



## Nine-month 2017 results

Milan, November 7<sup>th</sup> 2017

[snam.it](http://snam.it)

# Highlights

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## Gas demand

Up 8.1% to 52.3 bmc  
Thermoelectric +13.8% & industrial +7.6%

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## Solid 9M results

Net profit of €755m

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## Efficiency programme

€12m of savings delivered in first 9 months  
FY target increased to above €15m

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## Cost of debt

Interest cost declined to 2.1% in the quarter, better than guidance

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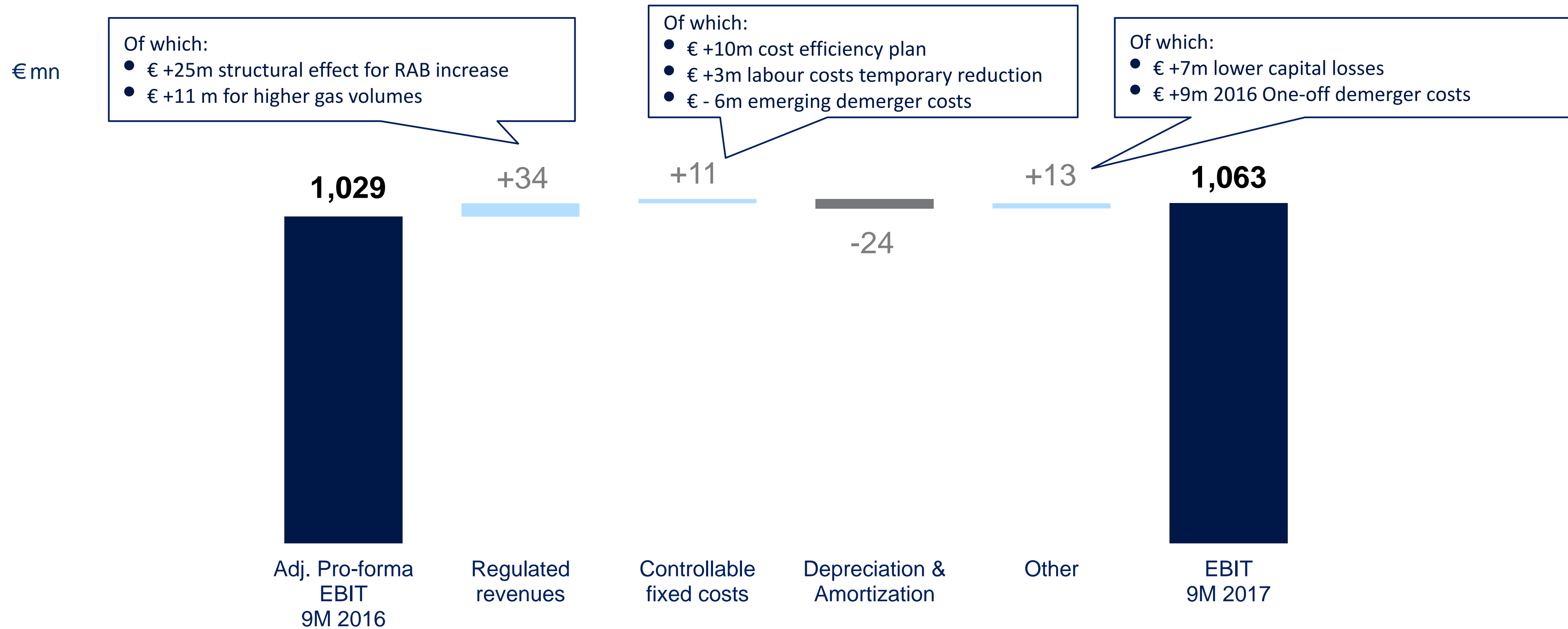
## Regulatory update

Transition period regulation confirms stability of the framework  
Confirmed mid-term shift towards output-based mechanisms

# 9M 2017 consolidated results

<b>CAPEX</b>	<b>€683 m</b>	Up 15.0% on 9M 2016
<b>Revenues</b>	<b>€1,896 m</b>	Up 1.9% on 9M 2016 Positive contribution from higher natural gas volumes and RAB increase
<b>EBIT</b>	<b>€1,063 m</b>	Up 3.3% on 9M 2016 Positive effects of the cost efficiency plan
<b>Net Profit</b>	<b>€755 m</b>	Up 18.2% on 9M 2016 Efficiencies, lower cost of debt and higher income from associates
<b>Sept 2017 Net Debt</b>	<b>€11,156 m</b>	Positive working capital contribution

# 2017 9M results: Ebit analysis



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

# Cost efficiency plan

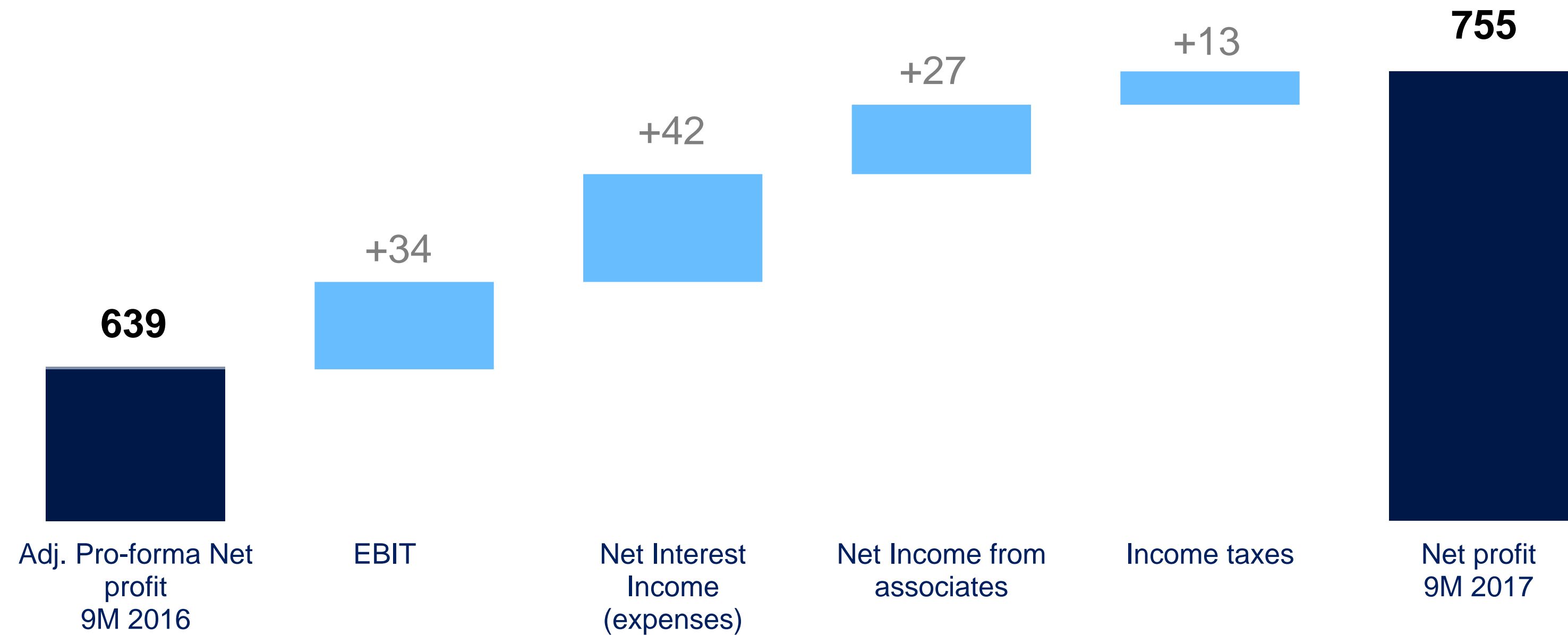
Function	Savings In 9M 2017	Main initiatives
OPERATIONS	€ c.4m	<ul style="list-style-type: none"><li>• Integration between storage and transport businesses</li><li>• Internal resource optimization</li></ul>
CORPORATE	€ c.8m	<ul style="list-style-type: none"><li>• Advertising and Events optimization</li><li>• Selective and reduction in external services</li><li>• Use of new smart technologies</li><li>• Savings and optimization mainly for O&amp;M and ICT contracts</li></ul>
<b>TOTAL</b>	<b>€12.1m</b>	

**Efficiency plan ahead of schedule**



# 2017 9M results: adjusted net profit analysis

€ mn



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

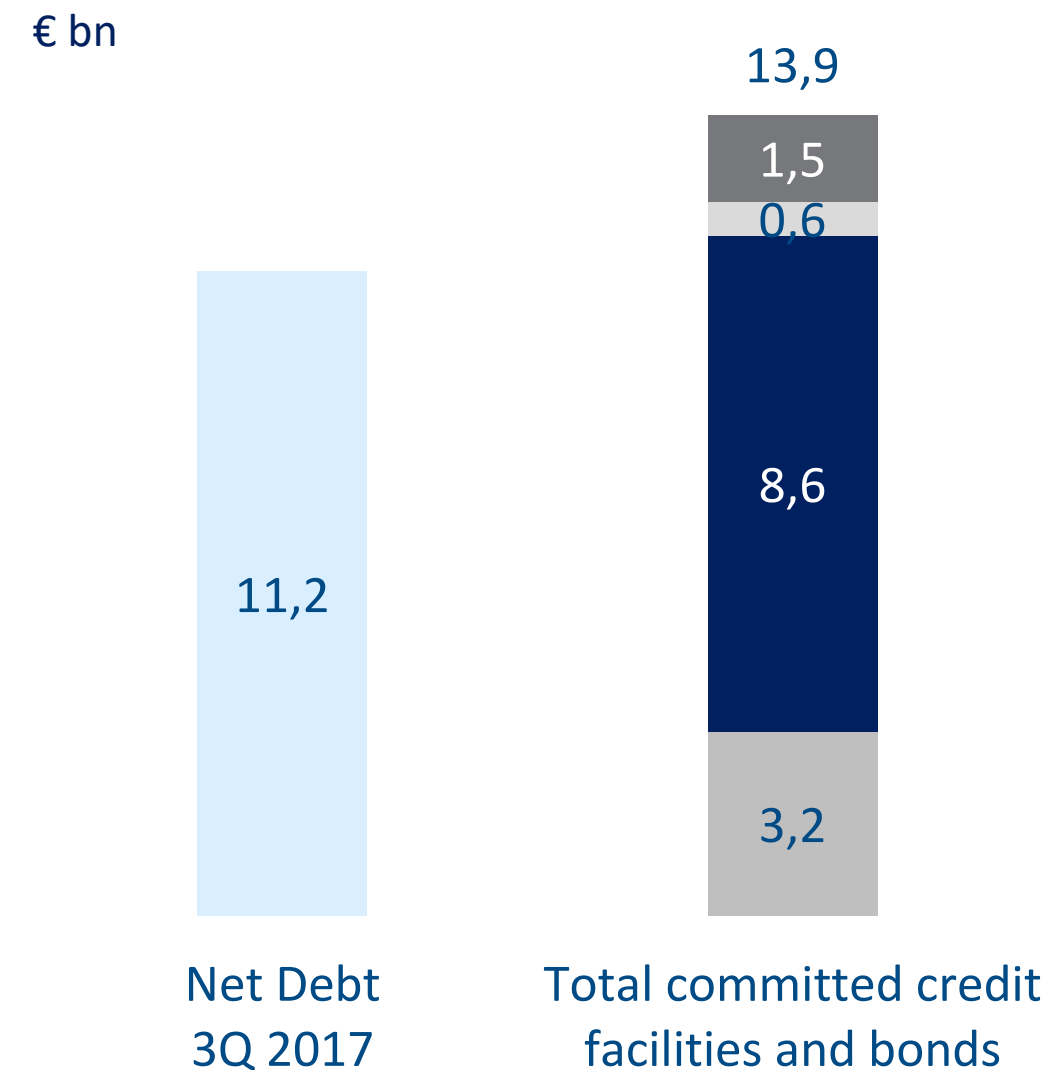


# Snam debt structure

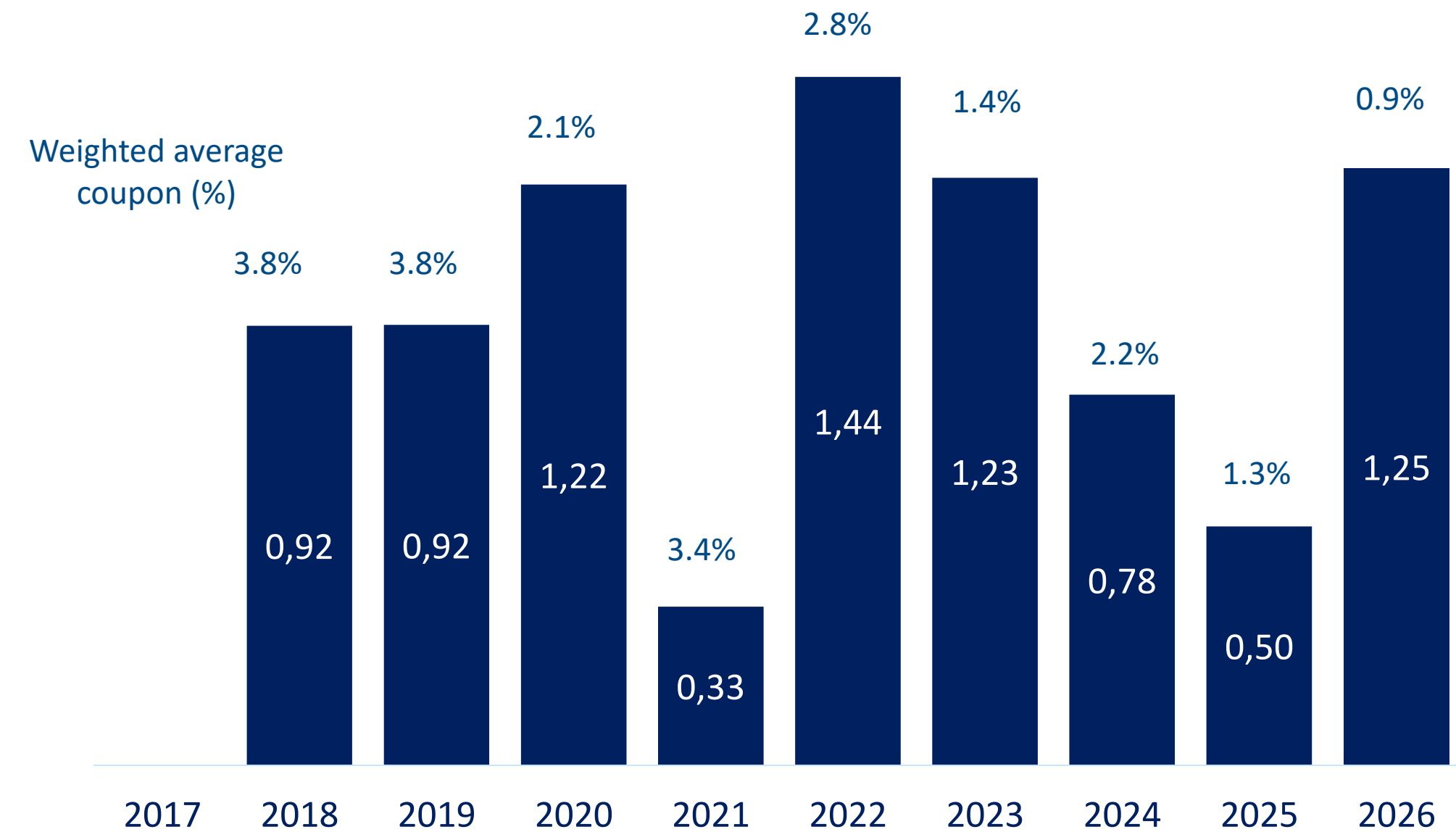
## Key Facts 9M17

- **1.55 bn€ bond issuances at 30 Sep '17**
  - €1,150m plain vanilla bonds
  - €400m equity convertible
- **New 20-years EIB financing for €310m (fixed cost 1.5%)**
- **Continuous treasury optimization**
- **Average Cost of debt reduction**  
3Q2017: 2.1% vs. 2.4% FY 2016
- **Fixed/variable rate debt: 78% / 22%**
- **M/L Term debt maturity: ~5.5 years**
- **S&P rating upgrade: BBB+**

## Existing debt as of 30 September 2017



## Bond Maturity Profile (€bn) as of 30 September 2017



- Debt capital market (in nominal terms)
- Bilateral banking facilities
- Pool banking facilities
- Institutional lenders financing

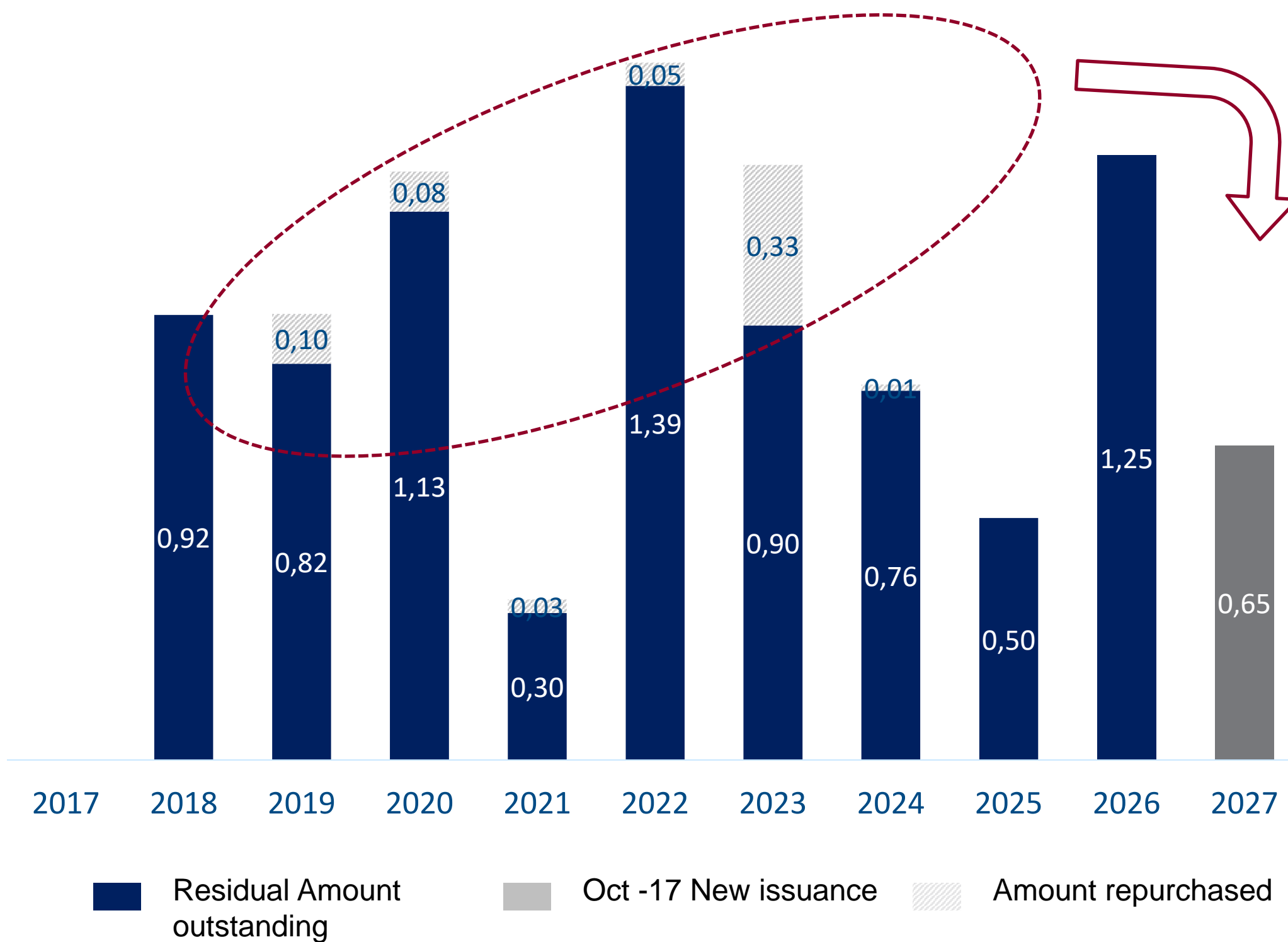


# Liability Management overview

## Bond Maturity Profile at end-October 2017

€ bn in nominal terms

M/L term debt maturity: +0.4 years



### Timing

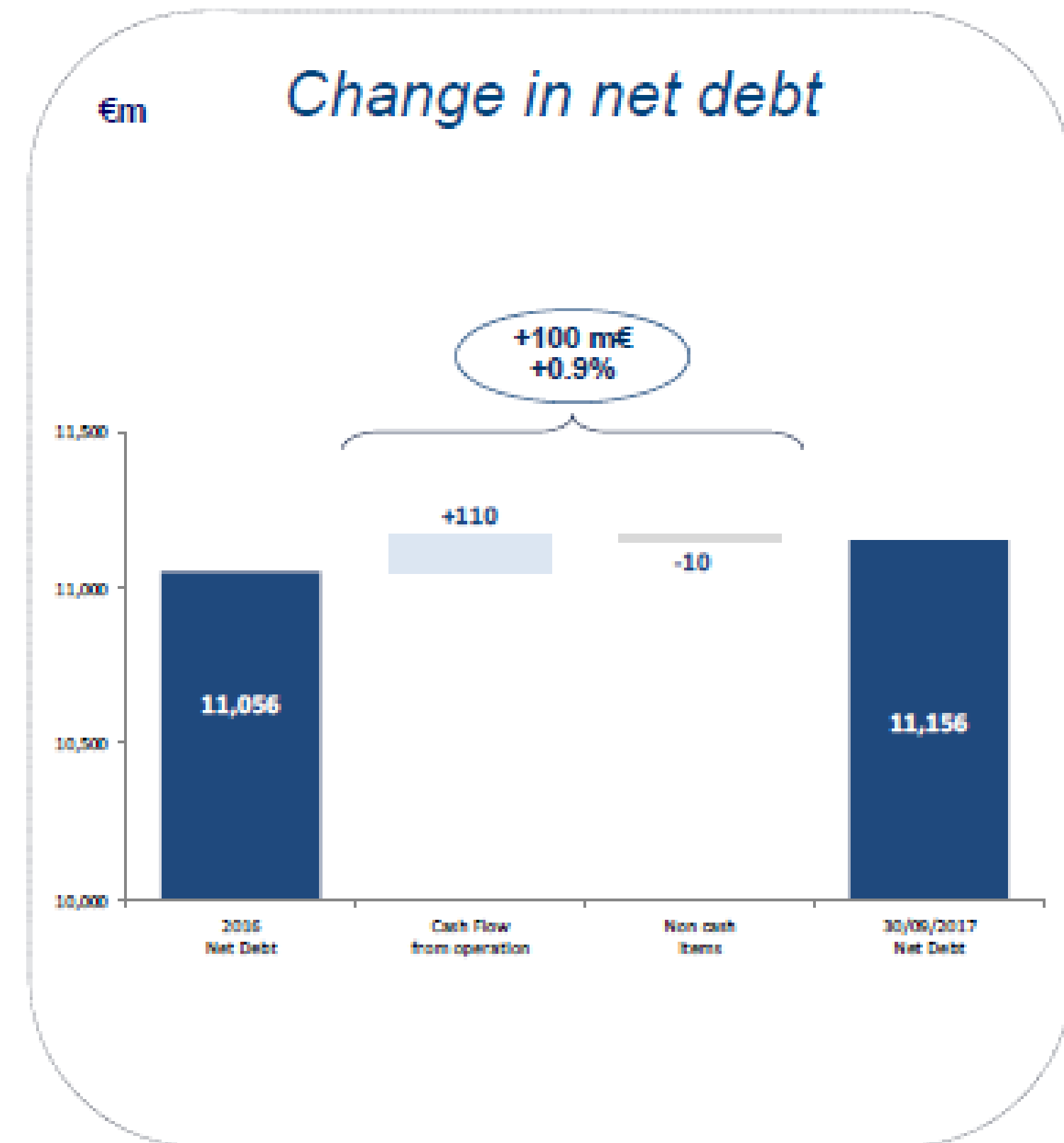
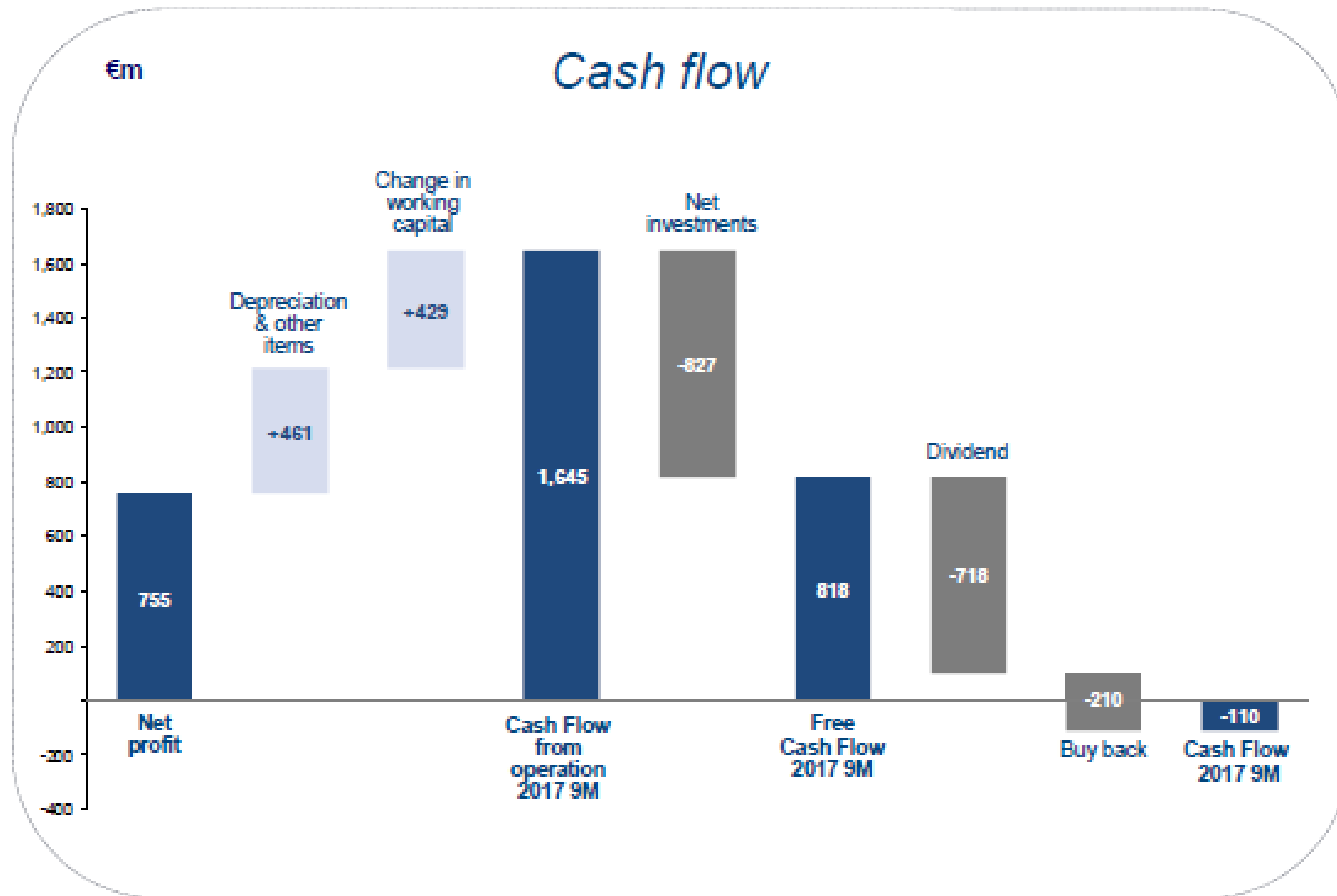
- Launch: 10 October 2017
- Announcement of the Results: 18 October 2017
- Settlement: 25 October 2017

### Highlights

- €607m bonds buyback in nominal terms...
  - Average residual maturity: ca. 4.4 years
  - Average coupon ca. 2.5%
- ...financed via
  - the proceeds of the €650m 10Y Bond October 2027 - 1.375% coupon



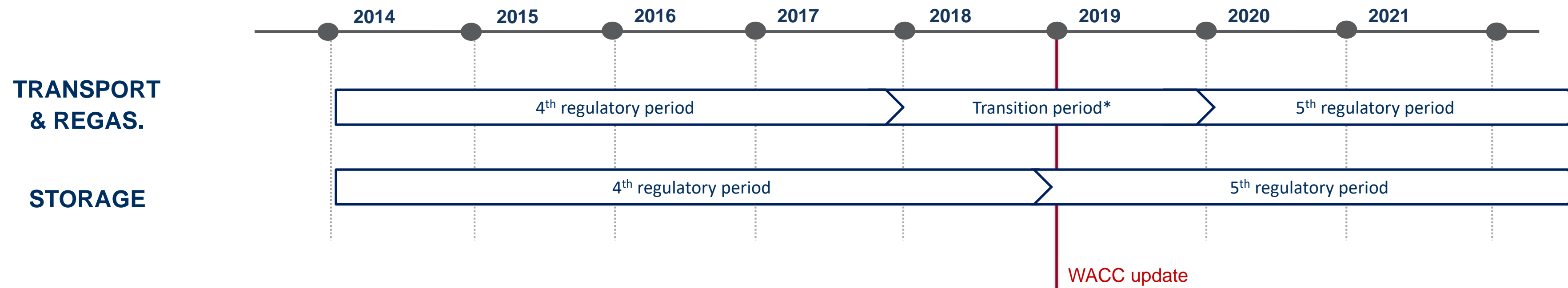
# 2017 9M: cash flow and change in net debt



**Positive impact from working capital phasing**

# Update on Regulation

## Transitory Period 2018 - 2019



- Investments carried out in year t-1 will be included in the RAB (as expected and same as in the storage business);
- WACC confirmed for 2018;
- Asset  $\beta$  confirmed for the transitory period;
- Input based incentive at 1% (transport) and 1,5% (regasification) for 12 years on development capex;
- Reference volume equal to 67.2 bcm;



# Q & A



# Annexes

# Update WACC parameters

2017

2018

2019

2020

2021

- Transition period:
- T-1 Investments in RAB;
  - WACC confirmed for 2018;
  - Asset  $\beta$  confirmed
  - Input based incentive at 1% (transport) and 1,5% (regasification) for 12 years on development capex;
  - Reference volume equal to 67.2 bcm;

- 5<sup>th</sup> regulatory period:
- Changes in business specific parameters,
  - Output based incentive
  - eventually update of beta parameter.

● WACC update

WACC parameters changing	Today's value
RF	0,5%
CRP	1%
Leverage	0,44
TAX	27,5%
Inflation	1,5%



# Income Statement

[ € mn ]	2016 9M PF adj.	2017 9M	Change
Revenues	1.861	1.896	+35
Operating expenses	- 374	- 351	+23
<b>EBITDA</b>	<b>1.487</b>	<b>1.545</b>	<b>+58</b>
Depreciation & amortisation	- 458	- 482	- 24
<b>EBIT</b>	<b>1.029</b>	<b>1.063</b>	<b>+34</b>
Net interest income (expenses)	- 213	- 171	+42
Net income from associates	106	133	+27
<b>EBT</b>	<b>922</b>	<b>1.025</b>	<b>+103</b>
Income taxes	- 283	- 270	+13
<b>NET PROFIT</b>	<b>639</b>	<b>755</b>	<b>+116</b>

# Revenues

[€mn]	2016 9M PF adj.	2017 9M	Change	Change %
<b>Regulated revenues</b>	<b>1.789</b>	<b>1.828</b>	<b>+39</b>	<b>2,2%</b>
Transport	1.326	1.356	+30	2,3%
Storage	376	379	+3	0,8%
LNG	13	14	+1	7,7%
Pass-through revenues	74	79	+5	6,8%
<b>Other revenues</b>	<b>72</b>	<b>68</b>	<b>- 4</b>	<b>-5,6%</b>
<b>TOTAL REVENUES</b>	<b>1.861</b>	<b>1.896</b>	<b>+35</b>	<b>1,9%</b>

# Operating Expenses

[ € mn ]	2016 9M PF adj.	2017 9M	Change	Change %
<b>Regulated activities</b>	<b>297</b>	<b>286</b>	<b>- 11</b>	<b>-3,7%</b>
Controllable fixed costs	193	182	-11	-5,7%
Variable costs	8	5	-3	-37,5%
Other costs	22	20	-2	-9,1%
Pass-through costs	74	79	+5	6,8%
<b>Non regulated activities</b>	<b>77</b>	<b>65</b>	<b>- 12</b>	<b>-15,6%</b>
<b>TOTAL COSTS</b>	<b>374</b>	<b>351</b>	<b>- 23</b>	<b>-6,1%</b>



# Balance Sheet

[€ mn]	Dec, 31 2016	2017 9M	Change
<b>Net invested capital</b>	<b>17.553</b>	<b>17.496</b>	<b>-57</b>
Fixed capital	18.080	18.400	+320
Tangible fixed assets	15.558	15.716	+158
Intangible fixed assets	810	807	-3
Financial receivables held for operating activities	213	338	+125
Equity-accounted and other investments	1.499	1.539	+40
<b>Net working capital</b>	<b>-483</b>	<b>-860</b>	<b>-377</b>
Receivables	1.501	1.094	-407
Liabilities	-1.984	-1.954	+30
Provisions for employee benefits	-44	-44	-
<b>Net financial debt</b>	<b>11.056</b>	<b>11.156</b>	<b>+100</b>
<b>Shareholders' equity</b>	<b>6.497</b>	<b>6.340</b>	<b>-157</b>

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