

# Financial Markets Review

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Mixed performance on the stock markets, in part boosted by a further increase in oil prices

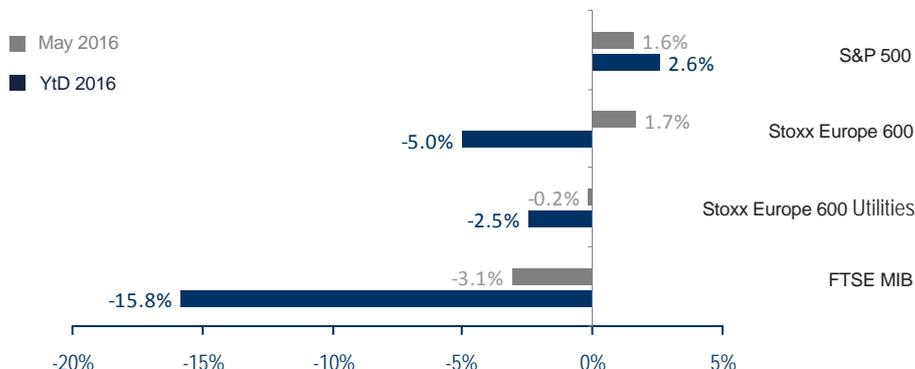
The Snam stock closed down (up if adjusted for the dividend)

Oil prices rose

## The financial markets

The stock markets registered mixed performances in May: a positive close for the US S&P 500 (+1.6%) and for the Stoxx Europe 600 index (+1.7%), whereas negative for the Italian FTSE MIB (-3.1%) and marginally negative for the Stoxx Europe 600 Utilities sector index (-0.2%). As well as benefiting from the stronger oil prices, the main US and European stock exchanges were also bolstered by some better-than-expected macroeconomic data, in the United States in particular. The Italian market was penalized however by tensions in the banking sector. From a macroeconomic perspective, in the United States (with reference to April's data on a monthly basis) retail sales grew (+1.3%), as did industrial production (+0.7%) and sales of existing houses (+16.6%). GDP growth was revised upwards in Q1 2016 (+0.8% on an annualized quarterly basis, up from the +0.5% of the initial estimate). In the Eurozone, industrial production fell at an

### Performance of the main stock indices



Source: Snam on the Bloomberg data

aggregate level (-0.8% in April on a monthly basis), whilst both the German IFO index (107.7 points from the previous 106.6) and the PMI index (53.3 points from the previous 51.5) registered growth. GDP data was slightly above expectations in Q1 2016, with an increase of +0.5% for the Eurozone, +0.7% for Germany, +0.5% for France and +0.3% for Italy.

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## The oil markets

Oil prices rose in May, with increases of +6.9% for the U.S. crude benchmark WTI (closing the month at 49.1 \$/barrel) and of +4.2% for Brent (closing at 48.3 \$/barrel),

mainly bolstered by production problems in several countries (Nigeria, Libya, Venezuela and Canada) and by initial signs of a gradual phasing out of the supply surplus in the mar-

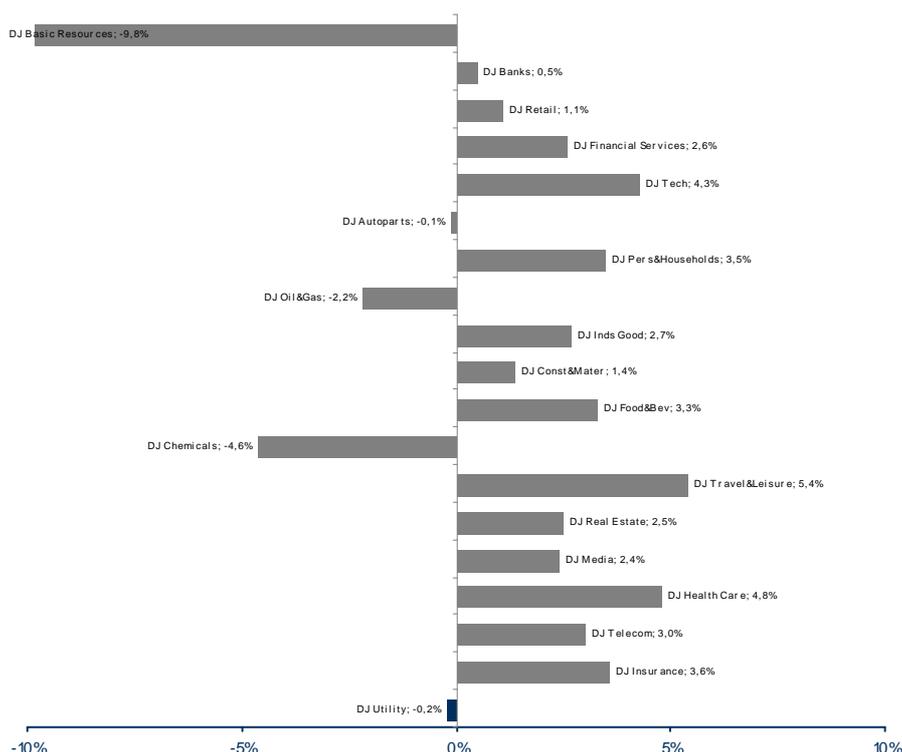
ket. A further boost came from the repeated falls in US crude oil stocks.

## Sectors in the Stock markets

Like the markets, the sectors also registered mixed performances but closed largely up, in particular the Travel&Leisure sector (+5.4%) thanks to the improvement of estimates from IATA (International Air Transport Association) of airlines' profits. The Health&Care sector also closed up (+4.8%) due to expectations for a recovery in consumption, as did the Technology sector (+4.3%), which benefited from some better-than-expected financial results.

Among the sectors that registered a negative performance was the Basic Resources one (-9.8%), which was hit by the ongoing weakness in metal prices, and the Chemicals sector (-4.6%), due to some lower-than-expected quarterly results.

Main sector performance, May 2016

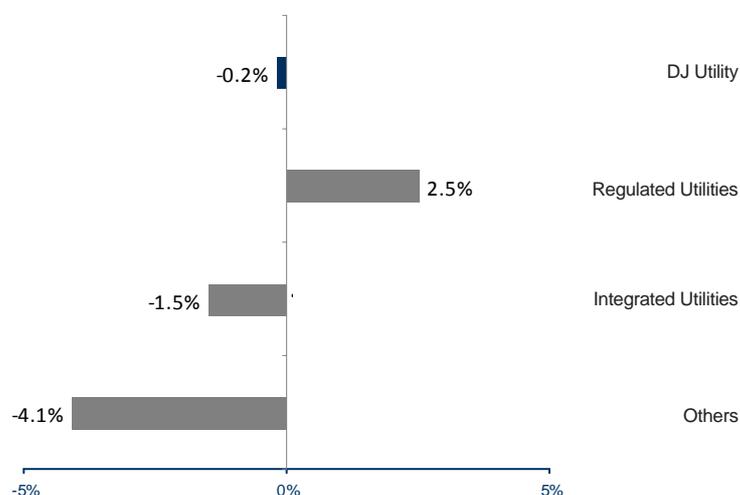


Source: Snam on the Bloomberg data

## The Utility sector performance

In May, the sector performance was slightly down (-0.2%). Within the broader sector, only the regulated utilities registered a positive result (+2.5%) due in particular to the outperformance of Pennon (+6.3%) and Severn Trent (+2.9%), in connection with their positive annual results. By contrast, the "Others" sub-sector experienced a negative performance (-4.1%), with the decline registered by Suez (-6.2%), due to the limited growth prospects in its key markets, and by Veolia (-5.9%), which was impacted by sharp losses at a subsidiary. The integrated utilities sub-sector also registered a negative performance (-1.5%), largely due to Centrica (-14.5%), for its recent capital raise of £700 million, and to RWE (-9.8%), in light of the significant profit fall in Q1 2016.

Sector and subsector performance, May 2016



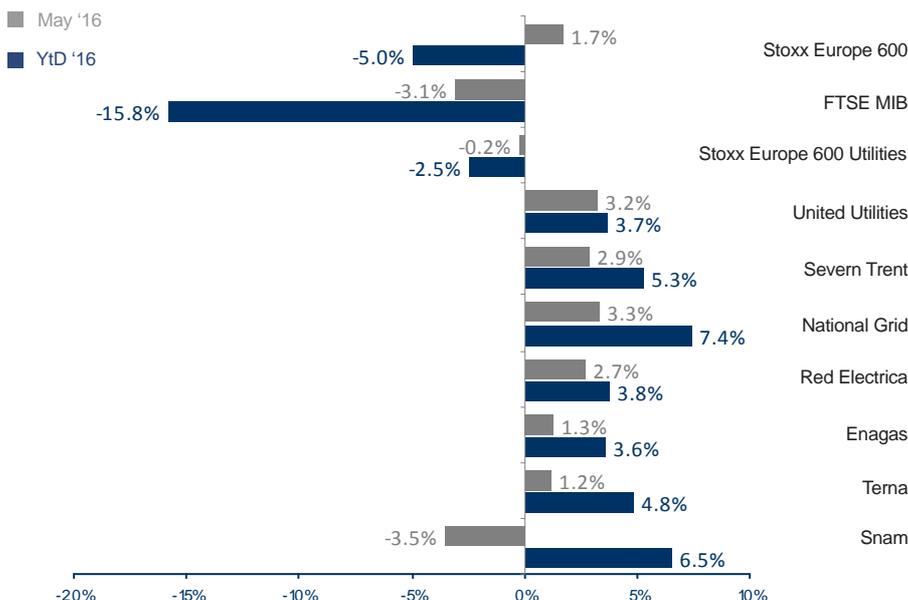
Source: JP Morgan

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

The Snam stock closed the last session of May down -3.5% at 5.15 euro per share, mainly due to the 2015 dividend payment. Adjusting the closing price with the amount of the dividend (€0.25/share), the stock's performance would have instead increased by 1.3%, in sharp contrast to both the sector index and, in particular, to the Italian market.

The stock's average daily trading volume totalled 14.5 million units, up from 13.3 million the previous month.

### Snam and its peers



Source: Snam on the Bloomberg data

## June

### Agenda

#### Strategic Plan 2016-2020

-28 Board of Director

-29 Press release and Strategy presentation

## Corporate News

### Board of Directors sets up the new Sustainability Committee

Snam's Board of Directors, which met in 11 May under the chairmanship of Carlo Malacarne, in line with the Code of Corporate Governance, has appointed the members of the Control and Risk and Transactions with Related Parties Committee, the Compensation Committee and the Appointments Committee. In addition, it has also set up the Sustainability Committee which will provide recommendations and advice to the Board of Directors on Corporate Social Responsibility issues.

### Shippers' day 2016

Snam Rete Gas held on May 18 the fourth edition of the Shippers' Day, dedicated to clients of the transportation service and operators trading at the so-called Punto di Scambio Virtuale (Virtual Trading Point). During the event, which was attended by more than 170 participants representing over 80 companies, have been discussed the main challenges that the gas market will face as a result of the increasing harmonization of rules within the European market, with particular reference to access and commercial balancing rules. Amongst other topics, the evolution of the commercial offer during last year, the new market scenario regarding biomethane and the upgrading of the gas measurement process.

### Snam at the International Book Fair with "Sustainable Paths"

It is renewed with a new volume, dedicated to the Ticino Park, the "Sustainable Paths" book series, conceived and developed by Snam, in collaboration with Il Sole 24 Ore Cultura, with the aim of enhancing the natural beauty of the Italian parks and to raise awareness of the Company's commitment to environmental protection and vegetation and morphological restoration.

The book, which is endorsed by the Italian Ministry of Environment, has been presented on May 14 at the Turin International Book Fair at the presence of editor and journalist Antonio Cianciullo and of the Director of the Park of Ticino Valley, Claudio Peja.

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