



2016-2020 Strategy and Targets

London, June 29th, 2016

snam.it

Agenda



Introduction

Demerger Overview

2016-2020 New Snam Business Plan

Introduction

Strengthening Snam's gas market leadership

Marco Alverà

Chief Executive Officer



Snam track record: a strong company with a unique proposition

A European leader in gas infrastructure

- Owner, operator and developer of Europe's largest pipeline network (32,534 km), interconnected with highest number of sources
- EU largest storage capacity (16.0 bcm)
- High quality relationship and constructive dialogue with Regulatory Bodies

Excellence in project execution

- Proven capabilities in project planning, management and construction, transferrable across markets
- Impressive track record in delivering on time and on budget every year
- >1,000 active construction sites annually

Industry leading capital deployment

- Disciplined approach to capital deployment both for organic growth (€ 8 bn invested since 2010) and international development (close to € 1.4 bn invested with low double digit return)
- No growth for growth's sake
- Focus on financial efficiency and prudent balance sheet management

Two businesses with distinct characteristics



REGASIFICATION



TRANSPORTATION



STORAGE



DISTRIBUTION

ITALGAS

- RAB: € 19.2* bn
- High pressure network and storage operating sites
- Unique proprietary transport infrastructure (94% of the entire transportation system)
- European business
- **Large scale projects**
- Active relationship with the **EC and Regulatory Bodies**
- Broad **portfolio of services**
- Few large players in Europe

- RAB: € 5.7* bn
- Low pressure network, 6.5 m redelivery points
- 1,472 concessions
- Market leader with 30% market share**
- Very local business
- **Small scale investments**
- Daily interactions with **local institutions**
- **Operational efficiencies** key to creating value
- Ongoing ATEM tenders
- **Fragmented Italian market** with consolidation opportunities



All data refers to year end 2015

* Year end 2015 estimated consolidated RAB excluding associates

**excluding associates

Demerger benefits: focus, flexibility and growth



Strengthening European leadership in transport, storage & LNG

- Focus on domestic and international organic growth strategy
- Additional flexibility to support investments
- Further strengthening Snam's sound balance sheet preserving current credit rating
- Retention of a strategic minority stake in Italgas to capture future value

- Stable RAB and enhanced financial flexibility
- Sustainable growth of shareholders remuneration

ITALGAS

Driving Italian market consolidation

- Increased management focus on tender process
- Efficient use of balance sheet to exploit growth potential
- Direct access to capital markets
- Solid investment grade rating expected in line with Snam

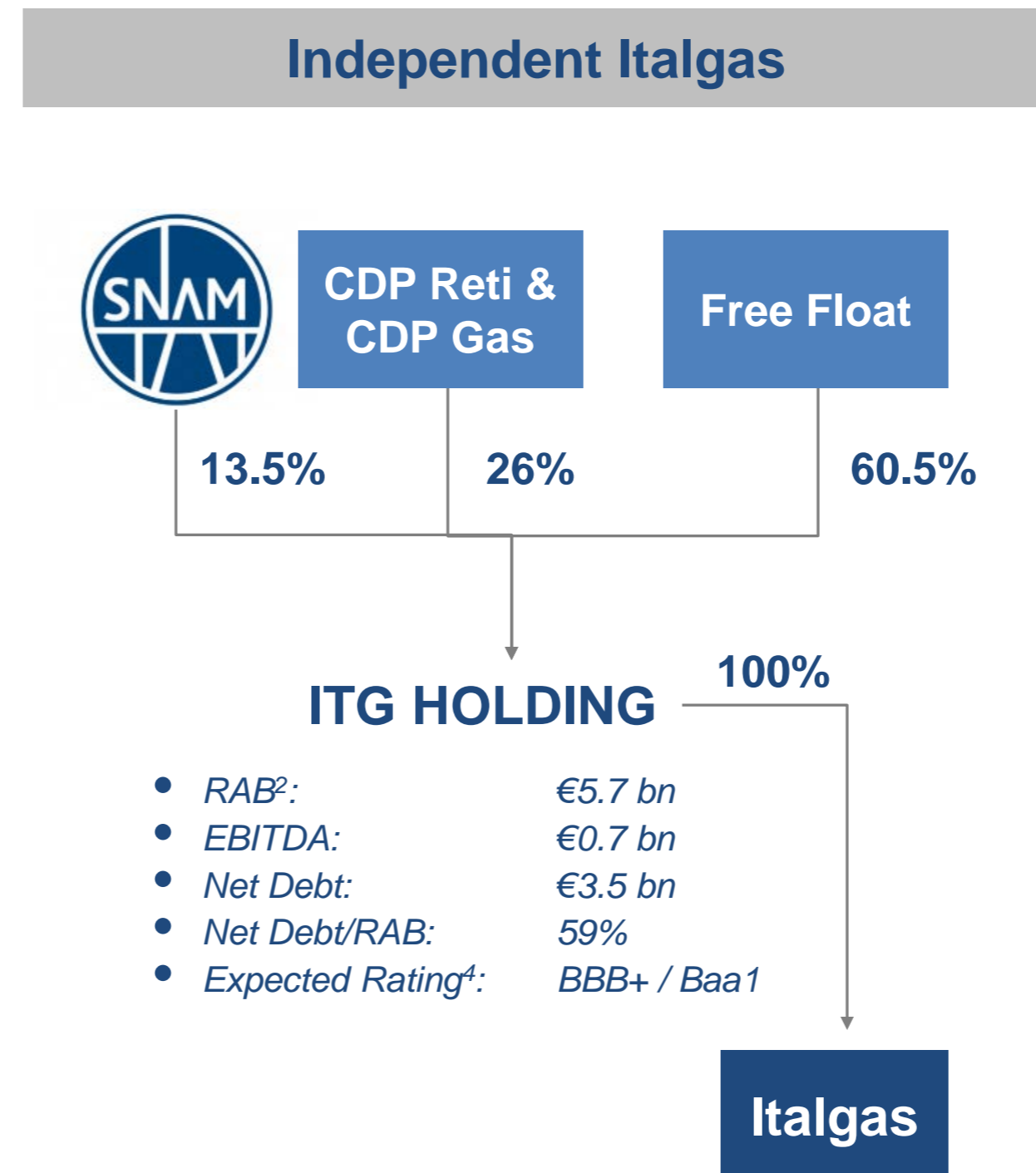
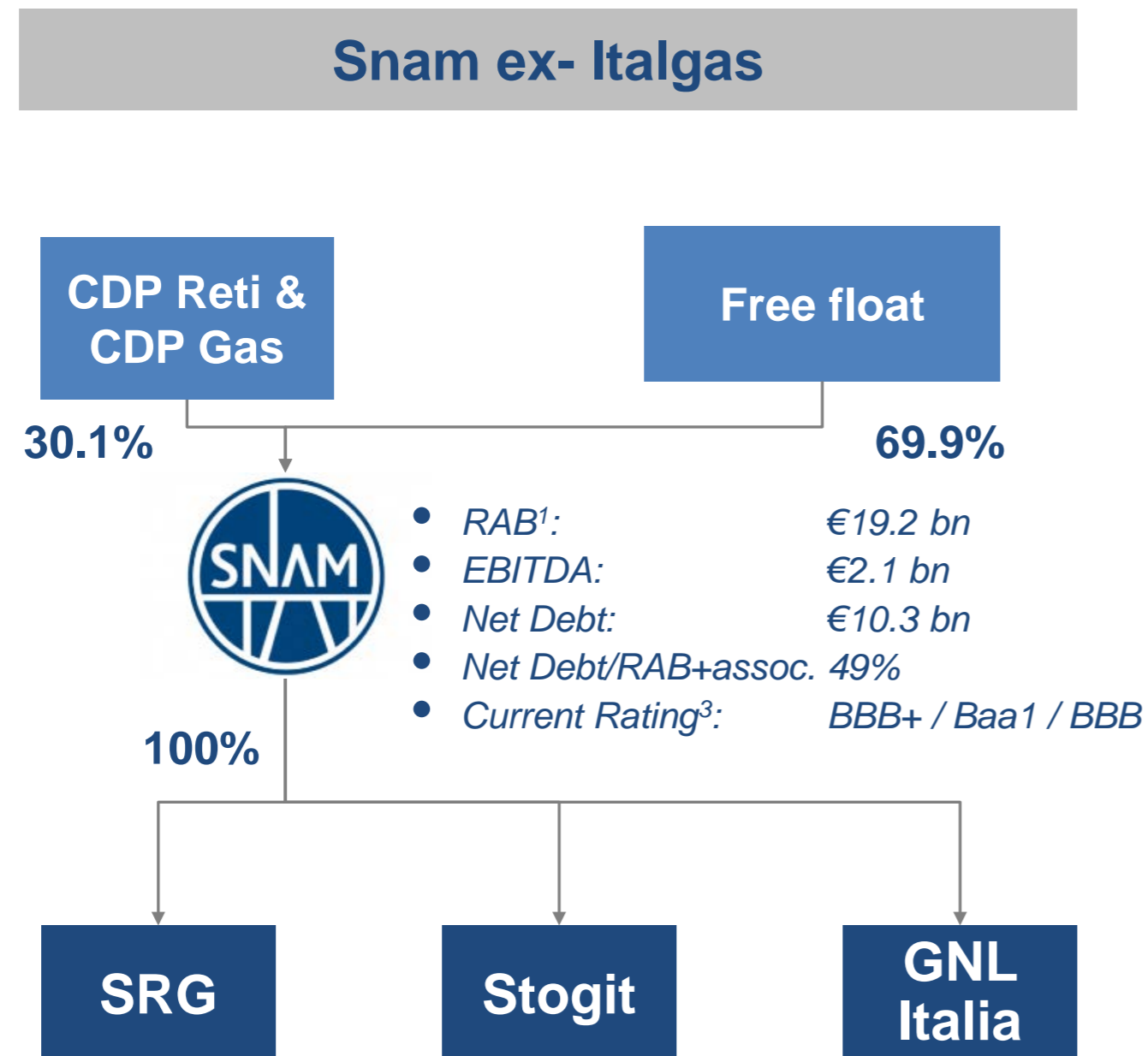
- Significant growth opportunities in the core business
- Attractive shareholders remuneration

Demerging to unlock greater growth opportunities and enhance shareholder returns



Demerger structure

Post Demerger (pro-forma figures YE2015)



Demerger key items

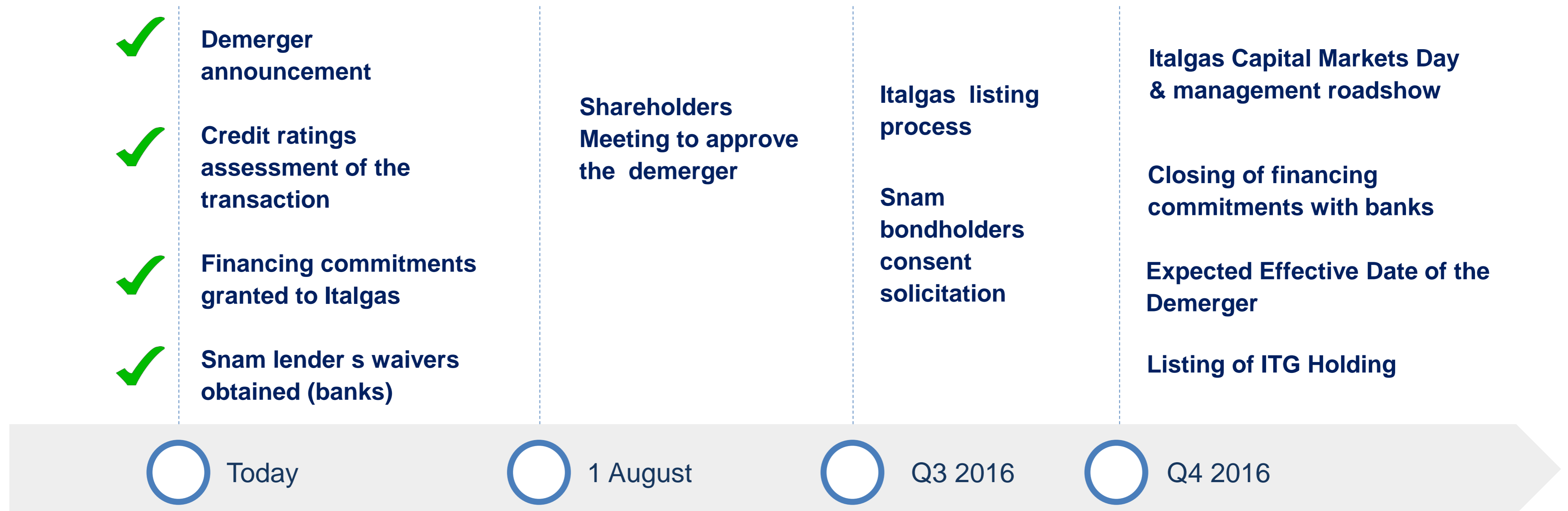
- Separation of Italgas through a partial and proportional demerger, resulting in the listing of ITG Holding
 - ITG Holding shares assigned to Snam's current shareholders (1 ITG Holding share every 5 Snam shares)
- Transaction neutral to Snam credit rating
- High part of the BBB area for Italgas
- Snam to retain a 13.5% stake to benefit from a compelling investment from both a financial and a strategic perspective, underpinned by a shareholder agreement



1. Consolidated RAB, excluding associates
2. Consolidated RAB, excluding associates

3. BBB+ Fitch, Baa1 Moody's., BBB Standard & Poor's
4. Expected BBB+ already assigned by Fitch, provisional Baa1 expected by Moody's

Demerger execution timeframe



Italgas strategic pillars

Organic Capex

- Maintenance
- Grid development
- Smart metering

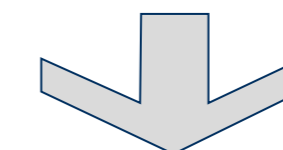
Concession Renewal

- Financial investments for tender process
- Technical investments related to the development of new concessions

From 6,800 municipalities to 177 ATEMs

Disciplined approach to capital deployment in the new tenders

- Presence in the ATEM and market share (we operate in c. 65% of the ATEMs)
- Type and fragmentation of operators in the ATEM (overall players >200)
- Geographical proximity
- Profitability

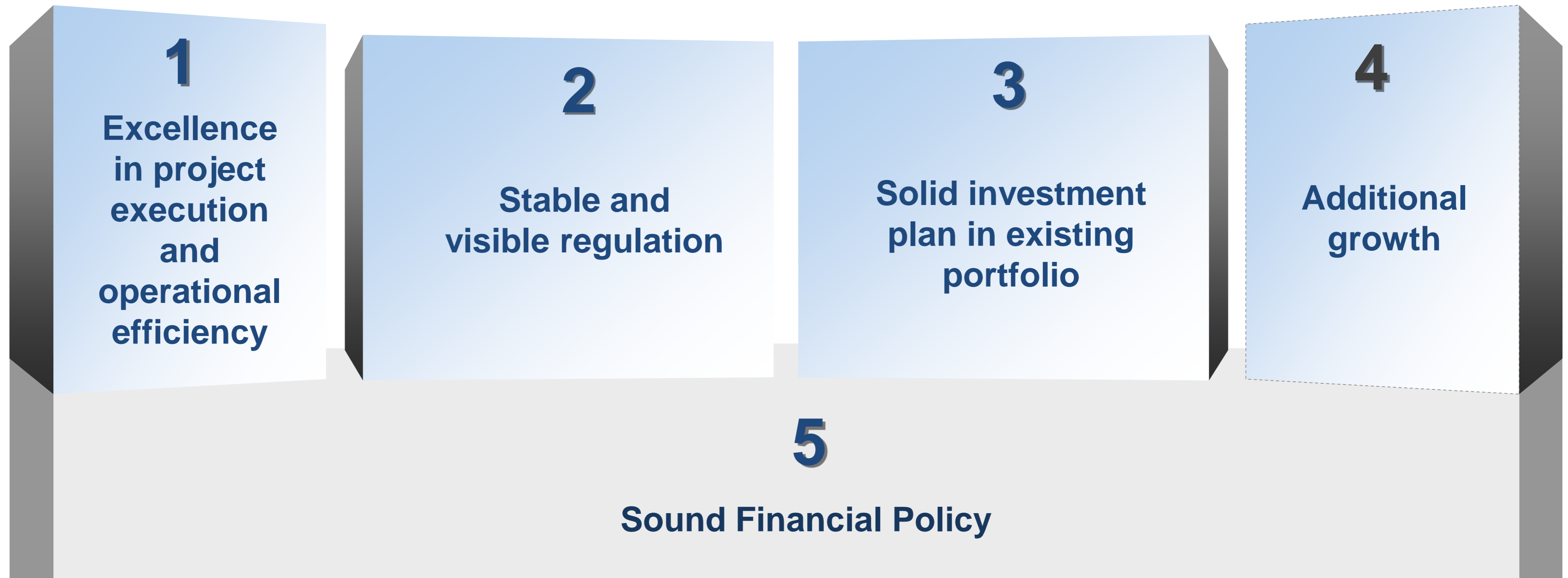


From 30% to ~40% market share*



*excluding associates

Snam strategic pillars



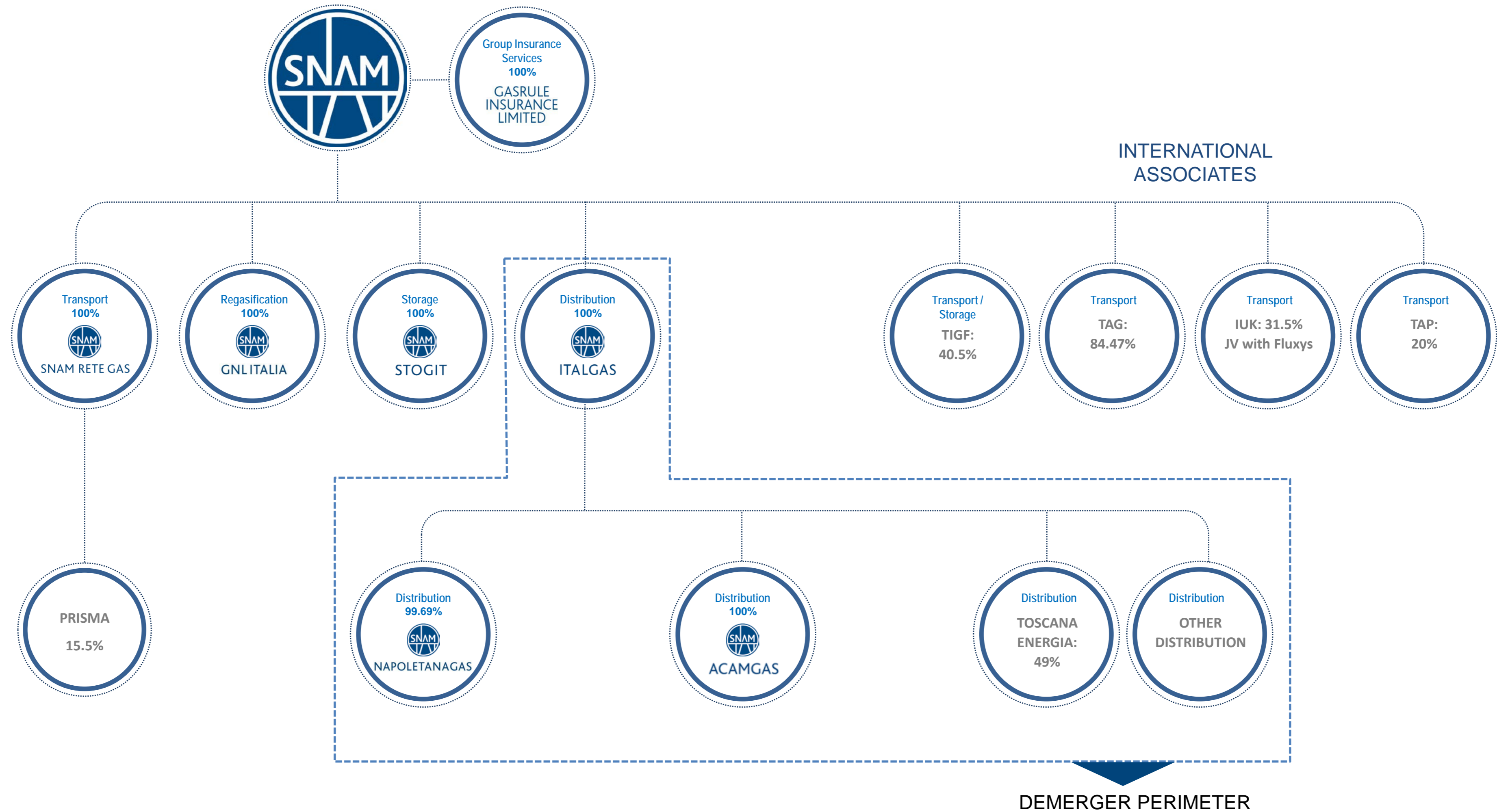
Demerger Overview

Antonio Paccioretti

Chief Financial Officer



Demerger perimeter



DEMERGER PERIMETER

Italgas and Snam pro-forma financials

Snam (post demerger) 2015 pro-forma consolidated key figures

[€m]

RAB ¹ €bn	19.2
Revenues	2,576
EBITDA	2,052
EBIT	1,476
Income from associates	142
Net profit	971
Capex ²	879
Net debt	10,317
Net debt /RAB + associates ³	49%

1 Does not include associates

2 Gross of subsidies

3 Includes international associates at acquisition cost and pro-quota Equity RAB of Italgas

Italgas (post demerger) 2015 pro-forma consolidated key figures

[€m]

RAB(€bn)	5.7
Revenues ¹	1,095
EBITDA	735
EBIT	462
Income from associates	29
Net profit	269
Capex ²	393
Net debt	3,482
Net debt /RAB + associates ³	59%

1 Net of revenues entered in accordance with IFRIC 12 (€321 m)

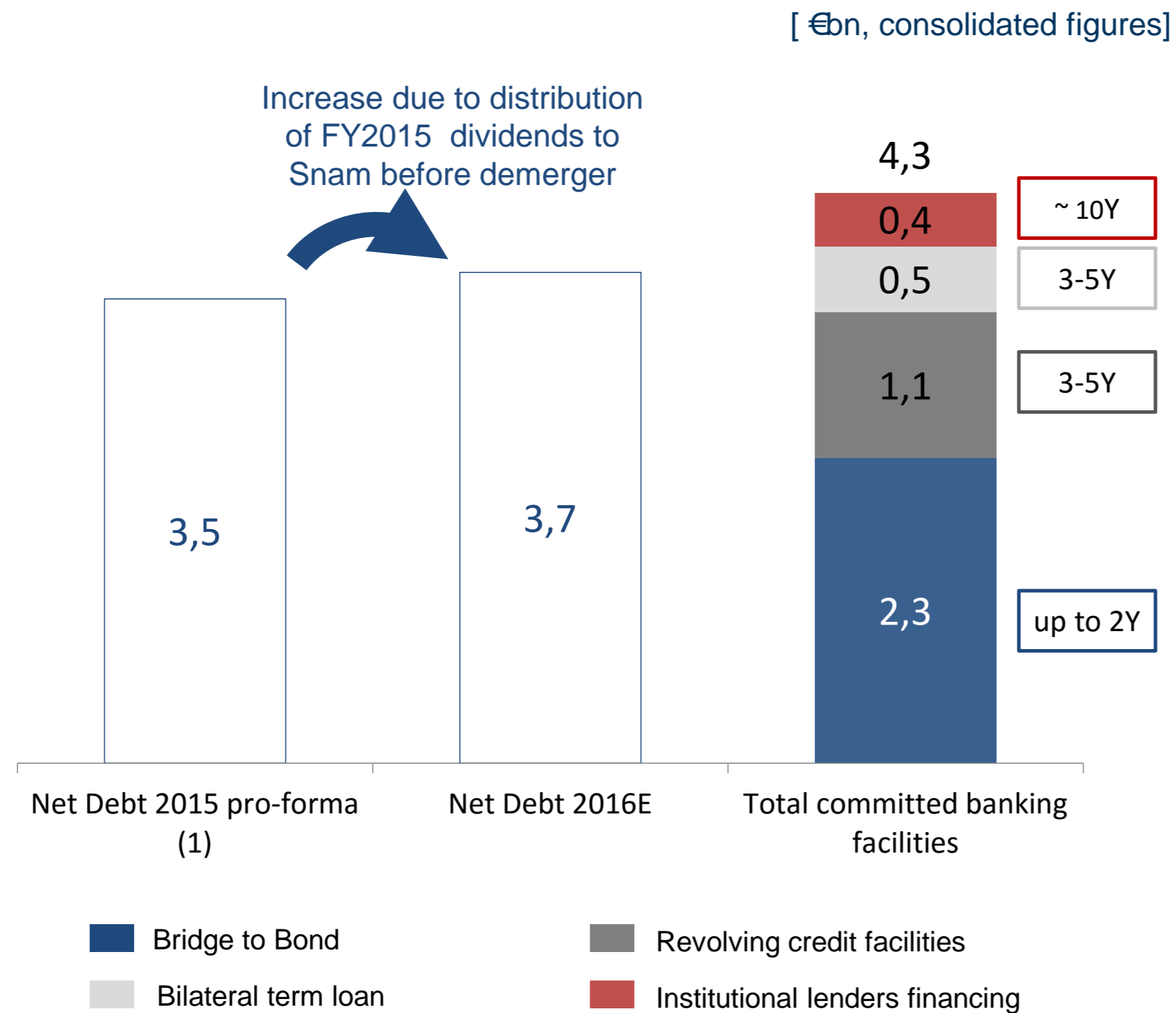
2 Gross of subsidies

3 Associates at equity RAB



Italgas debt structure

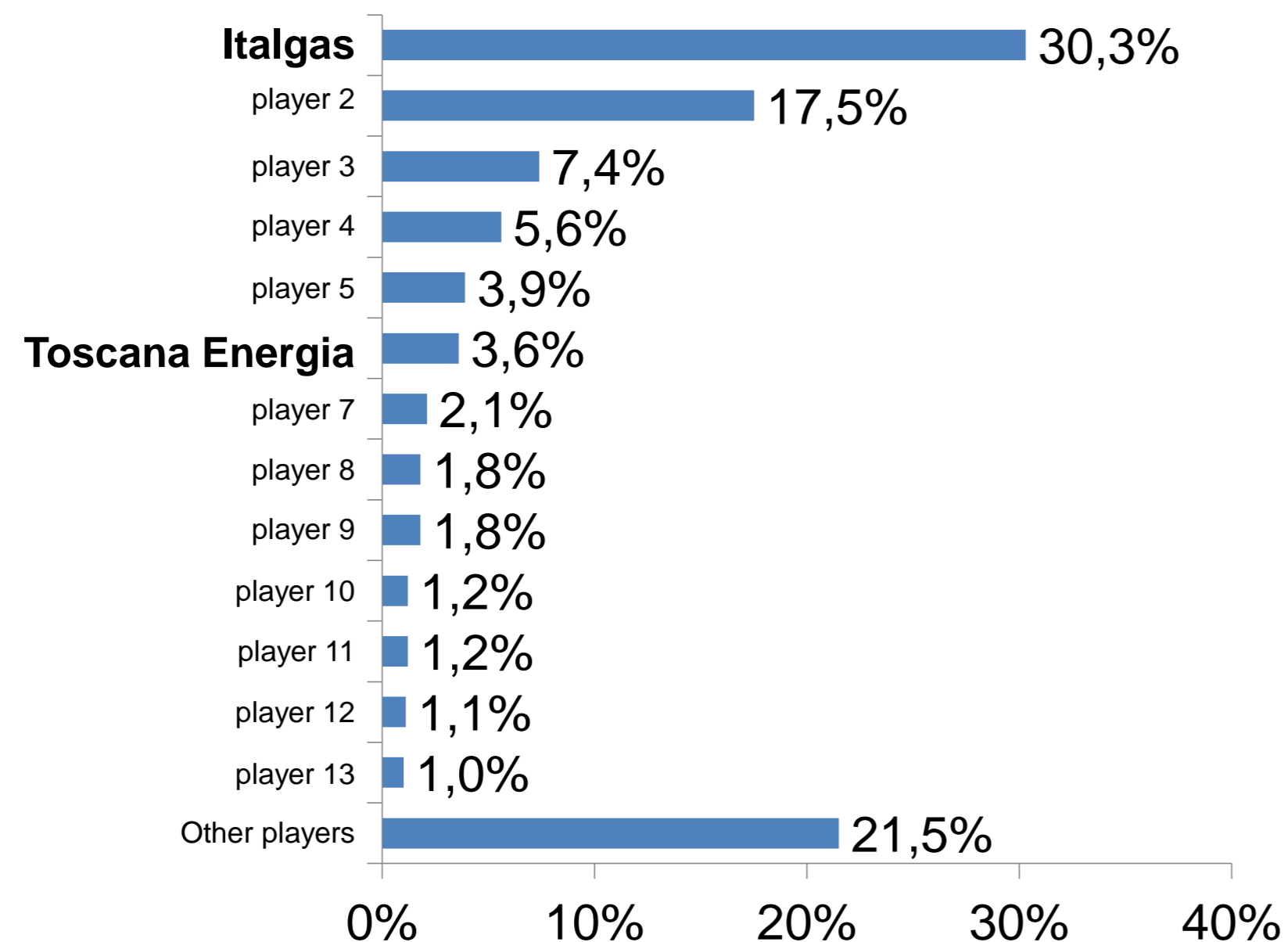
Italgas expected debt structure after demerger



- Opportunity to optimize the debt structure in current market scenario
- Securing a very attractive cost of debt

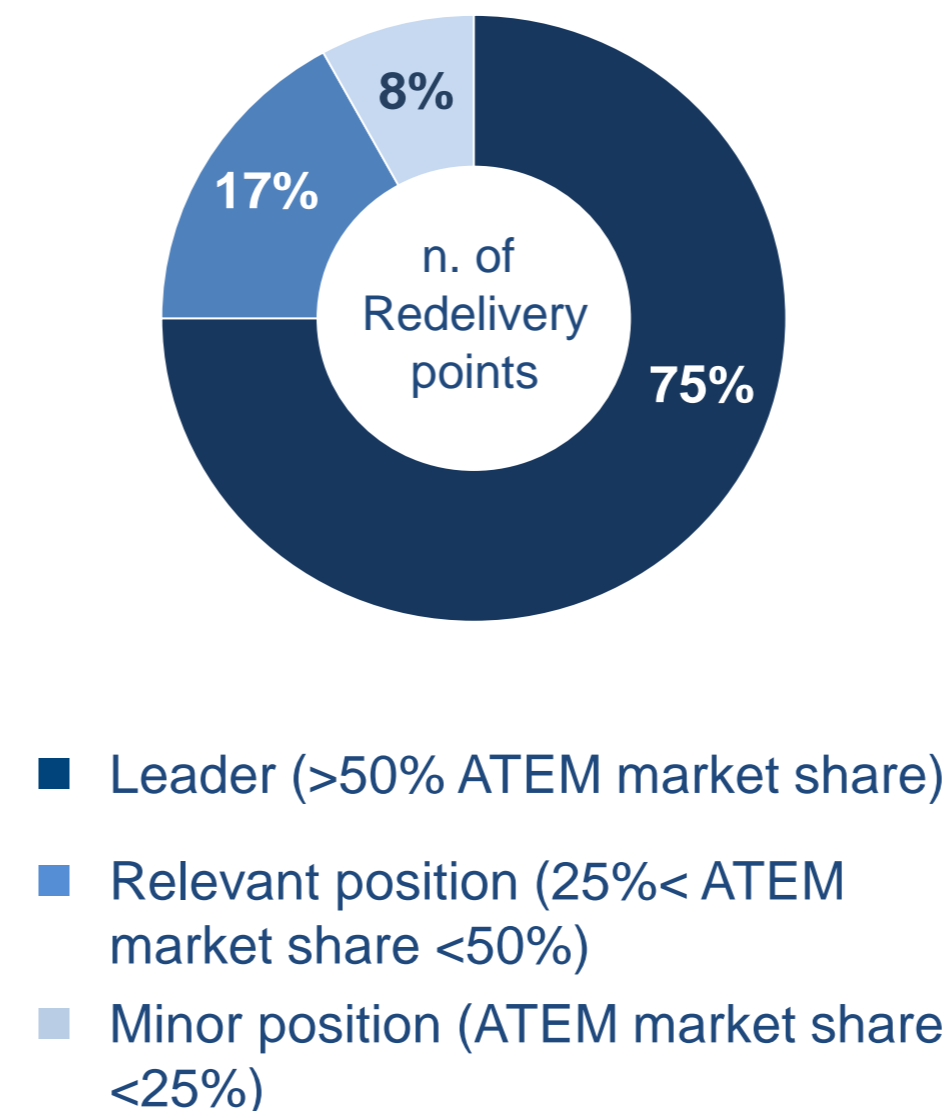
Italgas opportunity: the distribution tenders

Market leader by redelivery points



Strongly positioned for ATEM tenders

Italgas owns 6.5 m redelivery points and is present in 113 ATEMs (out of 177)



Tenders process

- >200 distribution companies currently in the market, strong consolidation expected
- Providing efficiency advantages and economies of scale for larger players
- Tenders to start end 2016
- Process expected to last 5 for years
- Financial strength required
- Managerial focus: a key success factor

Italgas to actively participate in the tender process to pursue growth and optimize the concession portfolio

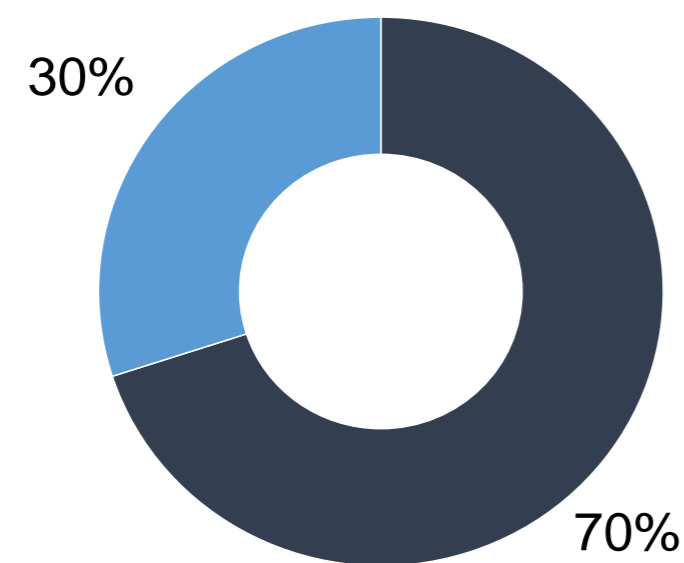


Italgas 2016-2020 main trends

Current perimeter

CAPEX 2016

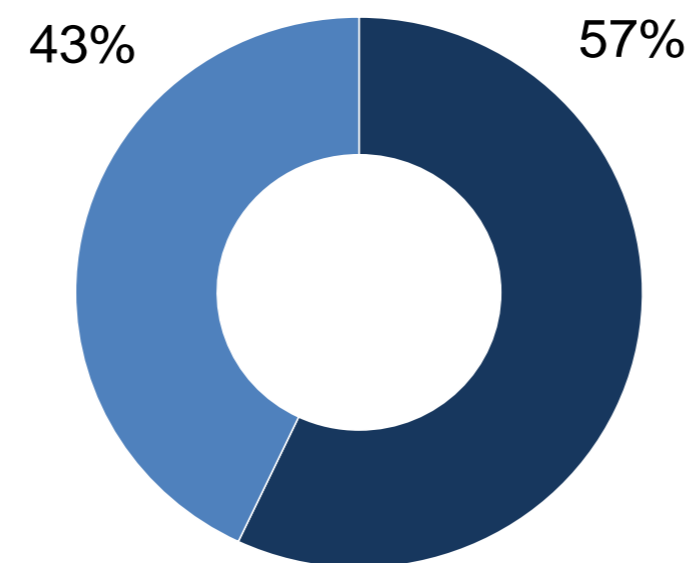
€~0.4 bn



■ Network
■ Metering

CAPEX 2017-2020

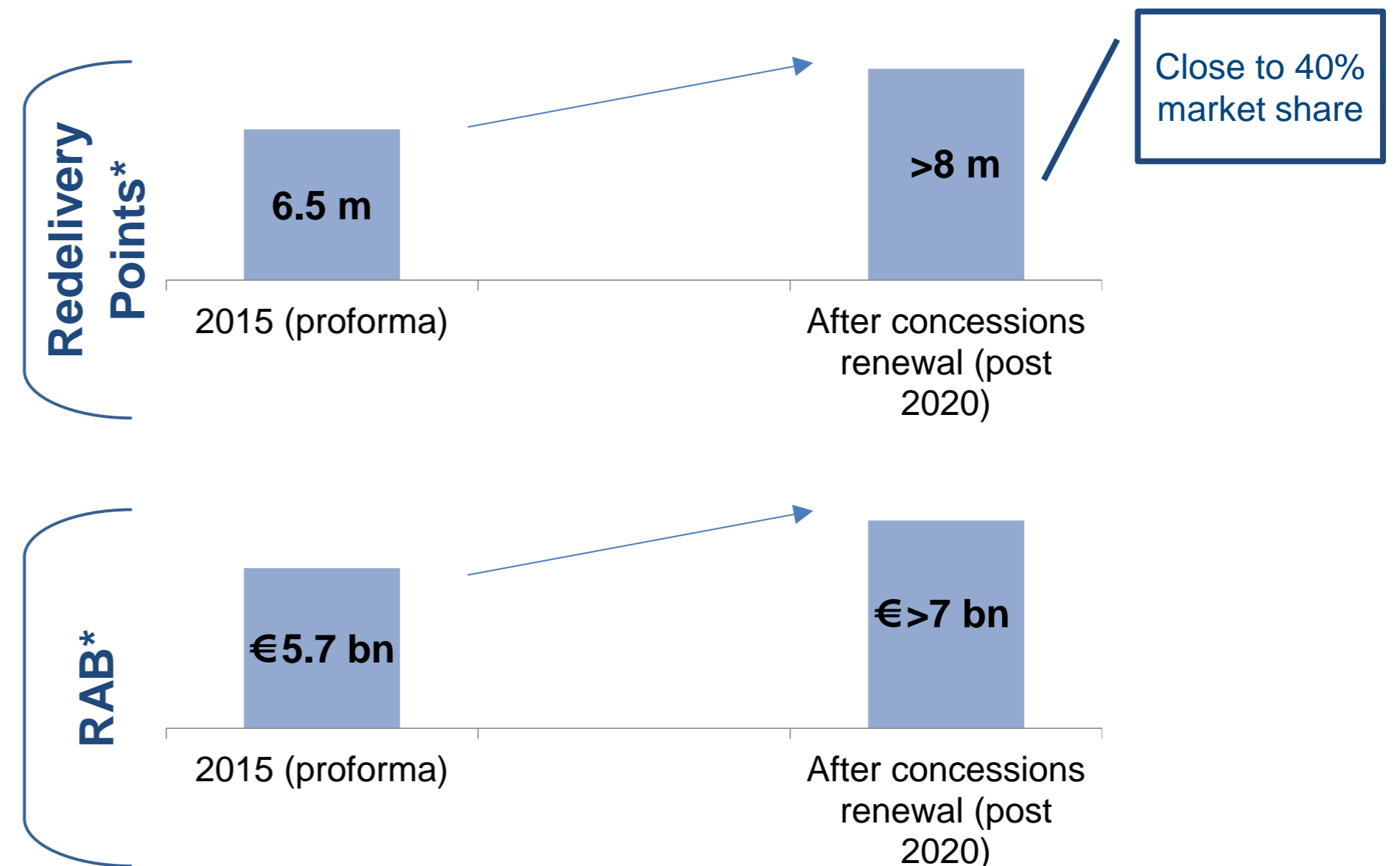
€~1.6 bn



■ Network
■ Metering

New tenders

Redelivery points and RAB growth opportunities



* Excluding Associates

Italgas financial themes post demerger

Cash flow

- Strong cash flow generation
- Significant investment opportunities driven by the tender process calendar

Balance sheet and rating

- Leverage expected to increase as a result of new concession awards while maintaining a solid credit profile
- Committed financing package to secure funding needs and maintain a safe liquidity profile over medium term
- Solid Investment Grade rating (expected BBB+ already assigned by Fitch, provisional Baa1 expected by Moody's)

Debt structure

- At demerger 100% of existing debt based on current market conditions
- Opportunity to fully exploit current market conditions to secure a very competitive cost of debt
- Debt structure evolution (tenor and fixed/floating rates) consistent with the mechanics of the tariff framework while protecting financial outperformance

2016-2020 New Snam Business Plan

Marco Alverà

Chief Executive Officer



Positive market context

Increasing EU dependence on imports

Need of new sources of supply

Push to a single European gas market

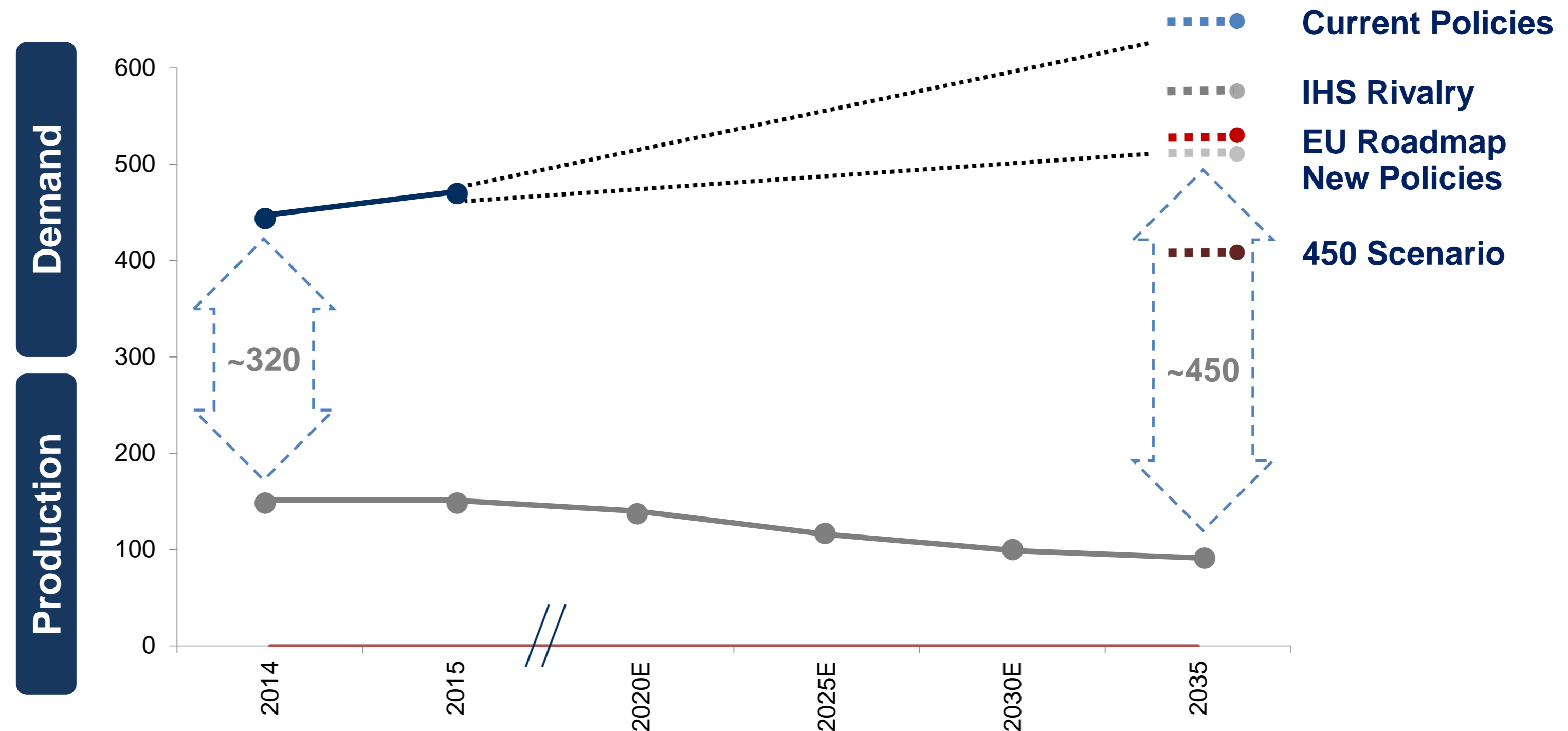
Snam ideally positioned to capture new capex

- Stable European primary energy demand
- **Gas most efficient source** to reach **COP21** decarbonisation target
- **EU production decreasing** and **gas imports rising**
- Push to **diversify gas sources** for energy security
- New southern corridor
- **LNG regaining role** in Europe
- **Integration of European hubs**
- Enhance the flexibility of storage & transport system
- **Increase market liquidity**
- Additional import infrastructure required
- European projects for **market integration & debottlenecking**
- Need for oldest pipelines' replacement in Italy

European gas demand & supply trends

Gas Demand and Production in EU (bcm)

Data for EU28 and Turkey

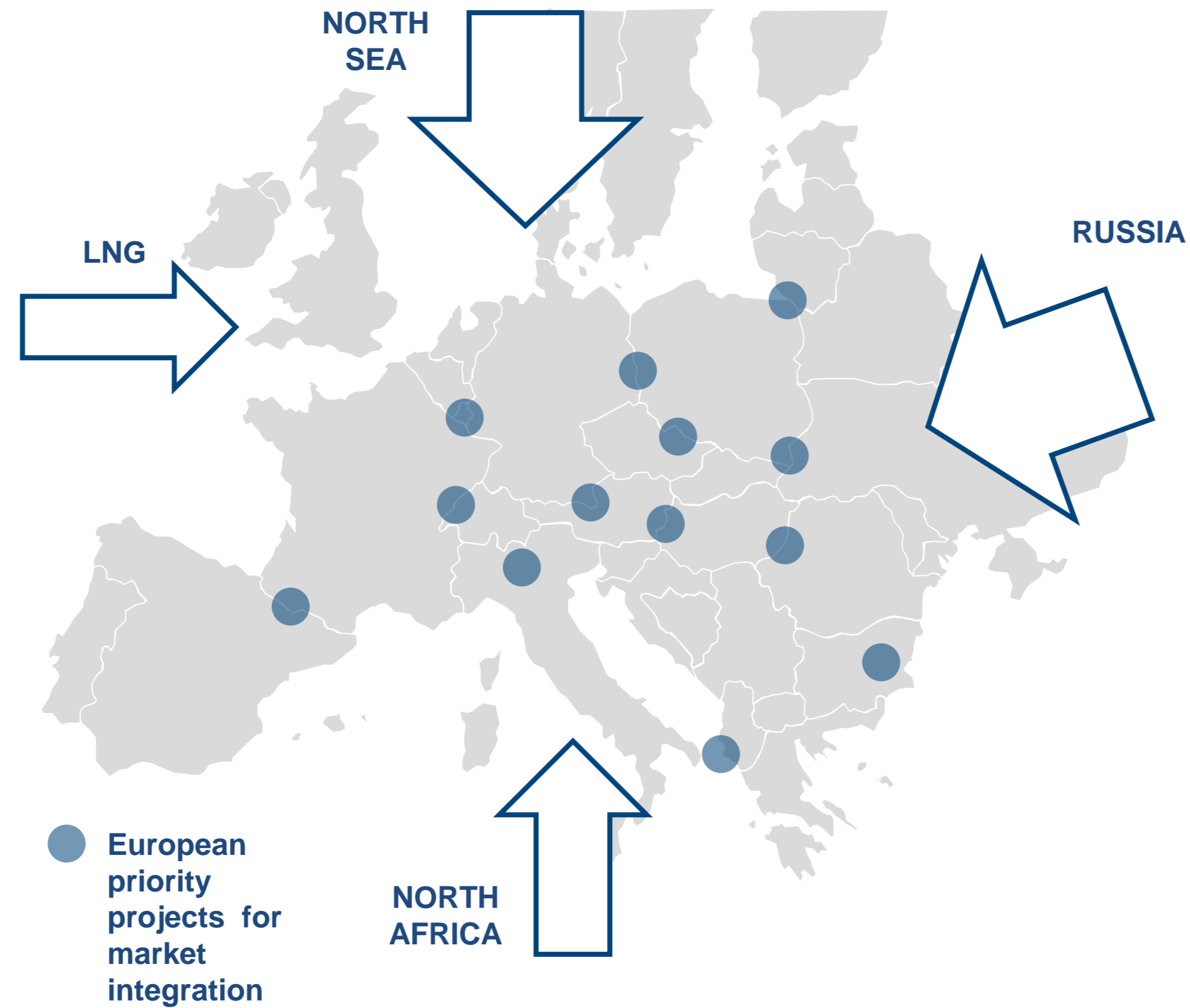


With increasing dependence on imports, infrastructure operators are key to ensuring stability, security of supply and diversification

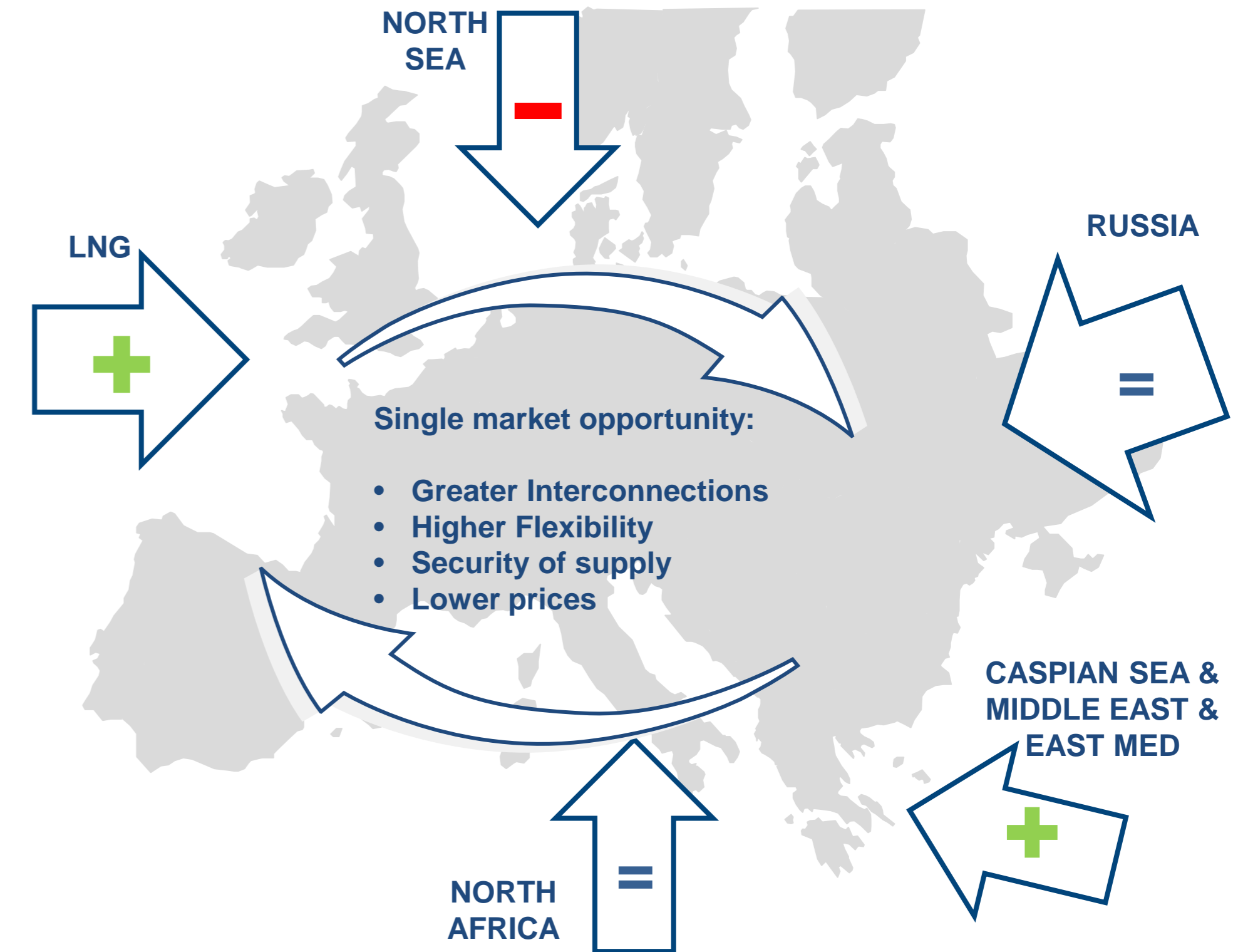


Europe trending towards a single energy market

Present flows



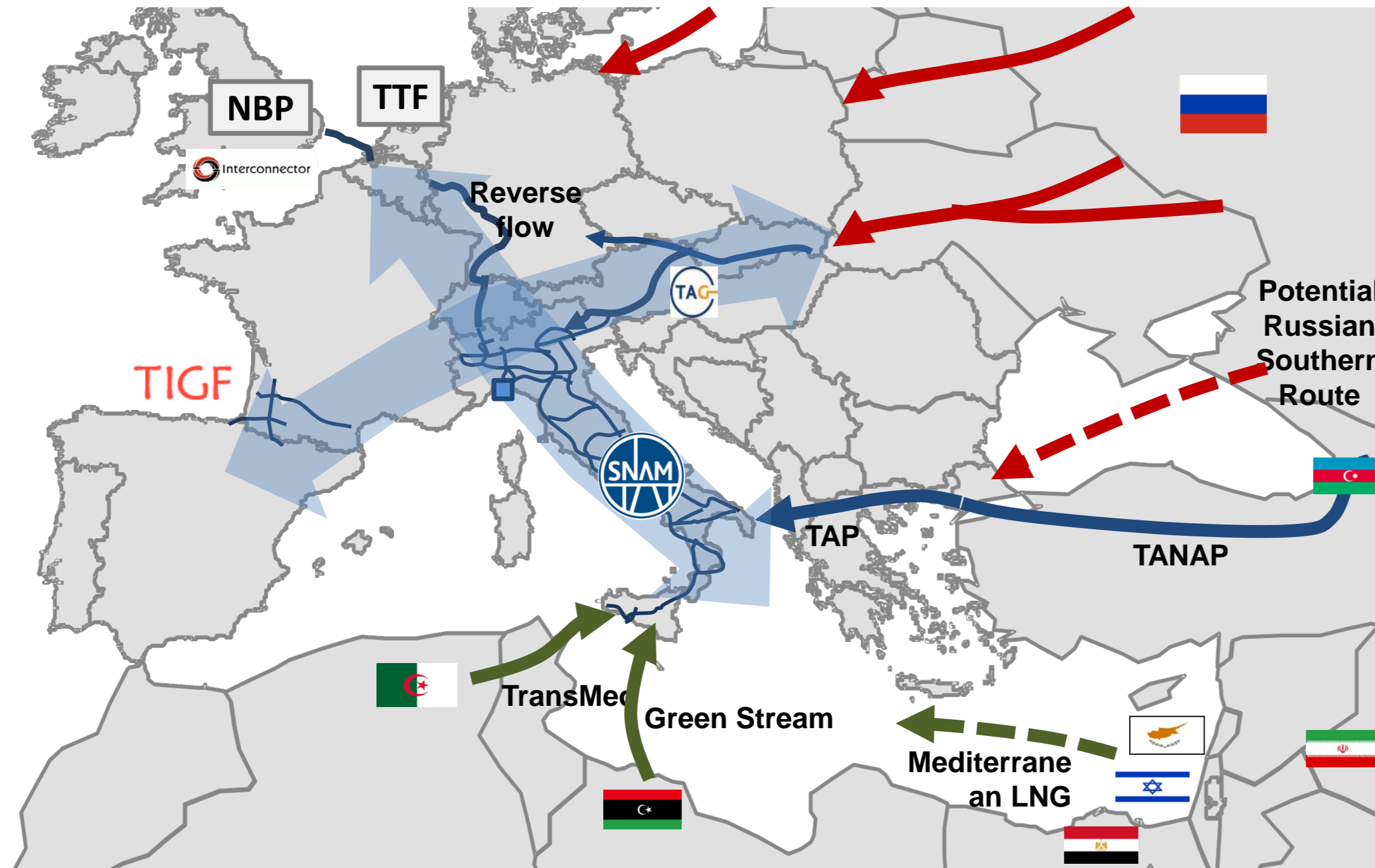
Expected flows



Debottlenecking of national interconnections and new supply sources fosters market integration, greater liquidity and security of supply

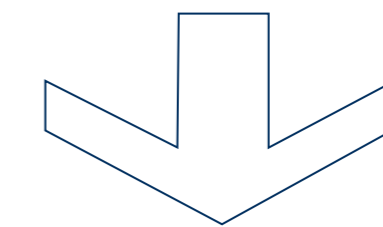


Snam ideally positioned to capture new capex potential in Europe



Potential infrastructure requirements* over €70 bn

- Excellent fit with gas corridors and new supply sources and routes
- Connected to the 4 main European gas hubs
- Investments for reverse flow near to completion
- Integration of storage, transmission and LNG services
- New flows to further enhance strategic value of Snam infrastructure



Transforming Italy in a gas hub



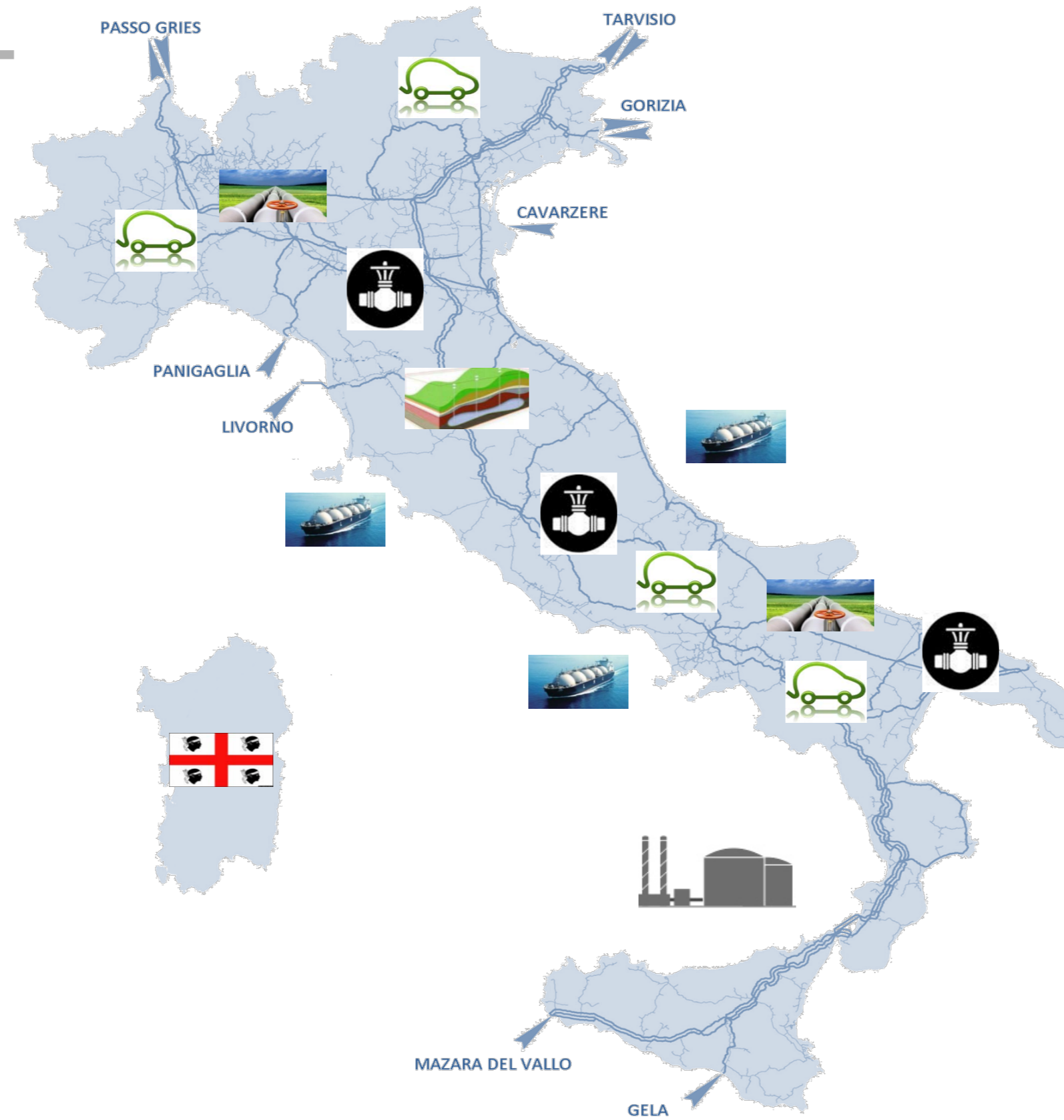
* Source: ENTSOG TYNDP, EC CEF Energy

Significant capex opportunities in Italy

Existing gas infrastructure



- Ongoing storage and network development
- Network replacement (~7,000 km built 50 years ago)



Potential new development projects in Italy



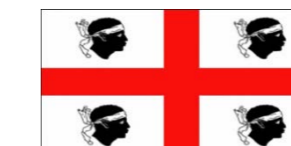
- Additional network development



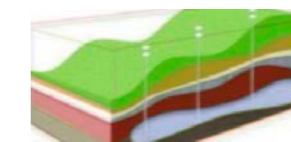
- New LNG plant



- Small scale LNG



- Sardinia methanization



- New storage capacity



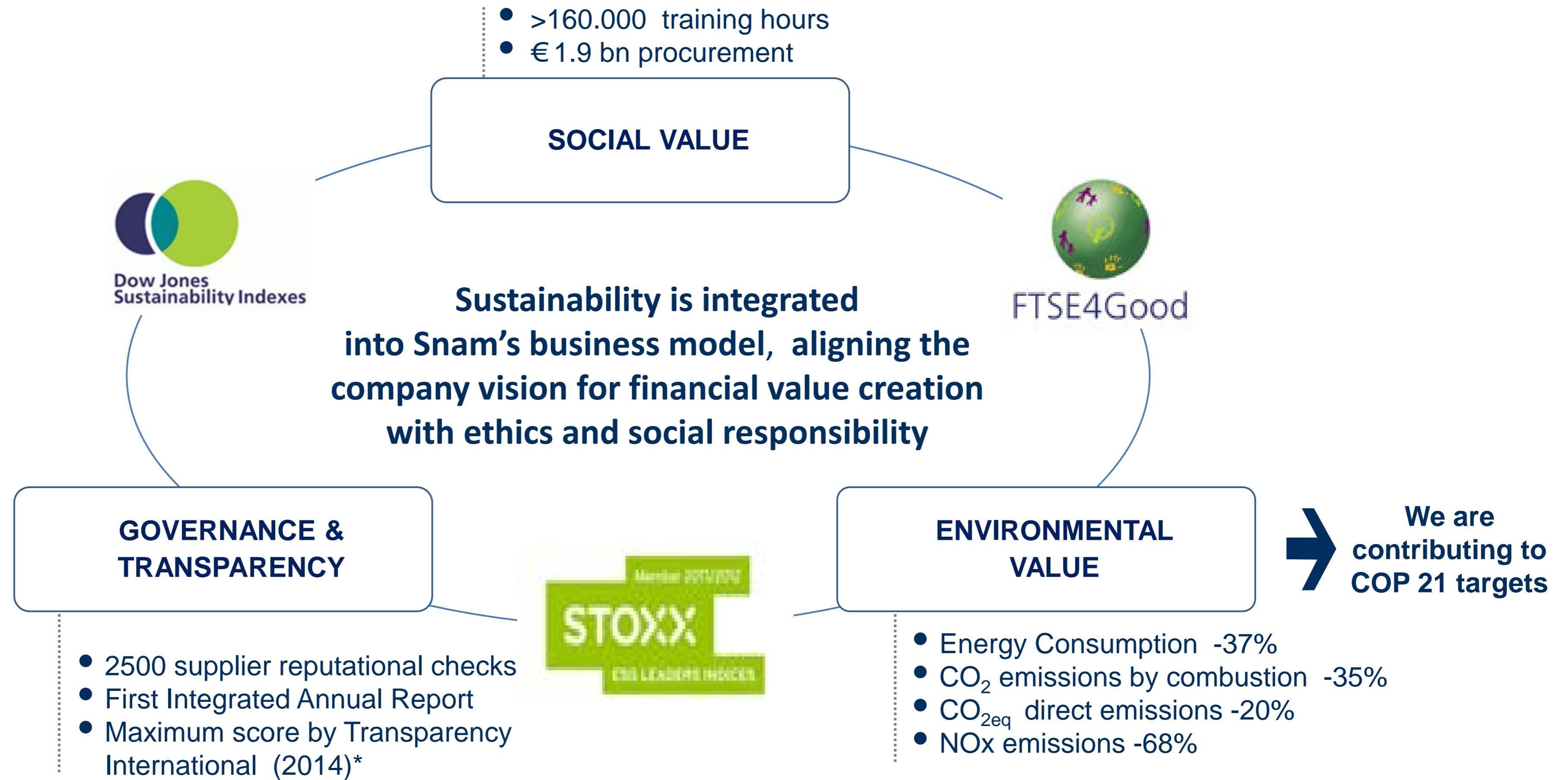
- Infrastructure for gas fuelled vehicles (CNG)

Strategic pillars: enhancing performance from a strong base



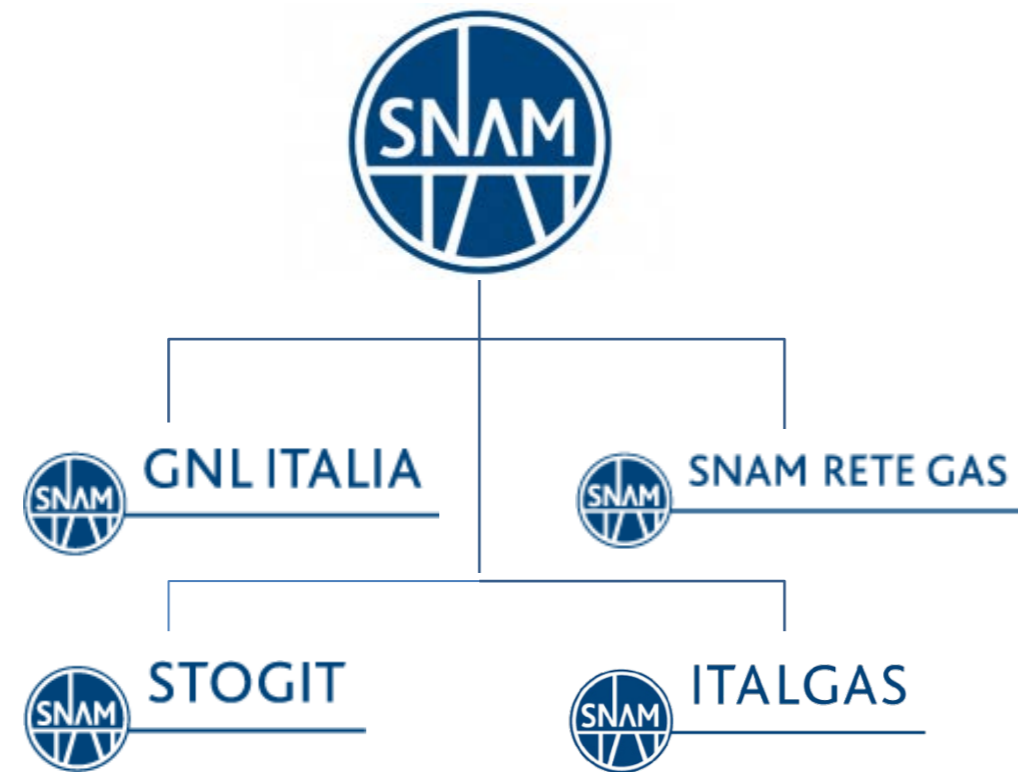
Corporate governance and sustainability

1

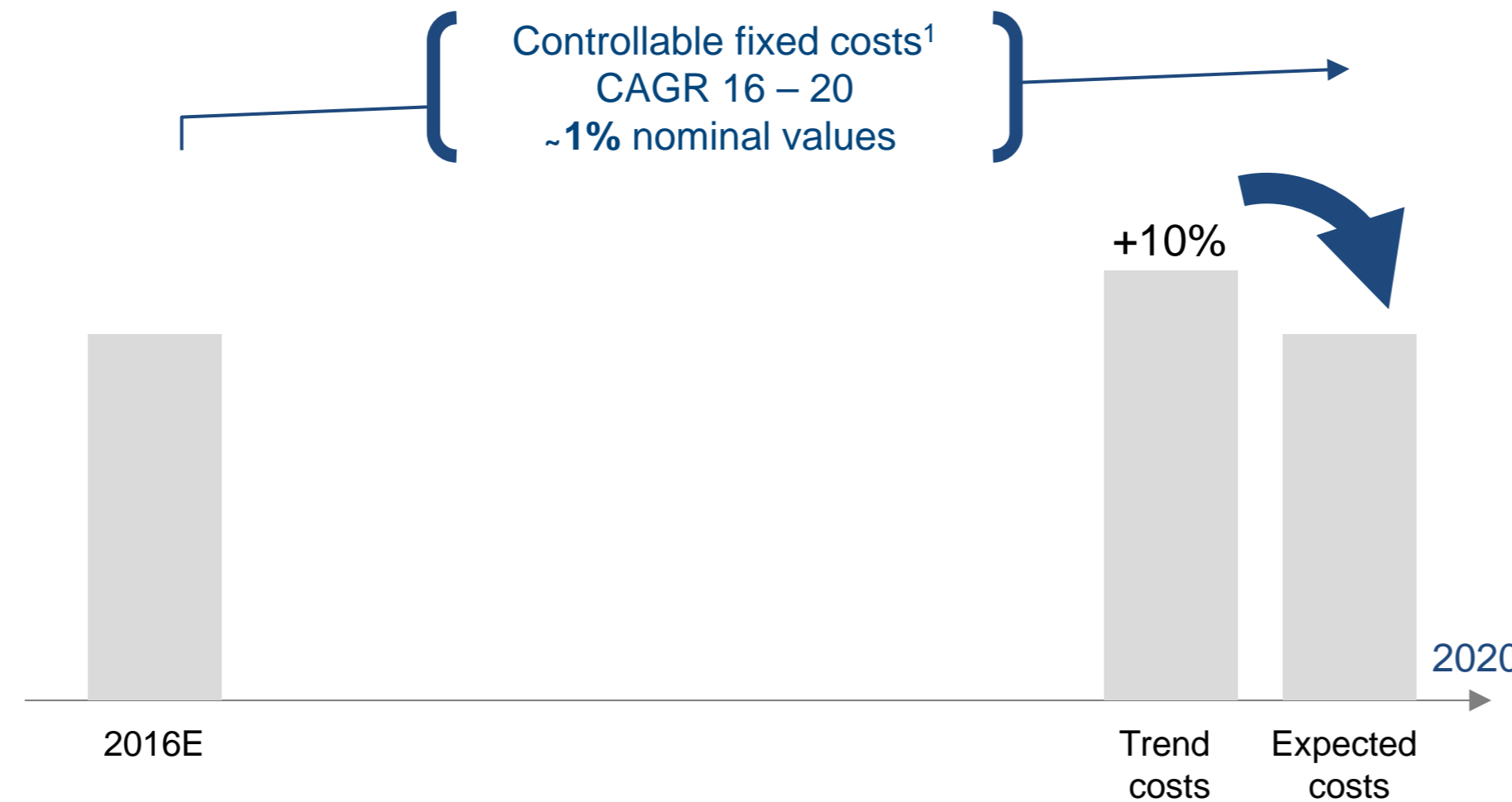
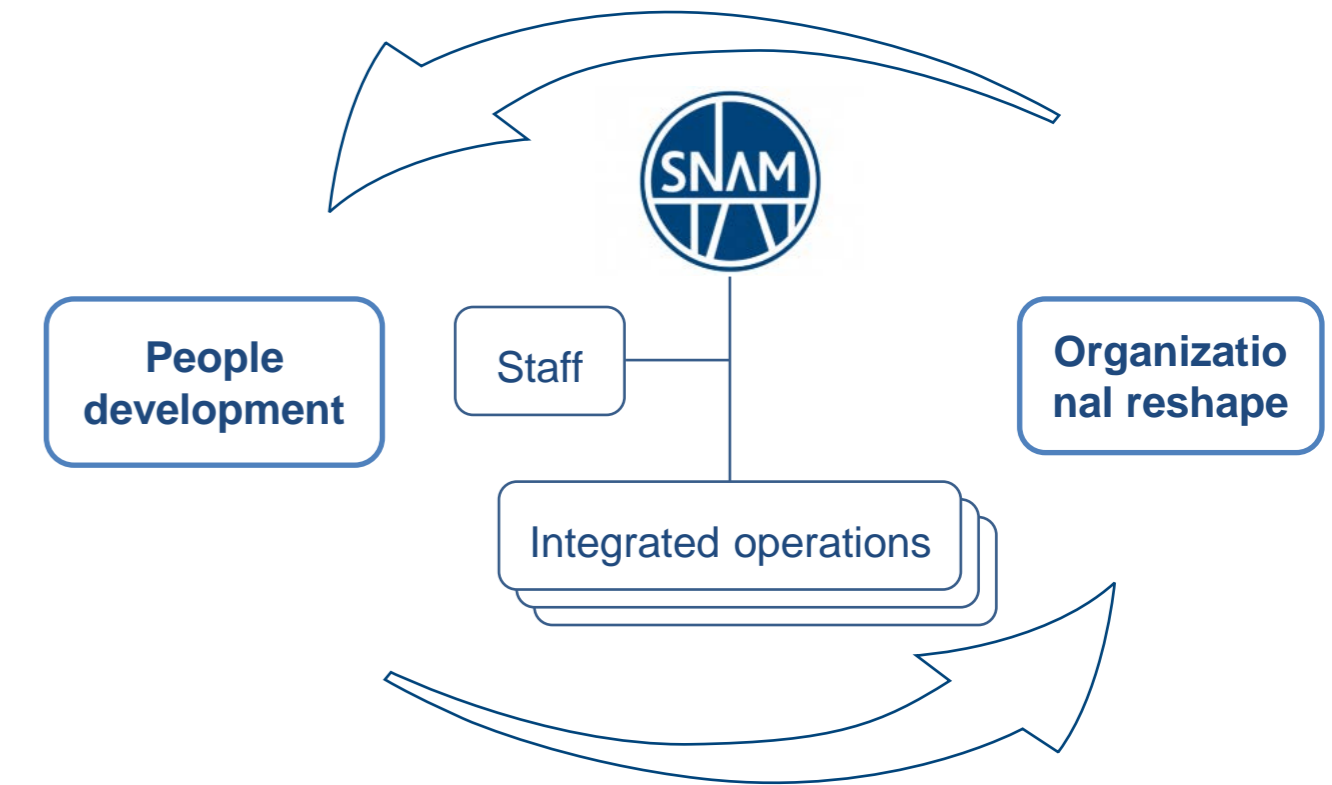


Additional focus on operational efficiency

1



From a Group of companies to an integrated player



Flat controllable fixed costs, even in a scenario of growing infrastructure and complexity

Trend costs increase is more than offset by cost reduction initiatives



1 Net of pass-through components, assuming constant perimeter

Regulatory framework in Italy

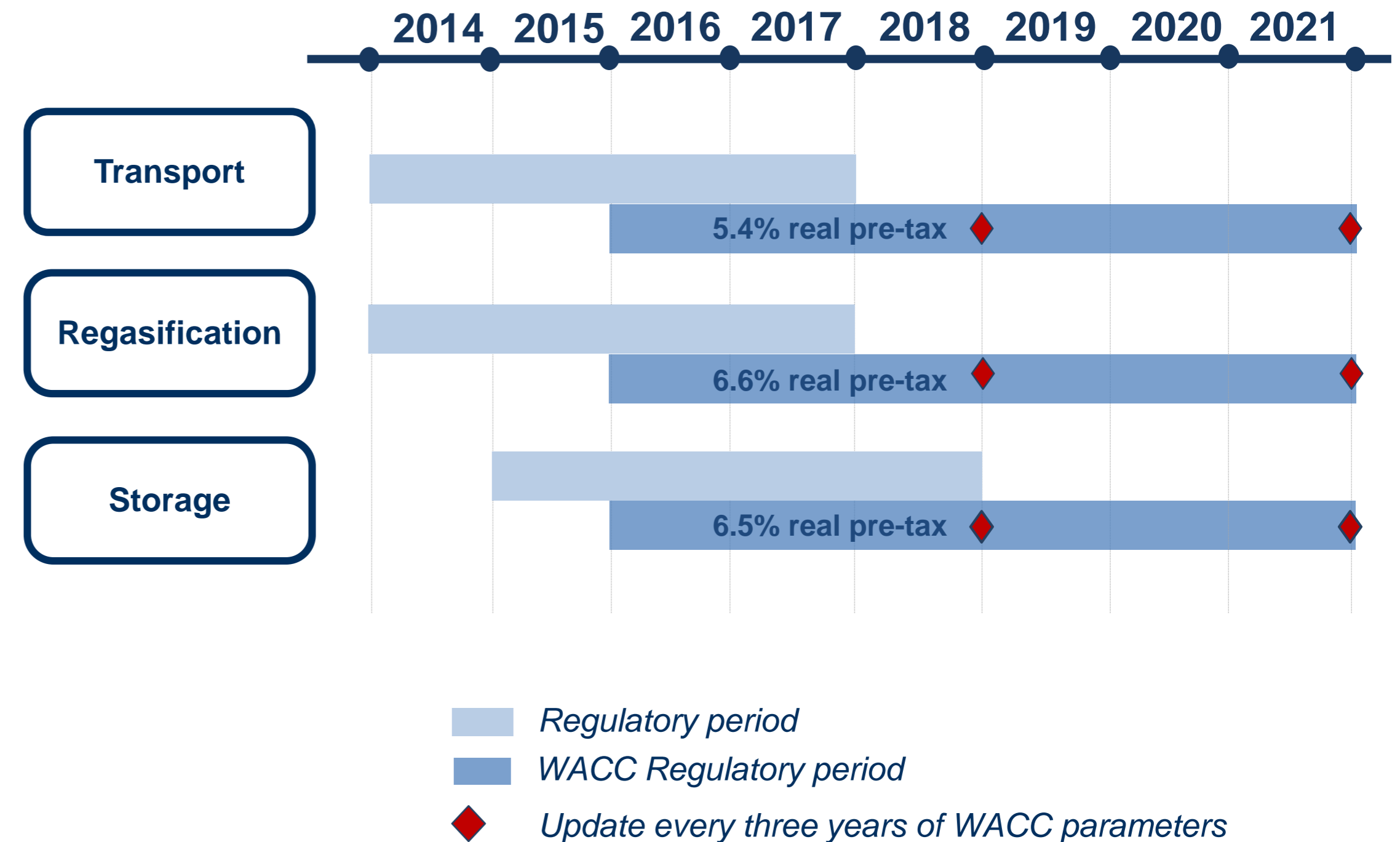
2

Outcome of the new Regulation

- WACC period extended to 6 years
- Clear rules
- Predictable evolution of the remuneration

New WACC formula

- Real pre tax remuneration
- Direct reference to real historical returns
- Floor for risk-free rate at 0.5%
- Introduction of the Country risk premium
- Interim review after 3 years

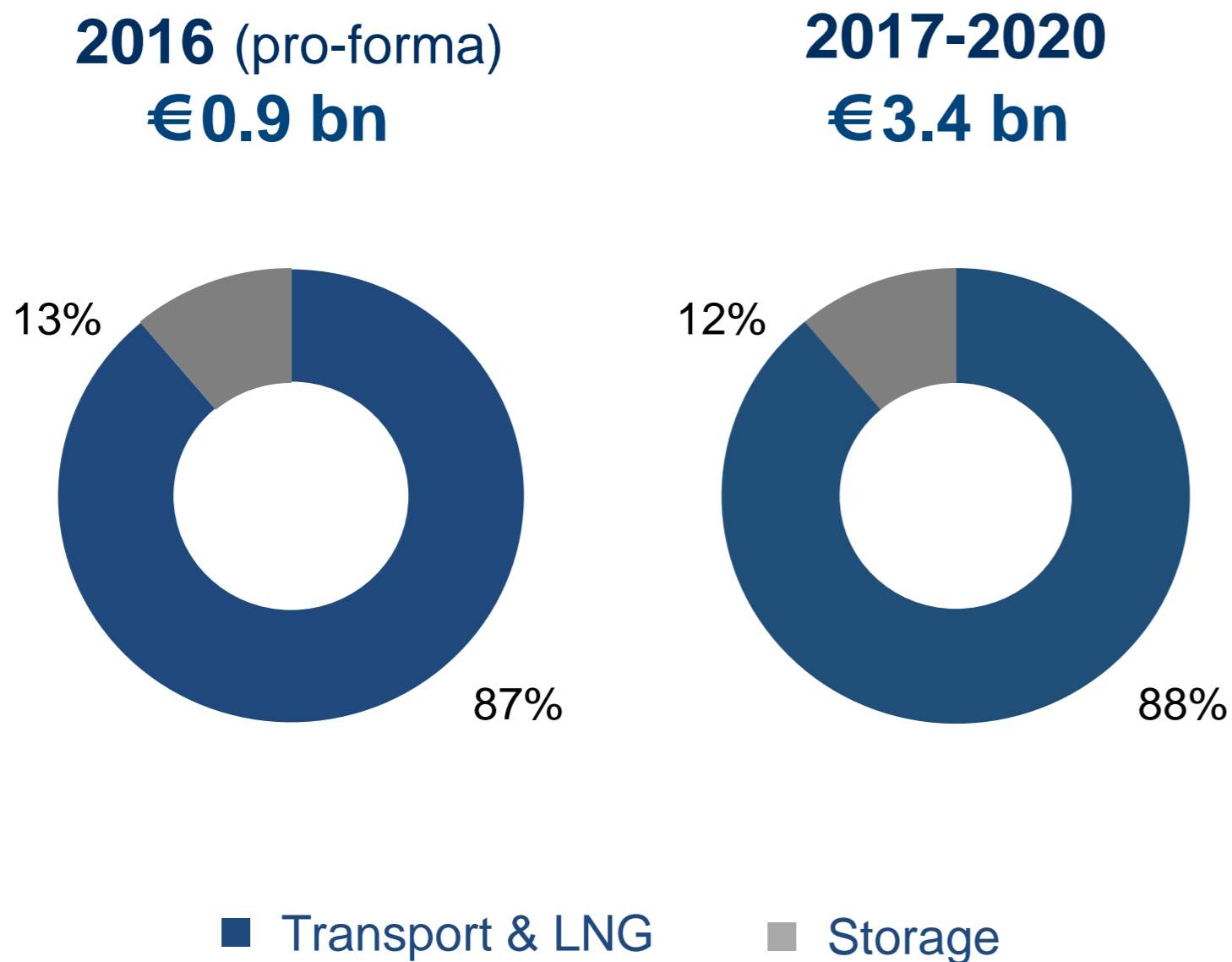


A fair and visible framework supports long term capex development

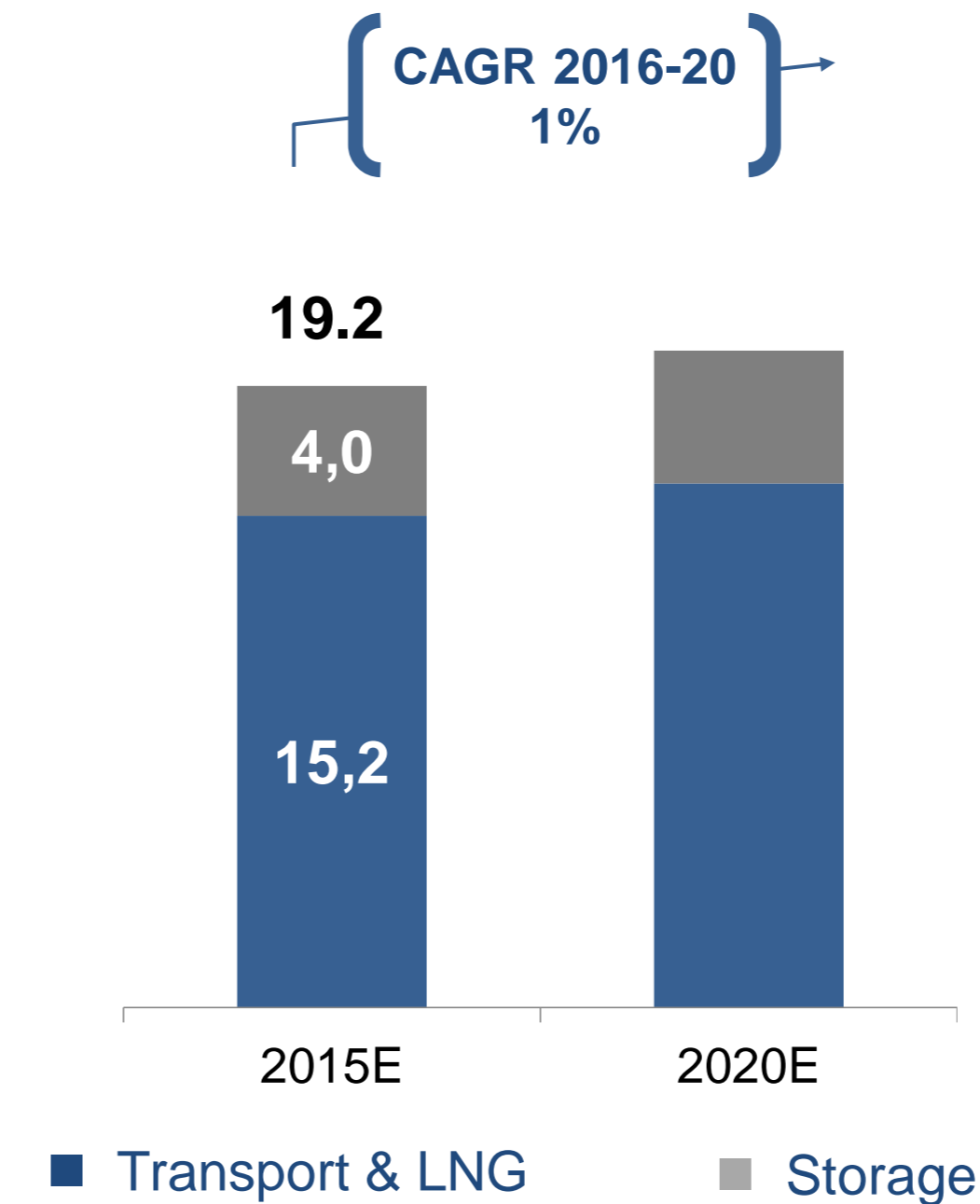
Domestic investment plan: capex* and RAB evolution

3

Total capex: €4.3 bn



Consolidated RAB¹



Beyond 2020

- Replacement of fully depreciated pipelines
- Investments “tails” to complete current development projects



Opportunity of RAB stability even in a low inflation economy

- Potential new activities



Further significant capital deployment opportunities

Disciplined programme to fuel sustainable growth in the asset base



* Gross of subsidies

¹ Total RAB evolution calculated assuming an average annual inflation rate of ~ 1% in 2016 – 2020 and according to current regulatory framework

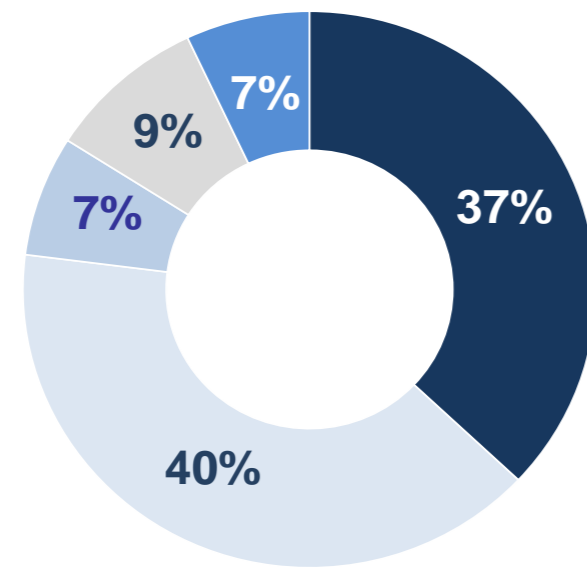
Domestic Investment plan: main projects in Italy

3

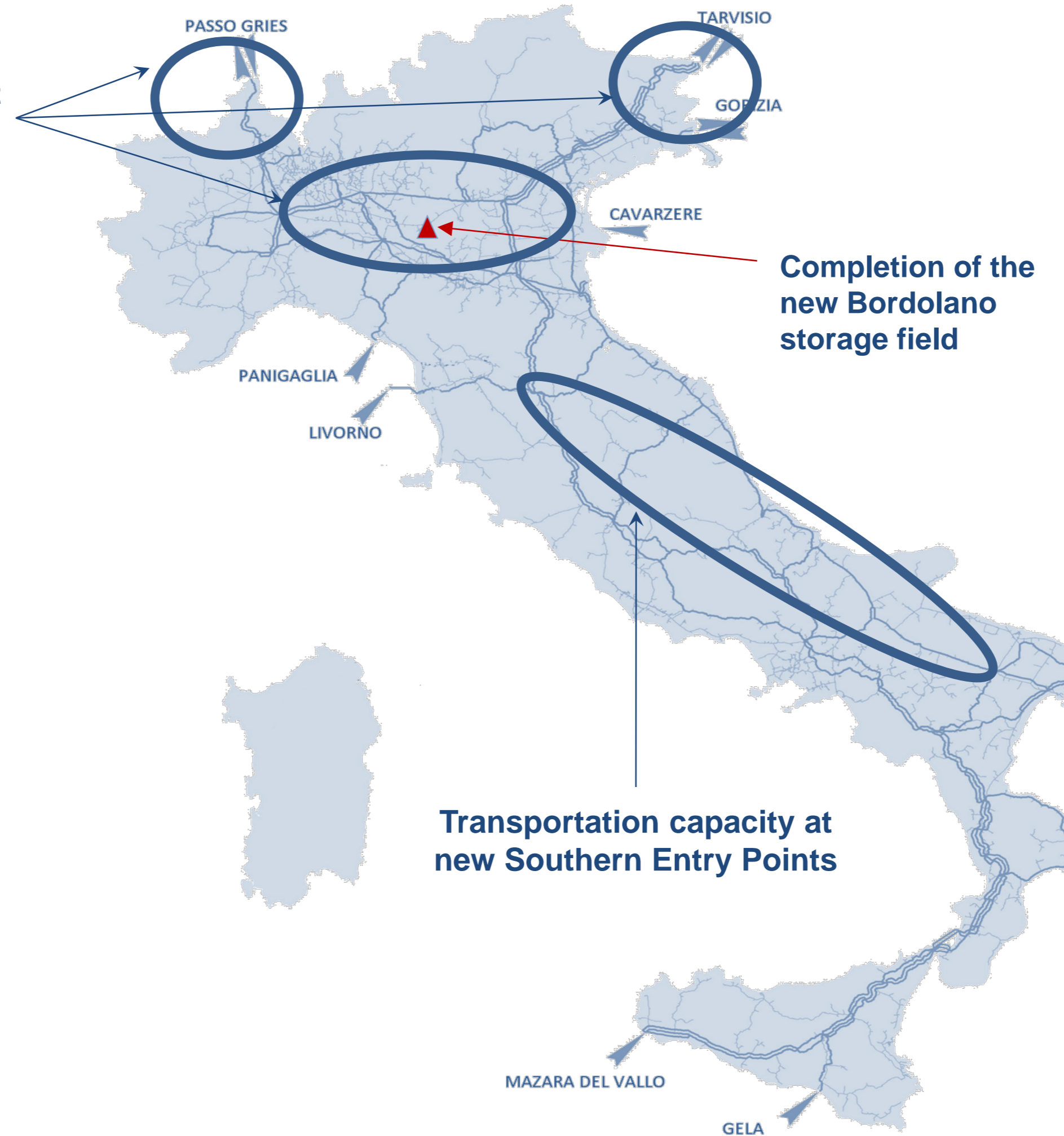
Support to the North West market and bidirectional cross-border flows

CAPEX 2016-2020
Transport and LNG

€3.8bn

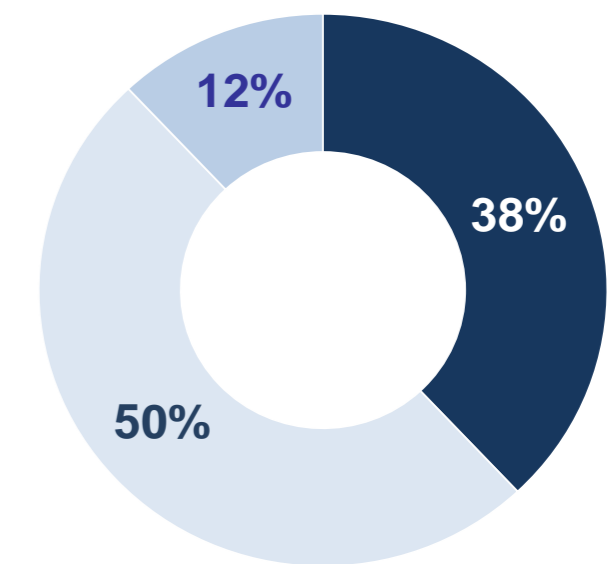


- Development
- Maintenance
- Pipeline replacement
- Redeliv. points upgrading
- Other



CAPEX 2016-2020 Storage

€0.5bn



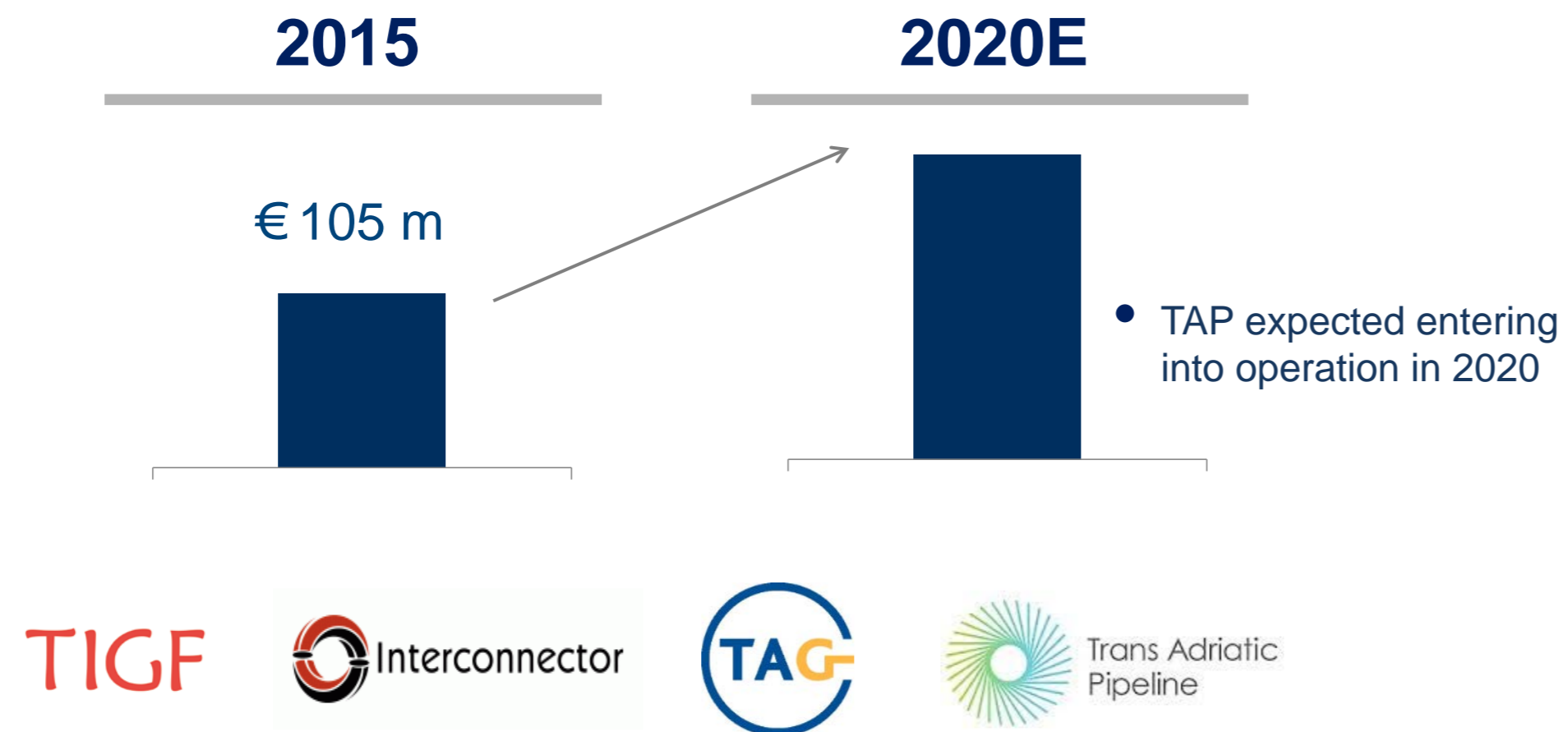
- Development
- Maintenance
- Other



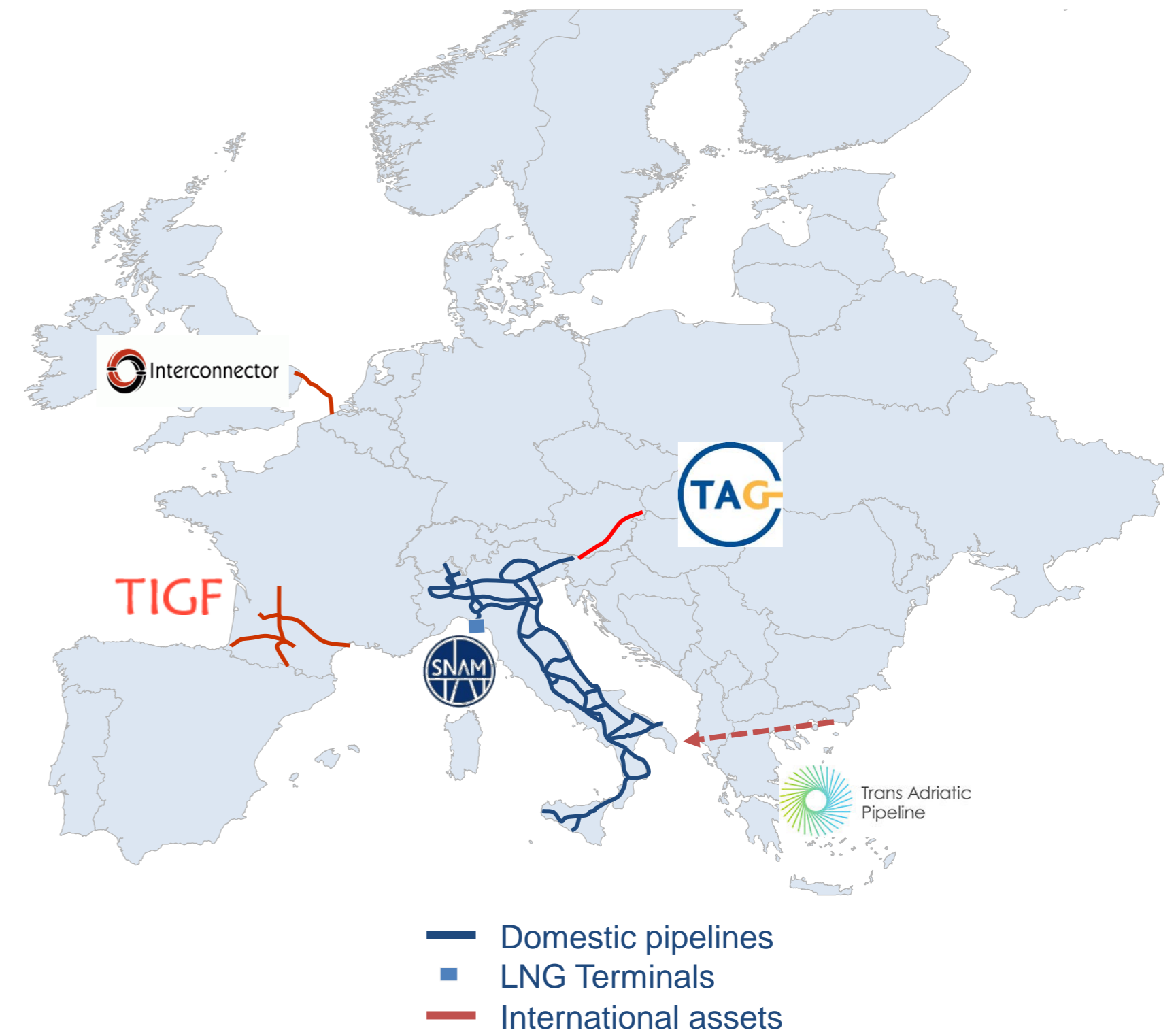
Enhance the value of international existing participations

3

Net Income from current international associates



- Total acquisition costs: €1.37 billion
- Assets performing better than expected
- Return on equity investment: 10% over the plan period



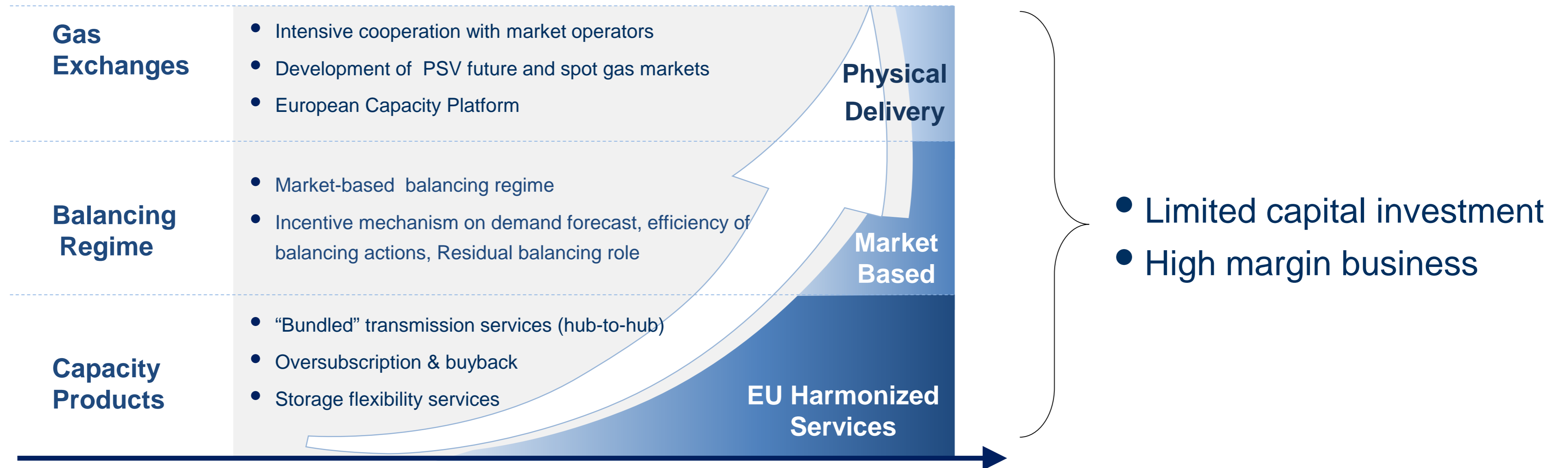
Growing net profit contribution from international subsidiaries



Additional growth: new regulated services

4

From asset owner to service provider

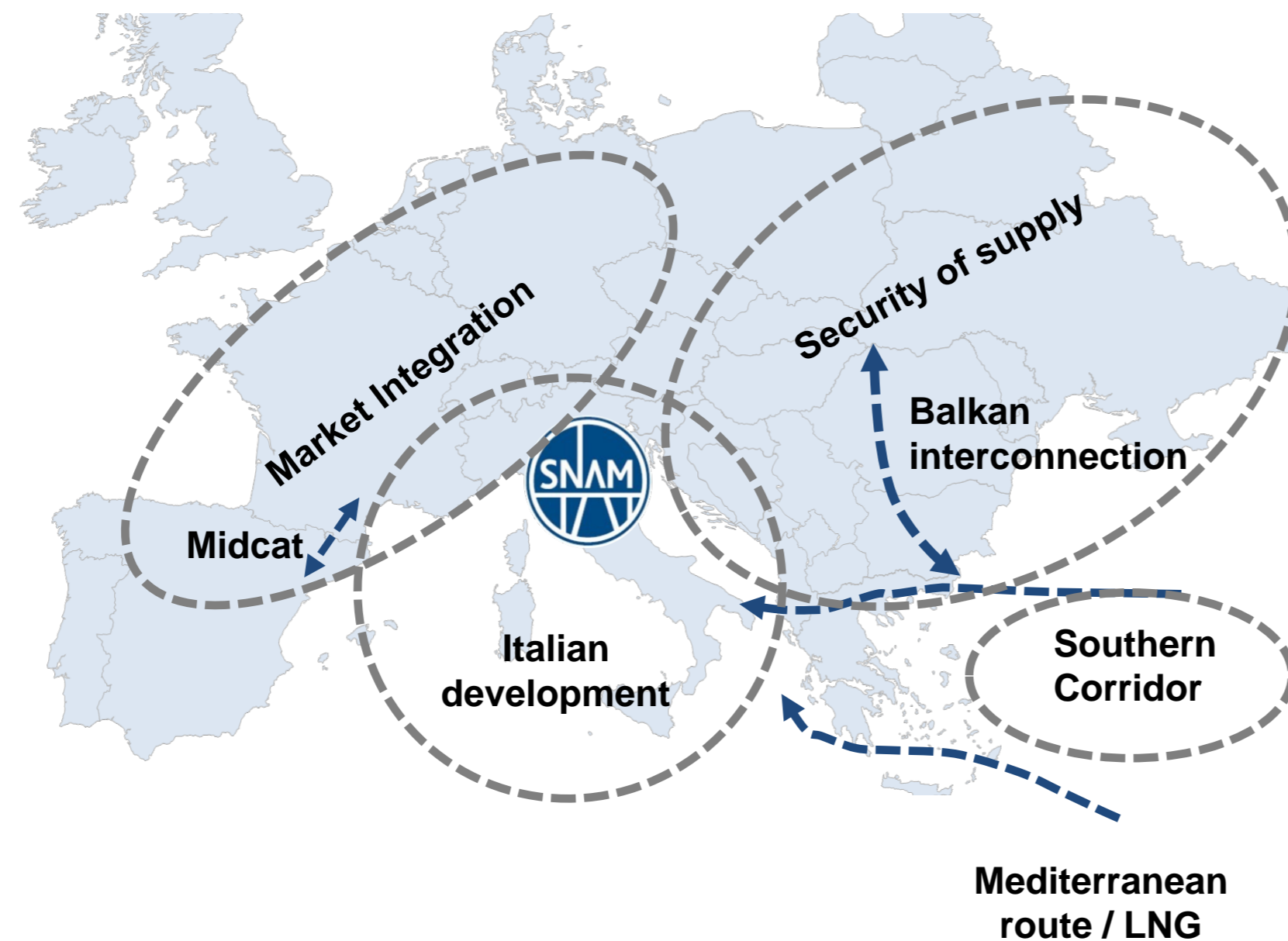


Opportunities from new sources of profitability

Additional growth: value accretive opportunities

4

European projects



New activities

- Infrastructure for gas-fuelled vehicles
- Favour development of biomethane
- Enhance Snam capabilities along LNG chain
- Engineering and Technical services starting from Snam subsidiaries

**Strict financial discipline to pursue only profitable growth
with risk profile in line with current portfolio.**

No growth for growth's sake

Sound financial strategy

5

Cash flow generation

- Cash Flow from Operations to comfortably cover both capex and dividends

Balance sheet and credit rating

- Commitment to maintain a solid investment grade status
- Strengthen balance sheet following demerger
- Committed financial resources sized to maintain a safe liquidity profile over 2016-2020

Debt structure and cost of debt

- Debt structure consistent with the mechanics of the tariff framework and our goal to protect financial outperformance
 - 2/3 fixed rate, 1/3 floating rate debt
- Dynamic management of debt structure to further optimize the cost of debt

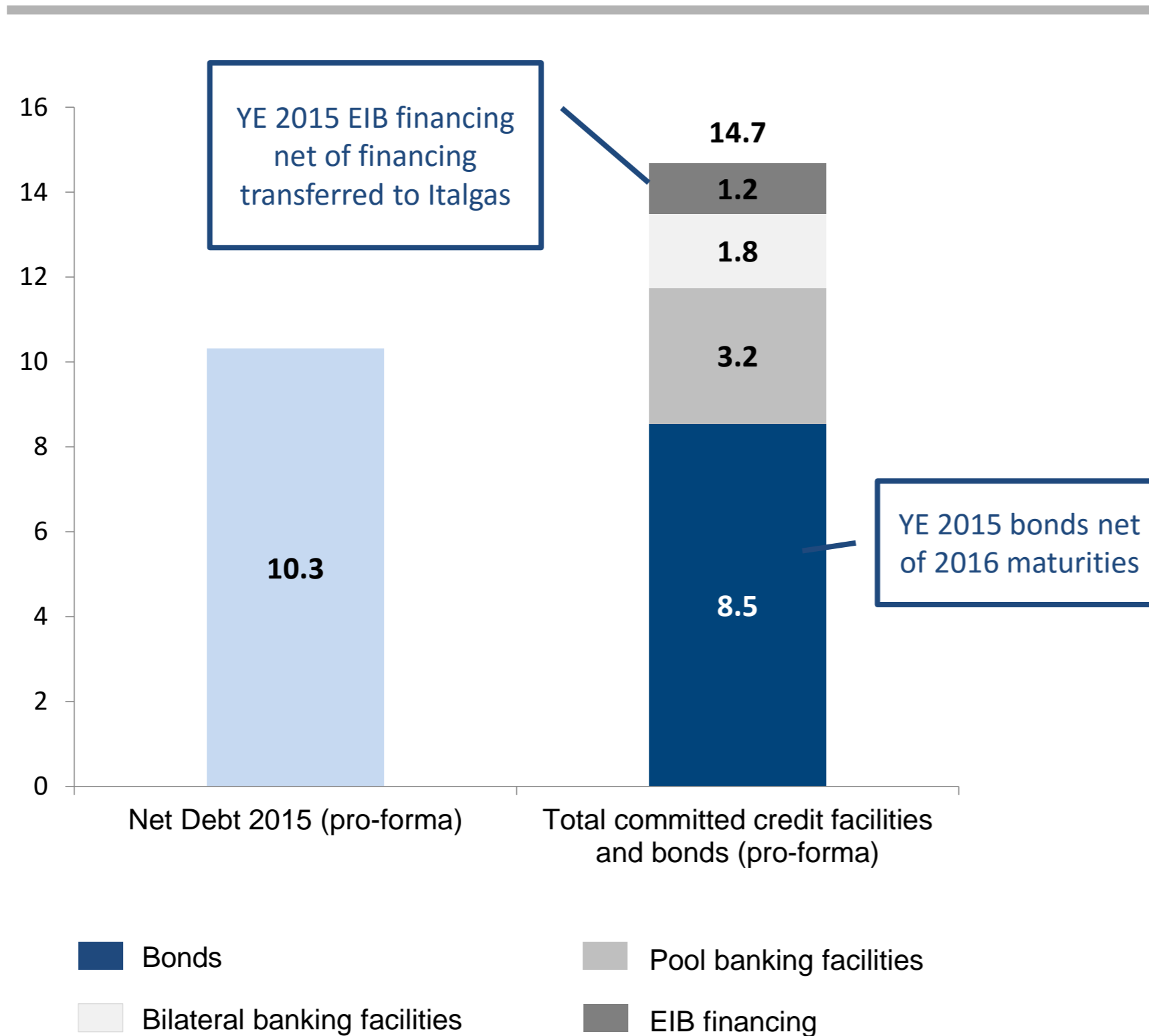
Solid and efficient financial structure preserves Snam's low risk profile while capturing new value creation opportunities



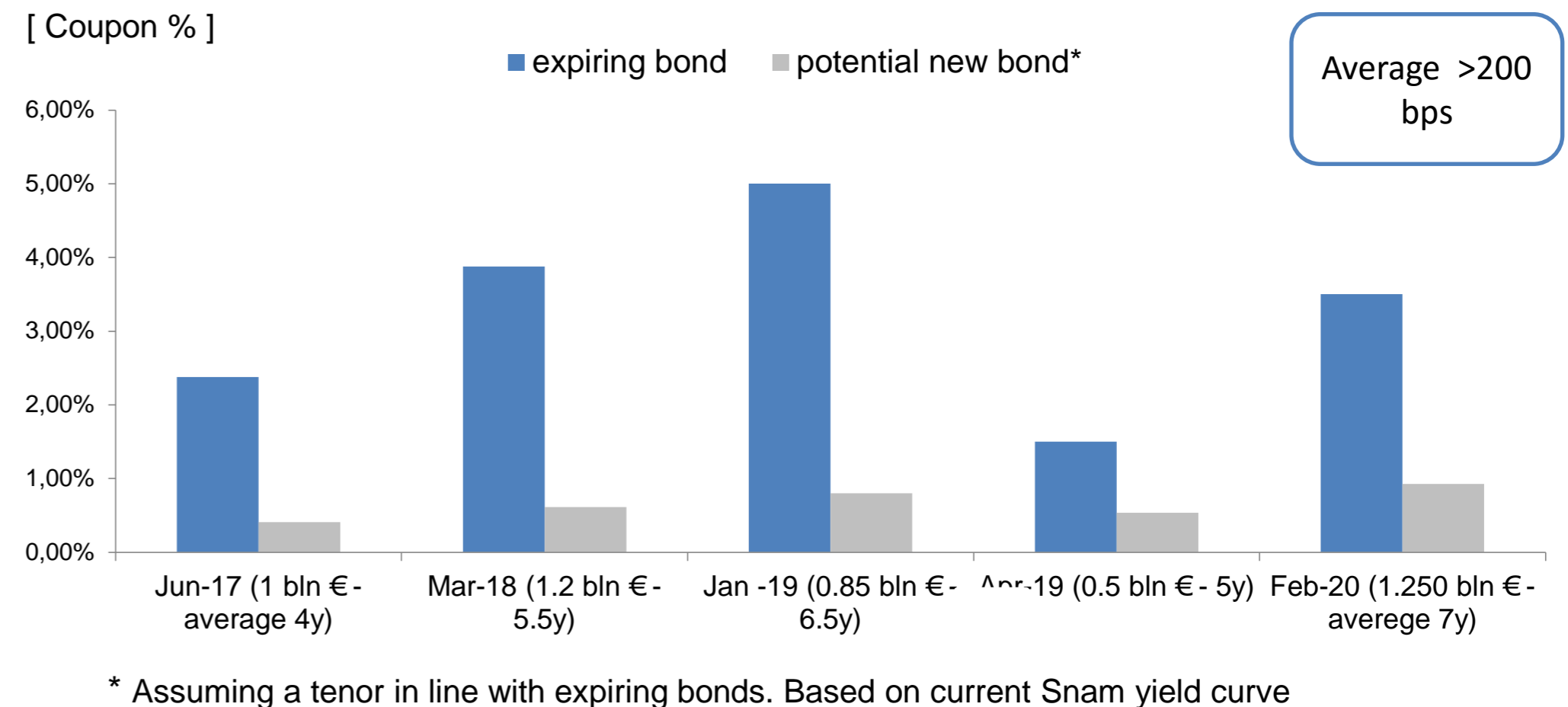
Debt structure post demerger and further costs optimization

5

Snam pro-forma 2015 Capital Structure



Upside from fixed rate bond roll-over



Dynamic management of debt structure

- Financial markets with favorable interest rates and spreads
- Managing future refinancing exercises exploiting all potential opportunities
- Treasury management optimization
- Resizing of banking lines and bond amount

Snam ex Italgas 2016 guidance and 2020 growth targets

5

	<u>Pro-forma 2016</u>	<u>2020 Targets*</u>
CAPEX	€ ~0.9 bn	€ 4.3 bn 2016-2020
Consolidated RAB	€ ~19.5 bn	~1% CAGR
Net income	€ ~0.8 m	<p>Net income increase driven by:</p> <ul style="list-style-type: none"> • EBIT evolution correlated to RAB growth and supported by operating efficiencies • Increase in associates contribution • Reduction in cost of debt

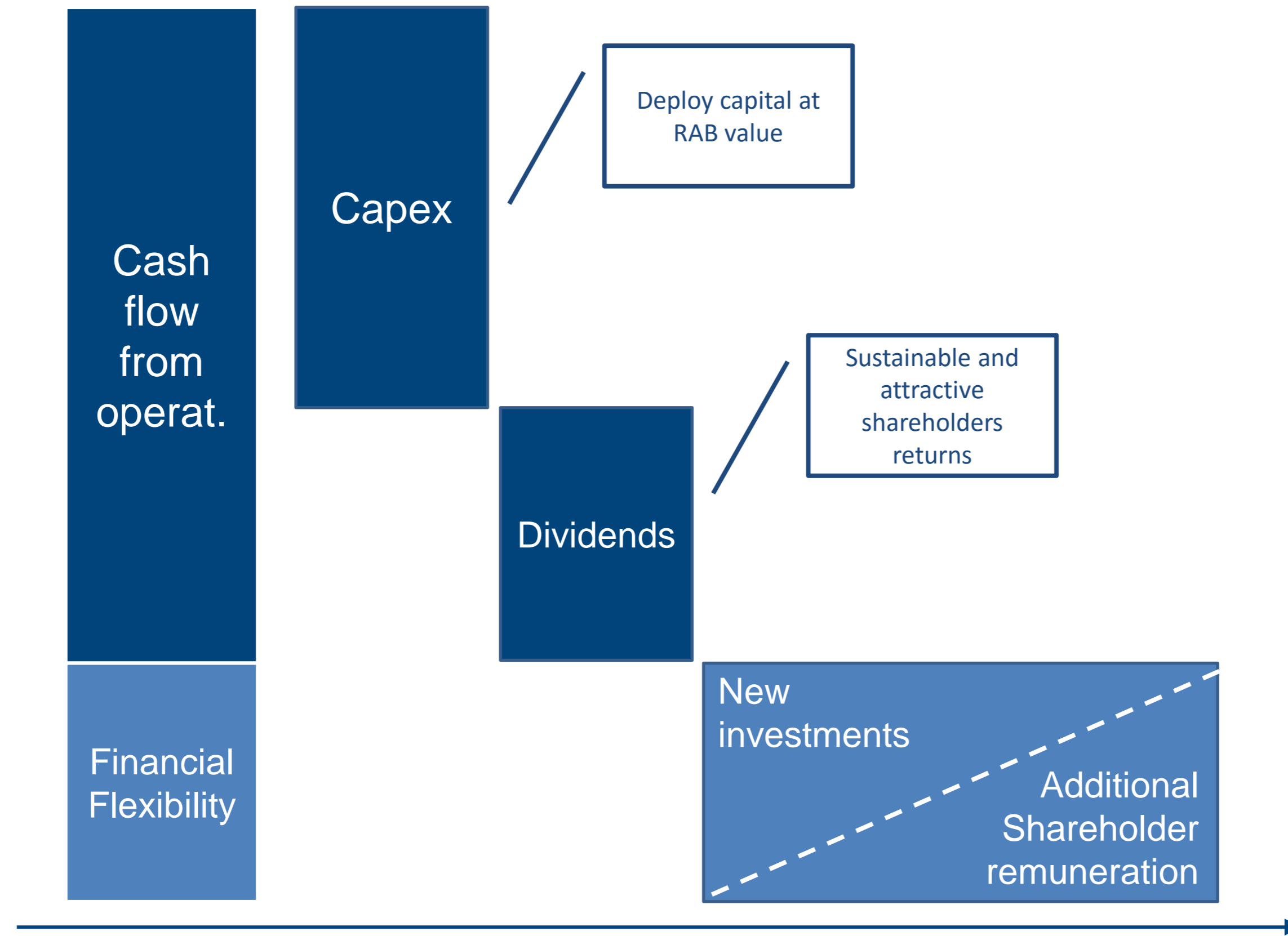
Focused on delivering attractive and sustainable returns



* Considering current business perimeter

Financial flexibility deployed with strict criteria

5



Limit in capital absorption:

- Ratios commensurate to current credit rating

Strict engagement criteria for new investments:

- Sound financial policy
- Preserve current risk profile
- Accretive returns
- Where Snam's industrial know-how can be applied
- Involvement as industrial partner

Snam shareholders remuneration

SNAM

GROWING DIVIDEND

FY2016 : €21 cents
FY2017-FY2018: +2.5% yearly

BUYBACK OPTIONALITY

Up to 3.5% outstanding shares
Max amount €500m
Timing: 18 months

Execution flexibility based on evolution of
financial performance and alternative
investment opportunities

ITALGAS

Subject to BoD approval

The company will have an adequate capital
structure and financial resources to pay a dividend
allowing current Snam shareholders to receive
2016 total dividends at least equal to 2015

Enhanced shareholders remuneration through demerger



Value drivers for profitable and sustainable growth



Demerger enables value creation opportunities for both Snam and Italgas

Stable regulation and operational excellence support investments

Organic capex delivers steady and attractive returns

New opportunities to capitalize on evolving market dynamics

Sound financial policy

Superior long-term growth of investors' returns with low risk profile



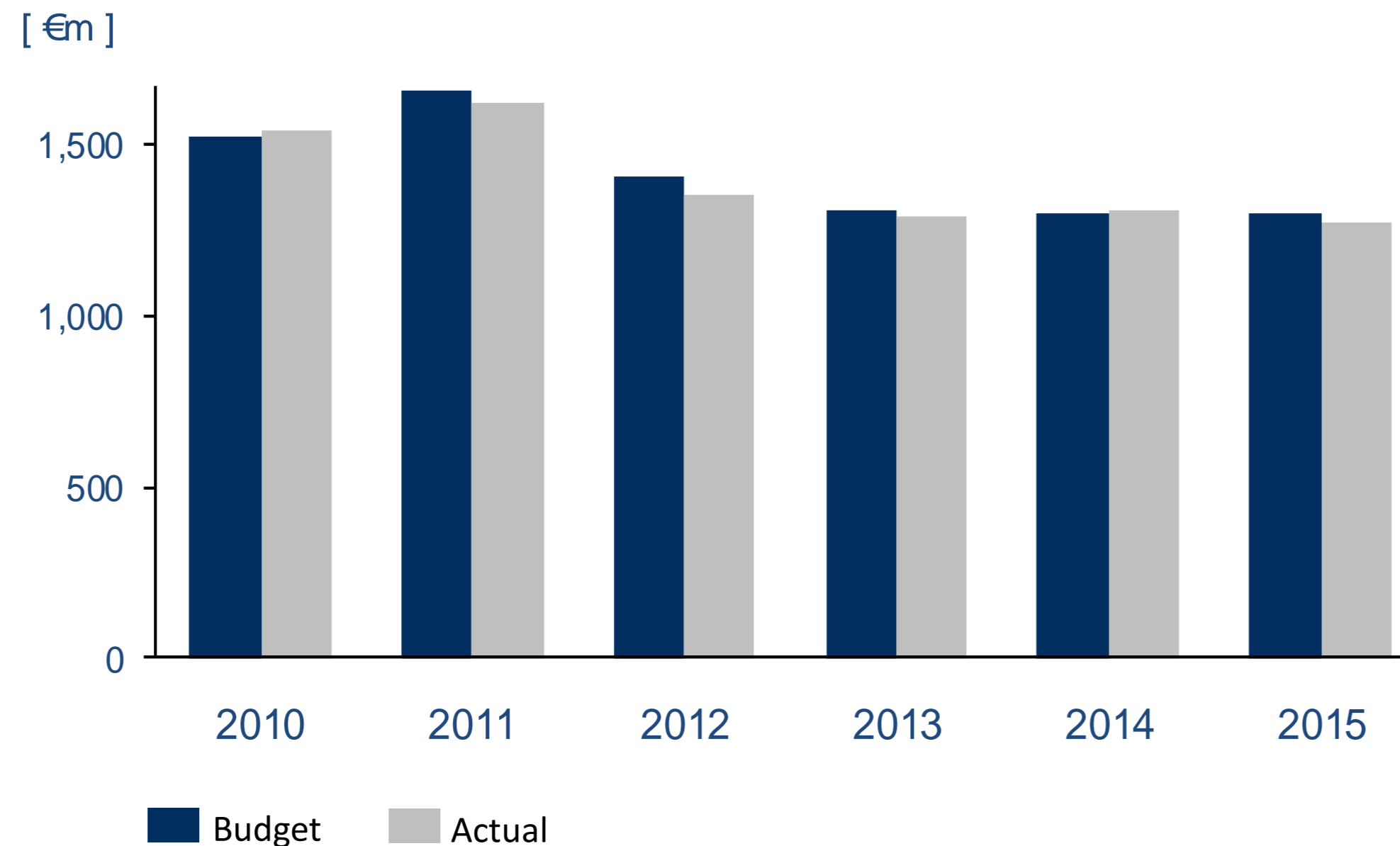
Annexes



Excellence in project execution

Consistently delivering the budget

Capex plans: first year spending¹



Top-tier competencies

- More than € 8 bn invested in the last six years
- Mastering the whole value chain of complex gas infrastructure projects (from permitting to engineering, from construction to financing)
 - >1,000 active construction sites annually
 - Rights Away Permits: 18,047 obtained
 - Environmental Impact Assessments & Single Authorization: 400 (99% obtained)
 - Realization: 1,566 km of pipelines
 - Environmental Restoration: 1,050 km executed without claims

2010/2015

Proven track record and distinctive capabilities



¹ Gross of subsidies

Memorandum of understanding between Snam, CPD Reti e CDP Gas

TARGETS

- **Stable and transparent ownership structure**
- **ITG Holding governance in line with Snam's and market best practices**



Aimed at regulating the main terms for the completion of the Transaction and the general governance provisions which, following completion of the Transaction, shall apply to ITG Holding and Italgas

Key Terms

- ***Consultation Committee***
- ***Single joint slate for ITG Holding BoD designation***
- ***Snam exit right*** (CDP Reti approval and pre-emption rights)
- ***3-year Shareholders Agreement (can be renewed)***

Disclaimer

Snam's Chief Financial Officer, Antonio Paccioretti, in his position as manager responsible for the preparation of financial reports, certifies pursuant to paragraph 2, article 154-bis of the Legislative Decree n. 58/1998, that data and information disclosures herewith set forth correspond to the company's evidence and accounting books and entries.

This presentation contains forward-looking statements regarding future events and the future results of Snam that are based on current expectations, estimates, forecasts, and projections about the industries in which Snam operates and the beliefs and assumptions of the management of Snam.

In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management are forward-looking in nature.

Words such as 'expects', 'anticipates', 'targets', 'goals', 'projects', 'intends', 'plans', 'believes', 'seeks', 'estimates', variations of such words, and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future.

Therefore, Snam's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, political, economic and regulatory developments in Italy and internationally.

Any forward-looking statements made by or on behalf of Snam speak only as of the date they are made. Snam does not undertake to update forward-looking statements to reflect any changes in Snam's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The reader should, however, consult any further disclosures Snam may make in documents it files with the Italian Securities and Exchange Commission and with the Italian Stock Exchange.





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