



Snam's Board of Directors approves the separation of the gas distribution business

- **Listing of the shares of the new company by the end of 2016**
- **1 share of the new company for every 5 Snam shares**
- **Snam retains a 13.5% stake**
- **Proposal of a share buyback program up to 3.5% of the post-demerger share capital of Snam for a maximum amount of 500 million Euro in an 18-month period**
- **Call of the shareholder meeting and bondholder meeting**

San Donato Milanese, 29 June 2016 – Snam's Board of Directors, which met yesterday under the chairmanship of Carlo Malacarne, approved the separation of Italgas from Snam by means of a unitary and substantially simultaneous transaction that includes, *inter alia*, the partial and proportional demerger and, subsequently, the listing of the shares of the newly incorporated beneficiary company of the demerger, which will directly hold the entire share capital of Italgas, on the *Mercato Telematico Azionario* (MTA) of Milan.

"In a constantly evolving market, local gas distribution activities now have different characteristics and needs than those of gas transportation, storage and LNG. The demerger of Italgas from Snam will significantly enhance the role of both companies in their respective businesses: Snam will be able to consolidate its leadership by contributing to the integration of the gas markets in Europe, and Italgas will seize new development opportunities related to the local tender processes", Snam CEO Marco Alverà commented.

Through the industrial and corporate reorganization, the entire stake held by Snam in Italgas, equal to 100% of the share capital of Italgas, will be transferred to the beneficiary company in order to separate the Snam Group's gas distribution activities in Italy, being substantially different from those of the rest of the other Group's activities (transportation and dispatching, LNG and storage in Italy and abroad) in terms of operational organisation, competitive context, regulation and investment requirements.

The unitary transaction, as a whole, will be carried out by means of the following steps, which will occur in a substantially simultaneous manner:

- the transfer in kind by Snam to the beneficiary company of a stake equal to 8.23% of the share capital of Italgas in exchange for the allocation to Snam of 108,957,843 newly issued shares of beneficiary company, in order to enable Snam to hold, post-demerger, a stake of 13.50% in the beneficiary company;
- the sale by Snam to the beneficiary company of 98,054,833 shares in Italgas, equal to 38.87% of the share capital of Italgas for a price of Euro 1,503 million, the payment



of which shall include a *Vendor Loan* on the part of the beneficiary company, thus generating an adequate level of financial debt for the beneficiary company, taking into account the activity, risk and cash flow generation profile;

- the partial and proportional demerger of Snam with the allocation to the beneficiary company of a stake equal to 52.90% held by Snam in Italgas and consequent allocation to Snam shareholders of the remaining 86.50% of the beneficiary company's share capital.

As a result of the above-mentioned steps, Snam will retain a 13.5% stake of the share capital of the beneficiary company.

Following the demerger, Snam's shareholders will be allocated shares in the beneficiary company in proportion to the number of shares held by each shareholder in Snam at the effective date of the demerger. The allocation will take place based on a ratio of one beneficiary company share for every five Snam shares held.

This ratio may mean that individual shareholders are entitled to a number of new shares that is not a whole number. Therefore, to facilitate the transactions, Snam will engage an authorized intermediary to purchase at market prices the fractional shares of the beneficiary company through the depository intermediaries enrolled with Monte Titoli S.p.A., within the limits required to enable shareholders to round the number of shares to which they are entitled to. The beneficiary company's shares will trade separately from Snam's shares on the *Mercato Telematico Azionario* (MTA) of Milan and will operate separately as an independent company, having its own management and its own Board of Directors.

The effectiveness of the transaction is therefore subject to the conditions of law, including in particular the favourable vote of Snam's Shareholders' Meeting, and to the following:

- the issuance of Borsa Italiana's order admitting the shares of the beneficiary company to trading on the MTA;
- the issuance of the judgment of equivalence by Consob; and
- the approval by Snam's bondholders.

The prospective timeframe of the transaction provides that, subject to the above-said conditions, the demerger will likely take effect by December 31, 2016.



The demerger will result in a proportional reduction of Euro 1,569,211,964.76¹ in Snam's shareholders' equity, by way of a reduction of Euro 961,181,518.44 in share capital and a reduction of Euro 608,030,446.32 in reserves. Since Snam shares have no par value, the aforementioned share capital reduction will not result in any shares being cancelled.

The demerger will also result in an increase of Euro 1,569,211,964.76 in the beneficiary company's shareholders' equity, attributed to share capital in the amount of Euro 961,181,518.44, thereby increasing the share capital from Euro 40,050,000 to Euro 1,001,231,518.44, via the issue of 700,127,659 new ordinary shares; and the share premium reserve by Euro 608,030,446.32.

Snam's shareholders will not have the right to exercise the withdrawal right as a result of the demerger, also in light of the fact that the beneficiary company's shares will be admitted to trading at the effective date of the demerger.

As provided for by the memorandum of understanding agreed upon by Snam, CDP Reti and CDP Gas, the transaction also provides for Snam, CDP Reti and CDP Gas to enter into a shareholders' agreement involving their stakes in the beneficiary company, equal to 13.50%, 25.08% and 0.97%, respectively, in order to ensure a stable and transparent ownership structure for the beneficiary company once the transaction is completed. Specifically, the memorandum of understanding is designed to regulate the main terms of the transaction and the general governance guidelines which, after the transaction, will apply to the beneficiary company and Italgas.

The transaction and the memorandum of understanding have been examined by the Control, Risk and Related-Party Transactions Committee for the purpose of the procedure used to govern transactions with Related Parties, adopted by Snam on 30 November, 2010, in accordance with the CONSOB Regulation.

On June 28, 2016 the Snam Control, Risk and Related-Party Transactions Committee released its unanimous favourable opinion regarding Snam's interest in carrying on with the transaction as well as on the opportunity and substantial correctness of the relevant conditions. Pursuant to the applicable laws and regulations, the demerger plan, the Snam's Board of Directors report and the information document will be published on Snam's website (www.snam.it) and submitted to and made available at the "NIS-Storage", authorized storage facility managed by Bit Market Services S.p.A. (<http://www.emarketstorage.com>), as well as at Snam's registered office at Piazza Santa Barbara 7, San Donato Milanese (MI), in

¹ The demerger will be executed on a continuity of value basis, as the transaction is a business combination involving entities or businesses under common control, thus excluded from the scope of IFRS 3 "Business Combinations" and of IFRIC 17 "Distributions of Non-cash Assets to Owners".



compliance with the time frame provided for by the applicable regulations.

The contents of the information document, which will be published before the shareholders' meeting which will approve the demerger, is in accordance with the content set forth in Table 2 of Annex 3B of the Issuers' Regulation and the Annex 4 of the Regulation adopted by Consob by resolution 17221 of March 12, 2010.

The Board of Directors has called an extraordinary and ordinary shareholders' meeting on August 1st, 2016, in order to approve, respectively, the transaction and the share capital changes following the demerger and to resolve on the proposal of a share buyback program up to 3.5% of the share capital of Snam post-demerger.

It should be noted that the number of treasury shares already held as at the date of this press release is 1,127,250, representing 0.03% of the share capital of Snam.

The authorisation to acquire the treasury shares is requested for a duration of 18 (eighteen) months starting from the effective date of the partial and proportional demerger of the company submitted for the approval of the extraordinary Shareholders' Meeting called on 1st August 2016.

The explanatory report of the Board of Directors to the Shareholders' meeting pursuant to Article 73 of the Issuers' Regulation, will establish the criteria for determining the purchase price of the treasury shares.

The purchases will be carried out in accordance with the provisions of Article 132 of the TUF, Article 144-*bis* of the Issuers' Regulation and any other applicable legislation, including, where appropriate, the accepted market practices recognised by CONSOB. It should also be noted that the purchases will be carried out by the Board of Directors or by authorized parties in compliance with the provisions of Article 2357, paragraph 1 of the Civil Code and, therefore, within the limits of the duly ascertained distributable profits and available reserves resulting from the last duly approved financial statements.

The notice convening the ordinary and extraordinary shareholders' meeting of the company and the Explanatory Report of the Board of Directors to the shareholders pursuant to Article 73 of the Issuers' Regulation will be made available to the public in compliance with applicable law.

The Board of Directors has also resolved to call a bondholders' meeting to request the authorization to carry out the transaction, delegating the CEO to set the date of such meeting.

The Board of Directors has also confirmed Georgeson as representative appointed by the company - pursuant to Article 135-*undecies* TUF - to whom the shareholders and the



bondholders may confer, free of charge, a proxy to take part in the shareholders' meeting.

Goldman Sachs acted as financial advisor in the transaction; Cleary Gottlieb Steen & Hamilton and Orrick, Herrington & Sutcliffe acted as legal advisors.

The undersigned Antonio Paccioretti, in his capacity as the officer responsible for preparing the corporate and accounting documents, hereby certifies, pursuant to Article 154-bis, paragraph 2 of the TUF, that the accounting information contained in this Information Document corresponds to information contained in accounting documents, registers and entries.