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Vedi allegato.



SNAM ANNOUNCES RESULTS FOR THE FIRST HALF OF 2016

San Donato Milanese, 27 July 2016 – The Snam Board of Directors, chaired by Carlo Malacarne, yesterday approved the consolidated half-year report at 30 June 2016 (subjected to a limited audit) and the consolidated results for the second quarter of 2016 (unaudited), which reflect, amongst other things, the adjustment in the rate of return on net invested capital (WACC) from 1st January 2016, following the entry into force of the new regulatory period.

Operating highlights

- **New regulatory period with adjustments to WACC** from 1st January 2016
- **Gas injected into the transportation network:** 34.07 billion cubic metres (+4.0%)
- **Number of active meters:** 6.525 million (6.518 million at 30 June 2015)
- **Available storage capacity:** 11.8 billion cubic metres (+0.4 billion cubic metres compared with 30 June 2015)

Financial highlights

- **Regulated revenue:** €1,644 million¹ (-€78 million; -4.5%); reduction due to WACC adjustment
- **EBIT:** €867 million (-14.3%)
- **Net profit:** €526 million (-14.1%)
- **Technical investments:** €526 million
- **Free cash flow:** €508 million

Significant events

- **Separation of Italgas from Snam approved on 28 June 2016 by Snam Board of Directors. The closing of the entire transaction, which is subject to certain conditions precedent being met, will likely take effect by 31 December 2016**
- **The Snam Board of Directors proposed a share buyback programme to the shareholders' meeting called for 1 August 2016 for up to 3.5% of Snam's share capital for a maximum amount of up to €500 million over 18 months**

Marco Alverà, Snam's CEO, made the following comments on the results:

"Snam's results in the first half of the year are fully in line with expectations, given the adjustments to the weighted average cost of capital in the transportation and distribution segments for the new regulatory period. The significant contribution of cash flow from operating activities allowed us to fully finance our investments in the period and to generate free cash flow of more than 500 million euro in the first six months.

We are proceeding with the initiatives set out in the strategic plan with the aim of strengthening our infrastructure in the European gas system as well as ensuring profitable and value creating growth for our shareholders".

¹ Net of revenue items offset in costs.



Financial highlights (a)

| Second quarter | | | First half | | | |
|----------------|----------------|---|------------|----------------|---------|----------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| 908 | 872 | Total revenue | 1,837 | 1,724 | (113) | (6.2) |
| 864 | 838 | - of which from regulated activities (b) | 1,722 | 1,644 | (78) | (4.5) |
| 191 | 201 | Operating costs | 403 | 410 | 7 | 1.7 |
| 502 | 438 | EBIT | 1,012 | 867 | (145) | (14.3) |
| 287 | 260 | Net profit (c) | 612 | 526 | (86) | (14.1) |
| 0.143 | 0.125 | EBIT per share (d) (€) | 0.289 | 0.248 | (0.041) | (14.2) |
| 0.082 | 0.074 | Net profit per share (d) (€) | 0.175 | 0.150 | (0.025) | (14.3) |
| 262 | 295 | Technical investments | 487 | 526 | 39 | 8.0 |
| 3,499.5 | 3,499.5 | Number of shares outstanding at the end of the period (millions) | 3,499.5 | 3,499.5 | | |
| 3,499.5 | 3,499.5 | Average number of shares outstanding during the period (millions) | 3,499.5 | 3,499.5 | | |

(a) The changes indicated in this table and those below in this press release should be seen as changes occurring in the first half of 2016 compared to the first half of 2015. Unless otherwise indicated, percentage changes were calculated using the figures indicated in the related tables.

(b) Net of revenue items offset in costs.

(c) Net profit is attributable to Snam.

(d) Calculated considering the average number of shares outstanding during the period.

Revenue

Revenue from regulated activities reflect the entry into force of the new regulatory period which entails, amongst other things, the adjustment in the rate of return on net invested capital (WACC)². Revenue from regulated activities, net of items offset in costs³, was €1,644 million, down by €78 million, or -4.5% (-€26 million during the quarter; -3.0%), due largely to the reduction of WACC for 2016 that affected the natural gas transportation and distribution segments. This effect was partially offset by higher revenue from regulated activities in the storage segment, which benefited from higher WACC for 2016 as compared to the figure set for 2015, the first year of the fourth regulatory period.

Total revenue in the first half of 2016 was €1,724 million, down €113 million (-6.2%) from the first half of 2015 (-€36 million during the quarter; -4.0%). Net of items offset in costs, total revenue in the first half of 2016 was €1,668 million, down by €95 million (5.4%) compared with the same period of the previous year (-€26 million during the quarter; -3.0%).

The decrease in revenue was also due to a reduction in non-regulated revenue (-€17million; unchanged during the quarter), largely due to lower revenues from the sale of natural gas no longer used to support operations.

² In resolution 583/2015/R/com of 2 December 2015 ("Rate of return on invested capital for infrastructure services in the electric and gas sectors: Criteria for determination and updating"), the Electricity, Gas and Water Authority ("the Authority") approved the criteria for determining and updating the rate of return on net invested capital (WACC) for the period 2016-2021, and set rates of return applicable to 2016. The resolution also provided a mechanism for updating the rate in the middle of the period according to the economic situation.

³ The main revenue items offset in costs relate to interconnection and to sales of natural gas carried out for the purposes of balancing the gas system.



EBIT

EBIT in the first half of 2016 mainly reflect the revenue dynamics, due to the WACC adjustment, the movements in provisions for risks and charges and the costs related to the separation of Italgas from Snam. EBIT⁴ was €867 million, down €145 million (-14.3%) from the first half of 2015 (-€64 million during the quarter; -12.7%). The reduction was due to lower revenue (-€95 million; -5.4%; -€26 million during the quarter; -3.0%), higher operating costs (-€25 million net of components offset in revenue; -7.6%; -€20 million during the quarter; -12.7%) attributable to the distribution segment, and the increase in amortisation and depreciation during the period (-€25 million; -5.9%; -€18 million during the quarter; -8.4%) due largely to the entry into service of new infrastructure.

With regard to operating segments⁵, the reduction reflects the performance of the transportation segment (-12.9%; -€76 million; -10.4% during the quarter; -€31 million) and distribution segment (-28.2%; -€70 million, of which €31 million is attributable to higher net allocations to the provisions for risks and charges; -35.5% during the quarter; -€44 million) which was partially offset by the positive performance of the storage segment (+5.9%; +€10 million; +26.6% during the quarter; +€21 million).

Net profit

In the first half of 2016 net profit was €526 million, down €86 million (-14.1%) from the first half of 2015 (-€27 million during the quarter; -9.4%). The reduction was mainly due to the fall in EBIT (-€145 million; -€64 million during the quarter) and lower income from equity investments valued using the equity method (-€5 million; +€5 million during the quarter). These factors were partially offset by lower net financial expenses (+€10 million; 5.4%; +€6 million during the quarter; 6.6%) mainly due to lower expenses related to net financial debt (+€20 million; 10.4%; +€10 million during the quarter; 10.3%) that benefited from lower average cost of debt and the reduction in income tax (+€54 million; 19.1%; +€26 million during the quarter; 17.1%), which was due mainly to lower profit before taxes.

Technical investments

In the first half of 2016, technical investments totalled €526 million (€487 million in the first half of 2015), and were mainly related to the transportation segment (€319 million; €278 million in the first half of 2015), distribution segment (€152 million; €142 million in the first half of 2015) and natural gas storage segment (€51 million; €62 million in the first half of 2015).

Net financial debt

Net financial debt was €14,177 million at 30 June 2016⁶, compared with €13,779 million at 31 December 2015. The net cash flow from operating activities (€1,200 million) allowed us to fully cover the financial requirements associated with net investments for the period (€692 million) and to generate a free cash flow of €508 million. The net financial debt at 30 June 2016, after the payment to shareholders of the 2015 dividend of €875 million, increased by €398 million compared with 31 December 2015.

Net financial debt increased by €634 million compared with 31 March 2016.

⁴ EBIT was analysed by isolating only the elements that determined a change therein. To this end, applying gas segment tariff regulations generates revenue components that are offset in costs.

⁵ A breakdown of EBIT by segment is provided on page 13 of this press release.

⁶ More information on the net financial debt can be found on page 21 of this press release.



Operating highlights

| Second quarter | | First half | | | |
|--|---------------|--------------|---------------|--------|----------|
| 2015 | 2016 | 2015 | 2016 | Change | % Change |
| Natural gas transportation (a) | | | | | |
| 16.79 | 17.58 | 32.77 | 34.07 | 1.30 | 4.0 |
| Natural gas injected into the national gas transportation network (billions of cubic metres) (b) | | | | | |
| 32,354 | 32,444 | 32,354 | 32,444 | 90 | 0.3 |
| Transportation network (kilometres in use) | | | | | |
| 853 | 877 | 853 | 877 | 24 | 2.8 |
| Installed power in the compression stations (MW) | | | | | |
| Liquefied natural gas (LNG) regasification (a) | | | | | |
| 0.017 | 0.091 | 0.020 | 0.092 | 0.072 | |
| LNG regasification (billions of cubic metres) | | | | | |
| Natural gas storage (a) | | | | | |
| 10 | 10 | 10 | 10 | | |
| Concessions | | | | | |
| 8 | 9 | 8 | 9 | 1 | 12.5 |
| - of which operational (c) | | | | | |
| 11.4 | 11.8 | 11.4 | 11.8 | 0.4 | 3.5 |
| Available storage capacity (billions of cubic metres) (d) | | | | | |
| 4.80 | 4.89 | 11.96 | 11.42 | (0.54) | (4.5) |
| Natural gas moved through the storage system (billions of cubic metres) | | | | | |
| Natural gas distribution | | | | | |
| 6.518 | 6.525 | 6.518 | 6.525 | 0.007 | 0.1 |
| Active meters (millions) | | | | | |
| 1,472 | 1,472 | 1,472 | 1,472 | | |
| Gas distribution concessions (number) | | | | | |
| 56,636 | 56,759 | 56,636 | 56,759 | 123 | 0.2 |
| Distribution network (kilometres) (e) | | | | | |
| 6,219 | 6,395 | 6,219 | 6,395 | 176 | 2.8 |
| Employees in service at period end (number) (f) | | | | | |
| <i>by business segment:</i> | | | | | |
| 1,912 | 1,962 | 1,912 | 1,962 | 50 | 2.6 |
| - Transportation | | | | | |
| 75 | 73 | 75 | 73 | (2) | (2.7) |
| - Regasification | | | | | |
| 287 | 310 | 287 | 310 | 23 | 8.0 |
| - Storage | | | | | |
| 3,221 | 3,323 | 3,221 | 3,323 | 102 | 3.2 |
| - Distribution | | | | | |
| 724 | 727 | 724 | 727 | 3 | 0.4 |
| - Corporate and other activities | | | | | |

(a) With regard to the first half of 2016, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) conventionally equal to 38.1 MJ/SCM (10.572 kWh/SCM) and 39.1 MJ/SCM (10.805 kWh/SCM) respectively for the businesses of natural gas transportation, regasification and storage.

(b) Figures for the first half of 2016 were updated to 4 July 2016. The update of 2015 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.

(c) Working gas capacity for modulation services. The figure for the first half of 2016 includes the Bordolano concession, which has been operational since the end of 2015, with regard only to a portion of assets forming part of the overall plant, such as to guarantee the performance of storage activities.

(d) Working gas capacity for modulation, mining and balancing services. The available capacity at 30 June 2016 is that declared to the Authority at the start of the 2016-2017 thermal year, in compliance with Resolution ARG/gas 119/10.

(e) This figure refers to the kilometres of network operated by Italgas.

(f) Fully consolidated companies.

Natural gas injected into the national transportation network

In the first half of 2016, 34.07 billion cubic metres of natural gas were injected into the national transportation network, an increase of 1.30 billion cubic metres, or 4.0%, compared with the first half of 2015 (32.77 billion cubic metres). The increase was largely attributable to the lower storage use reflecting lower net withdrawals from storage of 0.73 billion cubic metres, based on gas demand in Italy, which, in the first half of 2016, totalled 35.96 billion cubic metres, which was a slight increase (+0.42 billion cubic metres; +1.2%) over the same period of 2015. The higher consumption in the



thermoelectric sector (+0.92 billion cubic metres; +10.1%), which was due to lower production of hydroelectric energy and lower consumption of other fuel sources, and in the industrial sector (+0.25 billion cubic metres; +3.0%) were partially offset by lower consumption in the residential and tertiary sectors (-0.74 billion cubic metres; -4.3%) due to weather conditions.

Adjusted for the weather effect, gas demand was estimated at 37.14 billion cubic metres, up by 0.85 billion cubic metres (2.3%) compared with the corresponding figure for the first half of 2015 (36.29 billion cubic metres).

Liquefied natural gas (LNG) regasification

In the first half of 2016, 0.092 billion cubic metres of LNG (0.020 billion cubic metres in the first half of 2015; +0.072 billion cubic metres) were regasified, of which 0.049 billion cubic metres as a part of the integrated natural gas regasification and storage service⁷.

Natural gas storage

During the first half of 2016, 11.42 billion cubic metres of natural gas was moved through the storage system, a reduction of 0.54 billion cubic metres (4.5%) compared with the first half of 2015 (11.96 billion cubic metres). The reduction was mainly attributable to lower withdrawals from storage (-0.66 billion cubic metres; -9.2%) due to weather conditions.

At 30 June 2016, total storage capacity including strategic storage was 16.3 billion cubic metres (up by +0.4 billion cubic metres compared with 30 June 2015), of which 11.8 billion cubic metres related to available storage capacity, all of which was transferred for thermal year 2016-2017, and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2015-2016, as established by the Ministry of Economic Development in a notice dated 21 January 2016).

Natural gas distribution

At 30 June 2016, Snam, through Italgas, managed the gas distribution service in 1,472 municipalities (the same as at 31 December 2015 and at 30 June 2015), of which 1,401 were operational. At 30 June 2016, the number of active meters located at end-user gas redelivery points (households, businesses, etc.) stood at 6.525 million (6.518 million at 30 June 2015).

At 30 June 2016, the gas distribution network covered 56,759 km, an increase of 42 km compared with 31 December 2015 (56,717 km).

⁷ The integrated storage and regasification service, which was introduced by Article 14, paragraph 1 of Decree Law No. 1 of 24 January 2012 and later amended by the Ministerial Decree of 25 February 2016, requires that quantities of gas equivalent to the LNG delivered must be made available to users by the largest storage company for the uniform storage service, less consumption and leakage, no later than the month following unloading. The physical management of flows of gas that support the redelivery of gas in storage takes place by coordinating the regasification and storage companies concerned. For additional information on this service, see the section below entitled "Regulation."



Main events

Separation of Italgas from Snam

On 28 June 2016 the Snam Board of Directors approved the separation of Italgas from Snam, to be carried out in a combined, concurrent transaction, which includes, among other things, the partial and proportional spin-off of Snam and the resulting listing, on the Mercato Telematico Azionario (MTA) of Milan, of a new spin-off beneficiary company acting as a holding company for the equity investment in Italgas (ITG Holding S.p.A.⁸). Through the industrial and corporate reorganisation transaction, the entire equity investment currently held by Snam in Italgas, equal to 100% of the share capital of Italgas, will be transferred to the beneficiary company to separate the gas distribution business in Italy. The transaction was based on the fact that the natural gas distribution business has unique characteristics compared with other Snam Group businesses in terms of operational organisation, competitive environment, regulations and growth opportunities.

Specifically, the transaction calls for the following: (i) Snam's contribution in kind to ITG Holding of an 8.23% stake in the share capital of Italgas leaving Snam, post-spin-off, with a 13.50% stake in the beneficiary company ITG Holding; (ii) Snam's sale to ITG Holding of a 38.87% stake in the share capital of Italgas, the payment of which will be the purpose of a Vendor Loan for ITG Holding, which would produce an appropriate level of financial debt bearing in mind the business and risk profiles and cash flow generation; (iii) the partial and proportional spin-off of Snam with the assignment to ITG Holding of the remaining portion of the equity investment held by Snam in Italgas (52.90%), and with the resulting assignment to Snam shareholders of the remaining 86.50% of ITG Holding's capital.

The validity of the entire transaction is subject to legal conditions (including, in particular, approval at Snam's shareholders' meeting), Borsa Italiana's issuance of an order authorising ITG Holding shares for trading on the MTA, the issuance of CONSOB's equivalence opinion and the approval of Snam's bondholders.

The Board of Directors called ordinary and extraordinary Shareholders' Meetings for 1 August 2016. The closing of the entire transaction, which is subject to the above conditions being met, is scheduled to occur by 31 December 2016.

For additional information on the transaction, the following documents are available on Snam's website (www.snam.it, in the section "Ethics and Governance - Shareholders' Meetings"): the Spin-Off Plan, the Explanatory Report of directors of the spun-off company (Snam S.p.A.) and the beneficiary company (ITG Holding S.p.A.) and the Information Document prepared pursuant to Article 70, paragraph 6 of the Issuer Regulations.

Transaction funding the beneficiary company of the separation of Italgas from Snam

As part of the process to separate Italgas from Snam, binding loan commitments were signed with eleven leading domestic and international financial institutions. These binding commitments, totalling €3.9 billion, will make it possible to cover the financial requirements of the spin-off beneficiary company for the repayment of amounts owed to Snam, and will provide the company with the financial resources necessary to strengthen its market leadership in the distribution of gas in Italy.

⁸ The shareholders' meetings called to approve the Spin-off Plan may approve a change in the name and registered offices of the beneficiary company.



The credit facilities, which differ by their nature and maturity, include a bridge-to-bond totalling €2.3 billion with a term of up to two years, revolving lines of credit totalling €1.1 billion maturing in three to five years, and bilateral bank lines of credit totalling €500 million maturing in three to five years.

A share buyback programme was proposed for up to 3.5% of Snam's share capital for a total amount of up to €500 million over 18 months

Snam's Board of Directors has called a shareholders' meeting for Snam on 1 August 2016 to also request authorisation to purchase ordinary Snam shares pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of Legislative Decree 58/1998 (TUF - Consolidated Finance Act). Authorisation is requested for an amount of up to €500 million, and up to the maximum limit of 3.5% of subscribed and paid-up share capital, bearing in mind the treasury shares already held by the Company, for a duration of 18 months from the effective date of the Company's partial and proportional spin-off, if such spin-off is approved by the extraordinary shareholders' meeting called for 1 August 2016.

The purpose of the programme is to provide Snam with a tool ensuring strategic and financial flexibility with the aim of increasing value for shareholders, including through the improvement of the Company's financial structure.

Revoke of the "judicial control" against Italgas

On 9 July 2015 the Court of Palermo has revoked the measure of the judicial administration against Italgas, as a result of the investigations and the active cooperation carried out by Snam Group.

Italgas has been asked to provide the competent authorities with the information flows requested under art. 34 of Legislative Decree no. 159/2011 (judicial control) on the relevant operations.

Italgas has filed an appeal to the Court of Appeal of Palermo.

On 25 July 2016 the Court of Appeal has revoked the "judicial control" against Italgas, by so declaring ceased the execution of any prescriptions.

Regulation

Ministerial Decree of 25 February 2016 (Gazzetta Ufficiale no. 76 of 1 April 2016) - "Determination and allocation of modulation storage capacity for the contractual period 2016-2017"

With this decree, the Ministry of Economic Development defined the modulation storage space for thermal year 2016-2017, to be used primarily for entities supplying domestic customers, at 7,450.5 million cubic metres plus the mining storage share not requested and allocated by the storage companies. The Decree confirmed that this storage space, together with that reserved for uniform storage of annual and multi-year duration, would be allocated by competitive auctions, with the reserve price defined by the Authority on the basis of the criteria set forth in Resolution 77/2016/R/gas.

The Decree also amended procedures for accessing and providing the integrated storage and regasification service already introduced pursuant to Article 14 of Decree Law 1/2012. In particular, this service, for which storage capacity of 1 billion cubic metres has been reserved, specifies that regasification companies and the largest storage company must coordinate to allow the redelivery of regasified LNG to users directly to storage by the deadline of one month following the unloading of the tankers. Based on the provisions of the Decree, access to the service is obtained through a competitive auction whose price has been defined by the Authority on the basis of the criteria set forth in Resolution 77/2016/R/gas, taking account of the value of the product and the market trend.



Resolutions of the Electricity, Gas and Water Authority (AEEGSI)

Resolution 191/2016/R/gas - “Supplement of procedures for applying the revenue coverage factor for the LNG regasification service following the introduction of the integrated regasification and storage service”

In this resolution, which was published on 21 April 2016, the Authority introduced an amendment to the procedures for applying the revenue coverage factor for the LNG regasification service in order to incorporate the amendments introduced by Resolution 77/2016/R/gas concerning the integrated offering of a regasification and storage service as indicated in Article 1 of the decree of 25 February 2016 of the Ministry of Economic Development (“Determination of procedures for allocating modulation storage capacity for the contract period 2016-2017”). This amendment adds revenues from providing the integrated regasification and storage service to the revenue coverage formula.

Resolution 13/2016 of 27 May 2016 - DIUC - “Approval to pay amounts owed for the revenue coverage factor relating to GNL Italia S.p.A. for 2015”

In this resolution, which was published on 30 May 2016, the Authority advised the Energy and Environmental Services Fund (*Cassa per i Servizi Energetici e Ambientali*) of its approval to pay amounts owed for the revenue coverage factor relating to GNL Italia S.p.A. for 2015 following the audit confirming compliance with calculation procedures in keeping with the criteria of Resolution 438/2013/R/gas “Regulation of tariffs for the liquefied natural gas regasification service for the regulatory period 2014-2017 (RTRG).”

Resolution 323/2016/R/gas - “Provisions on settlement relating to storage services for the 2016-2017 thermal year”

In this resolution, which was published on 17 June 2016, the Authority provided procedures for thermal year 2016-2017 to neutralise, in terms of revenue flows, any differences between the amounts paid to storage companies based on regulated tariffs, and the amount received as a result of auctions awarding capacity.

With regard to parameter “ γ ” indicated in article 11 of Appendix A to Resolution 531/2014/R/gas (“Criteria for the regulation of tariffs for the natural gas storage service for the period 2015-2018”) - (RTSG) related to the level of coverage of the portion of revenue attributable to the additional return on net invested capital for incentive-based investments that entered into operation in previous regulatory periods, a fact-finding investigation was initiated to establish criteria for setting its value in future years with the aim of encouraging storage companies to act more efficiently in the management of allocation procedures and the procedures for providing the storage service.

While awaiting the outcome of the investigation, which will be finished in time to approve company revenues for 2017, for 2016, a value of 1 has been confirmed for the parameter “ γ ”.

Resolution 392/2016/R/gas - “Determination of tariffs for the LNG regasification service for 2017”

With this resolution, published on 14 July 2016, the Authority approved tariffs for the regasification service provided by GNL Italia for 2017.

The tariffs were set on the basis of the base revenues of €27.9 million. Effective revenue must take account of capacity actually allocated. The net capital invested as at 31 December 2015 (RAB) was around €0.1 billion.



The Authority also paid GNL Italia an amount equal to about €0.34 million to cover the increase in the IMU (municipal property tax) rate for 2013 and 2014.

Resolution 418/2016/R/gas - “Approved the definitive allowed revenues for 2016 for storage service”

With this resolution, published on 22 July 2016, the Authority approved the allowed revenues for storage service relating to 2016 for Stogit. Storage allowed revenues for 2016 has been set at 503.5 million euro. RAB for natural gas storage business has been set equal to 4.0 billion euro.

Outlook

SEPARATION OF ITALGAS FROM SNAM

As shown in the previous section “Main events”, on 28 June 2016 the Snam Board of Directors approved the separation of Italgas from Snam, that will likely take effect, subject to certain conditions precedent being met, by 31 December 2016.

The separation will allow both companies to enhance their role in their respective businesses. In particular, Snam will be able to focus on the synergistic, integrated management of the transportation, storage and regasification businesses in Italy and abroad by strengthening its leadership in Europe and contributing to the further integration of European gas markets.

Below is a description of the main factors driving the operating outlook for the natural gas transportation, regasification and storage businesses.

INVESTMENTS

For 2016-2020, the post-spin-off Snam has developed a significant investment plan valued at €4.3 billion, of which €0.9 billion is to be allocated in 2016 to support the development of Italian infrastructure and its interconnection with European infrastructure thereby enhancing the safety, flexibility and liquidity of the entire gas system. The goal will be achieved by upgrading the transportation network and creating additional storage capacity in Italy, making it possible to complete the construction of reverse flow capabilities to other European countries and also receive new flows from the Caspian Sea area through the TAP pipeline.

Specifically, investments totalling €3.8 billion in the transportation and LNG businesses over the life of the Plan, will be used not only to ensure the safety and reliability of the network, but also to meet the capacity and diversification requirements of suppliers for the benefit of shippers and end users.

In the storage business, the €0.5 billion investment programme for the period 2016-2020 is aimed at providing greater modulation and peak capacity by improving the overall liquidity and flexibility of the system and fostering further opportunities to exchange gas. These increases are primarily tied to the gradual entry into service of the Bordolano site (Cremona).

Snam will also be able to leverage its international equity investments to encourage the growing interconnection of European infrastructure and the development of greater diversification and flexibility of gas flows, and at the same time, maximise the return on its assets.

Using its customary financial discipline, the company will selectively monitor potential new opportunities to invest in infrastructure assets, including in Europe, with a risk profile consistent with the current business portfolio.



GAS DEMAND

Based on most recent estimates of changes in natural gas demand, the European market is generally unchanged compared with 2015 levels over the five-year period from 2016-2020 despite a gradual reduction in production within Europe accompanied by growing dependence on imports.

EFFICIENCY

Snam continues its focus on operational efficiency through measures that will allow it, over the five-year period from 2016-2020, to keep controllable costs in the post-spin-off structure largely unchanged in real terms, on a like-for-like basis.

This press release, which is prepared voluntarily in line with best market practice, illustrates the consolidated results for the first half (subjected to a limited audit) and second quarter of 2016 (unaudited). The results for the first half, together with the key business trends, represent a summary of the half-year report prepared in accordance with Article 154-ter of the Consolidated Finance Act (TUF) approved by Snam's Board of Directors on 26 July 2016, and it will be published in accordance with legal deadlines.

The information on operations and cash flows is provided in relation to the first half and second quarter of 2016 and the first half and second quarter of 2015. Balance sheet information is provided as at 31 December 2015 and 30 June 2016. The format of the financial statements corresponds to that used in the financial statements presented in the interim report on operations of the consolidated half-year report and in the report on operations in the annual report.

The financial statements were compiled in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission under Article 6 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The recognition and measurement criteria adopted for the preparation of the half-year report at 30 June 2016 are the same as those used for the 2015 annual report, which should be referred to for a description thereof, except for the international accounting standards that came into force on 1 January 2016, as described in Note 6 of the 2015 annual report ("Recently issued IFRS"). For the purposes of preparing the half-year report at 30 June 2016, there was no impact at the Group level from applying the new provisions.

Changes in the scope of consolidation of the Snam Group at 30 June 2016 compared with the scope of consolidation at 31 December 2015 and 30 June 2015 were due to: (i) the removal of AES Torino S.p.A. from the scope of consolidation following its merger into Italgas S.p.A. effective 1 January 2016; (ii) the addition of ITG Holding S.p.A.⁹, which was founded on 1 June 2016 with share capital of €50,000, fully subscribed and paid up by the sole shareholder Snam S.p.A. as a part of the industrial and corporate reorganisation transaction to separate Italgas from Snam.

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

⁹ ITG Holding S.p.A. is fully consolidated within the business segment "Corporate and other activities". In accordance with IFRS 8 - "Operating segments", the "Corporate and other activities" segment does not represent an operating segment.



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

Disclaimer

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

A conference call will take place at 2:00 pm today, 27 July 2016, to present the results of the first half and second quarter of 2016 to investors and financial analysts. An audio webcast of the presentation will be available on the Company's website (www.snam.it). In conjunction with the start of the conference call, the presentation support material will also be made available in the “Investor Relations/Presentations” section of the website.



Summary of the results for the first half and second quarter of 2016

INCOME STATEMENT

| Second quarter | | | First half | | Change | % change |
|----------------|--------------|---|--------------|--------------|--------------|---------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | | |
| 898 | 862 | Regulated revenue | 1,796 | 1,700 | (96) | (5.3) |
| 10 | 10 | Non-regulated revenue | 41 | 24 | (17) | (41.5) |
| 908 | 872 | Total revenue (*) | 1,837 | 1,724 | (113) | (6.2) |
| (191) | (201) | Operating costs (*) | (403) | (410) | (7) | 1.7 |
| 717 | 671 | EBITDA | 1,434 | 1,314 | (120) | (8.4) |
| | | Amortisation, depreciation and impairment | | | | |
| (215) | (233) | losses | (422) | (447) | (25) | 5.9 |
| 502 | 438 | EBIT | 1,012 | 867 | (145) | (14.3) |
| (91) | (85) | Net financial expenses | (186) | (176) | 10 | (5.4) |
| 28 | 33 | Net income from equity investments | 69 | 64 | (5) | (7.2) |
| 439 | 386 | Pre-tax profit | 895 | 755 | (140) | (15.6) |
| (152) | (126) | Income taxes | (283) | (229) | 54 | (19.1) |
| 287 | 260 | Net profit (**) | 612 | 526 | (86) | (14.1) |

(*) Purely for the purposes of the reclassified income statement, revenue relating to building and upgrading distribution infrastructures recorded pursuant to IFRIC 12, which is recorded in equal measure alongside the relevant costs incurred (€122 million and €137 million respectively in the first half of 2015 and of 2016; €76 million and €75 million respectively in the second quarter of 2015 and of 2016), is stated as a direct reduction in the respective cost items.

(**) Net profit is attributable to Snam.

In the first half of 2016 total **EBIT**¹⁰ was €867 million, down €145 million (-14.3%) from the first half of 2015 (€438 million during the quarter; -€64 million; -12.7%). The reduction was due to lower revenue (-€95 million net of components offset in costs; -5.4%) and an increase in operating costs (-€25 million, net of components offset in revenue; -7.6%). The increase in operating costs was mainly due to movements in the provisions for risks and charges resulting from net allocations to provisions for risks and charges as compared to uses carried out in the first half of 2015 (-€34 million), the impact of which was only partially offset by lower withdrawals for sales of natural gas that is no longer used to support operating activities (+€17 million). The reduction in EBIT was also brought about by the increase in amortisation and depreciation (-€25 million; -5.9%) recorded in all business segments.

Below is a breakdown of EBIT by business segment:

¹⁰ EBIT was analysed by isolating only the elements that determined a change therein. To this end, applying gas segment tariff regulations generates revenue components that are offset in costs.



| Second quarter | | | First half | | | |
|--------------------------|-------------|--------------------------------|--------------|------------|--------------|---------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % change |
| Business segments | | | | | | |
| 299 | 268 | Transportation | 591 | 515 | (76) | (12.9) |
| 2 | | Regasification | 3 | 1 | (2) | (66.7) |
| 79 | 100 | Storage | 169 | 179 | 10 | 5.9 |
| 124 | 80 | Distribution | 248 | 178 | (70) | (28.2) |
| (2) | (10) | Corporate and other activities | 1 | (6) | (7) | |
| 502 | 438 | | 1,012 | 867 | (145) | (14.3) |

With reference to the main business segments, the reduction in EBIT was attributable to the following segments:

- Transportation (-€76 million; -12.9%; -€31 million during the quarter; -10.4%): due mainly to lower regulated revenue (-€66 million; -7.0%) as a result of tariff update mechanisms (-€109 million), and in particular, the update of the return on invested capital which dropped from 6.3% in 2015 to 5.4% in 2016, but was partially offset by the contribution from investments made in 2014 (+€39 million). The reduction in EBIT was also due to lower non-regulated revenue (-€16 million) resulting from lower sales of natural gas that is no longer used to support operating activities (-€20 million) and higher depreciation (-€8 million) due mainly to the entry of new infrastructure into service;
- Distribution (-€70 million; -28.2%; -€44 million during the quarter; -35.5%): mainly due to the reduction of transmission revenue (-€24 million; -4.7%), largely as a result of tariff update mechanisms, and specifically, the revision of the rate of return on invested capital which dropped from 6.9% in 2015 to 6.1% in 2016 for distribution and from 7.2% in 2015 to 6.6% in 2016 for metering, and the increase in operating costs (-€33 million net of components offset in revenue), resulting from higher net allocations to provisions for risks and charges (-€31 million) and higher amortisation and depreciation for the period (-€10 million).

These effects were partially offset by the positive performance of the storage segment (+€10 million; +5.9%; +€21 million during the quarter; +26.6%). The higher storage revenue (+€16 million net of components offset in costs), which was due to tariff update mechanisms, and specifically the update of the rate of return on net invested capital, which rose from 6% in 2015 to 6.5% in 2016, and the entry into service at the end of 2015 of the first facilities at the Bordolano site, was partially offset by higher depreciation (-€6 million; -16.7%) due mainly to the entry into service of new infrastructure. The increase in the rate of return is largely due to the adoption of reference parameters for the determination of WACC for 2016, which is calculated according to the criteria set by the Authority in Resolution 583/2015/R/com, which are better than the benchmark used to determine WACC for 2015, the first year of the fourth regulatory period for the storage service.

Net profit

In the first half of 2016 net profit was €526 million, down €86 million (-14.1%) from the first half of 2015 (€260 million during the quarter; -€27 million; -9.4%). The reduction was due to the aforementioned fall in EBIT (-€145 million; -14.3%) and lower income from equity investments valued using the equity method (-€5 million; -7.2%). These factors were partially offset by lower net financial expenses (+€10 million; 5.4%) mainly due to lower expenses related to net financial debt (+€20 million; 10.4%) that benefited from lower average debt costs and the reduction in income tax (+€54 million; 19.1%), which was due mainly to lower pre-tax profit.



The tables summarising items from the reclassified consolidated income statement are provided below.



Total revenue

| Second quarter | | | First half | | | |
|--------------------------|------------|--------------------------------|--------------|--------------|--------------|--------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % change |
| Business segments | | | | | | |
| 529 | 491 | Transportation | 1,080 | 986 | (94) | (8.7) |
| 7 | 5 | Regasification | 13 | 10 | (3) | (23.1) |
| 134 | 157 | Storage | 276 | 293 | 17 | 6.2 |
| 276 | 260 | Distribution | 543 | 516 | (27) | (5.0) |
| 48 | 47 | Corporate and other activities | 102 | 94 | (8) | (7.8) |
| (86) | (88) | Consolidation eliminations | (177) | (175) | 2 | (1.1) |
| 908 | 872 | | 1,837 | 1,724 | (113) | (6.2) |

Regulated and non-regulated revenue

| Second quarter | | | First half | | | |
|--------------------------|------------|-----------------------------------|--------------|--------------|--------------|--------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| 898 | 862 | Regulated revenue | 1,796 | 1,700 | (96) | (5.3) |
| Business segments | | | | | | |
| 493 | 463 | Transportation | 978 | 918 | (60) | (6.1) |
| 6 | 5 | Regasification | 11 | 10 | (1) | (9.1) |
| 97 | 116 | Storage | 205 | 215 | 10 | 4.9 |
| 268 | 254 | Distribution | 528 | 501 | (27) | (5.1) |
| 34 | 24 | Revenue items offset in costs (*) | 74 | 56 | (18) | (24.3) |
| 10 | 10 | Non-regulated revenue | 41 | 24 | (17) | (41.5) |
| 908 | 872 | Total revenue | 1,837 | 1,724 | (113) | (6.2) |

(*) The main revenue items offset in costs relate to interconnection and sales of natural gas carried out for balancing purposes.

Operating costs

| Second quarter | | | First half | | | |
|--------------------------|------------|--------------------------------|------------|------------|----------|------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| Business segments | | | | | | |
| 105 | 94 | Transportation | 240 | 214 | (26) | (10.8) |
| 4 | 3 | Regasification | 8 | 6 | (2) | (25.0) |
| 37 | 35 | Storage (*) | 71 | 72 | 1 | 1.4 |
| 83 | 101 | Distribution | 163 | 196 | 33 | 20.2 |
| 48 | 56 | Corporate and other activities | 98 | 97 | (1) | (1.0) |
| (86) | (88) | Consolidation eliminations | (177) | (175) | 2 | (1.1) |
| 191 | 201 | | 403 | 410 | 7 | 1.7 |

(*) As of 1 April 2013, operating costs in the storage segment include the costs associated with purchasing the transportation capacity provided by Snam Rete Gas pursuant to Resolution 297/2012/R/gas of the Authority of 19 July 2012.

Operating costs - Regulated and non-regulated activities



| Second quarter | | | First half | | | |
|----------------|------------|--|------------|------------|----------|------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| 178 | 167 | Costs of regulated activities | 367 | 372 | 5 | 1.4 |
| 117 | 107 | Controllable fixed costs | 248 | 235 | (13) | (5.2) |
| 7 | 4 | Variable costs | 11 | 14 | 3 | 27.3 |
| 20 | 32 | Other costs | 34 | 67 | 33 | 97.1 |
| 34 | 24 | Cost items offset in revenue (*) | 74 | 56 | (18) | (24.3) |
| 13 | 34 | Costs of non-regulated activities | 36 | 38 | 2 | 5.6 |
| 191 | 201 | | 403 | 410 | 7 | 1.7 |

(*) The main cost items offset in revenue relate to interconnection and to withdrawals of natural gas in relation to sales carried out for the purposes of balancing the gas system.

Amortisation, depreciation and impairment losses

| Second quarter | | | First half | | | |
|----------------|------------|--|------------|------------|-----------|------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| 215 | 233 | Total depreciation and amortisation | 422 | 447 | 25 | 5.9 |
| | | Business segments | | | | |
| 125 | 129 | Transportation | 249 | 257 | 8 | 3.2 |
| 1 | 2 | Regasification | 2 | 3 | 1 | 50.0 |
| 18 | 22 | Storage | 36 | 42 | 6 | 16.7 |
| 69 | 79 | Distribution | 132 | 142 | 10 | 7.6 |
| 2 | 1 | Corporate and other activities | 3 | 3 | | |
| 215 | 233 | | 422 | 447 | 25 | 5.9 |

EBIT

| Second quarter | | | First half | | | |
|----------------|------------|--------------------------------|--------------|------------|--------------|---------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| | | Business segments | | | | |
| 299 | 268 | Transportation | 591 | 515 | (76) | (12.9) |
| 2 | | Regasification | 3 | 1 | (2) | (66.7) |
| 79 | 100 | Storage | 169 | 179 | 10 | 5.9 |
| 124 | 80 | Distribution | 248 | 178 | (70) | (28.2) |
| (2) | (10) | Corporate and other activities | 1 | (6) | (7) | |
| 502 | 438 | | 1,012 | 867 | (145) | (14.3) |

Net financial expenses



| Second quarter | | | First half | | | |
|----------------|------|---|------------|------|--------|-------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % Change |
| 97 | 87 | Financial expense (income) related to net financial debt | 193 | 173 | (20) | (10.4) |
| 98 | 87 | - Interest and other expense on short- and long-term financial debt | 196 | 173 | (23) | (11.7) |
| (1) | | - Interest on financial receivables not held for operations | (3) | | 3 | |
| 2 | 2 | Other net financial expense (income) | 7 | 10 | 3 | |
| 3 | 3 | - Accretion discount | 6 | 7 | 1 | 16.7 |
| (1) | (1) | - Other net financial expense (income) | 1 | 3 | 2 | |
| (1) | 1 | Losses (Gains) on hedging derivatives – ineffective portion | | 2 | | |
| (7) | (5) | Financial expense capitalised | (14) | (9) | 5 | (35.7) |
| 91 | 85 | | 186 | 176 | (10) | (5.4) |

Net income from equity investments

| Second quarter | | | First half | | | |
|----------------|------|--------------------------------|------------|------|--------|-------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % change |
| 29 | 33 | Equity method valuation effect | 70 | 64 | (6) | (8.6) |
| (1) | | Other net income (expense) | (1) | | 1 | |
| 28 | 33 | | 69 | 64 | (5) | (7.2) |

Income taxes

| Second quarter | | | First half | | | |
|----------------|------|---------------------------------|------------|------|--------|-------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 | Change | % change |
| 165 | 144 | Current taxes | 310 | 265 | (45) | (14.5) |
| | | Deferred (prepaid) taxes | | | | |
| (12) | (13) | Deferred taxes | (26) | (28) | (2) | 7.7 |
| (1) | (5) | Prepaid taxes | (1) | (8) | (7) | |
| (13) | (18) | | (27) | (36) | (9) | 33.3 |
| 36.9 | 34.6 | Tax rate (%) | 31.6 | 30.3 | (1.3) | |
| 152 | 126 | | 283 | 229 | (54) | (19.1) |



Reclassified statement of financial position

The reclassified statement of financial position combines the assets and liabilities of the compulsory format included in the Annual Report and the Half-Year Report based on how the business operates, usually split into the three basic functions of investments, operations and financing.

Management believes that this format presents useful information for investors as it allows the identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

Management uses the reclassified balance sheet to calculate the key profitability ratios (ROI and ROE).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

| 31.03.2016 (€ million) | 31.12.2015 | 30.06.2016 | Change |
|---|---------------|---------------|--------------|
| 22,386 Fixed capital | 22,121 | 22,464 | 343 |
| 15,595 Property, plant and equipment | 15,478 | 15,677 | 199 |
| 363 Compulsory inventories | 363 | 363 | |
| 5,272 Intangible assets | 5,275 | 5,265 | (10) |
| 1,392 Equity investments | 1,372 | 1,337 | (35) |
| 79 Financial receivables held for operations | 78 | 147 | 69 |
| (315) Net payables for investments | (445) | (325) | 120 |
| (828) Net working capital | (607) | (890) | (283) |
| (166) Provisions for employee benefits | (166) | (165) | 1 |
| 17 Assets held for sale and directly related liabilities | 17 | 18 | 1 |
| 21,409 NET INVESTED CAPITAL | 21,365 | 21,427 | 62 |
| Shareholders' equity (including minority interests) | | | |
| 7,865 - attributable to Snam | 7,585 | 7,249 | (336) |
| 1 - attributable to minority interests | 1 | 1 | |
| 7,866 | 7,586 | 7,250 | (336) |
| 13,543 Net financial debt | 13,779 | 14,177 | 398 |
| 21,409 COVERAGE | 21,365 | 21,427 | 62 |

Fixed capital (€22,464 million) increased by €343 million compared with 31 December 2015, due mainly to the increase in property, plant and equipment (+€199 million), lower net payables relating to investment (+€120 million) and the increase in financial receivables held for operations (+€69 million).

Equity investments

The item Equity investments (€1,337 million) reflects the measurement of equity investments using the equity method, and largely refers to Trans Austria Gasleitung GmbH - TAG (€458 million),



TIGF Holding S.A.S. (€455 million), Toscana Energia S.p.A. (€163 million), Trans Adriatic Pipeline AG - TAP (€154 million)¹¹ and Gasbridge 1 B.V. and Gasbridge 2 B.V. (€105 million collectively).

Financial receivables held for operations

Financial receivables held for operations (€147 million) reflect Snam's portion of the Shareholders' Loan provided to the associate Trans Adriatic Pipeline AG (TAP). Financial receivables were up by €69 million compared with 31 December 2015¹².

Net working capital

| 31.03.2016 (€ million) | 31.12.2015 | 30.06.2016 | Change |
|--|--------------|--------------|--------------|
| 1,647 Trade receivables | 1,677 | 1,247 | (430) |
| 170 Inventories | 152 | 175 | 23 |
| 72 Tax receivables | 96 | 72 | (24) |
| 22 Derivatives | 7 | 35 | 28 |
| 186 Other assets | 167 | 260 | 93 |
| (908) Provisions for risks and charges | (776) | (946) | (170) |
| (553) Trade payables | (694) | (608) | 86 |
| (370) Deferred tax liabilities | (388) | (352) | 36 |
| (104) Accruals and deferrals from regulated activities | (56) | (88) | (32) |
| (189) Tax liabilities | (51) | (72) | (21) |
| (801) Other liabilities | (741) | (613) | 128 |
| (828) | (607) | (890) | (283) |

Net working capital (€890 million) decreased by €283 million compared with 31 December 2015, owing mainly to: (i) the reduction in trade receivables (-€430 million) largely attributable to the natural gas transportation segment (-€261 million) owing to lower receivables resulting from changes in components added to the transportation tariff (-€107 million) and the balancing service (-€87 million), and to the natural gas distribution segment (-€188 million) due to the seasonality of volume distributed; (ii) the increase in provisions for risks and charges (-€170 million) due largely to the provision for site dismantling and restoration in the storage segment (-€101 million) and transportation segment (-€52 million) resulting from the reduction in projected discount rates.

These factors were partly offset by: (i) the reduction in other liabilities (+€128 million) mainly attributable to lower payables to the Energy and Environmental Services Fund (CSEA) related to supplemental tariff components in the transportation segment (+€98 million); (ii) the increase in other assets (+€93 million) mainly related to the distribution segment due to higher receivables from CSEA in relation to energy efficiency certificates (+€60 million); (iii) the reduction in trade payables (+€86 million) largely resulting from the balancing service.

¹¹ It includes the increase of about €26 million (equal to CHF 28.6 million) related to the future capital increase of TAP, in which Snam is required to invest in proportion to the equity interest held pursuant to agreements signed when the equity investment was acquired. Snam made the contribution on 13 July 2016.

¹² Based on contractual agreements entered into, shareholders are responsible for funding the project in proportion to the equity interest held through the Shareholders' Loan and capital increases until the pipeline enters into service, and in the event its capacity is expanded.



Statement of comprehensive income

| (€ million) | First half | |
|---|------------|-------------|
| | 2015 | 2016 |
| Net profit | 612 | 526 |
| Other components of comprehensive income | | |
| <i>Components that can be reclassified to the income statement:</i> | | |
| Change in fair value of cash flow hedging derivatives (effective portion) | | 1 |
| Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income" (*) | 11 | (13) |
| Tax effect | 11 | (12) |
| <i>Components that cannot be reclassified to the income statement:</i> | | |
| Actuarial (losses)/gains from remeasurement on defined-benefit obligations - IAS 19 | 2 | |
| Tax effect | (1) | |
| | 1 | |
| Total other components of comprehensive income, net of tax effect | 12 | (12) |
| Total comprehensive income | 624 | 514 |
| Attributable to: | | |
| - Snam | 624 | 514 |
| - Minority interests | | |
| | 624 | 514 |

(*) Includes the effects of converting the shareholders' equity of the equity investment in Interconnector UK held by the joint ventures Gasbridge 1 B.V. and Gasbridge 2 B.V. at the spot EUR/GBP exchange rate on 30 June 2016.

Shareholders' equity

| (€ million) | |
|--|--------------|
| Shareholders' equity as at 31 December 2015 | 7,586 |
| <i>Increases owing to:</i> | |
| - Comprehensive income for the first half of 2016 | 514 |
| - Other changes (*) | 25 |
| | 539 |
| <i>Decreases owing to:</i> | |
| - Distribution of 2015 dividend | (875) |
| | (875) |
| Shareholders' equity including minority interests at 30 June 2016 | 7,250 |
| attributable to: | |
| - Snam | 7,249 |
| - Minority interests | 1 |
| | 7,250 |

(*) Other changes (+€25 million) relate essentially to the correction of the price adjustment in favour of Eni, recognised in 2010 in relation to contractual agreements with Eni at the time of the acquisition of the stake in Stogit (+€21 million). The adjustment follows the definitive approval by the Authority of the storage tariffs for 2015, the reference tariff year for the purposes of adjusting the contractual price.



At 30 June 2016, Snam had a total of 1,127,250 treasury shares (unchanged from 31 December 2015), equivalent to 0.03% of its share capital. Their market value at 30 June 2016 was around €6 million¹³.

Net financial debt

| 31.03.2016 (€ million) | 31.12.2015 | 30.06.2016 | Change |
|--|---------------|---------------|------------|
| 13,566 Financial and bond debt | 13,796 | 14,198 | 402 |
| 2,486 Short-term financial debt (*) | 2,729 | 3,864 | 1,135 |
| 11,080 Long-term financial debt | 11,067 | 10,334 | (733) |
| (23) Financial receivables and cash and cash equivalents | (17) | (21) | (4) |
| (23) Cash and cash equivalents | (17) | (21) | (4) |
| 13,543 | 13,779 | 14,177 | 398 |

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

The net cash flow from operating activities (€1,200 million) allowed us to fully cover the financial requirements associated with net investments for the period (€692 million) and to generate a free cash flow of €508 million. The net financial debt, after the payment to shareholders of the 2015 dividend of €875 million, increased by €367 million compared with 31 December 2015. Including non-cash items, net financial debt increased by €398 million to a level of €14,177 million.

Financial and bond debts at 30 June 2016 equal to €14,198 million (€13,796 million at 31 December 2015) comprise the following:

| 31.03.2016 (€ million) | 31.12.2015 | 30.06.2016 | Change |
|------------------------|---------------|---------------|------------|
| 9,587 Bonds (*) | 9,811 | 9,639 | (172) |
| 3,940 Bank loans | 3,950 | 4,535 | 585 |
| 39 Other financing | 35 | 24 | (11) |
| 13,566 | 13,796 | 14,198 | 402 |

(*) The bonds were issued as a part of the Euro Medium Term Notes (EMTN) Programme that matured on 30 June 2016 and is being renewed.

Financial and bond debts are denominated in euros¹⁴ and refer mainly to bond loans (€9,639 million, 67.9%) and bank loans (€4,535 million, or 31.9%, including €1,617 million provided by the EIB).

The increase in financial and bond debts compared with 31 December 2015 (€402 million) was mainly due to the increase in bank loans (+€585 million) resulting from higher net utilisation of uncommitted bank lines of credit (+€350 million) and committed lines (+€245 million) forming a part, in particular, of the syndicated loan. These effects were partially offset by the reduction in bond loans (-€172 million) largely as a result of the redemption of a bond maturing in January 2016 with a nominal value of €150 million.

Long-term financial debt (€10,334 million) represents around 73% of gross financial debt (around 80% at 31 December 2015). Fixed-rate financial debts amounted to around 62% of gross financial debt (about 64% at 31 December 2015).

¹³ Calculated by multiplying the number of treasury shares by the period-end official price of €5.29 per share.

¹⁴ Except for a fixed-rate bond loan for ¥10 billion, fully converted into euros through a cross-currency swap (CCS) financial derivative.



Cash and cash equivalents (€21 million) mainly refer to the bank deposits of Gasrule Insurance DAC for the Group's insurance activities (€19 million).

At 30 June 2016, Snam had unused committed long-term credit lines worth €3.7 billion.

Covenants

As at 30 June 2016, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Some of these agreements call for, among other things, compliance with covenants typical of international practices such as: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. At 30 June 2016, the bank loans subject to these restrictive clauses amounted to approximately €2.9 billion. The bonds issued by Snam as at 30 June 2016 as part of the Euro Medium Term Notes programme call for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to meet these covenants, and the occurrence of other events, for example cross-default events, some of which are subject to specific materiality thresholds, may result in Snam's failure to comply and could trigger the early repayment of the relative loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is downgraded to BBB- (Standard & Poor's/Fitch Ratings Limited) or Baa3 (Moody's) for at least two of the three ratings agencies.

Specifically with regard to the covenants related to the separation of Italgas from Snam (the Transaction), note the following: (i) with regard to the bank loans at 30 June 2016, Snam obtained the required consent from financial institutions to finalise the Transaction, which was subject, among other things, to the completion of the Transaction; (ii) with regard to the bonds issued as a part of the Euro Medium Term Notes Programme, as dictated by the agreement, Snam will request the approval of bondholders to allow it to sell a substantial portion of its industrial business as a result of the Transaction; (iii) with specific regard to the loans funded by the European Investment Bank, EIB has issued its consent for the completion of the Transaction subject to certain termination conditions such as, in particular, EIB's receipt of the spin-off document in a form and substance satisfactory to EIB, and Snam's updated business plan, and any other transaction-related documentation available to creditors indicating that Snam's credit risk and overall industrial operations are not negatively affected by the transaction. With regard to the two loans issued by EIB to Snam to fund Italgas projects, EIB has stated it is willing to agree to the assumption with release for Snam subject to certain conditions being met (including the approval of EIB's decision-making bodies in this regard).

Taking account of what is described in this paragraph, it should be noted that as at 30 June 2016, there were not events not in compliance with the aforementioned obligations and contractual covenants.

Reclassified statement of cash flows and change in net financial debt

The reclassified statement of cash flows set out below summarises the legally required format. It shows the connection between opening and closing cash and cash equivalents and the change in net



financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. The free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED STATEMENT OF CASH FLOWS CHANGE NET FINANCIAL DEBT

| Second quarter | | | First half | |
|----------------|-------|--|------------|-------|
| 2015 | 2016 | (€ million) | 2015 | 2016 |
| 287 | 260 | Net profit | 612 | 526 |
| | | <i>Adjusted for:</i> | | |
| 187 | 199 | - Amortisation, depreciation and other non-monetary components | 351 | 382 |
| 6 | 10 | - Net capital losses (capital gains) on asset sales and eliminations | 10 | 15 |
| 234 | 203 | - Interest and income taxes | 452 | 385 |
| 8 | 156 | Change in working capital due to operating activities | 30 | 167 |
| (229) | (200) | Interest and income taxes collected (paid) | (309) | (275) |
| 493 | 628 | Net cash flow from operating activities | 1,146 | 1,200 |
| (247) | (287) | Technical investments | (454) | (499) |
| (45) | | Change in scope of consolidation and business units | (45) | |
| (14) | (26) | Equity investments | (14) | (26) |
| 3 | 2 | Divestments | 87 | 2 |
| | (68) | Financial receivables held for operations | | (69) |
| (56) | 8 | Other changes relating to investment activities | (133) | (100) |
| 134 | 257 | Free cash flow | 587 | 508 |
| (50) | | Change in financial receivables not held for operating activities | (5) | |
| 741 | 616 | Change in short- and long-term financial debt | 243 | 371 |
| (875) | (875) | Equity cash flow | (875) | (875) |
| (50) | (2) | Net cash flow for the period | (50) | 4 |

CHANGE NET FINANCIAL DEBT

| Second quarter | | | First half | |
|----------------|-------|---|------------|-------|
| 2015 | 2016 | (€ million) | 2015 | 2016 |
| 134 | 257 | Free cash flow | 587 | 508 |
| 5 | 2 | Adjustment to fair value of financial debt | (4) | (11) |
| 17 | (18) | Exchange rate differences on financial debt | 8 | (20) |
| (875) | (875) | Equity cash flow | (875) | (875) |
| (719) | (634) | Change in net financial debt | (284) | (398) |

IFRS financial statements

Statement of financial position

| 31.03.2016 | (€ million) | 31.12.2015 | 30.06.2016 |
|------------|----------------|------------|------------|
| | ASSETS | | |
| | Current assets | | |



| | | | |
|--------|--|--------|--------|
| 23 | Cash and cash equivalents | 17 | 21 |
| 1,815 | Trade and other receivables | 1,824 | 1,477 |
| 170 | Inventories | 152 | 175 |
| 31 | Current income tax assets | 54 | 30 |
| 7 | Other current tax assets | 8 | 8 |
| 79 | Other current assets | 98 | 70 |
| 2,125 | | 2,153 | 1,781 |
| | Non-current assets | | |
| 15,595 | Property, plant and equipment | 15,478 | 15,677 |
| 363 | Compulsory inventories | 363 | 363 |
| 5,272 | Intangible assets | 5,275 | 5,265 |
| 1,392 | Investments valued using the equity method | 1,372 | 1,337 |
| 79 | Other receivables | 78 | 147 |
| 149 | Other non-current assets | 137 | 159 |
| 22,850 | | 22,703 | 22,948 |
| 24 | Non-current assets held for sale | 24 | 24 |
| 24,999 | TOTAL ASSETS | 24,880 | 24,753 |
| | LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| | Current liabilities | | |
| 1,350 | Short-term financial liabilities | 1,351 | 1,696 |
| 1,136 | Short-term portion of long-term financial liabilities | 1,378 | 2,168 |
| 1,503 | Trade and other payables | 1,746 | 1,377 |
| 99 | Current income tax liabilities | 1 | 23 |
| 90 | Other current tax liabilities | 50 | 49 |
| 62 | Other current liabilities | 71 | 52 |
| 4,240 | | 4,597 | 5,365 |
| | Non-current liabilities | | |
| 11,080 | Long-term financial liabilities | 11,067 | 10,334 |
| 908 | Provisions for risks and charges | 776 | 946 |
| 166 | Provisions for employee benefits | 166 | 165 |
| 370 | Deferred tax liabilities | 388 | 352 |
| 362 | Other non-current liabilities | 293 | 335 |
| 12,886 | | 12,690 | 12,132 |
| 7 | Liabilities directly associated with assets held for sale | 7 | 6 |
| 17,133 | TOTAL LIABILITIES | 17,294 | 17,503 |
| | SHAREHOLDERS' EQUITY | | |
| | Snam shareholders' equity | | |
| 3,697 | Share capital | 3,697 | 3,697 |
| 3,907 | Reserves | 2,655 | 3,031 |
| 266 | Net profit | 1,238 | 526 |
| (5) | Reserve for purchase of treasury shares held | (5) | (5) |
| 7,865 | Total Snam shareholders' equity | 7,585 | 7,249 |
| 1 | Minority interests | 1 | 1 |
| 7,866 | TOTAL SHAREHOLDERS' EQUITY | 7,586 | 7,250 |
| 24,999 | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 24,880 | 24,753 |

Income statement

| Second quarter | | | First half | |
|----------------|------|-----------------------|------------|-------|
| 2015 | 2016 | (€ million) | 2015 | 2016 |
| REVENUE | | | | |
| 961 | 936 | Core business revenue | 1,886 | 1,827 |



| | | | | |
|--------------|--------------|--|--------------|--------------|
| 23 | 11 | Other revenues and income | 73 | 34 |
| 984 | 947 | Total revenue | 1,959 | 1,861 |
| | | OPERATING COSTS | | |
| (180) | (181) | Purchases, services and other costs | (351) | (362) |
| (87) | (95) | Personnel cost | (174) | (185) |
| (267) | (276) | | (525) | (547) |
| (215) | (233) | AMORTISATION, DEPRECIATION AND IMPAIRMENT | (422) | (447) |
| 502 | 438 | EBIT | 1,012 | 867 |
| | | FINANCIAL INCOME (EXPENSES) | | |
| 3 | 3 | Financial income | 7 | 4 |
| (95) | (87) | Financial expenses | (193) | (178) |
| 1 | (1) | Derivatives | | (2) |
| (91) | (85) | | (186) | (176) |
| | | INCOME FROM EQUITY INVESTMENTS | | |
| 29 | 33 | Equity method valuation effect | 70 | 64 |
| (1) | | Other expenses from equity investments | (1) | |
| 28 | 33 | | 69 | 64 |
| 439 | 386 | PRE-TAX PROFIT | 895 | 755 |
| (152) | (126) | Income taxes | (283) | (229) |
| 287 | 260 | Net profit | 612 | 526 |
| 287 | 260 | - Snam | 612 | 526 |
| | | - Minority interests | | |
| | | Earnings per share | | |
| 0.07 | 0.07 | - simple (€ per share) | 0.17 | 0.15 |

Statement of comprehensive income

| (€ million) | First half | |
|---|------------|-------------|
| | 2015 | 2016 |
| Net profit | 612 | 526 |
| Other components of comprehensive income | | |
| Components that can be reclassified to the income statement: | | |
| Change in fair value of cash flow hedging derivatives (effective portion) | | 1 |
| Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income" | 11 | (13) |
| Tax effect | 11 | (12) |
| Components that cannot be reclassified to the income statement: | | |
| Actuarial (losses)/gains from remeasurement on defined-benefit obligations - IAS 19 | 2 | |
| Tax effect | (1) | |
| | 1 | |
| Total other components of comprehensive income, net of tax effect | 12 | (12) |
| Total comprehensive income | 624 | 514 |
| Attributable to: | | |
| - Snam | 624 | 514 |
| - Minority interests | | |
| | 624 | 514 |

Cash flow statement

| Second quarter | | | First half | |
|----------------|------------|---|------------|------------|
| 2015 | 2016 | (€ million) | 2015 | 2016 |
| 287 | 260 | Net profit | 612 | 526 |
| | | Adjustments for reconciling profit for the period with cash flow from operating activities: | | |



| | | | | |
|--------------|--------------|---|--------------|--------------|
| 215 | 233 | Total depreciation and amortisation | 422 | 447 |
| (29) | (33) | Equity method valuation effect | (70) | (64) |
| 6 | 10 | Net capital losses (capital gains) on asset sales, cancellations and eliminations | 10 | 15 |
| (3) | (2) | Interest income | (7) | (3) |
| 85 | 79 | Interest expense | 176 | 159 |
| 152 | 126 | Income tax paid | 283 | 229 |
| 1 | | Other changes | 1 | |
| 0 | | Changes in working capital: | | |
| 9 | (5) | - Inventories | 37 | 8 |
| 472 | 402 | - Trade receivables | 350 | 432 |
| (176) | 55 | - Trade payables | (205) | (86) |
| (7) | 7 | - Provisions for risks and charges | (20) | 18 |
| (290) | (303) | - Other assets and liabilities | (132) | (205) |
| 8 | 156 | <i>Working capital cash flows</i> | 30 | 167 |
| 0 | (1) | Change in provisions for employee benefits | (2) | (1) |
| 94 | 97 | Dividends collected | 99 | 102 |
| 2 | 1 | Interest collected | 4 | 1 |
| (85) | (79) | Interest paid | (172) | (159) |
| (240) | (219) | Income taxes paid net of reimbursed tax credits | (240) | (219) |
| 493 | 628 | Net cash flow from operating activities | 1,146 | 1,200 |
| | | Investments: | | |
| (164) | (201) | - Property, plant and equipment | (313) | (343) |
| (83) | (86) | - Intangible assets | (141) | (156) |
| (45) | | Change in scope of consolidation and business units | (45) | |
| (14) | (26) | - Equity investments | (14) | (26) |
| | (68) | Financial receivables held for operations | | (69) |
| (56) | 8 | - Change in payables and receivables relating to investments | (133) | (100) |
| (362) | (373) | <i>Cash flow from investments</i> | (646) | (694) |
| | | Divestments: | | |
| 1 | | - Property, plant and equipment | 1 | |
| 2 | 2 | - Equity investments | 86 | 2 |
| 3 | 2 | <i>Cash flow from divestments</i> | 87 | 2 |
| (359) | (371) | Net cash flow from investment activities | (559) | (692) |
| 69 | 306 | Assumption of long-term financial debt | 591 | 370 |
| (33) | (36) | Repayment of long-term financial debt | (502) | (338) |
| 705 | 346 | Increase (decrease) in short-term financial debt | 154 | 339 |
| (50) | | Financial receivables not held for operations | (5) | |
| 691 | 616 | | 238 | 371 |
| (875) | (875) | Dividends paid to Snam shareholders | (875) | (875) |
| (184) | (259) | Net cash flow from financing activities | (637) | (504) |
| (50) | (2) | Net cash flow for the period | (50) | 4 |
| 74 | 23 | Cash and cash equivalents at start of period | 74 | 17 |
| 24 | 21 | Cash and cash equivalents at end of period | 24 | 21 |

Fine Comunicato n.0542-65

Numero di Pagine: 28