

# Comments on the financial review and other information

## Comments on the financial review

### Consolidated income statement (\*)

2015		2016		2017		Change	Change %
Pro-forma adjusted	(millions of €)	Reported (**)	Pro-forma adjusted	Reported (**)	Adjusted		
2,502	Regulated revenue	2,444	2,444	2,434	<b>2,434</b>	(10)	(0.4)
125	Non-regulated revenue	57	116	99	<b>99</b>	(17)	(14.7)
<b>2,627</b>	<b>Total revenue</b>	<b>2,501</b>	<b>2,560</b>	<b>2,533</b>	<b>2,533</b>	<b>(27)</b>	<b>(1.1)</b>
<b>2,509</b>	<b>Total revenue - net pass through items</b>	<b>2,356</b>	<b>2,415</b>	<b>2,441</b>	<b>2,441</b>	<b>26</b>	<b>1.1</b>
(570)	Operating costs	(557)	(573)	(526)	<b>(511)</b>	62	(10.8)
(452)	Operating expenses-NET pass through items	(412)	(428)	(434)	<b>(419)</b>	9	(2.1)
<b>2,057</b>	<b>EBITDA</b>	<b>1,944</b>	<b>1,987</b>	<b>2,007</b>	<b>2,022</b>	<b>35</b>	<b>1.8</b>
(576)	Amortisation, depreciation and impairment	(651)	(651)	(659)	<b>(659)</b>	(8)	1.2
<b>1,481</b>	<b>Operating profit (EBIT)</b>	<b>1,293</b>	<b>1,336</b>	<b>1,348</b>	<b>1,363</b>	<b>27</b>	<b>2.0</b>
(332)	Net financial expenses	(510)	(263)	(283)	<b>(227)</b>	36	(13.7)
153	Net income from equity investments	116	135	161	<b>150</b>	15	11.1
<b>1,302</b>	<b>Pre-tax profit</b>	<b>899</b>	<b>1,208</b>	<b>1,226</b>	<b>1,286</b>	<b>78</b>	<b>6.5</b>
(392)	Income tax	(308)	(363)	(329)	<b>(346)</b>	17	(4.7)
<b>910</b>	<b>Net profit (***)</b>	<b>591</b>	<b>845</b>	<b>897</b>	<b>940</b>	<b>95</b>	<b>11.2</b>
	<b>Net Profit - discontinued operations (***)</b>	<b>270</b>					
<b>910</b>	<b>Group net income (***)</b>	<b>861</b>	<b>845</b>	<b>897</b>	<b>940</b>	<b>95</b>	<b>11.2</b>

(\*) Changes in the income statement results shown in the table, as well as in those later in this Report, unless otherwise indicated, must be understood as changes in the results for the adjusted 2017 financial year compared to the 2016 pro-forma adjusted year. Percentage changes, unless otherwise specified, are calculated in relation to the data indicated in the related tables.

(\*\*) The Legal table of the Financial Statement.

(\*\*\*) Entirely held by Snam shareholders

**Reconciled summary of adjusted results (\*)**

2015	(millions of €)	2016	2017	Change	Change %
<b>1,427</b>	<b>Operating profit (EBIT)</b>	<b>1,293</b>	<b>1,348</b>	<b>55</b>	<b>4.3</b>
54	<i>Movement of the elisions originating from intercompany transactions to discontinued operations</i>	43		(43)	(100.0)
	<i>Excluding special items</i>		15	15	
<b>1,481</b>	<b>Adjusted EBIT</b>	<b>1,336</b>	<b>1,363</b>	<b>27</b>	<b>2.0</b>
<b>796</b>	<b>Net profit (**)</b>	<b>591</b>	<b>897</b>	<b>306</b>	<b>51.8</b>
48	<i>Movement of the elisions originating from intercompany transactions to discontinued operations</i>	80		(80)	(100.0)
19	<i>Excluding special items</i>	137	43	(94)	(68.6)
47	<i>Pro-forma adjustments Italgas Group results by share (13.5%) for the entire year</i>	37		(37)	(100.0)
<b>910</b>	<b>Adjusted net profit</b>	<b>845</b>	<b>940</b>	<b>95</b>	<b>11.2</b>

(\*) For reconciliation of the nature of the individual adjustments, read the paragraph: "Non-GAAP measures" of this Report.

(\*\*) Entirely held by Snam shareholders.

The **adjusted<sup>24</sup> operating profit** for the financial year 2017, which excludes special items represented by charges connected to the application of advance instrument for pensions, regulated by Art. 4 paragraphs 1-7 of Italian Law No. 92/2012, the so-called "Fornero Law" (€ 15 million, including exit incentives) amounted to 1,363, an increase of 27 million euros, equal to 2.0%, compared to the 2016 pro-forma adjusted operating profit. The higher revenues (+€ 26 million, 1.1%), mainly attributable to the natural gas transportation and storage sectors, and lower operating costs (+€ 9 million, or 2.1%), were partially offset by the increase in amortisations and depreciations for the period (-€ 8 million, or 1.2%), mainly due to the amortisation deriving from the entry into service of new infrastructure, which was partly absorbed by lower

impairment of tangible assets. In particular, the reduction in operating costs was mainly due to the impact of the efficiency plan (+ € 19 million) and lower capital losses from assets (+ € 15 million), partly offset by higher net provisions for risks and charges (- € 12 million), which was mainly attributable to tax disputes for indirect taxes, as well as greater provisions for adjustments to asset items (- € 10 million).

The **adjusted net profit** that, in addition to the aforementioned charges for Isopensione (€11 million net of the tax effect), excludes special items represented by the charges connected to the repurchase of bonds in the last quarter of 2017 (€ 43 million net of the tax effect) and income related to the one-off adjustment of deferred tax liabilities of the investee TIGF (€ 11 million), it attests to €940 million, up by €95 million (+ 11.2%); compared to the adjusted pro-forma net profit for the financial year 2016. The increase, in addition to the greater operating profit, was due to: (i) lower net financial expenses (+36 million euros, or 13.7%), which benefitted

from a reduction in the average cost of debt, as well as benefits deriving from optimisation actions carried out during the period 2016 and 2017, in particular the liability management operation completed in October 2016 and the financing operations carried out during the year, as well as the reduction in average debt for the period; (ii) higher net income from investments (+ € 15 million, +11.1%); (iii) lower income taxes (+ € 17 million, or 4.7%) mainly attributable to the reduction from 1 January 2017 of the IRES rate from 27.5 to 24.0%, partially offset by the higher pre-tax profits.

<sup>24</sup> EBIT was analysed by isolating only the elements that resulted in a change to that figure. To this end, applying gas sector tariff regulations generates revenue components that are offset in costs. Those components mainly pertained to natural gas interconnections and transfers carried out for purposes of balancing the gas system.

## Analysis of the entries on the adjusted financial statement

### Total revenue

2015 (millions of €)	2016	2017	Change	Change %
<b>Business segments</b>				
2,145 Transportation	2,035	<b>2,039</b>	4	0.2
25 Regasification	19	<b>22</b>	3	15.8
535 Storage	584	<b>601</b>	17	2.9
209 Corporate and other activities	226	<b>233</b>	7	3.1
<i>(287) Elisions from consolidation (*)</i>	<i>(304)</i>	<i><b>(362)</b></i>	<i>(58)</i>	<i>19.1</i>
<b>2,627</b>	<b>2,560</b>	<b>2,533</b>	<b>(27)</b>	<b>(1.1)</b>

(\*) The figures for 2015 and 2016 include the restoration of the eliminations deriving from intercompany transactions with discontinued operations.

### Regulated and non-regulated revenue

2015 (millions of €)	2016	2017	Change	Change %
<b>2,502 Regulated revenue</b>	<b>2,444</b>	<b>2,434</b>	<b>(10)</b>	<b>(0.4)</b>
<b>Business segments</b>				
1,977 Transportation	1,855	<b>1,889</b>	34	1.8
18 Regasification	18	<b>18</b>		
389 Storage	426	<b>435</b>	9	2.1
118 Revenue items offset in costs (*)	145	<b>92</b>	(53)	(36.6)
<b>125 Non-regulated revenue (**)</b>	<b>116</b>	<b>99</b>	<b>(17)</b>	<b>(14.7)</b>
<b>2,627 Total revenue</b>	<b>2,560</b>	<b>2,533</b>	<b>(27)</b>	<b>(1.1)</b>

(\*) The main revenue items offset in costs relate to interconnection and sales of natural gas carried out for balancing purposes.

(\*\*) The figures for 2015 and 2016 include restoration of the adjustments deriving from inter-company transactions with discontinued operations.

**Regulated Revenue** (€2,434 million) declined by €10 million in respect to the fiscal year 2016 (-0.4%). Net the components that have a counterpart in costs, the regulated revenue total €2,342 million, an increase of €43 million, equal to 1.9%, thanks to the continuous investment and greater volumes of injected gas, and relate to transport (€1,889 million), storage (€435 million) and re-gasification (€18 million).

The **non-regulated revenues** (€99

million euros, net of consolidation adjustments) decreased by €17 million compared to 2016, equal to -14.7%, and mainly refer to revenues from services rendered to the Italgas Group (€60 million), technical and specialist services to unconsolidated foreign companies (€11 million) and income from the rental and maintenance of fibre optic telecommunications cables (€13 million). The reduction was mainly due to lower revenues from services

provided to the Italgas Group, settled through several contracts concluded as of 31 December 2017.

## Operating costs

### Operating Costs by Business segments

2015	(millions of €)	2016	2017	Change	Change %
<b>Business segments</b>					
485	Transportation	469	<b>441</b>	(28)	(6.0)
19	Regasification	12	<b>15</b>	3	25.0
145	Storage	151	<b>165</b>	14	9.3
208	Corporate and other activities	245	<b>252</b>	7	2.9
(287)	Elisions from consolidation (*)	(304)	<b>(362)</b>	(58)	19.1
<b>570</b>		<b>573</b>	<b>511</b>	<b>(62)</b>	<b>(10.8)</b>

(\*) The figures for 2015 and 2016 include the restoration of the eliminations deriving from intercompany transactions with discontinued operations.

(\*\*) With reference to 2017, the cost of interconnections to Gas Transport Infrastructures was adjusted by the corresponding revenue from Snam Rete Gas (€ 5 million in the period October-December 2017).

### Operating costs - Regulated and non-regulated activities

2015	(millions of €)	2016	2017	Change	Change %
<b>463</b>	<b>Costs of regulated activities</b>	<b>456</b>	<b>404</b>	<b>(52)</b>	<b>(11.4)</b>
268	Controllable fixed costs	271	<b>267</b>	(4)	(1.5)
13	Variable costs	9	<b>7</b>	(2)	(22.2)
64	Other costs (*)	31	<b>38</b>	7	22.6
118	Cost items offset in revenue (**)	145	<b>92</b>	(53)	(36.6)
<b>107</b>	<b>Costs of non-regulated activities (***)</b>	<b>117</b>	<b>107</b>	<b>(10)</b>	<b>(8.5)</b>
<b>570</b>	<b>Total operating costs</b>	<b>573</b>	<b>511</b>	<b>(62)</b>	<b>(10.8)</b>

(\*) Net special items.

(\*\*) The main revenue items offset in revenue relate to interconnection and sales of natural gas carried out for balancing purposes.

(\*\*\*) The figures for 2015 and 2016 include restoring the adjustments deriving from inter-company transactions with discontinued operations.

### Operating costs of regulated activities

Operating costs of regulated activities (€404 million) decreased by €52 million, or 11.4% compared to 2016. Net of the components that are offset by revenue, the operating costs of the regulated activities are substantially in line with the year 2016 (+€1 million).

The fixed controllable costs (€267 million) represented by the total of the cost of personnel and external costs of a recurrent nature, record a decrease of €4 million, equal to 1.5% compared to the fiscal year 2016 (€271 million),

partly due to the implementation of efficiency measures.

Variable costs (€7 million) decreased by €2 million, or 22.6%, compared to 2016. Other costs (€38 million, net of the special items represented by the provisions of the former Fornero law early retirement plan) increased by €7 million, or 22.6% compared to 2016. The increase is due essentially to the higher net provisions for risks and charges (-€8 million), mainly attributable to tax disputes for indirect taxes, as well as higher provisions for bad debt provisions (-€2 million).

### Operating costs of non-regulated activities

Operating costs of non-regulated assets (€107 million) decreased by €10 million, or 8.5% compared to 2016, mainly as a result of lower labour costs, the loss of charges directly related to the division operations completed in November 2016, and lower charges relating to compensation for termination of employment relationships paid in 2016 (€5 million). These effects were partly offset by the higher net provisions for risks and charges and the allowance for bad debt provisions (€12 million overall).

## Service personnel

The number of employees as of 31 December 2017 (2,919 people) is analysed below according to professional status.

2015 (no.)	2016	2017	Change	Change %
<b>Professional status</b>				
99 Executives	87	93	6	6.9
449 Managers	421	456	35	8.3
1,736 Skilled workers	1,651	1,655	4	0.2
721 Manual workers	724	715	(9)	(1.2)
<b>3,005</b>	<b>2,883</b>	<b>2,919</b>	<b>36</b>	<b>1.2</b>

The change of 36 units compared to 2016 is mainly due to the entry of 27 resources deriving from the entry of Infrastrutture Trasporto Gas into the consolidation area.

## Amortisation, depreciation and impairment

2015 (millions of €)	2016	2017	Change	Change %
<b>573 Total amortisation and depreciation</b>	<b>616</b>	<b>646</b>	<b>30</b>	<b>4.9</b>
<b>Business segments</b>				
492 Transportation	517	539	22	4.3
5 Regasification	5	5		
71 Storage	87	95	8	9.2
5 Corporate and other activities	7	7		
<b>3 Impairment losses (Reversals)</b>	<b>35</b>	<b>13</b>	<b>(22)</b>	<b>(62.9)</b>
<b>576</b>	<b>651</b>	<b>659</b>	<b>8</b>	<b>1.2</b>

**Depreciation and Devaluation** (€659 million) increased by €8 million, equal to 1.2% compared to the fiscal year 2016. The increase was principally due to higher depreciation (+€30 million; +4.9%) recorded in all sectors of activities, essentially as a result of the effective date of new infrastructure and higher devaluation (€22 million; -62.9%) relating to the transport and regasification sectors.

## Adjusted EBIT

Below is a breakdown of adjusted EBIT by business segment:

2015 (millions of €)	2016	2017	Change	Change %
<b>Business segments</b>				
1,165 Transportation	1,021	<b>1,048</b>	27	2.6
1 Regasification	(5)	<b>2</b>	7	
319 Storage	346	<b>339</b>	(7)	(2.0)
(4) Corporate and other activities	(26)	<b>(26)</b>		
<b>1,481</b>	<b>1,336</b>	<b>1,363</b>	<b>27</b>	<b>2.0</b>

## Net financial expenses

2015 (millions of €)	2016	2017	Change	Change %
<b>344</b> Financial expense (income) related to net financial debt	<b>281</b>	<b>235</b>	<b>(46)</b>	<b>(16.4)</b>
347 - Interest and other expense on short- and long-term financial debt (*) (**)	281	<b>236</b>	(45)	(16.0)
(3) Interest on financial receivables not held for operating activities		<b>(1)</b>	(1)	
<b>17</b> Other net adjusted finance charges	<b>4</b>	<b>4</b>		
12 - Accretion discount	10	<b>11</b>	1	10.0
5 - Other net financial expense (income) (**)	(6)	<b>(7)</b>	(1)	16.7
<b>Losses (Gains) on hedging derivatives – ineffective portion</b>	<b>1</b>	<b>1</b>		
<b>(29)</b> Financial expense capitalised	<b>(23)</b>	<b>(13)</b>	<b>10</b>	<b>(43.5)</b>
<b>332</b>	<b>263</b>	<b>227</b>	<b>(36)</b>	<b>(13.7)</b>

(\*) The figures for 2015 and 2016 include the restoration of the eliminations deriving from intercompany transactions with discontinued operations.

(\*\*) Net special items.

The **net financial charges** (€227 million, net of the special items related to the liability management operation implemented in October 2017) show a reduction of €36 million, or 13.7%, compared to 2016. The reduction is due to lower finance charges correlated to the net financial debt (-€46 million; -16.4%) principally connected to the lower average cost of the debt, also thanks to optimisation interventions in the group's financial structure put into effect by Snam. The finance charges capitalized in the fiscal year 2017 total €13 million, a €10 million reduction in respect to the fiscal year 2016.

**Net income from equity investments**

2015	(millions of €)	2016	2017	Change	Change%
153	Equity method valuation effect (*) (**)	135	150	15	11.1
<b>153</b>		<b>135</b>	<b>150</b>	<b>15</b>	<b>11.1</b>

(\*) Values for 2015 and 2016 include pro-forma adjustments.

(\*\*) Net special items.

The **net proceeds on investments** (€150 million) refer to the relative contributions pertaining to the interim net results of the companies valued using the equity method. In particular, to the jointly-controlled companies TAG (€ 84 million), TIGF (€ 30 million, net of a one-off adjustment of deferred taxes) and AS Gasinfrastruktur Beteiligung GmbH (€ 11 million) and the associated company Italgas (€ 39 million), as well as the share attributable to the loss for this period by GasBridge 1 BV and Gasbridge 2 BV (-€ 10 million in total), which includes the effects of the write-down on investments of the latter held in Interconnector UK (€18 million).

**Income tax**

2015	(millions of €)	2016	2017	Change	Change %
<b>426</b>	<b>Current taxes (*)</b>	<b>403</b>	<b>373</b>	<b>(30)</b>	<b>(7.4)</b>
	<b>(Prepaid) deferred taxes (*)</b>				
(17)	Deferred taxes	(22)	(16)	6	(27.3)
(17)	Prepaid taxes	(18)	(11)	7	(38.9)
<b>(34)</b>		<b>(40)</b>	<b>(27)</b>	<b>13</b>	<b>(32.5)</b>
<b>392</b>	<b>Total taxes</b>	<b>363</b>	<b>346</b>	<b>(17)</b>	<b>(4.7)</b>

(\*) Net special items.

The **income taxes** total €346 million, a €17 million reduction, equal to 4.7%, in respect to the fiscal year 2016. The decrease is essentially attributable to the reduction from 1 January 2017 of the IRES rate from 27.5 to 24.0%, partly offset by the higher pre-tax profit and lower ACE - Economic Growth Aid benefit, introduced by Italian Legislative Decree of 6 December 2011 no. 201 converted by the Law of 22 December 2011, no. 214 and subsequent additions and modifications.

## Non-GAAP measures

Snam presents in the management report, in addition to the financial results envisaged by the IFRS, certain variables deriving from the latter, even if not envisaged by the IFRS or by other standard setters (Non-GAAP measures).

Snam's management believes that these measures facilitate the analysis of the Group's performance and of the business sectors, ensuring better comparability of results over time. Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS. In accordance with the Consob Communication DEM/6064293 of 28 July 2006 and subsequent amendments and additions (Consob Communications no. 0092543 of 3 December 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), the following paragraphs provide indications relating to the composition of the main alternative performance indicators used in this document, not directly deducible from reclassifications or algebraic sums of conventional indicators<sup>25</sup> and compliant with international accounting standards.<sup>26</sup>

### Operating profit and adjusted net profit

The operating profit and the adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the operating

profit and the reported net profit, as per the legal scheme of the Income Statement.

Income entries classified as special items for 2017 refer to: (i) the financial charges deriving from the repurchase on the bond market, carried out as part of the Liability management operation (€56 million, €43 million net of the related tax effect) implemented by Snam in October 2017; (ii) the charges recognised under the item "personnel costs" in application of the pension anticipation instrument regulated by Art. 4 paragraphs 1-7 of Italian Law no. 92/2012, so-called "Fornero Law" (€15 million included exit incentive costs, €11 million net of the related tax effect); (iii) income from the one-off adjustment of deferred tax liabilities of the investee TIGF (€11 million).

With reference to 2016, in order to remove the distorting effects deriving from the application of IFRS 5 "Non-current assets held for sale and discontinued operations", the adjusted result measures, in addition to excluding special items, restore the eliminations originating from transactions with the Italgas Group, (represented as discontinued operations) on continuing operations.

### Pro-forma adjusted net income

In consideration of the elements of discontinuity that characterized the 2016 financial year, the Non-GAAP Measures referring to this period are also represented by the adjusted pro-forma net profit which includes the contribution of the distribution sector by applying the related shareholding, equal to 13.5%, to the net interim income of the Italgas Group, taking ownership of the connection of Snam in Italgas, starting from 1 January 2016.

### Special items

The income components are classified under special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or 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. Any income components deriving from non-recurring transactions in accordance with Consob Resolution no. 15519 of 27 July 2006 are also shown separately in the IFRS financial report.

### Free cash flow

Free cash flow is the measure that allows the connection between the obligatory financial statement, which expresses the change in liquidity between the beginning and end of the period, and the change in net financial debt between the beginning and end of the reclassified cash flow statement. "Free cash flow" represents the surplus or cash deficit remaining after the investment financing and closes alternatively: (i) on the cash change for the period, after the cash flows related to the financial payables/assets (credit/debit repayments/financial payables) have been added/subtracted, to the equity capital (payment of dividends/net acquisition of own shares/capital injections), as well as the effects on cash and cash equivalents of changes in the scope of consolidation and exchange differences arising from conversion; (ii) on the change in net financial debt for the period, after the flows relating to own capital have been added/subtracted, as well as the effects on

<sup>25</sup> According to the CESR/05-178b recommendation of October 2005, all the data included in the financial statements audited in accordance with IFRS or in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are conventional indicators or in the commentary notes.

<sup>26</sup> For the definition of these quantities refer to the Glossary.



net financial debt of changes in the scope of consolidation and exchange differences arising on conversion.

### Net financial debt

Net financial debt is calculated as financial debt, net of cash and cash equivalents, held for trading securities and other non-operating securities, as well as short-term financial receivables not used for

operating activities. The long-term financial assets functional to the operations are considered to be instrumental to operational activity.

The tables below show the reconciliation between the reported Income Statement and the adjusted and pro-forma adjusted Income Statements, as well as a table summarizing the special items:

(millions of €)	2017		
	REPORTED	Special Item	ADJUSTED
Regulated revenue	2,434		2,434
Non-regulated revenue	99		99
<b>Total revenue</b>	<b>2,533</b>		<b>2,533</b>
Operating costs	(526)	15	(511)
<b>EBITDA</b>	<b>2,007</b>	<b>15</b>	<b>2,022</b>
Amortisation, depreciation and impairment	(659)		(659)
<b>Operating profit (EBIT)</b>	<b>1,348</b>	<b>15</b>	<b>1,363</b>
Net financial expenses	(283)	56	(227)
Net income from equity investments	161	(11)	150
<b>Pre-tax profit</b>	<b>1,226</b>	<b>60</b>	<b>1,286</b>
Income tax	(329)	(17)	(346)
<b>Net profit (*)</b>	<b>897</b>	<b>43</b>	<b>940</b>

(\*) Entirely held by Snam shareholders.

2016					
(millions of €)	REPORTED	<i>Movement of the elisions originating from intercompany transactions to discontinued operations</i>	<i>Special Item</i>	<i>Results from Italgas Group</i>	PRO-FORMA ADJUSTED
<b>Continuing operations</b>					
Regulated revenue	2,444				2,444
Non-regulated revenue	57		59		116
<b>Total revenue</b>	<b>2,501</b>		<b>59</b>		<b>2,560</b>
Operating costs	(557)		(16)		(573)
<b>EBITDA</b>	<b>1,944</b>		<b>43</b>		<b>1,987</b>
Amortisation, depreciation and impairment	(651)				(651)
<b>Operating profit (EBIT)</b>	<b>1,293</b>		<b>43</b>		<b>1,336</b>
Net financial expenses	(510)		37	210	(263)
Net income from equity investments	116			(18)	135
<b>Pre-tax profit</b>	<b>899</b>		<b>80</b>	<b>192</b>	<b>1,208</b>
Income tax	(308)			(55)	(363)
<b>Net profit (*)</b>	<b>591</b>		<b>80</b>	<b>137</b>	<b>845</b>
<b>Net profit - discontinued operations (*)</b>	<b>270</b>		<b>(80)</b>		<b>(190)</b>
<b>Group net income (*)</b>	<b>861</b>			<b>137</b>	<b>845</b>

(\*) Entirely held by Snam shareholders.

2015					
(millions of €)	REPORTED	<i>Movement of the elisions originating from intercompany transactions to discontinued operations</i>	<i>Special Item</i>	<i>Results from Italgas Group</i>	PRO-FORMA ADJUSTED
<b>Continuing operations</b>					
Regulated revenue	2,502				2,502
Non-regulated revenue	52		73		125
<b>Total revenue</b>	<b>2,554</b>		<b>73</b>		<b>2,627</b>
Operating costs	(551)		(19)		(570)
<b>EBITDA</b>	<b>2,003</b>		<b>54</b>		<b>2,057</b>
Amortisation, depreciation and impairment	(576)				(576)
<b>Operating profit (EBIT)</b>	<b>1,427</b>		<b>54</b>		<b>1,481</b>
Net financial expenses	(380)		48		(332)
Net income from equity investments	106			47	153
<b>Pre-tax profit</b>	<b>1,153</b>		<b>102</b>	<b>47</b>	<b>1,302</b>
Income tax	(357)			(35)	(392)
<b>Net profit (*)</b>	<b>796</b>		<b>102</b>	<b>(35)</b>	<b>910</b>
<b>Net profit - discontinued operations (*)</b>	<b>442</b>		<b>(102)</b>		<b>(346)</b>
<b>Group net income (*)</b>	<b>1,238</b>			<b>(29)</b>	<b>910</b>

(\*) Entirely held by Snam shareholders.

**Breakdown of special items related to continuing operations:**

2015	(millions of €)	2016	2017	Change	Change %
	<b>Special item of operating profit</b>		<b>15</b>	<b>15</b>	
	Charges for facilitated movements and Isopension		<b>15</b>	15	
	<b>Special item Net financial charges</b>	<b>210</b>	<b>56</b>	<b>(154)</b>	<b>(73.3)</b>
	- Liability management finance charges	329	<b>56</b>	(273)	(83.0)
	- Financial revenue from market value adjustment of financial credits of the Italgas Group	(119)		119	(100.0)
	<b>Special Item - Investments valued using the equity method</b>	<b>(18)</b>	<b>(11)</b>	<b>7</b>	<b>(38.9)</b>
	- Adjustment of TIGF deferred taxes	(18)	<b>(11)</b>	7	(38.9)
<b>(35)</b>	<b>Special item Income taxes</b>	<b>(55)</b>	<b>(17)</b>	<b>38</b>	<b>(69.1)</b>
	(35) - Adjustment of deferred taxes (2016 Stability Law)				
	- Taxation on special items operating profit		<b>(4)</b>	(4)	
	- Taxation on special item net financial charges	(55)	<b>(13)</b>	42	(76.4)
<b>(35)</b>	<b>Total special item of net profit</b>	<b>137</b>	<b>43</b>	<b>(94)</b>	<b>(68.6)</b>

**Reclassified statement of financial position**

The reclassified balance sheet combines the assets and liabilities of the compulsory format included in the Annual Report and the Half-Year Report based on how the business operates, usually split into the three basic functions of 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.

**Reclassified statement of financial position (\*)**

(millions of €)	31.12.2016	31.12.2017	Change
<b>Fixed capital</b>	<b>18,080</b>	<b>18,875</b>	<b>795</b>
Property, plants and equipment	15,563	<b>16,033</b>	470
Compulsory inventories	363	<b>363</b>	
Intangible assets	810	<b>850</b>	40
Equity investments	1,499	<b>1,591</b>	92
Financial receivables held for operating activities	213	<b>373</b>	160
Net payables for investments	(368)	<b>(335)</b>	33
<b>Net working capital</b>	<b>(483)</b>	<b>(1,079)</b>	<b>(596)</b>
<b>Provisions for employee benefits</b>	<b>(44)</b>	<b>(58)</b>	<b>(14)</b>
<b>NET INVESTED CAPITAL</b>	<b>17,553</b>	<b>17,738</b>	<b>185</b>
<b>Shareholders' equity including minority interests</b>			
- attributable to Snam's shareholders	6,497	<b>6,188</b>	(309)
<b>Net financial debt</b>	<b>11,056</b>	<b>11,550</b>	<b>494</b>
<b>COVERAGE</b>	<b>17,553</b>	<b>17,738</b>	<b>185</b>

(\*) For the reconciliation of the reclassified balance sheets with the compulsory format, please see the paragraph "Reconciliation of the reclassified financial statements with the compulsory formats" below.

Fixed assets (€18,875 million) increased by €795 million compared to 31 December 2016, due essentially to the increase in property, facilities and equipment, in intangible assets (+510 million euros), and also thanks to the inclusion of Infrastrutture Trasporto Gas within the scope of consolidation (+€179 million in total), as well as to the greater financial claims instrumental to operating activities (+€160 million) and the increase in investments (+€92 million).

The change in property, plant and equipment and in intangible assets can be broken down as follows:

(millions of €)	Property, plants and equipment	Intangible assets	Total
<b>Balance at 31 December 2016</b>	<b>15,563</b>	<b>810</b>	<b>16,373</b>
Technical investments	968	66	<b>1,034</b>
Amortisation, depreciation and impairment	(605)	(54)	<b>(659)</b>
Divestments	(7)		<b>(7)</b>
Change in scope of consolidation	151	28	<b>179</b>
Other changes	(37)		<b>(37)</b>
<b>Balance at 31 December 2017</b>	<b>16,033</b>	<b>850</b>	<b>16,883</b>

Other changes (+€37 million) relate essentially to: (i) the effects of adjusting the present value of disbursements for the dismantling and restoration of sites (-€19 million), mainly due to a reduction in the expected discounting rates;<sup>27</sup> (ii) the change in inventories of pipes and related accessory materials purchased for investment activities and not yet used to construct the plants (-€10 million); and (iii) grants for the period (-€8 million).

The change in the scope of consolidation (+179 million euros) refers to the entry of Infrastrutture Trasporto Gas, effective as of 13 October 2017, following the acquisition of 100% of the company's share capital from Edison S.p.A.

### Technical investments

(millions of €)	2016	2017
<b>Technical Investments by sector of activity</b>		
Transportation	776	917
Regasification	7	5
Storage	117	101
Corporate and other activities	6	11
<b>Technical investments</b>	<b>906</b>	<b>1,034</b>

The technical investments of 2017 of the continuing operations total €1,034 million<sup>28</sup> (€906 million in 2016) and principally refer to the sectors of transport (€917 million) and storage (€101 million).

### Compulsory inventories

The fixed warehouse stock – compulsory inventories – equal to €363 million (equal at 31 December 2016), comprise a minimum degree of natural gas that the storage company is required to withhold in accordance with Italian Presidential Decree 31 January 2001, no. 22. The quantities of natural gas in stock, equal to around 4.5 billion standard cubic metres, are determined annually by the Ministry of Economic Development.<sup>29</sup>

### Equity investments

The item investments (€1,591 million) includes: (i) the valuation of equity investments using the equity method and refers to the companies Trans Austria Gasleitung GmbH - TAG (€508 million), T IGF Holding S.A.S. (€471 million), Trans Adriatic Pipeline AG – TAP (€223 million), Italgas S.p.A. (€160 million), AS Gasinfrastruktur Beteiligung GmbH (€129 million) and Gasbridge 1 B.V. and Gasbridge 2 B.V. (€56 million cumulatively); (ii) the valuation of the minority interest in the company Terminale GNL Adriatico S.r.l. (Adriatic LNG) acquired by Edison on 13 October 2017 (€44 million).

27 Further information is provided in Note 19 "Provision for risks and charges" of the Notes to the consolidated financial statements.

28 An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.

29 On 21 January 2015, the Ministry established that for the contractual storage year 2016-2017 (1 April 2016 – 31 March 2017) the strategic storage volume would be 4.62 billion cubic metres. On 25 January 2017, the Ministry established that for the contractual storage year 2017-2018 (1 April 2017 – 31 March 2018) the strategic storage volume would be 4.62 billion cubic metres. The Stogit share was unchanged at 4.5 billion cubic metres.

### Financial receivables held for operating activities

The financial credits instrumental to operating activities (€373 million), an increase of €160 million in respect to 31 December 2016, refer to the Shareholders' Loan issued in favour of the affiliate Trans Adriatic Pipeline AG (TAP).<sup>30</sup>

### Net working capital

(millions of €)	31.12.2016	31.12.2017	Change
Trade receivables	1,271	1,274	3
- of which balancing	282	251	(31)
Inventories	118	86	(32)
Tax receivables	42	46	4
Other assets	70	50	(20)
Provisions for risks and charges	(707)	(677)	30
Trade payables	(433)	(406)	27
- of which balancing	213	207	(6)
Accruals and deferrals from regulated activities	(73)	(231)	(158)
Deferred tax liabilities	(187)	(165)	22
Derivative liabilities/(assets)	24	(12)	(36)
Tax liabilities	(12)	(11)	1
Other liabilities	(596)	(1,033)	(437)
	<b>(483)</b>	<b>(1,079)</b>	<b>(596)</b>

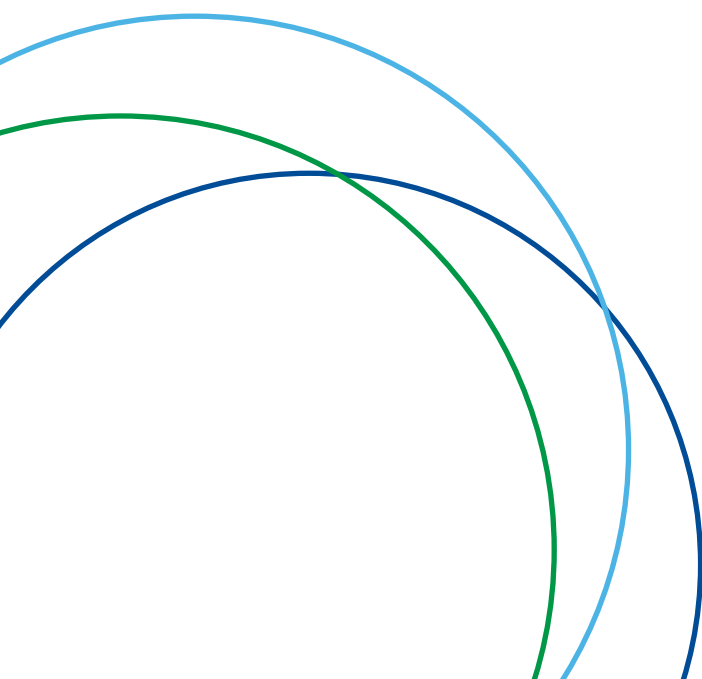
Net working capital (-€ 1,079 million) increased by € 596 million in respect to 31 December 2016. The reduction is mainly due to: (i) the increase in other liabilities (-€ 437 million) mainly due to the allocation of the amount owed to shareholders for the 2017 interim dividend payment equal to €0.0862 per share (-€ 294 million euros) distributed in January 2018, and to increased payables to the CSEA relating to the transport sector (-€ 183 million), mainly attributable to the additional tariff components, which, starting from 1 January 2017, are reversed with a different timing and on the basis of the volumes invoiced in the two months of reference instead of the volumes recorded in the relevant two months; (ii) the increase in accrued liabilities and deferred income from regulated activities (-€ 158 million) essentially due to the higher fees invoiced to transport users compared to the revenue restriction established by the ARERA Regulatory Authority.

<sup>30</sup> Following the stipulated contractual agreements, the shareholders are responsible for financing the project on the basis of shares held, until the pipeline enters into operation. Any capacity expansion is subject to an assessment of economic feasibility and therefore to the verification of benefits for TAP, also in compliance with the decision on exemption by the regulatory Authorities. For more information, see Notes 14 and 15 to the consolidated financial statements.

## Statement of comprehensive income

(millions of €)	2016	2017
<b>Net profit (*)</b>	<b>861</b>	<b>897</b>
<b>Other components of comprehensive income</b>		
<i>Components that can be reclassified to the income statement:</i>		
Change in fair value of cash flow hedging derivatives (effective share)	1	(8)
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income"	(15)	(3)
Tax effect		2
	<b>(14)</b>	<b>(9)</b>
<i>Components that cannot be reclassified to the income statement:</i>		
Actuarial gains (losses) on remeasurement of defined-benefit plans for employees	(7)	(1)
Share of the "other components of the total profit" of the shares evaluated according to the net worth method of the remeasurements of benefit plans defined for employees	1	1
Tax effect	2	
	<b>(4)</b>	
<b>Total other components of comprehensive income, net of tax effect</b>	<b>(18)</b>	<b>(9)</b>
<b>Total comprehensive income (*)</b>	<b>843</b>	<b>888</b>
<b>Including:</b>		
- continuing operations	<b>577</b>	
- discontinued operations	<b>266</b>	
	<b>843</b>	<b>888</b>

(\*) Entirely held by Snam shareholders.



## Shareholders' equity

(millions of €)	
<b>Shareholders' equity at 31 December 2016 (*)</b>	<b>6,497</b>
<i>Increases owing to:</i>	
- Comprehensive income for 2017	888
- Other changes (**)	25
	<b>913</b>
<i>Decreases owing to:</i>	
- 2016 dividend	(718)
- 2017 interim dividend	(294)
- Acquisition of treasury shares	(210)
	<b>(1,222)</b>
<b>Shareholders' equity at 31 December 2017 (*)</b>	<b>6,188</b>

(\*) Entirely held by Snam shareholders.

(\*\*) The item includes the equity component of the convertible bond loan (€17 million).

Information about the individual equity items and changes therein compared with 31 December 2016 is given in Note 23 to the consolidated financial statements, "Shareholders' Equity".

## Reconciliation between the separate and consolidated net income and shareholders' equity of Snam S.p.A.

(millions of €)	Net income		Shareholders' equity	
	2016	2017	31.12.2016	31.12.2017
<b>Financial statements of Snam S.p.A.</b>	<b>761</b>	<b>677</b>	<b>5,394</b>	<b>4,861</b>
Net income of companies included in the scope of consolidation	<b>823</b>	<b>799</b>		
Difference between the book value of equity investments in consolidated companies and the shareholders' equity in the financial statements, including the net result for the period			<b>1,188</b>	<b>1,382</b>
<b>Consolidation adjustments for:</b>				
- Dividends	(733)	<b>(604)</b>		
- Income from valuation of equity investments using the equity method other income from equity investments	10	<b>25</b>	(85)	<b>(55)</b>
	<b>(723)</b>	<b>(579)</b>	<b>(85)</b>	<b>(55)</b>
Minority interests				
<b>Consolidated Financial Statements</b>	<b>861</b>	<b>897</b>	<b>6,497</b>	<b>6,188</b>



**Net financial debt**

(millions of €)	31.12.2016	31.12.2017	Change
<b>Financial and bond debt</b>	<b>11,090</b>	<b>12,619</b>	<b>1,529</b>
Short-term financial debt (*)	2,353	2,443	90
Long-term financial debt	8,737	10,176	1,439
<b>Financial receivables and cash and cash equivalents</b>	<b>(34)</b>	<b>(1,069)</b>	<b>(1,035)</b>
Cash and cash equivalents	(34)	(719)	(685)
Financial receivables not held for operations		(350)	(350)
	<b>11,056</b>	<b>11,550</b>	<b>494</b>

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

On 31 December 2017 the net financial debt totalled 11,550 million euro, an increased of 494 million euro (11,056 million euro as at 31 December 2016). Net cash flow from operating activities (€1,864 million) made it possible to fully finance the requirements related to net investments for the period, equal to €1,441 million, including the purchase transactions of investments in Infrastrutture Trasporto Gas and the Adriatic GNL Terminal completed in October 2017, and to generate a free cash flow of €423 million. Net financial debt, after the payment to shareholders of the 2016 dividend (€718 million) and the cash flow deriving from the purchase of treasury shares (€210 million), shows an increase of €494 million compared to 31 December 2016, including non-monetary components related to financial indebtedness (€ 11 million).

Financial and bond debts at 31 December 2017, amounting to €12,619 million (€11,090 million at 31 December 2016), comprised the following:

(millions of €)	31.12.2016	31.12.2017	Change
Bonds	7,610	8,672	1,062
Bank loans	3,448	3,931	483
Other financing	32	16	(16)
	<b>11,090</b>	<b>12,619</b>	<b>1,529</b>

Financial and bond debts are denominated in euros<sup>31</sup> and refer mainly to bond loans (€8,672 million, or 68.7%) and bank loans (€3,931 million, or 31.2%, including €1,473 million provided by the European Investment Bank - EIB).

Bond loans recorded an increase of €1,062 million compared to 31 December 2016. The increase is mainly attributable to the issuing of: (i) a fixed-rate bond on 25 January 2017 for a nominal value of €500 million; (ii) a variable rate bond loan<sup>32</sup> on 21 February 2017, for a nominal amount of €300 million; (iii) a convertible bond loan<sup>33</sup> without interest accrued on 20 March 2017, for a nominal value of €400 million; (iv) a variable

31 Except for a fixed-rate bond loan for ¥10 billion, fully converted into euros through a cross-currency swap (CCS) financial derivative.

32 The variable rate bond is converted into a fixed rate bond loan through an interest rate swap (IRS) derivative hedging contract.

33 The bond loan has become convertible following the resolution of the Shareholders' Meeting of 11 April 2017.

rate bond loan<sup>34</sup>, on 2 August 2017, for a nominal value of €350 million; (v) a fixed-rate bond loan for a nominal amount of €650 million, issued on 25 October 2017 and maturing on 25 October 2027. These effects were partially offset by the repayment of a bond maturing on 30 June 2017, for a nominal amount of €506 million, and by the repurchase on the market of fixed-rate bonds for a total nominal value of €607 million with an average coupon of 2.5% and a residual duration of approximately 4.4 years. The total outlay resulting from the repurchase of the securities was carried out as part of the Liability Management transaction, completed in October 2017, and totals approximately €656 million.<sup>35</sup>

Funding for bank loans (€3,931 million) increased by €483 million mainly following the underwriting of a term loan funding for bank loan for the nominal value of €500 million, and of a funding for a bank loan on the provision of the European Investment Bank (EIB) for the nominal value of €310 million. This change was partially offset by the repayment of a Term Loan bank loan for the nominal value of €200 million and the lower net use of uncommitted credit lines for a value of approximately €108 million. Long-term financial debt (€10,176 million) represented around 81% of gross financial debt (around 79% at 31 December 2016). Fixed-rate financial debts amounted to around 78% of gross financial debt. Non-operating financial claims (€350 million) refer entirely to a short-term liquidity loan, with a maturity of less than six months, including a bank with a high credit standing as counterparty.

Cash and cash equivalents (€719 million) mainly refer to a short-term liquidity facility, with a maturity of less than three months, including a bank with a high credit standing (€300 million) as counterparty, a bank deposit (€395 million) and cash and cash equivalents at Gasrule Insurance DAC for the Group's insurance business (€23 million). At 31 December 2017, Snam had unused committed long-term credit lines worth €3.2 billion. Information on financial covenants can be found in Note 16 "Short-term financial liabilities, long-term financial liabilities and short-term portions of long-term liabilities" of the Notes to the consolidated financial statements.

34 The variable rate bond is converted into a fixed rate bond loan through an interest rate swap (IRS) derivative hedging contract.

35 For more information about the acquisition, please see the section "Snam in 2017 - Summary of data and informations - Main events" in the Directors' Report.

## Reclassified statement of cash flows

The reclassified statement of cash flows below summarises the legally required financial reporting format. It shows the connection between 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 (\*)

(millions of €)	2015 (**)	2016 (**)	2017
Net Profit - continuing operations	796	591	
Net Profit - discontinued operations	442	270	
<b>Net profit</b>	<b>1,238</b>	<b>861</b>	<b>897</b>
<i>Adjusted for:</i>			
- Amortisation, depreciation and other non-monetary components	744	757	<b>511</b>
- Net capital losses (capital gains) on asset sales and eliminations	32	36	<b>4</b>
- Interest and income taxes	804	884	<b>585</b>
Change in working capital due to operating activities	40	(176)	<b>334</b>
Dividends, interest and income taxes collected (paid)	(804)	(735)	<b>(467)</b>
<b>Net cash flow from operating activities</b>	<b>2,054</b>	<b>1,627</b>	<b>1,864</b>
Technical investments	(1,186)	(1,145)	<b>(1,016)</b>
Technical disinvestments	6	2	<b>3</b>
Companies (entering) leaving the scope of consolidation (a)	(46)	1,502	<b>(166)</b>
Equity investments	3	(168)	<b>(75)</b>
Change in financial credits instrumental to operating activities	(78)	(133)	<b>(154)</b>
Other changes relating to investment activities	18	22	<b>(33)</b>
<b>Free cash flow</b>	<b>771</b>	<b>1,707</b>	<b>423</b>
Change in financial receivables not held for operating activities	216		<b>(350)</b>
Financial credits in companies leaving the scope of consolidation		1,585	
Change in short- and long-term financial debt	(169)	(2,297)	<b>1,540</b>
Equity cash flow (b)	(875)	(978)	<b>(928)</b>
<b>Net cash flow for the period</b>	<b>(57)</b>	<b>17</b>	<b>685</b>

**Change in net financial debt**

(millions of €)	2015	2016	2017
<b>Free cash flow</b>	<b>771</b>	<b>1,707</b>	<b>423</b>
Financial credits in companies leaving the scope of consolidation		2,009	
Equity cash flow	(875)	(978)	<b>(928)</b>
Other changes (c)	(23)	(15)	<b>11</b>
<b>Change in net financial debt</b>	<b>(127)</b>	<b>2,723</b>	<b>(494)</b>

(\*) For the reconciliation of the reclassified statement of cash flows with the compulsory format, please see the paragraph "Reconciliation of the reclassified financial statements with the compulsory formats" below.

- (\*\*) Cash flow pertained to the Snam Group and consequently includes financial flows from both continuing operations (natural gas transportation, regasification and storage, as well as Corporate activities) and discontinued operations (natural gas distribution). With reference to 2016, the net cash flows from operating activities, investment activities and financing activities attributable to discontinued operations amounted respectively to +€413 million, -€298 million and -€116 million.
- (a) The amount relating to 2017 refers to the consideration for the acquisition from Edison of 100% of the share capital of Infrastrutture Trasporto Gas - ITG (€166 million, including the repayment of the intercompany loan between ITG and Edison and net of liquid assets acquired). The amount for 2016 refers to the receipt of the sum deriving from the transfer of 38.87% of the Snam S.p.A. share in Italgas Reti S.p.A. (€1,502 million, net available liquidity transferred).
- (b) The value relating to 2016 and 2017 includes the payment of the dividend to shareholders as well as the cost incurred to purchase treasury shares (respectively €103 million and €210 million).
- (c) Include the effects of adjustment to the year-end exchange rate of financial payables in foreign currency.

## Reconciliation of the reclassified financial statement with the compulsory formats

### Reclassified statement of financial position

(millions of €)

Reclassified balance sheet items	31.12.2016			31.12.2017	
(Where not expressly stated, the component is taken directly from the legally required format)	Reference in Notes to the consolidated financial statements	Partial amount from legally required format	Amount from reclassified format	Partial amount from legally required format	Amount from reclassified format
<b>Fixed capital</b>					
Property, plants and equipment			<b>15,563</b>		<b>16,033</b>
Compulsory inventories			<b>363</b>		<b>363</b>
Intangible assets			<b>810</b>		<b>850</b>
Equity investments			<b>1,499</b>		<b>1,591</b>
Financial receivables held for operating activities	(Note 8)		<b>213</b>		<b>373</b>
<i>Net payables for investments, consisting of:</i>			<b>(368)</b>		<b>(335)</b>
- Payables for investment activities	(Note 17)	(384)		<b>(347)</b>	
- Receivables from investment/divestment activities	(Note 8)	16		<b>12</b>	
<b>Total fixed capital</b>			<b>18,080</b>		<b>18,875</b>
<b>Net working capital</b>					
Trade receivables	(Note 8)		<b>1,271</b>		<b>1,274</b>
Inventories			<b>118</b>		<b>86</b>
<i>Tax receivables, consisting of:</i>			<b>42</b>		<b>46</b>
- Current income tax assets and other current tax assets		32		<b>37</b>	
- IRES receivables for the national tax consolidation scheme	(Note 8)	10		<b>9</b>	
Trade payables	(Note 17)		<b>(433)</b>		<b>(406)</b>
<i>Tax liabilities, consisting of:</i>			<b>(12)</b>		<b>(11)</b>
- Current income tax liabilities and other current tax liabilities		(10)		<b>(11)</b>	
- IRES payables for the national tax consolidation scheme	(Note 17)	(2)			
Deferred tax liabilities			<b>(187)</b>		<b>(165)</b>
Provisions for risks and charges			<b>(707)</b>		<b>(677)</b>
Derivative hedging instruments	(Notes 11 and 18)		<b>24</b>		<b>(12)</b>
<i>Other assets, consisting of:</i>			<b>70</b>		<b>50</b>
- Other receivables	(Note 8)	10		<b>13</b>	
- Other current and non-current assets	(Note 11)	60		<b>37</b>	
<i>Assets and liabilities from regulated activities, consisting of:</i>			<b>(73)</b>		<b>(231)</b>
- Regulated assets	(Note 11)	106		<b>68</b>	
- Regulated liabilities	(Note 18)	(179)		<b>(299)</b>	

(millions of €)

Reclassified balance sheet items		31.12.2016		31.12.2017	
(Where not expressly stated, the component is taken directly from the legally required format)	Reference in Notes to the consolidated financial statements	Partial amount from legally required format	Amount from reclassified format	Partial amount from legally required format	Amount from reclassified format
<i>Other liabilities, consisting of:</i>			<b>(596)</b>		<b>(1,033)</b>
- Other payables	(Note 17)	(445)		<b>(920)</b>	
- Other current and non-current liabilities	(Note 18)	(151)		<b>(113)</b>	
<b>Total net working capital</b>			<b>(483)</b>		<b>(1,079)</b>
Provisions for employee benefits			<b>(44)</b>		<b>(58)</b>
<b>NET INVESTED CAPITAL</b>			<b>17,553</b>		<b>17,738</b>
Shareholders' equity including minority interests			<b>6,497</b>		<b>6,188</b>
<b>Net financial debt</b>					
<i>Financial liabilities, consisting of:</i>			<b>11,090</b>		<b>12,619</b>
- Long-term financial liabilities		8,737		<b>10,176</b>	
- Short-term portion of long-term financial liabilities		856		<b>1,070</b>	
- Short-term financial liabilities		1,497		<b>1,373</b>	
<i>Financial receivables and cash and cash equivalents, consisting of:</i>			<b>(34)</b>		<b>(1,069)</b>
Financial receivables not held for operations				<b>(350)</b>	
- Cash and cash equivalents	(Note 7)	(34)		<b>(719)</b>	
<b>Total net financial debt</b>			<b>11,056</b>		<b>11,550</b>
<b>COVERAGE</b>			<b>17,553</b>		<b>17,738</b>

## Reclassified statement of cash flows

(millions of €)	2016		2017	
Items from the reclassified statement of cash flows and reconciliation with the legally required format	Partial amount from legally required format	Amount from reclassified format	Partial amount from legally required format	Amount from reclassified format
Net Profit - continuing operations	591			
Net Profit - discontinued operations	270			
<b>Net profit</b>		<b>861</b>		<b>897</b>
<i>Adjusted for:</i>				
Amortisation, depreciation and other non-monetary components:		<b>757</b>		<b>511</b>
- Amortisation and depreciation	859		<b>646</b>	
- Impairment losses	35		<b>13</b>	
- Equity method valuation effect	(133)		<b>(161)</b>	
- Change in provisions for employee benefits	(4)		<b>13</b>	
- Other changes				
Net capital losses (capital gains) on asset sales and eliminations		<b>36</b>		<b>4</b>
Interest, income taxes and other changes:		<b>884</b>		<b>585</b>
- Interest income	(126)		<b>(9)</b>	
- Interest expense	615		<b>265</b>	
- Income taxes	395		<b>329</b>	
Change in working capital due to operating activities:		<b>(176)</b>		<b>334</b>
- Inventories	15		<b>(42)</b>	
- Trade receivables	34		<b>1</b>	
- Trade payables	(148)		<b>(26)</b>	
- Change in provisions for risks and charges	24		<b>16</b>	
- Other assets and liabilities	(101)		<b>385</b>	
Dividends, interest and income taxes collected (paid):		<b>(735)</b>		<b>(467)</b>
- Dividends collected	148		<b>149</b>	
- Interest collected	122		<b>2</b>	
- Interest paid	(615)		<b>(265)</b>	
- Income taxes (paid) received	(390)		(353)	
<b>Net cash flow from operating activities</b>		<b>1,627</b>		<b>1,864</b>
Technical investments:		<b>(1,145)</b>		<b>(1,016)</b>
Property, plant and equipment	(832)		<b>(950)</b>	
- Intangible assets	(313)		<b>(66)</b>	
Technical disinvestments:		<b>2</b>		<b>3</b>
Property, plant and equipment	2		<b>3</b>	

(millions of €)	2016		2017	
<b>Items from the reclassified statement of cash flows and reconciliation with the legally required format</b>	<b>Partial amount from legally required format</b>	<b>Amount from reclassified format</b>	<b>Partial amount from legally required format</b>	<b>Amount from reclassified format</b>
Companies (entering) leaving the area of consolidation		1,502		(166)
- Companies entering the consolidation scope			(166)	
- Companies leaving the scope of consolidation	1,502			
Equity investments		(168)		(75)
- Investments in shares	(170)		(111)	
- Disinvestments in shares	2		36	
Financial receivables held for operating activities		(133)		(154)
- Accesses of financial credits instrumental to operating activities	(133)		(154)	
Other changes relating to investment activities:		22		(33)
- Change in net payables relating to investment activities	22		(33)	
<b>Free cash flow</b>		<b>1,707</b>		<b>423</b>
Change in financial receivables not held for operating activities				(350)
Financial credits in companies leaving the area of consolidation		1,585		
Change in financial payables:		(2,297)		1,540
- Taking on long-term financial debt	2,039		3,129	
- Repaying long-term financial debt	(4,479)		(1,465)	
- Increase (decrease) in short-term financial debt	143		(124)	
Equity cash flow		(978)		(928)
- Dividends paid	(875)		(718)	
- Acquisition of self-owned shares	(103)		(210)	
<b>Net cash flow for the period</b>		<b>17</b>		<b>685</b>