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Informazione Regolamentata n. 0542-22-2021	Data/Ora Ricezione 18 Marzo 2021 08:01:21	MTA
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Societa' : SNAM SPA

Identificativo : 143702

Informazione  
Regolamentata

Nome utilizzatore : SNAMN05 - Palladino

Tipologia : 2.2

Data/Ora Ricezione : 18 Marzo 2021 08:01:21

Data/Ora Inizio : 18 Marzo 2021 08:01:23

Diffusione presunta

Oggetto : Snam: 2020 results and investments mark an increase despite impacts from COVID-19

*Testo del comunicato*

Vedi allegato.



press release

## Snam: 2020 results and investments mark an increase despite impacts from COVID-19

- **Total revenues:** 2,770 million euros (+6.3% compared to 2019) due to investments contribution and growth in energy transition businesses, despite COVID-19 effects on gas demand;
- **Adjusted EBITDA:** 2,197 million euros (+1.3% compared to 2019) due to the positive contribution from new businesses and the continuation of efficiency plan projects;
- **Adjusted net profit:** 1,164 million euros (+6.5% compared to 2019) also attributable to greater income from equity investments and the significant decrease in net financial expenses;
- **Proposed dividend:** 0.2495 euros per share (up 5% in line with 2020-2024 strategic plan);
- **New guidance on adjusted 2021 net profit:** 1,170 million euros compared to the previous figure of approximately 1,130 million euros;
- **Technical investments:** 1,189 million euros (+23.5% compared to 2019);
- **Net financial debt:** 12,887 million euros (11,923 million euros as of 31 December 2019) following the achievement of the investment plan, the acquisitions carried out during the year and the share buyback.

San Donato Milanese (Milan), 18<sup>th</sup> March 2021 - The Board of Directors of Snam Spa, which met yesterday, chaired by Nicola Bedin, approved the consolidated financial statements and the draft annual financial statements for 2020 and the 2020 Consolidated Non-Financial Statement (NFS) prepared in accordance with the Italian Legislative Decree no. 254/2016. The Board also voted to propose the distribution of a dividend of 0.2495 euros per share to the Shareholders' Meeting, of which 0.0998 euros per share was already distributed in January 2021 as an interim dividend.

Snam's CEO, Marco Alverà, commented on the results:

*"In a difficult and uncertain year due to the pandemic, Snam has shown its essential role in guaranteeing the security of the energy supplies as well as its ability to carry out projects on time, combined with its commitment to local communities and areas. The positive results achieved in 2020 are the outcome of a long-term strategy undertaken in past years which benefit from the solidity of our core business, the growth in new energy transition businesses as well as the continuous attention to costs.*

*We increased investments by over 20%, recovered from all work delays due to the lockdown and finalised important projects such as the TAP. We further strengthened our positioning in the energy transition thanks to new acquisitions and new projects involving biomethane, energy efficiency and, above all, hydrogen. At the same time, our entry into*



the United Arab Emirates and the first agreements signed in India allowed Snam to further step into international markets.

These results were achieved thanks to the hard work of the people in Snam; with ESG factors playing a central role in our strategies, with the goal of serving as a leading player in the energy transition in the interest of all stakeholders, while contributing to the development of the local areas we work in. These commitments are also reflected in the updated company Bylaws and in our ambitious target of carbon neutrality by 2040”.

## Summary of 2020 results

### Highlights

(Million euros)	2019	2020	Change	% change
<b>Regulated revenues (a)</b>	2,491	<b>2,548</b>	57	2.3
<b>New business revenues</b>	85	<b>192</b>	107	
<b>Total revenues</b>	2,606	<b>2,770</b>	164	6.3
<b>Operating costs (a) (b)</b>	437	<b>573</b>	136	31.1
<b>EBITDA (b)</b>	2,169	<b>2,197</b>	28	1.3
<b>EBIT (b)</b>	1,417	<b>1,424</b>	7	0.5
<b>Net profit (b) (c)</b>	1,093	<b>1,164</b>	71	6.5
<b>Adjusted net profit per share (d)</b>	(€) 0.331	<b>0.356</b>	0.025	7.6
<b>Diluted net profit per share (d)</b>	(€) 0.323	<b>0.329</b>	0.006	1.9
<b>Technical investments</b>	963	<b>1,189</b>	226	23.5
<b>Net financial debt</b>	11,923	<b>12,887</b>	964	8.1
<b>Snam Shareholders' equity</b>	6,255	<b>6,469</b>	214	3.4

- (a) Starting in 2020, the recognition of energy costs relating to own gas, network leaks and UFG will take place in monetary terms instead of recognition in kind by shippers.
- (b) The 2020 values are shown in the adjusted configuration. For reconciliation of reported data with adjusted data, please see pages 16 and 19-20 of this press release.
- (c) Entirely attributable to the Parent company shareholders.
- (d) Calculated considering the average number of shares outstanding during the year.



### **Total revenues**

Total revenues<sup>1</sup> for 2020 financial year amounted to 2,770 million euros, up by 164 million euros or 6.3% with respect to 2019 financial year.

Regulated revenues amounted to 2,548 million euros, an increase of 57 million euros or 2.3%, thanks in particular, to the contribution by the transportation sector. Net of the effects of the recognition of the energy costs, regulated revenues amounted to 2,488 million euros, mainly in line with respect to 2019. The higher revenues mainly attributable to tariff updating mechanisms, more specifically to the increase in RAB (+16 million euros), were offset by the reduction in volumes transported as a result of the COVID-19 health emergency ( -17 million euros).

Revenues from new businesses, totalling 192 million euros, increased by 107 million euros with respect to 2019 thanks to growth in biogas and biomethane system contracts by the subsidiary IES Biogas, residential energy efficiency activities and sales of compressors for sustainable mobility, as well as the entry of new companies within the scope of consolidation at the end of 2019 and in 2020.

### **Adjusted EBITDA**

Adjusted EBITDA for 2020 amounted to 2,197 million euros, an increase of 28 million euros or 1.3% with respect to the adjusted EBITDA posted in 2019. The positive contribution from new energy transition businesses and Snam Global Solutions (totalling approx.13 million euros overall) and greater regulated revenues from the increase in the RAB base, coupled with the continuation of efficiency plan projects (63 million euros of cost efficiencies compared to 2016) and cost containment following lockdown measures, more than offset the effects of the decrease in gas demand due to the impact from COVID-19.

### **Adjusted EBIT**

Adjusted EBIT for 2020 totalled 1,424 million euros, up by 7 million euros (0.5%) compared to adjusted pro-forma EBIT for 2019. The aforementioned increase in EBITDA was partially offset by the natural increase in amortisation/depreciation ( -40 million euros, 5.5%), essentially due to the entry of new assets into operations, partially offset by lower write-downs (+19 million euros, 63.3%).

With reference to business segments, the positive performance in the natural gas transportation sector was offset by the decline recorded in the storage, mainly due to

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<sup>1</sup> Starting 1 January 2020, the cost of components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction in the corresponding revenues (53 million euros in 2020). Similarly, the relative values from previous years ( 59 and 56 million euros respectively for 2019 and 2018) have been restated.



tariff adjustment mechanisms and in particular, lower incentives recognised for new investments in the fifth regulatory period.

#### **Net financial expenses**

Net financial expenses (126 million euros), net of special items<sup>2</sup>, posted a 39 million euros drop, equal to 23.6%, compared to 2019.

The reduction was mainly due to actions carried out to optimise the financial structure and treasury management, with a cost of gross debt at 0.9%, despite greater average debt for the year, influenced by investments both in regulated activities and in associate companies, and share buyback activities. Additionally, the reduction in net financial expenses (+13 million euros) was also impacted by the pro rata contribution of the OLT Shareholder Loan

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

Net income from equity investments totalled 249 million euros, an increase of 33 million euros, up 15.3%, compared to the figure posted in 2019. This growth, including one-offs or temporary effects, is attributable to the positive contribution by TAP (+22 million euros) after the gas pipeline began operating already on 15 November 2020, as well as to non-recurring items that led to higher than expected results, in addition to TAG (+10 million euros), following the recognition of tariff components relating to the end of the regulatory period, plus the positive result of ADNOC Gas Pipeline (+20 million euros), an equity investment acquired in July 2020. These effects were partially offset for the tariff updating by the smaller contribution from Teréga (-9 million euros), which in 2019 benefited from non-recurring items, and from Interconnector UK (-7 million euros), due to lower capacity commitments in 2020 with respect to the previous year.

#### **Adjusted net profit**

Adjusted net profit for 2020 amounted to 1,164 million euros, up by 71 million euros or 6.5% with respect to in the same figure posted in 2019 (1,093 million euros), thanks to the optimisation of the financial structure and the higher than expected contributions from associate companies.

Adjusted net profit per share was 0.356, up 7.6% on 2019.

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<sup>2</sup> The special items are expenses connected with the liability management operation implemented in December 2020 (32 million euros). For the nature and reconciliation of the individual adjustments, read the paragraph: "Non-GAAP measures" of this press release.



### **Technical investments**

In 2020, technical investments amounted to 1,189 million euros, an increase with respect to 2019 (+226 million euros; 23.5%), in line with forecasts. Investments mainly relate to transportation (981 million euros) and storage (134 million euros)

### **Cash flow and net financial debt**

Positive contribution from cash flow from operations (1,597 million euros) enabled to fully cover net technical investment requirements ( -1,111 million euros). Taking into account net outflows associated with the acquisition of equity investments (-521 million euros, including the shareholders loan to OLT acquired by Snam through the purchase of the equity investment), free cash flow stood negative at 35 million euros. The net financial debt, after equity cash flow from the payment to shareholders of the 2019 dividend (779 million euros,) and the share buy-back (114 million euros), posted an increase of 964 million euros compared to the figure recorded on 31 December 2019, including non-monetary components relating to financial debt (36 million euros), totalling 12,887 million euros (11,923 million euros as of 31 December 2019).

In 2020, Snam confirmed again its commitment to align its financial strategy with sustainability goals, through the issuing of two Transition Bonds, an instrument for which the company was a frontrunner at global level. More specifically, in June the 500 million euros issuance with a ten-year maturity, ranked second of its kind in Europe. The second Transition Bond, issued in November, for 600 million euros with an eight-year maturity was the longest zero-coupon bond loan associated with an Italian issuer.

With reference to the Sustainable Loan, in 2020, Snam obtained a 2.5 basis point reduction in the cost of this loan for the second year in a row, due to achieving objectives linked to social and environmental sustainability parameters.

Finally, to pursue the target set in the 2020-2024 Strategic Plan to increase the weight of sustainable finance from 40% to over 60% on total funding, Snam renewed the Euro Commercial Paper programme, which rose to 2.5 billion euros from initial 2 billion euros, thereby linking it to environmental and social sustainability goals in line with the Sustainable Loan and thereby obtaining an EE ESG rating for the instrument from Standard Ethics.

On ESG issues, Snam's management team also voluntarily revised its methane emission target upwards, as linked to the 2020-2022 long-term incentive plan approved by the Shareholders' Meeting on 18 June 2020. Indeed, Chief Executive Officer Marco Alverà and Snam's top level executives decided to adjust their emission reduction target to the new and more stringent standards set out by the United Nations Environment Programme (UNEP), approved in September 2020.



To this respect, the minimum target for obtaining the incentive requires a 26% reduction in methane emissions by the end of 2022 on a 2015 basis, with respect to the 22% established in the plan approved by the Shareholders' Meeting.

Snam's 2020-2022 long-term incentive plan which accrues as of 2023, determines that 10% of the total incentive for recipients is linked to the company's ability to reduce its methane emissions.

By 2025, Snam is expected to have its methane emissions down by 45% with respect to 2015. The company has also set a target of halving its CO<sub>2</sub>eq Scope 1 (direct) emissions and Scope 2 (indirect) emissions by 2030 and achieving carbon neutrality by 2040.

### **Dividend**

Positive results as well as solid business fundamentals allow the company to propose a dividend of 0.2495 euros per share, to the Shareholders' Meeting called for 28 April 2021, of which 0.0998 euros per share was paid in January 2021 as an interim dividend (326 million euros) and the balance of 0.1497 euros per share will be paid from 23 June 2021 with an ex-dividend date of 21 June 2021 (record date 22 June 2021). The dividend proposed, up 5% on 2019, in line with the dividend policy announced in the company's Strategic Plan, confirms Snam's commitment to an attractive and sustainable remuneration to its shareholders over time.

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### **Outlook and new guidance on net profit**

Achieving global climate goals will lead to significant investments in decarbonising the energy industry over the next thirty years. Numerous countries, representing over 60% of global emissions, have already announced or are preparing climate neutrality goals. There are excellent development prospects for green gases, hydrogen in particular, which could potentially reach over 25% of the global energy mix by 2050. More specifically, green hydrogen is expected to be competitive in various sectors in a few years, starting with rail and heavy transportation, thanks to the progressive and already clear reduction in the production cost of renewable energy, combined with a simultaneous decrease in the cost of electrolyzers. Gas infrastructure represents the most efficient way of transporting green hydrogen.

Snam has set itself the goal of achieving carbon neutrality by 2040, in line with the target to limit global warming to within 1.5° C established under the Paris Climate Agreement. Snam's infrastructure is an enabler of the energy transition and will allow the company to contribute to an overall emissions reduction. The company envisages to transport entirely decarbonised gas by 2050, making of Italy a European hub for hydrogen.

Moreover, Snam is committed to establishing a market positioning across the value chain for both hydrogen and biomethane, thereby contributing to the energy transition also



through the supply of energy efficiency services to the residential, industrial and public administration sectors as well as promoting sustainable mobility.

In line with this objective, Snam's corporate purpose "Energy to inspire the world", has been introduced in the company Bylaws, to reflect "the company's commitment to supporting the energy transition through resource use and energy sources compatible with protecting the environment and with progressive decarbonisation".

Environment, Social, Governance (ESG) factors will continue to play a central role in shaping the company's strategy and in its management. To that end, Snam has prepared and published a "scorecard" for 13 areas, with 22 material and quantitative goals, to offer stakeholders a holistic view of its commitment and growing sensitivity to ESG issues, while also allowing them to monitor results.

Snam planned a 7.4 billion euros in investments from 2020-2024, an increase of almost 1 billion euros with respect to 6.5 billion euros set in the previous plan. Growth is seen in both the core business of regulated infrastructure (6.7 billion euros in investments) and in new energy transition businesses (over 0.7 billion euros in investments, almost doubling the figure of the previous plan). 50% of the investments called for in the plan are dedicated to replacing and developing assets with hydrogen-compatible standards.

Snam also plans to strengthen its efficiency plan launched in the second half of 2016, with over 70 million euros of savings expected by 2022. Additionally, it is expected that activities to optimise the financial structure implemented over the last five years will lead to a reduction in the average cost of gross debt from 2.4% in 2016 to an average of 1.2% over the time horizon of the plan (compared to 1.4% in the previous plan), thanks to actions implemented to take full advantage of current favourable market conditions and the improvement in the interest rate and credit spread scenario with respect to the previous plan. Further possible savings could result from treasury optimisation, as well as additional diversifying sources and increasing sustainable finance instruments.

With reference to the pandemic, restrictions were introduced in Italy to contain the epidemic, by identifying measures to prevent the spread of the disease, including limitations on productive activities, individual movement and socialising. After a slowdown recorded in the summer, in the second half of 2020 the curve of contagion once again began to rise in several countries, especially in Europe, thereby registering an acceleration during the final weeks of the year due to the spread of variants.

Consequent fears on the level of impact the variants could reach, and uncertainty linked to the schedule for completing the vaccination programme in Europe, as well as in the rest of the countries with which the company interacts, could give rise to further slowdowns in the returning to normal of the domestic and international economic backdrop.

While at present Snam cannot reliably determine the impacts deriving from COVID-19 on its 2021 targets and in subsequent years, the company foresees a limited impact with respect to the targets for the year in course. To this respect, Snam has revised upward its





guidance on adjusted net profit for 2021, bringing it to 1,170 million euros, compared to the previous figure of approx. 1,130 million euros announced in November 2020.

Any additional further impacts on the Group's economic/financial performance and on its equity situation, as well as on business development plans, will be evaluated in the light of the evolution and duration of the pandemic.

The same remarks also apply to possible impacts on development initiatives and on suppliers and clients, as well as for the assets held by the Snam Group outside Italy, specifically in France, Austria, Greece, Albania and the UK.

### Key events

- **Hydrogen:** the acquisition of a stake in Industrie De Nora was finalised on 8 January 2021. The company is a global innovator in sustainable energy and water treatment technology, and it holds a 34% stake in ThyssenKrupp Uhde Chlorine Engineers (TKUCE), a joint venture with ThyssenKrupp, a world leader in water electrolysis, involved in a number of major products for green hydrogen production. Currently, Snam holds a 37% stake in De Nora.
- **Energy efficiency, Renovit is established:** on 29 January 2021, a transaction was finalised through which CDP Equity became a shareholder of Snam4Efficiency, which changed its name to Renovit. Snam holds a 70% stake and CDP Equity the remaining 30%. Renovit is intended to serve as a new Italian platform to promote energy efficiency in condominiums, companies and public administrations, supporting sustainable development and the country's energy transition.
- **Amendment to the company Bylaws to add the corporate purpose:** on 2 February 2021, the Shareholders' Meeting resolved to approve an amendment to article 2 of the Bylaws, to introduce the company's corporate purpose, "Energy to inspire the world", aimed at reflecting Snam's commitment to supporting the energy transition towards methods of using resources and energy sources compatible with the environmental protection and the progressive decarbonisation, as well as the principle of pursuing sustainable success as one of the purposes of the company's business. Additionally, without prejudice to the company's commitment to its core business of regulated activities involving the transport, storage and regasification of natural gas, the Shareholders' Meeting approved the amendment to the corporate purpose, pursuant to article 2 of the Bylaws, intended to specifically include, alongside those activities, those linked to the energy transition, in particular, the transportation and management of renewable energies (such as biomethane and hydrogen), the creation and management of systems for sustainable mobility and energy efficiency (new paragraph 3, article 2), in line with the 2020-2024 Strategic Plan. The amendment



to article 2 became fully effective after the conditions precedent to which it was subject were achieved, in particular, non-exercising of special powers by the Presidency of the Council of Ministers pursuant to the “golden power” regulation and, most recently, on the basis of the withdrawal declarations which were received by the deadline established for exercising the right, for 11,047,475 shares, representing 0.329% of share capital, for a total value of 49,304,880.93 euros, below the maximum limit approved for disbursements.

- **COVID-19 emergency**

Starting with the first COVID-19 cases registered in February 2020, Snam worked to simultaneously guarantee operational continuity and the country's energy security and the health and safety of its employees and collaborators.

Internally, beyond the prompt implementation of remote working, a healthcare insurance policy was activated for all employees at risk of contagion and over 3,200 pulse oximeters were distributed, giving all personnel the possibility to carry out preventive screen, with access to swab tests if needed.

At the same time, 20 million euros were donated, in part through the Snam Foundation, to support the Italian health system as well as the third sector in the fight against the emergency. To that end, Snam acquired PPE and medical material (masks and ventilators), making them available to hospitals and healthcare personnel, working with around 150 partners, including institutions, third sector entities, research organisations and schools, to support the most vulnerable segments of the population, including the elderly, children, domestic violence survivors, homeless people and those affected by disabilities or diseases.

At the same time, the “*Diamo forma al futuro*” (Let's shape the future) fund-raising campaign was promoted, to which Snam executives could contribute by voluntarily reducing their GAC in varying percentages, while the entire corporate population could make bank transfers or donate working or holiday hours. The amounts collected through the initiative, to which Chief Executive Officer Marco Alverà also contributed, were matched by the company and distributed to entities involved in the healthcare emergency, identified in cooperation with the Snam Foundation. Altogether, the campaign saw the involvement of over 1,200 employees.

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The 2020 Annual Financial Report, which contains the 2020 Consolidated Non-Financial Statements, drawn up in the form of a specific section of the Directors' Report, in



compliance with the provisions of Art. 5, paragraph 1 (a) of the Italian Legislative Decree no. 254/2016, has been made available to the Board of Statutory Auditors and the Independent Auditors and will be made available to the public at the registered offices, on the Company's website [www.snam.it](http://www.snam.it), together with the reports by the Board of Statutory Auditors and the Independent Auditors, in compliance with the terms set by the Italian Legislative Decree no. 58/98 (the Consolidated Finance Act or "TUF").

*A conference call will take place at 15:30 CET today, 18 March 2021, to present the consolidated results for 2020 to investors and financial analysts. An audio webcast of the presentation will be available on the Company's website ([www.snam.it](http://www.snam.it)). In conjunction with the conference call, the presentation support material will also be made available in the "Investor Relations/Presentations" section of the website.*



## Key operating figures

		2019	2020	Change	% change
<b>Natural gas injected into the National Gas Transportation Network (a) (b)</b>	(billions of m <sup>3</sup> )	75.37	<b>69.97</b>	(5.40)	(7.2)
<b>Gas demand (a)</b>	(billions of m <sup>3</sup> )	74.48	<b>71.30</b>	(3.18)	(4.3)
<b>LNG regasification (a)</b>	(billions of m <sup>3</sup> )	2.40	<b>2.52</b>	0.12	5.0
<b>Available storage capacity (a) (c)</b>	(billions of m <sup>3</sup> )	12.5	<b>12.5</b>		
<b>Natural gas moved through the storage system (a)</b>	(billions of m <sup>3</sup> )	19.33	<b>19.01</b>	(0.32)	(1.7)
<b>Employees in service at the period end (d)</b>	(No.)	3,025	<b>3,249</b>	<b>224</b>	<b>7.4</b>

(a) With regard to 2020, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.572 kWh/SCM) for transportation and regasification activities and 39.23 MJ/SCM (10.895 kWh/SCM) natural gas storage for the 2019-2020 thermal year.

(b) The data for 2020 were updated at 14 January 2021. 2019 figures were definitively updated.

(c) Working gas capacity for modulation, mining and balancing services, allocated in full for the 2020-2021 thermal year.

(d) Fully consolidated companies.

## Natural gas injected into the national transportation network

In 2020, a total of 69.97 billion cubic metres of gas was injected into the network, registering a decrease of 5.40 billion cubic metres (-7.2%) compared to 2019. The reduction is due to the decline in gas demand, which came to 71.30 billion cubic metres (-3.18 billion cubic metres; -4.3%), due to the decrease in withdrawals in all consumption sectors. More specifically, the drop in gas demand is attributable: (i) to lower consumption in the thermoelectric sector (-1.47 billion cubic metres; -5.5%), following the decrease in electricity demand due to the lockdown measures implemented to contain COVID-19, in particular during the months from March to June, as well as the increase in photovoltaic production, partially offset by a significant drop in imports of electricity and a reduction in hydroelectric and wind production; (ii) to lower consumption in the industrial sector (-0.91 billion cubic metres; -5.3%), due to a 12% reduction in industrial production with respect to 2019, intensified by the closure of various productive activities during the lockdown (March/April), followed by a slow recovery in industrial production which has not yet returned to pre-COVID levels. Additionally, the drop in gas demand was affected by lower consumption in the residential as well as the third sector (-0.72 billion cubic metres; -2.6%), essentially due to a progressive increase in energy efficiency measures and modernisation of heating systems with higher efficiency hot water heaters, relating to similar climate conditions in the two periods.



### **Liquefied Natural Gas (LNG) regasification**

During 2020, the Panigaglia (La Spezia) terminal regasified 2.52 billion cubic metres LNG (2.40 billion cubic metres in 2019; +5%).

The continued increase in volumes of activities compared to 2018 (0.91 billion cubic metres in 2018, more than doubled in 2020) is mainly due to the greater competitiveness in the cost of LNG compared to natural gas, as well as the new regasification capacity allocation mechanisms through dedicated auctions.

In 2020, sixty methane tankers were unloaded (+3 with respect to 2019; +39 with respect to 2018).

### **Natural gas storage**

Total storage capacity as of 31 December 2020, including strategic storage, stood at 17.0 billion cubic metres (unchanged with respect to 2019), of which 12.5 billion cubic metres relating to available capacity fully allocated for the 2020-2021 thermal year and 4.5 billion cubic metres relating to strategic storage (unchanged compared to 2019-2020 thermal year), as established by the Ministry of Economic Development by means of the notice dated 17 January 2020.

Volumes of gas moved through the storage system in 2020 amounted to 19.60 billion cubic metres, a drop of 0.27 billion cubic metres, or 1.40%, compared to 2019. Greater withdrawal to deal with the reduction in injections into the national network were partially offset by lower injections in storage.

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

### **Fixed capital**

Fixed capital (20,260 million euros) increased by 949 million euros with respect to 31 December 2019, essentially due to: (i) the rise in tangible and intangible fixed assets (+511 million euros); (ii) the growth in financial assets (+377 million euros), mainly against long-term financial receivables due from OLT, for which Snam took over when the equity investment was acquired and it became part of the ITM Power PLC shareholding structure, an equity investment measured at Fair Value Through OCI - FVTOCI; (iii) the increase in equity investments accounted for using the equity method (+136 million euros), against profits achieved in 2020 financial year from associate companies, net of dividends collected, as well as the acquisition of ADNOC Gas Pipeline (49% in a consortium with 5 international funds) and Iniziative Biometano S.p.A. (50% with joint control). These effects were partially offset by the trend in net payables for investments (- 75 million euros).



## Net financial debt

(Million euros)	31.12.2019	31.12.2020	Change
<b>Bond loans</b>	<b>9,048</b>	<b>8,140</b>	<b>(908)</b>
- of which short-term (*)	1,439	308	(1,131)
<b>Bank loans</b>	<b>3,704</b>	<b>5,273</b>	<b>1,569</b>
- of which short-term (*)	685	2,788	2,103
<b>Euro Commercial Paper - ECP (**)</b>	<b>2,001</b>	<b>2,503</b>	<b>502</b>
<b>Financial payables for leased assets (***)</b>	<b>21</b>	<b>21</b>	<b>-</b>
<b>GROSS FINANCIAL DEBT</b>	<b>14,774</b>	<b>15,937</b>	<b>1,163</b>
Cash and cash equivalents	(2,851)	(3,044)	(193)
Short-term financial receivables		(5)	(5)
Short-term securities held for sale		(1)	(1)
<b>NET FINANCIAL DEBT</b>	<b>11,923</b>	<b>12,887</b>	<b>964</b>

(\*) Includes the current portion of non-current financial liabilities.

(\*\*) Entirely short-term.

(\*\*\*) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).

The increase in net financial debt by 964 million euros with respect to 31 December 2019 is due to: (i) greater usage of uncommitted credit lines (1,047 million euros) and the receipt of new Term Loans for an incremental nominal amount of 590 million euros; and (ii) new net emissions of Euro Commercial Paper (+502 million euros), short-term unsecured securities issued on the money market and placed with institutional investors. These factors were partially offset by repayments of bond loans which had reached their natural maturity for a total nominal amount of 1,376 million euros, as well as repurchases on the bond market for a total nominal amount of 629 million euros, partially offset by new bond issues for a total nominal amount of 1,100 million euros.

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*Pursuant to Article 154-bis, paragraph 2 of the TUF, the Officer responsible for the preparation of financial reports, 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 includes forward-looking statements, especially in relation to: future trends in natural gas demand, investment plans and future operating performance. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. Actual results could therefore differ*



*from those announced due to various factors, including: foreseeable trends in natural gas demand, supply and prices, general macroeconomic conditions, the impact of energy and environmental legislation, success in the development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.*



## RECLASSIFIED INCOME STATEMENT

(Million euros)	2019		2020		2020 adjusted vs 2019	
	Reported	Adjusted (a)	Reported	Adjusted (a)	Change	% change
<b>Core business revenues</b>	<b>2,521</b>	<b>2,521</b>	<b>2,578</b>	<b>2,578</b>	<b>57</b>	<b>2.3</b>
<b>Regulated revenues (b)</b>	<b>2,491</b>	<b>2,491</b>	<b>2,548</b>	<b>2,548</b>	<b>57</b>	<b>2.3</b>
- Transportation	1,969	1,969	2,028	2,028	59	3.0
- Storage	505	505	499	499	(6)	(1.2)
- Regasification	17	17	21	21	4	23.5
<b>Non-regulated revenues</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>0</b>	<b>0.0</b>
<b>New business revenues</b>	<b>85</b>	<b>85</b>	<b>192</b>	<b>192</b>	<b>107</b>	<b>125.9</b>
<b>Total revenues (b)</b>	<b>2,606</b>	<b>2,606</b>	<b>2,770</b>	<b>2,770</b>	<b>164</b>	<b>6.3</b>
<b>Core business costs (b)</b>	<b>(317)</b>	<b>(352)</b>	<b>(437)</b>	<b>(393)</b>	<b>(41)</b>	<b>11.6</b>
Fixed costs	(289)	(289)	(307)	(280)	9	(3.1)
Variable costs	(11)	(11)	(46)	(46)	(35)	318.2
Other costs	(17)	(52)	(84)	(67)	(15)	28.8
<b>New business costs</b>	<b>(85)</b>	<b>(85)</b>	<b>(180)</b>	<b>(180)</b>	<b>(95)</b>	<b>111.8</b>
<b>Total operating costs (b)</b>	<b>(402)</b>	<b>(437)</b>	<b>(617)</b>	<b>(573)</b>	<b>(136)</b>	<b>31.1</b>
<b>EBITDA</b>	<b>2,204</b>	<b>2,169</b>	<b>2,153</b>	<b>2,197</b>	<b>28</b>	<b>1.3</b>
Amortisation, depreciation and impairment losses	(752)	(752)	(773)	(773)	(21)	2.8
<b>EBIT</b>	<b>1,452</b>	<b>1,417</b>	<b>1,380</b>	<b>1,424</b>	<b>7</b>	<b>0.5</b>
Net financial expenses	(203)	(165)	(158)	(126)	39	(23.6)
Net income from equity investments	216	216	249	249	33	15.3
<b>Pre-tax profit</b>	<b>1,465</b>	<b>1,468</b>	<b>1,471</b>	<b>1,547</b>	<b>79</b>	<b>5.4</b>
Income tax	(375)	(375)	(370)	(383)	(8)	2.1
<b>Net profit (c)</b>	<b>1,090</b>	<b>1,093</b>	<b>1,101</b>	<b>1,164</b>	<b>71</b>	<b>6.5</b>

(a) The values exclude special items.

(b) Starting 1 January 2020, the cost components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction of the corresponding revenues (53 million euros in 2020). Similarly, the relative values from previous years (59 and 56 million euros respectively for 2019 and 2018) have been restated.

(c) Entirely attributable to Parent company shareholders.





### Reconciled summary of adjusted results

(Million euros)	2019	2020	Change	% change
<b>EBIT</b>	<b>1,452</b>	<b>1,380</b>	<b>(72)</b>	<b>(5.0)</b>
Special item of EBIT	(35)	44	79	
Exclusion of special items for emerging COVID-19 costs:		27	27	
- of which material goods donated		14	14	
- of which cash donated		2	2	
- of which healthcare material for internal use and services		11	11	
Allocations to provisions for risks and charges		17	17	
Release of provision for impairment losses for balancing receivables	(35)		35	(100.0)
<b>Adjusted operating profit (adjusted EBIT)</b>	<b>1,417</b>	<b>1,424</b>	<b>7</b>	<b>0.5</b>
<b>Net profit (*)</b>	<b>1,090</b>	<b>1,101</b>	<b>11</b>	<b>1.0</b>
Special item EBIT after taxes	(26)	39	65	
Liability management financial expense after taxes	29	24	(5)	(17.2)
<b>Adjusted net profit (*)</b>	<b>1,093</b>	<b>1,164</b>	<b>71</b>	<b>6.5</b>

(\*) Entirely attributable to Parent company shareholders.

### Statement of comprehensive income

(Million euros)	2019	2020
<b>PROFIT FOR THE YEAR (*)</b>	<b>1,090</b>	<b>1,101</b>
<b>OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT</b>		
Cash flow hedge - effective portion of fair value change	(44)	(6)
Equity investments accounted for using the equity method - portion of other components of comprehensive income (*)	(17)	(38)
Tax effect	10	1
<b>Total components which are or could be reclassified in profit for the year, net of tax effect</b>	<b>(51)</b>	<b>(43)</b>
Revaluation of employee benefit liabilities (defined-benefit plans)		(1)
Equity investments accounted for using the equity method - portion of "other components in comprehensive income statement"	(1)	1
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	4	43
Tax effect		
<b>Total components which will not be reclassified in profit for the year, net of tax effect</b>	<b>3</b>	<b>43</b>
<b>TOTAL OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT, NET OF TAX EFFECT</b>	<b>(48)</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME STATEMENT (*)</b>	<b>1,042</b>	<b>1,101</b>

(\*) Entirely attributable to Parent company shareholders.



## RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(Million euros)	31.12.2019	31.12.2020	Change
<b>Fixed capital</b>	<b>19,311</b>	<b>20,260</b>	<b>949</b>
Property, plant and equipment	16,439	16,815	376
-of which right-of-use leased assets	21	21	
Non-current inventories - Compulsory inventories	363	363	
Intangible assets and goodwill	990	1,125	135
Investments accounted for using the equity method	1,787	1,923	136
Other financial assets	44	421	377
Net payables for investments	(312)	(387)	(75)
<b>Net working capital</b>	<b>(1,094)</b>	<b>(861)</b>	<b>233</b>
<b>Liabilities for employee benefits</b>	<b>(46)</b>	<b>(40)</b>	<b>6</b>
<b>Non-current assets held for sale</b>	<b>10</b>		<b>(10)</b>
<b>NET INVESTED CAPITAL</b>	<b>18,181</b>	<b>19,359</b>	<b>1,178</b>
<b>Shareholders' equity</b>	<b>6,258</b>	<b>6,472</b>	<b>214</b>
- Shareholders' equity pertaining to parent company shareholders	6,255	6,469	214
- Minority interests	3	3	
<b>Net financial debt</b>	<b>11,923</b>	<b>12,887</b>	<b>964</b>
- of which financial payables for leased assets (*)	21	21	
<b>COVERAGE</b>	<b>18,181</b>	<b>19,359</b>	<b>1,178</b>

(\*) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).



## RECLASSIFIED STATEMENT OF CASH FLOWS

(Million euros)	2019	2020
<b>Net profit</b>	<b>1,090</b>	<b>1,101</b>
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	527	<b>523</b>
- Net capital losses (capital gains) on asset sales and write-offs	8	<b>13</b>
- Dividends, interest and income taxes	552	<b>504</b>
Change in net working capital	(264)	<b>(224)</b>
Dividends, interest and income taxes collected (paid)	(427)	<b>(320)</b>
<b>Cash flows from operations</b>	<b>1,486</b>	<b>1,597</b>
Technical investments	(954)	<b>(1,166)</b>
Technical disinvestments	0	<b>2</b>
Acquired from subsidiaries and business units, net of liquidity acquired	(41)	<b>(30)</b>
Equity investments	12	<b>(193)</b>
Change in long-term financial receivables	(5)	<b>(298)</b>
Other changes relating to investment activities	(16)	<b>53</b>
<b>Free cash flow</b>	<b>482</b>	<b>(35)</b>
Repayment of financial payables for leased assets	(6)	<b>(7)</b>
Change in current and non-current financial liabilities	1,285	<b>1,133</b>
Change in current financial assets		<b>(5)</b>
Equity cash flow (a)	(782)	<b>(893)</b>
<b>Net cash flow for the period</b>	<b>979</b>	<b>193</b>

## CHANGE IN NET FINANCIAL DEBT

(€ million)	2019	2020
<b>Free cash flow</b>	<b>482</b>	<b>(35)</b>
Financial payables and receivables from companies entering the area of consolidation	(47)	<b>(26)</b>
Change in financial payables for leased assets	(25)	<b>(6)</b>
Equity cash flow	(782)	<b>(893)</b>
Other changes	(3)	<b>(4)</b>
<b>Change in net financial debt</b>	<b>(375)</b>	<b>(964)</b>

(a) Includes cash flow from payment of dividend to shareholders.



### **Methodological note**

This press release, which is prepared voluntarily in line with best market practice, illustrates 2019 audited consolidated results. The financial statements were drawn up 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 are unchanged from those used to prepare the 2019 Annual Report, which should be referred to for a description of these criteria.

The changes in the Snam Group's scope of consolidation as of 31 December 2020, with respect to that as of 31 December 2019, involve the acquisition on 5 October 2020, through the subsidiary Snam4Efficiency, of 70% of two companies working in the energy efficiency sector in Italy, Miecì S.p.A. and Evolve S.r.l.

Given their size, amounts are expressed in millions of euros.

### **Non-GAAP measures**

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 team 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.

Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with the Consob Communication DEM/6064293 of 28 July 2006 and subsequent amendments and additions (Consob Communications no. 0092543 of 3 December 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), the following paragraphs provide indications relating to the composition of the main alternative performance indicators used in this document, not directly deducible from reclassifications or algebraic sums of conventional indicators<sup>3</sup> and compliant with international accounting standards.

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<sup>3</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.



With regard to the impact of COVID-19 on the determination of alternative performance indicators, ESMA<sup>4</sup> recommends caution in the use of separate items in the income statement with regard to the impacts of COVID-19 in order to ensure consistency in the determination of alternative performance indicators, and not to affect the intelligibility of a company's financial performance through new indicators if not adequately justified. In accordance with these recommendations, also due to the limited impact of COVID-19 on its results, Snam has not changed the Non-GAAP financial disclosure provided previously, simply isolating emerging costs directly related to the current pandemic situation as income components classified under special items, as illustrated below.

#### **EBITDA, EBIT and adjusted net profit**

EBITDA, EBIT and adjusted 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 components classified among special items for financial year 2020 involve:

- (i) financial expenses resulting from the buy back on the market of bonds under the scope of the liability management operation implemented by Snam in December 2020 (32 million euros, 24 million euros after the tax effect, 38 million euros in 2019, 29 million euros after the tax effect). These charges are essentially linked to the difference between the outflow deriving from the repurchase of bonds on the market and measurement at the amortised cost of the bonds themselves;
- (ii) the costs suffered due to the state of emergency linked to the COVID-19 pandemic, for a total of 27 million euros (22 million euros net of tax effects), relative to: (a) donations of healthcare materials (14 million euros) and cash (2 million euros), also through the Snam Foundation, to assist the Italian healthcare system and the third sector; (b) purchases of personal protective equipment for internal use (6 million euros); (c) costs for services (5 million euros), mainly to deep clean working environments and for security.
- (iii) allocation to the provision for risks and charges (17 million euros) for the estimate of likely tax and financial charges against facts and/or events already existing as of 31 December 2020.

#### **Special items**

Income components are classified among special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

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<sup>4</sup> For more information, see ESMA document 32-51-370 "ESMA Guidelines on Alternative Performance Measures (APMs)" of 17 April 2020, Q&A no. 18.



The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion.

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