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# BUSINESS SEGMENT OPERATING PERFORMANCE





## Snam regulated infrastructure in Italy



### NATURAL GAS TRANSPORTATION

	ENTRY POINTS	9
	COMPRESSION STATIONS	13
	PIPELINES UNDER OPERATIONS	32,647 km
	national network	9,649 km
	regional network	22,998 km
	NATURAL GAS INJECTED IN THE NETWORK	69.67 Bcm
	natural production	3.86 Bcm
	imported	66.11 Bcm
	EMPLOYEES	1,910

### LNG REGASIFICATION

	REGASIFICATION PLANTS	1
	LNG CARRIERS DOCKED	60
	REGASIFIED GAS	2.52 Bcm
	MAXIMUM CAPACITY OF DAILY REGASIFICATION	57 m <sup>3</sup>
	EMPLOYEES	67

### NATURAL GAS STORAGE

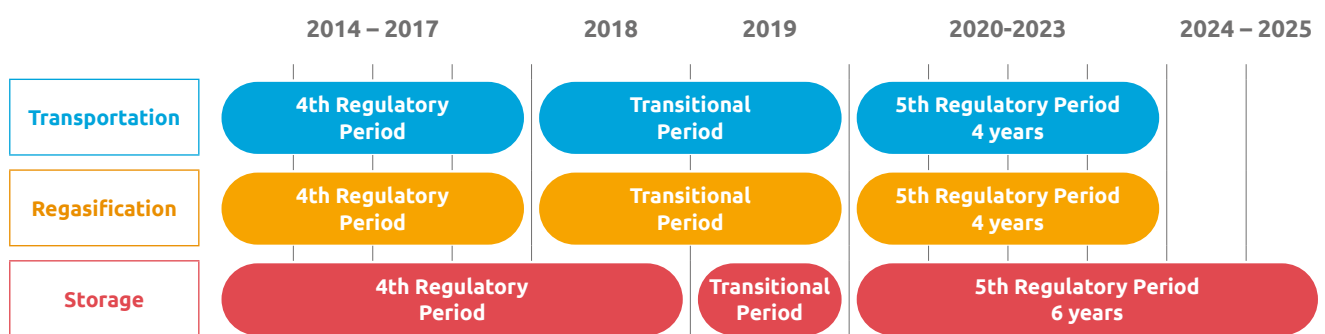
	OPERATING CONCESSIONS	9
	NATURAL GAS MOVED IN STOCK	19.60 Bcm
	injected	9.30 Bcm
	supplied	10.30 Bcm
	TOTAL STORAGE CAPACITY	17.0 Bcm
	of which available	12.5 Bcm
	of which strategic	4.5 Bcm
	EMPLOYEES	62


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# APPLICABLE REGULATORY FRAMEWORK AND PRINCIPAL DEVELOPMENTS

## Tariff Regulation in Italy

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




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The following are the primary tariff components for each of the regulated activities carried out by Snam, based on the regulatory framework in force as at 31 December 2020 and in the comparison period. More information about the main rate changes with respect to each business segment can be found in the section below, "Main rate changes with respect to each business segment".

	TRANSPORTATION	REGASIFICATION	STORAGE
<b>End of period of regulation (TARIFF)</b>	Transition period: 1 January 2018 – 31 December 2019	Transition period: 1 January 2018 – 31 December 2019	Transition period: 1 January 2019 – 31 December 2019
	<b>5th period:</b> 1 January 2020 – 31 December 2023	<b>5th period:</b> 1 January 2020 – 31 December 2023	<b>5th period:</b> 1 January 2020 – 31 December 2025
<b>Calculation of net capital invested recognised for regulatory purposes (RAB)</b>	Transition period: Historic cost revalued Working capital recognised 0.8%	Transition period: Historic cost revalued Working capital recognised 0.8%	Transition period: Historic cost revalued Working capital recognised 0.8%
	<b>Confirmed for 5th period</b>	<b>Confirmed for 5th period</b>	<b>Confirmed for 5th period</b>
<b>Return on net capital invested recognised for regulatory purposes (WACC pre-tax)</b>	Transition period: 5.7% Year 2019	Transition period: 6.8% Year 2019	Transition period: 6.7 Year 2019
	<b>5th period:</b> 5.7% Years 2020-2021 LIC return with WACC 5.3%%	<b>5th period:</b> 6.8% Years 2020-2021 LIC excluded	<b>5th period:</b> 6.7% Years 2020-2021 LIC excluded
<b>Incentives for new investments</b>	Transition period: (investments in financial year 2019): +1% for 12 years (investments in new capacity for transportation and with cost analysis-positive benefits)	Transition period: (investments in financial year 2019): +1.5% for 12 years (investments in new capacity regasification)	Transition period: Withholding for 8 years of 20% of greater revenues with respect to revenues recognised deriving from auctions on new additional capacity
	Remuneration of investments t-1 offsetting time-lag regulatory	Remuneration of investments t-1 offsetting time-lag regulatory	Remuneration of investments t-1 offsetting time-lag regulatory
	<b>5th period:</b> (investments during financial year by 2022): +1.5% for 10 years (investments in new capacity of transportation and with cost analysis-benefits >1.5)	<b>5th period:</b> Withholding 40% of revenues flexibility services (covering revenues not subject to guarantee factors)	<b>5th period:</b> Withholding 50% of revenues from auctions short-term Possible optional strengthening of the percentage, against % reduction, revenue guarantees
<b>Efficiency factor (X FACTOR)</b>	Transition period: 1.3% - on operating costs	Transition period: 0%	Transition period: 4.7% - on operating costs
	<b>5th period:</b> 0.7% on operating costs (*)	<b>5th period:</b> 3.1% on operating costs	<b>5th period:</b> 1% on operating costs

(\*) Referring to the largest transportation company.

The **remuneration rate for net invested capital (WACC)** as of 1 January 2016 was set by the Authority with resolution 583/2015/R/com of 2 December 2015 "Remuneration rate for capital invested in infrastructural services for the electric and gas sectors: criteria for determination and update". The duration of the regulatory period for the WACC (TIWACC) for infrastructural regulations for the gas sector was set at six years (2016-2021) and a mechanism was established to adjust the rate halfway through the period, based on current trends. With resolution 639/2018/R/COM of 6 December 2018, the Authority updated the remuneration rate for capital invested in regulated infrastructural services for

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the gas sector for the year 2019. The respective resolutions defined the tariff adjustment criteria for the 5th regulatory period for this type of business, confirmed the value of the Beta parameter for all sectors for the year 2020, keeping the WACC unchanged for that year, in line with the TIWACC regulations.

With Resolution 380/2020/R/gas, published on 15 October 2020, the Authority began proceedings to determine the remuneration rate for capital invested (WACC) in the electricity and gas sectors for the second regulatory period, starting on 1 January 2022 (II PWACC). The document provides some general guidelines, which include:

- the duration of the II PWACC shall be no less than 4 years;
- an infra-period revision to allow adjustments to the WACC based on current trends;
- confirmation of the current general methodology (weighted average of  $K_e$  and  $K_d$ , use of CAPM and confirmation of the use of the Country Risk Premium as an addendum, which reflects the Country Risk Premium);
- identification of as detailed as possible criteria for estimating the Beta, to improve the predictability of the model and reduce the level of discretion;
- as part of preparatory activities to develop regulations for spending and service objectives, the start of a process to align regulations for electricity and gas infrastructure, in relation to criteria for recognition of capital invested and operating costs, to make the regulations as homogeneous as possible and avoid imbalances on returns on capital invested linked to differences in the regulatory treatment of specific operating cost items and capital.

The resolution establishes that documents will be made available for consultation containing the Authority's guidelines, as well as the possibility to call for hearings to consult with interested entities and associations.


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## RELATIONS WITH THE REGULATORY AUTHORITY

Over the years Snam has established a constructive relationship and effective cooperation with the Italian Regulatory Authority for Energy, Networks and the Environment – ARERA in the various sectors in which Snam works:

### Natural Gas Transportation

#### Relations with the Regulatory Authority

(no.)	2018	2019	2020
Responses to consultation documents and service proposals	10	5	4
Tariff proposals	3	4	6
Data collection	143	137	97
Investigations (*)	2	0	0
Proposals to amend/update codes and contractual documents (**)	12	6	9
Proposals to amend/update codes and contractual documents (approved)	10	6	8

(\*) Information sent to the Authority during 2020 relative to investigations in the sector. Includes exploratory investigations.

(\*\*) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.

### Liquefied Natural Gas (LNG) Regasification

#### Relations with the Regulatory Authority

(no.)	2018	2019	2020
Responses to consultation documents	1	2	0
Tariff proposals	2	2	1
Data collection	34	24	22
Proposals to amend/update codes and contractual documents (*)	3	0	1
Proposals to amend/update codes and contractual documents (approved)	3	0	

(\*) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.


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## Natural Gas Storage

### Relations with the Regulatory Authority

(no.)	2018	2019	2020
Responses to consultation documents	1	2	0
Tariff proposals	3	3	2
Data collection	122	45	33
Proposals to amend/update codes and contractual documents (*)	3	4	1
Proposals to amend/update codes and contractual documents (approved)	2	4	1

(\*) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.

## Gas Market Monitoring

In the context of its evaluations of wholesale gas markets, the Authority appointed Snam, as the leading transportation company, together with the Energy Markets Operator, to assist it in monitoring activities by:

(i) preparing an integrated database of transportation, balancing, storage and regasification services, made

available to the Regulator and updated daily; (ii) making available scheduled indexes and reports in the context of the balancing function, system equilibrium and flexibility of supply sources, (iii) providing additional specific analysis when requested by the Authority.

### Relations with the Regulatory Authority relative to Gas Market Monitoring in 2020

(no.)	Transportation	Regasification	Storage
Reports/analysis (with reference to all business)	5	1	1
Monitoring conventions, manuals and specifications (with reference to all business)	5	5	5
Reports and data flows	13,709	820	2,339


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## MAIN CHANGES IN THE TARIFF STRUCTURE FOR THE BUSINESS SEGMENTS

### Natural Gas Transportation

#### Regulation for the Fifth Regulatory Period 2020-2023

##### **Tariff adjustment criteria for the natural gas transportation and metering service for the fifth regulatory period (2020-2023)**

Through resolution 114/2019/R/gas, published on 29 March 2019, the Authority defined the regulation criteria of the natural gas transportation tariffs for the fifth regulatory period (1 January 2020-31 December 2023). The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.364, with the WACC remaining unchanged at 5.7% before tax for the years 2020-2021, in line with the TIWACC framework. Works in progress are included in the calculation of the RAB predicting a real pre-tax return of 5.3%. The inclusion in the RAB of investments made in the year t-1 for the purpose of remuneration to compensate the regulatory time-lag is also confirmed. Limited to the interventions included in the Development Plans that will come into operation in the years 2020-2021-2022 with a cost/benefit ratio of more than 1.5, a greater WACC of +1.5% for 10 years is applied.

The revenue component relating to the return and amortisation and depreciation is updated on the basis of an annual recalculation of net invested capital (RAB) and additional revenue from the higher rate of return for investments realised in prior regulatory periods. Amortisation and depreciation are calculated based on the useful economic and technical life of the transportation infrastructure.

Operating costs recognised for 2020 are calculated based on effective recurring costs for 2017, increased by the greater efficiency achieved in the current period (50% profit sharing), with the possibility of including any recurring costs for 2018 if adequately justified. The application of the price-cap method for the purpose of updating operating costs is confirmed, envisaging an X-factor to return the greater efficiency achieved in the fourth regulatory period to users in 4 years.

It is expected that the largest transportation business will procure quantities of gas to cover self-consumption, leaks and unaccounted for gas (UFG) under the scope of the centralised market. The quantities of gas recognised are assessed based on the weighted average price of forward

products with delivery to the PSV (Virtual Trading Point) in the reference tariff year. The resolution includes the recognition of the difference between the price recognised for these volumes and the effective procurement price, deferring the definition of the detail mechanism to the next provision. For more details, please see the section below, "UFG - Unaccounted for gas".

With regard to tariff structure, the current methodology for determining the capacity/commodity split was confirmed, providing for capacity revenue to cover capital costs (return and amortisation and depreciation) and commodity revenue to cover recognised operating costs. The current revenue correction factor applied to the capacity component (100% guaranteed) and to the component related to transported volumes (allowance  $\pm 4\%$ ) is confirmed. With reference to the metering service, a mechanism to cover revenues similar to that of the transportation service (100% guaranteed) was introduced. The tariff structure based on the entry/exit model is confirmed, including not only the domestic network but also the regional network in the reference price methodology. The entry and exit capacity fees are calculated using the capacity weighted distance methodology (CWD) with the revenues distributed between the entry and exit points 28/72.

A variable fee was introduced, applied to volumes transported, intended to cover the operating costs recognised, the costs relating to the Emission Trading system, ratifying the principle of neutrality adopted by the business in relation to price risk and incentivising virtuous behaviour aimed at reducing CO<sub>2</sub> emissions, and the costs of procurement of quantities to cover self-consumption, leaks and UFG. This fee is applied to the transportation network entry points and is calculated annually based on the volumes effectively withdrawn in the year t-2.

Lastly, there are plans for the definition of the regulation criteria for the quality of the natural gas transportation service for the fifth regulatory period to be deferred, trialling the innovative use of transportation networks, as well as the restructuring of the metering service, following specific consultations carried out in 2019. In this regard, through resolution 554/2019/R/gas, published on 23 December 2019, the Authority approved the new Consolidated Act for the regulation of the quality of the gas transportation service which contains provisions on the continuity of the service, security and commercial quality, valid for the fifth regulatory period 2020-2023.


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### Approval of 2020 Revenues

By means of Resolution 201/2019/R/gas, published on 28 May 2019, the Authority approved the revenue recognised and fees for the natural gas transportation and dispatching service for 2020. Revenue recognised for the natural gas transportation service for 2020 amounted to € 2,096 million euros. The RAB used to calculate 2020 revenue for transportation, dispatching and metering amounts to 16.4 billion and includes estimated investments for the year 2019.

### Approval of revenues for the year 2021

By means of Resolution 180/2020/R/gas, published on 26 May 2020, the Authority approved the revenue recognised and fees for the natural gas transportation and dispatching service for 2021. Revenue recognised for the natural gas transportation service for 2021 amounted to 2,121 million euros. The RAB used to calculate 2021 revenue for the transportation, dispatching and measurement business was 16.8 billion, and included the investments estimated for 2020.

### 10-Year Gas Transportation Network Plan

With Resolution No. 539/2020/R/gas, published on 15 December 2020, the Authority expressed its evaluations on the 10-Year Gas Transportation Network Plan for the years 2019 and 2020. The Authority also made some adjustments to Resolution No. 468/2018/R/gas regarding the minimum requirements of the Plans applicable from 2021. In order to guarantee coordination between sectors, Snam and Terna will publish, by 31 January 2021, a joint document containing descriptions of the scenarios to be used as a basis for the 2021 Plans. The submission deadline applicable to the 2021 Plans was postponed until 31 March 2021.

### Provision on metering fees for the transportation service for 2020 and 2021

With resolution 597/2020/R/gas, published on 29 December 2020, the Authority clarified the criteria for determining and applying the fees for the metering service, establishing that the Cmcfe fee applies to redelivery points supplying end users for which ownership of the metering system is held by the transportation company, regardless of whether this ownership has been constant or is acquired. Therefore, the Authority redetermined the CMT and Cmcfe fees for the year 2021, and established that the fees for 2020 would not be redetermined (including specific company ones), also in consideration of the negligible impact - it being expected that any changes would be covered through the corrective factor for metering revenues.

### UFG - Unaccounted For Gas

#### Determination of charges for the purchase of gas to cover unaccounted-for gas

With Resolution 291/2020/R/gas, published on 29 July 2020, the Authority concluded its investigation, recognising an additional volume of UFG for the years 2018-2019 totalling 182 million cubic metres, equal to a total value of about 42 million euros, which will be recognised by the CSEA, net of the amount already received on account for the year 2018. In addition, it has initiated a procedure, to be completed by the end of 2020, to refine the UFG recognition criteria for the 5th regulatory period (2020-2023), aimed at strengthening the consistency of the mechanism's operation and its stability, providing that the incentive force of the mechanism is in any case determined on the basis of predefined unit fees proportionate to the remuneration of the metering service, rather than the price of gas.

#### Revision of criteria for recognising Unaccounted For Gas on transportation networks

With resolution 569/2020/R/gas, published on 22 December 2020, the Authority introduced an incentive mechanism relative to the difference between the UFG recognised in one year and the effective one for the same year. In particular, the incentive is calculated by applying a unit fee, of 3.3 €/MWh (3.5 c€/SCM), to the difference between the effective and recognised UFG, with a cap equal to the value of the remuneration of the metering service.

### Balancing and Gas Settlement

#### Amendments to the Integrated Text on Balancing (TIB)

By Resolution No. 45/2020/R/gas, the AEEG approved several amendments to the Integrated Text for balancing and the Integrated Text for monitoring the wholesale natural gas market, which are functional to the definition of the parameters for the incentive system of the Balancing Manager for the fourth incentive period from 20 February 2020 to 31 December 2021.

The measure confirmed the incentive scheme in place, based on three performance indicators (p1, p2, p3) that measure respectively the goodness of the System's forecasts of requirements (p1) and the efficiency of the Balancing Manager's balancing actions (p2 linked to the intervention prices of the Balancing Manager and p3 on the residual balance sheet), providing for profit sharing with the System of part of the annual bonus. Two new performance indicators have also been introduced (p4


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already defined with Res. 208/2019/R/gas and p5), linked to the start of the new Settlement regime, which measure Snam Rete Gas's efficiency in supplying the quantities of gas needed to operate the network.

In addition, the Authority refers to further evaluations and to the examination of the performance results for 2020, the introduction of a new incentive based on the forecast by the person in charge of Balancing withdrawals during the gas day.

## Liquefied Natural Gas (LNG) Regasification

### Regulation for the Fifth Regulatory Period 2020-2023

#### Criteria for adjusting the tariffs for the liquefied natural gas regasification service for the fifth regulatory period (2020-2023)

Through resolution 474/2019/R/gas, published on 21 November 2019, the Authority defined the criteria for calculating the revenues recognised and the tariffs for the regasification service for the fifth regulatory period (1 January 2020-31 December 2023).

The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method.

The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.524, with the WACC remaining unchanged at 6.8% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period. The revenue guarantee mechanism is confirmed as 64% of revenues recognised for a duration of 20 years starting from the first year in which the business offers the regasification service or, if prior to that, from the first year of ownership of the guarantee factor pursuant to resolution ARG/gas 92/08.

In order to incentivise the range of flexible services offered, there are plans that a share of 40% of revenues from the offering of these services can be retained by the

regasification business to cover the revenues not subject to the revenue guarantee factor, up to the recognised revenues.

Recognition of variable electricity costs will be introduced (dependent on the unloading of ships and regasification of LNG) through a fee applied to users. Costs relating to electricity for the basic operation of the terminal continue to be recognised in the reference revenues.

There are plans to recognise costs relative to the Emission Trading System (ETS), ratifying the neutrality principle for the business in relation to price risk and incentivising virtuous behaviour aimed at CO<sub>2</sub> emissions.

#### Approval of 2020 Revenues

With resolution 43/2020 / R / gas "Approval of the tariffs for the LNG regasification service for 2020 and amendments and additions to the RTRG", published on 19 February 2020, the Authority approved the revenues recognized for the service of regasification for 2020 on the basis of the proposal presented by GNL Italia. The tariffs were determined on the basis of reference revenues of 25.1 million euros and on energy costs of approximately 3.1 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activity is 121.8 million euros.

At the same time, the Authority published the definitive 2019 revenues with a total amount of 26.8 million euros, based on the final 2018 balance sheet data.

#### Approval of revenues for the year 2021

By means of Resolution no. 229/2020/R/gas "Approval of tariffs for the LNG regasification service for the year 2021 and provisions relating to the revenue coverage factor for 2019", published on 26 June 2020, the Authority approved the revenues recognised for the regasification service for the year 2021 based on the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 26.6 million euros and energy costs of approximately 4.3 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 129 million euros. At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2019 for an amount of approximately 11 million euros.


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## Natural Gas Storage

### Regulation For The Fifth Regulatory Period 2020-2023

#### Criteria for adjusting the tariffs for the natural gas storage service for the fifth regulatory period (2020-2023)

Through resolution 419/2019/R/gas, published on 23 October 2019, the Authority defined the criteria for calculating the revenues recognised for the storage service for the fifth regulatory period (1 January 2020-31 December 2025).

The duration of the regulatory period will be extended from 4 to 6 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.506, with the WACC remaining unchanged at 6.7% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period. The mechanism for hedging revenues will be extended to cover 100% of the reference revenues, also predicting the storage businesses can optionally access an updated incentive system following the remodelling of the share of revenue recognised subject to the hedge factor. The methods for recognising renewal costs are confirmed. There are plans to recognise the costs relating to the Emission Trading System (ETS), ratifying the neutrality principle of the business in relation to the price risk and incentivising virtuous behaviour aimed at reducing CO<sub>2</sub> emissions.

Lastly the resolution approves the regulatory provisions for the quality of the storage service for the period 2020-2025.

#### Approval of 2020 Revenues

By means of Resolution 535/2019/R/gas, published on 19 December 2019, the Authority approved the revenue recognised for the storage service for 2020. The recognised revenues amounted to 491 million euros. The RAB for storage activities was 4.0 billion.

#### Approval of 2021 Revenues

By means of Resolution 275/2020/R/gas, published on 23 July 2020, the Authority approved the revenue recognised for the natural gas storage service for 2021. The recognised revenues amounted to 486 million euros. The RAB used for the calculation of revenues 2021 is 3.95 billion and includes the estimated investments for the year 2020.

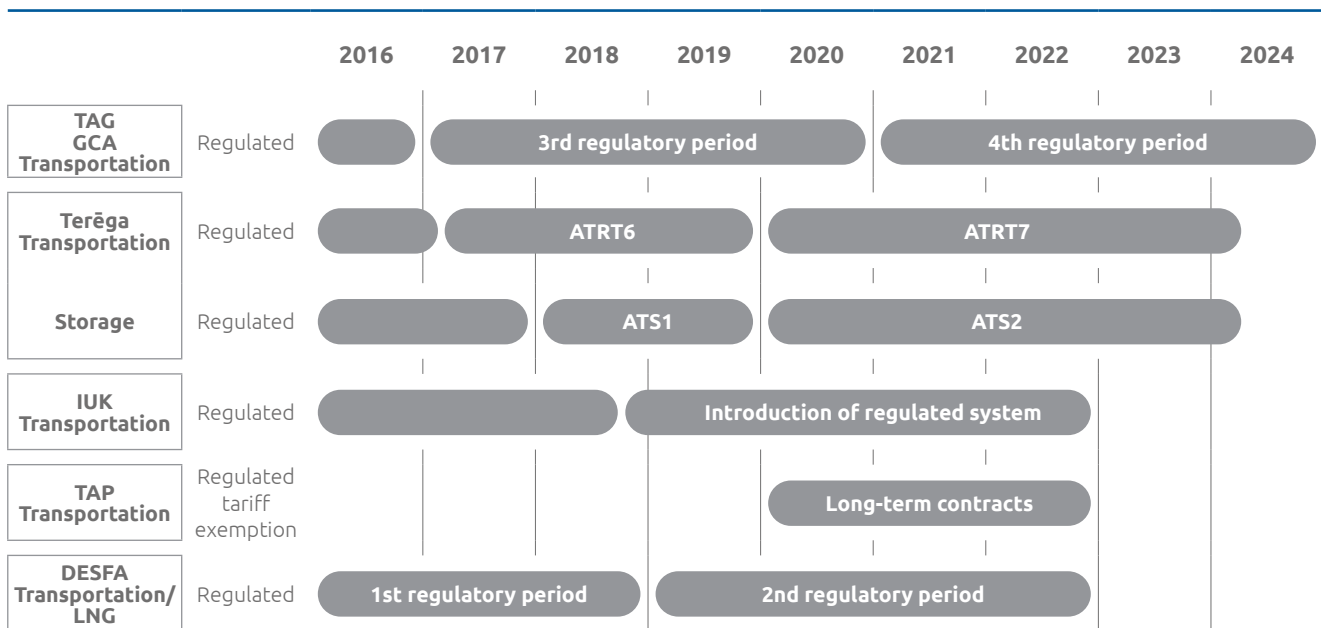
#### Resolution 232/2020/R/Gas - Amendments to the RAST and definition of incentive parameters for the year 2020 for Stogit S.p.A.

With Resolution no. 232/2020/R/Gas, the Authority extends to 31 December 2020 the incentive scheme that provides for (i) a 50% profit sharing on the sale of short-term storage services and for the remodulation of the injection profile and (ii) the withholding of 100% of the revenues deriving from the sale of the remodulation services. The resolution requires storage companies to submit an incentive proposal for the following calendar year by 30 November each year. The Authority also envisages that storage companies can access on a voluntary basis an enhanced incentive mechanism that increases the level of profit sharing applied to revenues from the sale of short-term services against a reduction in guaranteed revenues. Storage companies may apply for access to the enhanced incentive mechanism for 2021-2022 by 30 November 2020.


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## Regulation in European Countries of Interest to Snam: Main Features

Snam constantly monitors developments in the regulations within the various European countries in which it has a presence through international equity investments. Below is a summary of the main drivers with regards to the regulatory structures of reference:



### Transportation

- Regulatory revision for the fourth period (2021 - 2024) completed in June 2020
- RAB differentiated between equity financed portion (Revalued Historical Cost) and debt financed portion (Book Value). Additionally, different treatments are established for old assets (prior to 2012) and new investments;
- Different remuneration rates are established for the portion of RAB financed with equity (Cost of Equity<sup>(\*)</sup> 8.94 Real Pre Tax) and the portion financed with debt (Cost of Debt 1.61 Nominal Pre Tax).

### Transportation

- RAB annually revalued using inflation (Consumer Price Index), taking new investments and amortisation/depreciation into account (Current economic cost method);
- WACC remuneration rate of 4.25% Real Pre-Tax.

### Storage

- Storage under regulated regime from January 2018;
- WACC remuneration rate of 4.75% Real Pre-Tax; RAB of around 1.3 billion.

### Transportation

- Under an exemption regime until October 2018;
- Switch from an exemption regime to a regulated regime without volume risk protection, upon maturity of long-term contracts (October 2018).



### Transportation

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

### Transportation/LNG

- RAB based on historic cost, Work in Progress remunerated by WACC;
- Nominal Pre-Tax Remuneration rate 2019-2022 period: 8.22%, 7.84%, 7.52%, 7.44%
- RAB approximately 0.8 billion euros (Transportation + LNG)
- Socialisation of the cost of LNG in the transportation tariff (50% from 2020 vs. previous 75%)
- Recovery of the old Recoverable Difference accumulated between 2006 - 2016, around 326 million euros, distributed over 16 years, from 2017 - 2032

(\*) This value includes a 3.5% risk premium linked to commercialisation of capacity.

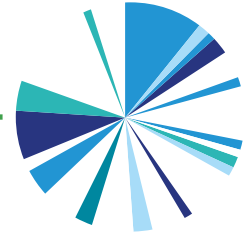

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## DELIVERY AND DEVELOPMENT OF REGULATED SERVICES

In 2020, the integration process through which the commercial management activities of the three businesses - transportation, storage and regasification - merged into a single organisation continued, allowing the optimisation of the processes within Snam. In particular, the creation of a single Commercial Control Room to manage daily movements and deliveries of gas and network balancing has led to improved performance, by integrating know-how from various sectors.

### Clients and service quality according to the Network Code

	2018	2019	2020
<b>Transportation</b>			
Active clients (shippers)	136	150	145
New connection agreements for delivery/redelivery points	88	123	103
Contractualised transportation capacity/Available transportation capacity (entry points interconnected w/foreign countries) (%)	79	64	57
Compliance with connection demand emission times (%)	100	100	100
Compliance with execution times for services subject to specific commercial quality standards (%)	100	100	100
Interruptions with adequate notification (%)	97	97	95
<b>Regasification</b>			
Active clients (shippers)	2	6	5
Compliance with maximum time for accepting monthly delivery scheduling proposals (%)	100	100	100
Compliance with maximum Terminal capacity interruption/reduction time for maintenance (%)	100	100	100
<b>Storage</b>			
Active clients (shippers)	91	83	91
Contractualised storage capacity/Available storage capacity (%)	100	100	100
Compliance with execution times for services subject to specific commercial quality standards (%)	100	100	100
Connection flow line subject to monitoring (%)	100	100	100
Total capacity not made available due to service interruptions/reductions (%)	0	0	0


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## Commercial Control Room: integrating client services

One of the main responsibilities of the Control Room, which works 24/7 to monitor the Italian gas system, is balancing the system, with a dual valence: physical and commercial.

Commercial balancing consists of the activities required to correctly schedule, account for and allocate the transported gas, as well as the fee system that encourages customers to maintain a balance between the volumes they inject into and withdraw from the network. Every day, Snam receives transportation and storage capacity requests from its clients. In confirming the requests, **the Control Room complies with, among other things, the specific informational requirements established under the Balancing Network Code** (Regulation EU 312/2014), specifically hourly publication on the Snam website of information on system balancing status, as well as the publication of information on withdrawals measured during the gas day, twice per day for each shipper. This means clients receive information able to allow them to evaluate their own status and, if necessary, implement actions to balance their position.

On the other hand, the physical balancing of the system consists of the set of operations through which the Dispatching department of Snam controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from injection points to withdrawal points at all times.

As occurred for the entire commercial area, the activities carried out by the Control Room have been reorganised to allow for remote management, thereby ensuring necessary business continuity and the fundamental safety of people in the face of the Covid-19 emergency.

Similarly, Dispatching, which represents the central hub of the national gas transportation network, unable to stop for any reason, worked in isolation during the emergency, providing an example of resilience and becoming an international best practice adopted by the National Grid, ALNG and Transitgas.

## Flexibility and Default Services

To support improved operational flexibility in the Italian gas system, the possibility of reserving transportation capacity on a monthly and daily basis was introduced, in addition to an annual basis, through redelivery points which supply gas directly to thermoelectric power stations, paying solely for the amounts reserved and not for an entire thermal year of the service. This access method creates more flexible allocation methods to promptly and efficiently deal with new operating conditions on the electric system.

**Again for thermal year 2020-21, Snam Rete Gas serves as the Default Transportation Supplier for the Sales Companies and End Users** under their network for which the balancing user responsible for the relative withdrawals cannot be identified. The same service is also carried out for the sales companies


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and final customers at third-party transporters who explicitly requested it. **The service in the 2019-2020 thermal year involved 270 parties amongst Final Customers and Sales Companies, for volumes of approximately 240,000 MWh.**

**In 2020, allocations for storage capacities, similar to the transportation business, were incorporated in the European PRISMA platform.** This synergy assists clients who make use of a single platform to reserve transportation and storage capacity, making Snam's storage capacity more transparent at the European level. Thanks to Snam's continued commitment to meeting the various needs of clients, flexibility of the services offered is guaranteed and constant and accurate information is provided, thanks to dedicated studies.

### Informational Systems Serving Clients

The Company makes an information channel available to its clients, to support prompt and flexible communication, making it possible to obtain "smart" information based on individual requirements, as well as offering direct and informal "chat" communication. Further, the portal offers clients a system of widgets and notifications which can be personalised.

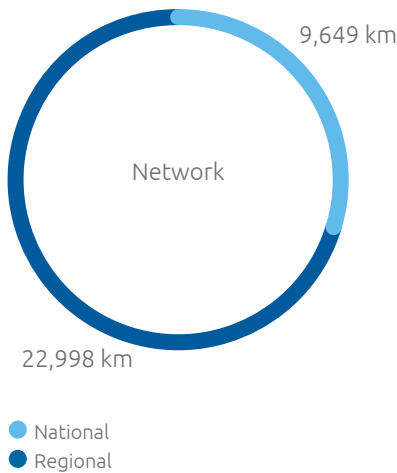
In particular, as of 22 May 2019 Snam has offered its clients **the Jarvis commercial platform, with a new user experience co-designed with market operators and intended to establish a new service model offered to clients by the company, with integrated business processes.** This project, which saw the addition of new functions in 2020, was created using the Agile development methodology, based on streamlined business processes integrated into a single multi-language system using innovative architecture that covers processes currently distributed among 17 systems.

These activities led to a definitive switch to the new Jarvis platform (for the functions released), with progressive elimination of functions previously found on other various systems. In particular, in December 2020 the applications PSV and Portale M were definitively shut down.

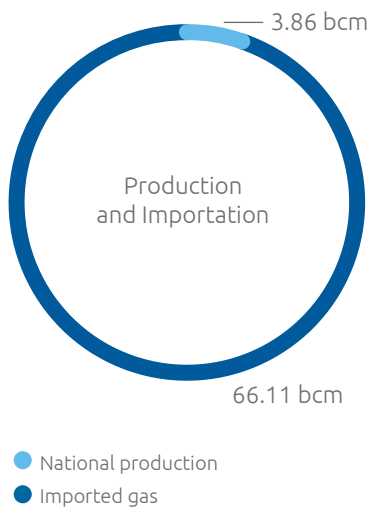
**Additionally, in 2020 a Customer Relationship Management system was added to the Jarvis Project** to support the transition from operational excellence to commercial excellence, with the aim of improving the quality of services offered and customer relations, ever more important in company strategies.



# NATURAL GAS TRANSPORTATION



Snam, through its subsidiaries Snam Rete Gas S.p.A. and Infrastrutture Trasporto Gas, is the leading Italian natural gas transportation and dispatching operator, and owns almost all the transportation infrastructures in Italy, with over 32,600 kilometres of high- and medium-pressure gas pipelines (approximately 94% of the entire transportation system). Snam manages the gas pipeline network via 8 districts, 48 maintenance centres throughout Italy, 13 compression stations, including the two plants in Minerbio and Sergnano that came into operation in 2018, and a new dispatching unit that has recently been renovated in terms of structure and technology. Gas coming from abroad is injected into the network at nine entry points, in correspondence with the 6 methane pipeline interconnection points (including the TAP pipeline which began operating in November 2020) and the three interconnection points for the LNG regasification terminals. Once it has been imported or regasified, the gas is transported to the local distribution networks, the regional network redelivery points or large end users such as thermoelectric power stations or manufacturing plants.



Snam awards transportation capacity to shippers who apply. In this way, users acquire the right to inject or withdraw a quantity of gas not exceeding the daily rate allocated on any day of the thermal year. The conditions for access to the service are contained in the Network Code. Shippers have the possibility of making gas sales and trades at a Virtual Trading Point (PSV) of the National Network, thanks to the dedicated IT platform.

The transportation capacity of the network again covered all user demand in 2020. In addition to the average transportation capacity offered at entry points connected with foreign countries and with LNG terminals equal to 363.1 million cubic metres/day; Snam has made further transport capacities available at entry points interconnected with national producers for a total of 22.0 million cubic metres average/day and with the production of biomethane for a total of 0.6 million of cubic metres average/day.

Over the last 17 years transportation operators have been constantly increasing, going from around 30 operators in 2003 to around 213 operators in 2020 (including shippers and traders).

In 2020, 103 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 19 contracts for the injection of biomethane and 35 relating to CNG service areas.


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The natural gas transportation sector information includes figures for Snam Rete Gas, Infrastrutture Trasporto and Enura.

### Key performance indicators

(million euros)	2018	2019	2020	Change	% change
Total revenues (a) (b)	2,069	2,116	<b>2,156</b>	40	1.9
Total revenues net of pass-through items (a) (b)	1,984	2,031	<b>2,093</b>	62	3.1
- of which regulated revenue (a) (b)	1,907	1,969	<b>2,028</b>	59	3.0
Operating costs (a) (b)	430	331	<b>383</b>	52	15.7
Adjusted operating costs (*) (a) (b)	413	366	<b>380</b>	14	3.8
Adjusted operating costs net of pass-through items (*) (a) (b)	328	281	<b>317</b>	36	12.8
EBIT	1,064	1,157	<b>1,139</b>	(18)	(1.6)
Adjusted EBIT(*)	1,081	1,122	<b>1,142</b>	20	1.8
Technical investments	764	813	<b>981</b>	168	20.7
- of which with a greater return	280	249	<b>265</b>	16	6.4
- of which with a basic return (c)	485	564	<b>716</b>	152	27.0
Net invested capital at 31 December	12,551	12,959	<b>13,411</b>	452	3.5
Natural gas injected in the National Gas Transportation Network (billion cubic metres) (d)	72.82	75.37	<b>69.97</b>	(5.40)	(7.2)
Gas transportation network (km in use) (e)	32,625	32,727	<b>32,647</b>	(80)	(0.2)
- of which National Network (e)	9,697	9,727	<b>9,649</b>	(78)	(0.8)
- of which regional network	22,928	23,000	<b>22,998</b>	(2)	(0.0)
Employees in service at the period end (number)	1,915	1,945	<b>1,910</b>	(35)	(1.8)

(\*) The values shown in the adjusted configuration respectively exclude: charges for the early retirement fund for financial year 2018 (17 million euros) and the effects of the release of the provision for impairment losses in the income statement relative to balancing activities for financial year 2019 (35 million euros). With reference to 2020, the amounts exclude costs suffered following the state of emergency linked to the Covid-19 pandemic, essentially relative to personal protective equipment for internal use and for deep cleaning of work areas (3 million euros total). More information on adjusted results measures and the relative special items relevant at the consolidated level can be found in the chapter "Financial review – Non-GAAP measures".

(a) Before consolidation adjustments.

(b) The revenue components that are offset by costs ("pass-through" items) relate to modulation. As from 1 January 2020, the pass-through component attributable to interconnection with other transportation operators is recognised as a direct reduction in the corresponding revenue (47 million euros in 2020). Similarly, the corresponding figures for 2019 and 2018 (52 and 49 million euros, respectively) have been restated.

(c) At a real pre-tax base WACC of 5.7% for 2019 and 2020 (5.4% in 2018).

(d) The data for 2020 were updated at 29 January 2021. 2019 figures were definitively updated. With reference to 2020, gas volumes are expressed in standard cubic metres (Scm) with a conventional average Higher Heating Value (HHV) of 38.1 Mj/Scm (10.575 KWh/Scm).

(e) The amount includes 84 km of network relative to Infrastrutture Trasporto Gas.


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## RESULTS

**Total revenues** amounted to 2,156 million euros, up by 40 million euros or 1.9%, compared to financial year 2019 (2,116 million euros). Net of components offset in costs<sup>47</sup>, total revenues amounted to 2,093 million euros, up by 62 million euros, or 3.1%, compared with the previous year, mainly in view of the higher regulated revenues.

**Regulated revenues**, net of the components that are offset by costs and the effects deriving from the coverage of energy costs, amounted to 1,976 million euros, up by 7 million euros or 0.4% with respect to 2019. Higher revenues, mainly attributable to tariff adjustment mechanisms, in particular the increase in RAB (+25 million euros), were absorbed by the reduction in volumes transported as a result of the Covid-19 emergency, despite climate trends in line with 2019 (-17 million euros).

**Non-regulated revenues** of 65 million euros, up by 3 million euros with respect to 2019, refers essentially to charge backs for technical services provided to other Group companies, which are reflected in the costs incurred to provide the related services.

**Adjusted EBIT** amounted to 1,142 million euros, up by 20 million euros or 1.8% compared with the adjusted EBIT for 2019 (1,122 million euros). The increase is due to greater revenues (+10 million euros) and the reduction in operating costs (+19 million euros, net of components offset by revenues and sterilisation of energy costs) following cost containment measures following the lockdown measures, the trend in provisions for risks and charges and minor costs for redundancy packages. These effects were partially absorbed by greater amortisation/depreciation (-29 million euros), due to new infrastructure entering the system, offset by lower writedowns (+23 million euros).

With reference to energy costs, specifically those to acquire fuel gas, previously transferred in kind by shippers, and charges to acquire CO<sub>2</sub>, emission rights, it should be noted that on the basis of that established for the fifth regulatory period, as of 1 January 2020 these costs are covered in revenues through the variable fee.

<sup>47</sup> The main revenue components offset by costs relate to modulation.


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## OPERATING REVIEW

### Technical investments

Type of investment	Higher return (%) (*)	2018	2019	Higher return (%) (*)	2020
		Million euros	Million euros		Million euros
Development	1.0%	279	249	1.5%	265
Replacement and other		485	564		716
		<b>764</b>	<b>813</b>		<b>981</b>

(\*) With respect to a real pre-tax base WACC respectively at 5.4% for 2018 and 5.7% for 2019 and 2020, applied to investments in new transportation capacity and with cost-benefit analysis exceeding 1.5, pursuant to resolution ARERA 575/2017/R/Gas..

**Technical investments** in 2020 amounted to 981 million euros, an increase of 168 million euros, or 20.7%, compared with 2019 (813 million euros).

The investments were classified respectively in accordance with Resolution 575/2017/R/gas with reference to 2018 and 2019 and 114/2019/R/gas for 2020 whereby the Energy, Networks and Environment Regulatory Authority (hereinafter ARERA or the Authority) identified different categories of projects with different rates of return.

The main investments in new transportation capacity **Development** (265 million euros), for which a **greater return of 1.5%** is planned, mainly involve:

- investments in **development of new transport capacity on the National Network to serve import and export capacity** (182 million euros) in the context of TAP Interconnection methane pipeline construction (156 million euros; 95 million euros in 2019), market supportive initiatives in the north-east of the country and physical inversion of transportation flows in interconnection points with northern Europe in the Po Valley (13 million euros), as well as to strengthen the transportation network at entry points in southern Italy (12 million euros) to continue construction of the Massafra-Biccari methane pipeline reconnections;
- investments to **develop new transportation on the Regional and National Networks** (83 million euros) including: (i) continuation of work to construct methane pipelines and connections associated with the gas conversion initiative in the Calabria Region (21 million euros); (ii) continuation of construction of biomethane connections (13 million euros) and CNG connections (11 million euros); (iii) construction of the methane pipelines Mornico al Serio-Travagliato (8

million euros) and improvement of Boltiere-Bergamo (4 million euros); (iv) completion of complementary construction activities relative to the methane connection of Pietravairano - Pignataro M. (6 million euros); (v) engineering and permit activities to develop the backbone in Sardinia.

Investments for **replacements and other investments with base remuneration** (716 million euros), mainly involve: (i) works intended to maintain safety and quality levels for systems (529 million euros), including the "methane pipeline replacement" initiative (238 million euros), especially continuation of materials delivery, construction and partial start up of the Rimini - S. Sepolcro methane pipeline reconstruction; (ii) projects to develop new information systems, as well as to implement existing ones (154 million euros), including the Consumption Cloud - Azure project, development of storage software, adjustment of applications supporting network management and cartography systems; (iii) works charged back to third parties (16 million euros); (iv) acquisitions of key operating assets (16 million euros).


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## **NFS** Progress of activities related to obtaining permits

To develop new settlements, in addition to the technical-economic feasibility criteria, Snam adopts procedures that respond to stringent environmental and safety compatibility assessments.

The assessments of environmental effects involve all phases of the work life cycle, site selection, planning,

assessments are made within the purview of the Environmental Impact Assessment (EIA) procedure and the procedures of the Integrated Environment Authority (AIA), at the end of which the central and local administrations issue the permits required under current law.

### Decrees and measures obtained during the year (MATTM competence)

- EIA Decrees
- Measures of verification of compliance



### VIA requests presented to the Ministry of Environment and Ministry of Cultural Assets

Name	Length (km)	Regions involved	Decree Date
<b>Methane Pipelines</b>			
Foligno reconstruction (Colfiorito) - Gallese and associated work	109.00	Marche, Umbria and Lazio	06.03.2020
Recanati - Foligno extension of VIA decree	78.00	Marche and Umbria	19.03.2020
Chieti - Rieti reconstruction	134.52	Abruzzo and Lazio	07.04.2020
Gagliano-Termini Imerese reconstruction	60.45	Sicily	09.04.2020
Sansepolcro-Terranuova Bracciolini reconstruction	45.62	Tuscany	27.07.2020


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## Requests to verify VIA jurisdiction presented to the Ministry of Environment (MATTM)

Name	Length (km)	Regions involved	Date presented
<b>Methane pipeline</b>			
Pisticci - Sant'Eufemia	5.18	Calabria	18.03.2020
IVI Petrolifera S.p.A. connection	4.19	Sardinia	10.04.2020
<b>Systems</b>			
Adjustment of the Gas Compression Station in Malborghetto	/	Friuli Venezia-Giulia	15.04.2020
Reduction system HPRS10 and pipeline variant Melizzano - Afragola	/	Campania	01.06.2020
Variants for pipeline inspection Castelcampagnano - Caserta	/	Campania	22.07.2020

## Gas Distribution On The National Transportation Network

Gas volumes are stated in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM (10.575 Kwh/SCM). The basic figure is measured in energy

(MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.

### Gas demand in Italy

(billions of m <sup>3</sup> )	2018	2019	2020	Change	% change
Residential and tertiary	28.76	28.13	27.41	(0.72)	(2.6)
Thermoelectric	24.19	26.65	25.18	(1.47)	(5.5)
Industrial (c)	17.39	17.30	16.39	(0.91)	(5.3)
Other (d)	2.33	2.4	2.32	(0.08)	(3.3)
	<b>72.67</b>	<b>74.48</b>	<b>71.30</b>	<b>(3.18)</b>	<b>(4.3)</b>

(a) 2019 figures were definitively updated.

(b) The percentage change is calculated with reference to the figures in cubic metres.

(c) Includes consumption from Industry, Agriculture and Fishing, Chemical Synthesis and Motor Transport sectors.

(d) Consumption and loss mainly relative to the natural gas transportation system, the energy system, up-stream sector, storage and LNG systems.

**Gas demand in Italy** in 2020 came to **71.30 billion cubic metres**, showing a significant drop with respect to 2019 (of 3.18 billion cubic metres; -4.3%), due a decline 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 May to June, as well as the increase in photovoltaic production, partially compensated for 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 reduction in gas demand was affected by lower consumption in the residential and tertiary sector

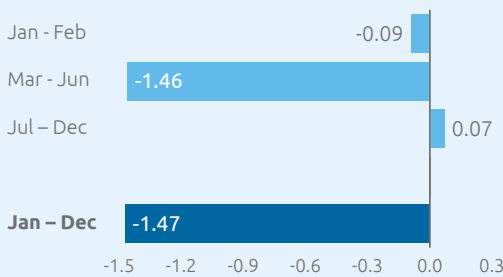


## Impacts of Covid-19 on gas demand

### Thermoelectric sector

The decrease in natural gas demand in the thermoelectric sector peaked from March-June 2020, during the closures implemented for Covid-19.

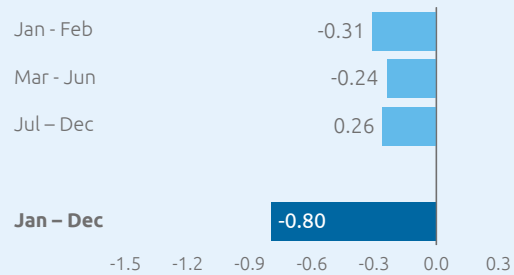
#### Thermoelectric sector - Consumption change (bcm)



### Residential sector

Changes in civil sector consumption after normalisation for January - December is mainly linked to the progressive increase in energy efficiency measures to which can be added, for the months of March and April, the effects of the lockdown on the tertiary sector, which contributed to a reduction in gas demand of approximately 150 million cubic metres.

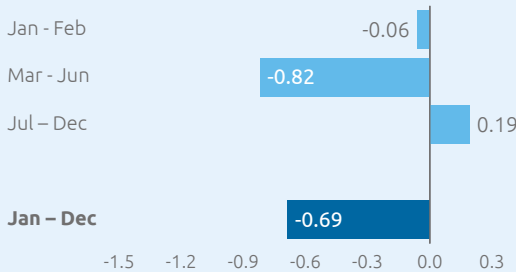
#### Residential sector - Consumption change (bcm)



### Industrial sector

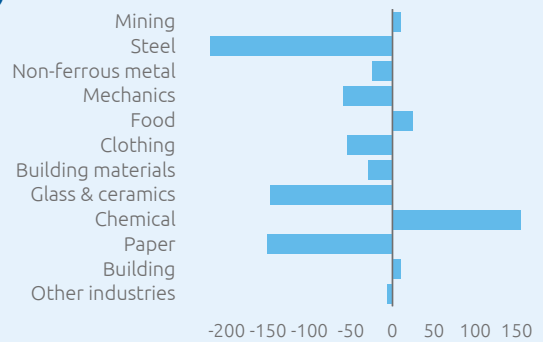
The decrease in natural gas demand in the industrial sector peaked from March-June 2020, during the closures implemented for Covid-19. On the other hand, the period from July - December 2020 saw a positive change, demonstrating a gradual recovery in activities.

#### Industrial sector - Consumption change (bcm)



The sub-sectors most heavily impacted by the effects of Covid-19 were the glass/ceramics, iron/steel and paper sectors, which account for the entire drop in the industrial sector. The chemicals sector was positive.

#### Industrial sector - Consumption change by segment (bcm)

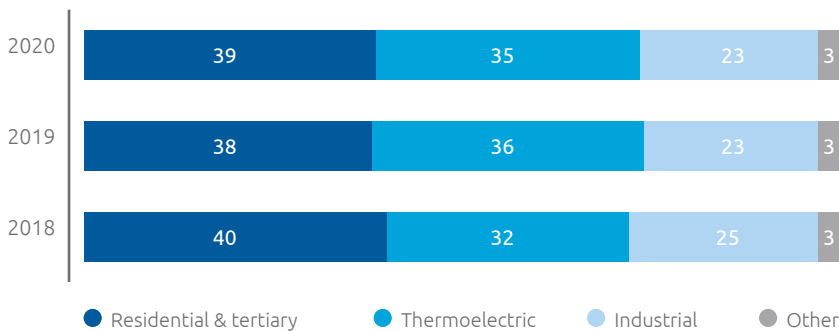



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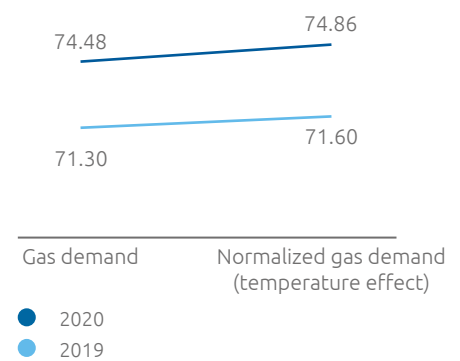
(-0.72 billion cubic metres; -2.6%), essentially due to a progressive increase in energy efficiency measures and modernisation of heating systems with higher efficiency hot water heaters, relative to similar climate conditions in the two periods.

Gas demand adjusted for weather effects, estimated at 71.60 billion cubic metres, fell by 3.26 billion cubic metres (-4.4%) with respect to the corresponding amount in 2019 (74.86 billion cubic metres).

### Gas demand by sector (% of total gas demand)



### Gas demand (Bcm)



The **availability of natural gas in Italy** (70.90 billion cubic metres) is equal to the sum of gas injected into the National Transportation Network and the net balance of withdrawals from and injections into the storage system, and was down by 3.07 billion cubic metres (-4.2%) compared with 2019. The reduction is in line with the

decrease in volumes of gas injected into the network (-4.75 billion cubic metres; -6.7%), as well as the reduction in domestic output (-0.65 billion cubic metres; -14.4%), combined with greater use of supplies from storage (0.93 billion cubic metres, with reference to net provisions).

### Availability of natural gas

(billions of m <sup>3</sup> )	2018	2019	2020	Change	% change
From gas injected into the network by entry point	67.70	70.86	<b>66.11</b>	(4.75)	(6.7)
From domestic output	5.12	4.51	<b>3.86</b>	(0.65)	(14.4)
<b>Total gas injected into the network</b>	<b>72.82</b>	<b>75.37</b>	<b>69.97</b>	<b>(5.40)</b>	<b>(7.2)</b>
Net balance storage withdrawals/injections (**)	(0.43)	(1.40)	<b>0.93</b>	2.33	
<b>Total availability of natural gas</b>	<b>72.39</b>	<b>73.97</b>	<b>70.90</b>	<b>(3.07)</b>	<b>(4.2)</b>

(\*) 2019 figures were definitively updated.

(\*\*) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.


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## Injections and gas withdrawals in the transportation network

### Gas injected into the network (\*)

(billions of m <sup>3</sup> )	2018	2019	2020	Change	% change
Domestic output	5.12	4.51	<b>3.86</b>	(0.65)	(14.4)
Entry points (**)	67.70	70.86	<b>66.11</b>	(4.75)	(6.7)
Tarvisio	29.69	29.85	<b>28.43</b>	(1.42)	(4.8)
Mazara del Vallo	17.09	10.21	<b>12.02</b>	1.81	17.7
Gries Pass	7.76	11.13	<b>8.60</b>	(2.53)	(22.7)
Cavarzere (LNG)	6.71	7.91	<b>6.81</b>	(1.10)	(13.9)
Gela	4.47	5.70	<b>4.46</b>	(1.24)	(21.8)
Livorno (LNG)	1.07	3.62	<b>3.27</b>	(0.35)	(9.7)
Panigaglia (LNG)	0.88	2.42	<b>2.51</b>	0.09	3.7
Melendugno			<b>0.01</b>	0.01	
Gorizia	0.03	0.02		(0.02)	(100.0)
	72.82	75.37	<b>69.97</b>	(5.40)	(7.2)

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

(\*\*) Entry points connected with other countries or with LNG regasification plants.

In 2020, a total of 69.97 billion cubic metres of gas was injected into the network, an decrease of 5.40 billion cubic metres (-7.2%) compared with 2019.

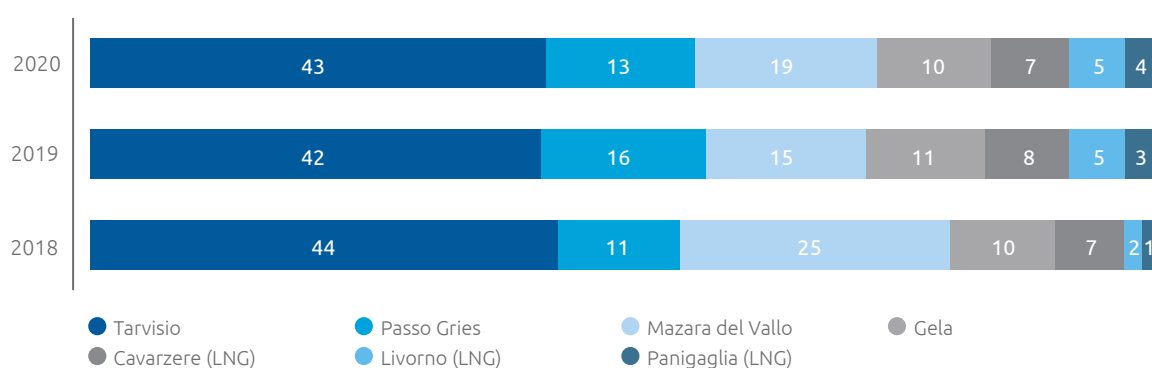
Injections into the network from domestic production fields or their collection and treatment centres totalled 3.86 billion cubic metres, down by 0.65 billion cubic metres (-14.4%) compared with 2019.

Volumes injected at entry points connected with other countries and with regasification plants, overall equal to 66.11 billion cubic metres, fell by 4.75 billion cubic metres

(-6.7% with respect to 2019), in line with the decline in natural gas demand and the greater use of provisions from storage.

The lesser volumes injected from the LNG regasification terminals (-1.36 billion cubic metres; -9.7%), as well as from the entry points of Passo Gries (-2.53 billion cubic metres; -22.7%), Tarvisio (-1.42 billion cubic metres; -4.8%) and Gela (-1.24 billion cubic metres; -21.8%), were partly offset by the higher volumes injected from the Mazara del Vallo entry point (+1.81 billion cubic metres; -17.7%).

### Natural gas injected into the network by import point (% of total gas injected)




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## Natural gas withdrawals

(billions of m <sup>3</sup> )	2018	2019	2020	Change	% change
Redelivery to domestic market	71.49	73.04	70.01	(3.03)	(4.1)
Exports and transit (*)	0.45	0.37	0.36	(0.01)	(2.7)
Consumption and emissions, Snam Rete Gas	0.27	0.23	0.23		
Unaccounted for gas and other changes (**)	0.18	0.33	0.30	(0.03)	(9.1)
<b>Total natural gas withdrawals</b>	<b>72.39</b>	<b>73.97</b>	<b>70.90</b>	<b>(3.07)</b>	<b>(4.2)</b>

(\*) Includes exports to the Republic of San Marino.

(\*\*) Includes variation from network invasion. In the energy budget prepared by Snam Rete Gas, UFG is conventionally defined as the natural difference between the amounts of gas measured at injection and the amounts of gas measured at withdrawal, deriving from the technical tolerances of the measurement tools.

Natural gas withdrawn from the national transportation network in 2020 (70.90 billion cubic metres; -4.2 with respect to 2019) mainly went to: (i) redelivery to users at network exit points (70.01 billion cubic metres; -4.1%); (ii)

exports and transit (0.36 billion cubic metres or -2.7%); and (iii) consumption by the compression stations and gas emissions from the network and from Snam Rete Gas plants (0.23 billion cubic metres, the same as in 2019).

## Reconciliation of gas volumes injected into the network and gas demand in Italy

(billions of m <sup>3</sup> )	2018	2019 (a)	2020	Change	% change (b)
<b>Total gas injected into the network</b>	<b>72.82</b>	<b>75.37</b>	<b>69.97</b>	<b>(5.40)</b>	<b>(7.2)</b>
Net balance storage withdrawals/injections (c)	(0.43)	(1.40)	0.93	2.33	
<b>Total natural gas withdrawals</b>	<b>72.39</b>	<b>73.97</b>	<b>70.90</b>	<b>(3.07)</b>	<b>(4.2)</b>
Exports (-) (d)	(0.45)	(0.37)	(0.36)	0.01	(2.7)
Gas injected in other operator regional network	0.03	0.03	0.03		
Other consumption (e)	0.69	0.85	0.72	(0.13)	(14.8)
<b>Total demand Italy</b>	<b>72.67</b>	<b>74.48</b>	<b>71.30</b>	<b>(3.18)</b>	<b>(4.3)</b>

(a) 2019 figures were definitively updated.

(b) The percentage change is calculated with reference to the figures in cubic metres.

(c) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.

(d) Includes transits and exports to the Republic of San Marino.

(e) Includes consumption from LNG regasification terminals, consumption from storage compression stations and from power stations for production treatment.

The transportation capacity of the network again covered all user demand in 2020. Average transportation capacity provided in 2020 at the entry points connected with foreign pipes and at regasification facilities was 363.1 million cubic metres on average per day, 19.1 of which were offered as competing capacities between the Mazara del Vallo and Gela entry points. In addition to the aforementioned capacities which concern the entry points interconnected with foreign countries and the LNG

terminals, a transportation capacity is available at the domestic production entry points:

- national production at a total of 22.00 million cubic metres/day.
- the production of biomethane at a total of 0.6 million cubic metres/day.
- production from virtual entry points (PIV) connected to distribution networks/other transportation networks for a total of 0.1 million cubic metres/day.


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## Transportation capacity

(billions of m <sup>3</sup> /day)	Calendar year 2018			Calendar year 2019			Calendar year 2020		
	Entry points	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred
Tarvisio (**)	111.1	107.4	96.7	110.6	98.3	88.9	<b>113.0</b>	<b>88.5</b>	<b>78.3</b>
Mazara del Vallo (*) (**)	82.0	81.2	99.0	86.7	36.1	41.6	<b>85.6</b>	<b>36.9</b>	<b>43.1</b>
Gries Pass	64.4	34.8	54.0	64.4	31.3	48.6	<b>64.4</b>	<b>23.9</b>	<b>37.1</b>
Cavarzere (LNG)	26.4	24.4	92.4	26.4	24.9	94.3	<b>26.4</b>	<b>22.3</b>	<b>84.5</b>
Gela (*)	20.3	20.1	99.0	22.9	19.0	83.0	<b>22.4</b>	<b>17.2</b>	<b>76.7</b>
Livorno (LNG)	15.0	15.0	100.0	15.0	14.3	95.3	<b>15.0</b>	<b>11.7</b>	<b>78.0</b>
Panigaglia (LNG)	13.0	4.0	30.8	13.0	7.4	56.9	<b>13.0</b>	<b>6.7</b>	<b>51.5</b>
Gorizia	4.2	0.1	2.4	4.0	0.1	2.5	<b>4.2</b>		
Competitor Capacity (*)	24.4			19.9			<b>19.1</b>		
	<b>360.8</b>	<b>287.0</b>	<b>79.5</b>	<b>362.9</b>	<b>231.4</b>	<b>63.8</b>	<b>363.1</b>	<b>207.2</b>	<b>57.1</b>

(\*) Capacity values at the Mazara del Vallo and Gela Entry Points do not include Competitor Capacity. This capacity, pursuant to Regulation EU 984/2013, in effect as of 1 November 2015, is the transportation capacity available at a Point for which the transfer entirely or partially reduces the capacity available for transfer at another Point on the Transportation System.

(\*\*) Capacity values at the Mazara del Vallo and Tarvisio Entry Points include capacity quotas pursuant to ARERA Resolution 666/2017/R/GAS.

Snam Rete Gas has prepared a long-term plan for available transportation, sent to the Ministry of Economic Development on 28/06/2019 and published on the Snam website at [www.snam.it/en/transportation/index.html](http://www.snam.it/en/transportation/index.html) in the online services/capacity section.

The document shows data about capacity at all entry points interconnected with foreign countries and with LNG terminals for the thermal year 2020 - 2021 and subsequent years up to 30 September 2035.

Also shown for the thermal year 2020 - 2021 are the transportation capacities of the interconnected exit points with the foreign countries of Passo Gries, Gorizia, Bizzarone and San Marino at a total of 46 million cubic metres/day. As a result of all the infrastructures of the "Supporting the north-west market and two-way cross-border flows" project coming into service, a total capacity of 40 million cubic metres/day became available simultaneously at the Passo Gries and Tarvisio exit points. The maximum capacity of the Passo Gries exit point is 40 million cubic metres/day, while the maximum capacity of the Tarvisio exit point is 18 million cubic metres/day, therefore there is a "Competing capacity" pursuant to chapter 5, paragraph 3 of the Network Code

available at the two points.

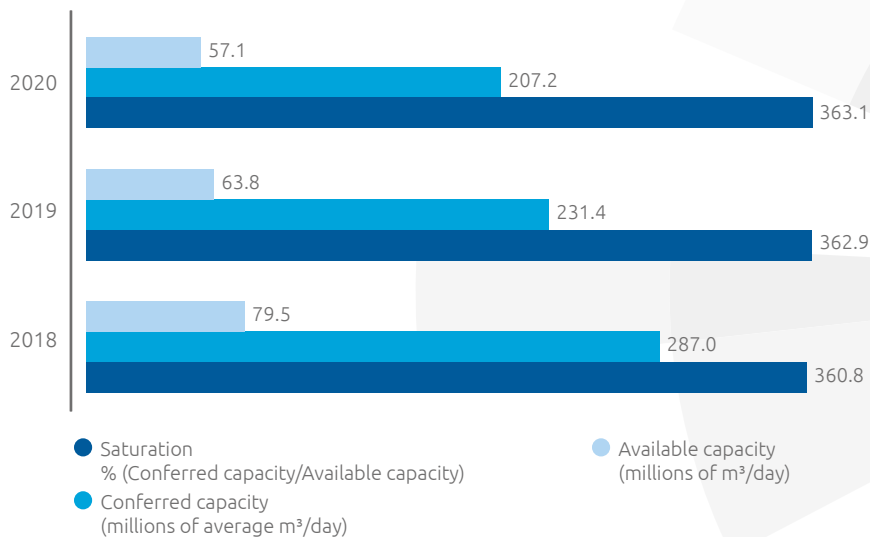
Over the last 15 years transportation operators have been constantly increasing, going from around 30 entities in 2003 to around 213 entities in 2020 (including shippers and traders), with the number of customers (shippers) standing at 145.

The number of PSV traders active in September 2020 (end of thermal year 2019-2020) is 68, compared to 69 PSV traders active in September 2019.

In 2020, 103 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 19 contracts for the injection of biomethane and 35 relating to CNG service areas.



### Transportation and saturation capacity



### Organisational Changes

During the course of 2020, the recorded number of personnel in service fell by a total of 35 resources, from 1,945 at 31 December 2019 to 1,910 resources at 31 December 2020.

The organisational structure of group companies operating in the transportation and dispatching business was redesigned with a view to greater consistency with the Snam guidelines of streamlining the organisation and processes, aimed specifically at reducing duplications with Snam units dedicated to commercial and technical activities, and integration of transportation and storage activities. In relation to the opportunity to pursue economies of experience and scope that develop Group best practices, and to the specific requirements of other operating companies, several Snam Rete Gas structures provide technical services (for example, with regard to engineering and project management activities aimed at large investments). In addition, in relation to the organisational changes listed above, Snam Rete Gas also guarantees the supply to Stogit and GNL Italia of the commercial services previously delivery by Snam.

### Accidents

In 2020 the number of accidents was 0 for employees and 1 for contractors, tragically fatal (compared with 0 and 5 accidents in 2019).

#### Work-related accidents (no.)

	2018	2019	2020
Total employee accidents	4	0	0
Total contractor accidents	3	5	1


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### Indexes - Accidents

	2018	2019	2020
<b>Employees</b>			
Frequency index (*)	1.29	0.00	<b>0.00</b>
Severity index (**)	0.03	0.00	<b>0.00</b>
<b>Contractors</b>			
Frequency index (*)	0.46	0.83	<b>0.16</b>
Severity index (**)	0.03	0.08	<b>1.18</b>

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

(\*\*) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

### Energy Consumption and Emissions

Energy consumption for transport, totalling 6,321 Terajoules (TJ), increased by around 3% with respect to 2019 despite a reduction in gas injected into the network (-7%): the trend in energy consumption for gas transportation is heavily influenced by the use of import backbones and in 2020 more energy intensive pipelines were used (north Africa backbone) with respect to the northern Europe and Russia backbones which use less energy.

In 2020, nitrogen oxide (NOx) emissions totalled around 242 tonnes (-15.4% compared with 2019). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines.

#### Energy consumption and emissions

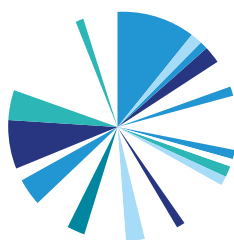
	2018	2019	2020
Energy consumption (TJ)	7,463	6,123	<b>6,321</b>
Emissions of CO <sub>2eq</sub> – scope 1 (kt) (*)	982	838	<b>848</b>
Natural gas emissions (106 m <sup>3</sup> )	32.8	28.7	<b>28.5</b>
NOx emissions (t)	305	286	<b>242</b>

(\*) Emissions of CO<sub>2eq</sub> are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".



## LIQUEFIED NATURAL GAS (LNG) REGASIFICATION

**GNL Italia plays a key role in ensuring adequate diversification and flexibility of supplies to the gas system**



**17,500 m<sup>3</sup>**

**Maximum daily LNG regasification capacity at Panigaglia**

**2.52 billion m<sup>3</sup>**

**LNG regasified in 2020 at Panigaglia**

(+5.0% with respect to 2019)

**60**

**Methane tankers**

**unloaded**

(57 in 2019; +5.3%)

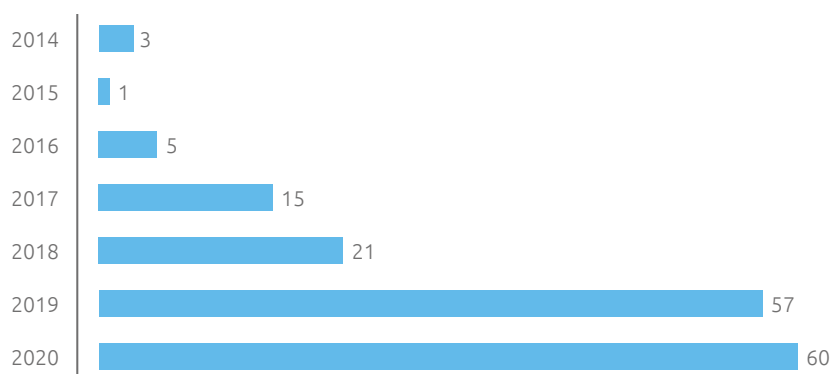
The Panigaglia plant, built in 1971 and owned by GNL Italia, is able to regasify 17,500 m<sup>3</sup> of LNG every day; under conditions of maximum efficiency, it can supply more than 3.5 billion cubic metres of natural gas into the transportation network every year.

The total amount of gas regasified at the Panigaglia plant in 2020 was 2.52 billion m<sup>3</sup> (2.40 billion m<sup>3</sup> in 2019; +5%).

The continued increase in volumes of activities compared with 2018 (0.91 billion m<sup>3</sup> in 2018, more than doubled in 2020) is mainly due to the greater competitiveness of the cost of LNG compared with natural gas, as well as the new regasification capacity allocation mechanisms through dedicated auctions.

In 2020, 60 methane tankers were unloaded (+3 with respect to 2019; +5.3%; +39 unloaded with respect to 2018).

### Methane ship trends



The capacity allocation mechanisms based on auctions as well as the new businesses in the SSLNG sector, linked specifically to the possible future uses in heavy transportation and maritime transport, will lead to a scenario of further growth in the consumption of LNG in future years.

The regasification service can be continuous for the entire thermal year or the spot type. Moreover, from October 2018 the regasification capacity was awarded through dedicated auctions. Lastly, the regasification service includes the ancillary service, which consists of correcting the heating power of the natural gas to comply with quality requirements for its injection into the transportation network (correction of the Wobbe index).

During the course of 2020, GNL Italia provided regasification services to 5 active customers (6 customers in 2019).


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## Key performance indicators

(million euros)	2018	2019	2020	Change	% change
Total revenues (a)	24	32	31	(1)	(3.1)
Total revenues net of pass-through items (a)	21	22	23	1	4.5
- of which regulated revenues (a)	17	17	21	4	23.5
Operating costs (a)	17	26	24	(2)	(7.7)
Operating costs net of pass-through items (a)	14	16	16		
EBIT	2	1		(1)	(100.0)
Technical investments (b)	9	19	20	1	5.3
Net invested capital at 31 December	86	95	104	9	9.5
Volumes of LNG regasified (billion cubic metres) (c) (d)	0.91	2.40	2.52	0.12	5.0
Tanker loads (number)	21	57	60	3	5.3
Employees in service at 31 December (number)	64	65	67	2	3.1

(a) Before consolidation adjustments.

(b) Investments remunerated at a real base pre-tax WACC of 6.8%, both for 2019 and 2020 (6.6% for 2018).

(c) With reference to 2020, gas volumes are expressed in standard cubic metres (Scm) with a conventional average Higher Heating Value (HHV) of 38.1 Mj/Scm (10.575 KWh/Scm).

(d) Regasified amounts are shown including self-consumption and losses (QCP component), equal to 1.7% from January to September and to 1.4% from October to December for the Panigaglia terminal.

## RESULTS

**Total revenues** came to 31 million euros, substantially in line with 2019 (-1 million euros; -3.1%). Excluding the items offset in costs<sup>48</sup>, total revenues amounted to 23 million euros, up by 1 million euros or 4.5%.

**Regulated revenues**, net of components offset in costs, was 21 million euros, up by 4 million euros (or 23.5%) on 2019. The increase is attributable to the introduction, for the fifth regulatory period in force from 1 January 2020, of a variable fee to cover energy costs (electricity and CO<sub>2</sub>), against fees for regasification capacity in line with the previous period.

**Non-regulated revenues** fell by 3 million euros mainly due to lower revenues coming from natural gas sales. This decrease in revenues is also reflected in corresponding lower operating costs associated with the relative warehouse withdrawals.

**EBIT** fell by 1 million euros with respect to 2019, essentially due to greater depreciation and amortisation related to new capitalised expense.

<sup>48</sup> Revenues offset in costs refer to the costs that GNL charges back to its customers for use of the transportation service provided by Snam Rete Gas.

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## TECHNICAL INVESTMENTS

Technical investments for 2020 stood at 20 million euros, up slightly with respect to 2019 (+1 million euros) and more than double compared to 2018 (9 million euros), including investments in maintenance, aimed at the modernisation, technological adaptation and security of plant systems.

Among these notes: (i) engineering and revamping projects for tanks (7 million euros); (ii) various IT and real estate projects (over 2 million euros).

## OPERATING REVIEW

During 2020, 2.52 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (SP) (2.40 billion cubic metres in 2019; +5.0%) with 60 methane tankers unloaded (+3 with respect to 2019; +5.3%).

With reference to the number of employees, this figure stood at 67 resources, essentially in line with the previous year. Under the scope of the process of integrating Snam's Italian assets, the strengthening of the organisational oversight dedicated to operating activities continued in 2020 as well, aimed at upgrading the direct oversight of the core regasification activities, as against the staff processes where activities were provided centrally by Snam.

On 26 February 2020, Snam acquired a 49.07% stake in the share capital of OLT (Offshore LNG Toscana), the company that built and manages the offshore regasification terminal (FSRU - Floating Storage and Regasification Unit) located offshore of the Tuscan coast between Livorno and Pisa. With a maximum annual regasification capacity of 3.75 billion cubic metres, OLT is the second largest Italian liquefied natural gas (LNG) terminal.



## Accidents

In 2020, there were no accidents involving either employees or contract workers.

### Work-related accidents (no.)

	2018	2019	2020
Total employee accidents	0	0	0
Total contractor accidents	0	0	0

### Indexes - Accidents

	2018	2019	2020
<b>Employees</b>			
Frequency index (*)	0	0	0
Severity index (**)	0	0	0
<b>Contractors</b>			
Frequency index (*)	0	0	0
Severity index (**)	0	0	0

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

(\*\*) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

## Energy Consumption and Emissions

2020 saw an increase in consumption for the regasification facility (+4% with respect to 2019), due to the rise in the amount of gas regasified. Total nitrogen oxide (NOx) emissions and natural gas emissions in 2020 were in line with 2019 figures, respectively amounting to 48.6 tonnes and 1.3 million m<sup>3</sup>.

### Energy consumption and emissions

	2018	2019	2020
Energy consumption (TJ)	462	1,217	1,265
Emissions of CO <sub>2eq</sub> – Scope1 (kt) (*)	41	83	88
Natural gas emissions (106 m <sup>3</sup> )	1.2	1.3	1.3
NOx emissions (t)	22.4	49.8	48.6

(\*) Emissions of CO<sub>2eq</sub> are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".


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## NATURAL GAS STORAGE

**The total storage capacity in 2020, including strategic storage, amounts to approximately 17.0 billion cubic metres, continuing again in 2020 to represent the largest capacity at the European level.**

The storage system makes it possible to compensate for the different requirements for gas supply and consumption: whilst supply has a substantially constant flow throughout the year, gas demand is concentrated mainly in the winter period. Storage also ensures that quantities of strategic gas are available to compensate for any lack of or reduction in non-EU supply or crises in the gas system.

The storage business makes use of an integrated group of infrastructure comprising deposits, wells, gas treatment plants, compression plants and the operational dispatching system. Snam has nine storage concessions located in Lombardy (five), Emilia-Romagna (three) and Abruzzo (one). In 2015, the Bordolano site began operating, gradually increasing the capacity offered to a total of 1,050 million SCM.

Stogit provides its storage services (peak modulation, uniform modulation, strategic, transporter balancing, mining, short-term allocation services and, from 2018, the new Fast Cycle<sup>49</sup> service, to 91 operators based on the Storage Code approved by the Italian Regulatory Authority for Energy, Networks and the Environment (hereinafter also ARERA).

In 2020 Snam took action to promote the replenishment of national storage facilities for the purpose of being able to manage seasonal peaks in demand. The replenishment level at the end of the injection campaign (October 2020) was 99.01%, in line with the European average.

The market oriented approach adopted allowed the Company to increase the mix of customers owing a Storage contract (not only shippers serving end users but also traders who maximise revenues from buying and selling gas to the PSV - virtual trading point) as well as attracting major European players.

Total storage capacity at the end of 2020, holding strategic storage equal, came to 17.0 billion cubic metres, thanks to the gradual increase in operations at the Bordolano field.

A result that attests to Stogit's ability to respond to both the needs of the national market as well as the contingent dynamics linked to international markets and policies, which can significantly modify demand by increasing the value of business with policies to support the security of supplies.



9

**Operating concessions**

19,60 bcm

**Gas moved through the storage system**

17,00 bcm

**Total storage capacity**

<sup>49</sup> The storage service involves constant injection services and supply availability.


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## Key performance indicators

(million euros)	2018	2019	2020	Change	% change
Total revenues (a)	595	591	<b>689</b>	98	16.6
Total revenues net of pass-through items (a)	509	508	<b>504</b>	(4)	(0.8)
- of which regulated revenue (a)	505	505	<b>499</b>	(6)	(1.2)
Operating costs (a)	161	149	<b>263</b>	114	76.5
Operating costs net of pass-through items (a)	74	66	<b>78</b>	12	18.2
EBIT	335	337	<b>314</b>	(23)	(6.8)
Technical investments (b)	99	112	<b>134</b>	22	19.6
Net invested capital at 31 December	3,397	3,421	<b>3,460</b>	39	1.1
Concessions (number)	10	10	<b>10</b>		
- of which operational (c)	9	9	<b>9</b>		
Natural gas moved through the storage system (billion cubic metres) (d)	21.07	19.33	<b>19.60</b>	0.27	1.4
- of which injected	10.64	10.16	<b>9.30</b>	(0.86)	(8.5)
- of which withdrawn	10.43	9.17	<b>10.30</b>	1.13	12.3
Total storage capacity (billion cubic metres)	16.90	17.00	<b>17.0</b>		
- of which available (e)	12.40	12.50	<b>12.5</b>		
- of which strategic	4.5	4.5	<b>4.5</b>		
Employees in service at 31 December (number)	59	61	<b>62</b>	1	1.6

(a) Before consolidation adjustments.

(b) Investments remunerated at a real base pre-tax WACC of 6.7%, for 2020 and 2019 (6.5% for 2016-2018).

(c) Working gas capacity for modulation services.

(d) Volumes of gas are expressed in Standard cubic metres (SCM) with an average Higher Heating Value (HHV) conventionally set to 39.3 MJ/Scm (10.893 KWh/SCM) for natural gas storage for thermal year 2020- 2021 (approximately 39.3 MJ/SCM, 10.895 KWh/SCM, for the thermal year 2019- 2020).

(e) Working gas capacity for modulation, mining and balancing services. The value shown represents maximum available capacity, entirely awarded for thermal year 2020-2021.

## RESULTS

**Total revenues** amount to 689 million euros, up by 98 million euros or 16.6% with respect to 2019, mainly due to an increase in pass-through items connected with chargebacks to users of charges relative to natural gas transportation services, supplied by Snam Rete Gas S.p.A. (185 million euros; +102 million euros with respect to 2019)<sup>50</sup>. Total revenues, net of cost components, amounted to 504 million euros, down slightly compared to 2019 (-4 million euros; -0.8%).

**Regulated revenues**, net of components that are offset in costs, amounted to 499 million euros, down by 6 million euros or 1.2% compared with 2019. Lower storage revenues, due to tariff adjustment mechanisms, mainly against

<sup>50</sup> Resolution 64/2017/R/gas of 16 February 2017 established that, from 1 April 2017, almost all expenses relating to the natural gas transportation service should no longer be charged to users of the storage service, but settled directly by the CSEA.


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lower incentives for new investments, referred to as “input based”, were partly absorbed by higher revenues related to the introduction, for the fifth regulatory period in force from 1 January 2020, of a variable fee to cover energy costs, essentially attributable to CO<sub>2</sub> emission rights.

**Non-regulated revenues** equal to 5 million euros (3 million euros in 2019) mainly refers to income from gas transfers for system balancing purposes.

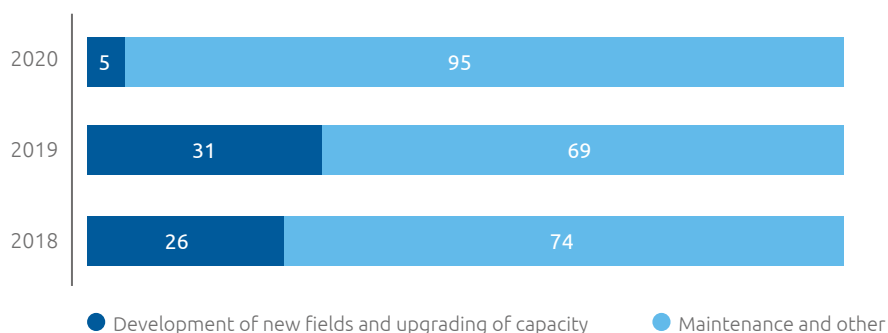
**EBIT** in 2020 amounted to 314 million euros, down by 23 million euros or 6.8% compared with 2019. This reduction can be attributed to, beyond minor revenues (-4 million euros, net of fees to cover energy costs), to an increase in operating costs (-8 million euros, net of energy costs relative to the purchase of CO<sub>2</sub> emission rights), mainly associated with the trend in provisions for risks and charges. Greater amortisation and depreciation also contributed to the decrease in EBIT (-3 million euros; 2.9%) due to the new entry of infrastructure and greater writedowns (-4 million euros) connected to work over projects for certain wells.

## TECHNICAL INVESTMENTS

**Technical investments** made by the Company in 2020 totalled 134 million euros, an increase of 22 million euros (approximately +19.6%) compared with the previous year and refer to investments to **develop new fields and upgrade capacity** (7 million euros) and investments in **maintenance and sundry** (127 million euros).

These latter mainly refer to: (i) “work over” activities on existing wells, in particular at Cortemaggiore, for the restoration to operation of wells made unavailable due to the loss of mechanical integrity, and in Ripalta; (ii) engineering works on the TC1 plant at Sergnano and the compressor units; (iii) IT projects (16 million euros), mainly for the Consumption Cloud - Azure Credit project and for the purchase of licenses and projects on system renewals.

### Investment proportions by type (% of total investments)




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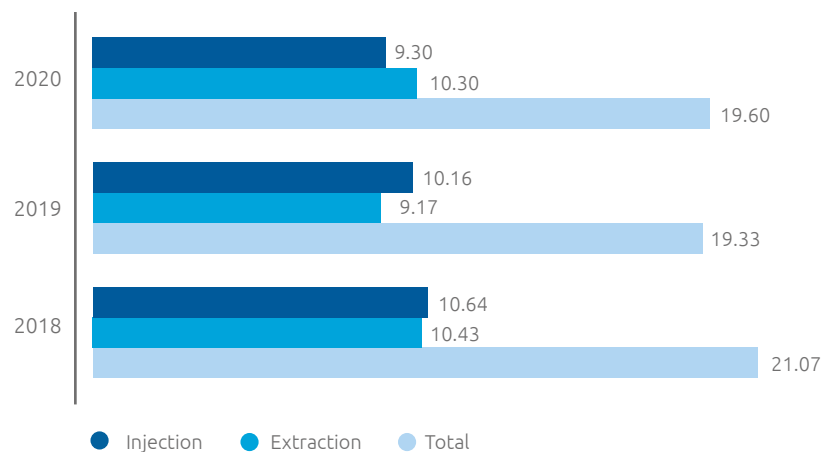
Total storage capacity as at 31 December 2020, including strategic storage, was 17.0 billion cubic metres (unchanged with respect to 2019), of which 12.5 billion cubic metres related to available capacity fully allocated for the thermal year 2020-2021 and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2019-2020, as established by the Ministry of Economic Development by means of the notice dated 17 January 2020<sup>51</sup>).

## OPERATING REVIEW

### Gas Moved Through The Storage System

Volumes of gas moved through the storage system in 2020 amounted to 19.60 billion cubic metres, an increase of 0.27 billion cubic metres, or 1.40%, compared with 2019. Greater disbursements to deal with the reduction in injections to the national network were partially compensated for by lower injections in storage.

#### Gas moved through the storage system (billion cubic metres)



### Organisational Changes

At the end of 2020, the number of personnel in service totalled 62, essentially in line compared with 31 December 2019 (61).

Following the conclusion of the integration project, transportation-storage dispatching operations are managed through an integrated procedure.

Under the project for the rationalisation and simplification of the current Snam regulatory framework the process for issuing rules to simplify and standardise operating processes was further integrated, including the document for the management of the availability and traceability of operating personnel.

<sup>51</sup> By means of the Decree of 12 February 2021, the Ministry of Economic Development confirmed that the strategic gas storage volume for thermal storage year 2021-2022 (1 April 2021-31 March 2022) would remain at 4.62 billion standard cubic metres, 4.5 billion cubic metres of which was allocated to Stogit. By means of the announcement of 17 January 2020, the Ministry confirmed the strategic gas storage volume for the thermal year 2020-2021 (1 April 2020-31 March 2021) as 4.62 billion cubic metres, 4.5 billion cubic metres of which was allocated to Stogit.


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## Accidents

In 2020, there were no accidents involving either employees, while there was 1 accident involving a contract worker.

### Work-related accidents (no.)

	2018	2019	2020
Total employee accidents	0	0	0
Total contractor accidents	0	0	1

### Indexes - Accidents

	2018	2019	2020
<b>Employees</b>			
Frequency index (*)	0	0	0
Severity index (**)	0	0	0
<b>Contractors</b>			
Frequency index (*)	0	0	0.99
Severity index (**)	0	0	0.06

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

(\*\*) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

## Energy Consumption and Emissions

In 2020 energy consumption for gas storage fell by 6% compared with 2019, in line with the reduction in gas stored. In 2020, nitrogen oxide (NOx) emissions totalled around 111 tonnes (-4.3% compared with 2019). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines installed. In particular, all storage sites operated with low emission units.

### Energy consumption and emissions

	2018	2019	2020
Energy consumption (TJ)	5,337	4,784	4.483
Emissions of CO <sub>2eq</sub> – scope1 (kt) (*)	473	424	336
Natural gas emissions (106 m <sup>3</sup> )	10.5	9.2	5.2
NOx emissions (t)	236	116	111

(\*) Emissions of CO<sub>2eq</sub> are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".



> Highlights

> Directors' report integrated report

> Consolidated non-financial statement

> Consolidated Financial Statements

