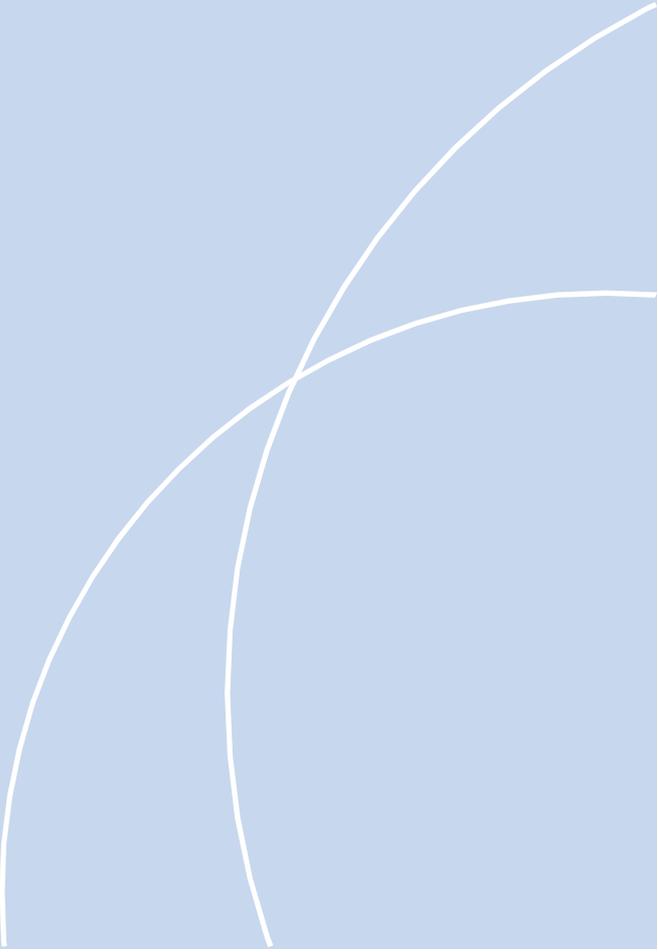


Summary data and information



Highlights

Total revenue in the first half of 2018 amounted to €1,271 million, up by €3 million (0.2%) compared with the first half of 2017. Net of components offset in costs, total revenue in the first half of 2018 amounted to €1,242 million, up by €28 million, or 2.3%. The increase was due to higher regulated revenue (+€47 million; +4.0%), thanks to continuous investments and the contribution of newly consolidated companies, offset in part by lower non-regulated revenue (-€19 million; -38.8%) essentially following the conclusion of several service agreements in 2017⁴.

EBIT⁵ stood at €729 million in the first half of 2018, up €15 million, or 2.1%, compared with the first half of 2017. The higher revenue (+€28 million; +2.3%), attributable mainly to the contribution of the transportation (+€44 million; +4.7%) and storage (+€3 million; +1.4%) segments, along with operating cost control aided by efficiency actions taken during the period, was offset in part by higher amortisation, depreciation and write-downs for the period (-€14 million; equal to 4.4%), primarily due to the entry into operation of new assets.

In terms of the main business segments⁶, the increase in EBIT reflects the positive performance of the transportation segment (+€33 million; +6.2%), which was partially offset by the reduction in the storage segment (-€4 million; -2.3%).

Net profit in the first half of 2018 amounted to €523 million, an increase of €19 million or 3.8% compared with the net profit achieved in the first half of 2017 (€504 million). The higher operating profit (+€15 million; +2.1%) along with lower net financial expenses (+€17 million, or 14.8%), which benefitted from a reduction in the average cost of debt, only partially absorbed by the higher average debt for the period, offset in part by higher income taxes (-€10 million, or 5.5%), linked primarily to the higher pre-tax profit.

Net financial debt was €11,421 million as at 30 June 2018, compared with €11,550 million as at 31 December 2017. The positive net cash flow from operating activities (€1,525 million) allowed us to fully cover the financial requirements associated with net investments for the period (€488 million, including equity investments), and to generate a free cash flow of €1,037 million. The net financial debt, after cash flows from self-owned capital (€914 million), deriving from the payment to shareholders of the 2017 dividend (€731 million, of which an interim dividend of €294 million and €437 million for the balance) and the acquisition of treasury shares (€183 million), recorded a reduction of €129 million compared with 31 December 2017, including non-monetary components⁷ correlated with financial debt (€6 million).

Technical investments in the first half of 2018, totalling €349 million (€425 million in the first half of 2017), related mainly to the natural gas transportation (€314 million; €378 million in the first half of 2017) and storage (€31 million; €42 million in the first half of 2017) business segments.

In the first half of 2018, the **accident indices** referring to employees and contract workers recorded a sharp reduction in terms of frequency as well as severity (-54.3% with reference to the frequency index; -80.0% with regard to the severity index) compared with the first half of 2017, as result of Snam's ongoing commitment to developing and promoting the protection of health and safety in the workplace, not only within the company but also with regard to suppliers. In the first half of 2018, there were 3 accidents (7 in the first half of 2017), of which 1 involving an employee (4 in the first half of 2017) and 2 involving contract workers (3 in the first half of 2017).

⁴ This revenue is offset in costs incurred for the provision of the relative services.

⁵ EBIT was analysed by isolating only the elements that resulted in a change to that figure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs.

⁶ An analysis of EBIT by business segment is provided in the "Business segment operating performance" section.

⁷ These components are primarily connected to the effects of the first-time application of the provisions of IFRS 9 "Financial instruments". Further information is provided in Note 1 - "Preparation and evaluation criteria" of the Notes to the condensed interim consolidated financial statements.

Main events

Developments in the Core Business

DESFA

On 19 April 2018, the European consortium consisting of Snam, the main shareholder with 60%, along with Enagás (20%) and Fluxys (20%), was awarded the tender for the acquisition of 66% of DESFA, the national operator in the natural gas infrastructure sector in Greece.

The Greek agency for privatisations (TAIPED) accepted the bid submitted by the consortium offering a total of €535 million for 66% of the share capital of DESFA.

The acquisition agreements were entered into in Athens on 20 July 2018, while the transaction closing is expected to take place by the end of the year and is subject, inter alia, to the completion of the company's internal reorganisation and the certification of the unbundling regime by the Greek regulator, RAE.

For the acquisition, the consortium received assurances that it could obtain a 10-year non-recourse loan, corresponding to roughly 65% of the enterprise value. The loan closing is expected to take place in the coming weeks after the relative documentation is finalised.

DESFA manages, under a regulated system, a high pressure transportation network of around 1,500 km, as well as a regasification terminal in Revithoussa.

Greece, a significant crossroads for procurement diversification and the opening up of new natural gas routes in Europe, has further potential for development as a South-Eastern European gas hub. With the support of Snam, Enagas and Fluxys, DESFA will be able to fully leverage its strategic positioning within the Mediterranean. The consortium will also promote the innovative use of natural gas in Greece to make further improvements to sustainable growth in the natural gas market, the country's economic development and efforts to reduce climate-altering emissions.

Acquisitions and new business opportunities

TEP Energy Solution (TEP) - Energy efficiency

On 30 May 2018, after obtaining antitrust clearance, a controlling shares equal to 82% of the share capital of TEP Energy Solution (TEP) was acquired through the subsidiary Asset Company 4 S.r.l. for a total value of roughly €21 million. The contract establishes a price adjustment mechanism based on the results for the years 2018-2020 as well as cross put and call options on the interests of minority shareholders expiring in 2020⁸.

TEP, an Energy Service Company (ESCO), is one of the main Italian companies active in the energy efficiency sector, with in excess of 200 customers including leading domestic and international companies, 950 thousand energy efficiency certificates and 2017 EBITDA of roughly €6 million. The company's mission is to make its customers more competitive by reducing energy expenses thanks to the optimisation of quantities used.

The acquisition of TEP is part of Snam's strategic plans to favour decarbonisation and a better use of energy in the territories in which it carries on business. The goal is to accelerate the TEP growth process, with the support of the company's management, by facilitating the transfer of large industry energy efficiency expertise and technology to SMEs and local authorities.

Snam and BHGE: agreement for the development of micro-liquefaction plants for sustainable mobility

On 28 May 2018, Snam and Baker Hughes, a GE company (NYSE: BHGE), entered into an agreement for the development of micro-liquefaction infrastructure to drive sustainable mobility in heavy-duty lorries and to promote its launch in maritime transportation in Italy.

⁸ For further information, see Note 19 - "Business combinations" in the Notes to the condensed interim consolidated financial statements.

By the end of 2018, Snam and BHGE will evaluate the possible construction of four micro-liquefaction plants to be located throughout the country. The total annual production of the four plants will be roughly 140,000 tonnes of liquefied natural gas (LNG) or bio-LNG (liquid biomethane, obtained from the organic fraction of municipal waste or from agricultural and agro-industrial biomass) and will strengthen the Italian production of renewable, zero CO2 emission gas for the transport sector.

If the study has a positive outcome, the potential investment expected for the four plants is around €50-80 million over the next few years. The agreement also envisages the opportunity to develop additional micro-liquefaction infrastructure in Italy and abroad.

Agricultural biomethane - Memorandum of understanding: Coldiretti, Bonifiche Ferraresi, A2A, Snam and Energy Services Operator (GSE)

On 19 June 2018, a memorandum of understanding was entered into by Coldiretti, Bonifiche Ferraresi, A2A, Snam and the Energy Services Operator (GSE) with the involvement of agricultural and industrial companies, the Italian municipalities and, more generally, all players interested in the production of biomethane and its use in the transport sector. The main goal is to aggregate parties in the supply chain to accelerate the energy transition in the transport sector, enabling all operators to access the services offered by the various parties active in the biomethane field and in the agricultural segment. Snam intends to promote the development and spread of processes and technologies for the production of biomethane in Italy and support the circular economy, aside from making available its transport and compressed and liquefied natural gas distribution plant network for sustainable mobility.

Other

New share buyback plan and cancellation of treasury shares with no share capital reduction

On 24 April 2018, the Snam Shareholders' Meeting authorised the acquisition of treasury shares to be carried out on one or more occasions for a maximum duration of 18 months as of the date of the shareholders' approval, after revoking the as of yet unexecuted part of the resolution authorising the acquisition of treasury shares passed by the Shareholders' Meeting on 11 April 2017. The maximum authorised outlay is €500 million, and in any event up to a maximum of 134,564,883 shares without exceeding 6.50% of the subscribed and paid-in share capital (also considering the treasury shares already held by the Company). The shareholders' resolution specifies the terms and conditions of the price for the acquisitions of treasury shares to be carried out on the basis of this authorisation. The Shareholders' Meeting also authorised the disposal, on one or more occasions, with no time limits and even before having completed all acquisitions, of all or part of the Company's treasury shares acquired on the basis of this shareholders' resolution as well as those already held.

The Extraordinary Shareholder's Meeting held on the same date also approved the cancellation of 31,599,715 treasury shares with no nominal value with no reduction in the share capital and the resulting amendment of art. 5.1 of the Articles of Association. The shares were cancelled on 7 May 2018 after the amended Articles of Association were filed with the Register of Companies. As a result of this transaction, the share capital consists of 3,469,038,579 shares with no nominal value for a total value of €2,736 million.

In execution of the resolution, the new buyback programme was launched on 18 June 2018. For the implementation of an initial part of the programme, Snam entered into an enhanced buyback agreement with a leading intermediary, lasting no more than 6 months as of the programme's start date. As part of this plan, in the period between 18 and 30 June 2018, 11,732,713 Snam shares (equal to 0.34% of the share capital) were acquired for a total cost of €41 million.

In the first half of 2018, 48,339,437 Snam shares (equal to 1.39% of the share capital) were acquired for a total cost of €183 million.

As at 30 June 2018, Snam held 102,655,338 treasury shares, equal to 2.96% of its share capital, including the acquisitions made in the first half of 2018 and after the cancellation of treasury shares.

GasBridge share swap

On 26 April 2018, Snam S.p.A. and Fluxys Europe B.V. completed the share swap transaction whereby Fluxys Europe transferred to Snam the shares held in GasBridge 2 B.V., equal to 50% of the share capital, and at the same time Snam transferred to Fluxys Europe the shares held in GasBridge 1 B.V., equal to 50% of the share capital. After the share swap, Snam holds the entire share capital of GasBridge 2 B.V. and Fluxys became holder of 100% of the share capital of GasBridge 1 B.V.

The transaction does not fall within the scope of application of IFRS 3 “Business Combinations”, as this is a reorganisation transaction in relation to which there is no significant change in future cash flows from the assets transferred before and after the transaction. In the absence of a reference accounting standard, the criterion of the continuity of values of the net assets acquired was applied; therefore, in the Snam Group’s consolidated financial statements the net assets of GasBridge 2 were recognised at the book values recorded at the date of acquisition of control. The equity investment in the associated company Interconnector UK, of which Snam became a shareholder following this transaction with a stake of 23.68% through the subsidiary GasBridge 2, continues to be valued with the equity method pursuant to IAS 28 “Investments in Associates and Joint Ventures”.

Post-balance sheet events

IES Biogas - Biomethane

On 5 July 2018, Snam, through the subsidiary Snam4Mobility, acquired 70% of IES Biogas, one of the top Italian companies in the design, construction and management of plants for the production of biogas and biomethane with a market share in excess of 10%, for a value of roughly €4 million. With 2017 turnover exceeding €20 million, to date IES Biogas has built more than 200 plants throughout Italy. In recent years, the company has developed projects outside the country as well.

Snam4Mobility is the company through which Snam is developing compressed natural gas (CNG) and liquefied natural gas (LNG) engine fuelling infrastructure. Increasing market interest with respect to sustainable mobility based on methane and biomethane demonstrates the great potential of alternative uses of gas.

Biomethane is a renewable energy source deriving from the process of purifying biogas obtained from agricultural and agro-industrial products and sub-products and the organic fraction of municipal waste. Biomethane can be injected into the natural gas transportation network.

This acquisition represents a first step for Snam in the area of renewable energy, supporting its role in the energy transition.

Cubogas - Compressed natural gas (CNG)

On 25 July 2018 the business unit handling the design, development and production of technological solutions for automotive natural gas fuelling stations of M.T.M., a Westport Fuel Systems group company, was acquired through the newly established company Cubogas S.r.l., a wholly owned subsidiary of Snam4Mobility, following the fulfilment of certain conditions precedent including the completion of trade union procedures.

The value of the transaction is €12.5 million, inclusive of the price adjustment applied during the closing.

The acquisition, which includes the Cubogas brand, will enable Snam to in-source and fully consolidate the value created throughout the supply chain, acting as a leader for the creation of “turnkey” solutions for sustainable mobility based on natural gas. Snam will work to further develop the strengths of Cubogas such as the value of the brand, customer orientation and service levels.

The use of compressed natural gas (CNG) in the transportation sector is one of the best technologies available to combat polluting emissions for the benefit of urban air quality.

Sardinia

Snam and Società Gasdotti Italia (SGI) have finalized an agreement for the possible joint implementation of the transport infrastructure in Sardinia, upon obtaining the necessary authorizations following the current procedure with the competent national and regional authorities and the antitrust clearance. With a view to progressive decarbonisation, the project will take into account a possible future hydrogen injection into the network.

Sustainable mobility

In the broader context of the initiatives to promote sustainable mobility:

- Snam has signed two framework agreements with Api Group aimed at developing plants to supply CNG and LNG at fueling stations, to be identified jointly, on both the Api S.p.A. and Italiana Petroli S.p.A.'s ordinary and motorway networks;
- following the framework agreement signed in May 2017, Snam has finalised through its subsidiary Snam4Mobility the second application contract with Eni to develop 20 methane filling stations in Italy.

Key figures

To improve the economic and financial review, in addition to conventional IAS/IFRS indicators and financial statements, the interim directors' report also contains reclassified financial statements and several alternative performance indicators (Non-GAAP measures) such as EBITDA, EBIT and net financial debt.

The Non-GAAP financial disclosure should be considered complementary and does not replace the disclosure drafted in accordance with IFRS.

In accordance with Consob Communication DEM/6064293 of 28 July 2006 as amended (Consob Communication no. 0092543 of 3 December 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), please note that the alternative performance indicators used in this document are directly inferable from reclassifications or algebraic additions of conventional indicators compliant with international accounting standards⁹.

Key financial figures

(€ million)	First half		Change	% Change
	2017	2018		
Total revenue	1,268	1,271	3	0.2
Total revenue net of pass-through items	1,214	1,242	28	2.3
Operating costs	233	207	(26)	(11.2)
Operating costs net of pass-through items	179	178	(1)	(0.6)
EBITDA	1,035	1,064	29	2.8
EBIT	714	729	15	2.1
Net profit (*)	504	523	19	3.8

(*) Entirely held by Snam shareholders.

⁹ According to CESR/05-178b recommendation of October 2005, conventional indicators are all data included in the certified financial statements drafted in compliance with IFRS or in the balance sheet, income statement, statement of changes in shareholders' equity and cash flow statement or in the accompanying notes. The tables below, their explanatory notes and the reclassified financial statements describe how these amounts were determined. For the definition of the terms used, if not directly specified, please make reference to the glossary available on the Snam website at www.snam.it/en/utilities/glossary/.

Key balance sheet and cash flow figures

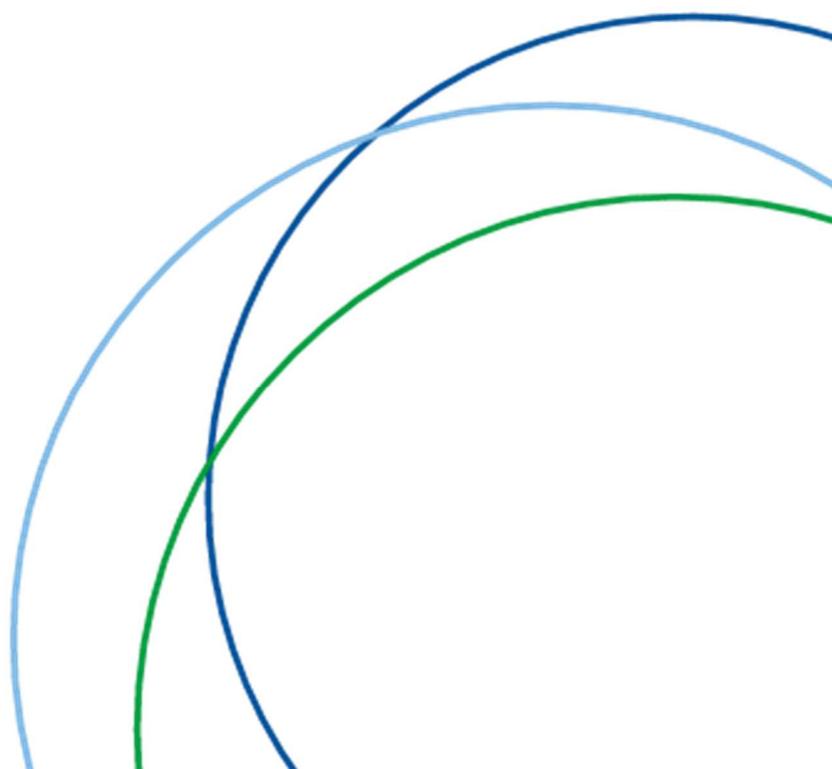
(€ million)	First half		Change	% Change
	2017	2018		
Technical investments	425	349	(76)	(17.9)
Net invested capital at period end	17,276	17,517	241	1.4
Shareholders' equity at period end (entirely held by Snam shareholders)	6,100	6,096	(4)	(0.1)
Net financial debt at period end	11,176	11,421	245	2.2
Free cash flow	793	1,037	244	30.8

Key profit and share figures

		First half		Change	% Change
		2017	2018		
Number of shares of share capital	(million)	3,500.6	3,469.0	(31.6)	(0.9)
Number of shares outstanding at the end of the period	(million)	3,416.7	3,366.4	(50.3)	(1.5)
Average number of shares outstanding during the period	(million)	3,430.1	3,385.3	(44.8)	(1.3)
Official share price at period end	(€)	3.86	3.58	(0.3)	(7.3)
EBIT per share (*)	(€)	0.208	0.215	0.007	3.5
Net profit per share (*) (**)	(€)	0.147	0.154	0.007	5.1

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

(**) Entirely held by Snam shareholders.



Key operating figures

	First half		Change	% Change
	2017	2018		
Natural gas transportation (a)				
metres) (b)	38.08	37.93	(0.15)	(0.4)
Transportation network (kilometres in use) (c)	32,497	32,609	112	0.3
Installed power in the compression stations (MW)	922	922		
Liquefied natural gas (LNG) regasification (a)				
LNG regasification (billions of cubic metres)	0.169	0.356	0.187	
Natural gas storage (a)				
Concessions	10	10		
- of which operational (d)	9	9		
Available storage capacity (billions of cubic metres) (e)	12.2	12.4	0.2	1.6
Natural gas moved through the storage system (billions of cubic metres)	11.28	11.82	0.54	4.8
Employees in service at end of period (number) (f)	2,926	2,884	(42)	(1.4)
<i>of which business segments:</i>				
- Transportation (c)	1,725	1,914	189	11.0
- Regasification	68	63	(5)	(7.4)
- Storage	302	60	(242)	(80.1)
- Corporate and other activities (g)	831	847	16	1.9
Accident indices - Employees and contract workers				
Total number of accidents	7	3	(4)	(57.1)
Frequency index (h)	1.05	0.48	(0.57)	(54.3)
Severity index (i)	0.05	0.01	(0.04)	(80.0)

- (a) With regard to the first half of 2018, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.572 kWh/SCM) for transportation and regasification activities and 39.29 MJ/SCM (10.914 kWh/SCM) natural gas storage for the 2018-2019 thermal year.
- (b) The data for the first half of 2018 were updated at 10 July 2018. The update of 2017 figures has been finalised, and figures are consistent with those published by the Ministry of Economic Development.
- (c) The figure relating to the first half of 2018 includes Infrastrutture Trasporto Gas, which was consolidated as of October 2017.
- (d) Working gas capacity for modulation services.
- (e) Working gas capacity for modulation, mining and balancing services. The available capacity as at 30 June 2018 is that declared to the Electricity, Gas and Water Authority at the start of the 2018-2019 thermal year.
- (f) Fully consolidated companies. The movement of resources between the different group companies can be attributed to the adjustment of organisational structures enacted by Snam with a view to simplifying and optimising several processes, taking shape in the Integra Project, which saw the transfer from Stogit to Snam Rete Gas, effective as of 1 July 2017, of 247 resources mostly in relation to the transfer of the "Technical Plants and Services" business unit.
- (g) The figure relating to the first half of 2018 includes 22 resources associated with TEP's consolidation as of 30 May 2018.
- (h) Frequency index: number of accidents at work resulting in absence of at least one day, per million hours worked.
- (i) Severity index: number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. The data are calculated also considering fatal accidents.

Natural gas transportation

In the first half of 2018, 37.93 billion cubic metres of natural gas were injected into the national transportation network, a slight reduction (-0.15 billion cubic metres, or 0.4%) compared with the first half of 2017 (38.08 billion cubic metres) essentially following the reduction of natural gas demand in Italy (38.78 billion cubic metres; -0.63 billion cubic metres compared with the first half of 2017; -1.6%), offset in part by the net storage balance (+0.36 billion cubic metres). The reduction in gas demand can be attributed primarily to lower consumption in the thermoelectric sector (-1.69 billion cubic metres; -13.9%) following the resumption of normal electricity imports, which were down in 2017 as some French nuclear plants were not operating in the first two months of the year, and the increase in hydroelectric production. These effects were partially offset by increased consumption in the residential and services sectors (+0.91 billion cubic metres; +5.3%) as a result of colder climate trends than in the same period of 2017.

Adjusted for the weather effect, gas demand was estimated at 38.49 billion cubic metres, down by 1.52 billion cubic metres (-3.8%) compared with the first half of 2017 (40.01 billion cubic metres).

Natural gas storage

During the first half of 2018, 11.82 billion cubic metres of natural gas was moved through the storage system, growth of 0.54 billion cubic metres (4.8%) on the corresponding period of 2017 (11.28 billion cubic metres). The increase is mainly due to higher amounts provided from storage (+0.49 billion cubic metres; +7.9%) due primarily to climate trends as well as the behaviour of shippers in relation to different market conditions.

The total storage capacity as at 30 June 2018, inclusive of strategic storage, totalled 16.9 billion cubic metres, up by 0.2 billion cubic metres compared with 30 June 2017, following the progressive entry into operation of the Bordolano site. The total capacity includes 12.4 billion cubic metres relating to available storage capacity, of which 11.6 billion cubic metres contributed as at 30 June 2018 (94.1% of the available capacity for the 2018-2019 thermal year) and 4.5 billion cubic metres of capacity relating to strategic storage (unchanged compared with the 2017-2018 thermal year).

Liquefied natural gas (LNG) regasification

In the first half of 2018, 0.356 billion cubic metres of LNG was regasified (0.169 billion cubic metres in the first half of 2017; +0.187 billion cubic metres) and 9 tankers were unloaded (4 loads in the first half of 2017).

Snam share performance

The Snam share ended the first half of 2018 at an official price of €3.58, down 12% from the €4.09 recorded at the end of 2017 (-7.3% compared with 30 June 2017).

The average share value was €3.77 in the first six months of the year, reaching the minimum value of €3.46 in mid-June.

The share price was impacted by the climate of uncertainty linked to the Italian political situation, with the spread, one of the main financial indicators used to determine country risk, which reached 290 basis points during the extended period of consultations required to form the new government, as well as expectations of growth in interest and inflation rates, circumstances which shifted some investor interest towards companies more correlated with those parameters.

SNAM - Comparison of prices of Snam, FTSE MIB and STOXX Europe 600 Utilities (1 January 2018 - 30 June 2018)

