



SNAM ANNOUNCES ITS RESULTS FOR THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2016

San Donato Milanese, 15 November 2016 - Snam's Board of Directors, chaired by Carlo Malacarne, met yesterday and approved the consolidated results for the first nine months and the third quarter of 2016 (unaudited). The results, which reflect the entry into force of the new regulatory period with adjustment of the WACC, do not incorporate the accounting results following the separation of Italgas Reti S.p.A. from Snam S.p.A., which took effect from 7 November 2016, the effective date of the demerger of Snam S.p.A. from Italgas S.p.A. In addition, please note that the reporting of the distribution sector results are fully consistent with those in the past.

Operating highlights

- **Gas injected into the transportation network:** 51.40 billion cubic metres (+3.0%)
- **Number of active meters:** 6.522 million (6.516 million at 30 September 2015)
- **Available storage capacity:** 12.0 billion cubic metres (+0.5 billion cubic metres compared with 30 September 2015)

Financial highlights

- **Regulated revenues:** €2,469 million¹ (-€108 million; -4.2%); the reduction is due to WACC adjustment applicable to 2016
- **EBIT:** €1,296 million (-12.0%)
- **Net profit:** €783 million (-11.8%)
- **Technical investments:** €842 million (+4.9%)
- **Free cash flow:** €669 million

Main events

- **Completed with effect from 7 November 2016, the separation of Italgas Reti S.p.A. from Snam S.p.A.**
- **Successfully concluded the repurchase of outstanding Snam bonds for a total nominal value of €2.75 billion, partly financed through two bond issues for a total of €1.75 billion**
- **Signed the agreement to purchase 49% of Gas Connect Austria GmbH (GCA)**

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

"The results for the first nine months are in line with expectations and reflect the WACC adjustment of the new regulatory period. A free cash flow of over €660 million and the strength of the financial statements and financial operating efficiency have enabled us to carry out the investments set out in our strategic plan, consolidating Snam's leadership in the European gas market. Our position was further strengthened thanks to the agreement with Allianz to purchase 49% of Gas Connect Austria from Omv. Furthermore, the demerger from Italgas, which was successfully concluded in the expected timeframe, will allow us to pursue our growth strategy thanks to greater financial flexibility".

¹ After the components which are offset in costs.



Introduction

The consolidated results for the first nine months and for the third quarter of 2016 do not reflect the accounting effects of the transaction to separate Italgas Reti S.p.A. (previously Italgas S.p.A.) from Snam S.p.A, insofar as the transaction took effect, subject to the verification of all the conditions precedent, on 7 November 2016. With regards to the representation of the natural gas distribution sector as at 30 September 2016, the conditions to be able to represent the assets, liabilities, net result and cash flows of the distribution sector separately, as discontinued operations, pursuant to accounting principle IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” had not been fulfilled. Therefore, the distribution sector results are fully consistent with those reported previously.

Financial highlights (a)

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
911	862	Total revenue	2,748	2,586	(162)	(5.9)
899	849	- of which from regulated activities	2,695	2,549	(146)	(5.4)
237	208	Operating costs	640	618	(22)	(3.4)
460	429	EBIT	1,472	1,296	(176)	(12.0)
276	257	Net profit (b)	888	783	(105)	(11.8)
0.131	0.123	EBIT per share (c)	0.421	0.370	(0.050)	(12.0)
0.079	0.073	Net profit per share (c)	0.254	0.224	(0.030)	(11.8)
316	316	Technical investments	803	842	39	4.9
3,499.5	3,499.5	Number of shares outstanding at the end of the period	(millions) 3,499.5	3,499.5		
3,499.5	3,499.5	Average number of shares outstanding during the period	(millions) 3,499.5	3,499.5		

(a) The changes indicated in the table, as well as those below in this press release, should be understood to be changes in the first nine months of 2016 compared with the first nine months of 2015. Percentage changes, unless otherwise specified, are calculated in relation to the data indicated in the related tables.

(b) Net profit is attributable to Snam.

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

Revenue

Revenue from regulated activities in the first nine months of 2016 totalled €2,549 million, down by €146 million, or 5.4%, compared with the first nine months of 2015 (-€50 million in the quarter; -5.6%).

Revenue from regulated activities, excluding the components offset in costs², stand at €2,469 million, down €108 million or 4.2% (€825 million in the quarter; -3.5%) mainly following the reduction in the WACC³ applicable to 2016, which affected the natural gas transportation and distribution sectors. This effect was partly absorbed by the greater revenue from regulated activities of the storage sector, which benefited from an improvement in the WACC for 2016 compared with 2015, the first year of the fourth regulation period, as well as the entry into service, at the end of 2015, of the first facilities of the Bordolano site.

² The main revenue items offset in costs relate to interconnection and sales of natural gas carried out for balancing purposes.

³ With resolution 583/2015/R/com of 2 December 2015 “Rate of return on invested capital for infrastructure services in the electricity and gas sectors: criteria for determination and updating”, the Electricity, Gas and Water Authority (AEEGSI) approved the criteria for determining and updating the rate of return on net invested capital (WACC) for the period 2016-2021 and set the rates of return applicable to 2016.



Total revenue earned in the first nine months of 2016 totalled €2,586 million, down by €162 million, or 5.9%, compared with the first nine months of 2015 (€862 million in the third quarter; -5.4%). Net of revenue items offset in costs, total revenue in the first nine months of 2016 was €2,506 million, down by €124 million or 4.7% compared with the same period of the previous year (€838 million in the quarter; -3.3%).

The reduction is due, in addition to lower revenue from regulated activities (-€108 million or -4.2%), to the decrease in revenue from non-regulated activities (-€16 million or +€1 million in the quarter), essentially following the lower income from sales of natural gas no longer used for operating activities.

EBIT

EBIT⁴ in the first nine months of 2016 totalled €1,296 million, down by €176 million, or 12.0%, compared with the first nine months of 2015 (-€31 million in the quarter; -6.7%). This change is an improvement over the one recorded in the first half of 2016 (-14.3%).

The reduction is due to lower revenues (-€124 million; -4.7%; -€29 million in the quarter; -3.3%), mainly affected by the reduction in the WACC for 2016, and the greater amortisation and depreciation for the period (-€36 million; 5.7%; -€11 million for the quarter; 5.1%) essentially due to the entry into service of new infrastructures. The reduction in EBIT was also affected by greater operating costs (-€16 million, excluding items offset in revenues; 3.1%; +€9 million in the quarter; 4.7%) due mainly to the dynamics of the provision for risks and charges, as well as to costs connected to the transaction of separating Italgas Reti S.p.A. from Snam S.p.A. These factors were partly offset by the absence of costs recorded in the third quarter of 2015, resulting from the closure of the Gas Fund pursuant to Law 125 of 6 August 2015 (€35 million).

With reference to the operating segments⁵, the reduction reflects the performance of the transportation sector (-12.7%; -€114 million; -12.5% in the quarter; -€38 million) and the distribution sector (-19.5%; -€65 million; +5.8% in the quarter; +€5 million), partly offset by the positive performance recorded by the storage sector (+8.3%; +€20 million; +13.7% in the quarter; +€10 million).

⁴ EBIT was analysed by isolating only the elements that resulted in a change to that figure.

⁵ The analysis of EBIT by segment is provided on page 14 of this press release.



Net profit

Net profit earned in the first nine months of 2016 totalled €783 million, down by €105 million, or 11.8%, compared with the first nine months of 2015 (€257 million in the third quarter; -6.9%). This change is an improvement over the one recorded in the first half of 2016 (-14.1%).

The reduction in EBIT (-€176 million; -€31 million in the quarter) was partly offset by lower net financial expense (+€22 million; 7.9%; +€12 million in the quarter; 13.2%), despite the reduction in capitalised financial expenses (-€7 million; -€2 million in the quarter), due to lower expenses related to the net financial debt (+€35 million; 12.1%; +€15 million in the quarter, 15.6%) thanks to the reduction in the average cost of debt, as well as to lower income taxes (+€47 million; 11.6%; -€7 million in the quarter; 5.8%), due mainly to lower pre-tax profit.

Technical investments

Technical investments in the first nine months of 2016 stood at €842 million (€803 million in the first nine months of 2015; €316 million in the quarter; unchanged compared with the third quarter of 2015) and refer essentially to the natural gas transportation sector (€512 million; €457 million in the first nine months of 2015), natural gas distribution sector (€248 million; €231 million in the first nine months of 2015) and storage sector (€75 million; €106 million in the first nine months of 2015).

Net financial debt

Net financial debt was €14,019 million as at 30 September 2016⁶, compared with €13,779 million as at 31 December 2015. The net cash flow from operating activities (€1,686 million), which benefited from the contribution cashed by the investee companies valued through the net equity method, allowed us to fully cover the financial requirements associated with net investments for the period (€1,017 million), including disbursements connected with financing for the associate company TAP, and to generate a free cash flow of €669 million. The net financial debt at 30 September 2016 after the payment to shareholders of the 2015 dividend of €875 million, increased by €240 million compared with 31 December 2015.

Net financial debt fell by €158 million compared with 30 June 2016.

⁶ More information on the net financial debt can be found on page 23 of this press release.



Operating highlights

Third quarter		First nine months			
2015	2016	2015	2016	Change	% change
Natural gas transportation (a)					
17.11	17.33	49.88	51.40	1.52	3.0
32,454	32,455	32,454	32,455	1	
853	900	853	900	47	5.5
Liquefied Natural Gas (LNG) regasification (a)					
	0.078	0.020	0.170	0.150	
Natural gas storage (a)					
10	10	10	10		
8	9	8	9	1	12.5
16.0	16.5	16.0	16.5	0.5	3.1
11.5	12.0	11.5	12.0	0.5	4.3
4.5	4.5	4.5	4.5		
4.56	4.43	16.52	15.85	(0.67)	(4.1)
4.56	4.43	9.32	9.31	(0.01)	(0.1)
		7.20	6.54	(0.66)	(9.2)
Natural gas distribution					
6,516	6,522	6,516	6,522	0.006	0.1
1,472	1,472	1,472	1,472		
56,663	56,779	56,663	56,779	116	0.2
6,240	6,418	6,240	6,418	178	2.9
<i>of which business segments:</i>					
1,909	1,973	1,909	1,973	64	3.4
75	72	75	72	(3)	(4.0)
300	309	300	309	9	3.0
3,246	3,333	3,246	3,333	87	2.7
710	731	710	731	21	3.0

- (a) With regard to the first nine months of 2016, gas volumes are expressed in standard cubic metres (SCM) with a conventionally average higher heating value (HHV) of 38.1 MJ/SCM (10.572 kWh/SMC) and 39.1 MJ/SCM (10.805 kWh/SMC) respectively for the businesses of natural gas transportation, regasification and storage.
- (b) The figures for the first nine months of 2016 are up to date at 4 October 2016. The update of 2015 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.
- (c) Working gas capacity for modulation services. The figure for the first nine months of 2016 includes the Bordolano concession, which has been operational since the end of 2015, with regard only to a portion of assets forming part of the overall plant, such as to guarantee the performance of storage activities.
- (d) Working gas capacity for modulation, mining and balancing services. The available capacity at 30 September 2016 is that declared to the Electricity, Gas and Water Authority (hereinafter "the Authority") at the start of the 2016-2017 thermal year, in compliance with Resolution ARG/gas 119/10.
- (e) This figure refers to the kilometres of network operated by Italgas.
- (f) Fully consolidated companies.

Natural gas transportation

A total of 51.40 billion cubic metres of natural gas was injected into the national gas transportation network during the first nine months of 2016, up by 1.52 billion cubic metres (3.0%) compared with the



first nine months of 2015 (+0.22 billion cubic metres in the quarter; +1.3%). The increase in volumes injected, following demand for gas in Italy which in the first nine months of 2016 stood at 48.38 billion cubic metres, a slight increase (+0.64 billion cubic metres; +1.3%) compared with the same period in 2015, is essentially due to less use of stocks, which recorded lower net withdrawals for 0.74 billion cubic metres. Higher consumption in the thermoelectric sector (+0.91 billion cubic metres; +6.0%), thanks to reduced consumption of renewable sources and reduced production of hydroelectric energy, and the industrial sector (+0.37 billion cubic metres; +3.1%) was partly offset by lower consumption in the residential and tertiary sectors (-0.70 billion cubic metres; -3.7%) due to weather conditions.

Adjusted for the weather effect, gas demand was estimated at 49.59 billion cubic metres, up by 1.10 billion cubic metres (2.3%) compared with the corresponding figure for the first nine months of 2015 (48.49 billion cubic metres).

Liquefied natural gas (LNG) regasification

In the first nine months of 2016, 0.170 billion cubic metres of LNG were regasified (0.020 billion cubic metres in the first nine months of 2015; +0.150 billion cubic metres), of which 0.049 billion cubic metres was for the integrated natural gas regasification and storage service⁷.

Natural gas storage

In total, 15.85 billion cubic metres of natural gas passed through the storage system in the first nine months of 2016, a reduction of 0.67 billion cubic metres (4.1%) compared with the first nine months of 2015 (16.52 billion cubic metres). The reduction was mainly attributable to lower withdrawals from storage (-0.66 billion cubic metres; -9.2%) as a result of the weather.

The total storage capacity as at 30 September 2016, including strategic storage, was 16.5 billion cubic metres (+0.5 billion cubic metres compared with 30 September 2015), of which 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, as established by the Ministry of Economic Development announcement of 21 January 2016).

Natural gas distribution

At 30 September 2016, Snam had concessions, through Italgas Reti, for gas distribution services in 1,472 municipalities (the same as at 31 December 2015 and 30 September 2015), of which 1,405 were operational. It had 6.522 million active meters at gas redelivery points to end users (households, businesses, etc.), equal to 6.522 million unit (6.516 million at 30 September 2015).

At 30 September 2016, the gas distribution network covered 56,779 km, an increase of 62 km compared with 31 December 2015 (56,717 km).

⁷ The integrated storage and regasification service, introduced by Article 14, paragraph 1 of Law Decree 1 of 24 January 2012 and later amended by the Ministerial Decree of 25 February 2016, makes provision for quantities of gas equivalent to the LNG delivered, minus consumption and leaks, to be made available to the consumer by the leading storage company, for the uniform storage service, by the end of the month after the unloading. The physical management of the gas flows for the redelivery of gas in storage takes place through the coordination of the regasification and storage companies involved. For more information about this service, refer to the "Regulation" section of the 2016 Half-Year Financial Report.



Main events

Separation of Italgas Reti S.p.A. from Snam

On 7 November 2016, the date of the listing of Italgas S.p.A. (previously ITG Holding S.p.A.) on the MTA (Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A., the transaction to separate Italgas Reti S.p.A. (previously Italgas S.p.A.) from Snam S.p.A. took effect.

This is primarily a business transaction aimed at separating the Snam Group's Italian gas distribution activities, which are very specific compared with the Snam Group's other activities in terms of operating organisation, competitive context, regulation and investment requirements, from its gas transportation and dispatching, regasification and storage activities in Italy and abroad.

Two distinct groups emerged following this transaction, each focused on its own business and with clearly identified, market-visible objectives.

As part of the transaction, which occurred in a unitary and substantially simultaneous manner and led to the transfer to Italgas S.p.A. of Snam S.p.A.'s entire stake in Italgas Reti S.p.A., the following was agreed on 2 November 2016:

- the partial and proportional deed of demerger with the allocation to Italgas of 52.90% of the stake held by Snam in Italgas Reti, with the consequent allocation to Snam shareholders of 86.50% of the share capital of Italgas;
- the deed of transfer in kind by Snam to Italgas of a stake equal to 8.23% of the share capital of Italgas Reti;
- the deed of sale by Snam to Italgas of 98,054,833 Italgas Reti shares, equal to 38.87% of the share capital of Italgas Reti.

The deed of demerger was recorded in the Register of Companies on 3 November 2016, following the issuance by Borsa Italiana of the order to admission to listing of the Italgas ordinary shares on the Mercato Telematico Azionario, issued on 2 November 2016, and by CONSOB of the judgement of equivalence, pursuant to Article 57, paragraph 1, letter d) of the Issuers' Regulation, for the Information Document relating to the Demerger, issued on 3 November 2016.

As provided for in the deed of demerger, said transaction takes effect from the date of the start of trading, i.e. from 7 November 2016.

On 7 November 2016, the shareholders' agreement of 20 October 2016 between the Company, CDP Reti S.p.A. and CDP Gas S.r.l. involving all the shares that each party held in Italgas S.p.A., became effective. The shareholders' agreement establishes a voting trust and block shareholders' agreement, with Snam having the right of early withdrawal if, in the event that Snam disagrees the vote of the syndicated shares with regard to certain reserved matters of an extraordinary nature, Snam does not sell its stake in Italgas within the next 12 months ("Accelerated Exit"). The shareholders' agreement also makes provision, that CDP Reti, CDP Gas and Snam submit a joint list for the appointment of the Italgas Board of Directors thereby ensuring that Snam has 1 designated candidate. The transfer of Snam's stake in Italgas (also in the event of Accelerated Exit) is subject to the consent of CDP Reti, which has the right of first refusal, as well as the obligation of a third-party transfer. Snam also cannot increase its stakeholding. The agreement is for three years and can be renewed unless terminated; if Snam does not renew it, CDP Reti will have the option to purchase Snam's stakeholding in Italgas at the fair market value.



As a result of the Demerger, each Snam shareholder owns two different shares representing the two different businesses. To be precise, on the one hand Snam shares (Snam operates in the transportation, dispatching, regasification and storage of natural gas) and on the other hand Italgas shares (Italgas operates in the distribution of natural gas). Italgas S.p.A. has issued and allocated Snam S.p.A. shareholders one Italgas S.p.A. share for every five Snam S.p.A. shares held.

Under the scope of this transaction, as outlined in the Information Document for the listing of Italgas ordinary shares published on 4 November 2016, Snam S.p.A. presented a request application to the Revenue Agency in order to acquire an opinion with regard to the absence of abusive profiles relating to the collection of transactions to be implemented under the scope of the separation from Snam of the gas distribution business pertaining to its subsidiary Italgas S.p.A. In response to the above-mentioned application, the Revenue Agency confirmed that there were no abusive profiles relating to the above-mentioned transactions.

Business developments

Gas Connect Austria GmbH

On 22 September 2016, Snam in a consortium with Allianz, signed an agreement with OMV, the leading Austrian oil & gas company, to purchase 49% of Gas Connect Austria GmbH (GCA), the company in Austria that manages a high-pressure gas network covering approximately 900 km and is involved in the marketing and supply of transportation capacity to border points and the transportation capacity required by domestic demand for natural gas. As a central hub in the context of European gas networks, GCA makes a significant contribution to the procurement of natural gas in Austria and other countries such as Germany, France, Slovenia, Croatia and Hungary.

The transaction represents a unique opportunity for Allianz and Snam to strengthen the long-term relationship they both have with OMV, at the same time consolidating the strategic objectives of GCA. This will also make it possible to support the development of the Austrian gas infrastructure system.

The purchase will be completed through a jointly-controlled special purpose vehicle in which Allianz and Snam respectively own 60% and 40%, which is underwritten by a pool of international credit institutions with non-recourse binding obligations for up to €310 million. According to the terms of the transaction, the total consideration paid to OMV by the consortium will be €601 million (including €147 million for the pro-rata repayment of the current shareholders' loan through the signing, at the closing of the transaction, of a new shareholders' loan with GCA). The closing of the transaction is expected to take place by the end of the year and is subject to the authorisation of the German and Austrian antitrust authorities.

The transaction will take effect from 1 January 2016. OMV shall have the right to receive the entire dividend attributable to GCA for 2015, which is €80 million.

Memorandum of Understanding (MoU) - Snam, FCA and IVECO

On 5 October 2016, FCA, IVECO and Snam signed a Memorandum of Understanding aimed at promoting the development of natural gas as a transport fuel, in the widest context of sustainable mobility and the initiatives for promoting it.

Snam, as a European leader in the creation and management of infrastructures for the natural gas market, will provide its well-established experience in the sector, investing approximately €200 million over the next 5 years to promote the development of facilities for the supply of methane for vehicle transport. This will make it possible to increase the current number of 1,100 methane service stations, improve the quality of service provision to consumers and guarantee a more balanced distribution of



stations in the various regions of the country, in accordance with development methods and priorities that are in synergy with the development of the fleet of light- and heavy-duty vehicles.

Optimisation of the Group's financial structure

Renewal of the Euro Medium Term Notes (EMTN) bond issue programme

On 27 September 2016, the Snam Board of Directors approved the annual renewal of the EMTN Programme launched in 2012, reducing the maximum total value of the bonds issued from €12 billion to €10 billion, also taking into consideration the development of the debt as a result of the separation of Italgas from Snam. Based on the existing bonds as at 30 September 2016, the renewal of the Programme enables the issuing by 30 September 2017, of bonds for a maximum of €1.15 billion, plus the amount corresponding to the bonds repaid during the period, to be placed with institutional investors operating mainly in Europe⁸. The total nominal value of the outstanding bonds issued cannot, in any event, exceed the maximum limit of €10 billion.

The EMTN Programme is an effective instrument for obtaining financial resources on the market in a flexible way and at competitive rates, in line with the Group's requirements in terms of the development of the financial structure.

Bond buyback

In October 2016 Snam successfully completed the buyback on the bond market, for a total nominal value of €2.75 billion, with an average coupon of around 3.3% and a residual term of approximately three years. The total disbursement was about €3.1 billion, financed partly through two bond issues, for a total of €1.75 billion, with an average coupon of 0.6% and an average term of around eight years, and partly through drawing on available credit lines.

The two issues have a fixed rate, with a nominal value of €1.25 billion, annual coupon of 0.875% and 10-year term, and a nominal value of €0.5 billion, annual coupon of 0% and four-year term, respectively. The effects of this transaction on the 2016 income statement, essentially equal to the difference between the buyback value of the bonds on the market and the valuation at the amortised cost of the actual bonds, will be reported in the fourth quarter of 2016.

The transaction allows Snam to continue with optimising its debt structure in terms of reducing the cost of capital, extending the average term of the debt and reducing the risk of refinancing, and also in consideration of the development of the debt as a result of the separation of Italgas from Snam.

Launch of the share buyback programme

On 7 November 2016, the effective date of the Snam demerger, the share buyback programme, approved by the Shareholders' Meeting on 1 August 2016, was launched.

To implement the first part of the programme, Snam stipulated an agency buyback agreement with a first-rate intermediary, for no longer than 4 months from the demerger, based on which the appointed intermediary will proceed with the purchase of Snam shares totally independently, in compliance with both the previously defined parameters and criteria and with the constraints of the applicable regulations and the resolution referred to above.

⁸ At the date of this press release, and taking into account the effects of the Liability Management transaction concluded by Snam in October 2016, the Programme will allow the issuing of bonds for a maximum amount of €2.45 billion.



Disputes and other measures

Snam is involved in civil, administrative and penal 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 consolidated financial statements. The following is a summary of the most important proceedings for which significant changes to the situation reported in the 2015 Annual Report and in the 2016 Half-Year Financial Report occurred, including new proceedings and proceedings which have been concluded.

Revocation of the Judicial Control measure with regard to Italgas

On 9 July 2015, the Court of Palermo revoked the Judicial Administration measure with regard to Italgas (now Italgas Reti), taking into account the outcome of the investigations conducted and the active collaboration of the Snam Group.

Italgas was asked to comply with the obligation to provide the competent authorities with the information required pursuant to Article 34, paragraph 8 of Legislative Decree 159/2011 (Judicial Control) in relation to significant transactions. Italgas filed an appeal with the Appeal Court of Palermo.

On 25 July 2016 the Court of Appeal issued a Decree revoking the "Judicial Control" measure with regard to Italgas, declaring the implementation of the consequent provisions terminated. The public prosecutor did not appeal to the Court of Cassation under the terms of the law, therefore, the ruling became final.

Snam Rete Gas – Ravenna incident

Following the request for dismissal made by the public prosecutor, the preliminary investigations judge ordered the dismissal of the charges relating to the criminal investigation opened by the public prosecutor at the Court of Ravenna against certain executives and managers of Snam Rete Gas in relation to the event that took place on 10 December 2014 at the "Nodo di Ravenna" plant of Snam Rete Gas, in which a fire broke out involving one of the gas preheating plants.

After the fire department became involved, according to the provisions of company policy, Snam Rete Gas intervened to prevent environmental risks and to ascertain the causes of the fire.

Regulation

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

Resolution 441/2016/R/gas - "Provisional calculation of company storage service revenue for 2017".

Through this resolution, published on 28 July 2016, the Authority provisionally calculated the reference storage service revenue for 2017 for Stogit. The provisionally-approved revenue is aimed at providing a reference value for calculating the considerations for the allocation of storage capacity. By 31 May 2017, storage companies will submit their final base revenue proposals to the Authority, calculated using the total annual increases in assets relating to 2016. These proposals will be approved by the Authority within 60 days.



Resolution 550/2016/R/gas – “Compliance with the ruling of the Council of State, Section VI, 2888/2015, relating to the regulation of tariffs for the transportation and dispatching of natural gas for 2010-2013”.

With this resolution, published on 7 October 2016, the Authority redefined the tariff criteria for the transportation of natural gas for the regulatory period 2010-2013 in compliance with the ruling of the Council of State No. 2888/2015. Specifically, with regard to the regulations governing gas for the operation of compression stations, the Authority intends to switch from a contribution in kind to a monetary contribution.

Outlook

As illustrated previously in the “Main events” section, the transaction to separate Italgas Reti S.p.A. from Snam S.p.A. will enhance the value of both companies and their respective businesses. Specifically, Snam will be able to focus on the synergistic and integrated management of its transportation, storage and regasification businesses in Italy and abroad, consolidating its leadership position in Europe and contributing further to the integration of gas markets in Europe.

The business outlook with regard to the main drivers in the natural gas transportation, regasification and storage businesses is illustrated below.

GAS DEMAND

Based on the information currently available, seasonally adjusted demand for natural gas in the Italian market at the end of 2016 is expected to be essentially stable compared with the 2015 levels.

TECHNICAL INVESTMENTS

Snam confirms its commitment to developing natural gas infrastructures in Italy through a programme of technical investments for 2016, which is essentially in line with 2015 for the same scope of activities.

EFFICIENCY

Snam also confirms for 2016 its focus on operating efficiency and its aim of continuing the process of optimising the Group's financial structure.

Legislative Decree 25 of 15 February 2016, which came into force on 18 March 2016, implementing European Directive 2013/50/EU of 22 October 2013 (the “new Transparency Directive”), removed the obligation to publish the interim directors’ report previously required by Article 154-*ter*, paragraph 5 of the Consolidated Finance Act (TUF).

This press release on the consolidated results of the first nine months and the third quarter of 2016, not audited, is prepared on a voluntary basis, in continuation of the quarterly information provided by Snam in the past. This decision comes under the scope of a regular and transparent corporate information policy regarding the financial performance of the Group, aimed at the market and investors. The Decree, through the new formulation of Article 154-*ter*, paragraphs 5 and 5-*bis*, of the TUF, also enables Consob to reintroduce the obligation, with regard to issuers, if necessary, to publish periodic financial information in addition to the half-year financial report and the annual financial report. Following a preliminary consultation launched on 14 April 2016 and a subsequent consultation launched on 5 August 2016, Consob arranged, through resolution 19770 of 26 October 2016, not to reintroduce additional periodic information obligations, defining regulatory principles and criteria applicable to companies which intend to publish this information on a voluntary basis.



The economic and cash flow information is provided for the first nine months and the third quarter of 2016 and for the first nine months and the third quarter of 2015. Information on financial position is provided with reference to 30 September 2016 and 31 December 2015. 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 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 nine months of 2016 are the same as those used for the 2016 Consolidated Half-year Report and the 2015 Annual Report, which should be referred to for a description thereof, except for the international accounting standards that came into force on 1 January 2016, as described in note No. 6 "Recently issued IFRS" of the 2015 Annual Report. For the purposes of this Press Release, there are no impacts at Group level arising from the application of the new provisions.

The changes in the scope of consolidation of the Snam Group at 30 September 2016 compared with 31 December 2015 and 30 September 2015 are attributable to the exit of AES Torino S.p.A. from the scope of consolidation following the merger by incorporation into Italgas S.p.A. (now Italgas Reti S.p.A.) with effect from 1 January 2016, and to the entry of Italgas S.p.A.⁹ (previously ITG Holding S.p.A.¹⁰), established on 1 June 2016 with share capital of €50,000 fully subscribed and paid-up by the sole shareholder Snam S.p.A., under the scope of the operation to separate Italgas Reti S.p.A. from Snam S.p.A.

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 actual results may therefore differ from those forecast as a result of several factors: foreseeable trends in natural gas demand, supply and price, actual operating performance, general macro-economic conditions, geopolitical factors such as international conflicts, the effect of new energy and environmental legislation, the successful development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.

A conference call will take place at 15:00 today, 15 November 2016, to present the results of the first nine months and the third quarter of 2016 to investors and financial analysts. An audio webcast of the presentation will be available on the Company's website (www.snam.it). In conjunction with the start of

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

¹⁰ From 12 September 2016, the date the request for admission to trading was filed with Borsa Italiana, the company ITG Holding S.p.A. took the name Italgas S.p.A. On the same date the operational company previously known as Italgas S.p.A. took the name Italgas Reti S.p.A.



the conference call, the presentation support material will also be made available in the “Investor Relations/Presentations” section of the website.

Summary of results for the first nine months and the third quarter of 2016

RECLASSIFIED INCOME STATEMENT

Third quarter			First nine months			
2015	2016	(millions of €)	2015	2016	Change	% change
899	849	Regulated revenues	2,695	2,549	(146)	(5.4)
12	13	Non-regulated revenues	53	37	(16)	(30.2)
911	862	Total revenues (*)	2,748	2,586	(162)	(5.9)
(237)	(208)	Operating costs (*)	(640)	(618)	22	(3.4)
674	654	EBITDA	2,108	1,968	(140)	(6.6)
		Amortisation, depreciation and impairment				
(214)	(225)	losses	(636)	(672)	(36)	5.7
460	429	EBIT	1,472	1,296	(176)	(12.0)
(91)	(79)	Net financial expenses	(277)	(255)	22	(7.9)
28	35	Net income from equity investments	97	99	2	2.1
397	385	Pre-tax profit	1,292	1,140	(152)	(11.8)
(121)	(128)	Income taxes	(404)	(357)	47	(11.6)
276	257	Net profit (**)	888	783	(105)	(11.8)

(*) Purely for the purpose of the reclassified income statement, revenue relating to building and upgrading distribution infrastructures recorded pursuant to IFRIC 12, which is recorded in equal measure alongside the relevant costs incurred (€200 million and €216 million respectively in the first nine months of 2015 and of 2016; €78 million and €79 million respectively in the third quarter of 2015 and of 2016), is stated as a direct reduction in the respective cost items.

(**) Net profit is attributable to Snam.

EBIT¹¹ earned in the first nine months of 2016 totalled €1,296 million, down by €176 million, or 12.0%, compared with the first nine months of 2015 (€429 million in the third quarter; -6.7%). The reduction is due to lower revenues (-€124 million; -4.7%; -€29 million in the quarter; -3.3%), mainly attributable to the WACC adjustment applicable to 2016, and the greater amortisation and depreciation for the period (-€36 million; 5.7%; -€11 million for the quarter; 5.1%) due essentially to the entry into service of new infrastructures. The reduction in EBIT was also affected by higher operating costs (-€16 million, excluding the items which are offset in revenues; 3.1%; +€9 million for the quarter; 4.7%) due to the dynamics of the provision for risks and charges (-€26 million; -€4 million for the quarter), essentially related to the distribution sector, the management of Energy Efficiency Certificates (TEE) (-€15 million; -€4 million for the quarter), as well as greater expenses connected with the transaction separating Italgas Reti S.p.A. from Snam S.p.A. These factors were partly offset by the absence of costs recorded in the

¹¹ EBIT, consolidated and by business segment, 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.



third quarter of 2015, associated with the closure of the Gas Fund pursuant to Law 125 of 6 August 2015 (€35 million).

Below is a breakdown of EBIT by business segment:

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
Business segments						
305	267	Transportation	896	782	(114)	(12.7)
(3)		Regasification		1	1	
73	83	Storage	242	262	20	8.3
86	91	Distribution	334	269	(65)	(19.5)
(1)	(12)	Corporate and other activities		(18)	(18)	
460	429		1,472	1,296	(176)	(12.0)

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

- Transportation (-€114 million; -12.7%; -€38 million for the quarter; -12.5%): due mainly to lower regulated revenues (-€103 million; -7.2%) as a result of the tariff updating mechanisms (-€160 million) and, in particular, the updating of the rate of return on invested capital (WACC), which fell from 6.3% in 2015 to 5.4% in 2016, (-€100 million), partly offset by the contribution from investments made in 2014 (+€57 million). The reduction in EBIT was also affected by lower non-regulated revenues (-€17 million) following lower sales of natural gas no longer used for operating activities (-€20 million) as well as greater amortisation and depreciation (-€11 million) due mainly to the entry into service of new infrastructures;
- Distribution (-€65 million; -19.5%; +€5 million for the quarter; +5.8%): mainly following the reduction in transmission revenue (-€37 million; -4.8%), due essentially to the tariff updating mechanisms and specifically to the adjustment of the rate of return on invested capital (WACC) (-€35 million), which went from 6.9% in 2015 to 6.1% in 2016 for distribution and from 7.2% in 2015 to 6.6% in 2016 for metering. The reduction in EBIT was also affected by the increase in operating costs (-€18 million, excluding items offset in revenues), attributable to the greater net provision for risks and charges (-€24 million) and the higher costs associated with the management of the Energy Efficiency Certificates (TEE) (-€15 million), partly offset by the absence of costs, recorded in the third quarter of 2015, connected with the closure of the Gas Fund pursuant to Law 125 of 6 August 2015 (€35 million) as well as the greater amortisation and depreciation for the period (-€14 million).

The reduction in EBIT for the transportation and distribution sectors was only partly absorbed by the positive performance recorded in the storage sector (+€20 million; +8.3%; +€10 million for the quarter; +13.7%). Greater revenues from storage (+€33 million; +9.6%), due to the tariff updating mechanisms and, specifically, the updating of the rate of return on invested capital which went from 6% in 2015 to 6.5% in 2016 (+€14 million), as well as the entry in service, at the end of 2015, of the first facilities at the Bordolano site, were offset by the increased amortisation and depreciation (-€10 million; 18.5%), due mainly to the entry into service of the new infrastructures. The increase in the rate of return is due essentially to the adoption of reference parameters for calculating the WACC for 2016, calculated using



the criteria established by the Authority through resolution 583/2015/R/com, better than the reference criteria for calculating the WACC for 2015, the first year of the fourth regulation period for the storage service.

Net profit earned in the first nine months of 2016 totalled €783 million, down by €105 million, or 11.8%, compared with the first nine months of 2015 (€257 million in the third quarter; -6.9%). The reduction in EBIT (-€176 million; -€31 million in the quarter) was partly offset by lower net financial expenses (+€22 million; 7.9%; +€12 million in the quarter; 13.2%) despite the reduction in capitalised financial expenses (-€7 million; -€2 million in the quarter), due to lower expenses relating to net financial debt (+€35 million; 12.1%; +€15 million in the quarter, 15.6%) and thanks to the reduction in the average cost of debt, as well as to lower income taxes (+€47 million; 11.6%; -€7 million in the quarter; 5.8%) due mainly to lower pre-tax profit.

The tax rate was 31.3% (the same as in the first nine months of 2015).

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



Total revenue

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
Business segments						
552	495	Transportation	1,632	1,481	(151)	(9.3)
3	4	Regasification	16	14	(2)	(12.5)
127	144	Storage	403	437	34	8.4
269	264	Distribution	812	780	(32)	(3.9)
46	50	Corporate and other activities	148	144	(4)	(2.7)
(86)	(95)	Consolidation eliminations	(263)	(270)	(7)	2.7
911	862		2,748	2,586	(162)	(5.9)

Regulated and non-regulated revenue

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
899	849	Regulated revenues	2,695	2,549	(146)	(5.4)
Business segments						
500	465	Transportation	1,478	1,383	(95)	(6.4)
2	3	Regasification	13	13		
89	104	Storage	294	319	25	8.5
264	253	Distribution	792	754	(38)	(4.8)
44	24	Revenue items offset in costs (*)	118	80	(38)	(32.2)
12	13	Non-regulated revenues	53	37	(16)	(30.2)
911	862	Total revenue	2,748	2,586	(162)	(5.9)

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

Operating costs

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
Business segments						
122	100	Transportation	362	314	(48)	(13.3)
4	3	Regasification	12	9	(3)	(25.0)
36	39	Storage	107	111	4	3.7
115	101	Distribution	278	297	19	6.8
46	60	Corporate and other activities	144	157	13	9.0
(86)	(95)	Consolidation eliminations	(263)	(270)	(7)	2.7
237	208		640	618	(22)	(3.4)



Operating costs - Regulated and non-regulated activities

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
234	201	Costs of regulated activities	601	573	(28)	(4.7)
126	135	Controllable fixed costs	374	370	(4)	(1.1)
2	2	Variable costs	13	16	3	23.1
62	40	Other costs	96	107	11	11.5
44	24	Cost items offset in revenue (*)	118	80	(38)	(32.2)
3	7	Costs of non-regulated activities	39	45	6	15.4
237	208		640	618	(22)	(3.4)

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

Amortisation and depreciation and impairment losses

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
214	225	Depreciation and amortisation	636	672	36	5.7
		Business segments				
125	128	Transportation	374	385	11	2.9
2	1	Regasification	4	4		
18	22	Storage	54	64	10	18.5
68	72	Distribution	200	214	14	7.0
1	2	Corporate and other activities	4	5	1	25.0
214	225		636	672	36	5.7

EBIT

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
		Business segments				
305	267	Transportation	896	782	(114)	(12.7)
(3)		Regasification		1	1	
73	83	Storage	242	262	20	8.3
86	91	Distribution	334	269	(65)	(19.5)
(1)	(12)	Corporate and other activities		(18)	(18)	
460	429		1,472	1,296	(176)	(12.0)



Net financial expenses

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
96	81	Financial expense (income) related to net financial debt	289	254	(35)	(12.1)
		- Interest and other expense on short- and long-term financial debt	293	254	(39)	(13.3)
(1)		- Interest on financial receivables not held for operating activities	(4)		4	(100.0)
2	4	Other net financial expense (income)	9	14	5	55.6
3	3	- Accretion discount	9	10	1	11.1
(1)	1	- Other net financial expense (income)		4	4	
	(1)	Losses (Gains) on hedging derivatives – ineffective portion		1	1	
(7)	(5)	Financial expense capitalised	(21)	(14)	7	(33.3)
91	79		277	255	(22)	(7.9)

Net income from equity investments

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
28	35	Effect of valuation using the equity method	98	99	1	1.0
		Other net income (expense)	(1)		1	(100.0)
28	35		97	99	2	2.1

Income taxes

Third quarter			First nine months			
2015	2016	(€ million)	2015	2016	Change	% change
145	144	Current taxes	455	409	(46)	(10.1)
		(Prepaid) deferred taxes				
(13)	(11)	Deferred taxes	(39)	(39)		
(11)	(5)	Prepaid taxes	(12)	(13)	(1)	8.3
(24)	(16)		(51)	(52)	(1)	2.0
30.5	33.2	Tax rate (%)	31.3	31.3		
121	128		404	357	(47)	(11.6)



Reclassified Statement of Financial Position

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

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

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

30.06.2016 (€ million)	31.12.2015	30.09.2016	Change
22,464 Fixed capital	22,121	22,610	489
15,677 Property, plant and equipment	15,478	15,760	282
363 Compulsory inventories	363	363	
5,265 Intangible assets	5,275	5,275	
1,337 Equity investments	1,372	1,363	(9)
147 Financial receivables held for operating activities	78	164	86
(325) Net payables for investments	(445)	(315)	130
(890) Net working capital	(607)	(938)	(331)
(165) Provisions for employee benefits	(166)	(166)	
18 Assets held for sale and directly related liabilities	17	18	1
21,427 NET INVESTED CAPITAL	21,365	21,524	159
Shareholders' equity (including minority interests)			
7,249 - attributable to Snam	7,585	7,504	(81)
1 - attributable to minority interests	1	1	
7,250	7,586	7,505	(81)
14,177 Net financial debt	13,779	14,019	240
21,427 COVERAGE	21,365	21,524	159

Fixed capital (€22,610 million) rose by €489 million compared with 31 December 2015 following the increase in tangible and intangible assets (€282 million in total) and the fall in net payables relating to investments (+€130 million) and the increase in financial receivables held for operating activities (+€86 million).

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

(€ million)	Property, plant and equipment	Intangible assets	Total
Balance at 31 December 2015	15,478	5,275	20,753
Technical investments	573	269	842
Amortisation, depreciation and impairment losses	(438)	(234)	(672)
Transfers, eliminations and divestments	(11)	(14)	(25)
Other changes	158	(21)	137
Balance at 30 September 2016	15,760	5,275	21,035



Other changes (€137 million) relate essentially to: (i) the effects of adjusting the present value of disbursements for the dismantling and restoration of sites (+€178 million), mainly due to a reduction in the expected discounting rates; (ii) grants for the period (-€30 million); and (iii) the change in inventories of pipes and related accessory materials used to construct the plants (-€11 million).

Technical investments

Third quarter		€ million)	First nine months		Change	% change
2015	2016		2015	2016		
Business segments						
179	193	Transportation	457	512	55	12.0
2	2	Regasification	3	4	1	33.3
44	24	Storage	106	75	(31)	(29.2)
89	96	Distribution	231	248	17	7.4
2	1	Corporate and other activities	6	3	(3)	(50.0)
316	316	Technical investments	803	842	39	4.9

Technical investments totalled €842 million (€803 million in the first nine months of 2015; +4.9%) and related mainly to the following business segments:

- Transportation (€512 million; €457 million in the first nine months of 2015): relating to works for the development of new transport capacity instrumental to import and export capacity (€160 million), investments in the development of new transportation capacity on the Regional Network (€79 million), maintenance investments and other investments (€273 million);
- Distribution (€248 million; €231 million in the first nine months of 2015): relating to distribution investments (€137 million, of which €23 million relating to the replacement of cast iron pipes), metering investments (€83 million) and other investments (€28 million);
- Storage (€75 million; €106 million in the first nine months of 2015): relating to investments in the development of new fields and the upgrading of capacity (€12 million), maintenance investments and other investments (€63 million).

Equity investments

Equity investments (€1,363 million) include the valuation of equity investments using the equity method and refers essentially to the companies Trans Austria Gasleitung GmbH - TAG (€476 million), TIGF Holding S.A.S. (€460 million), Toscana Energia S.p.A. (€168 million), Trans Adriatic Pipeline AG - TAP (€153 million) and Gasbridge 1 B.V. and Gasbridge 2 B.V. (€104 million cumulatively).

Financial receivables held for operations

Financial receivables held for operations (€164 million) relate to Snam's share of the shareholders' loan granted to the associate company Trans Adriatic Pipeline AG (TAP)¹². Financial receivables rose by €86 million compared with 31 December 2015.

¹² Based on agreements concluded, the shareholders are responsible for the financing of the project according to the equity investment held, either through the Shareholders' Loan or through subscribing capital increases, until the pipeline enters into service, as well as if its capacity is expanded.



Net working capital

30.06.2016 (€ million)	31.12.2015	30.09.2016	Change
1,247 Trade receivables	1,677	1,297	(380)
175 Inventories	152	170	18
72 Tax receivables	96	72	(24)
35 Derivative assets	7	39	32
260 Other assets	167	212	45
(946) Provisions for risks and charges	(776)	(975)	(199)
(608) Trade payables	(694)	(548)	146
(352) Liabilities for deferred taxes	(388)	(335)	53
(72) Tax liabilities	(51)	(207)	(156)
(88) Accruals and deferrals from regulated activities	(56)	(50)	6
(613) Other liabilities	(741)	(613)	128
(890)	(607)	(938)	(331)

Net working capital (-€938 million) decreased by €331 million compared with 31 December 2015 owing mainly to: (i) the reduction in trade receivables (-€380 million) attributable essentially to the natural gas transportation sector (-€263 million), following lower receivables resulting from the dynamics of additional components relating to the transportation tariff (-€95 million), the balancing service (-€90 million) as well as the lower transportation considerations billed to consumers (-€78 million), and to the natural gas distribution sector (-€131 million) as a result of the seasonal performance of volumes distributed; (ii) the increase in the provision for risks and charges (-€199 million) due essentially to the provision for site dismantlement and restoration for the storage sector (-€109 million) and the transportation sector (-€69 million) following the reduction in expected discount rates; (iii) the increase in tax liabilities (-€156 million) due essentially to the taxes for the period.

These factors were partly offset: (i) by the reduction in trade payables (+€146 million) resulting essentially from the balancing service; (ii) from the reduction in other liabilities (+€128 million) mainly attributable to the lower payables to the Energy and Environmental Services Fund (CSEA) related to additional tariff items for the transportation sector (+€100 million) and the distribution sector (+€31 million); (iii) the reduction in liabilities for deferred taxes (+€53 million); (iv) the increase in other assets (+€45 million) mainly following the increased receivables from the CSEA for additional tariff items for the distribution sector (+€18 million).



Statement of comprehensive income

(€ million)	First nine months	
	2015	2016
Net profit	888	783
Other components of comprehensive income		
<i>Components that can be reclassified to the income statement:</i>		
Change in fair value of cash flow hedging derivatives (effective portion)		1
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income" (*)	10	(17)
Tax effect		
Total other components of comprehensive income, net of tax effect	10	(16)
Total comprehensive income	898	767
. attributable to:		
- Snam	898	767
- Minority interests		
	898	767

(*) Includes the effects of the conversion of the shareholders' equity of the equity investment in Interconnector UK, held by the joint-control companies Gasbridge 1 B.V. and Gasbridge 2 B.V., at the spot EUR/GBP exchange rate on 30 September 2016.

Shareholders' equity

(€ million)	
Shareholders' equity at 31 December 2015	7,586
<i>Increases owing to:</i>	
- Comprehensive income for the first nine months of 2016	767
- Other changes (*)	27
	794
<i>Decreases owing to:</i>	
- Distribution of 2015 dividend	(875)
	(875)
Shareholders' equity including minority interests at 30 September 2016	7,505
attributable to:	
- Snam	7,504
- Minority interests	1
	7,505

(*) Other changes (+€27 million) relate essentially to the correction of the price adjustment in favour of Eni, recognised in 2010 in relation to contractual agreements with Eni at the time of the acquisition of the stake in Stogit (+€21 million). The adjustment follows the definitive approval by the Electricity, Gas and Water Authority (AEEGSI) of the storage tariffs for 2015, the reference tariff year for the purposes of adjusting the contractual price.

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

¹³ Calculated by multiplying the number of treasury shares by the period-end official price of €4.93 per share.



Net financial debt

30.06.2016 (€ million)	31.12.2015	30.09.2016	Change
14,198 Financial and bond debt	13,796	14,043	247
3,864 Short-term financial debt (*)	2,729	3,807	1,078
10,334 Long-term financial debt	11,067	10,236	(831)
(21) Financial receivables and cash and cash equivalents	(17)	(24)	(7)
(21) Cash and cash equivalents	(17)	(24)	(7)
14,177	13,779	14,019	240

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

Net financial debt was €14,019 million as at 30 September 2016, compared with €13,779 million as at 31 December 2015.

Net cash flow from operating activities (€1,686 million), which benefited from the contribution cashed in by the investee companies valued through the net equity method allowed us to fully cover the financial requirements associated with net investments for the period (€1,017 million, including disbursements of €110 million connected with financing for the associate company TAP) and to generate a free cash flow of €669 million. Net financial debt, after the payment to shareholders of the 2015 dividend of €875 million, increased by €240 million compared with 31 December 2015. Including the non-monetary components related to the financial debt, net financial debt stood at €14,019 million (€13,779 million at 31 December 2015).

Financial and bond debts at 30 September 2016, amounting to €14,043 million (€13,796 million at 31 December 2015), comprised the following:

30.06.2016 (€ million)	31.12.2015	30.09.2016	Change
9,639 Bonds	9,811	8,921	(890)
4,535 Bank loans	3,950	5,090	1,140
24 Other loans	35	32	(3)
14,198	13,796	14,043	247

Financial and bond debts are denominated in euros¹⁴ and refer mainly to bond loans (€8,921 million, 63.5%) and bank loans (€5,090 million, or 36.2%, including €1,616 million provided by the European Investment Bank - EIB).

The increase in financial debts and bonds compared with 31 December 2015, equal to €247 million, is mainly attributable to the increase in bank loans (+€1,140 million) following the greater net use of uncommitted banking lines of credit (+€1,001 million) and long-term revolving lines of credit (+€150 million). These effects were partly offset by the reduction in bond loans (-€890 million) essentially following the repayment of two bonds, due, respectively, in January 2016 and July 2016 with a total nominal value of €850 million.

Long-term financial debt (€10,236 million) represents around 73% of gross financial debt (around 80% at 31 December 2015). Fixed-rate financial debts amounted to around 58% of gross financial debt (approximately 64% at 31 December 2015).

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



Cash and cash equivalents (€24 million) mainly refer to the bank deposits of Gasrule Insurance DAC for the Group's insurance activities (€22 million).

The nominal value of bond loans due in eighteen months after 30 September 2016 comes to a total of €2.5 billion¹⁵.

At 30 September 2016, Snam had unused committed long-term credit lines worth €4.7 billion.

Covenants

As at 30 September 2016, Snam has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. A part of these agreements involves, *inter alia*, compliance with obligations imposed in international market practice, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; (iv) limits on the debt of subsidiaries. At 30 September 2016, the bank loans subject to these restrictive clauses amounted to approximately €2.8 billion. The bonds issued by Snam as of 30 September 2016 as part of the Euro Medium Term Notes programme provide for compliance with commitments that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to meet these covenants, and the occurrence of other events, for example cross-default events, may result in Snam's failure to comply and could trigger the early repayment of the relative loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or lower than Baa2 (Moody's) for at least two of the three ratings agencies.

With specific reference to the covenants in the context of the transaction to separate Italgas Reti from Snam, note that, at the date of this document, the consent given by the financial institutions and the EIB became effective and, with regard to the bond loans, issued under the scope of the Euro Medium Term Notes Programme, Snam obtained approval from the bondholders. Also, the assumption of Snam's debt relating to two loans provided by the EIB to Snam for funding Italgas projects was finalised.

Taking into account what has been illustrated in this section, note that at 30 September 2016 no events involving the failure to comply with the above-mentioned commitments and contractual covenants occurred.

¹⁵ At the date of this press release, €1.2 billion has been repaid, of which: €0.3 billion reached their natural maturity and €0.9 billion was repaid under the scope of the bond buyback transaction concluded in October 2016. For more information about the transaction, see the section "Main events - Optimisation of the Group's financial structure" in this press release.



Reclassified statement of cash flows and change in net financial debt

The reclassified statement of cash flows set out below summarises the legally required format. It shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. The free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED STATEMENT OF CASH FLOWS

Third quarter			First nine months	
2015	2016	(€ million)	2015	2016
276	257	Net profit	888	783
		<i>Adjusted for:</i>		
215	191	- Amortisation, depreciation and other non-monetary components	566	573
6	9	- Net capital losses (capital gains) on asset sales and eliminations	16	24
206	201	- Interest and income taxes	658	586
(114)	(118)	Change in working capital due to operating activities	(84)	49
(69)	(54)	Interest and income taxes collected (paid)	(378)	(329)
520	486	Net cash flow from operating activities	1,666	1,686
(296)	(302)	Technical investments	(750)	(801)
		Change in scope of consolidation and business units	(45)	
		Equity investments	(14)	(26)
	(15)	Financial receivables held for operations		(84)
3	1	Divestments	90	3
8	(9)	Other changes relating to investment activities	(125)	(109)
235	161	Free cash flow	822	669
221		Change in financial receivables not held for operations	216	
(452)	(158)	Change in short- and long-term financial debt	(209)	213
		Equity cash flow	(875)	(875)
4	3	Net cash flow for the period	(46)	7

CHANGE IN NET FINANCIAL DEBT

Third quarter			First nine months	
2015	2016	(€ million)	2015	2016
235	161	Free cash flow	822	669
5	(11)	Adjustment to fair value of financial debt	1	(22)
(13)	8	Exchange rate differences on financial debt	(5)	(12)
		Equity cash flow	(875)	(875)
227	158	Change in net financial debt	(57)	(240)