



## SNAM ANNOUNCES RESULTS FOR THE FIRST NINE MONTHS AND THE THIRD QUARTER OF 2013

San Donato Milanese, 30 October 2013 – At yesterday's meeting chaired by Lorenzo Bini Smaghi, the Snam Board of Directors approved the consolidated results for the first nine months and the third quarter of 2013<sup>1</sup> (unaudited).

### Financial highlights

- **Total revenue: €2,633 million<sup>2</sup> (+3.8%)**
- **EBITDA: €2,083 million (+2.5%)**
- **EBIT: €1,516 million, in line with the first nine months of 2012**
- **Net profit: €674 million (+31.4%)**
- **Cash flow from operating activities: +€1,480 million (+144.2%)**

### Operating highlights

- **Gas injected into the transportation network: 50.34 billion cubic metres (-12.4%)**
- **Number of active meters: 5.915 million (+0.4%)**
- **Available storage capacity: 11.4 billion cubic metres (+6.5%)**

### Significant events

- **Completed on 30 July 2013 the acquisition from Total of TIGF (Transport et Infrastructures Gaz France), a gas transportation and storage company in the south-west of France, for a total of €597 million**
- **The Group continues to optimise its financial structure**

Carlo Malacarne, Snam CEO, made the following comments on the results:

*"Thanks to our continuous commitment to operating and financial efficiency we have delivered solid results in the first nine months of 2013, as demonstrated by the increase of 2.5% in EBITDA and of 31% in Net Profit. This performance has been achieved despite the impact of the ongoing economic downturn and a lower volume of gas injected into the network.*

*We continue to invest with the aim of creating value for our shareholders, while preserving our solid capital structure. We confirm our capex plan, which remains focused on strengthening Italian gas infrastructure, and our objective to promote closer integration of the European networks".*

<sup>1</sup> This press release constitutes the interim directors' report pursuant to Article 154-ter of the Italian code for securities and exchanges (Testo Unico della Finanza - TUF).

<sup>2</sup> Total revenue, including revenue arising from the construction and upgrading of distribution infrastructure pursuant to IFRIC 12, amounted to €2,835 million (+2.9%) and €930 million (+4.3%) in the first nine months and the third quarter respectively.



## Financial highlights

(€ million)

Third quarter			First nine months			
2012	2013		2012	2013	Change	% change
892	<b>930</b>	Total revenue	2,755	<b>2,835</b>	80	2.9
820	<b>858</b>	Total revenue net of the effects of IFRIC 12	2,536	<b>2,633</b>	97	3.8
802	<b>848</b>	- of which revenue from regulated activities (*)	2,488	<b>2,603</b>	115	4.6
218	<b>243</b>	Operating costs	723	<b>752</b>	29	4.0
146	<b>171</b>	Operating costs net of the effects of IFRIC 12	504	<b>550</b>	46	9.1
499	<b>496</b>	EBIT	1,512	<b>1,516</b>	4	0.3
5	<b>212</b>	Net profit (**)	513	<b>674</b>	161	31.4
218	<b>212</b>	Adjusted net profit (**) (***)	726	<b>674</b>	(52)	(7.2)
0.148	<b>0.147</b>	EBIT per share (****) (€)	0.448	<b>0.449</b>	0.001	0.1
0.065	<b>0.062</b>	Adjusted net profit per share (****) (€)	0.215	<b>0.199</b>	(0.016)	(7.4)
(8)	<b>561</b>	Net cash flow from operating activities	606	<b>1,480</b>	874	
276	<b>285</b>	Investments	800	<b>775</b>	(25.0)	(3.1)
3,378.7	<b>3,379.7</b>	Number of shares outstanding at the end of the period (millions)	3,378.7	<b>3,379.7</b>	1.0	
3,378.7	<b>3,379.7</b>	Average number of shares outstanding during the period (millions)	3,378.7	<b>3,379.3</b>	0.6	

(\*) Revenue from regulated activities in the distribution segment in the first nine months of 2013 includes capital gains on the sale of plants to municipalities granting distribution concessions. Accordingly, the corresponding values for 2012 have been reclassified from "Revenue from non-regulated activities".

(\*\*) Net profit is attributable to Snam.

(\*\*\*) Adjusted net profit for the first nine months and the third quarter of 2012 excludes the financial expense (€213 million, net of the related tax effect) relating to the early extinguishment of 12 interest rate swap (IRS) contracts between Snam and its subsidiaries and Eni. This extinguishment gives rise to the contractual provisions in the event that Eni loses control of Snam.

(\*\*\*\*) Calculated based on the average number of shares outstanding during the period.

### EBIT

EBIT totalled €1,516 million in the first nine months of 2013, in line with the same period in 2012 (+€4 million; +0.3%). Third-quarter EBIT in 2013 was down slightly (-€3 million; -0.6%) compared with the same period in 2012 to €496 million.

The increase in revenue from regulated activities, which was driven by all business segments, was partly offset by higher amortisation and depreciation and by higher operating costs, primarily in the distribution segment.

EBIT reflects the robust performance of the storage segment (+€30 million, or +14.4%, in the first nine months; +€16 million, or +32.0%, in the third quarter) and an improvement in the transportation segment (+€28 million, or +3.2%, in the first nine months; +€24 million, or +8.5%, in the third quarter), despite lower gas demand. This was partly offset by a decline in EBIT from the distribution segment<sup>3</sup> (-€43 million, or -10.2%, in the first nine months; -€36 million, or -22.1%, in the third quarter).

<sup>3</sup> EBIT for the natural gas distribution segment in the first nine months and the third quarter of 2012 includes the positive effect of the consolidation adjustment relating to provisions for environmental expenses (€71 million) that Eni repaid to Snam, net of tax effect, pursuant to contractual agreements entered into when completing the acquisition of Italgas.



### **Net profit**

Net profit totalled €674 million in the first nine months of 2013, an increase of €161 million (+31.4%) on the corresponding period of the previous year. Compared with adjusted net profit for the first nine months of 2012, net profit decreased by €52 million (-7.2%). The reduction was due essentially to higher net financial expense (-€66 million), partly offset by lower income taxes (+€21 million) primarily as a result of lower pre-tax profit. Excluding the effects of the early extinguishment, in April 2013, of a €1.5 billion term loan undertaken by Snam in July 2012, net financial expense rose by €35 million. This increase was due primarily to higher average debt during the period.

Net profit totalled €212 million in the third quarter of 2013, up by €207 million on the same period in the previous year. Compared with adjusted net profit for the third quarter of 2012, net profit decreased by €6 million (-2.8%).

### **Investments**

Investments in the first nine months of 2013 totalled €775 million (€285 million in the third quarter of 2013). Incentivised investments<sup>4</sup> represented around 67% of total investments.

### **Net financial debt**

Net financial debt was €12,877 million at 30 September 2013<sup>5</sup>, compared with €12,398 million at 31 December 2012.

The positive cash flow from operating activities (€1,480 million) enabled the Group to fully cover its financial requirements for net investments and for developing foreign activities (€1,456 million in total). After payment to shareholders of the balance of the 2012 dividend (€507 million), net financial debt was €479 million higher than on 31 December 2012.

Net financial debt increased by €317 million during the third quarter of 2013.

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<sup>4</sup> These include investments in metering and are classified on the basis of current regulations.

<sup>5</sup> More information on the net financial debt can be found on page 30.



## Operating highlights (a)

Third quarter		First nine months			
2012	2013	2012	2013	Change	% change
<b>Natural gas transportation (b)</b>					
16.60	<b>15.85</b>	Natural gas injected into the national gas transportation network (billions of cubic metres) (c)			
		57.45	<b>50.34</b>	(7.11)	(12.4)
32,154	<b>32,277</b>	Transportation network (kilometres in use)			
		32,154	<b>32,277</b>	123	0.4
864.1	<b>866.9</b>	Installed power in the compression stations (MW)			
		864.1	<b>866.9</b>	2.8	0.3
<b>Liquefied Natural Gas (LNG) regasification (b)</b>					
0.21		LNG regasification (billions of cubic metres)			
		1.00	<b>0.05</b>	(0.95)	(95.0)
<b>Natural gas storage (b)</b>					
10.7	<b>11.4</b>	Available storage capacity (billions of cubic metres) (d)			
		10.7	<b>11.4</b>	0.7	6.5
3.19	<b>4.08</b>	Natural gas passed through the storage system (billions of cubic metres)			
		12.86	<b>15.32</b>	2.46	19.1
<b>Natural gas distribution</b>					
5.890	<b>5.915</b>	Active meters (millions)			
		5.890	<b>5.915</b>	0.025	0.4
1,434	<b>1,435</b>	Gas distribution concessions (number)			
		1,434	<b>1,435</b>	1	0.1
52,478	<b>52,766</b>	Distribution network (kilometres) (e)			
		52,478	<b>52,766</b>	288	0.5
<b>6,034</b>	<b>6,018</b>	<b>Employees in service at end of period (number) (f)</b>			
		<b>6,034</b>	<b>6,018</b>	(16)	(0.3)
<i>by business segment:</i>					
1,975	<b>1,947</b>	- Transportation			
		1,975	<b>1,947</b>	(28)	(1.4)
79	<b>77</b>	- Regasification			
		79	<b>77</b>	(2)	(2.5)
295	<b>298</b>	- Storage			
		295	<b>298</b>	3	1.0
3,014	<b>2,999</b>	- Distribution			
		3,014	<b>2,999</b>	(15)	(0.5)
671	<b>697</b>	- Corporate			
		671	<b>697</b>	26	3.9

(a) The changes indicated in the table, as well as those below in this press release, must be considered changes from the first nine months of 2012 to the first nine months of 2013. Percentage changes, unless otherwise specified, are calculated in relation to the data indicated in the related tables.

(b) Gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 and 39.3 MJ/SCM respectively for the businesses of natural gas transportation and regasification and natural gas storage.

(c) The figures for the first nine months of 2013 are correct as at 2 October 2013. The figures for the first nine months and the third quarter of 2012 are in line with those published in the national transportation network report.

(d) Working gas capacity for modulation, mining and balancing services. Available capacity at 30 September 2013 is the capacity declared to the Electricity and Gas Authority at the start of the 2013-2014 thermal year, pursuant to Resolution ARG/gas 119/10. The figures for 2012 refer to the available and transferable capacity declared to the Electricity and Gas Authority in relation to the 2012-2013 thermal year.

(e) This figure refers to the kilometres of network operated by Italgas.

(f) Fully consolidated companies.

### Natural gas injected into the national gas transportation network

A total of 50.34 billion cubic metres of natural gas was injected into the national gas transportation network during the first nine months of 2013, down by 7.11 billion cubic metres (-12.4%) on the same period of the previous year (15.85 billion cubic metres in the third quarter; -4.5%). The reduction was due to lower demand for natural gas in Italy (-8.2%), owing primarily to lower consumption in the thermoelectric sector, which was partly offset by higher consumption in the residential and tertiary sectors, and to lower net injections from storage.



### **Liquefied Natural Gas (LNG) regasification**

During the first nine months of 2013, the LNG terminal at Panigaglia (SP) regasified 0.05 billion cubic metres of natural gas (1.00 billion cubic metres in the first nine months of 2012), unloading one LNG tanker (28 in the first nine months of 2012).

The reduction in regasified volumes is due mainly to the global demand for LNG, which has risen sharply, particularly in the Far East.

### **Natural gas storage**

In total, 15.32 billion cubic metres of natural gas passed through the storage system in the first nine months of 2013, an increase of 2.46 billion cubic metres (+19.1%) on the same period of the previous year. This increase was due to higher withdrawals (+2.43 billion cubic metres; +49.3%) as a result of weather conditions.

A total of 4.08 billion cubic metres of gas was moved through the storage system in the third quarter of 2013, up by 0.89 billion cubic metres (+27.9%) on the same period of the previous year. The increase was due entirely to more injections into the system.

### **Natural gas distribution**

At 30 September 2013, Snam held a gas distribution concession in 1,435 municipalities (unchanged from 31 December 2012), of which 1,337 had operational networks and 98 had networks to be completed and/or constructed. At 30 September 2013, the number of active meters located at end-user gas redelivery points (households, businesses, etc.) stood at 5.915 million (5.890 million at 30 September 2012).

### **Main events**

#### *International growth*

#### **Completion of the TIGF acquisition**

Following an agreement signed on 5 April 2013 with the Total group, on 30 July 2013 TIGF Holding, which is controlled by Snam (45%), Singapore sovereign wealth fund GIC (35%) and EDF (20%, through its fund dedicated to the liabilities arising from the dismantling of nuclear reactors), acquired (through TIGF Investissements, a wholly owned subsidiary of TIGF Holding) the entire share capital of TIGF, a gas transportation and storage company in the south-west of France. TIGF Investissements paid Total around €1.6 billion for the equity acquisition in a deal with an enterprise value of around €2.4 billion. Snam's total consideration for its 45% stake in TIGF Holding was €597 million.



### *Euro Medium Term Notes (EMTN) programme*

As part of the EMTN programme, Snam launched two taps of existing fixed-rate bonds on 9 September 2013, for a total incremental amount of €750 million, of which €250 million related to the four-year bond maturing on 30 July 2017 with a fixed-rate annual coupon of 2.375% and €500 million related to the 6.5-year bond maturing on 13 February 2020 with a fixed-rate annual coupon of 3.5%. The private placement of a €70 million five-year bond maturing on 10 September 2018, with a fixed-rate annual coupon of 2.625%, was completed on 10 September 2013.

October 2013 also saw the completion of two private placements: (i) a €300 million three-year bond maturing on 17 October 2016 with a variable quarterly coupon equal to Euribor plus 85 bps; and (ii) a JPY 10 billion six-year bond maturing on 25 October 2019 with a fixed-rate half-yearly coupon of 1.115%, converted fully into euros (approximately €75 million) by a hedging derivative.

These operations enabled the Group to continue the debt structure optimisation programme it began in the first half of 2013, significantly reducing cost and exposure to interest-rate fluctuations while extending the average length of borrowing.

The Board of Directors' decision on 11 June 2013 to extend the EMTN programme enables the Group to place a further €1.3 billion with European institutional investors by 30 June 2014.

### *European Investment Bank (EIB) loans*

On 24 October 2013, the EIB entered into two loan agreements with Snam, worth €300 million and €65 million respectively, to fund projects at Italgas and Snam Rete Gas. The two loans, which are in addition to the €283 million loan granted to Stogit in August, are part of the Snam Group's policy to optimise its financial structure given that they provide longer repayment schedules (up to 20 years) and more favourable rates than bonds and bank loans.



## Outlook

Management's priorities are to expand the Group's business by constructing significant new gas infrastructure in Italy and assessing strategic growth opportunities in Europe.

## Gas demand

On the basis of information currently available, natural gas demand on the Italian market at the end of 2013 will be down on 2012, due mainly to lower consumption in the thermoelectric sector.

## Investments

The major investment programme for the four-year period 2013-2016 is proceeding according to schedule, with overall projected expenditure of approximately €6.2 billion on a consolidated basis.

## Efficiency

Snam reaffirms its commitment to maximising the value creation through both operating efficiency and an efficient capital structure.

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This press release on the consolidated results for the first nine months and the third quarter of 2013 (unaudited) represents the interim directors' report pursuant to Article 154-*ter* of the Consolidated Finance Act (TUF).

The financial statements were compiled in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission under Article 6 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The income statement relates to the first nine months and the third quarter of 2012 and to the first nine months and the third quarter of 2013, while the balance sheet refers to 31 December 2012 and 30 September 2013. The accounting statements are presented in the same format as those included in the interim directors' report in the half-year report and the directors' report in the annual report.

The recognition and measurement criteria adopted for the preparation of the interim directors' report at 30 September 2013 are the same as those used for the 2012 annual report, which should be referred to for a description thereof, except for the international accounting standards that came into force on 1 January 2013, as described in the "Recently issued IFRS" section of the 2012 annual report. There was no effect from the application of these standards, except for the changes to IAS 19 "Employee Benefits" approved by the European Commission through Regulation (EU) No 475/2012 of 5 June 2012. These new measures, effective as of 1 January 2013 and to be applied retrospectively, resulted in the restatement of the balance sheet items as at 1 January 2012 and 31 December 2012 and of the 2012 statement of comprehensive income.

In relation to the Snam Group's existing defined-benefit plans (severance pay, or TFR, and the supplementary healthcare provision for company executives of Eni, or FISDE), the restatement of these balances was as follows: (i) as at 1 January 2012, an increase of €2 million in employee benefit liabilities and a reduction of €1 million in shareholders' equity, net of tax effect; and (ii) as at 31 December 2012, an increase of €21 million in employee benefit liabilities and a reduction of €14 million in shareholders' equity, net of tax effect.



The effects of these changes are attributable mainly to the recognition of unrecognised actuarial gains and losses, which are recorded in other components of comprehensive income.

The consolidation scope at 30 September 2013 was the same as on 30 September 2012 and 31 December 2012.

Given their size, amounts are expressed in millions of euro.

*Pursuant to Article 154-bis, paragraph 2 of the TUF, the CFO, Antonio Paccioretti, declares that the accounting information included in this press release corresponds to documents, accounting ledgers and other records.*

**Disclaimer**

*This press release includes forward-looking statements, especially in the “Outlook” section, relating to: natural gas demand, investment plans, future operating performance and project execution. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. The actual results may therefore differ from those forecast as a result of several factors, including: foreseeable trends in natural gas demand, supply and price, actual operating performance, general macroeconomic conditions, geopolitical factors such as international conflicts, the effect of new energy and environmental legislation, the successful development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.*

A conference call will take place at 14:00 today, 30 October 2013, to present the results of the first nine months and the third quarter of 2013 to investors and financial analysts. An audio webcast of the presentation will be available on the Company's website ([www.snam.it](http://www.snam.it)). In conjunction with the start of the conference call, the presentation support material will also be made available in the “Investor Relations/Presentations” section of the website.





## Summary of results for the first nine months and the third quarter of 2013

### INCOME STATEMENT

Third quarter			First nine months			
2012	2013		2012	2013	Change	% change
856	<b>905</b>	Core business revenue	2,647	<b>2,744</b>	97	3.7
36	<b>25</b>	Other revenue and income	108	<b>91</b>	(17)	(15.7)
<b>892</b>	<b>930</b>	<b>Total revenue</b>	<b>2,755</b>	<b>2,835</b>	<b>80</b>	<b>2.9</b>
<b>820</b>	<b>858</b>	<b>Total revenue net of the effects of IFRIC 12 (*)</b>	<b>2,536</b>	<b>2,633</b>	<b>97</b>	<b>3.8</b>
(218)	<b>(243)</b>	Operating costs	(723)	<b>(752)</b>	(29)	4.0
(146)	<b>(171)</b>	Operating costs net of the effects of IFRIC 12 (*)	(504)	<b>(550)</b>	(46)	9.1
<b>674</b>	<b>687</b>	<b>EBITDA</b>	<b>2,032</b>	<b>2,083</b>	<b>51</b>	<b>2.5</b>
(175)	<b>(191)</b>	Amortisation, depreciation and impairment losses	(520)	<b>(567)</b>	(47)	9.0
<b>499</b>	<b>496</b>	<b>EBIT</b>	<b>1,512</b>	<b>1,516</b>	<b>4</b>	<b>0.3</b>
(465)	<b>(101)</b>	Net financial expense	(632)	<b>(363)</b>	269	(42.6)
15	<b>(7)</b>	Net income (expense) from equity investments	39	<b>28</b>	(11)	(28.2)
<b>49</b>	<b>388</b>	<b>Profit before taxes</b>	<b>919</b>	<b>1,181</b>	<b>262</b>	<b>28.5</b>
(44)	<b>(176)</b>	Income taxes	(406)	<b>(507)</b>	(101)	24.9
<b>5</b>	<b>212</b>	<b>Net profit (**)</b>	<b>513</b>	<b>674</b>	<b>161</b>	<b>31.4</b>
<b>218</b>	<b>212</b>	<b>Adjusted net profit (**)</b>	<b>726</b>	<b>674</b>	<b>(52)</b>	<b>(7.2)</b>

(\*) The adoption of international accounting standard IFRIC 12 "Service Concession Arrangements", applicable since 1 January 2010, has had no effect on the consolidated results, except for the recognition, in equal measure, of revenue and costs relating to the construction and upgrading of distribution infrastructure for €219 million and €202 million in the first nine months of 2012 and 2013 respectively (€72 million in the third quarters of 2012 and 2013).

(\*\*) Net profit is attributable to Snam.

**EBIT** totalled €1,516 million in the first nine months of 2013, in line with the same period of 2012 (+€4 million; +0.3%). Third-quarter EBIT in 2013 was down slightly (-€3 million; -0.6%) compared with the same period in 2012 to €496 million.

Higher revenue (+€71 million in the first nine months, net of components offset in costs; +€25 million in the third quarter), owing to the positive contribution from regulated activities across all the business segments (+€80 million in the first nine months; +€24 million in the third quarter), were offset by higher amortisation and depreciation (-€47 million in the first nine months; -€16 million in the third quarter) and by higher operating costs (-€20 million, net of components offset in revenue; -€12 million in the third quarter). The increase in amortisation and depreciation was due in particular to new infrastructure becoming operational and to the effects of the costs incurred for the award of the concession for Rome, where Italgas no longer owns the assets but is licensed to use them (-€15 million). These costs, net of the reimbursement as determined by the agreement with the Municipality of Rome, are amortised over the duration of the concession (12 years).

EBIT reflects the robust performance of the storage segment (+€30 million, or +14.4%, in the first nine months; +€16 million, or +32.0%, in the third quarter) and an improvement in the transportation segment (+€28 million, or +3.2%, in the first nine months; +€24 million, or +8.5%, in the third quarter),



despite lower gas demand (-8.2%) and lower volumes of gas injected into the network. This was partly offset by a fall in the distribution segment (-€43 million, or -10.2%, in the first nine months; -€36 million, or -22.1%, in the third quarter).

**Net profit** totalled €674 million in the first nine months of 2013, up by €161 million (+31.4%) compared with the first nine months of 2012 (+€207 million in the third quarter). The increase was due essentially to lower net financial expense (+€269 million in the first nine months; +€364 million in the third quarter), partly offset by higher income taxes (-€101 million in the first nine months; -€132 million in the third quarter) as a result of higher pre-tax profit. The reduction in net financial expense was due largely to the recognition in the third quarter of 2012 of the costs associated with the early extinguishment of IRS contracts between Snam and its subsidiaries and Eni (€335 million; €213 million net of the related tax effect), giving rise to the contractual provisions in the event that Eni loses control of Snam.

Net profit decreased by €52 million (-7.2%) compared with the adjusted net profit in the first nine months of 2012. This reduction was due essentially to higher net financial expense (-€66 million). Excluding the effects of the early extinguishment of a €1.5 billion term loan undertaken by Snam in July 2012, net financial expense rose by €35 million. This increase was due primarily to higher average debt during the period. Net profit also fell because of lower income from equity investments (-€11 million) relating to the share of net profit for the period of equity-accounted investments, with the value of Snam's stake in TIGF Holding affected by the costs incurred during the acquisition of TIGF S.A. These factors were partly offset by lower income taxes (+€21 million) owing primarily to a fall in pre-tax profit.

Net profit in the third quarter of 2013 was €212 million, down by €6 million (-2.8%) compared with the adjusted net profit in the third quarter of 2012, owing primarily to lower income from equity investments (-€22 million) and higher income taxes (-€10 million), the effects of which were partly offset by lower net financial expense (+€29 million). The reduction in net financial expense was attributable mainly to lower costs for the bridge loan undertaken in July 2012 and replaced by successive bond issues in 2012, and to the optimisation of the Group's financial structure.

The tax rate was 42.9% (44.2% in the first nine months of 2012). This reduction was due essentially to higher net financial expense in the first nine months of 2012, non-deductible for regional production tax (IRAP) purposes.

*The following information concerns the operating and financial performance of Snam's business segments in the first nine months and the third quarter of 2013.*



Information by business segment

**Natural gas transportation**

		(€ million)			
<b>Third quarter</b>		<b>First nine months</b>			
<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>Change</b>	<b>% change</b>
472	<b>497</b>	1,433	<b>1,487</b>	54	3.8
469	<b>494</b>	1,423	<b>1,477</b>	54	3.8
90	<b>94</b>	288	<b>307</b>	19	6.6
281	<b>305</b>	870	<b>898</b>	28	3.2
149	<b>156</b>	450	<b>395</b>	(55)	(12.2)
119	<b>116</b>	372	<b>301</b>	(71)	(19.1)
30	<b>40</b>	78	<b>94</b>	16	20.5
16.60	<b>15.85</b>	57.45	<b>50.34</b>	(7.11)	(12.4)
32,154	<b>32,277</b>	32,154	<b>32,277</b>	123	0.4
9,191	<b>9,474</b>	9,191	<b>9,474</b>	283	3.1
22,963	<b>22,803</b>	22,963	<b>22,803</b>	(160)	(0.7)

(\*) Before consolidation adjustments.

**Results**

**Natural gas transportation revenue** totalled €1,477 million in the first nine months of 2013, an increase of €54 million (+3.8%) on the first nine months of 2012. Third-quarter natural gas transportation revenue in 2013 amounted to €494 million, up by €25 million (+5.3%) on the third quarter of 2012. The increase was mainly due to the contribution of investments made in 2011 (+€76 million in the first nine months; +€26 million in the third quarter), the effects of which were partly offset by lower volumes of natural gas transported (-€23 million in the first nine months; -€3 million in the third quarter) and by tariff updates (-€15 million in the first nine months; -€5 million in the third quarter). Higher revenue from components offset in costs (+€16 million in the first nine months; +€5 million in the third quarter) also contributed to the increase in transportation revenue.

**EBIT<sup>6</sup>** totalled €898 million in the first nine months of 2013, an increase of €28 million (+3.2%) compared with the same period of 2012. Third-quarter EBIT in 2013 rose by €24 million (+8.5%) compared with the previous year to €305 million. Higher transportation revenue (+€38 million in the first nine months; +€20 million in the third quarter) and lower operating costs (+€13 million in the first nine months; +€10 million in the third quarter), owing mainly to changes in provisions for risks and charges, were partly offset by higher amortisation and depreciation (-€17 million in the first nine months; -€6 million in the third quarter), primarily as a result of new infrastructure becoming operational.

<sup>6</sup> EBIT is analysed by considering only those components that have changed it, since the application of the gas sector tariff rules generates revenue and cost items that offset each other: modulation, interconnection and balancing. Specifically, revenue from the balancing business (€70 million in the first nine months of 2013; €46 million in the first nine months of 2012) relates to sales of natural gas made for the purposes of balancing the gas network and is matched to operating costs linked to withdrawals from the gas storage system.



## Operating review

### Natural gas injected into the national gas transportation network <sup>7</sup>

(billions of m<sup>3</sup>)

Third quarter			First nine months			
			2012 (*)	2013	Change	% change
2.09	1.9	Domestic output	6.15	5.64	(0.51)	(8.3)
15.41	13.95	Imports (entry points)	51.30	44.70	(6.60)	(12.9)
5.20	6.97	Tarvisio	17.21	22.06	4.85	28.2
3.24	1.45	Mazara del Vallo	15.66	8.96	(6.70)	(42.8)
2.64	2.71	Gries Pass	7.93	4.86	(3.07)	(38.7)
1.52	1.61	Gela	4.69	4.65	(0.04)	(0.9)
1.25	1.2	Cavarzere (LNG)	4.66	4.11	(0.55)	(11.8)
0.21	0	Panigaglia (LNG)	1.00	0.05	(0.95)	(95.0)
0.04	0.01	Gorizia	0.15	0.01	(0.14)	(93.3)
<b>16.60</b>	<b>15.85</b>		<b>57.45</b>	<b>50.34</b>	<b>(7.11)</b>	<b>(12.4)</b>

(\*) The data for 2012 have been aligned with those published in the national transportation network report.

A total of 50.34 billion cubic metres of natural gas was injected into the national gas transportation network during the first nine months of 2013, down by 7.11 billion cubic metres (-12.4%) on the same period of the previous year (15.85 billion cubic metres in the third quarter; -4.5%). The reduction was due to lower natural gas demand in Italy (-8.2%), owing primarily to lower consumption in the thermoelectric sector (-20.9%) because of lower demand for electricity and the increasing production of energy from renewable sources, and to lower consumption in the industrial sector (-3.3%) as a result of a downturn in manufacturing, offset in part by higher consumption in the residential and tertiary sectors (+1.1%). The considerable drop in net injections from storage compared with the first nine months of 2012 (-2.59 billion cubic metres) also contributed to the reduction.

Natural gas injected into the national network from domestic production fields or their collection and treatment centres was 5.64 billion cubic metres, down by 0.51 billion cubic metres (-8.3%) compared with the first nine months of 2012.

Imports decreased by 6.60 billion cubic metres (-12.9%) compared with the first nine months of 2012. The reduction was attributable mainly to lower volumes injected at the Mazara del Vallo (-6.70 billion cubic metres; -42.8%) and Gries Pass (-3.07 billion cubic metres; -38.7%) entry points, as a result of falling gas imports from northern Europe, and to lower volumes regasified at the Panigaglia and Cavarzere terminals (-0.95 billion and -0.55 billion cubic metres respectively). There was an increase in imports from the Tarvisio entry point (+4.85 billion cubic metres; +28.2%) as a result of greater gas imports from Russia.

<sup>7</sup> Gas volumes are expressed in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM. The basic figure is measured in energy (MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.



## Investments

Third quarter		First nine months				(€ million)
2012	2013	2012	2013	Change	% change	
91	84	293	210	(83)	(28.3)	<b>Development</b>
73	60	233	147	(86)	(36.9)	Investments with <b>3% incentive</b>
18	24	60	63	3	5.0	Investments with <b>2% incentive</b>
58	72	157	185	28	17.8	<b>Maintenance and other</b>
28	32	79	91	12	15.2	Investments with <b>1% incentive</b>
30	40	78	94	16	20.5	Investments with <b>no incentives</b>
<b>149</b>	<b>156</b>	<b>450</b>	<b>395</b>	<b>(55)</b>	<b>(12.2)</b>	

**Investments** totalled €395 million in the first nine months of 2013, a reduction of €55 million (-12.2%) compared with the first nine months of 2012.

Investments were classified in accordance with Resolution ARG/gas 184/09 of the Electricity and Gas Authority, which identified various categories of projects with different incentive levels.

A total of 76% of investments are expected to benefit from incentive-based returns. The breakdown of investments by category for 2012 and 2013 will be submitted to the Electricity and Gas Authority when it approves the tariff proposals for 2014 and 2015, and may differ from the breakdown in the current regulatory period, which ends on 31 December 2013.

The main investments with a **3% incentive** (€147 million) were:

- as part of the upgrading of national transportation infrastructure in the Po Valley (€85 million): (i) materials for and construction work on the Zimella-Cervignano pipeline from Veneto to Lombardy; and (ii) continuation of construction work on the Poggio Renatico-Cremona pipeline from Emilia-Romagna to Lombardy;
- as part of the upgrading of import infrastructure in southern Italy (€29 million): renovation work on and materials for the Enna station in Sicily;
- as part of the Northern Exports initiative (€11 million): continuation of planning and materials for plants for the Cervignano-Mortara pipeline and costs relating to the repositioning of pipes by Stogit for its new station at Minerbio in Lombardy;
- the continuation of additional work on the main line and materials for connection points for the Massafra-Biccari pipeline, as part of the new transportation infrastructure project on the Adriatic coast (€11 million), in Puglia and Basilicata.

The main investments with a **2% incentive** (€63 million) relate to a number of works to upgrade the network and to connect to new regional and national redelivery points, including:

- the continuation of construction work on natural gas pipelines and associated connections as part of the natural gas conversion project in Calabria (€11 million);
- materials for the "Potenziamento Gavi-Pietralavezzara" pipeline in Piedmont (€7 million);
- the continuation of construction work on the "Derivazione per Sapri" pipeline in Campania (€4 million);



- the continuation of construction work on the Monsummano-Lamporecchio pipeline in Tuscany (€3 million).

The investments with a **1% incentive** (€91 million) involved projects aimed at maintaining adequate safety and quality levels at the plants, including: the provision of turbo compressors as part of the project to replace/transform the Messina compression station in Sicily (€15 million) and compensation for third parties (€17 million).

**Investments without incentive** (€94 million) included projects to replace assets and plants, as well as projects relating to the implementation of new IT systems, the development of existing ones and the purchase of other key operating assets.



## Liquefied Natural Gas (LNG) regasification

Third quarter			First nine months		(€ million)	
2012	2013		2012	2013	Change	% change
10	7	Core business revenue (*) (**)	27	23	(4)	(14.8)
7	5	- of which LNG regasification revenue	18	17	(1)	(5.6)
5	4	Operating costs (**)	19	15	(4)	(21.1)
3	1	EBIT	5	4	(1)	(20.0)
1	2	Investments	1	3	2	
0.21		Volumes of LNG regasified (billions of cubic metres)	1.00	0.05	(0.95)	(95.0)
5		Tanker loads (number)	28	1	(27)	(96.4)

(\*) Core business revenue includes the recharging to customers of expenses relating to natural gas transportation services provided by Snam Rete Gas S.p.A. For the purposes of the consolidated financial statements, this revenue is eliminated, together with transportation costs, within GNL Italia S.p.A. in order to represent the substance of the operation.

(\*\*) Before consolidation adjustments.

### Results

**Revenue from LNG regasification** amounted to €17 million, down by €1 million, or 5.6%, compared with the first nine months of 2012 (-€2 million in the third quarter; -28.6%), and related primarily to capacity fees<sup>8</sup>.

**EBIT** amounted to €4 million, down by €1 million compared with the first nine months of 2012 (-€2 million in the third quarter) due to lower revenue from regasification (-€1 million in the first nine months; -€2 million in the third quarter).

### Operating review

In the first nine months of 2013, the LNG terminal at Panigaglia (SP) regasified 0.05 billion cubic metres of natural gas (1.00 billion cubic metres in the first nine months of 2012), unloading one LNG tanker (compared with 28 in the first nine months of 2012).

The reduction in volumes regasified was due to the global trend in demand for LNG, which resulted in particularly strong demand in the markets of the Far East, to the detriment of the European market.

### Regulation

*Resolution 438/2013/R/gas – “Regulation criteria for liquefied natural gas regasification tariffs for the 2014-2017 period”.*

With this resolution, which was published on 9 October 2013, the Electricity and Gas Authority defined the criteria for regasification service tariffs applicable in the fourth regulatory period (1 January 2014 – 31 December 2017). For the purposes of determining the relevant revenues, the mechanisms already in force for the third period were essentially confirmed. With regard to the weighted average cost of capital (WACC), a rate of 7.3% in real terms, before tax, was set for investments made up to 31 December 2013, and a rate of 8.3% was set for investments made after that date (versus 7.6% in the

<sup>8</sup> Capacity fees include revenue related to the regasification commitment for an annual volume of LNG and a share of revenue related to the activity of docking and unloading methane tankers.



third regulatory period). A revision of the WACC will also be introduced halfway through the regulatory period via an update solely of the return from risk-free assets (average of the April 2014-March 2015 period).

With regard to the tariff structure, 100% of the total revenue is allocated to the capacity component (versus 90% to capacity and 10% to commodity in the third regulatory period). The tariffs are updated using the “price cap” method, applied exclusively to the component relating to operating costs. The revenue component relating to the return and amortisation and depreciation is updated on the basis of an annual recalculation of invested capital and additional revenues from the incentives for investments realised in prior regulatory periods.

New investments made from the 2014 financial year onwards, and aimed at expanding the regasification capacity of existing terminals by more than 30% or building new terminals, are incentivised by means of a rate that is 2 percentage points higher than the base WACC, for 16 years. The guarantee factor for covering revenue is set at 64% of total revenue.

*Ministerial Decree 13/09/2013 – Amendments to the emergency plan, as per Annex 2 of the Decree of 19 April 2013, relating to the emergency plan to deal with unfavourable events for the natural gas system (Official Gazette No 232 of 3 October 2013).*

With this decree, the Ministry of Economic Development introduced certain changes concerning the rules for dispatching in emergency conditions and the security obligations of the national natural gas system. Specifically, a “peak shaving” measure was introduced in relation to the usage of LNG stocks. This measure may be activated by using partially used regasification terminals or dedicated LNG tanks. New measures were also introduced to increase gas imports via pipelines connected directly to the Italian gas transportation network, as well as via regasification terminals, including through contractual options for deferred deliveries.





## Natural gas storage

		(€ million)			
Third quarter		First nine months		%	
2012	2013	2012	2013	Change	change
82	<b>110</b>	302	<b>362</b>	60	19.9
	<i>82</i>	<i>302</i>	<i><b>337</b></i>	<i>35</i>	<i>11.6</i>
	<i>16</i>	<i>46</i>	<i><b>76</b></i>	<i>30</i>	<i>65.2</i>
	<i>50</i>	<i>209</i>	<i><b>239</b></i>	<i>30</i>	<i>14.4</i>
	<i>47</i>	<i>110</i>	<i><b>155</b></i>	<i>45</i>	<i>40.9</i>
	<i>10</i>	<i>10</i>	<i><b>10</b></i>		
	<i>8</i>	<i>8</i>	<i><b>8</b></i>		
	Natural gas moved through the storage system				
3.19	<b>4.08</b>	12.86	<b>15.32</b>	2.46	19.1
	<i>3.19</i>	<i>7.93</i>	<i><b>7.96</b></i>	<i>0.03</i>	<i>0.4</i>
		<i>4.93</i>	<i><b>7.36</b></i>	<i>2.43</i>	<i>49.3</i>
10.7	<b>11.4</b>	10.7	<b>11.4</b>	0.7	6.5

(\*) As of 1 April 2013, pursuant to Resolution 297/2012/R/gas of 19 July 2012, core business revenue includes the recharging to storage users of the costs relating to the natural gas transportation service provided by Snam Rete Gas S.p.A. For the purposes of the consolidated financial statements, this revenue is eliminated, together with transportation costs, within Stogit S.p.A. in order to represent the substance of the operation.

(\*\*) Before consolidation adjustments.

(\*\*\*) Working gas capacity for modulation services.

(\*\*\*\*) Working gas capacity for modulation, mining and balancing services. The figure indicated represents the maximum available and transferrable capacity, and may not correspond to the maximum replenishment carried out.

## Results

**Revenue from natural gas storage** in the first nine months of 2013 totalled €337 million<sup>9</sup>, up by €35 million, or 11.6%, compared with the first nine months of 2012 (+€15 million in the third quarter; +18.3%). This increase was due to the contribution from investments made in 2011 (+€24 million in the first nine months of the year; +€8 million in the third quarter). The revenue from storage related to modulation storage (€288 million, or +14.3% in the first nine months; €82 million, or +20.6% in the third quarter) and to strategic storage (€47 million, or +4.4% in the first nine months; €15 million, or +7.1% in the third quarter).

**EBIT** in the first nine months of 2013 totalled €239 million, up by €30 million, or 14.4%, compared with the corresponding period of 2012. In the third quarter of 2013, EBIT rose by €16 million, or 32.0%, compared with the third quarter of 2012. Higher storage revenue (+€34 million in the first nine months, net of revenue offset in costs; +€15 million in the third quarter) was partly offset by an increase in operating costs (-€3 million in the first nine months, net of components offset in revenue; unchanged in

<sup>9</sup> Including payments totalling €2 million received from Eni in addition to storage revenue for the thermal year from 1 April 2012 – 31 March 2013 (€5 million for the thermal year from 1 April 2011 – 31 March 2012) in respect of the contractual agreements signed by Eni and Stogit relating to activities connected to Legislative Decree 130/2010, "Measures for greater competition in the natural gas market and the transfer of resulting benefits to end customers, pursuant to Article 30, paragraphs 6 and 7 of Law 99 of 23 July 2009".



the third quarter) and by higher amortisation and depreciation for the period (-€2 million in the first nine months; unchanged in the third quarter).

## Operating review

### *Natural gas moved through the storage system*

The volumes of gas moved through the storage system in the first nine months of 2013 amounted to 15.32 billion cubic metres, an increase of 2.46 billion cubic metres (19.1%) compared with the volumes moved in the first nine months of 2012 (12.86 billion cubic metres). The increase was due mainly to higher withdrawals from storage (+2.43 billion cubic metres; +49.3%) as a result of the temperatures recorded in March and April 2013, which were colder than in the corresponding period of the previous year.

In the third quarter of 2013, the amount of gas moved through the storage system amounted to 4.08 billion cubic metres, up by 0.89 billion cubic metres (+27.9%) compared with the corresponding period of the previous year. This increase was due entirely to higher volumes injected into storage.

Total storage capacity at 30 September 2013, including strategic storage, was 15.9 billion cubic metres (+0.2 billion cubic metres; +1.3%), of which 9.9 billion cubic metres related to available capacity allocated (10.7 billion cubic metres in thermal year 2012-2013), 1.5 billion cubic metres related to available capacity not yet allocated and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2012-2013).

## Investments

Third quarter			First nine months		(€ million)	
2012	2013		2012	2013	Change	% change
20	35	Development of new fields (4% incentive over 16 years)	47	97	50	
22	7	Upgrading of capacity (4% incentive over 8 years)	49	37	(12)	(24.5)
5	8	Maintenance and other	14	21	7	50.0
<b>47</b>	<b>50</b>		<b>110</b>	<b>155</b>	<b>45</b>	<b>40.9</b>

**Investments** in the first nine months of 2013 amounted to €155 million, an increase of €45 million, or 40.9%, compared with the first nine months of 2012.

Investments were classified in accordance with Resolution ARG/gas 119/10 of the Electricity and Gas Authority, which identified various categories of projects with different incentive levels.

A total of 86% of investments are expected to benefit from incentive-based returns. The breakdown of investments for 2013 will be submitted to the Authority when it approves the proposed tariff for 2015 and may differ from the tariff in the current regulatory period, which ends on 31 December 2014.

Investments with a **4% incentive over 16 years** (€97 million) relate mainly to development activities at the Bordolano and Fiume Treste fields for drilling, the acquisition of materials and the execution of work on the plants, as well as to engineering activities relating to the development of the Alfonsine field.

Investments with a **4% incentive over 8 years** (€37 million) relate to drilling and repowering activities at the Fiume Treste, Sabbioncello, Minerbio and Settala fields.



### **Withdrawals of strategic gas reserves from storage in 2010-2011**

With Resolution 91/2013/S/gas, published on 7 March 2013, the Electricity and Gas Authority initiated proceedings for the adoption of prescriptive measures against Speia S.p.A. and Stogit S.p.A. in relation to possible anomalies in the management of withdrawals of strategic gas reserves in the 2010-2011 thermal year for storage.

The proceedings in question resulted from the survey launched by Resolutions 282/2012/R/gas and 444/2012/R/gas, with regard to anomalies observed on the balancing market in the period from 1 December 2011 to 23 October 2012, and from the need to carry out an investigation. The purpose of the proceedings is to ascertain the facts concerning withdrawals of strategic gas by Speia during the 2010 thermal year for storage and for the Authority to adopt prescriptive measures to protect one company or the other under combined sanctions, in derogation of the regulations in force and in order to avoid irregular expense and consequences for end customers. On 20 May 2013, Stogit appeared before the body in charge of the proceeding for a hearing.

With Resolution 463/2013/E/gas of 22 October 2013, the Authority closed the proceeding started with Resolution 91/2013/S/gas, and confirmed, in line with the investigation results, that there is no basis for prescriptive measures against Stogit.

### **Regulation**

*Resolution 350/2013/R/gas – Approval of business fees and determination of unit fees for the storage service for 2014.*

With this resolution, which was published on 2 August 2013, the Electricity and Gas Authority approved the storage tariffs for 2014. The RAB as at 31 December 2012 for natural gas storage activities was €3.7 billion. The storage tariffs for 2014 were determined based on reference revenues of around €453 million.



## Natural gas distribution

(€ million)

Third quarter			First nine months		%	
			2012	2013		
307	320	Core business revenue (*)	926	<b>944</b>	18	1.9
299	310	- of which natural gas distribution	900	<b>914</b>	14	1.6
235	248	Core business revenue net of IFRIC 12	707	<b>742</b>	35	5.0
227	238	- of which natural gas distribution	681	<b>712</b>	31	4.6
199	143	Operating costs (*)	495	<b>427</b>	(68)	(13.7)
127	71	Operating costs net of IFRIC 12	276	<b>225</b>	(51)	(18.5)
92	127	EBIT (**)	351	<b>379</b>	28	8.0
78	78	Investments	235	<b>221</b>	(14)	(6.0)
608	680	Gas distribution (millions of cubic metres)	5,155	<b>5,160</b>	5	0.1
52,478	52,766	Distribution network (***) (kilometres)	52,478	<b>52,766</b>	288	0.5
5.890	5.915	Active meters (millions)	5.890	<b>5.915</b>	0.025	0.4

(\*) Before consolidation adjustments.

(\*\*) EBIT for the first nine months and third quarter of 2012 includes provisions for environmental expenses (€71 million) paid as indemnification, net of tax effect, by Eni to Snam pursuant to contractual agreements entered into when completing the acquisition of Italgas.

(\*\*\*) This figure refers to the kilometres of network managed by Italgas.

## Results

**Revenue from natural gas distribution** in the first nine months of 2013 totalled €914 million, up by €14 million, or +1.6%, compared with the first nine months of 2012 (+€11 million in the third quarter; +3.7%). Excluding the effects of applying IFRIC 12, distribution revenue rose by €31 million, or 4.6%, due mainly to tariff updating mechanisms (+€11 million in the third quarter; +4.8%).

**EBIT** in the first nine months of 2013 amounted to €379 million, up by €28 million, or 8.0%, compared with the corresponding period of 2012. This increase was due mainly to higher revenue from natural gas transmission (+€31 million) and to the reduction in operating costs (+€51 million) attributable to provisions for risks and charges, which were considerably lower in the first nine months of 2013 because of the provisions for environmental expenses set aside in the first nine months of 2012 (€71 million). These expenses are not recorded for the purposes of the consolidated financial statements, since they were paid as indemnification, net of tax effect, by Eni to Snam pursuant to agreements entered into between the parties upon completion of the acquisition of Italgas.

These factors were partly offset by higher amortisation and depreciation for the period (-€28 million) and greater capital gains on natural gas distribution concessions (-€20 million). The increase in amortisation and depreciation was also due in particular to new infrastructure becoming operational and to the effects of the costs incurred for the award of the concession for Rome, where Italgas no longer owns the assets but is licensed to use them (-€15 million). These costs, net of the reimbursement as determined by the agreement with the Municipality of Rome, are amortised over the duration of the concession (12 years).



In the third quarter of 2013, EBIT increased by €35 million, or 38.0%, compared with the corresponding period of 2012. The higher revenue from natural gas transmission (+€11 million) and reduced operating costs (+€56 million) were partly offset by lower capital gains on natural gas distribution concessions (-€20 million).

## Operating review

### Natural gas distribution

In the first nine months of 2013, 5,160 million cubic metres of gas were distributed, an increase of 5 million cubic metres, or 0.1%, compared with the same period in 2012.

At 30 September 2013, Snam held a gas distribution concession in 1,435 municipalities (unchanged from 31 December 2012), of which 1,337 with operational networks and 98 with networks to be completed and/or constructed. At 30 September 2013, the number of active meters located at end-user gas redelivery points (households, businesses, etc.) stood at 5.915 million (5.890 million at 30 September 2012).

### Distribution network

At 30 September 2013, the gas distribution network covered 52,766 kilometres (52,586 kilometres at 31 December 2012). The increase of 180 kilometres compared with the end of 2012 is due to the construction of new networks, specifically in Calabria, and to the extension of networks for concession commitments.

## Investments

Third quarter			First nine months			(% million)	
2012	2013		2012	2013	Change	% change	
58	55	<b>Distribution</b>	167	148	(19)	(11.4)	
48	40	Network maintenance and development	133	113	(20)	(15.0)	
10	15	Replacement of cast-iron pipes (2% incentive)	34	35	1	2.9	
14	17	<b>Metering</b> (8% remuneration)	52	54	2	3.8	
6	6	<b>Other investments</b>	16	19	3	18.8	
78	78		235	221	(14)	(6.0)	

**Investments** in the first nine months of 2013 amounted to €221 million, a decrease of €14 million, or 6%, compared with the first nine months of 2012.

**Investments in distribution** (€148 million) mainly involved development projects (extensions and new networks) and the renovation of old sections of pipe, including the replacement of cast-iron pipes.

**Investments in metering** (€54 million) primarily concerned the meter replacement programme and the remote meter-reading project.

**Other investments** (€19 million) mainly concerned investments in IT, property and vehicles.



**Regulation**

*Consultation Document 359/2013/R/gas – “Final guidelines for defining the cost and tariffs for gas distribution and metering services in the fourth regulatory period”.*

On 7 August, the Authority published the fourth consultation document on the final guidelines for defining the cost and tariffs for gas distribution and metering services in the fourth regulatory period.



## **Other information**

### *Litigation*

Snam is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. Below is a description of the most significant proceedings in which developments have taken place since they were described in the 2012 annual report and the half-year report as at 30 June 2013.

### **Competition Authority**

#### *Italgas S.p.A. – Investigation of the gas distribution segment in Italy*

In October 2010, the Competition Authority started an investigation to determine whether Italgas had abused its dominant position, obstructing the Municipalities of Rome and Todi in preparing their calls for tenders for the contracting of the gas distribution service.

The decision was taken in light of indications sent to the Competition Authority by two local entities accusing the company, as gas distribution service concessionaire, of having delayed or refused to give the necessary information to the authorities to prepare calls for tenders for contracting the service.

Italgas contested the Competition Authority's charges, justifying its behaviour both with regard to the delay and the refusal to send certain data and information, and with reference to the existence of a plan to shut out its competitors.

Through measures taken on 14 December 2011, the Competition Authority imposed a penalty on Italgas of approximately €5 million, for having conducted supposedly abusive practices in the context of tenders for the allocation of the gas distribution service held by the Municipality of Rome and the Municipality of Todi. The company had made sufficient provisions for risks.

Furthermore, in compliance with the Competition Authority's measures, on 16 March 2012 the company provided the Municipality of Todi with data relating to private contributions received, and Italgas subsequently wrote to the Competition Authority providing proof that it had fulfilled this obligation.

Italgas proceeded to pay the penalty, as required by law, and lodged an appeal against the decision with the administrative judge. A hearing on the merits took place on 20 February 2013.

On 11 October 2013, the Lazio regional administrative court handed down a ruling reducing the penalty issued to Italgas to around €1.5 million. This decision is subject to the terms of the law for appeals to the Council of State.

*The following summary tables show the reclassified consolidated income statement items.*



Revenue

(€ million)

Third quarter		First nine months			
2012	2013	2012	2013	Change	% change
856	905	2,647	2,744	97	3.7
<b>Core business revenue</b>					
<b>Business segments</b>					
472	497	1,433	1,487	54	3.8
10	7	27	23	(4)	(14.8)
82	110	302	362	60	19.9
307	320	926	944	18	1.9
72	72	219	202	(17)	(7.8)
49	42	129	122	(7)	(5.4)
(64)	(71)	(170)	(194)	(24)	14.1
36	25	108	91	(17)	(15.7)
<b>892</b>	<b>930</b>	<b>2,755</b>	<b>2,835</b>	<b>80</b>	<b>2.9</b>
<b>Total revenue</b>					

(\*) As of 1 April 2013, the core business revenue of the storage segment includes the recharging of the transportation service provided by Snam Rete Gas pursuant to Resolution 297/2012/R/gas of the Electricity and Gas Authority of 19 July 2012. This recharging (€24 million and €12 million in the first nine months and the third quarter of 2013 respectively) is offset in operating costs associated with the purchase of the transportation capacity provided by Snam Rete Gas.

Revenue – Regulated and non-regulated activities

(€ million)

Third quarter		First nine months			
2012	2013	2012	2013	Change	% change
874	920	2,707	2,805	98	3.6
<b>Revenue from regulated activities</b>					
469	511	1,469	1,544	75	5.1
7	5	18	17	(1)	(5.6)
71	87	266	299	33	12.4
327	317	954	945	(9)	(0.9)
72	72	219	202	(17)	(7.8)
18	10	48	30	(18)	(37.5)
<b>Revenue from non-regulated activities</b>					
<b>892</b>	<b>930</b>	<b>2,755</b>	<b>2,835</b>	<b>80</b>	<b>2.9</b>

(\*) Revenue from regulated activities in the distribution segment in the first nine months of 2013 includes capital gains on the sale of plants to municipalities granting distribution concessions. Accordingly, the corresponding values for 2012 have been reclassified from "Revenue from non-regulated activities".





## Operating costs

(€ million)

Third quarter			First nine months			
2012	2013		2012	2013	Change	% change
<b>Business segments</b>						
90	<b>94</b>	Transportation	288	<b>307</b>	19	6.6
5	<b>4</b>	Regasification	19	<b>15</b>	(4)	(21.1)
16	<b>30</b>	Storage (*)	46	<b>76</b>	30	65.2
199	<b>143</b>	Distribution	495	<b>427</b>	(68)	(13.7)
72	<b>72</b>	- of which effects of IFRIC 12	219	<b>202</b>	(17)	(7.8)
46	<b>44</b>	Corporate	121	<b>124</b>	3	2.5
(138)	<b>(72)</b>	Consolidation adjustments and eliminations	(246)	<b>(197)</b>	49	(19.9)
<b>218</b>	<b>243</b>		<b>723</b>	<b>752</b>	<b>29</b>	<b>4.0</b>

(\*) As of 1 April 2013, operating costs in the storage segment include the costs associated with purchasing the transportation capacity provided by Snam Rete Gas pursuant to Resolution 297/2012/R/gas of the Electricity and Gas Authority of 19 July 2012.

## Operating costs – Regulated and non-regulated activities

(€ million)

Third quarter			First nine months			
2012	2013		2012	2013	Change	% change
<b>216</b>	<b>237</b>	<b>Regulated business costs</b>	<b>695</b>	<b>727</b>	<b>32</b>	<b>4.6</b>
104	108	Controllable fixed costs	334	336	2	0.6
7	25	Variable costs	61	88	27	44.3
105	104	Other costs	300	303	3	1.0
72	<b>72</b>	- of which effects of IFRIC 12	219	<b>202</b>	(17)	(7.8)
<b>2</b>	<b>6</b>	<b>Non-regulated business costs</b>	<b>28</b>	<b>25</b>	<b>(3)</b>	<b>(10.7)</b>
<b>218</b>	<b>243</b>		<b>723</b>	<b>752</b>	<b>29</b>	<b>4.0</b>

## Amortisation, depreciation and impairment losses

(€ million)

Third quarter			First nine months			
2012	2013		2012	2013	Change	% change
<b>175</b>	<b>191</b>	<b>Amortisation and depreciation</b>	<b>520</b>	<b>567</b>	<b>47</b>	<b>9.0</b>
<b>Business segments</b>						
112	<b>118</b>	Transportation	336	<b>353</b>	17	5.1
2	<b>2</b>	Regasification	4	<b>4</b>		
16	<b>16</b>	Storage	47	<b>49</b>	2	4.3
44	<b>54</b>	Distribution	131	<b>159</b>	28	21.4
1	<b>1</b>	Corporate	2	<b>2</b>		
<b>175</b>	<b>191</b>		<b>520</b>	<b>567</b>	<b>47</b>	<b>9.0</b>



## EBIT

Third quarter		First nine months				(€ million)
2012	2013	2012	2013	Change	% change	
<b>Business segments</b>						
281	<b>305</b>	870	<b>898</b>	28	3.2	
3	<b>1</b>	5	<b>4</b>	(1)	(20.0)	
50	<b>66</b>	209	<b>239</b>	30	14.4	
92	<b>127</b>	351	<b>379</b>	28	8.0	
2	<b>(3)</b>	6	<b>(4)</b>	(10)		
71		71		(71)	(100.0)	
<b>499</b>	<b>496</b>	<b>1,512</b>	<b>1,516</b>	<b>4</b>	<b>0.3</b>	

## Net financial expense

Third quarter		First nine months				(€ million)
2012	2013	2012	2013	Change	% change	
<b>105</b>	<b>111</b>	<b>239</b>	<b>376</b>	<b>137</b>	<b>57.3</b>	
105	111	239	376	137	57.3	
<b>363</b>		<b>406</b>		<b>(406)</b>	<b>(100.0)</b>	
7	<b>(1)</b>	14	13	(1)	(7.1)	
<b>(10)</b>	<b>(9)</b>	<b>(27)</b>	<b>(26)</b>	<b>1</b>	<b>(3.7)</b>	
<b>465</b>	<b>101</b>	<b>632</b>	<b>363</b>	<b>(269)</b>	<b>(42.6)</b>	

(\*) The figure for the first nine months and third quarter of 2012 includes financial expense arising from the early extinguishment of 12 IRS contracts (€335 million).

## Net income from equity investments

Third quarter		First nine months				(€ million)
2012	2013	2012	2013	Change	% change	
15	<b>(7)</b>	39	<b>28</b>	<b>(11)</b>	<b>(28.2)</b>	
<b>15</b>	<b>(7)</b>	<b>39</b>	<b>28</b>	<b>(11)</b>	<b>(28.2)</b>	

## Income taxes

Third quarter		First nine months				(€ million)
2012	2013	2012	2013	Change	% change	
<b>49</b>	<b>197</b>	<b>444</b>	<b>566</b>	<b>122</b>	<b>27.5</b>	
<b>(Prepaid) deferred taxes</b>						
(17)	<b>(24)</b>	(54)	<b>(60)</b>	(6)	11.1	
12	<b>3</b>	16	<b>1</b>	(15)	(93.8)	
<b>(5)</b>	<b>(21)</b>	<b>(38)</b>	<b>(59)</b>	<b>(21)</b>	<b>55.3</b>	
<b>44</b>	<b>176</b>	<b>406</b>	<b>507</b>	<b>101</b>	<b>24.9</b>	



## Reclassified balance sheet

The reclassified balance sheet set out below combines the assets and liabilities of the condensed consolidated balance sheet based on how the business operates, split into the three basic functions: investment, operations and financing.

Management believes that this format presents useful additional information for investors as it allows identification of the sources of financing (equity and third-party funds) and the application of such funds for fixed and working capital.

The reclassified balance sheet is used by management to calculate the key leverage and profitability ratios.

## RECLASSIFIED BALANCE SHEET

30.06.2013 (€ million)	31.12.2012	30.09.2013	Change
<b>19,707 Fixed capital</b>	<b>19,567</b>	<b>20,374</b>	<b>807</b>
14,543 Property, plant and equipment	14,522	14,581	59
363 Compulsory inventories	363	363	
4,616 Intangible assets	4,593	4,630	37
430 Equity investments	473	1,012	539
2 Financial receivables held for operations	2	13	11
(247) Net payables for investments	(386)	(225)	161
<b>(1,166) Net working capital (*)</b>	<b>(1,139)</b>	<b>(1,636)</b>	<b>(497)</b>
<b>(130) Provisions for employee benefits (*)</b>	<b>(129)</b>	<b>(133)</b>	<b>(4)</b>
<b>15 Assets held for sale and directly related liabilities</b>	<b>15</b>	<b>15</b>	
<b>18,426 Net invested capital</b>	<b>18,314</b>	<b>18,620</b>	<b>306</b>
<b>5,866 Shareholders' equity (including minority interests) (*)</b>	<b>5,916</b>	<b>5,743</b>	<b>(173)</b>
<b>12,560 Net financial debt</b>	<b>12,398</b>	<b>12,877</b>	<b>479</b>
<b>18,426 Coverage</b>	<b>18,314</b>	<b>18,620</b>	<b>306</b>

(\*) The figures recorded at 31 December 2012 were restated following the retrospective application of the new provisions of IAS 19. The restatement resulted in: (i) an increase in provisions for employee benefits (€21 million); (ii) an improvement in net working capital (€7 million) following the reduction in deferred tax liabilities; and (iii) a reduction in shareholders' equity (€14 million) in terms of net effect. More details can be found in Note 1 to the condensed interim consolidated financial statements, "Basis of presentation and accounting principles".

**Fixed capital** (€20,374 million) rose by €807 million compared with 31 December 2012, mainly due to the increase in equity investments (+€539 million) and the reduction in net payables for investments (+€161 million), associated primarily with payment trends.

### Equity investments

The equity investments item (€1,012 million) includes the valuation of equity investments using the equity method and refers in particular to TIGF Holding SAS (€557 million)<sup>10</sup>, Toscana Energia S.p.A. (€148 million), Azienda Energia e Servizi Torino S.p.A. (€118 million), Gasbridge 1 B.V. (€67 million) and Gasbridge 2 B.V. (€67 million).

<sup>10</sup> TIGF Holding SAS, which was incorporated in July 2013, is a jointly owned associate company in which Snam holds 45%, Singaporean sovereign fund GIC holds 35% and EDF holds 20%, through its fund dedicated to the liabilities arising from the dismantling of nuclear reactors. The company owns 100% of the share capital of TIGF Investissements, the special-purpose entity that has acquired 100% of TIGF.

**Net working capital**

<b>30.06.2013</b> (€million)	<b>31.12.2012</b>	<b>30.09.2013</b>	<b>Change</b>
1,977 Trade receivables	1,921	1,952	31
183 Inventories	202	163	(39)
44 Tax receivables	125	37	(88)
322 Other assets	193	217	24
(897) Trade payables	(764)	(820)	(56)
(790) Deferred tax liabilities	(827)	(769)	58
(748) Provisions for risks and charges	(757)	(726)	31
(145) Tax payables	(81)	(340)	(259)
(266) Accruals and deferrals from regulated activities	(309)	(235)	74
(846) Other liabilities	(842)	(1,115)	(273)
<b>(1,166)</b>	<b>(1,139)</b>	<b>(1,636)</b>	<b>(497)</b>

**Net working capital** decreased by €497 million compared with 31 December 2012 to -€1,636 million, owing mainly to: (i) an increase in other liabilities (-€273 million), due mainly to the provision set aside for the payable due to shareholders in relation to the 2013 interim dividend, equal to €0.10 euro per share (-€338 million), which was partly offset by payment of the residual payable due to Eni for the early extinguishment of hedging derivatives (+€141 million); (ii) an increase in tax payables (-€259 million), due essentially to higher income tax payables (-€242 million) as a result of lower advance tax payments made; and (iii) a reduction in tax receivables (-€88 million), due mainly to the payment of VAT receivables in existence as at 31 December 2012 in relation to the distribution segment.

These factors were partly offset by the reduction in accruals and deferrals from regulated activities (+€74 million) and in deferred tax liabilities (+€58 million).



## Statement of comprehensive income

(€ million)	First nine months	
	2012	2013
<b>Net profit</b>	<b>513</b>	<b>674</b>
<b>Other components of comprehensive income</b>		
<i>Components that can be reclassified to the income statement:</i>		
Change in fair value of cash flow hedge derivatives (effective share)	(77)	
Reclassification to income statement of expense arising from fair-value measurement of hedging derivatives (*)	215	
Share of "Other components of comprehensive income" on equity accounted entities		(6)
Tax effect	32	
<b>Total other components of comprehensive income, net of tax effect</b>	<b>170</b>	<b>(6)</b>
<b>Total comprehensive income</b>	<b>683</b>	<b>668</b>
attributable to:		
- Snam	683	668
- Minority interests		
	<b>683</b>	<b>668</b>

(\*) Pursuant to IAS 39, from the time that hedge accounting ceases, an entity must discontinue hedge accounting prospectively. The shareholders' equity reserve resulting from the fair-value measurement of hedging derivatives up to that date must be reclassified to the income statement in full.

## Shareholders' equity

(€ million)	
<b>Shareholders' equity at 31 December 2012</b>	<b>5,916</b>
<i>Increases owing to:</i>	
- Comprehensive income for the first nine months of 2013	668
- Other changes	4
	<b>672</b>
<i>Decreases owing to:</i>	
- Distribution of balance of 2012 dividend	(507)
- 2013 interim dividend	(338)
	<b>(845)</b>
<b>Shareholders' equity including minority interests at 30 September 2013</b>	<b>5,743</b>
attributable to:	
- Snam	5,742
- Minority interests	1
	<b>5,743</b>

Other changes (+€4 million) relate to the exercise of 988,500 stock options by Snam executives. At 30 September 2013, Snam had a total of 1,918,050 treasury shares (compared with 2,906,550 at 31



December 2012), equivalent to 0.06% of its share capital. The market value at 30 September 2013 was around €7.1 million<sup>11</sup>.

### Net financial debt

30.06.2013 (€ million)	31.12.2012	30.09.2013	Change
<b>12,564</b> Financial liabilities	<b>12,413</b>	<b>12,880</b>	<b>467</b>
<b>798</b> Short-term financial liabilities	364	<b>1,192</b>	828
<b>250</b> Current share of long-term financial liabilities	110	<b>236</b>	126
<b>11,516</b> Long-term financial liabilities	11,939	<b>11,452</b>	(487)
<b>(4)</b> Financial receivables and cash and cash equivalents	<b>(15)</b>	<b>(3)</b>	<b>12</b>
<b>(4)</b> Cash and cash equivalents	(15)	<b>(3)</b>	12
<b>12,560</b>	<b>12,398</b>	<b>12,877</b>	<b>479</b>

Net financial debt was €12,877 million at 30 September 2013, compared with €12,398 million at 31 December 2012.

The net cash flow from operations (€1,480 million) allowed us to fully cover the financial requirements associated with net investments and the development of overseas activities for the period (€1,456 million in total) and to generate a free cash flow of €24 million. After payment to shareholders of the balance of the 2012 dividend (€507 million), net financial debt was €479 million higher than on 31 December 2012.

Financial liabilities at 30 September 2013, which totalled €12,880 million, were denominated entirely in euros and consisted mainly of bonds (€8.4 billion, or 65.4%), payables to banks (€3.5 billion, or 26.8%) and loan agreements concerning European Investment Bank (EIB) funding (€1.0 billion, or 7.6%).

Long-term financial liabilities of €11,688 million, including short-term portions, make up approximately 90.7% of financial debt (around 97% at 31 December 2012) and have an average duration of 4.7 years (compared with approximately five years at 31 December 2012).

The breakdown of debt by type of interest rate at 30 September 2013 is as follows:

(€ million)	31.12.2012	%	30.09.2013	%	Change
Floating rate	6,365	51	<b>4,457</b>	35	(1,908)
Fixed rate	6,048	49	<b>8,423</b>	65	2,375
	<b>12,413</b>	<b>100</b>	<b>12,880</b>	<b>100</b>	<b>467</b>

Fixed-rate debt (€8,423 million) rose by €2,375 million after new bonds were issued (+€2,345 million).

Floating-rate debt (€4,457 million) fell by €1,908 million compared with 31 December 2012, owing essentially to the early extinguishment of the term loan (-€1,483 million) and to the net repayment of long-term revolving credit lines (-€1,534 million). These effects were partly offset by the stipulation of a long-term loan agreement concerning EIB funding (+€283 million) and by the increase in short-term

<sup>11</sup> Calculated by multiplying the number of treasury shares by the period-end official price of €3.72 per share.



debt (+€828 million), due essentially to the stipulation of a new loan (+€600 million) and the use of uncommitted credit lines (+€210 million).

At 30 September 2013, Snam had unused committed long-term credit lines worth €4.5 billion. There are no bonds due to mature in the 18 months after 30 September 2013.

#### **Covenants**

The main bilateral and syndicated loans in place with banks and other financial institutions as at 30 September 2013 included covenants, in line with international practice. These concern, *inter alia*, compliance with financial covenants and *pari passu*, negative pledge and change of control clauses. Some covenants are also provided for the bonds issued by Snam under the EMTN programme.

All the checks carried out on the financial covenants provided for under the financial contracts in place confirmed that the said covenants had been complied with.



### Reclassified statement of cash flows and change in net financial debt

The reclassified statement of cash flows set out below summarises the legally required format. It shows the connection between the opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. The free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

### RECLASSIFIED STATEMENT OF CASH FLOWS

Third quarter			First nine months	
2012	2013	(€million)	2012	2013
5	212	<b>Net profit</b>	513	674
		<i>adjusted by:</i>		
163	201	- amortisation, depreciation and other non-monetary components	485	543
(19)	4	- net capital losses (capital gains) on asset sales and eliminations	(19)	2
139	269	- interest and income taxes	660	822
(141)	(96)	Change in working capital due to operating activities	(330)	6
(155)	(29)	Dividends, interest and income taxes collected (paid)	(703)	(567)
<b>(8)</b>	<b>561</b>	<b>Net cash flow from operating activities</b>	<b>606</b>	<b>1,480</b>
(262)	(263)	Investments	(755)	(701)
(134)	(586)	Equity investments	(134)	(586)
2	1	Change in consolidation scope and business units	(24)	(9)
	(11)	Financial investments held for operations		(11)
29	2	Divestments	56	12
10	(22)	Other changes relating to investment activities	(176)	(161)
<b>(363)</b>	<b>(318)</b>	<b>Free cash flow</b>	<b>(427)</b>	<b>24</b>
355	316	Change in short- and long-term financial debt	906	467
0	1	Equity cash flow	(473)	(503)
<b>(8)</b>	<b>(1)</b>	<b>Net cash flow for the period</b>	<b>6</b>	<b>(12)</b>

### CHANGE IN NET FINANCIAL DEBT

Third quarter			First nine months	
2012	2013	(€million)	2012	2013
<b>(363)</b>	<b>(318)</b>	<b>Free cash flow</b>	<b>(427)</b>	<b>24</b>
	1	Equity cash flow	(473)	(503)
<b>(363)</b>	<b>(317)</b>	<b>Change in net financial debt</b>	<b>(900)</b>	<b>(479)</b>





## IFRS financial statements

### Balance sheet

30.06.2013	(€million)	31.12.2012	30.09.2013
<b>ASSETS</b>			
<b>Current assets</b>			
4	Cash and cash equivalents	15	3
2,237	Trade and other receivables	2,048	2,132
183	Inventories	202	163
10	Current income tax assets	11	3
5	Other current tax assets	89	5
84	Other current assets	115	63
2,523		2,480	2,369
<b>Non-current assets</b>			
14,543	Property, plant and equipment	14,522	14,581
363	Compulsory inventories	363	363
4,616	Intangible assets	4,593	4,630
430	Equity-accounted investments	473	1,012
165	Other non-current assets	130	172
20,117		20,081	20,758
23	Non-current assets held for sale	23	23
22,663	<b>TOTAL ASSETS</b>	22,584	23,150
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
798	Short-term financial liabilities	505	1,192
250	Short-term portion of long-term financial liabilities	110	236
1,517	Trade and other payables	1,477	1,720
97	Current income tax liabilities	46	287
48	Other current tax liabilities	28	53
147	Other current liabilities	218	99
2,857		2,384	3,587
<b>Non-current liabilities</b>			
11,516	Long-term financial liabilities	11,939	11,452
748	Provisions for risks and charges	757	726
130	Provisions for employee benefits	129	133
790	Deferred tax liabilities	827	769
748	Other non-current liabilities	624	732
13,932		14,276	13,812
8	Liabilities directly associated with assets held for sale	8	8
16,797	<b>TOTAL LIABILITIES</b>	16,668	17,407
<b>SHAREHOLDERS' EQUITY</b>			
<i>Snam shareholders' equity</i>			
3,571	Share capital	3,571	3,571
1,840	Reserves	1,915	1,843
462	Net profit	779	674
(8)	Treasury shares	(12)	(8)
	Interim dividend	(338)	(338)
5,865	<b>Total Snam shareholders' equity</b>	5,915	5,742
1	<i>Capital and reserves attributable to minority interests</i>	1	1
5,866	<b>TOTAL SHAREHOLDERS' EQUITY</b>	5,916	5,743
22,663	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	22,584	23,150



Income statement

Third quarter			First nine months	
2012	2013	(€ million)	2012	2013
<b>REVENUE</b>				
856	<b>905</b>	Core business revenue	2,647	<b>2,744</b>
36	<b>25</b>	Other revenue and income	108	<b>91</b>
<b>892</b>	<b>930</b>	<b>Total revenue</b>	<b>2,755</b>	<b>2,835</b>
<b>OPERATING COSTS</b>				
(130)	<b>(151)</b>	Purchases, services and other costs	(458)	<b>(490)</b>
(88)	<b>(92)</b>	Personnel expense	(265)	<b>(262)</b>
<b>(175)</b>	<b>(191)</b>	<b>AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES</b>	<b>(520)</b>	<b>(567)</b>
<b>499</b>	<b>496</b>	<b>EBIT</b>	<b>1,512</b>	<b>1,516</b>
<b>FINANCIAL INCOME (EXPENSE)</b>				
(2)	2	Financial income		<b>5</b>
(100)	<b>(103)</b>	Financial expense	(226)	<b>(368)</b>
(363)		Derivatives	(406)	
<b>(465)</b>	<b>(101)</b>		<b>(632)</b>	<b>(363)</b>
<b>INCOME FROM EQUITY INVESTMENTS</b>				
15	<b>(7)</b>	Equity method valuation effect	39	<b>28</b>
<b>15</b>	<b>(7)</b>		<b>39</b>	<b>28</b>
<b>49</b>	<b>388</b>	<b>PRE-TAX PROFIT</b>	<b>919</b>	<b>1,181</b>
<b>(44)</b>	<b>(176)</b>	Income taxes	<b>(406)</b>	<b>(507)</b>
<b>5</b>	<b>212</b>	<b>Net profit</b>	<b>513</b>	<b>674</b>
<b>5</b>	<b>212</b>	- Snam	<b>513</b>	<b>674</b>
		- Minority interests		
<b>Earnings per share</b>				
...	<b>0.06</b>	- <b>basic</b> (€ per share)	0.15	<b>0.2</b>
...	<b>0.06</b>	- <b>diluted</b> (€ per share)	0.15	<b>0.2</b>

Statement of comprehensive income

(€ million)	First nine months	
	2012	2013
<b>Net profit</b>	<b>513</b>	<b>674</b>
<b>Other components of comprehensive income</b>		
<b>Components that can be reclassified to the income statement:</b>		
Change in fair value of cash flow hedge derivatives (effective share)	(77)	
Reclassification to income statement of expense arising from fair-value measurement of hedging derivatives	215	
Share of "Other components of comprehensive income" on equity accounted entities		(6)
Tax effect	32	
<b>Total other components of comprehensive income, net of tax effect</b>	<b>170</b>	<b>(6)</b>
<b>Total comprehensive income</b>	<b>683</b>	<b>668</b>
. attributable to:		
- Snam	683	668
- Minority interests		
	<b>683</b>	<b>668</b>



**Statement of cash flows**

Third quarter			First nine months	
2012	2013	(€million)	2012	2013
5	212	Net profit	513	674
		Adjustments for reconciling profit for the period with cash flow from operating activities:		
175	191	Amortisation and depreciation	520	567
(15)	7	Equity method valuation effect	(39)	(28)
(19)	4	Net capital losses (capital gains) on asset sales, cancellations and eliminations	(19)	2
2	(2)	Interest income		(5)
93	95	Interest expense	254	320
44	176	Income taxes	406	507
		Changes in working capital:		
8	16	- Inventories	43	63
(62)	25	- Trade receivables	(493)	(31)
(188)	(77)	- Trade payables	33	56
(9)	(4)	- Provisions for risks and charges	3	(3)
(240)	(56)	- Other assets and liabilities	(266)	62
(491)	(96)	<i>Working capital cash flow</i>	(680)	147
3	3	Change in provisions for employee benefits	4	4
11	67	Dividends collected	13	68
(3)		Interest collected		1
(93)	(95)	Interest paid	(254)	(310)
(70)	(1)	Income taxes paid net of reimbursed tax credits	(462)	(326)
<b>(358)</b>	<b>561</b>	<b>Net cash flow from operating activities</b>	<b>256</b>	<b>1,621</b>
		Investments:		
(75)	(77)	- Intangible assets	(217)	(211)
(187)	(186)	- Property, plant and equipment	(538)	(490)
(134)	(586)	Equity investments	(134)	(586)
2	1	- Change in scope of consolidation and business units	(24)	(9)
	(11)	- Financial receivables held for operations		(11)
15	(23)	- Change in payables and receivables relating to investments	(171)	(162)
(379)	(882)	<i>Cash flow from investment activities</i>	(1,084)	(1,469)
		Divestments:		
5	1	- Property, plant and equipment	5	2
24	1	- Intangible assets	51	10
(5)	1	- Change in payables and receivables relating to divestments	(5)	1
24	3	<i>Cash flow from divestments</i>	51	13
<b>(355)</b>	<b>(879)</b>	<b>Net cash flow from investment activities</b>	<b>(1,033)</b>	<b>(1,456)</b>
8,370	1,133	Taking on long-term financial debt	9,891	2,997
(6,700)	(1,211)	Repaying long-term financial debt	(7,927)	(3,358)
(965)	394	Increase (decrease) in short-term financial debt	(708)	687
<b>705</b>	<b>316</b>		<b>1,256</b>	<b>326</b>
	1	Net equity capital injections		4
		Dividends paid to Snam shareholders	(473)	(507)
<b>705</b>	<b>317</b>	<b>Net cash flow from financing activities</b>	<b>783</b>	<b>(177)</b>
<b>(8)</b>	<b>(1)</b>	<b>Net cash flow for the period</b>	<b>6</b>	<b>(12)</b>
16	4	<b>Cash and cash equivalents at start of period</b>	2	15
<b>8</b>	<b>3</b>	<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>3</b>