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Testo del comunicato

Vedi allegato.

SNAM RESULTS FOR THE FIRST QUARTER OF 2017

San Donato Milanese, 4 May 2017 – Snam's Board of Directors chaired by Carlo Malacarne met yesterday and approved the consolidated results for the first quarter of 2017[1].

Financial highlights[2]

- **EBIT:** €353 million (+6.6% compared with adjusted pro-forma EBIT for the first quarter of 2016, thanks to tariff update, operating efficiency and some items with non-homogenous trend throughout the year)
- **Net profit:** €254 million (+19.8% compared with adjusted pro-forma net profit for the first quarter of 2016, also thanks to lower net financial expenses)
- **Technical investments:** €183 million (+13.7%)
- **Net financial debt:** €10,694 million

Operating highlights

- **Gas injected into the transportation network:** 18.98 billion cubic metres (+15.1%)
- **Available storage capacity:** 12.0 billion cubic metres (11.5 billion cubic metres as at 31 March 2016)

Main events

- **An equity linked bond for a nominal amount of €400 million was placed on 14 March 2017, with the regulation and closing of transactions on 20 March 2017. Authorisation for the Board of Directors to dispose of its treasury shares approved by the Shareholders' Meeting on 11 April 2017. From 13 April 2017, the right to convert bonds into ordinary shares of the Company could be exercised by bondholders**

- **In accordance with the share buyback programme launched on 7 November 2016, 82,583,084 treasury shares, equal to 2.36% of the share capital, were purchased on 31 March 2017, at a total cost of €304 million**

Marco Alverà, Snam's CEO, commented:
"We achieved positive results in the first quarter, reflecting the investment made in the gas system as well as a greater focus on economic and financial efficiency, allowing us to confirm our targets for 2017.
The recovery in Italian gas consumption, which showed a quarterly increase of 8.6% and made this the ninth consecutive quarter of growth, also contributed to Snam's results.
We are continuing to implement our strategic plan. This includes €5 billion of investments over the next five years to increase the liquidity and competitiveness of the Italian gas market which will make a decisive contribution towards a low-emission economy."

[1] Unaudited.

[2] Unless specified otherwise, the results for the first quarter of 2016 refer to continuing operations (gas transportation, regasification and storage, as well as corporate activities) and therefore exclude the contribution of distribution segment as discontinued operations, pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations". See page 11 for the reconciliation of the reported income statement with the adjusted pro-forma income statement for the first quarter of 2016.

Snam Press Office
T +39 02 37037273 F +39 02 37039227
ufficio.stampa@snam.it

Investor Relations Snam
T +39 02 37037272 F +39 02 37037803
investor.relations@snam.it

The main results of the income statement for the first quarter of 2017 compared with the results of the adjusted pro-forma income statement of the first quarter of 2016 are analysed below.

Key income statement figures

	First quarter				
	2016		2017		
(millions of €)	Reported	Pro-forma adjusted (a)		Change	% change
Total revenue	597	615	**628**	13	2.1
- of which regulated activities	*589*	*589*	***604***	*15*	*2.5*
EBITDA	468	482	**514**	32	6.6
EBIT	317	331	**353**	22	6.6
Net profit	180	212	**254**	42	19.8
Net Profit - discontinued operations	86	N/A	**N/A**		
Group net profit (b)	266	212	**254**	42	19.8

(a) The reconciliation of the reported income statement with the adjusted pro-forma one is given on page 11 of this press release.
(b) Entirely held by Snam shareholders.

Total revenue

Total revenue in the first quarter of 2017 amounted to €628 million, up by €13 million (2.1%) compared with adjusted pro-forma total revenues of the first quarter of 2016. Net of revenue items offset in costs[3], total revenue in the first quarter of 2017 was €601 million, up by €16 million (2.7%) compared with the same period of the previous year. The increase is due to higher regulated revenues (+€18 million; +3.2%) attributable to the natural gas transportation (+€11 million; +2.4%, of which €5 million related to higher volumes of gas injected) and storage (+€8 million; +8.1%, of which €5 million related to a different quarterly distribution) segments.

EBIT

EBIT[4] for the first quarter of 2017 totalled €353 million, up by €22 million (6.6%) compared with adjusted pro-forma EBIT for the first quarter of 2016. The increase is due to higher revenue (+€16 million) and a reduction in operating costs (+€16 million, equal to 15.5%, of which €2million as a first result of the Efficiency Plan), the effects of which were partly absorbed by greater amortisation (-€10 million, equal to 6.6%) recorded in all operating segments, basically following the new infrastructures coming into service.

In terms of the business segments[5], the increase in EBIT reflects the performance of the natural gas transportation (+€18 million, +7.3%) and storage segments (+€5 million, +6.3%).

Net profit

Net profit for the first quarter of 2017 totalled €254 million, up by €42 million (19.8%) compared with adjusted pro-forma net profit for the first quarter of 2016. In addition to the increase in EBIT (+€22 million), the rise is essentially due to the improvement in financial management (+€19 million), mainly

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.

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

5 The analysis of EBIT by segment is provided on page 13 of this press release.

attributable to the reduction in the average cost of debt and lower average net financial debt, and reflects the tax rate reduction.

Key balance sheet, financial and share figures

		First quarter			
		2016 (*)	2017	Change	% change
Technical investments	(millions of €)	161	**183**	22	13.7
Net financial debt (a)	(millions of €)	13,543	**10,694**	(2,849)	(21.0)
Free Cash Flow (a)	(millions of €)	251	**562**	311	
Adjusted pro-forma net profit per share (b)	(€)	0.061	**N/A**		
Net profit per share (b)	(€)	0.051	**0.074**	0.022	43.7
Group net profit per share (a) (b)	(€)	0.076	**0.074**	(0.002)	(2.8)
Number of shares outstanding at the end of the period	(million)	3,499.5	**3,416.9**	(82.6)	(2.4)
Average number of shares outstanding during the period	(million)	3,499.5	**3,443.4**	(56.1)	(1.6)

(*) Unless stated otherwise, the data refer to continuing operations only.
(a) The figure for the first quarter of 2016 includes discontinued operations.
(b) Calculated considering the average number of shares outstanding during the year. Note that with regard to the convertible bond loan, where bondholders have the right, from 13 April 2017, of conversion into Snam ordinary shares, pursuant to IAS 33 "Earnings per share", the potential outstanding ordinary shares, assuming that all bondholders exercise the right to convert the bonds into company shares, will total 82,554,228 shares.

Technical investments

Technical investments for the first quarter of 2017 stood at €183 million, a rise of €22 million (13.7%) compared with the first quarter of 2016, and refer essentially to the transportation (€158 million) and storage (€21 million) segments.

Net financial debt

Net financial debt at 31 March 2017[6] was €10,694 million, compared with €11,056 million at 31 December 2016. The positive cash flow from operating activities (€917 million), benefitting from the change in working capital mainly due to higher payables to CSEA, enabled the Group to fully meet its funding requirements linked with investments and financial assets not instrumental to operating activities (€355 million in total). After the cash flow from the purchase of treasury shares (€201 million), the net financial debt fell by €362 million compared with 31 December 2016.

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

Operating highlights

	First quarter			
	2016	2017	Change	% change
Natural gas transportation (a)				
Natural gas injected into the National Gas Transportation Network (billions of cubic metres) (b)	16.49	**18.98**	2.49	15.1
Gas transportation network (kilometres in use)	32,515	**32,510**	(5)	
Installed power in the compression stations (MW)	877	**922**	45.0	5.1
Liquefied Natural Gas (LNG) regasification (a)				
LNG regasification (billions of cubic metres)	0.001		(0.001)	(100.0)
Natural gas storage (a)				
Concessions	10	**10**		
- of which operational (c)	*9*	***9***		
Total storage capacity (billions of cubic metres)	16.0	**16.5**	0.5	3.1
- of which available (d)	*11.5*	***12.0***	*0.5*	*4.3*
- of which strategic	*4.5*	***4.5***		
Natural gas moved through the storage system (billions of cubic metres)	**6.53**	**6.34**	(0.19)	(2.9)
- of which injected		***0.15***	*0.15*	
- of which withdrawn	*6.53*	***6.19***	*(0.34)*	*(5.2)*
Employees in service at end of period (number) (e)	**3,027**	**2,908**	**(119)**	**(3.9)**
of which business segments:				
- Transportation (f)	1,926	**1,723**	(203)	(10.5)
- Regasification	73	**69**	(4)	(5.5)
- Storage	309	**301**	(8)	(2.6)
- Corporate and other activities	719	**815**	96	13.4

(a) With regard to the first quarter of 2017, volumes of gas are expressed in standard cubic metres (SMC) with the average higher heating value (HHV) of 38.1 MJ/SMC (10.572 Kwh/SMC) for natural gas transportation and regasification activities and 39.3 MJ/SMC (10.906 Kwh/SMC) for natural gas storage activities for the thermal year 2016-2017 (39.1 MJ/SMC, 10.805 Kwh/SMC for the thermal year 2015-2016).
(b) The figures for the first quarter of 2017 are up to date at 7 April 2017.
(c) Working gas capacity for modulation services.
(d) Working gas capacity for modulation, mining and balancing services, allocated in full for the thermal year 2016-2017.
(e) Fully consolidated companies. The overall change of 119 employees compared with the first quarter of 2016 includes personnel transferred to the Italgas Group (208 people, net of personnel transferred from the Italgas Group to Snam) following the demerger deed. Compared with 31 December 2016, the number of employees in service increased by 25.
(f) Following the adjustment of Snam's organisational structure, effective from 1 November 2016, part of the functions previously carried out by Snam Rete Gas were transferred to Snam.

Natural gas transportation

The gas injected into the transportation network stood at 18.98 billion cubic metres, an increase of 2.49 billion cubic metres (+15.1%) compared with the first quarter of 2016, essentially following the increase in demand for natural gas in Italy (+2.03 billion cubic metres compared with the first quarter of 2016; +8.6%). The increase in demand is due to the higher consumption recorded in all the main sectors and, specifically, the thermoelectric sector (+1.03 billion cubic metres; +18.6%), following the decrease in the importing of energy imports in the first two months of the year. This was the result of an extended halt in activity at several French nuclear plants and of a fall in the production of hydroelectric energy, both residential and tertiary (+0.51 billion cubic metres; +3.8%) and industrial energy (+0.38 billion cubic metres; +8.5%).

Adjusted for the weather effect, gas demand was estimated at 26.28 billion cubic metres, up by 1.51 billion cubic metres (+6.1%) compared with the first quarter of 2016 (24.77 billion cubic metres).

With regard to the higher volumes of gas injected into the transportation network, the increase of 2.49 billion cubic metres is mainly attributable to the consistent volumes injected by the Mazara del Vallo entry point (+3.07 billion cubic metres; +93.9%). This was partly offset by the lower volumes injected by the Tarvisio entry point (-0.64 billion cubic metres; -8.7%).

Liquefied Natural Gas (LNG) regasification

No methane tankers were unloaded and no natural gas was regasified in the first three months of 2017. A new unloading was confirmed on 16 March 2017 and will take place in the second quarter of the year in the context of the integrated regasification and storage service[7].

Natural gas storage

The natural gas moved through the storage system in the first quarter of 2017 totalled 6.34 billion cubic metres, in line with the volumes moved in the first quarter of 2016 (6.53 billion cubic metres). The reduction of 0.19 billion cubic metres, equal to 2.9%, was mainly attributable to lower withdrawals from storage (-0.34 billion cubic metres; -5.2%) due to the weather. As of 31 March 2017, at the end of the supply campaign, the stock stood at 2.2 billion cubic metres (1.8 billion cubic metres as at 31 March 2016).

The total storage capacity as at 31 March 2017, including strategic storage, was 16.5 billion cubic metres (+0.5 billion cubic metres compared with 31 March 2016). Of these, 12.0 billion cubic metres related to available storage capacity, which was allocated in full for the 2016-2017 thermal year, and 4.5 billion cubic metres related to strategic storage (unchanged compared with the 2015-2016 thermal year).

[7] This service, introduced by Article 14, paragraph 1 of Decree-Law 1 of 24 January 2012 and later governed by the Ministerial Decree of 25 February 2016, makes provision that the leading storage company makes delivered quantities of gas equivalent to LNG available to the user for the uniform storage service, minus consumption and leaks, by the end of the month after unloading. The physical management of gas flows for redelivery of gas in storage takes place by coordinating the regasification and storage companies involved. With regard to the contractual period 1 April 2017 - 31 March 2018, through the Decree of 7/12/2016 (Official Gazette General Series No. 295 of 19 December 2016) as integrated by the Decree of 13/02/2017 (Official Gazette General Series No. 46 of 24 February 2017) the Ministry of Economic Development established that a storage space of 1.5 billion cubic metres be designated for the integrated storage and regasification service. Access to the service is obtained through a competitive auction where the reserve price, depending on the value of the product and market developments, was defined by the Authority on the basis of the criteria of resolution 6/2017/R/gas.

Main events

Equity linked bond

An equity linked bond for a nominal amount of €400 million was successfully placed on 14 March 2017 with 5-year bonds issued at par with no interest. The regulation and closing of the bonds took place on 20 March 2017. The initial conversion price of the bonds was set at €4.8453. This represents a 26% premium above the Volume Weighted Average Price (VWAP) of the Company's ordinary shares, according to the Borsa Italiana S.p.A. price between the launch of the offering and the calculation of the price of the Bonds, both of which took place on 14 March 2017.

On 11 April 2017, the Shareholders' Meeting approved, among other items, the authorisation for the Board of Directors to dispose of treasury shares. On 12 April 2017, Snam sent the bondholders the Physical Settlement Notice with the allocation, from 13 April 2017, of the right to convert the bonds into ordinary shares.

The bonds will be reimbursed at their nominal value on 20 March 2022, unless there is an early repayment, or if the bonds have been previously converted or bought back by the Company.

This transaction represents a step forward in the optimisation of the debt structure, making it possible to create additional value through the share buyback programme and obtain funding at competitive costs, with a positive impact on cash flows. The success of the transaction confirms investor confidence in Snam's equity story.

Authorisation to purchase and dispose of treasury shares

On 1 August 2016 the Shareholders' Meeting authorised the purchase of treasury shares for an outlay of up to €500 million and a maximum limit of 3.5% of the subscribed and released share capital. This applies to treasury shares already owned by the Company to take place, in tranches, within 18 months of the effective date of the demerger from Snam of the natural gas distribution business, i.e. by 7 November 2016. Following this authorisation, as of 31 March 2017, Snam purchased 82,583,084[8] treasury shares, representing 2.36% of the share capital, for a total of approximately €304 million with an average price of €3.6874 per share.

On 11 April 2017 the Shareholders' Meeting, after the repeal of the above-mentioned authorisation, issued a new authorisation on the purchase of treasury shares, in one or more tranches, for a total outlay of €196 million. This amount results from the difference between the maximum outlay (€500 million) and that incurred by the Company for the purchases made until the date of the shareholders' meeting resolution (€304 million), all, in any case, up to the maximum limit of 3.5% of the Company's share capital, with regard to the treasury shares already owned by the Company. The authorisation was given for a maximum of 18 months from the date at which the resolution was adopted. The essential contents were unchanged, from the perspective of the purchase, compared with those under the previous authorisation. The Board of Directors' resolution for the authorisation and disposal of both treasury shares already in the portfolio and those that can be bought back during the execution of the share buyback was integrated.

Disputes and other measures

Snam is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Snam believes that these proceedings and actions will not have material adverse effects on its

[8] Including 53,805,154 shares bought in the first quarter of 2017 for a total cost of €201 million.

consolidated financial statements. The following is a summary of the most important proceedings for which significant changes to the situation reported in the 2016 Annual Financial Report occurred, including the new proceedings and closed proceedings.

Pineto incident /Snam Rete Gas S.p.A.

The public prosecutor at the Court of Teramo opened an investigation in relation to the incident that took place on 6 March 2015 near the town of Pineto involving a gas leak on a section of piping. The causes of the gas leak and fire are currently being investigated. The infrastructure was quickly made safe, stopping the gas leak and facilitating the fire fighting operations.
The public prosecutor arranged the removal of the names of several senior positions, believing that in the light of the investigations carried out, the liability of several senior Snam Rete Gas mangers could be excluded. On 2 February 2017, the notice of conclusion of the preliminary investigations was announced, the accused offences were deemed criminal negligence causing wide-scale disaster and wildfire caused by arson. Positions within the employer model are still being investigated - Employer, Safety Manager, Safety Officer - and also technical positions. Snam Rete Gas is actively cooperating with the relevant authorities.

Cerved Rating Agency S.p.A. and Cerved Group S.p.A./Electricity, Gas and Water System Authority (AEEGSI)/Snam Rete Gas S.p.A.

In February 2015 the Cerved Group and Cerved Rating Agency applied, before the Lombardy-Milan Regional Administrative Court, for the annulment of the AEEGSI 207/2014/R/gas resolution arguing that the section which excludes Cerved from the parties authorized to issue credit ratings to guarantee the payment of obligations arising from the transfer and provision of the gas transportation and balancing service is unlawful.
Through the ruling filed in April 2016, the Lombardy Regional Administrative Court only partly accepted the appeal submitted by Cerved, deeming Cerved's request to annul the AEEGSI resolution well-grounded, and therefore the part of the Snam Rete Gas Network Code in which Cerved is not accepted as a legitimate party for the issuing of credit ratings for Network Code purposes. On the other hand, the demand to accept Cerved's right for admission to the list of parties accredited to issue credit ratings for Network Code purposes as well as the claim for damages were rejected.
As a result of the ruling, Snam Rete Gas and the AEEGSI, each as far as their area of responsibility is concerned, shall evaluate the plaintiff's claim once again. Moreover, in arrears, the Council of State has been notified of an appeal. On 9 February 2017 there was a hearing on this matter, the outcome of which was published on 21 March 2017 through ruling no. 1266/2017, and the Council of State accepted the above-mentioned appeals and annulled the previous ruling of the Regional Administrative Court. As a result of the ruling of the Council of State, Cerved's original request was therefore rejected.

Electricity, Gas and Water System Authority (AEEGSI) - Gas Tera and Gas Tera PMI Consortiums/AEEGSI/Stogit S.p.A.

Gas Tera and Gas Tera PMI consortiums challenged Resolution 180/2016/R/gas in an appeal filed on 15 June 2016 regarding "Decisions following the Lombardy Regional Administrative Court ruling 1124/2015", through which the Authority asked Stogit to notify investors pursuant to Legislative Decree 130/2010 of the amounts paid by the Authority through Resolution 144/2014/R/gas to parties including those investors who had given up storage capacity for the thermal year 2013-2014. The amounts were provided to Stogit in December 2014 by the then Electricity Equalisation Fund (CCSE)

and Stogit promptly reimbursed those entitled in accordance with the above-mentioned Resolution. According to the reconstruction of the plaintiffs, Stogit paid an apparent creditor on the basis of Resolution 144/2014/R/gas which, in the meantime, was appealed against, but not suspended, in the proceedings which concluded with ruling 1124/2015 which established that it was the assignors and not the assignees of the capacity that had the right to collect these sums.
The plaintiffs asked for a declaration of invalidity or, subordinately, the cancellation of the challenged Resolution, asking to know whether the expense of recovering the credit from the payment mistakenly made with regard to the third parties to whom the amount due to the plaintiffs was incorrectly paid was their responsibility. The hearing in this regard took place on 31 January 2017 and the Milan Regional Administrative Court published its ruling 688/2017 on 22 March 2017 declaring the appeal inadmissible. The Regional Administrative Court actually found that, contrary to what had been claimed by the plaintiff, the resolution imposed is not damaging where it orders Stogit to notify the AEEGSI of the calculations requested.

Resolution 608/2015/R/gas – Proceedings to determine the share of costs arising from outstanding receivables owing to the gas balancing supervisor/Snam Rete Gas S.p.A.

By way of Resolution 145/2013/R/gas of 5 April 2013, the AEEGSI began "*proceedings to determine the share of costs arising from outstanding receivables owing to the gas balancing supervisor for the period 1 December 2011 - 23 October 2012*". These proceedings were triggered by the outcome of the preliminary investigation launched through Resolution 282/2012/R/gas involving the methods for regulating the balancing income statement items and the measures taken to protect the system relating to the period 1 December 2011-31 May 2012.
At the end of the proceedings, the AEEGSI, by way of Resolution 68/2015/R/gas of 11 December, decided not to pay the share of receivables not collected with regard to the specific cases that were the subject of the investigation, whose total nominal value amounted to approximately €130 million.
The Company had made provision in previous years to set aside a bad debt provision to cover the expenses from the proceedings in question and, challenged Resolution 608/2015/R/gas before the competent legal authorities, believing that there were the necessary conditions for paying the share of expenses resulting from uncollected receivables and subject to the proceedings in question.
The hearing in this regard was held on 17 January 2017. The Milan Regional Administrative Court partly accepted Snam Rete Gas' appeal through ruling 942/2017, published on 21 April 2017, stating that, with regard to some of the cases subject to investigation, there were the prerequisites to pay the expenses from the receivables not collected, for a total sum of approximately €38 million.
The deadlines for the appeal to the Council of State are pending.
Regulation and other provisions

Resolution 82/2017/R/gas - "Launch of proceedings for the formulation of provisions for natural gas tariffs and quality of the transportation service, for the fifth regulation period (5PRT)"

The Authority launched proceedings, through Resolution 82/2017/R/gas, published on 24 February 2017, to define the tariff regulation for the next natural gas transportation regulatory period, assuming the launch will be postponed to 2019, rather than 2018. The proceedings launched include the redefining of the organisation of the metering activities.

Resolution 141/2017/R/gas - "Launch of proceedings for the formulation of provisions regarding tariffs for the use of LNG terminals for the fifth regulatory period and the separation of the accounting for Small Scale LNG services"

The Authority launched proceedings, through Resolution 141/2017/R/gas, published on 17 March 2017, to define the tariff regulation for the next natural gas regasification service regulatory period, assuming the launch will be postponed to 2019, rather than 2018. The resolution also launched proceedings aimed at including the provisions of Legislative Decree 257/16 "Rules implementing Directive 2014/94/EU of the European Parliament and Council of 22 October 2014, on the creation of an infrastructure for alternative fuels" on the separation of the accounting for Small Scale LGN service activities.

Ministry of Economic Development Ministerial Decree of 14/02/2017 (Official Gazette No 49 of 28 February 2017) - "Determination and allocation of modulation storage capacity for the contractual period 1 April 2017 - 31 March 2018"

With this decree, the Ministry of Economic Development defined the modulation storage space for thermal year 2017-2018, to be used primarily for entities supplying domestic customers, at 7,625 million cubic metres plus the mining storage share not allocated. 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 76/2017/R/gas "Provisions for storage services for the thermal year 2017-2018".

Outlook

Based on currently available information, the demand for natural gas in Italy at the end of 2017 is expected to be largely in line with 2016 levels (71.9 billion cubic metres), in normalised terms for temperature, in line with the gradually improving energy efficiency scenario for the sector in the Energy Efficiency National Action Plan.

Snam confirms its commitment to the development of natural gas infrastructure in Italy through a programme of technical investments for 2017, which is slightly up compared to 2016.

Snam also confirms for 2017 its focus on operational efficiency and its aim to continue to optimise the Group's financial structure.

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This press release on the consolidated results for the first quarter of 2017 which has not been audited, has been prepared on a voluntary basis pursuant to Article 82-*ter* "Additional periodic financial information" of Consob Issuers' Regulation 11971 of 14 March 1999 and subsequent amendments and supplements, consistent with the quarterly information provided by Snam in the past and the minimum contents and deadlines set out in the Group's financial calendar.

Information on operating results and cash flows is provided with reference to the first quarter of 2017 and the first quarter of 2016. Information on financial position is provided with reference to 31 March 2017 and 31 December 2016. The form of the financial statements corresponds to that of the statements presented in the Interim Directors' Report of the Consolidated Half-Year Report and the Directors' Report of the Annual Financial 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 results for the first quarter of 2017 are the same as those used to compile the 2016 Annual Report, which should be referred to for a description of these criteria.

The changes in the scope of consolidation of the Snam Group at 31 March 2017 compared with 31 March 2016 involved the exit of Italgas Reti S.p.A. (previously Italgas S.p.A.) and the companies controlled by this company, beginning on 7 November 2016 as a result of the operation involving the separation from Snam of the natural gas distribution business. As a result of the transaction, which led to the transfer to Italgas S.p.A. (formerly ITG Holding S.p.A.) of 100% of Snam S.p.A.'s equity investment in Italgas Reti S.p.A., Snam S.p.A. holds an equity investment in Italgas S.p.A. representing 13.5% of the share capital.
The scope of consolidation of the Snam Group at 31 March 2017 compared with 31 December 2016 is unchanged.

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

*Pursuant to Article 154-*bis*, paragraph 2 of the TUF, the Manager charged with preparing the Company's financial reports, Franco Pruzzi, 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, specifically in the "Outlook" section, relating to changes in demand for natural gas, investment plans, future management performance and the execution 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 effective results may therefore differ from those announced with regard to various factors, including: 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 15:00 CET today, 4 May 2017, to present the consolidated results for the first quarter of 2017 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 quarter of 2017

RECLASSIFIED INCOME STATEMENT

	First quarter				
	2016		2017		
(millions of €)	Reported (*)	Pro-forma adjusted		Change	% change
Regulated revenue	589	589	**604**	15	2.5
Non-regulated revenue (a)	8	26	**24**	(2)	(7.7)
Total revenue	**597**	**615**	**628**	**13**	**2.1**
Operating costs (a)	(129)	(133)	**(114)**	19	(14.3)
EBITDA	**468**	**482**	**514**	**32**	**6.6**
Amortisation, depreciation and impairment	(151)	(151)	**(161)**	(10)	6.6
EBIT	**317**	**331**	**353**	**22**	**6.6**
Net financial expenses (a)	(85)	(75)	**(56)**	19	(25.3)
Net income from equity investments	27	35	**41**	6	17.1
Profit before taxes	**259**	**291**	**338**	**47**	**16.2**
Income tax	(79)	(79)	**(84)**	(5)	6.3
Net profit (a) (b)	**180**	**212**	**254**	**42**	**19.8**
Net Profit - discontinued operations	**86**	**N/A**	**N/A**		
Group net profit (a) (b)	**266**	**212**	**254**	**42**	**19.8**

(a) The adjusted pro-forma data for the first quarter of 2016 includes the restoration of eliminations from intercompany transactions to discontinued operations.
(b) Entirely held by Snam shareholders.
(*) Pursuant to the provisions of IFRS 5 the result of the distribution segment for the first quarter of 2016 is represented separately as discontinued operations in a single line in the reported income statement.

First quarter of 2016 - Reconciliation of the reported income statement with the adjusted pro-forma one

The separation of the natural gas distribution business from Snam took effect on 7 November 2016. Therefore, the economic results for the first quarter of 2017 refer exclusively to the natural gas transportation, regasification and storage businesses as well as corporate activities. In accordance with the terms of IFRS 5 accounting principle “Non-current assets held for sale and discontinued operations”, the economic results in the natural gas distribution segment referring to the period 1 January-31 March 2016 have been represented as “discontinued operations” and, for this reason, expressed separately in a single line in the income statement. In this regard, however, it should be considered that the separate recording of the discontinued operations according to the criteria of IFRS 5 refers only to the relations with third parties maintaining the elimination of the infra-group relations. As such, this causes a distortion in the separation of the values between continuing and discontinued operations which, at the economic level, causes a penalty to one or the other which becomes more significant as the infra-group economic relations of the discontinued sectors increase.

In order to remove the distortions resulting from the application of IFRS 5, the adjusted result measurements were obtained by restoring the eliminations resulting from intercompany transactions to discontinued operations at the level of each individual income statement item in the continuing operations results. In addition, in order to allow a better evaluation of the performance of continuing operations and greater compatibility of the results, as well as restore intercompany transactions to discontinued operations in the continuing operations, the non-GAAP measurements were also represented from the adjusted pro-forma net profit which, assuming the ownership of Snam's significant equity investment in Italgas from 1 January 2016, includes the contribution of the distribution segment applying the investment share of 13.5% to the net profit for the period of the Italgas Group. Management considers that these performance metrics allow for an analysis of the business trends, making it easier to compare results. The table below illustrates the reconciliation of the reported income statement for the first quarter of 2016 with the adjusted pro-forma income statement for the same period.

	First quarter of 2016				
(millions of €)	**Reported**	***Restoration of the elisions originating from intercompany transactions to discontinued operations***	**Adjusted**	***Pro-forma adjustments***	**Pro-forma adjusted**
Continuing operations					
Regulated revenue	589		589		589
Non-regulated revenue	8	18	26		26
Total revenue	**597**	**18**	**615**		**615**
Operating costs	(129)	(4)	(133)		(133)
EBITDA	**468**	**14**	**482**		**482**
Amortisation, depreciation and impairment	(151)		(151)		(151)
EBIT	**317**	**14**	**331**		**331**
Net financial expenses	(85)	10	(75)		(75)
Net income from equity investments	27		27	8	35
Profit before taxes	**259**	**24**	**283**	**8**	**291**
Income tax	(79)		(79)		(79)
Net profit (*)	**180**	**24**	**204**	**8**	**212**
Net Profit - discontinued operations (*)	**86**	**(24)**	**62**	**(62)**	
Group net profit (*)	**266**		**266**	**(54)**	**212**

(*) Entirely held by Snam shareholders

EBIT[9] for the first quarter of 2017 totalled €353 million, up by €22 million (6.6%) compared with adjusted pro-forma EBIT for the first quarter of 2016.
The increase is due to higher revenue (+€16 million; +2.7%, of which €5 million related to higher gas volumes injected and €5 million related to a temporary effect, subject to reabsorption throughout the

[9] EBIT was analysed by isolating only the elements that resulted in a change to that figure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs.

year, linked to a different quarterly distribution of revenues) and a reduction in operating costs (+€16 million, equal to 15.5%) mainly referring to regulated activities, the effects of which were partly absorbed by higher amortisation (-€10 million, equal to 6.6%) recorded in all operating segments, basically following the new infrastructures coming into service. Specifically, the reduction in operating costs is mainly due to: (i) lower net provisions for risks and charges (-€3 million); (ii) lower capital losses from asset removal (-€2 million); (iii) first results of the Efficiency Plan.

Below is a breakdown of EBIT by business segment:

	First quarter			
	Pro-forma adjusted			
(millions of €)	2016	2017	Change	% change %
Business segments				
Transportation	247	265	18	7.3
Regasification	1	1		
Storage	79	84	5	6.3
Corporate and other activities	4	3	(1)	(25.0)
	331	**353**	**22**	**6.6**

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

- Transportation (+€18 million, +7.3%) mainly following the higher regulated revenue (+€11 million, net of items offset in costs, equal to 2.5%), resulting essentially from the effects of the tariff update (+€5 million) and the higher volumes of gas injected (+€5 million), as well as the reduction in operating costs (+€15 million, net of items offset in revenues, equal to 20.5%). This reduction is due to the combined effect of various factors, including: (i) the reduction in personnel costs (+€4 million) following higher recharging to the parent company Snam as a result of the new organisational structure, operational from 1 November 2016; (ii) lower net provision for risks and charges (+€3 million); (iii) lower capital losses (+€2 million). These positive factors were partially offset by higher depreciation (-€5 million, equal to 3.9%) following the entry into service of new infrastructures;
- Storage (+€5 million; +6.3%) essentially attributable to increased revenue (+€10 million, net of items offset in costs, equal to 8.6%), due mainly to the increase in regulated revenue (+€8 million, equal to 6.9%). This increase is mainly due to an effect of a temporary nature, subject to reabsorption during the course of the year, linked to a different quarterly distribution of the actual revenues, used from the second quarter of 2016 which, in consideration of the allocation of 100% of the revenues to the capacity item, exposes them in accordance with a constant profile based on permitted annual revenues. These positive factors were partially offset by higher depreciation and write-off (-€5 million) essentially following the entry into operation of new infrastructures.

Net profit for the first quarter of 2017 totalled €254 million, up by €42 million (19.8%) compared with adjusted pro-forma net profit for the first quarter of 2016. In addition to an increase in EBIT (+€22 million), the rise is due to: (i) the improvement in financial management (+€19 million), mainly attributable to the reduction in the average cost of debt, also thanks to benefits resulting from the improvement measures implemented in 2016 and 2017, specifically the liability management operation completed in October 2016 and the funding operations implemented in the first quarter of the year, and lower average net financial debt for the period; (ii) the higher income from equity investments valued using the equity method (+€6 million). These factors were partly absorbed by the increase in income tax (-€5 million) mainly following the higher pre-tax profit, the effects of which were partly absorbed by the reduction, from 1 January 2017, of the IRES rate from 27.5% to 24.0%[10].

The tax rate for the first quarter of 2017 was 24.9% (27.1% for adjusted pro-forma income statement for the first quarter of 2016).

The following summary tables show the reclassified consolidated income statement items.

Total revenue

	First quarter			
(millions of €)	**2016**	**2017**	**Change**	**% change**
Business segments				
Transportation	495	**500**	5	1.0
Regasification	5	**5**		
Storage	136	**147**	11	8.1
Corporate and other activities	47	**55**	8	17.0
Consolidation eliminations (*)	*(68)*	***(79)***	*(11)*	*16.2*
	615	**628**	**13**	**2.1**

(*) The data for the first quarter of 2016 includes the restoration of eliminations from intercompany transactions to discontinued operations.

Regulated and non-regulated revenue

	First quarter			
(millions of €)	**2016**	**2017**	**Change**	**% change**
Regulated revenue	**589**	**604**	**15**	**2.5**
Business segments				
Transportation	455	**466**	11	2.4
Regasification	5	**4**	(1)	(20.0)
Storage	99	**107**	8	8.1
Revenue items offset in costs (*)	30	**27**	(3)	(10.0)
Non-regulated revenue (**)	**26**	**24**	**(2)**	**(7.7)**
	615	**628**	**13**	**2.1**

(*) The main revenue items offset in costs relate to interconnection and sales of natural gas carried out for balancing purposes.
(**) The data for the first quarter of 2016 includes the restoration of eliminations from intercompany transactions to discontinued operations.

10 Introduced by Law 208/2015 (2016 Stability Law) containing "Provisions for the formulation of the State Annual and Multi-year budgets", published in the Official Gazette of 30 December 2015 and in force from 1 January 2016.

Operating costs

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Business segments				
Transportation	120	**102**	(18)	(15.0)
Regasification	3	**3**		
Storage	37	**38**	1	2.7
Corporate and other activities	41	**50**	9	22.0
Consolidation eliminations (*)	(68)	**(79)**	(11)	16.2
	133	**114**	**(19)**	**(14.3)**

(*) The data for the first quarter of 2016 includes the restoration of eliminations from intercompany transactions to discontinued operations.

Operating costs - Regulated and non-regulated activities

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Costs of regulated activities	**115**	**99**	**(16)**	**(13.9)**
Controllable fixed costs	69	**65**	(4)	(5.8)
Variable costs	6	**2**	(4)	(66.7)
Other costs	10	**5**	(5)	(50.0)
Cost items offset in revenue (*)	30	**27**	(3)	(10.0)
Costs of non-regulated activities (**)	**18**	**15**	**(3)**	**(16.7)**
	133	**114**	**(19)**	**(14.3)**

(*) 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.
(**) The data for the first quarter of 2016 includes the restoration of eliminations from intercompany transactions to discontinued operations.

Amortisation, depreciation and impairment

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Depreciation and amortisation	**151**	**161**	**10**	**6.6**
Business segments				
Transportation	128	**133**	5	3.9
Regasification	1	**1**		
Storage	20	**25**	5	25.0
Corporate and other activities	2	**2**		
	151	**161**	**10**	**6.6**

EBIT

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Business segments				
Transportation	247	265	18	7.3
Regasification	1	1		
Storage	79	84	5	6.3
Corporate and other activities	4	3	(1)	(25.0)
	331	**353**	**22**	**6.6**

Net financial expenses

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Financial expense (income) related to net financial debt	**76**	**58**	**(18)**	**(23.7)**
- Interest and other expense on short- and long-term financial debt (*)	76	58	(18)	(23.7)
Other net financial expense (income)	**2**	**1**	**(1)**	**(50.0)**
- Accretion discount	3	**3**		
- Other net financial expense (income)	(1)	**(2)**	(1)	100.0
Losses (Gains) on hedging derivatives – ineffective portion	**1**		**(1)**	**(100.0)**
Financial expense capitalised	**(4)**	**(3)**	**1**	**(25.0)**
	75	**56**	**(19)**	**(25.3)**

(*) The data for the first quarter of 2016 includes the restoration of eliminations from intercompany transactions to discontinued operations.

Net income from equity investments

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Equity method valuation effect (*)	35	**41**	6	17.1
	35	**41**	**6**	**17.1**

(*) The figure for the first quarter of 2016 includes pro-forma adjustments.

Income tax

(millions of €)	First quarter 2016	First quarter 2017	Change	% change
Current taxes	**87**	**90**	**3**	**3.4**
(Prepaid) deferred taxes				
Deferred taxes	(5)	(3)	2	(40.0)
Prepaid taxes	(3)	(3)		
	(8)	**(6)**	**2**	**(25.0)**
Tax rate (%) (*)	**27.1**	**24.9**	**(2.2)**	
	79	**84**	**5**	**6.3**

(*) The figure for the first quarter of 2016 was calculated with reference to the pre-tax profit of adjusted pro-forma income statement.

Reclassified statement of financial position

The reclassified statement of financial position set out below combines the assets and liabilities of the condensed statement based on how the business operates, conventionally split into the three basic functions: investment, operations and financing.

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

The reclassified consolidated statement of financial position format is used by management to calculate the key leverage and profitability ratios.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(millions of €)	31/12/2016	31/03/2017	Change
Fixed capital	**18,080**	**18,215**	**135**
Property, plant and equipment	15,563	**15,574**	11
Compulsory inventories	363	**363**	
Intangible assets	810	**811**	1
Equity investments	1,499	**1,462**	(37)
Financial receivables held for operations	213	**268**	55
Net payables for investments	(368)	**(263)**	105
Net working capital	**(483)**	**(925)**	**(442)**
Provisions for employee benefits	**(44)**	**(44)**	
NET INVESTED CAPITAL	**17,553**	**17,246**	**(307)**
Shareholders' equity (including minority interests)			
- attributable to Snam	6,497	**6,552**	55
- attributable to minority interests			
	6,497	**6,552**	**55**
Net financial debt	**11,056**	**10,694**	**(362)**
COVERAGE	**17,553**	**17,246**	**(307)**

F**ixed capital** (€18,215 million) rose by €135 million compared with 31 December 2016 mainly due to a decrease in net debt relating to investing activities (+€105 million), an increase in financial receivables held for operations (+€55 million) and property, plant and equipment (+€11 million), the effects of which were partly offset by the reduction in the value of equity investment (-€37 million).

The change in property, plant and equipment and in intangible assets can be broken down as follows:

(millions of €)	Property, plant and equipment	Intangible assets	Total
Balance at 31 December 2016	**15,563**	**810**	**16,373**
Technical investments	169	14	**183**
Amortisation, depreciation and impairment	(148)	(13)	**(161)**
Other changes	(10)		**(10)**
Balance at 31 March 2017	**15,574**	**811**	**16,385**

Technical investments

(millions of €)	First quarter 2016 (*)	2017
Business segments		
Transportation	136	**158**
Regasification	1	**1**
Storage	23	**21**
Corporate and other activities	1	**3**
	161	**183**

(*) The values refer to the technical investments of continuing operations.

Technical investments totalled €183 million (€161 million in the first quarter of 2016) and related mainly to the following business segments:

- Transportation (€158 million; €136 million in the first quarter of 2016): relating to: (i) works for the development of new transportation capacity in the National Network depending on the import and export capacity (€60 million), mainly under the scope of the initiative supporting the market in the north west area of the country and to allow the reversal of the physical transportation flows at the interconnection points with northern Europe in the Po Valley area; (ii) investments to develop new transportation capacity in the National and Regional Network (€17 million), for works aimed at the upgrading of the network and the connection of new regional and national redelivery points; (iii) investments for replacements and other investments (€81 million);
- Storage (€21 million; €23 million in the first quarter of 2016): relating to investments for the development of new fields and upgrading capacities (€6 million), relating mainly to the Minerbio field (€3 million) and Bordolano field (€2 million) and investments for maintenance and other activities (€15 million) essentially referring to the purchase of capital spares for the compression stations (€6 million) and the partial renovation of the Cortemaggiore wells (€2 million).

Equity investments

Equity investments (€1,462 million) include the valuation of equity investments using the equity method and refers mainly to the companies Trans Austria Gasleitung GmbH-TAG (€443 million), TIGF Holding S.A.S. (€467 million), Trans Adriatic Pipeline AG-TAP (€173 million)[11] and AS Gasinfrastruktur Beteiligung GmbH (€137 million).

Financial receivables held for operations

The financial receivables instrumental to operating activities (€268 million), an increase of €55 million compared with 31 December 2016[12], refer to Snam's share of the Shareholders' Loan issued in favour of the associate Trans Adriatic Pipeline AG (TAP).

11 It includes the increase of approximately €13 million (equal to approximately CFH 14.1 million) relating to the future share capital increase of TAP, which Snam is obliged to invest in in proportion to the shareholding owned, by virtue of the agreements signed during the acquisition of the equity investment. Snam organised the payment for 12 April 2017.

12 According to the contractual agreements drawn up, the shareholders are responsible for the funding of the project, by way of the percentage shareholding, until the gas pipeline comes into service. Any expansion of the capacity is subject to an economic feasibility study and therefore the verification of the benefits for TAP, also in conformity with the decision of the regulatory authorities to opt out.

Net working capital

(millions of €)	31/12/2016	31/03/2017	Change
Trade receivables	1,271	**1,236**	(35)
Inventories	118	**140**	22
Tax receivables	42	**22**	(20)
Other assets	70	**172**	102
Provisions for risks and charges	(707)	**(698)**	9
Trade payables	(433)	**(458)**	(25)
Liabilities for deferred taxes	(187)	**(182)**	5
Accruals and deferrals from regulated activities	(73)	**(165)**	(92)
Tax liabilities	(12)	**(133)**	(121)
Derivative (liabilities)/assets (*)	24	**(11)**	(35)
Other liabilities	(596)	**(848)**	(252)
	(483)	**(925)**	**(442)**

(*) Includes the liabilities resulting from the fair value measurement of the conversion option for the equity linked bond loan issued on 20 March 2017 (€16 million). For more information refer to the paragraph "Main events-Equity linked bond loan" on page 6 of this press release.

Net working capital (€925 million) reduced by €442 million compared with 31 December 2016 mainly due to: (i) an increase in other liabilities (-€252 million) following the higher payables to the CSEA relating to the transportation segment, mainly attributable to the different timing of the payment of additional tariff items, which led to the deferral from the first to the second quarter of the settlement of the January-February period; (ii) higher tax payables (-€121 million) essentially connected to the tax for the period and the higher Group VAT payables to the Revenue Agency; (iii) higher accrued liabilities and deferred income from regulated activities (-€92 million).

These factors were partly offset by an increase in other activities (+€102 million) due mainly to TAG dividends for 2016 approved but not yet collected (+€88 million).

Statement of comprehensive income

(millions of €)	First quarter 2016 (*)	First quarter 2017
Net profit	**266**	**254**
Other components of comprehensive income		
Components that can be reclassified to the income statement:		
Portion of equity investments valued using the equity method pertaining to “other components of comprehensive income”	(8)	
Total other components of comprehensive income, net of tax effect	**(8)**	
Total comprehensive income	**258**	**254**
Attributable to Snam	**258**	**254**
- continuing operations	172	
- discontinued operations	86	
Third parties’ share		
- continuing operations		
- discontinued operations		
	258	**254**

(*) The data for the first quarter of 2016 refers to the reported values (continuing and discontinued operations).

Shareholders’ equity

(millions of €)

Shareholders’ equity at 31 December 2016 (*)		**6,497**
Increases owing to:		
- Comprehensive income for the first quarter of 2017	254	
- Other changes	2	
		256
Decreases owing to:		
Acquisition of treasury shares	(201)	
		(201)
Shareholders’ equity at 31 March 2017 (*)		**6,552**

(*) Entirely held by Snam shareholders

At 31 March 2017, Snam had a total of 83,710,334 treasury shares (compared with 29,905,180 at 31 December 2016), equivalent to 2.39% of its share capital. The market value of the treasury shares at 31 March 2017 was around €338 million[13].

13 Calculated by multiplying the number of treasury shares by the period-end official price of €4.0326 per share.

Net financial debt

(millions of €)	31/12/2016	31/03/2017	Change
Financial and bond debt	**11,090**	**10,744**	**(346)**
Short-term financial debt (*)	2,353	**1,675**	(678)
Long-term financial debt	8,737	**9,069**	332
Financial receivables and cash and cash equivalents	**(34)**	**(50)**	**(16)**
Cash and cash equivalents	(34)	**(50)**	(16)
	11,056	**10,694**	**(362)**

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

Net financial debt was €10,694 million as at 31 March 2017, compared with €11,056 million as at 31 December 2016.

The positive cash flow from operating activities (€917 million), benefitting from the change in working capital mainly due to higher payables to CSEA, enabled the Group to fully meet its funding requirements linked with investments (€302 million) and financial assets not instrumental to operating activities (€53 million), generating a free cash flow of €562 million. After the cash flow from the purchase of treasury shares (€201 million), the net financial debt fell by €362 million compared with the end of 2016.

Financial and bond debts at 31 March 2017, amounting to €10,744 million (€11,090 million at 31 December 2016), break down as follows:

(millions of €)	31/12/2016	31/03/2017	Change
Bonds	7,610	8,728	1,118
Bank loans	3,448	1,992	(1,456)
Other loans	32	24	(8)
	11,090	**10,744**	**(346)**

Financial and bond debts are denominated in euros[14] and refer mainly to bond loans (€8,728 million, or 81.24%) and bank loans (€1,992 million, or 18.54%, including €1,181 million provided by the European Investment Bank - EIB).

Bond loans increased by €1,118 million compared with 31 December 2016, mainly attributable to the issuing of: (i) a fixed rate bond loan, issued on 25 January 2017, for a nominal value of €500 million; (ii) a floating rate[15] bond loan issued on 21 February 2017, for a nominal value of €300 million; (iii) a fixed rate equity linked bond loan, issued on 20 March 2017, for a nominal value of €400 million.

With regard to the equity linked bond loan, the loan is measured at the amortised cost, while the conversion option, implicit in the financial instrument issued (€16 million), is classified as a derivative financial instrument and measured at fair value with the effects attributed to the income statement[16].

Bank loans were reduced by €1,456 million compared with 31 December 2016 following reduced net use of uncommitted banking credit lines.

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

15 The above-mentioned floating rate bond loan was converted to a fixed rate one through an Interest Rate Swap agreement (IRS).

16 In this regard, note that, following authorisation from the Shareholders' Meeting of 11 April 2017, for the Board of Directors to dispose of treasury shares, from that date the liability resulting from the fair value of the conversion option was reclassified as an equity item.

Long-term financial debt (€9,069 million) represented around 84% of gross financial debt (around 79% at 31 December 2016). Fixed-rate financial debts amounted to around 85% of gross financial debt.

The available liquidity and equivalents (€50 million) principally refer to the available liquidity at the company Gasrule DAC for the exercise of insurance activity of the group (€22 million) and the liquidity at Snam S.p.A. (€27 million).

As at 31 March 2017, Snam had unused committed long-term credit lines worth €3.2 billion.

Covenants

As at 31 March 2017, Snam had medium/long-term loans from a pool of national and international banks. Snam also entered into some bilateral loan agreements with these banks. These medium-/long-term loans are subject, *inter alia*, to the usual covenants imposed in international market practice, e.g. negative pledge, *pari passu* and change of control clauses.

In particular, the syndicated loans and bilateral loans are subject, *inter alia*, to a negative pledge covenant pursuant to which Snam and the Group subsidiaries are subject to limitations in terms of pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise, and/or documents representing merchandise; this covenant is subject to set expiry dates and to exceptions on restrictions for which the creation and/or existence is explicitly permitted.

At 31 March 2017, Snam also had medium/long-term loans taken out with the European Investment Bank (EIB), the contractual clauses of which are broadly in line with those described above. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is downgraded below BBB- (Standard & Poor's/Fitch Ratings Limited) or below Baa2 (Moody's) for at least two of the three ratings agencies.

At 31 March 2017, the banking financial liabilities subject to these restrictive clauses amounted to approximately €1.8 billion.

Failure to comply with the covenants established for these loans – in some cases only when this non-compliance is not remedied within a set time period – and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Snam's failure to comply and could trigger the early repayment of the relative loan.

Bonds, with a nominal value of €8.7 billion, refer mainly to securities issued under the Euro Medium Term Notes programme. The covenants set for the EMTN and equity linked bond programme reflect international market practices and relate, *inter alia*, to negative pledge and *pari passu* clauses. Specifically, under the negative pledge clause, Snam and its significant subsidiaries are subject to limitations in relation to the creation or maintenance of restrictions on all or part of their own assets or inflows to guarantee present or future debt, unless this is explicitly permitted.

Failure to comply with these covenants – in some cases only when this non-compliance is not remedied within a set time period – and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Snam's failure to comply and could trigger the early repayment of the relative loan.

As at 31 March 2017, there were no identified events resulting in failure to comply with the aforementioned commitments and covenants.

Reclassified statement of cash flows and change in net financial debt

The reclassified statement of cash flows 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

	First quarter	
(millions of €)	**2016 (*)**	**2017**
Net Profit - continuing operations	180	
Net Profit - discontinued operations	86	
Net profit	**266**	**254**
Adjusted for:		
- Amortisation, depreciation and other non-monetary components	183	**121**
- Net capital losses (capital gains) on asset sales and eliminations	5	
- Interest and income taxes	182	**134**
Change in working capital due to operating activities (**)	11	**455**
Dividends, interest and income taxes collected (paid)	(75)	**(47)**
Net cash flow from operating activities	**572**	**917**
Technical investments	(212)	**(183)**
Equity investments		**(13)**
Companies leaving the scope of consolidation and business units	21	
Change in financial credits instrumental to operating activities		**(53)**
Other changes relating to investment activities	(130)	**(106)**
Free cash flow	**251**	**562**
Change in short- and long-term financial debt	(245)	**(345)**
Equity cash flow		**(201)**
Net cash flow for the period	**6**	**16**

CHANGE IN NET FINANCIAL DEBT

	First quarter	
(millions of €)	**2016 (*)**	**2017**
Free cash flow	**251**	**562**
Exchange rate differences on financial debt	(2)	**(3)**
Effect of the measurement of debts at fair value	(13)	**4**
Equity cash flow		**(201)**
Change in net financial debt	**236**	**362**

(*) Cash flow is referred to the Snam Group and consequently includes financial flows from both continuing operations (natural gas transportation, regasification and storage, as well as Corporate activities) and discontinued operations (natural gas distribution). The net cash flows from operating activities, investing activities and financing activities attributable to discontinued operations stand, respectively at +€203 million, -€89 million and -€115 million.

(**) The cash flow for the first quarter of 2017 takes into account different timing relating to the payment of the additional tariff items to be paid to the CSEA with reference to the transportation segment, which involved the deferral of the settlement of the January-February two-month period from the first to the second quarter. In this regard, from 1 January 2017, these items are subject to settlement based on the volumes invoiced in the two-month reference period rather than the volumes pertaining to the two-month period.

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