Press release

SNAM: 2013 CONSOLIDATED FINANCIAL STATEMENTS AND DRAFT FINANCIAL STATEMENTS OF THE PARENT COMPANY

San Donato Milanese, 28 February 2014 – 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 2013, showing net profit of €917 million and €705 million respectively. The Board also decided to propose to the Shareholders' Meeting a dividend of €0.25 per share, of which €0.10 was paid out in October 2013.

Financial highlights

- **Total revenue:** €3,529 million[1] (-2.5%)
- **EBITDA:** €2,803 million (-0.5%)
- **EBIT:** €2,034 million (-3.6%)
- **Net profit:** €917 million (+17.7%)
- **Cash flow from operating activities:** +€1,698 million (+76.7%)
- **Technical and equity investments:** €1,889 million

Operating highlights

- **Gas injected into the transportation network:** 69.01 billion cubic metres (-8.9%)
- **Number of active meters:** 5.928 million (+0.4%)
- **Available storage capacity:** 11.4 billion cubic metres (+1.8%)

Significant events

- **The acquisition from Total of TIGF (Transport et Infrastructures Gaz France), a company involved in the transportation and storage of natural gas in the south-west of France, was completed on 30 July 2013 for a total of €597 million**
- **The Electricity and Gas Authority set the tariff criteria for the fourth regulatory period for the regasification, transportation and distribution of natural gas**

Proposed dividend of €0.25 per share, in line with 2012

Carlo Malacarne, Snam CEO, made the following comments on the results:
"A sound operating performance together with the efficient financial management allowed us to achieve remarkable results in 2013, notwithstanding the ongoing economic downturn and lower volume of gas injected into the network of approximately 9%. EBIT was higher than 2 billion euro and net profit exceeded 900 million euro, up approximately 18% versus previous year.

During 2013 we have continued our investment programme, reaching an overall level of 1.9 billion euro. In Italy, capital investment was approximately 1.3 billion euro, while 600 million euro were devoted to the acquisition of interests in TIGF in France, a significant achievement in the deployment of our development strategy abroad.

[1] Total revenue, including revenue from construction and upgrading of distribution infrastructure pursuant to IFRIC 12, amounted to €3,848 million (-2.5%).

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Our growth requirements were almost fully financed through operating cash flow, with a total net debt at year end 2013 of approximately 13.3 billion euro.

Our operating and financial performance along with our sound capital structure, enable us to propose at the next AGM to distribute a 0.25 euro per share FY 2013 dividend, in line with the 2012 level."

The 2013 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 (the Consolidated Finance Act, or TUF).
The 2013 Report on Corporate Governance and Ownership Structure, the 2014 Remuneration Report, prepared pursuant to Article 123-ter of the TUF, and the 2013 Sustainability Report will be published at the same time as the 2013 Annual Report.

Financial highlights

(€ million)		**2012**	**2013**	**Change**	**% change**
Total revenue		3,946	**3,848**	(98)	(2.5)
Total revenue net of the effects of IFRIC 12		3,621	**3,529**	(92)	(2.5)
- of which revenue from regulated activities		*3,477*	***3,491***	14	0.4
Operating costs		1,129	**1,045**	(84)	(7.4)
Operating costs net of the effects of IFRIC 12		804	**726**	(78)	(9.7)
EBIT		2,111	**2,034**	(77)	(3.6)
Adjusted EBIT (a)		2,111	**2,060**	(51)	(2.4)
Net profit (b)		779	**917**	138	17.7
Adjusted net profit (a) (b)		992	**934**	(58)	(5.8)
EBIT per share (c)	(€)	0.625	**0.602**	(0.023)	(3.7)
Adjusted EBIT per share (c)	(€)	0.625	**0.610**	(0.015)	(2.4)
Net profit per share (c)	(€)	0.231	**0.271**	0.040	17.3
Adjusted net profit per share (c)	(€)	0.294	**0.276**	(0.018)	(6.1)
Technical investments		1,300	**1,290**	(10)	(0.8)
Number of shares outstanding on 31 December	(millions)	3,378.7	**3,380.0**	1.3	
Average number of shares outstanding during the year	(millions)	3,378.7	**3,379.5**	0.8	

(a) Adjusted EBIT and adjusted net profit, which exclude special items, are described in the section "Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit" of this press release.
(b) Net profit is attributable to Snam.
(c) Calculated considering the average number of shares outstanding during the year.

Adjusted EBIT

Adjusted EBIT[2], which excludes special items[3], amounted to €2,060 million, down by €51 million (-2.4%) compared with 2012. The decrease was due essentially to lower revenue (-€58 million), which despite the positive trends witnessed in 2013 was significantly impacted by the recognition in 2012 of tariff adjustments for 2009-2011[4] (€143 million) relating to the natural gas distribution segment, and to higher depreciation and amortisation charges (-€57 million), mainly as a result of the entry into service of new infrastructure. These factors were partly offset by lower operating costs (+€70 million), owing mainly to a change in the provisions for risks and charges. The strong performances by the natural gas transportation (+€93 million, or +8.2%, despite falling gas demand in Italy) and storage (+€48 million; +17.8%) segments were offset by a decline in the distribution segment[5] (-€181 million; -26.0%).

Net profit

Net profit totalled €917 million, up by €138 million (+17.7%) compared with 2012. The increase was due essentially to lower net financial expense (+€322 million), which was partly offset by higher income taxes (-€97 million) as a result of higher pre-tax profit. The reduction in financial expense reflects the recognition in the third quarter of 2012 of the costs associated with the early extinguishment of IRS hedging contracts between Snam and its Subsidiaries and eni (€213 million net of the related tax effect), giving rise to the contractual provisions in the event that eni loses control over Snam.

Adjusted net profit

Adjusted net profit, which excludes special items, amounted to €934 million, down by €58 million (-5.8%) on the figure for 2012. The decrease was due mainly to lower adjusted EBIT (-€51 million), offset in part by lower income taxes (+€16 million) largely as a result of lower pre-tax profit.

Technical investments

Technical investments totalled €1,290 million (€1,300 million in 2012). Around 67% of these investments have returns above the basic rate[6].

Equity investments

Equity investments totalled €599 million, essentially comprising the acquisition of a stake in TIGF (€597 million).

Net financial debt

Net financial debt was €13,326 million at 31 December 2013[7], compared with €12,398 million at 31 December 2012.

The positive cash flow from operating activities (€1,698 million) almost fully covered the funding requirements for net technical investments and for acquiring the stake in TIGF (€1,790 million in total).

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[2] EBIT was analysed by isolating only the elements that determined a change therein. To this end, applying gas segment tariff regulations generates revenue components that are offset in costs.

[3] The income components excluded from adjusted EBIT are represented by charges for voluntary-redundancy incentives connected to the redundancy programme begun by Snam in November 2013, pursuant to Law 223/91 (€26 million; €17 million net of tax effect). Adjusted net profit is described in the section "Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit".

[4] These adjustments were recognised following Electricity and Gas Authority Resolutions 315/2012/R/gas and 450/2012/R/gas, which adjusted the reference tariffs for the third regulatory period (2009-2012).

[5] In the 2012 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 to Snam, net of tax effect, pursuant to contractual agreements entered into when completing the acquisition of Italgas.

[6] Including investments in metering. Notes on technical investments in each business segment are provided in the section "Information by business segment".

[7] More information on the net financial debt can be found on page 32.

Following the payment to shareholders of the dividend of €845 million, net financial debt amounted to €13,326 million, up by €928 million compared with 31 December 2012.

2013 dividend

Our sound results and solid business fundamentals allow us to propose a dividend of €0.25 per share (€0.25 per share in 2012) at the Shareholders' Meeting, of which €0.10 per share was paid in October 2013 as an interim dividend and the balance of €0.15 per share will be paid from 22 May 2014 (record date 21 May 2014), confirming Snam's commitment to an attractive and sustainable remuneration of its shareholders.

Operating highlights (a)

	2012	2013	Change	% change
Natural gas transportation (b)				
Natural gas injected into the national gas transportation network (billions of cubic metres)	75.78	**69.01**	(6.77)	(8.9)
Transportation network (kilometres in use)	32,245	**32,306**	61	0.2
Installed power in the compression stations (MW)	864.1	**866.9**	2.8	0.3
Liquefied Natural Gas (LNG) regasification (b)				
LNG regasification (billions of cubic metres)	1.12	**0.05**	(1.07)	(95.5)
Natural gas storage (b)				
Available storage capacity (billions of cubic metres) (c)	11.2	**11.4**	0.2	1.8
Natural gas moved through the storage system (billions of cubic metres)	15.63	**18.42**	2.79	17.9
Natural gas distribution				
Active meters (millions)	5.907	**5.928**	0.021	0.4
Gas distribution concessions (number)	1,435	**1,435**		
Distribution network (kilometres) (d)	52,586	**52,993**	407	0.8
Employees in service at year end (number) (e)	**6,051**	**6,045**	**(6)**	**(0.1)**
by business segment:				
- Transportation	1,978	**1,952**	(26)	(1.3)
- Regasification	78	**79**	1	1.3
- Storage	307	**303**	(4)	(1.3)
- Distribution	3,016	**3,008**	(8)	(0.3)
- Corporate	672	**703**	31	4.6

(a) The changes indicated in the table, as well as those below in this press release, must be considered changes from 2012 to 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) Working gas capacity for modulation, mining and balancing services. The available capacity at 31 December 2013 is that declared to the Electricity and Gas Authority at the start of the thermal year 2013-2014, in compliance with Resolution ARG/gas 119/10.
(d) This figure refers to the kilometres of network operated by Italgas.
(e) Fully consolidated companies.

Natural gas injected into the national gas transportation network

A total of 69.01 billion cubic metres of gas was injected into the transportation network, down by 6.77 billion cubic metres (-8.9%) compared with 2012. The decrease was due mainly to lower natural gas demand in Italy (down by 6.5% compared with 2012), as a result primarily of lower consumption in the thermoelectric sector (-16.3%) and of higher net withdrawals from storage (-1.92 billion cubic metres).

Liquefied Natural Gas (LNG) regasification

A total of 0.05 billion cubic metres of LNG was regasified in 2013 (1.12 billion cubic metres in 2012), with one methane tanker unloaded (31 tankers unloaded in 2012). The reduction in regasified volumes was due mainly to the global demand for LNG, which has risen sharply, particularly in the Far East.

Natural gas storage
A total of 18.42 billion cubic metres of gas was moved through the storage system in 2013, up by 2.79 billion cubic metres (+17.9%) on the previous year. The increase was mainly due to higher withdrawals from storage (+2.30 billion cubic metres; +31.9%).

Natural gas distribution
At 31 December 2013, Snam had concessions for gas distribution services in 1,435 municipalities (unchanged from 31 December 2012), of which 1,344 were in operation (1,337 in 2012) and 91 required networks to be completed and/or created (98 in 2012). It had 5.928 million active meters at gas redelivery points to end users (households, businesses, etc.), compared with 5.907 million at 31 December 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 company involved in the transportation and storage of gas in the south-west of France. TIGF Investissements paid just under €1.6 billion to Total to acquire the stake. Snam's total outlay for its 45% stake in TIGF Holding was €597 million.

Optimisation of the Group’s financial structure

Progress made in 2013
In 2013, Snam began work to optimise the Group’s financial structure with a view to better aligning it with its business requirements in terms of loan duration and exposure to interest rates, simultaneously reducing the overall cost of borrowing.
Specifically with regard to the Euro Medium Term Notes (EMTN) programme[8], the following transactions were carried out: (i) a €1.5 billion bond issue in two tranches with the following respective characteristics: (a) €1 billion with a four-year term expiring on 30 June 2017 and a fixed-rate annual coupon of 2.375%; and (b) €0.5 billion with an eight-year term expiring on 29 January 2021 and a fixed-rate annual coupon of 3.375%. This issue enabled the early extinguishment of a €1.5 billion term loan with a floating rate and an original maturity of 24 July 2017, which was taken out as part of the pool financing on 24 July 2012; (ii) two taps of existing fixed-rate bonds for a total incremental amount of €750 million, of which €250 million related to the four-year bond maturing on 30 June 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%; (iii) two private placements: the first a €300 million three-year bond, maturing on 17 October 2016 with a variable quarterly coupon equal to Euribor plus 85 bps, and the second a €70 million five-year bond, maturing on 10 September 2018 with a fixed-rate annual coupon of 2.625%; and (iv) a JPY 10 billion (around €75 million) six-year

[8] On 11 June 2013, the Snam Board of Directors decided to renew the EMTN programme for up to €10 billion, to be issued in one or more tranches by 30 June 2014.

private placement, maturing on 25 October 2019 with a fixed-rate annual coupon of 1.115%, converted fully into euros by a hedging derivative.

On 24 October 2013, Snam signed two loan agreements with the European Investment Bank (EIB), the first for €300 million relating to an Italgas project and the second for €65 million relating to a Snam Rete Gas project. The two loans, which are in addition to the €283 million loan awarded to Stogit in August 2013, are part of Snam's plan to optimise the Group's financial structure; they are complementary to bond and bank loans, with longer durations (up to 20 years) and competitive costs.

Lastly, in 2013 Snam managed to negotiate new and improved terms with its creditor banks for the syndicated loan (totalling €3.5 billion) and the bilateral loans (totalling €1.9 billion) taken out in 2012, securing a significant reduction in the overall cost of borrowing.

These transactions enabled Snam to increase the fixed-rate portion of its overall debt from 49% at the end of 2012 to 64% in 2013, significantly reducing exposure to interest-rate fluctuations and consolidating the debt structure with an average medium-to-long-term loan duration of around five years.

Transactions completed after the end of the year

The debt structure optimisation process begun in 2013 has continued into 2014. On 22 January 2014, Snam carried out: (i) a €600 million 10-year bond issue, maturing on 22 January 2024 with a fixed-rate annual coupon of 3.25%; (ii) a €150 million two-year private placement, maturing on 22 January 2016 with a quarterly variable coupon equal to Euribor plus 65 bps. The extension of the EMTN programme, which was authorised by the Board of Directors on 11 June 2013 for up to €10 billion, permits the issue of any additional bonds for up to €0.55 billion by 30 June 2014.

Moody's confirmed a Baa1 rating for Snam's long-term debt on 18 February 2014, raising the outlook from 'negative' to 'stable'. The revised outlook came after a similar decision was taken on 14 February with regard to Italian sovereign debt and reflects, inter alia, the improvement in Snam's liquidity conditions and in terms of its access to the debt market.

Regulatory framework

In terms of national tariff regulations, 2013 was an important year for Snam. A clear, stable and transparent regulatory framework play a key role in investment development and sustainable growth.
Through Resolutions 438/2013/R/gas, 514/2013/R/gas and 573/2013/R/gas, the Electricity and Gas Authority defined new tariff criteria for the fourth regulatory period, for natural gas regasification (1 January 2014 - 31 December 2017), transportation (1 January 2014 - 31 December 2017) and distribution (1 January 2014 - 31 December 2019), respectively.
More details on the changes to the regulatory framework in 2013 can be found in the section "Information by business segment – Regulation" of this press release.

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

Demand for natural gas on the Italian market in 2014 is expected to remain at 2013 levels.

Investments

2014 will see Snam pursue its infrastructure development investments, targeting 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

- make the Italian gas transportation system safer and more flexible, and satisfy the need to diversify sources in the medium-to-long term, including the development of interconnection points;
- 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 storage capacity and injection and withdrawn 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 value creation through both operating efficiency and an efficient capital structure.

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This press release, which is prepared voluntarily in line with best market practice, illustrates the audited consolidated results for 2013.

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 measurement criteria adopted 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 31 December 2013 was the same as at 31 December 2012 and 30 June 2013.

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 14:30 today, 28 February 2014, to present the consolidated results for 2013 to investors and financial analysts. An audio webcast of the presentation will be available on the Company's website (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 2013 results

INCOME STATEMENT

(€ million)	**2012**	**2013**	**Change**	**% change**
Core business revenue	3,730	**3,735**	5	0.1
Other revenue and income	216	**113**	(103)	(47.7)
Total revenue	**3,946**	**3,848**	**(98)**	**(2.5)**
Total revenue net of the effects of IFRIC 12 (*)	**3,621**	**3,529**	**(92)**	**(2.5)**
Operating costs	(1,129)	**(1,045)**	84	(7.4)
Operating costs net of the effects of IFRIC 12 (*)	(804)	**(726)**	78	(9.7)
EBITDA	**2,817**	**2,803**	**(14)**	**(0.5)**
Amortisation, depreciation and impairment losses	(706)	**(769)**	(63)	8.9
EBIT	**2,111**	**2,034**	**(77)**	**(3.6)**
Adjusted EBIT	**2,111**	**2,060**	**(51)**	**(2.4)**
Net financial expense	(794)	**(472)**	322	(40.6)
Net income from equity investments	55	**45**	(10)	(18.2)
Pre-tax profit	**1,372**	**1,607**	**235**	**17.1**
Income taxes	(593)	**(690)**	(97)	16.4
Net profit (**)	**779**	**917**	**138**	**17.7**
Adjusted net profit (**)	**992**	**934**	**(58)**	**(5.8)**

(*) The application of international accounting standard IFRIC 12 “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 infrastructures (€325 million and €319 million, respectively, in 2012 and 2013).

(**) Net profit is attributable to Snam.

Net profit totalled €917 million in 2013, up by €138 million (+17.7%) compared with 2012. The increase was due essentially to lower net financial expense (+€322 million) as a result of the recognition in the third quarter of 2012 of the costs associated with the early extinguishment of IRS hedging 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 over Snam. This was partly offset by lower EBIT (-€77 million) and higher income taxes (-€97 million) as a result of higher pre-tax profit.

Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit

Snam’s management assesses Group performance on the basis of adjusted EBIT and adjusted net profit, which exclude special items from EBIT and net profit respectively.

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 rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. Management considers that these performance metrics allow for analysis of the business trends, making it easier to compare results.

The components of operating income classified as special items in 2013 were the charges for voluntary redundancy incentives connected to the redundancy programme launched by Snam in November 2013 pursuant to Law 223/91 (€26 million; €17 million net of the related tax effect). The one-year plan concerns around 300 people in the Snam Group.

The reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit is shown below.

(€ million)	2012	2013	Change	% change
EBIT	**2,111**	**2,034**	**(77)**	**(3.6)**
- of which special items		***(26)***	*(26)*	
Adjusted EBIT	**2,111**	**2,060**	**(51)**	**(2.4)**
Net financial expense	*(794)*	***(472)***	*322*	(40.6)
- of which special items	*(335)*		*335*	*(100.0)*
Net income from equity investments	55	**45**	(10)	(18.2)
Income taxes	(593)	**(690)**	(97)	16.4
- of which special items	*122*	***9***	*(113)*	*(92.6)*
Net profit	**779**	**917**	**138**	**17.7**
Excluding special items				
- charges for voluntary redundancy incentives (*)		**17**	17	
- financial expense from early extinguishment of hedging contracts (*)	213		(213)	(100.0)
Adjusted net profit	**992**	**934**	**(58)**	**(5.8)**

(*) Net of tax effect.

Adjusted net profit, which excludes special items, totalled €934 million in 2013, down by €58 million (-5.8%) compared with 2012. The decrease was due mainly to lower adjusted EBIT (-€51 million) and to the higher net financial expense (-€13 million) resulting essentially from higher average debt during the period. These factors were partly offset by lower income taxes (+€16 million), due essentially to the reduction in pre-tax profit.

Adjusted EBIT[9], which excludes special items, totalled €2,060 million in 2013, down by €51 million (-2.4%) compared with 2012. The decrease was due to lower revenue from regulated activities (-€32 million), which was significantly impacted by the effects of recognising natural gas distribution tariff adjustments for 2009-2011 (€143 million)[10] in 2012, to lower revenue from unregulated activities (-€26 million) and to higher depreciation, amortisation and impairment charges (-€63 million).
These factors were partly offset by lower operating costs (+€70 million, net of components that are offset in revenue), essentially as a result of changes in the provisions for risks (+€50 million).
The strong performances by the natural gas transportation (+€93 million, or +8.2%, despite falling gas demand in Italy) and storage (+€48 million; +17.8%) segments were offset by a decline in the distribution segment[11] (-€181 million; -26.0%).

[9] EBIT was analysed by isolating only the elements that determined a change therein. To this end, applying gas segment tariff regulations generates revenue components that are offset in costs.

[10] These adjustments were recognised following Electricity and Gas Authority Resolutions 315/2012/R/gas and 450/2012/R/gas, which adjusted the reference tariffs for the third regulatory period (2009-2012).

[11] In the 2012 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.

The tax rate was 42.9% (43.2% in 2012). The decrease was due essentially to higher financial expense in 2012, non-deductible for IRAP (regional production tax) purposes.

The following information concerns the operating and financial performance of the Snam business segments in 2013.

Information by business segment

Natural gas transportation

(€ million)	2012	2013	Change	% change
Core business revenue (*)	1,916	**2,003**	87	4.5
- of which natural gas transportation revenue	*1,902*	***1,986***	*84*	*4.4*
Operating costs (*)	478	**375**	(103)	(21.5)
EBIT	1,135	**1,217**	82	7.2
- of which special items		***11***	*11*	
Adjusted EBIT	1,135	**1,228**	93	8.2
Technical investments (*)	700	**672**	(28)	(4.0)
- of which with a higher rate of return	*557*	***516***	*(41)*	*(7.4)*
- of which with a basic rate of return	*143*	***156***	*13*	*9.1*
Net invested capital at 31 December (**)	11,116	**11,370**	254	2.3
Volumes of natural gas injected into the national gas transportation network (billions of cubic metres)	75.78	**69.01**	(6.77)	(8.9)
Transportation network (kilometres in use)	32,245	**32,306**	61	0.2
- of which national network	*9,277*	***9,475***	*198*	*2.1*
- of which regional network	*22,968*	***22,831***	*(137)*	*(0.6)*

(*) Before consolidation adjustments.
(**) The 2012 figure was restated following the retrospective application of the new provisions of IAS 19.

Results

Natural gas transportation revenue totalled €1,986 million, up by €84 million (+4.4%) compared with 2012. This increase was due essentially to the contribution of investments made in 2011 (+€102 million), the effects of which were partly offset by tariff updating (-€16 million) and lower volumes of gas transported (-€20 million). Higher revenue from tariff components offset in costs (+€19 million) also contributed to the increase in transportation revenue.

Adjusted EBIT[12], which excludes special items[13], totalled €1,228 million in 2013, up by €93 million (+8.2%) on the previous year. The higher transportation revenue (+€65 million) and lower operating costs (+€90 million) resulting mainly from changes to the provisions for risks and charges (+€49 million) were partly offset by higher depreciation, amortisation and impairment losses (-€34 million), owing mainly to the entry into service of new infrastructure, and by the reduction in other revenue and income (-€30 million).

[12] 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, balancing revenue that is offset in the operating costs related to withdrawals of gas from storage totalled €80 million (€44 million in 2012) and referred to sales of natural gas for the purpose of balancing the gas system.

[13] Information on the nature of the special item and on the reconciliation of EBIT with adjusted EBIT can be found in the section "Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit".

Operating review

Natural gas injected into the national gas transportation network [14]

(billions of m^3)	2012	2013	Change	% change
Domestic output	**8.17**	**7.48**	**(0.69)**	**(8.4)**
Entry points	**67.61**	**61.53**	**(6.08)**	**(9.0)**
Tarvisio	23.85	**30.26**	6.41	26.9
Mazara del Vallo	20.82	**12.46**	(8.36)	(40.2)
Gries Pass	9.03	**7.49**	(1.54)	(17.1)
Gela	6.47	**5.70**	(0.77)	(11.9)
Cavarzere (LNG)	6.17	**5.35**	(0.82)	(13.3)
Livorno (LNG)		**0.21**	0.21	
Panigaglia (LNG)	1.12	**0.05**	(1.07)	(95.5)
Gorizia	0.15	**0.01**	(0.14)	(93.3)
	75.78	**69.01**	**(6.77)**	**(8.9)**

A total of 69.01 billion cubic metres was injected into the national gas transportation network, down by 6.77 billion cubic metres (-8.9%) compared with 2012 (75.78 billion cubic metres). The decrease was due mainly to lower natural gas demand in Italy (-6.5% compared with 2012), owing essentially to lower consumption in the thermoelectric sector (-16.3%), as a result of lower electricity demand and a rise in the production of energy from renewable sources (particularly hydroelectric, wind and photovoltaic power), and in the industrial sector (-2.2%), as well as to higher net withdrawals from storage (-1.92 billion cubic metres).

Natural gas injected into the national network from domestic production fields or their collection and treatment centres totalled 7.48 billion cubic metres, down by 0.69 billion cubic metres (-8.4%) compared with 2012.

Imports (61.53 billion cubic metres) were down by 6.08 billion cubic metres, due mainly to lower volumes injected at the Mazara del Vallo (-8.36 billion cubic metres; -40.2%), Gries Pass (-1.54 billion cubic metres; -17.1%) and Gela (-0.77 billion cubic metres; -11.9%) entry points and to lower volumes injected by the Panigaglia and Cavarzere regasification terminals (-1.07 billion cubic metres and -0.82 billion cubic metres respectively). These factors were partly offset by higher imports from Russia at the Tarvisio entry point (+6.41 billion cubic metres; +26.9%) and by the opening in October of the new Livorno regasification terminal, which injected 0.21 billion cubic metres.

[14] 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.

Technical investments

(€ million)	2012	2013	Change	% change
Development	**426**	**367**	**(59)**	**(13.8)**
Investments with **a greater return of 3%**	340	**277**	(63)	(18.5)
Investments with **a greater return of 2%**	86	**90**	4	4.7
Maintenance and other	**274**	**305**	**31**	**11.3**
Investments with **a greater return of 1%**	131	**149**	18	13.7
Investments with **a basic rate of return**	143	**156**	13	9.1
	700	**672**	**(28)**	**(4.0)**

Technical investments in 2013 totalled €672 million, a decrease of €28 million (-4.0%) compared with 2012 (€700 million).
The 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 rates of return[15].
A total of 76.8% of investments are expected to benefit from a greater return.

The main investments with **a greater return of 3%** (€277 million) were the:

- upgrading of transportation infrastructure in the Po Valley national network (€137 million);
- upgrading of infrastructure for importing to Sicily from the south of Italy (€46 million);
- and new transportation infrastructure on the Adriatic coast (€33 million).

The main investments with **a greater return of 2%** (€90 million) related to several projects to upgrade the regional and national network, including the construction of methane pipelines in Calabria (€17 million).

The investments with **a greater return of 1%** (€149 million) involved projects aimed at maintaining adequate safety and quality levels at the facilities, including:

- installing new turbocompressors at the Messina compression station in Sicily (€23 million);
- work on avoiding interference with other infrastructures (the Tangenziale Est Esterna Milano road, the BreBeMi motorway and the Pedemontana motorway) or third-party property (€27 million).

Investments with **a basic rate of return** (€156 million) include the replacement of assets and plants, the implementation of new IT systems and the development of existing ones, and the acquisition of other core operating assets, including property investment.

[15] Through Resolution 514/2013/R/gas, the Electricity and Gas Authority defined the new criteria for determining transportation tariffs for the fourth regulatory period (2014-2017), the main features of which, particularly with reference to investments, are discussed in the "Regulation" section below.

Regulation

Resolution 514/2013/R/gas – "Regulation criteria for natural gas transportation and dispatching tariffs for the 2014-2017 period".

With this resolution, published on 15 November 2013, the Electricity and Gas Authority defined the regulation criteria for natural gas transportation tariffs for the 2014-2017 regulatory period.
The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The weighted average cost of capital (WACC) was set at 6.3% in real terms, before tax, for investments made up to 31 December 2013, and at 7.3% in real terms, before tax, for investments made after that date, in order to mitigate the impact of the "regulatory lag" in the recognition of new investments made in the year n, which are incorporated into the tariff for the year n+2. 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.
New investments made from 1 January 2014 onwards will earn a greater return that is between 1-2% higher than the variable basic rate (WACC), depending on the type of investment, for a period of 5-10 years.
The method for updating the price cap tariffs is applied only to revenue relating to operating costs, which are updated for inflation and decreased by an annual recovery coefficient set at 2.4%. The revenue components which are related to returns and amortisation and depreciation are determined on the basis of the annual update of net capital invested (RAB). Amortisation and depreciation are calculated on the basis of the useful economic and technical life of the transportation infrastructure.
The current methodology for determining the capacity/commodity split was confirmed, providing for capacity revenue to cover capital costs (return and amortisation and depreciation) and commodity revenue to cover recognised operating costs. A mechanism was introduced to guarantee commodity revenue, which provides for the adjustment of revenue that is either 4% higher or 4% lower than the base commodity revenue. The tariff structure is based on an entry/exit model and was also confirmed for the fourth regulatory period, together with the capacity fee for the metering service. Fuel gas is treated as a pass-through cost which is payable in kind by users. Lastly, the Authority calculated the amount payable to the Company for higher costs incurred due to the implementation of measures introduced by Legislative Decree 93/11 and Resolution ARG/gas 45/11 as €6.5 million.

Definitive certification of Snam Rete Gas S.p.A.

Resolution 515/2013/R/gas – "Definitive certification of Snam Rete Gas S.p.A. as a transportation system operator for natural gas under the ownership unbundling regime following an opinion issued by the European Commission on 13 September 2013, C(2013) 5961".

With this resolution, published on 15 November 2013, the Electricity and Gas Authority adopted its final decision to certify Snam Rete Gas S.p.A. as a transportation system operator, pursuant to Article 9, paragraph 1 of Directive 2009/73/EC. The Authority's decision certifies Snam Rete Gas's compliance with the ownership unbundling model. Furthermore, in order to introduce temporary measures in order to ensure that the Authority has a significant level of transparency and prior information, the Authority imposed an obligation to maintain – temporarily and as an exceptional measure – the position of Head of Compliance. In accordance with Resolution 515/2013/R/gas, at its meeting on 6 December 2013 the Board of Directors of Snam Rete Gas appointed the Head of Compliance.

Liquefied Natural Gas (LNG) regasification

(€ million)	2012	2013	Change	% change
Core business revenue (*) (**)	34	**31**	(3)	(8.8)
- of which LNG regasification revenue	*23*	***22***	*(1)*	*(4.3)*
Operating costs (**)	25	**21**	(4)	(16.0)
EBIT	5	**5**		
Technical investments	3	**5**	2	66.7
Volumes of LNG regasified (billions of cubic metres)	1.12	**0.05**	(1.07)	(95.5)
Tanker loads (number)	31	**1**	(30)	(96.8)

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

(**) Before consolidation adjustments.

Results

Revenue from regasification of LNG amounted to €22 million, a fall of €1 million compared with 2012. The revenue relates to the capacity fees[16] (€21 million, compared with €22 million in 2012) and the variable fees associated with the volumes of LNG regasified (€1 million, unchanged compared with 2012).

EBIT amounted to €5 million, unchanged compared with 2012. The reduction in regasification revenue was fully offset by the reduction in operating costs (+€1 million, net of components offset in revenue[17]), due essentially to lower variable costs as a result of the reduction in volumes regasified.

Operating review

During 2013, the LNG terminal at Panigaglia (SP) regasified 0.05 billion cubic metres of natural gas (1.12 billion cubic metres in 2012), unloading 1 methane tanker (31 in 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.

Technical investments

Technical investments made in the 2013 financial year totalled €5 million (€3 million in 2012) and mainly concerned development investments (€2 million), which related to measures aimed at improving the usage factor of the production plants, and investments intended to maintain plant system safety (€3 million).

[16] 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.

[17] Costs that are offset in revenue refer mainly to costs for the transportation service provided by Snam Rete Gas that GNL charges back to its customers (€9 million and €11 million respectively in 2013 and 2012).

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 revenue, the mechanisms already in force for the third period were essentially confirmed. The WACC was set at 7.3% in real terms, before tax, for investments made up to 31 December 2013, and at 8.3% for investments made after that date, in order to mitigate the impact of the "regulatory lag" in the recognition of new investments made in the year n, which are incorporated into the tariff for the year n+2. 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.

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 revenue from the higher rate of return for investments realised in prior regulatory periods.

New investments made from the 2014 financial year onwards aimed at expanding the regasification capacity of existing terminals by more than 30% or building new terminals will earn a rate that is two percentage points higher than the basic WACC, for 16 years.

The guarantee factor for covering revenue is set at 64% of total revenue.

Other provisions

Ministerial Decree of 13 September 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 232 of 3 October 2013) and Ministerial Decree of 18 October 2013 – Terms and conditions or a peak shaving service during the winter period of the 2013-2014 thermal year (Official Gazette 258 of 4 November 2013).

With the Decree of 13 September 2013, 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. With a subsequent Decree of 18 October 2013, the Ministry defined the general conditions for the performance of the peak shaving service by companies and for the allocation of the costs arising from the performance of the service.

Electricity and Gas Authority Resolution 471/2013/R/gas – "Provisions for the management of the peak shaving service in the winter period of the 2013-2014 thermal year".

With this resolution, published on 20 December 2013, which enacts the provisions introduced by the Decrees of the Ministry of Economic Development of 13 September 2013 and 18 October 2013, the Authority defined the procedures for the management of the peak shaving service in the event that it is implemented during the winter period of the 2013-2014 thermal year by regasification companies and the Balancing Supervisor, the procedures for amending the regasification codes and the procedures for estimating the costs to be incurred for performing the service.

Natural gas storage

(€ million)	2012	2013	Change	% change
Core business revenue (a) (b)	401	**487**	86	21.4
- of which natural gas storage revenue	*401*	***450***	*49*	*12.2*
Operating costs (a) (b)	69	**110**	41	59.4
EBIT	270	**315**	45	16.7
- of which special items		***3***	*3*	
Adjusted EBIT	270	**318**	48	17.8
Technical investments (b)	233	**251**	18	7.7
- of which with a greater return	*194*	***216***	*22*	*11.3*
- of which with a basic rate of return	*39*	***35***	*(4)*	*(10.3)*
Net invested capital at 31 December (c)	2,819	**3,071**	252	8.9
Concessions (number)	10	**10**		
- of which operational (d)	*8*	***8***		
Natural gas moved through the storage system (billions of cubic metres) (e)	15.63	**18.42**	2.79	17.9
- of which injected	*8.43*	***8.92***	*0.49*	*5.8*
- of which withdrawn	*7.20*	***9.50***	*2.30*	*31.9*
Total storage capacity (billions of cubic metres):	15.7	**15.9**	*0.2*	*1.3*
- of which available (f)	*11.2*	***11.4***	*0.2*	*1.8*
- of which strategic	*4.5*	***4.5***		

(a) As of 1 April 2013, pursuant to Resolution 297/2012/R/gas of 19 July 2012, core business revenue includes the chargeback 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, under Stogit S.p.A., in order to represent the substance of the operation.
(b) Before consolidation adjustments.
(c) The 2012 figures were restated following the retrospective application of the new provisions of IAS 19.
(d) Working gas capacity for modulation services.
(e) Gas volumes are expressed in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 39.3 MJ/SCM.
(f) Working gas capacity for modulation, mining and balancing services. The figure indicated represents the maximum available capacity and may not be in line with the maximum levels achieved. The 2012 figure includes 0.5 billion cubic metres relating to the capacity made available by the reduction of strategic and non-transferable storage.

Results

Revenue from natural gas storage totalled €450 million[18], up €49 million (12.2%) compared with 2012. The increase was due essentially to the investments made in 2011 (+€47 million). Storage revenue refers to modulation storage (€386 million; +15.2%) and strategic storage (€62 million; +1.6%).

[18] 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*".

Adjusted EBIT, which excludes special items[19], amounted to €318 million in 2013, up by €48 million, or 17.8%, compared with 2012. The increase was due to higher storage revenue (+€48 million, net of revenue offset in costs) and to operating cost control (+€1 million, net of items offset in revenue[20]).

Operating review

Natural gas moved through the storage system

The volumes of gas moved through the storage system in 2013 amounted to 18.42 billion cubic metres, an increase of 2.79 billion cubic metres (17.9%) compared with the volumes moved in 2012 (15.63 billion cubic metres). The increase was due mainly to higher withdrawals from storage (+2.30 billion cubic metres; +31.9%) as a result of the temperatures recorded in March and April 2013, which were colder than in the corresponding period of the previous year.

Total storage capacity at 31 December 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)[21].

Technical investments

(€ million)	2012	2013	Change	% change
Development of new fields (greater return of 4% over 16 years)	95	**154**	**59**	**62.1**
Upgrading of capacity (greater return of 4% over 8 years)	99	**62**	**(37)**	**(37.4)**
Maintenance and other	39	**35**	**(4)**	**(10.3)**
	233	**251**	**18**	**7.7**

Technical investments in 2013 amounted to €251 million, an increase of €18 million, or 7.7%, compared with 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 rates of return. A total of 86.0% of investments are expected to benefit from a greater return. The breakdown of investments in 2013 by category will be submitted to the Authority when the tariffs are approved for 2015.

Investments with **a greater return of 4% over 16 years** (€154 million) relate mainly to development activities at the Bordolano and Fiume Treste fields for drilling, the delivery 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 greater return of 4% over eight years** (€62 million) refer to drilling and repowering activities at the Fiume Treste, Sabbioncello, Minerbio and Settala fields.

[19] Information on the nature of the special item and the reconciliation of EBIT with adjusted profit can be found under the heading "Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit".

[20] Costs offset in revenue consist mainly of costs relating to the natural gas transportation service provided by Snam Rete Gas S.p.A., which Stogit charges back to its customers (€36 million).

[21] On 29 January 2014, the Ministry of Economic Development set the strategic storage volume for the 2014-2015 storage contractual year (1 April 2014 - 31 March 2015) at 4.62 billion cubic metres, more or less in line with the volume for the 2013-2014 contractual year (4.60 billion cubic metres).

Natural gas distribution

(€ million)	2012	2013	Change	% change
Core business revenue (*)	1,434	**1,315**	(119)	(8.3)
- of which natural gas distribution revenue	*1,398*	***1,271***	*(127)*	*(9.1)*
Core business revenue net of *IFRIC* 12	1,109	**996**	(113)	(10.2)
- of which natural gas distribution revenue	*1,073*	***952***	*(121)*	*(11.3)*
Operating costs (*)	698	**638**	(60)	(8.6)
Operating costs net of IFRIC 12	373	**319**	(54)	(14.5)
EBIT (**)	626	**505**	(121)	(19.3)
- of which special items		***11***	*11*	
Adjusted EBIT (**)	626	**516**	(110)	(17.6)
Technical investments	359	**358**	(1)	(0.3)
Net invested capital at 31 December (***)	3,850	**4,019**	169	4.4
Gas distribution (millions of cubic metres)	7,462	**7,352**	(110)	(1.5)
Distribution network (kilometres) (****)	52,586	**52,993**	407	0.8
Active meters (millions)	5.907	**5.928**	0.021	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.

(***) The 2012 figure was restated following the retrospective application of the new provisions of IAS 19.

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

Results

Revenue from natural gas distribution amounted to €1,271 million in 2013, a decrease of €127 million, equal to 9.1%, compared with 2012. Excluding revenue from the application of IFRIC 12, distribution revenue recorded an increase of €121 million, or 11.3%. The reduction was due to the effects of the recognition in 2012 of adjustments relating to the 2009-2011 period (€143 million) pursuant to Resolutions 315/2012/R/gas and 450/2012/R/gas of the Electricity and Gas Authority, which amended some of the tariff determination criteria for the third regulatory period (2009-2012). These effects were partly offset by higher revenue from tariff updating mechanisms (+€22 million).

Adjusted EBIT in 2013, which excludes special items[22], amounted to €516 million, a fall of €110 million, or 17.6%, compared with 2012.
The reduction is mainly due to: (i) lower revenue for the natural gas transmission service (-€121 million); (ii) the reduction in other revenue and income (-€35 million), due mainly to lower capital gains on natural gas distribution concessions; (iii) higher amortisation, depreciation and impairment losses (-€27 million) due to both the entry into service of new infrastructure and the effects (-€15 million) of the costs incurred in the awarding of the concession for Rome, where Italgas no longer owns assets but holds a concession to use them. These costs, net of the reimbursement as determined by the

22 Information on the nature of the special item and the reconciliation of EBIT with adjusted profit can be found under the heading “Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit.

agreement with the Municipality of Rome, are amortised over the duration of the concession (12 years).
These factors were partly offset by the reduction in operating costs (+€65 million) attributable to provisions for risks and charges, which were considerably lower 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.

Operating review

Natural gas distribution

In 2013, 7,352 million cubic metres of gas were distributed, an increase of 110 million cubic metres, or 1.5%, compared with 2012, due mainly to weather conditions.
At 31 December 2013, Snam had concessions for gas distribution services in 1,435 municipalities (unchanged from 31 December 2012), of which 1,344 were in operation (1,337 in 2012) and 91 had networks yet to be completed and/or created (98 in 2012). It had 5.928 million active meters at gas redelivery points to end users (households, businesses, etc.), compared with 5.907 million at 31 December 2012.

Distribution network

At 31 December 2013, the gas distribution network covered 52,993 kilometres (52,586 kilometres at 31 December 2012). The increase of 407 kilometres compared with 31 December 2012 is due to the construction of new networks, specifically in Calabria, and to the extension of networks for concession commitments.

Technical investments

(€ million)	2012	2013	Change	% change
Distribution	**246**	**239**	(7)	(2.8)
Network maintenance and development	196	**187**	(9)	(4.6)
Replacement of cast-iron pipes (**greater return of 2%**)	50	**52**	2	4.0
Metering	**79**	**83**	**4**	**5.1**
Other investments	**34**	**36**	**2**	**5.9**
	359	**358**	**(1)**	**(0.3)**

Technical investments amounted to €358 million in 2013, in line with the figure for 2012 (€359 million).

Investments in distribution (€239 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 (€83 million) primarily concerned the meter replacement programme and the remote meter-reading project.

Other investments (€36 million) mainly concerned investments in IT, property and vehicles.

Regulation

Resolution 573/2013/R/gas – "Tariff regulation for gas distribution and metering services for the 2014-2019 regulatory period".

With this resolution, published on 13 December 2013, the Authority approved the regulation of gas distribution and metering service tariffs for the 2014-2019 regulatory period.
The net capital invested (RAB) of distributing companies is broken down into two categories: capital invested for the site and centralised capital invested. In order to assess the capital invested for the site, the general criterion of assessing capital invested for the site based on the revalued historical cost method has been confirmed for the first three years of the regulatory period (2014-2016). The application of standard cost assessment criteria has been confirmed for investments relating to the electronic meter installation plan. The parametric method has been confirmed for the assessment of centralised capital invested in relation to industrial buildings and property and to other fixed tangible and intangible assets. With regard to centralised assets relating to the remote management systems, the remote meter-reading/remote management costs and the concentrator-related costs incurred by companies will be recognised in tariffs for the first two years of the fourth regulatory period. From 2016 onwards, these costs will be recognised using output-based criteria. The Authority intends to launch a specific procedure in order to assess the possibility of modifying the criteria for assessing new investments from 2017 onwards, so as to facilitate efficient development of the service in the medium-to-long term by introducing standard costs or extending the price-cap methodology to cover capital costs.
The WACC of net capital invested (RAB) is set at 6.9% in real terms, before tax, for the distribution service and at 7.2% in real terms, before tax, for the metering service. A two-yearly revision of the WACC will also be introduced via an update solely of the return from risk-free assets.
The greater return for investments in the replacement of cast iron with hemp and lead fittings and in modernising odorisation plants provided for in the previous regulatory period is incorporated into the mechanisms for determining rewards and penalties relating to the security of the natural gas distribution service.
The lag in recognising investments in the third regulatory period will be absorbed by including assets realised in the year t-1 in the value of invested capital.
The revenue components which are related to returns and amortisation and depreciation are determined on the basis of the annual update of net capital invested (RAB).
The method for updating the price cap tariffs is applied solely to revenue relating to operating costs, which are indexed to inflation and reduced by an annual recovery coefficient set, with effect from the end of 2016, at 1.7% for operating costs relating to distribution and at 0% for operating costs relating to metering and marketing. The annual rates of reduction of the unitary costs recognised to cover the operating costs of the distribution, metering and marketing services will be updated by 30 November 2016 with a view to being applied from 1 January 2017 on the basis of a specific procedure to be launched in 2016.
Measures concerning area management tariff regulation will be incorporated into a subsequent provision, to be adopted by March 2014, following further examination and a consultation process.

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

Revenue

(€ million)	2012	2013	Change	% change
Core business revenue	**3,730**	**3,735**	**5**	**0.1**
Business segments				
Transportation	1,916	**2,003**	87	4.5
Regasification	34	**31**	(3)	(8.8)
Storage (*)	401	**487**	86	21.4
Distribution	1,434	**1,315**	(119)	(8.3)
- of which effects of IFRIC 12	*325*	***319***	*(6)*	*(1.8)*
Corporate	*184*	***182***	*(2)*	(1.1)
Consolidation eliminations	(239)	**(283)**	(44)	18.4
Other revenue and income	**216**	**113**	**(103)**	**(47.7)**
Total revenue	**3,946**	**3,848**	**(98)**	**(2.5)**

(*) As of 1 April 2013, core business revenue in the storage segment includes the chargeback of the transportation service provided by Snam Rete Gas pursuant to Electricity and Gas Authority Resolution 297/2012/R/gas of 19 July 2012. Revenue from these chargebacks, amounting to €36 million in 2013, is offset in operating costs related to the purchase of transportation capacity provided by Snam Rete Gas.

Revenue – Regulated and non-regulated activities

(€ million)	2012	2013	Change	% change
Revenue from regulated activities	**3,802**	**3,810**	**8**	**0.2**
Transportation	1,946	**2,061**	115	5.9
Regasification	23	**22**	(1)	(4.3)
Storage	353	**400**	47	13.3
Distribution	1,480	**1,327**	(153)	(10.3)
- of which effects of IFRIC 12	325	***319***	*(6)*	(1.8)
Revenue from non-regulated activities	**144**	**38**	**(106)**	**(73.6)**
	3,946	**3,848**	**(98)**	**(2.5)**

Operating costs

(€ million)	2012	2013	Change	% change
Business segments				
Transportation	478	**375**	(103)	(21.5)
Regasification	25	**21**	(4)	(16.0)
Storage (*)	69	**110**	41	59.4
Distribution	698	**638**	(60)	(8.6)
- of which effects of IFRIC 12	*325*	***319***	*(6)*	*(1.8)*
Corporate	176	**188**	12	6.8
Consolidation eliminations	(246)	**(287)**	(41)	16.7
Consolidation adjustments	(71)		71	(100.0)
	1,129	**1,045**	**(84)**	**(7.4)**

(*) 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 Electricity and Gas Authority Resolution 297/2012/R/gas of 19 July 2012.

Operating costs – Regulated and non-regulated activities

(€ million)	2012	2013	Change	% change
Costs of regulated activities	**1,011**	**1,001**	**(10)**	**(1)**
Controllable fixed costs	453	**460**	7	1.5
Variable costs	48	**100**	52	
Other costs	510	**441**	(69)	(13.5)
- of which effects of IFRIC 12	325	***319***	*(6)*	*(1.8)*
- of which special items		***26***	*26*	
Costs of non-regulated activities	**118**	**44**	**(74)**	**(63)**
	1,129	**1,045**	**(84)**	**(7.4)**

Amortisation, depreciation and impairment losses

(€ million)	2012	2013	Change	% change
Amortisation and depreciation	**702**	**759**	**57**	**8.1**
Business segments				
Transportation	449	**473**	24	5.3
Regasification	5	**5**		
Storage	63	**64**	1	1.6
Distribution	183	**214**	31	16.9
Corporate	2	**3**	1	50.0
Impairment losses	**4**	**10**	**6**	
	706	**769**	**63**	**8.9**

EBIT

(€ million)	2012	2013	Change	% change
Business segments				
Transportation	1,135	**1,217**	82	7.2
Regasification	5	**5**		
Storage	270	**315**	45	16.7
Distribution	626	**505**	(121)	(19.3)
Corporate	6	**(8)**	(14)	
Consolidation adjustments	69		(69)	(100.0)
	2,111	**2,034**	**(77)**	**(3.6)**

Adjusted EBIT

(€ million)	2012	2013	Change	% change
EBIT	**2,111**	**2,034**	**(77)**	**(3.6)**
Excluding special items				
- charges for redundancy incentives		***26***	*26*	
Adjusted EBIT	**2,111**	**2,060**	**(51)**	**(2.4)**
Business segments				
Transportation	1,135	**1,228**	93	8.2
Regasification	5	**5**		
Storage	270	**318**	48	17.8
Distribution	626	**516**	(110)	(17.6)
Corporate	6	**(7)**	(13)	
Consolidation adjustments	69		(69)	(100.0)
	2,111	**2,060**	**(51)**	**(2.4)**

Net financial expense

(€ million)	2012	2013	Change	% change
Expense on financial debt	**401**	**489**	**88**	**21.9**
- Expense on short- and long-term financial debt	401	**489**	88	21.9
Losses (Gains) on hedging contracts	**404**	**6**	**(398)**	**(98.5)**
- Interest rate swaps (IRS) (*)	404		(404)	(100.0)
- Cross currency swaps (CCS) (**)		**6**	6	
Other net financial expense	**27**	**11**	**(16)**	**(59.3)**
- Accretion discount	11	**13**	2	18.2
- Other net financial expense (income)	16	**(2)**	(18)	
Financial expense capitalised	**(38)**	**(34)**	**4**	**(10.5)**
	794	**472**	**(322)**	**(40.6)**

(*) The figure for 2012 includes financial expense arising from the early extinguishment of 12 IRS contracts (€335 million).

(**) The figure for 2013 refers to a CCS contract put in place by Snam in October 2013 to hedge exchange rate risk in relation to a bond issue in Japanese yen for a value of €75 million.

Net income from equity investments

(€ million)	2012	2013	Change	% change
Equity method valuation effect	55	**45**	(10)	(18.2)
	55	**45**	**(10)**	**(18.2)**

Income taxes

(€ million)	2012	2013	Change	% change
Current taxes	**726**	**793**	**67**	**9.2**
(Prepaid) deferred taxes				
Deferred taxes	(127)	(87)	40	(31.5)
Prepaid taxes	(6)	(16)	(10)	
	(133)	**(103)**	**30**	**(22.6)**
Tax rate (%)	**43.2**	**42.9**	**(0.3)**	**(0.7)**
	593	**690**	**97**	**16.4**

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

(€ million)	31.12.2012	31.12.2013	Change
Fixed capital	**19,567**	**20,583**	**1,016**
Property, plant and equipment	14,522	**14,851**	329
Compulsory inventories	363	**363**	
Intangible assets	4,593	**4,710**	117
Equity investments	473	**1,024**	551
Financial receivables held for operations	2	**2**	
Net payables for investments	(386)	**(367)**	19
Net working capital (*)	**(1,139)**	**(1,155)**	**(16)**
Provisions for employee benefits (*)	**(129)**	**(124)**	**5**
Assets held for sale and directly related liabilities	**15**	**16**	**1**
NET INVESTED CAPITAL	**18,314**	**19,320**	**1,006**
Shareholders' equity (including minority interests) (*)			
- attributable to Snam	5,915	**5,993**	78
- attributable to minority interests	1	**1**	
	5,916	**5,994**	**78**
Net financial debt	**12,398**	**13,326**	**928**
COVERAGE	**18,314**	**19,320**	**1,006**

(*) 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. For further details, please refer to the notes on methodology on page 8.

Fixed capital (€20,583 million) rose by €1,016 million compared with 31 December 2012, due essentially to an increase in equity investments (+€551 million) and an increase in property, plant and equipment and intangible assets (+€446 million).

Equity investments

The equity investments item (€1,024 million) includes the valuation of equity investments using the net equity method and refers in particular to TIGF Holding SAS (€562 million)[23], Toscana Energia S.p.A. (€152 million), Azienda Energia e Servizi Torino S.p.A. (€126 million), Gasbridge 1 B.V. (€63.5 million) and Gasbridge 2 B.V. (€63.5 million).

Net working capital

(€ million)	31.12.2012	31.12.2013	Change
Trade receivables	1,921	**2,268**	347
Inventories	202	**156**	(46)
Tax receivables	125	**53**	(72)
Other assets	193	**231**	38
Trade payables	(764)	**(1,047)**	(283)
Provisions for risks and charges	(757)	**(837)**	(80)
Deferred tax liabilities (*)	(827)	**(727)**	100
Accruals and deferrals from regulated activities	(309)	**(203)**	106
Tax payables	(81)	**(143)**	(62)
Derivative liabilities		**(7)**	(7)
Other liabilities (**)	(842)	**(899)**	(57)
	(1,139)	**(1,155)**	**(16)**

(*) The figures recorded at 31 December 2012 were restated following the retrospective application of the new provisions of IAS 19. For further details, please refer to the notes on methodology on page 8.

(**) Other liabilities for 2012 include the residual portion of the liabilities related to the early extinguishment of hedging contracts (€141 million).

Net working capital fell by €16 million compared with 31 December 2012 to -€1,155 million, owing mainly to: (i) the increase in trade payables (-€283 million), relating mainly to the transportation segment, as a result of higher payables arising from the balancing service (-€310 million); (ii) higher provisions for risks and charges (-€80 million), due mainly to the increase in provisions for site dismantlement and restoration (-€46 million) and provisions for termination benefits (-€26 million); (iii) the reduction in tax receivables (-€72 million), due mainly to the reimbursement of VAT credits outstanding at 31 December 2012 and associated with the distribution segment; and (iv) higher tax payables (-€62 million), due essentially to higher IRES and IRAP payables (-€49 million) as a result of higher pre-tax profits.

These factors were partly offset by: (i) higher trade receivables (+€347 million), relating to the transportation segment, due mainly to higher receivables from the balancing service (+€182 million), essentially for November and December, and to the storage segment (+€59 million), due to an increase in receivables from the Electricity Equalisation Fund for tariff charges; and (ii) the reduction in accruals and deferrals from regulated activities (+€106 million), relating mainly to the transportation segment.

[23] 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.

Statement of comprehensive income

(€ million)	2012	2013
Net profit	**779**	**917**
Other components of comprehensive income		
Components that can be reclassified to the income statement:		
Change in fair value of cash flow hedging derivatives (effective share)	(77)	**(1)**
Reclassification to income statement of expense arising from fair-value measurement of hedging derivatives (*)	215	
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income"		**(5)**
Tax effect	32	
	170	**(6)**
Components that cannot be reclassified to the income statement:		
Actuarial (losses)/gains from remeasurement on defined-benefit obligations (**)	(19)	**6**
Tax effect (**)	6	**(2)**
	(13)	**4**
Total other components of comprehensive income, net of tax effect	**157**	**(2)**
Total comprehensive income for the year (**)	**936**	**915**
attributable to:		
- Snam	**936**	**915**
- Minority interests		
	936	**915**

(*) 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 contracts up to that date must be reclassified to the income statement in full.

(**) The figures for 2012 refer to the retrospective application of the new provisions of IAS 19.

Shareholders' equity

(€ million)

Shareholders' equity at 31 December 2012		**5,916**
Increases owing to:		
- Comprehensive income for 2013	915	
- Other changes	8	
		923
Decreases owing to:		
- Distribution of balance of 2012 dividend	(507)	
- Distribution of interim 2013 dividend	(338)	
		(845)
Shareholders' equity including minority interests at 31 December 2013		**5,994**
attributable to:		
- Snam		**5,993**
- Minority interests		**1**
		5,994

The other changes (+€8 million) relate mainly to the effects of the exercise of 1,233,700 stock options by Snam executives (+€4 million).

Net financial debt

(€ million)	31.12.2012	31.12.2013	Change
Financial and bond debt	**12,413**	**13,328**	**915**
Short-term financial debt (*) (**)	474	**2,250**	1,776
Long-term financial debt	11,939	**11,078**	(861)
Financial receivables and cash and cash equivalents	**(15)**	**(2)**	**13**
Cash and cash equivalents	(15)	**(2)**	13
	12,398	**13,326**	**928**

(*) Includes the short-term portion of long-term financial debt.

(**) The figure for 31 December 2012 does not include the financial liabilities (€141 million) arising from the early extinguishment of hedging contracts.

Net financial debt was €13,326 million at 31 December 2013, compared with €12,398 million at 31 December 2012.

The positive net cash flow from operating activities (€1,698 million) enabled the Group to almost fully meet its funding requirements for net technical investments and the acquisition of an equity investment in TIGF (€1,790 million in total). Following the payment of a dividend of €845 million to shareholders, net financial debt totalled €13,326 million, up by €928 million compared with 31 December 2012.

Financial and bond debt, which totalled €13,328 million at 31 December 2013 (compared with €12,413 million at 31 December 2012), was denominated entirely in euros, with the exception of a fixed-rate bond worth JPY 10 billion, which was fully converted into euros via a hedging derivative worth around €75 million.

Financial liabilities at 31 December 2013 relate mainly to bonds (€8.9 billion, equal to 66.5%), bank loans (€3.1 billion, equivalent to 23.3%) and loan agreements concerning European Investment Bank (EIB) funding (€1.3 billion, equal to 10.1%).

Long-term financial liabilities of €11,078 million make up approximately 83% of financial debt (around 96% at 31 December 2012) and have an average duration of five years (unchanged from 31 December 2012).

The following table shows the long-term financial liabilities and their respective maturity dates:

	Total at	**Maturity date**				
(€ million)	**31.12.2013**	**2015**	**2016**	**2017**	**2018**	**After 2018**
Bonds	8,659	748	1,296	1,247	1,562	3,806
Loans	2,419	790	320	20	51	1,238
	11,078	**1,538**	**1,616**	**1,267**	**1,613**	**5,044**

The breakdown of debt by type of interest rate at 31 December 2013 is as follows:

(€ million)	**31.12.2012**	**%**	**31.12.2013**	**%**	**Change**
Fixed rate	6,048	49	**8,559**	64	2,511
Floating rate	6,365	51	**4,769**	36	(1,596)
	12,413	**100**	**13,328**	**100**	**915**

Fixed-rate debt (€8,559 million) rose by €2,511 million after new bonds were issued.

Floating-rate debt (€4,769 million) fell by €1,596 million compared with 31 December 2012, owing essentially to the early extinguishment of a term loan (-€1,483 million) and to the net repayment of long-term revolving credit lines (-€1,673 million). These effects were partly offset by bank term loans taken out (+€1,249 million, of which €647 million related to EIB funding) and by the private placement of a bond (+€300 million).

At 31 December 2013, Snam had unused committed long-term credit lines worth €5.2 billion[24].

Covenants

The main bilateral and syndicated loans in place with banks and other financial institutions as at 31 December 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. In 2013, all the contractually required verifications of the financial covenants confirmed compliance.

24 In January and February 2014, as part of the process of optimising its debt structure, Snam reduced the committed long-term credit lines at its disposal by €0.5 billion.

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

(€ million)	**2012**	**2013**
Net profit	**779**	**917**
Adjusted by:		
- Amortisation, depreciation and other non-monetary components	652	**725**
- Net capital losses on asset sales and eliminations	(13)	**3**
- Interest and income taxes	959	**1,094**
Change in working capital due to operating activities	(218)	**46**
Dividends, interest and income taxes collected (paid)	(1,198)	**(1,087)**
Net cash flow from operating activities	**961**	**1,698**
Technical investments	(1,215)	**(1,187)**
Equity investments	(135)	**(599)**
Change in consolidation scope and business units	(905)	**(14)**
Divestments	963	**29**
Other changes relating to investment activities	(59)	**(19)**
Free cash flow	**(390)**	**(92)**
Change in short- and long-term financial debt	1,214	**920**
Equity cash flow	(811)	**(841)**
Net cash flow for the period	**13**	**(13)**

CHANGE IN NET FINANCIAL DEBT

(€ million)	**2012**	**2013**
Free cash flow	**(390)**	**(92)**
Exchange rate differences on financial debt		**5**
Equity cash flow	(811)	**(841)**
Change in net financial debt	**(1,201)**	**(928)**

IFRS financial statements

Balance sheet

(€ million)	31.12.2012	31.12.2013
ASSETS		
Current assets		
Cash and cash equivalents	15	**2**
Trade and other receivables	2,048	**2,442**
Inventories	202	**156**
Current income tax assets	11	**15**
Other current tax assets	89	**8**
Other current assets	115	**95**
	2,480	**2,718**
Non-current assets		
Property, plant and equipment	14,522	**14,851**
Compulsory inventories	363	**363**
Intangible assets	4,593	**4,710**
Equity-accounted investments	473	**1,024**
Other non-current assets	130	**147**
	20,081	**21,095**
Non-current assets held for sale	**23**	**23**
TOTAL ASSETS	**22,584**	**23,836**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term financial liabilities	505	**1,947**
Short-term portion of long-term financial liabilities	110	**303**
Trade and other payables	1,477	**1,898**
Current income tax liabilities	46	**95**
Other current tax liabilities	28	**47**
Other current liabilities	**218**	**88**
	2,384	**4,378**
Non-current liabilities		
Long-term financial liabilities	11,939	**11,078**
Provisions for risks and charges	757	**837**
Provisions for employee benefits	129	**124**
Deferred tax liabilities	827	**727**
Other non-current liabilities	**624**	**691**
	14,276	**13,457**
Liabilities directly associated with assets held for sale	**8**	**7**
TOTAL LIABILITIES	**16,668**	**17,842**
SHAREHOLDERS' EQUITY		
Snam shareholders' equity		
Share capital	3,571	**3,571**
Reserves	1,915	**1,850**
Net profit	779	**917**
Treasury shares	(12)	**(7)**
Interim dividend	(338)	**(338)**
Total Snam shareholders' equity	**5,915**	**5,993**
Minority interests	**1**	**1**
TOTAL SHAREHOLDERS' EQUITY	**5,916**	**5,994**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**22,584**	**23,836**

Income statement

(€ million)	2012	2013
REVENUE		
Core business revenue	3,730	**3,735**
Other revenue and income	216	**113**
Total revenue	**3,946**	**3,848**
OPERATING COSTS		
Purchases, services and other costs	(786)	**(672)**
Personnel expense	(343)	**(373)**
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**(706)**	**(769)**
EBIT	**2,111**	**2,034**
FINANCIAL INCOME (EXPENSE)		
Financial income	7	**15**
Financial expense	(397)	**(481)**
Derivatives	(404)	**(6)**
	(794)	**(472)**
INCOME FROM EQUITY INVESTMENTS		
Equity method valuation effect	55	**45**
	55	**45**
PRE-TAX PROFIT	**1,372**	**1,607**
Income taxes	**(593)**	**(690)**
Net profit	**779**	**917**
attributable to:		
- Snam	**779**	**917**
- Minority interests		
Profit per share (€ per share)		
- basic	0.23	**0.27**
- diluted	0.23	**0.27**

Statement of comprehensive income

(€ million)	2012	2013
Net profit	**779**	**917**
Other components of comprehensive income		
Components that can be reclassified to the income statement:		
Change in fair value of cash flow hedging derivatives (effective share)	(77)	**(1)**
Reclassification to income statement of expense arising from fair-value measurement of hedging derivatives	215	
Portion of equity investments valued using the equity method pertaining to “other components of comprehensive income”		**(5)**
Tax effect	32	
	170	**(6)**
Components that cannot be reclassified to the income statement:		
Actuarial (losses)/gains from remeasurement on defined-benefit obligations	(19)	**6**
Tax effect	6	**(2)**
	(13)	**4**
Total other components of comprehensive income, net of tax effect	**157**	**(2)**
Total comprehensive income for the year	**936**	**915**
attributable to:		
- Snam	**936**	**915**
- Minority interests		
	936	**915**

Statement of cash flows

(€ million)	2012	2013
Net profit	779	**917**
Adjustments for reconciling net profit for the year with cash flows from operating activities:		
Amortisation and depreciation	702	**759**
Net impairment losses of property, plant and equipment and intangible assets	4	**10**
Equity method valuation effect	(55)	**(45)**
Net capital losses (capital gains) on asset sales, cancellations and eliminations	(13)	**3**
Interest income	(8)	**(8)**
Interest expense	374	**412**
Income taxes	593	**690**
Changes in working capital:		
- Inventories	77	**1**
- Trade receivables	(554)	**(343)**
- Trade payables	208	**283**
- Provisions for risks and charges	54	**30**
- Other assets and liabilities	(144)	**216**
Working capital cash flow	*(359)*	***187***
Change in provisions for employee benefits	1	**1**
Dividends collected	34	**70**
Interest collected	3	**1**
Interest paid	(372)	**(399)**
Income taxes paid net of reimbursed tax credits	(863)	**(759)**
Net cash flow from operating activities	**820**	**1,839**
Investments:		
- Property, plant and equipment	(874)	**(839)**
- Intangible assets	(341)	**(348)**
- Change in scope of consolidation and business units	(905)	**(14)**
- Equity investments	(135)	**(599)**
- Change in payables and receivables relating to investments	(59)	**(22)**
Cash flow from investment activities	*(2,314)*	***(1,822)***
Divestments:		
- Property, plant and equipment	13	**3**
- Intangible assets	950	**17**
- Equity investments		**9**
- Change in payables and receivables relating to divestments		**3**
Cash flow from divestments	*963*	***32***
Net cash flow from investment activities	**(1,351)**	**(1,790)**
Taking on long-term financial debt	11,749	**3,808**
Repaying long-term financial debt	(8,112)	**(4,471)**
Increase (decrease) in short-term financial debt	(2,282)	**1,442**
	1,355	**779**
Net equity capital injections		**4**
Dividends paid to Snam shareholders	(811)	**(845)**
Net cash flow from financing activities	544	**(62)**
Net cash flow for the period	13	**(13)**
Cash and cash equivalents at the beginning of the period	2	**15**
Cash and cash equivalents at the end of the period	**15**	**2**

Reclassified financial statements of Snam S.p.A.

Reclassified balance sheet

(€ million)	31.12.2012	31.12.2013	Change
Fixed capital	**15,522**	**18,016**	**2,494**
Property, plant and equipment	3	3	
Intangible assets	9	13	4
Equity investments	7,609	8,197	588
Intragroup medium- and long-term financial receivables	7,930	9,833	1,903
Net receivables (payables) for investments	(29)	(30)	(1)
Net working capital	**353**	**129**	**(224)**
Provisions for employee benefits	**(16)**	**(16)**	
NET INVESTED CAPITAL	**15,859**	**18,129**	**2,270**
Shareholders' equity	**6,576**	**6,440**	**(136)**
Net financial debt	**9,283**	**11,689**	**2,406**
COVERAGE	**15,859**	**18,129**	**2,270**

Income statement

(€ million)	2012	2013	Change	% change
Financial income and expense				
Income from equity investments	407	**757**	350	86.0
Interest income and other financial income	206	**451**	245	
Interest expense and other financial expenses	(233)	**(495)**	(262)	
Total financial income and expense	**380**	**713**	**333**	**87.6**
Income from services rendered	173	**170**	(3)	(1.7)
Other income	11	**13**	2	18.2
Other operating income	**184**	**183**	**(1)**	**(0.5)**
Other operating expenses				
For personnel	(59)	(65)	(6)	10.2
For non-financial services and other costs	(119)	(126)	(7)	5.9
Total other operating costs	**(178)**	**(191)**	**(13)**	**7.3**
Pre-tax profit	**386**	**705**	**319**	**82.6**
Income taxes	4		(4)	(100.0)
Net profit	**390**	**705**	**315**	**80.8**