



## 2015 Full Year Results

Milan, March 17<sup>th</sup>, 2016

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# Outline



Highlights & Market Context

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2015 FY Consolidated Results

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# Highlights and Market Context

**Carlo Malacarne**

Chief Executive Officer

**Marco Alverà**


Chief Operating Officer



# 2015: A Year of Positive Outcomes



[ bcm ]

## Gas market

- Total Gas Consumption 67.5  **Up 8.9%**
- Gas Injected into the network 67.3  **Up 8.0%**

[ € mn ]

## Solid Results

- Revenues 3,649  **Up 2.3%**
- Adj. Ebit 1,990  **Up 0.9%**
- Adj. Net profit 1,209  **Up 12.2%**

[ € mn ]

## Sound Growth & Cash Flow generation

- Total Investments 1,540
  - Capex 1,272
  - Financial investments 268
- Operating Cash Flow 2,054
- Net debt 13,779

## Attractive shareholder remuneration

- Dividend proposal FY 2015\*: €25 cents/share



\* Payable from May 25<sup>th</sup> 2016

# Market context

## Transmission & Storage

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- European market moving towards the integration of the network to boost security and diversification of supply
- Integrated management of transport and storage
- Evolution of Italy from consumption destination to key transit country
- Investment opportunities in Italy and abroad

## Distribution

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- A business based on local concessions
- Labour intensive requiring daily interaction with local institutions
- Operational efficiencies are key to create value
- Distinct regulatory framework
- Small scale investments on a continuous basis
- Tender process finally underway
- Fragmented market with consolidation investment opportunities



## TAP: a priority project for the EU

### The project



- **Length:** 879 km
- **Capacity:** 8 bcm/y to Italy (+ 1 in Greece and 1 in Bulgaria)
- **Starts of operation:** 2020
- **25 years ship or pay contracts** from 2020
- **20% stake purchase price:** € 130 mln+ 78 mln (shareholder loan)

### Key pillars

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- Strategic infrastructure for:
  - Realization of the Southern European Hub in Italy
  - Security and diversification of European supply
- Entering the Southern Corridor, a key area for further potential projects
- Fostering Snam's Italian infrastructure development



**Acquisition reinforces Snam's leading role in Europe**

# 2015 FY Consolidated Results

Antonio Paccioretti

Chief Financial Officer



# Income Statement

[ € mn ]	2014	2015	Change
Revenues	3,566	3,649	+83
Operating expenses	- 790	- 850	- 60
<b>EBITDA</b>	<b>2,776</b>	<b>2,799</b>	<b>+23</b>
Depreciation & amortisation	- 803	- 849	- 46
<b>EBIT</b>	<b>1,973</b>	<b>1,950</b>	<b>- 23</b>
<b><i>EBIT adjusted</i></b>	<b>1,973</b>	<b>1,990</b>	<b>+17</b>
Net interest income (expenses)	- 397	- 380	+17
Net income from associates	131	135	+4
<b>EBT</b>	<b>1,707</b>	<b>1,705</b>	<b>- 2</b>
Income taxes	- 509	- 467	+42
<b>NET PROFIT</b>	<b>1,198</b>	<b>1,238</b>	<b>+40</b>
<b><i>NET PROFIT adjusted</i></b>	<b>1,078</b>	<b>1,209</b>	<b>+131</b>





# Revenues

[ € mn ]	2014	2015	Change
<b>Regulated revenues</b>	<b>3,506</b>	<b>3,573</b>	<b>+67</b>
Transport	1,895	1,912	+17
Distribution	1,017	1,063	+46
Storage	458	454	-4
LNG	19	18	-1
Pass-through revenues	117	126	+9
<b>Other revenues</b>	<b>60</b>	<b>76</b>	<b>+16</b>
<b>TOTAL REVENUES</b>	<b>3,566</b>	<b>3,649</b>	<b>+83</b>



# Operating Expenses

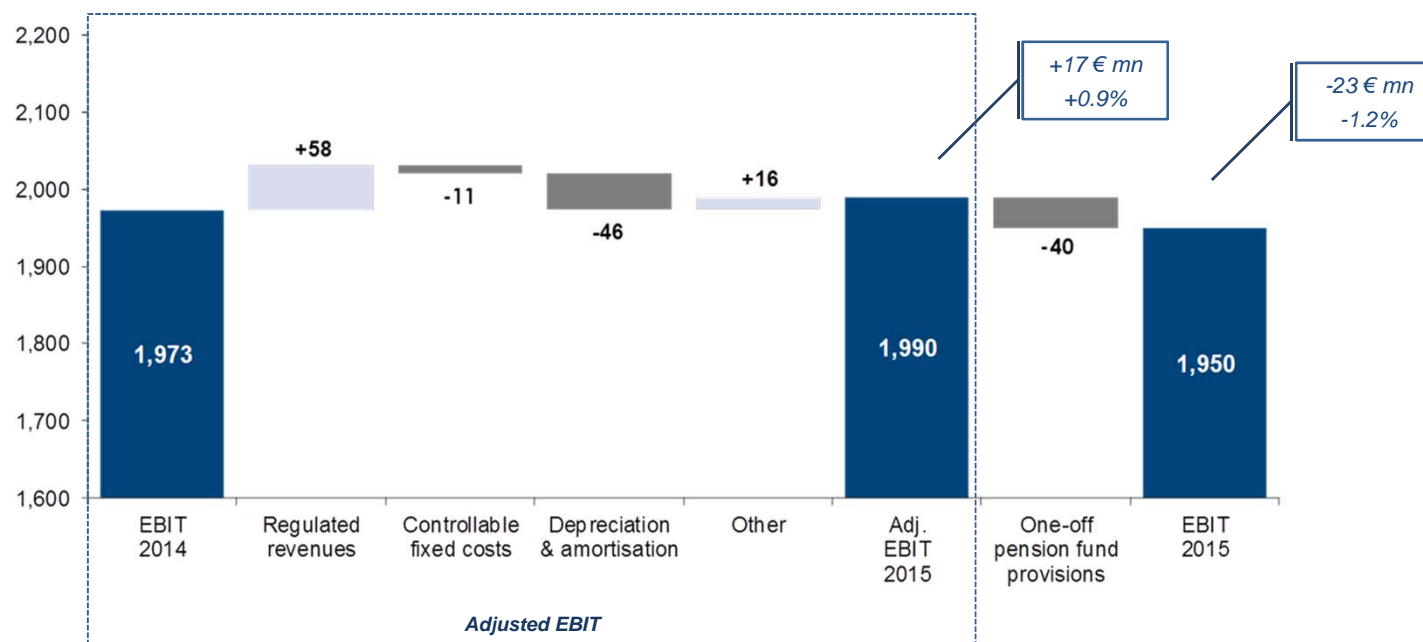
[ € mn ]	2014	2015	Change
<b>Regulated activities</b>	<b>750</b>	<b>792</b>	<b>+42</b>
Controllable fixed costs	471	482	+11
Variable costs	8	20	+12
Other costs	154	164	+10
Pass-through costs	117	126	+9
<b>Non regulated activities</b>	<b>40</b>	<b>58</b>	<b>+18</b>
<b>TOTAL COSTS</b>	<b>790</b>	<b>850</b>	<b>+60</b>
[ € mn ]	2014	2015	Change
<b>Cost breakdown by business<sup>(1)</sup>:</b>			
<i>Transport</i>	215	283	+68
<i>LNG</i>	17	18	+1
<i>Storage</i>	95	65	-30
<i>Distribution</i>	316	342	+26



<sup>(1)</sup> Net of pass-through costs.

# EBIT Analysis

[ €mn ]



## Income from Associates

[ € mn ]	2014	2015	Change
<b>Distribution in Italy</b>	<b>98</b>	<b>30</b>	<b>- 68</b>
AES Torino	20	-	-20
Toscana Energia	23	20	-3
Other equity interests	3	1	-2
Restatement of equity interest	52	9	-43
<b>International activities</b>	<b>33</b>	<b>105</b>	<b>+72</b>
Interconnector UK	9	10	+1
TIGF	24	23	-1
TAG	-	73	+73
<b>INCOME FROM ASSOCIATES</b>	<b>131</b>	<b>135</b>	<b>+4</b>
<b>[ € mn ]</b>	<b>2014</b>	<b>2015</b>	<b>Change</b>
Distribution in Italy	49	17	-32
International activities	59	197	+138
<b>CASH IN FROM ASSOCIATES</b>	<b>108</b>	<b>214</b>	<b>+106</b>

# Main Financial Actions and Results in 2015

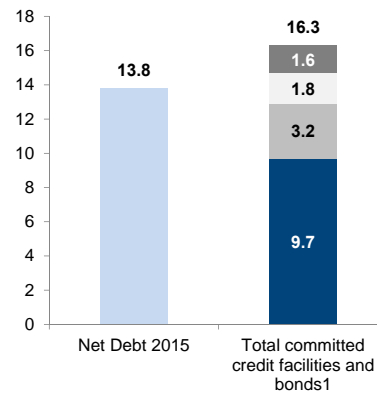
## 2015 Actions

- Fitch rating assignment (BBB+)
- New recourse to Debt Capital Market (€1 billion)
- Bond buyback for €1 billion
- Pool banking facilities renegotiation (€3.2 billion)
- New EIB financing (approx. €0.7 billion)
- Treasury management optimization

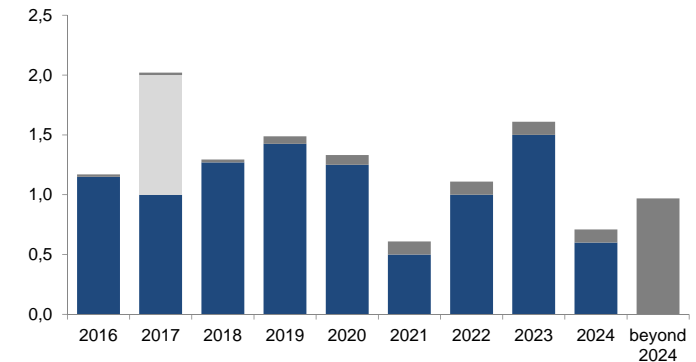
## Main Results

- Significant cost of debt reduction
- Fixed/variable rate debt: 64%/36%
- Average tenor of M/L term debt: approx. 5 years
- No banking refinancing until end-2017
- Strong liquidity profile covering 24 months maturities

**FINANCIAL STRUCTURE (€ bn)  
as of 31 December 2015**



**BOND AND DRAWN COMMITTED FACILITIES - MATURITY PROFILE (€ bn)  
as of 31 December 2015**



■ Debt capital market

■ Pool banking facilities

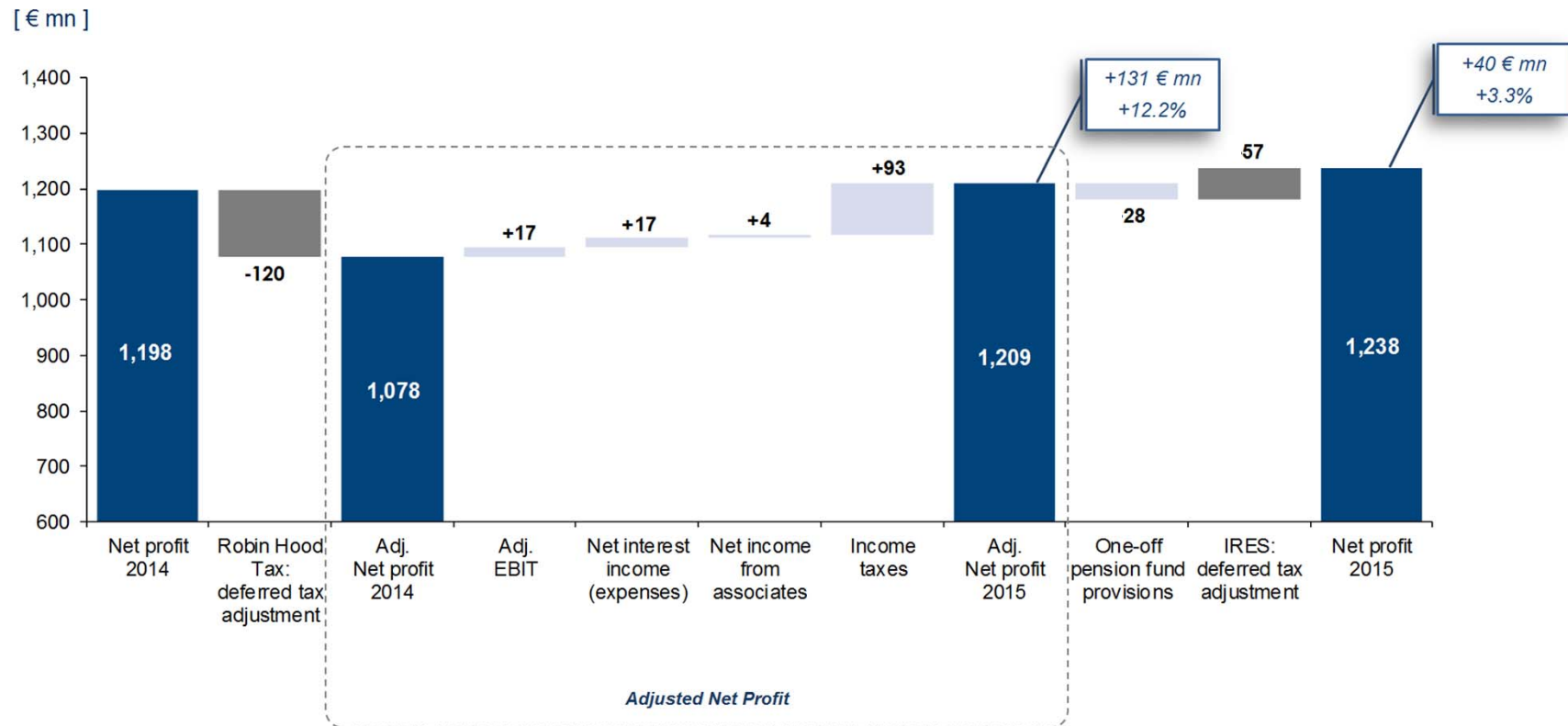
■ Bilateral banking facilities

■ Institutional lenders financing

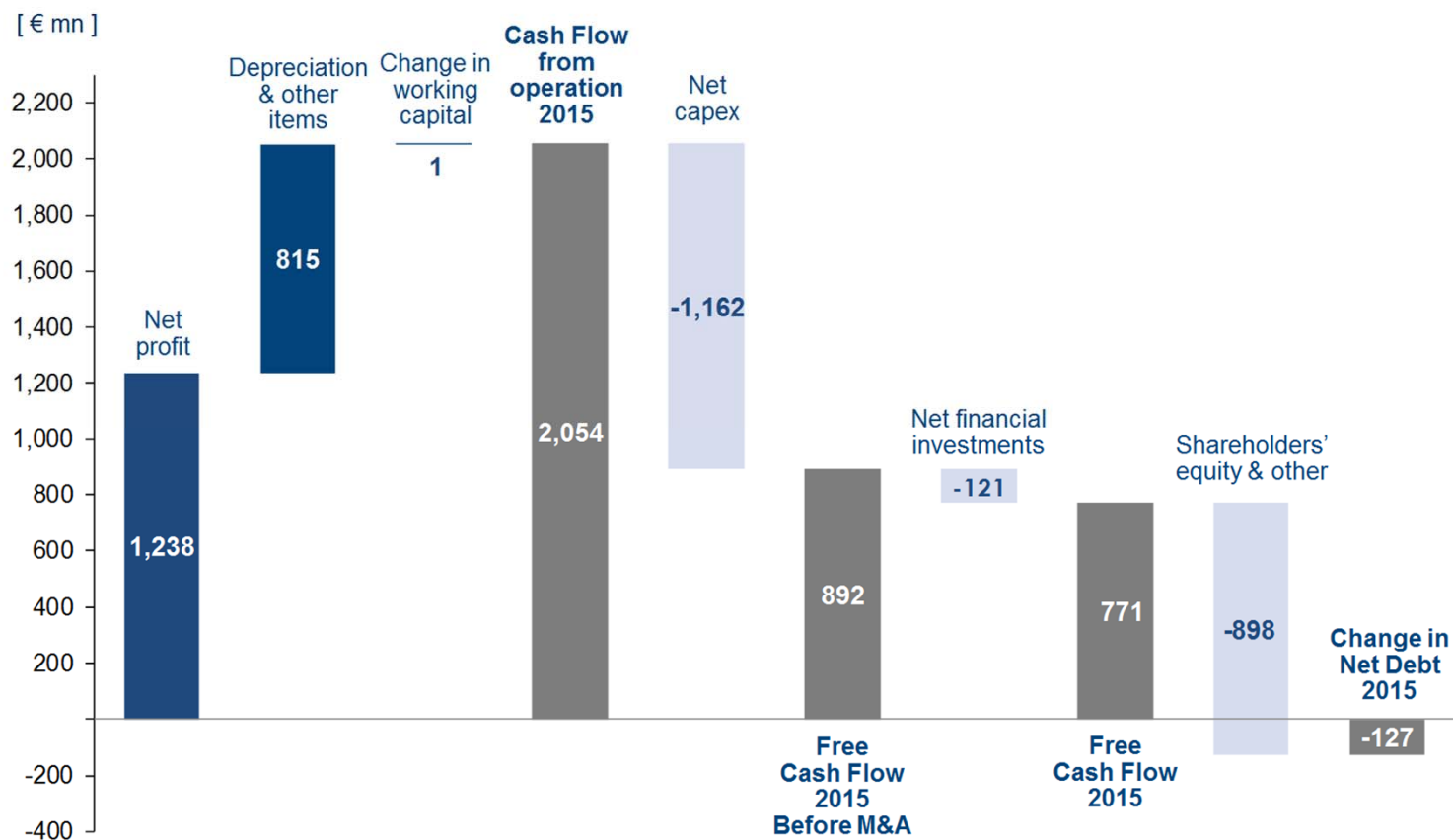
<sup>1</sup> Nominal value



# Net Profit Analysis



# Cash flow



# Balance Sheet

[ € mn ]	Dec, 31 2014	Dec, 31 2015	Change
<b>Net invested capital</b>	<b>20,824</b>	<b>21,365</b>	<b>+541</b>
<b>Fixed capital</b>	21,813	22,121	+308
Tangible fixed assets	15,335	15,396	+61
Intangible fixed assets	5,076	5,275	+199
Financial receivables held for operating activities	-	78	+78
Equity-accounted and other investments	1,402	1,372	-30
<b>Net working capital</b>	-864	-607	+257
Receivables	2,190	2,092	-98
Liabilities	-3,054	-2,699	+355
<b>Provisions for employee benefits</b>	-141	-166	-25
<b>Assets held for sale and directly related liabilities</b>	16	17	+1
<b>Net financial debt</b>	<b>13,652</b>	<b>13,779</b>	<b>+127</b>
<b>Shareholders' equity</b>	<b>7,172</b>	<b>7,586</b>	<b>+414</b>





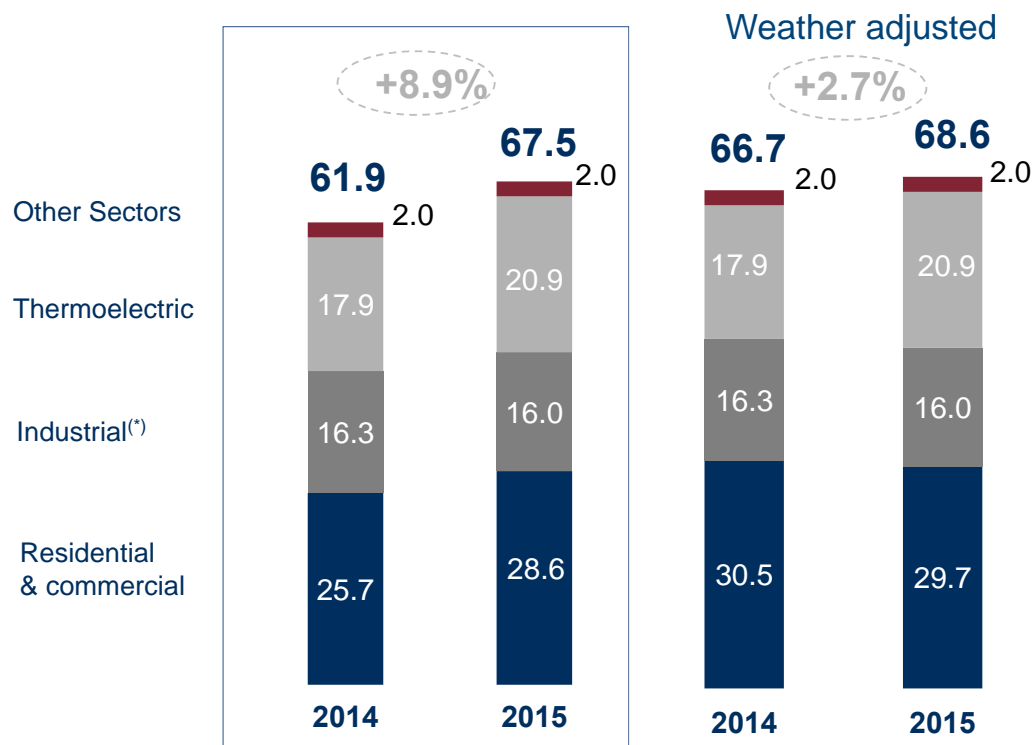
## Annexes

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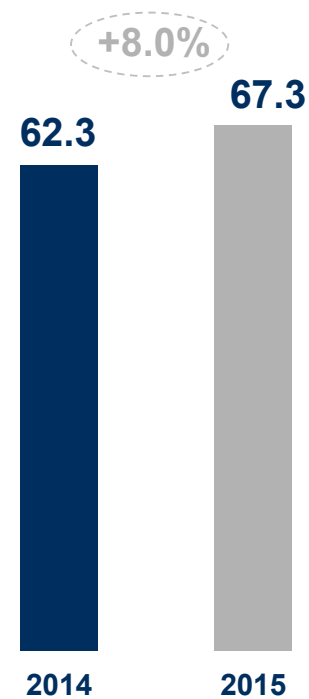


# Italian Gas Market in 2015

## Gas consumption



## Gas injected into the network



(\*) Includes: NGV, Agriculture and Non-Energy Use

Source: National Transport Network Balance



## Operational Data

		2014	2015	Δ %
<b>Transport</b>	Gas injected into the network (bcm)	62.3	67.3	+8.0
	Gas pipeline network (km in operation)	32,339	32,534	+0.6
<b>Storage</b>	Storage capacity (bcm)	15.9	16.0	+0.6
	•Modulation (*)	11.4	11.5	+0.9
	•Strategic	4.5	4.5	--
	Gas moved through storage system (bcm)	15.70	19.58	+24.7
	•Injection	8.13	9.84	+21.0
	•Withdrawal	7.57	9.74	+28.7
<b>Distribution</b>	Gas distributed (bcm)	6.50	7.60	+16.9
	Active Gas Metering at redelivery points (# mn)	6.41	6.53	+1.8



(\*) Available capacity

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