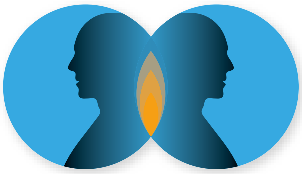
Snam in 2019 – Summary Data and Information

Applicable regulatory framework and principal developments



TARIFF REGULATION IN ITALY

By means of Resolutions 514/2013/R/gas, 438/2013/R/gas and 531/2014/R/gas, the Italian Regulatory Authority for Energy Networks and the Environment (ARERA) defined the tariff criteria for the fourth regulatory period, in force from 1 January 2014, for transportation and regasification activities, and from 1 January 2015 for storage activities. Through subsequent resolutions 575/2017/R/gas, 653/2017/R/gas and 68/2018/R/gas the Authority defined the tariff criteria for the transition period, respectively for transportation and regasification activities (1 January 2018-31 December 2019) and for storage activities (1 January 2019-31 December 2019) concluding the fourth regulatory period.

In 2018 the Authority launched consultations for the definition of the criteria for calculating the revenue recognised for the fifth regulatory period with effect from 2020, defining these criteria in 2019.

Through subsequent resolutions 114/2019/R/gas, 474/2019/R/gas and 419/2019/R/gas the Authority defined the tariff criteria for the fifth regulatory period, respectively for transportation and regasification activities (1 January 2020-31 December 2023) and for storage activities (1 January 2020-31 December 2025) confirming the essential stability and continuity of the regulatory principles for the regulation in force.

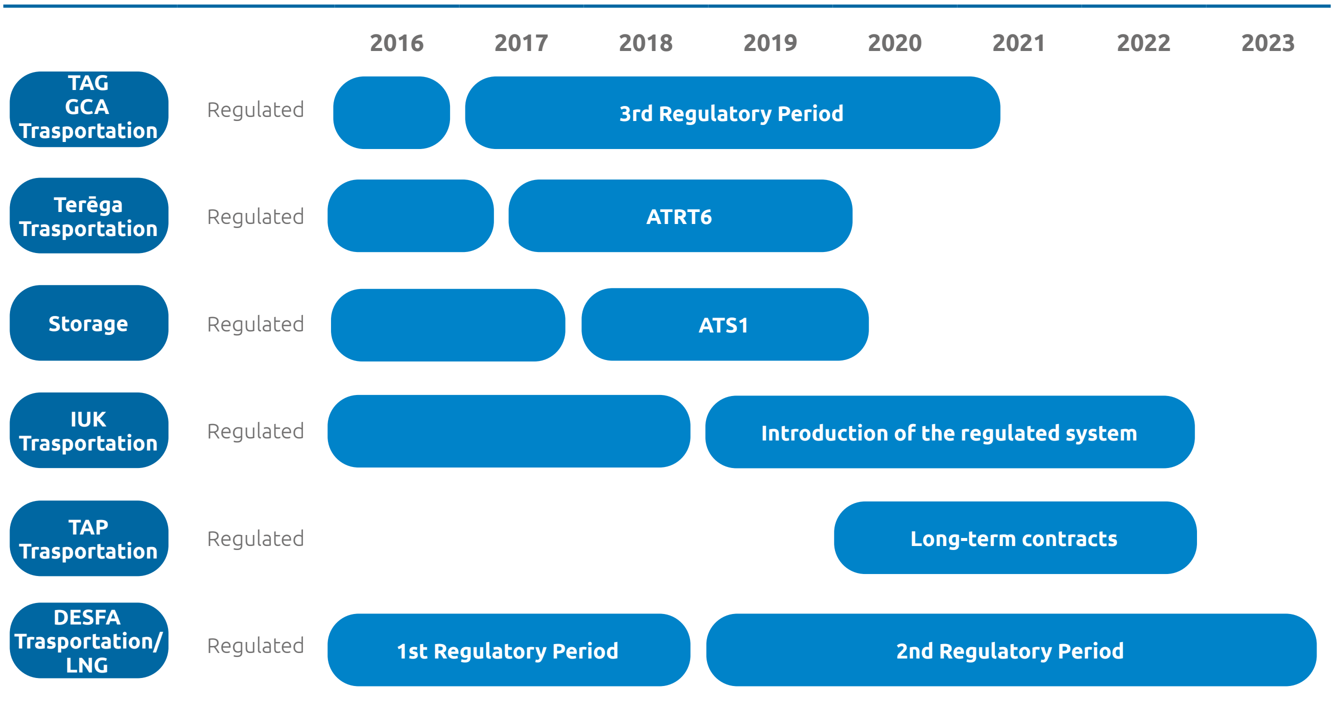
	2014-2017	2018	2019	2020-2023	2024-2025
Trasportation	4th Regulatory Period	Transitional Period		5th Regulatory Period 4 years	
Regasification	4th Regulatory Period	Transitional Period		5th Regulatory Period 4 years	
Storage	4th Regulatory Period		Transitional Period	5th Regulatory Period 6 years	

The following are the primary tariff components for each of the regulated activities carried out by Snam, based on the regulatory framework in force as at 31 December 2019. Further information regarding major new rate developments occurred, with respect to each business sector, is provided in the chapter "Business segment operating performance – Tariff regulations" of this Report.

	Transportation	**Regasification**	**Storage**
Period time regulatory (Tariffs)	*Transitional period:* 1 January 2018 - 31 December 2019 ***5th period:*** 1 January 2020 - 31 December 2023	*Transitional period:* 1 January 2018 - 31 December 2019 ***5th period:*** 1 January 2020 - 31 December 2023	*Transitional period:* 1 January 2018 - 31 December 2019 ***5th period:*** 1 January 2020 - 31 December 2023
Capital calculation net invested recognised for purposes regulators (RAB)	*Transitional period:* Revalued historical cost Working capital recognised 0.8% ***Confirmed for the 5th period***	*Transitional period:* Revalued historical cost Working capital recognised 0.8% ***Confirmed for the 5th period***	*Transitional period:* Revalued historical cost Working capital recognised 0.8% ***Confirmed for the 5th period***
Return of the invested capital net recognised for regulatory purposes (pre-tax WACC) (*)	*Transitional period:* 5.7% 2019 ***5th period:*** 5.7% 2020-2021 (*) LIC return with WACC 5.3%	*Transitional period:* 6.8% 2019 ***5th period:*** 6.8% 2020-2021 (*) Excluding LIC	*Transitional period:* 6.7% 2019 ***5th period:*** 6.7% 2020-2021 (*) Excluding LIC
Incentives on new investments	*Transitional period:* (investments in 2019): +1% for 12 years (investments in new capacity for transport and with cost analysis positive benefits) Return on investments t-1 to offset time-lag regulatory ***5th period:*** (investments in the period by 2022): +1.5% for 10 years (investments in new capacity for transport and with cost analysis benefits >1.5)	*Transitional period:* (investments in 2019): +1.5% for 12 years (investments in new capacity of regasification) Return on investments t-1 to offset time-lag regulatory ***5th period:*** Withholding of 40% of revenues from flexibility services (hedging revenues not subject to guarantee factor)	*Transitional period:* Withholding for 8 years of 20% of greater revenues compared with revenues recognised resulting from bids on new additional capacity Return on investments t-1 to offset time-lag regulatory ***5th period:*** Withholding of 50% of revenues from tenders short-term Possible optional upgrading of the percentage, following guarantee % reduction on revenues
Efficiency factor (X FACTOR)	*Transitional period:* 1.3% - on operating costs ***5th period:*** 0.9% on operating costs	*Transitional period:* 0% ***5th period:*** 3.1% on operating costs	*Transitional period:* 4.7% - on operating costs ***5th period:*** 1% on operating costs

(*) The rate of return on net invested capital (WACC) in force from 1 January 2016 was set by the Authority by means of Resolution 583/2015/R/com of 2 December 2015, "Rate of return on invested capital for infrastructural services in the electricity and gas sectors: calculation and updating criteria". The duration of the WACC (TIWACC) regulatory period for infrastructure regulations in the gas sector is set at six years (2016-2021), and a mechanism is provided for updating the rate at mid-period according to the prevailing situation. Through resolution 639/2018/R/COM of 6 December 2018, the Authority updated the rate of return on invested capital for infrastructure services regulated by the gas sector for 2019. The respective resolutions defined the tariff regulatory criteria for the 5th regulatory period of the above-mentioned businesses, confirmed the Beta parameter value for 2020 for all sectors, keeping the WACC for that year unchanged, in line with the TIWACC framework.

Regulation in European countries of interest to Snam: main features



TAG GCA Transportation

- Differentiated RAB between Revalued Historical Cost and Book Value. There is also different treatment of (pre-2012) old assets and new investments.
- There are differentiated remuneration rates for the share of RAB financed through Equity (Cost of Equity (*) 8.92% Actual Pre-Tax) and for the share financed through Debt (Cost of Borrowing 2.7% Pre-Tax Nominal).
- Revision in progress of regulatory parameters for the fourth period (2021-2024).

Terēga Transportation

- RAB revalued annually using inflation (Consumer Price Index) taking into account new investments and amortisation and depreciation (Current economic cost method);
- WACC return rate equal to 4.25% Actual Pre-Tax.

Terēga Storage

- Storage under regulated system from January 2018.
- WACC return rate equal to 4.75% Actual Pre-Tax; RAB around €1.2 billion.

IUK Transportation

- Exemption system until October 2018;
- Switch from an exemption regime to a regime regulated on the expiry of long-term contracts (October 2018).

TAP Transportation

- Third-Party Access exemption on the initial capacity (10 bcm/y);
- Exemption from tariff regulation on the initial and expansion capacity.

DESFA Transportation/LNG

- RAB based on historical cost, Work in Progress remunerated by WACC.
- Nominal Pre-Tax remuneration rate for the period 2019-2022: 8.22%, 7.84%, 7.52%, 7.44%.
- RAB of around €0.8 billion (Transportation + LNG).
- Socialisation of the cost of LNG in the transportation tariff (50% from 2020 – compared with 75% previously).
- Recovery of the OLD Recoverable Difference accumulated between 2006 and 2016 of around €326 million, over a time frame of 16 years from 2017 to 2032.

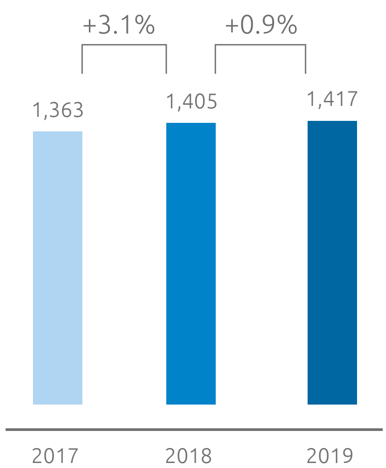
(*) This value includes a premium for the risk related to the marketing of capacity equal to 3.5%.

Results

In order to allow a better evaluation of the economic-financial performance, this Report presents the reclassified financial statements and several alternative performance indicators (Non-GAAP measures), mainly represented by the results in an adjusted configuration[5]. Specifically, adjusted EBIT and net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the operating profit and the reported net profit, as per the legal scheme of the Income Statement.
Income entries classified as special items for 2019 refer to: (i) financial expense from the buy back on the market of bonds under the scope of the liability management operation (€29 million excluding the tax effect); (ii) the effects of the release to the income statement of the provision for impairment losses (€26 million excluding the tax effect) following the announcement by the Council of State of 5 March 2020 with regard to uncollected receivables relating to balancing activities.

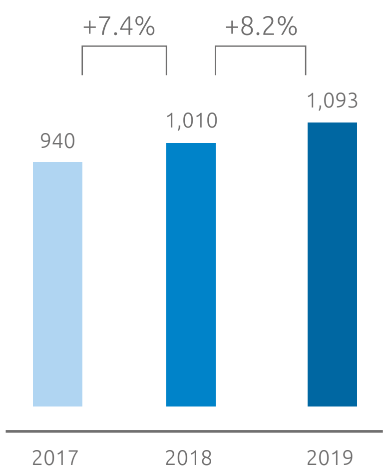
ADJUSTED RESULTS[5]

Adjusted EBIT (€ Mn)



Thanks to the solidity and efficiency of the operational management and strict financial discipline, Snam achieved positive results in line with expectations in 2019. **Adjusted EBIT**[6] totalled €1,417 million, up by €12 million (0.9%) compared with the adjusted EBIT for 2018. The greater revenue (+€76 million or 3.0%), essentially attributable to the natural gas transportation segment business, which benefits from the increase in tariff parameters and the investments of past years, and the contribution for the whole of 2019 of the businesses that joined the scope of consolidation in 2018 were partly offset by the increase in depreciation and amortisation (-€40 million, or 5.9%) and write-downs (-€22 million) referred to works in progress of past years' projects. Operating costs were essentially in line compared with the adjusted figure for 2018 (-€2 million or 0.5%). The effects of the actions of the efficiency plan implemented, around €15 million, were absorbed by the costs, for the year 2019, of the businesses that entered the scope of consolidation in 2018 and the new business initiatives and by the costs related to the continuation of activities in the energy transition.

Adjusted net EBIT (€ Mn)



Adjusted net EBIT totalled €1,093 million, up by €83 million (8.2%) compared with adjusted net EBIT for 2018. The increase, in addition to the greater EBIT (€12 million or +0.9%) is due to the lower net financial expense (+€30 million or 15.4%) thanks to the benefits of the actions for optimising the financial structure implemented, as well as the positive market conditions, as well as greater net income from equity investments (€57 million or +35.8%) mainly courtesy of contribution of Senfluga, after the acquisition timing of DESFA (December 2018) and an exceptionality of performances recorded in 2019, and Terēga. These effects were partly absorbed by higher income taxes (-€16 million;4.5%), due mainly to the greater pre-tax profit.

5 For the definition of these indicators and the reconciliation with the related reported results, in line with the guidelines of the 2015/ESMA1415 document "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015, please refer to the chapter "Financial review and other information - Non-GAAP measures ".
6 EBIT was analysed by isolating only the elements that resulted in a change to that figure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs, due mainly to interconnection.

Free cash flow

+ €482 million

Dividend

€0.2376 per share

Net financial debt was €11,923 million at 31 December 2019, compared with € 11,548 million at 31 December 2018. The net cash flow from operations (€1,486 million) allowed us to fully cover the financial requirements associated with net investments (€1,004 million) and to generate a free cash flow of €482 million. The net financial debt, after cash flows from self-owned capital deriving from the payment to shareholders of the 2018 dividend (€746 million, of which an interim dividend of €298 million and €448 million for the balance) and the acquisition of treasury shares (€39 million), recorded an increase of €375 million compared with 31 December 2018, including non-monetary components related to financial debt (€75 million), which refer mainly to the change in the scope of consolidation and the financial debt recorded through the application of IFRS 16 "Leasing".

DIVIDENDS

Our healthy results and solid business fundamentals allow us to propose a **dividend of €0.2376 per share**, to the Shareholders' Meeting, of which €0.095 per share was paid in January 2020 as an interim dividend (€313 million) and the balance of €0.1426 per share will be paid from 24 June 2020 with an ex-dividend date of 22 June 2020 (record date 23 June 2020). The proposed dividend, up 5% compared with 2018, in line with the dividend policy announced in the strategic plan, confirms Snam's commitment to guaranteeing shareholders an attractive remuneration that is sustainable over a period of time.

Main income statement data [(a)]

(millions of €)	2017	2018	2019	Change	% change
Total revenue	2,533	2,586	**2,665**	79	3.1
Total revenues net of pass-through items	2,441	2,528	**2,604**	76	3.0
Operating costs [(b)]	511	491	**496**	5	1.0
Operating costs net of pass-through items [(b)]	419	433	**435**	2	0.5
EBITDA [(b)]	2,022	2,095	**2,169**	74	3.5
EBIT [(b)]	1,363	1,405	**1,417**	12	0.9
Net profit [(b)] [(c)]	940	1,010	**1,093**	83	8.2

(a) Changes in the income statement results shown in the table, as well as in those later in this Report, unless otherwise indicated, must be understood as changes in the results for the 2019 financial year compared with the financial year 2018. Percentage changes are calculated in relation to the data indicated in the related tables.
(b) The values are reported in the adjusted configuration.
(c) Entirely attributable to Snam shareholders.

Reported results

(millions of €)	2017	2018	2019	Change	% change
EBIT	1,348	1,384	**1,452**	68	4.9
Net profit [(a)]	897	960	**1,090**	130	13.5

(*) Entirely attributable to Snam shareholders.

Main share and income data

		2017	2018	2019	Change	% change
Net profit per share [(a)]	(€)	0.262	0.286	**0.330**	0.044	15.5
Adjusted net profit per share [(a)]	(€)	0.275	0.301	**0.331**	0.030	10.1
Group shareholders' equity per share [(a)]	(€)	1.81	1.78	**1.90**	0.12	6.5
Pay-out (Dividend for the period/Group net profit) [(b)]	%	81.61	77.71	**71.56**	(6.15)	(7.9)
Dividend yield (Dividend for the period/year-end official share price) [(b)]	%	5.3	5.9	**5.1**	(0.8)	(13.9)
Price/Book value (Average official price per share/ Group shareholders' equity per share)	(€)	2.24	2.10	**2.36**	0.26	12.4

(a) Calculated considering the average number of shares outstanding during the year.
(b) The 2019 amount (relating to the dividends) is estimated based on the outstanding number of shares as at 27 February 2020.

Key balance sheet and cash flow figures

(millions of €)	2017	2018	2019	Change	% change
Technical investments	1,034	882	**963**	81	9.2
Net invested capital at 31 December	17,738	17,533	**18,181**	648	3.7
Group Shareholders' equity at 31 December	6,188	5,985	**6,255**	270	4.5
Net financial debt at 31 December	11,550	11,548	**11,923**	375	3.2
Free cash flow	423	1,161	**482**	(679)	(58.5)

Key share figures

		2017	2018	2019	Change	% change
Number of shares of share capital	(million)	3,501	3,469	**3,395**	(74)	(2.1)
Number of shares outstanding on 31 December	(million)	3,415	3,301	**3,292**	(9)	(0.3)
Average number of shares outstanding during the year	(million)	3,422	3,358	**3,301**	(57)	(1.7)
Year-end official share price	(€)	4.086	3.820	**4.686**	0.866	22.7
Average official share price during the period	(€)	4.043	3.747	**4.474**	0.727	19.4
Stock Exchange capitalisation	(million)	13,953	12,606	**15,428**	2,822	22.4
Dividend per share	(€ per share)	0.2155	0.2263	**0.2376**	(0.0113)	5.0
Dividends for the period (*)	(million)	731	746	**780**	(34)	4.6
Dividends paid in the period	(million)	718	731	**746**	15	2.1

(*) The 2019 amount (relating to the dividends) is estimated based on the outstanding number of shares as at 27 February 2020.

Main events

Core business development agreements

Snam and Iren sign an agreement to acquire a stake in the OLT - Livorno regasifier

On 20 September 2019 Snam and the Iren Group signed an agreement for the acquisition by Snam of a 49.07% stake of the share capital of OLT (Offshore LNG Toscana), the company that constructed and manages the offshore regasification terminal (FSRU – Floating Storage and Regasification Unit) located off the coast of Tuscany between Livorno and Pisa. The acquisition was completed on 26 February 2020x, following the prior approval of the competent authorities (Anti-trust Authority).
The consideration paid by Snam to the Iren Group for the acquisition of the entire equity investment in OLT owned by Iren Mercato S.p.A., as well as the remaining share of a shareholders' loan from Iren S.p.A. in favour of OLT stands at around €332 million in total. The amount, paid by Snam with its equity, may be subject to possible contractually-required price adjustment mechanisms.
Following the transaction, Snam took control of the regasification terminal in conjunction with First State Investments International Ltd. which, via the subsidiary FS SP S.àr.l., owns 48.24%.

International Business Development

Establishment of Snam Gas & Energy Services to monitor the Chinese market

In 2019, the Chinese company Snam Gas & Energy Services was established in Beijing, wholly owned by Snam B.V. Snam's interest in the Chinese market is linked on the one hand to the strong growth in gas consumption (190 BCM in 2015; 310 BCM in 2019) and the prospects for further growth in the medium term and on the other hand the need for new gas infrastructures (pipeline, storage and regasification capacity, biogas and biomethane plants) and the evolution of this market with the creation of a company that is solely responsible for the main infrastructure for gas and oil through the consolidation of the assets now owned by the 3 Major Oil & Gas.
Thanks to this presence, Snam has continued and started to implement the intense positioning and accreditation activities with the main stakeholders previously launched and Memorandum of Understanding with financial players have been signed (Bank of China, ICBC, Silk Road Fund - this last during the State visit to Italy of the President of the Republic of China Xi Jinping) and large companies in the energy segment (among others a strategic Memorandum of Understanding signed with CNPC - Petrochina during the CIIE in Shanghai).
During 2019, Snam, also through Snam Gas & Energy Services, signed the first service contracts and initiated the provision of the same to 3 different Chinese counterparties and to an additional company (in which a Chinese counterparty holds a stake) with a focus on storage area.

Biomethane

Renerwaste S.r.l.

In November 2019, through the subsidiary Snam 4 Environment, Snam completed the acquisition from Ladurner Ambiente and from AB Invest of a stake of 82.63% of Renerwaste S.r.l., one of the largest companies operating in Italy in biogas and biomethane infrastructures, for an outlay at the closing, including the repayment of the shareholders' loan, of around €46 million. The transaction, entirely funded through equity, includes the possibility of Snam acquiring the remaining 17.37% of the share capital owned by Ecopartner from June 2020. Renerwaste with its three plants located, respectively, in the provinces of Lodi, Milan and Tortona, generates annual revenues of more than €20 million and employs around 50 people.

Snam and Infore Environmental Group: Memorandum of Understanding (MoU)

At the end of 2019 Snam signed a Memorandum Of Understanding with the Infore Environmental Group, an environmental services company listed on the Shanghai Stock Exchange and the controlling shareholder of Ladurner Ambiente, for potential joint initiatives for the development of biogas and biomethane infrastructure in China.

Biomethane initiatives: binding letter of intent

In November 2019 Snam and Femogas also signed a binding letter of intent aimed at negotiating and defining agreements to launch a strategic partnership in infrastructure for biomethane from agriculture through the entry, with a 50% stake, into Iniziative Biometano, a company operating in Italy with five biogas plants, for which there is a plan for conversion to biomethane, and with various plants in the process of authorisation or construction.

Thanks to these two initiatives, Snam can increase its expertise in the management and running of plants both in the agricultural biomethane chain and the FORSU chain (organic fraction of municipal solid waste), perfectly complementary to the expertise in the design, development and construction of IES Biogas, a subsidiary of Snam since 2018 and leader in the creation of biogas and biomethane plants in Italy and abroad.

Sustainable mobility

Tamoil and Snam: contract for 5 new natural gas service stations

On 20 March 2019, through the subsidiary Snam4Mobility, Tamoil and Snam signed a contract for the construction of an initial batch of 5 natural gas refuelling stations in Italy, promoting the development of sustainable mobility for cars and lorries in Italy.

The agreement involves the collaboration of Tamoil and Snam4Mobility for the design, construction, maintenance and running of 4 new CNG (compressed natural gas) facilities and a new L-CNG (liquefied and compressed natural gas) facility within the national network of Tamoil distributors.

FS Italiane, Snam and Hitachi rail: Memorandum of Understanding (MoU) on methane trains

On 28 March 2019, FS Italiane, Snam and Hitachi Rail signed a Memorandum of Understanding (MoU) that aims to convert part of the current fleet of trains of the Fondazione FS Italiane from diesel to methane, as part of the promotion of sustainable mobility in public transport in Italy. The Memorandum involves the launch of a pilot project for the transformation of one or two Fondazione FS Italiane rail cars that run on diesel into more advanced models running on liquefied natural gas (LNG) or compressed natural gas (CNG). Following a feasibility study, the companies will identify a larger number of trains to extend the trial to.

EIB financing for sustainable mobility projects

To support the initiatives as part of sustainable mobility, on 6 June 2019 Snam signed the first loan with the European Investment Bank (EIB) to support investments promoted by the subsidiary Snam4Mobility, for a nominal value of €25 million. The investments that are the subject of the loan agreement involve the construction in Italy of 101 CNG (compressed natural gas) and 9 L-CNG (liquefied and compressed natural gas) refuelling stations for a total of around €50 million. The loan, according to EIB practice, will be equal to a maximum of 50% of the cost of the investments, has an amortising structure, maturity in December 2031 and a fixed rate of 0.55%. The loan complements the contribution of the European Union provided under the CEF programme (Connecting Europe Facility) of €1.3 million, which last December approved the Snam4Mobility's project for constructing 9 L-CNG stations.

Snam and IP: understanding for constructing 26 new refuelling facilities

On 26 July 2019, Snam and IP signed an agreement aimed at constructing an initial batch of 26 new natural gas refuelling facilities, which will open in the network of IP distributors from 2020 throughout Italy.
The new openings represent the first phase of the implementation of the framework agreement signed in 2018 between IP and Snam to create up to 200 new methane stations in Italy. The initiative comes under the commitment of the two companies to promote sustainable mobility.
Snam and IP have jointly identified the IP refuelling stations in the ordinary and motorway network at which to install the methane supply facilities for cars (CNG - compressed natural gas), two of which will also house LNG (liquefied natural gas) systems for heavy vehicles.

The initiatives described above are part of Snam's commitment to natural gas sustainable mobility in Italy, for rail transport as well as road and maritime transport. The company is making investments to give the CNG and L-CNG distribution network in Italy a boost, through direct investments and agreements with other sector operators, and to promote the development of a biomethane (zero CO_2 renewable gas) supply chain in Italy.
In Italy, Snam, through Snam4Mobility, has already created 9 new stations out of a total of 103 contracted stations, with the goal of creating a total of 300 in the years to come.

Snam, OMV and TAG sign a memorandum of understanding (MoU) for sustainable mobility

On 24 September 2019, Snam, its investee TAG and OMV signed a memorandum of understanding to promote LNG-based sustainable mobility in Austria.
The purpose of the agreement is to explore potential opportunities for LNG in the Austrian transportation sector, ranging from the possible construction of a small-scale LNG plant to developing procurement and the LNG market in Austria.

Energy efficiency

Agreements for the reclassification of energy for condominiums

On 10 April 2019, Snam, through its subsidiary TEP Energy Solution operating in the energy efficiency sector, and UniCredit signed an agreement to facilitate the energy reclassification of residential buildings in Italy, making them more sustainable and safe. The understanding involves the possibility of the bank providing condominiums with credit facilities on the projects proposed by TEP as part of energy efficiency and improvements against earthquakes, such as, for example, the construction of "thermal walls", the replacement of window frames and the upgrading of heating systems.
Under this scope, it was followed by the collaboration agreement signed on 5 June 2019 by TEP with Intesa Sanpaolo to promote the energy reclassification of buildings to energy to residential and service sector use.
The above-mentioned agreements include the proposal of a full service, that goes from the financial and technical consultation to the provision of the grant to the realisation of the project, in dedicated conditions and reduced times.
Specifically, the condominiums can take advantage of bank loans to cover the share not included in the discounts under exiting legislation as part of the Ecobons (for a share of between 70% and 75% of the amount of the works) and Sismabonus (for a share of between 80% and 85% of the amount of the works).
TEP Energy Solution, on the other hand, will propose the CasaMia product, until now offered to around 800 condominiums throughout Italy, which is aimed at the energy reclassification of the buildings, financing the works through savings in consumption and the sale of a tax credit linked to the Ecobonus and Sismabonus system.

TEA Servizi

On 11 November 2019, through the wholly-owned company Asset Company 4 S.r.l., Snam completed the acquisition of 100% of the share capital of TEA Servizi S.r.l. (TEA), Energy Service Company (ESCo) active in the design, construction and running of thermohydraulic and electric plants for industrial customers, with a special focus on small and medium businesses. The revenues of the area acquired were around €3 million in 2018. The initiative allows Snam to integrate its range of services offered to industrial customers, adding the expertise of plant engineering design, running and maintaining the current proposal developed through TEP Energy Solution.

Financing

Bond issues

On 28 February 2019, Snam S.p.A. concluded the issuing of its first Climate Action Bond for a sum of €500 million, with an annual coupon of 1.25% maturing on 28 August 2025. Through the issuing of the first Climate Action Bond in Europe, Snam aims to consolidate its role in energy transition in Europe, promote market awareness of market investors to the company's ESG (Environmental, Social and Governance) initiatives and investments and diversify its investor base.
On 12 September 2019, Snam S.p.A. also concluded a bond issue in two tranches of a nominal equal, respectively, to €500 and €600 million, for a total of €1.1 billion, at a fixed rate maturing, respectively on 12 May 2024 and 12 September 2034. The bonds come under the pre-funding strategy of maturities relating to 2020 with a view to reducing the cost of borrowing and increasing the average maturity.
The above-mentioned bonds come under the scope of the EMTN (Euro Medium Term Note) Programme approved by the Board of Directors on 2 October 2018, later renewed by the Board of Directors as described in the paragraph "Annual renewal of the EMTN programme".

Euro Commercial Paper Programme

On 19 March 2019, the Board of Directors of Snam approved the increase of the amount of the Euro Commercial Paper programme ("ECP Programme"), approved on 2 October 2018 from €1 billion to €2 billion. The issuing of the Euro Commercial Paper may take place within a 2 year deadline from 2 October 2018 for a maximum total value of €2 billion, plus the corresponding amount of the Euro Commercial Paper repaid at any given time during the same period, to be placed with institutional investors according to the terms and conditions of the ECP Programme. The total nominal value

of the Euro Commercial Papers issued under the ECP Programme cannot, in any event, exceed the maximum limit of €2 billion.
The increase in the amount of the ECP Programme allows Snam to diversify short-term financing instruments with a view to ever increasing flexibility in the process of optimising treasury arrangements.
The Euro Commercial Papers at 31 December 2019 totalled €2 billion, equal to the maximum permitted limit of the programme.

EIB loans for infrastructure projects in the transportation and storage sectors

On 28 January 2019, Snam signed a loan agreement with the European Investment Bank (EIB) for €135 million to create infrastructure projects in the natural gas transportation and storage sectors, with a fixed rate of 1.372% to be repaid through an amortisation plan maturing in 2038.
On 31 July 2019 Snam also signed a loan agreement with the EIB for €105 million for the creation of infrastructure projects in the natural gas transportation sector, for a duration of 20 years (maturing on 30 June 2039) with a fixed rate of around 0.64%.

Annual renewal of the EMTN programme

On 2 October 2019, Snam S.p.A.'s Board of Directors approved the annual renewal of the EMTN (Euro Medium Term Note) programme launched in 2012, increasing the maximum overall value from €10 to €11 billion, one of the purposes of which is to ensure adequate flexibility during market upswings.
As a result, the Board authorised the issuing, to take place by 2 October 2020, of one or more further bond loans, to be placed with institutional investors mainly operating in Europe. The total nominal value of issued bonds in circulation in each instance may not exceed the maximum limit of €11 billion.
The EMTN Programme is an effective instrument for obtaining significant financial resources on the market quickly and at competitive prices, in line with the planned development of the target financial structure of the company. The bonds issued can be listed on one or more regulated and unregulated markets (so-called multilateral trading systems).

Bond buyback

On 2 December 2019 Snam successfully concluded the buyback on the market of its bonds for a total nominal value of €597 million. The effects of this transaction on the 2019 income statement (€38 million, €29 million excluding the tax effect) are essentially represented by the charges deriving from the difference between the outlay deriving from the repurchase of part of the bonds on the market and the amortised cost valuation of the bonds themselves. Through this operation, Snam continues the process of optimising its debt structure and continuously improve the cost of capital, in line with its objectives.
The year just ended represents the last of the five years of the Liability Management which, from 2015 to the present day, has contributed to reducing Snam's cost of borrowing from 2.4% in 2016 to 1.1% in 2019.

Other

New share buyback plan and cancellation of treasury shares with no share capital reduction

On 2 April 2019 the Ordinary Shareholders' Meeting of Snam shareholders authorised, following the withdrawal of the resolution authorising the purchase of treasury shares taken by the Ordinary Shareholders' Meeting on 24 April 2018, for the remaining part not carried out, the purchase of treasury shares, to take place on one or more occasions, for a maximum of 18 months from the date of the Meeting of 2 April 2019, with a maximum outlay of €500 million and, in any event, up to a maximum of 126,664,660 shares without exceeding 6.50% of the subscribed and released share capital (with regard to treasury shares already owned by the Company).
The Extraordinary Shareholder's Meeting held on the same date also approved the cancellation of 74,197,663 treasury shares with no nominal value with no reduction in the share capital and the resulting amendment of Article 5.1 of the Articles of Association. The shares were cancelled on 17 April 2019 after the amended Articles of Association were filed with the Register of Companies. As a result of this transaction, the share capital consists of 3,394,840,916 shares with no nominal value for a total value of €2,736 million (the same as at 31 December 2018). In execution of the resolution, the new buy back programme was launched on 16 December 2019).
In December 2019 a total of 8,412,920 Snam shares (equal to 0.25% of the share capital) were acquired for a cost of €39 million. At the date of this report, Snam has 102,412,920 shares in its portfolio equal to 3.02% of the share capital (168,197,663 at 31 December 2018 equal to 4.85% of the share capital).

Appointment of statutory auditors

On 23 October 2019, the Ordinary Shareholders' Meeting of Snam S.p.A., having listened to the opinion of the Board of Statutory Auditors, approved the appointment of the independent auditors PricewaterhouseCoopers S.p.A. to conduct the audit and, at the same time, to confer, at the suggestion of the Board of Statutory Auditors, the task of the statutory audit of Snam, for the period of the financial years ended 31 December 2020 to 2028 on the independent auditors Deloitte & Touche S.p.A.

Cooperative compliance

In December 2019 Snam was admitted to the cooperative compliance regime established under the scope of national tax legislation. This regime, in line with international best

practice, requires an adequate system for measuring, managing and controlling fiscal risks and is based on a closer relationship of trust and collaboration with the Financial Administration. Belonging to the Cooperative compliance, which also involves the subsidiary Snam Rete Gas, will make it possible to always increase the level of certainty on important tax issues through a constant and preventive dialogue on situations susceptible to generating tax risks. Through the admission notified by the Revenue Agency, Snam and Snam Rete Gas were registered on the list of companies that operate in full transparency with the Italian tax authorities, published on the Agency's website.
The adoption of a clear and documented fiscal strategy represents the essential requirement for access to the cooperative compliance regime.
The “Tax Control Framework – Fiscal Strategy” guideline on the subject of the "Fiscal strategy of the Snam Group" represents a description of the principles that inform the Group's tax governance, both from a strategic profile, as far as the risk appetite and the objective pursued in the long-term with regard to the tax variable are concerned, and from an operating profile, as far as the architecture of the tax risk control system or the tax control framework is concerned.
Snam's Board of Directors exercises its governance and direction role, defining Snam's Tax Strategy included in the Tax Control Framework and evaluating the adequacy of the organisational structure under the scope of the tax management of fiscal risk.
In this area the Board of Directors exercises overall supervision on the operation of the Tax Control Framework, through a periodic analysis of the adequate reporting of fiscal risk.

Operating review

Technical investments

Technical investments totalled €963 million (€882 million in 2018) and referred mainly to the natural gas transportation (€813 million) and storage (€112 million) business segments).

Infrastructure development and integration

The main investments for the development of new infrastructure mainly involved work for the of reversal of physical transportation flows at interconnection points with northern Europe (€32 million), the upgrade of the transportation network from entry points in southern Italy through, specifically, the interconnection with TAP (€95 million) and the upgrade of the network and connection of new regional and national redelivery points (€107 million). A total of €35 million was invested in 2019 for the development of new storage fields and upgrading capacity. As a result of the work completed and disposals carried out during the year, the pipeline network in operation grew by a total of 102 km compared with 31 December 2018), while the installed capacity in compression stations stood at 961 megawatts, in line with the previous year. Available storage capacity rose by 0.1 billion cubic metres, made available by the gradual entry into operation of the new Bordolano deposit, to a level of 12.5 billion cubic metres.

NFS Maintenance of plant security and quality

Investments in projects aimed at maintaining plant security and quality totalled €424 million for transportation and €60 million for storage.
Throughout the year, the plants in the network are monitored 24 hours a day. With the help of simulation and optimisation programmes, their best asset is guaranteed with the aim of reducing the consumption of gas boosting fuels and thus containing the level of emissions.
The pipeline layout is then inspected regularly on foot, by vehicle, and using helicopters to detect potentially hazardous situations caused, for example, by the works of third parties in proximity to the pipelines. Geological inspections of the pipeline section are also carried out to identify potential instabilities along the sections. Similarly, any land slippage at specific points along the route is also kept under surveillance, using appropriate sophisticated equipment, if needed. Pipeline integrity is also monitored by passing a smart pig inside them to detect of any material defects or anomalies.

Control and inspection of transportation activities

(km)	2017	2018	2019
Network inspected using smart pigs	1,632	1,651	**1,651**
Network inspected by helicopter	16,274	18,462	**20,178**
Network subjected to geological inspection	4,080	4,209	**5,163**

The security of storage plants is guaranteed by various detection systems connected to automatic security systems: explosive mixture detectors, fire detectors, smoke detectors, high or low pressure switches, pressure transmitters, fuse plug systems and heat sensitive cables, sound-level meters for detecting gas leaks and extinguisher systems. The intervention of these systems activates the security systems of the plants, monitored 24/7 by the San Donato Milanese dispatch service.
All pressure vessels and lines are periodically checked by outside bodies, while the connecting flow lines between the compression and treatment systems and the clusters are monitored through the regular inspection of the section, carried out on foot or in vehicles. Periodically, a smart device fitted with sensors is passed inside these ducts, a so-called smart pig, that makes it possible to detect the presence of any defects or irregularities in the material and even the slightest movement of the duct. In addition, microseismic monitoring is taking place, offering guarantees on the secure management of storage activities and the monitoring of soil movements with data from an interferometric satellite SAR and continuous acquisitions in real time obtained through CGPS stations.

Interconnected transportation-storage capacity and network utilisation

The average transportation capacity provided in 2019 was 362.9 million cubic metres/day on average, which was in line with 2018 (+0.6%), while transferred capacity totalled 231.4 million cubic metres/day on average. Network

saturation[7] was 63.8%, a decrease compared with 2018 (79.5%).
The number of active transport users in 2019 was 150, compared with 136 active users in 2018. During the year, 123 connection agreements were entered into for the creation of new delivery/redelivery points, including 26 for the injection of biomethane and 61 relating to CNG service areas.
Overall storage capacity, including strategic storage, was 17.0 billion cubic metres at 31 December 2019, an increase of 0.1 billion cubic metres over 2018 following the Bordolano site's gradual entry into service, of which 12.5 was available capacity that was fully transferred for the 2019-2020 thermal year and the remaining 4.5 billion cubic metres was for strategic storage.
There were 90 active storage customers (91 in 2018).

75.37

Billion m^3 of gas injected into the network (+3,5%)

74.34

Billion m^3 gas demand (+2.3%)

100%

of available capacity conferred

57

methane tankers unloaded (+36 compared with 2018)

Business volumes

In 2019 a total of 75.37 billion cubic metres of gas was injected into the network, an increase of 2.55 billion cubic metres (+3.5%) compared with 2018. The increase was mainly as a result of higher consumption in the thermoelectric power generation sector (+2.45 billion cubic metres; +10.1%) following greater use of natural gas in the generation of electricity, the reduction in electricity imports and the smaller production from renewable sources, particularly hydroelectric production, as well as the rise in wind and solar power.

The available storage capacity at 31 December 2019 of 12.5 billion cubic metres (+0.1 billion cubic metres compared with 2018, made available by the gradual entry into operation of the new Bordolano deposit), represents the greatest capacity offered at a European level, and was conferred in full for the 2019-2020 thermal year.

Volumes of gas moved through the storage system in 2019 amounted to 19.33 billion cubic metres, a fall of 1.74 billion cubic metres, or 8.3%, compared with 2018. The reduction was mainly attributable to lower withdrawals from storage (-1.26 billion cubic metres; -12.1%) mainly as a result of weather conditions.

During 2019, the Panigaglia (SP) LNG terminal regasified 2.40 billion cubic metres of LNG (0.91 billion cubic metres in 2018, +1.49 billion cubic metres). In 2019 57 methane tankers were unloaded (+36 compared with 2018).

The significant increase in volumes of activities compared with last year, is mainly due to the greater competitiveness of the cost of LNG compared with natural gas, as well as the new regasification capacity allocation mechanisms through dedicated auctions.

7 Ratio of capacity transferred to available capacity.

Key operating figures

In conformity with IFRS 8 "Operating segments", the operating segments were defined on the basis of the internal reporting used by the Company's management for allocating resources to the different segments and for analysing the respective performances. For this purpose, the companies entering the scope of consolidation in 2019 were consolidated within the "Corporate and other activities" sector, with the exception of Enura, consolidated within the "Natural gas transportation" operating sector".

Key operating figures

	2017	2018	2019	Change	% change
Natural gas transportation (a)					
Natural gas injected into the National Gas Transportation Network (billions of cubic metres) [b]	74.59	72.82	**75.37**	2.55	3.5
Transportation network (kilometres in use)	32,584	32,625	**32,727**	102	0.3
Installed power in the compression stations (MW)	902	961	**961**		
Liquefied Natural Gas (LNG) regasification (a)					
LNG regasification (billions of cubic metres)	0.63	0.91	**2.40**	1.49	
Natural gas storage (a)					
Available storage capacity (billions of cubic metres) [c]	12.2	12.4	**12.5**	0.1	0.8
Natural gas moved through the storage system (billions of cubic metres)	19.92	21.07	**19.33**	(1.74)	(8.3)
Employees in service at the year-end (number) [d]	2,919	3,016	**3,025**	9	0.3
by business segment:					
- Transportation	1,972	1,915	**1,945**	30	1.6
- Regasification	63	64	**65**	1	1.6
- Storage	60	59	**61**	2	3.4
- Corporate and other activities [e]	824	978	**954**	(24)	(2.5)

(a) With reference to the 2019 financial year, gas volumes are expressed in Standard cubic metres (Smc) with an Average Calorific Value (ACV) of 38.1 MJ/Smc (10,572 kWh/Smc) for transport and regasification and 39.23 MJ/Smc (10.895 kWh/Smc) for the storage of natural gas for the thermal year 2019-2020.
(b) The data for 2019 were updated at 27 January 2020. The 2018 figures have been definitively updated and are consistent with those published by the Ministry of Economic Development.
(c) Working gas capacity for modulation, mining and balancing services, allocated in full for the thermal year 2019-2020.
(d) Fully consolidated companies.
(e) The figure for 2019 includes the resources coming, respectively, from Renerwaste joining the scope of consolidation (47 resources) and TEA Servizi (8 resources).

Personnel

The number of employees in service at 31 December 2019 was 3,025 (3,016 employees at 31 December 2018), an increase of 9 (+0.3%) over the previous year. The average number of payroll employees for entities included in the scope of consolidation at 31 December 2019 was 3,042 (2,949 employees in 2018).
The following dynamics were recorded during 2019:

- the entry of 231 resources, 172 of whom were recruited from the market, 59 others who entered as a result of the change in the scope of consolidation following the acquisition of TEA Servizi S.r.l. (8 resources) and the Renerwaste Group (47 resources in total with reference to Renerwaste S.r.l. and Renerwaste Lodi S.r.l.), and the return of 4 employees from leave;
- 222 employees left the company, including 68 as a result of the termination of employment, 45 were terminated unilaterally (including, among other things, resigning and being fired) and 77 took early retirement. In addition, there were another 12 exits going on leave and 12 transfers to non consolidated companies.

With respect to the Group's distribution country-wide, 2,295 people are employed in the northern regions of Italy, 241 in the central regions and 477 in the south. Furthermore, 13 individuals are permanently employed abroad.

Industrial relations

In 2019 relations with trade unions nationally and locally featured numerous meetings dedicated to analysing business development projects and new organisational arrangements also following the acquisition of Cubogas.
As regards transportation and storage, the integration process resulting from the Integra project, which calls for integrating side activities of the operational companies to develop and exploit the specific skills, was followed.
For the transportation business, the Smart Gas technical committee's work continued, seeking for a more rational scheduling of the operations with the objective of analysing the technical aspects of the project. In addition, a technical commission was launched for the Smart Gas System project designed to analyse the technical issues relating to this further organisational technical development.
For the regasification business, meetings were held with the Trade Unions, nationally and locally, in order to share and discuss topics intrinsic to the business evolution.
The bargaining dynamics, consistent with the provisions of the 2013 Industrial Relations Protocol, whose reasoning were imbued with the concept of strengthening second-level negotiations, led the Parties to define productivity and profitability indicators for the 2018 Participation Bonus for all Snam Group companies.
Furthermore, all the Snam Group companies signed the implementation agreement pursuant to the Article 4 of Law 92/2012 for an early exit of an additional 110 workers who meet the requirements prescribed by the law.
An electronic ticket was introduced at group level through a trade union agreement for all organisations operating in the area.

Supply chain management

Snam adopts an 'extended' management model that, going beyond the boundaries of its company perimeter, involves and takes on the responsibility of supply chain operators (suppliers and subcontractors): everyone is encouraged to achieve increasingly sustainable performance in terms of risk mitigation, innovation of management processes, increase in operational efficiency and promotion of responsible governance procedures.
In 2019 Snam directly provided work for around 600 companies (+11% compared with 2018) 424 of which belong to the small-medium business sector (SME), concluding over 896 procurement contracts worth a total of approximately €1,550 million (+2% compared with 2018). Among the goods purchased the most important material is steel (piping, connectors, etc.) which, in 2019, amounted to a supply of approximately 86,000 tonnes.

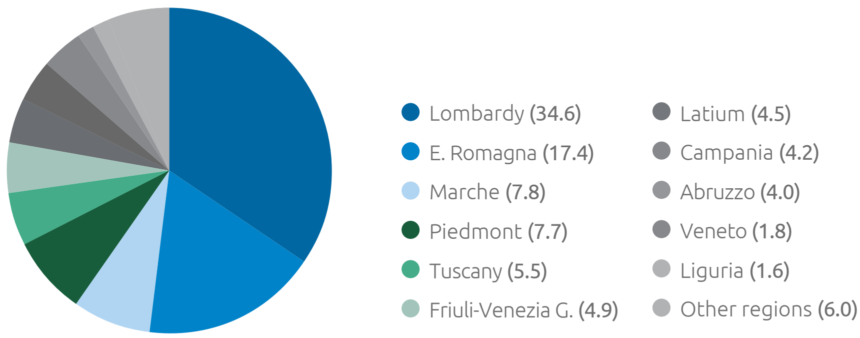
Procurement

(millions of €)	2017	2018	2019	2017-2019
Amount of purchases	844	1,520	**1,550**	3,914

Around 1,300 million procured involve Italy (distributed in all Italian regions in line with the Company's strong roots in the area), while as far as activities abroad are concerned, in 2019 Snam signed 23 contracts, worth a total of more than €3 million, and continued exporting its know-how, especially in England, for the management of gas turbines, and in China for the management and maintenance of gas storage facilities.
To guarantee the adequacy of suppliers in relation to procurement requirements, Snam is constantly conducting intense market intelligence activities and scouting activities for new suppliers: in 2019 around 260 companies were contacted, relating to about 70 different product categories and the classification of 110 new candidates was begun. The number of spontaneous applications received from prospective suppliers was 980. This activity is particularly important to support Snam's strategy to energy transition expanding the pool of suppliers for product categories involving the new businesses (biomethane, hydrogen, CNG, SSLNG).
At 31 December 2019, the vendor list included 2,085 qualified suppliers, and 722 suppliers were in the process of being renewed or obtaining new qualifications.
Snam exercises control of its supply chain by monitoring supplier performance during the execution phase of contracts through audits, inspections and evaluation processes. During the year, 937 feedback reports were collected (+14% compared with 2018) on the services rendered by 117 suppliers.
Additionally, 1,913 suppliers and sub-contractors were checked with regard to the regularity of contributions, through 3,959 inspections which led to the interception of 2.25% of irregularities.
With regard to the fight against corruption, all suppliers and subcontractors are required to accept the Integrity Ethics Pact and are subject to reputational checks. In 2019 2,490 reputational checks were conducted on suppliers and contractors.
In the procurement of works, which is the most important category because it is related to core activities, the suppliers considered critical (critical levels A and B) were all in possession of quality and environment management systems certified with ISO 9001, ISO 14001 and ISO 18001 standards.
To evaluate their performance, Snam uses a rating index (IR) that takes into consideration compliance with technical contractual requirements (Quality), health-safety-environment (HSE), agreed delivery times (Level of service), establishing a good relationship with the customer for the entire duration of the

contract (Behaviour). The assessment is periodically forwarded to suppliers in the form of an analytical opinion.
Snam may restrict, suspend or even revoke the qualification of a supplier who fails to meet the agreed standards. The possible cases could include, failing to meet technical-organisational requirements, negative performance evaluation for it or its subcontractors, non-compliance with the provisions relating to contributory regularity and the rules in the Snam Code of Ethics. In 2019 41 provisions were issued in this area (+17% compared with 2018).

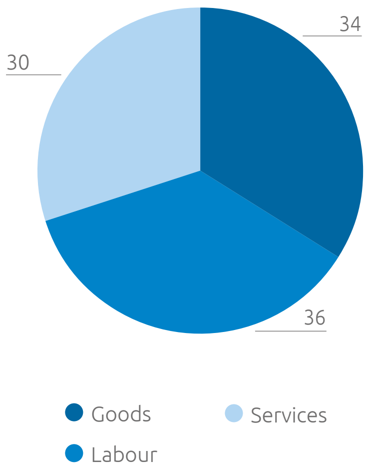
Geographic breakdown of procurement in Italy (%) (*)



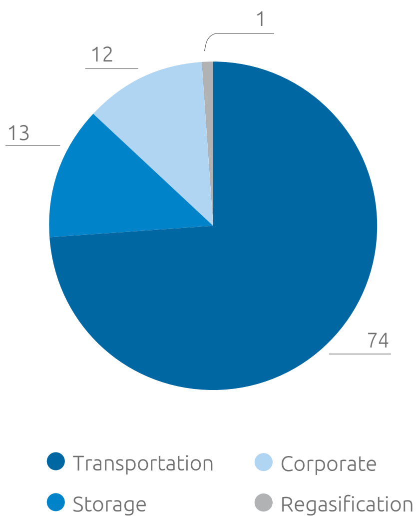
(*) Representation of the geographical distribution refers to the registered officers of supplies.

In 2019 as far as IES Biogas, TEP Energy Solutions and CUBOGAS were concerned a total of 1012 suppliers were qualified, 918 of which with at least one contract and 891 which can be qualified as small and medium-sized businesses (SMEs) making a total of 1,031 contracts issued.
The total procurement was €108.8 million with 96.3% procured in Italy.

Procurement by goods type



Procurement by business segment



Accidents

Snam is constantly committed to developing and promoting health and safety in the workplace. Research into and the adoption of good business practices is subject to gradual promotion not only within the company, but also vis-à-vis suppliers, to extend and improve collaboration so as to achieve the best performance.

In 2019 a total of 7 accidents took place (the same as in 2018) 2 of which involved Snam Group employees (4 in 2018), both of which were in companies acquired last year (IES-Biogas and Cubogas) and 5 involved suppliers/ contractors (3 in 2018).

Accidents at work

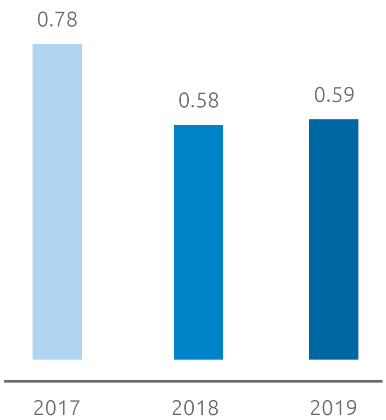
(no.)	2017	2018	2019
Total employee accidents	6	4	**2**
Total contract worker accidents	5	3	**5**

Accident indices

	2017	2018	2019
Employees and contract workers			
Frequency index	0.78	0.58	**0.59**
Severity index	0.56	0.02	**0.05**
Employees			
Frequency index	1.24	0.84	**0.41**
Severity index	0.05	0.02	**0.03**
Contract workers			
Frequency index	0.54	0.41	**0.71**
Severity index	0.83	0.03	**0.07**

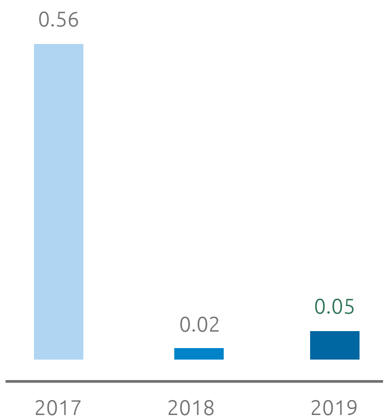
Frequency index: number of accidents at work resulting in absence of at least one day, per million hours worked.
Severity index: number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Accidents at work - Employee and contract worker frequency index (*)



(*) number of accidents at work resulting in an absence of at least one day, per million hours worked.

Accidents at work - Employee and contract worker severity index (*)

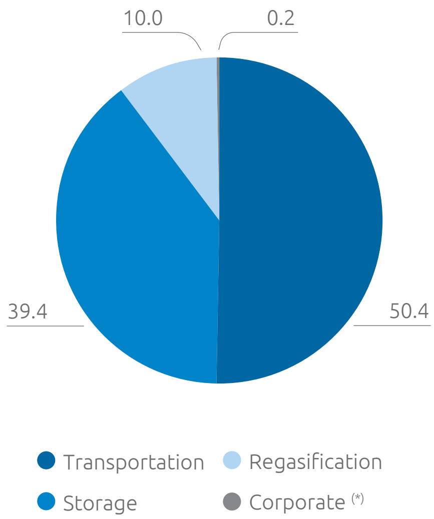


(*) number of working days lost in relation to accidents at work resulting in absence of at least one day, per thousand hours worked. Data includes fatal accidents.

Energy consumption

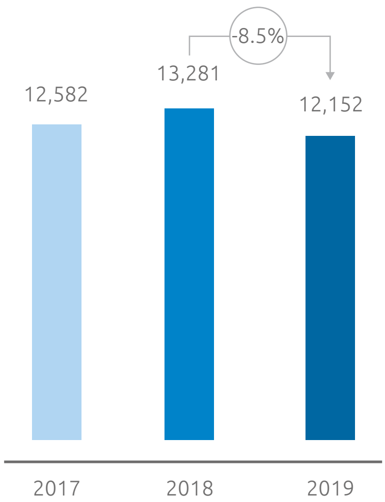
Snam's main energy consumption is attributable to the gas turbines used in the compression plants which provide the pressure necessary for transporting the gas (thrust consumption) and in the storage facilities (storage consumption) which, globally, represents 81% of total consumption, down compared with 2018 (88%) as a result of the increase in the energy consumption of the LNG Italia regasification facility which represented 10% of the Group's total consumption (3.5% in 2018). The increase is in line with the increase in the quantity of regasified gas (+170%). In 2019 total energy consumption stood at around 12,152 TJ (-8,5% compared with 2018) in spite of an overall increase in the gas injected into the network (+3.5%). This result was promoted by the difference provenance of the gas from import points (less use of the back-up network from north Africa more energy-intensive than the other ones). In addition to natural gas, the other energy sources are electricity (3.5%) and other fuels (diesel fuel, gasoline, LPG and heat), which together amount to 0.8% of the total consumption. The Company, which is committed to combating climate change, has declared that it will use 55% green electricity by 2030.

Energy consumption by business segment (%)



(*) in Corporate the consumption of Snam4Mobility, TEP, TEA, Cubogas, IESBiogas is counted, in Transportation the consumption of ITG is also counted.

Energy consumption (TJ)



Greenhouse gas emissions

In 2019 direct CO_{2eq} emissions amounted to approximately 1.35 million tonnes (a distinct reduction of 10% compared with 2018).

The reduction in direct emissions is partly due to the reduction in energy consumption, assisted by the different provenance of gas from import points (less use of the back-up network from north Africa which is more energy-intensive compared with the other import lines), but especially as a result of the initiatives implemented to reduce natural gas emissions, a demonstration of the effectiveness of the decarbonisation strategy adopted by Snam at the time.

Specifically, in 2019 Snam reduced its emissions into the atmosphere thanks to the adoption of various initiatives:

- reduction of natural gas emissions (down by 11.5% compared with the 2018 value and 19% compared with 2016 thanks to the adoption of different best practices);
- the production of electricity from photovoltaic plants and the purchase of green electricity (the consumption of green electricity increased, going from 37% in 2018 to 44% in 2019);
- installation of plants with LED lighting replacing other lighting equipment with greater consumption;
- savings resulting from the renovation of buildings;
- smart working.

These actions made it possible for the company not to release around 182 thousand tonnes of CO_{2eq} into the atmosphere, the maximum value in recent years, an increase of 17% compared with 2018 as a result of the company's ever increasing commitment to combating climate change.

The CO_2 emissions from combustion amounted to approx 0.656 million tonnes (-9.7% compared with 2018), whereas the CO_{2eq} emissions deriving from the methane emissions amounted to approximately 0.69 million tonnes (-10.4% compared with 2018). Natural gas emissions stood at 39.2 million m³, down compared with 44.4 million m³ in 2018.

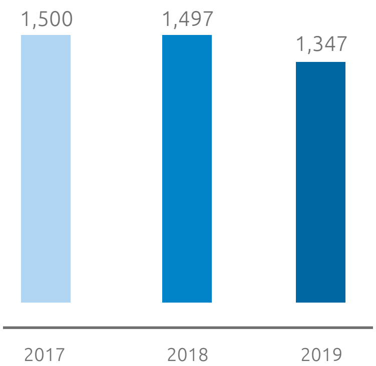
The Company, committed to tackling climate altering emissions, set new targets:.

- a 40% reduction by 2030 of all direct CO_{2eq} emissions (Scope 1) and indirect (Scope 2), from base year 2016;
- a 40% reduction in natural gas emissions by 2025 from base year 2016 (target increased by 15 percentage points compared with last year).

In 2019 the emission into the atmosphere of 9.4 million cubic metres of natural gas was prevented, equal to around 165,000 tonnes of CO_{2eq} (+16 % compared with the approximate figure of 142,000 tonnes of CO_{2eq} in 2018). These performances were made possible by the on-line gas compression interventions and the interventions with tapping machines, technology that makes it possible to disconnect pipelines in operation for new connections without an interruption to the service.

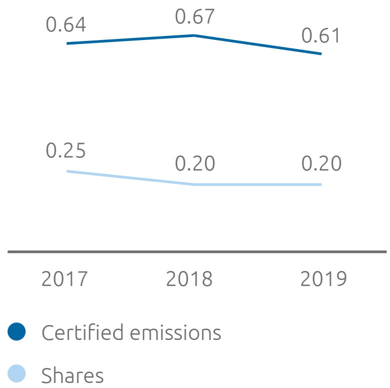
In 2019, carbon dioxide emissions of the Snam Group facilities covered by the ETS were overall greater than the emission permits allocated. In view of around 0.609 million tonnes of carbon dioxide emitted into the atmosphere, around 0.202 million tonnes were allocated free of charge, resulting in a 0.407 million tonne deficit. The allowances allocated also include those intended for the new entrants, the gas compression plants of Minerbio and Sergnano for 2018 and 2019. The allocation of free allowances by the competent national authority each year is gradually reduced each year as set out from the third regulatory period in Article 10 bis of Directive 2009/29/EC.

Total direct GHG emissions - Scope 1 (kt CO_{2eq}) (*)



* CO_{2eq} emissions were calculated based on a methane GWP of 28, as indicated in the scientific study carried out by the Intergovernmental Panel on Climate Change (IPCC), "Fifth Assessment Report IPCC".

CO_2 emissions from ETS plants (10^6 t)



Snam Emission Trading plants

Intangible	No. of plants	Plants' name
Transportation	13	Gas compression stations in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini, Minerbio, Segnano
Storage	8	Storage gas compression stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala and Bordolano
Regasification	1	Liquefied natural gas plant in Panigaglia

Snam and the financial markets

Snam share performance

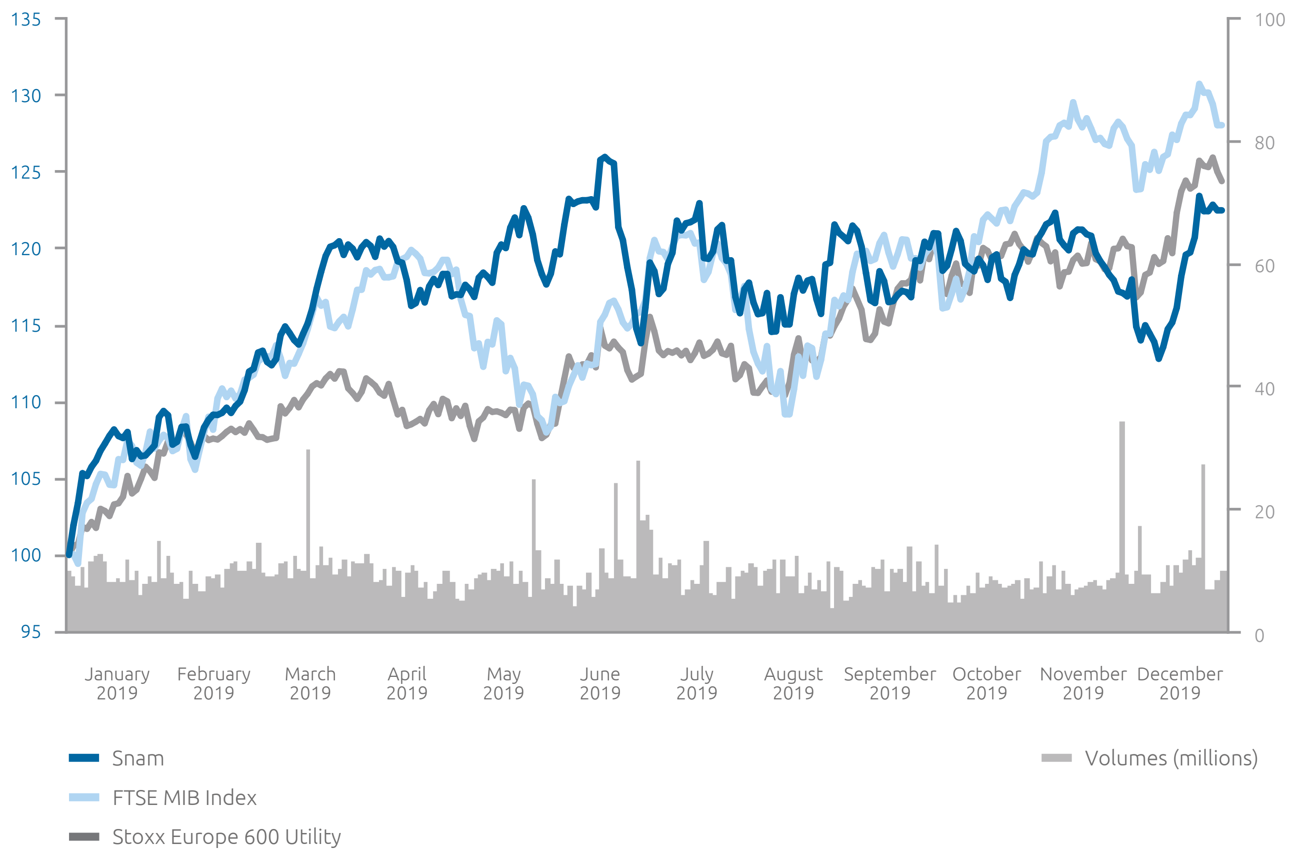
The Snam stock ended 2019 at an official price of €4.6860, up 22.68% compared with the price of €3.8198 recorded at the end of the previous year.

The average share value during the year was €4.4711, reaching a maximum of €4.8200 in mid June.

The stock continued to benefit from both growth prospects in all the economic and financial indicators presented to the market in the strategic plan at the end of 2018 and confirmed in the 2019 plan and the greater visibility and clarity of the regulatory framework. It recorded a slight fall at the end of June at the same time as the payment of the dividend balance and at the end of the year as the result of a slight rise in market rates.

The Company has continued its usual investing activities with the aim of improving the competitiveness and security of gas supplies, which is central to the energy transition to a low-emissions economy, and the country's commitment to guaranteeing profitable growth to shareholders.

Snam share performance vs FTSE MIB and STOXX Europe 600 Utilities (1 January 2019 - 31 December 2019)



Snam shareholding at 31 December 2019

Consolidating company	Shareholders	% ownership
Snam S.p.A.	CDP Reti S.p.A. [(a)]	31.04
	Romano Minozzi	7.38
	Snam S.p.A.	3.02
	Other shareholders	58.56
		100.00

(a) CDP S.p.A. owns 59.10% of CDP Reti S.p.A.

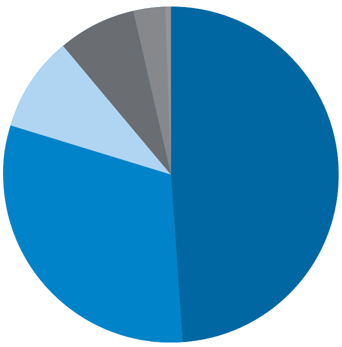
Cassa Depositi e Prestiti (CDP), a financial institution controlled by the Ministry of Economy and Finance, whose mission is to promote the growth and development of the Italian economic and industrial system, is a major shareholder in Snam S.p.A.

At the end of 2019, based on entries in the Shareholders' Register and other information gathered, CDP Reti S.p.A. held 31.04% of share capital, Snam S.p.A. held 3.02% in the form of treasury shares, and the remaining 65.94% was in the hands of other shareholders.

The share capital at 31 December 2019 was composed of 3,394,840,916 shares with no par value (3,469,038,579 shares at 31 December 2018), following a total value of €2,735,670,475.56 (the same as at 31 December 2018).

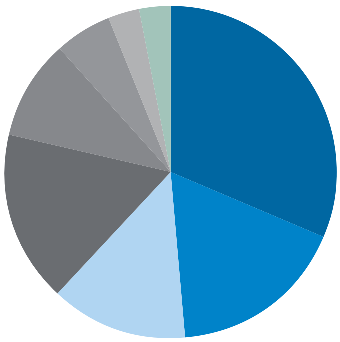
As at 31 December 2019, Snam held 102,412,920 treasury shares (168,197,663 as at 31 December 2018), equal to 3.02% of its share capital, with a book value of about €388 million (4.85% at 31 December 2018 for a book value of around €626 million). More information with regard to the changes in treasury shares in the portfolio in 2019 can be found in the chapter "Other information - Treasury shares" of this Report.

Composition of Snam shareholders



- 48.9% Institutional investors
- 31.0% CDP Reti
- 9.2% Retail investors
- 7.4% Mr. Minozzi
- 3.0% Treasury shares
- 0.5% Bank of Italy

Snam ownership structure by geographic area



- 30.9% Italy - Strategic investors (*)
- 17.0% Usa & Canada
- 14.5% Continental Europe
- 14.6% Italy - Retail (**)
- 9.0% UK & Irlanda
- 5.2% Rest of the world
- 4.8% Treasury shares
- 4.0% Italy - Institutional

* Italian Strategic Investors include Bank of Italy and CDP Reti.
** Italian Retail Investors include the shares held by Romano Minozzi (7.4%).

Relations with the financial community and investor relations policy

Snam believes that maintaining constant relations with investors and the entire financial community is of strategic importance for its reputation. In this respect, it endeavours to disseminate comprehensive and timely information, capable of effectively representing the business's strategy and performance, particularly enhancing the dynamics that ensure the creation of value over time.

2019 Engagement Activity

In addition to the normal activities in presenting the Strategic Plan and conference calls upon the publication of the Company's results (annual, half-year and quarterly) during 2019, the following were carried out:

- 11 roadshows and 6 reverse roadshows to meet shareholders and institutional investors in the major financial centres of Europe and North America;
- 15 industry conferences allowing investors specialising in the utilities and infrastructure sectors to meet senior management;
- meetings with more than 210 institutional investors during the year, corresponding to more than 40% of shares owned by active managers.

Inclusion of Snam stock in sustainability indices and ESG recognition

The number of investors who also include intangible elements in their investment decisions, such as environmental, social and governance issues, is increasing significantly year on year. With it the disclosure requirement of companies is therefore also increasing with them called upon to make increasingly clearer and more complete financial data and information available to their stakeholders so they can make their investment decisions. In 2019 too, the Snam stock was included in the main international SRI stock exchange indices, an essential tool in terms of transparency towards the market and comparability with peers. This result increases the visibility of the company with regard to investors, and the entire financial market.
The overall share of Snam's institutional investors that include Corporate Social Responsibility criteria in their investment decisions stood at 13.3% of all institutional investors at the end of 2019.

ESG indices and ratings

Snam's presence in sustainability indices

For the eleventh year in a row, Snam's stock is listed in the Dow Jones Sustainability World Index, the world's most important stock market index assessing corporate social responsibility.

Snam's is once again present in the FTSE4Good, where it has been listed since 2002, an index created by the FTSE Group to encourage investment in companies that meet globally recognised social responsibility standards and is an important point of reference to establish benchmarks and ethical portfolios.

Snam listing is confirmed in the Ethibel Sustainability Index (ESI) Excellence Europe and in the Ethibel Sustainability Index (ESI) Excellence Global. Also reconfirmed in the Ethibel PIONEER and in the Ethibel EXCELLENCE Investment Registers: the Forum Ethibel decision indicates that the company can be characterised as an industry leader in terms of CSR.

Snam's listing has been confirmed for the fifth year running in the two sustainability indexes MSCI ACWI SRI Index and MSCI ACWI ESG Leaders, by MSCI, an international leader providing IT tools to support the investment decisions of global investors. The MSCI Global Sustainability indices includes companies having high sustainability ratings in their affiliated sectors.

For the tenth consecutive year Snam stock came to form part of the STOXX Global ESG Leaders Indices, a group of indices based on a transparent process of selection of the performance, in terms of sustainability, of 1,800 companies listed worldwide.

Snam is included in five of the main ECPI sustainability indexes. Snam's inclusion in the family of ECPI indices dates back to 2008. The ECPI methodology consists in screening based on testing more than 100 ESG (Environmental, Social and Governance) indicators

Snam is confirmed to be included in 2019 as well in the (Europe, Eurozone, World) NYSE Euronext Vigeo 120 indices, managed by Vigeo, a leading company on a European level in rating companies with regard to CSR issues.

Snam was also listed, in 2019, for the fifth year running, in the United Nations Global Compact 100 index (GC 100), developed by the United Nations Global Compact with the research firm Sustainalytics, which includes the 100 companies that have distinguished themselves at the global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on the human rights, labour, environment and anticorruption issues.

ESG Rating

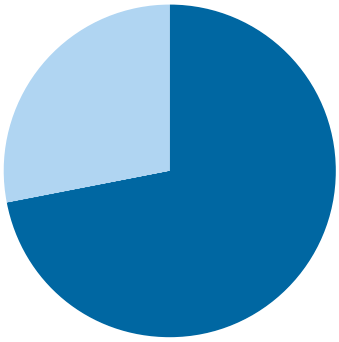
It was included for the seventh consecutive year among the highest scorers of CDP, a non-profit organisation which is one of the most important internationally for climate change, and was also included on the A List.

Snam joined the CDP supply chain programme for the first time, the CDP programme aimed at the involvement of its supply chain in the climate change questionnaire. Snam got a score of A-, demonstrating the commitment of its suppliers in engagement activities involving issues related to the reduction of emissions and the development of sustainable strategies.

In 2018, Snam was confirmed at "PRIME" level (with rating B-) by Oekom research, a leading international agency rating socially responsible investments, which operates on behalf of institutional investors and financial services companies.

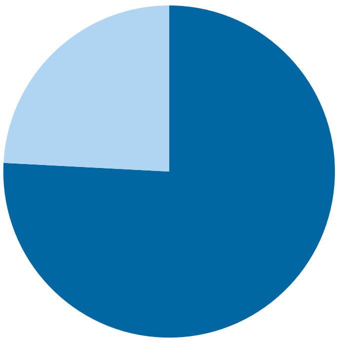
Snam was also confirmed again in 2019 in the Sustainalytics index, a leading ratings agency that evaluates companies from an ESG perspective, which the company has been part of since 2013.

Breakdown by duration (%)



- 72% Long term
- 28% Short term

Breakdown by rate (%)



- 76% Fixed rate
- 24% Variable rate

Debt management and credit rating

Snam's goal is to achieve a debt structure consistent with business requirements in terms of loan term and interest rate exposure.

The Group's net financial position at 31 December 2019 was €11,923 million, the result of a gross financial debt of €14,774 million and cash and cash equivalents of €2,851 million.

With reference to the capital market, in February 2019 Snam concluded the issue of its first Climate Action Bond for a sum of €500 million, with an annual coupon of 1.25% maturing on 28 August 2025. In June 2019 Snam issued a Private Placement for a nominal amount of €250 million, at a fixed rate maturing on 7 January 2030 with a coupon of 1.625%. In September Snam issued a dual tranche bond for €1.1 billion maturing, respectively, in around 5 year and 15 years (with the longest maturity ever issued by Snam to date), a coupon of 0% (the third zero-coupon issued by Snam) and 1% equal to €500 million and €600 million. In December 2019, Snam successfully completed a buyback on the bond market of bonds with a total nominal value of around €597 million, with an average coupon of approximately 1.3% and a remaining maturity of approximately 3.8 years. The buyback price, including the commission paid to the intermediaries and the interest accrued (€7 million), of €633 million in total, was partly financed through a €200 million reopening transaction of the bond issue at around 5 years at a fixed rate in September, with the same maturity and coupon as the original issue.

With reference to the banking market, in July Snam extended the duration of the bilateral banking lines for a total of €700 million, at the same time improving the margins.

At 31 December 2019, Snam has unused committed long-term credit facilities for an amount of approximately €3.2 billion. During the year, as part of the process to optimise the financial structure of Group, their duration was extended without an increase in margins. In April, as a result of the achievement of the targets defined in the KPIs from an ESG perspective (Environment, Social, Governance) defined in the contractual conditions of the sustainable loan, Snam achieved a reduction in margins.

Following the renegotiation, the two syndicated lines, amounting to €2.0 billion and €1.2 billion, they will expire in July 2023 and December 2024, respectively, with an extension of one year compared with the previous term. Moreover, on that same date, Snam had an active Euro Medium Term Notes (EMTN) programme with a total nominal maximum value of €11 billion[8], of which it has used approximately €8.7 billion[9].

Snam also has a Euro Commercial Paper Programme (ECP), for a maximum total nominal value of €2 billion. At 31 December 2019 the entire amount of the ECP programme was used as part of the company's short-/medium-term funding strategy.

8 On 2 October 2019, the Board of Directors of Snam resolved to renew the EMTN programme increasing the maximum total value from €10 billion to €11 billion. The renewal of the programme allows for the issue, by 2 October 2020, of bonds worth up to a maximum of around €1.9 billion at the resolution date, to be placed with institutional investors operating mainly in Europe.

9 It should be noted that the convertible bond issued in March 2017, for a value of €400 million, is not part of the EMTN programme.

These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs in 2019.

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At the same time, the communication activity continued with the rating agencies Moody's, Fitch and Standard & Poor's, with the maintenance of the creditworthiness rating at the solid investment grade level by Moody's (Baa2 with a stable outlook), Fitch (BBB + with stable outlook), and Standard & Poor's (BBB + with a negative outlook).

In addition, when the Commercial Paper programme was renewed by Snam, the agencies confirmed the short-term rating of the company at P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Snam's long-term rating by Moody's, Fitch and Standard & Poor's is a notch higher than that of Italian sovereign debt.

	Moody's	Standard & Poor's	Fitch Ratings
Last update	27 September 2019	17 January 2020	19 December 2019
Rating on long-term debt	Baa2	BBB +	BBB +
Rating on short-term debt	P2	A-2	F2
Outlook	Stable	Negative	Stable