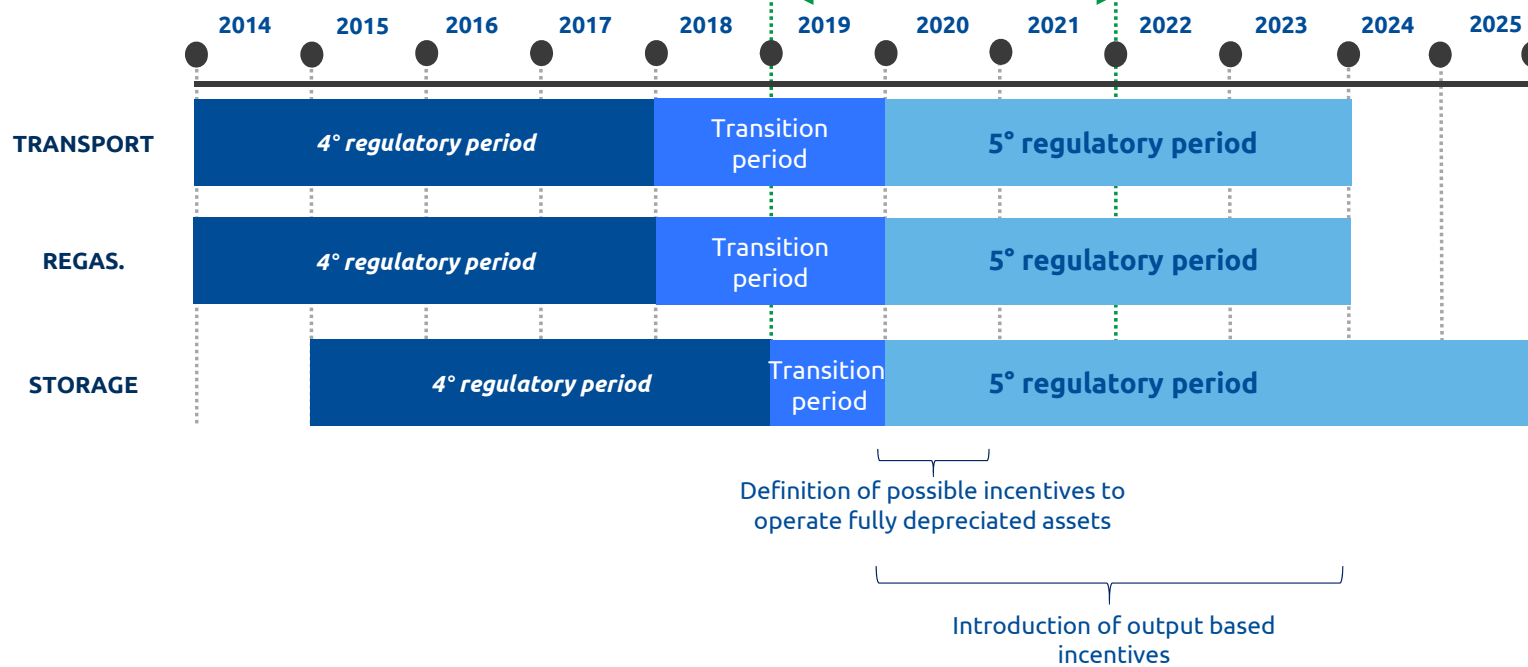
Total shares at 31/12/2019	3,394,840,916
Outstanding shares at 31/12/2019 and excluding treasury shares	3,292,427,996
Shares held by Snam at 31/12/2019	102,412,920
Shares bought during the 2020	23,070,187
Shares to serve convertible and management incentives @ june '20	91.5 million
Shares cancelled – A.G.M. June 2020	33,983,107
Shares held by Snam as of today	91,500,000

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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