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Vedi allegato.



SNAM ANNOUNCES ITS RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER OF 2015

San Donato Milanese, 28 October 2015 – Snam's Board of Directors, chaired by Lorenzo Bini Smaghi, met yesterday and approved the consolidated results for the first nine months and the third quarter of 2015¹ (unaudited).

Financial highlights

- **Total revenue:** €2,748 million (+3.8%)
- **EBITDA:** €2,108 million, in line with the first nine months of 2014
- **Adjusted net profit:** €912 million (+5.7%)
- **Net cash flow from operating activities:** €1,666 million (+52.1%)

Operating highlights

- **Gas injected into the transportation network:** 49.86 billion cubic metres (+5.8%)
- **Number of active meters:** 6.516 million (+2.1%)
- **Available storage capacity:** 11.5 billion cubic metres (+0.1 billion cubic metres)

Significant events

- **New loan of €124 million granted by the European Investment Bank (EIB) on 30 September 2015**

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

"The first nine months of 2015 ended with adjusted net profit up by approximately 6% compared with the same period last year. Strong operating cash flow of approximately 1.7 billion euro allowed us to fully cover our investments and the 2014 dividend payment, whilst ensuring net debt stayed at the same level as 2014.

These results reinforce our objective of ensuring profitable and value accretive growth for shareholders through targeted capex and financial discipline, while maintaining a strong capital structure".

¹This press release constitutes the Interim Directors' Report pursuant to Article 154-ter "Financial reports" of the Consolidated Finance Act (TUF).



Financial highlights

(€ million)

Third quarter		First nine months			
2014	2015	2014	2015	Change	% change
866	911	2,648	2,748	100	3.8
855	899	2,603	2,695	92	3.5
183	237	537	640	103	19.2
683	674	2,111	2,108	(3)	(0.1)
484	460	1,528	1,472	(56)	(3.7)
484	495	1,528	1,507	(21)	(1.4)
302	276	863	888	25	2.9
302	300	863	912	49	5.7
0.089	0.079	0.255	0.254	(0.001)	(0.4)
0.089	0.086	0.255	0.261	0.006	2.4
330	316	856	803	(53)	(6.2)
3,380.5	3,499.5	3,380.5	3,499.5	119.0	3.5
3,380.5	3,499.5	3,380.4	3,499.5	119.1	3.5

(*) Adjusted profit, which excludes special items, is described in the section "Reconciliation of EBIT and net profit with adjusted EBIT and adjusted net profit" on page 9 of this press release.

(**) Net profit is attributable to Snam.

(***) Calculated considering the average number of shares outstanding during the period.

Total revenue

Total revenue earned in the first nine months of 2015 totalled €2,748 million, up by €100 million, or 3.8%, compared with the first nine months of 2014 (€2,648 million in the third quarter; +5.2%). This increase was due primarily to higher revenue from regulated activities (+€92 million in the first nine months; +3.5%; +€44 million in the third quarter; +5.1%) attributable to the transportation segment and the natural gas distribution segment, which benefited from the contribution of companies joining the scope of consolidation². Total revenue, net of components offset in costs³, amounted to €2,630 million (€2,603 million in the third quarter), up by €27 million, or 1.0%, compared with the same period of the previous year (+€28 million in the third quarter; +3.3%).

² The changes in the scope of consolidation that took place between the first nine months of 2014 and the first nine months of 2015 are described on page 7 of this press release.

³ These components refer primarily to income from sales of natural gas carried out for the purposes of balancing the gas system and for interconnection.



Adjusted EBIT⁴

Adjusted EBIT for the first nine months of 2015, obtained excluding special items⁵, totalled €1,507 million, down €21 million, or 1.4%, compared with the first nine months of 2014. Higher revenue (+€76 million) was offset by an increase in operating costs (-€44 million; +9.9%) primarily due to the effects of the change in the scope of consolidation, withdrawals of gas from the storage system for natural gas sales and the increase in amortisation and depreciation for the period (-€53 million; +9.1%) recorded across all business segments.

In terms of the business segments⁶, the change in adjusted EBIT was mainly the result of decreases in the natural gas storage (-€21 million; -8.0%) and distribution (-€10 million; -2.6%) segments, which were partially offset by the positive performance of the transportation segment (+€6 million; +0.7%).

In the third quarter of 2015, adjusted EBIT totalled €495 million, up by €11 million (+2.3%) compared with the same period of the previous year. Higher revenue (+€28 million) was partly offset by higher amortisation and depreciation (-€15 million; +7.5%). In terms of the business segments, adjusted EBIT increased as a result of the natural gas storage (+€8 million; +12.3%) and transportation (+€6 million; +2.0%) segments. In the distribution segment, adjusted EBIT amounted to €121 million, essentially unchanged compared with the third quarter of 2014.

Adjusted net profit

Adjusted net profit earned in the first nine months of 2015 totalled €912 million, up by €49 million, or 5.7%, compared with the first nine months of 2014 (€300 million in the third quarter; -0.7%). This increase, despite the reduction in adjusted EBIT (-€21 million; +€11 million in the third quarter), was due to: (i) the reduction in net financial expense (+€24 million; +€6 million in the third quarter), mainly due to the lower average cost of debt, partly as a result of the measures implemented by Snam in order to improve the Group's financial structure; (ii) higher income from equity-accounted investments (+€30 million; +€9 million in the third quarter); and (iii) lower income taxes (+€68 million; +€23 million in the third quarter) essentially due to the elimination of additional IRES referred to as the "Robin Hood Tax". These factors were partly offset by lower income associated with the revaluation of the equity interest previously held (49%) in AES Torino (-€51 million) carried out at the date of acquisition of control (1 July 2014).

Technical investments

Technical investments totalled €803 million (€856 million in the first nine months of 2014) and referred mainly to the natural gas transportation (€457 million), distribution (€231 million) and storage (€106 million) business segments.

⁴ 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.

⁵ As of 1 December 2015, Law No. 125 of 6 August 2015 eliminated the Supplementary Fund of compulsory general insurance for disability, old age and survivors for employees of private gas companies (hereinafter referred to as the "Gas Fund") in which approximately 3,500 people from the Group were enrolled, particularly in the distribution segment. The Law laid out a series of additional contributions to be made by the employer, which are expected to be paid in the medium/long-term. On the basis of actuarial assumptions, these expenses have been estimated at €35 million (€24 million net of the tax effect) and are recognised in the income statement under special items for the period.

⁶ Business performance by segment for the first nine months and the third quarter of 2015 is presented in the "Information by business segment" section.



Net financial debt

Net financial debt was €13,709 million as at 30 September 2015⁷, compared with €13,652 million as at 31 December 2014. The net cash flow from operating activities (€1,666 million) allowed us to fully cover the financial requirements associated with net investments for the period (€844 million) and to generate a free cash flow of €822 million. The net financial debt, after the payment to shareholders of the 2014 dividend of €875 million, increased by €57 million compared with 31 December 2014.

Net financial debt fell by €227 million compared with 30 June 2015.

Operating highlights (a)

Third quarter		First nine months			
2014	2015	2014	2015	Change change	%
Natural gas transportation (b)					
Natural gas injected into the national gas transportation network					
14.35	17.09	47.13	49.86	2.73	5.8
(billions of cubic metres) (c)					
32,320	32,454	32,320	32,454	134	0.4
Gas transportation network (kilometres in use)					
871	853	871	853	(18)	(2.1)
Installed power in the compression stations (MW)					
Liquefied Natural Gas (LNG) regasification (b)					
LNG regasification (billions of cubic metres)					
		0.002	0.020	0.018	
Natural gas storage (b)					
11.4	11.5	11.4	11.5	0.1	0.9
Available storage capacity (billions of cubic metres) (d)					
Natural gas moved through the storage system (billions of cubic metres)					
3.07	4.56	12.58	16.52	3.94	31.3
Natural gas distribution (e)					
6.379	6.516	6.379	6.516	0.137	2.1
Active meters (millions)					
1,436	1,472	1,436	1,472	36	2.5
Gas distribution concessions (number)					
54,717	56,663	54,717	56,663	1,946	3.6
Distribution network (kilometres) (f)					
6,194	6,240	6,194	6,240	46	0.7
Employees in service at period end (number) (g)					
<i>by business segment:</i>					
1,918	1,909	1,918	1,909	(9)	(0.5)
- Transportation					
78	75	78	75	(3)	(3.8)
- Regasification					
312	300	312	300	(12)	(3.8)
- Storage					
3,174	3,246	3,174	3,246	72	2.3
- Distribution (e)					
712	710	712	710	(2)	(0.3)
- Corporate and other activities					

(a) The changes indicated in the table, as well as those below in this press release, must be considered changes from the first nine months of 2014 to the first nine months of 2015. Percentage changes, unless otherwise specified, are calculated in relation to the data indicated in the related tables.

(b) In the first nine months of 2015, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 and 39.1 MJ/SCM, respectively, for the activities of natural gas transportation and regasification and natural gas storage.

(c) Data for the first nine months of 2015 are current as at 2 October 2015. Data for 2014 have been aligned with data from the national gas transportation network report.

(d) Working gas capacity for modulation, mining and balancing services, allocated in full as at 30 September 2015.

(e) The data relating to 2015 include the company Acam Gas S.p.A., which has been fully consolidated since 1 April 2015, and the companies Metano Arcore S.p.A. and SETEAP S.p.A., which merged with Italgas S.p.A. and Napoletanagas S.p.A., respectively, effective as of 1 January 2015.

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

(g) Fully consolidated companies.

⁷ More information on the net financial debt can be found on page 28 of this press release.



Natural gas transportation

A total of 49.86 billion cubic metres of natural gas was injected into the national gas transportation network during the first nine months of 2015, up by 2.73 billion cubic metres (5.8%) compared with the same period of the previous year (+2.74 billion cubic metres in the third quarter; +19.1%). The increase was due to higher natural gas demand in Italy (+3.76 billion cubic metres; +8.6% compared with the first nine months of 2014), primarily as a result of higher consumption in the thermoelectric (+17.1%) and residential and tertiary (+10.6%) sectors, which was partly offset by lower net injections into storage (-1.04 billion cubic metres).

Liquefied Natural Gas (LNG) regasification

In the first nine months of 2015, the LNG terminal at Panigaglia (SP) regasified 0.020 billion cubic metres of natural gas, an increase of 0.018 billion cubic metres compared with the first nine months of 2014 (0.002 billion cubic metres). LNG regasification activities were carried out within the context of the peak shaving service, which was completed on 31 March 2015.

Natural gas storage

In total, 16.52 billion cubic metres of natural gas passed through the storage system in the first nine months of 2015, an increase of 3.94 billion cubic metres (+31.3%) compared with the first nine months of 2014 (12.58 billion cubic metres). The increase was due mainly to greater withdrawals (+2.43 billion cubic metres, or +50.9%), owing to the significant use of stored volumes by operators in the first quarter of 2015 and higher injections (+1.51 billion cubic metres, or +19.3%) to replenish stocks.

Natural gas distribution

As at 30 September 2015, the Snam Group had concessions for gas distribution services in 1,472 municipalities (1,437 as at 31 December 2014; 1,436 as at 30 September 2014), of which 1,392 were in operation. It had 6.516 million active meters at gas redelivery points to end users, compared with 6.379 million as at 30 September 2014 (+2.1%).

Significant events

International growth

On 23 September 2015, Snam signed a Memorandum of Understanding (MoU) with the State Oil Company of Azerbaijan Republic (SOCAR) for the joint assessment of initiatives to develop the Southern Gas Corridor as a new, significant pathway for gas flows to Europe. The memorandum lays the foundation for the two companies to share their expertise to create and manage the infrastructure required for the transportation of natural gas from the Republic of Azerbaijan and other gas producing countries to European markets using Italian infrastructure, with the aim of further strengthening the diversification and security of European gas supply.



European Investment Bank (EIB) loans

On 30 September 2015, Snam entered into a €124 million loan agreement to finance works promoted by Italgas. This floating rate loan, disbursed on 22 October 2015 and maturing in 2035, fits within the Snam Group's financial structure optimisation policy launched in previous years.

Outlook

The main management guidelines pursue the business growth through the realization of major new gas infrastructure in Italy and the assessment of strategically important foreign opportunities, to increase infrastructure interconnection and the flexibility of gas flows in Europe.

Gas demand

Based on the information currently available, seasonally adjusted demand for natural gas in the Italian market at the end of 2015 is expected to be slightly higher than in 2014.

Investments

Snam remains committed to developing natural gas transportation, storage and distribution infrastructure through its significant investment programme for 2015.

Efficiency

Snam also confirms in 2015 its commitment to maximising the creation of value through both operating efficiency and an efficient capital structure.

This press release on the consolidated results for the first nine months and the third quarter of 2015 (unaudited) represents the Interim Directors' Report pursuant to Article 154-*ter* "Financial reports" of the Consolidated Finance Act (TUF).

Income, expenses and cash flows are provided in relation to the first nine months and the third quarter of 2015 and the first nine months and the third quarter of 2014. The information on the balance sheet refers to 31 December 2014 and 30 September 2015. The financial statements take the same form as those in the Interim Directors' Report of the Consolidated Half-year Report and in the Directors' Report of the Annual Report.

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 for the preparation of the Interim Directors' Report as at 30 September 2015 are the same as those used for the 2015 Consolidated Half-year Report and the 2014 Annual Report, which should be referred to for a description thereof, except for the international accounting standards that came into force on 1 January 2015⁸, as described in note No. 6

⁸ As of 1 January 2015, the provisions of the document "Annual Improvements to International Financial Reporting Standards 2011-2013 Cycle" came into force, as approved by Regulation No. 1361/2014 of the European Commission of 18 December 2014. The main amendments regard the following standards: IFRS 1 "First-time adoption of International Financial Reporting Standards", IFRS 3 "Business combinations", IFRS 13 "Fair value measurement" and IAS 40 "Investment property".



“Recently issued IFRS” of the 2014 Annual Report. The amendments made regard situations that are currently not applicable to the Snam Group.

As at 30 September 2015, the changes in the scope of consolidation of the Snam group compared with 30 September 2014 and 31 December 2014 regarded the distribution segment, and involved the consolidation of Acam Gas S.p.A. after Italgas S.p.A.’s acquisition of the remaining 51% of that company’s share capital. Following that acquisition, effective as of 1 April 2015, Italgas S.p.A. now holds the entire share capital of Acam Gas S.p.A.

Also in the natural gas distribution segment, the extraordinary mergers of Metano Arcore S.p.A. (100% Italgas) and Seteap S.p.A. (100% Napoletanagas) into Italgas S.p.A. and Napoletanagas S.p.A., respectively, came into effect on 1 January 2015.

Lastly, the effects of the consolidation of AES Torino S.p.A. on 1 July 2014 are reflected in the income statements for the first nine months and the third quarter of 2015 and for the third quarter of 2014.

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

Pursuant to Article 154-bis, paragraph 2 of the TUF, the Chief Financial Officer, 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: 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 15:00 today, 28 October 2015, to present the results of the first nine months and the third quarter of 2015 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 results for the first nine months and the third quarter of 2015

RECLASSIFIED INCOME STATEMENT

(€million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
855	899	Regulated revenue	2,603	2,695	92	3.5
11	12	Non-regulated revenue	45	53	8	17.8
866	911	Total revenue	2,648	2,748	100	3.8
(183)	(237)	Operating costs	(537)	(640)	(103)	19.2
683	674	EBITDA	2,111	2,108	(3)	(0.1)
		Amortisation, depreciation and impairment losses				
(199)	(214)		(583)	(636)	(53)	9.1
484	460	EBIT	1,528	1,472	(56)	(3.7)
484	495	Adjusted EBIT	1,528	1,507	(21)	(1.4)
(97)	(91)	Net financial expense	(301)	(277)	24	(8.0)
70	28	Net income from equity investments	119	97	(22)	(18.5)
457	397	Pre-tax profit	1,346	1,292	(54)	(4.0)
(155)	(121)	Income taxes	(483)	(404)	79	(16.4)
302	276	Net profit (*)	863	888	25	2.9
302	300	Adjusted net profit (*)	863	912	49	5.7

(*) Net profit is attributable to Snam.

EBIT⁹ totalled €1,472 million in the first nine months of 2015, down by €56 million, or 3.7%, compared with the same period of 2014. In the third quarter of 2015, EBIT totalled €460 million, down by €24 million (-5.0%) compared with the same period of the previous year.

The increase in revenue (+€76 million; +3.0%; +€28 million in the third quarter; + 3.3%), including income from the sale of natural gas (€22 million), was offset by higher operating costs (-€79 million; +17.8%; -€37 million in the third quarter; +23.7%) and higher amortisation and depreciation for the period (-€53 million; +9.1%; -€15 million in the third quarter; +7.5%). In particular, operating costs increased, primarily due to the effects of the change in the scope of consolidation as well as costs relating to the elimination of the Gas Fund pursuant to Law No. 125 of 6 August 2015 (€35 million), lower costs absorbed by investment activities (-€27 million) attributable to the distribution segment and withdrawals of gas from storage for the aforementioned gas sales (-€19 million).

Net profit in the first nine months of 2015 amounted to €888 million, an increase of €25 million, or 2.9%, compared with the first nine months of 2014. This increase, despite the reduction in EBIT (-€56 million), was caused by the reduction in net financial expense (+€24 million), higher income from equity-accounted investments (+€30 million), offset by lower income (-€51 million) connected to the revaluation, as at 1 July 2014, of the equity interest previously held (49%) in AES Torino, and lower income taxes (+€79 million) essentially due to the elimination of additional IRES referred to as the "Robin Hood Tax" (+€67 million).

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.



In the third quarter of 2015, net profit totalled €276 million, down by €26 million (8.6%) compared with the same period of 2014. Lower net income from equity investments (-€42 million), mainly attributable to the revaluation in 2014 of the equity interest previously held in AES Torino (-€51 million), and the reduction in EBIT (-€24 million), were partially offset by lower income taxes (+€34 million).

The tax rate was 31.3% (35.9% in the first nine months of 2014).

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 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. 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.

Components of EBIT classified as special items in the first nine months and the third quarter of 2015 regard the estimate, based on actuarial assumptions, of costs to be borne by the employer resulting from the elimination, as of 1 December 2015, of the Gas Fund pursuant to Law No. 125 of 6 August 2015 (€35 million; €24 million net of the tax effect)¹⁰.

The total estimated costs are related to past employee services and, therefore, they are recognised in full in the income statement at the time of valuation.

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

¹⁰ In particular, Articles 9-*decies* and 9-*undecies* of the Law set forth that the employer must cover: (i) an extraordinary contribution for costs relating to the supplementary pension plans in force at the time of elimination of the Gas Fund, for the years from 2015 to 2020. Article 9-*quinquiesdecies* establishes that "Should monitoring bring to light that the extraordinary contribution pursuant to paragraph 9-*decies* is insufficient to cover the relative costs, by directorial decree of the Ministry of Labour and Social Policy, in conjunction with the Ministry of Economic Development and the Ministry of Economy and Finance, the extent of the extraordinary contribution, the criteria for its breakdown amongst employers and the timing and procedures for paying the extraordinary contribution to INPS shall be re-determined"; (ii) for members or parties who have opted for voluntary continuation of contributions who will not be eligible to receive the supplementary pension from the Gas Fund by 30 November 2015, an amount equal to 1% for each year of enrolment in the supplementary fund multiplied by the taxable base considered for the purposes of the same supplementary fund for the year 2014, to be set aside at the employer or allocated to a supplementary pension fund. As things currently stand, the company is waiting to receive information about the criteria, procedures and timing for the payment of the extraordinary contribution as well as its employees' decisions about where the amounts should be allocated (supplementary pension fund or at the employer).



(€million)

Third quarter		First nine months			
2014	2015	2014	2015	Change	% change
484	460	1,528	1,472	(56)	(3.7)
	(35)		(35)	(35)	
484	495	1,528	1,507	(21)	(1.4)
(97)	(91)	(301)	(277)	24	(8.0)
70	28	119	97	(22)	(18.5)
(155)	(121)	(483)	(404)	79	(16.4)
	11		11	11	
302	276	863	888	25	2.9
	24		24	24	
302	300	863	912	49	5.7

(*) Net of tax effect.

Adjusted EBIT for the first nine months of 2015, obtained excluding special items, totalled €1,507 million, down €21 million, or 1.4%, compared with the first nine months of 2014.

Although the increase in revenue (+€76 million; +3.0%), partly due to the change in the consolidation scope, adjusted EBIT decreased as a result of higher operating costs (-€44 million; equal to 9.9%), for the reasons also described with respect to EBIT, with the exception of costs (€35 million) deriving from the elimination of the Gas Fund, which are excluded from adjusted EBIT, and the increase in amortisation and depreciation for the period (-€53 million; equal to 9.1%). Amortisation and depreciation rose due to the effects of the change in the scope of consolidation, as well as the entry into service of new infrastructure and the reduction by the AEGSI of the useful life of certain metering facilities in the natural gas distribution segment from 20 to 15 years for tariff purposes.

In terms of the business segments, the change in adjusted EBIT was mainly the result of decreases in the natural gas storage (-€21 million; -8.0%) and distribution (-€10 million; -2.6%) segments, which were partially offset by the positive performance of the transportation segment (+€6 million; +0.7%).

Third-quarter adjusted EBIT totalled €495 million, up by €11 million (+2.3%) compared with the same period of the previous year. Higher revenue (+€28 million; +3.4%) was partly offset by higher amortisation and depreciation (-€15 million; +7.5%) recorded across all business segments. The higher adjusted EBIT reflects the positive performance of the natural gas storage (+€8 million; +12.3%) and transportation segments (+€6 million; +2.0%). In the distribution segment, adjusted EBIT amounted to €121 million, in line with the same period of the previous year.

Adjusted net profit earned in the first nine months of 2015 totalled €912 million, up by €49 million, or 5.7%, compared with the first nine months of 2014. In the third quarter of 2015, adjusted net profit amounted to €300 million, basically in line with the third quarter of 2014 (-€2 million; -0.7%). In the first nine months of 2015, adjusted net profit rose due to the reasons described with respect to net profit, with the exception of costs (-€35 million; -€24 million net of the tax effect) deriving from the elimination of the Gas Fund, which are excluded from adjusted net profit.

The following information concerns the operating and financial performance of Snam's business segments in the first nine months and the third quarter of 2015.



Information by business segment

Natural gas transportation

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
510	552	Total revenue (*)	1,556	1,632	76	4.9
504	543	- of which from regulated activities	1,540	1,590	50	3.2
91	122	Operating costs (*)	305	362	57	18.7
299	305	EBIT	890	896	6	0.7
191	179	Technical investments (**)	442	457	15	3.4
115	89	- of which with a greater return	250	218	(32)	(12.8)
76	90	- of which with a basic return	192	239	47	24.5
		Natural gas injected in the national gas transportation network (billions of cubic metres) (***)	47.13	49.86	2.73	5.8
14.35	17.09					
32,320	32,454	Gas transportation network (kilometres in use)	32,320	32,454	134	0.4
9,475	9,643	- of which national network	9,475	9,643	168	1.8
22,845	22,811	- of which regional network	22,845	22,811	(34)	(0.1)
871	853	Installed power in the compression stations (MW)	871	853	(18)	(2.1)
1,918	1,909	Employees in service at year end (number)	1,918	1,909	(9)	(0.5)

(*) Before consolidation adjustments.

(**) Investments include a flat-rate WACC to offset the regulatory lag (1 percentage point higher than the base WACC of 6.3%).

(***) The figures for the first nine months of 2015 are current as at 2 October 2015. The data for 2014 have been aligned with those published in the national transportation network report.

Results

Total revenue in the first nine months of 2015 totalled €1,632 million, up by €76 million, or 4.9%, compared with the first nine months of 2014 (+€42 million in the quarter; +8.2%).

Total revenue, net of components offset in costs¹¹, totalled €1,471 million (€491 million in the quarter), up by €48 million, or 3.4%, compared with the same period of the previous year (+€17 million in the quarter; +3.6%).

Revenue from regulated activities in the first nine months of 2015 amounted to €1,590 million (€543 million in the quarter), of which €1,528 million related to fees for the natural gas transportation service (€516 million in the quarter) and €62 million to sales of natural gas carried out for the purposes of balancing the gas system (€27 million in the quarter). Revenue from regulated activities, net of components offset in costs, totalled €1,429 million (€482 million in the quarter), up by €22 million, or 1.6%, compared with the first nine months of 2014 (+€14 million in the quarter; +3.0%). The contribution of investments made in 2013 (+€57 million) was partly offset by tariff updating (-€43 million).

Revenue from unregulated activities (€42 million; €9 million in the quarter) relates mainly to income from sales of natural gas.

EBIT for the first nine months of 2015 totalled €896 million (€305 million in the quarter), up by €6 million, or 0.7%, compared with the first nine months of 2014 (+€6 million in the quarter; +2.0%). The increased revenue (+€48 million; +€17 million in the quarter) was partly offset by higher operating costs (-€29

¹¹ The main revenue items offset in costs relate to sales of natural gas carried out for the purposes of balancing the gas system, modulation and interconnection.



million; -€6 million in the quarter), attributable mainly to withdrawals from the gas storage system following gas sales and to the increase in amortisation and depreciation (-€13 million; -€5 million in the quarter), essentially due to new infrastructure coming into service.

Operating review

*Natural gas injected into the national gas transportation network*¹²

Third quarter		First nine months				(billion m ³)	
2014 (*)	2015	2014 (*)	2015	Change	% change		
1.73	1.58	5.17	4.82	(0.35)	(6.8)		
12.62	15.51	41.96	45.04	3.08	7.3		
4.84	8.05	20.89	22.50	1.61	7.7		
3.73	2.52	7.48	7.11	(0.37)	(4.9)		
1.85	1.81	4.69	5.62	0.93	19.8		
1.34	1.76	5.73	5.39	(0.34)	(5.9)		
0.86	1.35	3.16	4.35	1.19	37.7		
	0.01	0.01	0.03	0.02			
		-	0.03	0.03			
	0.01		0.01	0.01			
14.35	17.09	47.13	49.86	2.73	5.8		

(*) The figures for the first nine months of 2015 are current as at 2 October 2015. The data for 2014 have been aligned with those published in the national transportation network report.

(**) Entry points connected with other countries or with LNG regasification plants.

A total of 49.86 billion cubic metres of natural gas was injected into the national gas transportation network during the first nine months of 2015, up by 2.73 billion cubic metres, or 5.8%, compared with the corresponding period of 2014. The increase was mainly due to the rise in natural gas demand in Italy (47.72 billion cubic metres, up by 3.76 billion cubic metres, or 8.6%, compared with the first nine months of 2014), due to higher consumption in the thermoelectric sector (+17.1%) and the residential and tertiary sector (+10.6%), partly offset by lower net injections into the storage system (-1.04 billion cubic metres).

With reference to the third quarter of 2015, natural gas injected into the national gas transportation network totalled 17.09 billion cubic metres, up by 2.74 billion cubic metres, or 19.1%, compared with the same period in 2014.

Natural gas injected into the national network from domestic production fields or their collection and treatment centres was 4.82 billion cubic metres, down by 0.35 billion cubic metres (-6.8%) compared with the first nine months of 2014.

Natural gas injected into the national network at entry points connected with other countries or with LNG regasification plants totalled 45.04 billion cubic metres, up by 3.08 billion cubic metres (7.3%) compared with the first nine months of 2014. This increase was due to higher volumes injected at the Tarvisio entry point (+1.61 billion cubic metres; +7.7%), at the LNG regasification plants (+1.24 billion cubic

¹² 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.



metres; +39.1%), relating mainly to the Carvarzere entry point, and at the Gela entry point (+0.93 billion cubic metres; +19.8%). These effects were partly offset by the reduction in volumes injected at the GriesPass (-0.37 billion cubic metres; -4.9%) and Mazara del Vallo (-0.34 billion cubic metres; -5.9%).

Technical investments

Third quarter				First nine months			
2014	2015			2014	2015	Change	% change
		Type of investment	Greater return (%) (*)				
96	71	Development of new import and export capacity	2.0%	203	169	(34)	(16.7)
		Development of the national network	1.0%	1		(1)	(100.0)
19	18	Development of the regional network	1.0%	46	49	3	6.5
76	90	Replacement and other		192	239	47	24.5
191	179			442	457	15	3.4

(*) Compared with a real pre-tax WACC of 6.3% plus 1% to offset the regulatory lag.

Technical investments totalled €457 million in the first nine months of 2015, up by €15 million (3.4%) compared with the same period of the previous year (€442 million).

The investments were classified in accordance with Resolution 514/2013/R/gas of the Electricity, Gas and Water Authority (hereinafter "the Authority"), which identified various categories of projects with different rates of return.

The breakdown of investments in 2014 and 2015 by category will be submitted to the Authority when the tariffs are approved for 2016 and 2017, respectively.

The main development investments subject to a **greater return of 2.0%** (€169 million) concern:

- as part of the initiative to support the market in the north-west of the country and to make it possible to reverse the physical transportation flows at the interconnection points with northern Europe (€120 million) in the Pianura Padana area: (i) the continuation of construction works for the Zimella-Cervignano pipeline; (ii) the continuation of construction works for the Minerbio-Poggio Renatico pipeline; (iii) construction works relating to the new hub at Sergnano; (iv) the delivery of materials and the continuation of construction works for upgrading the Poggio Renatico plant; (v) the delivery of materials and the continuation of construction works relating to the new hub at Minerbio; (vi) the allocation of the order for turbo compressors relating to the new plants at Sergnano and Minerbio;
- as part of the projects to upgrade the transportation network from the entry points in southern Italy (€43 million): (i) the continuation of construction works for the Biccari-Campochiaro pipeline, in Campania-Puglia-Molise; (ii) the delivery of materials and the continuation of renovation works on the Enna plant in Sicily;

The main development investments with an anticipated **greater return of 1.0%** (€49 million) relate to a number of works to upgrade the network and to connect to new regional and national redelivery points, particularly the continuation of construction works relating to the upgrading of the methane Gavi-Pietralavezzara pipeline, in Piedmont-Liguria.

Investments with a **basic rate of return**¹³ (€239 million) concern works aimed at maintaining security and quality levels at plants (€172 million), the acquisition of other key operating assets (€27 million), including real estate investments (€23 million), projects relating to the development of new information

¹³ The basic rate of return includes the rate of return on net invested capital (real pre-tax WACC) of 6.3%, plus 1% to offset the regulatory lag.



systems and the implementation of existing ones (€23 million) and works relating to compensation for third parties (€13 million) and metering (€4 million).

Other information

Council of State - Ruling 3735/2015

In ruling 3735/2015, delivered on 28 July 2015, the Council of State (hereinafter the "CoS") upheld the judgement of the Lombardy Regional Administrative Court regarding the partial quashing of AEEGSI (hereinafter the "Authority") Resolution 514/2013/R/gas, concerning the determination of "Regulation criteria for natural gas transportation and dispatching tariffs for the 2014-2017 period" and of the subsequent Resolutions 603/2013/R/gas and 641/2013/R/com, due to the lack of any provision in the relevant rules for a decreasing-scale mechanism for the benefit of end users with high levels of gas consumption.

In Resolution 429/2015/R/gas, published on 3 September 2015, the Authority initiated a procedure, expected to be completed by 31 December 2015, to comply with the aforementioned ruling.

Council of State - Ruling 2888/2015

In ruling 2888/2015, delivered on 12 June 2015, the Council of State (hereinafter the "CoS") rejected the appeal filed by the AEEGSI for review of the judgement of the Lombardy-Milan Regional Administrative Court, which had annulled the provisions contained in Resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 regarding transportation and dispatching tariffs for the 2010-2013 period.

The CoS confirmed that the aforementioned provisions, which increase the influence of the capacity component in the determination of tariffs (representing fixed costs and proportional to the distance between the gas entry and exit points) from 70% to 90%, with a consequent reduction to 10% for the commodity component (commensurate with the volumes transported), are liable to result in an increase in costs for operators whose activities are concentrated at gas entry points situated in southern Italy, finding that the AEEGSI had not provided "*adequate logical and/or legislative justification*" for the "*marked imbalance between the two tariff components*".

The CoS then also declared unlawful the mechanism for determining the contribution for gas intended for Snam's compression stations, which switched from the "Price cap" system (where the costs are included among operating costs as a whole and passed on to the end users uniformly throughout the territory) to a criterion based on gas consumed internally (which provides for direct withdrawal in kind of the metered fuel on the basis of the use by the transportation companies, for the purposes of operating the compression stations).

With Resolution 428/2015/C/gas, the AEEGSI decided to file an appeal for the aforementioned ruling to be overturned on the grounds of factual error. The appeal was notified to Snam Rete Gas on 7 October 2015.

Simultaneously, the Authority initiated, with Resolution 430/2015/R/gas, a procedure for compliance with CoS ruling 2888/2015, to be completed by 31 December 2015.



Liquefied Natural Gas (LNG) regasification

(€million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
6	3	Total revenue (*) (**)	20	16	(4)	(20.0)
5	2	- of which from regulated activities	18	14	(4)	(22.2)
6	4	Operating costs (*) (**)	16	12	(4)	(25.0)
(1)	(3)	EBIT				
1	2	Technical investments	3	3		
		Volumes of LNG regasified (billions of cubic metres)	0.002	0.020	0.018	
78	75	Employees in service at year end (number)	78	75	(3.00)	(3.8)

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

(**) Before consolidation adjustments.

Results

Total revenue in the first nine months of 2015 totalled €16 million, down by €4 million, or 20.0%, compared with the first nine months of 2014 (-€3 million in the quarter; -50.0%). Total revenue, net of components offset in costs¹⁴, totalled €15 million (€3 million in the quarter), down by €1 million, or 6.3%, compared with the same period of the previous year (-€2 million in the quarter; -40.0%).

Revenue from regulated activities in the first nine months of 2015 amounted to €14 million (€2 million in the quarter) and include fees for the regasification service (€13 million; -€1 million; €2 million in the quarter; -€2 million) and fees redebiting to users relating to the natural gas transportation service provided by Snam Rete Gas S.p.A. (€1 million in the first nine months; -€3 million; -€1 million in the quarter).

The company's operating profit for the first nine months of 2015 showed a break-even result, unchanged compared with the first nine months of 2014 (-€3 million in the quarter). The reduction in revenue (-€1 million) was offset by lower operating costs (+€1 million), mainly attributable to lower net expenses linked to the sale of boil-off gas on the balancing market in 2014¹⁵.

Operating review

In the first nine months of 2015, the LNG terminal at Panigaglia (SP) regasified 0.020 billion cubic metres of natural gas, an increase of 0.018 billion cubic metres compared with the first nine months of 2014 (0.002 billion cubic metres). The LNG regasification activity was carried out in the context of the peak shaving service, completed on 31 March 2015.

¹⁴ Revenue components offset in costs relate to the redebiting of fees for the natural gas transportation service provided by Snam Rete Gas S.p.A.

¹⁵ Recovering boil-off gas involves reusing the vapours formed inside tanks. In light of the plant shutdown, the gas recovered was subsequently injected into the transportation network.



Natural gas storage

		(€million)			
Third quarter		First nine months			
2014	2015	2014	2015	Change	%
117	127	404	403	(1)	(0.2)
117	127	390	403	13	3.3
37	36	97	107	10	10.3
65	73	263	242	(21)	(8.0)
56	44	175	106	(69)	(39.4)
10	10	10	10		
8	8	8	8		
3.07	4.56	12.58	16.52	3.94	31.3
3.06	4.56	7.81	9.32	1.51	19.3
0.01	0.00	4.77	7.20	2.43	50.9
15.9	16.0	15.9	16.0	0.1	0.6
11.4	11.5	11.4	11.5	0.1	0.9
4.5	4.5	4.5	4.5		
312	300	312	300	(12)	(3.8)

(a) Revenue from regulated activities includes the redebiting to storage users of the costs relating to the natural gas transportation service provided by Snam Rete Gas S.p.A., recorded pursuant to Resolution 297/2012/R/gas as of 1 April 2013. For the purposes of the consolidated financial statements, this revenue is derecognised, together with transportation costs, within Stogit S.p.A. in order to represent the substance of the operation.

(b) Before consolidation adjustments.

(d) With working gas capacity for modulation services.

(d) Gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 39.2 MJ/SCM and 39.1 MJ/SCM respectively for the first nine months of 2014 and 2015.

(e) Working gas capacity for modulation, mining and balancing services, allocated in full as at 30 September 2015.

Results

Total revenue for the first nine months of 2015 totalled €403 million (€127 million in the quarter), broadly in line (-€1 million; -0.2%) with the first nine months of 2014 (+€10 million in the quarter; +8.5%), and relates entirely to revenue from regulated activities. Total revenue, net of components offset in costs¹⁶, totalled €343 million (€107 million in the quarter), down by €10 million, or 2.8%, compared with the same period of the previous year (+€11 million in the quarter; +11.5%).

Revenue from regulated activities in the first nine months of 2015 amounted to €403 million (€127 million in the quarter) and refers to fees for the natural gas storage service (€350 million; €109 million in the quarter) and fees redebiting to users relating to the natural gas transportation service provided by Snam Rete Gas S.p.A. (€53 million; €18 million in the quarter). Revenue from regulated activities, net of components offset in costs, totalled €343 million (€107 million in the quarter), up by €4 million, or 1.2%, compared with the first nine months of 2014 (+€11 million in the quarter; +11.5%). The increase is mainly due to the different temporal distribution of revenue over the year, which switches from a

¹⁶ These components refer mainly to revenue from the redebiting to storage users of charges relating to the natural gas transportation service provided by Snam Rete Gas S.p.A.



seasonal profile, determined essentially by revenue associated with available delivery in the winter period only (from 1 November to 31 March), to a constant profile for the year, pursuant to the provisions introduced by Resolutions 85/2014/R/gas and 295/2014/R/gas relating to provisions for the allocation of storage capacity for the thermal year 2014-2015 by auction¹⁷.

Revenue from unregulated activities was down by €14 million compared with the first nine months of 2014, due to the removal of additional storage fees in the context of storage capacity development activities linked to Legislative Decree 130/10 (-€13 million).

EBIT for the first nine months of 2015 totalled €242 million (€73 million in the quarter), down by €21 million, or 8.0%, compared with the first nine months of 2014. The reduction is mainly attributable to increased depreciation and amortisation (-€10 million) due to the entry into service of new infrastructure partially offset by the abandonment of assets, and a reduction in revenue (-€10 million). EBIT for the third quarter of 2015 totalled €73 million, up by €8 million (12.3%) compared with the same period of the previous year. The increase in revenue (+€11 million) was only partly offset by higher depreciation and amortisation for the period (-€3 million).

Operating review

Natural gas moved through the storage system

The volumes of gas moved through the storage system in the first nine months of 2015 amounted to 16.52 billion cubic metres, an increase of 3.94 billion cubic metres (31.3%) compared with the volumes moved in the first nine months of 2014 (12.58 billion cubic metres). The increase was mainly attributable to higher withdrawals from storage (+2.43 billion cubic metres; +50.9%) due to substantial use of stocks by the operators during the first quarter of 2015, as well as higher injections to replenish stocks (+1.51 billion cubic metres; +19.3%).

Volumes of natural gas moved through the storage system in the third quarter of 2015 increased by 1.49 billion cubic metres, or 48.5%, compared with the third quarter of 2014, mainly due to higher injections to replenish stocks.

Total storage capacity as at 30 September 2015, including strategic storage, was 16.0 billion cubic metres (+0.1 billion cubic metres), of which 11.5 billion cubic metres related to available capacity fully allocated for the thermal year 2015-2016 (11.4 billion cubic metres in thermal year 2014-2015), and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2014-2015).

Technical investments

Third quarter		First nine months				(€million)	
2014	2015	2014	2015	Change	% change		
48	26	152	73	(79)	(52.0)		
8	18	23	33	10	43.5		
56	44	175	106	(69)	(39.4)		

Technical investments totalled €106 million in the first nine months of 2015, down by €69 million (-39.4%) compared with the same period of the previous year (€175 million).

¹⁷ Resolutions 49/2015/R/gas and 171/2015/R/gas established similar provisions for the thermal year 2015-2016.



Investments for development of new fields and upgrading of capacity (€73 million) related mainly to activities carried out in the Bordolano field (€38 million), well drilling in the Fiume Treste field (€12 million) and the purchase of materials and execution of works on the Minerbio plants (€11 million).

Maintenance investments and others (€33 million) mainly concerned the injection of cushion gas at Sabbioncello (€10 million) and a project for renovating the compression units at Cortemaggiore (€4 million).



Natural gas distribution (a)

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
272	269	Total revenue (b) (c)	774	812	38	4.9
267	265	- of which from regulated activities	756	797	41	5.4
88	115	Operating costs (b) (c)	224	278	54	24.1
122	86	EBIT	379	334	(45)	(11.9)
	35	- of which special items		35	35	
122	121	Adjusted EBIT	379	369	(10)	(2.6)
80	89	Technical investments	232	231	(1)	(0.4)
988	664	Gas distribution (millions of cubic metres)	4,509	5,095	586	13.0
54,717	56,663	Distribution network (kilometres) (d)	54,717	56,663	1,946	3.6
6.379	6.516	Active meters (millions)	6.379	6.516	0.137	2.1
3,174	3,246	Employees in service at year end (number)	3,174	3,246	72	2.3

(a) The data for the first nine months of 2015 include the company Acam Gas S.p.A., fully consolidated as of 1 April 2015 and the companies Metano Arcore S.p.A. and SETEAP S.p.A., respectively merged by incorporation into Italgas S.p.A. and Napoletanagas S.p.A. as of 1 January 2015. With regard to the full consolidation of AES Torino S.p.A. as of 1 July 2014, the economic impact is seen respectively in the first nine months and the third quarter of 2015 and in the third quarter of 2014.

(b) Purely for the purposes of the reclassified income statement, total revenue is shown net of revenue relating to building and upgrading distribution infrastructures recorded pursuant to IFRIC 12, which is recorded in equal measure alongside the relevant costs incurred and stated as a direct reduction in the respective cost item.

(c) Before consolidation adjustments.

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

Results

Total revenue for the first nine months of 2015 totalled €812 million (€269 million in the quarter), up by €38 million, or 4.9%, compared with the first nine months of 2014 (-€3 million; -1.1% in the quarter). Total revenue, net of components offset in costs¹⁸, totalled €807 million (€268 million in the quarter), up by €40 million, or 5.2%, compared with the same period of the previous year (+€3 million in the quarter; +1.1%).

Revenue from regulated activities in the first nine months of 2015 amounted to €797 million (€265 million in the quarter), of which €766 million related to fees for the natural gas distribution service (€257 million in the quarter) and €18 million to technical services linked to the distribution service (€6 million in the quarter). Revenue from regulated activities, net of components offset in costs, totalled €792 million (€264 million in the quarter), up by €43 million compared with the first nine months of 2014 (+€4 million in the quarter). The increase was mainly due to the change in the scope of consolidation.

Adjusted EBIT for the first nine months of 2015 totalled €369 million (€121 million in the quarter), down by €10 million, or 2.6%, compared with the same period of 2014 (unchanged in the quarter; -0.8%). The increase in revenue (+€40 million; +€3 million in the quarter) was more than offset by: (i) higher amortisation and depreciation for the period (-€29 million; -€6 million in the quarter), mainly from the change in the scope of consolidation and the reduction (from 20 to 15 years) in the useful life of some

¹⁸ These components refer to the revenue resulting from the repayment by the Electricity Equalisation Fund of charges relating to the interruptions to the supply at redelivery points requested by retail companies pursuant to Article 12-bis, Appendix A of the Consolidated Gas Arrears Act (TIMG).



metering equipment reviewed for tariff purposes by the Electricity, Gas and Water Authority; (ii) an increase in operating costs (-€21 million, net of components offset in revenue; +€2 million in the quarter), mainly due to a smaller proportion of costs offset by investment activities and the change in the scope of consolidation, the effects of which were partly offset by the positive trend in provisions for risks and charges.

Operating review

Natural gas distribution

In the first nine months of 2015, 5,095 million cubic metres of gas were distributed, an increase of 586 million cubic metres, or 13.0%, compared with the same period in 2014. The increase was partly due to the change in scope and partly to weather conditions.

As at 30 September 2015, the Snam Group had concessions for gas distribution services in 1,472 municipalities (1,437 as at 31 December 2014, 1,436 as at 30 September 2014), of which 1,392 had operational networks. It had 6.516 million active meters at gas redelivery points to end users, compared with 6.379 million as at 30 September 2014.

Distribution network

As at 30 September 2015, the gas distribution network covered 56,663 km (55,278 km as at 31 December 2014), an increase of 1,385 km compared with 31 December 2014.

Technical investments

Third quarter		First nine months				(€ million)
2014	2015	2014	2015	Change	% change	
55	41	164	124	(40)	(24.4)	
42	36	125	105	(20)	(16.0)	
13	5	39	19	(20)	(51.3)	
18	41	49	83	34	69.4	
7	7	19	24	5	26.3	
80	89	232	231	(1)	(0.4)	

Technical investments amounted to €231 million in the first nine months of 2015, essentially in line with the first nine months of 2014 (€232 million).

Investments in distribution (€124 million) mainly related to 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 remote meter-reading project.

Other investments (€24 million) mainly concerned investments in IT, property and vehicles.

Extraordinary corporate operations

Merger by incorporation of AES Torino S.p.A.

In resolutions adopted on 15 October 2015, pursuant to Article 2505, second paragraph, of the Italian Civil Code, the Boards of Directors of Italgas S.p.A. and AES Torino S.p.A. approved the merger by incorporation of the company AES Torino S.p.A. (wholly owned by the acquiring company) into Italgas S.p.A., effective for accounting and tax purposes as of 1 January 2016, on the basis of the Merger



Proposal approved by the same bodies on 7 September 2015. The Merger Proposal was prepared on the basis of the financial statements as at 30 June 2015 of the companies involved in the merger.

Other information

Italgas - Exit from judicial administration and reappointment of the company's Board of Directors

Following the revocation of the preventive measure of judicial administration ordered by the Court of Palermo against Italgas and the reappointment of the company's Board of Directors by the Shareholders' Meeting, Italgas is implementing the organisational and procedural intervention plan, including monitoring and verification of the company's activities. Italgas is complying with its obligation to provide the relevant authorities with the information required pursuant to Article 34, paragraph 8 of Legislative Decree 159/2011 (judicial control), in relation to the relevant transactions, but it has appealed before the Palermo Court of Appeal against the provision of such information. Italgas is also providing the relevant authorities with the results of the periodic reports by the Supervisory Body.

Litigation

Italgas S.p.A. - Rome incident, Via Parlatore

The public prosecutor at the Court of Rome has opened criminal proceedings against a number of managers and executives of Italgas, in relation to the incident that occurred on 7 September 2015 during the implementation of the interconnecting works between two polyethylene pipes already installed within the project of grey cast-iron pipes replacement with hemp and lead seals, on Via Filippo Parlatore and neighbouring streets in Rome.

For reasons that are still being investigated, an explosion occurred during the course of the activities, due to a gas leak. The incident led to the death of an Italgas engineer and injured two workers of a third-party company.

The site of the incident was placed under sequestration. The Company continues to fully cooperate with the authorities for carrying out the necessary investigations.

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



Total revenue

Third quarter		First nine months			
2014	2015	2014	2015	Change	% change
(€million)					
Business segments					
510	552	1,556	1,632	76	4.9
6	3	20	16	(4)	(20.0)
117	127	404	403	(1)	(0.2)
272	269	774	812	38	4.9
48	46	139	148	9	6.5
(87)	(86)	(245)	(263)	(18)	7.3
866	911	2,648	2,748	100	3.8

(*) The revenues from the storage sector include the redebiting of the transportation service provided by Snam Rete Gas, pursuant to Electricity, Gas and Water Authority Resolution 297/2012/R/gas of 19 July 2012 in force from 1 April 2013. These charge-backs, equal to €53 and €18 million, respectively, in the first nine months and in the third quarter of 2015, are reflected in the operating costs related to the purchase of the transportation capacity provided by Snam Rete Gas.

Regulated and non-regulated revenue

Third quarter		First nine months			
2014	2015	2014	2015	Change	% change
(€million)					
855	899	2,603	2,695	92	3.5
Regulated revenues					
Business segments					
503	541	1,535	1,584	49	3.2
4	2	14	13	(1)	(7.1)
81	91	298	301	3	1.0
267	265	756	797	41	5.4
11	12	45	53	8	17.8
866	911	2,648	2,748	100	3.8

Operating costs

Third quarter		First nine months			
2014	2015	2014	2015	Change	% change
(€million)					
Business segments					
91	122	305	362	57	18.7
6	4	16	12	(4)	(25.0)
37	36	97	107	10	10.3
88	115	224	278	54	24.1
48	46	140	144	4	2.9
(87)	(86)	(245)	(263)	(18)	7.3
183	237	537	640	103	19.2

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



Operating costs - Regulated and non-regulated activities

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
177	234	Costs of regulated activities	518	601	83	16.0
123	126	Controllable fixed costs	348	374	26	7.5
4	29	Variable costs	47	76	29	61.7
50	79	Other costs	123	151	28	22.8
		- of which special items		35	35	
6	3	Costs of non-regulated activities	19	39	20	
183	237		537	640	103	19.2

Amortisation, depreciation and impairment

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
199	214	Depreciation and amortisation	583	636	53	9.1
		Business segments				
120	125	Transportation	361	374	13	3.6
1	2	Regasification	4	4		
15	18	Storage	44	54	10	22.7
62	68	Distribution	171	200	29	17.0
1	1	Corporate and other activities	3	4	1	33.3
199	214		583	636	53	9.1

EBIT

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
		Business segments				
299	305	Transportation	890	896	6	0.7
(1)	(3)	Regasification				
65	73	Storage	263	242	(21)	(8.0)
122	86	Distribution	379	334	(45)	(11.9)
(1)	(1)	Corporate and other activities	(4)		4	(100.0)
484	460		1,528	1,472	(56)	(3.7)



Adjusted EBIT

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
484	460	EBIT	1,528	1,472	(56)	(3.7)
		Excluding special items				
	35	- expenses for Gas Fund closure		35	35	
484	495	Adjusted EBIT	1,528	1,507	(21)	(1.4)
		Business segments				
299	305	Transportation	890	896	6	0.7
(1)	(3)	Regasification				
65	73	Storage	263	242	(21)	(8.0)
122	121	Distribution	379	369	(10)	(2.6)
(1)	(1)	Corporate and other activities	(4)		4	(100.0)
484	495		1,528	1,507	(21)	(1.4)

Net financial expenses

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
106	96	Financial expense (income) related to net financial debt	329	289	(40)	(12.2)
		- Interest and other expense on short- and long-term financial				
106	97	debt	329	293	(36)	(10.9)
	(1)	- Interest on financial receivables not held for operations		(4)	(4)	
	2	Other net financial expense (income)	(2)	9	11	
4	3	- Accretion discount	11	9	(2)	(18.2)
(4)	(1)	- Other net financial expense (income) (*)	(13)		13	(100.0)
(9)	(7)	Financial expense capitalised	(26)	(21)	5	(19.2)
97	91		301	277	(24)	(8.0)

(*) In order to provide as accurate a representation of "Financial (income) expense" as possible, the economic effects attributable to the effective portion of hedging derivatives are recorded under the same item as those of the hedged elements. Any economic effects attributable to the ineffective portion of hedging derivatives are recorded under "Expense (income) from hedging derivatives". Consistent with this, the corresponding value for the comparison was reclassified.

Net income from equity investments

(€ million)

Third quarter			First nine months			
2014	2015		2014	2015	Change	% change
19	28	Effect of valuation using the equity method	68	98	30	44.1
51		Other net income (expense)	51	(1)	(52)	
70	28		119	97	(22)	(18.5)



Income taxes

			(€ million)			
Third quarter		First nine months				
2014	2015	2014	2015	Change	% change	
173	145	541	455	(86)	(15.9)	
(15)	(13)	(53)	(39)	14	(26.4)	
(3)	(11)	(5)	(12)	(7)		
(18)	(24)	(58)	(51)	7	(12.1)	
33.9	30.5	35.9	31.3	(4.6)		
155	121	483	404	(79)	(16.4)	

Reclassified balance sheet

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

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

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

RECLASSIFIED BALANCE SHEET

30.06.2015 (€ million)	31.12.2014	30.09.2015	Change
21,970 Fixed capital	21,813	22,002	189
15,451 Property, plant and equipment	15,399	15,471	72
363 Compulsory inventories	363	363	
5,180 Intangible assets	5,076	5,193	117
1,270 Equity investments	1,402	1,277	(125)
(294) Net payables for investments	(427)	(302)	125
(958) Net working capital	(864)	(906)	(42)
(139) Provisions for employee benefits	(141)	(174)	(33)
16 Assets held for sale and directly related liabilities	16	16	
20,889 Net invested capital	20,824	20,938	114
6,953 Shareholders' equity (including minority interests)	7,172	7,229	57
13,936 Net financial debt	13,652	13,709	57
20,889 Coverage	20,824	20,938	114

Fixed capital (€22,002 million) rose by €189 million compared with 31 December 2014 following the increase in tangible and intangible assets (€189 million in total) and the fall in net payables relating to investments (+€125 million), whose effects were partly offset by lower equity investments (-€125 million).



Equity investments

The item equity investments (€1,277 million) includes the equity method valuation and refers to TIGF Holding S.A.S. (€506 million), Trans Austria Gasleitung GmbH - TAG (€479 million), Toscana Energia S.p.A. (€162 million), Gasbridge 1 B.V. and Gasbridge 2 B.V. (€128 million cumulatively).

Net working capital

30.06.2015 (€million)	31.12.2014	30.09.2015	Change
1,389 Trade receivables	1,728	1,462	(266)
160 Inventories	155	158	3
65 Tax receivables	90	60	(30)
(7) Derivative net assets (liabilities)	(4)	1	5
286 Other assets	217	294	77
(1,026) Provisions for risks and charges	(1,014)	(988)	26
(617) Trade payables	(816)	(635)	181
(483) Liabilities for deferred taxes	(513)	(458)	55
(96) Tax liabilities	(22)	(214)	(192)
(71) Net liabilities from regulated activities	(36)	(40)	(4)
(558) Other liabilities	(649)	(546)	103
(958)	(864)	(906)	(42)

Net working capital (-€906 million) fell by €42 million compared with 31 December 2014 mainly due to: (i) a reduction in trade receivables (-€266 million) essentially in the natural gas transportation sector (-€157 million), due to lower receivables from the balancing service (-€56 million) and due to the dynamics of additional service tariffs, and natural gas distribution (-€56 million) following the seasonal nature of distributed volumes, whose effects were partly absorbed by the increase in receivables from the Electricity Equalisation Fund (CCSE) relating to equalisation; (ii) an increase in tax liabilities (-€192 million) due to the recording of taxes for the period and the dynamics of payments on account.

These factors were partly offset by: (i) the reduction in trade payables (+€181 million) mainly concerning the natural gas transportation sector (+€119 million) essentially following lower payables to the balancing service (+€83 million); (ii) the reduction in other liabilities (+€103 million) due to lower payables to the CCSE (+€147 million) mainly concerning the natural gas transportation and distribution sectors, partly offset by the liabilities recorded with regard to the greater quantities of combustible gas allocated to transport users compared with the quantities effectively used; (iii) the increase in other assets (+€77 million) essentially following the greater receivables from the CCSE relating to the management of Energy Efficiency Certificates (TEE); (iv) the reduction in the deferred tax fund (+€55 million).



Statement of comprehensive income

(€ million)	First nine months	
	2014	2015
Net profit	863	888
Other components of comprehensive income		
<i>Components that can be reclassified to the income statement:</i>		
Change in fair value of cash flow hedging derivatives (effective portion)	(3)	
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income"	6	10
Total other components of comprehensive income, net of tax effect	3	10
Total comprehensive income	866	898
attributable to:		
- Snam	866	898
- Minority interests		
	866	898

Shareholders' equity

(€ million)		
Shareholders' equity as at 31 December 2014		7,172
<i>Increases owing to:</i>		
- Comprehensive income for the first nine months of 2015	898	
- Other changes (*)	34	
		932
<i>Decreases owing to:</i>		
- Distribution of 2014 dividend	(875)	
		(875)
Shareholders' equity including minority interests as at 30 September 2015		7,229
attributable to:		
- Snam		7,228
- Minority interests		1
		7,229

(*) The other changes essentially refer to the effects resulting from a new shareholder joining the shareholding structure of TIGF.

As at 30 September 2015, Snam held 1,127,250 treasury shares (the same number as at 31 December 2014), equal to 0.03% of its share capital, with a book value of €5 million. Their market value as at 30 September 2015 was approximately €5 million¹⁹.

¹⁹ Calculated by multiplying the number of treasury shares by the period-end official price of €4.56 per share.



Net financial debt

30.06.2015 (€ million)	31.12.2014	30.09.2015	Change
14,181 Financial and bond debt	13,942	13,737	(205)
3,152 Short-term financial debt (*)	2,057	2,849	792
11,029 Long-term financial debt	11,885	10,888	(997)
(245) Financial receivables and cash and cash equivalents	(290)	(28)	262
(221) Financial receivables not held for operations	(216)		216
(24) Cash and cash equivalents	(74)	(28)	46
13,936	13,652	13,709	57

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

Net financial debt was €13,709 million as at 30 September 2015, compared with €13,625 million as at 31 December 2014.

Net cash flow from operating activities (€1,666 million), benefited from the cash contribution from associated companies valued through the net equity method (€120 million), allowed Snam to fully cover the financial requirements associated with net investments for the period (€844 million) and to generate a free cash flow of €822 million. Net financial debt of €13,709 million, increased by €57 million compared with 31 December 2014, after taking into account the payment to shareholders of the 2014 dividend of €875 million.

Financial and bond debt as at 30 September 2015, totalled €13,737 million (€13,942 million as at 31 December 2014) and was denominated entirely in euros²⁰. It consisted mainly of bonds (€10.8 billion, or 78.8%), payables to banks (€1.8 billion, or 12.8%) and loan agreements concerning European Investment Bank (EIB) funding (€1.1 billion, or 8.3%).

Long-term financial payables (€10,888 million) include an €848 million principal of funding supplied by the EIB to reflect the agreements, formalised on 30 September 2015.

The reduction in financial receivables not held for operations (-€216 million) is due to the closure and simultaneous repayment of the Shareholders' Loan provided by Snam to the jointly owned associate company TAG under the scope of an operation to refinance the entire debt of TAG through the banking system.

Cash and cash equivalents (€28 million) mainly refer to the cash at Gasrule Ltd for the group's insurance activities (€23 million). The fall compared with 31 December 2014 is due to the use of existing financial resources (€47 million) as at 31 December 2014 with regard to the closing of the transaction by Italgas S.p.A. to buy 51% of Acam Gas S.p.A.

²⁰ Except for a fixed rate bond loan for ¥10 billion (Japanese yen), fully converted into euros through a cross-currency swap (CCS) financial derivative.



The breakdown of debt by type of interest rate as at 30 September 2015 is as follows:

(€ million)	31.12.2014	%	30.09.2015	%	Change
Fixed rate	9,681	69	9,876	72	195
Floating rate	4,261	31	3,861	28	(400)
	13,942	100	13,737	100	(205)

Fixed-rate financial liabilities (€9,876 million) increased by €195 million, mainly due to a new bond issue with a nominal value of €250 million, partly offset by lower interest accruals (€67 million).

Floating-rate debt (€3,861 million) fell by €400 million compared with 31 December 2014, essentially owing to the early repayment of two EIB loans (-€300 million) and lower net use banking lines of credit (-€293 million). These effects were partly offset by taking out a new loan of €200 million from the EIB.

As at 30 September 2015, Snam had unused committed long-term credit lines worth €3.9 billion.

Covenants

As at 30 September 2015, Snam has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Several of these agreements involve, *inter alia*, compliance with obligations (covenants) imposed in international market practice, e.g. financial covenants and negative pledges, *pari passu* and change of control clauses.



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

RECLASSIFIED STATEMENT OF CASH FLOWS

Third quarter			First nine months	
2014	2015	(€million)	2014	2015
302	276	Net profit	863	888
		<i>Adjusted for:</i>		
128	215	- Amortisation, depreciation and other non-monetary components	465	566
5	6	- Net capital losses (capital gains) on asset sales and eliminations	10	16
239	206	- Interest and income taxes	734	658
(148)	(118)	Change in working capital due to operating activities	(342)	(84)
(78)	(65)	Dividends, interest and income taxes collected (paid)	(635)	(378)
448	520	Net cash flow from operating activities	1,095	1,666
(311)	(296)	Technical investments	(823)	(750)
		Equity investments		(14)
		Change in scope of consolidation and business units		(45)
	3	Divestments	7	90
(29)	8	Other changes relating to investment activities	(67)	(125)
108	235	Free cash flow	212	822
	221	Change in financial receivables not held for operations		216
(82)	(452)	Change in short- and long-term financial debt	319	(209)
		Equity cash flow	(505)	(875)
6		Effect of the change in scope of consolidation	6	
32	4	Net cash flow for the period	32	(46)

CHANGE IN NET FINANCIAL DEBT

Third quarter			First nine months	
2014	2015	(€million)	2014	2015
108	235	Free cash flow	212	822
(112)		Financial payables and receivables from acquired companies	(112)	
	5	Adjustment to fair value of financial debt		1
	(13)	Exchange rate differences on financial debt	(3)	(5)
		Equity cash flow	(505)	(875)
(4)	227	Change in net financial debt	(408)	(57)



IFRS financial statements

Statement of Financial Position

30.06.2015 (€million)	31.12.2014	30.09.2015
ASSETS		
Current assets		
24 Cash and cash equivalents	74	28
1,837 Trade receivables and other receivables	2,081	1,711
160 Inventories	155	158
23 Current income tax assets	48	20
10 Other current tax assets	10	8
67 Other current assets	108	52
2,121	2,476	1,977
Non-current assets		
15,451 Property, plant and equipment	15,399	15,471
363 Compulsory inventories	363	363
5,180 Intangible assets	5,076	5,193
1,270 Investments valued using the equity method	1,402	1,277
170 Other non-current assets	167	209
22,434	22,407	22,513
23 Non-current assets held for sale	23	23
24,578 TOTAL ASSETS	24,906	24,513
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
1,212 Short-term financial liabilities	1,058	768
1,940 Short-term portion of long-term financial liabilities	999	2,081
1,313 Trade payables and other payables	1,769	1,310
46 Current income tax liabilities	1	188
50 Other current tax liabilities	20	26
61 Other current liabilities	51	51
4,622	3,898	4,424
Non-current liabilities		
11,029 Long-term financial liabilities	11,885	10,888
1,026 Provisions for risks and charges	1,014	988
139 Provisions for employee benefits	141	174
483 Liabilities for deferred taxes	513	458
319 Other non-current liabilities	276	345
12,996	13,829	12,853
7 Liabilities directly associated with assets held for sale	7	7
17,625 TOTAL LIABILITIES	17,734	17,284
SHAREHOLDERS' EQUITY		
Snam shareholders' equity		
3,697 Share capital	3,697	3,697
2,648 Reserves	2,281	2,648
612 Net profit	1,198	888
(5) Treasury shares	(5)	(5)
6,952 Total Snam shareholders' equity	7,171	7,228
1 Capital and reserves attributable to minority interests	1	1
6,953 TOTAL SHAREHOLDERS' EQUITY	7,172	7,229
24,578 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,906	24,513



Income Statement

		(€ million)	
Third quarter		First nine months	
2014	2015	2014	2015
REVENUE			
918	955	2,785	2,841
19	34	74	107
937	989	2,859	2,948
OPERATING COSTS			
(165)	(189)	(489)	(540)
(89)	(126)	(259)	(300)
(199)	(214)	(583)	(636)
484	460	1,528	1,472
FINANCIAL INCOME (EXPENSES)			
4	1	15	8
(101)	(92)	(316)	(285)
(97)	(91)	(301)	(277)
INCOME FROM EQUITY INVESTMENTS			
19	28	68	98
51		51	(1)
70	28	119	97
457	397	1,346	1,292
(155)	(121)	(483)	(404)
302	276	863	888
302	276	863	888
Earnings per share			
0.09	0.08	0.26	0.25
0.09	0.08	0.26	0.25

Statement of comprehensive income

(€ million)		First nine months	
		2014	2015
Net profit		863	888
Other components of comprehensive income			
<i>Components that can be reclassified to the income statement:</i>			
Change in fair value of cash flow hedging derivatives (effective portion)		(3)	
Portion of equity investments valued using the equity method pertaining to "other components of comprehensive income"		6	10
Total other components of comprehensive income, net of tax effect		3	10
Total comprehensive income		866	898
attributable to:			
- Snam		866	898
- Minority interests		866	898



Cash flow statement

		(€ million)	
Third quarter		First nine months	
2014	2015	2014	2015
302	276	863	888
	Net profit		
	Adjustments for reconciling profit for the period with cash flow from operating activities:		
199	214	583	636
(19)	(28)	(68)	(98)
5	6	10	16
(4)	(1)	(15)	(8)
88	86	266	262
155	121	483	404
(51)		(51)	1
	Changes in working capital:		
(17)	37	4	74
(155)	(75)	354	275
78	18	(342)	(187)
(3)	9	(19)	(11)
(51)	(103)	(339)	(235)
(148)	(114)	(342)	(84)
(1)	29	1	27
13	21	52	120
(3)		1	4
(87)	(89)	(263)	(261)
(1)	(1)	(425)	(241)
448	520	1,095	1,666
	Net cash flow from operating activities		
	Investments:		
(227)	(204)	(590)	(517)
(84)	(92)	(233)	(233)
	- Property, plant and equipment		
	- Intangible assets		
	- Equity investments		
	- Change in scope of consolidation and business units		
(30)	8	(68)	(125)
(341)	(288)	(891)	(934)
	<i>Cash flow from investments</i>		
	Divestments:		
	3 - Property, plant and equipment		4
	- Intangible assets		
	- Equity investments	7	86
1	- Change in payables and receivables relating to divestments	1	
1	3	8	90
(340)	(285)	(883)	(844)
	Net cash flow from investment activities		
574	13	1,949	604
(491)	(21)	(1,021)	(523)
(165)	(444)	(609)	(290)
	221 Financial receivables not held for operations		216
(82)	(231)	319	7
	Sale of treasury shares	2	
	Dividends paid to Snam shareholders	(507)	(875)
(82)	(231)	(186)	(868)
	Net cash flow from financing activities		
6		6	
	Effect of the change in scope of consolidation		
32	4	32	(46)
	Net cash flow for the period		
2	24	2	74
	Cash and cash equivalents at start of period		
34	28	34	28
	Cash and cash equivalents at end of period		

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