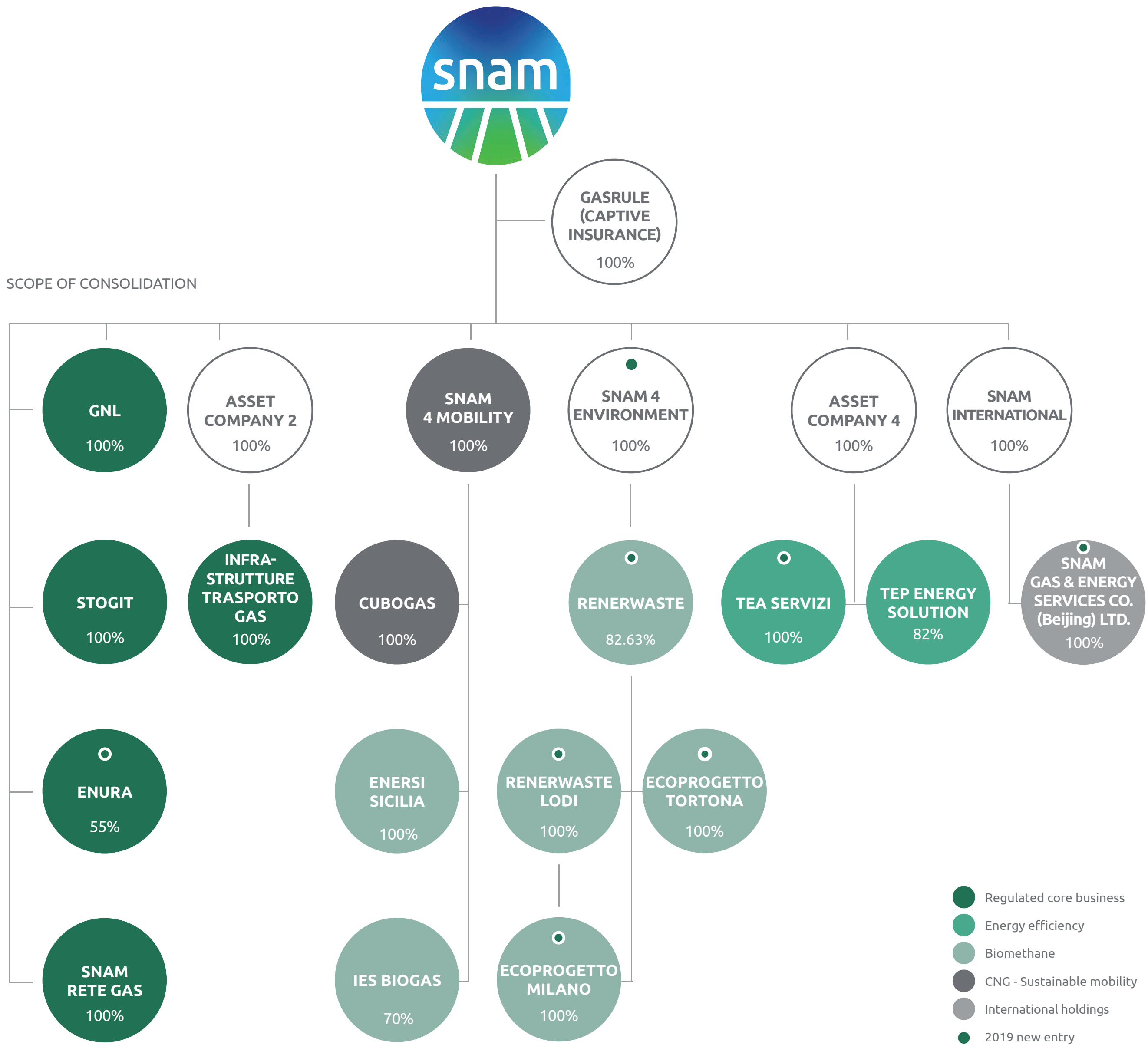
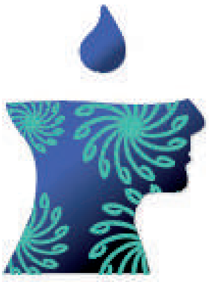
Snam profile

Snam is the leading operator in Italy and Europe in the creation and integrated management of natural gas infrastructure.
With around 3,000 employees, in Italy Snam oversees the integrated and efficient management of natural gas transportation, dispatching and storage activities, as well as the regasification of liquefied natural gas (LNG). To support the activities related to its core business, the Group is also investing in the development of new businesses, like energy efficiency, green gases such as hydrogen, biomethane and bio-LNG and sustainable mobility, the development of technologies related to compressed natural gas (CNG). At a European level, Snam operates in the major markets through agreements with the leading industry players and direct equity investments in the share capital of various companies.
Through its solid national and international presence, the Group is actively promoting the use of natural gas and green gases as sources of flexible, safe energy sources with a low environmental impact, playing a vital role for the country's energy system.





The new corporate structure

The main changes in the consolidation scope of Snam Group at 31 December 2019, compared with 31 December 2018, consisted of the inclusion of the following companies: (i) Enura S.p.A. (formerly Asset Company 5 S.r.l.), 55% owned by Snam S.p.A., for the construction of the transportation infrastructure in Sardinia; (ii) Snam Gas & Energy Services (Beijing) Co. Ltd., with its headquarters in China, established in April 2019 and wholly-owned by Snam International B.V. to support the development of the gas market in China through the unique expertise of Snam in the industry; (iii) Snam 4 Environment (formerly Asset Company 6 S.r.l.), wholly-owned by Snam S.p.A., established following the acquisition, in November 2019, from Ladurner Ambiente and from AB Invest of 82.63% of Renerwaste S.r.l., one of major companies in Italy in biogas and biomethane infrastructure, with the consequent gaining of control of Renerwaste Lodi S.r.l., Ecoprogetto Milano S.r.l., Ecoprogetto Tortona S.r.l.; (iv) TEA Servizi S.r.l., active in the design, realisation and running of thermohydraulic and electric plants for industrial customers, with a special focus on small and medium-sized businesses, following the acquisition in November 2019 of 100% of the share capital, via the wholly-owned company Asset Company 4 S.r.l..
Except for Enura, subject to consolidation within the "Natural gas transportation" sector, the remaining companies listed above were included in the sector "Corporate and other activities", not subject to separate reporting pursuant to international accounting standard IFRS 8 "Operating segments".

SNAM AND THE ACQUISITIONS IN GREEN BUSINESSES

In recent years, Snam has completed investments for the development of new businesses aimed at promoting decarbonisation and the better use of energy, specifically in the **biomethane** sector (IES Biogas, Renerwaste), **sustainable mobility** (Cubogas) and **energy efficiency** (TEP Energy Solution, TEA Servizi).

Biomethane

IES Biogas

IES Biogas is Snam's technological partner since 2018 for the realisation and upgrading on biomethane plants in the agricultural and waste sectors.

In 2019, IES Biogas was committed to the design and construction in Italy of various plants to produce advanced biomethane, supplied with livestock waste, agro-industrial waste and sub-products of agricultural origin and second harvest crops. This development also has a positive effect on the agri-food industry, promoting a sustainable economic model and significantly reducing agriculture emissions.
The waste sector has also become increasingly more strategic: thanks to managerial skills and consolidated know-how, IES Biogas has upgraded the Waste Division engaged in creating two new biomethane plants for motor transport in Mantua and Sicily and in the conversion of other existing plants to biomethane.
Since its establishment in 2008, IES Biogas has constructed over 220 plants, both in Italy and abroad.

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.

Sustainable mobility

Cubogas

Operating globally in the production and sale of methane gas compression systems, in 2019 it actively contributed to pursuing Snam's strategy on sustainable mobility, both in Italy, supplying compressors for the start-up of the new methane refuelling stations for motor transport, and abroad, where it was awarded, among other things, a substantial tender to supply 23 compressors in Greece and another two tenders in France to supply 6 compressors for the RATP public transport vehicles, a Parisian company operating throughout the Île-de-France region.
Cubogas also produces domestic systems, which allow the refuelling of vehicles directly, at home or at work. It involves reasonably small systems that are simple to install, that can be adapted to the domestic or corporate gas or electricity grid and are therefore ideal for refuelling the fleets of companies or small municipalities. In 2019, one of these compressors was installed at the Snam HQ in San Donato Milanese and many more will follow at other premises throughout Italy.
In 2019, Cubogas also made investments aimed at increasing its production capacity, expanding and innovating its range of products as well as improving the quality of the maintenance service provided to its customers.
In addition to the compression of methane for motor transport use, Cubogas also contributes to the development of biomethane, providing its customers with technological solutions to compress the gas produced by the plants and enable them to be introduced into the transportation network. In this context, Cubogas works in harmony with IES Biogas and Snam 4 Environment within Snam's Energy Transition Business Unit.

Energy efficiency

Tep Energy Solution

An ESCo (Energy Service Company), accredited at Gestore dei Sistemi Energetici S.p.A. (GSE), which is mainly involved with energy requalification and deep renovation operations for apartment buildings and industrial sites for civil and service sector use. These interventions are designed to optimise the energy performance of buildings/facilities with a consequent reduction in energy consumption and the impact on the environment of corporate operations and processes.

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 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.

The international infrastructure system and Snam's role

International growth aims to consolidate the European infrastructure system facilitating the alignment between the consumer and producer interests, promoting a greater liquidity in the South-European gas market also through the development of new routes, and preserving the connection between the United Kingdom and continental Europe.
The Company operates abroad through its subsidiaries in Albania (AGSCo), Austria (TAG, GCA), China (Snam Gas & Energy Services Beijing), France (Teréga), Greece (DESFA) and the United Kingdom (Interconnector UK). It is one of the main shareholders of TAP (Trans Adriatic Pipeline) and the main player involved in planning the creation of the Energy Union.
The leader in Europe through the extensiveness of the natural gas transportation network (over 41,000 km) and storage capacity (more than 20 billion cubic metres), Snam manages the major liquefied natural gas (LNG) facility built in Italy and is a shareholder of Adriatic LNG, the main terminal in the country and one of the most strategic in the Mediterranean which, together with its investment in DESFA, through the Revithoussa facility, gives a total pro rata regasification capacity of around 7 billion cubic metres per year.

Snam’s presence in Italy

Snam is the leading Italian natural gas transportation and dispatching operator owning almost all of the transportation infrastructure in Italy, with around 32,600 kilometres of medium and high-pressure gas pipelines.

SNAM'S PRESENCE IN THE NATIONAL AND INTERNATIONAL INFRASTRUCTURE SYSTEM

2012

1 Interconnector (23.54%) through Snam International BV

235 km undersea pipeline between Bacton (UK) and Zeebrugge (Belgium)

1 terminal and 1 compression station both in Bacton and Zeebrugge

2013

2 Terēga (40.5%)

5,080 of network with 6 compression stations

Around 16% of the total volume of gas in France

5.8 billion bcm of storage capacity (working gas 2.8 bcm), around 25% of the national capacity

2014

3 TAG (84.47%)

3 parallel pipelines about 380 km long each

5 compression stations

2015

❹ TAP (20%)

Asset under development: final section of the South Gas Corridor from Azerbaijan to Europe

878 km (773 km on-shore e 105 km off-shore) through Greece, Albania and the Adriatic Sea before reaching Italy

2 compression stations (Initial capacity of 10Bcm/year, which can be increased to 20 Bcm/year)

Expected to come into service in Q4 2020

2016

❺ GCA (49% via AS Gasinfrastructure)

564 km of transportation network

322 km of distribution network

5 compression stations

2018

❻ DESFA (66% via Senfluga)

1,466 km of transportation network:

2 entry point (Bulgaria and Turkey)

1 LNG entry point (Agia Triada)

1 LNG terminal, regasification capacity 6bcm/year

1 compression station

INFRASTRUCTURE IN ITALY

NATURAL GAS TRANSPORTATION

ENTRY POINT REVERSE FLOW	8
COMPRESSION STATION	13
PIPELINES UNDER OPERATIONS	

NATURAL GAS STORAGE

OPERATING CONCESSIONS	9

LNG REGASIFICATION

REGASIFICATION PLANT	1

INVESTMENTS OVERSEAS

INTERNATIONAL PIPELINES

COMPRESSION STATION

STORAGE FIELDS

REGASIFICATION PLANT

OTHER OPERATORS

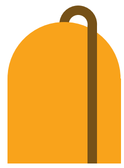
INTERNATIONAL PIPELINES

Gas Compression Plant

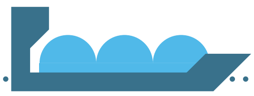
Natural gas is produced from the anaerobic decomposition of organic material. In nature it is found in fossil state on its own or together with oil and other hydrocarbons.
The main component of natural gas is methane (CH_4).
During combustion, most of the methane gas is converted into steam and carbon dioxide (CO_2).

LNG liquefaction plant

The **regasification** activities are carried out through the regasification plant in Panigaglia (La Spezia), the first of its kind developed in Italy, in 1971.
Regasification is the last one of the activities in the liquified natural gas chain (LNG) and it consists of reverting the natural gas extracted from the reservoirs to its original state and after that, the gas is liquified to a -160° C temperature to allow its transportation on specific carriers. In the gas system, the LNG chain allows to diversify the gas procurement sources.



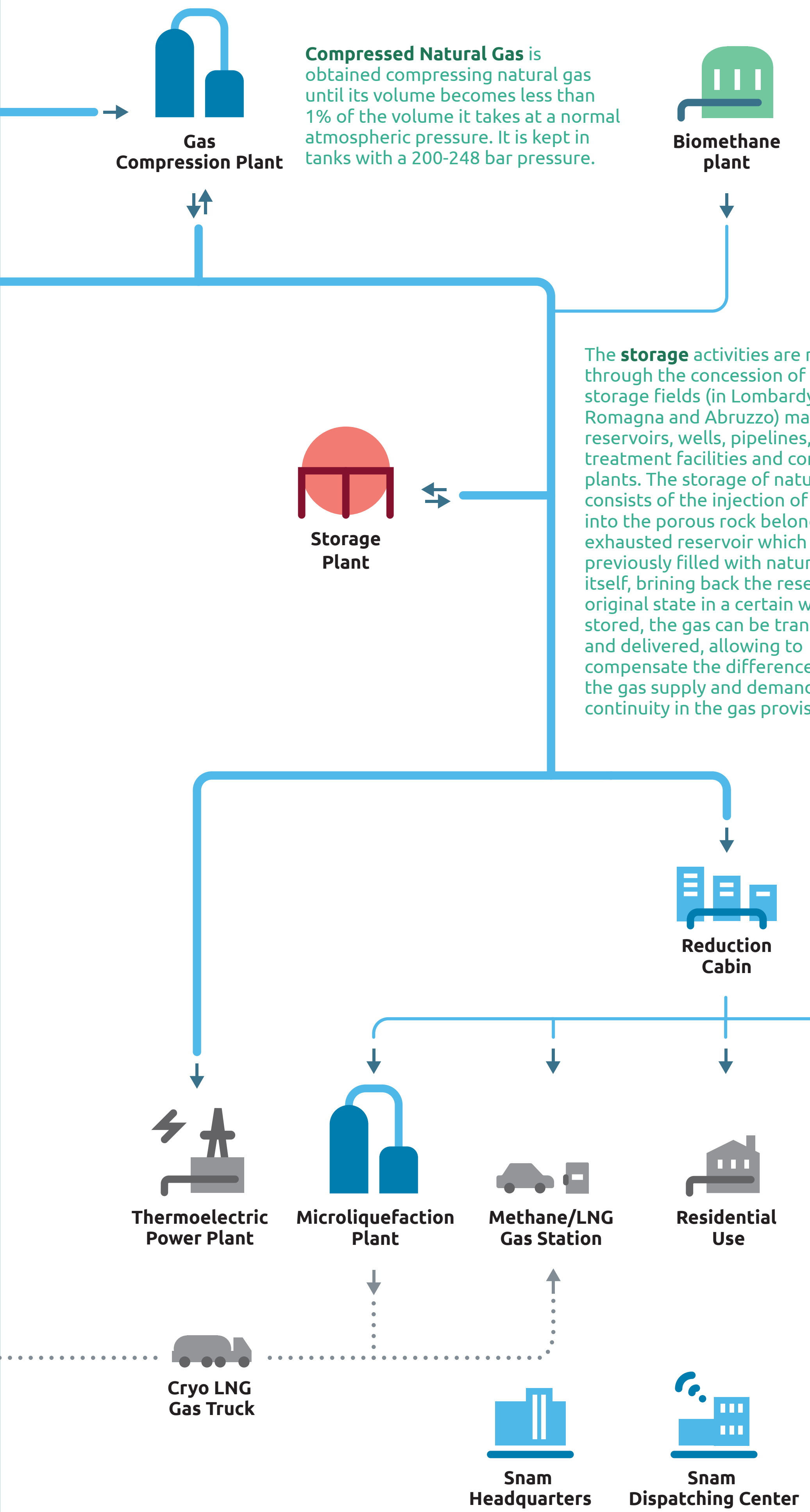
LNG Regasification Plant



LNG Carrier

Regarding **transportation**, natural gas is taken over at the delivery points, located on the importation lines (Russia, Northern Europe and Northern Africa), at the regassification plants and at the production and storage centers located in Italy.
Gas is therefore transported and delivered at the redelivery points connected to the distribution networks and to the main industrial and power generators plants.

Snam Activities
Other Activities



Compressed Natural Gas is obtained compressing natural gas until its volume becomes less than 1% of the volume it takes at a normal atmospheric pressure. It is kept in tanks with a 200-248 bar pressure.

Biomethane is obtained in specific plants, from anaerobic digestion of agricultural and agroindustrial by-products through a biogas upgrading process.
It can be introduced in the network and it is used in all the sectors where gas is used also as a fuel for road transport.

The **storage** activities are managed through the concession of nine storage fields (in Lombardy, Emilia Romagna and Abruzzo) made of reservoirs, wells, pipelines, treatment facilities and compression plants. The storage of natural gas consists of the injection of the gas into the porous rock belonging to an exhausted reservoir which was previously filled with natural gas itself, brining back the reservoir to its original state in a certain way. Once stored, the gas can be transported and delivered, allowing to compensate the difference between the gas supply and demand, ensuring continuity in the gas provision.

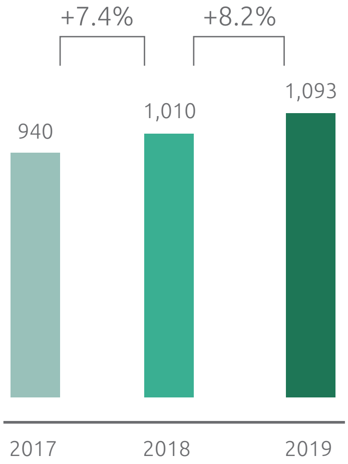
The **Dispatching** Center ensure the monitoring and remote controlling of the storage plants and of the transportation network, ensuring the continue balance of the gas flows both in normal and emergency circumstances.

Business activities

	Operating figures	Unit of measurement	2017	2018	2019	% change
Transportation	Gas pipeline network in use	km	32,584	32,625	**32,727**	**0.31**
	of which national network	km	9,704	9,697	**9,727**	**0.31**
	of which national network	km	22,880	22,928	**23,000**	**0.31**
	Natural gas injected into the network	Billion m^3	74.59	72.82	**75.37**	**3.50**
	of which imported	Billion m^3	69.35	67.70	**70.86**	**4.67**
	of which national production	Billion m^3	5.24	5.12	**4.51**	**-11.91**
	Installed power in the compression stations	(MW)	902	961	**961**	**-**
Storage	Natural gas moved through the storage system	Billion m^3	19.92	21.07	**19.33**	**-8.26**
	of which injected into storage	Billion m^3	9.80	10.64	**10.16**	**-4.51**
	of which supplied from storage	Billion m^3	10.12	10.43	**9.17**	**-12.08**
	Total storage capacity	Billion m^3	16.7	16.9	**17.0**	**0.59**
	of which available	Billion m^3	12.2	12.4	**12.5**	**0.81**
	of which strategic	Billion m^3	4.5	4.5	**4.5**	**-**
Regasification	Regasified gas	Billion m^3	0.63	0.91	**2.40**	
	Methane tanker loads	no.	15	21	**57**	
	Daily regasification maximum capacity	m^3	17,500	17,500	**17,500**	**-**
Employees	Employees in service at the year-end	no.	2,919	3,016	**3,025**	**0.30**
	of which Transportation	no.	1,972	1,915	**1,945**	**1.57**
	of which Storage	no.	60	59	**61**	**3.39**
	of which Regasification	no.	63	64	**65**	**1.56**
	Corporate and other activities	no.	824	978	**954**	**-2.45**

KEY FINANCIAL FIGURES (1)

Adjusted EBIT (mln €)



In 2019 Snam demonstrated it was in line with its expectations and those of its investors, achieving positive results thanks to the rigorous and efficient management of its financial assets. As evidence of this, EBIT rose 0.9% compared with 2018, reaching €1,417 million.

Adjusted net profit stood at €1,093 million, an increase of €83 million compared with 2018 (+8.2%). This increase, in addition to the greater EBIT (€12 million, +0.9%), is due to lower net financial expense (+€30 million or 15.4%), thanks to the benefits of the actions designed to optimise the existing financial structure. In addition, the positive market conditions and the greater net income from equity investments (€57 million or +35.8%), thanks to the contribution of Senfluga, a company purchased in December 2018, and Teréga, contributed to achieving this result. These effects were partly absorbed by higher income taxes, -€16 million, mainly attributable to the greater pre-tax profit. Net financial debt was €11,923 million as at 31 December 2019, compared with €11,548 million as at 31 December 2018.

Added Value produced and distributed

For Snam, sustainability and creation of value are closely related concepts: sustainability creates value for the company and stakeholders, bringing together the business and social responsibility of the company. Through its activities, Snam produces wealth that contributes, directly and indirectly, to the economic growth of the context in which it operates. This wealth is often expressed in terms of Added Value produced and distributed to its reference stakeholders.

Snam calculates the Added Value based on the standard prepared by the Gruppo di Studio per il Bilancio Sociale (GBS) (Sustainability Report Study Group) and GRI Standards, the national and international reference frameworks, respectively, for identifying and calculating the sustainability indicators of a business. Specifically, the GBS is an association dedicated to the development and promotion of scientific research into the Sustainability Report and issues relating to responsible management processes for businesses

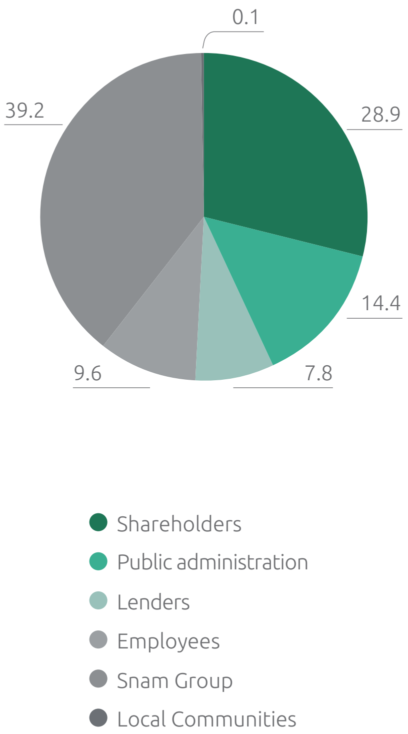
The Added Value is calculated based on the values taken from the legally-required Income Statement, thereby becoming a useful tool for all stakeholders in understanding the economic impacts that the Group produces. In 2019, the gross global Added Value produced was **€2,695 million**, an increase of €163 million compared with 2018 (**+ 6.4%**).

The Added Value (€ Million)

	2017	2018	2019
Added Value produced (A)	2,447	2,532	**2,695**
Added Value distributed (B)	1,621	1,634	**1,639**
Employees	249	280	**258**
Local community (Donations and sponsorship Statutory environmental compensation)	5	3	**3**
Lenders (Bondholders and Banks)	292	249	**211**
Shareholders	732	746	**780**
Government	343	356	**387**
Direct taxes	329	341	**375**
Indirect taxes	14	15	**12**
Added Value retained within the Company (A) - (B)	826	898	**1,056**

1) For more details, see the 2019 Annual Financial Report

Distribution of added value (%)



The 39.2% of gross global Added Value produced was **reinvested within the Group** and is 3.7% higher than 2018. Of this, around 68.4% was allocated to **the depreciation of assets**. Regarding the main reference stakeholders, 2019 saw a 2% reduction in the value distributed to lenders (7.8%), due to a reduction in financial expense following the actions to optimise the financial structure launched in the previous three-year period and, specifically, the liability management operations. The value distributed to shareholders (28.9%), through the dividends paid, was consistent with the 2018 figure (29.5%). In order to guarantee attractive and sustainable remuneration for shareholders, Snam bought treasury shares, under the scope of the share buyback programme, reducing the outstanding number of shares and contributing to the growth in value of a single share by 5% compared with 2018.

With reference to **employees** (9.6%), the distribution took place directly, through salaries, wages and employee severance indemnity, and indirectly through social security contributions and staff-related costs (canteen services, reimbursement of travel expenses). There was a reduction in the Added Value distributed to employees, equal to -1.5% compared with 2018, due to the extraordinary components reported in 2018, relating to costs for redundancy packages, with the application of the early retirement tool regulated by Article 4, paragraphs 1-7 of Law 92/2012 the Fornero Law.

The value allocated to the **Public Administration** (14.4%) through the payment of direct and indirect taxes was essentially stable (+0.4% compared with 2018). Lastly, an amount of approximately €3 million was designated for **local communities** (0.1%) through donations and sponsorship and environmental compensation pursuant to the law.

RELATIONS WITH THE FINANCIAL COMMUNITY

Snam considers maintaining constant relations with investors and the entire financial community as strategic for its reputation. In this respect, it is constantly committed to disseminating comprehensive and timely information, capable of effectively representing the business's strategy and performance, 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 road shows and 6 reverse road shows to meet shareholders and institutional investors in the major financial centres of Europe and North America;

15 industry conferences allowing investors specialized in the utilities and infrastructure sectors to meet the Company's senior management;

Meetings with more than **210 institutional investors** during the year, corresponding to more than 40% of shares owned by active operators.

Climate action bond

The **Eligible Projects** are available on the Snam website at the link: www.snam.it/en/Investor_Relations/debt_credit_rating/climate_action_bond.html

On 21 February 2019, Snam successfully concluded the issue of its first Climate Action Bond (CAB), the proceeds of which will be used to finance and, in part, refinance the so-called eligible projects, namely the projects defined in the Snam Climate Action Bond Framework (hereinafter also the Framework) published on Snam's website.

These projects must comply with some set targets relating to their ESG performance (Environment, Social and Governance) and were classified in the following four main categories:

1. **Carbon & Emission Reduction Projects:** installation of new technologies, systems, equipment and processes which involve a reduction in the use of energy and emissions in industrial facilities;
2. **Renewable Energy Projects:** construction of biomethane facilities and upgrading of existing biogas facilities in Italy and abroad;
3. **Energy Efficiency Projects:** energy efficiency projects for Snam buildings or in relation to its supply chain;
4. **Green Development Projects:** development projects for new buildings and maintaining green areas.

The value of the CAB is €500 million, and it matures on 28 August 2025 and it is aimed at very important institutional investors with a wide geographical diversification. The annual coupon of the bond is 1.25% with a re-offer price of 99,489 (corresponding to a spread of 103 basis points at the reference mid swap). In December 2019 Snam's CAB was also listed on the Borsa Italiana ExtraMOT segment.
Through this issue, Snam wanted to consolidate its role in the context of energy transition in Europe, raise the awareness of investors concerning its investments and initiatives as part of ESG and diversify its investor base.
The issuing of the CAB was supported by a preventive check by a third-party certification body that confirmed that the use of the proceeds of the bond is in line with the project categories defined in the framework.
For the entire term of the bond until its maturity, Snam will report and annually publish the ESG performance of the bond, with reference to the gradual allocation of the income from the bond in relation to the projects selected in a special document called the CAB Report. This report is subject to a limited external assurance in accordance with standard ISAE 3000 and in line with the requirements of Green Bond Principles.

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's listing is confirmed in the Ethibel Sustainability Index (ESI) Excellence Europe and in the Ethibel Sustainability Index (ESI) Excellence Global. Confirmed once again on the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers: the selection made by the Ethibel Forum indicates that Snam is one of the leading companies in the industry 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 at a European level in rating companies regarding CSR issues.

Snam was also listed, in 2019, for the sixth 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 anti-corruption issues.

ESG ratings

Snam 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 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.