

Glossary

A glossary of financial, commercial and technical terms, as well as units of measurement, is available online at <http://www.snam.it/en/>. The most common terms are described below.

Economic and Financial Terms

Excise duty

Indirect tax for immediate payment, applied to the production or consumption of certain industrial goods (including oil products and natural gas).

Net working capital

Capital which is invested in short-term assets and is an indicator of a company's short-term financial position. Calculated using all short-term, non-financial assets and liabilities.

Net invested capital

Net investments of an operational nature, represented by the sum of net working capital and fixed assets, provisions for employee benefits and assets and liabilities held for sale.

Cash flow

Net cash flow from operating activities is represented by the cash generated by a company over a certain period of time. Specifically, the difference between current inflows (mainly cash revenue) and current cash outflows (costs in the period that generated cash outflows).

Controllable fixed costs

Fixed operating costs of regulated activities, being the sum of "Total recurring personnel expense" and "Recurring external operating costs".

Operating costs

Costs incurred in carrying out a company's core business. These include purchases, services, energy, consumables, maintenance and personnel expense.

Technical investments

Costs incurred for the acquisition of long-term assets where the useful life does not expire over one reporting

period.

EBITDA

Used by Snam in its internal (business plan) and external (to analysts and investors) presentations. Unit of measurement to assess the Group's operating performance, as a whole and in the individual business segments, in addition to EBIT. Determined by the difference between revenue and operating costs.

Regulated revenue

Income related to the provision of services and/or assignments of assets, whose determination criteria are defined by the Authority for Electricity, Gas and the Water System.

EBIT

Difference in a given period between sales and services revenues, other revenue, operating costs, amortisation, depreciation and impairment losses. It is therefore the operating profit before financial income and expenses and taxes.

Natural gas transportation and regasification

Commercial Terms

Thermal year

Period of time, from 1 October to 30 September of the following year, into which the regulatory period is divided.

Transport capacity

Transport capacity is the maximum quantity of gas which can be injected into the system (or withdrawn from it) during the course of a gas day, at a specific location, in compliance with the technical and operating restrictions established for each section of pipeline and the maximum supplies of plants located along such pipelines.

These capacities are assessed using hydraulic network simulations carried out in appropriate transportation scenarios and in accordance with

recognised technical standards.

Network Code

Document governing the rights and obligations of the parties involved in providing the transportation service.

Regasification Code

Document which sets out the rules and processes characteristic of the natural gas regasification service.

Regulatory period

Period of time (usually four years) for which criteria are defined for setting tariffs for natural gas transportation and dispatching and liquefied natural gas regasification. We are currently in the fourth regulatory period, which runs from 1 January 2014 to 31 December 2019.

National network entry point

Each point or a localised group of physical points on the national gas transportation network at which gas is delivered from the user to the transporter.

Redelivery point

The physical network point, or local combination of physical points, at which the transporter redelivers gas transported to the user, and where such gas is metered.

Virtual exchange point (VEP)

A virtual point located between the Points of Entry and Points of output of the National Transportation Network (RN) where Users and other authorised entities may, on a daily basis, exchange and sell gas injected in the RN.

Regasification Tariffs

Unit prices applied for regasification. These include capacity and commodity tariffs, related respectively to the required regasification capacity and to the volumes of gas actually unloaded from methane tankers. With regard to the tariff structure, as of 1 January 2014, 100% of total revenue is allocated to the capacity component.

Transportation Tariffs

Unit prices applied for transporting and dispatching natural gas. These include capacity and commodity tariffs, related

to the required transportation capacity and to the volume of gas actually injected into the network, respectively.

Regulatory time lag

The delay of tariff remuneration with respect to the investments made and started during the year.

User

The user of the gas system, which, by confirming the capacity granted, acquires transportation and/or regasification capacity for its own use or for assignment to others.

Technical Terms

Natural gas

Hydrocarbon mixture consisting mainly of methane, and to a lesser degree, ethane, propane and higher hydrocarbons. Natural gas injected into the methane pipeline network must comply with a single quality specification to ensure that the gas in transit is interchangeable.

Liquefied natural gas (LNG)

Natural gas, predominantly made of methane liquefied by cooling to approximately -160°C, at atmospheric pressure, for ease of transfer into dedicated vessels (tankers) or storage in tanks. In order to be sent in the transportation network the liquid product has to be converted into gaseous stage into regasification plants and pressurised to the operating pressure of gas pipes.

Regulatory Asset Base (RAB)

The term RAB (Regulatory Asset Base) refers to the value of net invested capital for regulatory purposes, calculated on the basis of the rules defined by the Electricity, Gas and Water Authority - ARERA (formerly AEEGSI, also the Authority) for determining base revenues for the regulated businesses.

Natural gas transportation network

The aggregate of gas pipelines, line plants, compression stations and infrastructure, which, at the national and regional level, provide the transportation of gas by interconnecting with international transportation networks, production and storage points and redelivery points for the purposes of distribution and use.

Regional transportation network

This consists of gas pipelines not included in the list in Article 2 of the Ministerial Decree of 22 December 2000, as updated annually, and its main function is to move and distribute gas in demarcated local areas which are typically regional in scale.

National gas transportation network

This consists of the gas pipelines indicated in Article 2 of the Ministerial Decree of 22 December 2000, as updated annually. It is the aggregate of methane pipelines and plants that have been assessed and checked taking into account restrictions imposed by imports, exports, key national production and storage facilities, and is used to transfer significant quantities of gas from these network injection points to major areas of consumption. Several inter-regional methane pipelines as well as smaller pipelines which serve to close network links formed by the above pipelines are also included for the same purpose. The national gas transportation network also includes compression stations and plants connected to the pipelines described above.

LNG regasification

Industrial process whereby natural gas is converted from a liquid to a gaseous state.

Natural gas storage

Commercial Terms

Thermal year

Period of time, from 1 April to 31 March of the following year, into which the regulatory period is divided.

Withdrawal phase

Period from 1 November of one year to 31 March of the following year.

Injection phase

Period from 1 April to 31 October of the same year.

Regulatory period

Period of time (usually four years) for which criteria are defined for setting tariffs for natural gas storage services. We are currently in the fourth regulatory period, which began on 1 January 2015 and will end on 31 December 2018.

Regulatory time lag

The delay of tariff remuneration with respect to the investments made and started during the year.

Technical Terms

Regulatory Asset Base (RAB)

The term RAB (Regulatory Asset Base) refers to the value of net invested capital for regulatory purposes, calculated on the basis of the rules defined by the Electricity, Gas and Water Authority - ARERA (formerly AEEGSI, also the Authority) for determining base revenues for the regulated businesses.

Modulation storage

Aims to respond to changing hourly, daily and seasonal demands.

Mining storage

Mining storage is necessary for technical and economic reasons in order to enable the optimum cultivation of Italy's natural gas fields.

Strategic storage

Strategic storage aims to compensate for a lack of or reduction in imported supplies, or for crises in the gas system.