

# Financial Markets Review

The financial markets pag. 1  
The sectors performance pag. 2

Snam shares and its peers pag. 3  
1H 2016 results pag. 4



Overall positive performance on the stock markets, mainly boosted by continued expectations of the main Central Bank's expansionary monetary policy

The Snam stock closed down

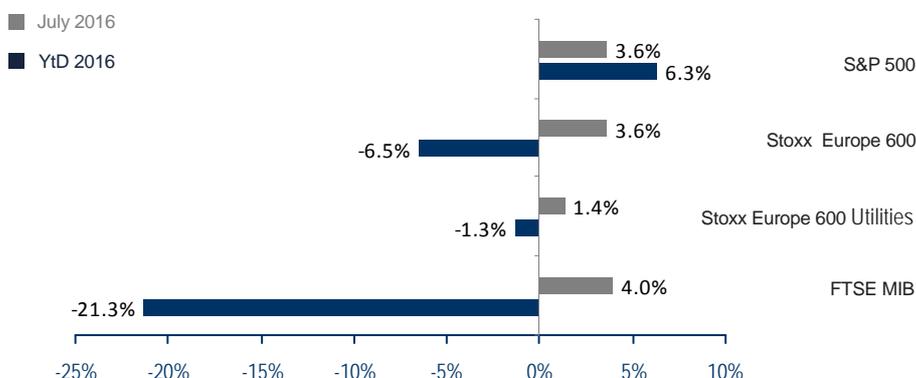
Oil prices fell

Snam S.p.A. Investor Relations

## The financial markets

The stock markets registered a positive performance in July, with rises of +3.6% for the US S&P 500 and the Stoxx 600 Index, +4.0% for the Italian FTSE MIB and +1.4% for the Stoxx Europe 600 Utilities. The stock markets benefitted in particular from the continuation of monetary easing policies of the ECB's and the Fed's (which should postpone the rise in interest rates) and from the Bank of Japan's launch of new measures to stimulate the economy. The stock markets were also positively influenced by the mitigation of tensions over Brexit. A further support arrived from better-than-expected companies' quarterly financial earnings (both in the United States and in the Eurozone), and, in particular for the European stock markets, from expectations for a possible solution for the banks' non-performing loans crisis. From a macroeconomic perspective, in the United States (with reference to June's data on a monthly basis) industrial production and retail sales were up (both +0.6%); the labour

### Performance of the main stock indices



Source: Snam on the Bloomberg data

market also registered positive trends, in relation to 287,000 new payrolls. US GDP growth was below expectations in the second quarter of 2016 (+1.2% on an annualised quarterly basis, from initial estimates of 2.6%); the Fed confirmed the current official interest rate (0.25% - 0.5%). In the Euro zone, industrial production at an aggregate level dropped (-1.2% with reference to May's

data on a monthly basis), along with the manufacturing PMI (52.9 points in July, from 53.1 of the previous month) and the German Zew index on business confidence (-6.8 points, from the previous +19.2). The ECB and the Bank of England confirmed the current official interest rates (0.0% and 0.5% respectively\*).

\*On August 4th, the Bank of England cut the interest rates to 0.25% from the previous 0.50%.

## The oil markets

Oil prices fell in July, both for the US crude oil WTI (-13.9%, closing the month at \$41.6/barrel) and for the Brent (-15.3% at \$41.0/barrel). Crude oil prices have been mainly

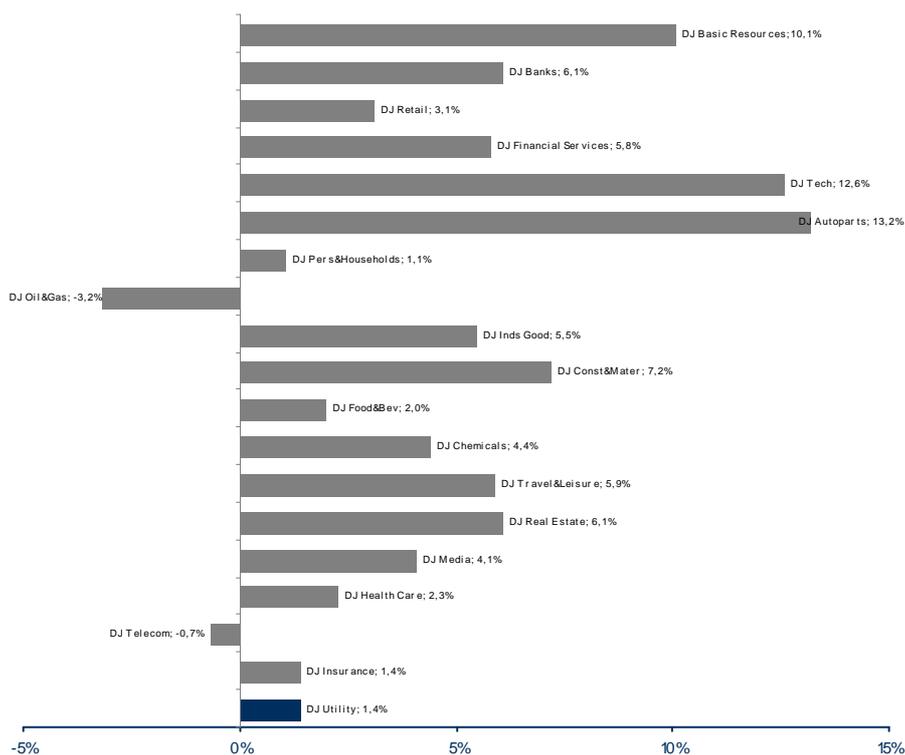
impacted by renewed fears of oversupply, especially in the United States, following the increase of drills and the strengthening of the US dollar.

## Sectors on the Stock markets

Like the markets, the sectors also registered an overall positive performance, with only a few negative results.

The best performances were registered by the Autoparts sector (+13.2%), thanks to positive car sales in several European countries, the technology sector (+12.6%), due to a number of companies reporting better-than-expected quarterly financial earnings, and the Basic Resources sector (+10.1%), in light of the partial recovery of metal prices. The Banks sector and the Financial services sector also registered significantly positive performances (+6.1% and +5.8% respectively), following the ECB's openness to state aid interventions for the banks' non-performing loans. By contrast, the Oil & Gas sector registered a negative trend (-3.2%), impacted by the significant downturn in oil prices.

Main sector performance, July 2016



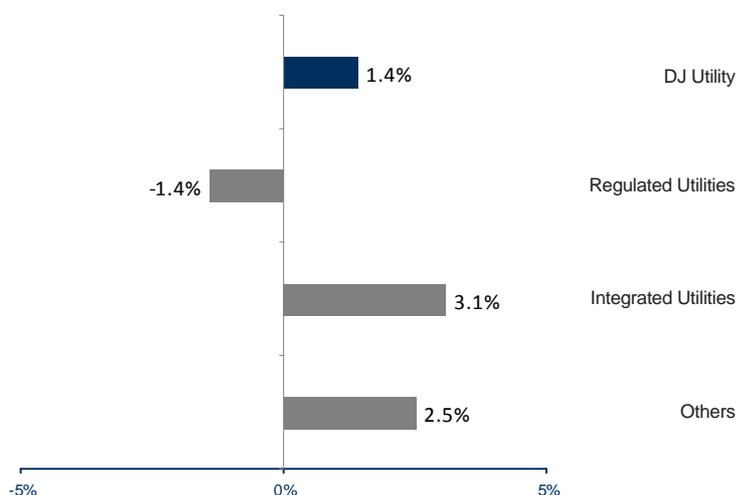
Source: Snam on the Bloomberg data

## The Utility sector performance

In July, the Utility sector closed up (+1.4%), thanks to the performance of the Integrated utilities subsector (+3.1%) and the "Others" sector (+2.5%), whereas the Regulated utilities subsector closed down (-1.4%). Amongst the Integrated utilities, the outperformance of RWE (+12.1%), EDP (+11.4%) and Centrica (+6.9%) stood out, supported by their better-than-expected half year financial earnings (RWE was also boosted by the agreement signed with Qatargas for the supply of LNG across Europe).

In the "Others" sector, Drax registered a positive performance (+5.6%), bolstered by rising electricity prices in the UK, as did Suez (+3.1%) thanks to positive half year results. The majority of the Regulated utilities registered a negative performance (especially Pennon with -4.4%), affected also by profit taking after the largely positive trend of the previous month.

Sector and subsector performance, July 2016

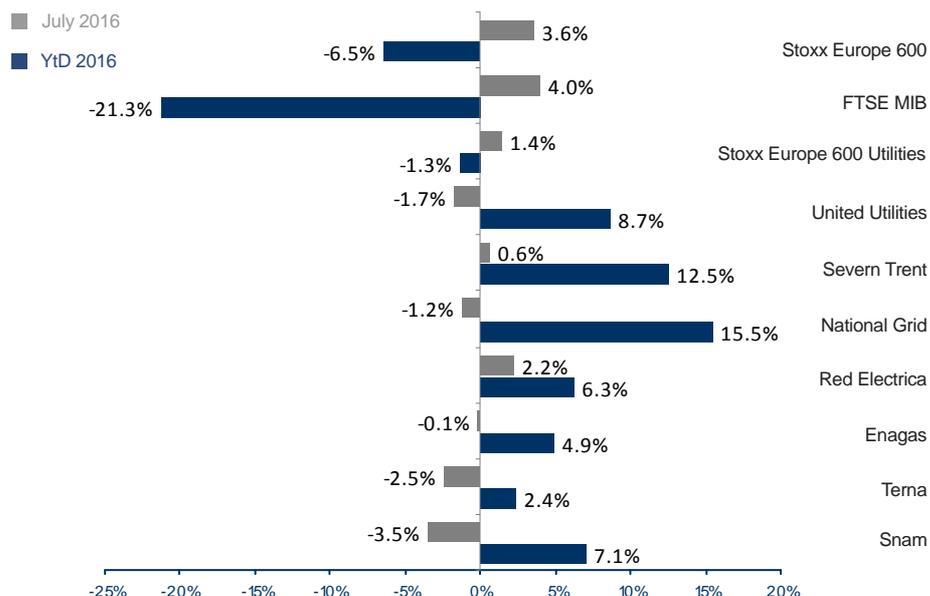


## The Snam shares and its peers in the Stock markets

The Snam stock closed the last session of July down -3.5% (at € 5.2 per share), in contrast with both the utility sector and the Italian stock market, mainly due to profit taking after the over-performance of the previous month.

The stock's average daily trading volume in July totalled 10.9 million units, down from 18.2 million of the previous month.

Snam and its peers



Source: Snam on the Bloomberg data

## October

### Agenda

25/26 Third quarter 2016 report  
Board of Director, press release and conference call

## Corporate News

### 1H 2016 Snam results

On 26 July the Snam Board of Directors, chaired by Carlo Malacarne, 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 1 st January 2016, following the entry into force of the new regulatory period.

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 - concluded Alverà - with the aim of strengthening our infrastructure in the European gas system as well as ensuring profitable and value creating growth for our shareholders".*

### Storage: approved 2016 allowed revenues

The Regulatory Authority for Electricity, Gas and Water has approved, at the end of July, the 2016 allowed revenues for the natural gas storage business.

Storage allowed revenues for 2016 have been set at 503.5 million euro. RAB for the natural gas storage business has been set equal to 4.0 billion euro.

The resolution is available on the website of the Regulatory Authority for Electricity, Gas and Water [www.autorita.energia.it](http://www.autorita.energia.it).

## Snam and its peers: 1H 2016 results



On 27<sup>th</sup> July Snam presented the 1H 2016 results

### Financial Highlights

(million euro)	1H 2015	1H 2016	Change
Total revenue	1,837	1,724	(6.2%)
EBITDA	1,434	1,314	(8.4%)
EBIT	1,012	867	(14.3%)
Net profit*	612	526	(14.1%)
Investments	487	526	+8.0%
Net debt	13,779**	14,177	+2.9%

\* Net profit is attributable to Snam.

\*\* Debt at 12.31.2015.

### Operating Highlights

(billion cubic meters)	1H 2015	1H 2016	Change
Gas injected into the transportation network	32.77	34.07	+4.0%
Available storage capacity	11.4	11.8	+3.5%
Number of active meters (mln)	6.518	6.525	+0.1%



On 27<sup>th</sup> July Terna presented the 1H 2016 results

### Financial Highlights

(million euro)	1H 2015	1H 2016	Change
Total revenue	1,002	1,040	+3.8%
EBITDA	767	777	+1.4%
EBIT	524	510	-2.6%
Net profit	310	325	+4.8%
Investments	439	347	-21.0%
Net debt	8,003*	8,172	+2.1%

\* Debt at 12.31.2015.



On 19<sup>th</sup> July Enagas presented the 1H 2016 results

### Financial Highlights

(million euro)	1H 2015	1H 2016	Change
Total revenue	609	606	(0.4%)
EBITDA	459	440	(4.1%)
EBIT	312	303	(3.0%)
Net profit	213	214	+0.5%
Investments	280	193	(31.0%)
Net debt	4,237*	4,041	(4.6%)

\* Debt at 12.31.2015.



On 28<sup>th</sup> July Red Electrica presented the 1H 2016 results

### Financial Highlights

(million euro)	1H 2015	1H 2016	Change
Total revenue	973	968	(0.5%)
EBITDA	740	754	+1.9%
EBIT	507	514	+1.3%
Net profit	309	323	+4.8%
Investments	226	365	+61.6%
Net debt	4,906*	5,060	+3.1%

\* Debt at 12.31.2015.

### Snam SpA

Piazza Santa Barbara 7 - 20097 S. Donato Milanese (Mi) Italia

www.snam.it — investor.relations@snam.it

tel: +39 02 37037272- fax: +39 02 37037803