



2017 Interim Review

Milan, July 26th 2017

snam.it



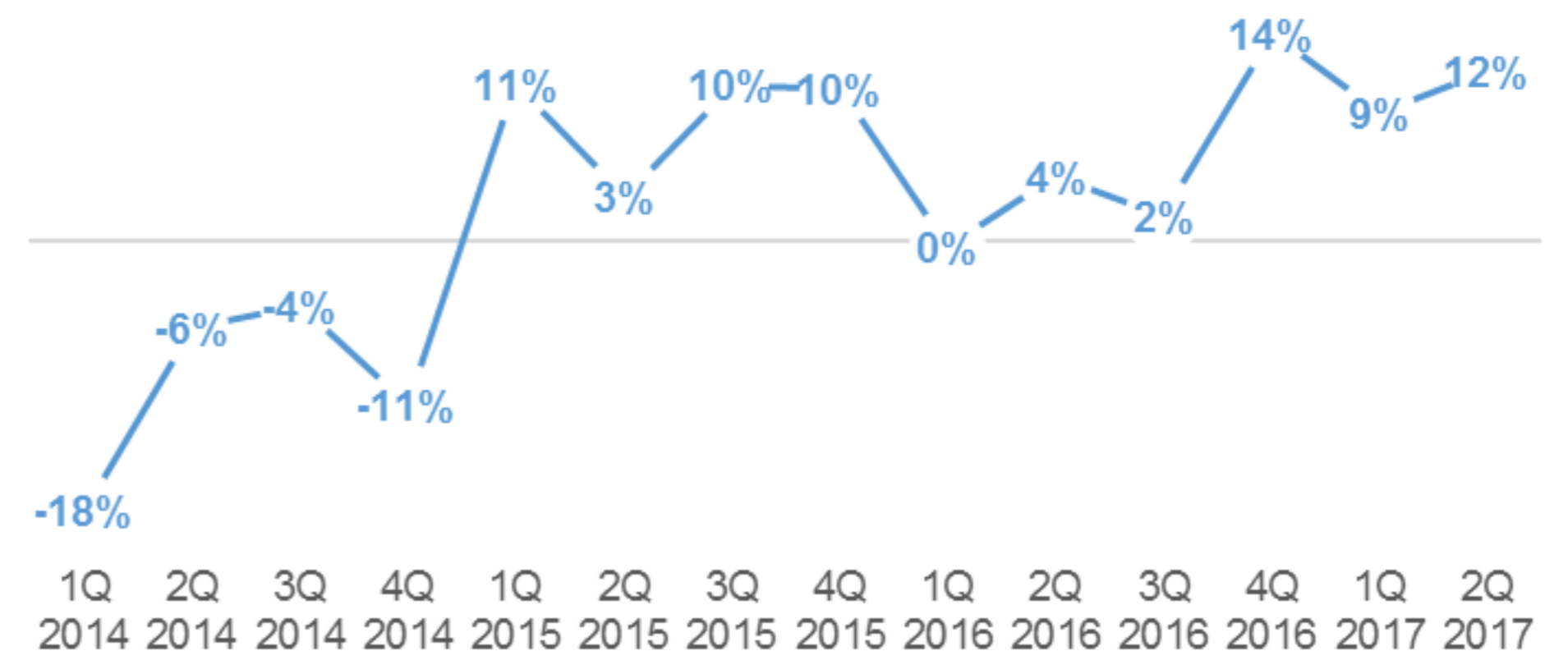
01 ■ Highlights

Increasingly supportive external context

Gas demand recovery continues

- Gas demand **39,4 bcm** in 1H 2017, up **9,6%** vs 1H 2016
- Thermoelectric sector up **21,2%** thanks to lower import and lower hydroelectric.
- Industrial sector up **7,3%**, thanks to the progressive recovery of the industrial production (+2% yoy), driven by steel, mechanical, paper, glass & ceramics
- Europe gas demand recovery continuing

ITALIAN NATURAL GAS DEMAND EVOLUTION (YOY)



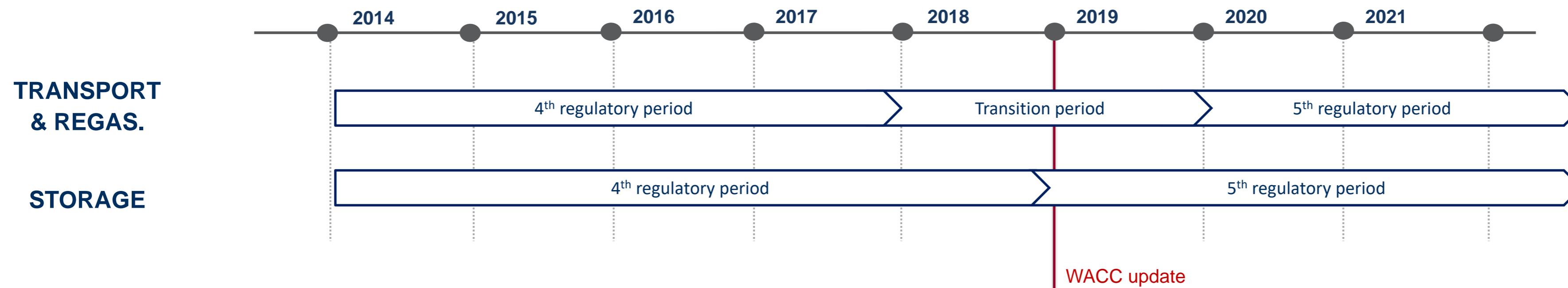
SEN consultation

- Central role of gas in the decarbonisation process and to improve air quality
- Methanisation of Sardinia
- Further regasification capacity to increase security of supply and gas-to-gas competition

Regulation: consultation document highlights

Transport & Regasification regulatory framework – main elements proposed in the consultation document:

- 4th regulatory period extended to YE2019
- Confirmed WACC in 2018 and update in 2019 (CRP, RF, tax rate, leverage);
- Switch to t-1 methodology;
- Progressive introduction of “output based incentives” during the fifth regulatory period
- Willingness to introduce Totex confirmed



Operations: continued improvement in our core business

Italian business

- 23 new main construction sites, 53km of pipes entered into force
- Montebello Jonico pipeline: 3 micro-tunnels completed (out of 6)
- Cortemaggiore field: works on well 112 completed
- MOU signed with Eni on CNG

Associates

- TIGF Gascogne-Midi Pipeline: authorization to start construction obtained

Efficiency plan & processes streamline

- More than 85% of efficiency initiatives launched
- O&M business line in Stogit transferred to Snam Rete Gas to enable the integrated management of O&M and dispatching activities
- 10 business process redesign started
- 5.5 m€ saved in H1

Investment in Italian gas transportation assets



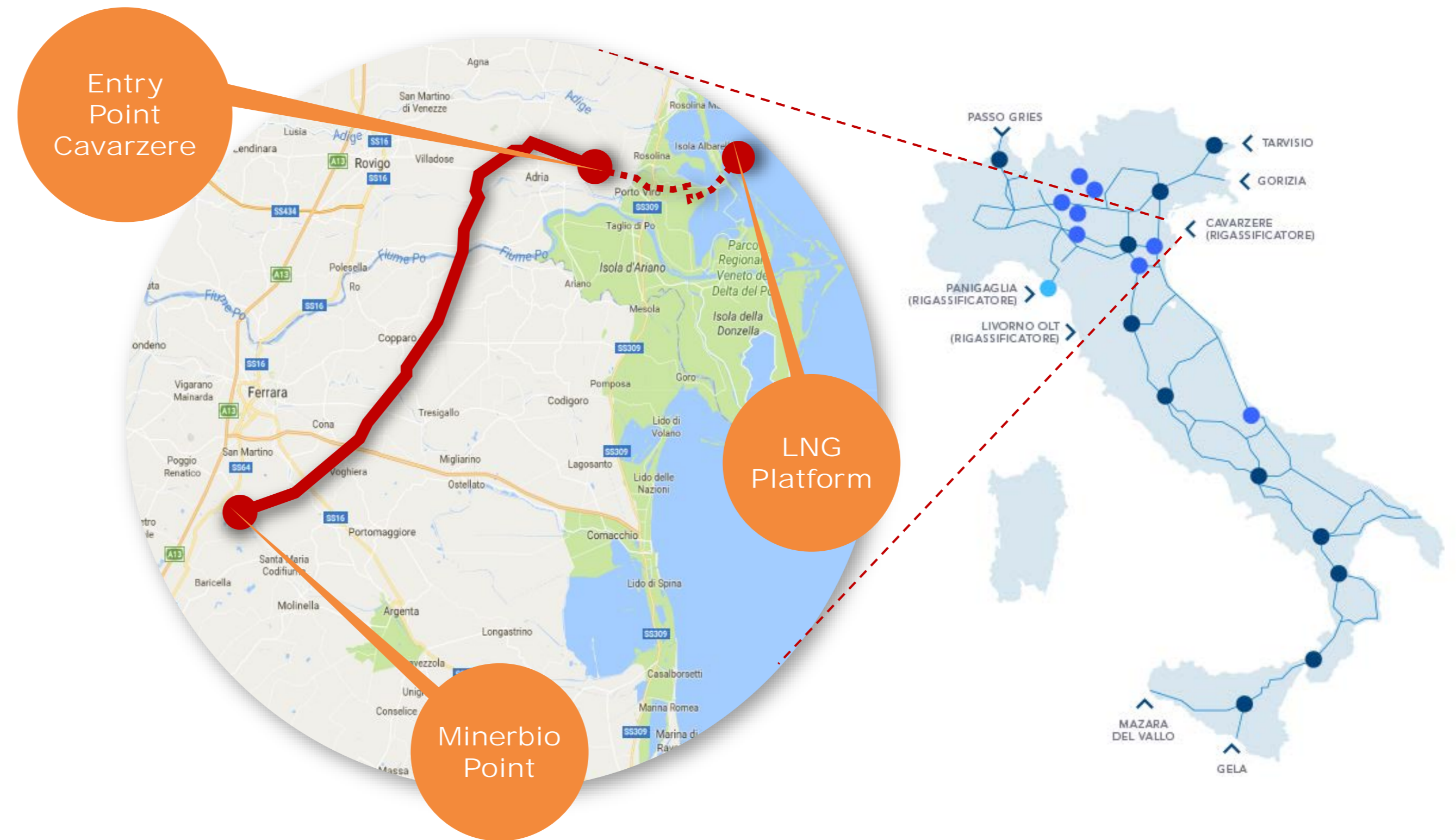
Total consideration: € 225m

Pipeline:

- Fully regulated asset in Italy
- Total pipeline length: 83,3km
- Synergies with existing network

Regasification plant:

- 7.3% of Adriatic LNG
- Evaluation based on contracted volumes



H1 results show steady progress

CAPEX

€425 m

In line with FY target

Revenues

€1,268 m

Up 2.0% on 1H 2016
Positive contribution from higher natural gas volumes

EBIT

€714 m

Up 3.6% on 1H 2016
First positive effects from the cost efficiency plan

Net Profit

€504 m

Up 18.0% on 1H 2016
Cost of debt optimization and higher income from associates

June 2017 Net Debt

€11,176 m

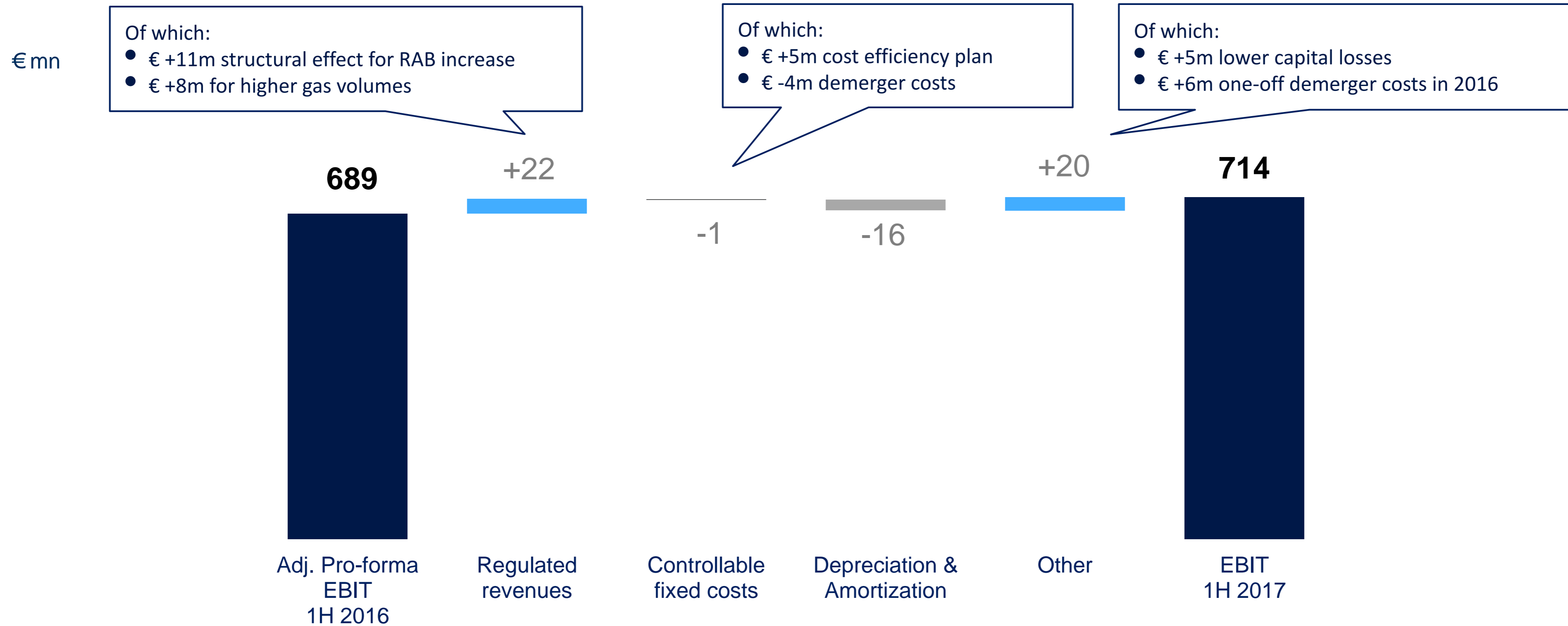
Positive impact of working capital phasing





02. **2017 1H Consolidated results**

2017 1H results: Ebit analysis



Ebit benefited from RAB increase, efficiency plan and reduction in non regulated costs

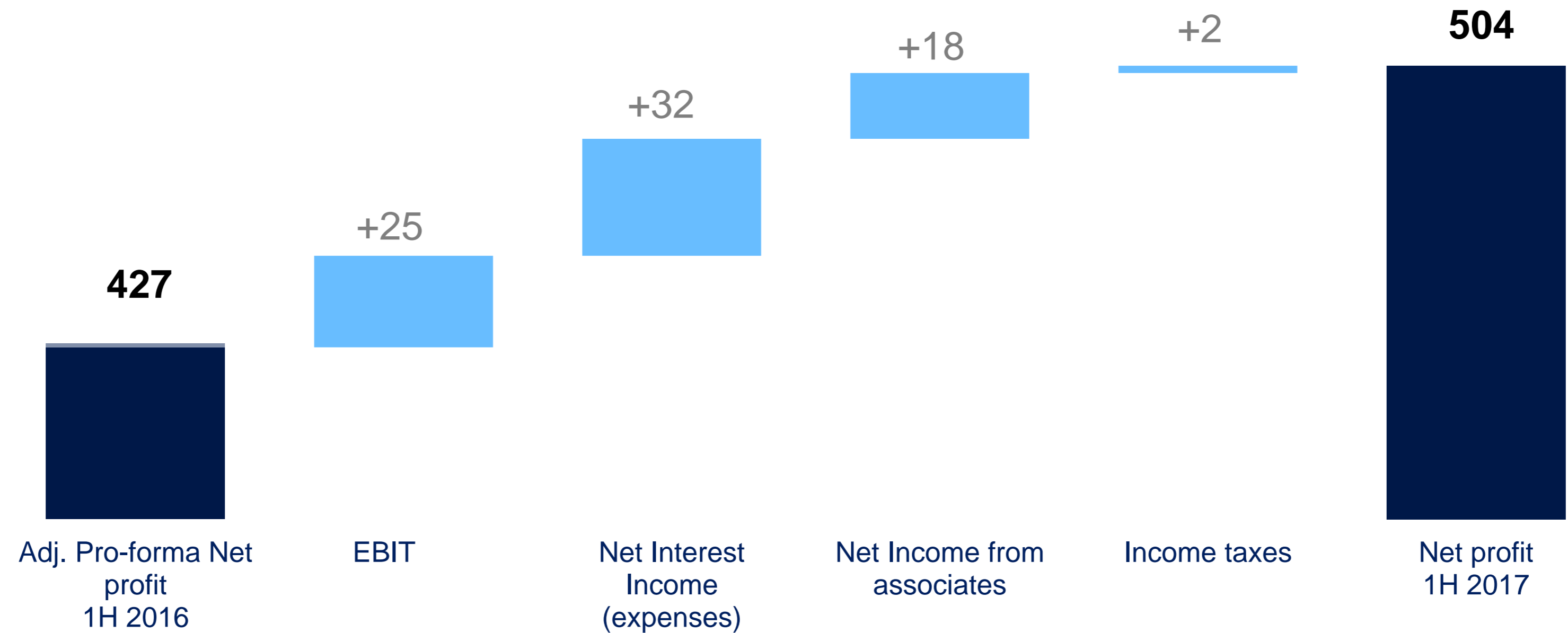
Cost efficiency plan

Function	Savings In 2017 1H	Initiatives
ICT	€ c.2m	<ul style="list-style-type: none">• Infrastructure and contracts optimization
OPERATIONS	€ c.2m	<ul style="list-style-type: none">• Smart Gas: using IT to reduce O&M labour costs• O&M optimization of compression station management
CORPORATE	€ c.1m	<ul style="list-style-type: none">• Reduction of external costs• Procurement process optimization• Installation of video surveillance technological systems
TOTAL	€5.5m	

Efficiency plan ahead of schedule

2017 1H results: adjusted net profit analysis

€ mn



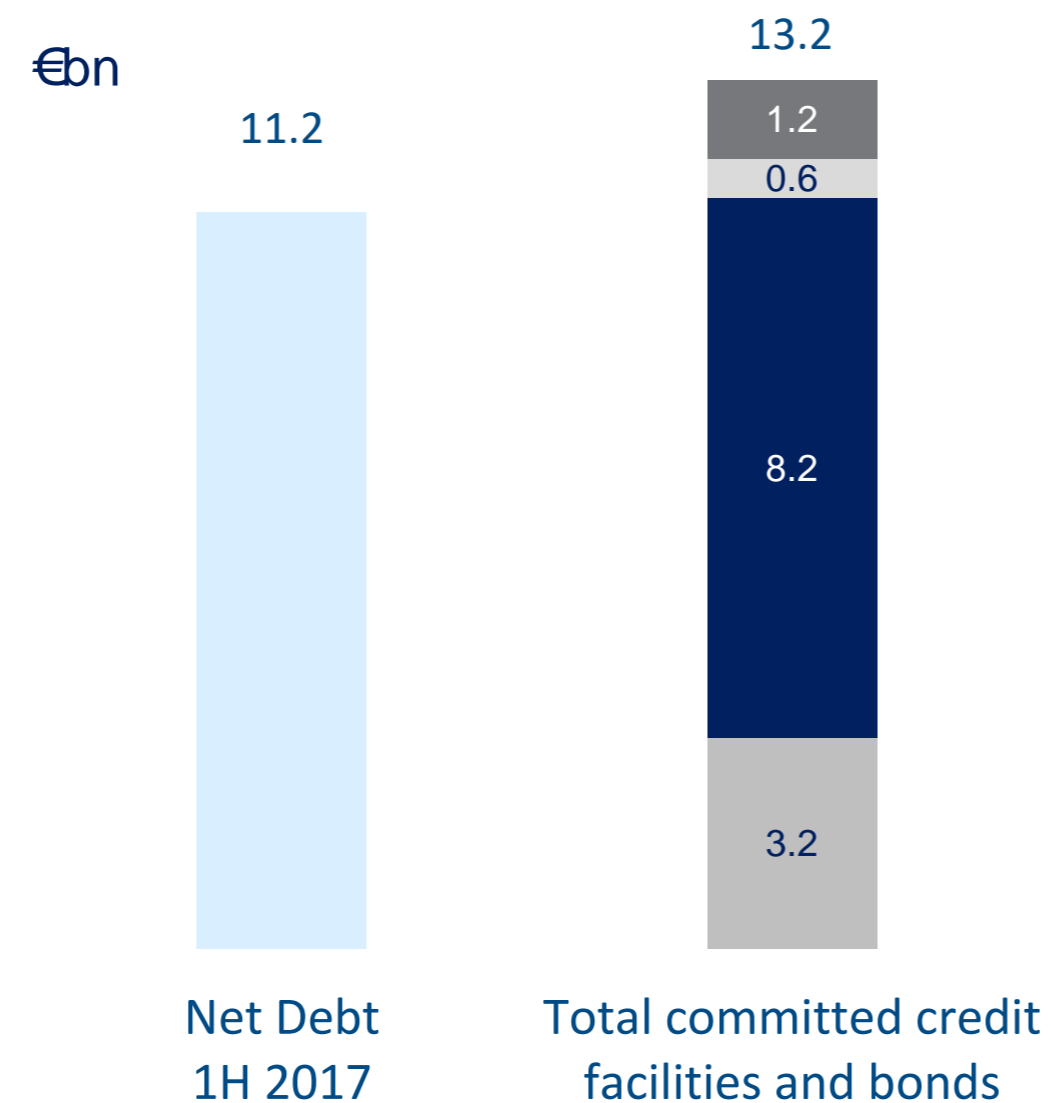
Net income benefited from significant cost of debt optimization and increased contribution from associates

Snam debt structure

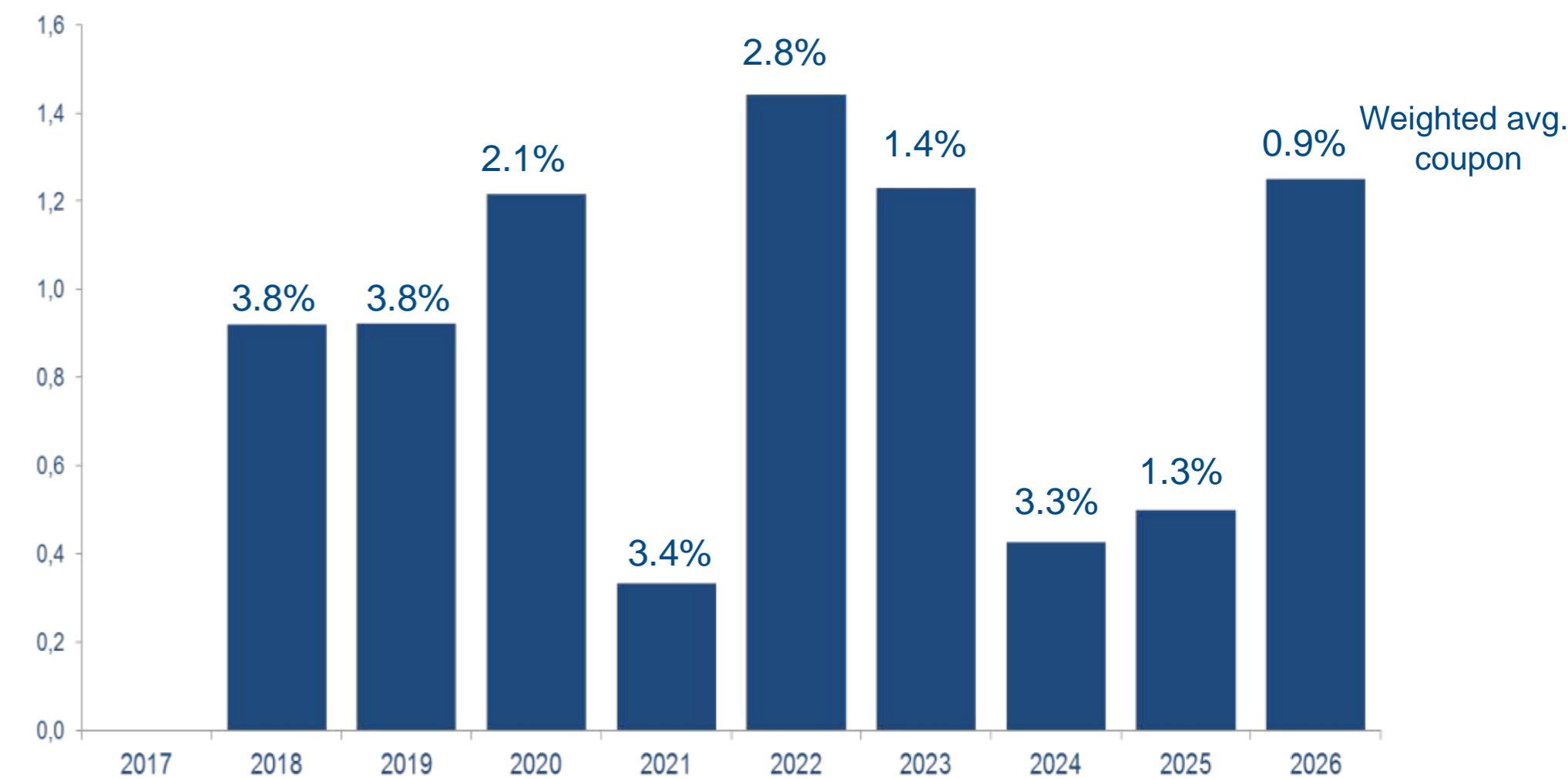
Key Facts

- **1.2 bn€ bond issuances** substantially covering 2017 and 2018 maturities
 - € 800m plain vanilla bonds
 - € 400m equity convertible
- **Avg Cost of debt reduction**
1H 2017 : 2.2% vs. 2.4% FY 2016
- **Further treasury optimization**
- **Fixed/variable rate debt:**
77% / 23%
- **M/L Term debt maturity:**
~5.5 years
- **New 20-years EIB financing for €310m signed today (fix cost: 1.5%)**

Existing debt as of 30 June 2017



Bond Maturity Profile (€bn) as of 30 June 2017

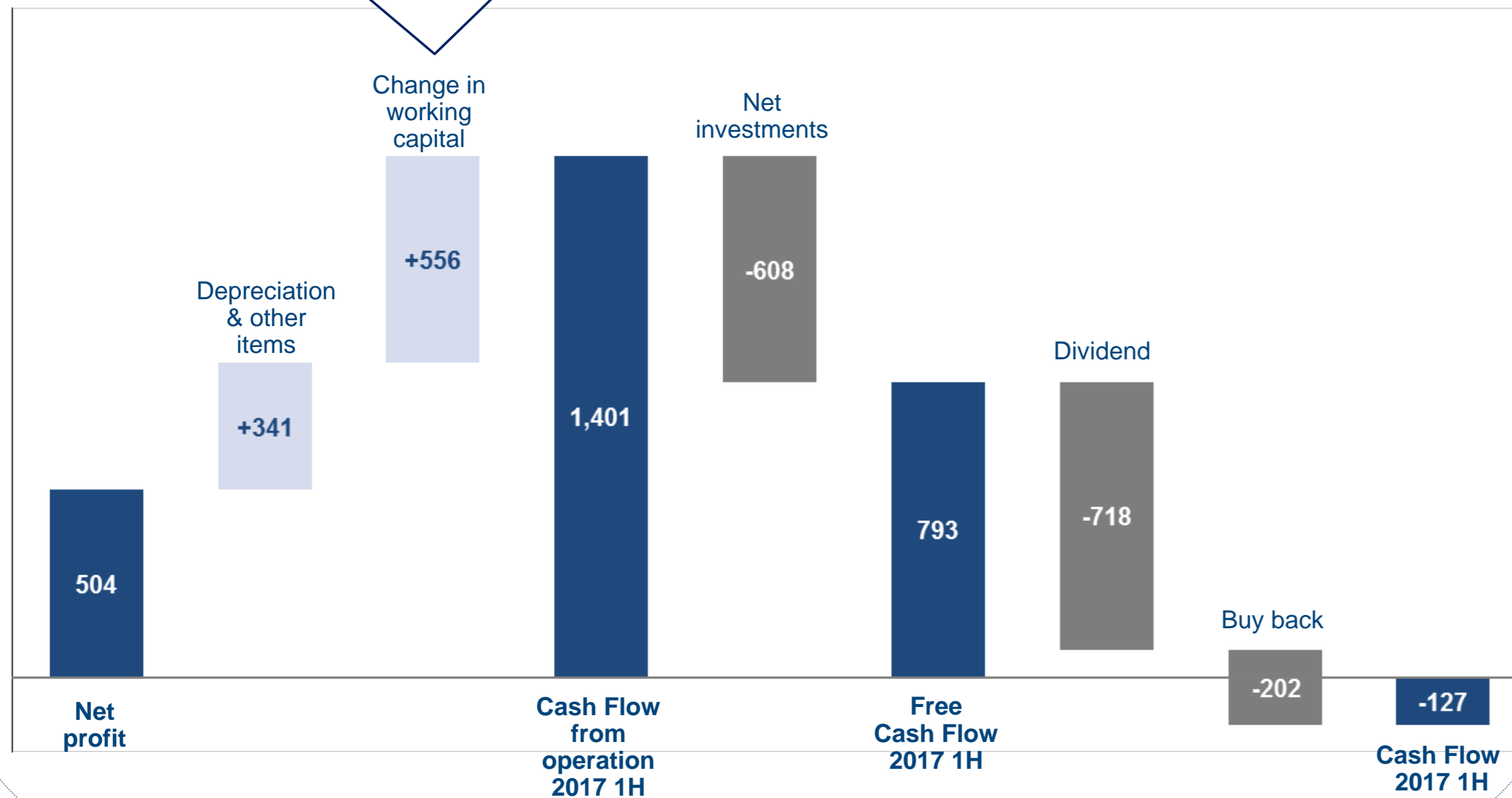


2017 1H: cash flow and change in net debt

- Additional tariff components € 306m
- Net Tax payables € 64m

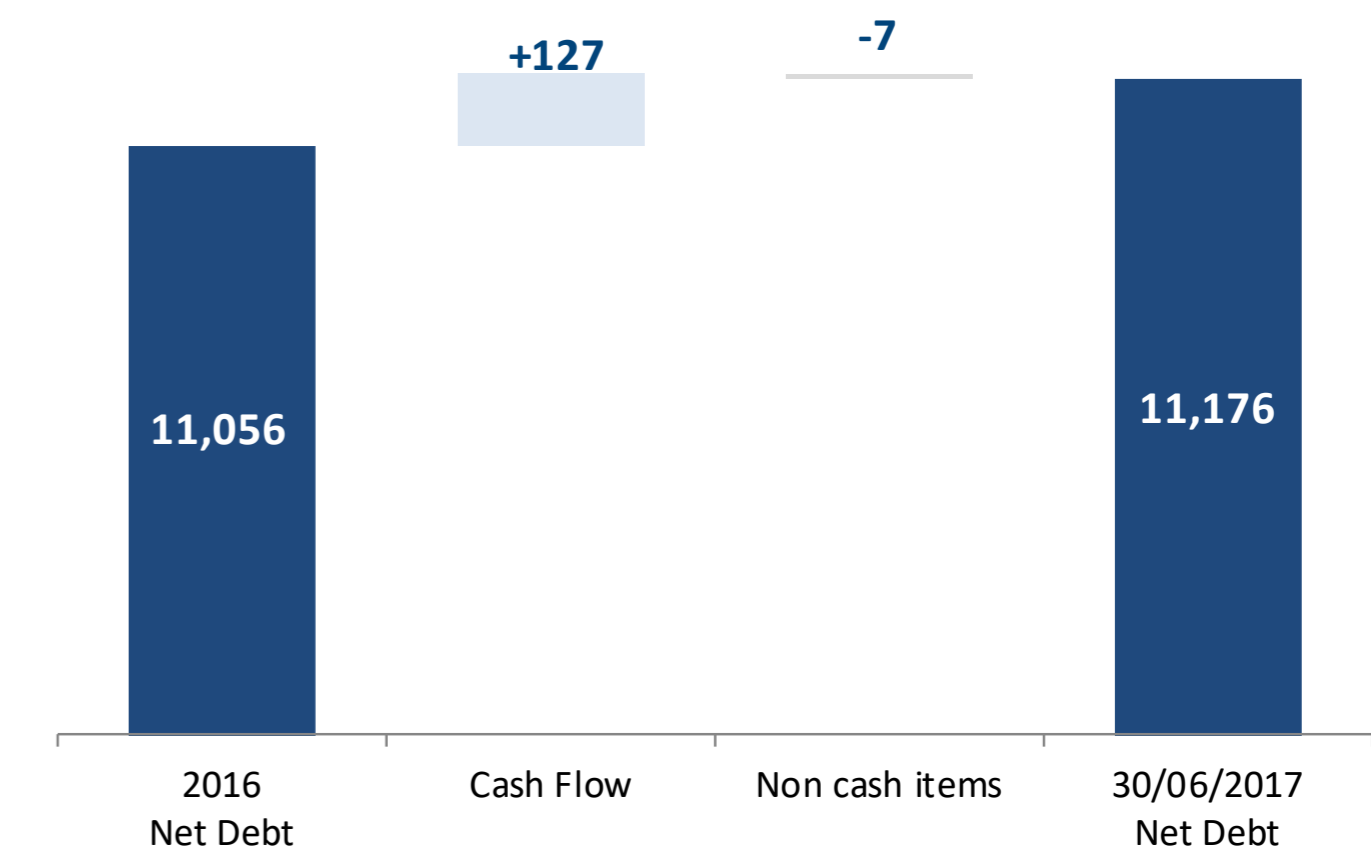
Cash flow

€m



Change in net debt

€m



Positive impact from working capital phasing



Q & A

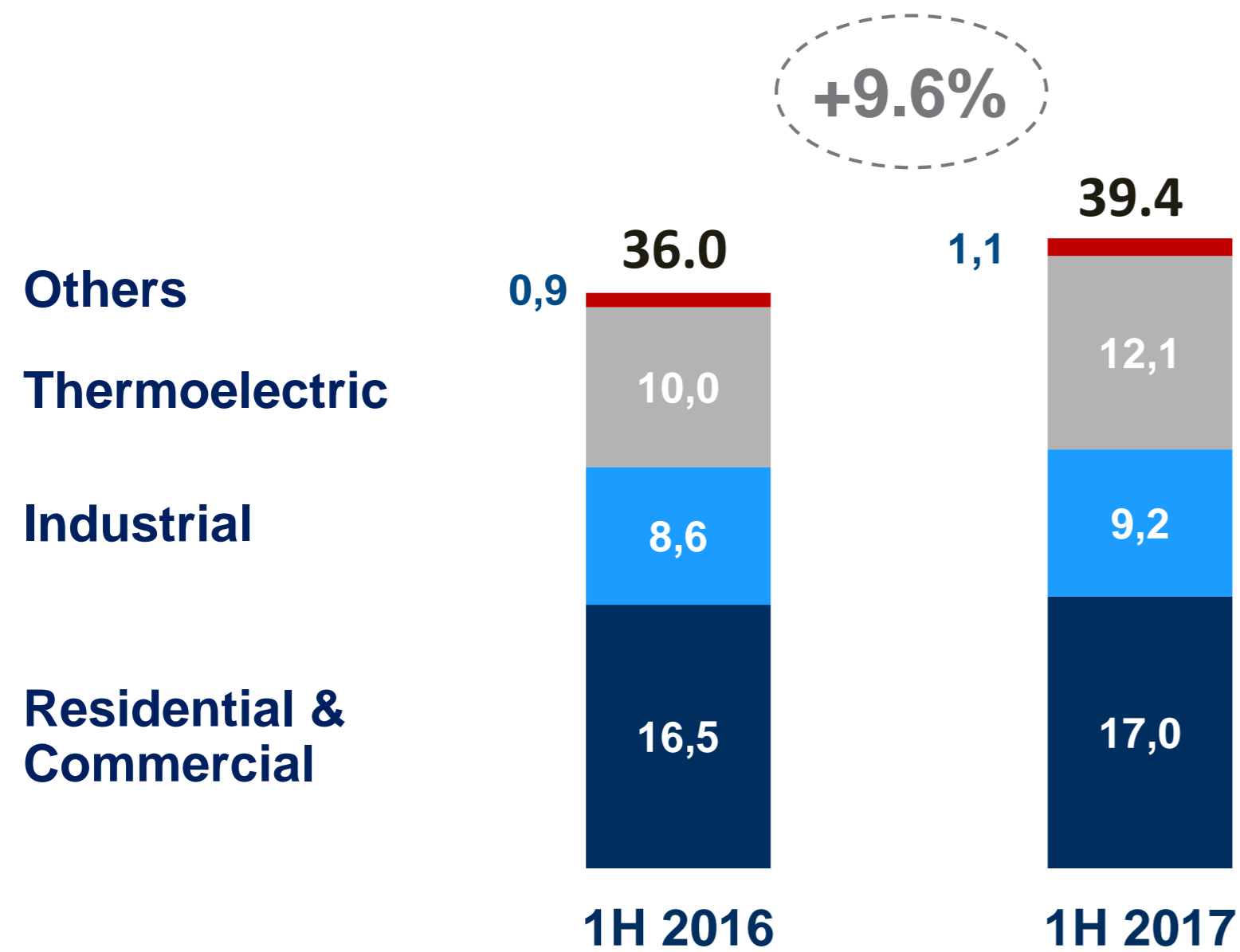


Annexes

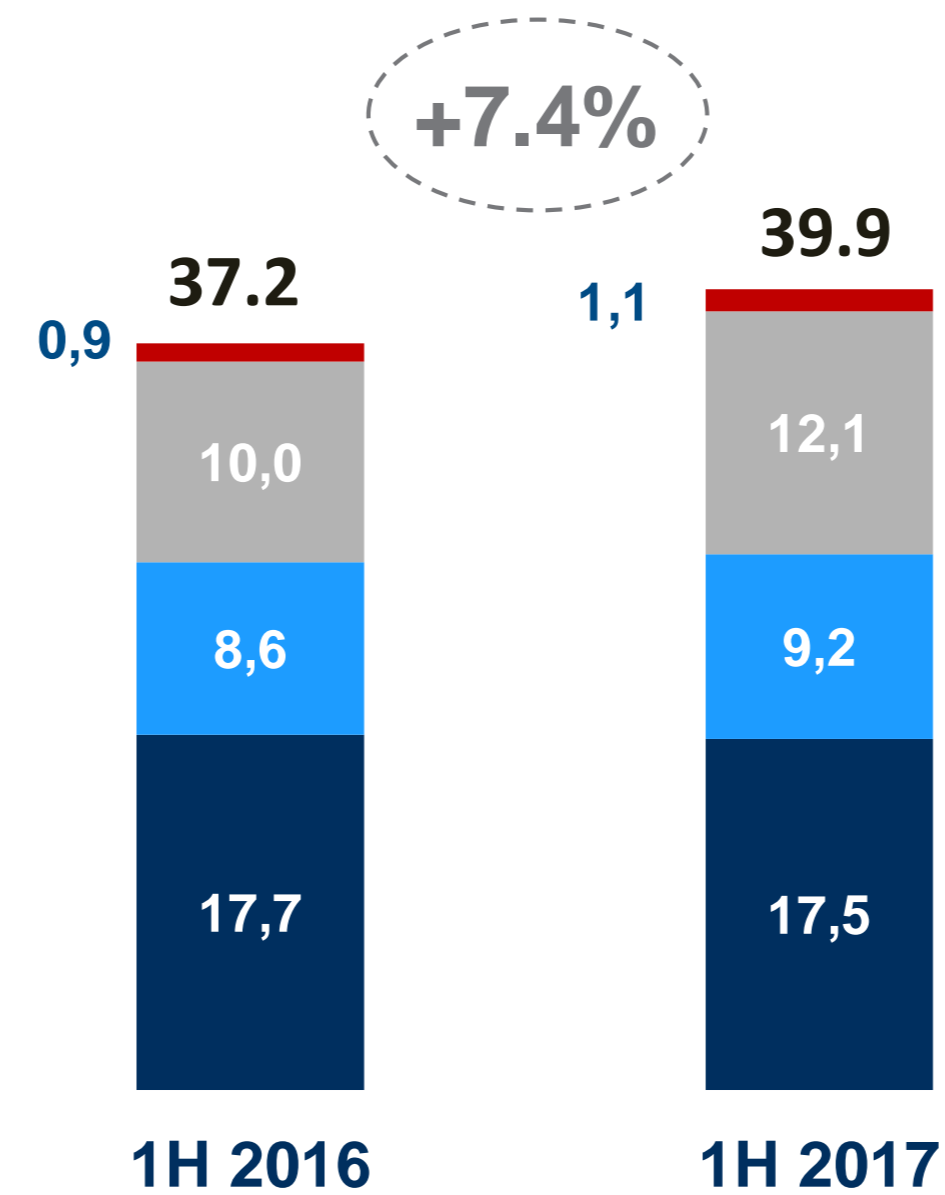
2017 1H: gas consumption

bcm

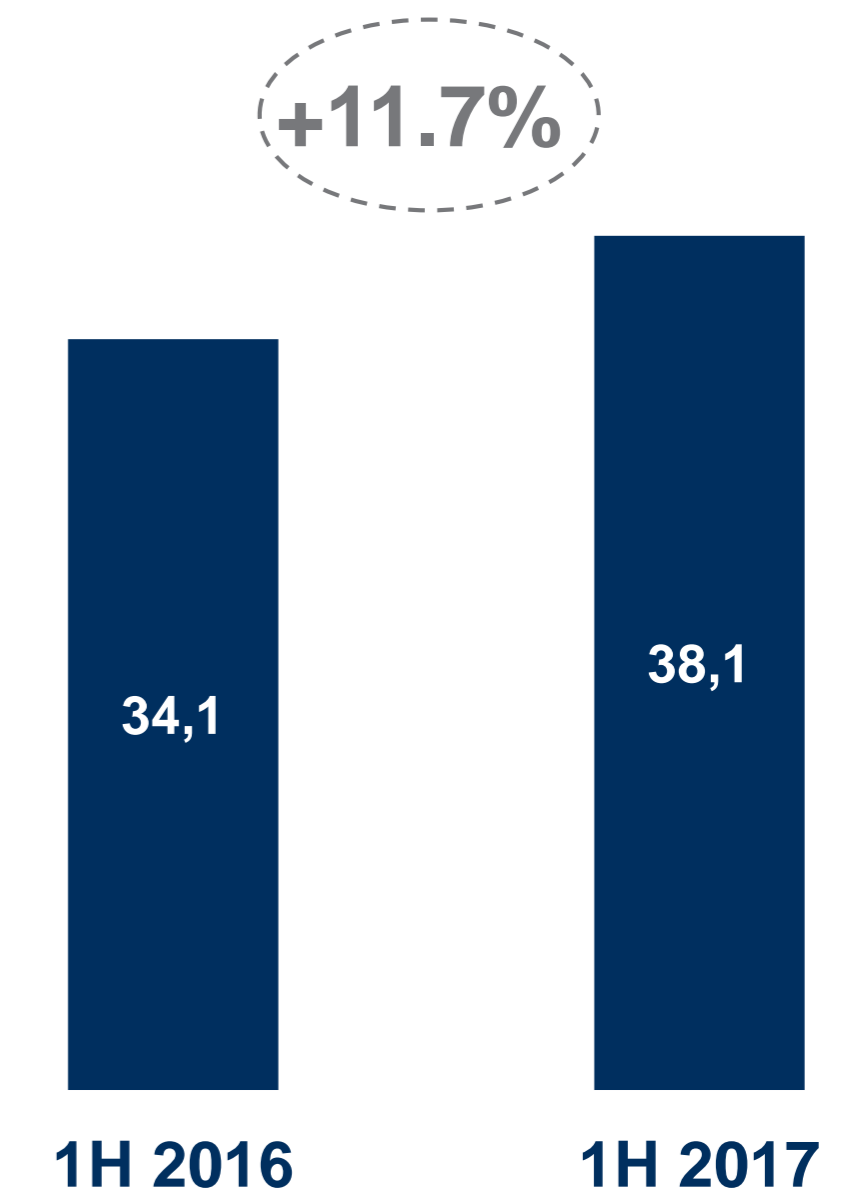
GAS CONSUMPTION



GAS CONSUMPTION (weather adjusted)



GAS INJECTED



National Energy Strategy (SEN)



COMPETITIVENESS

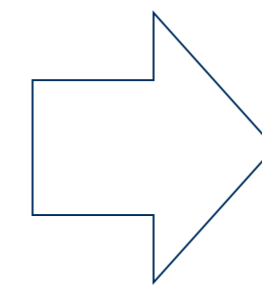
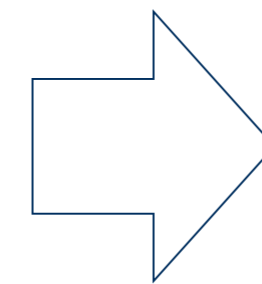
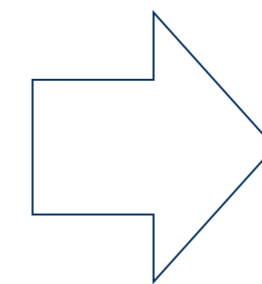
- Protection of energy-intensive sectors
- Cost reduction thanks to efficiency and new technologies
- Cut of the cost spread between PSV and TTF

ENVIROMENT

- New targets to 2030 aligned with EU
- Phase-out from coal: growing renewables and gas

SECURITY

- Increase security of supply
- Improve the flexibility of the system



Impact on gas system

- New sources to increase gas price competition
- New LNG regasification capacity to exploit the expected overcapacity
- Liquidity corridor
- Biomethane and gas vehicles development
- Methanization of Sardinia
- Gas pumps
- Peaks management
- Diversification of routes to increase the security of supply
- Possibility to revert the flows to cope with solidarity measures towards other European countries

Income Statement

[€mn]	2016 1 H PF adj.	2017 1 H	Change
Revenues	1,243	1,268	+25
Operating expenses	- 249	- 233	+16
EBITDA	994	1,035	+41
Depreciation & amortisation	- 305	- 321	- 16
EBIT	689	714	+25
Net interest income (expenses)	- 147	- 115	+32
Net income from associates	70	88	+18
EBT	612	687	+75
Income taxes	- 185	- 183	+2
NET PROFIT	427	504	+77

Revenues

[€mn]	2016 1 H PF adj.	2017 1 H	Change
Regulated revenues	1,195	1,219	+24
Transport	881	903	+22
Storage	252	252	
LNG	10	10	
Pass-through revenues	52	54	+2
Other revenues	48	49	+1
TOTAL REVENUES	1,243	1,268	+25

Operating Expenses

[€mn]	2016 1 H PF adj.	2017 1 H	Change
Regulated activities	198	192	- 6
Controllable fixed costs	124	125	+1
Variable costs	7	5	-2
Other costs	15	8	-7
Pass-through costs	52	54	+2
Non regulated activities	51	41	- 10
TOTAL COSTS	249	233	- 16

Balance Sheet

[€ mn]	Dec, 31 2016	June, 30 2017	Change
Net invested capital	17,553	17,276	-277
Fixed capital	18,080	18,296	+216
Tangible fixed assets	15,558	15,695	+137
Intangible fixed assets	810	809	-1
Financial receivables held for operating activities	213	309	+96
Equity-accounted and other investments	1,499	1,483	-16
Net working capital	-483	-974	-491
Receivables	1,501	1,201	-300
Liabilities	-1,984	-2,175	-191
Provisions for employee benefits	-44	-46	-2
Net financial debt	11,056	11,176	+120
Shareholders' equity	6,497	6,100	-397

Disclaimer

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