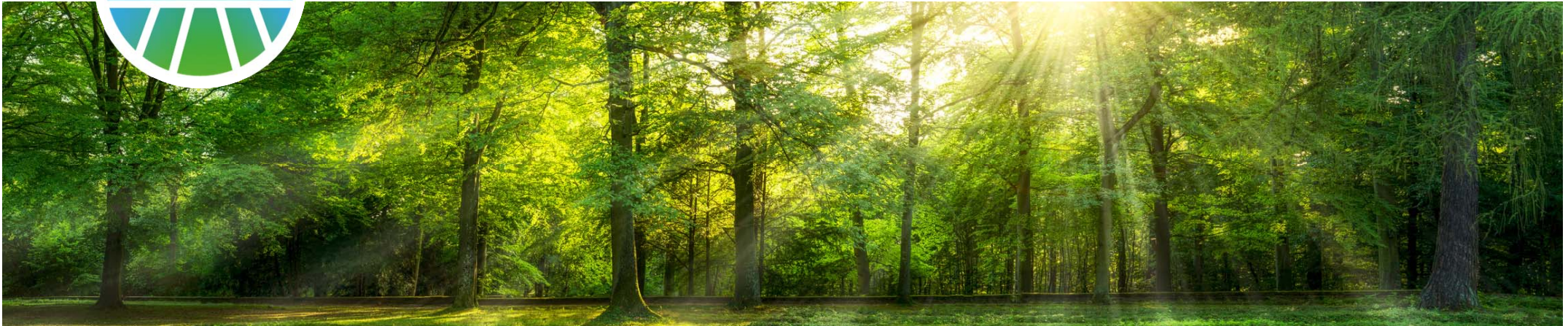


# 2020 1Q Consolidated results



Milan

May 7<sup>th</sup> , 2020

# Operating update and 2020 outlook



## Operating conditions

- Maximum security protocol ensured uninterrupted gas flows (dispatching, transmission, storage, LNG)
- **>2000** people fully enabled to work remotely from Feb. 24th
- Construction sites: **50%** active 10-23 March, **10%** active March 23- May 4<sup>th</sup>; ca.**45%** active May 6<sup>th</sup> ; **100%** by June

## Capex recovery programme

- Putting additional resources on the ground for extra manpower
- Working with materials delivery timings to ensure schedule can speed up
- FY investment delays vs guidance reduced from initial estimate of ca. **€200m** to **<€100m**

## Full-year impact limited vs guidance, mitigation measures implemented

- Gas consumption may impact commodity element revenues (+/- €9m max)
- Extra operating costs<sup>1</sup> related to Covid will largely be offset by the containment actions launched
- New businesses temporary slowdown
- Virtually no impact on financial charges thanks to 2019 prefunding
- P&L: low single-digit percentage impact on 2020 earnings
- Working capital: No material impact expected

No impact on dividend policy

<sup>1</sup> Excludes social contribution of €20m (to be normalized in 2020 adj. results)

# Building back better

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## Rethinking the way we work

- Following success of **remote working**:
  - **80%** remote training instituted for Snam Institute management courses; **100%** digital recruitment and onboarding
  - **Snam Paperless** project to eliminate printing, simplify processes and authorisation
  - Rethinking implications in terms of office space, organisation, management culture
- Employee health: special insurance covering Covid-19, pulse oximeter delivered to all employees at home

## Strengthening the relationship with our community

- **€ 20m donated** for solidarity initiatives including the purchase of medical equipment
- **625** ventilators and **0.6 million** masks donated
- Solidarity project '**Diamo forma al Futuro**' in which Snam people can donate a share of remuneration matched by Snam, working hours and holidays (1 in 3 employees has donated to a giving campaign)
- Launch of a contest to identify and support innovative post-Covid adaptation initiatives

## Capex acceleration potential in Italy

- Infrastructure investments set to play a key role in Italian economic recovery
- Snam investments have significant multiplier effect on GDP
- Proposed initiatives to streamline permitting within current framework

# Green Deal: a key opportunity for sustainable investments



## European Green Deal key to restarting European economy

- EU commitment to Green New Deal restated
- €1000 bn investments in green energy announced pre-Covid, could be enhanced

## Sustainability to drive the Italian economic recovery

- Coal to gas economic switch confirmed in Q1, supporting key role of gas in the transition
- Hydrogen production costs declining faster than expected
- Legislative proposal expected to extend tax deductions up to 110% on buildings energy efficiency to 2021

## Snam well positioned in Energy transition

- Strong pipeline of energy efficiency projects in the residential business
- “Hy-Ready” audit of pipelines suggests contained adaptation costs; storage investigation ongoing
- Participating in Horizon2020 technology calls to support different areas of hydrogen value chain
- Biomethane platform to grow in production from urban waste transformation and, upon Iniziative Biometano signing, agricultural feedstock

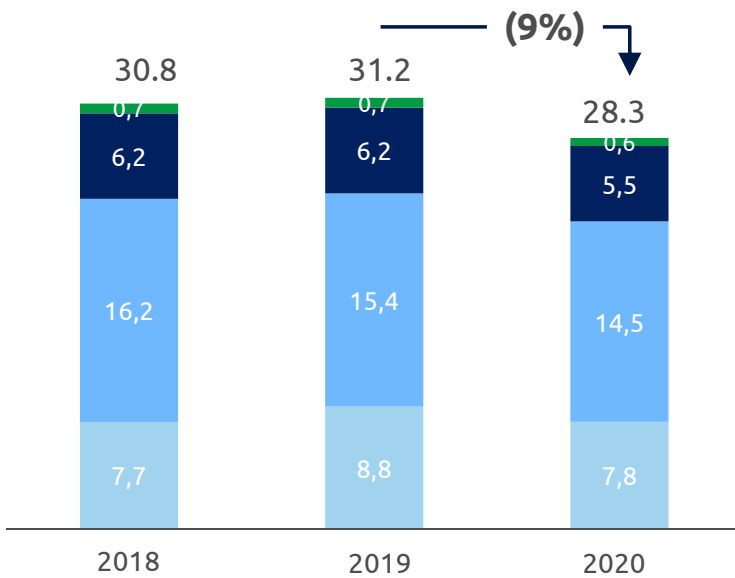
Opportunities from an accelerated energy transition

# Jan-April 2020: Gas scenario update



## Gas consumption in Italy (Jan-April)

Bcm

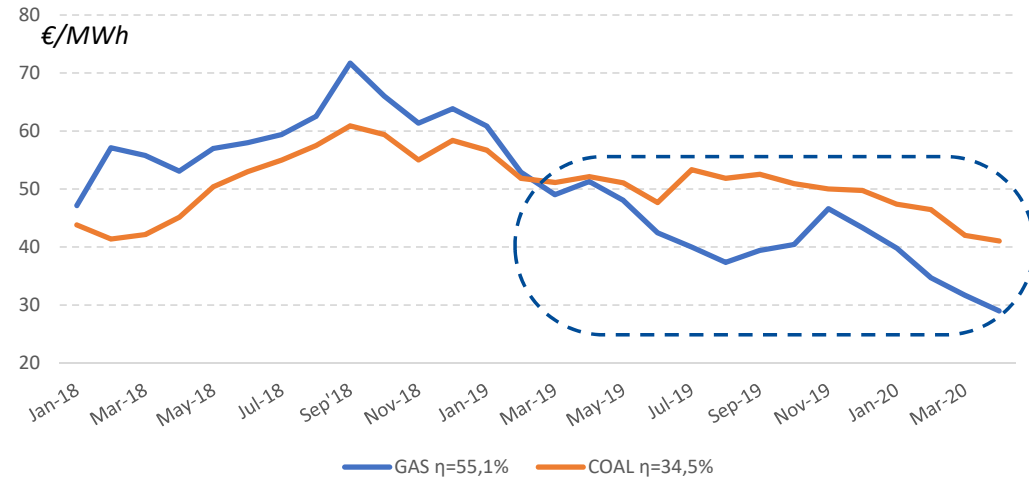


- Mild weather impact ~1bcm
- April demand\* -23%
  - Powergen -32%
  - Industry -22%
  - Buildings -16%

■ Other  
■ Industry  
■ Thermoelectric  
■ Building

(\*) Based on delivered volumes daily data

## Thermoelectric generation costs



### Coal to gas switch supports gas demand for power

- Gas prices -55% vs April 2019
- Coal prices - 26% vs April 2019
- Co2 -20% vs April 2019

Full-year gas demand forecast at 67 bcm  
(assuming progressive re-start of activities from May)

# Key Highlights Q1



## Continuous improvement in our core business

- Storage **100%** of capacity booked for thermal year 20 – 21 (ca. +2% vs LY – ca. + 200 mcm vs LY)
- **12** LNG ships arrived in Panigaglia broadly in line with the strong performance of 2019 despite Covid
- Efficiency plan ongoing: **€53m** cumulated achieved
- Completed OLT acquisition for **€332m**
- **€220m** of capex

## Progress on international activities

- TAP > **94%** complete at the end of March, on track for Q4 2020 completion (Snam's interconnection to TAP on track as well)
- Regulatory review in Austria almost complete

## Value creation from optimization of financial structure

- Refinancing needs covered for more than the next 24 months, **€700m** zero cost 2/3 years term loans closed in March;
- **€111m** of SBB carried out. Approval for a new **€500m** SBB required to the next AGM to provide flexibility to the company
- Interim dividend payment for **€313m**, final dividend to be paid in June for **€466m**

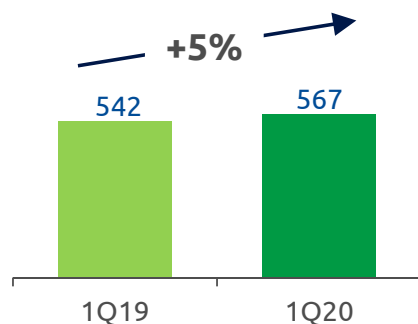
## Enhanced exposure to the energy transition

- Snam and Terna MoU to extend collaboration between electricity and gas systems
- Agreement with Alstom for the use of H2 on railway transport
- Agreement with RINA to accelerate hydrogen development
- Agreement signed for the acquisitions of 50% stake in Inziative Biometano

# 1Q 2020 financial results

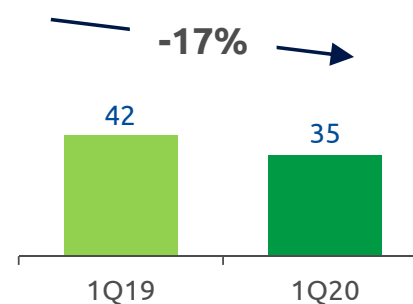


## Ebitda (€ bn)



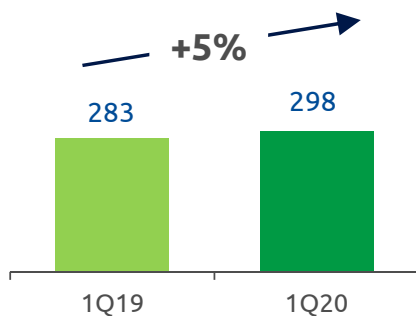
- Higher regulated revenues
- Continuing benefit from efficiency programme

## Financial charges (€ bn)



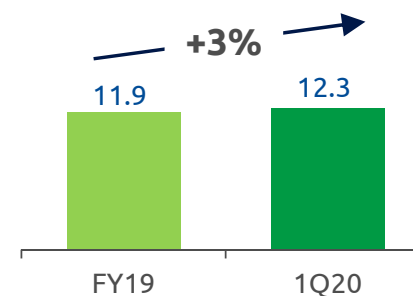
- Bond rollover
- 2019 Liability management
- Treasury optimization

## Net profit (€ bn)



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

## Net debt (€ bn)

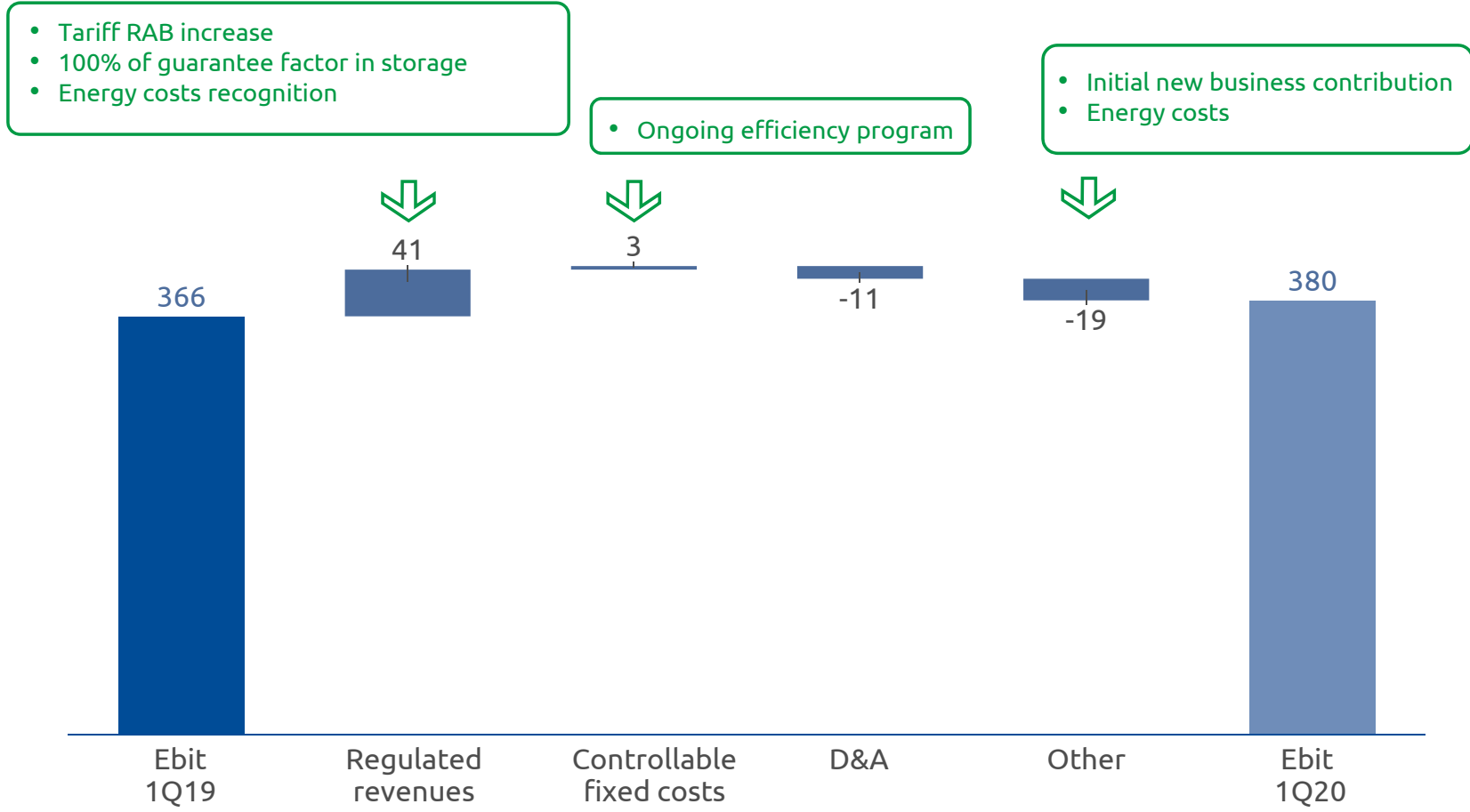


- OLT acquisition
- SBB and interim dividend payment
- Working capital positive contribution

# 2020 1Q results: Ebit analysis



€ mn

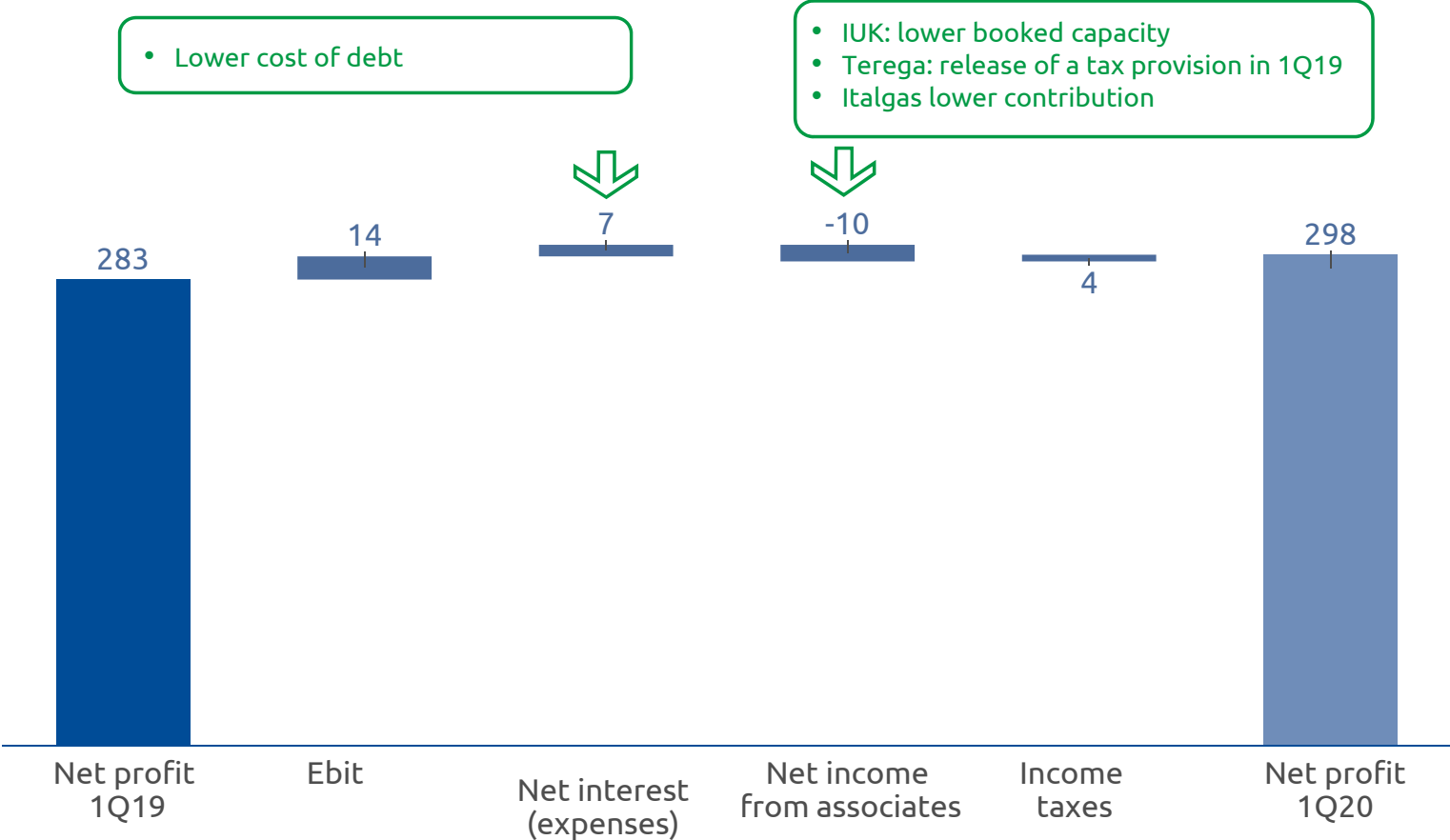




# 2020 1Q results: Net profit analysis



€ mn



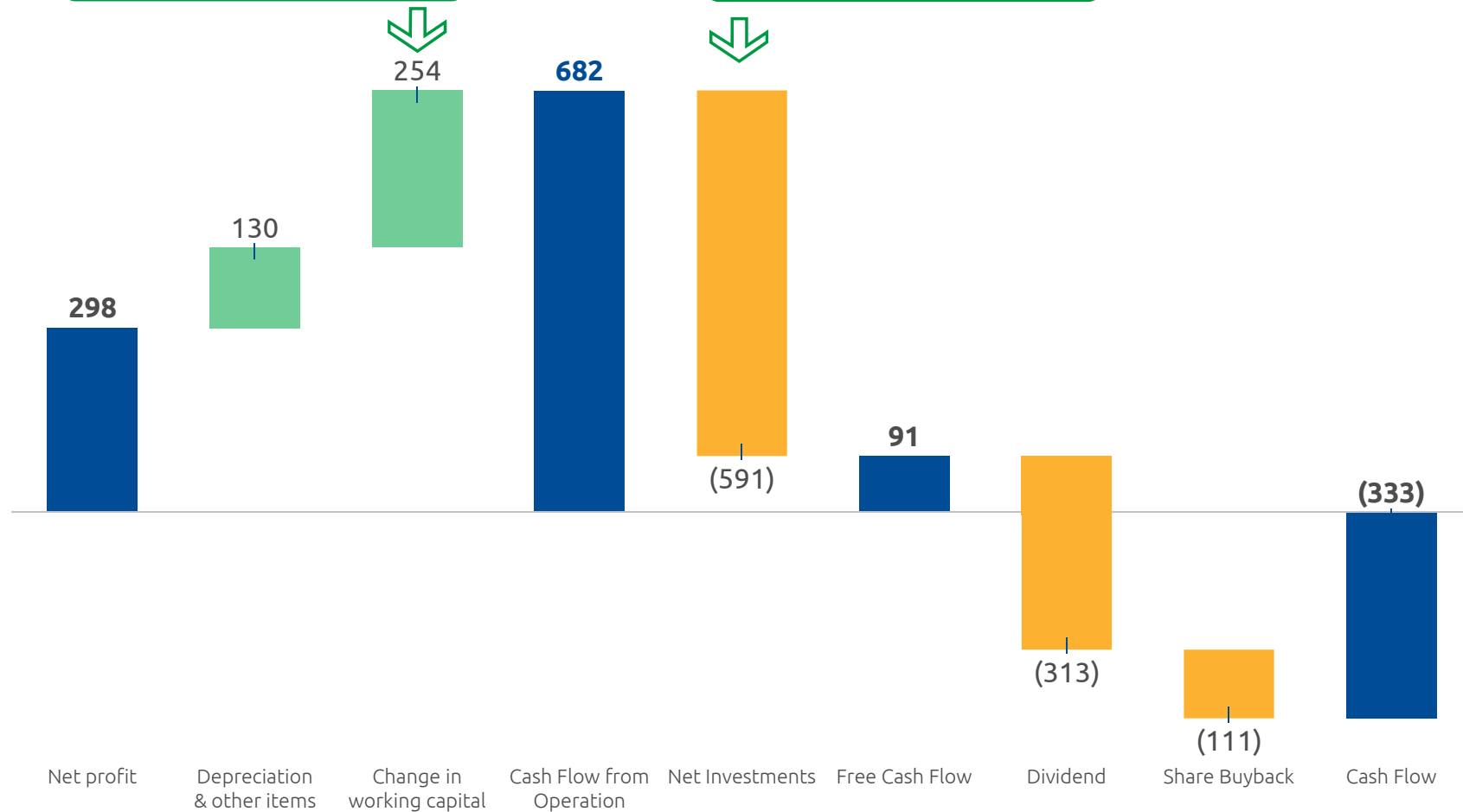
# 2020 1Q Cash Flow



€ mn

- Tariff related items € 114m
- Net tax payables € 106m

- Capex € -220m
- OLT € -332m



# Snam Debt Structure



## Key Highlights

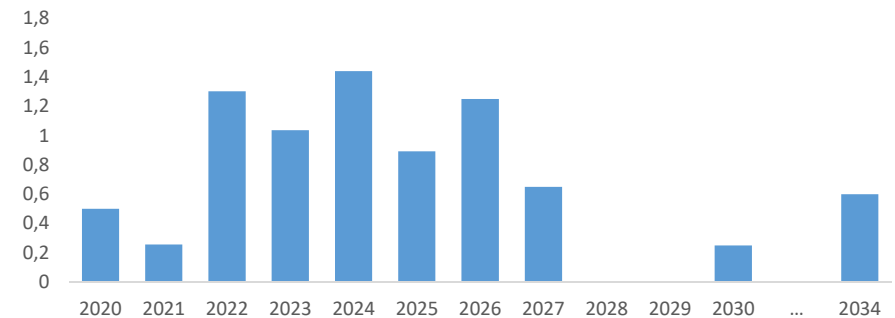
- M/L term debt maturity: ~ **6y** (spread over time)
- Fix-Floating: > **¾** in line with our target
- >**700mln€** 0 cost 2-3 yr new term loans secured in March
  - 2020 financial charges reduction due to:
    - LM exercise in December 2019: **ca 600m€** bonds bought back
    - Natural bond rollover of high coupon 2020 maturities already financed with low coupon 2019 pre-funding
- Treasury Management Optimization: 1Q still benefiting from short term funding at negative yield
- Share Buyback Program: **150m€** executed from December 2019 to February 2020 and **ca. 31m** shares repurchased

**Strong liquidity profile covering more than 24 months maturities**

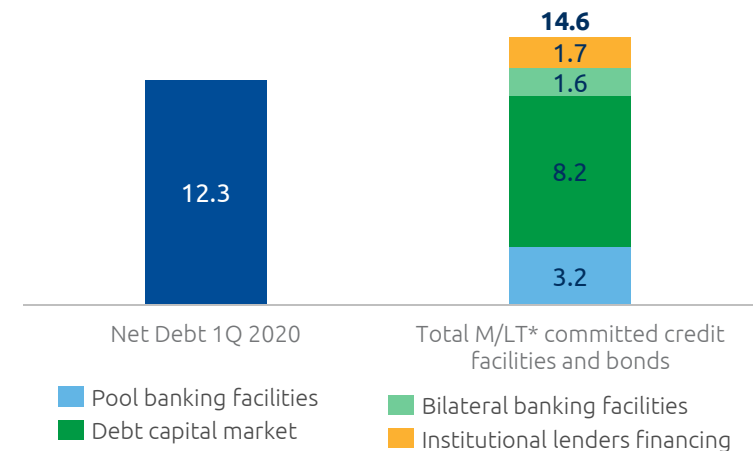
leveraging on new **700mln€** term loans, cash on hand and undrawn

**3.2bn€** RCF credit line

## Bond maturity Profile (€ bn) as of 31 March 2020



## Total MLT committed credit facilities and bonds\*



\* Excluding uncommitted lines and Commercial Paper



## ANNEXES

# Income Statement



[ € mn ]	2019 1Q	2020 1Q	Change	Change %
Revenues	639	691	52	8.1%
Operating expenses	(97)	(124)	(27)	27.8%
<b>EBITDA</b>	<b>542</b>	<b>567</b>	<b>25</b>	<b>4.6%</b>
Depreciation & amortisation	(176)	(187)	(11)	6.3%
<b>EBIT</b>	<b>366</b>	<b>380</b>	<b>14</b>	<b>3.8%</b>
Net interest income (expenses)	(42)	(35)	7	(16.7)%
Net income from associates	62	52	(10)	(16.1)%
<b>EBT</b>	<b>386</b>	<b>397</b>	<b>11</b>	<b>2.8%</b>
Income taxes	(103)	(99)	4	(3.9)%
<b>NET PROFIT</b>	<b>283</b>	<b>298</b>	<b>15</b>	<b>5.3%</b>

# Revenues



[ € mn ]	2019 1Q	2020 1Q	Change	Change%
<b>Regulated revenues</b>	<b>615</b>	<b>656</b>	<b>41</b>	<b>6.7%</b>
Transport	490	527	37	7.6%
Storage	121	124	3	2.5%
LNG	4	5	1	25.0%
<b>Other revenues</b>	<b>24</b>	<b>35</b>	<b>11</b>	<b>45.8%</b>
<b>TOTAL REVENUES</b>	<b>639</b>	<b>691</b>	<b>52</b>	<b>8.1%</b>

# Operating Expenses



[ € mn ]	2019 1Q	2020 1Q	Change	Change%
<b>Regulated activities</b>	<b>72</b>	<b>81</b>	<b>9</b>	<b>12.5%</b>
Controllable fixed costs	68	65	(3)	-4.4%
Variable costs	4	16	12	300.0%
Other costs	-	-	-	-
<b>Non regulated activities</b>	<b>25</b>	<b>43</b>	<b>18</b>	<b>72.0%</b>
<b>TOTAL COSTS</b>	<b>97</b>	<b>124</b>	<b>27</b>	<b>27.8%</b>

# Balance Sheet



[ € mn ]	2019	2020 1Q	Change	Change %
<b>Net invested capital</b>	<b>18,181</b>	<b>18,685</b>	<b>504</b>	<b>2.8%</b>
Fixed capital	19,311	19,688	377	2.0%
Tangible fixed assets	16,802	16,755	(47)	(0.3)%
Intangible fixed assets	990	1,004	14	1.4%
Equity-accounted and other investments	1,828	1,870	42	2.3%
Financial receivables held for operating activities	3	317	314	10466.7%
Net payables for investments	(312)	(258)	54	(17.3)%
<b>Net working capital</b>	<b>(1,094)</b>	<b>(959)</b>	<b>135</b>	<b>(12.3)%</b>
Receivables	1,549	1,706	157	10.1%
Liabilities	(2,643)	(2,665)	(22)	0.8%
Provisions for employee benefits	(46)	(44)	2	(4.3)%
Non current assets held for sale	10	-	(10)	n.a.
<b>Net financial debt</b>	<b>11,923</b>	<b>12,256</b>	<b>333</b>	<b>2.8%</b>
<b>Shareholders' equity</b>	<b>6,258</b>	<b>6,429</b>	<b>171</b>	<b>2.7%</b>



# Share buyback recap



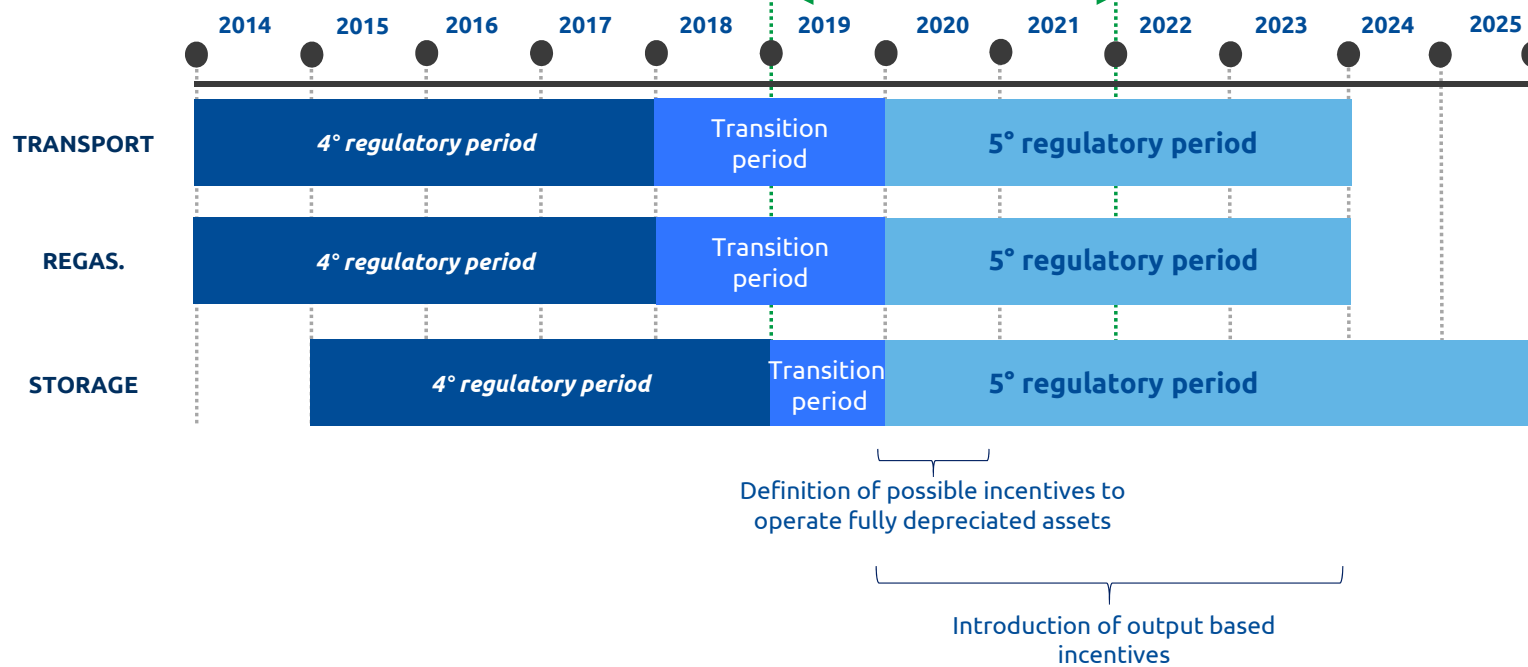
Outstanding shares at 31/12/2018	3,469,038,579
Shares held by Snam at 31/12/2018	168,197,663 (4.85% of Share Capital)
Shares to serve convertible and management incentives	94 million
Shares cancelled – A.G.M. April 2019	74,197,663
Outstanding shares after cancellation in April 2019	3,394,840,916
Outstanding 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

# 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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Luca Oglialoro, 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.

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