



# SPAFID CONNECT

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Oggetto : Snam: strong results in the first quarter of  
2020

*Testo del comunicato*

Vedi allegato.



## Snam: strong results in the first quarter of 2020

- **Total revenue:** €691 million (+8.1% compared with the first quarter of 2019);
- **EBITDA:** €567 million (+4.6% compared with the first quarter of 2019), due to higher revenue and operating cost control;
- **Net profit:** €298 million (+5.3% compared with the first quarter of 2019), following the positive operating performance and the continuous reduction in net financial expense;
- **Technical investments:** €220 million (€166 million in the first quarter of 2019), including investments in innovation and energy transition (SnamTec) of €24 million;
- **Net financial debt:** €12,256 million (€11,923 million as at 31 December 2019);
- **Share buy-back:** concluded in February the repurchase tranche launched at the end of 2019. Around 23 million shares worth around €111 million were repurchased in the first quarter. Snam currently owns 125 million treasury shares (3.7% of the share capital);
- **Entry into the agricultural biomethane sector:** agreement signed for the acquisition of 50% stake in Iniziative Biometano;
- **COVID-19 emergency:** allocated €20 million to support the Italian health system and the third sector and launch of the “We shape the future” fundraising campaign promoted by Snam employees.

San Donato Milanese (MI), 7 May 2020 - At its meeting yesterday, chaired by Luca Dal Fabbro, the Snam Board of Directors approved the consolidated results for the first quarter of 2020 (unaudited).

Marco Alverà, Snam’s CEO, commented as follows:

*“The results of the first quarter demonstrate the solidity of Snam’s business and the significance of the development and efficiency measures launched in recent years, even in difficult market contexts.*

*In the past few months Snam has never stopped, continuing to operate with great commitment and with the adoption of extraordinary measures to guarantee essential energy. At the same time, we have supported the healthcare system through solidarity initiatives and by purchasing ventilators and masks, whilst also supporting the non-profit sector through Fondazione Snam and fundraising amongst employees.*

*In the first quarter, we made investments amounting to €220 million. Despite the context, we confirm our investment plan for 2019-2023 in support of the recovery of the territories on which we operate: we are working to relaunch our sites, adopting all the necessary measures to guarantee the safety of employees and contractors, and we are identifying possible initiatives through which to offset the impact of the interruption of works over the last two months and where possible, to accelerate it. At the same time,*



*we continue to invest decisively on strengthening our commitment to the energy transition and on projects for decarbonisation and green gas development”.*

## Highlights of the first quarter of 2020

(€ million)	First quarter			% change
	2019	2020	Change	
<b>Regulated revenue</b>	615	<b>656</b>	41	6.7
<b>Total revenue</b>	639	<b>691</b>	52	8.1
<b>EBITDA</b>	542	<b>567</b>	25	4.6
<b>EBIT</b>	366	<b>380</b>	14	3.8
<b>Net profit (*)</b>	283	<b>298</b>	15	5.3
<b>Technical investments</b>	166	<b>220</b>	54	32.5
<b>Net financial debt</b>	11,234	<b>12,256</b>	1,022	9.1

(\*) Entirely held by Snam shareholders.

### Total revenue

Total revenue<sup>1</sup> amounted to €691 million, up €52 million or 8.1% compared with the first quarter of 2019. Regulated revenue increased by €41 million, or 6.7%, specifically thanks to the transportation segment as a result of tariff updating mechanisms. This increase was also a result of the introduction, for the fifth regulatory period in force from 1 January 2020, of a variable tariff component to cover energy costs (costs for the purchase of fuel gas, previously transferred in kind by the shippers), which was substantially offset in operating costs. The increase in revenue was also driven by higher revenue from non-regulated activities (+€11 million or +45.8%), resulting from the initial contribution of businesses relating to the energy transition that entered the scope of consolidation at the end of 2019 and from the development of Snam Global Solutions' operations.

### EBITDA

EBITDA totalled €567 million, an increase of €25 million (+4.6%) compared with the first quarter of 2019 as a result of the higher revenue related to investing activities, due to a positive seasonal, therefore temporary, effect of energy costs and the ongoing efficiency programme that reached €53 million (operating costs base 2016). The initial

<sup>1</sup> From 1 January 2020, the cost components offset in revenue (pass-through items), attributable essentially to interconnection, were recorded as a direct reduction of the corresponding revenue (€12 million in the first quarter of 2020). The values for the first quarter of 2019 (€15 million) were restated accordingly.



contribution of the businesses related to the energy transition, which entered the scope of consolidation at the end of 2019, also had a positive impact on EBITDA. With regards to the impact of the COVID-19, were launched initiatives to support the Italian health system and the tertiary sector with tackling the emergency, including the donation of healthcare materials, which had an impact of approximately €3 million at 31 March 2020.

#### **EBIT**

EBIT totalled €380 million, an increase of €14 million or 3.8% compared with the first quarter of 2019. The increase in EBITDA was partly offset by the greater depreciation and amortisation in the period (-€11 million or 6.3%), mainly due to the new assets entering into operation during the period. With reference to the operating segments, the increase in EBIT is mainly attributable to the positive performance of the transportation segment (+€16 million or 5.5%). The operating performances of the regasification and storage segments were essentially in line with the corresponding period of 2019.

#### **Net financial expense**

Net financial expense stood at €35 million, down €7 million or 16.7% compared with the first quarter of 2019 thanks to the continuous commitment to optimising the group's financial structure and treasury management activities implemented by Snam, despite the higher average debt for the period.

#### **Net income from equity investments**

Net income from equity investments amounted to €52 million, a fall of €10 million or 16.1% compared with the first quarter of 2019, following the lower contribution of the subsidiary Teréga, which in the first quarter of 2019 benefited from non-recurring income, from Interconnector UK, which had lower capacity commitments in the quarter compared to the same period last year, as well as a lower contribution from Italgas.

#### **Net profit**

Net profit stood at €298 million, an increase of €15 million or 5.3% compared with the first quarter of 2019 following the positive operating performance and reduction in net financial expense. Pre-tax profit increased by €11 million (+2.8%).

#### **Technical investments**

The technical investments of the first quarter of 2020 totalled €220 million, an increase of €54 million or 32.5% compared with the first quarter of 2019, and mainly relate to the transportation (€187 million) and storage (€20 million) segments. Investments relating to SnamTec, the project launched by Snam focused on innovation and energy transition, came to €24 million in the first quarter of 2020.

#### **Net financial debt**

Net financial debt was €12,256 million as at 31 March 2020, compared with €11,923 million as at 31 December 2019. The positive net cash flow from operating activities (€682 million) enables Snam to fully cover the financial requirements relating to the net



investments of the period of €591 million, including the consideration for the acquisition of the jointly controlled interest in OLT (€332 million), and to generate a free cash flow of €91 million. After the equity cash flow resulting essentially from the payment to shareholders of the 2019 interim dividend (€313 million, or €0.095 per share) and from the purchase of treasury shares (€111 million), net financial debt recorded an increase of €333 million compared with 31 December 2019.

## **Outlook**

Restrictions were introduced in Italy through the Prime Ministerial Decree (DPCM) of 23 February 2020 and subsequent amendments, designed to contain the COVID-19 pandemic, with measures aimed at preventing the spread of infection, including through limiting production activities, the movement of people and social gatherings.

Snam undertook protective measures from 21 February and ensured it was equipped to implement all the initiatives necessary to protect the safety of its staff, both in compliance with the restrictions and through the adoption of additional precautions.

At the earliest opportunity Snam secured control rooms, plants and territorial headquarters to guarantee normal operation and the energy security of the country. Specifically, dispatching at San Donato Milanese, the heart of Snam's infrastructure, is continuing as normal, due to the installation of dedicated accommodation and the implementation of a new shift system.

Physical presence was reduced to minimum levels. Urgent site work unable to be deferred was identified and all appropriate precautionary measures adopted.

At present, the company is not able to reliably calculate the impact of COVID-19 on the targets for 2020 and future years. However, on the basis of the most up-to-date information available, also considering the nature of the activities carried out by Snam, the company expects a limited impact on its economic targets and to the investment programme, proportional to the speed of recovery of operations.

At present, any effects on the development initiatives and potential spillovers on suppliers or customers arising from the business slowdown and current macroeconomic context as a result of the international reach of the pandemic, cannot yet be assessed. The same also applies to the assets held by the Snam Group outside Italy, specifically in France, Austria, Greece, Albania and the United Kingdom.

Natural gas demand in Italy in the first quarter of the year stood at 23.94 billion cubic metres, a decrease of 6.7% (-1.71 billion cubic metres) compared with the same period of the previous year. In addition to the milder temperatures recorded in the first two months of the year, the fall relates to the effects of the lockdown measures from March onwards. A fall in demand for gas is also forecast for the second quarter of the year, with an impact that will be assessed according to the speed at which activities are resumed. Based on the current regulatory framework, the maximum impact on Snam is estimated at a reduction in revenue of around €9 million, related to the commodity component. At the moment, the impact on new business is expected to be limited. In



the current scenario, the company is continuing with the implementation of its efficiency programme, which has already resulted in savings of €53 million compared to the 2016 cost base and will benefit from a further reduction in costs associated with the new operating procedures resulting from COVID-19.

The optimisation of Snam's financial structure over the last three years has led to a significant reduction in the average cost of debt and the risk management activities carried out also limit the risks of negative impacts of a worse market scenario on the Group's financial management. The company's operations will continue to guarantee attractive and sustainable remuneration to its shareholders, while maintaining a balanced financial structure.

*A conference call will take place at 15:00 CEST today, 7 May 2020, to present the consolidated results for the first quarter of 2020 to investors and financial analysts. It will be possible to attend this conference call and the supporting materials will be made available at [www.snam.it](http://www.snam.it) in the Investor Relations section when the event begins. In the same section, it will also be possible to view the presentation through video webcasting.*

#### *Significant events*

- **Entry into the agricultural biomethane sector: agreement signed for the acquisition of a 50% stake in Iniziativa Biometano**

Snam, through its subsidiary Snam4Environment and following the signing of a binding letter of intent disclosed on 21 November 2019 at the presentation of Snam's strategic plan, has signed an agreement with Femogas S.p.A. to acquire a 50% joint control stake in Iniziativa Biometano, a company that manages biogas and biomethane plants fed with agricultural biomass in Italy. The transaction is valued at approximately €10 million.

The acquisition will allow Snam to enter into the agricultural biomethane sector and to increase its expertise in a crucial segment to position biomethane as an integral part of the energy transition in Italy. Iniziativa Biometano, through its subsidiaries, owns five biogas plants, which will be converted into biomethane plants, and is also developing further projects in Italy. The plants acquired through the Iniziativa Biometano transaction will have an overall production potential of around 31 megawatts.

The transaction, which is expected to close by the end of the year, will generate further synergies for the Snam Group as the conversion and construction of the plants will be carried out through its subsidiary IES Biogas, a leader in the design and construction of biogas and biomethane plants in Italy and abroad. As part of its plan to 2023 and its growth path in the most relevant sectors of the energy transition, Snam will invest €250 million in the biomethane sector.



- **COVID-19 emergency**

Snam, together with Fondazione Snam, allocated €20 million to support the Italian healthcare system and tertiary sector in their response to the COVID-19 emergency. To date, 625 ventilators and 600,000 masks have been donated and more than 40 non-profit associations and organisations have been supported. The donation will also be allocated to new initiatives to support the restart of the country following the acute phase of the pandemic. In addition, the fundraising campaign “*Diamo forma al futuro*” (We shape the future) was launched, promoted by Snam employees and extended until next 11 May. As part of the initiative, to which the CEO Marco Alverà also contributed, on 3 May, more than 10% of Snam’s managers decided to reduce their gross annual salaries by percentages ranging from 5% to 25%. The total amount raised will be doubled by Snam and then donated to those involved in the health emergency response. Furthermore, transfers of over €60,000 have been made to external bodies, which will also be doubled by the company. In addition, more than 250 days of holiday have been donated to third parties and employees in difficulty as well as over 3,300 hours of work.

- **Snam and RINA Memorandum of Understanding (MoU) to start a collaboration in the hydrogen sector - April 2020**

Snam and RINA, a leading global player in the field of engineering testing, inspection, certification and consultancy services, have signed an MoU to initiate a collaboration in the hydrogen sector. The aim is for the two parties to realise hydrogen’s vast potential as a vital energy carrier for combating climate change and in decarbonising industries.

- **Renewal of the Memorandum of Understanding (MoU) between Snam and Terna on collaboration initiatives to support the energy transition - April 2020**

Snam and Terna signed the renewal of their MoU to continue collaborating on initiatives designed to strengthen their commitment as leaders in the ongoing energy transition.



## Key operating figures

		First quarter			%
		2019	2020	Change	
<b>Natural gas injected into the National Gas Transportation Network (a) (b)</b>					
	(billions of m <sup>3</sup> )	18.93	<b>17.05</b>	(1.88)	(9.9)
<b>Gas demand (a)</b>	(billions of m <sup>3</sup> )	25.65	<b>23.94</b>	(1.71)	(6.7)
<b>LNG regasification (a)</b>	(billions of m <sup>3</sup> )	0.60	<b>0.46</b>	(0.14)	(23.3)
<b>Available storage capacity (a) (c)</b>	(billions of m <sup>3</sup> )	12.4	<b>12.5</b>	0.10	0.8
<b>Natural gas moved through the storage system (a)</b>					
	(billions of m <sup>3</sup> )	6.23	<b>6.38</b>	0.15	2.4
<b>Employees in service at the period end (d)</b>	(number)	3,035	<b>3,026</b>	(9)	(0.3)

- (a) With regards to the first quarter of 2020, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.575 kWh/SCM) for transportation and regasification activities and 39.23 MJ/SCM (10.895 kWh/SCM) for natural gas storage for the 2019-2020 thermal year.
- (b) The figures for the first quarter of 2020 were updated on 8 April 2020. The 2019 values have been updated and are aligned with those published by the Ministry of Economic Development.
- (c) Working gas capacity for modulation, mining and balancing services, allocated in full for the 2019-2020 thermal year.
- (d) Fully consolidated companies.

### Natural gas injected into the National Transportation Network

Gas volumes injected into the network in the first quarter of 2020 amounted to 17.05 billion cubic metres in total, down compared with the first quarter of 2019 (-1.88 billion cubic metres or 9.9%), essentially following the fall in demand for natural gas in Italy (equal to 23.94 billion cubic metres; -1.71 billion cubic metres or -6.7%) recorded in all consumption sectors. Specifically, the fall in gas demand is mainly attributable to lower consumption in the residential and tertiary sector (-0.7 billion cubic metres or -5.2%) in light of the milder temperatures recorded in the first two months of the year, as well as the lower consumption of the thermoelectric sector (-0.6 billion cubic metres or -8.2%) attributable to the reduction in demand for electricity as a result of the lockdown measures in March to contain the COVID-19, as well as the increase in electricity imports. These effects were partly offset by the reduction in production from renewable sources, particularly wind power, and from greater recourse to natural gas in the generation of electricity.

The fall in the demand for gas was also affected by the lower consumption of the industrial sector (-0.4 billion cubic metres or -7.6%), which suffered from a 2.5% reduction of the industrial production index in the first months of 2020, heightened by the shutdown of various production activities following the lockdown. Adjusted for the weather effect, gas demand was 24.30 billion cubic metres, down by 1.41 billion cubic





metres or 5.5% compared with the same figure in the first quarter of 2019 (25.71 billion cubic metres), also following the greater use of energy efficiency enhancing measures by the residential and tertiary sector.

#### Liquefied natural gas (LNG) regasification

In the first quarter of 2020, 0.46 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (compared with 0.60 billion cubic metres in the first quarter of 2019) with 12 methane tankers unloaded (14 in the first quarter of 2019), in line with the number allocated.

#### Natural gas storage

The storage capacity available as at 31 March 2020, which was unchanged compared with 31 December 2019, is the most extensive capacity in Europe and was allocated in full for the 2019-2020 thermal year. The volumes of gas moved through the storage system in the first quarter of 2020 amounted to 6.38 billion cubic metres, a slight decrease of -0.15 billion cubic metres, or -2.41%, compared with the volumes moved in the first quarter of 2019. The reduction was mainly attributable to lower withdrawals from storage, which were primarily the result of weather conditions.

### *Analysis of the Reclassified Statement of Financial Position*

#### Fixed capital

Fixed capital (€19,688 million) was up by €377 million compared with 31 December 2019, essentially as a result of: (i) the increase in long-term financial receivables (+€314 million) following the takeover of the residual share of a shareholders' loan, from Iren S.p.A. in favour of OLT, following the acquisition of a 49.07% of the company's share capital completed on 26 February 2020 (€332 million; €314 excluding later repayments); and (ii) the increase in equity investments (+€42 million), mainly following the earnings in the first quarter of 2020 by the investee companies.

#### Net financial debt

(€ million)	31.12.2019	31.03.2020	Change
<b>Bonds</b>	<b>9,048</b>	<b>8,157</b>	<b>(891)</b>
- short term (*)	1,439	804	(635)
<b>Bank loans</b>	<b>3,704</b>	<b>4,866</b>	<b>1,162</b>
- short term (*)	685	2,563	1,878
<b>Euro Commercial Paper - ECP (**)</b>	<b>2,001</b>	<b>2,001</b>	
<b>Lease liabilities (***)</b>	<b>21</b>	<b>20</b>	<b>(1)</b>
<b>GROSS FINANCIAL DEBT</b>	<b>14,774</b>	<b>15,044</b>	<b>270</b>
<b>Cash and cash equivalents</b>	<b>(2,851)</b>	<b>(2,788)</b>	<b>63</b>
<b>NET FINANCIAL DEBT</b>	<b>11,923</b>	<b>12,256</b>	<b>333</b>

(\*) Includes the short-term portion of long-term financial debt.

(\*\*) Entirely short term.

(\*\*\*) Including non-current lease liabilities (€14 million) and the current portion of non-current lease liabilities (€6 million).



The increase in net financial debt of €333 million is due to: (i) the increase in bank loans (+€1,162 million) mainly as a result of the greater use of uncommitted lines of credit (+€1,200 million); (ii) lower cash and cash equivalents (+€63 million) relating essentially to short-term liquidity transactions. These effects were partly offset by the reduction in bonds (-€891 million), mainly due to repayments of loans due for a total nominal value of €875 million.

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This press release on the consolidated results of the first quarter of 2020, unaudited, was prepared on a voluntary basis in accordance with the provisions of Article 82-ter "Additional periodic financial information" of the Consob Issuers' Regulation 11971 of 14 March 1999, as amended, in line with the quarterly information provided by Snam in the past and consistent with the minimum contents and time schedules of the Group's financial calendar.

*Pursuant to Article 154-bis, paragraph 2 of the TUF, the Chief Financial Officer Luca Oglialoro declares that the accounting information included in this press release corresponds to the documents, accounting ledgers and other records.*

**Disclaimer**

*This press release contains forward-looking statements, specifically relating to: changes in demand for natural gas, investment plans and future management performance. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. The actual results may therefore differ from those forecast as a result of several factors: foreseeable trends in natural gas demand, supply and price, general macroeconomic conditions, the effect of energy and environmental legislation, the successful development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.*



## RECLASSIFIED INCOME STATEMENT

(€ million)	First quarter		Change	% Change
	2019	2020		
<b>Regulated revenue (a)</b>	<b>615</b>	<b>656</b>	<b>41</b>	<b>6.7</b>
- Transportation (b)	490	527	37	7.6
- Storage (b)	121	124	3	2.5
- Regasification	4	5	1	25.0
<b>Non-regulated revenue</b>	<b>24</b>	<b>35</b>	<b>11</b>	<b>45.8</b>
<b>Total revenue (a)</b>	<b>639</b>	<b>691</b>	<b>52</b>	<b>8.1</b>
<b>Costs of regulated activities (a)</b>	<b>(72)</b>	<b>(81)</b>	<b>(9)</b>	<b>12.5</b>
Controllable fixed costs	(68)	(65)	3	(4.4)
Variable costs	(4)	(16)	(12)	
<b>Costs of non-regulated activities</b>	<b>(25)</b>	<b>(43)</b>	<b>(18)</b>	<b>72.0</b>
<b>Total operating costs (a)</b>	<b>(97)</b>	<b>(124)</b>	<b>(27)</b>	<b>27.8</b>
<b>EBITDA</b>	<b>542</b>	<b>567</b>	<b>25</b>	<b>4.6</b>
Amortisation, depreciation and impairment losses	(176)	(187)	(11)	6.3
<b>EBIT</b>	<b>366</b>	<b>380</b>	<b>14</b>	<b>3.8</b>
Net financial expenses	(42)	(35)	7	(16.7)
Net income from equity investments	62	52	(10)	(16.1)
<b>Pre-tax profit</b>	<b>386</b>	<b>397</b>	<b>11</b>	<b>2.8</b>
Income tax	(103)	(99)	4	(3.9)
<b>Net profit (c)</b>	<b>283</b>	<b>298</b>	<b>15</b>	<b>5.3</b>

- (a) From 1 January 2020, the cost components offset in revenue, attributable essentially to interconnection, were recorded as a direct reduction of the corresponding revenue (€12 million in the first quarter of 2020). The values for the first quarter of 2019 (€15 million) were restated accordingly.
- (b) In the consolidated financial statements, the considerations for the modulation service, an integral part of transportation revenue, were eliminated for transportation companies, along with the costs of the service purchased from the storage company, in order to reflect the substance of the transaction. The values for the first quarter of 2019 have been restated accordingly.
- (c) Entirely held by Snam shareholders.



## Statement of comprehensive income

(€ million)	First quarter	
	2019	2020
<b>Net profit (*)</b>	<b>283</b>	<b>298</b>
<b>Other components of comprehensive income</b>		
<i><b>Components that can be reclassified to the income statement:</b></i>		
Change in fair value of cash flow hedge derivatives (effective share)	(30)	(8)
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income" (**)	3	(14)
Tax effect	7	2
<b>Total other components of comprehensive income, net of tax effect</b>	<b>(20)</b>	<b>(20)</b>
<b>Total comprehensive income (*)</b>	<b>263</b>	<b>278</b>

(\*) Entirely held by Snam shareholders.

(\*\*) The figure for the first quarter of 2020 mainly refers to the change in the fair value of hedging derivatives for equity investments in associates.



## Reclassified statement of financial position

(€ million)	31.12.2019	31.03.2020	Change
<b>Fixed capital</b>	<b>19,311</b>	<b>19,688</b>	<b>377</b>
Property, plant and equipment	16,439	16,392	(47)
- of which right-of-use lease assets	21	20	(1)
Compulsory inventories	363	363	
Intangible assets	990	1,004	14
Equity investments	1,828	1,870	42
Long-term financial receivables	3	317	314
Net payables for investments	(312)	(258)	54
<b>Net working capital</b>	<b>(1,094)</b>	<b>(959)</b>	<b>135</b>
<b>Provisions for employee benefits</b>	<b>(46)</b>	<b>(44)</b>	<b>2</b>
<b>Assets held for sale</b>	<b>10</b>		<b>(10)</b>
<b>NET INVESTED CAPITAL</b>	<b>18,181</b>	<b>18,685</b>	<b>504</b>
<b>Shareholders' equity</b>	<b>6,258</b>	<b>6,429</b>	<b>171</b>
- Held by Snam shareholders	6,255	6,426	171
- Minority interests	3	3	
<b>Net financial debt</b>	<b>11,923</b>	<b>12,256</b>	<b>333</b>
- of which lease liabilities (*)	21	20	(1)
<b>COVERAGE</b>	<b>18,181</b>	<b>18,685</b>	<b>504</b>

(\*) Including non-current lease liabilities (€14 million) and the current portion of non-current lease liabilities (€6 million).

## Shareholders' equity

(€ million)	
<b>Shareholders' equity at 31 December 2019</b>	<b>6,258</b>
- Comprehensive income for the first quarter of 2020	+ 278
- Share-based incentive plan	+ 2
- Other changes	+ 2
- Acquisition of treasury shares	- (111)
<b>Shareholders' equity at 31 March 2020</b>	<b>6,429</b>
- Held by Snam shareholders	6,426
- Minority interests	3



## RECLASSIFIED STATEMENT OF CASH FLOWS

(€ million)	First quarter	
	2019	2020
<b>Net profit</b>	<b>283</b>	<b>298</b>
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	114	<b>135</b>
- Net capital losses (capital gains) on asset sales and eliminations		<b>1</b>
- Interest and income taxes	138	<b>128</b>
Change in working capital due to operating activities	329	<b>144</b>
Dividends, interest and income taxes collected (paid)	(28)	<b>(24)</b>
<b>Net cash flow from operating activities</b>	<b>836</b>	<b>682</b>
Technical investments	(163)	<b>(231)</b>
Equity investments	2	<b>4</b>
Change in long-term financial receivables		<b>(314)</b>
Other changes relating to investment activities	(41)	<b>(50)</b>
<b>Free cash flow</b>	<b>634</b>	<b>91</b>
Change in short- and long-term financial debt	(210)	<b>271</b>
Repayments of lease liabilities	(1)	<b>(1)</b>
Equity cash flow	(298)	<b>(424)</b>
<b>Net cash flow for the period</b>	<b>125</b>	<b>(63)</b>

## CHANGE IN NET FINANCIAL DEBT

(€ million)	First quarter	
	2019	2020
<b>Free cash flow</b>	<b>634</b>	<b>91</b>
Exchange rate differences on financial debt	(1)	
Change in lease liabilities	(21)	
Equity cash flow	(298)	<b>(424)</b>
<b>Change in net financial debt</b>	<b>314</b>	<b>(333)</b>



### **Methodology note**

The financial statements were compiled in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission under Article 6 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002. The recognition and measurement criteria adopted for the preparation of the results for the first quarter of 2020 are the same as those used to compile the 2019 Annual Report, which should be referred to for a description of these criteria.

There were no changes in the Snam Group's scope of consolidation at 31 March 2020 with respect to the one in place at 31 December 2019.

In addition to the financial parameters required by the IFRS, as part of its management disclosure Snam is presenting some parameters resulting from the latter, not yet required by the IFRS or by other standard setters (non-GAAP measures).

Snam's management believes that these measures facilitate the analysis of the performance of the Group and its business segments, ensuring that it is easier to compare the results over a period of time and to enable financial analysts to evaluate Snam's results based on their forecast models.

The Non-GAAP financial disclosure should be considered complementary and does not replace the disclosure drafted in accordance with IFRS.

The content and significance of the non-GAAP measures and other alternative performance indicators are explained in the dedicated notes, in line with the ESMA Guidelines on Alternative Performance Indicators (ESMA/2015/1415) published on 5 October 2015.

The alternative performance indicators used in this document can be derived directly from reclassifications or algebraic sums of conventional indicators<sup>2</sup> in conformity with international accounting principles. For a detailed description, please refer to the website [www.snam.it/en/utilities/Glossary/](http://www.snam.it/en/utilities/Glossary/).

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<sup>2</sup> According to the CESR/05-178b recommendation of October 2005, conventional indicators are all data included in the certified financial statements drafted in compliance with IFRS or within the Income Statement, Statement of Financial Position and Statement of Cash Flows.

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