

Creditreform Corporate Issuer / Issue Rating

Snam S.p.A. (Group)

Creditreform Rating
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Rating object	Rating information	
Snam S.p.A. Creditreform ID: 400981032 Incorporation: 15/11/2000 (Main) Industry: Transportation, dispatching and storage of natural gas CEO: Marco Alverà <u>List of rating objects:</u> Long-term Corporate Issuer Rating: Snam S.p.A. (Group) Long-term Corporate Issuer Rating: Snam S.p.A. Long-term Local Currency Senior Unsecured Issues	Corporate Issuer Rating: BBB+ / stable	Type: Initial rating Unsolicited
	LT LC Senior Unsecured Issues: BBB+	Other: n.r.
	Rating Date: 22/10/2018 Monitoring until: Withdrawal of the rating Publication: 05/11/2018 Rating methodology: CRA "Corporate Issuer Ratings" CRA "Non-financial Corporate Issue Ratings" CRA "Government-Related Companies"	
	Rating history: www.creditreform-rating.de	

Content

Abstract.....	1
Rating-relevant factors.....	2
Business development and outlook.....	3
Structural risks.....	5
Business risks.....	6
Financial risks.....	7
Issue rating details.....	8
Financial ratios analysis.....	10
Appendix.....	11

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Abstract

Company

Snam S.p.A. ("Snam", "the Company", "the Group") is the leading company on the Italian market for the construction and integrated management of natural gas infrastructure. With approximately 3,000 employees, it provides natural gas transportation, dispatching and storage services, liquid natural gas (LNG) regasification services as well as engineering and technical-operational services for gas operators. Through a range of subsidiaries, Snam also operates in Austria (TAG and GCA), France (Teréga) and the United Kingdom (Interconnector UK) and is one of the main shareholders of TAP (Trans Adriatic Pipeline), the company that will transport natural gas from the Caspian Sea to Europe. Most of the company's revenues are generated on the regulated Italian market, in which Snam holds a monopoly position. The Company is also, on a smaller scale, involved in a few non-regulated businesses, such as the lease and maintenance of fiber optic telecommunication cables and the design, construction and maintenance of third-party facilities and plants. The Company manages Europe's most extensive network of natural gas transport lines (more than 32,500 km in Italy, about 40,000 km with international subsidiaries) and also the continent's largest natural gas storage capacity (16,7 billion cubic meters in Italy, about 20 billion cubic metres including international subsidiaries) as well as the first liquefied natural gas (LNG) plant that was built in Italy. Operating a Regulatory Asset Base (RAB) with a total volume of more than EUR 19 billion, the Company is one of the major players in the European gas industry.

In 2017, the Company managed to generate revenues of EUR 2,493 million (2016: EUR 2,419 million) and an EAT of EUR 897 million (2016: EUR 861 million).

Rating result

The current rating attests Snam S.p.A. a highly satisfactory level of creditworthiness, which represents a low-to-medium default risk. Snam is of strategic importance for Italy and has a profile of essentially low economic and financial risks, benefiting from an established regulatory framework in Italy. We have based the rating on our assessment that the Group is moderately dependent on the Italian Government and significantly dependent on the country's overall economic situation. The rating of Snam is constrained by the sovereign rating of the Italian Republic (CRA: BBB- / stable as of 31 August 2018). That is why, given the positive performance of Snam over the recent past including - according to the latest interim report - the first six months of the financial year 2018, we attest the Group a corporate rating that lies two notches above the sovereign rating of the Italian Republic. Our future ratings of Snam are unlikely to exceed the sovereign rating of Italy by more than two notches, taking into consideration the Company's focus on the Italian market.

Outlook

The one-year outlook of the rating is stable. According to the stable regulatory framework, the increasing overall consumption of natural gas in Italy, the key position of the Company in the Italian market and good current performance, as well as its comfortable liquidity position and proven access to financial markets we expect a stable development of the Company for our one-year outlook.

Rating-relevant factors

Table 1: Financials of Snam Group | Source: Snam Group annual report 2017, standardized by CRA

Excerpts from the financial ratios analysis 2017

- + Slightly increased revenues
- + Solid cash flows from operating activities
- + Increased RAB
- High capital intensity
- Fall of the equity ratio
- Increased ratio of net debt / EBITDA adj.

Financial ratios' extract Basis: consolidated annual report as per 31/12 (IFRS)	CRA standardized figures ¹	
	2016	2017
Revenues	EUR 2,419 million	EUR 2,493 million
EBITDA	EUR 1,944 million	EUR 2,007 million
EBIT	EUR 1,293 million	EUR 1,348 million
EAT	EUR 861 million	EUR 897 million
Total assets	EUR 20,131 million	EUR 21,797 million
Equity ratio	33.2%	29.1%
Capital lock-up period	65.3 days	59.4 days
Short-term capital lock-up	131,96%	147,93%
Net debt / EBITDA adj.	6.9	4.3
Return on investment	6.8%	5.4%

General rating factors

- + Strategic importance for the country
- + Transparent regulatory framework, predictable cash flows
- + Monopoly status as the owner of 95% of Italy's gas transportation network
- + Good access to financial markets
- + High market entrance barriers
- + Overall increasing gas consumption
- High capital intensity
- Restricted independence in decision-making processes due to strict government control and regulation
- Sizeable dividend payments
- High sensitivity to overall business activity and consumption levels

Current factors (rating 2018)

- + Stable performance in 2017 and the first half of 2018
- + Optimisation of debt structure and decreasing interest burden
- + Adequate liquidity reserves
- + Stable regulatory framework through the extension of existent tariffs until 2019
- Increasing net debt

Suggestion:

General Rating Factors summarize the key issues that – in the view of the analysts as per the date of the rating – have a significant or long-term impact on the rating, positive (+) as well as negative (-).

Current Rating Factors are the key factors that have, in addition to the Underlying Rating Factors, an impact on the current rating.

Prospective Rating Factors are factors and possible events that – in the view of the analysts as per the date of the rating – would most likely have a stabilizing or positive effect (+) and a weakening or negative effect (-) on future ratings, if they occurred. This is not a full list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

¹ For analytical purposes, CRA adjusted the original values in the financial statements in the context of the financial ratio analysis.

Prospective rating factors

- + Business diversification and growth potential in foreign undertakings
- + Growth potential of the market for LNG and the new business areas (Snam 4 mobility, methane gas)
- + Growth of the RAB and hence of the income basis
- Uncertainties associated with the political situation and the sovereign rating of Italy
- Decline of economic activity (contingency risk)
- Increasingly strict regulatory requirements

Best case scenario

Best case: BBB+

Worst case: BBB

In our best case scenario for one year, we have assumed a rating of BBB+. Such a scenario would materialize if the Company's good performance persisted without deteriorating the Group's financial ratios and significant further increases of the debt burden. We also assumed that the sovereign rating of the Italian Republic would not worsen significantly and that the level of general economic activity will remain stable.

Note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

Worst case scenario

In our worst case scenario for one year, we have assumed a rating of BBB. Such a scenario would materialize if the sovereign rating of the Italian Republic were to be downgraded or if the levels of general business activity and consumption behaviour of the population decreased with negative consequences for Snam.

Business development and outlook

Snam Group managed to achieve positive results during the financial year 2017. Total revenues increased by 3% to EUR 2,493 million (2016: EUR 2,419 million), EBIT amounted to EUR 1,348 million (2016: EUR 1,293 million) and EAT increased to EUR 897 million (2016: EUR 861). The development was positively influenced by a continuously increasing gas consumption in Italy² and by the stable regulatory framework. The extension of the fourth regulatory period until December 2019, in force since 2014 for the transport and regasification and since 2015 for the storage business, ensured a general stability of the regulatory environment. According to the 2018 interim report from 1 August 2018 the Company distributed EUR 713 million in the first six months of 2018.

All the main business divisions made positive contributions to the overall result.

Table 2: The development of corporate divisions in 2017 (according to IFRS 8 "Operating segments", before consolidation and eliminations) | Source: Snam Group

EUR million	Transportation and dispatching		Storage		Regasification	
	2016	2017	2016	2017	2016	2017
Net core business revenue	1,947	1,999	581	596	18	21
EBIT	1,021	1,037	346	339	(5)	2
Total assets	13,999	14,481	4,130	4,078	107	104
Capital expenditure	776	917	117	101	7	5

The largest part of the revenue was generated by the transportation and dispatching of natural gas business (70%). Natural gas transportation is an integrated service providing transportation capacity and the actual transportation of gas. Snam Rete Gas S.p.A. owns 32,584 kilometers of high and medium pressure gas pipelines, which together represent 97% of the whole natural gas transportation infrastructure in Italy. This makes Snam Rete Gas the dominant transmission system operator (TSO)

² In 2017, gas demand in Italy totalled 75.14 billion cubic metres, 6% more than in 2016.

in Italy. Regulated revenues, essentially the fees for natural gas transportation, represented over 97% of the division's revenues in 2017.

Through its subsidiary Stogit S.p.A., Snam controls - under a concession regime - ten storage sites, which account for 97% of the total available gas storage capacity in Italy. The storage of natural gas helps to manage disparities between gas demand and available supplies. The Company has a capacity of 16.7 billion cubic meters including 12.2 million cubic metres of readily available storage space and 4.5 billion cubic meters that are used as a strategic reserve capacity. Regulated revenues, essentially the fees for the natural gas storage services, accounted for 99.5% of the division's revenue in 2017.

Regasification services contributed 0.7% of the total net core business revenue in 2017. These services are performed by the Snam subsidiary GNL Italia S.p.A. and include the unloading of LNG from tankers, the provision of storage space, the regasification of LNG and the injecting of natural gas into the national network through its LNG terminal in Panigaglia. The LNG terminal has a regasification capacity of up to 17,500 cubic meters of LNG per day, projecting into more than 3.5 billion cubic meters of natural gas annually that can be supplied into the national gas transportation network. Regulated services, comprising mainly the fees for the regasification services, accounted for 95% of the division's total revenues.

In November 2016, the transaction of separation of the natural gas distribution services in Italy (Italgas group) from Snam was finalized. The transaction was intended to enable either company to concentrate on its core activities: Snam on gas transportation, dispatching, regasification and storage and Italgas on gas distribution. The Company sold 38.87% of its equity investment in Italgas Reti S.p.A., which resulted in a net liquidity transfer of EUR 1,502 million. The remaining share of Snam in Italgas Reti S.p.A. amounted to 13.5% as per 31 December 2017.

Over the year, Snam invested EUR 1,034 million in its Italian infrastructure and a total of EUR 217 million in the acquisition of a 100% interest in Infrastrutture Trasporto Gas S.p.A. (ITG) as well as a 7.3% interest in Adriatic LNG. ITG manages the 83.3 km long gas pipeline that connects the Adriatic LNG regasification terminal with the national transport network. Another EUR 220 million were invested in TAP, and Snam also established a new company, Snam 4 mobility S.p.A., to develop the infrastructure of compressed natural gas (CNG) as an alternative fuel by constructing new CNG and LNG service stations across Italy. The Company furthermore signed the first framework agreement for the development of methane filling station with Eni.

In July 2017, the Integra project to restructure the Company was completed, with a view to make Snam leaner, more efficient and more transparent. An enhanced efficiency plan allowed the Company to save approximately EUR 19 million in 2017. Further savings with a volume of EUR 30 million in 2018 and up to EUR 50 million until 2021 are expected. The plan includes personnel and structural optimization initiatives in connection with the integration of modern technologies into operational processes.

According to the interim financial report as per 30 June 2018, the Company's revenue for the first six months of the year has increased slightly (year-on-year) to EUR 1,271 million (30 June 2017: EUR 1,268 million). Over the same period, the EBITDA increased by 2.8% to EUR 1,064 million (30 June 2017: EUR 1,035 million), largely reflecting the results of the cost efficiency programme. The 3.8 % increase of the net profit to EUR 523 million (30 June 2018: EUR 504 million) was positively influenced by the fall in interest rates. The cash flow from operations amounted to EUR 1,525 million, which covers the capex and financial investments for the first half of the year 2018 (EUR 488 million), the committed dividend payments (EUR 731 million) and the payments for the share buyback initiative (EUR 183 million). Net debt fell by 1.1% to EUR 11,421 million (30 June 2016: EUR 11,550 million).

The budget for capex for the period between 2017 and 2021 will, according to Snam's updated strategic plan, amount to EUR 5.2 billion. EUR 4.6 billion will be allocated to investments in transportation, EUR 0.6 billion for investments into regasification and storage. The investments will mainly serve to strengthen and expand the national network and to fund the Sardinian methanisation project. The investment plan takes into account the attempts to expand the LNG and compressed natural gas infrastructure for the maritime and transport sectors and to supply the biomethane from biogas into the gas transportation network. Through its subsidiaries, the Company will also develop its business activities in the European pipeline networks.

Considering the strong market position of Snam as the owner of almost the entire Italian gas transportation network and its significant share of the market for gas transportation, storage and regasification services in Italy, we believe that Snam will meet its growth targets over the medium to long term. Most of the Group's revenues are derived from transparent and stable cash flows that are generated through regulated business activities. In addition, Snam benefits from easy access to the capital market.

Structural risks

Snam S.p.A. (società per azioni, public limited company) was established on 15 November 2000 under the Laws of the Republic of Italy and was entered in the Register of Enterprises in Milan under the company number 13271390158. Snam's shares have been listed on the Italian Stock Exchange since 2001. Its shares are included in the Italian FTSE MIB Index as well as in some international indexes such as the Stoxx Europe 600 and Stoxx Europe 600 Utilities.

The main shareholder of Snam is CDP Reti S.p.A. with an interest of approximately 30% in the Company's ordinary share capital and the respective voting control rights. CDP Reti S.p.A. is a limited company, 59.1% of which belong to CDP (Casa Depositi e Prestiti), a financial institution controlled by the Italian Ministry of the Economy and Finance (82.77% of shares). CDP is engaged in the promotion and development of the Italian economic and industrial system. The second largest shareholder is Minozzi Romano with an overall interest of approximately 6%. According to a press release from 10 October 2018, Snam itself holds 4% of its share capital in the form of treasury shares. Approximately 60% of the shares are in free float and owned by a variety of shareholders, mainly institutional investors.

The Company is managed by the Board of Directors (currently featuring 9 members) and the Board of Statutory Auditors (currently featuring 5 members). The Chairpersons of both boards as well as some of the other directors and auditors were elected on the proposition of the main shareholder CDP Reti S.p.A.

Snam S.p.A. is a holding company, which owns 100% of the share capital of the operating companies and which is responsible for the management and development of their respective businesses (see also the chapter on Business Development and Outlook).

The company furthermore owns interests in the following foreign infrastructure companies and projects:

- TIGF (40.5%), a company that stores and transports natural gas in South-Western France
- Interconnector UK (31.5%), a pipeline between the UK and continental Europe for the transport of natural gas
- Gas Connect Austria (GCA, an interest of 19.6% which is owned indirectly through an equity investment), an Austrian transmission system operator (TSO)
- Trans Austria Gasleitung (TAG, 84.47%), a gas pipeline across the Austrian- Slovakian border
- TAP (Trans Adriatic Pipeline, 20%), a pipeline across Albanian territory to connect Greece and Italy

According to Italian law, the Company has to seek government approval (on the level of the Prime Minister) for any planned change of control over its assets including acquisitions of assets by non-EU-domiciled persons or legal entities, and any planned change of their destination. The Government can veto if any such change is deemed to represent a potential threat to the fundamental interests of the state.

The company reports its financial statements in accordance with IFRS and employed on average approximately 3.000 people over the course of the business year 2017.

After the completion of the reorganization project for more corporate transparency and efficiency in 2017, the Company's structure now consists of the following four business units.

- The business unit Commercial, Regulation and Development manages the activities of Snam Rete Gas S.p.A., which is responsible for the management and development of natural gas transportation, and the relationship with independent regulating authorities as well as the evaluation of new business opportunities.

-The business unit Industrial Assets has been designed to coordinate strategies and processes associated with natural gas transportation, storage and regasification activities and the facilitation of integrated exploitation as well as the development of technological know-how.

- The business unit International Assets is responsible for the management of assets and subsidiaries abroad.

- The business unit Global Solutions is focused on the provision of services to third parties and Snam's subsidiaries.

Due to its national systemic importance and its relevance for the capital market, the Company has to comply with high legislative, regulative and corporate governance standards. We do not see any core risks in connection with the Company's structure.

Business risks

The key services of Snam - the transportation and dispatching of natural gas, the LNG regasification and the storage of natural gas - must be offered to third parties on equal terms and conditions at regulated tariffs. According to Italian law, these services are subject to the regulation and control of the independent Italian Authority for Energy, Networks and the Environment (ARERA, Autorità di Regolazione per Energia Reti e Ambiente, formerly AEEGSI). The Italian Ministry of Economic Development (MED) is responsible for defining the strategic guidelines for the gas industry and for ensuring operating safety and economic development in accordance with the Italian and European legislation. The tariff system is designed to cover the capital and operational costs that are directly related to the respective business activities. It covers remunerations on net invested capital, depreciation allowances and the authorized operating costs. On the basis of the RAB, the regulator determines the tariffs on an annual basis. The company is permitted to earn a certain maximum weighted average cost of capital. Each regulatory period for any of the business segments has a duration of four years. The revenues are updated mostly on an annual basis, and approximately 95% of them are guaranteed through correction mechanisms. The foreign interests of Snam are also subject to domestic and European regulations.

Changes in the Italian and European regulatory systems and legislation could have a significant impact on the operating activities and the financial position of the Company. Given the systemic national relevance of the Company, we consider that extremely negative changes in the tariff system are rather unlikely.

The storage services are provided on a concession basis. Eight out of ten concessions expired on 31 December 2016. Applications for their renewal were submitted to the authorities and are currently pending. Generally, the concessions can be renewed no more than twice for a duration of ten years at a time. If Snam proves to be unable to retain its storage concessions or if the concessions will be renewed only under less favourable conditions, such a development could affect the Company's revenues and operations.

Most of the natural gas transported in Italy is imported from countries that are politically and economically unstable, which creates significant price and supply security risks. Snam's revenues correlate with the usage of the infrastructure and the overall economic situation. Since 2014, natural gas consumption in Italy has been continuously growing. Any changes in overall business activities and consumption behaviour as well as weather conditions have an immediate impact on the Group's revenues. Changes in the climate could have an impact on the Group's operations through changes of the regulatory systems and restrictions connected to emissions or through changes in the general behaviour of the population and trends of using alternative energy sources. Extreme weather events could damage the existing gas transportation networks and negatively affect the ability of the Company to provide reliable services.

As far as we can assess, the Group operates a well-developed and constantly evolving business risk management system, which is in line with current market and regulatory requirements and supported by many years of experience in the industry.

Financial risks

The Company is exposed to general financial risks such as currency exchange rate risks, counterparty credit risks, liquidity, rating and debt covenant risks. As far as we can assess, the Group's prudent financial policy and well-developed financial risk management system allow an efficient identification and prevention of financial risks.

For the purposes of its financial ratio analysis, Creditreform Rating AG ("CRA") adjusted the original values in the financial statements. The following representations and calculations are based solely on these adjustments.

The Company is highly capital intensive. Approximately 87% of the company's balance sheet total is tied up in long-term assets, reflecting the specific conditions of the business and emphasising the importance and high levels of investment required for the development and maintenance of gas transportation networks and of storage and regasification utilities. The asset cover-age ratio of 66.7% as per 31 December 2017 is still satisfactory in our view, given the Group's high degree of fixed assets intensity.

Due to the adequate capital structure of Snam, its high capital intensity is partly offset by a relatively good equity ratio and the long-term character of most of its obligations. CRA calculated an adjusted equity for 2017 of EUR 6,342 million (2016: EUR 6,693 million), which accounts for 29.1% of the balance sheet total (2016: 33.25% when adjusted by CRA). The equity fell mainly because of the dividend payments for 2016 and announced interim dividends for 2017 (EUR 718 million and EUR 294 million respectively) as well as the further decrease of the negative reserve for treasury shares (EUR -318 million, 2016: EUR -108 million). Long-term and medium-term liabilities accounted for 73% of the Group's total liabilities (EUR 11,322 million out of EUR 15,455 million) as per 31 December 2017. CRA's adjusted ratio of net financial debt / EBITDA – 5.9 as of 31 December 2017 - is relatively high, but still adequate in our view because of the Group's solid and predictable cash flows.

Snam has financed itself mainly through bank loans and bonds. Bonds have increased as per 31 December 2017 by EUR 1,062 million to EUR 8,672 million. This year-on-year increase mainly reflects the issues of new fixed-rate and variable rate bonds that were issued during the financial year 2017 with a total nominal amount of EUR 2,200 million. In 2017, the Company also managed to repay a bond maturing on June 2017 for a nominal amount of EUR 506 million and to repurchase some fixed-rate bonds on the market for a total nominal value of EUR 607 million. The bond buy-back was carried out under a debt structure optimization programme initiated in 2016, which is mainly aimed to improve the cost of financing and to extend the average maturities. Most of the bonds (with a total volume of EUR 8.2 billion as per 31 December 2017) are part of the EMTN programme that had been initiated in 2012 and renewed in October 2017 with a maximum total amount of up to EUR 10 billion.

The book value of the bank loans increased by EUR 677 million to EUR 3,904 million as per 31 December 2017. EUR 1,358 million represented short-term uncommitted variable rate credit lines and EUR 2,546 million were associated with term loans, of which EUR 1,473 million had been allocated for the funding of the European Investment Bank (EIB). The bank has the option of requesting additional guarantees for the EIB loans, if the rating of Snam falls below BBB or Baa2 at two or all three of the three global rating agencies (S&P, Moody's and Fitch). Failure to comply with this covenant could limit the Company's ability to attract new capital, could result in increase of the cost of raising funds or result in the obligation to repay loans before maturity.

Almost all debt is denominated in EUR. As per 30 June 2018, the fixed-rate financial debt had a volume of approx. 73%, a floating rate of 27% of the volume of gross financial debt. The weighted interest rate fell by 60 bps year-on-year and stood at 1.6% as per 30 June 2018. The net debt fell by 1.1% to EUR 11,421 million (30 June 2016: EUR 11,550 million).

The Company has an adequate liquidity position, taking into consideration its reliable, highly predictable and stable cash flows, the fact that these cash flows are predominantly generated by a highly regulated business, its good liquidity reserves and its good access to financial markets. The cash flow from operating activities had a volume of EUR 1,864 million in 2017 (2016: EUR 1,627, 2015: EUR 2,054). At the end of 2017, the Company had cash and cash equivalents with a volume of EUR 719 million. In addition to the unused part of the EMTN programme, the Group also had access to two undrawn long-term credit lines with a total volume of EUR 3.2 billion. Under its debt structure optimisation programme, the Company managed to extend the maturities for these loans until 2021 and 2022 respectively with a simultaneous reduction of the margins.

We see no significant short- or medium-term financial risks for Snam, taking into consideration its adequate current cash position with unused credit lines and liquidity reserves, its reliable cash flows and its well-coordinated as well as, in our view, realistic investment plans. Furthermore, the Group has an adequate capital structure and disposes of diversified financing resources that should allow Snam to pursue its strategic plan. Further significant increases of net debt could, however, have a negative impact on the rating assessment. Risks could arise in connection with covenants of the EIB and a deterioration of the Company's rating following the possible down-grade of the sovereign rating of the Italian Republic.

Issue rating details

Issue rating

This issue rating is exclusively valid for the long-term senior unsecured issues denominated in Euro, issued by Snam S.p.A., which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The Notes have been issued within the framework of the EMTN Programme, launched by Snam in 2012 and most recently renewed in October 2017. According to Snam's press release from 2 October 2018, the Company is going to renew the EMTN Programme. For the period until October 2019, the Board of Directors has approved the issue of additional bonds with a maximum amount of EUR 1.74 billion plus the total volume of the bonds that will be redeemed during the period in question. The total nominal value of the bonds issued must not exceed EUR 10 billion. According to the most recent prospectus from 9 October 2017 and the supplements to it dated 10 July 2018 and 27 August 2018, the Notes issued under the EMTN Programme benefit from a negative pledge provision and a cross-default mechanism.

We have provided the EUR debt securities, issued by Snam S.p.A., with a rating of BBB+. This decision is based on the corporate rating of Snam S.p.A. Group. Other types of debt instruments or issues denominated in other currencies have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 3: Summary of CRA Ratings | Source: CRA

Ratingobjekte	Details Information	
	Date	Rating
Snam S.p.A. (issuer)	22/10/2018	BBB+ / stable
Long-Term Local Currency Senior Unsecured Issues	22/10/2018	BBB+
Other	--	n.r.

Table 4: Overview of Snam S.p.A. EMTN Programme | Source: Snam S.p.A., prospectus dated 9 October 2017

Issue Details			
Volume	EUR 10,000,000,000	Maturity	Depending on the respective bond
Issuer	Snam S.p.A.	Coupon	Depending on the respective bond
Arrangers	BNP Paribas	Currency	Depending on the respective bond
Credit Enhancement	none	ISIN	Depending on the respective bond

Creditreform Corporate Issuer / Issue Rating

Snam S.p.A. (Group)

Creditreform Rating
www.creditreform-rating.de

At the time of the rating, the following EUR-denominated Notes have been rated by Creditreform Rating AG:

Table 5: Overview of the issues of the Snam S.p.A. EMTN Programme | Source: Website of Snam and CRA's own presentation

ISIN	EUR	Issue Date	Maturity Date	Unsolicited Rating
XS1759770669	350,000,000	29/01/2018	29/01/2020	BBB+
XS1700721464	650,000,000	25/10/2017	25/10/2027	BBB+
XS0853682069	633,021,000	13/11/2012	13/02/2020	BBB+
XS0829190585	692,543,000	17/09/2012	19/09/2022	BBB+
XS1505573482	1,250,000,000	25/10/2016	25/10/2026	BBB+
XS1019326641	413,590,000	22/01/2014	22/01/2024	BBB+
XS1061410962	225,524,000	24/04/2014	24/04/2019	BBB+
XS1126183760	507,726,000	22/10/2014	21/04/2023	BBB+
XS0914294979	303,590,000	10/04/2013	29/01/2021	BBB+
XS1318709497	390,937,000	19/11/2015	19/11/2023	BBB+
XS1657785538	350,000,000	02/08/2017	02/08/2024	BBB+
XS0806449814	519,174,000	19/07/2012	18/01/2019	BBB+
XS1508588875	500,000,000	25/10/2016	25/10/2020	BBB+
XS1555402145	500,000,000	25/01/2017	25/01/2025	BBB+
XS1568906421	300,000,000	21/02/2017	21/02/2022	BBB+
XS1881004730	600,000,000	18/09/2018	18/09/2023	BBB+

All future LT LC senior unsecured Notes that will be issued by Snam S.p.A. under the current EMTN Programme, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN Programme. Notes issued under the Programme in another currency than Euro or other types of debt instruments have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Financial ratios analysis

Table 6: Financial ratios of Snam S.p.A. Group | Source: Snam S.p.A., standardized by CRA

Asset Structure	2014	2015	2016	2017
Fixed asset intensity (%)	87.83	89.88	88.78	84.63
Asset turnover	0.19	0.20	0.11	0.12
Asset coverage ratio (%)	18.40	35.63	61.90	66.74
Liquid funds to total assets (%)	0.36	0.46	0.17	3.30
Capital Structure				
Equity ratio (%)	16.16	32.03	33.25	29.10
Short-term-debt ratio (%)	19.64	17.58	18.17	18.96
Long-term-debt ratio (%)	0.00	0.00	21.70	27.38
Capital lock-up period (in days)	76.72	102.55	65.33	59.44
Trade-accounts-payable ratio (%)	3.97	2.79	2.15	1.86
Short-term capital lock-up (%)	52.96	110.49	131.96	147.93
Gearing	5.17	2.11	2.00	2.32
Leverage	6.39	3.12	3.07	3.22
Financial Stability				
Cash flow margin (%)	51.55	55.55	82.10	60.31
Cash flow ROI (%)	9.74	5.52	9.87	7.06
Debt / EBITDA adj.	6.20	8.44	6.91	7.70
Net Debt / EBITDA adj.	6.18	8.38	6.90	7.34
ROCE (%)	12.23	7.03	7.30	7.40
Debt repayment period	16.54	4.53	-26.72	9.67
Profitability				
Gross profit margin (%)	100.00	83.68	83.88	88.13
EBIT interest coverage	4.97	3.76	2.04	4.63
EBITDA interest coverage	6.99	5.27	3.06	6.90
Ratio of personnel costs to total costs (%)	8.84	5.99	6.90	9.01
Ratio of material costs to total costs (%)	0.00	16.32	16.12	13.91
Return on investment (%)	7.77	4.30	6.81	5.41
Return on equity (%)	37.62	19.99	11.75	13.76
Net profit margin (%)	30.86	32.23	35.59	35.15
Operating margin (%)	50.82	57.77	53.45	52.82
Liquidity				
Cash ratio (%)	1.83	0.39	0.93	17.40
Quick ratio (%)	48.64	45.77	45.43	66.42
Current ratio (%)	61.95	57.55	61.76	81.05

Appendix

Rating history

Corporate issuer rating of Snam S.p.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	22/10/2018	05/11/2018	Withdrawal of the rating	BBB+ / stable

Rating der LT LC senior unsecured issues of Snam S.p.A.

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	22/10/2018	05/11/2018	Withdrawal of the rating	BBB+

Regulatory requirements

The present rating is an unsolicited rating. Creditreform Rating AG was not commissioned by the Issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The quantitative analysis is primarily based on the last annual report of the Issuer, the basis prospectuses and on press releases of the company. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating's "Corporate Issue Ratings" methodology and the "Corporate Issuer Rating" methodology. A complete description of Creditreform Rating's rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Elena Alexeenco (e.alexenco@creditreform-rating.de) and Rudger van Mook (r.vanmook@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 22 October 2018. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until CRA removes the rating and sets it to non-rated (n.r.).

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Please note:

This report exists in an English version only. This is the only binding version.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our 'Rating Committee' policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

Corporate Issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate Issue rating:

1. Issuer corporate rating incl. information used for the Issuer corporate rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore, CRA considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The 'Basic Data' information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the 'Basic Data' card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within 'Basic Data' information card.

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An explanatory statement of the meaning of Creditreform's default rates are available in the credit rating methodologies disclosed on the website.

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