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2021 1H Consolidated results

Milan, July 29th, 2021

Key highlights



CORE BUSINESS

- Group capex of **€566m**
- First fully digitalized district (**TecHub**) in Bologna
- Gas demand at **39,81bcm** (+9.9% vs LY)



REGULATION

- 1st consultation document on the **WACC review** published by ARERA



ENERGY TRANSITION

- Italian Recovery Plan **>€30bn** on hydrogen, biomethane, sustainable mobility and energy efficiency
- **Fit for 55** package to promote the key role of hydrogen including the carbon border adjustment mechanism
- Snam direct partner in the first 2 waves of **IPCEI** (Important Projects of Common Interest)
- First test with a **30%** hydrogen/natural gas blend in steel forging
- Awarded innovation fund grant for a 6 MW green hydrogen production plant in consortium with A2A and FNM.



ASSOCIATES

- Strong performance of associates
- De Nora H1 revenues **+10%**



FINANCIAL STRUCTURE

- Cost of debt below **1%**
- Signed a **€150m** loan agreement with the EIB to support energy efficiency projects
- Sustainable financing at **ca 60%** of total available funding *



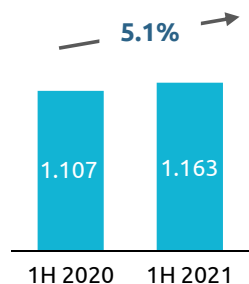
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* As of end July, including the Commercial Paper Programme.

1H 2021 financial results

EBITDA

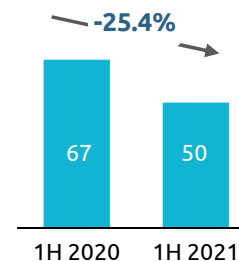
€m



- Tariff RAB growth and gas volume
- Output based incentives flat
- Positive contribution of new businesses
- Release of past balance sheet items

Financial charges

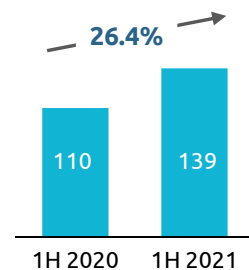
€m



- YE-2020 liability management
- Treasury management optimization

Income from associates

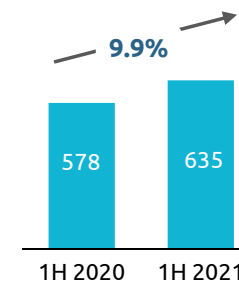
€m



- Perimeter effect (Adnoc and De Nora)
- First year of TAP full contribution
- New regulatory period in Austria and lower unitary tariffs in Greece

Net income

€m



- Lower cost of cost debt
- Strong contribution from associates

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Net profit Guidance confirmed

Snam strongly positioned in the green gas supercycle

Energy Transition gaining momentum

Italian Recovery Plan supports segments where Snam has built a strong competitive position:

- **€22bn*** for energy efficiency in PA and private sector
- **€1.9bn** for new biomethane and conversion of biogas
- **€5bn*** for sustainable mobility (fleet and infrastructure)
- **€3.6bn** for hydrogen projects

Fit for 55 promoting key role of renewable and low carbon gases:

- **2.6%** renewable fuels of non-biological origin in transport
- **50%** renewable share in industrial uses
- H2 refueling station every **150km** along TEN-T/TEN-E corridors;
- Carbon border adjustment mechanism

New energy scenarios see accelerated role for hydrogen

- **IEA report** 'Net zero by 2050 a roadmap for the Global Energy Sector' calls for **850GW** of electrolyzers by 2030
- **BNEF** green scenario sees **1900GW** of electrolyzers by 2030

Snam projects gaining traction

PNRR: Identified **ca 1bn of H2 projects** aligned with guidelines in

- Industrial clusters, hydrogen valleys
- H2 rail & road transport
- H2 in hard to abate sectors
- Development of hydrogen supply chain
- R&D

IPCEI: Snam selected as **direct partner** in the first two waves

H2 enabling Technologies

Project to develop in Italy advanced manufacturer electrolyzers capacity in partnership with De Nora

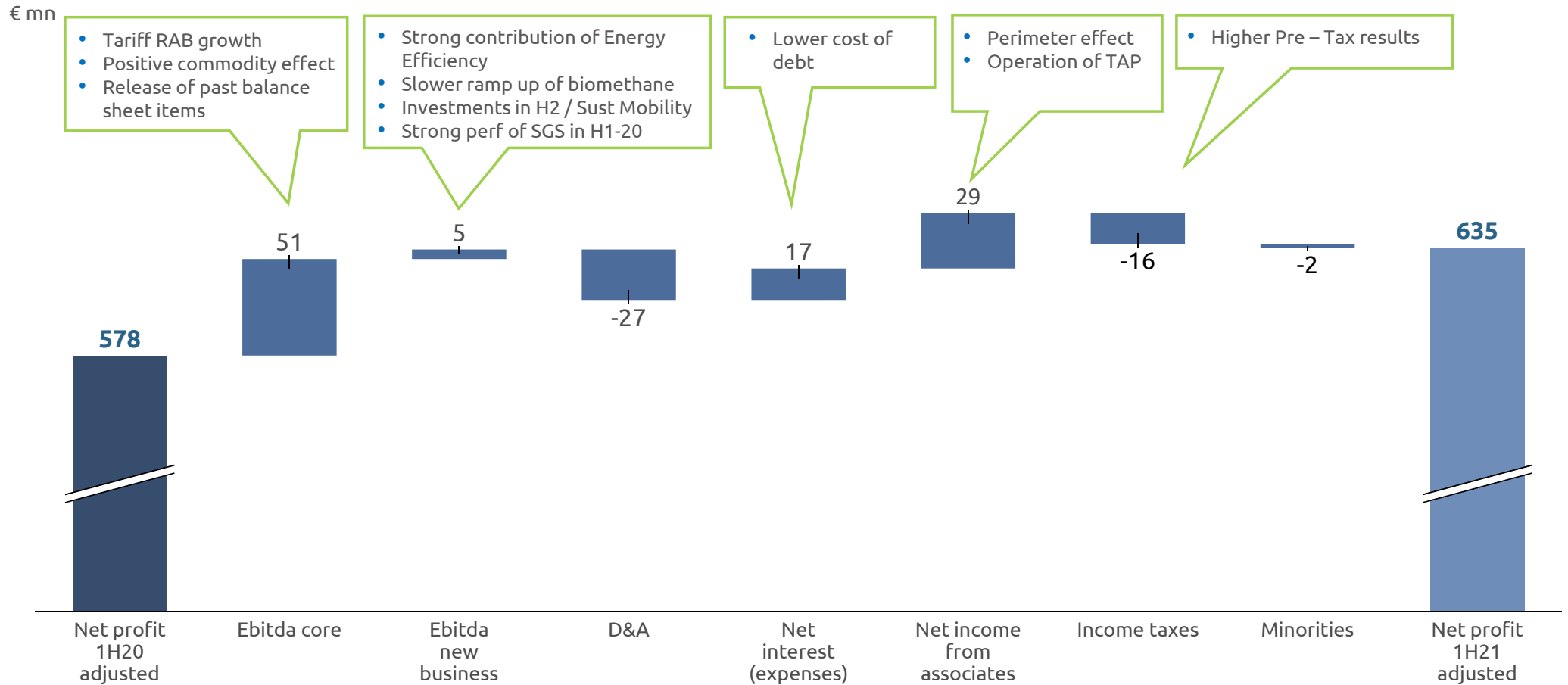
Hard to abate

Industrial applications of hydrogen to decarbonize steel and ceramics industrial processes



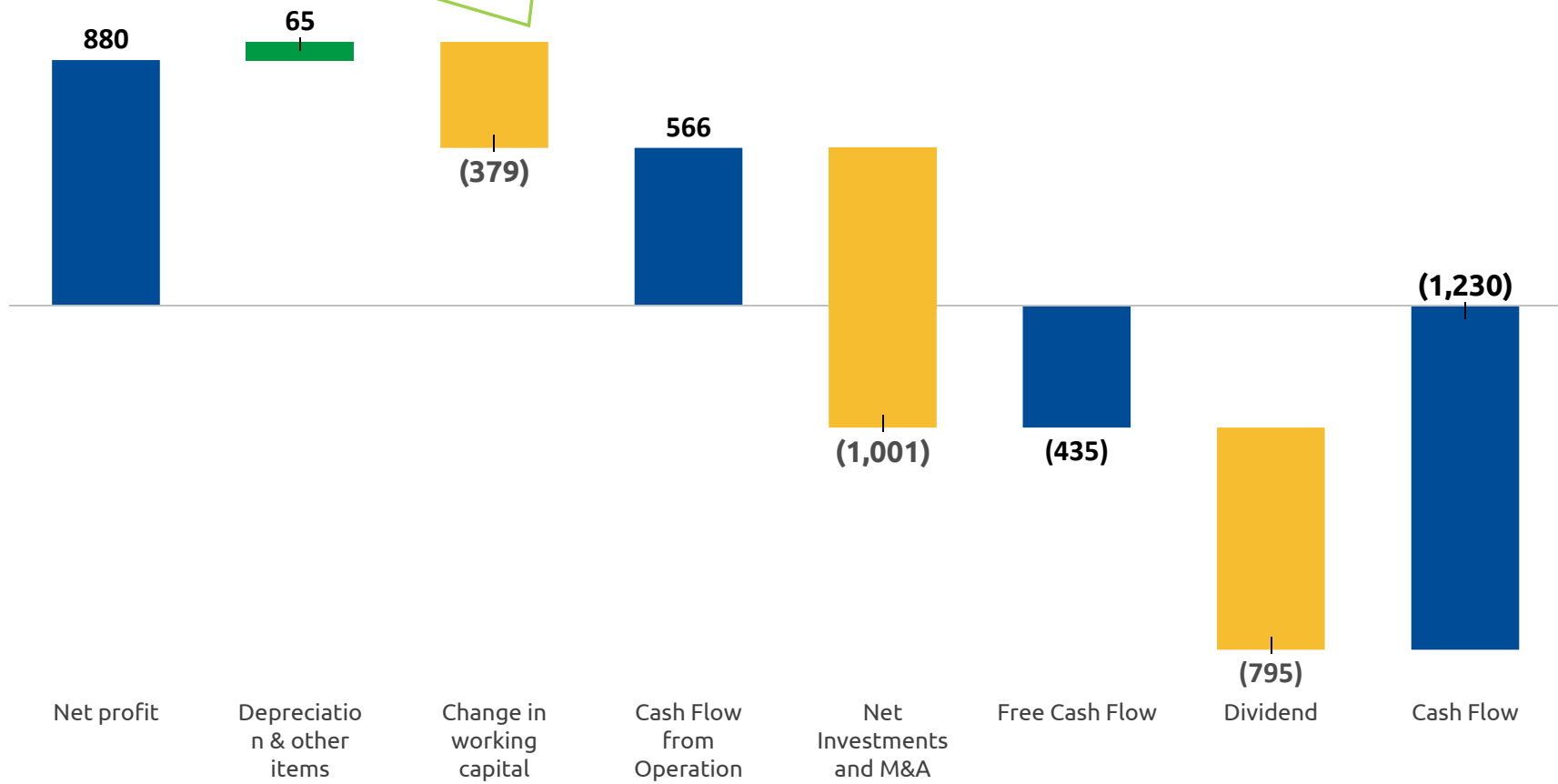
H1 consolidated results

2021 1H results: Net profit analysis



Cash flow

- Seasonal balancing activities (cold weather)
- Rump up of Ecobonus
- Tariff related items



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Snam Debt Structure, rising role of sustainable finance

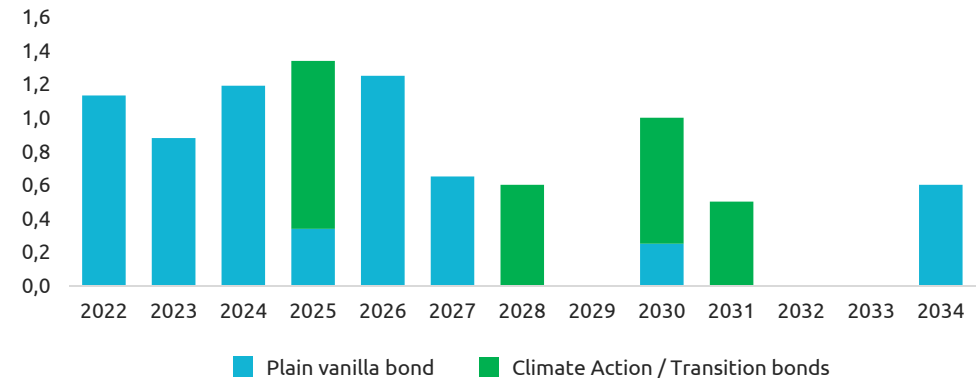
Key Highlights

- **M/L term debt maturity:** ~6Y with maturities well spread over time
- **~¾ Fix-Floating** in line with our Fix-Floating target
- **New 500m€ Transition bond issued** in June '21 achieving the lowest ever coupon for a Snam's 10-year bond
- **New EIB loan** for 150m€ to finance Renovit's energy efficiency projects
- **New 3 year ESG-linked Term Loans** for 350m€ @ 0% cost signed in July
- **Treasury management optimization** exploiting supportive market conditions:
 - Full utilization of Euro Commercial Paper Programme through the issuance of ESG-labelled Notes
 - Ample access to uncommitted credit lines at negative yields
- In May and **for the 3rd consecutive year, confirmed the margin step down on the Sustainable loan** as the ESG targets were met

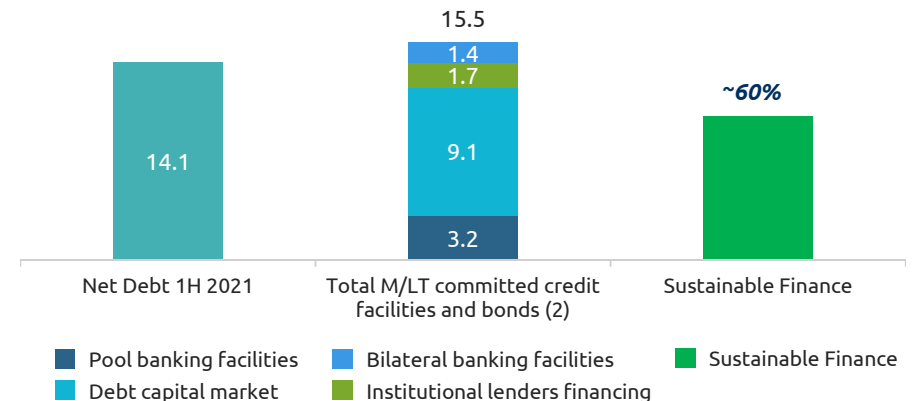
Strong commitment on Sustainable Finance: entire funding of the first half through sustainable instruments achieving ca 60%⁽¹⁾ on total committed funding

(1) As of end July, including the Commercial Paper Programme

Bond maturity Profile as of 30 June 2021 (bn€)



Total MLT committed credit facilities and bonds (bn€)



(2) Excluding uncommitted lines and Commercial Paper.

Q&A SESSION

Back up



Income Statement

[€ mn]	1H 2020	1H 2021	Change	Change %
Revenues	1,346	1,527	181	13.4%
Operating expenses	(239)	(364)	(125)	52.3%
EBITDA	1,107	1,163	56	5.1%
Depreciation & amortisation	(374)	(401)	(27)	7.2%
EBIT	733	762	29	4.0%
Net interest income (expenses)	(67)	(50)	17	(25.4)%
Net income from associates	110	139	29	26.4%
EBT	776	851	75	9.7%
Income taxes	(198)	(214)	(16)	8.1%
NET PROFIT BEFORE THIRD PARTIES	578	637	59	10.2%
Third parties net profit	-	(2)	(2)	n.a
NET PROFIT	578	635	57	9.9%

Revenues

[€ mn]	1H 2020	1H 2021	Change	Change %
Regulated revenues	1,273	1,358	85	6.7%
Transport	1,014	1,084	70	6.9%
Storage	248	265	17	6.9%
LNG	11	9	(2)	(18.2)%
Non regulated revenues	12	12	-	-
Total core business revenues	1,285	1,370	85	6.6%
New business revenues	61	157	96	157.4%
TOTAL REVENUES	1,346	1,527	181	13.4%

Operating Expenses

[€ mn]	1H 2020	1H 2021	Change	Change %
Core business costs	177	211	34	19.2%
Variable costs	21	57	36	171.4%
Fixed costs	140	138	(2)	(1.4)%
Other costs	16	16	-	n/a
New business costs	62	153	91	146.8%
TOTAL COSTS	239	364	125	52.3%

Balance Sheet

[€ mn]	2020	2021 1H	Change	Change %
Net invested capital	19,364	21,076	1,712	8.8%
Fixed capital	20,265	20,909	644	3.2%
Tangible fixed assets	17,178	17,249	71	0.4%
Intangible fixed assets	1,125	1,144	19	1.7%
Equity-accounted investments	1,923	2,447	524	27.2%
Other financial assets	426	415	(11)	(2.6)%
Net payables for investments	(387)	(346)	41	(10.6)%
Net working capital	(861)	206	1,067	(123.9%)
Receivables	1,930	2,173	243	12.6%
Liabilities	(2,791)	(1,967)	824	(29.5)%
Provisions for employee benefits	(40)	(39)	1	(2.5)%
Net financial debt	12,892	14,148	1,256	9.7%
Shareholders' equity	6,472	6,928	456	7.0%

Realignment of fixed assets tax value

Law decree
104/2020

Allows companies that prepare financial statements according to IAS/IFRS to realign the differences between fiscal and book values of tangible and intangible assets paying a substitute tax of 3% on the amount redeemed.
Future income taxes will benefit from tangible/ intangible asset tax depreciation

Snam situation

Snam Group - before 2008 – opted for accelerated depreciations (depreciation for tax purposes higher than the accounting ones), creating a dis-alignment between the book value (higher) and the fiscal value (lower) of the assets

Main impacts

- Overall difference at the end of 2020: € 1.2bn
- Tax benefit (24%) to be recovered over 40 years
- Substitute tax (3%) to be paid in 3 annual instalments (€12m/y) from June 2021
- H1-2021 P&L: positive one-off component (adjusted) of €255m equal to the difference between (a) the release of the deferred tax liabilities and (b) the substitute tax due (3%)

Bologna district, first step of digital transformation

Bologna flagship district of digital innovation

- Inaugurated the central-eastern district, our first regional technology hub, a model of digital transformation
- More than **4,000 km** of gas pipelines, **80** reduction plants and more than **1,000** redelivery points between Emilia-Romagna and Marche are controlled

Key applications:

- Real time geo-referenced leak detection
- Innovative cathodic protection
- Analytics for Maintenance
- Drones & satellites
- New metering devices

ca €30m
Invested

>4.000
devices
connected
(for leak detection
& cathodic
protection)

...to be rollout to other districts

ca €500m
investments in
digitalization
in 2020-24 plan

30.000
connected devices
and 600+
Edge
computing
devices

50x
central + cloud
Processing
power
vs today

100x
data vs today
(in 2 years)
Gathered
and used

Main benefits

- Increase **SAFETY of WORKERS**
- Improve asset **INTEGRITY** and **RELIABILITY**
- Faster and more accurate pipeline **LEAKAGE DETECTION**
- Asset monitoring to **REDUCE GAS EMISSIONS**

WACC review update

Key highlights of the 1st consultation document

- **Length of the WACC regulatory period** confirmed at 6 years with two options for the infra-period review (every 2Y or every 3Y with potential triggers);
- **Methodology:**
 - CAPM methodology confirmed with changes to risk free and CRP
 - Proposed a new methodology on cost of debt calculation (to be gradually introduced)
- **Length of the observation period and phasing of the new cost of debt formula not defined yet**

Timeline



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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.

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