

April 2016

# News@Facts



**The intervention:** Talking to Patrizia Rutigliano, Head of Public Affairs and Communications

## The first Integrated Report of Snam

Financial crisis, resource scarcity outlook, as well as public environmental and social concerns are driving companies to pay an ever-increasing attention to the requests coming from the market, the authorities and the public for a more wide-ranging, transparent and responsible corporate information, capable to provide a more complete picture of risks, opportunities and challenges that enterprises face. The European Directive 2014/95/UE partly features such requests, providing that companies with revenues exceeding 40 million euro and with more than 500 employees will integrate their own financial statements with non-financial contents. Snam



Patrizia Rutigliano,  
Head of Public Affairs  
and Communications

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**Performance:** 2015 results

## Adjusted net profit increases by 12.2%

In FY2015 total revenues amount to 3,649 million euro, improving by 2.3% (+83 million euro) compared to 2014. Such increase has been mainly driven by higher regulated revenues in the transport and distribution business. The latter also benefits from the contribution of

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| RESULTS                             | 2014  | 2015  | Change |
|-------------------------------------|-------|-------|--------|
| Gas injected into the network (BCM) | 62.25 | 67.25 | +8.0%  |
| N. of active meters (mn)            | 6.408 | 6.526 | +1.8%  |
| Total revenue (mn €)                | 3,566 | 3,649 | +2.3%  |
| Ebitda (mn €)                       | 2,776 | 2,799 | +0.8%  |
| Ebit (mn €)                         | 1,973 | 1,950 | -1.2%  |
| Adjusted Ebit* (mn €)               | 1,973 | 1,990 | +0.9%  |
| Net profit (mn €)**                 | 1,198 | 1,238 | +3.3%  |
| Adjusted net profit (mn €)* **      | 1,078 | 1,209 | +12.2% |
| Technical investments (mn €)        | 1,313 | 1,272 | -3.1%  |

(\* ) Adjusted net profit excludes the special items, which in Fiscal Year 2015 regard the estimate, based on actuarial assumptions, of costs of the Gas Fund to be borne by the employer, pursuant to Law No. 125 of 6 August 2015 (40 million euro; 28 million euro net of the tax effect).

(\*\*) Net profit is attributable to Snam

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Registered at the Court in Milan

Registration n. 534

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Chief Director: Patrizia Rutigliano

Editorial Director: Marco Porro

**Snam SpA** - Piazza Santa Barbara, 7

20097 San Donato Milanese (MI) - Italy

T.: +39 023703 7272

F.: +39 023703 7803

has long thought that the integration of sustainability into business strategies is key to long-term vision. On the basis of such an approach, in 2012 the Company has already launched the "Shared Value" project, and in 2013 has started a programme with the International Integrated Reporting Council (IIRC), aimed to the integration of the reporting processes, based on the premise that "integrated reporting means integrated thinking".

Snam has therefore launched an internal project, aimed at exploring the feasibility of integrating the different contents of Financial Statements and Sustainability Report, involving numerous corporate functions and following the features developed by the IIRC IR Framework, the report setting the guidelines for integrated reporting, which was released in December 2013.

The Integrated Reporting represents a

new approach to the corporate reporting processes, which shows the linkage among strategy, governance, financial performance as well as the social, environmental and economic context in which the company operates.

Actually, the key concept of the IIRC reporting framework is the representation of the business model inside the annual report, that is to say how a company creates value over the medium and long term.

In light of that, and based on the positive outcome from the feasibility project, at the beginning of April Snam published its first Annual Integrated Report, therefore aligning itself to the most advanced international guidelines and, what is more, adjusting and developing such guidelines in a way that is innovative and capable to represent Snam's peculiarities.

In the Management Report of the 2015 Annual Report of Snam, the business model



is represented through the Capitals Model. In the document, the different capitals (financial, manufacturing, intellectual, human, social and relationship, natural capital) have been linked to the specific activities of Snam, by associating every kind of capital to the specific business and staff activity as well as to financials and non-financials for reporting purposes.

Snam's objective is exactly to provide a key to the interpretation of information, with the aim of illustrating the value created over the short, medium and long term, allowing investors to allocate resources in a profitable, efficient and long-lasting way. An ever more effective reporting in this direction enhances a culture increasingly aiming to long-term business development.

### continue Performance: 2015 results

the two newly-consolidated companies: Acam Gas (from 1st April 2015) and A.E.S. Torino (from 1st July 2014).

The FY2015 EBIT, equal to 1,950 million euro, shows a slight decline (-1.2%), due to the increase in operating costs (also reflecting the change in the scope of consolidation) and to the rise in charges for the Gas Fund closure, as well as to higher depreciation linked to new infrastructure entering into operations. Excluding the 40 million euro charges relating to the Gas Fund, adjusted EBIT is equal to 1,990 million euro, up by 0.9% compared to the level of 2014.

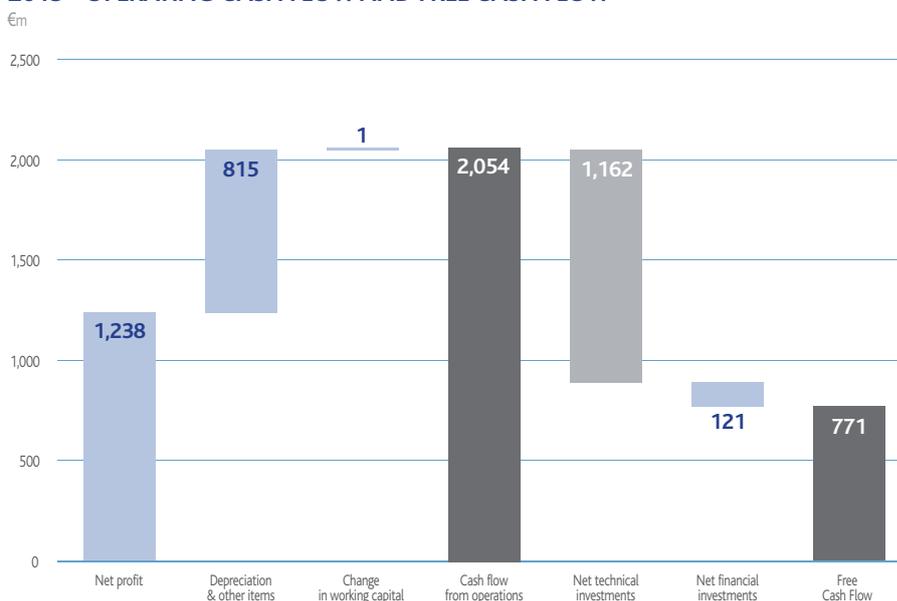
As regards the contribution deriving from the performance of individual business segments, consolidated adjusted EBIT benefits from the improvement achieved in the distribution business (+6.7%), essentially due to the additions from the newly-consolidated companies, while reflecting the decrease recorded in the transport sector (-2.6%), owing primarily to changes in natural gas stocks in connection with higher withdrawals and disposals. Lastly, the storage business shows a performance in line with that of 2014 (+0.3%).

In 2015, adjusted net profit reaches 1,209 million euro, presenting a 131 million euro increase vs. FY2014 (+12.2%). In addition to the improvement of the adjusted EBIT, such performance also reflects the following positive drivers: a 17 million euro

decrease in net financial expense, a 47 million euro increase in net income from equity investments and, lastly, a 93 million euro decline in income taxes, following the elimination of the additional IRES (so-called "Robin Hood Tax"). Such factors have been partly offset by the 2014 revaluation of the 49% stake previously held in AES Torino (51 million euro income reduction). Cash flow generation from operating activities reaches 2,054 million euro, thanks also to the contribution (141

million euro) of dividends from equity investments. Cash flow from operations largely exceeds funding needs for net technical investments (1,162 million euro) and M&A transactions (121 million euro). Free Cash Flow is therefore 771 million euro. Net Financial Debt as of 31 December 2015 amounts to 13,779 million euro, recording a 127 million euro increase vs. 31 December 2014, after the payment to shareholders of a 2014 dividend of 875 million euro.

### 2015 - OPERATING CASH FLOW AND FREE CASH FLOW



## Marco Alverà appointed as Chief Operating Officer

Starting from 15 January 2016, Snam introduced a new role among the top-level positions of its organisational chart. During the meeting of the last 8 January, the Board of Directors has appointed Marco Alverà as Chief Operating Officer.

Reporting to the CEO, in the new role Marco Alverà will be in charge of overseeing the process through which the Snam Group is gaining a growing role on the gas marketplace, both at domestic and at international level.

The appointment took place on the proposal of the

CEO, in agreement with the Chairman. Both the Appointments Committee and the Compensation Committee evaluated the candidacy.

Marco Alverà, graduated in Philosophy and Economics from the London School of Economics, comes with a deep experience in the energy sector, especially in the natural gas business.

His career, started in London in the Private Equity and M&A fields, continued at Enel (2002-2004), and later at Eni (2005-2015), with increasing responsibilities.



## Focus: 2015 dividend

### A 5.2% yield based on the proposed dividend of 0.25 euro

In light of the good results achieved in the 2015 fiscal year, the Board of Directors will propose to the Shareholders' Meeting, called on 27 April 2016, to approve the distribution of a dividend per share of 0.25 euro, in line with that of the 2014

fiscal year. Shareholders will receive the payment starting from 25 May 2016, with an ex-dividend date of 23 May 2016. The record date has been set on 24 May 2016. In 2015 Snam has distributed no interim dividend.

*The 2015 dividend yield, based on the year-end official price of 4.85 euro, is equal to 5.2%. Thanks to healthy financials, this year Snam again proves to be able to provide shareholders with attractive returns through dividend distribution, in full consistency with the guidelines indicated in Strategic Plan targets.*

## News: Regulatory framework

### New storage tariffs approved

On 28 January 2016, through Resolution 27/2016, the Authority for Electricity Gas and Water has approved the new tariffs for the natural gas storage services, whose

reference revenues for the year 2015 have been set at 455.3 million euro. The RAB for the storage activity amounts to 4 billion euro.



## Awards: Sustainability

### Snam wins the RobecoSAM Silver Class Sustainability Award

RobecoSAM, world-class sustainability rating agency, awarded Snam with the "Silver Class" in the Sustainability Yearbook 2016 for the second year in a row. This year, 864 companies from 42 different Countries have taken part to the assessment process.

The RobecoSAM analysis focuses on factors influencing the competitive position and the long-term financial performance of a company. In addition to the inclusion in the "Silver Class" excellence cluster, Snam resulted in being one of the top scorers in the "Gas Utilities" segment,



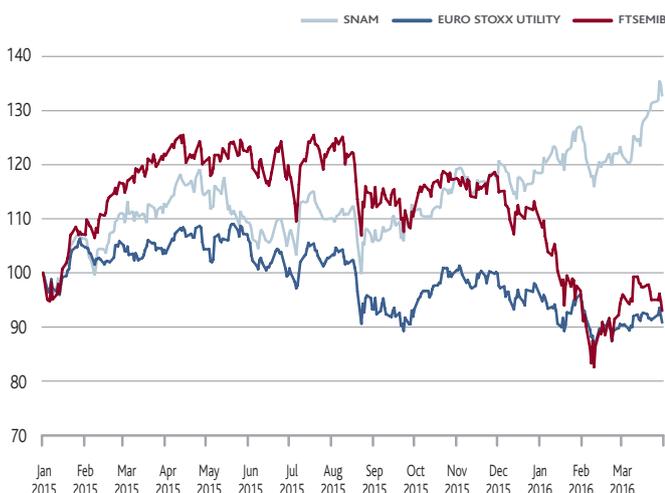
once again proving its ability to combine business goals and corporate social responsibility.

Recently, Snam has been confirmed for the seventh consecutive year as a member in the Dow Jones Sustainability World Index (DJSI World), among the most important SRI indices in the world. The index, which includes 317 companies, is based on the analysis conducted by RobecoSAM on financially material ESG factors of over 2,500 eligible companies, among the 3,400 invited to take part to the assessment.

## Snam and the financial markets

### STOCK PRICE PERFORMANCE (2 JANUARY 2015 – 1 APRIL 2016)

STOCK PRICE (CLOSING PRICE OF 1 APRIL 2016 = 5.41 EURO)  
 COMPARED WITH SECTOR AND MARKET INDEX (BASE 2 JAN. 2015 = 100).



The chart above shows that since the beginning of 2015 Snam's price has outperformed its two benchmarks (+38%). Since the beginning of 2016, in particular, against a sharp fall of Italian stock market – and partly of the European sector index as well – the share achieved a 12.0% progress, reaching new all-time highs (5.53 euro on 30 March).

Main drivers supporting Snam price were a clear and stable regulatory framework, resulting from the regulatory review concluded in December 2015 (which provides the extension to six years of the lasting period of the remuneration rate on invested capital), good Company's fundamentals, confirmed by FY2015 results, and the guarantee of a remuneration that is attractive and sustainable over time – 5.2% the YE2015 Dividend Yield – in times of low interest rates. Further fuel to stock performance was provided by lower downward pressure due to the expiry of the convertible bond issued by Eni (18 January 2016). Last but not least, especially in explaining the last week's trend, it should be highlighted the market appreciation of the feasibility study for the Italgas partial and proportional demerger.

The set of the aforementioned drivers has allowed Snam to avoid to be penalised by the deep correction that, in recent months, has characterised the Italian stock market, depressed by worries for the weak global growth, the treatment of bank non-performing loans, and the oil price contraction. The utility sector, also affected by a downward trend, has nevertheless limited its losses, being supported by the performance of the defensive stocks that it includes.

### FINANCIAL CALENDAR 2016

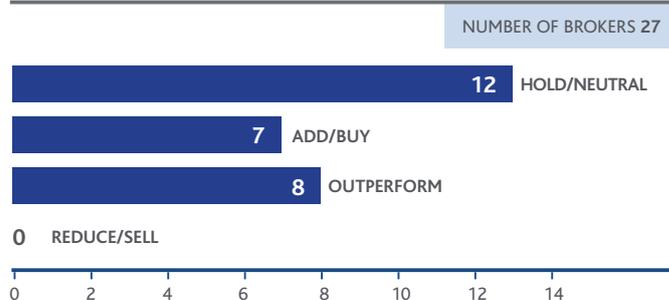
**CONSOLIDATED FINANCIAL STATEMENTS AND DRAFT FINANCIAL STATEMENTS AT 31 DECEMBER 2015. DIVIDEND PROPOSAL FOR 2015. REPORT BY THE BOD TO THE SHAREHOLDERS' MEETING FOR THE RENEWAL OF COMPANY OFFICES. REPORT ON REMUNERATION FOR 2015. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE FOR 2015. SUSTAINABILITY REPORT FOR 2015. CALL OF SHAREHOLDERS' MEETING.**  
**16 MARCH 2016** > BOD  
**17 MARCH 2016** > PRESS RELEASE AND CONFERENCE CALL

**FINANCIAL STATEMENTS AT 31 DECEMBER 2015. RESOLUTION ON EARNINGS DISTRIBUTION FOR 2015. RENEWAL OF COMPANY OFFICES.**  
**27 APRIL 2016** > SHAREHOLDERS' MEETING (SINGLE CALL)

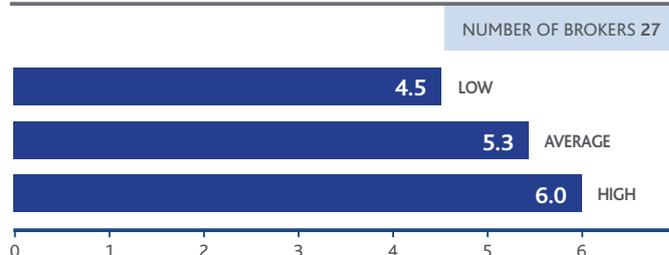
### FIRST QUARTER 2016 REPORT.

**11 MAY 2016** > BOD  
**12 MAY 2016** > PRESS RELEASE AND CONFERENCE CALL

### BROKER RECOMMENDATIONS



### CONSENSUS TARGET PRICE



Consensus target price, represented by the average of 27 analysts covering the stock, is 5.3 euro, well above 5.0 euro as at 12 December 2015, when the last newsletter was released. The high target price moved from 5.8 euro up to 6.0 euro, while the low moved from 4.4 euro up to 4.5 euro. The picture of broker recommendations has further improved, thanks to the increase in the number of Outperform ratings (from 7 to 8) and to the complete disappearance of reducing/selling recommendations (from 1 to 0). Currently 15 brokers suggest buying (Buy or Outperform), whilst 12 brokers suggest holding the stock.

### SNAM AND THE STOCK EXCHANGE

**OFFICIAL LISTING MARKET** > BORSA ITALIANA EQUITY MARKET

**TYPE OF SHARES** > ORDINARY SHARES

**INDEX MEMBERSHIP** > FTSEMIB / FTSE ALL-SHARE / EURO STOXX / EURO STOXX UTILITY / STOXX EUROPE 600

**ETHICAL INDEX MEMBERSHIP** > FTSE4GOOD / ETHIBEL / CAPITAL PARTNERS / DOW JONES SUSTAINABILITY WORLD/ STOXX GLOBAL ESG LEADERS INDICES / VIGEO WORLD 120 / VIGEO EUROPE 120 / GC100 / CDLI / MSCI GLOBAL SUSTAINABILITY INDEX

**CREDIT RATINGS** > S&P'S: BBB; MOODY'S: BAA1

**CODES**

**ISIN** > IT0003153415

**REUTERS** > SRG.MI

**BLOOMBERG** > SRG IM

**HIGH (365 DD)** > € 5.53 – 30 MARCH 2016

**LOW (365 DD)** > € 4.06 – 24 AUGUST 2015

**LAST DIVIDEND PAID** > € 0.25 – 20 MAY 2015

**TOTAL N. OF SHARES OF THE SHARE CAPITAL** > 3,500,638,294

**MKT CAP (BILLION EURO)** > 18.29

### 2015 DIVIDEND DISTRIBUTION.

**23 MAY 2016** > 2015 DIVIDEND EX-DIVIDEND DATE

**25 MAY 2016** > DIVIDEND PAYMENT DATE

### INTERIM FINANCIAL REPORT AT 30 JUNE 2016.

**26 JULY 2016** > BOD

**27 JULY 2016** > PRESS RELEASE AND CONFERENCE CALL

### THIRD QUARTER 2016 REPORT.

**25 OCTOBER 2016** > BOD

**26 OCTOBER 2016** > PRESS RELEASE AND CONFERENCE CALL

Press release will be issued in the morning (non-trading hours), with the exception of that of 27 April 2016, which will be issued at the end of the Meeting. Conference Calls take place in the afternoon.

## In-depth in Snam businesses - REGULATION

The table below shows the main regulatory elements for each regulated activity of Snam, on the basis of the legal framework applicable as from 1 January 2016. The most important innovation in the Resolution 583/2015 that the Authority for Electricity Gas and Water has released on 2 December 2015 is the extension to

six years (2016-2021) of the lasting period of regulatory WACC (Weighted Average Cost of Capital, i.e. the remuneration rate on invested capital), with review of certain parameters after three years. A period lasting longer allows Snam to benefit from higher visibility, in a more stable regulatory framework.

|  | TRANSPORT  | REGASIFICATION  | STORAGE  | DISTRIBUTION   |
|--|--|---|--|--|
| Regulatory period (TARIFFS) expiry   | 31 December 2017   | 31 December 2017  | 31 December 2018   | 31 December 2019   |
| Calculation of net invested capital recognised for regulatory purposes (RAB)     | Revalued historical cost   | Revalued historical cost  | Revalued historical cost<br>Deduction of recognised restoration costs  | Revalued historical cost<br>Parametric method for centralised assets   |
| Return on net invested capital recognised for regulatory purposes (pre-tax WACC) | <b>6.3%</b> Year 2015<br><b>5.4%</b> Years 2016-17   | <b>7.3%</b> Year 2015<br><b>6.6%</b> Years 2016-17  | <b>6.0%</b> Year 2015<br><b>6.5%</b> Years 2016-18   | <b>Distribution</b><br><b>6.9%</b> Year 2015<br><b>6.1%</b> Years 2016-18<br><b>Metering</b><br><b>7.2%</b> Year 2015<br><b>6.6%</b> Years 2016-18 |
| Incentives on new investments  | <b>+1% for 7 years</b> (regional network development investments)<br><b>+1% for 10 years</b> (national network development investments)<br><b>+2% for 10 years</b> (entry point development investments)<br><br><b>WACC +1%</b> on new investments carried out after 31 December 2013 to offset the regulatory lag | <b>+2% for 16 years</b> (new terminals or increasing capacity at existing terminals by more than 30%)<br><br><b>WACC +1%</b> on new investments carried out after 31 December 2013 to offset the regulatory lag | Retention for 8 years of 20% of revenues over and above the reference revenues deriving from auctions<br><br>Remuneration on t-1 investments to offset the regulatory lag (since 2014) | Remuneration on t-1 investments to offset the regulatory lag (since 2013)  |
| Efficiency factor (X FACTOR)   | <b>2.4%</b> on opex  | <b>0%</b>   | To be defined through a subsequent Authority's resolution  | <b>1.7%</b> on distribution opex<br><b>0.0%</b> on metering opex   |

