# SNAM: 2012 CONSOLIDATED FINANCIAL STATEMENTS AND DRAFT FINANCIAL STATEMENTS OF THE PARENT COMPANY

*San Donato Milanese, 28 February 2013* – The Snam Board of Directors, chaired by Lorenzo Bini Smaghi, met yesterday to approve the consolidated financial statements and the draft financial statements of the parent company for 2012, which show net profits of €779 million and €390 million respectively. The Board also resolved to propose the distribution of a dividend of €0.25 per share for approval at the Shareholders' Meeting, of which €0.10 per share was paid out in October 2012.

## Financial highlights

- **Total revenue:** €3,621 million[1] (+11.6%)
- **EBIT:** €2,111 million (+7.8%)
- **Adjusted net profit:** €992 million (+1.4%)
- **Investments**: €1,300 million

## Operating highlights

- **Gas injected into the national transportation network:** 75.78 billion cubic metres (-3.2%)
- **Number of active meters:** 5.907 million (+0.2%)
- **Available storage capacity:** 10.7 billion cubic metres (+7.0%)

## Significant events

- **The sale by eni to Cassa Depositi e Prestiti (CDP) of 30% minus one share of Snam's voting capital was completed on 15 October 2012**
- **Completion of Snam's debt refinancing plan on schedule**

### Proposed dividend of €0.25 per share (+4.2%)

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

*"2012 was a significant year for Snam. The consolidated results show an EBIT of more than 2.1 billion euro, with an increase of approximately 8% compared to previous year, despite a tough environment as indicated also by the decrease of more than 3% of gas volume transported.*

*Sound operating results have more than offset the increase in interest expenses deriving also from the refinancing of our debt following the ownership unbundling from eni. This allowed us to reach a net adjusted profit of approximately 1 billion euro, up more than 1% compared to the previous year.*

*During 2012 we have been continuing our capex programme reaching a level of 1.3 billion.*

*The operating performance, the efficient financial management along with the sound capital structure, which shows a total net debt at year end 2012 lower than 12.4 billion euro, allow us to confirm the dividend policy of the company and to propose to the next Shareholders' Meeting a €0.25 per share dividend for 2012, with a 4.2% increase on the 2011 level".*

[1] Total revenue, including revenue from construction and upgrading of distribution infrastructure pursuant to IFRIC 12, amounted to €3,946 million (+9.5%).



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The Annual Report has been submitted to the Board of Statutory Auditors and to the Independent Auditors. The Report will be made available to the public at Snam's registered office and on the company's website, www.snam.it, together with the reports of the Board of Statutory Auditors and the Independent Auditors, within the timeframes established by Legislative Decree 58/98 (Consolidated Finance Act, or TUF).
The Board of Directors also approved the 2013 Remuneration Report, prepared pursuant to Article 123-ter of the TUF, and the 2012 Sustainability Report. These documents, together with the 2012 Report on Corporate Governance and Ownership Structure, which was approved by the Board of Directors on 12 February 2013, will be published at the same time as the 2012 Annual Report.

**Financial highlights**

| (€ million) | | **2011** | **2012** | **Change** | **% change** |
|---|---|---|---|---|---|
| Total revenue | | 3,605 | **3,946** | 341 | 9.5 |
| Total revenue net of the effects of IFRIC 12 | | 3,245 | **3,621** | 376 | 11.6 |
| *- of which revenue from regulated activities* (a) | | *3,178* | ***3,477*** | 299 | 9.4 |
| Operating costs | | 993 | **1,129** | 136 | 13.7 |
| Operating costs net of the effects of IFRIC 12 | | 633 | **804** | 171 | 27.0 |
| EBIT | | 1,958 | **2,111** | 153 | 7.8 |
| Adjusted net profit (b) (c) | | 978 | **992** | 14 | 1.4 |
| Net profit (b) | | 790 | **779** | (11) | (1.4) |
| EBIT per share (d) | (€) | 0.580 | **0.625** | 0.045 | 7.8 |
| Adjusted net profit per share (d) | (€) | 0.290 | **0.294** | 0.004 | 1.4 |
| Investments | | 1,585 | **1,300** | (285) | (18.0) |
| Number of shares outstanding on 31 December | (millions) | 3,378.6 | **3,378.7** | 0.1 | |
| Average number of shares outstanding during the year | (millions) | 3,378.0 | **3,378.7** | 0.7 | |

(a) Revenue from regulated activities in 2012 includes capital gains from the sale of plants transferred to municipalities granting natural gas distribution mandates. Accordingly, the corresponding 2011 figures have been reclassified from the item "Revenue from non-regulated activities".

(b) Net profit is attributable to Snam.

(c) For a definition of net profit and reconciliation with adjusted net profit, which excludes special items, see the "Reconciliation of net profit with adjusted net profit" paragraph of this press release.

(d) Calculated considering the average number of shares outstanding during the year.

## EBIT

EBIT[2] for 2012 totalled €2,111 million, up by €153 million, or 7.8%, compared with 2011. The increase is due mainly to higher revenue from regulated activities (+€256 million, net of components offset in costs), which were partly absorbed by the increase in amortisation, depreciation and impairment losses (-€52 million) and the increase in other costs on regulated activities (-€50 million, net of components offset in revenue), due essentially to higher provisions for risks.

[2] 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: balancing and connection.

The increase in EBIT reflects the improved performance recorded by the natural gas distribution (+€138 million; +24.7%)[3] and storage (+€15 million; +5.9%) business segments. EBIT for the transportation business segment was in line with the previous year (-€2 million; -0.2%).

**Adjusted net profit**

Adjusted net profit for 2012, obtained by excluding special items, totalled €992 million, up by €14 million, or 1.4% compared with 2011. The income components excluded from adjusted net profit for 2012 consist of the financial expense resulting from the early extinguishment of 12 IRS contracts (-€213 million, net of tax effect) in place between Snam and its subsidiaries and eni, in order to execute the contractual provisions set out in the event that eni loses control over Snam[4].

The increase in adjusted net profit is attributable mainly to the increased EBIT (+€153 million), which was partly offset by higher net financial expense (-€146 million), due essentially to costs associated with the debt refinancing, the increase in the average cost of debt and the higher average debt for the period.

**Investments**

Investment amounted to €1,300 million (€1,585 million in 2011), of which €880 million was subject to incentives[5] (67.7% of total investments).

**Equity investments**

Equity investments totalled €135 million and essentially related to the acquisition of equity investments in Interconnector UK (€133 million).

**Net financial debt**

Net financial debt at 31 December 2012 was €12,398 million[6], compared with €11,197 million at 31 December 2011.

The positive net cash flow from operations (€961 million) allowed us to cover part of the financial requirements associated with net investments for the period, equal to €1,351 million. The net financial debt, after the payment to shareholders of the balance of the 2011 dividend of €473 million and the interim dividend of €338 million for 2012, increased by €1,201 million compared with 31 December 2011.

**Shareholders' equity**

Shareholders' equity as at 31 December 2012, totalling €5,930 million, includes the negative effect of the early extinguishment of IRS contracts (-€213 million), which was recorded in the income statement. As at 31 December 2011, the expense associated with these contracts was recorded against shareholders' equity in the amount of €170 million.

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[3] In the consolidated financial statements, the EBIT for the natural gas distribution segment includes the positive effect of the consolidation adjustment relating to provisions for environmental expenses (€71 million) that eni repaid, net of tax effect, to Snam pursuant to contractual agreements entered into when completing the acquisition of Italgas.

[4] For more information, please refer to the "Key events - Debt refinancing" paragraph.

[5] Including investments in metering.

[6] Excludes financial liabilities (€141 million) corresponding to the residual portion of the liabilities arising from the early extinguishment of hedging derivatives, including interest accrued on deferred payment. More information on net financial debt can be found on page 20.

## 2012 dividend

Thanks to the company's strong results and solid fundamentals, we are able to propose the distribution of a dividend of €0.25 per share (€0.24 per share in 2011) for approval at the Shareholders' Meeting, of which €0.10 per share was paid out in October 2012 as an interim dividend, and a balance of €0.15, which will be made payable as of 23 May 2013 with an ex – dividend date of 20 May 2013, confirming Snam's commitment to giving shareholders an attractive and sustainable return on their investment.

## Operating highlights

| | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Natural gas transportation** (a) | | | | |
| Natural gas injected into the national gas transportation network (billions of cubic metres) (b) | 78.30 | **75.78** | (2.52) | (3.2) |
| Transportation network (kilometres in use) | 32,010 | **32,245** | 235 | 0.7 |
| **Liquefied natural gas (LNG) regasification** (a) | | | | |
| LNG regasification (billions of cubic metres) | 1.89 | **1.12** | (0.77) | (40.7) |
| **Natural gas storage** (a) | | | | |
| Available storage capacity (billions of cubic metres) (c) | 10.0 | **10.7** | 0.7 | 7.0 |
| Natural gas moved through the storage system (billions of cubic metres) | 15.31 | **15.63** | 0.32 | 2.1 |
| **Natural gas distribution** | | | | |
| Active meters (millions) | 5.897 | **5.907** | 0.010 | 0.2 |
| Distribution concessions (number) | 1,449 | **1,435** | (14) | (1.0) |
| Distribution network (kilometres) (d) | 52,516 | **52,586** | 70 | 0.1 |
| **Employees in service at year end** (number) (e) | **6,112** | **6,051** | **(61)** | **(1.0)** |
| *by business segment:* | | | | |
| - Transportation (f) | 2,755 | **1,978** | (777) | (28.2) |
| - Regasification | 74 | **78** | 4 | 5.4 |
| - Storage | 278 | **307** | 29 | 10.4 |
| - Distribution | 3,005 | **3,016** | 11 | 0.4 |
| - Corporate (f) | | **672** | 672 | |

(a) Gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 and 39.4 MJ/SCM, respectively for the businesses of natural gas transportation, regasification and storage.

(b) The data for 2011 have been aligned with those published in the national transportation network financial statements.

(c) Working gas capacity for modulation, mining and balancing services.

(d) As of 2012, the figure refers to kilometres of network managed by Italgas. Accordingly, the corresponding figure for 2011 was restated.

(e) Fully consolidated companies.

(f) 2011 data for the transportation segment also include personnel assigned to services provided by the parent company, based on activities carried out until 31 December 2011 by the former Snam Rete Gas S.p.A. (Snam S.p.A. since 1 January 2012). Since 1 January 2012, with the adoption of the new Snam Group ownership structure, the corresponding resources have been allocated to the corporate segment, to reflect the activities carried out by parent company Snam S.p.A.

**Natural gas injected into the national transportation network**
A total of 75.78 billion cubic metres[7] of gas was injected into the transportation network, a reduction of 2.52 billion cubic metres (-3.2%) compared with 2011. This decrease was attributable mainly to the fall in demand for natural gas in Italy (-3.9% compared with 2011), due essentially to lower consumption in the thermoelectric sector (-11.1%), which was only partly offset by increased consumption in the residential and tertiary sector (+1.2%).

**Liquefied Natural Gas (LNG) regasification**
A total of 1.12 billion cubic metres of LNG was regasified in 2012, down by 0.77 billion cubic metres compared with 2011, with 31 methane tankers of various types unloaded (50 tankers unloaded in 2011).

**Natural gas storage**
The volumes of gas moved through the storage system in 2012 totalled 15.63 billion cubic metres, up by 0.32 billion cubic metres, or 2.1%, compared with 2011. This increase was due mainly to higher injections to replenish stocks (+8.4%), due to the emergency weather conditions in the first quarter of 2012, which were partly offset by lower withdrawals from storage (-4.4%).

Available storage capacity at 31 December 2012 was 10.7 billion cubic metres, an increase of 0.7 billion cubic metres (+7.0%) compared with 31 December 2011. The rise is due mainly to investments in upgrades and development at the Fiume Treste concessions.

**Natural gas distribution**
At 31 December 2012, Snam had concessions for gas distribution services in 1,435 municipalities (1,449 at 31 December 2011), of which 1,337 were in operation and 98 had networks yet to be completed and/or created. It had 5.907 million active meters at gas redelivery points to end users (households, businesses, etc.), compared with 5.897 million at 31 December 2011.

In 2012, 7,462 million cubic metres of gas were distributed, an increase of 12 million cubic metres, or 0.2%, compared with 2011, due mainly to weather conditions.

## Key events

### *Ownership unbundling of eni and Snam*

The Prime Ministerial Decree of 25 May 2012 defined the procedures and terms applicable to the ownership unbundling of Snam from eni, to be adopted by 25 September 2013. The approval of the Decree will complete the regulatory framework for the 'ownership unbundling' of natural gas transportation, distribution, storage and regasification activities, as defined by the Liberalisation Decree.

Specifically, the Decree, which aims to maintain a stable core investment in Snam's share capital, to ensure the development of strategic activities and the protection of the public utilities services carried out by Snam, stipulated that eni must sell a stake of no less than 25.1% in Snam to CDP.

[7] Gas volumes are expressed in standard cubic metres (SCM), with a higher heating value (HHV) conventionally equal to 38.1 MJ/SCM. The basic figure is measured in energy (MJ) and is obtained by multiplying the physical cubic metres actually measured by the relative heating value.

To that end, upon fulfilment of the conditions precedent, including the obtainment of approval from the Competition Authority, on 15 October 2012, eni completed the sale to CDP of 1,013,619,522 ordinary shares, equivalent to 30% minus one share of Snam's voting capital, thereby losing control of Snam.

As at 31 December 2012, CDP held 30.03% of Snam's voting capital.

The transaction followed the sale to institutional investors of a further 5% of Snam's share capital (equivalent to 5.28% of the voting capital) by eni on 18 July 2012.

On 15 January 2013, eni completed the placement with institutional investors of €1,250 million of bonds convertible into ordinary shares of Snam S.p.A. The shares underlying the bonds comprise approximately 288.7 million ordinary Snam shares, equivalent to around 8.54% of the company's share capital.

eni's equity investment in Snam (around 12% of the company's share capital, net of shares committed in relation to the aforementioned bonds) may be sold in accordance with the provisions of the Prime Ministerial Decree.

### *Debt refinancing*

Within the general framework set out by the Prime Ministerial Decree, Snam has completed the significant debt refinancing programme it began in 2012 with a view to achieving full financial independence from eni. Specifically, the Company carried out the following transactions as part of its debt refinancing.

With the aim of diversifying sources of financing by broadening the investor base, on 4 June 2012 the Board of Directors of Snam resolved to issue one or more bonds for placement with institutional investors operating in Europe, on the basis of a programme to issue Euro Medium Term Notes (EMTN) for a total maximum amount of €8 billion, to be issued in one or more tranches by 4 June 2013.

As part of the EMTN programme, Snam issued bonds for a total of €6 billion, with the following characteristics: (i) €1 billion of four-year bonds issued on 11 July 2012 with a maturity of 11 July 2016 and an annual fixed-rate coupon of 4.375%; (ii) €1 billion of 6.5-year bonds issued on 19 July 2012 with a maturity of 18 January 2019 and an annual fixed-rate coupon of 5.0%; (iii) €2.5 billion of bonds issued on 17 September 2012, including €1.5 billion of 5.5-year bonds with a maturity of 19 March 2018 and an annual fixed-term coupon of 3.875%, and €1 billion of 10-year bonds with a maturity of 19 September 2022 and an annual fixed-rate coupon of 5.25%; and (iv) €1.5 billion of bonds issued on 13 November 2012, including €0.75 billion of three-year bonds with a maturity of 13 November 2015 and an annual fixed-rate coupon of 2.000%, and €0.75 billion of 7.4-year bonds with a maturity of 13 February 2020 and an annual fixed-rate coupon of 3.500%.

On 24 July 2012, Snam took out a syndicated loan with a group led by 11 leading domestic and international banks for a total of €9 billion in various forms (a bridge-to-bond facility for €4 billion, revolving credit lines for €3.5 billion and a term loan for €1.5 billion). The amount of this syndicated financing was reduced to €5 billion by the €4 billion of bonds issued in September and November 2012. As at 31 December 2012, with respect to the syndicated financing, Snam had unused committed credit lines from the syndicated loan amounting to around €2.2 billion.

The Company has also signed: (i) nine bilateral agreements with third-party banks for a total of around €3.7 billion, of which €2.8 billion had been disbursed as at 31 December 2012; and (ii) two loan agreements with CDP concerning European Investment Bank (EIB) funding for a total of €400 million, which had been fully disbursed as at 31 December 2012.

These agreements, together with the bond issues, have enabled Snam to obtain the resources needed to terminate the financial agreements in place between Snam and its subsidiaries and eni, pursuant to the contractual provisions set out in the event that eni loses control over Snam. Specifically, the contracts that were terminated early concerned: (i) short-term credit lines for centralised treasury management (in the amount of €2.2 billion, which had been fully repaid as at 31 December 2012); (ii) medium-to-long-term loans (€6.5 billion[8], which had been repaid in full as at 31 December 2012); and (iii) interest rate hedging derivatives on a notional total of €4.2 billion with €350 million of expense, of which €210 million was paid on 5 October 2012 and the remaining €140 million was paid on 15 January 2013.

Snam aims to gradually achieve a debt portfolio that is balanced between bonds and bank loans, in line with the Company's business profile and the regulatory framework in which it operates.

On 13 June 2012, Snam obtained a credit rating from Moody's (Baa1 with stable outlook) and from Standard & Poor's (A- with negative outlook).

On 27 September 2012, Moody's, having downgraded Italy's creditworthiness, confirmed Snam's Baa1 rating, but assigned it a negative outlook.

On 30 January 2013, Standard & Poor's confirmed Snam's rating of A- with negative outlook.

## *Business development*

**Development and expansion of gas infrastructure in Europe**

***Interconnector***

On 3 August 2012, Snam and Fluxys completed their joint acquisition of the equity interests held by eni in Interconnector (UK), Interconnector Zeebrugge Terminal and Huberator, which respectively manage the two-way underwater pipeline between the UK (Bacton) and Belgium (Zeebrugge), the Zeebrugge compression station for the Interconnector pipeline and the trading platform for the Zeebrugge Hub. The transaction was worth a total of €145 million.

On the same date, Snam and Fluxys signed a memorandum of understanding for developing and marketing reverse flow capacities from south to north between Italy and the UK. With this agreement, both companies enhanced their cooperation pursuant to the EU Third Energy Package, which provides for further integration of the European gas market.

On 26 September 2012, Snam and Fluxys completed their joint acquisition of the 15.09% equity interest held by E.ON in Interconnector UK, for a total of €117 million.

With the completion of these transactions, Snam and Fluxys acquired the following equity interests via their two newly created 50/50-owned joint ventures, Gasbridge 1 B.V. and Gasbridge 2 B.V.:

- 31.5% of Interconnector UK Ltd;
- 51% of Interconnector Zeebrugge Terminal S.C.R.L.;
- 10% of Huberator S.A., a subsidiary of Fluxys.

[8] This does not include two loans signed with eni concerning EIB funding (around €0.5 billion) which were transferred from eni to Snam on 11 October 2012.

***TIGF***

Following a bidding process that began in 2012, on 5 February 2013 Total granted exclusive negotiating rights to special purpose vehicle (SPV) Société C29, owned by Snam (45%), by an associate of Singapore's GIC sovereign wealth fund (35%) and by an associate of France's EDF (20%), for the acquisition of Transport et Infrastructures Gaz France (TIGF) on the basis of a binding offer submitted by the SPV on 4 February 2013 and guaranteed by its shareholders on a pro-rata basis. The offer for 100% of TIGF's shares values the business at around €2.4 billion. Total will be able to complete the transaction only when: (i) employee consultation processes under French law have been concluded; (ii) approval has been obtained from the competition authorities and granted pursuant to French laws on foreign investors and on the exercise of storage activities; and (iii) other necessary local procedures have been completed.

TIGF is Total's gas transportation and storage business in the south-west of France. Based in Pau, it employs more than 500 people and manages a network of gas pipelines stretching over around 5,000 km and two storage facilities with a combined working gas capacity of 2.7 billion cubic metres.

## Other information

*Balancing service – Electricity and Gas Authority Resolutions: ARG/gas 45/11; ARG/gas 155/11; 351/2012 R/gas*

With effect from 1 December 2011, natural gas balancing activities became operational pursuant to Resolution ARG/gas 45/11 of the Electricity and Gas Authority, which made Snam Rete Gas, as the major transmission system operator (TSO), the Balancing Supervisor. This role requires Snam Rete Gas to procure the quantities of gas required to balance the system and offered on the market by users through a dedicated platform of the Energy Market Operator, and to financially settle the imbalances of individual users by buying and selling gas on the basis of a benchmark unit price (the 'principle of economic merit').

Snam Rete Gas, in its capacity as Balancing Supervisor, issued invoices for more than €2 billion in 2012 and received invoices for the same amount from users of the balancing service.

The regulations contain specific clauses guaranteeing the neutrality of the Balancing Supervisor, and they identify the Electricity Equalisation Fund as the entity ultimately responsible for paying to the Balancing Supervisor (i.e. Snam Rete Gas) any sums not collected from users. Specifically, the initial regulation laid down by the Electricity and Gas Authority with Resolution ARG/gas 155/11 stated that users had to provide specific guarantees to cover their exposure and, where Snam Rete Gas had performed its duties diligently and had not been able to recover the costs related to provision of the service, these costs would have been recovered through a special fee determined by the Electricity and Gas Authority. This Resolution, with reference to the income statement items pertaining to the balancing system, stipulated that the Balancing Supervisor would receive from the Electricity Equalisation Fund the value of receivables unpaid by the end of the month following the month in which notification was given[9].

[9] Given to the Electricity Equalisation Fund by the Balancing Supervisor once invoices become four months overdue.

In light of the fact that the regional administrative court of Lombardy provisionally voided this system of guarantees for the period between 1 December 2011 and 31 May 2012[10], some users sold huge quantities of gas and obtained their supplies from the balancing market, failing to pay due amounts and therefore building up a significant debt to Snam Rete Gas which reached around €400 million during the year.

With Resolution 282/2012/R/gas, published on 6 July 2012, the Authority began an explorative investigation into the methods of provision of the balancing service between 1 December 2011 and 31 May 2012, due for completion within 120 days of the start of the investigation. With Resolution 444/2012/R/gas, the Authority extended this period to 23 October 2012 and extended the investigation by 60 days.

With Resolution 351/2012/R/gas of 3 August 2012, the Electricity and Gas Authority changed the rules on the repayment terms established in Resolution 155/11. Specifically, Resolution 351/2012/R/gas defined the methods for recovering receivables pertaining to the balancing system in the period 1 December 2011 - 31 May 2012, ordering payment in instalments over a minimum of 36 months and with a maximum monthly payment of €6 million, providing also for recognition of the interest accrued in favour of Snam Rete Gas, for which settlement will occur after the nominal amount of the receivables has been paid. In 2012, the Electricity Equalisation Fund paid Snam Rete Gas a total of €13 million.

In December 2012, Snam Rete Gas sold on a non-recourse notification basis its receivable from the Electricity Equalisation Fund arising from coverage of user balancing service costs, pursuant to Resolution 351/2012/R/gas of 3 August 2012, for a nominal amount of €300 million, which refers only to the principal.

Snam Rete Gas has initiated all actions necessary for the recovery of receivables relating to income statement items pertaining to the balancing system.

Snam Rete Gas has also initiated legal proceedings to recover receivables from all users in arrears after having terminated the relevant transportation contracts due to non-payment.

*Distribution concession in the Municipality of Rome Capital*

Pursuant to Executive Resolution 1406 of 10 September 2012, the Municipality of Rome awarded Italgas the tender to distribute gas in the municipal region of Rome Capital, authorising the company to run the biggest concession in Italy by network (almost 5,000 kilometres) and number of users (around 1.3 million redelivery points) for 12 years. The concession was formally granted on 20 November 2012.

The key points of the Italgas offer concerned the extension of the network of around 330 kilometres, the updating of a total of 700 kilometres of existing pipes and structures, the further improvement of the functional characteristics of the gas withdrawal and reduction plants and the replacement of the existing meters with new remote meter-reading devices. In addition to these specific technical activities, the bid also provided for a series of significant interventions aimed at improving energy efficiency of the entire network. With regard to the safety and quality of the service, the Italgas tender offered the highest level of compliance with the obligations set forth by the Electricity and Gas Authority, used as a benchmark standard of service.

[10] The guarantees were reintroduced by Electricity and Gas Authority Resolution 181/2012/R/gas, with effect from 1 June 2012.

## Outlook

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

**Gas demand**

Demand for natural gas on the Italian market in 2013 is expected to remain at 2012 levels.

**Investments**

2013 will see Snam pursue its infrastructure development investments, fostering organic growth in results and profitability, whilst respecting the group's financial commitments. The priorities for the various business segments are as follows:

**Transportation and regasification**

- increase the flexibility and safety of the gas transportation system in Italy and satisfy requirements linked to medium- and long-term growth in demand for gas;
- continue to improve the quality of the transportation service;
- develop the gas balancing market.

**Storage**

- improve the overall safety and flexibility of the system by increasing the storage and delivery point capacity;
- optimise balancing and promote the liquidity of the gas system in Italy.

**Distribution**

- selectively manage the portfolio of concessions in order to maximise profitability;
- continue to improve the level of safety, reliability and quality of the service;
- continue to encourage the rising number of end users.

**Efficiency**

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

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This press release, which has been prepared voluntarily in line with best market practice, illustrates the audited consolidated results for 2012.

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 recognition and evaluation criteria adopted are unchanged from those adopted for the compiling of the 2011 Annual Report, which should be referred to.

The income statement information provided relates to financial years 2012 and 2011, while the balance sheet information supplied refers to 31 December 2012 and 31 December 2011. The accounting statements are presented in the same format as those included in the directors' report in the half-year report and the directors' report in the annual report.

The consolidation scope at 31 December 2012 has changed compared with 31 December 2011 due to the entry into force, from 1 January 2012, of the new Snam Group ownership structure. The new structure is headed by the parent company Snam S.p.A., which controls and fully consolidates the following operating companies: Snam Rete Gas S.p.A., GNL Italia S.p.A., Stogit S.p.A., Italgas S.p.A. and Napoletanagas S.p.A.

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

*Pursuant to Article 154*-bis*, paragraph 2 of the TUF, the CFO, Antonio Paccioretti, states 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: foreseeable trends in natural gas demand, supply and price, actual operating performance, general macro-economic 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.*

Today 28 February 2013 at 2.30 p.m. (C.E.T.), a conference call will be held in order to present the consolidated results for 2012. You can follow the presentation via audio webcasting on the Company's website (www.snam.it). In conjunction with 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 2012

INCOME STATEMENT

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| Core business revenue | 3,539 | **3,730** | 191 | 5.4 |
| Other revenue and income | 66 | **216** | 150 | |
| **Total revenue** | **3,605** | **3,946** | **341** | **9.5** |
| **Total revenue net of the effects of IFRIC 12** (*) | **3,245** | **3,621** | **376** | **11.6** |
| Operating costs (**) | (993) | **(1,129)** | (136) | 13.7 |
| Operating costs net of the effects of IFRIC 12 (*) (**) | (633) | **(804)** | (171) | 27.0 |
| **EBITDA** | **2,612** | **2,817** | **205** | **7.8** |
| Amortisation, depreciation and impairment losses | (654) | **(706)** | (52) | 8.0 |
| **EBIT** | **1,958** | **2,111** | **153** | **7.8** |
| Net financial expense | (313) | **(794)** | (481) | |
| Net income from equity investments | 51 | **55** | 4 | 7.8 |
| **Profit before taxes** | **1,696** | **1,372** | **(324)** | **(19.1)** |
| Income taxes | (906) | **(593)** | 313 | (34.5) |
| **Net profit** (***) | **790** | **779** | **(11)** | **(1.4)** |
| **Adjusted net profit** (***) | **978** | **992** | **14** | **1.4** |

(*) The application of international accounting standard IFRIC 12 "Agreements for service concession arrangements", in force from 1 January 2010, has not had any effect on the consolidated results, except for the recording, in equal measure, of revenue and costs related to the construction and expansion of distribution infrastructure (€360 million and €325 million, respectively, in 2011 and 2012).

(**) Operating costs include the items "Purchases, services and other costs" and "Personnel expense" of the income statement included in the consolidated financial statements.

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

**EBIT** for 2012 totalled €2,111 million, up by €153 million (+7.8%) compared with 2011. This increase was due primarily to the performance of the following business segments:

- distribution (+€138 million; +24.7%)[11]. This increase was due mainly to: (i) higher revenues for the natural gas transmission service (+€170 million) due to the positive impact of Electricity and Gas Authority Resolutions 315/2012/R/gas and 450/2012/R/gas, which amended some tariff determination criteria for the third regulatory period, specifically by eliminating the effects of the 'gradual' mechanism for the years 2009, 2010 and 2011 (+€143 million); and (ii) the increase in other revenue and income (+€24 million), due mainly to the sale of plants transferred to municipalities granting natural gas distribution mandates. This was offset partly by (i) the increase in operating costs (-€29 million), attributable mainly to greater capital losses on sales of plants transferred to municipalities granting natural gas distribution mandates (-€16 million); and (ii) higher amortisation, depreciation and impairment losses (-€29 million);

[11] The EBIT for the natural gas distribution segment includes the positive effect of the consolidation adjustment relating to provisions for environmental expenses (€71 million) that eni repaid, net of tax effect, to Snam pursuant to contractual agreements entered into when completing the acquisition of Italgas.

- storage (+€15 million; + 5.9%). Higher revenues from storage (+€26 million, net of revenues offset in costs) were partly offset by the increase in amortisation, depreciation and impairment losses (-€7 million), due mainly to the entry into service of new infrastructure, and the increase in operating costs (-€2 million, net of components offset in revenue), due primarily to higher provisions for risks and charges.

EBIT for the transportation business segment was down by €2 million, or 0.2%, on the previous year. Higher revenues from transportation (+€27 million, net of components offset in costs) were more than absorbed by the increase in operating costs (-€16 million), due to higher net provisions for risks and charges (-€27 million), which were partly offset by lower capital losses on in the elimination of fixed assets (+€10 million), and by higher amortisation, depreciation and impairment losses (-€14 million), mainly due to the entry into service of new infrastructure.

**Net profit** in 2012 amounted to €779 million, down by €11 million, or 1.4%, compared with 2011. This decrease was due to higher net financial expense (-€481 million), which was affected in particular by the expense (-€335 million) arising from the termination of IRS contracts in place between Snam and its subsidiaries and eni, in order to execute the contractual provisions set out in the event that eni loses control over Snam, and the costs (-€41 million) associated with the early extinguishment of bank bridge loans signed as part of the debt refinancing programme, made possible thanks to the success achieved in the recent bond issues. These effects were partly absorbed by the reduction in income tax (+€313 million), due to higher expense for one-off adjustments carried out in 2011 following the application of the Robin Hood Tax and to the decrease in profit before taxes, and by the increase in EBIT (+€153 million).

**Reconciliation of net profit with adjusted net profit**

The management of Snam evaluates Group performance based on adjusted profit, obtained by excluding special items from reported profit.

Income entries are classified as special items, if material, when: (i) they result from non-recurring events or transactions or from events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax effect related to the items excluded from the calculation of adjusted profit is determined on the basis of the nature of each income entry subject to exclusion. Neither IFRS nor US GAAP makes provision for adjusted profit. Management believes that this measurement of performance allows the development of the business to be analysed, ensuring a better comparison of results.

The income entries classified as special items in 2012 concerned the financial expense arising from the early extinguishment of 12 IRS contracts in place with eni (-€335 million; -€213 million net of tax effect) on a notional total of €4.2 billion. The extinguishment serves to implement the contractual provisions set out in the event that eni loses control over Snam due to the early termination of the financial agreements in place between Snam and its subsidiaries and eni.

The following table shows the reconciliation of reported net profit with adjusted net profit.

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **EBIT** | **1,958** | **2,111** | **153** | **7.8** |
| Net financial expense | (313) | **(794)** | (481) | |
| *- of which special items* | | ***(335)*** | *(335)* | |
| Net income from equity investments | 51 | **55** | 4 | 7.8 |
| Income taxes | (906) | **(593)** | 313 | (34.5) |
| *- of which special items* | *(188)* | ***122*** | *310* | |
| **Reported net profit** | **790** | **779** | **(11)** | **(1.4)** |
| *Excluding special items* | | | | |
| - financial expense from early extinguishment of derivatives (*) | | **213** | 213 | |
| - one-off adjustment of deferred tax at 31 December 2010 (Robin Hood Tax) | 188 | | (188) | (100.0) |
| **Adjusted net profit** | **978** | **992** | **14** | **1.4** |

(*) Net of tax effect.

**Adjusted net profit**, which excludes special items, totalled €992 million, up by €14 million, or 1.4%, compared with the previous year. The increase is attributable to the increased EBIT (+€153 million), which was partly offset by higher net financial expense (-€146 million), due essentially to costs associated with the debt refinancing, the increase in the average cost of debt and the higher average debt for the period.

The reported tax rate is 43.2% (53.4% in 2011). This reduction was due essentially to the one-off adjustment of deferred tax at 31 December 2010, which was carried out in 2011 following the application of the Robin Hood Tax.

The adjusted tax rate, calculated as the ratio between taxes and profit before taxes, net of special items, was 41.9% (42.3% in 2011).

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

### Revenue

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Core business revenue** | **3,539** | **3,730** | **191** | **5.4** |
| **Business segments** | | | | |
| Transportation | 1,945 | **1,916** | (29) | (1.5) |
| Regasification | 34 | **34** | | |
| Storage | 372 | **401** | 29 | 7.8 |
| Distribution | 1,297 | **1,434** | 137 | 10.6 |
| *- of which effects of IFRIC 12* | *360* | ***325*** | *(35)* | *(9.7)* |
| Corporate | | **184** | 184 | |
| Consolidation adjustments | (109) | **(239)** | (130) | |
| **Other revenue and income** | **66** | **216** | **150** | |
| **Total revenue** | **3,605** | **3,946** | **341** | **9.5** |

### Revenue – Regulated and non-regulated activities

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Revenue from regulated activities** | **3,538** | **3,802** | **264** | **7.5** |
| Transportation | 1,870 | **1,946** | 76 | 4.1 |
| Regasification | 23 | **23** | | |
| Storage | 338 | **353** | 15 | 4.4 |
| Distribution (*) | 1,307 | **1,480** | 189 | 13.2 |
| *- of which effects of IFRIC 12* | 360 | ***325*** | *(35)* | (9.7) |
| **Revenue from non-regulated activities** | **67** | **144** | **61** | |
| | **3,605** | **3,946** | **341** | **9.5** |

(*) Revenue from regulated activities in 2012 includes capital gains from the sale of plants transferred to municipalities granting natural gas distribution mandates. Accordingly, the corresponding 2011 figures have been reclassified from the item “Revenue from non-regulated activities”.

### Operating costs

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Business segments** | | | | |
| Transportation | 387 | **478** | 91 | 23.5 |
| Regasification | 23 | **25** | 2 | 8.7 |
| Storage | 64 | **69** | 5 | 7.8 |
| Distribution | 633 | **698** | 65 | 10.3 |
| *- of which effects of IFRIC 12* | 360 | ***325*** | *(35)* | *(9.7)* |
| Corporate | | **176** | 176 | |
| Consolidation adjustments/eliminations | (114) | **(246)** | (132) | |
| Consolidation adjustments | | **(71)** | (71) | |
| | **993** | **1,129** | **136** | **13.7** |

## Operating costs – Regulated and non-regulated activities

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Regulated business costs** | **967** | **1,011** | **44** | **5** |
| Controllable fixed costs | 456 | **453** | (3) | (0.7) |
| Variable costs | 18 | **48** | 30 | |
| Other costs | 493 | **510** | 17 | 3.4 |
| *- of which effects of IFRIC 12* | *360* | ***325*** | *(35)* | *(9.7)* |
| **Non-regulated business costs** | **26** | **118** | **92** | |
| | **993** | **1,129** | **136** | **13.7** |

## Amortisation, depreciation and impairment losses

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Amortisation and depreciation** | **663** | **702** | **39** | **5.9** |
| **Business segments** | | | | |
| Transportation | 435 | **449** | 14 | 3.2 |
| Regasification | 5 | **5** | | |
| Storage | 56 | **63** | 7 | 12.5 |
| Distribution | 167 | **183** | 16 | 9.6 |
| Corporate | | **2** | 2 | |
| **Impairment losses (Reversals)** | **(9)** | **4** | **13** | |
| | **654** | **706** | **52** | **8.0** |

## EBIT

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Business segments** | | | | |
| Transportation | 1,137 | **1,135** | (2) | (0.2) |
| Regasification | 7 | **5** | (2) | (28.6) |
| Storage | 255 | **270** | 15 | 5.9 |
| Distribution | 559 | **626** | 67 | 12.0 |
| Corporate | | **6** | 6 | |
| Consolidation adjustments | | **69** | 69 | |
| | **1,958** | **2,111** | **153** | **7.8** |

## Net financial expense

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Expense on financial debt** | **262** | **401** | **139** | **53.1** |
| - Charges on short- and long-term financial debt | 262 | **401** | 139 | 53.1 |
| **Expense (income) on IRS contracts** (*) | **69** | **404** | **335** | |
| **Other net financial expense** | **19** | **27** | **8** | 42.1 |
| - Accretion discount | 12 | **11** | (1) | (8.3) |
| - Other net financial (income) expense | 7 | **16** | 9 | |
| **Financial expense capitalised** | **(37)** | **(38)** | (1) | 2.7 |
| | **313** | **794** | **481** | |

(*) Includes financial expense arising from the early extinguishment of 12 IRS contracts (€335 million).

## Net income from equity investments

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| Equity method valuation effect | 45 | **55** | 10 | 22.2 |
| Capital gains from sale of equity investments | 4 | | (4) | (100.0) |
| Net other income (expense) | 2 | | (2) | (100.0) |
| | **51** | **55** | **4** | **7.8** |

## Income taxes

| (€ million) | 2011 | 2012 | Change | % change |
|---|---|---|---|---|
| **Current taxes** | **786** | **726** | **(60)** | **(7.6)** |
| **(Prepaid) deferred taxes** | | | | |
| Deferred taxes | (79) | (127) | (48) | 60.8 |
| Prepaid taxes | 11 | (6) | (17) | |
| | **(68)** | **(133)** | **(65)** | **95.6** |
| Deferred tax adjustment at 31 December 2010 (special item) | 188 | | (188) | |
| **Tax rate (%)** | **53.4** | **43.2** | **(10.2)** | |
| | **906** | **593** | **(313)** | **(34.5)** |

## Reclassified balance sheet

RECLASSIFIED BALANCE SHEET

| (€ million) | 31.12.2011 | 31.12.2012 | Change |
|---|---|---|---|
| **Fixed capital** | **18,778** | **19,567** | **789** |
| Property, plant and equipment | 14,053 | **14,522** | 469 |
| Compulsory inventories (*) | 405 | **363** | (42) |
| Intangible assets | 4,444 | **4,593** | 149 |
| Equity investments | 319 | **473** | 154 |
| Financial receivables held for operations | 2 | **2** | |
| Net payables for investments | (445) | **(386)** | 59 |
| **Net working capital** (*) | **(1,698)** | **(1,146)** | **552** |
| **Provisions for employee benefits** | **(107)** | **(108)** | **(1)** |
| **Assets held for sale and directly related liabilities** | **16** | **15** | **(1)** |
| **NET INVESTED CAPITAL** | **16,989** | **18,328** | **1,339** |
| **Shareholders' equity (including minority interests)** | | | |
| - attributable to Snam | 5,791 | **5,929** | 138 |
| - attributable to minority interests | 1 | **1** | |
| | **5,792** | **5,930** | **138** |
| **Net financial debt** | **11,197** | **12,398** | **1,201** |
| **COVERAGE** | **16,989** | **18,328** | **1,339** |

(*) The Decree of 29 March 2012 issued by the Ministry of Economic Development reduced strategic storage capacity for thermal year 2012-2013 to 4.6 billion cubic metres (5.1 billion cubic metres in thermal year 2011-2012). The natural gas made available by this reduction, worth €42 million, corresponding to 0.5 billion cubic metres, was reclassified from "Compulsory inventories" to "Net working capital - Inventories".

**Fixed capital** (€19,567 million) rose by €789 million compared with 31 December 2011, due essentially to the increase in property, plant and equipment and intangible assets (+€618 million), the increase in equity investments (+€154 million), due in particular to newly created joint ventures Gasbridge 1 B.V. and Gasbridge 2 B.V., and the reduction in net payables relating to investments (+€59 million), related essentially to payment trends.

**Net working capital**

| (€ million) | 31.12.2011 | 31.12.2012 | Change |
|---|---|---|---|
| Trade receivables | 1,367 | 1,921 | 554 |
| Inventories | 235 | 202 | (33) |
| Tax receivables | 47 | 125 | 78 |
| Other assets | 133 | 193 | 60 |
| Deferred tax liabilities | (901) | (834) | 67 |
| Trade payables | (556) | (764) | (208) |
| Provisions for risks and charges | (527) | (757) | (230) |
| Prepaid income from regulated activities | (358) | (309) | 49 |
| Tax payables | (230) | (81) | 149 |
| Derivative liabilities | (266) | | 266 |
| Other liabilities | (642) | (842) | (200) |
| | **(1,698)** | **(1,146)** | **552** |

**Net working capital** (-€1,146 million) increased by €552 million compared with the previous year, owing mainly to: (i) the increase in trade receivables (+€554 million) relating essentially to the natural gas transportation business segment, due to receivables arising from the balancing service (+€310 million), and the natural gas storage business segment (+€151 million), due mainly to receivables associated with strategic gas withdrawals; (ii) the reduction in tax payables (+€149 million) due to the payment of the balance of 2011 income tax (+€184 million), which included the entire IRES payable recognised in relation to the Robin Hood Tax; and (iii) the reduction in the market value of derivatives (+€266 million) due to the early extinguishment of IRS contracts in place with eni, in order to execute the contractual provisions set out in the event that eni loses control over Snam.

These factors were partly offset by: (i) the increase in provisions for risks and charges (-€230 million), due mainly to the change in the estimated storage site dismantling and restoration costs (-€116 million) owing to the reduction in forecast discount rates, and to higher provisions for environmental expenses in the distribution sector (-€71 million); and (ii) the increase in other liabilities (-€200 million) resulting mainly from the residual portion of liabilities associated with the early extinguishment of derivatives (-€141 million).

**Shareholders' equity** including minority interests totalled €5,930 million, up by €138 million compared with the previous year. This increase reflects the comprehensive income for the period (+€949 million, including the effects of the reclassification to the income statement of the expense resulting from the fair-value measurement of hedging derivatives), which was partly offset by the payment to shareholders of the balance of the 2011 dividend and the interim dividend for 2012 (-€811 million in total).

**Net financial debt** (*)

| (€ million) | 31.12.2011 | 31.12.2012 | Change |
|---|---|---|---|
| **Financial liabilities and bonds** | **11,199** | **12,413** | **1,214** |
| Short-term financial liabilities | 2,787 | **364** | (2,423) |
| Current share of long-term financial liabilities | 1,612 | **110** | (1,502) |
| Long-term financial liabilities | 6,800 | **11,939** | 5,139 |
| **Financial receivables and cash and cash equivalents** | **(2)** | **(15)** | **(13)** |
| Cash and cash equivalents | (2) | **(15)** | (13) |
| | **11,197** | **12,398** | **1,201** |

(*) Does not include the financial liabilities (€141 million) corresponding to the residual portion of the liabilities arising from the early extinguishment of hedging derivatives.

With the implementation and completion of its refinancing programme, which has enabled it to become fully financially independent of eni, Snam has been able, through the credit system and the capital markets, to access a wide range of sources of financing (bonds, syndicated loans with leading domestic and international banks, bilateral contracts and loan agreements with CDP[12]).

Net financial debt at 31 December 2012 was €12,398 million, compared with €11,197 million at 31 December 2011.

Financial liabilities as at 31 December 2012, denominated entirely in euros, consisted of bonds (€6 billion, or 48%), payables to banks (€5.7 billion[13], or 46%), and loan agreements concerning European Investment Bank (EIB) funding (€0.7 billion[14], equal to 6%).

Long-term financial liabilities of €12,049 million make up approximately 97% of financial debt (61% at 31 December 2011) and have an average duration of around five years.

Floating-rate liabilities (€6,365 million, equivalent to 51% of financial debt) rose by €3,778 million, due mainly to the agreement of 12 long-term bank loans (+€5,701 million, including loans with CDP concerning EIB funding worth €402 million) and the repayment of loans in place with eni (-€2,287 million in total).

Fixed-rate financial liabilities (€6,048 million, equivalent to 49% of financial debt) fell by €2,564 million, due essentially to the net balance for the period of repayments of loans in place with eni (-€8,427 million in total) and the issuance of six bonds (+€6,046 million).

There are no bonds due to mature in the 18 months after 31 December 2012.

As at 31 December 2012, Snam had unused committed long-term credit lines worth around €3.2 billion.

12 More information can be found in the "Key events - Debt refinancing" paragraph.

13 This amount includes around €0.1 billion of uncommitted credit lines.

14 This amount includes two loans agreed with CDP concerning EIB funding for a total of €400 million.

**Covenants**

The main bilateral and syndicated loan agreements in place with banks and other financial institutions as at 31 December 2012 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.
During 2012, all of the checks carried out on contractually provided financial covenants confirmed that said covenants were being complied with.

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

RECLASSIFIED STATEMENT OF CASH FLOWS

| (€ million) | 2011 | 2012 |
|---|---|---|
| **Net profit** | **790** | **779** |
| *Adjusted by:* | | |
| - Amortisation, depreciation and other non-monetary components | 611 | **652** |
| - Net capital losses (capital gains) on asset sales and eliminations | 6 | **(13)** |
| - Dividends, interest and income taxes | 1,205 | **959** |
| Change in working capital due to operating activities | (122) | **(218)** |
| Dividends, interest and income taxes collected (paid) | (953) | **(1,198)** |
| **Net cash flow from operating activities** | **1,537** | **961** |
| Investments | (1,576) | **(1,215)** |
| Equity investments | (1) | **(135)** |
| Change in consolidation scope and business units | 10 | **(905)** |
| Divestments | 52 | **963** |
| Other changes relating to investment activities | (74) | **(59)** |
| **Free cash flow** | **(52)** | **(390)** |
| Change in short- and long-term financial debt | 849 | **1,214** |
| Equity cash flow | (804) | **(811)** |
| Other changes relating to divestment activities | 1 | |
| **Net cash flow for the period** | **(6)** | **13** |

CHANGE IN NET FINANCIAL DEBT

| (€ million) | 2011 | 2012 |
|---|---|---|
| **Free cash flow** | **(52)** | **(390)** |
| Equity cash flow | (804) | **(811)** |
| **Change in net financial debt** | **(856)** | **(1,201)** |

The positive net cash flow from operations (€961 million) allowed us to cover part of the financial requirements associated with net investments for the period, equal to €1,351 million. The net financial debt, after the payment to shareholders of the balance of the 2011 dividend of €473 million and the interim dividend of €338 million for 2012, increased by €1,201 million compared with 31 December 2011.

## IFRS financial statements

### Balance sheet

| (€ million) | 31.12.2011 | 31.12.2012 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 2 | **15** |
| Trade and other receivables | 1,545 | **2,048** |
| Inventories | 235 | **202** |
| Current income tax assets | 3 | **11** |
| Other current tax assets | 5 | **89** |
| Other current assets | 33 | **115** |
| | **1,823** | **2,480** |
| **Non-current assets** | | |
| Property, plant and equipment | 14,053 | **14,522** |
| Compulsory inventories | 405 | **363** |
| Intangible assets | 4,444 | **4,593** |
| Equity-accounted investments | 319 | **473** |
| Other non-current assets | 81 | **130** |
| | **19,302** | **20,081** |
| **Non-current assets held for sale** | **25** | **23** |
| **TOTAL ASSETS** | **21,150** | **22,584** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Short-term financial liabilities | 2,787 | **505** |
| Short-term portion of long-term financial liabilities | 1,612 | **110** |
| Trade and other payables | 1,344 | **1,477** |
| Current income tax liabilities | 175 | **46** |
| Other current tax liabilities | 16 | **28** |
| Other current liabilities | 211 | **218** |
| | **6,145** | **2,384** |
| **Non-current liabilities** | | |
| Long-term financial liabilities | 6,800 | **11,939** |
| Provisions for risks and charges | 527 | **757** |
| Provisions for employee benefits | 107 | **108** |
| Deferred tax liabilities | 901 | **834** |
| Other non-current liabilities | 869 | **624** |
| | **9,204** | **14,262** |
| **Liabilities directly associated with assets held for sale** | **9** | **8** |
| **TOTAL LIABILITIES** | **15,358** | **16,654** |
| **SHAREHOLDERS' EQUITY** | | |
| ***Snam shareholders' equity*** | | |
| Share capital | 3,571 | **3,571** |
| Reserves | 2,551 | **1,929** |
| Net profit | 790 | **779** |
| Treasury shares | (783) | **(12)** |
| Interim dividend | (338) | **(338)** |
| **Total Snam shareholders' equity** | **5,791** | **5,929** |
| ***Capital and reserves attributable to minority interests*** | ***1*** | ***1*** |
| **TOTAL SHAREHOLDERS' EQUITY** | **5,792** | **5,930** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **21,150** | **22,584** |

Income statement

| (€ million) | **2011** | **2012** |
|---|---|---|
| **REVENUE** | | |
| Core business revenue | 3,539 | **3,730** |
| Other revenue and income | 66 | **216** |
| **Total revenue** | **3,605** | **3,946** |
| **OPERATING COSTS** | | |
| Purchases, services and other costs | (659) | **(786)** |
| Personnel expense | (334) | **(343)** |
| **AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES** | **(654)** | **(706)** |
| **EBIT** | **1,958** | **2,111** |
| **FINANCIAL INCOME (EXPENSE)** | | |
| Financial income | 3 | **7** |
| Financial expense | (247) | **(397)** |
| Derivatives | (69) | **(404)** |
| | **(313)** | **(794)** |
| **INCOME FROM EQUITY INVESTMENTS** | | |
| Equity method valuation effect | 45 | **55** |
| Income (expense) from equity investments | 6 | |
| | **51** | **55** |
| **PROFIT BEFORE TAXES** | **1,696** | **1,372** |
| Income taxes | **(906)** | **(593)** |
| **Net profit** | **790** | **779** |
| - Snam | **790** | **779** |
| - Minority shareholders | | |
| **Profit per share (amount in € per share)** | | |
| **- basic** | 0.23 | **0.23** |
| **- diluted** | 0.23 | **0.23** |

Statement of comprehensive income

| (€ million) | **2011** | **2012** |
|---|---|---|
| **Net profit** | **790** | **779** |
| **Other components of comprehensive income** | | |
| Change in fair value of cash flow hedge derivatives (effective share) | (194) | **(77)** |
| Tax effects of the other components of comprehensive income | 73 | **32** |
| Reclassification to income statement of expense arising from fair-value measurement of hedging derivatives (*) | | **215** |
| **Total other components of comprehensive income, net of tax effect** | **(121)** | **170** |
| **Total comprehensive income** | **669** | **949** |
| attributable to: | | |
| - Snam | **669** | **949** |
| - Minority shareholders | | |
| | **669** | **949** |

(*) 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.

Statement of cash flows

| (€ million) | 2011 | 2012 |
|---|---|---|
| Net profit | **790** | **779** |
| Adjustments for reconciling profit for the period with cash flows from operating activities: | | |
| Amortisation and depreciation | 663 | **702** |
| Net impairment losses (Reversals) of property, plant and equipment and intangible assets | (9) | **4** |
| Equity method valuation effect | (45) | **(55)** |
| Net capital losses (capital gains) on asset sales, cancellations and eliminations | 6 | **(13)** |
| Dividends | (2) | |
| Interest income | (3) | **(8)** |
| Interest expense | 304 | **374** |
| Income taxes | 906 | **593** |
| Changes in working capital: | | |
| - Inventories | (22) | **77** |
| - Trade receivables | (590) | **(554)** |
| - Trade payables | 88 | **208** |
| - Provisions for risks and charges | 8 | **54** |
| - Other assets and liabilities | 394 | **(144)** |
| *Working capital cash flow* | *(122)* | ***(359)*** |
| Change in provisions for employee benefits | 2 | ***1*** |
| Dividends collected | 44 | **34** |
| Interest collected | 5 | **3** |
| Interest paid | (305) | **(372)** |
| Income taxes paid net of reimbursed tax credits | (697) | **(863)** |
| **Net cash flow from operating activities** | **1,537** | **820** |
| Investments: | | |
| - Property, plant and equipment | (1,160) | **(874)** |
| - Intangible assets | (416) | **(341)** |
| - Equity investments | (1) | **(135)** |
| - Change in scope of consolidation and business units | 10 | **(905)** |
| - Change in payables and receivables relating to investments | (74) | **(59)** |
| *Cash flow from investment activities* | *(1,641)* | ***(2,314)*** |
| Divestments: | | |
| - Property, plant and equipment | 1 | **13** |
| - Intangible assets | 44 | **950** |
| - Change in payables and receivables relating to divestments | 7 | |
| - Financial receivables not held for operations | 1 | |
| *Cash flow from divestments* | *53* | ***963*** |
| **Net cash flow from investment activities** | **(1,588)** | **(1,351)** |
| Taking on long-term financial debt | 1,226 | **11,749** |
| Repaying long-term financial debt | (1,320) | **(8,112)** |
| Increase (decrease) in short-term financial debt | 943 | **(2,282)** |
| | **849** | **1,355** |
| Net equity capital injections | 7 | |
| Dividends paid to Snam shareholders | (811) | **(811)** |
| **Net cash flow from financing activities** | **45** | **544** |
| **Net cash flow for the period** | **(6)** | **13** |
| **Cash and cash equivalents at start of period** | 8 | **2** |
| **Cash and cash equivalents at end of period** | **2** | **15** |